

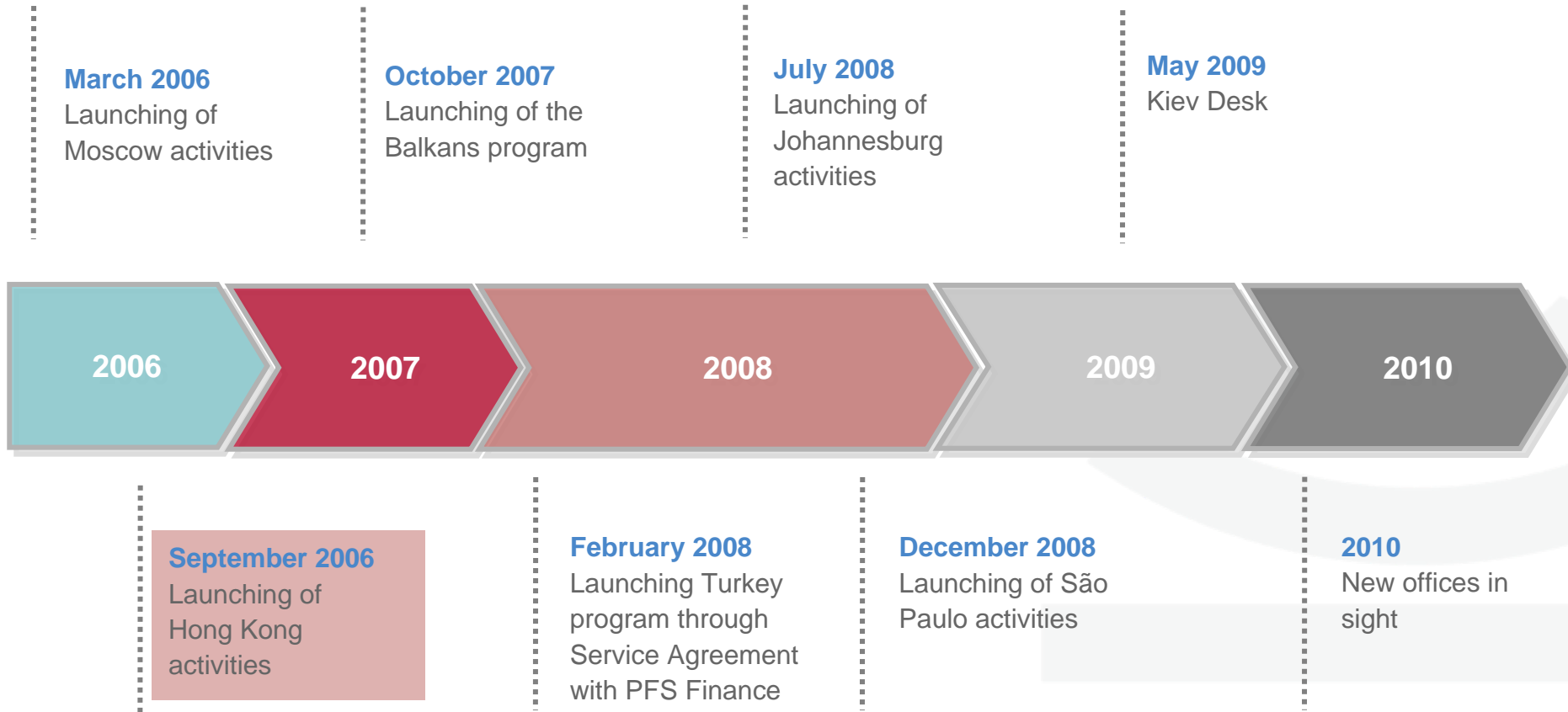


A Guide to SACE Business in the Asia Region

Michal Ron – International Relations and Network
Hong Kong, October 9, 2009

- ❖ SACE's International Offices act as a focal point for Italian exporters and foreign investors in major markets.
- ❖ SACE operates abroad through four offices located in Hong Kong, São Paulo, Moscow and Johannesburg. It covers the Balkans' region through its Venice office, and Turkey through a local partnership with PFS Finance.

Developing SACE's International Network





SACE's Hong Kong Office operates as a **local hub for the South and Eastern Asia region**, and covers transactions mainly in China, South Korea, Singapore, Taiwan, Malaysia, Vietnam, Indonesia and India.

“The main impetus of future trade growth will be China again and South-East Asia”

Daniel Thorniley

Senior Vice-president of The Economist Intelligence Unit

In *Global economic outlook 2009-2010* (January 2009)

Despite the difficult prevailing conditions of the global economy, SACE recognises the growth potential of the Region.

- Asia is home to a large number of emerging economies and economic giants
- The 2010 recovery is expected to generate favourable conditions to explore new opportunities and relationships in the Region, as many Asian companies will be seeking for new partners to stimulate their business.

