2021 ANNUAL REPORT

The results of
Cassa Depositi e Prestiti

cdp

- ■ 100.00% **CDP EQUITY S.p.A.**
- ■ 59.10% **CDP RETI S.p.A.**
- ■ 100.00% **CDP INDUSTRIA S.p.A.**

cdp direct holdings

- Eni S.p.A. ● 25.96%
- Poste Italiane S.p.A. ● 35.00%
- Telecom Italia S.p.A. 9.81%
- Istituto della Enciclopedia Italiana fondata da Giovanni Treccani S.p.A.[b] 7.38%
- Istituto per il Credito Sportivo 2.21%
- Elite S.p.A. ● 15.00%
- ITsART S.p.A. ■ 51.00%
- Redo SGR S.p.A. ⇧ ● 30.00%
- European Investment Fund 1.11%

CDP EQUITY S.p.A.

- Ansaldo Energia S.p.A. ■ 87.57%
- Open Fiber Holdings S.p.A ▲ 60.00%
- B.F. S.p.A. ● 17.54%
- Hotelturist S.p.A. ▲ 45.95%
- Webuild S.p.A. [d] ● 16.67%
- CDP Venture Capital SGR S.p.A. ⇧ ■ 70.00%
- Fondo Italiano d'Investimento SGR S.p.A. ⇧ ■ 68.00%
- QuattroR SGR S.p.A. ⇧ ● 40.00%
- FSI SGR S.p.A. ⇧ ● 39.00%
- F2i - Fondi Italiani per le Infrastrutture SGR S.p.A. ⇧ 14.01%
- 7.32% Euronext N.V.
- 51.00% ▲ Holding Reti Autostradali S.p.A.
- 30.00% ■ Renovit S.p.A. [c]
- 49.00% ▲ GreenIT S.P.A.
- ■ 77.12% **FSI Investimenti S.p.A.**

CDP RETI S.p.A.

- Terna S.p.A. ◆ 29.85%
- Snam S.p.A. ◆ 31.35%
  - 13.49% Italgas S.p.A.
- Italgas S.p.A. ◆ 26.02%

CDP INDUSTRIA S.p.A.

- Saipem S.p.A. ▲ 12.55%
- Fincantieri S.p.A. ■ 71.32%

FSI Investimenti S.p.A.

- Rocco Forte Hotels Ltd ● 23.00%
- Kedrion S.p.A. ● 25.06%
- Valvitalia Finanziaria S.p.A. ▲ 50.00%
- 100.00% ■ FSIA Investimenti S.r.l.
- 25.67% ● Trevi Finanziaria Industriale S.p.A.[a]
- 50.00% ▲ IQ Made in Italy Investment Company S.p.A.

⇧ FUND MANAGEMENT RELATIONSHIP

TYPE OF CONTROL / INFLUENCE

- ■ Control
- ◆ De facto control
- ● Significant influence
- ▲ Joint control

(a) SACE holds a further 6.99%

(b) Snam holds a further 1.26%

(c) Snam holds 60.05% of the company

(d) SACE holds 0.31%, Fincantieri holds 0.07% and Sace FCT holds 0.05%

GROUP STRUCTURE

at 31 December 2021

■ 100.00% **FINTENCA S.p.A.**

■ 100.00% **CDP IMMOBILIARE S.r.l.**
- Residenziale Immobiliare 2004 S.p.A. ■ 100.00%
- Alfiere S.p.A. ■ 100.00%
- M.T. Manifattura Tabacchi S.p.A. ● 40.00%
- Consorzi e altri

■ 70.00% **CDP IMMOBILIARE SGR S.p.A.**

■ 100.00% **SACE S.p.A.**
- SIMEST S.p.A. ■ 76.01%
- SACE FCT S.p.A. ■ 100.00%
- SACE BT S.p.A. ■ 100.00%
  - 100.00% ■ SACE Srv S.r.l.
- SACE do Brasil 100.00%
- African Trade Insurance Company ● 3.23%
- Fondo Sviluppo Export ■ 100.00%

8.28% ● 5.30% **Nexi S.p.A**

● 28.40% **Inalca S.p.A.**

COMPANIES IN LIQUIDATION:

- ● **Europrogetti & Finanza S.p.A.** 31.80%
- ■ **Bonafous S.p.A.** 100.00%
- ■ **Cinque Cerchi S.p.A.** 100.00%
- ■ **Pentagramma Romagna S.p.A.** 100.00%
- ■ **Pentagramma Piemonte S.p.A.** 100.00%
- ■ **Quadrifoglio Genova S.p.A.** 100.00%
- ▲ **Quadrifoglio Brescia S.p.A.** 50.00%
- ▲ **Quadrifoglio Piacenza S.p.A.** 50.00%

GROUP STRUCTURE
at 31 December 2021

INVESTMENT FUNDS

CDP Immobiliare SGR S.p.A. — 70.00% ■ Control

100.00%	Fondo Investimento per la Valorizzazione Extra
100.00%	Fondo Investimento per la Valorizzazione Plus
49.31%	Fondo Investimento per l'Abitare (FIA)
90.91%	Fondo Nazionale del Turismo - Comparto A
100.00%	Fondo FIA 2

Fondo Italiano d'Investimento SGR S.p.A. — 68.00% ■ Control

quote A 66.28% quote B 38.24%	Fondo Italiano Consolidamento e Crescita
quote A 65.15% quote B 39.47%	Fondo Italiano Tecnologia e Crescita
20.83%	FoF Fondo Italiano di Investimento
74.56%	FoF Private Equity Italia
62.50%	FoF Private Debt
77.76%	FoF Private Debt Italia (***)
76.69%	FoF Venture Capital
20.83%	Fondo Italiano di Investimento FII Venture

Redo SGR S.p.A. — 30.00% ● Significant influence

3.57%	Fondo Immobiliare di Lombardia - Comparto Uno (previously Abitare Sociale I)

QuattroR SGR S.p.A. — 40.00% ● Significant influence

quote A 41.96% quote B 0.21%	Fondo QuattroR

FSI SGR S.p.A. — 39.00% ● Significant influence

quote A 35.81% quote B 0.25%	FSI I

CDP Venture Capital SGR S.p.A. — 70.00% ■ Control

95.23%	FoF VenturItaly (***)
88.24%	Fondo Acceleratori (***)
100.00%	Fondo Boost Innovation (***)
100.00%	Fondo Evoluzione (***)
100.00%	Fondo Technology Transfer - Comparto diretto (***)
100.00%	Fondo Technology Transfer - Comparto indiretto (***)
71.43%	Fondo Corporate Partners I - Comparto IndustryTech (***)

F2i - Fondi Italiani per le Infrastrutture SGR S.p.A. — 14.01%

quote A 8.05% quote C 0.02%	F2i - Secondo Fondo Italiano per le Infrastrutture
4.17%	F2i - Terzo Fondo per le Infrastrutture
9.65%	F2i - Fondo per le Infrastrutture Sostenibili (***)

Other funds

25.17%	Fondo AREF
5.44%	Fondo EGO
21.36%	Fondo Opes (**)
10.16%	Fondo Ver Capital
9.33%	Fondo October
11.77%	Fondo Atlante
11.28%	Fondo Regio
12,90%	Italian Recovery Fund
49.50%	Vertis Venture 3 Technology Transfer (*)
36.90%	360 PoliMI TT Fund (*)
48.01%	Progress Tech Transfer SLP-RAIF (*)
18.49%	Sofinnova Telethon SCA (*)
19.50%	Eureka Fund! I - Technology Transfer (*)
14.58%	Fondo PPP Italia
25.14%	Springrowth - Fondi di credito diversificato
21.87%	HI CrescItalia PMI
16.16%	Anthilia BIT III
33.33%	Fondo Magellano
33.33%	Muzinich Diversified Enterprises Credit II
17.55%	Oltre II SICAF EuVeca S.p.A. (**)
16.63%	Oltre III Italia (**)

INVESTMENT VEHICLES

14.08%	2020 European Fund for Energy. Climate and Infrastructure SICAV - FIS S.A. (Fondo Marguerite)
13.42%	Marguerite II SCSp (Fondo Marguerite II)
quote A 38.92% quote B 1.20%	Inframed Infrastructure S.A.S. à capital variable (Fondo Inframed)
2.00%	European Energy Efficiency Fund S.A., SICAV-SIF (Fondo EEEF)
9.01%	Connecting Europe Broadband Fund SICAV RAIF
50.00%	EAF S.C.A. SICAR - Caravella (Fondo Caravella)

NOTES

(*) Fund launched under the ITAtech investment platform; managed and co-Investment agreement signed by CDP and EIF focused on technology transfer funds.

(**) Fund launched under the Social Impact Italia investment platform; managed and co-Investment agreement signed by CDP and EID focused on social impact investing.

(***) Underwritten by CDP Equity S.p.A..

Summary

LETTER TO SHAREHOLDERS

In 2021, Cassa Depositi e Prestiti (CDP) continued to provide support to Italy's recovery in a scenario still characterised by the challenge of the Covid-19 pandemic.

CDP's commitment was aimed at local and regional authorities, through the promotion of initiatives for social cohesion and sustainable development, especially in the fields of school and health buildings, mobility, and urban regeneration.

In addition, CDP has responded promptly to the needs of the productive world, in order to favour investments and defend employment levels, but also to relaunch its long-term prospects.Our people's experience and technical expertise have made it possible to commit approximately 24 billion euro, and to attract further funds from third parties, which together mean a total investment of 35 billion euro in support of the country. This result has been achieved thanks to the soundness of our funding, first and foremost that collected through postal savings, amounting to 281 billion euro, together with other issuances based on ESG principles.

The appointment of the new Board of Directors saw the launch of the 2022-2024 Strategic Plan. This Plan identified four major challenges to tackle in order to make a

The Chief Executive Officer and the Chairman of Cassa Depositi e Prestiti real contribution to re-launching the Italian economy, in line with the UN 2030 Agenda for Sustainable Development: climate change and protection of the ecosystem, inclusive and sustainable growth, digitisation and innovation, and rethinking value chains. These 4 challenges have resulted in the establishment of 10 areas of operation designed to better focus CDP's activities and to avoid its actions being dissipated across too many fronts.

With its new Strategic Plan, CDP undertakes to fund projects capable of having the greatest possible economic, social, and environmental impacts, and creating value in the long term. A focus on sustainability in fact characterises all stages of the funding and investment process, starting with the formulation of specific policies designed to direct operations.

In its capacity as a National Promotional Institution, CDP intends to increase its ability to sustain businesses and public administrations, by focusing on technical and financial consultancy, the strengthening of the mechanisms for *blending* our own resources with those of third parties, and the use of alternative instruments to the banking system. A new approach inspired by principles of additionality and complementarity to the market, also functional to the reinforcing of CDP's role as the Italian Financial Institution for International Cooperation, working in partnership with multilateral development banks.

For the management of equity investments, CDP shall maintain its role as a stable shareholder in infrastructure and assets of strategic importance for the country. At the same time, it shall place great importance on the consolidation of the private equity market, the strengthening of its commitment to venture capital, and the implementation of special purpose interventions aimed at business growth in key sectors, based on a specific exit approach and with the involvement of other investors.

Furthermore, we also play a role in the implementation of the National Recovery and Resilience Plan, of vital importance to Italy's future development. CDP is playing its part in a responsible, tangible manner by providing technical assistance to national and local public authorities, and by directly managing part of the resources linked to strategic initiatives to stimulate the Italian economy.

In this context, the contribution of the Group's women and men has been essential and will be even more so in the future.. Their professionalism and integrity are key to CDP's reputation as a centre of excellence serving the country's needs. This is the very reason why we shall increase our commitment to inclusion and transparency both within the Group and in our relations with external stakeholders.

Productive cooperation with our shareholders, the Italian Ministry of Economy and Finance and the Banking Foundations, which support us in pursuing our mission of promoting the growth of local areas and communities, and with whom we work intensively in the country's interest, has always been, and continues to be, of fundamental importance.

Faced with an extremely uncertain international scenario, we are all called upon to play our part in laying the foundations for a resilient, sustainable, supportive and inclusive development, especially for women and young people. The CDP Group is ready to offer its expertise, with the great sense of responsibility which has always characterised its history, confirming its commitment to Italy.

Giovanni Gorno Tempini
Chairman

Dario Scannapieco
The Chief Executive Officer

“This document is an additional version of the official version compliant with Delegated Regulation (EU) 2019/815 of the European Commission (ESEF Regulation - European Single Electronic Format) published on the website at www.cdp.it.”

MAIN INDICATORS 2021

CDP S.p.A.

413.0 Total Assets
bn euro

281.5 Postal Funding (*)
bn euro

23.6 Shareholders' equity
bn euro

25.3 Net income
bn euro

114.2 Loans (*)
bn euro

67.7 Debt securities (*)
bn euro

2.4 New lending
bn euro

1,114
Employees

(*) reclassified figures re.§ 3.2.1

MAIN INDICATORS 2021

CDP GROUP

517.1 Total Assets
bn euro

419.5 Funding
bn euro

23.8 Resources deployed
bn euro

35.4 Consolidated net equity
bn euro

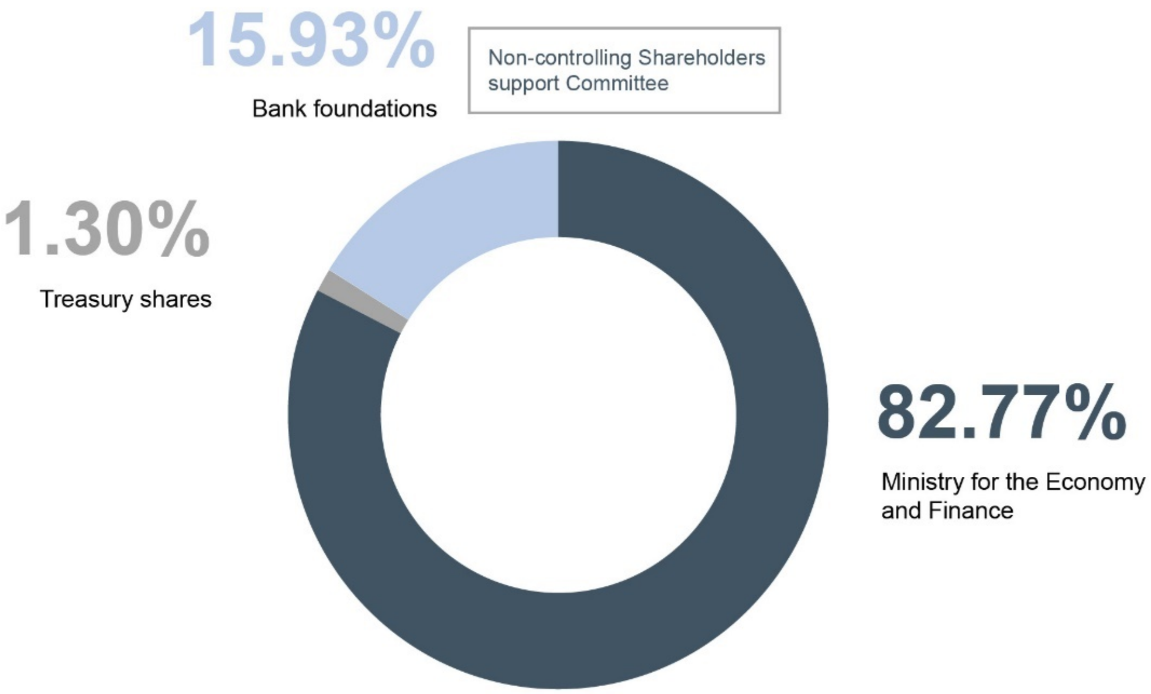
20.8 New lending
bn euro

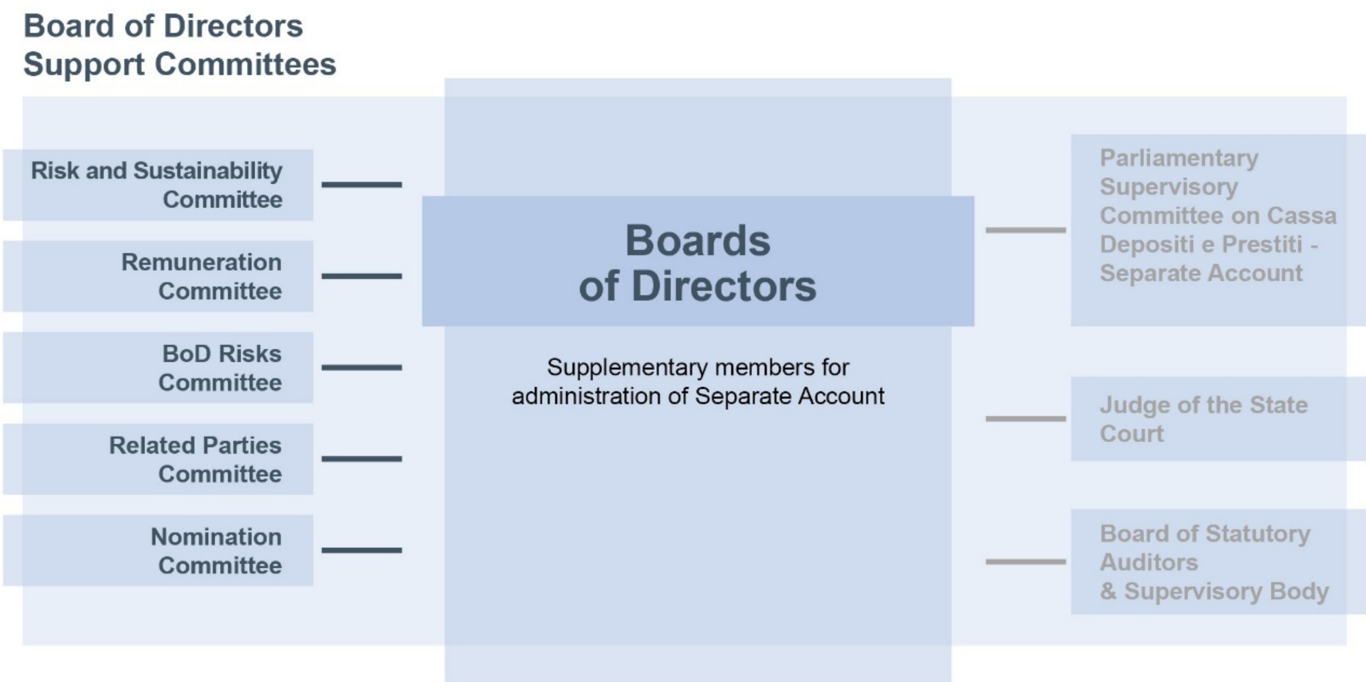
21.2 Group equity
bn euro

5.3 Consolidated net income
bn euro

over **40,000** Employees

COMPANY BODIES, OFFICERS AND GOVERNANCE





COMPANY BODIES AT 31 DECEMBER 2021

Board of Directors

Chairman
Giovanni Gorno Tempini

CEO and General Manager
Dario Scannapieco

Directors
Livia Amidani Aliberti
Anna Girello Garbi
Fabrizia Lapecorella
Fabiana Massa
Matteo Melley
Alessandra Ruzzu
Giorgio Toschi

Board of Auditors[1]

Chairman
Carlo Corradini

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

Alternate Auditors
Francesca Mancini
Anna Maria Ustino

Supplementary Members for Administration of Separate Account

(Article 5.8, c. 8, Decree Law 269/2003, ratified with amendments by Law 326/2003)

Director General of the Treasury[2]

State Accountant General[3]

Paolo Calvano[4]

Antonio Decaro

Michele de Pascale

(1) On 25 January 2017, the Board of Directors assigned to the board of Statutory Auditors the duties of the Supervisory Body (pursuant to Legislative Decree No. 231 of 8 June 2001) starting from 27 February 2017.
(2) Alessandro Rivera.
(3) Pier Paolo Italia, delegate of the State Accountant General.
(4) With Decree dated 28 June 2021, transmitted to CDP on 2 July 2021, the Ministry of Economy and Finance appointed Paolo Calvano as Supplementary Member for CDP Administration of Separate Account on behalf of the Autonomous Regions and Provinces.

Manager in charge with preparing the Company's financial reports

Pier Francesco Ragni

Non-controlling Shareholders Support Comittee

Chairman
Giovanni Quaglia

Members
Konrad Bergmeister
Marcello Bertocchini
Michele Bugliesi
Paolo Cavicchioli
Cristina Colaiacovo
Giovanni Fosti
Rossella Paliotto
Giuseppe Toffoli
Maria Teresa Cucco (Secretary)

Parliamentary Supervisory Committee on Cassa Depositi e Prestiti - Separate Account

Chairman
Sestino Giacomoni
(Member of Parliament)
Vice Chairman
Nunzio Angiola
(Member of Parliament)
Members
Gian Pietro Dal Moro
(Member of Parliament)
Raffaele Trano
(Member of Parliament)
Alberto Bagnai (Senator)
Roberta Ferrero (Senator)
Vincenzo Presutto (Senator)
Cristiano Zuliani (Senator)
Luca Cestaro
(Administrative Court)[5]
Carlo Dell'Olio
(Administrative Court)
Luigi Massimiliano Tarantino
(Council of State) *Secretary for confidential affairs*
Mauro Orefice (Chairman of chamber State Audit Court)

Judge of the State Audit Court[6]

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

Ordinary
Carlo Alberto Manfredi Selvaggi

Alternate
Giovanni Comite

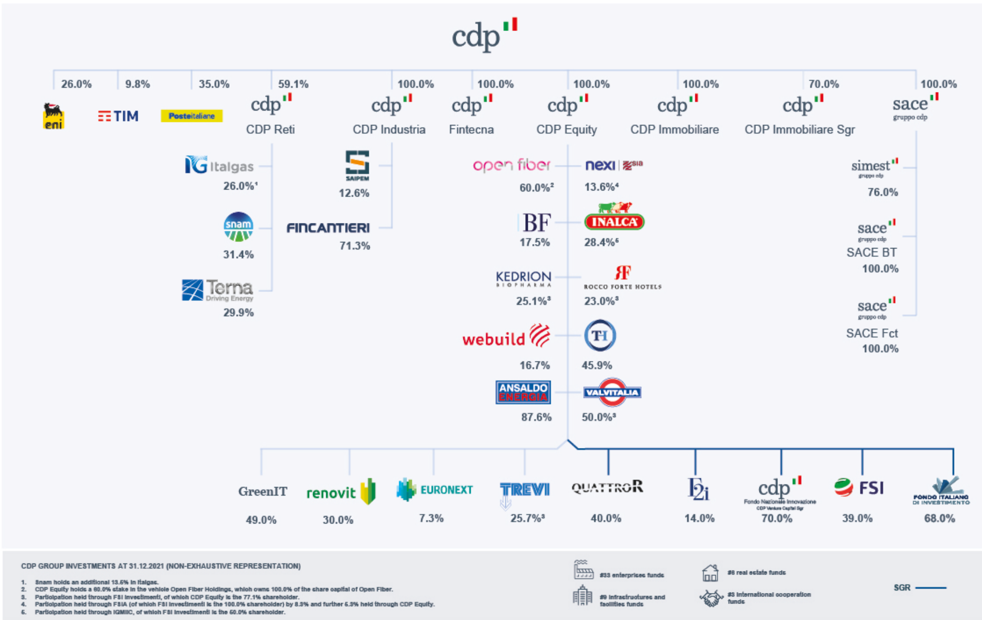
Independent Auditors

Deloitte & Touche S.p.A.

(5) Appointed on 20 April 2021, in substitution of Vincenzo Blanda.
(6) Art. 5, para. 17, of Decree Law 269/03 - attends meetings of the Board of Directors and the Board of Statutory Auditors.

1. Report on operations

1. CDP GROUP



1.1 CDP S.P.A.

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

From being an institution created to support the public sector through the management of Postal Savings, commitment to public works and financing of the State and public bodies, CDP is gradually expanding its scope of action towards the private sector, while always operating in view of medium-long term development, in a fully complementary role with the market.

More specifically:

- in 2009, the financing of enterprises through the banking system was strengthened to tackle the liquidity crisis in the financial markets;
- Fondo Strategico Italiano - FSI (now CDP Equity), wholly owned by CDP, was established in 2011 in order to acquire equity investments in enterprises of major national interest under a long-term perspective;
- in 2012, after the acquisition of SACE, SIMEST and Fintecna, the CDP Group was created, with the aim of strengthening the international expansion of Italian enterprises;
- in 2014, the scope of CDP's activities was extended to financing international development cooperation projects designed for public or private-sector entities;
- in 2015, the Italian Government and the European Union designated CDP as a National Promotional Institution. As a result, CDP became:
  - the entry point for funding under the Juncker Plan for Italy;

   - the financial advisor to the Public Administration for a more effective use of domestic and European funds;
- in November 2021, the 2021-2024 Strategic Plan was approved, which identified four major challenges to be tackled in order to make a real contribution to relaunching the Italian economy over the next three years: climate change and protection of the ecosystem, inclusive and sustainable growth, rethinking production sectors, digitalisation and innovation.

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

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

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

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

The following structures report to the Board of Directors:

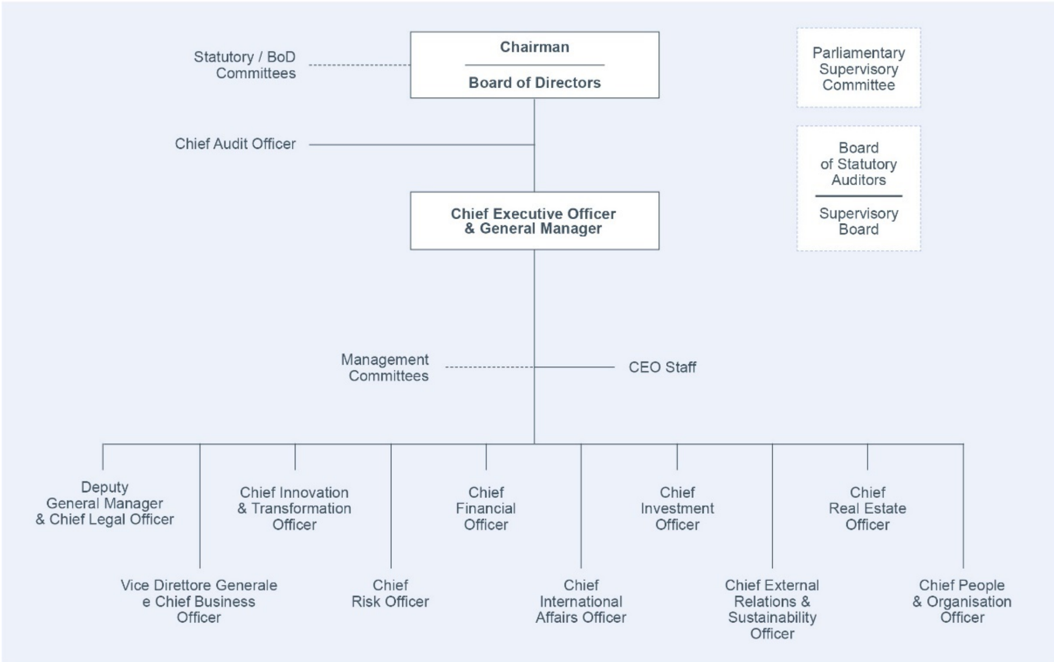
- Chief Executive Officer and General Manager;
- Chief Audit Officer.

The following structures report to the Chief Executive Officer and General Manager:

- Deputy General Manager and Chief Legal Officer;
- Deputy General Manager and Chief Business Officer;
- Chief Innovation & Transformation Officer;
- Chief Risk Officer;
- Chief Financial Officer;
- Chief International Affairs Officer;
- Chief Investment Officer;
- Chief External Relations & Sustainability Officer;
- Chief Real Estate Officer;
- Chief People & Organization Officer;
- CEO Staff.

The CDP organisational chart, as at 31 December 2021, is as follows:

THE NUMBER OF CDP'S EMPLOYEES INCREASED BY 106



As at 31 December 2021, CDP employed 1,114 people, including 105 senior managers, 560 middle managers, 424 office workers and 25 employees seconded from other organisations.

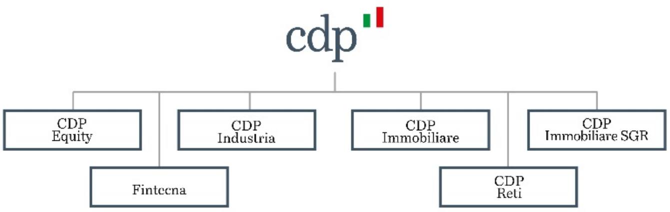
In 2021, CDP employees grew both in terms of number and quality, with 193 new hires against 87 people leaving the organisation.

Compared to last year, the average age of employees remained basically unchanged, around 41 years, while the percentage of employees with a tertiary education (bachelor's or master's degree, doctorate or other post-graduate qualification) increased to 85%.

The companies subject to management and coordination by CDP, including the Parent Company, employed 1,454 people at 31 December 2021, with an increase of 9%, or 123 people, compared to the figure at 31 December 2020[1].

[1] The calculation of resources has been made pro-forma for the whole Group according to the following method: resources included: all the current resources, the resources seconded in the company with a percentage greater than 50%, resources on maternity and parental leave, and the resources seconded out of the company with a percentage lower than 50%; resources excluded: the resources seconded out of the company with a percentage greater than 50%, the resources seconded in the company with a percentage lower than 50%, interns, collaborators, temporary workers, workers on leave and the corporate bodies.

1.2. GROUP COMPANIES[2]



CDP EQUITY S.P.A.

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

CDP Equity usually operates by acquiring non-controlling stakes in companies of major national interest that have a stable economic and financial position and are capable of generating value for investors. During 2019, CDP Equity's operations were further strengthened, by expanding the scope of the investment portfolio also to asset management companies and collective investment undertakings.

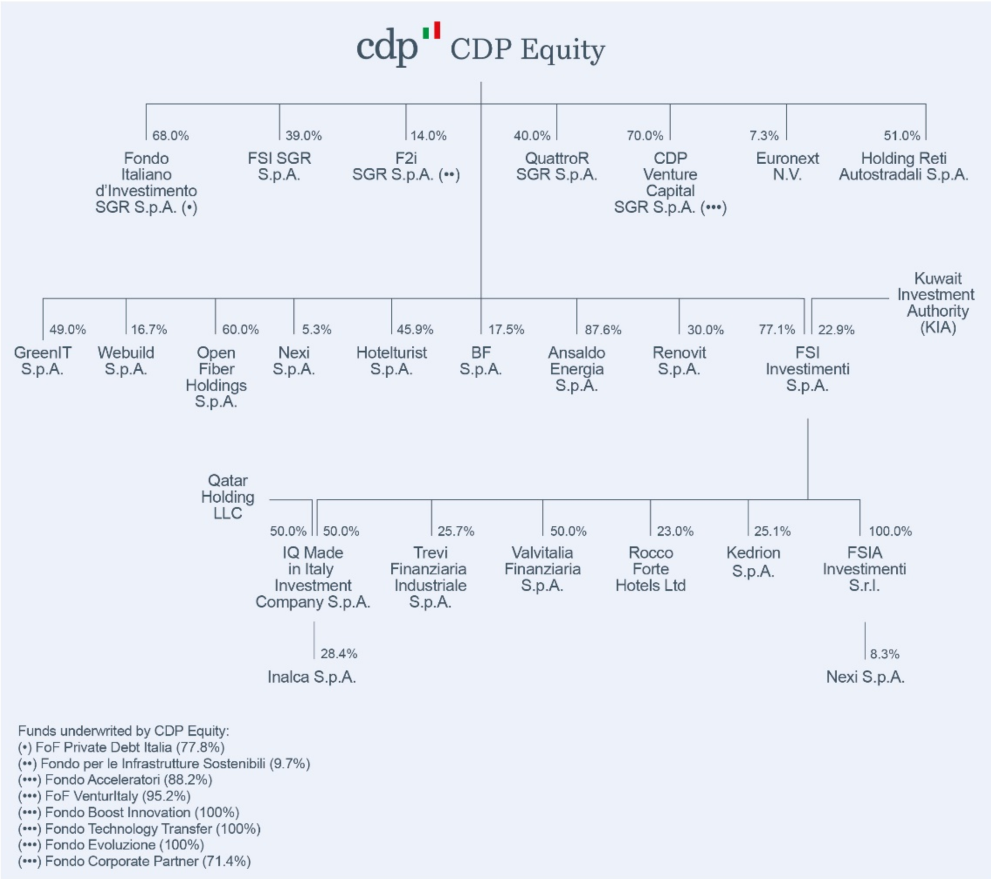
At the reporting date, the company operates, directly or indirectly, through the following investment vehicles:

- FSI Investimenti S.p.A., 77.1% owned by CDP Equity and 22.9% by Kuwait Investment Authority (KIA);
- FSIA Investimenti S.r.l., 100% owned by FSI Investimenti S.p.A. following the spin-off of the stake in Poste Italiane (previously equal to 30%) completed on 31 December 2021;
- IQ Made in Italy Investment Company S.p.A., 50% owned by FSI Investimenti S.p.A. and 50% by Qatar Holding LLC.

Furthermore, the company subscribed the units of 8 investment funds promoted by 3 asset management companies in the portfolio; 6 funds promoted by CDP Venture Capital SGR, namely VenturItaly FoF, Acceleratori, Boost Innovation, Technology Transfer (umbrella fund), Evoluzione and Fondo Corporate Partners I, 1 fund promoted by Fondo Italiano d'Investimento SGR, or Private Debt Italia FoF and 1 fund promoted by F2i SGR, or Fondo per le Infrastrutture Sostenibili.

Overall, the portfolio of CDP Equity at 31 December 2021 is broken down as follows:

[2] In this context, the CDP Group is represented by the companies subject to management and coordination by CDP S.p.A.; following the publication of Decree Law No. 23 of 2020, SACE is no longer subject to management and coordination by CDP S.p.A.



At 31 December 2021, CDP Equity employed 82 people, 14 more than on 31 December 2020 (due to 14 employees leaving and 28 new hires).

FINTECNA S.P.A.

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

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

At 31 December 2021, Fintecna employed 98 people, the same figure as at 31 December 2020.

CDP IMMOBILIARE S.R.L.

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

CDP Immobiliare manages the process of development and disposal of its assets, both directly and through special purpose vehicles set up over time. In particular, at 31 December 2021 CDP Immobiliare held equity investments (subsidiaries and associates) in 10 companies, including

Residenziale Immobiliare 2004 S.p.A., owner of the former Istituto Poligrafico e Zecca dello Stato (Rome), and Alfiere S.p.A., the owner of the Torri dell'Eur complex in Rome.

At 31 December 2021, CDP Immobiliare employed 104 people, 1 less than at 31 December 2020 (due to 11 new hires and 12 employees leaving).

CDP IMMOBILIARE SGR S.P.A.

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

CDPI SGR operates in the real estate investment sector, specifically in the promotion, establishment and management of closed-end funds reserved to qualified investors in specific real estate market segments. At 31 December 2021, CDPI SGR manages the following real estate funds:

- Fondo Investimenti per l'Abitare ("FIA"), focused on the realisation of social housing initiatives, through investments in a network of local real estate funds;
- Fondo Investimenti per la Valorizzazione ("FIV"), a real estate umbrella fund dedicated to the acquisition of real estate with unexpressed potential value that can be leveraged through change in use, upgrading or rental;
- Fondo Nazionale del Turismo ("FNT"), a real estate umbrella fund focused on real estate investments in the tourism, hotel, hospitality and recreational sectors through (i) Fondo Turismo 1 ("FT1") and (ii) Fondo Turismo 2 ("FT2"), both managed by CDPI SGR and specialised in aggregating a diversified portfolio by acquiring real estate assets (with specific characteristics depending on the fund) and renting these out to hotel operators;
- FIA 2, focused on real estate investments in housing and private services of public utility in the smart housing, smart working, innovation and training sectors.

At 31 December 2021, the company employed 54 people, up by 3 units compared to 31 December 2020 (due to 4 employees leaving and 7 new hires).

CDP RETI S.P.A.

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

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

At 31 December 2021, the company owned equity investments in Snam (31.35%), Terna (29.85%) and Italgas (26.02%)[3].

At 31 December 2021, CDP RETI employed 2 people (1 at 31 December 2020), plus 7 people under part-time secondment from the Parent Company (3 people under secondment at 31 December 2020). To conduct its business, the company also relies on the operational support of CDP and CDP Equity, which is provided under service contractual arrangements made at arm's length.

CDP INDUSTRIA S.P.A.

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

The company is wholly owned by CDP.

[3] Following the capital increase carried out by the ITALGAS Board of Directors on 10 March 2021 by issuing 632,852 new shares for the beneficiaries of the 2018-2020 Co-Investment Plan, the share capital of ITALGAS consists of 809,768,354 shares. This capital increase led to a reduction in CDP RETI's share (from 26.04% to 26.02%).

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

At 31 December 2021, the Company had no employees. To conduct its business, CDP Industria relies on the operational support of CDP and CDP Equity.

2. MARKET CONTEXT

2.1 MACROECONOMIC SCENARIO

2021 WAS MARKED BY A STRONG GLOBAL RECOVERY FOLLOWING THE PANDEMIC CRISIS

2021 was characterised by a marked rebound in global GDP after the pandemic-induced economic crisis that had led to an unprecedented fall in activity. According to the International Monetary Fund (IMF)[4], world GDP grew by 5.9%, compared to -3.1% in 2020, recovering the levels lost during the acute phase of the health crisis. The speed and strength of the recovery depended on the efficiency with which the pandemic was managed in the various countries and in particular on the ability to ensure the vaccination of large and growing proportions of the population and, consequently, to guarantee the continuity of economic activity in both industry and services.

The strong growth in global demand was also supported by expansionary fiscal policies introduced to shore up household and corporate budgets, which were severely affected by the pandemic. Public stimulus in response to the crisis reached 17 thousand billion dollars[5] in 2021 at global level, and additional fiscal measures are planned this year in many countries to support the green transition, the digital transformation and other investments in strategic sectors.

The last few months of 2021 saw a gradual slowdown in growth, which also continued into the beginning of 2022, explained by the combination of two factors: 1) the fourth pandemic wave, caused by the new, more contagious Omicron variant, which led many countries to introduce new restrictions on mobility; 2) high, widespread and persistent inflation, due to rising energy prices and supply disruptions that have led to a surge in consumer prices, particularly in the USA, but also in Europe and many emerging markets. The downside risks concerning growth prospects are also due to the effects of the normalisation of economic policy, the uncertainty about the development of the pandemic, the European energy crisis and geopolitical tensions.

According to IMF estimates, GDP in the USA grew by +5.6% in 2021, driven by a rebound in domestic demand; this trend allowed for a full recovery of the activity levels lost in 2020, when GDP had fallen by 3.4%. The other driver of global growth, China, recorded sharp acceleration in 2021, reaching a rate of 8.1%, compared to +2.3% in 2020, despite some factors acting as a brake: the scarcity of energy goods, the turbulence in the residential property sector and the new outbreaks of Covid-19.

THE PERFORMANCE OF THE ITALIAN ECONOMY OUTPERFORMED GERMANY'S

In the Eurozone, GDP grew by 5.3% in 2021, compared to -6.4% in 2020, with a marked slowdown towards the end of the year due to a resurgence of infections and the subsequent introduction of containment measures, as well as persisting supply-side bottlenecks that hampered manufacturing, especially in Germany. Among the European countries there was a positive trend, though rather mixed: growth was, in fact, particularly strong in France (+7.0% compared to -8.0% in 2020), solid in Spain (+5.0% compared to -10.8% in 2020) and moderate in Germany (+2.9% compared to -4.6% in 2020)[6].

Against this scenario of recovery, Italy's performance was more positive than that of some major European countries: according to the Istituto nazionale di statistica, Italy’s GDP grew by 6.6% in 2021, after falling by 9.0% in 2020[7]. Following the surge in the spring months, there was a similar expansion in the summer and a moderate increase in the latter part of the year. At the end of 2021, quarterly GDP levels were lower by about 0.3 percentage points than those at the end of 2019. This trend was faster than the one observed in Germany and Spain (where the gap is still -1.1 and -4.0 percentage points compared to pre-Covid levels, respectively), though slightly lagging behind France, the only one of the four big European countries to have already closed the gap.

[4] IMF, World Economic Outlook, January 2022.
[5] IMF, Fiscal Monitor, October 2021.
[6] Eurostat Data, Federal Statistical Office, INSEE and INE.
[7] ISTAT, GDP and General Government borrowing, March 2022.

Italy's economic growth in 2021 was mainly driven by internal demand, with household consumption returning to grow at a sustained pace after the easing of the measures put in place to contain the outbreaks (+5.2% against -10.6% in 2020), also thanks to the boost of the forced accumulation of surplus savings during the pandemic phase. The recovery of public and private investment has been more robust (+17.0% against -9.1% in 2020), boosted by incentives for companies, especially in the construction sector. Exports, growing by 13.3% (against -13.4% in 2020), made a very positive contribution to GDP growth[8].

The economic recovery taking place in 2021 led to improved labour market conditions and recovered pre-crisis employment positions in the last part of the year: in December 2021 the employment rate exceeded the levels recorded at the end of 2019 (59.2%, against 59.0% in December 2019) and the unemployment rate dropped (to 9.0% from 9.7% in December 2019). However, on average in 2021, due to the high figures at the beginning of the year, the unemployment rate stood at 9.5% (against 9.4% in 2020)[9]. Businesses still have difficulties in finding workers with appropriate skills.

HIGH INFLATION IS THE MAIN DOWNSIDE RISK TO ECONOMIC GROWTH.

As the pandemic crisis is gradually coming to an end (thanks to Italy's vaccination rates being among the highest in the world), the greatest risks for economic growth in a medium-term scenario are linked to inflation and the continuation of sustained price levels. These are affected both by the increase in demand for certain commodities linked to energy transition and the geopolitical tensions on Europe's borders, exacerbated by the conflict between Russia and Ukraine. In 2021, the annual average change of the Harmonised Indices of Consumer Prices (HICP) in Italy equalled 1.9% (against -0.1% in 2020), mainly driven by the trend in the prices of energy goods. The average figure reflects a dynamic that recorded a gradual increase in price during 2021. In December the rate of inflation reached 4.2% year-on-year, while in January it was +0.7% year-on-year[10]. The negative impact of higher energy bills on household and business budgets is considerable and prompted the government to take action to mitigate the effects of higher electricity and gas prices. Nevertheless, due to the persistence of high price levels, the loss of households' purchasing power and the erosion of company margins represent a major obstacle to the growth of the Italian economy in 2022.

Due to the economic recovery, the main public finance balances have improved: net debt in 2021 stood at 7.2% (against 9.6% in 2020) and the ratio between debt and the gross domestic product dropped to 150.4%, compared to 155.3% a year before[11].

2.2 BANKING SECTOR AND FINANCIAL MARKETS

As a complement to the extraordinary fiscal expansion, during 2021 the European Central Bank continued its extremely accommodative monetary policy action, although in the context of a marked increase in prices as a result of the stronger than expected global economic recovery. This was also possible thanks to the adoption by the ECB, starting from the first half of July, of a new monetary policy strategy, which, by including a symmetrical inflation target of 2% in the medium term for the first time, allows an ample degree of monetary accommodation to be maintained, also in the event of short-term inflationary peaks.

SO FAR THE ECB HAS MAINTAINED AN AMPLE DEGREE OF MONETARY ACCOMMODATION

In this context, the ECB's Asset Purchase Programme continued at a sustained pace during the year. During 2020, it was strengthened and combined with an emergency programme, called Pandemic Emergency Purchase Programme, for a target value of approximately 2.5 thousand billion euro[12] between March 2020 and March 2022. The Eurosystem's key interest rates have remained unchanged, allowing money market rates to remain at historically very low levels. On average, during 2021 the 3-month Euribor stood at -0.55% and the Eonia rate at -0.48%.

The exceptional backstop put in place at European level, on the fiscal policy front and particularly on the monetary policy front, certainly helped to keep the sovereign bond market under control, with the yield on the benchmark Italian ten-year government bond reaching new record lows in February 2021 since the establishment of the European Monetary Union. As a consequence, also the BTP-Bund spread remained at historically very low levels. However, by the end of the year, the prospects for a

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[8] *Ibidem*.
[9] ISTAT, Employed and Unemployed (provisional data) - January 2022, March 2022.
[10] ISTAT, Consumer prices, December 2021.
[11] ISTAT, GDP and General Government borrowing, March 2022.
[12] ECB, Press releases. The figure is also based on assumption about the continued purchase of public and private securities under the Asset Purchase Programme at a monthly rate of 20 billion euro until March 2022.

gradual tightening of the extremely accommodative monetary policy conditions by the ECB - with the interruption of the net purchases of public and private bonds under the emergency programme confirmed for the end of March 2022, made necessary by the progress achieved in the economic recovery and towards the medium-term inflation target - have opened up a phase of increased volatility in financial markets, with consequent repercussions on the assets deemed most at risk. For that reason, the BTP-Bund spread was widened, standing at about 136 basis points (+27 basis points compared to the end of the previous year) at the end of year. At the same time, the Rendistato general index recorded a simultaneous increase, standing at around 0.55% in December (+29.9 basis points compared to the end of 2020).

THE STOCK MARKET CONTINUED TO RISE WHILE THE SOVEREIGN BOND MARKET REMAINED AT HISTORICALLY LOW LEVELS

In the stock market, investors appear to have completely overcome their fears about the negative effects of the health crisis on the economy, with the FTSE MIB index that has now far passed the highs reached at the beginning of 2020, prior to the outbreak of the crisis, also benefiting from the context of abundant liquidity that has marked the last two years. At the end of 2021, the FTSE MIB stood at more than 27,300 points (+23% compared to the end of 2020)[13].

With regard to bank lending, in December the growth of loans to the private sector[14] declined sharply compared to last year (+2.1% year-on-year, against +4.7% recorded in 2020). The sustained increase in loans to households (+3.7% year-on-year, against +2.3% recorded in 2020) contrasted with a substantial deceleration in lending to non-financial companies (+1.7% year-on-year, against +8.4% recorded in 2020), reflecting the weak demand for new loans, which is partly explained by the ample liquidity that was accumulated during the acute phase of the pandemic crisis, even though the conditions of credit supply to the real economy remained particularly accommodative during the year. In contrast, bank loans to Public Administration entities grew further compared to the previous year (+1.5% year-on-year, against +0.8% recorded in 2020)[15]. The pandemic-induced economic crisis and the consequent increase in the level of indebtedness of the private and public sector, have not yet shown negative repercussions on the stock of gross bad debts in the banking sector, which during the year continued on the downward path started in 2017, standing at around 39 billion euro in December (-20.3% year-on-year[16]).

THE EXPANSION OF TOTAL BANK LOANS AND FUNDING SHOWED A SIGNIFICANT DECELERATION

Regarding bank liabilities, during 2021 the expansion of total deposits of Italian banks also recorded a marked decrease (+6.8% year-on-year at the end of 2021, against +12.2% in 2020), due to the significant slowdown in deposits from both households and businesses. In fact, in December deposits of the private sector[17] increased by 6.9% year-on-year (against +11.1% recorded in 2020), while bond funding[18] decreased by 5.5% in the same period (against -5.4% recorded in 2020).

This deceleration in the trend of bank loans and funding was also reflected in less recourse by banks to refinancing with the European Central Bank, rising by 21.2% year-on-year in December (compared to +69.9% recorded in 2020)[19].

During 2021, the stock of financial assets held by Italian households is estimated to grow by 6.6% compared to the end of 2020, against +2.9% recorded in 2020. At the end of 2021, the volume is expected to amount to almost 5.1 thousand billion euro (about +0.3 thousand billion euro compared to the end of 2020)[20].

[13] Refinitiv Datastream and Eikon data.
[14] Net of loans to central counterparties and adjusted to take into account the effects of securitisations and other receivables transferred and derecognised from the banks' financial statements.
[15] Year-end percentage change in stock of loans, not adjusted to take into account the effects of securitisations and other receivables transferred and derecognised from the banks' financial statements.
[16] The change reflects the effect of securitisations.
[17] Net of deposits of central counterparties and adjusted to take into account the effects of securitisations.
[18] Net of bonds held by banks resident in Italy.
[19] Bank of Italy figures.
[20] Oxford Economics data via Refinitiv Datastream and Bank of Italy.

3. CDP GROUP'S ACTIVITIES

3.1 BUSINESS PERFORMANCE

RESOURCES DEPLOYED OF € 23.8 BILLION IN 2021

During 2021, the CDP Group[21] deployed resources of 23.8 billion euro[22], up compared to 2020. Resources were allocated to each of the lines of action in the following proportions: 52% of the total to "CDP Corporate", 47% to "CDP Infrastructures, Public Sector & Territorial Development" and 1% to "CDP International Cooperation".

Overall, the Group channelled around 35 billion euro's worth of investments into the economy.

Resources deployed broken down by lines of action - CDP Group

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
CDP Corporate	12,407	13,481	(1,074)	-8.0%
CDP Public Sector and Infrastructures	11,219	8,063	3,157	39.2%
CDP International Cooperation	172	370	(198)	-53.5%
Total	**23,799**	**21,914**	**1,885**	**8.6%**

In the same period, CDP S.p.A. deployed resources amounting to 23.6 billion euro, up by 8% on 2020.[23]

3.1.1 CDP S.P.A.

3.1.1.1 Lending

Consistently with the lines of action defined by the 2019-2021 Business Plan, CDP's operations in 2021 are arranged into four areas of activity:

- **Corporate**: through the CDP Corporate Area, CDP pursues the mission of ensuring financial support to the national productive fabric, in a complementary role to the banking system;
- **Infrastructures, Public Sector & Territorial Development**: through the CDP Infrastructures and Public Sector and CDP Energy and Digital Area, CDP operates to support the Public Administration and the development of the national infrastructure and projects in the energy, digital and social sectors, also with the involvement of market participants;
- **International Cooperation & Development Finance**: through the CDP International Cooperation & Development Finance Area, CDP promotes high social-economic impact initiatives in developing countries, through own resources and third-party funds;
- **Large Strategic Equity Investments**: through the Chief Investment Officer Department, CDP supports enterprises, infrastructure and the territory through equity investments in companies of significant national interest, as well as through the subscription of units in mutual investment funds.

[21] Group means CDP S.p.A. together with CDP Equity, CDP Immobiliare and CDP Immobiliare SGR.
[22] The figure relating to resources deployed at 31 December 2020 was adjusted according to the new scope of operations of the CDP Group which, as from 2021, does not include SACE which, following the publication of Decree Law no. 23 of 8 April 2020, is no longer subject to management and coordination.
[23] The figure relating to resources deployed at 31 December 2021 of CDP S.p.A. and the CDP Group includes 5.2 billion euro of refinancing of the MEF mortgages of Regions, compared to 0.8 billion euro in the same period of 2020.

Corporate

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

In 2021, CDP promoted new initiatives aimed at i) offering new targeted products to satisfy the needs of enterprises and ii) facilitating access to the Group’s offer.

With regard to the first point above, 2021 marked the activation and continuation of a number of initiatives aimed at extending the offer of products targeted at enterprises through four areas: i) direct operations, ii) alternative financing, iii) indirect operations, in cooperation with financial institutions and iv) advisory.

CONTINUATION OF DIRECT AND ALTERNATIVE FINANCING OPERATIONS

With reference to direct operations, CDP's support to the Italian entrepreneurial fabric (Mid Cap and Large Corporate) continued through the investment of over 4 billion euro of resources. Specifically:

- 2.2 billion euro to support the domestic growth of Italian companies, also aiding the post-COVID-19 recovery through the “COVID-19 Liquidity” instruments;
- 1.8 billion euro to support the growth of exports through “Export Credit” operations and to support the international expansion of Italian companies through “International Financing” operations.

In addition, CDP entered into an agreement with the EIB for the issue of guarantees on new loans granted by CDP to support Mid Cap and Large Corporate investments and working capital needs.

With regard to alternative financing, in 2021 CDP continued to subscribe “basket bonds” (i.e. asset-backed securities, involving minibonds issued by Italian SMEs and Mid-caps - to support investments and working capital needs) and invest in diversified loan funds, such as:

- the new “Basket Bond Filiera” programme, launched in partnership with Unicredit (to issue bonds up to 200 million euro), with the first issue to support 3 SMEs in the "Wine Supply Chain" and the second issue to support 3 companies in the "Culture Supply Chain";
- the new “Sella Basket Bond” programme, promoted in partnership with Banca Sella (to issue bonds up to 100 million euro), with the first issue to support 2 companies;
- the new “Euronext Growth Basket Bond” programme, promoted in partnership with Banca Finnat (to issue bonds up to 50 million euro), with the first issue to support 3 companies listed on the Euronext Growth Milan segment of Borsa Italiana;
- the continuation of the “Basket Bond Puglia” (promoted with the Puglia Region) and the “Basket Bond Lombardia” (promoted with Finlombarda) programmes with issues to support 8 SMEs;
- the conclusion of the “Garanzia Campania Bond” programme (promoted with the Campania Region) with issues to support 24 companies in 2021. Since the launch of the programme, which took place in April 2020, total issues amounted to 144 million euro to support 65 companies;
- the subscription of commitments amounting to 25 million euro in the Magellano Fund which, through its digital platform Opyn (former Borsa del Credito), will grant loans to SMEs.

In this context, also worth mentioning are:

- the signing of a guarantee agreement with the EIB on Basket Bond operations which provides for hedging of up to 90% of the first losses on each minibond, with a cap equal to 35% of the nominal amount of the portfolio of minibonds issued from time to time;
- the activation of the business line targeted at enterprises, namely “Bonus Edilizi” with the aim of liquidating the tax credits accrued by companies which us the "invoice discount" option in building redevelopment and energy efficiency measures, as envisaged by articles 119 and 121 of the "Rilancio" Decree.

COMPLETION OF ACTIONS IN SYNERGY WITH THE BANKING SYSTEM

With regard to indirect operations in synergy with the banking system, the following should be noted:

- the issue of a counter-guarantee in favour of the SME Guarantee Fund for an amount of 3.6 billion euro to support access to affordable credit for around 30,000 Italian SMEs exposed to the pandemic crisis, in order to also safeguard employment levels;
- the subscription of a long-term senior unsecured preferred bond issued by a leading Italian Bank (for an amount equal to 1 billion euro) to provide new loans to Italian SMEs and Mid-Caps, to support the restart of the national production system;

- the granting of loans in favour of banks and financial intermediaries in the form of subscription of senior preferred bonds for a total nominal value of 250 million euro, including in the context of "Social Bonds" or other initiatives to support the growth of Italian companies;
- the subscription of an amount equal to 180 million euro of the senior tranche of a securitisation of loans to SMEs originated by a leading financial intermediary in support of Italian small and medium-sized enterprises;
- the continuation of liquidity funds with the aim of: i) encouraging the disbursement of new loans to SMEs and Mid-caps through the Enterprises Platform; ii) supporting the investments of SMEs that have access to the “Nuova Sabatini” subsidies, through the Capital Goods fund; iii) supporting access to credit for SMEs through Confidi (Confidi Fund); iv) assisting in the reconstruction and economic recovery of areas hit by natural disasters (2012 Earthquake Reconstruction, Natural Disasters and Central Italy Earthquake funds), and v) supporting the residential real estate market (Housing fund);
- the continuation of subsidised loans granted to companies in order to support new investments, with specific focus on research, development and innovation, through the Revolving Fund supporting enterprises and investment in research (FRI).

Finally, in relation to the advisory services provided to companies, in 2021 CDP:

- consolidated the “Acceleratore Imprese” programme - designed to support the growth of Italian SMEs and Mid-caps by offering professional services (strategic consulting, management recruitment and training, digital transformation and tax & legal), supplied by international consultancy firms and leading Italian universities. In 2021, 68 companies were engaged which signed a memorandum of understanding with CDP to join the programme;
- the “Franco Italiano” Accelerator, developed in collaboration with Bpifrance, ELITE and Team France Export24 was launched in December 2021 to support the growth and international expansion processes of SMEs and Mid-caps in the Italian and French market. The programme involved a first group of 40 companies, 20 Italian (selected by CDP) and 20 French (selected by Bpifrance), with a turnover of at least 5 million euro, operating in the manufacturing and services sector.

EASIER ACCESS TO THE GROUP PRODUCTS

As regards access to the Group’s offer, CDP increased its territorial presence, intensified relations with the productive fabric and strengthened its monitoring of telephone and digital channels for customer management. The main initiatives taken in 2021 include:

- the opening of the new offices in Ancona, Bari and Palermo and the “Spazi CDP” information points in Campobasso, Cosenza, L'Aquila, Padua and Potenza;
- the continuation of the "Spazio Imprese" programme, with 9 webinars on issues relating to the economy of the reference territories, also held in collaboration with other stakeholders;
- the continuation of the “Officina Italia” programme, a permanent focus group with a panel of around 200 enterprises representing the Italian entrepreneurial fabric, with the launch of a survey focused on business needs a year on from the COVID-19 emergency and a focus group on the subject of corporate sustainability;
- the insourcing of the Customer Care service to improve customer experience;
- the digitisation of the end-to-end loan granting process, thanks to the exchange of documents with the company through a reserved corporate area.

Shown below is the stock of loans of the CDP Corporate Area at 31 December 2021. The stock of outstanding debt amounted to 30.5 billion euro, increasing by 13.1% on the figure recorded at the end of 2020, mainly as a result of the disbursements made during the year, which more than offset redemptions. The total stock of residual debt and commitments amounted to 43.5 billion euro, marking an increase by 9.3% on the figure recorded at the end of 2020.

[24] Team France Export is the French government's public service that supports the international expansion of French companies thanks to the support of Business France, Bpifrance and the French International Chamber of Commerce.

Corporate - Stock loan

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
Enterprises	**6,028**	**5,452**	**576**	**10.6%**
Loans	4,519	4,071	448	11,0%
Securities	1,509	1,381	128	9,3%
Alternative Financing	**381**	**-**	**381**	**n.s.**
Tax credit	381	-	381	n.s.
Financial Institutions	**14,187**	**13,442**	**745**	**5.5%**
Indirect support to enterprises	1,966	2,738	(772)	-28,2%
Residential Real Estate	587	735	(148)	-20,2%
Natural disasters	7,085	6,375	710	11,1%
Financial institutions loans/securities	3,907	2,954	953	32,3%
Other products	643	640	3	0,4%
International Financing	**9,892**	**8,055**	**1,837**	**22.8%**
Loans	9,807	8,055	1,752	21.8%
Securities	85	-	85	n.s
Total outstanding debt	**30,488**	**26,949**	**3,538**	**13.1%**
Commitments	13,051	12,900	151	1.2%
Total	**43,539**	**39,849**	**3,689**	**9.3%**

FOCUS: "Guarantee with resources of the European Guarantee Fund"

DESCRIPTION	CDP will issue a guarantee line with a maximum value of 3.6 billion euro to cover 80% of a portfolio of new transactions originating from the SME Guarantee Fund. CDP will also receive a counter-guarantee from the European Investment Fund (EIF), using resources from the EGF, generating a significant leverage effect in relation to the European resources deployed.
BENEFITS	Facilitating access to credit for Italian SMEs by issuing new guarantees on loans granted by the banking system.
KEY FIGURES	• Counter-guarantees issued by CDP in favour of the SME Guarantee Fund amounting to 3.6 billion euro • Maximum portfolio of guarantees issued by the SME Guarantee Fund amounting to 4.5 billion euro

Infrastructures, Public Sector & Territorial Development

CDP operates to support the Public Administration and the development of the national infrastructure through the "CDP Infrastructures and Public Sector" and "CDP Energy and Digital" Departments.

Infrastructures and Public Sector

Through the CDP Infrastructures and Public Sector Area, CDP supports the Public Administration and the development of the country's infrastructure, providing financing and technical-financial advisory to execute works.

The actions in favour of the Public Administration concern the financing of public entities and Public-law bodies, in accordance with the principles of accessibility, equality of treatment, pre-specification of terms and non-discrimination.

During 2021 CDP continued to provide its support to the Public Administration through, among other things:

MEASURES IMPLEMENTED TO FREE UP FINANCIAL RESOURCES

- the refinancing of mortgage loans granted in the past by the Ministry of Economy and Finance (MEF) to the Regions also for expenses other than investment[25]. More specifically, in 2021, nine refinancing operations were carried out on mortgage loans granted by the MEF in favour of six Regions for a total amount of approximately 5.2 billion euro. The operations resulted in savings for Entities of over 120 million euro in 2021 and will allow, over the period of the respective repayment plans, total savings of over 1.4 billion euro in terms of lower borrowing costs to be paid;
- the management of MEF funds to ensure the liquidity required for the repayment of the Public Administration debts by granting cash advances to Entities, with a maximum maturity of 30 years, also in response to the continuing COVID-19 health emergency, in relation to the provisions referred to (i) in article 1, paragraphs 833 and as amended of Law 178/2020 (payment of health care debts by the Regions and Autonomous Provinces) and (ii) article 21 of decree law 73/2021 (payment of trade payables other than healthcare payables by the Local Entities);
- the renewed operation of the Kyoto Fund, thanks to the opening of the new call for tenders in favour of public entities and closed real estate funds which defines the guidelines and application rules for the use of resources destined to finance energy efficiency measures for properties in the school and health, as well as sports facilities building sectors;
- the launch of support to Central Administrations, including through technical assistance, for the management of funds intended for the disbursement of non-repayable grants, including the so-called "Culture Fund" of the Ministry of Culture, referred to in Article 184, paragraph 1, of Legislative Decree 34/2020, with a provision of 30 million euro and aimed at supporting measures for the benefit of the country's tangible and intangible cultural heritage.

The new initiatives are in addition to the support to Local authorities through historical operations, which in 2021 saw:

SUPPORT FOR TERRITORIES HIT BY NATURAL DISASTERS

- the renegotiation of the loans granted to the local authorities affected by the May 2012 earthquake, aimed at making the repayment schedule more efficient. More specifically, in 2021, approximately 450 loans relating to 23 local authorities were renegotiated, for a total residual debt of approximately 49 million euro;
- the continuation of the activity of financial support to entities through other technical financing methods.

With regard to infrastructure, CDP operates through (i) financial support and (ii) advisory and consultancy services for central and local Public Entities in connection with the planning, design and execution of works.

[25] In implementation of the provisions pursuant to art. 1, paragraph 789, of the 2021 Budget Law

CONTINUED SUPPORT FOR DEVELOPING INFRASTRUCTURE

In terms of financial support, lending continued in favour of enterprises for the construction of infrastructure works throughout the country through various financing methods (i.e. project finance, corporate loans, unsecured commitments and bond subscriptions) in support of key sectors; by way of an example, resources were deployed in support of the railway sector amounting to 1.2 billion euro. Furthermore, during the year, CDP's measures focused on project financing, through the completion of five transactions: three transactions to support the construction of renewable plants in Italy, one to support the local public transport sector and one aimed at completing two motorway sections. With reference to the latter, the transaction involved the financing of B2 and C sections of the Pedemontana Lombarda motorway, with a CDP stake in the pool of over 500 million euro.

In relation to the advisory activity for infrastructure, CDP continued its technical and financial activity to support the Public Administration. The service, provided on the basis of implementation protocols with the administrations concerned (i.e. Ministries, Regions, Provinces and Municipalities), is mainly active in the field of school, healthcare, local public transport and port construction.

Shown below is the stock of loans of the CDP Infrastructure and Public Sector Area at 31 December 2021. The stock of outstanding debt amounted to 83.4 billion euro, increasing by 4.6% on the figure recorded at the end of 2020, mainly as a result of the disbursements made during the year, which more than offset redemptions. The total stock of residual debt and commitments amounted to 95 billion euro, marking an increase by 4.5% on the figure recorded at the end of 2020[26].

[26] The increase in the stock is also attributable to the refinancing of MEF mortgage loans to the Regions amounting to 5.2 billion euro.

Infrastructures, Public Sector & Territorial Development - Stock of loans

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
Infrastructures	**8,046**	**7,678**	**368**	**4.8%**
Loans	4,471	4,337	134	3.1%
Securities	3,575	3,342	234	7.0%
Public Sector	**75,367**	**72,079**	**3,288**	**4.6%**
Local authorities	25,085	25,256	(171)	-0.7%
Regions and autonomous provinces	23,955	18,946	5,009	26.4%
Other public entities and public - law bodies	1,649	1,747	(98)	-5.6%
Government	24,678	26,131	(1,452)	-5.6%
Total outstanding debt	**83,413**	**79,757**	**3,656**	**4.6%**
Commitments	11,630	11,203	427	3.8%
Total	**95,043**	**90,960**	**4,083**	**4.5%**

FOCUS: “MEF loans refinancing”

DESCRIPTION

Refinancing by CDP of the debt with the MEF incurred by the Regions, also aiming to cover expenses other than investment expenses, in implementation of the regulatory provisions introduced with the 2021 Budget Law.

BENEFITS

The transaction allowed the Entities to ensure financial savings in terms of lower borrowing costs incurred in light of the new rates scenario.

KEY FIGURES

- Debt refinanced by CDP amounting to over 5 billion euro
- More than 2% average reduction in the rate applied to the Entities
- Overall savings for the Entities amounting to over 1.4 billion euro

CDP Energy and Digital

CONTINUATION OF PROMOTION PROJECTS FOR INFRASTRUCTURE

Through the CDP Energy and Digital Area, CDP supports the development of infrastructure projects in the energy, digital and social sectors, also with the involvement of market participants.

In the energy area, the following agreements are noted in 2021:

- with ENI, in light of the increased ambition of the GreenIT initiative in terms of installed capacity from renewable energy sources up to 1 GW, mainly through onshore and offshore photovoltaic and wind power technology;
- with SNAM, to create a national platform (RenovIT[27]) active in the promotion of energy efficiency initiatives for individuals, businesses and the Public Administration, with the objective of modernising real estate assets, especially public buildings, and reduce energy costs;
- with the Ministry of Defence for the launch of environmental and energy enhancement or upgrading initiatives of its assets.

[27] Agreements signed in 2020 and the transaction finalised in January 2021 with the acquisition of an equity investment in RenovIT;

In the social and digital area, the following agreements are noted in 2021:

- the binding agreements between SNAM and the CDP Foundation to govern the latter's acquisition of an equity investment in the share capital of Arbolia (which took place in February), a benefit company incorporated by SNAM to promote and implement projects to absorb CO_2 emissions through reforestation and the creation of green areas in Italy;
- the binding agreement between Generali Welion and CDP Venture Capital (which took place in April), to govern the establishment of Convivit, a company operating in the senior living sector and aimed at providing a network of innovative residential housing characterised by digital (e.g. IoT platform), assistance and well-being services;
- the binding agreement between CDP Equity, TIM, Leonardo and Sogei (which took place in September) for the definition of the obligations and commitments of the parties with reference to the National Strategic Hub (Polo Strategico Nazionale - PSN) operation which, on 27 December 2021, received the favourable acceptance by the MITD with consequent declaration of public interest.

International Cooperation and Development Finance

Through the CDP International Cooperation & Development Finance Area, CDP supports initiatives with a high social-economic impact in emerging economies and developing countries, through a number of financial instruments in favour of public and private counterparties.

In 2021, CDP continued its operations in the sector despite a challenging context marked by the continuation of the global pandemic crisis. This took place through investment in funds, the promotion of financing initiatives with own resources, the expansion of third-party resources under management for development cooperation purposes and the strengthening of relations with institutions operating at the national and international level, including through the organisation of global events.

CONTINUATION OF FUND INVESTMENT ACTIVITIES

With reference to fund investment operations, CDP continued its commitment, together with leading Development Finance Institutions (DFI), to support green initiatives and initiatives in the field of global financing for the climate, through:

- the investment, amounting to 50 million euro, in the REGIO Fund, the first fund in the world dedicated to the investment in green and sustainability bonds of corporate issuers in emerging markets, promoted by the International Finance Corporation (IFC) of the World Bank Group;
- the 4 million euro investment (against a commitment for a total of 35 million euro) in the AREF II Fund, dedicated to investments in renewable energy projects in Sub-Saharan Africa. The initiative confirms CDP's commitment in support of the inclusive and sustainable growth of the African continent.

COMPLETION OF THE FIRST EXTERNAL INVESTMENT PLAN TRANSACTION

With regard to the promotion of financing initiatives with own resources, in addition to confirming its support in the investments of Italian companies in emerging countries, in 2021 the first loan was disbursed to a microfinance institution, leveraging for the first time the resources made available by the European Commission's “InclusiFi” programme, as part of the External Investment Plan (EIP). More specifically, CDP granted a credit facility, in pool with the French DFI Proparco, for a total of 8 million euro in favour of UM Pamecas (Union des Mutuelles du Partenariat pour la Mobilisation de l'Epargne et le Crédit), one of the leading microfinance institutions in Senegal.

With reference to the expansion of third-party resources for development cooperation purposes, the establishment of the Italian Climate Fund, provided for by Law 234/2021 (2022 Budget Law), is worth noting. This Fund, with total assets of 4.2 billion euro over a five-year horizon, will be managed by CDP and will become the main national instrument aimed at fulfilling the commitments undertaken by Italy in the context of the international climate agreements.

STRENGTHENING OF RELATIONS WITH INSTITUTIONS OPERATING IN THE COOPERATION SECTOR

With reference to the strengthening of relations with institutions operating at the national and international level in the cooperation sector, in 2021 CDP played an active role in the search for new partnerships both through the organisation of events and through the signing of new agreements, with a special focus on the main global issues (e.g. the climate). These include:

- participation in the "ASEAN Catalytic Green Finance Facility (ACGF)" initiative and the signing of the related agreement with the MiTE as part of the "Climate and Sustainable Development Italian Platform". More specifically, CDP will participate in the initiative promoted by the Asian Development Bank, in coordination with the MAECI, the MEF and the MiTE, aimed at supporting funding for the development of "green" infrastructure and to boost the post-pandemic economy in Southeast Asia;
- adherence to three collective programmatic commitments on issues of global importance together with the other DFIs of the G7 countries such as:
  - "Climate Adaptation & Resilience", aimed at increasing investments in initiatives for adaptation and resilience to climate change in developing countries;
  - "Gender Equality", aimed at mobilising 15 billion euro in 2021-22 to support women's economic and financial inclusion in developing countries, strengthening the "2X Challenge" partnership;
  - "Africa", aimed at mobilising over 80 billion dollars in five years to support the sustainable recovery of the African continent following the pandemic crisis.

THE SECOND EDITION OF THE FINANCE IN COMMON SUMMIT WAS HOSTED

Finally, with specific reference to the organisation of global events, in 2021 CDP hosted the second edition of the Finance in Common Summit ("FiCS") in Rome. The event, organised in partnership with the International Fund for Agricultural Development (IFAD) and with the support of the World Federation of Development Finance Institutions (WFDFI), the International Development Finance Club (IDFC), Agence Française de Développement (AFD) and numerous other partners of the Finance in Common Coalition, brought together over 500 Public Development Banks to renew their commitment to pursuing the SDGs. The Summit is part of the Italian Presidency's G20 calendar and involved the participation of over 190 speakers from all over the world. Furthermore, as part of the event, the following agreements were entered into:

- the letter of intent between CDP and FAO for a partnership aimed at supporting initiatives to aid the agrifood sector in rural areas of developing countries;
- the Joint Declaration on the "European Strategic Cooperation Framework" with AFD, KfW and AECID aimed at structuring a co-financing platform;
- the launch of the "PDBs Platform for Green and Inclusive Food Systems" by IFAD, CDP and other Public Development Banks with the support of AFD, to accelerate greener and more inclusive investments in the agrifood sector.

The new initiatives are flanked by traditional support in the field of cooperation, which mainly takes place through the management of the Revolving Fund for International Cooperation & Development Finance (FRCS). In this context, it should be noted that in 2021 the renewal of the Agreement with the MEF for the management of the FRCS was finalised, which ensures more effective coordination among the different players involved in the Fund management process. Finally, CDP continued to provide support in managing the FRCS debt moratorium for the most fragile developing countries affected by the COVID-19 emergency, as part of the G20 initiative.

Shown below is the stock of loans of the CDP International Cooperation & Development Finance Area at 31 December 2021.

The stock of outstanding debt amounted to 444 million euro, increasing by 134.6% on the figure recorded at the end of 2020, mainly as a result of the disbursements made during the year. The total stock of residual debt and commitments amounted to 474 million euro, marking an increase by 64.2% on the figure recorded at the end of 2020.

International Cooperation & Development Finance - Stock of loans

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
Loans	444	189	255	134.6%
Commitments	29	99	(70)	-70.5%
Total	**474**	**288**	**185**	**64.2%**

FOCUS: "Pamecas (Union des Mutuelles du Partenariat pour la Mobilisation de l'Épargne et du Crédit Au Sénégal)"

DESCRIPTION	First loan as part of the External Investment Plan by CDP, through co-financing with Proparco, in favour of the local microfinance institution "Pamecas" (Senegal), partially covered by European guarantees.
BENEFITS	The initiative aims to facilitate access to credit for categories usually excluded from the financial circuits and to support female entrepreneurship, while mitigating the effects of the Covid-19 pandemic and creating job opportunities.
KEY FIGURES	• Loan totalling 8 million euro • CDP's share in the loan amounting to 4 million euro • More than 3,800 micro-loans to be granted by Pamecas thanks to the loan.

Chief Investment Officer

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

A LONG TERM APPROACH, TO SUPPORT ENTERPRISES, INFRASTRUCTURES AND TERRITORY

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

The equity investment portfolio of CDP at 31 December 2021 is broken down as follows:

- Group companies[28], instrumental to the role of "National Promotional Institution" (CDP Immobiliare S.r.l., CDP Immobiliare Sgr, Fintecna) and functional to acquire and hold, in the long term, equity investments of significant national interest (CDP Equity, CDP Reti, CDP Industria);
- Listed and unlisted companies from strategic economic sectors (e.g. ENI, Poste Italiane and TIM);
- Investment funds and investment vehicles operating:

[28] Limited to this area, and in order to provide a like-for-like comparison with the previous periods, the CDP Group is represented by the companies subject to management and coordination by CDP S.p.A. and by SACE, which, due to it currently being disposed of, pursuant to IFRS 5, should be classified among "Non-current assets held for sale and discontinued operations"

- in support of enterprises along the entire life cycle, from venture capital (e.g. FII Venture, Venture Capital FoF, Fondo Italiano Tecnologia e Crescita - FITEC and ITAtech) to private equity & private debt (FII FoF, Private Debt FoF, Fondo Italiano Consolidamento e Crescita - FICC, Private Equity Italia FoF, FSI I) and turnaround (Fondo QuattroR);
- in the infrastructure sector, to support the creation of new infrastructure and manage existing infrastructure (e.g. F2i, Marguerite, Connecting Europe Broadband Fund ("CEBF"), Inframed, European Energy Efficiency Fund ("EEEF");
- in support of projects involving urban redevelopment, social housing and the renovation of tourist facilities (e.g. Fondo Investimenti per l'Abitare, FIA 2, Fondo Investimenti per la Valorizzazione, Fondo Nazionale del Turismo, Fondo Immobiliare Lombardia);
- in support of International Development Cooperation (e.g. EGO Fund, REGIO Fund, AREF II Fund);
- in support of the NPL market (Fondo Atlante, Italian Recovery Fund).

Equity investments and funds - portfolio composition

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
A. Group companies	**15,007**	**13,666**	**1,342**	**9.8%**
B. Other equity investments	**18,947**	**18,842**	**106**	**0.6%**
Listed companies	*18,865*	*18,779*	*85*	*0.5%*
Unlisted companies	*83*	*62*	*20*	*32.3%*
C. Investment funds and investment vehicles	**3,453**	**3,043**	**410**	**13.5%**
Total	**37,408**	**35,551**	**1,857**	**5.2%**

During 2021, CDP's main investments included:

- financial support to CDP Equity mainly aimed at (i) backing the investment plan, as well as the acquisition from Enel of an additional 10% equity stake in Open Fiber's capital, (ii) entering into the shareholding structure of the Euronext stock exchange group, as part of Euronext's acquisition of Borsa Italiana and (iii) making further investments in companies (e.g. GreenIT and Renovit) and investment funds, through the subscription of 5 investment funds in Venture Capital (e.g. FoF VenturItaly, Fondo Acceleratori[29], Fondo Technology Transfer, Fondo Evoluzione, Fondo Corporate Partners I[30], managed by CDP Venture Capital SGR) and 1 investment fund in the infrastructure sector (F2i – Fondo per le Infrastrutture Sostenibili, managed by F2i SGR S.p.A.);
- financial support to CDP Immobiliare, aimed at investment transactions on the existing portfolio, to support the development of the main properties in the portfolio and the reorganisation of the investee companies;
- the subscription of an additional 32 newly issued EIF shares, issued as part of a capital increase transaction, in line with the equity stake portion already held by CDP.

Moreover, the investment activity of the funds in which CDP has invested over time also continued in 2021.

3.1.1.2 Finance and Funding Activities

With regard to Finance activities, in 2021 actions were continued to stabilise margins and increase the diversification of CDP's assets.

The following table shows the aggregates for cash and cash equivalents and other treasury investments and debt securities:

[29] Subscription of additional shares approved in 2021 but implemented in March 2022.
[30] Investment resolved in 2021. Two out of four sub-funds were subscribed during 2021; of these only one reached the First Closing

Stock of finance investment instruments

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/ -)	(%) change
Cash and other treasury investments	184,801	183,100	1,700	0.9%
Debt securities	67,650	74,047	(6,397)	-8.6%
Total	**252,451**	**257,147**	**(4,696)**	**-1.8%**

The aggregate of cash and cash equivalents and other treasury investments amounted to 185 billion euro at 31 December 2021, up 0.9% from the year-end figure for 2020. This aggregate includes the balance on the current account held with the Central State Treasury, which CDP uses to deposit funding in excess of investments made in the Separate Account, which stood at 155.8 billion euro, increasing by approximately 2.3 billion euro on the figures recorded at the end of 2020.

The securities portfolio at 31 December 2021 amounted to 68 billion euro, marking an 8.6% decrease on the figure at the end of 2020. In detail, in 2021, the Held to Collect ("HTC") portfolio was subject to rebalance for asset liability & management purposes, in compliance with the provisions of the IFRS 9 Business Model. With regard to securities classified under the Held to Collect and Sell ("HTCS") portfolio, activities on positions in European government securities and corporate securities continued, with a view to diversifying the portfolio and optimising returns. Overall, the portfolio mainly consists of Italian government securities and is held for investment purposes and to stabilise CDP's gross income.

Postal funding

Postal savings constitute a major component of household savings, representing 7% of the total financial assets of Italian households at the end of the third quarter of 2021.

CDP POSTAL FUNDING AT OVER € 281 BILLION (+2.5% ON 2020)

In this regard, it should be noted that on 24 December 2021 a new agreement on Postal Funding valid for the 2021-2024 four-year period was signed by CDP, as issuer, and Poste Italiane, as distributor, which offers a prospect of further development of Postal Funding.

At 31 December 2021, CDP postal funding totalled 281,460 million euro, marking a 2.5% increase on the figure at the end of 2020 (274,575 million euro), thanks to positive net funding from both postal savings bonds and accrued interest income pertaining to savers.

CDP stock of postal savings

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
Postal savings bonds	182,205	170,859	11,346	6.6%
Passbook accounts	99,255	103,717	(4,462)	-4.3%
Total	**281,460**	**274,575**	**6,884**	**2.5%**

The gradual easing during 2021 of the most significant contagion containment measures due to the COVID-19 health emergency resulted in a recovery in private consumption compared to what was observed in the previous year. In this scenario, a stable trend was observed in the placement of postal saving bonds and higher volumes of withdrawals from passbook savings accounts compared to 2020.

In 2021, CDP supported the commercial offering of postal saving bonds and passbook savings accounts in a market context characterised by historically low yields. In particular, on the one hand, it kept the yields of its product range unchanged to promote savings for Italian households and at the same time support the commercial effort of the Poste Italiane network; on the other hand, in a context of great uncertainty for households, where the offering of capital-protected financial instruments by the major banking groups has been extremely limited, CDP added Supersmart Offers to the Postal saving bonds range at 180, 270 (new liquidity) and 360 days, which raised a total of over 6 billion euro over the year.

Furthermore, during the year, CDP followed up on the evolution of the online sales channels, simplifying operations on digital channels, expanding available in-app information services (such as, for example, the display of the passbook savings account card PIN) and enabling the smart passbook savings account to receive instant bank transfers. In addition, promotional initiatives were carried out aimed at increasing the use of digital channels by savers.

Finally, during the year, the training programme "Il Risparmio che fa Scuola" continued, involving Italian students of all educational levels on issues related to financial education, with the aim of enhancing knowledge on the topic.

CDP NET FUNDING OVER € 3.3 BILLION

Due to all of the above factors, CDP's net funding was equal to +3,323 million euro in 2021.

In detail, net funding from CDP postal savings bonds came to +7,802 million euro (+4,101 million euro compared to 2020), thanks to subscriptions for 30,227 million euro (which increased from 28,046 million euro compared in 2020), mainly referring to 3x4 bonds (12,433 million euro), 4x4 bonds (8,950 million euro) and Ordinary bonds (6,752 million euro).

Net funding on passbook savings accounts stood at -4,479 million euro in 2021, down from 2020. This reduction is also due to the lower number of pension credits made in 2021 compared to the previous year: from April 2020, as part of the measures to contain infections due to the health emergency, pension credits on passbook savings accounts were indeed paid in advance at the end of the previous month and 2020 thus benefited from a greater number of pension credits.

Postal savings bonds and passbook savings accounts - CDP net funding

(millions of euro)	Subscriptions/Deposits	Redemptions/Withdrawals	Net funding in 2021	Net funding in 2020	Change (+ / -)
Postal savings bonds	30,227	(22,425)	7,802	4,101	3,700
Passbook accounts	92,774	(97,253)	(4,479)	1,852	(6,331)
Total	**123,001**	**(119,678)**	**3,323**	**5,953**	**(2,631)**

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

(millions of euro)	31/12/2020	Net funding	Interest	Withholding tax	Transaction costs	31/12/2021
Postal savings bonds	170,859	7,802	4,380	(409)	(427)	182,205
Passbook accounts	103,717	(4,479)	23	(6)		99,255
Total	**274,575**	**3,323**	**4,404**	**(415)**	**(427)**	**281,460**

Note: the item "transaction costs" includes the distribution fee on the subscriptions of 4x4 Postal bonds, 3x4 Postal bonds, Ordinary Postal Bonds and 4 Years Simple Savings Postal bonds and the prepayment of the fee for the years 2007-2010.

Finally, with reference to bonds pertaining to the MEF, redemptions totalled -8,621 million euro in 2021, up from -6,525 million euro in 2020. In 2021, total net funding (CDP + MEF) from postal savings bonds and passbook savings accounts stood at -5,298 million euro, down on 2020.

Total net postal savings funding (CDP + MEF)

(millions of euro)	Net funding in 2021	Net funding in 2020	Change (+ / -)
Postal savings bonds	(819)	(2,424)	*1,605*
of which:			
- pertaining to CDP	*7,802*	*4,101*	*3,700*
- pertaining to the MEF	*(8,621)*	*(6,525)*	*(2,095)*
Passbook accounts	**(4,479)**	**1,852**	**(6,331)**
CDP net funding	3,323	5,953	(2,631)
MEF net funding	(8,621)	(6,525)	(2,095)
Total	**(5,298)**	**(572)**	**(4,726)**

Non-postal funding

In 2021, CDP continued its activity on capital markets and in other institutional funding channels, with the aim of strengthening the process of diversifying funding sources and supporting business lending.

Stock of funding from banks

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/ -)	(%) change
ECB refinancing	5,092	19,629	(14,537)	-74.1%
Repurchase agreements and deposits	52,541	42,134	10,407	24.7%
EIB/CEB credit facilities	5,066	4,886	181	3.7%
Total	**62,699**	**66,649**	**(3,950)**	**-5.9%**

With regard to funding from banks, 2021 was marked by a significant improvement in the liquidity conditions of the financial system thanks to the initiatives introduced by the ECB to address the pandemic emergency.

This enabled CDP to reduce its use of the ECB institutional funding channel, thereby repaying the PELTRO[31] line in the amount of 15 billion euro in September. During the year, CDP concurrently increased its participation in TLTRO-III transactions and extended their maturity until 2024, with a view to stabilising the sources of funding. The stock of ECB refinancing operations therefore stood at 5.1 billion euro at 31 December 2021.

[31] Pandemic emergency longer-term refinancing operations.

Short-term funding on the money market through deposits and repurchase agreements stood at 52.5 billion euro at 31 December 2021, up on the end of 2020. This increase is attributable to the particularly favourable money market conditions and largely offsets the reduction in funding from the ECB.

NEW EIB/CEB DRAWDOWNS AMOUNTING TO €1.1 BILLION TO FINANCE POST-EARTHQUAKE RECONSTRUCTION AND SCHOOL BUILDING PROJECTS

During 2021, CDP also signed a new loan agreement with the European Investment Bank (EIB) for an amount of approximately 18 million euro for the financing of a greenfield-type wind project, with the aim of financing the construction and commissioning of on-shore wind farms in various southern regions.

During the year, CDP also made drawdowns on credit facilities granted by the EIB and the Council of Europe Development Bank (CEB) amounting to approximately 1.1 billion euro, to be used mainly to finance reconstruction work following the earthquakes that occurred in the regions of Abruzzo, Lazio, Marche and Umbria (through the Central Italy Earthquake Fund) and school building projects.

At 31 December 2021, the stock of credit facilities granted by the EIB and the CEB amounted to 5.1 billion euro, of which around 4.7 billion euro relating to the EIB funding and 0.4 billion euro referred to the CEB funding.

Stock of funding from customers (excluding postal funding)

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/ -)	(%) change
OPTES and FATIS deposits (liabilities)	5,324	7,013	(1,690)	-24.1%
Deposits of Group companies	7,229	4,736	2,493	52.6%
Amounts to be disbursed	3,769	4,126	(358)	-8.7%
Total	**16,322**	**15,876**	**445**	**2.8%**

With regard to funding from customers, note that the OPTES (liquidity management transactions on behalf of the MEF) liquidity balance at 31 December 2021 was 5 billion euro, down compared to 7 billion euro at the end of 2020.

With regard to companies subject to management and coordination, cash pooling with the Parent Company's centralised treasury continued in 2021, involving irregular deposit arrangements between CDP and its subsidiaries. Centralised treasury deposits stood at 7.2 billion euro at 31 December 2021, marking an increase on the figure recorded at the end of 2020 (4.7 billion euro).

Finally, amounts to be disbursed constitute the part of loans granted by CDP that have not yet been taken up by the beneficiaries, whose disbursement is subject to progress with the investments financed. Total amounts at 31 December 2021 were approximately 3.8 billion euro, slightly down on the figure recorded at the end of 2020 (4.1 billion euro).

Stock of bond funding

The table below shows CDP's overall position in terms of bond funding at 31 December 2021, compared with 31 December 2020.

NEW €500 MILLION SOCIAL BOND ISSUE TO SUPPORT ITALIAN SMEs AND MID-CAPS MAINLY IN THE SOUTHERN ITALY REGIONS

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/ -)	(%) change
EMTN/DIP programme	11,691	11,879	(188)	-1.6%
Retail bonds	2,947	2,944	3	0.1%
"Stand-alone" issues guaranteed by the State	3,000	3,000		0.0%
Panda Bond	139	124	14	11.7%
Commercial paper	3,639	3,215	424	13.2%
Total	**21,416**	**21,162**	**254**	**1.2%**

With reference to medium/long-term funding, in 2021 new bond issues were completed under the "Debt Issuance Programme" (DIP), totalling 650 million euro. These included a new Social bond issue for an amount of 500 million euro, intended to support Italian SMEs and Mid-caps mainly in the Southern Italy regions, in order to increase their competitiveness and support employment.

With reference to short-term funding, in line with the objective of optimising the mix of funding and investments, the stock under the "Multi-Currency Commercial Paper Programme" at 31 December 2021 totalled 3.6 billion euro.

Social Bond

DESCRIPTION	Sixth Social Bond issued by CDP, confirming its position as one of the leading European players and the leading Italian issuer in the ESG social bond market. The transaction represents a new initiative launched by CDP to strengthen its commitment to sustainable finance, as well as its focus on maintaining employment levels and social cohesion.
BENEFITS	The resources collected with the issue were allocated to support Italian SMEs and Mid-caps located mainly in the southern Italy regions, in order to promote their growth and support social cohesion and employment levels.The issue contributes to achieving the Sustainable Development Goals promoted by the United Nations, with particular reference to SDGs 8 and 9.
KEY FIGURES	• Overall amount issued: 500 million euro • Duration: 8 years (maturity June 2029) • Annual coupon: 0.75%

3.1.2 GROUP COMPANIES

CDP EQUITY S.P.A.

CONTINUATION OF THE ACTIVITIES IN SUPPORT OF COMPANIES IN GROWTH PROCESSES

In 2021, CDP Equity continued its activity of managing and enhancing its equity investments portfolio, as well as searching for and evaluating new investment opportunities.

The main transactions finalised during the year include: (i) the merger of SIA into Nexi, as a result of which CDP Equity holds 13.6% of the company's share capital (of which 5.3% directly and 8.3% through FSIA) (ii) the acquisition of a stake in Euronext, aimed at the acquisition of Borsa Italiana, (iii) the acquisition of 30% of Renovit (formerly Snam4Efficiency), (iv) the support for Open Fiber's investment plan and the subsequent acquisition of a further 10% of the share capital thereof, as part of a broader shareholder structure reorganisation following the full exit of Enel and the simultaneous entry of Macquarie, (v) the establishment and capitalisation of GreenIT in partnership with the ENI Group, (vi) the support for the financial manoeuvre of Valvitalia, as a result of which FSI Investimenti reached a 50% stake in the company (from the previous 0.5%) through a partial conversion of its

Convertible Bond, (vii) the top-up of Fondo Technology Transfer and the subscription of Fondo Evoluzione and Corporate Partners I managed by CDP Venture Capital SGR and of Fondo per le Infrastrutture Sostenibili managed by F2i SGR.

CDP Equity also set up Holding Reti Autostradali, a vehicle co-invested by Blackstone and by Macquarie aiming at finalising the acquisition of the controlling stake in Autostrade per l'Italia held by Atlantia (88,1%), with closing expected during 2022.

Performance highlights - CDP EQUITY[1]

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Dividends and financial interest from shareholders loan	63	37	26	70.1%
Equity investments[2]	5,479	4,164	1,315	31.6%

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

During 2021, CDP Equity and its subsidiary investment vehicles recorded dividends and interest income on loans and bonds totalling 63 million euro (+26 million euro on 2020); the increase is mainly due to: (i) the dividends received from Euronext (stake not held at 31 December 2020) amounting to 11.5 million euro, (ii) the dividends received from Inalca and Kedrion amounting to 9.8 million euro and (iii) higher dividends received from Webuild and BF amounting to 4.6 million euro.

The stock of equity investments at 31 December 2021 increased by 1,315 million euro compared to 31 December 2020 as a result of the investment transactions carried out during the period. More specifically, (i) 699 million euro were allocated to support Open Fiber's investment plan and the acquisition of a further 10% of the share capital thereof, (ii) 625 million euro to the acquisition of a stake in the capital of Euronext, (iii) 32 million euro to the acquisition of a stake in the capital of Renovit, (iv) 9 million euro to the capital increase in Hotelturist to support future development plans, (v) 9 million euro to the establishment and capitalisation of GreenIT, (vi) 5 million euro to financial support to Valvitalia and (vii) 53 million euro to payments in favour of funds subscribed in the private debt and venture capital sector; finally, in reduction of equity investments, account was taken of the effects of Poste Italiane's exit from the capital of FSIA.

CONTINUATION OF THE DEVELOPMENT OF REAL ESTATE ASSETS IN THE PORTFOLIO

CDP IMMOBILIARE S.R.L.

In 2021, CDP Immobiliare continued to focus on the sale and development of directly and indirectly owned real estate assets.

Redevelopment works focused primarily on large-scale properties, characterised by complex urban planning procedures and with a high social impact. In particular, re-purposing works continued on the former Istituto Poligrafico dello Stato, on Torri dell'Eur and on the former Manifattura Tabacchi in Florence, while the plan for the redevelopment of the former Manifattura Tabacchi in Naples and Modena is currently being launched.

In this context, on 31 December 2021, investments were made in the amount of around 58 million euro, of which 53 million euro referring to indirect portfolio operations (e.g. former Poligrafico dello Stato and the former Manifattura Tabacchi in Florence) and 6 million euro to CDP Immobiliare's direct portfolio.

Performance highlights - CDP IMMOBILIARE [1]

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Sales	64	67	(3)	-4.5%
Real estate assets managed	932	978	(45)	-4.6%
Debt securities	436	478	(42)	-8.7%

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

In 2021, CDP Immobiliare, directly and through investee companies, sold real estate assets for a total of 64 million euro, mainly referred to the former Agenzia delle Dogane di San Lorenzo (Rome) owned by Residenziale Immobiliare 2004 S.p.A., and to a portion of the former Manifattura Tabacchi in Florence.

At 31 December 2021, total real estate assets managed, amounting to approximately 932 million euro, declined by -4.6% due to disposals in the period and market value adjustments. Total financial payables, amounting to approximately 436 million euro at 31 December 2021, were also down compared to the previous year (-8.7%), mainly due to the sale of the former Agenzia delle Dogane di San Lorenzo and the simultaneous repayment of the bank debt, the full discharge of debt of the subsidiaries Pentagramma Piemonte S.p.A. in liquidation and Quadrifoglio Genova S.p.A. in liquidation and the associated company Quadrifoglio Piacenza S.p.A. in liquidation, as well as the repayment of the loan related to the town planning works of the former ICMI area in Naples and of the payable relating to the property known as Palazzo Litta in Milan.

CDP IMMOBILIARE SGR S.P.A.

REALISATION OF INTERVENTIONS TO SUPPORT THE TOURISM INFRASTRUCTURE AND THE SOCIAL HOUSING SECTOR

During the year, through the managed funds, CDPI SGR made investments totalling 352 million euro, of which:

- 34 million euro through the FIV fund, mainly relating to: (i) the redevelopment of the Ospedali Riuniti di Bergamo complex to adapt the buildings for a Guardia di Finanza Academy, (ii) the completion of Phase 3 works on the former Istituto Geologico in Rome and (iii) the launch of the construction site of the former services centre in Scandicci destined to become a logistics hub of the Yves Saint Laurent group;
- 234 million euro to support social housing through the FIA fund, with the completion of the capital calls undertaken by 23 of the 29 subscribed funds;
- 84 million euro through the FT1 and FT2 funds, attributable to the new investment transactions of the hotel complexes of Thermae Berzieri and Lefay as well as to the redevelopment works of the Grand Hotel Villa Igiea in Palermo, of the structure in Ostuni (BR) and the completion of works on the Pila and Marilleva properties.

Performance highlights - CDPI SGR

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
FIV - Real estate assets managed	405	565	(160)	-28.3%
FNT - Real estate assets managed	217	134	84	62.5%
FIA - Total investments	1,737	1,511	225	14.9%
FIA 2 - Total investments	31	31		0.4%

At 31 December 2021, real estate assets managed by CDPI SGR on behalf of FIV consisted of 68 assets with a value of 405 million euro, of which 340 million euro referred to the Extra sub-fund (55 assets) and 65 million euro referred to the Plus sub-fund (14 assets). The figure is lower than in 2021 (-28%), mainly due to the lease of the former Ospedali Riuniti di Bergamo asset to the Guardia di Finanza, which by virtue of the contractual characteristics and current legislation, resulted in the substantial transfer of all the risks and benefits associated with the property to the lessee.

The real estate assets of the FNT fund, held through FT1 fund and FT2 fund, comprise 9 properties for a total value of 217 million euro, 157 million euro of which relating to FT1 (8 properties) and 60 million euro relating to FT2 (1 property), up on 2020 (+63%) as a result of the continuation of the investment plans on the properties owned by FT1 and the acquisitions carried out during the year (Lefay Resort & SPA Lago di Garda in the province of Brescia and Thermae Berzieri in the province of Parma).

With reference to the FIA fund, the capital invested in the 29 social housing funds amounted to 1,737 million euro, marking an increase compared to 2020 (+15%), due to the investments made during the year to support the offer of social housing and beds. With regard to FIA 2, there were no changes in the investments made to date with reference to the development of the H-Campus project.

FINTECNA S.P.A.

CONTINUATION OF THE LIQUIDATION ACTIVITIES OF ASSETS UNDER MANAGEMENT

In 2021, 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.

During the period, activities aimed at the sale of the “separate assets” of the dissolved entities EFIM, Iged and former “Comitato per l’intervento nella SIR e nei settori ad alta tecnologia”. Furthermore, within the scope of the further projects involving the Company, Fintecna continued the activities carried out on behalf of the regional reconstruction Agency following the earthquake in Emilia-Romagna in 2012 and continued to provide support to the Offices of the Extraordinary Commissioner for reconstruction in relation to the central Italy regions affected by the 2016 earthquake.

Performance highlights - FINTECNA

(number of disputes; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Labour law disputes	272	360	(88)	-24.4%
Civil/administrative/tax law disputes	84	92	(8)	-8.7%

Regarding labour law disputes (i.e. claims for compensation for health damage arising from occupational illnesses), a reduction was recorded in the number compared to year-end 2020, with a decrease in the number of new appeals being notified.

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

CDP RETI S.P.A.

In 2021, CDP RETI continued to manage its equity investment portfolio.

Performance highlights - CDP RETI

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Equity investments and other investments	5,023	5,023		0.0%
Dividends received	487	458	29	6.4%
Debt securities and other forms of funding	1,694	1,693	1	0.1%

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

Dividends distributed from subsidiaries in 2021 totalled 487 million euro (+29 million euro compared to 2020), of which approximately 263 million euro from Snam (+12.5 million euro compared to 2020), about 58 million euro from Italgas (+4.4 million euro compared to 2020) and approximately 166 million euro from Terna (+12.4 million euro compared to 2020). In terms of dividends paid out to shareholders, in 2021 CDP RETI paid a total of 462 million euro (429 million euro in 2020), of which 150 million by way of a final dividend for 2020 and 311 million euro by way of an interim dividend[32] on 2021.

CDP INDUSTRIA S.P.A.

With regard to CDP Industria's operations in 2021, reference is made to paragraph 1.2 "Group Companies".

3.2 INCOME STATEMENT AND BALANCE SHEET RESULTS

3.2.1 CDP S.P.A.

The year 2021 was characterised by the gradual improvement of economic activities, after the generalised downturn caused by the COVID-19 health emergency, in part due to the spread of the vaccination campaigns. In this context, CDP's economic and financial performance remained solid in all areas.

3.2.1.1 Reclassified income statement

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

A statement of reconciliation between management and accounting schedules (Annex 2.2 to the report on operations) has also been appended in the interest of completeness of information and forms an integral part of the report on operations.

Reclassified Income Statement

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
Net interest income	**1,777**	**2,062**	**(284)**	**-13.8%**
Dividends	1,234	1,089	145	13.3%
Other net revenues (costs)	566	976	(410)	-42.0%
Gross income	**3,577**	**4,126**	**(550)**	**-13.3%**
Write-downs	(205)	(349)	144	-41.3%
Staff costs and other administrative expenses	(204)	(188)	(16)	8.5%
Amortisation and other operating expenses and income	(15)	(16.79)	2	-11.3%
Operating income	**3,153**	**3,572**	**(419)**	**-11.7%**
Provisions for risks and charges	(0)	25	(25)	n/s
Income taxes	(786)	(823)	37	-4.5%
Net income	**2,367**	**2,775**	**(407)**	**-14.7%**

NET INCOME OF €2.4 BILLION

Net interest income amounted to 1,777 million euro, marking a decrease on 2020, mainly as a result of the all-time low interest rates.

Dividends totalled 1,234 million euro, up with respect to 2020 mainly due to higher dividends from ENI and Fintecna.

[32]The interim dividend of 1,927.37 euro per each of the 161,514 shares was approved by the Board of Directors on 18 November 2021 on the basis of the company's accounting situation at 30 June 2021, prepared in accordance with IFRS. The company ended the period with a net income of approximately 311 million and available reserves of approximately 3,369 million euro.

The item "Other net revenues" amounted to 566 million euro, marking a decrease on 2020, attributable mainly to the reduced financial impact of the interest rate risk management strategies implemented on the securities portfolio.

The cost of risk was -205 million euro, up compared to 2020 (-349 million euro), which included, among other things, the impairment of a large credit exposure (prior to the COVID-19 crisis). The 2021 figure is mainly attributable to the impairment of equity investments of -349 million euro, which were partially offset by reversals of impairment of provisions of +162 million euro.

Staff costs and administrative expenses amounted to 204 million euro, up from the 2020 figure (188 million euro), largely due to the increase in the company's workforce.

Lastly, income tax for the period amounted to 786 million euro and mainly referred to (i) current taxes for the year and (ii) the change in deferred tax assets and liabilities.

3.2.1.2 Reclassified balance sheet

Reclassified balance sheet

The reclassified balance sheet of CDP at 31 December 2021 is presented below.

Assets

Assets in CDP's reclassified balance sheet at 31 December 2021 included the following items:

Reclassified balance sheet - Assets

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
Cash and cash equivalents	184,801	183,100	1,700	0.9%
Loans	114,226	106,920	7,306	6.8%
Debt securities	67,650	74,047	(6,397)	-8.6%
Equity investments and funds	37,408	35,551	1,857	5.2%
Assets held for trading and hedging derivatives	508	683	(175)	-25.6%
Property, plant and equipment and intangible assets	431	416	15	3.6%
Accrued income, prepaid expenses and other non-interest-bearing assets	6,851	8,888	(2,038)	-22.9%
Other assets	1,085	741	345	46.5%
Total assets	**412,959**	**410,346**	**2,613**	**0.6%**

Total assets amounted to 413 billion euro, up by 1% compared to the end of 2020.

Cash and cash equivalents and other treasury investments amounted to 185 billion euro, up compared to the figure recorded at the end of the previous year (+1%).

Loans, which amounted to 114 billion euro, increased by 7% with respect to the balance at the end of 2020, mainly due to loans to Public Entities and businesses.

Debt securities came to 68 billion euro, down from the year-end 2020 figure, due to the significant maturities recorded during the year on the Held to Collect portfolio, only partially renewed given the significant growth in loans.

The stock of equity investments and funds totalled 37 billion euro, up by 5% over 2020, mainly as a result of investments made in support of the investee companies and investment funds.

Assets held for trading and hedging derivatives[33] amounted to 0.5 billion euro, down on the figure at the end of 2020 (0.7 billion euro). This item includes the fair value (where positive) of hedging

[33] The change in the fair value of items subject to macro hedging, which had previously been classified under Assets held for trading and hedging derivatives, was reclassified for management purposes to Accrued income, prepaid expenses and other non-interest bearing assets, which is consistent with the classification adopted for items subject to micro hedging.

derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

The balance of Property, plant and equipment and intangible assets amounted to 431 million euro, of which 371 million euro relating to property, plant and equipment and the remainder to intangible assets. The increase in the item compared to 2020 (+15 million euro) is attributable to the investments during 2021, which exceeded the depreciation and amortisation of existing assets during the same period.

The balance of Accrued income, prepaid expenses and other non-interest bearing assets amounted to 6.9 billion euro, down compared to the value at the end of 2020, equal to 8.9 billion euro.

Lastly, the item “Other assets”, which includes current and deferred tax assets, payments on account for withholding tax on passbook savings accounts and other residual assets, was equal to 1,085 million euro, up compared to the 741 million euro recorded at the end of 2020.

Liabilities

At 31 December 2021, the liabilities in CDP’s reclassified balance sheet were as follows:

Reclassified balance sheet - Liabilities and equity

(millions of euro; %)	31/12/2021	31/12/2020	Change (+ / -)	(%) change
Funding	381,896	378,262	3,634	0.6%
- of which:				
- postal funding	*281,460*	*274,575*	*6,884*	*2.5%*
- funding from banks	*62,699*	*66,649*	*(3,950)*	*-5.9%*
- funding from customers	*16,322*	*15,876*	*445*	*2.8%*
- bond funding	*21,416*	*21,162*	*254*	*1.2%*
Liabilities held for trading and hedging derivatives	3,325	4,531	(1,206)	*-26.6%*
Accrued expenses, deferred income and other non-interest-bearing liabilities	665	568	97	17.1%
Other liabilities	994	803	191	23.8%
Provisions for contingencies, taxes and staff severance pay	771	685	86	12.5%
Equity	25,309	25,497	(188)	-0.7%
Total liabilities and equity	**412,959**	**410,346**	**2,613**	**0.6%**

Total funding at 31 December 2021 was 382 billion euro, up 1% from the figure recorded at the end of 2020.

Postal funding, equal to 281 billion euro, shows an increase of +3% from year-end 2020, thanks to net CDP funding of 3.3 billion euro and accrued interest income pertaining to postal savers.

Funding from banks, amounting to 63 billion euro, was down compared to the figure at the end of 2020 (-6%). This was mainly due to a decrease in ECB funding related to the maturity of the PELTRO[34] line, which was partially offset by an increase in repurchase agreements.

Funding from customers amounted to 16 billion euro, a slight increase on 2020 (+3%), mainly due to the growth in deposits from subsidiaries.

Bond funding of 21 billion euro was up slightly on 2020 (+1%) largely due to the new 500 million euro Social Bond and the increase in Commercial Papers, which more than offset the number of maturities recorded during the year.

The item “Liabilities held for trading and hedging derivatives”[35] amounted to 3.3 billion euro, down compared to 4.5 billion euro at the end of 2020. This item includes the fair value (where negative) of

[34] Pandemic Emergency Longer-Term Refinancing Operations.
[35] The change in the fair value of items subject to macro hedging, which had previously been classified under Liabilities held for trading and hedging derivatives, was reclassified for management purposes to Accrued expenses, deferred income and other non-interest-bearing liabilities, which is consistent with the classification adopted for items subject to micro hedging.

hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

The balance of Accrued expenses, deferred income and other non-interest-bearing liabilities was 665 million euro, marking an increase on the figure at the end of 2020 (568 million euro).

With regard to other significant items, there was (i) an increase in the balance of Other liabilities, equal to 994 million euro (+191 million euro compared to the end of 2020), and (ii) an increase in the balance of Provisions for contingencies, taxes and staff severance pay, equal to 771 million euro (+86 million euro compared to the end of 2020).

Finally, equity amounted to 25.3 billion euro, down slightly on the year-end figure for 2020 (-0.7%) due to changes in earned income and dividends distributed during the year.

3.2.1.3 Indicators

PROFITABILITY AND CREDIT QUALITY AT HIGH LEVELS

Main indicators (reclassified figures)

(%)	31/12/2021	31/12/2020
STRUCTURE RATIOS (%)		
Funding/Total liabilities	92%	92%
Equity/Total liabilities	6%	6%
Postal Savings/Total funding	74%	73%
PERFORMANCE RATIOS (%)		
Spread on interest-bearing assets and liabilities	0.5%	0.6%
Cost/income ratio	6%	5%
Net income/Opening equity (ROE)	9%	11%
RISK RATIOS (%)		
Coverage of bad loans[1]	47%	54%
Net non-performing loans/Net loans to customers and banks[2,3]	0.10%	0.05%
Net adjustments to loans/Net exposure[2,3]	0.00%	0.06%

1) Provision bad loans / Gross exposure to bad loans

2) Exposure includes Loans to banks and customers, Disbursement commitments, cash & cash equivalents & bonds

3) Net exposure is calculated net of the provision for non-performing loans

Structure ratios related to liabilities were substantially in line with 2020, with postal funding weighing heavily on total funding by around 74%, up slightly on the previous year.

With regard to performance ratios, please note (i) a slight narrowing of the spread between interest-bearing assets and liabilities, referred to the aforementioned interest margin trends, (ii) a still very low cost/income ratio (6%), and (iii) Return on Equity (ROE) of 9%, down compared to 2020 due to the lower 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.

With regard to the impacts of COVID-19 on the determination of alternative performance measures, also in accordance with the ESMA recommendations, the previously provided Non-GAAP financial reporting has not been changed.

3.2.1.4 Management impacts of the COVID-19 health emergency and outlook of operations

During 2020, the new COVID-19 virus, originating in China, progressively spread to many countries around the world, with the World Health Organization consequently defining the epidemic as a "pandemic situation".

The health emergency has had profoundly negative repercussions on the national and world economy. The year 2021 was characterised by the general improvement of economic activities and prospects, after the generalised downturn caused by the COVID-19 health emergency, in part due to the spread of the vaccination campaigns.

With specific reference to CDP, the health crisis had an impact in terms of business, economic and financial performance and operating model.

In line with ESMA's indications in Recommendations for 2020, it should be noted that, with regard to business activities, in 2021 the CDP Group followed up on a series of extraordinary measures launched in 2020 to support businesses and local areas in the context of the health emergency. In this context, worth mentioning in particular are:

- financing dedicated to companies to meet temporary liquidity needs and support working capital;
- remodulation of lease payments relating to 2021 in favour of managers of accommodation facilities owned by the FT1 fund managed by CDP Immobiliare SGR.

In addition, CDP and Group companies have assumed a key role in implementing the measures issued by the Italian government to mitigate the impacts of COVID-19 and to support the economy. In this context, worth mentioning are:

- CDP's management of the MEF fund to provide Entities with the liquidity needed to pay certain, liquid and collectable payables to suppliers;
- the start of operations of the "Patrimonio Rilancio" under Decree-Law 34 of 19 May 2020, set up with resources contributed by the MEF and managed by CDP, intended to implement measures and operations to support and relaunch the Italian economic and production system as a result of the epidemiological emergency.

For a detailed description of the interventions illustrated above, please refer to sections 3.1.1 and 3.1.2.

With reference to the economic-financial performance, the results for 2021 remain solid despite the uncertainty that is still hanging over the evolution of the health emergency, subject to constant monitoring.

Finally, in terms of the operating model, right from the start of the lockdown, CDP has guaranteed full operational continuity thanks to the extension of the remote working mode to the entire staff, as illustrated in more detail in the paragraph 'Disclosure of COVID-19 impacts' included in the section Other Issues.

3.2.2 GROUP COMPANIES

The accounting situation of the companies of the CDP Group as at 31 December 2021 is presented below from a management accounting standpoint. For detailed information concerning balance sheet and income statement performance, refer to the financial statements of the Group's companies, which contain full accounting information and analyses of the companies' operating performances.

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

When considering the main economic and financial dynamics described in the paragraphs below, it is necessary to bear in mind that:

- the data relating to the comparative period were restated, as illustrated in detail in section 5 - Other issues to incorporate the effects resulting from the decision, made by the companies operating in the gas distribution sector, to record, as of 2021, under operating costs the charges relating to the periodic checks pursuant to the law of the volume conversion devices, where present in the meters installed at the re-delivery points used;
- in order to provide a like-for-like comparison with reference to the respective comparative periods, the effects of the classifications (relating to the balance sheet as at 31 December 2021) and the restatements (relating solely to the income statement as at 31 December 2020) relating to the companies of the Sace Group (net of Simest), and required by IFRS 5, were not included in the reclassified consolidated income statement and balance sheet, for the reasons described in the consolidated financial statements;
- the balance sheet figures include the effects of the line-by-line consolidation of Fondo Italiano Consolidamento e Crescita (FICC) and its subsidiaries Stark Two, Melt 1 and Elettra One;
- as a result of the deconsolidation of SIA from 31 December 2021, following the incorporation into Nexi from that date, the consolidated financial statements reflect only its contribution to the consolidated income statement.

3.2.2.1 Reclassified consolidated income statement

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

NET INCOME OF €5.3 BILLION (+ €4.1 BILLION VS 2020)

Reclassified Income Statement

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Net interest income	**1,587**	**1,898**	**(311)**	**-16.4%**
Gains (losses) on equity investments	1,798	(2,091)	3,889	n/s
Net commission income (expense)	141	131	10	7.6%
Other net revenues (costs)	544	487	57	11.7%
Gross income	**4,070**	**425**	**3,645**	**n/s**
Profit (loss) on insurance business	221	(5)	226	n/s
Profit (loss) on banking and insurance operations	**4,291**	**420**	**3,871**	**n/s**
Net recoveries (impairment)	(52)	(283)	231	-81.6%
Administrative expenses	(11,812)	(9,883)	(1,929)	19.5%
Other net operating income (costs)	17,427	15,101	2,326	15.4%
Operating income	**9,854**	**5,355**	**4,499**	**84.0%**
Net provisions for risks and charges	(38)	(37)	(1)	2.7%
Net adjustments to PPE and intangible assets	(2,760)	(2,675)	(85)	3.2%
Other	(340)	3	(343)	n/s
Income taxes	(1,392)	(1,482)	90	-6.1%
Net income (loss) for the year	**5,324**	**1,164**	**4,160**	**n/s**
Net income (loss) for the year pertaining to non-controlling interests	2,344	1,533	811	52.9%
Net income (loss) for the year pertaining to the Parent Company	**2,980**	**(369)**	**3,349**	**n/s**

The net income pertaining to the Parent Company for the year ended 31 December 2021 was equal to 2,980 million euro, a significant increase compared to 2020 mainly due to the contribution of companies accounted for using the equity method.

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Interest and commission expense on payables to customers	(5,423)	(5,217)	(206)	3.9%
Interest expense on payables to banks	(234)	(236)	2	-0.8%
Interest expense on securities issued	(588)	(646)	58	-9.0%
Interest income on debt securities	1,442	1,508	(66)	-4.4%
Interest income on financing	6,450	6,459	(9)	-0.1%
Interest on hedging derivatives	(246)	(177)	(69)	39.0%
Other net interest	186	207	(21)	-10.1%
Net interest income	**1,587**	**1,898**	**(311)**	**-16.4%**

Net interest income was equal to 1,587 million euro, marking a decrease on the previous year mainly due to the contribution of the Parent Company, which reflects the effects of historically low interest rates.

The result of the measurement according to the equity method of investee companies over which the Group has significant influence or which are subject to joint control, included under "Gains (losses) on equity investments", led to a gain of 1,798 million euro, against a loss of 2,091 million euro reported in 2020. This value mainly reflects the result of the measurement with the equity method of the following investee companies:

- ENI +1,473 million euro (-2,464 million euro in 2020);
- Poste Italiane +517 million euro (+336 million euro in 2020);
- SAIPEM -323 million euro (-150 million euro in 2020);
- Webuild -60 million euro (+28 million euro in 2020).

Net commission income amounted to 141 million euro, up by 10 million euro on the previous year.

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Net gain (loss) on trading activities	101	(119)	220	n/s
Net gain (loss) on hedging activities	(41)	(50)	9	-18.0%
Gains (losses) on disposal or repurchase financial transactions	476	857	(381)	-44.5%
Net gain (loss) on financial assets and liabilities carried at fair value	8	(201)	209	n/s
Other net revenues (costs)	**544**	**487**	**57**	**11.7%**

Other net revenues/costs were up by about 57 million euro due to:

- higher income from trading, which mainly reflects the positive contribution of SACE (50 million euro vs. a loss of 6 million euro in 2020) and of Terna (50 million euro vs. -52 million euro in the previous year) due both to the change in the contract portfolio and the trend in the market interest rate curves;
- the decrease by 381 million euro in the financial income (loss) of assets measured at amortised cost mainly referring to the Parent Company;
- gains on assets mandatorily measured at fair value through profit or loss, mainly relating to units in collective investment undertakings held by the Parent Company.

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Gross Premiums	567	841	(274)	-32.6%
Change in premium reserve	35	(426)	461	n/s
Premiums paid in reinsurance	(382)	(388)	6	-1.5%
Effect of consolidation	(28)	(39)	11	-28.2%
Net premiums	**192**	**(12)**	**204**	**n/s**
Net other income (expense) from insurance operations	38	22	16	72.7%
Effect of consolidation	(9)	(15)	6	-40.0%
Profit (loss) on insurance business	**221**	**(5)**	**226**	**n/s**

Profit on insurance business of 221 million euro includes net premium income and other income and expense for the companies operating in the insurance sector. Using the data relating to the previous financial year as a basis for comparison, the following is noted:

- a 274 million euro decrease in gross premiums, offset by the increase in the change in the premium reserve of 461 million euro (35 million euro against the 426 million euro negative change in the previous year). The change in the gross premiums item reflects the SACE - MEF risk co-insurance framework, introduced by art. 2 of the Liquidity Decree and operational since 1 January 2021, with a distribution scheme equal to ten and ninety percent of the commitments undertaken, respectively; the change in the premium reserve pertaining to the previous year reflected the increase in portfolio risk and the effect of the downgrades of some counterparties in the portfolio;
- a substantial alignment with the result pertaining to the previous year of other income (expense) from insurance operations (+16 million euro compared to 2020) which reflects the lower cost of claims compared to the previous year, which had been weighed down on by the provisions put in place to address the effects of the Covid-19 health crisis, both with reference to payments and to the change in the reserve, offset by a lower contribution from the effects of cessions in reinsurance.

Overall, the banking and insurance components resulted in profit on banking and insurance operations of 4,291 million euro, an increase of 3,871 million euro on the previous financial year (420 million euro).

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Profit (loss) on banking and insurance operations	**4,291**	**420**	**3,871**	**n/s**
Net recoveries (impairment)	(52)	(283)	231	-81.6%
Administrative expenses	(11,812)	(9,883)	(1,929)	19.5%
Other net operating income (costs)	17,427	15,101	2,326	15.4%
Operating income before adjustments to PPE and intangible assets	**9,854**	**5,355**	**4,499**	**84.0%**
Net adjustments to PPE, intangible assets	(2,760)	(2,675)	(85)	3.2%
Operating income after adjustments to PPE and intangible assets	**7,094**	**2,680**	**4,414**	**n/s**

The increase in net adjustments, amounting to -52 million euro (against a charge of 283 million euro in 2020), is mainly attributable to the dynamics of the Parent Company's provisions whose contribution in the previous year had been affected by the impairment of a large credit exposure (recognised prior to the COVID-19 crisis). The 2021 figure is attributable to the evolution of the portfolio over the year and the updating of risk parameters.

Administrative expenses increased to 11,812 million euro. This was mainly due to:

- the Fincantieri group (6,370 million euro, compared to 5,656 million euro in 2020);
- the Ansaldo Energia group (1,414 million euro, compared to 971 million euro in 2020);
- the companies operating in the gas transport, re-gasification, storage and distribution sector (2,160 million euro, compared to 1,601 million euro in 2020), partly as a result of business combinations carried out during the year.

Other net operating income (costs) of 17,427 million euro mainly include the revenues from the core business of the Snam, Italgas, Terna, Fincantieri and Ansaldo Energia groups. The increase is mainly attributable to the higher volume of net revenues reported by the Ansaldo Energia (+471 million euro), Fincantieri (+1,022 million euro) and Snam groups (+530 million euro).

The item Other, with a negative balance of -340 million euro, includes the opposite effects of the adjustment of the assets held for sale relating to Sace and its subsidiaries (net of Simest) amounting to -1,288 million euro, reduced by the 923 million euro gain resulting from the accounting of the merger of SIA into Nexi.

The CDP Group’s effective tax rate for 2021 was 20.7% (56.0% in 2020). The significant incidence of the tax expense in the comparison period was justified by the non-deductibility of the negative amount resulting from the measurement of the companies accounted for using the equity method.

3.2.2.2 Reclassified consolidated balance sheet

Consolidated assets

The asset side of the reclassified consolidated balance sheet at 31 December 2021 is presented below, in comparison with the restated figures as at 31 December 2020:

Reclassified consolidated assets

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Assets				
Cash and cash equivalents and other treasury investments	217,825	220,042	(2,217)	-1.0%
Loans	119,791	113,322	6,469	5.7%
Debt securities, equity securities and units in collective investment undertakings	84,160	88,746	(4,586)	-5.2%
Equity investments	20,854	15,834	5,020	31.7%
Trading and hedging derivatives	372	660	(288)	-43.6%
Property, plant and equipment and intangible assets	53,759	54,668	(909)	-1.7%
Reinsurers' share of technical reserves	2,543	2,595	(52)	-2.0%
Other assets	17,790	16,538	1,252	7.6%
Total assets	**517,094**	**512,405**	**4,689**	**0.9%**

* Figures as at 31.12.2020 have been restated

Group assets totalled 517 billion euro, up by around 1% (approximately 5 billion euro) compared to the figure recorded at the end of the previous financial year.

The trends in financial assets represented by cash and cash equivalents, loans and securities were primarily attributable to the performance of the Parent Company’s portfolios which overall highlighted an unchanged balance compared to the previous period.

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

The equity investments item, which stood at 20.9 billion euro, increased by 5 billion euro, mainly for the following reasons:

- ENI - the increase deriving from net income for the year pertaining to the Group (including the effect of consolidation entries), equal to 1,473 million euro, and the change in valuation reserves, equal to 487 million euro. Added to these effects is the impact of the reversal of the dividend and other changes for a total value of -623 million euro;
- Poste Italiane - an increase of 517 million euro (including the effect of consolidation entries) deriving from net income for the year, as well as the overall negative effects of the change in valuation reserves, the reversal of the dividend and other changes, totalling -625 million euro;
- Saipem - a decrease deriving from net income for the year pertaining to the Group (including the effect of consolidation entries) equal to -323 million euro, as well as the effects of the change in valuation reserves and other changes totalling -15 million euro;
- acquisition, following the merger of SIA into Nexi, of a stake in the latter for a value of 2,489 million euro;
- increase of the equity investment in Open Fiber, transferred in OF Holdings, and of the related equity method valuation (886 million euro).

Assets held for trading and hedging derivatives decreased by 288 million euro compared to the previous year. This item includes the fair value (where positive) of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

Property, plant and equipment and intangible assets totalled 53.8 billion euro, a decrease of 0.9 billion euro over the previous year. The item mainly includes the investments made by the Terna, Snam and Italgas groups in their respective businesses, whether regulated or not.

At 31 December 2021, the Reinsurers' share of technical provisions was 2.5 billion euro, essentially unchanged compared to last year.

Other assets increased to 17.8 billion euro (+7.6% on 2020) and mainly include the contribution of Fincantieri (5 billion euro), Snam (4.7 billion euro), CDP (2.6 billion euro, of which 1.3 billion euro referring to the fair value change of financial assets in hedged portfolios), Terna (3.5 billion euro), Italgas (1.1 billion euro) and Ansaldo Energia (1.3 billion euro).

Consolidated liabilities

STEADY FUNDING AND TOTAL LIABILITIES

The liability side of the reclassified consolidated balance sheet at 31 December 2021 is presented below, in comparison with the restated figures as at 31 December 2020:

Reclassified consolidated liabilities

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Liabilities and equity				
Funding	419,449	417,104	2,345	0.6%
- of which:				
- postal funding	*281,460*	*274,575*	*6,885*	*2.5%*
- funding from banks	*82,400*	*85,096*	*(2,696)*	*-3.2%*
- funding from customers	*11,027*	*14,050*	*(3,023)*	*-21.5%*
- bond funding	*44,562*	*43,383*	*1,179*	*2.7%*
Liabilities held for trading and hedging derivatives	3,453	4,952	(1,499)	-30.3%
Technical reserves	3,340	3,461	(121)	-3.5%
Other liabilities	49,285	46,270	3,015	6.5%
Provisions for contingencies, taxes and staff severance pay	6,125	6,923	(798)	-11.5%
Total equity	35,442	33,695	1,747	5.2%
Total liabilities and equity	**517,094**	**512,405**	**4,689**	**0.9%**

* Figures as at 31.12.2020 have been restated

The CDP Group's total funding stood at 419 billion euro at 31 December 2021, essentially unchanged compared to the end of 2020.

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

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Due to central banks	**5,096**	**19,609**	**(14,513)**	**-74.0%**
Due to banks	**77,304**	**65,487**	**11,817**	**18.0%**
Current accounts and demand deposits	27	20	7	35.0%
Fixed-term deposits	1,910	603	1,307	n/s
Repurchase agreements	54,712	41,936	12,776	30.5%
Other loans	16,663	19,375	(2,712)	-14.0%
Other payables	3,992	3,553	439	12.4%
Funding from banks	**82,400**	**85,096**	**(2,696)**	**-3.2%**

The following components contributed to funding levels:

- the decrease in funding from banks, mainly due to lower ECB funding partly offset by the growth in repurchase agreements;

- funding from customers, the decrease in which was mainly due to the decrease in the balance held by the Parent Company with third-party counterparties;
- bond funding, mainly composed of bonds issued under the EMTN programme, retail bonds and "Stand alone" bonds issued by the Parent Company guaranteed by the Government, and bonds issued by Snam, Terna, Italgas and Ansaldo Energia. The balance of this item, up 2.7% compared with the previous year, reflects the following transactions carried out during the year:
    - issuance by the Parent Company of a 500 million euro Social Bond and the increase in Commercial Papers, which more than offset the number of maturities recorded during the year;
    - issuance by Snam: (i) of a fixed-rate Transition Bond, of a nominal amount of 250 million euro, maturing on 17 June 2030; (ii) of a fixed-rate Transition Bond, of a nominal amount of 500 million euro, maturing on 15 August 2025; (iii) of a fixed-rate Transition Bond, of a nominal amount of 500 million euro, maturing on 30 June 2031. These changes were partly offset by the repayment of a fixed-rate bond loan, issued by the subsidiary, with maturity on 29 January 2021, of a nominal amount totalling 259 million euro;
    - the "dual-tranche" bond issue by Italgas with maturities in February 2028 and February 2033 for a total amount of 1,000 million euro, partly offset by the buy-back of bond with maturities in January 2022 and March 2024, for a total of 256 million euro;
    - the redemption by Terna of a bond issue for 1,250 million euro, only partly offset by the green bond issue, launched on 16 June 2021, for a nominal amount of 600 million euro.

Liabilities held for trading and hedging derivatives totalled 3.5 billion euro, down by 1.5 billion euro compared with the previous financial year. The change is mainly attributable to the lower negative value of the hedging derivatives subscribed by the Parent Company.

Technical provisions refer solely to the SACE group and include reserves intended to cover, as far as they can be reasonably foreseen, the commitments taken with reference to the Group's insurance business. At 31 December 2021, the item in question (including the effect of consolidation entries) was around 3.3 billion euro, down by 0.1 billion euro on the previous year.

Other liabilities, which totalled approximately 49.3 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 (8.7 billion euro) and contract work in progress (2.1 billion euro).

Provisions for contingencies, taxes and staff severance pay stood at approximately 6.1 billion euro at 31 December 2021, down 0.8 billion euro mainly due to the deconsolidation of SIA.

Equity at 31 December 2021 came to about 35.4 billion euro, up by 1.7 billion euro on the previous year, and reflects:

- the decrease resulting from the distribution of dividends;
- the uptrends deriving from the net income for the year and other income components recognised in equity.

(millions of euro; %)	31/12/2021	31/12/2020	Change (+/-)	(%) change
Group's Equity	21,163	20,436	727	3.6%
Non-controlling interests	14,279	13,259	1,020	7.7%
Total equity	**35,442**	**33,695**	**1,747**	**5.2%**

* Figures as at 31.12.2020 have been restated

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

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

Reclassified income statement by business segment

				Companies not subject to management and coordination		
(millions of euro)	Support for the economy	Companies subject to management and coordination	Total (*)	International expansion	Other segments	Total
Net interest income	**1,782**	**8**	**1,790**	**98**	**(301)**	**1,587**
Dividends	1,234	521	50		7	57
Gains (losses) on equity investments		1	1	3	1,737	1,741
Net commission income (expense)	111	7	118	50	(27)	141
Other net revenues (costs)	638	(82)	556	(43)	31	544
Gross income	**3,765**	**455**	**2,515**	**108**	**1,447**	**4,070**
Profit (loss) on insurance business				221		221
Profit (loss) on banking and insurance operations	**3,765**	**455**	**2,515**	**329**	**1,447**	**4,291**
Net recoveries (impairment)	(20)	3	(17)	(11)	(24)	(52)
Administrative expenses	(214)	(101)	(315)	(166)	(11,331)	(11,812)
Other net operating income (costs)	13	22	35	13	17,379	17,427
Operating income	**3,544**	**379**	**2,218**	**165**	**7,471**	**9,854**
Net provisions for risks and charges		65	65	11	(114)	(38)
Net adjustment to property, plant and equipment and intangible assets	(26)	(95)	(121)	(4)	(2,635)	(2,760)
Other		940	940	(1,289)	9	(340)
Income (loss) for the year before tax	**3,518**	**1,289**	**3,102**	**(1,117)**	**4,731**	**6,716**
Income taxes						(1,392)
Net income for the year						**5,324**

(*) Total of the segments "Support for the economy" and "Companies subject to management and coordination ", 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: International expansion	Companies not subject to management and coordination: Other segments	Total
Loans and cash and cash equivalents	295,245	1,398	296,643	34,098	6,875	337,616
Equity investments		38	38	24	20,792	20,854
Debt and equity securities and units in collective investment undertakings	79,041	899	79,940	2,856	1,364	84,160
Property, plant and equipment/technical investments	343	1,422	1,765	90	39,340	41,195
Other assets	715	89	804	322	14,187	15,313
Funding	375,078	1,552	376,630	4,106	38,713	419,449
- of which bonds	*21,371*	*417*	*21,788*	*531*	*22,243*	*44,562*

In compliance with the provisions of the Liquidity Decree, the contribution of the SACE group, included in the International expansion column, is shown, differently from the past, in the aggregate dedicated to subsidiaries not subject to management and coordination by CDP.

The financial data above were prepared considering the contribution of the four segments already net of the effects of consolidation entries, but without the elimination of dividends, which has instead been performed in the column aggregating the segments “Support for the economy” and “Companies subject to management and coordination”. The contribution of the two combined segments, which presents a profit before tax of 3.1 billion euro, is collectively represented by the Parent Company and the Subsidiaries subject to management and coordination, net of their investments, included in “Companies not subject to management and coordination”. The latter had a profit before tax of 3.6 billion euro.

3.2.2.4 Consolidated statement of reconciliation

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

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

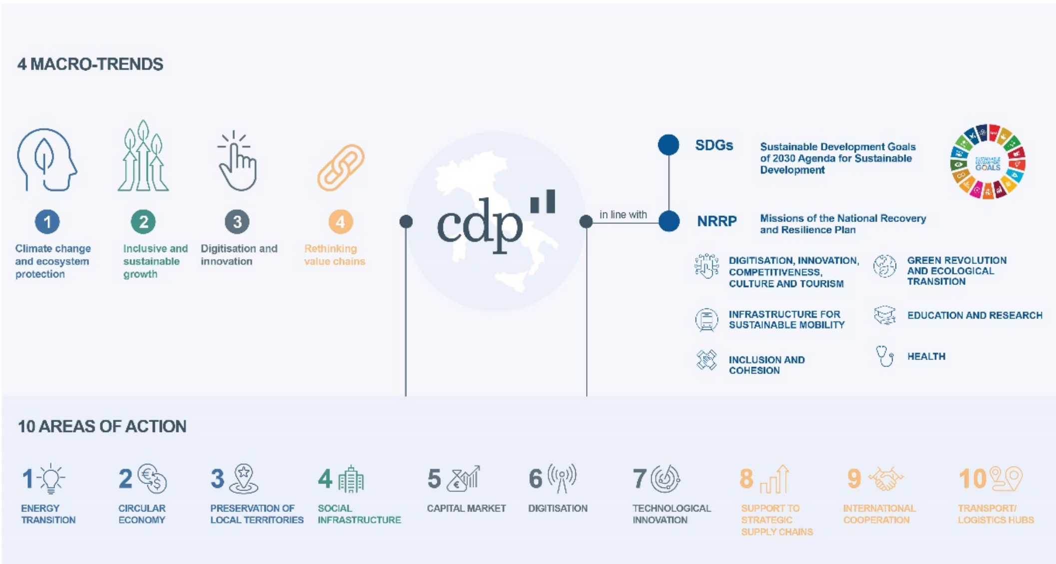
(millions of euro)	Net income for the year	Share capital and reserves	Total
Parent Company's financial data	**2,367**	**22,942**	**25,309**
Balance from financial statements of fully consolidated companies	4,496	32,773	37,269
Consolidation adjustments:			
- Carrying amount of directly consolidated equity investments		(24,746)	(24,746)
- Differences of purchase price allocation	(305)	5,930	5,625
- Dividends from fully consolidated companies	(834)	834	
- Measurement of equity investments accounted for with the equity method	1,489	6,405	7,894
- Dividends of companies measured with the equity method	(881)	(12,518)	(13,399)
- Elimination of intercompany transactions	(21)	(334)	(355)
- Reversal of measurements in the separate financial statements	694	818	1,512
- Value	24	(56)	(32)
- Deferred tax assets and liabilities	83	(1,871)	(1,788)
- Other adjustments	(1,788)	(59)	(1,847)
- Non-controlling interests	(2,344)	(11,935)	(14,279)
Group's financial data	**2,980**	**18,183**	**21,163**

4. 2022-2024 STRATEGIC PLAN

In November 2021, the Board of Directors of CDP approved the new Strategic Plan of the CDP Group for the three-year period 2022-2024.

THE BACKGROUND ENVIRONMENT

The Plan defines the Group's strategic guidelines starting from four major global trends: climate change and protection of the ecosystem, inclusive and sustainable growth, digitisation and innovation, and rethinking value chains. These trends correspond to ten areas of action for the Group, as set out in the figure below. In line with its mission, CDP will act in the identified areas of action through debt and equity instruments, the management of public fund mandates, but also, as a novelty, by supporting its counterparties with technical assistance and advisory services. The methods and areas of action identified are fully consistent with the goals of the UN Agenda 2030 for Sustainable Development and the missions of the National Recovery and Resilience Plan (PNRR), for which CDP will provide expertise and financial instruments, with a service approach towards administrations.



3 PILLARS TRANSFORMING THE CDP GROUP'S ACTIVITY

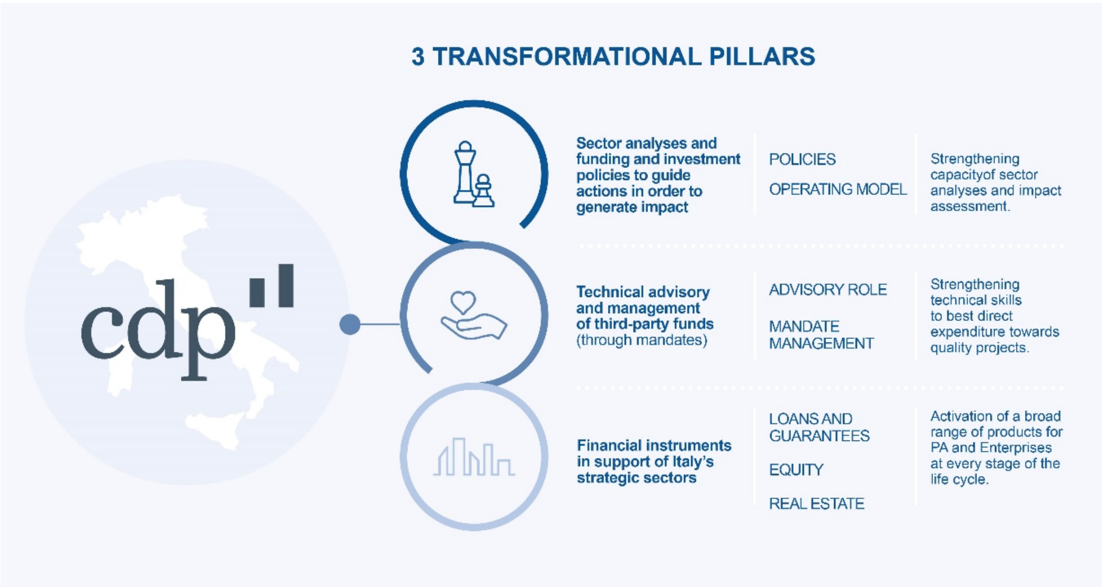
In order to best direct CDP's action with reference to the challenges identified, the strategy underlying the Plan for the next three years is structured around three major transformational pillars, which will transversally affect the CDP Group's activities:

1. Sector impact assessment and analysis, focusing on identifying the gaps to be bridged and on adopting specific financing and investment policies. These policies will provide ex-ante guidance when making decisions and will allow the social, economic and environmental impact of operations to be measured ex-post according to criteria of selectivity of the operations examined, with the objective of directing CDP's resources towards the country's priority areas and bridging the most significant market gaps while preserving the economic and financial sustainability of CDP and of the projects supported. To this end, CDP will strive to reinforce analytical capacities, also by creating Competence Centres that specialise in thematic areas: Urban development and regeneration, Natural resources, energy and environment, Transport, Social infrastructure, Innovation and digitisation.

2. Advisory services and management of public, national and European funds, especially for the benefit of the Public Administration (PA), to support it in overcoming its historical weaknesses and with a view to directing investments towards high-quality projects.

3. Financial instruments available to businesses and public administrations in the capacity as Promotional and Development Institution, to support every phase of the life cycle of a company or project and to take strong action in support of international development cooperation. CDP's action must be supplementary and complementary to other available forms of financing, inclusive and unifying towards the market. Specifically:

- **Loans and guarantees**: the action will be increased to support infrastructure, the PA and companies through a policy that is able to foster virtuous investments, in line with ESG sustainability criteria. For this purpose, CDP will boost its technical assessment capacity and enhance the mechanisms that blend its own and third-party resources. Furthermore, it will support companies in international expansion by ensuring a direct commitment through its own resources and developing non-bank lending instruments. Financial instruments, technical assessment, advisory and blending will also be functional to reinforcing CDP's role in the sector of international cooperation, in partnership with multilateral development banks.
- **Equity**: a new portfolio management approach will be adopted. On one side there are the equity investments considered strategic, where CDP will retain its role as permanent shareholder covering infrastructure, or assets of importance to the country; on the other there are the purposeful interventions, with commitment to growth or the stabilisation of companies in key sectors, though with an exit and capital turnover rationale; finally, there are Private Equity and Venture Capital, where the CDP Group's commitment is expected to grow. In all these cases, operations must be based on the crowding-in principle, i.e. the ability to attract resources from other investors.
- **Real estate**: in addition to continuing its commitment to tourism, CDP will focus on Social, Senior and Student housing, with the aim of having a significant impact on the territory thanks to the partnership with the Bank foundations, with which cooperation may also concern urban regeneration projects, specifically targeting Southern Italy. Overall, the management of the real estate portfolio will follow development criteria or direct sales, according to principles of transparency and value maximisation.



65 BILLION EURO OF RESOURCES DEPLOYED IN THE THREE-YEAR PERIOD

Over the next three years, the CDP Group expects to deploy resources for 65 billion euro and attract an additional 63 billion euro of resources from outside investors and co-lenders, by implementing investments totalling 128 billion euro. The CDP Group's commitment will focus on having a strong effect at an economic and social level, with real and tangible positive results for companies, Public Administration and households.

TOTAL RESOURCES AND INVESTMENTS

2022-2024, billion Euro*

	RESOURCES DEPLOYED	INVESTMENTS ACTIVATED
INFRASTRUCTURES AND PUBLIC ADMINISTRATION	21	53
LENDING TO ENTERPRISES AND SUPPORT FOR INTL. EXPANSION	34	56
INTERNATIONAL COOPERATION AND FINANCE FOR DEVELOPMENT	2	4
EQUITY	7	13
REAL ESTATE	1	2
bn € TOTAL	65	128

* Net of intragroup transactions (on deployed resources of 6 billion euro and on investments made of 6 billion euro)

5. Corporate Governance

COMMUNICATIONS & ENGAGEMENT, MEDIA RELATIONS AND SUSTAINABILITY

COMMUNICATIONS & ENGAGEMENT

In 2021, the process of consolidating the CDP Group's identity continued, achieving the positioning objectives set out in the Business Plan. The main projects concerned the strengthening of all communication channels, using marketing approaches and the production of multimedia content in line with market best practices.

GROUP IDENTITY STRENGTHENED IN LINE WITH THE COMPANY MISSION

The strategic role of both external and internal communications has continued to grow through ongoing dialogue with stakeholders, the recognition of the economic, social and environmental impact of CDP's operations, and the development of international cooperation projects.

In an environment characterised by the pandemic, promotion activities focused on ensuring visibility and accessibility for the product offering, also through campaigns, particularly through digital channels, that reached a wide audience of beneficiaries.

The corporate website cdp.it has confirmed its role as a fundamental tool for providing information on solutions for public administrations and businesses, and for communicating CDP's projects and initiatives. In addition, in combination with the other external communication tools, it ensured the timely publication of press releases, notices and regulatory compliance statements, news, topical analysis and the communication of financial results.

The strategy for the social media channels focused on greater interaction with the community and providing more engaging content through new graphical and video formats. CDP also relaunched its corporate initiatives and promoted international events with live tweeting, in-depth analysis, live YouTube feeds, dedicated playlists and stakeholder engagement initiatives.

This was accompanied by the strengthening of the storytelling activities, aimed at promoting the projects implemented, telling the success stories of enterprises and public administration bodies, using tools such as: the production of a series of video interviews with the stakeholders benefiting from the initiatives, gathering direct testimonies of the local impacts generated by CDP, and the Annual Review, a publication designed to provide a closer look at the strategies, activities and results achieved during the year.

A substantial programme of events was also organised, involving a total of over 16,500 participants, in person and via the CDP Live digital platform. During Italy's presidency of the G20, two major international events were organised in which the main public development banks took part: the D20 - Long Term Investor Club - and the Finance in Common Summit, which enabled CDP to strengthen its position among its international peers.

AN EXTENSIVE PROGRAMME OF DIGITAL EVENTS

The programme of events in support of the business continued: inaugurations of new local offices (Ancona and Bari) and new Spazio CDP information points in cooperation with bank foundations (L'Aquila, Campobasso and Cosenza); and events focused on Group products using the Spazio Imprese, Officina Italia and Spazio PA formats.

With the launch of the 2022-2024 Strategic Plan, particular emphasis is also being given to the new principles of CDP's culture (skills, inclusion, impact, environment, and integrity), which will be reflected in new initiatives to promote dialogue, discussion and commitment on gender equality, and the creation of webinars for employees and their families, new digital tools and education on health and safety measures, and a fundraiser among Group employees in favour of the Protezione Civile, as part of a broader MEF solidarity initiative. The Group's Annual Convention was also completely restyled from a digital perspective, with a live show and an innovative format, which allowed the Group's more than 1,600 people to look back together at 2021 also via remote connection.

MEDIA RELATIONS

ONGOING DIALOGUE WITH ALL THE MEDIA, AND EXPANSION OF TARGET MEDIA

Stakeholder engagement activities also involved intensifying dialogue with journalists, with a proactive approach in relation to the strategy and the business initiatives, significantly expanding the scope of the media and CDP's recognition as an institution in service of the country.

In the last year, the flow of communication was continuously marked by transparency and the analysis of the contexts where CDP operates and saw both the consolidation and expansion of the press audience who identified CDP's External Relations department as a useful point of reference for understanding complex issues related to Italy's situation, the measures to respond to the effects of the pandemic (such as the PNRR and the Patrimonio Rilancio), the extraordinary operations launched by the Group, the change in governance and the presentation of the new 2022-2024 Strategic Plan.

The result of the various measures implemented is also evident in the return in terms of press coverage, both at the national and local level, but above all in a substantial improvement in quality, clarity and completeness of content and key messages, focused on illustrating CDP's historical mission and the new Strategic Plan.

SUSTAINABILITY

INCLUSIVE AND SUSTAINABLE GROWTH PILLAR OF THE CDP GROUP'S STRATEGY

Sustainable development is a founding element of CDP's strategy, which embarked on a constantly evolving process aimed at integrating sustainability into corporate governance, company processes, business activities and corporate culture. The main initiatives that have been developed during the year, in line with the approach of previous years, include interventions in 7 main areas, (i) integrating environmental, social and governance (ESG) factors into all company processes and internal regulations; (ii) setting qualitative and quantitative objectives and targets, in line with the Sustainability Framework, taking into account the goals of the United Nations 2030 Agenda as well as the structured dialogue on the legitimate expectations of stakeholders ("Materiality Analysis"); (iii) integrating sustainable development principles into business by developing and updating Impact Assessment models for funded projects; (iv) monitoring the Group's non-financial performance which contributes to preparing the Integrated Report; (v) promoting a culture of sustainability, both within the Group, by encouraging sustainable and responsible behaviour and providing training courses on sustainability, and externally, by providing support to communities and local areas; (vi) continuous involvement of all the Group's categories of stakeholders, through consultation and engagement, which are key to identifying the most important topics for CDP and developing the materiality matrix; and (vii) providing transparent and increasingly integrated disclosure of information and data on non-financial performance and promoting a distinctive positioning for the Group in the area of sustainability.

With reference to the main new developments in 2021, the following should be noted.

As part of the process of integrating ESG factors in the corporate processes, worth noting is the introduction of the principle of sustainable development in the Articles of Association (amendment of art. 3, paragraph 1), in consideration of CDP's growing attention to the sustainability and its integration in the business activities. In particular, the Articles of Association expressly specify that CDP's operations – as stated in the corporate purpose – are carried out by pursuing "the promotion of long-term economic, social and environmental sustainability for the benefit of shareholders and taking into account the interests of other stakeholders relevant to the company".

Furthermore, in line with this perspective and the objective of placing sustainability increasingly at the forefront of strategic and operational choices, it should be noted that the Risk Committee of the Board of Directors was attributed responsibility regarding "Environmental, Social & Governance" ("ESG") matters, in order to promote economic, social and environmental sustainability. As a result of this new responsibility the Risk Committee was renamed the "Risk and Sustainability Committee". The latter provides support to the Board of Directors in the area of sustainability strategies, policies and reports.

In relation to the Impact Assessment of the individual transactions, it should be noted that, following the integration of the ESG assessment in the examination of the Risk Assessment Committee, the latter was also integrated in the examination of the Risk and Sustainability Committee and the Board of Directors. In 2021, the model made it possible to analyse all the transactions with private and international cooperation counterparties that were subject to the ordinary funding assessment process.

Furthermore, in light of the main European regulatory developments, analyses were carried out in order to integrate the ESG assessments by considering the requests of European taxonomy.

As part of monitoring non-financial performance, worth noting is the constant evolution in the analysis and selection of the international reporting standards and the refinement of the data collection process to minimise operational risks and track non-financial data at Group level.

PUBLICATION OF THE CDP GROUP'S FIRST INTEGRATED REPORT

With this in mind, the CDP Group's first Integrated Report was published in April in response to the need to report the financial, social, environmental and governance results through a unitary tool, and to the desire to steer company work increasingly towards an "integrated way of thinking".

Finally, with the aim of providing an increasingly evolved disclosure and anticipate future reporting trends, during 2021 CDP reviewed the Materiality Matrix according to the double perspective suggested by the Corporate Sustainability Reporting Directive (CSRD) to guide reporting in the 2021 Financial Statements.

Regarding the promotion of a culture of sustainability, the sustainability training course launched in 2020 was updated with the addition of a training pill on updates related to the most relevant regulations, the redefinition of the context in the light of the pandemic and the most recent stages that the CDP Group has taken to integrate the Sustainability principles and logics in its operating business and model. In addition, as part of Corporate Social Responsibility, the initiatives launched to raise awareness among employees of the need for a more responsible and sustainable lifestyle were continued. Among these are: i) the extension to all the companies of the Group's virtual Marketplace, through which employees can give used objects a second lease of life in a sustainable and circular manner, and the second edition of the electric scooter sustainable mobility project, in cooperation with the Human Resources Area; ii) the collaboration with the CDP Foundation to launch a pilot project on competence-based volunteering in partnership with Save the Children.

In pursuit of its goal of achieving a distinctive positioning, in 2021 CDP confirmed its membership in a number of external initiatives, including, at EU level, the Joint Initiative on Circular Economy (JICE), together with the EIB and the main European national promotional institutions, and, at national level, the Alleanza per l'Economia Circolare (Alliance for the Circular Economy), which includes 17 of Italy's leading companies committed to the transition to a circular development model.

The constant dialogue with rating companies and investors continues. In 2021, the Group also managed the update of the ESG rating issued by the Vigeo rating agency, which resulted in a substantial increase in the score assigned to CDP, reporting an upgrade of the Group's rating from "Robust" to "Advanced".

With regard to the reporting of the Group's non-financial information, please refer to the document "2021 Integrated Report".

INSTITUTIONAL RELATIONS

INSTITUTIONAL DIALOGUE

In 2021, the institutional relations with: i) national and central institutions (Government, Parliament, the Parliamentary Supervisory Committee on CDP's separate account, independent authorities and other national administrations); ii) local institutions (Regions, Metropolitan Areas, Provinces, Municipalities, and Bank Foundations); and iii) the reference stakeholders (Trade Associations, institutional investors, foundations, universities, think tanks and civil society) were subject to coordinated management and development.

The institutional activities carried out at national level included meetings between CDP's top management and the main institutional stakeholders, including Government representatives and the Chairman of the Parliamentary Supervisory Committee on CDP.

HEARINGS AND PARLIAMENTARY ACTIVITIES

Support was provided to top management and the business structures during parliamentary hearings and requests for information and memoranda involving CDP Group representatives, in particular:

- Report concerning the actions carried out via the Special-purpose assets fund (Patrimonio Destinato) as part of the State aid Temporary Framework of the European Union (DOC XXVII, no. 26);
- Memoranda of the Chairman and the CEO of Fondo Italiano d'Investimento SGR, and of CDP Venture Capital SGR, as part of the parliamentary examination of the bills AC 1239 and AC 2739 regarding the development and promotion of start-ups and SMEs.

The company units were also supported in order to facilitate their dialogue with the related institutional representatives, regarding the projects of interest to the Group.

PROJECTS OF INTEREST TO THE GROUP AND MOUS

Support was provided to the business structures involved in the presentation, evaluation and coordination of the projects of the various Ministries and the Group Companies within the National Recovery and Resilience Plan (PNRR), through dialogue with the administrative structures of the Italian Prime Minister's Office, Ministries, local authorities and the leading national insurance companies. In particular, the legislative measures on the National Recovery and Resilience Plan were monitored, specifically with reference to the legislation on the implementation, governance and regulation of the PNRR, and an activity was carried out to support the organisation of meetings and round tables with the contact persons of the institutions.

As part of the activities connected to implementing the Special-purpose assets fund, support and coordination was provided for the drafting, negotiation and conclusion of memorandums of understanding with central government entities, and in particular:

- with the Ministry of the Interior;
- with the FIU and Bankitalia;
- with the Italian Revenue Agency (*Agenzia delle Entrate*);
- with the Guardia di Finanza;
- with the Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*).

In addition, support was provided to sign memoranda of understanding with:

- The Ministry of Health concerning services of assistance, technical-administrative consultancy and assessment of economic-financial aspects to develop investments in the health sector;
- Addendum to the Protocol with the Ministry of Education, Universities and Research (MIUR) concerning the creation of the Agritech research and venture capital hub, with participation extended to the Ministry for the South and the Territorial Cohesion and the Campania Region.

In addition, support was provided to business unit staff to involve national institutional stakeholders in the international events of the D20 and Finance in Common, organised by CDP in the context of the European Semester and the Italian Presidency.

MONITORING OF REGULATIONS AFFECTING THE GROUP

Legislative and institutional initiatives (bills, parliamentary questioning, investigative surveys, round tables, and promotional initiatives) of interest to CDP and the Group companies were also systematically monitored, with over 500 reports in their areas of interest. Particular attention was paid to monitoring the implementation of the National Recovery and Resilience Plan, with more than 100 reports.

PARLIAMENTARY SUPERVISORY COMMITTEE

With regard to the work of the Parliamentary Supervisory Committee on CDP's separate account, support was provided for the organisation of meetings, by preparing the meeting documentation.

During 2021 the Commission concentrated its activities with particular reference to:

- Examination of the Annual Report on the Commission's activity in 2020: the Report was approved in the meeting of 2 December 2021;
- Survey on CDP's role in supporting enterprises: a series of interviews of CDP representatives and other stakeholders was held, and in the meeting of 22 December 2021 the Commission ended the survey with the approval of the conclusive Report;
- Autostrade per l'Italia I transaction: a disclosure was made by the Top Management of CDP.

CDP VENTURE CAPITAL SGR'S OPERATIONS – FONDO NAZIONALE INNOVAZIONE

In 2021, CDP Venture Capital SGR – Fondo Nazionale Innovazione continued the consolidation of operations, by implementing the 2020-2022 Business Plan "From Italy to innovate Italy". With the support of the Institutional Relations unit, the corporate bodies of the asset management company assisted the implementation of a strategic plan for the institutional communication and accreditation at the main stakeholders, about the projects launched and developed. In particular, the coordination with CDP was ensured with regard to the proposals relating to National Recovery and Resilience Plan projects of interest, as well as the coordination activity with the MISE (the main institutional investor of the funds managed by the asset management company) and the national and territorial institutions involved in the investment activity on the projects and instruments managed.

Within the framework of the lines of action and co-investment policies of the Fondo Nazionale Innovazione, we supported discussions with the representatives of institutional counterparts (e.g. Regions, Regional Finance Companies, banking foundations) aimed at developing synergies in favour of start-ups and the ecosystem of innovation and technology transfer.

NATIONAL RECOVERY AND RESILIENCE PLAN (PNRR)

In the last quarter of 2021 the National Recovery and Resilience Plan was presented as part of the Next Generation EU Programme launched in July 2020 by the EU in response to the economic crisis caused by the pandemic.

In order to communicate the principles guiding the Plan at territorial level, initial discussions were assisted and supported among the company units and the beneficiaries at territorial and local level in relation to the activities and services that CDP may provide.

RELATIONS WITH LOCAL AREAS

Support for the local areas was provided, in collaboration with the other company functions involved, to develop projects of common interest. The pursuit of these objectives involved the ongoing management and verification of the institutional performance of the vertical and transversal protocols signed with local authorities. In particular, support was provided for the promotion and marketing activities for all local events and various projects such as: Arbolia and GreenIT.

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

CDP AND BANKING FOUNDATIONS SERVING LOCAL AREAS

The activities carried out in relation to the banking foundations included participation in the meetings of the Support Committee. By virtue of the collaboration agreement signed with ACRI (Associazione di Fondazioni e di Casse di Risparmio), three local collaboration agreements were signed in 2019, and renewed in April 2021, for the opening of Spazio CDP points at the premises of: Fondazione Cassa di Risparmio di Padova e Rovigo, Fondazione Cassa dei Risparmi di Forlì and Fondazione Cassa di Risparmio della Provincia dell'Aquila.

STAKEHOLDER MONITORING FOR GREATER INVOLVEMENT IN CDP ACTIVITIES

In collaboration with the other company functions involved, support was provided in the preparing and signing of memoranda of understanding with important stakeholders such as Chambers of Commerce (to open Spazio CDP points in Potenza, Cosenza, Campobasso, Trieste), Assarmatori/Confitarma, Confindustria Energia, Confcommercio, for the development of projects of common interest. Discussions were also initiated with the most important national and sectoral employers' associations, aimed at promoting the Group's instruments focusing on production chains and Venture Capital (Associations of the tourism, agri-food, transport and real estate development sectors; Associations of the fintech, innovation and digital world; Associations of institutional investors and asset management and supplementary pension schemes).

As part of monitoring relations with institutional investors, the management of institutional relations was consolidated with Assofondipensione. Relations were also managed with the majority of the private pension schemes, to support fundraising on the Group's investment instruments. An event was also organised to present instruments within the framework of direct and indirect investments of CDP Equity and the various fundraising initiatives, in cooperation with Assodire and Enpaia. The relationship was strengthened with Assonime concerning access to capital by SMEs.

In line with the themes of interest for the CDP Group, such as social housing and energy sustainability, support was provided to the company functions of the business area for the Bonus Edilizi project, involving the construction industry associations and the services connected to real estate development (including Ance, Assoimmobiliare, Assistal, Inarcassa). Discussions were also held with associations in the real estate, trade and handicraft sectors, as well as with the civil society for the protection of heritage (Associazione Italia Nostra) for the urban redevelopment project of the former Istituto Poligrafico e Zecca dello Stato in Piazza Verdi.

With reference to the associative relations of CDP, the 2021 Membership Fee Plan was drafted and approved, encompassing the membership needs of the various organisational units and managing their budgets of approx. 800,000 euro, in cooperation with CDP's top management.

HUMAN RESOURCE MANAGEMENT

In 2021, as a result of the continuation of the COVID-19 emergency, remote working continued to be the main way of working, in accordance with the applicable national legislation. The actions needed to develop this type of innovation were effectively calibrated by identifying which tasks could be performed remotely and by equipping staff with the necessary IT and software resources to work efficiently at home. In 2021, the safety protocols were extended and updated with the trade union and worker safety representatives on the measures to combat and contain COVID-19 in the CDP Group, and a new Remote Working Agreement was signed in the CDP Group that will take effect at the end of the emergency legislation.

INVESTMENT IN NEW HIRES IN SUPPORT OF ORGANISATIONAL GROWTH CONTINUES

During the year, the alignment of skills in support of the strategic guidelines of the Business Plan continued through significant investment in new hires, to support the growth of the organisation as a whole. More than 190 resources were managed in CDP via Hiring, Internships and Secondment.

To further cultivate existing professional skills and increase job rotation both internally and within the Group, in 2021 over 100 mobility initiatives were organised and managed to encourage the sharing of skills and experience, enabling the colleagues involved to develop their professional profile and disseminate values, culture and managerial styles.

In order to speed up the integration of new resources into CDP, the onboarding process, which had already been digitised, was enhanced by (i) updating the targeted welcome video, (ii) customising the welcome kit and (ii) introducing a survey to gather feedback on the process. An ad hoc initiative was also launched for interns to improve their training experience, consisting of a session on the organisational model and training courses in CDP.

In addition, throughout the year a new staff recruitment process was defined that incorporates the new guiding principles of CDP's culture in the new Regulation on Staff Selection and Recruitment, with a particular focus on Diversity and Inclusion. The new process has strengthened the concepts of transparency, publicity and impartiality with the aim of recruiting staff on the basis of systems for the assessment and appreciation of individuals, based exclusively on the recognition of their merit and avoiding any form of discrimination.

Despite the period of social distancing, CDP's employer branding activities included participation in selected national events consisting of career fairs, testimonials and student orientation initiatives, in collaboration with Italy's leading universities, in order to boost the CDP Group's visibility in the country.

With regard to training and development, 2021 was mainly characterised by the maintenance of a "distance" version of the training strategy.

In addition, new programs have been developed within the CDP Academy, with the involvement of the main investee companies, including the Digital Transformation Program and the Risk & Derivatives Advanced Program. The first CDP Corporate MBA entered into its second year and the beauty contest was launched for the second CDP Corporate MBA.

The strengthening of vertical role-based and cross-cutting training programs continued. Specifically, in the area of vertical training, CDP launched new programs on its core skills in partnership with high-level training organisations. The initiatives that contributed to the strengthening of cross-cutting training included the Join Unconventional Monthly Program (JUMP) for new employee induction, which included two parallel initiatives to guide them within CDP through job shadowing and mentoring. Also worth mentioning are the Executive Coaching initiatives created ad hoc to support professional and managerial development.

Many of the cross-cutting initiatives were designed with the involvement of all the other Group companies with the aim of strengthening a unified culture by standardising the systems and practices adopted.

Partly in response to the continuing emergency, in 2021 several welfare initiatives were launched to support employees and their families.

The ongoing updating continued of the noi.cdp app, the innovative tool designed to help employees access personal services even from outside work, directly from their smartphones, with the introduction of features aimed at improving its user-friendliness.

The various welfare initiatives introduced, also for 2021, included a remote listening and psychological support service for employees, aimed at bolstering people's confidence, motivation and peace of mind. The internal nursing service offering daily medical assistance and first aid services provided by qualified staff was also maintained.

New wellness initiatives were also set up, including: (i) the Sport & Fitness service available both online and in person; (ii) free specialist medical examinations; and (iii) sustainable mobility solutions.

CDP has also extended its focus on families with the launch of a new training and orientation program for the children of employees ("Summer School, Tutoring and…much more!") that features a wide range of initiatives organised with highly qualified partners: (i) an innovative digital tutoring program to support children at the end of the school year; (ii) summer courses in coding & robotics, singing, acting, painting, photography, guitar, and piano to increase kids' knowledge and skills; and (iii) summer schools aimed at exploring the most relevant subject areas.

In addition, in 2021 for the families of CDP employees (i) a new training and orientation program was launched to help raise awareness among parents and children about online security and responsible use of the web, and (ii) the university orientation program for the children of employees continued.

Lastly, one of the most important welfare projects, launched in 2021, was "360° Prevention and Wellness", which is based on the following three pillars: 1. Prevention, 2. Listening, 3. Wellness.
The project began with the launch of a prevention campaign with a genetic test for employees and their families, in collaboration with a highly innovative start-up, to assess the risk of developing certain major diseases. Theme-based focus groups were also organised in collaboration with an industry start-up to help colleagues cope with and overcome trauma, stress and/or smoking addiction. Lastly, in the area of wellness, the project involved the launch of the first digital healthy challenge in the company, with the collaboration of a specialised start-up, which involved employees in team competitions, aimed at encouraging and rewarding the adoption of correct behaviour and a healthy lifestyle.

Industrial relations

The continuation of the COVID-19 emergency is not only still affecting living and working conditions, but also the way business activities are conducted, including those in the Credit sector.

In view of the national regulations and CDP's strategic role for Italy, the analysis continued – in collaboration with the Italian Banking Association (ABI) and sector trade unions – for the agreement of specific, independent protocols at national level, which fosters effective dialogue at company and Group level.

In line with the provisions of the sector and national agreements, CDP extended and updated protocols, in agreement with the company trade union representatives, on measures to combat and contain the spread of COVID-19, which apply to the entire CDP Group.

Within the company, the epidemiological emergency strengthened trade union relations, fostering a climate of constructive cooperation and sharing of company policies and consolidating the positive relations with the Trade Union Representatives of the company and the region.

WITHIN THE COMPANY, CLIMATE OF COLLABORATION AND SHARING OF COMPANY POLICIES

With regard to the main negotiations and agreements concluded, 2021 saw:

- the signing of the New Remote Working Agreement in the CDP Group;
- arrangements to define the content of the agreement for the renewal of the supplementary corporate contract for CDP staff;
- the drafting of the memorandum of agreement pursuant to Article 17 of the National Collective Bargaining Agreement on the project for the CDP Group's new logistics hubs in Rome;
- the extensions of the agreement on the protocols for the measures to combat and contain the spread of COVID-19 in the CDP Group;
- the signing of periodic agreements on video surveillance;
- the extension of the Solidarity Fund for professional retraining and redeployment, to support employment and income for banking personnel (the "Fund").

Within the Group, during the year the competent corporate function was involved in providing important support to companies subject to management and coordination in the definition of certain company agreements and in liaising with national and territorial trade union bodies.

Assessment of remuneration of directors with specific responsibilities

The policy adopted for the remuneration of the Chairman of the Board of Directors remained unchanged in 2021, whereas for the Chief Executive Officer, on 27 May 2021 the Shareholders' Meeting resolved to increase solely the fixed remuneration pursuant to paragraph 1 by 10,000 euro. This increase was also awarded to all the other CDP Directors.

As a consequence, the following remuneration components were recognised:

Chairman of the Board of Directors

(euro)	Annual salary
Fixed compensation: role compensation - art. 2389, comma 1	70,000
Fixed compensation: proxy compensation - art. 2389, comma 3	225,000

Chief Executive Officer

(euro)	Annual salary
Fixed compensation: role compensation - art. 2389, comma 1	45,000
Fixed compensation: proxy compensation - art. 2389, comma 3	132,700
Annual variable component	50,000
Three-year incentive component (yearly figure)	25,425

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

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

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

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

IT SYSTEMS AND INTERNAL PROJECTS

For the ICT of Cassa Depositi e Prestiti, 2021 saw the consolidation of a **digital transition** path in line with the new Strategic Plan, aiming to give new impetus to operations in the coming three years.

The various digital transformation and acceleration measures allowed us to maintain CDP's **Business Continuity** and ensure technological development to support products for the **country's economy**.

Regarding the Business products, the **ICT business model** was rendered more scalable and flexible, by adopting **market best practices** (*Agile*, *DevOps*, *Cloud,* …). As a consequence, the **time to market** for technological solutions was reduced, making it possible to launch new products for the **country's economy** in **an extremely short time frame**: worth mentioning are the projects concerning the **National Recovery and Resilience Plan (PNRR)** (e.g. Fondo Borghi, Fondo Parchi) as well as other initiatives such as the Business Matching platform, the evolutions of Customer Relationship Management (CRM) and the digital channels.

TECHNOLOGICAL TOOLS TO ENABLE RESILIENT RESPONSES TO THE EMERGENCY SITUATION

Included among the results achieved in 2021 is the new **Customer Engagement** model, new **digital platforms** dedicated to new services (e.g. Bonus Edilizi), the **digitalisation and optimisation of the operating processes** (e.g. procurement process workflow) and the re-engineering and/or evolution of the **Collections & Payments**, **Finance**, **Loans** systems for Private Parties and Public Entities management.

On the other hand, the **Security and Resilience** line made it possible to guarantee the logical and physical IT security controls, and to strengthen the operational controls, in order to provide adequate resilience for the technological infrastructure. In 2021, the technical debt of the systems was reduced by updating the **Data Center** according to a **DevOps** and **Cloud enablement** approach. Furthermore, the **Security Operation Center (SOC) control was made 24/7** and the frequent **Vulnerability Assessment**, **Penetration Test** and **Ethical Phishing** activities were carried out.

Regarding the **New ways of Working,** the technology necessary to support the reorganisation of the space and the strategic structure of the offices was provided. **Digital solutions** were also developed that are able to simplify and **automate the ICT service request** through a dedicated **service desk and information chatbot** platform «My CDP». The **hybrid/remote operating model** was also completed by providing resilient and flexible solutions in line with the trend of the pandemic.

As part of the **Operating Excellence** line, **procurement processes** were fully digitalised and a **Procurement monitoring dashboard** was released, continuing the digitalisation of the corporate operating processes.

The new, recently established **Innovation** line focuses on stimulating the adoption and scale-up of innovative technologies along all the main corporate processes as well as spreading support for a company-wide **culture of innovation**. During 2021, a group-level call4ideas was carried out with the participation of the company's whole workforce, collecting **85 innovative ideas**. The **Innovation board** selected the best **8 ideas**, awarded by the Top Management at an event held at the end of the year.

The path of strengthening the ICT Governance controls continues through the consolidation, in 2021, of the **IT Strategy**, **ICT Demand & Portfolio** processes and the framework to measure **ICT Performance**, further improved through the implementation of the Data Hub of the ICT Governance and the development of dedicated dashboards.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF CDP PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, LETTER B) OF THE CONSOLIDATED LAW ON FINANCE

Internal Control System

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

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

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

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 ensure that the risk governance polices are properly implemented and that the internal practices and rules comply with applicable regulations.

INTERNAL CONTROL SYSTEM CONSISTENT WITH THE ESTABLISHMENT OF THREE LEVELS OF CONTROL

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

INTERNAL AUDIT: A PERMANENT, INDEPENDENT AND OBJECTIVE FUNCTION

The division of the internal control system into the three levels mentioned above is based on sector regulations and applicable best practices, including the recommendations of the main international organisation for the internal auditing profession (Institute of Internal Auditors).

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

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

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

For the execution of its activities, each year the Internal Audit function prepares an audit plan and submits it to the Board of Directors for approval. The audit plan is consistent with the applicable regulations, with the set of risks, the control system, the related evaluation and the strategic organisational development of the Company and takes into account the indications expressed by the Chairman of the BoD, the Chief Executive Officer and the Corporate Bodies. The plan specifies the activities to be carried out and the objectives to be pursued.

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

On a quarterly basis, the Internal Audit function reports to the Board of Directors, after examination of the Board of Directors' Risk and Sustainability Committee, the Board of Statutory Auditors and the Supervisory Body on the progress of the Annual Plan, the activities carried out, the main issues identified and the progress made on the corrective actions identified by CDP and the Group subsidiaries subject to management and coordination, highlighting any risks that have not been adequately mitigated in relation to the failed or ineffective removal of the anomalies found in its monitoring activities. On an annual basis, the Internal Audit function also presents its assessment of the overall internal control system.

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

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

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

Financial and operational risk management systems

In 2021, CDP continued the process of strengthening and updating the risk management methods and systems.

MANAGEMENT OF CREDIT RISK, RATING AND SCORING

To measure credit risk, CDP uses a proprietary portfolio model, which takes into account, among others, exposures to public entities in the Separate Account. The model is a "default mode" model, i.e. it considers credit risk based on the losses associated with the possible default of borrowers rather than the possible deterioration in credit quality indicated by an increase in spreads or rating changes. Since it adopts a default-only approach, the model is multi-period and simulates the distribution of losses that would arise from the defaults of borrowers over the entire life of outstanding transactions. This allows for the capturing of the effect of migrations between credit ratings, not limited to default. This credit model allows for the calculation of a variety of risk metrics (VaR, TCE[36]) both for the entire portfolio and for single borrowers or business lines. It is used for assessing risk-adjusted performance and for loans to private borrowers.

CDP has access to a series of rating models developed in-house or by specialised external providers. Specifically, CDP uses rating models for the following asset classes:

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

Internal ratings play an important role, not only in the credit-granting and credit-monitoring process, but also in the decision-making process as a whole. In particular, internal concentration limits are defined in terms of internal ratings and may lead to an escalation process to the Chief Risk Officer and/or the Internal risk committee, to require that the proposal is submitted also to the Board of Directors to obtain a specific exemption or, in some cases, to the inadmissibility of the transaction. An internal rating is normally updated on a yearly basis, unless events or information cause the need for a prompt change to the assigned rating.

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

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

MANAGEMENT OF OPERATIONAL, LIQUIDITY AND INTEREST RATE RISK

Interest rate and inflation risk are measured using the AlgoOne suite by Algorithmics (now part of SS&C Technologies), mainly adopted to analyse the possible changes in financial statement items as a result of interest rate movements. The system can carry out sensitivity analyses and stress tests, in addition to calculating the VaR in the banking book. For Postal Funding products, CDP uses investor behaviour scenarios in its models.

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

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

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

With reference to operational risks, CDP has developed a proprietary application (LDC) for the collection of internal data relating to both operational losses already occurred and recorded in the income statement, as well as operational risk events that did not generate an actual loss (near miss events). This application enables the centralised and 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 (Database Italiano Perdite Operative).

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 customisable system of automated messages and alerts.

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

In the area of money-laundering risk management, CDP has updated its internal procedures and regulations in light of changes in the external regulatory environment and communications from the Financial Intelligence Unit issued during the year. Specifically, to suitably address the increased complexity resulting from the changes in the reference landscape, also considering the greater risks connected to the current pandemic, several project activities have been carried out or in any case launched to strengthen the IT systems supporting the due diligence and monitoring processes, in order to enable the simplification of processes, the sharing of information at Group level, the automation of controls and the traceability of the assessments made, whilst ensuring sufficient levels of effectiveness and efficiency.

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

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

CDP'S 231 MODEL: DYNAMIC, SPECIFIC AND APPLIED

The document consists of:

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

In the meeting on 28 January 2021, the Board of Directors approved the update of the 231 Model in order to implement the new regulations introduced in relation to Legislative Decree 231/01 by Legislative Decree 75 of 14 July 2020 concerning the "Implementation of Directive (EU) 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law", as well as the organisational and process changes that concerned the Company starting from the last revision of the Model carried out in 2020.

Subsequently, in the meeting of 30 July 2021, it approved the latest version of the 231 Model, which implements:

- the impacts resulting from the management of the Patrimonio Rilancio set up following the enactment of the "Relaunch Decree" (Italian Legislative Decree no. 34 of 19 May 2020)
- the organisational and process changes that the Company has gone through since the last review of the Model in January 2021;
- the update of the regulatory framework on the administrative liability of entities and, specifically, the provisions resulting from the "***Guidelines regarding the protection of public employees who report wrongdoing*** **(*whistle-blowers*)"** approved on 25 June 2021 and the **"*Guidelines for the creation of the organisation, management and control models pursuant to legislative decree no. 231 of 8 June 2001*"** of Confindustria approved on 8 June 2021.
- the case law and scholars' opinions concerning the administrative liability of entities;
- the suggestions for improving the Internal Control System made in the previous 231 Action Plan.

SUPERVISORY FUNCTIONS OF THE BOARD OF STATUTORY AUDITORS

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

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

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

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

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

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

The CDP Group is aware that financial reporting plays a central role in establishing and maintaining positive relationships between the Company and its stakeholders. The internal control system, which oversees the company's reporting processes, is set up - including at Group level - in such a way as to ensure that reporting is reliable[37], accurate[38], dependable[39] and timely regarding Financial Reporting and the ability of relevant company processes on this point to produce this information in compliance with the applicable accounting standards.

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

The company's control system is structured to comply with the model adopted in the CoSO Report[40], an international reference model for the establishment, update, analysis and assessment of the internal control system. This model requires the achievement of the business objectives as a result of the integrated presence and correct operation of the following elements that, based on their characteristics, operate at organisational unit level and/or operating/administrative process level:

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

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

The internal control system for financial reporting has been structured and applied according to a risk-based approach, selecting the administrative and accounting procedures considered relevant for financial reporting purposes. In the CDP Group, in addition to administrative and accounting procedures in the strict sense, business, management, control and support processes with a significant impact on the accounts are also taken into consideration.

At Group level, a Policy is in force that defines the methodological framework and operational instruments that the Parent Company, CDP, and the CDP Group companies are required to comply

37 Reliability (of reporting): correct reporting drafted in compliance with generally accepted accounting standards, which meets the requirements of applicable laws and regulations.

38 Accuracy (of reporting): reporting with no errors.

39 Dependability (of reporting): correct and complete reporting based on which investors may make informed investment decisions.

40 Committee of Sponsoring Organizations of the Treadway Commission.

with for the application of Law 262/05, for the purposes of both individual and consolidated company reporting. The control model is based on an initial company-wide analysis of the control system in order to verify that the environment is, generally speaking, organised to reduce the risk of error or improper conduct with regard to the disclosure of accounting and financial information.

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

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

The process level analysis is structured as follows:

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

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

The monitoring phase in CDP is structured as follows:

- sampling of the items to be tested;
- test execution (Test of Effectiveness – ToE);
- weighting of any anomalies detected and related assessment.

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

The residual risk is measured based on the following formula:

RI – OA = RR

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

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

If anomalies are found in the ToDs and ToEs, a plan of corrective actions is produced and the anomalies are reported to the process owners, providing:

- a detailed description of the anomaly detected;
- the corrective action proposals identified, specifying: the deadline for implementation, the priority and the offices responsible.

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

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

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

To enable the Manager in charge with preparing the Company's financial reports and the management bodies delegated by the Parent Company to issue the certification pursuant to Article 154-bis of the Consolidated Law on Finance, specific information flows to the Manager in charge with preparing the financial reports of the Parent Company have been established, which, in addition to the operational flows for Law 262/2005 cycle, also envisage the sending of (i) the final report on the internal control system for financial reporting from the managers in charge with preparing the Group companies' financial reports to their respective boards of directors; and (ii) the intercompany "chain" certification system, regarding the data and information provided for the preparation of the consolidated financial statements of the Parent Company.

Independent Auditors

The 2021 financial statements of CDP are audited by the Independent Auditors Deloitte & Touche S.p.A., which are responsible for verifying, during the year, that the company accounts have been properly kept and that the accounting events have been recorded correctly in the accounting entries, and ascertaining that the financial statements for the year and the consolidated financial statements match the accounting books and the verifications made, and that said documents comply with supervisory provisions. The Independent Auditors issue an opinion on the parent company and consolidated financial statements, and on the half-yearly condensed consolidated financial statements.

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

Pursuant to the resolution of the Shareholders' Meeting dated 19 March 2019, the independent auditing firm Deloitte & Touche S.p.A. was entrusted the auditing mandate for the 2020-2028 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 is performed by the Chief Financial Officer.

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

Article 24 CDP's Articles of Association

1.- Subject to the prior opinion of the Board of Statutory Auditors, the Board of Directors appoints the Manager in charge with preparing the Company's financial reports for a period of time not shorter than the term of office of the Board of Directors and not longer than six financial years, to perform the duties assigned to such manager under Article 154-bis of Legislative Decree no. 58 of 24 February 1998.
2.- The Manager in charge with preparing the Company's financial reports must meet the integrity requirements established for the directors and cannot hold the offices indicated in Article 15, paragraph 4 quater, of the Articles of Association.
3.- The Manager in charge with preparing the Company's financial reports shall be chosen in accordance with criteria of professional experience and competence from among the managers who

have global experience of at least three years in the administrative area at consulting firms or companies or professional firms.
4.- The Manager in charge with preparing the Company's financial reports can be replaced by the Board of Directors only for due cause, having obtained the prior opinion of the Board of Statutory Auditors.
5.- The appointment of the Manager in charge with preparing the Company's financial reports shall lapse if that manager does not continue to meet the requirements for the office. The Board of Directors shall declare this disqualification within thirty days from the date on which the Board becomes aware of the failure to meet the requirements.

In order to ensure that the Manager in charge with preparing the Company's financial reports has resources and powers commensurate with the nature and complexity of the activities to be performed and with the size of the Company, and to ensure that such manager is able to perform the duties of the position, including in relations with other bodies and functions of the Company, the Board of Directors has approved the "Internal Rules for the Function of the Manager in charge with preparing the Company's financial reports", which were updated in May 2020.

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

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

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

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

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

The Manager in charge with preparing the Company's financial reports informs without delay the Board of Statutory Auditors about possible anomalies, deficiencies and critical issues regarding the administrative/accounting system, when deemed to be particularly relevant. Moreover, upon request of the Board of Statutory Auditors, he/she provides information[41] 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

[41] 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.

information with said body and improve the control actions in the areas deemed to be under greater potential risk. The Manager in charge with preparing the Company's financial reports liaises with the Independent Auditors in order to establish constant communication and exchange the information regarding the assessment and effectiveness of the controls regarding the administrative and accounting processes.

INSIDER REGISTER

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

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

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

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

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

CODE OF ETHICS

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

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

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

GOVERNANCE STRUCTURE

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

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

1. Statutory/Board Committees of CDP

Support Committee for non-controlling shareholders

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

Composition and responsibilities

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

The following information is provided to the Committee:

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

The Committee held 13 meetings in 2021.

Risk and Sustainability Committee

The Risk and Sustainability Committee is a statutory and board committee with the functions of control and providing guidance in relation to the management of risks and assessment of the adoption of new products as well as to the support regarding sustainability strategy, policies and reporting.

Composition and responsibilities

The Risk and Sustainability Committee is composed of four members of the Board of Directors, and the Chief Risk Officer and the Chief Audit Officer participate in it.

The Committee held 18 meetings in 2021.

Related Parties Committee

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

Composition and responsibilities

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

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

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

The Committee held 8 meetings in 2021.

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 6 meetings in 2021.

Nomination Committee

The Nomination Committee is a board committee assigned the task of supporting the Board in the process of appointing members of the board of directors and the board of statutory auditors of companies in which CDP has a direct or indirect interest.

Composition and responsibilities

The Nomination Committee is composed of the Chairman of the Board of Directors, the Chief Executive Officer and the Director General of the Treasury.

The Nomination Committee verifies the need for re-election of the members of the corporate bodies, as well as compliance with the principles and criteria of the process for their recruitment and selection, providing opinions on the nomination proposals made by the Chief Executive Officer.

The Committee held 15 meetings in 2021.

2. Managerial Committees of CDP and the Group

GUARANTEE OF APPROPRIATE AND EFFECTIVE MECHANISMS OF COORDINATION AND GOVERNANCE AT CDP GROUP LEVEL

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

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

The Decree of the Ministry of the Economy and Finance dated 16 July 2021, which amended paragraph 2 of art. 6 of the Decree of the Ministry of the Economy and Finance dated 5 December 2003 and added paragraph 2-bis to the same article, established that for 2021 and 2022, interest would be paid to CDP on the amount held on current account no. 29814, at a rate equivalent to the lower of the cost of postal savings incurred by CDP and the average cost of the stock (balance) of national government securities.

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

Agreements with the MEF

In accordance with the Ministerial Decree of 5 December 2003, 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 20 December 2021, with a four-year duration from 1 January 2021 until 31 December 2024, governs the methods by which CDP manages existing relations as at the transformation date, resulting from the Postal Savings Bonds transferred to the MEF (Article 3.4.c) under the 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 most recently renewed on 14 December 2020 until 31 December 2024, 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 abovementioned 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 2.3 million euro in 2021 for the performance of these services.

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

On 28 May 2020, CDP and the MEF signed the agreement provided for in Article 115, paragraph 2, of Decree Law no. 34 of 19 May 2020 and, on 10 September 2020, signed the related addendum pursuant to Article 55, paragraph 3, of Decree Law no. 104 of 14 August 2020, governing the management of the "*Fund to ensure the liquidity needed to pay certain, liquid and collectable debts*", set up to tackle the COVID-19 emergency with a total provision of state resources of 12 billion euro for 2020, to be used to grant cash advances to local entities, with a maximum duration of 30 years, specifically for the payment of the entities' debts outstanding at 31 December 2019. This was followed by the signing of two other addenda, on 20 January 2021 and 11 June 2021, which were provided for, respectively, by Article 1, paragraph 834, of Law No. 178 of 30 December 2020 (healthcare debts) and by Article 21, paragraph 2, of Decree Law No. 73 of 25 May 2021, converted, with amendments, by Law No. 106 of 23 July 2021 (trade debts).

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 abovementioned transactions. CDP primarily participates in transactions performed by the Bank of Italy, with prior authorisation of the MEF, via bilateral negotiation.

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

On 23 December 2015, a new agreement was finalised, and later extended until 1 January 2021, 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 2,269 million euro at 31 December 2021, compared with 2,872 million euro at the end of 2020.

The assets managed on behalf of the MEF also include:

- the cash advances granted for the payment of Public Administration trade payables (decree law no. 35 of 8 April 2013, decree law no. 66 of 24 April 2014, and decree law no. 78 of 19 June 2015), the residual debt of which came to 5,321 million euro at 31 December 2021, compared with 5,525 million euro at the end of 2020;

- the cash advances granted to local entities under the "Section to ensure the liquidity needed to pay certain, liquid and collectable debts of local authorities and regions and autonomous provinces, for debts other than financial and healthcare debts" of the "Fund to ensure the liquidity needed to pay certain, liquid and collectable debts", which was set up pursuant to Article 115, paragraph 1, of Decree Law no. 34 of 19 May 2020, converted with amendments by Law no. 77 of 17 July 2020 ("Decree Law 34/2020"), the residual debt of which came to 2,030 million euro at 31 December 2021, compared to 2,089 million euro at the end of 2020.

The liabilities include the management of the Postal Savings Bonds transferred to the MEF following the transformation of CDP into a joint-stock company (S.p.A.), which at 31 December 2021 totalled 50,609 million euro, compared with 57,833 million euro at 31 December 2020.

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

Major programmes include the following: residential building, which had available funds amounting to 2,543 million euro at 31 December 2021 on the dedicated current accounts; and the territorial agreements and area contracts, which had available funds amounting to 381 million euro.

7. INFORMATION ON THE CONSOLIDATED NON-FINANCIAL STATEMENT OF THE CDP GROUP

For information regarding the consolidated non-financial statement pursuant to Legislative Decree no. 254 of 30 December 2016, see the separate document "2021 Integrated Report", approved by the Board of Directors and published together with this annual report.

2. 2021 Separate Financial Statements

FORM AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

The separate financial statements at 31 December 2021 have been prepared in accordance with applicable regulations and consist of:

- Balance Sheet;
- Income Statement;
- Statement of Comprehensive Income;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Notes to the Separate Financial Statements.

The Notes to the Separate Financial Statements consist of:

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

The following are also included:

- Annexes
- Report of the Board of Statutory Auditors
- Independent Auditor's Report
- Certification pursuant to article 154-bis of Legislative decree no. 58/98

In the section "Annexes", we added paragraph 1.1 "Accounting separation statements" (Annex 1.1), paragraph 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129" (Annex 1.2) and paragraph 1.3 "Reports of the sub-funds of the *Patrimonio Rilancio* Fund" (Annex 1.3).

Contents of the Separate financial statements

FINANCIAL STATEMENTS AT 31 DECEMBER 2021

BALANCE SHEET

(euro)

Assets	31/12/2021	31/12/2020
10. Cash and cash equivalents	263,478,003	290,991,411
20. Financial assets measured at fair value through profit or loss	3,708,759,781	3,374,567,520
a) financial assets held for trading	232,358,795	238,759,810
b) financial assets designated at fair value		
c) Other financial assets mandatorily measured at fair value	3,476,400,986	3,135,807,710
30. Financial assets measured at fair value through other comprehensive income	14,244,059,928	13,064,270,807
40. Financial assets measured at amortised cost	358,102,654,371	357,590,992,604
a) Loans to banks	37,801,217,320	38,935,461,220
b) Loans to customers	320,301,437,051	318,655,531,384
50. Hedging derivatives	276,053,250	444,687,053
60. Fair value change of financial assets in hedged portfolios (+/-)	1,267,985,029	2,531,833,125
70. Equity investments	28,981,649,274	31,892,214,338
80. Property, plant and equipment	371,494,657	373,384,458
90. Intangible assets	59,327,896	42,583,786
- of which goodwill		
100. Tax assets	653,835,762	461,763,488
a) current tax assets	115,772,602	23,944,203
b) deferred tax assets	538,063,160	437,819,285
110. Non-current assets and disposal groups held for sale	4,251,174,320	
120. Other assets	778,954,611	278,875,476
Total assets	**412,959,426,882**	**410,346,164,066**

The data referring to 31 December 2020 have been restated as described in the accounting policies, "Other issues" section.

