

Annual Report

2016

**Italy's growth
partner
worldwide**

sace
•gruppo cdp•



Annual Report

2016

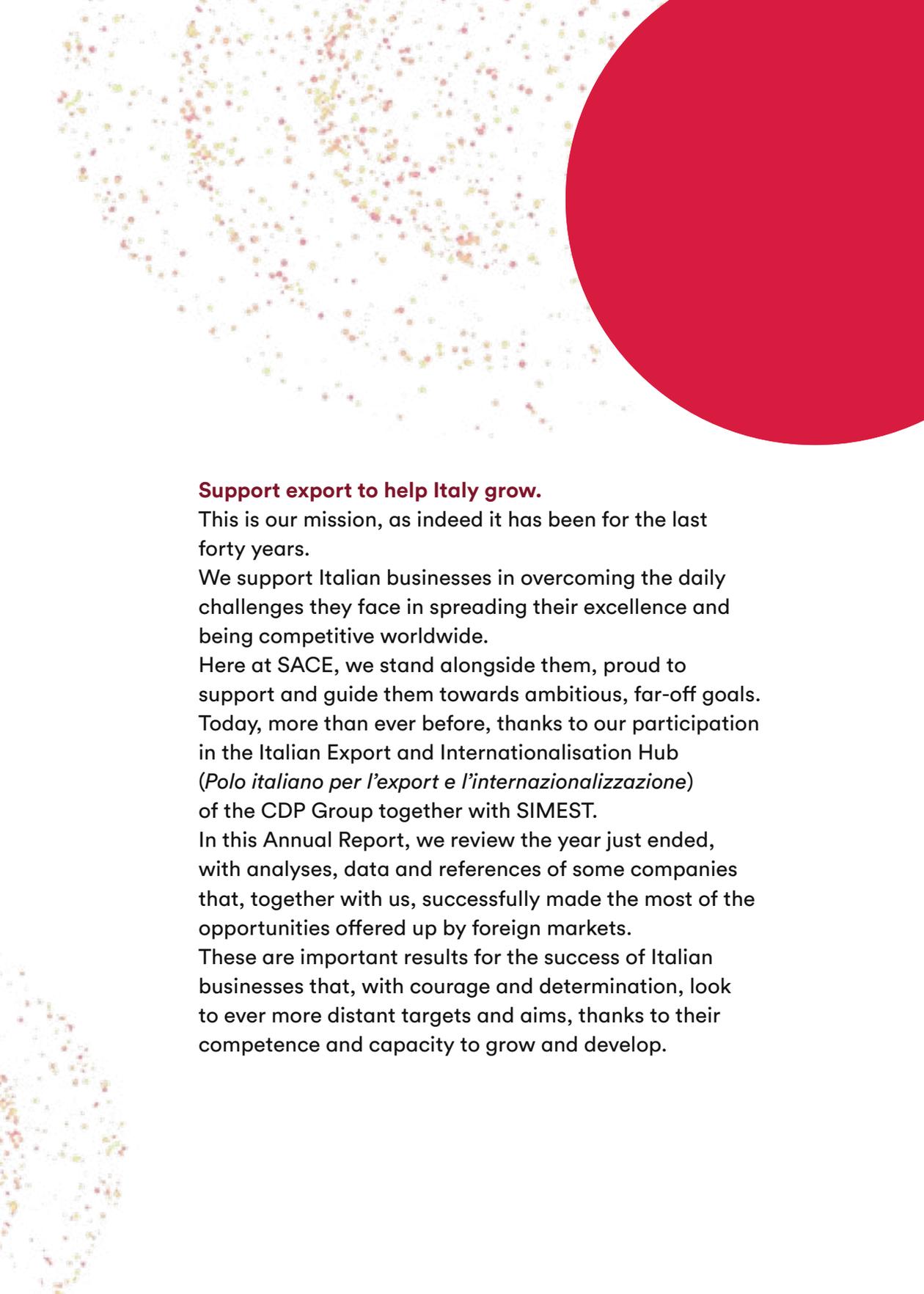
Italy's growth partner worldwide



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Contents

Working and growing with Italian businesses	6
Exporting worldwide, fostering Italy's growth <i>World and business</i>	18
Ideas for doing business, solutions for making the future <i>Strategy and results</i>	40
Managing risk to look to the future <i>Risk management</i>	50
Being us, being you, being together <i>People and values</i>	62
Efficient organisation to make export a success <i>Corporate governance</i>	70



Support export to help Italy grow.

This is our mission, as indeed it has been for the last forty years.

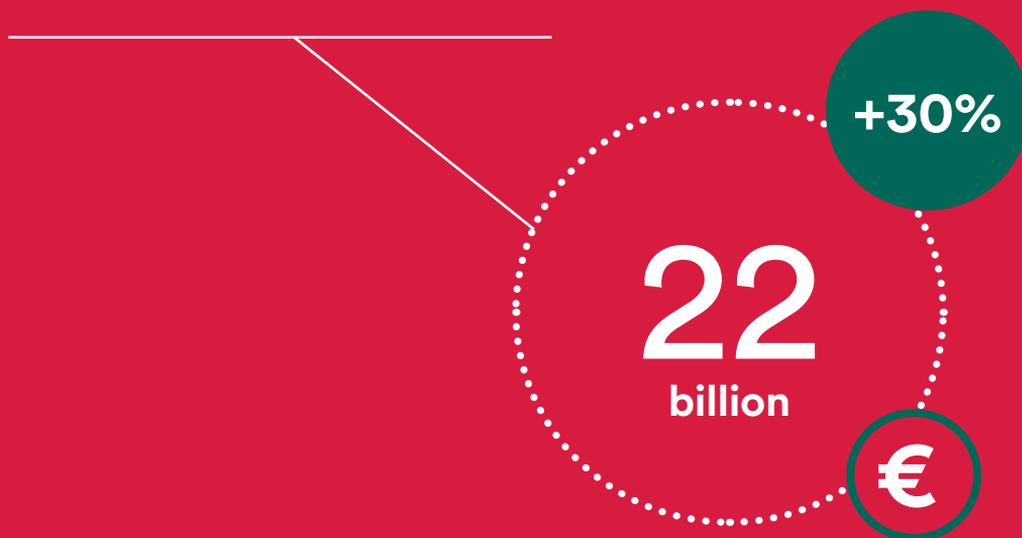
We support Italian businesses in overcoming the daily challenges they face in spreading their excellence and being competitive worldwide.

Here at SACE, we stand alongside them, proud to support and guide them towards ambitious, far-off goals. Today, more than ever before, thanks to our participation in the Italian Export and Internationalisation Hub (*Polo italiano per l'export e l'internazionalizzazione*) of the CDP Group together with SIMEST.

In this Annual Report, we review the year just ended, with analyses, data and references of some companies that, together with us, successfully made the most of the opportunities offered up by foreign markets.

These are important results for the success of Italian businesses that, with courage and determination, look to ever more distant targets and aims, thanks to their competence and capacity to grow and develop.

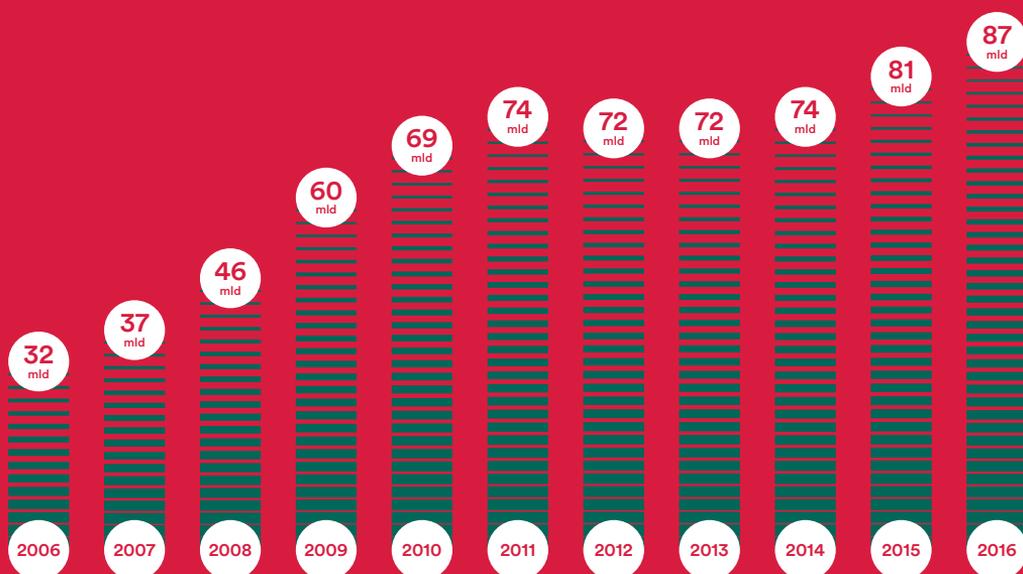
In **2016**, we mobilised resources to the tune of



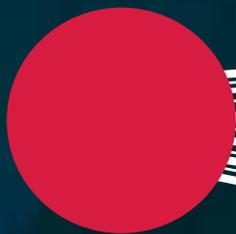
Gross premiums	601 million	€
Claims paid	374 million	€
Net profit	482 million	€
Equity	5,262 million	€
Technical reserves	2,980 million	€

Our commitment grows together with economic-financial sustainability

Our investment portfolio has
reached **87 billion** euro



Working and growing with Italian businesses



Dubai

UAE





Beniamino Quintieri

Chairman

**«We expect years
of rethinking
globalisation, during
which our role will
become more crucial»**

2016 was another challenging year for global geo-economic balances.

Risks on the rise, the revival of protectionist politics, currency tensions and geopolitical instability were the main factors that put a strain on exporting activities and those, like SACE, whose mission is focused on supporting exports and internationalisation.

The pre-2008 world, dominated by the sustained growth of the global economy and international trade, no longer exists. Since the eruption of the

global financial crisis, world GDP has grown at an average annual rate of 4.6%, well below the 7% recorded prior to the crisis (2000-2007), and international trade has also fallen to an average rate of 3%, considerably lower than pre-Lehman performance (7.3%).

Despite this, Italian exports have held up well and have proven to be a crucial factor for the development of our Country, providing a 4.2% stimulus to GDP in the 2010-2015 period. It is thanks to this international expansion that Italian companies have been able to preserve revenues despite the critical situation in recent years. International growth has thus been an excellence litmus test for the resilience of our businesses.

For this reason, SACE has never failed to offer its strategic support to small, medium and large Italian enterprises operating in foreign markets. Pursuing a growth process that has not suffered setbacks, but on the contrary, has been consolidated and strengthened in the most adverse years, our export insurance and guaranteed investment portfolio has risen from 46 billion euro in 2008 to 74 billion in 2011 (+60% in four years), reaching an impressive 87 billion euro in 2016.

This is a record achievement in our history, and we are proud to celebrate the first year of the Italian Export and Internationalisation Hub born thanks to the integration of SIMEST in SACE.

But this is also a new starting point. We have to increase our support for Italian production, which now more than ever requires stronger commitment by the national economic system to overcome the limitations present.

Although there are many Italian businesses active in foreign markets, most of these fall under the category of “occasional exporter”. There are still very few companies actually capable of reaching a large number of diversified markets with medium- and long-term strategies.

The Italian Export and Internationalisation Hub has at least two main objectives. Not only must we lead more companies overseas in a structured manner, but above all we have to promote a more informed risk culture and make a more decisive contribution to the competitiveness of companies already operating abroad, helping them to improve quality along three lines of development: size increase, market expansion and innovation.

In light of these challenges, 2016 opened a new important cycle in the history of SACE.

We have a new Board of Directors, a new Business Plan and new targets for 2020, which will lay the foundation for increasingly widespread consolidation and growth.

We expect difficult years ahead, years of rethinking globalisation with net changes in global trade paradigms, years in which our role will definitely become even more crucial.

We will face them united as a team, alongside Italian companies, thanks to the expertise and dedication of all SACE and SIMEST employees, characteristics we are recognised for, which we are proud of and which we intend to preserve and promote even further.

Italy needs this elaborate support system for exports and internationalisation, which involves the contribution of many different players at political, institutional, economic and financial levels: a system that is making significant progress in terms of the integration and promotion of synergies in order to maximise the effectiveness of the initiatives undertaken.

I can proudly say that today the Italian Export and Internationalisation Hub represents a best practice for cooperation in Italy.

And my greatest wish is to vigorously continue the progress made in 2016 and make our Country increasingly important throughout the world.



Beniamino Quintieri
Chairman



Alessandro Decio

*Chief Executive Officer
and General Manager*

**«We will be mobilising
111 billion euro by 2020,
maximising support
and the positive impact
on the economy
and Italian businesses»**

The year just ended marked the opening of a new phase in our history.

With the establishment of the Italian Export and Internationalisation Hub, we were assigned a crucial role in the 2016-2020 Business Plan of the CDP Group: to promote Italian competitiveness in the world by supporting exports and internationalisation, a key pillar for the growth and future of Italy. In the pursuit of this stronger and more systemic mission, 2016 was an intense year with excellent results for all the Hub companies, with 22 billion

euro in mobilised resources, up by 30% compared to 2015.

Of these, over a half resulted from SACE activities supporting Italian exports. It was also a successful year for SIMEST, which celebrated its 25th anniversary contributing to stimulating over 1 billion new investments by Italian businesses. The same can be said for SACE Fct, which exceeded business objectives in a complex monetary market, SACE BT, which confirmed its excellent turnaround, and SACE SRV, which made foreign debt collection its core business.

This strong growth was nevertheless in line with the economic and financial sustainability objectives: we closed 2016 with a consolidated profit of 482 million euro and outstanding profitability ratios proving that it is possible to successfully reconcile positive performance with a growing commitment to support the national system. SACE, in this regard, is an important and completely self-sustainable tool for Italian economic policy.

This new phase is rooted in a much broader past, which decade after decade led SACE to continuously evolve such as to provide more effective support for a growing number of Italian companies. We have never been afraid of change, embracing the same to best fulfil our mission and closer meet the actual needs of the national entrepreneurial system.

Thanks to this approach we have seen our portfolio of clients and guaranteed transactions in support of exports and internationalisation grow, together with our ability to create value for the Country and the Shareholder.

In the early 2000s, we served a few hundred clients, mainly large corporations, whereas today we serve around 25 thousand, most of which are SMEs, accompanying them to no less than 198 countries worldwide.

We want this figure to grow in the future and it will with the new Business Plan targets.

We are committed to these objectives, starting from increasing our support: we expect to mobilise 111 billion euro by 2020, a 50% increase compared to the previous Plan, maximizing support and the positive impact on the economy and on our companies.

We also undertake to extend the insurance and financial solutions available for companies: we

aim to create a unique service model in Europe that combines the risk taking ability of public intervention with the flexibility of a private company, allowing us to offer a wide range of products with unparalleled diversification and integration, activating product and distribution synergies among the various companies within our scope.

Finally, we strive to be even closer to companies: we will strengthen our network in Italy and abroad, gaining sales efficiency and accelerating our approval times; our physical network will be accompanied by the online distribution of the products most in demand by SMEs; and we will adopt a proactive approach in the search for opportunities on markets with the greatest potential for Italian companies thanks to our expertise and international network.

This change will leverage the strengths that distinguish us, but with one important understanding: we will not achieve the expected results if we are unable to work as a team, within the CDP Group and with the other players in the national economic system, towards the final result: government, banks, institutions and industry associations.

This way companies will become increasingly aware of our Group's value and we will be proud as we are now for everything we have done thus far. Results are achieved day by day, month by month, year by year, one transaction at a time. Continuity and determination significantly affect results, even more so than strategy and planning and if 2017 is a successful year, this will be largely thanks to the commitment, skills and dedication of the people who are part of the Italian Export and Internationalisation Hub.

I would like to thank them, along with the members of the Board, for what they have built so far and wish the very best for the upcoming challenges we will face together.



Alessandro Decio

Chief Executive Officer and General Manager

More support for exports and internationalisation

Focusing on exports and internationalisation today is no longer just an opportunity, but a necessity. In a world with risks and volatility on the rise and growth slowing, fuelling this development – that in recent years has been the only positive contribution to Italian GDP – is a challenge that requires courage and more effective strategies by all actors involved: companies, institutions, banks and organisations serving the Country.