Local Governments are implementing special measures to support their respective national economies with stimulus packages; in the same way SACE will continue to focus its activities on contributing to the regional economic development.

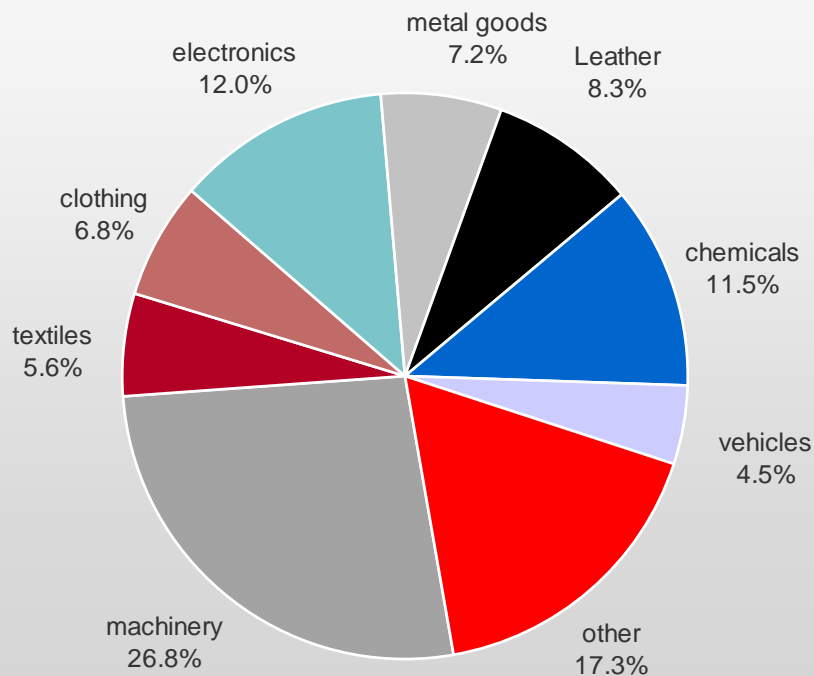
Italian exports to South and Eastern Asia

REGION/COUNTRY		2007 (€ Mn)	2008 (€ Mn)	As of May 2009 (€ Mn)
South East Asia		22,086	22,324	8,098
<i>of which:</i>	<i>China</i>	6,289	6,444	2,741
	<i>Hong Kong</i>	3,301	3,232	1,035
	<i>South Korea</i>	2,527	2,606	905
	<i>Singapore</i>	1,730	1,718	565
	<i>Taiwan</i>	931	888	299
	<i>Malaysia</i>	727	727	236
	<i>Vietnam</i>	512	450	176
India		2,995	3,091	1,028

- ✓ Italian exports to SEA account for € 22.3 Bn, and total imports into Italy amount around € 40 Bn (2008).
- ✓ Italy's main markets of reference are China, Hong Kong, South Korea and India.

Trade by sectors

Italian exports to South and Eastern Asia markets by sector (2008)



- ✓ Italian exports to the Region consist mainly of machinery (27%), followed by electronics (12.0%), chemicals (11.5%), leather products (8.3%) and metal goods (7.2).
- ✓ In China, Government-influenced investment has soared, especially in infrastructure, with a positive performance of steel sector and related industries.

SACE's total exposure in South and Eastern Asia: **€1.4 Bn**

- ✓ SACE's exposure in SEA and India, represents almost 5% of its total exposure.
- ✓ India is the major destination of in the Area (61.2%), followed by South Korea (8.6%), Vietnam (8.2%) and China (6.7%)
- ✓ SACE's activities in the Region are largely concentrated in the **aviation, mechanical and machinery, steel industry, infrastructure and banking** sectors.

Country	SACE's exposure (€ Mn) as of		% of Regional Exposure
	Dec 2008	June 2009	
India	864.7	839.0	61.2
South Korea	121.4	118.8	8.6
Vietnam	75.0	113.5	8.2
China	107.1	93.8	6.7
Malaysia	36.6	65.1	4.7
Philippines	55.7	54.6	3.9
Thailand	60.3	41.4	3.0
Taiwan	29.1	29.0	2.1
Indonesia	17.9	15.8	1.1

SACE's major markets of reference

- ✓ **China** seems the best-placed economy in the world as country's budget surplus and huge foreign reserves allows the government to spend its way out of the crisis. Various analyst suggest that China will be ready for a bounce back when global trade starts to pick up again. The Country is just as attractive to SACE business as it did before the recession.
- ✓ The **Indian** economy is expected to grow by 6% in 2009, and 7% on 2010 (ADB forecasts) as capital inflows, industrial production and business confidence soar. It remains an appealing investment destination.
- ✓ **Indonesia** resisted relatively well to the current crisis and presents important opportunities, in particular in the infrastructure sector.
- ✓ **Vietnam** remains attractive and tops the list of priority markets (outside the BRIC nations) for investment over the next five years. It is also on a very strong recovery track with one among the most attractive growth prospects in Asia over the long run.