(euro)

Liabilities and equity	31/12/2021	31/12/2020
10. Financial liabilities measured at amortised cost	382,558,801,228	378,819,556,956
a) due to banks	34,913,216,675	45,259,543,320
b) due to customers	325,974,035,731	312,007,319,904
c) securities issued	21,671,548,822	21,552,693,732
20. Financial liabilities held for trading	251,005,952	209,820,434
40. Hedging derivatives	3,073,677,795	4,320,965,184
50. Adjustment of financial liabilities in hedged portfolios (+/-)	2,067,089	10,352,100
60. Tax liabilities	177,059,232	208,176,217
a) current tax liabilties	1,450,814	19,823,143
b) deferred tax liabilties	175,608,418	188,353,074
80. Other liabilities	994,215,254	803,194,183
90. Staff severance pay	1,045,053	1,017,134
100. Provisions for risks and charges	592,480,846	475,625,125
a) guarantees issued and commitments	450,819,483	328,619,764
b) pensions and other post-retirement benefit obligations		
c) other provisions	141,661,363	147,005,361
110. Valuation reserves	315,148,441	653,173,211
140. Reserves	16,519,104,447	15,962,320,645
150. Share premium reserve	2,378,517,244	2,378,517,244
160. Share capital	4,051,143,264	4,051,143,264
170. Treasury shares (-)	(322,220,116)	(322,220,116)
180. Net income (loss) for the year (+/-)	2,367,381,153	2,774,522,485
Total liabilities and equity	**412,959,426,882**	**410,346,164,066**

INCOME STATEMENT

(euro)

Items	2021	2020
10. Interest income and similar income	7,598,560,597	7,719,754,617
of which: interest income calculated using the effective interest rate method	7,885,064,371	7,994,809,421
20. Interest expense and similar expense	(4,757,470,080)	(4,565,186,464)
30. Net interest income	**2,841,090,517**	**3,154,568,153**
40. Commission income	378,781,927	409,655,062
50. Commission expense	(1,335,465,205)	(1,408,788,670)
60. Net commission income (expense)	**(956,683,278)**	**(999,133,608)**
70. Dividends and similar revenues	1,233,649,159	1,019,038,325
80. Profits (losses) on trading activities	(23,440,561)	(21,084,673)
90. Fair value adjustments in hedge accounting	160,905	23,920,623
100. Gains (losses) on disposal or repurchase of:	481,842,195	873,666,735
a) financial assets measured at amortised cost	355,072,776	736,876,810
b) financial assets measured at fair value through other comprehensive income	126,769,419	136,789,925
c) financial liabilities		
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	161,820,908	(100,426,355)
a) financial assets and liabilities designated at fair value		
b) other financial assets mandatorily measured at fair value	161,820,908	(100,426,355)
120. Gross income	**3,738,439,845**	**3,950,549,200**
130. Net adjustments/recoveries for credit risk relating to:	(33,540,895)	(151,277,092)
a) financial assets measured at amortised cost	(34,958,153)	(151,001,121)
b) financial assets at fair value through other comprehensive income	1,417,258	(275,971)
140. Gains/losses from changes in contracts without derecognition	(377,214)	(15,223)
150. Financial income (expense), net	**3,704,521,736**	**3,799,256,885**
160. Administrative expenses	(209,456,888)	(190,416,437)
a) staff costs	(141,103,991)	(123,068,383)
b) other administrative expenses	(68,352,897)	(67,348,054)
170. Net accruals to the provisions for risks and charges	16,044,305	(66,911,478)
a) guarantees issued and commitments	16,106,525	(92,017,421)
b) other net accruals	(62,220)	25,105,943
180. Net adjustments to/recoveries on property, plant and equipment	(15,644,780)	(13,144,005)
190. Net adjustments to/recoveries on intangible assets	(12,861,862)	(8,900,816)
200. Other operating income (costs)	19,140,539	7,704,767
210. Operating costs	**(202,778,686)**	**(271,667,969)**
220. Gains (losses) on equity investments	(348,652,244)	
250. Gains (losses) on disposal of investments	(135,938)	(48,432)
260. Income (loss) before tax from continuing operations	**3,152,954,868**	**3,527,540,484**
270. Income tax for the year on continuing operations	(785,573,715)	(820,105,999)
280. Income (loss) after tax on continuing operations	**2,367,381,153**	**2,707,434,485**
290. Income (loss) after tax on discontinued operations		67,088,000
300. Net income (loss) for the year	**2,367,381,153**	**2,774,522,485**

The data referring to 31 December 2020 have been restated as described in the accounting policies, "Other issues" section.

STATEMENT OF COMPREHENSIVE INCOME

(euro)

Items	2021	2020
10. Net income (loss) for the year	**2,367,381,153**	**2,774,522,485**
Other comprehensive income net of tax not transferred to income statement	**87,637,169**	**(241,923,764)**
20. Equity securities designated at fair value through other comprehensive income	87,637,169	(241,923,764)
Other comprehensive income net of taxes transferred to income statement	**(425,661,939)**	**(6,976,750)**
120. Cash flow hedges	(270,029,299)	(67,229,211)
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	(155,632,640)	60,252,461
170. Total other comprehensive income net of tax	**(338,024,770)**	**(248,900,514)**
180. Comprehensive income (items 10+170)	**2,029,356,383**	**2,525,621,971**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euro)	Balance at 31/12/2020	Changes in opening balance	Balance at 01/01/2021	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) other shares					
Share premium reserve	2,378,517,244		2,378,517,244		
Reserves:					
a) income	15,962,320,645		15,962,320,645	553,995,514	
b) other					
Valuation reserves:					
a) financial assets measured at fair value through other comprehensive income	555,916,135		555,916,135		
b) cash flow hedge	(70,314,926)		(70,314,926)		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(322,220,116)		(322,220,116)		
Net income (loss)	2,774,522,485		2,774,522,485	(553,995,514)	(2,220,526,971)
Equity	**25,497,456,733**		**25,497,456,733**		**(2,220,526,971)**

STATEMENT OF CHANGES IN EQUITY: PREVIOUS FINANCIAL YEAR

(euro)	Balance at 31/12/2019	Changes in opening balance	Balance at 01/01/2020	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) other shares					
Share premium reserve	2,378,517,244		2,378,517,244		
Reserves:					
a) income	15,371,824,233		15,371,824,233	583,353,060	
b) other					
Valuation reserves:					
a) financial assets measured at fair value through other comprehensive income	737,587,438		737,587,438		
b) cash flow hedge	(3,085,715)		(3,085,715)		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(489,110,970)		(489,110,970)		
Net income (loss)	2,736,284,081		2,736,284,081	(583,353,060)	(2,152,931,021)
Equity	**24,950,731,577**		**24,950,731,577**		**(2,152,931,021)**

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	Changes for the period							
	Equity transactions							
Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 31/12/2021	**Equity at 31/12/2021**
								4,051,143,264
								-
								2,378,517,244
								-
2,788,288								16,519,104,447
								-
								-
							(67,995,471)	487,920,664
							(270,029,299)	(340,344,225)
								-
								167,572,002
								-
								(322,220,116)
							2,367,381,153	2,367,381,153
2,788,288							**2,029,356,383**	**25,309,074,433**

	Changes for the period							
	Equity transactions							
Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 31/12/2020	**Equity at 31/12/2020**
								4,051,143,264
								-
								2,378,517,244
								-
7,143,352								15,962,320,645
								-
								-
							(181,671,303)	555,916,135
							(67,229,211)	(70,314,926)
								-
								167,572,002
								-
	166,890,854							(322,220,116)
							2,774,522,485	2,774,522,485
7,143,352	**166,890,854**						**2,525,621,971**	**25,497,456,733**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(euro)	2021	2020
A. OPERATING ACTIVITIES		
1. Operations	**4,382,066,690**	**5,849,566,186**
- net income for the year (+/-)	2,367,381,153	2,774,522,485
- gains (losses) on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(151,408,544)	107,830,538
- gains (losses) on hedging activities (-/+)	21,399,993	(43,789,513)
- net impairment adjustments (+/-)	20,183,116	275,095,557
- net value adjustments to property, plant and equipment and intangible assets (+/-)	28,506,642	22,044,821
- net provisions and other costs/revenues (+/-)	21,752,478	2,046,826
- unpaid charges, taxes and tax credits (+/-)	(125,238,726)	60,638,645
- income (loss) after tax on discontinued operations (+/-)		
- writedowns/writebacks of equity investments (+/-)	348,652,244	
- other adjustments (+/-)	1,850,838,334	2,651,176,827
2. Cash generated by/used in financial assets	**(985,297,069)**	**(17,627,822,442)**
- financial assets held for trading	(20,549,502)	(47,228,227)
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value	(178,409,665)	(496,589,127)
- financial assets measured at fair value through other comprehensive income	(1,238,797,554)	(992,872,758)
- financial assets measured at amortised cost	854,373,343	(16,246,581,327)
- other assets	(401,913,691)	155,448,997
3. Cash generated by/used in financial liabilities	**2,742,543,581**	**19,348,752,205**
- financial liabilities measured at amortised cost	2,430,158,560	19,729,055,160
- financial liabilities held for trading	(46,499,573)	47,727,931
- financial liabilities designated at fair value		
- other liabilities	358,884,594	(428,030,886)
Cash generated by/used in operating activities	**6,139,313,202**	**7,570,495,949**
B. INVESTMENT ACTIVITIES		
1. Cash generated by		
- sale of equity investments		
- dividends from equity investments		
- sale of property plant and equipment		
- sale of intangibles		
- sales of subsidiaries and business units		
2. Cash used in	**(1,723,612,051)**	**(1,210,942,955)**
- purchase of equity investments	(1,689,261,500)	(1,183,595,000)
- purchase of property, plant and equipment	(3,483,822)	(5,900,541)
- purchase of intangible assets	(30,866,729)	(21,447,414)
- purchases of subsidiaries and business units		
Cash generated by/used in investing activities	**(1,723,612,051)**	**(1,210,942,955)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividend distribution and other allocations	(2,220,526,971)	(2,152,931,021)
Cash generated by/used in financing activities	**(2,220,526,971)**	**(2,152,931,021)**
CASH GENERATED/USED DURING THE YEAR	**2,195,174,180**	**4,206,621,973**

Reconciliation

Items (*)	2021	2020
Cash and cash equivalents at beginning of the year	155,310,086,485	151,126,778,454
Total cash generated/used during the year	2,195,174,180	4,206,621,973
Cash and cash equivalents: effects of changes in exchange rates	12,004,783	(23,313,942)
Cash and cash equivalents at end of the year	157,517,265,448	155,310,086,485

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INTRODUCTION

Form and content of the financial statements

The separate financial statements of CDP have been prepared according to the provisions of the Bank of Italy, as applicable, specified in the "Credit and Financial Supervision" circular issued on 22 December 2005, in the 7th version updated on 29 October 2021, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IAS/IFRS, supplemented by the provisions set out in the Bank of Italy Communication of 21 December 2021[42] on the impact of COVID-19 and measures to support the economy.

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

Italian Legislative Decree 38 was then issued on 28 February 2005 in order to govern the application of:

- the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IAS) issued by the IASC (International Accounting Standards Committee), and the interpretation sources adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC - Standing Interpretations Committee).

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

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

Basis of presentation

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

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

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

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

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

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[42] The communication of 21 December 2021 repeals and replaces the previous communication of 15 December 2020 – *Additions to the provisions of Circular No. 262 "Bank financial statements: presentation formats and rules" on the impact of COVID-19 and measures to support the economy and amendments to the IAS/IFRS*.

Comparison and disclosure

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

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

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

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

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

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

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

Auditing of the financial statements

The separate financial statements of CDP S.p.A. are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm Deloitte & Touche S.p.A., following award of the audit engagement for the 2020-2028 period by the Shareholders' Meeting in ordinary session of 19 March 2019.

Annexes to the separate financial statements

The financial statements of CDP include annex 1.1 "Accounting separation statements" showing the contribution of the Separate Account and the Ordinary Account to CDP's results, annex 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129" and Annex 1.3 "Reports of the sub-funds of the *Patrimonio Rilancio* Fund".

PART A - ACCOUNTING POLICIES

A.1 - General information

SECTION 1 - DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

These separate financial statements as of and for the year ended 31 December 2021 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 2021 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal L 243 on 11 September 2002.

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

Specifically, on 29 October 2021, with application starting from the financial statements ending or in progress as at 31 December 2021, the Bank of Italy published the 7th update of Circular No. 262/2005 ("Bank financial statements: presentation formats and rules"), with the aim of aligning the financial statement disclosure of certain categories of financial assets with the consolidated supervisory financial reporting, as well as incorporating the disclosure on financial instruments required by IFRS 7.

The IFRS applied for preparation of these financial statements are listed 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 amounts related to the current financial year, but also the corresponding comparative values.

The balance sheet, the income statement and the statement of comprehensive income do not contain items having a zero amount in the reporting and comparative period.

In the income statement, in the statement of comprehensive income, and in the tables of the notes to the separate financial statements, revenues are shown as positive, while costs are shown as negative in brackets.

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

- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretations;
- Interpretative documents on the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC) and the Italian Banking Association (ABI);
- Documents issued by the EBA, ESMA and Consob concerning the application of specific IFRS rules;
- Documents issued by ESMA, IOSCO and Consob with regard to assessments and disclosures required in respect of the impacts of the COVID-19 outbreak[43].

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

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

- Going concern basis: pursuant to the provisions of the joint document no. 2 of 6 February 2009 issued by Bank of Italy/Consob/Isvap concerning disclosures on the going concern basis, in compliance with the requirements on the same issue contained in IAS 1 Revised and in accordance with the recommendations provided by ESMA in its Public Statement 71-99-1290 of 11 March 2020, Public Statement 32-63-972 of 20 May 2020, Public Statement 32-63-1041 of 28 October 2020 and Public Statement 32-63-1186 of 29 October 2021, CDP has performed 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 deems 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 recognised in profit or loss in accordance with the matching principle;

[43] These references are:

- EBA Communication dated 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures";
- ESMA Communication dated 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- Document of the IFRS Foundation dated 27 March 2020 "IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic";
- ECB Letter dated 1 April 2020 "IFRS 9 in the context of the coronavirus (COVID-19) pandemic" addressed to all significant entities;
- EBA Guidelines dated 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis";
- CONSOB warning notice no. 6/20 of April 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA Communication dated 20 May 2020 "Implications of the COVID-19 outbreak on the half-yearly financial reports";
- CONSOB warning notice no. 8/20 dated July 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- CONSOB warning notice no. 1/21 dated February 2021, 'COVID-19 – Measures on support for the economy – Reporting to be provided';
- ESMA statement dated 29 October 2021 'European common enforcement priorities for 2021 annual financial reports'.

- Materiality and aggregation: all items containing assets, liabilities, revenues and expenses of a similar nature and with similar characteristics are presented separately in the financial statements, unless they are immaterial;
- Offsetting: no assets have been offset with liabilities, nor income with expenses, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation;
- Frequency of reporting: CDP prepares these financial statements and makes the related disclosures, on an annual basis. No changes occurred with respect to the reporting date, which remains at 31 December of each year;
- Comparative information: comparative information is disclosed in respect of the previous financial period. 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.

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

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

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

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

- the calculation of impairment losses on loans, equity investments and, in general, other financial assets subject to impairment;
- the use of measurement techniques to determine the fair value of financial instruments not listed on an active market;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretative issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the assessment of the recoverability of goodwill and other intangible assets;
- the valuation of work in progress and inventories of raw materials, semi-finished and finished goods;
- the estimate of the liabilities arising from defined-benefit company pension and other post-retirement benefit obligations;
- the quantification of provisions for risks and charges.

The 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.

The current market context continues to be marked by profound uncertainty relating to the duration of the effects of the COVID-19 pandemic and the consequent difficulty in predicting the timing and extent of the economic recovery that could take place in the coming years. For further information on the uncertainties of the current context, see also the Report on Operations as well as the section 'Disclosure of COVID–19 impacts' in the Notes to the Financial Statements.

SECTION 3 - EVENTS SUBSEQUENT TO THE REPORTING DATE

During the period between the reporting date of these financial statements and their approval by the Board of Directors on 31 March 2022, no events occurred that would require an adjustment to the figures presented in the financial statements at 31 December 2021.

With regard to the events concerning the equity investment in SACE, see the comments in the paragraph "Reorganisation of the SACE group" in "Section 4 – Other issues" below.

Russia-Ukraine Conflict

From 24 February 2022, serious tensions between Russia and Ukraine culminated in Russia's invasion of Ukraine. The conflict quickly spread over the following days with military actions affecting a large part of Ukrainian territory, with very serious consequences for the civilian population.

In this regard, it should be noted that the significant events related to the Russia-Ukraine conflict do not have an impact on the determination of the result and equity of the separate financial statements at 31 December 2021, because they are considered non-adjusting events, according to the definition provided by IAS 10.

ESMA and CONSOB have recently published the following communications:

- ESMA Statement no. 71-99-1864 of 14 March 2022 "ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets";
- CONSOB warning notice of 18 March 2022 on the impact of the war in Ukraine on inside information and financial reporting.

In these communications, the national and international regulators have requested disclosures, to the extent possible on both a qualitative and quantitative basis, on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to the affected markets, supply chains, financial position and earnings in the 2021 financial reports. Accordingly, CDP is providing the information requested below with respect to the preparation of the Annual Financial Report at 31 December 2021.

Russia's military intervention in Ukraine is an unexpected shock, exacerbating an already sluggish economic situation in Europe. In this context, it is important to stress the considerable uncertainty regarding the duration of the conflict, the extent of the sanctions, the climate of confidence it will generate and the resulting repercussions on the economic environment. However, given that the conflict has recently started and the situation is continually evolving, it is very difficult to predict the effects of the conflict on the macroeconomic scenario in the short and medium term and the related impact on CDP's operations and future performance. Therefore, it will be necessary to constantly monitor the evolution of the situation in the current context[44].

Sweeping, coordinated sanctions have been imposed on Russia, Belarus, and the areas of the Ukrainian territory not under the Ukrainian government's control. Their aims include: (i) eroding the industrial base, (ii) preventing the wealth of the Russian elite from being hidden in safe havens in Europe, (iii) targeting the oil sector and preventing Russia from upgrading its oil refineries, and (iv) cutting off Russia's access to the world's most important financial markets. The two heaviest sanctions are in the financial sector: the ban of some of Russia's most important banks from the SWIFT international payment system and the freezing of the Russian Central Bank's foreign currency reserves, held, for the most part, in China, France, Japan and Germany, while exposure to the USA is limited.

In general terms, the four main areas in which the economic impacts of the conflict will be felt are: (i) trade relations (excluding energy commodities), (ii) gas and oil supplies, (iii) uncertainty on the financial markets and (iv) geopolitical instability and new balance.

The impact on trade relations may be relatively limited due to the limited importance of Russia's trade with Italy. The most significant direct impacts are likely to be felt by companies operating in machinery manufacturing, textiles-clothing, chemicals and food.

The economic impact relating to gas and oil supplies is significant because it will drive up inflation and because of the consequences of possible supply disruptions: Italy is one of the most vulnerable European countries, as it imports from Russia about 40% of the gas and 10% of the oil it needs to cover domestic demand.

Uncertainty in this area could generate an increase in government securities yields, also due to the recent decision by the ECB to continue its purchase reduction programme. It could also generate extreme volatility in financial markets and have negative impacts on the spending decisions of households and businesses.

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[44] As also envisaged in the Bank of Italy, CONSOB, IVASS and FIU Communication of 7 March 2022 "Reminder regarding compliance with the restrictive measures adopted by the EU in response to the Russian military aggression in Ukraine".

Geopolitical instability and changing relations between countries may lead to a contraction in international trade, a fall in foreign direct investment and an increase in precautionary saving.

The supply of energy commodities is clearly Italy's main weak spot in terms of both direct effects, due to dependence on Russian supplies, and indirect effects on prices and inflation. High and rising inflation could produce serious effects, both for businesses, especially energy-intensive ones, whose margins would be eroded, and for households, whose purchasing power could be severely impaired since wage trends are not directly related to price trends.

With specific regard to CDP's risk profile, despite the uncertainty about the evolution of the conflict, it is possible to make some preliminary observations regarding the potential impacts.

For the largest exposures in the equity portfolio, operating in the Oil&Gas sector, the positive effect of higher oil and gas prices could offset the negative effects of exposure to countries affected by the conflict in the short term. In particular, with regard to the equity investment in ENI, the company reports that – at the moment – the flow of gas supplies from Russia has continued normally. The management, in coordination with senior officials from the Italian Government, is evaluating plans to diversify/strengthen alternative sources of supply by leveraging (i) the flexibility of the portfolio, (ii) the availability of infrastructure and (iii) long-term relationships with oil-producing countries in the Mediterranean area. In addition, at this stage ENI has reported that no new Russian crude oil supply contracts will be entered into for the refining system with possible supply inefficiencies and higher costs.

In addition, ENI reports that the increased volatility is leading to:

i. an increase in counterparty risk due to the higher nominal commercial exposure to customers and the industrial sector's difficulty in managing the significant crisis-induced increase in energy and commodity costs. In response to this phase of volatility, the ENI Group is implementing a treasury operation aimed at increasing liquidity reserves to deal with foreseeable volatility spikes;
ii. greater financial risk related to the need to increase cash deposits to guarantee the settlement of derivative transactions in fulfilment of margin call obligations.

The ENI Group has also announced its intention to exit the Blue Stream joint operation, which operates the pipeline for the transport of gas from Russia across the Black Sea, jointly marketed by ENI and Gazprom to Turkey's state-owned company.

The remainder of the investment portfolio has limited ties with Russia, Belarus and Ukraine and, in general, for the most significant investees, a degree of resilience to the increase in commodity prices and inflation. However, it will be necessary to monitor the impact of a scenario of prolonged volatility on the capital strength and margins of some investees, which may be impacted by the increase in the cost of commodities and energy, the structure of fixed/variable costs and the actual capacity to transfer price increases to the end customer in the short term.

In the loan portfolio, CDP's direct exposure to counterparties in Russia, Belarus, Ukraine or other Eastern European countries potentially affected by the crisis is very small and, where present, largely guaranteed by SACE. Specifically, the proportion of loans granted to Russian or Ukrainian counterparties is less than 0.05% of CDP's assets.

Despite the uncertainty about the evolution of the conflict, it is possible to make some preliminary observations regarding the potential impacts, which are obviously mainly a consequence of supply-related uncertainties. In this regard, the conflict could impact the business of the companies as a result of the volatility in the prices of commodities originating from the countries affected by the emergency, with a possible generalised increase in inflation and specifically of energy commodities (oil, gas and coal), wood and aluminium.

In the medium term, on the other hand, the impact of the current crisis on growth and inflation is likely to have a significant negative fallout on various sectors of the economy, with an adverse impact on both equity and the loan portfolio, across all sectors. However, some sectors will be more severely affected by the consequences of the crisis, in particular those that are "energy-intensive" or otherwise exposed to significant increases in commodity prices.

With regard to the potential impact of the evolution of the sanctions on CDP's operations, a review has been conducted of the risk profiles for CDP associated with the current restrictions, considering the sanctions introduced by both the EU and the US, which could have a significant impact and, in the most serious cases, could prohibit all relations with the sanctioned parties. In view of the rapid changes in the situation, the analyses carried out have highlighted the need to monitor a small number of loan transactions. To date, following discussion and agreement with the pool of lenders, SACE and the external legal advisors, it has not proved necessary to terminate the related agreements, but all new disbursements have been stopped. However, in view of the rapidly evolving situation, these indications may be modified by subsequent interventions.

The sanctions framework that is emerging involves severe restrictions, which, in some cases, could lead to the freezing of assets, funds and financial resources and the barring of all business and financial relationships with certain persons that are not subject to specific exemptions. This will affect the possibility, on the one hand, of providing financing or support through equity or other financial instruments to Russian counterparties and/or projects and, on the other hand, of importing and exporting goods from and to Russia and Belarus, with consequent limitations on the ability to carry out the work necessary for the execution of the contracts awarded to CDP's investees, as well as the projects financed.

With regard to the above-mentioned exposures in the loan portfolio, in line with CDP's internal policies, the due diligence conducted for the approval of these exposures, with the support of specialist legal advisors, confirmed their general compliance with the sanctions framework in force at the time. In view of the above-mentioned rapid and progressive tightening of the sanctions framework, the legal advisors have been asked to continuously update the due diligence conducted, in order to assess potential current or future risks for the financing agreements and to put in place the most appropriate contractual remedies where the implementation of those agreements ceases to comply with the current sanctions framework.

With regard to the lending operations mentioned above, the changes in the sanctions framework are being constantly monitored, in consideration of: (i) the possibility that the impact of sanctions may also worsen for entities financed directly by CDP; (ii) the presence in some transactions of parallel credit facilities separate from CDP's, in which Russian financial institutions subject of the new sanctions also participate; and (iii) the increasing restrictions on obtaining export authorisations and financial assistance.

In general, the agreements for the above transactions, which have been drafted and negotiated with the assistance of leading international legal advisors, include contractual protections that can be activated by CDP and/or the other lenders upon the occurrence of specific events.

Lastly, with regard to the Cooperation Agreement signed in 2019 between CDP and the Russian Direct Investment Fund (RDIF), with the aim of promoting possible economic cooperation between Italy and Russia through co-investments and co-financing in support of Italian companies with current or prospective operations in Russia, CDP terminated the Cooperation Agreement with RDIF following the intensification of sanctions against RDIF with the introduction, on 28 February 2022, of a freeze on its assets, funds and financial resources in the United States and the ban on US persons maintaining commercial and financial relations with it.

SECTION 4 - OTHER ISSUES

IFRS endorsed at 31 December 2021 and in force since 2021

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 2021, are provided below:

- Commission Regulation (EU) 2021/1421 of 30 August 2021, published in Official Journal L 305/17 of 31 August 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 16;
- Commission Regulation (EU) 2021/25 of 13 January 2021, published in Official Journal L 11/7 of 14 January 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 4, 7, 9 and 16;
- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 4.

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 2022)

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 2021:

- Commission Regulation (EU) 2021/1080 of 28 June 2021, published in Official Journal L 234/90 of 2 July 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9;
- Commission Regulation (EU) 2021/2036 of 19 November 2021 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 17;
- Commission Regulation (EU) 2022/357 of 2 March 2022 amending Regulation (EC) 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at the reporting date of 31 December 2021

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:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

Restatement of the comparative figures of the Separate Financial Statements at 31 December 2020

The restatement of the figures at 31 December 2020 was necessary for the following reasons:

- Amendments to Bank of Italy Circular 262 "Bank financial statements: presentation formats and rules" introduced by the 7th update of 29 October 2021.

  The changes introduced by the 7th update of Circular 262, for the purposes of the restatement of the comparative figures at 31 December 2020 for the balance sheet assets, included the reclassification of the "on demand" receivables, in the form of current accounts and deposits with banks and central banks, from item 40 "Financial assets measured at amortised cost" to item 10 "Cash and cash equivalents" of the balance sheet assets. For CDP, this led to the reclassification of the amount of the "on-demand" current accounts with banks, net of accumulated impairment losses, for an amount of around 291 million euro.

- Reorganisation of the SACE group.

  This operation, details of which are provided in the paragraph "Reorganisation of the SACE Group" in this Section, entailed the transfer in 2021, in accordance with IFRS 5, of the carrying amount of the equity investment, as a discontinued operation, from item 70 "Equity investments" to item 110 "Non-current assets and disposal groups held for sale" of the balance sheet assets. The restatement of the 2020 figures, limited to the income statement, concerned the dividends and the related taxes, reclassified respectively from item 70 "Dividends and similar revenues" and from item 270 "Income tax for the year on continuing operations" to item 290 "Income (loss) after tax on discontinued operations", for a total amount of around 67 million euro.

RESTATED BALANCE SHEET - ASSETS AT 31 DECEMBER 2020

(euro)

Assets	31/12/2020	31/12/2020 restated	differences
10. Cash and cash equivalents	1.319	290.991.411	290.990.092
20. Financial assets measured at fair value through profit or loss	3.374.567.520	3.374.567.520	
a) Financial assets held for trading	238.759.810	238.759.810	
b) Financial assets designated at fair value			
c) Other financial assets mandatorily measured at fair value	3.135.807.710	3.135.807.710	
30. Financial assets measured at fair value through other comprehensive income	13.064.270.807	13.064.270.807	
40. Financial assets measured at amortised cost	357.881.982.696	357.590.992.604	(290.990.092)
a) Loans to banks	39.226.451.312	38.935.461.220	(290.990.092)
b) Loans to customers	318.655.531.384	318.655.531.384	
50. Hedging derivatives	444.687.053	444.687.053	
60. Fair value change of financial assets in hedged portfolios (+/-)	2.531.833.125	2.531.833.125	
70. Equity investments	31.892.214.338	31.892.214.338	
80. Property, plant and equipment	373.384.458	373.384.458	
90. Intangible assets	42.583.786	42.583.786	
- of which goodwill			
100. Tax assets	461.763.488	461.763.488	
a) current tax assets	23.944.203	23.944.203	
b) deferred tax assets	437.819.285	437.819.285	
110. Non-current assets and disposal groups held for sale			
120. Other assets	278.875.476	278.875.476	
Total assets	**410.346.164.066**	**410.346.164.066**	

2020 RESTATED INCOME STATEMENT

(euro)

Items		2020	2020 restated	differences
10.	Interest income and similar income	7.719.754.617	7.719.754.617	
	of which: interest income calculated using the effective interest rate method	7.994.809.421	7.994.809.421	
20.	Interest expense and similar expense	(4.565.186.464)	(4.565.186.464)	
30.	**Net interest income**	**3.154.568.153**	**3.154.568.153**	
40.	Commission income	409.655.062	409.655.062	
50.	Commission expense	(1.408.788.670)	(1.408.788.670)	
60.	**Net commission income (expense)**	**(999.133.608)**	**(999.133.608)**	
70.	Dividends and similar revenues	1.089.038.325	1.019.038.325	(70.000.000)
80.	Profits (losses) on trading activities	(21.084.673)	(21.084.673)	
90.	Fair value adjustments in hedge accounting	23.920.623	23.920.623	
100.	Gains (losses) on disposal or repurchase of:	873.666.735	873.666.735	
	a) financial assets measured at amortised cost	736.876.810	736.876.810	
	b) financial assets measured at fair value through other comprehensive income	136.789.925	136.789.925	
	c) financial liabilities			
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(100.426.355)	(100.426.355)	
	a) financial assets and liabilities designated at fair value			
	b) other financial asstes mandatorily measured at fair value	(100.426.355)	(100.426.355)	
120.	**Gross income**	**4.020.549.200**	**3.950.549.200**	**(70.000.000)**
130.	Net adjustments/recoveries for credit risk relating to:	(151.277.092)	(151.277.092)	
	a) financial assets measured at amortised cost	(151.001.121)	(151.001.121)	
	b) financial assets at fair value through other comprehensive income	(275.971)	(275.971)	
140.	Gains/losses from changes in contrats without derecognition	(15.223)	(15.223)	
150.	**Financial income (expense), net**	**3.869.256.885**	**3.799.256.885**	**(70.000.000)**
160.	Administrative expenses	(190.416.437)	(190.416.437)	
	a) staff costs	(123.068.383)	(123.068.383)	
	b) other administrative expenses	(67.348.054)	(67.348.054)	
170.	Net accruals to the provisions for risks and charges	(66.911.478)	(66.911.478)	
	a) guarantees issued and commitments	(92.017.421)	(92.017.421)	
	b) other net accruals	25.105.943	25.105.943	
180.	Net adjustments to/recoveries on property, plant and equipment	(13.144.005)	(13.144.005)	
190.	Net adjustments to/recoveries on intangible assets	(8.900.816)	(8.900.816)	
200.	Other operating income (costs)	7.704.767	7.704.767	
210.	**Operating costs**	**(271.667.969)**	**(271.667.969)**	
220.	Gains (losses) on equity investments			
230.	Gains (losses) on tangible and intangibile assets measured at fair value			
240.	Goodwill impairment			
250.	Gains (losses) on disposal of investments	(48.432)	(48.432)	
260.	**Income (loss) before tax from continuing operations**	**3.597.540.484**	**3.527.540.484**	**(70.000.000)**
270.	Income tax for the year on continuing operations	(823.017.999)	(820.105.999)	2.912.000
280.	**Income (loss) after tax on continuing operations**	**2.774.522.485**	**2.707.434.485**	**(67.088.000)**
290.	Income (loss) after tax on discontinued operations		67.088.000	67.088.000
300.	**Net income (loss) for the year**	**2.774.522.485**	**2.774.522.485**	

Reorganisation of the SACE group

With regard to the controlling equity investment held in SACE S.p.A., on 5 March 2021, CDP's Board of Directors – in fulfilment of the commitments undertaken in the Hypothetical Agreement[45], signed with SACE and the MEF on 2 March 2021 – resolved, among other things, to:

- approve the purchase of the entire 76.005% equity investment in SIMEST;
- approve the sale of CDP's entire equity investment in SACE to the MEF, corresponding to 100% of the share capital.

In 2021, in accordance with IFRS 5, the equity investment in SACE was reclassified to assets held for sale, as a discontinued operation. Specifically, the sale price established in the Agreement, equal to 4,251,174 thousand euro, corresponds to the carrying amount, resulting in a zero effect on the income statement in CDP's Separate Financial Statements.

The following were published on 17 March 2022:

- the MEF-MAECI Implementing Decree, registered by the Court of Auditors on 8 February 2022, which governed the Transaction as a whole and the transfer value of the equity investments (amounting respectively to 228,406 thousand euro for the equity investment in SIMEST, to be paid in cash, and 4,251,174 thousand euro for the equity investment in SACE, to be paid in government securities);
- the Directorial Decree of the Treasury Department, referred to in the MEF-MAECI Implementing Decree, which provided for the issue and subsequent allocation to CDP of government securities totalling 4,251,174 thousand euro, including accrued unpaid interest. The market value of these government securities was determined by reference to their price at 12 noon on the day of issue, while settlement of the securities took place on the second business day following the issue (i.e. 21 March 2022).

With effect from 21 March 2022, CDP is the direct holder of an equity investment of 76.005% in SIMEST, while the MEF is the direct holder of an equity investment of 100% in SACE.

Interest Rate Benchmark Reform

In 2013, the G20 tasked the Financial Stability Board (FSB) with carrying out a comprehensive review of the key benchmark rates of the money market and developing plans for their possible replacement in order to enhance their integrity and representativeness for all market participants. In July 2014, the FSB published its recommendations, which essentially set two basic objectives: (1) reform the IBORs (Interbank Offered Rates) benchmark rates, of which LIBOR is one of the most commonly used, in order to strengthen their existing methodologies and make them more consistent with real transactions; (2) develop more robust alternative benchmark rates.

More specifically, the European Union Benchmarks Regulation (Regulation (EU) 2016/1011), published in 2016 and in force since January 2018, set out the new regulatory framework for EURIBOR, LIBOR and EONIA benchmark rates, bringing market indices and the methodology by which they are calculated in line with international standards, aiming to ensure the integrity of benchmarks used in the Eurozone (including benchmark interest rates), thereby reducing the use of discretion, improving governance controls and tackling conflicts of interest. Furthermore, with regard to "critical benchmarks", that are widely used in the markets, Article 28.2 of the Regulation requires that supervised entities produce robust written plans setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided or reflect them in the contractual relationship with the customer.

Recently, Regulation No. 34 "Interest Rate Benchmark Reform", endorsed by the European Commission on 15 January 2020, approved the amendments to IFRS 9, IAS 39 and IFRS 7 issued by the IASB on 26 September 2019 as part of the "Interest Rate Benchmark Reform" project.

This amendment completes the first phase of the IASB's project to find ways to reduce the effects of the interest rate reform on the financial statements, with particular reference to potential impacts before replacing the existing benchmarks. In particular, the IASB has provided for some exceptions to the accounting for hedging relationships, aimed at avoiding the discontinuing effects due to the mere uncertainty of the interest rate reform. Specifically, for the economic relationship to

[45] Commitments undertaken in accordance with Decree Law no. 104 of 14 August 2020 ("August Decree"), converted, with amendments, into Law no. 126 of 13 October 2020, containing specific provisions on the corporate reorganisation of the SACE group.

be assessed, the amendments introduced require the entity to assume that the interest rate benchmark for determining the interest rates of the hedged instrument and the hedging instrument has not changed following the rate reform.

With the publication of the "Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" on 27 August 2020, the IASB officially launched the second phase of the project which aims to address and anticipate the impacts of effectively replacing existing interest rate benchmarks with alternative benchmark rates.

These amendments were approved by the European Commission with Regulation No. 25, endorsed on 13 January 2021, which provides for a specific accounting treatment to spread value changes of financial instruments or lease contracts due to the replacement of the interest rate benchmark over time, which prevents a sudden impact on net income for the period, and prevent unnecessary discontinuations of hedging relationships as a consequence of the replacement of the interest rate benchmark. Applying these amendments is compulsory from 1 January 2021.

In order to assess the significant risks associated with this global reform, and to take appropriate action to ensure an orderly transition to the alternative or reformed benchmark rates, as required by the EU Benchmarks Regulation (BMR), the CDP Group undertook all the initiatives necessary to ensure an orderly transition to the new benchmark rates by managing the prospective termination of the IBORs (Interbank Offered Rates) and the EONIA rate, with regard to both customer relationships and its own organisational and operational structures, and by providing appropriate fallback clauses[46] in contracts.

In detail, the project consists of the following macro-activities:

- Market liquidity assessment (calculation of exposure, creation of a monitoring dashboard, definition of a transition strategy);
- New benchmark market analysis (analysis of the product range, analysis of the alternative benchmark rate trend, creation of pricing models, design of pilot products, industrialisation of the new product offering);
- Identification of pricing models and risk assessment (identification of pricing models, recognition of market data referring to alternative rates, adaptation of models, identification of valuation models, collection of market data referring to alternative rates, identification of impacts, development of forecasting models, adoption of risk assessment models);
- Contract mapping (identification of contracts linked to IBORs, recognition of fallback clauses, identification of "linked" contracts (assets/liabilities and related hedging derivative));
- Contract review (assessment and review of fallback clauses);
- Modification of systems and processes (assessment of operational and technological impact, impact analysis by business area, development of a change management plan);
- Customer relationships (cooperating with industry associations, defining a consistent transition model, managing the transition with a structured plan);
- Analysis of accounting, tax and other impacts (assessing the reform's impact on hedge accounting, trading derivatives, credit support annexes, etc., identifying models for hedge valuation, analysis of amortised cost calculation models, tax impact analysis).

The reform's impacts on CDP's operations were identified in relation to the following benchmarks:

- EONIA, discontinued in favour of the new Risk-Free rate €STR: CDP is affected in relation to the measurement of the fair value of derivatives, and the remuneration of derivative collateral and Repos[47];
- EURIBOR, whose calculation methodology was already changed in 2019, with no impact on contracts indexed to it;
- USD LIBOR, to be phased out from June 2023 onwards, in favour of the compounding or Term Secured Overnight Financing Rate (SOFR): CDP is mainly affected in relation to Export Bank financing and the related hedging derivatives (Cross Currency Swaps).

CDP's internal working group has identified two main areas of adjustment:

- Rate switch: to manage the switch from the EONIA benchmark to €STR and from USD LIBOR to "Compounded SOFR" or "Term SOFR";
- Adjustment of fallback clauses: this affects all of CDP's contracts indexed to the benchmarks covered by the reform (i.e. EONIA, EURIBOR and USD LIBOR).

With regard to the accounting impacts of replacing EONIA, CDP does not have any derivatives indexed to this benchmark and therefore it has identified a small impact on the fair value of derivatives resulting from using the €STR rate instead of EONIA for discounting cash flows. This effect was offset by the monetary offsets exchanged during 2021 with derivative counterparties following the negotiation of the use of the €STR rate, in place of the EONIA, resulting in an overall impact of essentially zero on the income statement.

[46] In order to minimise the risk that one or more LIBOR rates or other benchmark rates may be discontinued even though market participants are still exposed to such rate, financial institutions and customers are encouraged to include fallback clauses indicating alternative reference rates (ARRs) to substitute unavailable pre-existing reference rates, or a procedure to be followed to identify one.

[47] With reference to the transition to the €STR rate, the European Money Market Association (EMMI), which manages the index, amended the calculation methodology to make it an EONIA tracker back in 2019 (EONIA = €STR+8.5 bps). As regards derivative contracts, the market is uniformly moving towards replacing the EONIA rate with the €STR rate without applying spreads, whereas a single position has not yet been taken with regard to Repo contracts.

The notional value of derivative instruments indexed to USD LIBOR that will be affected by the interest rate reform amounts to around 2.3 billion USD, of which around 0.3 billion USD relates to derivative instruments designated in hedge accounting relationships.

At 31 December 2021, there were also loans receivable indexed to USD LIBOR, with outstanding debt of approximately 655 million US dollars.

Disclosure of COVID-19 impacts

In preparing the Annual Financial Report at 31 December 2021, in line with 2020, the companies were required to consider the impacts of the current economic situation as a result of the continuing effects of the COVID-19 pandemic, as well as the related accounting implications with regard to the measurement of assets and liabilities, and the disclosure and assessment on the going concern basis, also taking into account the guidance published by the Bank of Italy, ESMA, the IOSCO and CONSOB, specifically:

- ESMA 32-63-951 statement dated 25 March 2020, ‘Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9’;
- ESMA 32-63-972 statement dated 20 May 2020 ‘Implications of the COVID-19 outbreak on the half-yearly financial reports’;
- IOSCO OR/02/2020 dated 29 May 2020 ‘Statement on Importance of Disclosure about COVID-19’;
- CONSOB warning notice no. 6/20 dated 9 April 2020, ‘COVID-19 - Drawing attention to financial reporting’;
- CONSOB warning notice no. 8/20 dated 16 July 2020, ‘COVID-19 - Drawing attention to financial reporting’;
- ESMA 32-63-1041 statement dated 28 October 2020 ‘European common enforcement priorities for 2020 annual financial reports’;
- Communication of the Bank of Italy dated 15 December 2020, ‘Supplements to the provisions in Circular no. 262 “Bank financial statements: presentation formats and rules”’;
- CONSOB warning notice no. 1/21 dated 16 February 2021, ‘COVID-19 – Measures on support for the economy – Drawing attention to reporting that needs to be provided’;
- ESMA 32-63-1186 statement dated 29 October 2021 ‘European common enforcement priorities for 2021 annual financial reports’;
- Communication of the Bank of Italy of 21 December 2021 – Updating of the supplements to the provisions of Circular no. 262 “Bank financial statements: presentation formats and rules” concerning the impacts of COVID-19 and measures to support the economy, and Bank of Italy Measure “The financial statements of IFRS intermediaries other than banking intermediaries”.

The aim of this paragraph, in view of the ongoing effects of the COVID-19 pandemic and the extension to the state of emergency until 31 March 2022, is to report the main areas of focus analysed by the management for the preparation of the Annual Financial Report at 31 December 2021.

Detailed information on strategies, objectives and financial performance, and on the measures adopted to address and mitigate these effects on the business outlook are contained in the “Outlook of operations”.

Disclosure on going concern, risks, uncertainties and other areas of attention

Going concern

Based on CDP’s operations and having considered all information available on its capital structure, available liquidity and financial performance over the medium term, even in the context of the ongoing COVID-19 outbreak, there is no evidence of factors that might in any way affect the ability to continue as a going concern.

Risks

The main risks to which CDP is exposed in conducting its business can be summarised based on the following taxonomy:

- Credit risk: the risk that a debtor will not meet its commitments in relation to a loan or an issued bond;
- Counterparty risk: the risk that a counterparty will not meet its commitments in respect of one or more derivative or treasury transactions;
- Concentration risk: the risk arising from large exposures to individual counterparties, groups of connected counterparties or counterparties carrying out the same activity, belonging to the same economic sector or the same geographical area;
- Liquidity risk: the risk that a financial institution will be unable to meet its commitments due to difficulties in financing itself or in divesting assets, or that it will be unable to monetise assets held in the market without significantly adverse conditions affecting their market price;
- Market risks (interest rate and price risk, exchange rate risk): the risk that negative trends in interest and inflation rates and exchange rates will adversely affect the fair value, earnings or net assets value of a financial institution.

- Equity risk: the risk that negative trends of equity security prices will adversely affect the fair value, earnings or net assets value of a financial institution;
- Reputational risk: the current or prospective risk of a fall in profits, loss of economic value or damage to the institutional role, resulting from a negative perception of the image of CDP by customers, counterparties, shareholders, investors, regulators or other stakeholders;
- Operational risk: the risk that inadequate information systems, operational errors, failures in internal controls or procedures, fraud, lawsuits, judgments or invalid agreements or external events (e.g. earthquakes, epidemics, etc.) may result in losses for a financial institution;
- Country risk: the risk that events occurred in countries other than Italy may result in losses. This does not just refer to the credit risk associated with exposures to the public administration of the foreign country (sovereign risk), but to all exposures regardless of the type of counterparty.

The COVID-19 emergency has not generated risks other than those reported, as these types of events are considered within the risks already assessed and monitored. In particular, the following key risk areas have been identified:

- Equity risks due to a fall in the price of listed equity investments and a possible drop in the value of the overall portfolio;
- Credit risks due to a possible rise of debtors in financial distress, both on the loans and guarantees portfolio and on debt securities;
- Liquidity risks due to possibly more difficult conditions to raise funding and/or dispose assets when required;
- Operational risks due to restricted use of business premises, business continuity and the risk of employees' sick leave.

Although the events linked to COVID-19 are of an unprecedented magnitude, there is currently no evidence to suggest an increase in the risk of CDP being unable to meet its commitments.

For more details on the system to manage the risks assumed or that can be assumed by the Company in the different segments of activities (rules, procedures, human, technological and organisational resources and control activities), reference should be made to “Part E - Information on risks and related hedging policies”.

Significant uncertainties

The global spread of COVID-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more difficult to make quantitative estimates, for example, with regard to possible future losses on receivables measured at amortised cost or cash flows from equity investments, also due to the increased uncertainty in the assumptions and parameters at the basis of the asset valuation analyses.

For CDP, the areas subject to analysis, due to an increased level of uncertainty, are:

- the changes linked to regulatory measures adopted by the Italian Government to support and relaunch the economic-productive system as a result of the epidemiological crisis, for which CDP and the Group Companies have played a key role in implementing the measures or that led to significant changes to the business model of one or more investee companies (for example Decree Law 23/2020, which, inter alia, had required the termination of CDP management and coordination activity over SACE);
- the acceleration in the energy transition dynamics, with effects on the investees operating in the Oil & Gas sector or in directly related sectors;
- a possible increase in the insolvency risk in the loan portfolio, in terms of both rating transitions and the higher probability of short-term default with respect to the historical average.

With reference to the above, it should be noted that:

- the estimates have been made also considering stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, also as a result of the COVID-19 outbreak;
- the evaluations were made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company’s control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future impacts of the COVID-19 outbreak.

It is therefore necessary to reiterate the ongoing uncertainty about the possible duration of the impacts of the pandemic, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, whose results are described in the specific sections referred to, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management’s control, thus resulting in unexpected and unforeseeable impacts. There is still a need to constantly monitor the evolution of these elements in the current context.

Financial instruments and measurement of Expected Credit Losses

The assessment of any significant increase in credit risk (SICR) of CDP is based not only on the information relating to the classification of loans pursuant to banking regulations (e.g. "past due", "forborne") but also on the forward-looking information embedded in its own credit risk management systems in relation to:

- internal ratings, which reflect the forward-looking assessment by CDP analysts of the capacity of each debtor to meet its obligations over the entire life of the financial instruments. Internal ratings holistically incorporate, through an assignment and review process, all available quantitative and qualitative information that is relevant to the assessment, including, for example, up-to-date macroeconomic forecasts, sector dynamics assessments, public ratings issued by the primary agencies, market prices and regulatory measures;
- assigning specific debtors to the different "watchlists", which in some cases may indicate the presence of additional uncertainty factors, typically qualitative, other than the main drivers considered in the internal rating.

Consistent with the characteristics of its loan portfolio, mainly including exposures with public counterparties, banks operating in Italy, large corporations and special-purpose vehicles operating in the infrastructure sector, CDP has identified, at 31 December 2021, that changes in ratings are overall limited, even including the impacts of the COVID-19 pandemic on a forward-looking basis.

No changes were deemed necessary in the models for the valuation and measurement of financial instruments related to the pandemic crisis. In particular, CDP has not made changes to its methodology for assessing the significant increase in credit risk, either as a result of the COVID-19 pandemic or due to other factors, as it considers this methodology to be adequate in the current context.

In measuring Expected Credit Losses, CDP applies the internally-developed methodology, which takes into account the following elements: (i) the estimate of Through-the-Cycle probability of default and (ii) an internal model for estimating the cyclical component of probability of default. The model applied to estimate the cyclical component is based on the main macroeconomic drivers including GDP and employment rate forecasts, with reference to the European area and the USA. At 31 December 2021, CDP had defined a management overlay in order to take account of the changing economic circumstances, in particular by incorporating in the quantification of Expected Credit Losses specific prudential criteria deriving from the IFRS 9 models in use, aimed at representing the high degree of uncertainty associated with (i) the timing and effects of the removal of the extraordinary support policies implemented by institutions (both fiscal and credit measures and monetary policy measures) and (ii) the continuation of measures such as states of emergency and related restrictions.

For more details, please refer to the specific "Measurement methods of expected credit losses - Changes due to COVID-19" and "Impacts of the COVID-19 pandemic" paragraphs, contained in "Section 1 - Credit risk" of "Part E – Information on risks and related hedging policies".

Impairment test

Equity investments

Given that from the outset of the pandemic the regulators have unanimously agreed that the impact of the COVID-19 pandemic constitutes significant evidence of the existence of impairment indicators for many companies, the management has continued to pay particular attention to the effects of the pandemic in CDP's environment of operations, in order to assess the activation of trigger events for the non-financial assets.

It is therefore necessary to highlight the uncertainty about the possible duration of the impacts of the pandemic, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts.

For this reason, in order to determine the recoverable amount of non-financial assets, in the continued situation of uncertainty, a careful assessment was made based on both external factors (e.g. industry reaction, magnitude of the impact on the sector, benchmark analysis) and internal factors (specific characteristics of the company, ability of the individual company to react within its sector on the basis of its economic-financial situation, etc.) and on reasonable and supportable assumptions developed based on key principles defined also considering the particular historical moment due to the COVID-19 pandemic.

For more details about the assessment of CDP's equity investment portfolio (impairment test), please refer to the information provided in "Section 7 - Equity investments - Item 70".

Other non-financial assets

With regard to other asset classes, it should be noted that no trigger events have been identified as these assets are mainly unrelated assets and not affected by the COVID-19 pandemic.

Other areas of focus

Hedge accounting

The impact of the COVID-19 pandemic on CDP's existing hedging relationships is currently marginal. A very small number of hedges have been terminated due to the prospective uncertainty about the future cash flows of the underlying asset, while maintaining the derivatives entered into under the operational hedging framework (more details see Part E - Section 3, "The financial derivatives and hedging policies").

Employee benefits

There were no changes in the assumptions and variables forming the valuation of employee benefits.

CDP did not identify any legal obligations towards employees relating to the COVID-19 pandemic for which a liability could be recognised under IAS 19.

Government incentives and taxation

CDP has not benefited from any of the significant tax incentives provided for in the COVID-19 containment measures enacted by the Government.

To date there are no significant issues to be reported with regard to the recoverability of deferred tax assets.

Fair value measurement

CDP has no significant impacts with regard to the fair value measurement of financial instruments. For details on fair value measurement, please refer to the specific disclosures included in section "A.4. Disclosures on fair value measurement".

Leases

There are no situations caused by the impacts of the COVID-19 pandemic that resulted in contractual amendments, suspensions or requests for deferral of lease payments or the granting of discounts.

Contingent liabilities

There are no events that resulted in the need for CDP to make additional provisions for risks and charges and none of its current obligations are likely to result in future cash outflows.

Implications of the COVID-19 pandemic on non-financial matters

The main initiatives aimed at addressing the possible impacts of the COVID-19 pandemic on non-financial areas, such as the business model and value creation, social inclusion as well as the support activities implemented by CDP, based on its role in the current context, are reported below.

CDP initiatives in supporting businesses

The forced closure of many production activities due to the COVID-19 pandemic caused significant liquidity problems for several companies financed by CDP, which in order to mitigate the impact on business continuity, asked CDP to renegotiate certain contractual terms. In addition, the support measures also continued for companies financed by CDP affected by liquidity problems caused by the COVID-19 pandemic which, in order to mitigate the impact on business continuity, required CDP to renegotiate certain contractual terms.

From March 2020 up to 31 December 2021, 130 moratoriums on payments had been requested for Italian debtors, mainly pursuant to the "Cura Italia" Decree Law, for an average duration of around 18 months and a moratorium amount of approximately 29 million euro on loans granted of approximately 200 million euro. In addition, 38 suspensions of checks on financial covenants ("Covenant Holiday") have been requested for about 1 year.

The sectors most heavily impacted are represented by automotive components, textile production, agri-food, metalworking and tourism.

As part of the measures introduced by the "Liquidity Decree" to support companies affected by the COVID-19 emergency, from May 2020 until the reporting date, loans totalling 1.5 billion euro were disbursed to 127 companies that benefited from the SACE guarantee and the State counter-guarantee ("Garanzia Italia").

With regard to the portfolio of foreign debtors, the sector most heavily impacted up to 31 December 2021 is the cruise shipbuilding industry. As of March 2020, the main European export credit agencies are offering debtors in the cruise sector a 24-month "Debt Holiday" from principal repayments and a suspension of financial covenants for the same period.

CDP has also joined the "Debt Holiday" initiative launched by the Italian export credit agency (SACE). Consequently, amendments to existing agreements have been signed, thus allowing the suspension of covenants and the deferral of principal repayments due from 1 April 2020 to 31 March 2022 by creating separate tranches to be repaid over the next four years, for a moratorium amount totalling about 760 million euro on a loan portfolio of 4.8 billion euro.

CDP did not identify the conditions for derecognition of the loan agreements or related financial instruments, in accordance with IFRS 9, in any of the above cases.

CDP initiatives in supporting the Public Administration and Entities

In 2021, CDP continued to play a key role in implementing the measures issued by the Italian government to mitigate the impacts of COVID-19 and to support the economy.

In particular, in 2021, CDP provided support by managing two initiatives involving funds held by the Ministry of the Economy and Finance that were established to provide the liquidity needed to pay Public Administration debts:

- pursuant to Article 1, paragraphs 833 et seq., of Law no. 178 of 30 December 2020 (2021 Budget Law), the deadlines for the submission of applications by the Regions and Autonomous Provinces, on behalf of the National Health Service Entities, for the payment of certain, liquid and collectable payables outstanding at 31 December 2019 relating to provisions, supplies, contracts and obligations for professional services, as well as tax, social security and insurance obligations, have been reopened through the Fund referred to in Article 115, paragraph 1, of Decree Law no. 34 of 19 May 2020, and specifically in the section regarding health care debts;
- pursuant to Article 21 of Decree Law no. 73 of 25 May 2021, the section of the Fund dedicated to debts other than health care ones has been refinanced to be used to pay certain, liquid and collectable trade payables accrued by Local Entities (Local Authorities, Regions and Autonomous Provinces) at 31 December 2020.

In both initiatives, the resources of the Fund are used, with support from CDP, to grant cash advances in favour of Entities, with a maximum duration of 30 years. In particular, CDP acts on behalf of the Ministry of the Economy and Finance, managing all phases of the cash advances, from the receipt of applications and the related preliminary assessment, to the completion of the contract and the disbursement of the amounts, up to the full repayment thereof.

Initiatives for employees

In 2021, as a result of the continuation of the COVID-19 emergency, remote working continued to be the main way of working, in accordance with the applicable national legislation. The safety protocols were extended and updated with the trade union and worker safety representatives on the measures to combat and contain COVID-19 in the CDP Group and a new Remote Working Agreement was signed in the CDP Group that will take effect at the end of the emergency regulations.

To speed up the integration of new staff into CDP, the onboarding process, which had already been digitised, was further strengthened, and an ad hoc initiative was launched for interns to improve their training experience.

New programs have been developed within the CDP Academy, with the involvement of the main investee companies, including the Digital Transformation Program and the Risk & Derivatives Advanced Program. The first CDP Corporate MBA also continued in its second year and the beauty contest was launched for the second CDP Corporate MBA.

The strengthening continued of the vertical role-based training programs (new programs on CDP's core competencies in partnership with high-level training institutions) and the cross-cutting training programs (Join Unconventional Monthly Program - JUMP, for new employee induction, which included two parallel initiatives to guide them within CDP through job shadowing and mentoring). Also worth mentioning are the Executive Coaching initiatives created ad hoc to support professional and managerial development. Many of the cross-cutting initiatives were designed with the involvement of all the other Group companies with the aim of strengthening a unified culture by standardising the systems and practices adopted.

In response to the continuing emergency, several welfare initiatives were also launched to support employees and their families. In particular:

- the ongoing updating continued of the noi.cdp app, the innovative tool designed to help employees access personal services even from outside work, directly from their smartphones;
- again in 2021, a remote listening and psychological support service for employees, aimed at bolstering people's confidence, motivation and peace of mind. The internal nursing service offering daily medical assistance and first aid services provided by qualified staff was also maintained;

- new wellness initiatives were set up, including: (i) the Sport & Fitness service available both online and in person; (ii) free specialist medical examinations; and (iii) sustainable mobility solutions;
- a new training and orientation program ("*Summer School, Tutoring and …much more!*") was launched for the children of employees that features a wide range of initiatives organised with highly qualified partners;
- a new training and orientation program was launched to help raise awareness among parents and children about online security and responsible use of the web, and the university orientation program for the children of employees continued;
- the "360° Prevention and Wellness" program was launched in 2021, which began with the launch of a prevention campaign with a genetic test for employees and their families, in collaboration with a highly innovative start-up, followed by the organisation of theme-based focus groups; lastly, in the area of wellness, the project involved the launch of the first digital healthy challenge in the company, with the collaboration of a specialised start-up, which involved employees in team competitions, aimed at encouraging and rewarding the adoption of correct behaviour and a healthy lifestyle.

Disclosure on the impacts of climate-related matters

In preparing the annual financial report as at 31 December 2021, companies are required to consider what is set out by ESMA in its statement of October 2021 ('European common enforcement priorities for 2021 annual financial reports'), which, among other things, places particular attention on risks related to climate change, to the extent that the effects of these risks may be significant. On the basis of the requirements, therefore, in 2021 CDP strengthened the process for assessing the climate risks to which it may be exposed, taking into account a longer time horizon than is generally considered in assessing financial risks.

It is essential to highlight that the CDP Group, as a driving force behind Italy's economic development and in line with the objective of the 2030 manifesto, has decided to recognise its role and responsibility in combating climate change and the energy transition, contributing to national growth towards the achievement of the Group's carbon neutrality. With this in mind, CDP believes in the importance of being proactive in its commitment in all areas of its operations: from direct lending to enterprises and public sector bodies to the management of public resources and the promotion of system-wide initiatives. Based on this commitment, CDP has supported various initiatives such as:

- Projects contributing to clean energy and climate action by enterprises and local communities (financing infrastructure to accelerate the ecological transition, through support for sectors that can make a concrete contribution to combating climate change, by mitigating climate impacts or providing an alternative response to business models that are not compatible with sustainable development);
- Projects related to public and private transport infrastructure (in the belief that overall transport efficiency is a key element in reducing carbon emission impacts);
- Financing initiatives for the water sector (to promote solutions for combating climate change and, in particular, to help manage possible physical climate risks that may affect the water supply);
- Financing initiatives for the telecommunications sector (the use of innovative technologies and progressive digitisation can reinforce efforts to reduce carbon emissions and combat climate change);
- Projects related to the development of sectors that respond to the need to promote alternative production models, such as the generation of energy from renewable sources, particularly photovoltaic and wind power.

In addition to infrastructure financing, a part of the financing has been granted to companies operating in high-impact sectors to support investments in the environment, energy efficiency and the green economy.

This financing has benefited companies located throughout Italy in various sectors such as manufacturing, medical and pharmaceutical, agri-food, raw material processing and utilities, services, retail sales, transport, logistics and mechanical engineering.

Also in the area of global climate finance, in 2021 CDP continued its commitment to supporting green initiatives, together with leading Development Finance Institutions (DFIs), through the subscription of two funds: i) the REGIO Fund (the world's first fund dedicated to investing in green and sustainability bonds issued by corporate issuers in emerging markets) and ii) the AREF II Fund (dedicated to investments for the development and construction of battery storage platforms and run-of-river hydroelectric, wind and solar power plants).

Building on a structured peer comparison process launched in 2019, as of 2020 CDP has structurally incorporated the ex-ante assessment of positive and negative ESG impacts into its lending operations, with a view to raising awareness and focusing efforts on the areas and actions of greatest potential impact. Such assessments have become part and parcel of the internal decision-making process, from origination through to approval, alongside the assessment of risk profile, financial conditions and legal and compliance aspects. Impacts are measured using a qualitative/quantitative measurement methodology known as "Sustainable Development Assessment" (SDA). This approach has been confirmed and strengthened in the guidelines of the new Strategic Plan for the three-year period 2022-2024, which includes impact assessment as one of its transformational pillars. A detailed description of the Strategic Plan is provided in paragraph 4.1.

Disclosure on risks, uncertainties and other potential impacts of climate change

CDP recognises the importance of and closely monitors the emerging risks linked to climate change, in terms of both their potential economic-financial impact and their potential reputational risks. This importance is confirmed by the Company's commitment to voluntary climate-related disclosures in the areas defined by the Climate-related Financial Disclosures Task Force (TCFD): Governance, Strategy, Risk Management, Metrics and Targets.

ESG risks are monitored ex-ante and managed mainly in the context of reputational risks, compliance risks and money laundering and terrorist financing risks.

The main risks associated with the activities of CDP and its Group Companies have been identified and organisational measures, controls and dedicated tools have been designed with the aim of reducing those risks, minimising any impacts.

Climate and environmental risks can be grouped into the following categories:

- physical risk, meaning the risk of direct or indirect financial loss caused by recurring or extreme climate and natural events;
- transition risk, i.e. the business risk linked to global warming mitigation policies with a particular focus on the energy sector; and
- environmental risk, meaning the risk of environmental damage during business activities and the litigation risk connected with infringements of environmental protection regulations, with potential consequences in terms of reputational risk.

The same assessment was carried out for the "material topics" (Innovation, Research and Digitisation; Data Security and Privacy Protection; Start-up, Growth and Consolidation of Enterprises; Value Creation and Support to Strategic Sectors; Social, Digital and Financial Inclusion).

The main risks associated with material topics can be broken down into:

- Compliance risk - Risk of incurring legal or administrative penalties, significant financial losses or reputational damage as a result of violations of external provisions (laws or regulations) or self-governance rules (e.g. articles of association, codes of conduct, corporate governance rules).
- Reputational risk - Current or prospective risk of a fall in profits, loss of economic value or damage to the institutional role, resulting from a negative perception of the image of CDP or the Group by customers, counterparties, shareholders, investors, regulators or other stakeholders.
- Operational risk - Risk of loss resulting from inadequate or malfunctioning internal procedures, people and systems or from external events (including environmental and social events).
- Business risk - Risk of the CDP Group's business initiatives not being aligned with the Plan's sustainability guidelines.
- Transition risk - Risk related to potential economic losses, direct or indirect, caused by the transition to a low-carbon and more environmentally sustainable economy.

The monitoring of the above-mentioned risks also involves considering their possible impact on the estimates and, in particular, on the assumptions underlying the judgemental evaluations made by management.

As required by IAS 1, paragraph 7, the requirements for determining the materiality of financial information should also be taken into consideration when assessing the need to disclose information about climate risks. In this context, the IASB Practice Statement "Making Materiality Judgements" envisages that, when assessing whether information is material, companies should consider both quantitative and qualitative factors and the interaction between them. Climate risks might potentially impact the useful life of non-current assets and the residual value of properties, and may constitute potential indicators of possible impairment of assets.

For this reason, when performing impairment testing, CDP takes into account the guidelines of the supervisory authorities on financial reporting aspects relating to risks, uncertainties, estimates, assumptions and valuations, as well as difficulties associated with the possible impact of climate risks on the entities under analysis. Where potentially relevant, factors relating to climate change have been taken into account, mainly through considerations and/or sensitivity analyses on the variables determining the recoverable amount.

With regard to the measurement of the expected credit loss, climate risk is treated by assigning a rating to the creditworthiness of counterparties that considers all relevant information, including forward-looking information on climate risks and the transition process. This includes using the information from the impact assessment carried out using the Sustainable Development Assessment (SDA) tool, so as to formulate appropriately prudential assessments, also in light of CDP's specific role and mission.

In addition, there were no events that required CDP to set aside provisions for risks and charges, and there are no current obligations that are likely to result in future cash outflows, attributable to non-compliance with environmental requirements and/or failure to achieve the required climate objectives.

Disclosure on Article 8 of the Taxonomy Regulation

The European Union's commitment, formalised in the "Action Plan for Financing Sustainable Growth", which pursues the objective of redirecting capital flows towards sustainable investments, integrating sustainability into risk management and promoting transparency and a long-term vision, also includes Regulation (EU) 2020/852 (the Taxonomy Regulation). CDP, as one of the entities obliged to publish non-financial information (in accordance with Legislative Decree 254/16) in the "2021 Integrated Report", document published together with this Annual Report, is required to provide disclosure to investors, as well as the broader scope of stakeholders, on the extent to which the economic activities carried out or the activities financed within the financial processes contribute to the achievement of environmental objectives, in accordance with specific disclosure requirements established based on the financial or non-financial nature of the company financed or invested in[48].

Having understood the importance and innovative scope of the Taxonomy, CDP immediately started a specific project aimed at understanding the new regulatory requirements and planning the preparatory activities for the reporting process in a timely and effective manner.

These activities were mainly concentrated in the second half of 2021 and involved the organisation as a whole, with the active participation of the business and financial reporting units in identifying the information required by the Regulation and managing the process of collecting data from the companies included in the reporting scope of the Consolidated Non-Financial Declaration[49]. On the basis of the explanations provided by the European Commission in the December 2021[50] FAQs, the CDP Group carried out the assessments on the prevailing business of the Group and as a result considered it appropriate to classify itself as a "credit institution". In the first two years of application of the legislation, financial companies are expected to provide limited disclosure content of the potentially eligible activities, and then proceed with the Taxonomy-alignment reporting foreseen from 2023. As regards the key performance indicators for 2021, please refer to the separate document "2021 Integrated Report", subject to approval by the Board of Directors and published together with this Annual Report.

Tax credits connected with the "Cura Italia" and "Rilancio" Decree Laws acquired following the sale without recourse by previous buyers

Decree Laws no. 18/2020 ("Cura Italia Decree") and no. 34/2020 ("Rilancio Decree"), hereinafter also referred to as the "Decrees", introduced into Italian law tax incentives for investment expenditure (e.g. eco bonus and earthquake bonus) and current expenditure (e.g. rents for non-residential premises). These tax incentives are available to households or businesses, are proportionate to a percentage of the expenditure incurred (in some cases up to 110%) and are granted in the form of tax credits or tax deductions (optionally convertible into tax credits). For the eco bonus and earthquake bonus, as well as other building subsidies, the incentive can also take the form of a discount on the price to be paid to the supplier, who in exchange receives a tax credit. Most of the tax credits granted through these incentive schemes are transferable to third-party purchasers, subject to the legal conditions in force, who can use those credits in compliance with specific rules. Indeed, since these tax credits are a form of subsidy, for which, unlike tax credits resulting from overpaid tax, their use is defined by the legislation introducing them.

Specifically, the holders of these credits may use them to offset taxes and contributions, at the same time intervals applying to the original beneficiary, or they may transfer them on to third parties (in whole or in part, in compliance with the legal restrictions in force). None of these credits are reimbursable (in whole or in part) directly by the State. In addition, depending on the case, the tax credits can be used for offsetting purposes (e.g., within one year or in 5 or 10 annual instalments), with no possibility of carrying forward or claiming a refund for the portion not offset in the reference year due to insufficient taxable income.

These measures have effectively broadened the scope of tax credits that can be purchased by operators, who can use them in various ways, including offsetting and transferring them.

In response to the "Rilancio Decree", on 26 November 2020 CDP's Board of Directors approved the launch of a new building bonus scheme. The scheme concerns the purchase of tax credits accrued in the context of the interventions

[48] In July 2021, Regulation (EU) 2021/2178 was published, which supplemented Article 8 of Regulation (EU) 2020/852 to specify the content and presentation of metrics (so-called "key performance indicators" or "KPIs") for financial undertakings, together with the methodology to be adopted for their measurement and the qualitative information that must accompany their reporting. Regulation (EU) 2021/2178 classifies financial undertakings distinguishing between credit institutions, asset managers, investment firms, and insurance and reinsurance undertakings, establishing specific metrics and different reporting methods for each category.

[49] For the CDP Group, the scope of the NFS differs from the scope of consolidation of the consolidated financial statements in that it reports the data of the Parent Company and the companies subject to its management and coordination (CDP Equity, CDP Reti, CDP Industria, Fintecna, CDP Immobiliare and CDP Immobiliare SGR).

[50] In particular, the FAQ4 concerning the reporting of mixed groups composed of financial and non-financial companies states that "[...] *if the parent of a group is a financial company, then the consolidated reporting shall be made as a financial undertaking*"

provided for by the Rilancio Decree, through two technical forms: (i) Cash advance for medium-sized and large enterprises; and (ii) Direct transfer of tax credits for enterprises (including SMEs).

From an operational point of view, two business lines were developed:

1. Cash advance for medium-sized and large enterprises: short-term financing for SMEs – managed directly through CDP's relationship managers and Internal Support Structures – to meet the financial needs for the start-up of projects qualifying for the tax benefits provided by the Rilancio Decree. This credit line, sized according to the contracts acquired and the beneficiary company's credit rating, can also be repaid by transferring tax credits.
2. Direct transfer of tax credits for enterprises (including SMEs): with particular reference to SMEs, the purchase of tax credits – managed indirectly through a digital platform and with the support of financial intermediaries (banks and supervised credit consortia (Confidi) pursuant to Article 106 of the Consolidated Law on Banking) and leading qualified technical advisors – to meet the need to sell tax credits accrued on building renovation and energy efficiency measures and recover the related cash quickly compared to the terms provided by the relevant legislation. This is the main activity that has increased significantly more than expected.

In 2021 the operation of the two business lines described above resulted in:

- the completion of two cash advance transactions for medium-sized and large enterprises for a nominal amount of approximately 14 million euro;
- the execution of 1,160 direct transfers of tax credits for enterprises (including SMEs) for a nominal amount of approximately 380 million euro.

The total remaining amount recognised at 31 December 2021 under the item "Other assets" is approximately 347.5 million euro.

With regard to the direct transfer of tax credits for enterprises (including SMEs), in December 2021 and January 2022, CDP – together with other transferees – was subject to three emergency preventive seizures of certain tax credits acquired for a total nominal value of about 87.8 million euro. CDP promptly filed applications for review with the relevant courts, obtaining two orders for the release of tax credits with a total value of about 83.1 million euro; CDP reserved the right to appeal to the Court of Cassation against the one adverse ruling.

At the date of preparation of these financial statements for CDP S.p.A. at 31 December 2021, the tax credits still subject to seizure amounted to around 4.7 million euro.

In this regard, on 25 February 2022, Decree Law no. 13 "Urgent measures to combat fraud in the construction industry and on electricity from renewable energy plants", the so-called "Anti-Fraud-2" Decree, was issued, introducing, inter alia, a prohibition on splitting the original tax credits, limitations on the number of transfers and the requirements concerning the transferees, as well as on the use (or offsetting) of seized tax credits.

In particular, Article 3 of the "Anti-Fraud-2" Decree Law provides that any tax credits[51] seized by the judicial authorities, *"may be used, once the effects of the seizure order have ceased, within the time limit..."* originally established[52], "...*increased by a period equal to the duration of the seizure, without prejudice to compliance with the annual limit for the use of such tax credits set out in the above-mentioned provisions"*.

On the basis of the above, with reference to the tax credits accounted for at 31 December 2021 and still subject to seizure at the date of preparation of these financial statements, no impairments have been made relating to assessments as to the total or partial non-recoverability of these tax credits.

With regard to the method of accounting for tax credits, CDP applies the provisions of the joint Bank of Italy/Consob/Ivass document no. 9[53] concerning the *"Accounting treatment of tax credits connected with the "Cura Italia" and "Rilancio" Decree Laws acquired following their transfer by the direct beneficiaries or previous buyers"*.

The specific characteristics of these tax credits are such that they do not fall within the scope of IAS/IFRS. Therefore, paragraph 10 of IAS 8 applies; this provision requires management to establish an accounting policy resulting in relevant and reliable information. In accordance with Document no. 9 published jointly by the Bank of Italy, Consob and Ivass on 5 January 2021, an accounting model based on IFRS 9 is deemed to be the most appropriate approach to provide a disclosure that meets these requirements.

Therefore, upon initial recognition, tax credits are recognised in the balance sheet under "Other assets" at a value equal to the purchase price assumed to represent a Level-3 fair value under the IFRS 13 fair value hierarchy. At the time of subsequent valuation, since the provisions of IFRS 9 relating to the HTC business model apply, the credits are measured

[51] These are the tax credits referred to in Articles 121 and 122 of the "Rilancio Decree".
[52] i.e., within the time limits set out in Articles 121, paragraph 3, and 122, paragraph 3, of the "Rilancio Decree".
[53] "Coordination task force between Bank of Italy, Consob and Ivass on the application of IAS/IFRS"

at amortised cost with interest calculated on the basis of the internal rate of return under "Interest income and similar income".

These credits are measured considering the utilisation flows through the estimated future offsetting; however, the accounting framework provided by IFRS 9 for the calculation of expected losses is not applicable to this specific case, i.e. ECL is not calculated on these tax credits, as there is no counterparty credit risk, taking into account that the credit is realised through offsetting against payables and not through collection.

Adjustments related to the mere deferral or advance in the estimates of offsetting against tax liabilities are also recognised under "Interest and similar income", while any adjustments related to the total or partial non-use of tax credits are recognised under "Other operating income (costs)".

The national fiscal consolidation mechanism

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

The tax consolidation scope was extended during 2021 to include the company Pentagramma Piemonte S.p.A. in liquidation.

In addition, Pentagramma Perugia S.p.A. and Quadrifoglio Modena S.p.A. in liquidation exited the tax consolidation scope as they were merged into the parent company CDP Immobiliare S.r.l. in 2021 with retroactive effect from 1 January, without any further disruptive effects on the Group taxation.

As a consequence, at 31 December 2021 the scope of the fiscal consolidation pertaining to CDP consists of the following companies:

1) CDP Equity S.p.A.; 2) Bonafous S.p.A.; 3) Cinque Cerchi S.p.A.; 4) CDP Reti S.p.A.; 5) Fincantieri S.p.A.; 6) Fincantieri Oil & Gas S.p.A.; 7) Isotta Fraschini Motori S.p.A.; 8) SACE S.p.A.; 9) SACE BT S.p.A.; 10) SACE Fct S.p.A.; 11) SACE SRV S.r.l.; 12) SIMEST S.p.A.; 13) FSI Investimenti S.p.A.; 14) FSIA Investimenti S.r.l.; 15) CDP Immobiliare SGR S.p.A.; 16) Fintecna S.p.A.; 17) CDP Immobiliare S.r.l.; 18) CDP Industria S.p.A.; 19) Pentagramma Romagna S.p.A.; 20) CDP Venture Capital SGR S.p.A. 21) Alfiere S.p.A.; 22) Residenziale Immobiliare 2004 S.p.A..; and 23) Pentagramma Piemonte S.p.A. in liquidation.

Other information

The Board of Directors' meeting on 31 March 2022 approved CDP's draft financial statements for 2021, authorising their publication and disclosure, in accordance with the timing and procedures established by the current regulations applicable to CDP.

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

A.2 – The main financial statement items

The separate financial statements as of and for the year ended 31 December 2021 have been prepared by applying the same accounting policies as those used for preparation of the separate financial statements for the previous financial year, except for the amendments endorsed and in force with effect from the financial year 2021, as described in Section 4 – Other issues, A.1 General Information.

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

1 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The item “Financial assets measured at fair value through profit or loss” includes:

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

Financial assets held for trading, as indicated, include financial derivatives not designated as hedging instruments, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, whose host contract is a financial liability, which were recognised separately because:

- the financial characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

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

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

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

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

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

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

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

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

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

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

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

2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

The item “Financial assets measured at fair value through other comprehensive income” includes financial assets represented by debt securities and loans that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under this item are also recognised equity instruments, considered as such in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of recognising the subsequent changes in the fair value of the instrument through other comprehensive income (FVTOCI option[54]) has been irrevocably exercised.

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

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

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

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

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

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

[54] Fair Value Through Other Comprehensive Income option.

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

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an impairment loss to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (non-performing exposures)[55].

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

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

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

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

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

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

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

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

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

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

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

3 - FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

[55] The new rules under Article 178 of Regulation (EU) no. 575/2013 govern the definition of prudential default of an obligor. Specifically, a default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: i) objective condition (past-due criterion) – the obligor is past due more than 90 consecutive days on any material credit obligation (for the approach at obligor level, to determine whether the obligation is material, reference is made to all the obligations of the same obligor to the institution); and ii) subjective condition (unlikeliness to pay) – the institution considers that the obligor is unlikely to pay its credit obligation (or obligations, in the approach at obligor level) without recourse by the institution to actions such as realising security.

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, the following items are recognised:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

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

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, it is necessary to determine whether the contractual amendments that cause a change in the amount and timing of future cash flows give rise to the derecognition of the original instrument, with consequent recognition of a new financial asset, or in the recognition through profit or loss of the difference between the gross carrying value of the pre-amended financial instrument and the restated financial asset (modification).

In the absence of specific guidance in IFRS 9, the analysis necessary to identify possible amendments that give rise to derecognition rather than modification may sometimes involve significant elements of judgement.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are substantial.

On this basis, a list has been identified, by way of non-limiting example, of the main amendments that represent a substantial change to the terms of the existing financial asset, introducing a different nature of the risks and resulting in derecognition.

The list is as follows:

- change in the counterparty: this includes novation or the replacement of the counterparty by another obligor (succession), because these changes lead to a change in the credit risk;
- change in the reference currency (because it introduces a different risk profile than the original exposure);
- debt-to-equity swap: the lender and the obligor may, as an alternative to other types of renegotiation, agree to extinguish the original debt through a substantial change in the nature of the contract which provides for a debt-to-equity swap;
- introduction of new contractual clauses that result in failure of the SPPI test (e.g. leverage, indexing to parameters not related to the time value of money and credit risk, inverse rates, and financial covenants that result in failure of the test or other similar clauses);
- *datio in solutum*, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the obligor to new risk components, such as returns linked to equity or commodity components, leverage or other similar clauses;
- changes granted to performing customers, who do not show any economic and financial difficulties (not qualifying as forborne exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement.

Specifically for CDP, the following changes also fall under the latter category:

- changes made to the contractual terms as part of renegotiations, including "bulk" renegotiations, to public entities carried out under the "financial equivalence" regime to entities other than defaulting entities and, for local entities, other than those in financial distress;
- changes made to contractual terms as part of renegotiations with performing customers that are not in financial difficulty (i.e., not qualifying as forborne exposures) on terms that would apply to new loans, which may also be for the purpose of retaining the customer.

Contractual changes to a financial asset for which the derecognition rules are applied will have the following accounting impacts:

- derecognition of the financial asset and recognition of a new financial asset;
- subjecting the new financial asset to a new assessment in terms of classification and measurement (business model and SPPI test);
- identification of the date of new recognition as the origination date;
- recognition of the new asset at its fair value; recognition of any gain or loss equal to the difference between the fair value of the new asset and its carrying value at the time of derecognition of the existing asset, except for level 3 fair value financial assets as required by IFRS 9;
- classification of the new asset in the reference stage, at the initial recognition date, and verification, in subsequent reporting periods, of any deterioration in credit risk, in accordance with CDP's impairment procedures.

In the event of changes not deemed significant, the gross value is redetermined by calculating the current value of the cash flows resulting from the renegotiation, at the original internal rate of return of the exposure (modification).

Below is a non-exhaustive list of the main changes to the previous contractual terms:

- reduction of the interest rate;
- extension of the maturity of the loan;
- reduction of part of the exposure;
- introduction of payment holidays (grace period/payment moratorium);
- interest-only payments;
- capitalisation of arrears/interest.

If there are contractual changes to a financial asset for which the rules of modification without derecognition apply, in accordance with IFRS 9:

- reassessment in terms of classification and measurement is not required: the SPPI test is only performed on initial recognition of the instrument and there is no subsequent reassessment of this initial assessment;
- the gains or losses resulting from the modification are calculated as the difference between the gross carrying value of the pre-modified financial asset and its restated gross carrying value (corresponding to the present value of the renegotiated or modified cash flows, discounted at the financial asset's original effective interest rate, i.e. before the modification), adjusted where applicable in the case of hedging transactions;
- any deterioration in the credit risk of the modified financial asset is analysed by comparing it with the credit risk at the asset's original recognition date, before the modification.

4 - HEDGING TRANSACTIONS

Hedging transactions are executed to hedge contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, the Parent Company CDP has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position [IAS 39, paragraphs 72-77 and Appendix A, paragraph AG94]. A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:

a) exposes the company to the risk of a change in fair value or future cash flows;
b) is designated as being hedged [IAS 39, paragraphs 78-84 and Appendix A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, Appendix A, paragraphs AG105-AG113].

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

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

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:

- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, in the item “Fair value adjustments in hedge accounting”, relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;
- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in a specific “Valuation reserve” of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss, in the item “Fair value adjustments in hedge accounting”. This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

If the hedge is not fully effective, the fair value change of the hedging instrument, to the extent of the ineffective portion, is immediately recognised through profit or loss, in the item “Fair value adjustments in hedge accounting”.

If, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised in the “Valuation reserves” of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item “Valuation reserves” representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the recognition of the financial effects of the transaction originally hedged.

Item 50 of the balance sheet assets and item 40 of the balance sheet liabilities report financial and credit hedging derivatives, which at the reporting date have, respectively, a positive and a negative fair value.

For macro hedge, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, included in a group of financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets or liabilities subject of fair value macro hedges measured with reference to the hedged risk is recognised in Items 60 of the balance sheet assets or 50 of the balance sheet liabilities, with a balancing entry under “Fair value adjustments in hedge accounting” in the income statement.

The hedge ineffectiveness consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The hedge ineffective portion is in any case included under “Fair value adjustments in hedge accounting” in the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in items 60 of the balance sheet assets or 50 of the balance sheet liabilities is recognised through profit or loss under interest income or expenses, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in “Gains (Losses) on disposal or repurchase” in the income statement.

5 - EQUITY INVESTMENTS

“Equity investments” includes investments in subsidiaries (IFRS 10), in associates (IAS 28) and in joint arrangements (IFRS 11).

Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights in the Shareholders’ meeting or, in any event, when CDP exercises the power to determine financial and operating policies (including de facto control).

Associates are companies in which CDP has, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Joint arrangements involve companies where control, by means of a contractual arrangement, is shared between CDP and one or more parties, or when decisions about the relevant activities, which have a significant impact on returns, require the unanimous consent of the parties involved in the contractual arrangement that have control over the company.

Equity investments are initially recognised and subsequently carried at cost, as at the settlement date, including costs or revenues that are directly attributable to the transaction.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

At each annual or interim reporting date, the presence of specific qualitative and quantitative indicators is assessed.

In particular, and for CDP, taking into account the characteristics of its investment portfolio, as well as its role of long-term investor, at least the following are considered indicators of impairment/objective evidence of impairment:

- the recognition of losses or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend than the income for the period and the existing income reserves;

- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[56] in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information.

If the recoverable amount is lower than the carrying amount, the difference is recognised through profit or loss. If the reasons causing the impairment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the carrying value that would have existed if no impairment had been previously recognised. Both the impairment and the reversals of impairment are recognised in the income statement under “Gains (losses) on equity investments”.

The investor’s interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

Dividends are recognised in “Dividends and similar revenues” when the right to receive payment is established.

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

6 - PROPERTY, PLANT AND EQUIPMENT

This item includes both the operating assets governed by IAS 16 and the inventories of property, plant and equipment governed by IAS 2. Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees[57]), assets granted under an operating lease (for the lessors), as well as leasehold improvements, provided they relate to identifiable and separable property, plant and equipment.

“Operating property, plant and equipment” consist of property, plant and equipment used for production purposes and to supply goods/services, which may be leased or held for administrative purposes.

In accordance with IAS 16, these assets are initially recognised at purchase cost, including expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets.

Ordinary maintenance costs that do not generate future economic benefits, on the other hand, are recognised in the income statement.

Subsequent measurement is at cost, net of depreciation and impairment (the latter in accordance with IAS 36).

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.

[56] The indicator takes into consideration the distribution of a higher dividend than the income in the comprehensive income (or statement of comprehensive income for financial companies) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the net income for 2016, larger than the total comprehensive income for 2017). In order to conduct the impairment test for the reporting date of the half-yearly financial statements, in the absence of homogeneous comparison data, the indicator is verified by referring to the data relating to the previous year.

[57] Lease liabilities recognised as the lessee in lease transactions are recorded under financial liabilities measured at amortised cost.

Therefore, the depreciation allowances for each year charged to the income statement are calculated by CDP at the rates considered adequate to represent the residual useful life of each asset, as listed below:

	Minimum rate	Maximum rate
Buildings	3.00%	3.00%
Movables	12.00%	15.00%
Electrical plant	7.00%	30.00%
Other:		
Industrial and commercial equipment	15.00%	15.00%
Other assets	12.00%	25.00%
Other plant and equipment	7.00%	15.00%

Land and artwork are not depreciated 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 impairment indicators are identified, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less any costs of disposal, and the associated value in use of the asset (that is the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under “Net adjustments to/recoveries on property, plant and equipment”. If the reasons for which impairment was recognised cease to exist, the impairment loss is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Newly acquired assets are depreciated as from the period in which they enter service and are, therefore, ready for use.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

“Investment property” consists of real estate property held for investment purposes to be leased to external third parties. These assets are initially recognised in accordance with IAS 40 at purchase or construction cost, including directly attributable purchase/construction costs. However, maintenance costs relating to these assets cannot be capitalised, but are recognised in the income statement.

Subsequent measurement of said property investments in the financial statements is at cost, net of depreciation (3% depreciation rate) and impairment, as set out in IAS 16 in relation to operating property, plant and equipment.

“Assets under construction and advances” are composed of advances or expenses incurred in respect of items of property, plant and equipment that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company’s production cycle, depreciation is suspended.

The “right-of-use assets” (RoU) under lease agreements are recognised by the lessee at the commencement date, namely on the date that the asset is made available to the lessee and is initially valued at cost. In order to match the asset consisting of the right of use, the lessee enters a liability corresponding to the current value of the payments due for the lease. The discount rate to be used is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. In the event of operating sublease agreements, the sub-lessor enters the right of use among the Investment property.

The right of use is amortised on a straight-line basis throughout the lease term which includes the non-cancellable period of a lease and the options for renewal, if the lessee has a reasonable certainty of exercising it.

During the lease term, the carrying value of the right of use is adjusted in the event of a change to the lease term or to the lease payments, and also for changes to the lease contract which increase or reduce the scope of the lease.

As regards property, plant and equipment recognised in accordance with IAS 2, these are measured at the lower of cost and net realisable value. The carrying amount of the asset is anyway compared with its recoverable amount, where there is some evidence that shows that the asset may have incurred an impairment loss. Any adjustments are recorded through profit or loss.

The carrying value of an operating item of property, plant and equipment is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

7 - INTANGIBLE ASSETS

“Intangible assets” includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. They consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired.

If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

An intangible asset is recognised if the following conditions are satisfied:

- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;
- the asset generates future economic benefits;
- the cost of the asset can be measured reliably.

If one of these elements is missing, the purchase or realisation cost is fully recognised as a cost in the income statement in the financial year in which it is incurred.

The non-current intangible assets are initially recognised at purchase or development cost, including directly attributable transaction costs.

After initial recognition, the non-current intangible assets with a finite useful life are measured at cost, net of amortisation and any impairment (the latter governed by IAS 36).

The amortisation is charged based on the estimated useful life of the asset. This estimate of its useful life is assessed, at the end of each financial year, to check the adequacy of the estimate.

Costs incurred for the purchase and development of software by third parties are amortised, usually on a straight-line basis, over the residual useful lives of the assets, which is no greater than 5 years.

Costs incurred for software development before the year in which the project is completed are capitalised when the development/implementation of the project is likely to be successful and the utility of the product extends over more than one year. In this case, the costs are amortised over a period of no more than 5 years. In the year in which the software is completed, the costs incurred and not yet amortised are allocated to the asset and the cost is amortised over 5 years.

In addition, on an annual basis, or when there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the intangible asset is compared with its recoverable amount, the higher of the fair value less costs to sell, and its value in use (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under “Net adjustments to/recoveries on intangible assets”. If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Intangible assets having an indefinite useful life are not amortised and are only tested periodically for the adequacy of their carrying amount, as described above.

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

Intangible assets are derecognised when sold or when future economic benefits are no longer expected.

8 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The balance sheet items “Non-current assets and disposal groups held for sale” and “Liabilities associated with disposal groups held for sale” include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. For these assets, CDP must be committed to a plan to dispose of the asset (or group of assets) and must have initiated a programme to identify a potential buyer, such that a sale can be considered highly probable.

To be able to classify an asset (or group of assets) as available for sale, the following is also required:

- the asset can be readily exchanged in the market at a price considered reasonable in relation to its fair value at the current date;
- the sale is expected to be completed within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5;
- the actions required to complete the plan to dispose of the asset do not indicate that it is unlikely to be completed.

These non-current assets (or disposal groups) are presented separately from the balance sheet items “Other assets” and “Other liabilities”. Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (the latter net of costs to sell), without any depreciation/amortisation being recognised.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised.

Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) held for sale through profit or loss. The corresponding balance sheet values for the previous financial year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- is an investment exclusively acquired with a view to resale.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item “Income (loss) after tax on disposal groups held for sale”.

9 - CURRENT AND DEFERRED TAXES

Tax assets and liabilities are recognised in the balance sheet respectively under assets Item “Tax assets” and liabilities Item “Tax liabilities”.

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:

- under Tax assets, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;
- under Tax liabilities, if they relate to “taxable temporary differences” representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

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

Some of the Group’s Italian companies joined the “national fiscal consolidation” mechanism regulated by articles 117-129 of the Consolidated Income Tax Law (“TUIR”), introduced into tax law by Italian Legislative Decree no. 344/2003. It consists of an optional tax system, according to which aggregate net taxable income or loss of each subsidiary that has joined the national fiscal consolidation mechanism – inclusive of any tax withholding, deductions and tax credits – is transferred to the Parent Company, for which a single taxable income or a single tax loss is carried forward (resulting from the algebraic sum of its income/losses and those of the subsidiaries) and, as a result, a single tax payable/receivable.

10 - PROVISIONS FOR RISKS AND CHARGES

This item consists of the provision set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

Therefore, the provisions are recognised only when:

- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

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

Contingent – not probable – liabilities are not recognised to the balance sheet. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The provisions are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pension plans and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits. However, no value has been recognised for the sub-account in question because there were no net amounts attributable to that item at the reporting date of these financial statements. For more information see the section “Staff severance pay” in paragraph 15 “Other information”.

11 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

This item includes all amounts due to banks and due to customers of any kind (deposits, current accounts, loans), other than those in the items “Financial liabilities held for trading” and “Financial liabilities designated at fair value”. This includes operating debts associated with the provision of business and financial services and variation margins with clearing houses in respect of transactions on derivatives, in addition to operating debts associated with the provision of financial services.

In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under the item “Due to banks” and the item “Due to customers”, including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held.

For Postal savings bonds, the adoption of the amortised cost method and of the effective interest rate used for calculating the amortised cost under examination must be equal to the internal rate of return from the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in the recalculation of the remaining amortisation schedule. In such cases, the IFRS state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

Financial liabilities measured at amortised cost also include the amount of funds provided by the State or other government agencies and intended for particular operations required and regulated by special laws (“third-party funds in administration”), provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. However, funds administered on behalf of the State or other government agencies are not included here if their management is exclusively remunerated by an all-in-one fee (commission) and that are, therefore, merely seen as a service.

In addition, this item also includes issued securities measured at amortised cost. The item is reported net of repurchased securities.

Financial liabilities measured at amortised cost are recognised for the first time on the date the raised funds are received or the debt instruments issued. These items are recognised at their fair value upon initial recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund-raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the preceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation under IFRS 9 apply, and is recognised at its fair value under financial assets/liabilities held for trading (respectively positive or negative). The related changes in value are recognised through profit or loss. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

The amounts under the item “Due to banks”, “Due to customers”, and “Securities issued” are derecognised when they mature or are extinguished. The derecognition also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying value of the liability and the amount paid to purchase it is recognised in the income statement.

12 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities (debt securities, loans, derivatives) designated as being held for trading purposes. It excludes any portion of the company’s own issued debt securities that have not yet been placed with third parties.

This category of liabilities includes, in particular, financial derivatives not designated under hedge accounting, operational hedging derivatives, and also derivatives embedded in complex financial contracts, whose host contract is a financial liability, which have been recognised separately if their fair value is negative.

The criteria for initial recognition and measurement of these derivatives are illustrated with reference to the same instruments with positive fair value within the scope of Financial assets held for trading.

Financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from fair value, a financial liability is nevertheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is made at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of any changes in value through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a significant portion of the risks and rewards associated with the financial liability are retained, the liabilities remain on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under “Profits (losses) on trading activities” in the income statement.

13 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

This item includes financial liabilities, regardless of their technical form (debt securities, loans, etc.), for which the option of measurement at fair value through profit or loss has been exercised (“Fair Value Option”) in accordance with the requirements established by IFRS 9 for classification in this item.

This classification is made when one of the following conditions applies:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from the measuring of assets or liabilities or from the recognition of gains or losses on different bases;
- a group of financial liabilities, or a group of financial assets and liabilities is managed and the performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the liabilities consist of hybrid instruments containing embedded derivatives that would otherwise have been separated (however, this rule does not apply if the embedded derivative is insignificant or if the separation of the embedded derivative cannot be applied).

As regards issued debt securities, these financial liabilities are recognised for the first time on the date of issue.

Initial recognition is at fair value, which generally equals the amount collected, without considering the transaction expenses and income attributable to the instrument issued, which are instead recognised in the income statement.

Subsequent to initial recognition, these financial liabilities are measured at fair value and charged as follows:

- the change in fair value that is attributable to changes in its creditworthiness is recognised in the statement of comprehensive income and recorded in the item Valuation reserves;
- the residual amount of change in fair value is recognised through profit or loss.

Financial liabilities at fair value are derecognised from the balance sheet when the contractual rights to the related cash flows expire or when the financial liability is sold, transferring substantially all risks and rewards connected with it to third parties.

14 – TRANSACTIONS IN A FOREIGN CURRENCY

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

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

- monetary instruments are translated at the spot rate quoted on the reporting date;
- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments, which are carried at fair value, are translated at the spot rate quoted on the reporting date.

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

The positive and negative exchange rate differences, relating to:

- financial assets and liabilities denominated in foreign currencies, other than those measured at fair value and those subject to fair value hedges (exchange rate or fair value risk) and cash flow hedges (exchange rate risk), as well as the related hedging derivatives are included in “Profits (losses) on trading”. This item also includes the results of fair value measurement of any forward contracts associated with foreign currency transactions concluded for hedging purposes, net of the accrued contractual margins recognised in interest with the relevant + or - sign;
- financial assets and liabilities denominated in foreign currencies measured at fair value are included in the “Profits (losses) on financial assets and liabilities measured at fair value through profit or loss”;
- financial assets and liabilities denominated in foreign currencies, subject to fair value hedge (exchange rate or fair value risk) and relating to hedging derivatives are included in the results of related measurements recognised in “Fair value adjustments in hedge accounting”.

15 - OTHER INFORMATION

Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a “Post-employment benefit” and is classified as:

- a “Defined benefit plan” for the portion of staff severance pay accrued by employees until 31 December 2006;
- a “Defined contribution plan” for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that these portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

It should be noted that CDP's provision for staff severance pay is negligible given that employees on staff prior to the transformation of CDP into a joint-stock company maintained their participation in the INPDAP pension scheme after the transformation; therefore, severance pay contributions are paid to that institution. As such, the amount shown for staff severance pay is related solely to employees hired after the date of transformation (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund or to INPS in accordance with the applicable legislation.

Accordingly, in view of the insignificance of the effects of adopting IAS 19, the staff severance pay continues to be calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code).

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rata basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Default interest, where provided for by contract, is recognised in the income statement only when it is actually received.

The interest also includes the net balance, either positive or negative, of the differentials and margins relating to the financial derivative instruments hedging assets and liabilities that generate interest, and derivatives recognised in the balance sheet in the trading book but operationally related to assets and/or liabilities designated at fair value (fair value option).

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided.

This item also includes the commissions received from guarantees issued in favour of third parties, and commissions paid for guarantees received.

When the amortised cost method is used, the commissions considered in calculating the effective interest rate are classified as interests.

Dividends

As previously described, the dividends received from investee companies are recognised in the income statement in the financial year in which they are approved for distribution.

Business combinations

A business combination involves the transfer of control over a business activity or, more generally, a company.

Business combinations are accounted for using the purchase method, which requires: (i) identification of the acquirer; (ii) measurement of the cost of the combination; (iii) Purchase Price Allocation.

Transactions involving two or more companies or business activities belonging to the Group that are carried out for reorganisation purposes are not considered business combinations. Such transactions ("*business combinations under common control*") are excluded from the scope of application of IFRS 3 and, in the absence of a reference standard, are accounted for based on Assirevi's preliminary interpretations/guidelines, i.e. they are recognised according to the principle of continuity of values when they do not have a significant influence on future cash flows.

A.4 – Disclosures on fair value measurement

Qualitative disclosures

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a regular transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded.

In the definition of fair value, a key assumption is that an entity is fully operational and does not have the urgent need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value”); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). An instrument is considered to be traded on an active market if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an ordinary transaction at the valuation date. The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads, or yield curves. If they are used in the pricing of an instrument, they must be available for the entire residual life of the instrument. The fair value of a financial instrument measured with techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

In certain cases, the level 2 inputs need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it, for example through the use of statistical or “expert-based” techniques, the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly inferable. This category also includes the parameters estimated on the basis of proprietary models or historical data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

The valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management Function of CDP. The development and validation of the techniques, and their application for accounting evaluations, are set out in specific process documentation.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used for unlisted financial instruments may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

CDP takes the following into consideration when selecting the valuation models:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and implemented in CDP’s systems.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, the financial statements of CDP use fair value measurements assigned to Level 2 for interest rate and currency derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them. CDP has developed a reference framework consisting of the valuation criteria and models on which the valuation of each category of instruments is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of 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 2021.

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:

- tranches of Asset-Backed Securities that do not pass the SPPI test dictated by IFRS 9, for which the valuation requires the use of inputs that are not directly observable or representative of the counterparty credit rating and underlyings;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

Portfolios measured at fair value on a recurring basis: details of the significant non-observable inputs for Level 3 assets and liabilities

Category of financial instruments	Fair value assets (thousands of euro)	Fair value liabilities (thousands of euro)	Measurement techniques	Non-observable parameters
Debt securities	23,737		Cash flow discounting models	Credit and liquidity spread
Equity securities	69,158		Equity multiple	Equity multiple
Units in collective investment undertakings	3,452,664		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 homogeneous categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

The methods and processes adopted by CDP aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is set out in methodological documents updated on half-yearly basis by the Risk Management Function. The valuations are performed through internal systems used by CDP for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis.

Description of non-observable inputs used in the valuation process for the fair value measurement on a recurrent basis of instruments classified at Level 3 and the sensitivity of the fair value to changes in those inputs

For fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Asset-Backed Securities

For asset-backed securities that have not passed the SPPI test required by IFRS 9, there is no listing on an active market. Their fair value is established according to model-based prices produced by specialist providers in the sector, which, in view of the assumptions underlying certain relevant parameters for the valuation (such as default and prepayment rates, determining their amortisation profile, and pricing spreads), is classified at level 3 of the fair value hierarchy. Considering the low notional value of the securities and their limited residual life, the analysis of sensitivity to these parameters results in insignificant changes to the value of the assets.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. In this case, the fair value corresponds to the NAV of the fund, adjusted, if necessary, to take into account certain specific characteristics, purely for illustrative and non-exhaustive purposes, such as elements occurring between the reference date of the last available NAV and the valuation date, transactions on the shares of the fund being valued, any discounts relating to potential illiquidity of the shares held and any other information that may be disclosed by the manager with a significant impact on the fair value of the assets held by the fund.

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)	31/12/2021			31/12/2020		
Financial assets/liabilities measured at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss		232,359	3,476,401		238,760	3,135,808
a) financial assets held for trading		232,359			238,760	
b) inancial assets designated at fair value						
c) Other financial assets mandatorily at fair value			3,476,401			3,135,808
2. Financial assets measured at fair value through other comprehensive income	14,174,902		69,158	13,016,571		47,700
3. Hedging derivatives		276,053			444,687	
4. Property, plant and equipment						
5. Intangible assets						
Total assets	**14,174,902**	**508,412**	**3,545,559**	**13,016,571**	**683,447**	**3,183,508**
1. Financial liabilities held for trading		251,006			209,820	
2. Financial liabilities at fair value						
3. Hedging derivatives		3,073,678			4,320,965	
Total liabilities		**3,324,684**			**4,530,785**	

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)

		Financial assets designated at fair value through profit or loss							
(thousands of euro)		Total	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
1.	**Opening balance**	**3,135,808**			**3,135,808**	**47,700**			
2.	**Increases**	**852,245**			**852,245**	**21,686**			
	2.1 Purchases	630,972			630,972	13,952			
	2.2 Profits taken to:	220,910			220,910	7,734			
	2.2.1 Income statement	220,910			220,910				
	- of which capital gains	*220,910*			*220,910*				
	2.2.2 Equity	X	X	X	X	7,734			
	2.3 Transfers from other levels								
	2.4 Other increases	363			363				
3.	**Decreases**	**511,652**			**511,652**	**228**			
	3.1 Sales								
	of which: business combinations								
	3.2 Repayments	452,563			452,563				
	3.3 Losses taken to:	59,089			59,089	228			
	3.3.1 Income statement	59,089			59,089				
	- of which capital losses	*59,089*			*59,089*				
	3.3.2 Equity	X	X	X	X	228			
	3.4 Transfers to other levels								
	3.5 Other decreases								
4.	**Closing balance**	**3,476,401**			**3,476,401**	**69,158**			

A.4.5.3 Change for the year in financial liabilities measured at fair value on a recurring basis (Level 3)

There were no liabilities measured at fair value on a recurring basis (Level 3) at 31 December 2021 and at the end of the previous year, and no changes during the year.

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)	31/12/2021				31/12/2020			
Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	358,102,654	36,067,288	22,675,005	316,592,573	357,590,993	49,366,554	17,801,826	315,465,027
2. Investment property, plant and equipment	231,233			231,233	236,292			236,292
3. Non-current assets and disposal groups held for sale	4,251,174			4,251,174				
Total	**362,585,061**	**36,067,288**	**22,675,005**	**321,074,980**	**357,827,285**	**49,366,554**	**17,801,826**	**315,701,319**
1. Financial liabilities measured at amortised cost	382,558,801	8,562,815	14,320,179	360,479,603	378,819,557	9,867,903	13,327,720	356,953,112
2. Liabilities associated with non-current assets and disposal groups held for sale								
Total	**382,558,801**	**8,562,815**	**14,320,179**	**360,479,603**	**378,819,557**	**9,867,903**	**13,327,720**	**356,953,112**

A.5 – Disclosure of day one profit/loss

The carrying amount of financial instruments on recognition is equal to their fair value at the same date.

In the case of financial instruments other than those measured at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.

In the case of financial instruments measured at fair value through profit or loss classified as Level 3, any difference with respect to the amount received, the so-called “day one profit/loss”, cannot be recognised immediately through profit or loss.

Subsequently, such difference must be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP has not recognised any “day one profit/loss” on financial instruments in accordance with the provisions of IFRS 7.28 and other related IFRS provisions.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: breakdown

(thousands of euro)	**31/12/2021**	31/12/2020
a) Cash		1
b) Current accounts and demand deposits with Central banks		
c) Bank current accounts and demand deposits	263,478	290,990
Total	**263,478**	**290,991**

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 20

2.1 Financial assets held for trading: breakdown by type

The financial derivatives shown in the table include the positive fair value of interest rate derivatives (about 211 million euro) and currencies (about 21 million euro).

(thousands of euro)	**31/12/2021**			31/12/2020		
Items/Values	**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		232,359			238,760	
1.1 Trading		232,359			238,760	
1.2 Associated with fair value option						
1.3 Other						
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
Total B		**232,359**			**238,760**	
Total (A+B)		**232,359**			**238,760**	

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

(thousands of euro)

Items/Values	31/12/2021	31/12/2020
A. ON-BALANCE-SHEET ASSETS		
1. Debt securities		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial companies		
2. Equity securities		
a) Banks		
b) Other financial companies		
- *of which: insurance companies*		
c) Non-financial companies		
d) Other issuers		
3. Units in collective investment undertakings		
4. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial companies		
f) Households		
Total A		
B. DERIVATIVES		
a) Central counterparties		
b) Other	232,359	238,760
Total B	**232,359**	**238,760**
Total (A+B)	**232,359**	**238,760**

2.3 Financial assets designated at fair value: breakdown by type

There were no financial assets designated at fair value.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

There were no financial assets designated at fair value.

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

(thousands of euro)	31/12/2021			31/12/2020		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities			23,737			92,688
1.1 Structured securities						
1.2 Other debt securities			23,737			92,688
2. Equity securities						
3. Units in collective investment undertakings			3,452,664			3,043,120
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total			**3,476,401**			**3,135,808**

The item “Debt securities” includes securities that at the time of the first application of IFRS 9 had not passed the SPPI test.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(thousands of euro)

Items/Values	31/12/2021	31/12/2020
1. Equity securities		
- of which: banks		
- of which: other financial companies		
- of which: non-financial companies		
2. Debt securities	**23,737**	**92,688**
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies	23,737	92,688
- of which: insurance companies		
e) Non-financial companies		
3. Units in collective investment undertakings	**3,452,664**	**3,043,120**
4. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- of which: insurance companies		
e) Non-financial companies		
f) Households		
Total	**3,476,401**	**3,135,808**

SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – ITEM 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

(thousands of euro)	31/12/2021			31/12/2020		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	13,521,974			12,449,055		
1.1 Structured securities						
1.2 Other debt securities	13,521,974			12,449,055		
2. Equity securities	652,928		69,158	567,516		47,700
3. Loans						
Total	**14,174,902**		**69,158**	**13,016,571**		**47,700**

Investments in debt securities included in this item, equal to 13,522 million euro, increased with respect to the end of 2020 (+1,073 million euro) and consisted for approximately 11,352 million euro of Italian government securities (+1,182 million with respect to the end of 2020).

Investments in equity securities amounted to approximately 722 million euro (+107 million euro compared to the end of 2020). The increase is mainly attributable to the effect of the fair value measurement of the equity investment in TIM S.p.A. (+85 million).

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

(thousands of euro)

Items/Values	31/12/2021	31/12/2020
1. Debt securities	**13,521,974**	**12,449,055**
a) Central banks		
b) General governments	11,961,380	10,707,216
c) Banks	692,415	1,045,902
d) Other financial companies	541,361	533,631
-of which: insurance companies		
e) Non-financial companies	326,818	162,306
2. Equity securities	**722,086**	**615,216**
a) Banks	63,387	41,702
b) Other issuer:	658,699	573,514
- other financial companies		
-of which: insurance companies		
- non-financial companies	658,699	573,514
- other		
3. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
-of which: insurance companies		
e) Non-financial companies		
f) Households		
Total	**14,244,060**	**13,064,271**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and accumulated impairment

	Gross value					Accumulated impairment				
(thousands of euro)	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Accumulated partial write off*
Debt securities	13,528,067	-	7,745	-		(13,557)	(281)	-	-	
Loans	-	-	-	-	-	-	-	-	-	
Total 31/12/2021	**13,528,067**		**7,745**			**(13,557)**	**(281)**			
Total 31/12/2020	**12,426,099**		**38,211**			**(14,749)**	**(506)**			

(*) value to be shown for information purposes

3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross value and accumulated impairment

There are no loans measured at fair value through other comprehensive income subject to COVID-19 support measures.

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST - ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

(thousands of euro)	**Total 31/12/2021**						Total 31/12/2020					
	Carrying amount			**Fair value**			Carrying amount			Fair value		
Type of transactions/Values	**Stage 1 and 2**	**Stage 3**	**Purchased or originated credit impaired**	**Level 1**	**Level 2**	**Level 3**	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	Level 1	Level 2	Level 3
A. Loans to Central banks	**21.670.403**					**21.669.122**	**22.919.752**					**22.919.510**
1. Time deposits				X	X	X				X	X	X
2. Reserve requirement	21.656.136			X	X	X	22.900.167			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other	14.267			X	X	X	19.585			X	X	X
B. Loans to banks	**16.130.814**			**226.376**		**16.709.966**	**16.015.709**			**44.155**		**17.318.667**
1. Loans	13.189.430					13.902.186	14.172.850					15.443.481
1.1 Current accounts				X	X	X				X	X	X
1.2 Time deposits				X	X	X				X	X	X
1.3 Other financing	13.189.430			X	X	X	14.172.850			X	X	X
- repurchase agreements				X	X	X				X	X	X
- finance leases				X	X	X				X	X	X
- other	13.189.430			X	X	X	14.172.850			X	X	X
2. Debt securities	2.941.384			226.376		2.807.780	1.842.859			44.155		1.875.186
2.1 Structured												
2.2 Other debt securities	2.941.384			226.376		2.807.780	1.842.859			44.155		1.875.186
Total	**37.801.217**			**226.376**		**38.379.088**	**38.935.461**			**44.155**		**40.238.177**

Loans to banks totalled 37,801 million euro (-1,134 million euro compared to the end of 2020) and consist mainly of:

- loans for approximately 10,251 million euro (-420 million euro compared to 2020);
- the balance on the management account of the Reserve requirement, which decreased to around 21,656 million euro (around -1,244 million euro compared to 2020);
- deposits for Credit Support Annexes (cash collateral) held with banks hedging counterparty risk on derivatives, for approximately 2,938 million euro (approximately -564 million euro compared to 2020);
- debt securities for approximately 2,941 million euro (+1,099 million euro approximately with respect to 2020).

4.2 Financial assets measured at amortised cost: breakdown by type of loans to customers

(thousands of euro)	**Total 31/12/2021**						Total 31/12/2020					
	Carrying amount			**Fair value**			Carrying amount			Fair value		
Type of transactions/Values	**Stage 1 and 2**	**Stage 3**	**Purchased or originated credit impaired**	**Level 1**	**Level 2**	**Level 3**	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	Level 1	Level 2	Level 3
1. Loans	**260.145.722**	**394.896**				**273.924.998**	**251.581.423**	**185.316**				**270.476.797**
1.1 Current accounts	4.675			X	X	X	5.754			X	X	X
1.1.1 Cash and cash equivalents held with Central State Treasury	157.207.313						154.976.629					
1.2 Repurchase agreements	122.286			X	X	X	1.522.479			X	X	X
1.3 Loans	98.398.533	388.527		X	X	X	93.383.885	177.626		X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from wages				X	X	X				X	X	X
1.5 Finance leases	12.720			X	X	X	14.380			X	X	X
1.6 Factoring				X	X	X				X	X	X
1.7 Other	4.400.195	6.369		X	X	X	1.678.296	7.690		X	X	X
2. Debt securities	**59.760.819**			**35.840.912**	**22.675.005**	**4.288.487**	**66.888.792**			**49.322.399**	**17.801.826**	**4.750.053**
2.1 Structured securities												
2.2 Other debt securities	59.760.819			35.840.912	22.675.005	4.288.487	66.888.792			49.322.399	17.801.826	4.750.053
Total	**319.906.541**	**394.896**		**35.840.912**	**22.675.005**	**278.213.485**	**318.470.215**	**185.316**		**49.322.399**	**17.801.826**	**275.226.850**

Loans to customers are mainly related to:

- lending operations under the Separate Account and Ordinary Account;
- cash and cash equivalents held with Central State Treasury;
- investments in debt securities under the Held to collect business model.

The 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 S.p.A. - Gestione Separata", which comprises the liquidity generated by Separate Account transactions of CDP, the Ministry of the Economy and Finance pays CDP interest based on a rate equal to the lower between:

- the cost of Postal Savings incurred by CDP;
- the average cost of the stock (balance) of national government securities[58].

The volume of mortgage loans and other financing amounted to approximately 103,194 million euro (+7,946 million euro compared to the end of 2020). Reverse repurchase agreements amounted to approximately 122 million euro (-1,400 million euro compared to the end of 2020).

The volume of debt securities recognised in this item was approximately equal to 59,761 million euro (of which 53,750 million euro in Italian government securities), down by -7,128 million euro compared to the end of 2020 (of which -7,210 in Italian government securities).

The item also includes finance leases, amounting to approximately 13 million euro, originating at the time of first application of IFRS 16 on leases and subsequently relating to sublease contracts with Group companies that can be classified as finance leases.

[58] The average cost of the stock (balance) of government securities and the cost of Postal Savings are determined as a forecast for the first half of the year and definitively, possibly adjusted for any difference, for the whole of the year.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans to customers

(thousands of euro)	**31/12/2021**			31/12/2020		
Type of transactions/Values	**Stage 1 and 2**	**Stage 3**	**Purchased or originated credit impaired**	Stage 1 and 2	Stage 3	Purchased or originated credit impaired
1. Debt securities	**59,760,819**			**66,888,792**		
a) General governments	54,605,467			61,921,041		
b) Other financial companies	1,148,835			1,263,636		
- of which: insurance companies						
c) Non-financial companies	4,006,517			3,704,115		
2. Loans	**260,145,722**	**394,896**		**251,581,423**	**185,316**	
a) General governments	238,904,029	44,699		233,194,335	23,700	
b) Other financial companies	4,888,191			3,410,140		
- of which: insurance companies	*1,773*			*2,320*		
c) Non-financial companies	16,335,318	348,454		14,962,322	159,251	
d) Households	18,184	1,743		14,626	2,365	
Total	**319,906,541**	**394,896**		**318,470,215**	**185,316**	

4.4 Financial assets measured at amortised cost: gross value and accumulated impairment

	Gross value					Accumulated impairment				
(thousands of euro)	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Accumulated partial write off*
Debt securities	62,232,388	-	683,693	-	-	(75,041)	(138,837)	-	-	
Loans	283,307,836	-	12,458,793	510,643	-	(258,840)	(502,234)	(115,747)	-	
Total 31/12/2021	**345,540,224**		**13,142,486**	**510,643**		**(333,881)**	**(641,071)**	**(115,747)**		
Total 31/12/2020	**344,774,828**		**13,579,235**	**299,404**		**(346,773)**	**(601,614)**	**(114,088)**		

(*) value to be shown for information purposes

4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross value and accumulated impairment

	Gross value					Accumulated impairment				
(thousands of euro)	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Accumulated partial write off*
1. Loans subject to moratoria compliant with the GL	4,677,732	-	-	-	-	(5,127)	-	-	-	-
2. Loans subject to existing moratorium measures no longer conforming to the GLs and not considered forborne	-	-	-	-	-	-	-	-	-	-
3. Loans subject to forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New loans	1,366,980	-	40,002	15,069	-	(4,441)	(173)	(1,025)	-	-
Total 31/12/2021	**6,044,712**		**40,002**	**15,069**		**(9,568)**	**(173)**	**(1,025)**		
Total 31/12/2020	**4,322,714**		**555**			**(6,546)**	**(3)**			

(*) value to be shown for information purposes

This table shows the loans, with details of gross amount and accumulated impairment, broken down by risk status, subject to COVID-19 support measures. The line "Loans granted in accordance with the GL" shows the loans subject to a moratorium that fall within the scope of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis*" published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line "New loans" reports the loans which represent new liquidity backed by public guarantees.

SECTION 5 - HEDGING DERIVATIVES - ITEM 50

5.1 Hedging derivatives: breakdown by type of hedge and level

	Fair value 31/12/2021				Fair value 31/12/2020			
(thousands of euro)	Level 1	Level 2	Level 3	Notional value 31/12/2021	Level 1	Level 2	Level 3	Notional value 31/12/2020
A. Financial derivatives:		**276,053**		**11,693,117**		**444,687**		**10,160,472**
1) Fair value		266,839		10,227,293		432,058		9,997,486
2) Cash flow		9,214		1,465,824		12,629		162,986
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**276,053**		**11,693,117**		**444,687**		**10,160,472**

Micro-hedging, fair value and cash flow derivatives that had a positive value as at 31 December 2021 amounted to approximately 206 million euro, while macro-hedging derivatives with a positive fair value amounted to approximately 70 million euro.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro)	Fair value							Cash flow		
	Specific									
Operations/Type of hedging	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Other	Generic	Specific	Generic	Investment in foreign operation
1. Financial assets measured at fair value through other comprehensive income	6,383				X	X	X	3,742	X	X
2. Financial assets measured at amortised cost	22,983	X			X	X	X	667	X	X
3. Portfolio	X	X	X	X	X	X	70,020	X		X
4. Other							X		X	
Total assets	**29,366**						**70,020**	**4,409**		
1. Financial liabilities	167,453	X					X	4,805	X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**167,453**							**4,805**		
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

SECTION 6 - FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS - ITEM 60

6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(thousands of euro)

Fair value change of financial assets in hedged portfolios/Values	31/12/2021	31/12/2020
1. Positive fair value change	**1,347,532**	**2,531,890**
1.1 of specific portfolios	1,347,532	2,531,890
a) financial assets measured at amortised cost	1,347,532	2,531,890
b) financial assets measured at fair value through other comprehensive income		
1.2 overall		
2. Negative fair value change	**(79,547)**	**(57)**
2.1 of specific portfolios	(79,547)	(57)
a) financial assets measured at amortised cost	(79,547)	(57)
b) financial assets measured at fair value through other comprehensive income		
2.2 overall		
Total	**1,267,985**	**2,531,833**

This item reports the net change in the value of the loans hedged generically (macrohedging) against interest rate risk.

The assets fair-value hedged generically against interest rate risk consisted of loans. The amounts shown in the table below are related to the residual principal due on maturity on the loans for which macro-hedging was adopted.

(thousands of euro)

Hedged assets	31/12/2021	31/12/2020
Financial assets measured at amortised cost	14,692,442	14,225,863
Total	**14,692,442**	**14,225,863**

SECTION 7 - EQUITY INVESTMENTS - ITEM 70

7.1 Information on equity investments

(thousands of euro)

Company name	Registered office	Operational headquarters	% holding	% of votes	Carrying amount
A. Wholly-owned subsidiaries					
CDP Equity S.p.A.	Milan	Milan	100.00%	100.00%	6,055,935
CDP Reti S.p.A.	Rome	Rome	59.10%	59.10%	2,017,339
CDP Industria S.p.A.	Rome	Rome	100.00%	100.00%	1,252,844
Fintecna S.p.A.	Rome	Rome	100.00%	100.00%	944,354
CDP Immobiliare S.r.l.	Rome	Rome	100.00%	100.00%	484,395
ITsART S.p.A.	Milan	Milan	51.00%	75.74%	7,286
CDP Immobiliare SGR S.p.A.	Rome	Rome	70.00%	70.00%	1,400
C. Companies subject to significant influence					
Eni S.p.A.	Rome	Rome	25.96%	25.96%	15,281,632
Poste Italiane S.p.A.	Rome	Rome	35.00%	35.00%	2,930,258
Redo SGR S.p.A.	Milan	Milan	30.00%	30.00%	5,130
Elite S.p.A.	Milan	Milan	15.00%	15.00%	1,076
Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	31.80%	31.80%	-
Total					**28,981,649**

At 31 December 2021, the item amounted to approximately 28,982 million euro, down on the 2020 year-end balance (about -2,911 million euro). For details of the changes compared to the previous year's figure, please see section 7.5 "Equity investments: changes for the year".

7.2 Significant equity investments: carrying amount, fair value and dividends received

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.3 Significant equity investments: accounting data

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.4 Non-significant equity investments: accounting data

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.5 Equity investments: changes for the year

(thousands of euro)	31/12/2021	31/12/2020
A. Opening balance	**31,892,214**	**30,708,619**
B. Increases	**1,689,261**	**1,183,595**
B.1 Purchases	1,689,261	1,183,595
- of which: business combinations		
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		
C. Decreases	**4,599,826**	
C.1 Sales		
- of which: business combinations		
C.2 Writedowns	348,652	
C.3 Impairment losses		
C.4 Other decreases	4,251,174	
D. Closing balance	**28,981,649**	**31,892,214**
E. Total revaluations		
F. Total writedowns	**871,289**	**1,755,037**

During 2021, CDP's main investments included:

- the increase of the investment in CDP Equity (for about 1,626 million euro) mainly aimed at (i) the investment plan, as well as the acquisition from Enel of an additional 10% equity investment in Open Fiber's capital, (ii) entering into the shareholding structure of the Euronext stock exchange group, as part of Euronext's acquisition of Borsa Italiana and (iii) making further investments in companies (e.g. GreenIT and Renovit) and investment funds, through the subscription of 5 investment funds in Venture Capital (e.g. FoF VenturItaly, Fondo Acceleratori[59], Fondo Technology Transfer, Fondo Evoluzione, Fondo Corporate Partners I[60], managed by CDP Venture Capital SGR) and 1 investment fund in the infrastructure sector (F2i – Fondo per le Infrastrutture Sostenibili, managed by F2i SGR S.p.A.);
- payments to CDP Immobiliare (about 62 million euro), aimed at investment transactions on the existing portfolio, to support the development of the main properties in the portfolio and the reorganisation of the investee companies;
- participation in the capital increase in ITsART (for about 1 million euro), a company set up by CDP and the industrial partner Chili with the support of the Ministry of Cultural Heritage and Assets and Tourism, to seize the opportunities for digitisation of the performing arts and culture sectors.

Decreases include the following impairment losses recognised in 2021: CDP Industria for about 304.2 million euro, CDP Immobiliare for about 42.2 million euro, Elite S.p.A. for about 1.4 million euro and Redo SGR for about 0.9 million euro.

In 2021, the equity investment held in SACE was transferred to asset item 110 "Non-current assets and disposal groups held for sale" as a discontinued operation and in accordance with IFRS 5 for an amount of approximately 4,251 million euro, equal to its carrying amount. For further details, see Part A – Accounting Policies – A.1 General information – Section 4 – Other issues.

7.6 Commitments relating to joint operations

As at 31 December 2021, there were no commitments relating to joint operations.

[59] Subscription of additional units resolved in 2021 but pending subscription at the beginning of 2022.
[60] Investment resolved in 2021. Two out of four sub-funds were subscribed during 2021; of these only one reached the First Closing.

7.7 Commitments relating to companies under significant influence

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.8 Significant restrictions

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.9 Other information

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

Impairment testing of equity investments

CDP's equity investment portfolio includes listed and unlisted companies of major national interest, which are also pivotal in the promotional activity of supporting the growth and international expansion of businesses and the development of infrastructure. In its capacity as a National Promotional Institution, CDP invests in companies' share capital, mainly over a long-term horizon.

At each reporting date, CDP conducts an assessment to detect the presence of indicators of impairment under IAS 36 and of any additional indicators, where applicable, also considering the indications of national and international regulators on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments as well as the difficulties related to the long-term impacts linked to the evolution of the health crisis due to the spread of COVID-19. In this respect, the evolution of the spread of COVID-19 throughout the world, the increasing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict – the latter considered as a non-adjusting event in accordance with IAS 10 and therefore not included in the impairment test at 31 December 2021 – and the consequent impacts of these events on the economy have increased the level of uncertainty, hence making it more complex to make quantitative estimates, for example, cash flows from equity investments, also due to the increased uncertainty in the assumptions and parameters at the basis of the asset valuation analyses.

Specifically, in light of the above, note that:

- the estimates have been made also considering stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, also linked to the COVID-19 pandemic and the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict;
- the evaluations were also made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future effects of the evolution of the COVID-19 pandemic and the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict.

It is therefore important to stress the uncertainty about the possible duration of the impacts of the pandemic, as well as the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. Therefore, there is a need to constantly monitor the evolution of these elements in the current context.

Moreover, when performing impairment testing, CDP takes into account the guidelines of the supervisory authorities on financial reporting aspects relating to risks, uncertainties, estimates, assumptions and valuations, as well as difficulties associated with the possible impact of climate risks on the entities under analysis. Where relevant, these factors are taken into account, mainly through considerations and/or sensitivity analyses on the variables determining recoverable amount.

For more details, please refer to part A1 of Section 4 - Other issues and A2 - The main financial statement items.

The indicators of impairment (so-called triggers) and objective evidence of impairment are assessed on the basis of information taken from public sources or of any additional information received by the investees.

Specifically, at 31 December 2021, impairment triggers activated on all the equity investments in CDP's portfolio with the exception of Poste Italiane, CDP Reti and CDP Immobiliare Sgr.

With reference to the estimated recoverable amount of the equity investments, to be understood as the higher of their fair value less costs to sell and their value in use, CDP has adopted a range of key principles, taking also into account the challenges of the evolution of COVID-19 in this unique moment in time, the guidance issued by national and international regulators as well as the guidelines issued by industry bodies. The key general principles used are as follows:

- a general lengthening of the detection periods of certain key parameters;
- use of the average of the latest Country Risk Premiums instead of the latest available, where deemed to be more significant;
- use of an Equity Risk Premium "consensus" in line with the average of the latest values available instead of the latest value available.

In addition, CDP has conducted a sensitivity analysis on each equity investment against the main variables that determine the asset's value, including for example:

- the price of oil (i.e. Brent) for companies operating mainly in the Oil & Gas sector, also in order to take into account any climate risks inherent in the business;
- the cost of capital, the margins and the long-term growth rate, if applicable, based on the value estimation method used.

The following summary table lists the equity investments recognised in the separate financial statements and accounted for using the cost approach, with indication of the carrying value and the methods used to calculate the recoverable amount for the purpose of the impairment test:

(thousands of euro)

Company name	Carrying amount	Recoverable amount	Methodology used
CDP Equity S.p.A.	6.055.935	Value in use	Adjusted equity
Fintecna S.p.A.	944.354	Value in use	Adjusted equity
CDP Industria S.p.A.	1.252.844	Value in use	Adjusted equity
CDP Immobiliare S.r.l.	484.395	Value in use	Adjusted equity
Redo SGR S.p.A.	5.130	Value in use	Dividend Discount model
Elite S.p.A.	1.076	Value in use	Adjusted equity
Eni S.p.A.	15.281.632	Value in use	Sum of the parts (DCF for the main business unit E&P)

Eni

The recoverable amount of the equity investment in Eni was measured at value in use based on the discounted cash flow method for the main business unit (Exploration & Production - E&P) and taking into account the value of the other residual business units, so as to reflect the specificity of the different business segments it operates in. More specifically:

- for the Exploration & Production sector, the largest, the discounted cash flow (unlevered DCF) method was used, based on a closed portfolio model which develops and measures the entirety of the group's oil and natural gas reserves until stocks are exhausted over a specific multi-stage forecast period that extends until 2050 (without components of value in perpetuity):

- production volumes were calculated starting from current proven reserves communicated by Eni and on the assumption that by 2035 about 80% of the proven and unproven reserves (i.e. possible and probable, adequately risked) will be produced, in line with what was declared by Eni. While production volumes after 2035 have been calculated on the assumption that proven and unproven reserves will be exhausted in 2050;
- sales prices of oil and gas were calculated on the basis of the geographical macro-area the mineral reserves belong to, applying the spreads between the average historical prices and the average sales prices actually charged by Eni to the expected values of oil and gas. These values, based on the forecasts contained in Eni's 2022-2025 Plan, which show a Brent price of 70 $/bbl and a VTP price of 293 €/kmc for 2025, have been prudentially normalised to take account of short-term volatility;
- unit operating costs were also estimated by geographical macro-area of mineral reserves;
- investments were estimated in a differentiated manner for proven reserves and possible/probable reserves by referring to the current expenditure per barrel produced – including development costs – that Eni incurs in areas where it has historically been present, and prospectively considering a partial improvement in efficiency in real terms;
- WACC was estimated: (i) applying the Capital Asset Pricing Model for the cost of equity, and (ii) by analysing the structure of sources of financing of a number of companies operating in the sector for the cost of indebtedness and the ratio of equity to debt.

• mainly considering the limited contribution to the overall value in use of the equity investment and the significant sensitivity of the results to long-term forecasts in the current context of uncertainty connected with the expected energy transition process, for sectors other than “Exploration & Production”, net invested capital was used as the best estimate of recoverable amount, except for the investment in Eni Gas & Luce, merged into Plenitude, for which the multiples method of a panel of comparable listed companies (EV/EBITDA multiple) was used.

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment in the separate financial statements, and consequently the carrying amount of the equity investment was confirmed. Sensitivity analyses were performed on the main assumptions and variables used in estimating the value in use, with particular reference to the oil prices as well as the WACC and EBITDA discount rate, which show that any non-marginal negative changes in the main assumptions at the basis of test could result in a recoverable amount lower than what was identified at the reporting date but still higher than the carrying value of the equity investment.

CDP Equity

In accordance with IAS 36 and given CDP Equity’s status as a holding company, the recoverable amount was determined by estimating the company’s NAV at 31 December 2021, prepared with the support of an independent appraiser. The recoverable amount of the companies and vehicles invested in by CDP Equity was determined by adopting the methodologies used in valuation practice and based on the specific nature of the individual asset (e.g. DCF, DDM, Transactions).

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment and, consequently, the book value of the equity investment was confirmed.

Fintecna

In accordance with IAS 36 the recoverable amount was calculated of the equity investment based on the equity at 31 December 2021, adjusted for the differences found between the current values of the assets and liabilities and the corresponding carrying amounts, net of the related tax effects (adjusted equity). Specifically, given the nature of Fintecna’s business, which is mainly engaged in managing litigation and liquidation activities, net equity was adjusted to take into account the cash flows connected with this activity. In particular, in order to determine the recoverable amount and the above-mentioned adjustments, alternative scenarios were envisaged for the main values, defined on the basis of management’s forecasts and the application of prudential assumptions.

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment and, consequently, the carrying amount of the equity investment was confirmed.

CDP Immobiliare

In accordance with IAS 36, the recoverable amount of the equity investment was determined based on the company's equity at 31 December 2021. Specifically, given the nature of CDP Immobiliare's business, which is focused on increasing the value of its assets, the recoverable amount of the equity investment was estimated using a simple equity method that values direct and indirect real estate assets.

The impairment test found that the recoverable amount was lower than the carrying value of the equity investment. As a result, an impairment loss of approximately 42 million euro was recognised, mainly due to the losses incurred by the company, which among other things factor in the impairment losses recognised on both the direct and indirect property portfolio.

CDP Industria

In accordance with IAS 36 and given CDP Industria's status as a holding company, the recoverable amount was determined by estimating the value of the equity investment portfolio of the company at 31 December 2021, prepared with the support of an independent appraiser. The recoverable amount of CDP Industria's investee companies was determined by adopting the methodologies used in valuation practice and based on the specific nature of the individual assets.

The impairment test resulted in a recoverable amount lower than the carrying value of the equity investment and consequently an impairment loss of approximately 304 million euro was recognised due to the lower value of the equity investments in the portfolio.

REDO Sgr

In accordance with IAS 36, the recoverable amount was determined based on a Dividend Discount Model in the excess capital variant with (i) explicit provision for a distributable dividend for the years 2022-2025, and (ii) residual equity at the end of the explicit period. The discount rate was estimated to be the cost of equity calculated using the Capital Asset Pricing Model theory.

The impairment test showed that the recoverable amount was lower than the carrying value of the equity investment, and the carrying amount was therefore adjusted to the recoverable amount with a value adjustment of approximately 1 million euro due to a general slowdown in the activities of managed funds and new initiatives to be launched.

Elite

In accordance with IAS 36 the recoverable amount was calculated starting from the company's equity at 31 December 2021.

The impairment test resulted in a recoverable amount lower than the carrying value of the equity investment, and consequently an impairment loss of approximately 1 million euro was recognised due to the company's negative results.

SECTION 8 - PROPERTY, PLANT AND EQUIPMENT - ITEM 80

8.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euro)

Assets/Values	31/12/2021	31/12/2020
1. Owned	**107,923**	**106,686**
a) land	62,276	62,276
b) buildings	34,632	31,131
c) movables	3,393	3,023
d) electrical plant	3,556	2,774
e) other	4,066	7,482
2. Right of use acquired under leases	**32,339**	**30,406**
a) land		
b) buildings	31,541	29,081
c) movables		
d) electrical plant	48	101
e) other	750	1,224
Total	**140,262**	**137,092**
- of which: obtained via the enforcement of the guarantees received		

The item “rights of use acquired under a lease” contains the values recorded as a result of applying the IFRS 16 on leases, in relation to operating leases for which CDP is the lessee.

8.2 Investment property: breakdown of assets measured at cost

(thousands of euro)	31/12/2021				31/12/2020			
		Fair value				Fair value		
Assets/Values	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Owned	**220,000**			**220,000**	**225,414**			**225,414**
a) land	55,130			55,130	55,130			55,130
b) buildings	164,870			164,870	170,284			170,284
2. Right of use acquired under leases	**11,233**			**11,233**	**10,878**			**10,878**
a) land								
b) buildings	11,233			11,233	10,878			10,878
Total	**231,233**			**231,233**	**236,292**			**236,292**
- of which: obtained via the enforcement of the guarantees received								

Investment property consists of a property leased out.

The item “rights of use acquired under a lease” contains the values recorded as a result of applying the IFRS 16 on leases, in relation to property operating leases for which CDP is the lessee, for the portion subject to subsequent sublease to Group companies, classifiable as an operating lease.

8.3 Operating property, plant and equipment: breakdown of revalued assets

This item has a nil balance.

8.4 Investment property: breakdown of assets measured at fair value

This item has a nil balance.

8.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

There was no property, plant and equipment governed by IAS 2.

8.6 Operating property, plant and equipment: changes for the year

(thousands of euro)	Land	Building	Movables	Electrical plants	Other	Total
A. Opening gross balance	**62.276**	**85.911**	**14.097**	**15.549**	**35.162**	**212.995**
A.1 Total net writedowns		(25.699)	(11.074)	(12.674)	(26.456)	(75.903)
A.2 Opening net balance	**62.276**	**60.212**	**3.023**	**2.875**	**8.706**	**137.092**
B. Increases		**12.949**	**1.234**	**2.273**	**1.899**	**18.355**
B.1 Purchases		6.848	588	997	1.899	10.332
B.2 Capitalised improvement costs		1.352				1.352
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		373	X	X	X	373
B.7 Other changes		4.376	646	1.276		6.298
C. Decreases		**6.988**	**864**	**1.544**	**5.789**	**15.185**
C.1 Sales						-
C.2 Depreciation		4.938	736	1.535	1.058	8.267
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:		2.003				2.003
a) investment property		2.003	X	X	X	2.003
b) non-current assets and disposal groups held for sale						-
C.7 Other changes		47	128	9	4.731	4.915
D. Closing net balance	**62.276**	**66.173**	**3.393**	**3.604**	**4.816**	**140.262**
D.1 Total net writedowns		(30.127)	(6.760)	(14.526)	(25.810)	(77.223)
D.2 Closing gross balance	**62.276**	**96.300**	**10.153**	**18.130**	**30.626**	**217.485**
E. Measurement at cost						

The following items are recorded with reference to the rights of use acquired under a lease:

- rights of use relating to buildings originating during the period, reported under item “B.1 purchases” amounting to 6,848 thousand euro;
- transfers from rights of use relating to buildings for investment purposes, amounting to 373 thousand euro;
- other increases on buildings amounting to 506 thousand euro and reported in item B.7 related to the transfer from lease receivables recognised in financial assets measured at amortised cost, due to the reduction – with simultaneous reallocation to functional use – of the premises, and the related rent, under a financial sublease contract, as well as due to increases in the value of the right of use as a result of the revaluation of the fees of various contracts indexed to inflation;
- depreciation in the income statement amounting to 3,216 thousand euro for buildings, 52 thousand euro for electronic plant and 474 thousand euro for other tangible assets;
- outgoing transfers to rights of use for investment purposes, amounting to 2,003 thousand euro;
- reductions in the value of the right of use as a result of contractual amendments and/or early termination of contracts, recorded under item "C.7 Other changes", amounting to 47 thousand euro for buildings.

8.7 Investment property: changes for the year

	Total	
(thousands of euro)	Land	Buildings
A. Opening gross balance	**55,130**	**209,667**
A.1 Total net writedowns		(28,505)
A.2 Opening net balance	**55,130**	**181,162**
B. Increases		**2,692**
B.1 Purchases		
B.2 Capitalised improvement costs		481
B.3 Fair value gains		
B.4 Writebacks		
B.5 Positive exchange rate differences		
B.6 Transfers from operating property		2,003
B.7 Other changes		208
C. Decreases		**7,751**
C.1 Sales		
C.2 Depreciation		7,378
C.3 Fair value losses		
C.4 Writedowns for impairment		
C.5 Negative exchange rate differences		
C.6 Transfers to		373
a) operating property		373
b) non-current assets and disposal groups held for sale		
C.7 Other changes		
D. Closing net balance	**55,130**	**176,103**
D.1 Total net writedowns		(36,313)
D.2 Closing gross balance	**55,130**	**212,416**
E. Measurement at fair value	**55,130**	**176,103**

Investment property is measured at cost.

The following items are recorded with reference to the rights of use acquired under a lease:

- transfers from rights of use of a functional nature, equal to 2,003 thousand euro;
- other increases amounting to 208 thousand euro due to the increase in fees for the application of inflation indexation clauses;
- depreciation in the income statement amounting to 1,482 thousand euro;
- transfers to rights of use of a functional nature, equal to 373 thousand euro.

8.8 Inventories of property, plant and equipment governed by IAS 2: changes for the year

There was no property, plant and equipment governed by IAS 2 at 31 December 2021 and at the end of the previous year and no movements occurred during the year.

SECTION 9 - INTANGIBLE ASSETS - ITEM 90

9.1 Intangible assets: breakdown by category

(thousands of euro)	31/12/2021		31/12/2020	
Assets/Values	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**X**		**X**	
A.2 Other intangible assets	**59,328**		**42,584**	
of which: software	59,328		42,584	
A.2.1 Assets carried at cost	59,328		42,584	
a) internally-generated intangible assets				
b) other assets	59,328		42,584	
A.2.2 Assets carried at fair value				
a) internally-generated intangible assets				
b) other assets				
Total	**59,328**		**42,584**	

9.2 Intangible assets: changes for the year

		Other intangible assets: internally generated		Other intangible assets: other		
(thousands of euro)	Goodwill	Definite life	Indefinite life	Definite life	Indefinite life	Total
A. Opening gross balance				**87,238**		**87,238**
A.1 Total net writedowns				(44,654)		(44,654)
A.2 Opening net balance				**42,584**		**42,584**
B. Increases				**30,867**		**30,867**
B.1 Purchases				30,867		30,867
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				**14,123**		**14,123**
C.1 Sales						
C.2 Writedowns				12,862		12,862
- Amortisation	X			12,862		12,862
- 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				1,261		1,261
D. Closing net balance				**59,328**		**59,328**
D.1 Total net writedowns				(56,708)		(56,708)
E. Closing gross balance				**116,036**		**116,036**
F. Measurement at cost						

SECTION 10 - TAX ASSETS AND LIABILITIES - ITEM 100 OF ASSETS AND ITEM 60 OF LIABILITIES

10.1 Deferred tax assets: breakdown

(thousands of euro)	31/12/2021	31/12/2020
Deferred tax assets recognised in income statement	**353,559**	**399,834**
- provisions for risks and charges	82,708	89,152
- writedowns on loans	160,556	184,921
- property, plant and equipment / intangible assets	3,109	3,001
- exchange rate differences	21,071	26,731
- realignment of values pursuant to Decree Law 98/2011	85,304	95,109
- other temporary differences	811	920
Deferred tax assets recognised in equity	**184,504**	**37,985**
- financial assets measured at fair value through other comprehensive income	12,287	115
- cash flow hedge	172,217	37,870
Total	**538,063**	**437,819**

Deferred tax assets are calculated on temporary differences between accounting and tax values that will become deductible in years following that in which they are recognised.

These mainly consist of: i) adjustments to receivables and commitments; ii) realignment of the higher values – allocated to goodwill and other intangible assets in the consolidated financial statements – of majority investments pursuant to Law Decree no. 98/2011; iii) accruals to the provision for risks and the provision for future personnel costs; iv) measurement of foreign currency receivables and payables and v) measurement of financial assets through other comprehensive income and cash flow hedging derivatives. Deferred tax assets include the tax effects of the First Time Adoption of IFRS 9 and, in particular, the future benefit related to the deductibility in subsequent years of the reserve for the first adoption of this standard, related to the expected losses recognised on loans to customers. On this issue, we note that, pursuant to Law no. 145 of 30 December 2018, this reserve becomes deductible for IRES and IRAP purposes in ten years.

10.2 Deferred tax liabilities: breakdown

(thousands of euro)	31/12/2021	31/12/2020
Deferred tax liabilities recognised in income statement	**73,718**	**22,769**
Capital gains on financial assets measured at fair value through profit or loss - units in collective investment undertakings	8,191	7,597
Gains/losses on exchange rates	64,546	14,187
Other temporary differences	981	985
Deferred tax liabilities recognised in equity	**101,890**	**165,584**
Financial assets measured at fair value through other comprehensive income	97,837	162,457
Other	4,053	3,127
Total	**175,608**	**188,353**

Deferred tax liabilities are calculated on temporary differences between accounting and tax values that will become taxable in years following that in which they are recognised.

They mainly represent: (i) the measurement at fair value of financial assets through profit or loss; (ii) the measurement of foreign currency receivables and payables; (iii) the measurement at fair value of financial assets through other comprehensive income; (iv) the measurement of cash flow hedging derivatives.

10.3 Changes in deferred tax assets (recognised in the income statement)

(thousands of euro)	31/12/2021	31/12/2020
1. Opening balance	**399,834**	**379,972**
2. Increases	**33,385**	**69,892**
2.1 Deferred tax assets recognised during the year	33,385	69,892
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	33,385	69,892
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**79,660**	**50,030**
3.1 Deferred tax assets derecognised during the year	79,660	50,030
a) reversals	79,660	50,030
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
a) transformation into tax credits under Law 214/2011		
b) other		
4. Closing balance	**353,559**	**399,834**

10.4 Changes in deferred tax liabilities (recognised in the income statement)

(thousands of euro)	31/12/2021	31/12/2020
1. Opening balance	**22,769**	**36,114**
2. Increases	**55,692**	**3,809**
2.1 Deferred tax liabilities recognised during the year	55,692	3,809
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	55,692	3,809
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**4,743**	**17,154**
3.1 Deferred tax liabilities derecognised during the year	4,743	17,154
a) reversals	4,743	17,154
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**73,718**	**22,769**

10.5 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	31/12/2021	31/12/2020
1. Opening balance	**37,985**	**11,755**
2. Increases	**147,432**	**31,215**
2.1 Deferred tax assets recognised during the year	147,432	31,215
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	147,432	31,215
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**913**	**4,985**
3.1 Deferred tax assets derecognised during the year	913	4,985
a) reversals	913	4,985
b) writedowns for supervening non-recoverability		
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**184,504**	**37,985**

10.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	31/12/2021	31/12/2020
1. Opening balance	**165,584**	**143,818**
2. Increases	**2,970**	**24,868**
2.1 Deferred tax assets recognised during the year	2,970	24,868
a) in respect of previous periods	-	
b) due to change in accounting policies	-	
c) other	2,970	24,868
2.2 New taxes or increases in tax rates	-	
2.3 Other increases	-	
3. Decreases	**66,664**	**3,102**
3.1 Deferred tax assets derecognised during the year	66,664	3,102
a) reversals	66,664	3,102
b) due to change in accounting policies	-	
c) other	-	
3.2 Reduction in tax rates	-	
3.3 Other decreases	-	
4. Closing balance	**101,890**	**165,584**

SECTION 11 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES - ITEM 110 OF THE ASSETS AND ITEM 70 OF THE LIABILITIES

11.1 Non-current assets and disposal groups held for sale: breakdown by category

(thousands of euro)	31/12/2021	31/12/2020
A. Assets held for sale		
A.1 Financial assets		
A.2 Equity investments		
A.3 Property, plant and equipment		
- of which: obtained via the enforcement of the guarantees received		
A.4 Intangible assets		
A.5 Other non-current assets	-	
Total (A)		
of which:		
- *carried at cost*		
- *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 measured at fair value through profit or loss		
- financial assets held for trading		
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value		
B.2 Financial assets measured at fair value through other comprehensive income		
B.3 Financial assets measured at amortised cost		
B.4 Equity investments	4,251,174	
B.5 Property, plant and equipment		
- of which: obtained via the enforcement of the guarantees received		
B.6 Intangible assets		
B.7 Other assets	-	
Total (B)	**4,251,174**	
of which:		
- *carried at cost*		
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*	*4,251,174*	
C. Liabilities associated with individual assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities	-	
Total (C)		
of which:		
- *carried at cost*		
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		
D. Liabilities associated with disposal groups held for sale		
D.1 Financial liabilities measured at amortised cost		
D.2 Financial liabilities held for trading		
D.3 Financial liabilities designated at fair value		
D.4 Provisions		
D.5 Other liabilities	-	
Total (D)		
of which:		
- *carried at cost*		
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*	-	

The item includes the transfer of the equity investment held in SACE from item 70 "Equity investments" of the assets, in application of IFRS 5, by virtue of the hypothesis of the agreement signed with SACE and the MEF on March 2, 2021, resulting from Law Decree no. 104 of August 14, 2020 ("August Decree") which establishes, among other things, the transfer of the above equity investment to the Ministry of Economy and Finance for a value of 4,251,174 thousand euro, defined as fair by a leading independent advisor, confirming the carrying value of the equity investment. The MEF-MAECI Implementation Decree, published on March 17, 2022, defined the actual transfer of the equity investment that took place on 21 March 2022 against government bonds issued by the Treasury Department for a similar value, including accrued unpaid interest. For further details, see Part A – Accounting Policies – A.1 General information – Section 4 – Other issues.

SECTION 12 - OTHER ASSETS - ITEM 120

12.1 Other assets: breakdown

(thousands of euro)

Type of operations / Values	31/12/2021	31/12/2020
Ecobonus tax credits	347,548	
Trade receivables and advances to public entities	267,628	159,194
Payments on account for withholding tax on postal passbooks	65,525	78,286
Receivables due from subsidiaries on consolidated taxation mechanism	55,706	857
Other receivables due from subsidiaries	10,981	11,637
Accrued income and prepaid expenses	12,861	13,607
Advances to suppliers	378	2,373
Leasehold improvements and expenses	2,259	2,366
Other tax receivables	1,423	499
Advances to personnel	296	167
Other items	14,350	9,889
Total	**778,955**	**278,875**

This item includes assets that cannot be classified under the previous items.

More specifically:

- "Ecobonus tax credits": the balance shows the present value of the tax credits acquired from CDP that have accrued on building renovation and energy efficiency projects;
- "Trade receivables and advances to public entities": they refer to fees accrued or expenses paid in advance as part of agreements signed with the Ministries;
- "Payments on account for withholding tax on passbook savings accounts": the balance refers to the payments on account net of the withholding tax on interest accrued on passbook savings accounts;
- "Receivables from Group companies for tax consolidation" and "Other receivables from Group companies": the balance refers to receivables from Group companies for services provided, expense refunds and receivables deriving from the adoption of what is known as "national fiscal consolidation" mechanism;
- "Other" mainly refers to items being processed, which were mostly completed after the reporting date.

Liabilities

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

Financial liabilities measured at amortised cost mainly include the Postal funding stock carried out by issuing Passbook savings accounts and Postal savings bonds. At 31 December 2021 the Postal funding stock amounted to 281,459,640,561 euro (+6,884,414,530 euro compared to the end of 2020).

1.1 Financial liabilities measured at amortised cost: breakdown by type of amounts due to banks

(thousands of euro)	31/12/2021				31/12/2020			
		Fair value				Fair value		
Type of transactions / Values	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Due to central banks	**5,095,654**	**X**	**X**	**X**	**19,608,631**	**X**	**X**	**X**
2. Due to banks	**29,817,563**	**X**	**X**	**X**	**25,650,912**	**X**	**X**	**X**
2.1 Current accounts and demand deposits		X	X	X	-	X	X	X
2.2 Time deposits	3,380,784	X	X	X	2,019,101	X	X	X
2.3 Loans	26,399,530	X	X	X	22,613,231	X	X	X
2.3.1 Repurchase agreements	21,332,226	X	X	X	17,726,595	X	X	X
2.3.2 Other	5,067,304	X	X	X	4,886,636	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments		X	X	X	-	X	X	X
2.5 Lease liabilities		X	X	X	-	X	X	X
2.6 Other payables	37,249	X	X	X	1,018,580	X	X	X
Total	**34,913,217**		**432,696**	**34,505,567**	**45,259,543**	-	**522,181**	**44,945,792**

The item "Due to central banks", amounting to 5.1 billion euro, essentially relates to the credit facilities granted by the ECB. The decrease compared to the end of 2020 (-14.5 billion euro) is mainly due to the repayment of the 15-billion-euro PELTRO line. During the year, CDP concurrently increased its participation in TLTRO-III transactions up to the maximum amount allowed and extended their maturity until 2024.

Repurchase agreements were equal to 21,332 million euro (+3,606 million euro compared to 2020).

Other loans, equal to 5,067 million euro (+181 million euro on 2020), relate to credit lines received from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

Term deposits, of 3,381 million euro (+1,362 million euro on 2020) refer to the balance of passbook savings accounts and postal savings bonds held by banks.

The item "Other payables" mainly refers to Credit Support Annex contracts to hedge counterparty risk on derivatives of around 33 million euro (-983 million euro on 2020).

1.2 Financial liabilities measured at amortised cost: breakdown by type of amounts due to customers

(thousands of euro)	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
Type of transactions/Values		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	6,179,374	X	X	X	3,446,459	X	X	X
2. Time deposits	284,434,838	X	X	X	280,838,203	X	X	X
3. Loans	30,965,016	X	X	X	23,212,478	X	X	X
3.1 Repurchase agreements	30,965,016	X	X	X	23,212,478	X	X	X
3.2 Other		X	X	X		X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease liabilities	55,835	X	X	X	54,015	X	X	X
6. Other payables	4,338,973	X	X	X	4,456,165	X	X	X
Total	**325,974,036**			**325,974,036**	**312,007,320**			**312,007,320**

The item includes mainly:

- postal savings bonds at amortised cost of 180,735 million euro (+11,292 million euro on 2020), net of those held by banks;
- the balance of passbook savings accounts of 97,344 million euro (-5,770 million euro on 2020), net of those held by banks;
- the balance of MEF's liquidity management transactions (OPTES), equal to 4,999 million euro (-1,998 million euro compared to 2020);
- the repurchase agreements, equal to 30,965 million euro (+7,753 million euro compared to 2020). The substantial increase – together with repurchase agreements with banks – compared to the previous year is attributable to the particularly favourable money market conditions and largely offsets the reduction in funding from the ECB;
- the amounts not yet disbursed at year end on loans granted to beneficiaries, whose disbursement is subject to progress with the investments financed, of 3,847 million euro (-190 million euro on 2020);
- deposits of investees, of 7,231 million euro, as a result of the cash pooling system with the Parent Company CDP, as part of management and coordination activities (+2,492 million euro on 2020);
- deposits for Credit Support Annexes to hedge counterparty risk on derivatives, for approximately 165 million euro (+28 million euro on 2020);
- the funds received on deposit from Ministries and local authorities to be managed as part of specific agreements, equal to 101 million euro (+6 million on 2020);
- the balance of the Government Securities Amortisation Fund of 323 million euro (+310 million euro compared to 2020);
- lease liabilities for 56 million euro (+2 million euro compared to 2020), whose value is determined by the values of first application of the IFRS 16 and the value of contracts originated subsequently, in which CDP act as a lessee.

For the part relating to postal savings bonds issued by the Parent Company, the fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

In view of the persistence of a scenario of low and in particular negative rates on short to medium maturities, the percentage impact of credit spreads on total interest rates remains high, as already highlighted in previous years. Since this factor contributes to increasing the uncertainty about redemption forecasts in the presence of these conditions, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

1.3 Financial liabilities measured at amortised cost: breakdown by type of securities issued

(thousands of euro)	31/12/2021				31/12/2020			
		Fair value				Fair value		
Type of securities/Values	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	Carrying amount	Level 1	Level 2	Level 3
A. Securities								
1. Bonds	18,026,681	8,562,815	10,243,673	-	18,333,348	9,867,903	9,585,433	
1.1 structured	48,081	-	42,532	-	50,721		41,057	
1.2 other	17,978,600	8,562,815	10,201,141	-	18,282,627	9,867,903	9,544,376	
2. Other securities	3,644,868	-	3,643,810	-	3,219,346		3,220,106	
2.1 structured	-	-	-	-				
2.2 other	3,644,868	-	3,643,810	-	3,219,346		3,220,106	
Total	**21,671,549**	**8,562,815**	**13,887,483**	-	**21,552,694**	**9,867,903**	**12,805,539**	

Securities issued at 31 December 2021 were equal to 21,672 million euro (+119 million euro compared to 2020). This item also comprises:

- bonds issued under the “Euro Medium Term Notes” (EMTN) and “Debt Issuance Programme” (DIP) programmes, with a stock of 11,883 million euro (-304 million euro compared to the end of 2020). In 2021 issues were completed totalling 650 million euro. These included a new Social bond issue for an amount of 500 million euro, intended to support Italian SMEs and Mid-Caps mainly in the Southern Italy regions, in order to increase their competitiveness and support employment;
- 2 bonds reserved for individuals, for a total of 2,972 million euro (essentially stable compared to the end of 2020), with a nominal value of 1,500 million euro each, aimed at diversifying the sources of funding of the Separate Account;
- 4 bonds guaranteed by the Italian government, entirely subscribed by Poste Italiane, for a total carrying amount of 3,029 million euro, essentially stable compared to the end of 2020. At the end of 2021 there are: 2 bonds issued in December 2017 for a nominal value of 1,000 million euro, and 2 bonds issued in March 2018 for a total nominal value of 2,000 million euro;
- the issue of the first Panda bond for a carrying value of 141 million euro at the year-end exchange rate (nominal value of 1 billion Renminbi) to finance, both directly and through Chinese banks or Chinese branches of Italian banks, branches or subsidiaries of Italian companies established in China, to support their growth. The issue, for institutional investors operating in China, is part of an issuance plan for 5 billion Renminbi approved by the People’s Bank of China;
- the stock of commercial paper with a carrying amount of 3,645 million euro (+426 million euro on the 2020 year-end balance), related to the “Multi-Currency Commercial Paper Programme”.

1.4 Breakdown of subordinated debts/securities

This item has a nil balance.

1.5 Breakdown of structured debts

There are no structured debts.

1.6 Lease liabilities

The following table shows the information required by IFRS 16, paragraphs 58 and 53(g).

(thousands of euro)	**31/12/2021**	31/12/2020
Time bands	**Payments due for leasing**	Payments due for leasing
Up to 1 year	7,481	6,119
More than 1 year to 2 years	7,438	6,688
More than 2 years to 3 years	7,135	6,725
More than 3 years to 4 years	6,959	6,414
More than 4 years to 5 years	6,864	6,241
More than 5 years	23,895	26,656
Total payments due for leasing	**59,772**	**58,843**
Reconciliation with lease liabilities		
Unpaid interest expense (-)	(3,937)	(4,828)
Lease liabilities	**55,835**	**54,015**

SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

(thousands of euro)	31/12/2021					31/12/2020				
	Nominal or notional value	Fair value			FV*	Nominal or notional value	Fair value			FV*
Type of transactions/Values		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			251,006					209,820		
1.1 Trading	X		251,006		X	X		209,820		X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X				X	X				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**		**251,006**		**X**	**X**		**209,820**		**X**
Total (A+B)	**X**		**251,006**		**X**	**X**		**209,820**		**X**

FV* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date

The financial derivatives shown in the table include the negative fair value of interest rate derivatives (about 212 million euro) and currencies (about 39 million euro).

2.2 Breakdown of “Financial liabilities held for trading": subordinated liabilities

This item has a nil balance.

2.3 Breakdown of “Financial liabilities held for trading”: structured debts

This item has a nil balance.

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE - ITEM 30

3.1 Financial liabilities designated at fair value: breakdown by type

This item has a nil balance.

3.2 Breakdown of Financial liabilities designated at fair value: subordinated liabilities

This item has a nil balance.

SECTION 4 - HEDGING DERIVATIVES - ITEM 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchy level

	Fair value 31/12/2021				Fair value 31/12/2020			
(thousands of euro)	Level 1	Level 2	Level 3	Notional value 31/12/2021	Level 1	Level 2	Level 3	Notional value 31/12/2020
A. Financial derivatives		**3,073,678**		**30,403,204**		**4,320,965**		**31,303,527**
1) Fair value		2,349,979		27,091,992		4,005,675		28,495,074
2) Cash flow		723,699		3,311,212		315,290		2,808,453
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**3,073,678**		**30,403,204**		**4,320,965**		**31,303,527**

Micro-hedging, fair value and cash flow derivatives, with a negative fair value as at 31 December 2021, were approximately equal to 1,769 million euro, while macro-hedging derivatives with a negative fair value, related to loan portfolios, were approximately equal to 1,304 million euro.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro)	Fair value							Cash flow		
	Specific									
Transactions/Type of hedging	Debt securities and interest	Equity securities and equity	Foreign currencies and gold	Credit	Commodities	Other	Generic	Specific	Generic	Investment in foreign operation
1. Financial assets measured at fair value through other comprehensive income	49,933				X	X	X	20,320	X	X
2. Financial assets measured at amortised cost	976,657	X			X	X	X	686,425	X	X
3. Portfolio	X	X	X	X	X	X	1,304,221	X		X
4. Other							X		X	
Total assets	**1,026,590**						**1,304,221**	**706,745**		
1. Financial liabilities	19,168	X					X	16,954	X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**19,168**							**16,954**		
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

SECTION 5 – FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS - ITEM 50

5.1 Fair value change of hedged financial liabilities: breakdown by hedged portfolio

(thousands of euro)

Value adjustment of hedged financial liabilities/Values	**31/12/2021**	31/12/2020
1. Positive adjustments of financial liabilities	2,067	10,352
2. Negative adjustment of financial liabilities		
Total	**2,067**	**10,352**

This item reports the net change in the value of the postal savings bonds portfolio subject to macro-hedging against interest rate risk. The hedging relationship was interrupted in 2009 in view of the termination of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of validity of the hedging relationship, was subsequently transferred to profit or loss on the basis of the amortised cost of the originally hedged postal savings bonds.

SECTION 6 - TAX LIABILITIES - ITEM 60

For more information concerning this item, see Section 10 of "Assets".

SECTION 7 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE - ITEM 70

This item has a nil balance.

SECTION 8 - OTHER LIABILITIES - ITEM 80

8.1 Other liabilities: breakdown

(thousands of euro)

Type of transactions/Values	31/12/2021	31/12/2020
Charges for postal funding service	387,237	433,122
Tax payables	415,874	178,661
Amounts due to subsidiaries on consolidated taxation mechanism	54,065	111,990
Other amounts due to subsidiaries	2,017	1,074
Trade payables	35,480	37,364
Items being processed	68,739	13,326
Due to social security institutions	6,250	6,015
Amounts due to employees	5,941	4,985
Other	18,612	16,657
Total	**994,215**	**803,194**

This item shows liabilities that cannot be classified under the previous items. It is analysed as follows:

- the payable to Poste Italiane of about 387 million euro, relating to the portion of commissions and charges due in respect of the products of the postal savings funding service not yet paid at the reporting date;
- tax payables, totalling around 416 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 54 million euro);
- other items being processed, equal to about 69 million euro, which were mostly completed after the reporting date.

SECTION 9 - STAFF SEVERANCE PAY - ITEM 90

9.1 Staff severance pay: changes for the year

(thousands of euro)	31/12/2021	31/12/2020
A. Opening balance	**1,017**	**963**
B. Increases	**44**	**57**
B.1 Provision for the year	41	32
B.2 Other increases	3	25
C. Decreases	**16**	**3**
C.1 Severance payments	9	
C.2 Other decreases	7	3
D. Closing balance	**1,045**	**1,017**

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 Provisions for risks and charges: breakdown

(thousands of euro)

Items/Values	31/12/2021	31/12/2020
1. Provisions for credit risk relating to commitments and financial guarantees issued	450,819	328,620
2. Provisions on other guarantees issued and other commitments		
3. Company pensions and other post-retirement benefit obligations		
4. Other provisions	141,662	147,005
4.1 fiscal and legal disputes	80,141	80,260
4.2 staff costs	60,809	66,033
4.3 other	712	712
Total	**592,481**	**475,625**

As at 31 December 2021, provisions for risks and charges were 592 million euro, increased by 177 million euro compared to the previous year.

Provisions for credit risk from commitments and financial guarantees issued were 451 million euro, up by 122 million euro compared to the end of 2020 (of which approximately +137 million euro for an increase in the value of financial guarantees issued and -15 million euro due to the reallocation of excess impairment provisions to the income statement).

Other provisions for risks and charges stand at 142 million euro (-5 million euro compared to 2020).

10.2 Provisions for risks and charges: changes for the year

(thousands of euro)	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Total
A. Opening balance			**147,005**	**147,005**
B. Increases			**30,391**	**30,391**
B.1 Provision for the year			30,391	30,391
B.2 Changes due to passage of time				
B.3 Changes due to changes in discount rate				
B.4 Other increases				
C. Decreases			**35,734**	**35,734**
C.1 Use during the year			27,066	27,066
C.2 Changes due to changes in discount rate				
C.3 Other decreases			8,668	8,668
D. Closing balance			**141,662**	**141,662**

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

	Provisions for credit risk relating to commitments and financial guarantees issued				
(thousands of euro)	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total
1. Commitments to disburse funds	210,400	69,837	368	29	280,634
2. Financial guarantees issued	170,157			28	170,185
Total	**380,557**	**69,837**	**368**	**57**	**450,819**

10.4 Provisions on other guarantees issued and other commitments

This item has a nil balance.

10.5 Defined benefit pension funds

This item has a nil balance.

10.6 Provisions for risks and charges - Other provisions

Other provisions for risks and charges refer to (i) litigation, (ii) losses incurred by the investees, (iii) employees' leaving incentives, (iv) variable remuneration charges, (v) directors' and employees' bonuses and (vi) probable tax charges. For additional information, reference should be made to Part E – Section 5 – Operational risks of these notes.

SECTION 11 - REDEEMABLE SHARES- ITEM 120

There were no redeemable shares.

SECTION 12 – EQUITY - ITEMS 110, 130, 140, 150, 160, 170 AND 180

12.1 “Share capital” and “Treasury shares”: breakdown

At 31 December 2021, 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 2021, the Company held treasury shares with a value of about 322 million euro (unchanged compared to the previous year).

12.2 Share capital - Number of shares: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year	**342,430,912**	
- fully paid	342,430,912	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	**337,979,752**	
B. Increases		
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**337,979,752**	
D.1 Treasury shares (+)	4,451,160	
D.2 Shares at end of the year	342,430,912	
- fully paid	342,430,912	
- partly paid		

12.4 Income reserves: additional information

(thousands of euro)

Items/Type	31/12/2021	31/12/2020
Income reserves	**16,519,104**	**15,962,321**
Legal reserve	810,229	810,229
Other	15,708,875	15,152,092

The following information is provided in accordance with article 2427.7-bis of the Italian Civil Code.

(thousands of euro)

Items/Values	Balance at 31/12/2021	Possible uses (*)	Amount available
Share capital	4,051,143		
Share premium reserve	2,378,517	A, B, C (**)	2,378,517
Reserves			
- Legal reserve	810,229	B	810,229
- Reserve for unavailable profits (Legislative Decree 38/2005 art. 6)	160,990	B (***)	160,990
- Other income reserves (net of treasury shares)	15,225,665	A, B, C	15,225,665
Valuation reserves			
- Reserve on financial assets measured at fair value through other comprehensive income	487,920		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	(340,344)		
Total	**22,941,692**		**18,742,973**

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

(**) Pursuant to article 2431 of the Italian Civil Code, the share premium reserve can be distributed in its entirety only when the legal reserve has reached one fifth of share capital (as set out in article 2430 of the Italian Civil Code).

(***) if the reserve is used to cover losses, profits cannot be distributed until such time as the reserve is replenished by allocating profits from subsequent years.

The share premium reserve of around 2,378,517 thousand euro refers to the share premium of around 2,379,115 thousand euro resulting from the capital increase on 20 October 2016, net of the transaction costs incurred and directly attributable to the transaction, pursuant to IAS 32, paragraph 37 (net of related tax effects).

12.5 Equity instruments: breakdown and changes for the year

There were no equity instruments.

Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

(thousands of euro)	Nominal value on commitments and financial guarantees issued: Stage 1	Stage 2	Stage 3	Purchased or originated impaired	31/12/2021	31/12/2020
1. Commitments to disburse funds	**25,429,254**	**1,343,366**	**4,412**	**887**	**26,777,919**	**26,679,369**
a) Central banks						
b) General governments	9,069,062	38,657	3,046		9,110,765	8,871,262
c) Banks	538,491				538,491	785,463
d) Other financial companies	1,969,827				1,969,827	2,429,174
e) Non-financial companies	13,839,728	1,304,709	1,366	887	15,146,690	14,588,002
f) Households	12,146				12,146	5,468
2. Financial guarantees issued	**839,978**			**1,713**	**841,691**	**1,643,199**
a) Central banks						
b) General governments	427,717				427,717	374,362
c) Banks						
d) Other financial companies	4,172				4,172	5,649
e) Non-financial companies	408,089			1,713	409,802	1,263,188
f) Households						

This table shows the commitments to disburse funds and the financial guarantees that are subject to the rules of impairment in IFRS 9.

2. Other commitments and other guarantees issued

	Nominal value	
(thousands of euro)	**31/12/2021**	31/12/2020
1. Other guarantees issued	**1,312,107**	**164,877**
of which: non performing exposures		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies	1,923	
e) Non-financial companies	1,310,184	164,877
f) Households		
2. Other commitments	**8,462,140**	**4,540,312**
of which: non performing exposures		
a) Central banks		
b) General governments	28,387	
c) Banks	88,651	75,327
d) Other financial companies	8,062,953	4,253,836
e) Non-financial companies	282,149	211,149
f) Households		

The table above shows commercial guarantees issued, commitments to purchase tax credits accrued on building renovation and energy efficiency measures (Ecobonus), commitments to subscribe units in collective investment undertakings, and commitments to capitalise investee companies that are not subject to the rules of impairment in IFRS 9.

3. Assets pledged as collateral for own debts and commitments

(thousands of euro)

Portfolios	**31/12/2021**	31/12/2020
1. Financial assets designated at fair value through profit or loss		
2. Financial assets at fair value through other comprehensive income	3,821,890	3,393,000
3. Financial assets measured at amortised cost	95,537,547	82,411,089
4. Property, plant and equipment		
- *of which: property, plant and equipment classified as inventory*		

The assets pledged as collateral for debts consist of loans and securities pledged as collateral in refinancing operations with the ECB, securities in repurchase agreements and receivables pledged as security for loans from the EIB.

4. Management and intermediation services on behalf of third parties

(thousands of euro)

Type of service	31/12/2021
1. Order execution on behalf of customers	
a) purchases	
1. settled	
2. not yet settled	
b) sales	
1. settled	
2. not yet settled	
2) Asset management	
3) Custody and administration of securities	
a) third-party securities held as part of depository bank services (excluding asset management)	
1. securities issued by the reporting bank	
2. other securities	
b) other third-party securities on deposit (excluding asset management) - other:	3,629,951
1. securities issued by the reporting bank	
2. other securities	3,629,951
c) third-party securities deposited with third parties	
d) own securities portfolio deposited with third parties	105,196,888
4) Other transactions	
- Management on behalf of third parties in separate accounts on the basis of specific agreements:	
- Postal savings bonds managed on behalf of the MEF (1)	50,608,934
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	2,269,155
- Payment of public administration debts (Legislative Decree 35 of 8 April 2013; Legislative Decree 66 of 24 April 2014; Legislative Decree 78 of 19 June 2015) (3)	5,353,451
- Cash advances - Public administration payables (Decree Law 30 of 19 May 2020) (3)	2,186,764
- Revolving Fund for development cooperation (3)	4,706,141
- Funds for Social and Public Residential Building (4)	2,542,654
- Funds of Public Entities and Other Entities deposited pursuant to D.Lgt. 1058/1919 and Law 1041/1971 (4)	1,150,620
- Kyoto Fund (3)	626,323
- Funds for Territorial Agreements and Area Contracts - Law 662/1996, Article 2 (207) (4)	381,340
- Funds for the natural gas infrastructure programme for the South Law 784/1980, Law 266/1977 and Law 73/1998 (4)	84,018
- Ministry of Universities and Research - Student Housing - Law 388/2000 (4)	86,683
- Minimal Environmental Impact Fund (4)	27,104
- MATTM Fund (Ministry of the Environment and Protection of the Land and Sea) and Climate and Sustainable Development Italian Platform (4)	51,682
- MIPAAF Fund (Ministry for Agricultural, Food and Forestry Policies) – guarantee platform to support olive oil producers (4)	10,000
- EURECA Fund – guarantee platform to support SMEs in the Emilia-Romagna Region (4)	7,990
- Funds for international cooperation - EGRE project (4)	4,649
- Funds for international cooperation - Archipelagos project (4)	1,759
- Funds for international cooperation - InclusiFI project (4)	1,943
- Funds for international cooperation - Blending EU - PASPED project (4)	150

(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

				Correlated amounts not offset in financial statement			
(thousands of euro)	Gross amount of financial assets (a)	Amount of financial liabilities offset in financial statement (b)	Net amount of financial assets reported in financial statement (c=a-b)	Financial instruments (d)	Cash deposits received as guarantee (e)	**Net amount 31/12/2021 (f=c-d-e)**	Net amount 31/12/2020
1. Derivatives	495,745		495,745	294,781	192,893	8,071	2,296
2. Repurchase agreements	122,286		122,286	122,286		-	
3. Securities lending						-	
4. Other						-	
Total 31/12/2021	**618,031**		**618,031**	**417,067**	**192,893**	**8,071**	**X**
Total 31/12/2020	**2,188,566**		**2,188,566**	**2,014,295**	**171,975**	**X**	**2,296**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets reported in financial statement (c=a-b)
1. Derivatives		495,745
	20. Financial assets measured at fair value through profit or loss	*219,692*
	50. Hedging derivatives	*276,053*
2. Repurchase agreements		122,286
	40. Financial assets measured at amortised cost	*122,286*
3. Securities landing		
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)	Gross amount of financial liabilities (a)	Amount of financial assets offset in financial statement (b)	Net amount of financial liabilities reported in financial statement (c=a-b)	Correlated amounts not offset in financial statement: Financial instruments (d)	Correlated amounts not offset in financial statement: Cash deposits pledged as guarantee (e)	**Net amount 31/12/2021 (f=c-d-e)**	Net amount 31/12/2020
1. Derivatives	3,324,684		3,324,684	294,781	3,014,416	15,487	2,842
2. Repurchase agreements	52,297,243		52,297,243	51,688,166	594,187	14,890	
3. Securities lending						-	
4. Other						-	
Total 31/12/2021	**55,621,927**		**55,621,927**	**51,982,947**	**3,608,603**	**30,377**	**X**
Total 31/12/2020	**45,469,858**		**45,469,858**	**41,430,888**	**4,036,128**	**X**	**2,842**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial liabilities reported in financial statement (c=a-b)
1. Derivatives		3,324,684
	20. Financial liabilities held for trading	*251,006*
	40. Hedging derivatives	*3,073,678*
2. Repurchase agreements		52,297,243
	10. Financial liabilities measured at amortised cost	*52,297,243*
3. Securities landing		
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

At 31 December 2021, this item has a nil balance.

PART C - INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1 Interest income and similar income: breakdown

(thousands of euro)

Items/Technical forms	Debt securities	Loans	Other	2021	2020
1. Financial assets measured at fair value through profit or loss	363			363	1,441
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value	363			363	1,441
2. Financial assets measured at fair value through other comprehensive income	67,716		X	67,716	89,208
3. Financial assets measured at amortised cost	1,276,644	6,282,504		7,559,148	7,680,886
3.1 Loans to banks	22,641	212,563	X	235,204	241,438
3.2 Loans to customers	1,254,003	6,069,941	X	7,323,944	7,439,448
4. Hedging derivatives	X	X	(286,874)	(286,874)	(276,496)
5. Other assets	X	X	2,457	2,457	
6. Financial liabilities	X	X	X	255,751	224,716
Total	**1,344,723**	**6,282,504**	**(284,417)**	**7,598,561**	**7,719,755**
of which: interest income on non-performing assets		9,895		9,895	3,331
of which: interest income on finance leases	X	348	X	348	391

Interest income accrued in 2021 was approximately 7,599 million euro. It mainly included:

- interest income on loans and bank accounts amounting to about 6,283 million euro;
- interest income on debt securities amounting to about euro 1,345 million;
- interest income on financial liabilities that, due to negative remuneration, have resulted in a component with opposite sign (interest income), amounting to about 256 million euro.

Sub-item “4. Hedging derivatives” includes the (positive or negative) amount of the differentials or margins accrued on interest rate risk hedging derivatives, which adjust the interest income recognised on the hedged financial instruments. As at 31 December 2021, this amount is negative for around 287 million euro.

The item includes interest income on non-performing assets of approximately 10 million euro.

Interest income accrued on finance leases, relating to sublease contracts to Group companies, amounted to approximately 0.3 million euro.

Interest income accrued on loans on demand, in the form of banks accounts and deposits, recorded under asset item 10 "Cash and cash equivalents", is conventionally shown in loans to banks.

1.2 Interest income and similar income: additional information

1.2.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency for about 70,074 thousand euro.

1.3 Interest expense and similar expense: breakdown

(thousands of euro)

Items/Technical forms	Debts	Securities	Other	**2021**	2020
1. Financial liabilities measured at amortised cost	(4,482,466)	(327,888)		(4,810,354)	(4,637,487)
1.1 Due to Central Bank		X	X		
1.2 Due to banks	(113,809)	X	X	(113,809)	(122,675)
1.3 Due to customers	(4,368,657)	X	X	(4,368,657)	(4,138,778)
1.4 Securities issued	X	(327,888)	X	(327,888)	(376,034)
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value					
4. Other liabilities and provisions	X	X	(39)	(39)	(107)
5. Hedging derivatives	X	X	83,090	83,090	104,949
6. Financial assets	X	X	X	(30,167)	(32,541)
Total	**(4,482,466)**	**(327,888)**	**83,051**	**(4,757,470)**	**(4,565,186)**
of which: interest expense on lease liabilities	(1,012)	X	X	(1,012)	(988)

The item mainly comprises interest expense and similar expense on Postal savings bonds and Passbook savings accounts for 4,406,693,181 euro. Residually interest expense includes:

- securities issued, amounting to around 328 million euro;
- deposits of investee companies of around 21 million euro;
- credit facilities granted by the EIB and the CEB amounting to around 28 million euro;
- financial assets that, due to negative remuneration, have resulted in a component with opposite sign (interest expense), amounting to about 30 million euro.

Sub-item “5. Hedging derivatives” includes the (positive or negative) amount of differentials or margins accrued on interest rate risk hedging derivatives that adjust the interest expense recognised on the hedged financial instruments. As at 31 December 2021, this amount is positive for around 83 million euro.

The item includes financial expenses accrued on lease liabilities recognised as a consequence of applying the IFRS 16, equal to about 1 million euro, relating to contracts in which CDP act as a lessee.

1.4 Interest expense and similar expense: additional information

1.4.1 Interest expense on liabilities in foreign currencies

The item includes interest expense on liabilities in foreign currency of about 11,012 thousand euro.

1.5 Differentials on hedging transactions

(thousands of euro)

Items	**2021**	2020
A. Positive differences on hedging transactions	127,518	122,985
B. Negative differences on hedging transactions	(331,302)	(294,532)
C. Balance (A-B)	**(203,784)**	**(171,547)**

SECTION 2 – COMMISSIONS - ITEMS 40 AND 50

2.1 Commission income: breakdown

(thousands of euro)

Type of services/Amounts	2021	2020
a) Financial instruments	31	25
1. Placement of securities		
1.1 Assumed based on a firm commitment		
1.2 Without a firm commitment		
2. Activity of receiving and sending orders and executing orders on behalf of customers		
2.1 Receiving and sending orders of one or more financial instruments		
2.2 Order execution on behalf of customers		
3. Others commissions connected with assets linked to financial instruments	31	25
of which: trading on own behalf		
of which: management of individual portfolios		
b) Corporate finance		
1. Advice on mergers and acquisitions		
2. Treasury services		
3. Other commissions connected to corporate finance services		
c) Advice on investments		
d) Offsetting and settlement	31	
e) Custody and administration		
1. Custodian bank		
2. Other commissions connected to the custody and administration activities		
f) Central administrative services to manage collective portfolios		
g) Fiduciary activities		
h) Payment services		
1. Current accounts		
2. Credit cards		
3. Debit cards and other payment cards		
4. Bank transfers and other payment orders		
5. Other commissions connected to payment services		
i) Distribution of third party services		
1. Management of collective portfolios		
2. Insurance products		
3. Other products		
of which: management of individual portfolios		
l) Structured finance	1,877	974
m) Servicing activities for securitisations		
n) Commitments to disburse funds	47,727	48,456
o) Financial guarantees issued	22,035	20,128
of which: credit derivatives		
p) Financing transactions	34,975	34,633
of which: factoring		
q) Trading of currencies		
r) Commodities		
s) Other commission income	272,106	305,439
of which: management of multilateral trading systems		
of which: management of organised trading systems		
Total	**378,782**	**409,655**

The commission income earned by CDP during the year amounted to around 379 million euro (-31 million euro on 2020).

This item mainly includes commission income from:

- agreements signed with the Italian Ministry of the Economy and Finance for the management of the assets and liabilities of the MEF for approximately 260 million euro (of which 258 million euro relating to the management of the MEF Bonds);
- commitments to disburse funds amounting to around 48 million euro;
- structuring and disbursement of loans for around 37 million euro;
- guarantees issued of around 22 million euro.

The residual contribution to the balance of the item includes commissions earned on commercial guarantees issued for the management of the Revolving Fund for International Cooperation & Development Finance, the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI) and other services rendered.

2.3 Commission expense: breakdown

(thousands of euro)

Type of services/Amounts	2021	2020
a) Financial instruments	1,321,967	1,393,224
of which: trading of financial instruments	234	204
of which: placement of financial instruments	1,321,733	1,393,020
of which: management of individual portfolios		
- Own		
- Delegated to third parties		
b) Offsetting and settlement	490	623
c) Custody and administration	1,236	1,212
d) Collection and payment services	596	382
of which: credit cards, debit cards and other payment cards	4	1
e) Servicing activities for securitisations		
f) Commitments to receive funds	632	
g) Financial guarantees received	9,741	11,772
of which: credit derivatives		
h) Door-to-door selling of financial instruments, products and services		
i) Trading of currencies		
l) Other commission expense	803	1,576
Total	**1,335,465**	**1,408,789**

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 1,321,732,974 euro, other than the expense similar to transaction costs and consequently included in the carrying amount of postal savings products.

The commission expense for the postal savings service recognised during the year accrued under the agreement signed between CDP and Poste Italiane S.p.A., for the four-year period 2021-2024.

SECTION 3 - DIVIDENDS AND SIMILAR REVENUES - ITEM 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro)	2021		2020	
Items/Revenues	dividends	similar revenues	dividends	similar revenues
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value		23,391		7,556
C. Financial assets measured at fair value through other comprehensive income	15,319		15,037	
D. Equity investments	1,194,939		996,445	
Total	**1,210,258**	**23,391**	**1,011,482**	**7,556**

This item comprises dividends and similar revenues whose distribution was approved in 2021. They mainly arise from the equity investments and interests held in ENI (around 627 million euro), CDP Reti (around 273 million euro), Poste Italiane (around 233 million euro), Fintecna (62 million euro), and Telecom (around 15 million euro). The comparative figure for the previous year does not include the dividend distributed by SACE, amounting to 70 million euro for 2020, reclassified under item 290 of the income statement "Income (loss) after tax on discontinued operations".

SECTION 4 - PROFITS (LOSSES) ON TRADING ACTIVITIES - ITEM 80

4.1 Profits (losses) on trading activities: breakdown

(thousands of euro)

Type of operation / P&L items	Gains (A)	Profits on trading (B)	Losses (C)	Losses on trading (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**196,153**
3. Derivatives	**130,784**	**29,281**	**130,781**	**31,950**	**(219,594)**
4.1 Financial derivatives:	130,784	29,281	130,781	31,950	(219,594)
- On debt securities and interest rates	130,784	29,281	130,781	31,950	(2,666)
- On equity securities and equity indices					
- On currencies and gold	X	X	X	X	(216,928)
- Other					
4.2 Credit derivatives					
Total	**130,784**	**29,281**	**130,781**	**31,950**	**(23,441)**

SECTION 5 - FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - ITEM 90

5.1 Fair value adjustments in hedge accounting: breakdown

(thousands of euro)

P&L items/Values	2021	2020
A. Income on:		
A.1 Fair value hedges	1,804,438	51,406
A.2 Hedged financial assets (fair value)	35,013	1,617,527
A.3 Hedged financial liabilities (fair value)	132,306	61,000
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	60,598	153,738
Total income on hedging activities (A)	**2,032,355**	**1,883,671**
B. Expense on:		
B.1 Fair value hedges	179,821	1,656,605
B.2 Hedged financial assets (fair value)	1,788,355	24,148
B.3 Hedged financial liabilities (fair value)	3,190	25,274
B.4 Cash flow hedges	231	
B.5 Assets and liabilities in foreign currencies	60,597	153,723
Total expense on hedging activities (B)	**2,032,194**	**1,859,750**
C. Net gain (loss) on hedging activities (A-B)	**161**	**23,921**

SECTION 6 - GAINS (LOSSES) ON DISPOSAL OR REPURCHASE - ITEM 100

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euro)

	2021			2020		
Items/P&L items	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
A. Financial assets						
1. Financial assets measured at amortised cost	355,140	(67)	355,073	737,074	(197)	736,877
1.1 Loans to banks	-	-	-	7		7
1.2 Loans to customers	355,140	(67)	355,073	737,067	(197)	736,870
2. Financial assets measured at fair value through other comprehensive income	132,681	(5,912)	126,769	138,799	(2,009)	136,790
2.1 Debt securities	132,681	(5,912)	126,769	138,799	(2,009)	136,790
2.2 Loans	-	-	-			
Total assets (A)	**487,821**	**(5,979)**	**481,842**	**875,873**	**(2,206)**	**873,667**
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-			
2. Due to customers	-	-	-			
3. Securities issued	-	-	-			
Total liabilities (B)	-	-	-			

At 31 December 2021, the balance of the item was positive for approximately 482 million euro. It mainly refers to the net profit on the sale of debt securities recorded among the Loans to customers (+351 million euro) and of debt securities in the portfolio of financial assets measured at fair value through other comprehensive income (+127 million euro). Compensation received from customers for early repayment of loans granted (approximately +4 million euro) also played a residual role.

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 110

7.1 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

No net changes to the value of financial assets and liabilities designated at fair value were recognised.

7.2 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

(thousands of euro)

Type of operation/P&L items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A+B)-(C+D)]
1. Financial assets	**220,910**		**59,089**		**161,821**
1.1 Debt securities	192				192
1.2 Equity securities					
1.3 Units in collective investment undertakings	220,718		59,089		161,629
1.4 Loans					
2. Foreign currency financial assets: exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**220,910**		**59,089**		**161,821**

The balance of the item, positive by approximately 162 million euro, mainly includes the overall positive result deriving from the fair value valuation of the UCI units included in the financial assets mandatorily measured at fair value.

SECTION 8 – NET ADJUSTMENTS/RECOVERIES FOR CREDIT RISK - ITEM 130

This item, negative for approximately 33.5 million euro, represents the net balance between adjustments and recoveries for credit risk on financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, calculated on an individual and collective basis.

8.1 Net adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

(thousands of euro)	Writedowns						Writebacks					
			Stage 3		Purchased or originated credit impaired							
Type of operation/P&L items	Stage 1	Stage 2	Write - off	Other	Write - off	Other	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	**2021**	2020
A. Loans to banks	**(7,464)**	**(5,947)**					**13,369**	**914**			**872**	**(10,139)**
Loans	(3,951)	(5,947)					13,051	914			4,067	(8,617)
Debt securities	(3,513)						318				(3,195)	(1,522)
B. Loans to customers	**(94,281)**	**(69,572)**	**(19)**	**(6,787)**			**94,691**	**35,146**	**4,992**		**(35,830)**	**(140,862)**
Loans	(84,967)	(54,719)	(19)	(6,787)			80,995	35,146	4,992		(25,359)	(129,819)
Debt securities	(9,314)	(14,853)					13,696				(10,471)	(11,043)
Total	**(101,745)**	**(75,519)**	**(19)**	**(6,787)**			**108,060**	**36,060**	**4,992**		**(34,958)**	**(151,001)**

8.1a Net adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown

(thousands of euro)	Net Adjustment							
Type of operation/P&L items			Stage 3		Purchased or originated credit impaired			
Operations/Income-related components	Stage 1	Stage 2	Write - off	Other	Write - off	Other	**2021**	2020
1. Loans subject to moratoria compliant with the GL	(403)	3	-	(15)	-	-	(415)	(366)
2. Loans subject to existing moratorium measures no longer conforming to the GLs and not considered forborne	-	-	-	-	-	-		
3. Loans subject to forbearance measures	-	-	-	-	-	-		
4. New loans	(1,768)	(173)	-	(1,020)	-	-	(2,961)	(2,673)
Total 31/12/2021	**(2,171)**	**(170)**		**(1,035)**			**(3,376)**	**X**
Total 31/12/2020	**(3,053)**	**(3)**		**17**			**X**	**(3,039)**

The table shows the net adjustments for credit risk recognised on loans subject to COVID-19 support measures. The line "Loans granted in accordance with the GLs" shows the net adjustments recognised on loans subject to a moratorium that fall within the scope of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis"* published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line "New loans" reports the net adjustments recognised on loans which represent new liquidity backed by public guarantees.

8.2 Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

(thousands of euro) Type of operation/P&L items	Writedowns						Writebacks					
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	2021	2020
			Write - off	Other	Write - off	Other						
A. Debt securities	(8,012)						9,203	226			1,417	(276)
B. Loans											-	
To customers											-	
To banks											-	
Total	**(8,012)**						**9,203**	**226**			**1,417**	**(276)**

8.2a Net adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown

There are no loans measured at fair value through other comprehensive income subject to COVID-19 support measures.

SECTION 9 – GAINS/LOSSES FROM CHANGES IN CONTRACTS WITHOUT DERECOGNITION - ITEM 140

9.1 Gains/losses from changes in contracts: breakdown

(thousands of euro)	Gains	Losses	Net gain (loss)
Financial assets measured at amortised cost		**(377)**	**(377)**
Loans		**(377)**	**(377)**
- to banks			
- to customers		(377)	(377)
Debt securities			
- to banks			
- to customers			
Total		**(377)**	**(377)**

The balance of the item is negative for approximately 377 thousand euro. It represents the loss recognised on renegotiation of the contractual terms with a counterparty, classified among loans to customers in the portfolio of the financial assets measured at amortised cost. The loss is recognised as the difference between the gross carrying value of the asset before the modification and the discounted value of the future renegotiated cash flows, discounted at the original effective interest rate of the financial asset.