It is necessary to create a system to strengthen, with organized and structured strategies, international projects that generate development in Italy. For forty years, SACE has been offering its contribution in this direction, supporting small, medium and large Italian companies in their plans for foreign expansion, accompanying them in the selection of markets with the greatest potential and the management of risks related to operations in an increasingly complex international environment.

A commitment that today, with SIMEST's contribution to SACE, is growing further through the new Italian Export and Internationalisation Hub. Thanks to the integration of contacts, Italian companies now have a single point of reference to access the offer of the CDP Group, suitable for accompanying them through each stage of their foreign growth.

With the new 2016-2020 Business Plan, SACE focuses even more on the specific needs of Italian businesses by providing more resources – 111 billion euro, 50% more than the previous Plan – and a complete range of insurance and financial solutions for secure growth in international markets: credit insurance, protection of foreign investments, financial guarantees to access bank loans, factoring services, sureties for winning tenders, protection against construction risks, equity investments in the capital of companies, soft loans and export credit.

With **us** you can

Boost your exports



With us, you can offer your foreign customers payment extensions or loans at competitive conditions in order to purchase your products and services, by protecting yourself against the risk of insolvency and benefiting from an interest rate subsidy.

Insure your receivables and convert them into cash



With us, you can insure your sales in Italy and abroad against the risk of non-payment and transform your receivables into liquidity.

Finance your growth worldwide



With us, you can finance your international development projects through the resources provided by the Juncker Plan, subsidised credit facilities or bond issues.

Invest worldwide



With us, you can establish new businesses or take over equity investments abroad, relying on a solid partner. Furthermore, you can insure your investments against political risks.

Obtain guarantees for tenders



With us, you can obtain the guarantees required to participate in tenders and be-awarded orders all over the world, settle your payment commitments and protect your site against construction risks.

Know customers and markets



With us, you can get an assessment of your Italian and foreign customers' reliability, studies and research on countries and sectors as well as training and advisory services, relying on the experience accrued in the assessment and management of risks over forty years of activity.

Closer to our businesses

Working alongside businesses means ensuring effective contacts, timely support and sharing expertise, thus reinforcing cooperation with local partners.

With 14 offices in Italy and 10 abroad, SACE assists businesses directly where they operate, from different Italian regions to high-potential foreign markets. Today this network is reinforced thanks to integration with the CDP Group, which has become the sole point of reference for all SACE, SIMEST and CDP services. In addition, we are constantly present at major national and international trade fairs as well as events dedicated to businesses, making it possible to effectively oversee all channels of contact with companies.

The network is increasingly effective thanks to the consolidation of relationships and strategic partnerships with banks and local stakeholders and the Front Office Excellence programme, which strengthens the sales teams for the benefit of client services.

In order to ensure genuine proximity to businesses, it is essential to guarantee the accessibility and usability of the services most in demand by SMEs: these activities, also based on the new SACE Business Plan, are increasingly simplified with the digitalisation of the offer and the improvement of all remote contact channels, on and offline.

The central component of this process is the SACE website, an important calling card and first interface for contacting and accessing what the Hub has to offer. Thanks to the interactivity and rich multimedia content of the site, www.sace.it is without doubt the leading source for constant updates on new products, initiatives for businesses and the analyses conducted by the SACE Research Department. For the second consecutive year, it came in at first place among non-listed companies on Webranking, the most well-known and accurate European survey in the sector.



Giovanna Migliore



Matteo Vaghi



Vittoria Barchietto

A stronger, more efficient network in favour of Italian businesses



Gianluca Amero



Margherita
Lasorte



Marco Rosati



Elena Fecci



Teresa Chiarello

Fabio Colombo

Our people

More value generated

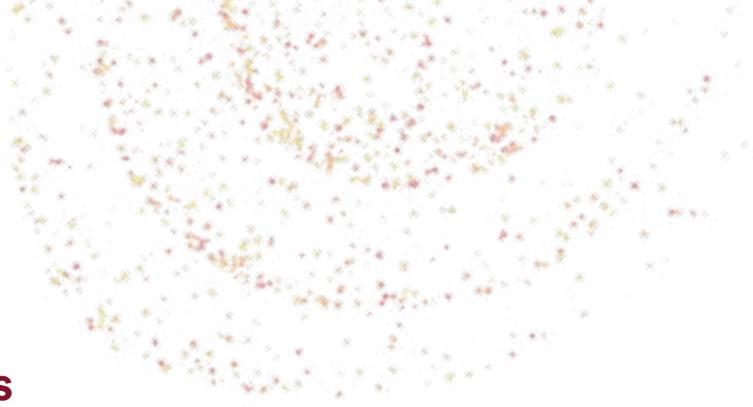
Support for internationalisation and growth, focus on the individual and corporate welfare, social and environment commitment: the role of a large organisation such as SACE requires responsibility and awareness of the impacts and value generated by its activities.

Corporate social responsibility (CSR), which has always been a priority for SACE, is evolving towards a new approach based on the promotion of the contribution offered to economic and social development: Corporate Shared Value (CSV).

In 2016, SACE embraced this new direction, starting from structured dialogue with a wide and diversified basket of over 400 stakeholders, including companies, banks, opinion leaders, media, employees and top managers of the Company.

These efforts resulted in the publication, in 2016, of the first Sustainability Report intended to measure Corporate Shared Value, prepared in accordance with the most accredited international standards in this area (guideline G4 of the Global Reporting Initiative) and has continued in 2017 with the organisation of the first SACE “Multi-stakeholder Forum” to support the work related to reporting for the year just ended. Support for the national economic system, responsible management, product and service model innovation were the three themes at the heart of the discussions, coordinated by consultancy firm SCS and verified by TÜV Italia, an independent certifier of the TÜV SÜD international group.

In line with industry best practices, the involvement of an independent certifier was essential for the process adopted by SACE to validate the activities reported and certify compliance with recognized international standards. All with the objective of making the measurement of value generated by the Company a key instrument for supporting development strategies.



Our stakeholders



People

Employees,
Trade Unions



Suppliers

Consultancy firms,
Suppliers of goods and
services



Shareholders

Cassa Depositi e Prestiti,
Other investors



Clients

SMEs,
Large enterprises,
Public enterprises,
Banks,
Insurance and
reinsurance companies,
Third-party beneficiaries



Institutions

National and international
institutions,
Local authorities,
Supervisory bodies



Community

Media,
NGOs,
Environmental
associations,
Non-profit sector,
Students and academia



Partners

Export credit companies,
Financial institutions,
Intermediary network

Exporting worldwide, fostering Italy's growth



WORLD AND
BUSINESS



Louisiana
USA

Macro-economic scenario

A look at the world and Italy in 2016

2016 was characterized by modest growth in the global economy, equal to just over 3%.

Advanced regions continued to grow moderately. The Euro Zone recorded a growth of 1.7% and observed a slight rise in inflation, thanks to the boost of the ECB, which extended its bond-purchasing programme until the end of 2017. This was offset

International trading volumes have grown at rates that are still a far cry from the pre-crisis period



Gabriella
Baldassarre

by the approach of the Federal Reserve aimed at conducting a restrictive monetary policy.

The economic dynamics of emerging countries were strongly diverse, with a growth rate of just above 4%.

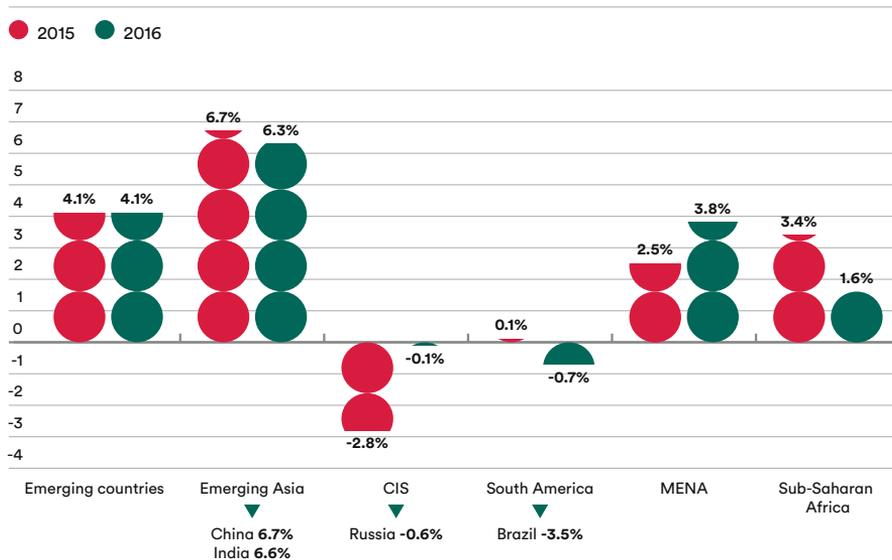
China continued its growth at a fast pace, albeit slower than in the past; however, high risks remained, linked to the high indebtedness of both the private sector and local governments.

India, although affected at the end of the year by the negative cyclical effect related to the withdrawal of 500 and 1,000 rupee banknotes, experienced significant growth, while difficulties continued in Brazil and Russia. In the South American Country, the recession was intense (-3.5%) and the political scenario uncertain, while in Moscow the slight recovery in oil prices eased the recession (from -3.7% in 2015 to -0.6% in 2016).

The slow rise in crude oil prices was not enough to revive many economies dependent on oil exports in Sub-Saharan Africa (Nigeria and Angola) in South America (Venezuela) and Middle Eastern and North African countries, the latter region also marked by instability due to the risks of political violence.

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Change in GDP in emerging regions (%)



Source: International Monetary Fund (January 2017)



In Turkey with **GDM**

SACE has guaranteed the supply of machinery for the production of consumer goods by the Cremona-based company GDM and some other Italian SMEs, to a large industrial Turkish group, for a total amount of more than 30 million euro. GDM is part of the Coesia group, world leader in the development of automatic machines and industrial process solutions in various sectors of mechanics.

The volumes of international trade in goods recorded an increase of 1.5% to 2%, a rate still far below growth prior to the global financial crisis (on average +7.3% in the 2000-2007 period).

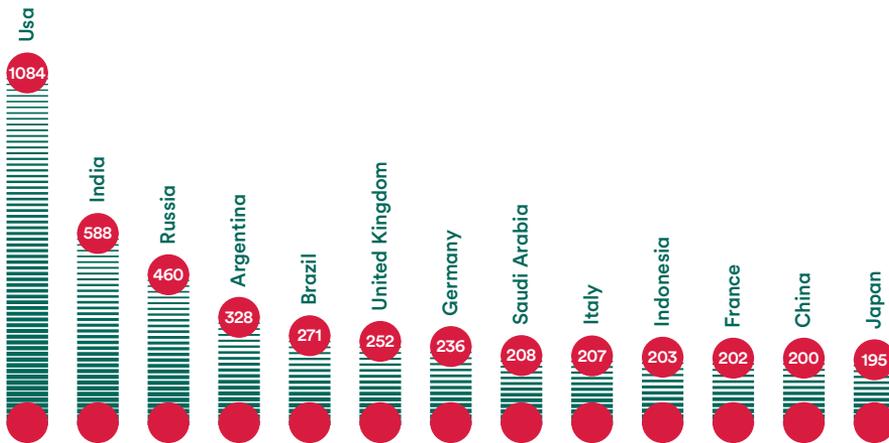
In the last few years, in fact, world trade grew very differently to the way it did before 2008, when the growth rate was more than double that of global GDP: elasticity was over 2. After the crisis erupted, elasticity instead went down to around 1, certifying the not so brilliant performance of trade.

The growth in trade in 2016 was relatively balanced across advanced and emerging economies. The former almost halved the growth rate in imports compared to the previous year, while trade in emerging countries returned to grow, although at moderate rates after the 2015 downturn.

Many different factors impacted this slowdown in the global demand for goods: limited investments, reduced participation in the Global Value Chain (also due to Local Content Requirements, protectionist on-site production constraints implemented by various markets), economic hardship experienced by certain emerging regions and, finally, countries have been raising barriers to protect domestic markets.

**Protectionist
barriers have been
increasing since
2008, primarily in
the G20 countries**

Classification of countries by protectionist measures adopted since 2008



Source: SACE elaboration of Global Trade Alert data (November 2016)



Protectionist measures are, in fact, on the rise and although this trend is not limited to recent months there was a peak last year: over 3,500 barriers have been put into place between 2008 and the early months of 2016. Almost a quarter of these barriers impose the obligation to have at least a certain percentage of a product or service to be made in the Country (LCR); this applies especially for electronic products and vehicles. Not only the emerging regions are responsible: in fact, these measures were primarily adopted by G20 countries.

Marco
Francisi

In 2016, overall global debt reached 325% of world GDP, confirming the dynamic on the rise in recent years.

Although the level of indebtedness of advanced countries is higher than that in emerging countries, it should be noted that in the first case the government is responsible for this rise with an increase in public debt, while in the second case it is related to the expansion of credit to businesses (such as in Brazil, China, Malaysia and Turkey). Risks for companies include: late payments, drop in foreign demand due to lower financial capacity and increased cost of funding for banks.

In this global context the Italian economy continued its slow recovery, which began in 2015, recording an expansion of approximately 1%. Business was driven by domestic demand (household spending in particular, as well as the restart of investments), after years in which net exports drove Italian economic performance.

The Italian trade surplus reached nearly 52 billion in 2016, an improvement on the previous year (41.8 billion euro). After a poor start there was a sharp rise, especially during the final months of the year, which led to a 1.1% increase in the export of goods. EU countries mainly supported this performance (+3%), with some exceptions among non-EU countries (-1.2%) such as Japan and China. There was a strong drop in sales in Sub-Saharan Africa, Mercosur, OPEC countries and the Middle East, where the demand continued to suffer from the low price of energy commodities.

In 2016, Italian trade surplus came close to 52 billion euro, up 23.4%



In Mongolia with Merlo Group

SACE has provided insurance cover for the supply of six Merlo P.32 6EE telehandlers worth more than 300 thousand euro, intended for the Mongolian market. The Merlo Group is a Piedmont-based leading company in telehandlers with rotating turret and hydrostatic transmission.



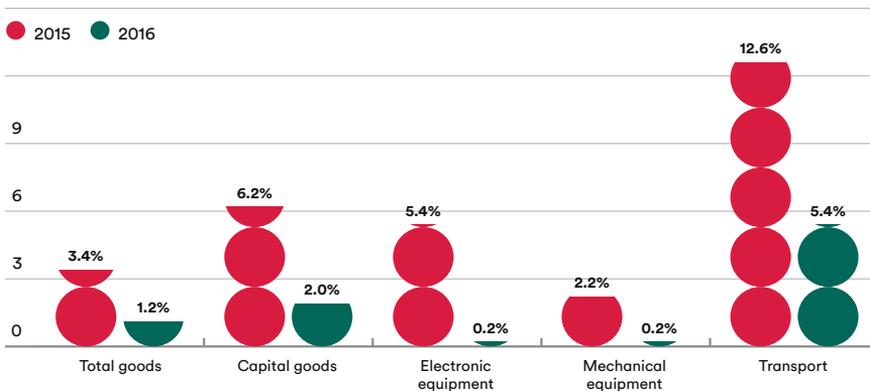
In Indonesia with Coelmo

SACE has provided insurance cover for the supply of electric generating sets worth a total of 85 thousand euro, by the Campania-based company Coelmo to its Indonesian counterpart, intended to reconstruct the mobile network of Sumatra and surrounding islands. Coelmo is a Campania-based company that designs and produces industrial and marine generating sets of 3 to 3,000 kVA.

At a sector level, there was a positive trend in the sales of pharmaceutical and chemical products, transportation and foodstuffs. The export of mechanical equipment, the main driver behind the demand for insurance coverage against the risk of non-payment, was stable. The positive performance of capital goods exports continued, stronger than the performance of total assets, also in 2016. Exports in oil and refined products as well as mining suffered a downturn.

However, there are some examples that show how total asset exports towards a Country are not indicative of performance in all sectors: while total Italian exports to Turkey fell, exports of mechanical equipment to the Country grew.