The growth prospects of markets are good but the challenges for those who intend to do business in the Region will still be there.

Are you an **exporter** wanting to offer favourable payment terms?

Export credit and project finance

• *Over € 20 bn of outstanding guarantees*

Looking to **invest** in high-risk countries?

Protection of foreign investments

• *From small joint-ventures to large-scale investments and acquisitions*

Difficulty getting **access to domestic credit**?

Financial guarantees

• *Loans for € 3.3 bn guaranteed in 2008, serving over 1,300 SMEs*

Need to grant **extended payment terms**?

Credit insurance

• *€ 15 bn of commercial credits insured*

Bidding for contracts in Italy and abroad?

Surety and construction risks

• *75,000 policies issued*

SACE insurance and financial products addressing specific needs:

- ❖ **Export credit** - Insurance of export credit, with the opportunity to 'cash in' Supplier's Credit earlier by transferring insured credits to financial institutions. Advantages: attractive payment conditions to the foreign buyer, financial stability and exemption from credit risk.
- ❖ **First demand guarantee** - 100% unconditional and irrevocable guarantees (all risks including documentary risk are covered). Advantages: i) Borrower - credit lines remain unaffected up to the limit of the amount guaranteed by SACE, ii) Banks - zero-weighting for calculation of regulatory capital ratios under Basel I and II for the quota guaranteed by SACE.
- ❖ **Project/Corporate bonds** - Guarantees on corporate bond. Advantages for the borrower: lower cost of funding against traditional Buyer's Credit; diversification of funding sources and financial capacity saving with the banking system; access to a different set of investors in the Capital Markets.
- ❖ **Working Capital Facilities** - Guarantees on loans granted to Italian investors/JVs to finance working capital needs.
- ❖ **Political Risk Insurance** - Protects investment against political risk – such as nationalization, embargo or civil disorders – which may cause loss of the invested capital.
- ❖ **Bid/performance/advanced payment bonds** - Issuance of Surety Bonds either directly or through banks counter-guaranteed by SACE aimed at guaranteeing contractual or legal obligations, thus increasing exporters credit capacity.
- ❖ **Equity Loan Cover** - Guarantees on loans granted by banks for investments abroad. Domestic loans for development of projects in strategic sectors (e.g. renewable energies) are also eligible under this program. Advantages: attractive payment conditions in terms of duration, zero-weighting in calculation of regulatory capital ratios under Basel I and II for the quota guaranteed by SACE.
- ❖ **Local Currency Facilities** - Insurance or guarantee on local currency financing. Matches currency of Liabilities to that of Revenues and improves competitiveness through better financing terms to clients.

RELIANCE IND.



BANCO BILBAO VIZCAYA ARGE

Guaranteed Amount
US\$ 195.3 Mn

Market Window

2008 INDIA

Deal of the Year
2008




FIAT INDIA



CITIBANK N.A.

Guaranteed Amount
US\$ 149.5 Mn

Export Credit

2008 INDIA

HYUNDAI STEEL



HSBC BANK PLC

Guaranteed Amount
US\$ 118.4 Mn

Guarantee

2008 SOUTH KOREA

LUCRETIA APPAREL IND



TONELLO S.R.L.

Guaranteed Amount
US\$ 445,087

Export Credit

2009 HONG KONG

BAHOSHAN IRON & STEEL



CINETIC GIUSTINA S.R.L.

Guaranteed Amount
US\$ 2 Mn

Export Credit

2009 CHINA

SACE in South East Asia: transaction highlights *(focus on aviation sector)*

CEBU PACIFIC AIR



CALYON – CALYON CORP.

Guaranteed Amount
US\$ 14.1 Mn

Export Credit

2009 PHILIPPINES

MALAYSIAN AIRLINE




BNP PARIBAS

Guaranteed Amount
US\$ 32 Mn

Export Credit

2009 MALAYSIA

CEBU PACIFIC AIR




BNP PARIBAS

Guaranteed Amount
US\$ 34.3 Mn

Export Credit

2008 PHILIPPINES

VIETNAM AIRLINES



HSBC BANK PLC

Guaranteed Amount
US\$ 34.3 Mn

Export Credit

2009 VIETNAM

- **SACE signed a Reinsurance Agreement with SINOSURE in 2006.** The scope of the agreement is to strengthen mutual trade and to support the internationalization process of both Italian and Chinese companies.



- **Memorandums of Understanding and Cooperation Agreements were also signed with Thai Exim(2006), Phil Exim (2003), Korea Eximbank (2006) and ECGC (2006).** All agreements are aimed to coordinate activities and to further stimulate export cooperation.



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