SECTION 10 - ADMINISTRATIVE EXPENSES - ITEM 160

10.1 Staff costs: breakdown

(thousands of euro)

Type of expense/Values	2021	2020
1) Employees	**147,435**	**127,134**
a) wages and salaries	104,111	91,970
b) social security costs	365	339
c) staff severance pay	696	651
d) pension costs	21,805	19,469
e) allocation to staff severance pay	41	32
f) provision for retirement and similar provisions		
- defined contribution		
- defined benefit		
g) payments to external supplementary pensions funds	8,516	7,383
- defined contribution	8,516	7,383
- defined benefit		
h) costs arising from share-based payment arrangements		
i) other employee benefits	11,901	7,290
2) Other personnel in service	**435**	**709**
3) Board of Directors and Board of Auditors	**1,135**	**1,635**
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	**(10,320)**	**(8,659)**
6) Reimbursement of expenses for third-party employees seconded to the company	**2,419**	**2,249**
Total	**141,104**	**123,068**

10.2 Average number of employees by category

(number)

Employees	**1,061**
a) Senior management	110
b) Middle management	539
- *of which: grade 3 and 4*	*287*
c) Other employees	412
Other personnel	**6**

10.3 Other employee benefits

(thousands of euro)

Type of expense/Values	2021	2020
Food coupons	2.313	1.999
Insurance policies	6.186	3.043
Contributions to mortgage loan interest	795	671
Leaving incentives	937	
Other benefits	1.670	1.577
Total	**11.901**	**7.290**

10.4 Other employee benefits

(thousands of euro)

Type of expense/Values	**2021**	2020
Food coupons	2,313	1,999
Insurance policies	6,186	3,043
Contributions to mortgage loan interest	795	671
Leaving incentives	937	
Other benefits	1,670	1,577
Total	**11,901**	**7,290**

10.5 Other administrative expenses: breakdown

(thousands of euro)

Type of expense/Values	**2021**	2020
Professional and financial services	12,660	13,064
IT costs	27,246	23,636
General services	9,241	8,797
Publicity and marketing expenses	4,140	5,243
- *of which mandatory publicity*	*499*	*510*
Information resources and databases	5,445	5,569
Utilities, duties and other expenses	7,225	8,406
Corporate bodies	491	449
Other personnel-related expenses	1,905	2,184
Total	**68,353**	**67,348**

Costs relating to rental and hire contracts outside the scope of the accounting rules of IFRS 16 (i.e. short term, low value, etc.) amount to approximately 1.4 million euro and are included in the item “Utilities, duties and other expenses”.

Audit fees and fees for non-audit services

As required by article 149-duodecies of Consob Issuers’ Regulation no. 11971, the 2021 audit fees and fees for non-audit services are given below, provided by the auditors and the entities belonging to its network.

(thousands of euro)

Type of services	Deloitte & Touche S.p.A.	Other companies Deloitte Network
Auditing	289	
Certification services	209	
Other services	8	
Total	**506**	

Amounts net of VAT, ancillary expenses and Consob contribution

SECTION 11 - NET PROVISIONS FOR RISKS AND CHARGES - ITEM 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	Provisions				Reversal of excess					
(thousands of euro)	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated impaired	Reversal of excess	Net result 2021
Commitments to disburse funds	(19,158)	(171)	(305)		18,737	15,898	130	22	15,153	(89,720)
Financial guarantees issued	(7,595)				8,508			41	954	(2,297)
Total	**(26,753)**	**(171)**	**(305)**		**27,245**	**15,898**	**130**	**63**	**16,107**	**(92,017)**

11.2 Net provisions for other commitments and other guarantees issued: breakdown

No net provisions were recorded for other commitments and other guarantees issued both for 2021 and for the previous financial year.

11.3 Net provisions to other provisions for risks and charges: breakdown

	2021			
(thousands of euro)	Provisions	**Reversal of excess**	**Net result**	total 2020
Legal and fiscal disputes	(2,031)	1,969	(62)	25,106
Other				
Total	**(2,031)**	**1,969**	**(62)**	**25,106**

The balance of the item, negative by approximately 62 thousand euro, refers to the net balance of provisions and releases for surplus related to legal and tax disputes.

SECTION 12 - NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY, PLANT AND EQUIPMENT - ITEM 180

12.1 Net adjustments to property, plant and equipment: breakdown

(thousands of euro)

Assets/ P&L items	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net result (a+b-c)
A. Property, plant and equipment				
1. For operations	(8,267)			(8,267)
- Owned	(4,525)			(4,525)
- Right of use acquired under leases	(3,742)			(3,742)
2. For investment	(7,378)			(7,378)
- Owned	(5,895)			(5,895)
- Right of use acquired under leases	(1,483)			(1,483)
3. Inventories	X			-
Total	**(15,645)**			**(15,645)**

This item includes, among others, the amortisation of the rights of use acquired under a lease, recognised in application of the IFRS 16.

SECTION 13 - NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - ITEM 190

13.1 Net adjustments to intangible assets: breakdown

(thousands of euro)

Assets/ P&L items	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net result (a+b-c)
A. Intangible assets				
of which: software	(12,862)			(12,862)
A.1 Owned	(12,862)			(12,862)
- Internally generated by the company				-
- Other	(12,862)			(12,862)
A.2 Right of use acquired under leases				-
Total	**(12,862)**			**(12,862)**

SECTION 14 - OTHER OPERATING INCOME (COSTS) - ITEM 200

14.1 Other operating costs: breakdown

(thousands of euro)

Type of costs/Figures	2021	2020
Charges from adjustment of balance sheet items	212	45
Depreciation of leasehold improvements	308	268
Other	6,013	11,893
Total	**6,533**	**12,206**

Other operating expenses mainly include disbursements made to the CDP Foundation, amounting to about 5.5 million euro.

14.2 Other operating income: breakdown

(thousands of euro)

Type of costs/Figures	2021	2020
Income for company engagements to employees	1,884	1,648
Rental income	14,275	14,089
Recovery of expenses	4,170	1,004
Income for services rendered to group companies	3,500	2,256
Income from adjustment of balance sheet items	362	24
Other	1,483	890
Total	**25,674**	**19,911**

The item “Rental income” includes income from the lease contracts in which CDP acts as a lessor.

SECTION 15 - GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 220

15.1 Gains (losses) on equity investments: breakdown

(thousands of euro)

P&L Items/Values	2021	2020
A. Gains		
1. Revaluations		
2. Gains on disposals		
3. Writebacks		
4. Other		
B. Losses	**(348,652)**	
1. Writedowns		
2. Impairments	(348,652)	
3. Losses on disposals		
4. Other		
Net gain (loss)	**(348,652)**	

The item includes impairment losses recognised during the year on CDP Industria for about 304.2 million euro, CDP Immobiliare for about 42.2 million euro, Elite S.p.A for about 1.4 million euro and Redo SGR for about 0.9 million euro. For further information, please refer to the paragraph "Impairment of equity investments" in Section 7 - Equity investments - Item 70 - Assets.

SECTION 16 - GAINS (LOSSES) ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - ITEM 230

This item has a nil balance.

SECTION 17 - GOODWILL IMPAIRMENT - ITEM 240

No goodwill impairment was recognised.

SECTION 18 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 250

18.1 Gains (losses) on disposal of investments: breakdown

(thousands of euro)

P&L items/Values	2021	2020
A. Land and buildings		
- Gains from disposal		
- Losses from disposal		
B. Other assets	**(136)**	**(48)**
- Gains from disposal		
- Losses from disposal	(136)	(48)
Net gain (loss)	**(136)**	**(48)**

SECTION 19 - INCOME TAX FOR THE YEAR ON CONTINUING OPERATIONS - ITEM 270

19.1 Income tax for the year on continuing operations: breakdown

(thousands of euro)

Items/Values		2021	2020
1.	Current taxes (-)	(685,378)	(881,124)
2.	Change in current taxes from previous years (+/-)	(2,972)	27,811
3.	Reduction of current taxes for the year (+)		
3.bis	Reduction of current taxes for the year due to tax credits pursuant to Law 214/2011 (+)		
4.	Change in deferred tax assets (+/-)	(46,275)	19,862
5.	Change in deferred tax liabilities (+/-)	(50,949)	13,345
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)		**(785,574)**	**(820,106)**

In 2021, current taxes consist of the corporate income tax (IRES), the related additional tax and the regional tax on business activities (IRAP). They are calculated using the prevailing tax rates (24%, 3.5% and 5.57%, respectively).

The change in current taxes for previous years was mainly due to the adjustment to current taxes for the previous year, when submitting the tax return.

The change in deferred tax assets is mainly due to (i) the deductibility of impairment losses on loans to customers (including those recognised upon First Time Adoption of IFRS 9), (ii) impairment loans to banks, (iii) changes in the provisions for risks and charges and (iii) the measurements of foreign currency receivables and payables and (iv) the irrelevance of valuations of receivables and payables in foreign currency.

On the other hand, the change in deferred tax liabilities is mainly due to measurements of foreign currency receivables and payables.

19.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	2021	Tax rate
Income (loss) before taxes	**3,152,955**	
IRES Theoretical tax liability (27.5% rate)	**(867,063)**	**-27.5%**
Permanent increases		
- non-deductible interest expense		
- writedowns of equity investments		
- other non-deductible costs	(99,831)	-3.2%
Temporary increases		
- impairment adjustments of loans		
- other temporarily non-deductible costs	(36,110)	-1.1%
Permanent decreases		
- tax exempt dividends	316,180	10.0%
- ACE benefit	32,439	1.0%
- income from the national and global tax consolidation mechanism	1	0.0%
- other changes	705	0.02%
Temporary decreases	126,462	4.0%
IRES Actual tax liability	**(527,217)**	**-16.7%**

(thousands of euro)	2021	Tax rate
Taxable income for IRAP purposes	**3,001,258**	
IRAP Theoretical tax liability (5.57% rate)	**(167,170)**	**-5.57%**
deductible costs for staff costs	6,981	0.2%
other changes	2,028	0.1%
IRAP Actual tax liability	**(158,161)**	**-5.3%**

SECTION 20 – INCOME (LOSS) AFTER TAX ON DISCONTINUED OPERATIONS – ITEM 290

20.1 Income (loss) after tax on discontinued operations: breakdown

(thousands of euro)

P&L components/Sectors	2021	2020
1. Income		70,000
2. Expenses		
3. Results of valuations of the disposal groups and associated liabilities		
4. Gains (losses) on disposal		
5. Duties and taxes		(2,912)
Net income (loss)		**67,088**

The item includes dividends, net of taxes, paid by SACE in 2020. No dividends were approved and/or distributed by SACE in 2021. The recognition of dividends in this item is a consequence of the transfer of the equity investment in SACE to item 110 "Non-current assets and disposal groups held for sale" of the assets as a discontinued operation in accordance with IFRS 5, taking into account the transfer of the equity investment to the MEF envisaged by the agreement signed with SACE and the MEF on 2 March 2021 as a result of Law Decree no. 104 of 14 August 2020 ("August Decree") and the subsequent MEF-MAECI Implementation Decree published on 17 March 2022. For further details, see Part A – Accounting Policies – A.1 General information – Section 4 – Other issues.

20.2 Breakdown of income taxes on discontinued operations

(thousands of euro)	**2021**	2020
1. Current tax (-)		(2,912)
2. Change in deferred tax assets (+/-)		
3. Change in deferred tax liabilities (+/-)		
4. Income taxes for the year (-1 +/- 2 +/- 3)		**(2,912)**

The comparative data for 2020 show the taxes related to the SACE dividends transferred to income from discontinued operations. No dividends were approved and/or distributed by SACE in 2021.

SECTION 21 - OTHER INFORMATION

Nothing to report in addition to the information provided in the previous sections.

PART D - COMPREHENSIVE INCOME

Analytical statement of comprehensive income

(thousands of euro) Items	2021	2020
10. Net income (loss) for the year	**2,367,381**	**2,774,522**
Other comprehensive income not transferred to income statement	-	
20. Equity securities at fair value through other comprehensive income	92,919	(269,349)
a) fair value changes	92,919	(269,349)
b) transfer to other equity items	-	
30. Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-	
a) fair value changes	-	
b) transfer to other equity items	-	
40. Hedges on equity securities designated at fair value through other comprehensive income	-	
a) fair value change (hedged instrument)	-	
b) fair value change (hedging instrument)	-	
50. Property, plant and equipment	-	
60. Intangible assets	-	
70. Defined benefit	-	
80. Non-current assets and disposal group held for sale	-	
90. Share of valuation reserves of equity investments accounted for using equity method	-	
100. Income tax relating to other comprehensive income not transferred to income statement	(5,282)	27,425
Other comprehensive income transferred to income statement	-	
110. Hedging of foreign investments	-	
a) fair value changes	-	
b) transfers to income statement	-	
c) other changes	-	
120. Exchange rate differences:	-	
a) changes in values	-	
b) transfers to income statement	-	
c) other changes	-	
130. Cash flow hedges:	(403,450)	(100,447)
a) fair value changes	(397,349)	(94,523)
b) transfers to income statement	(6,101)	(5,924)
c) other changes	-	
- of which, result of net positions	-	
140. Hedging instruments (not designated elements)	-	
a) changes in value	-	
b) transfer to income statement	-	
c) other changes	-	
150. Financial assets (other than equity securities) at fair value through other comprehensive income	(232,531)	90,023
a) fair value changes	(116,233)	226,537
b) transfers to income statement	(116,298)	(136,514)
- impairment adjustments	10,471	276
- gains/losses on disposal	(126,769)	(136,790)
c) other changes	-	
160. Non-current assets and disposal group held for sale	-	
a) fair value changes	-	
b) transfers to income statement	-	
c) other changes	-	
170. Share of valuation reserves of equity investments accounted for using equity method	-	
a) fair value changes	-	
b) transfers to income statement	-	
- impairment adjustments	-	
- gains/losses on disposal	-	
c) other changes	-	
180. Income tax relating to other comprehensive income transferred to income statement	210,319	3,448
190. Total other comprehensive income	**(338,025)**	**(248,900)**
200. Comprehensive income (items 10+190)	**2,029,356**	**2,525,622**

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

To ensure an efficient risk management system, CDP has set up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks - assumed or that can be assumed - in the different segments.

The risk management system takes into account the specific characteristics of the activity carried out by CDP and is implemented in compliance with the regulatory requirements.

Within the organisational structure of CDP, the Chief Risk Officer (CRO), who reports directly to the Chief Executive Officer (CEO), is responsible for the governance of all types of risk and for the clear representation of the overall risk profile and solidity of CDP to the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management (RM), Risk Advisory & Policies, Compliance & Anti-Money Laundering and Risk Operations functions. RM is responsible for supporting the CRO with the management and monitoring of all types of risk, providing a clear view of the overall risk profile of CDP and of the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy, initially approved by the Board of Directors in 2010 and subsequently updated as necessary. The risks can be divided into market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risks, credit risks (which include concentration and counterparty risks), operational risks, and reputational risks. The Risk Policy is updated semi-annually and is made up of a main document (the Risk Regulation Policy) and a set of related annexes, each focusing on a specific category of risk (e.g. interest rate risk) or on an area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy is the key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies and the framework of the corresponding organisational processes.

The guidelines for the risk management of CDP are expressed in the Risk Policy and envisage:

- the separation of roles and responsibilities in the assumption and control of risks;
- the organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The structure of the statutory, board and management committees is established at both company and Group level. This includes the committees responsible for risk, which were given their respective different responsibilities, in compliance with the principles adopted.

The Board of Directors' Risk Committee has control and guidance functions in the field of risk management and assessment of new investment products. Continuing along the path of full integration of sustainability into CDP's governance, business and operational model, in June 2021 new responsibilities for sustainability were assigned to the Risk Committee, also approving to rename it "Risk and Sustainability Committee", with additional functions to support the Board of Directors in the area of sustainability strategy, policy and reporting.

Two technical and advisory committees, the Risk Governance Committee and the Risk Assessment Committee, act as a support to management and to the decision-making bodies. The Risk Governance Committee is responsible for (i) aspects related to defining and controlling CDP's overall risk profile, (ii) compliance of new products with that risk profile and (iii) relevant aspects for the management of liquidity contingency situations. The Risk Assessment Committee, on the other hand, is responsible for (i) assessing transactions and activities, also in terms of concentration, economic and financial sustainability as well as the associated risks, (ii) assessing proposals to manage specific non-performing loans and credit disputes, (iii) assessing proposals for impairment of loans or equity investments and (iv) periodically reviewing the risk profile of counterparties in the portfolio.

RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the Chief Executive Officer, recommending corrective measures to the Risk Governance Committee or the Risk Assessment Committee, according to their responsibilities, that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and contributing to capital management activities.

SECTION 1 – CREDIT RISK

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to the lending activity – both under the Separate Account and the Ordinary Account – and, on a secondary level, to hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, which is prevailing in terms of share of assets, primarily features exposures to the Italian Government and Local Authorities. CDP is also authorised to grant cash advances to local authorities, within the scope of the treasury service provided by Poste Italiane. This activity is focused on municipalities with up to 5,000 inhabitants and its risk profile is in line with the traditional lending activity.

Exposures under the Separate Account to the main banking groups operating in Italy, through which CDP conveys various kinds of lending, in particular loans to SMEs and in order to support the residential real estate market, continue to play an important role.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are also significant. Other exposures include those in respect of the Revolving Fund for Enterprises (FRI – Fondo Rotativo per le Imprese), which to date are essentially not exposed to credit risk (as they are secured by a guarantee of last resort by the State), and those assumed under International Financing and Export Bank operations. The Separate Account may also finance energy efficiency improvement projects and loans granted to support International Cooperation activities, which have recently started with the use of their own funds.

Under the Ordinary Account, CDP grants corporate and project financing drawing on non-government-backed funding, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

Since the approval of the 2019-2021 Business Plan, operations in the Mid corporate segment, while still representing a very small share of the loan portfolio in terms of amounts, have assumed greater importance in terms of number of transactions, reflecting CDP's more widespread presence in Italy and the strategic objective to support the growth of this type of counterparties.

In the last two years, following the COVID-19 emergency, CDP has supported Italian enterprises, together with the banking system, granting medium/long-term loans under the Ordinary Account, backed by the SACE Garanzia Italia instrument. Again, under the Ordinary Account, Italian enterprises also received support with short-term liquidity facilities up to 18 months.

In 2021, CDP continued to develop interventions on platforms or investment programmes using EU funds or national resources (such as the European Guarantee Fund or, in Italy, the Guarantee Fund managed by Mediocredito Centrale), while maintaining alignment with CDP's typical risk profile.

Lastly, with regard to risks related to climate change, the impact on CDP's activities, strategy and financial planning may be reflected mainly through changes in the performance of the equity investments, as well as the loans granted and the bonds held. CDP's investments and loans include a variety of enterprises operating in different geographical areas and sectors, many of which are exposed to physical risk and/or transition risk. In addition, the impact of risks related to climate change may directly affect CDP's operations, which are largely conducted in Italy and fall within the financial sector.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Credit Risk Policy, which also defines the lending process and the roles of the involved units.

Risk Operations assesses the proposals advanced by CDP business units, as well as the most significant transactions submitted for a governance opinion by the subsidiaries; it is also responsible for assigning internal ratings and estimating the Loss Given Default. These parameters are used for management and accounting purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document provides the details on the methods adopted by CDP for the assignment of internal ratings to counterparties and for internal estimates of the recovery rate for individual financing transactions. Risk Operations is also responsible for the periodic review of the loan portfolio, regarding the evolution of the counterparty's financial situation and developments in their industry/sector, manages and monitors bad loans and analyses counterparties for the purposes of internal or regulatory classification.

Risk Advisory & Policies provides advisory support to CDP's business units and to Group companies in the phase of definition of the content of business solutions and the most significant transactions. It carries out risk assessments regarding equity and real estate transactions that require a governance opinion. It also assists the Chief Risk Officer in the definition and update of the guidelines related to Group-level risk policies.

Risk Management is responsible for the methodologies used to determine the risk-adjusted pricing, for the monitoring of the risk-adjusted return, and for the measurement of portfolio concentration. Risk Management regularly monitors the overall performance of loan portfolio risk, also to identify corrective measures designed to optimise the risk/return profile.

With regard to credit risk, the responsibilities of Risk Management also include:

- carrying out second-level controls to ensure that performance is monitored correctly, that the classifications of the individual exposures are consistent, that provisioning is adequate and that the recovery process is appropriate;
- formulating opinions on specific loan transactions in the specific cases detailed in the policies;
- defining, selecting and implementing models, methods and instruments (including those relating to the internal rating system).

With regard to non-performing counterparties, Risk Operations reviews any restructuring proposal– where necessary with the support of other structures for more complex cases – while Risk Management performs a second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the transactions-management structures of the business units.

As mentioned above, the Risk Assessment Committee is a technical and advisory body supporting the decision-making bodies. One of its duties is to give mandatory, non-binding opinions on financing transactions, both on creditworthiness and the adequacy of the applied contractual terms and conditions. The Risk Assessment Committee, whose composition varies according to the type and significance of the transactions, consists of the Chief Risk Officer and the heads of the structures reporting directly to him, the Chief Financial Officer, the Deputy General Manager and Chief Legal Officer, the Head of the relevant Business Department, or the persons appointed by them.

To monitor the risks at group level, a specific governance process is foreseen for the most significant transactions in terms of risk. In these cases, a non-binding opinion must be obtained from the Parent Company, which is prepared by the Group Risk Assessment Committee. In particular, the aforesaid Committee provides opinions on the Group's risk monitoring and assessment systems, and on risk policies and Group transactions with a significant impact.

2.2 Management, measurement and control systems

With regard to the credit risk management and control policies of the Separate Account, CDP has adopted a system for approving loans to local entities. This system is used to classify each loan in homogeneous risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type and size of entity.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness requires further analysis.

CDP uses a validated proprietary model to calculate credit risk at portfolio level for the Ordinary Account and for loans to private-sector parties under the Separate Account portfolio, with the exclusion of the liquidity funds provided in support of the economy via the banking system. CDP also uses this model to calculate the economic capital associated with the entire loan portfolio, with the sole exception of exposures, direct or indirect, to the State.

Risk Management monitors compliance with the system of limits and the guidelines for composition of the loan portfolio, which are an integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty and become stricter as the rating and recovery rate decrease, according to proportions in line with the economic capital.

Risk Management also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increased correlation parameters.

Risk Management regularly monitors the net current and potential future exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. Risk Management checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum exposure value, by counterparty or group of related counterparties, as set in the CDP Risk Policy. Similarly, Risk Management ensures the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the assignment of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including auditability of the process of evaluation.

In the internal rating assignment process, CDP uses specific benchmark tools, developed internally or by specialised providers, specific for the classes of CDP counterparties, including their size, legal form, and sector of activity. In detail, for Small and Mid Corporate counterparties, CDP has developed an internal rating model for enterprises, which includes independent modules that are activated according to the information available and the different stages of the loan process (pre-screening and targeting, origination, monitoring). CDP continuously assesses the possibility of expanding its set of models with other models that can also be used for other categories of customers, according to a criterion of importance and priority.

In line with the practice of the rating agencies, the rating scale adopted by CDP is divided into 21 classes, 10 of which are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, also considering the type of borrowers, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data acquired from a specialised provider.

Since 2018, as part of the implementation of IFRS 9, CDP defined a methodology to derive point-in-time default probabilities.

CDP adopted the new definition of default in accordance with the supervisory regulations for banks issued by the Bank of Italy, effective from the beginning of 2021 and implementing the related EBA Guidelines.

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 for the loan approval process (for private entities also for risk-adjusted pricing), to monitor the performance of the loan portfolio; to calculate provisions; for the limits framework and to measure the absorption of economic capital. The risk assessment assigned to the counterparty is updated at least annually. However, it is reviewed at any time during the year whenever events occur, or information is acquired, that have the potential to significantly affect the credit rating.

2.3 Measurement methods of expected credit losses

Since 1 January 2018, the new International Financial Reporting Standard 9 (IFRS 9, or the "Standard"), issued by the International Accounting Standards Board (IASB) on 24 July 2014 and endorsed by the European Commission through EU Regulation 2016/2067, has replaced IAS 39, and prescribes the classification and measurement of financial instruments.

The Standard has introduced numerous new aspects regarding scope, loan bucketing, a holding period for estimating expected credit loss, and in general certain characteristics of the basic components of credit risk: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The main changes, introduced since 2018, concern the presence of a single impairment model, to be applied to all financial assets not measured at fair value through profit or loss, based on the concept of expected credit loss, compared with the previous concept of incurred loss. The aim of this new approach to impairment is to ensure more timely recognition of losses compared to the previous IAS 39-compliant model, in which the losses were recognised if objective evidence of impairment losses after initial recognition of the asset was found. Conversely, the new model prescribes that the financial assets are allocated in three distinct "stages" (Stage Allocation):

- stage 1: this stage refers to performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are measured based on the expected loss over a time horizon of up to one year;
- stage 2: this stage involves performing financial assets whose credit quality has significantly deteriorated since initial recognition. These financial assets are measured based on their expected credit loss, calculated over a time horizon corresponding to the residual life of the financial asset;
- stage 3: this stage involves non-performing financial assets: having suffered a significant increase in their credit risk since initial recognition, they are measured accordingly based on the expected credit loss over the residual life of the financial asset.

Any instruments classified as POCI that do not have a significant impact on CDP are classified separately and, in accordance with the accounting standards, cannot be transferred to another classification.

CDP has defined its policies and methods of Stage Allocation and calculation of expected losses in compliance with the Standard and appropriate to the specific characteristics of the CDP Group, while taking into consideration the characteristics of the Parent Company's loan portfolio, whose main exposures are traditionally towards Public Entities and were originated with more than one decade horizon; consequently, that portfolio has recorded an extremely limited number of default events.

The credit rating assigned to each counterparty includes assessments, also on a forward-looking basis, related to climate change and energy transition. As a result, the measurement of the ECL associated with each position may be affected, where there is a significant impact, by the exposure to risks related to these issues.

Stage Allocation

CDP has long since set up a series of internal processes and models for assessing creditworthiness, focused on the typical multi-year horizon of CDP's business and used in the ex-ante assessment phase, as well as in risk monitoring and risk calculation. The results of these processes and models are summed up in a scale of internal ratings to which a term structure on the probability of default is associated.

The internal rating integrates all the key available information, including information on trends, since the structure of the internal rating system is forward-looking and takes into account the duration of the exposure.

Stage Allocation is, therefore, mainly based on the use of these methods, that are considered appropriate for managing the CDP assets. In particular, the classification in the various stages involves verifying a series of relative and absolute conditions.

The adoption of the new Standard does not lead to changes in the identification of non-performing assets, which are classified within stage 3.

Conversely, with regard to performing assets, it is necessary to define criteria for assigning them to stage 1 or stage 2.

The first element for identifying a significant impairment in creditworthiness is a change in the internal rating attributed to each instrument between the initial date and the measurement date. The adopted method involves defining the staging criteria based on the number of notches that separate the two ratings: the threshold that causes the shift from stage 1 to stage 2 takes into account, among other things, the age of the individual instrument and its rating on the reporting date. The first element allows CDP's expectations regarding changes in PD to be grasped (shifts in ratings over time), while, with regard to the second element, the threshold takes account of the fact that the probabilities of default increase in an uneven manner as the rating worsens (trends of the PD in line with the ratings).

The decision to use the internal ratings as a benchmark was taken due, among other things, to the lack of significant past default events as mentioned above, which is a characteristic of CDP's loan portfolio and does not allow thresholds to be calibrated based on PD.

Additional criteria specified by the Stage Allocation policy are of an absolute and not relative nature: all instruments are classified in stage 2 if they relate to counterparties for which the following conditions apply:

- they belong to specific monitoring classes ("watchlists", which highlight the need for particularly careful monitoring, even for exposures that are performing, because of specific levels of risk);
- there are overdue amounts whose age and relative amount provide evidence of a possible deterioration of creditworthiness;
- classification of positions as forborne.

The existence of these elements ensures a gradual approach in classification, in order to reduce the likelihood of an instrument being classified to stage 3 without having been classified to stage 2.

In accordance with the Standard, one notes that when the conditions that led to a position being attributed to stage 2, in line with the Stage Allocation policy, hold no more, it may return to stage 1 with the consequent reduction in the associated expected loss.

With regard to debt securities, it was necessary to develop certain additional considerations because, in contrast with loans, these types of exposures may involve acquisitions subsequent to the first purchase, performed on a case-by-case basis in accordance with the business models identified by CDP. In particular, it is necessary to take account of the time sequence of purchases and sales of the same security, so as to enable differentiated staging, where necessary, between two tranches purchased at different times when the corresponding creditworthiness may have been different.

In the event of tranches of securities classified in stage 2, which require the calculation of the expected losses over the lifetime, the time profile of the EAD would be determined according to the actual redemption schedule of the individual tranches in line with their accounting measurement.

The staging policy developed by CDP does not envisage the use of the "low credit risk exemption" (LCRE) for the portfolio of loans or for the portfolio of debt securities, even though this is an option allowed by IFRS 9. This exemption would involve classifying all positions with "low" credit risk (substantially similar to the "investment grade" threshold, i.e. from the "BBB-" rating upwards) in Stage 1, regardless of any changes in credit rating since origination. CDP has decided not to opt for this exemption, taking account of the recommendations of the Basel Committee, even though they are not binding for CDP, which state that banks authorised to use internal models for credit risk should not apply this exception to their loan portfolio. The approach chosen by CDP enables exposures to be treated in a uniform way, regardless of their technical form: in particular, one of the undesirable effects would have been the application of the LCRE to the securities portfolio, which would have led to differences in the classification of loans and securities issued by the same issuer and originated in the same period.

As mentioned above, instruments classified as POCI remain in that classification throughout their life.

Elements for the calculation of expected loss

The accounting standard specifies that after identifying the appropriate stage for each instrument, to calculate the expected loss one must use all reasonable and sustainable information (that is available without excessive costs or effort), which might influence the credit risk of a financial instrument. The available information must include:

- specific attributes of the debtor, and
- general economic conditions and the assessment of both current and forecast conditions (“forward-looking information”).

With regard to the estimation of expected loss, IFRS 9 requires the adoption of the Point-in-Time (PIT) PD instead of the Through-the-Cycle (TTC) PD which CDP uses in measuring risks also due to the nature of long-term investor which characterises its activity.

Therefore, CDP has developed a method for determining the PIT PD starting from the TTC PD which are estimated using a sample of past external data, with methods that take into account possible future trends.

In order to achieve the aims of the Standard, the TTC PD are made contingent upon macroeconomic scenarios; a short-term, forward-looking element is, therefore, added to the medium-to-long term forward-looking component already present in the TTC PD, through the introduction of an appropriate scale factor allowing the maintenance of the current forward-looking system, combined with a greater sensitivity towards the expected short-term trends.

Within its own credit assessment and management methods, CDP has defined certain recovery values (and correspondingly Loss Given Defaults - LGD) based on expert opinions, adopting a conservative approach aimed at identifying the characteristic features of each position (i.e. existence of collateral or a “security package”), since it is unable to make use of a statistical approach due to the scarcity of events in its own portfolio. In those cases where an explicit value is not already provided for, reference was made to the instructions included in Regulation no. 2013/575/EU (CRR).

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and to the LGD.

Governance aspects

The methodological framework was developed by the Risk Management function, in collaboration with the Accounting function. The adoption of key choices on the implementation of the Standard was discussed in the relevant committees (Internal Risk Committee, at managerial level, and the Board Risk and Sustainability Committee) and was finally approved by the Board of Directors.

Organisational and process adjustments were also developed to meet the increased data needs with respect to IAS 39.

Changes due to COVID-19

The global spread of COVID-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence quantitative estimates regarding, for example, possible future losses on receivables measured at amortised cost or cash flows from equity investments or real estate assets became more difficult. For CDP, the areas in which there is an increased level of uncertainty are mainly:

- regulatory changes linked to measures adopted to respond to the health emergency, which might result in significant changes to the business model of one or more investee companies (e.g. with regard to Decree Law 23/2020);
- a possible acceleration in the energy transition dynamics, with effects on investees that operate in the Oil & Gas sector or in related sectors;
- a possible increase in the insolvency risk in the loan portfolio, in terms of both rating transitions and the higher probability of short-term default.

With particular regard to this latter area - and to the application of IFRS 9 - no additional changes were deemed necessary in the valuation and measurement models for financial instruments related to the pandemic crisis.

<u>Assessment of the significant increase in credit risk (SICR)</u>

CDP has not made changes to its methodology for assessing the significant increase in credit risk, either as a result of COVID-19 or due to other factors, as it considers this methodology to be sufficiently broad and therefore adequate in the current context.

Consistent with the characteristics of its loan portfolio, mainly including exposures with public counterparties, banks operating in Italy, large corporations and special-purpose vehicles operating in the infrastructure sector, CDP has noted, as at 31 December 2021, that changes in internal ratings are limited in term of cases, in the amount and size of the exposures, even including the impacts of COVID-19 on a forward-looking basis.

Measurement of expected credit losses

In measuring Expected Credit Losses, CDP applies the internally-developed methodology, which considers:

- a reliable estimate of through-the-cycle probability of default, which incorporates not only historical data but also forward-looking information to ensure the reliability of the estimates even in situations of serious crisis, across the entire life of the financial instruments;
- an internal model for estimating the cyclical component of probability of default, to produce forward-looking estimates of point-in-time parameters.

The model applied to estimate the cyclical component is based on the main macroeconomic drivers including GDP and employment rate forecasts, with reference to the Eurozone and the USA. In spite of the good news on the approval and mass rollout of the vaccines, considering the ongoing uncertainties, the forward-looking projections - starting from market consensus forecasts and the International Monetary Fund's forecasts - predict a relatively slow recovery for GDP - in mid-2022 - and for the employment rate - by the end of 2023.

The quantitative model adopted internally has not changed and, in particular, no sector-based adjustments were made since it was deemed that alternative methods would not be more reliable in the current phase and might, at least potentially, introduce higher risks of arbitrariness. In view of the continuing high uncertainty connected with the spread of variants and the need for governments to apply measures to contain the pandemic, with significant impacts on the national and international economic system, particularly in the logistics sector, which experienced several difficulties in 2021, CDP has decided to apply a management overlay in the measurement of the ECL, in order to offset the effect of a decrease in Point-in-Time Default Probabilities that would otherwise be linked to the performance of the macroeconomic and credit indicators observed. The application of this overlay, which is consistent with the recommendations of the Banking Regulators aimed at limiting excessive volatility in the measurement of reserves, refers to the contingent situation. CDP will assess developments in the economic environment and remove it when there is a return to a situation with fewer anomalies.

2.4 Credit risk mitigation techniques

CDP mitigates the credit risk with respect to lending operations by using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consists of special-purpose cash loans in favour of public local entities supported by payment orders to the Treasurers ("Delegazione di pagamento") or an irrevocable mandate for collection.

Financing under the Ordinary Account and the financing of non-public entities under the Separate Account can be secured by collateral or unsecured guarantees. Specifically, some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. New SME Fund), and in support of the housing market, are secured through the pledge of the underlying loans to CDP and the creation of pledges on government bonds in favour of CDP. The portfolio of transferred receivables provides for mechanisms of alignment with respect to the direct exposures to banks and has an adequate quality level of customers transferred as a guarantee, including in terms of distribution by risk classes according to the system average values. Lastly, with regard to risk concentration, a system of limits has been defined according to the overall exposure to the bank (and of the group that it might belong to) in relation to the Equity of CDP and the Regulatory Capital of the bank (or its group).

Aside from the acquisition of guarantees, typically in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including clauses in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of an excessive incidence in the total debt, CDP takes part in financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by the sponsors of a deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is materialised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

CDP has a credit quality monitoring system that ensures, through an early warning system, the prompt flagging up of credit events that indicates potential problems (based on information from both internal and external sources), and assigns the counterparty a specific internal Watch List class depending on the level of importance of the identified signals, also activating the assessment process for the purposes of regulatory classification. This system also operates on the regulatory status, with specific indicators that enable the generation of regulatory classification proposals, in particular as Unlikely To Pay.

Pursuant to the executed ISDA agreements, netting is used in hedge transactions with the bank counterparties of the Company to reduce exposure. All the contracts are based on the 2002 ISDA agreement. In 2021, CDP completed the contractual updates, infrastructure developments and operational upgrades needed to enable it to operate also through central counterparties.

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 and 2011 formats). In addition, CDP has long since joined the Cassa di Compensazione e Garanzia (Central Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

Impacts of the COVID-19 pandemic

The impact of the COVID-19 pandemic on CDP's credit risk is not yet clearly observable but, so far, it seems relatively limited considering that CDP's portfolio is primarily made up of public entities, infrastructure projects and large-sized corporate counterparties - operating in sectors like energy generation, distribution and transmission - which, to date, have been less affected by fall in demand, business interruptions and, more generally, higher costs associated with the health emergency. In any case, CDP has conducted a credit review of its portfolio and, where necessary, has made adjustments to the internal rating and/or has placed some counterparties, belonging to the sectors most affected by the emergency, in an internal Watch List. However, in view of the continuing uncertainty related to (i) the timing and effects of the removal of the extraordinary support policies implemented by the institutions (through tax-related and credit measures and monetary policies) and (ii) the continuation of measures such as states of emergency and related restrictions, CDP has established a management overlay for the measurement of expected credit losses.

3. Non-performing credit exposures

3.1 Management strategies and policies

In 2021, gross non-performing credit exposures, despite having increased compared to the previous year, were still very marginal with respect to the overall loan portfolio.

Non-performing assets are classified in order to identify – based on information about the counterparty's financial position, the age of the past-due amounts, the materiality thresholds indicated by supervisory regulations, and any debt restructuring authorised by CDP – the non-performing positions to be reported under bad debts, unlikely to pay, and non-performing past-due exposures. In this regard, the classification of CDP's credit exposures is based on a substantial alignment between the definition of "non-performing exposures" contained in the Implementing Technical Standards issued by the EBA in 2014, the definition of "default" contained in the EBA Guidelines on the application of the definition of default under Article 178 of EU Regulation 575/2013 and the definition of "credit-impaired" governed by IFRS 9.

Non-performing financial assets are measured and classified in accordance with the accounting standards and the provisions of Bank of Italy Circular No. 272/2008. With effect from 1 January 2021, the criteria for identifying non-performing exposures take into account several regulatory changes, primarily related to the following:

- new materiality thresholds for calculating the material past due, harmonised at the European level;
- new events of unlikeliness to pay, including "distressed restructuring" and default contagion effects in the case of connected debtors (mainly groups of companies and joint arrangements between individuals);

- a mandatory minimum probation period before return to performing status for non-performing exposures.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers, an examination of the most significant financial statements indicators, or an analysis of information from the Central Credit Register.

Non-performing assets are recognised in the financial statements on the basis of discounting expected cash flows over the asset's entire lifetime, calculated using the original effective interest rate of the specific loan. The amount of the adjustments is equal to the difference between the carrying value of the asset and the discounted value of the expected future cash flows.

The estimate of the cash flows and the consequent adjustment of the value of loans considers any collateral or unsecured guarantees received. In particular, it considers the amounts granted but not disbursed on special purpose loans, for which disbursements are made in several instalments according to the work progress reports on the financed project. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

In order to estimate future cash flows and related collection times, the loans in question of a significant unit value are subject to an analytical assessment process. For some consistent categories of non-performing loans of non-significant unit value, the assessment processes envisage that value adjustments must be determined with a lump-sum/statistical calculation method, to be analytically attributed to each individual position.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. In order for these events to be promptly recorded, available information on the financial position and earnings of the debtors is periodically monitored and the progress of any extra-judicial agreements being made and the evolution of any lawsuits with customers are constantly checked, while the information available from the Central Credit Register is verified.

CDP has structures dedicated to the monitoring and management of non-performing exposures, which cover all phases of the life cycle of non-performing loans, from careful monitoring of the performing portfolio through to credit recovery. The monitoring, carried out by the Credit Monitoring function with the aid of the other organisational units involved, is aimed at detecting the first signs of deterioration in the counterparty's credit quality, as well as identifying the corrective measures needed to manage the potential deterioration of the exposures. The recovery of non-performing exposures, carried out by the "Restructuring & Non-Performing" and "Disputes and Credit Recovery" structures, is aimed at maximising earnings and financial results, by pursuing extra-judicial solutions as deemed appropriate. These may include restructuring arrangements or settlement agreements having a positive impact on recovery times and the level of costs incurred.

The return to non-defaulted status of credit exposures is subject to verification that the problem conditions or insolvency have been eliminated.

Both the classification and valuation processes of the individual financial assets are based on a system of delegations of powers to various decision-making bodies, depending on the asset class of the debtor and the amount of the credit exposure.

The consistent placement of an exposure in the appropriate risk class, as mandated by supervisory regulations, is also ensured by the presence of second-level controls, aimed at verifying not only the fairness of the classifications but also the fairness of the accruals.

Finally, non-performing exposures include individual forborne exposures that meet the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority Implementing Technical Standards), which do not form a separate category of non-performing assets but constitute a subset thereof. In the same way, performing exposures with forbearance measures are included in performing loans.

3.2 Write-offs

Credit exposures are written off, i.e. derecognised, when there is no longer any reasonable expectation of recovering the financial asset, including in cases of surrender of the asset. The write-off may relate to a financial position in its entirety or part of it and may even occur before the end of any legal actions that have been brought, without necessarily entailing waiver of the legal right to recover the debt. In such cases, the gross nominal value of the loan remains the same, but the gross carrying amount is reduced by the amount being written off. Any recoveries from collection after derecognition of the asset are recognised in the income statement under recoveries.

In assessing the recoverability of non-performing loans, the following points, in particular, are taken into consideration:

- the age of past due positions, which could make any expectation of recovery substantially inexistent;
- the amount of the loan, in order to assess the cost-effectiveness of any credit recovery measures;

- the value of the guarantees that secure the exposure;
- the negative outcome of any action taken in and out of court.

3.3 Purchased and Originated Credit-Impaired financial assets

"Purchased and Originated Credit-Impaired (POCI) financial assets" are credit exposures that are impaired at the time of initial recognition.

Considering CDP's business operations, these exposures originated exclusively within the scope of restructuring operations for impaired exposures where new funds are disbursed, to a significant extent with respect to the amount of the original exposure.

For the purposes of interest calculation, for POCI exposures the credit-adjusted effective interest rate is used, which, in estimating future cash flows, considers the expected credit losses over the residual maturity of the asset.

These exposures are allocated, for as long as they are impaired, to stage 3, while they are classified in stage 2 if, following an improvement in the counterparty's creditworthiness, the originally impaired assets return to the performing portfolio.

4. Renegotiated financial assets and forborne exposures

Over the maturity of financial assets, and specifically for financial assets measured at amortised cost, it is possible that they are subject to renegotiation of the contract terms.

In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature. However, in the absence of specific instructions in the IFRS to which one can refer, a list of major changes has been drawn up which lead to a substantial change in the terms of the existing contract, by introducing a different nature of risks and entailing, therefore, derecognition.

The list is as follows:

- change of the counterparty;
- change in the reference currency;
- replacement of debt to equity;
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the debtor to new risk components;
- changes granted to performing customers, who do not show any economic and financial difficulties (thus not falling into the series of so-called “forborne” exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement, also with the aim of retaining the customer.

With specific reference to the granting of loans to public entities (which is one of the main activities historically performed by CDP), over the last few years CDP has put several loan renegotiation transactions in place, with the aim of meeting specific needs expressed by the entities and releasing financial resources that the entities can use for new investments as well.

These renegotiations are carried out according to the principle of financial equivalence and are aimed at entities other than defaulting ones and, for local authorities, entities that are not in financial crisis.

The renegotiation transactions proposed by CDP, executed in compliance with the regulations in force at the time, are particularly relevant in public sector finance, to the point that the transactions carried out in recent years have involved multiple positions and a considerable total amount of renegotiated loans. Therefore, these renegotiations represent “massive renegotiations”.

Their aims, the reference regulatory framework, their scope and the involvement, historically, of multiple renegotiated positions for a considerable total amount represent their qualitative and quantitative characteristics that further emphasise the existence of key elements from which the “substantial" nature emerges of the contractual changes they made to the loans involved, therefore entailing derecognition.

On the other hand, in the event of changes not deemed significant (modification), the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate.

The difference between the gross value of the financial instrument before and after the renegotiation of contract terms, is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

For more details on the possible influence of these transactions in the process of assessment of the SICR and the measurement of expected losses, please refer to the paragraph “Changes due to COVID-19” contained in “Section 1 - Credit risk” of “Part E – Information on risks and related hedging policies”, as well as “Disclosure of COVID-19 impacts” contained in “Section 4 - Other issues”.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

(thousands of euro)

Portfolios/quality	Bad debts	Unlikely to pay	Non performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	68,660	92,466	233,770	2,059	357,705,699	358,102,654
2. Financial assets measured at fair value through other comprehensive income					13,521,974	13,521,974
3. Financial assets designated at fair value						-
4. Other financial assets mandatorily measured at fair value					23,737	23,737
5. Financial assets held for sale						-
Total at 31/12/2021	**68,660**	**92,466**	**233,770**	**2,059**	**371,251,410**	**371,648,365**
Total at 31/12/2020	**51,250**	**113,948**	**20,118**	**7,704**	**369,939,716**	**370,132,736**

The following table shows the breakdown of credit exposures for on-balance sheet forborne credit exposures (non-performing and performing loans).

Forborne credit exposures: breakdown by portfolio and credit quality

(thousands of euro)

Type of exposure/Values	Gross exposure	Accumulated impairment	**Net exposure 31/12/2021**	Net exposure 31/12/2020
Financial assets measured at amortised cost:				
Bad debts			-	
Unlikely to pay	31,463	(9,591)	21,872	27,827
Non-performing past-due exposures			-	
Performing past-due exposures			-	
Other performing exposures	585,327	(129,535)	455,792	418,111
Total forborne exposures at 31/12/2021	**616,790**	**(139,126)**	**477,664**	**X**
Total forborne exposures at 31/12/2020	**583,541**	**(137,603)**	**X**	**445,938**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(thousands of euro)	Non-performing assets				Performing assets			
Portfolios/quality	Gross exposure	Accumulated impairment	Net exposure	Accumulated partial write off*	Gross exposure	Accumulated impairment	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	510,643	(115,747)	394,896		358,682,710	(974,952)	357,707,758	358,102,654
2. Financial assets measured at fair value through other comprehensive income					13,535,812	(13,838)	13,521,974	13,521,974
3. Financial assets designated at fair value					X	X		-
4. Other financial assets mandatorily measured at fair value					X	X	23,737	23,737
5. Financial assets held for sale								-
Total at 31/12/2021	**510,643**	**(115,747)**	**394,896**	-	**372,218,522**	**(988,790)**	**371,253,469**	**371,648,365**
Total at 31/12/2020	**299,404**	**(114,088)**	**185,316**		**370,818,374**	**(963,642)**	**369,947,420**	**370,132,736**

(*) value to be shown for information purposes

(thousands of euro)	Assets with markedly poor credit quality		Other assets
Portfolios/quality	Accumulated loss	Net exposure	Net exposure
1. Financial assets held for trading			232,359
2. Hedging derivatives			276,053
Total at 31/12/2021	-	-	**508,412**
Total at 31/12/2020			**683,447**

A.1.3 Breakdown of financial assets by past-due bands (carrying amounts)

(thousands of euro) Portfolios/stages	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired		
	up to 30 days	more than 30 days to 90 days	more than 90 days	up to 30 days	more than 30 days to 90 days	more than 90 days	up to 30 days	more than 30 days to 90 days	more than 90 days	up to 30 days	more than 30 days to 90 days	more than 90 days
1. Financial assets measured at amortised cost		66	1,949		23	21			349,874			
2. Financial assets measured at fair value through other comprehensive income												
3. Financial assets held for sale												
Total at 31/12/2021	-	**66**	**1,949**	-	**23**	**21**	-	-	**349,874**	-	-	-
Total at 31/12/2020	**3**	**737**	**1,585**			**5,379**			**148,803**			

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in accumulated impairment and provisions

(thousands of euro) Items/risk stages	Accumulated impairment											
	Assets in stage 1						Assets in stage 2					
	Loans to banks and Central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual impairment	Of which: collective impairment	Loans to banks and Central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual impairment	Of which: collective impairment
Opening accumulated impairment and provisions		**346,780**	**14,749**			**361,529**		**601,612**	**506**			**602,118**
Changes in opening balance	**5**	**(5)**										
Increases resulting from purchased or originated financial assets		50,500	8,392			58,892		4,403				4,403
Derecognitions other than write-offs		(22,498)	(5,349)			(27,847)		(269)	(83)			(352)
Net adjustments/recoveries for credit risk (+/-)	(2)	(41,375)	(4,235)			(45,612)		35,326	(142)			35,184
Changes in contracts without derecognition												
Changes in estimation method												
Write-offs not recognised directly through profit or loss												
Other changes		478				478						
Closing accumulated impairment and provisions	**3**	**333,880**	**13,557**			**347,440**		**641,072**	**281**			**641,353**
Recoveries from collection on financial assets subject to write-off												
Write-offs recognised directly through profit or loss												

Items/risk stages	Assets in stage 3						Purchased or originated credit impaired financial assets					Total provisions for commitments to disburse funds and financial guarantees issued				
	Loans to banks and Central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual impairment	Of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual impairment	Of which: collective impairment	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees issued purchased or originated impaired	Total
Opening accumulated impairment and provisions		**114,088**			**114,060**	**28**						**242,742**	**85,684**	**194**		**1,406,355**
Changes in opening balance													**(119)**		**119**	
Increases resulting from purchased or originated financial assets		175			175		x	x	x	x	x	203,837	88	67		267,462
Derecognitions other than write-offs		(826)			(818)	(8)						(19,362)	(630)	(125)		(49,142)
Net adjustments/recoveries for credit risk (+/-)		2,690			2,564	126						5,588	(15,186)	232	(62)	(17,166)
Changes in contracts without derecognition																
Changes in estimation method																
Write-offs not recognised directly through profit or loss		(396)			(396)											(396)
Other changes		16			16							(52,248)				(51,754)
Closing accumulated impairment and provisions		**115,747**			**115,601**	**146**						**380,557**	**69,837**	**368**	**57**	**1,555,359**
Recoveries from collection on financial assets subject to write-off																
Write-offs recognised directly through profit or loss		(19)			(19)											-19

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between credit risk stages (gross and nominal values)

	Gross value / Nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
(thousands of euro) Portfolios/risk stages	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	433,381	324,208	22,673	6,207	218,879	3,490
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued	416	4,355			2,822	46
Total 31/12/2021	**433,797**	**328,563**	**22,673**	**6,207**	**221,701**	**3,536**
Total 31/12/2020	**2,088,834**	**146,591**	**189**	**21,735**	**27,607**	**2,245**

A.1.5a Loans subject to COVID-19 support measures: transfers between various credit risk stages (gross values)

	Gross value					
(thousands of euro)	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
Portfolios/risk stages	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortised cost	**40,002**	**112**	-	-	**15,069**	**126**
A.1 Loans subject to moratoria compliant with the GL	-	112	-	-	-	126
A.2 Loans subject to existing moratorium measures no longer conforming to the GLs and not considered forborne	-	-	-	-	-	-
A.3 Loans subject to forbearance measures	-	-	-	-	-	-
A.4 New loans	40,002	-	-	-	15,069	-
B. Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
B.1 subject to moratoria compliant with the GL	-	-	-	-	-	-
B.2 Loans subject to existing moratorium measures no longer conforming to the GLs and not considered forborne	-	-	-	-	-	-
B.3 Loans subject to forbearance measures	-	-	-	-	-	-
B.4 New loans	-	-	-	-	-	-
Total at 31/12/2021	**40,002**	**112**			**15,069**	**126**
Total at 31/12/2020	**555**					**353**

This table shows the gross value of loans, subject to Covid-19 support measures, outstanding at the balance sheet date, broken down by portfolio, when the risk stage at which the exposures are included at the year-end is different from the stage at which the exposures were included at the start of the year (or at the initial recognition date if later than the start of the year). The line "A.1 forborne in accordance with the GLs" shows the loans subject to a moratorium that fall within the scope of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line "A.4 new loans" reports the loans which represent new liquidity backed by public guarantee

A.1.6 On-balance sheet and off-balance sheet exposures to banks: gross and net amounts

(thousands of euro) Type of exposure/Values	Gross exposure					Accumulated impairment and provisions						
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Net exposure	Accumulated partial write off*
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
A.1 On demand	263,481	263,481				(3)	(3)				**263,478**	
a) Non-performing		X					X					
b) Performing	263,481	263,481		X		(3)	(3)		X		263,478	
A.2 Others	**38,537,670**	**38,513,653**	**24,017**			**(44,038)**	**(37,981)**	**(6,057)**			**38,493,632**	
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			
- of which: forborne exposures				*X*					*X*			
e) Other performing exposures	38,537,670	38,513,653	24,017	X		(44,038)	(37,981)	(6,057)	X		**38,493,632**	
- of which: forborne exposures			-	*X*					*X*			
TOTAL A	**38,801,151**	**38,777,134**	**24,017**			**(44,041)**	**(37,984)**	**(6,057)**			**38,757,110**	
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Non-performing		*X*	-				*X*	-				
b) Performing	832,511	832,511		X		(1,266)	(1,266)		X		831,245	
TOTAL B	**832,511**	**832,511**				**(1,266)**	**(1,266)**				**831,245**	
TOTAL A+B	**39,633,662**	**39,609,645**	**24,017**			**(45,307)**	**(39,250)**	**(6,057)**			**39,588,355**	

(*) value to be shown for information

A.1.7 On-balance sheet and off-balance sheet exposures to customers: gross and net amounts

(*) value to be shown for information purposes

(thousands of euro) Type of exposure/Values	Gross exposure					Accumulated impairment and provisions					Net exposure	Accumulated partial write off*
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
a) Bad debts	128.960	X		128.960		(60.300)	X		(60.300)		68.660	
- of which: forborne exposures		*X*					*X*					
b) Unlikely to pay	141.218	X		141.218		(48.752)	X		(48.752)		92.466	
- of which: forborne exposures	*31.463*	*X*		*31.463*		*(9.591)*	*X*		*(9.591)*		*21.872*	
c) Non-performing past-due exposures	240.465	X		240.465		(6.695)	X		(6.695)		233.770	
- of which: forborne exposures		*X*					*X*					
d) Performing past-due exposures	2.075	2.030	45	X		(16)	(16)		X		2.059	
- of which: forborne exposures				*X*					*X*			
e) Other performing exposures	333.702.513	320.576.344	13.126.169	X		(944.735)	(309.441)	(635.294)	X		332.757.778	
- of which: forborne exposures	*585.327*		*585.327*	*X*		*(129.535)*		*(129.535)*	*X*		*455.792*	
TOTAL A	**334.215.231**	**320.578.374**	**13.126.214**	**510.643**		**(1.060.498)**	**(309.457)**	**(635.294)**	**(115.747)**		**333.154.733**	
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Non-performing	4.412	X		4.412		(368)	X		(368)		4.044	
b) Performing	31.349.876	30.003.910	1.343.366	X	2.600	(449.185)	(379.291)	(69.837)	X	(57)	30.900.691	
TOTAL B	**31.354.288**	**30.003.910**	**1.343.366**	**4.412**	**2.600**	**(449.553)**	**(379.291)**	**(69.837)**	**(368)**	**(57)**	**30.904.735**	
TOTAL A+B	**365.569.519**	**350.582.284**	**14.469.580**	**515.055**	**2.600**	**(1.510.051)**	**(688.748)**	**(705.131)**	**(116.115)**	**(57)**	**364.059.468**	

(*) value to be shown for information purposes

A.1.7a Loans subject to COVID-19 support measures: gross and net amounts

(thousands of euro) Type of exposure/Values	Gross exposure					Accumulated impairment and provisions						
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Net exposure	Accumulated partial write off*
A. Bad debt												
a) subject to moratoria compliant with the GL												
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans												
B. Unlikely to pay credit exposures	**15,069**			**15,069**		**(1,025)**			**(1,025)**		14,044	
a) subject to moratoria compliant with the GL												
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans	15,069			15,069		(1,025)			(1,025)		14,044	
C. Non-performing past-due credit exposures:												
a) subject to moratoria compliant with the GL												
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans												
D. Performing past due positions:	**185**	**185**				**(1)**			**(1)**		184	
a) subject to moratoria compliant with the GL	185	185				(1)			(1)		184	
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans												
E. Other performing positions:	**6,084,529**	**6,044,527**	**40,002**			**(9,740)**	**(9,567)**	**(173)**			6,074,789	
a) subject to moratoria compliant with the GL	4,677,547	4,677,547				(5,126)	(5,126)				4,672,421	
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans	1,406,982	1,366,980	40,002			(4,614)	(4,441)	(173)			1,402,368	
TOTAL (A+B+C+D+E)	**6,099,783**	**6,044,712**	**40,002**	**15,069**		**(10,766)**	**(9,567)**	**(173)**	**(1,026)**		**6,089,017**	

(*) value to be shown for information purposes

This table shows the loans, with details of gross amount and accumulated impairment, for the different categories of non-performing/performing assets, subject to COVID-19 support measures. The lines "a) forborne in accordance with the GLs" show the loans subject to a moratorium that fall within the scope of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis"* published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The lines "d) new loans" report the loans that represent new liquidity backed by public guarantees.

A.1.8 On-balance sheet exposures to banks: changes in gross non-performing exposures

There are no non-performing credit exposures to banks.

A.1.8bis On-balance sheet exposures to banks: changes in gross forborne exposures by credit quality

There are no forborne credit exposures to banks.

A.1.9 On-balance sheet exposures to customers: changes in gross non-performing exposures

(thousands of euro)

Items/Categories	Bad debts	Unlikely to pay	Non-performing past-due exposures
A. Opening gross exposure	**110,559**	**166,960**	**21,885**
- *of which: exposures assigned but not derecognised*			
B. Increases	**21,058**	**18,150**	**228,071**
B.1 transfers from performing exposures		15,069	227,137
B.2 transfers from purchased or originated credit impaired financial assets			
B.3 transfers from other categories of non-performing exposures	20,589	140	
B.4 changes in contracts without derecognition			
B.5 other increases	469	2,941	934
C. Decreases	**2,657**	**43,892**	**9,491**
C.1 transfers to performing exposures		5,962	4,272
C.2 write-off		415	
C.3 repayments	2,625	16,835	5,020
C.4 credit disposals			
C.5 losses from disposals			
C.6 transfers to other categories of non-performing exposures		20,589	140
C.7 changes in contracts without derecognition			
C.8 other decreases	32	91	59
D. Closing gross exposure	**128,960**	**141,218**	**240,465**
- *of which: exposures assigned but not derecognised*			

A.1.9bis On-balance sheet exposures to customers: changes in gross forborne exposures by credit quality

(thousands of euro)

Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**40,970**	**542,571**
- *of which: exposures assigned but not derecognised*		
B. Increases	**1,559**	**51,522**
B.1 transfers from performing not forborne exposures		40,002
B.2 transfers from performing forborne exposures		X
B.3 transfers from non-performing forborne exposures	X	5,962
B.4 transfers from non-performing not forborne exposures		
B.5 other increases	1,559	5,558
C. Decreases	**11,066**	**8,766**
C.1 transfers to performing not forborne exposures	X	
C.2 to performing forborne exposures	5,962	X
C.3 to non-performing forborne exposures	X	
C.4 write-off	415	
C.5 collections	4,689	8,766
C.6 credit disposal		
C.7 losses on disposal		
C.8 other decreases		
D. Closing gross exposure	**31,463**	**585,327**
- *of which: exposures assigned but not derecognised*		

A.1.10 On-balance sheet non-performing credit exposures to banks: changes in accumulated impairment

There are no non-performing credit exposures to banks.

A.1.11 On-balance sheet non-performing credit exposures to customers: changes in accumulated impairment

(thousands of euro) Items/Categories	Bad debts		Unlikely to pay		Non-performing past-due exposures	
	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Opening accumulated impairment	**59,309**		**53,012**	**13,143**	**1,767**	
- of which: exposures assigned but not derecognised						
B. Increases	**1,457**		**1,232**	**70**	**5,419**	
B.1 writedowns from purchased or originated credit impaired financial assets		X		X		X
B.2 other writedowns	434		1,043	19	5,343	
B.3 losses on disposal						
B.4 transfers from other categories of non-performing positions	1,023		4			
B.5 changes in contracts without derecognition						
B.6 other increases			185	51	76	
C. Decreases	**466**		**5,492**	**3,622**	**491**	
C.1 writebacks from valuations			2,348	2,348		
C.2 writebacks from collection	466		1,706	859	487	
C.3 gains on disposal						
C.4 write-off			415	415		
C.5 transfers to other categories of non-performing positions			1,023		4	
C.6 changes in contracts without derecognition						
C.7 other decreases						
D. Closing accumulated impairment	**60,300**		**48,752**	**9,591**	**6,695**	
- of which: exposures assigned but not derecognised						

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating grades (gross amounts)

(thousands of euro)	External rating grades							
Exposures	class 1	class 2	class 3	class 4	class 5	class 6	Not rated	Total
A. Financial assets measured at amortised cost	**2,341,579**	**1,762,785**	**253,360,830**	**13,735,242**		**1,672,589**	**86,320,328**	**359,193,353**
- stage 1	2,341,579	1,762,785	248,076,284	12,120,779		1,668,845	79,569,952	345,540,224
- stage 2			5,284,546	1,614,463		3,744	6,239,733	13,142,486
- stage 3							510,643	510,643
- purchased or originated credit impaired								-
B. Financial assets measured at fair value through other comprehensive income	**620,394**	**78,779**	**11,678,476**	**16,282**		**128,072**	**1,013,810**	**13,535,813**
- stage 1	620,394	78,779	11,678,476	8,537		128,072	1,013,810	13,528,068
- stage 2				7,745				7,745
- stage 3								-
- purchased or originated credit impaired								-
C. Financial assets held for sale								-
- stage 1								-
- stage 2								-
- stage 3								-
- purchased or originated credit impaired								-
Total (A+B+C)	**2,961,973**	**1,841,564**	**265,039,306**	**13,751,524**		**1,800,661**	**87,334,138**	**372,729,166**
D. Commitments to disburse funds and financial guarantees issued	**1,390,083**	**95,553**	**9,268,094**	**1,329,905**			**20,103,164**	**32,186,799**
- stage 1	1,390,083	95,553	9,268,094	29,905			20,052,786	30,836,421
- stage 2				1,300,000			43,366	1,343,366
- stage 3							4,412	4,412
- purchased or originated impaired							2,600	2,600
Total (D)	**1,390,083**	**95,553**	**9,268,094**	**1,329,905**			**20,103,164**	**32,186,799**
Total (A+B+C+D)	**4,352,056**	**1,937,117**	**274,307,400**	**15,081,429**		**1,800,661**	**107,437,302**	**404,915,965**

The following table maps the rating grades and the agency ratings used.

	ECAI		
Rating grades	Moody's	Fitch	Standard & Poor's
Class 1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
Class 2	from A1 to A3	from A+ to A-	from A+ to A-
Class 3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
Class 4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
Class 5	from B1 to B3	from B+ to B-	from B+ to B-
Class 6	Caa1 and lower	CCC+ and lower	CCC+ and lower

A.3 Breakdown of secured credit exposures by type of guarantee

A.3.1 On-balance sheet and off-balance sheet secured credit exposures to banks

			Collateral (1)				Unsecured guarantees (2)									Total (1)+(2)
							Credit derivatives					Guarantees				
								Other derivatives								
(thousands of euro)	Gross exposure	Net exposure	Land and buildings - mortgages	Land and buildings - finance leases	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General governments	Banks	Other financial companies	Other	
1. Secured on-balance-sheet credit exposures:																
1.1 fully secured	9.505.947	9.479.810				2.385.805						7.094.005				9.479.810
- of which: non-performing																
1.2 partially secured	16.234	16.144			14.554											14.554
- of which: non-performing																
2. Secured off-balance-sheet credit exposures:																
2.1 fully secured	1.847	1.840										1.840				1.840
- of which: non-performing																
2.2 partially secured																
- of which: non-performing																

A.3.2 On-balance sheet and off-balance sheet secured credit exposures to customers

(thousands of euros)	Gross exposure	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1)+(2)
							Credit derivatives					Guarantees				
								Other derivatives								
			Land and buildings - mortgages	Land and buildings - finance leases	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General governments	Banks	Other financial companies	Other	
1. Secured on-balance-sheet credit exposures:																
1.1 fully secured	12.387.803	12.329.614	348.846		121.343	680.418						9.684.214	36.348		1.412.947	12.284.116
- of which: non-performing	*217.698*	*189.872*	*48.241*			*8.636*						*120.245*			*5.688*	*182.810*
1.2 partially secured	4.059.803	4.045.363			260	20.725						3.240.698	16.371		23.575	3.301.629
- of which: non-performing	*215.356*	*212.275*										*209.176*				*209.176*
2. Secured off-balance-sheet credit exposures:																-
2.1 fully secured	4.367.592	4.359.960	301.693			85.937						3.677.445			294.379	4.359.454
- of which: non-performing	*1.440*	*1.369*	*299*									*1.028*			*42*	*1.369*
2.2 partially secured	7.722.509	7.401.157				25.174						5.882.242			267.204	6.174.620
- of which: non-performing																-

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

There are no financial and non-financial assets obtained through the enforcement of collateral.

It should be noted that CDP holds equity instruments that were not previously granted by the debtor as collateral for loans disbursed but originate from the conversion of impaired financial assets, recognised in the financial statements at zero value under “Financial assets measured at fair value through other comprehensive income” when they were obtained and maintained at this value at 31 December 2021.

B. Breakdown and concentration of credit exposures

B.1 On-balance sheet and off-balance sheet credit exposures to customers by sector

(thousands of euro) Exposures/Counterparties	General governments		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance-sheet credit exposures										
A.1 Bad debts	2,759	(2,042)					65,804	(58,251)	97	(7)
- of which: forborne exposures										
A.2 Unlikely to pay	8,750	(37,201)					82,206	(11,443)	1,510	(108)
- of which: forborne exposures	*1,698*	*(1,698)*					*20,174*	*(7,893)*		
A.3 Non-performing past-due exposures	33,189	(4,520)					200,444	(2,169)	137	(6)
- of which: forborne exposures										
A.4 Performing exposures	305,470,877	(670,629)	6,602,124	(15,716)	1,773	(5)	20,668,653	(258,315)	18,183	(91)
- of which: forborne exposures							*455,792*	*(129,535)*		
Total (A)	**305,515,575**	**(714,392)**	**6,602,124**	**(15,716)**	**1,773**	**(5)**	**21,017,107**	**(330,178)**	**19,927**	**(212)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures	2,742	(304)					1,302	(64)		
B.2 Performing exposures	9,224,588	(339,235)	4,244,215	(6,701)			16,938,774	(103,191)	24,755	(58)
Total (B)	**9,227,330**	**(339,539)**	**4,244,215**	**(6,701)**			**16,940,076**	**(103,255)**	**24,755**	**(58)**
Total (A+B) at 31/12/2021	**314,742,905**	**(1,053,931)**	**10,846,339**	**(22,417)**	**1,773**	**(5)**	**37,957,183**	**(433,433)**	**44,682**	**(270)**
Total (A+B) at 31/12/2020	**315,047,637**	**(849,721)**	**11,170,744**	**(12,969)**	**2,320**	**(7)**	**35,053,502**	**(492,969)**	**22,434**	**(749)**

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

	Italy		Other European countries		Americas		Asia		Rest of the world	
(thousands of euro) Exposures/Geographical area	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance-sheet credit exposures										
A.1 Bad debts	68,660	(60,300)								
A.2 Unlikely to pay	92,466	(48,752)								
A.3 Non-performing past-due exposures	38,125	(4,719)					195,645	(1,976)		
A.4 Performing exposures	320,547,072	(919,460)	3,764,711	(14,066)	4,312,717	(4,737)	2,145,691	(2,527)	1,989,646	(3,961)
Total A	**320,746,323**	**(1,033,231)**	**3,764,711**	**(14,066)**	**4,312,717**	**(4,737)**	**2,341,336**	**(4,503)**	**1,989,646**	**(3,961)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures	4,044	(368)								
B.2 Performing exposures	20,998,718	(436,910)	1,645,702	(1,442)	5,601,815	(5,962)	1,734,771	(1,846)	451,326	(3,025)
Total (B)	**21,002,762**	**(437,278)**	**1,645,702**	**(1,442)**	**5,601,815**	**(5,962)**	**1,734,771**	**(1,846)**	**451,326**	**(3,025)**
Total (A+B) at 31/12/2021	**341,749,085**	**(1,470,509)**	**5,410,413**	**(15,508)**	**9,914,532**	**(10,699)**	**4,076,107**	**(6,349)**	**2,440,972**	**(6,986)**
Total (A+B) at 31/12/2020	**342,123,841**	**(1,331,283)**	**4,699,573**	**(4,900)**	**8,195,515**	**(8,780)**	**4,039,724**	**(5,003)**	**2,235,664**	**(6,442)**

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

	Italy		Other European countries		Americas		Asia		Rest of the world	
(thousands of euro) Exposures/Geographical area	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance-sheet credit exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due exposures										
A.4 Performing exposures	35,834,386	(37,669)	2,876,326	(425)			25,177		21,221	(5,947)
Total (A)	**35,834,386**	**(37,669)**	**2,876,326**	**(425)**			**25,177**		**21,221**	**(5,947)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures										
B.2 Performing exposures	555,070	(1,266)	187,524						88,651	
Total (B)	**555,070**	**(1,266)**	**187,524**						**88,651**	
Total (A+B) at 31/12/2021	**36,389,456**	**(38,935)**	**3,063,850**	**(425)**			**25,177**		**109,872**	**(5,947)**
Total (A+B) at 31/12/2020	**37,595,153**	**(48,977)**	**3,792,372**	**(341)**			**28,673**		**21,307**	**(629)**

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 2021, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged. It should be noted that the loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph B.2, Appendix B, of IFRS 1, which requires first-time adopters to apply rules for the prospective derecognition of financial assets for transactions effected as from 1 January 2004.

Quantitative disclosures

C.5 Servicer activities - own securitisations: collections on securitised assets and redemption of securities issued by the securitisation vehicle

	Securitised assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					senior		mezzanine		junior	
Securitisation vehicle	Non-performing	Performing	Non-performing	Performing	non-performing assets	performing assets	non-performing assets	performing assets	non-performing assets	performing assets
CPG - Società di cartolarizzazione a r.l.		25,000		31,804						

D. Disclosure of unconsolidated structured entities (other than securitisation vehicles)

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

E. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

Financial assets assigned but not derecognised mainly consist of Government securities classified as “Financial assets measured at fair value through other comprehensive income”, and “Financial assets measured at amortised cost”, underlying repurchase agreements.

Quantitative disclosures

E.1 Financial assets assigned recognised in full and associated financial liabilities: carrying amounts

	Financial assets assigned recognised in full				Financial liabilities associated		
(thousands of euro)	Book value	of which: subject to securisation	of which: subject to sales agreements with repurchase arrangements	of which: impaired	Book value	of which: subject to securisation	of which: subject to sales agreements with repurchase arrangements
A. Financial assets held for trading				**X**			
1. Debt securities				X			
2. Equity securities				X			
3. Loans				X			
4. Derivatives				X			
B. Non-trading financial assets mandatorily measured at fair value							
1. Debt securities							
2. Equity securities				X			
3. Loans							
C. Financial assets designated at fair value							
1. Debt securities							
2. Loans							
D. Financial assets measured at fair value through other comprehensive income	**3,602,131**		**3,602,131**		**3,586,455**		**3,586,455**
1. Debt securities	3,602,131		3,602,131		3,586,455		3,586,455
2. Equity securities				X			
3. Loans							
E. Financial assets measured at amortised cost	**46,220,928**		**46,220,928**		**48,586,950**		**48,586,950**
1. Debt securities	46,220,928		46,220,928		48,586,950		48,586,950
2. Loans							
Total 31/12/2021	**49,823,059**		**49,823,059**		**52,173,405**		**52,173,405**
Total 31/12/2020	**38,793,270**		**38,793,270**		**40,074,879**		**40,074,879**

E.2 Financial assets assigned partially recognised and associated financial liabilities: carrying amounts

There are no financial assets assigned partially recognised.

E.3 Disposals with liabilities with recourse only on assets assigned but not derecognised: fair value

(thousands of euro)	Fully recognised	Partially recognised	Total 31/12/2021	Total 31/12/2020
A. Financial assets held for trading				
1. Debt securities				
2. Equity securities				
3. Loans				
4. Derivatives				
B. Other financial assets mandatorily at fair value				
1. Debt securities				
2. Equity securities				
3. Loans				
C. Financial assets designated at fair value				
1. Debt securities				
2. Loans				
D. Financial assets measured at fair value through other comprehensive income	**3,602,131**		**3,602,131**	**2,572,754**
1. Debt securities	3,602,131		3,602,131	2,572,754
2. Equity securities				
3. Loans				
E. Financial assets measured at amortised cost (fair value)	**48,365,046**		**48,365,046**	**39,362,133**
1. Debt securities	48,365,046		48,365,046	39,362,133
2. Loans				
Total financial assets	**51,967,177**		**51,967,177**	**41,934,887**
Total associated financial liabilities	**52,173,405**		**52,173,405**	**40,074,879**
Net value 31/12/2021	**(206,228)**		**(206,228)**	**X**
Net value 31/12/2020	**1,860,008**		**X**	**1,860,008**

B. Financial assets assigned and derecognised with recognition of continuing involvement

There are no transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

C. Financial assets assigned and derecognised

At the reporting date, there were no transactions involving the assignment of credit exposures through the issue of financial instruments partially subscribed by CDP.

D. 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 2021, CDP did not undertake any transactions qualifying for allocation to the supervisory trading book.

2.2 Interest rate risk and price risk - Banking book

Qualitative disclosures

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

As a result of its operations, CDP is exposed to interest rate risk under all its forms: repricing, yield curve, basis and option risk. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk in the banking book.

These risks can affect both the earnings and the economic value of CDP.

CDP faces a substantial level of interest rate risk due to the presence of large unhedged volumes of assets and liabilities pre-existing before its transformation into a joint-stock company and to its balance sheet structure: a considerable portion of CDP's liabilities consists of Ordinary fixed-rate Postal Bonds with an early redemption option, while the asset side mainly comprises fixed-rate loans. Other types of postal savings bonds also embed an early redemption option, whose value is significantly affected by interest rates and inflation changes.

The basic approach taken by CDP to measuring and managing interest rate risk is an "economic value" perspective, which complements the "earnings-based" perspective. The economic value perspective corresponds to the long-term representation of the earnings-based perspective, as the economic value of the firm is essentially equal to the discounted flows of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and to major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and complex indicators representing the economic capital needed given its risk profile.

This monitoring approach is translated into the calculation of value at risk (VaR), which CDP measures using historical simulations methods.

To quantify and monitor the interest rate risk in the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to the internal capital adequacy assessment process with regard to risks in the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is then used for backtesting, thanks to its larger sample dataset available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. Despite the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes it possible, through the backtesting process, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risks. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. Furthermore, more granular limits set by the Chief Executive Officer are in place.

CDP also assesses the impact of interest rate risk on earnings for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "natural hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance function.

The measurement and the monitoring of interest rate risk are performed by Risk Management and discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methodology and receives periodic reporting on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with equities, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR provides 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 potential loss over time. It is calculated based on hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments in the long term.

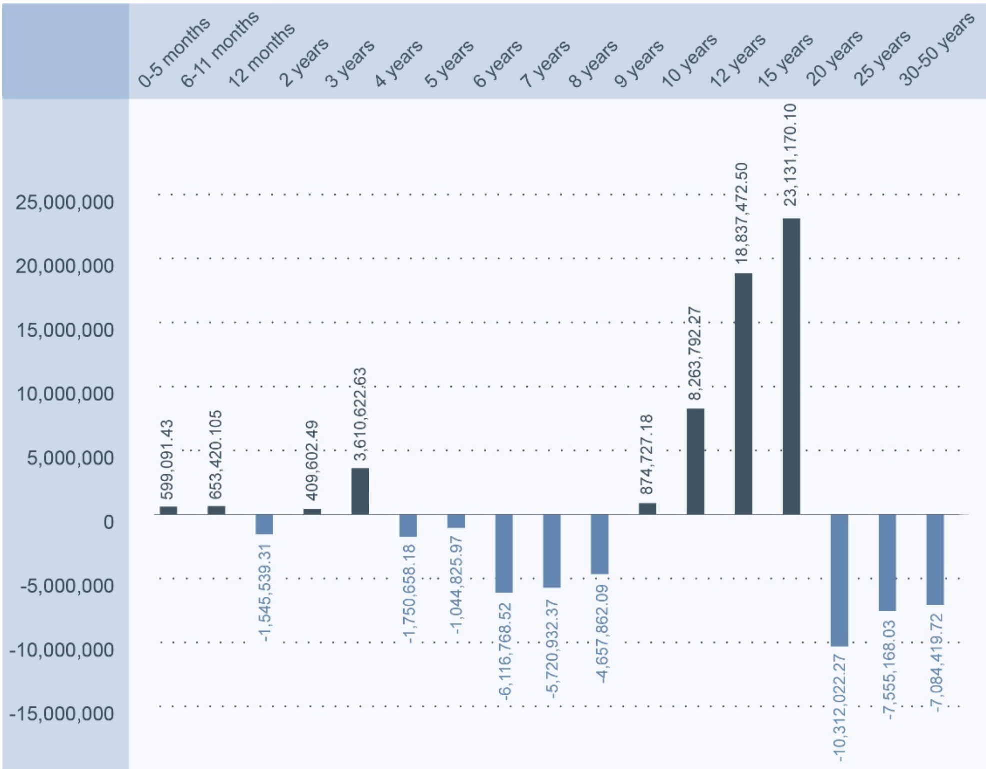
Quantitative disclosures

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

The following figure shows an analysis of CDP's interest rate risk sensitivity based on internal models, in line with the economic value approach.

Sensitivity to zero-coupon rates by maturity: increase of 1 basis point

Market figures at 31/12/2021



Sensitivity to zero-coupon rates: parallel increase/decrease of 100 basis points

Market figures at 31/12/2021

Interest rate scenario	Effect on Economic Value
Parallel shock up of 100 bps	EUR +695 million
Parallel shock down of 100 bps	EUR -1,410 million

2.3 Exchange rate risk

Qualitative disclosures

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

Exchange rate risk is the risk whereby changes in exchange rates might have a negative impact on the profitability and/or the economic value of CDP.

Some activities of CDP can generate exchange rate risk. CDP undertakes such activities only if covered by appropriate exchange rate hedges. When uncertain disbursements and/or early repayment options exist, the hedging strategy might leave a small portion of the exchange rate risk unhedged.

The activities of CDP that can generate exchange rate risk are normally associated with the issue of bonds denominated in foreign currencies, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the “Export Bank” system.

B. Hedging exchange rate risk

With regard to the exposure to the US Dollar, there is a residual component of unhedged exchange rate risk at 31 December 2021. This is mainly associated with refinancing operations of assets denominated in US dollars, in the short and medium term.

With regard to the exposure to the Yen, the exchange rate risk arising from a bond issue denominated in Yen is fully hedged through a Cross Currency Swap, which makes the net cash flows paid by CDP equivalent to those of a fixed-rate issue denominated in Euro.

With regard to the exposure to the Renminbi, there is a residual component of unhedged exchange rate risk at 31 December 2021, linked to the reinvestment of the liquidity raised through a bond issue in that currency completed in 2019.

Impacts of the COVID-19 pandemic

With regard to CDP’s exposure to market risks, the continuation of the COVID-19 pandemic has not generated impacts other than those previously reported, as these types of events fall within the risks already assessed and monitored.

Without prejudice to the uncertainty regarding the prospective impacts of the health emergency, at present there is no evidence that could indicate a significant increase in these risks.

Quantitative disclosures

1. Breakdown of assets, liabilities and derivatives by currency

(thousands of euro)

Items	Currency		
	US dollar	Chinese renminbi	Yen
A. Financial assets	**4,726,234**	**115,337**	
A.1 Debt securities	427,001		
A.2 Equity securities			
A.3 Loans to banks		16,144	
A.4 Loans to customers	4,299,233	99,193	
A.5 Other financial assets			
B. Other assets			
C. Financial liabilities	**1,441,530**	**141,380**	**57,727**
C.1 Due to banks	1,305,783		
C.2 Due to customers			
C.3 Debt securities	135,747	141,380	57,727
C.4 Other financial liabilities			
D. Other liabilities			
E. Financial derivatives:			
- Options			
+ long positions			
+ short positions			
- Other derivatives			
+ long positions			57,524
+ short positions	3,315,254		
Total assets	**4,726,234**	**115,337**	**57,524**
Total liabilities	**4,756,784**	**141,380**	**57,727**
Difference (+/-)	**(30,550)**	**(26,043)**	**(203)**

SECTION 3 – The derivatives and hedging policies

3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: period-end notional values

(thousands of euro)	31/12/2021				31/12/2020			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
Underlying assets/Type of derivatives	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets
1. Debt securities and interest rates		**4,692,721**	**40,000**			**5,192,350**	**40,000**	
a) Options								
b) Swaps		4,692,721	40,000			5,192,350	40,000	
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		**3,138,669**				**1,782,224**		
a) Options								
b) Swaps		1,824,878				235,692		
c) Forwards		1,313,791				1,546,532		
d) Futures								
e) Other								
4. Commodities								
5. Other								
Total		**7,831,390**	**40,000**			**6,974,574**	**40,000**	

A.2 Financial derivatives held for trading: gross positive and negative fair value – breakdown by product

(thousands of euro)	31/12/2021				31/12/2020			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
Type of derivatives	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets
1. Positive fair value								
a) Options								
b) Interest rate swap		198,944	12,667			160,282	17,360	
c) Cross currency swap		18,088				28,357		
d) Equity swap								
e) Forward		2,660				32,761		
f) Future								
g) Other								
Total		**219,692**	**12,667**			**221,400**	**17,360**	
2. Negative fair value								
a) Options								
b) Interest rate swap		211,615				209,820		
c) Cross currency swap		28,075						
d) Equity swap								
e) Forward		11,316						
f) Future								
g) Other								
Total		**251,006**				**209,820**		

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair values by counterparty

(thousands of euro)

Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			40,000
- positive fair value	X			12,667
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value		2,317,086	1,261,635	1,114,000
- positive fair value		18,187	4,101	176,656
- negative fair value		178,849	28,666	4,101
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		2,418,133	720,536	
- positive fair value		12,309	8,439	
- negative fair value		32,433	6,957	
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 Residual life of OTC financial derivatives held for trading: notional values

(thousands of euro)

Underlying assets/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	1,571,264	2,215,457	946,000	4,732,721
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on foreign currencies and gold	3,138,669			3,138,669
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total at 31/12/2021	**4,709,933**	**2,215,457**	**946,000**	**7,871,390**
Total at 31/12/2020	**2,894,224**	**3,034,350**	**1,086,000**	**7,014,574**

B. Credit derivatives

There were no credit derivatives.

3.2 Accounting hedges

Within the scope of its Asset Liability Management policies, CDP, where possible, makes use of “natural hedges” between assets and liabilities exposed to the same risks, also with a view to minimising the recourse to hedging through derivatives.

CDP's transactions in derivatives have the sole purpose of risk hedging, mainly for interest rate, exchange rate and liquidity risk, usually designated as accounting hedges under IAS 39.

In residual cases, CDP uses derivatives designated as operational hedges, monitored according to a framework established under the provisions of the EMIR. In this context, with a view to protecting against the liquidity, interest rate and exchange rate risks associated with managing the portfolio of assets denominated in US dollars (granting of loans as part of the Export Bank system and purchase of bonds), at the end of 2021 CDP had in place hedges through Cross Currency Swaps, Repos and Forex Swaps.

A. Fair value hedges

Fair value hedges are applied when the exposure to a specific risk leads to a change in fair value of assets or liabilities which impacts on profits and losses. CDP implements both micro and macro fair value hedges.

In the micro fair value hedge, the hedged item is one or more individually selected contracts, exposed proportionately to the same risk and hedged with one or more derivatives. In some cases, the hedged item is a subset of the cash flows of these contracts, specifically selected according to duration and/or amount (partial term hedge). CDP applies micro hedges in the Separate Account and Ordinary Account, to:

- fixed-rate loans (loans/mortgages);
- fixed-rate asset securities, possibly inflation-linked;
- liability bonds, at fixed rate or indexed to swap rates.

In the macro fair value hedge, the hedged item consists of portfolios of homogeneous loans in Separate Account exposed to interest rate risk. These hedges differ from micro hedges since the hedged item does not match the flows (or part of the flows) of a specific loan that is being hedged (or an aggregate of similar loans), and the explicit relationship between hedged loan and hedging derivative loses significance.

Fair value hedges are performed through the use of Interest Rate and Asset Swap derivatives, which provide for the exchange of the interest payments of the hedged item with floating-rate interest payments that are usually linked to the 6M Euribor index or, to a lesser extent and for specific ALM purposes, to the 3M Euribor and 6M USD Libor indices.

B. Cash flow hedges

Cash flow hedges are risk hedges associated with the variability of cash flows, whose objective is the stabilisation of expected flows. CDP implements the following cash flow accounting hedges in relation to:

- EUR/USD exchange rate risk of asset securities in the Separate Account;
- EUR/JPY exchange rate risk of liability bonds in the Separate Account;
- interest rate risk of liability bonds in the Separate Account and Ordinary Account;
- inflation rate risk of asset securities in the Separate Account;
- sale or purchase price fluctuation risk of asset securities in the Separate Account.

Exchange rate risk hedges are performed through the use of Cross Currency Swaps which exchange the foreign currency flows of the securities with fixed-rate cash flows in euro.

Interest-rate risk hedges are performed by using Interest Rate and Asset Swaps which exchange cash flows indexed to the Euribor (3M or 6M) or the European inflation index with fixed-rate cash flows in euro.

Price fluctuation risk hedges are performed by using Bond Forward instruments.

C. Hedging of foreign investments

Currently there are no foreign investment hedges.

D. Hedging instruments

The hedging instruments used by CDP for fair value hedge strategies are mainly vanilla Interest Rate Swaps which exchange fixed-rate flows with floating-rate flows indexed to the Euribor, plus any market spread. It is also likely that the derivatives provide for the collection or payment of upfront premiums.

The hedging swaps of loans in micro fair value hedging relationships have amortising profiles that mirror those of the loans/securities or groups of similar loans hedged, generally with spot starting date. Swaps originated as macro hedges typically have bullet or amortizing profiles also typically with a spot start date. Where there is a need to cover specific time segments, both in the micro (partial term hedge) and in the macro fair value hedge, it is possible to use derivatives with a forward start date. All swaps have payment frequency that is the same as the refixing frequency, except in some cases for any initial or final periods.

The hedge of cash flow variability due to the exchange rate, interest rate and inflation rate risks is obtained by using Interest Rate, Asset and Cross Currency Swaps which have amortising profiles and payment frequencies that mirror those of securities hedged. Bond Forward instruments are used to hedge the price risk.

All hedging derivatives are traded Over the Counter (OTC), and include netting to reduce exposure, together with the high frequency exchange of collateral. In most cases, this takes place as part of bilateral agreements entered into with market counterparties and, residually, through netting with central counterparties.

E. Hedged items

The existing accounting hedges at the end of 2021 were carried out on asset and liability items, such as loans, receivables and bonds.

Within the scope of fair value hedges, hedged items are typically represented by dummy instruments with cash flows representing the hedged risk, namely only the part of the cash flows at market level at the time of the hedge. This results in an item that presents:

- capital flows of the hedged bond/loan;
- interest flows of the hedged bond/loan net of the hedge spread;
- in the event of IRS with forward starting date, an initial capital outflow, equal to the nominal value of the swap on the start date.

In cash flow hedges, the hedged items are generally represented by using the hypothetical derivative method, i.e. the derivative that is the ideal hedging instrument for the risks being hedged and whose main terms are aligned with those of the hedged item, regardless of the hedge actually implemented and net of the counterparty risk inherent in the derivative closed on the market.

Quantitative disclosures

A. Financial derivatives held for hedging

A.1 Financial derivatives held for hedging: period-end notional values

(thousands of euro)	31/12/2021				31/12/2020			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
Underlying assets/Type of derivatives	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets
1. Debt securities and interest rates	**5,000**	**41,857,210**				**40,020,726**		
a) Options								
b) Swaps	5,000	40,754,283				39,861,566		
c) Forwards		1,102,927				159,160		
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		**234,111**				**1,443,273**		
a) Options								
b) Swaps		234,111				1,443,273		
c) Forwards								
d) Futures								
e) Other								
4. Commodities								
5. Other								
Total	**5,000**	**42,091,321**				**41,463,999**		

A.2 Financial derivatives held for hedging: gross positive and negative fair value – breakdown by product

(thousands of euro) Type of derivatives	Positive and negative fair value							
	31/12/2021				31/12/2020			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets
1. Positive fair value								
a) Options								
b) Interest rate swap	16	271,628				306,558		
c) Cross currency swap		667				138,129		
d) Equity swap								
e) Forward		3,742						
f) Future								
g) Other								
Total	**16**	**276,037**				**444,687**		
2. Negative fair value								
a) Options								
b) Interest rate swap		3,065,143				4,306,177		
c) Cross currency swap		8,518				12,020		
d) Equity swap								
e) Forward		17				2,768		
f) Future								
g) Other								
Total		**3,073,678**				**4,320,965**		

A.3 OTC financial derivatives held for hedging: notional values, gross positive and negative fair values by counterparty

(thousands of euro)

Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	5,000	34,262,499	7,594,711	
- positive fair value	16	174,865	100,505	
- negative fair value		2,352,359	712,800	
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		145,817	88,294	
- positive fair value			667	
- negative fair value		8,519		
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 Residual life of OTC financial derivatives held for hedging: notional values

(thousands of euro)

Underlying assets/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	4,759,432	10,208,262	26,894,516	41,862,210
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on foreign currencies and gold		88,292	145,819	234,111
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total at 31/12/2021	**4,759,432**	**10,296,554**	**27,040,335**	**42,096,321**
Total at 31/12/2020	**4,959,811**	**9,739,516**	**26,764,672**	**41,463,999**

B. Credit derivatives held for hedging purposes

There were no credit derivatives.

3.3 Other information on derivatives (held for trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

(thousands of euro)	Central counterparties	Banks	Other financial companies	Other
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	5,000	36,579,585	8,856,346	1,154,000
- net positive fair value	16	193,053	104,605	189,323
- net negative fair value		2,531,209	741,466	4,101
2) Equity securities and equity indices				
- notional value				
- net positive fair value				
- net negative fair value				
3) Foreign currencies and gold				
- notional value		2,563,950	808,830	
- net positive fair value		12,309	9,106	
- net negative fair value		40,951	6,958	
4) Commodities				
- notional value				
- net positive fair value				
- net negative fair value				
5) Other				
- notional value				
- net positive fair value				
- net negative fair value				
B. Credit derivatives				
1) Protection purchases				
- notional value				
- net positive fair value				
- net negative fair value				
2) Protection sales				
- notional value				
- net positive fair value				
- net negative fair value				

SECTION 4 - LIQUIDITY RISK

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of liquidity risk

Liquidity risk arises in the form of "asset liquidity risk[61]" and "funding liquidity risk[62]".

Since CDP does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk is limited.

In view of the dominant weight of demand deposits (savings accounts) and of bonds redeemable on demand (postal savings bonds) on the liability side of the Separate Account, for CDP liquidity risk becomes significant mainly in the form of funding liquidity risk.

In order to ensure that any uncontrolled run-off scenario remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of postal savings reputation with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, Risk Management (RM) monitors a lower limit on the stock of liquid assets together with a number of aggregates that represent the capacity of CDP to cope with potential crisis. As an operational protection measure for liquidity risk, CDP has adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected 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 function, and monitoring liquidity gaps at short, medium and long term, which is performed by RM.

Management of treasury activities by the Finance department enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

As a further control, for both the Separate and the Ordinary Account, RM monitors the incremental liquidity available in a stress scenario through transactions with the European Central Bank and by refinancing liquid assets with market counterparts.

In addition to the monitoring tools described, RM performs a stress test to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

Impacts of the COVID-19 pandemic

With regard to CDP's exposure to liquidity risk, the continuation of the COVID-19 pandemic has not generated impacts other than those previously reported, as these types of events fall within the risks already assessed and monitored.

Since the start of the health emergency, CDP has intensified its monitoring of this area, with the aim of promptly detecting any situations at risk and evaluating corrective action.

Without prejudice to the uncertainty regarding the prospective impacts of the health emergency, there is currently no evidence to suggest an increase in the risk of CDP being unable to meet its commitments.

[61] Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of selling assets on the market without significantly reducing their price.

[62] Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or selling assets held.

Quantitative disclosures

1. Breakdown of financial assets and liabilities by residual maturity

(thousands of euro) Items/Maturities	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3	More than 3 months to 6	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	**163.526.549**	**7.943**	**63.175**	**156.307**	**3.582.198**	**3.083.264**	**8.201.420**	**52.037.653**	**117.559.264**	**21.656.145**
A.1 Government securities		7.663	115	28.381	3.232.217	2.169.621	4.574.193	22.011.241	31.373.455	
A.2 Other debt securities	31.867	280	7.015	2.858	157.520	623.564	617.362	3.892.979	5.548.779	
A.3 Units in collective investment undertakings	3.452.664									
A.4 Loans	160.042.018		56.045	125.068	192.461	290.079	3.009.865	26.133.433	80.637.030	21.656.145
- banks	20.988				2.749	1.375	530.378	3.248.881	9.455.855	21.656.145
- customers	160.021.030		56.045	125.068	189.712	288.704	2.479.487	22.884.552	71.181.175	
B. On-balance-sheet liabilities	**109.213.259**	**27.705.330**	**3.755.637**	**2.042.108**	**9.873.709**	**11.343.627**	**12.221.627**	**180.573.183**	**25.647.040**	
B.1 Deposits and current accounts	108.920.153	260.984	2.558.735	720.573	4.524.904	6.347.557	6.553.619	157.551.982	10.446.764	
- banks	1.915.939					314.228	616.203	470.857	75.177	
- customers	107.004.214	260.984	2.558.735	720.573	4.524.904	6.033.329	5.937.416	157.081.125	10.371.587	
B.2 Debt securities				344.146	2.960.000	1.295.000	1.908.991	8.233.292	6.756.524	
B.3 Other liabilities	293.106	27.444.346	1.196.902	977.389	2.388.805	3.701.070	3.759.017	14.787.909	8.443.752	
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital										
- long positions			468.560	230.594	688.887	2.751.468		90.752	148.244	
- short positions					282.937	2.855.732		1.163.292	145.461	
C.2 Financial derivatives without exchange of capital										
- long positions	12.667				37.695	45.678	128.032			
- short positions	12.667		345	1.505	20.802	179.727	121.445			
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions	22.189.947						4.250.000		1.250.000	
- short positions	22.189.947						4.250.000		1.250.000	
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

SECTION 5 - OPERATIONAL RISKS

Qualitative disclosures

Details of the "Qualitative disclosures" can be found in Part E of the Notes to the Consolidated Financial Statements.

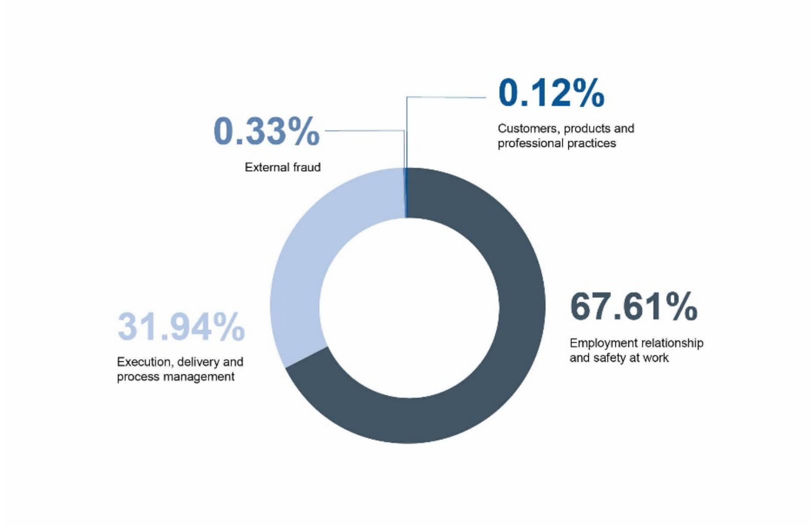
Quantitative disclosures

The chart below gives the breakdown by event type, showing the number and the impact in 2021, based on the event type classification scheme established by the New Basel Capital Accord.

% breakdown by number of events (actual and near-miss losses)

In 2021, the events identified with greater frequency were of the “Execution, delivery and process management” type, referring to losses arising mainly from executing and completing transactions.

% breakdown by accounting amount recorded



During 2021, the most significant type of event, in terms of impact, was “Employment practices and workplace safety”.

Impacts of the COVID-19 pandemic

The continuation of the COVID-19 pandemic requires constant attention to be paid to the potential operational risks already mapped and monitored. In particular, the following key risk areas have been identified:

- cybersecurity, due to a possible intensification of cyber attacks in view of the higher levels of remote working and the mass use of technological tools which could make business processes more vulnerable;
- continuity of business processes, due to a potential unavailability of critical system providers;
- potential staff shortages, temporary or not, due to illness.

In 2021, no particular issues were identified in any of these areas, which are monitored on an ongoing basis.

Legal disputes

Civil and administrative disputes

At 31 December 2021, there are 113 pending disputes in civil and administrative matters in which CDP is a defendant, for a total amount of approximately 214.4 million euro.

With reference to the above-mentioned disputes, there are 45 disputes with a risk of a ruling against the company estimated to be probable. Of these: (i) 30 refer to positions relating to Postal Savings products amounting to approximately 217 thousand euro; (ii) 10 refer to credit positions amounting to approximately 174 million euro; (iii) 5 refer to other civil and administrative law issues amounting to approximately 720 thousand euro.

There are also 37 disputes with a risk of a ruling against the company estimated to be possible. Of these: (i) 13 refer to positions relating to Postal Savings products amounting to approximately 126 thousand euro; (ii) 10 refer to credit positions amounting to approximately 27.8 million euro; (iii) 14 refer to other civil and administrative law issues amounting to approximately 775 thousand euro.

With reference to ongoing disputes, at 31 December 2021 a provision for risks and charges was set up amounting to approximately 54.7 million euro.

Labour law disputes

At 31 December 2021, there were 19 pending pre-disputes and disputes in labour matters in which CDP is a defendant, for which provisions were made for a total of about 4 million euro.

PART F – CAPITAL

Section 1 - Capital

QUALITATIVE DISCLOSURES

As indicated in the introduction, CDP is subject to “informational” supervision only. Therefore, it is not required to indicate own funds, capital adequacy ratios and the related information.

PART G - BUSINESS COMBINATIONS

During the year, no business combinations or intragroup extraordinary transactions, i.e. between entities subject to the same control, were carried out.

PART H – TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

Directors' and statutory auditors' remuneration

(thousands of euro)	31/12/2021
a) Board of Directors	918
b) Board of Statutory Auditors	217
Total	**1,135**

Remuneration of other key management personnel

(thousands of euro)	31/12/2021
(a) short-term benefits	5,202
(b) post-employment benefits	540
(c) other long-term benefits	
(d) severance benefits	
(e) share-based payments	
Total	**5,742**

Remuneration paid to the Board of Directors and the Board of Statutory Auditors

(thousands of euro)

Name and surname	Position		Period in office	End of term (*)	Compensation and bonuses	
Directors in office at 31 December 2021						
Giovanni Gorno Tempini	Chairman	(note 1)	01/01/2021-31/12/2021	2023	295	
Dario Scannapieco	Chief Executive Officer	(note 2)	27/05/2021-31/12/2021	2023	104	
Fabrizia Lapecorella	Director	(note 1)	01/01/2021-31/12/2021	2023	(**)	
Fabiana Massa Felsani	Director	(note 1)	01/01/2021-31/12/2021	2023	41	
Anna Girello Garbi	Director	(note 2)	27/05/2021-31/12/2021	2023	33	(note 5)
Giorgio Toschi	Director	(note 2)	27/05/2021-31/12/2021	2023	27	(note 5)
Livia Amidani Aliberti	Director	(note 2)	27/05/2021-31/12/2021	2023	-	(note 5)
Matteo Melley	Director	(note 1)	01/01/2021-31/12/2021	2023	41	
Alessandra Ruzzu	Director	(note 1)	01/01/2021-31/12/2021	2023	41	
Supplementary members for administration of Separate Account (Article 5.8, Decree law 269/2003) in office at 31 December 2021						
Pier Paolo Italia	Director	(note 3)	01/01/2021-31/12/2021	2023	(**)	
Alessandro Rivera	Director	(note 4)	01/01/2021-31/12/2021	2023	(**)	
Paolo Calvano	Director		28/06/2021-31/12/2021	2023	23	(note 6)
Antonio Decaro	Director		01/01/2021-27/05/2021 and 08/06/2021-31/12/2021	2023	40	
De Pascale Michele	Director		01/01/2021-27/05/2021 and 08/06/2021-31/12/2021	2023	40	
Directors with office ceased in 2021						
Luigi Paganetto	Vice Chairman		01/01/2021-27/05/2021		14	
Fabrizio Palermo	Chief Executive Officer		01/01/2021-27/05/2021		683	(note 7)
Carlo Cerami	Director		01/01/2021-27/05/2021		14	
Francesco Floro Flores	Director		01/01/2021-27/05/2021		14	
Supplementary members for administration of Separate Account (Article 5.8, Decree law 269/2003) with office ceased in 2021						
Davide Carlo Caparini	Director		01/01/2021-27/05/2021		14	
Statutory Auditors						
Carlo Corradini	Chairman		01/01/2021-31/12/2021	2021	46	
Enrica Salvatore	Auditor		01/01/2021-31/12/2021	2021	9	(note 8)
Franca Brusco	Auditor		01/01/2021-31/12/2021	2021	32	(note 9)
Mario Romano Negri	Auditor		01/01/2021-31/12/2021	2021	36	
Giovanni Battista Lo Prejato	Auditor		01/01/2021-31/12/2021	2021	(**)	

(*) 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) Director confirmed in office by the CDP Shareholders' Meeting of 27 May 2021, which appointed the new Board of Directors, whose term of office expires on the date of approval of the financial statements at 31 December 2023. The remuneration refers to the entire year 2021.
(2) Directors appointed by the CDP Shareholders' Meeting of 27 May 2021 that appointed the new Board of Directors, whose term of office expires on the date of approval of the financial statements at 31 December 2023. The remuneration indicated refers to the period from 27 May to 31 December 2021.
(3) Delegate of the State Accountant General.
(4) Director General of the Treasury.
(5) The remuneration shown is inclusive of VAT.
(6) The remuneration, amounting to approximately 33 thousand euro including VAT, has not yet been paid as at 31 December 2021.
(7) The remuneration shown includes MBO for the year 2020, Long-Term Incentive for the period 2018-2020, compensation for the dismissal and severance indemnity.
(8) The remuneration, amounting to approximately 9 thousand euro including VAT, refers to the period from 1 January to 31 March 2021. The remaining remuneration for the period from 1 April to 31 December 2021, amounting to approximately 35 thousand euro including VAT, has not been paid as at 31 December 2021.
(9) The remuneration, amounting to approximately 32 thousand euro including VAT, refers to the period from 1 January to 30 September 2021. The remaining remuneration for the period from 1 October to 31 December 2021, amounting to approximately 12 thousand euro including VAT, has not been paid as at 31 December 2021.

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 2021.

(thousands of euro)

Items		Ministry for the Economy and Finance	CDP subsidiaries and associates	MEF subsidiaries and associates	Other	Total transaction with related parties
Assets	Financial assets measured at fair value through profit or loss		176,656			176,656
	Financial assets measured at fair value through other comprehensive income	11,351,529	344,164	141,865		11,837,558
	Financial assets measured at amortised cost	236,287,564	518,073	5,368,736		242,174,373
	Other assets	621,590	71,564	31	308	693,492
Liabilities	Financial liabilities measured at amortised cost*	6,682,915	10,661,429	12		17,344,356
	Financial liabilities held for trading		9,071			9,071
	Other liabilities	2,786	355,436	908		359,130
	Provisions for risks and charges	11,700	2,621	2,737		17,058
Off-Balance Sheet	Commitments and guarantees issued	3,168,126	6,009,665	1,349,186		10,526,977
	Other		670,749			670,749
Income statement	Interest income and similar revenues	5,500,680	13,715	82,788		5,597,183
	Interest expense and similar charges	(10,345)	(31,437)	(46)		(41,828)
	Commission income	279,369		2,307		281,676
	Commission expense	(4,911)	(1,321,733)			(1,326,644)
	Net gain (loss) on trading activities	3,910	69,438	1,617		74,966
	Gains (Losses) on disposal of financial assets	(7)		25		18
	Net adjustments/ recoveries for credit risk	4,278	1,035	8,476		13,789
	Administrative expenses:					
	a) staff costs	(38)	7,767		258	7,987
	b) other administrative expenses	1,121	(2,111)			(990)
	Net provisions for risks and charges	(4,731)	1,858	1,572		(1,301)
	Other operating income (costs)	14,812	4,720	19	(5,524)	14,028

(*) Securities issued shown under liabilities exclusively comprise securities held by the subsidiaries, which are relevant at consolidation, and securities subscribed by associated companies in the context of private placements.

The main transactions conducted with the Ministry of Economy and Finance were related to cash held on an account with the Treasury, and to lending transactions, government securities recognised as financial assets, and management of MEF's liquidity (OPTES).

The investment in government securities is recognised in the following items:

- "financial assets measured at fair value through other comprehensive income", of about 11.4 billion euro;
- "financial assets measured at amortised cost", of about 53.7 billion euro.

The item "financial assets measured at amortised cost" also includes the cash and cash equivalents held with the Central State Treasury, on the interest-bearing current account no. 29814, for approximately 157 billion euro (of which 1.4 billion euro will be credited after the reporting date) and receivables mainly related to funding activities, of about 25.3 billion euro.

For 2021, the cash and cash equivalents deposited with the State Treasury is remunerated at a rate equal to the lower of the cost of Postal Savings incurred by CDP and the average cost of the stock (balance) of national government securities.

The item "financial liabilities at amortised cost - b) due to customers" mainly refers to the balance of MEF's liquidity management transactions (OPTES) (around 5 billion euro) and amounts not yet disbursed at the end of the financial year on loans being repaid (approximately 1.3 billion euro).

"Commitments and guarantees issued" includes the balance of residual loan commitments and financial guarantees issued, which amounted to around 3.2 billion euro at year-end.

The income statement reports Interest income and similar revenues for approximately 5.5 billion euro and commission income for approximately 279 million euro. Commission income is due primarily to the fees, established with dedicated agreements, for the management of loans and postal savings products owned by the MEF and funds dedicated to the financing of particular economic sectors.

Transactions with subsidiaries and direct associates, and other related parties

Financial assets measured at fair value through profit or loss:

The item mainly includes the positive fair value of the outstanding swap contracts Sace S.p.A. CDP has implemented an operational hedge of these derivatives by taking out mirror swaps.

Financial assets measured at fair value through other comprehensive income

One of the most important entries of this item is the bond issued by CDP Reti S.p.A. and subscribed by CDP in May 2015, for around 344 million euro.

Financial assets measured at amortised cost - a) loans to banks:

The most significant exposure in loans to banks is with Banca Monte dei Paschi di Siena S.p.A., for approximately 1.6 billion euro, relating mainly to loans disbursed under the various funds for catastrophic events, for SMEs and for Housing.

Financial assets measured at amortised cost - b) loans to customers:

The most significant exposures in loans to customers, which mainly consist in loans and debt securities, relate to: Ferrovie dello Stato Italiane S.p.A., around 1.8 billion euro and E-distribuzione S.p.A. for about 635 million euro.

Other assets:

The amounts relate mainly to receivables resulting from joining the "national fiscal consolidation" mechanism, for the supply of outsourcing services, the recovery of expenses for seconded personnel and receivables for attached personnel.

Financial liabilities measured at amortised cost - b) due to customers:

The item includes mainly CDP's funding resulting from the centralisation of the treasury of Group Companies. The most significant amounts refer to SACE S.p.A., for around 5.9 billion euro, and Fintecna S.p.A., for around 1.1 billion euro.

Financial liabilities measured at amortised cost - c) securities issued:

The previous table shows exclusively securities issued by CDP known to be held by subsidiaries by virtue of the information received during consolidation. These are EMTN securities issued by CDP and held by SACE S.p.A. amounting to 300 million euro and four bonds, also issued by CDP S.p.A. and subscribed by Poste Italiane S.p.A., worth a total of about 3 billion euro.

Other liabilities:

The item includes mainly the liability towards Poste Italiane S.p.A. for the outstanding share of the commission for the collection of postal savings products and the liabilities resulting from the Group Companies joining the national fiscal consolidation mechanism.

Commitments and guarantees issued:

This item reports the loan commitments and financial guarantees issued. The most significant exposures refer to: Poste Italiane S.p.A., around 4.3 billion euro; SACE Fct S.p.A., 1.2 billion euro and Ferrovienord S.p.A., around 650 million euro.

Other off-balance sheet items

Other off-balance sheet items refer primarily to securities received as a deposit from CDP Equity S.p.A., CDP Reti S.p.A. and FSI Investimenti S.p.A.

Interest income and similar income:

The amounts refer primarily to interest for 2021 accrued on loans granted to counterparties and debt securities held in the portfolio.

Interest expense and similar expense:

The amounts refer primarily to interest expense accrued on deposits of Group companies and bonds issued by CDP and guaranteed by the Italian government, subscribed by Poste Italiane S.p.A.

Commission income:

Commission income mainly refers to commissions received from CDP for the provision of lending and guarantee services.

Commission expense:

Commission expense recognised in the income statement, equal to about 1.3 billion euro, mainly refers to the postal savings collection service provided by Poste Italiane S.p.A.

Profits (losses) on trading activities

Profits (losses) on trading activities, positive by approximately 71 million euro, includes interest and the effects of changes in the fair value of trading derivatives.

Net adjustment for credit risk:

The item includes adjustments and recoveries for credit risk mainly on loans granted and debt securities in portfolio related to Group companies and to the subsidiaries and associates of the Ministry of the Economy and Finance.

Administrative expenses - a) staff costs:

The item mainly includes revenues linked to the reimbursement of expenses for CDP staff seconded to Group Companies. These revenues are partly offset by the costs incurred by CDP relating to Group Companies' personnel seconded to CDP.

Administrative expenses – b) other expenses:

The item mainly includes the costs of leasing property to CDP S.p.A. by Group companies.

Net accruals to the provisions for risks and charges:

The item mainly includes the accruals to the provisions for risks and charges relating to commitments to disburse funds and financial guarantees issued.

Other operating income (costs):

The item mainly includes the recovery of expenses incurred for the management of the Patrimonio Rilancio fund, revenues from the supply of outsourced auxiliary services, leased property and revenues for corporate offices held by CDP employees at Group companies. It also includes the costs incurred to finance projects supported by the CDP Foundation, to pursue social, environmental, cultural and economic development goals.

PART I - SHARE-BASED PAYMENTS

There were no share-based payments in place (IFRS 2).

PART L - OPERATING SEGMENTS

Pursuant to paragraph 4 of IFRS 8 "Operating segments", since the financial statements contain both the consolidated financial statements of the CDP Group and the separate financial statements of CDP S.p.A., information on operating segments only needs to be provided for the consolidated financial statements, to which the reader is referred for more details.

PART M – DISCLOSURE OF LEASES

This section contains some information indicated by IFRS 16.

SECTION 1 - LESSEE

Qualitative disclosures

As at 31 December 2021, CDP's lease contracts are mainly represented by contracts regarding real estate, whose values cover almost all of the assets, including property used as offices but also as employee housing.

To a lesser extent, there are machinery rental contracts (e.g. printers and scanners) and a telephone switchboard.

CDP calculated the duration of the lease for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, including, in particular, the possible presence of:

- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will be exercised.

In accordance with the accounting standard which provides that the underlying asset can be of low value only if:

- the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets;

CDP applies the exemption for lease contracts when the asset value on the purchase date is negligible.

The Standard also specifies that "a contract containing the purchase option cannot be considered a short-term lease".

CDP considers a lease to be "short-term" when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recorded in the income statement on a straight-line basis for the corresponding duration.

Quantitative disclosures

Reported below is the information required by IFRS 16 with regard to contracts where CDP acts as a lessee, contained in these notes in the following sections:

- Part B - Assets, section 8 - for information on the rights of use acquired under a lease;
- Part B – Liabilities, section 1, table 1.6 "Lease liabilities" - for information on lease liabilities;
- Part C – section 1, table 1.3 "Interest expense and similar expense: breakdown" – for information on interest expense on the lease liabilities;
- Part C – section 12, table 12.1 "Net adjustments to property, plant and equipment: breakdown" - for information on the amortisation of the rights of use acquired under a lease.

Short-term leases and leases of a low value are accounted for in accordance with paragraph 6 of IFRS 16. The costs are reported in Part C, section 10, table 10.5 "Other administrative expenses: breakdown".

SECTION 2 - LESSOR

Qualitative disclosures

Regarding the scope of the contracts that are subject to the provisions of IFRS 16, for CDP there is a real estate lease and various intragroup real estate sublease contracts.

CDP carries out finance lease activities associated with subleasing properties to other Group companies.

Quantitative disclosures

1. Disclosures on the balance sheets and income statements

Reported below is the information required by IFRS 16 with regard to contracts where CDP acts as a lessor, contained in these notes in the following sections:

- in Part B, Assets, section 4, table 4.2 "Financial assets measured at amortised cost: breakdown by type of loans to customers" - for information on finance leases;
- in Part B, Assets, section 8, table 8.2 "Investment property: breakdown of assets measured at cost" and table 8.7 "Investment property: changes for the year" - for information on assets granted under an operating lease;
- in Part C, section 1, table 1.1 "Interest income and similar income: breakdown" - for information on interest income on finance leases;
- in Part C, section 14, table 14.2 "Other operating income: breakdown" - for information on income resulting from operating leases.

2. Finance leases

2.1 Classification by time band of the payments to be received and reconciliation with finance leases recognised under assets

(thousands of euro)	31/12/2021	31/12/2020
Time bands	Lease payments to be received	Lease payments to be received
Up to 1 year	1,895	1,911
More than 1 year to 2 years	1,895	1,911
More than 2 years to 3 years	1,895	1,911
More than 3 years to 4 years	1,895	1,911
More than 4 years to 5 years	1,895	1,911
More than 5 years	4,498	6,446
Total lease payments to be received	**13,973**	**16,001**
Reconciliation with finance leases		
Unearned finance income (-)	(1,223)	(1,587)
Non-secured residual value (-)		
Finance leases	**12,750**	**14,414**

The table contains the payment flows to be received on finance leases, relating to real estate sublease contracts with Group companies, gross of impairment of around 30 thousand euro.

2.2 Other information

There is no additional information to report.

3. Operating leases

3.1 Classification by time band of the payments to be received

(thousands of euro)	31/12/2021	31/12/2020
Time bands	Lease payments to be received	Lease payments to be received
Up to 1 year	19,747	19,510
More than 1 year to 2 years	13,200	13,378
More than 2 years to 3 years	11,857	12,959
More than 3 years to 4 years	11,840	11,841
More than 4 years to 5 years	11,840	11,841
More than 5 years	265,680	277,547
Total	**334,164**	**347,076**

3.2 Other information

There is no additional information to report.

PROPOSAL FOR ALLOCATION OF THE NET INCOME FOR THE YEAR

We hereby submit for shareholder approval the financial statements for 2021, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and the notes to the financial statements with the relevant annexes. The financial statements are accompanied by the directors' report on operations.

The following proposal for the allocation of the net income for 2021, amounting to 2,367,381,153 euro, is submitted to the shareholders for approval.

Article 6, paragraphs 1 and 2, of Legislative Decree 38/2005 provides for capital gains recognised in the income statement, net of the corresponding tax charges, other than those that refer to financial instruments held for trading and to foreign exchange and hedging transactions, deriving from fair value measurement, to be recognised in a reserve that is not available for distribution.

In addition, it is not necessary to allocate amounts to the legal reserve pursuant to Art. 2430 of the Italian Civil Code, since it has reached the limit of one-fifth of share capital.

It is therefore proposed to allocate an amount of 35,152,047 euro to the Reserve under Article 6, paragraph 2, of Legislative Decree 38/2005 and to distribute a dividend of 1,284,323,057.6 euro, corresponding to 3.80 euro per share.

Lastly, it is proposed to carry forward the remaining net income of 1,047,906,048.4 euro.

	(euro)
Net income for the year	2,367,381,153
Reserve - art. 6 c.2 of Legislative Decree 38/2005	35,152,047
Distributable net income	**2,332,229,106**
Dividend	1,284,323,057.6
Retained earnings	1,047,906,048.4
Dividend per share*	**3.80**

* Excluding treasury shares

Rome, 31 March 2022

The Chairman

Giovanni Gorno Tempini

ANNEXES

1. Annexes to the separate financial statements

1.1 Accounting separation statements

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

1.3 Reports of the sub-funds of the Patrimonio Rilancio

2. Annexes to the Report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP S.p.A.

2.2 Details of alternative performance indicators - CDP S.p.A.

1. Annexes to the separate financial statements

1.1 Accounting separation statements

CDP is subject to a system of organisational and accounting separation under article 5, paragraph 8, of decree law 269 of 30 September 2003, converted with amendments by law 326 of 24 November 2003.

In order to create an accounting separation system, the organisational structure of the Company was therefore divided into three operating units called, respectively, Separate Account, Ordinary Account and Joint Services, within which CDP's existing organisational units have been re-grouped.

SEPARATE ACCOUNT

The role of the Separate Account is to pursue the mission of general economic interest entrusted to CDP by law.

The Articles of Association of CDP, in accordance with art. 5 of decree law 269 and with the ministerial decree of 5 December 2003, allocate the following activities to the Separate Account:

a) the financing of Government, regions, local authorities, public entities and public law organisations;

b) the granting of loans:

   i. to public or private entities with legal personality, with the exception of natural persons, for public interest initiatives promoted by the entities mentioned in the aforementioned paragraph based on 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;

   ii. 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;

   iii. to public or private entities with legal personality, with the exception of natural persons, to support the international expansion of companies and exports based on the criteria 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;

   iv. to companies in order to support the economy through (a) the banking system i.e. financial intermediaries authorised to grant loans to the public in any form whatsoever pursuant to Legislative Decree no. 385 of 1 September 1993, as subsequently amended or (b) 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.;

   v. to public or private entities with legal personality, with the exception of natural persons, within the framework of international development cooperation activities;

   vi. to banks operating in Italy for the disbursement of mortgage loans secured by residential real estate mainly for the purchase of principal dwellings and for renovation and energy efficiency works;

c) acquiring equity investments transferred or assigned to the company by decree of the Minister of the Economy and Finance as per article 5, paragraph 3, letter b), of the abovementioned decree law, whose management is in line - where required - with the criteria set out by decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 11, letter d), of the abovementioned decree law;

d) acquiring - also indirectly - equity investments in companies of major national interest having a stable financial position and performance and adequate profit-generating prospects, which satisfy the requirements set out in the decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 8-bis, of the abovementioned decree law;

e) acquiring: (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;

f) the management, where assigned by the Minister of the Economy and Finance, of the functions, assets and liabilities of Cassa Depositi e Prestiti, prior to its transformation, transferred to the Ministry of the Economy and Finance pursuant to article 5, paragraph 3, letter a), of the abovementioned decree law, as well as the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;

g) providing advisory and consultancy services in favour of the entities described in point a) or to support the transactions or the entities under letter b), points i., ii., iii., iv. and v.;

h) providing consultancy services and conducting studies, research and analysis of economic and financial matters.

With regard to the organisational structure of CDP at 31 December 2021, the following units operate exclusively under the Separate Account organisation:

- reporting to the structure "CDP Infrastructures and Public Sector" - "Public Financing", "Transportation & Social Infrastructure – Execution GS" and "Energy, Utilities & TLC – Execution GS" (attributable to the "Infrastructure Financing" structure), "Public Administration Relations Management and Development" (reporting to the "Infrastructure & Public Administration Relations Management and Development" structure);
- reporting to the structure "CDP Corporate" - "Financial Institutions Debt and Guarantees" (reporting to the structure "Enterprises and Financial Institutions Debt and Guarantees"), "R&D, Innovation, Aerospace, Defense & Materials" (reporting to the structure "Enterprises Debt and Guarantees"), "Loan Funds and Digital Lending" (reporting to the structure "Alternative Financing"), "Export Financing" (reporting to the structure "Export & International Financing");
- reporting to the structure "CDP International Cooperation & Development Finance" - "International Cooperation", "Infrastructure & Climate Financing Development Finance" and "Corporate & Financial Institutions Development Finance GS" (reporting to the structure "Development Financing");
- reporting to the "Finance" OU within the structure of the Chief Financial Officer – "Postal Savings".

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:

a) the granting of loans, preferably under joint financing arrangements with credit institutions, for: (i) works, systems, networks and equipment designed for initiatives of public utility; (ii) investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and the green economy; (iii) initiatives for the growth, also by business combination, of companies in Italy and abroad;

b) acquiring - also indirectly - equity investments in companies of major national interest having a stable financial position and performance and adequate profit-generating prospects, which satisfy the requirements set out in the decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 8-bis, of the abovementioned decree law;

c) acquiring: (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;

d) providing consultancy services and conducting studies, research and analysis of economic and financial matters.

From an organisational point of view, the following units operate exclusively within the Ordinary Account organisation:

- reporting to the structure "CDP Infrastructures and Public Sector" - "Transportation & Social Infrastructure – Execution GO" and "Energy, Utilities & TLC – Execution GO" (attributable to the "Infrastructure Financing" structure);
- reporting to the structure "CDP Corporate" - "Industrial" and "Automotive, Food & Beverage, Pharma & Shipping" (reporting to the structure "Enterprises Debt and Guarantees"), "Basket Bond" (reporting to the structure "Alternative Financing"), "International Financing" (reporting to the structure "Export & International Financing");
- reporting to the structure "CDP International Cooperation & Development Finance" - "Corporate Development Finance GO" (reporting to the structure "Corporate & Financial Institutions Development Finance").

Joint Services

Joint Services include:

- the structures reporting directly to the "Deputy General Manager & Chief Business Officer":
    - "CDP International Cooperation & Development Finance" and the structures reporting to it - "Business Development International Cooperation", "Development Financing", and "Corporate & Financial Institutions Development Finance";

  - "CDP Infrastructures and Public Sector" and the structures reporting to it - "Infrastructure Development", "Infrastructure & Public Administration Relations Management and Development", "Large Infrastructure Companies Relations Management and Development", "Infrastructure and Public Administration Commercial Projects and Initiatives", "Infrastructure Financing", "Transportation & Social Infrastructure", "Energy, Utilities & TLC", "Infrastructure Operations Management";
  - "CDP Corporate" and the structures reporting to it – "Financial Institutions Relations Management and Development", "Large Corporate Management and Development", "Corporate Business Development", "Mid Corporate North Relations Management and Development", "Mid Corporate Centre-South Relations Management and Development", "Export & International Financing", "Enterprises & Financial Institutions Debt and Guarantees", "Enterprises Debt and Guarantees", "Alternative Financing", and "Enterprises & Financial Institutions Operations Management";
  - "CDP Energy and Digital" and the structures reporting to it;
  - "Business Strategic Programmes" and the structures reporting to it;
  - "Business Commercial Planning and Coordination" and the structures reporting to it;
- the "Chief Real Estate Officer" structure;
- the Corporate Bodies and the Bodies provided for in the Articles of Association (with the exception of the Parliamentary Supervisory Committee, which concerns the Separate Account);
- the offices of the Chairman and Chief Executive Officer.

For the purposes of accounting separation, costs and revenues of the "Chief Investment Officer" Structure and the "Finance" OU (except for the "Postal savings" structure, which falls exclusively within the scope of the Separate Account, and the "Investor Relations & Rating Agencies" structure, which falls exclusively within the scope of Joint Services) are allocated to the Separate Account, Ordinary Account and Joint Services depending on the specific business to which they refer.
Moreover, Joint Services include all Governance and Control and Operations Structures that perform services at a centralised level.

Reclassified Income Statement

(millions of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	**1,668**	**110**	**(1)**	**1,777**
Dividends	1,226	7		1,234
Other net revenues	550	17	(2)	566
Gross income	**3,445**	**134**	**(2)**	**3,577**
Write-downs	(238)	33		(205)
Operating costs	(21)	(2)	(196)	(219)
Operating income	**3,186**	**165**	**(198)**	**3,153**

Reclassified Balance Sheet

(millions of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents	184,029	773	(1)	184,801
Loans	105,224	9,002		114,226
Debt securities	65,547	2,104		67,650
Equity investments and shares	37,145	263	-	37,408
Funding, of which:	370,281	11,616		381,896
- postal funding	*281,460*			*281,460*
- funding from banks	*57,924*	*4,775*		*62,699*
- funding from customers	*16,322*	*-*		*16,322*
- bond funding	*14,576*	*6,840*		*21,416*

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law 124 of 4 August 2017, whose rules have been reformulated by Article 35 of Decree Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds.

The reformulation of the original regulatory provisions clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding “Transparency in the system of public funding: analysis of the rules and interpretation guidance”.

According to the contents of Article 35 of decree no. 34/2019:

- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries;
- the publication obligations established for government agencies by Article 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

The disclosure obligations established by Law 124 of 2017, in continuity with what was represented during the first application, are thus limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law 124/2017 is provided in table form, indicating:

- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit (reason for payment).

With reference to subsidies disbursed, the following cases were identified:

- the disbursement of around 5.5 million euro for the CDP Foundation, for the pursuit and implementation of projects with social, environmental, cultural and economic development goals:

(thousands of euro)

Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Fondazione CDP	Liberal donations for project grants	5,524

- the suspension of loan instalments granted to local authorities, in regard to emergencies generated by earthquakes, whereby the borrowers were offered the option of deferring the payment of the instalments, for principal and interest, to a future date. The table shows the amounts of the instalments due in 2021, for principal and interest, the collection of which was deferred to a future date.

(thousands of euro)

Grantor	Beneficiary	Motive	2021 instalment amount with collection deferred to a future date
CDP S.p.A.	COMUNE DI ADRIA	Earthquake 2012	154
CDP S.p.A.	COMUNE DI BAGNOLO DI PO	Earthquake 2012	166
CDP S.p.A.	COMUNE DI BASTIGLIA	Earthquake 2012	57
CDP S.p.A.	COMUNE DI BERGANTINO	Earthquake 2012	349
CDP S.p.A.	COMUNE DI BORGO MANTOVANO	Earthquake 2012	7
CDP S.p.A.	COMUNE DI BORGO VIRGILIO	Earthquake 2012	7
CDP S.p.A.	COMUNE DI BORGOCARBONARA	Earthquake 2012	1
CDP S.p.A.	COMUNE DI CAMPOSANTO	Earthquake 2012	1
CDP S.p.A.	COMUNE DI CANARO	Earthquake 2012	215
CDP S.p.A.	COMUNE DI CANDA	Earthquake 2012	102
CDP S.p.A.	COMUNE DI CASTELMASSA	Earthquake 2012	63
CDP S.p.A.	COMUNE DI CASTELNOVO BARIANO	Earthquake 2012	104
CDP S.p.A.	COMUNE DI CENESELLI	Earthquake 2012	60
CDP S.p.A.	COMUNE DI CENTO	Earthquake 2012	1.938
CDP S.p.A.	COMUNE DI COMMESSAGGIO	Earthquake 2012	22
CDP S.p.A.	COMUNE DI CREVALCORE	Earthquake 2012	2
CDP S.p.A.	COMUNE DI DOSOLO	Earthquake 2012	185
CDP S.p.A.	COMUNE DI FERRARA	Earthquake 2012	1.717
CDP S.p.A.	COMUNE DI FIESSO UMBERTIANO	Earthquake 2012	189
CDP S.p.A.	COMUNE DI GAIBA	Earthquake 2012	64
CDP S.p.A.	COMUNE DI GIACCIANO CON BARUCHELLA	Earthquake 2012	98
CDP S.p.A.	COMUNE DI GUASTALLA	Earthquake 2012	205
CDP S.p.A.	COMUNE DI LUZZARA	Earthquake 2012	124
CDP S.p.A.	COMUNE DI MAGNACAVALLO	Earthquake 2012	135
CDP S.p.A.	COMUNE DI MOTTEGGIANA	Earthquake 2012	150
CDP S.p.A.	COMUNE DI OCCHIOBELLO	Earthquake 2012	1.243
CDP S.p.A.	COMUNE DI PIADENA DRIZZONA	Earthquake 2012	95
CDP S.p.A.	COMUNE DI PIEVE DI CENTO	Earthquake 2012	110
CDP S.p.A.	COMUNE DI PINCARA	Earthquake 2012	30
CDP S.p.A.	COMUNE DI POGGIO RENATICO	Earthquake 2012	39
CDP S.p.A.	COMUNE DI POGGIO RUSCO	Earthquake 2012	119
CDP S.p.A.	COMUNE DI POMPONESCO	Earthquake 2012	33
CDP S.p.A.	COMUNE DI QUINGENTOLE	Earthquake 2012	27
CDP S.p.A.	COMUNE DI QUISTELLO	Earthquake 2012	113
CDP S.p.A.	COMUNE DI ROBECCO D'OGLIO	Earthquake 2012	7
CDP S.p.A.	COMUNE DI RODIGO	Earthquake 2012	11
CDP S.p.A.	COMUNE DI RONCOFERRARO	Earthquake 2012	188
CDP S.p.A.	COMUNE DI SABBIONETA	Earthquake 2012	170
CDP S.p.A.	COMUNE DI SALARA	Earthquake 2012	2
CDP S.p.A.	COMUNE DI SAN DANIELE PO	Earthquake 2012	115
CDP S.p.A.	COMUNE DI SAN FELICE SUL PANARO	Earthquake 2012	20
CDP S.p.A.	COMUNE DI SAN GIACOMO DELLE SEGNATE	Earthquake 2012	98
CDP S.p.A.	COMUNE DI SAN GIOVANNI DEL DOSSO	Earthquake 2012	74
CDP S.p.A.	COMUNE DI SAN PROSPERO	Earthquake 2012	173
CDP S.p.A.	COMUNE DI SCHIVENOGLIA	Earthquake 2012	70

(thousands of euro)

Grantor	Beneficiary	Motive	2021 instalment amount with collection deferred to a future date
CDP S.p.A.	COMUNE DI STIENTA	Earthquake 2012	298
CDP S.p.A.	COMUNE DI SUSTINENTE	Earthquake 2012	58
CDP S.p.A.	COMUNE DI SUZZARA	Earthquake 2012	647
CDP S.p.A.	COMUNE DI TERRE DEL RENO	Earthquake 2012	18
CDP S.p.A.	COMUNE DI TRECENTA	Earthquake 2012	343
CDP S.p.A.	COMUNE DI VIGARANO MAINARDA	Earthquake 2012	511
CDP S.p.A.	COMUNE DI VILLIMPENTA	Earthquake 2012	65
CDP S.p.A.	COMUNE DI ACCUMOLI	Central Italy Earthquake	97
CDP S.p.A.	COMUNE DI ACQUASANTA TERME	Central Italy Earthquake	167
CDP S.p.A.	COMUNE DI AMANDOLA	Central Italy Earthquake	123
CDP S.p.A.	COMUNE DI AMATRICE	Central Italy Earthquake	65
CDP S.p.A.	COMUNE DI ANTRODOCO	Central Italy Earthquake	104
CDP S.p.A.	COMUNE DI APIRO	Central Italy Earthquake	215
CDP S.p.A.	COMUNE DI APPIGNANO DEL TRONTO	Central Italy Earthquake	62
CDP S.p.A.	COMUNE DI ARQUATA DEL TRONTO	Central Italy Earthquake	57
CDP S.p.A.	COMUNE DI ARRONE	Central Italy Earthquake	203
CDP S.p.A.	COMUNE DI ASCOLI PICENO	Central Italy Earthquake	1.081
CDP S.p.A.	COMUNE DI BARETE	Central Italy Earthquake	61
CDP S.p.A.	COMUNE DI BELFORTE DEL CHIENTI	Central Italy Earthquake	83
CDP S.p.A.	COMUNE DI BELMONTE PICENO	Central Italy Earthquake	39
CDP S.p.A.	COMUNE DI BOLOGNOLA	Central Italy Earthquake	22
CDP S.p.A.	COMUNE DI BORBONA	Central Italy Earthquake	42
CDP S.p.A.	COMUNE DI CAGNANO AMITERNO	Central Italy Earthquake	10
CDP S.p.A.	COMUNE DI CALDAROLA	Central Italy Earthquake	84
CDP S.p.A.	COMUNE DI CAMERINO	Central Italy Earthquake	675
CDP S.p.A.	COMUNE DI CAMPLI	Central Italy Earthquake	202
CDP S.p.A.	COMUNE DI CAMPOROTONDO DI FIASTRONE	Central Italy Earthquake	23
CDP S.p.A.	COMUNE DI CAMPOTOSTO	Central Italy Earthquake	45
CDP S.p.A.	COMUNE DI CANTALICE	Central Italy Earthquake	140
CDP S.p.A.	COMUNE DI CAPITIGNANO	Central Italy Earthquake	8
CDP S.p.A.	COMUNE DI CASCIA	Central Italy Earthquake	84
CDP S.p.A.	COMUNE DI CASTEL CASTAGNA	Central Italy Earthquake	27
CDP S.p.A.	COMUNE DI CASTEL DI LAMA	Central Italy Earthquake	354
CDP S.p.A.	COMUNE DI CASTEL SANT'ANGELO	Central Italy Earthquake	24
CDP S.p.A.	COMUNE DI CASTELLI	Central Italy Earthquake	132
CDP S.p.A.	COMUNE DI CASTELRAIMONDO	Central Italy Earthquake	593
CDP S.p.A.	COMUNE DI CASTELSANTANGELO SUL NERA	Central Italy Earthquake	114
CDP S.p.A.	COMUNE DI CASTIGNANO	Central Italy Earthquake	13
CDP S.p.A.	COMUNE DI CASTORANO	Central Italy Earthquake	76
CDP S.p.A.	COMUNE DI CERRETO D'ESI	Central Italy Earthquake	516
CDP S.p.A.	COMUNE DI CERRETO DI SPOLETO	Central Italy Earthquake	89
CDP S.p.A.	COMUNE DI CESSAPALOMBO	Central Italy Earthquake	45
CDP S.p.A.	COMUNE DI CINGOLI	Central Italy Earthquake	943
CDP S.p.A.	COMUNE DI CITTADUCALE	Central Italy Earthquake	586
CDP S.p.A.	COMUNE DI CITTAREALE	Central Italy Earthquake	27
CDP S.p.A.	COMUNE DI CIVITELLA DEL TRONTO	Central Italy Earthquake	272

(thousands of euro)

Grantor	Beneficiary	Motive	2021 instalment amount with collection deferred to a future date
CDP S.p.A.	COMUNE DI COLLEDARA	Central Italy Earthquake	151
CDP S.p.A.	COMUNE DI COLLI DEL TRONTO	Central Italy Earthquake	124
CDP S.p.A.	COMUNE DI COLMURANO	Central Italy Earthquake	97
CDP S.p.A.	COMUNE DI COMUNANZA	Central Italy Earthquake	256
CDP S.p.A.	COMUNE DI CORRIDONIA	Central Italy Earthquake	385
CDP S.p.A.	COMUNE DI CORTINO	Central Italy Earthquake	124
CDP S.p.A.	COMUNE DI COSSIGNANO	Central Italy Earthquake	25
CDP S.p.A.	COMUNE DI CROGNALETO	Central Italy Earthquake	115
CDP S.p.A.	COMUNE DI ESANATOGLIA	Central Italy Earthquake	282
CDP S.p.A.	COMUNE DI FABRIANO	Central Italy Earthquake	2.010
CDP S.p.A.	COMUNE DI FALERONE	Central Italy Earthquake	142
CDP S.p.A.	COMUNE DI FANO ADRIANO	Central Italy Earthquake	39
CDP S.p.A.	COMUNE DI FARINDOLA	Central Italy Earthquake	47
CDP S.p.A.	COMUNE DI FERENTILLO	Central Italy Earthquake	157
CDP S.p.A.	COMUNE DI FIASTRA	Central Italy Earthquake	77
CDP S.p.A.	COMUNE DI FIUMINATA	Central Italy Earthquake	158
CDP S.p.A.	COMUNE DI FOLIGNANO	Central Italy Earthquake	485
CDP S.p.A.	COMUNE DI FORCE	Central Italy Earthquake	88
CDP S.p.A.	COMUNE DI GAGLIOLE	Central Italy Earthquake	70
CDP S.p.A.	COMUNE DI GUALDO	Central Italy Earthquake	96
CDP S.p.A.	COMUNE DI ISOLA DEL GRAN SASSO D'ITALIA	Central Italy Earthquake	106
CDP S.p.A.	COMUNE DI LEONESSA	Central Italy Earthquake	87
CDP S.p.A.	COMUNE DI LORO PICENO	Central Italy Earthquake	202
CDP S.p.A.	COMUNE DI MACERATA	Central Italy Earthquake	2.165
CDP S.p.A.	COMUNE DI MALTIGNANO	Central Italy Earthquake	2
CDP S.p.A.	COMUNE DI MASSA FERMANA	Central Italy Earthquake	71
CDP S.p.A.	COMUNE DI MATELICA	Central Italy Earthquake	825
CDP S.p.A.	COMUNE DI MICIGLIANO	Central Italy Earthquake	26
CDP S.p.A.	COMUNE DI MOGLIANO	Central Italy Earthquake	291
CDP S.p.A.	COMUNE DI MONSAMPIETRO MORICO	Central Italy Earthquake	52
CDP S.p.A.	COMUNE DI MONTALTO DELLE MARCHE	Central Italy Earthquake	148
CDP S.p.A.	COMUNE DI MONTAPPONE	Central Italy Earthquake	156
CDP S.p.A.	COMUNE DI MONTE CAVALLO	Central Italy Earthquake	41
CDP S.p.A.	COMUNE DI MONTE RINALDO	Central Italy Earthquake	25
CDP S.p.A.	COMUNE DI MONTE SAN MARTINO	Central Italy Earthquake	56
CDP S.p.A.	COMUNE DI MONTE VIDON CORRADO	Central Italy Earthquake	43
CDP S.p.A.	COMUNE DI MONTEFALCONE APPENNINO	Central Italy Earthquake	25
CDP S.p.A.	COMUNE DI MONTEFORTINO	Central Italy Earthquake	21
CDP S.p.A.	COMUNE DI MONTEFRANCO	Central Italy Earthquake	30
CDP S.p.A.	COMUNE DI MONTEGALLO	Central Italy Earthquake	61
CDP S.p.A.	COMUNE DI MONTEGIORGIO	Central Italy Earthquake	309
CDP S.p.A.	COMUNE DI MONTELEONE DI FERMO	Central Italy Earthquake	29
CDP S.p.A.	COMUNE DI MONTELEONE DI SPOLETO	Central Italy Earthquake	13
CDP S.p.A.	COMUNE DI MONTELPARO	Central Italy Earthquake	63
CDP S.p.A.	COMUNE DI MONTEREALE	Central Italy Earthquake	86
CDP S.p.A.	COMUNE DI MONTORIO AL VOMANO	Central Italy Earthquake	293

(thousands of euro)

Grantor	Beneficiary	Motive	2021 instalment amount with collection deferred to a future date
CDP S.p.A.	COMUNE DI MUCCIA	Central Italy Earthquake	39
CDP S.p.A.	COMUNE DI NORCIA	Central Italy Earthquake	321
CDP S.p.A.	COMUNE DI OFFIDA	Central Italy Earthquake	191
CDP S.p.A.	COMUNE DI ORTEZZANO	Central Italy Earthquake	34
CDP S.p.A.	COMUNE DI PALMIANO	Central Italy Earthquake	2
CDP S.p.A.	COMUNE DI PENNA SAN GIOVANNI	Central Italy Earthquake	151
CDP S.p.A.	COMUNE DI PETRIOLO	Central Italy Earthquake	87
CDP S.p.A.	COMUNE DI PIETRACAMELA	Central Italy Earthquake	57
CDP S.p.A.	COMUNE DI PIEVE TORINA	Central Italy Earthquake	281
CDP S.p.A.	COMUNE DI PIORACO	Central Italy Earthquake	104
CDP S.p.A.	COMUNE DI PIZZOLI	Central Italy Earthquake	154
CDP S.p.A.	COMUNE DI POGGIO BUSTONE	Central Italy Earthquake	34
CDP S.p.A.	COMUNE DI POGGIODOMO	Central Italy Earthquake	29
CDP S.p.A.	COMUNE DI POLINO	Central Italy Earthquake	63
CDP S.p.A.	COMUNE DI POLLENZA	Central Italy Earthquake	307
CDP S.p.A.	COMUNE DI POSTA	Central Italy Earthquake	7
CDP S.p.A.	COMUNE DI PRECI	Central Italy Earthquake	32
CDP S.p.A.	COMUNE DI RIETI	Central Italy Earthquake	1.970
CDP S.p.A.	COMUNE DI RIPE SAN GINESIO	Central Italy Earthquake	42
CDP S.p.A.	COMUNE DI RIVODUTRI	Central Italy Earthquake	42
CDP S.p.A.	COMUNE DI ROCCA SANTA MARIA	Central Italy Earthquake	87
CDP S.p.A.	COMUNE DI ROCCAFLUVIONE	Central Italy Earthquake	55
CDP S.p.A.	COMUNE DI SAN GINESIO	Central Italy Earthquake	297
CDP S.p.A.	COMUNE DI SAN SEVERINO MARCHE	Central Italy Earthquake	433
CDP S.p.A.	COMUNE DI SANTA VITTORIA IN MATENANO	Central Italy Earthquake	26
CDP S.p.A.	COMUNE DI SANT'ANATOLIA DI NARCO	Central Italy Earthquake	45
CDP S.p.A.	COMUNE DI SANT'ANGELO IN PONTANO	Central Italy Earthquake	109
CDP S.p.A.	COMUNE DI SARNANO	Central Italy Earthquake	400
CDP S.p.A.	COMUNE DI SCHEGGINO	Central Italy Earthquake	46
CDP S.p.A.	COMUNE DI SEFRO	Central Italy Earthquake	61
CDP S.p.A.	COMUNE DI SERRAPETRONA	Central Italy Earthquake	13
CDP S.p.A.	COMUNE DI SERRAVALLE DI CHIENTI	Central Italy Earthquake	97
CDP S.p.A.	COMUNE DI SERVIGLIANO	Central Italy Earthquake	71
CDP S.p.A.	COMUNE DI SMERILLO	Central Italy Earthquake	20
CDP S.p.A.	COMUNE DI SPOLETO	Central Italy Earthquake	1.331
CDP S.p.A.	COMUNE DI TERAMO	Central Italy Earthquake	1.771
CDP S.p.A.	COMUNE DI TOLENTINO	Central Italy Earthquake	1.570
CDP S.p.A.	COMUNE DI TORRICELLA SICURA	Central Italy Earthquake	49
CDP S.p.A.	COMUNE DI TOSSICIA	Central Italy Earthquake	56
CDP S.p.A.	COMUNE DI TREIA	Central Italy Earthquake	326
CDP S.p.A.	COMUNE DI URBISAGLIA	Central Italy Earthquake	244
CDP S.p.A.	COMUNE DI USSITA	Central Italy Earthquake	745
CDP S.p.A.	COMUNE DI VALFORNACE	Central Italy Earthquake	189
CDP S.p.A.	COMUNE DI VALLE CASTELLANA	Central Italy Earthquake	103
CDP S.p.A.	COMUNE DI VALLO DI NERA	Central Italy Earthquake	5
CDP S.p.A.	COMUNE DI VENAROTTA	Central Italy Earthquake	96

(thousands of euro)

Grantor	Beneficiary	Motive	2021 instalment amount with collection deferred to a future date
CDP S.p.A.	COMUNE DI VISSO	Central Italy Earthquake	177
CDP S.p.A.	PROVINCIA DI ANCONA	Central Italy Earthquake	1.108
CDP S.p.A.	PROVINCIA DI ASCOLI PICENO	Central Italy Earthquake	1.194
CDP S.p.A.	PROVINCIA DI FERMO	Central Italy Earthquake	1.460
CDP S.p.A.	PROVINCIA DI MACERATA	Central Italy Earthquake	1.153
CDP S.p.A.	PROVINCIA DI PERUGIA	Central Italy Earthquake	4.842
CDP S.p.A.	PROVINCIA DI PESCARA	Central Italy Earthquake	2.709
CDP S.p.A.	PROVINCIA DI RIETI	Central Italy Earthquake	988
CDP S.p.A.	PROVINCIA DI TERAMO	Central Italy Earthquake	1.006
CDP S.p.A.	PROVINCIA DI TERNI	Central Italy Earthquake	1.168

1.3 Reports of the Sub-funds of the Patrimonio Rilancio

With regard to the annual reports of the Sub-funds of the Patrimonio Rilancio, prepared pursuant to article 27 of Decree Law no. 34 of 19 May 2020 ("Relaunch Decree"), reference is made to Section 4 of CDP S.p.A.'s Annual Financial Report.

2. Annexes to the Report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP S.p.A.

The following table provides 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 - Balance sheet items	31 December 2021	Cash and cash equivalents and other treasury investments	Loans	Debt securities, equity 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	263	263							
20. Financial assets measured at fair value through profit or loss	3,709			24	3,453	232			
30. Financial assets measured at fair value through other comprehensive income	14,244			13,489	722			33	
40. Financial assets measured at amortised cost	358,103	184,537	113,878	54,138				5,549	
a) Loans to banks	37,801	24,594	13,175					32	
b) Loans to customers	320,301	159,943	100,703	54,138				5,517	
50. Hedging derivatives	276					276			
60. Fair value change of financial assets in hedged portfolios (+/-)	1,268							1,268	
70. Equity investments	28,982				28,982				
80. Property, plant and equipment	371						371		
90. Intangible assets	59						59		
100. Tax assets	654								654
110. Non-current assets and disposal groups held for sale	4,251				4,251				
120. Other assets	779		348						431
Total assets	**412,959**	**184,801**	**114,226**	**67,650**	**37,408**	**508**	**431**	**6,851**	**1,085**

Balance sheet - Liabilities and equity

(millions of euro)

LIABILITIES AND EQUITY - Balance sheet items	31 December 2021	Funding	Funding detail								
		Collection	Postal Funding	Funding from banks	Funding from customers	Bond Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest bearing assets	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Total equity
10. Financial liabilities measured at amortised cost	382,559										
a) Due to banks	34,913	34,923	3,381	31,542				(9)			
b) Due to customers	325,974	325,558	278,079	31,157	16,322			416			
c) Securities issued	21,672	21,416				21,416		256			
20. Financial liabilities held for trading	251						251				
30. Financial liabilities designated at fair value											
40. Hedging derivatives	3,074						3,074				
50. Fair value change of financial liabilities in hedged portfolios	2							2			
60. Tax liabilities	177									177	
70. Liabilities associated with non-current assets and disposal groups held for sale											
80. Other liabilities	994								994		
90. Staff severance pay	1									1	
100. Provisions for risks and charges	592									592	
110. Valuation reserves	315										315
120. Redeemable shares											
130. Equity instruments											
140. Reserves	16,519										16,519
150. Share premium reserve	2,379										2,379
160. Share capital	4,051										4,051
170. Treasury shares	(322)										(322)
180. Net income (loss) for the year	2,367										2,367
Total liabilities and equity	**412,959**	**381,896**	**281,460**	**62,699**	**16,322**	**21,416**	**3,325**	**665**	**994**	**771**	**25,309**

Income statement

(milions of euro)

INCOME STATEMENT-Financial statement items	31 December 2021	Net interest income	Dividends	Other net revenues (costs)	Gross Income	Write-downs	Operating costs	Operating income	Net provisions for risks and charges	Income taxes	Net income (loss) for the year
10. Interest income and similar income	7,599	7,599			7,599			7,599			7,599
20. Interest expense and similar expense	(4,757)	(4,757)			(4,757)			(4,757)			(4,757)
40. Commission income	379	258		121	379			379			379
Commission expense	(1,335)	(1,322)		(14)	(1,335)			(1,335)			(1,335)
70. Dividends and similar revenues	1,234		1,234		1,234			1,234			1,234
80. Profits (losses) on trading activities	(23)			(23)	(23)			(23)			(23)
90. Net gain (loss) on hedging activities											
100. Gains (losses) on disposal or repurchase	482			482	482			482			482
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	162					162		162			162
130. Net adjustments/recoveries for credit risk	(34)					(34)		(34)			(34)
140. Gains/losses from changes in contracts without derecognition											
160. Administrative expenses	(209)						(209)	(209)			(209)
170. Net accruals to the provisions for risks and charges	16					16		16			16
180. Net adjustments to/recoveries on property, plant and equipment	(16)						(16)	(16)			(16)
190. Net adjustments to/recoveries on intangible assets	(13)						(13)	(13)			(13)
200. Other operating income (costs)	19						19	19			19
220. Gains (losses) on equity investments	(349)					(349)		(349)			(349)
230. Gains (losses) on tangible and intangible assets measured at fair value											
240. Goodwill impairment											
250. Gains (losses) on disposal of investments											
270. Income tax for the year on continuing operations	(786)									(786)	(786)
280. Income (loss) after tax on discontinued operations											
Total income statement	**2,367**	**1,777**	**1,234**	**566**	**3,577**	**(205)**	**(219)**	**3,153**		**(786)**	**2,367**

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 2021 is provided in Annex 2, as required in Consob Communication no. 6064293 of 28 July 2006. With a view to providing further information on the Parent Company's performance, the Report on operations contains financial information and a number of alternative performance indicators, including, for example, the Cost/Income ratio and Net impaired loans/net loans to customers and banks. In accordance with the guidelines published on 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415), details of the calculation method and the content of the aforementioned measures are provided below.

STRUCTURE RATIOS

Funding / Total liabilities: it measures Total Funding, as shown in the aggregate account (Annex 2), against total liabilities, as shown in the financial statements

Postal Funding / Total Funding: it measures Postal Funding, inclusive of the nominal value of Savings Bonds and Passbook Savings Accounts, interest accrued and premiums on the related options, against Total Funding, as shown in the aggregate account (Annex 2)

PROFITABILITY RATIOS

Spread on interest-bearing assets and liabilities: it measures the difference between the return on assets (measured as the ratio of interest income to average interest-bearing assets) and the cost of liabilities (measured as the ratio of interest expense to average interest-bearing liabilities).

Average interest-bearing assets are measured as the average 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 of Funding, as shown in the aggregate account (Annex 2).

Cost/Income Ratio: it measures the ratio of Operating Costs (sum of staff costs, administrative expenses, depreciation and amortisation, and other operating income and costs) to Gross Income, net of the cost of risk, as respectively shown in the aggregate account (Annex 2).

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REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING OF

CASSA DEPOSITI E PRESTITI S.P.A.

cdp

1. Foreword

Shareholders,

With this report, prepared pursuant to Article 2429, second paragraph, of the Italian Civil Code, the Board of Statutory Auditors of Cassa depositi e prestiti S.p.A. ("CDP" or the "Company") reports to the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2021 on the results of that year and the activities performed by the Board of Statutory Auditors in the performance of its duties, in accordance with the standards of conduct recommended by the National Council of the Italian accounting profession and taking account of the recommendations of Consob in its communications , to the extent compatible with the nature of CDP.

During 2021, the Board of Statutory Auditors had the following members, all appointed by the Ordinary Shareholders' Meeting of 23 May 2019: Carlo Corradini (Chairman), Franca Brusco, Giovanni Battista Lo Prejato, Mario Romano Negri and Enrica Salvatore. The Board of Statutory Auditors reaches the end of its term on the occasion of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

Statutory audit activities were performed by Deloitte & Touche S.p.A. (Deloitte or the "Audit Firm"), on the basis of the engagement granted to the latter by the Ordinary Shareholders' Meeting of 19 March 2019 for the financial years 2020 to 2028.

2. Meetings of the Board of Statutory Auditors

In 2021, the Board of Statutory Auditors held 18 meetings. The magistrate designated by the Italian Court of Auditors was invited to all meetings pursuant to Art. 27, paragraph 10, of the articles of association. The Board of Statutory Auditors – as a whole or represented by some of its members – also participated in the Shareholders' Meetings held on 26 and 27 May 2021, the 21 meetings of the Board of Directors as well as the 19 meetings of the Risk and Sustainability Committee as well as the 4 meetings of the Compensation Committee. The Board also participated in the induction sessions aimed at directors and statutory auditors (see section 11.2).

3. Monitoring of compliance with the law, the articles of association and the principles of sound administration

In accordance with the provisions of Article 2403 of the Italian Civil Code, the Board of Statutory Auditors monitored compliance with the law and the articles of association, with the principles of sound administration and, in particular, the adequacy of the organizational, administrative and accounting arrangements adopted by the Company and their effective operation (see sections 4 and 5 below). This monitoring activity was carried out by the Board also through participation in the meetings of the Board of Directors and the Board Committees, as well as through meetings and exchanges of information with the management and the heads of the main company departments and control units (in particular, the Head of Internal Audit, the Financial Reporting Officer, FRO; the Risk units responsible for anti-money laundering, risk and compliance matters and the Employer as defined in Legislative Decree no. 81/2008 – "Employer") and with the Audit Firm.

The Board received, pursuant to and with the frequency required by Article 23, paragraph 4, of the articles of association, information on general developments in operations and the expected outlook, as well as on the most significant transactions in terms of size or characteristics carried out by the Company and its subsidiaries (see section 9 below).

The checks performed found no censurable facts with a significant impact.

The Board of Statutory Auditors did not receive any complaints pursuant to Article 2408 of the Italian Civil Code.

4. Monitoring of the adequacy of the organizational arrangements and the operation of the internal control and risk management system

The Board of Statutory Auditors monitored the adequacy of the organizational arrangements adopted by the Company and their effective operation also through meetings and exchanges of information with the heads of the main company departments.

With reference to the foregoing, the Board of Statutory Auditors has no special comment to report. In this regard, the Board reports that it has presented to the Board of directors– also through its delegated bodies – its evaluations on some initiatives in the process of being developed by the Company.

The Board also monitored the operation of the internal control and risk management systems in order to assess their workings and appropriateness. In particular, the Board, inter alia: (i) monitored control activities for the risk management process, including environment-related ones; (ii) monitored the adequacy of activities to control compliance risk; (iii) assessed the effectiveness of the internal control system and the risk management systems of the Company through, inter alia, participation at meetings of the Risk and Sustainability Committee, examination of the periodic reports prepared by the Internal Audit department, the Financial Reporting Officer and the Employer and units responsible for anti-money laundering, risk and compliance matters as well as the meetings held with the latter.

The meetings with the above-mentioned corporate units also examined (i) the progress of their respective action plans, (ii) the developments of the integrated "dashboard" of the oversight bodies, (iii) the reporting flows to control bodies of the companies subject to the direction and coordination of CDP, (iv) updates from the Employer on health and safety on the job, pending the health emergency from COVID-19, (v) engagements to be conferred or assigned to the main auditor, and (vi) the reporting to the supervisory authorities and developments in external regulations and company rules concerning the prevention and countering of money laundering and terrorist financing. During these meetings, the head of Internal Audit - as a permanent guest to the meetings of the Board of Statutory Auditors - also reported on her further activities and on her annual assessment of the internal control system.

The checks performed found no issues with a significant impact.

With reference to inspections on CDP, conducted by the Bank of Italy in the first four months of 2021 and concerning specific thematic areas, the Board of Statutory Auditors monitored the progress of the measures adopted by the Board of Directors in 2021, also through meetings with the control structures and the examination of reporting flows by the Company to the aforementioned Authority.

5. Monitoring of the administrative and accounting system and the financial reporting process

The Board of Statutory Auditors monitored the financial reporting process and the adequacy of the Company's administrative and accounting system and its reliability in accurately and promptly representing operational events. This activity included meetings with the Financial Reporting Officer, the examination of Company documentation and analysis of the results of the activities performed by the Audit Firm.

In this respect the Board also verified that the report on operations provided the information required under Article 123-bis, paragraph 2, letter b) of Legislative Decree 58/1998 on the main characteristics of the risk management and internal control systems for financial reporting, including on a consolidated basis.

The Board of Statutory Auditors also verified compliance with the regulations governing the preparation of the financial statements and the report on operations, obtaining information from the Audit Firm where appropriate. In particular, the additional report prepared by Deloitte as envisaged under Article 11 of Regulation (EU) no. 537/2014 does not report significant deficiencies in the internal control system for financial reporting. The report was thoroughly discussed in the course of information exchanges between the Board of Statutory Auditors and the Audit Firm.

The checks performed found no issues with a significant impact that could compromise the opinion on the adequacy and the effective application of the administrative and accounting procedures.

6. Separate and consolidated financial statements

The Board examined the draft separate financial statements of CDP at 31 December 2021, reporting net income of €2,367 million and equity of €25,309 million, including net income for 2020, approved by the Board of Directors of CDP.

Since it the legal audit function is not delegated to it, the Board supervised the general layout of the financial statements, its compliance with law as regards its preparation and structure, without noting any aspects to report. The Board also verified compliance with law relating to the preparation of the management report, also in this case without any remarks to report. The Directors illustrated in the Financial Report the items that contributed to the economic performance and the events generating them.

The Board also examined the report of the Audit Firm issued pursuant to art. 14 and 16 of Legislative Decree no. 39/2010 and Article 10 of Regulation (EU) no. 537/2014, expressing an unqualified opinion without emphasis of matter.

In this regard, the Board reports the following:

– in application of Legislative Decree 38 of 28 February 2005, the financial statements as at 31 December 2021 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 2021 have been prepared, to the extent applicable, on the basis of the "instructions for the preparation of the separate financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups" issued by the Bank of Italy in exercising the powers established by Article 9 of Legislative Decree 38/2005 in the measure of 22 December 2005 issuing Circular no. 262/2005 "bank financial statements: presentation formats and rules of preparation" as amended in the seventh update of 29 October 2021 – supplemented by the provisions set out in the communication of the Bank of Italy of 21 December 2021,[1] concerning

[1] The communication of 21 December 2021 repeals and replaces the previous one issued on 15 December 2020 – *Integrazioni alle disposizioni della Circolare 262 "Il bilancio bancario: schemi e regole di compilazione" aventi ad oggetto gli impatti del COVID-19 e delle misure a sostegno dell'economia ed emendamenti agli IAS/IFRS.*

the impacts of the health emergency from COVID-19 and measures to support the economy. The IASs/IFRSs endorsed and in effect as of 31 December 2021 (including SIC and IFRIC interpretations) were applied in the preparation of the financial statements;

- the accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IASs/IFRSs have been assessed by Deloitte in the performance of its statutory auditing activities;
- the financial statements include both the activity of the Ordinary Account and that of the Separate Account, although the cash flows of the two accounts and their recognition are separate. The separation of these two accounts, pursuant to Article 16, paragraphs 5 and 6, of the decree of the Ministry for the Economy and Finance (MEF) of 6 October 2004, involves the preparation of separate accounting statements for the use of the MEF and the Bank of Italy. At the end of the financial year, shared costs incurred by the Separate Account are computed and subsequently reimbursed on a pro-rated basis by the Ordinary Account. The separate accounting statements are presented as an annex to the financial statements;
- starting from the 2021 financial statements, the annual reports of the sub-funds of the Revival Fund are included in the annexes to these financial statements, pursuant to Art. 27 of Legislative Decree no. 34/2020, ratified with amendments by Law no. 77/2020 (Revival Decree). In this respect, in its reporting, on 20 April 2022, the Audit Firm has, among others, confirmed that the accompanying separate annual report give a true and fair view of the financial position of the sub-fund as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with *international financial reporting standards as adopted by the European Union*.

Pursuant to Article 154-bis of Legislative Decree 58/1998, with a report attached to the draft separate financial statements and the consolidated financial statements at 31 December 2021, the CDP Chief Executive Officer and the Financial Reporting Officer certified: (i) the adequacy and effective application of administrative and accounting procedures for the preparation of the financial statements; (ii) the compliance of the content of the financial statements with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002; (iii) the correspondence of the financial statements with the information contained in the accounting books and records and their suitability to provide a true and fair representation of the performance and financial position of the Company and of the companies included in the scope of consolidation; (iv) that the report on operations accompanying the financial statements provides a reliable analysis of performance and the results of operations, as well as the situation of the

Company and the companies within the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

While the Board does not have any obligation to report or issue opinions on the consolidated financial statements, which are instead the responsibility of the Audit Firm, it noted that:

- the CDP Group consolidated financial statements report net income of €5,324 million (of which €2,980 million pertaining to the Parent Company), a significant increase over 2020 (a consolidated €1,164 million, of which -€369 million pertaining to the Parent Company); and
- the specific report made by Deloitte pursuant to art. 14 of Legislative Decree no. 39/2010 expresses an unqualified opinion nor does it contain emphasis of matter. In any case, it should be noted that the Company declared that it prepared the 2021 consolidated financial statements of the CDP group in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. (IASB) and related interpretations (IFRIC and SIC), adopted by the European Union with European Regulation no. 1606/2002, as well as pursuant to Legislative Decree no. 38 of February 28, 2005, which governed the application of IFRS under the Italian accounting system. Reference will be made hereinafter, in the specific section of this report, on the main relationships with subsidiaries.

With reference to 2021, the Board reports that the separate and consolidated financial statements were prepared in compliance with Directive 2004/109/EC and Regulation (EU) 2019/815 and therefore in XHTML format and, as regards the consolidated financial statements, according to the new European provisions for the standardization of communication languages ("European Single Electronic Format" Regulation - ESEF) which provide for the adoption of the "inline XBRL" standard and the labeling of the consolidated financial statements using the IFRS accounting taxonomy adopted by European Securities and Markets Authority (ESMA)

7. Consolidated non-financial statement

The Board of Statutory Auditors examined the consolidated non-financial statement of the CDP Group (“NFS”) for the 2021 financial year, prepared pursuant to Legislative Decree 254/2016 and included in the second Sustainability Report of the CDP Group approved by the Board of Directors of CDP at its meeting of 31 March 2022.

In particular, the Board of Statutory Auditors monitored compliance with the provisions established by the Legislative Decree 254/2016 in the preparation of the NFS, exchanging information with the corporate units on preparatory activities in this regard (i.e., definition of a new materiality matrix to replace that defined for the NFS for 2020). Among other things, the Board ensured *(i)* that the scope of application was defined in compliance with applicable provisions;[2] *(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 (*iii*) that the NFS 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; *(iv)* that the NFS describes, among other things, the model applied to the management and organization of the Company's activities, the policies applied by the Company, the results achieved through them and the related key non-financial performance indicators, as well as the main risks generated or incurred connected with the aforementioned issues and deriving from the Company's activities, its products, services or commercial relationships, and the related methods for managing them; and (*v*) 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-core" option

The Board also verified that the NFS was prepared in compliance with the relevant regulatory framework and the indications provided by the European Securities and Markets Authority (ESMA)[3] regarding (i) the impact of the COVID-19 pandemic on non-financial issues, (ii) social and personnel related issues, (iii) the business model and value creation, (iv) the risks relating to climate change, and (v) the interconnections between financial and non-financial information.

In addition to the foregoing, note that pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016, *(i)* the audit firm verified the effective preparation by the Board of Directors, of the non-financial statement included in the Integrated Report of the CDP Group; *(ii)* the Audit Firm performed the limited assurance assessment of the NFS, in line with the provisions of Article 5 of Consob Regulation 20267 of 18 January 2018, issuing on 20 April 2022, a specific report with which Deloitte certifies that no elements have been brought to its attention suggesting that the NFS has not been drafted, in all significant respects, in compliance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016 and the reporting standards used by the Company (the GRI standards).

With regard to the organizational arrangements, note that the office of the Communication, External Relations and Sustainability Director – with the support of the competent business and operating units

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[2] The consolidation scope of the 2021 NFS has changed with respect to 2020 (which included the SACE Group), as SACE S.p.A. is no longer subject to management and coordination by CDP S.p.A. starting from April 2020.

[3] See "*European common enforcement priorities for 2020 annual financial reports*" of 28 October 2020

of the Group as well as the office of the Finance, Control and Administration Director – is entrusted, inter alia, with the task of preparing periodic sustainability reports, among which the NFS. These corporate units, which were involved in the production, reporting, measurement and representation of results of the NFS, were found to be adequate.

In relation to the foregoing and taking due account of the limited assurance issued by the Audit Firm, it is the view of the Board of Statutory Auditors that the procedures, the process of formation of non-financial disclosures and the support structures were appropriate.

8. Monitoring activities pursuant to Article 19 of Legislative Decree no. 39/2010

In its capacity as the internal control and audit committee ("ICAC"), in accordance with Article 19 of Legislative Decree 39/2010, the Board Statutory of Auditors monitored independent audit activities. In this regard, the Board of Statutory Auditors met with the Audit Firm on several 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 Deloitte, no significant issues emerged that would require reporting. More specifically:

– the Board of Statutory Auditors met with Deloitte on the occasion of the preparation of the Half-Year Report at 30 June 2021. On 6 August 2021, Deloitte issued a report containing an unqualified opinion with no emphasis of matter on the limited audit of the condensed consolidated half-year financial statements;

– on 20 April 2022, 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 2021, expressing an unqualified opinion with no emphasis of matter;

– also on 20 April 2022 issued to the Board of Statutory Auditors the additional report envisaged under Article 11 of Regulation (EU) no. 537/2014, which (i) is consistent, as regards the audit opinion, with the audit report referred to in the previous paragraph; (ii) does not report significant deficiencies in the internal control system for financial reporting or in the accounting system; and (iii) does not contain information that should be highlighted in this report. The additional report will be transmitted by the Board of Statutory Auditors to the Board of Directors, together with any comments it may have, in compliance with the provisions of Article 19, paragraph 1, letter a), of Legislative Decree 39/2010.

The Board of Statutory Auditors also verified and monitored the independence of the audit firm, in particular as regards the appropriateness of the provision of non-audit services, in compliance with the provisions of Articles 4 and 5 of Regulation (EU) no. 537/2014. In this respect, note that in an attachment to the aforementioned additional report, Deloitte submitted to the Board of Statutory Auditors the certification of independence required under Article 6 of Regulation (EU) no. 537/2014, confirming that there are no circumstances that could compromise its independence or could be a cause of incompatibility.

Pursuant to the Group Policy for "Engagements of audit firms and their networks" (the "Policy"), the Board of Statutory Auditors, in its capacity as the internal control and audit committee (ICAC) of the Parent Company, reports annually to the Shareholders' Meeting on the fees due to the principal auditor, to its network and to the parties connected to the same for non-audit services pursuant to Article 14 of Legislative Decree no. 39/2010. In this regard the table below shows amounts paid to Deloitte to perform non-audit services in 2021 by CDP and the Group companies subject to management and coordination. More details are in the specific report presented by the Board to the Shareholders' Meeting.

Engagement type	CDP *(compensation in euros)*	CDP Group Companies *(compensation in euros)*
Audit		13,000
Audit-related	109,000	16,000
Professional services		28,000

For the sake of completeness, it should be noted that in the first quarter of 2022, pursuant to the Group Policy for "Engagements of audit firms and their networks" (the "Policy"), the Board of Statutory Auditors, in its capacity as the ICAC of the Parent Company, authorized some proposals for the integration of audit fees which, as regards CDP, will be submitted for approval to the Shareholders' Meeting called to approve the financial statements as at 31 December 2021. The fees are summarized below.

Engagement type	CDP *(compensation in euros)*	CDP Group Companies *(compensation in euros)*
Audit	75,000	
Audit-related	101,800[4]	28,648

[4] The amount includes the engagement authorized by the Board of Statutory Auditors on 29 July 2021, in the amount of €7,800.

Professional services		

The Board of Statutory Auditors took note of the Transparency Report prepared by Deloitte and published on its website pursuant to Article 18 of Legislative Decree 39/2010.

9. Most significant transactions, transactions with related parties and atypical or unusual operations

The Board of Statutory Auditors received, pursuant to and with the frequency required by Article 23, paragraph 4, of the articles of association, information on the most significant transactions in terms of size or characteristics carried out by the Company and its subsidiaries. These transactions are fully discussed in the report on operations prepared by the Board of Directors and in Part H – Transactions with Related Parties in the notes to the financial statements (please see this section for more information on the type of transactions conducted and their related impact on performance and financial position).

In this respect, the Board of Statutory Auditors finds that the information provided by the Board of Directors in the report on operations is adequate. In particular, the Board did not find any atypical and/or unusual transactions that, due to their significance or materiality, the nature of the counterparties, object and/or consideration may give rise to doubts as to the accuracy/completeness of the information in the financial statements or may be considered manifestly imprudent or reckless or undertaken in violation of the provisions on conflicts of interest.

10. Significant events

The Board of Statutory Auditors reports that 2021 was characterized by a number of key themes, both in the separate financial statements of CDP, and in the consolidated financial statements of the CDP Group. Below is a description of the following themes:

1. Health emergency from COVID-19
2. Reorganization of the SACE Group
3. Performance and financial position of CDP
4. Impairment testing of investments held by CDP
5. Individual and collective impairment of loans granted by CDP
6. Performance and financial position of the CDP Group

10.1 Health emergency from COVID-19

With the spread of the COVID-19 health emergency, the Company has adopted a series of organizational measures (i.e. activation of a task force composed of representatives of the main internal units involved in managing the emergency, as well as voluntary diagnostic screening activities) that are intended, among other things, to ensure business continuity and preserve the health and safety of company personnel. In particular, in accordance with the measures issued by the competent authorities, the Company - insofar as it operates in a sector deemed essential (i.e. the financial sector) and because of its institutional mission – has maintained normal operations by using agile working methods for almost all employees. In this context, the Board of Statutory Auditors met with the employer and verified the adoption of procedures to minimize the risk of contagion with COVID-19 and, more generally, to protect the health and safety of personnel. The Board also verified the adaptation of information and communications technology, human resources and organizational processes to the emergency situation, meeting with the heads of the units responsible for this.

At the accounting level, it is preliminarily noted that, in relation to the approval of the financial statements as at 31 December 2019, the health emergency from COVID-19 was qualified as a subsequent "non-adjusting" event according to the provisions of IAS 10, as it occurred after the end of the year, to be reported in the financial statements, but without accounting effects on the 2019 financial year. With regard to the financial statements at 31 December 2021, the emergency qualifies as an event pertaining to the year to be reflected in 2021 events. For this reason, in the preparation of the annual financial report at 31 December 2021, the Group considered its impacts to the current economic context, characterized by the effects of the aforementioned health emergency, the related accounting implications connected to the valuation of assets and liabilities, the reporting and assessment on business continuity, also taking into account the recommendations published by the Bank of Italy, ESMA, the International Organization of Securities Commissions (IOSCO) and Consob.

The Board of Statutory Auditors ensured that:

- in preparing the separate and consolidated annual financial statements at 31 December 2021, the management has taken into account the elements of greatest uncertainty characterizing the current context and has given adequate information in the financial statements, as requested by the Authorities;
- the COVID-19 pandemic did not represent a factor of uncertainty on CDP's ability to continue operating as a going concern and that the Company provided adequate disclosure on the valuation of items incorporating higher estimate components in the application of the accounting policies and on the sources underlying the main estimate components, as well as the main risks and uncertainties to which CDP is exposed as a result of COVID-19 and related assessments;
- as part of the notes to the separate and consolidated financial statements, additional information

was adequately provided with reference to the main subsidiaries.

Increasing uncertainty on the effects of the spread of COVID-19 on a global scale entail greater uncertainty in the formulation of estimates regarding quantities such as possible future losses on receivables valued at amortized cost and cash flows deriving from equity investments, also with reference to the assumptions and parameters used to support the asset valuation analyses. In this context, the Board of Statutory Auditors verified that the information provided in the separate and consolidated annual financial report as of 31 December 2021 complies with the provisions of the Authorities regarding the areas most exposed to uncertainties related to the COVID-19 pandemic.

10.2 Reorganization of the SACE Group

In order to cope with the health emergency, Legislative Decree no. 23/2020 - converted, with amendments, by Law no. 40/2020 ("Liquidity Decree") also provided, among other things, for some measures relating to corporate governance and business operations of SACE S.p.A. Among these:

- new methods for managing CDP investment in SACE, providing, among other things, that (i) CDP should agree with the MEF, having consulted the Ministry of Foreign Affairs and International Cooperation (MFAIC), on the exercise of the voting rights deriving from the investment in SACE and consult the MEF on other management operations of the investment, and that (ii) SACE is not subject to the direction and coordination of CDP;
- new ways of defining industrial and commercial strategies, which SACE must agree with CDP.

Subsequently, Art. 67 of Legislative Decree no. 104/2020 ("August Decree") introduced specific provisions relating to the reorganization of the SACE group, providing, among other things, that:

- upon agreement between the MEF and CDP, a decree of the MEF in agreement with the MFAIC (subject to registration by the Court of Auditors) shall provide for "*the reorganization of the SACE group at a transfer price valued as appropriate by the parties*";
- *"the burden associated with the payment of the consideration for the transfer referred to in paragraph 2, which is carried out through government securities, also specifically issued, up to a maximum limit of 4,500 million euro for the year 2020, is assumed (by the State) pursuant to Article 114 "*

Based on the foregoing, the Board of Directors of 5 March 2021 – taken note of the draft agreement pursuant to art. 67, paragraph 2, of the August Decree, concerning the corporate reorganization of the SACE group –approved:

- the purchase of the entire stake in SIMEST S.p.A. owned by SACE;
- the transfer to the MEF of the entire stake in SACE owned by CDP.

In this respect, pursuant to IFRS 5, the investment in SACE was reclassified among assets held for sale, as a discontinued operation, in CDP separate financial statements in 2021. More specifically, the sale price defined in the draft agreement was equal to the carrying amount (€4,251.174 million), thus having no impact on the income statement.

In light of the above, the SACE Group (net of the investee SIMEST) was reclassified in the consolidated financial statements among assets held for sale. The identification of the net assets of the SACE group subject to future disposal, as a "disposal group" and the application of the related valuation criteria (fair value less costs of disposal, applied to the whole the "disposal group" instead of the individual assets being sold) resulted in a negative income statement effect of €1,288 million in the consolidated financial statements of the CDP Group, including the contribution to the consolidated result of the SACE Group, equal to the difference between the carrying amount of the net assets of the SACE Group gross of intercompany items (€ 5,539 million at 31 December 2021) in the consolidated statements, and the sale price defined in proposed agreement (€4,251.174 million).

On 17 March 2022:

- the MEF-MAECI Implementation Decree, registered by the Court of Auditors on 8 February 2022, was issued, governing the corporate reorganization as a whole and the transfer price of the investments (€228.406 million for SIMEST, settled in cash, and €4,251.174 million for SACE, to be settled in government bonds, respectively);
- the Directorial Decree of the Department of the Treasury, referred to by the aforementioned MEF-MAECI Implementation Decree, which ordered the issue and subsequent assignment to CDP of government bonds for a total value of €4,251.174 million, including accrued interest. The market value of these government bonds was determined with reference to the prices at 12:00 of the day of issue, with the settlement taking place on the second business day following the issue (21 March 2022).

As from 21 March 2022, CDP is the direct owner of a 76.005% stake in the share capital of SIMEST, while the MEF is the direct owner of a 100% stake in the share capital of SACE.

In this context, the Board of Statutory Auditors has, among others:

- exchanged information with the corporate units regarding the preparatory activities for the aforementioned board resolution; and
- verified that the notes to the separate and consolidated financial statements include the information required by applicable accounting standards on the corporate reorganization described above, the accounting effects of which were reflected in the 2021 Financial Report.

The checks performed found no issues with a significant impact.

10.3 Performance and financial position of CDP[5]

Net income for the period came to €2,367 million, down from €2,775 million in 2020. More specifically:

- net interest income amounted to €1,777 million, a decrease of €284 million compared with 2020, mainly attributable to the million effects of market rates at historic lows;
- dividends came to €1,234 million, an increase over 2020 (+ €145 million), mainly due to the contribution of ENI S.p.A. and Fintecna S.p.A., partially offset by the lack of SACE dividend;
- other net revenues amounted to €566 million, a decrease compared to 2020, mainly due to the lower economic impact of interest rate risk management strategies on the securities portfolio;
- the cost of risk is equal to -€205 million, improving compared to 2020 (-€349 million), when it included, among others, a value adjustment of a significant credit exposure (recognized prior to the COVID-19 crisis). In particular, the cost of risk is attributable to (i) receivables, in the amount of - €18 million, due to the evolution of the portfolio and the updating of risk parameters and (ii) equity in the amount of -€187 million, reflecting writedowns on equity investments for -€349 million[6] and write-backs on funds for €162 million;
- personnel and administrative expenses amounted to €204 million, an increase compared to 2020 mainly due to the growth of the company staff. Overall, the cost-to-income ratio remained at low levels (6%);
- other operating expenses and income are a positive €19.1 million, up compared to 2020 (€7.7 million); in particular, other operating expenses in 2021 came to €6.5 million, mainly reflecting payments to the CDP Foundation, in the amount of €5.5 million, to fund projects for social, environmental, cultural and economic development.

Total assets amounted to €413 billion, an increase of 1% over 2020. More specifically:

- the stock of cash and other cash equivalents came to about €185 billion, an increase of 1% over 2020;
- loans and receivables came to €114 billion, an increase of 7% compared 2020, mainly due to higher volumes of loans to companies and public entities;

[5] The performance and financial position of CDP described here refers to the separate financial statements, reclassified according to management criteria reported in the report on operations. Comparative data as at 31 December 2020 are reported in compliance with the regulatory provisions introduced by the seventh update of 29 October 2021 of the Bank of Italy Circular no. 262/2005 “bank financial statements: presentation formats and rules of preparation”.

[6] Mainly due to the write-down of CDP Industria S.p.A. (€304 million).

- Debt securities came to about €68 billion, a decrease of 9% over 2020 mainly due to significant maturities in the HTC portfolio, only partially offset by purchases made during the year, which reflect the significant growth of the credit portfolio;
- the stock of equity investments and funds amounted to €37 billion, up by 5% compared to 2020, due to the investments made in support of investee companies and investment funds.

Under liabilities, total funding came to €382 billion, a 1% increase over 2020. More specifically:

- postal funding (€281 billion) shows an increase of 3% from year-end 2020, thanks to both net CDP funding (€3.3 billion), and accrued interest income pertaining to postal savers;
- funding from banks and customers amounted to €79 billion, a decrease of 4% over 2020, mainly due to a decrease in ECB funding following the expiry of the PELTRO line,[7] partially offset by the growth in repurchase agreements;
- bond funding, equal to €21 billion, slightly increased compared with 2020 (+1%) mainly due to the new social bond issue of €500 million, supporting Italian SMEs and Mid Caps in Southern Italy, and the increase in commercial paper, which more than offset maturities in the year.

Shareholders' equity came to €25.3 billion, a slight decrease over year-end 2020 (-1%), reflecting accrued income and dividends paid during the year.

10.4 Impairment testing of investments held by CDP

The impairment test on equity investments in subsidiaries and associates is governed by IAS 36, which aims to define rules and principles that ensure that the book value of the assets does not exceed their recoverable value. At 31 December 2021, impairment testing was carried out also taking into account, where applicable, the instructions of national and international supervisory authorities on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments, as well as the difficulties associated with the continuing health crisis due to the spread of COVID-19.

Impairment tests were conducted pursuant to IAS/IFRS for ENI S.p.A., CDP Equity S.p.A., Fintecna S.p.A. e ITsART 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 recognized.

With regard to equity investments showing indications of the Its ART need to conduct impairment tests, it should be noted that:

[7] *Pandemic Emergency Longer-Term Refinancing Operations.*

- an impairment loss of €304 million was recognized for CDP Industria S.p.A., attributable to a decrease in the value of investments in its portfolio;
- an impairment loss of €42 million was recognized for CDP Immobiliare S.r.l., attributable to losses incurred by the company reflecting, among other things, write-downs recognized on the direct and indirect real estate portfolio;
- an impairment loss of about €1 million was recognized for Elite S.p.A., attributable to the negative economic performance of the company;
- an impairment loss of about €1 million was recognized for Redo SGR S.p.A. – Società Benefit, attributable to a slowdown in activities.

With regard to other equity investments, no facts or circumstances indicating a need to carry out an impairment test have emerged.

10.5 Individual and collective impairment of loans granted by CDP

Loans granted by CDP undergo impairment testing at the end of each period to determine whether there is objective evidence of impairment of the recognized asset.

Impairment is assumed when, due to events occurring after the initial recognition of the asset having an impact on the associated future cash flows (e.g., defaulted payments), it is deemed probable that the value of the asset tested will not be recovered in full. The value of an asset subject to impairment can be restored in subsequent periods if the reason for the write-down ceases to exist.

The individual assessment of such loans, carried out at 31 December 2021 on the basis of reasonable repayment assumptions, taking account of any guarantees securing these exposures, prompted net write-downs totaling about €1.9 million. With regard the classification of loans, the impaired exposures were identified and presented in the financial statements in accordance with the relevant legislation.

The staging allocation envisaged by IFRS 9 for financial assets determined the classification of net exposures in Stage 1 in the amount of €385.2 billion, in Stage 2 in the amount of €13.8 billion and in Stage 3 in the amount of about €398.9 million and in the purchased or originated credit impaired assets ("POCI") in the amount of about €2.5 million. Stage 3 includes all impaired exposures classified as bad debts (€68.7 million net), unlikely to be paid (€93.5 million net) and impaired past due exposures (€236.7 million net).

With regard to the collective assessment of loans and other credit exposures, the net adjustment (a net write-down) recognized in 2021 profit or loss amounted to about €15.5 million (of which €18 million in write-downs of exposures to customers and €2.5 million in write-backs of exposures to banks). The provision for collective impairment totaled about €1,114.4 million (of which €43.7 million in respect of banks).

The provision for collective impairment at 31 December 2021 was equal to 0.28% of gross on- and off-balance-sheet exposures subject to collective impairment.

10.6 Performance and financial position of the CDP Group

Group net income for 2021 amounted to €5,324 million (€2,980 million of which pertaining to the Parent Company), a significant increase over 2020, mainly attributable to the positive contribution from companies accounted for using the equity method.

The latter result mainly reflected the impact of equity accounting for ENI S.p.A. (+€1,473 million compared with -€2,464 million in 2020), Poste Italiane S.p.A. (+€517 million from +€336 million in 2020), SAIPEM (-€323 million from -€150 million in 2020) and Webuild S.p.A. (-€60 million from +€28 million in 2020).

Net interest income came to €1,587 million, a decrease over the previous year mainly reflecting the performance of the Parent Company.

Profit (loss) on insurance business came to a positive €221 million, an increase over 2020 (-€5 million), and includes net premiums and other income and expense from insurance operations.

Administrative expenses and other operating expenses and income increased compared to 2020 (by +€1,929 million and +€2,326 million respectively), mainly reflecting the contribution of the Fincantieri, Ansaldo Energia, Snam, Terna and Italgas Groups.

Other items of the income statement include the value adjustment of assets held for sale relating to SACE and its subsidiaries excluding SIMEST, in the amount of -€1,288 million, and a capital gain of €923 million deriving from the merger of SIA S.p.A. into NEXI S.p.A.

Total assets came to €517 billion, an increase of about €5 billion (1%) compared with 2020.

Financial assets represented by cash and cash equivalents, loans and securities, mainly reflect the performance of the portfolios of the Parent Company, and are overall unchanged compared to the previous year.

Equity investments increased by €5 billion, to €20.9 billion, mainly reflecting contributions connected to the performance of the subsidiaries and related consolidation adjustments. In particular:

- an overall €1,338 million increase related to ENI S.p.A., of which €1,473 million due to the net income for the year pertaining to the Group and €487 million due to a change in the valuation reserve, net of the impact of the dividend and other negative changes for a total value of -€623 million;

- an overall €107 million decrease related to Poste Italiane S.p.A., mainly due to a €517 million increase due to the net income for the year pertaining to the Group, net of a negative -€625 million reflecting a decrease in the valuation reserve, the dividend and other changes;
- a -€323 million decrease related to Saipem S.p.A. reflecting the net income for the year (including the consolidation adjustments) pertaining to the Group, the change in valuation reserves and other changes for a total value of -€15 million;
- the recognition of a shareholding in Nexi in the amount of €2,489 million, following the merger of SIA S.p.A. in Nexi S.p.A.;
- a €886 million increase in the investment in Open Fiber S.p.A., conferred in Open Fiber Holdings S.p.A., and the related recognition in equity.

Property, plant and equipment and intangible assets totaled €53.8 billion, a decrease of €900 million over 2020. The item mainly includes investments carried out by the Terna, Snam and Italgas Groups in their regulated and unregulated businesses.

The funding of the CDP Group at 31 December 2021 totaled about €419 billion, substantially unchanged over 2020. The item mainly includes postal funding of the Parent Company, bank borrowing and bond issues of CDP the Terna, Snam, Italgas and Ansaldo Energia Groups.

Group equity at 31 December 2021 came to about €35.4 billion, an increase of more than €1.7 billion over the previous year (€33.7 billion), due to the net income for the year and other income components partially offset by the decrease due the distribution of dividends.

11. Other activities

Below is information on other activities carried out by the Board of Statutory Auditors, with specific reference to:

1. the second self-assessment process of the Board of Statutory Auditors;
2. the exercise of advisory functions, training and duties carried out in the capacity of Supervisory Body.

11.1 *Self-assessment of the Board of Statutory Auditors*

During 2022, the Board of Statutory Auditors carried out, on a voluntary basis, a second internal self-assessment exercise[8] on the last phase of its term, aimed at verifying the correct and effective functioning of the body and its adequate composition, in view of its renewal. In this context, the Board of Statutory Auditors, which conducted the self-assessment with the support of a specialized consultant, concentrated its effort on matters such as (i) the qualitative-quantitative composition of the body, (ii) its organization and functioning, (iii) the procedures for exercising the powers and attributions of the body, (iv) the role of the Chairman of the Board of Statutory Auditors and (v) internal developments. This process - which confirmed the positive results of the previous exercise – showed an overall satisfaction assessment, the outcomes of which were made available to the Board of Directors and the Company.

11.2 *The exercise of advisory functions, training and duties in the capacity of Supervisory Body*

In the exercise of the advisory functions attributed by current legislation, the articles of association and other internal provisions on governance, in 2021 the Board of Statutory Auditors issued opinions:

- on the proposals of the Compensation Committee concerning, among others, (i) the setting and final verification of performance objectives related to the variable component of remuneration, and the definition of the employment relationship with the previous chief executive officer and general manager, (ii) the setting of the remuneration of the Chairman, the Chief Executive Officer and General Manager, as well as Board Committees; and (iii) the definition of performance targets connected to variable remuneration of the Chief Executive Officer and General Manager;
- on the award of engagements for a number of non-audit services to the Audit Firm, authorizing those granted by CDP.

During the period, the Board of Statutory Auditors also participated in induction sessions aimed at providing the Board of Directors, the Board Committees and the Board of Statutory auditors with a deeper understanding of issues pertaining to (i) the Revival Fund pursuant to Art. 27, Legislative Decree no. 34/2020, (ii) a participatory investment operation, (iii) the sustainability area (i.e. methods of impact analysis and assessment of climatic and environmental risks, ESG principles and relevant regulatory framework, governance and processes, framework, reporting and sustainability strategy), (iv) an initiative within the National Recovery and Resilience Plan, (v) the confidentiality and management

[8] In line with the provisions of the Q.1.1 standard. "Self-assessment by the board of statutory auditors" of the Rules of Conduct of the board of statutory auditors of listed companies ("Standard Q.1.1"). This standard was published by the National Council of Chartered Accountants and Accounting Experts in April 2018 and subsequently explained in the operational guidelines published in May 2019.

of insider information, (vi) the 2022-2024 Strategic Plan and (vii) the 2022-24 technological transformation and security plan.