Growth in exports of capital goods in Italy (Change %)



Source: Istat

Outlook for 2017, including rising uncertainties and risks

2017 undoubtedly looks like another challenging year, characterized by instability and volatility. Several factors lead to this conclusion.

Public and private debt, the unsure recovery of raw material prices and uncertainty concerning US policy are all matters for concern.

The radicalization of the political struggle in high-risk areas and political tension in several countries Italy does trade with will continue, from the Middle East to South America and even in Europe itself, with important upcoming elections and the consequences of Brexit under close observation.

Many of these aspects are linked to growing concerns about the effects of market integration processes. In fact, even though there is no doubt that globalisation has generated widespread benefits, reducing poverty and inequality among Countries (according to a recent study by the World Bank, in just over 20 years extreme poverty in the world has more than halved. The main players responsible for this result are sustained economic growth and related globalisation), it has also contributed to the increase of internal inequality within Countries.

Based on SACE risk indicators, measured on a scale from 0 to 100, credit risk remained more or

less constant at a global level (60). There was a slight improvement in advanced countries (-1 point) and deterioration in emerging Sub-Saharan countries (the area with the highest average risk, equal to 76 with a rise of two points), in the Middle East, North Africa and South America, while it remained stable in Asia and the Commonwealth of Independent States.

2017 will be characterized by an increase in bank credit risk and political risk, with restrictions for currency transfer and convertibility.

The international banking system experienced deterioration in the quality of its assets over the last two years. This decline is reflected in the bank credit risk elaborated by SACE (indicating the possibility of a banking counterparty being unable to honour contractual obligations, slowing down loans to businesses in the Country or delaying standard procedures, such as credit confirmation letters), which rose by 2 points at an international level.

The most affected area was Sub-Saharan Africa: Mozambique, Nigeria and Angola in particular. In South America, the second most affected region, banking risk increased in the two largest economies, Brazil and Mexico.



In Kenya with **Cicoria**

SACE has provided insurance cover for the supply of farm equipment made by the Potenza-based Cicoria for its customers in North Africa, Argentina and Kenya for a total amount of over 800 thousand euro. Cicoria develops threshing machines and pick-up balers which can continue operating without interruptions in the most difficult environmental conditions.



In Iraq with ERG

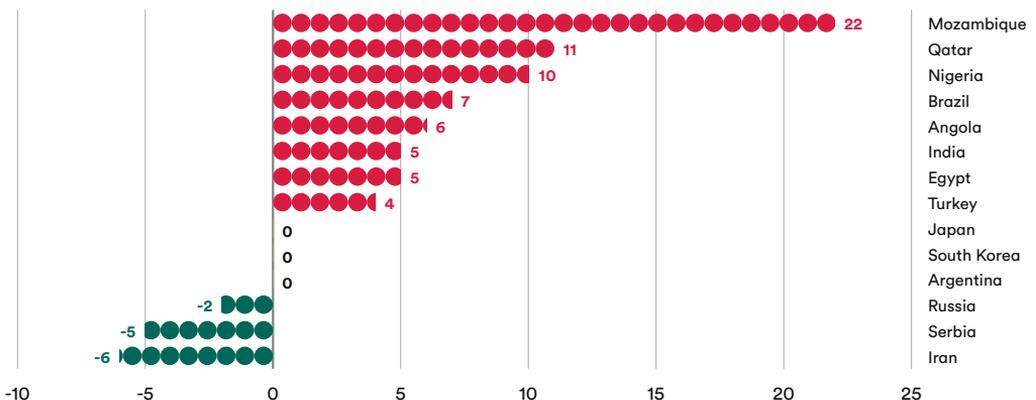
SACE has collected the total amount of 2.7 million dollar claimed by the Italian oil company, ERG, with regards to an Iraqi state counterparty and deriving from demurrage contract penalties.

Although the percentage of Brazilian NPLs was well below the European average, the Country had one of the highest levels of NPLs in South America, after Peru and followed by Colombia. At the same time, there was a sharp contraction in loans issued by the Country's banks.

In Turkey, there was a reduction in the number of renegotiated loans as a percentage of total loans and banks were also able to cope with credit loss-

es through capitalization. The quality of banking assets was strong and the NPL ratio in 2016 stood at around 3% (below the European average of 5.5%). The weakening economy and exchange rate volatility may in any case result in the weakening of asset quality and profitability.

Banking risk: examples of countries worsening and improving in 2017 compared to 2016



0 to 100 indicator, where 100 is the maximum risk - Source: SACE



In China with **Elica Group**

SACE has guaranteed loans for a total of 50 million euro, provided to Elica for the acquisition of a 70% stake in a Chinese company and for investments in R&D activities and projects boosting production efficiency. Elica is a Marche-based group, world leader in the kitchen hoods sector.

The debt of non-financial companies significantly impacted the banking sector. In fact, the majority of corporate debt in emerging markets is present in the accounts of local banks (around 19,600 billion dollar out of 25).

Brazil and Turkey demonstrate that the risk is higher in rapidly growing contexts than elsewhere. According to the International Monetary Fund, the amount of debt at risk (debt of companies with revenues lower than interest expenses) in emerging economies is estimated at around 430 billion dollar (approximately 11% of corporate debt).

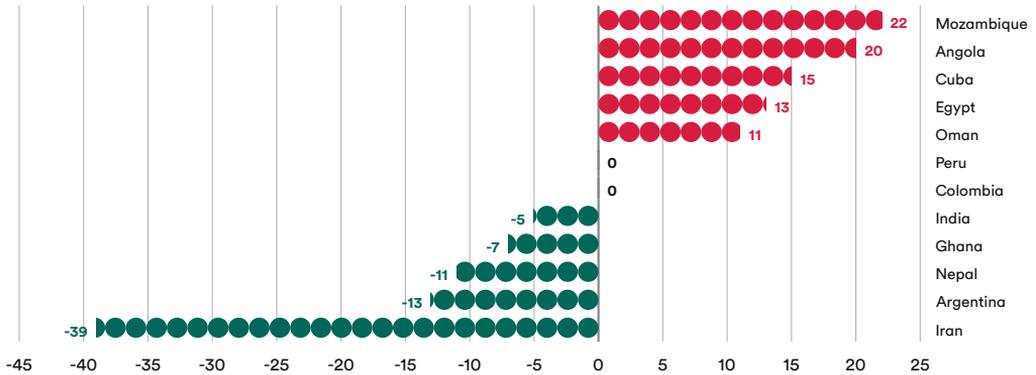
With regard to currency transfer risks, it should be noted that these affect companies by preventing the conversion and repatriation of profits arising from investments or capital invested in the Country. This results in delays and increased costs. These restrictive measures are generally introduced because of hard currency shortages in the Country adopting the same.

Risks of currency transfer in some emerging markets have increased



Alessandro
Piacquadio

Transfer risk: examples of countries worsening and improving in 2017 compared to 2016



0 to 100 indicator, where 100 is the maximum risk - Source: SACE

In 2017, SACE recorded an increase in currency transfer risks for certain emerging markets. And not only in “smaller” Countries: China, for example, following a 7% loss of renminbi against the dollar in 2016, started implementing mechanisms to curb currency collapse and losses in foreign exchange reserves (down from four to three thousand billion dollar in 3 years). But not all countries worsened: Iran and Argentina are among the few that showed significant improvement.

Many Countries adopted more costly documentary procedures or postponed the conversion and transfer of currencies, due to the reduced financial resources of commodity exporting Countries (for example, in Nigeria, Mongolia and Tajikistan) or persisting hard currency shortages (such as in Angola, Greece and the Ukraine). In other Countries, despite the absence of regulatory changes, average currency conversion and transfer times were extended (such as in Argentina and Ethiopia). This situation had a major impact on operators (exporters and investors) active in these Countries, slowing down if not blocking their business.



Worldwide with Fincantieri

SACE has entered into an agreement with Fincantieri to allow SMEs working in the Italian construction group’s supply chain to transfer their receivables, obtain early payment of supplies made and develop the best possible new supply contracts.



A year dedicated to Italian businesses around the world

Moving towards a more structured approach to exports and internationalisation

In a global context characterized by volatility, uncertainty and risks on the rise, exports and internationalisation seem unlikely to change in size, but will have to rely on more advanced tools and identify new development guidelines. 2017 has begun with new challenges that require the recalibration of foreign development strategies for businesses exporting and investing around the world.

On the one hand, markets with the greatest potential for Italian exports and investments are confirmed in the medium to long term. Despite the current worsening of risk profiles, this is true for Brazil and Turkey as well as for a large number of emerging partners. The latter offer great opportunities that require more advanced strategies involving the systematic use of insurance and financial instruments to protect and support businesses, such as those provided by SACE and SIMEST.

On the other hand, there are many areas contrasting the overall situation that may be a first frontier for new exporters as well as areas of consolidation for players already operating in risky areas: in addition to advanced markets, there are the Andean Countries (Colombia, Peru, Chile), more integrated

Consultancy and training to strengthen presence and continue growing on individual international markets

markets in the Sub-Saharan region (from East to West Africa) and Asian Countries highly interested in international trade, such as South Korea.

SACE's Advisory service offers companies a team of specialists able to provide managerial and advisory support for the definition and implementation of market-specific international growth strategies, identifying business opportunities in high potential countries and proposing financial and insurance solutions suited to company needs.

In collaboration with local associations of Italian industries, training organisations and Universities, SACE has also developed training initiatives dedicated to entrepreneurs which allow participants to acquire a set of strategic and operational skills essential for successful internationalisation or strengthening presence on foreign markets.

For SACE this was an important year with increasing assistance provided to companies: support for the different requirements related to operations in foreign markets in collaboration with SIMEST's complementary offer.



Francesco
Lanzo



In the Middle East with **Pomì**

SIMEST has subscribed a 15 million euro share capital increase in favour of Consorzio Casalasco del Pomodoro, a leader in the production and packaging of "Pomì" brand strained tomatoes and tomato sauces. The investment will allow the Cremona-based company to develop an extensive programme of investments in plants, processes and products destined for North America, Asia and the Middle East.



In Norway with **Prysmian**

SACE and SIMEST have supported Prysmian in the work and supply activities relating to the international project North Sea Link for a total of 519 million dollar. The project, worth 2 billion euro, consists in the development of a submarine power connection with a capacity of 1,400 MW between the United Kingdom and Norway. With its 730 kilometres, it will represent the world's longest infrastructure of this type.

Enhancing export competitiveness

Offering customers extended payment terms and loans on favourable conditions is crucial for competitiveness, especially when operating in foreign markets where there is significant international competition. For this, the export credit solutions offered by SACE are a valuable ally for companies, particularly in complex and lesser-known markets, where the proper evaluation of counterparty reliability assumes primary importance.

Besides receiving assistance during all phases – from counterparty analysis to contract negotiation – companies insured with SACE are placed in the conditions to offer their foreign customers competitive financing packages with extended payment terms.

In complex transactions that require medium- and long-term credit lines, Italian companies can rely on SACE guarantees on loans issued to foreign customers for the purchase of the goods or services ordered. In these transactions, SIMEST offers additional support with interest subsidies.

In 2016, SACE mobilised 11.3 billion euro (a 47% increase from the previous year) in support of Italian exports, insuring both the exporting companies and the parties financing the transactions against non-payment risks. High-potential markets were particularly dynamic, most notably the United States, which led performance in the American continent, without forgetting emerging countries such as Russia, Brazil, Mexico, Turkey, United Arab Emirates and Saudi Arabia and “frontier” destinations such as Kenya and Cameroon.

**The support offered
by SACE to Italian
exports has grown
by 47%, with the
mobilisation of
11.3 billion euro**

Resources mobilised by SACE to support exports by region (2016)



Particularly interesting to support Italian competitiveness are system interventions to help SMEs organized by supply chain.

Just in the last year, SACE supported over 400 SMEs, organized in this way, in the acquisition of two mega-projects in the Middle East and North

Africa in the petrochemical end energy sectors, facilitating the management and optimisation of cash flows with working capital advances and loans, also providing support for the coverage of the risks involved.



In UAE with Montalbano Recycling

SACE has guaranteed a credit facility of 400 thousand euro, provided as part of the “2i per l’Impresa” programme, to support the innovation and international growth of the Sicilian Montalbano Recycling. The company is an SME specialised in technologies for the treatment and recycling of waste materials.

Funding international growth

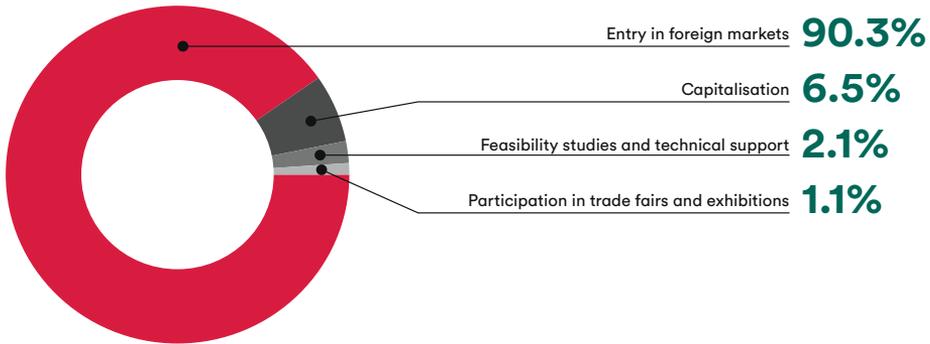
The international development of a company is impossible without the ability to obtain loans and credit to support effective growth strategies: this ability requires knowledge of the instruments offered by the main programmes aimed at supporting the competitiveness of the business, making our Hub a crucial partner.

Starting with SIMEST, which on behalf of the Ministry of Economic Development manages the 394/81 Fund, granting soft loans to companies to support

different types of activities: from feasibility studies to assess options, the launch of commercial facilities in third countries, the development of technical support programmes to train staff, to participation in exhibitions and trade fairs.

In 2016, SIMEST approved soft loans amounting to 93 million euro (+7% compared with 2015), mainly in favour of SMEs (96% of all beneficiaries) in 40 foreign destinations, most notable in the US, China, United Arab Emirates and Turkey.

Resources mobilised by SIMEST through soft loans for internationalisation by activity (2016)



In North America with Osai Automation System

As part of the “2i per l’Impresa” programme, SACE has guaranteed a loan of 800 thousand euro in favour of Osai Automation System, which will allow the company to develop an innovative research project and will provide it with a competitive advantage in its growth process in North America, Europe and Asia. Osai is a Turin-based SME specialised in technologies for the automation of industrial processes.

Then there are SACE guarantees, a crucial tool for significantly improving the creditworthiness of businesses and facilitating their access to funding. By guaranteeing the internationalisation of SMEs, SACE can support the granting of loans for a number of objectives: it secures loans to support working capital or intended for wide range of internationalisation initiatives (from direct investments abroad – such as acquisitions, mergers or joint ventures – to investments in Italy for research and development, expenses for the purchase or renewal of machinery and equipment, and marketing activities).

Another important initiative in this area of activity is the “2i per l’Impresa” programme of Cassa Depositi e Prestiti, SACE and the European Investment Fund (BEI Group), which provides Italian SMEs (with revenues no higher than 250 million euro and less than 500 employees) with Juncker Plan resources, in cooperation with the Italian banking system, to support projects for internationalisation and innovation: traditional Italian sectors stood out among the main beneficiaries (textiles, consumer goods and agri-food), which represented 19,8% of all companies involved, alongside the mechanical engineering industry (18,1%).

Banks granted loans for internationalisation projects on favourable terms, benefitting from SACE guarantees (up to 80% of the loan granted) and the counter-guarantee of the EIF with the financial support of the European Union (Horizon 2020).

SACE guarantees also in support of mergers and acquisitions, as well as joint ventures

Resources mobilised by SACE to guarantee SME internationalisation by sector (2016)





Worldwide with Fine Foods & Pharmaceuticals NTM

SACE has guaranteed the subscription of a 10 million euro bond subscribed by Fondo Sviluppo Export (Export Development Fund) and issued by the Bergamo-based Fine Foods & Pharmaceuticals NTM, with the aim of financing the construction of two new plants and growing on international markets. Fine Foods is a leader in the development of pharmaceutical and nutraceutical products.

