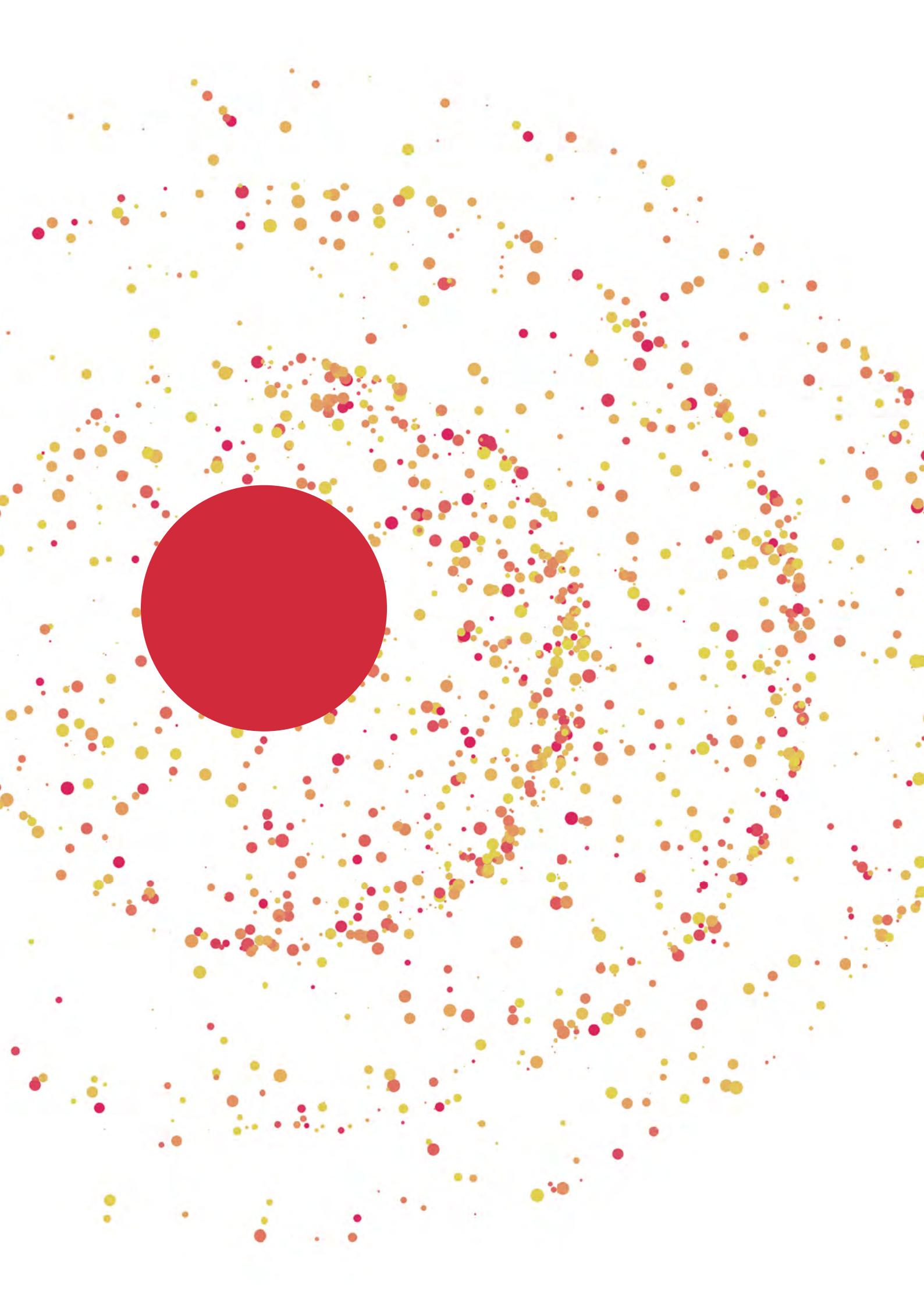


2016 Financial **and consolidated** **statements**

| | |
|--|------------|
| Financial Statements | 3 |
| Consolidated Financial Statements | 139 |





Financial Statements

at 31 december 2016

**Meeting of the Board of Directors
of 21 March 2017**

SACE S.p.A.
Registered Office and Head Office in Rome
Share capital (fully paid in) € 3,730,323,610
Tax No. and Rome Companies
Register No. 05804521002 R.E.A. 923591
Sole Shareholder Cassa depositi e prestiti

Company officers and boards

Board of Directors

Chairman

Beniamino QUINTIERI

Chief Executive Officer

Alessandro Maria DECIO (*)

Directors

Maria ALLEGRINI
Antonella BALDINO
Paolo Carlo Renato DAL PINO (**)
Simonetta IARLORI
Federico MEROLA

Board of Statutory Auditors

Chairman

Franco Luciano TUTINO

Standing Auditors

Roberta BATTISTIN
Giuliano SEGRE

Alternate Auditors

Antonia DI BELLA
Francesco DI CARLO

Standing Delegate of the Court of Auditors

Guido CARLINO

External Auditors (***)

PRICEWATERHOUSECOOPERS S.p.A.

Company Boards appointed by the Shareholders' Meeting on 14 June 2016 and in office for three years.

(*) Appointed CEO by the Board of Directors on 14 June 2016.

(**) Appointed as a Member of the Board by the Shareholders' Meeting on 28 September 2016.

(***) Appointed for the period 2015 - 2023 by the Shareholders' Meeting of 23 April 2015.

Contents

| | |
|---|-----|
| Directors' Report | 8 |
| 1. The economic scenario | 8 |
| 2. Significant events in 2016 - Strategy | 11 |
| 3. Report on operations | 12 |
| Balance sheet, profit and Loss account | 33 |
| Annex I | 33 |
| Annex II | 47 |
| Notes to the financial statements | 58 |
| Part A – Valuation criteria and basis of presentation | 58 |
| Part B – Information on the balance sheet and the profit and loss account | 64 |
| Part C – Other information | 86 |
| Annexes to the notes | 94 |
| Report of the Board of Statutory Auditors | 132 |
| Report of the Board of Statutory Auditors | 132 |
| Report of the Independent Auditors | 136 |

Directors' Report

1. The economic scenario

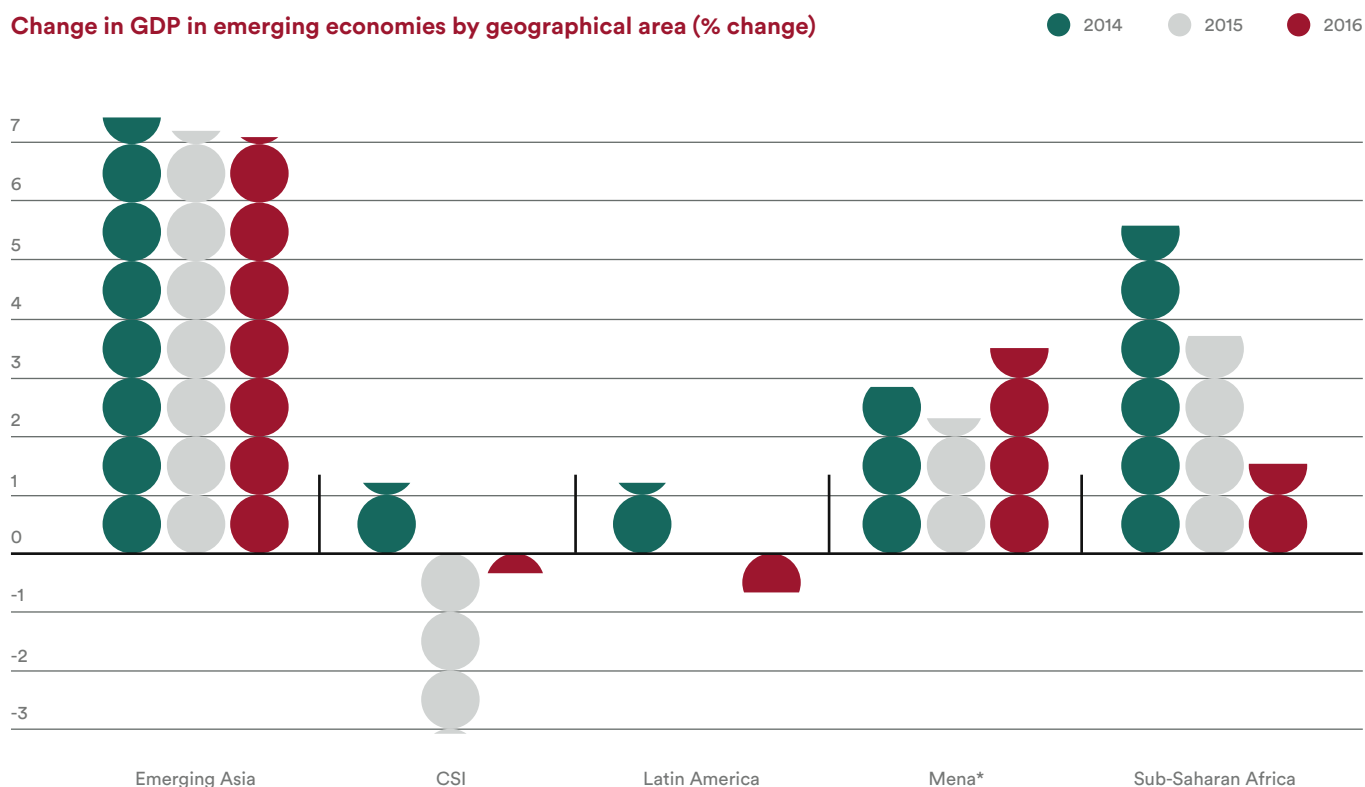
The world economy

The world economy reported slow growth in 2016 (+3.1%). Growth in the advanced economies continued at a moderate pace, whereas the emerging market economies grew by just over 4%, although with differences in performance.

Among the advanced economies, the United States and the United Kingdom have not, as yet, been affected by the new political and financial scenarios that emerged during the year, although the prospects are clouded by uncertainty. Growth in the euro area stood at 1.7% and inflation rose slightly, thanks to the ECB's decision to extend its asset purchase programme until the end of 2017. Conversely, the Federal Reserve seems determined to pursue a restrictive monetary policy.