As from 27 February 2017, the Board of Statutory Auditors performs the functions of the Supervisory Body, pursuant to Legislative Decree 231 of 8 June 2001. In that capacity, during 2021 the Board promoted and monitored the updating of the Model 231 of the Company.

12. Conclusions

Within the scope of the supervision activity of the Board of Statutory Auditors, no omissions, censurable facts or irregularities have been found. As specifically regards the draft financial statements for the year ended 31 December 2021, as prepared by the Board of Directors and submitted for the approval of the Shareholders' Meeting, the Board of Statutory Auditors, bearing in mind the specific duties of the audit firm with regard to controlling the accounts and verifying the reliability of the annual financial statements, and having considered the reports issued by the audit firm as well as the statements jointly issued by the Chief Executive Officer and the Financial Reporting Officer, has no comments for the Shareholders' Meeting.

Rome, 21 April 2022

For the Board of Statutory Auditors

The Chairman

Carlo Corradini

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cassa Depositi e Prestiti S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

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 our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of the equity investments in subsidiaries and associates

Description of the key audit matter	The financial statements as at December 31, 2021 include equity investments amounting to Euro 28,982 million, related to investments in subsidiaries and associates accounted for using the cost method. At each reporting date, the Management assess whether there is any indication that an asset may be impaired (so-called "triggers") provided by IAS 36; this assessment is performed on the basis of information taken from public sources or of any additional information received by the investees. For the purpose of the assessment carried out for the financial statements as at December 31, 2021, the Management also considered the indications issued by national and international authorities in relation to the impacts of the COVID-19 pandemic. In this regard, the COVID-19 outbreak on a global scale and the consequent impacts on the economic activity have led to an increase in uncertainty which makes the formulation of estimates regarding cash flows deriving from equity investments more complex, also with reference to the greater uncertainty associated with the assumptions and parameters used in the recoverability assessment of the assets. As at December 31, 2021, the Management detected impairment indicators on several equity investments accounted for using the cost method. As indicated in the notes to the financial statements, the Management, therefore, carried out the impairment test through a comparison between the carrying amount and the recoverable amount of such equity investments, using the most appropriate methodologies, from the outcome of which impairment losses were recognised. Considering the discretionary and the uncertainty implied in the estimation made in determining the assumptions and parameters of the impairment model, the complexity in the formulation of these estimates, as well as the significance of the amount of equity investments in subsidiaries and associates, we considered the valuation of such equity investments was a key audit matter of the financial statement of the Company. Paragraph 5 "Equity investments" of Part A.2 "The main financial statement items" describes the accounting principles used for the valuation of these items. Paragraph 7.1 "Information on equity investments" of Section 7 "Equity investments" Item 70 of Part B "Information on the balance sheet" includes the disclosure about the valuation of investments in subsidiaries and associates.

Audit procedures performed

As part of our audits work, we carried out the following procedures also supported, in some cases, by valuation experts from our Network:

- meetings and discussions with Management of the Company and, where appropriate, of the equity investments in order to understand the valuation methods, the information used and the assumptions made for the impairment test;

- understanding the processes and relevant controls adopted by the Company for the assessment of the impairment test;

- analysis of the valuation methods adopted by Management to determine the recoverable amount of such equity investments;

- analysis of the set of information used by Management to support their valuation, including the report issued by the independent expert involved by Management for the estimation of the recoverable amount;

- verification of the adequacy of the valuation method and their consistency with the accounting standards and valuation practices, also taking into account the specific context of each equity investments;

- analysis of the reasonableness of the main assumption and parameters used to determine the recoverable amount also through the verification of external data and information provided by Management;

- assessing the mathematical accuracy of the model used to determine the recoverable amount of the equity investments in subsidiaries and associates;

- verification of the adequacy of the disclosure provided by Directors in the financial statements and its compliance with IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude 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.

- Evaluate 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 communicate 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 identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Depositi e Prestiti S.p.A. has appointed us on March 19, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure of Cassa Depositi e Prestiti S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and the ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98 with the financial statements of Cassa Depositi e Prestiti S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure are consistent with the financial statements of Cassa Depositi e Prestiti S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Rome, Italy
April 20, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE NO. 58/1998

1. The undersigned Dario Scannapieco, in his capacity as Chief Executive Officer, and Pier Francesco Ragni, in his capacity as Manager in charge with preparing the company's financial reports of Cassa Depositi e Prestiti S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the separate financial statements during 2021.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the separate financial statements at 31 December 2021 was based on a process developed by Cassa Depositi e Prestiti S.p.A in line with the COSO model and COBIT model (for the IT component), which make up the generally-accepted internal control framework at the international level.

3. In addition, it is hereby certified that:
   3.1 the separate financial statements at 31 December 2021:
      a) have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the information in the books and other accounting records;
      c) give a true and fair view of the performance and financial position of the issuer.

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

Rome, 20 April 2022

The Chief Executive Officer	**The Manager in charge with preparing the company's financial reports**
Dario Scannapieco	Pier Francesco Ragni

3.2021 CONSOLIDATED FINANCIAL STATEMENTS

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

The consolidated financial statements at 31 December 2021 have been prepared in compliance with applicable regulations and consist of:

- Consolidated balance sheet;
- Consolidated income statement;
- Consolidated statement of comprehensive income;
- Statement of changes in consolidated equity;
- Consolidated statement of cash flows;
- Notes to the consolidated financial statements.

The Notes to the Consolidated Financial Statements are composed of:

- Introduction
- Part A - Accounting policies
- Part B - Information on the consolidated balance sheet
- Part C - Information on the consolidated income statement
- Part D - Consolidated comprehensive income
- Part E - Information on risks and related hedging policies
- Part F - Consolidated capital
- Part G - Business combinations
- Part H - Transactions with related parties
- Part I - Share-based payments
- Part L - Operating segments
- Part M – Disclosure of leases

The following are also included:

- Annexes
- Independent Auditor’s Report
- Certification pursuant to article 154-bis of Legislative decree no. 58/98

In the section “Annexes”, paragraph 1.1 “Scope of consolidation”, which forms an integral part of the consolidated financial statements (Annex 1.1) and paragraph 1.2 “Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129” (Annex 1.2) have been added.

Contents of the Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

CONSOLIDATED BALANCE SHEET

(thousands of euro)

Assets	31/12/2021	31/12/2020
10. Cash and cash equivalents	5,234,932	6,029,549
20. Financial assets measured at fair value through profit or loss	3,567,508	4,923,820
a) financial assets held for trading	68,248	1,321,688
b) financial assets designated at fair value	456,966	478,671
c) other financial assets mandatorily measured at fair value	3,042,294	3,123,461
30. Financial assets measured at fair value through other comprehensive income	15,768,288	13,538,002
40. Financial assets measured at amortised cost	360,831,187	397,725,128
a) loans to banks	39,777,904	42,523,856
b) loans to customers	321,053,283	355,201,272
50. Hedging derivatives	298,125	553,939
60. Fair value change of financial assets in hedged portfolios (+/-)	1,267,985	2,531,833
70. Equity investments	20,830,618	15,834,385
80. Reinsurers' share of technical reserves		2,594,711
90. Property, plant and equipment	41,108,394	40,315,498
100. Intangible assets	12,551,033	14,352,394
of which:		
- goodwill	*1,095,724*	*2,227,633*
110. Tax assets	1,974,745	1,990,812
a) current tax assets	179,732	174,278
b) deferred tax assets	1,795,013	1,816,534
120. Non-current assets and disposal groups held for sale	38,653,095	291,483
130. Other assets	15,008,330	11,723,676
Total assets	**517,094,240**	**512,405,230**

The data referring to 31 December 2020 have been restated as described in the accounting policies, “Other issues” section.

(thousands of euro)

Liabilities and equity	31/12/2021	31/12/2020
10. Financial liabilities measured at amortised cost	415,458,134	417,073,945
a) due to banks	49,726,217	62,303,272
b) due to customers	321,700,769	311,387,932
c) securities issued	44,031,148	43,382,741
20. Financial liabilities held for trading	135,199	268,158
30. Financial liabilities designated at fair value	34,383	30,513
40. Hedging derivatives	3,143,800	4,683,374
50. Fair value change of financial liabilities in hedged portfolios (+/-)	2,067	10,352
60. Tax liabilities	2,789,088	3,748,288
a) current tax liabilities	124,538	82,876
b) deferred tax liabilities	2,664,550	3,665,412
70. Liabilities associated with non-current assets and disposal groups held for sale	40,707,805	165,031
80. Other liabilities	16,432,044	46,094,342
90. Staff severance pay	208,817	240,741
100. Provisions for risks and charges	2,741,140	2,934,174
a) guarantees issued and commitments	450,288	409,374
b) pensions and other post-retirement benefit obligations		
c) other provisions	2,290,852	2,524,800
110. Technical reserves		3,460,541
120. Valuation reserves	455,643	510,814
130. Redeemable shares		
140. Equity instruments		
150. Reserves	11,619,920	14,186,661
160. Share premium reserve	2,378,517	2,378,517
170. Share capital	4,051,143	4,051,143
180. Treasury shares (-)	(322,220)	(322,220)
190. Non-controlling interests (+/-)	14,279,211	13,259,564
200. Net income (loss) for the year (+/-)	2,979,549	(368,708)
Total liabilities and equity	**517,094,240**	**512,405,230**

The data referring to 31 December 2020 have been restated as described in the accounting policies, “Other issues” section.

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

Items	2021	2020
10. Interest income and similar income	7,720,775	7,815,126
- of which: interest income calculated using the effective interest rate method	*7,976,027*	*8,054,977*
20. Interest expense and similar expense	(5,138,169)	(4,939,398)
30. Net interest income	**2,582,606**	**2,875,728**
40. Commission income	503,540	475,607
50. Commission expense	(1,453,928)	(1,479,907)
60. Net commission income (expense)	**(950,388)**	**(1,004,300)**
70. Dividends and similar revenues	56,405	25,760
80. Profits (losses) on trading activities	53,135	(114,696)
90. Net gains (losses) on hedge accounting	(39,085)	(49,755)
100. Gains (losses) on disposal or repurchase of:	475,219	856,545
a) financial assets measured at amortised cost	354,883	735,756
b) financial assets at fair value through other comprehensive income	126,769	136,790
c) financial liabilities	(6,433)	(16,001)
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:	89,298	(158,826)
a) financial assets and liabilities designated at fair value	(5,949)	3,362
b) other financial assets mandatorily at fair value	95,247	(162,188)
120. Gross income	**2,267,190**	**2,430,456**
130. Net adjustments/recoveries for credit risk relating to:	(53,985)	(162,589)
a) financial assets measured at amortised cost	(55,189)	(162,334)
b) financial assets at fair value through other comprehensive income	1,204	(255)
140. Gains/losses from changes in contracts without derecognition	(377)	(15)
150. Financial income (expense), net	**2,212,828**	**2,267,852**
160. Net premium income		
170. Net other income (expense) from insurance operations		
180. Net income from financial and insurance operations	**2,212,828**	**2,267,852**
190. Administrative expenses	(11,675,540)	(9,749,552)
a) staff costs	(2,617,767)	(2,383,945)
b) other administrative expenses	(9,057,773)	(7,365,607)
200. Net accruals to the provisions for risks and charges	(35,354)	(158,707)
a) guarantees issued and commitments	13,014	(91,599)
b) other net accrual	(48,368)	(67,108)
210. Net adjustments to/recoveries on property, plant and equipment	(1,879,075)	(1,789,523)
220. Net adjustments to/recoveries on intangible assets	(878,687)	(877,268)
230. Other operating income (costs)	17,414,541	15,100,969
240. Operating costs	**2,945,885**	**2,525,919**
250. Gains (losses) on equity investments	1,737,709	(2,116,846)
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value		
270. Goodwill impairment		
280. Gains (losses) on disposal of investments	948,213	15,892
290. Income (loss) before tax from continuing operations	**7,844,635**	**2,692,817**
300. Income tax for the year on continuing operations	(1,350,768)	(1,490,095)
310. Income (loss) after tax on continuing operations	**6,493,867**	**1,202,722**
320. Income (loss) after tax on discontinued operations	(1,170,202)	(38,033)
330. Net income (loss) for the year	**5,323,665**	**1,164,689**
340. Net income (loss) for the year pertaining to non-controlling interests	2,344,116	1,533,397
350. Net income (loss) for the year pertaining to shareholders of the Parent Company	**2,979,549**	**(368,708)**

The data referring to financial year 2020 have been restated as described in the accounting policies, “Other issues” section.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)

Items		2021	2020
10.	**Net income (loss) for the year**	**5,323,665**	**1,164,689**
	Other comprehensive income (net of tax) not transferred to income statement	**222,588**	**(193,892)**
20.	Equity securities designated at fair value through other comprehensive income	163,841	(197,145)
30.	Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)		
40.	Hedging of equity securities designated at fair value through other comprehensive income		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit	18,120	(5,904)
80.	Non-current assets and disposal groups held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method	40,627	9,157
	Other comprehensive income (net of tax) transferred to income statement	**(127,651)**	**(457,004)**
100.	Hedging of foreign investments		
110.	Exchange rate differences	56,269	(75,018)
120.	Cash flow hedges	(186,547)	(99,508)
130.	Hedging instruments (elements not designated)		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(156,605)	65,612
150.	Non-current assets and disposal groups held for sale		
160.	Share of valuation reserves of equity investments accounted for using equity method	159,232	(348,090)
170.	**Total other comprehensive income (net of tax)**	**94,937**	**(650,896)**
180.	**Comprehensive income (items 10+170)**	**5,418,602**	**513,793**
190.	Consolidated comprehensive income pertaining to non-controlling interests	2,453,180	1,474,809
200.	**Consolidated comprehensive income pertaining to shareholders of the parent company**	**2,965,422**	**(961,016)**

The data referring to 2020 have been restated as described in the accounting policies, “Other issues” section.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: CURRENT FINANCIAL YEAR

				Allocation of net income for previous year		Changes for the year		
							Equity transactions	
(thousands of euro)	Balance at 31.12.2020	Changes in opening balance	Balance at 01.01.2021	Reserves	Dividends and other allocations (*)	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:								
a) ordinary shares	7,211,883		7,211,883			95,317	11,266	
b) preference shares	1,350		1,350					
Share premium reserve	3,919,731		3,919,731			1,358		
Reserves:								
a) income	21,401,189		21,401,189		(2,459,528)	(108,846)		
b) other	836,830		836,830			(532)		
Valuation reserves	201,415		201,415			(44,359)		
Equity instruments								
Interim dividends	(466,177)		(466,177)	466,177				
Treasury shares	(575,139)		(575,139)					(1,744)
Net income (loss) for the year	1,164,689		1,164,689	(466,177)	(698,512)			
Total Equity	**33,695,771**		**33,695,771**		**(3,158,040)**	**(57,062)**	**11,266**	**(1,744)**
Equity Group	**20,436,207**		**20,436,207**		**(2,220,527)**	**(97,696)**		
Equity Non-controlling interests	**13,259,564**		**13,259,564**		**(937,513)**	**40,634**	**11,266**	**(1,744)**

(*) Dividend per share distributed by the Parent Company equal to 6.57 euro as an ordinary dividend

The data referring to financial year 2020 have been restated as described in the accounting policies, “Other issues” section.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: PREVIOUS FINANCIAL YEAR

				Allocation of net income for previous year		Changes for the year		
							Equity transactions	
(thousands of euro)	Balance at 31.12.2019	Changes in opening balance	Balance at 01.01.2020	Reserves	Dividends and other allocations (*)	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:								
a) ordinary shares	7,224,199		7,224,199				189	
b) preference shares	1,350		1,350					
Share premium reserve	4,123,545		4,123,545			(91,717)		
Reserves:								
a) income	20,837,950	399,334	21,237,284	(52,431)		126,518		
b) other	848,365		848,365	(24,214)		4,060		
Valuation reserves	859,715		859,715			(7,404)		
Equity instruments								
Interim dividends	(440,599)		(440,599)	440,599				
Treasury shares	(755,270)		(755,270)				166,891	13,240
Net income (loss) for the year	3,410,702	(796)	3,409,906	(363,954)	(3,045,952)			
Total Equity	**36,109,957**	**398,538**	**36,508,495**		**(3,045,952)**	**31,457**	**167,080**	**13,240**
Equity Group	**23,550,179**	**(920)**	**23,549,259**		**(2,152,931)**	**(36,872)**	**166,891**	
Equity Non-controlling interests	**12,559,778**	**399,458**	**12,959,236**		**(893,021)**	**68,329**	**189**	**13,240**

(*) Dividend per share distributed by the Parent Company equal to 6.37 euro as an ordinary dividend

The data referring to financial year 2020 have been restated as described in the accounting policies, “Other issues” section.

Changes for the year – Equity transactions – Interim dividends	Changes for the year – Equity transactions – Special dividend distribution	Changes for the year – Equity transactions – Changes in equity instruments	Changes for the year – Equity transactions – Derivatives on own shares	Changes for the year – Equity transactions – Stock options	Changes for the year – Equity transactions – Change in equity interests	Changes for the year – Comprehensive income for 31.12.2021	Shareholders' Equity at 31.12.2021	Group's Equity at 31.12.2021	Equity Non-controlling interests at 31.12.2021
					48,476		7,366,942	4,051,143	3,315,799
							1,350		1,350
					21,112		3,942,201	2,378,517	1,563,684
	(19,500)				54,573		18,867,888	11,643,090	7,224,798
				3,418	(82,833)		756,883	(23,170)	780,053
					5,916	94,937	257,909	455,643	(197,734)
(498,192)							(498,192)		(498,192)
							(576,883)	(322,220)	(254,663)
						5,323,665	5,323,665	2,979,549	2,344,116
(498,192)	**(19,500)**			**3,418**	**47,244**	**5,418,602**	**35,441,763**	**21,162,552**	**14,279,211**
					79,146	**2,965,422**	**21,162,552**	**21,162,552**	
(498,192)	**(19,500)**			**3,418**	**(31,902)**	**2,453,180**	**14,279,211**		**14,279,211**

Changes for the year – Equity transactions – Interim dividends	Changes for the year – Equity transactions – Special dividend distribution	Changes for the year – Equity transactions – Changes in equity instruments	Changes for the year – Equity transactions – Derivatives on own shares	Changes for the year – Equity transactions – Stock options	Changes for the year – Equity transactions – Change in equity interests	Changes for the year – Comprehensive income for 31.12.2020	Shareholders' Equity at 31.12.2020	Group's Equity at 31.12.2020	Equity Non-controlling interests at 31.12.2020
					(12,505)		7,211,883	4,051,143	3,160,740
							1,350		1,350
					(112,097)		3,919,731	2,378,517	1,541,214
	(9,000)				98,818		21,401,189	14,209,833	7,191,356
				3,955	4,664		836,830	(23,172)	860,002
						(650,896)	201,415	510,814	(309,399)
(466,177)							(466,177)		(466,177)
							(575,139)	(322,220)	(252,919)
						1,164,689	1,164,689	(368,708)	1,533,397
(466,177)	**(9,000)**			**3,955**	**(21,120)**	**513,793**	**33,695,771**	**20,436,207**	**13,259,564**
					(129,124)	**(961,016)**	**20,436,207**	**20,436,207**	
(466,177)	**(9,000)**			**3,955**	**108,004**	**1,474,809**	**13,259,564**		**13,259,564**

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CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(thousands of euro)	2021	2020
A. OPERATING ACTIVITIES		
1. Operations	**6,340,012**	**8,973,946**
- net income for the year (+/-)	5,323,665	1,164,689
- gains (losses) on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	(80,076)	230,449
- gains (losses) on hedging activities (-/+)	25,076	(2,870)
- net impairment adjustments (+/-)	65,509	190,922
- net value adjustments to property, plant and equipment and intangible assets (+/-)	2,759,802	2,675,173
- net provisions and other costs/revenues (+/-)	24,144	128,935
- net premiums not received (-)	(24,576)	(54,092)
- other insurance income not received/paid (-/+)	177,202	358,891
- unpaid charges, taxes and tax credits (+/-)	(888,042)	(381,319)
- writedowns/writebacks of equity investments (+/-)	(1,687,984)	2,119,346
- income (loss) after tax on discontinued operations (+/-)	1,288,563	
- other adjustments (+/-)	(643,271)	2,543,822
2. Cash generated by/used in financial assets	**(1,784,321)**	**(21,777,024)**
- financial assets held for trading	972,034	100,543
- financial assets designated at fair value	15,901	
- other financial assets mandatorily measured at fair value	(175,144)	52,389
- financial assets measured at fair value through other comprehensive income	(2,271,333)	(1,324,192)
- financial assets measured at amortised cost	2,346,221	(20,565,489)
- other assets	(2,672,000)	(40,275)
3. Cash generated by/used in financial liabilities	**3,752,930**	**57,947,591**
- financial liabilities measured at amortised cost	1,868,982	28,282,910
- financial liabilities held for trading	(117,071)	178,193
- financial liabilities designated at fair value	3,814	(24,094)
- other liabilities	1,997,205	29,510,582
Cash generated by/used in operating activities	**8,308,621**	**45,144,513**

B. INVESTMENT ACTIVITIES		
1. Cash generated by	**2,894,806**	**1,297,884**
- sale of equity investments	79,639	125,972
- dividends from equity investments	1,034,572	957,261
- sale of property plant and equipment	218,220	121,559
- sale of intangibles	1,562,375	91,957
- sales of subsidiaries and business units		1,135
2. Cash used in	**(5,676,393)**	**(4,425,568)**
- purchase of equity investments	(1,281,322)	(439,306)
- purchase of property, plant and equipment	(3,131,787)	(2,668,240)
- purchase of intangible assets	(1,195,689)	(1,216,880)
- purchases of subsidiaries and business units	(67,595)	(101,142)
Cash generated by/used in investing activities	**(2,781,587)**	**(3,127,684)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	(15,146)	(19,948)
- issue/purchase of equity instruments		
- dividend distribution and other allocations	(3,443,222)	(3,299,920)
- sale/purchase of third-party control		(3,742)
Cash generated by/used in financing activities	**(3,458,368)**	**(3,323,610)**
CASH GENERATED/USED DURING THE YEAR	**2,068,666**	**38,693,219**

Key:
(+) generated
(-) used

RECONCILIATION

Items (*)	2021	2020
Cash and cash equivalents at beginning of the year	**191,985,578**	**153,308,159**
Total cash generated/used during the year	2,068,666	38,693,219
Cash and cash equivalents: foreign exchange effect	6,497	(15,800)
Cash and cash equivalents at the end of the year	**194,060,741**	**191,985,578**

* The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 “Cash and cash equivalents” (Euro/000 5,234,932 vs Euro/000 6,029,549 as of 31/12/2020), the balance on the current account held with the Central Treasury (Euro/000 157,207,306 vs Euro/000 185,976,629 as of 31/12/2020), and the balance of the cash and cash equivalents reported under item 120 "Non-current assets and disposal groups held for sale" (Euro/000 31,645,525 vs a nil balance as of 31/12/2020), net of current accounts with a negative balance reported under item 10 “Financial liabilities measured at amortised cost” under liabilities (Euro/000 27,022 vs Euro/000 20,600 as of 31/12/2020).

The data referring to 2020 have been restated as described in the accounting policies, “Other issues” section.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Cassa Depositi e Prestiti S.p.A. (the Parent Company), abbreviated to CDP, and its subsidiaries form the Cassa Depositi e Prestiti Group (hereinafter also referred to as the “CDP Group” or the “Group”).

Cassa Depositi e Prestiti S.p.A. is a joint-stock company organised under the laws of the Republic of Italy and controlled by the Ministry of Economy and Finance.

Its registered office is at Via Goito 4, Rome (postal code 00185), Italy.

The CDP Group is a catalyst for Italian and international resources to support the growth of the Italian system, through the financing of public sector infrastructure and investment and support for business development. In particular, the Group:

- is a leader in the financing of public sector investments and promotes infrastructure development;
- is a central operator supporting Italy’s business system throughout the lifecycle of companies, encouraging the birth of start-ups, the growth of SMEs, the turnaround of mature or historic companies, investing as a medium- to long-term partner and supporting their expansion via export and international expansion;
- promotes property development and acts as Italy’s leading operator in social and smart housing.

Form and content of the financial statements

As in previous years, the consolidated financial statements of the CDP Group have been prepared according to the provisions of the Bank of Italy, as applicable, specified in the “Credit and Financial Supervision” circular issued on 22 December 2005, in the version updated on 29 October 2021, on “Bank financial statements: presentation formats and rules”, which regulates the preparation of the financial statements of banks according to the IFRS International Accounting Standards, supplemented by the provisions set out in the Bank of Italy Communication of 21 December 2021 on the impact of COVID-19 and measures to support the economy and amendments to IAS/IFRS.

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

Italian Legislative Decree 38 of 28 February 2005 was then issued in order to govern the application of:

- the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC);

and interpretation sources adopted by the International Financial Reporting Interpretations Committee (“IFRIC”, formerly SIC - Standing Interpretations Committee).

The currency used for the preparation of the consolidated financial statements is the euro. The consolidated financial statements consist of the Consolidated balance sheet, the Consolidated income statement, the Consolidated statement of comprehensive income, the Statement of changes in consolidated equity, the Consolidated statement of cash flows, and these Notes to the consolidated financial statements with the relevant annexes as well as the Board of Directors' Report on operations.

The consolidated financial statements clearly present, and give a true and fair view of, the Group’s financial performance and results of operations for the year.

Basis of presentation

The consolidated financial statements and the tables of the notes to the consolidated financial statements are expressed in thousands of euros, unless otherwise specified.

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

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

The cash and cash equivalents reported in the Statement of cash flows comprise the balance of item 10 "Cash and cash equivalents", inclusive of the positive balance of bank current accounts on demand, the balance on the current account held with the Central State Treasury reported under item 40 b "Loans to customers", the balance of the cash and cash equivalents reported under item 120 "Non-current assets and disposal groups held for sale", net of current accounts with a negative balance reported under item 10 a "Due to banks" of liabilities.

With reference to the requirements set out in paragraph 33 of IFRS 5, note that the contribution of discontinued operations (represented by Sace, Sace Bt, Sace Fct, Sace Srv and the investment entity FSE) to the cash generated by operating activities amounts to 273 million euro (31,053 million euro in 2020), while that generated by investing activities amounts to 65 million euro (58 million euro in 2020).

Comparison and disclosure

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

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

The statement of cash flows, prepared using the indirect method and in accordance with the format set out in the above-mentioned Bank of Italy circular No. 262/2005, includes, under cash generated by/used in financial liabilities, the changes in liabilities arising from financing activities, as provided by par. 44 B of IAS 7.

With regard to the requirements of the aforementioned Circular 262/2005 on presentation of data and information for the scope of "prudential consolidation", we note that, in line with the Italian and EU regulatory framework, the CDP Group is not subject to prudential supervision on a consolidated basis. Therefore, the Parent Company CDP S.p.A. and the following companies, subject to supervision on an individual basis, were included where reference is made to the scope of "prudential consolidation": CDP Immobiliare SGR, SACE Factoring and Fondo Italiano di Investimento SGR.

Where significant, detailed information has been provided distinguishing between "prudential consolidation" (which can be referred to alternatively as "banking group"), and "other companies". All fully consolidated subsidiaries, other than those already included in the scope of the "prudential consolidation", or "banking group", are included in the "other companies" scope.

Note that, as a result of the events that took place during the first half of the year, as explained in detail in Section 3, Scope and methods of consolidation, to which reference should be made, all assets and liabilities pertaining to the companies of the Sace group (excluding those relating to the SIMEST investee) have been reclassified - in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - to item 120 of assets "Non-current assets and disposal groups held for sale" and item 70 of liabilities "Liabilities associated with non-current assets and disposal groups held for sale", respectively. Similarly, the financial results of the SACE group companies being disposed of are reported in item 320 of the income statement "Income (loss) after tax on discontinued operations", since these companies meet the requirements of paragraph 32 of IFRS 5.

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

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

"Section F – Consolidated capital" was therefore not prepared.

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

Auditing of the financial statements

The consolidated financial statements of the CDP Group are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm Deloitte & Touche S.p.A., following award of the audit engagement for the 2020-2028 period by the Shareholders' Meeting of CDP S.p.A., held in ordinary session on 19 March 2019.

Annexes to the consolidated financial statements

The consolidated financial statements include Annex 1.1 "Scope of consolidation" and Annex 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129".

PART A - ACCOUNTING POLICIES

A.1 - General information

SECTION 1 - DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

These consolidated financial statements as of and for the year ended 31 December 2021 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 2021, endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal L 243 on 11 September 2002.

These consolidated financial statements have been prepared, as applicable, in accordance with Bank of Italy Circular no. 262 issued on 22 December 2005, in the version updated on 29 October 2021, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IFRS.

The IFRS applied for preparation of these consolidated financial statements are listed 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 amounts related to the current financial period but also the corresponding comparative values.

The consolidated balance sheet does not contain those items having a zero amount as of 31 December 2021 and 31 December 2020. The consolidated income statement and the consolidated statement of comprehensive income do not contain items that have a zero amount in the reporting and comparative period.

In the consolidated income statement, in the consolidated statement of comprehensive income, and in the tables in the notes to the consolidated financial statements, revenues are shown as positive, while costs are shown as negative in brackets, when presented in tables in combination with revenues.

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

- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretations;

- Interpretative documents on the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC) and the Italian Banking Association (ABI);
- Documents issued by the EBA, ESMA and Consob concerning the application of specific IFRS rules;
- Documents issued by ESMA, IOSCO and Consob with regard to assessments and disclosures required in respect of the impacts of the COVID-19 outbreak[63].

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

These consolidated financial statements have been prepared in accordance with the following general requirements of IAS 1 - "Presentation of financial statements":

- Going concern basis: pursuant to the provisions of the joint document no. 2 of 6 February 2009 issued by Bank of Italy/Consob/Isvap concerning disclosures on the going concern basis, in compliance with the requirements on the same issue contained in IAS 1 Revised and in accordance with the recommendations provided by ESMA in its Public Statement 71-99-1290 of 11 March 2020, Public Statement 32-63-972 of 20 May 2020, Public Statement 32-63-1041 of 28 October 2020 and Public Statement 32-63-1186 of 29 October 2021, the CDP Group has performed an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous years, CDP deems 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 recognised in profit or loss in accordance with the matching principle;
- Materiality and aggregation: all items containing assets, liabilities, revenues and expenses 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 period. 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 earnings result in the future periods.

[63] These references are:
- EBA Communication dated 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures";
- ESMA Communication dated 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- Document of the IFRS Foundation dated 27 March 2020 "IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic";
- ECB Letter dated 1 April 2020 "IFRS 9 in the context of the coronavirus (COVID-19) pandemic" addressed to all significant entities;
- EBA Guidelines dated 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis";
- CONSOB warning notice no. 6/20 of April 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA Communication dated 20 May 2020 "Implications of the COVID-19 outbreak on the half-yearly financial reports";
- CONSOB warning notice no. 8/20 dated July 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- CONSOB warning notice no. 1/21 dated February 2021, 'COVID-19 – Measures on support for the economy – Drawing attention to reporting that needs to be provided'.
- ESMA statement dated 29 October 2021 'European common enforcement priorities for 2021 annual financial reports'.

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

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

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

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

- the calculation of impairment losses on loans, equity investments and, in general, other financial assets subject to impairment;
- the use of measurement techniques to determine the fair value of financial instruments not listed on an active market;
- the calculation of employee benefits and provisions for risks and charges;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretative issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the assessment of the recoverability of goodwill and other intangible assets;
- 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.

The current market context continues to be marked by profound uncertainty relating to the duration of the effects of the COVID-19 pandemic and the consequent difficulty in predicting the timing and extent of the economic recovery that could take place in the coming years. For further information on the uncertainties of the current context, see also the Report on Operations as well as the section 'Disclosure of COVID–19 impacts' in the Notes to the 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 or of insignificant value, whose contribution to the consolidated financial statements is immaterial.

Unless otherwise specified below in the description of changes in the scope of consolidation, the financial statements of the subsidiaries used for line-by-line consolidation are those at 31 December 2021, 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 29 October 2021.

The following statement shows the companies consolidated on a line-by-line basis.

1. Subsidiaries

	Company name	Operational headquarters	Registered office	Type of relationship (1)	Equity investment - Investor	% holding	% of votes (2)
1.	ACE Marine LLC	Green Bay - WI	Madison, WI	1	FINCANTIERI MARINE GROUP LLC	100,00%	100,00%
2.	Alfiere S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	100,00%	100,00%
3.	Alivieri Power Units Maintenance SA	Athens	Athens	1	Ansaldo Energia Switzerland AG	100,00%	100,00%
4.	Ansaldo Energia Gulf	ABU DHABI	ABU DHABI	1	Ansaldo Energia S.p.A.	100,00%	100,00%
5.	Ansaldo Energia IP UK Ltd	London	London	1	Ansaldo Energia S.p.A.	100,00%	100,00%
6.	Ansaldo Energia Iranian LLC	Tehran	Tehran	1	Ansaldo Energia S.p.A.	70,00%	70,00%
				1	Ansaldo Russia LLC	30,00%	30,00%
7.	Ansaldo Energia Muscat LLC	Muscat	Muscat	1	Ansaldo Energia Switzerland AG	50,00%	50,00%
		Muscat	Muscat	1	Ansaldo Energia S.p.A.	50,00%	50,00%
8.	Ansaldo Energia Netherlands BV	Breda	Breda	1	Ansaldo Energia Switzerland AG	100,00%	100,00%
9.	Ansaldo Energia S.p.A.	Genoa	Genoa	1	CDP Equity S.p.A.	87,57%	87,57%
10.	Ansaldo Energia Spain S.L.	Zaragoza	Zaragoza	1	Ansaldo Energia Switzerland AG	100,00%	100,00%
11.	Ansaldo Energia Switzerland AG	Baden	Baden	1	Ansaldo Energia S.p.A.	100,00%	100,00%
12.	Ansaldo Green Tech S.p.A.	Genoa	Genoa	1	Ansaldo Energia S.p.A.	100,00%	100,00%
13.	Ansaldo Nigeria Limited	Lagos	Lagos	1	Ansaldo Energia S.p.A.	60,00%	60,00%
14.	Ansaldo Nucleare S.p.A.	Genoa	Genoa	1	Ansaldo Energia S.p.A.	100,00%	100,00%
15.	Ansaldo Russia LLC	Moscow	Moscow	1	Ansaldo Energia S.p.A.	100,00%	100,00%
16.	ARSENAL S.r.l.	Trieste	Trieste	1	FINCANTIERI OIL & GAS S.p.A.	100,00%	100,00%
17.	Asia Power Project Private Ltd	Chennai	Chennai	1	Ansaldo Energia S.p.A.	100,00%	100,00%
18.	Asset Company 10 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
19.	ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
20.	Auto Sport Engineering Limited	United Kingdom	United Kingdom	4	Marval S.r.l.	100,00%	100,00%
21.	AVVENIA THE ENERGYINNOVATOR S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100,00%	100,00%
22.	Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100,00%	100,00%
23.	Bludigit S.p.A.	Turin	Turin	1	Italgas S.p.A.	100,00%	100,00%
24.	Bonafous S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100,00%	100,00%
25.	BOP6 s.c.a.r.l.	Trieste	Trieste	1	Fincantieri SI S.p.A.	95,00%	95,00%
		Trieste	Trieste	1	Fincantieri S.p.A.	5,00%	5,00%
26.	Brugg Cables (India) Pvt., Ltd.	Haryana	Haryana	1	Brugg Kabel GmbH	0,26%	0,26%
		Haryana	Haryana	1	Brugg Kabel AG	99,74%	99,74%
27.	Brugg Cables (Shanghai) Co., Ltd.	Shanghai	Shanghai	1	Brugg Kabel AG	100,00%	100,00%
28.	Brugg Cables (Suzhou) Co., Ltd.	Suzhou	Suzhou	1	Brugg Cables (Shanghai) Co., Ltd.	100,00%	100,00%
29.	Brugg Cables Italia S.r.l.	Rome	Rome	1	Brugg Kabel Manufacturing AG	100,00%	100,00%
30.	Brugg Cables Middle East DMCC	Dubai	Dubai	1	Brugg Kabel AG	100,00%	100,00%
31.	Brugg Kabel AG	Brugg	Brugg	1	Brugg Kabel Services AG	90,00%	90,00%
32.	Brugg Kabel GmbH	Schwieberdingen	Schwieberdingen	1	Brugg Kabel AG	100,00%	100,00%
33.	Brugg Kabel Manufacturing AG	Brugg	Brugg	1	Brugg Kabel Services AG	100,00%	100,00%
34.	Brugg Kabel Services AG	Brugg	Brugg	1	Terna Energy Solutions S.r.l.	100,00%	100,00%
35.	C.S.I S.r.l.	Follo (La Spezia)	Milan	1	Fincantieri NexTech S.p.A.	75,65%	75,65%
36.	C2MAC Group S.p.A.	Montorso Vicentino	Montorso Vicentino	4	Melt 1 S.r.l. a socio unico	57,60%	57,60%
37.	CDP Equity S.p.A.	Milan	Milan	1	CDP S.p.A.	100,00%	100,00%
38.	CDP Immobiliare S.r.l.	Rome	Rome	1	CDP S.p.A.	100,00%	100,00%

	Company name	Operational headquarters	Registered office	Type of relationship (1)	Equity investment		
					Investor	% holding	% of votes (2)
39.	CDP Immobiliare SGR S.p.A.	Rome	Rome	1	CDP S.p.A.	70,00%	70,00%
40.	CDP Industria S.p.A.	Rome	Rome	1	CDP S.p.A.	100,00%	100,00%
41.	CDP Reti S.p.A.	Rome	Rome	1	CDP S.p.A.	59,10%	59,10%
42.	CDP Technologies AS	Ålesund	Ålesund	1	Seaonics AS	100,00%	100,00%
43.	CDP Technologies Estonia OÜ	Tallinn	Tallinn	1	CDP Technologies AS	100,00%	100,00%
44.	Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Fincantieri NexTech S.p.A.	86,10%	86,10%
45.	Fratelli Ceresa S.p.A.	Beinasco	Turin	1	Seaside S.p.A.	100,00%	100,00%
46.	Changsha Xi Mai Mechanical Construcion Co. Ltd	China	China	4	Marval S.r.l.	98,78%	98,78%
47.	Cinque Cerchi S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100,00%	100,00%
48.	Consorzio Stabile Ansaldo Newclear	Genoa	Genoa	1	Ansaldo Energia S.p.A.	18,18%	18,18%
				1	Ansaldo Nucleare S.p.A.	72,73%	72,73%
49.	Constructora Finso Chile S.p.A	Santiago	Santiago	1	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	100,00%	100,00%
50.	Cubogas S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Snam 4 Mobility S.p.A.	100,00%	100,00%
51.	Difebal S.A.	Montevideo	Montevideo	1	Terna S.p.A.	100,00%	100,00%
52.	Ecoprogetto Milano S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	45,00%	45,00%
				1	Renerwaste Lodi S.r.l.	55,00%	55,00%
53.	Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	100,00%
54.	Elettra One S.p.A.	Milan	Milan	4	Fondo Italiano Consolidamento e Crescita (FICC)	90,20%	90,20%
55.	Empoli Salute Gestione S.c.a.r.l.	Florence	Florence	1	SOF S.p.A.	5,00%	5,00%
				1	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	95,00%	95,00%
56.	Enersi Sicilia	Caltanissetta	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	100,00%
57.	Ensco 1053 Ltd	United Kingdom	United Kingdom	4	Marval S.r.l.	100,00%	100,00%
58.	Enura S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	55,00%	55,00%
59.	E-phors S.p.A.	Milan	Milan	1	Fincantieri NexTech S.p.A.	100,00%	100,00%
60.	Ergon Projects ltd	Gżira	Gżira	1	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	99,00%	99,00%
				1	SOF S.p.A.	1,00%	1,00%
61.	ESPERIA-CC S.r.l.	Rome	Rome	1	Terna S.p.A.	1,00%	1,00%
62.	ESSETI sistemi e tecnologie S.r.l.	Fiumicino	Milan	1	Fincantieri NexTech S.p.A.	51,00%	51,00%
63.	Estaleiro Quissamã Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	50,50%	50,50%
				1	Vard Promar SA	49,50%	49,50%
64.	Evolve S.p.A.	Milan	Milan	1	Renovit S.p.A.	70,00%	100,00%
65.	FIA2 - Fondo Investimenti per l'abitare 2	Rome	Rome	4	CDP S.p.A.	100,00%	100,00%
66.	Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Shanghai	1	Fincantieri S.p.A.	100,00%	100,00%
67.	Fincantieri Australia Pty Ltd	Sydney	Sydney	1	Fincantieri S.p.A.	100,00%	100,00%
68.	Fincantieri Dragaggi Ecologici S.p.A.	Rome	Rome	1	Fincantieri S.p.A.	55,00%	55,00%
69.	Fincantieri Holding B.V.	Amsterdam	Amsterdam	1	Fincantieri S.p.A.	100,00%	100,00%
70.	Fincantieri India Private Limited	New Delhi	New Delhi	1	Fincantieri Holding B.V.	99,00%	99,00%
				1	Fincantieri S.p.A.	1,00%	1,00%
71.	Fincantieri Infrastructure Florida Inc	Miami,FL	Miami - Florida	1	Fincantieri Infrastructure USA, Inc.	100,00%	100,00%

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72.	Fincantieri Infrastructure Opere Marittime S.p.A.	Valeggio sul Mincio (VR)	Trieste	1	Fincantieri Infrastructure S.p.A.	100,00%	100,00%
73.	Fincantieri Infrastructure S.p.A.	Verona	Trieste	1	Fincantieri S.p.A.	100,00%	100,00%
74.	Fincantieri Infrastructure USA, Inc.	Middletown - Delaware	Middletown - Delaware	1	Fincantieri Infrastructure S.p.A.	100,00%	100,00%
75.	Fincantieri Infrastructure Wisconsin, Inc.	Appleton - Wisconsin	Appleton - Wisconsin	1	Fincantieri Infrastructure USA, Inc.	100,00%	100,00%
76.	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	Florence	Rome	1	Fincantieri Infrastructure S.p.A.	90,00%	90,00%
77.	Fincantieri Marine Group Holdings Inc.	Washington, DC	Wilmington, DE	1	Fincantieri USA Inc.	87,44%	87,44%
78.	FINCANTIERI MARINE GROUP LLC	Washington, DC	Carson City, NV	1	Fincantieri Marine Group Holdings Inc.	100,00%	100,00%
79.	Fincantieri Marine Systems North America Inc.	Chesapeake - VI	Wilmington, DE	1	Fincantieri USA Inc.	100,00%	100,00%
80.	Fincantieri NexTech S.p.A.	Follo (La Spezia)	Milan	1	Fincantieri S.p.A.	100,00%	100,00%
81.	FINCANTIERI OIL & GAS S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100,00%	100,00%
82.	Fincantieri S.p.A.	Trieste	Trieste	1	CDP Industria S.p.A.	71,32%	71,32%
83.	Fincantieri Services Doha LLC	Qatar	Qatar	1	Fincantieri S.p.A.	100,00%	100,00%
84.	Fincantieri Services Middle East LLC	Doha (QFC)	Doha (QFC)	1	Fincantieri S.p.A.	100,00%	100,00%
85.	Fincantieri Services USA LLC	Miami,FL	Plantation, FL	1	Fincantieri USA Inc.	100,00%	100,00%
86.	Fincantieri SI S.p.A.	Trieste	Trieste	1	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100,00%	100,00%
87.	Fincantieri Sweden AB	NA	Stockholm	1	Fincantieri S.p.A.	100,00%	100,00%
88.	Fincantieri USA Holding LLC (3)	Washington, DC	Wilmington, DE	1	Fincantieri S.p.A.	100,00%	100,00%
89.	Fincantieri USA Inc.	Washington, DC	Wilmington, DE	1	Fincantieri USA Holding LLC	35,00%	35,00%
				1	Fincantieri S.p.A.	65,00%	65,00%
90.	Fintecna S.p.A.	Rome	Rome	1	CDP S.p.A.	100,00%	100,00%
91.	FIV Comparto Extra	Rome	Rome	4	CDP S.p.A.	100,00%	100,00%
92.	FIV Comparto Plus	Rome	Rome	4	CDP S.p.A.	100,00%	100,00%
93.	Flytop S.r.l. in liquidazione	Rome	Rome	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%
94.	FMSNA YK	Nagasaki	Nagasaki	1	Fincantieri Marine Systems North America Inc.	100,00%	100,00%
95.	FNT Fondo Nazionale per il Turismo - Comparto A	Rome	Rome	4	CDP S.p.A.	78,17%	78,17%
96.	FOF Private Debt	Milan	Milan	4	CDP S.p.A.	62,50%	62,50%
97.	Fondo Italiano Consolidamento e Crescita (FICC)	Milan	Milan	4	CDP S.p.A.	65,99%	65,99%
98.	Fondo Italiano di Investimento SGR S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	68,00%	68,00%
99.	FSE Fondo Sviluppo Export	Milan	Milan	4	SACE S.p.A.	100,00%	100,00%
100.	FSI Investimenti S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	77,12%	77,12%
101.	FSIA Investimenti S.r.l.	Milan	Milan	1	FSI Investimenti S.p.A.	100,00%	100,00%
102.	FT1 Fondo Turismo 1	Rome	Rome	4	FNT Fondo Nazionale per il Turismo	100,00%	100,00%
103.	Gannouch Maintenance Sarl	Tunis	Tunis	1	Ansaldo Energia Switzerland AG	1,00%	1,00%
				1	Ansaldo Energia Netherlands BV	99,00%	99,00%
104.	Gasrule Insurance D.A.C.	Dublin	Dublin	1	SNAM S.p.A.	100,00%	100,00%
105.	Gaxa S.p.A	Milan	Milan	1	Italgas S.p.A.	51,85%	51,85%
106.	Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99,89%	99,89%
107.	GNL Italia S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
108.	Halfbridge Automation S.r.l.	Rome	Rome	1	LT S.r.l.	70,00%	70,00%
109.	HMS IT S.p.A.	Rome	Rome	1	Fincantieri NexTech S.p.A.	60,00%	60,00%
110.	IDS Australasia PTY Ltd	Brendale	Brendale	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%
111.	IDS Ingegneria Dei Sistemi (UK) Ltd	Fareham	Fareham	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%

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112.	IDS Ingegneria Dei Sistemi S.p.A.	Pisa	Pisa	1	Fincantieri NexTech S.p.A.	90,00%	90,00%
113.	IDS Korea Co. Ltd	Daejeon	Daejeon	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%
114.	IDS North America Ltd	Ottawa	Ottawa	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%
115.	IDS Technologies US Inc.	Littleton	Littleton	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%
116.	IES Biogas S.r.l.	Pordenone	Pordenone	1	Snam 4 Environment S.r.l.	70,00%	100,00%
117.	Infrastrutture Trasporto Gas S.p.A.	Milan	San Donato Milanese (MI)	1	ASSET COMPANY 2 S.r.l.	100,00%	100,00%
118.	Inso Albania S.h.p.k.	Tirana	Tirana	1	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	100,00%	100,00%
119.	Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100,00%	100,00%
120.	Issel Nord S.r.l.	Follo	Follo	1	Fincantieri NexTech S.p.A.	100,00%	100,00%
121.	Italgas Acqua S.p.A.	Caserta	Milan	1	Italgas S.p.A.	100,00%	100,00%
122.	Italgas Newco S.r.l.	Milan	Milan	1	Italgas S.p.A.	100,00%	100,00%
123.	Italgas Reti S.p.A.	Turin	Turin	1	Italgas S.p.A.	100,00%	100,00%
124.	Italgas S.p.A.	Milan	Milan	2	SNAM S.p.A.	13,49%	13,49%
				2	CDP Reti S.p.A.	26,02%	26,02%
125.	ITsART S.p.A. (4)	Milan	Milan	1	CDP S.p.A.	51,00%	51,00%
126.	Laser TLC S.r.l.	Rome	Rome	1	Brugg Cables Italia S.r.l.	100,00%	100,00%
127.	LT Enerray S.r.l.	Rome	Rome	1	LT S.r.l.	100,00%	100,00%
128.	LT S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	75,00%	75,00%
129.	Marina Bay S.A.	Luxembourg	Luxembourg	1	Fincantieri NexTech S.p.A.	100,00%	100,00%
130.	MARINE INTERIORS CABINS S.p.A.	Pordenone	Trieste	1	Marine Interiors S.p.A.	100,00%	100,00%
131.	Marine Interiors S.p.A.	Ronchi dei Legionari (GO)	Trieste	1	Fincantieri S.p.A.	100,00%	100,00%
132.	MARINE PROJECT SOLUTIONS S.c.a.r.l.	Vittorio Veneto (TV)	Vittorio Veneto (TV)	1	MI S.p.A.	100,00%	100,00%
133.	Marinette Marine Corporation	Marinette - WI	Green Bay, WI	1	FINCANTIERI MARINE GROUP LLC	100,00%	100,00%
134.	Marval S.r.l.	Turin	Turin	4	Stark Two S.r.l.	69,47%	69,47%
135.	Medea S.p.A.	Sassari	Sassari	1	Italgas Reti S.p.A.	51,85%	51,85%
136.	Melt 1 S.r.l. a socio unico	Milan	Milan	4	Fondo Italiano Consolidamento e Crescita (FICC)	100,00%	100,00%
137.	MI S.p.A.	Arluno	Trieste	1	Marine Interiors S.p.A.	100,00%	100,00%
138.	Mieci S.p.A.	Milan	Milan	1	Renovit S.p.A.	70,00%	100,00%
139.	Niehlgas Gmbh	Oberursel	Oberursel	1	Ansaldo Energia Switzerland AG	100,00%	100,00%
140.	Nuclear Enginnering Group Limited	Warrington/Egremont	Wolverhampton	1	Ansaldo Nucleare S.p.A.	100,00%	100,00%
141.	Pentagramma Piemonte S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100,00%	100,00%
142.	Pentagramma Romagna S.p.A. in liquidazione unipersonale	Rome	Rome	1	CDP Immobiliare S.r.l.	100,00%	100,00%
143.	Perucchini S.p.A.	Omegna (VB)	Omegna (VB)	1	C2MAC Group S.p.A.	100,00%	100,00%
144.	PI.SA. 2 S.r.l. in liquidazione	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
145.	REICOM S.r.l.	Padua	Milan	1	Fincantieri NexTech S.p.A.	100,00%	100,00%
146.	Renerwaste Lodi S.r.l.	Bolzano	Bolzano	1	Renerwaste S.r.l.	100,00%	100,00%
147.	Renerwaste S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Snam 4 Environment S.r.l.	100,00%	100,00%
148.	Renovit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	CDP Equity S.p.A.	30,00%	30,00%
				1	SNAM S.p.A.	60,05%	60,05%

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149.	Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	100,00%	100,00%
150.	Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
151.	Rob.Int S.r.l.	Pisa	Pisa	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%
152.	S.L.S. - Support Logistic Services S.r.l.	Guidonia Montecelio	Guidonia Montecelio	1	Fincantieri NexTech S.p.A.	60,00%	60,00%
153.	SACE BT	Rome	Rome	1	SACE S.p.A.	100,00%	100,00%
154.	Sace do Brasil	São Paulo	São Paulo	1	SACE S.p.A.	100,00%	100,00%
155.	SACE FCT	Rome	Rome	1	SACE S.p.A.	100,00%	100,00%
156.	SACE S.p.A.	Rome	Rome	1	CDP S.p.A.	100,00%	100,00%
157.	SACE Servizi	Rome	Rome	1	SACE BT	100,00%	100,00%
158.	Scaranello S.r.l.	Rovigo	Rovigo	4	C2MAC Group S.p.A.	100,00%	100,00%
159.	Seanergy a Marine Interiors Company S.r.l.	Cordignano (TV)	Pordenone	1	MARINE INTERIORS CABINS S.p.A.	85,00%	85,00%
160.	Seaonics AS	Ålesund	Ålesund	1	Vard Group AS	100,00%	100,00%
161.	Seaonics Polska SP.Z O.O.	Gdańsk	Gdańsk	1	Seaonics AS	100,00%	100,00%
162.	Seaside S.p.A.	Casalecchio di Reno	Casalecchio di Reno	1	Toscana Energia S.p.A.	32,78%	32,78%
				1	Italgas S.p.A.	67,22%	67,22%
163.	Seastema S.p.A	Genoa	Genoa	1	Fincantieri NexTech S.p.A.	100,00%	100,00%
164.	Securitè des environnements Complexes S.r.l.	Aosta	Milan	1	Fincantieri NexTech S.p.A.	100,00%	100,00%
165.	Simest S.p.A.	Rome	Rome	1	SACE S.p.A.	76,01%	76,01%
166.	Skytech Italia S.r.l.	Rome	Rome	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%
167.	Snam 4 Environment S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
168.	Snam 4 Mobility S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
169.	Snam International B.V.	Amsterdam	Amsterdam	1	SNAM S.p.A.	100,00%	100,00%
170.	SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
171.	SNAM S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	2	CDP Reti S.p.A.	31,35%	31,35%
172.	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100,00%	100,00%
173.	SOF S.p.A.	Florence	Florence	1	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	100,00%	100,00%
174.	SPE Santa Lucia Transmissora de Energia S.A.	Rio de Janeiro	Rio de Janeiro	1	TERNA PLUS S.r.l.	99,99%	99,99%
				1	Terna Chile S.p.A.	0,01%	0,01%
175.	SPE Santa Maria Transmissora de Energia S.A.	Rio de Janeiro	Rio de Janeiro	1	TERNA PLUS S.r.l.	99,99%	99,99%
				1	Terna Chile S.p.A.	0,01%	0,01%
176.	SPE TRANSMISSORA DE ENERGIA LINHA VERDE I S.A.	Belo Horizonte	Belo Horizonte	1	TERNA PLUS S.r.l.	75,00%	75,00%
177.	SPE TRANSMISSORA DE ENERGIA LINHA VERDE II S.A.	Belo Horizonte	Belo Horizonte	1	Terna Chile S.p.A.	0,00006%	0,00006%
				1	TERNA PLUS S.r.l.	99,99994%	99,99994%
178.	Stark Two S.r.l.	Milan	Milan	4	Fondo Italiano Consolidamento e Crescita (FICC)	75,14%	75,14%
179.	Stogit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
180.	Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	Magarpatta City, Hadapsar, Pune	1	Tamini Trasformatori S.r.l.	100,00%	100,00%
181.	Tamini Transformers USA L.L.C.	Sewickley	Sewickley	1	Tamini Trasformatori S.r.l.	100,00%	100,00%
182.	Tamini Trasformatori S.r.l.	Legnano (MI)	Legnano (MI)	1	Terna Energy Solutions S.r.l.	100,00%	100,00%
183.	Team Turbo Machines SAS	La Trinité De Thouberville	La Trinité De Thouberville	1	Fincantieri S.p.A.	85,00%	85,00%
184.	Tep Energy Solution S.r.l.	Milan	Rome	1	Renovit S.p.A.	100,00%	100,00%

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184.	Tep Energy Solution S.r.l.	Milan	Rome	1	Renovit S.p.A.	100,00%	100,00%
185.	Terna 4 Chacas S.A.C.	Lima	Lima	1	TERNA PLUS S.r.l.	99,99%	99,99%
				1	Terna Chile S.p.A.	0,01%	0,01%
186.	Terna Chile S.p.A.	Santiago	Santiago	1	TERNA PLUS S.r.l.	100,00%	100,00%
187.	TERNA Crna Gora d.o.o.	Podgorica	Podgorica	1	Terna S.p.A.	100,00%	100,00%
188.	Terna Energy Solutions S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
189.	Terna Interconnector S.r.l.	Rome	Rome	1	TERNA RETE ITALIA S.p.A.	5,00%	5,00%
				1	Terna S.p.A.	65,00%	65,00%
190.	Terna Peru S.A.C.	Lima	Lima	1	TERNA PLUS S.r.l.	99,99%	99,99%
				1	Terna Chile S.p.A.	0,01%	0,01%
191.	TERNA PLUS S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
192.	TERNA RETE ITALIA S.p.A.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
193.	Terna S.p.A.	Rome	Rome	2	CDP Reti S.p.A.	29,85%	29,85%
194.	Tlux S.r.L.	Piancogno (BS)	Piancogno (BS)	1	Mieci S.p.A.	85,00%	100,00%
195.	Toscana Energia S.p.A.	Florence	Florence	1	Italgas S.p.A.	50,66%	50,66%
196.	TRS Sistemi S.r.l.	Rome	Rome	1	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	100,00%
197.	UNIONE DI TAMINI - CERB – DZZD	Sofia	Sofia	1	Tamini Trasformatori S.r.l.	78,48%	78,48%
198.	Vard Accommodation AS	Tennfjord	Tennfjord	1	Vard Group AS	100,00%	100,00%
199.	Vard Accommodation Tulcea S.r.l.	Tulcea	Tulcea	1	Vard Electro Tulcea S.r.l.	0,23%	0,23%
				1	Vard Accommodation AS	99,77%	99,77%
200.	Vard Aqua Chile SA	NA	Puerto Montt	1	Vard Aqua Sunndal AS	95,00%	95,00%
201.	Vard Aqua Scotland Ltd	Lochgilphead	Aberdeen	1	Vard Aqua Sunndal AS	100,00%	100,00%
202.	Vard Aqua Sunndal AS	Sunndal	Sunndal	1	Vard Group AS	100,00%	100,00%
203.	Vard Braila SA	Brăila	Brăila	1	Vard Group AS	5,88%	5,88%
				1	Vard RO Holding S.r.l.	94,12%	94,12%
204.	Vard Design AS	Ålesund	Ålesund	1	Vard Group AS	100,00%	100,00%
205.	Vard Design Liburna Ltd.	Rijeka	Rijeka	1	Vard Design AS	51,00%	51,00%
206.	Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	New Delhi	1	Vard Electro AS	99,50%	99,50%
				1	Vard Electro Tulcea S.r.l.	0,50%	0,50%
207.	Vard Electro AS	Tennfjord	Tennfjord	1	Vard Group AS	100,00%	100,00%
208.	Vard Electro Braila S.r.l.	Brăila	Brăila	1	Vard Electro AS	100,00%	100,00%
209.	Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niterói	Niterói	1	Vard Electro AS	99,00%	99,00%
				1	Vard Group AS	1,00%	1,00%
210.	Vard Electro Canada Inc	Vancouver	Vancouver	1	Vard Electro AS	100,00%	100,00%
211.	Vard Electro Italy S.r.l.	Trieste	Trieste	1	Vard Electro AS	100,00%	100,00%
212.	Vard Electro Romania S.r.l.	Tulcea	Tulcea	1	Vard Electro AS	100,00%	100,00%
213.	Vard Electro US Inc.	Delaware	Delaware	1	Vard Electro Canada Inc	100,00%	100,00%
214.	Vard Engineering Brevik AS	Brevik	Brevik	1	Vard Group AS	100,00%	100,00%
215.	Vard Engineering Constanta S.r.l.	Konstanz	Konstanz	1	Vard Braila SA	30,00%	30,00%
				1	Vard RO Holding S.r.l.	70,00%	70,00%
216.	Vard Engineering Gdansk sp. Z o. o.	Gdańsk	Gdańsk	1	Vard Engineering Brevik AS	100,000%	100,000%

	Company name	Operational headquarters	Registered office	Type of relationship (1)	Equity investment Investor	% holding	% of votes (2)
217.	Vard Group AS	Ålesund	Ålesund	1	Vard Holdings Limited	100,000%	100,000%
218.	Vard Holdings Limited	Singapore	Singapore	1	FINCANTIERI OIL & GAS S.p.A.	98,33%	98,33%
219.	Vard Infraestrutura Ltda	NA	Ipojuca	1	Vard Group AS	0,01%	0,01%
				1	Vard Promar SA	99,99%	99,99%
220.	Vard International Services S.r.l.	Konstanz	Konstanz	1	Vard Braila SA	100,00%	100,00%
221.	Vard Marine Inc.	Vancouver	Vancouver	1	Vard Group AS	100,00%	100,00%
222.	Vard Marine US Inc.	Houston	Dallas	1	Vard Marine Inc.	100,00%	100,00%
223.	Vard Niteroi RJ S.A.	Rio de Janeiro	Rio de Janeiro	1	Vard Electro Brazil (Instalacoes Eletricas) Ltda	0,01%	0,01%
				1	Vard Group AS	99,99%	99,99%
224.	Vard Piping AS	Søvik	Søvik	1	Vard Group AS	100,00%	100,00%
225.	Vard Promar SA	Ipojuca	Ipojuca	1	Vard Group AS	99,999%	99,999%
226.	Vard RO Holding S.r.l.	Tulcea	Tulcea	1	Vard Group AS	99,9998%	99,9998%
227.	Vard Shipholding Singapore Pte Ltd	Singapore	Singapore	1	Vard Holdings Limited	100,00%	100,00%
228.	Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100,00%	100,00%
229.	Vard Tulcea SA	Tulcea	Tulcea	1	Vard Group AS	0,004%	0,004%
				1	Vard RO Holding S.r.l.	99,996%	99,996%
230.	Vard Vung Tau Ltd	Vũng Tàu	Vũng Tàu	1	Vard Singapore Pte. Ltd.	100,00%	100,00%
231.	Yeni Aen Insaat Anonim Sirketi	Istanbul	Istanbul	1	Ansaldo Energia S.p.A.	100,00%	100,00%

Key

(1) Type of relationship:

1 = Majority of voting rights in ordinary shareholders’ meeting

2 = Dominant influence in ordinary shareholders’ meeting

3 = Agreements with other shareholders

4 = other form of control

5 = unitary management pursuant to Article 26.1 of Legislative Decree 87/92

6 = unitary management pursuant to Article 26.2 of Legislative Decree 87/92

(2) Actual percentage of votes in ordinary shareholders’ meeting, distinguishing between effective and potential votes

(3) 49% of the voting rights of Fincantieri USA Holding LLC is held through USA Marine Trust, a legally recognised independent trust based in the state of Delaware (USA)

(4) The effective voting rights in the ITSART shareholders' meeting correspond to 75.74% by virtue of multiple voting rights granted to the type A shares held by the investor CDP S.p.A.

Compared with 31 December 2020, the most significant changes in the scope of line-by-line consolidation are represented by the entry into the scope of consolidation of Fondo Italiano Consolidamento e Crescita (FICC), which is managed by the subsidiary Fondo Italiano di Investimento SGR, which in turn controls the following sub-holding companies:

- Melt 1: a holding company with a controlling equity investment in C2MAC Group (formerly Fonderie di Montorso), a company active in the market for secondary smelting cast iron foundries, producing semi-finished products for third parties in the oil hydraulics, pumping, geared motor, automotive, lifting equipment, agricultural and general mechanical engineering sectors;
- Stark Two: a holding company with a controlling equity investment in the Marval group, which is active in the production and machining of engine components (cylinder heads, engine blocks, gearboxes, and differentials), chassis components and other mechanical components mainly for the heavy duty sector;
- Elettra One: a holding company with a non-controlling equity investment in Maticmind, an Italian system integrator operating in the ICT sector in the networking, security, unified communications & collaboration, datacenter & cloud, and application fields.

FICC and its sub-holding companies have been consolidated using the most recent data available, updated to 30 June 2021.

The ITsArt investee was included in the scope of line-by-line consolidation during the year. This company was established to manage the platform launched by the Ministry of Culture together with Cassa Depositi e Prestiti to distribute artistic and cultural content using innovative digital technology on an international scale. The industrial partner in the project is CHILI S.p.A., which holds 49% of the share capital.

With reference to the Fincantieri group, after completing the acquisition of Inso, the subsidiaries SOF, Ergon Projects Ltd, Inso Albania, Constructora Inso Chile, and Empoli Salute Gestione have entered the scope of line-by-line consolidation. The acquisition of the IDS (Ingegneria dei Sistemi) group, a manufacturer of high-tech products for the civil and military sectors, was also finalised.

Please refer to “Part G - Business combinations” for detailed information regarding the entry of new subsidiaries in the scope of consolidation in 2021.

SIA - NEXI MERGER

FSIA is a holding company, which until 30 December 2021 was 70% owned by FSI Investimenti and 30% by Poste Italiane, set up in 2014 to acquire and manage the equity investment in SIA.

FSIA held a sole controlling equity investment in SIA corresponding to 57.4% of SIA’s share capital. The spin-off transaction was part of the SIA - NEXI - Nets business combination in which FSIA was involved as the reference shareholder of SIA. As a result of the spin-off of FSIA’s capital, the shareholder Poste Italiane was assigned 17.22% of SIA, leaving the remaining 40.18% with the spun-off company, which is wholly owned by FSI Investimenti. The spin-off agreement, concluded on 18 October 2021, became effective on 31 December 2021, i.e. immediately prior to the completion of the merger of SIA into NEXI; the spun-off assets and liabilities consisted of SIA shares, cash and cash equivalents, the financial liabilities to Poste Italiane and capital reserves.

Since 31 December 2021, as a result of the spin-off transaction that led to the exit of Poste Italiane from the shareholding structure, FSIA has been wholly owned by FSI Investimenti.

With regard to the SIA – NEXI merger, given that all the necessary regulatory authorisations have been obtained, we provide below an update of the analyses already included in the CDP Group’s half-yearly condensed consolidated financial statements at 30 June 2021, to which reference should be made for more details.

Prior to the merger of SIA into NEXI, the SIA group was one of the European leaders in the design, implementation and management of infrastructure and technological services for payments, electronic money, network services and capital markets dedicated to financial institutions, central banks, public administrations and enterprises.

Up until 30 December 2021, SIA was controlled by CDP Equity, which held 25.7% of SIA’s capital directly and 57.4% through FSIA Investimenti.

The completion of the merger of SIA into NEXI, which took place at 11:59 pm on 31 December 2021 - after all contractually agreed conditions precedent had been met - entailed the exchange of the SIA shares held by FSIA after the spin-off and by CDP Equity for NEXI shares. More specifically:

i) As part of the same merger transaction, CDP Equity, the parent company of FSI Investimenti, exchanged 44,033,655 SIA shares, receiving 69,401,443 NEXI shares, equal to 5.3% of the capital;
ii) FSIA exchanged 68,867,811 SIA shares for 108,542,556 NEXI shares, representing 8.3% of the capital, without any cash compensation.

Lastly, in the CDP Group's consolidated financial statements, the transaction resulted in the recognition of income totalling 0.9 billion euro, taking into account the stock market value of NEXI shares on 30 December 2021 (the last day of trading).

As a result of the above, the CDP Group's equity investment in NEXI at 31 December 2021 qualifies as significant influence for accounting purposes in accordance with IAS 28.

The merger of SIA into NEXI has created an Italian PayTech company with a leading position in Europe, able to cover the entire value chain of the digital payments sector and serve all market segments with the most comprehensive and innovative range of solutions. NEXI, which is listed on the Milan Stock Exchange, holds a leading position in the Italian market, accounting for about 50% of the group's revenues, and is present in Europe in more than 25 countries (accounting for about 65% of European consumer spend).

SACE

Regarding the controlling equity investment in SACE S.p.A. ("SACE"), the analysis presented in the CDP Group's half-yearly condensed consolidated financial statements at 30 June 2021 – to which reference should be made for further details – has been updated to explain the consequent effects on classification and measurement of this equity investment.

Decree Law no. 104 of 14 August 2020 ("August Decree"), converted, with amendments, into Law no. 126 of 13 October 2020, contains specific provisions on the corporate reorganisation of the SACE group; in particular, article 67, paragraph 2 of the August Decree envisages:

1. a preliminary agreement between the Ministry of the Economy and Finance ("MEF") and CDP;
2. a further decree issued by the MEF, in agreement with the Minister of Foreign Affairs and International Cooperation, subject to registration by the Court of Auditors, concerning the reorganisation of the SACE group and the value of the equity investments transferred that is deemed appropriate by the parties ("Implementing Decree"), which has not yet been enacted.

More specifically, on 2 March 2021, CDP, SACE and the MEF signed a hypothetical agreement pursuant to article 67, paragraph 2 of the August Decree ("Hypothetical Agreement"), under which they agreed, among other things, to submit the following proposal for the reorganisation of the SACE group to their respective decision-making bodies:

- commitment by SACE to sell to CDP, which undertakes to purchase, the entire equity investment held in SIMEST, equal to 76.005% of the share capital, for cash consideration at a value determined with the support of independent financial advisors, which corresponds to the book value recorded in the separate financial statements of SACE S.p.A., equal to 228.4 million euro;
- commitment by CDP to sell to the MEF, which undertakes to purchase, the entire equity investment held in SACE, and thus the entire SACE group excluding SIMEST, for consideration, to be paid in government securities, determined with the support of independent financial advisors, which corresponds to the book value recorded in the separate financial statements of CDP, equal to 4,251 million euro.

As a result of this reorganisation, which is to be carried out in the sequence described above as a single and inseparable act, subsequent to and without prejudice to the aforementioned Implementing Decree, CDP would directly own 76.005% of SIMEST's share capital, while the MEF would directly own 100% of SACE's share capital.

On 5 March 2021, CDP's Board of Directors - in fulfilment of the commitments undertaken in the Hypothetical Agreement - resolved to, among other things:

- approve the purchase of the entire equity investment in SIMEST for consideration of 228.4 million euro, to be paid in cash;
- approve the sale of CDP's entire equity investment in SACE to the MEF, corresponding to 100% of the share capital, for consideration of 4,251 million euro, to be paid in government securities, in accordance with article 67 of the August Decree.

Accordingly, in application of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, the SACE group (excluding the SIMEST investee) was reclassified to assets held for sale. The identification of the net assets of the SACE group subject to future sale as a "disposal group" and the application of the related measurement criteria (fair value less costs of disposal applied to the unit of account identified by the "disposal group" instead of to the individual assets subject to sale) have had a negative economic effect in the 2021 Half-Yearly Financial Report of 1,241 million euro, equal to the difference between the carrying value of the net assets of the SACE group (5,492 million euro at 30 June 2021) and the sale price set in the Agreement. In this regard, it should be noted that the subsequent change in the carrying value of the net assets of the SACE group (equal to 5,539 million euro at 31 December 2021) did not have an impact on the consolidated financial statements of the CDP Group at 31 December 2021, since the greater capital loss was offset by the contribution provided by the SACE group in the form of net income on discontinued operations, to the consolidated income statement of the CDP Group.

At 31 December 2021, the difference between the carrying value of the net assets of the SACE group and the sale price of the SACE equity investment stood at 1,288 million euro.

Subsequent to the reporting date, on 17 March 2022, the following were published:

- the MEF-MAECI Implementing Decree, registered by the Court of Auditors on 8 February 2022, which governed the Transaction as a whole and the value of the equity investments transferred (respectively 228,406 thousand euro for the SIMEST Equity Investment, with payment in cash, and 4,251,174 thousand euro for the SACE Equity Investment, with payment in government securities);
- the Directorial Decree of the Treasury Department, referred to in the MEF-MAECI Implementing Decree, which provided for the issue and subsequent allocation to CDP of government securities totalling 4,251,174 thousand euro, including accrued unpaid interest. The market value of these government securities was determined by reference to their price at 12 noon on the day of issue, while settlement of the securities took place on the second business day following the issue, i.e. 21 March 2022. On the same date, the Ministry of the Economy and Finance issued government securities for a total value of 4,251,174,320 euro, rounded down to take account of the minimum subscriptions of 1,000 euro, including accrued unpaid interest, to be transferred to CDP in exchange for the transfer to the MEF of the equity investment in SACE.

Following the issuance of the aforementioned Decrees, the following transactions were finalised on 21 March 2022:

- cash payment of 228,406 thousand euro by CDP to SACE as consideration for the purchase of the entire equity investment in SIMEST (76.005%);
- settlement of government securities allocated by the MEF to CDP as consideration for the purchase of the entire equity investment in SACE (100%), for a total amount of 4,251,174 thousand euro, including accrued unpaid interest;
- transfer of the equity investment in SIMEST and of the equity investment in SACE, by endorsement of the relevant share certificates.

As a result of the above, CDP directly owns 76.005% of SIMEST’s share capital, while the MEF directly owns 100% of SACE’s share capital.

OPEN FIBER

Open Fiber is a company whose aim is to create a nationwide “fiber-to-the-home” optical fibre network open to all operators in the sector. In particular, the company’s development plan provides for the overall development of the network in 271 Italian cities, over 7 thousand municipalities and in industrial areas to connect approximately 24 million real estate units at up to 10 GBPS.

CDP Equity's investment is aimed at achieving the goal of extending a nationwide optical fibre network that will be open to all operators in the sector, taking a co-leading role in the construction of strategic infrastructure for the country and ensuring an appropriate expected return on invested capital.

At 31 December 2021, CDP Equity holds 60% of the share capital of Open Fiber, through Open Fiber Holdings (“OFH”). The remaining 40% is held by Macquarie Asset Management, also through OFH.

On 3 December 2021, CDP Equity completed the acquisition from Enel of a further 10% equity investment in Open Fiber (including the pro-rata share of the shareholder loan and accrued interest), in addition to the 50% stake previously held, for a consideration of about 534 million euro (including about 4 million euro in ticking fees). At the same time, Macquarie Asset Management completed the acquisition of the remaining 40% of Open Fiber from Enel (including the pro-rata share of the shareholder loan and accrued interest).

At the closing of the transaction, (i) CDP Equity and Macquarie Asset Management contributed their respective equity investments in Open Fiber (including their pro-rata share of the shareholder loan and accrued interest) to a newco, OFH; (ii) CDP Equity and Macquarie Asset Management signed the new shareholders’ agreement for Open Fiber; (iii) the new members of the Boards of Directors of Open Fiber and OFH were appointed; and (iv) the new Open Fiber business plan and the extension of the related project financing were approved.

Completion of the transaction was subject, inter alia, to payment to Open Fiber of the residual capital contribution commitments of CDP Equity and Enel, as well as to obtaining all the necessary authorisations (from the Presidency of the Council of Ministers, the European Commission for antitrust matters, and waivers from Open Fiber’s lending banks).

The rights under the existing agreements with Macquarie Asset Management allow for active governance in the company. In accordance with IFRS 11, the equity investment in OFH qualifies as a joint controlling interest.

AUTOSTRADE PER L'ITALIA

On 8 June 2021, the consortium formed by CDP Equity, Blackstone Infrastructure Partners ("Blackstone") and Macquarie Infrastructure & Real Assets ("MIRA") set up Holding Reti Autostradali S.p.A. ("HRA") having as its corporate purpose to acquire the equity investment in Autostrade per l'Italia S.p.A. ("ASPI") and subsequently manage it. Holding Reti Autostradali has a share capital of 50 thousand euro and is 51% owned by CDP Equity and 24.5% each by the other two consortium partners.

By virtue of the covenants and the investment agreement, and under the requirements of the international accounting standards, the equity investment in Holding Reti Autostradali qualifies as joint control.

On 11 June 2021, the consortium formed by CDP Equity, Blackstone and MIRA, on the one hand, and Atlantia, on the other, signed binding agreements to acquire Atlantia's entire 88.06% equity investment in ASPI through HRA, in return for payment of an equity value of 9.1 billion euro for 100% of the capital.

In light of the waiver of the tag-along right by ASPI's minority shareholders (who will therefore cumulatively retain 11.94% of the company), the CDP Group's maximum direct commitment to the acquisition of ASPI is approximately 4.5 billion euro. This amount includes: the pro-rata share of the purchase price of the ASPI equity investment, of approximately 4.1 billion euro; the maximum overall estimate of approximately 0.3 billion euro of the earn-outs provided for in the agreements in respect of the return of any COVID-related government subsidies and insurance compensation pertaining to the period prior to the sale; and the expected amount of approximately 0.1 billion euro of the ticking fee equal to 2% per year of the offered price to be paid from 1 January 2021 to the closing.

As to the timing of the closing, the longstop date set out in the sale agreement for the fulfilment of the conditions precedent is 31 March 2022. On 30 March 2022, Atlantia notified *"(..) that all the conditions precedent pursuant to the share purchase agreement ("SPA") for the sale of the equity investment held by Atlantia in Autostrade per l'Italia to the Consortium composed of CDP Equity, The Blackstone Infrastructure Partners and Macquarie Asset Management (the "Consortium") have been met by the Long Stop Date of 31 March 2022. Therefore, the parties' obligations to sell and purchase the equity investment held by Atlantia in ASPI have become binding and final. As laid down by the SPA, the closing will be finalised by the 30th business day following today's date."*

At the date of preparation of these consolidated financial statements, the acquisition of the equity investment in ASPI has not yet been completed.

The transaction is consistent with the CDP Group's long-term approach of investing in Italian infrastructure, as evidenced by the Group's investment portfolio, which includes companies that operate strategic national networks (Snam, Terna, Italgas and Open Fiber). The investment's objectives include, among others, promoting the upgrade of the network by facilitating digitisation and innovation, ensuring stable long-term governance over key infrastructure for Italy and contributing to the implementation of an extensive investment plan covering the entire motorway network of Autostrade per l'Italia, aimed at speeding up infrastructure maintenance programmes and ensuring the highest standards of performance and safety for users.

POLO STRATEGICO NAZIONALE (NATIONAL STRATEGIC HUB)

On 28 September 2021, CDP Equity, Leonardo, Sogei and TIM jointly submitted, as promoters, to the Minister for Technological Innovation and Digital Transition (MITD) a proposal for a public-private partnership for the creation of the National Strategic Hub (Polo Strategico Nazionale - PSN), an infrastructure for the cloud-based management of Public Administration (PA) data and applications, which is part of the overall plan to accelerate digital transformation to ensure national data security and control.

The initiative envisages, if the promoter is awarded the contract and following a tender procedure launched by the Public Administration, the establishment of a NewCo with a 20% stake held by CDP, 25% by Leonardo, 10% by Sogei and 45% by TIM. The aim is to provide innovative services to citizens and businesses, in line with the provisions of the PNRR and recent regulatory changes on digital infrastructure. The project consists in the provision of cloud solutions and services in support of the Public Administration in order to ensure the highest possible data efficiency, security and reliability standards.

The submission of the proposal by the promoter, if considered of interest, will allow the Public Administration to launch a public tender shortly. Specifically, the Public Administration will examine the proposal within three months of receiving it and, if it evaluates the proposal positively, it will launch a tender open to the promoter and to all interested operators.

If the contract is awarded to the promoter, the new company will acquire the industrial expertise necessary for the provision of services (also by acquiring it from the partners) and will carry out the investments necessary for creating the technological infrastructure.

This is the background to the joint initiative of CDP Equity, Leonardo, Sogei and TIM through a public-private partnership that will have the task of encouraging and accelerating the technological innovation and security of public infrastructure. In the event of award, CDP Equity will act as a financial partner and institutional investor supporting initiatives with significant development prospects in key sectors for the country.

With regard to the current phase of the project (the first phase of proposal submission), the partners have undertaken to guarantee on a pro-rata basis the amount of the provisional surety bond issued by the insurer. The amount of the surety bond is 91.3 million euro, or 2% of the cumulative revenues envisaged in the Financial Plan originally submitted to the MITD in September 2021. CDP Equity's commitment at this stage (in light of its 20% equity investment) is thus 18.3 million euro at 31 December 2021.

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 newly acquired companies, the difference between the acquisition price and equity, net of goodwill, if any, recognised in the financial statements of the acquirees, is subject to provisional allocation. In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date the changes to be made to the accounting balances of the investee used for the preparation of the consolidated financial statements of the CDP Group shall be definitively identified to restate them at fair value at the date of acquisition of control by adjusting the initial provisional allocation where appropriate.

The acquisition method is applied as from the moment in which control of the investee is effectively acquired.

Accounting for companies using the equity method

Associates and joint ventures are accounted for using the equity method.

The equity method involves initial recognition of the equity investment at cost, which is subsequently adjusted on the basis of the share held in the equity of the investee.

The difference between the value of the equity investment and the share held of the equity of the investee is included in the carrying amount of the investee.

The share of profit or loss of the investee is recognised in a specific item of the consolidated income statement.

If there is evidence of impairment, the recoverable amount of the equity investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable value is lower than the carrying amount resulting from the application of the equity method, the difference is recognised through profit or loss.

Equity investments in joint ventures or companies subject to significant influence with a value of less than 20 million euro are excluded from the valuation using the equity method due to the insignificance of the value of the investment and in order to avoid incurring disproportionate burdens for the production of reporting packages in accordance with the accounting policies of the CDP Group with respect to the benefits that would derive from their inclusion in the scope of consolidation.

The consolidation of joint ventures and investments in associates was based on the most recent (annual or interim) financial statements of the companies.

Subsidiaries

Subsidiaries are entities, including structured entities, which are directly or indirectly controlled by the Group. Control over an entity is shown by the Group's capacity to exercise powers in order to influence variable returns to which the Group is exposed as a result of its relationship with the aforementioned entity.

In order to verify the existence of control, the Group considers the following factors:

- the purpose and structure of the investee, in order to identify the entity's objectives, the activities that generate its revenues and how such activities are governed;

- power, in order to understand whether the Group has contractual rights enabling it to govern relevant activities; to this end, only substantial rights that confer effective governance are considered;
- the exposure to the investee, in order to assess whether the Group has business relationships with the investee whose returns vary as a result of changes in the investee's performance;
- the existence of potential principal-agent relationships.

Where significant activities are governed through voting rights, the following factors show evidence of control:

- direct or indirect ownership – through a subsidiary – of over fifty per cent of voting rights of an entity, unless it can be demonstrated – in exceptional cases – that such ownership does not constitute control;
- ownership of fifty per cent or less of the votes that can be exercised in the Shareholders' Meeting and unilateral ability to govern the main activities through:
    - control of over half of voting rights by virtue of an agreement with other investors;
    - power to determine the financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
    - power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body;
    - power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body. Presence of the aforementioned factors was verified for equity investments in Snam, Terna and Italgas, over which, therefore, de facto control was ascertained.

The presence and the effect of potential voting rights, where substantial, are taken into account when assessing whether the power of governing another entity's financial and operational policies exists.

Subsidiaries may include any "structured entities" in which voting rights are not significant with respect to control assessment, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries where:

- the Group has power through contractual rights that enable governance of relevant activities;
- the Group is exposed to variable returns resulting from the aforementioned activities.

The carrying value of equity stakes in entities consolidated on a line-by-line basis held by the Parent Company or other Group companies is offset – against the assets and the liabilities of the investees – as a balancing entry of the relevant equity share pertaining to the Group.

Assets and liabilities, off-balance sheet transactions, income and expenses, as well as profits and losses between entities included into the scope of consolidation are fully eliminated, in line with the consolidation method adopted.

A subsidiary's revenues and costs are consolidated starting from the date on which control is acquired. Revenues and costs of a divested subsidiary sold are included into the consolidated income statement up to the divestment date, i.e. until the Group no longer controls the investee. The difference between the disposal price for the subsidiary and the carrying value of its net assets at the same date is recorded in the income statement under item 280. "Gains (Losses) on disposal of investments" for companies consolidated on a line-by-line basis.

Non-controlling interests are presented in the balance sheet under item 190. "Non-controlling interests", separately from liabilities and equity pertaining to the Group. In the income statement, non-controlling interests are also presented separately under item 340. "Net income (loss) for the year pertaining to non-controlling interests".

For companies included into the scope of consolidation for the first time, the fair value of the cost incurred to acquire control over the equity investment, including ancillary charges, is measured at the acquisition date.

Subsidiaries with total assets of less than 20 million euro are excluded from the scope of consolidation due to the non-significant value of assets and in order to avoid incurring disproportionate burdens for the production of reporting packages in accordance with the accounting policies of the CDP Group with respect to the benefits that would derive from their inclusion in the scope of consolidation.

Also excluded from the scope of line-by-line consolidation are UCIs over which control has been ascertained that invest in:

- other UCIs (funds of funds), provided that they have an asset side less than 200 million euro and that the cumulative value of the funds excluded from the line-by-line scope does not result in the failure to represent payables to third-party subscribers exceeding a predetermined threshold;
- primary assets, provided that they have an asset side less than 100 million euro and that the cumulative value of the funds excluded from the line-by-line scope does not result in the failure to represent payables to third-party subscribers exceeding a predetermined threshold.

The difference between the disposal price of an interest held in a subsidiary and the relevant carrying value of net assets is recognised as a balancing entry in Equity, when the disposal does not entail a loss of control.

Joint arrangements

A joint arrangement is a contractual agreement in which two or more counterparties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

According to IFRS 11, joint arrangements must be classified as joint operation or joint venture depending on the Group's contractual rights and obligations.

A joint operation is a joint arrangement in which the parties have rights on the assets and obligations on the liabilities of the arrangement.

A joint venture is a joint arrangement in which the parties have rights on the net assets of the agreement.

Equity investments in jointly controlled companies are valued at equity.

Associate companies

An associate is a company over which the owner exercises a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed when the owner:

- owns, directly or indirectly, at least 20% of another company's share capital; or
- can, inter alia through shareholders' agreements, exercise significant influence through:
  - representation in the company's management body;
  - participation in the policy-making process, including in decision-making on dividends or other allocations;
  - existence of significant transactions;
  - exchange of managerial personnel;
  - provision of key know-how.

Equity investments in associates are measured at equity.

3. Equity investments in subsidiaries with significant non-controlling interests

For the purposes of preparing the following tables, an interest was considered significant if:

- non-controlling interests are equal to or greater than 50% of the share capital of the investee;
- the investee's accounts are of material significance for the reader of this report.

3.1 Non-controlling interests, availability of non-controlling interest votes and dividends distributed to non-controlling interests

(thousands of euro) Company name	% of non - controlling interests	Availability of votes of non - controlling votes (1)	Dividends paid to non-controlling interests (2)
1. Terna S.p.A.	82,33%	70,10%	458.058
2. Snam S.p.A.	80,97%	67,80%	674.058
3. Italgas S.p.A.	82,05%	60,49%	184.047

(1) Available voting rights at Ordinary Shareholders' Meeting.
(2) Including interim dividend

3.2 Equity investments in subsidiaries with significant non-controlling interests: accounting data

(thousands of euro) Company name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Equity	Net interest income	Gross income	Operating costs	Income (loss) before tax from continuing operations	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
1. Terna S.p.A.	22.390.374	368.718	2.466.392	15.973.075	12.551.522	4.712.979	(78.406)	(35.268)	1.188.156	1.167.676	838.693	(12.844)	825.849	52.372	878.221
2. Snam S.p.A.	27.355.453	862.949	875.209	18.371.413	15.360.550	7.239.625	(76.159)	(98.989)	1.419.450	1.614.763	1.499.676		1.499.676	53.990	1.553.666
3. Italgas S.p.A.	10.414.533	1.390.711	14.697	7.841.913	6.383.468	2.142.491	(51.391)	(61.386)	580.376	525.304	383.420		383.420	12.601	396.021

4. Significant restrictions

There are no significant restrictions except as possibly specified in paragraph 7.9 of these explanatory notes.

5. Other information

No other information to be reported.

SECTION 4 - EVENTS SUBSEQUENT TO THE REPORTING DATE

No events requiring changes to the figures approved occurred between the reporting date of these consolidated financial statements and the date of their approval by the Board of Directors.

Significant events after the reporting date

THE RUSSIA-UKRAINE CONFLICT

From 24 February 2022, serious tensions between Russia and Ukraine culminated in Russia's invasion of Ukraine. The conflict quickly spread over the following days with military actions affecting a large part of Ukrainian territory, with very serious consequences for the civilian population.

In this regard, it should be noted that the significant events related to the Russia-Ukraine conflict do not have an impact on the determination of the result and equity of the consolidated financial statements at 31 December 2021, because they are considered non-adjusting events, according to the definition provided by IAS 10.

ESMA and CONSOB have recently published the following communications:

- ESMA Statement no. 71-99-1864 of 14 March 2022 "ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets";
- CONSOB warning notice of 18 March 2022 on the impact of the war in Ukraine on inside information and financial reporting.

In these communications, the national and international regulators have requested disclosures, to the extent possible on both a qualitative and quantitative basis, on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to the affected markets, supply chains, financial position and earnings in the 2021 financial reports. Accordingly, the CDP Group is providing the information requested below with respect to the preparation of the Annual Financial Report at 31 December 2021.

Russia's military intervention in Ukraine is an unexpected shock, exacerbating an already sluggish economic situation in Europe. In this context, it is important to stress the considerable uncertainty regarding the duration of the conflict, the extent of the sanctions, the climate of confidence it will generate and the resulting repercussions on the economic environment. However, given that the conflict has recently started and the situation is continually evolving, it is very difficult to predict the effects of the conflict on the macroeconomic scenario in the short and medium term and the related impact on the CDP Group's operations and future performance. Therefore, it will be necessary to constantly monitor the evolution of the situation in the current context[64].

Sweeping, coordinated sanctions have been imposed on Russia, Belarus, and the areas of the Ukrainian territory not under the Ukrainian government's control. Their aims include: i) eroding the industrial base, ii) preventing the wealth of the Russian elite from being hidden in safe havens in Europe, iii) targeting the oil sector and preventing Russia from upgrading its oil refineries, and iv) cutting off Russia's access to the world's most important financial markets. The two heaviest sanctions are in the financial sector: the ban of some of Russia's most important banks from the SWIFT international payment system and the freezing of the Russian Central Bank's foreign currency reserves, held, for the most part, in China, France, Japan and Germany, while exposure to the USA is limited.

In general terms, the four main areas in which the economic impacts of the conflict will be felt are: (i) trade relations (excluding energy commodities), (ii) gas and oil supplies, (iii) uncertainty on the financial markets and (iv) geopolitical instability and new balance.

The impact on trade relations may be relatively limited due to the limited importance of Russia's trade with Italy. The most significant direct impacts are likely to be felt by companies operating in machinery manufacturing, textiles-clothing, chemicals and food.

The economic impact relating to gas and oil supplies is significant because it will drive up inflation and because of the consequences of possible supply disruptions: Italy is one of the most vulnerable European countries, as it imports from Russia about 40% of the gas and 10% of the oil it needs to cover domestic demand.

Uncertainty in this area could generate a long-term increase in government securities yields, also due to the recent decision by the ECB to continue its purchase reduction programme. It could also generate extreme volatility in financial markets and have negative impacts on the spending decisions of households and businesses.

Geopolitical instability and changing relations between countries may lead to a contraction in international trade, a fall in foreign direct investment and an increase in precautionary saving.

[64] As also envisaged in the Bank of Italy, CONSOB, IVASS and FIU Communication of 7 March 2022 "Reminder regarding compliance with the restrictive measures adopted by the EU in response to the Russian military aggression in Ukraine".

The supply of energy commodities is clearly Italy's main weak spot in terms of both direct effects, due to dependence on Russian supplies, and indirect effects on prices and inflation. High and rising inflation could produce serious effects, both for businesses, especially energy-intensive ones, whose margins would be eroded, and for households, whose purchasing power could be severely impaired since wage trends are not directly related to price trends.

With regard to the Parent Company's loan portfolio, CDP's direct exposure to counterparties in Russia, Belarus, Ukraine or other Eastern European countries potentially affected by the crisis is very small and, where present, largely guaranteed by SACE. Specifically, the proportion of loans granted to Russian or Ukrainian counterparties is less than 0.05% of CDP's assets.

Despite the uncertainty about the evolution of the conflict, it is possible to make some preliminary observations regarding the potential impacts, which are obviously mainly a consequence of supply-related uncertainties. In this regard, the conflict could impact the business of the companies as a result of the volatility in the prices of commodities originating from the countries affected by the emergency, with a possible generalised increase in inflation and specifically of energy commodities (oil, gas and coal), wood and aluminium.

In the medium term, on the other hand, the impact of the current crisis on growth and inflation is likely to have a significant negative fallout on various sectors of the economy, with an adverse impact on both equity and the loan portfolio, across all sectors. However, some sectors will be more severely affected by the consequences of the crisis, in particular those that are "energy-intensive" or otherwise exposed to significant increases in commodity prices.

With regard to the potential impact of the evolution of the sanctions on CDP's operations, a review has been conducted of the risk profiles for CDP associated with the current restrictions, considering the sanctions introduced by both the EU and the US, which could have a significant impact and, in the most serious cases, could prohibit all relations with the sanctioned parties. In view of the rapid changes in the situation, the analyses carried out have highlighted the need to monitor a small number of loan transactions. To date, following discussion and agreement with the pool of lenders, SACE and the external legal advisors, it has not proved necessary to terminate the related agreements, but all new disbursements have been stopped. However, in view of the rapidly evolving situation, these indications may be modified by subsequent interventions.

The sanctions framework that is emerging involves severe restrictions, which, in some cases, could lead to the freezing of assets, funds and financial resources and the barring of all business and financial relationships with certain persons that are not subject to specific exemptions. This will affect the possibility, on the one hand, of providing financing or support through equity or other financial instruments to Russian counterparties and/or projects and, on the other hand, of importing and exporting goods from and to Russia and Belarus, with consequent limitations on the ability to carry out the work necessary for the execution of the contracts awarded to CDP's investees, as well as the projects financed.

With regard to the above-mentioned exposures in the loan portfolio, in line with CDP's internal policies, the due diligence conducted for the approval of these exposures, with the support of specialist legal advisors, confirmed their general compliance with the sanctions framework in force at the time. In view of the above-mentioned rapid and progressive tightening of the sanctions framework, the legal advisors have been asked to continuously update the due diligence conducted, in order to assess potential current or future risks for the financing agreements and to put in place the most appropriate contractual remedies where the implementation of those agreements ceases to comply with the current sanctions framework.

With regard to the lending operations mentioned above, the changes in the sanctions framework are being constantly monitored, in consideration of: (i) the possibility that the impact of sanctions may also worsen for entities financed directly by CDP; (ii) the presence in some transactions of parallel credit facilities separate from CDP's, in which Russian financial institutions subject of the new sanctions also participate; and (iii) the increasing restrictions on obtaining export authorisations and financial assistance.

In general, the agreements for the above transactions, which have been drafted and negotiated with the assistance of leading international legal advisors, include contractual protections that can be activated by CDP and/or the other lenders upon the occurrence of specific events.

With regard to the main CDP Group companies that have direct goods/services supply relationships with the areas directly affected by the conflict, or that are exposed to indirect risks (effects on the valuation of equity investments, credit risk), the following is noted:

- Fincantieri group: the Fincantieri group has reported that it has no current activities or investments in Russia or Ukraine, nor lending transactions with companies or financial institutions operating in those countries. In addition, the Fincantieri group has no employees based in or repatriated from those areas. There are active contracts in place exclusively with certain Russian customers, which in 2021 generated a negligible share of turnover (approximately 0.5% of total Revenues and income) as well as the residual portion of receivables still to be collected.
  As to the potential increase in prices, in particular commodity and energy prices, which are already rising sharply due to the post-pandemic recovery, the group has implemented hedging policies on the purchase of gas and electricity, as well as marine fuel. In addition, the group has launched a specific plan to mitigate the risk related to the supplies of strategic materials such as steel, which partly comes from Ukraine.

It should also be noted that the contracts with customers establish that in the case of a “Force Majeure Event” that prevents the contract from being duly completed, such as a government decree, a pandemic or a war, the company is not liable to pay penalties to the shipowner for any delay in delivery.

- ENI group: the investee reports that - at the moment - the flow of gas supplies from Russia has continued normally. The management, in coordination with senior officials from the Italian Government, is evaluating plans to diversify/strengthen alternative sources of supply by leveraging (i) the flexibility of the portfolio, (ii) the availability of infrastructure and (iii) long-term relationships with oil-producing countries in the Mediterranean area. In addition, at this stage ENI has reported that no new Russian crude oil supply contracts will be entered into for the refining system with possible supply inefficiencies and higher costs.
  In addition, ENI reports that the increased volatility is leading to:
  i) an increase in counterparty risk due to the higher nominal commercial exposure to customers and the industrial sector’s difficulty in managing the significant crisis-induced increase in energy and commodity costs. In response to this phase of volatility, the ENI group is implementing a treasury operation aimed at increasing liquidity reserves to deal with foreseeable volatility spikes;
  ii) greater financial risk related to the need to increase cash deposits to guarantee the settlement of derivative transactions in fulfilment of margin call obligations.

  The ENI group has also announced its intention to exit the Blue Stream joint operation, which operates the pipeline for the transport of gas from Russia across the Black Sea, jointly marketed by ENI and Gazprom to Turkey’s state-owned company.

- Snam group: the investee is not active in the Russian market and does not hold any equity investments there, not even in joint-ventures with Russian companies. Snam’s core business is based on the recognition of regulated revenues (transmission, regasification and storage) anchored to capacity contracts, with a negligible sensitivity to volumes. To access the provision of Snam’s related services, the trade counterparties must provide appropriate financial guarantees or, alternatively, hold a credit rating issued by the major rating agencies of at least BBB-. Regarding the operating management of recurring activities and the implementation of the 2022 investment programme, there are currently no critical issues related to the events of the ongoing war.
  The investee has in its equity investment portfolio companies with exposure to Russian gas supplies through multi-year contracts for the transmission of gas. To date, Snam has recorded no variations compared to regular flows. Any prolonged interruptions in imports and/or the cancellation of existing multi-year contracts (in part covered in any case by bank guarantees) could be translated into a temporary reduction of the economic contribution that investees make to the Snam Group or affect the valuation of these equity investments.
  As regards the availability of funding sources and the related costs, please note that at 31 December 2021: (i) more than 70% of Snam’s financial debt is at fixed rate; ii) the Snam group has funds deposited at leading banking institutions for an amount equal to 1,337 million euro and unused long-term committed lines, including the EIB loan signed in July 2021 for energy efficiency projects totalling 3,350 million euro. Please note that in January 2022, Snam successfully issued a dual tranche Sustainability-Linked bond for a total of 1,500 million euro in conjunction with a Liability Management action that led to the repurchase of 350 million euro to proactively manage future debt maturity dates.
  Considering the cash equivalents and unused committed lines at 31 December 2021, together with the income deriving from the bond issue net of the repurchase of the notes of the Liability management action, Snam is able to cover short-, medium- and long-term bank and bond debt maturities until the end of 2023.
  On 8 March 2022, the European Commission presented the new planning document (RePower EU) that updates and supplements the “Toolbox” to address the increase in energy prices of 13 October 2021 and brings forward, in light of the situation between Russia and Ukraine, additional efforts to diversify gas supplies to the European market via pipelines and LNG and to further promote renewables, biomethane and hydrogen with the political goal of achieving independence from Russian gas by 2030. As regards gas storage in particular, the Commission confirmed its intention by April to introduce into EU legislation, with a further and rapid revision of the Security of Gas Supply Regulation, minimum obligations at a national level to achieve 90% storage capacity by 1 October every year at EU level. The intention to move forward with common purchasing mechanisms was also confirmed, in the wake of the proposals already made in December in the gas market reform.
  These indications support the strategic vision of SNAM, which has for some time set itself up as an enabler of energy transition thanks to investments to make its infrastructures “hydrogen ready”, placing transport and energy storage at the centre of its strategic plan as well as the development of new businesses such as hydrogen, biomethane, sustainable mobility and energy efficiency.
  The expected acceleration in developing biomethane and hydrogen, also making use of imports from North Africa, confirms the strategic importance of Snam’s infrastructures in the long term.

- Italgas group: the investee reports that it does not have any production activities or employees located in Russia, Ukraine or in countries geo-politically aligned with Russia, nor does it have any commercial and/or financial relationships with these countries. Therefore, there are no materially relevant restrictions on executing financial transactions through the banking system, also as a result of Russia’s exclusion from the international SWIFT payment system. However, in a market already featuring restrictions and slowdowns in the supply chain, especially regarding

components, it cannot be ruled out that the political and economic tension caused by the current conflict could exacerbate these difficulties and affect, in a way that cannot yet be estimated or predicted, the efficiency and timeliness of the group's procurement ability.
As regards the availability of funding sources and the related costs, please note that i) more than 92% of Italgas' financial debt is at fixed rate; ii) the next repayment of a bond is due for 2024, so there are no short-term refinancing and/or liquidity needs; iii) in any case, the group has funds deposited at leading banking institutions for an amount, at 31 December 2021, equal to 1,391.8 million euro which, also in light of the existing investment plans and the transactions envisaged over the next 18 months, would make it possible to manage, without significant material effects, any restrictions on accessing credit.
With regard to indirect risks related to sales companies using the networks of the Italgas group, should they suffer, in a deteriorated international scenario, from adverse commodity supply conditions such as, for example, sharp increases in the prices of gas that cannot be passed on to end customers, leading to a worsening in their financial conditions and relative difficulty in regularly fulfilling their contractual obligations towards the Italgas group, it is worth remembering that the rules for user access to the gas distribution service are established by ARERA and regulated in the Network Code, which defines the system of financial guarantees in place to protect the distributor.
Finally, with reference to the risk of lower volumes of gas entering the national infrastructure, the current tariff regulations do not result, as is known, in an exposure for the distributors to changes in the volumes of gas transported. In any case, the risk of a prolonged interruption in natural gas injection into the distribution infrastructures, which could have a significant negative impact on the group's business continuity, would be mitigated by the actions already in place and/or being studied at a national and European level, such as storage optimisation, diversification of supply sources and increase in national production.

- Terna group: taking into account the exceptional nature of the international dimension of the crisis, the investee has proactively set up specific task forces aimed at guaranteeing both constant monitoring of the new sanctioning regulations and the strengthening of its own due diligence and ordinary controls, also in light of the provisions of the policies on the subject, which the Terna group has implemented. While there are still elements of general concern related to the development of the crisis and a high degree of uncertainty, at present there are no concrete and immediate impacts on the ordinary course of business.

- Ansaldo Energia group: the investee reports that the Russian company Ansaldo Energia Russia has recognised trade receivables, inventories and cash and cash equivalents used in the early months of 2022 to repay intragroup payables to Ansaldo Energia, with a marginal impact on the 2022 budget in terms of revenues, EBITDA and cash deriving from operations in Russia. With regard to the blocking of activities towards Russia, there are currently no going concern risks. However, the Ansaldo group is monitoring the potential impacts on the energy market and identifying potential countermeasures, pursuing commercial channels with less impacted areas (e.g. North Africa), possible stepping up of cost containment actions and cash optimisation opportunities.

- Saipem group: the investee reports that the contracts involving activities in Russia and/or with Russian customers are: Moscow Refinery, Arctic LNG 2 GBS, Scope of work EPCI, Arctic LNG 2 TSOF, as well as a contract for gas drilling in Arctic waters with a drilling rig currently located outside Russian territorial waters. The investee confirms that it operates in full compliance with the measures taken by EU and national authorities with respect to the Russian Federation, that it is monitoring the continuous evolution of the situation in order to assess its impacts and that it has enforced and will continue to enforce, depending on the evolution of the situation, the appropriate contractual clauses to protect its rights and interests. The total backlog on the four projects is 1,966 million euro, including 254 million euro for projects within Saipem's scope of consolidation. In the unlikely scenario that the contracts are immediately cancelled, the impact on EBITDA and consolidated net income is estimated to be not significant. However, it cannot be ruled out that a further extreme deterioration in the geopolitical situation and the associated international sanctions could lead to more significant impacts, which cannot be estimated at present.
  Saipem has a diversified and, where possible, global supply chain approach. However, it is exposed to real risk for those supplies for which, for technological reasons, a limited number of alternatives are available. The investee is closely monitoring its supply chain to identify and take appropriate mitigation actions in relation to potential impacts on material and service costs and delivery times resulting from the evolving conflict in Ukraine. In light of the high unpredictability of the situation and of the impact on contracts, Saipem is already adjusting its execution strategies and has already started discussions with its customers and more broadly with the entire supply chain to negotiate risk management and sharing mechanisms to mitigate the impact on current contracts and future initiatives. In light of the sanctions imposed by the European Union, the US and other countries, Saipem has activated its Corporate Crisis Unit (CCU), which works on a daily basis with the Local Crisis Units (LCU) in Russia and the operational business functions directly involved in the management of projects and personnel located there.

- CDP Equity: with regard to the assets in the investee's portfolio, monitoring activities have identified as the most exposed assets those of Ansaldo Energia, Inalca group (which has operations in Russia, albeit marginal, and which could be affected by the increase in commodity prices and exchange rate fluctuations), Rocco Forte Hotel (which has two hotels in Russia), Nexi and Euronext (potential risk of a cyber attack on the electronic payments system, which is considered a strategic infrastructure). At this stage, no uncertainty factors have been identified regarding the investee's ability to continue operating as a going concern.

- SACE group:
  i) SACE: the company has a representative office in Moscow with two Russian nationals. As this is a representative office, there are no risks related to its operations, even considering the temporary suspension of the assessment of the assumption of new risks for export credit activities in Russia and Belarus. If the SWIFT block becomes total (Euro and USD), the inability to receive flows from Russia would result in calls on exposures disbursed in Russia. However, these calls would not all occur immediately, but presumably over a time horizon extending to the latest portfolio maturities, with an estimated higher incidence up to 2024. If sanctions were to be lifted before the maturity of the disbursed portfolio, the risk exposure would be correspondingly lower.
  In consideration of the worsening of the risk, SACE has put in place stringent monitoring of the macroeconomic environment, the sanctions framework and the existing exposures, with case-by-case assessment of the individual positions taken and of the related mitigation actions to be adopted, according to the individual contractual structures, as well as of the presence of any collateral and debt service reserves.
  The effects of the worsening of the risk, currently difficult to measure precisely in light of the state of uncertainty and the rapid evolution of the unfolding events, could produce a negative impact on the company's future technical performance; however, such impact would be absorbed, even in the most adverse scenario, by the capacity of the Technical Provisions and Equity Reserves;
  ii) SACE BT: the portfolio of other non-life insurance includes some insurance covers in Russia, which relate exclusively to material damage to structures and construction sites. For this reason, since Russia is currently not affected by the conflict, but only by the sanctions, there are no particular issues. The Credit portfolio has exposures in Russia and Belarus. The actual risk of this insurance cover in terms of invoices issued by SACE BT's policyholders to their customers located in the above-mentioned geographical areas is not known at this date. SACE BT has already implemented appropriate guidelines by discontinuing the assumption of new risks and revoking or cancelling existing policy limits in Russia and Belarus, while there were no risks on Ukraine;
  iii) SIMEST: with reference to Simest's equity investment portfolio, an initial assessment has been carried out of the direct exposures to areas at risk, which revealed marginal impacts, further mitigated by the presence (i) of the Italian partner required to take over the obligations of the investee, (ii) of some guarantees that ensure recovery of the investment and (iii) of an average residual duration of over two years that makes it possible to assess geo-political developments and the risk mitigation measures to be implemented. At this stage, no uncertainty factors have been identified regarding the investee's ability to continue operating as a going concern.

Given the scale of the international crisis and the uncertainty surrounding the macroeconomic environment, specifically the sanctions framework, where deemed necessary the CDP Group companies have set up specific task forces to ensure both constant monitoring of sanctioning regulations and the strengthening of ordinary controls.

Based on the specific situations faced by the companies and the potential risks to which they are exposed, possible countermeasures are being assessed, including diversification of operating activities and strengthening of organisational and technical risk mitigation safeguards.

Lastly, with regard to the Cooperation Agreement signed in 2019 between CDP and the Russian Direct Investment Fund (RDIF), with the involvement of SIMEST and Fondo Italiano di Investimento, with the aim of promoting possible economic cooperation between Italy and Russia through co-investments and co-financing in support of Italian companies with current or prospective operations in Russia, CDP terminated the Cooperation Agreement with RDIF following the intensification of sanctions against RDIF with the introduction, on 28 February 2022, of a freeze on its assets, funds and financial resources in the United States and the ban on US persons maintaining commercial and financial relations with it.

The other significant events after the reporting date are described below.

Fincantieri

On 10 February 2022, BNP Paribas Italian Branch and Fincantieri finalised an agreement to transform the guarantees facility of up to 700 million euro granted by the bank into a "sustainability-linked Guarantees Facility". The agreement has a minimum duration of more than four years and is the first transaction of this kind for the shipbuilding group.

On 17 February 2022, Fincantieri, through its subsidiary NexTech, signed a collaboration agreement with Almaviva and Leonardo to propose integrated innovative digital solutions for the static and dynamic monitoring and safety of the country's critical transport infrastructure. The agreement focuses in particular on "Structural Health Monitoring" and "Road Asset

Management" for the structures supporting road mobility, with the application of systems for the static and dynamic monitoring of structures and equipment, and on "Smart Road", which enables communication and interconnection between vehicles, i.e. the development of solutions and services aimed at increasing travel safety through assisted driving and, eventually, self-driving vehicles.

Terna

On 18 January 2022 the Board of Directors of Terna - Rete Elettrica Nazionale S.p.A. authorised the possible issue by Terna of one or more hybrid subordinated non-convertible perpetual bonds for a maximum amount equal to the value of 1,250,000,000.00 euro (one billion two hundred fifty million/00) (the "Bonds") by 30 June 2022, to be placed exclusively with institutional investors, pursuant to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999 and Article 2 of Regulation (EU) 2017/1129, through public issues or private placements. The Board of Directors also delegated to the Chief Executive Officer the task of deciding on the possible issue of the Bonds and their characteristics, and therefore to set the time, amount, price, interest rate and further terms and conditions, as well as the methods of placement for each issue, taking into account the evolution of market conditions.

On 19 January 2022 it was announced that 37 new Terna projects for the development of the electricity grid were authorised during 2021 by the Ministry of Ecological Transition and the Regional Councils, for a total value of over one billion euro in investments. This is an unprecedented achievement in Terna's history, which confirms its key role as director and enabler of the energy transition towards achieving national and European climate targets. The 2021 figure, achieved thanks to the constant cooperation and sharing between Terna and the Ministry of Ecological Transition, saw a strong acceleration in investments, which almost quadrupled compared to 2020, the year in which 23 projects were authorised for a total value of 266 million euro. Of the authorisations issued, eight relate to Sicily and account for almost half of the total value of the investments, among which the most economically significant project is the construction of the "Chiaramonte Gulfi-Ciminna" power line, a line totalling 172 km. In terms of investment value, this is followed by the rationalisation of the electricity grid between Malcontenta and Fusina, in the Venice area, the new submarine link that will connect the island of Elba to the municipality of Piombino, in the province of Livorno, and the reorganisation of the electricity grid in Bologna.

On 24 January 2022, Terna announced that it would invest 300 million euro in the development of the electricity grid in South Tyrol. The national transmission company presented the infrastructure redevelopment project affecting the Eisack Valley in the province of Bolzano, which was submitted for authorisation by the Ministry of Ecological Transition in December 2021. Specifically, the work planned by the company will make it possible to strengthen and improve the efficiency and sustainability of the regional electricity grid, enhancing the power supply to the railway line along the Brenner axis, thanks to the construction of 190 km of new lines, more than a third of which are "invisible" because underground. Terna's work will demolish approximately 260 km of overhead power lines and 900 pylons, freeing up a total of more than 600 hectares of land for the benefit of the environment and local communities.

On 2 February 2022 Terna successfully launched the first hybrid green bond for a nominal amount of one billion euro. The subordinate, non-convertible, perpetual green bond, which is non "callable" for six years, will pay a coupon of 2.375% up to 9 February 2028 (the first reset date), and then annual interest equal to midswap at five years increased by 212.1 basis points, further increased from 9 February 2033 by 25 basis points and a further 75 from 9 February 2048. The issue, targeted at institutional investors, was very well received by the market with a maximum demand of 4 billion euro, more than 4 times the offer. Characterised by high quality and a broad geographical diversification of investors, Terna's hybrid bond issue received a "BBB-" rating from Standard and Poor's, "Ba1" from Moody's and "BBB" from Scope.

On 28 February 2022, Terna signed a bilateral ESG-linked Term Loan for a total of 300 million euro with Intesa Sanpaolo – IMI Corporate & Investment Banking Division in its capacity as Original Lender and Sustainability Coordinator. The credit line has a duration of 2 years, with a rate linked to the performance trend of Terna regarding specific environmental, social and governance ("ESG") indicators. The transaction allows Terna to count on adequate liquidity at the current rating level and confirms the group's strong commitment to introducing a model aimed at increasingly consolidating sustainability as a strategic lever for creating value for all its stakeholders.

ITALGAS

With its ruling of 14 February 2022, the Lombardy Regional Administrative Court upheld the appeal lodged by Italgas Reti and annulled ARERA's Resolutions no. 163/2020/R/Gas and no. 567/2020/R/Gas, which determined the premiums and penalties relating to safety recoveries for the natural gas distribution service for the years 2016 and 2017.

On 2 March 2022, with an expenditure of 15 million dollars, Italgas strengthened its partnership with Picarro Inc. through the acquisition of a minority stake in the capital of the US company, a technology start-up and world leader in the sector of sensors applied to the monitoring of gas distribution networks, as well as in technologies for sectors requiring extremely sensitive measurements, such as environmental measurements of the concentration of dangerous atmospheric pollutants and the electronics industry for the detection of impurities in environments where semiconductors are produced.

On 9 March 2022, in implementation of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018, the Board of the subsidiary resolved on the free assignment of a total of 477,364 new ordinary shares of Italgas to the beneficiaries of the Plan (so-called second cycle of the Plan) and initiated the execution of the second tranche of the capital increase approved by the same Shareholders' Meeting, for a nominal amount of 591,931.36 euro drawn from the retained earnings reserve.

SNAM

On 10 January 2022, Snam mandated Barclays, BNP Paribas and Goldman Sachs as Global Coordinators and ESG Structuring Advisors to organise a series of fixed income investor calls aimed at launching a new dual tranche bond issue - with a 7-year tranche (Jun-29) and a 12 year-tranche (Jun-34) - as part of the 12 billion euro EMTN (Euro Medium Term Notes) Programme. The issue will take the form of a Sustainability-Linked Bond, hence linked to the achievement of the sustainability targets outlined in the Sustainable Finance Framework published by Snam on 29 November 2021. At the same time, a tender offer was launched to the holders of six bonds already issued by Snam under the EMTN Programme with maturities between 2023 and 2027.

On 12 January 2022, Snam successfully completed its first Sustainability-Linked Bond issue for a total of 1.5 billion euro, in two tranches of 850 million euro (maturing in June 2029) and 650 million euro (maturing in June 2034) respectively. The transaction is in line with Snam's commitment to sustainable finance as a key element of its strategy, which includes the objectives of achieving carbon neutrality by 2040 and further developing its activities in the energy transition area. It will also contribute to achieving the target of more than 80% sustainable finance by 2025 compared to 60% at the end of 2021. The bonds are part of the 12 billion euro EMTN (Euro Medium Term Notes) Programme approved by Snam's Board of Directors on 11 October 2021 and will be listed on the Luxembourg Stock Exchange.

On 17 January 2022, Snam successfully completed the Tender Offer on the company's bonds, as described above, launched on 10 January, with the repurchase of securities for a total nominal value of 350 million euro. Thus, the period just ended is the last of seven liability management periods which, from 2015 to date, contributed to reducing Snam's cost of debt from 2.4% in 2016 to below 1.0% in the first nine months of 2021.

ANSALDO ENERGIA

In January 2022, the Ansaldo group transferred the micro-turbine business to the newly incorporated Ansaldo Green Tech, a wholly-owned subsidiary of Ansaldo Energia. This business is considered to be synergistic with initiatives in the field of energy transition and the distributed grid.

CDP EQUITY

With reference to the equity investment in Kedrion held through FSI Investimenti, on 20 January 2022, as part of the transaction for the sale of 100% of the company, it was resolved to sell the entire equity investment held by FSI Investimenti (25.06% at 31 December 2021) to a newly formed entity owned by the Permira funds, the Abu Dhabi Investment Authority, and, to a lesser extent, CDP Equity, Sestant and FSI SGR.

At the same time, CDP Equity will reinvest a maximum of 100 million euro in the share capital and thus acquire an equity investment in the new pan-European player that will be created through the merger of Kedrion and the British group Bpl, which is subject to a simultaneous acquisition and business combination with the Italian company.

With reference to Fondo Italiano d'Investimento SGR, in order to encourage funding activities for the development of strategic businesses and supply chains in Italy, as well as the growth and modernisation of the private capital market, the share capital of Fondo Italiano d'Investimento SGR was opened to new shareholders including major banks and institutional investors whose entry is expected in 2022. As part of this opening of the share capital, CDP Equity undertook to sell 13% of its equity investment, thus retaining a 55% stake and control of the asset management company.

CDP RETI

On 26 January 2022, the 2021 interim dividend distributed by SNAM of about 110 million euro was collected.

SACE

As regards the events concerning the equity investment in SACE, please refer to the considerations reported in Section 3 above.

CDP INDUSTRIA

On 25 March 2022, Saipem's Board of Directors approved the initiative to strengthen its financial and capital structure, which envisages a 2-billion-euro capital increase to be carried out by the end of the year, a new revolving credit facility of up to 1 billion euro and guarantee commitments on a bilateral basis of around 1.35 billion euro. The shareholders CDP Industria and Eni have made a commitment to subscribe a total of around 43% of the planned capital increase in proportion to their respective equity investments in Saipem's share capital, while the remaining 57% is covered by a pre-underwriting agreement with leading Italian and international banks.

The initiative also envisages an immediate cash intervention for a total of 1.5 billion euro that will be covered "for an amount of 645 million euro, by 31 March 2022, by way of payment on account for future capital increases" by CDP Industria and Eni and for the remaining amount through the financial support from leading Italian and international banks.

The parent company CDP will provide CDP Industria with the relevant financial support through one or more capital contributions.

SECTION 5 - OTHER ISSUES

IFRS endorsed at 31 December 2021 and in force since 2021

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 2021, are provided below.

- Commission Regulation (EU) 2021/1421 of 30 August 2021, published in Official Journal L 305/17 of 31 August 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 16;
- Commission Regulation (EU) 2021/25 of 13 January 2021, published in Official Journal L 11/7 of 14 January 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 4, 7, 9 and 16;
- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 4.

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 2022)

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 2021:

- Commission Regulation (EU) 2021/1080 of 28 June 2021, published in Official Journal L 234/90 of 2 July 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9;
- Commission Regulation (EU) 2021/2036 of 19 November 2021 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 17;
- Commission Regulation (EU) 2022/357 of 2 March 2022 amending Regulation (EC) no. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2021

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:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

Other information

The annual consolidated financial statements are subject to approval by the CDP Board of Directors and will be published within the times and in the manner envisaged by the applicable legislation in force.

Restatement of the comparative figures at 31 December 2020

RESTATED CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020

(thousands of euro)

Assets	31/12/2020	31/12/2020 Restated	Differences
10. Cash and cash equivalents	1,359	6,029,549	6,028,190
20. Financial assets measured at fair value through profit or loss	4,923,820	4,923,820	
a) financial assets held for trading	1,321,688	1,321,688	
b) financial assets designated at fair value	478,671	478,671	
c) other financial assets mandatorily measured at fair value	3,123,461	3,123,461	
30. Financial assets measured at fair value through other comprehensive income	13,538,002	13,538,002	
40. Financial assets measured at amortised cost	403,753,318	397,725,128	(6,028,190)
a) loans to banks	48,552,046	42,523,856	(6,028,190)
b) loans to customers	355,201,272	355,201,272	
50. Hedging derivatives	553,939	553,939	
60. Fair value change of financial assets in hedged portfolios (+/-)	2,531,833	2,531,833	
70. Equity investments	15,834,385	15,834,385	
80. Reinsurers' share of technical reserves	2,594,711	2,594,711	
90. Property, plant and equipment	40,315,498	40,315,498	
100. Intangible assets	14,357,476	14,352,394	(5,082)
of which:			
- goodwill	*2,227,633*	*2,227,633*	
110. Tax assets	1,988,695	1,990,812	2,117
a) current tax assets	172,161	174,278	2,117
b) deferred tax assets	1,816,534	1,816,534	
120. Non-current assets and disposal groups held for sale	291,483	291,483	
130. Other assets	11,723,676	11,723,676	
Total assets	**512,408,195**	**512,405,230**	**(2,965)**

(thousands of euro)

Liabilities and equity	31/12/2020	31/12/2020 Restated	Differences
10. Financial liabilities measured at amortised cost	417,073,945	417,073,945	
a) due to banks	62,303,272	62,303,272	
b) due to customers	311,387,932	311,387,932	
c) securities issued	43,382,741	43,382,741	
20. Financial liabilities held for trading	268,158	268,158	
30. Financial liabilities designated at fair value	30,513	30,513	
40. Hedging derivatives	4,683,374	4,683,374	
50. Fair value change of financial liabilities in hedged portfolios (+/-)	10,352	10,352	
60. Tax liabilities	3,747,634	3,748,288	654
a) current tax liabilities	82,222	82,876	654
b) deferred tax liabilities	3,665,412	3,665,412	
70. Liabilities associated with non-current assets and disposal groups held for sale	165,031	165,031	
80. Other liabilities	46,094,342	46,094,342	
90. Staff severance pay	240,741	240,741	
100. Provisions for risks and charges	2,934,174	2,934,174	
a) guarantees issued and commitments	409,374	409,374	
b) pensions and other post-retirement benefit obligations			
c) other provisions	2,524,800	2,524,800	
110. Technical reserves	3,460,541	3,460,541	
120. Valuation reserves	510,814	510,814	
130. Redeemable shares			
140. Equity instruments			
145. Interim dividends (-)			
150. Reserves	14,187,581	14,186,661	(920)
160. Share premium reserve	2,378,517	2,378,517	
170. Share capital	4,051,143	4,051,143	
180. Treasury shares (-)	(322,220)	(322,220)	
190. Non-controlling interests (+/-)	13,262,560	13,259,564	(2,996)
200. Net income (loss) for the year (+/-)	(369,005)	(368,708)	297
Total liabilities and equity	**512,408,195**	**512,405,230**	**(2,965)**

RESTATED CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2020

(thousands of euro)

Items	2020	2020 Restated	Differences
10. Interest income and similar income	7,952,955	7,815,126	(137,829)
- of which: interest income calculated using the effective interest rate method	*8,169,386*	*8,054,977*	*(114,409)*
20. Interest expense and similar expense	(4,961,421)	(4,939,398)	22,023
30. Net interest income	**2,991,534**	**2,875,728**	**(115,806)**
40. Commission income	520,067	475,607	(44,460)
50. Commission expense	(1,482,133)	(1,479,907)	2,226
60. Net commission income (expense)	**(962,066)**	**(1,004,300)**	**(42,234)**
70. Dividends and similar revenues	26,045	25,760	(285)
80. Profits (losses) on trading activities	(119,490)	(114,696)	4,794
90. Fair value adjustments in hedge accounting	(49,504)	(49,755)	(251)
100. Gains (losses) on disposal or repurchase of:	856,545	856,545	
a) financial assets measured at amortised cost	735,756	735,756	
b) financial assets at fair value through other comprehensive income	136,790	136,790	
c) financial liabilities	(16,001)	(16,001)	
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(200,693)	(158,826)	41,867
a) financial assets and liabilities designated at fair value	3,362	3,362	
b) other financial assets mandatorily at fair value	(204,055)	(162,188)	41,867
120. Gross income	**2,542,371**	**2,430,456**	**(111,915)**
130. Net adjustments/recoveries for credit risk relating to:	(190,922)	(162,589)	28,333
a) financial assets measured at amortised cost	(190,667)	(162,334)	28,333
b) financial assets at fair value through other comprehensive income	(255)	(255)	
140. Gains/losses from changes in contracts without derecognition	(15)	(15)	
150. Financial income (expense), net	**2,351,434**	**2,267,852**	**(83,582)**
160. Net premium income	(11,996)		11,996
170. Net other income (expense) from insurance operations	6,908		(6,908)
180. Net income from financial and insurance operations	**2,346,346**	**2,267,852**	**(78,494)**
190. Administrative expenses	(9,881,681)	(9,749,552)	132,129
a) staff costs	(2,474,685)	(2,383,945)	90,740
b) other administrative expenses	(7,406,996)	(7,365,607)	41,389
200. Net accruals to the provisions for risks and charges	(128,935)	(158,707)	(29,772)
a) guarantees issued and commitments	(91,931)	(91,599)	332
b) other net accrual	(37,004)	(67,108)	(30,104)
210. Net adjustments to/recoveries on property, plant and equipment	(1,793,792)	(1,789,523)	4,269
220. Net adjustments to/recoveries on intangible assets	(885,504)	(877,268)	8,236
230. Other operating income (costs)	15,102,044	15,100,969	(1,075)
240. Operating costs	**2,412,132**	**2,525,919**	**113,787**
250. Gains (losses) on equity investments	(2,117,409)	(2,116,846)	563
260. Gains (losses) on property, plant and equipment and intangible assets measured at fair value			
270. Goodwill impairment			
280. Gains (losses) on disposal of investments	15,892	15,892	
290. Income (loss) before tax from continuing operations	**2,656,961**	**2,692,817**	**35,856**
300. Income tax for the year on continuing operations	(1,480,526)	(1,490,095)	(9,569)
310. Income (loss) after tax on continuing operations	**1,176,435**	**1,202,722**	**26,287**
320. Income (loss) after tax on discontinued operations	(13,369)	(38,033)	(24,664)
330. Net income (loss) for the year	**1,163,066**	**1,164,689**	**1,623**
340. Net income (loss) for the year pertaining to non-controlling interests	1,532,071	1,533,397	1,326
350. Net income (loss) for the year pertaining to shareholders of the Parent Company	**(369,005)**	**(368,708)**	**297**

The balance sheet and income statement balances at 31 December 2020 have been restated in view of:

- the amendments made by the Italgas Group, which in 2021 classified under operating costs the charges relating to the periodic checks pursuant to the law of the volume conversion devices, where present in the meters installed at the re-delivery points. In order to ensure the comparability of:
  - the balance sheet items, the items relating to intangible assets (-5.1 million euro), tax receivables (+2.1 million euro), tax payables (+0.7 million euro) and equity (-3.6 million euro) were adjusted as at 31 December 2020;
  - the income statement items, the items relating to administrative expenses (-1.3 million euro), adjustments to/recoveries on intangible assets (+4.1 million euro), other operating income (costs) (-0.5 million euro), and income taxes (-0.7 million euro) were adjusted as at 31 December 2020;
- the information given in the balance sheet regarding the asset items “Cash and cash equivalents” and “Financial assets measured at amortised cost” has been restated in accordance with the provisions of the 7th update of Circular 262 of the Bank of Italy.
- the consolidated income statement at 31 December 2020 has been restated as a result of application of IFRS 5 to the contribution of disposal companies / entities at 31 December 2021, namely: SACE S.p.A., SACE BT S.p.A., SACE FCT S.p.A., SACE SRV S.r.l. and Fondo Sviluppo Export.

Interest Rate Benchmark Reform

In 2013, the G20 tasked the Financial Stability Board (FSB) with carrying out a comprehensive review of the key benchmark rates of the money market and developing plans for their possible replacement in order to enhance their integrity and representativeness for all market participants. In July 2014, the FSB published its recommendations, which essentially set two basic objectives: (1) reform the IBORs (Interbank Offered Rates) benchmark rates, of which LIBOR is one of the most commonly used, in order to strengthen their existing methodologies and make them more consistent with real transactions; (2) develop more robust alternative benchmark rates.

More specifically, the European Union Benchmarks Regulation (Regulation (EU) 2016/1011), published in 2016 and in force since January 2018, set out the new regulatory framework for EURIBOR, LIBOR and EONIA benchmark rates, bringing market indices and the methodology by which they are calculated in line with international standards, aiming to ensure the integrity of benchmarks used in the Eurozone (including benchmark interest rates), thereby reducing the use of discretion, improving governance controls and tackling conflicts of interest. Furthermore, with regard to “critical benchmarks”, that are widely used in the markets, Article 28.2 of the Regulation requires that supervised entities produce robust written plans setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided, or reflect them in the contractual relationship with the customer.

Recently, Regulation No. 34 “Interest Rate Benchmark Reform”, endorsed by the European Commission on 15 January 2020, approved the amendments to IFRS 9, IAS 39 and IFRS 7 issued by the IASB on 26 September 2019 as part of the “Interest Rate Benchmark Reform” project.

This amendment completes the first phase of the IASB’s project to find ways to reduce the effects of the interest rate reform on the financial statements, with particular reference to potential impacts before replacing the existing benchmarks. In particular, the IASB has provided for some exceptions to the accounting for hedging relationships, aimed at avoiding the discontinuing effects due to the mere uncertainty of the interest rate reform. Specifically, for the economic relationship to be assessed, the amendments introduced require the entity to assume that the interest rate benchmark for determining the interest rates of the hedged instrument and the hedging instrument has not changed following the rate reform.

With the publication of the “Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16” on 27 August 2020, the IASB officially launched the second phase of the project which aims to address and anticipate the impacts of effectively replacing existing interest rate benchmarks with alternative benchmark rates.

These amendments were approved by the European Commission with Regulation No. 25, endorsed on 13 January 2021, which provides for a specific accounting treatment to spread value changes of financial instruments or lease contracts due to the replacement of the interest rate benchmark over time, which prevents a sudden impact on net income for the period, and prevent unnecessary discontinuations of hedging relationships as a consequence of the replacement of the interest rate benchmark. Applying these amendments is compulsory from 1 January 2021.

In order to assess the significant risks associated with this global reform, and to take appropriate action to ensure an orderly transition to the alternative or reformed benchmark rates, as required by the EU Benchmarks Regulation (BMR), the CDP Group undertook all the initiatives necessary to ensure an orderly transition to the new benchmark rates by managing the prospective termination of the IBORs (Interbank Offered Rates) and the EONIA rate, with regard to both customer relationships and its own organisational and operational structures, and by providing appropriate fallback clauses[65] in contracts.

In detail, the project consists of the following macro-activities:

- Market liquidity assessment (calculation of exposure, creation of a monitoring dashboard, definition of a transition strategy);
- New benchmark market analysis (analysis of the product range, analysis of the alternative benchmark rate trend, creation of pricing models, design of pilot products, industrialisation of the new product offering);
- Identification of pricing models and risk assessment (identification of pricing models, recognition of market data referring to alternative rates, adaptation of models, identification of valuation models, collection of market data referring to alternative rates, identification of impacts, development of forecasting models, adoption of risk assessment models);
- Contract mapping (identification of contracts linked to IBORs, recognition of fallback clauses, identification of "linked" contracts (assets/liabilities and related hedging derivative));
- Contract review (assessment and review of fallback clauses);
- Modification of systems and processes (assessment of operational and technological impact, impact analysis by business area, development of a change management plan);
- Customer relationships (cooperating with industry associations, defining a consistent transition model, managing the transition with a structured plan);
- Analysis of accounting, tax and other impacts (assessing the reform's impact on hedge accounting, trading derivatives, credit support annexes, etc., identifying models for hedge valuation, analysis of amortised cost calculation models, tax impact analysis).

The reform's impacts on CDP's operations were identified in relation to the following benchmarks:

- EONIA, discontinued in favour of the new Risk-Free rate €STR: CDP is affected in relation to the measurement of the fair value of derivatives, and the remuneration of derivative collateral and Repos[66];
- EURIBOR, whose calculation methodology was already changed in 2019, with no impact on contracts indexed to it;
- USD LIBOR, to be phased out from June 2023 onwards, in favour of the compounding or Term Secured Overnight Financing Rate (SOFR): CDP is mainly affected in relation to Export Bank financing and the related hedging derivatives (Cross Currency Swaps).

CDP's internal working group has identified two main areas of adjustment:

- Rate switch: to manage the switch from the EONIA benchmark to €STR and from USD LIBOR to "Compounded SOFR" or "Term SOFR";
- Adjustment of fallback clauses: this affects all of CDP's contracts indexed to the benchmarks covered by the reform (i.e. EONIA, EURIBOR and USD LIBOR).

Disclosure of COVID–19 impacts

In preparing the Annual Financial Report as of 31 December 2021, CDP and the Group companies, as in 2020, are required to consider the impacts of the current economic situation following the COVID-19 outbreak, as well as the related accounting implications with regard to the measurement of assets and liabilities, and the disclosure and assessment on the going concern basis, taking also into account the guidance published by the Bank of Italy, ESMA, IOSCO and CONSOB, specifically:

- ESMA 32-63-951 statement dated 25 March 2020, 'Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9';
- ESMA 32-63-972 statement dated 20 May 2020 'Implications of the COVID-19 outbreak on the half-yearly financial reports';
- IOSCO OR/02/2020 dated 29 May 2020 'Statement on Importance of Disclosure about COVID-19';
- CONSOB warning notice no. 6/20 dated 9 April 2020, 'COVID-19 - Drawing attention to financial reporting';
- CONSOB warning notice no. 8/20 dated 16 July 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA 32-63-1041 statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- Communication of the Bank of Italy dated 15 December 2020, 'Supplements to the provisions in Circular no. 262 "Bank financial statements: presentation formats and rules"';
- CONSOB warning notice no. 1/21 dated 16 February 2021, 'COVID-19 – Measures on support for the economy – Drawing attention to reporting that needs to be provided';

[65] In order to minimise the risk that one or more LIBOR rates or other benchmark rates may be discontinued even though market participants are still exposed to such rates, financial institutions and customers are encouraged to include fallback clauses indicating alternative reference rates (ARRs) to substitute unavailable pre-existing reference rates, or a procedure to be followed to identify one.
[66] With reference to the transition to the €STR rate, the European Money Market Association (EMMI), which manages the index, amended the calculation methodology to make it an EONIA tracker back in 2019 (EONIA = €STR+8.5 bps). As regards derivative contracts, the market is uniformly moving towards replacing the EONIA rate with the €STR rate without applying spreads, whereas a single position has not yet been taken with regard to Repo contracts.

- ESMA 32-63-1186 statement dated 29 October 2021 'European common enforcement priorities for 2021 annual financial reports';
- Communication of the Bank of Italy of 21 December 2021 – Updating of the supplements to the provisions of Circular no. 262 "Bank financial statements: presentation formats and rules" concerning the impacts of COVID-19 and measures to support the economy, and Bank of Italy Measure "The financial statements of IFRS intermediaries other than banking intermediaries".

The aim of this paragraph is to illustrate the main areas of focus analysed by the management in order to prepare the consolidated financial statements as of 31 December 2021, in view of the current situation characterised by the ongoing impacts of the COVID-19 pandemic and the extension of the state of emergency to 31 March 2022. Detailed information on strategies, objectives and financial performance, and on the measures adopted to address and mitigate these effects on the business outlook are contained in the "Outlook of operations".

In 2021, CDP and the Group companies continued to play a key role in implementing the measures issued by the Italian government to mitigate the impacts of the COVID-19 pandemic and support the economy.

In particular, in 2021, CDP provided support by managing two initiatives involving funds held by the Ministry of the Economy and Finance that were established to provide the liquidity needed to pay Public Administration debts:

- pursuant to Article 1, paragraphs 833 et seq., of Law no. 178 of 30 December 2020 (2021 Budget Law), the deadlines for the submission of applications by the Regions and Autonomous Provinces, on behalf of the National Health Service Entities, for the payment of certain, liquid and collectable payables outstanding at 31 December 2019 relating to provisions, supplies, contracts and obligations for professional services, as well as tax, social security and insurance obligations, have been reopened through the Fund referred to in Article 115, paragraph 1, of Decree Law no. 34 of 19 May 2020, and specifically in the section regarding health care debts;
- pursuant to Article 21 of Decree Law no. 73 of 25 May 2021, the section of the Fund dedicated to debts other than health care ones has been refinanced to be used to pay certain, liquid and collectable trade payables accrued by Local Entities (Local Authorities, Regions and Autonomous Provinces) at 31 December 2020.

In both initiatives, the resources of the Fund are used, with support from CDP, to grant cash advances in favour of Entities, with a maximum duration of 30 years. In particular, CDP acts on behalf of the Ministry of the Economy and Finance, managing all phases of the cash advances, from the receipt of applications and the related preliminary assessment, to the completion of the contract and the disbursement of the amounts, up to the full repayment thereof.

In addition, the support measures also continued for companies financed by CDP affected by liquidity problems caused by the COVID-19 pandemic which, in order to mitigate the impact on business continuity, required CDP to renegotiate certain contractual terms.

As of March 2020 and until 31 December 2021, 130 moratoriums on payments have been requested for Italian debtors, mainly pursuant to the "Cura Italia" Decree Law, for an average duration of 18 months and a moratorium amount of approximately 29 million euro on loans granted of approximately 200 million euro. In addition, 38 suspensions of checks on financial covenants ("Covenant Holiday") have been requested for about 1 year. The sectors most heavily impacted are represented by automotive components, textile production, agri-food, metalworking and tourism.

As part of the measures introduced by the "Liquidity Decree" to support companies affected by the COVID-19 emergency, from May 2020 until the reporting date, loans totalling 1.5 billion euro were disbursed to 127 companies that benefited from the SACE guarantee and the State counter-guarantee ("Garanzia Italia").

With regard to the portfolio of foreign debtors, the sector most heavily impacted up to 31 December is the cruise shipbuilding industry. As of March 2020, the main European export credit agencies have offered their debtors in the cruise sector a 'Debt Holiday' of up to 24 months from principal repayments and a suspension of financial covenants for the same period.

CDP has also joined the "Debt Holiday" initiative launched by the Italian export credit agency (SACE). Consequently, amendments to existing agreements have been signed, thus allowing the suspension of covenants and the deferral of principal repayments due from 1 April 2020 to 31 March 2022 by creating separate tranches to be repaid within the next five years, for a moratorium amount totalling about 760[67] million euro on a loan portfolio of 4.8[68] billion euro.

The CDP Group companies also continued in their business support actions, as detailed below:

- SIMEST has further consolidated its commitment to supporting the restart and/or relaunch of the country's productive sector by granting loans for the capitalisation of businesses and managing public funds (i.e. Law 394/81 Fund - Sustainable Growth Fund) to support small and medium-sized enterprises engaged in export and international expansion activities. Overall, as part of the measures to support the economy, in 2021 the endowment of the Law 394/81 Fund was increased by 2,285 million euro through the 2021 Budget Bill and the 'Sostegni bis' Decree Law. Resources totalling 1,160 million euro have also been allocated for non-repayable co-financing as part of the 2021

[67] At the Eur/USD exchange rate of 31/12/2021.

[68] At the Eur/USD exchange rate of 31/12/2021.

Budget Bill, the ‘Sostegni’ Decree Law (for the fixed cost relief measure for trade fair organisations) and the ‘Sostegni bis’ Decree Law. During 2021, the new subsidised lending operation was launched using the resources of the National Recovery and Resilience Plan (PNRR), which, under the Sub-Measure “Refinancing and remodelling of Law 394/81 Fund managed by SIMEST”, set the objective of stimulating the competitiveness, innovation and sustainability of at least 4,000 SMEs by 31 December 2021 by means of a total of 1,200 million euro (including 400 million euro of non-repayable co-financing). The Subsidies Committee of 30 September 2021 approved the investment policy and implementing circulars for the three products managed by SIMEST using PNRR resources: i) digital and ecological transition of SMEs with an international vocation; ii) development of SMEs’ e-commerce in foreign countries; and iii) participation of SMEs in international fairs and exhibitions, including in Italy, and system missions. As part of management of the Law 394/81 Fund and in particular of the resources allocated by the European Union to the PNRR, in the second half of 2021 SIMEST actively contributed to the work towards the Ecological and Digital Transition objectives set out in the Plan, by granting funds to companies for specific projects (at the end of 2021 about 700 million euro out of the total 1,200 million euro made available by the EU), a commitment that will continue in 2022;

- SACE SRV, through its Customer Care line, has: i) actively participated in the “Garanzia Italia” project and provided support for the SIMEST Moratorium activity on payments against loans signed; ii) launched the advisory service for CDP Public Administration and strengthened business development activities by carrying out scheduled outbound commercial campaigns; and iii) taken on a central role in the commercial initiatives coordinated by SACE, including partnerships with Banca Sella and Unicredit and the agreement with Comark, in addition to the agreement with CervedON for lead generation campaigns;

- SACE Fct has continued to promote the use of the liquidity support measures adopted by the Government through the “Cura Italia” and “Liquidity” Decree Laws, enacted to respond to the COVID-19 emergency through interventions, including long-term ones. With regard to the Liquidity Decree, SACE Fct has continued to grant new loans to small and medium-sized enterprises backed by the “SME Guarantee Fund” and SACE's “Garanzia Italia”. The loans were granted to enterprises experiencing difficulties as a result of the COVID-19 emergency. Particular attention was paid to measuring the creditworthiness and resulting repayment capacity of the main debtor, irrespective of the presence of public guarantees.

For more details on the initiatives and the role of CDP and the Group companies in the current situation, please refer to the more detailed disclosure in the Report on Operations.

Disclosure on going concern, risks, uncertainties and impacts of the COVID-19 epidemic

Going concern

Based on the operations of CDP and its Group companies and having considered all information available on its capital structure, available liquidity and financial performance over the medium term, even in the context of the ongoing COVID-19 outbreak, there is no evidence of factors that might in any way affect the ability to continue as a going concern.

Significant risks and uncertainties

The main risks to which the CDP Group is exposed in conducting its business can be summarised based on the following taxonomy:

- Credit risk: the risk that a debtor will not meet its commitments in relation to a loan or an issued bond;
- Counterparty risk: the risk that a counterparty will not meet its commitments in respect of one or more derivative or treasury transactions;
- Concentration risk: the risk arising from large exposures to individual counterparties, groups of connected counterparties or counterparties carrying out the same activity, belonging to the same economic sector or the same geographical area;
- Liquidity risk: the risk that a financial institution will be unable to meet its commitments due to difficulties in financing itself or in divesting assets, or that it will be unable to monetise assets held in the market without significantly adverse conditions affecting their market price;
- Market risks (interest rate and price risk, exchange rate risk): the risk that negative trends in interest and inflation rates and exchange rates will adversely affect the fair value, earnings or net assets value of a financial institution.
- Equity risk: the risk that negative trends of equity security prices will adversely affect the fair value, earnings or net assets value of a financial institution;
- Reputational risk: the current or prospective risk of a fall in profits, loss of economic value or damage to the institutional role, resulting from a negative perception of the image of CDP and the Group companies by customers, counterparties, shareholders, investors, regulators or other stakeholders;

- Operational risk: the risk that inadequate information systems, operational errors, failures in internal controls or procedures, fraud, lawsuits, judgments or invalid agreements or external events (e.g. earthquakes, epidemics, etc.) may result in losses for a financial institution;
- Country risk: the risk that events occurred in countries other than Italy may result in losses. This does not just refer to the credit risk associated with exposures to the public administration of the foreign country (sovereign risk), but to all exposures regardless of the type of counterparty.

The COVID-19 emergency has not generated risks other than those reported, as these types of events are considered within the risks already assessed and monitored. In particular, the following key risk areas have been identified:

- Equity risks due to a fall in the price of listed equity investments and a possible drop in the value of the overall portfolio, including exposures to the Real Estate sector;
- Credit risks due to a possible rise of debtors in financial distress, both on the loans and guarantees portfolio and on debt securities or for works in progress;
- Operational risks due to partial use of premises, business continuity and the risk of employees on sick leave, as well as the management of liquidation activities and pending litigations;
- Liquidity risks due to more difficult conditions to raise funding and/or dispose assets when required.

In addition to the above, as a result of the specific context/sector which some of the Group companies operate in, it is appropriate to detail the following additional areas:

- Snam, Terna, Italgas: risks related to possible changes in the regulatory environment;
- Fincantieri: risks related to the operational complexity characterising the shipbuilding industry, geographical and product diversification and the inorganic growth strategy;
- Nexi: operational risks in the services rendered and technological risks;
- Ansaldo Energia: business risks associated with its operations.

For more details on the main exposures to risks of CDP and the Group companies and measurement and mitigation techniques, please refer to the section on risks, “Part E – Information on risks and related hedging policies”.

The global spread of COVID-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more difficult to make quantitative estimates, for example, with regard to possible future losses on receivables measured at amortised cost or cash flows from equity investments, also due to the increased uncertainty in the assumptions and parameters at the basis of the asset valuation analyses.

For the CDP Group, the areas subject to analysis, due to an increased level of uncertainty, are:

- the changes linked to regulatory measures adopted by the Italian Government to support and relaunch the economic-production system in response to the pandemic, for which CDP and the Group Companies have played a key role in implementing the measures or which led to significant changes to the business model of one or more investee companies (e.g. Decree Law 23/2020, which, inter alia, required the termination of CDP management and coordination activity over SACE);
- the acceleration in the energy transition dynamics, with effects on the investees operating in the Oil & Gas sector or in directly-related sectors;
- a possible increase in the insolvency risk in the loan portfolio, in terms of both rating transitions and the higher probability of short-term default with respect to the historical average.

With regard to the specificities of the CDP Group companies, the following information is provided:

- CDP Immobiliare SGR, as regards fund development activities, after suffering the effects of the general suspension of operations at construction sites ordered by the government, which led to widespread delays in project completion, was negatively impacted by the sharp rise in the cost of building materials and the consequent delays in the supply of many key materials for the construction sector. With specific reference to the development and marketing of the local funds' interventions, further problems included delays in the allocation/marketing of the properties and in the implementation of activities to promote the interventions (events, contact points, tenders, support to the submission of applications).
  Moreover, to support business continuity and the employment levels of its lessees, depending on the type of property and the characteristics of the lessees, CDP Immobiliare SGR has granted various facilities such as: (i) partial suspension of payments of rents for 2020 and 2021; (ii) a discount on the 2020 and 2021 rents; (iii) deferred payment of unpaid rents for 2020 and 2021; (iv) waiver of enforcement of guarantees and of exercise of the right to terminate contracts until 30 September 2021, with reference to contractual remedies in the event of default by the lessee on payment of the rents for 2020 and 2021. With regard to disposals, there is greater uncertainty on the time for completing transactions and a slowdown by the Public Administration in the urban administrative procedures under way to finalise the urban planning, authorisation and agreement signing procedures.

- CDP Immobiliare also continues to monitor the operational risks associated with the specific business, such as:

- construction sites in progress or to be contracted, affected by delays or interruptions in the execution of the contracted works in the real estate portfolio (with consequent delay with respect to their schedules), increased production costs due to supply chain disruptions and increased energy prices;
- leases, affected by changes in operators' strategies, longer timeframes for finalising agreements, as well as extended absorption times, particularly in the office sector;
- sales processes, where the general market performance, also affected by the COVID-19 pandemic, required a review of the disposal plan in terms both of timing (postponing disposals) and of asking price, i.e. the price offered on the market and the sales mandates to brokers.

- For SIMEST, the context of reference and the effects of the pandemic confirm certain potential impacts in terms of i) credit risk (due to the possible deterioration of creditworthiness, higher provisions and/or granting of moratoria); ii) operational risks, cyber risk, organisational impacts, health monitoring, going concern; iii) economic and financial risks (linked to budget reviews, forecasts, new lending, risk provisions, impairment); iv) fraud, anti-money laundering and reputational risks (also linked to the marked increase in the amount of public resources managed); v) climate and ESG risks (with reference to the investment projects supported and the public funds / PNRR resources managed). In order to better monitor the risks associated with this context, SIMEST continued to strengthen its control functions, in accordance with a general principle of proportionality, further consolidating the framework of controls and monitoring in all phases of the credit process, in relation both to the equity investment portfolio and to the funds managed on behalf of third parties. To further guarantee the effectiveness of its risk management and control system, SIMEST continued to consolidate the internal governance system of the Company Committees by introducing, from the second half of 2020, a Chief Risk Office that includes the credit, risk management and compliance functions, and by strengthening the governance system of the Company's Committees (technical advisory bodies) to further strengthen the supervision of the various phases of the credit process, from application assessment to debt recovery.

- For the Fincantieri group, the production shutdown in Italy in 2020 had led to a reduction in production, which caused delays in production schedules and consequently the deferral of revenues resulting in an EBITDA loss due to lack of progress on shipbuilding contracts during the lockdown and fixed production costs not being absorbed during the production shutdown. In 2021, there was a full recovery in production volumes in the Italian shipyards, thanks to the strategy implemented by the group, which allowed a rapid resumption of production activities in response to the effects of the pandemic. In the cruise sector, the Fincantieri group continued its dialogue with shipowners by, on the one hand, suspending the payment of the shipowner instalments planned for ships under construction and, on the other, redefining the schedule of deliveries. The deliveries scheduled for 2021 were made respecting the commitments made with the shipowners. In support of cruise operators, it should also be noted that the "Debt Holiday" on export financing granted to shipowners has been extended on condition that existing orders are confirmed. The initiative, originally expiring on 31 March 2021 and extended for a further 12 months, suspends the repayment of the principal instalments and consequently reschedules the repayment plan over the following four years.

- For SNAM, an assessment of the effects of the spread of the pandemic highlighted the limited exposure of the "Regulated Activities" (transport, storage and regasification) and "Energy Transition" (energy transition, Biomethane, Energy Efficiency and Sustainable Mobility) sectors to the effects of the COVID-19 pandemic, also with reference to the foreign investee companies. The Biomethane business experienced minor impacts, mainly caused by delays and disruptions in global supply chains. In particular, during 2021, there were difficulties in finding materials for the construction sector. In addition, certain delays in obtaining permits prevented construction sites from starting as planned in the budget; in these circumstances, pending receipt of the necessary permits, the clients asked the company to postpone the start date of the works, which progressively resumed in the second half of 2021. With regard to the Energy Efficiency business, marginal impacts were recorded in the integrated management of thermal power plants: the introduction of obligations to ensure frequent ventilation of rooms has led to greater heat dispersion with a consequent increase in energy costs. Finally, despite the gradual easing of the pandemic-related restrictions, the last months of 2021 were also impacted by slowdowns in the public administration's processes and authorisation activities.

Financial instruments and measurement of Expected Credit Losses

The assessment of any significant increase in credit risk (SICR) of CDP is based not only on the information relating to the classification of loans pursuant to banking regulations (e.g. "past due", "forborne") but also on the forward-looking information embedded in its own credit risk management systems, in particular in relation to:

- internal ratings, which reflect the forward-looking assessment by CDP analysts of the capacity of each debtor to meet its obligations over the entire life of the financial instruments. Internal ratings holistically incorporate, through an assignment and review process, all available quantitative and qualitative information that is relevant to the assessment, including, for example, up-to-date macroeconomic forecasts, sector dynamics assessments, public ratings issued by the primary agencies, market prices and regulatory measures;
- assigning specific debtors to the different "watchlists", which in some cases may indicate the presence of additional uncertainty factors, typically qualitative, other than the main drivers considered in the internal rating.

Consistent with the characteristics of its loan portfolio, mainly including exposures with public counterparties, banks operating in Italy, large corporations and special-purpose vehicles operating in the infrastructure sector, CDP has noted, as at 31 December 2021, that changes in ratings are overall limited, even including the impacts of the COVID-19 pandemic on a forward-looking basis.

No changes were deemed necessary in the models for the valuation and measurement of financial instruments related to the pandemic crisis. In particular, CDP has not made changes to its methodology for assessing the significant increase in credit risk, either as a result of the COVID-19 pandemic or due to other factors, as it considers this methodology to be adequate in the current context.

In measuring Expected Credit Losses, CDP applies the internally-developed methodology, which takes into account the following elements: (i) the estimate of Through-the-Cycle probability of default and (ii) an internal model for estimating the cyclical component of probability of default. The model applied to estimate the cyclical component is based on the main macroeconomic drivers including GDP and employment rate forecasts, with reference to the European area and the USA. At 31 December 2021, CDP had defined a management overlay in order to take account of the changing economic circumstances, in particular by incorporating in the quantification of Expected Credit Losses specific prudential criteria deriving from the IFRS 9 models in use, aimed at representing the high degree of uncertainty associated with (i) the timing and effects of the removal of the extraordinary support policies implemented by institutions (both fiscal and credit measures and monetary policy measures) and (ii) the continuation of measures such as states of emergency and related restrictions.

It should be noted that none of the initiatives undertaken and described in the previous paragraphs (“Covenant Holiday” or “Debt Holiday”) required CDP, or SIMEST and SACE Fct, to recognise the existence of the conditions for derecognition of the loan agreements or of the related financial instruments in application of the provisions of IFRS 9.

With regard to CDP Group companies, the following should be noted:

- SACE continues to be affected by the significant impacts produced by the pandemic in 2020, mainly due to downgrades made by the counterparties’ Rating Agencies and moratoriums on guaranteed loans. Counterparties operating in the sectors of greatest exposure covered by the SACE guarantee portfolio such as the Cruise and Aeronautics sector were particularly affected. These specific elements led to an increase in credit risk measurable through expected loss metrics, with a consequent impact on Best Estimates, and on the impairment of loans, deposits and securities. The economic recovery in 2021 did not offset the negative impacts recorded in the previous year in terms of creditworthiness, which remain significant especially in the sectors most exposed to the pandemic crisis.

- SIMEST has continued the portfolio valuation and monitoring activities with conservative measurements of provisions on an individual and collective basis.
  With regard to individual impairment, the measurements were conducted at the level of the individual counterparty/transaction on the basis of the expected cash flows, the presence of guarantees and the recovery timing and percentages. These variables, together with general considerations relating to the economic environment including the effects of the COVID-19 pandemic, led to a review of the measurements with an increase in the impairments.
  With regard to provisions made on a collective basis, ECL values were updated for the portfolio classified at amortised cost by including (i) the updating of ratings on “single names” (whose risk profile in some cases deteriorated also as a result of the economic consequences related to the pandemic) carried out as part of the broader performance monitoring activity and (ii) the updating of the Point-in-Time Probability of Default (“PD”) matrices provided by the Parent Company after analysis by SIMEST of the appropriateness of the parameters and (iii) the possible rescheduling of the plans on certain performing counterparties. In particular, the group’s impairment model, which captures both the effects of the pandemic and the mitigating effect of the economic policies adopted by the major economies, has estimated the probability of default by taking into account: (i) using a Through-the-Cycle logic, historical information and prudential elements to ensure adequacy even in periods of severe crisis; (ii) the cyclical component intended to produce forward-looking estimates of the Point-in-Time parameters, incorporating the main macroeconomic drivers and, in the context of the COVID-19 pandemic, highlighting trends that are consistent with a markedly recessionary period. For the portion of the portfolio valued at Fair Value, impairment values were calculated using updated market parameters by factoring the valuation of the cost of funding with the moving average of the most recent observations, in order to contain the potential effects of volatility deriving from external market factors.
  In order to better monitor the risk associated with the evolution of the pandemic, the Company implemented more stringent monitoring of the portfolio and individual positions (updating of individual ratings on the basis of the new financial statements and verification of the creditworthiness of counterparties), the results of which were incorporated into the systems and periodically presented in a risk report shared with corporate bodies;

- SACE Fct has updated the method used to calculate expected credit losses in order to take into account the impacts of the COVID-19 pandemic on the risk level of the loan portfolio. Consistent with IFRS 9, the probability of default estimates for the first three years include prospective elements which consider the evolution of the economic cycle (forward-looking PD).
  To this end, the method also considers PD estimates deriving from the application of a satellite model which SACE Fct fine-tuned in 2021, linking expected changes in default rates to a number of macroeconomic variables (e.g. GDP,

unemployment rate). The macroeconomic variables were defined on the basis of three prospective scenarios (baseline, positive and negative), using different forecasts available from public and independent data sources (e.g. OECD, Eurostat, Bank of Italy, ISTAT, IMF);

- During 2021, SACE BT continued to carefully monitor existing risks by implementing a monthly solvency monitoring system as required by the Supervisory Authority in its letter to the market of March 2020. A system for monitoring actual and prospective cash flows was also implemented to safeguard the financial position.

For more details, please refer to the specific paragraphs of "Section 1 - Credit risk" of "Part E – Information on risks and related hedging policies".

Impairment test

Equity investments

Specifically, at 31 December 2021, impairment triggers were activated on some of the key equity investments accounted for using the equity method (ENI, Open Fiber Holdings, Saipem and Webuild), essentially for the actual results and/or the performance of market prices.

With reference to the estimated recoverable amount of the equity investments, to be understood as the higher of their fair value less costs to sell and their value in use, CDP has adopted a range of key principles, taking also into account the unique circumstances caused by the evolution of COVID-19 pandemic. Examples are given below:

- a general lengthening of the detection periods of certain key parameters;
- use of the average of the latest Country Risk Premiums instead of the latest available, where deemed to be more significant;
- use of an Equity Risk Premium "consensus" in line with the average of the latest values available instead of the latest value available.

In addition, CDP has conducted a sensitivity analysis on each equity investment against the main variables that determine the asset's value, including for example:

- the price of oil (i.e. Brent) for companies operating mainly in the Oil & Gas sector, also in order to take into account any climate risks inherent in the business;
- the cost of capital, the margins and the long-term growth rate, if applicable, based on the value estimation method used.

Goodwill

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 investee companies. Since it is an intangible asset having an indefinite useful life, goodwill is not amortised but tested only for the recoverability 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 the CGU, including goodwill, and the recoverable amount of said CGU. If the value of the CGU is higher than its recoverable amount, the difference is recognised in the income statement first reducing goodwill until it reaches zero.

At each reporting date, CDP conducts an assessment to detect the presence of indicators of impairment under IAS 36 and of any additional indicators, where applicable, also considering the indications of national and international regulators on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments as well as the difficulties related to the impacts of the health crisis due to the spread of COVID-19. The global spread of COVID-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more complex to make quantitative estimates, for example, cash flows from the CGUs, also due to the increased uncertainty in the assumptions and parameters at the basis of the CGU valuation analyses.

For further information please refer to the more detailed description in the specific sections of the Notes to the Consolidated financial statements.

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With reference to the foregoing, it should be noted that:

- the estimates also considered stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, linked to the evolution of the COVID-19 pandemic;
- the evaluations were made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also

based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future impacts of the COVID-19 outbreak.

It is therefore necessary to reiterate the ongoing uncertainty about the possible duration of the impacts of the pandemic, which makes it difficult to predict the associated short-term and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, whose results are described in the specific sections referred to, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. There is still a need to constantly monitor the evolution of these elements in the current context.

Other areas of focus

Revenue Recognition

The following disclosure is provided with regard to the performance of revenues, solely with reference to the CDP Group companies concerned:

- CDP Immobiliare SGR, with specific reference to the funds operating in the tourism and hospitality sector, which is the segment hardest hit by the current health emergency, concluded agreements with the managers of hotel facilities with the aim of enabling them to resume operations and owners to recover profitability for the period.

- SACE BT has undertaken procedures to revise the estimates and determine reserves, due to the close correlation of the Credit business with the effects of the economic crisis brought about by the continuing pandemic, relating to (i) premiums: to take account of the prospects of decline in the volumes of insured turnover as a result of the economic crisis linked to COVID-19, the same prudential criteria applied in the 2020 financial statements for the estimate of the adjustment premiums of the Credit line were maintained as at 31 December 2021, in the event of a reduction in insured turnover due to the pandemic; (ii) change in the claims reserve: a positive run-off of the previous years' reserve was recorded due to claims closed without payment and savings on claim payouts compared to the amounts provisioned in prior periods.

Employee benefits

There were no changes in the assumptions and variables forming the valuation of employee benefits.

CDP and the Group companies did not identify any legal obligations to employees relating to the COVID-19 pandemic for which a liability could be recognised on the basis of IAS 19.

Government incentives and taxation

As regards current taxes, as provided for in the Communication from the European Commission dated 19 March 2020 "Temporary Framework for state aid measures to support the economy in the current COVID-19 outbreak", in the first half of 2020, certain companies benefited from the exemption from paying the first advance payment of the regional tax on productive activities (IRAP) relating to 2020. Pursuant to article 24 of Decree Law No. 34 of 19 May 2020, this payment is not due by companies with revenues not exceeding 250 million euro in the 2019 tax period and is in any case excluded from the IRAP calculation to be paid as the balance for 2020. Considering the uncertainty about the interpretation of these provisions, the legislator subsequently intervened to defer the deadline for these payments to 30 June 2022.

Fair value measurement

The CDP Group has no significant impacts with regard to the fair value measurement of financial instruments.

Leases

There are no situations caused by the COVID-19 pandemic that resulted in contractual amendments, deferral of lease payments or the granting of discounts in the CDP Group other than some renegotiations of a marginal impact finalised in 2021.

Contingent liabilities

There are no events that resulted in the need for the CDP Group to make additional provisions for risks and charges and none of its current obligations are likely to result in cash outflows.

Disclosure on the impacts of climate-related matters

In preparing the annual financial report as at 31 December 2021, companies are required to consider what is set out by ESMA in its statement of October 2021 ('European common enforcement priorities for 2021 annual financial reports'), which focuses on the risks related to climate change, to the extent that the effects of these risks may be significant.

On the basis of the requirements, in 2021 CDP and the Group companies were called upon to strengthen the process for assessing the climate risks to which they might be exposed, taking into account a longer time horizon than that generally considered in assessing financial risks.

It is essential to highlight that the CDP Group, a driving force behind Italy's economic development and in line with the objective of the 2030 manifesto, has decided to recognise its role and responsibility in combating climate change and the energy transition, contributing to national growth towards the achievement of the Group's carbon neutrality. In particular, the Parent Company CDP and the companies subject to its management and coordination[69] have adopted an internal control system consisting of a set of controls, rules, policies, procedures and organisational structures designed to identify, assess, monitor and mitigate the risks identified in the various business segments and customer segments, as well as to ensure full regulatory compliance, observance of corporate strategies and the achievement of set targets.

The present paragraph aims to describe how the Group identifies the risks associated with its activities and puts in place the appropriate organisational measures, with particular reference to CDP and the Companies subject to its management and coordination, as well as, where deemed significant, other companies consolidated on a line-by-line basis (such as the SACE group, Terna group, Fincantieri group, Snam group, Italgas group and Ansaldo Energia group).

Disclosure on risks, uncertainties and other potential impacts of climate change

Significant risks and uncertainties

The CDP Group recognises the importance of and closely monitors the emerging risks linked to climate change, in terms of both their potential economic-financial impact and their potential reputational risk. This awareness is confirmed by the Company's commitment to voluntarily report climate-related information in the areas defined by the Climate-related Financial Disclosures Task Force (TCFD): Governance, Strategy, Risk Management, Metrics and Targets.

ESG risks are monitored ex-ante and managed mainly in the context of reputational risks, compliance risks and money laundering and terrorist financing risks.

Climate and environmental risks can be grouped into the following categories:

- physical risk, meaning the risk of direct or indirect financial loss caused by recurring or extreme climate and natural events;
- transition risk, i.e. the business risk linked to global warming mitigation policies with a particular focus on the energy sector; and
- environmental risk, meaning the risk of environmental damage during business activities and the litigation risk connected with infringements of environmental protection regulations, with potential consequences in terms of reputational risk.

The main risks related to "material topics" (Innovation, Research and Digitisation; Data Security and Privacy Protection; Start-up, Growth and Consolidation of Enterprises; Value Creation and Support to Strategic Sectors; Social, Digital and Financial Inclusion), on the other hand, are divided into:

- Compliance risk - Risk of incurring legal or administrative penalties, significant financial losses or reputational damage as a result of violations of external provisions (laws or regulations) or self-governance rules (e.g. articles of association, codes of conduct, corporate governance rules).
- Reputational risk - Current or prospective risk of a fall in profits, loss of economic value or damage to the institutional role, resulting from a negative perception of the image of CDP or the Group by customers, counterparties, shareholders, investors, regulators or other stakeholders.
- Operational risk - Risk of loss resulting from inadequate or malfunctioning internal procedures, people and systems or from external events (including environmental and social events).
- Business risk - Risk of the CDP Group's business initiatives not being aligned with the Plan's sustainability guidelines.
- Transition risk - Risk related to potential economic losses, direct or indirect, caused by the transition to a low-carbon and more environmentally sustainable economy.

[69] Being companies that share with the Parent Company the business model, policies, models and risk management tools as well as objectives and results produced in the areas relevant to each of them.

The monitoring of the above-mentioned risks also involves considering their possible impact on the estimates and, in particular, on the assumptions underlying the judgemental evaluations made by management.

On the basis of the specific business areas of the other Group Companies, the following cases are noted.

- Ansaldo Energia faces the following risks:

  - difficulties in adapting products to environmental regulations (Energy Transition), related to possible insufficient alignment with existing environmental regulations, in particular with strategic new legislation on the energy transition and CO_2 emission reduction. This risk could potentially result in exclusions from the markets in which Ansaldo Energia operates or the failure to obtain bank financing for certain types of products;
  - uncertainty in business development/product diversification in relation to Energy Transition (Gas and Nuclear). The risk represents the possibility of inadequate definition of the strategic objectives in the Business Plan compared to the capabilities and business model of the Ansaldo Group in relation to the diversification of the product portfolio and to the associated business.

  In order to mitigate the risks identified, the company has implemented specific actions, such as the periodic mapping of regulatory impacts on the current product portfolio for CO_2 emissions, finalisation of the technical and economic feasibility analysis on the adjustment of the product portfolio and the definition of a medium-long term sustainability strategy.

- Snam has identified the following risks and related mitigation actions:

  - physical risk, which requires continuous monitoring of the integrity of its infrastructure and plants as well as of the condition and conservation status of the areas in which they are located, constantly updating the processes and systems used in order to identify, at an increasingly early stage, any critical issues through the introduction of new technologies also capable of reducing the environmental impact of the activities. These actions allow the company to limit its exposure to the risks associated with chronic natural events; moreover, in order to remedy unforeseeable extreme natural events, Snam has adopted innovative intervention strategies and action plans aimed at ensuring immediate safeguarding and resumption of activities in the shortest possible time. In addition, Snam has specific insurance policies in place to cover some of these risks, in line with industry best practices.
  - transition risks: Snam has started repurposing its infrastructure, has developed its international presence, has entered into a large number of partnerships and has launched numerous energy transition initiatives. Strengthened by the consolidated capabilities in regulated businesses and the skills acquired in green gases and new trends in energy transition, the company is moving towards a concept of "multi-commodity" infrastructure, that is, capable of transporting and storing different types of gas, leveraging and continuing to develop the hydrogen, biomethane, mobility and energy efficiency businesses. As part of the integrated management of enterprise risks, Snam adopts an Enterprise Risk Management (ERM) Model within which the risks related to climate change are also identified and managed after being assessed according to different time horizons and related objectives.

- Terna's risks are mainly related to its role (TSO - Transmission System Operator), with reference to the medium-long term, deriving from the adaptation of the electricity grid in terms of actions to increase the grid's resilience and allow it to adapt to the new profile and of mix of energy sources fed into the grid.
  With specific reference to the grid and its transmission service, the actions defined require an effort in the investment planning, authorisation and implementation phases. As part of the implementation of its Risk Framework, the risk related to the intensification of extreme weather events has been identified with consequent impacts on the continuity and quality of the service supplied by Terna and/or damage to equipment, machinery, infrastructure and the grid. In response to these circumstances, the group is continuing to make new investments to increase the resilience of the electricity grid and identify the tools to mitigate those risks.
  With reference to non-regulated activities, moreover, Terna is developing innovative and digital technological solutions to support the ecological transition and is investing in digitisation and innovation.

- Italgas manages and monitors the risks and opportunities connected to its business through its Enterprise Risk Management model, which has been appropriately supplemented following the identification of risks related to climate change, with the following specifications:

  - physical risk: the company has taken operational measures to achieve the target of cutting greenhouse gas emissions by 30% and energy consumption by 25% over the 2021-27 period.
  - transition risk: the main mitigation actions implemented include: i) development, implementation and deployment of digital applications for remote control of network and plant construction sites, development and maintenance; ii) conversion to methane of distribution networks powered by LPG, with consequent reduction in emissions compared to the current configuration; iii) measures for the modernisation of the network; iv) investments designed to increase the Italgas group's presence in the water and energy efficiency sectors; v)

promotion of sustainable mobility; vi) development of power-to-gas technology powered by renewable energy to produce renewable gas that can be used in existing networks; vii) initiatives to analyse the network and plants to assess their adequacy and actions to enable the transport of gases other than methane, such as hydrogen, biomethane and e-gas.

- Fincantieri, in order to detect, assess and monitor the main corporate risks (Risk Universe), has incorporated in its Enterprise Risk Management (ERM) processes and systems the specific sustainability risks, covering the group's total exposure to "Climate Related" issues. In particular:

  - physical risks: the company's business could be negatively impacted or interrupted by acute or chronic events, or indirectly through its supply chain, by delaying the production cycle and changing the allocation of production among the group's shipyards. Fincantieri's operations might also be affected by climate change (e.g. due to extreme weather events). These phenomena, which are no longer isolated events, could compromise the business operations, causing business interruptions and damage to strategic assets (including supply chain activities), affecting the delivery dates of ships and leading to possible penalties for the group.

  In order to mitigate exposure to physical risks, the main mitigation actions include: i) testing once a year the Disaster Recovery infrastructure; ii) identifying new potential and alternative suppliers through periodic direct and indirect scouting activities focused on critical areas; iii) establishing specific internal emergency management rules in the event of adverse weather conditions. Physical risks are also mitigated by the constant monitoring of the management systems at all production sites and in all company units and, with a view to the future, Fincantieri is preparing and implementing specific maintenance activities to limit the damage caused by the impending extraordinary climatic events and to preserve the functionality and efficiency of the various devices.

  - transition risks: the risk that Fincantieri might fail to develop products or services capable of mitigating the environmental impact, in line with emerging regulatory requirements and the demands of customers increasingly sensitive to climate change issues, with negative effects on the Company's operations, also as a result of the possible increase in the price of raw materials and commodities. Moreover, due to the complexity of its business and the various sectors in which it operates, Fincantieri may face significant difficulties in changing its strategy and product/service portfolio or in adapting to new regulations, whose increasing complexity requires the company to take targeted actions across several business areas.

  To mitigate transition risks, Fincantieri: i) monitors changes in the regulations and standards applicable to the maritime sector by actively participating in national and international fora and monitors the new green technologies appearing on the market and focuses on innovative-technology products and services with low environmental impact; ii) takes part in periodic meetings with Ministries to present its point of view as a shipbuilder on the IMO (International Maritime Organization) regulations specific to its sector; iii) constantly monitors current and future commodity price trends through coordination between order controllers and purchasing departments, to manage risk exposure via increased production efficiency and financial hedging policies; iv) oversees the drafting of the Sustainability Report and the additional disclosures required by rating companies to ensure their transparency and completeness.

- The SACE Group:

  - SACE carries out an environmental and social assessment on all export transactions covered by the OECD Recommendation *"Common Approaches for officially supported export credits and environmental and social due diligence"*, to ensure compliance with the World Bank group's international standards applicable to each transaction. The potential risks and impacts to be identified under said standard also include climate change and adaptation issues. In particular, the level of analysis depends on the vulnerability of each project to change, the type of infrastructure and the project's geographical location.

  - For SACE BT, the main risks related to climate events to which the company is exposed are those related to specific guarantees relating to other damage to property, non-life policies and sea vessels.
    In relation to these risks, the company has negotiated reinsurance policies, concerning which, particularly in 2021, reinsurers applied general cost increases in response to a number of severe local weather events. The valuation assumptions and estimates on reserves, carried out in application of sectoral regulations issued by IVASS, did not show significant impacts related to climate change and energy transition risks.

Impairment test

Climate risks might potentially impact the useful life of non-current assets and the residual value of properties, and may constitute potential indicators of possible impairment of assets. Companies are, consequently, called upon to consider, where relevant: (i) any evidence that non-financial assets have suffered impairment as a result of climate risk or of measures implementing the Paris Agreement; (ii) using assumptions that reflect climate risks and (iii) including the sensitivity analyses on the effects of climate risk in the assumptions adopted. Changes in the environment in which an entity operates may be potential indicators of possible impairment of an asset.

For this reason, when performing impairment testing, CDP Group takes into account the guidelines of the supervisory authorities on financial reporting aspects relating to risks, uncertainties, estimates, assumptions and valuations, as well as difficulties associated with the possible impact of climate risks on the entities under analysis. Where potentially relevant, factors relating to climate change have been taken into account, mainly through considerations and/or sensitivity analyses on the variables determining the recoverable amount.

With regard to specific features of the CDP Group companies, the following is highlighted:

- In the area of financing and bonds, Terna has ESG-linked financing programmes in place and has launched green bond issues. In both cases there is a link with sustainability objectives and the Terna group considers that there may be a risk, albeit not significant, connected with the achievement of such objectives. Therefore, Terna is constantly monitoring the development of these issues and so far has detected no concerns;
- Ansaldo Energia has carried out impairment tests to verify the existence of any impairment losses on the goodwill associated with the CGU (Energy Sector) and on the recoverability of the development costs incurred for the various technologies included in the group's product portfolio. The results of these tests did not reveal any impairment of the assets included in the company's financial statements. The flows used to determine the recoverable amount of non-current assets derive from the estimates and assumptions included in the 2022-26 Business Plan update, with product market views updated to environmental regulations resulting from climate change. The volumes of investment required to upgrade products and the medium- to long-term growth rate reflect the risks associated with market issues relating to climate change. The plan includes specific investments in R&D (Research and Development) to upgrade and update the group's product portfolio, to support the estimated volume of orders and maintain the market share.

With regard to the measurement of the expected credit loss, climate risk is treated by assigning a rating to the creditworthiness of counterparties that considers all relevant information, including forward-looking information on climate risks and the transition process. This includes using the information from the impact assessment carried out using the Sustainable Development Assessment (SDA) tool, so as to formulate appropriately prudential assessments, also in light of CDP's specific role and mission.

Contingent liabilities

In 2021, there were no events that required CDP Group to set aside provisions for risks and charges, i.e. no current obligations that are likely to result in future cash outflows, attributable to non-compliance with environmental requirements and/or failure to achieve the required climate targets.

In addition, due to the systematic monitoring of assets, and of the areas where they are located, companies are concretely committed to identifying in advance possible situations that could potentially lead to contingent liabilities related to climate risks.

In more general terms, it is also necessary to consider the risk associated with the supply chain due to significant changes in the strategy of key suppliers, exacerbated by the crisis in the global supply chain resulting from the pandemic and the energy transition process initiated in many countries, with a potential impact on construction and maintenance works and consequent impacts on the continuity and quality of the service and on the time frame to carry out the works.

GHG emissions trading schemes

The Group's operating companies periodically report their performance with regard to emissions and the level of achievement of the GHG (Greenhouse Gas) targets.

Disclosure on Article 8 of the Taxonomy Regulation

In relation to the disclosure obligations referred to in Article 8 of the European Taxonomy Regulation, a system set up to classify economic activities as environmentally sustainable on the basis of six environmental objectives, the Group's companies subject to the obligation to disclose non-financial information (according to Legislative Decree 254/16) have carried out assessments and in-depth analyses to establish the level of eligibility of their economic activities to the taxonomy criteria preparatory to the alignment reporting required by legislation.

Tax credits connected with the "Cura Italia" and "Rilancio" Decree Laws acquired following the sale without recourse by previous buyers

Since only CDP S.p.A. is involved in these transactions as at 31 December 2021, with regard to this disclosure, please refer to the specific section in the separate financial statements of CDP.

A.2 - The main financial statement items

The consolidated financial statements of the CDP Group as of and for the year ended 31 December 2021 have been prepared by applying the same accounting policies as those used for preparation of the consolidated financial statements for the previous financial year, except for the amendments endorsed and in force with effect from the financial year 2021, as described in Section 5 – Other issues, A.1 General Information.

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

1 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The item "Financial assets measured at fair value through profit or loss" includes:

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

Financial assets held for trading, as indicated, include financial derivatives not designated as hedging instruments, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, whose host contract is a financial liability, which were recognised separately because:

- the financial characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

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

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

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

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

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

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

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

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

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

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

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

2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

The item "Financial assets measured at fair value through other comprehensive income" includes financial assets represented by debt securities and loans that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under this item are also recognised equity instruments, considered as such in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of recognising the subsequent changes in the fair value of the instrument through other comprehensive income (FVTOCI option[70]) has been irrevocably exercised.

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

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

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

The profits and losses resulting from changes in fair value of debt instruments and loans are recognised in the statement of comprehensive income and recorded in the item Valuation reserves, in equity, until the financial asset is derecognised. If these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other comprehensive income, are transferred from equity to the income statement.

[70] Fair Value Through Other Comprehensive Income option.

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

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

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an impairment loss to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures)[71].

For financial assets that are performing (stages 1 and 2) impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Losses and recoveries arising from the impairment process are included under the item “Net adjustments/recoveries for credit risk”. No reclassifications to other categories of financial assets are allowed, unless the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

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

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

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

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

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

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

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

3 - FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

[71] The new rules under Article 178 of Regulation (EU) no. 575/2013 govern the definition of prudential default of an obligor. Specifically, a default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place:

- objective condition (“past-due criterion”) – the obligor is past due more than 90 consecutive days on any material credit obligation (in the case of approach at obligor level, in order to determine whether the obligation is material, reference is made to all the obligations of the same obligor to the institution);
- subjective condition (“*unlikeliness to pay”)* - the institution considers that the obligor is unlikely to pay its credit obligation (or obligations, in the approach at obligor level) without recourse by the institution to actions such as realising security.

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, the following items are recognised:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For financial assets that are performing (stages 1 and 2) impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

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

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

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

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

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

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

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

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, it is necessary to determine whether the contractual amendments that cause a change in the amount and timing of future cash flows give rise to the derecognition of the original instrument, with consequent recognition of a new financial asset, or in the recognition through profit or loss of the difference between the gross carrying value of the pre-amended financial instrument and the restated financial asset (modification).

In the absence of specific guidance in IFRS 9, the analysis necessary to identify possible amendments that give rise to derecognition rather than modification may sometimes involve significant judgement.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are substantial.

On this basis, a list has been identified, by way of non-limiting example, of the main changes that represent a substantial change to the terms of the existing financial asset, introducing a different nature of the risks and resulting in derecognition.

The list is as follows:

- change in the counterparty: this includes novation or the replacement of the counterparty by another obligor (succession), because these changes lead to a change in the credit risk;
- change in the reference currency (because it introduces a different risk profile than the original exposure);

- debt-to-equity swap: the lender and the obligor may, as an alternative to other types of renegotiation, agree to extinguish the original debt through a substantial change in the nature of the contract which provides for a debt-to-equity swap;
- introduction of new contractual clauses that result in failure of the SPPI test (e.g. leverage, indexing to parameters not related to the time value of money and credit risk, inverse rates, and financial covenants that result in failure of the test or other similar clauses);
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the obligor to new risk components, such as returns linked to equity or commodity components, leverage or other similar clauses;
- changes granted to performing customers, who do not show any economic and financial difficulties (not qualifying as forborne exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement.

Specifically for CDP, the following changes also fall under the latter category:

- changes made to the contractual terms as part of renegotiations, including “bulk” renegotiations, to public entities carried out under the “financial equivalence” regime to entities other than defaulting entities and, for local entities, other than those in financial distress;
- changes made to contractual terms as part of renegotiations with performing customers that are not in financial difficulty (i.e., not qualifying as forborne exposures) on terms that would apply to new loans, which may also be for the purpose of retaining the customer.

Contractual changes to a financial asset for which the derecognition rules are applied will have the following accounting impacts:

- derecognition of the financial asset and recognition of a new financial asset;
- subjecting the new financial asset to a new assessment in terms of classification and measurement (business model and SPPI test);
- identification of the date of new recognition as the origination date;
- recognition of the new asset at its fair value; recognition of any gain or loss equal to the difference between the fair value of the new asset and its carrying value at the time of derecognition of the existing asset, except for level 3 fair value financial assets as required by IFRS 9;
- classification of the new asset in the relevant stage, at the initial recognition date, and verification, in subsequent reporting periods, of any deterioration in credit risk.

In the event of changes not deemed significant, the gross value is redetermined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original internal rate of return of the exposure (modification).

Below is a non-exhaustive list of the main changes to the previous contractual terms:

- reduction of the interest rate;
- extension of the maturity of the loan;
- reduction of part of the exposure;
- introduction of payment holidays (tolerance period/payment moratorium);
- payment of interest only;
- capitalisation of arrears/interest.

If there are contractual changes to a financial asset for which the rules of modification without derecognition apply, in accordance with IFRS 9:

- reassessment in terms of classification and measurement is not required: the SPPI test is only performed on initial recognition of the instrument and there is no subsequent reassessment of this initial assessment;
- the gains or losses resulting from the modification are calculated as the difference between the gross carrying value of the pre-modified financial asset and its restated gross carrying value (corresponding to the present value of the renegotiated or modified cash flows, discounted at the financial asset’s original effective interest rate, i.e. before the modification), adjusted where applicable in the case of hedging transactions;
- any deterioration in the credit risk of the modified financial asset is analysed by comparing it with the credit risk at the asset’s original recognition date, before the modification.

4 - HEDGING TRANSACTIONS

Hedging transactions are executed to hedge contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, the Parent Company CDP has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position [IAS 39, paragraphs 72-77 and Appendix A, paragraph AG94]. A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:

a) exposes the company to the risk of a change in fair value or future cash flows;
b) is designated as being hedged [IAS 39, paragraphs 78-84 and Appendix A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, Appendix A, paragraphs AG105-AG113].

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

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

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:

- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, in the item “Fair value adjustments in hedge accounting”, relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;
- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in a specific “Valuation reserve” of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss, in the item “Fair value adjustments in hedge accounting”. This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

If the hedge is not fully effective, the fair value change of the hedging instrument, to the extent of the ineffective portion, is immediately recognised through profit or loss, in the item “Fair value adjustments in hedge accounting”.

If, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised in the “Valuation reserves” of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item “Valuation reserves” representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the recognition of the financial effects of the transaction originally hedged.

Item 50 of the consolidated balance sheet assets and item 40 of the consolidated balance sheet liabilities report financial and credit hedging derivatives, which at the reporting date have, respectively, a positive and a negative fair value.

For macro hedge, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, included in a group of financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets or liabilities subject of fair value macro hedge measured with reference to the risk hedged is recognised in Items 60 of the consolidated balance sheet assets or 50 of the consolidated balance sheet liabilities, with a balancing entry under "Fair value adjustments in hedge accounting" in the income statement.

The hedge ineffectiveness consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The hedge ineffective portion is in any case included under "Fair value adjustments in hedge accounting" in the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in items 60 of the consolidated balance sheet assets or 50 of the consolidated balance sheet liabilities is recognised through profit or loss under interest income or expenses, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in "Gains (Losses) on disposal or repurchase" in the income statement.

5 - EQUITY INVESTMENTS

"Equity investments" includes investments in associates (according to IAS 28) and in joint arrangements (according to IFRS 11).

Associates are companies in which the CDP Group holds, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which the CDP Group has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Joint arrangements involve companies where control, by means of a contractual arrangement, is shared between CDP and one or more parties, or when decisions about the relevant activities, which have a significant impact on returns, require the unanimous consent of the parties involved in the contractual arrangement that have control over the company.

Equity investments are initially recognised at cost at the settlement date and subsequently measured using the equity method, where the original cost of the equity investment is adjusted (up or down) according to the change in the interest held by the investor in the equity of the investee.

The same provisions governing business combinations apply to acquisitions. Consequently, the difference between the acquisition price and the portion of acquired equity is allocated based on the fair value of the identifiable net assets of the associate. Any unallocated excess amount is considered as goodwill. The higher allocated price is not presented separately but is included in the carrying value of the equity investment ("equity method").

Any positive difference between the value of the portion of equity of the investee and the cost of the equity investment is recognised as income. Application of the equity method also considers the treasury shares held by the investee.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

In particular, the impairment process for the consolidated financial statements is performed in line with what is done for the separate financial statements of the Group companies. With reference to listed equity investments, it should be noted that assessment of objective evidence of impairment for the purposes of the separate financial statements is supplemented by verifying the existence of a market price of at least 40% lower than the carrying amount of the investment in the consolidated financial statements.

In terms of separate financial statements, the presence of specific qualitative and quantitative indicators is assessed.

In particular, and for CDP, taking into account the characteristics of its investment portfolio, as well as its role of long-term investor, at least the following are considered indicators of impairment/objective evidence of impairment:

- the recognition of losses or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend than the income for the period and the existing income reserves;
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[72] in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information.

If the recoverable amount is lower than the carrying amount, the difference is recognised through profit or loss. If the reasons causing the impairment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the carrying value that would have existed if no impairment had been previously recognised. Both the impairment and the reversals of impairment are recognised in the income statement under “Gains (losses) on equity investments”.

The investor’s interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

6 - PROPERTY, PLANT AND EQUIPMENT

The item includes both the operating assets governed by IAS 16 and the investment property governed by IAS 40, as well as inventories of property, plant and equipment governed by IAS 2. As concerns in particular immovable property, this is distinguished according to its intended purpose as follows:

- operating or functional property, consisting of property that meets the requirements of IAS 16 for operating assets;
- non-operating property or investment property in accordance with IAS 40;
- property classified as inventories (IAS 2), which is held for sale in the ordinary course of business or in the process of construction or development for later sale.

Also included in property, plant and equipment are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees)[73], assets granted under an operating lease (for the lessors), as well as leasehold improvements, provided they relate to identifiable and separable property, plant and equipment.

In accordance with IAS 16, property, plant and equipment is initially recognised at purchase cost, including expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets.

Ordinary maintenance costs that do not generate future economic benefits, on the other hand, are recognised in the income statement.

Subsequent measurement is at cost, net of depreciation and impairment (the latter in accordance with IAS 36).

[72] The indicator takes into consideration the distribution of a higher dividend than the income in the comprehensive income (or statement of comprehensive income for financial companies) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the net income for 2016, larger than the total comprehensive income for 2017). In order to conduct the impairment test for the reporting date of the financial statements, in the absence of homogeneous comparison data, the indicator is verified by referring to the data relating to the previous year.

[73] Lease liabilities recognised by the Group as the lessee in lease transactions are recorded under financial liabilities measured at amortised cost.

These assets are systematically depreciated from the period they enter service in the production process and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual life.

Therefore, the depreciation allowances for each year charged to the income statement are calculated by the CDP Group at the rates considered adequate to represent the residual useful life of each asset, as listed below:

	Minimum rate	Maximum rate
Buildings	1.5%	40.0%
Movables	5.0%	100.0%
Electrical plant	7.0%	30.0%
Other:		
Power lines	2.2%	2.2%
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	8.3%	40.0%
Other assets	3.0%	33.0%
Other plant and equipment	2.0%	33.3%

Land and artwork are not depreciated 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 impairment indicators are identified, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less any costs of disposal, and the associated value in use of the asset (that is the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under “Net adjustments to/recoveries on property, plant and equipment”. If the reasons for which impairment was recognised cease to exist, the impairment loss is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Newly acquired assets are depreciated as from the period in which they enter service and are, therefore, ready for use.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

“Investment property” is investment property made to earn rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale, in the ordinary course of business.

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 “right-of-use assets” (RoU) under lease agreements are recognised by the lessee at the commencement date, namely on the date that the asset is made available to the lessee and is initially valued at cost. In order to match the asset consisting of the right of use, the lessee enters a liability corresponding to the current value of the payments due for the lease. The discount rate to be used is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. In the event of operating sublease agreements, the sub-lessor enters the right of use among the Investment property.

The right of use is amortised on a straight-line basis throughout the lease term which includes the non-cancellable period of a lease and the options for renewal, if the lessee has a reasonable certainty of exercising it.