SACE also continues collaborating with the European Investment Bank (EIB) to support Italian companies investing in infrastructure, energy supply, environmental sustainability, and research and development.

Finally, at a time when the capital market increasingly represents a complementary strategic channel for the supply of resources, another important tool available to companies is the Export Development Fund. Established on the basis of a SACE initiative and managed by Amundi Sgr, it has a capacity of 350 million euro, of which 175 million made available by SACE and an equal amount financed by the European Investment Bank and guaranteed by SACE.

Reserved for professional investors, the fund is dedicated to investments in secured or unsecured bonds, with fixed or floating rate coupons and repayment in instalments or at maturity, issued by unlisted Italian companies focused on exports and internationalisation. Through the bond issues subscribed by the Fund, it is possible to fund a wide range of activities: from direct investments abroad – such as acquisitions, mergers or joint ventures – to investments in Italy for research and development, expenses for the purchase or renewal of machinery and equipment, and marketing activities.



Laura
Placidi

Investing abroad

In a context where Global Value Chains have a significant impact on investment flows and trade at a global level, securing local presence can prove to be a winning choice for exporting companies. Joint ventures or other representation forms in core markets are a strong driver for competitiveness and a valid tool for supporting commercial strategies, both to penetrate new destinations and to strengthen market shares already acquired.

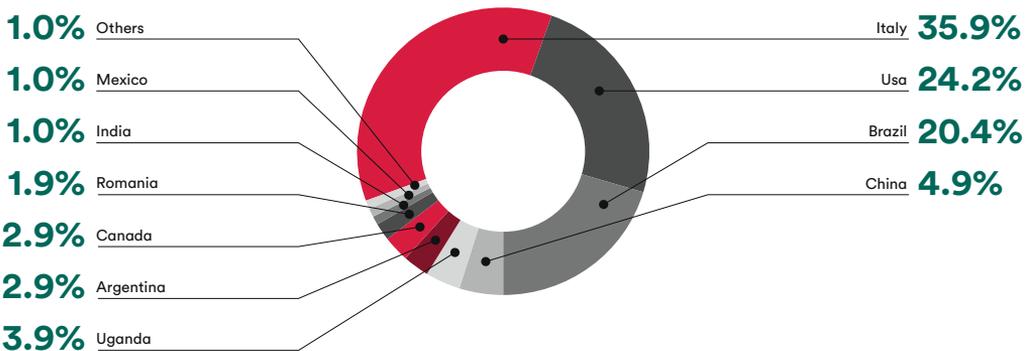
SIMEST is an outstanding partner for businesses in these types of operations, assisting them throughout the foreign expansion cycle, from the initial assessment of new market openings, to expansion through direct investments. Specifically, in the last year direct investments in companies reached 103 million euro (+4% compared with 2016).

Moreover, in light of the great geopolitical instability concerning various regions of the world with a high concentration of Italian companies, the SACE Investments Policy is a valuable ally. The policy protects both equity abroad and loans to foreign subsidiaries; it allows for the limitation or offsetting of losses or the non-transfer of amounts related to investments (for example, dividends, profits, repayments of shareholder's loans) as a result of war or civil disturbance, currency restrictions, direct or indirect expropriation, revocation of contracts concluded with local public counterparties.

In 2016 many companies chose the Investments Policy to support their business activities abroad. In this area, SACE mobilised resources totalling 32 million euro, in relation to transactions concluded on the African continent.

We stand alongside the company throughout the growth cycle abroad

SIMEST's 2016 direct investments by Country





Worldwide with Casillo

SACE has provided insurance services against the risk of non-payment to the Apulia-based Casillo group for a total amount of 340 million euro. Casillo purchases, transforms and markets wheat, also thanks to trading activities.

Insuring receivables

With risks and volatility on the rise in all markets, credit insurance is a necessary choice for exporters. This option makes it possible to improve and regulate the management of cash flows without losing competitiveness, especially if combined with trade finance solutions such as receivable discounting or factoring, which allow companies to collect receivables due in advance.

With SACE, companies can insure their short-term receivables (through the operating subsidiary SACE BT) arising from individual transactions or all revenues generated in Italy and abroad.

In 2016, resources amounting to 3.8 billion euro were mobilised using this option, a 68% increase on the previous year.

A fundamental, “last resort” support is provided by debt collection: a highly specialised service in which SACE (through its operating subsidiary SACE SRV) has unique expertise in Italy, especially with regard to transactions in emerging markets. For this reason, in 2016 the foreign debt collection service was also made available for non-insured companies.

Factoring receivables

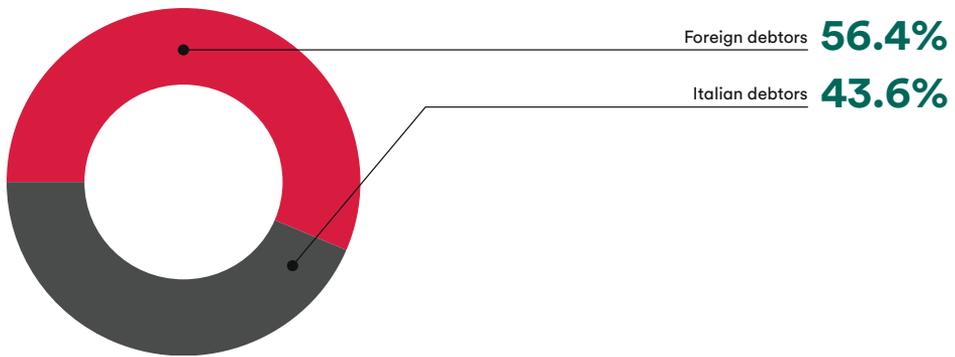
The factoring solutions offered by SACE through the operating company SACE Fct allow companies to generate liquidity through the transfer of receivables with or without recourse due from Italian or foreign, private or public counterparties.

Alongside traditional factoring, SACE offers companies Reverse Factoring, dedicated to large Italian industrial companies and their suppliers, in order to

support the production chain by optimising payment flows.

SACE Fct factored 2.7 billion euro in 2016 (+9%), with an additional 1.8 billion euro relating to export credit transactions guaranteed by SACE. Operations abroad are on the rise, representing 56.4% out of the total (compared to 34.6% in 2015).

SACE Fct's turnover by region of the debtor (2016)



Obtaining guarantees for tenders and contracts

Having the right guarantees when presenting to clients is crucial for participating in tenders or winning contracts.

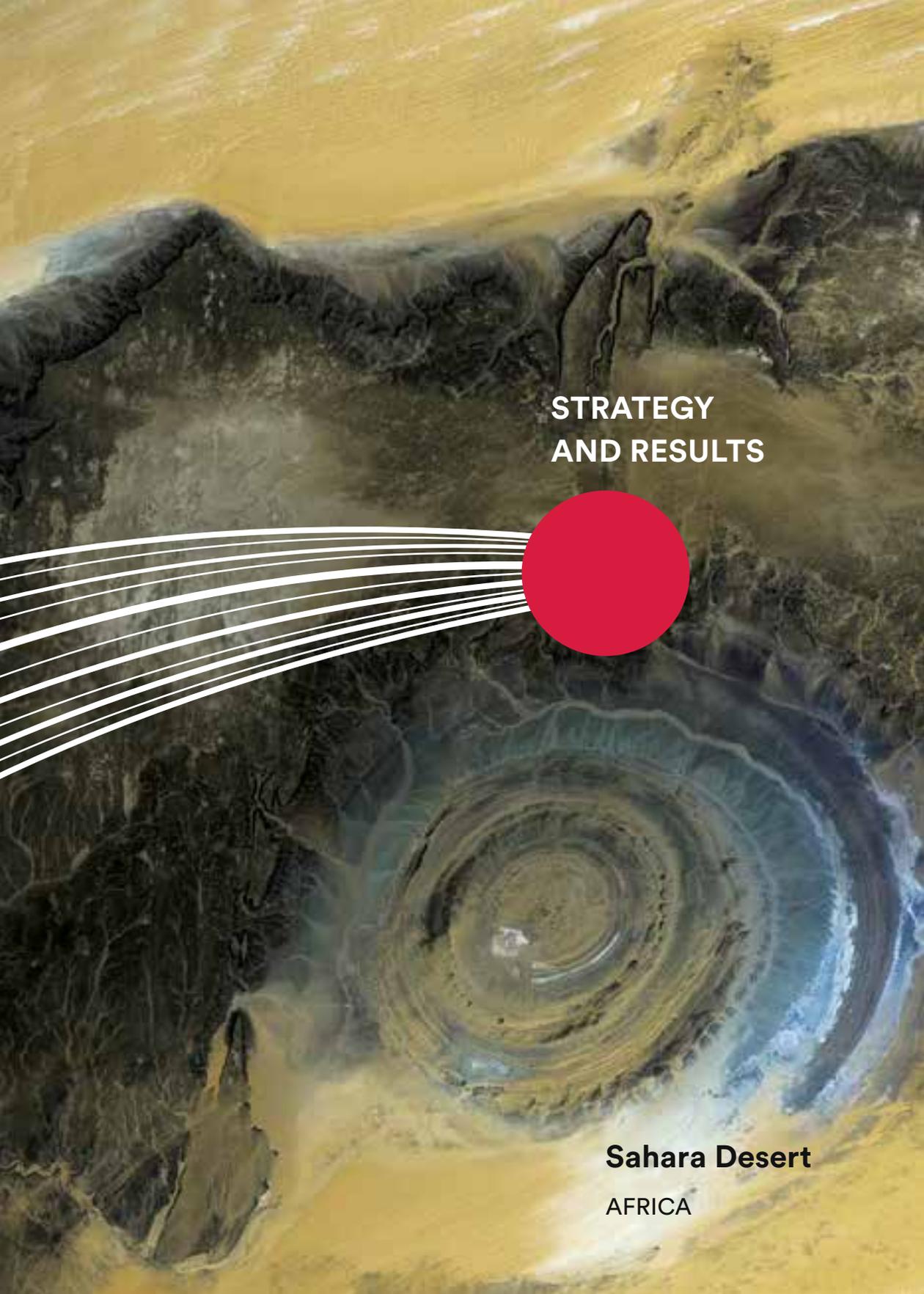
SACE, together with its operating subsidiary SACE BT, also offers products that protect against the risks related to the construction of plants and civil works, assisting companies through the issue, directly or in collaboration with the banking or insurance system, of the contractual guarantees and sureties required by law. In 2016, 2.1 billion euro in guarantees were mobilised in this context.



Davide
Serraino

**Ideas for doing
business,
solutions for
making the
future**



An aerial photograph of the Sahara Desert, showing a large, circular, layered rock formation in the lower right. A red circle is positioned to the left of this formation, with several white lines radiating from it towards the left edge of the frame. The text "STRATEGY AND RESULTS" is centered in the upper right quadrant.

**STRATEGY
AND RESULTS**

Sahara Desert
AFRICA



Operating performance

Strategy

2016 was the first year of the Italian Export and Internationalisation Hub of the CDP Group, established with the assignment to SACE of 76% of SIMEST capital. The new Business Plan for 2016-2020 has redesigned and developed the model of intervention in favour of businesses, combining the organisational flexibility and the financial and economic sustainability of private management with the supporting ability typical of a public mission.

A new Business Plan for the international development of businesses

The new Plan, starting with the strategic objective of maximising the support to Italian businesses, has provided for a substantial increase in resources to be mobilised to support businesses' international competitiveness (111 billion euro for the entire duration of the Plan) and greater articulation and accessibility of available solutions for businesses: a range of insurance and financial tools to meet all needs along the entire internationalisation value chain.

In a global environment characterised by weak growth, volatility, uncertainty and risks on the rise, in 2016 the Hub has pursued and exceeded the goals set by the Plan in terms of resources mobilised and progressive evolution of the offer, confirming at the same time a solid economic and financial performance.

Next to the extension of the product range, the domestic and international network of offices has been enhanced, with a view to greater proximity to businesses and stronger integration as a Group, finalising the opening of the 10th International Office of SACE in Dubai. There have been many system missions abroad, promoted by the Ministry of Economic Development and the Ministry of Foreign Affairs and Cooperation, where SACE and SIMEST took an active part (from Iran to Cuba, from Argentina to South Korea). With its participation, the Hub has confirmed its commitment to evaluate and facilitate the development of business opportunities for Italian companies in collaboration with the main Italian banks, Confindustria and other relevant stakeholders, encouraging and supporting the international development of businesses in high-potential markets with high levels of complexity.

In the factoring sector, where money market developments resulted in a further reduction in margins and increased competition among players, recruitment policy and product diversification adopted by SACE Fct in the different market segments, allowed to exceed business objectives. As for the credit insurance activities, an accurate recruitment policy was adopted which, together with product synergies activated by SACE Fct, has conveyed the excellent performance of SACE BT. At the same time, the extension of the offer to third-party (or uninsured) clients allowed SACE SRV to diversify the customer base both in the debt collection and in the commercial information segments.

A wider network, an easier and more accessible offer



Benedetto
Buono

Mobilised resources

In 2016, the export and internationalisation Hub mobilised a total of 22.4 billion euro of resources in support of enterprises operating in foreign markets,

the highest level in the history of SACE, an increase of 30.5% compared to 2015.

Resources mobilised for society (millions of euro)*			
	2016	2015	Change%
SACE	13,173.9	9,749.9	35.1%
SIMEST	544.3	693.7	-21.5%
SACE BT	5,944.0	4,225.0	40.7%
SACE Fct	2,730.0	2,495.0	9.4%
Totale	22,392.2	17,163.6	30.5%

*Net of the resources mobilised by the subsidiaries, which relate to export credit operations insured by SACE.

The new guarantees approved by SACE amounted to 13.2 billion euro (+35%), of which 86% relative to operations in support of exports and 14% to internationalisation. New commitments relate mainly to the Americas (32.2%), driven by the United States that contributed to 75% of the performance in the area; European Union (31%) and Middle East and North Africa (17.1%). The most important industrial sectors are the cruise industry, infrastructure and construction, electrical, oil and gas sectors.

SIMEST has mobilised a total of 544.3 million euro, of which 326.3 million euro (+ 20%) of subsidised loans and shares and 218 million euro to support exports. These are supplemented by the contribution to the loan interest in export finance transactions guaranteed by SACE for 5.6 billion euro. The subsidised loans, amounting to 93 million euro, were disbursed for 96% to SMEs for internationalisation activities targeting in particular the United States, China and United Arab Emirates. The direct investments amounting to 103 million euro, were directed to companies of electromechanical and mechanical engineering (28.2%), food (27.2%), services (11.7%), chemicals and pharmaceuticals (7.8%).

SACE BT mobilised, in total, 5.9 billion euro resources, up by 40.7% compared to the previous year. Of these, 3.8 billion euro have been mobilised thanks to the credit insurance activities; 73% of the total was in Italy, and the remaining 27% abroad. The core sectors in this branch were information and communication services (55.4% of volumes), agro-food (18.3%), wholesale (7.9%) and metallurgy (4.8%). SACE BT's Suretyship line insured 2.1 billion euro worth of transactions, up 8.5%.

Resources mobilised in 2016 up by 30%

The turnover developed by SACE Fct amounts to 2.7 billion euro, an increase of 9%, in addition to 1.8 billion euro relating to the export credit transactions guaranteed by SACE. Non-recourse factoring accounted for 86.7% of the total. The largest industries in terms of accounts receivable financed were construction (50.6%), metallurgy (9%), and energy (7.2%). Operations with foreign counterparties also grow: 56% of total turnover is generated by transactions with foreign debtors, compared to 35% of the previous year; also on the rise the ratio of private debtors (increased from 58% to 83%) compared to those of the Public Administration, decreased to 17%.

Revenues

Considering the full scope of activities handled by SACE and its subsidiaries, the total revenues amounted to 671.5 million euro and 89.5% are generated from the insurance business and the remaining 10.5% from financial activities.

Gross consolidated premiums amounted to 600.9 million euro, up from last year (+7.3%). 582.2 million euro came from direct operations and 18.7 million euro from indirect ones (inward reinsurance).