In the emerging countries, there were substantial differences in terms of economic growth. The Chinese economy continued to expand at a fast pace (though more slowly than in recent years). However, the risks associated with the high level of private sector and local government debt remain. In India growth remained buoyant, although industrial production expanded only moderately. Difficulties persisted in Brazil and Russia. Brazil is faced with severe recession (-3.5%) and the political situation is still uncertain. In Russia, the slight recovery in oil prices has helped to ease the recession (from -3.7% in 2015 to -0.6% in 2016). However, the slow recovery of crude oil prices has not been sufficient to improve the outlook for many oil-exporting countries in Sub-Saharan Africa (Nigeria and Angola), Latin America (Venezuela) and the MENA region. The latter is also suffering the effects of instability due to political violence.

Change in GDP in emerging economies by geographical area (% change)



Source: IMF (January 2017)
 * MENA region data refer to October 2016 (IMF)

In 2016 total global debt rose to 325% of world GDP. Although the advanced economies have a higher level of indebtedness than the emerging market economies, in the former this is driven by government spending whereas in the latter it is due to the granting of credit facilities. China, Brazil, Malaysia and Turkey are some of the emerging market economies where this trend is evident.

The Italian economy and industrial sectors

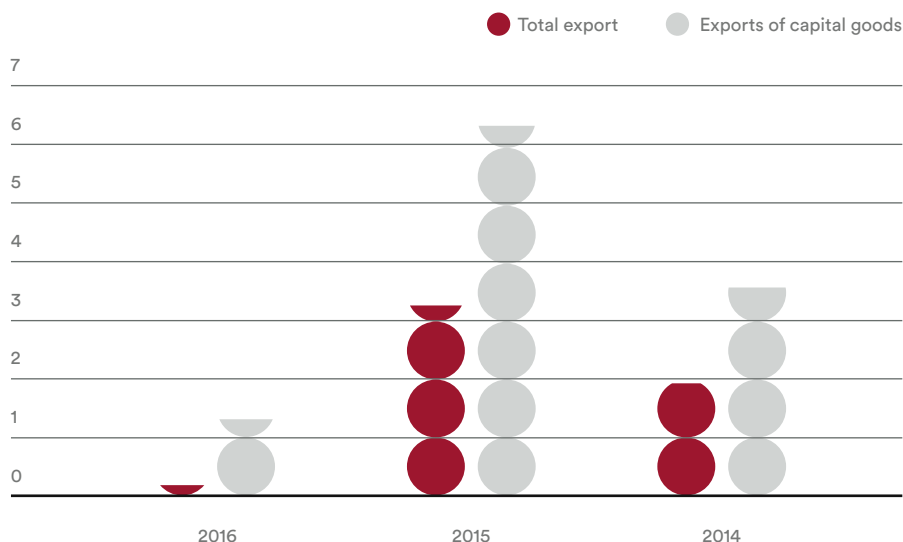
The Italian economy continued its slow recovery that started in 2015, and is expected to expand by just 0.9% in 2016. Economic activity was driven by domestic demand (especially household spending but also the revival of investments). In the construction industry, and in the residential property segment in particular, there were signs of stabilisation. Industrial production increased by 1.6% during the year. Among the main categories, capital goods recorded the strongest growth, followed by intermediate goods. There was a slight slowdown in spending on durable consumer goods and energy. At sector level, growth was driven by means of transport, machinery and equipment, metallurgy and metal products. The mineral products, refined and petroleum products, textile, electrical appliances and wood industries instead reported negative growth.

The quality of loans by Italian banks improved, also benefiting from a brighter cyclical outlook. The government has authorised the funding of measures to support Italian banks for up to a maximum of € 20 billion. The number of company insolvencies continued to fall: in the first three quarters of the year these decreased by -6.0% (for a total of about 10 thousand insolvency proceedings) compared to the same period in 2015. However, the number of insolvencies is still extremely high and twice that of 2008.

Italian exports

The volume of international trade in goods increased by between 1.5% and 2% in 2016, still well below pre-crisis levels (the average between 2000 and 2007 was +7.3%). Growth in trade volumes in 2016 was substantially spread across both advanced and emerging economies. In the former the rate of growth was almost half that of the previous year, whereas the emerging economies reported a new upturn after contracting in 2015. Italy posted a trade surplus of almost € 46 billion in the first 11 months of the year, up € 9.6 billion on the figure for the same period of 2015. Exports of goods increased by 0.7%, driven by demand within the EU (+2.7%). The most dynamic countries were Japan, the Czech Republic, Spain, China and Germany; sales to Russia, Turkey, India and the Mercosur countries decreased. For the main sectors, the increase in exports was primarily due to growth in sales of electricity and gas, pharmaceutical and chemical products, means of transport and food products; exports in the mechanical engineering sector, the main driver of demand for insurance against the risk of non-payment, and of refined, metal and mineral products decreased. Exports of capital goods continued to enjoy faster-than-average growth in 2016.

Italy's total exports and exports of capital goods (% change)



Source: Istat

* Growth rates are based on average year-on-year growth for the period from January to October (last available data October 2016).

2. Significant events in 2016 - Strategy

Projects undertaken in 2016 were aimed at (i) strengthening our commitment to support Italian exporters, (ii) working more closely with customers, (iii) analysing customers' needs and the product offering in terms of digital evolution.

In 2016 SACE continued to support the exports and internationalisation of Italian companies. The volume of transactions approved increased from € 9.7 billion in 2015 to approximately € 13 billion in 2016. Numerous system-level missions have led to the reinstatement of relations with several countries, including Argentina and Cuba. In line with the above, there has been an increase in demand for insurance to cover sovereign and political risk and risks directly related to certain sectors of strategic importance for Italy, such as the cruise industry. One enabling factor for the development of business has been the implementation of the agreement with the Italian Ministry of the Economy and Finance on reinsurance for concentrated risks. In pursuing our commitment to offering customers the best possible service, we have implemented a new commercial coverage model and further expanded our network by opening our tenth international office (Dubai) and obtaining authorisation to open a new office in Tehran.

Following the guidelines of the Shareholder, Cassa depositi e prestiti, the new Business Plan, approved in December 2016, envisages the development of an “Export and Internationalisation Hub”. The main activities that are planned will be governed by the following macro drivers: (i) maximisation of support for exporting companies and internationalisation through a significant increase in mobilisation of resources, (ii) an integrated and efficient business model in order to improve the cost-to-income ratio.

In the last quarter of 2016 the Cassa depositi e prestiti parent finalised the transfer of SIMEST; the product offering has now therefore been expanded to include quasi equity products, special loans and interest contributions. The “one door” offering was presented during numerous joint meetings held throughout the country.

3. Report on operations

Shareholding structure and share capital

The shares in SACE are fully held by Cassa depositi e prestiti. At year-end, the share capital amounted to €3,730,323,610 and consisted of 1,053,428 shares with a par value of €3,541.1. The increase with respect to 31 December 2015 reflects the transfer of the interest in SIMEST by the shareholder Cassa depositi e prestiti. SACE has no treasury shares or shares in the parent company, Cassa depositi e prestiti.

Net profit for the year

The main operating and financial data that contributed to determining the result for the year (highlights) and the main profit and loss items are set forth below.

Highlights

(in € millions)

| | 2016 | 2015 | Change |
|--------------------------------------|----------|---------|--------|
| Gross premiums | 534.2 | 483.8 | 10% |
| Claims | 344.1 | 258.7 | 33% |
| Technical provisions | 3,449.6 | 3,086.8 | 12% |
| Investments (including other assets) | 7,391.3 | 6,555.2 | 13% |
| Shareholders' equity | 4,546.9 | 4,309.8 | 6% |
| Gross profit | 413.3 | 657.9 | -37% |
| Net profit | 303.5 | 406.7 | -25% |
| Commitments underwritten | 13,173.9 | 9,749.9 | 35% |

Profit & loss account*(in € millions)*

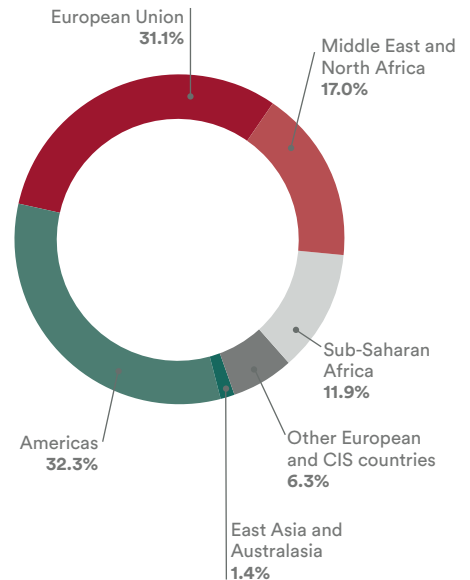
| | 2016 | 2015 |
|--|--------------|--------------|
| Gross premiums | 534.2 | 483.8 |
| Outward reinsurance premiums | (152.3) | (81.5) |
| Change in the provision for unearned premiums | (244.9) | (138.8) |
| Net premium income | 137.0 | 263.5 |
| Claims incurred | (344.1) | (258.7) |
| Change in recoveries | 238.3 | 144.6 |
| Change in the provision for claims outstanding | 88.5 | (60.3) |
| Claims incurred, net of recoveries | (17.3) | (174.4) |
| Change in other technical provisions, net of reinsurance | (5.2) | (5.2) |
| Change in the equalisation reserve | (28.7) | (9.6) |
| Investment return transferred from the non-technical account | 121.5 | 183.8 |
| Premium refunds and profit sharing | (13.9) | (6.0) |
| Operating expenses | (74.4) | (74.7) |
| Other technical income and charges | 12.1 | 9.6 |
| Balance on the technical account | 131.1 | 187.0 |
| Financial and other income | 1,347.5 | 1,734.3 |
| Investment management and financial charges | (944.8) | (1,093.4) |
| Investment return transferred to the technical account | (121.5) | (183.8) |
| Balance on the non-technical account | 281.1 | 457.1 |
| Income from ordinary operations | 412.2 | 644.0 |
| Extraordinary income | 2.3 | 16.9 |
| Extraordinary charges | (1.2) | (3.1) |
| Profit before taxes | 413.3 | 657.9 |
| Taxes | (109.8) | (251.2) |
| Net profit | 303.5 | 406.7 |

In 2016, SACE posted a net profit of € 303.5 million, a decrease compared to the € 406.7 million reported in 2015.