During the lease term, the carrying value of the right of use is adjusted in the event of a change to the lease term or to the lease payments, and also for changes to the lease contract which increase or reduce the scope of the lease.

As regards property, plant and equipment recognised in accordance with IAS 2, these are measured at the lower of cost and net realisable value. The carrying amount of the asset is anyway compared with its recoverable amount, where there is some evidence that shows that the asset may have incurred an impairment loss. Any adjustments are recorded through profit or loss.

The carrying value of an operating item of property, plant and equipment is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

7 - INTANGIBLE ASSETS

“Intangible assets” includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. They consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired. If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

An intangible asset is recognised if the following conditions are satisfied:

- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;
- the asset generates future economic benefits;
- the cost of the asset can be measured reliably.

If one of these elements is missing, the purchase or realisation cost is fully recognised as a cost in the income statement in the financial year in which it is incurred.

The non-current intangible assets are initially recognised at purchase or development cost, including directly attributable transaction costs.

After initial recognition, the non-current intangible assets with a finite useful life are measured at cost, net of amortisation and any impairment (the latter governed by IAS 36).

The amortisation is charged based on the estimated useful life of the asset. This estimate of its useful life is assessed, at the end of each financial year, to check the adequacy of the estimate.

Concessions, licenses, trademarks and similar rights arising from an acquisition are recognised at current values at the date of the acquisition. The value of the storage concessions, determined as indicated by the Ministry of Economic Development in the decree of 3 November 2005, is recorded under the item “Other assets” of intangible assets measured at cost. More specifically, trademarks are not amortised but they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. Customer contracts arising from an acquisition are recognised at fair value as of the date of the acquisition. Contractual rights are amortised over the expected life of the relationship. Research costs are expensed in the period in which they are incurred. Costs for the development of new products and production processes are capitalised and recognised under intangible assets only if all of the following conditions are met:

- the project is clearly identified and the associated costs can be identified and measured reliably;
- the technical feasibility of the project has been established;
- there is a clear intention to complete the project and sell the intangible assets generated by the project;
- a potential market exists or, in the case of internal use, the usefulness of the intangible asset has been established;
- adequate technical and financial resources to complete the project are available.

The amortisation of any development costs recognised under intangible assets begins as from the date on which the result of the project is ready for sale and is carried out on a straight-line basis.

The costs incurred for the acquisition of industrial patents and intellectual property rights are amortised on a straight-line basis, allocating the acquisition cost over the shorter of the expected period of use and the term of the associated contracts, as from the time the right acquired can be exercised.

If, regardless of the amortisation, there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under "Net adjustments to/recoveries on intangible assets". If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Within the CDP Group, CGUs correspond to the individual investee companies. Since it is an intangible asset having an indefinite useful life, goodwill is not amortised but only tested for the adequacy of its carrying amount. An impairment test is performed at least annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of goodwill and the recoverable amount of the CGUs to which the goodwill is attributed. If the carrying amount of goodwill is higher than the recoverable value of the CGU, the difference is recognised in the income statement at "Goodwill impairment". Any reversals of impairment of goodwill may not be recognised.

Goodwill related to investments in associated companies and joint ventures is included in the carrying amount of such companies. Negative goodwill is recognised in the income statement at the time of the acquisition.

Intangible assets are derecognised when sold or when future economic benefits are no longer expected.

8 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The balance sheet items "Non-current assets and disposal groups held for sale" and "Liabilities associated with disposal groups held for sale" include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. For these assets, the CDP Group companies must be committed to plans to dispose of the asset (or group of assets) and must have initiated programmes to locate potential buyers, such that a sale can be considered highly probable.

To be able to classify an asset (or group of assets) as available for sale, the following is also required:

- the asset can be readily exchanged in the market at a price considered reasonable in relation to its fair value at the current date;
- the sale is expected to be completed within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5;
- the actions required to complete the plan to dispose of the asset do not indicate that it is unlikely to be completed.

Non-current assets (or disposal groups) are presented separately from balance sheet items "Other assets" and "Other liabilities". Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (the latter net of costs to sell), without any depreciation/amortisation being recognised.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised.

Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) held for sale through profit or loss. The corresponding balance sheet values for the previous financial year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- is an investment exclusively acquired with a view to resale.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item "Income (loss) after tax on disposal groups held for sale".

9 - CURRENT AND DEFERRED TAXES

Tax assets and liabilities are recognised in the balance sheet respectively under consolidated assets Item "Tax assets" and consolidated liabilities Item "Tax liabilities".

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:

- under Tax assets, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;
- under Tax liabilities, if they relate to “taxable temporary differences” representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

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

Some of the Group’s Italian companies joined the “national fiscal consolidation” mechanism regulated by articles 117-129 of the Consolidated Income Tax Law (“TUIR”), introduced into tax law by Italian Legislative Decree no. 344/2003. It consists of an optional tax system, according to which aggregate net taxable income or loss of each subsidiary that has joined the national fiscal consolidation mechanism – inclusive of any tax withholding, deductions and tax credits – is transferred to the Parent Company, for which a single taxable income or a single tax loss is carried forward (resulting from the algebraic sum of its income/losses and those of the subsidiaries) and, as a result, a single tax payable/receivable.

10 - PROVISIONS FOR RISKS AND CHARGES

This item consists of the provision set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

- Therefore, the provisions are recognised only when:
- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

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

Contingent – not probable – liabilities are not recognised to the balance sheet. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The provisions are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pension plans and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits. However, no value has been recognised for the sub-account in question because there were no net amounts attributable to that item at the reporting date of these financial statements. For more information see the section “Staff severance pay” in paragraph 16 “Other information”.

11 - FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

This item includes all amounts due to banks and due to customers of any kind (deposits, current accounts, loans), other than those in the items “Financial liabilities held for trading” and “Financial liabilities designated at fair value”. This includes operating debts associated with the provision of business and financial services and variation margins with clearing houses in respect of transactions on derivatives, in addition to operating debts associated with the provision of financial services.

In particular, the Parent Company includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under the item “Due to banks” and the item “Due to customers”, including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held.

For Postal savings bonds, the adoption of the amortised cost method and of the effective interest rate used for calculating the amortised cost under examination must be equal to the internal rate of return from the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in the recalculation of the remaining amortisation schedule. In such cases, the IFRS state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

Financial liabilities measured at amortised cost also include the amount of funds provided by the State or other government agencies and intended for particular operations required and regulated by special laws (“third-party funds in administration”), provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. However, funds administered on behalf of the State or other government agencies are not included here if their management is exclusively remunerated by an all-in-one fee (commission) and that are, therefore, merely seen as a service.

In addition, this item also includes issued securities measured at amortised cost. The item is reported net of repurchased securities.

Financial liabilities measured at amortised cost are recognised for the first time on the date the raised funds are received or the debt instruments are issued. These items are recognised at their fair value upon initial recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund-raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the preceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation under IFRS 9 apply, and is recognised at its fair value under financial assets/liabilities held for trading (respectively positive or negative). The related changes in value are recognised through profit or loss. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

The amounts under the item “Due to banks”, “Due to customers”, and “Securities issued” are derecognised when they mature or are extinguished. The derecognition also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying value of the liability and the amount paid to purchase it is recognised in the income statement.

12 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities (debt securities, loans, derivatives) designated as being held for trading purposes. It excludes any portion of the company’s own issued debt securities that have not yet been placed with third parties.

This category of liabilities includes, in particular, financial derivatives not designated under hedge accounting, operational hedging derivatives and derivatives embedded in complex financial contracts, whose host contract is a financial liability, which have been recognised separately if their fair value is negative.

The criteria for the initial recognition and measurement of these derivatives are described with reference to the same instruments with positive fair value within the scope of Financial assets held for trading.

Financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from fair value, a financial liability is nevertheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is made at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of any changes in value through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a significant portion of the risks and rewards associated with the financial liability are retained, the liabilities remain on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under “Profits (losses) on trading activities” in the income statement.

13 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

This item includes financial liabilities, regardless of their technical form (debt securities, loans etc.), for which the option of measurement at fair value through profit or loss has been exercised (“Fair Value Option”) in accordance with the requirements established by IFRS 9 for classification in this item.

This classification is made when one of the following conditions applies:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from the measuring of assets or liabilities or from the recognition of gains or losses on different bases;
- a group of financial liabilities, or a group of financial assets and liabilities is managed and the performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the liabilities consist of hybrid instruments containing embedded derivatives that would otherwise have been separated (however, this rule does not apply if the embedded derivative is insignificant or if the separation of the embedded derivative cannot be applied).

As regards issued debt securities, these financial liabilities are recognised for the first time on the date of issue.

Initial recognition is at fair value, which generally equals the amount collected, without considering the transaction expenses and income attributable to the instrument issued, which are instead recognised in the income statement.

Subsequent to initial recognition, these financial liabilities are measured at fair value and charged as follows:

- the change in fair value that is attributable to changes in its creditworthiness is recognised in the statement of comprehensive income and recorded in the item Valuation reserves;
- the residual amount of change in fair value is recognised through profit or loss.

Financial liabilities at fair value are derecognised from the balance sheet when the contractual rights to the related cash flows expire or when the financial liability is sold, transferring all risks and rewards connected with it to third parties.

14 – TRANSACTIONS IN A FOREIGN CURRENCY

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

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

- monetary instruments are translated at the spot rate quoted on the reporting date;
- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments, which are carried at fair value, are translated at the spot rate quoted on the reporting date.

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

The positive and negative exchange rate differences, relating to:

- financial assets and liabilities denominated in foreign currencies, other than those measured at fair value and those subject to fair value hedges (exchange rate or fair value risk) and cash flow hedges (exchange rate risk), as well as the related hedging derivatives are included in "Profits (losses) on trading". This item also includes the results of fair value measurement of any forward contracts associated with foreign currency transactions concluded for hedging purposes, net of the accrued contractual margins recognised in interest with the relevant + or - sign;
- financial assets and liabilities denominated in foreign currencies measured at fair value are included in the "Profits (losses) on financial assets and liabilities measured at fair value through profit or loss";
- financial assets and liabilities denominated in foreign currencies, subject to fair value hedge (exchange rate or fair value risk) and relating to hedging derivatives are included in the results of related measurements recognised in "Fair value adjustments in hedge accounting".

15 - INSURANCE ASSETS AND LIABILITIES

Insurance assets include amounts in respect of risks transferred to reinsurers under contracts governed by IFRS 4 and are classified on the balance sheet under item 80 "Reinsurers' share of technical provisions". Reinsurers' share of technical provisions is determined on the basis of the existing contracts/treaties, in accordance with the same criteria used for quantifying the technical provisions, unless a different valuation is deemed appropriate in consideration of the recoverability of the receivable.

Insurance liabilities represented by technical provisions are classified under the item "Technical provisions".

In accordance with IFRS 4, they may continue to be accounted for in line with local GAAP.

A review of the contracts written by the Group insurance companies found that they all qualify as insurance contracts.

Technical provisions also include any accruals made necessary by the liability adequacy test. Provisions for outstanding claims do not include compensation and equalisation provisions as they are not permitted under the IFRS. Provisions continued to be accounted for in compliance with the accounting standards adopted prior to IFRS, as all the existing policies fall within the scope of IFRS 4 (insurance contracts) and, specifically, this item includes:

- the provision for unearned premiums, which comprises two sub-items: provision for premium instalments, determined on a pro rata basis, pursuant to Article 45 of Italian Legislative Decree no. 173 of 26 May 1997 and the provision for current risks, composed of the amounts to be set aside to cover claims and expenses that exceed the provision for premium instalments on existing contracts for which no claims arose at year-end, to meet the liability adequacy test requirements imposed by IFRS 4;
- the provision for outstanding claims, which includes the net accruals for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. The provisions for outstanding claims are determined on the basis of an estimate of the ultimate cost of covering charges relating to the indemnity paid, direct costs and payment for each individual claim.

16 - OTHER INFORMATION

Other assets

Inventories

Inventories, including compulsory stock, are stated at the lower of their purchase or production cost and their net realisable value, represented by the amount that the business expects to obtain from their sale in the normal course of its activities. Cost is measured as the weighted average cost.

The net realisable value is the selling price in the ordinary course of business less the estimated completion costs and those necessary to sell the good. Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads. Sales and purchases of strategic gas do not generate an actual transfer of the risks and rewards associated with ownership and, therefore, do not result in changes in inventory.

Contract work in progress

The gross amount due from contract work in progress is shown in the balance sheet assets. When the revenues and costs related to contract work can be reliably estimated, the related contract work costs and revenues are recognised separately in the income statement on a percentage of completion basis. Progress is measured based on the work carried out and measured proportionally to the costs of contracts incurred up to the reporting date and estimated costs of the total contract. Differences between the value of completed contracts and payments on account received are recognised under balance sheet assets or liabilities, considering any impairment losses on the work carried out so as to take into account the risks of customers' refusal to recognise the work performed. Expected contract losses are recognised immediately.

Contract costs include all those costs that relate directly to the specific contract, as well as fixed and variable costs incurred by Group companies as part of normal operations.

Capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready for use. The directly attributable financial expenses are those that would not have been incurred if the expense for that asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual financial expense incurred for that financing, less any income earned on the temporary investment of such borrowings. In regard to the general pool of assumed debt, the amount of financial expenses that can be capitalised is determined by applying a capitalisation rate to the expenses incurred for that asset which corresponds to the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a financial year shall in any case not exceed the amount of borrowing costs incurred during that year.

The starting date of capitalisation is the date on which all of the following conditions were met for the first time: (a) the costs for the asset were incurred; (b) the financial expenses were incurred; and (c) the activities necessary to prepare the asset for its intended use or for sale were undertaken.

Capitalisation of the financial expenses ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Other liabilities

Reverse Factoring

Reverse Factoring is the service that allows suppliers to collect receivables from the debtor company in advance through a specific agreement therewith. This operation constitutes a "reversal" of the traditional Factoring process, since it is the debtor who decides to use this instrument in order to optimise the management of its liability cycle. The main characteristic of this contract is that the request for assignment of the receivable is made directly by the debtor company, so that the factor is entrusted with the complete management of the supply payable. The agreement with the factor may also provide for the advance payment of receivables or their payment when due. In the latter case, while the supplier immediately collects the receivable, the debtor company can take advantage of the deferred payment offered by the contract.

From an accounting point of view, the determining factor for the classification of the payable for reverse factoring is the occurrence of the settlement of the original liability (with consequent de-recognition) and the conclusion of a new relationship or otherwise. Specifically, IAS 39 in paragraph AG57 and IFRS 9 in paragraph B3.3.1 provide that "*a financial liability (or part of it) is extinguished when the debtor either:*

- discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
- is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor. (If the debtor has given a guarantee this condition may still be met.)

In CDP's consolidated financial statements reverse factored supply payables are shown under Other liabilities together with all other operating payables.

Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:

- a "Defined benefit plan" for the portion of staff severance pay accrued by employees until 31 December 2006;
- a "Defined contribution plan" for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that these portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

It should be noted that a number of CDP Group companies with a small number of employees and an immaterial staff severance pay amount continued to report that liability as calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

Other income statement items

Revenue recognition

Revenues are recognised in such a way as to accurately represent the process of transfer of goods and services to customers in an amount that reflects the consideration that one expects to receive in exchange for supplied goods and services, using a model consisting of five basic steps:

- step 1: identify the contract with the customer;
- step 2: identify the contractual obligations, noting the separable goods or services as separate obligations;
- step 3: determine the price of the transaction, i.e. the amount of the consideration that one expects to receive;
- step 4: allocate the transaction price to each obligation identified in the contract based on the sale price of each individual separable item of goods or services;
- step 5: recognise the revenue when (or if) each contractual obligation is fulfilled through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service.

The revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Italian Authority for Electricity and Gas.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rata basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Default interest, where provided for by contract, is recognised in the income statement only when it is actually received.

The interest also includes the net balance, either positive or negative, of the differentials and margins relating to the financial derivative instruments hedging assets and liabilities that generate interest, and derivatives recognised in the balance sheet in the trading book but operationally related to assets and/or liabilities designated at fair value (fair value option).

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided.

This item also includes the commissions received from guarantees issued in favour of third parties, and commissions paid for guarantees received.

When the amortised cost method is used, the commissions considered in calculating the effective interest rate are classified as interests.

Dividends

As previously described, the dividends received from unconsolidated investees are recognised as income in the financial year in which they are approved for distribution.

The dividends from companies accounted for using the equity method reduce the carrying value of the equity investments.

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item “Staff costs” over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. That estimate is revised where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions for exercise, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of whether market conditions have been met.

Grants

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable is recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and recognised in the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

Net premium income

This macro-item includes accrued premiums in respect of contracts classifiable as insurance contracts pursuant to IFRS 4 and investment contracts with discretionary participation in profits considered equivalent to insurance contracts by IFRS 4.

Insurance contracts comprise all contracts under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the other party (the policyholder or other beneficiary) if a specified uncertain future event adversely affects the policyholder or the other beneficiary.

All contracts written by the Group can be classified as insurance contracts pursuant to IFRS 4. Premiums are reported net of cessions in reinsurance.

Emission rights

Costs relating to emission rights, determined on the basis of market prices, are recorded solely for the amount of carbon dioxide emissions exceeding the allocated emission rights. Costs relating to the purchase of emission rights are capitalised and recorded among intangible assets net of any negative balance between emissions and allocated rights. Proceeds relating to emission rights are recorded at the moment of their realisation through the sale of rights. In the event of sale, any purchased emission rights are understood to have been sold first. Cash credits allocated instead of the free allocation of emission rights are recorded in “Other income” in the income statement.

Business combinations

A business combination involves the transfer of control over a business activity or, more generally, a company.

Business combinations are recognised in accordance with the acquisition method, by which the assets transferred and liabilities assumed by the CDP Group at the business combination acquisition date are recognised at fair value. Transaction costs are generally recognised in the income statement in the years when those costs are incurred or the services are rendered.

For newly acquired companies, if the initial values for a business combination are incomplete by the end of the reporting period in which the combination occurs, the CDP Group reports in its consolidated financial statements provisional amounts for the item for which the accounting is incomplete.

In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date, the differences resulting from the business combination have to be allocated by recognising the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed.

The following items are an exception and are measured in accordance with their applicable standard:

- deferred tax assets and liabilities within the scope of IAS 12;
- assets and liabilities for employee benefits within the scope of IAS 19;
- 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, as defined by IFRS 2;
- insurance contracts within the scope of IFRS 4;
- assets and liabilities arising from leases within the scope of IFRS 16 for which the acquiree is the lessee;
- assets held for sale and discontinued operations within the scope of IFRS 5.

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 investment 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.

Transactions involving two or more companies or business activities belonging to the Group that are carried out for reorganisation purposes are not considered business combinations. Such transactions (*"business combinations under common control"*) are excluded from the scope of application of IFRS 3 and, in the absence of a reference standard, are accounted for based on Assirevi's preliminary interpretations/guidelines, i.e. predecessor basis of accounting of the acquired entity in the financial statements of the acquirer when they do not have a significant influence on future cash flows. More specifically, the values adopted are those resulting from the consolidated financial statements of the Group at the date of transfer of assets.

A.3 – Disclosure of transfers between portfolios of financial assets

There were no transfers between portfolios of financial assets.

A.4 - Disclosures on fair value measurement

QUALITATIVE DISCLOSURES

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded.

In the definition of fair value, a key assumption is that an entity is fully operational and does not have the urgent need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value”); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). An instrument is considered to be traded on an active market if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an ordinary transaction at the valuation date. The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads, or yield curves. If they are used in the pricing of an instrument, they must be available for the entire residual life of the instrument. The fair value of a financial instrument measured with techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

In certain cases, the level 2 inputs need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it, for example through the use of statistical or “expert-based” techniques, the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly inferable. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

The valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management Area of CDP. The development and validation of the techniques, and their application for accounting evaluations, are set out in specific process documentation.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used for unlisted financial instruments may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

The CDP Group takes the following into consideration when selecting the valuation models:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and implemented in the systems.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, the consolidated financial statements use fair value measurements assigned to Level 2 for bonds receivable or payable whose measurement depends exclusively on observable or readily available market parameters, and for the measurement of interest rate, currency, and plain vanilla equity derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

A reference framework for derivative contracts and bonds has been developed. This framework is composed of the valuation criteria and models on which the valuation of each category of instruments is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, and considering the frequency of exchange of the collateral and the fact that it is established in the form of cash deposits, as well as the minimum ratings required from the counterparties, no adjustments of this kind have been made at 31 December 2021.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the consolidated financial statements:

- bonds and tranches of Asset-Backed Securities that do not pass the SPPI test dictated by IFRS 9, for which the valuation requires the use of inputs that are not directly observable or representative of the creditworthiness;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

A.4.2 Valuation processes and sensitivity

Description of the valuation process for the fair value measurement of instruments classified at Level 3 of the hierarchy of fair value inputs

Level 3 valuation techniques are also applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

The methods and processes adopted aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

Description of non-observable inputs used in the valuation process for the fair value measurement on a recurrent basis of instruments classified at Level 3 and the sensitivity of the fair value to changes in those inputs

For fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Asset-Backed Securities

For asset-backed securities that have not passed the SPPI test required by IFRS 9, there is no listing on an active market. Their fair value is established according to model-based prices produced by specialist providers in the sector, which, in view of the assumptions underlying certain relevant parameters for the valuation (such as default and prepayment rates, determining their amortisation profile, and pricing spreads), is classified at level 3 of the fair value hierarchy. Considering the low notional value of the securities and their limited residual life, the analysis of sensitivity to these parameters results in insignificant changes to the value of the assets.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. In this case, the fair value corresponds to the NAV of the fund, adjusted, if necessary, to take into account certain specific characteristics, purely for illustrative and non-exhaustive purposes, such as elements occurring between the reference date of the last available NAV and the valuation date, transactions on the shares of the fund being valued, any discounts relating to potential illiquidity of the shares held and any other information that may be disclosed by the manager with a significant impact on the fair value of the assets held by the fund.

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 the CDP Group require that the transfer from one level to another take place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: for example, if the measurement of an instrument is classified as "Level 3" due to the non-observability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, or its estimate is not necessary, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

QUANTITATIVE DISCLOSURES

A.4.5 Hierarchy of fair value

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value inputs

(thousands of euro)	31/12/2021			31/12/2020		
Financial assets/liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit or loss		281,343	3,286,165	1,067,801	409,830	3,446,189
a) Financial assets held for trading		68,140	108	1,006,878	184,076	130,734
b) Financial assets designated at fair value			456,966			478,671
c) Other financial assets mandatorily at fair value		213,203	2,829,091	60,923	225,754	2,836,784
2. Financial assets at fair value through other comprehensive income	15,625,036		143,252	13,390,517		147,485
3. Hedging derivatives		298,125			553,939	
4. Property, plant and equipment						
5. Intangible assets						
Total	**15,625,036**	**579,468**	**3,429,417**	**14,458,318**	**963,769**	**3,593,674**
1. Financial liabilities held for trading		126,770	8,429		244,186	23,972
2. Financial liabilities at fair value			34,383			30,513
3. Hedging derivatives		3,143,800			4,683,374	
Total		**3,270,570**	**42,812**		**4,927,560**	**54,485**

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

There were no transfers between fair value levels during the year as a result of changes in the observability of prices or market data used to value instruments or the significance of observable inputs.

A.4.5.2 Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
(thousands of euro)	Total	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Other financial assets mandatorily measured at fair value				
1 Opening balance	**3,446,189**	**130,734**	**478,671**	**2,836,784**	**147,485**			
2 Increases	**894,375**	**102**		**894,273**	**35,471**			
2.1 Purchases	673,209			673,209	20,629			
2.2 Profits taken to:	210,117			210,117	13,816			
2.2.1 Income statement	210,117			210,117				
- of which: capital gains	*209,069*			*209,069*				
2.2.2 Equity		X	X	X	13,816			
2.3 Transfers from other levels								
2.4 Other increases	11,049	102		10,947	1,026			
3. Decreases	**1,054,399**	**130,728**	**21,705**	**901,966**	**39,704**			
3.1 Sales	12,818	12,784		34				
3.2 Repayments	467,080			467,080	4,962			
3.3 Losses taken to:	213,191		5,804	207,387	3,287			
3.3.1 Income statement	213,191		5,804	207,387	145			
- of which: capital losses	*204,469*		*5,804*	*198,665*				
3.3.2 Equity		X	X	X	3,142			
3.4 Transfers to other levels								
3.5 Other decreases	361,310	117,944	15,901	227,465	31,455			
4. Closing balance	**3,286,165**	**108**	**456,966**	**2,829,091**	**143,252**			

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	**23,972**	**30,513**	
2. Increases	**3,873**	**4,797**	
2.1 Issues		2,515	
2.2 Losses taken to:	2,966		
2.2.1 Income statement	2,966		
- of which: capital losses	*2,966*		
2.2.2 Equity	X		
2.3 Transfers from other levels			
2.4 Other increases	907	2,282	
3. Decreases	**19,416**	**927**	
3.1 Repayments		300	
3.2 Buybacks			
3.3 Profits taken to:	19,416		
3.3.1 Income statement	19,416		
- of which: capital gains	*19,416*		
3.3.2 Equity	X		
3.4 Transfers to other levels			
3.5 Other decreases		627	
4. Closing balance	**8,429**	**34,383**	

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by level of fair value inputs

(thousands of euro)

	31/12/21				31/12/2020			
Assets and liabilities not carried at fair value or carried at fair value on a non-recurring basis	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	360.831.187	36.026.643	22.674.340	320.408.164	397.725.128	52.143.253	17.800.476	353.060.554
2. Investment property, plant and equipment	779.309		547.000	232.309	795.895		559.483	238.236
3. Non-current assets and disposal groups held for sale	38.653.095	2.799.544	47.386	33.383.298	291.483			
Total	**400.263.591**	**38.826.187**	**23.268.726**	**354.023.771**	**398.812.506**	**52.143.253**	**18.359.959**	**353.298.790**
1. Financial liabilities measured at amortised cost	415.458.134	30.220.248	14.019.558	372.260.519	417.073.945	31.141.226	12.985.478	374.822.118
2. Liabilities associated with non-current assets and disposal groups held for sale	40.707.805	517.199	30.300	3.425.967	165.031			
Total	**456.165.939**	**30.737.447**	**14.049.858**	**375.686.486**	**417.238.976**	**31.141.226**	**12.985.478**	**374.822.118**

Key:

CA = carrying amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 Disclosure of day one profit/loss

The carrying amount of financial instruments on recognition is equal to their fair value at the same date.

In the case of financial instruments other than those measured at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.

In the case of financial instruments measured at fair value through profit or loss classified as Level 3, any difference with respect to the amount received, the so-called "day one profit/loss", cannot be recognised immediately through profit or loss.

Subsequently, such difference must be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP Group has not recognised any "day one profit/loss" on financial instruments in accordance with the provisions of IFRS 7.28 and other related IFRS provisions.

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Assets

SECTION 1 - CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: breakdown

(thousands of euro)	31/12/2021	31/12/2020
a) Cash	2,253	1,359
b) Current accounts and demand deposits with Central banks		
c) Bank current accounts and demand deposits	5,232,679	6,028,190
Total	**5,234,932**	**6,029,549**

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 20

2.1 Financial assets held for trading: breakdown by type

(thousands of euro)	31/12/2021						31/12/2020		
	Prudential consolidation			Other entities					
Items/Values	L1	L2	L3	L1	L2	L3	L1	L2	L3
A. On-balance-sheet assets									
1. Debt securities						102	1,006,640	77,577	129,753
1.1 Structured securities									
1.2 Other debt securities						102	1,006,640	77,577	129,753
2. Equity securities							238		
3. Units in collective investment undertakings						6			981
4. Loans									
4.1 Repurchase agreements									
4.2 Other									
Total A						**108**	**1,006,878**	**77,577**	**130,734**
B. Derivatives									
1. Financial derivatives		56,010			12,130			106,499	
1.1 Trading		56,010			12,130			106,424	
1.2 Associated with fair value option									
1.3 Other								75	
2. Credit derivatives									
2.1 Trading									
2.2 Associated with fair value option									
2.3 Other									
Total B		**56,010**			**12,130**			**106,499**	
Total (A+B)		**56,010**			**12,130**	**108**	**1,006,878**	**184,076**	**130,734**

Key

L1= Level 1

L2= Level 2

L3= Level 3

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

(thousands of euro)

Items/Values	Prudential consolidation	Other entities	31/12/2021	31/12/2020
A. ON-BALANCE-SHEET ASSETS				
1. Debt securities		**102**	**102**	**1,213,970**
a) Central banks				
b) General governments				992,361
c) Banks		102	102	14,279
d) Other financial companies				207,330
of which: insurance companies				
e) Non-financial companies				
2. Equity securities				**238**
a) Banks				
b) Other financial companies				
of which: insurance companies				
c) Non-financial companies				238
d) Other issuers				
3. Units in collective investment undertakings		**6**	**6**	**981**
4. Loans				
a) Central banks				
b) General governments				
c) Banks				
d) Other financial companies				
of which: insurance companies				
e) Non-financial companies				
f) Households				
Total A		**108**	**108**	**1,215,189**
B. DERIVATIVES				
a) Central Counterparties				
b) Others	56,010	12,130	68,140	106,499
Total B	**56,010**	**12,130**	**68,140**	**106,499**
Total (A+B)	**56,010**	**12,238**	**68,248**	**1,321,688**

2.3 Financial assets designated at fair value: breakdown by type

(thousands of euro)

Items/Values	31/12/2021 L1	31/12/2021 L2	31/12/2021 L3	31/12/2020 L1	31/12/2020 L2	31/12/2020 L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Loans			456,966			478,671
2.1 Structured						
2.2 Other			456,966			478,671
Total			**456,966**			**478,671**

Key:

L1= Level 1

L2= Level 2

L3= Level 3

The item includes the value of the separate assets of EFIM, IGED and SIR, incorporated into Fintecna following the merger of Ligestra Due.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

(thousands of euro)

Items/Values	Banking group	Other entities	31/12/2021	31/12/2020
1. Debt securities			-	
a) Central banks			-	
b) General governments			-	
c) Banks			-	
d) Other financial companies			-	
of which: insurance companies			-	
e) Non-financial companies			-	
2. Loans		**456,966**	**456,966**	**478,671**
a) Central banks			-	
b) General governments			-	
c) Banks			-	
d) Other financial companies			-	
of which: insurance companies			-	
e) Non-financial companies		456,966	456,966	478,671
f) Households			-	
Total		**456,966**	**456,966**	**478,671**

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

(thousands of euro)	31/12/2021						31/12/2020		
	Prudential consolidation			Other entities					
Items/Values	L1	L2	L3	L1	L2	L3	L1	L2	L3
1. Debt securities			23,737			18,512	60,828		192,025
1.1 Structured securities									
1.2 Other debt securities			23,737			18,512	60,828		192,025
2. Equity securities						13,975	95		13,797
3. Units in collective investment undertakings			2,455,197		213,203	154,617		225,754	2,200,646
4. Loans						163,053			430,316
4.1 Repurchase agreements									
4.2 Other						163,053			430,316
Total			**2,478,934**		**213,203**	**350,157**	**60,923**	**225,754**	**2,836,784**

Key

L1= Level 1

L2= Level 2

L3= Level 3

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(thousands of euro)

Items/Values	Prudential consolidation	Other entities	31/12/2021	31/12/2020
1. Equity securities		**13,975**	**13,975**	**13,892**
of which: banks				
of which: other financial companies		4,397	4,397	3,662
of which: non-financial companies		9,578	9,578	10,230
2. Debt securities	**23,737**	**18,512**	**42,249**	**252,853**
a) Central banks				
b) General governments				47,644
c) Banks				
d) Other financial companies	23,737	18,512	42,249	205,209
of which: insurance companies				
e) Non-financial companies				
3. Units in collective investment undertakings	**2,455,197**	**367,820**	**2,823,017**	**2,426,400**
4. Loans		**163,053**	**163,053**	**430,316**
a) Central banks				
b) General governments				64
c) Banks				215
d) Other financial companies				1,543
of which: insurance companies				
e) Non-financial companies		163,053	163,053	428,494
f) Households				
Total	**2,478,934**	**563,360**	**3,042,294**	**3,123,461**

This item, which mainly includes the contribution of the Parent Company, consists of debt securities for approximately 24 million euro and units in collective investment undertakings for approximately 2,455 million euro.

Debt securities include the fair value, amounting to 19 million euro, of the portion of the CB issued by Valvitalia Finanziaria SpA, which matures on 30 June 2026.

SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – ITEM 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

(thousands of euro)	31/12/2021			31/12/2020		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	14,175,245			12,716,158		
1.1 Structured securities						
1.2 Other debt securities	14,175,245			12,716,158		
2. Equity securities	1,449,791		143,252	674,359		147,485
3. Loans						
Total	**15,625,036**		**143,252**	**13,390,517**		**147,485**

3.1 of which: pertaining to the Prudential consolidation

(thousands of euro)	31/12/2021			31/12/2020		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	13,177,809			12,101,679		
1.1 Structured securities						
1.2 Other debt securities	13,177,809			12,101,679		
2. Equity securities	652,928		69,158	567,516		51,261
3. Loans						
Total	**13,830,737**		**69,158**	**12,669,195**		**51,261**

The financial assets relating to the Prudential consolidation at 31 December 2021 include:

- debt securities for a value of 13,178 million euro. This item includes Italian government securities with a value of approximately 11,352 million euro held by the Parent Company;
- investments in equity securities amounted to approximately 722 million euro (+103 million euro compared to the end of 2020). The increase is mainly attributable to the effect of the fair value measurement of the equity investment in TIM S.p.A.

3.1 of which: pertaining to Insurance companies

(thousands of euro)	31/12/2021			31/12/2020		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						21,054
3. Loans						
Total						**21,054**

3.1 of which: pertaining to Other companies

(thousands of euro)	31/12/2021			31/12/2020		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	997,436			614,479		
1.1 Structured securities						
1.2 Other debt securities	997,436			614,479		
2. Equity securities	796,863		74,094	106,843		75,170
3. Loans						
Total	**1,794,299**		**74,094**	**721,322**		**75,170**

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

(thousands of euro)	Prudential consolidation	Other entities	31/12/2021	31/12/2020
Items/Values	Banking group	Other entities		
1. Debt securities	**13,177,809**	**997,436**	**14,175,245**	**12,716,158**
a) Central banks				
b) General governments	11,961,380	997,436	12,958,816	11,321,695
c) Banks	692,415		692,415	1,045,902
d) Other financial companies	185,917		185,917	178,439
of which: insurance companies				
e) Non-financial companies	338,097		338,097	170,122
2. Equity securities	**722,086**	**870,957**	**1,593,043**	**821,844**
a) Banks	63,387		63,387	41,702
b) Other issuer:	658,699	870,957	1,529,656	780,142
- other financial companies		733,088	733,088	12,077
of which: insurance companies				
- non-financial companies	658,699	21,916	680,615	618,117
- other		115,953	115,953	149,948
3. Loans				
a) Central banks				
b) General governments				
c) Banks				
d) Other financial companies				
of which: insurance companies				
e) Non-financial companies				
f) Households				
Total	**13,899,895**	**1,868,393**	**15,768,288**	**13,538,002**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and accumulated impairment

	Gross value					Accumulated impairment				
(thousands of euro)	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Accumulated partial write-off(*)
Debt securities	13,183,985		1,005,181			(13,640)	(281)			
Loans										
Total 31/12/2021	**13,183,985**		**1,005,181**			**(13,640)**	**(281)**			
Total 31/12/2020	**12,078,593**		**652,690**			**(14,619)**	**(506)**			

(*) value to be shown for information purposes

3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross value and accumulated impairment

There are no loans measured at fair value through other comprehensive income subject to COVID-19 support measures.

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST - ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

(thousands of euro)	Total 31/12/2021						Total 31/12/2020					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
Type of transactions/values	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	L1	L2	L3	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	L1	L2	L3
A. Loans to Central banks	**21,670,403**					**21,669,122**	**22,919,752**					**22,919,510**
1. Time deposits				X	X	X				X	X	X
2. Reserve requirement	21,656,136			X	X	X	22,900,167			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other	14,267			X	X	X	19,585			X	X	X
B. Loans to banks	**18,107,501**			**226,376**		**21,494,433**	**19,604,104**			**44,155**		**20,906,960**
1. Loans	15,166,117					18,686,653	17,761,245					19,031,774
1.1 Current deposit	37,322			X	X	X	53,141			X	X	X
1.2 Time deposits	1,939,365			X	X	X	3,535,152			X	X	X
1.3 Other financing:	13,189,430			X	X	X	14,172,952			X	X	X
- Repurchase agreements				X	X	X				X	X	X
- Finance lease				X	X	X				X	X	X
- Other	13,189,430			X	X	X	14,172,952			X	X	X
2. Debt securities	2,941,384			226,376		2,807,780	1,842,859			44,155		1,875,186
2.1 Structured												
2.2 Other debt securities	2,941,384			226,376		2,807,780	1,842,859			44,155		1,875,186
Total	**39,777,904**			**226,376**		**43,163,555**	**42,523,856**			**44,155**		**43,826,470**

Key

L1= Level 1

L2= Level 2

L3= Level 3

Loans to banks are primarily composed of:

- the Parent Company's balance on the management account of the reserve requirement, which amounted to 21,656 million euro (around -1,244 million euro on the figure recorded at the end of 2020);
- other loans of approximately 13,189 million euro, mostly attributable to loans granted by the Parent Company to the banking system;
- term deposits for approximately 1,939 million euro, mainly for Terna investments;
- non-demand current account balances amounting to around 37 million euro.

4.1 of which: pertaining to the Prudential consolidation

(thousands of euro)	Total 31/12/2021						Total 31/12/2020					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
Type of transactions/values	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	L1	L2	L3	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	L1	L2	L3
A. Loans to Central banks	**21,670,403**					**21,669,122**	**22,919,752**					**22,919,510**
1. Time deposits				X	X	X				X	X	X
2. Reserve requirement	21,656,136			X	X	X	22,900,167			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other	14,267			X	X	X	19,585			X	X	X
B. Loans to banks	**16,130,814**			**226,376**		**16,709,966**	**16,015,811**			**44,155**		**17,318,667**
1. Loans	13,189,430					13,902,186	14,172,952					15,443,481
1.1 Current deposit				X	X	X				X	X	X
1.2 Time deposits				X	X	X				X	X	X
1.3 Other financing:	13,189,430			X	X	X	14,172,952			X	X	X
- Repurchase agreements				X	X	X				X	X	X
- Finance lease				X	X	X				X	X	X
- Other	13,189,430			X	X	X	14,172,952			X	X	X
2. Debt securities	2,941,384			226,376		2,807,780	1,842,859			44,155		1,875,186
2.1 Structured												
2.2 Other debt securities	2,941,384			226,376		2,807,780	1,842,859			44,155		1,875,186
Total	**37,801,217**			**226,376**		**38,379,088**	**38,935,563**			**44,155**		**40,238,177**

Key

L1= Level 1

L2= Level 2

L3= Level 3

4.1 of which: pertaining to Other companies

(thousands of euro) Type of transactions/values	Total 31/12/2021						Total 31/12/2020					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	L1	L2	L3	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	L1	L2	L3
A. Loans to Central banks												
1. Time 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	**1,976,687**					**1,976,687**	**3,588,293**					**3,588,293**
1. Loans	1,976,687					1,976,687	3,588,293					3,588,293
1.1 Current deposit	37,322			X	X	X	53,141			X	X	X
1.2 Time deposits	1,939,365			X	X	X	3,535,152			X	X	X
1.3 Other financing:				X	X	X				X	X	X
- Repurchase agreements				X	X	X				X	X	X
- Finance lease				X	X	X				X	X	X
- Other				X	X	X				X	X	X
2. Debt securities												
2.1 Structured												
2.2 Other debt securities												
Total	**1,976,687**					**1,976,687**	**3,588,293**					**3,588,293**

Key

L1= Level 1

L2= Level 2

L3= Level 3

Loans to banks pertaining to Other companies mainly include term deposits (1,939 million euro), mainly attributable to the Terna group (1,442 million euro) and the Snam group (474 million euro).

4.2 Financial assets measured at amortised cost: breakdown by type of loans to customers

(thousands of euro)	Total 31/12/2021						Total 31/12/2020					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
Type of transactions/values	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	L1	L2	L3	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	L1	L2	L3
1. Loans	**260.926.659**	**405.704**				**275.767.469**	**285.436.942**	**307.436**				**304.486.998**
1.1 Current accounts	21.163			X	X	X	24.818			X	X	X
1.1.1 Cash and cash equivalents held with Central State Treasury	157.207.306			X	X	X	185.976.629			X	X	X
1.2 Repurchase agreements	122.286			X	X	X	1.522.479			X	X	X
1.3 Loans	98.021.290	388.527		X	X	X	92.935.870	177.626		X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from wages	230			X	X	X	186			X	X	X
1.5 Finance lease	127.092			X	X	X	410			X	X	X
1.6 Factoring				X	X	X	1.786.053	63.836		X	X	X
1.7 Other	5.427.292	17.177		X	X	X	3.190.497	65.974		X	X	X
2. Debt securities	**59.720.920**			**35.800.267**	**22.674.340**	**4.284.920**	**69.456.894**			**52.099.098**	**17.800.476**	**4.747.086**
2.1 Structured securities												
2.2 Other debt securities	59.720.920			35.800.267	22.674.340	4.284.920	69.456.894			52.099.098	17.800.476	4.747.086
Total	**320.647.579**	**405.704**		**35.800.267**	**22.674.340**	**280.052.389**	**354.893.836**	**307.436**		**52.099.098**	**17.800.476**	**309.234.084**

Loans to customers, which essentially include the contribution of the Parent Company, mainly relate to:

- lending operations under the Separate Account and Ordinary Account;
- cash and cash equivalents held with Central State Treasury;
- investments in debt securities under the Held to collect business model.

The above table provides a breakdown of the positions by technical form.

With respect to the cash and cash equivalents held with the Central State Treasury, account no. 29814, called “Cassa DP S.p.A. - Gestione Separata”, which comprises the liquidity generated by Separate Account transactions of CDP, the Ministry of the Economy and Finance pays CDP interest based on a rate equal to the lower between:

- the cost of Postal Savings incurred by CDP;
- the average cost of the stock (balance) of national government securities[74].

The volume of mortgage loans amounted to approximately 98,410 million euro (+5,296 million euro compared to the end of 2020).

Reverse repurchase agreements amounted to approximately 122 million euro (-1,400 million euro compared to the end of 2020).

The volume of debt securities included in this item amounted to approximately 59,721 million euro, mainly pertaining to the Parent Company and including 53,750 million euro of Italian government securities.

[74] The average cost of the stock (balance) of government securities and the cost of Postal Savings are determined as a forecast for the first half of the year and definitively, possibly adjusted for any difference, for the whole of the year.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans to customers

(thousands of euro)	Total 31/12/2021			Total 31/12/2020		
Type of transactions/values	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets	Stage 1 & 2	Stage 3	Purchased or originated credit impaired financial assets
1. Debt securities	**59,720,920**			**69,456,894**		
a) General governments	54,605,623			64,358,739		
b) Other financial companies	1,147,714			1,431,906		
of which: insurance companies						
c) Non-financial companies	3,967,583			3,666,249		
2. Loans	**260,926,659**	**405,704**		**285,436,942**	**307,436**	
a) General governments	239,030,750	44,699		264,892,670	82,083	
b) Other financial companies	4,672,334			3,224,280		
of which: insurance companies						
c) Non-financial companies	17,201,496	359,262		17,292,389	222,693	
d) Households	22,079	1,743		27,603	2,660	
Total	**320,647,579**	**405,704**		**354,893,836**	**307,436**	

4.4 Financial assets measured at amortised cost: gross value and accumulated impairment

	Gross value					Accumulated impairment				
(thousands of euro)	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Accumulated partial write-offs (*)
Debt securities	62,192,338		682,572			(78,747)	(133,859)			
Loans	285,704,449		12,872,146	546,872		(262,820)	(550,596)	(141,168)		
Total 31/12/2021	**347,896,787**		**13,554,718**	**546,872**		**(341,567)**	**(684,455)**	**(141,168)**		
Total 31/12/2020	**383,546,753**		**14,870,122**	**509,223**		**(378,229)**	**(620,954)**	**(201,787)**		**(2,888)**

(*) value to be shown for information purposes

4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross value and accumulated impairment

	Gross value					Accumulated impairment			
(thousands of euro)	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets
1. Loans subject to moratoria compliant with the GL	4,677,732					(5,127)			
2. Loans subject to existing moratorium measures no longer conforming to the GLs and not considered forborne									
2. Loans subject to forbearance measures									
3. New loans	1,366,980		40,002	15,069		(4,441)	(173)	(1,025)	
Total 31/12/2021	**6,044,712**		**40,002**	**15,069**		**(9,568)**	**(173)**	**(1,025)**	
Total 31/12/2020	**4,322,714**		**555**			**(6,546)**	**(3)**		

This table shows the loans, with details of gross amount and accumulated impairment, broken down by risk status, subject to COVID-19 support measures. The line “Loans granted in accordance with the GL” shows the loans subject to a moratorium that fall within the scope of the “*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis*” published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line “New loans” reports the loans which represent new liquidity backed by public guarantees.

4.5 Finance leases

For the purpose of IFRS 16, para. 94, the table below provides the classification by time band of the payments to be received and reconciliation with finance leases recognised under assets

(thousands of euro)	Total 31/12/2021	Total 31/12/2020
Time bands	Lease payments to be received	Lease payments to be received
Up to 1 year	12.119	48
Between 1 and 2 years	12.119	48
Between 2 and 3 years	12.119	48
Between 3 and 4 years	12.119	48
Between 4 and 5 years	12.119	48
Over 5 years	66.497	170
Total lease payments to be received	**127.092**	**410**
Reconciliation with finance leases		
Unearned finance income (-)		
Unguaranteed residual value (-)		
Finance leases	**127.092**	**410**

SECTION 5 - HEDGING DERIVATIVES - ITEM 50

5.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Fair value 31/12/2021 L1	Fair value 31/12/2021 L2	Fair value 31/12/2021 L3	NV 31/12/2021	Fair value 31/12/2020 L1	Fair value 31/12/2020 L2	Fair value 31/12/2020 L3	NV 31/12/2020
A. Financial derivatives:		**298,125**		**17,568,616**		**553,939**		**12,517,139**
1) Fair value		281,824		15,110,683		541,285		12,353,818
2) Cash flow		16,301		2,457,933		12,654		163,321
3) Investment in foreign operation								
B. Credit derivatives								
Total		**298,125**		**17,568,616**		**553,939**		**12,517,139**

Key

NV= notional value

L1= Level 1

L2= Level 2

L3= Level 3

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro)	Fair value							Cash flow		Investment in foreign operation
	Specific						Generic	Specific	Generic	
Operation/Type of hedging	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Others				
1. Financial assets at fair value through other comprehensive income	6,383				x	x	x	7,536	x	x
2. Financial assets at amortised cost	22,983	x			x	x	x	667	x	x
3. Portfolio	x	x	x	x	x	x	70,020	x		x
4. Other	5,875		9,110				x		x	
Total assets	**35,241**		**9,110**				**70,020**	**8,203**		
1. Financial liabilities	167,453	x		x			x	7,428	x	x
2. Portfolio	x	x	x	x	x	x		x	670	x
Total liabilities	**167,453**							**7,428**	**670**	
1. Forecast transactions	x	x	x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	x		x		

SECTION 6 - FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS - ITEM 60

6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(thousands of euro)

Fair value change of financial assets in hedged portfolios/Values	31/12/2021	31/12/2020
1. Positive fair value change	**1,347,532**	**2,531,890**
1.1 of specific portfolios:	1,347,532	2,531,890
a) financial assets measured at amortised cost	1,347,532	2,531,890
2. Negative fair value change	**(79,547)**	**(57)**
2.1 of specific portfolios:	(79,547)	(57)
a) financial assets measured at amortised cost	(79,547)	(57)
Total	**1,267,985**	**2,531,833**

SECTION 7 - EQUITY INVESTMENTS - ITEM 70

7.1 Information on equity investments

	Company name	Registered office	Operational headquarters	Type of relationship (1)	Investor	% holding	% of votes (2)
1.	4TCC1 S.c.a.r.l.	Trieste	Trieste	7	Fincantieri SI S.p.A.	75,00%	75,00%
				7	Fincantieri S.p.A.	5,00%	5,00%
2.	Ansaldo Gas Turbine Technology Co. LTD (JVA)	Shanghai	Shanghai	7	Ansaldo Energia S.p.A.	60,00%	60,00%
3.	AS Gasinfrastruktur Beteiligung GmbH	Vienna	Vienna	7	SNAM S.p.A.	40,00%	40,00%
4.	BUSBAR4F s.c.a.r.l.	Trieste	Trieste	7	Fincantieri S.p.A.	10,00%	10,00%
				7	Fincantieri SI S.p.A.	50,00%	50,00%
5.	CONSORZIO F.S.B.	Marghera (VE)	Marghera (VE)	7	Fincantieri S.p.A.	58,36%	58,36%
6.	CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Hong Kong	7	Fincantieri S.p.A.	40,00%	40,00%
10.	ETIHAD SHIP BUILDING LLC	ABU DHABI	ABU DHABI	7	Fincantieri S.p.A.	35,00%	35,00%
11.	Fincantieri Clea Buildings s.c.a.r.l.	Verona	Verona	7	Fincantieri Infrastructure S.p.A.	51,00%	51,00%
14.	Greenit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	7	CDP Equity S.p.A.	49,00%	49,00%
16.	Iniziative Biometano S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	7	Snam 4 Environment S.r.l.	50,00%	50,00%
18.	Issel Middle East Information Technology Consultancy LLC	ABU DHABI	ABU DHABI	7	Issel Nord S.r.l.	49,00%	49,00%
19.	Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Sant'Angelo Lodigiano	7	Italgas S.p.A.	50,00%	50,00%
21.	Nuovo Santa Chiara Hospital S.c.a r.l.	Florence	Pisa	7	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	50,00%	50,00%
22.	OLT Offshore LNG Toscana S.p.A.	Milan	Livorno	7	SNAM S.p.A.	49,07%	49,07%
26.	Power4Future S.p.A.	Calderara di Reno (BO)	Calderara di Reno (BO)	7	Fincantieri SI S.p.A.	52,00%	52,00%
27.	Saipem S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	7	CDP Industria S.p.A.	12,55%	12,55%
28.	Shanghai Electric Gas Turbine Co. LTD (JVS)	Shanghai	Shanghai	7	Ansaldo Energia S.p.A.	40,00%	40,00%
30.	Terega Holding S.A.S.	Pau	Pau	7	SNAM S.p.A.	40,50%	40,50%
31.	Trans Austria Gasleitung GmbH (5)	Vienna	Vienna	7	SNAM S.p.A.	84,47%	84,47%
32.	Umbria Distribuzione GAS S.p.A.	Terni	Terni	7	Italgas S.p.A.	45,00%	45,00%
34.	Vimercate Salute Gestioni S.c.a.r.l.	Milan	Vimercate (MB)	7	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	49,10%	49,10%
				7	SOF S.p.A.	3,65%	3,65%
	B. Companies subject to significant influence						
2.	African Trade Insurance Company	Nairobi	Nairobi	4	SACE S.p.A.	3,23%	3,23%
4.	A-U Finance Holdings Bv	Amsterdam	Amsterdam	4	Ansaldo Energia S.p.A.	40,00%	40,00%
5.	B.F. S.p.A.	Jolanda di Savoia (FE)	Jolanda di Savoia (FE)	4	CDP Equity S.p.A.	17,54%	17,54%
6.	Bioteca soc. cons. a r.l.	Carpi (MO)	Santorso (VI)	4	SOF S.p.A.	33,00%	33,00%
7.	Brevik Technology AS	Brevik	Brevik	4	Vard Group AS	34,00%	34,00%
8.	Castor Drilling Solution AS	Kristiansand S	Kristiansand S	4	Seaonics AS	34,13%	34,13%
9.	Centro Servizi Navali S.p.A.	San Giorgio di Nogaro (UD)	San Giorgio di Nogaro (UD)	4	Fincantieri S.p.A.	10,93%	10,93%
11.	CGES A.D.	Podgorica	Podgorica	4	Terna S.p.A.	22,09%	22,09%
17.	DECOMAR S.p.A.	Massa (MS)	Massa (MS)	4	Fincantieri S.p.A.	20,00%	20,00%
19.	DOF Iceman AS	Storebø	Storebø	4	Vard Group AS	50,00%	50,00%
20.	Dynamic	Saint-Paul-lès-Durance	Saint-Paul-lès-Durance	4	Ansaldo Nucleare S.p.A.	15,00%	15,00%
				4	Ansaldo Energia S.p.A.	10,00%	10,00%

21.	East Mediterranean Gas Company S.a.e.	Cairo	Cairo	4	Snam International B.V.	25,00%	25,00%
25.	Equigy B.V.	Arnhem	Arnhem	4	Terna S.p.A.	20,00%	20,00%
28.	Galaxy Pipeline Assets Holdco Limited	Jersey	Jersey	4	SNAM S.p.A.	12,33%	12,33%
29.	Gesam Reti S.p.A.	Lucca	Lucca	4	Toscana Energia S.p.A.	42,96%	42,96%
36.	Island Discoverer AS	Ulsteinvik	Ulsteinvik	4	Vard Group AS	46,90%	46,90%
37.	Island Offshore XII Ship AS	Ulsteinvik	Ulsteinvik	4	Vard Group AS	46,90%	46,90%
38.	ITS Integrated Tech System S.r.l.	La Spezia	La Spezia	4	Rob.Int. S.r.l.	51,00%	51,00%
39.	Kedrion S.p.A.	Castelvecchio Pascoli (LU)	Castelvecchio Pascoli (LU)	4	FSI Investimenti S.p.A.	25,06%	25,06%
42.	Maticmind S.p.A.	Vimodrone	Vimodrone	4	Elettra One S.p.A.	42,42%	42,42%
44.	Møkster Supply AS	Stavanger	Stavanger	4	Vard Group AS	40,00%	40,00%
45.	Møkster Supply KS	Stavanger	Stavanger	4	Vard Group AS	36,00%	36,00%
				4	CDP Equity S.p.A.	5,30%	5,30%
47.	Nord Ovest Toscana Energia S.r.l	Vicopisano (PI)	Vicopisano (PI)	4	SOF S.p.A.	34,00%	34,00%
48.	Note Gestione S.c.a.r.l.	Reggio Emilia	Reggio Emilia	4	SOF S.p.A.	34,00%	34,00%
				4	TRS Sistemi S.r.l.	2,00%	2,00%
59.	Trans Adriatic Pipeline AG	Baar	Baar	4	Snam International B.V.	20,00%	20,00%
60.	Trevi Finanziaria Industriale S.p.A	Cesena	Cesena	4	SACE S.p.A.	6,99%	6,99%
				4	FSI Investimenti S.p.A.	25,67%	25,67%
61.	Unifer Navale S.r.l. in liquidazione	Finale Emilia (MO)	Finale Emilia (MO)	4	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	20,00%	20,00%
62.	Valdarno S.r.l.	Pisa	Pisa	4	Toscana Energia S.p.A.	30,04%	30,04%
				4	Fincantieri S.p.A.	0,07%	0,07%
				4	SACE FCT	0,05%	0,05%
				4	CDP Equity S.p.A.	16,67%	16,67%
	C. Unconsolidated subsidiaries (3)						
2.	Asset Company 11 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
3.	Asset Company 4 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
4.	ASSET COMPANY 7 B.V.	Amsterdam	Amsterdam	1	SNAM S.p.A.	100,00%	100,00%
5.	Asset Company 9 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
6.	Cagliari 89 Scarl in liquidazione	Monastir (CA)	Monastir (CA)	1	Fintecna S.p.A.	51,00%	51,00%
16.	Fondmatic Hydraulic Machining S.r.l.	Bologna	Bologna	1	C2MAC Group S.p.A.	100,00%	100,00%
26.	IES Biogas S.r.l. (Argentina)	Buenos Aires	Buenos Aires	1	Snam 4 Environment S.r.l.	5,00%	5,00%
				1	IES Biogas S.r.l.	95,00%	95,00%
30.	Snam Middle East BV BS Co	Riyadh	Riyadh	1	Snam International B.V.	100,00%	100,00%
31.	Snam North America LLC	New York	New York	1	Snam International B.V.	100,00%	100,00%
32.	Tea Innovazione Due S.r.l.	Brescia	Brescia	1	Tep Energy Solution S.r.l.	100,00%	100,00%
	D. Unconsolidated associates (3)						
1.	Albanian Gas Service Company Sh.a.	Tirana	Tirana	4	SNAM S.p.A.	25,00%	25,00%
2.	Altiforni e Ferriere di Servola S.p.A.	Udine	Udine	4	Fintecna S.p.A.	24,10%	24,10%
3.	Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Mercogliano (AV)	4	Fintecna S.p.A.	45,46%	45,46%
4.	Energy Investment Solution S.r.l.	Brescia	Brescia	4	Tep Energy Solution S.r.l.	40,00%	40,00%

(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 = Entity subject to significant influence

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

8 = other form of control

(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

(3) This classification includes companies in liquidation or subsidiaries in the start-up phase without assets and liabilities, or associates excluded from the scope of consolidation in view of the overall value of equity.

(4) Companies/Investment funds over which CDP has acquired control and which, in accordance with the practice adopted for the purpose of defining the scope of consolidation on a line-by-line basis, are excluded from consolidation in view of the overall value of assets.

(5) Participation in financial rights is equal to 89.2%

The figure at 31 December 2021 was 20,831 million euro, compared to 15,834 million euro at 31 December 2020.

The increase of 4,997 million euro is mainly attributable to the following aspects:

- ENI - the increase deriving from net income for the year pertaining to the Group (including the effect of consolidation entries), equal to +1,473 million euro, and the change in valuation reserves, equal to +487 million euro. Added to these effects is the impact of the reversal of the dividend and other changes for a total value of -623 million euro;
- Poste Italiane - an increase of +517 million euro (including the effect of consolidation entries) deriving from net income for the year, as well as the effects of the change in valuation reserves, the reversal of the dividend and other changes, totalling -625 million euro;
- Saipem - a decrease deriving from net income for the year pertaining to the Group (including the effect of consolidation entries) equal to -323 million euro, as well as the effects of the change in valuation reserves and other changes totalling -15 million euro;
- purchase, through the transfer of SIA, of an equity investment in Nexi amounting to +2,489 million euro;
- increase of the equity investment in Open Fiber, transferred to OF Holdings, and of the related valuation at equity (+886 million euro).

Impairment testing of equity investments

The CDP Group's equity investment portfolio includes listed and unlisted companies of major national interest, which are also pivotal in the promotional activity of supporting the growth and international expansion of businesses and the development of infrastructure. In its capacity as a National Promotional Institution, CDP invests in companies' share capital, mainly over a long-term horizon.

At each reporting date, CDP Group conducts an assessment to detect the presence of indicators of impairment under IAS 36 and of any additional indicators, where applicable, also considering the indications of national and international regulators on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments as well as the difficulties related to the long-term impacts linked to the evolution of the health crisis due to the spread of COVID-19. In this respect, the evolution of the spread of COVID-19 throughout the world, the increasing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict – the latter considered as a non-adjusting event in accordance with IAS 10 and therefore not included in the impairment test at 31 December 2021 – and the consequent impacts of these events on the economy have increased the level of uncertainty, hence making it more complex to make quantitative estimates, for example, cash flows from equity investments, also due to the increased uncertainty in the assumptions and parameters at the basis of the asset valuation analyses.

Specifically, in light of the above, note that:

- the estimates have been made also considering stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, linked to the evolution of the COVID-19 pandemic and the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict;

- the evaluations were also made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future effects of the evolution of the COVID-19 pandemic and the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict.

It is therefore important to stress the uncertainty about the possible duration of the impacts of the pandemic, as well as the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. Therefore, there is still a need to constantly monitor the evolution of these elements in the current context.

Moreover, when performing impairment testing, CDP Group takes into account the guidelines of the supervisory authorities on financial reporting aspects relating to risks, uncertainties, estimates, assumptions and valuations, as well as difficulties associated with the possible impact of climate risks on the entities under analysis. Where relevant, these factors are taken into account, mainly through considerations and/or sensitivity analyses on the variables determining recoverable amount.

For more details, please refer to part A1 of Section 5 - Other issues and A2 - The main financial statement items.

The indicators of impairment (so-called triggers) and objective evidence of impairment are assessed on the basis of information taken from public sources or of any additional information received by the investees.

Specifically, at 31 December 2021, impairment triggers were activated on some of the key equity investments accounted for using the equity method (Eni, Open Fiber Holdings, Saipem and Webuild), essentially for the actual results and/or the performance of market prices.

With reference to the estimated recoverable amount of the equity investments, to be understood as the higher of their fair value less costs to sell and their value in use, CDP has adopted a range of key principles, taking also into account the challenges of the evolution of COVID-19 in this unique moment in time, the guidance issued by national and international regulators as well as the guidelines issued by industry bodies. The key general principles used are as follows:

- a general lengthening of the detection periods of certain key parameters;
- use of the average of the latest Country Risk Premiums instead of the latest available, where deemed to be more significant;
- use of an Equity Risk Premium "consensus" in line with the average of the latest values available instead of the latest value available.

In addition, CDP has conducted a sensitivity analysis on each equity investment against the main variables that determine the asset's value, including for example:

- the price of oil (i.e. Brent) for companies operating mainly in the Oil & Gas sector, also in order to take into account any climate risks inherent in the business;
- the cost of capital, the margins and the long-term growth rate, if applicable, based on the value estimation method used.

The following summary table lists the main equity investments recognised at consolidated level and accounted for using the equity method, with indication of the carrying value at consolidated level and the methods used to calculate the recoverable amount for the purpose of the impairment test.

Note that equity investments accounted for using the equity method were measured using the "closed box" method, which measures the equity investment as a whole in accordance with the IAS 28 Standard.

(thousands of euro)

Equity investment	Consolidated carrying amount	Recoverable amount	Methodology used
Eni	10,057,205	Value in use	Sum of the parts (e.g. DCF for the main business unit E&P)
Open Fiber Holdings	1,321,305	Fair value	Transaction made
Saipem	41,813	Fair value	Adjusted stock market price (Level 3 Fair Value)
Webuild	247,802	Fair value	Stock market price

Eni

The recoverable amount of the equity investment in Eni was measured at value in use based on the discounted cash flow method for the main business unit (Exploration & Production - E&P) and taking into account the value of the other residual business units, so as to reflect the specificity of the different business segments it operates in. More specifically:

- for the Exploration & Production sector, the largest, the discounted cash flow (unlevered DCF) method was used, based on a closed portfolio model which develops and measures the entirety of the group's oil and natural gas reserves until stocks are exhausted over a specific multi-stage forecast period that extends until 2050 (without components of value in perpetuity):
  - production volumes were calculated starting from current proven reserves communicated by Eni and on the assumption that by 2035 about 80% of the proven and unproven reserves (i.e. possible and probable, adequately risked) will be produced, in line with what was declared by Eni. While production volumes after 2035 have been calculated on the assumption that proven and unproven reserves will be exhausted in 2050;
  - sales prices of oil and gas were calculated on the basis of the geographical macro-area the mineral reserves belong to, applying the spreads between the average historical prices and the average sales prices actually charged by Eni to the expected values of oil and gas. These values, based on the forecasts contained in Eni's 2022-2025 Plan, which show a Brent price of 70 $/bbl and a VTP price of 293 €/kmc for 2025, have been prudentially normalised to take account of short-term volatility;
  - unit operating costs were also estimated by geographical macro-area of mineral reserves;
  - investments were estimated in a differentiated manner for proven reserves and possible/probable reserves by referring to the current expenditure per barrel produced – including development costs – that Eni incurs in areas where it has historically been present, and prospectively considering a partial improvement in efficiency in real terms;
  - WACC was estimated: (i) applying the Capital Asset Pricing Model for the cost of equity, and (ii) by analysing the structure of sources of financing of a number of companies operating in the sector for the cost of indebtedness and the ratio of equity to debt.
- mainly considering the limited contribution to the overall value in use of the equity investment and the significant sensitivity of the results to long-term forecasts in the current context of uncertainty connected with the expected energy transition process, for sectors other than "Exploration & Production", net invested capital was used as the best estimate of recoverable amount, except for the investment in Eni Gas & Luce, merged into Plenitude, for which the multiples method of a panel of comparable listed companies (EV/EBITDA multiple) was used.

The impairment test found that the recoverable amount was much higher than the carrying value of the equity investment in the consolidated financial statements, and consequently its carrying amount was confirmed. Sensitivity analyses were performed on the main assumptions and variables used in estimating the value in use, with particular reference to the oil prices as well as the WACC and EBITDA discount rate, which show that any non-marginal negative changes in the main assumptions at the basis of test could result in a recoverable amount lower than what was identified at the reporting date but still higher than the carrying value of the equity investment.

Open Fiber Holdings

The recoverable amount for Open Fiber Holdings was estimated as its fair value, taking as a reference the value of the transactions executed on the asset during the year 2021.

The impairment test found that the recoverable amount was much higher than the carrying value of the equity investment in the consolidated financial statements, and consequently the carrying amount of the equity investment was confirmed.

Saipem

With regard to Saipem, in the final part of 2021 the company, which is jointly controlled with the other main shareholder ENI, recorded a significant deterioration in business performance, with significant losses on orders and important asset write-downs that markedly eroded equity and worsened balance sheet and profitability ratios. Specifically, on 31 January 2022 Saipem withdrew the outlooks announced in October 2021 and disclosed to the market the forecast of statutory financial statements for the year 2021 with significant losses, to the point of affecting the company's share capital by more than one-third, thus fulfilling the conditions set out in Article 2446 of the Italian Civil Code. With regard to the complexity of the situation, a new organisation was defined and the company's management was expanded in order to define a new business plan for the recovery of profitability, the improvement of cash generation and the repayment of debt, on the basis of which an initiative to reinforce the financial and equity structure has been implemented, and will be completed by year end.

For the purposes of verifying the recoverability of the carrying amount, the higher of fair value and the value in use was considered, which in this case corresponds to fair value. With regard to the measurement of fair value, given that the impairment losses disclosed by Saipem on 31 January 2022 did not relate to events occurring after the end of the period, it was necessary to adjust the stock market valuation at 31 December 2021 in order to factor in the information provided in the communication of 31 January 2022, which, given the exceptional nature of the situation, resulted in a Level 3 fair value that appropriately expresses the value of the equity investment in the company at 30 December 2021 (the last day of the trading year).

In fact, the fair value was calculated by taking the price at 30 December 2021 and applying the percentage reduction in value recorded between the closing price of 28 January 2022, the last trading day prior to Saipem's disclosure, and the price expressed by the market at the close of the day the disclosure was made to the market.

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment in the consolidated financial statements, and consequently the carrying amount of the equity investment was confirmed.

Webuild

The recoverable amount of the equity investment in Webuild was measured at fair value.

The fair value of the equity investment was calculated on the basis of the volume-weighted average price (“VWAP” method) at which the stock traded at the measurement date (“VWAP” method).

The impairment test found that the fair value was higher than the carrying value of the equity investment and, consequently, the carrying amount of the equity investment was confirmed.

7.2 Significant equity investments: carrying amount, fair value and dividends received

(thousands of euro)

Company name	Carrying amount	Fair value (*)	Dividends received
A. Joint ventures			
1. Open Fiber Holdings S.p.A.	1,321,305		
B. Companies subject to significant influence			
1. ENI S.p.A.	10,057,205	11,440,113	627,240
2. Poste Italiane S.p.A.	3,581,950	5,275,378	232,683
3. Nexi S.p.A.	2,489,436	2,489,436	

(*) The fair value shown in the table regarding listed securities is calculated by multiplying the number of shares held by the stock market price recorded at the end of 2021 (30 December 2021).

7.3 Significant equity investments: accounting data

(millions of euro) Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Writedowns of property, plant and equipment and intangible assets	Income (loss) before tax from continuing operations	Income (loss) after tax on continuing operations	Income (loss) after tax on discontinued operations	Income (loss) for the year (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Joint ventures														
1. Open Fiber Holdings S.p.A.	173	209	7,627	2,895	1,274	35	10	(24)	(7)	(4)		(4)		(4)
B. Companies under significant influence														
1. ENI S.p.A.	x	12,494	117,017	33,131	59,867	77,771	x	x	10,685	5,840		5,840	2,051	7,891
2. Poste S.p.A.	x	248,856	27,913	104,732	167,886	11,220	x	x	2,168	1,580		1,580	(1,119)	460
3. Nexi S.p.A.	x	3,473	19,350	10,081	1,962	3,053	x	x	59	52		52	(3)	49

The consolidated accounting figures for joint arrangements and significant associates were produced based on the information provided by the investees at 31 December 2021.

(thousands of euro) Company name	Net assets	% holding	Net assets held	Goodwill	other adjustments	Book value
A. Joint ventures						
1. Open Fiber Holdings S.p.A.	3,839,369	60.00%	2,303,621	609,135	(1,591,452)	1,321,305
B. Companies subject to significant influence						
1. ENI S.p.A.	44,437,000	25.96%	11,537,904		(1,480,699)	10,057,205
2. Poste S.p.A.	12,102,354	35.00%	4,235,824		(653,874)	3,581,950
3. Nexi S.p.A.	12,315,980	13.58%	1,672,510	781,214	35,711	2,489,436

7.4 Non-significant equity investments: accounting data

(thousands of euro) Company name	Carrying amount of the investments	Total assets	Total liabilities	Total revenues	Income (loss) after tax on continuing operations	Income (loss) after tax on	Income (loss) for the year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
Joint ventures	1,300,244	6,646,680	5,323,185	1,981,337	30,793		144,591	2,511	147,103
Companies subject to significant influence	2,050,201	20,194,823	15,319,764	2,151,800	(239,438)		581,023	25,905	606,928

The accounting figures for non-significant equity investments in companies subject to joint control and associates were produced based on the information provided by the investees.

7.5 Equity investments: changes for the year

(thousands of euro)	31/12/2021	31/12/2020
A. Opening balance	**15,834,385**	**18,952,123**
B. Increases	**7,369,979**	**1,544,481**
B.1 Purchases	4,178,379	471,678
B.2 Writebacks		871
B.3 Revaluations	2,332,202	568,108
B.4 Other increases	859,398	503,824
C. Decreases	**2,373,746**	**4,662,219**
C.1 Sales	79,639	125,994
C.2 Writedowns	1,020	16,342
C3 Impairment	646,456	2,671,983
C.4 Other decreases	1,646,631	1,847,900
D. Closing balance	**20,830,618**	**15,834,385**
E. Total revaluations	**5,097,224**	**2,839,036**
F. Total writedowns	**1,175,414**	**684,116**

7.6 Significant assessments or assumptions made to determine whether there is joint control or significant influence

Please refer to the contents of Section 7 “Equity Investments” Part A.2 of these Notes to the Consolidated Financial Statements.

7.7 Commitments relating to joint operations

CDP Equity S.p.A. resolved:

- the subscription of equity commitments totalling 542 million euro in favour of the investee companies Ansaldo Energia (50 million euro), Open Fiber Holdings (293 million euro), Renovit (15 million euro) and GreenIT (184 million euro);
- the signing of a binding commitment to establish a technology development company dedicated to the development of plants for the production of biofuels and water for industrial and irrigation reuse through the use of urban organic waste with ENI with a maximum equity commitment of 39 million euro by CDP Equity;
- the signing of a binding commitment for the acquisition of Autostrade per l’Italia for a total of 4,458 million euro through Holding Reti Autostradali.

7.8 Commitments relating to companies under significant influence

The most significant commitments relating to companies under significant influence comprise:

- the commitment related to the equity investment in Kedrion S.p.A. regarding the earn-out clause. Sestant, a Marcucci family SPV and shareholder in Kedrion, is to receive a bonus from FSI Investimenti in the event of changes in the ownership structure of the investee, if the value of the investment rises significantly. At 31 December 2021, the value of the option was negative by approximately 7,522 thousand euro;
- upon reaching the "Financial Completion Date" on 31 March 2021, with the fulfilment of certain requirements agreed to with the financing institutions, including in particular the completion of the checks regarding the commissioning of the plant, on the same date the first-demand guarantee issued by TAP's shareholders to the financing institutions in support of TAP's financing during the construction of the project (the so-called "Debt Service Guarantee" with a maximum pro-rata Snam amount of 1,129 million euro at 31 December 2020) was released. With regard to the subsidiary Snam's commitments to finance the project as a shareholder, to the extent of the shareholding it holds (20%), note that, with the achievement of the Financial Completion Date and following the completion of the disbursement of the last tranche of bank loans, there are no longer any commitments to finance the project (113 million euro at 31 December 2020). Currently and until the repayment of the loan, a mechanism has been put in place to support the repayment of the outstanding financial debt of TAP (the so-called "Debt Payment Undertaking”), which, unlike a first demand guarantee, would be activated upon the occurrence of specific and determined conditions linked to exceptional events of an extraordinary nature. The maximum Snam pro-rata amount of the guarantee is 1,129 million euro. The financial documentation subscribed under the Project Financing concluded for TAP also provides for some restrictions for the shareholders, typical of this type of transaction, such as: (i) the restriction on the sale of TAP shares, according to a certain schedule; (ii) establishment of a pledge for the shares held by Snam in TAP in favour of the lenders for the entire duration of the loan.

7.9 Significant restrictions

There are no significant restrictions on equity investments.

7.10 Other information

With regard to equity investments in associates or joint ventures, financial statements or reports with a reporting date of up to 6 months from 31 December 2021 were 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	30/09/2021
Kedrion S.p.A.	Significant influence	30/09/2021
Rocco Forte Hotels Ltd.	Significant influence	31/10/2021
Trevi finanziaria industriale S.p.A.	Significant influence	30/06/2021
B.F. S.p.A.	Significant influence	30/06/2021
Hotelturist S.p.A.	Joint control	31/10/2021

Furthermore, when the accounting data of an associate or a joint operation used to apply the equity method is different from 31 December 2021, adjustments are made to reflect the effects of the significant transactions or facts that occurred between said date and the reporting date of the consolidated financial statements of the CDP Group.

SECTION 8 - REINSURERS' SHARE OF TECHNICAL PROVISIONS - ITEM 80

8.1 Reinsurers' share of technical provisions: breakdown

(thousands of euro)	31/12/2021	31/12/2020
A. Non-life insurance		**2,594,711**
A1. reserves for unearned premiums		2,293,318
A2. reserves for claims outstanding		301,164
A3. other		229
B. Life insurance		
C. Technical provisions where the investment risk is borne by the insured		
D. Total reinsurers' share of technical provisions		**2,594,711**

The item "Reinsurers' share of technical provisions" was zero at 31 December 2021 due to the presentation of the balances relating to SACE and SACE BT within item 120 Non-current assets and disposal groups held for sale and related liabilities.

8.2 Change in item 80 "Reinsurers' share of technical provisions"

	Non-life insurance		
(thousands of euro)	Provision for unearned premiums	Provision for claims outstanding	Other
Opening balance	**2,293,318**	**301,164**	**229**
a) Increases			
b) Decreases	(2,293,318)	(301,164)	(229)
Closing balance			

SECTION 9 - PROPERTY, PLANT AND EQUIPMENT - ITEM 90

9.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euro) Items/Values	Prudential consolidation	Other entities	31/12/2021	31/12/2020
1. Owned	**108,182**	**39,083,779**	**39,191,961**	**38,086,706**
a) land	62,276	518,354	580,630	579,458
b) buildings	34,632	2,809,622	2,844,254	2,704,205
c) furniture	3,488	7,487	10,975	12,302
d) electrical plant	3,644	671,426	675,070	477,302
e) other	4,142	35,076,890	35,081,032	34,313,439
2. Right of use acquired under leases	**13,833**	**328,072**	**341,905**	**431,320**
a) land		8,633	8,633	9,376
b) buildings	12,713	215,242	227,955	298,462
c) furniture				
d) electrical plant	48	15,127	15,175	102
e) other	1,072	89,070	90,142	123,380
Total	**122,015**	**39,411,851**	**39,533,866**	**38,518,026**
of which: obtained via the enforcement of the guarantees received				

Other property, plant and equipment refer primarily to the investments by Terna and Snam in plants instrumental for the performance of their business activity. In detail, the item includes mainly:

- investments by Terna for approximately 15 billion euro, referring to power lines for 7.1 billion euro and transformation stations for 4.8 billion euro;
- investments by Snam for approximately 20 billion euro, including transport for 14.3 billion euro (gas pipelines, gas reduction regulation stations and plants), storage for 2.9 billion euro (wells, pipelines, and processing and compression stations) and regasification for 25 million euro;
- assets under construction and advances for 3.7 billion euro, of which 2.2 billion euro ascribable to Terna and 1.3 billion euro to Snam.

9.2 Investment property: breakdown of assets measured at cost

(thousands of euro)	31/12/2021				31/12/2020			
		Fair value				Fair value		
Items/Values	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
1. Owned	**775,851**		**547,000**	**228,851**	**791,924**		**559,483**	**234,265**
a) land	55,130			55,130	58,899		5,263	55,130
b) buildings	720,721		547,000	173,721	733,025		554,220	179,135
2. Right of use acquired under leases	**3,458**			**3,458**	**3,971**			**3,971**
a) land								
b) buildings	3,458			3,458	3,971			3,971
Total	**779,309**		**547,000**	**232,309**	**795,895**		**559,483**	**238,236**
of which: obtained via the enforcement of the guarantees received								

Key

L1= Level 1

L2= Level 2

L3= Level 3

9.2 of which: pertaining to the Prudential consolidation

(thousands of euro)	31/12/2021				31/12/2020			
		Fair value				Fair value		
Items/Values	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
1. Owned	**220,000**			**220,000**	**225,414**			**225,414**
a) land	55,130			55,130	55,130			55,130
b) buildings	164,870			164,870	170,284			170,284
2. Right of use acquired under leases	**3,458**			**3,458**	**3,860**			**3,860**
a) land								
b) buildings	3,458			3,458	3,860			3,860
Total	**223,458**			**223,458**	**229,274**			**229,274**
of which: obtained via the enforcement of the guarantees received								

9.2 of which: pertaining to Insurance companies

(thousands of euro)	31/12/2021				31/12/2020			
		Fair value				Fair value		
Items/Values	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
1. Owned					**12,667**		**14,491**	
a) land					3,769		5,263	
b) buildings					8,898		9,228	
2. Right of use acquired under leases								
a) land								
b) buildings								
Total					**12,667**		**14,491**	
of which: obtained via the enforcement of the guarantees received								

9.2 of which: pertaining to Other companies

(thousands of euro)	31/12/2021				31/12/2020			
		Fair value				Fair value		
Items/Values	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
1. Owned	**555,851**		**547,000**	**8,851**	**553,843**		**544,992**	**8,851**
a) land								
b) buildings	555,851		547,000	8,851	553,843		544,992	8,851
2. Right of use acquired under leases					**111**			**111**
a) land								
b) buildings					111			111
Total	**555,851**		**547,000**	**8,851**	**553,954**		**544,992**	**8,962**
of which: obtained via the enforcement of the guarantees received								

9.3 Operating property, plant and equipment: breakdown of revalued assets

This item has a nil balance.

9.4 Investment property: breakdown of assets measured at fair value

This item has a nil balance.

9.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

(thousands of euro) Items/Values	Total 31/12/2021	Total 31/12/2020
1. Inventories of property, plant and equipment from enforcement of the guarantees received		
2. Other inventories of property, plant and equipment	**795,219**	**1,001,577**
Total	**795,219**	**1,001,577**
of which measured at fair value, less costs of disposal		

Inventories of property, plant and equipment mainly comprise property owned by CDP Immobiliare for 178 million euro and the mutual funds included in the scope of consolidation for 559 million euro.

9.6 Operating property, plant and equipment: changes for the year

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**627,100**	**4,440,742**	**35,988**	**1,090,512**	**57,477,458**	**63,671,800**
A.1 Total net writedowns	(38,266)	(1,438,075)	(23,686)	(613,108)	(23,040,639)	(25,153,774)
A.2 Opening net balance	**588,834**	**3,002,667**	**12,302**	**477,404**	**34,436,819**	**38,518,026**
A.3 Change in opening balance						
B. Increases	**56,107**	**399,949**	**8,329**	**471,959**	**3,712,608**	**4,648,952**
B.1 Purchases	25,304	94,357	1,719	126,457	2,781,495	3,029,332
- of which: business combinations	*23,681*	*19,186*		*76,116*	*29,761*	*148,744*
B.2 Capitalised improvement costs		2,076				2,076
B.3 Writebacks					31	31
B.4 Fair value gains recognised in						
a) equity						
b) income statement						
B.5 Positive exchange rate differences	191	15,653		1,087	7,603	24,534
B.6 Transfers from investment property		111	X	X	X	111
B.7 Other changes	30,612	287,752	6,610	344,415	923,479	1,592,868
C. Decreases	**55,678**	**330,407**	**9,656**	**259,118**	**2,978,253**	**3,633,112**
C.1 Sales	3,020	89,517		1,094	79,484	173,115
C.2 Depreciation	2,499	156,851	1,916	103,397	1,505,407	1,770,070
C.3 Writedowns for impairment recognised in	51			56	12,505	12,612
a) equity						
b) income statement	51			56	12,505	12,612
C.4 Fair value losses recognised in						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to	49,800	18,570	2,039	231	1,665	72,305
a) investment property			X	X	X	
b) assets held for sale	49,800	18,570	2,039	231	1,665	72,305
C.7 Other changes	308	65,469	5,701	154,340	1,379,192	1,605,010
D. Closing net balance	**589,263**	**3,072,209**	**10,975**	**690,245**	**35,171,174**	**39,533,866**
D.1 Total net writedowns	(26,246)	(1,507,607)	(16,928)	(642,447)	(24,156,433)	(26,349,661)
D.2 Closing gross balance	**615,509**	**4,579,816**	**27,903**	**1,332,692**	**59,327,607**	**65,883,527**
E. Measurement at cost						

9.6 of which: pertaining to the Prudential consolidation

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**62,276**	**72,674**	**14,236**	**15,946**	**35,863**	**200,995**
A.1 Total net writedowns		(26,730)	(11,158)	(12,884)	(26,702)	(77,474)
A.2 Opening net balance	**62,276**	**45,944**	**3,078**	**3,062**	**9,161**	**123,521**
B. Increases		**10,712**	**6,478**	**3,640**	**3,883**	**24,713**
B.1 Purchases		1,258	663	1,036	2,105	5,062
B.2 Capitalised improvement costs		1,352				1,352
B.3 Writebacks						
B.4 Fair value gains recognised in						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property			X	X	X	
B.7 Other changes		8,102	5,815	2,604	1,778	18,299
C. Decreases		**9,311**	**6,068**	**3,010**	**7,830**	**26,219**
C.1 Sales						
C.2 Depreciation		3,461	773	1,601	1,141	6,976
C.3 Writedowns for impairment recognised in						
a) equity						
b) income statement						
C.4 Fair value losses recognised in						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to						
a) investment property			X	X	X	
b) assets held for sale						
C.7 Other changes		5,850	5,295	1,409	6,689	19,243
D. Closing net balance	**62,276**	**47,345**	**3,488**	**3,692**	**5,214**	**122,015**
D.1 Total net writedowns		(29,682)	(6,836)	(14,670)	(26,081)	(77,269)
D.2 Closing gross balance	**62,276**	**77,027**	**10,324**	**18,362**	**31,295**	**199,284**
E. Measurement at cost						

9.6 of which: pertaining to Insurance companies

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**83,229**	**29,122**	**4,880**	**2,633**	**2,000**	**121,864**
A.1 Total net writedowns	(33,429)	(10,993)	(3,438)	(2,403)	(1,227)	(51,490)
A.2 Opening net balance	**49,800**	**18,129**	**1,442**	**230**	**773**	**70,374**
B. Increases		**1,027**	**1,142**	**24**	**140**	**2,333**
B.1 Purchases		1,026	748		81	1,855
B.2 Capitalised improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property			X	X	X	
B.7 Other changes		1	394	24	59	478
C. Decreases	**49,800**	**19,156**	**2,584**	**254**	**913**	**72,707**
C.1 Sales						
C.2 Depreciation		661	141	17	100	919
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	49,800	18,471	2,039	231	811	71,352
a) investment property			X	X	X	
b) assets held for sale	49,800	18,471	2,039	231	811	71,352
C.7 Other changes		24	404	6	2	436
D. Closing net balance						
D.1 Total net writedowns						
D.2 Closing gross balance						
E. Measurement at cost						

9.6 of which: pertaining to Other companies

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**481,595**	**4,338,946**	**16,872**	**1,071,933**	**57,439,595**	**63,348,941**
A.1 Total net writedowns	(4,837)	(1,400,352)	(9,090)	(597,821)	(23,012,710)	(25,024,810)
A.2 Opening net balance	**476,758**	**2,938,594**	**7,782**	**474,112**	**34,426,885**	**38,324,131**
A.3 Change in opening balance						
B. Increases	**56,107**	**388,210**	**709**	**468,295**	**3,708,585**	**4,621,906**
B.1 Purchases	25,304	92,073	308	125,421	2,779,309	3,022,415
- of which: business combinations	*23,681*	*19,186*		*76,116*	*29,761*	*148,744*
B.2 Capitalised improvement costs		724				724
B.3 Writebacks					31	31
B.4 Fair value gains recognised in						
a) equity						
b) income statement						
B.5 Positive exchange rate differences	191	15,653		1,087	7,603	24,534
B.6 Transfers from investment property		111	X	X	X	111
B.7 Other changes	30,612	279,649	401	341,787	921,642	1,574,091
C. Decreases	**5,878**	**301,940**	**1,004**	**255,854**	**2,969,510**	**3,534,186**
C.1 Sales	3,020	89,517		1,094	79,484	173,115
C.2 Depreciation	2,499	152,729	1,002	101,779	1,504,166	1,762,175
C.3 Writedowns for impairment recognised in	51			56	12,505	12,612
a) equity						
b) income statement	51			56	12,505	12,612
C.4 Fair value losses recognised in						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to		99			854	953
a) investment property			X	X	X	
b) assets held for sale		99			854	953
C.7 Other changes	308	59,595	2	152,925	1,372,501	1,585,331
D. Closing net balance	**526,987**	**3,024,864**	**7,487**	**686,553**	**35,165,960**	**39,411,851**
D.1 Total net writedowns	(26,246)	(1,477,925)	(10,092)	(627,777)	(24,130,352)	(26,272,392)
D.2 Closing gross balance	**553,233**	**4,502,789**	**17,579**	**1,314,330**	**59,296,312**	**65,684,243**
E. Measurement at cost						

9.7 Investment property: changes for the year

	Prudential consolidation		Insurance companies		Other entities	
(thousands of euro)	Land	Buildings	Land	Buildings	Land	Buildings
A. Opening gross balance	**55130**	**201,047**	**3,810**	**8,898**		**626,488**
A.1 Total net writedowns		(26,903)	(41)			(72,534)
A.2 Opening net balance	**55,130**	**174,144**	**3,769**	**8,898**		**553,954**
A.3 Change in opening balance						
B. Increases		**548**				**44,393**
B.1 Purchases						44,393
- of which: business combinations						
B.2 Increases in internally-generated intangible assets		481				
B3. Fair value gains						
B4. Writebacks						
B.5 Positive exchange rate differences						
B.6 Transfers from operating property						
B7. Other changes		67				
C. Decreases		**6,364**	**3,769**	**8,898**		**42,496**
C1. Sales						
C.2 Depreciation		6,364				
C3. Fair value losses						
C4. Writedowns for impairment						36,093
C.5 Negative exchange rate differences						
C.6 Transfers to						111
a) operating property						111
b) non-current assets and disposal groups held for sale						
C.7 Other changes						6,292
D. Closing balance	**55,130**	**168,328**				**555,851**
D.1 Total net writedowns		(33,268)				(97,302)
D.2 Closing gross balance	**55,130**	**201,596**				**653,153**
E. Measurement at fair value	55,130	168,328				555,851

9.8 Inventories of property, plant and equipment governed by IAS 2: changes for the year

	Inventories of property, plant and equipment obtained via the enforcement of the guarantees received					Other inventories of property, plant and equipment	Total
	Land	Buildings	Movables	Electrical plant	Other		
A. Opening gross balance						**1,001,577**	**1,001,577**
B. Increase						**32,615**	**32,615**
B.1 Purchase						7,869	7,869
B.2 Writebacks						1,107	1,107
B.3 Positive exchange rate differences							
B.4 Other changes						23,639	23,639
C. Decreases						**238,973**	**238,973**
C.1 Sales						45,105	45,105
C.2 Writedowns for impairment						55,891	55,891
C.3 Negative exchange rate differences							
C.4 Other changes						137,977	137,977
D. Closing gross balance						**795,219**	**795,219**

9.9 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment refer mainly to:

- the Fincantieri group which, at 31 December 2021, had commitments for the purchase of property, plant and equipment for approximately 89 million euro;
- the Ansaldo Energia group which, at 31 December 2021, had commitments for purchases of approximately 8 million euro;
- the SNAM group, whose purchase commitments with respect to property, plant and equipment amounted to approximately 987 million euro, of which 75 million euro related to commitments for the purchase of buildings and related appurtenances.

SECTION 10 - INTANGIBLE ASSETS - ITEM 100

10.1 Intangible assets: breakdown by category

(thousands of euro)	Prudential consolidation		Other entities		31/12/2021		31/12/2020	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
Assets/values								
A.1 Goodwill	**x**		**x**	**1,095,724**	**x**	**1,095,724**	**x**	**2,227,633**
A.1.1 pertaining to Group	x		x	1,095,724	x	1,095,724	x	2,227,633
A.1.2 non-controlling interests	x		x		x		x	
A.2 Other intangible assets	**59,371**		**11,379,604**	**16,334**	**11,438,975**	**16,334**	**12,109,685**	**15,076**
of which: software	59,332		511,337		570,669		616,119	
A.2.1 Assets carried at cost	59,371		11,379,604	16,334	11,438,975	16,334	12,109,685	15,076
a) internally-generated intangible assets			318,206		318,206		281,214	
b) other assets	59,371		11,061,398	16,334	11,120,769	16,334	11,828,471	15,076
A.2.2 Assets carried at fair value								
a) internally-generated intangible assets								
b) other assets								
Total	**59,371**		**11,379,604**	**1,112,058**	**11,438,975**	**1,112,058**	**12,109,685**	**2,242,709**

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 951 million euro, which mainly include the value of concessions for the storage of natural gas;
- infrastructure rights worth 8,201 million euro, of which 8,066 million euro relating to Italgas, and the remainder to Snam and Terna. The item includes the value of the public-private service concession agreements relating to the development, maintenance and operation of infrastructure under concession arrangements. Under the terms of the agreements, the operator holds the right to use the infrastructure in order to provide the public service;
- customer contracts valued at 250 million euro;
- trademarks worth 82 million euro;
- technological know-how worth 668 million euro.

10.2 Intangible assets: changes for the year

(thousands of euro)	Goodwill	Other intangible assets: internally generated DEF	Other intangible assets: internally generated INDEF	Other intangible assets: other DEF	Other intangible assets: other INDEF	Total
A. Opening gross balance	**2,228,092**	**1,070,773**		**19,604,698**	**15,076**	**22,918,639**
A.1 Total net writedowns	(459)	(807,629)		(7,753,075)		(8,561,163)
A.2 Opening net balance	**2,227,633**	**263,144**		**11,851,623**	**15,076**	**14,357,476**
A.3 Change in opening balance		18,070		(23,152)		(5,082)
B. Increases	**70,398**	**285,946**		**1,775,821**	**1,258**	**2,133,423**
B.1 Purchases	67,335	3,269		1,258,488		1,329,092
of which: business combinations	*66,621*	*118*		*94,262*		*161,001*
B.2 Increases in internally-generated intangible assets	x	74,154		48		74,202
B.3 Writebacks	x					
B.4 Fair value gains						
- equity	x					
- income statement	x					
B.5 Positive exchange rate differences	2,483	2,101		11,836	1,258	17,678
B.6 Other changes	580	206,422		505,449		712,451
C. Decreases	**1,202,307**	**248,954**		**2,483,523**		**3,934,784**
C.1 Sales	1,202,295	65,253		217,666		1,485,214
C.2 Writedowns		86,404		787,766		874,170
- Amortisation	x	85,923		786,138		872,061
- Impairment		481		1,628		2,109
+ equity	x					
+ income statement		481		1,628		2,109
C.3 Fair value losses						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale		6,127		16,845		22,972
C.5 Negative exchange rate differences		973		6,776		7,749
C.6 Other changes	12	90,197		1,454,470		1,544,679
D. Closing net balance	**1,095,724**	**318,206**		**11,120,769**	**16,334**	**12,551,033**
D.1 Total net writedowns	(471)	(640,329)		(8,001,149)		(8,641,949)
E. Closing gross balance	**1,096,195**	**958,535**		**19,121,918**	**16,334**	**21,192,982**
F. Measurement at cost						

Key

DEF: definite life

INDEF: indefinite life

10.2 of which: pertaining to the Prudential consolidation

(thousands of euro)	Goodwill	Other intangible assets: internally generated DEF	Other intangible assets: internally generated INDEF	Other intangible assets: other DEF	Other intangible assets: other INDEF	Total
A. Opening gross balance				**92,299**		**92,299**
A.1 Total net writedowns				(48,581)		(48,581)
A.2 Opening net balance				**43,718**		**43,718**
B. Increases				**31,929**		**31,929**
B.1 Purchases				31,121		31,121
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				808		808
C. Decreases				**16,276**		**16,276**
C.1 Sales						
of which: business combinations						
C.2 Writedowns				13,111		13,111
- Amortisation	x			13,111		13,111
- 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				3,165		3,165
D. Closing net balance				**59,371**		**59,371**
D.1 Total net writedowns				(57,532)		(57,532)
E. Closing gross balance				**116,903**		**116,903**
F. Measurement at cost						

10.2 of which: pertaining to Insurance companies

(thousands of euro)	Goodwill	Other intangible assets: internally generated DEF		Other intangible assets: other DEF		Total
		DEF	INDEF	DEF	INDEF	
A. Opening gross balance		**7,961**		**13,505**		**21,466**
A.1 Total net writedowns		(3,062)		(9,981)		(13,043)
A.2 Opening net balance		**4,899**		**3,524**		**8,423**
B. Increases		**1,758**		**1,296**		**3,054**
B.1 Purchases		1,758		1,115		2,873
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				181		181
C. Decreases		**6,657**		**4,820**		**11,477**
C.1 Sales						
of which: business combinations						
C.2 Writedowns		261		484		745
- Amortisation	x	261		484		745
- 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		6,127		4,312		10,439
C.5 Negative exchange rate differences						
C.6 Other changes		269		24		293
D. Closing net balance						
D.1 Total net writedowns						
E. Closing gross balance						
F. Measurement at cost						

10.2 of which: pertaining to Other companies

(thousands of euro)	Goodwill	Other intangible assets: internally generated DEF	Other intangible assets: internally generated INDEF	Other intangible assets: other DEF	Other intangible assets: other INDEF	Total
A. Opening gross balance	**2,228,092**	**1,062,812**		**19,498,894**	**15,076**	**22,804,874**
A.1 Total net writedowns	(459)	(804,567)		(7,694,513)		(8,499,539)
A.2 Opening net balance	**2,227,633**	**258,245**		**11,804,381**	**15,076**	**14,305,335**
A.3 Change in opening balance		18,070		(23,152)		(5,082)
B. Increases	**70,398**	**284,188**		**1,742,596**	**1,258**	**2,098,440**
B.1 Purchases	67,335	1,511		1,226,252		1,295,098
of which: business combinations	*66,621*	*118*		*94,262*		*161,001*
B.2 Increases in internally-generated intangible assets	x	74,154		48		74,202
B.3 Writebacks	x					
B.4 Fair value gains						
- equity	x					
- income statement	x					
B.5 Positive exchange rate differences	2,483	2,101		11,836	1,258	17,678
B.6 Other changes	580	206,422		504,460		711,462
C. Decreases	**1,202,307**	**242,297**		**2,462,427**		**3,907,031**
C.1 Sales	1,202,295	65,253		217,666		1,485,214
C.2 Writedowns		86,143		774,171		860,314
- Amortisation	x	85,662		772,543		858,205
- Impairment		481		1,628		2,109
+ equity	x					
+ income statement		481		1,628		2,109
C.3 Fair value losses						
- equity	x					
- income statement	x					
C.4 Transfer to non-current assets held for sale				12,533		12,533
C.5 Negative exchange rate differences		973		6,776		7,749
C.6 Other changes	12	89,928		1,451,281		1,541,221
D. Closing net balance	**1,095,724**	**318,206**		**11,061,398**	**16,334**	**12,491,662**
D.1 Total net writedowns	(471)	(640,329)		(7,943,617)		(8,584,417)
E. Closing gross balance	**1,096,195**	**958,535**		**19,005,015**	**16,334**	**21,076,079**
F. Measurement at cost						

Impairment testing of goodwill

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 investee companies. Since it is an intangible asset having an indefinite useful life, goodwill is not amortised but tested only for the recoverability 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 the CGU, including goodwill, and the recoverable amount of said CGU. If the value of the CGU is higher than its recoverable amount, the difference is recognised in the income statement first reducing goodwill until it reaches zero.

At each reporting date, CDP conducts an assessment to detect the presence of indicators of impairment under IAS 36 and of any additional indicators, where applicable, also considering the indications of national and international regulators on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments as well as the difficulties related to the long-term impacts linked to the evolution of the health crisis due to the spread of COVID-19. In this respect, the evolution of the spread of COVID-19 throughout the world, the increasing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict – the latter considered as a non-adjusting event in accordance with IAS 10 and therefore not included in the impairment test at 31 December 2021 – and the consequent impacts of these events on the economy have increased the level of uncertainty, hence making it more complex to make quantitative estimates, for example, cash flows from CGUs, also due to the increased uncertainty in the assumptions and parameters at the basis of the CGU valuation analyses.

Specifically, in light of the above, note that:

- the estimates have been made also considering stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, linked to the evolution of the COVID-19 pandemic and the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict;
- the evaluations were also made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future effects of the evolution of the COVID-19 pandemic and the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict.

It is therefore important to stress the uncertainty about the possible duration of the impacts of the pandemic, as well as the growing tensions in the international geo-political arena fuelled by the recent Russian-Ukrainian conflict, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. There is still a need to constantly monitor the evolution of these elements in the current context.

Moreover, when performing impairment testing, CDP takes into account the guidelines of the supervisory authorities on financial reporting aspects relating to risks, uncertainties, estimates, assumptions and valuations, as well as difficulties associated with the possible impact of climate risks on the entities under analysis. Where relevant, these factors are taken into account, mainly through considerations and/or sensitivity analyses on the variables determining recoverable amount.

For more details, please refer to part A1 of Section 5 - Other issues and A2 - The main financial statement items.

In relation to Snam, Terna, Italgas, Ansaldo Energia and Stark Two, the CGUs to which goodwill was allocated coincide with the individual sub-consolidated entities. With reference to Fincantieri and Melt1, note that the amount of goodwill recognised in the consolidated financial statements of CDP refers respectively to the companies headed by the Vard Group and the C2MAC Group, in relation to which goodwill of 145 million euro and 14 million euro was respectively recognised directly by the subsidiaries.

The following summary table lists the goodwill amounts recognised at consolidated level, with indication of the carrying value and the methods used to calculate the recoverable amount determined for the purpose of the impairment test.

(thousands of euro)

CGU	Goodwill amount	Recoverable amount	Methodology
Snam	246,465	Fair value	Stock market price
Terna	220,008	Fair value	Stock market price
Italgas	75,248	Fair value	Stock market price
Fincantieri	145,042	Fair value	Stock market price
Ansaldo Energia	359,776	Value in use	DDM
Stark Two	35,630	Fair Value	Stock multiples
Melt1	13,555	n.a.	n.a.

In relation to Snam, Terna, Italgas and Ansaldo Energia, the CGUs to which goodwill was allocated coincide with the single investee companies, and the recoverable amount was identified:

- for Snam, Terna and Italgas, the fair value less costs to sell, determined on the basis of the average of the respective trading prices for December 2021, weighted with the relevant volumes;
- for Ansaldo Energia, the value in use was measured using the Dividend Discount Model (DDM Method) based on a two-stage model, with (i) a clearly stated forecast of future cash flows for the years 2022-2026 and (ii) the calculation of the terminal value using the algorithm of cash flows in perpetuity. The discount rate is equal to the estimated cost of equity capital of 9.0%, based on specific parameters derived from a panel of comparable listed companies. The long-term growth rate in terminal value was estimated at 0.9% based on the industrial sector and the geographic areas the company operates in. The economic-financial forecasts for the specific period are based on the 2022-2026 Plan subject to approval by the company's Board of Directors, while the Terminal Value was determined on the basis of normalised forecasts of the income statement.
  Note that any non-marginal negative changes in the main assumptions at the basis of the test could result in a recoverable amount lower than that identified at the reporting date but still higher than the carrying value.

In relation to Fincantieri, goodwill is the amount recognised in the consolidated financial statements of the same CGU following the acquisition of the Vard Group and is reflected in the consolidated financial statements of CDP given that the equity investment is consolidated on a line-by-line basis. In any event, note that the fair value, measured on the basis of the stock prices of the equity investment, was found to be higher than the value of net assets inclusive of goodwill.

During the year, as a result of changes in the ownership structure of Fondo Italiano Consolidamento e Crescita (“FICC”), managed by the subsidiary FII SGR S.p.A., CDP's control over that investment entity was confirmed, and consequently over the vehicles it controls (e.g. Stark Two, Melt1 and Elettra One). In this respect, with specific regard to the goodwill recorded following the acquisition of control over the FICC:

- with regard to the subsidiary Stark Two (vehicle with a 69% stake in Marval), goodwill has been recognised attributable to the higher fair value recognised when control of the equity investment was acquired, compared to the fair value allocable to the individual assets and liabilities of Stark Two. Consequently, the recoverable amount of Marval, the only equity investment of the Stark Two vehicle, was estimated by applying the market multiples method (specifically, the EV/EBITDA multiple was used). To this end, a panel of comparable listed companies operating in the same sector as the company (i.e. precision machining) was selected;
- with regard to Melt1, goodwill is the amount recognised in the consolidated financial statements of that CGU following the acquisitions made during the year by the subsidiary C2MAC Group and reflected in CDP's consolidated financial statements as a result of the line-by-line consolidation of the equity investment. In light of the fact that the transactions giving rise to the goodwill occurred during 2021, there is no evidence of any impairment of goodwill.

The impairment tests found that the recoverable amounts were higher than the carrying value of the net assets of the CGUs to which goodwill is allocated, and consequently no change in value was required.

SECTION 11 - TAX ASSETS AND LIABILITIES - ITEM 110 OF ASSETS AND ITEM 60 OF LIABILITIES

11.1 Deferred tax assets: breakdown

(thousands of euro)	Prudential consolidation	Other entities	31/12/2021	31/12/2020
Deferred tax assets recognised in income statement	**268,777**	**1,250,045**	**1,518,822**	**1,647,675**
- losses carried forward		13,070	13,070	11,228
- grants		62,477	62,477	64,690
- sundry writedowns		82,593	82,593	31,537
- financial instruments		197	197	212
- debts				17
- dismantling and site restoration		199,862	199,862	199,206
- provisions for risks and charges	82,879	96,436	179,315	199,820
- writedowns of receivables	160,277	25,228	185,505	229,749
- equity investments				
- property, plant and equipment / intangible assets	3,109	376,515	379,624	337,206
- product guarantee		12,218	12,218	7,991
- employee benefits		18,374	18,374	29,005
- technical provisions				41,849
- exchange rate differences	21,071	975	22,046	44,805
- other temporary differences	1,441	362,100	363,541	450,360
Deferred tax assets recognised in equity	**185,510**	**90,681**	**276,191**	**168,859**
- financial assets measured at fair value through other comprehensive income	13,242		13,242	5,602
- exchange rate differences				
- cash flow hedge	172,217	62,280	234,497	128,050
- other assets	51	28,401	28,452	35,207
Total	**454,287**	**1,340,726**	**1,795,013**	**1,816,534**

11.2 Deferred tax liabilities: breakdown

(thousands of euro)	Prudential consolidation	Other entities	31/12/2021	31/12/2020
Deferred tax liabilities recognised in income statement	**145,052**	**2,436,574**	**2,581,626**	**3,520,896**
- capital gains taxed in instalments		1,757	1,757	2,319
- staff severance pay		13,708	13,708	13,672
- leasing				183
- property, plant and equipment		1,936,666	1,936,666	2,358,661
- own securities portfolio				23,640
- equity investments	72,240	57,450	129,690	133,682
- other financial instruments	6,376		6,376	11,228
- technical provisions				114,946
- exchange rate differences	64,546	1,109	65,655	50,489
- other temporary differences	1,890	425,884	427,774	812,076
Deferred tax liabilities recognised in equity	**76,443**	**6,481**	**82,924**	**144,516**
- financial assets measured at fair value through other comprehensive income	72,390	1,177	73,567	137,031
- reserve L. 169/83				
- reserve L. 213/98				
- other reserves		5,300	5,300	3,760
- other liabilities	4,053	4	4,057	3,725
Total	**221,495**	**2,443,055**	**2,664,550**	**3,665,412**

11.3 Changes in deferred tax assets (recognised in the income statement)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2021	31/12/2020
1. Opening balance	**332,884**	**113,958**	**1,200,833**	**1,647,675**	**1,523,487**
Change in opening balance					2,539
2. Increases	**35,374**	**33,763**	**169,141**	**238,278**	**422,938**
2.1 Deferred tax assets recognised during the year	34,802	33,763	124,319	192,884	389,735
a) in respect of previous periods			416	416	377
b) due to change in accounting policies					
c) writebacks					
d) other	34,802	33,763	123,903	192,468	389,358
2.2 New taxes or increases in tax rates					
2.3 Other increases	572		44,822	45,394	33,203
- of which: business combinations			*2,749*	*2,749*	
3. Decreases	**99,481**	**147,721**	**119,929**	**367,131**	**301,289**
3.1 Deferred tax assets derecognised during the year	91,221	15,311	106,302	212,834	139,604
a) reversals	82,685	15,311	66,031	164,027	115,412
b) writedowns for supervening non-recoverability					15,897
c) due to change in accounting policies					
d) other	8,536		40,271	48,807	8,295
3.2 Reduction in tax rates					
3.3 Other decreases	8,260	132,410	13,627	154,297	161,685
a) transformation in tax credits under Law 214/2011					
b) other	8,260	132,410	13,627	154,297	161,685
4. Closing balance	**268,777**		**1,250,045**	**1,518,822**	**1,647,675**

11.5 Changes in deferred tax liabilities (recognised in the income statement)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2021	31/12/2020
1. Opening balance	**130,529**	**199,827**	**3,190,540**	**3,520,896**	**3,747,519**
Change in opening balance					
2. Increases	**85,272**	**29,015**	**128,860**	**243,147**	**144,686**
2.1 Deferred tax liabilities recognised during the year	84,726	29,015	101,787	215,528	92,529
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	84,726	29,015	101,787	215,528	92,529
2.2 New taxes or increases in tax rates			1,461	1,461	1,266
2.3 Other increases	546		25,612	26,158	50,891
- of which: business combinations			13,755	13,755	11,610
3. Decreases	**70,749**	**228,842**	**882,826**	**1,182,417**	**371,309**
3.1 Deferred tax liabilities derecognised during the year	67,638	4,855	575,298	647,791	233,118
a) reversals	67,152	4,855	530,562	602,569	199,507
b) due to change in accounting policies					
c) other	486		44,736	45,222	33,611
3.2 Reduction in tax rates					
3.3 Other decreases	3,111	223,987	307,528	534,626	138,191
4. Closing balance	**145,052**		**2,436,574**	**2,581,626**	**3,520,896**

11.6 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2021	31/12/2020
1. Opening balance	**40,164**		**128,695**	**168,859**	**112,187**
2. Increases	**147,432**		**2,340**	**149,772**	**71,868**
2.1 Deferred tax assets recognised during the year	147,432		2,017	149,449	59,436
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	147,432		2,017	149,449	59,436
2.2 New taxes or increases in tax rates					
2.3 Other increases			323	323	12,432
3. Decreases	**2,086**		**40,354**	**42,440**	**15,196**
3.1 Deferred tax assets derecognised during the year	2,068		8,991	11,059	11,326
a) reversals	913		7,099	8,012	5,694
b) writedowns for supervening non-recoverability					5,632
c) due to changes in accounting policies					
d) other	1,155		1,892	3,047	
3.2 Reduction in tax rates					
3.3 Other decreases	18		31,363	31,381	3,870
4. Closing balance	**185,510**		**90,681**	**276,191**	**168,859**

11.7 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2021	31/12/2020
1. Opening balance	**140,137**	**308**	**4,071**	**144,516**	**120,890**
2. Increases	**2,970**	**68**	**3,174**	**6,212**	**31,661**
2.1 Deferred tax liabilities recognised during the year	2,970	66	3,164	6,200	24,979
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	2,970	66	3,164	6,200	24,979
2.2 New taxes or increases in tax rates					
2.3 Other increases		2	10	12	6,682
3. Decreases	**66,664**	**376**	**764**	**67,804**	**8,035**
3.1 Deferred tax liabilities derecognised during the year	66,664		474	67,138	3,973
a) reversals	66,664		474	67,138	3,973
b) due to change in accounting policies					
c) other					
3.2 Reduction in tax rates					
3.3 Other decreases		376	290	666	4,062
4. Closing balance	**76,443**		**6,481**	**82,924**	**144,516**

SECTION 12 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES - ITEM 120 OF THE ASSETS AND ITEM 70 OF THE LIABILITIES

12.1 Non-current assets and disposal groups held for sale: breakdown by category

(thousands of euro)	31/12/2021	31/12/2020
A. Assets held for sale		
A.1 Financial assets		
A.2 Equity investments		
A.3 Property, plant and equipment		1,400
A.4 Intangible assets		
A.5 Other non-current assets		
Total (A)		**1,400**
of which carried at cost		*1,400*
of which designated at fair value – level 1		
of which designated at fair value – level 2		
of which designated at fair value – level 3		
B. Groups of assets (discontinued operations)		
B.1 Financial assets measured at fair value through profit or loss	567,462	
- financial assets held for trading	362,393	
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value	205,069	
B.2 Financial assets measured at fair value through other comprehensive income	24,255	
B.3 Financial assets measured at amortised cost	35,846,382	
B.4 Equity investments	23,775	
B.5 Property, plant and equipment	89,602	50,884
- of which: obtained via the enforcement of the guarantees received		
B.6 Intangible assets	25,544	16,742
B.7 Other assets	3,364,638	222,457
B.8 Adjustment of net assets to transfer price	(1,288,563)	
Total (B)	**38,653,095**	**290,083**
of which carried at cost	*3,711,430*	*290,083*
of which designated at fair value – level 1	*2,799,544*	
of which designated at fair value – level 2	*47,386*	
of which designated at fair value – level 3	*33,383,298*	
C. Liabilities associated with individual assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total (C)		
of which carried at cost		
of which designated at fair value – level 1		
of which designated at fair value – level 2		
of which designated at fair value – level 3		
D. Liabilities associated with disposal groups held for sale		
D.1 Financial liabilities measured at amortised cost	4,176,568	33,348
D.2 Financial liabilities held for trading	15,888	
D.3 Financial liabilities designated at fair value	1,379	
D.4 Provisions	150,947	
D.5 Other liabilities	36,363,023	131,683
Total (D)	**40,707,805**	**165,031**
of which carried at cost	*36,734,339*	*165,031*
of which designated at fair value – level 1	*517,199*	
of which designated at fair value – level 2	*30,300*	
of which designated at fair value – level 3	*3,425,967*	

12.2 Other information

This item includes the assets and liabilities of discontinued companies related to SACE, SACE FCT, SACE BT, SACE SRV and Fondo Sviluppo Export.

SECTION 13 - OTHER ASSETS - ITEM 130

13.1 Other assets: breakdown

(thousands of euro)	Prudential consolidation	Other entities	31/12/2021	31/12/2020
Payments on account for withholding tax on postal passbooks	65,525		65,525	78,286
Other tax receivables	1,424	360,122	361,546	239,723
Leasehold improvements	2,489	7,155	9,644	7,951
Receivables due from investees	4	85,553	85,557	110,439
Trade receivables and advances to public entities	267,628	115,187	382,815	404,674
Construction contracts		2,911,842	2,911,842	3,384,844
Advances to suppliers	378	489,788	490,166	537,197
Inventories		1,627,325	1,627,325	1,547,255
Advances to personnel	297	24,683	24,980	23,890
Other trade receivables	20	7,284,269	7,284,289	4,380,318
Accrued income and prepaid expenses	14,728	307,936	322,664	376,367
Other items	17,760	1,076,669	1,094,429	632,732
Ecobonus tax credits	347,548		347,548	
Total	**717,801**	**14,290,529**	**15,008,330**	**11,723,676**

The item includes assets that are not classified under the previous items.

With regard to trade receivables – detailed in Trade receivables and advances to public entities and in Other trade receivables in the table – for a total of 7,667 million euro (4,785 million euro as at 31 December 2020), the information relating to gross values and accumulated impairment referring to each of the three stages in which receivables were classified according to the associated credit risk as required by IFRS 9 is shown below.

	Gross value			Accumulated impairment		
(thousands of euro)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Total trade receivables at 31/122021	**4,827,605**	**2,768,342**	**416,356**	**(17,776)**	**(42,596)**	**(284,827)**
Total trade receivables at 31/12/2020	**3,562,566**	**1,274,545**	**302,926**	**(122,110)**	**(6,691)**	**(226,244)**

As regards in particular Other trade receivables deriving from the contribution of Other entities, their total refers mainly to SNAM for 2,729 million euro (1,548 million euro as at 31 December 2020), Terna for 2,690 million euro (1,127 million euro as at 31 December 2020), Italgas for 572 million euro (619 million euro as at 31 December 2020), Fincantieri for 855 million euro (497 million euro as at 31 December 2020) and Ansaldo Energia for 333 million euro (283 million euro as at 31 December 2020).

Please refer to Section 4 – The risks of other entities, part E for credit risk considerations and further details on credit ageing and geographical distribution.

Contract work in progress, equal to 2,912 million euro (3,385 million euro as at 31 December 2020) refers predominantly to the activities deriving from the Fincantieri group business, for a total of 2,639 million euro (3,125 million euro as at 31 December 2020) and includes orders whose progress has a higher value than what was invoiced to the customer. The relative progress is determined by the costs incurred added to the margins recognised and net of any expected losses.

The net assets for contract work in progress of the Fincantieri group, totalling 1,277 million euro (1,963 million euro as at 31 December 2020), are calculated considering also what is represented in item 80 Other liabilities for orders whose progress has a value lower than what was invoiced to the customer.

Inventories of semi-finished goods and work in progress in the amount of 1,627 million euro include:

- mandatory gas reserves, kept at its storage sites by the subsidiary Stogit;
- raw materials, supplies and consumables of the Ansaldo Energia group, amounting to about 498 million euro;
- semi-finished products of the Fincantieri group, amounting to about 439 million euro.

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of amounts due to banks

(thousands of euro)	31/12/2021				31/12/2020			
		Fair value			Carrying amount	Fair value		
Types of operations/values	Carrying amount	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	**5,095,654**	**X**	**X**	**X**	**19,608,631**	**X**	**X**	**X**
2. Due to banks	**44,630,563**	**X**	**X**	**X**	**42,694,641**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	27,022	X	X	X	20,600	X	X	X
2.2 Time deposits	3,380,784	X	X	X	2,019,101	X	X	X
2.3 Loans	37,289,713	X	X	X	39,435,069	X	X	X
2.3.1 Repurchase agreements	21,332,226	X	X	X	17,726,595	X	X	X
2.3.2 Other	15,957,487	X	X	X	21,708,474	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Lease liabilities		X	X	X		X	X	X
2.6 Other payables	3,933,044	X	X	X	1,219,871	X	X	X
Total	**49,726,217**		**432,696**	**49,308,504**	**62,303,272**		**522,181**	**61,989,295**

The item "Due to central banks" of the Parent Company essentially relates to the credit facilities granted by the ECB. The decrease compared to the end of 2020 (-14.5 billion euro) is mainly due to the repayment of the 15-billion-euro PELTRO line. During the year, CDP concurrently increased its participation in TLTRO-III transactions up to the maximum amount allowed and extended their maturity until 2024.

Recorded among due to banks are repurchase agreements which refer to the Parent Company for 21,332 million euro (roughly +3,606 million euro compared to 2020).

Loans payable refer mainly to:

- loans granted to the Parent Company for 5,067 million euro (+181 million euro on 2020), related to credit lines received from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB);
- loans granted by the banking system to Snam for approximately 3,695 million euro, to Fincantieri for approximately 3,004 million euro, to Italgas for 1,682 million euro and to Terna for 634 million euro. Please refer to Section 4 – The risks of other entities, part E for liquidity risk considerations and an analysis of the maturity of financial liabilities to banks.

Term deposits, again referring to the Parent Company, equal to 3,381 million euro, refer to the balance of passbook savings accounts and postal savings bonds held by banks (+1,362 million euro on 2020).

The increase in the item "Other payables" mainly refers to Credit Support Annex contracts to hedge counterparty risk on derivatives of the Parent Company, down by about 983 million euro compared to the previous year.

1.2 Financial liabilities measured at amortised cost: breakdown by type of amounts due to customers

(thousands of euro)	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
Types of operations/values		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	243,703	X	X	X	2,006	X	X	X
2. Time deposits	283,381,362	X	X	X	279,784,753	X	X	X
3. Loans	33,557,642	X	X	X	26,805,833	X	X	X
3.1 Repurchase agreements	30,965,016	X	X	X	24,209,307	X	X	X
3.2 Other	2,592,626	X	X	X	2,596,526	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease liabilities	334,895	X	X	X	405,692	X	X	X
6. Other payables	4,183,167	X	X	X	4,389,648	X	X	X
Total	**321,700,769**			**321,694,507**	**311,387,932**			**311,387,875**

The amounts due to customers mainly consist of the Parent Company's term deposits, which include the balance of passbook savings accounts, equal to 97,344 million euro (-5,770 million euro compared to 2020), and of postal savings bonds equal to 180,735 million euro (+11,292 million euro compared to 2020).

The balance related to loans, equal to 33,558 million euro at 31 December 2021, refers to the repurchase agreements of the Parent Company, of around 30,965 million euro, an increase compared to 2020 due to particularly favourable money market conditions, and largely offsetting the reduction in funding from the ECB.

Sub-item "6. Other payables" refers to the amounts not yet disbursed at year-end on loans being repaid granted by the Parent Company to public bodies and public-law bodies, equal to around 3,847 million euro (around -190 million euro on 2020).

Again with reference to the Parent Company, the amounts due to customers include the balance of the MEF's liquidity management transactions (OPTES) equal to approximately 4,999 million euro, with a substantial decrease on 2020 (-1,998 million euro).

With reference to the fair value of amounts due to customers, it should be noted that the value reported above for the part relating to postal savings bonds is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

In view of the persistence of a scenario of low and in particular negative rates on short to medium maturities, the percentage impact of credit spreads on total interest rates remains high, as already highlighted in previous years. Since this factor contributes to increasing the uncertainty about redemption forecasts in the presence of these conditions, it was decided that a good estimate of the fair value of postal savings bonds is their carrying amount.

1.3 Financial liabilities measured at amortised cost: breakdown by type of securities issued

(thousands of euro)	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
Types of securities/Values		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	40,386,280	30,202,988	9,943,052	1,274,768	40,163,395	31,141,226	9,243,191	1,444,948
1.1 structured	48,081		42,532		50,721		41,057	
1.2 other	40,338,199	30,202,988	9,900,520	1,274,768	40,112,674	31,141,226	9,202,134	1,444,948
2. other securities	3,644,868		3,643,810		3,219,346		3,220,106	
2.1 structured								
2.2 other	3,644,868		3,643,810		3,219,346		3,220,106	
Total	**44,031,148**	**30,202,988**	**13,586,862**	**1,274,768**	**43,382,741**	**31,141,226**	**12,463,297**	**1,444,948**

1.3 of which: pertaining to the Prudential consolidation

(thousands of euro)	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
Types of securities/Values		Livello 1	Livello 2	Livello 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	17,726,060	8,562,815	9,943,052		17,976,700	9,867,903	9,228,785	
1.1 structured	48,081		42,532		50,721		41,057	
1.2 other	17,677,979	8,562,815	9,900,520		17,925,979	9,867,903	9,187,728	
2. other securities	3,644,868		3,643,810		3,219,346		3,220,106	
2.1 structured								
2.2 other	3,644,868		3,643,810		3,219,346		3,220,106	
Total	**21,370,928**	**8,562,815**	**13,586,862**		**21,196,046**	**9,867,903**	**12,448,891**	

With respect to the Prudential consolidation, the balance of securities issued at 31 December 2021 refers to the Parent Company and includes:

- bonds issued under the "Euro Medium Term Notes" (EMTN) and "Debt Issuance Programme" (DIP) programmes, with a stock of 11,883 million euro (-304 million euro compared to the end of 2020). In 2021 issues were completed totalling 650 million euro. These included a new Social bond issue for an amount of 500 million euro, intended to support Italian SMEs and Mid-Caps mainly in the Southern Italy regions, in order to increase their competitiveness and support employment;
- n. 2 bonds reserved for individuals, for a total of 2,972 million euro (essentially stable compared to the end of 2020), with a nominal value of 1,500 million euro each, aimed at diversifying the sources of funding of the Separate Account;
- n. 4 bonds guaranteed by the Italian government, entirely subscribed by Poste Italiane, for a total carrying amount of 3,029 million euro, essentially stable compared to the end of 2020. At the end of 2021 there are: n. 2 bonds issued in December 2017 for a nominal value of 1,000 million euro, and n. 2 bonds issued in March 2018 for a total nominal value of 2,000 million euro;
- the issue of the first Panda bond for a carrying value of 141 million euro at the year-end exchange rate (nominal value of 1 billion Renminbi) to finance, both directly and through Chinese banks or Chinese branches of Italian banks, branches or subsidiaries of Italian companies established in China, to support their growth. The issue, for institutional investors operating in China, is part of an issuance plan for 5 billion Renminbi approved by the People's Bank of China;
- the stock of commercial paper with a carrying amount of 3,645 million euro (+426 million euro on the 2020 year-end balance), related to the "Multi-Currency Commercial Paper Programme".

1.3 of which: pertaining to Insurance companies

(thousands of euro)	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
Types of securities/Values		Livello 1	Livello 2	Livello 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds					531,611	541,245	14,406	
1.1 structured								
1.2 other					531,611	541,245	14,406	
2. other securities								
2.1 structured								
2.2 other								
Total					**531,611**	**541,245**	**14,406**	

1.3 of which: pertaining to Other companies

(thousands of euro)	31/12/2021				31/12/2020			
	Carrying amount	Fair value			Carrying amount	Fair value		
Types of securities/Values		Livello 1	Livello 2	Livello 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	22,660,220	21,640,173		1,274,768	21,655,084	20,732,078		1,444,948
1.1 structured								
1.2 other	22,660,220	21,640,173		1,274,768	21,655,084	20,732,078		1,444,948
2. other securities								
2.1 structured								
2.2 other								
Total	**22,660,220**	**21,640,173**		**1,274,768**	**21,655,084**	**20,732,078**		**1,444,948**

Securities issued by other companies mainly refer to the bond placements by Snam, Terna and Italgas on active markets (Level 1), amounting to 9,138 million euro, 7,966 million euro and 4,591 million euro, respectively.

1.4 Breakdown of subordinated debts/securities

This item has a nil balance.

1.5 Breakdown of structured debts

There are no structured debts.

1.6 Lease liabilities

The following table shows the information required by IFRS 16, paragraphs 58 and 53(g).

(thousands of euro)	Total 31/12/2021	Total 31/12/2020
Time bands	Lease payables	Lease payables
Up to 1 year	74,888	92,156
Between 1 and 2 years	87,531	106,419
Between 2 and 3 years	45,307	55,700
Between 3 and 4 years	37,435	43,599
Between 4 and 5 years	27,969	34,964
Over 5 years	86,879	108,495
Total lease payments to be made	**360,009**	**441,333**
Reconciliation with lease liabilities	**(25,114)**	**(35,641)**
Unearned finance costs (-)	(25,114)	(35,641)
Unguaranteed residual value (-)		
Lease liabilities	**334,895**	**405,692**

SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

(thousands of euro)	31/12/2021					31/12/2020				
	NV	Fair value			Fair Value *	NV	Fair value			Fair Value *
Type of operations/Values		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			126,770	8,429				244,186	23,972	
1.1 Trading	x		126,770	8,429	x	x		185,035	23,972	x
1.2 Associated with fair value option	x				x	x				x
1.3 Other	x				x	x		59,151		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**		**126,770**	**8,429**	**x**	**x**		**244,186**	**23,972**	**x**
Total (A+B)	**x**		**126,770**	**8,429**	**x**	**x**		**244,186**	**23,972**	**x**

Key

NV = nominal or notional value

FV* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date

The item includes mainly:

- the negative fair value of interest rate and currency derivatives relating to the Parent Company;
- the derivatives of Terna for 45 million euro, Fincantieri for 8 million euro and of FSI Investimenti for approximately 8 million euro.

On the other hand, the financial liability of about 19 million euro at 31 December 2020 related to the earn-out of the equity investment in Open Fiber made by the subsidiary CDP Equity in 2016 was extinguished by forfeiture.

2.2 Breakdown of “Financial liabilities held for trading": subordinated liabilities

This item has a nil balance.

2.3 Breakdown of “Financial liabilities held for trading": structured debts

This item has a nil balance.

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE - ITEM 30

3.1 Financial liabilities designated at fair value: breakdown by type

(thousands of euro)	31/12/2021					31/12/2020				
		Fair value			Fair Value*		Fair value			Fair Value*
Type of transactions/values	NV	Level 1	Level 2	Levello 3	FV *	NV	Level 1	Level 2	Level 3	FV *
1. Due to banks										
1.1 Structured					X					X
1.2 Other					X					X
of which										
- commitments to disburse funds		X	X	X	X		X	X	X	X
- financial guarantees issued		X	X	X	X		X	X	X	X
2. Due to customers	**34,383**			**34,383**	**36,510**	**30,513**			**30,513**	**30,513**
2.1 Structured					X					X
2.2 Other	34,383			34,383	X	30,513			30,513	X
of which										
- commitments to disburse funds		X	X	X	X	300	X	X	X	X
- financial guarantees issued		X	X	X	X		X	X	X	X
3. Debt securities										
3.1 Structured					X					X
3.2 Other					X					X
Total	**34,383**			**34,383**	**36,510**	**30,513**			**30,513**	**30,513**

Key

NV = nominal value

FV* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date

At 31 December 2021, the balance of the financial liabilities designated at fair value is mainly attributable to Fincantieri’s contribution and is represented by the negative fair value of options to purchase equity securities.

3.2 Breakdown of Financial liabilities designated at fair value: subordinated liabilities

As at 31 December 2021 the item had a nil balance.

SECTION 4 - HEDGING DERIVATIVES - ITEM 40

4.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	NV 31/12/2021	Fair value 31/12/2021 L1	Fair value 31/12/2021 L2	Fair value 31/12/2021 L3	NV 31/12/2020	Fair value 31/12/2020 L1	Fair value 31/12/2020 L2	Fair value 31/12/2020 L3
A. Financial derivatives	**32,135,876**		**3,143,800**		**37,114,250**		**4,683,374**	
1) Fair value	27,418,586		2,361,895		29,150,041		4,116,836	
2) Cash flow	4,717,290		781,905		7,964,209		566,538	
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total	**32,135,876**		**3,143,800**		**37,114,250**		**4,683,374**	

Key

NV= notional value

L1= Level 1

L2= Level 2

L3= Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro) Transactions/Type of hedging	Fair value – Specific – Debt securities and interest rates	Fair value – Specific – Equity securities and equity indices	Fair value – Specific – Foreign currencies and gold	Fair value – Specific – Credit	Fair value – Specific – Commodities	Fair value – Specific – Others	Fair value – Generic	Cash flow – Specific	Cash flow – Generic	Investment in foreign operation
1. Financial assets at fair value through other comprehensive income	49,933				X	X	X	20,320	X	X
2. Financial assets at amortised cost	975,383	X			X	X	X	686,425	X	X
3. Portfolio	X	X	X	X	X	X	1,304,221	X		X
4. Other			10,543				X	576	X	
Total assets	**1,025,316**		**10,543**				**1,304,221**	**707,321**		
1. Financial liabilities	19,458	X	2,357				X	71,822	X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**19,458**		**2,357**					**71,822**		
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X	2,762	

SECTION 5 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS - ITEM 50

5.1 Fair value change of hedged financial liabilities

(thousands of euro)

Adjustment of hedged liabilities/Components of the group	31/12/2021	31/12/2020
1. Positive adjustments of financial liabilities	2,067	10,352
2. Negative adjustments of financial liabilities		
Total	**2,067**	**10,352**

This item reports the net change in the value of the postal savings bonds portfolio of the Parent Company subject to macro-hedging against interest rate risk. The hedging relationship was interrupted in 2009 in view of the termination of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of validity of the hedging relationship, was subsequently transferred to profit or loss on the basis of the amortised cost of the originally hedged postal savings bonds.

SECTION 6 - TAX LIABILITIES - ITEM 60

For more information concerning this item, please see Section 11 of Assets.

SECTION 7 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE - ITEM 70

For more information concerning this item, please see Section 12 of Assets.

SECTION 8 - OTHER LIABILITIES - ITEM 80

8.1 Other liabilities: breakdown

(thousands of euro)

Type of operations/Values	Prudential consolidation	Other entities	31/12/2021	31/12/2020
Items being processed	68,739		68,739	13,326
Amounts due to employees	10,607	160,964	171,571	188,963
Charges for postal funding service	387,237		387,237	433,122
Tax payables	416,737	109,311	526,048	257,887
Construction contracts		2,108,162	2,108,162	1,958,924
Trade payables	35,439	8,301,106	8,336,545	6,569,468
Due to social security institutions	6,707	143,459	150,166	157,898
Accrued expenses and deferred income	89	663,072	663,161	1,339,014
Liabilities for premiums to be reimbursed				5,379
Premium deposits		660,871	660,871	
Processing expenses				1
Collections from factoring being processed				40,761
Equity and net income pertaining to non-controlling interests in funds		170,075	170,075	133,739
Other	17,900	3,171,569	3,189,469	34,995,860
Total	**943,455**	**15,488,589**	**16,432,044**	**46,094,342**

This item reports other liabilities not otherwise classified under the previous items and is broken down as follows.

The significant decrease compared to last year is justified by the reclassification of the contribution of the insurance companies, and in particular the SACE items arising from relations with the MEF, to item 70 of the balance sheet liabilities as a result of the application of IFRS 5.

For the Prudential consolidation, the main items under this heading are:

- the payable to Poste Italiane of about 387 million euro, relating to the portion of commissions due in respect of the products of the postal savings funding service not yet paid at the reporting date;
- tax payables, totalling around 416 million euro, mainly regarding the substitute tax levied on interest paid on postal savings products;
- other items being processed, which were mostly completed after the reporting date.

With regard to Other Group entities, the item mainly regards:

- trade payables of around 8.3 billion euro, mainly related to Fincantieri (around 2.5 billion euro), Terna (around 3.2 billion euro), Snam (around 1.3 billion euro), Ansaldo Energia (about 0.5 billion euro) and Italgas (around 0.5 billion euro). Trade payables included liabilities arising from reverse factoring operations for a total of 669 million euro, relating to trade payables from those suppliers that transferred their credit position to factoring companies. These liabilities are classified among “Trade payables” since they are related to obligations for the supply of goods and services used during the normal operating cycle. The sale is agreed with the supplier and envisages the possibility for the latter to give further extensions for consideration or not;
- contract work in progress for 2.1 billion euro, deriving mainly from Fincantieri orders whose progress has a value lower than what was invoiced to the customer and from Ansaldo's operations. With regard to the contribution made by the Fincantieri group, please refer to the comments under item 130 Other assets;
- other items of 3.2 billion euro, referring in particular to Snam for approximately 2.0 billion euro, for payables for investing activities and liabilities to “Cassa per i Servizi Energetici e Ambientali”. The latter mainly refer to accessory tariff components pertaining to natural gas transportation and distribution activities.

SECTION 9 - STAFF SEVERANCE PAY - ITEM 90

9.1 Staff severance pay: changes for the year

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2021	31/12/2020
A. Opening balance	**2,728**	**4,156**	**233,857**	**240,741**	**252,728**
B. Increases	**473**	**829**	**31,705**	**33,007**	**21,370**
B.1 Provision for the year	361	213	12,526	13,100	10,534
B.2 Other increases	112	616	19,179	19,907	10,836
- of which business combinations			*4,153*	*4,153*	1,781
C. Decreases	**452**	**4,985**	**59,494**	**64,931**	**33,357**
C.1 Severance payments	41	1,191	25,643	26,875	26,003
C.2 Other decreases	411	3,794	33,851	38,056	7,354
- of which business combinations			22,661	22,661	
D. Closing balance	**2,749**		**206,068**	**208,817**	**240,741**

The provisions for staff severance pay of other companies mainly refers to Italgas (62 million euro), Fincantieri (64 million euro), Terna (36 million euro), Snam (26 million euro) and Ansaldo (8 million euro).

The table below describes the main actuarial assumptions used by the Group companies for the valuation of the provision for staff severance pay.

	Minimum value	Maximum value
Discount rate	-0.43%	0.98%
Expected rate of salary increases	0.67%	4.00%
Inflation rate	0.70%	3.47%

The sensitivity analysis with regard to actuarial assumptions is considered unnecessary due to the insignificant effects on the estimate of the liability itself, and also in consideration of the negligible amount of the provision for staff severance pay when compared to the total consolidated liabilities.

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 Provisions for risks and charges: breakdown

(thousands of euro)

Items/Components	Prudential consolidation	Other entities	31/12/2021	31/12/2020
1. Provisions for credit risk relating to commitments and financial guarantees issued	**448,837**	**1,451**	**450,288**	**409,374**
2. Provisions on other guarantees issued and other commitments				
3. Company pensions and other post-retirement benefit obligations				
4. Other provisions	**143,232**	**2,147,620**	**2,290,852**	**2,524,800**
4.1 fiscal and legal disputes	80,141	386,489	466,630	499,201
4.2 staff costs	62,379	140,051	202,430	249,028
4.3 other	712	1,621,080	1,621,792	1,776,571
Total	**592,069**	**2,149,071**	**2,741,140**	**2,934,174**

10.2 Provisions for risks and charges: changes for the year

(thousands of euro)	Prudential consolidation			Insurance companies			Other entities			31/12/2021		
Items/Components	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions
A. Opening balance			**152,498**			**94,677**			**2,277,625**			**2,524,800**
B. Increases			**36,521**			**9,030**			**314,869**			**360,420**
B.1 Provision for the year			34,594			7,427			228,009			270,030
B.2 Changes due to passage of time												
B.3 Changes due to changes in discount rate									13,765			13,765
B.4 Other increases			1,927			1,603			73,095			76,625
- of which business combinations									*48,907*			*48,907*
C. Decreases			**45,787**			**103,707**			**444,874**			**594,368**
C.1 Use during the year			29,300			26,704			339,852			395,856
C.2 Changes due to changes in discount rate									217			217
C.3 Other decreases			16,487			77,003			104,805			198,295
D. Closing balance			**143,232**						**2,147,620**			**2,290,852**

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

	Provisions for credit risk relating to commitments and financial guarantees issued				
(thousands of euro)	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Total
Commitments to disburse funds	210,076	69,837	368	274	**280,555**
Financial guarantees issued	169,705			28	**169,733**
Total	**379,781**	**69,837**	**368**	**302**	**450,288**

10.4 Provisions on other guarantees issued and other commitments

This item has a nil balance.

10.5 Defined benefit pension funds

This item has a nil balance.

10.6 Provisions for risks and charges - Other provisions

(thousands of euro)

Items/Values	Prudential consolidation	Other entities	31/12/2021	31/12/2020
4. Other provisions	**143,232**	**2,147,620**	**2,290,852**	**2,524,800**
4.1 Legal and fiscal disputes	80,141	386,489	466,630	499,201
4.2 Staff costs:	62,379	140,051	202,430	249,028
- early retirement	31,961	35,489	67,450	131,957
- loyalty bonus		4,969	4,969	4,739
- electricity discount		3,196	3,196	3,600
- other	30,418	96,397	126,815	108,732
4.3 Other risks and charges	712	1,621,080	1,621,792	1,776,571

The provisions included in the item 4.3 “Other risks and charges”, totalling approximately 1,622 million euro at 31 December 2021, consist mainly:

- of approximately 714 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 338 million euro relating to the provisions for the reclamation and preservation of properties, as well as provisions for commitments in respect of contracts. The estimate of the liabilities recognised is based both on technical assessments (relating to the determination of works to be carried out or actions to be taken) and on legal assessments, bearing in mind contractual provisions in force;
- of around 85 million euro relating to liabilities for contractual guarantees issued to customers in line with market practices and conditions.

For a more detailed description of the litigation in progress with Group companies, please refer to the information provided in Part E:

- section 2, par. 1.5 Operational risks, as regards litigation of companies included in the scope of prudential consolidation;
- section 4 as regards disputes involving Other companies included in the CDP scope of consolidation.

SECTION 11 - TECHNICAL PROVISIONS - ITEM 110

11.1 Technical provisions: breakdown

(thousands of euro)	Direct business	Indirect business	Total 31/12/2021	Total 31/12/2020
A. Non-life insurance				**3,460,541**
A1. Reserves for unearned premiums				2,833,504
A2. Reserves for claims outstanding				626,148
A3. Other				889
B. Life insurance				
C. Technical provisions where the investment risk is borne by the insured				
D. Total technical provisions				**3,460,541**

11.2 Technical provisions: changes for the year

(thousands of euro)	31/12/2021	31/12/2020
A. Non-life insurance		**3,460,541**
Opening balance	3,460,541	2,811,818
Business combinations		
Change in reserve (+/-)	(3,460,541)	648,723
B. Life insurance and other technical provisions		
Opening balance		
Business combinations		
Change in premiums		
Change in payments		
Change in income and other bonuses paid to policy holders (+/-)		
Change in exchange rate (+/-)		
Change in other technical reserves (+/-)		
C. Total technical provisions		**3,460,541**

SECTION 12 - REDEEMABLE SHARES- ITEM 130

This item has a nil balance.

SECTION 13 - GROUP EQUITY - ITEMS 120, 130, 140, 150, 160, 170 AND 180

13.1 "Share capital" and "Treasury shares": breakdown

The share capital of the Parent Company of 4,051,143,264 euro at 31 December 2021 is fully paid up and is composed of 342,430,912 ordinary shares, without par value.

At 31 December 2021, the Parent Company held treasury shares with a value of 322 million euro which is unchanged compared to the previous year.

13.2 Share capital - Number of shares of the Parent Company: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year	**342,430,912**	
- fully paid	342,430,912	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	**337,979,752**	
B. Increases		
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**337,979,752**	
D.1 Treasury shares (+)	4,451,160	
D.2 Shares at end of the year	342,430,912	
- fully paid	342,430,912	
- partly paid		

13.3 Share capital: other information

There is no other relevant information on the share capital.

13.4 Income reserves: additional information

(thousands of euro)

Items/Types	31/12/2021	31/12/2020
Income reserves:	**11,643,090**	**14,209,833**
Legal reserve	810,229	810,229
Other reserves	10,832,861	13,399,604

13.5 Equity instruments: breakdown and changes for the year

There were no equity instruments recorded under item 140 of the liabilities.

SECTION 14 - NON-CONTROLLING INTERESTS - ITEM 190

14.1 Breakdown of item 190 “Non-controlling interests”

(thousands of euro)

Company name	31/12/2021	31/12/2020
Equity investments in consolidated companies with significant minority interests		
1. Terna S.p.A.	4,338,793	4,105,120
2. Snam S.p.A.	7,270,061	6,687,042
3. Italgas S.p.A.	2,000,237	1,844,229
Other equity investments	670,120	623,173
Total	**14,279,211**	**13,259,564**

14.2 Equity instruments: breakdown and changes for the year

There were no equity instruments recorded under item 140 of the liabilities.

Other information

1. Commitments and financial guarantees issued

	Nominal value on commitments and financial guarantees issued									
	Prudential consolidation				Other entities					
(thousands of euro)	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	31/12/2021	31/12/2020
1. Commitments to disburse funds	**23,736,593**	**1,358,507**	**6,724**	**887**	**40,000**	**2,337,321**			**27,480,032**	**26,820,761**
a) Central Banks										
b) General Government	9,070,601	38,657	3,046						9,112,304	8,874,289
c) Banks	538,491								538,491	785,463
d) Other financial companies	719,827								719,827	679,174
e) Non-financial companies	13,393,891	1,318,465	2,695	887	40,000	2,337,321			17,093,259	16,475,867
f) Households	13,783	1,385	983						16,151	5,968
2. Financial guarantees issued	**817,273**			**1,713**	**1,166,120**	**328,100**	**516**		**2,313,722**	**2,919,913**
a) Central Banks										
b) General Government	427,717				25,585				453,302	399,870
c) Banks					1,129,000				1,129,000	1,129,000
d) Other financial companies	2,249								2,249	3,726
e) Non-financial companies	387,307			1,713	11,535	328,100	516		729,171	1,387,317
f) Households										

2. Other commitments and other guarantees issued

	Nominal value	
(thousands of euro)	31/12/2021	31/12/2020
Other guarantees issued	**3,203,446**	**921,225**
of which: non-performing credit exposure		
a) Central Banks		
b) General Government	52,389	
c) Banks		2,133
d) Other financial companies	1,923	
e) Non-financial companies	3,149,134	919,092
f) Households		
Other commitments	**10,526,932**	**9,664,154**
of which: non-performing credit exposure		
a) Central Banks		
b) General Government	53,895	25,508
c) Banks	88,651	75,327
d) Other financial companies	1,001,008	3,522,136
e) Non-financial companies	9,383,378	6,041,183
f) Households		

3. Assets pledged as collateral for own debts and commitments

(thousands of euro)

Portfolios	Prudential consolidation	Other entities	31/12/2021	31/12/2020
1. Financial assets measured at fair value through profit or loss				
2. Financial assets measured at fair value through other comprehensive income	3,821,890		3,821,890	3,393,000
3. Financial assets measured at amortised cost	95,537,547		95,537,547	82,411,089
4. Property, plant and equipment		1,306,000	1,306,000	1,335,619
- of which: property, plant and equipment classified as inventory		*5,500*	*5,500*	*469,255*

4. Breakdown of investments related to unit-linked and index-linked policies

This item has a nil balance.

5. Management and intermediation services on behalf of third parties

(thousands of euro)

Type of service	31/12/2021
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	**718,544**
a) individual	
b) collective	718,544
3. Securities custody and administration	**108,981,444**
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	3,629,951
1. securities issued by consolidated companies	
2. other securities	3,629,951
c) Third-party securities deposited with third parties	
d) own securities portfolio deposited with third parties	105,351,493
4. Other	**70,101,360**
Management on behalf of third parties in separate accounts on the basis of specific argreements:	
- Postal savings bonds managed on behalf of MEF (1)	50,608,934
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	2,269,155
- Payment PA payable - Decree Law 8 April 2013, no. 35; Decree Law 24 April 2014 no. 66; Decree Law 19 June 2015, no.78) (3)	5,353,451
- Funds for Approved and Subsidised Residential Building initiatives (4)	2,542,654
- Funds for Regional Agreements and Area Contracts - Law 662/96, Article 2, paragraph 203 (4)	381,340
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law no. 1041/1971 (4)	1,150,620
- Kyoto Fund (3)	626,323
- Funds for Methanisation of Southern Italy - Law 784/80, Law 266/97 and Law 73/98 (4)	84,018
- MIUR Student Accomodation - Law 388/00 (4)	86,683
- Minimum Environmental Impact Fund (4)	27,104
- Revolving Fund for development cooperation (3)	4,706,141
- MEPLS Fund - contributions by the Ministry of Environment and Protection of the Land and Sea for cooperation	51,682
- MIPAAF Fund - Ministry of Agricultural and Forestry Policies - guarantee platform to support olive oil producers (4)	10,000
- EURECA Fund - guarantee platform to support SMEs in the Emilia-Romagna Region (4)	7,990
- Cash advances - Public administration payables (Decree Law 30 of 19 May 2020) (3)	2,186,764
- Funds for international cooperation - Archipelagos project (4)	1,759
- Funds for international cooperation - Blending EU - PASPED Project (4)	150
- Funds for international cooperation - EGRE project (4)	4,649
- Funds for international cooperation - InclusiFI project (4)	1,943

Note:

(1) the figure represents the amount at the reporting date of the financial statements

(2) the figure represents the remaining principal, at the reporting date of the financial statements, of loans managed on behalf of the MEF

(3) the figure represents the sum of the remaining principal of the loans disbursed and the remaining funds on the dedicated current accounts, at the reporting date of the financial statements, of loans managed on behalf of the MEF

(4) the figure represents the remaining balances of the funds on the dedicated current accounts at the reporting date of the financial statements

6. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset in financial statements (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Correlated amounts not offset in financial statements		Net amount 31/12/2021 (f=c-d-e)	Net amount 31/12/2020
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	318,219		318,219	117,255	192,893	8,071	2,296
2. Repurchase agreements	122,286		122,286	122,286			
3. Securities lending							
4. Other							
Total 31/12/2021	**440,505**		**440,505**	**239,541**	**192,893**	**8,071**	**X**
Total 31/12/2020	**2,053,818**		**2,053,818**	**2,014,295**	**37,227**	**X**	**2,296**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the consolidated balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets shown in financial statements (C=A-B) L3
1. Derivatives		318,219
	20. Financial assets measured at fair value through profit or loss	*54,833*
	50. Hedging derivatives	*263,386*
2. Repurchase agreements		122,286
	40. Financial assets measured at amortised cost	*122,286*
3. Securities landing		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see Section A of the Accounting Policies.

7. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial liabilities (a)	Amount of financial assets offset in financial statements (b)	Net amount of financial liabilities reported in balance sheet (c=a-b)	Correlated amounts not offset in financial statements: Financial instruments (d)	Correlated amounts not offset in financial statements: Cash deposits received as guarantee (e)	Net amount 31/12/2021 (f=c-d-e)	Net amount 31/12/2020
1. Derivatives	3,147,158		3,147,158	117,255	3,014,416	15,487	2,842
2. Repurchase agreements	52,297,242		52,297,242	51,688,166	594,187	14,889	
3. Stock lending							
4. Other							
Total 31/12/2021	**55,444,400**		**55,444,400**	**51,805,421**	**3,608,603**	**30,376**	**X**
Total 31/12/2020	**46,331,940**		**46,331,940**	**42,427,718**	**3,901,380**	**X**	**2,842**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the consolidated balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets shown in financial statements (C=A-B) L3
1. Derivatives		3,147,158
	20. Financial liabilities held for trading	*74,754*
	40. Hedging derivatives	*3,072,404*
2. Repurchase agreements		52,297,242
	10. Financial liabilities measured at amortised cost	*52,297,242*
3. Securities landing		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see Section A of the Accounting Policies.

8. Securities lending transactions

This item has a nil balance.

9. Disclosure on joint operations

At 31 December 2021, 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	2021	2020
1. Financial assets measured at fair value through profit or loss	**3,352**	**9,826**		**13,178**	**15,263**
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value	3,352	9,826		13,178	15,263
2. Financial assets measured at fair value through other comprehensive income	**61,349**	**9**	**X**	**61,358**	**82,830**
3. Financial assets measured at amortised cost	**1,275,559**	**6,378,256**		**7,653,815**	**7,740,914**
3.1 Loans to banks	22,656	229,398	X	252,054	253,831
3.2 Loans to customers	1,252,903	6,148,858	X	7,401,761	7,487,083
4. Hedging derivatives	**X**	**X**	**(285,802)**	**(285,802)**	**(272,917)**
5. Other assets	**X**	**X**	**22,475**	**22,475**	**24,320**
6. Financial liabilities	**X**	**X**	**X**	**255,751**	**224,716**
Total	**1,340,260**	**6,388,091**	**(263,327)**	**7,720,775**	**7,815,126**
of which: interest income on non-performing assets		*9,895*		*9,895*	*3,331*
of which: interest income on finance lease	*X*	*3,783*	*X*	*3,783*	

Interest income accrued in 2021 amounted to approximately 7,721 million euro. It substantially refers to the Parent Company and mainly comprises:

- interest income on loans to banks and customers, amounting approximately to 7,654 million euro (7,741 million euro in 2020);
- interest income on debt securities amounting to about 1,340 million euro;
- interest income on financial liabilities that, due to negative remuneration, have resulted in a component with opposite sign (interest income), amounting to about 256 million euro.

Sub-item “4. Hedging derivatives” includes the (positive or negative) amount of the differentials or margins accrued on interest rate risk hedging derivatives, which adjust the interest income recognised on the hedged financial instruments. As at 31 December 2021, this amount is negative for around 286 million euro.

The item includes interest income on non-performing financial assets of approximately 9.9 million euro.

1.2 Interest income and similar income: additional information

1.2.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency of about 70 million euro (50 million euro in 2020), mainly attributable to the Parent Company CDP.

1.3 Interest expense and similar expense: breakdown

(thousands of euro)

Items/Technical forms	Debt securities	Securities	Other	2021	2020
1. Financial liabilities measured at amortised cost	**(4,586,383)**	**(567,134)**		**(5,153,517)**	**(4,984,222)**
1.1 Due to central banks		X	X		
1.2 Due to banks	(232,760)	X	X	(232,760)	(235,039)
1.3 Due to customers	(4,353,623)	X	X	(4,353,623)	(4,123,380)
1.4 Securities issued	X	(567,134)	X	(567,134)	(625,803)
2. Financial liabilities held for trading					
3. Financial liabilities designated at fair value	**(5,497)**			**(5,497)**	**(3,870)**
4. Other liabilities and provisions	**X**	**X**	**(17,248)**	**(17,248)**	**(16,496)**
5. Hedging derivatives	**X**	**X**	**68,317**	**68,317**	**87,403**
6. Financial assets	**X**	**X**	**X**	**(30,224)**	**(22,213)**
Total	**(4,591,880)**	**(567,134)**	**51,069**	**(5,138,169)**	**(4,939,398)**
of which: interest expense on finance lease	*(9,348)*	*X*	*X*	***(9,348)***	*(9,882)*

Interest expense as at 31/12/2021 amounts to 5,138 million euro, and is mainly attributable to:

- remuneration of the Parent Company's postal funding, amounting to approximately 4,407 million euro;
- interest expense on securities issued by the Parent Company of 325 million euro, Snam issues of 97 million euro and Terna issues of 79 million euro.

Sub-item "5. Hedging derivatives" includes the (positive or negative) amount of differentials or margins accrued on interest rate risk hedging derivatives that adjust the interest expense recognised on the hedged financial instruments. As at 31 December 2021, this amount is positive for around 68 million euro.

The item includes financial expenses accrued on lease liabilities recognised as a consequence of applying the IFRS 16, equal to about 9 million euro.

1.4 Interest expense and similar expense: additional information

1.4.1 Interest expense on liabilities in foreign currencies

The item includes interest expense accrued on financial liabilities accounted for in foreign currency, totalling about 14 million euro, in line with last year, mainly attributable to the Parent Company CDP.

1.5 Differentials on hedging transactions

(thousands of euro)

Items	2021	2020
A. Positive differences on hedging transactions	128,590	126,051
B. Negative differences on hedging transactions	(346,075)	(311,565)
C. Balance (A-B)	**(217,485)**	**(185,514)**

SECTION 2 – COMMISSIONS - ITEMS 40 AND 50

2.1 Commission income: breakdown

(thousands of euro)

Type of services/Amounts	2021	2020
a) Financial instruments	**31**	**25**
1. Placement of securities		
1.1 Assumed based on a firm commitment		
1.2 Without a firm commitment		
2. Activity of receiving and sending orders and executing orders on behalf of customers		
2.1 Receiving and sending orders of one or more financial instruments		
2.2 Order execution on behalf of customers		
3. Other commissions connected with assets linked to financial instruments	31	25
of which: trading on own behalf		
of which: management of individual portfolios		
b) Corporate Finance		
1. Advice on mergers and acquisitions		
2. Treasury services		
3. Other commissions connected to corporate finance services		
c) Advice on investments		
d) Offsetting and settlement	**31**	
e) Management of collective portfolios	**27,364**	**21,502**
f) Custody and administration		
1. Custodian bank		
2. Other commissions connected to the custody and administration activities		
g) Central administrative services to manage collective portfolios		
h) Fiduciary activities		
i) Payment services	**71,317**	**29,488**
1. Current accounts		
2. Credit cards		
3. Debit cards and other payment cards		
4. Bank transfers and other payment orders		
5. Other commissions connected to payment services	71,317	29,488
j) Distribution of third-party services		
1. Management of collective portfolios		
2. Insurance products		
3. Other products		
of which: management of individual portfolios		
k) Structured finance	**1,877**	**974**
l) Servicing activities for securitisations		
m) Commitments to disburse funds	**46,883**	**47,215**
n) Financial guarantees issued	**21,223**	**19,233**
of which: credit derivatives		
o) Financing transactions	**34,975**	**33,606**
of which: factoring		
p) Trading of currencies		
q) Commodities		
r) Other commission income	**299,839**	**323,564**
of which: management of multilateral trading systems		
of which: management of organised trading systems		
Total	**503,540**	**475,607**

Commission income at 31 December 2021 amounts to 504 million euro, mainly attributable to the contribution of the Parent Company, which during the year accrued commission income of 376 million euro in relation to:

- agreements signed with the Italian Ministry of the Economy and Finance for the management of the assets and liabilities of the MEF for approximately 360 million euro (of which 258 million euro relating to the management of the MEF Bonds);
- commitments to disburse funds amounting to around 47 million euro;
- structuring and disbursement of loans for around 37 million euro;
- guarantees issued of around 22 million euro.

The residual contribution to the balance of the item includes commissions earned for the management of the Revolving Fund for International Cooperation & Development Finance, the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI), and other services rendered.

The balance also includes 71.3 million euro from commissions for collection and payment services received by the SIA group, commission income of 28.5 million euro received by the subsidiary SIMEST for the management of Public Funds, and commission income of 7.8 million accrued by the subsidiary CDP Immobiliare SGR for the performance of its own institutional portfolio management activity.

2.2 Commission expense: breakdown

(thousands of euro)

Type of services/Amounts	2021	2020
a) Financial instruments	**1,340,573**	**1,408,359**
of which: trading of financial instruments	3,064	7,588
of which: placement of financial instruments	1,327,713	1,400,771
of which: management of individual portfolios		
- Own		
- Delegated to third parties		
b) Offsetting and settlement	**490**	**623**
c) Management of collective portfolios		
1. Own		
2. Delegated to third parties		
d) Custody and administration	**1,375**	**1,232**
e) Collection and payment services	**27,364**	**11,105**
of which: credit cards, debit cards and other payment cards	16	6
f) Servicing activities for securitisations		
g) Commitments to receive funds	**632**	
h) Financial guarantees received	**30,313**	**31,384**
of which: credit derivatives		
i) Door-to-door selling of financial instruments, products and services	**25,310**	**7,412**
j) Trading of currencies		
k) Other commission expense	**27,871**	**19,792**
Total	**1,453,928**	**1,479,907**

Commission expense is almost exclusively attributable to the Parent Company and is mainly related to the amount for the year 2021, of around 1,322 million euro, of the remuneration paid to Poste Italiane S.p.A. for managing postal savings products.

The commission expense for the postal savings service recognised during the year accrued under the agreement signed between CDP and Poste Italiane S.p.A., for the four-year period 2021-2024.

SECTION 3 - DIVIDENDS AND SIMILAR REVENUES - ITEM 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro)	2021		2020	
Items/Revenues	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	50		25	
B. Other financial assets mandatorily measured at fair value	582	28,641		8,055
C. Financial assets measured at fair value through other comprehensive income	27,097	35	17,656	24
D. Equity investments				
Total	**27,729**	**28,676**	**17,681**	**8,079**

SECTION 4 - PROFITS (LOSSES) ON TRADING ACTIVITIES - ITEM 80

4.1 Profits (losses) on trading activities: breakdown

(thousands of euro) Type of operations/P&L Items	Gains (A)	Profits on trading (B)	Losses (C)	Losses on trading (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets held for trading					
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					
Other financial assets and liabilities: exchange rate differences	x	x	x	x	**206,197**
3. Derivatives	**91,842**	**44,446**	**46,238**	**27,777**	**(153,062)**
3.1 Financial derivatives:	91,842	44,446	46,238	27,777	(153,062)
- On debt securities and interest rates	86,330	25,034	39,655	27,777	43,932
- On equity securities and equity indices	292	19,412	6,583		13,121
- On currencies and gold	x	x	x	x	(215,335)
- Other	5,220				5,220
3.2 Credit derivatives					
Total	**91,842**	**44,446**	**46,238**	**27,777**	**53,135**

The profits (losses) on trading activities, which showed a net profit of 53.1 million euro, was mainly due to the net result recorded with reference to the financial derivatives of the Terna group (46.2 million euro).

SECTION 5 - FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - ITEM 90

5.1 Fair value adjustments in hedge accounting: breakdown

(thousands of euro) Type of operations/P&L Items		2021	2020
A.	**Income on:**		
	A.1 Fair value hedges	1,810,982	55,555
	A.2 Hedged financial assets (fair value)	35,013	1,617,298
	A.3 Hedged financial liabilities (fair value)	133,494	61,000
	A.4 Cash flow hedges		9
	A.5 Assets and liabilities in foreign currencies	62,935	153,738
Total income on hedging activities (A)		**2,042,424**	**1,887,600**
B.	**Expense on:**		
	B.1 Fair value hedges	192,122	1,668,680
	B.2 Hedged financial assets (fair value)	1,787,687	24,148
	B.3 Hedged financial liabilities (fair value)	3,390	31,332
	B.4 Cash flow hedges	37,257	59,472
	B.5 Assets and liabilities in foreign currencies	61,053	153,723
Total expense on hedging activities (B)		**2,081,509**	**1,937,355**
C.	**Net gain (loss) on hedging activities (A-B)**	**(39,085)**	**(49,755)**
	of which: resulting from hedging of net positions		

SECTION 6 - GAINS (LOSSES) ON DISPOSAL OR REPURCHASE - ITEM 100

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euro)	2021			2020		
Type of operations/P&L Items	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Financial assets at amortised cost	355,140	(257)	354,883	735,953	(197)	735,756
1.1 Loans to banks				198		198
1.2 Loans to customers	355,140	(257)	354,883	735,755	(197)	735,558
2. Financial assets measured at fair value through other comprehensive income	132,681	(5,912)	126,769	138,799	(2,009)	136,790
2.1 Debt securities	132,681	(5,912)	126,769	138,799	(2,009)	136,790
2.2 Loans						
Total assets	**487,821**	**(6,169)**	**481,652**	**874,752**	**(2,206)**	**872,546**
Financial liabilities measured at amortised cost						
1. Due to banks					(302)	(302)
2. Due to customers				1,734		1,734
3. Securities issued		(6,433)	(6,433)		(17,433)	(17,433)
Total liabilities		**(6,433)**	**(6,433)**	**1,734**	**(17,735)**	**(16,001)**

The net balance of the item was positive for approximately 475 million euro. It mainly refers to the positive contribution of the Parent Company (482 million euro), which recorded profits on the sale of debt securities recorded among the Loans to customers (approximately +355 million euro) and of debt securities in the portfolio of financial assets measured at fair value through other comprehensive income (approximately +127 million euro).

The losses on the repurchase of securities issued (6.4 million euro) arise mainly from the liability management transaction completed by Italgas, which repurchased bonds maturing in January 2022 and March 2024 on the market for a total of 256 million euro.

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 110

7.1 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(thousands of euro)

Type of operations/P&L Items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A+B)-(C+D)]
1. Financial assets			**5,804**		**(5,804)**
1.1 Debt securities					
1.2 Loans			5,804		(5,804)
2. Financial liabilities			**145**		**(145)**
2.1 Securities issued					
2.2 Due to banks					
2.3 Due to customers			145		(145)
3. Foreign currency financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	
Total			**5,949**		**(5,949)**

7.2 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

(thousands of euro)

Type of operations/P&L Items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A+B)-(C+D)]
1. Financial assets	**227,211**	**2,445**	**134,409**		**95,247**
1.1 Debt securities	192		73,253		(73,061)
1.2 Equity securities	657				657
1.3 Units in collective investment undertakings	223,576	1	47,303		176,274
1.4 Loans	2,786	2,444	13,853		(8,623)
2. Financial assets: exchange rate differences	**X**	**X**	**X**	**X**	
Total	**227,211**	**2,445**	**134,409**		**95,247**

The net balance of the item, positive for approximately 95 million euro, is mainly attributable to the Parent Company and derives from the fair value measurement of the units of UCI recognised under financial assets mandatorily measured at fair value, which generated net profits of 176 million euro.

The balance of the item also includes the contribution from the subsidiary FSI Investimenti S.r.l., which had a negative impact of approximately 73.3 million euro mainly deriving from the fair value measurement of the bond of one of its investee, which was partly converted and partly restructured before the end of the year.

SECTION 8 – NET ADJUSTMENTS/RECOVERIES FOR CREDIT RISK - ITEM 130

This item shows a loss of around 54 million euro and almost exclusively relates to the net balance between adjustments and recoveries for credit risk calculated on an individual and collective basis and related to financial assets measured at amortised cost.

8.1 Net adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

(thousands of euro)	Writedowns						Writebacks					
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired financial assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets		
Type of operations/P&L Items			Write - off	Other	Write - off	Other					2021	2020
A. Loans to banks	**(7,513)**	**(5,947)**					**16,799**	**914**			**4,253**	**(10,087)**
- Loans	(3,951)	(5,947)					16,481	914			7,497	(8,565)
- Debt securities	(3,562)						318				(3,244)	(1,522)
B. Loans to customers	**(96,125)**	**(94,777)**	**(19)**	**(8,430)**			**94,279**	**35,955**	**9,675**		**(59,442)**	**(152,247)**
- Loans	(86,828)	(79,924)	(19)	(8,430)			80,583	35,955	9,675		(48,988)	(137,481)
- Debt securities	(9,297)	(14,853)					13,696				(10,454)	(14,766)
Total	**(103,638)**	**(100,724)**	**(19)**	**(8,430)**			**111,078**	**36,869**	**9,675**		**(55,189)**	**(162,334)**

8.1a Net adjustments for credit risk relating to loans measured at amortised cost subject to COVID-19 support measures: breakdown

(thousands of euro)	Net impairment adjustment							
			Stage 3		Purchased or originated credit impaired financial assets			
Type of operations/P&L Items	Stage 1	Stage 2	Write - off	Other	Write - off	Other	2021	2020
1. Loans subject to moratoria compliant with the GL	(403)	3		(15)			(415)	(366)
2. Loans subject to existing moratorium measures no longer conforming to the GLs and not considered forborne								
3. Loans subject to forbearance measures								
4. New loans	(1,768)	(173)		(1,020)			(2,961)	(2,673)
2021	**(2,171)**	**(170)**		**(1,035)**			**(3,376)**	
2020	**(3,053)**	**(3)**		**17**				**(3,039)**

The table shows the net adjustments for credit risk recognised on loans subject to COVID-19 support measures. The line “Loans granted in accordance with the GLs” shows the net adjustments recognised on loans subject to a moratorium that fall within the scope of the “*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis”* published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line “New loans” reports the net adjustments recognised on loans which represent new liquidity backed by public guarantees.

8.2 Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

(thousands of euro)	Writedowns						Writebacks			Writebacks		
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired financial assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets		
Type of operations/P&L Items			Write-off	Other	Write-off	Other					2021	2020
A. Debt securities	**(8,012)**						**9,203**	**13**			**1,204**	**(255)**
B. Loans												
- Customers												
- Banks												
Total	**(8,012)**						**9,203**	**13**			**1,204**	**(255)**

8.2a Net adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown

There are no loans measured at fair value through other comprehensive income subject to COVID-19 support measures.

SECTION 9 – GAINS/LOSSES FROM CHANGES IN CONTRACTS WITHOUT DERECOGNITION - ITEM 140

9.1 Gains/losses from changes in contracts: breakdown

(thousands of euro)	Gains	Losses	Net gain (loss)
Financial assets measured at fair value through other comprehensive income			
Loans			
Debt securities			
Financial assets measured at amortised cost: loans to banks			
Loans			
Debt securities			
Financial assets measured at amortised cost: loans to customers		**(377)**	**(377)**
Loans		(377)	(377)
Debt securities			
Total		**(377)**	**(377)**

The balance of the item is negative for approximately 377 thousand euro. It represents the loss of the Parent Company recognised on renegotiation of the contractual terms with a counterparty, classified among loans to customers in the portfolio of the financial assets measured at amortised cost. The loss is recognised as the difference between the gross carrying value of the asset before the modification and the discounted value of the future renegotiated cash flows, discounted at the original effective interest rate of the financial asset.

SECTION 10 - NET PREMIUM INCOME - ITEM 160

There is no net premium income.

SECTION 11 - NET OTHER INCOME (EXPENSE) FROM INSURANCE OPERATIONS - ITEM 170

The item has a nil balance.

SECTION 12 - ADMINISTRATIVE EXPENSES - ITEM 190

12.1 Staff costs: breakdown

(thousands of euro)

Type of expenses/Sectors	Prudential consolidation	Other entities	2021	2020
1) Employees	**164,711**	**2,415,569**	**2,580,280**	**2,349,487**
a) wages and salaries	115,449	1,702,878	1,818,327	1,632,074
b) social security costs	2,432	32,227	34,659	29,112
c) staff severance pay	702	37,291	37,993	40,724
d) pension costs	22,878	465,185	488,063	444,801
e) allocation to staff severance pay	314	12,357	12,671	10,106
f) allocation to provision for post-employment benefits				
g) payments to external supplementary pensions funds:	9,261	70,772	80,033	77,998
- defined contribution	9,261	67,005	76,266	74,370
- defined benefit		3,767	3,767	3,628
h) costs arising from share-based payment arrangements		5,428	5,428	4,386
i) other employee benefits	13,675	89,431	103,106	110,286
2) Other personnel in service	**706**	**11,260**	**11,966**	**9,067**
3) Board of Directors and Board of Auditors	**2,582**	**22,939**	**25,521**	**25,391**
4) Retired personnel				
Total	**167,999**	**2,449,768**	**2,617,767**	**2,383,945**

12.2 Average number of employees by category

(number)	Prudential consolidation	Other entities	2021	2020
Employees	**1,163**	**41,456**	**42,619**	**40,376**
a) Senior management	128	865	993	928
b) Middle management	589	12,622	13,211	12,226
c) Other employees	446	27,969	28,415	27,222
Other personnel	**17**	**326**	**343**	**224**

12.3 Defined benefit pension funds: costs and revenues

This item has a nil balance.

12.4 Other employee benefits

(thousands of euro)

Type of expenses /Values	Prudential consolidation	Other entities	2021	2020
Food coupons	2,401	6,368	8,769	8,133
Insurance policies	6,572	2,344	8,916	5,228
Lump sum repayments				
Contributions to mortgage loan interest	819	31	850	700
Leaving incentives	937	15,661	16,598	24,028
Energy bonus		334	334	303
Length of service bonuses		1,573	1,573	756
Other benefits	2,946	63,120	66,066	71,138
Total	**13,675**	**89,431**	**103,106**	**110,286**

12.5 Other administrative expenses: breakdown

(thousands of euro)

Type of expenses/Values	Prudential consolidation	Other entities	2021	2020
IT costs	28,167	231,227	259,394	220,883
General services	10,010	7,412,094	7,422,104	5,945,428
Professional and financial services	14,870	986,356	1,001,226	827,267
Publicity and marketing expenses	4,496	38,250	42,746	37,175
Other personnel-related expenses	2,005	51,887	53,892	51,873
Utilities, duties and other expenses	6,330	265,879	272,209	276,567
Information resources and databases	5,467		5,467	5,577
Corporate bodies	516	219	735	837
Total	**71,861**	**8,985,912**	**9,057,773**	**7,365,607**

As required by article 149-duodecies of Consob Issuers' Regulation no. 11971, the 2021 audit fees and fees for non-audit services are given below:

(thousands of euro)

Type of services	Subject that provided the service	Recipient	Fees
Auditing	Auditor of the parent company	Parent company	402
		Subsidiaries	4.636
	Network of the auditor of the parent company	Subsidiaries	1.545
Certification services	Auditor of the parent company	Parent company	180
		Subsidiaries	547
	Network of the auditor of the parent company	Subsidiaries	58
Other services	Auditor of the parent company	Parent company	27
		Subsidiaries	35
	Network of the auditor of the parent company	Subsidiaries	473
Total			**7.903**

Amounts net of VAT, ancillary expenses and Consob contribution

SECTION 13 - NET PROVISIONS FOR RISKS AND CHARGES - ITEM 200

13.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	Accruals				Reversal of excess				
(thousands of euro)	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Net income (loss)
Commitments to disburse funds	(20,428)	(171)	(305)		17,150	15,898	130	22	12,296
Financial guarantees issued	(7,595)				8,272			41	718
Total	**(28,023)**	**(171)**	**(305)**		**25,422**	**15,898**	**130**	**63**	**13,014**

13.2 Net provisions for other commitments and other guarantees issued: breakdown

During the year, no accruals for other commitments and guarantees were made.

13.3 Net provisions to other provisions for risks and charges: breakdown

(thousands of euro)

Type of transactions/Values	Accruals	Reversal of excess	2021
Net accruals to the provisions for legal and fiscal disputes	(27,442)	22,527	(4,915)
Net accruals to the provisions for sundry expenses for personnel	(112)	9,386	9,274
Net sundry provisions	(138,490)	85,763	(52,727)
Total	**(166,044)**	**117,676**	**(48,368)**

13.3 of which: pertaining to the Prudential consolidation

(thousands of euro)

Type of transactions/Values	Allocations	Reversal of excess	2021
Net provisions for legal and fiscal disputes	(2,031)	1,969	(62)
Net provisions for sundry expenses for personnel			
Net sundry provisions			
Total	**(2,031)**	**1,969**	**(62)**

13.3 of which: pertaining to Other companies

(thousands of euro)

Type of transactions/Values	Allocations	Reversal of excess	2021
Net provisions for legal and fiscal disputes	(25,411)	20,558	(4,853)
Net provisions for sundry expenses for personnel	(112)	9,386	9,274
Net sundry provisions	(138,490)	85,763	(52,727)
Total	**(164,013)**	**115,707**	**(48,306)**

SECTION 14 - NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY, PLANT AND EQUIPMENT - ITEM 210

14.1 Net adjustments to property, plant and equipment: breakdown

(thousands of euro)

Assets/P&L items	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. Operating	(1,769,253)	(12,612)	31	(1,781,834)
- Owned	(1,686,040)	(12,612)	31	(1,698,621)
- Right of use acquired under leases	(83,213)			(83,213)
2. Investment	(6,364)	(36,093)		(42,457)
- Owned	(5,895)	(36,093)		(41,988)
- Right of use acquired under leases	(469)			(469)
3. Inventories	X	(55,891)	1,107	(54,784)
Total	**(1,775,617)**	**(104,596)**	**1,138**	**(1,879,075)**

14.1 of which: pertaining to the Prudential consolidation

(thousands of euro)

Assets/P&L items	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. Operating	(6,887)			(6,887)
- Owned	(4,608)			(4,608)
- Right of use acquired under leases	(2,279)			(2,279)
2. Investment	(6,364)			(6,364)
- Owned	(5,895)			(5,895)
- Right of use acquired under leases	(469)			(469)
3. Inventories	X			
Total	**(13,251)**			**(13,251)**

14.1 of which: pertaining to Other companies

(thousands of euro)

Assets/P&L items	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. Operating	(1,762,366)	(12,612)	31	(1,774,947)
- Owned	(1,681,432)	(12,612)	31	(1,694,013)
- Right of use acquired under leases	(80,934)			(80,934)
2. Investment		(36,093)		(36,093)
- Owned		(36,093)		(36,093)
- Right of use acquired under leases				
3. Inventories	X	(55,891)	1,107	(54,784)
Total	**(1,762,366)**	**(104,596)**	**1,138**	**(1,865,824)**

SECTION 15 - NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - ITEM 220

15.1 Net adjustments on intangible assets: breakdown

(thousands of euro)

Assets/P&L items	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(246,670)			(246,670)
A.1 Owned	(871,301)	(7,386)		(878,687)
- Internally generated by the company	(85,356)	(481)		(85,837)
- Other	(785,945)	(6,905)		(792,850)
A.2 Right of use acquired under leases				
Total	**(871,301)**	**(7,386)**		**(878,687)**

15.1 of which: pertaining to the Prudential consolidation

(thousands of euro)

Assets/P&L items	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(12,864)			(12,864)
A.1 Owned	(12,905)			(12,905)
- Internally generated by the company				
- Other	(12,905)			(12,905)
A.2 Acquired under finance leases				
Total	**(12,905)**			**(12,905)**

15.1 of which: pertaining to Other companies

(thousands of euro)

Assets/P&L items	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(233,806)			(233,806)
A.1 Owned	(858,396)	(7,386)		(865,782)
- Internally generated by the company	(85,356)	(481)		(85,837)
- Other	(773,040)	(6,905)		(779,945)
A.2 Acquired under finance leases				
Total	**(858,396)**	**(7,386)**		**(865,782)**

SECTION 16 - OTHER OPERATING INCOME (COSTS) - ITEM 230

16.1 Other operating costs: breakdown

(thousands of euro)

Type of costs/Figures	Prudential consolidation	Other entities	2021	2020
Depreciation of leasehold improvements	365	964	1,329	1,304
Ordinary maintenance costs of buildings for investment use				
Other	7,429	215,207	222,636	131,683
Total	**7,794**	**216,171**	**223,965**	**132,987**

16.2 Other operating income: breakdown

(thousands of euro)

Type of costs/Figures	Prudential consolidation	Other entities	2021	2020
Income for company engagements to employees	812	213	1,025	862
Recovery of expenses	3,749	16,994	20,743	12,806
Rental income and other income from property management	12,377	50,686	63,063	32,765
Revenues from industrial management		17,310,645	17,310,645	14,944,041
Other	2,778	240,252	243,030	243,482
Total	**19,716**	**17,618,790**	**17,638,506**	**15,233,956**

Other operating income, equal to 17,639 million euro as at 31 December 2021 (15,234 million euro in 2020), includes income that is not attributable to the other items of the bank financial statements, represented almost exclusively by the revenues recorded by the Group companies whose activity is industrial, and described below.

The revenues of the Snam group equal to 3,278 million euro related to the transport, regasification and storage of natural gas, and of the Italgas group for 2,147 million euro related to the distribution of natural gas, whose income is governed by the regulatory framework defined by the Energy Networks and Environment Regulator (ARERA), whose financial conditions are defined through regulatory frameworks and not on a negotiated basis, are included among Other operating income.

The Terna group contributed to the balance with 2,612 million euro in revenues, the main component of which derived from the CRT network usage fee that remunerates the ownership and management of the National Transmission Grid. Transmission revenues represent the most significant portion of the regulated revenues of the Terna group and derive from the monopolistic application of the transmission fee (CTR) billed by Terna to distributors connected to the National Transmission Grid as part of the regulation overseen by ARERA.

The Fincantieri group recorded revenues of 6,865 million euro in the period deriving from the shipbuilding orders and the services provided in the businesses it operates in: Shipbuilding, Offshore and Special Vessels, Systems, Components and Services and Other activities. Revenues are progressively recognised over time on the basis of the transfer over time of control of goods and/or services to the customer and as a result of the change in contract work in progress.

The contribution of the Ansaldo group amounted to 1,590 million euro of revenues deriving from the main business sectors of the group: orders relating to the production of gas turbines, steam turbines and generators, and related engineering activities, supply and construction of thermoelectric power plants, and maintenance, repair and spare parts services for existing plants.

SECTION 17 - GAINS (LOSSES) ON EQUITY INVESTMENTS - ITEM 250

17.1 Gains (losses) on equity investments: breakdown

(thousands of euro)

P&L components/Sectors	2021	2020
1. Joint ventures		
A. Income	**128,017**	**137,887**
1. Writebacks	127,865	135,876
2. Gains on disposal		
3. Writebacks		
4. Other	152	2,011
B. Expenses	**(442,821)**	**(181,971)**
1. Impairment	(442,321)	(169,911)
2. Writedowns for impairment		(11,227)
3. Losses on disposal		
4. Other	(500)	(833)
Net result	**(314,804)**	**(44,084)**
2. Enterprises subject to significant influence		
A. Income	**2,257,007**	**433,382**
1. Writebacks	2,204,185	432,232
2. Gains on disposal	224	1,150
3. Writebacks		
4. Other	52,598	
B. Expenses	**(204,494)**	**(2,506,144)**
1. Impairment	(203,436)	(2,505,748)
2. Writedowns for impairment	(1,020)	(5)
3. Losses on disposal		(22)
4. Other	(38)	(369)
Net gain (loss)	**2,052,513**	**(2,072,762)**
Total	**1,737,709**	**(2,116,846)**

Net gains on equity investments of approximately 1,738 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 (1,473 million euro) and Poste Italiane (517 million euro);
- the negative effect of the measurement at equity of Saipem (323 million euro) and Open Fiber (94 million euro).

SECTION 18 - GAINS (LOSSES) ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - ITEM 260

This item has a nil balance.

SECTION 19 - GOODWILL IMPAIRMENT - ITEM 270

19.1 Goodwill impairment: breakdown

This item has a nil balance for 2021 and 2020.

SECTION 20 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 280

20.1 Gains (losses) on disposal of investments: breakdown

(thousands of euro)

P&L components/Figures	2021	2020
A. Land and buildings	**(4,216)**	**(651)**
- Gains on disposal	4,494	10
- Losses on disposal	(8,710)	(661)
B. Other assets	**952,429**	**16,543**
- Gains on disposal	955,442	18,091
- Losses on disposal	(3,013)	(1,548)
Net gain (loss)	**948,213**	**15,892**

This item was positive and amounted to 948 million euro and included the capital gain of 923 million euro resulting from the accounting of the merger of SIA into Nexi.

SECTION 21 - INCOME TAX FOR THE YEAR ON CONTINUING OPERATIONS - ITEM 300

The CDP Group operates in various countries (both European and non-European) that have autonomous tax systems where the determination of the taxable base, the level of tax rates, the nature, type and timing of formal obligations differ from one another.

CDP and some Italian Group companies have adopted the so-called “national fiscal consolidation” under which it is possible to algebraically offset the income and losses of companies belonging to the same scope of consolidation.

With regard to tax rates, in Italy corporate income tax (IRES) is 24%, to which an additional 3.5% applicable exclusively to banks and other financial intermediaries should be added. In addition to IRES, the Regional Tax on Productive Activities (IRAP) must be added, whose nominal rate is 4.65% for the banking sector and to which each Region can autonomously add a surcharge. IRAP applies to a taxable income that is marginally different from the one used by IRES.

With regard to income tax of the Parent Company, please refer to Part C – Notes to the Financial Statements of CDP S.p.A. – Section 19 – Income tax for the year on continuing operations – item 270, which is understood to be fully included here.

21.1 Income tax for the year on continuing operations: breakdown

(thousands of euro)

P&L components/Figures	Prudential consolidation	Other entities	2021	2020
1. Current taxes (-)	(686,633)	(1,088,959)	(1,775,592)	(1,907,016)
2. Change in current taxes from previous years (+/-)	(2,972)	14,000	11,028	36,425
3. Reduction of current taxes for the year (+)	6	1,218	1,224	2,115
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 (+/-)	(54,959)	17,926	(37,033)	199,073
5. Change in deferred tax liabilities (+/-)	(17,942)	467,547	449,605	179,308
6. Taxes for the year (-) (-1+/-2+3+3 bis +/-4+/-5)	**(762,500)**	**(588,268)**	**(1,350,768)**	**(1,490,095)**

For an examination of the dynamics of deferred tax assets and liabilities recorded during the year, with particular regard to the most significant contributions by Group companies grouped according to the type of activity carried out, please refer to the tables in section 11 describing the related changes.

For further details on the indication of the main elements that contributed to determining the estimate of the tax burden and its changes compared to the previous financial year, please refer to the tables below.

21.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	2021	Tax rate	2020	Tax rate
Income (loss) before taxes	**7,844,635**		**2,692,817**	
IRES theoretical tax liability (rate 27.5%)	**(2,157,275)**	**-27.50%**	**(740,525)**	**-27.50%**
Increases in taxes				
- non-deductible interest expense	(5,431)	-0.07%	(7,019)	-0.26%
- writedowns of equity investments	(266,224)	-3.39%	(641,860)	-23.84%
- other non-deductible costs	(1,410)	-0.02%	(5,849)	-0.22%
- adjustments on receivables	(4,173)	-0.05%	(4,006)	-0.15%
- non-deductible temporary differences	(165,279)	-2.11%	(230,053)	-8.54%
- non-deductible permanent differences	(216,091)	-2.75%	(115,741)	-4.30%
- foreign tax rate effects	(3,293)	-0.04%	(253)	-0.01%
- other changes	(148,501)	-1.89%	(122,658)	-4.56%
- substitute tax for realignment of values			(92,068)	-3.42%
Decreases in taxes				
- ACE benefit	70,310	0.90%	59,253	2.20%
- exchange rate differences	1,258	0.02%	1,757	0.07%
- non-taxable income	323,842	4.13%	20,710	0.77%
- use of accruals	51,386	0.66%	74,517	2.77%
- technical reserves				
- 24% rate effect	140,884	1.80%	72,541	2.69%
- other changes	358,475	4.57%	163,607	6.08%
- revaluation of equity investments	581,257	7.41%		
IRES Actual tax liability	**(1,440,265)**	**-25.74%**	**(1,567,647)**	**-58.22%**

(thousands of euro)	2021	Tax rate	2020	Tax rate
IRAP tax amount	**7,813,271**		**3,380,322**	
IRAP Theoretical tax liability (5.57% rate)	**(435,199)**	**-5.57%**	**(188,284)**	**-5.57%**
Increases in taxes				
- non-deductible interest 4%	(148)	0.00%	(87)	0.00%
- other non-deductible costs	(19,551)	-0.25%	(249,132)	-7.37%
- different regional rates	(7,572)	-0.10%	(7,838)	-0.23%
Decreases in taxes				
- costs deductible in previous years	3,962	0.05%	9,028	0.27%
- deductible costs for staff costs	51,436	0.66%	45,007	1.33%
- different regional rates	35,690	0.46%	33,189	0.98%
- other decreases	36,055	0.46%	18,748	0.55%
IRAP Actual tax liability	**(335,327)**	**-4.29%**	**(339,369)**	**-10.04%**

SECTION 22 – INCOME (LOSS) AFTER TAX ON DISCONTINUED OPERATIONS – ITEM 320

22.1 Income (loss) after tax on discontinued operations: breakdown

The item was negative by 1,170 million euro and relates to the result of discontinued operations represented by SACE, SACE FCT, SACE BT and SACE SRV. The balance includes the effects (a charge of 1,289 million euro) of aligning the value of the net assets of these companies to their realisable value of 4,251 million euro.

22.2 Breakdown of income taxes on discontinued operations

The item is negative by 41 million euro and refers to the current taxation of the assets disposed of by the companies of the Sace group listed above.

SECTION 23 - NET INCOME (LOSS) FOR THE YEAR PERTAINING TO NON-CONTROLLING INTERESTS - ITEM 340

23.1 Breakdown of item 340 “Net income (loss) for the year pertaining to non-controlling interests”

Net income pertaining to non-controlling interests amounts to 2,344 million euro.

(thousands of euro)

Company name	2021	2020
Equity investments in consolidated companies with significant third-party interests		
1. Terna S.p.A.	626,339	573,073
2. Snam S.p.A.	1,091,437	763,432
3. Italgas S.p.A.	293,948	305,660
Other equity investments	**332,392**	**(108,768)**
Total	**2,344,116**	**1,533,397**

SECTION 24 - OTHER INFORMATION

There is no additional information to report.

SECTION 25 - EARNINGS PER SHARE

The necessary conditions for the disclosure required by IAS 33 are not met.

PART D - CONSOLIDATED COMPREHENSIVE INCOME

Analytical statement of comprehensive income

(thousands of euro)

Items		2021	2020
10.	**Net income (loss) for the year**	**5,323,665**	**1,164,689**
	Other comprehensive income not transferred to income statement	**222,588**	**(193,892)**
20.	Equity securities at fair value through other comprehensive income	170,485	(224,203)
	a) fair value changes	170,485	(224,203)
	b) transfer to other equity items		
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)		
	a) fair value changes		
	b) transfer to other equity items		
40.	Hedges on equity securities designated at fair value through other comprehensive income		
	a) fair value change (hedged instrument)		
	b) fair value change (hedging instrument)		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit	21,993	(7,644)
80.	Non-current assets and disposal groups held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method	40,627	9,157
100.	Income tax relating to other comprehensive income not transferred to income statement	(10,517)	28,798
	Other comprehensive income transferred to income statement	**(127,651)**	**(457,004)**
110.	Hedging of foreign investments		
	a) fair value changes		
	b) transfer to income statement		
	c) other changes		
120.	Exchange rate differences	56,269	(69,386)
	a) changes in value	25,968	(25,477)
	b) transfer to income statement		
	c) other changes	30,301	(43,909)
130.	Cash flow hedges	(295,047)	(145,844)
	a) fair value changes	(305,182)	(96,588)
	b) transfer to income statement	(6,307)	(6,222)
	c) other changes	16,442	(43,034)
	- of which, result of net positions		
140.	Hedging instruments (non-designated items)		
	a) changes in value		
	b) transfer to income statement		
	c) other changes		
150.	Financial assets (other than equity securities) at fair value through other comprehensive income	(233,397)	97,595
	a) fair value changes	(113,186)	230,892
	b) transfer to income statement	(116,298)	(136,514)
	- impairment adjustments	10,471	276
	- gains (losses) on disposal	(126,769)	(136,790)
	c) other changes	(3,913)	3,217
160.	Non-current assets and disposal groups held for sale		
	a) fair value changes		
	b) transfer to income statement		
	c) other changes		
170.	Share of valuation reserves of equity investments accounted for using equity method	159,232	(348,090)
	a) fair value changes	125,606	(330,127)
	b) transfer to income statement		
	- impairment adjustments		
	- gains (losses) on disposal		
	c) other changes	33,626	(17,963)
180.	Income tax relating to other comprehensive income transferred to income statement	185,292	8,721
190.	**Total other comprehensive income**	**94,937**	**(650,896)**
200.	**Comprehensive income (items 10+190)**	**5,418,602**	**513,793**
210.	Consolidated comprehensive income pertaining to non-controlling interests	2,453,180	1,474,809
220.	**Consolidated comprehensive income pertaining to shareholders of the parent company**	**2,965,422**	**(961,016)**

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

To ensure an efficient risk management system, the Parent Company and the companies belonging to the prudential consolidated perimeter have set up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks - assumed or that can be assumed - in the different segments.