Premiums and net trading income on the rise

Activities in support of export and internationalisation operated by SACE, relating mainly to long-term operations in geographic areas from medium to high risk profile, generated gross premiums of 534.2 million euro, an increase of 10% over the pre-

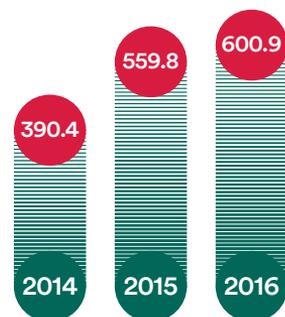
vious year, with a higher rate of export-credit operations (84.2% of total).

SACE BT has generated 80.3 million euro of gross premiums, an increase of 4% compared to the 76.9 million of 2015. In particular, the Suretyship line made the greatest contribution to premiums, raising 31.9 million euro, while the Credit line generated 28.8 million euro and Other Damages to Property 17.8 million euro. The remaining 1.8 million came from Non-life lines, which represent a marginal part of the Company's business.

The activities to support the internationalisation and export credit managed by SIMEST have reported operating income of 45.3 million euro (-4.8%).

SACE Fct's factoring operations generated 25 million euro in net operating income, up 5%. This amount consisted of 72% in net interest income and 28% in net fee and commission income.

Gross consolidated premiums (millions of euro)



Claims and collections

The claims paid in 2016, net of reinsurance, amounted to 373.8 million euro at the consolidated level, rising by 31% compared to 2015.

SACE has paid claims for 344.1 million euro (+33%), mainly referred to transactions insured with counterparties in Germany (23%), Iran (19%), Russia (16%) and Ukraine (11%). The sectors most affected are metallurgy (54%) and shipbuilding (23%).

SACE BT paid 52 million euro in claims, up 32%. Faced with a 55% decrease in the cost of claims for the Credit line, there has been a significant increase in Suretyship and Other Damages to Property branches, which together account for nearly 83% of the total cost of claims.

Collections recorded by SACE for credits recovered from sovereign counterparties amounted to 731.4 million euro, a significant increase compared to 169.3 million euro in 2015, in addition to 23.1 million euro for the collection of trade receivables. Over 70% of sovereign credits was recovered from Iran (526.5 million euro) under the agreement reached in January 2016 with the Iranian Ministry of Finance and the Central Bank of Iran, the remaining 30% from Iraq, Egypt, Argentina, Ecuador and Cuba.

The receipts for SACE BT trade receivables, net of legal expenses, amounted to 4 million euro.

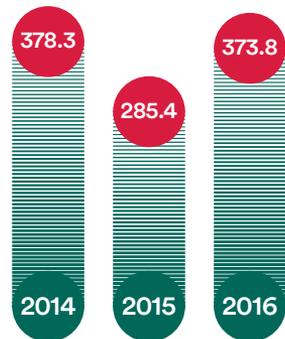
Full year results

Consolidated net income, calculated in accordance with IAS-IFRS, amounted to 481.9 million euro (481.1 million of which pertaining to the Group and 0.8 million attributable to minority interests) increased by 56% compared to 2015 (309.8 million euro). This result shows the effect of the financial management for 363.9 million euro (compared to 672.1 million at December 31, 2015) and income from other receivables for 240 million (compared to 50 million at December 31, 2015).

The profit for the year of SACE, calculated according to ITA-GAAP, amounted to 303.5 million euro, down 25% compared to the previous year mainly due to the contraction in the technical account and financial management. ROE stood at 6.7%.

SIMEST has recorded net profit of 11.3 million euro, an increase compared to 4.2 million euro registered in the previous year.

Consolidated claims settled (millions of euro)



SACE BT closed the year with a profit of 2.9 million euro, an improvement compared to the result of 2015, a loss of 6.6 million euro. The result consolidates the positive contribution of SACE SRV, which recorded a net profit of 274 thousand euro, a 42% decrease compared to 2015 (472 thousand euro). SACE Fct has made a profit of 5 million euro, a 46% decrease compared to 9 million euro in 2015, mainly as a result of certain adjustments and due to a different portfolio composition with a greater exposure to private counterparties.

Equity and technical reserves

As at December 31, 2016, the consolidated equity amounted to 5.3 billion euro, up from 4.8 billion euro in the previous year. The share capital, fully paid up, amounted to 3.7 billion euro. Technical reserves amounted to 3 billion euro (+3%).

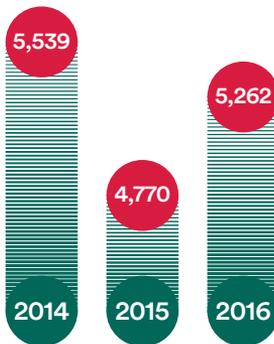


Giuseppe Romano

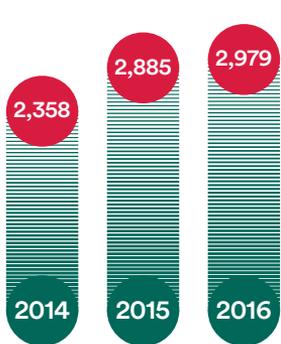
Consolidated net profit (millions of euro)



Equity (millions of euro)



Technical reserves (millions of euro)



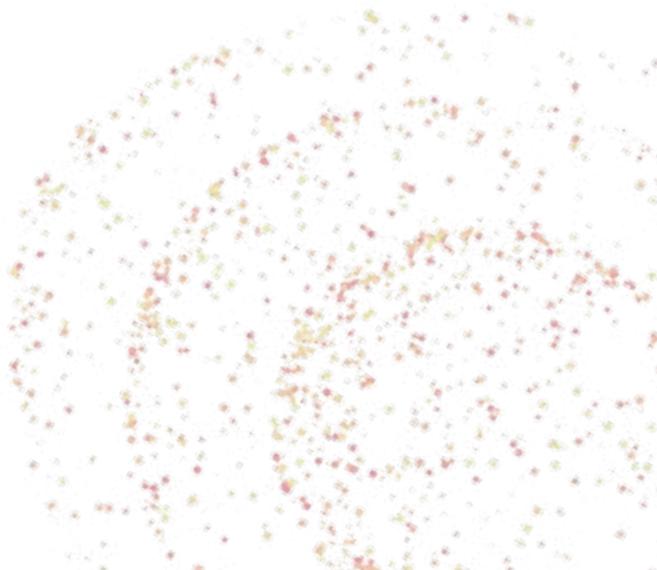
Consolidated Balance Sheet (thousands of euro)

Assets	2016	2015
Intangible assets	16,004	15,193
Property, plant and equipment	72,737	73,260
Technical reserves to be borne by reinsurers	678,482	465,015
Investments	6,177,281	7,446,515
Sundry receivables	934,711	1,402,619
Other assets	127,624	369,777
Cash and cash equivalents	2,686,572	181,990

Total assets	10,693,411	9,954,369
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Liabilities	2016	2015
Equity	5,262,285	4,769,739
Provisions	89,947	93,108
Technical reserves	2,979,294	2,884,745
Financial liabilities	1,937,123	1,528,307
Payables	211,446	252,420
Other liabilities	213,317	426,050

Total equity and liabilities	10,693,411	9,954,369
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Consolidated Income Statement (thousands of euro)

	2016	2015
Gross premiums	600,922	559,832
Change in the premiums reserve	-189,280	- 463,297
Premiums earned for reinsurance ceded	- 6,745	23,414
Net premiums earned	404,897	119,949
Commission income	26,334	8,553
Gains or losses on financial instruments at fair value through profit or loss	250,223	445,771
Gains on financial instruments and investment property	356,722	165,864
Other revenue	108,321	205,346
Total revenue and income	1,146,497	945,484
Amounts paid for claims and changes in technical reserves	285,740	223,878
Shares of claims borne by reinsurers	- 22,875	- 9,211
Net claims-related expenses	262,865	214,667
Commission expense	1,188	799
Losses on financial instruments and investment property	34,531	27,040
Operating expenses	87,802	89,865
Other costs	83,606	107,311
Total costs and expenses	469,993	439,683
Profit before tax	676,505	505,801
Tax expense	194,610	196,028
Profit for the year (after taxes)	481,895	309,773
attributable to the group	481,128	309,773
attributable to third parties	767	0

The background is a dark, marbled paper with swirling patterns of brown, black, and grey. In the bottom-left corner, there is a solid red circle. Several white, curved lines sweep across the lower half of the image from left to right.

**Managing
risk
to look
to the future**



**RISK
MANAGEMENT**

Aral Lake

UZBEKISTAN - KAZAKISTAN

Evolution of portfolio

The role of risk management

The risk-taking characterises the business activities of SACE and the ability to manage risks is therefore a key competence for the organisation. Therefore SACE has developed a risk management-based approach focused on risk portfolio management according to the logic of sustainable development in the medium to long term time-frame and in line with the guiding principles of the relevant legislation. Risk management and monitoring operations are the responsibility of a single structure. With an

integrated process, this structure contributes to strategic decisions as well as the operational and financial stability of SACE and its operating companies. The structure, on an annual basis, defines the risk appetite framework that constitutes the set of metrics, processes and systems to support the proper management of the level and type of risk that the Company is willing to take in accordance with its strategic objectives.



The risk management department also determines the current and future internal capital against significant risks, ensuring the measurement and integrated control of the risks based on the overall exposure and providing appropriate detection, assessment, monitoring and reporting procedures and performing scenario analysis and “stress tests”. Finally, it maintains the levels of technical reserves, in collaboration with other departments concerned, and monitors operations aimed at optimising the capital structure, reserves management and liquidity (asset liability management).



Laura
Maccari

Reinsurance

The reinsurance is a tool of fundamental importance in the control system and integrated management of business risks. Through reinsurance, the company improves the portfolio balance, sharing the risk with reliable insurance counterparties, and increases its subscription capacity, stabilizing profits and reinforcing its financial strength.

SACE and SACE BT rely, for the protection of their portfolios and in order to achieve their strategic objectives, on the reinsurance coverage in line with industry standards and with best practices in use as part of export credit. Through a dedicated structure, SACE manages operations and monitors the risks related to the use of reinsurance, verifying the consistency between the assignment plan and the reinsurance strategy approved by the Board of Directors.

During 2016, the portfolio re-insured share increased considerably: the total value of sales increased to over 9 billion euro. It should be noted that for the year 2016 a significant part of the portfolio was sold to the Ministry of Economy and Finance under the Agreement between SACE and the MEF approved by Prime Ministerial Decree of November 20, 2014, registered at the Court of Auditors on December 23, 2014. Almost all of the remainder was sold to companies of Canada, Korea and United Kingdom.

SACE manages the operations and monitors the risks connected with reinsurance

The Hub's counterparties portfolio

The total portfolio of the Italian Export and Internationalisation Hub of the CDP Group includes 103,972 counterparties, of which 1,705 related to SACE, 98,353 to SACE BT, 2,360 to SACE Fct, 73 to SIMEST and 1,481 are shared among the various Hub's companies. This results in integrated operations that prove the ability to respond to many different needs of companies operating on foreign markets. In particular, all four companies have 4 counterparties in common, half of which are employed in the metallurgical industry, while SACE, SACE BT and SACE Fct share 43 names, mainly operating in the infrastructure and construction sectors.

SACE's private portfolio includes over 2,600 counterparties at risk. Of these, 746 are counterparties also of SACE BT, which for the Credit and Suretyship lines serves over 99 thousand names.

92% of the common counterparties are Italian companies, concentrated mainly in the mechanical and metallurgical sectors as well as the consumables industry. The analysis in terms of exposure indicates infrastructure and construction, telecommunications, mechanical and agro-food industry as the main sectors at risk on Italian counterparties, while the foreign counterparties operate mainly in the oil & gas, chemical / petrochemical, metallurgical and automotive sectors.

SACE Fct is exposed to over 3,000 counterparties, of which 533 are in common with SACE BT and 66 with SACE.

The counterparties shared by SACE and SACE Fct are 92% foreign, 95% of which are involved in Trade Finance operations, mainly active in the mechanical industry, infrastructure and construction sectors.

The counterparties shared by SACE Fct and SACE BT are 70% Italian companies: 95% are private companies, 34% in wholesale and retail trade; the remaining 5% are local bodies of public administration, of which 68% municipalities. The main sectors at risk in terms of exposure are the transport, the metallurgical industry and the infrastructure and construction sectors.

The portfolio of SIMEST, which by definition is the set of investments in equity counter-guaranteed by an Italian partner, comprises 166 counterparties. SIMEST shares 22 names with SACE and 29 names with SACE BT. In terms of exposure, the former are more focused on the automotive and chemical/petrochemical sectors and the latter on metallurgical and agro-food industries.



Stefania
Perrone

SACE's risk portfolio

The total exposure of SACE, calculated as the sum of receivables and outstanding guarantees (capital and interest), amounted to 43.8 billion euro, increased by 4.5% compared to 2015. Therefore, the growth trend recorded in the last two years continues, mainly due to the increase of the guarantees portfolio, which reaches 43 billion euro,

equal to 98.2% of overall exposure.

The credits and guarantees portfolio amounted to 803.8 million euro, of which 78.5% are sovereign credits and 21.5% trade receivables. In 2016 the portfolio recorded a 36% decrease, mainly due to the positive performance of the sovereign debt collection.

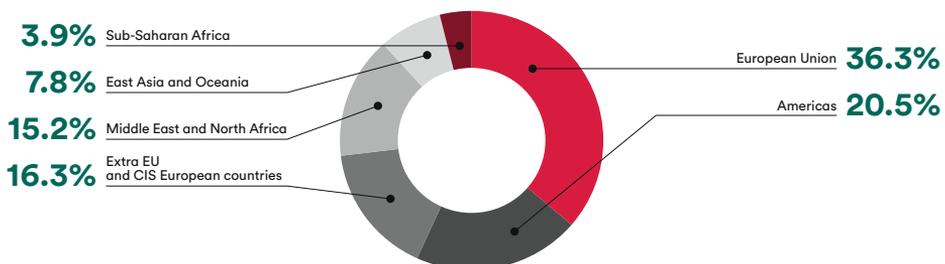
SACE's total exposure (millions of euro)

Portfolio	2016	2015	Change%
Outstanding guarantees	43,037.4	40,715.0	5.7%
- Principal	37,210.6	35,063.4	6.1%
- Interest	5,826.8	5,651.6	3.1%
Credits	803.8	1,225.7	-36.0%
Total exposure	43,841.2	41,970.7	4.5%

From the geo-economic area analysis of the overall portfolio, the European Union appears to be the first area by exposure, 36.3% compared to 41.7% in 2015, with Italy remaining the first Country by concentration (18.3%). The exposure increases in the Americas, rising from 17.3% to 20.5%, in the

Middle East and North Africa, from 11.2% to 15.2%, and in the Sub-Saharan Africa, which recorded the most significant increase, from 2.6% to 3.9%. The concentration level declined in European countries outside the EU and CIS, from 18.5% to 16.3%, and in Asia and Oceania, from 8.7% to 7.8%.

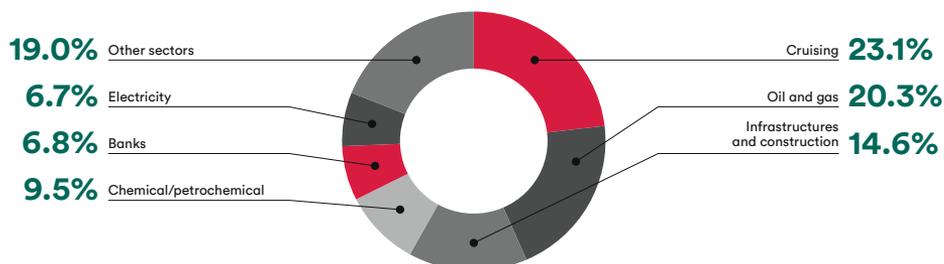
SACE's total exposure by geo-economic area at December 31, 2016



The level of sector concentration remains high, with the top five sectors accounting for 74.3% of total private portfolio. The cruise industry becomes the first sector by exposure, with a rate that goes from 20.7% to 23.1%, followed by oil & gas (20.3%), down

by 2.8%, infrastructure and construction (14.6%), increasing by 3.8%. Worth noting is the significant increase in exposure to the chemical/petrochemical industry (+ 56.9%) with a rate that goes from 6.3% to 9.5%.