The main components of the result are shown below:

- Gross premiums, for a total of € 534.2 million, increased +10% in comparison to the previous year.
- The change in the provision for unearned premiums was negative and amounted to € 244.9 million.
- The change in the provision for claims outstanding was positive and amounted to € 88.5 million.
- Claims incurred increased compared to 2015 and amounted to € 344.1 million.
- The change in recoveries related to the management of subrogation credit for € 238.3 million, includes gains for recoveries of prior year claims (€ 236.2 million), recoverable amounts on claims for the year (€ 124.9 million), write-downs on loans due to alignment with the presumed realisable value (€ 76.8 million), losses on loans (€ 17.1 million) and reinsurers' share of amounts recovered (€ 28.9 million).
- Operating expenses for the year, net of reinsurers' share of commissions for € 22 million, amounted to € 74.4 million.
- The balance on the non-technical account was positive and amounted to € 281.1 million, mainly reflecting the performance of financial operations.
- The taxes item takes into account gains on amounts collected during the year and the increase in commercial risk claims paid during the year, for which the respective subrogation credits were directly recorded at their presumed realisable value.

Commitments approved in 2016 by geo-economic region

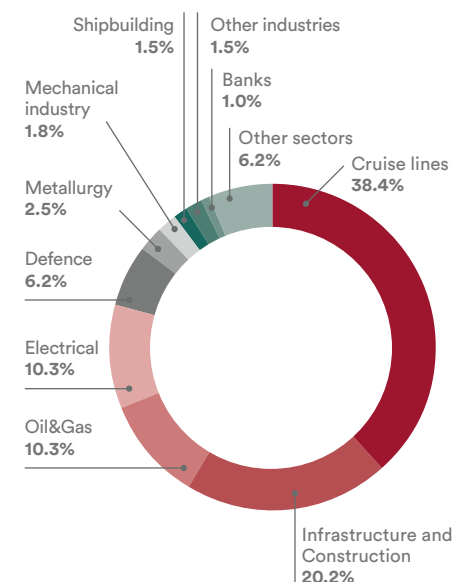


Volumes

The value of commitments underwritten in 2016 (in terms of principal and interest) amounted to € 13,173.9 million. The new commitments were mainly directed towards the Americas (32.3%), the European Union (31.1%) and the Middle East and North Africa (17.0%).

The industrial sectors most affected by SACE's activities were the cruise industry (38.4%), infrastructure and construction (20.2%) and oil and gas (10.3%).

Commitments approved in 2016 by industrial sector



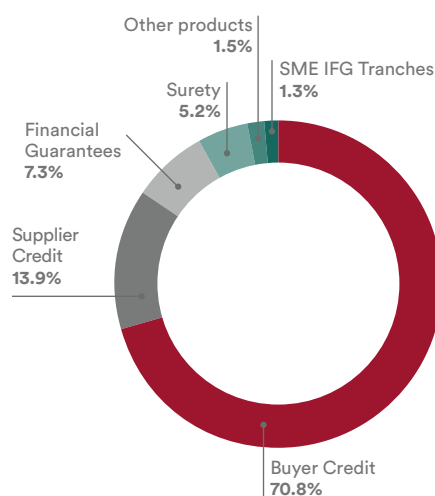
Details of the main transactions worth more than € 20 million approved in 2016 are provided below.

| COUNTRY | Geographical region | Sector of Industrial Activity | Commitments approved (€ m) |
|-----------------------------|----------------------------------|--------------------------------------|-----------------------------------|
| United States | North America | Cruise lines | 798.16 |
| United States | North America | Cruise lines | 768.83 |
| United States | North America | Cruise lines | 646.50 |
| United Kingdom | European Union | Cruise lines | 594.53 |
| United Kingdom | European Union | Cruise lines | 552.51 |
| United Kingdom | European Union | Cruise lines | 552.50 |
| United Kingdom | European Union | Cruise lines | 552.49 |
| United States | North America | Cruise lines | 512.59 |
| Egypt | North Africa | Electrical | 488.00 |
| United States | North America | Electrical | 462.01 |
| Russia (Russian Federation) | Other European and CIS countries | Oil & Gas | 456.94 |
| Dubai (UAE) | Middle East | Infrastructure and Construction | 394.90 |
| Italy | European Union | Defence | 380.00 |
| Brazil | Latin America | Oil & Gas | 324.51 |
| Kenya | Sub-Saharan Africa | Infrastructure and Construction | 311.41 |
| Kenya | Sub-Saharan Africa | Infrastructure and Construction | 252.85 |
| Egypt | North Africa | Electrical | 219.53 |
| Saudi Arabia | Middle East | Infrastructure and Construction | 218.74 |
| Oman | Middle East | Defence | 213.75 |
| Mexico | Latin America | Oil & Gas | 210.62 |
| Cameroon | Sub-Saharan Africa | Infrastructure and Construction | 181.64 |
| Cameroon | Sub-Saharan Africa | Infrastructure and Construction | 167.46 |
| Ethiopia | Sub-Saharan Africa | Infrastructure and Construction | 150.00 |
| Italy | European Union | Shipbuilding | 149.67 |
| Brazil | Latin America | Telecommunications | 126.59 |
| Italy | European Union | Infrastructure and Construction | 120.00 |
| Saudi Arabia | Middle East | Infrastructure and Construction | 111.90 |
| Angola | Sub-Saharan Africa | Defence | 104.29 |
| Angola | Sub-Saharan Africa | Defence | 94.23 |
| Russia (Russian Federation) | Other European and CIS countries | Oil & Gas | 85.00 |
| United Kingdom | European Union | Cruise lines | 81.16 |
| Algeria | North Africa | Metallurgy | 75.69 |
| Saudi Arabia | Middle East | Infrastructure and Construction | 70.52 |
| Qatar | Middle East | Infrastructure and Construction | 65.25 |
| Ethiopia | Sub-Saharan Africa | Infrastructure and Construction | 64.13 |
| Oman | Middle East | Metallurgy | 53.14 |
| Algeria | North Africa | Infrastructure and Construction | 50.00 |
| Chile | Latin America | Infrastructure and Construction | 49.09 |
| Brazil | Latin America | Chemicals/Petrochemicals | 47.11 |
| Italy | European Union | Oil & Gas | 45.22 |
| Qatar | Middle East | Infrastructure and Construction | 45.00 |
| Denmark | European Union | Infrastructure and Construction | 43.43 |

| COUNTRY | Geographical region | Sector of Industrial Activity | Commitments approved (€ m) |
|-----------------------------|----------------------------------|---------------------------------|----------------------------|
| Ghana | Sub-Saharan Africa | Infrastructure and Construction | 42.95 |
| Indonesia | Asia | Electrical | 41.74 |
| Turkey | Other European and CIS countries | Other industries | 40.47 |
| Mexico | Latin America | Oil & Gas | 36.45 |
| Republic of South Africa | Sub-Saharan Africa | Electrical | 36.14 |
| Angola | Sub-Saharan Africa | Oil & Gas | 33.41 |
| Italy | European Union | Infrastructure and Construction | 33.18 |
| Italy | European Union | Automotive | 32.35 |
| Italy | European Union | Infrastructure and Construction | 31.98 |
| Italy | European Union | Food processing | 31.58 |
| Turkey | Other European and CIS countries | Consumer goods | 30.79 |
| Egypt | North Africa | Electrical | 30.04 |
| Italy | European Union | Metallurgy | 30.00 |
| Russia (Russian Federation) | Other European and CIS countries | Oil & Gas | 30.00 |
| Italy | European Union | Metallurgy | 30.00 |
| Italy | European Union | Automotive | 28.75 |
| Italy | European Union | Shipbuilding | 27.50 |
| Italy | European Union | Oil & Gas | 25.42 |
| Malaysia | Asia | Chemicals/Petrochemicals | 24.61 |
| Indonesia | Asia | Metallurgy | 22.98 |
| Italy | European Union | Chemicals/Petrochemicals | 22.02 |
| Italy | European Union | Other industries | 21.92 |
| Qatar | Middle East | Infrastructure and Construction | 21.63 |
| Italy | European Union | Infrastructure and Construction | 20.27 |
| Algeria | North Africa | Infrastructure and Construction | 20.00 |
| Algeria | North Africa | Infrastructure and Construction | 20.00 |
| Qatar | Middle East | Infrastructure and Construction | 20.00 |
| Total | | | 11.678.07 |

The commitments approved were generated mainly by buyer credit policies (70.8%), supplier credit policies (13.9%) and financial guarantees (7.3%).

Commitments approved in 2016 by product

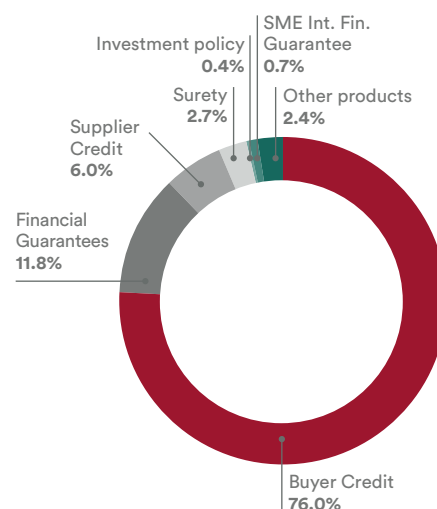


Premiums

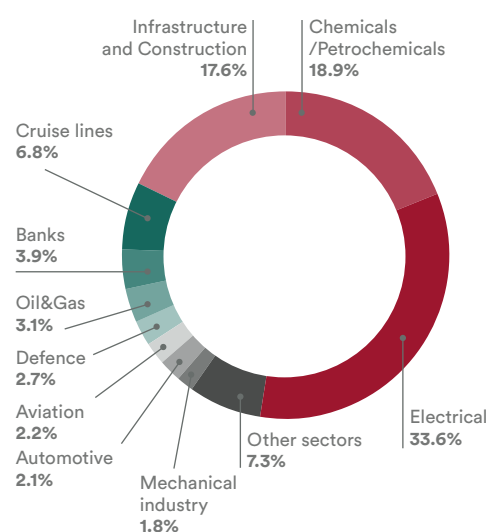
In 2016, gross premiums amounted to € 534.2 million and were generated for € 515.5 million by direct business and for € 18.8 million by indirect business (reinsurance provided). There was a 10% increase in gross premiums compared to 2015. The products that contributed most to premiums were the buyer credit policy (76.0%), financial guarantees (11.8%) and the supplier credit policy (6.0%).