The risk management system takes into account the specific characteristics of the activity carried out by each entity of the group; it 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 management of all types of risk and for the clear representation of the overall risk profile and solidity of CDP to the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management (RM), Risk Advisory & Policies, Compliance & Anti-Money Laundering and Risk Operations Functions. RM is responsible for supporting the CRO with the management and monitoring of all types of risk, providing a clear representation about the overall risk profile and capital requirements associated with each category of risk.

All the relevant types of risk are defined by the Risk Policy, initially approved by the Board of Directors in 2010 and subsequently updated as necessary. The risks can be divided into market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risks, credit risks (which include concentration and counterparty risks), operational risks, and reputational risks. The Risk Policy is updated semi-annually and is made up by a main document (the Risk Regulation Policy) and a set of related annexes, each focusing on a specific category of risk (e.g. interest rate risk) or on an area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy is the key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies and the framework of the corresponding organisational processes.

The guidelines for the risk management of the Parent Company are expressed in the Risk Policy and set out provisions about:

- 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 structure of the statutory, board and management committees is established at both Parent Company and Group level, including the committees responsible for risk, which were given their respective different responsibilities, in compliance with the principles adopted.

The Board of Directors' Risk Committee has control and guidance functions in the field of risk management and assessment of new investment products. Continuing along the path of full integration of sustainability into CDP's governance, business and operational model, in June 2021 new responsibilities for sustainability were assigned to the Risk Committee, also approving to rename it "Risk and Sustainability Committee", with additional functions to support the Board of Directors in the area of sustainability strategy, policy and reporting.

Two technical and advisory committees, the Risk Governance Committee and the Risk Assessment Committee, act as a support to management and to the decision-making bodies. The Risk Governance Committee is responsible for (i) aspects related to defining and controlling CDP's overall risk profile, (ii) compliance of new products with that risk profile and (iii) relevant aspects for the management of liquidity contingency situations. The Risk Assessment Committee, on the other hand, is responsible for (i) assessing transactions and activities, also in terms of concentration, economic and financial sustainability as well as the associated risks, (ii) assessing proposals to manage specific non-performing loans and credit disputes, (iii) assessing proposals for impairment of loans or equity investments and (iv) periodically reviewing the risk profile of counterparties in the portfolio.

RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the Chief Executive Officer, recommending corrective measures to the Risk Governance Committee or the Risk Assessment Committee, according to their responsibilities, that might be necessary to ensure compliance with the Risk Policy and the risk appetite, monitoring the use of economic capital with respect to capital requirements and contributing to capital management activities.

Within the companies pertaining to the prudential consolidation perimeter, the risk and control management systems includes, in addition to the top management, the second-level control functions (Risk Management, Compliance, Anti-Money Laundering) and third-level control functions (Internal Auditing).

SECTION 1 - THE RISKS OF ACCOUNTING CONSOLIDATION

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

	Bad debts					Total
(thousands of euro) Portfolios/quality	Bad debts	Unlikely to pay	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	79,151	92,466	234,087	2,228	360,423,255	360,831,187
2. Financial assets measured at fair value through other comprehensive income					14,175,245	14,175,245
3. Financial assets designated at fair value					456,966	456,966
4. Financial assets mandatorily measured at fair value	7,149		23,039	169	174,945	205,302
5. Financial assets held for sale	4,713	42,914	232,847	25,053	35,745,924	36,051,451
Total 31/12/2021	**91,013**	**135,380**	**489,973**	**27,450**	**410,976,335**	**411,720,151**
Total 31/12/2020	**71,472**	**169,131**	**313,194**	**85,418**	**410,963,911**	**411,603,126**

The following table shows the breakdown of credit exposures for on-balance sheet forborne credit exposures (non-performing and performing loans).

Forborne credit exposures: breakdown by portfolio and credit quality

(thousands of euro)

Type of exposition/value	Gross exposure	Accumulated impairment	Net exposure 31/12/2021	Net exposure 31/12/2020
Forborne loans to customers:				
Bad debts	255	(76)	179	12
Unlikely to pay	33,644	(10,308)	23,336	28,819
Non-performing past-due exposures	1,163	(26)	1,137	
Performing past-due exposures				
Other performing exposures	586,712	(129,546)	457,166	420,069
Total forborne exposures at 31/12/2021	**621,774**	**(139,956)**	**481,818**	**X**
Total forborne exposures at 31/12/2020	**587,176**	**(138,276)**	**X**	**448,900**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(thousands of euro) Portfolios/quality	Non performing assets				Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Accumulated partial write-offs *	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets measured at amortised cost	546,872	(141,168)	405,704		361,451,550	(1,026,067)	360,425,483	360,831,187
2. Financial assets measured at fair value through other comprehensive income					14,189,184	(13,939)	14,175,245	14,175,245
3. Financial assets designated at fair value					X	X	456,966	456,966
4. Financial assets mandatorily measured at fair value	88,714	(58,526)	30,188		X	X	175,114	205,302
5. Financial assets held for sale	335,501	(55,027)	280,474	228	35,790,268	19,291	35,770,977	36,051,451
Total 31/12/2021	**971,087**	**(254,721)**	**716,366**	**228**	**411,431,002**	**(1,020,715)**	**411,003,785**	**411,720,151**
Total 31/12/2020	**808,443**	**(254,646)**	**553,797**	**2,888**	**411,148,294**	**(1,014,444)**	**411,049,329**	**411,603,126**

* value to be shown for information purposes

(thousands of euro)	Assets with markedly poor credit quality		Other assets
Portfolios/Quality	Accumulated loss	Net exposure	Net exposure
1. Financial assets held for trading			430,396
2. Hedging derivatives			298,125
Total 31/12/2021			**728,521**
Total 31/12/2020			**1,874,408**

B. Disclosure of structured entities (other than securitisation companies)

Not present at 31 December 2021.

SECTION 2 - THE RISKS OF THE PRUDENTIAL CONSOLIDATION

In compliance with the national and EU legal framework, the CDP Group is not subject to prudential supervision on a consolidated basis. This section, whose scope is the area of “prudential consolidation”, refers to the Parent Company CDP S.p.A. and to the following companies, subject to supervision on an individual basis:

- CDP Immobiliare SGR S.p.A.
- SACE Fct S.p.A.
- Fondo Italiano di Investimento SGR S.p.A.

In contrast, the subsidiary SIApay S.r.l. has been excluded from the scope of the "prudential consolidation", due to the small significance of its operations compared to those of the entities listed above. However, the risks connected with the operations carried out by SIApay are included in Section 4, while the risks of other entities, in the paragraph on the SIA Group.

Article 5 of Decree Law no. 269 of 30th September 2003, relating to the transformation of CDP into a joint-stock company, specifies that CDP must be subject to the provisions of Title V of Legislative Decree no. 385 of 1 September 1993 provided for intermediaries registered in the list referred to in Article 106 of the same legislative decree, "taking into account the characteristics of the supervised entity and the special regulations applicable to the separate account […]". Therefore, the transformation decree provides for a specific set of supervisory regulations for CDP, since the provisions relating to non-banking financial intermediaries cannot be directly applicable to it.

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

It should also be noted that:

- CDP is classified in the harmonised statistics of the European System of Central Banks as "other monetary financial institution" (MFI), falling into the category of credit institutions and, as such, it is subject to the Eurosystem's minimum reserve requirement; and
- CDP is one of the counterparties admitted to the Eurosystem monetary policy operations and, as such, quarterly sends to the Bank of Italy data of a managerial nature on its capital adequacy.

1.1 Credit risk

Qualitative disclosures

1. General aspects

For the Parent Company CDP S.p.A. credit risk arises primarily in relation to the lending activity – both under the Separate Account and the Ordinary Account – and, on a secondary level, to hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, which is prevailing in terms of share of assets, primarily features exposures to the Italian Government and Local Authorities. CDP is also authorised to grant cash advances to local authorities, within the scope of the treasury service provided by Poste Italiane. This activity is focused on municipalities with up to 5,000 inhabitants and its risk profile is in line with the traditional lending activity.

Exposures under the Separate Account to the main banking groups operating in Italy, through which CDP conveys various kinds of lending, in particular loans to SMEs and in order to support the residential real estate market, continue to play an important role.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are also significant. Other exposures include those in respect of the Revolving Fund for Enterprises (FRI – Fondo Rotativo per le Imprese), which to date are essentially not exposed to credit risk (as they are secured by a guarantee of last resort by the State), and those assumed under International Financing and Export Bank operations. The Separate Account may also finance energy efficiency improvement projects and loans granted to support International Cooperation activities, which have recently started with the use of own funds.

Under the Ordinary Account, CDP grants corporate and project financing drawing on non-government-backed funding, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

Since the approval of the 2019-2021 Business Plan, operations in the Mid corporate segment, while still representing a very small share of the loan portfolio in terms of amounts, have assumed greater importance in terms of number of transactions, reflecting CDP's more widespread presence in Italy and the strategic objective to support the growth of this type of counterparties.

In the last two years, following the COVID-19 emergency, CDP has supported Italian enterprises, together with the banking system, granting medium/long-term loans under the Ordinary Account, backed by the SACE Garanzia Italia instrument. Again, under the Ordinary Account, Italian enterprises also received support with short-term liquidity facilities up to 18 months.

Lastly, in 2021, CDP continued to develop interventions within platforms or investment programmes using EU funds or national resources (such as the European Guarantee Fund or, in Italy, the Guarantee Fund managed by Mediocredito Centrale), while maintaining alignment with CDP's typical risk profile.

Lastly, with regard to risks related to climate change, the impact on CDP's activities, strategy and financial planning may be reflected mainly through changes in the performance of the equity investments, as well as the loans granted and the bonds held. CDP's investments and loans include a variety of enterprises operating in different geographical areas and sectors, many of which are exposed to physical risk and/or transition risk. In addition, the impact of risks related to climate change may directly affect CDP's operations, which are largely conducted in Italy and fall within the financial sector.

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 Law 52 of 1991 and to the Italian Civil Code, trade receivables from operations versus all or part of its customers (debtors) to a company specialised in this field (factor).

The factoring agreement may perform different functions, for which the factor provides different services, such as (i) collection, where the factor performs certain activities on behalf of the transferor; (ii) financing, when the factor pays a price for the assigned receivables; (iii) guarantee, when the transfer is made without recourse and the factor assumes the risk of default by the transferred debtor. These activities expose the factor to credit risk in different and gradually increasing ways. The risk is mitigated through the introduction of specific contractual clauses. Another type of activity is the final purchase of the receivable. In this case, all risks/benefits deriving from the receivable are transferred by the transferor to the Company pursuant to IFRS 9 ("recognition").

CDP Immobiliare SGR is exposed to credit risk in the sense of counterparty risk, in connection with the fees received as fund manager. The exposure exists with respect to managed funds and, indirectly, their subscribers, who might be unable to comply with subscriptions (i.e. fully/partially unable to deposit funds for the subscribed investments). In this respect, it shall be noticed that the funds currently managed are mainly subscribed by the Parent Company.

For Fondo Italiano d'Investimento SGR S.p.A., the exposure to credit risk is also in the sense of counterparty risk in relation to the management fees received by the managed funds. However, this exposure is limited both due to the diversification of the funds and the investors and to their credit standing, in addition to the fact that the assets of the managed funds are mainly subscribed by the Parent Company.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Credit Risk Policy, which also defines the lending process and the roles of the involved units.

Risk Operations assesses the proposals advanced by CDP business units, as well as the most significant transactions submitted for a governance opinion by the subsidiaries; it is also responsible for assigning internal ratings and estimating the Loss Given Default. These parameters are used for management and accounting purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document provides the details on the methods adopted by CDP for the assignment of internal ratings to counterparties and for internal estimates of the recovery rate for individual financing transactions. Risk Operations is also responsible for the periodic review of the loan portfolio, regarding the evolution of the counterparty's financial situation and developments in their industry/sector, manages and monitors bad loans and analyses counterparties for the purposes of internal or regulatory classification.

Risk Advisory & Policies provides advisory support to CDP's business units and to Group companies in the phase of definition of the contents of business solutions and the most significant transactions. It carries out risk assessments regarding equity and real estate transactions that require a governance opinion. It also assists the Chief Risk Officer in the definition and update of the guidelines related to Group-level risk policies.

Risk Management is responsible for the methodologies used to determine the risk-adjusted pricing, for the monitoring of the risk-adjusted return, and for the measurement of portfolio concentration. Risk Management regularly monitors the overall performance of loan portfolio risk, also to identify corrective measures designed to optimise the risk/return profile.

With regard to credit risk, the responsibilities of Risk Management also include:

- carrying out second-level controls to ensure that performance is monitored correctly, that the classifications of the individual exposures are consistent, that provisioning is adequate and that the recovery process is appropriate;
- formulating opinions on specific loan transactions in the specific cases detailed in the policies;
- defining, selecting and implementing models, methods and instruments (including those relating to the internal rating system).

With regard to non-performing counterparties, Risk Operations reviews any restructuring proposal– where necessary with the support of other structures for more complex cases – while Risk Management performs a second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the transactions-management structures of the business units.

As mentioned above, the Risk Assessment Committee is a technical and advisory body supporting the decision-making bodies. One of its duties is to give mandatory, non-binding opinions on financing transactions, both on creditworthiness and the adequacy of the applied contractual terms and conditions. The Risk Assessment Committee, whose composition varies according to the type and significance of the transactions, consists of the Chief Risk Officer and the heads of the structures reporting directly to him, the Chief Financial Officer, the Deputy General Manager and Chief Legal Officer, the Head of the relevant Business Department, or the persons appointed by them.

To monitor the risks at group level, a specific governance process is foreseen for the most significant transactions in terms of risk. In these cases, a non-binding opinion must be obtained from the Parent Company, which is prepared by the Group Risk Assessment Committee. In particular, the aforesaid Committee provides opinions on the Group's risk monitoring and assessment systems, and on risk policies and Group transactions with a significant impact.

The management of credit risk associated with factoring transactions carried out by SACE Fct is governed by internal company regulations and its main objectives are: (i) to ensure adequate control over the risk assumption; (ii) to allow an adequate and accurate assessment of the counterparties' creditworthiness and the overall level of risk of individual credit lines.

The factoring process is broken down into the following phases: (i) investigation aimed at preparing an initial assessment of the counterparty; (ii) 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 non-performing loans, including the determination of the related 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

With regard to the credit risk management and control policies of the Separate Account, CDP has adopted a system for approving loans to local entities. This system is used to classify each loan in homogeneous risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type and size of entity.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness requires further analysis.

CDP uses a validated proprietary model to calculate credit risk at portfolio level for the Ordinary Account and for loans to private-sector parties under the Separate Account portfolio, with the exclusion of the liquidity funds provided in support of the economy via the banking system. CDP also uses this model to calculate the economic capital associated with the entire loan portfolio, with the sole exception of exposures, direct or indirect, to the State.

Risk Management monitors compliance with the system of limits and the guidelines for composition of the loan portfolio, which are an integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty and become stricter as the rating and recovery rate decrease, according to proportions in line with the economic capital.

Risk Management also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increased correlation parameters.

Risk Management regularly monitors the net current and potential future exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. Risk Management checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum exposure value, by counterparty or group of related counterparties, as set in the CDP Risk Policy. Similarly, Risk Management ensures the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the assignment of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including auditability of the process of evaluation.

In the internal rating assignment process, CDP uses specific benchmark tools, developed internally or by specialised providers, specific for the classes of CDP counterparties, including their size, legal form, and sector of activity. In detail, for Small and Mid Corporate counterparties, CDP has developed an internal rating model for enterprises, which includes independent modules that are activated according to the information available and the different stages of the loan process (pre-screening and targeting, origination, monitoring). CDP continuously assesses the possibility to expand its set of models with other models that can also be used for other categories of customers, according to a criterion of importance and priority.

In line with the practice of the rating agencies, the rating scale adopted by CDP is divided into 21 classes, 10 of which are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, also considering the type of borrowers, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data acquired from a specialised provider.

Since 2018, as part of the implementation of IFRS 9, CDP defined a methodology to derive point-in-time default probabilities.

CDP adopted the new definition of default in accordance with the supervisory regulations for banks issued by the Bank of Italy, effective from the beginning of 2021 and implementing the related EBA Guidelines.

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 entities also for risk-adjusted pricing), to monitor the performance of the loan portfolio; to calculate provisions; for the limits framework and to measure the absorption of economic capital. The risk assessment assigned to the counterparty is updated at least annually. However, it is reviewed at any time during the year whenever events occur, or information is acquired, that have the potential to significantly affect the credit rating.

In line with its operations, SACE Fct analyses both the transferor’s creditworthiness and the debtor’s ability to repay the receivables acquired. The counterparties’ creditworthiness is determined through an evaluation process based on qualitative analysis, aimed at ascertaining the company prospects, the sector in which it operates and its entrepreneurial capacity, and quantitative analysis, aimed at ascertaining income, capital and financial soundness as well as the prospective capacity to produce income and cash flows, supplemented by any other element useful to determine the customer's repayment capacity.

In its operations, SACE Fct uses an Early Warning System (EWS), which analyses portfolio positions which are not in a state of default or probable default (i.e. performing and past due) in order to identify anomalies that might anticipate payment behaviours not in line with expectations which, if not properly monitored and managed, could lead to a default condition. The EWS is based on the calculation of the statistically sustainable, overview monitoring indicator, which is capable of predicting a worsening risk of the position.

2.3 Measurement methods of expected credit losses

Since 1 January 2018, the new International Financial Reporting Standard 9 (IFRS 9, or the “Standard”), issued by the International Accounting Standards Board (IASB) on 24 July 2014 and endorsed by the European Commission through EU Regulation 2016/2067, has replaced IAS 39, and prescribes the classification and measurement of financial instruments.

The Standard has introduced numerous new aspects regarding scope, loan bucketing, a holding period for estimating expected credit loss, and in general certain characteristics of the basic components of credit risk: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The main changes, introduced since 2018, concern the presence of a single impairment model, to be applied to all financial assets not measured at fair value through profit or loss, based on the concept of expected credit loss, compared with the previous concept of incurred loss. The aim of this new approach to impairment is to ensure more timely recognition of losses compared to the previous IAS 39-compliant model, in which the losses were recognised if objective evidence of impairment losses after initial recognition of the asset was found. Conversely, the new model prescribes that the financial assets are allocated in three distinct “stages” (Stage Allocation):

- stage 1: this stage refers to performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are measured based on the expected loss over a time horizon of up to one year;
- stage 2: this stage involves performing financial assets whose credit quality has significantly deteriorated since initial recognition. These financial assets are measured based on their expected credit loss, calculated over a time horizon corresponding to the residual life of the financial asset;
- stage 3: this stage involves non-performing financial assets: having suffered a significant increase in their credit risk since initial recognition, they are measured accordingly based on the expected credit loss over the residual life of the financial asset.

Any instruments classified as POCI that do not have a significant impact on CDP are classified separately and, in accordance with the accounting standards, cannot be transferred to another classification.

CDP has defined its policies and methods of Stage Allocation and calculation of expected losses in compliance with the Standard and appropriate to the specific characteristics of the CDP Group, while taking into consideration the characteristics of the Parent Company’s loan portfolio, whose main exposures are traditionally towards Public Entities and were originated with more than one decade horizon; consequently, that portfolio has recorded an extremely limited number of default events.

The credit rating assigned to each counterparty includes assessments, also on a forward-looking basis, related to climate change and energy transition. As a result, the measurement of the ECL associated with each position may be affected, where there is a significant impact, by the exposure to risks related to these issues.

Stage Allocation

CDP has long since set up a series of internal processes and models for assessing creditworthiness, focused on the typical multi-year horizon of CDP's business and used in the ex-ante assessment phase, as well as in risk monitoring and risk calculation. The results of these processes and models are summed up in a scale of internal ratings to which a term structure on the probability of default is associated.

The internal rating integrates all the key available information, including information on trends, since the structure of the internal rating system is forward-looking and takes into account the duration of the exposure.

Stage Allocation is, therefore, mainly based on the use of these methods, that are considered appropriate for managing the CDP assets. In particular, the classification in the various stages involves verifying a series of relative and absolute conditions.

The adoption of the new Standard does not lead to changes in the identification of non-performing assets, which are classified within stage 3.

Conversely, with regard to performing assets, it is necessary to define criteria for assigning them to stage 1 or stage 2.

The first element for identifying a significant impairment in creditworthiness is a change in the internal rating attributed to each instrument between the initial date and the measurement date. The adopted method involves defining the staging criteria based on the number of notches that separate the two ratings: the threshold that causes the shift from stage 1 to stage 2 takes into account, among other things, the age of the individual instrument and its rating on the reporting date. The first element allows CDP's expectations regarding changes in PD to be grasped (shifts in ratings over time), while, with regard to the second element, the threshold takes account of the fact that the probabilities of default increase in an uneven manner as the rating worsens (trends of the PD in line with the ratings).

The decision to use the internal ratings as a benchmark was taken due, among other things, to the lack of significant past default events as mentioned above, which is a characteristic of CDP's loan portfolio and does not allow thresholds to be calibrated based on PD.

Additional criteria specified by the Stage Allocation policy are of an absolute and not relative nature: all instruments are classified in stage 2 if they relate to counterparties for which the following conditions apply:

- they belong to specific monitoring classes ("watchlists", which highlight the need for particularly careful monitoring, even for exposures that are performing, because of specific levels of risk);
- there are overdue amounts whose age and relative amount provide evidence of a possible deterioration of creditworthiness;
- classification of positions as forborne.

The existence of these elements ensures a gradual approach in classification, in order to reduce the likelihood of an instrument being classified to stage 3 without having been classified to stage 2.

In accordance with the Standard, one notes that when the conditions that led to a position being attributed to stage 2, in line with the Stage Allocation policy, hold no more, it may return to stage 1 with the consequent reduction in the associated expected loss.

With regard to debt securities, it was necessary to develop certain additional considerations because, in contrast with loans, these types of exposures may involve acquisitions subsequent to the first purchase, performed on a case-by-case basis in accordance with the business models identified by CDP. In particular, it is necessary to take account of the time sequence of purchases and sales of the same security, so as to enable differentiated staging, where necessary, between two tranches purchased at different times when the corresponding creditworthiness may have been different.

In the event of tranches of securities classified in stage 2, which require the calculation of the expected losses over the lifetime, the time profile of the EAD would be determined according to the actual redemption schedule of the individual tranches in line with their accounting measurement.

The staging policy developed by CDP does not envisage the use of the "low credit risk exemption" (LCRE) for the portfolio of loans or for the portfolio of debt securities, even though this is an option allowed by IFRS 9. This exemption would involve classifying all positions with "low" credit risk (substantially similar to the "investment grade" threshold, i.e. from the "BBB-" rating upwards) in Stage 1, regardless of any changes in credit rating since origination. CDP has decided not to opt for this exemption, taking account of the recommendations of the Basel Committee, even though they are not binding for CDP, which state that banks authorised to use internal models for credit risk should not apply this exception to their loan portfolio. The approach chosen by CDP enables exposures to be treated in a uniform way, regardless of their technical form: in particular, one of the undesirable effects would have been the application of the LCRE to the securities portfolio, which would have led to differences in the classification of loans and securities issued by the same issuer and originated in the same period.

As mentioned above, instruments classified as POCI remain in that classification throughout their life.

Elements for the calculation of expected loss

The accounting standard specifies that after identifying the appropriate stage for each instrument, to calculate the expected loss one must use all reasonable and sustainable information (that is available without excessive costs or effort), which might influence the credit risk of a financial instrument. The available information must include:

- specific attributes of the debtor, and
- general economic conditions and the assessment of both current and forecast conditions ("forward-looking information").

With regard to the estimation of expected loss, IFRS 9 requires the adoption of the Point-in-Time (PIT) PD instead of the Through-the-Cycle (TTC) PD which CDP uses in measuring risks, also due to the nature of long-term investor which characterises its activity.

Therefore, CDP has developed a method for determining the PIT PD starting from the TTC PD which are estimated using a sample of past external data, with methods that take into account possible future trends.

In order to achieve the aims of the Standard, the TTC PD are made contingent upon macroeconomic scenarios; a short-term, forward-looking element is, therefore, added to the medium-to-long term forward-looking component already present in the TTC PD, through the introduction of an appropriate scale factor allowing the maintenance of the current forward-looking system, combined with a greater sensitivity towards the expected short-term trends.

Within its own credit assessment and management methods, CDP has defined certain recovery values (and correspondingly Loss Given Defaults - LGD) based on expert opinions, adopting a conservative approach aimed at identifying the characteristic features of each position (i.e. existence of collateral or a "security package"), since it is unable to make use of a statistical approach due to the scarcity of events in its own portfolio. In those cases where an explicit value is not already provided for, reference was made to the instructions included in Regulation no. 2013/575/EU (CRR).

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and to the LGD.

Governance aspects

The methodological framework was developed by the Risk Management Function, in collaboration with the Accounting function. The adoption of key choices on the implementation of the Standard was discussed in the relevant committees (Internal Risk Committee, at managerial level, and the Board Risk and Sustainability Committee) and was finally approved by the Board of Directors.

Organisational and process adjustments were also developed to meet the increased data needs with respect to IAS 39.

Changes due to COVID-19

The global spread of COVID-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence quantitative estimates regarding, for example, possible future losses on receivables measured at amortised cost or cash flows from equity investments or real estate assets became more difficult. For CDP, the areas in which there is an increased level of uncertainty are mainly:

- regulatory changes linked to measures adopted to respond to the health emergency, which might result in significant changes to the business model of one or more investee companies (e.g. with regard to Decree Law 23/2020);
- a possible acceleration in the energy transition dynamics, with effects on investees that operate in the Oil & Gas sector or in related sectors;
- a possible increase in the insolvency risk in the loan portfolio, in terms of both rating transitions and the higher probability of short-term default.

With particular regard to this latter area - and to the application of IFRS 9 - no additional changes were deemed necessary in the valuation and measurement models for financial instruments related to the pandemic crisis.

<u>Assessment of the significant increase in credit risk (SICR)</u>

CDP has not made changes to its methodology for assessing the significant increase in credit risk, either as a result of COVID-19 or due to other factors, as it considers this methodology to be sufficiently broad and therefore adequate in the current context.

Consistent with the characteristics of its loan portfolio, mainly including exposures with public counterparties, banks operating in Italy, large corporations and special-purpose vehicles operating in the infrastructure sector, CDP has noted, as at 31 December 2021, that changes in internal ratings are limited in term of cases, in the amount and size of the exposures, even including the impacts of COVID-19 on a forward-looking basis.

Measurement of expected credit losses

In measuring Expected Credit Losses, CDP applies the internally-developed methodology, which considers:

- a reliable estimate of through-the-cycle probability of default, which incorporates not only historical data but also forward-looking information to ensure the reliability of the estimates even in situations of serious crisis, across the entire life of the financial instruments;
- an internal model for estimating the cyclical component of probability of default, to produce forward-looking estimates of point-in-time parameters.

The model applied to estimate the cyclical component is based on the main macroeconomic drivers including GDP and employment rate forecasts, with reference to the Eurozone and the USA. In spite of the good news on the approval and mass rollout of the vaccines, considering the ongoing uncertainties, the forward-looking projections - starting from market consensus forecasts and the International Monetary Fund's forecasts - predict a relatively slow recovery for GDP - in mid-2022 - and for the employment rate - by the end of 2023.

The quantitative model adopted internally has not changed and, in particular, no sector-based adjustments were made since it was deemed that alternative methods would not be more reliable in the current phase and might, at least potentially, introduce higher risks of arbitrariness. In view of the continuing high uncertainty connected with the spread of variants and the need for governments to apply measures to contain the pandemic, with significant impacts on the national and international economic system, particularly in the logistics sector, which experienced several difficulties in 2021, CDP has decided to apply a management overlay in the measurement of the ECL, in order to offset the effect of a decrease in Point-in-Time Default Probabilities that would otherwise be linked to the performance of the macroeconomic and credit indicators observed. The application of this overlay, which is consistent with the recommendations of the Banking Regulators aimed at limiting excessive volatility in the measurement of reserves, refers to the contingent situation. CDP will assess developments in the economic environment and remove it when there is a return to a situation with fewer anomalies.

SACE Fct has updated the method used to calculate expected credit losses in order to take into account the impacts of the COVID-19 pandemic on the risk level of the loan portfolio. Consistent with IFRS 9, the probability of default estimates for the first three years include prospective elements which consider the evolution of the economic cycle (forward-looking PD).

To this end, the method also considers PD estimates deriving from the application of a satellite model which SACE Fct fine-tuned in 2021, linking expected changes in default rates to a number of macroeconomic variables (for example GDP, unemployment rate). The macroeconomic variables were defined on the basis of three prospective scenarios (baseline, positive and negative), using different forecasts available from public and independent data sources (e.g. OECD, Eurostat, Bank of Italy, ISTAT, IMF).

2.4 Credit risk mitigation techniques

CDP mitigates the credit risk with respect to lending operations by using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consists of special-purpose cash loans in favour of public local entities supported by payment orders to the Treasurers ("Delegazione di pagamento") or an irrevocable mandate for collection.

Financing under the Ordinary Account and the financing of non-public entities under the Separate Account can be secured by collateral or unsecured guarantees. Specifically, some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. New SME Fund), and in support of the housing market, are secured through the pledge of the underlying loans to CDP and the creation of pledges on government bonds in favour of CDP. The portfolio of transferred receivables provides for mechanisms of alignment with respect to the direct exposures to banks and has an adequate quality level of customers transferred as a guarantee, including in terms of distribution by risk classes according to the system average values. Lastly, with regard to risk concentration, a system of limits has been defined according to the overall exposure to the bank (and of the group that it might belong to) in relation to the Equity of CDP and the Regulatory Capital of the bank (or its group).

Aside from the acquisition of guarantees, typically in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including clauses in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of an excessive incidence in the total debt, CDP takes part in financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by the sponsors of a deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is materialised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

CDP has a credit quality monitoring system that ensures, through an early warning system, the prompt flagging up of credit events that indicates potential problems (based on information from both internal and external sources), and assigns the counterparty a specific internal Watch List class depending on the level of importance of the identified signals, also activating the assessment process for the purposes of regulatory classification. This system also operates on the regulatory status, with specific indicators that enable the generation of regulatory classification proposals, in particular as Unlikely To Pay.

Pursuant to the executed ISDA agreements, netting is used in hedge transactions with the bank counterparties of the Company to reduce exposure. All the contracts are based on the 2002 ISDA agreement. In 2021, CDP completed the contractual updates, infrastructure developments and operational upgrades needed to enable it to operate also through central counterparties.

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 and 2011 formats). In addition, CDP has long since joined the Cassa di Compensazione e Garanzia (Central Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

As regards factoring, techniques are adopted to mitigate credit risk based on continuous monitoring of counterparties, assessing early warning signs tied to the payment behaviour of debtors, and the specific characteristics of transactions, such as: (i) notification to the debtor that the loan has been sold; (ii) recognition of the debt that enables the Company to confirm the certainty and collectability of the loans purchased and (iii) certification of the loan by the public debtors.

When deemed appropriate, SACE Fct also assesses the possibility of acquiring collateral and unsecured guarantees to mitigate credit risk. Unsecured guarantees generally consist of bank guarantees given by individuals and companies.

Impacts of the COVID-19 pandemic

The impact of the COVID-19 pandemic on CDP's credit risk is not yet clearly observable but, so far, it seems somewhat limited considering that CDP's portfolio is primarily made up of public entities, infrastructure projects and large-sized corporate counterparties - operating in sectors like energy generation, distribution and transmission - which, to date, have been less affected by fall in demand, business interruptions and, more generally, higher costs associated with the health emergency. In any case, CDP has conducted a credit review of its portfolio and, where necessary, has made adjustments to the internal rating and/or has placed some counterparties, belonging to the sectors most affected by the emergency, in an internal Watch List. However, in view of the continuing uncertainty related to (i) the timing and effects of the removal of the extraordinary support policies implemented by the institutions (through tax-related and credit measures and monetary policies) and (ii) the continuation of measures such as states of emergency and related restrictions, CDP has established a management overlay for the measurement of expected credit losses.

Notwithstanding the deeply negative effects that the COVID-19 pandemic has had on the economy, SACE Fct has continued to support and has indeed increased its support for Italian enterprises, in line with the mission of its Group and always consistent with best practices about risk taking activity. In this area, SACE Fct has further strengthened its processes to assess the debtor counterparties' credit risk and to monitor and control credit facilities. The Company is now focusing more on the activated technical forms, preferring transactions that offer safeguards, such as notifications of assignment to the debtor or recognition of the debt, reserving the riskier technical forms for counterparties that have an adequate credit rating. SACE Fct has also promoted the use of the liquidity support measures adopted by the Government, enacted to respond to the COVID-19 emergency.

As far as CDP Immobiliare SGR S.p.A. is concerned, the impact, in terms of counterparty risk, is indirectly linked to the exposure of the managed funds to the real estate sectors, that were hardest hit by the pandemic (e.g. tourism-hospitality). With reference to this specific sector, lease payments have been renegotiated with the operators, defining *ad hoc* "repayment plans" aimed at protecting the interests of the managed funds and the investors. From a more general standpoint, greater uncertainty in the real estate market has forced the Independent Experts of the managed funds to be more cautious in updating their appraisals: this might have affected the valuation of the assets and, indirectly, the management fees collected by the Company during the year.

To conclude, with specific regard to Fondo Italiano d'Investimento SGR S.p.A., so far the COVID-19 pandemic has not had negative impacts in terms of credit risk. In consideration of possible impacts over the medium term, the strategic framework and the related assumptions have been reviewed, with specific reference to Investment Funds established more recently whose investment period is in full swing. In some cases, the review has resulted in changes to time frames and returns on deployment capital and, in other cases, to the adoption of regulatory provisions to minimise credit risk exposure, where possible.

3. Non-performing credit exposures

3.1 Management strategies and policies

In 2021, gross non-performing credit exposures, despite having increased compared to the previous year, were still very marginal with respect to the overall loan portfolio.

Non-performing assets are classified in order to identify – based on information about the counterparty's financial position, the age of the past-due amounts, the materiality thresholds indicated by supervisory regulations, and any debt restructuring authorised by CDP – the non-performing positions to be reported under bad debts, unlikely to pay, and non-performing past-due exposures. In this regard, the classification of CDP's credit exposures is based on a substantial alignment between the definition of "non-performing exposures" contained in the Implementing Technical Standards issued by the EBA in 2014, the definition of "default" contained in the EBA Guidelines on the application of the definition of default under Article 178 of EU Regulation 575/2013 and the definition of "credit-impaired" governed by IFRS 9.

Non-performing financial assets are measured and classified in accordance with the accounting standards and the provisions of Bank of Italy Circular No. 272/2008. With effect from 1 January 2021, the criteria for identifying non-performing exposures take into account several regulatory changes, primarily related to the following:

- new materiality thresholds for calculating the material past due, harmonised at the European level;
- new events of unlikeliness to pay, including "distressed restructuring" and default contagion effects in the case of connected debtors (mainly groups of companies and joint arrangements between individuals);
- a mandatory minimum probation period before return to performing status for non-performing exposures.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers, an examination of the most significant financial statements indicators, or an analysis of information from the Central Credit Register.

Non-performing assets are recognised in the financial statements on the basis of discounting expected cash flows over the asset's entire lifetime, calculated using the original effective interest rate of the specific loan. The amount of the adjustments is equal to the difference between the carrying value of the asset and the discounted value of the expected future cash flows.

The estimate of the cash flows and the consequent adjustment of the value of loans considers any collateral or unsecured guarantees received. In particular, it considers the amounts granted but not disbursed on special purpose loans, for which disbursements are made in several instalments according to the work progress reports on the financed project. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

In order to estimate future cash flows and related collection times, the loans in question of a significant unit value are subject to an analytical assessment process. For some consistent categories of non-performing loans of non-significant unit value, the assessment processes envisage that value adjustments must be determined with a lump-sum/statistical calculation method, to be analytically attributed to each individual position.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. In order for these events to be promptly recorded, available information on the financial position and earnings of the debtors is periodically monitored and the progress of any extra-judicial agreements being made and the evolution of any lawsuits with customers are constantly checked, while the information available from the Central Credit Register is verified.

CDP has structures dedicated to the monitoring and management of non-performing exposures, which cover all phases of the life cycle of non-performing loans, from careful monitoring of the performing portfolio through to credit recovery. The monitoring, carried out by the Credit Monitoring function with the aid of the other organisational units involved, is aimed at detecting the first signs of deterioration in the counterparty's credit quality, as well as identifying the corrective measures needed to manage the potential deterioration of the exposures. The recovery of non-performing exposures, carried out by the "Restructuring & Non-Performing" and "Disputes and Credit Recovery" structures, is aimed at maximising earnings and financial results, by pursuing extra-judicial solutions as deemed appropriate. These may include restructuring arrangements or settlement agreements having a positive impact on recovery times and the level of costs incurred.

The return to non-defaulted status of credit exposures is subject to verification that the problem conditions or insolvency have been eliminated.

Both the classification and valuation processes of the individual financial assets are based on a system of delegations of powers to various decision-making bodies, depending on the asset class of the debtor and the amount of the credit exposure.

The consistent placement of an exposure in the appropriate risk class, as mandated by supervisory regulations, is also ensured by the presence of second-level controls, aimed at verifying not only the fairness of the classifications but also the fairness of the accruals.

Finally, non-performing exposures include individual forborne exposures that meet the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority Implementing Technical Standards), which do not form a separate category of non-performing assets but constitute a subset thereof. In the same way, performing exposures with forbearance measures are included in performing loans.

3.2 Write-offs

Credit exposures are written off, i.e. derecognised, when there is no longer any reasonable expectation of recovering the financial asset, including in cases of surrender of the asset. The write-off may relate to a financial position in its entirety or part of it and may even occur before the end of any legal actions that have been brought, without necessarily entailing waiver of the legal right to recover the debt. In such cases, the gross nominal value of the loan remains the same, but the gross carrying amount is reduced by the amount being written off. Any recoveries from collection after derecognition of the asset are recognised in the income statement under recoveries.

In assessing the recoverability of non-performing loans, the following points, in particular, are taken into consideration:

- the age of past due positions, which could make any expectation of recovery substantially inexistent;
- the amount of the loan, in order to assess the cost-effectiveness of any credit recovery measures;
- the value of the guarantees that secure the exposure;
- the negative outcome of any action taken in and out of court.

3.3 Purchased and Originated Credit-Impaired financial assets

"Purchased and Originated Credit-Impaired (POCI) financial assets" are credit exposures that are impaired at the time of initial recognition.

Considering CDP's business operations, these exposures originated exclusively within the scope of restructuring operations for impaired exposures where new funds are disbursed, to a significant extent with respect to the amount of the original exposure.

For the purposes of interest calculation, for POCI exposures the credit-adjusted effective interest rate is used, which, in estimating future cash flows, considers the expected credit losses over the residual maturity of the asset.

These exposures are allocated, for as long as they are impaired, to stage 3, while they are classified in stage 2 if, following an improvement in the counterparty's creditworthiness, the originally impaired assets return to the performing portfolio.

4. Renegotiated financial assets and forborne exposures

Over the maturity of financial assets, and specifically for financial assets measured at amortised cost, it is possible that they are subject to renegotiation of the contract terms.

In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature. However, in the absence of specific instructions in the IFRS to which one can refer, a list of major changes has been drawn up which lead to a substantial change in the terms of the existing contract, by introducing a different nature of risks and entailing, therefore, derecognition.

The list is as follows:

- change of the counterparty;
- change in the reference currency;
- replacement of debt to equity;
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the debtor to new risk components;
- changes granted to performing customers, who do not show any economic and financial difficulties (thus not falling into the series of so-called “forborne” exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement, also with the aim of retaining the customer.

With specific reference to the granting of loans to public entities, which is one of the main activities historically performed by the Parent Company, over the last few years the latter has put several loan renegotiation transactions in place, with the aim of meeting specific needs expressed by the entities and releasing financial resources that the entities can use for new investments as well.

These renegotiations are carried out according to the principle of financial equivalence and are aimed at entities other than defaulting ones and, for local authorities, entities that are not in financial crisis.

The renegotiation transactions proposed by the Parent Company, executed in compliance with the regulations in force at the time, are particularly relevant in public sector finance, to the point that the transactions carried out in recent years have involved multiple positions and a considerable total amount of renegotiated loans. Therefore, these renegotiations represent “massive renegotiations”.

Their aims, the reference regulatory framework, their scope and the involvement, historically, of multiple renegotiated positions for a considerable total amount represent their qualitative and quantitative characteristics that further emphasise the existence of key elements from which the “substantial" nature emerges of the contractual changes they made to the loans involved, therefore entailing derecognition.

On the other hand, in the event of changes not deemed significant (modification), the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate.

The difference between the gross value of the financial instrument before and after the renegotiation of contract terms, is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Prudential consolidation - Breakdown of financial assets by past-due bands (carrying amounts)

	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired financial assets		
(thousands of euro) Portfolios/risk stages	up to 30 days	more than 30 days to 90 days	more than 90 days	up to 30 days	more than 30 days to 90 days	more than 90 days	up to 30 days	more than 30 days to 90 days	more than 90 days	up to 30 days	more than 30 days to 90 days	more than 90 days
1. Financial assets measured at amortised cost	5,087	1,154	3,534	202	7,281	9,854	2,106	1,887	381,341			
2. Financial assets measured at fair value through other comprehensive income												
3. Financial assets held for sale												
Total 31/12/2021	**5,087**	**1,154**	**3,534**	**202**	**7,281**	**9,854**	**2,106**	**1,887**	**381,341**	**-**	**-**	**-**
Total 31/12/2020	**5,455**	**791**	**4,229**	**391**	**47,125**	**22,455**	**1,598**	**696**	**179,035**			

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in accumulated impairment and provisions

(thousands of euros)	Accumulated impairment																								Total provisions for commitments to disburse funds and financial guarantees issued				
	Assets in stage 1						Assets in stage 2						Assets in stage 3						Purchased or originated credit impaired financial assets									
Items/risk stages	Loans to banks and Central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Loans to banks and Central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Loans to banks and Central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which : individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and fin. guarantees issued purchased or originated impaired	31/12/2021
Opening accumulated impairment and provisions		360.757	14.749			375.300		607.485	506			607.768		165.332			159.633	28						157.883	85.913	279		1.392.904
Changes in opening balance	20	(20)																							(119)		119	-
Increases resulting from financial assets purchased or originated		50.501	8.392			58.892		4.403				4.403		175			175		X	X	X	X	X	203.837	88	67		267.463
Derecognitions other than write-offs		(22.498)	(5.349)			(27.847)		(269)	(83)			(352)		(826)			(818)	(8)						(19.362)	(630)	(125)		(49.142)
Net adjustments/recoveries for credit risk (+/-)	47	(41.863)	(4.235)			(46.100)		34.397	(142)			34.256		1.936			1.810	126						6.491	(15.321)	158	(62)	(18.594)
Contractual amendments without derecognition																												-
Changes in estimation method																												
Write-offs not recognised directly through profit or loss														(396)			(396)											(396)
Other Changes		(3.004)				(3.005)		(429)				(429)		1.570			1.570							(52.248)				(54.111)
Closing accumulated impairment and provisions	**67**	**343.873**	**13.557**			**357.240**		**645.587**	**281**			**645.646**		**167.791**			**161.974**	**146**						**296.601**	**69.931**		**57**	**1.537.745**
Recoveries from collection on financial assets subject to write-off																												-
Write-offs recognised directly through profit or loss														(19)			(19)											

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: transfers between credit risk stages (gross and nominal values)

(thousands of euros) Items/risk stages	Gross exposure / nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	478,141	409,989	43,531	10,749	253,599	26,821
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued	2,626	6,424			3,536	46
Total 31/12/2021	**480,767**	**416,413**	**43,531**	**10,749**	**257,135**	**26,867**
Total 31/12/2020	**2,135,877**	**279,436**	**3,982**	**32,140**	**48,653**	**38,390**

A.1.3a Loans subject to COVID-19 support measures: transfers between credit risk stages (gross and nominal values)

(thousands of euros) Items/risk stages	Gross exposure					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortised cost	**40,002**	**112**			**15,069**	**126**
A.1 subject to moratoria compliant with the GL		112				126
A.2 subject to existing moratorium measures no longer conforming to the GLs and not considered forborne						
A.3 subject to forbearance measures						
A.4 new loans	40,002				15,069	
B. Loans measured at fair value through other comprehensive income						
B.1 subject to moratoria compliant with the GL						
B.2 subject to existing moratorium measures no longer conforming to the GLs and not considered forborne						
B.3 subject to forbearance measures						
B.4 new loans						
Total 31/12/2021	**40,002**	**112**			**15,069**	**126**
Total 31/12/2020	**555**					**353**

A.1.4 Prudential consolidation - On-balance-sheet and off-balance-sheet credit exposures to banks: gross and net amounts

(thousands of euro) Type of exposures / values	Gross value					Accumulated impairment and provisions						
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Net exposure	Accumulated partial write-off *
A. On-balance-sheet credit exposures												
A.1 On demand	**371,964**	**371,964**				**(67)**	**(67)**				**371,897**	
a) Non-performing		X					X					
a) Performing	371,964	371,964		X		(67)	(67)		X		371,897	
A.2 Others	**38,538,099**	**38,513,833**	**24,025**	**241**		**(44,054)**	**(37,981)**	**(6,057)**	**(16)**		**38,494,045**	
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 positions	241	X		241		(16)	X		(16)		225	
- of which: forborne exposures		X					X					
d) Performing past due positions				X					X			
- of which: forborne exposures				X					X			
e) Other performing positions	38,537,858	38,513,833	24,025	X		(44,038)	(37,981)	(6,057)	X		38,493,820	
- of which: forborne exposures				X					X			
Total (A)	**38,910,063**	**38,885,797**	**24,025**	**241**		**(44,121)**	**(38,048)**	**(6,057)**	**(16)**		**38,865,942**	
B. Off-balance-sheet credit exposures												
a) Non-performing		X					X					
b) Others	832,511	832,511		X		(1,266)	(1,266)		X		831,245	
Total (B)	**832,511**	**832,511**				**(1,266)**	**(1,266)**				**831,245**	
TOTAL (A+B)	**39,742,574**	**39,718,308**	**24,025**	**241**		**(45,387)**	**(39,314)**	**(6,057)**	**(16)**		**39,697,187**	

***value to be shown for information purposes**

A.1.5 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts

(thousands of euro) Type of exposures / values	Gross value					Accumulated impairment and provisions					Net exposure	Accumulated partial write-off *
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets		
A. On-balance-sheet credit exposures												
a) Bad debts	156,831	X		156,831		(83,459)	X		(83,459)		73,372	228
- of which: forborne exposures	255	X		255		(76)	X		(76)		179	
b) Unlikely to pay	208,229	X		208,229		(72,849)	X		(72,849)		135,380	
- of which: forborne exposures	33,644	X		33,644		(10,308)	X		(10,308)		23,336	
c) Non-performing past due positions	271,185	X		271,185		(11,467)	X		(11,467)		259,718	
- of which: forborne exposures	1,163	X		1,163		(26)	X		(26)		1,137	
d) Performing past due positions	27,370	9,812	17,558	X		(258)	(90)	(168)	X		27,112	
- of which: forborne exposures				X					X			
e) Other performing positions	335,346,360	321,945,080	13,401,280	X		(959,001)	(319,359)	(639,642)	X		334,387,359	
- of which: forborne exposures	586,712		586,712	X		(129,546)		(129,546)	X		457,166	
Total (A)	**336,009,975**	**321,954,892**	**13,418,838**	**636,245**		**(1,127,034)**	**(319,449)**	**(639,810)**	**(167,775)**		**334,882,941**	**228**
B. Off-balance-sheet credit exposures												
a) Non-performing	6,724	X		6,724		(369)	X		(369)		6,355	
b) Others	30,226,651	28,865,544	1,358,507	X	2,600	(449,184)	(379,290)	(69,837)	X	(57)	29,777,467	
Total (B)	**30,233,375**	**28,865,544**	**1,358,507**	**6,724**	**2,600**	**(449,553)**	**(379,290)**	**(69,837)**	**(369)**	**(57)**	**29,783,822**	
TOTAL (A+B)	**366,243,350**	**350,820,436**	**14,777,345**	**642,969**	**2,600**	**(1,576,587)**	**(698,739)**	**(709,647)**	**(168,144)**	**(57)**	**364,666,763**	**228**

***value to be shown for information purposes**

A.1.5a On-balance sheet exposures to customers subject to COVID-19 support measures: gross and net amounts

(thousands of euro) Type of exposures / values	Gross value					Accumulated impairment and provisions						
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	Net exposure	Accumulated partial write-off *
A. Bad debts:												
a) subject to moratoria compliant with the GL												
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans												
B. Unlikely to pay credit exposures	**15,069**			**15,069**		**(1,025)**			**(1,025)**		**14,044**	
a) subject to moratoria compliant with the GL												
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans	15,069			15,069		(1,025)			(1,025)		14,044	
C. Non-performing past-due credit exposures:												
a) subject to moratoria compliant with the GL												
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans												
D. Performing past due positions:	**185**	**185**				**(1)**	**(1)**				**184**	
a) subject to moratoria compliant with the GL	185	185				(1)	(1)				184	
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans												
E. Other performing positions:	**6,084,529**	**1,366,980**	**40,002**			**(9,740)**	**(4,441)**	**(173)**			**6,074,789**	
a) subject to moratoria compliant with the GL	4,677,547					(5,126)					4,672,421	
b) subject to existing moratorium measures no longer conforming to the GLs and not considered forborne												
c) subject to forbearance measures												
d) new loans	1,406,982	1,366,980	40,002			(4,614)	(4,441)	(173)			1,402,368	
TOTAL (A+B+C+D+E)	**6,099,783**	**1,367,165**	**40,002**	**15,069**		**(10,766)**	**(4,442)**	**(173)**	**(1,025)**		**6,089,017**	

***value to be shown for information purposes**

A.1.6 Prudential consolidation - On-balance sheet exposures to banks: changes in gross non-performing positions

(thousands of euro) Items/categories	Bad debts	Unlikely to pay	Impaired past-due exposures
A. Opening gross exposure			
- of which: exposures assigned but not derecognised			
Changes in opening balance			
B. Increase			**241**
B.1 transfers from performing loans			241
B.2 transfers from purchased or originated credit impaired financial assets			
B.3 transfers from other categories of impaired exposures			
B.4 changes in contracts without derecognition			
B.5 other increases			
C. Decreases			
C.1 transfers to performing loans			
C.2 write-offs			
C.3 collections			
C.4 gains on disposal			
C.5 losses on disposal			
C.6 transfers to other categories of non-performing positions			
C.7 changes in contracts without derecognition			
C.8 other decreases			
D. Closing gross exposure			**241**
- of which: exposures assigned but not derecognised			

A.1.6bis Prudential consolidation - On-balance-sheet exposures to banks: changes in gross forborne exposures by credit quality

There are no forborne credit exposures to banks.

A.1.7 Prudential consolidation - On-balance sheet exposures to customers: changes in gross non-performing positions

(thousands of euro)

Items/Categories	Bad debts	Unlikely to pay	Impaired past-due exposures
A.Opening gross exposure	**140,100**	**248,906**	**27,373**
- of which: exposures assigned but not derecognised			
B. Increases	**21,454**	**30,133**	**297,744**
B.1 transfers from performing loans	186	25,476	278,324
B.2 transfers from purchased or originated credit impaired financial assets			
B.3 transfers from other categories of impaired exposures	20,739	498	
B.4 changes in contracts without derecognition			
B.5 other increases	529	4,159	19,420
C. Decreases	**4,723**	**70,810**	**53,931**
C.1 to performing loans		6,056	16,682
C.2 write-offs	987	1,708	
C.3 collections	3,035	40,573	34,542
C.4 gains on disposal			
C.5 losses on disposals			
C.6 transfers to other categories of impaired exposures	340	20,739	158
C.7 changes in contracts without derecognition			
C.8 other decreases	361	1,734	2,549
D. Closing gross exposure	**156,831**	**208,229**	**271,186**
- of which: exposures assigned but not derecognised			

A.1.7bis Prudential consolidation - On-balance sheet exposures to customers: changes in gross forborne exposures by credit quality

(thousands of euros) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**42,619**	**544,557**
- of which: exposures assigned but not derecognised		
B. Increase	**4,414**	**51,845**
B.1 transfers from performing loans not forborne	375	40,002
B.2 transfers from forborne performing loans		X
B.3 transfers from forborne non-performing loans	X	5,962
B.4 transfers from non-forborne non-performing loans		
B.5 other increases	4,039	5,881
C. Decreases	**11,971**	**9,690**
C.1 Transfers to non-forborne performing loans	X	
C.2 Transfers to forborne performing loans	5,962	X
C.3 Transfers to forborne non-performing loans	X	
C.4 write-offs	415	
C.5 collections	5,267	9,027
C.6 gains on disposal		
C.7 losses on disposal		
C.8 other decreases	327	663
D. Closing gross exposure	**35,062**	**586,712**
- of which: exposures assigned but not derecognised		

A.1.8 Prudential consolidation - On-balance sheet non-performing credit exposures to banks: changes in accumulated impairment

	Bad debts		Unlikely to pay		Impaired past-due exposures	
(thousands of euro) Items/Categories	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Opening accumulated impairment						
- of which: exposures assigned but not derecognised						
Changes in opening balance						
B. Increases					**16**	
B.1 writedowns on purchased or originated credit impaired financial assets		X		X		X
B.2 other writedowns					16	
B.3 losses on disposal						
B.4 transfers to other categories of impaired positions						
B.5 changes in contracts without derecognition						
B.6 other increases						
C. Decreases						
C.1 writebacks from valuations						
C.2 writebacks from collection						
C.3 gains on disposal						
C.4 write-offs						
C.5 transfers to other categories of impaired positions						
C.6 changes in contracts without derecognition						
C.7 other decreases						
D. Closing accumulated impairment					**16**	
- of which: exposures assigned but not derecognised						

A.1.9 Prudential consolidation - On-balance sheet non-performing credit exposures to customers: changes in accumulated impairment

(thousands of euro) Items/Categories	Bad debts		Unlikely to pay		Impaired past-due exposures	
(thousands of euros) Items/Categories	Total	of which forborne exposures	Total	of which forborne exposures	Total	of which forborne exposures
A. Opening accumulated impairment	**82,421**	**27**	**79,775**	**13,761**	**3,134**	
- of which: exposures assigned but not derecognised						
Changes in opening balance						
B. Increases	**3,023**	**81**	**4,015**	**337**	**11,676**	**26**
B.1 writedowns on purchased or originated credit impaired financial assets		X		X		X
B.2 other writedowns	1,907	81	2,746	286	6,085	
B.3 losses on disposal						
B.4 transfers to other categories of impaired positions	1,116		224			
B.5 changes in contracts without derecognition						
B.6 other increases			1,045	51	5,591	26
C. Decreases	**1,985**	**32**	**10,941**	**3,790**	**3,343**	
C.1 writebacks from valuations	144	32	4,787	2,348	370	
C.2 writebacks from collection	466		1,706	859	487	
C.3 gains on disposal						
C.4 write-offs	987		1,708	415		
C.5 transfers to other categories of impaired positions	218		1,116		6	
C.6 changes in contracts without derecognition						
C.7 other decreases	170		1,624	168	2,480	
D. Closing accumulated impairment	**83,459**	**76**	**72,849**	**10,308**	**11,467**	**26**
- of which: exposures assigned but not derecognised						

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating classes (gross amounts)

(thousands of euro)	External rating grades						Not rated	Total
Type of exposures	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**2,341,579**	**1,987,128**	**253,518,723**	**14,071,582**	**15,821**	**1,678,731**	**87,374,962**	**360,988,526**
- Stage 1	2,341,579	1,981,659	248,224,872	12,393,995	11,449	1,669,176	80,377,771	347,000,501
- Stage 2		2,996	5,292,426	1,674,770	4,347	9,550	6,367,449	13,351,538
- Stage 3		2,473	1,425	2,817	25	5	629,742	636,487
- Purchased or originated credit impaired financial assets								
B. Financial assets measured at fair value through other comprehensive income	**620,394**	**78,779**	**11,678,475**	**16,282**		**128,072**	**1,013,810**	**13,535,812**
- Stage 1	620,394	78,779	11,678,475	8,537		128,072	1,013,810	13,528,067
- Stage 2				7,745				7,745
- Stage 3								
- Purchased or originated credit impaired financial assets								
C. Financial assets held for sale								
- Stage 1								
- Stage 2								
- Stage 3								
- Purchased or originated credit impaired financial assets								
Total (A+B+C)	**2,961,973**	**2,065,907**	**265,197,198**	**14,087,864**	**15,821**	**1,806,803**	**88,388,772**	**374,524,338**
D. Commitments to disburse funds and financial guarantees issued								
- Stage 1	1,390,083	136,078	9,276,049	41,343	563	3	20,055,859	30,899,978
- Stage 2		200	3,593	1,304,144	30	505	50,035	1,358,507
- Stage 3			258	738		171	5,557	6,724
- Purchased or originated credit impaired financial assets							2,600	2,600
Total (D)	**1,390,083**	**136,278**	**9,279,900**	**1,346,225**	**593**	**679**	**20,114,051**	**32,267,809**
Total (A+B+C+D)	**4,352,056**	**2,202,185**	**274,477,098**	**15,434,089**	**16,414**	**1,807,482**	**108,502,823**	**406,792,147**

The following table maps the rating grades and the agency ratings used.

	ECAI		
Rating grades	Moody's	Fitch	Standard & Poor's
Class 1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
Class 2	from A1 to A3	from A+ to A-	from A+ to A-
Class 3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
Class 4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
Class 5	from B1 to B3	from B+ to B-	from B+ to B-
Class 6	Caa1 and lower	CCC+ and lower	CCC+ and lower

A.3 Breakdown of secured exposures by type of guarantee

A.3.1 Prudential consolidation - On-balance sheet and off-balance sheet secured credit exposures to banks

			Collateral (1)				Personal guarantees (2)									
							Credit derivatives					Commitments				
								Other derivatives								
(thousands of euro)	Gross exposure	Net exposure	Land and buildings - mortgages	Land and buildings - finance leases	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General government	Banks	Other financial companies	Other	Total (1)+(2)
1. Secured on-balance-sheet credit exposures:																
1.1 fully secured	9,505,947	9,479,810				2,385,805						7,094,005				9,479,810
- of which: non-performing																
1.2 partially secured	16,234	16,144			14,554											14,554
- of which: non-performing																
2. Secured off-balance-sheet credit exposures:																
2.1 fully secured	1,847	1,840										1,840				1,840
- of which: non-performing																
2.2 partially secured																
- of which: non-performing																

A.3.2 Prudential consolidation - On-balance sheet and off-balance sheet secured credit exposures to customers

(thousands of euro)	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Commitments				
								Other derivatives								
			Land and buildings - mortgages	Land and buildings - finance	Securities	Other assets	CLN	Central counterparties	Banks	Other financial	Other	General government	Banks	Other financial companies	Other	
1. Secured on-balance-sheet credit exposures:																
1.1 fully secured	12,387,803	12,329,526	348,846		121,343	680,418						9,684,214	36,348		1,412,947	12,284,116
- of which: non-performing	217,698	189,872	48,241			8,636						120,245			5,688	182,810
1.2 partially secured	4,059,803	4,045,363			260	20,725						3,240,698	16,371		23,575	3,301,629
- of which: non-performing	215,356	212,275										209,176				209,176
2. Secured off-balance-sheet credit exposures:																
2.1 fully secured	4,367,592	4,359,960	301,693			85,937						3,677,445			294,379	4,359,454
- of which: non-performing	1,440	1,369	299									1,028			42	1,369
2.2 partially secured	7,722,509	7,401,157				25,174						5,882,242			267,204	6,174,620
- of which: non-performing																

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

There are no financial and non-financial assets obtained through the enforcement of collateral.

It should be noted that CDP holds equity instruments that were not previously granted by the debtor as collateral for loans disbursed but originate from the conversion of impaired financial assets, recognised in the financial statements at zero value under “Financial assets measured at fair value through other comprehensive income” when they were obtained and maintained at this value at 31 December 2021.

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - On-balance-sheet and off-balance-sheet credit exposures to customers by sector

	General Government		Financial companies		Financial companies (of which: insurance undertakings)		Non financial companies		Households	
(thousands of euro) Exposure/counterparties	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions
A. On-balance-sheet credit exposures										
A.1 Bad debts	3,644	(3,097)					69,602	(80,273)	126	(89)
- of which: forborne exposures	83	(76)					96			
A.2 Unlikely to pay	12,380	(40,645)					121,382	(32,053)	1,618	(151)
- of which: forborne exposures	2,762	(2,365)					20,574	(7,943)		
A.3 Non-performing past-due positions	40,114	(8,298)					218,836	(3,079)	768	(90)
- of which: forborne exposures							1,137	(26)		
A.4 Performing exposures	305,609,876	(676,445)	6,633,302	(15,852)	1,846	(5)	22,137,347	(266,596)	33,946	(366)
- of which: forborne exposures							457,166	(129,546)		
Total (A)	**305,666,014**	**(728,485)**	**6,633,302**	**(15,852)**	**1,846**	**(5)**	**22,547,167**	**(382,001)**	**36,458**	**(696)**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	2,741	(305)					2,631	(64)	983	
B.2 Performing exposures	9,226,127	(339,234)	3,042,292	(6,701)			17,012,911	(103,191)	27,776	(58)
Total (B)	**9,228,868**	**(339,539)**	**3,042,292**	**(6,701)**			**17,015,542**	**(103,255)**	**28,759**	**(58)**
Total (A+B) 31/12/2021	**314,894,882**	**(1,068,024)**	**9,675,594**	**(22,553)**	**1,846**	**(5)**	**39,562,709**	**(485,256)**	**65,217**	**(754)**
Total (A+B) 31/12/2020	**315,339,708**	**(869,737)**	**9,498,662**	**(13,072)**	**2,320**	**(7)**	**36,757,956**	**(543,851)**	**30,386**	**(1,081)**

B.2 Prudential consolidation - On-balance-sheet and off-balance-sheet credit exposures to customers by geographical area

	Italy		Other European countries		Americas		Asia		Rest of the world	
(thousands of euro) Exposures/Geographical area	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions
A. On-balance-sheet credit exposures										
A.1 Bad debts	73,372	(83,459)								
A.2 Unlikely to pay	115,862	(70,963)	2,182	(457)	4,728	(490)	12,019	(939)	589	
A.3 Non-performing past-due positions	52,221	(9,073)	2,203	(99)	1,055	(52)	202,389	(2,178)	1,850	(65)
A.4 Performing exposures	321,613,902	(933,477)	3,882,634	(14,181)	4,521,303	(4,919)	2,228,222	(2,620)	2,168,410	(4,062)
Total (A)	**321,855,357**	**(1,096,972)**	**3,887,019**	**(14,737)**	**4,527,086**	**(5,461)**	**2,442,630**	**(5,737)**	**2,170,849**	**(4,127)**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	6,355	(369)								
B.2 Performing exposures	19,875,493	(436,910)	1,645,702	(1,442)	5,601,815	(5,962)	1,734,771	(1,846)	451,325	(3,024)
Total (B)	**19,881,848**	**(437,279)**	**1,645,702**	**(1,442)**	**5,601,815**	**(5,962)**	**1,734,771**	**(1,846)**	**451,325**	**(3,024)**
Total (A+B) 31/12/2021	**341,737,205**	**(1,534,251)**	**5,532,721**	**(16,179)**	**10,128,901**	**(11,423)**	**4,177,401**	**(7,583)**	**2,622,174**	**(7,151)**
Total (A+B) 31/12/2020	**341,596,111**	**(1,399,269)**	**5,062,809**	**(5,631)**	**8,371,255**	**(9,567)**	**4,196,636**	**(6,660)**	**2,399,901**	**(6,614)**

B.3 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to banks by geographical area

(thousands of euro) Exposures/Geographical area	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and	Net exposure	Accumulated	Net exposure	Accumulated impairment and provisions
A. On-balance-sheet credit exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due positions	225	(16)								
A.4 Performing exposures	35,942,993	(37,733)	2,876,326	(425)			25,177		21,221	(5,947)
Total (A)	**35,943,218**	**(37,749)**	**2,876,326**	**(425)**			**25,177**		**21,221**	**(5,947)**
B. Off-balance sheet exposures										
B.1 Non-performing exposures										
B.2 Performing exposures	555,070	(1,266)	187,524						88,651	
Total (B)	**555,070**	**(1,266)**	**187,524**						**88,651**	
Total (A+B) 31/12/2021	**36,498,288**	**(39,015)**	**3,063,850**	**(425)**			**25,177**		**109,872**	**(5,947)**
Total (A+B) 31/12/2020	**37,786,499**	**(48,999)**	**3,792,372**	**(341)**			**28,673**		**21,307**	**(629)**

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 2021, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged. It should be noted that the loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph B.2, Appendix B, of IFRS 1, which requires first-time adopters to apply rules for the prospective derecognition of financial assets for transactions effected as from 1 January 2004.

Quantitative disclosures

C.5 Prudential consolidation - Servicer activities - own securitisations: collections on securitised assets and redemption of securities issued by the securitisation vehicle

(thousands of euro) Servicer	Securitisation vehicle	Securitised assets (end period figure)		Collections in the year		% of redeemed securities (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
CDP SPA	CPG - Società di cartolarizzazione a r.l.		25,000		31,804						

D. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

Financial assets assigned but not derecognised mainly consist of Government securities classified as “Financial assets measured at fair value through other comprehensive income”, and “Financial assets measured at amortised cost”, underlying repurchase agreements.

Quantitative disclosures

D.1 Prudential consolidation - Financial assets assigned recognised in full and associated financial liabilities: carrying amount

	Financial assets assigned recognised in full				Financial liabilities associated		
(thousands of euro)	Carrying amount	of which: subject to securisation	of which: subject to sales agreements with repurchase arrangements	of which impaired	Carrying amount	of which: subject to securisation	of which: subject to sales agreements with repurchase arrangements
A. Financial assets held for trading				**X**			
B. Other financial assets mandatorily measured at fair value							
C. Financial assets designated at fair value							
D. Financial assets measured at fair value through other comprehensive income	**3,602,131**		**3,602,131**		**3,586,455**		**3,586,455**
1. Debt securities	3,602,131		3,602,131		3,586,455		3,586,455
2. Equity securities				X			
3. Loans							
E. Financial assets measured at amortised cost	**46,220,928**		**46,220,928**		**48,586,950**		**48,586,950**
1. Debt securities	46,220,928		46,220,928		48,586,950		48,586,950
2. Loans							
Total 31/12/2021	**49,823,059**		**49,823,059**		**52,173,405**		**52,173,405**
Total 31/12/2020	**38,793,270**		**38,793,270**		**40,074,879**		**40,074,879**

D.2 Prudential consolidation - Financial assets assigned partially recognised and associated financial liabilities: carrying amount

There are no financial assets assigned partially recognised.

D.3 Prudential consolidation - Disposals with liabilities with recourse only on divested assets but not derecognised: fair value

(thousands of euro)	Fully recognised	Partially recognised	Total 31/12/2021	Total 31/12/2020
A. Financial assets held for trading				
1. Debt securities				
2. Equity securities				
3. Loans				
4. Derivatives				
B. Other financial assets mandatorily measured at fair value				
1. Debt securities				
2. Equity securities				
3. Loans				
C. Financial assets designated at fair value				
1. Debt securities				
2. Loans				
D. Financial assets measured at fair value through other comprehensive income	**3,602,131**		**3,602,131**	**2,572,754**
1. Debt securities	3,602,131		3,602,131	2,572,754
2. Equity securities				
3. Loans				
E. Financial assets measured at amortised cost (fair value)	**48,365,046**		**48,365,046**	**39,362,133**
1. Debt securities	48,365,046		48,365,046	39,362,133
2. Loans				
Total financial assets	**51,967,177**		**51,967,177**	**41,934,887**
Total financial liabilities associated	**52,173,405**		**52,173,405**	**40,074,879**
Net value 31/12/2021	**(206,228)**		**(206,228)**	**X**
Net value 31/12/2020	**1,860,008**		**X**	**1,860,008**

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.

C. Financial assets assigned and derecognised

At the reporting date, there were no transactions involving the assignment of credit exposures through the issue of financial instruments partially subscribed by Banking group companies.

D.4 Covered bond transactions

At the reporting date, no covered bond transactions have been carried out by Banking group companies.

1.2 Market risk

1.2.1 Interest rate risk and price risk - Supervisory trading book

In 2021, the prudential consolidation companies did not undertake any transactions qualifying for allocation to the supervisory trading book.

1.2.2 Interest rate risk and price risk - Banking book

Qualitative disclosures

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

As a result of its operations, the Parent Company is exposed to interest rate risk under all its forms: repricing, yield curve, basis and option risk. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk in the banking book.

These risks can affect both the earnings and the economic value of CDP.

CDP faces a substantial level of interest rate risk due to the presence of large unhedged volumes of assets and liabilities pre-existing before its transformation into a joint-stock company and to its balance sheet structure: a considerable portion of CDP's liabilities consists of Ordinary fixed-rate Postal Bonds with an early redemption option, while the asset side mainly comprises fixed-rate loans. Other types of postal savings bonds also embed an early redemption option, whose value is significantly affected by interest rates and inflation changes.

The basic approach taken by CDP to measuring and managing interest rate risk is an "economic value" perspective, which complements the "earnings-based" perspective. The economic value perspective corresponds to the long-term representation of the earnings-based perspective, as the economic value of the firm is essentially equal to the discounted flows of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and to major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and complex indicators representing the economic capital needed given its risk profile.

This monitoring approach is translated into the calculation of value at risk (VaR), which CDP measures using historical simulations methods.

To quantify and monitor the interest rate risk in the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to the internal capital adequacy assessment process with regard to risks in the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is then used for backtesting, thanks to its larger sample dataset available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. Despite the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes it possible, through the backtesting process, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risks. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. Furthermore, more granular limits set by the Chief Executive Officer are in place.

CDP also assesses the impact of interest rate risk on earnings for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "natural hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance function.

The measurement and the monitoring of interest rate risk are performed by Risk Management and discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methodology and receives periodic reporting on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with equities, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR provides 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 potential loss over time. It is calculated based on hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments in the long term.

SACE Fct monitors and manages interest rate risk according to the provisions of the specific policy and by setting appropriate operating limits. Interest rate risk management is ensured by the Budget and Treasury Function, in close collaboration with the Risk Management Function, through operating management of assets and liabilities in compliance with the guidelines defined by the Board of Directors.

SACE Fct is exposed to interest rate risk in relation to the final purchases of receivables, generated by short-term funding against the granting of fixed-rate loans over a longer term, whereas in its more standard operations (factoring arrangements whereby the assigned receivables are not recognised on the balance sheet of the factor) the interest rate risk is minimised, because the frequency of the revisions of interest rates payable and receivable is aligned. The Company monitors and manages interest rate risk by focusing on the nature and characteristics of the trade receivables purchased (giving preference to transactions with a higher turnover rate) and the ability of the borrowers to pay within the terms set.

CDP Immobiliare SGR has no direct (i.e. resulting from its primary activity) exposure to interest rate risk and inflation risk; an exposure is detected in connection with investments of the available liquidity (mainly, fixed-rate securities issued by the Italian Government and postal savings bonds guaranteed by the Parent Company).

As a closed-end fund manager, Fondo Italiano d’Investimento SGR S.p.A. is not directly exposed to interest rate risk. The liquidity stock during 2020 was held in liquid market instruments (time deposits) or deposited in current accounts. The asset management company is not directly exposed to inflation risk.

In 2021, SACE Fct, CDPI SGR and FII SGR had not set up any interest-rate-hedging strategy.

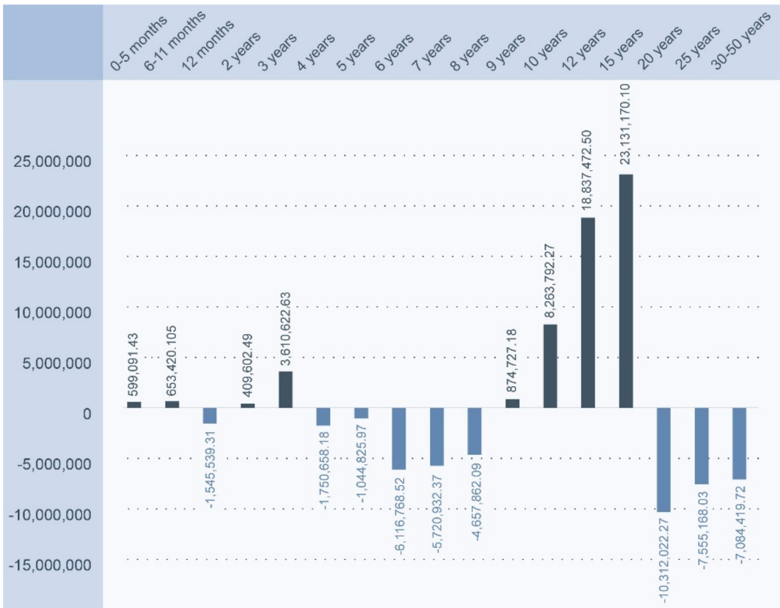
Quantitative disclosures

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

The following figure shows an analysis of the interest rate risk sensitivity of the Parent Company based on internal models, in line with the economic value approach.

Sensitivity to zero-coupon rates by maturity: increase of 1 basis point

Market figures at 31/12/2021



Sensitivity to zero-coupon rates: parallel increase/decrease of 100 basis points

Market figures at 31/12/2021

Interest rate scenario	Effect on Economic Value
Parallel shock up of 100 bps	EUR +695 million
Parallel shock down of 100 bps	EUR -1,410 million

1.2.3 Exchange rate risk

Qualitative disclosures

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

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the profitability and/or the economic value of CDP.

Some 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 generate exchange rate risk are normally associated with the issue of bonds denominated in foreign currencies, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the “Export Bank” system.

SACE Fct purchases commercial paper denominated in foreign currency, all of which are in US dollars. In this instance, the “Exchange Rate Risk Policy” defines the roles and responsibilities of the corporate bodies and units involved in the process and the methods used to measure, manage, and monitor exchange rate risk.

CDP Immobiliare SGR and Fondo Italiano d’Investimento SGR S.p.A. are not exposed to exchange rate risk within their operations.

B. Hedging exchange rate risk

With regard to the Parent Company's exposure to the US Dollar, there is a residual component of unhedged exchange rate risk at 31 December 2021. This is mainly associated with refinancing operations of assets denominated in US dollars, in the short and medium term.

With regard to the Parent Company's exposure to the Yen, the exchange rate risk arising from a bond issue denominated in Yen is fully hedged through a Cross Currency Swap, which makes the net cash flows paid by CDP equivalent to those of a fixed-rate issue denominated in Euro.

With regard to the Parent Company's exposure to the Renminbi, there is a residual component of unhedged exchange rate risk at 31 December 2021, linked to the reinvestment of the liquidity raised through a bond issue in that currency completed in 2019.

SACE Fct manages the exchange rate risk associated with the purchase of commercial paper in foreign currency, 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.

Impacts of the COVID-19 pandemic

With regard to exposure to market risks for companies within the scope of prudential consolidation, the continuation of the COVID-19 pandemic has not generated impacts other than those previously reported, as these types of events fall within the risks already assessed and monitored.

Without prejudice to the uncertainty regarding the prospective impacts of the health emergency, at present there is no evidence that could indicate a significant increase in these risks.

Quantitative disclosures

1. Breakdown by currency of assets, liabilities and derivatives

(thousands of euro)

Items	Currency		
(thousands of euros)			
Items	US dollar	Renminbi	Yen
A. Financial assets	**4,726,234**	**115,337**	
A 1 Debt securities	427,001		
A.2 Equity securities			
A 3 Loans to banks		16,144	
A 4 Loans to customers	4,299,233	99,193	
A 5 Other financial assets			
B. Other assets			
C. Financial liabilities	**1,441,530**	**141,380**	**57,727**
C.1 Due to banks	1,305,783		
C.2 Due to customers			
C.3 Debt securities	135,747	141,380	57,727
C.4 Other financial liabilities			
D. Other liabilities			
E. Financial derivatives			
- Options			
+ long positions			
+ short positions			
-Other derivatives	3,315,254		57,524
+ long positions			57,524
+ short positions	3,315,254		
Total assets	**4,726,234**	**115,337**	**57,524**
Total liabilities	**4,756,784**	**141,380**	**57,727**
Difference (+/-)	**(30,550)**	**(26,043)**	**(203)**

1.3 The financial derivatives and hedging policies

1.3.1 Financial derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: period-end notional values

(thousands of euro) Underlying assets/Types of derivatives	31/12/2021				31/12/2020			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
(thousands of euro) Underlying assets/Type of derivatives	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets
1. Debt securities and interest rates		**4,692,721**	**40,000**			**5,192,350**	**40,000**	
a) Options								
b) Swaps		4,692,721	40,000			5,192,350	40,000	
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		**3,138,669**				**1,782,224**		
a) Options								
b) Swaps		1,824,878				235,692		
c) Forwards		1,313,791				1,546,532		
d) Futures								
e) Other								
4. Commodities								
5. Other underlyings								
Total		**7,831,390**	**40,000**			**6,974,574**	**40,000**	

A.2 Financial derivatives held for trading: gross positive and negative fair value – breakdown by product

(thousands of euro) Type of derivatives	31/12/2021 Over the counter Central counterparties	31/12/2021 Over the counter Without central counterparties With netting arrangements	31/12/2021 Over the counter Without central counterparties Without netting arrangements	31/12/2021 Organised markets	31/12/2020 Over the counter Central counterparties	31/12/2020 Over the counter Without central counterparties With netting arrangements	31/12/2020 Over the counter Without central counterparties Without netting arrangements	31/12/2020 Organised markets
1. Positive fair value								
a) Options								
b) Interest rate swap		198,944	12,667			160,282	17,360	
c) Cross currency swap		18,088				28,357		
d) Equity swap								
e) Forward		2,660				32,761		
f) Futures								
g) Other								
Total		**219,692**	**12,667**			**221,400**	**17,360**	
2. Negative fair value								
a) Options								
b) Interest rate swap		211,615				209,820		
c) Cross currency swap		28,075						
d) Equity swap								
e) Forward		11,316						
f) Futures								
g) Other								
Total		**251,006**				**209,820**		

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair values by counterparty

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			40,000
- positive fair value	X			12,667
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value		2,317,086	1,261,635	1,114,000
- positive fair value		18,187	4,101	176,656
- negative fair value		178,849	28,666	4,101
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		2,418,133	720,536	
- positive fair value		12,309	8,439	
- negative fair value		32,433	6,957	
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 Residual life of OTC financial derivatives: notional values

(thousands of euro) Underlyings/Residual maturity	To 1 year	From 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	1,571,264	2,215,457	946,000	4,732,721
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold	3,138,669			3,138,669
A.4 Financial derivatives on commodities				
A.5 Financial derivatives on other				
Total 31/12/2021	**4,709,933**	**2,215,457**	**946,000**	**7,871,390**
Total 31/12/2020	**2,894,224**	**3,034,350**	**1,086,000**	**7,014,574**

B. Credit derivatives held for trading

There were no credit derivatives.

1.3.2 Accounting hedges

Qualitative disclosures

Within the scope of its Asset Liability Management policies, the Parent Company, where possible, makes use of "natural hedges" between assets and liabilities exposed to the same risks, also with a view to minimising recourse to hedging through derivatives.

CDP's transactions in derivatives have the sole purpose of risk hedging, mainly for interest rate, exchange rate and liquidity risk, usually designated as accounting hedges under IAS 39.

In residual cases, CDP uses derivatives designated as operational hedges, monitored according to a framework established under the provisions of the EMIR. In this context, with a view to protecting against the liquidity, interest rate and exchange rate risks associated with managing the portfolio of assets denominated in US dollars (granting of loans as part of the Export Bank system and purchase of bonds), at the end of 2021 CDP had in place hedges through Cross Currency Swaps, Repos and Forex Swaps.

A. Fair value hedges

Fair value hedges are applied when the exposure to a specific risk leads to a change in fair value of assets or liabilities which impacts on profits and losses. CDP implements both micro and macro fair value hedges.

In the micro fair value hedge, the hedged item is one or more individually selected contracts, exposed proportionately to the same risk and hedged with one or more derivatives. In some cases, the hedged item is a subset of the cash flows of these contracts, specifically selected according to duration and/or amount (partial term hedge). CDP applies micro hedges in the Separate Account and Ordinary Account, to:

- fixed-rate loans (loans/mortgages);
- fixed-rate asset securities, possibly inflation-linked;
- liability bonds, at fixed rate or indexed to swap rates.

In the macro fair value hedge, the hedged item consists of portfolios of homogeneous loans in Separate Account exposed to interest rate risk. These hedges differ from micro hedges since the hedged item does not match the flows (or part of the flows) of a specific loan that is being hedged (or an aggregate of similar loans), and the explicit relationship between hedged loan and hedging derivative loses significance.

Fair value hedges are performed through the use of Interest Rate and Asset Swap derivatives, which provide for the exchange of the interest payments of the hedged item with floating-rate interest payments that are usually linked to the 6M Euribor index or, to a lesser extent and for specific ALM purposes, to the 3M Euribor and 6M USD Libor indices.

Within the scope of prudential consolidation, no further fair value hedges have been undertaken.

B. Cash flow hedges

Cash flow hedges are risk hedges associated with the variability of cash flows, whose objective is the stabilisation of expected flows. CDP implements the following cash flow accounting hedges in relation to:

- EUR/USD exchange rate risk of asset securities in the Separate Account;
- EUR/JPY exchange rate risk of liability bonds in the Separate Account;
- interest rate risk of liability bonds in the Separate Account and Ordinary Account;
- inflation rate risk of asset securities in the Separate Account;
- sale or purchase price fluctuation risk of asset securities in the Separate Account.

Exchange rate risk hedges are performed through the use of Cross Currency Swaps which exchange the foreign currency flows of the securities with fixed-rate cash flows in euro.

Interest-rate risk hedges are performed by using Interest Rate and Asset Swaps which exchange cash flows indexed to the Euribor (3M or 6M) or the European inflation index with fixed-rate cash flows in euro.

Price fluctuation risk hedges are performed by using Bond Forward instruments.

Within the scope of prudential consolidation, no further cash flow hedges have been undertaken.

C. Hedging of foreign investments

Currently there are no foreign investment hedges.

D. Hedging instruments

The hedging instruments used by CDP for fair value hedge strategies are mainly vanilla Interest Rate Swaps which exchange fixed-rate flows with floating-rate flows indexed to the Euribor, plus any market spread. It is also likely that the derivatives provide for the collection or payment of upfront premiums.

The hedging swaps of loans in micro fair value hedging relationships have amortising profiles that mirror those of the loans/securities or groups of similar loans hedged, generally with spot starting date. Swaps originated as macro hedges typically have bullet or amortising profiles also typically with a spot start date. Where there is a need to cover specific time segments, both in the micro (partial term hedge) and in the macro fair value hedge, it is possible to use derivatives with a forward start date. All swaps have payment frequency that is the same as the refixing frequency, except in some cases for any initial or final periods.

The hedge of cash flow variability due to the exchange rate, interest rate and inflation rate risks is obtained by using Interest Rate, Asset and Cross Currency Swaps which have amortising profiles and payment frequencies that mirror those of securities hedged. Bond Forward instruments are used to hedge the price risk.

All hedging derivatives are traded Over the Counter (OTC), and include netting to reduce exposure, together with the high frequency exchange of collateral. In most cases, this takes place as part of bilateral agreements entered into with market counterparties and, residually, through netting with central counterparties.

E. Hedged items

The existing accounting hedges at the end of 2021 were carried out on asset and liability items, such as loans, receivables and bonds.

Within the scope of fair value hedges, hedged items are typically represented by dummy instruments with cash flows representing the hedged risk, namely only the part of the cash flows at market level at the time of the hedge. This results in an item that presents:

- capital flows of the hedged bond/loan;
- interest flows of the hedged bond/loan net of the hedge spread;
- in the event of IRS with forward starting date, an initial capital outflow, equal to the nominal value of the swap on the start date.

In cash flow hedges, the hedged items are generally represented by using the hypothetical derivative method, i.e. the derivative that is the ideal hedging instrument for the risks being hedged and whose main terms are aligned with those of the hedged item, regardless of the hedge actually implemented and net of the counterparty risk inherent in the derivative closed on the market.

Quantitative disclosures

A. Financial derivatives held for hedging

A.1 Financial derivatives held for hedging: period-end notional values

(thousands of euro) Underlying assets/Type of derivatives	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Debt securities and interest rates	**5,000**	**41,857,210**				**40,020,726**		
a) Options								
b) Swaps	5,000	40,754,283				39,861,566		
c) Forwards		1,102,927				159,160		
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		**234,111**				**1,443,273**		
a) Options								
b) Swaps		234,111				1,443,273		
c) Forwards								
d) Futures								
e) Other								
4. Commodities								
5. Other underlyings								
Total	**5,000**	**42,091,321**				**41,463,999**		

A.2 Financial derivatives held for hedging: gross positive and negative fair value – breakdown by product

(thousands of euro) Type of derivatives	Positive and negative Fair value							
	31/12/2021				31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements	
1. Positive fair value								
a) Options								
b) Interest rate swap	16	271,628				306,558		
c) Cross currency swap		667				138,129		
d) Equity swap								
e) Forward		3,742						
f) Futures								
g) Other								
Total	**16**	**276,037**				**444,687**		
2. Negative fair value								
a) Options								
b) Interest rate swap		3,065,143				4,306,177		
c) Cross currency swap		8,518				12,020		
d) Equity swap								
e) Forward		17				2,768		
f) Futures								
g) Other								
Total		**3,073,678**				**4,320,965**		

A.3 Financial derivatives held for hedging: notional values, gross positive and negative fair values by counterparty

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	5,000	34,262,499	7,594,711	
- positive fair value	16	174,865	100,505	
- negative fair value		2,352,359	712,800	
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		145,817	88,294	
- positive fair value			667	
- negative fair value		8,519		
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 Residual life of OTC financial derivatives held for hedging: notional values

(thousands of euro)

Underlyings/Residual maturity	To 1 year	From 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	4,759,432	10,208,262	26,894,516	41,862,210
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold		88,292	145,819	234,111
A.4 Financial derivatives on commodities				
A.5 Financial derivatives on other				
Total 31/12/2021	**4,759,432**	**10,296,554**	**27,040,335**	**42,096,321**
Total 31/12/2020	**4,959,811**	**9,739,516**	**26,764,672**	**41,463,999**

B. Credit derivatives held for hedging purposes

There were no credit derivatives.

1.3.3 Other information on derivatives (held for trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

(thousands of euro)	Central counterparties	Banks	Other financial companies 00/01/1900	Other 00/01/1900
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	5,000	36,579,585	8,856,346	1,154,000
- positive fair value	16	193,053	104,605	189,323
- negative fair value		2,531,209	741,466	4,101
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		2,563,950	808,830	
- positive fair value		12,309	9,106	
- negative fair value		40,950	6,958	
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				
B. Credit derivatives				
1) Protection purchases				
- notional value				
- positive fair value				
- negative fair value				
2) Protection sales				
- notional value				
- positive fair value				
- negative fair value				

1.4 Liquidity risk

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of liquidity risk

Liquidity risk arises in the form of "asset liquidity risk[75]" and "funding liquidity risk[76]".

Since the banking group does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk is limited.

In view of the dominant weight of demand deposits (savings accounts) and of bonds redeemable on demand (postal savings bonds) on the liability side of the Separate Account, for the Parent Company liquidity risk becomes significant mainly in the form of funding liquidity risk.

In order to ensure that any uncontrolled run-off scenario remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of postal savings reputation with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, Risk Management (RM) monitors a lower limit on the stock of liquid assets together with a number of aggregates that represent the capacity of CDP to cope with potential crisis. As an operational protection measure for liquidity risk, CDP has adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting approaches, opportunities and constraints more similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short-term liquidity position, carried out on a continuous basis by the Finance function, and monitoring liquidity gaps at short, medium and long term, which is performed by RM.

Management of treasury activities by the Finance department enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

As a further control, for both the Separate and the Ordinary Account, RM monitors the incremental liquidity available in a stress scenario through transactions with the European Central Bank and by refinancing liquid assets with market counterparts.

In addition to the monitoring tools described, RM performs a stress test to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

With regard to SACE Fct's operations, the liquidity risk connected with factoring operations is mitigated by the recourse to diversified forms of financing, through: i) the activation of revolving credit lines granted by major banking groups, ii) short-term loans granted by the Parent Company and iii) assignment of receivables with recourse towards leading factoring companies. In this context, the "Liquidity Risk Policy" defines the roles and responsibilities of the corporate bodies and units involved in the process and the methods used to measure, manage, and monitor liquidity risk. Moreover, a

[75] Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of selling assets on the market without significantly reducing their price.

[76] Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or selling assets held.

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.

As far as liquidity risk is concerned, CDPI SGR is potentially exposed to a cash shortfall risk, caused by, among others, lower management fees due to fluctuations in values of the real estate Alternative Investment Fund (AIF) units and/or real estate direct assets held by the portfolios it manages, as management fees are actually calculated as a percentage of either the Net Asset Value or the Gross Asset Value.

Any value fluctuation for the real estate funds and/or assets held in their portfolios might consequently affect the management fees. Such risk currently appears not significant.

From an operational point of view, liquidity risk is monitored through a careful planning of Company cash flows ("financial forecast"), prepared by the "SGR Administration" Organisational Unit and updated on a monthly basis.

With regard to FII SGR, the increased exposure to liquidity risk consists of asset liquidity risk. The asset management company manages closed-end funds with underlyings that have low liquidity and a long-term time horizon. The potential need, which is currently very unlikely, to rapidly liquidate the assets could significantly affect the prices of those assets.

In terms of funding risk, FII SGR has limited exposure due to the type and standing of its counterparties, which are periodically monitored, and the operating procedures of the individual funds (in addition to the possibility of using funding facilities in its operations).

Given that the exposure in currencies other than the euro is not significant compared to the overall exposure, the following breakdown by residual maturity refers only to assets and liabilities in euro.

Impacts of the COVID-19 pandemic

With regard to exposure to liquidity risk for companies within the scope of prudential consolidation, the continuation of the COVID-19 pandemic has not generated impacts other than those previously reported, as these types of events fall within the risks already assessed and monitored.

Since the start of the health emergency, the Group has intensified its monitoring of this area, with the aim of promptly detecting any situations at risk and evaluating corrective action.

Without prejudice to the uncertainty regarding the prospective impacts of the health emergency, there is currently no evidence to suggest an increase in the risk of the companies being unable to meet their commitments.

Quantitative disclosures

1. Breakdown of financial assets and liabilities by residual maturity

(thousands of euro) Items/Maturities	on demand	more than 1 day to 7 days	more than 7 days to 15 days	more than 15 days to 1 month	more than 1 month to 3 months	more than 3 months to 6 months	more than 6 months to 1 year	more than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets	**163.526.566**	**7.943**	**63.175**	**156.307**	**3.582.198**	**3.083.264**	**8.201.420**	**52.039.741**	**117.559.264**	**21.656.145**
A.1 Government securities		7.663	115	28.381	3.232.217	2.169.621	4.574.193	22.011.241	31.373.455	
A.2 Other debt securities	31.867	280	7.015	2.858	157.520	623.564	617.362	3.892.979	5.548.779	
A.3 Units in collective investment undertakings	3.452.664									
A .4 Loans	160.042.035		56.045	125.068	192.461	290.079	3.009.865	26.135.521	80.637.030	21.656.145
- Banks	20.988				2.749	1.375	530.378	3.248.881	9.455.855	21.656.145
- Customers	160.021.047		56.045	125.068	189.712	288.704	2.479.487	22.886.640	71.181.175	
On-balance-sheet liabilities	**109.860.256**	**27.805.432**	**3.756.283**	**2.122.477**	**10.254.813**	**11.359.521**	**12.314.898**	**180.596.675**	**25.656.987**	
B.1 Deposits and current accounts	109.567.150	361.086	2.559.381	800.942	4.906.008	6.363.451	6.645.620	157.570.732	10.453.014	
- Banks	1.957.373	100.000		80.000	155.000	314.341	616.318	489.607	81.427	
- Customers	107.609.777	261.086	2.559.381	720.942	4.751.008	6.049.110	6.029.302	157.081.125	10.371.587	
B.2 Debt securities				344.146	2.960.000	1.295.000	1.908.991	8.233.292	6.756.524	
B.3 Other liabilities	293.106	27.444.346	1.196.902	977.389	2.388.805	3.701.070	3.760.287	14.792.651	8.447.449	
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- long positions			468.560	230.594	688.887	2.751.468		90.752	148.244	
- short positions					282.937	2.855.732		1.163.292	145.461	
C.2 Financial derivatives without exchange of capital										
- long positions	12.667				37.695	45.678	128.032			
- short positions	12.667		345	1.505	20.802	179.727	121.445			
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions	22.189.947						4.250.000		1.250.000	
- short positions	22.189.947						4.250.000		1.250.000	
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital										
- long positions										
- short positions										

1.5 Operational risks

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of operational risk

Definition of operational risk

The CDP Group has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes, among others, losses resulting from internal or external fraud, human error, employment practices and workplace safety, business disruption, system unavailability, breach of contract and natural disasters.

Operational risk includes legal risk but not strategic or reputational risk.

The “legal risk” is the risk of incurring losses resulting from violations of laws or regulations, from contractual or tortious liability or from other disputes.

As part of the operational risk management system used at CDP, the ICT risk assessment methodology was defined. ICT risk is the risk of (current or potential) financial, reputational and market share losses in relation to using information and communication technology (ICT) due to events that are likely to compromise the Availability, Integrity and Confidentiality of technical infrastructures and/or data.

System for managing operational risks

Apart from adopting best practice in the banking sector as a reference, the CDP Group pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organisational framework implemented aims to capture the company’s actual risk profile, similarly to what occurs in the most advanced corporates, which actively manage operational risks even though they are not subject to capital requirements.

The objective is to improve corporate processes and the Internal Control System, so as to lay the foundations for the most appropriate mitigation actions and to make a more accurate quantification of the associated economic capital, currently estimated using the Basic Indicator Approach.

The Operational & ICT Risk Organisational Unit, operating within the Risk Management Function, is responsible for designing, implementing and monitoring the methodological and organizational framework for (i) the assessment of the exposure to operational risks, (ii) the monitoring of the implementation of the mitigation measures proposed by the Risk Owners, and (iii) the reporting system designed to ensure that information is made available to the Governing Bodies and to the managers of the Organisational Units concerned.

The adopted framework involves the inclusion of information on operational losses classified according to specified Loss Event Types (i.e. a Model of loss events), Loss Effect Types (i.e. a Model of types of losses) and Risk Factors (i.e. a Model for the classification of risk factors). With particular reference to ICT risk, CDP defined specific libraries of threats and security countermeasures which CDP applies to protect its ICT assets.

This information comprises:

- internal data on operational losses (Loss Data Collection);
- external loss data;
- potential loss data (risk self-assessment);
- key factors of the business environment and internal control systems.

The CDP Group's system for managing operational risks is divided into the following stages:

1. Identification and measurement

This stage involves the:

- structured collection and timely updating of internal data on losses attributable to operational risk events (loss data collection);
- identification of potential operational risks associated with business processes and the forward-looking assessment of the Company's level of exposure to those risks (risk self-assessment);
- analysis of operational events received from the Italian database on operational losses (*Database Italiano delle Perdite Operative* - DIPO) (external loss data);
- identification of potential operational risks arising from the introduction of new products, services and activities.

1.1 Loss Data Collection

Loss data collection is the process designed to collect and manage – in a structured manner and according to rigorous criteria – the internal data on losses attributable to operational risk events occurred in the Company. The data recording concerns both operational risk events which have negative economic effects recorded in the income statement items (actual losses) and events that do not generate a loss (near misses).

The loss data collection process is structured as follows:

- collection and recording of internal loss data, to classify the data on losses attributable to operational risk events;
- monitoring and management of loss data, to observe the evolution of the Company's exposure to operational risks over time, in order to identify appropriate mitigation measures for the most significant events (in terms of impact, frequency and/or relevance to the strategic company objectives).

The data collection is supported by a network of information sources (an information source is defined as the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects).

The prompt availability of uniform, comprehensive and reliable data - within a dedicated database - allows the appropriate mitigation actions to be identified in order to combat the most significant risks and to achieve overall improvements, in terms of effectiveness and efficiency, of the corporate processes and the internal control system (so-called use test).

1.2 Risk Self-Assessment

This consists of a self-assessment of the potential operational risks inherent in the processes, carried out by the parties involved in the operations reviewed. The aim is to assess the level of the Company's vulnerability to these risks and, at the same time, to establish the necessary corrective actions, if the monitoring system is inadequate. The process consists of the following activities:

- mapping of the operational risk events to the corporate processes (risk mapping), in order to understand the origin of potential losses attributable to operational risks by retracing the events and causes that may generate those losses;
- assessment of the operational risk events and of the related controls for estimating the residual exposure to each risk.

The aim of the Risk Self-Assessment is to produce a Risk Map, which is a tool designed to dynamically monitor the evolution of the Company's risk profile, in order to:

- ensure an overall view of the main areas of risk of the company by process and by nature of the risk;
- strengthen the controls;
- monitor the actions to prevent and mitigate risks.

Based on the risk perception of the officers interviewed (Organizational Unit Managers, Risk owners, other employees who are ‘experts’ in the relevant processes, individuals representing specialist and control functions), suitably ‘weighted’ with that of Risk Management and supplemented by additional relevant considerations, forward-looking indications are provided to the Company's management on events that have not yet occurred but could take place as a result of ‘latent’ risks in corporate processes.

Risk Self-Assessment findings, therefore, are used for management purposes (use test): the operational risk management system, integrated into the Management's decision-making, aims at strengthening corporate processes and improving the Internal Control System.

1.3 External loss data

CDP subscribes to the Italian Operational Loss Database (DIPO) managed by ABIServizi S.p.A. in order to be able to retrieve data on operational risk events that took place in other financial institutions; this enables CDP to improve its estimates about operational losses and to compare itself against the best practices used by other main Banking Groups.

2. Risk control and mitigation

Based on the findings from the Risk Self-Assessment and any specific further analyses conducted by the other corporate Control Functions, supported by the trends in operational losses found in the loss data collection, the mitigation process is activated in order to reduce the Company's exposure to the most significant operational risks - in terms of likelihood of occurrence and/or impact - through the identification and adoption of appropriate corrective measures.

Corrective actions are defined by the Risk Owners, with the support - where necessary - of the other corporate functions and the Risk Management Function, which verifies the implementation of the corrective actions through periodic follow-ups.

The Operational & ICT Risk Organisational Unit monitors the status of the mitigation actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

3. Monitoring and reporting

The results of the activities performed are shared and disseminated through dedicated reports, which detail operational risk exposures and detected losses. In this way, information on operational risks is provided to the Top Management and the managers of the business units involved, in order to enable the implementation of the most appropriate mitigation actions.

The main reports produced cover:

- Loss Data Collection, in relation to which a report is prepared every six months and sent to the Governing Bodies;
- Risk Self-Assessment, for which, at the end of each analysis on processes/operational areas a report with the assessment of individual risks and relevant control centres is produced, with an indication of the most vulnerable areas;
- follow-up on the mitigation actions, identified for the most significant risks detected by the Loss Data Collection and Risk Self-Assessment.

Operational Risk Culture

In line with the mission of the Operational & ICT Risk Organisational Unit, which is to develop and disseminate awareness of operational risks within the Company, during 2021 training initiatives addressed to all the staff involved in the analyses were organised.

Other periodical actions organised by the Operational & ICT Risk Organisational Unit for the staff concerned include training, also in the form of on-the-job training. These actions ensure that the contact persons have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

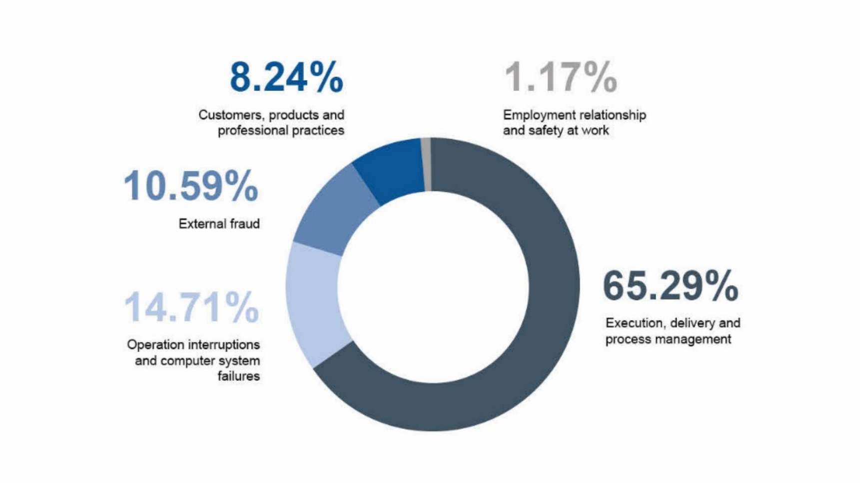
In addition to the above, the Operational & ICT Risk Organisational Unit supports the Corporate Security Organisational Unit in organising cybersecurity training.

The aim is to put in place a coordinated approach at all levels within the Company, which can be achieved by wide dissemination of operational risk awareness.

Quantitative disclosures

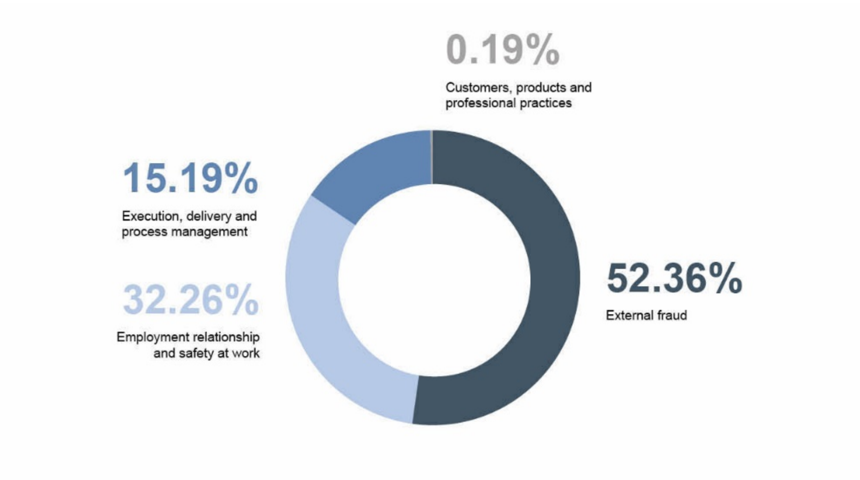
The chart below gives the breakdown by event type[77], showing the number and the impact in 2021, based on the event type classification scheme established by the New Basel Capital Accord.

% breakdown by number of events (actual and near-miss losses)



In 2021, the events identified with greater frequency were of the “Execution, delivery and process management” type, referring to losses arising mainly from executing and completing transactions.

% breakdown by accounting amount recorded



During 2021, the most significant type of event, in terms of impact, is attributable to “External Fraud”, detected as part of the credit process.

SACE Fct

SACE Fct adopts the Group's operational risk management framework for the purpose of strengthening risk controls and improving the overall effectiveness and efficiency of processes, in order to reduce the variability of operating profits and protect its assets.

[77] The figures refer to CDP, SACE Fct and CDPI SGR.

In 2021, a Risk Self-Assessment was carried out on the corporate processes concerning the management of guarantees and insurance policies in order to identify and assess the level of future exposure to potential operational risks. From the qualitative assessment of the risk profile, some significant Residual Risks have been identified and specific Action Plans have been planned to mitigate them. These Action Plans aim to strengthen and streamline the line controls, some of which have already been completed during the year, while others are in the process of being completed, and for ongoing actions, on which interim releases have been made in some cases, implementation is planned for the first half of 2022.

For the Loss Data Collection, the Company adopts a bottom-up approach for the collection and recording of loss data through a network of information sources that can provide information concerning the main features of each loss event recorded and its associated effects. The data collection is performed on an ongoing basis and is supported by an IT application (developed by the Parent Company) for recording the loss data, which enables the data recording and accounting reconciliation of the data collected and its validation.

CDPI SGR

CDPI SGR adopts the Group's operational risk management framework, with the purpose of strengthening risk controls and improving the overall process effectiveness and efficiency, in order to reduce the variability of operating profits and protect its assets.

During the second half of 2021, the Risk Self Assessment was launched for some corporate processes.

For the loss data collection, the Company adopts a bottom-up approach for the collection and recording of loss data through a network of information sources that can provide information concerning the main features of each loss event recorded and its associated effects.

FII SGR

FII SGR has set up a proprietary operational risk management system covering (i) risks associated with human error (i.e. errors, unintentional damage and/or fraudulent situations created by internal and external operators that may be detrimental to the company), (ii) technology-related risks (i.e., IT procedures and intentional or unintentional damage to company hardware and software), (iii) process-related risks (i.e., missing or incomplete internal procedures or breaches), and (iv) risks related to external factors (i.e., events external to the company). FII SGR's overall exposure to operational risks is small and is mainly concentrated in the area of internal processes, regulatory compliance and employment relationships.

Impacts of the COVID-19 pandemic

The continuation of the COVID-19 pandemic requires constant attention to be paid to the potential operational risks already mapped and monitored. In particular, the following key risk areas have been identified:

- cybersecurity, due to a possible intensification of cyber attacks in view of the higher levels of remote working and the mass use of technological tools which could make business processes more vulnerable;
- continuity of business processes, due to a potential unavailability of critical system providers;
- potential staff shortages, temporary or not, due to illness.

However, in 2021, no particular issues were identified in any of these areas, which are monitored on an ongoing basis.

Considering the impacts of the pandemic, the companies within the scope of prudential consolidation have made huge efforts and implemented important actions to ensure business and operational continuity and, above all, the safety of their staff from the first outbreaks in Italy. The actions taken, which have involved coordination between the different company functions, include the use of remote working, with the provision of the required equipment, taking out specific insurance and healthcare coverage plans, making arrangements to ensure access to COVID-19 blood tests and antibody tests, and the periodic rotation and sanitisation of the work areas.

Civil and administrative disputes

At 31 December 2021, there are 113 pending disputes in civil and administrative matters in which CDP is a defendant, for a total amount of approximately 214.4 million euro.

With reference to the above-mentioned disputes, there are 45 disputes with a risk of a ruling against the company estimated to be probable. Of these: (i) 30 refer to positions relating to Postal Savings products amounting to approximately 217 thousand euro; (ii) 10 refer to credit positions amounting to approximately 174 million euro; (iii) 5 refer to other civil and administrative law issues amounting to approximately 720 thousand euro.

There are also 37 disputes with a risk of a ruling against the company estimated to be possible. Of these: (i) 13 refer to positions relating to Postal Savings products amounting to approximately 126 thousand euro; (ii) 10 refer to credit positions amounting to approximately 27.8 million euro; (iii) 14 refer to other civil and administrative law issues amounting to approximately 775 thousand euro.

With reference to ongoing disputes, at 31 December 2021 a provision for risks and charges was set up amounting to approximately 54.7 million euro.

Regarding SACE Fct, there are n. 4 disputes as defendant, with a total claimed amount of approximately 10.3 million euro and n. 35 disputes as claimant, with a total claimed amount of approximately 46.4 million euro.

Labour law disputes

At 31 December 2021, there were 19 pending pre-disputes and disputes in labour matters in which CDP is a defendant, for which provisions were made for a total of about 4 million euro.

SECTION 3 - THE RISKS OF INSURANCE COMPANIES

Insurance risks

Key risks for the insurance business include technical risk, meant as underwriting and credit risk. The former, relating to the portfolio of policies, refers to the risk of losses arising from unfavourable claim performance compared with estimated claims (pricing risk) or from mismatches between the cost of claims and the amount reserved (reserve risk). The latter refers to the risk of default of the counterparties and of migrations of their creditworthiness. Both risks are managed by the adoption of prudent pricing and reserve policies defined using the best market practices, underwriting criteria, monitoring techniques and active portfolio management.

The total exposure of SACE S.p.A., calculated as the sum of loans and guarantees issued (principal and interest) amounted to 66.9 billion euro, down by 5.2% compared with 2020, mainly due to the guarantees portfolio, which represents 99.3% of total exposure. The loan portfolio fell from 2020, by 13.5%, due to the decrease in trade receivables and sovereign debt, by 28.3% and 2.7% respectively.

SACE BT S.p.A.'s total exposure as at 31 December 2021 amounted to 96 billion euro, an increase on the 2020 year-end figure (+15.5%).

(millions of euro; %)

Portfolio	31/12/2021	31/12/2020	Change (+ / -)	Change %
SACE	**66,896**	**70,591**	**(3,695)**	**-5.2%**
Outstanding guarantees	66,459	70,086	(3,627)	-5.2%
- *of which: principal*	*59,423*	*62,560*	*(3,137)*	*-5.0%*
- *of which: interest*	*7,036*	*7,526*	*(489)*	*-6.5%*
Loans	437	*505*	*(68)*	-13.5%
SACE BT	**96,023**	**83,168**	**12,855**	**15.5%**
Short-term credit	12,175	11,217	958	8.5%
Surety Italy	6,741	6,352	389	6.1%
Other property damage	77,106	65,598	11,509	17.5%

The geo-economic area analysis shows greater exposure to the MENA countries (28.8% compared to 27.4% in 2020). By country, the first in terms of exposure is the United States, with a concentration of 17.2%. Next, in terms of area, other European countries and CIS (Commonwealth of Independent States) account for 26.2% of the portfolio (up[78] from 2020 when it was 17.7%) and the Americas account for 20.8% of the portfolio, up 4% from 2020. The other geo-economic areas accounted for a total of 24.1% of the portfolio: countries belonging to the European Union recorded a decrease of 49.1% (with the portfolio weight decreasing from 22.8% in 2020 to 11.6% in 2021), Sub-Saharan Africa recorded an increase of 7.9% (with its portfolio weight increasing from 7.2% in 2020 to 7.8% in 2021) and lastly East Asia and Oceania, which recorded a decrease of 3.4% compared to the previous year (with the portfolio weight falling from 4.9% in 2020 to 4.7% in 2021).

The proportion of loans in US dollars increased from 40.9% to 41.3% compared with the previous year, with 38.6% of SACE S.p.A.'s guarantee portfolio denominated in that currency (versus 35.3% in 2020). The US dollar appreciated against the euro, from 1.2271 at 31 December 2020 to 1.1326 at 31 December 2021.

The exchange rate risk in respect of the loan portfolio and the guarantees portfolio is mitigated in part by the natural hedge provided by the provision for unearned premiums and through asset-liability management techniques implemented by the company.

In terms of sector concentration, the top five sectors account for 63.2% of the total portfolio. The cruise line sector represented the single largest exposure sector, accounting for 35.5% of the total, up 3.9% from 2020. The oil & gas sector remained in second place in terms of exposure, increasing by 4.4%, with its weight rising from 13.9% to 15.2% of the total portfolio; the chemical/petrochemical sector came in third place, with a decrease of 6.6%; then came the electricity sector, which saw a fall of 3.2%, the infrastructure and construction sector, which decreased by 41.5% (from 3.9% to 3.2% of the portfolio) and the shipbuilding sector, which decreased by 12.8%.

[78] This increase is mainly due to the United Kingdom being classed in the Other European Countries and CIS area, while it was previously included in the EU28 area.

SACE BT

Credit Portfolio

The policies in place under the credit insurance business as at 31 December 2021 were 138,652 (+7.8% compared to 2020), for an overall value of 12.2 billion euro. The current portfolio, in terms of policy limits, was primarily concentrated in EU countries (82.6%), with Italy accounting for 67.1%.

Wholesale trade, retail trade and agri-food were the top three industries for this line of business, accounting for 23.0%, 9.3% and 12.4% of total exposure respectively.

Surety Portfolio

Exposure to the surety business (amounts of capital insured) totalled 6.7 billion euro (+6.3% compared to 2020). Guarantees in tenders represent 74.6% of the exposure, followed by guarantees for tax payments and reimbursements (13.1%).

The business consists of approximately n. 39,998 contracts, most of which are in Northern Italy (63.6%).

Construction/Other Property Damage Portfolio

Nominal exposure (limits and capital insured) of the construction/other property damage business was equal to 77.1 billion euro (+17.5% compared to the previous financial year).

The number of existing policies was 10,391 (+10.3% versus 2020). CAR and EAR policies accounted for 22.8% of the nominal exposure, 10-year posthumous insurance policies accounted for 11.3%, and non-life policies for 65.9%.

Reinsurance

Reinsurance is an effective business instrument in support of the insurance policy as it optimises outstanding exposures and mitigates risks through active portfolio management.

The aim of reinsurance is to spread risk, thereby:

- improving the equilibrium of the portfolio;
- obtaining greater financial soundness;
- stabilising financial performance;
- increasing the underwriting capacity.

When choosing between the different possible types of reinsurance policies, the objective of optimising the trade-off between the financial impact of the cost of coverage and the benefit in terms of risk mitigation must be taken into account. Accordingly, the main forms of reinsurance are:

- quota share reinsurance: mainly used to increase the underwriting capacity. These policies provide for a proportional transfer of the premium to the reinsurer, equal to the ceded portion of the risk, and the reinsurer's retrocession of commissions to cover the costs incurred in underwriting and managing the contract (ceding commission). In the event of a claim, the reinsurer is obliged to pay its share of the reimbursement;
- surplus share reinsurance: aimed at increasing the underwriting capacity for debtors/countries/sectors in relation to which the company has reached its underwriting limits;
- Excess of Loss or Stop Loss reinsurance: used to increase the efficiency of SACE’s guarantee portfolio in terms of capital relief or stabilisation of the technical account, it limits the maximum cost of compensation in the event of a claim to predefined amounts.

Furthermore, reinsurance can operate either on a mandatory basis, through the automatic transfer of predefined risks, or on an optional basis, to cover individual risks or homogeneous subsets of risks chosen on a case-by-case basis.

The reinsurance function seeks, proposes and implements the most effective reinsurance solutions according to the objectives identified and manages the operational processes implementing said solutions.

At 31 December 2021, the most significant form of risk ceded for SACE S.p.A. lies in reinsurance with the Ministry of the Economy and Finance pursuant to Decree Law 23 of 8 April 2020 (“Liquidity Decree”), converted with amendments by Law no. 40 of 5 June 2020, which extended, on the risks in the portfolio, the reinsurance percentages compared to the previous agreement signed in 2014 with the Ministry of the Economy and Finance, approved by the Italian Prime Minister’s Decree of 20 November 2014 and registered with the Court of Auditors on 23 December 2014, which governed the proportional transfer of risks that could result in high concentration levels for SACE. As part of the measures to support exports, international expansion and business investments, the Liquidity Decree introduced the reinsurance cession to the Ministry of the Economy and Finance of up to 90 percent of SACE’s outstanding commitments at the entry into force of Decree Law no. 23/2020, with some specific exclusions related to especially impaired positions in terms of risk profile.

Article 2(9) of the Liquidity Decree also introduced a new regulatory framework, effective as of 1 January 2021, under which SACE assumes commitments arising from insurance activities and the provision of guarantees against non-market risks, to the extent of ten per cent of the principal and interest of each commitment. The remaining ninety percent is assumed by the government without joint and several liability. The new scheme, governed by a specific agreement signed by the Ministry of Economy and Finance and SACE on 26 November 2020, increases SACE's underwriting capacity in support of exports. In this context, SACE operates with the other Export Credit Agencies in granting and buying reinsurance, both for its share and for the share of the Ministry of Economy and Finance, on the basis of the framework agreements governing the relationships with the other ECAs.

In addition to the government's reinsurance, SACE's portfolio is also reinsured by leading specialised private reinsurers, in line with the requirements of the Reinsurance Strategy. The hedges in place with the private market refer both to treaties for mandatory proportional cession, subscribed in resolution years 2019 and 2020, and to contracts for the optional transfer of individual insurance contracts, subscribed by SACE starting from 2014.

With regard to SACE S.p.A., at 31 December 2021, out of a total 66.5 billion euro portfolio of transactions completed (out of a total amount of approx. 74.8 billion euro, of which 8.4 billion euro co-insured by the MEF) 53.5 billion euro were ceded to reinsurers (80.5%). Around 88.4% of these reinsurance cessions are with the MEF (including the transfer made pursuant to the Liquidity Decree up to the share of 90 per cent described above), 10.3% are ceded to the private reinsurance market, represented by the main counterparties active at global level, and the remaining 1.3% is represented by reinsurance cessions with other ECAs in accordance with the bilateral agreements in force.

With reference to cessions made in 2021, against new lending totalling 13 billion euro, a total of 1.5 billion euro was reinsured, of which (i) 1.2 billion euro ceded to the MEF and (ii) 0.3 billion euro ceded through the Reinsurance Treaty with the private market, for transactions approved before 1st January 2021 and finalised in the current year or for changes to transactions finalised before 31 December 2020. During 2021, reinsurance transactions with other ECAs were also finalised for a total ceded amount of approximately 46 million euro; negotiations for further cessions are underway.

SACE BT maintained a stable position in the reinsurance panel in 2021, which is largely characterised by long-term relationships with selected counterparty risk. The reinsurance structure is composed of proportional and excess of loss treaties according to the characteristics of the various business lines managed. On 30 June 2021, the hedge provided by the State Convention on Commercial Credit Insurance under Article 35 of Decree Law no. 34 of 19 May 2020 ended.

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 financial management, through a process of integrated asset & liability management, concludes a number of operational hedging transactions in order to offset the negative changes in the guarantee and loan portfolio in the event of adverse changes of risk factors;
- contributing to the achievement of corporate financial goals.

This activity confirmed that values were in line with the limits defined for each company and each type of investment.

Asset Class (millions of euro)	Financial assets measured at FVPL	Financial assets measured at FVOCI	Financial assets measured at amortised cost	Total	%
Bonds	258		2,694	2,952	39.98%
Units in collective investment undertakings	107			107	1.45%
Shares	42	5		47	0.64%
Money Market			4,277	4,277	57.93%
Total	**407**	**5**	**6,971**	**7,383**	**100.00%**

The table is gross of the positions between SACE Group companies.

Portfolio composition is as follows: 40% bonds and other debt securities, 58% monetary instruments, 1% units in collective investment undertakings mainly invested in bonds and the remaining 1% in shares.

Within the monetary instruments, there is a funding component[79] granted by SACE S.p.A. to the subsidiary SACE FCT for an amount equal to 781 million euro.

During the year, SACE S.p.A. entered into a loan agreement in favour of the subsidiary SACE FCT. This loan, for which no disbursement has been yet requested and for which a maximum total amount of 825 million euro is envisaged, may be disbursed as a lump sum or in several tranches and has a maximum duration of 36 months from the contract signing date (30 July 2021).

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.

Rating grades	%
AAA	4.1%
AA	0.7%
BBB	81.0%
BB	7.8%
Others	6.3%

Legal disputes

At 31 December 2021, SACE's disputes as defendant consisted of 13 lawsuits, with a total claimed amount of approximately 29 million euro, while the disputes as claimant included 7 lawsuits with a total claimed amount of approximately 166.4 million euro. As claimant, a further 39 proceedings are currently pending; they include appeals against the exclusion of claims and summary proceedings pursuant to Article 702-bis of the Italian Code of Civil Procedure filed seeking priority, pursuant to Legislative Decree no. 123/1998, of the receivables due to SACE S.p.A. within the context of insolvency proceedings for compensation disbursed (or currently being disbursed) on guarantees issued in support of companies' internalisation. There are also 2 labour law disputes.

There are n. 134 disputes with SACE BT as defendant, with a total claimed amount of approximately 60.2 million euro, while the disputes with SACE BT as claimant include 6 lawsuits with a total claimed amount of approximately 21.1 million euro. There are also 2 labour law disputes.

SECTION 4 - THE RISKS OF OTHER ENTITIES

This section analyses the main risks that fully consolidated companies not included in the "prudential consolidation" or "insurance companies" scopes are exposed to, as previously described in sections 2 and 3 of part E of the Notes to the consolidated financial statements.

As a result of the variety of businesses carried out by the companies included in this section, specific information is provided for each of the main entities, in order to better represent their peculiarities in terms of risks and related mitigation actions.

Quantitative information is reported gross of any intragroup eliminations and consolidation adjustments, which is why the amounts reported in the following paragraphs may not be immediately comparable with those discussed in parts B and C of the consolidated financial statements.

[79] Funding to SACE FCT on demand in the form of an irregular deposit for 561 million euro and a term deposit of 220 million euro, with short maturities within 60 days, in the form of a time deposit.

TERNA GROUP

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

In this section information is provided on the Terna group's exposure to each of the risks listed above, the aims, policies and processes for managing these risks and the methods used to measure them, also including further quantitative information on the 2021 financial statements.

The group's risk management policies seek to identify and analyse the risks to which the group companies are exposed, establish their limits and create a system to monitor them. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of group companies.

The exposure of the Terna group to the aforementioned risks is largely represented by the exposure of the parent company.

As a part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically with respect to the instruments to be used and the precise operating limits in managing them.

	31/12/2021			31/12/2020		
(millions of euro)	Amortised cost	Fair value	Total	Amortised cost	Fair value	Total
Assets						
Derivative financial instruments	-	1.6	1.6	-	94.2	94.2
Cash and equivalent and government bonds	1,566.8	958.5	2,525.3	2,689.0	611.4	3,300.4
Trade receivables	2,777.4	-	2,777.4	1,245.2	-	1,245.2
Total	**4,344.2**	**960.1**	**5,304.3**	**3,934.2**	**705.6**	**4,639.8**

	31/12/2021			31/12/2020		
(millions of euro)	Amortised cost	Fair value	Total	Amortised cost	Fair value	Total
Liabilities						
Long-term debt	10,475.0	-	10,475.0	11,248.2	-	11,248.2
Derivative financial instruments	-	83.7	83.7	-	253.8	253.8
Trade payables	3,275.6	-	3,275.6	2,217.3	-	2,217.3
Total	**13,750.6**	**83.7**	**13,834.3**	**13,465.5**	**253.8**	**13,719.3**

Financial Risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk comprises three forms of risk: exchange rate risk, interest rate risk and inflation risk.

Risk management must pursue the objective of minimising the risks in question by selecting counterparties and instruments compatible with the corporate Risk Management policy. Speculative activity is not envisaged in the corporate mission.
The Terna group intends to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aiming at minimising risk through continuous monitoring of financial markets in order to execute planned recourse to new debt and hedging transactions in favourable market conditions. The dynamic approach makes it possible to take action to improve existing hedges where changing market conditions or changes in the hedged item make the latter unsuitable or unduly expensive.

The fair value of instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (level 2) by means of appropriate valuation models for each category of financial instrument, using market data as at the end of the financial year (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest rate risk

Interest rate risk is represented by the uncertainty associated with changes in interest rates. It is the risk that a change in market interest rates could have an impact on the fair value or future cash flows of financial instruments.
In conducting its operations, the Group is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk derives from items of net financial debt and the associated hedging positions in derivatives, which generate financial expenses. Terna's borrowing strategy focused on debt instruments with long-term maturities reflecting the useful life of the company's assets. It also pursued an interest rate risk hedging policy that aimed to cover at least 40% of fixed-rate debt, as established in the company's policies. At the end of 2021, the fixed-rate group debt was 91%.

As at 31 December 2021, interest rate derivatives are fair value hedge derivatives and cash flow hedge derivatives, used to hedge the risk of changes in the cash flows associated with long-term loans.

The following table shows the notional amounts and the fair value of derivatives entered into by the Terna group:

	31/12/2021		31/12/2020		Change (+ / -)	
(millions of euro)	Notional	Fair value	Notional	Fair value	Notional	Fair value
FVH derivatives	1,700.0	1.6	1,600.0	94.2	100.0	(92.6)
CFH derivatives	3,241.0	(83.7)	4,079.9	(253.8)	(838.9)	170.1

The notional amounts of CFH derivatives as at 31 December 2021, amounting to 3,241.0 million euro, are broken down as follows:

- 300.0 million euro (fair value equal to -0.1 million euro) maturing in 2022;
- 100.0 million euro (fair value equal to 0.1 million euro) maturing in 2023;
- 641.0 million euro (fair value equal to 2.3 million euro) maturing in 2024;
- 1,100.0 million euro (fair value equal to -47.0 million euro) maturing in 2027;
- 1,100.0 million euro (fair value equal to -39.0 million euro) maturing in 2028.

The notional amounts of FVH derivatives as at 31 December 2021, amounting to 1,700.0 million euro, are broken down as follows:

- 450.0 million euro (fair value equal to +8.1 million euro) maturing in 2027;
- 750.0 million euro (fair value equal to +19.7 million euro) maturing in 2028;
- 500.0 million euro (fair value equal to -26.2 million euro) maturing in 2032.

Sensitivity to interest rate risk

To manage its interest rate risk, after restructuring its derivatives portfolio, Terna has implemented interest rate swap transactions to neutralise the risk inherent in expected future cash flows.
Since the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, initially and periodically verified, is high, Terna chose to apply hedge accounting in order to ensure perfect time matching between the hedge and the hedged item. The purpose of hedge accounting is to recognise simultaneously the income statement effects of the hedges and the hedged item. As a result, for CFH derivatives, the fair value changes of the derivative must be recognised in "Other comprehensive income" (immediately recognising any ineffective portion in profit or loss) and then derecognised from Equity and recognised in profit or loss in the same period in which the cash flows relating to the hedged item have an impact on income. The characteristics of the CFH derivative contracts in place mirror those of the underlying hedged items; therefore, the related cash flows shall occur at the same maturities as the interest on debt, with no impact of fair value changes on the income statement.

The following table shows: the amounts recognised in the income statement and in “Other comprehensive income” in respect of positions sensitive to changes in interest rates; the theoretical value of those positions following a positive or negative shift in the market yield curve; and the differential impact of those changes recognisable in the income statement and in “Other comprehensive income”. A hypothetical 10% variation (increases and decreases) in the yield curve with respect to market interest rates at the reporting date has been assumed.

	Net income or loss			Equity		
(millions of euro)	Current rates +10%	Current values	Current rates -10%	Current rates +10%	Current values	Current rates -10%
31 December 2021						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	1.4	1.3	1.2	169.5	167.7	165.9
Hypothetical change	*0.1*	*0.0*	*(0.1)*	*1.8*		*(1.8)*
31 December 2020						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	(4.0)	(4.1)	(4.2)	(85.1)	(93.4)	(101.7)
Hypothetical change	*0.1*	-	*(0.1)*	*8.3*		*(8.3)*

Global regulators have begun reforming the IBOR (Interbank Offered Rates) indices, which are the benchmark indices for most financial instruments traded worldwide, in order to restore the reliability and robustness of the benchmarks. Given the high levels of uncertainty regarding the timing of the reform during the transition phase, the group continues to closely monitor the market and the results generated by the various industry working groups managing the transition to the new benchmark rates, including the announcements made by the regulators regarding the transition from LIBOR to SOFR (Secured Overnight Financing Rate) and from EURIBOR to ESTER (Euro Short-term Rate). Management is aware of the associated risks and accordingly activities are planned to complete the transition in parallel with the changes in the applicable regulations. In addition, all new financial agreements include fallback clauses governing the transition period.

Inflation risk

As regards inflation rate risk, the rates established by the Regulator to remunerate Terna S.p.A.’s activities are determined so as to allow coverage of the sector’s recognised costs. These cost components are updated each year to reflect the accrued impact of inflation. In 2007, the company used an inflation-linked bond issue, thereby obtaining a partial hedge on net income for the year: any decrease in expected revenues due to a decrease in the inflation rate is partially offset by lower financial expense.

Exchange rate risk

Exchange rate risk management must be carried out with the aim of defending the company’s profitability from the risks of exchange rate fluctuations through continuous market control and constant monitoring of existing exposure. To manage this risk, each time, Terna selects the financial hedging instruments with structural and duration characteristics consistent with the group's exposure to foreign currencies. The instruments used by Terna are those with limited complexity, high liquidity and ease of pricing, such as forward contracts and options. The group’s existing contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position. As at 31 December 2021, the group’s Income Statement exposure to exchange rate risk was residual and due to the currency flows of subsidiaries Tamini and Brugg.

Liquidity risk

Liquidity risk is the risk that the Terna group might experience difficulties in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of cash needs by obtaining adequate lines of credit and appropriately managing any surplus liquidity. As at 31 December 2021, the group had approximately 619 million euro available in short-term credit lines (out of total credit lines of around 1,243 million euro), 2,650 million euro in revolving credit lines and around 347 million euro in loans signed, but not yet disbursed.

With specific regard to the bonds reported in Item 10c of liabilities of the CDP Group’s consolidated financial statements and other loans, the table below provides a breakdown by maturity:

(millions of euro)	Maturity	31/12/2020	31/12/2021	Portion falling due within 12 months	Portion falling due after 12 months	2023	2024	2025	2026	2027	After	Avarage interest rate 2020	Avarage net interest rate 2020
Bonds	2021	1.258,8	-									4,75%	1,29%
	2022	999,1	999,9	999,9								0,88%	0,95%
	2023	636,3	622,9		622,9	580,8					42,1	2,73%	0,43%
	2023	996,4	997,8		997,8	1.000,0					-2,2	1,00%	1,14%
	2024	921,1	889,8		889,8		800,0				89,8	4,90%	0,87%
	2025	495,7	496,6		496,6			500,0			-3,4	0,13%	0,32%
	2026	498,2	498,5		498,5				500,0		-1,5	1,00%	1,28%
	2026	79,2	79,4		79,4				80,0		-0,6	1,60%	1,80%
	2027	1.039,0	1.013,7		1.013,7					1.000,0	13,7	1,38%	1,50%
	2028	794,4	763,7		763,7						763,7	1,00%	1,15%
	2029		596,7		596,7						596,7	0,38%	0,60%
	2030	495,7	496,1		496,1						496,1	0,38%	0,46%
	2032	496,2	470,4		470,4						470,4	0,75%	0,48%
	2044	34,4	-										
EIB	2042	515,6	854,0	20,5	833,5	20,5	24,6	47,7	47,7	47,7	645,3	0,81%	0,81%
Terna borrowing	2022	200,0	200,0	200,0								-0,01%	-0,01%
Difebal borrowing	2034	33,6	-										
Total fixed rate		**9.493,7**	**8.979,5**	**1.220,4**	**7.759,1**	**1.601,3**	**824,6**	**547,7**	**627,7**	**1.047,7**	**3.110,1**		
EIB	2041	1.175,0	1.062,9	112,7	950,2	113,9	115,3	115,3	115,3	115,3	375,1	0,09%	0,73%
Terna borrowing	2023	400,0	400,0	300,0	100,0	100,0						-0,01%	0,02%
Brazilian companies borrowing	2042	108,1	-										
Difebal borrowing	2034	26,8	-										
Total variable rate		**1.709,9**	**1.462,9**	**412,7**	**1.050,2**	**213,9**	**115,3**	**115,3**	**115,3**	**115,3**	**375,1**		
Total	**4.076,0**	**11.203,6**	**10.442,4**	**1.633,1**	**8.809,3**	**1.815,2**	**939,9**	**663,0**	**743,0**	**1.163,0**	**3.485,2**		

Bonds fair value is 7,925.5 million euro and is based on prices at the reporting date. Borrowings fair value equals carrying amount for a total of 2,516.9 million euro as at 31 December 2021 and is measured by discounting expected cash flows based on the market interest rate curve at the reporting date.

Credit risk

Credit risk is the risk that a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the group's trade receivables and financial investments.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since, in compliance with financial risk management policies, the counterparties are leading international credit institutions with high ratings.

Terna essentially renders its services to counterparties considered solvent by the market and hence with a high credit standing and avoids concentrations of credit risk.

Credit risk management is also compliant with Resolution no. 111/06 of the Italian Regulatory Authority for Energy, Networks and the Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), which, at Article 49, introduced instruments to limit the risks linked to the insolvency of dispatching customers, both on a preventive basis and in the event of actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be defined by ARERA where necessary.

At the end of the year, this exposure was as follows:

(millions of euro)	31/12/2021	31/12/2020	Change (+ / -)
FVH derivatives	1.6	94.2	(92.6)
Cash and cash equivalents and other financial assets	1,566.8	2,689.0	(1,122.2)
Trade receivables	2,777.4	1,245.2	1,532.2
Total	**4,345.8**	**4,028.4**	**317.4**

The overall credit risk exposure as at 31 December 2021 is represented by the carrying amount of trade receivables, FVH derivatives and cash and cash equivalents.

The following tables provide qualitative disclosures on loans to customers in terms of geographical distribution and type of customer.

Geographical distribution

(millions of euro)	31/12/2021	31/12/2020
Italy	2,222.5	1,075.2
Euro-area countries	482.4	44.6
Other countries	72.5	125.4
Total	**2,777.4**	**1,245.2**

Type of customer

(millions of euro)	31/12/2021	31/12/2020
Distributors	395.8	199.4
CSEA	138.4	93.7
Dispatching customers for injections	755.1	173.2
Dispatching customers for withdrawals (not distributors)	1,288.1	563.9
Parties which have signed virtual import contracts and virtual import services (interconnectors and shippers)	13.8	12.7
Sundry receivables	186.2	202.3
Total	**2,777.4**	**1,245.2**

The following table breaks down trade receivables by past-due band, with the related impairment:

	31/12/2021		31/12/2020	
(millions of euro)	Impairment	Gross	Impairment	Gross
Current	(0.6)	2,701.9	(0.6)	1,188.9
0-30 days past due	-	30.8	-	8.8
31-120 days past due	(0.3)	14.0	(0.3)	6.5
Over 120 days past due	(48.7)	80.3	(51.1)	93.0
Total	**(49.6)**	**2,827.0**	**(52.0)**	**1,297.2**

Changes in the bad debt provision for trade receivables during the year were as follows:

(millions of euro)	31/12/2021	31/12/2020
Balance at 1st January	(51.9)	(42.9)
Release of provisions	2.7	0.1
Impairments for the year	(0.4)	(9.2)
Balance	**(49.6)**	**(52.0)**

The value of guarantees issued by electricity market operators is shown below:

(millions di euro)	31/12/2021	31/12/2020
Dispatching - Injections	265.1	215.5
Dispatching - Withdrawals	1,349.2	1,316.0
Transmission charges due from distributors	334.3	327.9
Virtual imports	134.3	113.4
Capacity market	129.5	148.3
Balance	**2,212.4**	**2,121.1**

For the Unregulated business, assets are exposed to “counterparty risk”, in particular towards those parties with whom active contracts are concluded, in consideration of the credibility and solvency of the parties in question and the impact that any insolvency may have on the financial position of the business. Counterparty risk is mitigated by implementing counterparty assessment procedures that measure economic, financial and reputational aspects of the parties involved.

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which the group is a party may contain provisions that, upon the occurrence of certain events, entitle the counterparties to call in such loans immediately, thereby generating liquidity risk.

Certain long-term loans obtained by the Parent Company Terna S.p.A. contain covenants that are typical of international practice. The main covenants relate to:

- the Company’s bond issues, which consist of an 800-million-euro issue in 2004 and eleven issues as part of its EMTN Programme (the “€ 9,000,000,000 Euro Medium Term Notes Programme”);
- bank borrowings, consisting of revolving lines of credit and bilateral term loans (“bank debt”);
- series of loans to the company from the European Investment Bank (EIB), amounting to a total of 2.2 billion euro (of which 300 million euro have not yet been disbursed).

The main covenants relating to the bond issues and the EMTN Programme involve clauses regarding: (i) “negative pledges”, on the basis of which the Issuer or its Relevant Subsidiaries undertake not to create or maintain mortgages, pledges or other encumbrances on their assets or revenue, to guarantee listed bonds (with the exception of certain “permitted guarantees”); (ii) “pari passu”, on the basis of which the securities constitute a direct, unconditional and unsecured obligation by the Issuer, ranking equally among them and with at least the same level of seniority as other present and future unsecured and non-subordinated borrowings of the Issuer; (iii) “event of default”, on the basis of which if certain predetermined events occur (e.g., failure to make a repayment, the liquidation of the Issuer, the breach of contractual obligations, a cross-default, etc.) a situation of default is established and the loan is immediately called in.

The main covenants relating to bank borrowings are those relating to: (i) negative pledges, on the basis of which the Issuer or the Relevant Subsidiaries undertake not to create or maintain guarantees on their assets to secure borrowings, with the exception of “permitted guarantees”; (ii) pari passu on the basis of which the Borrower’s payment obligations in relation to the loan agreements in question are not subordinated to any obligation related to other unsecured and non-subordinated creditors, without prejudice to privileges under the law; (iii) “event of default”, on the basis of which if certain predetermined events occur (e.g. failure to make a repayment, serious inaccuracies in documents and/or declarations, insolvency, business discontinuation, substantially prejudicial effects, the breach of contractual obligations, including pari passu conditions, a cross-default, etc.) a situation of default is established and the loan is immediately called in; (iv) accelerated repayment should the rating fall below investment grade (BBB-) for the majority of rating agencies or should the Company cease to be rated by at least one agency.

The main covenants related to the EIB loans involve clauses related to: (i) negative pledges, on the basis of which the Company cannot create encumbrances, with the exception of encumbrances granted in relation to borrowings below given amounts and under contractually specified circumstances; (ii) the provision to the Bank, at its request, of new guarantees should ratings below BBB/Baa2 be assigned by two ratings agencies out of three, or in the event that all of the agencies cease to publish ratings; (iii) pari passu, on the basis of which the company ensures that payment obligations rank equally with those related to all other unsecured, non-subordinated creditors; (iv) cases of contract termination/application of the call provision/withdrawal (e.g. failure to make a repayment, serious inaccuracies in documents and/or declarations, insolvency, events that have a negative impact on financial commitments made by the company, extraordinary administration, liquidation, substantial prejudicial changes, the breach of contractual commitments, etc.); (v) accelerated loan payment following the occurrence of given events (e.g. change of control over the company, loss of the concession, extraordinary corporate events, etc.).

Bank Guarantees

The amount of bank guarantees issued to third parties on behalf of the group companies as at 31 December 2021 totalled 326.5 million euro, subdivided as follows: 97.2 million euro on behalf of Terna S.p.A., 78.4 million euro on behalf of the company Tamini Trasformatori S.r.l., 55.3 million euro on behalf of the company Terna Rete Italia S.p.A., 39.2 million euro on behalf of the company Terna Interconnector S.r.l., 36.9 million euro on behalf of the Brugg group companies, 0.1 million euro on behalf of the company Terna Plus S.r.l., 5.1 million euro on behalf of the company Santa Lucia S.A., 4.5 million euro on behalf of the company Difebal S.A., 4.4 million euro on behalf of the company Terna Perù SAC, 1.0 million euro on behalf of the company Santa Maria SA, 4.3 million euro on behalf of the company Terna Energy Solutions S.r.l. and 0.1 million euro on behalf of the company Terna Chile S.p.A.

Litigation

We describe below the main off-balance sheet commitments and risks at 31 December 2021, related to the parent company Terna and its subsidiary Terna Rete Italia S.p.A., as there were no significant commitments and risks for the other subsidiaries at the reporting date.

Environmental and town planning disputes

The disputes involving environmental issues linked to the construction and operation of power plants under Terna's responsibility refer, in part, to legal actions brought against the alleged adverse effects of exposure to electric and magnetic fields generated by the power lines. In general, these disputes require the parent company to be involved, as owner of the plants in question. It cannot in any case be excluded that the subsidiary Terna Rete Italia S.p.A. may also be summoned, as the electromagnetism generated by the power lines concerns not only the owner of the plant, but also its operation and the quantity/quality of the electricity in transit.
Regarding this matter, it should be noted that the issue of the Cabinet Office Decree of 8 July 2003 – which specifically set the values of the three parameters (exposure limits, safety thresholds and quality targets) provided for in Framework Law 36 of 22 February 2001, which electricity infrastructure must comply with – led to a significant reduction in any such litigation. Other environmental and urban planning disputes, which do not relate to electromagnetic fields, are also pending with regard to Terna S.p.A. These disputes are connected with the operation of certain Terna-owned plant, which in the event of an unfavourable outcome could also generate immediate effects for Terna Rete Italia S.p.A. (to date unforeseeable and therefore not included in "Provisions for litigation and sundry risks"), both as the entity appointed by Terna S.p.A. to build the related infrastructure and as the entity responsible for its operation. In particular, charges may arise for Terna Rete Italia S.p.A. connected with changes to the infrastructure involved in such disputes and its temporary unavailability. Terna S.p.A. and the outside legal consultants engaged by the latter have reviewed the disputes in question and concluded that a negative outcome is unlikely.

Disputes concerning the validity of authorisations to build and operate plants

Other disputes related to the plants owned by the parent company arise out of legal actions brought before the administrative courts to render null and void authorisations granted to build and operate the plants.

Disputes concerning activities granted under concession arrangements

As the holder of a transmission and dispatching concession since 1 November 2005, the parent company is a party to a number of legal proceedings involving such activities – mostly appeals against measures of the energy networks and environment Regulator ARERA and/or the Ministry of Economic Development (now the Ministry of Ecological Transition) and/or of Terna itself. Where the appellants have alleged not only the flawed nature of the measures challenged, but also a violation by Terna of the rules set by the aforementioned Authorities, that is, in the cases in which the proceedings may have an impact on Terna, the company has appeared in court. Within the scope of such litigation – even though some cases have been concluded, at first and/or second instance, with the annulment of ARERA's resolutions and, when applicable, of the consequent determinations adopted by Terna – any negative outcomes for the company itself may be deemed unlikely, as these disputes normally relate to pass-through items.

SNAM GROUP

STRATEGIC RISKS

Regulatory and legislative risk

Snam's regulatory and legislative risk concerns the rules applicable to the gas industry. The resolutions of the Energy Networks and Environment Regulator (ARERA) and the National Regulatory Authorities of the countries where the foreign affiliates operate, the European and Italian legislation and, more generally, changes to the reference regulatory framework may have a significant impact on company operations, earnings and financial stability. It is impossible to envisage the effect that future changes in legislative and tax policies might have on the business of Snam and on the industrial sector in which it operates.

Considering the specific nature of its business and the area in which Snam operates, developments in the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

Macroeconomic and geopolitical risk

In view of the specific nature of its business sector, Snam is also exposed to risks linked to political, social and economic instability in natural gas supplying countries, mainly affecting the gas transport sector. Most of the natural gas transported on the Italian national transport network is imported from or transits through countries in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, in light of TANAP-TAP, Turkey combined with the States which overlook the eastern Mediterranean) and in the former Soviet Bloc (Russian Federation, Ukraine, Azerbaijan and Georgia). Those regions are sensitive to political, social and economic instability, with regard to the implications of the Russian-Ukrainian conflict, please refer to the paragraph "Significant events after the reporting date".

The import of natural gas from these countries, or its transit through them, is subject to a wide range of risks, including: terrorism and general crime; changing levels of political and institutional stability; armed conflict, social-economic and ethnic-sectarian tensions; social unrest and protests; inadequate legislation on insolvency and creditor protection; ceilings placed on investments and on the import and export of goods and services; introduction of and hikes in taxes and excise duties; forced contract renegotiation; nationalisation of assets; changes in commercial policies and monetary restrictions.

If the shippers that operate the transport service through Snam's networks are unable to complete the supply or transport of natural gas from or through these countries due to the occurrence of the aforesaid adverse conditions, or are affected by said adverse conditions, to an extent that causes or worsens the inability to fulfil their contractual obligations towards Snam, this may produce adverse impacts on the business and on the performance and financial position of the Snam group. In addition, Snam is exposed to macroeconomic risks arising from displacement or tension in financial markets or situations deriving from external events, which could affect liquidity and accessibility to financial markets.

Commodity risk connected with gas price changes

With Resolution no. 114/2019/R/gas, as part of the process of review of the criteria for the determination of the recognised revenue of the natural gas transport and measurement service for the fifth regulatory period (2020-2023), the criteria to recognise the Unaccounted-For Gas (UFG) have also been defined. Based on these criteria, from the year 2020 onwards, the quantities of gas for self-consumption, network leaks and UFG will be paid by cash instead of the recognition in kind by shippers. However, the change in the price of natural gas will not continue to be a significant risk factor for Snam, since a mechanism is in place to cover the risk associated with the differences between the price set for gas volumes for self-consumption, network leaks and UFG and the actual supply price. With regard to the quantities recognised, the above-mentioned decision confirmed the current criterion regarding gas for self-consumption and leaks, while for the UFG the admitted level will be updated annually and will be equal to the average of the quantities actually recorded in the last four years available. In July 2020, with Resolution 291/2020/R/gas, the Authority concluded its assessments and ascertained an additional volume of UFG for 2018-2019, equal to a total of 182 million cubic metres, for a total value of around 42 million euro, which will be paid by the CSEA, net of the advance already received for 2018. The Authority also launched a procedure, which was completed at the end of 2020 with the publication of Resolution 569/2020/R/gas on 22 December 2020, to refine the criteria for recognising UFG for the fifth regulatory period (2020-2023), so as to improve operational consistency and the related stability, also providing that the motivational force of the system is in any case based on predetermined unit fees proportionate to the remuneration of the metering service instead of the price of gas. This amendment substantially reduces the risk with respect to the potential impacts of the original provision.

In particular, while maintaining the current criterion for the recognition of the quantities of UFG for the tariffs and the related valuation, as well as the use of the neutrality mechanism envisaged in the Combined Regulations on Balancing in terms of value recognised, the Authority has introduced an incentive mechanism relating to the difference between the UFG recognised and the actual UFG for the same year.

In general, the changes in the current regulatory framework on the recognition of quantities of natural gas covering self-consumption, network leaks and UFG might have an adverse impact on the Snam group's business, financial position and results.

Market risk

Lastly, as to the risk linked to gas demand, under the current tariff system applied by the ARERA to natural gas transport, Snam's revenues, through its directly controlled transport subsidiaries, are partly correlated to output volumes. However, with resolution 114/2019/R/gas, ARERA confirmed for the fifth regulatory period (2020-2023) the guarantee mechanism covering the share of revenues correlated with output volumes already introduced in the fourth regulatory period on volumes transported. This mechanism reconciles higher or lower revenues exceeding ± 4% of the reference revenue correlated with output volumes. This mechanism guarantees about 99.5% of the authorised overall revenues from transmission activities.

Under the current tariff system applied by ARERA to natural gas storage, Snam's revenues, through Stogit, are correlated to the use of infrastructure. However, ARERA has introduced a guarantee mechanism covering these revenues, which allows companies to cover a main share of the authorised revenues. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenue was approximately 97%, while for the fifth regulatory period (2020-2025) Resolution 419/2019/R/gas extended the level of guarantee to all recognised revenue (100%). The same resolution also introduced an enhanced incentive mechanism (defined by subsequent Resolution 232/2020/R/gas) with voluntary participation, which provides for an increase in the profit-sharing of revenues from short-term services from 50% to 75% against a reduction in the portion of recognised revenue subject to a hedging factor.

Finally, with reference to the tariff regulatory criteria for the LNG regasification service for the fifth regulatory period (2020-2023), Resolution 474/2019/R/gas confirmed the mechanism to cover reference revenue at a guaranteed minimum level of 64%.

In general, the changes in the current regulatory framework might have adverse impacts on the Snam group's business, financial position and results.

Abroad, protection against market risk is offered by French (Teréga) and Greek (Desfa) regulations, long-term TAP agreements, as well as agreements for Austria (different deadlines for TAG and Gas Connect starting from 2023), France (with gradual maturity of the long-term contracts in the interconnection point with Spain starting from 2023) and for Adnoc Gas Pipeline (20 years tariff-based with ship or pay minimum). In Austria, the United Kingdom (Interconnector) and Egypt the volume risk is hedged.

With reference to today's macroeconomic market framework, at the same time as the economic recovery in 2021 and the recovery in consumption, there has been a rapid increase in wholesale energy prices in Europe with possible effects on the reduction of gas consumption by end users (industrial players / private individuals) and switching to other energy carriers. This growth is due to a number of factors including: post-Covid consumption increase, structural reduction in the continental production of gas, reduction in potential additional imports from Russia, lower production from electrical renewables (wind, solar), especially in Northern Europe, gas consumption increase and LNG imports at a global level in Asia, increase in the CO_2 prices on the ETS. The contingent trend of commodity prices in Europe and the high energy dependence on imports could represent elements of vulnerability for the Italian energy system. Regarding gas, Snam has already mitigated this risk thanks to a series of countermeasures adopted over the last few years such as: diversifying the sources of procurement (most recently, the commissioning of the TAP gas pipeline), a wide availability of gas storage capacity (able to cover over 23% of current gas demand), efficient network management through coordination with other infrastructure operators and the adoption of additional tools to support extraordinary emergencies (e.g.: peak shaving via regasification terminals, interruptibility service for withdrawals from the transport network). For some sectors, particularly private users, there may be a perception that higher prices are structural, with the risk of reduced or interrupted gas supplies in favour of other energy carriers.

Climate change risk

Achieving global climate targets will require significant investment in the decarbonisation of the energy sector over the next 30 years. In recent years, Snam has repositioned itself to benefit from the new energy transition mega-trends, through its infrastructure, which will be crucial to achieving decarbonisation targets, its presence in the energy transition businesses, international expansion and a disciplined approach to investments.

Snam has made a commitment to achieving carbon neutrality by 2040, with an intermediate target of a 50% reduction in direct (Scope 1) and indirect (Scope 2) emissions from the 2018 values by 2030, in line with the goal to limit global warming to 1.5° C set by the Paris Agreement adopted at the Climate Conference (COP 21). This objective is also consistent with the CO_2 emissions reduction targets set by the UNEP (UN Environment Programme), which Snam has signed a protocol with.

With regard to the risks associated with the emissions market, within the scope of the European Union directives on trading carbon dioxide emission permits and the rules for controlling emissions of certain atmospheric pollutants, the update of the sector regulations accompanying the start of the fourth regulatory period (2021-2030) of the European Emissions Trading System (EU - ETS), has confirmed a continuous reduction in the number of free emission allowances. The allowances are allocated to each plant with progressively decreasing, and no longer constant grants, and also depend on the actual operation of the plants. The allowances granted free of charge to the group's plants are no longer sufficient to comply with regulatory compliance obligations relating to ETS mechanisms and, as a result, the companies of the Snam group obtain the missing allowances from the market.

With resolution 114/209/R/gas of 28 March 2019, ARERA defined the regulatory criteria for the fifth regulatory period (2020-2023) of the natural gas transport and measurement service, including – among other things – the recognition of the costs relating to the Emission Trading System (ETS). With Resolutions 419/2019/R/gas and 474/2019/R/gas, the recognition of the costs relating to the ETS mechanism was introduced also for the storage services (regulatory period 2020-2025) and for the regasification service (2020-2023).

Climate change scenarios could also lead to a change in the choice of the energy mixes of the various European countries and in consumer behaviour, with resulting impacts on the demand for natural gas (and on volumes transported). On one hand, the latter may benefit from greater sustainability compared to other fossil fuels in the short- to medium-term and act as a bridge towards the full decarbonisation of some sectors, but, on the other hand, may be affected by policies and individual choices that could lead to a progressive decrease in natural gas consumption with consequent repercussions on the current use of infrastructure. The rise in the decarbonisation targets at EU level, including the new legislative proposals being issued on energy transition (such as the EU's Fit for 55 package and EU Taxonomy) and the publication of studies of major importance in the international energy scene (such as the IEA's Roadmap to Net-Zero Emissions), could in fact accelerate the progressive reduction in demand for and supply of fossil natural gas. On the other hand, this could encourage a greater and earlier penetration of renewable, low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) in the energy mix, supporting the promotion of Snam's new businesses. Climate change could also increase the severity of extreme weather conditions (flooding, drought, extreme temperature fluctuations), thus deteriorating the natural and hydro-geological conditions of the territory, with possible impacts on both the quality and continuity of the service supplied by Snam and on the demand for gas at national and European level. With reference to the effects of the change in gas demand on the financial position and results of the Snam group, see the "Market risk" paragraph below.

Lastly, Snam has signed up to the Methane Guiding Principles, which commit the company to further reducing methane emissions from its operations in natural gas infrastructure. In subscribing to these principles, Snam is also committed to encouraging other players in the entire gas supply chain – from producer to end consumer – to pursue the same objective. Snam joined the Oil & Gas Methane Partnership (OGMP) 2.0, a voluntary initiative launched as part of UNEP (United Nations Environment Programme) to support Oil & Gas companies in reducing methane emissions. The company participated, and is still actively involved, in various UN working groups which led to developing a framework able to provide governments and the general public with the guarantee that methane emissions are treated and managed in a responsible manner, with progress against stated objectives, offering transparency and cooperation, including the implementation of best practices. The protocol suggests the targets to reach: -45% by 2025 compared to 2015. During 2021, Snam renewed its commitment by setting the target of a -55% reduction in methane emissions by 2025 compared to 2015, stricter than those proposed by UNEP, becoming a fundamental part of the Net Carbon Zero Strategy.

LEGAL AND COMPLIANCE RISK

Legal and compliance risk concerns the failure to comply, in full or in part, with laws and regulations at European, national, regional and local level with which Snam must comply in relation to the activities it performs. The violation of such laws and regulations may result in criminal, civil, tax and/or administrative penalties, as well as damage to its financial position, results and/or reputation. Specific cases, including infringements of workers' health and safety, environmental protection or anti-corruption rules may also entail substantial fines for the Company based on the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001). Snam has therefore adopted and is committed to promoting and maintaining an effective internal control and risk management system aimed at enabling the identification, measurement, management and monitoring of the main risks relating to its operations. With regard to the Risk of Fraud and Corruption, it is a top priority for Snam to conduct its business fairly and transparently and to reject all forms of corruption as part of its commitment to the respect of ethical principles. Snam's management is fully engaged in implementing an anti-corruption policy: they strive to identify potential weaknesses and to eliminate them, strengthening their control and working constantly to raise all workers' awareness of how to identify and prevent corruption in all business contexts. Reputational Check, as well as acceptance and signing of the Ethical Integrity Agreement are the pillars of the set of controls designed to prevent the risks associated with illegal conduct and criminal infiltration of suppliers and subcontractors, with the aim of ensuring transparent relationships and professional morality requirements in the entire chain of companies and for the duration of the relationship. Snam is a member of the United Nations Global Compact and operates according to the principles laid down in that global initiative, which are an integral part of the company's strategies, policies and rules, including the tenth principle of zero tolerance towards all forms of corruption, which underpins a firmly established culture of integrity and business ethics.

Since 2014, Snam has collaborated with Transparency International Italia as a member of the Business Integrity Forum (BIF), and in 2018 Snam signed a Memorandum of Understanding with the Berlin Secretariat of Transparency International.

In 2017, Snam started working with the OECD, joining the Business at the OECD Committee (BIAC), and in October 2019 – as the first Italian company – it joined the Leadership as Vice-Chair of the Anticorruption Committee.

In September 2019, Snam was also involved in the Partnering Against Corruption (PACI) initiatives of the World Economic Forum. In addition, thanks to its commitment on Corporate Ethics and Anticorruption, in 2020, with a view to the progressive promotion of ESG issues also at a multilateral level, Snam was selected as a permanent member of the Corporate Governance Committee of the BIAC, in addition to the role of Vice Chair in the Anticorruption Committee.

Within the OECD, Snam took part in several events, including the important Global Anti-Corruption & Integrity Forum, as part of which it participated in the round table “Leading through the Crisis Integrity and Anticorruption for a Resilient Recovery”.

Finally, it has been a standing member of the Integrity & Compliance Taskforce of the B20 Forum since 2020 and actively participates in work to develop the related annual Policy Paper for members of the G20.

In the framework of multilateral collaborations, in addition to the above, for all of 2021Snam took part in all the Transparency International events, Italian Chapter. Worth mentioning among these is the Annual Event in November, when Snam chaired the “From B20 Italy 2021 to B20 Indonesia 2022 and beyond” panel, as well as the round table “Ethics and Profits”, in which the EVP Institutional Affairs, ESG, Communication & Marketing took part.

Lastly, as a mention of particular prestige, confirming the successful and well-established cooperation over the last 7 years, Snam was the opening guest speaker on the second day of the Business Integrity Forum organised by Transparency International Italia held on 23 June 2021, where Snam’s CEO sent a valuable video-message on the importance of creating a corporate culture founded on principles of ethics, integrity and sustainability. On the same day, Snam also spoke at the Technology & Integrity round table, talking about its recent experiences on using Artificial Intelligence for Compliance purposes, in a session called “Intelligent Compliance: from Integrated Compliance to Monitoring Supplier Compliance”.

It should also be noted that breaching data protection regulations may lead to sanctions, also heavy, for the company (Regulation (EU) 2016/679, “GDPR”).

Therefore, Snam designed a data protection management system that involves defining the requirements to be met in the field of personal data protection at corporate level. This includes defining roles and related responsibilities at corporate level, recording processing operations carried out, implementing organisational and technical measures to protect personal data processed, managing possible data breaches, and defining tools and measures to ensure an appropriate and timely response to data subjects exercising their rights under the GDPR.

OPERATIONAL RISKS

Ownership of gas storage concessions

For Snam, the risk connected with keeping storage concessions stems from the business operated by its subsidiary Stogit, on the basis of concessions awarded by the Ministry of Economic Development. Eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and may be extended not more than twice for ten years each time. With regard to those concessions, Stogit submitted, within the legal time limits, application for their renewal to the Ministry of Economic Development. The extensions of the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were issued at the end of 2020, while those for the concessions in Cortemaggiore and Minerbio were issued in January 2022. For Alfonsine concession, the procedure is still pending at the Ministry. For the extension still pending, the Company, as provided for by the reference standards, will continue to operate under the old concessions, whose expiry is automatically extended for the purpose until completion of the renewal process. A concession (Fiume Treste) will expire in June 2022, which was already subject to a ten-year extension in 2011, and for which a request for a second 10-year extension was submitted on 18 May 2020. Lastly, a concession (Bordolano) will expire in November 2031 and may be extended for another ten years. If Snam is unable to retain ownership of one or more of its concessions or if, at the time of renewal, concessions are awarded under terms less favourable than current ones, the Company may experience negative effects on its business, financial position and results.

Failures and unforeseen interruption of the service.

The risk of service malfunction and sudden outages is due to unforeseeable events, such as breakdowns or malfunctioning of equipment or control systems, lower plant yield and extraordinary events such as explosions, fires, landslides or other similar events, interference from third parties and cases of corrosion that fall outside Snam’s control. Such events may cause a drop in revenues as well as result in significant damage to persons and property, with possible compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks, in accordance with the sector best practice, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in infrastructure work progress

Moreover, Snam may incur delays in infrastructure work progress due to the many unknown factors linked to operational, financial, regulatory, authorisation and competition aspects over which it has no control. Snam is therefore unable to guarantee that planned works to expand and improve the network are effectively undertaken or, if undertaken, are effectively completed or able to achieve the benefits envisaged by the tariff system. Furthermore, development projects may involve higher levels of investment or longer timeframes than initially estimated, thus affecting Snam's financial position and performance.

Investment projects could be stalled or delayed due to difficulties in obtaining environmental and/or administrative authorisations or due to objections raised by political forces or other organisations, or could be affected by changes in the price of equipment, material and labour, or by political and regulatory changes during construction, or by the inability to obtain financing at acceptable interest rates. Such delays might have adverse impacts on the Snam group's business, financial position and results. In addition, changes in the price of commodities, equipment, material and labour could affect Snam's financial results.

Environmental risks

Snam and the sites where it operates are subject to laws and regulations covering pollution, environmental protection, and the use and disposal of hazardous substances and waste. These laws and regulations expose Snam to contingent costs and liability connected with operation and its assets. The costs linked to potential environmental remediation obligations are subject to uncertainty in terms of the extent of the contamination, the appropriate corrective actions and the share of responsibility. They are therefore difficult to estimate.

Snam cannot predict whether and how environmental regulations and laws may become more binding over time, nor can it provide assurance that future costs of ensuring compliance with environmental legislation will not increase or that these costs may be recoverable within the applicable tariff mechanisms or regulation. Substantial increases in costs related to environmental compliance and other associated aspects and the costs of possible sanctions could negatively impact the business, operating results and financial and reputational aspects.

Employees and personnel in key roles

Snam's ability to run its business efficiently is dependent on the skills and performance of its personnel. The loss of "key" personnel or the inability to attract, train and retain skilled personnel (especially in technical positions for which there may be limited availability of appropriately skilled personnel), or situations where the ability to implement a long-term business strategy is negatively affected by significant disputes with employees, could have an adverse impact on the business, the financial situation and the operating results.

Risks linked to foreign equity investments

Snam's foreign investee companies may be subject to regulatory/legislative risk, political, social and economic instability risk, market risk, cyber security risk, credit and financial risks and all other risks typically affecting Snam's business in the natural gas transport and storage sector. These risks could therefore have an adverse impact on their business, financial position and performance. This could have a negative impact on the investees' contribution to Snam's net income.

Risks linked to future acquisitions/equity investments

Investments made under joint-venture agreements and any future investments in Italian or foreign companies could increase the complexity of the Snam group's operations insofar as it cannot be guaranteed that these investments will generate the expected profitability as part of the acquisition or investment decision and will integrate effectively with the group's other operations in terms of consistency with quality standards, policies and procedures. The integration process may involve additional outflows and investments. Lack of integration of the investment could have negative impacts on business, operating results and financial performance.

Emerging risks

The group's Enterprise Risk Management model pays particular attention to identifying changes in the operating environment in order to detect events or macro-trends originating from outside the organisation that could have a significant medium-to-long-term impact (3-5 years and more) on Snam's business or its industry sector.

These changes may give rise to new risks in the long term but may also start to already have consequences for the company now, changing the nature and extent of the potential impacts and likelihood of occurrence of the risks already identified.

The purpose of the process of identifying emerging risks is to be able to assess their impacts in a timely manner and put in place the necessary strategies and related mitigation actions to prevent and control those risks. The emerging risks identified by Snam in this area include cyber security and energy transition–related risks.

Cyber security

Significance and potential impact on Snam

Snam adopts a complex technological structure to conduct its business, relying on an integrated model of processes and solutions able to ensure the efficient management of the gas system nationwide. However, the development of the business and the use of innovative solutions to improve it require constant attention and the ability to continuously adapt to the changing needs for cyber security protection. The group's new Business Plan envisages around 500 million euro in investments in digitisation – from the control of activities on a remote basis to the adoption of complex infrastructure enabling the Internet of Things – through which Snam aims to become the most technologically advanced gas transmission operator in the world and ensure ever increasing levels of security and sustainability of its business processes.

The projections by global experts and the company's own view are that cyber security threats will evolve in the future in terms of both number and complexity. The digital channel is increasingly used illicitly by different types of actors with different aims and different methods: cyber criminals, cyber hacktivists, state-sponsored action groups. The radical changes taking place in the logics and working processes following the pandemic (including the widespread use of remote working) have exacerbated certain specific types of threat and have made it necessary to increase the levels of attention to criminal phenomena that are bound to persist over time. In addition, technological development has made increasingly sophisticated tools available to attackers, enabling them to increase the effectiveness of existing attack techniques and develop new ones. The increasing digitisation of the network with the use of new technologies (e.g. Internet of Things) also poses significant challenges to the group, extending the potential attack surface exposed to internal and external threats. Lastly, the geopolitical tensions that have intensified during the year in various global spheres should not be underestimated, as the cyber terrain has become, and will increasingly become, an area of economic and political confrontation and conflict.

Cyber security plays a very important role in this scenario, because it has the task of preventing or dealing with a wide variety of events, which can range from the compromising of individual workstations to the disruption of entire business processes relating to transport, storage and regasification, potentially affecting the ability to deliver the service.

A correct approach to cyber security management is also necessary to ensuring full compliance with the increasingly strict industry sector regulations, issued both at European and Italian level, aimed at improving the management and control of companies that provide essential services for Italy.

Mitigation actions

Snam has developed its own cyber security strategy based on a framework developed in accordance with the main applicable standards, and has a dedicated function, which has been in place for several years now, which is responsible for holistically guiding and implementing measures established at strategic level, ranging from governance to more strictly technological aspects. This includes the alignment of the internal processes to the provisions of ISO/IEC 27001 (Information Security Management Systems) and ISO22301 (Business Continuity Management Systems) and the formal certification of compliance of part of those processes with the standards listed by a third-party body. In addition, through a variety of activities, including Risk Analysis and Technical Verification, Snam assesses the protection needs arising from technological developments, changes in business processes or the identification of previously unknown vulnerabilities, and implements solutions to replace or supplement the existing solutions where necessary. More specifically, to adequately combat the most modern cyber threats, Snam has defined a cyber security incident management model aimed at preventing, monitoring and, where necessary, directing timely remediation actions in response to events capable of damaging the confidentiality, integrity and availability of the information processed and the technologies used. This activity is the responsibility of a Security Incident Response Team that, by adopting solutions that collect and correlate all the security events recorded on the entire perimeter of the company's IT infrastructure, has the task of monitoring all anomalous situations from which negative impacts for the company may arise, and initiating, where necessary, the appropriate containment and remediation actions by engaging the various technical and business structures concerned. In 2021, the Security Incident Response Team was again able to operate without interruption, providing support 24 hours a day, seven days a week. Starting from 2020, the change that has been necessary in the operational processes, and in particular the extensive use of remote working arrangements, has not affected the overall level of security up to now. This is mainly because the adoption of remote working as an alternative to in-person work in recent years had already prompted the company to conduct the necessary risk analysis and implement appropriate security solutions for protecting the company's interests, also in the presence of a larger potential attack surface than in the past. In addition, within the context of the cyber incident management activities (preventive and reactive) and in accordance with the formal agreements signed between the parties, info-sharing logic is used with national and European institutions and peers in order to improve the response times and capacity in respect of possible negative events that the company may be exposed to. This approach will become increasingly necessary in the future, also in view of the cyber threat notification requirements that are currently imposed and will be imposed by the national security regulations. With regard to technological development, as mentioned above, Snam is currently implementing an ambitious digitisation programme that will radically change its business processes in the coming years and which will always include a strong focus on cyber security issues. In particular, starting from 2020, the foundations were laid and the necessary processes implemented for the secure development of all the emerging Internet of Things initiatives. Firstly, a Security by Design process was introduced, which imposes compliance with specific requirements and checks for each application and infrastructure development. In addition, the most suitable security technologies were identified for the support of the new capabilities that Snam has acquired and will acquire in the coming years. Considerable attention is also paid to raising awareness and training specialist staff, to make it easier to identify weak signs and make everyone as aware as possible of the cyber risks that can occur during normal work activities. In this context, initiatives of various kinds are organised on a regular basis, using the most appropriate teaching methods: face-to-face training, multimedia, exercises and tests, newsletters, etc.

Finally, with reference to managing information supporting business processes, it should be noted that the company owns the asset used for data transmission to and from the territory (fibre); this results in greater intrinsic security thanks to its non-dependence on the service provided by third parties and the possibility of exclusively using the communication channel.

ENERGY TRANSITION AND DEVELOPMENT OF THE HYDROGEN MARKET AND TECHNOLOGIES

Significance and potential impact on Snam

As climate change shows the concrete effects of rising temperatures, the energy world is facing a period of radical transformation. While maintaining its commitment to the company's core business of regulated natural gas transportation, storage and regasification activities, Snam is creating a broad and diversified platform of activities related to energy transition (in particular, transportation and management of renewable energies, such as biomethane and hydrogen, and energy efficiency) to grasp the opportunity to become a system integrator, able to offer green solutions and contribute to the development of renewable gases.

The consolidated ability to create and manage projects to transport and store natural gas, the new skills acquired in green gas and on the new energy transition trends, a growing international presence in important geographic areas also for integrated greenfield projects and the extensive number of partnerships with several types of investors in various countries, combined in a strategy that focuses on ESG factors, will be essential to help develop the competitive, secure and zero net emission energy system of the future.

The diversification of its business will strengthen Snam's position as an enabler of the energy transition towards forms of use of energy resources and sources that are compatible with environmental protection and progressive decarbonisation, with a long-term vision in line with its purpose and the European objectives. The new 2030 Vision presented by the company in its latest Strategic Plan should be seen in this long-term perspective: Snam will be able to seize new and important development opportunities throughout the next decade, in which the energy transition is expected to accelerate sharply in order to achieve the “net zero” targets with growing investments, in particular, in energy transport and storage infrastructure, as well as projects along the entire green gas value chain.

In this context, and with particular reference to the group's strategy, the main risk factors include: the risks posed by technological innovation for the switching to the use of electric technologies, and/or delay in the development of new technologies for the production, transport and storage of green hydrogen at competitive costs; the delay or absence of investments (infrastructure, projects, new acquisitions) as a result of uncertainties relating to operational, financial, regulatory, authorisation, competitive and social factors; and the failure to develop the hydrogen market with respect to the value chain that should drive the infrastructure. Lastly, the possibility of changes in the regulatory framework in favour of intermittent energy sources, while also undermining the development of the renewable gas market, should also be considered.

These factors may affect the achievement of the development objectives of the above-mentioned activities and, more generally, the opportunity for Snam to benefit from the new energy transition mega-trends. In this regard, a further risk factor is emerging that concerns the even just partial achievement, by 2026, of the targets set in the Recovery and Resilience Plan, with potential repercussions on the development of hydrogen and its value chain, as well as the development of biomethane and LNG (particularly in the heavy transport sector).

Mitigation actions

The development and introduction of new technologies to achieve the development objectives for the energy transition activities pose a number of challenges for the group. In this context, specific initiatives have been identified and developed to respond to the urgency of tackling climate change. With regard to the hydrogen value chain in particular, the study of the necessary technological developments related to the chemical and physical processes for its production requires special skills and knowledge to support research and development at both individual company and country level. The processes commonly used for the commercial production of hydrogen are: reforming of hydrocarbons and biogas (95%), a thermochemical conversion process, which requires conversion temperatures between 150° and 500°C with production of CO_2 equivalent to the hydrocarbon used; and electrolysis of water (4-5%). In particular, the lack of expertise in alternative gas technologies to natural gas is a risk that can potentially be exacerbated by rapid changes in the external environment. To this end, the group has long been committed to the development of internal know-how, the in-sourcing of expertise through acquisitions and involvement in and promotion of institutional and association working groups devoted to hydrogen at national and international level. At European level, it is also a member of Hydrogen Europe, and in Italy it is represented in the Italian Hydrogen and Fuel Cells Association – H2IT.

The group's facilities and assets will also need to be ready to capture the opportunities arising from the development of alternative gases to natural gas. The company is now engaged in verifying the full compatibility of its infrastructure with increasing quantities of hydrogen blended with natural gas, in addition to supporting the development of Italy's gas supply chain to encourage the use of hydrogen in a variety of sectors, from industry to transport. Almost all of Snam's pipelines are able to transport up to 100% of hydrogen based on ASME B31.12 regulations. Around 70% of the pipelines can transport pure hydrogen with no or limited reduction compared to the maximum operating pressure, while around 30% require more significant reductions.

Particular attention is paid to using the machines in the operating thrust and compression units. Cooperation with suppliers is testing theoretical conclusions on the readiness to transport new energy carriers (biomethane and hydrogen in varying volume percentages). Upgrades and replacement of obsolete machines are planned according to a philosophy of compatibility and readiness for new transport scenarios with New HYReady Units. The development of the group's infrastructure is therefore aimed at making the use of programmable, low-impact fossil fuels more efficient, while also promoting the biomethane alternative and providing the necessary conditions to accommodate hydrogen.

Italy can use hydrogen to its advantage both to achieve decarbonisation targets and to create new forms of industrial competitiveness, leveraging its manufacturing potential and its expertise in the natural gas supply chain. This is why it is essential to build partnerships to promote the development of operators along the hydrogen value chain and to participate in working groups to enable Snam to take the lead in advocacy and awareness-raising in favour of the use of hydrogen as a key energy source for decarbonisation both in Italy and internationally.

To date, the group has reached agreements with several companies to promote the growth of all phases of the hydrogen value chain, with a focus on pilot projects to increase the production and use of hydrogen, through strategic partnerships in hard-to-abate industries (e.g. steel mills, refineries, other energy-intensive industries, mobility...) and scouting for investment opportunities in innovative technologies (fuel cells, hydrogen production and storage).

RISKS AND UNCERTAINTIES ARISING FROM THE COVID-19 HEALTH EMERGENCY

The evolution of the pandemic linked to the spread of SARS-CoV-19, if not adequately contained, may continue to have significant health, social and economic consequences across the world.

Though considering the measures introduced to contain and combat contagion, considerable risks remain, both from an economic and financial point of view and for people's health. In addition to the worsening global macroeconomic scenario and the risk of the credit profile deteriorating in a considerable number of countries (including Italy), the risk of slowdown in many commercial activities persists due to negative impacts on supply chains, raw material prices, flows and capital demand.

There is still significant uncertainty in the financial markets at both national and international level, with potential impacts on the business environment.

Snam, which has taken protective measures since February 2020, has acted in order to be able to take all of the necessary steps to protect the health and safety of its people, in compliance with the government measures and provisions as well as those issued by the competent entities and by adopting additional precautions. In particular, the company set up an inter-functional team to manage the situation, in constant contact with the Civil Defence Department, with two fundamental objectives: the health and safety of its people and the continuity of the essential energy security service for the country.

Already from February 2020, as a precautionary measure, Snam ordered remote working for those employees whose activities did not require their physical presence in the workplace, notwithstanding the necessary supervision of operational activities in the area, such as those relating to dispatching at San Donato Milanese, the heart of Snam's infrastructure.

With the gradual resumption of Snam's activities, in line with the guidance and prescriptions of the relevant Authorities, criteria and measures were defined while prioritising the protection of workers' health and safety. These measures were entered in a specific Protocol subject to constant updating according to the guidance that is progressively communicated by the Health Institutions and Authorities and based on the results of monitoring the measures adopted and the health status of the workers carried out by the relevant roles.

Given the trends in the pandemic, the company is not currently in a position to determine with reliability the impacts of COVID-19 on its targets for 2021 and subsequent years.

Nevertheless, based on currently available information, the company foresees a limited impact on its targets in 2021. Any additional future impacts on the group's economic/financial performance and financial position, as well as on the business development plans, will be assessed in light of the evolution and duration of the pandemic.

The same considerations apply with reference to the possible effects on development initiatives and potential repercussions on suppliers or customers resulting from the slowdown in operations as well as the current macroeconomic scenario deriving from the evolution of the pandemic at international level. This also applies to the Snam group's operations outside Italy, particularly in France, Austria, Greece, Albania, UAE, Israel, Egypt and the United Kingdom.

FINANCIAL RISK MANAGEMENT

Within the framework of corporate risks, the main financial risks identified, monitored, and, as specified below, managed by Snam, are as follows:

- risk arising from exposure to fluctuations in interest rates;
- credit risk arising from the possibility of default by a counterparty;
- liquidity risk arising from a lack of financial resources to meet short-term commitments.

With regard to the risk of exposure to changes in exchange rates, due to the current circumstances, at present the Snam group's exposure is small with regard to transaction risk, while it still has exposure to translation risk in relation to several foreign subsidiaries that prepare their financial statements in currencies other than the euro. For the time being, it has been decided not to adopt specific hedging policies for these exposures. In this regard, it should be noted that the effects of exchange rate differences arising from the difference in translation into the presentation currency (euro) of the functional currencies of these companies are recognised in the statement of comprehensive income.

Below, a description is provided of Snam's policies and principles for the management and control of financial risks, according to the approach required by IFRS 7 – Financial Instruments: Disclosures.

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 2021, the Snam Group used external financial resources through bond issues and bilateral and syndicated loan agreements with banks and other Financial Institutions, in the form of medium- and long-term loans and credit facilities at interest rates indexed to benchmark market rates – in particular the Europe Interbank Offered Rate (Euribor) – or at fixed rates. As at 31 December 2021, exposure to interest rate risk, considering outstanding hedges, amounted to approximately 28% of total group exposure (33% at 31 December 2020). As at 31 December 2021, Snam had Interest Rate Swaps (IRSs), for an overall notional amount of 256 million euro, hedging a floating-rate bond of 106 million euro, maturing in 2024, and a floating-rate bilateral loan amounting to 150 million euro, maturing in 2023. The IRS derivative contracts are used to convert the floating-rate loans into fixed-rate loans.

While the Snam *g*roup has put in place a proactive risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk might have adverse impacts on the Snam Group's business and balance sheet and cash flow situation. Although the Snam Group's exposure to changes in interest rates is limited to 28% of the *g*roup's total exposure and is fully linked to the Euribor rate, a change in the method of calculating the Euribor rate and any related fallback clauses that may be introduced, could result in the need for the Snam Group to amend the financial agreements affected by the change and/or the management of future cash flows.

Information is provided below on the impacts on equity and net income (loss) for the financial year as at 31 December 2021 of a hypothetical positive and negative change of 10 basis points (bps) in the interest rates applied during the financial year:

	31/12/2021			
	Income (loss) for the period		Equity	
(millions of euro)	Interest +10 bps	Interest -10 bps	Interest +10 bps	Interest -10 bps
Floating-rate loans				
Effect of the change in interest rate	(5)	6	-	-
Floating-rate loans converted into fixed-rate loans through IRS				
Effect of the change in interest rate on the fair value of hedging derivatives pursuant to IAS 39 - effective portion (*)	-	-	-	-
Effect on the pre-tax result	**(5)**	**6**	**-**	**-**
Tax effect	1	(1)	-	-
	(4)	**5**	**-**	**-**

(*) The change in interest rate has no impact on the income statement. Therefore, the change in the fair value of hedging derivatives resulting from the interest rate decrease affects only equity.

While the Snam Group has put in place a proactive risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk might have adverse impacts on the Snam Group's business and balance sheet and cash flow situation.

Exchange rate risk

With regard to the risk of exposure to changes in exchange rates, due to the current circumstances, at present the Snam Group's exposure is small with regard to transaction risk, while it still has exposure to translation risk in relation to several foreign subsidiaries that prepare their financial statements in currencies other than the euro. For the time being, it has been decided not to adopt specific hedging policies for these exposures. In this regard, it should be noted that the effects of exchange rate differences arising from the difference in translation into the presentation currency (euro) of the functional currencies of these companies are recognised in the statement of comprehensive income.

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. As regards the regulated activities, which currently account for almost all its business, Snam provides its business services to 230 gas sector operators. The top 10 operators represent approximately 67% of the whole market (Eni, Edison and Enel Global Trading hold the top three positions in the ranking). The rules governing the customers' access to the services offered are established by the Authority and are provided for in the Network Codes, which set out, for each type of service, the duties and responsibilities of the parties selling and providing the services, as well as the contractual clauses that significantly reduce the risk of non-compliance by customers. The Codes provide for the issue of guarantees covering the obligations undertaken. In specific cases, the issue of said guarantees can be mitigated when the customer has a credit rating issued by a major international rating agency. The regulatory framework also provides for specific clauses to guarantee the neutrality of the Balancing activity operator, a role held by Snam Rete Gas as a major transmission service operator since 1 December 2011. More specifically, the current balancing rules require that, on a cost-effective basis, Snam focuses primarily on purchases and sales on the GME balancing platform to guarantee the resources needed for safe and efficient transport of gas from the feed points to the draw points, to ensure the constant balance of the network.

With regard to non-regulated activities, which will become increasingly significant over the plan period, the company, through its centralised functions, carries out a prior analysis of the financial soundness of the counterparties in order to minimise this risk.

The breakdown of trade receivables and other receivables by age is shown below, with an indication of their gross value and the value net of the bad debt provision:

(millions of euro)	Trade receivables	Other receivables	31/12/2021	Trade receivables	Other receivables	31/12/2020
Non-overdue and non-impaired receivables	2,412	602	3,014	1,357	125	1,482
Overdue and non-impaired receivables:	317	-	317	194	-	194
- 0-3 months overdue	116	-	116	23	-	23
- 3-6 months overdue	54	-	54	7	-	7
- 6-12 months overdue	8	-	8	14	-	14
- more than 12 months overdue	139	-	139	150	-	150
	2,729	**602**	**3,331**	**1,551**	**125**	**1,676**

Changes in the allowance for doubtful accounts are shown below:

	Provision for impairment losses			
(millions of euro)	31/12/2020	Provisions	Utilisation for excess	31/12/2021
Trade receivables	102	5	(22)	85
	102	**5**	**(22)**	**85**

The net carrying value of the trade receivables past-due at 31 December 2021 and not written down, of 317 million euro, mainly relates to: (i) the transport sector (143 million euro), mainly concerning receivables due from customers relating to items of the balancing and settlement service; (ii) the storage sector (77 million euro), primarily linked to VAT invoiced to users for the use of strategic gas unduly charged and not repaid to them in 2010 and 2011 in accordance with the terms established by the Storage Code.

About 53% of trade receivables (34% at 31 December 2020) refers to highly reliable customers, such as Eni, which represents 9% of the total trade receivables (11% at 31 December 2020).

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Snam’s Risk Management goal is to implement, in its financial plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the group, minimising opportunity cost and maintaining an optimal profile in terms of debt maturity and composition.

The financial market is characterised by an increasing availability of sources of funding for companies that are able to improve the environmental impact of their investments. The interest of investors is linked and subject to the ability of these companies to achieve specific environmental sustainability goals.

With a view to ensuring the proper management of the liquidity risk, the diversification of sources of funding, including through use of sustainable financial instruments, is therefore vital to ensure that companies have wide access to financial markets at competitive conditions, with resulting positive effects on their financial position and performance of operations.

Likewise, Snam’s failure to meet the KPIs for ESG - within the scope of the group’s general goal to make its business more sustainable over the medium-long term - could in future result in higher borrowing costs or lack of access to certain sources of funding.

The mitigation of this risk is further aided by Snam’s strong focus on ESG issues, which traditionally form an important and structured part of its business strategy.

In line with this approach, in 2018 Snam converted syndicated credit facilities worth 3.2 billion euro into a sustainability-linked loan - the third largest sustainability-linked loan ever to be entered into in the world and the largest by a gas utility. The loan includes bonus / malus mechanisms subject to meeting specific KPIs for ESG (Environment, Social, Governance). Snam also issued (i) its first Climate Action Bond for 500 million euro, in February 2019, (ii) its first Transition Bond, the second in Europe and the first to be issued by a gas transport utility, for a further 500 million euro in June 2020, (iii) a second Transition Bond for 600 million euro, the longest zero-coupon bond issued by an Italian issuer, in December 2020, (iv) a dual-tranche Transition Bond for a total of 750 million euro in February 2021 and (v) the fourth Transition Bond for 500 million euro in June 2021. The bonds will finance investments in environmental sustainability and energy transition.

Lastly, in 2020, Snam renewed its Euro Commercial Paper programme, increasing it from 2 billion euro to 2.5 billion euro and linking it to environmental and social sustainability objectives in line with the sustainable loan and obtaining an ESG rating of EE for the instrument from the ESG rating company Standard Ethics, also confirmed in 2021. Lastly, during 2021 Snam signed new ESG-linked term loans for a total of 600 million euro at a cost equal to approximately 0% per year and linked to environmental and social sustainability objectives in line with the sustainable loan. As noted in the paragraph “Interest rate risk”, the company has accessed a large range of funding sources through the credit system and the capital markets (bilateral contracts, syndicated loans by major national and international banks, loan agreements funded by the European Investment Bank - EIB, bonds and Commercial Papers).

Snam’s objective is to maintain a balanced debt structure, in terms of subdivision into bonds and bank loans and in terms of availability of committed bank loan facilities, in line with Snam’s business profile and regulatory framework.

As at 31 December 2021, Snam had unused long-term committed credit facilities totalling approximately 3.35 billion euro, of which 150 million euro relating to the framework loan signed with the EIB in June 2021. Moreover, at the same date Snam had a Euro Medium Term Notes (EMTN) programme for an overall maximum nominal value of 12 billion euro, used for approximately 8.7 billion euro, as well as a Euro Commercial Paper (ECP) Programme for an overall maximum nominal value of 2.5 billion euro, fully used at 31 December 2021.

Snam’s cash and cash equivalents mainly refer to current accounts and promptly collectable bank deposits.

The Group’s main long-term financial debt instruments contain covenants typically used in international practice, which include negative pledge and pari passu clauses. Failure to comply with these clauses 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 related loan, resulting in additional costs and/or problems of liquidity. These commitments do not include covenants requiring compliance with economic and/or financial ratios.

Among the factors that determine the risk perceived by the market, the credit rating, assigned to Snam by the rating agencies, plays a decisive role because it affects the company’s ability to access sources of funding and the related financial conditions. A deterioration of this credit rating could therefore limit access to the capital market and/or result in an increase in the cost of sources of funding, with consequent adverse effects on the group’s earnings, cash flows and financial position.

Snam’s long-term rating is: (i) Baa2 with stable outlook, confirmed on 13 January 2022 by Moody’s Investors Services; (ii) BBB+ with positive outlook, confirmed on 29 October 2021 by Standard & Poor’s Global Rating (“S&P”); (iii) BBB+ with stable outlook, confirmed on 26 January 2022 by Fitch Ratings (“Fitch”). Snam’s long-term rating by Moody’s, Fitch and Standard & Poor’s is one notch above that of the Italian Republic. Based on the methodology adopted by Moody’s and S&P, the downgrade by one notch of the Italian Republic’s current rating would trigger a likely equivalent downgrade of Snam’s current rating.

Snam’s short-term rating - used in the context of its Commercial Paper programme - is P-2 for Moody’s, A-2 for S&P and F2 for Fitch.

Although the Snam Group enters into transactions with diversified counterparties of high credit standing based on a risk management policy and the constant monitoring of their credit risk, the default by any counterparty or the difficulty of liquidating assets on the market may have adverse impacts on the Snam group’s business and financial position and performance.

The table below shows the schedule of contractual repayments of financial payables, including interest payments, and derivative liabilities:

(millions of euro)	31/12/2020	31/12/2021	Share within 12 months	Share after 12 months	2022	2023	2024	2025	Over
Bank loans	5,273	3,695	1,297	2,398	457	719	121	120	981
Bonds (*)	8,140	8,785	1,039	7,746	814	1,135	1,300	1,221	3,276
Euro Commercial Paper (ECP)	2,503	2,503	2,500	-	-	-	-	-	-
Lease liabilities	21	20	6	14	4	3	3	2	2
Interest on loans	498	354	91	263	65	56	39	29	74
Financial liabilities	**16,435**	**15,357**	**4,933**	**10,421**	**1,340**	**1,913**	**1,463**	**1,372**	**4,333**
Forward start derivative instruments (**)	30	-	-	-	-	-	-	-	-
Derivative liabilities	**30**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	16,465	**15,357**	**4,933**	**10,421**	**1,340**	**1,913**	**1,463**	**1,372**	**4,333**

(*) Future payments include the cash flow generated by hedging derivatives

(**) The future payments are calculated as at the Mandatory Early Termination Date

Loans from banks, bonds and commercial paper contribute to the financial liabilities measured at amortised cost (item 10 of liabilities) in the CDP group's consolidated financial statements.

The market value of long-term financial debts, including the short-term portion totals 12,500 million euro (12,496 million euro at 31 December 2020). It includes bond loans, whose value is estimated on the basis of the market listings at 31 December 2020, and financial liabilities to banks, all at floating rate, whose corresponding market value is taken as the nominal repayment value.