SACE's guarantees portfolio by industrial sector at December 31, 2016



SACE BT's risk portfolio

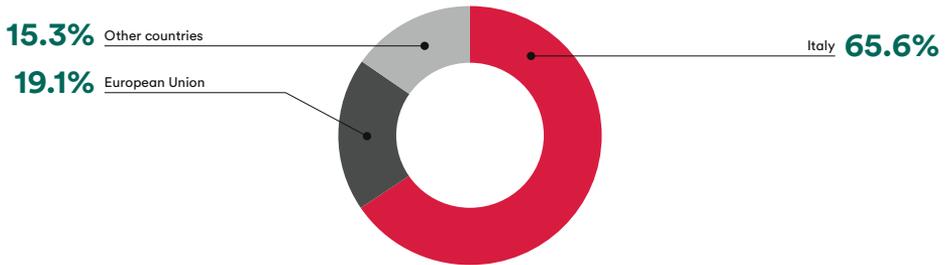
SACE BT's total exposure at December 31, 2016 amounted to 40.2 billion euro, up from 2015 (+4.8%). The Credit line has 111,872 credits outstanding (+10.9%) for a total value of 8.9 billion euro. The corresponding nominal exposure, defined considering

the terms of payment and overdraft policy, amounts to 9 billion euro (+ 28.2%). The current price ceilings are concentrated mainly in the European Union (84.6%), with Italy accounting for 65.5%.

SACE BT's total exposure by business line (millions of euro)

Portfolio	2016	2015	Change%
Credit	8,894.1	7,791.5	14.2%
Surety Bonds	6,634.6	6,563.9	1.1%
Other Damages to Property	24,733.7	24,073.6	2.7%
Total	40,262.4	38,429.0	4.8%

SACE BT's exposure in the Credit line by geographical area at December 31, 2016



Wholesale, agro-food and retail were the portfolio's three largest industrial sectors, representing 21.6%, 10.9%, and 8.3% of the total, respectively.

SACE BT's exposure in the Credit line by industrial sector at December 31, 2016



The exposure of the Suretyship line, the amount of insured capital, is 6.6 billion euro, a slight increase (+1.1%). Guarantees related to tender contracts represent 62.6% of the existing risks, followed by guarantees on payments and tax refunds (32.6%). The portfolio consists of about 33 thousand contracts and is concentrated in Northern Italy (64.1%).

The nominal exposure, ceilings and capital insured, of the Construction/Other Damages to property portfolio amounted to 24.7 billion euro, an increase of 2.7%, of which 22 billion euro relate to the Construction portfolio and 2.8 billion to policies of the Non-life lines. There were 7,856 policies outstanding (+3.5%). CAR and EAR policies accounted for 45.5% of the nominal exposure, Decennial Liability policies 40.3%, and the policies of the Non-life lines 11.2%.

SACE Fct's risk portfolio

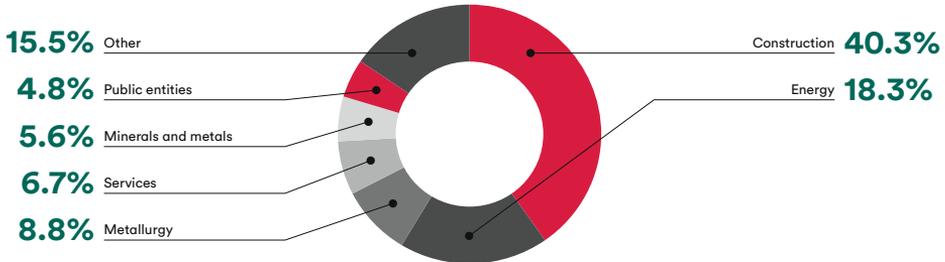
The total receivables of SACE Fct, at December 31, 2016, amounted to 2.1 billion euro, up by 7.4%, and it mainly refers to non-recourse transactions accounting for 92.6% of the total.

SACE Fct's total receivables by product type (millions of euro)

Portfolio	2016	2015	Change%
Non-recourse factoring	1,920.8	1,743.5	10.2%
Recourse factoring	152.5	186.2	-18.1%
Total	2,073.3	1,929.7	7.4%

The distribution of total receivables for the industrial sector of the transferor shows a concentration in the construction and public works sectors, corresponding to 40.3%: an increase compared to 23.5% in 2015, followed by the energy products (18.3%) and metallurgy (8.8%) sectors.

SACE Fct's total receivables by transferor's industrial sector at December 31, 2016



The analysis by geographical area of the transferor shows a higher percentage of residents in Northern Italy, which stands at 28.7% compared to 38.9% in 2015. Northern Italy, which rose from 37.6% to 47.6%, and a low-

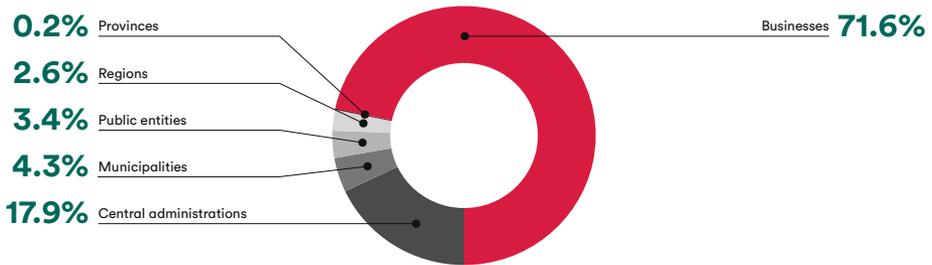
SACE Fct's total receivables by transferor's geographical area at December 31, 2016



The distribution of total receivables by the debtor's business sector shows that private counterparties, accounting for 71.6% against 49.6% of 2015,

outnumber those belonging to the area of public administration, 28.4% down from 50.4%.

SACE Fct's total receivables by debtor's sector at December 31, 2016



The distribution of total receivables by debtor's geographical area reveals a significant growth of foreign debtors, whose percentage rose from

35.3% to 48.8%. In addition, the concentration in Central Italy decreases from 31% last year to 21.2%.

SACE Fct's total receivables by geographical area of debtors at December 31, 2016



SIMEST's portfolio

At December 31, 2016 SIMEST's portfolio included 237 shares subscribed for a total credit exposure (capital share) amounting to about 496 million euro.

Compared to December 31, 2015 the total portfolio increased by about 28.3 million euro.

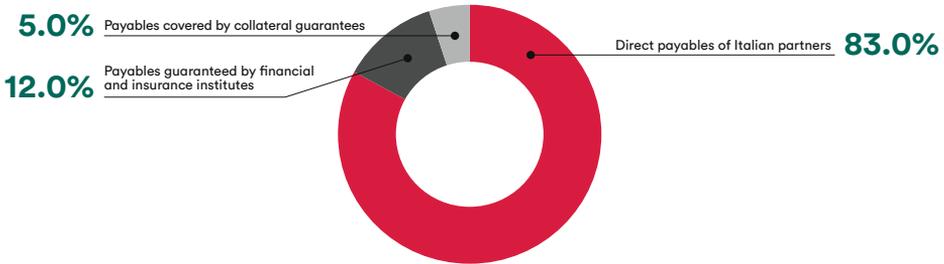
SIMEST's total exposure (millions of euro)

Portfolio	2016	2015	Change%
Direct payables of Italian partners	410.0	370.0	10.8%
Payables guaranteed by financial and insurance institutes	58.0	77.0	-24.7%
Payables covered by real guarantees	28.0	21.0	33.3%
Total	496.0	468.0	6.0%

At December 31, 2016 the direct commitments of Italian partners for the forward purchase of shares, amounted to around 410 million euro (+10.8%); commitments secured by bank guarantees and/

or insurance amounts to approximately 58 million euro (-24.7%); those secured by collateral guarantees amounted to 28 million euro (+33.3%).

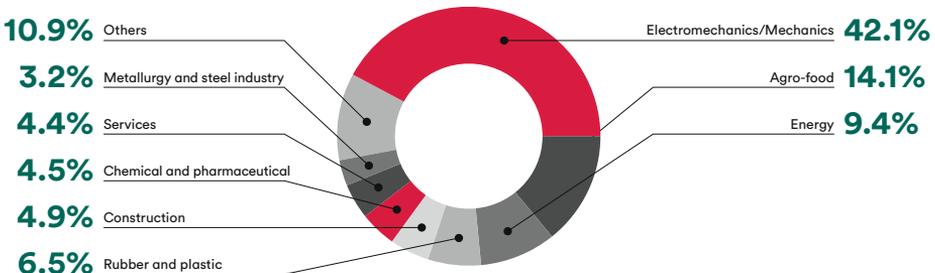
Current SIMEST Portfolio by type of security at December 31, 2016



Electromechanics, agro-food and energy were the portfolio's three largest industrial sectors, repre-

senting 42.1%, 14.1%, and 9.4% of the total, respectively.

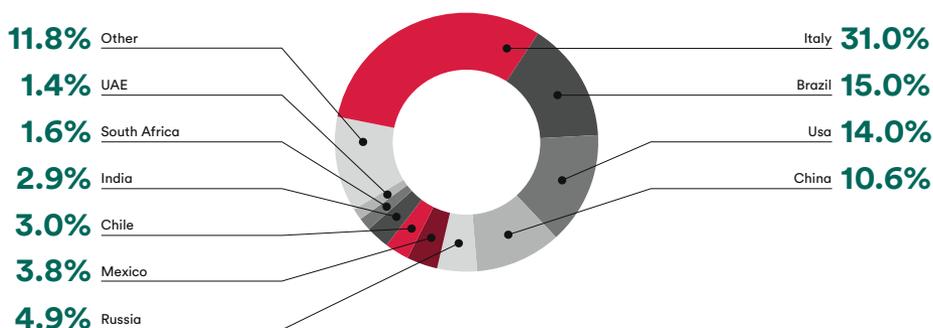
SIMEST's existing portfolio by industrial sector at December 31, 2016



An analysis on the geographic area of the portfolio shows that the top 10 countries where SIMEST is present through the target company, cover about 88% of the total and the remaining 12% comes from other 27 Countries. The main exposures are

towards Italy, with 31% of the portfolio, followed by Brazil (15%) and the USA (14%). Overall, the top 3 Countries by exposure, cover almost 60% of the portfolio.

SIMEST's existing portfolio by geographical area at December 31, 2016



Financial portfolio

The financial management is aimed at optimising the capital structure, improving financial stability, balancing the risks undertaken through insurance operations, and contributing to the Company's goals. The consolidated financial investments at the end of 2016 amounted to about 7.2 billion euro, com-

pared to 6.4 billion euro in the previous year. The portfolio consisted of 57.7% in money-market instruments, 33.3% in bonds, 9% in UCITS (Undertakings for Collective Investment in Transferable Securities) – which invest mainly in bonds and equities – and the remaining 0.1% in equities.

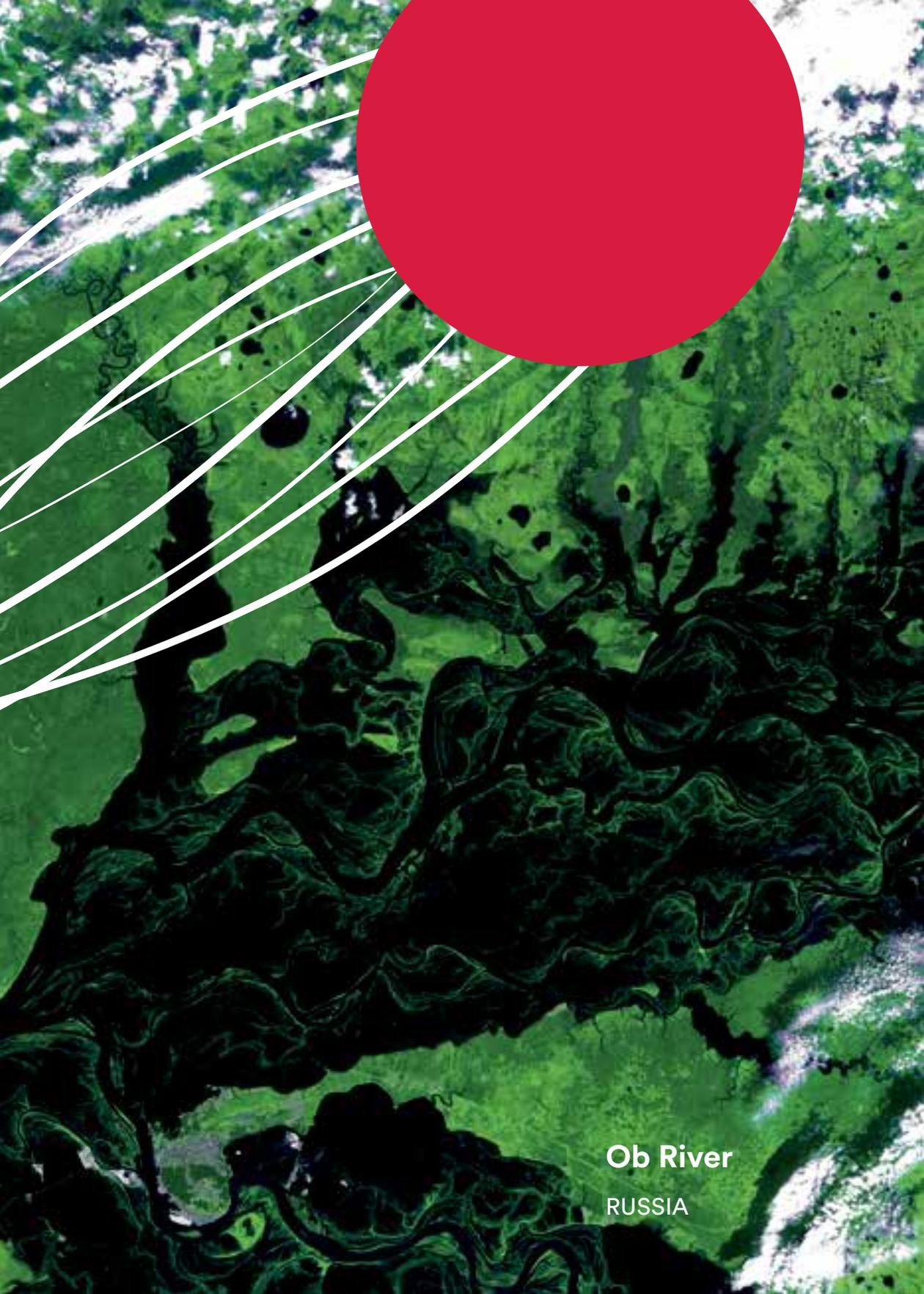
Financial investments (millions of euro)

Type of investment	2016	2015	Change%
Money-market investments	4,130.9	3,413.9	21%
Bonds	2,383.4	2,367.5	0.7%
UCITS investments	642.0	575.7	11.5%
Equities	4.3	35.7	-87.9%
Total	7,160.6	6,392.8	12.0%

Being us, being you, being together



PEOPLE
AND VALUES



Ob River
RUSSIA

Our people

Export professionals

Supporting the competitiveness and growth of Italian businesses. This is the mission we have been pursuing for forty years with passion and professionalism.

Ensuring companies an efficient service in line with their expectations is far from simple. We are able to meet this challenge only thanks to the daily commitment of the people working at SACE and SIMEST, who are our most important resource.

Valuing our employees, with their unique skills and professionalism, is essential in order to guarantee often-decisive support to companies that operate abroad and drive the Italian economy.

Finding a balance between work life and private life is a strategic driver to pursue the Company's goals with the utmost efficiency. The work environment we have created gives each of us important opportunities for both professional and personal development.

SACE promotes a corporate culture founded on the values of meritocracy and equal opportunity. It undertakes to fight all forms of discrimination based on sexual orientation, ethnicity, nationality, culture, religion, political beliefs, age or disabilities. It guarantees a work environment that recognises and values diversity as a source of wealth.