The industrial sectors that accounted for most of the new business premiums were electricity (33.6%), chemicals and petrochemicals (18.9%), infrastructure and construction (17.6%), and the cruise industry (6.8%).

Gross premiums by product



Gross premiums by industrial sector



There was no change in the composition of gross premiums by business operations compared to 2015. Export credit continued to account for the highest proportion (84.2%) of all business operations.

The geographical regions with the highest concentrations of premiums are: North Africa (31.6%), Other European and CIS countries (19.6%) and the EU (16.1%).

Claims

Claims paid during 2016 amounted to € 344.1 million (with a year-over-year increase of 33%). The amount mainly refers to export credit insurance claims with counterparties in Germany (23%), Iran (19%), Russia (16%) and Ukraine (11%). The sectors with the highest claims were metallurgy (54%) and shipbuilding (23%).

Recoveries

In 2016 SACE collected € 731.4 million in political recoveries, significantly more than in the previous year (€ 169.3 million). Of the amount collected in 2016, € 526.5 million refer to repayments of receivables from Iran, mainly pursuant to the Settlement Agreement between SACE, the Iranian Ministry of Finance and the Central Bank of Iran on 25/01/2016 on the repayment of indemnification paid by SACE against outstanding sovereign debt.

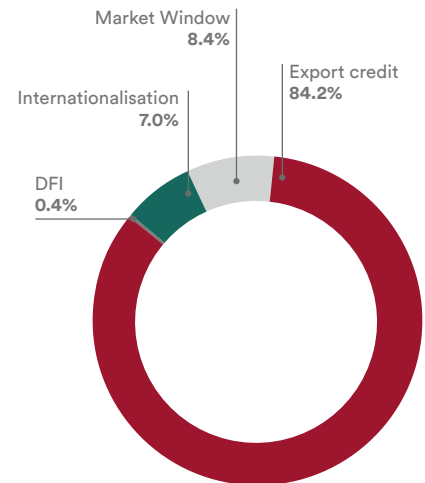
The remainder (€ 204.9 million) is in line with the result for 2015 and mainly reflects payments in connection with bilateral agreements with Iraq (€ 51.3 million), Egypt (€ 49.6 million), Argentina (€ 38.1 million), Ecuador (€ 25.9 million) and Cuba (€ 16.3 million).

As regards commercial recoveries, the total amount collected in 2016 stood at € 23.1 million.

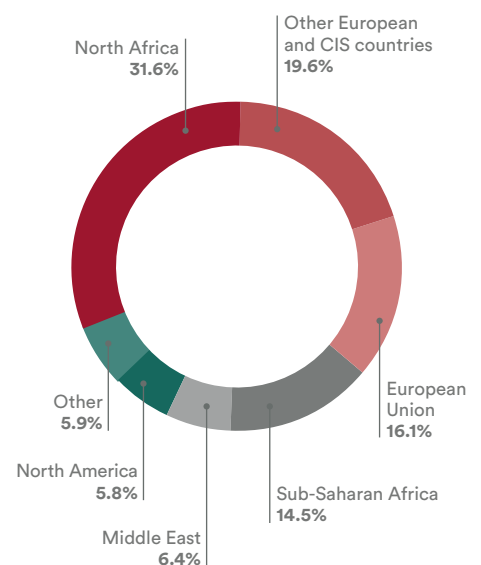
Risk portfolio

Total exposure, calculated as the sum of receivables and outstanding guarantees (principal and interest) amounted to € 43.8 billion, an increase of 4.5% compared to the end of 2015. The increase in the overall portfolio was attributable to the guarantees portfolio, which represents 98.4% of total exposure. Moreover, a number of sizeable operations were concluded during the year. The credit portfolio decreased by 38.7% compared to the figure for the end of 2015. The decrease was largely due to the sovereign component, which accounts for 75.9% of all credits and which decreased by 48.8% (from € 1,060.6 million to € 543.0 million) with respect to the end of 2015, mainly due to the collection of amounts due from Iran and the adjustment of positions with respect to a number of countries; the commercial component, which accounts for 24.1% of the portfolio, increased by 61.8% compared to 2015.

Gross premiums by business operations



Gross premiums by geographical region



| Portfolio | 2016 | 2015 | Var. |
|------------------------|-----------------|-----------------|-------------|
| Outstanding guarantees | 43,037.4 | 40,715.0 | 5.7% |
| <i>principal</i> | 37,210.6 | 35,063.4 | 6.1% |
| <i>interest</i> | 5,826.8 | 5,651.6 | 3.1% |
| Receivables | 715.8 | 1,167.4 | -38.7% |
| Total exposure | 43,753.2 | 41,882.5 | 4.5% |

The analysis by geo-economic region shows that the highest exposure was towards EU countries (36.4% in relation to 41.8% in 2015), a decrease of 9.2% compared to the previous year. Italy remained in top place in terms of concentration, accounting for 18.3%. There was a 23.7% increase in exposure towards the Americas, which account for 20.5% of the portfolio (compared to 17.3% in 2015). Other geo-economic regions together account for 43.1% of the portfolio. Exposure to these regions increased by an average of 20.8% compared to 2015. In detail, exposure towards the region referred to as "Other European and CIS countries" decreased by 7.6% (the impact on the portfolio fell from 18.5% in 2015 to 16.4% in 2016); exposure to the Middle East and North Africa increased by 42.2% (the impact on the portfolio increased from 11.1% in 2015 to 15.1% in 2016); exposure to East Asia and Oceania fell by -5.8% (the impact on the portfolio fell slightly from 8.7% in 2015 to 7.8% in 2016); lastly, the most significant increase in exposure was towards Sub-Saharan Africa, which rose by +54.5% compared to the previous year (the impact on the portfolio increased from 2.6% in 2015 to 3.9% in 2016).

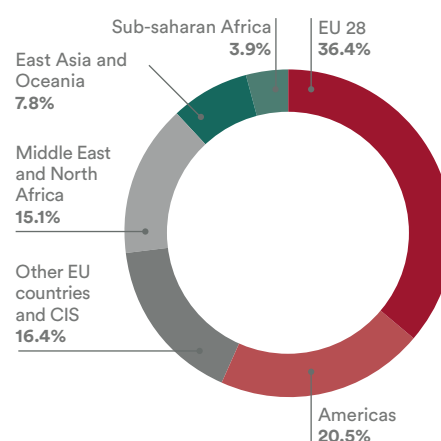
The analysis of the portfolio of guarantees in principal shows the amount concentrated in Italy to stand at 18.8%, lower than in 2015 when it was 27.7%. The value recorded for the top ten countries, at 69.0%, was practically unchanged with respect to 2015, when it was 68.3%.

The analysis by type of risk shows a sharp rise in sovereign risk (+57.2%) and a significant decrease in political risk (-55.8%). Exposure to private risk – considering both credit risk and surety bonds - continued to be the highest, with an incidence of 87.7% on the total portfolio (and an increase of 4.4% with respect to 2015).

| Type of risk | 2016 | 2015 | Change |
|---------------------|-----------------|-----------------|--------------|
| Sovereign | 3,859.1 | 2,455.0 | +57.2% |
| Political | 482.2 | 1,090.7 | -55.8% |
| Private sector risk | 32,622.4 | 31,261.5 | +4.4% |
| Ancillary | 246.9 | 256.2 | -3.6% |
| Total | 37,210.6 | 35,063.4 | +6.1% |

Within private risk, there was a 27.1% increase in project finance risk and a 24.4% rise in backed corporate risk. Exposure to corporate risk - credit business - remained substantially unchanged, increasing only slightly (+1%). Exposure to corporate risk - surety business - contracted by 2%. There was a decrease in structured finance risk (-18.2%) and bank risk (-16.9%), against an 8.8% increase in asset-based risks (aviation sector).

Total exposure by geo-economic region (%)



| Type of risk | 2016 | 2015 | Change |
|-----------------------------|-----------------|-----------------|--------------|
| Corporate - credit business | 13,959.2 | 13,823.3 | +1.0% |
| Banking | 2,221.6 | 2,674.8 | -16.9% |
| Aviation (Asset Based) | 752.5 | 691.6 | +8.8% |
| Backed corporate | 3,022.1 | 2,429.8 | +24.4% |
| Project Finance | 7,520.9 | 5,915.5 | +27.1% |
| Structured Finance | 2,341.5 | 2,863.7 | -18.2% |
| Corporate - surety business | 2,804.5 | 2,862.9 | -2.0% |
| Total | 32,622.4 | 31,261.5 | +4.4% |

The level of concentration by sector continued to be high, with the largest five sectors accounting for 74.3% of the total private portfolio. The main sector is the cruise industry, which accounted for 23.1% of the total compared to 20.7% in 2015; the oil & gas sector dropped to second place, accounting for 20.3% (21.8% in 2015).

Technical provisions

Technical provisions are calculated in order to cover the best estimate for the provision for unearned premiums using the CreditMetrics method (calculating the expected loss of the entire portfolio until its run off). The provision for claims outstanding is determined according to a prudent estimation on the basis of an objective analysis of each claim. A risk margin is also determined to cover non-market-consistent components in the calculation model.