Financial covenants and negative pledge contractual clauses

As at 31 December 2021, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions.

Some of these agreements include, inter alia, compliance with typical international practice commitments, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries. Failure to comply with these covenants, and the occurrence of other events such as cross-default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or Baa2 (Moody's) for at least two of the three ratings agencies. The occurrence of one or more of the aforementioned scenarios could have negative effects on Snam group's operations, results, balance sheet and cash flow, resulting in additional costs and/or liquidity issues. At 31 December 2021, the financial debt subject to these restrictive clauses amounted to approximately 3.1 billion euro. Bond loans issued by Snam as at 31 December 2021, with a nominal value of approximately 9.1 billion euro, mainly referred to securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

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.

Italgas Group

The main risks subject to analysis and monitoring by the Italgas group are detailed below.

Financial risks

Interest rate risk

Interest rate fluctuations affect the market value of the company's financial assets and liabilities and the level of net financial charges.

Any increase in interest rates not included wholly or partly in the regulatory WACC could have negative effects on the business, financial position and results of the Italgas group for the variable component of the outstanding debt and for future loans.

Italgas' aim is to maintain a fixed-to-floating rate debt ratio that minimises the risk of a rise in interest rates.

At 31 December 2021, 7.3% of the financial debt was carried at a floating rate and 92.7% was carried at a fixed rate.

Fixed-rate financial liabilities amounted to 5,910.9 million euro and consisted mainly of bonds (4,591.5 million euro), EIB loans (712.4 million euro), amounts due to banks (537.0 million euro) and financial liabilities pursuant to IFRS 16 (70.0 million euro).

Fixed-rate financial liabilities increased by 1,234.6 million euro on 31 December 2020, mainly due to the "dual-tranche" bond issue with maturities in February 2028 and February 2033 for a total amount of 1,000 million euro, partly offset by the buy-back of bond with maturities in January 2022 and March 2024, for a total of 255.7 million euro, and the subscription in October 2021 of two bank loans for a total of 500.0 million euro, with a duration of 3 years at zero interest. Taking into account the net liquidity deriving from the dual tranche bond issue, on 12 March 2021 Italgas cancelled the 500-million-euro "Revolving Credit Facility" maturing in October 2021 and completely unused.

Floating-rate financial liabilities decreased by 262.8 million euro due to the lower use of bank credit lines, partly due to increased cash and cash equivalents.

At 31 December 2021, there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan for a nominal amount of 90 million euro taken out by Toscana Energia which requires compliance with particular financial covenants.

Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. At 31 December 2021, these commitments had been met.

Credit risk

Credit risk is the 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 the performance and financial situation of Italgas.

The rules governing customers' access to the services offered are established by ARERA and are provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern the rights and obligations of the parties providing the services and specify the contractual clauses that reduce the risk of non-compliance by customers, such as the issue of demand bank or insurance guarantees.

In addition, in order to manage credit risk, the group has defined procedures for the monitoring and assessment of its customer portfolio. The reference market is Italy.

For additional considerations on the impacts associated with COVID-19, as well as the relative accounting implications with regard to measurement of assets and liabilities, refer to the subsequent note "Coronavirus Emergency".

Trade receivables (388,614 thousand euro as at 31 December 2021 and 462,174 thousand euro as at 31 December 2020), which are included in Other assets in the CDP Group's consolidated financial statements (Item 130 of assets), mainly relate to gas distribution and metering and related services. They mainly concern receivables from sales companies, of which 180,121 thousand euro from the Eni S.p.A. group and 41,499 thousand euro from the Enel group.

Receivables are shown net of the bad debt provision (15,643 thousand euro as at 31 December 2021 and 15,494 thousand euro as at 31 December 2020). Changes in the bad debt provision during the year are shown below:

	Provision for impairment losses				
(thousands of euro)	31/12/2020	Changes in consolidation area	Provisions	Utilisation	31/12/2021
Trade receivables	14,606	1,213	-	(176)	15,643
Other receivables	888			(888)	-
	15,494	**1,213**	**-**	**(1,064)**	**15,643**

The maturities of trade receivables and other receivables are shown below:

(thousands of euro)	Trade receivables	Other receivables (*)	31/12/2021	Trade receivables	Other receivables (*)	31/12/2020
Non-overdue receivables	364,628	199,484	564,112	417,520	172,854	590,374
Overdue receivables:	23,986		23,986	44,654		44,654
- 0-3 months overdue	5,575		5,575	15,929		15,929
- 3-6 months overdue	1,375		1,375	1,430		1,430
- 6-12 months overdue	2,438		2,438	4,596		4,596
- more than 12 months overdue	14,598		14,598	22,699		22,699
	388,614	**199,484**	**588,098**	**462,174**	**172,854**	**635,028**

(*) the item includes receivables for investment/disinvestment activities.

Past-due receivables, amounting to 23,986 thousand euro, mainly include receivables from the General Government.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Italgas does not expect significant negative impacts, considering the following: (i) the company has available cash at leading banks amounting to about 1,391.8 million euro at 31 December 2021; (ii) there are limited requirements for refinancing debt (in January 2022 the repayment of a bond took place for an amount equal to approximately 112 million euro and the subsequent repayment is envisaged during 2024); (iii) the bonds issued by Italgas at 31 December 2021, under the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement figures.

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.

The table below shows the schedule of contractual repayments of financial payables, including interest and undiscounted payments:

(thousands of euro)	31/12/2020	31/12/2021	Share within 12 months	Share after 12 months	2023	2024	2025	2026	Over
Bank loans	874,001	1,337,736	42,186	1,295,550	638,865	66,124	65,672	66,395	458,494
Bonds	3,854,535	4,591,521	146,111	4,445,410	383,887	496,904	-	756,915	2,807,704
Short term liabilities	600,717	383,266	383,266	-	-	-	-	-	-
Interest on loans	-	-	44,033	276,381	43,382	43,295	38,913	37,575	113,215
Lease liabilities	76,297	69,998	19,625	50,373	17,310	13,669	8,560	5,527	5,307
Interest on lease liabilities	-	-	290	726	226	169	116	79	136
Financial liabilities	**5,405,550**	**6,382,521**	**635,511**	**6,068,440**	**1,083,670**	**620,161**	**113,261**	**866,491**	**3,384,856**

Loans from banks and bonds of Italgas contribute to the balances related to financial liabilities measured at amortised cost in the CDP Group's consolidated financial statements, under items 10a and 10c of liabilities.

The long-term financial payables, whose carrying value totalled 5,734 million euro, show a fair value of 5,940 million euro as at 31 December 2021. In this regard, it is noted in particular that the market value of the bonds is classified in level 1 of the fair value hierarchy, since they are financial instruments listed in an active market, and that their value is estimated based on market prices as at 31 December 2021. The carrying amount of short-term financial payables is close to their fair value, taking into account the limited time interval between the liability arising and its maturity.

Rating risk

On 25 November 2021 and 6 December 2021, the rating agencies Fitch and Moody's confirmed their rating assigned to Italgas S.p.A., respectively at BAA2 with stable outlook and BBB+ with stable outlook, for the long-term debt of the company. Based on the methodologies adopted by the rating agencies, a downgrade by one notch of the Italian Republic's current rating could trigger a downgrade in Italgas' current rating, which in turn could have impacts on the future cost of debt.

Default risk and debt covenants

At 31 December 2021 there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan taken out by Toscana Energia for an amount of 90 million euro, which requires compliance with particular financial covenants. Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. For all loans, at 31 December 2021, commitments had been met.

The bonds issued by Italgas as at 31 December 2021 as part of the Euro Medium Term Notes programme provided for compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and pari passu clauses.

The failure to meet the commitments accompanying these loans, and in certain cases only when that default is not remedied by the stipulated deadlines, and the occurrence of other events such as, for example, cross-default events, some of which are subject to specific materiality thresholds, result in defaults by Italgas and could cause the related loan to become immediately due.

As concerns EIB financing, the contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, this must be notified to the EIB, leading to a consultation period after which the EIB may demand early repayment of the loan.

These cases are carefully monitored by the group in the context of financial management and business performance.

FINCANTIERI GROUP

FINANCIAL RISK MANAGEMENT

The key financial risks to which the Fincantieri group is exposed are credit risk, liquidity risk and market risk (particularly, exchange rate, interest rate and commodity risk).

The management of the aforementioned risks is co-ordinated by Fincantieri S.p.A., which assesses the implementation of suitable hedges in liaison with its Operating Units.

CREDIT RISK

The Fincantieri group's receivables consist largely of receivables from private ship operators for work in progress, from the Italian Government for receivable grants and supplies to Italian military units, from the US Navy and the US Coast Guard, and from the Qatari Armed Forces Navy, for work in progress.

The Fincantieri group carries out checks on the financial soundness of its customers, including through information from the main credit risk assessment agencies, and constantly monitors counterparty risk, including during the order construction phase, reporting any issues to top management and assessing the actions to be taken on a case-by-case basis. The Fincantieri group also engages in constant dialogue with its customers, undertaking customer support actions where deemed useful for maintaining or increasing the order book; for example, in response to the COVID-19 pandemic, the Fincantieri group has been open to rescheduling the deliveries of cruise ships and granting payment extensions for part of the instalments due in 2020 and 2021, to allow both parties to successfully address and manage the pandemic crisis.

Moreover, to place their orders, the Fincantieri group's customers often take out loans, which are guaranteed by a national export credit agency. This financing method gives the Fincantieri group the certainty that its customers will have the funds to meet their contractual obligations during ship construction and at delivery. The package of measures launched in support of cruise operators in response to the COVID-19 pandemic included a "debt holiday" on export loans granted by export credit agencies to shipowners, which suspended repayment of the principal instalments from 1 April 2020 to 31 March 2021 with consequent rescheduling of the repayment plan over the following four years. During 2021, this measure was extended by an additional 12 months to 31 March 2022, providing for a rescheduling of the repayment plan over the following five years. This facility was granted on condition that existing orders were confirmed.

With reference to credit risk, it should also be noted that during the execution of the order, the Fincantieri group retains availability of the ship at its shipyards and under the contracts it can retain the ship and the advances received in case of default on the part of the shipowner. Hence, the shipbuilding phase is a de facto collateral up to the delivery date when payment is made; moreover, said payment is often guaranteed by export credit agencies.

Provision for onerous contracts is made when the order is acquired or when the costs expected to be incurred are updated when it becomes apparent that the costs required to complete the order exceed the economic benefit to be received under the contract. The provision for onerous contracts recognised in the financial statements is allocated to reduce the orders to which it refers up to the amount of such orders and under the provisions for risks if the net amount is negative.

The tables below show receivables by risk class and nominal value at 31 December 2021 and 2020, without considering any impairment for estimated losses.

(thousands of euro)	31/12/2021 Not yet due	Past due 0 – 1 month	1 – 4 months	4 – 12 months	beyond 1 year	Gross Total	Provision for impairment	Net Total
Trade receivables:								
- from public entities	4,054	198	304	1,386	15,237	21,179	-	21,179
- indirectly from public entities (*)	13,337	798	-	14,058	115	28,308	-	28,308
- from private customers	610,865	67,726	82,680	29,957	74,786	866,026	(62,386)	803,640
- from associates and joint ventures	68,090	812	918	7,703	4,928	82,451	-	82,451
Total trade receivables	**696,346**	**69,534**	**83,902**	**53,104**	**95,078**	**997,964**	**(62,386)**	**935,578**
Other receivables:								
- form associates	-	-	-	678	-	678	-	678
- from the government and public entities for other grants	60,357	-	-	-	-	60,357	-	60,357
- from others	180,080	91	46	27	19,972	205,577	(22,420)	183,157
- from controlling companies (fiscal consolidation)	2,339	-	-	-	-	2,339	-	2,339
- from related parties	-	-	-	-	-	-	-	-
- direct and indirect tax assets	78,303	80	-	-	355	78,738	(142)	78,596
Total other receivables	**321,079**	**171**	**46**	**705**	**25,688**	**347,689**	**(22,562)**	**325,127**
Contract work in progress	**2,638,946**	**-**	**-**	**-**	**-**	**2,638,946**	**-**	**2,638,946**
Financial receivables:								
- from associates and joint ventures	49,978	-	-	1,564	-	51,542	-	51,542
- from others	326,936	-	421	-	15,694	343,050	(12,071)	330,979
- Government grants financed by BIIS	-	-	-	-	-	-	-	-
Total financial receivables	**376,914**	**-**	**421**	**1,564**	**15,694**	**394,592**	**(12,071)**	**382,521**
Total	**4,033,285**	**69,705**	**84,369**	**55,373**	**136,460**	**4,379,191**	**(97,019)**	**4,282,172**
Advances, prepayment and accrued income								167,342
TOTAL								**4,449,514**

(*) This item includes receivables from customers that manage contracts ordered by Public Entities, which are thus the substantial debtors.

	31/12/2020							
		Past due						
(thousands of euro)	Not yet due	0 – 1 month	1 – 4 months	4 – 12 months	beyond 1 year	Gross Total	Provision for impairment	Net Total
Trade receivables:								
- from public entities	3,636	505	94	209	16,747	21,191	-	21,191
- indirectly from public entities (*)	24	-	258	12,947	-	13,229	-	13,229
- from private customers	221,423	76,274	94,586	30,663	71,720	494,666	(34,108)	460,558
- from associates and joint ventures	105,142	56	55	592	-	105,845	-	105,845
Total trade receivables	**330,225**	**76,835**	**94,993**	**44,411**	**88,467**	**634,931**	**(34,108)**	**600,823**
Other receivables:								
- form associates	-	-		-	628	628	-	628
- from the government and public entities for other grants	12,257	1,426	-	-	-	13,683	-	13,683
- from others	213,029	1,609	6,408	-	19,972	241,018	(18,385)	222,633
- from controlling companies (fiscal consolidation)	35,773	-	-	-	-	35,773	-	35,773
- from related parties	741	-	-	-	-	741	-	741
- direct and indirect tax assets	67,674	2,184	-	2	330	70,190	(327)	69,863
Total other receivables	**329,474**	**5,219**	**6,408**	**2**	**20,930**	**362,033**	**(18,712)**	**343,321**
Contract work in progress	**3,124,554**	**-**	**-**	**-**	**-**	**3,124,554**	**-**	**3,124,554**
Financial receivables:								
- from associates and joint ventures	282,345	-	-	-	20,430	48,775	-	48,775
- from others	81,349	9,091	18,408	-	12,439	121,287	(4,261)	117,026
- Government grants financed by BIIS	131	-	-	-	-	131	-	131
Total financial receivables	**109,825**	**9,091**	**18,408**	**-**	**32,869**	**170,193**	**(4,261)**	**165,932**
Total	**3,894,078**	**91,145**	**119,809**	**44,413**	**142,266**	**4,291,711**	**(57,081)**	**4,234,630**
Advances, prepayment and accrued income								164,490
TOTAL								**4,339,120**

(*) This item includes receivables from customers that manage contracts ordered by Public Entities, which are thus the substantial debtors.

Trade receivables, other receivables, assets for contract work in progress and advances, prepayments and accrued income of the Fincantieri group contribute to the balance of the other assets in the CDP Group's consolidated financial statements (asset item 130).

Financial receivables measured at amortised cost contribute to the asset item 40 in the CDP Group's consolidated financial statements, which relates to financial assets measured at amortised cost.

The receivables are shown net of bad debt provisions. These bad debt provisions are made by estimating the write-downs on doubtful receivables such as those subject to litigation and judicial and extra-judicial proceedings related to insolvency of the debtors. In addition, a "Provision for impairment of receivables for default interest" has been established for interest charged for payment delays on past-due receivables. The amount and changes in the provisions are detailed below:

(thousands of euro)	Provision for impairment of receivables	Provision for impairment of receivables for default interest	Total
1.1.2020	**31,826**	**63**	**31,886**
Business combinations	-	-	-
Direct uses	(2,122)	-	(2,122)
Provisions/(absorptions)	4,396	-	4,396
Exchange rate differences	(55)	-	(55)
31.12.2020	**34,045**	**63**	**34,108**
Business combinations	13,908	-	13,958
Direct uses	(6,505)	-	(6,505)
Provisions/(absorptions)	20,972	-	20,972
Exchange rate differences	83	-	83
31.12.2021	**62,202**	**63**	**62,386**

LIQUIDITY RISK

The liquidity risk associated with reverse factoring is to be considered low in consideration of: i) the contractual agreements, which establish that in the event of cancellation of one or more factoring agreements, these must, by formal agreement between the parties, continue to operate for the existing contracts. Therefore, in addition to not being able to request immediate payment of the deferred amounts, the factors will also have to maintain the contractual relationships in place with the suppliers until their natural expiry date; ii) the diversification achieved with the involvement of 10 different operators and with a concentration that does not exceed 31% of the value at the date. It should also be noted that the Fincantieri group's financial capacity at 31 December 2021, in relation to other forms of financing, is unused for 2.5 billion euro, of which 1.2 billion euro of cash and cash equivalents and 1.3 billion euro of unused credit lines.

Liquidity risk refers to the Fincantieri group's inability to repay its current financial and commercial liabilities or to meet unexpected cash needs caused by lower collections or higher outflows than expected.

In 2021, the Fincantieri group's net financial position monitored by the company showed a negative balance of 860 million euro (against a negative balance of 1,062 million euro in 2020), not including constructions loans (1,075 million euro at 31 December 2021) which the company's management considered should be included in working capital.

The main debt items consist of outstanding loans with banks, current bank debt and commercial papers relating to working capital requirements and other current financial debts.

The Fincantieri group has a solid financial position with sufficient liquidity and credit lines that are adequately diversified in terms of duration, counterparty and technical form to meet its current financial needs and their foreseeable evolution in the medium term.

As to Payables to suppliers for reverse factoring, these refer to agreements aimed at guaranteeing easier access to credit for suppliers and are based on contracts enabling suppliers to sell their receivables from the Fincantieri group to a lending institution and receive the amount before the due date. Moreover, the supplier may grant further extensions, agreed between the supplier and the Fincantieri group, with respect to the payment terms established in the invoice. The additional extensions granted may be either onerous or non-onerous.

Payables to suppliers for reverse factoring at 31 December 2021 amount to 593 million euro and represent the value of the invoices sold by suppliers and formally recognised as liquid and collectable by the Fincantieri group and deferred at the reporting date based on further extensions granted by suppliers with respect to the normal contractual payment terms.

The liquidity risk associated with reverse factoring is to be considered low in consideration of: i) the contractual agreements, which establish that in the event of cancellation of one or more factoring agreements, these must, by formal agreement between the parties, continue to operate for the existing contracts. Therefore, in addition to not being able to request immediate payment of the deferred amounts, the factors will also have to maintain the contractual relationships in place with the suppliers until their natural expiry date; ii) the diversification achieved with the involvement of 10 different operators and with a concentration that does not exceed 31% of the value at the date. It should also be noted that the Fincantieri group's financial capacity at 31 December 2021, in relation to other forms of financing, is unused for 2.5 billion euro, of which 1.2 billion euro of cash and cash equivalents and 1.3 billion euro of unused credit lines.

The table below shows the contractual maturities of trade and financial liabilities, other than derivatives, calculated gross of interest which, according to the loans, may be fixed or floating.

(thousands of euro)	31/12/2021 On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Liabilities included in “Current and non-current financial liabilities” (*)						
Financing and loans (**)	2,637	1,373,629	1,736,707	37,155	3,177,128	3,116,123
BIIS loans	-	267	894	117	1,278	1,259
Bonds and commercial papers	-	220,200	-	-	220,200	220,200
IFRS 16 lease liabilities	237	24,023	77,104	54,803	156,167	119,167
Other financial liabilities	-	76,350	33,500	292	110,142	102,820
Liabilities included in “Trade payables and other current liabilities”						
Payables to suppliers	210,059	1,670,663	16,141	21	1,894,884	1,894,884
Payables to suppliers for reverse factoring	-	593,260	-	-	593,260	593,260
Indirect tax liabilities	2,843	9,786	-	-	12,629	12,629
Other payables	9,138	338,432	9,877	2,267	359,714	359,714
Advances, accrued expenses and deferred income	-	-	-	-	-	56,412
Direct tax liabilities						
Direct tax liabilities	783	29,286	-	-	30,069	30,069
Total	**225,697**	**4,335,896**	**1,901,223**	**94,655**	**6,557,471**	**6,510,537**

(*) Does not include the item “derivative liabilities”, details of which are provided in the paragraph “Fair value of derivatives”

(**) This item includes medium/long-term financial payables, on-demand amounts due to banks and construction loans

(thousands of euro)	31/12/2020 On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Liabilities included in “Current and non-current financial liabilities” (*)						
Financing and loans (**)	1,149,568	299,464	2,070,283	2,045	3,521,360	3,481,219
BIIS loans	133	-	-	-	133	131
Bonds and commercial papers	-	100,200	-	-	100,200	100,200
IFRS 16 lease liabilities	-	16,183	40,911	47,920	105,014	86,670
Other financial liabilities	21,255	118,545	19,107	229	159,136	151,730
Liabilities included in “Trade payables and other current liabilities”						
Payables to suppliers	453,891	1,392,888	47,557	20	1,894,356	1,894,356
Payables to suppliers for reverse factoring	-	466,341	-	-	466,341	466,341
Indirect tax liabilities	1,831	8,735	-	-	10,566	10,566
Other payables	6,373	217,200	139	-	223,712	223,712
Advances, accrued expenses and deferred income	-	-	-	-	-	56,880
Direct tax liabilities						
Direct tax liabilities	1,634	4,983	-	-	6,617	6,617
Total	**1,634,685**	**2,624,539**	**2,117,997**	**50,214**	**6,487,435**	**6,478,422**

(*) Does not include the item “derivative liabilities”, details of which are provided in the paragraph “Fair value of derivatives”

(**) This item includes medium/long-term financial payables, on-demand amounts due to banks and construction loans

The current and non-current financial liabilities of the Fincantieri group contribute to the CDP Group’s consolidated financial statements under the liability item 10, which relates to financial liabilities measured at amortised cost.

Liabilities included in trade payables and other current liabilities contribute, in the CDP Group's consolidated financial statements, to the liability item 80, Other liabilities.

MARKET RISK

The Fincantieri group's financial risks refer mainly to the risk that the fair value or future cash flows of assets/liabilities may fluctuate due to exchange rate changes affecting its commercial or financial transactions in foreign currency, to changes in market interest rates or to changes in the prices of raw materials.

In pursuing its corporate objectives, the Fincantieri group does not intend to take on any financial risks. Where this is not possible, the Fincantieri 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.

Commodity risk

The risk that changes in the price of raw materials will impact the production costs of the Fincantieri group. This risk may arise, for example, as a result of catastrophic events affecting the supply chain, as a result of changes in customs policies or international agreements in terms of import/export or as a result of temporary or structural supply-demand imbalances.

In order to prevent and protect against the impact of changes in raw material prices on production costs, risk exposure is continuously reviewed by monitoring price trends and implementing commercial (steel) or financial (copper and diesel) hedging policies where necessary and possible. The Fincantieri group takes into consideration foreseeable increases in the components of contract costs when determining the offer price and assesses the feasibility of risk sharing with customers. At the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components. Moreover, the market and the Authority's resolutions on electricity and gas are actively monitored in order to take advantage of the best conditions in a timely manner.

Exchange Rate Risk

Exposure to currency risk arises in connection with shipbuilding contracts denominated in foreign currency and 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 2021, the Fincantieri group was exposed to exchange rate risk mainly in connection with a contract for a cruise ship constructed in Italy and whose price was denominated in US dollars, which was regularly delivered in the financial year, and to some contracts for ships constructed in Norway and whose prices are denominated in euros. Such risk was mainly mitigated by using the financial hedging instruments mentioned above.

With regard to currency risk, the Fincantieri group has performed a sensitivity analysis, both including and excluding the effect of hedging derivatives, in order to estimate the impact on pre-tax profit of a reasonable variance in the principal exchange rates to which the Fincantieri group is most exposed against the functional currencies of FINCANTIERI S.p.A. and its subsidiaries (involving an appreciation/depreciation of the foreign currency against the functional one). The analysis looks at exposure to currency risk, as defined by IFRS 7, and therefore does not consider the effects arising from translation of financial statements of foreign companies with a functional currency other than the Euro. In addition, the analysis has not examined the effect of exchange rate fluctuations on the valuation of assets/liabilities deriving from contracts, because they do not qualify as financial assets under the IAS 32 definition. The variances for individual cross-currencies have been measured against the average 6-month volatility observed in 2021 for individual exchange rates.

	31/12/2021		31/12/2020	
(millions of euro)	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
USD vs EUR				
Including hedging derivatives				
Appreciation of the USD vs EUR	5	5	5	(37)
Depreciation of the USD vs EUR	(5)	(5)	(4)	32
Excluding hedging derivatives	**-**	**-**	**-**	**-**
Appreciation of the USD vs EUR	9	9	-	-
Depreciation of the USD vs EUR	(8)	(8)	-	-

	31/12/2021		31/12/2020	
(millions of euro)	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
EUR vs NOK				
Including hedging derivatives				
Appreciation of the EUR vs NOK	10	(29)	(16)	(59)
Depreciation of the EUR vs NOK	(12)	34	19	72
Excluding hedging derivatives	**-**	**-**	**-**	**-**
Appreciation of the EUR vs NOK	-	(39)	(8)	(51)
Depreciation of the EUR vs NOK	-	46	9	62

	31/12/2021		31/12/2020	
(millions of euro)	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
USD vs BRL				
Including hedging derivatives				
Appreciation of the USD vs BRL	(6)	(6)	(11)	(11)
Depreciation of the USD vs BRL	6	6	11	11
Excluding hedging derivatives	**-**	**-**	**-**	**-**
Appreciation of the USD vs BRL	(11)	(11)	(11)	(11)
Depreciation of the USD vs BRL	11	11	11	11

	31/12/2021		31/12/2020	
(millions of euro)	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
Other currencies				
Including hedging derivatives				
Appreciation of other currencies	(9)	(9)	(7)	(7)
Depreciation of other currencies	9	9	7	7
Excluding hedging derivatives	**-**	**-**	**-**	**-**
Appreciation of other currencies	(9)	(9)	(7)	(7)
Depreciation of other currencies	9	9	7	7

Interest rate risk

Interest rate risk is defined as:

- uncertainty as to the cash flows relating to the Fincantieri group's assets and liabilities due to interest rate fluctuations; this risk is mitigated through cash flow hedge transactions;

- variability of the fair value of the Fincantieri group's assets and liabilities linked to the change in the interest rate market value; this risk is mitigated through fair value hedge instruments.

Assets and liabilities exposed to exchange rate variances are subject to the first risk, while fixed-rate assets and liabilities are subject to the second risk.

At 31 December 2021, ten interest rate swaps were in place, for a value of 1,345 million euro, to hedge interest rate risk on medium/long-term loans (as a result of the hedges, more than 80% of non-current loans are at fixed rates).

Similarly, a sensitivity analysis has also been performed to estimate the impact of a potential general change in benchmark interest rates of +/- 50 basis points on an annualised basis. The estimated effects on the Income statement involve a negative impact of approximately 86 thousand euro in the event of a 0.50% increase in interest rates and a negative impact of 669 thousand euro in the event of a 0.50% reduction.

Main risks and uncertainties

RISK MANAGEMENT

The Fincantieri group's Risk Universe consists of 52 risks, divided into 8 macro-categories, of which 29 are ESG (Environmental - Social - Governance) risks.

The 52 risks included in the identified Risk Universe have been assessed in terms of probability and impact by Fincantieri's middle and top management. On the basis of this assessment, the most significant risks (Top Risks at an inherent level) have been identified and analysed in depth and are listed below, classified by category and accompanied by information on their potential impact and the main risk control measures in place.

STRATEGIC RISKS

Production capacity and industrial productivity

Risk that insufficient production capacity (of Fincantieri or its suppliers), excess of production capacity or incorrect workload distribution with respect to the available production capacity (systems, space and workforce) will prevent the Fincantieri group from meeting market demand and achieving optimal efficiency levels and margins. The risk may arise due to an inadequate analysis of the production cycle (in terms of frequency and medium-term outlook), force majeure events, inadequate maintenance or updating of the systems supporting the production process that does not adequately take into consideration energy efficiency and possible impacts on the environment.

How this risk is addressed

Production is managed at various levels in an integrated and cross-functional manner. Scenario analyses are used to optimise short, medium and long-term workload distribution on the basis of the available production capacity and to monitor it over time through the planning of activities, hours and resources per order, plant and production site and through periodic monitoring of the progress of individual programmes (production, engineering, purchasing) and of the order as a whole. Periodic cross-functional committees analyse workloads and identify possible problem areas requiring action (resources, structural investments, logistical solutions). Particular attention is paid to monitoring ancillary activities, in terms of both capacity (e.g. lack of resources) and performance. The efficiency of suppliers is constantly monitored through appropriate KPIs, enabling the timely identification and activation of recovery actions where critical issues are found. To create synergies and efficient use, the Fincantieri group implements specific common purchasing strategies and optimises the production process. Particular attention is also paid to strategic investment planning, including launching new projects in the fields of robotics, automation and energy efficient solutions. The plants and their maintenance schedules are periodically checked and prompt action is taken where necessary.

Business Portfolio

Risk that senior management may not have relevant or timely information (e.g. market trends, sudden changes in specific markets of interest, competitors) to adequately define the product portfolio or the balance between its segments with a view to long-term sustainability, with a consequent negative impact on the overall future performance of the Fincantieri group.

How this risk is addressed

Risk mitigation measures include: i) optimising technical know-how to strengthen economic efficiency in the production chain and when negotiating outsourced activities; ii) strengthening the vertical integration of production (e.g. cabins); iii) increasing the offer of technological solutions to develop the after-sales segment; iv) using engineering skills and complex project organisation and management skills to expand in construction market niches; v) strengthening the position of the Fincantieri group in the foreign defence market, to establish the company as prime contractor and create a solid and long-term relationship with the customer.

HUMAN RESOURCE RISKS

Health & Safety

Risk that the Fincantieri group might not invest adequately in occupational health and safety with consequent harm to its employees and third parties involved in company activities. This risk may arise as a result of a delayed or inadequate implementation of current and new legal requirements in the internal processes, an inadequate OSH risk management and control system and related mitigation actions, incorrect or inadequate execution of ordinary and/or extraordinary maintenance, and/or the lack of adequate systems for identifying contamination, and/or disaster risks, or insufficient training, communication and awareness raising among individuals.

How this risk is addressed

The Fincantieri group constantly monitors the evolution of regulations and legislation on this subject, incorporating updates into its processes and procedures and verifying their proper implementation through internal and external audits. Internal procedures are in place to identify, assess and manage risks to the health and safety of people, including the analysis of near misses for prompt action and prevention. Particular attention is also paid to disseminating and building a culture of prevention, protection and increasingly responsible individual behaviour, by providing training and information on how to prevent accidents and manage emergencies and actions to promote compliance with the rules and procedures for internal and contractors' staff. The production sites and administrative offices are ISO 45001 certified. Regular meetings on health, safety and the environment are held to identify and promptly resolve any problems. With regard to the COVID-19 health emergency, each site applies the set of measures to combat and contain the spread of the virus required by Italian and company laws.

Staff attraction and retention

Risk that the Fincantieri group may be unable to attract and retain highly qualified and competent management personnel with a high level of diversity in terms of age, nationality and gender, or to hire individuals capable of managing the growth of the Fincantieri group and ensure business transformation.

How this risk is addressed

Fincantieri implements a comprehensive Employer Branding strategy to promote internally and externally the quality of its workplace brand, together with an Employee Value Proposition strategy aimed at satisfying the needs and expectations of employees. The remuneration policy adopted includes all the variable components; moreover, a continuous employee engagement programme (Fincantieri for the Future) is in place to retain qualified and skilled personnel.

Industrial relations

Risk that the Fincantieri group may not adequately and transparently manage relations with its personnel and trade union representatives, resulting in hostility and/or fractured relations. The occurrence of this risk might lead to strikes and slowdowns/disruptions in production.

How this risk is addressed

In addition to monitoring the correct application of the provisions of the National Collective Bargaining Agreement and of the supplementary contract in force, Fincantieri has adopted a participatory model based on the activity of various committees including trade union representatives and, in some cases, workers. Scheduled meetings are held at each operating unit on a monthly basis with the RSU (unitary workplace union structure) and local trade unions on a range of issues, such as the status of contractors, the COVID-19 emergency management plan and the management of related prevention and containment measures, productivity issues, environmental and safety aspects. Information sharing and liaising are constant, also through the meetings of the Bilateral Joint Technical Body and unscheduled meetings with the RSU and the local trade unions to address any issues proactively. Where necessary, the cooling-off procedures provided for in the supplementary contract are applied in order to avoid or contain production stoppages. In addition, at least once a month, meetings are held both at individual site level and at central level on personnel management issues (overtime, absenteeism, disciplinary matters, etc.).

OPERATIONAL AND SUPPLY CHAIN RISKS

Contract Project Management

Risk that project management activities may be inadequate and not allow constant and timely monitoring of the correctness and efficiency of the entire contract development process, resulting in failure to meet contractual and quality requirements, delays and/or additional costs with a consequent negative impact on the expected contract margin.

How this risk is addressed

The Fincantieri group manages its contracts through dedicated structures that control all aspects (contractual, technical-design, programming, financial and qualitative) of the contract life cycle (design, procurement, construction, outfitting). The identification, assessment and management of contract risks are carried out through a structured and continuous risk management process. In contracts with suppliers, penalties might be set for delays or disruptions attributable to them. In order to monitor the progress of both the individual contract and the contracts portfolio and to promptly identify any critical issues and share the corrective actions to be taken, periodic meetings and discussions take place at various levels. The contracts with customers establish that in the case of a “Force Majeure Event” that prevents the contract from being duly completed, such as a government decree, a pandemic or a war, the company is not liable to pay penalties to the shipowner for the delay in delivery.

Organisational complexity of the site

Risk that inefficient management of resources (internal and external personnel, production facilities, areas), due to inadequate medium-/long-term planning, an ineffective control system, inefficient distribution of workloads or problems relating to the management of the complexities and risks associated with product diversification, leads to slowdowns/interruptions in the production process, causing harm to the company’s defined objectives in terms of volumes, times, costs and quality.

How this risk is addressed

In order to manage processes of such complexity, the Fincantieri group adopts procedures and activity plans aimed at managing and monitoring the implementation of each project over its entire life cycle. In order to protect the integration processes, constant dialogue channels are established among the Fincantieri group entities, sometimes with the entry of resources of the parent company. Moreover, the Fincantieri group has adopted a flexible production structure so as to adapt to the fluctuation in ship demand in its various business areas. This flexible approach enables it to overcome the limitations of each plant’s capacity and pursue several contractual opportunities in parallel, guaranteeing compliance with delivery schedules. The Fincantieri group implements actions aiming to improve the production and design processes to strengthen competitiveness and increase productivity. This risk is closely related to the “Production capacity and industrial productivity” risk.

ENVIRONMENTAL RISKS

Climate change

Risk that a catastrophic event arising from acute weather phenomena (storms, floods, earthquakes, fires or heat waves) and/or chronic weather events, i.e. long-term climate change (temperature changes, rising sea levels, reduced water availability, loss of biodiversity, etc.), may damage assets or cause a production stoppage for the Fincantieri group and/or its suppliers, and prevent the Fincantieri group from carrying out its operations by interrupting the value chain or cause slowdowns in the supply chain.

How this risk is addressed

To prevent or limit potential damage to assets and/or production stoppages due to adverse weather events, each production site is equipped with specific emergency plans, which are periodically reviewed through internal and third-party audits, as well as procedures governing studies and controls on the positioning of ships, moorings, scaffolding, cranes and the related safety and warning systems. Maintenance activities also help to limit the damage caused by extraordinary weather events. The entire system is geared towards identifying, assessing and managing site-specific risks and limiting their potential impacts on the company's assets, as well as, in general terms, the environmental and social impacts that could arise. To date, the economic/financial and asset risks deriving from acute weather events are covered by insurance policies that reduce the possible direct and indirect impacts of the interruption of activities. Crisis Management Teams are also in place to manage emergencies and evacuation plans from countries where Fincantieri group employees are permanently based.

ITC RISKS

Cyber security

Risk that the Fincantieri group may suffer an IT attack aimed at identity, data and information theft (e.g. confidential/privileged information, sensitive data, bank credentials, etc.), temporary suspension of company services or sabotage of IT systems, use of the computing power of the company's computers for criminal purposes, resulting in reputational damage, loss of turnover, loss of customers and suppliers, penalties and compensation claims, up to the interruption of business.

How this risk is addressed

Fincantieri has put in place a set of instruments aimed at preventing and/or intercepting IT attacks, such as, for example, a system for correlating IT events, a system for notifying suspicious emails (phishing), a system for blocking requests to Internet domains classified as malicious. To achieve a higher degree of security, a threat intelligence service and preventive security checks through vulnerability assessments and penetration tests are also in place. Any cyber incidents are managed through structured processes that ensure a timely response. To increase awareness of cyber risks, staff training/information and awareness-raising initiatives are conducted.

Logical protection of data and information

Risk that company information, especially sensitive and confidential information, may be accessed by unauthorised internal or third-party personnel, who may make unlawful use of it, modify it or delete it, causing serious harm to the Fincantieri group and its stakeholders.

How this risk is addressed

Fincantieri adopts an integrated Quality and Information Security Management System with ISO 9001:2015 and ISO/IEC 27001:2013 certification. As part of the Information Security Policy Architecture model, a number of policies, procedures and processes are in place to mitigate this risk, together with specific latest-generation organisational and technological safeguards aimed at limiting access to services and information according to the "Least Privilege" and "Defence in Depth" principles and at protecting, through proactive, preventive and reactive controls, information systems and the information they manage. Networks and systems are maintained in order to remove any obsolescence that may weaken the perimeter of defence against fraudulent or unauthorised access to data. The "Cyber security" risk mitigation measures contribute to mitigating the integrity and confidentiality risk of the company data managed through IT systems.

IT systems & infrastructure

Risk that IT systems (e.g. software, networks, etc.) may be unreliable, ineffective/inefficient, or become compromised by internal or third-party actions, having a harmful effect on data and/or company processes. In addition, there is a risk that the technology used in the IT environment may be outdated and may not enable energy savings.

How this risk is addressed

Fincantieri carries out periodic checks to guarantee secure, reliable and efficient IT systems; the checks and the consequent corrective measures concern in particular hardware obsolescence, antivirus cover for both servers and workstations, the segregation of networks and systems among the various companies of the Fincantieri group and LAN networks. With regard to security aspects, there is also periodic revalidation of the system Administrators, with wide access privileges to the IT systems, and constant monitoring of the accesses to the "core" systems through the Security Information & Event Management (SIEM) system that intercepts "anomalous" accesses and generates automatic alerts for the timely monitoring and management of the system by the Security Operation Center. With reference to the SAP management system, periodic checks are also carried out on emergency accesses to the system (Firefighter) by IT personnel of Fincantieri or third parties; these types of access and any interferences in the production system are traced and verifiable post hoc at any time.

COMPLIANCE/LEGAL RISKS

Common crime, organised crime and terrorism

Risk of the occurrence of common or organised crime events within or outside Fincantieri group sites that are harmful to persons and company assets, productivity and business continuity. This category also includes risks connected with industrial security and the protection and safeguarding of State secrets and classified information, as well as risks connected with the physical security of assets (tangible and intangible) and human resources.

How this risk is addressed

To contain the risk of unlawful influence and infiltration of the company's business, the Fincantieri group, also with the help of reputable commercial information companies, verifies the reputational requirements of suppliers and third parties, monitoring them over time and defining phase-out plans for those cases deemed to be at higher risk, also within the framework of the "Supplier Monitor". Threat Intelligence activities are also carried out, through the collection and analysis of information from publicly available sources, in order to analyse known or emerging criminal risk scenarios, also in overseas areas of interest to the company. Any physical security needs are detected through Physical Security Vulnerability Assessments. The company cooperates closely with the Institutions and the Judicial Police, providing the necessary support in the relevant operational areas; the highest risk cases are reported to the Prefectures in compliance with the National Legality Framework Protocol. A number of risk prevention and/or mitigation measures are in place at all operating units, such as, for example, checks on access by persons, vehicles and goods entering and leaving the sites, surveillance inside the facilities, anti-intrusion perimeter checks, checks on access to vessels under construction, etc. Management and control procedures also apply to classified information and information for exclusive distribution in compliance with regulations on the administrative protection of State secrets, as well as industrial information. In order to increase awareness of security issues, the Fincantieri group offers training activities to all personnel entering Fincantieri sites and shipyards.

FINANCIAL RISKS

For financial risks, see the information provided under **CREDIT RISK, LIQUIDITY RISK** and **MARKET RISK**.

LEGAL DISPUTES

Foreign Disputes

With regard to the "Iraq" lawsuit, which was discussed in the previous financial statements and regarding which various updates have been subsequently provided, you are reminded that, pending the signing of the operating contracts (Refurbishment Contract and Combat System Contract) provided for in the Settlement Agreement, the proceedings pending before the Paris Court of Appeal against the arbitration award in favour of Fincantieri were revived by the Iraqi Government. The Paris Court of Appeal rejected the opponent's claims on 18 January 2018. On 20 June 2018, the Iraqi Government notified Fincantieri of the appeal before the French Court of Cassation against the decision of the Paris Court of Appeal. With ruling issued on 15 January 2020, the French Court of Cassation finally rejected the Iraqi Government's appeal in full.

The "Papanikolaou" lawsuit was lodged with the Court of Patras in Greece by Mr Papanikolaou and his wife against the company, Minoan Lines and others after the injury that the claimant suffered in 2007 while on board the Europa Palace, which was built by Fincantieri: (i) in the lawsuit on the alleged loss of income until 2012, the Patras Court of Appeal conformed to the principles of law set out by the Court of Cassation (which had referred the case to the Court of Appeal with regard to a relatively minor point). However, Fincantieri has lodged an appeal with the Court of Cassation against this ruling, while (ii) the lawsuit on the alleged loss of income from 2012 to 2052 is currently postponed.

With regard to the lawsuit for compensation filed by the Brazilian subsidiary Vard Promar S.A. against Petrobras Transpetro S.A. following the losses it suffered in connection with eight shipbuilding contracts, on 22 June 2021 the First Instance Court of the State of Rio de Janeiro ordered Transpetro to pay BRL 240 million (approximately 40 million euro) to Vard Promar as compensation for damages plus interest. In addition, the same Court ordered Transpetro to repay Vard Promar BRL 29 million (approximately 4.9 million euro) in relation to penalties charged by Transpetro in excess of the amount contractually agreed upon. As a result of an error in calculating interest, the Brazilian court adjusted the amount of the compensation, increasing it to BRL 310 million (approximately 48.5 million euro).

With regard to the "Al Jaber" lawsuit brought before the Civil Court of Doha (Qatar), Al-Jaber Group LLC sued Fincantieri and Fincantieri Services Middle East LLC (a wholly-owned subsidiary of Fincantieri and based in Qatar) for payment of an alleged agency fee, claiming it had carried out certain activities as an agent for Fincantieri, which according to the claimant led to the awarding to Fincantieri of a contract with the Qatar Armed Forces. Fincantieri has fully rejected the claimant's arguments. The claim amounts to 264 million euro. After several postponements, the first hearings were held at the beginning of 2021, after which the judge appointed an expert witness specialised in military contracts.

Italian legal disputes

Proceedings for collection of receivables from customers

With regard to pending rulings with respect to customers involved in insolvency, bankruptcy or other insolvency procedures with whom disputes have arisen, it should be noted that judicial proceedings initiated against Tirrenia and Siremar in Amministrazione Straordinaria continued.

It should also be noted that Fincantieri has receivables originally due from Astaldi, a company operating in the infrastructure sector that was subsequently admitted to the composition with creditors procedure, which has since been completed. Fincantieri's credit position has been disputed, leading the company to take legal action to protect its claim. On the basis of the opinion of the appointed lawyers, the company is confident that its rights will be upheld by the competent courts.

The receivables claimed by the company have, in any case, been appropriately written down in those cases where the likelihood of recovery is lower than the amount of those receivables.

Disputes 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 two cases, the company filed lawsuits for dismissal of alleged claims.

In cases where the outcome of the dispute is considered likely to result in charges, an allocation has been made to the provision for risks and charges.

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 2021.

Other disputes

Other disputes include: i) 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; ii) compensation for direct and indirect damages arising from the production process; and iii) 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 Fincantieri group is currently involved in eight criminal cases pursuant to Italian Legislative Decree no. 231 of 2001 before the Court of Gorizia, one before the Court of Agrigento and one before the Court of Venice:

- in January 2014, Fincantieri S.p.A. received notice of a request for extension of the deadline for the preliminary investigations, under Article 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of Article 256(1)(a) and (b) of Legislative Decree no. 152/2006, and investigation into the company, under Article 25-undecies of Legislative Decree no. 231/2001 for the alleged management of hazardous waste sorting and temporary storage areas at the Monfalcone shipyard without the required authorisation, and the alleged dispatch of such waste for disposal with documents not allowing its traceability. As part of these proceedings, in October 2017 the former Managers of the Monfalcone shipyard, the former General Managers of the company, the former Safety Manager and the former Staff Manager of the company were notified of the completion of the preliminary investigations for the offence under Article 256(1)(a) and (b) of Legislative Decree no. 152/2006 ("Unauthorised waste management"); in April 2018, the company was also informed of the completion of the investigations for the offence under Article 25-undecies of Legislative Decree no. 231/2001 ("Environmental offences"). In September 2018, all those investigated were directly served with a writ of summons. At the hearing on 6 March 2019, the judge ruled that the former Manager of the Monfalcone shipyard in office until 30 June 2013, the former General Managers of the company, the former Safety Manager and the former Staff Manager of the company as well as the company should not be prosecuted due to the statute of limitations as regards the facts ascertained in May 2013. The hearing held on 15 July 2020 resulted in a ruling dismissing the case due to the statute of limitations, for the former shipyard Manager in office from 1 July 2013 (as regards the facts ascertained in

February 2015). The next hearing in the proceeding, which involves the company (as regards the facts ascertained in February 2015), will take place on 4 May 2022 for the hearing of the company's last witness and of the company's expert witness.

- in September 2015, notices of conclusion of preliminary investigations into an accident undergone on 24 November 2009 at the Monfalcone shipyard by an employee, resulting in a sprained shoulder that healed after one year, were served on the former Monfalcone shipyard Manager and three other employees under investigation for violation of Article 19(f) and Article 71 of Legislative Decree no. 81/2008 (respectively concerning breach of management obligations and failure to provide suitable personal protective equipment) and in general of Article 2087 of the Italian Civil Code (failure to adopt suitable measures to protect workers' health). A notice was also served on the company, under Article 25-septies(1), (2) and (3) of Legislative Decree no. 231/2001;

- in March 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard Manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the infringement of certain provisions of Legislative Decree no. 81/2008 and in general Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Article 25-septies(3) of Legislative Decree no. 231/2001, in connection with an accident on 29 March 2012 at the Monfalcone shipyard involving an employee who injured the fifth finger of his left hand, which healed in eight months;

- in the months of June and July 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone Shipyard Manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Article 25-septies(3) of Legislative Decree no. 231/2001, in connection with an accident on 25 August 2010 at the Monfalcone shipyard involving an employee from a contracting company, whose left knee was bruised and took more than 40 days to heal;

- in June 2018, notices of conclusion of preliminary investigation were served in relation to waste management and disposal. This involves a number of persons and companies, including the Chief Executive Officer of the company, the former manager and two employees of the Palermo shipyard for the offence under Article 452-quaterdecies of the Italian Criminal Code ("Activity organised for the illegal traffic in waste"), and the company for the offence under Article 25-undecies(2)(f) of Legislative Decree no. 231/2001 ("Environmental offences"). With order of 23 April 2019, the Judge for Preliminary Investigations, upholding the motion filed by the defence of the company's Chief Executive Officer, ordered the dismissal of the proceedings against the latter. At the hearing held on 11 September 2020, the Judge for the Preliminary Hearing issued the decree ordering a trial against the defendants, including the company. At the hearing of 21 April 2021, an expert witness was appointed to transcribe the wiretaps on file. The hearing for questioning said expert witness, originally set for 23 November 2021, will be held on 8 February 2022;

- in September 2019, notices of conclusion of preliminary investigation were served on the Monfalcone hull pre-assembly workshop manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Article 25-septies(3) of Legislative Decree no. 231/2001, in connection with an accident on 3 February 2016 at the Monfalcone shipyard involving an employee who fractured his arm, which healed in 83 days. The writ of summons was served. At the first hearing, held on 4 May 2021, the Judge ruled that the company's alleged offence was time-barred;

- in February 2020, notices of conclusion of preliminary investigation were served on the Manager of the Monfalcone shipyard, the Manager of the Marghera Shipyard and the Production Manager of the Marghera shipyard, who are accused of offences pursuant to Article 256(1) of Legislative Decree no. 152/06 (Unauthorised waste management), Article 137 of Legislative Decree no. 152/06 (Unauthorised discharge of industrial waste water), Article 279 of Legislative Decree no. 152/06 ("Unauthorised atmospheric emissions") and, solely for the Manager of the Monfalcone shipyard, the offence pursuant to Article 29-quattuordecies(4)(b) of Legislative Decree no. 152/06 (Failure to comply with the requirements of the Integrated Environmental Authorisation). As regards the company, it has been accused of breaching Article 25-undecies(2)(b)(1) and (2) in relation to Article 5(1)(a) and (b) of Legislative Decree no. 231/01 (Environmental offences). The direct summons was served, and the first hearing was held on 13 April 2021, at the conclusion of which the judge ordered that certain notifications of the summons be repeated. At the subsequent hearing held on 28 September 2021, the judge reserved the decision on the claim of invalidity of the notifications to the company raised by the company's lawyers, and adjourned the trial to 8 March 2022;

- between March and May 2020, notices of conclusion of preliminary investigation were served, among others, on the Manager of the Monfalcone shipyard, the Project Manager appointed by the company, and the legal representative of the subsidiary Fincantieri SI at the time of the alleged offences, for the offence of "involuntary manslaughter" under Article 589(1) and (2) of the Italian Criminal Code as a result of the violation of certain provisions of Legislative Decree no. 81/2008 and in general Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Article 25-septies(2) of Legislative Decree no. 231/2001, in connection with a fatal accident on 2 March 2017 at the Monfalcone shipyard involving an employee of a subcontracting firm. The order scheduling the preliminary hearing was served and the first hearing was held on 22 September 2021, at the end of which the judge adjourned the hearing to 19 January 2022 to decide on the preliminary objections raised by the defence;

- in November 2020, notices of conclusion of preliminary investigation were served on the Head of the hull fabrication area, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the infringement of certain provisions of Legislative Decree no. 81/2008 and in general of Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Article 25-septies(3) of Legislative Decree no. 231/2001, in connection with an accident on 13 April 2018 at the Monfalcone shipyard involving an employee who bruised his elbow and right knee, which took more than two months to heal.

- in November 2021, as part of a proceeding initiated following the discovery of underground materials containing asbestos within the Monfalcone shipyard, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard Manager, for the offences of "Wilful removal or omission of precautions against workplace accidents" pursuant to Article 437 of the Italian Criminal Code and "Unauthorised waste management" pursuant to Article 256(1)(b) of Legislative Decree no. 152/2006, and on the company, for the infringement of Article 25-undecies(2)(b)(2) in relation to Article 5(1)(a) of Legislative Decree no. 231/01 (Environmental offences);

- in November 2021, as part of criminal proceedings involving, among others, some employees of the company in relation to the alleged offences of bribery among private individuals pursuant to Article 2635(2) of the Italian Civil Code and illegal intermediation and exploitation of labour pursuant to Article 603-bis of the Italian Criminal Code for acts committed in Marghera between 2015 and 2019, the company was also served with the notice of conclusion of the investigations for the alleged offence pursuant to Article 25-quinquies(1)(a) of Legislative Decree no. 231/2001 (Offences against the individual) with reference to the offence pursuant to Article 603-bis of the Italian Criminal Code.

TAX POSITION

National fiscal consolidation

Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. participate in the National fiscal consolidation of Cassa Depositi e Prestiti S.p.A.

Audits and assessments

Fincantieri SI

The audit started in 2020 by the Guardia di Finanza on the 2018 tax period ended with minor findings that will have insignificant impact when the tax assessment is issued.

Marine Interiors Cabins

During 2021, there were no developments in the tax disputes in Italy and Norway.

Fintecna group

Risk monitoring was ensured during 2021 through the operating tools employed by the Fintecna group, in line with the methods adopted by the CDP Group with a view to simplifying processes and procedures.

The risks related to the Covid-19 emergency, which involved extensive use of remote working to ensure business continuity, were also monitored during the period.

The risk profile of the Fintecna group did not undergo any significant changes during the period and is still mainly linked to the management of liquidation processes and a major pending dispute (operational risk) relating to a large number of companies incorporated over the years.

Operational risks also include those related to the management of environmental remediation work at the sites included in the Efim Separate Asset Pool and the properties belonging to the Iged Separate Asset Pool, as well as the risk arising from the performance by Fintecna of the functions of Liquidator.

Considering the complexity and future uncertainty of these situations, the directors – acting on the best available information and on the prudent assessment of the circumstances – periodically update their evaluations of the adequacy of the provisions for liabilities and charges made in the financial statements, which are currently deemed adequate and appropriate to meet the costs that group companies are likely to incur.

Financial risks

The types of financial risks to which the group is exposed are described hereunder.

Liquidity risk: according to assessments conducted by the management, the current financial resources are sufficient to meet the payment obligations. Liquidity commitments are in large part linked to the management of the dispute, the coverage of liquidation expenses and disbursements connected with environmental issues and remediations. Indeed, cash and cash equivalents represent the ideal asset to offset the “provisions for risks and charges” on the liability side of the balance sheet and, consequently, failure to make appropriate provisions – with particular reference to the aforementioned core operations and an inefficient use of liquidity – constitute additional risk factors.

Accordingly, as part of their assessments of the provisions for liabilities and charges, the directors also continually update their forecasts on the use of these provisions and take them into account when setting their liquidity management policies. Finally, almost all the cash and cash equivalents are deposited with the parent company CDP, with the remainder being deposited on a short-term basis with banks.

Another risk factor - with reference to the Iged Separate Asset Pool - is linked to the difficulty of selling the owned assets, which mainly consist of real estate located in Italy. In this regard, the marketing support activities envisaged in the service agreement signed with CDP Immobiliare continued during the period.

Credit and counterparty risk: the credit risk is linked to the risk of impairment of the outstanding trade receivables. These receivables mainly comprise positions dating back years, which are often subject to litigation and have been almost entirely written down. In this area, specific organisational monitoring measures are in place to ensure the proactive management of the loan portfolio and the mitigation of the related risks.

There is also a limited counterparty risk linked to the investment of residual short-term liquidity held at banks. Available liquidity is managed in accordance with the “Guidelines for treasury operations” issued by CDP, which, among other things, set the minimum ratings criteria that banking counterparties must meet.

Other financial risks: Fintecna’s investment in the separate asset pools is shown under Fintecna’s “Financial assets at fair value” and the related risk profile is connected to the progress of the liquidation of those assets. This is managed and assessed as part of the broader monitoring and management of the liquidation activities.

Compliance risk

The main compliance risks applicable to Fintecna are essentially linked to reputational risks that might arise from failure to comply with the provisions concerning sensitive areas such as the management of liquidation activities and disputes, the execution of specific mandates on behalf of the Public Administration (Fintecna projects for Central Italy and for the Emilia region) and the management of real estate assets, including the related environmental and safety issues.

Important in this respect are developments in external regulations, any changes in the scope of the business activity and in the corporate governance structure and changes at organisational or process level.

To protect itself against legal compliance risk, Fintecna has adopted a model to identify the applicable laws and regulations and assess the risk of violating them, and specific second-level controls to prevent the potential reputational risks deriving from relationships with third parties.

The mapping of the applicable regulations is an ongoing and constantly updated activity.

Legal disputes

In the financial year, to ensure the optimal development of its activities, the company continued to actively monitor and manage all disputes it is involved in as a consequence of the numerous corporate transactions that originated from companies subsequently merged into Fintecna, or from companies whose disputes were subsequently transferred to the latter. In particular, specific and targeted assessments were conducted on the critical issues underlying the individual disputes so as to prepare the best defence possible for Fintecna.

In general, with regard to the civil/administrative disputes, there has been a fall in the number of pending lawsuits, following the settlement of disputes, but it is still objectively difficult to achieve a resolution of legal proceedings, also through more rapid settlement arrangements.

In this regard, disputes with claims made against the company are backed by provisions in consideration of the risks of each case, as well as the specific legal positions.

The situation of the disputes involving the company can be summarised in the following table showing the breakdown of the balances:

(number of disputes; %)	31/12/2021	31/12/2020	Change (+ / -)	Change %
Civil/administrative/tax disputes	84	92	(8)	-8.7%
Employment disputes	272	360	(88)	-24.4%
Total	**356**	**452**	**(96)**	**-21.2%**

SIMEST

With reference to identifying the risks that characterise SIMEST's activity, the company, while not subject to prudential regulation, adheres to current banking regulations or the classification scheme adopted by the Basel Committee, which distinguishes between "pillar 1 risks" and "pillar 2 risks".

This classification is contained in the Risk Policy adopted by SIMEST and in the specific detailed policies related to risks to ensure that the company, in coordination with the parent company, is able to cover the risks it faces with its own resources. The Policy essentially contains the same risk management principles adopted by the parent company, while taking into account the company's specific nature and size.

The company employs a governance system of Corporate Committees (technical-advisory collective bodies) that guarantees a further effective risk management and control system.

The most significant risks are listed below.

Financial Risks

Credit risk

The risk of a deterioration in the economic-financial condition of a counterparty with whom the company has a credit exposure. The Risk Policy, supplemented with specific risk policies, establishes guidelines on subscriptions and dedicated credit rating control functions, both ex ante and ex post, for each counterparty/transaction.

The relevant internal regulations govern the operation of equity investment and loans, monitoring process and the roles of the organisational units involved. In order to better monitor credit risk, the company follows specific processes of assessment, monitoring and management of the portfolio by using models, operational tools and reporting aimed at analysing and controlling the risk level of the portfolio.

In particular, the assessment phase adopts the rating models and systems, while the monitoring phase also uses early warning systems to promptly detect signs of anomaly relating to the exposures assumed, so as to allow Management and the relevant structures to implement specific measures to protect their assets and, if necessary, to start credit recovery activities.

The credit risk associated with the equity investments is mitigated in general 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.

At 31 December 2021, direct commitments of Italian partners for the repurchase of the equity investments totalled approximately 456 million euro (453 million euro at 31 December 2020). Repurchase commitments secured by bank and/or insurance guarantees amounted to approximately 32 million euro (25 million euro at 31 December 2020), while those secured by collateral amounted to 29 million euro (43 million euro at 31 December 2020).

(millions of euro; %)	31/12/2021		31/12/2020	
Direct commitments of Italian partners	456	88%	453	87%
Commitments secured by banks and insurance companies	32	6%	25	5%
Commitments secured by collateral	29	6%	43	8%
Total	**517**	**100%**	**521**	**100%**

During the year, the Credit and Risk Management structures also updated the Rating and Recovery Rate Policy, which is aimed at describing, in line with group internal regulatory indications and policies, the new group rating model adopted by SIMEST, illustrating the methods for assigning ratings to companies as part of the process of assessing the creditworthiness of counterparties. As part of the policy, the reference thresholds of the recovery rate applicable to individual transactions were refined on the basis of reference benchmarks for both the group and the market, without prejudice to the possibility of any specific interventions within the credit assessment process.

Ratings are periodically updated (at least annually) as information becomes available on (i) the economic and financial performance of the counterparty and/or (ii) detrimental events/announcements of anomalies from internal and/or external data sources.

Market risk

The risk arising from market transactions in financial instruments, currency and commodities. As regards SIMEST, the price risk and foreign exchange risk are marginal and in effect almost entirely mitigated by contractual clauses which as a rule guarantee that the investment will be recovered at the historic price paid in euro for acquisition of the equity investment. The fair evaluation provided for by IFRS 9 exposes a portion of the investment portfolio to value changes arising from fluctuations in market factors (interest rates and credit spreads).

Operational risk

The risk of loss resulting from inadequate or malfunctioning internal procedures, people and systems or from external events. Such risk includes, among others, losses resulting from fraud, human error, business disruption, system unavailability, breach of contract and natural disasters.

The operational risk control framework requires a set of structured processes, functions and resources for identifying, assessing and monitoring operational risks. In particular, in accordance with the parent company's guidelines, the operational risk control system includes both (i) a data collection and storage process (Loss Data Collection) and (ii) the assessment of the level of company exposure to operational risks through Risk Self-Assessment.

With regard to the latter, during the second half of the year, the company, with the support of the parent company, carried out a new Operational Risk Self Assessment on the processes relating to equity investments, which allowed for the updating of the risk mapping phase, the existing controls and the definition of an action plan of remediation measures aimed at further containing the residual risks. This action plan is regularly monitored by the relevant functions.

With regard to operational risks, cyber risk represents the risk associated with economic/financial losses and reputational damage caused by the lack of confidentiality, availability and integrity of information systems and/or data following the occurrence of an incident due to accidental events or malicious actions (cyber attacks) affecting the information system. In this context, in 2021 SACE, for the entire Hub, finalised, in continuity with the Cyber Security assessment project, an analysis on the compliance of the security and governance of internal Information & Communication Technology (ICT) with respect to the market benchmark identified, which showed a level of substantial adequacy, defining an action plan for further strengthening the security controls.

During the year, great efforts were also made to strengthen the control of the external portal for the management of public funds used by SIMEST.

Liquidity risk

The risk of default on the company's payment obligations includes two forms of risk that are often strongly correlated: (i) funding liquidity risk (inability/difficulty to raise funds with the risk of not being able to meet payment obligations) and (ii) market liquidity risk (difficulty in liquidating assets and other assets to settle financial obligations at maturity, without incurring losses). Liquidity risk is monitored constantly through analysis of expected cash flows, especially for equity investments.

The framework to monitor the liquidity risk is based on two indicators: (i) short-term liquidity indicator and (ii) structural liquidity indicator, which aim respectively to verify and ensure the company's ability to meet its cash outflows in the short term and the right balance between the average duration of funding and lending sources, while monitoring and limiting the use of forms of maturity transformation. These indicators are periodically measured, monitored and reported by the relevant corporate structures. If the defined limits are exceeded, the Contingency Funding Plan is activated as a remediation action, as part of the relevant process.

Interest rate risk

The risk arising from potential changes in interest rates with respect to differences in the maturities and/or timing of redefining the interest rate for the company's assets and liabilities. Specific operational limits and measures for controlling and monitoring interest rate risk are set out in the Risk Policy.

Concentration risk

The risk arising from exposures to individual counterparties, groups of connected counterparties, or counterparties belonging to the same economic sector or carrying out the same activity or belonging to the same geographical area. Specific operational limits for controlling and monitoring concentration risk on the counterparty/counterparty group and on the individual transaction are set out in the Risk Policy.

Reputational risk

The current or prospective risk of a fall in profits, penalties, loss of economic value or damage to SIMEST's institutional role, resulting from a negative perception of the company's image by customers, counterparties, shareholders, investors, regulators or other stakeholders. SIMEST gives the highest priority to preventing and monitoring the occurrence of events of a reputational nature in relation to transactions that are part of its corporate purpose. To this end, internal controls have been defined to mitigate this risk and specific safeguards have been adopted to prevent reputational events from occurring in its operations.

Money laundering risk

Risk arising from the infringement of legal, regulatory and self-regulatory provisions aimed at preventing the use of the financial system for the purpose of money laundering, terrorist financing or crime. During the year, SIMEST carried out monitoring and control activities, which also included the Suspicious Transaction Reports carried out by the group's STR officer to the Financial Intelligence Unit (FIU). These reports, drawn up in cases of certainty, suspicion or reasonable grounds for suspecting that money laundering or terrorist financing operations are being or have been carried out or attempted, are based on available information (abnormal conduct indicators) from internal and external databases and on the assessment of both objective and subjective elements of the transactions. SIMEST has operated in compliance with the principle of confidentiality, prohibition of disclosure and all the principles provided for by current legislation.

Compliance risk

The risk of incurring legal or administrative penalties, losses or reputational damage as a result of violations of external provisions (laws and regulations) or self-governance rules (e.g. articles of association, codes of conduct). SIMEST has adopted the group's "Risk Assessment and Control of Compliance Risk" policy, while structuring a compliance risk management process aimed at ensuring that internal processes and procedures are consistent with the objective of preventing the violation of self-governance rules or external provisions.

Legal disputes

As at 31 December 2021, there is a legal dispute pending regarding an amount claimed for professional fees totalling 147,000 euro. In 2019, the first instance proceedings were concluded, with the rejection of the claim.

CDP Immobiliare group

The risk management service is managed by the Risk Management function, which reports to the Chief Risk Officer (CRO).

The risks to which the company and its subsidiaries are exposed and the relevant monitoring and minimisation activities are described below.

Financial risks

Market risk

Risks relating to property development

The market risk is the risk of unexpected losses resulting from macroeconomic factors linked to the performance of the property market, which cause property prices to fall. The market risk has to be assessed in the context of the overall and the specific market, examining the local context and the offering of competitors, taking also into account the underlying right. In measuring and managing the market risk, the value of the property portfolio is monitored by means of six-monthly assessments conducted by independent experts.

The Risk Management service carries out second-level controls to identify any mismatches, requesting clarifications in the most significant cases, and to ensure the accuracy of the calculations and the consistent application of the assessment criteria adopted over time.

In the event of investment or divestment operations, there is an assessment of the consistency of the sales conditions with respect to the latest evaluation by the independent expert, with respect to the carrying amount and forecasts indicated in the company's budget (if it has been defined). In the event of new investments considered significant, the degree of concentration at province/city/non-metropolitan area is verified. The risk categories of properties are monitored on a quarterly basis (see Parent Company guidelines).

Interest rate risk

The interest rate risk is the risk of losses resulting from unfavourable changes in interest rates. The negative impact is essentially an increase in financial expenses, which may also be such that the cost of servicing the debt exceeds the returns generated by the investments it contributes to finance.

Exposure to interest rate risk is mainly linked to the medium and long-term financial liabilities of some investee companies, relating to mortgages and floating-rate loans taken out for business development needs, whose remuneration is influenced by money market trends. In this regard, it should be noted that during the first half of 2021, an Interest Rate Cap was subscribed for the outstanding loan of the subsidiary Residenziale Immobiliare 2004 S.p.A. 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, possibly through the subscription of hedging instruments.

Exchange rate risk

The group operates only in Italy; therefore, it is not exposed to exchange rate risk.

Liquidity risk

From a general point of view, the liquidity risk is the risk of not being able to meet short-term cash needs, mainly due to factors such as:

- the illiquidity of the real estate market, or inability to disinvest and liquidate real estate assets at a value close to fair value;
- cash flow mismatches due to loss of revenues, higher costs or, more generally, errors in forecasting receipts and payments;
- the illiquidity of financial markets.

CDP Immobiliare made no investments for the management of its liquidity, since such liquidity is of limited amount and is intended to fund short-term needs. Following the review process implemented in previous years in relation to financial counterparties, which aims to reduce risks, the liquidity management policy has remained conservative, also in light of the continual evolution of the Italian banking sector. Therefore, there is no risk linked to the recovery of capital invested in investment instruments or cash deposits.

On the other hand, the liquidity risk linked to the ability to meet commitments arising from financial liabilities is particularly significant within the group on account of its activities and the issues described in the section on market risk.

This risk is constantly monitored with reference to the medium/long-term financial liabilities of certain investee companies (in particular Alfiere S.p.A. and Residenziale Immobiliare S.r.l., which have an overall outstanding debt of more than 400 million euro).

The short and medium-term financial requirements of CDP Immobiliare and its subsidiaries are periodically brought to the attention of the parent company Cassa Depositi e Prestiti, which makes available to the company, on a case-by-case basis and after verifying the activities to which those requirements relate, the resources necessary to meet the needs indicated. The CDP Immobiliare group's financial requirements to meet the needs arising from the 2022 budget (105 million euro) are already covered by the amounts provided for in previous CDP Shareholder's resolutions for 2021 but not yet disbursed

(282 million euro, of which 211 million euro related to resolutions concerning the enhancement of the Torri dell'Eur and the former Poligrafico dello Stato).

CDP Immobiliare contributes 14 million euro to the CDP Group's financial liabilities, entirely attributable to lease liabilities.

Credit risk

Credit risk is linked to a counterparty's ability to fulfil the obligations entered into with the CDP Immobiliare group.

In view of its operational business management methods, credit risk for CDP Immobiliare consists essentially in the risks linked to its trade receivables from the partnerships. In any case, these receivables were subject to suitable write-down in the company's financial statements once they became potentially uncollectable.

For each new transaction, the counterparty's financial capacity is analysed also on the basis of information acquired from databases as Cerved and by conducting searches in the Worldcheck and Orbis databases, available at the parent company offices.

Risks linked to the spread of the SARS-CoV-2 virus

In preparing the financial statements at 31 December 2021, CDP Immobiliare took into account the impacts of the current economic situation following the COVID-19 outbreak, as well as the related accounting implications with regard to the measurement of assets and liabilities, and the disclosure and assessment on the going concern basis, taking also into account the guidance published by the Bank of Italy, ESMA, IOSCO and Consob.

Risks connected to Russian-Ukrainian war

The very recent international political events involving Russia and Ukraine require attention to be focused on providing, where possible, the disclosures required by IAS 10 - Events after the Reporting Period in preparing the financial statements for the year ended 31 December 2021.

These events have not yet had a significant impact on CDP Immobiliare's business, as the company has no direct or indirect interests or relations with these countries. However, it should be noted that this conflict could impact the company's business as a result of the volatility in the prices of commodities coming from those countries, with a possible generalised increase in inflation and specifically of energy commodities (oil, gas, coal), wood and aluminium.

Going concern

Based on CDP Immobiliare's operations and having considered all information available on its capital structure, available liquidity and financial performance over the medium term, even in the context of the ongoing COVID-19 outbreak and the Russian-Ukrainian war, there is no evidence of factors that might in any way affect its ability to continue as a going concern, although there is a high level of uncertainty in real estate market forecasts, both for assets for sale and those to be leased to third parties.

The company's sole Shareholder is CDP S.p.A. and no critical issues are reported concerning the financial support provided to the company, including with respect to the commitments expected over the next 12 months, as discussed in the section on Liquidity risk.

Significant uncertainties

The most important areas regarding the COVID-19 emergency and the Russian-Ukrainian war relate to the operational risks associated with the specific business, such as, for example and without limitation:

- counterparty risks due to the possible increase in the financial difficulties of potential tenants of the properties;
- operational risks due to partial use of premises, business continuity and the risk of employees on sick leave;
- liquidity risks due to increased difficulties in raising funds from third-party investors or in finalising debt restructuring/refinancing operations, especially with reference to initiatives launched through special purpose vehicles (e.g. slower disbursement processes by the banking system, delays in defining agreements);
- other operational risks associated with the specific business, such as by way of non-exhaustive example:
  - with reference to construction sites in progress or to be contracted out, delays or interruptions in executing contracted works on the real estate portfolio (with consequent postponement compared to the current schedules), increased costs in relation to greater health and safety precautions and the increase in the cost of commodities and inflation;
  - regarding leases, changing operators' strategies and lengthening the time for finalising agreements;
  - for sales processes, impossibility of real estate disinvestment transactions due to market illiquidity.

Fair value measurement

The measurement of the fair value of assets and liabilities may be affected by COVID-19 and the Russian-Ukrainian conflict in terms of market price volatility, increased credit risk and counterparty risk (also taking into account government interventions to support the economy), changes in interest rates due to decisions at Government level, changes in the inflation rate, etc.

The ongoing nature of the COVID-19 pandemic and the Russian-Ukrainian war confirm the presence of elements of uncertainty in most businesses and, consequently, does not allow the material adjustments to the carrying amounts of assets and liabilities recorded in the second half of the year to be overcome. Despite the confirmation of signs of recovery in the second half of the year, and the general opinion among experts in the sector that the critical aspects of the real estate system are contingent, and therefore only temporary, and not structural, the period of uncertainty in the real estate market has continued.

Furthermore, as described by the independent experts, at the assessment date, the degree of reliance on past real estate transactions and market data to express an opinion of value remains the same. The current COVID-19 situation raises unprecedented circumstances on which to base a judgement, so the assessment made considers “a material uncertainty” as indicated by VPS 3 and VPGA 10 of the RICS Red Book Global. As a consequence, less certainty and a higher degree of caution must be applied to the assessment compared to what is normally required under normal market conditions. This indication is not intended to suggest that the results of the assessment carried out are not reliable; rather, it should be made clear that - in the current extraordinary market conditions - the assessment is less certain than it would otherwise be.

The company carefully and continuously monitors the development of the situation, in order to identify the correct risk mitigation actions (both internal and external to the company) as well as to limit the situation’s impact on the company’s operations and expected results.

Health and safety measures for employees

During 2021, the impact of the COVID-19 emergency on the work organisation of the company's staff continued. The company, in coordination with the Parent Company and in line with the actions already taken in 2020, continued to implement measures to contain potential risks from the spread of COVID-19 and to protect the health of its employees, including the use of remote work and the setting of travel quotas.

In order to ensure a safe return to work, the following initiatives continued:

- adopting specific policies and operational guidelines aimed at containing the risk of COVID-19 infection during work activities, using an application designed to monitor the distribution of staff within the workplace, clean desk policy;
- access temperature and green pass check together with signing agreements with primary national medical structures to allow all head office and local employees to take COVID-19 swab tests. These services are offered by the company and are available to employees on a voluntary basis;
- supply of protective equipment, to be collected free of charge as needed from reception;
- strengthening of hygiene and sanitation measures within the premises.

Donations

CDP Immobiliare has not made any donations or payments to third parties involved in social welfare.

Operational risks

The operational risk is the risk of loss resulting from inadequate or failed internal systems, processes and people or from external events. Operational risk is embedded in the company’s business and is part of every organisational and production process.

The operational risk management system is a set of structured processes, functions and resources for identifying, assessing and controlling operational risks.

The Risk Management Unit, with the support and involvement of the other company structures and in accordance with the methodologies defined by the Parent Company, monitors these risks and, if particularly exposed areas emerge, suggests and encourages adopting appropriate measures.

In the second half of 2021, the updating of the operational risk mapping (Risk Self Assessment) began for some of the company’s processes, an activity that will continue throughout 2022.

Legal disputes

The disputes the CDP Immobiliare group is involved in mainly concern the management of the real estate assets of CDP Immobiliare and its investee companies. More specifically, they consist in repossession actions on illegally occupied property, evictions or lease expiry procedures, actions for verification of title or property rights on real estate, legal actions relating to property purchase and sale agreements, compensation claims for financial damage due to contractual and extra-contractual liability, credit recovery actions for outstanding payments, etc., administrative disputes concerning the cancellation of administrative measures for breach of mandatory requirements and misuse of power and a number of criminal law disputes.

As at 31 December 2021, the situation of the disputes (civil, administrative, criminal) which concern CDP Immobiliare S.r.l. and its investee companies may be summarised in the table shown below:

Disputes involving the CDP Immobiliare group

(number of disputes; %)	31/12/2021	31/12/2020	Change (+ / -)	Change %
CDP Immobiliare S.r.l.	42	43	(1)	-2%
Investee companies	4	6	(2)	-33%
Total	**46**	**49**	**(3)**	**-6%**

Disputes involving CDP Immobiliare S.r.l.

There was a total of 42 disputes pending as at 31 December 2021 which involve CDP Immobiliare. These include:

- 26 disputes as the plaintiff: 10 concern lawsuits for releasing properties occupied without entitlement and to determine ownership and rights in rem (for 4 of these, a counterclaim was filed to determine ownership), 10 are enforcement actions, 2 concern the determining of responsibility for breach of contract (with a counterclaim from the opposing party), 2 concern the annulment of administrative measures for breach of laws or misuse of powers, 2 relate to an action for non-contractual liability and one of a criminal nature;
- 16 disputes as the defendant: 4 concern lawsuits for determining ownership, 4 concern the attribution of liability for breach of contract, 1 for pre-contractual liability, n. 4 tort proceedings and 1 for the annulment of administrative measures for breach of laws or misuse of power, n. 2 for employment law.

In the reporting period, pending disputes slightly decreased in number compared to 31 December 2020 (-2%). Indeed, during this period, in the face of n.12 new disputes, n. 13 disputes were settled with a partially favourable outcome.

There is also n. 1 potential dispute, still in the out-of-court stage, concerning the request for a fee payment for alleged mediation activities.

In addition to the disputes listed above, CDP Immobiliare is involved in 15 tax disputes. Of these, 2 relate to State taxes (specifically, registration tax, mortgage tax and cadastral tax) and 13 to local authority claims for municipal property taxes.

Likewise, there are 4 labour law disputes.

Disputes involving investee companies

There was a total of 4 pending disputes, as at 31 December 2021, for all investee companies, of which:

- 2 as the plaintiff (1 criminal and n. 1 for contractual liability);
- 2 as the defendant (1 for contractual liability and n. 1 to determine the ownership of a property).

During the period ended 31 December 2021, there was a decrease in the number of pending disputes (-33%). Indeed, during this period, in the face of 3 new disputes, 5 disputes were settled with a favourable outcome.

Initiatives are in progress, still in the out-of-court phase, in relation to the release of the former Salinari houses, owned by Pentagramma Romagna S.p.A. in liquidation.

Having regard to pending disputes of CDP Immobiliare and the investee companies, the claims of the counterparties and the related risks are assessed with the support of specialised legal consultants and tax law firms, purposefully tasked by the company, and, based on the outcome of the analysis conducted, ad hoc risk provisions have been estimated and set aside for those cases felt likely to generate costs for the company and/or the group.

Ansaldo Energia group

The Ansaldo Energia group is exposed to a series of business and financial risks associated with its operations.

The main business risks can be identified as follows:

- economic crisis: the continuation of the economic crisis could squeeze the Ansaldo Energia group's profitability and its ability to generate cash, including in the relevant sectors. In the face of this risk, the group pursues the objective of increasing its industrial efficiency and improving its ability to execute contracts, while reducing structural costs;
- long-term contracts at a predetermined price: the Ansaldo Energia group's response to this risk is expressed by following the procedures in place in the process of preparing and authorising the main commercial offers from the early stages by checking the main economic and financial parameters, including the Economic Value Added (EVA), which is one of the reference aggregates for the evaluation. In addition, it regularly conducts a review of the estimated costs of the contracts, at least on a quarterly basis. Risks and uncertainties related to the execution of contracts are identified, monitored and assessed through the “Contract Management" directive and two “Lifecycle Management” and “Risk Assessment” procedures, aimed at reducing the probability of occurrence or the negative consequences of the identified risks and promptly implementing the identified mitigation actions.
  These analyses involve top management, program managers and the quality, production and finance functions (so-called "phase review");
- responsibility vis-à-vis customers: the Ansaldo Energia group is exposed to liability risks vis-à-vis customers or third parties connected to the correct execution of contracts, to which it responds with the stipulation of insurance policies available on the market to cover any damage caused. It cannot be ruled out, however, that damage not covered by insurance policies, which exceeds the insured ceilings or an increase in insurance premiums may occur in the future, which management nevertheless monitors on an ongoing basis;
- compliance with country regulations: the Ansaldo Energia group monitors, through specific structures, the constant updating with the reference legislation, subjecting the launch of commercial actions to checks into compliance with the limitations and obtainment of the necessary authorisations.

Financial risks can be described as follows:

- liquidity risks, represented by the risk that the available financial resources are not sufficient to meet the obligations within the agreed terms and deadlines;
- market risks, relating to exposure to positions that generate interest (interest rate risks) and to operations in currency areas other than that of the denomination (exchange rate risks);
- credit risks, deriving from normal business transactions or from financing activities.

The Ansaldo Energia group specifically monitors each of the aforementioned financial risks, intervening with the aim of promptly minimising them including, for example, through the use of derivative hedging instruments.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds or to liquidate assets on the market, the group may be unable to fulfil its payment commitments, resulting in a negative impact on income if it is forced to sustain additional costs to meet such commitments or a condition of insolvency.

The group’s goal is to implement a financial structure that, in line with business objectives and the limits defined, (i) guarantees an adequate level of liquidity, minimising the related opportunity cost and (ii) maintains an optimal profile in terms of debt maturity and composition.

The table below shows an analysis of maturities, based on contractual repayment obligations, relating to the capitalised values of the bond loan, trade payables and other liabilities outstanding at 31 December 2021 and 2020. The first column represents the year-end balance, while the subsequent ones represent the disbursements expected at the indicated maturities, inclusive of interest.

(thousands of euro)	balance at 31/12/2021	Within 1 year	From 1 year to 5 years	More than 5 years	Total
Bond loan	354,349	9,625	369,250		378,875
Other current and non-current financial liabilities	815,075	216,169	628,618	1,032	845,819
Trade payables	523,520	523,520			523,520
Other current and non-current liabilities	195,109	140,322	54,787		195,109

(thousands of euro)	balance at 31/12/2020	Within 1 year	From 1 year to 5 years	More than 5 years	Total
Bond loan	353,876	9,625	378,875		388,500
Other current and non-current financial liabilities	819,254	212,268	625,401	2,843	840,512
Trade payables	438,299	438,299			438,299
Other current and non-current liabilities	197,095	106,013	91,757		197,770

Bonds and other financial liabilities of the Ansaldo group contribute to the CDP Group's consolidated financial statements under the liability item 10, which relates to financial liabilities measured at amortised cost.

Trade payables and other liabilities contribute to the liability item 80, Other liabilities.

Interest rate risk

The group is exposed to interest rate fluctuations as regards the use of its liquidity. Interest rate risks were measured through sensitivity analyses, as required by IFRS 7, on the portion exposed to the risk of interest rate variability not covered by derivative instruments. If the reference rates were 50 basis points higher/lower, the effects on equity as at 31 December 2021 and on the income (loss) for the year ended on that date would have been negligible.

Exchange rate risk

The group's procedures provide for the hedging, at the moment of the contract acquisition, of the foreign currency gains exposed to the exchange rate risk. As regards costs, the group implements the policy of stipulating supply contracts mainly in euro. The share of purchases to be made in local currency is normally covered by a corresponding revenue value in the same currency.

Given the above, and in particular net of the effect deriving from the hedging policy of transactions in currencies other than the euro, the sensitivity analysis on exchange rate changes appears to be negligible.

Credit risk

The group is exposed to credit risk both in relation to the counterparties to its own business transactions, and for financing and investment activities, as well as for the guarantees provided on third-party debts or commitments.

In order to eliminate or minimise the credit risk deriving from business transactions in particular with foreign countries, the group adopts an accurate risk hedging policy from the outset of the business transaction by carrying out a careful examination of the conditions and means of payment to be proposed in commercial offers which can subsequently be incorporated into sales contracts.

In particular, depending on the contractual amount, the type of customer and the importing country, the necessary precautions are taken to limit credit risk both in terms of payment and in the financial means envisaged such as stand-by letter or irrevocable and confirmed letter of credit or, in cases where this is not possible and if the country/customer is particularly at risk, the opportunity to request adequate insurance coverage is assessed through the dedicated Export Credit Agencies such as SACE or through the intervention of International Banks for contracts where financing of the supply is required.

The following table provides a breakdown of trade receivables, grouped by past due and by geographical area, net of the bad debt provision:

	Other customers				
					Total at 31/12/2021
(thousands of euro)	Italy	Europe CIS Africa Middle East	Americas	Asia	
Retentions	135	-	-	-	135
Receivables not past due	36,216	54,312	569	38,162	129,259
Receivables less than 6 months past due	8,090	40,903	1,770	21,565	72,328
Receivables 6 months to 1 year past due	1,013	12,217	105	15,828	29,163
Receivables 1 to 5 years past due	2,828	42,719	8,646	5,586	59,779
Receivables more than 5 years past due	8,149	34,297	3,150	105	45,701
Total	**56,431**	**184,448**	**14,240**	**81,246**	**336,365**

Credit concentration risks are not considered significant, either by geographical area, by sector, or by customer type.

Trade receivables of the Ansaldo group contribute, in the CDP Group’s consolidated financial statements, to the asset item 130, Other assets.

Disputed and doubtful trade receivables, in relation to litigation, judicial or insolvency proceedings, are recognised at nominal value and written down in a specific bad debt provision. The receivables recognised are not supported by notes or similar instruments.

Changes in the bad debt provision were as follows:

(thousands of euro)	31/12/2021	31/12/2020
Opening balance	3,696	3,721
Uses during the year		
Other changes (exchange rate differences)	5	(25)
Reclassification to discontinued operations		
Closing balance	**3,701**	**3,696**

PART F – INFORMATION ON CONSOLIDATED SHAREHOLDERS' EQUITY

SECTION 1 - CONSOLIDATED SHAREHOLDERS' EQUITY

QUALITATIVE DISCLOSURES

As indicated in the introduction, CDP is subject to "informational" supervision only.

Therefore, it is not required to indicate own funds, capital adequacy ratios and the related information for the Group.

PART G - BUSINESS COMBINATIONS

SECTION 1 - BUSINESS COMBINATIONS COMPLETED DURING THE YEAR

1.1 Business combinations

(thousands of euro) Company name	Date of transaction	(1)	(2)	(3)	(4)
Stark Two	01/01/2021	34,100	75.14%	-	-
Melt 1	01/01/2021	13,700	100%	-	-
Elettra One	01/01/2021	46,000	90.20%	-	-
INSO	01/06/2021	28,000	100%	1	1
Isgastrentatre	13/07/2021	755	52%	630	(1,443)
EL.IT.E S.r.l.	27/07/2021	5,345	100%	133	17
Team Turbo Machines SA	31/07/2021	6,500	100%	9,553	639
IDS Ingegneria dei Sistemi S.p.A	03/09/2021	11,410	79%	27,489	(28,153)
LT group	12/10/2021	20,699	75%	16,822	982
Laser TLC S.r.l.	11/11/2021	4,000	100%	2,367	544
Fratelli Ceresa S.p.A.	01/12/2021	21,331	84%	16,146	1,372
Metalsigma S.r.l - ramo d'azienda	16/12/2021	523	100%	1	1
Marine Project Solutions S.c.a.r.l.	16/12/2021	749	100%	23,594	(20)

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 control over Stark Two, Melt 1 and Elettra One

During the first half of the year 2021, as a result of changes in the ownership structure of Fondo Italiano Consolidamento e Crescita ("FICC"), managed by the subsidiary Fondo Italiano di Investimento SGR S.p.A., CDP's control over that investment entity was confirmed. FICC exercises control over the following companies:

- Melt 1;
- Stark Two;
- Elettra One.

See Section 3 above for information regarding their operations.

As a result of CDP's control over FICC, the same type of relationship exists with respect to the vehicles controlled by FICC. Given the timing of the transaction and the information made available by the indirect subsidiaries, the following assumptions were made:

- 1 January 2021 as the acquisition date;
- the fair value of the three companies at that date as the transaction cost.

The PPA process relating to these companies was completed.

The tables below compare, for each company listed above, the transaction cost, as defined above, and the breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

MELT 1

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	2		2
40. Financial assets measured at amortised cost	5,510		5,510
70. Equity investments	1,955		1,955
90. Property plant and equipment	34,823	6,156	40,979
100. Intangible assets	23,207	(22,388)	819
110. Tax assets	3,935		3,935
130. Other assets	33,809		33,809
Total acquired assets	**103,241**	**(16,232)**	**87,009**
Liabilities			
10. Financial liabilities at amortised cost	31,899		31,899
40. Hedging derivatives	103		103
60. Tax liabilities	566	1,718	2,284
80. Other liabilities	30,536		30,536
90. Staff severance pay	1,266		1,266
100. Provisions for risks and charges	355		355
190. Non-controlling interests (+/-)	6,866		6,866
Total liabilities assumed	**71,591**	**1,718**	**73,309**
Net acquired assets	**31,650**	**(17,950)**	**13,700**
Cost of business combination	**31,650**	**(17,950)**	**13,700**

STARK TWO

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	17		17
20. Financial assets designated at fair value through profit or loss	102		102
40. Financial assets measured at amortised cost	31,519		31,519
90. Property, plant and equipment	32,193		32,193
100. Intangible assets	77,361	(77,101)	260
110. Tax assets	759		759
130. Other assets	41,051		41,051
Total acquired assets	**183,002**	**(77,101)**	**105,901**
Liabilities			
10. Financial liabilities at amortised cost	76,979		76,979
40. Hedging derivatives	776		776
60. Tax liabilities	705		705
80. Other liabilities	31,785		31,785
90. Staff severance pay	1,380		1,380
100. Provisions for risks and charges	32		32
190. Non-controlling interests (+/-)	34,106		34,106
Total liabilities assumed	**145,763**		**145,763**
Net acquired assets	**37,239**	**(77,101)**	**(39,862)**
Goodwill		73,962	73,962
Cost of business combination	**37,239**	**(3,139)**	**34,100**

ELETTRA ONE

Assets	Book value	Adjustment	Fair value
40. Financial assets measured at amortised cost	736		736
70. Equity investments	70,000	334	70,334
Total acquired assets	**70,736**	**334**	**71,070**
Liabilities			
10. Financial liabilities at amortised cost	20,000		20,000
60. Tax liabilities		4	4
80. Other liabilities	67		67
190. Non-controlling interests (+/-)	4,999		4,999
Total liabilities assumed	**25,066**	**4**	**25,070**
Net acquired assets	**45,670**	**330**	**46,000**
Cost of business combination	**45,670**	**330**	**46,000**

Acquisition of INSO - Sistemi per le Infrastrutture Sociali S.p.A.

On 1 June 2021 the Fincantieri group completed the acquisition of the business unit headed by INSO – Sistemi per le Infrastrutture Sociali S.p.A., a BU representing the company's main operations, and its subsidiary SOF, formerly part of the Condotte group under extraordinary administration since 2018. The completion of the transaction was subject to certain contractual conditions in addition to authorisation of the Ministry of Economic Development given to the extraordinary commissioners appointed to sell the company's businesses. As part of this transaction, the Fincantieri group also acquired a 99% equity investment in Ergon Project Ltd from Hospital Building & Technologies S.c.a.r.l.

The acquisition, executed through the subsidiary Fincantieri Infrastructure S.p.A. with the aim of further strengthening its position in the large infrastructure sector, involved the transfer of the business unit in question and some controlling interests to the newly incorporated company FINSO - Fincantieri INfrastrutture SOciali S.p.A. (FINSO for short). Fincantieri Infrastructure S.p.A. owns 90% of FINSO's share capital, while Sviluppo Imprese Centro Italia SGR S.p.A. ("SICI") owns the remaining portion, representing the Region of Tuscany.

INSO, founded in the 1960s and part of the Condotte Group since 2012, specialises in the development of construction projects and the supply of technologies in the healthcare, industrial and tertiary sectors. The areas it operates in are construction, as general contractor for the construction of infrastructure for healthcare and other sectors, concessions and management, where it operates directly or through its subsidiary SOF, providing facility management services, and equipment supply, as system integrator in the provision of medical equipment and technologies.

The contractual consideration for the acquisition of the business unit is 30 million euro, to be paid in the amount of 7,576 thousand euro at the date of execution and subsequently in 3 annual instalments of 7,476 thousand euro each starting from 31 May 2022. According to the contractual provisions and the book values at the date of transfer of the BU compared to the situation at the time of the offer, the consideration is also subject to a maximum 35% positive or negative adjustment of the contractually defined consideration. At the reporting date, the estimated price adjustment was approximately 2,000 thousand euro.

The acquisition was entirely financed from equity.

The tables below compare, for each company listed above, the transaction cost, as defined above, and the breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	11,329		11,329
30. Financial assets at fair value through other comprehesive income	1,019		1,019
40. Financial assets measured at amortised cost	323		323
70. Equity investments	676		676
90. Property, plant and equipment	7,731		7,731
100. Intangible assets	6,399	39,912	46,311
110. Tax assets	1,281		1,281
130. Other assets	109,356		109,356
Total acquired assets	**138,114**	**39,912**	**178,026**
Liabilities			
10. Financial liabilities at amortised cost	7,304		7,304
60. Tax liabilities	453	5,022	5,475
80. Other liabilities	92,514		92,514
90. Staff severance pay	2,705		2,705
100. Provisions for risks and charges	42,028		42,028
Total liabilities assumed	**145,004**	**5,022**	**150,026**
Net acquired assets	**(6,890)**	**34,890**	**28,000**
Cost of business combination	**(6,890)**	**34,890**	**28,000**

Acquisition of Isgastrentatre

On 17 July 2021 Italgas, through its subsidiary Medea S.p.A., finalised the acquisition of the entire share capital of Isgastrentatre, the company holding the concession for the management of the natural gas service in Basin 33 in Sardinia. The company was then merged into Medea S.p.A.

The table below shows the consideration paid for the acquisition of the business unit and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	3		3
90. Property, plant and equipment	117		117
100. Intangible assets	25,173		25,173
130. Other assets	555		555
Total acquired assets	**25,848**		**25,848**
Liabilities			
10. Financial liabilities at amortised cost	23,021		23,021
60. Tax liabilities	376		376
80. Other liabilities	1,677		1,677
100. Provisions for risks and charges	19		19
Total liabilities assumed	**25,093**		**25,093**
Net acquired assets	**755**		**755**
Cost of business combination	**755**		**755**

Acquisition of EL.IT.E S.r.l.

On 27 July 2021, Terna S.p.A. completed the acquisition of 100% of the shares in EL.IT.E. S.p.A., transformed at the same time into EL.IT.E S.r.l., the corporate vehicle holding the following assets:

- the portion of Italian territory of the underground 150 kV “Tirano – Campocologno” connecting power line between Switzerland and Italy, for the transmission of electricity to the National Electricity Transmission Grid, measuring about 4 km and the related tunnel located on Italian soil and required for the line;
- 150/220 kV station in Tirano (SO);
- accessions, appurtenances, active and passive easements, rights, reasons and actions, authorisations, concessions, permits, licences and existing project documents relating to the assets;

The closing of the transaction was financed by Terna S.p.A. with its own resources. The final value for the acquisition of 100% of the equity investment was 5.3 million euro.

The amount of the expected consideration was lower than the value of the net assets at the acquisition date, resulting in the emergence of a gain from an acquisition at favourable prices of about 1.2 million euro, allocated under deferred tax assets as relating to the recognition of the tax effect calculated on the fiscally non-deductible portion of depreciation (pursuant to Article 102-bis of the Consolidated Income Tax Law, “TUIR”), prepaid taxes that the counterparty had been able to record in consideration of the expiry of the exemption[80].

The tables below compare, for each company listed above, the transaction cost, as defined above, and the breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	3,648		3,648
110. Tax assets	85	1,185	1,270
130. Other assets	493		493
Total acquired assets	**4,226**	**1,185**	**5,411**
Liabilities			
80. Other liabilities	66		66
Total liabilities assumed	**66**		**66**
Net acquired assets	**4,160**	**1,185**	**5,345**
Cost of business combination	**4,160**	**1,185**	**5,345**

Acquisition of Team Turbo Machines SA

The acquisition of Team Turbo Machines SA – a company incorporated under French law of which Fincantieri S.p.A. acquired 85% of the capital from the Hiolle group for 5,100 thousand euro – was finalised on 31 July 2021. The sale agreement also envisaged the possibility for Fincantieri S.p.A. to acquire the remaining 15% by 2024 through a combination of Put and Call options granted to the contracting parties.

The company provides after-sales maintenance services for steam turbines installed in petrochemical plants, sugar refineries, waste-to-energy plants and power plants, serving some of the most important utility networks operating in the French-speaking area.

The transaction was recognised by considering the combination of Put and Call options subscribed for the purchase of 15% of the capital owned by the minority shareholder.

Considering that the exercise price of both options – estimated at 1,400 thousand euro – was defined on the same basis of calculation, the Fincantieri Group is substantially exposed to fluctuations in the fair value of the investee also for the portion owned by the minority shareholder, which allowed the Group to opt for the early recognition of the acquisition of non-controlling interests required by IAS 32. This approach does not require the recognition of non-controlling interests in the consolidated financial statements.

The purchase price for the purposes of the allocation process was therefore quantified at 6,500 thousand euro, as the sum of the consideration paid for the purchase of the 85% stake (5.1 million euro) and the estimated fair value of the exercise price of the option right recognised under financial liabilities (1.4 million euro).

[80] The acquired company had benefited for a period of ten years from the exclusive use of the electricity line pursuant to the Decree of the Italian Ministry of Economic Development 290/ML/2007. On 27 September 2019, the deadline for the right of exemption intervened and the line became to all intents and purposes part of the National Transmission Grid (NTG), subject to the relevant regulations.

There is no residual value to be allocated to goodwill.

The tables below compare, for each company listed above, the transaction cost, as defined above, and the breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	498		498
40. Financial assets at amortised cost	4,905		4,905
90. Property, plant and equipment	1,409		1,409
100. Intangible assets	1,022	6,051	7,073
130. Other assets	576		576
Total acquired assets	**8,410**	**6,051**	**14,461**
Liabilities			
10. Financial liabilities measured at amortised cost	817		817
60. Tax liabilities		1,974	1,974
80. Other liabilities	5,170		5,170
Total liabilities assumed	**5,987**	**1,974**	**7,961**
Net acquired assets	**2,423**	**4,077**	**6,500**
Cost of business combination	**2,423**	**4,077**	**6,500**

Acquisition of IDS Ingegneria dei Sistemi SpA

The acquisition of IDS Ingegneria dei Sistemi S.p.A. was finalised on 3 September 2021, when Fincantieri Nextech S.p.A. acquired 78.68% of the share capital from FINSIS S.p.A. for a consideration of 11.4 million euro. Also on 3 September 2021, but as part of a separate agreement, Fincantieri Nextech acquired 10.58% of the capital of IDS from a minority shareholder for a value of 3,000 thousand euro. Finally, as part of the transaction, in May 2021 Fincantieri Nextech signed an investment agreement with SIMEST (a 10% minority shareholder of IDS) that included a commitment by Fincantieri Nextech to purchase the SIMEST equity investment by 2026 at an agreed price based on a formula for valuing the investment within a pre-established value range.

Founded in 1980 and based in Pisa, the company manufactures high-tech products for the civil and military sectors (e.g. naval, aeronautical, air navigation, space and environment). In particular, thanks to its expertise and constant investment in research and development, the company designs and sells integrated solutions in a wide range of sectors, from satellite communications to flight procedure management systems, from the design of naval and aeronautical components to radar systems for railway, homeland security and defence applications.

The purchase price for the purposes of the allocation process was identified as the consideration paid for the purchase of the controlling stake of 11.4 million euro.

The residual goodwill pertaining to the group recorded in the balance sheet amounted to 6,512 thousand euro.

The tables below compare, for each company listed above, the transaction cost, as defined above, and the breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	11,769		11,769
20. Financial assets designated at fair value through profit or loss	110		110
40. Financial assets at amortised cost	1,770		1,770
70. Equity investments	5		5
90. Property, plant and equipment	13,905	1,960	15,865
100. Intangible assets	5,307	(816)	4,491
130. Other assets	32,931		32,931
Total acquired assets	**65,797**	**1,144**	**66,941**
Liabilities			
10. Financial liabilities measured at amortised cost	10,309		10,309
60. Tax liabilities	2,490	606	3,096
80. Other liabilities	39,545		39,545
90. Staff severance pay	1,120		1,120
100. Provisions for risks and charges	6,644		6,644
190. Non-controlling interests (+/-)	1,329		1,329
Total liabilities assumed	**61,437**	**606**	**62,043**
Net acquired assets	**4,360**	**538**	**4,898**
Goodwill		6,512	6,512
Cost of business combination	**4,360**	**7,050**	**11,410**

Acquisition of the LT group

On 12 October 2021, Terna, through its subsidiary Terna Energy Solutions S.r.l., completed the acquisition of 75% of the share capital of LT S.r.l. (LT group). The acquisition established the first national operator in the Operation & Maintenance sector for photovoltaic plants, with about 1,000 MWp being managed, confirming the role of Terna as director and enabler of energy transition and as constant supporter in the growth of renewable energy sources. LT S.r.l. also operates in the designing and implementation of revamping and repowering works for existing plants, contributing to the improvements in production of the plants installed nationally and the achievement of the national objectives in energy transition. In addition, the company also operates in the construction of new photovoltaic plants for third parties.

LT S.r.l. in turn controls 100% of LT Enerray S.r.l. and 70% of Halfbridge Automation S.r.l., companies operating in the same sector.

There were 69 employees in the LT group at 31 December 2021.

The closing of the transaction, which Terna funded with its own resources, was finalised via the subsidiary Terna Energy Solutions S.r.l. The final value for the acquisition of 75% of the equity investment was 16.9 million euro, plus a price adjustment mechanism (earn-out) of 1.5 million euro based on the company's performance objectives for 2021.

The acquisition cost with parameters adjusted to 100% was set at 27.6 million euro.

The sale agreement also provides for an option to sell the subsidiary Halfbridge Automation S.r.l. ("HBA option"), that can be exercised by 24 March 2022 and establishes a price adjustment mechanism of 2,250,000 euro, if the right is exercised or of 1,000,000 euro, if the option is not exercised.

The table below shows the consideration paid for the acquisition of the business unit and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	980		980
90. Property, plant and equipment	252		252
100. Intangible assets	3,579		3,579
110. Tax assets	124		124
130. Other assets	12,963		12,963
Total acquired assets	**17,898**		**17,898**
Liabilities			
10. Financial liabilities measured at amortised cost	2,190		2,190
60. Tax liabilities	491		491
80. Other liabilities	10,308		10,308
90. Staff severance pay	456		456
100. Provisions for risks and charges	13	1,168	1,181
190. Non-controlling interests (+/-)	6,900		6,900
Total liabilities assumed	**20,358**	**1,168**	**21,526**
Net acquired assets	**(2,460)**	**(1,168)**	**(3,628)**
Goodwill		24,327	24,327
Cost of business combination	**(2,460)**	**23,159**	**20,699**

Acquisition of Laser TLC S.r.l.

On 11 November 2021 Brugg Cables Italia S.r.l. (wholly-owned by Brugg Kabel Manufacturing AG[81], in turn a controlled company) acquired 100% of Laser TLC S.r.l., a company specialised in the installation, maintenance and emergency services of accessories for high voltage cables and telecommunications systems in optical fibre.

The transaction offers Brugg Cables Italia S.r.l. the opportunity to integrate key competences and personnel resources for the installation of high voltage cables and the related maintenance and emergency services, for the installation of monitoring systems for high voltage cable systems and for services related to optical fibre systems. There were 23 employees in the acquired company at 31 December 2021.

The closing of the transaction that Brugg Cables funded with its own resources, was finalised through the subsidiary Brugg Cables Italia S.r.l. The final amount for the acquisition of 100% was 4.0 million euro, provided that within 12 months from the date of closing, the amount owed by the significant creditors of Laser TLC has been received in full. More specifically, 2.0 million euro was paid on the date of closing and the remaining 2.0 million euro will be paid with a second and third instalment, respectively 6 months and 12 months after the date of closing, based on the situation of the amounts received for the receivables due from the significant creditors.

The table below shows the consideration paid for the acquisition of the business unit and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

[81] Indirect subsidiary of TERNA S.p.A., through Brugg Kabel Services AG, 100% shareholder, in turn a subsidiary of Terna Energy Solutions S.r.l..

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	733		733
90. Property, plant and equipment	150		150
110. Tax assets	598		598
130. Other assets	2,838		2,838
Total acquired assets	**4,319**		**4,319**
Liabilities			
10. Financial liabilities measured at amortised cost	69		69
60. Tax liabilities	662		662
80. Other liabilities	278		278
90. Staff severance pay	836		836
Total liabilities assumed	**1,845**		**1,845**
Net acquired assets	**2,474**		**2,474**
Goodwill		1,526	1,526
Cost of business combination	**2,474**	**1,526**	**4,000**

Acquisition of Fratelli Ceresa S.p.A.

On 1 December 2021, the Italgas group, following the occurrence of the conditions specified in the sale agreement, finalised the acquisition transaction of 100% of the share capital of Fratelli Ceresa S.p.A., a company established in 1921 and specialised in the supply of energy services, with a portfolio of 3,700 customers (of which over 800 multi-occupancy buildings) located mainly in the Turin area.

The table below shows the consideration paid for the acquisition of the business unit and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	786		786
70. Equity investments	2,684		2,684
90. Property, plant and equipment	312		312
100. Intangible assets	1	13,555	13,556
110. Tax assets	1,031		1,031
130. Other assets	12,234		12,234
Total acquired assets	**17,048**	**13,555**	**30,603**
Liabilities			
10. Financial liabilities measured at amortised cost	1,906		1,906
60. Tax liabilities	441	3,782	4,223
80. Other liabilities	9,038		9,038
100. Provisions for risks and charges	606		606
Total liabilities assumed	**11,991**	**3,782**	**15,773**
Net acquired assets	**5,057**	**9,773**	**14,830**
Goodwill		6,501	6,501
Cost of business combination	**5,057**	**16,274**	**21,331**

Metalsigma S.r.l. - business unit

On 16 December 2021, MI S.p.A. completed the acquisition of the naval BU of Metalsigma S.r.l. (already under lease since August 2020), whose company purpose is the provision of glass processing services as a component for ship furnishings. The consideration paid for the acquisition of the business unit was 523 thousand euro.

The surplus of the purchase price over the business's net assets at the date of acquisition was 9,754 thousand euro. The purchase price allocation process resulted in the recognition of amortisable intangible assets of 4,960 thousand euro and deferred tax liabilities of 1,384 thousand euro. The residual goodwill pertaining to the group recorded in the balance sheet amounted to 6,178 thousand euro.

The tables below compare, for each company listed above, the transaction cost, as defined above, and the breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
90. Property, plant and equipment	299		299
100. Intangible assets	1	4,960	4,961
130. Other assets	3,196		3,196
Total acquired assets	**3,496**	**4,960**	**8,456**
Liabilities			
60. Tax liabilities		1,384	1,384
80. Other liabilities	12,474		12,474
90. Staff severance pay	253		253
Total liabilities assumed	**12,727**	**1,384**	**14,111**
Net acquired assets	**(9,231)**	**3,576**	**(5,655)**
Goodwill		6,178	6,178
Cost of business combination	**(9,231)**	**9,754**	**523**

Acquisition of Marine Project Solutions S.c.a.r.l.

On 17 December 2021, MI S.p.A. completed the acquisition of 100% of Marine Project Solutions, a consortium company active in the business of supplying interiors and glazing in the marine sector. The consideration paid for the acquisition of the business unit was 749 thousand euro.

The tables below compare, for each company listed above, the transaction cost, as defined above, and the breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	1,971		1,971
90. Property, plant and equipment	21		21
100. Intangible assets	9		9
110. Tax assets	201		201
130. Other assets	11,063		11,063
Total acquired assets	**13,265**		**13,265**
Liabilities			
60. Tax liabilities	72		72
80. Other liabilities	12,309		12,309
90. Staff severance pay	75		75
100. Provisions for risks and charges	156		156
Total liabilities assumed	**12,612**		**12,612**
Net acquired assets	**653**		**653**
Goodwill		96	96
Cost of business combination	**653**	**96**	**749**

SECTION 2 - BUSINESS COMBINATIONS COMPLETED AFTER THE END OF THE YEAR

2.1 Business combinations

In the period running from the reporting date of the consolidated financial statements to the date of their approval by the Board of Directors, no business combinations were completed.

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 2021 to members of the management and control bodies and key management personnel of the Parent Company and of wholly-owned subsidiaries.

DIRECTORS' AND STATUTORY AUDITORS' REMUNERATION

(thousands of euro)	Directors	Board of Auditors	Key management personnel
a) short-term benefits	18,384	3,731	39,678
b) post-employment benefits	333		1,562
c) other long-term benefits	531		3,927
d) severance benefits			6
e) share-based payments	3,483		3,066
Total	**22,731**	**3,731**	**48,239**

2. Information on transactions with related parties

Certain transactions among the CDP Group and related parties, notably those with the Ministry of the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions.

In any event, it should be noted that the CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the Company. All transactions with related parties were carried out on an arm's length basis and form part of the Group's ordinary operations.

The following table shows assets, liabilities, revenues and costs in respect of the CDP Group's transactions in 2021 with:

- companies subject to significant influence or joint control and their subsidiary;
- the Ministry of the Economy and Finance;
- the subsidiaries and direct and indirect affiliates of the Ministry of the Economy and Finance;
- other counterparties (mainly included are post-employment benefit plans for CDP Group employees and social, environmental and cultural development promotion foundations set up by CDP Group companies).

(thousands of euro)

Items/Related parties	Ministry of Economy and Finance (MEF)	Associates and joint operations of the CDP Group	Direct and indirect MEF subsidiaries and associates	Others	Total transactions with related parties
Assets					
Financial assets measured at fair value through profit and loss		18,512			18,512
Financial assets measured at fair value through other comprehensive income	11,351,529	2,501	141,865		11,495,895
Financial assets measured at amortised cost					
loans to banks			*1,918,343*		*1,918,343*
loans to customers	*236,287,564*	*445,012*	*3,434,956*		*240,167,532*
Other assets	35,424,742	304,542	1,034,468	681	36,764,433
Liabilities					
Financial liabilities measured at amortised cost:					
due to banks			*12*		*12*
due to customers	*6,682,915*	*191,758*	*21*		*6,874,694*
securities issued		*2,995,179*			*2,995,179*
Other liabilities	31,630,572	540,391	442,619	8,608	32,622,190
Off-balance sheet	**3,168,126**	**6,592,533**	**2,094,477**		**11,855,136**
Income statements					
Interest income and similar income	5,500,680	31,082	82,939		5,614,701
Interest expense and similar expense	(10,345)	(8,998)	(59)		(19,402)
Commission income	279,369	2,002	2,307		283,678
Commission expense	(4,911)	(1,321,733)		(15)	(1,326,659)
Profits (losses) on trading activities	3,910	(2,966)	1,617		2,561
Gains (losses) on disposal or repurchase	(7)		25		18
Net adjustments/recoveries for credit risk	4,278	4,701	8,462		17,441
Administrative expenses	1,083	(64,153)	(127,697)	(5,070)	(195,837)
Other operating income (costs)	9,923	577,618	2,834,337	(4,994)	3,416,884
Income (loss) on discontinued operations	(72,501)	3,728	(8,743)		(77,516)

With regard to financial liabilities measured at amortised cost, and in particular securities issued, it should be noted that only securities issued by the Parent Company CDP and held by associates or companies jointly controlled by the CDP group are reported. In particular, they include bonds issued by CDP and guaranteed by the Italian government, subscribed by Poste Italiane S.p.A.

PART I – SHARE-BASED PAYMENTS

Medium/long-term incentive plan of Fincantieri

2016-2018 Performance Share Plan

On 19 May 2017, the Shareholders' Meeting of Fincantieri S.p.A. approved the medium-/long-term management share-based incentive plan called 2016-2018 Performance Share Plan (the "Plan"), as well as the related Regulation. The project was approved by the Board of Directors on 10 November 2016.

The plan is divided into three cycles, each having a duration of three years, and provides for the free assignment of shares to the beneficiaries identified by the Board of Directors, up to a maximum number of 50,000,000 Fincantieri S.p.A. ordinary shares with no par value, provided that the foregoing beneficiaries meet the specific performance targets established in relation to 2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The targets identified for all three cycles are Total Shareholder Return ("TSR") and EBITDA, which provide objective criteria for measuring value creation by the company over the long term.

The vesting period for all beneficiaries will be three years, from the date the rights are granted to the date the shares are assigned to the beneficiaries. Therefore, on meeting the performance targets and satisfying the other conditions set out in the plan Regulation, the shares accrued in relation to the first cycle were vested and assigned to the beneficiaries by 31 July 2019, while those accrued in relation to the second and third cycles were vested and assigned respectively by 31 July 2020 and 31 July 2021.

The plan also contemplates a lock-up period in relation to a portion of the shares assigned to the company's board members or key management personnel.

In the first cycle of the plan, 9,101,544 Fincantieri S.p.A. ordinary shares were assigned to the beneficiaries identified by the Board of Directors on 15 December 2016; in the second cycle of the plan, 4,170,706 Fincantieri S.p.A. shares were assigned to the beneficiaries identified by the Board of Directors on 25 July 2017; and, in the third and last cycle of the plan, 3,604,691 shares of the Fincantieri S.p.A. were assigned to the beneficiaries identified by the Board of Directors on 22 June 2018.

The business and financial performance targets consist of two components:

- a "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 the Fincantieri group's EBITDA targets measured against pre-established targets.

The "market based" component was calculated according to the Monte Carlo method, under which appropriate assumptions can be applied to define a significant number of alternative scenarios within a given time period. Unlike the "market based" performance target, the "non-market based" component (EBITDA) is immaterial in terms of the fair value estimate but is updated quarterly to take into account expectations in terms of the number of rights accruable based on EBITDA performance measured against the targets established in the Plan.

The table below shows the amount, for each cycle of the Plan, of the fair value determined at the grant date of the rights to the beneficiaries.

	Grant date	n° of shares assigned	Fair value (euro)
First cycle of the Plan	19/05/2017	9,101,544	6,866,205
Second cycle of the Plan	25/07/2017	4,170,706	3,672,432
Third cycle of the Plan	22/06/2018	3,604,691	3,963,754

With reference to the 2016-2018 Performance Share Plan, please note that:

- the BoD meeting on 27 June 2019 resolved on the closure of the 1st cycle of the "2016-2018 Performance Share Plan", assigning, free of charge to the beneficiaries, 10,104,787 ordinary shares of Fincantieri through the use of 2,572,497 treasury shares in the portfolio and issuing 7,532,290 new shares, always without nominal value. The issue and delivery of the shares took place on 31 July 2019;
- the BoD meeting on 10 June 2020 resolved on the closure of the 2nd cycle of the "2016-2018 Performance Share Plan", assigning, free of charge to the beneficiaries, 4,822,542 ordinary shares of Fincantieri through the use of treasury shares in the portfolio. The net shares actually assigned amounted to 2,685,862 shares (net of those withheld to meet the tax obligations of the beneficiaries). The delivery of the shares took place on 3 July 2020.

The features of the Plan, as described above, are described in further detail in the information document prepared by the company pursuant to Article 84-bis of Regulation n. 11971 issued by Consob on 14 May 1999. The information document has been published on the website “www.fincantieri.it” in the section “Ethics and Governance - Shareholders’ Meetings - Shareholders’ Meeting 2017”.

2019-2021 Performance Share Plan

On 11 May 2018, the Shareholders’ Meeting of Fincantieri S.p.A. approved the medium-/long-term management share-based incentive plan called 2019-2021 Performance Share Plan (the “Plan”), as well as the related Regulation, the structure of which was defined by the Board of Directors at the meeting held on 27 March 2018.

The Plan is divided into three cycles, each having a duration of three years, and provides for the free assignment of shares to the beneficiaries identified by the Board of Directors, up to a maximum number of 25,000,000 Fincantieri S.p.A. ordinary shares with no par value, provided that the foregoing beneficiaries meet the specific performance targets established in relation to 2019-2021 (first cycle), 2020-2022 (second cycle) and 2021-2023 (third cycle).

The vesting period for all beneficiaries will be three years, from the date the rights are granted to the date the shares are assigned to the beneficiaries. Therefore, on meeting the performance targets and satisfying the other conditions set out in the Plan Regulation, the shares accrued in relation to the first cycle will be vested and assigned to the beneficiaries by 31 July 2022, while those accrued in relation to the second and third cycles will be vested and assigned respectively by 31 July 2023 and 31 July 2024.

The plan also contemplates a lock-up period in relation to a portion of the shares assigned to the company’s board members or key management personnel. The free assignment of the number of rights is delegated to the Board of Directors, which also has the power to identify the number and names of the beneficiaries.

In the first cycle of the plan, 6,842,940 ordinary shares of the company were assigned to the beneficiaries identified by the Board of Directors on 24 July 2019; in the second cycle of the plan, 11,133,829 ordinary shares of the company were assigned to the beneficiaries identified by the Board of Directors on 30 July 2020; and, in the third and last cycle of the plan, 9,796,047 ordinary shares of the company were assigned to the beneficiaries identified by the Board of Directors on 10 June 2021.

In addition to the EBITDA and TSR parameters, already included in the 2016-2018 Performance Share Plan, the Fincantieri group has also introduced among the Plan’s targets a further parameter, the sustainability index, which measures the achievement of the sustainability targets the Fincantieri group has set to align itself with European best practices and the financial community’s increasing expectations regarding sustainable development.

The references for testing the achievement of the sustainability target consist of market parameters such as the Carbon Disclosure Project (CDP) and a second rating by an additional agency that assesses the entire basket of sustainability aspects.

The table below shows the amount, for each cycle of the Plan, of the fair value determined at the grant date of the rights to the beneficiaries.

	Grant date	n° of shares assigned	Fair value (euro)
First cycle of the Plan	24/07/2019	6,842,940	6,668,616
Second cycle of the Plan	30/07/2020	11,133,829	5,958,837
Third cycle of the Plan	10/06/2021	9,796,047	7.416.783

The features of the Plan, as described above, are described in further detail in the information document prepared by Fincantieri S.p.A. pursuant to Article 84-bis of Regulation n. 11971 issued by Consob on 14 May 1999. The information document has been published on the website “www.fincantieri.it” in the section “Ethics and Governance - Shareholders’ Meetings - Shareholders’ Meeting 2018”.

2022-2024 Performance Share Plan

On 8 April 2021, the Shareholders’ Meeting of Fincantieri S.p.A. approved the new medium-/long-term management share-based incentive plan called 2022-2024 Performance Share Plan (the “Plan”), as well as the related Regulation, the structure of which was defined and approved by the Board of Directors at the meeting held on 25 February 2021.

The Plan, in keeping with the previous 2019-2021 incentive 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 64,000,000 Fincantieri S.p.A. ordinary shares with no par value, provided that the foregoing beneficiaries meet the specific performance targets established in relation to 2022-2024 (first cycle), 2023-2025 (second cycle) and 2024-2026 (third cycle).

The vesting period for all beneficiaries will be three years, from the date the rights are granted to the date the shares are assigned to the beneficiaries. Therefore, on meeting the performance targets and satisfying the other conditions set out in the Plan Regulation, the shares accrued in relation to the first cycle will be vested and assigned to the beneficiaries by 31 July 2025, while those accrued in relation to the second and third cycles will be vested and assigned respectively by 31 July 2026 and 31 July 2027.

In particular, the Beneficiaries for the 1st Cycle will be identified by the Grant Date for the 1st Cycle, i.e. by 31 July 2022; the Beneficiaries for the 2nd Cycle will be identified by the Grant Date for the 2nd Cycle, i.e. by 31 July 2023; the Beneficiaries for the 3rd Cycle will be identified by the Grant Date for the 3rd Cycle, i.e. by 31 July 2024.

In addition to the EBITDA and TSR parameters, the Fincantieri group has established an additional parameter, the sustainability index, among the Plan's targets, for the time being in particular with regard to the 1st cycle, as was already envisaged in the 2019-2021 Performance Share Plan. This parameter is intended to measure the achievement of the sustainability targets the Fincantieri group has set itself to align it with European best practices and the growing expectations of the financial community regarding sustainable development.

The references for testing the achievement of the sustainability target are based on the percentage of achievement of the Sustainability Plan's targets that the company has set for itself over the relevant time period. An access gate was also introduced, the achievement of which is required for receiving the bonus. The access gate is linked to the following rating targets that the company has set itself: obtaining at least a B rating in the "Carbon Disclosure Project" (CDP) index and inclusion in the highest level (Advanced) of the "Vigeo Eiris" index.

The plan also contemplates a lock-up period in relation to a portion of the shares assigned to the company's board members or key management personnel.

The features of the Plan, as described above, are described in further detail in the information document prepared by Fincantieri S.p.A. pursuant to Article 84-bis of Regulation n. 11971 issued by Consob on 14 May 1999. The information document has been published on the website "www.fincantieri.it" in the section "Ethics and Governance - Shareholders' Meetings - Shareholders' Meeting 2021".

Incentive plans for executives based on Snam shares

2017-2019 Long-term Performance Share Plan

The Plan applies to the Chief Executive Officer and to Snam executives who hold offices that have the greatest impact on the company's financial performance or who are strategically important in terms of achieving Snam's multi-year objectives. The plan provides for three cycles of annual assignment of three-yearly targets (so-called Rolling Plan) for the years 2017, 2018 and 2019.

At the end of the three-year performance period, beneficiaries will be entitled to the free assignment of company shares if the conditions underlying the Plan are satisfied.

The maximum number of shares backing the plan is 3,500,000 shares for each year of the Plan. The Plan will end in 2022, that is, on expiry of the three-year vesting period linked to the last assignment of shares (2019).

The number of shares vested is subject to meeting the performance targets, which are measured as the average yearly performance against the parameters established for the three-year vesting period, with impact on EBITDA, adjusted net income and sustainability.

2017 award	Vesting period and performance			2020 free share award
	2017	2018	2019	

2018 award	Vesting period and performance			2021 free share award
	2018	2019	2020	

2019 award	Vesting period and performance			2022 free share award
	2019	2020	2021	

At the end of the Plan's vesting period, the beneficiaries will also receive a Dividend Equivalent, consisting in a number of additional shares equivalent to the ordinary and extraordinary dividends distributed by Snam in the vesting period, which would have accrued on the number of shares effectively assigned to the beneficiaries on the basis of their performance and in accordance with the terms and conditions set out in the Plan. The Chief Executive Officer and the other eligible executives will be subject to a lock-up period of two years on 20% of the shares assigned, as recommended in the Corporate Governance Code.

With reference to the 2017-2019 long-term performance share plan, as approved by the Shareholders' Meeting of Snam on 11 April 2017, a total of 5,385,372 shares have been assigned, of which 1,368,397 shares in relation to 2017 (1,511,461 shares were assigned in July 2020 at the end of the vesting period), 2,324,413 shares in relation to 2018 (2,441,742 shares were assigned in July 2021 at the end of the vesting period) and 1,692,562 shares in relation to 2019.

With respect to the assignments still in outstanding, the costs recognised in 2021 as a component of labour cost against a corresponding equity reserve, amounted to around 4 million euro.

2020-2022 Long-term Performance Share Plan

On 18 June 2020, the shareholders' meeting of Snam, in the ordinary session, approved the 2020-2022 Long-term Performance Share Plan, giving the powers necessary to implement the Plan to the board of directors.

The Plan provides for three annual awards over the period 2020-2022. Each award is subject to a three-year vesting period. As a result, the shares, if any, are granted between 2023 and 2025, as shown below.

2020 award	Vesting period and performance			2023 free share award
	2020	2021	2022	

2021 award	Vesting period and performance			2024 free share award
	2021	2022	2023	

2022 award	Vesting period and performance			2025 free share award
	2022	2023	2024	

The Plan applies to the Chief Executive Officer and to Snam executives who hold offices that have the greatest impact on the company's financial performance or who are strategically important in terms of achieving Snam's multi-year objectives, as well as any additional positions identified in relation to the performance achieved, the available skills or with a view to retention, up to a maximum of 100 beneficiaries.

The board of directors set the maximum number of shares backing each three-year period of the Plan to 3,500,000. The Plan will end in 2025, that is, on expiry of the vesting period of the last assignment set for 2022.

The Plan includes free shares granted in variable numbers in relation to the individual assignment and the degree to which the performance targets of the Plan are met. The number of shares vested is subject to meeting the performance targets, verified for all the beneficiaries at the end of each three-year vesting period, upon completion, by the Remuneration Committee, of a thorough process of assessment of the results achieved.

The Plan's performance targets, measured according to a linear interpolation criterion among the minimum, target and maximum values, are linked to the following parameters:

- accumulated adjusted net income in the three-year period corresponding to the Performance Period, with a weight of 50%;
- added value which reflects the value generation of the regulated business, calculated as a change in the RAB in the three-year period corresponding to the Performance Period, added to the dividends distributed, the treasury shares repurchased and reduced by the change in net debt;
- ESG Metric, with a weight of 20%, measured through the results achieved with regard to 2 indicators, aiming to:
  1) reduce natural gas emissions in the three-year period corresponding to the Performance Period (weight of 10%);
  2) ensure fair representation of the least present gender in Snam's management team (weight of 10%), in terms of % of senior and middle manager positions of the least represented gender on the total of senior and middle manager positions of the group.

An additional number of shares is also envisaged - defined as dividend equivalent - to be allocated based on the shares actually granted at the end of the vesting period. The number of additional shares to be assigned is determined by dividing the sum of the dividends distributed during the vesting period by the average share price recorded in the month preceding the allocation. For the Chief Executive Officer and the other beneficiaries of the Plan, 20% of the granted shares, gross of those necessary to comply with the tax expense, will be subject to a lock-up period.

For more information see the "2020-2022 Long-term Performance Share Plan Information Document" prepared pursuant to article 84-bis of the Issuers' Regulation, available on Snam's website.

A total of 1,277,996 shares have been assigned under the Plan in relation to 2020, and 1,245,854 in relation to 2021.

The costs for the financial year 2021, equal to the sum of the number of shares expected to vest at maturity multiplied by their fair value at the grant date, were recognised as a component of labour cost against a corresponding equity reserve, and amounted to 4 million euro.

Incentive plans for executives based on Terna shares

On 16 June 2021, the Board of Directors approved the Regulation concerning the 2021-2025 Performance Share Plan, implementing the terms set by the Ordinary Shareholders' Meeting on 30 April 2021.

The ESG-linked treasury shares buy-back programme (to service the 2021-2025 Performance Share Plan) was completed on 23 June 2021. Terna purchased 1,569,292 treasury shares (0.078% of share capital) under the programme, for a total value of approximately 10 million euro. In line with Terna's commitment to sustainability and social and environmental issues, the treasury shares buy-back programme includes a reward/penalty mechanism linked to the company meeting specific environmental, social and governance (ESG) targets.

Long-term performance share plans of Italgas S.p.A.

On 19 April 2018 the Shareholders' Meeting of Italgas approved the 2018-2020 long-term performance share plan, for the Chief Executive Officer, General Manager and key managers able to influence the company's performance, with an annual assignment of three-year targets. At the end of the three-year performance period, beneficiaries will be entitled to the free assignment of company shares if the conditions underlying the Plan are satisfied. The maximum number of shares backing the Plan is 4,000,000 shares. In relation to the above-mentioned Plan, the Board of Directors, on the proposal of the Nomination and Remuneration Committee and in accordance with the 2018 Remuneration Policy, granted rights to receive 341,310 Italgas shares for the 2018-2020 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2022 plan. The unit fair value of the shares, which equates to the price of the Italgas shares at the grant date, was 4.79, 5.58 and 4.85

euro per share respectively. The cost of the Long-Term Incentive Plan is recognised during the vesting period as a labour cost with a balancing entry in equity reserves.

On 10 March 2021, the Board of Directors of Italgas resolved on the free assignment of a total of 632,852 new ordinary shares of the company to the beneficiaries of the 2018-2020 Plan and carried out the first tranche of the capital increase approved by the same Shareholders' Meeting, for a nominal amount of 784,736.48 euro drawn from the retained earnings reserve. Following the increase, the company's share capital amounts to 1,002,016,254.92 euro consisting of 809,768,354 shares.

Moreover, on 20 April 2021, the Shareholders' Meeting of Italgas approved the 2021-2023 Incentive Plan and the proposal for free share capital increase, in one or more tranches, to back the 2021-2023 Incentive Plan for a maximum nominal amount of 5,580,000.00 euro through the issuance of a maximum number of 4,500,000 new ordinary shares to be assigned free of charge, pursuant to art. 2349 of the Civil Code, for a corresponding maximum amount taken from the retained earnings reserve, exclusively to the beneficiaries of the Plan, i.e. employees of the company and/or group companies. In relation to the Plan, the Board of Directors, on the proposal of the Nomination and Remuneration Committee and in accordance with the 2021 Remuneration Policy, granted rights to receive 254,765 Italgas shares for the 2021-2023 Co-Investment Plan. The unit fair value of the share was 5.55 euro per share.

PART L - CONSOLIDATED INFORMATION ON OPERATING SEGMENTS

OPERATING SEGMENTS

This section of the Notes to the consolidated financial statements has been prepared in compliance with IFRS 8 - Operating Segments.

Consolidated operating segment disclosures are presented by showing separately the contribution given by four sectors to the consolidated Group's results:

- Support for the economy: represented by the Parent Company's financial data;
- Companies subject to management and coordination: represented by the financial data of the Companies subject to management and coordination, except for those included in the previous sector, and without their equity investments, which are reported under the heading "Companies not subject to management and coordination". The segment therefore includes CDP Reti, Fintecna, CDP Equity, FSI Investimenti, CDP Immobiliare SGR, CDP Industria, FSIA Investimenti, the funds FIV Plus, FIV Extra, FNT (former FIT), FT1 and FIA2, CDP Immobiliare and its subsidiaries[82];

[82] The segment includes the equity investments of CDP Immobiliare and Fintecna, since they are representative of the company's business.

- International expansion: represented by the SACE group's financial data;
- Other segments: represented by the financial data of the companies consolidated line by line (Snam, Terna, Italgas, Fincantieri, SIA, Ansaldo Energia, Fondo Italiano di Investimento Sgr, FoF Private Debt, Fondo Italiano Consolidamento e Crescita and its subsidiaries) and by the financial data deriving from consolidation with the equity method of ENI, Poste Italiane, Saipem, Open Fiber Holdings, Webuild, Kedrion, IQ Made in Italy, Valvitalia Finanziaria, Trevi Finanziaria Industriale, Rocco Forte Hotels, BF, Hotelturist, Greenit and the other associates or companies subject to joint control.

For management reporting purposes, the contribution of Sace, Sace Fct, Sace Bt, Sace Srv and Fondo Sviluppo Export has not been reclassified to profit or loss from discontinued operations in accordance with IFRS 5, unlike what has been done in the consolidated financial statements of the CDP Group. The 2020 figures have also been restated to reflect the restatement made by Italgas.

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 two segments “Support for the economy” and “Companies subject to management and coordination”.

Thus, the contribution of the two segments taken together, for which profit before tax amounts to 3.1 billion euro, is represented by the Parent Company and the Companies subject to management and coordination.

This aggregate figure is impacted significantly by the weight of the financial data of the “Support for the economy” segment in terms of Net interest income, and of the gain resulting from the merger of SIA into Nexi (0.9 billion euro).

The Companies not subject to management and coordination included in the segments “International expansion” and “Other sectors” reported a profit before tax of 4.6 billion euro. With regard to gross income, net interest income remained substantially stable, while there was a strong increase in the valuation of investments using the equity method. This item mainly includes the positive result of ENI (1.5 billion euro) and Poste Italiane (0.5 billion euro), as well as the negative result of Saipem (0.3 billion euro) and Open Fiber (0.1 billion euro).

Profit before tax benefits from a significant contribution from the core earnings of the industrial companies recorded under Other net operating income, which offset administrative expenses of 11.8 billion euro and amortisation/depreciation charges for the period of 2.8 billion euro, related to technical investments and to the effects of the purchase price allocations on those assets.

Balance sheet figures too show the significant weight of the “Support for the economy” segment, in particular under property, plant and equipment and in funding for Companies not subject to management and coordination.

The reclassified income statement figures and the main reclassified balance sheet figures, for 2021 and for the comparison year, shown below, are attributable to the group as a whole. The item “Property, plant and equipment/technical investments” corresponds to item 90 “Property, plant and equipment” of the consolidated financial statements, while the item “Other assets (including inventories)” corresponds to item 130 “Other assets” of the consolidated financial statements. For the reconciliation of the other items with those of the consolidated financial statements, see Annex 2.1 “Reconciliation between the reclassified income statement and balance sheet and the financial statements – CDP Group”.

Reclassified consolidated balance sheet - 2021

(thousands of euro)	Support for the economy	Companies subject to management and coordination	Total	Companies not subject to management and coordination: International expansion	Companies not subject to management and coordination: Other segments	Total
Loans and cash and cash equivalents	295,244,426	1,397,817	296,642,243	34,098,277	6,874,947	337,615,467
Equity investments		37,846	37,846	23,775	20,792,772	20,854,393
Debt and equity securities and units in collective investment undertakings	79,040,977	899,388	79,940,365	2,855,598	1,364,411	84,160,374
Property, plant and equipment/technical investments	342,925	1,421,671	1,764,596	90,361	39,339,906	41,194,863
Other assets (including Inventories)	715,182	88,647	803,829	322,418	14,186,939	15,313,186
Funding	375,077,485	1,551,639	376,629,124	4,106,456	38,713,136	419,448,716
- of which bonds	*21,370,928*	416,954	21,787,882	*531,611*	*22,243,266*	*44,562,759*

Reclassified consolidated balance sheet - 2020

(thousands of euro)	Support for the economy	Companies subject to management and coordination	Total	Companies not subject to management and coordination: International expansion	Companies not subject to management and coordination: Other segments	Total
Loans and cash and cash equivalents	288,686,103	1,500,131	290,186,234	34,142,096	9,035,581	333,363,911
Equity investments	-	29,645	29,645	22,490	15,782,250	15,834,385
Debt and equity securities and units in collective investment undertakings	83,649,169	158,251	83,807,420	3,913,502	1,025,167	88,746,089
Property, plant and equipment/technical investments	348,769	1,617,469	1,966,238	91,649	38,258,611	40,316,498
Other assets (including Inventories)	265,242	82,248	347,490	292,001	11,084,185	11,723,676
Funding	373,805,954	1,599,807	375,405,761	2,557,925	39,140,772	417,104,458
- of which bonds	*21,196,046*	416,784	21,612,830	*531,611*	*21,238,300*	*43,382,741*

Reclassified consolidated income statement - 2021

(thousands of euro)	Support for the economy	Companies subject to management and coordination	Total (*)	Companies not subject to management and coordination: International expansion	Companies not subject to management and coordination: Other segments	Total
Net interest income	**1,782,338**	**7,799**	**1,790,137**	**97,863**	**(301,165)**	**1,586,835**
Dividends	1,233,649	520,934	50,236	227	6,169	56,632
Gains (losses) on equity investments		1,145	1,145	3,288	1,736,564	1,740,997
Net commission income (expense)	110,420	7,185	117,605	50,138	(26,967)	140,776
Other net revenues (costs)	638,332	(81,799)	556,533	(43,294)	31,048	544,287
Gross income	**3,764,739**	**455,264**	**2,515,656**	**108,222**	**1,445,649**	**4,069,527**
Profit (loss) on insurance business				221,448		221,448
Profit (loss) on banking and insurance operations	**3,764,739**	**455,264**	**2,515,656**	**329,670**	**1,445,649**	**4,290,975**
Net recoveries (impairment)	(19,742)	3,062	(16,680)	(11,019)	(24,477)	(52,176)
Administrative expenses	(213,897)	(101,323)	(315,220)	(165,549)	(11,331,475)	(11,812,244)
Other net operating income (costs)	12,654	21,954	34,608	12,685	17,379,928	17,427,221
Operating income	**3,543,754**	**378,957**	**2,218,364**	**165,787**	**7,469,625**	**9,853,776**
Net Provisions for risks and charges	(62)	65,388	65,326	10,514	(113,694)	(37,854)
Net adjustment to property, plant and equipment and intangible assets	(25,809)	(94,570)	(120,379)	(4,121)	(2,635,302)	(2,759,802)
Other	(136)	939,653	939,517	(1,288,563)	8,696	(340,350)
Income (loss) for the year before tax	**3,517,747**	**1,289,428**	**3,102,828**	**(1,116,383)**	**4,729,325**	**6,715,770**
Income taxes						(1,392,105)
Income (loss) for the year						**5,323,665**

(*) Total of the segments "Support for the economy" and "Companies subject to management and coordination ", net of elimination of dividends

Reclassified consolidated income statement - 2020

(thousands of euro)	Support for the economy	Companies subject to management and coordination	Total (*)	Companies not subject to management and coordination: International expansion	Companies not subject to management and coordination: Other segments	Total
Net interest income	**2,080,262**	**1,007**	**2,081,269**	**140,751**	**(323,506)**	**1,898,514**
Dividends	1,089,038	472,364	22,593	285	3,167	26,045
Gains (losses) on equity investments		(3,454)	(3,454)	(563)	(2,113,392)	(2,117,409)
Net commission income (expense)	89,835	5,604	95,439	61,247	(25,732)	130,954
Other net revenues (costs)	788,158	(68,026)	720,132	(55,044)	(178,230)	486,858
Gross income	**4,047,293**	**407,495**	**2,915,979**	**146,676**	**(2,637,693)**	**424,962**
Profit (loss) on insurance business				(5,088)		(5,088)
Profit (loss) on banking and insurance operations	**4,047,293**	**407,495**	**2,915,979**	**141,588**	**(2,637,693)**	**419,874**
Net recoveries (impairment)	(245,587)	6,907	(238,680)	(29,833)	(14,355)	(282,868)
Administrative expenses	(195,477)	(87,576)	(283,053)	(152,525)	(9,447,442)	(9,883,020)
Other net operating income (costs)	2,213	10,967	13,180	1,493	15,086,864	15,101,537
Operating income	**3,608,442**	**337,793**	**2,407,426**	**(39,277)**	**2,987,374**	**5,355,523**
Net Provisions for risks and charges	25,106	131,232	156,338	30,645	(223,987)	(37,004)
Net adjustment to property, plant and equipment and intangible assets	(20,760)	(64,628)	(85,388)	(10,404)	(2,579,381)	(2,675,173)
Other	(48)	5,245	5,197		(2,674)	2,523
Income (loss) for the year before tax	**3,612,740**	**409,642**	**2,483,573**	**(19,036)**	**181,332**	**2,645,869**
Income taxes						(1,481,180)
Income (loss) for the year						**1,164,689**

(*) Total of the segments "Support for the economy" and "Companies subject to management and coordination ", net of elimination of dividends

PART M – DISCLOSURE OF LEASES

This section contains some information indicated by IFRS 16.

SECTION 1 - LESSEE

Qualitative disclosures

The lease agreements included in the scope of application of IFRS 16 are mainly referred to the rental contracts of the real estate properties used by the Group in addition to the lease agreements for machinery (other assets e.g. printers, scanners etc.) and vehicles.

The CDP Group calculated the duration of the lease for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, including, in particular, the possible presence of:

- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;

- any period covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

In accordance with the accounting standard which provides that "the underlying asset can be of low value only if:

- *the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and*
- *the underlying asset is not highly dependent on, or highly interrelated with, other assets".*

The CDP Group applies the exemption for lease contracts when the asset value on the purchase date is negligible.

The Standard also specifies that "a contract containing the purchase option cannot be considered a short-term lease".

The CDP Group considers a lease to be "short-term" when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recorded in the income statement on a straight-line basis for the corresponding duration.

Quantitative disclosures

Reported below is the information required by IFRS 16 with regard to contracts where the CDP Group acts as a lessee, contained in these notes in the following sections:

- Part B - Assets, section 9 - for information on the rights of use acquired under a lease;
- Part B – Liabilities, section 1, table 1.6 "Lease liabilities" - for information on lease liabilities;
- Part C – section 1, table 1.3 "Interest expense and similar expense: breakdown" – for information on interest expense on the lease liabilities;
- Part C – section 14, table 14.1 "Net adjustments to property, plant and equipment: breakdown" - for information on the depreciation of the rights of use acquired under a lease.

Short-term leases and leases of a low value are accounted for in accordance with paragraph 6 of IFRS 16. The costs are reported in Part C, section 12, table 12.5 "Other administrative expenses: breakdown".

SECTION 2 - LESSOR

Qualitative disclosures

The CDP Group has leases in place as a lessor, which include both finance and operating leases.

Finance leases require the recognition of a credit corresponding to the net value of the investment in the lease. The net value is the sum of the minimum payments and the unguaranteed residual value, discounted at the interest rate implicit in the lease.

Subsequently, financial income is recognised in the income statement for the term of the contract to make the periodic rate of return on the residual net investment constant.

The estimate of the unguaranteed residual value is periodically reviewed for any impairment losses.

Whereas, lease payments relating to lease contracts that qualify as operating leases are recognised in the income statement on a straight-line basis over the term of the contract.

Quantitative disclosures

1. Disclosures on the balance sheets and income statements

2. Finance leases

2.1 Classification by time band of the payments to be received and reconciliation with loans for leases recognised under assets

For more details see Part B - Assets, section 4 - for information on “Classification by time band of the payments to be received and reconciliation with finance leases recognised under assets”.

2.2 Other information

There is no additional information to report.

3. Operating leases

3.1 Classification by time band of the payments to be received

(thousands of euro) Time bands	Total 31/12/2021 Lease payments to be received
Up to 1 year	17,822
Between 1 and 2 years	11,836
Between 2 and 3 years	11,836
Between 3 and 4 years	11,836
Between 4 and 5 years	11,836
Over 5 years	265,474
Total	**330,640**

3.2 Other information

There is no additional information to report.

ANNEXES

1. Annexes to the consolidated financial statements

1.1 Scope of consolidation

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

2. Annexes to the Report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements – CDP Group

1. Annexes to the consolidated financial statements

1.1 Scope of consolidation

Company name	Registered office	Investor	% holding	Consolidation method
Parent Company				
Cassa Depositi e Prestiti S.p.A.	Rome			
Consolidated companies				
2F PER VADO - S.c.a.r.l.	Genoa	Fincantieri Infrastructure S.p.A.	49,00%	Equity method
4TCC1 S.c.a.r.l.	Trieste	Fincantieri S.p.A.	5,00%	Equity method
		Fincantieri SI S.p.A.	75,00%	Equity method
ACE Marine LLC	Madison, WI	FINCANTIERI MARINE GROUP LLC	100,00%	Line-by-line
African Trade Insurance Company	Nairobi	SACE S.p.A.	3,23%	Equity method
Albanian Gas Service Company Sh.a.	Tirana	SNAM S.p.A.	25,00%	At cost
Alfiere S.p.A.	Rome	CDP Immobiliare S.r.l.	100,00%	Line-by-line
Alivieri Power Units Maintenance SA	Athens	Ansaldo Energia Switzerland AG	100,00%	Line-by-line
Altiforni e Ferriere di Servola S.p.A.	Udine	Fintecna S.p.A.	24,10%	At cost
Ansaldo Algerie Sarl	Algiers	Ansaldo Energia S.p.A.	49,00%	Equity method
Ansaldo Energia Gulf	ABU DHABI	Ansaldo Energia S.p.A.	100,00%	Line-by-line
Ansaldo Energia IP UK Ltd	London	Ansaldo Energia S.p.A.	100,00%	Line-by-line
Ansaldo Energia Iranian LLC	Tehran	Ansaldo Russia LLC	30,00%	Line-by-line
		Ansaldo Energia S.p.A.	70,00%	Line-by-line
Ansaldo Energia Muscat LLC	Muscat	Ansaldo Energia Switzerland AG	50,00%	Line-by-line
		Ansaldo Energia S.p.A.	50,00%	Line-by-line
Ansaldo Energia Netherlands BV	Breda	Ansaldo Energia Switzerland AG	100,00%	Line-by-line
Ansaldo Energia S.p.A.	Genoa	CDP Equity S.p.A.	87,57%	Line-by-line
Ansaldo Energia Spain S.L.	Zaragoza	Ansaldo Energia Switzerland AG	100,00%	Line-by-line
Ansaldo Energia Switzerland AG	Baden	Ansaldo Energia S.p.A.	100,00%	Line-by-line
Ansaldo Gas Turbine Technology Co. LTD (JVA)	Shanghai	Ansaldo Energia S.p.A.	60,00%	Equity method
Ansaldo Green Tech S.p.A.	Genoa	Ansaldo Energia S.p.A.	100,00%	Line-by-line
Ansaldo Nigeria Limited	Lagos	Ansaldo Energia S.p.A.	60,00%	Line-by-line
Ansaldo Nucleare S.p.A.	Genoa	Ansaldo Energia S.p.A.	100,00%	Line-by-line
Ansaldo Russia LLC	Moscow	Ansaldo Energia S.p.A.	100,00%	Line-by-line
Arbolia S.p.A. Societa' Benefit	Milan	SNAM S.p.A.	51,00%	At cost
ARSENAL S.r.l.	Trieste	FINCANTIERI OIL & GAS S.p.A.	100,00%	Line-by-line
AS Gasinfrastruktur Beteiligung GmbH	Vienna	SNAM S.p.A.	40,00%	Equity method
Asia Power Project Private Ltd	Chennai	Ansaldo Energia S.p.A.	100,00%	Line-by-line
Asset Company 10 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	Line-by-line
Asset Company 11 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	At cost
ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	Line-by-line
Asset Company 4 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	At cost
ASSET COMPANY 7 B.V.	Amsterdam	SNAM S.p.A.	100,00%	At cost
Asset Company 9 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	At cost
A-U Finance Holdings Bv	Amsterdam	Ansaldo Energia S.p.A.	40,00%	Equity method
Auto Sport Engineering Limited	United Kingdom	Marval S.r.l.	100,00%	Line-by-line
AVVENIA THE ENERGYINNOVATOR S.r.l.	Rome	Terna Energy Solutions S.r.l.	100,00%	Line-by-line
B.F. S.p.A.	Jolanda di Savoia (FE)	CDP Equity S.p.A.	17,54%	Equity method

Company name	Registered office	Investor	% holding	Consolidation method
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100,00%	Line-by-line
Bioteca soc. cons. a r.l.	Carpi (MO)	SOF S.p.A.	33,00%	Equity method
Bludigit S.p.A.	Turin	Italgas S.p.A.	100,00%	Line-by-line
Bonafous S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100,00%	Line-by-line
BOP6 s.c.a.r.l.	Trieste	Fincantieri SI S.p.A.	95,00%	Line-by-line
		Fincantieri S.p.A.	5,00%	Line-by-line
Brevik Technology AS	Brevik	Vard Group AS	34,00%	Equity method
Brugg Cables (India) Pvt., Ltd.	Haryana	Brugg Kabel AG	99,74%	Line-by-line
		Brugg Kabel GmbH	0,26%	Line-by-line
Brugg Cables (Shanghai) Co., Ltd.	Shanghai	Brugg Kabel AG	100,00%	Line-by-line
Brugg Cables (Suzhou) Co., Ltd.	Suzhou	Brugg Cables (Shanghai) Co., Ltd.	100,00%	Line-by-line
Brugg Cables Italia S.r.l.	Rome	Brugg Kabel Manufacturing AG	100,00%	Line-by-line
Brugg Cables Middle East DMCC	Dubai	Brugg Kabel AG	100,00%	Line-by-line
Brugg Kabel AG	Brugg	Brugg Kabel Services AG	90,00%	Line-by-line
Brugg Kabel GmbH	Schwieberdingen	Brugg Kabel AG	100,00%	Line-by-line
Brugg Kabel Manufacturing AG	Brugg	Brugg Kabel Services AG	100,00%	Line-by-line
Brugg Kabel Services AG	Brugg	Terna Energy Solutions S.r.l.	100,00%	Line-by-line
BUSBAR4F s.c.a.r.l.	Trieste	Fincantieri S.p.A.	10,00%	Equity method
		Fincantieri SI S.p.A.	50,00%	Equity method
C.S.I S.r.l.	Milan	Fincantieri NexTech S.p.A.	75,65%	Line-by-line
C2MAC Group S.p.A.	Montorso Vicentino	Melt 1 S.r.l. a socio unico	57,60%	Line-by-line
Cagliari 89 Scarl in liquidazione	Monastir (CA)	Fintecna S.p.A.	51,00%	At cost
Castor Drilling Solution AS	Kristiansand S	Seaonics AS	34,13%	Equity method
CDP Equity S.p.A.	Milan	CDP S.p.A.	100,00%	Line-by-line
CDP Immobiliare S.r.l.	Rome	CDP S.p.A.	100,00%	Line-by-line
CDP Immobiliare SGR S.p.A.	Rome	CDP S.p.A.	70,00%	Line-by-line
CDP Industria S.p.A.	Rome	CDP S.p.A.	100,00%	Line-by-line
CDP Reti S.p.A.	Rome	CDP S.p.A.	59,10%	Line-by-line
CDP Technologies AS	Ålesund	Seaonics AS	100,00%	Line-by-line
CDP Technologies Estonia OÜ	Tallinn	CDP Technologies AS	100,00%	Line-by-line
CDP Venture Capital SGR S.p.A.	Rome	CDP Equity S.p.A.	70,00%	At cost
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Fincantieri NexTech S.p.A.	86,10%	Line-by-line
Centro Servizi Navali S.p.A.	San Giorgio di Nogaro (UD)	Fincantieri S.p.A.	10,93%	Equity method
Fratelli Ceresa S.p.A.	Turin	Seaside S.p.A.	100,00%	Line-by-line
CESI S.p.A.	Milan	Terna S.p.A.	42,70%	Equity method
CGES A.D.	Podgorica	Terna S.p.A.	22,09%	Equity method
Changsha Xi Mai Mechanical Construcion Co. Ltd	China	Marval S.r.l.	98,78%	Line-by-line
Cinecittà Luce S.p.A. in liquidazione	Rome	Fintecna S.p.A.	100,00%	At cost
Cinque Cerchi S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100,00%	Line-by-line
Cisar Costruzioni S.c.a.r.l.	Milan	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	30,00%	Equity method
Città Salute Ricerca Milano S.p.A	Milan	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	30,00%	Equity method
Consorzio Codelsa in liquidazione	Rome	Fintecna S.p.A.	100,00%	At cost
CONSORZIO F.S.B.	Marghera (VE)	Fincantieri S.p.A.	58,36%	Equity method
Consorzio IMAFID in liquidazione	Naples	Fintecna S.p.A.	56,85%	At cost
Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Fintecna S.p.A.	45,46%	At cost
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85,00%	At cost

Company name	Registered office	Investor	% holding	Consolidation method
Consorzio Stabile Ansaldo Newclear	Genoa	Ansaldo Nucleare S.p.A.	72,73%	Line-by-line
		Ansaldo Energia S.p.A.	18,18%	Line-by-line
Constructora Finso Chile S.p.A	Santiago	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	100,00%	Line-by-line
Copower S.r.l.	Rome	Tep Energy Solution S.r.l.	51,00%	At cost
CORESO S.A.	Brussels	Terna S.p.A.	15,84%	Equity method
CSS Design Limited	British Virgin Islands (UK)	Vard Marine Inc.	31,00%	Equity method
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Fincantieri S.p.A.	40,00%	Equity method
Cubogas S.r.l.	San Donato Milanese (MI)	Snam 4 Mobility S.p.A.	100,00%	Line-by-line
dCarbonX Ltd	London	Snam International B.V.	12,50%	Equity method
DECOMAR S.p.A.	Massa (MS)	Fincantieri S.p.A.	20,00%	Equity method
DIDO S.r.l.	Milan	Fincantieri S.p.A.	30,00%	Equity method
Difebal S.A.	Montevideo	Terna S.p.A.	100,00%	Line-by-line
DOF Iceman AS	Storebø	Vard Group AS	50,00%	Equity method
Dynamic	Saint-Paul-lès-Durance	Ansaldo Energia S.p.A.	10,00%	Equity method
		Ansaldo Nucleare S.p.A.	15,00%	Equity method
East Mediterranean Gas Company S.a.e.	Cairo	Snam International B.V.	25,00%	Equity method
Ecoprogetto Milano S.r.l.	San Donato Milanese (MI)	Renerwaste Lodi S.r.l.	55,00%	Line-by-line
		Renerwaste S.r.l.	45,00%	Line-by-line
Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	Renerwaste S.r.l.	100,00%	Line-by-line
Elettra One S.p.A.	Milan	Fondo Italiano Consolidamento e Crescita (FICC)	90,20%	Line-by-line
Elite S.p.A.	Milan	CDP S.p.A.	15,00%	Equity method
ELMED Etudes S.a.r.l.	Tunis	Terna S.p.A.	50,00%	Equity method
Empoli Salute Gestione S.c.a.r.l.	Florence	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	95,00%	Line-by-line
		SOF S.p.A.	5,00%	Line-by-line
Energetika S.c.a.r.l.	Florence	SOF S.p.A.	40,00%	Equity method
Energy Investment Solution S.r.l.	Brescia	Tep Energy Solution S.r.l.	40,00%	At cost
Enerpaper S.r.l.	Turin	Seaside S.p.A.	10,00%	Equity method
Enersi Sicilia	San Donato Milanese (MI)	Renerwaste S.r.l.	100,00%	Line-by-line
Eni S.p.A.	Rome	CDP S.p.A.	25,96%	Equity method
Ensco 1053 Ltd	United Kingdom	Marval S.r.l.	100,00%	Line-by-line
Enura S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	55,00%	Line-by-line
E-phors S.p.A.	Milan	Fincantieri NexTech S.p.A.	100,00%	Line-by-line
Equigy B.V.	Arnhem	Terna S.p.A.	20,00%	Equity method
Ergon Projects ltd	Gżira	SOF S.p.A.	1,00%	Line-by-line
		FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	99,00%	Line-by-line
ERSMA 2026 - Società Consortile a Responsabilità Limitata	Rome	Fincantieri SI S.p.A.	20,00%	Equity method
ESPERIA-CC S.r.l.	Rome	Terna S.p.A.	1,00%	Line-by-line
ESSETI sistemi e tecnologie S.r.l.	Milan	Fincantieri NexTech S.p.A.	51,00%	Line-by-line
Estaleiro Quissamã Ltda	Rio de Janeiro	Vard Group AS	50,50%	Line-by-line
		Vard Promar SA	49,50%	Line-by-line
ETIHAD SHIP BUILDING LLC	ABU DHABI	Fincantieri S.p.A.	35,00%	Equity method
EUR-Europrogetti & Finanza S.r.l. in liquidazione	Rome	CDP S.p.A.	31,80%	Equity method

Company name	Registered office	Investor	% holding	Consolidation method
Evolve S.p.A.	Milan	Renovit S.p.A.	100,00%	Line-by-line
FIA2 - Fondo Investimenti per l'abitare 2	Rome	CDP S.p.A.	100,00%	Line-by-line
Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri Australia Pty Ltd	Sydney	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri Clea Buildings s.c.a.r.l.	Verona	Fincantieri Infrastructure S.p.A.	51,00%	Equity method
Fincantieri Dragaggi Ecologici S.p.A.	Rome	Fincantieri S.p.A.	55,00%	Line-by-line
Fincantieri Holding B.V.	Amsterdam	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri India Private Limited	New Delhi	Fincantieri S.p.A.	1,00%	Line-by-line
		Fincantieri Holding B.V.	99,00%	Line-by-line
Fincantieri Infrastructure Florida Inc	Miami - Florida	Fincantieri Infrastructure USA, Inc.	100,00%	Line-by-line
Fincantieri Infrastructure Opere Marittime S.p.A.	Trieste	Fincantieri Infrastructure S.p.A.	100,00%	Line-by-line
Fincantieri Infrastructure S.p.A.	Trieste	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri Infrastructure USA, Inc.	Middletown - Delaware	Fincantieri Infrastructure S.p.A.	100,00%	Line-by-line
Fincantieri Infrastructure Wisconsin, Inc.	Appleton - Wisconsin	Fincantieri Infrastructure USA, Inc.	100,00%	Line-by-line
FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	Rome	Fincantieri Infrastructure S.p.A.	90,00%	Line-by-line
Fincantieri Marine Group Holdings Inc.	Wilmington, DE	Fincantieri USA Inc.	87,44%	Line-by-line
FINCANTIERI MARINE GROUP LLC	Carson City, NV	Fincantieri Marine Group Holdings Inc.	100,00%	Line-by-line
Fincantieri Marine Systems North America Inc.	Wilmington, DE	Fincantieri USA Inc.	100,00%	Line-by-line
Fincantieri NexTech S.p.A.	Milan	Fincantieri S.p.A.	100,00%	Line-by-line
FINCANTIERI OIL & GAS S.p.A.	Trieste	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri S.p.A.	Trieste	CDP Industria S.p.A.	71,32%	Line-by-line
Fincantieri Services Doha LLC	Qatar	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri Services Middle East LLC	Doha (QFC)	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri Services USA LLC	Plantation, FL	Fincantieri USA Inc.	100,00%	Line-by-line
Fincantieri SI S.p.A.	Trieste	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100,00%	Line-by-line
Fincantieri Sweden AB	Stockholm	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri USA Holding LLC	Wilmington, DE	Fincantieri S.p.A.	100,00%	Line-by-line
Fincantieri USA Inc.	Wilmington, DE	Fincantieri USA Holding LLC	35,00%	Line-by-line
		Fincantieri S.p.A.	65,00%	Line-by-line
FINMESA S.c.a.r.l.	Milan	Fincantieri SI S.p.A.	50,00%	Equity method
Fintecna S.p.A.	Rome	CDP S.p.A.	100,00%	Line-by-line
FIV Comparto Extra	Rome	CDP S.p.A.	100,00%	Line-by-line
FIV Comparto Plus	Rome	CDP S.p.A.	100,00%	Line-by-line
Florence InvestCo S.r.l.	Milan	Fondo Italiano Consolidamento e Crescita (FICC)	40,20%	Equity method
Flytop S.r.l. in liquidazione	Rome	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
FMSNA YK	Nagasaki	Fincantieri Marine Systems North America Inc.	100,00%	Line-by-line
FNT Fondo Nazionale per il Turismo - Comparto A	Rome	CDP S.p.A.	78,17%	Line-by-line
FOF Private Equity Italia	Milan	CDP S.p.A.	74,56%	Fair value
FOF Private Debt	Milan	CDP S.p.A.	62,50%	Line-by-line
FoF Private Debt Italia	Milan	CDP Equity S.p.A.	77,76%	Fair value
FoF Venture Capital	Milan	CDP S.p.A.	76,69%	Fair value
Fondmatic Hydraulic Machining S.r.l.	Bologna	C2MAC Group S.p.A.	100,00%	At cost
Fondo Italiano Consolidamento e Crescita (FICC)	Milan	CDP S.p.A.	65,99%	Line-by-line
Fondo Italiano di Investimento SGR S.p.A.	Milan	CDP Equity S.p.A.	68,00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Fondo Italiano Tecnologia e Crescita (FITEC)	Milan	CDP S.p.A.	64,89%	Fair value
FSE Fondo Sviluppo Export	Milan	SACE S.p.A.	100,00%	Line-by-line
FSI Investimenti S.p.A.	Milan	CDP Equity S.p.A.	77,12%	Line-by-line
FSI SGR S.p.A.	Milan	CDP Equity S.p.A.	39,00%	Equity method
FSIA Investimenti S.r.l.	Milan	FSI Investimenti S.p.A.	100,00%	Line-by-line
FT1 Fondo Turismo 1	Rome	FNT Fondo Nazionale per il Turismo	100,00%	Line-by-line
FT2 Fondo Turismo 2	Rome	FNT Fondo Nazionale per il Turismo	100,00%	Fair value
Galaxy Pipeline Assets Holdco Limited	Jersey	SNAM S.p.A.	12,33%	Equity method
Gannouch Maintenance Sarl	Tunis	Ansaldo Energia Switzerland AG	1,00%	Line-by-line
		Ansaldo Energia Netherlands BV	99,00%	Line-by-line
Gasrule Insurance D.A.C.	Dublin	SNAM S.p.A.	100,00%	Line-by-line
Gaxa S.p.A	Milan	Italgas S.p.A.	51,85%	Line-by-line
Gesam Reti S.p.A.	Lucca	Toscana Energia S.p.A.	42,96%	Equity method
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
Greenit S.p.A.	San Donato Milanese (MI)	CDP Equity S.p.A.	49,00%	Equity method
Gruppo PSC S.p.A.	Maratea (PZ)	Fincantieri S.p.A.	10,00%	Equity method
Halfbridge Automation S.r.l.	Rome	LT S.r.l.	70,00%	Line-by-line
HMS IT S.p.A.	Rome	Fincantieri NexTech S.p.A.	60,00%	Line-by-line
Holding Reti Autostradali S.p.A.	Rome	CDP Equity S.p.A.	51,00%	At cost
Hospital Building Technologies S.c.a.r.l.	Florence	SOF S.p.A.	20,00%	Equity method
Hotelturist S.p.A.	Padua	CDP Equity S.p.A.	45,95%	Equity method
IDS Australasia PTY Ltd	Brendale	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
IDS Ingegneria Dei Sistemi (UK) Ltd	Fareham	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
IDS Ingegneria Dei Sistemi S.p.A.	Pisa	Fincantieri NexTech S.p.A.	90,00%	Line-by-line
IDS Korea Co. Ltd	Daejeon	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
IDS North America Ltd	Ottawa	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
IDS Technologies US Inc.	Littleton	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
IES Biogas S.r.l.	Pordenone	Snam 4 Environment S.r.l.	100,00%	Line-by-line
IES Biogas S.r.l. (Argentina)	Buenos Aires	IES Biogas S.r.l.	95,00%	At cost
		Snam 4 Environment S.r.l.	5,00%	At cost
Industrie De Nora S.p.A.	Milan	Asset Company 10 S.r.l.	35,63%	Equity method
Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	ASSET COMPANY 2 S.r.l.	100,00%	Line-by-line
Iniziative Biometano S.p.A.	San Donato Milanese (MI)	Snam 4 Environment S.r.l.	50,00%	Equity method
Inso Albania S.h.p.k.	Tirana	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	100,00%	Line-by-line
Interconnector Ltd	London	Snam International B.V.	23,68%	Equity method
Interconnector Zeebrugge Terminal B.V.	Brussels	Snam International B.V.	25,00%	Equity method
IQ Made in Italy Investment Company S.p.A.	Milan	FSI Investimenti S.p.A.	50,00%	Equity method
Island Diligence AS	Stålhaugen	Vard Group AS	39,38%	Equity method
Island Discoverer AS	Ulsteinvik	Vard Group AS	46,90%	Equity method
Island Offshore XII Ship AS	Ulsteinvik	Vard Group AS	46,90%	Equity method
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 method
Issel Nord S.r.l.	Follo	Fincantieri NexTech S.p.A.	100,00%	Line-by-line
Italgas Acqua S.p.A.	Milan	Italgas S.p.A.	100,00%	Line-by-line
Italgas Newco S.r.l.	Milan	Italgas S.p.A.	100,00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
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.	26,02%	Line-by-line
		SNAM S.p.A.	13,49%	Line-by-line
ITS Integrated Tech System S.r.l.	La Spezia	Rob.Int. S.r.l.	51,00%	Equity method
ITsART S.p.A.	Milan	CDP S.p.A.	51,00%	Line-by-line
Kedrion S.p.A.	Castelvecchio Pascoli (LU)	FSI Investimenti S.p.A.	25,06%	Equity method
Laser TLC S.r.l.	Rome	Brugg Cables Italia S.r.l.	100,00%	Line-by-line
Latina Biometano S.r.l.	Rome	IES Biogas S.r.l.	32,50%	At cost
Leonardo Sistemi Integrati S.r.l.	Genoa	Fincantieri NexTech S.p.A.	14,58%	Equity method
LT Enerray S.r.l.	Rome	LT S.r.l.	100,00%	Line-by-line
LT S.r.l.	Rome	Terna Energy Solutions S.r.l.	75,00%	Line-by-line
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	40,00%	Equity method
Marina Bay S.A.	Luxembourg	Fincantieri NexTech S.p.A.	100,00%	Line-by-line
MARINE INTERIORS CABINS S.p.A.	Trieste	Marine Interiors S.p.A.	100,00%	Line-by-line
Marine Interiors S.p.A.	Trieste	Fincantieri S.p.A.	100,00%	Line-by-line
MARINE PROJECT SOLUTIONS S.c.a.r.l.	Vittorio Veneto (TV)	MI S.p.A.	100,00%	Line-by-line
Marinette Marine Corporation	Green Bay, WI	FINCANTIERI MARINE GROUP LLC	100,00%	Line-by-line
Marval S.r.l.	Turin	Stark Two S.r.l.	69,47%	Line-by-line
Maticmind S.p.A.	Vimodrone	Elettra One S.p.A.	42,42%	Equity method
MC4COM - Mission critical for communication S.c.a.r.l.	Milan	HMS IT S.p.A.	50,00%	Equity method
Medea S.p.A.	Sassari	Italgas Reti S.p.A.	51,85%	Line-by-line
Melt 1 S.r.l. a socio unico	Milan	Fondo Italiano Consolidamento e Crescita (FICC)	100,00%	Line-by-line
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Italgas S.p.A.	50,00%	Equity method
MI S.p.A.	Trieste	Marine Interiors S.p.A.	100,00%	Line-by-line
Mieci S.p.A.	Milan	Renovit S.p.A.	100,00%	Line-by-line
Møkster Supply AS	Stavanger	Vard Group AS	40,00%	Equity method
Møkster Supply KS	Stavanger	Vard Group AS	36,00%	Equity method
Naviris S.p.A.	Genoa	Fincantieri S.p.A.	50,00%	Equity method
Nexi S.p.A.	Milan	FSIA Investimenti S.r.l.	8,28%	Equity method
		CDP Equity S.p.A.	5,30%	Equity method
Niehlgas Gmbh	Oberursel	Ansaldo Energia Switzerland AG	100,00%	Line-by-line
Nord Ovest Toscana Energia S.r.l	Vicopisano (PI)	SOF S.p.A.	34,00%	Equity method
Note Gestione S.c.a.r.l.	Reggio Emilia	SOF S.p.A.	34,00%	Equity method
Nuclear Enginnering Group Limited	Wolverhampton	Ansaldo Nucleare S.p.A.	100,00%	Line-by-line
Nuovo Santa Chiara Hospital S.c.a r.l.	Florence	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	50,00%	Equity method
OLT Offshore LNG Toscana S.p.A.	Milan	SNAM S.p.A.	49,07%	Equity method
Olympic Green Energy KS	Fosnavåg	Vard Group AS	29,50%	Equity method
Open Fiber Holdings S.p.A.	Milan	CDP Equity S.p.A.	60,00%	Equity method
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51,00%	Equity method
Pentagramma Piemonte S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100,00%	Line-by-line
Pentagramma Romagna S.p.A. in liquidazione unipersonale	Rome	CDP Immobiliare S.r.l.	100,00%	Line-by-line
PERGENOVA s.c.p.a.	Genoa	Fincantieri Infrastructure S.p.A.	50,00%	Equity method
Perucchini S.p.A.	Omegna (VB)	C2MAC Group S.p.A.	100,00%	Line-by-line
PI.SA. 2 S.r.l. in liquidazione	Rome	Terna S.p.A.	100,00%	Line-by-line
Polaris Anserv S.r.l.	Bucharest	Ansaldo Nucleare S.p.A.	20,00%	Equity method
Poste Italiane S.p.A.	Rome	CDP S.p.A.	35,00%	Equity method
Power4Future S.p.A.	Calderara di Reno (BO)	Fincantieri SI S.p.A.	52,00%	Equity method

Company name	Registered office	Investor	% holding	Consolidation method
Prelios Solutions & Technologies S.r.l.	Milan	Fincantieri NexTech S.p.A.	49,00%	Equity method
Quadrifoglio Brescia S.p.A.	Rome	CDP Immobiliare S.r.l.	50,00%	At cost
Quadrifoglio Genova S.p.A.	Rome	CDP Immobiliare S.r.l.	100,00%	At cost
Quadrifoglio Piacenza S.p.A.	Rome	CDP Immobiliare S.r.l.	50,00%	At cost
QuattroR SGR S.p.A.	Milan	CDP Equity S.p.A.	40,00%	Equity method
Redo SGR S.p.A.	Milan	CDP S.p.A.	30,00%	At cost
REICOM S.r.l.	Milan	Fincantieri NexTech S.p.A.	100,00%	Line-by-line
Rem Supply AS	Ålesund	Vard Group AS	26,66%	Equity method
Renerwaste Lodi S.r.l.	Bolzano	Renerwaste S.r.l.	100,00%	Line-by-line
Renerwaste S.r.l.	San Donato Milanese (MI)	Snam 4 Environment S.r.l.	100,00%	Line-by-line
Renovit S.p.A.	San Donato Milanese (MI)	CDP Equity S.p.A.	30,00%	Line-by-line
		SNAM S.p.A.	60,05%	Line-by-line
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	100,00%	Line-by-line
Rete S.r.l.	Rome	Terna S.p.A.	100,00%	Line-by-line
Rob.Int S.r.l.	Pisa	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
Rocco Forte Hotels Limited	London	FSI Investimenti S.p.A.	23,00%	Equity method
S.Ene.Ca Gestioni S.c.a.r.l.	Florence	SOF S.p.A.	49,00%	Equity method
S.L.S. - Support Logistic Services S.r.l.	Guidonia Montecelio	Fincantieri NexTech S.p.A.	60,00%	Line-by-line
SACE BT	Rome	SACE S.p.A.	100,00%	Line-by-line
Sace do Brasil	São 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 Industria S.p.A.	12,55%	Equity method
Scaranello S.r.l.	Rovigo	C2MAC Group S.p.A.	100,00%	Line-by-line
Seanergy a Marine Interiors Company S.r.l.	Pordenone	MARINE INTERIORS CABINS S.p.A.	85,00%	Line-by-line
Seaonics AS	Ålesund	Vard Group AS	100,00%	Line-by-line
Seaonics Polska SP.Z O.O.	Gdańsk	Seaonics AS	100,00%	Line-by-line
Seaside S.p.A.	Casalecchio di Reno	Italgas S.p.A.	67,22%	Line-by-line
		Toscana Energia S.p.A.	32,78%	Line-by-line
Seastema S.p.A	Genoa	Fincantieri NexTech S.p.A.	100,00%	Line-by-line
Securitè des environnements Complexes S.r.l.	Milan	Fincantieri NexTech S.p.A.	100,00%	Line-by-line
Senfluga energy infrastructure holdings S.A.	Athens	SNAM S.p.A.	60,00%	Equity method
Shanghai Electric Gas Turbine Co. LTD (JVS)	Shanghai	Ansaldo Energia S.p.A.	40,00%	Equity method
Simest S.p.A.	Rome	SACE S.p.A.	76,01%	Line-by-line
Skytech Italia S.r.l.	Rome	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
Snam 4 Environment S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	Line-by-line
Snam 4 Mobility S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	Line-by-line
Snam Gas & Energy Services (Beijing) Co. Ltd.	Beijing	Snam International B.V.	100,00%	At cost
Snam International B.V.	Amsterdam	SNAM S.p.A.	100,00%	Line-by-line
Snam International UK Limited	London	Snam International B.V.	100,00%	At cost
Snam Middle East BV BS Co	Riyadh	Snam International B.V.	100,00%	At cost
Snam North America LLC	New York	Snam International B.V.	100,00%	At cost

Company name	Registered office	Investor	% holding	Consolidation method
SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	Line-by-line
SNAM S.p.A.	San Donato Milanese (MI)	CDP Reti S.p.A.	31,35%	Line-by-line
Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Fincantieri S.p.A.	100,00%	Line-by-line
SOF S.p.A.	Florence	FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	100,00%	Line-by-line
SOUTHEAST ELECTRICITY NETWORK COORDINATION CENTER S.A.	Thessaloniki	Terna S.p.A.	25,00%	Equity method
SPE Santa Lucia Transmissora de Energia S.A.	Rio de Janeiro	Terna Chile S.p.A.	0,01%	Line-by-line
		TERNA PLUS S.r.l.	99,9900000%	Line-by-line
SPE Santa Maria Transmissora de Energia S.A.	Rio de Janeiro	Terna Chile S.p.A.	0,0100000%	Line-by-line
		TERNA PLUS S.r.l.	99,99%	Line-by-line
SPE TRANSMISSORA DE ENERGIA LINHA VERDE I S.A.	Belo Horizonte	TERNA PLUS S.r.l.	75,00%	Line-by-line
SPE TRANSMISSORA DE ENERGIA LINHA VERDE II S.A.	Belo Horizonte	TERNA PLUS S.r.l.	99,99994%	Line-by-line
		Terna Chile S.p.A.	0,00006%	Line-by-line
Stark Two S.r.l.	Milan	Fondo Italiano Consolidamento e Crescita (FICC)	75,14%	Line-by-line
STARS Railway Systems	Rome	IDS Ingegneria Dei Sistemi S.p.A.	48,00%	Equity method
		TRS Sistemi S.r.l.	2,00%	Equity method
Stogit S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100,00%	Line-by-line
Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	Tamini Trasformatori S.r.l.	100,00%	Line-by-line
Tamini Transformers USA L.L.C.	Sewickley	Tamini Trasformatori S.r.l.	100,00%	Line-by-line
Tamini Trasformatori S.r.l.	Legnano (MI)	Terna Energy Solutions S.r.l.	100,00%	Line-by-line
Tea Innovazione Due S.r.l.	Brescia	Tep Energy Solution S.r.l.	100,00%	At cost
Team Turbo Machines SAS	La Trinité De Thouberville	Fincantieri S.p.A.	85,00%	Line-by-line
Tep Energy Solution S.r.l.	Rome	Renovit S.p.A.	100,00%	Line-by-line
Terega Holding S.A.S.	Pau	SNAM S.p.A.	40,50%	Equity method
Terna 4 Chacas S.A.C.	Lima	TERNA PLUS S.r.l.	99,99%	Line-by-line
		Terna Chile S.p.A.	0,010%	Line-by-line
Terna Chile S.p.A.	Santiago	TERNA PLUS S.r.l.	100,000%	Line-by-line
TERNA Crna Gora d.o.o.	Podgorica	Terna S.p.A.	100,00%	Line-by-line
Terna Energy Solutions S.r.l.	Rome	Terna S.p.A.	100,00%	Line-by-line
Terna Interconnector S.r.l.	Rome	TERNA RETE ITALIA S.p.A.	5,00%	Line-by-line
		Terna S.p.A.	65,00%	Line-by-line
Terna Peru S.A.C.	Lima	Terna Chile S.p.A.	0,01%	Line-by-line
		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
Tlux S.r.L.	Piancogno (BS)	Mieci S.p.A.	100,00%	Line-by-line
Toscana Energia S.p.A.	Florence	Italgas S.p.A.	50,66%	Line-by-line
Trans Adriatic Pipeline AG	Baar	Snam International B.V.	20,00%	Equity method
Trans Austria Gasleitung GmbH	Vienna	SNAM S.p.A.	84,47%	Equity method
Trevi Finanziaria Industriale S.p.A	Cesena	SACE S.p.A.	6,99%	Equity method
		FSI Investimenti S.p.A.	25,67%	Equity method
TRS Sistemi S.r.l.	Rome	IDS Ingegneria Dei Sistemi S.p.A.	100,00%	Line-by-line
Umbria Distribuzione GAS S.p.A.	Terni	Italgas S.p.A.	45,00%	Equity method
Unifer Navale S.r.l. in liquidazione	Finale Emilia (MO)	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	20,00%	Equity method
UNIONE DI TAMINI - CERB – DZZD	Sofia	Tamini Trasformatori S.r.l.	78,48%	Line-by-line
Valdarno S.r.l.	Pisa	Toscana Energia S.p.A.	30,04%	Equity method
Valvitalia Finanziaria S.p.A.	Milan	FSI Investimenti S.p.A.	50,00%	Equity method

Company name	Registered office	Investor	% holding	Consolidation method
Vard Accommodation AS	Tennfjord	Vard Group AS	100,00%	Line-by-line
Vard Accommodation Tulcea S.r.l.	Tulcea	Vard Accommodation AS	99,77%	Line-by-line
		Vard Electro Tulcea S.r.l.	0,23%	Line-by-line
Vard Aqua Chile SA	Puerto Montt	Vard Aqua Sunndal AS	95,00%	Line-by-line
Vard Aqua Scotland Ltd	Aberdeen	Vard Aqua Sunndal AS	100,00%	Line-by-line
Vard Aqua Sunndal AS	Sunndal	Vard Group AS	100,00%	Line-by-line
Vard Braila SA	Brăila	Vard Group AS	5,88%	Line-by-line
		Vard RO Holding S.r.l.	94,12%	Line-by-line
Vard Design AS	Ålesund	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	99,50%	Line-by-line
		Vard Electro Tulcea S.r.l.	0,50%	Line-by-line
Vard Electro AS	Tennfjord	Vard Group AS	100,00%	Line-by-line
Vard Electro Braila S.r.l.	Brăila	Vard Electro AS	100,00%	Line-by-line
Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niterói	Vard Group AS	1,00%	Line-by-line
		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.	Trieste	Vard Electro AS	100,00%	Line-by-line
Vard Electro Romania S.r.l.	Tulcea	Vard Electro AS	100,00%	Line-by-line
Vard Electro US Inc.	Delaware	Vard Electro Canada Inc	100,00%	Line-by-line
Vard Engineering Brevik AS	Brevik	Vard Group AS	100,00%	Line-by-line
Vard Engineering Constanta S.r.l.	Konstanz	Vard RO Holding S.r.l.	70,00%	Line-by-line
		Vard Braila SA	30,00%	Line-by-line
Vard Engineering Gdansk sp. Z o. o.	Gdańsk	Vard Engineering Brevik AS	100,00%	Line-by-line
Vard Group AS	Ålesund	Vard Holdings Limited	100,00%	Line-by-line
Vard Holdings Limited	Singapore	FINCANTIERI OIL & GAS S.p.A.	98,33%	Line-by-line
Vard Infraestrutura Ltda	Ipojuca	Vard Promar SA	99,99%	Line-by-line
		Vard Group AS	0,01%	Line-by-line
Vard International Services S.r.l.	Konstanz	Vard Braila SA	100,00%	Line-by-line
Vard Marine Inc.	Vancouver	Vard Group AS	100,000%	Line-by-line
Vard Marine US Inc.	Dallas	Vard Marine Inc.	100,000%	Line-by-line
Vard Niteroi RJ S.A.	Rio de Janeiro	Vard Group AS	99,99%	Line-by-line
		Vard Electro Brazil (Instalacoes Eletricas) Ltda	0,01%	Line-by-line
Vard Piping AS	Søvik	Vard Group AS	100,00%	Line-by-line
Vard Promar SA	Ipojuca	Vard Group AS	99,999%	Line-by-line
Vard RO Holding S.r.l.	Tulcea	Vard Group AS	99,9998%	Line-by-line
Vard Shipholding Singapore Pte Ltd	Singapore	Vard Holdings Limited	100,00%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100,00%	Line-by-line
Vard Tulcea SA	Tulcea	Vard RO Holding S.r.l.	99,996%	Line-by-line
		Vard Group AS	0,004%	Line-by-line
Vard Vung Tau Ltd	Vũng Tàu	Vard Singapore Pte. Ltd.	100,00%	Line-by-line
Vimercate Salute Gestioni S.c.a.r.l.	Milan	SOF S.p.A.	3,65%	Equity method
		FINCANTIERI INFRASTRUTTURE SOCIALI S.p.A.	49,10%	Equity method

Company name	Registered office	Investor	% holding	Consolidation method
Webuild S.p.A.	Milan	CDP Equity S.p.A.	16,67%	Equity method
		Fincantieri S.p.A.	0,07%	Equity method
		SACE FCT	0,05%	Equity method
		SACE S.p.A.	0,31%	Equity method
Yeni Aen Insaat Anonim Sirketi	Istanbul	Ansaldo Energia S.p.A.	100,00%	Line-by-line

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law 124 of 4 August 2017, whose rules have been reformulated by Article 35 of Decree Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds.

The reformulation of the original regulatory provisions clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding “Transparency in the system of public funding: analysis of the rules and interpretation guidance”.

According to the contents of Article 35 of decree no. 34/2019:

- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries;
- the publication obligations established for government agencies by Article 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

The disclosure obligations established by Law 124 of 2017, in continuity with what was represented during the first application, are thus limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law 124/2017 is provided in table form, indicating:

- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit (reason for payment).

The tables below show the public funding received and disbursed in 2021 by the subsidiaries of the CDP Group, consolidated on a line-by-line basis, that fall within the subjective scope of application of the law in question, as presented in the respective separate or sub-consolidated financial statements.