Matteo
Mastropietro

The numbers of the Hub

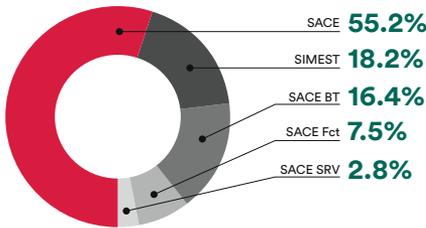
The Italian Export and Internationalisation Hub currently employs 892 people. Around 55% of employees work for SACE and the remaining staff for the other companies: 162 at SIMEST, 146 at SACE BT, 67 at SACE Fct, 25 at SACE SRV. 75.9% of our employees work in Rome, 22.3% in other Italian offices and 1.8% in foreign offices. 3.5% of employees are foreign, with 27 different nationalities represented at the Company. This melting pot ensures cultural diversity and productive exchange between people. 41% are aged 40 or under; 73.3% have university degrees.

There are a total of 424 men and 468 women, the latter representing 52.5% of employees and 31.1% of

management: a significant proportion compared to the national average, which demonstrates SACE's attention to promoting female talent and leadership within the Company. This commitment is confirmed by participation in Valore D, an association created upon the initiative of twelve large companies to strengthen the role of women in businesses.

In 2016, SACE recruited 64 new employees, 49 of which under the age of 36; 30 of those recruited are women. The Company offered 66 internships, giving new graduates the opportunity to grow professionally in the field they are most interested in. SACE hired 39.7% of the people who completed internships during 2016 with different types of contracts.

Employees by company



Employees by year



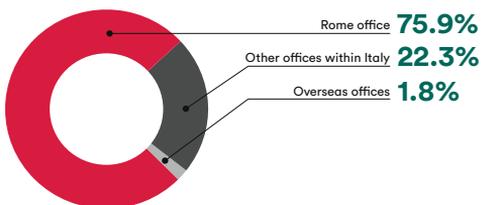
Selection

Enthusiasm and skill are decisive in overcoming the challenges of the evolving market. During the recruitment process, SACE selects industry professionals and highly trained and strongly motivated young talents with excellent foreign language skills. We participate in the biggest national job fairs and collaborate with top universities, graduate schools

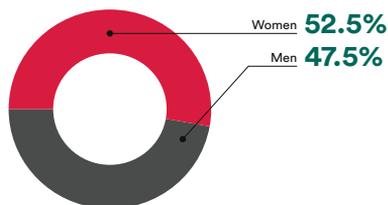
and master's degree courses.

This ensures the beneficial exchange of skills and helps us select the best employees possible. Since 2012, SACE has participated in the Bocconi Merit Awards programme, sponsoring one of the seventy scholarships granted to the most deserving first-year students of master's degrees.

Employees by office



Employees by gender



Training

Staying up to date is essential for effective work. Training and lifelong learning make it possible to stay updated, share the best practice and most innovative approaches, as well as to keep personal qualities such as curiosity and open-mindedness alive. At SACE, we have training programmes that accompany people throughout their professional growth.

A dedicated induction plan facilitates the insertion of newly hired employees into the Company. During 2016, considering all the channels made available to staff in the classroom and online, SACE guaran-

teed an average of 20 hours of training per person, for a total of 14,298 hours, in addition, we have technical training seminars: 619 attendances and 1,201 hours, in the classroom and online. SIMEST offered its staff 4,754 hours of training, of which 1,098 hours of technical training, 496 together with SACE.

SACE supports the professional development of each individual, planning customised career paths taking into account different personal abilities and potential. SACE implements job rotation with conviction, allowing all employees to experience roles different to their own.

This rotation helps the circulation of skills, increases career opportunities and makes the SACE work experience even more rewarding. But not only: these changes also represent a form of learning-by-doing. Thanks to job rotation, each individual rapidly gains experience in different areas and sectors. SACE also offers to its staff assignments at foreign offices - an experience that further enriches professional growth.



Li Mei
Zang

**Training,
job rotation
and career paths
for flexible
competences**



Our Values

Appropriate work-life balance

Success depends on the satisfaction of the people who make up an organisation. SACE aims for a work-life balance that allows everyone to find the right balance between realisation in professional and personal life.

This vision is translated in a rich programme of initiatives that seek to balance time and energy, with a view to sustainability.

The “home telework” project, active for several years, allows anyone who has the need to work from home a few days a week and for specific periods of time, with a workstation provided by the Company. Connection with the office and colleagues is guaranteed by telephone and computer contact.

This year a pilot “smart working” project was launched, which when fully operative will allow all employees interested to work from home one day a week, in order to improve the balance between professional and private life.

In order to solve the issues related to mobility and

develop solutions that reduce the cost and time of travelling to and from the office, SACE has a dedicated professional. The mobility manager oversees all aspects that help mitigate the impact on traffic and the environment. SACE also contributes to cover local public transport costs; it offers real-time information about traffic and waiting times for public transport; it offers all employees bikes for short journeys through a bike point. At Rome and Milan offices there is bike-parking available for employees who ride to work.

There are two SACE initiatives for the families of employees. On the “Take your kids to work” day, the Company opens its doors to the young children of employees, involving them in fun activities to introduce them to their parents’ work environment. The “Push To Open” programme allows the children of employees and their friends, during their fourth and fifth year of high school, to participate in a course that brings them closer to the world of work. The programme takes place mainly

online, with 5 webcasts and through social networks. Intercompany workshops are also scheduled. In addition to these initiatives, this year SACE launched a new programme called “*Adotta una scuola*” (“Adopt a school”), thanks to which SACE offers the same training programme to the students of a suburban school.

Focus on health is a pillar of corporate welfare. SACE offers its employees insurance coverage, oncology check-ups every two years for those aged 45 years or older and seasonal flu vaccines. In addition, with the aim of promoting a healthy and active lifestyle, everyone at the office can use the Company gym featuring all the latest equipment. Health protection is further supplemented by training courses with nutritionists for the treatment of eating disorders, the organisation of first aid and fire prevention teams and the deployment of medical devices at offices. In cooperation with the Red Cross, SACE also organises first aid and courses to clear upper respiratory passages in children. Personal wellbeing also depends on mental and physical balance.

In 2016, SACE also launched the series of internal meetings, “*A tu per tu con...*” (“Face to face with...”) with external guests invited to share virtuous management models based on their own experience, offering insights on current issues.



Sara
Stefanini

**A professional
environment that
is open and attentive
to social requests**

Value for the environment and the society

Real development is that which improves quality of life in the long term. SACE takes on this huge challenge by promoting a corporate sustainability culture aimed at protecting the wellbeing of future generations. Many initiatives – including the completion of the waste sorting and recycling system at the Company, improving energy efficiency and raising awareness about reducing consumption – keep employees focused on respect for the environment and help spread good practices.

SACE encourages all its employees to participate in volunteer work for the community.

Since 2008, SACE has been supporting the non-profit association Dynamo Camp, a recreation therapy centre that houses minors suffering from serious conditions free of charge and promotes games and sports activities in a natural and protected environment. Some of us choose to participate personally as volunteers for these activities by dedicating time, commitment and passion to bring a smile to the faces of the young guests.

The Company supported health research and development, cooperating in the “Gold for Kids” project with Fondazione Veronesi, which supports paediatric oncology to initiate treatment protocols that ensure young patients immediate access to treatment meeting the highest international standards, and a secondary breast cancer prevention project for economically disadvantaged women by Komen Italia.

We also contributed to an “Early Intervention” programme by Lega del Filo d’Oro that provides 3-week hospitalization for deaf-blind and sensory impaired children aged 0 to 4 years old, enabling them to try new experiences.

In 2016, SACE also launched a new collaboration with Rondine Cittadella della Pace: a project promoting a culture of dialogue and peace with an International Hall located in the medieval town in the province of Arezzo. Each year the hall hosts 30 students of different cultures from conflict areas around the world.

SACE is also a Corporate Golden Donor of the Italian National Trust (Fondo Ambientale Italiano, FAI), which protects artistic and natural heritage in Italy.

In the belief that even small gestures of solidarity can make a difference, each year SACE organises blood donation days, which in 2016 yielded 100 bags donated to the Bambino Gesù Paediatric Hospital in Rome. For many years, we have participated in “Race for the Cure”, a charity fund-raiser for the fight against breast cancer that counted 240 participants in the last edition between SACE employees and their relatives.

Business successes at the service of solidarity and the culture of dialogue



Efficient organisation to make export a success

An aerial photograph of a frozen body of water, likely the Bering Strait, showing a network of ice floes and channels. A large red circle is positioned in the center-right, with several white curved lines radiating from its left edge towards the left side of the frame. The text 'CORPORATE GOVERNANCE' is printed in white, bold, uppercase letters in the upper-middle section.

**CORPORATE
GOVERNANCE**

Bering Strait

RUSSIA - USA

Corporate governance

Corporate structure

SACE is a joint-stock company fully owned by Cassa Depositi e Prestiti and, since September 2016, it has held control of SIMEST, a joint-stock company which has supported the growth of Italian businesses by law since 1991, through the internationalisation of operations.

SACE also holds all shares in:

- SACE Fct, a joint-stock company operating in factoring
- SACE BT, a joint stock company operating in the businesses of Credit, Suretyship and Other Damage to Property

SACE BT wholly owns SACE SRV, a limited liability company specialised in credit recovery and information asset management.

SACE carries out management and coordination activities for its subsidiary companies in such a way as to ensure that subsidiary company operations comply, among other requirements, with the strategy devised by the Parent Company.



Andrea
Tramonte

Regulatory framework

SACE issues guarantees and insurance coverage in relation to political, catastrophe, economic, commercial and currency risks that national operators are exposed to during business abroad, in accordance with Legislative Decree 143/1998 and the CIPE Resolutions of reference. In addition, SACE is authorised to issue guarantees and insurance coverage for transactions which are strategically significant for the Italian economy in terms of internationalisation, economic security and the activation of production processes pursuant to Law 296/2006, as well as risks regarding the non-collection of receivables due from Public Administrations pursuant to Law Decree 185/2008. The commitments accepted by SACE during the performance of its activities benefit from State guarantee (Law Decree 269/2003, article 6, paragraph 9), also in accordance with Legislative Decree no.91/2014, article 32.

SACE's activities are governed by European Union regulations (including Directive no.29/1998) and the OECD Arrangement on Officially Supported Export Credits ("Consensus"). SACE respects the principles established by the Berne Union, an international organisation that brings together export credit companies and agencies for the support of investments.

Since 1991, SIMEST has promoted investments by Italian businesses abroad through equity investments by own means (pursuant to Law 100/1990) and, since 2003, through the management of the public Venture Capital Fund. Moreover, SIMEST's investments allow the Italian business to access facilities (interest subsidies) for financing equity investments in non-EU companies. In addition, SIMEST acquires minority shareholdings in Italian businesses or their subsidiaries in the European Union under market conditions, in order to foster

international reach. Since 1999 SIMEST has managed facilities supporting the internationalisation activities of Italian businesses, in the form of financing for internationalisation (pursuant to Law 133/2008, article 6) and export financial support through interest subsidies (pursuant to Legislative Decree no.143/1998). SIMEST is also one of the Italian financial institutions that are authorised by the EU to operate as a Lead Financial Institution under the scope of Partnership Programs (NIF, LAIF, Trust Fund Africa, IFCA, etc.). The financial management of SIMEST is subject to supervision by the Court of Auditors.

Legality and transparency inspire our governance model

SACE BT, established in 2004, is authorised to provide insurance and is subject to supervision by IVASS (Italian Insurance Supervisory Authority). SACE Fct, established in 2009, is enrolled in the Register of Financial Intermediaries as provided for under the Consolidated Law on Banking, article 106, and is subject to supervision by the Bank of Italy.

Code of ethics and the Organisational, Management and Control Model

The corporate governance system defines a set of rules and practices that govern the management and control of the Company. SACE's governance model is guided by principles of lawfulness and transparency, it adopts a prevention and control system formed by the Code of ethics and the Organisational, Management and Control Model. The Code of ethics expresses the values and principles which must be observed by directors, statutory auditors, external auditors, managers, employees, contractors and third parties who have relationships with SACE and its subsidiaries. The Code of ethics is a separate document from the Model, even though related to the latter, since an integral part of the prevention system adopted.

Shared values and principles guide our people

The Model, approved by SACE's Board of Directors pursuant to Legislative Decree 231/2001, is the result of a thorough analysis carried out within the corporate structure and consists of:

- a general section governing the principles of the Decree, the governance model, the principles of the internal control system, the Supervisory Board, the disciplinary system, staff training and dissemination of the model inside and outside the Company
- a dedicated section that identifies the areas within SACE posing potential risks for the commission of offenses and specifies a series of instruments to prevent the same.

The Model intends to:

- optimise the corporate governance system
- allow the exemption of SACE from administrative liability in case of offenses
- set up a consistent prevention and control system, so as to reduce the risk of offenses committed in relation to corporate activities
- spread, among all individuals working in the name and on behalf of SACE, awareness that any offences committed may incur not only personal but also corporate sanctions
- inform all those working in any capacity in the name, on behalf or in the interest of SACE that the violation of the provisions of the Model shall result in sanctions, including the possible termination of employment
- reaffirm that the Company does not tolerate unlawful behaviour, since contrary to the ethical principles upon which it is based
- actively censure any behaviour which violates the Model, through disciplinary or contractual sanctions.

The Model is addressed to directors and anyone holding representation, administration and management positions; to people bound by employment contracts; to third parties linked by subordinate or parasubordinate employment relationships. The Supervisory Body exercises control functions in relation to the Model and the Code of ethics: it monitors the adequacy, updating and implementation of the former; and verifies, to the extent of its responsibility, any violations of the latter.

Internal control and risk management system



Carola
Di Francesco

The internal control and risk management system consists of rules, processes, procedures, functions, organisational structures and resources that ensure the proper functioning and good performance of the business.

Its goals are:

- the verification of the implementation of corporate strategies and policies
- the adequate control of current and future risks and risk mitigation within the limits set out in the framework of reference for the determination of the Company's risk appetite
- respect for the effectiveness and efficiency of business processes
- the timely reporting of business information ensuring the timeliness of the Company's information reporting system
- ensuring the reliability and integrity of accounting and management information, including information security and IT procedures
- the safeguarding of assets, asset value and protection against losses, also in the medium to long term
- the compliance of Company activities with current laws, policy directives, regulations and internal procedures.

**Rules, processes
and procedures ensure
a positive business
performance**

The Board of Directors is ultimately responsible for the system and ensures that it is comprehensive, functional and effective, promoting ethical integrity and a culture of internal control so that the entire workforce is aware of the importance of monitoring. Top Management oversees the proper functioning and overall adequacy of the internal control and risk management system. Furthermore, it ensures that staff members are aware of their roles and responsibilities and are actively engaged in the performance of controls, as an integral part of their business. For this reason, Top Management defines the organisational structure, procedures, delegations and responsibilities in detail. The internal control and risk management system provides for three levels of control. The first level of control is managed by the operational structures and their managers and involves the identification, assessment, monitoring and mitigation of risks arising from ordinary business operations, the structures thus ensure the proper performance of operations and compliance with the operational limits assigned thereto, in line with the risk objectives and procedures of the risk management process. The second level of control is guaranteed by the risk management and compliance functions. These two functions monitor the correct implementation of the risk management process, observance of the operational limits assigned to the other functions, and the compliance of Company operations. The third level of control is implemented by the Internal Auditing function, which monitors and regularly assesses the effectiveness and efficiency of governance, risk management and control systems, in relation to the nature and level of risk involved.

Compliance

The compliance function systematically and continuously monitors regulatory developments; it assesses the impact on internal processes and rules; it indicates the actions to be taken for the proper enforcement of regulations. It detects non-compliance risk, understood as the risk of incurring legal or administrative sanctions, financial losses or reputational damage as a result of the violation of laws, regulations or self-regulations. It assesses reputational risk, also in relation to individual business transactions.

The continuous monitoring of legislation guarantees compliance with provisions

Internal auditing

Internal auditing carries out independent and objective internal consulting and assurance activities for SACE and its subsidiaries, in order to improve organisational effectiveness and efficiency. They assist the Company in the pursuit of its goals with a systematic approach which generates added value by assessing and improving governance, risk management and control processes and by identifying sources of inefficiency in order to improve business performance. The Internal Auditing's mandate, as approved by the Board of Directors, formalises the objectives, powers, responsibilities and lines of communication to Top Management regarding the results of activities performed and the annual plan. The plan, as approved by the Board of Directors, formalises the audit priorities identified in accordance with the Company's strategic objectives and the assessment of current and future risks related to the evolution of business operations. The annual plan may be revised and adjusted in response to any significant changes to the operations, programmes, systems, activities, risks or control of the organisation. Internal Auditing monitors all levels of the internal control system and fosters the dissemination of a control culture, promoted by the Board of Directors. Activities are carried out in accordance with the external regulations of reference, international standards for internal auditing and the Code of Ethics of the Institute of Internal auditors (IIA).