The total value is calculated as the sum of:

- the provision for premium instalments, amounting to € 1,826.8 million, calculated as the portion of outstanding risk on the basis of the gross premiums written. The provision is calculated on a pro rata temporis basis;
- the provision for unexpired risks, equal to € 550 million;
- the provision for claims outstanding, amounting to € 512.0 million;
- the equalisation provision for credit insurance business, amounting to € 560.8 million.

Investments

SACE's financial management activities are carried out according to guidelines provided by the Board of Directors and have two macro objectives:

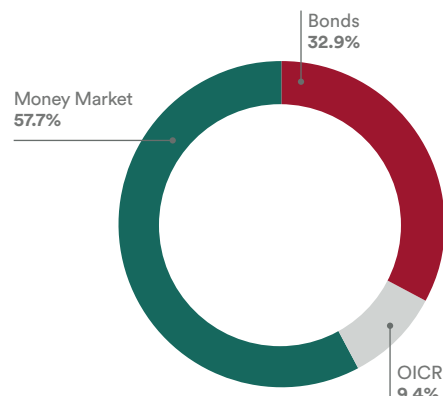
- to preserve the value of company assets: in line with new legislation and the financial context of reference, SACE pursues an integrated asset-liability management strategy that includes direct and indirect hedging transactions to offset negative variations in the guarantee and credit portfolio in case of risk factors worsening;
- to help the company pursue its economic goals.

This strategy, implemented through the use of highly liquid instruments with a limited risk profile, has resulted in values that are in line with the established limits for each type of investment. The capital absorbed is measured on the basis of Value-at-Risk techniques.

Total assets at the end of 2016 amounted to € 6,817.7 million. The breakdown of these is as follows: 32.9% invested in bonds and other debt securities, 9.4% in UCITS and 57.7% in money market instruments.

The non-current portfolio, equal to € 1,582.7 million, represents 23.2% of total assets and consists entirely of bonds, 93.5% of which are bonds issued by governments and supranational institutions. They have a duration of 2.69 years. The average portfolio rating is BBB+, unchanged with respect to the end of last year. 12.6% of the trading portfolio, of € 5,235.1 million, consists of bonds and other debt securities, 12.3% of UCITS made up of bonds and shares, and 75.2% of money market instruments.

Breakdown of the portfolio by asset class



Relations with other Export Credit Agencies (ECAs) and international organisations

To date SACE has signed 26 reinsurance agreements with other Export Credit Agencies. In 2016 SACE signed two memorandums of understanding on cooperation with the Belarus ECA Beleximgarant and with the Export Insurance Agency of Armenia. During the year SACE also reviewed the reinsurance agreement in place with the French ECA Coface, in view of the latter's transferral of activities to Bpifrance, and provided training services to the following institutions: EGFI (Iran), Aman Union (Saudi Arabia), EGCA (Oman), ECIC (South Africa) and the Egyptian Ministry of Trade and Industry within the framework of the European TAIEX programme.

Risk management

Risk management is based on constant improvements to processes and technology and investments in human resources, and is integrated in decision-making processes (risk-adjusted performance). The steps of identifying, measuring and controlling risks are essential factors in joint evaluation of company assets and liabilities using the most effective asset liability management techniques.

Though not subject to supervision by IVASS, the company implements its risk management in accordance with the fundamental principles of supervisory regulations¹ applicable to insurance undertakings. There are two main types of risks:

- **Technical risk:** meaning **underwriting risk**. For the SACE guarantees portfolio, it is the risk of financial losses arising from unfavourable trends in actual compared to expected claims (premium risk) or differences between the cost of claims and reserved cost (reserve risk). Both risks are managed by adopting prudent pricing and provisioning strategies, which are defined in accordance with market best practices, and through prudent underwriting policies, permanent monitoring and active portfolio management.
- **Market risk:** the risk of losses due to adverse changes in market prices of financial instruments, currencies and commodities. This type of risk is managed using asset-liability management techniques and kept within previously defined limits by adopting guidelines on asset allocation and market VaR techniques.



¹ IVASS Regulation No. 20 of 26 March 2008.

The following risks are also identified and, where necessary, measured and mitigated by adopting appropriate management procedures:

- **Liquidity risk;** the risk of the company being unable to meet financial obligations without suffering losses due to the inability to liquidate investments and other assets. For insurance portfolios liquidity risk is not significant since, in addition to the technical forms of underwriting which enable the settlement of the claim to be spread out over time, the investment policy is based heavily on the specific liquidity needs of investments. All the securities in the portfolios used to cover technical reserves are traded in regulated markets and the short average life of the investments guarantees their rapid turnover.
- **Operational risk:** the risk of incurring losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. SACE conducts periodical self-assessments of potential operational risk factors to identify loss events and propose any appropriate corrective measures.
- **Reputational risk:** the risk of damage to the company's image and conflict with policyholders, also due to the provision of services that are not up to standard, inadequacy of policies or lack of customer satisfaction with the sales network. As far as SACE is concerned this risk is mainly associated with damage to the company's image as a result of non-alignment of procedures and contract forms with Italian and EU requirements, and any sanctions resulting from such non-compliance. This risk is notably mitigated by the existing internal control and risk management divisions, for example the Compliance Service, and by adopting specific internal procedures directed towards regulating all operations performed by SACE.
- **Risk of belonging to a group: "contamination" risk,** intended as the risk that, as a result of transactions between the company and other group entities, difficulties experienced by an entity in the same group may have negative effects on the company; risk of conflict of interest.
- **Risk of non-compliance with regulations:** the risk of facing legal or administrative fines, suffering losses or damage to reputation as a result of failure to comply with laws, regulations or measures of the Supervisory Authorities or rules of self-regulation, such as bylaws, codes of conduct or codes of ethics; risk from unfavourable changes in the regulatory framework or national case law.

The risk management function:

- Proposes methods and develops models and procedures for the measurement and integrated control of the risks to which the company is exposed, monitors the correct allocation of economic capital, in line with the relevant company guidelines and applicable legislation.
- Oversees the definition of the risk appetite framework and operational limits and monitors compliance with these throughout the year.
- Defines, develops and periodically reviews procedures for measurement and control of the risk/return ratio and the creation of value by individual risk taking units.
- Determines the current and future internal capital with regard to the relevant risks, ensuring the measurement and integrated control of overall risk exposure by defining the procedures for identifying, evaluating, monitoring and reporting risks, including scenario analysis and stress tests.
- Monitors the levels of the technical provisions together with the other functions concerned.
- Monitors transactions with the aim of optimising capital structure and the management of reserves and liquidity (ALM).

Risk governance is entrusted to the following bodies in addition to those specified in the company's articles of association:

- Board of Directors: Approves strategies, procedures, management policies and organisational aspects.
- Management Committee: Examines and evaluates the strategies and objectives of SACE and of other group companies; validates and monitors business plans; investigates key issues regarding management and operational guidance of SACE and of group companies.
- Operations Committee: Examines assumption, indemnities, restructuring and other significant operations and assesses their permissibility compatibly with the risk management guidelines drawn up by Risk Management.
- Investments Committee: Periodically defines company portfolio investment strategies to optimise the risk/return profile of financial activities and compliance with the guidelines established by the Board of Directors. Monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions. Submits proposals for updating the guidelines on financial activities by the decision-making body.

Reinsurance

Reinsurance is an essential tool for integrated risk management and control. To safeguard its portfolio and meet its strategic objectives, SACE has reinsurance protection in line with market criteria and according to current best practice in the export credit sector. The main purposes of reinsurance are:

- to create a more balanced portfolio;
- to improve the company's financial soundness;
- to share the risk with reliable insurance counterparties;
- to stabilise operating results;
- to increase underwriting capacity.

The choice of reinsurance cover is based on the above criteria, and specifically:

- Quota share reinsurance: Aimed mainly at enhancing underwriting capacity. This type of cover is also used when the structure of the reinsurance contract (especially the ceding commission) makes reinsurance economically viable.
- Surplus share reinsurance: Purchased to increase underwriting capacity towards debtors/countries in relation to which the company has already reached its full underwriting capacity.
- Non-proportional reinsurance (excess of loss or stop loss): This type of cover is purchased to enhance SACE's guarantee portfolio in terms of capital relief (XOL) or to stabilise the technical account (SL).

In 2016 a significant portion of the portfolio was again ceded to the Ministry of the Economy and Finance pursuant to the Agreement between SACE and the Ministry approved by the Decree of the President of the Council of Ministers on 20 November 2014, filed with the Court of Auditors on 23 December 2014. Almost all of the remaining portion was ceded to companies in Canada, Korea and Great Britain.

Internationalisation Financial Guarantees

As regards financial guarantees for internationalisation (Italian Law No. 80/2005, art. 11-*quinques*), although outstanding guarantees and premiums approved remained substantially unchanged (-1% and -3%, respectively) with respect to the previous year, SACE increased its support for Italian exporters both in terms of commitments approved, for approximately € 162 million (+15%) and loans granted (approximately € 296 million, +15%). In 2016, 76% of the guarantees were issued to SMEs and the remainder to corporations with a turnover of between € 50 and € 250 million.

| Internationalisation guarantees: FY 2016 | Total portfolio | of which SMEs |
|--|-----------------|---------------|
| Average % of export turnover | 53% | 50% |
| Loans guaranteed | € 296 million | € 159 million |
| Exposure approved (K + I) | € 162 million | € 87 million |

The portfolio accumulated was concentrated in the central and southern Italy (37% of total guarantees issued), and in the north-east (29% of total guarantees issued), followed by the north-west (19%) and centre-north (12%).

Human resources

At 31 December 2016 there were 490 employees on the payroll, an increase of 2% compared to the previous year. During the year, 45 people were hired and 36 left the company.