Public funding received pursuant to Art. 1, par. 125, Law No. 124/2017

(thousands of euro)

Beneficiary	Grantor	Motive	Amount
Terna S.p.A.	Ministry of Economic Development (MISE)	Government grants collected	22.903
Terna S.p.A.	Sicily Region	Government grants collected	8.823
Fincantieri S.p.A.	Ministry of Economic Development (MISE)	STESS	963
Fincantieri S.p.A.	MIT	Project "AGORA'"	2.234
Fincantieri S.p.A.	MIT	Project "Leadership Tecnologica"	2.234
Fincantieri S.p.A.	Friuli Venezia Giulia Region	GLU&NAV	48
Fincantieri S.p.A.	Competence Centre Association START 4.0	Research project "CYMON"	40
Fincantieri S.p.A.	Valle d'Aosta Region	Project business development "PO FERS"	19
Fincantieri S.p.A.	Ministry of Defence	Project "ETEF"	35
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	MIUR	Research project "MICADI"	138
Isotta Fraschini Motori S.p.A.	Puglia Region	Project "BACK TO THE BASIC"	8.296
Seastema S.p.A	Rina Consulting	Project "ENGIMMONIA"	134
Italgas Reti S.p.A.	VICO EQUENSE	Grants related to plants - see note (1)	1.937
Italgas Reti S.p.A.	MORRO D'ORO	Grants related to plants - see note (1)	14
Italgas Reti S.p.A.	BARANO D'ISCHIA	Grants related to plants - see note (1)	1.754
Italgas Reti S.p.A.	SORRENTO	Grants related to plants - see note (1)	705
Italgas Reti S.p.A.	META	Grants related to plants - see note (1)	224
Italgas Reti S.p.A.	PIANO DI SORRENTO	Grants related to plants - see note (1)	559
Italgas Reti S.p.A.	SANT' AGNELLO	Grants related to plants - see note (1)	277
Italgas Reti S.p.A.	MASSA LUBRENSE	Grants related to plants - see note (1)	390
Italgas Reti S.p.A.	CASTEL SAN GIORGIO	Grants related to plants - see note (1)	552
Italgas Reti S.p.A.	PINETO	Grants related to plants - see note (1)	2
Italgas Reti S.p.A.	ALBI	Grants related to plants - see note (1)	179
Italgas Reti S.p.A.	BIVONGI	Grants related to plants - see note (1)	183
Italgas Reti S.p.A.	BONIFATI	Grants related to plants - see note (1)	152
Italgas Reti S.p.A.	CARAFFA DEL BIANCO	Grants related to plants - see note (1)	96
Italgas Reti S.p.A.	CICALA	Grants related to plants - see note (1)	330
Italgas Reti S.p.A.	COLOSIMI	Grants related to plants - see note (1)	446
Italgas Reti S.p.A.	GERACE	Grants related to plants - see note (1)	405
Italgas Reti S.p.A.	GIMIGLIANO	Grants related to plants - see note (1)	163
Italgas Reti S.p.A.	GROTTERIA	Grants related to plants - see note (1)	546

(thousands of euro)

Beneficiary	Grantor	Motive	Amount
Italgas Reti S.p.A.	PANETTIERI	Grants related to plants - see note (1)	77
Italgas Reti S.p.A.	PAZZANO	Grants related to plants - see note (1)	47
Italgas Reti S.p.A.	PENTONE	Grants related to plants - see note (1)	187
Italgas Reti S.p.A.	SANT'AGATA DEL BIANCO	Grants related to plants - see note (1)	55
Italgas Reti S.p.A.	SANT'ANDREA APOSTOLO DELLO IONIO	Grants related to plants - see note (1)	220
Italgas Reti S.p.A.	SANTA CATERINA DELLO IONIO	Grants related to plants - see note (1)	125
Italgas Reti S.p.A.	SAN SOSTI	Grants related to plants - see note (1)	267
Italgas Reti S.p.A.	SAMO	Grants related to plants - see note (1)	126
Italgas Reti S.p.A.	SANGINETO	Grants related to plants - see note (1)	68
Italgas Reti S.p.A.	SIMERI CRICHI	Grants related to plants - see note (1)	137
Italgas Reti S.p.A.	STIGNANO	Grants related to plants - see note (1)	79
Italgas Reti S.p.A.	STILO	Grants related to plants - see note (1)	336
Italgas Reti S.p.A.	BAGALADI	Grants related to plants - see note (1)	87
Italgas Reti S.p.A.	CONDOFURI	Grants related to plants - see note (1)	95
Italgas Reti S.p.A.	SELLIA	Grants related to plants Law n.784/80	50
Medea S.p.A.	TRATALIAS	Grants related to plants - see note (2)	577
Medea S.p.A.	PISCINAS	Grants related to plants - see note (2)	605
Medea S.p.A.	PERDAXIUS	Grants related to plants - see note (2)	168
Medea S.p.A.	VILLAPERUCCIO	Grants related to plants - see note (2)	542
Medea S.p.A.	ALA' DEI SARDI	Grants related to plants - see note (2)	2.300
Medea S.p.A.	ANELA	Grants related to plants - see note (2)	300
Medea S.p.A.	BENETUTTI	Grants related to plants - see note (2)	2.119
Medea S.p.A.	NULE	Grants related to plants - see note (2)	753
Medea S.p.A.	BITTI	Grants related to plants - see note (2)	324
Medea S.p.A.	ONANI	Grants related to plants - see note (2)	494
Medea S.p.A.	OSIDDA	Grants related to plants - see note (2)	251
Medea S.p.A.	ORUNE	Grants related to plants - see note (2)	282
Medea S.p.A.	DORGALI	Grants related to plants - see note (2)	1.838
Medea S.p.A.	GALTELLI	Grants related to plants - see note (2)	21
Medea S.p.A.	IRGOLI	Grants related to plants - see note (2)	885
Medea S.p.A.	LOCULI	Grants related to plants - see note (2)	257
Medea S.p.A.	ONIFAI	Grants related to plants - see note (2)	406
Medea S.p.A.	OROSEI	Grants related to plants - see note (2)	1.134
Medea S.p.A.	BARRALI	Grants related to plants - see note (2)	995
Medea S.p.A.	GESICO	Grants related to plants - see note (2)	17

(thousands of euro)

Beneficiary	Grantor	Motive	Amount
Medea S.p.A.	GONI	Grants related to plants - see note (2)	17
Medea S.p.A.	GUAMAGGIORE	Grants related to plants - see note (2)	576
Medea S.p.A.	SAN BASILIO	Grants related to plants - see note (2)	150
Medea S.p.A.	SELEGAS	Grants related to plants - see note (2)	1.217
Medea S.p.A.	SENORBI'	Grants related to plants - see note (2)	2.616
Medea S.p.A.	SUELLI	Grants related to plants - see note (2)	1.145
Medea S.p.A.	GIBA	Grants related to plants - see note (2)	449
Medea S.p.A.	MASAINAS	Grants related to plants - see note (2)	432
Medea S.p.A.	NARCAO	Grants related to plants - see note (2)	698
Medea S.p.A.	SANT'ANNA ARRESI	Grants related to plants - see note (2)	755
Medea S.p.A.	SESTU	Grants related to plants - see note (2)	692
Medea S.p.A.	USSANA	Grants related to plants - see note (2)	149
Medea S.p.A.	SAN SPERATE	Grants related to plants - see note (2)	360
Medea S.p.A.	MONASTIR	Grants related to plants - see note (2)	157
Medea S.p.A.	NURAMINIS	Grants related to plants - see note (2)	140
INSIS S.p.A.	Valle d'Aosta Region	Pre-commercial Procurement Tender Lot 4 Waste	43
IDS Ingegneria Dei Sistemi S.p.A.	Campania Region	Research Project grants	182
IDS Ingegneria Dei Sistemi S.p.A.	Ministry of Economic Development (MISE)	Law 808 facilitation	1.024

(1) Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84

(2) Grants related to plants Resolution 54/28 of 22.11.2005 of the Sardinia Autonomous Region - Article 5

Public funding granted pursuant to Art. 1, par. 126, Law No. 124/2017

(thousands of euro)

Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	CDP Foundation	Donations for project grants	5.524
CDP S.p.A.	MUNICIPALITY OF ADRIA	2012 earthquake - see note (2)	154
CDP S.p.A.	MUNICIPALITY OF BAGNOLO DI PO	2012 earthquake - see note (2)	166
CDP S.p.A.	MUNICIPALITY OF BASTIGLIA	2012 earthquake - see note (2)	57
CDP S.p.A.	MUNICIPALITY OF BERGANTINO	2012 earthquake - see note (2)	349
CDP S.p.A.	MUNICIPALITY OF BORGO MANTOVANO	2012 earthquake - see note (2)	7
CDP S.p.A.	MUNICIPALITY OF BORGO VIRGILIO	2012 earthquake - see note (2)	7
CDP S.p.A.	MUNICIPALITY OF BORGOCARBONARA	2012 earthquake - see note (2)	1
CDP S.p.A.	MUNICIPALITY OF CAMPOSANTO	2012 earthquake - see note (2)	1
CDP S.p.A.	MUNICIPALITY OF CANARO	2012 earthquake - see note (2)	215
CDP S.p.A.	MUNICIPALITY OF CANDA	2012 earthquake - see note (2)	102
CDP S.p.A.	MUNICIPALITY OF CASTELMASSA	2012 earthquake - see note (2)	63
CDP S.p.A.	MUNICIPALITY OF CASTELNOVO BARIANO	2012 earthquake - see note (2)	104
CDP S.p.A.	MUNICIPALITY OF CENESELLI	2012 earthquake - see note (2)	60
CDP S.p.A.	MUNICIPALITY OF CENTO	2012 earthquake - see note (2)	1.938
CDP S.p.A.	MUNICIPALITY OF COMMESSAGGIO	2012 earthquake - see note (2)	22
CDP S.p.A.	MUNICIPALITY OF CREVALCORE	2012 earthquake - see note (2)	2
CDP S.p.A.	MUNICIPALITY OF DOSOLO	2012 earthquake - see note (2)	185
CDP S.p.A.	MUNICIPALITY OF FERRARA	2012 earthquake - see note (2)	1.717
CDP S.p.A.	MUNICIPALITY OF FIESSO UMBERTIANO	2012 earthquake - see note (2)	189
CDP S.p.A.	MUNICIPALITY OF GAIBA	2012 earthquake - see note (2)	64
CDP S.p.A.	MUNICIPALITY OF GIACCIANO CON BARUCHELLA	2012 earthquake - see note (2)	98
CDP S.p.A.	MUNICIPALITY OF GUASTALLA	2012 earthquake - see note (2)	205
CDP S.p.A.	MUNICIPALITY OF LUZZARA	2012 earthquake - see note (2)	124
CDP S.p.A.	MUNICIPALITY OF MAGNACAVALLO	2012 earthquake - see note (2)	135
CDP S.p.A.	MUNICIPALITY OF MOTTEGGIANA	2012 earthquake - see note (2)	150
CDP S.p.A.	MUNICIPALITY OF OCCHIOBELLO	2012 earthquake - see note (2)	1.243
CDP S.p.A.	MUNICIPALITY OF PIADENA DRIZZONA	2012 earthquake - see note (2)	95
CDP S.p.A.	MUNICIPALITY OF PIEVE DI CENTO	2012 earthquake - see note (2)	110
CDP S.p.A.	MUNICIPALITY OF PINCARA	2012 earthquake - see note (2)	30
CDP S.p.A.	MUNICIPALITY OF POGGIO RENATICO	2012 earthquake - see note (2)	39
CDP S.p.A.	MUNICIPALITY OF POGGIO RUSCO	2012 earthquake - see note (2)	119
CDP S.p.A.	MUNICIPALITY OF POMPONESCO	2012 earthquake - see note (2)	33
CDP S.p.A.	MUNICIPALITY OF QUINGENTOLE	2012 earthquake - see note (2)	27
CDP S.p.A.	MUNICIPALITY OF QUISTELLO	2012 earthquake - see note (2)	113
CDP S.p.A.	MUNICIPALITY OF ROBECCO D'OGLIO	2012 earthquake - see note (2)	7
CDP S.p.A.	MUNICIPALITY OF RODIGO	2012 earthquake - see note (2)	11
CDP S.p.A.	MUNICIPALITY OF RONCOFERRARO	2012 earthquake - see note (2)	188
CDP S.p.A.	MUNICIPALITY OF SABBIONETA	2012 earthquake - see note (2)	170
CDP S.p.A.	MUNICIPALITY OF SALARA	2012 earthquake - see note (2)	2
CDP S.p.A.	MUNICIPALITY OF SAN DANIELE PO	2012 earthquake - see note (2)	115

(thousands of euro)

Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	MUNICIPALITY OF SAN FELICE SUL PANARO	2012 earthquake - see note (2)	20
CDP S.p.A.	MUNICIPALITY OF SAN GIACOMO DELLE SEGNATE	2012 earthquake - see note (2)	98
CDP S.p.A.	MUNICIPALITY OF SAN GIOVANNI DEL DOSSO	2012 earthquake - see note (2)	74
CDP S.p.A.	MUNICIPALITY OF SAN PROSPERO	2012 earthquake - see note (2)	173
CDP S.p.A.	MUNICIPALITY OF SCHIVENOGLIA	2012 earthquake - see note (2)	70
CDP S.p.A.	MUNICIPALITY OF STIENTA	2012 earthquake - see note (2)	298
CDP S.p.A.	MUNICIPALITY OF SUSTINENTE	2012 earthquake - see note (2)	58
CDP S.p.A.	MUNICIPALITY OF SUZZARA	2012 earthquake - see note (2)	647
CDP S.p.A.	MUNICIPALITY OF TERRE DEL RENO	2012 earthquake - see note (2)	18
CDP S.p.A.	MUNICIPALITY OF TRECENTA	2012 earthquake - see note (2)	343
CDP S.p.A.	MUNICIPALITY OF VIGARANO MAINARDA	2012 earthquake - see note (2)	511
CDP S.p.A.	MUNICIPALITY OF VILLIMPENTA	2012 earthquake - see note (2)	65
CDP S.p.A.	MUNICIPALITY OF ACCUMOLI	Central Italy earthquake - see note (2)	97
CDP S.p.A.	MUNICIPALITY OF ACQUASANTA TERME	Central Italy earthquake - see note (2)	167
CDP S.p.A.	MUNICIPALITY OF AMANDOLA	Central Italy earthquake - see note (2)	123
CDP S.p.A.	MUNICIPALITY OF AMATRICE	Central Italy earthquake - see note (2)	65
CDP S.p.A.	MUNICIPALITY OF ANTRODOCO	Central Italy earthquake - see note (2)	104
CDP S.p.A.	MUNICIPALITY OF APIRO	Central Italy earthquake - see note (2)	215
CDP S.p.A.	MUNICIPALITY OF APPIGNANO DEL TRONTO	Central Italy earthquake - see note (2)	62
CDP S.p.A.	MUNICIPALITY OF ARQUATA DEL TRONTO	Central Italy earthquake - see note (2)	57
CDP S.p.A.	MUNICIPALITY OF ARRONE	Central Italy earthquake - see note (2)	203
CDP S.p.A.	MUNICIPALITY OF ASCOLI PICENO	Central Italy earthquake - see note (2)	1.081
CDP S.p.A.	MUNICIPALITY OF BARETE	Central Italy earthquake - see note (2)	61
CDP S.p.A.	MUNICIPALITY OF BELFORTE DEL CHIENTI	Central Italy earthquake - see note (2)	83
CDP S.p.A.	MUNICIPALITY OF BELMONTE PICENO	Central Italy earthquake - see note (2)	39
CDP S.p.A.	MUNICIPALITY OF BOLOGNOLA	Central Italy earthquake - see note (2)	22
CDP S.p.A.	MUNICIPALITY OF BORBONA	Central Italy earthquake - see note (2)	42
CDP S.p.A.	MUNICIPALITY OF CAGNANO AMITERNO	Central Italy earthquake - see note (2)	10
CDP S.p.A.	MUNICIPALITY OF CALDAROLA	Central Italy earthquake - see note (2)	84
CDP S.p.A.	MUNICIPALITY OF CAMERINO	Central Italy earthquake - see note (2)	675
CDP S.p.A.	MUNICIPALITY OF CAMPLI	Central Italy earthquake - see note (2)	202
CDP S.p.A.	MUNICIPALITY OF CAMPOROTONDO DI FIASTRONE	Central Italy earthquake - see note (2)	23
CDP S.p.A.	MUNICIPALITY OF CAMPOTOSTO	Central Italy earthquake - see note (2)	45
CDP S.p.A.	MUNICIPALITY OF CANTALICE	Central Italy earthquake - see note (2)	140
CDP S.p.A.	MUNICIPALITY OF CAPITIGNANO	Central Italy earthquake - see note (2)	8
CDP S.p.A.	MUNICIPALITY OF CASCIA	Central Italy earthquake - see note (2)	84
CDP S.p.A.	MUNICIPALITY OF CASTEL CASTAGNA	Central Italy earthquake - see note (2)	27
CDP S.p.A.	MUNICIPALITY OF CASTEL DI LAMA	Central Italy earthquake - see note (2)	354
CDP S.p.A.	MUNICIPALITY OF CASTEL SANT'ANGELO	Central Italy earthquake - see note (2)	24
CDP S.p.A.	MUNICIPALITY OF CASTELLI	Central Italy earthquake - see note (2)	132
CDP S.p.A.	MUNICIPALITY OF CASTELRAIMONDO	Central Italy earthquake - see note (2)	593
CDP S.p.A.	MUNICIPALITY OF CASTELSANTANGELO SUL NERA	Central Italy earthquake - see note (2)	114

(thousands of euro)

Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	MUNICIPALITY OF CASTIGNANO	Central Italy earthquake - see note (2)	13
CDP S.p.A.	MUNICIPALITY OF CASTORANO	Central Italy earthquake - see note (2)	76
CDP S.p.A.	MUNICIPALITY OF CERRETO D'ESI	Central Italy earthquake - see note (2)	516
CDP S.p.A.	MUNICIPALITY OF CERRETO DI SPOLETO	Central Italy earthquake - see note (2)	89
CDP S.p.A.	MUNICIPALITY OF CESSAPALOMBO	Central Italy earthquake - see note (2)	45
CDP S.p.A.	MUNICIPALITY OF CINGOLI	Central Italy earthquake - see note (2)	943
CDP S.p.A.	MUNICIPALITY OF CITTADUCALE	Central Italy earthquake - see note (2)	586
CDP S.p.A.	MUNICIPALITY OF CITTAREALE	Central Italy earthquake - see note (2)	27
CDP S.p.A.	MUNICIPALITY OF CIVITELLA DEL TRONTO	Central Italy earthquake - see note (2)	272
CDP S.p.A.	MUNICIPALITY OF COLLEDARA	Central Italy earthquake - see note (2)	151
CDP S.p.A.	MUNICIPALITY OF COLLI DEL TRONTO	Central Italy earthquake - see note (2)	124
CDP S.p.A.	MUNICIPALITY OF COLMURANO	Central Italy earthquake - see note (2)	97
CDP S.p.A.	MUNICIPALITY OF COMUNANZA	Central Italy earthquake - see note (2)	256
CDP S.p.A.	MUNICIPALITY OF CORRIDONIA	Central Italy earthquake - see note (2)	385
CDP S.p.A.	MUNICIPALITY OF CORTINO	Central Italy earthquake - see note (2)	124
CDP S.p.A.	MUNICIPALITY OF COSSIGNANO	Central Italy earthquake - see note (2)	25
CDP S.p.A.	MUNICIPALITY OF CROGNALETO	Central Italy earthquake - see note (2)	115
CDP S.p.A.	MUNICIPALITY OF ESANATOGLIA	Central Italy earthquake - see note (2)	282
CDP S.p.A.	MUNICIPALITY OF FABRIANO	Central Italy earthquake - see note (2)	2.010
CDP S.p.A.	MUNICIPALITY OF FALERONE	Central Italy earthquake - see note (2)	142
CDP S.p.A.	MUNICIPALITY OF FANO ADRIANO	Central Italy earthquake - see note (2)	39
CDP S.p.A.	MUNICIPALITY OF FARINDOLA	Central Italy earthquake - see note (2)	47
CDP S.p.A.	MUNICIPALITY OF FERENTILLO	Central Italy earthquake - see note (2)	157
CDP S.p.A.	MUNICIPALITY OF FIASTRA	Central Italy earthquake - see note (2)	77
CDP S.p.A.	MUNICIPALITY OF FIUMINATA	Central Italy earthquake - see note (2)	158
CDP S.p.A.	MUNICIPALITY OF FOLIGNANO	Central Italy earthquake - see note (2)	485
CDP S.p.A.	MUNICIPALITY OF FORCE	Central Italy earthquake - see note (2)	88
CDP S.p.A.	MUNICIPALITY OF GAGLIOLE	Central Italy earthquake - see note (2)	70
CDP S.p.A.	MUNICIPALITY OF GUALDO	Central Italy earthquake - see note (2)	96
CDP S.p.A.	MUNICIPALITY OF ISOLA DEL GRAN SASSO D'ITALIA	Central Italy earthquake - see note (2)	106
CDP S.p.A.	MUNICIPALITY OF LEONESSA	Central Italy earthquake - see note (2)	87
CDP S.p.A.	MUNICIPALITY OF LORO PICENO	Central Italy earthquake - see note (2)	202
CDP S.p.A.	MUNICIPALITY OF MACERATA	Central Italy earthquake - see note (2)	2.165
CDP S.p.A.	MUNICIPALITY OF MALTIGNANO	Central Italy earthquake - see note (2)	2
CDP S.p.A.	MUNICIPALITY OF MASSA FERMANA	Central Italy earthquake - see note (2)	71
CDP S.p.A.	MUNICIPALITY OF MATELICA	Central Italy earthquake - see note (2)	825
CDP S.p.A.	MUNICIPALITY OF MICIGLIANO	Central Italy earthquake - see note (2)	26
CDP S.p.A.	MUNICIPALITY OF MOGLIANO	Central Italy earthquake - see note (2)	291
CDP S.p.A.	MUNICIPALITY OF MONSAMPIETRO MORICO	Central Italy earthquake - see note (2)	52
CDP S.p.A.	MUNICIPALITY OF MONTALTO DELLE MARCHE	Central Italy earthquake - see note (2)	148

(thousands of euro)

Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	MUNICIPALITY OF MONTAPPONE	Central Italy earthquake - see note (2)	156
CDP S.p.A.	MUNICIPALITY OF MONTE CAVALLO	Central Italy earthquake - see note (2)	41
CDP S.p.A.	MUNICIPALITY OF MONTE RINALDO	Central Italy earthquake - see note (2)	25
CDP S.p.A.	MUNICIPALITY OF MONTE SAN MARTINO	Central Italy earthquake - see note (2)	56
CDP S.p.A.	MUNICIPALITY OF MONTE VIDON CORRADO	Central Italy earthquake - see note (2)	43
CDP S.p.A.	MUNICIPALITY OF MONTEFALCONE APPENNINO	Central Italy earthquake - see note (2)	25
CDP S.p.A.	MUNICIPALITY OF MONTEFORTINO	Central Italy earthquake - see note (2)	21
CDP S.p.A.	MUNICIPALITY OF MONTEFRANCO	Central Italy earthquake - see note (2)	30
CDP S.p.A.	MUNICIPALITY OF MONTEGALLO	Central Italy earthquake - see note (2)	61
CDP S.p.A.	MUNICIPALITY OF MONTEGIORGIO	Central Italy earthquake - see note (2)	309
CDP S.p.A.	MUNICIPALITY OF MONTELEONE DI FERMO	Central Italy earthquake - see note (2)	29
CDP S.p.A.	MUNICIPALITY OF MONTELEONE DI SPOLETO	Central Italy earthquake - see note (2)	13
CDP S.p.A.	MUNICIPALITY OF MONTELPARO	Central Italy earthquake - see note (2)	63
CDP S.p.A.	MUNICIPALITY OF MONTEREALE	Central Italy earthquake - see note (2)	86
CDP S.p.A.	MUNICIPALITY OF MONTORIO AL VOMANO	Central Italy earthquake - see note (2)	293
CDP S.p.A.	MUNICIPALITY OF MUCCIA	Central Italy earthquake - see note (2)	39
CDP S.p.A.	MUNICIPALITY OF NORCIA	Central Italy earthquake - see note (2)	321
CDP S.p.A.	MUNICIPALITY OF OFFIDA	Central Italy earthquake - see note (2)	191
CDP S.p.A.	MUNICIPALITY OF ORTEZZANO	Central Italy earthquake - see note (2)	34
CDP S.p.A.	MUNICIPALITY OF PALMIANO	Central Italy earthquake - see note (2)	2
CDP S.p.A.	MUNICIPALITY OF PENNA SAN GIOVANNI	Central Italy earthquake - see note (2)	151
CDP S.p.A.	MUNICIPALITY OF PETRIOLO	Central Italy earthquake - see note (2)	87
CDP S.p.A.	MUNICIPALITY OF PIETRACAMELA	Central Italy earthquake - see note (2)	57
CDP S.p.A.	MUNICIPALITY OF PIEVE TORINA	Central Italy earthquake - see note (2)	281
CDP S.p.A.	MUNICIPALITY OF PIORACO	Central Italy earthquake - see note (2)	104
CDP S.p.A.	MUNICIPALITY OF PIZZOLI	Central Italy earthquake - see note (2)	154
CDP S.p.A.	MUNICIPALITY OF POGGIO BUSTONE	Central Italy earthquake - see note (2)	34
CDP S.p.A.	MUNICIPALITY OF POGGIODOMO	Central Italy earthquake - see note (2)	29
CDP S.p.A.	MUNICIPALITY OF POLINO	Central Italy earthquake - see note (2)	63
CDP S.p.A.	MUNICIPALITY OF POLLENZA	Central Italy earthquake - see note (2)	307
CDP S.p.A.	MUNICIPALITY OF POSTA	Central Italy earthquake - see note (2)	7
CDP S.p.A.	MUNICIPALITY OF PRECI	Central Italy earthquake - see note (2)	32
CDP S.p.A.	MUNICIPALITY OF RIETI	Central Italy earthquake - see note (2)	1.970
CDP S.p.A.	MUNICIPALITY OF RIPE SAN GINESIO	Central Italy earthquake - see note (2)	42
CDP S.p.A.	MUNICIPALITY OF RIVODUTRI	Central Italy earthquake - see note (2)	42
CDP S.p.A.	MUNICIPALITY OF ROCCA SANTA MARIA	Central Italy earthquake - see note (2)	87
CDP S.p.A.	MUNICIPALITY OF ROCCAFLUVIONE	Central Italy earthquake - see note (2)	55
CDP S.p.A.	MUNICIPALITY OF SAN GINESIO	Central Italy earthquake - see note (2)	297
CDP S.p.A.	MUNICIPALITY OF SAN SEVERINO MARCHE	Central Italy earthquake - see note (2)	433
CDP S.p.A.	MUNICIPALITY OF SANTA VITTORIA IN MATENANO	Central Italy earthquake - see note (2)	26
CDP S.p.A.	MUNICIPALITY OF SANT'ANATOLIA DI NARCO	Central Italy earthquake - see note (2)	45

(thousands of euro)

Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	MUNICIPALITY OF SANT'ANGELO IN PONTANO	Central Italy earthquake - see note (2)	109
CDP S.p.A.	MUNICIPALITY OF SARNANO	Central Italy earthquake - see note (2)	400
CDP S.p.A.	MUNICIPALITY OF SCHEGGINO	Central Italy earthquake - see note (2)	46
CDP S.p.A.	MUNICIPALITY OF SEFRO	Central Italy earthquake - see note (2)	61
CDP S.p.A.	MUNICIPALITY OF SERRAPETRONA	Central Italy earthquake - see note (2)	13
CDP S.p.A.	MUNICIPALITY OF SERRAVALLE DI CHIENTI	Central Italy earthquake - see note (2)	97
CDP S.p.A.	MUNICIPALITY OF SERVIGLIANO	Central Italy earthquake - see note (2)	71
CDP S.p.A.	MUNICIPALITY OF SMERILLO	Central Italy earthquake - see note (2)	20
CDP S.p.A.	MUNICIPALITY OF SPOLETO	Central Italy earthquake - see note (2)	1.331
CDP S.p.A.	MUNICIPALITY OF TERAMO	Central Italy earthquake - see note (2)	1.771
CDP S.p.A.	MUNICIPALITY OF TOLENTINO	Central Italy earthquake - see note (2)	1.570
CDP S.p.A.	MUNICIPALITY OF TORRICELLA SICURA	Central Italy earthquake - see note (2)	49
CDP S.p.A.	MUNICIPALITY OF TOSSICIA	Central Italy earthquake - see note (2)	56
CDP S.p.A.	MUNICIPALITY OF TREIA	Central Italy earthquake - see note (2)	326
CDP S.p.A.	MUNICIPALITY OF URBISAGLIA	Central Italy earthquake - see note (2)	244
CDP S.p.A.	MUNICIPALITY OF USSITA	Central Italy earthquake - see note (2)	745
CDP S.p.A.	MUNICIPALITY OF VALFORNACE	Central Italy earthquake - see note (2)	189
CDP S.p.A.	MUNICIPALITY OF VALLE CASTELLANA	Central Italy earthquake - see note (2)	103
CDP S.p.A.	MUNICIPALITY OF VALLO DI NERA	Central Italy earthquake - see note (2)	5
CDP S.p.A.	MUNICIPALITY OF VENAROTTA	Central Italy earthquake - see note (2)	96
CDP S.p.A.	MUNICIPALITY OF VISSO	Central Italy earthquake - see note (2)	177
CDP S.p.A.	PROVINCE OF ANCONA	Central Italy earthquake - see note (2)	1.108
CDP S.p.A.	PROVINCE OF ASCOLI PICENO	Central Italy earthquake - see note (2)	1.194
CDP S.p.A.	PROVINCE OF FERMO	Central Italy earthquake - see note (2)	1.460
CDP S.p.A.	PROVINCE OF MACERATA	Central Italy earthquake - see note (2)	1.153
CDP S.p.A.	PROVINCE OF PERUGIA	Central Italy earthquake - see note (2)	4.842
CDP S.p.A.	PROVINCE OF PESCARA	Central Italy earthquake - see note (2)	2.709
CDP S.p.A.	PROVINCE OF RIETI	Central Italy earthquake - see note (2)	988
CDP S.p.A.	PROVINCE OF TERAMO	Central Italy earthquake - see note (2)	1.006
CDP S.p.A.	PROVINCE OF TERNI	Central Italy earthquake - see note (2)	1.168
FINCANTIERI MARINE GROUP LLC	Republican Party of Wisconsin	Charitable donation	10
Fincantieri S.p.A.	Luigi Bocconi' University of Milan	Charitable donation	50
Fincantieri S.p.A.	Kindergarten Monfalcone	Charitable donation	1.346
Fincantieri S.p.A.	ATLANTIC COUNCIL	Charitable donation	25
Fincantieri S.p.A.	renAIssance fundation	Charitable donation	10

(thousands of euro)

Grantor	Beneficiary	Motive	Amount
Fincantieri S.p.A.	SACRED HEART CATHOLIC UNIVERSITY	Charitable donation	10
Fincantieri S.p.A.	Peschiere (GE) University Residence of the Rui Foundation	Charitable donation	10
Fincantieri S.p.A.	Municipality of Monfalcone	Charitable donation	25
Fincantieri S.p.A.	ANT Italia Onlus Fundation	Donation	30
Fincantieri S.p.A.	Association "Amici del Gonfalone"	Charitable donation	40
Fincantieri S.p.A.	University of Trieste	Charitable donation	50
Fincantieri S.p.A.	ASTRID Fundation	Charitable donation	10
Fincantieri S.p.A.	Fincantieri Onlus Fundation	Charitable donation	150
FIV Comparto Extra	Municipality of Cremona	Loan for free use	cfr nota (1)
FIV Comparto Extra	Giardino dei Gatti	Loan for free use	cfr nota (1)
FIV Comparto Extra	PRS Impresa Sociale	Loan for free use	cfr nota (1)
FIV Comparto Extra	Municipality of Diano Castello	Loan for free use	cfr nota (1)
FIV Comparto Extra	FlashBack	Loan for free use	cfr nota (1)
FIV Comparto Plus	Municipality of Macerata	Loan for free use	cfr nota (1)
FIV Comparto Plus	Municipality of Milano	Loan for free use	cfr nota (1)
SACE S.p.A.	IPE	Donation	10
Terna S.p.A.	CAMPAGNA AMICA Fundation	Donation	25
Terna S.p.A.	SUSAN G.KOMEN ITALIA ONLUS	Gift	20
Terna S.p.A.	Save the Children Italia Onlus	Gift	20
Terna S.p.A.	Intercultura Onlus Fundation	Gift	45
Terna S.p.A.	Abruzzo Regional Council	Gift	15
Terna S.p.A.	SUSAN G.KOMEN ITALIA ONLUS	Gift	15
Terna S.p.A.	SUSAN G.KOMEN ITALIA ONLUS	Gift	13
Terna S.p.A.	SACRED HEART CATHOLIC UNIVERSITY	Gift	10
Terna S.p.A.	Municipality of Chiaramonte Gulfi	Gift	10
Vard Tulcea SA	Scholarships "Angel Saligny" High School in Tulcea	Donation	41

(1) For both segments of the Investment Fund for Development (FIV Extra and FIV Plus) the spaces granted on free loan are former barracks characterized by the presence of multiple buildings often without systems and in conditions of abandonment. This building and town planning situation makes it impossible to identify benchmarks, in the real estate markets of reference, for the determination of a reasonable economic consideration. In particular, in the case of the Plus segment, the spaces have been granted on loan for free use for the purpose of building public utility services such as schools and public transport.

(2) In relation to emergencies caused by earthquakes or other calamitous events, parent company CDP established loans in favour of local authorities or those involved in providing social assistance, as a result of which debtors have been offered the possibility of deferring payment of the instalments, in terms of principal and interest, at a future date. The benefits shown in the table are therefore represented by the amounts of the instalments due in 2020, in terms of principal and interest, the collection of which has been deferred to the future date.

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 IAS/IFRS purposes with their reclassification into uniform aggregates in relation to both products and business lines.

Reclassified consolidated balance sheet – Assets

(millions of euro)	31/12/2021	Cash and cash equivalents and other treasury investments	Loans	Debt securities, equity securities and units in collective investment undertakings	Equity investments	Trading and hedging derivatives	Property, plant and equipment and intangible assets	Reinsurers' share of technical reserves	Other assets
ASSETS - Balance sheet items									
10. Cash and cash equivalents	5,235	5,235							
20. Financial assets measured at fair value through profit or loss	3,568								
a) Financial assets held for trading	69			1		68			
b) Financial assets designated at fair value	457		457						
c) Other financial asstes mandatorily measured at fair value	3,042		163	2,879					
30. Financial assets measured at fair value through other comprehensive income	15,769			15,769					
40. Financial assets measured at amortised cost	360,831								
a) Loans to banks	39,778	23,633	13,204	2,941					
b) Loans to customers	321,053	157,351	103,982	59,720					
50. Hedging derivatives	298					298			
60. Fair value change of financial assets in hedged portfolios (+/-)	1,268								1,268
70. Equity investments	20,830				20,830				
80. Reinsurers' share of technical reserves	-								
90. Property, plant and equipment	41,109						41,109		
100. Intangible assets	12,551						12,551		
110. Tax assets	1,974								1,974
120. Non-current assets and disposal groups held for sale	38,653	31,606	1,985	2,850	24	6	99	2,543	(460)
130. Other assets	15,008								15,008
Total assets	**517,094**	**217,825**	**119,791**	**84,160**	**20,854**	**372**	**53,759**	**2,543**	**17,790**

Reclassified consolidated balance sheet – Liabilities and equity

(millions of euro)		Funding	Funding detail								
LIABILITIES AND EQUITY - Balance sheet items	31/12/2021	Raccolta	Postal Funding	Funding from banks	Funding from customers	Bond Funding	Liabilities held for trading and hedging derivatives	Technical reserves	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Total equity
10. Financial liabilities measured at amortised cost	415,458										
a) Due to banks	49,726	49,726	1,470	48,256							
b) Due to customers	321,701	321,701	279,990	30,965	10,746						
c) Securities issued	44,031	44,031				44,031					
20. Financial liabilities held for trading	135						135				
30. Financial liabilities designated at fair value	34	34			34						
40. Hedging derivatives	3,144						3,144				
50. Fair value change of financial liabilities in hedged portfolios	2								2		
60. Tax liabilities	2,789									2,789	
70. Liabilities associated with non-current assets and disposal groups held for sale	40,708	3,957		3,179	247	531	174	3,340	32,851	386	
80. Other liabilities	16,432								16,432		
90. Staff severance pay	209									209	
100. Provisions for risks and charges	2,741									2,741	
110. Technical reserves	-										
120. Valuation reserves	455										455
150. Reserves	11,620										11,620
160. Share premium reserve	2,379										2,379
170. Share capital	4,051										4,051
180. Treasury shares	(322)										(322)
190. Non-controlling interests	14,279										14,279
200. Net income (loss) for the year	2,980										2,980
Total liabilities and equity	**517,094**	**419,449**	**281,460**	**82,400**	**11,027**	**44,562**	**3,453**	**3,340**	**49,285**	**6,125**	**35,442**

Reclassified consolidated income statement

(millions of euro) INCOME STATEMENT- Financial statement items	2021	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	7,721	7,721				7,721	
20. Interest expense and similar expense	(5,138)	(5,138)				(5,138)	
40. Commission income	504	258		246		504	
50. Commission expense	(1,454)	(1,328)		(126)		(1,454)	
70. Dividends and similar revenues	57		57			57	
80. Profits (losses) on trading activities	53				53	53	
90. Net gain (loss) on hedging activities	(39)				(39)	(39)	
100. Gains (losses) on disposal or repurchase	475				475	475	
110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss	89				89	89	
130. Net adjustments/recoveries for credit risk	(55)						
140. Gains/losses from changes in contracts without derecognition	-						
160. Net premium income	-						
170. Net other income (expense) from insurance operations	-						
190. Administrative expenses	(11,674)						
200. Net accruals to the provisions for risks and charges	(35)						
210. Net adjustments to/recoveries on property, plant and equipment	(1,879)						
220. Net adjustments to/recoveries on intangible assets	(879)						
230. Other operating income (costs)	17,414						
250. Gains (losses) on equity investments	1,738		1,738			1,738	
280. Gains (losses) on disposal of investments	948						
300. Income tax for the year on continuing operations	(1,351)						
320. Income (loss) after tax on discontinued operations	(1,171)	74	3	21	(34)	64	221
330. Net income (loss) for the year	**5,324**	**1,587**	**1,798**	**141**	**544**	**4,070**	**221**
340 Net income (loss) for the year pertaining to non-controlling interests	2,344						
350. Net income (loss) for the year pertaining to shareholders of the Parent Company	**2,980**						

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 PPE and intangible assets	Other	Income taxes	Net income (loss) for the year
7,721				7,721					7,721
(5,138)				(5,138)					(5,138)
504				504					504
(1,454)				(1,454)					(1,454)
57				57					57
53				53					53
(39)				(39)					(39)
475				475					475
89				89					89
	(55)			(55)					(55)
		(11,674)		(11,674)					(11,674)
	13			13	(48)				(35)
						(1,879)			(1,879)
						(879)			(879)
			17,414	17,414					17,414
1,738				1,738					1,738
							948		948
								(1,351)	(1,351)
285	(10)	(138)	13	150	10	(2)	(1,288)	(41)	(1,171)
4,291	**(52)**	**(11,812)**	**17,427**	**9,854**	**(38)**	**(2,760)**	**(340)**	**(1,392)**	**5,324**
									2,344
									2,980

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa Depositi e Prestiti S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 , and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

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 our report. We are independent of Cassa Depositi e Prestiti S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the equity investments in jointly controlled subsidiaries and associates

Description of the key audit matter	The consolidated financial statements as at December 31, 2021 include equity investments amounting to Euro 20,831 million, mainly related to investments in jointly controlled subsidiaries and associates accounted for using the equity method. At each reporting date, the Management assess whether there is any indication that an asset may be impaired (so-called "triggers") provided by IAS 36; this assessment is performed on the basis of information taken from public sources or of any additional information received by the investees. For the purpose of the assessment carried out for the consolidated financial statements as at December 31, 2021, the Management also considered the indications issued by national and international authorities in relation to the impacts of the COVID-19 pandemic. In this regard, the COVID-19 outbreak on a global scale and the consequent impacts on the economic activity have led to an increase in uncertainty which makes the formulation of estimates regarding cash flows deriving from equity investments more complex, also with reference to the greater uncertainty associated with the assumptions and parameters used in the recoverability assessment of the assets. As at December 31, 2021, the Management detected impairment indicators on some of the key equity investments accounted for using the equity method. As indicated in the notes to the consolidated financial statements, the Management, therefore, carried out the impairment test through a comparison between the carrying amount and the recoverable amount of such equity investments, using the most appropriate methodologies, from the outcome of which no impairment losses were recognised. Considering the discretionary and the uncertainty implied in the estimation made in determining the assumptions and parameters of the impairment model, the complexity in the formulation of these estimates, as well as the significance of the amount of equity investments in jointly controlled subsidiaries and associates, we considered the valuation of such equity investments was a key audit matter of the consolidated financial statement of Cassa Depositi e Prestiti as at December 31, 2021. Paragraph 5 "Equity investments" of Part A.2 "The main financial statement items" describes the accounting principles used for the valuation of these items. Paragraph 7.1 "Information on equity investments" of Section 7 "Equity investments" Item 70 of Part B "Information on the consolidated balance sheet" includes the disclosure about the valuation of investments in jointly controlled subsidiaries and associates.

Audit procedures performed	As part of our audits work, we carried out the following procedures also supported, in some cases, by valuation experts from our Network: • meetings and discussions with Management of the Group and, where appropriate, of the equity investments in order to understand the valuation methods, the information used and the assumptions made for the impairment test; • understanding the processes and relevant controls adopted by the Group for the assessment of the impairment test; • analysis of the valuation methods adopted by Management to determine the recoverable amount of such equity investments; • analysis of the set of information used by Management to support their valuation, including the report issued by the independent expert involved by Management for the estimation of the recoverable amount; • verification of the adequacy of the valuation method and their consistency with the accounting standards and valuation practices, also taking into account the specific context of each equity investments; • analysis of the reasonableness of the main assumption and parameters used to determine the recoverable amount also through the verification of external data and information provided by Management; • assessing the mathematical accuracy of the model used to determine the recoverable amount of the equity investments in jointly controlled subsidiaries and associates; • verification of the adequacy of the disclosure provided by Directors in the consolidated financial statements and its compliance with IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude 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.

- Evaluate 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.,

- Obtain 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.

We communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Depositi e Prestiti S.p.A. has appointed us on March 19, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure of Cassa Depositi e Prestiti Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and the ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98, with the consolidated financial statements of Cassa Depositi e Prestiti Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Cassa Depositi e Prestiti Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Rome, Italy
April 20, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE NO. 58/1998

1. The undersigned Dario Scannapieco, in his capacity as Chief Executive Officer, and Pier Francesco Ragni, in his capacity as Manager in charge with preparing the company's financial reports of Cassa Depositi e Prestiti S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:

   - the appropriateness with respect to the characteristics of the company; and
   - the actual application

   of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2021.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the consolidated financial statements at 31 December 2021 was based on a process developed by Cassa Depositi e Prestiti S.p.A in line with the COSO model and the COBIT model (for the IT component), which make up the generally-accepted internal control framework at international level.

3. In addition, it is hereby certified that:

   3.1 the consolidated financial statements at 31 December 2021:

   a) have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) correspond to the information in the books and other accounting records;
   c) give a true and fair view of the performance and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 20 April 2022

The Chief Executive Officer	**The Manager in charge with preparing the company's financial reports**
Dario Scannapieco	Pier Francesco Ragni

4. Reports of the Patrimonio Rilancio

The section below contains the annual reports of the Sub-Funds (“Fondo Nazionale Supporto Temporaneo” – Temporary National Support Fund, “Fondo Nazionale Strategico” – Strategic National Fund, and “Fondo Nazionale Ristrutturazioni Imprese” – National Enterprise Restructuring Fund) of the Patrimonio Rilancio as at 31 December 2021.

Pursuant to Article 27 of Decree Law no. 34 of 19 May 2020 (“Relaunch Decree”) and Article 104 of the Regulation of the “Patrimonio Rilancio” – Special-Purpose Assets Fund, a separate report is prepared annually for each Sub-Fund, in accordance with the IFRS, which does not contribute to the results of CDP S.p.A. and is annexed to the separate financial statements of CDP S.p.A.

The annual report of each Sub-Fund is approved by the Board of Directors of CDP S.p.A. at the same time as the approval of the draft separate financial statements of CDP S.p.A. and subsequently submitted to the decisions of the general meeting of the holders of the equity instruments.

Fondo Nazionale Supporto Temporaneo

Summary

Report on Operations

MISSION AND PRESENTATION OF THE SUB-FUND

Article 27 of Decree Law no. 34 of 19 May 2020, “Urgent measures regarding health, support for work and the economy, and social policies related to the COVID-19 epidemiological emergency” (“Relaunch Decree”), converted with amendments by Law no. 77 of 17 July 2020, authorised Cassa Depositi e Prestiti S.p.A. (“CDP”) to set up a special-purpose assets fund, called “Patrimonio Rilancio”, to which certain assets and legal relationships identified by the Ministry of the Economy and Finance were transferred. The purpose of the Patrimonio Rilancio is to provide support for the relaunch of Italy’s economy, in the forms and under the conditions provided for by the European Union’s State Aid Temporary Framework, adopted to address the COVID-19 epidemiological emergency (the “Temporary Framework”), or at market conditions, with the aim of supporting Italy’s entrepreneurial fabric, also through capital-strengthening measures.

The following public implementing measures were adopted for the establishment and the consequent start of operations of the Patrimonio Rilancio, pursuant to Article 27 of the Relaunch Decree:

- the Implementing Decree of the Ministry of the Economy and Finance, following consultation with the Ministry of Economic Development, dated 3 February 2021, concerning the access requirements, conditions, criteria and procedures for the investments of the Patrimonio Rilancio, published in the Official Gazette on 10 March 2021 and entered into force on 25 March 2021;
- the Allocation Decree of the Ministry of the Economy and Finance of 7 May 2021, concerning the maximum allocation of up to 44 billion euro for the Patrimonio Rilancio, published in the Official Gazette on 15 May 2021, which, for the initial allocation to the Patrimonio Rilancio, provided for the transfer to this Fund, by way of allocation to CDP, of government securities in the amount of 3 billion euro (the “Initial Allocation”), subsequently assigned by Directorial Decree of 7 June 2021 (with a settlement date of 9 June 2021).

In addition, in accordance with Article 27, paragraph 6 of the Relaunch Decree, in the meeting held on 18 May 2021, the Board of Directors of CDP also adopted the Regulation the Patrimonio Rilancio (below the “Regulation of the Patrimonio Rilancio”), which was approved on 24 May 2021 by the Minister of the Economy and Finance, pursuant to the above-mentioned provisions, as notified to CDP on 7 June 2021.

In accordance with and in execution of the provisions of the Implementing Decree, the Regulation of the Patrimonio Rilancio governs the following, among other things:

- the purposes of the Patrimonio Rilancio, its establishment and operating procedures, the timing of the measures, its duration, the requirements for the enterprises benefiting from the measures, the management policy, the forms of implementation of the measures and the financial plan;
- the operations of the sub-funds, including the management of their income, their liquidation and the regime for their reporting;
- the preliminary assessment activities of the Patrimonio Rilancio, including the underlying principles, the procedure for the granting of measures, the accredited entities (respectively the “Accredited Intermediaries”, which support the Patrimonio Rilancio in the preliminary assessment activities, the execution of operations and their monitoring and management, and the “Independent Experts”, for the determination of the market value of applicant enterprises with shares not listed on a regulated market) and the management, monitoring and control activities;
- the organisation and management of the Patrimonio Rilancio, including the characteristics of the equity instruments, the Conflicts and Transactions Committee[1], the classification and preliminary assessment process for transactions in conflict of interest, and the cost regime of the Patrimonio Rilancio.

As established by the Relaunch Decree, the sub-funds that make up the Patrimonio Rilancio are separate, autonomous and distinct in all respects from the assets of the other sub-funds and from the assets of CDP and relate to different types of measure in support of enterprises.

In accordance with the three types of operations envisaged by the Regulation, the Patrimonio Rilancio is divided into three sub-funds: Fondo Nazionale Supporto Temporaneo (FNST - Temporary National Support Fund), Fondo Nazionale

[11] The Conflicts and Transactions Committee is responsible for providing a prior mandatory and non-binding opinion to the decision-making body, in accordance with the provisions of the Regulation of the Patrimonio Rilancio, within the preliminary assessment and approval process, and in particular in transactions with potential conflicts of interest and with related parties relating to the use of the special-purpose assets fund, in line with the provisions of Article 30 of the Implementing Decree.

Strategico (FNS - Strategic National Fund) and Fondo Nazionale Ristrutturazioni Imprese (FNRI - National Enterprise Restructuring Fund).

Through the FNST Sub-Fund, the Patrimonio Rilancio provides financial resources, also by means of capital-strengthening measures, in a manner consistent with the measures envisaged by the European Commission in the Temporary Framework to support the economy in the Covid-19 emergency. The operations of this Sub-Fund are aimed above all at companies which, despite qualifying as “healthy” enterprises, have suffered a significant fall in turnover with possible difficulties in finding resources within the economic and financial system. The operations of the FNST are characterised by: (i) being entirely regulated by the European Commission; (ii) the standardisation of the contracts; (iii) having predefined corporate governance limitations in accordance with EU regulations; (iv) having a predefined use of the resources, in compliance with the constraints set by the European Commission and (v) having a predefined divestment process.

In particular, the Sub-Fund’s measures consist of four instruments, described below:

- capital increases (“CAPINCs”): intended for a minimum amount of 100 million euro, aimed at strengthening and stabilising the capital of the applicant enterprises. This measure allows for a gradual increase in the return on the investment to encourage repurchase by the beneficiary enterprise;
- mandatory convertible subordinated bonds (“CBs”): intended for a minimum amount of 25 million euro and a duration of up to 4 years for listed companies and up to 5 years for unlisted companies, aimed at enterprises wishing to obtain funding, with an obligation at maturity of (i) conversion into shares or (ii) redemption in cash;
- convertible subordinated bonds (“CSBs”): intended for a minimum amount of 1 million euro and a duration of up to 5 years for listed companies and up to 6 years for unlisted companies. The bond may be redeemed or converted into equity, subject to certain preset conditions;
- non-convertible subordinated bonds (“SBs”): intended for a minimum amount of 1 million euro and a duration of up to 6 years. The bond is redeemed at maturity and is subordinated to all the outstanding debt instruments.

While the measures consisting in CAPINCs, CBs and CSBs are granted after having objectively verified the satisfaction of the requirements established by the applicable regulations, for SBs, the legislative and regulatory framework of the Patrimonio Rilancio requires that the preliminary assessment procedures:

- are also aimed at assessing the prospects of sufficient earnings to ensure the repayment of the loan (Article 25, paragraph 3, of the Implementing Decree and Article 76, paragraph 3, of the Regulation of the Patrimonio Rilancio), and
- are also based on a credit rating assessment at the sole discretion of CDP, in line with the preliminary assessment principles commonly adopted by CDP (Article 76, paragraph 3 of the Regulation of the Patrimonio Rilancio).

To this end, CDP has adopted a methodological framework for assessment in line with best market practices that defines specific assessment criteria consistent with the types of instruments.

Pursuant to the provisions of the Implementing Decree and the Regulation of the Patrimonio Rilancio, the contractual agreements relating to the measures of the FNST have been prepared through predefined standard templates (the “TF Contractual Agreement Templates”) which are not subject to negotiation with the enterprises.

Subject to the specific characteristics of each measure, the TF Contractual Agreement Templates establish, among other things:

- the financial conditions of each measure, in accordance with the applicable regulatory framework;
- representations and warranties from the enterprise (which must certify, among other things, that it meets the requirements of the applicable regulations for access to the measure), but in simplified format compared to market standards;
- specific commitments from the enterprise (e.g. the obligation to use the proceeds of the measure in accordance with the purposes identified by the Implementing Decree and commitments to provide periodic and “by event” information);
- the conditions precedent for the disbursement of the amount as part of the measure (e.g. fulfilment – by the enterprise – of all necessary corporate requirements);
- the procedures for redemption on the maturity date, for measures consisting in bonds;
- specific repayment or divestment mechanisms, including:
  - for the CSBs, CBs and SBs: (i) the enterprise’s right of early redemption of the bond on each interest payment date; and (ii) the FNST’s right to obtain early redemption of the bond from the issuer, upon the occurrence of certain events;
  - for the CAPINCs and, from the conversion date, where applicable, for the CSBs and CBs, (i) the right of the enterprise to repurchase the FNST’s equity investment at a predetermined price; (ii) for listed companies, the sale on the market or to one or more investors interested in having their equity investment in the company purchased by the FNST; and (iii) for unlisted companies, the right of the FNST (a) to co-sell in the event of disposal of the controlling equity investment in the company or (b) to obtain the sale of the equity investment by the controlling shareholders, in the event of an offer by a third party investor involving a controlling equity investment or the entire share capital of the company;
- specific conditions for early termination of the measure, in the event of which some of the divestment mechanisms described above will apply.

In CAPINCs, CBs and CSBs involving unlisted companies, the value of the companies will be determined by an Independent Expert that will certify their market value based on the results of the vendor due diligence conducted by the company's independent auditors. The measure cannot exceed 20% of the shares (i) listed on regulated markets, for listed companies (remaining below the threshold triggering the takeover bid obligation) or (ii) outstanding, for unlisted companies (remaining below the control threshold).

The pricing of the instruments involved in the measure is predefined and provides for increases over the years. Specifically, in order to encourage the exit of the Patrimonio Rilancio from the capital of the beneficiary enterprises, in compliance with the Temporary Framework, a step-up mechanism has been established for progressively increasing the return on the investment in the enterprise's shares in the event of failure to divest.

The web platform called "Patrimonio Rilancio Platform" (below also the "Platform") has been operational since 25 June 2021, which allows applicant companies to send their applications for support measures, through the Accredited Intermediaries.

In this regard, in order to implement the measures, 9 Intermediaries, which support the Patrimonio Rilancio in the preliminary assessment activities, the execution of operations and their monitoring and management, and 18 Independent Experts, for the determination of the market value of applicant enterprises with shares not listed on a regulated market, have been accredited.

The Accredited Intermediaries are banks and other entities with appropriate experience and professional qualifications, including advisory and/or auditing firms, while Independent Experts are individuals, professional associations and professional firms accredited by CDP on the basis of the individual, reputational and professional requirements set out in the notice of accreditation as an intermediary[2] and independent expert[3].

With regard to the FNST, CDP publishes the list on its website of the Accredited Intermediaries and Independent Experts that assist in the operations of the Patrimonio Rilancio.

The Platform is an IT system designed to support the granting and management of the instruments. The process is divided into two macro-phases:

- granting, covering all the activities from the submission of the application for support measures to the settlement of the transactions;
- management and monitoring/reporting, which includes all activities involving the submission of information (periodic and ad hoc) by the beneficiary enterprises and collection, verification, reporting and management by CDP and the Accredited Intermediaries.

The Accredited Intermediary, selected by the applicant enterprise, supports the latter in the granting, management and monitoring/reporting macro-phases, and in particular in:

- checking that the documentation uploaded by the enterprise into the system is complete;
- carrying out the necessary eligibility checks;
- managing any dialogue with the applicant enterprise as requested by CDP and supervising the processes of rejection, lapse and withdrawal from the measure;
- checking the documentation necessary for the fulfilment of the conditions precedent;
- performing all the activities necessary for the settlement of the transaction;
- collecting and verifying the information sent by the enterprise when managing and monitoring/reporting the transaction granted.

Due to the confidential nature of the information processed, only authorised users are permitted to access the Platform.

Lastly, the deadline for the granting of the FNST's instruments was initially set at 30 June 2021, except for the subordinated bond, for which the deadline was set at 31 December 2020. The European Commission has extended these deadlines several times and most recently, on 18 November 2021, it set the deadline for the granting of the FNST's measures at 30 June 2022.

[2] See the "Notice for Accreditation as Intermediary", published on CDP's procurement portal on 31 March 2021 and last updated on 7 June 2021.
[3] See the "Notice for Accreditation as Independent Expert", published on 31 March 2021 and updated on 3 June 2021 on CDP's procurement portal.

MARKET CONTEXT

The “Great Lockdown” of 2020, caused by the spread of the COVID-19 virus, was unparalleled in modern history. It led to the most far-reaching global, and unpredictable, crisis that was less dependent on traditional economic factors. The measures to restrict mobility which were necessary to limit infections (closure of non-core production activities, closure of schools and adoption of remote working for eligible categories of workers) inevitably caused a shock to the economic system, in terms of both demand and supply, blocking consumption and industrial production, with consequent effects on levels of confidence.

The main effects of the epidemiological emergency on the Italian economic and production fabric in the year of the pandemic crisis (2020) can be summarised as follows:

- a fall in GDP of around 9% (around 3% higher than at European level, i.e. -6.4%) and an increase in the debt-to-GDP ratio of around 160%[4];
- a fall in industrial production of 11.4% (in contrast to the increase of 2.6% at European level), the second-worst result since the beginning of the time series (ISTAT data);
- likely increased selectivity of the banking industry in lending due to the deterioration of key corporate and consumer capital indicators;
- worsening of the company financial statements indicators, particularly due to an increase in leverage of over 130% and a fall in EBITDA of nearly 30%[5];
- sharp decline in turnover of non-financial enterprises. It is estimated that, in the most acute phase of the health emergency, the suspension of activities in Italy affected 2.1 million enterprises (equivalent to around 40% of the total national added value), causing an overall fall in turnover of around 14%, with peaks of more than 20% (*Table 2*) for certain sectors, which in turn generated an emergency in terms of employment and social stability[6].

The fall in turnover and the liquidity measures adopted through ultra-expansionary monetary policies have led to an increase in the level of debt of Italian enterprises. As a result, in the future, even those that survive the emergency may not have the resources to invest in human capital, digitisation and international expansion.

With this in mind, measures to improve the capitalisation of companies have been and will continue to be crucial to encourage the investments needed to ensure growth of the economy. This is particularly true for medium-sized enterprises, which are the most productive, most innovative and most open to international markets, in addition to being a cornerstone of European value chains. These types of enterprises are often key players in local labour markets and across a wide range of sectors. They also represent a vehicle for reaching new and more distant markets for a large number of smaller national enterprises, which are connected to larger enterprises through supply relationships. The protection and capitalisation of this group of enterprises is therefore strategic for the relaunch of the Italian economy once the pandemic is over.

In the context of this epidemiological emergency, the Italian Government has therefore decided to adopt instruments aimed at implementing measures and operations to support and relaunch the Italian economic and production system, by

[4] Source: CERVED and European Commission
[5] Ibid.
[6] Ibid.

strengthening the capital of its enterprises. Thanks to the adoption of these instruments and further measures taken at government level, the financial indicators of enterprises have shown good resilience and the recovery in Italy after the acute phase of the economic and pandemic crisis has been fairly rapid and more robust than in the other major European and world economies. Italy's GDP is expected to recover by more than 6% in 2021 and the gap compared to pre-Covid levels is expected to close in 2022.

Main Indicators (Δ % yoy)*	2020	2021	2022	2023
Real GDP Italy	**(8.9)**	**6.6**	**4.7**	**2.0**
Real GDP Euro Area	(7.0)	5.1	3.9	2.1
Real World GDP	(3.5)	4.4	3.0	2.6
Real Consumption	(11.4)	6.0	4.2	1.6
Real Investments	(9.7)	10.7	8.1	4.5
Real Exports	(15.7)	9.1	2.9	4.3
Real Imports	(14.1)	9.5	4.1	4.1
Real Industrial Production	(10.8)	9.0	4.4	4.6

**(source estimates from Istat, Cerved)*

In terms of turnover, more widespread signs of recovery were also seen in the second half of 2020 and the first half of 2021. In almost all sectors, domestic demand has been stronger than foreign demand, although in the service sector, the recovery is still incomplete and uneven.

Sector	Turnover (€/bn) 2019	Var YoY (%)*			
		2020	2021	2022	2023
Farms	**29**	2%	3%	4%	3%
Fast-moving consumer goods	**125**	-2%	2%	3%	2%
Fashion system	**80**	-23%	15%	9%	4%
Home products	**90**	-8%	8%	6%	3%
Transports	**78**	-12%	11%	10%	9%
Chemistry and pharmaceuticals	**68**	-4%	4%	5%	4%
Metals and metalworking	**102**	-13%	20%	5%	2%
Electromechanics	**153**	-12%	9%	7%	4%
Electrotechnics and informatics	**31**	-7%	10%	12%	10%
Intermediate products	**66**	-7%	6%	5%	3%
Information and communication	**128**	-9%	4%	6%	4%
Fuels, energy and utilities	**236**	-18%	15%	2%	2%
Construction	**156**	-7%	12%	9%	5%
Distribution	**740**	-7%	4%	4%	3%
Logistics and transport	**115**	-8%	6%	6%	3%
Non-financial services	**163**	-14%	6%	11%	5%
Real estate services	**32**	-5%	4%	3%	2%
Total	**2,391**	**-10%**	**8%**	**6%**	**4%**

**(source estimates from Istat, Cerved)*

MEASURES OF THE SUB-FUND AND KEY FIGURES FOR 2021

As specified in more detail in the paragraph “Mission and Presentation of the Sub-Fund”, the measures consisting in capital increases (CAPINCs), CBs and CSBs are only granted after having verified the satisfaction of the requirements established by the applicable regulations, while, for SBs, the legislative and regulatory framework of the Patrimonio Rilancio requires that the preliminary assessment procedures (i) are also aimed at assessing the prospects of sufficient earnings to ensure the repayment of the loan (Article 25, paragraph 3, of the Implementing Decree and Article 76, paragraph 3, of the Regulation of the Patrimonio Rilancio) and (ii) are also based on a detailed credit rating assessment.

At 31 December 2021, CDP had approved the granting of 9 measures under the FNST, for a total of 283.2 million euro, of which:

- 5 CSBs for a total of 227.3 million euro;
- 3 SBs for a total of 16.4 million euro;
- 1 CB for a total of 39.5 million euro.

The measures approved are in favour of companies with a total of around 15,900 employees.

At 31 December 2021, 3 bonds had been issued for a total of 132.8 million euro, of which:

- 2 CSBs for a total of 127.4 million euro;
- 1 SB for a total of 5.4 million euro.

The first CSB, amounting to 97.4 million euro, is aimed, in line with the regulatory provisions, at supporting, among other things, investments necessary for the development of the Italian railway network, in order to encourage the new smart mobility, thereby reducing the environmental impact of road transport with a view to achieve climate neutrality. In addition, the funds will be allocated to the digitisation and improvement of processes inside and outside the company.

The second CSB, amounting to 30 million euro, is aimed, in line with the regulatory provisions, at supporting investments in digital projects designed to improve the performance and operating efficiency of the beneficiary company, including: a new management system for data protection, a Product Lifecycle Management (PLM) system for the development and digital management of the group’s products and, lastly, the introduction of additional software for the control of certain management processes, such as treasury and planning. In addition, the company intends to allocate the funds received from the Patrimonio Rilancio to support the development of new products and the re-engineering of existing products in line with the European Union and national objectives on ecological transition, such as the redesign of water mist fire extinguishing systems that optimise water consumption.

Lastly, the third measure, an SB amounting to 5.4 million euro, is aimed, in line with the regulatory provisions, at supporting, among other things, innovative and/or highly environmentally sustainable investments, such as the creation of a new, fully digital, centralised company information system, the renovation of the company installations with a view to improving energy efficiency, and the improvement of the efficiency of the company car fleet and machinery by replacing them with cars and machinery that comply with the most recent and strictest regulations.

The measures envisaged by the Patrimonio Rilancio are intended to support companies operating in some of the most strategically important sectors of the Italian economy, such as automotive, industrial component manufacturing, plant engineering, infrastructure and construction, agri-food, publishing and culture.

Specifically, the CSBs have been provided for companies operating in the industrial component manufacturing, infrastructure and construction sectors. The first CSB beneficiary company is a general contractor operating in the Italian and European construction sector. The company operates in the design and construction of large civil engineering works in Italy and abroad. The company is also engaged in the construction of prefabricated structures, in the area of housing and industrial construction, and in promotion activities within the real estate sector.

The second CSB beneficiary company is an operator engaged in the design, production, installation and marketing of products for the oil, gas, electricity, water, shipbuilding and railway sectors. The company has a commercial and technical presence across all the major world markets, either directly or through its subsidiaries and associates.

Lastly, the beneficiary company of the SB operates as a general contractor in the implementation of large-scale infrastructure and construction projects at national and international level, mainly for public sector customers and typically awarded through tenders. The company is also engaged in the construction of large hotel complexes and non-residential buildings.

OUTLOOK OF OPERATIONS

The Temporary Framework has been extended and supplemented several times, most recently on 18 November 2021 with Communication C(2021) 8442 in which the European Commission approved the sixth extension of the Temporary Framework, until 30 June 2022. Following the regulatory changes mentioned above, the extension of the Temporary Framework will allow the continuation of the granting of financial resources in a manner consistent with the measures envisaged by the European Commission to support the economy in the COVID-19 emergency until 30 June 2022.

In the first half of 2022, therefore, the assessment and granting of applications for support measures will continue, accompanied by the start of the management and monitoring of implemented measures, which includes all activities involving the submission of information (periodic and ad hoc) by the beneficiary enterprises and collection, verification, reporting and management by CDP and the accredited intermediaries.

CDP monitors the portfolio of measures implemented, also through checks on (i) the maintenance of the requirements for access to the measures, on the basis of public sources, information and/or self-certified declarations collected periodically and “by event” that the applicant enterprises agree to provide under the Regulation of the Patrimonio Rilancio, and (ii) the contractual obligations undertaken by the beneficiary enterprises throughout the remaining contractual duration of the measures. To verify the satisfaction of the conditions and requirements for access to the measures, as well as the accuracy, completeness and truthfulness of the declarations, information and data provided by the applicant enterprises, CDP may carry out checks on the information contained in the documentation submitted by the beneficiary enterprises at any stage, both during the preliminary assessment and after disbursement, or during the course of the process.

The competent organisational structures carry out checks, also after disbursement, on the satisfaction and maintenance of the requirements established by the Regulation of the Patrimonio Rilancio in relation to the measures, as defined in specific internal procedures. These checks are carried out annually on a sample basis, in order to achieve a significant percentage coverage of the total number of beneficiary enterprises throughout the duration of the related measure, ensuring an annual coverage of at least 20% of the total.

BALANCE SHEET AND INCOME STATEMENT FIGURES OF THE SUB-FUND

At 31 December 2021, the total assets amounted to 2,360,755 thousand euro, mainly composed of: (i) financial assets measured at fair value through other comprehensive income (government securities contributed by the MEF) for 2,208,437 thousand euro, (ii) convertible subordinated bonds and non-convertible subordinated bonds, subscribed as part of the Temporary Framework measures, for 127,387 thousand euro and 5,317 thousand euro respectively and (iii) cash and cash equivalents deposited in central treasury account no. 25083 for 19,503 thousand euro.

Equity amounted to 2,358,303 thousand euro.

The Sub-Fund reported a loss for the year of 2,205 thousand euro, mainly due to (i) net negative adjustments due to credit risk of 2,203 thousand euro relating to financial assets measured at fair value through other comprehensive income, recognised in accordance with IFRS 9, by calculating the expected loss for the 12 months following the reporting date, (ii) administrative expenses of 2,448 thousand euro and (iii) a negative change of 380 thousand euro in the fair value of the convertible subordinated bonds, measured at fair value through profit or loss.

These negative income components were partially offset by interest income on financial instruments, which amounted to 2,945 thousand euro for the year, of which: (i) 2,552 thousand euro related to financial assets measured at fair value through other comprehensive income (government securities contributed by the MEF) and (ii) 367 thousand euro related to financial assets measured at fair value through profit or loss (convertible subordinated bonds).

Separate annual report

STATEMENTS OF THE SEPARATE ANNUAL REPORT

BALANCE SHEET

(euro)

Assets	31/12/2021	Notes
Financial assets measured at fair value through profit or loss	**127,387,467**	**II.1.1**
Convertible subordinated bonds	127,387,467	
Financial assets measured at fair value through other comprehensive income	**2,208,437,292**	**II.1.2**
Government securities	2,208,437,292	
Financial assets measured at amortised cost	**5,416,738**	**II.1.3**
Subordinated bonds	5,316,739	
Deposits	99,999	
Other assets	**16,600**	**II.1.4**
Cash and cash equivalents	**19,497,402**	**II.1.5**
Total assets	**2,360,755,499**	

(euro)

Liabilities and equity	31/12/2021	Notes
Equity	**2,358,303,343**	**II.2.1**
Equity instruments	2,379,999,933	
Valuation reserves	(19,491,901)	
Net income (loss) (+/-)	(2,204,689)	
Other liabilities	**2,452,156**	**II.2.2**
Total liabilities and equity	**2,360,755,499**	

INCOME STATEMENT

(euro)

Items	2021	Notes
Income	**2,564,754**	**III.1**
Interest income and similar income	2,944,614	III.1.1
of which: Interest income calculated using the effective interests rate method	*2,577,287*	
Net profit (loss) on financial assets measured at fair value through profit or loss	(379,860)	III.1.2
Costs	**(4,769,443)**	**III.2**
Interests expense	(1,342)	III.2.1
Commission expenses	(27,200)	III.2.2
Administrative expenses	(2,447,677)	III.2.3
Net adjustments/recoveries for credit risk	(2,293,224)	III.2.4
Net income (loss) for the year	**(2,204,689)**	

STATEMENT OF COMPREHENSIVE INCOME

(euro)

Items	2021
Net income (loss)	(2,204,689)
Financial assets measured at fair value through other comprehensive income	(19,491,901)
Comprehensive income	**(21,696,590)**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euro)	Balance at 09/06/2021	Changes for the period: Changes in reserves	Changes for the period: Issue of new equity instruments	Changes for the period: Purchase of own equity instruments	Changes for the period: Comprehensive income at 31/12/2021	Equity at 31/12/2021
Equity instruments	2,379,999,933					2,379,999,933
Valuation reserves:						-
Financial assets measured at fair value through other comprehensive income					(19,491,901)	(19,491,901)
Net income (loss)					(2,204,689)	(2,204,689)
Equity	**2,379,999,933**				**(21,696,590)**	**2,358,303,343**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(euro)	2021
A. OPERATING ACTIVITIES	
1. Cash generated/(used) by operations	**10,418,708**
- net income (loss) for the year (+/-)	(2,204,689)
- gains (losses) on financial assets measured at fair value through profit or loss (-/+)	379,860
- net impairment adjustments (+/-)	2,293,224
- adjustments for uncollected/paid interests	7,502,635
- other adjustments	2,447,678
2. Cash generated/(used) by financial assets	**9,079,400**
- financial assets measured at fair value through profit or loss	(127,400,000)
- financial assets measured at fair value through other comprehensive income	141,996,000
- financial assets measured at amortised cost	(5,500,000)
- other assets	(16,600)
3. Cash generated/(used) by financial liabilities	**4,478**
- other liabilities	4,478
Cash generated/(used) by operating activities (1. + 2. + 3.)	**19,502,586**
CASH GENERATED/(USED) DURING THE YEAR	**19,502,586**

Reconciliation

Items (*) (euro)	2021
Cash and cash equivalents at beginning of the year	
Total cash generated/(used) during the year	19,502,586
Cash and cash equivalents at end of the year	**19,502,586**

(*) The cash and cash equivalents reported in the statement of cash flows comprise the balance of current account no. 25083 held with the Central State Treasury and recognised under "Cash and cash equivalents".

NOTES TO THE REPORT

I.BASIS OF PRESENTATION AND ACCOUNTING POLICIES

I.1 GENERAL INFORMATION

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

Pursuant to Article 27, paragraph 6, of the Relaunch Decree, this annual report of the Patrimonio Rilancio - "Fondo Nazionale Supporto Temporaneo" (Temporary National Support Fund) (below the "report") has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission and in force at 31 December 2021, taking into account also the minimum reporting requirements established by the Italian Civil Code, where compatible with the standards adopted.

The international accounting standards include the IFRS issued by the IASB, the IAS still in force issued by the IASC and the interpretations issued by the IFRS Interpretation Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, even earlier, by the Standing Interpretations Committee (SIC).

Section 2 - General preparation principles

The annual report includes 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 the Notes to the Report.

The report clearly presents, and gives a true and fair view of, the financial performance and results of operations for the year. The report corresponds with the Sub-Fund's accounting records and fully reflects the transactions conducted during the financial year. As detailed below, the Notes to the Report provide all information required by the IAS/IFRS, as well as any supplemental information deemed necessary in order to give a true and fair view of the Sub-Fund's financial performance and standing.

The Balance Sheet, the Income Statement, the other financial statements and the tables in the Notes to the Report are expressed in units of euro, unless otherwise specified. In the Income Statement, income is indicated as positive numbers, while expenses are shown in brackets.

The financial statements and the tables in the Notes to the Report do not show comparative values related to the previous year, because this is the first report that has been prepared. Tables with zero amounts for the reporting year were omitted.

The Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows do not contain items having a zero amount in the reporting year.

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, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo italiano di contabilità (Italian Accounting Board, OIC).

Where the information required by the IFRS is deemed to be inadequate in presenting the financial standing in a true and fair manner, the Notes to the Report also provide supplemental information for that purpose.

The report has been duly prepared on an accrual and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

In compliance with IAS 1 Revised, an assessment has been made of the Sub-Fund's ability to continue to operate as a going concern, considering all available information over the medium term.

No assets have been offset against liabilities, nor income against expenses, unless expressly required or allowed by an accounting standard or a related interpretation.

Use of estimates

The application of International Financial Reporting Standards in preparing the report requires accounting estimates to be made 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 items in the report and future earnings results.

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

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

- the calculation of impairment losses on loans and other financial assets subject to impairment;
- the use of measurement techniques to determine the fair value of financial instruments not listed on an active market;
- the quantification of provisions for risks and charges.

The description of the accounting policies used provides details on the main assumptions and assessments used in preparing the report.

Section 3 - Audit of the report

This report is subject to statutory audit in accordance with Article 27, paragraph 14 of Decree Law no. 34 of 19 May 2020.

The statutory audit is carried out by the Independent Auditors of CDP S.p.A., namely Deloitte & Touche S.p.A. ("Deloitte"). The engagement for the statutory audit of CDP S.p.A.'s accounts was awarded to Deloitte for the 2020-2028 period by the Shareholders' Meeting in ordinary session of 19 March 2019.

Section 4 - Events subsequent to the reporting date

During the period between the reporting date of this report and its approval by the Board of Directors of CDP S.p.A. on 31 March 2022, no events occurred that would require an adjustment to the figures presented in the report at 31 December 2021.

On 27 January 2022, the Board of Directors of CDP S.p.A. approved the subscription of 5 convertible subordinated bonds (CSBs) for a total of 35.9 million euro.

Russia-Ukraine Conflict

From 24 February 2022, serious tensions between Russia and Ukraine culminated in Russia's invasion of Ukraine. The conflict quickly spread over the following days with military actions affecting a large part of Ukrainian territory, with very serious consequences for the civilian population.

In this regard, it should be noted that the significant events related to the Russia-Ukraine conflict do not have an impact on the determination of the result and equity of the Sub-Fund at 31 December 2021, because they are considered non-adjusting events, according to the definition provided by IAS 10. However, IAS 10 requires the disclosure of the nature of the event occurring after the end of the reporting period and the estimated effect on the financial statements. If the estimate of the effects of an event cannot be reliably measured, or is indeed impossible to measure, as a result of particular circumstances connected to the unpredictability of the outcome of the event, the notes to the financial statements should provide appropriate disclosure, explaining the general uncertainty caused by the event.

ESMA and CONSOB have recently published the following communications:

- ESMA Statement no. 71-99-1864 of 14 March 2022 "ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets";
- CONSOB warning notice of 18 March 2022 on the impact of the war in Ukraine on inside information and financial reporting.

In these communications, the national and international regulators have requested disclosures, to the extent possible on both a qualitative and quantitative basis, on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to the affected markets, supply chains, financial position and earnings in the 2021 financial reports. Accordingly, the following disclosures are made with respect to the preparation of the separate annual report at 31 December 2021.

Russia's military intervention in Ukraine is an unexpected shock, exacerbating an already sluggish economic situation in Europe. In this context, it is important to stress the considerable uncertainty regarding the duration of the conflict, the extent of the sanctions, the climate of confidence it will generate and the resulting repercussions on the economic environment. However, given that the conflict has recently started and the situation is continually evolving, it is very difficult to predict the effects of the conflict on the macroeconomic scenario in the short and medium term and the related impact on the Sub-Fund's operations and future performance. Therefore, it will be necessary to constantly monitor the evolution of the situation in the current context.

Sweeping, coordinated sanctions have been imposed on Russia, Belarus, and the areas of the Ukrainian territory not under the Ukrainian government's control. Their aims include: (i) eroding the industrial base, (ii) preventing the wealth of the Russian elite from being hidden in safe havens in Europe, (iii) targeting the oil sector and preventing Russia from upgrading its oil refineries, and (iv) cutting off Russia's access to the world's most important financial markets. The two heaviest sanctions are in the financial sector: the ban of some of Russia's most important banks from the SWIFT international payment system and the freezing of the Russian Central Bank's foreign currency reserves, held, for the most part, in China, France, Japan and Germany, while exposure to the USA is limited.

In general terms, the four main areas in which the economic impacts of the conflict will be felt are: (i) trade relations (excluding energy commodities), (ii) gas and oil supplies, (iii) uncertainty on the financial markets and (iv) geopolitical instability and new balance.

The impact on trade relations may be relatively limited due to the limited importance of Russia's trade with Italy. The most significant direct impacts are likely to be felt by companies operating in machinery manufacturing, textiles-clothing, chemicals and food. The economic impact relating to gas and oil supplies is significant because it will drive up inflation and because of the consequences of possible supply disruptions: Italy is one of the most vulnerable European countries, as it imports from Russia about 40% of the gas and 10% of the oil it needs to cover domestic demand. Uncertainty in this area could generate an increase in government securities yields, also due to the recent decision by the ECB to continue its purchase reduction programme. It could also generate extreme volatility in financial markets and have negative impacts on the spending decisions of households and businesses. Geopolitical instability and changing relations between countries may lead to a contraction in international trade, a fall in foreign direct investment and an increase in precautionary saving. The supply of energy commodities is clearly Italy's main weak spot in terms of both direct effects, due to dependence on Russian supplies, and indirect effects on prices and inflation. High and rising inflation could produce serious effects, both for businesses, especially energy-intensive ones, whose margins would be eroded, and for households, whose purchasing power could be severely impaired since wage trends are not directly related to price trends.

In the medium term, the impact of the current crisis on growth and inflation is likely to have a significant negative fallout on various sectors of the economy. However, some sectors will be more severely affected by the consequences of the crisis, in particular those that are "energy-intensive" or otherwise exposed to significant increases in commodity prices.

The potential risk for the Sub-Fund depends on the possible impacts, for the beneficiary companies of the relevant measures, of the crisis generated by the conflict.

No exposure to the risks arising from the conflict is detected with regard to the issuer of the subordinated bond.

The beneficiary issuers of the subordinated convertible bonds appear to be exposed through business relations with companies established in the territory of the Russian Federation, production plants and/or through subsidiaries held for sale.

It should also be noted that, on the date of approval of the report, no significant direct impacts are recorded on the work of the beneficiary companies related to the conflict in question.

Despite the uncertainty over the macroeconomic evolution, it is possible to make some preliminary observations regarding the potential indirect impacts, which are mainly a consequence of supply-related uncertainties. The sanctioning system adopted by the EU and the US could have indirect repercussions on the business of the companies as a result of the volatility in the prices of commodities originating from the countries affected by the emergency, with a possible generalised increase in inflation and specifically of energy commodities (oil, gas and coal), wood and aluminium.

In view of the rapidly evolving situation, the indications emerging from the analysis may be modified by subsequent measures.

Section 5 - Other issues

IFRS endorsed at 31 December 2021 and in force since 2021

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 2021, are provided below.

- Commission Regulation (EU) 2021/1421 of 30 August 2021, published in Official Journal L 305/17 of 31 August 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 16;
- Commission Regulation (EU) 2021/25 of 13 January 2021, published in Official Journal L 11/7 of 14 January 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 4, 7, 9 and 16;
- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 4.

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 2022)

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 2021:

- Commission Regulation (EU) 2021/1080 of 28 June 2021, published in Official Journal L 234/90 of 2 July 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9;
- Commission Regulation (EU) 2021/2036 of 19 November 2021 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 17.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2021

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 this report:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

Other information

The annual report is approved by the Board of Directors of CDP S.p.A. at the same time as the approval of the draft separate financial statements of CDP S.p.A., to which it constitutes an annex as required by Article 27, paragraph 6 of the Relaunch Decree. The annual report is subsequently approved by the general meeting of the holders of the equity instruments.

I.2 THE MAIN ITEMS OF THE ANNUAL REPORT

The annual report of the "Fondo Nazionale Supporto Temporaneo" (Temporary National Support Fund) Sub-Fund at 31 December 2021 has been prepared using the International Financial Reporting Standards (IFRS), supplemented by the amendments endorsed and in force with effect from the financial year 2021, as described in Section 5 – Other issues, I.1 General Information.

The following pages provide a description of the accounting policies adopted in preparing this report.

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

The item "Financial assets measured at fair value through profit or loss" includes:

- the assets represented by debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated as hedging instruments;
- the other assets represented by debt securities, equity securities, units of UCIs and loans, i.e. those assets other than those measured at fair value through profit or loss, which do not meet the requirements for classification at amortised cost or at fair value through other comprehensive income. They are substantially represented by those financial assets whose contractual terms provide for periodic flows that are not represented by solely payments of principal and interests (thus characterised by the failure to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio measured at amortised cost or at fair value through other comprehensive income.

Specifically, this item for the Sub-Fund includes mandatory convertible subordinated bonds ("CBs") and convertible subordinated bonds ("CSBs").

Financial assets measured at fair value through profit or loss are initially recognised at the settlement date for debt securities and equities and at the disbursement date for loans.

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

Subsequent measurement is at fair value, with recognition of the measurement results in the 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.

The interest arising from debt securities and loans classified as Financial assets measured at fair value through profit or loss are included in interest income and similar income.

No reclassifications to other categories of financial assets are allowed.

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

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

The item "Financial assets measured at fair value through other comprehensive income" includes financial assets that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Hold to Collect and Sell" business model);

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In particular, this item includes Italian government securities contributed by the Ministry of the Economy and Finance in exchange for equity instruments issued by the Sub-Fund.

The initial recognition for the debt securities is on the settlement date.

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

Subsequent to the initial recognition, these financial instruments, which are traded in active markets, are measured at their fair value determined on the basis of official prices on the reporting date.

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

If these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other comprehensive income, are transferred from equity to the Income Statement.

Interest is recognised in the Income Statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset. Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

These instruments are also subject to the calculation of adjustments through profit or loss to cover the expected impairment losses in accordance with IFRS 9. In particular, an expected loss over a period of up to 12 months following the reporting date is recognised for instruments classified in stage 1 (i.e. performing financial assets that do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired financial assets). The above allocation does not include exposures that are impaired from origination or purchase, which are instead recognised separately as purchased or originated credit-impaired (POCI) financial assets from the date of initial recognition until derecognition.

For financial assets that are classified in stages 1 and 2, impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

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

For purchased or originated credit-impaired financial assets, the amortised cost and, consequently, interest income is calculated by considering expected losses over the residual maturity of the asset in the estimates of future cash flows. For these assets, the credit loss allowance is calculated as the cumulative change, from initial recognition, in the expected losses over the life of the asset.

Losses and recoveries arising from the impairment process are recognised under the Income Statement item “Net adjustments for credit risk”.

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

Financial assets measured at fair value through other comprehensive income 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 significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the balance sheet, even if legal title has been effectively transferred.

3 - Financial assets measured at amortised cost

The item “Financial assets measured at amortised cost”, in accordance with IFRS 9, includes assets that meet both of the following conditions:

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

Specifically, this item of the Sub-Fund comprises subordinated bonds (SBs) and deposits with CDP, as collateral for repurchase agreement transactions, and mirrors those held by CDP as default funds with Cassa di Compensazione e Garanzia.

“Financial assets measured at amortised cost” are initially recognised on the settlement date.

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

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

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the cash flow estimates.

Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognised through profit or loss in the item “Net adjustments for credit risk”.

Financial assets measured at amortised cost are derecognised 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 significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the balance sheet, even if legal title has been effectively transferred.

4 – Cash and cash equivalents

This item includes cash and cash equivalents held with the Central State Treasury.

Cash and cash equivalents are recorded on the assets side of the balance sheet at nominal value adjusted by the expected credit loss allowance. The amount of such losses is recognised through profit or loss in the item “Net adjustments for credit risk”.

Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

5 – Other information

Interest income and expense

Interest income and expense is recognised in the Income Statement, on a pro-rata basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided. Any commissions considered in the amortised cost, for the calculation of the effective interest rate, are classified as interest.

Prepayments and accruals

The prepayments and accruals that include costs or revenues for the year accruing on assets and liabilities, are recognised in the report as an adjustment to the assets and liabilities to which they relate.

Other assets and other liabilities

Other assets and other liabilities comprise the items that cannot be allocated to the other balance sheet items. Specifically, for the Sub-Fund they consist of amounts on deposit with the manager Cassa Depositi e Prestiti S.p.A. and amounts payable to be settled for the reimbursements of costs incurred by the manager and payables for invoices to be received.

Taxes

As provided for in Article 27 paragraph 13 of the Relaunch Decree, the income and value of production of the Sub-Fund are exempt from tax. The Sub-Fund is not subject to withholding tax or taxes that substitute income taxes on income received in any capacity.

I.3 DISCLOSURES ON FAIR VALUE MEASUREMENT

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 at the measurement date to sell an asset or paid to transfer a liability in an ordinary transaction between independent market counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded, and are fully operational (without the urgent need to liquidate or significantly reduce a position). The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value”), according to the observability and significance of the inputs used in its measurement.

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 quoted prices on an active market, the fair value is determined using measurement models and techniques, with classification in Level 2 of the hierarchy if the inputs used are quoted prices available on active markets or inputs based on observable market data, such as interest rates or yield curves. If the inputs require adjustments made on the basis of parameters that cannot be observed in the market and are impacted by the modelling choices needed to make them, for example through the use of statistical or expert-based techniques, the fair value is classified in Level 3 of the hierarchy.

Specifically, with regard to the items measured at fair value on a recurring basis, in the annual report of the “Fondo Nazionale Supporto Temporaneo” (FNST - Temporary National Support Fund) Sub-Fund at 31 December 2021 the measurements of securities issued by the Italian government listed on active markets, transferred by the Ministry of the Economy and Finance into the Patrimonio Rilancio at the time of its establishment, are included in Level 1.

At 31 December 2021, there were no measurements of instruments classified in Level 2 of the hierarchy of fair value.

The measurements of convertible subordinated bonds (CSBs), such as the following, for which the use of non-directly observable inputs is required, are classified in Level 3 of the hierarchy of fair value:

- credit spreads of issuers for which a liquid yield curve cannot be identified, but can only be estimated on the basis of statistical techniques applied to market comparables;
- the market value (equity value) of unlisted underlyings, which is not directly observable and can be estimated, for example, through models based on discounted cash flows or market multiples, and other related parameters (e.g. volatility).

In general, for a convertible bond, an increase in credit spreads tends to reduce the estimated fair value, while an increase in equity value contributes to an increase in fair value.

For each investment instrument of each Sub-Fund of the Patrimonio Rilancio, CDP has engaged financial advisors with proven professional expertise and experience, through a specific European tender procedure, to provide a fair value measurement in line with market best practice, as well as the main regulatory sources on the subject and the “Fair Value Measurement Regulation” currently in force, drawn up by the designated CDP functions.

I.3.1 HIERARCHY OF FAIR VALUE

Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(euro)	31/12/2021		
Assets/liabilities measured at fair value	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss			**127,387,467**
Convertible subordinated bonds			127,387,467
2. Financial assets measured at fair value through other comprehensive income	**2,208,437,292**		
Government securities	2,208,437,292		
Total assets	**2,208,437,292**		**127,387,467**

Change for the year in financial assets measured at fair value (Level 3)

	Financial assets measured at fair value through profit or loss	
(euro)	Total	Of which: Convertible subordinated bonds
1. Opening balance		
2. Increases	**127,767,327**	**127,767,327**
2.1 Subscriptions	127,400,000	127,400,000
2.2 Profits taken to:	367,327	367,327
2.2.1 Income statement	367,327	367,327
2.2.2 Equity	X	X
2.3 Transfers from other levels		
2.4 Other increases		
3. Decreases	**379,860**	**379,860**
3.1 Sales		
3.2 Repayments		
3.3 Losses taken to:		
3.3.1 Income statement	379,860	379,860
3.3.2 Equity	X	X
3.4 Transfers to other levels		
3.5 Other decreases		
4. Closing balance	**127,387,467**	**127,387,467**

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(euro)	31/12/2021			
Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	Book value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**5,416,738**			**5,416,738**
Subordinated bonds	5,316,739			5,316,739
Deposits for GMRA	99,999			99,999
Cash and cash equivalents	**19,497,402**			**19,497,402**
Central Treasury current account n. 25083	19,497,402			19,497,402
Total assets	**24,914,140**			**24,914,140**

II. INFORMATION ON THE BALANCE SHEET

II.1 ASSETS

II.1.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance of this item, amounting to 127,387,467 euro, relates entirely to the 2 convertible subordinated bonds subscribed by the Sub-Fund in the context of the Temporary Framework initiatives.

Convertible subordinated bonds: changes for the year

	31/12/2021		
(euro)	Level 1	Level 2	Level 3
1. Opening balance			
2. Increases			**127,767,327**
2.1 Subscriptions			127,400,000
2.2 Profits taken to income statement			367,327
2.3 Transfers from other levels			
2.3.1 Transfers from level 1	**X**		
2.3.2 Transfers from level 2		**X**	
2.3.3 Transfers from level 3			**X**
2.4 Other increases			
3. Decreases			**379,860**
3.1 Divestments			
3.2 Repayments			
3.3 Losses taken to income statement			379,860
3.4 Transfers to other levels			
3.4.1 Transfers to level 1	**X**		
3.4.2 Transfers to level 2		**X**	
3.4.3 Transfers to level 3			**X**
3.5 Other decreases			
4. Closing balance			**127,387,467**

The increase in the item of 127,767,327 euro is due to (i) subscriptions of 2 convertible subordinated bonds respectively for 97,400,000 euro and 30,000,000 euro, for a total amount of 127,400,000 euro and (ii) profits posted to the income statement and related to accrued interest for 367,327 euro.

The decreases relate to negative changes in fair value with an impact on the income statement of 379,860 euro.

II.1.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income: breakdown

(euro)	Gross value				Impairment				Net value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
Government securities	2,210,640,573	-	-	-	(2,203,281)	-	-	-	2,208,437,292	-	-	-
Total 31/12/2021	**2,210,640,573**				**(2,203,281)**				**2,208,437,292**			

This item, amounting to 2,208,437,292 euro, consists of Italian government securities contributed by the MEF with a ministerial decree dated 7/5/2021, subsequently allocated with a directorial decree dated 7/6/2021, to enable the operations of the Sub-Fund.

Government securities: changes for the year

	31/12/2021		
(euro)	Level 1	Level 2	Level 3
1. Opening balance			
2. Increases	**2,382,551,466**		
2.1 Contributions	2,379,999,933		
2.2 Profits taken to:	2,551,533		
2.2.1 Income statement	2,551,533		
2.2.2 Equity			
2.3 Transfers from other levels			
2.3.1 Transfers from level 1	**X**		
2.3.2 Transfers from level 2		**X**	
2.3.3 Transfers from level 3			**X**
2.4 Other increases			
3. Decreases	**174,114,174**		
3.1 Sales			
3.2 Repayments	152,418,992		
3.3 Losses taken to:	21,695,182		
3.3.1 Income statement	2,203,281		
3.3.2 Equity	19,491,901		
3.4 Transfers to other levels			
3.4.1 Transfers to level 1	**X**		
3.4.2 Transfers to level 2		**X**	
3.4.3 Transfers to level 3			**X**
3.5 Other decreases			
4. Closing balance	**2,208,437,292**		

The increase in this item, equal to 2,382,551,466 euro, is due to: (i) contributions from the Ministry of the Economy and Finance for 2,379,999,933 euro, against the issuance of similar value equity instruments in favour of the Ministry, and (ii) profits recognised in the income statement related to accrued interest income, for 2,551,533 euro.

The decreasing components relate to: (i) redemptions amounting to 152,418,992 euro, (ii) impairment losses in accordance with IFRS 9, recognised in the income statement and amounting to 2,203,281 euro, and (iii) negative fair value changes with a balancing entry in equity, amounting to 19,491,901 euro.

II.1.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets measured at amortised cost: breakdown

(euro)	Gross value				Impairment				Net value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
a) Subordinated bonds	5,401,497	-	-	-	(84,758)	-	-	-	5,316,739	-	-	-
b) Deposits for GMRA	100,000				(1)				99,999			
Total 31/12/2021	**5,501,497**				**(84,759)**				**5,416,738**			

The item refers to: (i) 1 subordinated bond for 5,316,739 euro and (ii) Default Fund deposits with CDP for 99,999 euro.

Subordinated bonds: changes for the year

	31/12/2021		
(euro)	Level 1	Level 2	Level 3
1. Opening balance			
2. Increases			**5,401,497**
2.1 Subscriptions			5,400,000
2.2 Profits taken to income statement			1,497
2.3 Transfers from other levels			
2.3.1 Transfers from level 1	X		
2.3.2 Transfers from level 2		X	
2.3.3 Transfers from level 3			X
2.4 Other increases			
3. Decreases			**84,758**
3.1 Divestments			
3.2 Repayments			
3.3 Losses taken to income statement			84,758
3.4 Transfers to other levels			
3.4.1 Transfers to level 1	X		
3.4.2 Transfers to level 2		X	
3.4.3 Transfers to level 3			X
3.5 Other decreases			
4. Closing balance			**5,316,739**

The increase in the item of 5,401,497 euro is due to (i) subscriptions for 5,400,000 euro and (ii) accrued interest income of 1,497 euro.

The decreasing components relate to impairment losses in accordance with IFRS 9, recognised in the income statement, amounting to 84,758 euro.

II.1.4 OTHER ASSETS

The balance of this item, equal to 16,600 euro, relates to financial resources deposited in the account managed by CDP.

In accordance with Article 101.4 of the Patrimonio Rilancio Regulation, these resources are set up as a buffer to cover unforeseen or urgent payments or to accommodate unexpected collections for which CDP S.p.A. is unable to make withdrawals from or payments into central treasury accounts due to cut-off times beyond which it is not possible to operate on central treasury accounts.

II.1.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents: breakdown

(euro)	Gross value				Impairment				Net Value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
Central Treasury current account n. 25083	19,502,586	-	-	-	(5,184)	-	-	-	19,497,402	-	-	-
Total 31/12/2021	**19,502,586**				**(5,184)**				**19,497,402**			

The balance of the item refers to the Sub-Fund's cash and cash equivalents held in Central State Treasury account no. 25083.

In compliance with Article 35, paragraph 1, of the Implementing Decree, the liquid assets of the Special-purpose assets fund are credited to interest-bearing account no. 25083, opened with the Central State Treasury in the name of Cassa Depositi e Prestiti S.p.A. - Patrimonio Rilancio.

On the account balance, the Ministry of the Economy and Finance pays interest on a half-yearly basis at a rate equal to the greater of (i) the simple arithmetic average of the gross rates of return, recorded at issuance, on six-month ordinary bonds (BOT) issued in the same half-year period and (ii) zero.

Note that no interest was accrued for the year under review, as the reference rate is negative.

II.2 LIABILITIES AND EQUITY

II.2.1 EQUITY

Equity: breakdown

(euro)	31/12/2021
Equity instruments	2,379,999,933
Valuation reserves:	
Financial assets measured at fair value through other comprehensive income	(19,491,901)
Net income (loss) (+/-)	(2,204,689)
Total	**2,358,303,343**

The Equity of the Sub-Fund is mainly composed of the equity instruments issued in favour of the Ministry of the Economy and Finance at the time of establishment of the Patrimonio Rilancio. They were issued on 9/6/2021 following the contribution of the first tranche of government securities by the MEF to enable the Sub-Fund to operate.

The item “valuation reserves”, amounting to 19,491,901 euro, refers to the negative change in the fair value of the Italian government securities held in the Sub-Fund's portfolio, which are measured at fair value through other comprehensive income (FVOCI).

At 31/12/2021 the Sub-Fund showed a loss for the year of 2,204,689 euro.

II.2.2 LIABILITIES

Other liabilities: breakdown

(euro)

Type of operations / Values	31/12/2021
a) Payables due to suppliers	105,813
b) Tax payables	7,700
c) Payables due from CDP	2,334,165
d) Other liabilities	4,478
Total	**2,452,156**

At 31 December 2021 the item "Other liabilities" amounted to 2,452,156 euro and consisted of:

- payables to CDP in the amount of 2,334,165 euro for costs incurred by CDP S.p.A. to manage the Sub-Fund in accordance with Article 32 of the Implementing Decree of the Ministry of the Economy and Finance that came into force on 25 March 2021;
- payables to suppliers for 105,813 euro;
- payables for VAT payments under the Split Payment scheme for 7,700 euro;
- commission and interest expense on default fund deposits with CDP not yet settled at 31 December 2021, in the amount of 4,478 euro.

II.3 OTHER INFORMATION

Securities custody and administration

The following table shows owned securities deposited with third parties, at their nominal value.

Specifically, the securities in question are managed by CDP S.p.A. and deposited with Monte Titoli S.p.A.

(euro)	31/12/2021
Securities deposited with third parties	
Government securities	2,161,833,000
Convertible subordinated bonds	127,400,000
Subordinated bonds	5,400,000
Total	**2,294,633,000**

III. INFORMATION ON THE INCOME STATEMENT

III.1 REVENUES

III.1.1 INTEREST INCOME AND SIMILAR INCOME

Interest income and similar income: breakdown

(euro)

Items/Values	2021
1 Financial assets measured at fair value through profit or loss	**367,327**
1.1 Interests on convertible subordinated bonds	367,327
2 Financial assets measured at fair value through other comprehensive income	**2,551,533**
2.1 Interests on Government securities	2,551,533
3 Financial assets measured at amortised cost	**1,497**
3.1 Interests on subordinated bond	1,497
4 Financial liabilities	**24,257**
4.1 Interest income on repurchase agreements	24,257
Total	**2,944,614**

The item, amounting to 2,944,614 euro, consists of:

- interest income on debt securities, specifically on government securities contributed by the MEF for 2,551,533 euro;
- interest income accrued on 2 convertible subordinated bonds for 367,327 euro;
- interest income accrued on 1 subordinated bond for 1,497 euro;
- interest income on repurchase agreements for 24,257 euro, due to the negative rates of return on these transactions.

III.1.2 NET PROFIT (LOSS) ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(euro)

Type of operation/P&L items	Gains	Losses	2021
Net profit (loss) on financial assets measured at fair value through profit or loss			
Convertible subordinated bonds		(379,860)	(379,860)
Total		**(379,860)**	**(379,860)**

The balance of the item, negative for 379,860 euro, includes the result arising from the fair value measurement of convertible subordinated bonds, recorded among financial assets measured at fair value through profit or loss.

III.2 COSTS

III.2.1 INTEREST EXPENSE

Interest expense: breakdown

(euro)

Items/Values	2021
Financial Assets	**(1,342)**
Total	**(1,342)**

This item, amounting to 1,342 euro, consists of interest expense on financial assets which, due to negative remuneration, resulted in a component with the opposite sign.

Specifically, the interest relates to default funds deposited with CDP.

III.2.2 COMMISSION EXPENSE

This item, amounting to 27,200 euro, consists of management fees default funds deposited with CDP.

III.2.3 ADMINISTRATIVE EXPENSES

Administrative expenses: breakdown

(euro)

Type of expenses/Values	2021
Professional services	(113,512)
Operating costs charged from CDP	(2,334,165)
Total	**(2,447,677)**

This item includes expenses recharged by CDP S.p.A. for costs incurred for the management of the Sub-Fund in the amount of 2,334,165 euro and costs for other professional services in the amount of 113,512 euro.

Audit fees

The audit fees for 2021 are shown below. Note that no non-audit services were provided in 2021.

(euro)

Type of services	Deloitte & Touche S.p.A.
Auditing	19,860
Total	**19,860**

III.2.4 NET ADJUSTMENTS FOR CREDIT RISK

(euro)	Writedowns						Writebacks				
			Stage 3		Purchased or Originated Credit Impaired						
Operations/ P&L items	Stage 1	Stage 2	Write-off	Other	Write-off	Other	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	2021
Financial assets measured at fair value through other comprehensive income	**(2,203,281)**										**(2,203,281)**
Government securities	(2,203,281)										(2,203,281)
Financial assets measured at amortised cost	**(84,759)**										**(84,759)**
Subordinated bonds	(84,758)										(84,758)
Deposits for GMRA	(1)										(1)
Cash and cash equivalents	**(5,184)**										**(5,184)**
Central Treasury current account n 25083	(5,184)										(5,184)
Total	**(2,293,224)**										**(2,293,224)**

This item, negative for approximately 2,293,224 euro, represents the net balance between adjustments and recoveries for credit risk on financial assets measured at amortised cost, cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

IV. INFORMATION ON RISKS

1. General aspects

To ensure an efficient risk management system, the Sub-Fund has set up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks - assumed or that can be assumed.

The risk management system takes into account the specific characteristics of the activity carried out by CDP and is implemented in compliance with the regulatory requirements.

The guidelines for risk management envisage the separation of roles and responsibilities in the assumption and control of risks, and the organisational independence of risk control from the operational management of risks.

The types of risks to which the Sub-Fund is exposed can be classified as investment and credit risks, liquidity risks, market risks and operational risks.

2. Investment and credit risk

Investment risk consists of the possibility of negative or lower than expected performance of the investments made, including lasting losses in value. Credit risk relates to the possibility of default by debtors on instruments such as subordinated loans, convertible subordinated loans and mandatory convertible subordinated loans.

Investment and credit risks arise mainly from the investment in the instruments provided for by the Regulation of the Sub-Fund and, secondarily, from related activities, particularly treasury management.

In this regard, in view of the recent start of operations, the portfolio of the Sub-Fund consisted of a small number of instruments at 31 December 2021. The nature of the instruments – which include the possibility to subscribe for direct equity, bonds with conversion options to the benefit of the issuer or the subscriber, mandatory convertible bonds and subordinated bonds – exposes the Sub-Fund to a specific and intrinsically high-risk profile, both in terms of possible fluctuations in value and in terms of the low liquidity of the investments.

Under the credit risk management and control policies, the creditworthiness of the counterparty is assessed during the preliminary analysis phase and an internal rating is assigned, which is monitored and updated periodically.

In accordance with IFRS 9, for instruments not measured at fair value through profit or loss, expected credit losses at the reporting date are recognised by determining the basic components of the credit risk: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). These financial assets are allocated to three distinct “stages” (Stage Allocation):

- stage 1: this stage refers to financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are measured based on the expected loss over a time horizon of up to one year;
- stage 2: this stage involves the financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are measured based on their expected credit loss, calculated over a time horizon corresponding to the residual life of the financial asset;
- stage 3: this stage involves credit-impaired financial assets: having suffered a significant increase in their credit risk since initial recognition, they are measured accordingly based on the expected credit loss over the residual life of the financial asset.

The above allocation does not include any exposures that are impaired from origination or purchase, which are instead recognised separately as purchased or originated credit-impaired (POCI) financial assets from the date of initial recognition until derecognition.

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and to the LGD.

Any credit-impaired assets are recognised in the financial statements on the basis of discounting expected cash flows over the asset’s entire lifetime, calculated using the original effective interest rate of the specific loan.

The amount of the adjustments is equal to the difference between the carrying value of the asset and the discounted value of the expected future cash flows. The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure.

3. Liquidity risk

Liquidity risk is the risk that the Sub-Fund will be unable to meet its commitments due to difficulties in financing itself or in divesting assets, or that it will be unable to monetise assets held in the market without significantly adverse conditions affecting their market price.

With regard to liquidity risk, due to the composition of its financial statements, and in order to reduce the non-core risks, the Sub-Fund intends to also use repurchase agreements carried out under typical market conditions to manage its liquidity. Given the small amounts invested in total, at 31 December 2021 the available liquidity was much higher than the amount invested in illiquid instruments and the application of specific metrics for this type of risk was not yet significant.

4. Market risk

In terms of market risk, the Sub-Fund holds Italian government securities with a maturity compatible with its investment horizon and is therefore exposed to the risk of price fluctuations. There were no exposures to foreign currencies at 31 December 2021.

5. Operational risks

Operational risks potentially affecting the Sub-Fund include the possible economic effects of adverse events of an operational nature, including those related to legal proceedings, if they do not come under the responsibility of CDP as the manager of the Sub-Fund.

V. TRANSACTIONS WITH RELATED PARTIES

This paragraph provides information about the relationship with:

- CDP S.p.A.;
- the MEF, holder of the equity instruments.

Transactions with related parties, notably those with the Ministry of the Economy and Finance and CDP S.p.A., arise as a result of legislative provisions. In any event, it should be noted that no atypical or unusual transactions were carried out with related parties whose size could have an impact on the assets and liabilities or performance of the Sub-Fund. All transactions with related parties were carried out on an arm's length basis and form part of the Sub-Fund's ordinary operations.

The table below shows the main existing related-party relationships at 31 December 2021.

(euro)

	Items	Ministry for the Economy and Finance	CDP	Total transaction with related parties
Assets	Financial assets measured at fair value through other comprehensive income	2,208,437,292		**2,208,437,292**
	Financial assets measured at amortised cost		99,999	**99,999**
	Other assets		16,600	**16,600**
	Cash and cash equivalents	19,497,402		**19,497,402**
Liabilities	Other liabilities		2,338,643	**2,338,643**
Income statement	Interest income and similar revenues	2,551,533	24,257	**2,575,790**
	Interest expense and similar charges		(1,342)	**(1,342)**
	Commission expense		(27,200)	**(27,200)**
	Administrative expenses		(2,334,165)	**(2,334,165)**
	Net adjustment for credit risk	(2,208,465)	(1)	**(2,208,466)**

The transactions conducted with the Ministry of Economy and Finance were related to cash and cash equivalents held on a treasury account, and government securities recognised as financial assets measured at fair value through other comprehensive income. Specifically:

- "financial assets measured at fair value through other comprehensive income", for 2,208,437,292 euro;
- "cash and cash equivalents", for 19,497,402 euro;
- "Interest income and similar income", for 2,551,533 euro;
- "net adjustments for credit risk", for 2,208,465 euro

Transactions with CDP are carried out for the purposes of the administrative management of the Sub-Fund, as more fully described in the preceding sections of the explanatory notes.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 27, PARAGRAPH 3, OF THE LAW-DECREE N. 34 OF MAY 19, 2020, CONVERTED WITH LAW N. 77 OF JULY 17, 2020

To the Investor of the
Patrimonio Rilancio - Fondo Nazionale Supporto Temporaneo

Opinion

We have audited the separate annual report of Patrimonio Rilancio - Fondo Nazionale Supporto Temporaneo (the "Sub-fund"), which comprise the balance sheet as at December 31, 2021, the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the separate annual report.

In our opinion, the accompanying separate annual report give a true and fair view of the financial position of the Sub-fund as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Separate Annual Report section of our report. We are independent of the Sub-fund and Cassa Depositi e Prestiti S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors of Cassa Depositi e Prestiti S.p.A. for the Separate Annual Report

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of separate annual report that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of separate annual report that are free from material misstatement, whether due to fraud or error.

In preparing the separate annual report, the Directors of Cassa Depositi e Prestiti S.p.A. are responsible for assessing the Sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Sub-fund or for the termination of the operations or have no realistic alternative to such choices.

Deloitte.

Auditor's Responsibilities for the Separate Annual Report

Our objectives are to obtain reasonable assurance about whether the separate annual report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate annual report.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate annual report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 internal control of the Sub-fund and Cassa Depositi e Prestiti S.p.A..

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of Cassa Depositi e Prestiti S.p.A..

- Conclude on the appropriateness of Cassa Depositi e Prestiti S.p.A. 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 Sub-fund'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 separate annual report 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 Sub-fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate annual report, including the disclosures, and whether the separate annual report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of Cassa Depositi e Prestiti S.p.A., 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 identify during our audit.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 20, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Fondo Nazionale Strategico

Summary

Report on Operations

MISSION AND PRESENTATION OF THE SUB-FUND

In light of the Covid-19 epidemiological emergency, Article 27 of Decree Law no. 34 of 19 May 2020, "Urgent measures regarding health, support for work and the economy, and social policies related to the COVID-19 epidemiological emergency" ("Relaunch Decree"), converted with amendments by Law no. 77 of 17 July 2020, authorised Cassa Depositi e Prestiti S.p.A. ("CDP") to set up a special-purpose assets fund, called "Patrimonio Rilancio", to which certain assets and legal relationships identified by the Ministry of the Economy and Finance were transferred. The purpose of the Patrimonio Rilancio is to provide support for the relaunch of Italy's economy, in the forms and under the conditions provided for by the European Union's State Aid Temporary Framework, adopted to address the COVID-19 epidemiological emergency (the "Temporary Framework"), or at market conditions, with the aim of supporting Italy's entrepreneurial fabric, also through capital-strengthening measures.

The following public implementing measures were adopted for the establishment and the consequent start of operations of the Patrimonio Rilancio, pursuant to Article 27 of the Relaunch Decree:

- the Implementing Decree of the Ministry of the Economy and Finance, following consultation with the Ministry of Economic Development, dated 3 February 2021, concerning the access requirements, conditions, criteria and procedures for the investments of the Patrimonio Rilancio, published in the Official Gazette on 10 March 2021 and entered into force on 25 March 2021;
- the Allocation Decree of the Ministry of the Economy and Finance of 7 May 2021, concerning the maximum allocation of up to 44 billion euro for the Patrimonio Rilancio, published in the Official Gazette on 15 May 2021, which, for the initial allocation to the Patrimonio Rilancio, provided for the transfer to this Fund, by way of allocation to CDP, of government securities in the amount of 3 billion euro (the "Initial Allocation"), subsequently assigned by Directorial Decree of 7 June 2021 (with a settlement date of 9 June 2021).

In addition, in accordance with Article 27, paragraph 6 of the Relaunch Decree, in the meeting held on 18 May 2021, the Board of Directors of CDP also adopted the Regulation the Patrimonio Rilancio (below the "Regulation of the Patrimonio Rilancio"), which was approved on 24 May 2021 by the Minister of the Economy and Finance, pursuant to the above-mentioned provisions, as notified to CDP on 7 June 2021.

In accordance with and in execution of the provisions of the Implementing Decree, the Regulation of the Patrimonio Rilancio governs the following, among other things:

- the purposes of the Patrimonio Rilancio, its establishment and operating procedures, the timing of the measures, its duration, the requirements for the enterprises benefiting from the measures, the management policy, the forms of implementation of the measures and the financial plan;
- the operations of the sub-funds, including the management of their income, their liquidation and the regime for their reporting;
- the preliminary assessment activities of the Patrimonio Rilancio, including the underlying principles, the procedure for the granting of measures, the accredited entities (respectively the "Accredited Intermediaries", which support the Patrimonio Rilancio in the preliminary assessment activities, the execution of operations and their monitoring and management, and the "Independent Experts", for the determination of the market value of applicant enterprises with shares not listed on a regulated market) and the management, monitoring and control activities;
- the organisation and management of the Patrimonio Rilancio, including the characteristics of the equity instruments, the Conflicts and Transactions Committee[1], the classification and preliminary assessment process for transactions in conflict of interest, and the cost regime of the Patrimonio Rilancio.

As established by the Relaunch Decree, the sub-funds that make up the Patrimonio Rilancio are separate, autonomous and distinct in all respects from the assets of the other sub-funds and from the assets of CDP, and relate to different types of measure in support of enterprises.

In accordance with the three types of operations envisaged by the Regulation, the Patrimonio Rilancio is divided into three sub-funds: Fondo Nazionale Supporto Temporaneo (FNST - Temporary National Support Fund), Fondo Nazionale

[11] The Conflicts and Transactions Committee is responsible for providing a prior mandatory and non-binding opinion to the decision-making body, in accordance with the provisions of the Regulation of the Patrimonio Rilancio, within the preliminary assessment and approval process, and in particular in transactions with potential conflicts of interest and with related parties relating to the use of the special-purpose assets fund, in line with the provisions of Article 30 of the Implementing Decree.

Strategico (FNS - Strategic National Fund) and Fondo Nazionale Ristrutturazioni Imprese (FNRI - National Enterprise Restructuring Fund).

More specifically, through the FNS Sub-Fund, the Patrimonio Rilancio participates, together with other market investors, in investment transactions on the primary market, through capital increases or convertible bonds, or directly and indirectly on the secondary market, through equity investments in strategic enterprises (“Market Operations”). In particular, the Sub-Fund’s measures involve the following instruments: (i) capital increases (CAPINCs); (ii) convertible bonds (CBs); (iii) direct investments on the primary and secondary markets in listed companies with a market capitalisation of more than 250 million euro; and (iv) indirect investments (e.g. through investment funds managed by asset management companies controlled by CDP) on the secondary market in companies listed or to be listed (also on the AIM market) with a market capitalisation of less than 250 million euro.

MARKET CONTEXT

The “Great Lockdown” of 2020, caused by the spread of the COVID-19 virus, was unparalleled in modern history. It led to the most far-reaching global, and unpredictable, crisis that was less dependent on traditional economic factors. The measures to restrict mobility which were necessary to limit infections (closure of non-core production activities, closure of schools and adoption of remote working for eligible categories of workers) inevitably caused a shock to the economic system, in terms of both demand and supply, blocking consumption and industrial production, with consequent effects on levels of confidence.

The main effects of the epidemiological emergency on the Italian economic and production fabric in the year of the pandemic crisis (2020) can be summarised as follows:

- a fall in GDP of around 9% (around 3% higher than at European level, i.e. -6.4%) and an increase in the debt-to-GDP ratio of around 160%[2];
- a fall in industrial production of 11.4% (in contrast to the increase of 2.6% at European level), the second-worst result since the beginning of the time series (ISTAT data);
- likely increased selectivity of the banking industry in lending due to the deterioration of key corporate and consumer capital indicators;
- worsening of the company financial statements indicators, particularly due to an increase in leverage of over 130% and a fall in EBITDA of nearly 30%[3];
- sharp decline in turnover of non-financial enterprises. It is estimated that, in the most acute phase of the health emergency, the suspension of activities in Italy affected 2.1 million enterprises (equivalent to around 40% of the total national added value), causing an overall fall in turnover of around 14%, with peaks of more than 20% for certain sectors, which in turn generated an emergency in terms of employment and social stability[4].

The fall in turnover and the liquidity measures adopted through ultra-expansionary monetary policies have led to an increase in the level of debt of Italian enterprises. As a result, in the future, even those that survive the emergency may not have the resources to invest in human capital, digitisation and international expansion.

In the context of this epidemiological emergency, the Italian Government has therefore decided to adopt instruments aimed at implementing measures and operations to support and relaunch the Italian economic and production system, by strengthening the capital of its enterprises. Thanks to the adoption of these instruments and further measures taken at government level, the financial indicators of enterprises have shown good resilience and the recovery in Italy after the acute phase of the economic and pandemic crisis has been fairly rapid and more robust than in the other major European and world economies. Italy’s GDP is expected to recover by more than 6% in 2021 and the gap compared to pre-Covid levels is expected to close in 2022.

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[2] Source: CERVED and European Commission
[3] Ibid.
[4] Ibid.

Main Indicators (Δ % yoy)*	2020	2021	2022	2023
Real GDP Italy	**(8.9)**	**6.6**	**4.7**	**2.0**
Real GDP Euro Area	(7.0)	5.1	3.9	2.1
Real World GDP	(3.5)	4.4	3.0	2.6
Real Consumption	(11.4)	6.0	4.2	1.6
Real Investments	(9.7)	10.7	8.1	4.5
Real Exports	(15.7)	9.1	2.9	4.3
Real Imports	(14.1)	9.5	4.1	4.1
Real Industrial Production	(10.8)	9.0	4.4	4.6

**(source estimates from Istat, Cerved)*

In terms of turnover, more widespread signs of recovery were also seen in the second half of 2020 and the first half of 2021. In almost all sectors, domestic demand has been stronger than foreign demand, although in the service sector, the recovery is still incomplete and uneven.

Sector	Turnover (€/bn) 2019	Var YoY (%)* 2020	2021	2022	2023
Farms	**29**	2%	3%	4%	3%
Fast-moving consumer goods	**125**	-2%	2%	3%	2%
Fashion system	**80**	-23%	15%	9%	4%
Home products	**90**	-8%	8%	6%	3%
Transports	**78**	-12%	11%	10%	9%
Chemistry and pharmaceuticals	**68**	-4%	4%	5%	4%
Metals and metalworking	**102**	-13%	20%	5%	2%
Electromechanics	**153**	-12%	9%	7%	4%
Electrotechnics and informatics	**31**	-7%	10%	12%	10%
Intermediate products	**66**	-7%	6%	5%	3%
Information and communication	**128**	-9%	4%	6%	4%
Fuels, energy and utilities	**236**	-18%	15%	2%	2%
Construction	**156**	-7%	12%	9%	5%
Distribution	**740**	-7%	4%	4%	3%
Logistics and transport	**115**	-8%	6%	6%	3%
Non-financial services	**163**	-14%	6%	11%	5%
Real estate services	**32**	-5%	4%	3%	2%
Total	**2,391**	**-10%**	**8%**	**6%**	**4%**

**(source estimates from Istat, Cerved)*

MEASURES OF THE SUB-FUND AND KEY FIGURES FOR 2021

For the start of the operations of the three sub-funds, a methodological framework for assessment was developed in line with best market practices. In addition, CDP entered into collaboration agreements with institutions and public administrations and it accredited 9 Intermediaries and 18 Independent Experts, to facilitate the implementation of the Patrimonio Rilancio's measures. For the Strategic National Fund, given that the measures can be completed in line with the overall duration of the Patrimonio Rilancio (12 years from its launch), discussions are being initiated with potential beneficiaries, also with a view to receiving expressions of interest for the individual instruments.

With regard to the definition of the methodological framework to start the operations of the FNS Sub-Fund, an assessment process has been established which, after having verified the satisfaction of the requirements laid down by the applicable regulations, consists of a pre-assessment phase aimed at optimising the operations of the Sub-Fund through an investment process that focuses resources on the most deserving investments in the priority areas identified by the Implementing Decree.

From an operational perspective, the instruments of the Patrimonio Rilancio were made available to companies from 25 June 2021, through the activation of a web platform called "Patrimonio Rilancio Platform" (below also the "Platform"), which allows the applicant companies to send their applications for support measures, through the Accredited Intermediaries.

The Platform is an IT system designed to support the granting and management of the instruments. The process is divided into two macro-phases:

- granting, covering all the activities from the submission of the application for support measures to the settlement of the transactions;
- management and monitoring/reporting, which includes all activities involving the submission of information (periodic and ad hoc) by the beneficiary enterprises and collection, verification, reporting and management by CDP and the Accredited Intermediaries.

The Accredited Intermediary, selected by the applicant enterprise, supports the latter in the granting, management and monitoring/reporting macro-phases, and in particular in:

- checking that the documentation uploaded by the enterprise into the system is complete;
- carrying out the necessary eligibility checks;
- managing any dialogue with the applicant enterprise as requested by CDP and supervising the processes of rejection, lapse and withdrawal from the measure;
- checking the documentation necessary for the fulfilment of the conditions precedent;
- performing all the activities necessary for the settlement of the transaction;
- collecting and verifying the information sent by the enterprise when managing and monitoring/reporting the transaction granted.

Due to the confidential nature of the information processed, only authorised users are permitted to access the Platform.

In parallel, a further process was initiated for the accreditation of the Independent Experts. At present, 18 Independent Experts have been accredited, with the task of determining the market value of the applicant enterprises with shares not listed on a regulated market. The possibility of applying to become an accredited Independent Expert ended on 31 December 2021.

OUTLOOK OF OPERATIONS

For the Strategic National Fund, all the preparatory activities for the start of operations have recently been carried out, including the implementation of the latest amendments to the Implementing Decree (such as the extension of market operations to include industrial holding companies) approved by the 2022 Budget Law. At present, several preliminary expressions of interest have been received and initial discussions have been held with several companies and financial intermediaries to consider possible measures through the Sub-Fund, but no preliminary assessments have been initiated.

BALANCE SHEET AND INCOME STATEMENT FIGURES OF THE SUB-FUND

At 31 December 2021, the total assets amounted to 481,067 thousand euro, mainly composed of: (i) financial assets measured at fair value through other comprehensive income (government securities contributed by the MEF) for 450,039 thousand euro; and (ii) cash and cash equivalents deposited in central treasury account no. 25083 for 30,926 thousand euro.

Equity amounted to 479,496 thousand euro.

The Sub-Fund reported a loss for the year of 1,532 thousand euro, mainly due to (i) net negative adjustments due to credit risk of 449 thousand euro relating to financial assets measured at fair value through other comprehensive income, recognised in accordance with IFRS 9, by calculating the expected loss for the 12 months following the reporting date and (ii) administrative expenses of 1,568 thousand euro.

These negative income components were partially offset by interest income on financial assets measured at fair value through other comprehensive income (government securities contributed by the MEF), amounting to 520 thousand euro.

Separate annual report

STATEMENTS OF THE SEPARATE ANNUAL REPORT

BALANCE SHEET

(euro)

Assets	31/12/2021	Notes
Financial assets measured at fair value through other comprehensive income	**450,039,098**	**II.1.1**
Government securities	450,039,098	
Financial assets measured at amortised cost	**99,999**	**II.1.2**
Deposits	99,999	
Other assets	**9,610**	**II.1.3**
Cash and cash equivalents	**30,918,121**	**II.1.4**
Total assets	**481,066,828**	

(euro)

Liabilities and equity	31/12/2021	Notes
Equity	**479,495,686**	**II.2.1**
Equity instruments	485,000,235	
Valuation reserves	(3,972,089)	
Net income (loss) (+/-)	(1,532,460)	
Other liabilities	**1,571,142**	**II.2.2**
Total liabilities and equity	**481,066,828**	

INCOME STATEMENT

(euro)

Items	2021	Notes
Income	**519,955**	**III.1**
Interest income and similar income	519,955	III.1.1
of which: Interest income calculated using the effective interests rate method	*519,955*	
Costs	**(2,052,415)**	**III.2**
Interests expense	(455)	III.2.1
Commission expense	(27,200)	III.2.2
Administrative expenses	(1,567,551)	III.2.3
Net adjustments/recoveries for credit risk	(457,209)	III.2.4
Net income (loss) for the year	**(1,532,460)**	

STATEMENT OF COMPREHENSIVE INCOME

(euro)

Items	2021
Net income (loss)	(1,532,460)
Financial assets measured at fair value through other comprehensive income	(3,972,089)
Comprehensive income	**(5,504,549)**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euro)	Balance at 09/06/2021	Changes for the period: Changes in reserves	Issue of new equity instruments	Purchase of own equity instruments	Comprehensive income at 31/12/2021	Equity at 31/12/2021
Equity instruments	485,000,235					485,000,235
Valuation reserves:						-
Financial assets measured at fair value through other comprehensive income					(3,972,089)	(3,972,089)
Net income (loss)					(1,532,460)	(1,532,460)
Equity	**485,000,235**				**(5,504,549)**	**479,495,686**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(euro)	2021
A. OPERATING ACTIVITIES	
1. Cash generated/(used) by operations	**2,096,363**
- net income (loss) for the year (+/-)	(1,532,460)
- net impairment adjustments (+/-)	457,209
- adjustments for uncollected/paid interests	1,604,063
- other adjustments	1,567,551
2. Cash generated/(used) by financial assets	**28,826,387**
- financial assets measured at fair value through other comprehensive income	28,935,997
- financial assets measured at amortised cost	(100,000)
- other assets	(9,610)
3. Cash generated/(used) by financial liabilities	**3,591**
- other liabilities	3,591
Cash generated/(used) by operating activities (1. + 2. + 3.)	**30,926,341**
CASH GENERATED/(USED) DURING THE YEAR	**30,926,341**

Reconciliation

Items (*) (euro)	2021
Cash and cash equivalents at beginning of the year	
Total cash generated/(used) during the year	30,926,341
Cash and cash equivalents at end of the year	**30,926,341**

(*) The cash and cash equivalents reported in the statement of cash flows comprise the balance of current account no. 25083 held with the Central State Treasury and recognised under “Cash and cash equivalents”.

NOTES TO THE REPORT

I. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

I.1 GENERAL INFORMATION

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

Pursuant to Article 27, paragraph 6, of the Relaunch Decree, this annual report of the Patrimonio Rilancio - "Fondo Nazionale Strategico" (Strategic National Fund) (below the "report") has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission and in force at 31 December 2021, taking into account also the minimum reporting requirements established by the Italian Civil Code, where compatible with the standards adopted.

The international accounting standards include the IFRS issued by the IASB, the IAS still in force issued by the IASC and the interpretations issued by the IFRS Interpretation Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, even earlier, by the Standing Interpretations Committee (SIC).

Section 2 - General preparation principles

The annual report includes 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 the Notes to the Report.

The report clearly presents, and gives a true and fair view of, the financial performance and results of operations for the year. The report corresponds with the Sub-Fund's accounting records and fully reflects the transactions conducted during the financial year. As detailed below, the Notes to the Report provide all information required by the IAS/IFRS, as well as any supplemental information deemed necessary in order to give a true and fair view of the Sub-Fund's financial performance and standing.

The Balance Sheet, the Income Statement, the other financial statements and the tables in the Notes to the Report are expressed in units of euro, unless otherwise specified. In the Income Statement, income is indicated as positive numbers, while expenses are shown in brackets.

The financial statements and the tables in the Notes to the Report do not show comparative values related to the previous year, because this is the first report that has been prepared. Tables with zero amounts for the reporting year were omitted.

The Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows do not contain items having a zero amount in the reporting year.

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, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo italiano di contabilità (Italian Accounting Board, OIC).

Where the information required by the IFRS is deemed to be inadequate in presenting the financial standing in a true and fair manner, the Notes to the Report also provide supplemental information for that purpose.

The report has been duly prepared on an accrual and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

In compliance with IAS 1 Revised, an assessment has been made of the Sub-Fund's ability to continue to operate as a going concern, considering all available information over the medium term.

No assets have been offset against liabilities, nor income against expenses, unless expressly required or allowed by an accounting standard or a related interpretation.

Use of estimates

The application of International Financial Reporting Standards in preparing the report requires accounting estimates to be made 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 items in the report and future earnings results.

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

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

- the calculation of impairment losses on loans and other financial assets subject to impairment;
- the use of measurement techniques to determine the fair value of financial instruments not listed on an active market;
- the quantification of provisions for risks and charges.

The description of the accounting policies used provides details on the main assumptions and assessments used in preparing the report.

Section 3 - Audit of the report

This report is subject to statutory audit in accordance with Article 27, paragraph 14 of Decree Law no. 34 of 19 May 2020.

The statutory audit is carried out by the Independent Auditors of CDP S.p.A., namely Deloitte & Touche S.p.A. ("Deloitte"). The engagement for the statutory audit of CDP S.p.A.'s accounts was awarded to Deloitte for the 2020-2028 period by the Shareholders' Meeting in ordinary session of 19 March 2019.

Section 4 - Events subsequent to the reporting date

During the period between the reporting date of this report and its approval by the Board of Directors of CDP S.p.A. on 31 March 2022, no events occurred that would require an adjustment to the figures presented in the report at 31 December 2021.

Russia-Ukraine Conflict

From 24 February 2022, serious tensions between Russia and Ukraine culminated in Russia's invasion of Ukraine. The conflict quickly spread over the following days with military actions affecting a large part of Ukrainian territory, with very serious consequences for the civilian population.

In this regard, it should be noted that the significant events related to the Russia-Ukraine conflict do not have an impact on the determination of the result and equity of the Sub-Fund at 31 December 2021, because they are considered non-adjusting events, according to the definition provided by IAS 10. However, IAS 10 requires the disclosure of the nature of the event occurring after the end of the reporting period and the estimated effect on the financial statements. If the estimate of the effects of an event cannot be reliably measured, or is indeed impossible to measure, as a result of particular circumstances connected to the unpredictability of the outcome of the event, the notes to the financial statements should provide appropriate disclosure, explaining the general uncertainty caused by the event.

ESMA and CONSOB have recently published the following communications:

- ESMA Statement no. 71-99-1864 of 14 March 2022 “ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets”;
- CONSOB warning notice of 18 March 2022 on the impact of the war in Ukraine on inside information and financial reporting.

In these communications, the national and international regulators have requested disclosures, to the extent possible on both a qualitative and quantitative basis, on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to the affected markets, supply chains, financial position and earnings in the 2021 financial reports. Accordingly, the following disclosures are made with respect to the preparation of the separate annual report at 31 December 2021.

Russia’s military intervention in Ukraine is an unexpected shock, exacerbating an already sluggish economic situation in Europe. In this context, it is important to stress the considerable uncertainty regarding the duration of the conflict, the extent of the sanctions, the climate of confidence it will generate and the resulting repercussions on the economic environment. However, given that the conflict has recently started and the situation is continually evolving, it is very difficult to predict the effects of the conflict on the macroeconomic scenario in the short and medium term and the related impact on the Sub-Fund’s operations and future performance. Therefore, it will be necessary to constantly monitor the evolution of the situation in the current context.

Sweeping, coordinated sanctions have been imposed on Russia, Belarus, and the areas of the Ukrainian territory not under the Ukrainian government’s control. Their aims include: (i) eroding the industrial base, (ii) preventing the wealth of the Russian elite from being hidden in safe havens in Europe, (iii) targeting the oil sector and preventing Russia from upgrading its oil refineries, and (iv) cutting off Russia’s access to the world’s most important financial markets. The two heaviest sanctions are in the financial sector: the ban of some of Russia’s most important banks from the SWIFT international payment system and the freezing of the Russian Central Bank’s foreign currency reserves, held, for the most part, in China, France, Japan and Germany, while exposure to the USA is limited.

In general terms, the four main areas in which the economic impacts of the conflict will be felt are: (i) trade relations (excluding energy commodities), (ii) gas and oil supplies, (iii) uncertainty on the financial markets and (iv) geopolitical instability and new balance.

The impact on trade relations may be relatively limited due to the limited importance of Russia’s trade with Italy. The most significant direct impacts are likely to be felt by companies operating in machinery manufacturing, textiles-clothing, chemicals and food. The economic impact relating to gas and oil supplies is significant because it will drive up inflation and because of the consequences of possible supply disruptions: Italy is one of the most vulnerable European countries, as it imports from Russia about 40% of the gas and 10% of the oil it needs to cover domestic demand. Uncertainty in this area could generate an increase in government securities yields, also due to the recent decision by the ECB to continue its purchase reduction programme. It could also generate extreme volatility in financial markets and have negative impacts on the spending decisions of households and businesses. Geopolitical instability and changing relations between countries may lead to a contraction in international trade, a fall in foreign direct investment and an increase in precautionary saving. The supply of energy commodities is clearly Italy’s main weak spot in terms of both direct effects, due to dependence on Russian supplies, and indirect effects on prices and inflation. High and rising inflation could produce serious effects, both for businesses, especially energy-intensive ones, whose margins would be eroded, and for households, whose purchasing power could be severely impaired since wage trends are not directly related to price trends.

Given that no transactions have been carried out to date in the FNS, the potential risk for the Sub-Fund depends on the possible impacts, for the beneficiary companies of the relevant measures, of the crisis generated by the conflict.

In the medium term, the impact of the current crisis on growth and inflation is likely to have a significant negative fallout on various sectors of the economy. However, some sectors will be more severely affected by the consequences of the crisis, in particular those that are “energy-intensive” or otherwise exposed to significant increases in commodity prices.

With regard to the potential impact of the evolution of the sanctions on the Sub-Fund’s operations, based on the FNS’ current operations no risk profiles associated with the current restrictions have been identified, in the light of the sanctions introduced by both the EU and the US.

In view of the rapidly evolving situation, the indications emerging from the analysis may be modified by subsequent measures.

Section 5 - Other issues

IFRS endorsed at 31 December 2021 and in force since 2021

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 2021, are provided below.

- Commission Regulation (EU) 2021/1421 of 30 August 2021, published in Official Journal L 305/17 of 31 August 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 16;
- Commission Regulation (EU) 2021/25 of 13 January 2021, published in Official Journal L 11/7 of 14 January 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 4, 7, 9 and 16;
- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 4.

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 2022)

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 2021:

- Commission Regulation (EU) 2021/1080 of 28 June 2021, published in Official Journal L 234/90 of 2 July 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9;
- Commission Regulation (EU) 2021/2036 of 19 November 2021 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 17.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2021

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 this report:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

Other information

The annual report is approved by the Board of Directors of CDP S.p.A. at the same time as the approval of the draft separate financial statements of CDP S.p.A., to which it constitutes an annex as required by Article 27, paragraph 6 of the Relaunch Decree. The annual report is subsequently approved by the general meeting of the holders of the equity instruments.

I.2 THE MAIN ITEMS OF THE ANNUAL REPORT

The annual report of the "Fondo Nazionale Strategico" (Strategic National Fund) Sub-Fund at 31 December 2021 has been prepared using the International Financial Reporting Standards (IFRS), supplemented by the amendments endorsed and in force with effect from the financial year 2021, as described in Section 5 – Other issues, I.1 General Information.

The following pages provide a description of the accounting policies adopted in preparing this report.

1 - Financial assets measured at fair value through other comprehensive income (FVTOCI)

The item "Financial assets measured at fair value through other comprehensive income" includes financial assets that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Hold to Collect and Sell" business model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In particular, this item includes Italian government securities contributed by the Ministry of the Economy and Finance in exchange for equity instruments issued by the Sub-Fund.

The initial recognition for the debt securities is on the settlement date.

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

Subsequent to the initial recognition, these financial instruments, which are traded in active markets, are measured at their fair value determined on the basis of official prices on the reporting date.

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

If these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other comprehensive income, are transferred from equity to the Income Statement.

Interest is recognised in the Income Statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset. Interest is recognised under revenues – item "Interest income" – when positive, and under expenses – item "Interest expense" – when negative.

These instruments are also subject to the calculation of adjustments through profit or loss to cover the expected impairment losses in accordance with IFRS 9. In particular, an expected loss over a period of up to 12 months following the reporting date is recognised for instruments classified in stage 1 (i.e. performing financial assets that do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired financial assets). The above allocation does not include exposures that are impaired from origination or purchase, which are instead recognised separately as purchased or originated credit-impaired (POCI) financial assets from the date of initial recognition until derecognition.

For financial assets that are classified in stages 1 and 2, impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

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

For purchased or originated credit-impaired financial assets, the amortised cost and, consequently, interest income is calculated by considering expected losses over the residual maturity of the asset in the estimates of future cash flows. For these assets, the credit loss allowance is calculated as the cumulative change, from initial recognition, in the expected losses over the life of the asset.

Losses and recoveries arising from the impairment process are recognised under the Income Statement item "Net adjustments for credit risk".

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

Financial assets measured at fair value through other comprehensive income 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 significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the balance sheet, even if legal title has been effectively transferred.

2 - Financial assets measured at amortised cost

The item "Financial assets measured at amortised cost", in accordance with IFRS 9, includes assets that meet both of the following conditions:

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

Specifically, this item of the Sub-Fund comprises deposits with CDP, as collateral for repurchase agreement transactions, and mirrors those held by CDP as default funds with Cassa di Compensazione e Garanzia.

"Financial assets measured at amortised cost" are initially recognised on the settlement date.

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

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

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the cash flow estimates.

Interest is recognised under revenues – item "Interest income" – when positive, and under expenses – item "Interest expense" – when negative.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognised through profit or loss in the item "Net adjustments for credit risk".

Financial assets measured at amortised cost are derecognised 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 significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the balance sheet, even if legal title has been effectively transferred.

3 – Cash and cash equivalents

This item includes cash and cash equivalents held with the Central State Treasury.

Cash and cash equivalents are recorded on the assets side of the balance sheet at nominal value adjusted by the expected credit loss allowance. The amount of such losses is recognised through profit or loss in the item "Net adjustments for credit risk".

Interest is recognised under revenues – item "Interest income" – when positive, and under expenses – item "Interest expense" – when negative.

4 – Other information

Interest income and expense

Interest income and expense is recognised in the Income Statement, on a pro-rata basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided. Any commissions considered in the amortised cost, for the calculation of the effective interest rate, are classified as interest.

Prepayments and accruals

The prepayments and accruals that include costs or revenues for the year accruing on assets and liabilities, are recognised in the report as an adjustment to the assets and liabilities to which they relate.

Other assets and other liabilities

Other assets and other liabilities comprise the items that cannot be allocated to the other balance sheet items. Specifically, for the Sub-Fund they consist of amounts on deposit with the manager Cassa Depositi e Prestiti S.p.A. and amounts payable to be settled for the reimbursements of costs incurred by the manager and payables for invoices to be received.

Taxes

As provided for in Article 27 paragraph 13 of the Relaunch Decree, the income and value of production of the Sub-Fund are exempt from tax. The Sub-Fund is not subject to withholding tax or taxes that substitute income taxes on income received in any capacity.

I.3 DISCLOSURES ON FAIR VALUE MEASUREMENT

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 at the measurement date to sell an asset or paid to transfer a liability in an ordinary transaction between independent market counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded and are fully operational (without the urgent need to liquidate or significantly reduce a position). The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value”), according to the observability and significance of the inputs used in its measurement.

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 quoted prices on an active market, the fair value is determined using measurement models and techniques, with classification in Level 2 of the hierarchy if the inputs used are quoted prices available on active markets or inputs based on observable market data, such as interest rates or yield curves. If the inputs require adjustments made on the basis of parameters that cannot be observed in the market and are impacted by the modelling choices needed to make them, for example through the use of statistical or expert-based techniques, the fair value is classified in Level 3 of the hierarchy.

Specifically, with regard to the items measured at fair value on a recurring basis, in the annual report of the Fondo Nazionale Strategico (FNS - Strategic National Fund) Sub-Fund at 31 December 2021 the measurements of securities issued by the Italian government listed on active markets, transferred by the Ministry of the Economy and Finance into the Patrimonio Rilancio at the time of its establishment, are included in Level 1. There are no measurements of instruments classified in Level 2 and Level 3 of the hierarchy of fair value.

I.3.1 HIERARCHY OF FAIR VALUE

Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(euro)	31/12/2021		
Assets/liabilities measured at fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value through other comprehensive income	**450,039,098**		
Government securities	450,039,098		
Total assets	**450,039,098**		

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(euro)	31/12/2021			
Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	Book value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**99,999**			**99,999**
Deposits for GMRA	99,999			99,999
Cash and cash equivalents	**30,918,121**			**30,918,121**
Central Treasury current account n° 25083	30,918,121			30,918,121
Total assets	**31,018,120**			**31,018,120**

II. INFORMATION ON THE BALANCE SHEET

II.1 ASSETS

II.1.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income: breakdown

(euro)	Gross value				Impairment				Net value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
Government securities	450,488,086	-	-	-	(448,988)	-	-	-	450,039,098	-	-	-
Total 31/12/2021	**450,488,086**				**(448,988)**				**450,039,098**			

This item, amounting to 450,039,098 euro, consists of Italian government securities contributed by the MEF with a ministerial decree dated 7/5/2021, subsequently allocated with a directorial decree dated 7/6/2021, to enable the operations of the Sub-Fund.

Government securities: changes for the year

(euro)	31/12/2021 Level 1	Level 2	Level 3
1. Opening balance			
2. Increases	**485,520,190**		
2.1 Contributions	485,000,235		
2.2 Profits taken to:	519,955		
2.2.1 Income statement	519,955		
2.2.2 Equity			
2.3 Transfers from other levels			
2.3.1 Transfers from level 1	X		
2.3.2 Transfers from level 2		X	
2.3.3 Transfers from level 3			X
2.4 Other increases			
3. Decreases	**35,481,092**		
3.1 Sales			
3.2 Repayments	31,060,015		
3.3 Losses taken to:	4,421,077		
3.3.1 Income statement	448,988		
3.3.2 Equity	3,972,089		
3.4 Transfers to other levels			
3.4.1 Transfers to level 1	X		
3.4.2 Transfers to level 2		X	
3.4.3 Transfers to level 3			X
3.5 Other decreases			
4. Closing balance	**450,039,098**		

The increase in this item, equal to 485,520,190 euro, is due to: (i) contributions from the Ministry of the Economy and Finance for 485,000,235 euro, against the issuance of similar value equity instruments in favour of the Ministry and (ii) profits recognised in the income statement related to accrued interest income, for 519,955 euro.

The decreasing components relate to: (i) redemptions amounting to 31,060,015 euro (ii) impairment losses in accordance with IFRS 9, recognised in the income statement and amounting to 448,988 euro and (iii) negative fair value changes with a balancing entry in equity, amounting to 3,972,089 euro.

II.1.2 FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets measured at amortised cost: breakdown

(euro)	Gross value				Impairment				Net value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
Deposits for GMRA	100,000	-	-	-	(1)	-	-	-	99,999	-	-	-
Total 31/12/2021	**100,000**				**(1)**				**99,999**			

The item refers entirely to Default Fund deposits with CDP.

II.1.3 OTHER ASSETS

The balance of this item, equal to 9,610 euro, relates to financial resources deposited in the account managed by CDP.

In accordance with Article 101.4 of the Patrimonio Rilancio Regulation, these resources are set up as a buffer to cover unforeseen or urgent payments or to accommodate unexpected collections for which CDP S.p.A. is unable to make withdrawals from or payments into central treasury accounts due to cut-off times beyond which it is not possible to operate on central treasury accounts.

II.1.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents: breakdown

(euro)	Gross value				Impairment				Net Value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
Central Treasury current account n° 25083	30,926,341	-	-	-	(8,220)	-	-	-	30,918,121	-	-	-
Total 31/12/2021	**30,926,341**				**(8,220)**				**30,918,121**			

The balance of the item refers to the Sub-Fund's cash and cash equivalents held in Central State Treasury account no. 25083.

In compliance with Article 35, paragraph 1, of the Implementing Decree, the liquid assets of the Special-purpose assets fund are credited to interest-bearing account no. 25083, opened with the Central State Treasury in the name of Cassa Depositi e Prestiti S.p.A. - Patrimonio Rilancio.

On the account balance, the Ministry of the Economy and Finance pays interest on a half-yearly basis at a rate equal to the greater of (i) the simple arithmetic average of the gross rates of return, recorded at issuance, on six-month ordinary bonds (BOT) issued in the same half-year period and (ii) zero.

Note that no interest was accrued for the year under review, as the reference rate is negative.

II.2 LIABILITIES AND EQUITY

II.2.1 EQUITY

Equity: breakdown

(euro)	31/12/2021
Equity instruments	485,000,235
Valuation reserves:	
Financial assets measured at fair value through other comprehensive income	(3,972,089)
Net income (loss) (+/-)	(1,532,460)
Total	**479,495,686**

The Equity of the Sub-Fund is mainly composed of the equity instruments issued in favour of the Ministry of the Economy and Finance at the time of establishment of the Patrimonio Rilancio. They were issued on 9/6/2021 following the contribution of the first tranche of government securities by the MEF to enable the Sub-Fund to operate.

The item “valuation reserves”, amounting to 3,972,089 euro, refers to the negative change in the fair value of the Italian government securities held in the Sub-Fund's portfolio, which are measured at fair value through other comprehensive income (FVOCI).

At 31/12/2021 the Sub-Fund showed a loss for the year of 1,532,460 euro.

II.2.2 LIABILITIES

Other liabilities: breakdown

(euro)

Type of operations / Values	31/12/2021
a) Payables due to suppliers	20,121
b) Payables due from CDP	1,547,430
c) Other liabilities	3,591
Total	**1,571,142**

At 31 December 2021 the item "Other liabilities" amounted to 1,571,142 euro and consisted of:

- payables to CDP in the amount of 1,547,430 euro for costs incurred by CDP S.p.A. to manage the Sub-Fund in accordance with Article 32 of the Implementing Decree of the Ministry of the Economy and Finance that came into force on 25 March 2021;
- payables to suppliers for 20,121 euro;
- commission and interest expense on default fund deposits with CDP not yet settled at 31 December 2021, in the amount of 3,591 euro.

II.3 OTHER INFORMATION

Securities custody and administration

The following table shows owned securities deposited with third parties, at their nominal value.

Specifically, the government securities contributed by the MEF are managed by CDP S.p.A. and deposited with Monte Titoli S.p.A.

(euro)	31/12/2021
Securities deposited with third parties	
Government securities	440,542,000
Total	**440,542,000**

III. INFORMATION ON THE INCOME STATEMENT

III.1 REVENUES

III.1.1 INTEREST INCOME AND SIMILAR INCOME

Interest income and similar income: breakdown

(euro)

Items/Values	2021
Financial assets measured at fair value through other comprehensive income	
Interests on Government securities	519,955
Total	**519,955**

The item, equal to 519,955 euro, consists of interest income on debt securities, specifically on government securities contributed by the MEF.

III.2 COSTS

III.2.1 INTEREST EXPENSE

Interest expense: breakdown

(euro)

Items/Values	2021
Financial Assets	(455)
Total	**(455)**

This item, amounting to 455 euro, consists of interest expense on financial assets which, due to negative remuneration, resulted in a component with the opposite sign.

Specifically, the interest relates to default funds deposited with CDP.

III.2.2 COMMISSION EXPENSE

This item, amounting to 27,200 euro, consists of management fees default funds deposited with CDP.

III.2.3 ADMINISTRATIVE EXPENSES

Administrative expenses: breakdown

(euro)

Type of expenses/Values	2021
Professional services	(20,121)
Operating costs charged from CDP	(1,547,430)
Total	**(1,567,551)**

This item includes expenses recharged by CDP S.p.A. for costs incurred for the management of the Sub-Fund in the amount of 1,547,430 euro and costs for other professional services in the amount of 20,121 euro.

Audit fees

The audit fees for 2021 are shown below. Note that no non-audit services were provided in 2021.

(euro)

Type of services	Deloitte & Touche S.p.A.
Auditing	12,000
Total	**12,000**

III.2.4 NET ADJUSTMENTS FOR CREDIT RISK

(euro)	Writedowns						Writebacks				
			Stage 3		Purchased or Originated Credit						
Operations/ P&L items	Stage 1	Stage 2	Write-off	Other	Write-off	Other	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit	2021
Financial assets measured at fair value through other comprehensive income	**(448,988)**										**(448,988)**
Government securities	(448,988)										(448,988)
Financial assets measured at amortised cost	**(1)**										**(1)**
Deposits for GMRA	(1)										(1)
Cash and cash equivalents	**(8,220)**										**(8,220)**
Central Treasury current account n° 25083	(8,220)										(8,220)
Total	**(457,209)**										**(457,209)**

This item, negative for approximately 457,209 euro, represents the net balance between adjustments and recoveries for credit risk on financial assets measured at amortised cost, cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

IV. INFORMATION ON RISKS

1. General aspects

To ensure an efficient risk management system, the Sub-Fund has set up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks - assumed or that can be assumed.

The risk management system takes into account the specific characteristics of the activity carried out by CDP and is implemented in compliance with the regulatory requirements.

The guidelines for risk management envisage the separation of roles and responsibilities in the assumption and control of risks and the organisational independence of risk control from the operational management of risks.

The types of risks to which the Sub-Fund is exposed to can be classified as investment risks, liquidity risks, market risks and operational risks.

2. Investment and credit risk

Investment risk, which relates to the possibility of negative or lower than expected performance of the investments made, including lasting losses in value, mainly arises from the investment in the instruments provided for by the Regulation of the Sub-Fund and, secondarily, from related activities, particularly treasury management.

In this regard, in view of the recent start of operations, there were no instruments at 31 December 2021. It is envisaged that the Sub-Fund will subscribe for instruments at market conditions.

3. Liquidity risk

Liquidity risk is the risk that the Sub-Fund will be unable to meet its commitments due to difficulties in financing itself or in divesting assets, or that it will be unable to monetise assets held in the market without significantly adverse conditions affecting their market price.

With regard to liquidity risk, due to the composition of its report, and in order to reduce the non-core risks, the Sub-Fund intends to also use repurchase agreements carried out under typical market conditions to manage its liquidity.

4. Market risk

In terms of market risk, the Sub-Fund holds Italian government securities with a maturity compatible with its investment horizon and is therefore exposed to the risk of price fluctuations.

5. Operational risks

Operational risks potentially affecting the Sub-Fund include the possible economic effects of adverse events of an operational nature, including those related to legal proceedings, if they do not come under the responsibility of CDP as the manager of the Sub-Fund.

V. TRANSACTIONS WITH RELATED PARTIES

This paragraph provides information about the relationship with:

- CDP S.p.A.;
- the MEF, holder of the equity instruments.

Transactions with related parties, notably those with the Ministry of the Economy and Finance and CDP S.p.A., arise as a result of legislative provisions. In any event, it should be noted that no atypical or unusual transactions were carried out with related parties whose size could have an impact on the assets and liabilities or performance of the Sub-Fund. All transactions with related parties were carried out on an arm's length basis and form part of the Sub-Fund's ordinary operations.

The table below shows the main existing related-party relationships at 31 December 2021.

(euro)

	Items	Ministry for the Economy and Finance	CDP	Total transaction with related parties
Assets	Financial assets measured at fair value through other comprehensive income	450,039,098		**450,039,098**
	Financial assets measured at amortised cost		99,999	**99,999**
	Other assets		9,610	**9,610**
	Cash and cash equivalents	30,918,121		**30,918,121**
Liabilities	Other liabilities		1,551,021	**1,551,021**
Income statement	Interest income and similar income	519,955		**519,955**
	Interest expense and similar charges		(455)	**(455)**
	Commission expense		(27,200)	**(27,200)**
	Administrative expenses		(1,547,430)	**(1,547,430)**
	Net adjustment for credit risk	(457,208)	(1)	**(457,209)**

The transactions conducted with the Ministry of Economy and Finance were related to cash and cash equivalents held on a treasury account, and government securities recognised as financial assets measured at fair value through other comprehensive income. Specifically:

- "financial assets measured at fair value through other comprehensive income", for 450,039,098 euro;
- "cash and cash equivalents", for 30,918,121 euro;
- "Interest income and similar income", for 519,955 euro;
- "net adjustments for credit risk", for 457,208 euro

Transactions with CDP are carried out for the purposes of the administrative management of the Sub-Fund, as more fully described in the preceding sections of the explanatory notes.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 27, PARAGRAPH 3, OF THE LAW-DECREE N. 34 OF MAY 19, 2020, CONVERTED WITH LAW N. 77 OF JULY 17, 2020

To the Investor of the
Patrimonio Rilancio - Fondo Nazionale Strategico

Opinion

We have audited the separate annual report of Patrimonio Rilancio - Fondo Nazionale Strategico (the "Sub-fund"), which comprise the balance sheet as at December 31, 2021, the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the separate annual report.

In our opinion, the accompanying separate annual report give a true and fair view of the financial position of the Sub-fund as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Separate Annual Report section of our report. We are independent of the Sub-fund and Cassa Depositi e Prestiti S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors of Cassa Depositi e Prestiti S.p.A. for the Separate Annual Report

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of separate annual report that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of separate annual report that are free from material misstatement, whether due to fraud or error.

In preparing the separate annual report, the Directors of Cassa Depositi e Prestiti S.p.A. are responsible for assessing the Sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Sub-fund or for the termination of the operations or have no realistic alternative to such choices.

Auditor's Responsibilities for the Separate Annual Report

Our objectives are to obtain reasonable assurance about whether the separate annual report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate annual report.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate annual report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 internal control of the Sub-fund and Cassa Depositi e Prestiti S.p.A..

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of Cassa Depositi e Prestiti S.p.A..

- Conclude on the appropriateness of Cassa Depositi e Prestiti S.p.A. 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 Sub-fund'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 separate annual report 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 Sub-fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate annual report, including the disclosures, and whether the separate annual report represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

We communicate with those charged with governance of Cassa Depositi e Prestiti S.p.A., 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 identify during our audit.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 20, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Fondo Nazionale
Ristrutturazioni Imprese

Summary

Report on Operations

MISSION AND PRESENTATION OF THE SUB-FUND

In light of the COVID-19 epidemiological emergency, Article 27 of Decree Law no. 34 of 19 May 2020, "Urgent measures regarding health, support for work and the economy, and social policies related to the COVID-19 epidemiological emergency" ("Relaunch Decree"), converted with amendments by Law no. 77 of 17 July 2020, authorised Cassa Depositi e Prestiti S.p.A. ("CDP") to set up a special-purpose assets fund, called "Patrimonio Rilancio", to which certain assets and legal relationships identified by the Ministry of the Economy and Finance were transferred. The purpose of the Patrimonio Rilancio is to provide support for the relaunch of Italy's economy, in the forms and under the conditions provided for by the European Union's State Aid Temporary Framework, adopted to address the COVID-19 epidemiological emergency (the "Temporary Framework"), or at market conditions, with the aim of supporting Italy's entrepreneurial fabric, also through capital-strengthening measures.

The following public implementing measures were adopted for the establishment and the consequent start of operations of the Patrimonio Rilancio, pursuant to Article 27 of the Relaunch Decree:

- the Implementing Decree of the Ministry of the Economy and Finance, following consultation with the Ministry of Economic Development, dated 3 February 2021, concerning the access requirements, conditions, criteria and procedures for the investments of the Patrimonio Rilancio, published in the Official Gazette on 10 March 2021 and entered into force on 25 March 2021;
- the Allocation Decree of the Ministry of the Economy and Finance of 7 May 2021, concerning the maximum allocation of up to 44 billion euro for the Patrimonio Rilancio, published in the Official Gazette on 15 May 2021, which, for the initial allocation to the Patrimonio Rilancio, provided for the transfer to this Fund, by way of allocation to CDP, of government securities in the amount of 3 billion euro (the "Initial Allocation"), subsequently assigned by Directorial Decree of 7 June 2021 (with a settlement date of 9 June 2021).

In addition, in accordance with Article 27, paragraph 6 of the Relaunch Decree, in the meeting held on 18 May 2021, the Board of Directors of CDP also adopted the Regulation the Patrimonio Rilancio (below the "Regulation of the Patrimonio Rilancio"), which was approved on 24 May 2021 by the Minister of the Economy and Finance, pursuant to the above-mentioned provisions, as notified to CDP on 7 June 2021.

In accordance with and in execution of the provisions of the Implementing Decree, the Regulation of the Patrimonio Rilancio governs the following, among other things:

- the purposes of the Patrimonio Rilancio, its establishment and operating procedures, the timing of the measures, its duration, the requirements for the enterprises benefiting from the measures, the management policy, the forms of implementation of the measures and the financial plan;
- the operations of the sub-funds, including the management of their income, their liquidation and the regime for their reporting;
- the preliminary assessment activities of the Patrimonio Rilancio, including the underlying principles, the procedure for the granting of measures, the accredited entities (respectively the "Accredited Intermediaries", which support the Patrimonio Rilancio in the preliminary assessment activities, the execution of operations and their monitoring and management, and the "Independent Experts", for the determination of the market value of applicant enterprises with shares not listed on a regulated market) and the management, monitoring and control activities;
- the organisation and management of the Patrimonio Rilancio, including the characteristics of the equity instruments, the Conflicts and Transactions Committee[1], the classification and preliminary assessment process for transactions in conflict of interest, and the cost regime of the Patrimonio Rilancio.

As established by the Relaunch Decree, the sub-funds that make up the Patrimonio Rilancio are separate, autonomous and distinct in all respects from the assets of the other sub-funds and from the assets of CDP, and relate to different types of measure in support of enterprises.

In accordance with the three types of operations envisaged by the Regulation, the Patrimonio Rilancio is divided into three sub-funds: Fondo Nazionale Supporto Temporaneo (FNST - Temporary National Support Fund), Fondo Nazionale

[11] The Conflicts and Transactions Committee is responsible for providing a prior mandatory and non-binding opinion to the decision-making body, in accordance with the provisions of the Regulation of the Patrimonio Rilancio, within the preliminary assessment and approval process, and in particular in transactions with potential conflicts of interest and with related parties relating to the use of the special-purpose assets fund, in line with the provisions of Article 30 of the Implementing Decree.

Strategico (FNS - Strategic National Fund) and Fondo Nazionale Ristrutturazioni Imprese (FNRI - National Enterprise Restructuring Fund).

More specifically, through the FNRI Sub-Fund, the Patrimonio Rilancio implements measures related to restructuring operations in companies that have good earnings prospects, despite temporary capital or financial weaknesses. The FNRI can operate:

- directly, in the presence of private co-investors subscribing at least 50% of the total amount and a minimum investment by the FNRI of 250 million euro;
- indirectly, by means of subscription, jointly with one or more co-investors, of units or shares of Undertakings for Collective Investment ("UCIs") with assets of at least 100 million euro, for investments by the FNRI of a minimum amount of 30 million euro, within the limit of 49% of the amount of the UCI's assets.

MARKET CONTEXT

The “Great Lockdown” of 2020, caused by the spread of the COVID-19 virus, was unparalleled in modern history. It led to the most far-reaching global, and unpredictable, crisis that was less dependent on traditional economic factors. The measures to restrict mobility which were necessary to limit infections (closure of non-core production activities, closure of schools and adoption of remote working for eligible categories of workers) inevitably caused a shock to the economic system, in terms of both demand and supply, blocking consumption and industrial production, with consequent effects on levels of confidence.

The main effects of the epidemiological emergency on the Italian economic and production fabric in the year of the pandemic crisis (2020) can be summarised as follows:

- a fall in GDP of around 9% (around 3% higher than at European level, i.e. -6.4%) and an increase in the debt-to-GDP ratio of around 160%[2];
- a fall in industrial production of 11.4% (in contrast to the increase of 2.6% at European level), the second-worst result since the beginning of the time series (ISTAT data);
- likely increased selectivity of the banking industry in lending due to the deterioration of key corporate and consumer capital indicators;
- worsening of the company financial statements indicators, particularly due to an increase in leverage of over 130% and a fall in EBITDA of nearly 30%[3];
- sharp decline in turnover of non-financial enterprises. It is estimated that, in the most acute phase of the health emergency, the suspension of activities in Italy affected 2.1 million enterprises (equivalent to around 40% of the total national added value), causing an overall fall in turnover of around 14%, with peaks of more than 20% for certain sectors, which in turn generated an emergency in terms of employment and social stability[4].

The fall in turnover and the liquidity measures adopted through ultra-expansionary monetary policies have led to an increase in the level of debt of Italian enterprises. As a result, in the future, even those that survive the emergency may not have the resources to invest in human capital, digitisation and international expansion.

In the context of this epidemiological emergency, the Italian Government has therefore decided to adopt instruments aimed at implementing measures and operations to support and relaunch the Italian economic and production system, by strengthening the capital of its enterprises. Thanks to the adoption of these instruments and further measures taken at government level, the financial indicators of enterprises have shown good resilience and the recovery in Italy after the acute phase of the economic and pandemic crisis has been fairly rapid and more robust than in the other major European and world economies. Italy’s GDP is expected to recover by more than 6% in 2021 and the gap compared to pre-Covid levels is expected to close in 2022.

[2] Source: CERVED and European Commission
[3] Ibid.
[4] Ibid.

Main Indicators (Δ % yoy)*	2020	2021	2022	2023
Real GDP Italy	**(8.9)**	**6.6**	**4.7**	**2.0**
Real GDP Euro Area	(7.0)	5.1	3.9	2.1
Real World GDP	(3.5)	4.4	3.0	2.6
Real Consumption	(11.4)	6.0	4.2	1.6
Real Investments	(9.7)	10.7	8.1	4.5
Real Exports	(15.7)	9.1	2.9	4.3
Real Imports	(14.1)	9.5	4.1	4.1
Real Industrial Production	(10.8)	9.0	4.4	4.6

**(source estimates from Istat, Cerved)*

In terms of turnover, more widespread signs of recovery were also seen in the second half of 2020 and the first half of 2021. In almost all sectors, domestic demand has been stronger than foreign demand, although in the service sector, the recovery is still incomplete and uneven.

	Turnover (€/bn)	Var YoY (%)*			
Sector	2019	2020	2021	2022	2023
Farms	**29**	2%	3%	4%	3%
Fast-moving consumer goods	**125**	-2%	2%	3%	2%
Fashion system	**80**	-23%	15%	9%	4%
Home products	**90**	-8%	8%	6%	3%
Transports	**78**	-12%	11%	10%	9%
Chemistry and pharmaceuticals	**68**	-4%	4%	5%	4%
Metals and metalworking	**102**	-13%	20%	5%	2%
Electromechanics	**153**	-12%	9%	7%	4%
Electrotechnics and informatics	**31**	-7%	10%	12%	10%
Intermediate products	**66**	-7%	6%	5%	3%
Information and communication	**128**	-9%	4%	6%	4%
Fuels, energy and utilities	**236**	-18%	15%	2%	2%
Construction	**156**	-7%	12%	9%	5%
Distribution	**740**	-7%	4%	4%	3%
Logistics and transport	**115**	-8%	6%	6%	3%
Non-financial services	**163**	-14%	6%	11%	5%
Real estate services	**32**	-5%	4%	3%	2%
Total	**2,391**	**-10%**	**8%**	**6%**	**4%**

**(source estimates from Istat, Cerved)*

MEASURES OF THE SUB-FUND AND KEY FIGURES FOR 2021

In the months immediately following the establishment of the Sub-Fund, preparatory work was carried out to ensure the effective implementation of the measures and establish a methodological framework for assessment in line with best market practices.

A standardised preliminary assessment procedure has been established with the aim of selecting worthy measure opportunities in an objective, professional and documentable manner.

At 31 December 2021, no measures had been finalised.

OUTLOOK OF OPERATIONS

With regard to the indirect measures, at 31 December 2021, a total of 11 expressions of interest had been received from UCI Managers and, consequently, preliminary discussions had been initiated with those parties to assess possible measures from the Sub-Fund.

BALANCE SHEET AND INCOME STATEMENT FIGURES OF THE SUB-FUND

At 31 December 2021, the total assets amounted to 133,887 thousand euro, mainly composed of: (i) financial assets measured at fair value through other comprehensive income (government securities contributed by the MEF) for 125,269 thousand euro and (ii) cash and cash equivalents deposited in central treasury account no. 25083 for 8,512 thousand euro.

Equity amounted to 133,619 thousand euro.

The Sub-Fund reported a loss for the year of 275 thousand euro, mainly due to (i) net negative adjustments due to credit risk of 125 thousand euro relating to financial assets measured at fair value through other comprehensive income, recognised in accordance with IFRS 9, by calculating the expected loss for the 12 months following the reporting date and (ii) administrative expenses of 264 thousand euro.

These negative income components were partially offset by interest income on financial assets measured at fair value through other comprehensive income (government securities contributed by the MEF), amounting to 145 thousand euro.

Separate annual report

STATEMENTS OF THE SEPARATE ANNUAL REPORT

BALANCE SHEET

(euro)

Assets	31/12/2021	Notes
Financial assets measured at fair value through other comprehensive income	**125,268,521**	**II.1.1**
Government securities	125,268,521	
Financial assets measured at amortised cost	**99,999**	**II.1.2**
Deposits	99,999	
Other assets	**9,610**	**II.1.3**
Cash and cash equivalents	**8,509,284**	**II.1.4**
Total assets	**133,887,414**	

(euro)

Liabilities and equity	31/12/2021	Notes
Equity	**133,619,402**	**II.2.1**
Equity instruments	134,999,619	
Valuation reserves	(1,105,633)	
Net income (loss) (+/-)	(274,584)	
Other liabilities	**268,012**	**II.2.2**
Total liabilities and equity	**133,887,414**	

INCOME STATEMENT

(euro)

Items	2021	Notes
Income	**144,731**	**III.1**
Interest income and similar income	144,731	III.1.1
of which: Interest income calculated using the effective interest rate method	*144,731*	
Costs	**(419,315)**	**III.2**
Interest expenses	(455)	III.2.1
Commission expense	(27,200)	III.2.2
Administrative expenses	(264,421)	III.2.3
Net adjustments/recoveries for credit risk	(127,239)	III.2.4
Net income (loss) for the year	**(274,584)**	

STATEMENT OF COMPREHENSIVE INCOME

(euro)

Items	2021
Net income (loss)	(274,584)
Financial assets measured at fair value through other comprehensive income	(1,105,633)
Comprehensive income	**(1,380,217)**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euro)	Balance at 09/06/2021	Changes for the period				Equity at 31/12/2021
		Changes in reserves	Issue of new equity instruments	Purchase of own equity instruments	Comprehensive income at 31/12/2021	
Equity instruments	134,999,619					134,999,619
Valuation reserves:						-
Financial assets measured at fair value through other comprehensive income					(1,105,633)	(1,105,633)
Net income (loss)					(274,584)	(274,584)
Equity	**134,999,619**				**(1,380,217)**	**133,619,402**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(euro)	2021
A. OPERATING ACTIVITIES	
1. Cash generated/(used) by operations	**563,555**
- net income (loss) for the year (+/-)	(274,584)
- net impairment adjustments (+/-)	127,239
- adjustments for uncollected/paid interests	446,479
- other adjustments	264,421
2. Cash generated/(used) by financial assets	**7,944,400**
- financial assets measured at fair value through other comprehensive income	8,054,010
- financial assets measured at amortised cost	(100,000)
- other assets	(9,610)
3. Cash generated/(used) by financial liabilities	**3,591**
- other liabilities	3,591
Cash generated/(used) by operating activities (1. + 2. + 3.)	**8,511,546**
CASH GENERATED/(USED) DURING THE YEAR	**8,511,546**

Reconciliation

Items (*) (euro)	2021
Cash and cash equivalents at beginning of the year	
Total cash generated/(used) during the year	8,511,546
Cash and cash equivalents at end of the year	**8,511,546**

(*) The cash and cash equivalents reported in the statement of cash flows comprise the balance of current account no. 25083 held with the Central State Treasury and recognised under “Cash and cash equivalents”.

NOTES TO THE REPORT

I. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

I.1 GENERAL INFORMATION

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

Pursuant to Article 27, paragraph 6, of the Relaunch Decree, this annual report of the Patrimonio Rilancio - "Fondo Nazionale Ristrutturazioni Imprese" (National Enterprise Restructuring Fund) (below the "report") has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission and in force at 31 December 2021, taking into account also the minimum reporting requirements established by the Italian Civil Code, where compatible with the standards adopted.

The international accounting standards include the IFRS issued by the IASB, the IAS still in force issued by the IASC and the interpretations issued by the IFRS Interpretation Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, even earlier, by the Standing Interpretations Committee (SIC).

Section 2 - General preparation principles

The annual report includes 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 the Notes to the Report.

The report clearly presents, and gives a true and fair view of, the financial performance and results of operations for the year. The report corresponds with the Sub-Fund's accounting records and fully reflects the transactions conducted during the financial year. As detailed below, the Notes to the Report provide all information required by the IAS/IFRS, as well as any supplemental information deemed necessary in order to give a true and fair view of the Sub-Fund's financial performance and standing.

The Balance Sheet, the Income Statement, the other financial statements and the tables in the Notes to the Report are expressed in units of euro, unless otherwise specified. In the Income Statement, income is indicated as positive numbers, while expenses are shown in brackets.

The financial statements and the tables in the Notes to the Report do not show comparative values related to the previous year, because this is the first report that has been prepared. Tables with zero amounts for the reporting year were omitted.

The Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows do not contain items having a zero amount in the reporting year.

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, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo italiano di contabilità (Italian Accounting Board, OIC).

Where the information required by the IFRS is deemed to be inadequate in presenting the financial standing in a true and fair manner, the Notes to the Report also provide supplemental information for that purpose.

The report has been duly prepared on an accrual and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

In compliance with IAS 1 Revised, an assessment has been made of the Sub-Fund's ability to continue to operate as a going concern, considering all available information over the medium term.

No assets have been offset against liabilities, nor income against expenses, unless expressly required or allowed by an accounting standard or a related interpretation.

Use of estimates

The application of International Financial Reporting Standards in preparing the report requires accounting estimates to be made 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 items in the report and future earnings results.

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

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

- the calculation of impairment losses on loans and other financial assets subject to impairment;
- the use of measurement techniques to determine the fair value of financial instruments not listed on an active market;
- the quantification of provisions for risks and charges.

The description of the accounting policies used provides details on the main assumptions and assessments used in preparing the report.

Section 3 - Audit of the report

This report is subject to statutory audit in accordance with Article 27, paragraph 14 of Decree Law no. 34 of 19 May 2020.

The statutory audit is carried out by the Independent Auditors of CDP S.p.A., namely Deloitte & Touche S.p.A. ("Deloitte"). The engagement for the statutory audit of CDP S.p.A.'s accounts was awarded to Deloitte for the 2020-2028 period by the Shareholders' Meeting in ordinary session of 19 March 2019.

Section 4 - Events subsequent to the reporting date

During the period between the reporting date of this report and its approval by the Board of Directors of CDP S.p.A. on 31 March 2022, no events occurred that would require an adjustment to the figures presented in the report at 31 December 2021.

Russia-Ukraine Conflict

From 24 February 2022, serious tensions between Russia and Ukraine culminated in Russia's invasion of Ukraine. The conflict quickly spread over the following days with military actions affecting a large part of Ukrainian territory, with very serious consequences for the civilian population.

In this regard, it should be noted that the significant events related to the Russia-Ukraine conflict do not have an impact on the determination of the result and equity of the Sub-Fund at 31 December 2021, because they are considered non-adjusting events, according to the definition provided by IAS 10. However, IAS 10 requires the disclosure of the nature of the event occurring after the end of the reporting period and the estimated effect on the financial statements. If the estimate of the effects of an event cannot be reliably measured, or is indeed impossible to measure, as a result of particular circumstances connected to the unpredictability of the outcome of the event, the notes to the financial statements should provide appropriate disclosure, explaining the general uncertainty caused by the event.

ESMA and CONSOB have recently published the following communications:

- ESMA Statement no. 71-99-1864 of 14 March 2022 “ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets”;
- CONSOB warning notice of 18 March 2022 on the impact of the war in Ukraine on inside information and financial reporting.

In these communications, the national and international regulators have requested disclosures, to the extent possible on both a qualitative and quantitative basis, on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to the affected markets, supply chains, financial position and earnings in the 2021 financial reports. Accordingly, the following disclosures are made with respect to the preparation of the separate annual report at 31 December 2021.

Russia’s military intervention in Ukraine is an unexpected shock, exacerbating an already sluggish economic situation in Europe. In this context, it is important to stress the considerable uncertainty regarding the duration of the conflict, the extent of the sanctions, the climate of confidence it will generate and the resulting repercussions on the economic environment. However, given that the conflict has recently started and the situation is continually evolving, it is very difficult to predict the effects of the conflict on the macroeconomic scenario in the short and medium term and the related impact on the Sub-Fund’s operations and future performance. Therefore, it will be necessary to constantly monitor the evolution of the situation in the current context.

Sweeping, coordinated sanctions have been imposed on Russia, Belarus, and the areas of the Ukrainian territory not under the Ukrainian government’s control. Their aims include: (i) eroding the industrial base, (ii) preventing the wealth of the Russian elite from being hidden in safe havens in Europe, (iii) targeting the oil sector and preventing Russia from upgrading its oil refineries, and (iv) cutting off Russia’s access to the world’s most important financial markets. The two heaviest sanctions are in the financial sector: the ban of some of Russia’s most important banks from the SWIFT international payment system and the freezing of the Russian Central Bank’s foreign currency reserves, held, for the most part, in China, France, Japan and Germany, while exposure to the USA is limited.

In general terms, the four main areas in which the economic impacts of the conflict will be felt are: (i) trade relations (excluding energy commodities), (ii) gas and oil supplies, (iii) uncertainty on the financial markets and (iv) geopolitical instability and new balance.

The impact on trade relations may be relatively limited due to the limited importance of Russia’s trade with Italy. The most significant direct impacts are likely to be felt by companies operating in machinery manufacturing, textiles-clothing, chemicals and food. The economic impact relating to gas and oil supplies is significant because it will drive up inflation and because of the consequences of possible supply disruptions: Italy is one of the most vulnerable European countries, as it imports from Russia about 40% of the gas and 10% of the oil it needs to cover domestic demand. Uncertainty in this area could generate an increase in government securities yields, also due to the recent decision by the ECB to continue its purchase reduction programme. It could also generate extreme volatility in financial markets and have negative impacts on the spending decisions of households and businesses. Geopolitical instability and changing relations between countries may lead to a contraction in international trade, a fall in foreign direct investment and an increase in precautionary saving. The supply of energy commodities is clearly Italy’s main weak spot in terms of both direct effects, due to dependence on Russian supplies, and indirect effects on prices and inflation. High and rising inflation could produce serious effects, both for businesses, especially energy-intensive ones, whose margins would be eroded, and for households, whose purchasing power could be severely impaired since wage trends are not directly related to price trends.

Given that no transactions have been carried out to date in the FNRI, the potential risk for the Sub-Fund depends on the possible impacts, for the beneficiary companies of the relevant measures, of the crisis generated by the conflict.

In the medium term, the impact of the current crisis on growth and inflation is likely to have a significant negative fallout on various sectors of the economy. However, some sectors will be more severely affected by the consequences of the crisis, in particular those that are “energy-intensive” or otherwise exposed to significant increases in commodity prices.

With regard to the potential impact of the evolution of the sanctions on the Sub-Fund’s operations, based on the FNRI’s current operations no risk profiles associated with the current restrictions have been identified, in the light of the sanctions introduced by both the EU and the US.

In view of the rapidly evolving situation, the indications emerging from the analysis may be modified by subsequent measures.

Section 5 - Other issues

IFRS endorsed at 31 December 2021 and in force since 2021

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 2021, are provided below.

- Commission Regulation (EU) 2021/1421 of 30 August 2021, published in Official Journal L 305/17 of 31 August 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 16;
- Commission Regulation (EU) 2021/25 of 13 January 2021, published in Official Journal L 11/7 of 14 January 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 4, 7, 9 and 16;
- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 4.

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 2022)

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 2021:

- Commission Regulation (EU) 2021/1080 of 28 June 2021, published in Official Journal L 234/90 of 2 July 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9;
- Commission Regulation (EU) 2021/2036 of 19 November 2021 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 17.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2021

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 this report:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

Other information

The annual report is approved by the Board of Directors of CDP S.p.A. at the same time as the approval of the draft separate financial statements of CDP S.p.A., to which it constitutes an annex as required by Article 27, paragraph 6 of the Relaunch Decree. The annual report is subsequently approved by the general meeting of the holders of the equity instruments.

I.2 THE MAIN ITEMS OF THE ANNUAL REPORT

The annual report of the “Fondo Nazionale Ristrutturazioni Imprese” (National Enterprise Restructuring Fund) Sub-Fund at 31 December 2021 has been prepared using the International Financial Reporting Standards (IFRS), supplemented by the amendments endorsed and in force with effect from the financial year 2021, as described in Section 5 – Other issues, I.1 General Information.

The following pages provide a description of the accounting policies adopted in preparing this report.

1 - Financial assets measured at fair value through other comprehensive income (FVTOCI)

The item “Financial assets measured at fair value through other comprehensive income” includes financial assets that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets (“Hold to Collect and Sell” business model);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In particular, this item includes Italian government securities contributed by the Ministry of the Economy and Finance in exchange for equity instruments issued by the Sub-Fund.

The initial recognition for the debt securities is on the settlement date.

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

Subsequent to the initial recognition, these financial instruments, which are traded in active markets, are measured at their fair value determined on the basis of official prices on the reporting date.

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

If these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other comprehensive income, are transferred from equity to the Income Statement.

Interest is recognised in the Income Statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset. Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

These instruments are also subject to the calculation of adjustments through profit or loss to cover the expected impairment losses in accordance with IFRS 9. In particular, an expected loss over a period of up to 12 months following the reporting date is recognised for instruments classified in stage 1 (i.e. performing financial assets that do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired financial assets). The above allocation does not include exposures that are impaired from origination or purchase, which are instead recognised separately as purchased or originated credit-impaired (POCI) financial assets from the date of initial recognition until derecognition.

For financial assets that are classified in stages 1 and 2, impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

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

For purchased or originated credit-impaired financial assets, the amortised cost and, consequently, interest income is calculated by considering expected losses over the residual maturity of the asset in the estimates of future cash flows. For these assets, the credit loss allowance is calculated as the cumulative change, from initial recognition, in the expected losses over the life of the asset.

Losses and recoveries arising from the impairment process are recognised under the Income Statement item “Net adjustments for credit risk”.

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

Financial assets measured at fair value through other comprehensive income 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 significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the balance sheet, even if legal title has been effectively transferred.

2 - Financial assets measured at amortised cost

The item “Financial assets measured at amortised cost”, in accordance with IFRS 9, includes assets that meet both of the following conditions:

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

Specifically, this item of the Sub-Fund comprises deposits with CDP, as collateral for repurchase agreement transactions, and mirrors those held by CDP as default funds with Cassa di Compensazione e Garanzia.

“Financial assets measured at amortised cost” are initially recognised on the settlement date.

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

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

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the cash flow estimates.

Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognised through profit or loss in the item “Net adjustments for credit risk”.

Financial assets measured at amortised cost are derecognised 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 significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the balance sheet, even if legal title has been effectively transferred.

3 – Cash and cash equivalents

This item includes cash and cash equivalents held with the Central State Treasury.

Cash and cash equivalents are recorded on the assets side of the balance sheet at nominal value adjusted by the expected credit loss allowance. The amount of such losses is recognised through profit or loss in the item “Net adjustments for credit risk”.

Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

4 – Other information

Interest income and expense

Interest income and expense is recognised in the Income Statement, on a pro-rata basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Interest is recognised under revenues – item “Interest income” – when positive, and under expenses – item “Interest expense” – when negative.

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided. Any commissions considered in the amortised cost, for the calculation of the effective interest rate, are classified as interest.

Prepayments and accruals

The prepayments and accruals that include costs or revenues for the year accruing on assets and liabilities, are recognised in the report as an adjustment to the assets and liabilities to which they relate.

Other assets and other liabilities

Other assets and other liabilities comprise the items that cannot be allocated to the other balance sheet items. Specifically, for the Sub-Fund they consist of amounts on deposit with the manager Cassa Depositi e Prestiti S.p.A. and amounts payable to be settled for the reimbursements of costs incurred by the manager and payables for invoices to be received.

Taxes

As provided for in Article 27 paragraph 13 of the Relaunch Decree, the income and value of production of the Sub-Fund are exempt from tax. The Sub-Fund is not subject to withholding tax or taxes that substitute income taxes on income received in any capacity.

I.3 DISCLOSURES ON FAIR VALUE MEASUREMENT

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 at the measurement date to sell an asset or paid to transfer a liability in an ordinary transaction between independent market counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded, and are fully operational (without the urgent need to liquidate or significantly reduce a position). The international accounting standards have established three levels of classification for a financial instrument (known as the “hierarchy of fair value”), according to the observability and significance of the inputs used in its measurement.

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 quoted prices on an active market, the fair value is determined using measurement models and techniques, with classification in Level 2 of the hierarchy if the inputs used are quoted prices available on active markets or inputs based on observable market data, such as interest rates or yield curves. If the inputs require adjustments made on the basis of parameters that cannot be observed in the market and are impacted by the modelling choices needed to make them, for example through the use of statistical or expert-based techniques, the fair value is classified in Level 3 of the hierarchy.

Specifically, with regard to the items measured at fair value on a recurring basis, in the annual report of the “Fondo Nazionale Ristrutturazioni Imprese” (FNRI - National Enterprise Restructuring Fund) Sub-Fund at 31 December 2021 the measurements of securities issued by the Italian government listed on active markets, transferred by the Ministry of the Economy and Finance into the Patrimonio Rilancio at the time of its establishment, are included in Level 1. There are no measurements of instruments classified in Level 2 and Level 3 of the hierarchy of fair value.

I.3.1 HIERARCHY OF FAIR VALUE

Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(euro)	31/12/2021		
Assets/liabilities measured at fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value through other comprehensive income	**125,268,521**		
Government securities	125,268,521		
Total assets	**125,268,521**		

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(euro)	31/12/2021			
Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	Book value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**99,999**			**99,999**
Deposits for GMRA	99,999			99,999
Cash and cash equivalents	**8,509,284**			**8,509,284**
Central Treasury current account n° 25083	8,509,284			8,509,284
Total assets	**8,609,283**			**8,609,283**

II. INFORMATION ON THE BALANCE SHEET

II.1 ASSETS

II.1.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income: breakdown

(euro)	Gross value				Impairment				Net value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
Government securities	125,393,497	-	-	-	(124,976)	-	-	-	125,268,521	-	-	-
Total 31/12/2021	**125,393,497**				**(124,976)**				**125,268,521**			

This item, amounting to 125,268,521 euro, consists of Italian government securities contributed by the MEF with a ministerial decree dated 7/5/2021, subsequently allocated with a directorial decree dated 7/6/2021, to enable the operations of the Sub-Fund.

Government securities: changes for the year

(euro)	31/12/2021 Level 1	Level 2	Level 3
1. Opening balance			
2. Increases	**135,144,350**		
2.1 Contributions	134,999,619		
2.2 Profits taken to:	144,731		
2.2.1 Income statement	144,731		
2.2.2 Equity			
2.3 Transfers from other levels			
2.3.1 Transfers from level 1	X		
2.3.2 Transfers from level 2		X	
2.3.3 Transfers from level 3			X
2.4 Other increases			
3. Decreases	**9,875,829**		
3.1 Sales			
3.2 Repayments	8,645,220		
3.3 Losses taken to:	1,230,609		
3.3.1 Income statement	124,976		
3.3.2 Equity	1,105,633		
3.4 Transfers to other levels			
3.4.1 Transfers to level 1	X		
3.4.2 Transfers to level 2		X	
3.4.3 Transfers to level 3			X
3.5 Other decreases			
4. Closing balance	**125,268,521**		

The increase in this item, equal to 135,144,350 euro, is due to: (i) contributions from the Ministry of the Economy and Finance for 134,999,619 euro, against the issuance of similar value equity instruments in favour of the Ministry, and (ii) profits recognised in the income statement related to accrued interest income, for 144,731 euro.

The decreasing components relate to: (i) redemptions amounting to 8,645,220 euro, (ii) impairment losses in accordance with IFRS 9, recognised in the income statement and amounting to 124,976 euro (iii) and negative fair value changes with a balancing entry in equity, amounting to 1,105,633 euro.

II.1.2 FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets measured at amortised cost: breakdown

(euro)	Gross value				Impairment				Net value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
Deposits for GMRA	100,000	-	-	-	(1)	-	-	-	99,999	-	-	-
Total 31/12/2021	**100,000**				**(1)**				**99,999**			

The item refers entirely to Default Fund deposits with CDP.

II.1.3 OTHER ASSETS

The balance of this item, equal to 9,610 euro, relates to financial resources deposited in the account managed by CDP.

In accordance with Article 101.4 of the Patrimonio Rilancio Regulation, these resources are set up as a buffer to cover unforeseen or urgent payments or to accommodate unexpected collections for which CDP S.p.A. is unable to make withdrawals from or payments into central treasury accounts due to cut-off times beyond which it is not possible to operate on central treasury accounts.

II.1.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents: breakdown

(euro)	Gross value				Impairment				Net Value			
Instruments/Values	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired
Central Treasury current account n° 25083	8,511,546	-	-	-	(2,262)	-	-	-	8,509,284	-	-	-
Total 31/12/2021	**8,511,546**				**(2,262)**				**8,509,284**			

The balance of the item refers to the Sub-Fund's cash and cash equivalents held in Central State Treasury account no. 25083.

In compliance with Article 35, paragraph 1, of the Implementing Decree, the liquid assets of the Special-purpose assets fund are credited to interest-bearing account no. 25083, opened with the Central State Treasury in the name of Cassa Depositi e Prestiti S.p.A. - Patrimonio Rilancio.

On the account balance, the Ministry of the Economy and Finance pays interest on a half-yearly basis at a rate equal to the greater of (i) the simple arithmetic average of the gross rates of return, recorded at issuance, on six-month ordinary bonds (BOT) issued in the same half-year period and (ii) zero.

Note that no interest was accrued for the year under review, as the reference rate is negative.

II.2 LIABILITIES AND EQUITY

II.2.1 EQUITY

Equity: breakdown

(euro)	31/12/2021
Equity instruments	134,999,619
Valuation reserves:	
Financial assets measured at fair value through other comprehensive income	(1,105,633)
Net income (loss) (+/-)	(274,584)
Total	**133,619,402**

The Equity of the Sub-Fund is mainly composed of the equity instruments issued in favour of the Ministry of the Economy and Finance at the time of establishment of the Patrimonio Rilancio. They were issued on 9/6/2021 following the contribution of the first tranche of government securities by the MEF to enable the Sub-Fund to operate.

The item “valuation reserves”, amounting to 1,105,633 euro, refers to the negative change in the fair value of the Italian government securities held in the Sub-Fund's portfolio, which are measured at fair value through other comprehensive income (FVOCI).

At 31/12/2021 the Sub-Fund showed a loss for the year of 274,584 euro.

II.2.2 LIABILITIES

Other liabilities: breakdown

(euro)

Type of operations / Values	31/12/2021
a) Payables due to suppliers	11,473
b) Payables due from CDP	252,948
c) Other liabilities	3,591
Total	**268,012**

At 31 December 2021 the item "Other liabilities" amounted to 268,012 euro and consisted of:

- payables to CDP in the amount of 252,948 euro for costs incurred by CDP S.p.A. to manage the Sub-Fund in accordance with Article 32 of the Implementing Decree of the Ministry of the Economy and Finance that came into force on 25 March 2021;
- payables to suppliers for 11,473 euro;
- commission and interest expense on default fund deposits with CDP not yet settled at 31 December 2021, in the amount of 3,591 euro.

II.3 OTHER INFORMATION

Securities custody and administration

The following table shows owned securities deposited with third parties, at their nominal value.

Specifically, the government securities contributed by the MEF are managed by CDP S.p.A. and deposited with Monte Titoli S.p.A.

(euro)	31/12/2021
Securities deposited with third parties	
Government securities	122,625,000
Total	**122,625,000**

III. INFORMATION ON THE INCOME STATEMENT

III.1 REVENUES

III.1.1 INTEREST INCOME AND SIMILAR INCOME

Interest income and similar income: breakdown

(euro)

Items/Values	2021
Financial assets measured at fair value through other comprehensive income	
Interest on Government securities	144,731
Total	**144,731**

The item, equal to 144,731 euro, consists of interest income on debt securities, specifically on government securities contributed by the MEF.

III.2 COSTS

III.2.1 INTEREST EXPENSE

Interest expense: breakdown

(euro)

Items/Values	2021
Financial Assets	**(455)**
Total	**(455)**

This item, amounting to 455 euro, consists of interest expense on financial assets which, due to negative remuneration, resulted in a component with the opposite sign.

Specifically, the interest relates to default funds deposited with CDP.

III.2.2 COMMISSION EXPENSE

This item, amounting to 27,200 euro, consists of management fees default funds deposited with CDP.

III.2.3 ADMINISTRATIVE EXPENSES

Administrative expenses: breakdown

(euro)

Type of expenses/Values	2021
Professional services	(11,473)
Operating costs charged from CDP	(252,948)
Total	**(264,421)**

This item includes expenses recharged by CDP S.p.A. for costs incurred for the management of the Sub-Fund in the amount of 252,948 euro and costs for other professional services in the amount of 11,473 euro.

Audit fees

The audit fees for 2021 are shown below. Note that no non-audit services were provided in 2021.

(euro)

Type of services	Deloitte & Touche S.p.A.
Auditing	8,000
Total	**8,000**

III.2.4 NET ADJUSTMENTS FOR CREDIT RISK

(euro)	Writedowns						Writebacks				
			Stage 3		Purchased or Originated Credit Impaired						
Operations / P&L items	Stage 1	Stage 2	Write-off	Other	Write-off	Other	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired	2021
Financial assets measured at fair value through other comprehensive income	**(124,976)**										**(124,976)**
Government securities	(124,976)										(124,976)
Financial assets measured at amortised cost	**(1)**										**(1)**
Deposits for GMRA	(1)										(1)
Cash and cash equivalents	**(2,262)**										**(2,262)**
Central Treasury current account n° 25083	(2,262)										(2,262)
Total	**(127,239)**										**(127,239)**

This item, negative for approximately 127,239 euro, represents the net balance between adjustments and recoveries for credit risk on financial assets measured at amortised cost, cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

IV. INFORMATION ON RISKS

1. General aspects

To ensure an efficient risk management system, the Sub-Fund has set up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks - assumed or that can be assumed.

The risk management system takes into account the specific characteristics of the activity carried out by CDP and is implemented in compliance with the regulatory requirements.

The guidelines for risk management envisage the separation of roles and responsibilities in the assumption and control of risks, and the organisational independence of risk control from the operational management of risks.

The types of risks to which the Sub-Fund is exposed can be classified as investment risks, liquidity risks, market risks, operational risks and reputational risks.

2. Investment and credit risk

Investment risk, which relates to the possibility of negative or lower than expected performance of the investments made, including lasting losses in value, mainly arises from the investment in the instruments provided for by the Regulation of the Sub-Fund and, secondarily, from related activities, particularly treasury management. In this regard, in view of the recent start of operations, there were no instruments at 31 December 2021. It is envisaged that the Sub-Fund will subscribe for instruments, directly and indirectly, aimed at supporting restructuring and turnaround operations. As a result, the Sub-Fund is exposed to a specific and intrinsically high-risk profile, typical of this asset class.

3. Liquidity risk

Liquidity risk is the risk that the Sub-Fund will be unable to meet its commitments due to difficulties in financing itself or in divesting assets, or that it will be unable to monetise assets held in the market without significantly adverse conditions affecting their market price. With regard to liquidity risk, due to the composition of this report, and in order to reduce the non-core risks, the Sub-Fund intends to also use repurchase agreements carried out under typical market conditions to manage its liquidity.

4. Market risk

In terms of market risk, the Sub-Fund holds Italian government securities with a maturity compatible with its investment horizon and is therefore exposed to the risk of price fluctuations. There were no exposures to foreign currencies at 31 December 2021.

5. Operational risks

Operational risks potentially affecting the Sub-Fund include the possible economic effects of events of an operational nature, including those related to legal proceedings, if they do not come under the responsibility of CDP as the manager of the Sub-Fund.

V. TRANSACTIONS WITH RELATED PARTIES

This paragraph provides information about the relationship with:

- CDP S.p.A.;
- the MEF, holder of the equity instruments.

Transactions with related parties, notably those with the Ministry of the Economy and Finance and CDP S.p.A., arise as a result of legislative provisions. In any event, it should be noted that no atypical or unusual transactions were carried out with related parties whose size could have an impact on the assets and liabilities or performance of the Sub-Fund. All transactions with related parties were carried out on an arm’s length basis and form part of the Sub-Fund’s ordinary operations.

The table below shows the main existing related-party relationships at 31 December 2021.

(euro)

	Items	Ministry for the Economy and Finance	CDP	Total transaction with related parties
Assets	Financial assets measured at fair value through other comprehensive income	125,268,521		**125,268,521**
	Financial assets measured at amortised cost		99,999	**99,999**
	Other assets		9,610	**9,610**
	Cash and cash equivalents	8,509,284		**8,509,284**
Liabilities	Other liabilities		256,539	**256,539**
Income statement	Interest income and similar income	144,731		**144,731**
	Interest expense and similar charges		(455)	**(455)**
	Commission expenses		(27,200)	**(27,200)**
	Administrative expenses		(252,948)	**(252,948)**
	Net adjustment for credit risk	(127,238)	(1)	**(127,239)**

The transactions conducted with the Ministry of Economy and Finance were related to cash and cash equivalents held on a treasury account, and government securities recognised as financial assets measured at fair value through other comprehensive income. Specifically:

- “financial assets measured at fair value through other comprehensive income”, for 125,268,521 euro;
- “cash and cash equivalents”, for 8,509,284 euro;
- “Interest income and similar income”, for 144,731 euro;
- “net adjustments for credit risk”, for 127,238 euro

Transactions with CDP are carried out for the purposes of the administrative management of the Sub-Fund, as more fully described in the preceding sections of the explanatory notes.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 27, PARAGRAPH 3, OF THE LAW-DECREE N. 34 OF MAY 19, 2020, CONVERTED WITH LAW N. 77 OF JULY 17, 2020

To the Investor of the
Patrimonio Rilancio - Fondo Nazionale Ristrutturazioni Imprese

Opinion

We have audited the separate annual report of Patrimonio Rilancio - Fondo Nazionale Ristrutturazioni Imprese (the "Sub-fund"), which comprise the balance sheet as at December 31, 2021, the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the separate annual report.

In our opinion, the accompanying separate annual report give a true and fair view of the financial position of the Sub-fund as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Separate Annual Report section of our report. We are independent of the Sub-fund and Cassa Depositi e Prestiti S.p.A. in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors of Cassa Depositi e Prestiti S.p.A. for the Separate Annual Report

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of separate annual report that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of separate annual report that are free from material misstatement, whether due to fraud or error.

In preparing the separate annual report, the Directors of Cassa Depositi e Prestiti S.p.A. are responsible for assessing the Sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Sub-fund or for the termination of the operations or have no realistic alternative to such choices.

Auditor’s Responsibilities for the Separate Annual Report

Our objectives are to obtain reasonable assurance about whether the separate annual report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate annual report.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate annual report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 internal control of the Sub-fund and Cassa Depositi e Prestiti S.p.A..

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of Cassa Depositi e Prestiti S.p.A..

- Conclude on the appropriateness of Cassa Depositi e Prestiti S.p.A. 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 Sub-fund’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 separate annual report 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 Sub-fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate annual report, including the disclosures, and whether the separate annual report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of Cassa Depositi e Prestiti S.p.A., 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 identify during our audit.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 20, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Cassa Depositi e Prestiti S.p.A.

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