Cristina
Spizzichini

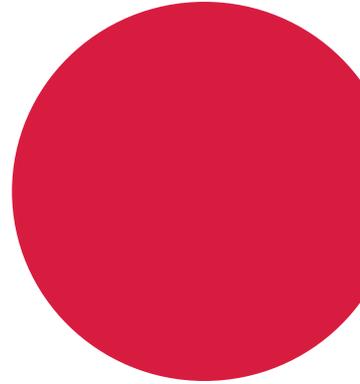
**Independent
assurance
generates value
and improves
performance**

Corporate bodies and committees

SACE operates through a traditional model of administration and control which is based on the presence of a management body, the Board of Directors, and a supervisory body, the Board of Statutory Auditors. The Board of Directors is composed of seven members who are entrusted with the widest range of tasks in relation to the administration of the Company and all transactions necessary for implementing corporate objectives, in accordance with the provisions of the law and the Articles of Association. The Board of Directors assesses the adequacy of SACE's organisational, administrative and accounting structures, whose actual performance is constantly monitored, and examines strategic, industrial, and financial plans. The Board of Directors is ultimately responsible for the internal control system, and plays a key role in identifying, assessing and controlling the most significant risks for the Company. The Board of Statutory Auditors oversees compliance with the law and the Articles of Association, including adherence to proper administration principles, the adequacy and correct functioning of the organisational, administrative and accounting structures. The Chairman of the Board of Directors is a legal representative of SACE. The Chief Executive Officer, who also carries out the role of General Manager, holds full powers of administration for the Company in compliance with delegated responsibilities and general goals established by the Board of Directors, in addition to powers of legal representation and signature on behalf of the Company in dealings with third par-

ties.

The Steering Committee examines and shares the strategies and objectives of SACE and its subsidiaries; it assesses and monitors the various aspects of operating and business performance; it examines the operational and management strategy. The Transactions Committee assesses the proposed transactions delegated to the Board of Directors and examines significant transactions, assessing their viability. The Investment Committee defines the corporate strategies for investment portfolios, monitoring the management and future trends of investment performance and proposing the updating of the guidelines. The Commercial Coordination Committee oversees the development of commercial synergies between SACE and its product companies, assessing new business initiatives and examining the product portfolios of SACE and its subsidiaries as well as proposals for new product development.



Company officers and control bodies

Board of Directors



Beniamino Quintieri
Chairman



Alessandro Decio
Chief Executive Officer



Marilisa Allegrini
Councilor



Antonella Baldino
Councilor



**Paolo Carlo Renato
Dal Pino**
Councilor



Simonetta Iarlori
Councilor



Federico Merola
Councilor

Board of Statutory Auditors¹

Franco Tutino – Chairman
Roberta Battistin
Giuliano Segre
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Antonia Di Bella (Deputy Auditor)

Acting Representative of the Court of Auditors

Guido Carlino
(in office since 17 February 2015)

External auditors²

PricewaterhouseCoopers S.p.A.

1. Appointed at the Shareholders' Meeting on 14 June 2016 (in office for three financial years)

2. Appointment awarded at the Shareholders' Meeting on 23 April 2015 for the period 2015-2023

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Glossary

ANCILLARY RISKS: risks which are additional to the credit risk such as production risk, unfair call of bonds, or destruction risk.

APPROVED GUARANTEE: with regard to SACE, an insurance policy approved by the competent bodies.

CREDIT INSURANCE: insurance activities protecting against the risk of insolvency and/or non-payment of short-term trade receivables to financial stakeholders, on the basis of goods or services contracts.

EXPORT CREDIT: insurance and guarantee activities protecting against commercial and political risks related to payment obligations within an export operation.

EXPORT CREDIT AGENCY (ECA): Export Credit Agency.

FACTORING: contract by which a company (transferor) transfers its trade receivables to a financial company (factor), which becomes the holder of the receivables and can provide the transferor with credit management services, financing and guarantees against debtor defaults.

GROSS PREMIUM: total amount due to the insurer, resulting from the outstanding guarantee and referring to the entire coverage period.

GUARANTOR: third party in an insurance contract who assumes an obligation in favour of the insured to satisfy any claims in the case of debtor default.

INDEMNITY: amount due from the insurer as compensation for damages suffered by an insured following a claim.

INTEREST RATE SUBSIDY FOR EXPORT CREDIT (OF SIMEST): interest rate subsidy on medium/long-term loans granted by Italian or foreign banks in support of export operations and transactions.

INTEREST RATE SUBSIDY FOR EQUITY INVESTMENTS (OF SIMEST): non-repayable interest rate subsidy for financing equity investments in a foreign non-EU company by an Italian company.

LOSS RATIO: ratio of the cost of claims to gross premiums earned.

NON-LIFE LINES: guarantees covering damage to persons and/or property as a result of fire, theft or damage relating to third party liability.

OUTSTANDING COMMITMENT (OF SACE): total principal amount of guarantees outstanding as at the date of reference.

OUTSTANDING COMMITMENT (OF SACE BT): for the Credit branch, the total amount of credit lines granted, net of the amount not covered under the policy; for the Suretyship branch, the sum of capital insured; for the Other Damages to Property branch, the total amount of capital insured and policy limits.

OUTSTANDING COMMITMENT (OF SACE FCT): total receivables, or the amount of loans outstanding as at the date of reference.

OUTSTANDING GUARANTEE: with regard to SACE, an insurance policy approved by the competent bodies and issued, for which the first instalment of the premium has been collected.

RECOVERY: an amount that was previously paid out under a claim and which has been wholly or partly recouped following recovery action taken towards the debtor or guarantor.

REINSURANCE ACCEPTANCE: a transaction by which an insurance company (reinsurer) takes on part of the risk insured by another insurer (reinsured).

TOTAL EXPOSURE (OF SACE): total outstanding commitments in principal and interest (net of reinsurance and hedging) and performing loans.

REINSURANCE CESSION: a transaction by which an insurer (reinsured) transfers part of its risk exposure to an insurance policy onto another insurance company (reinsurer).

MARKETABLE RISKS (“MARKET”): according to OECD regulations, political and commercial risks relating to credits with a tenor of less than 24 months and to debtors established in EU member countries or other first-category countries in the OECD area.

NON-MARKETABLE RISKS (“NON-MARKET”): according to OECD regulations, political and commercial risks relating to credits with a tenor of more than 24 months or to debtors not established in EU member countries or other first-category countries in the OECD area.

BANK RISK: risk associated with transactions guaranteed by banks.

PRIVATE RISK (OR “CORPORATE”): risk relating to transactions with banking/corporate counterparties.

SOVEREIGN RISK: risk associated with transactions supported by sovereign guarantees, i.e. issued by the Ministry of Economics and Finance or by other entities empowered to commit the State.

PREMIUM RESERVE: technical reserve formed by the amount of gross premiums written but not attributable to the year of reference (“unearned premium reserve”) since referring to risks that continue in the subsequent year, and the additional provisions for any higher charges for unexpired risks (“reserve for unexpired risks”).

CLAIMS RESERVE: technical reserve consisting of the total amount which, after a careful assessment performed on the basis of impartial factors, are considered necessary to cover the payment of claims occurring during the current year or in previous years and not yet paid, as well as settlement costs.

TECHNICAL RESERVES: amounts that insurance providers must set aside and recognise in their financial statements to meet any potential claims for the protection of the insured.

RESOURCES MOBILISED (BY SACE): guarantees approved during the period of reference.

RESOURCES MOBILISED (BY SACE BT): volumes insured in the Credit and Suretyship branches during the period of reference.

RESOURCES MOBILISED (BY SACE FCT): total amount of receivables transferred to the factoring company (turnover) during the period of reference.

RESOURCES MOBILISED (BY SIMEST): volume of subsidised loans, investments and interest subsidies disbursed during the period of reference.

VALUE AT RISK: maximum potential loss in the reference time period with a certain confidence level (usually 95-99%).

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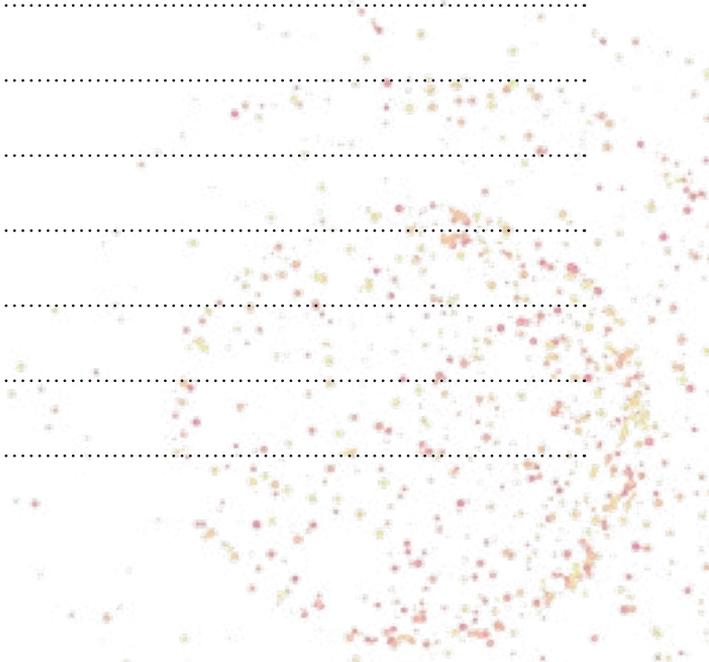
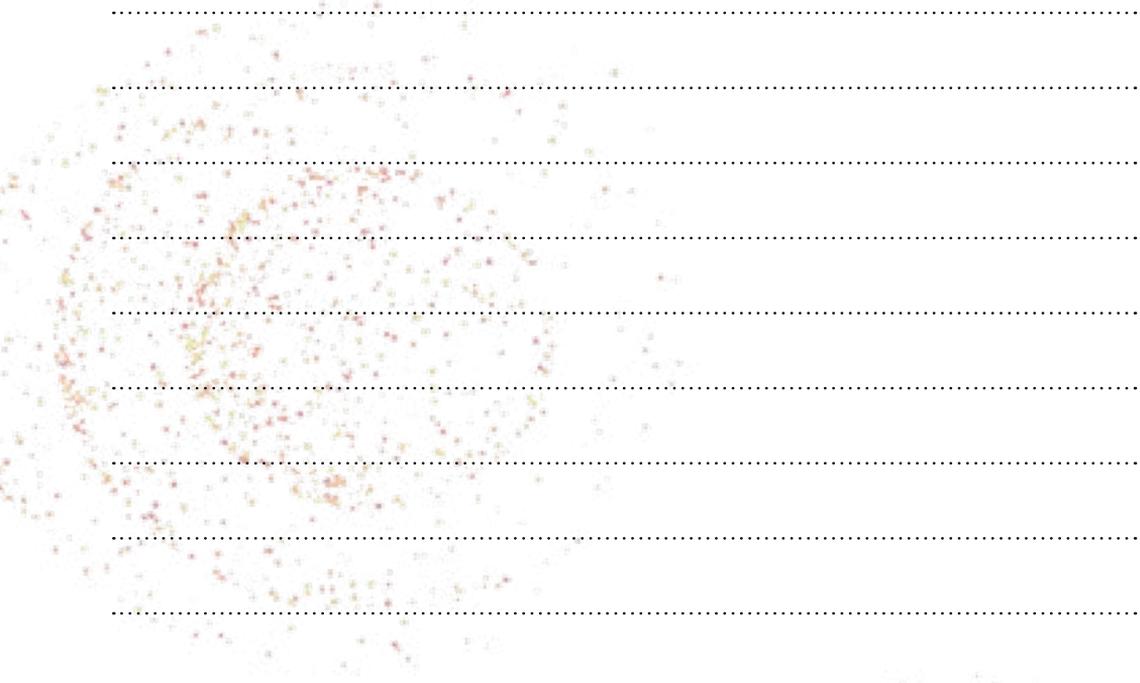
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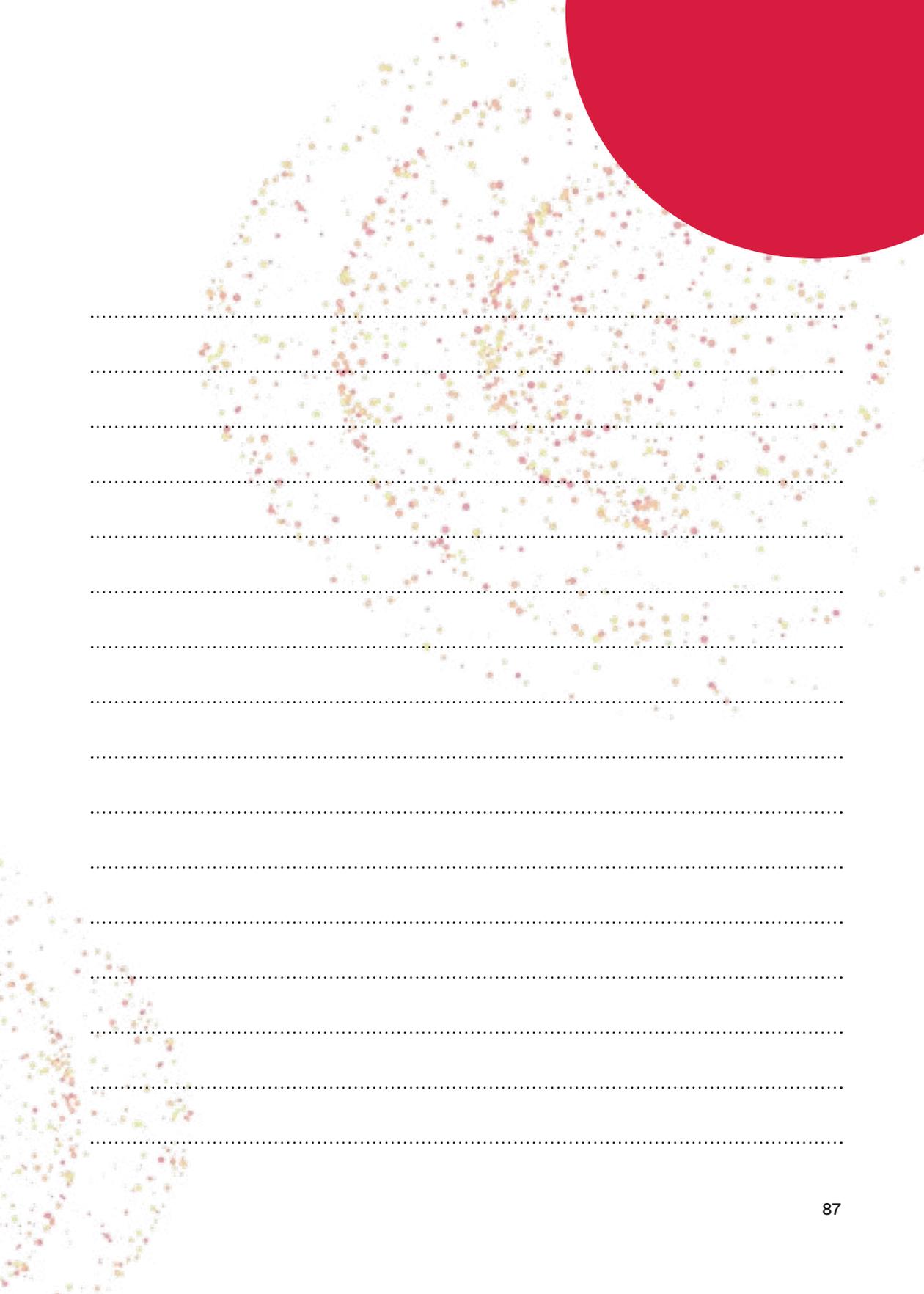
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