Distribution of staff by grade

| Grade | No. | Composition |
|-----------------|------------|-------------|
| Senior managers | 33 | 7% |
| Managers | 240 | 49% |
| Clerical staff | 217 | 44% |
| Total | 490 | 100% |

Distribution of staff by age group

| Age group | Composition | Change |
|-------------------|-------------|------------|
| Under 30 | 10% | |
| Between 31 and 39 | 35% | |
| Between 40 and 49 | 32% | 1% |
| Over 50 | 23% | -1% |

Distribution of staff by qualification

| Qualification | Composition | Change |
|------------------------------------|-------------|--------|
| Degree | 75% | 2% |
| Secondary school certificate/other | 25% | -2% |

The figures show that the level of education of staff has improved following continuous growth over the last few years. Training schemes continued to be offered to all employees. These included languages and managerial courses, in addition to the courses required by law (Italian Legislative Decrees 231/2001, 196/2003, 81/2008). The company's training programme aims to strengthen the specific technical skills required by the various business areas, by developing the managerial abilities and leadership qualities needed to manage complexity and change and supporting knowledge creation and sharing. High level training continued to be offered and amounted to a total of 12,501 hours in 2016 (12,336 hours in 2015). An experimental Smart Working project was also launched in 2016. The aim of this new flexible working option is to contribute to building a stronger performance culture and improving the work life balance. The project involved 28 people for a total of 232 working days.

Litigation

At 31 December 2016, SACE was party to 24 lawsuits, most of which relating to insurance commitments assumed prior to 1998. In particular, the company was defendant in 16 lawsuits, amounting to a reserved amount of some € 21 million, and plaintiff in 8 lawsuits, for around € 224 million. SACE was plaintiff in a further 47 proceedings to obtain recognition of its privilege pursuant to Italian Legislative Decree 123/98 to payment before other creditors in insolvency proceedings, for claims paid (or being paid) against guarantees to support the internationalisation of business enterprises and in 7 labour disputes.

Corporate Governance

Organisation, management and control model pursuant to Italian Legislative Decree No. 231/01

The management of SACE is based on principles of compliance and transparency and the adoption of a framework of prevention and control that is described below. The most recent version of the Organisation, management and control model ("Model") was approved on 22 July 2015 by SACE's Board of Directors pursuant to and for the effects specified by Italian Legislative Decree No. 231/01 ("Decree"). The Model is regularly updated on the basis of audits which include the definition of a risk map and analysis of the system of internal controls. The Model comprises:

- a general part that illustrates the principles of the Decree, the analysis of the System of Internal Controls, the Supervisory Body, the disciplinary system, staff training and dissemination of the Model both within and outside the company;
- a special part that identifies the areas of specific interest in relation to the business activities undertaken, for which a potential risk of perpetrating offences is theoretically possible. This part includes references to the System of Internal Controls with regard to the prevention of offences.

The function of monitoring the suitability and application of the Model has been assigned to a Supervisory Body, a collective body appointed by the Board of Directors. It has three members, who must meet the following criteria: have proven experience, have in-depth knowledge of the company and its operations and be skilled in their respective professional fields. At the time of appointing the Supervisory Body, the Board also appoints one member as the Chair.

The Body provides an annual report to the Board of Directors and the Board of Statutory Auditors. The Supervisory Body also meets the Supervisory Bodies of the other SACE Group companies at least once a year. This meeting is an opportunity to jointly examine issues concerning the activities of said Bodies, to discuss the work undertaken during the previous year and that planned for the coming year and to agree upon any joint action to be taken within the scope of their activities.

Code of Conduct

The Code of Conduct sets out the principles with which SACE and its subsidiaries are expected to comply in their relations with stakeholders. The Code of Conduct and the Model are two separate documents, although they are both an integral part of the prevention system that has been adopted.

These guidelines reflect SACE's mission to make business ethics a concrete part of company life.

The Code recognises the legal relevance and mandatory effect of the principles and values that must guide the actions of SACE's stakeholders and is part of the Organisational, Management and Control Model pursuant to Italian Legislative Decree No. 231/01. Under the Code, all external parties with which SACE does business are required to act in accordance with the rules and procedures inspired by those same principles. To make all internal and external stakeholders aware of the Code, it is published on each company's internet and intranet site and sent by email to each employee.

The Code of Conduct has been drawn up to clearly define the set of values that SACE recognises, accepts and shares and the set of responsibilities it assumes vis-à-vis parties within and outside the company.

System of internal control and risk management

The system of internal controls and risk management is built around a set of rules, processes, procedures, functions, organisational structures and resources aimed at ensuring the correct functioning and good performance of the company and achievement of the following objectives: implementation of company strategies and policies; adequate control of current and future risks and containment of risk within the limits indicated in the reference framework for determining the company's risk appetite; the effectiveness and efficiency of company processes; the timeliness of company reporting systems; the reliability and integrity of company, accounting and management information and security of IT data and procedures; the safeguarding of equity, asset value and protection from losses, including over the medium and long term; the compliance of transactions with the law and supervisory regulations, as well as internal regulations, policies and procedures.

All levels have specific responsibilities within the system of internal controls and risk management. In detail:

- The Board of Directors has ultimate responsibility for the system and for ensuring its completeness, functionality and efficacy at all times. The Board of Directors approves the company's organisational structure and the assignment of duties and responsibilities to the various operational units and is responsible for ensuring their continued adequacy. It also has responsibility for ensuring the adequacy of the risk management system to identify, evaluate and control risks, including future risks, when implementing the company's business strategies and policies and in view of the evolution of internal and external factors, in order to guarantee

the safeguarding of the company's assets, including in the medium and long term. Lastly, it promotes a high level of business integrity, ethical conduct and a culture of internal control in order to raise awareness among everyone at the company about the importance and usefulness of such controls.

- Senior management is responsible for the application, maintenance and monitoring of the system of internal controls and risk management and for defining its organisational structure, functions and responsibilities.
- The Board of Statutory Auditors must evaluate the efficacy and efficiency of the system of internal controls, especially as regards the actions of the Internal Auditing function by verifying its compliance with the requirements of autonomy, independence and functionality. It must also inform the Board of Directors of any anomalous situations or weaknesses in the system of internal controls, suggest appropriate corrective measures and see that these are implemented.

The system of internal controls and risk management is organised on three levels.

1. First level checks: The operational units and heads of each unit identify, evaluate, monitor, mitigate and report all material risks associated with the company's ordinary business activities, in accordance with the risk management process. To that end, they must check that operations are carried out properly and that established limits are respected in line with the risk objectives and the procedures of the risk management process.
2. Second level checks: The Risk Management and Compliance functions are responsible for ensuring: (i) correct implementation of the risk management process, (ii) that the various functions respect the established operating limits and (iii) compliance of business activities with the relevant rules and regulations.
3. Third level checks: The Internal Auditing function is responsible for monitoring and periodically evaluating the efficacy and efficiency of the risk management, control and governance system, in relation to the type and importance of the risk.

Internal Auditing

Internal Auditing performs independent and impartial assurance and consultancy activities on behalf of SACE and its subsidiaries, aimed at improving the efficacy and efficiency of the organisation. It helps the company to pursue its objectives by adopting a systematic approach that generates added value by evaluating and improving the governance, risk management and control processes and identifying sources of inefficiency in order to enhance corporate performance. The mandate of the Internal Auditing function, approved by the Board of Directors, sets out its purposes, authority and responsibilities and defines the reporting lines to senior management for communicating the results of its activities and the annual plan. The latter is approved by the Board of Directors and establishes the audit work priorities, identified on the basis of the company's strategic objectives and the assessment of current and future risks in view of trends in operating performance. The annual plan may also be reviewed and amended in response to significant changes that affect the company's business, plans, systems, activities, risks or controls. Internal Auditing monitors the system of controls at all levels and works to promote a culture of control endorsed by the Board of Directors. The function carries out its activities in compliance with the regulatory framework, international standards for the professional practice of internal auditing and the Code of Ethics of the Institute of Internal Auditors.

The manager responsible for financial reporting

The Chief Financial Officer is responsible for preparing the corporate accounting documents of SACE. The provisions of art. 13 of the Articles of Association of SACE establishing the professional requirements and procedures for appointing and dismissing the manager responsible for preparing the corporate accounting documents are provided below.

Article 13 (paragraphs 10.1 - 10.8) of the Articles of Association of SACE

10.1. The Board of Directors may, with the compulsory consent of the Board of Auditors, appoint a manager responsible for preparing the corporate accounting documents, of which in art. 154-bis of the Consolidation Act for dispositions on financial matters (Legislative Decree 58 dated 1998 and subsequent amendments), for a period of not less than the term of office of the Board and not more than six business years.

10.2. The manager responsible for preparing the corporate accounting documents must be in possession of the same probity requirements as the directors, and according to the DPCM cannot hold any office in the management or control bodies, or managerial functions within Eni S.p.A and its subsidiaries, nor have any direct or indirect relations of a professional or equity nature with such companies.

10.3. The manager responsible for preparing the corporate accounting documents must be chosen on the basis of criteria of professionalism and skills from among the directors who have acquired an overall experience of at least three years in the management of businesses or consultancy firms or professional firms.

10.4. The Board of Directors may dismiss the manager responsible for preparing the corporate accounting documents only for legitimate reasons and with the consent of the Board of Statutory Auditors.

10.5. The manager responsible for preparing the corporate accounting documents shall withdraw from office in the absence of the requirements necessary for taking office. Withdrawal will be declared by the Board of Directors within thirty days of becoming aware of the absence of requirements.

10.6. The manager responsible for preparing the corporate accounting documents will set adequate accounting and administrative procedures for drawing up the financial statements and the consolidated financial statements, if provided.

10.7. The Board of Directors will ensure that the manager responsible for preparing the corporate accounting documents is conferred with adequate powers and means for exercising the duties conferred and ensure the effective respect of the management and accounting procedures.

10.8. The Chief Executive Officer and the manager responsible for preparing the corporate accounting documents will certify the effective application of the procedures of which in paragraph 6 during the course of the business year to which the documents refer, in a suitable report attached to the business year financial statements and consolidated financial statements, if provided, and certify their correspondence to the findings in the accounts books and documents and their suitability in terms of providing a truthful and correct representation of the equity, economic and financial situation of the company and the group of companies in the scope of consolidation, in the case of the consolidated financial statements being provided.

Social and cultural commitments

Once again, in 2016 SACE confirmed its commitment to social and cultural concerns by supporting non-profit organisations with financial contributions and through the voluntary participation of a growing number of employees. More specifically, SACE supported: Dynamo Camp, a recreational therapy summer camp for children and

young people suffering from serious illness; Komen Italia, an association active in the fight against breast cancer; Fondazione Veronesi, which promotes scientific research activities; Rondine the Citadel of Peace, which promotes the culture of dialogue and peace through an international students' hall of residence; Jointly, an organisation that promotes corporate welfare activities; FAI (Fondo Ambiente Italiano - the Italian National Trust), a foundation concerned with safeguarding the national heritage; Lega del Filo d'Oro, an association specialised in breaking down the barriers to the inclusion of deaf and dumb people. Blood donation days were organised in collaboration with Bambino Gesù children's hospital in Rome and AVIS (Italian Association of Voluntary Blood Donors) in Milan. SACE also actively protects the environment, with energy-efficiency, energy-saving measures and by upgrading the waste recycling system within the company.

Subsidiaries and Parent Company

SACE is under the direction and coordination of its shareholder, Cassa depositi e prestiti. As part of its business operations, SACE has never engaged in any transactions with its subsidiaries that are atypical or outside its normal scope of business. All intra-group transactions are settled at arm's length and regarded the following:

- services rendered under specific agreements in that they do not constitute the company's core business;
- costs for rental of offices;
- reinsurance business with the SACE BT subsidiary;
- shareholders' loan agreement and irregular deposits in favour of the SACE Fct subsidiary.

With reference to relations with the parent company Cassa depositi e prestiti, it should be noted that in 2016 insurance guarantees were issued which generated premiums for approximately € 37.2 million (€ 11.9 million in 2015). SACE's financial investment portfolio contains 2 bonds with a total nominal value of € 84 million issued by the parent company Cassa depositi e prestiti and acquired by SACE before the change of the controlling shareholder. Furthermore, on 31 December 2016 there were € 175 million as time deposits and € 2,411 million as demand deposits at the parent company Cassa depositi e prestiti.

On 30 September 2016, following the transfer by the shareholder, SIMEST became a member of the SACE group.

Other information

On 27 September 2016 SACE was formally included in the consolidated tax regime of the parent company Cassa depositi e prestiti for the three-year period 2016-2018.

Main events after the closure of the year

There were no significant events after the closure of the year.

Business outlook for 2017

Global GDP growth is estimated at 3.4% in 2017, sustained, on one hand, by expansion in China and India and held back, on the other, by the recession in a number of emerging countries that continue to face difficulties linked to the fragility of the banking system, reduced spending capacity caused by low commodity prices, the burden of debt on public finances and continuing political violence. As regards the American economy, much will depend on the economic policy stance of the incoming administration, which has yet to be defined in detail. The Federal Reserve's restrictive monetary policy approach should lead to a strengthening of the dollar, which could have positive repercussions for Italian exporters. The UK economy is shrouded in uncertainty following the Brexit vote and its possible effects in the medium term. Italy's GDP is projected to continue the trend of positive growth, driven by domestic demand and the strengthening of foreign demand. More favourable conditions on the credit market should help to boost private spending and the recovery of capital accumulation.

On the basis of the results for the opening months of the year, the outlook for earnings as set forth in the Business Plan is confirmed.

Rome, 21 March 2017

on behalf of the board of directors
Chief Executive Officer
Alessandro Maria Decio

Balance sheet, profit and Loss account

Annex I

| | | |
|----------------------|--|------------------------|
| Company | SACE S.p.A. | |
| Subscribed capital | Eur 3,730,323,610 | Paid Eur 3,730,323,610 |
| Registered offices | ROME | |
| Financial statements | BALANCE SHEET 2016 (Amounts in euros) | |

Balance sheet non life - Insurance business assets

| | | | | | | Current year |
|---|---|----|---|-----------------------|----------------|----------------|
| A. SUBSCRIBED CAPITAL UNPAID | | | | | | 1 |
| of which called-up capital | | | | | | |
| | 2 | | 0 | | | |
| B. INTANGIBLE ASSETS | | | | | | |
| 1. Deferred acquisition commissions | | | | | | |
| a) Life business | | | | | | |
| | 3 | | 0 | | | |
| b) Non-life business | | | | | | |
| | 4 | 0 | 5 | | 0 | |
| 2. Other acquisition costs | | | | | | |
| | | 6 | | | 0 | |
| 3. Start-up and expansion costs | | | | | | |
| | | 7 | | | 0 | |
| 4. Goodwill | | | | | | |
| | | 8 | | | 0 | |
| 5. Other multi-year costs | | | | | | |
| | | 9 | | 565,127 | | 10 565,127 |
| C. INVESTMENTS | | | | | | |
| I - Land and buildings | | | | | | |
| 1. Property used in company operations | | | | | | |
| | | 11 | | 61,764,066 | | |
| 2. Property rented to third parties | | | | | | |
| | | 12 | | 1,072,531 | | |
| 3. Other properties | | | | | | |
| | | 13 | | 0 | | |
| 4. Other properties rights | | | | | | |
| | | 14 | | 0 | | |
| 5. Construction in progress and advance | | | | | | |
| | | 15 | | 0 | 16 62,836,597 | |
| II - Investments in Group companies and other shareholdings | | | | | | |
| 1. Shares and interests in: | | | | | | |
| a) controlling companies | | | | | | |
| | | 17 | | 0 | | |
| b) subsidiary companies | | | | | | |
| | | 18 | | 415,301,673 | | |
| c) affiliated companies | | | | | | |
| | | 19 | | 0 | | |
| d) associated companies | | | | | | |
| | | 20 | | 7,954,057 | | |
| e) other companies | | | | | | |
| | | 21 | | 22 423,255,729 | | |
| 2. Bond issued by: | | | | | | |
| a) controlling companies | | | | | | |
| | | 23 | | 82,853,826 | | |
| b) subsidiary companies | | | | | | |
| | | 24 | | 0 | | |
| c) affiliated companies | | | | | | |
| | | 25 | | 0 | | |
| d) associated companies | | | | | | |
| | | 26 | | 0 | | |
| e) other companies | | | | | | |
| | | 27 | | 0 | 28 82,853,826 | |
| 3. Loans to: | | | | | | |
| a)controlling companies | | | | | | |
| | | 29 | | 0 | | |
| b) subsidiary companies | | | | | | |
| | | 30 | | 125,000,000 | | |
| c) affiliated companies | | | | | | |
| | | 31 | | 0 | | |
| d) associated companies | | | | | | |
| | | 32 | | 0 | | |
| e) other companies | | | | | | |
| | | 33 | | 0 | 34 125,000,000 | 35 631,109,555 |
| | | | | to be carried forward | | 565,127 |

Previous year

| | | | | | |
|-----|-----------------------|-------------|-------------|------------|-------------|
| | | | 181 | 0 | |
| | 182 | 0 | | | |
| 183 | 0 | | | | |
| 184 | 0 | 185 | 0 | | |
| | 186 | 0 | | | |
| | 187 | 0 | | | |
| | 188 | | | | |
| | 189 | 374,746 | 190 | 374,746 | |
| | 191 | 62,372,887 | | | |
| | 192 | 1,127,113 | | | |
| | 193 | 0 | | | |
| | 194 | 0 | | | |
| | 195 | 0 | 196 | 63,500,000 | |
| 197 | 0 | | | | |
| 198 | 161,891,959 | | | | |
| 199 | 0 | | | | |
| 200 | 7,954,057 | | | | |
| 201 | 202 | 169,846,016 | | | |
| 203 | 82,550,210 | | | | |
| 204 | 0 | | | | |
| 205 | 0 | | | | |
| 206 | 0 | | | | |
| 207 | 0 | 208 | 82,550,210 | | |
| 209 | 0 | | | | |
| 210 | 295,000,000 | | | | |
| 211 | 0 | | | | |
| 212 | 0 | | | | |
| 213 | 0 | 214 | 295,000,000 | 215 | 547,396,226 |
| | to be carried forward | | | | 374,746 |

Balance sheet non life - Insurance business assets

| | | carried forward | | | | Current year |
|--------|--|-----------------------|---------------|----|---------------|------------------|
| | | | | | | 565,127 |
| C. | INVESTMENTS (continued) | | | | | |
| III | - Other financial investments | | | | | |
| | 1. Shares and interests | | | | | |
| | a) Listed shares | 36 | 0 | | | |
| | b) Unlisted shares | 37 | 0 | | | |
| | c) Interests | 38 | 0 | 39 | 0 | |
| | 2. Shares in common investment funds | | | 40 | 641,899,131 | |
| | 3. Bonds and other fixed-income securities | | | | | |
| | a) listed | 41 | 1,530,455,193 | | | |
| | b) unlisted | 42 | 0 | | | |
| | c) convertible debentures | 43 | 0 | 44 | 1,530,455,193 | |
| | 4. Loans | | | | | |
| | a) loans secured by mortgage | 45 | 3,324,110 | | | |
| | b) loans on policies | 46 | 0 | | | |
| | c) other loans | 47 | 0 | 48 | 3,324,110 | |
| | 5. Participation in investment pools | | | 49 | 0 | |
| | 6. Deposits with credit institutions | | | 50 | 1,310,169,813 | |
| | 7. Other financial investments | | | 51 | 627,832,509 | 52 4,113,680,757 |
| IV | - Deposits with ceding companies | | | 53 | 98,559 | 54 4,807,725,468 |
| D. | INVESTMENTS FOR THE BENEFIT OF LIFE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS | | | | | |
| I | - Investments relating to contracts linked to investment funds and market indexes | | | 55 | 0 | |
| II | - Investments relating to the administration of pension funds | | | 56 | 0 | |
| | | | | | | 57 0 |
| D bis. | REINSURERS' SHARE OF TECHNICAL PROVISIONS | | | | | |
| | I - NON-LIFE BUSINESS | | | | | |
| | 1. Provisions for unearned premiums | 58 | 550,250,339 | | | |
| | 2. Provisions for claims outstanding | 59 | 22,830,294 | | | |
| | 3. Provisions for profit-sharing and premium refunds | 60 | 0 | | | |
| | 4. Other technical provisions | 61 | 41,797,324 | 62 | 614,877,957 | |
| | II - LIFE BUSINESS | | | | | |
| | 1. Provisions for policy liabilities | 63 | 0 | | | |
| | 2. Unearned premium provision for supplementary coverage | 64 | 0 | | | |
| | 3. Provision for sums to be paid | 65 | 0 | | | |
| | 4. Provisions for profit-sharing and premium refunds | 66 | 0 | | | |
| | 5. Other technical provisions | 67 | 0 | | | |
| | 6. Technical provisions where the investments risk is borne by the policyholders and relating to the administration of pension funds | 68 | 0 | 69 | 0 | 70 614,877,957 |
| | | to be carried forward | | | | 5,423,168,552 |

Previous year

| | | | |
|-----|-----------------------|-----|---------------|
| | carried forward | | 374,746 |
| 216 | 34,485,687 | | |
| 217 | 0 | | |
| 218 | 0 | 219 | 34,485,687 |
| | | 220 | 575,687,650 |
| 221 | 1,525,135,238 | | |
| 222 | 0 | | |
| 223 | 0 | 224 | 1,525,135,238 |
| 225 | 4,345,340 | | |
| 226 | 0 | | |
| 227 | 0 | 228 | 4,345,340 |
| | | 229 | 0 |
| | | 230 | 2,966,484,339 |
| | | 231 | 720,753,860 |
| | | 232 | 5,826,892,114 |
| | | 233 | 126,823 |
| | | 234 | 6,437,915,164 |
| | | 235 | 0 |
| | | 236 | 0 |
| | | 237 | 0 |
| | | 238 | 329,792,954 |
| | | 239 | 18,345,176 |
| | | 240 | 0 |
| | | 241 | 47,021,989 |
| | | 242 | 395,160,119 |
| | | 243 | 0 |
| | | 244 | 0 |
| | | 245 | 0 |
| | | 246 | 0 |
| | | 247 | 0 |
| | | 248 | 0 |
| | | 249 | 0 |
| | | 250 | 395,160,119 |
| | to be carried forward | | 6,833,450,030 |

Balance sheet non life - Insurance business assets

| | | | | Current year | |
|---|----|---------------|----|-----------------|-------------------|
| | | | | carried forward | |
| | | | | 5,423,168,552 | |
| E. RECEIVABLES | | | | | |
| I - Receivables arising out of direct insurance business: | | | | | |
| 1. Policyholders | | | | | |
| a) for premiums current year | 71 | 31,645,617 | | | |
| b) for premiums previous years | 72 | 7,351,015 | 73 | 38,996,632 | |
| 2. Insurance intermediaries | 74 | 0 | | | |
| 3. Current accounts with Insurance companies | 75 | 0 | | | |
| 4. Policyholders and third parties for recoveries | 76 | 511,753,256 | 77 | 550,749,888 | |
| II - Receivables arising out of reinsurance operations: | | | | | |
| 1. Insurance and Reinsurance companies | 78 | 16,303,202 | | | |
| 2. Reinsurance intermediaries | 79 | | 80 | 16,303,202 | |
| III - Other debtors | | | 81 | 316,335,815 | 82 883,388,905 |
| F. OTHER ASSETS | | | | | |
| I - Tangible assets and stocks: | | | | | |
| 1. Furniture, office machines and internal transport vehicles | 83 | 1,219,705 | | | |
| 2. Vehicles listed in public registers | 84 | 0 | | | |
| 3. Machinery and equipment | 85 | 5,270 | | | |
| 4. Stocks and other goods | 86 | 66,961 | 87 | 1,291,936 | |
| II - Cash at bank and in hand: | | | | | |
| 1. Bank and Postal accounts | 88 | 2,490,371,396 | | | |
| 2. Cheques and cash on hand | 89 | 2,378 | 90 | 2,490,373,774 | |
| III - Own shares or equity interests | | | 91 | 0 | |
| IV - Other | | | | | |
| 1. Deferred reinsurance items | 92 | 388,529 | | | |
| 2. Miscellaneous assets | 93 | 91,539,210 | 94 | 91,927,739 | 95 2,583,593,449 |
| G. PREPAYMENTS AND ACCURIED INCOME | | | | | |
| 1. Accrued interest | | | 96 | 27,893,307 | |
| 2. Rents | | | 97 | 0 | |
| 3. Other prepayments and accrued income | | | 98 | 669,195 | 99 28,562,503 |
| TOTAL ASSETS | | | | | 100 8,918,713,409 |

Previous year

| | | | | |
|-----|-----------------|-----|---------------|---------------|
| | carried forward | | 6,833,450,030 | |
| 251 | 61,233,965 | | | |
| 252 | 10,673,640 | 253 | 71,907,604 | |
| | | 254 | 0 | |
| | | 255 | 0 | |
| | 929,449,519 | 256 | 1,001,357,123 | |
| | 21,746,668 | | | |
| 259 | | 260 | 21,746,668 | |
| | | 261 | 539,681,682 | |
| | | | 262 | 1,562,785,473 |
| 263 | 1,252,188 | | | |
| 264 | 0 | | | |
| 265 | 7,512 | | | |
| 266 | 69,136 | 267 | 1,328,837 | |
| 268 | 68,743,257 | | | |
| 269 | 3,639 | 270 | 68,746,896 | |
| | | 271 | 0 | |
| 272 | -166,474 | | | |
| 273 | 47,404,658 | 274 | 47,238,183 | |
| | | | 275 | 117,313,916 |
| | | 276 | 26,598,580 | |
| | | 277 | 0 | |
| | | 278 | 475,800 | |
| | | 279 | 27,074,380 | |
| | | 280 | 8,540,623,798 | |

Balance sheet non life - Liabilities and shareholders' equity

Current year

| | | | | |
|---|---|-----|---------------|-------------------------|
| A. SHAREHOLDERS' EQUITY | | | | |
| I | - Subscribed capital or equivalent fund | 101 | 3,730,323,610 | |
| II | - Share premium reserve | 102 | 43,304,602 | |
| III | - Revaluation reserve | 103 | 0 | |
| IV | - Legal reserve | 104 | 235,799,020 | |
| V | - Statutory reserves | 105 | | |
| VI | - Reserves for own shares and shares of the controlling company | 106 | | |
| VII | - Other reserves | 107 | 233,906,851 | |
| VIII | - Net profit (loss) brought forward | 108 | | |
| IX | - Net profit (loss) for the year | 109 | 303,528,203 | |
| | | | | 110 4,546,862,286 |
| B. LINKED LIABILITIES | | | | 111 500,000,000 |
| C. TECHNICAL PROVISIONS | | | | |
| I - NON-LIFE BUSINESS | | | | |
| | 1. Provisions for unearned premiums | 112 | 2,376,846,640 | |
| | 2. Provisions for claims outstanding | 113 | 512,013,614 | |
| | 3. Provisions for profit-sharing and premium refunds | 114 | 0 | |
| | 4. Other technical provisions | 115 | 0 | |
| | 5. Equalization provision | 116 | 560,755,214 | 117 3,449,615,469 |
| II - LIFE BUSINESS | | | | |
| | 1. Provisions for policy liabilities | 118 | 0 | |
| | 2. Unearned premium provision for supplementary coverage | 119 | 0 | |
| | 3. Provision for sums to be paid | 120 | 0 | |
| | 4. Provision for profit-sharing and premium refunds | 121 | 0 | |
| | 5. Other technical provisions | 122 | 0 | 123 0 124 3,449,615,469 |
| D. PROVISIONS FOR POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS | | | | |
| I - Provisions relating to contracts linked to investment funds and market indexes | | | | |
| | | 125 | 0 | |
| II - Provisions relating to the administration of pension funds | | | | |
| | | 126 | 0 | 127 0 |
| | to be carried forward | | | 8,496,477,755 |

Previous year

| | | | | |
|-----------------------|---------------|---------------|---------------|-------------------|
| | 281 | 3,541,128,212 | | |
| | 282 | 0 | | |
| | 283 | 0 | | |
| | 284 | 215,466,407 | | |
| | 285 | | | |
| | 286 | | | |
| | 287 | 146,518,441 | | |
| | 288 | | | |
| | 289 | 406,652,262 | | |
| | | | 290 | 4,309,765,321 |
| | | | 291 | 500,000,000 |
| 292 | 1,958,707,467 | | | |
| 293 | 596,036,312 | | | |
| 294 | 0 | | | |
| 295 | 0 | | | |
| 296 | 532,055,802 | 297 | 3,086,799,581 | |
| 298 | 0 | | | |
| 299 | 0 | | | |
| 300 | 0 | | | |
| 301 | 0 | | | |
| 302 | 0 | 303 | 0 | 304 3,086,799,581 |
| | | | | |
| | 305 | 0 | | |
| | 306 | 0 | 307 | 0 |
| to be carried forward | | | | 7,896,564,902 |

Balance sheet non life - Liabilities and shareholders' equity

| | carried forward | | | Current year |
|---|-----------------|-----------------------|----------------|-----------------|
| E. PROVISIONS FOR OTHER RISKS AND CHARGES | | | | 8,496,477,755 |
| 1. Provisions for pensions and similar obligations | | 128 | 0 | |
| 2. Provisions for taxation | | 129 | 93,472,554 | |
| 3. Other provisions | | 130 | 84,588,242 | 131 178,060,796 |
| F. DEPOSITS RECEIVED FROM REINSURERS | | | | 132 0 |
| G. CREDITORS AND OTHER LIABILITIES | | | | |
| I - Creditors arising out of direct insurance operations: | | | | |
| 1. Insurance intermediaries | 133 | 0 | | |
| 2. Current accounts with Insurance companies | 134 | 0 | | |
| 3. Premium deposits and premiums due to policyholders | 135 | 30,423,619 | | |
| 4. Guarantee funds in favour of policyholders | 136 | 0 | 137 30,423,619 | |
| II - Creditors arising out of reinsurance operations: | | | | |
| 1. Insurance and Reinsurance companies | 138 | 82,546,552 | | |
| 2. Reinsurance intermediaries | 139 | 0 | 140 82,546,552 | |
| III - Debenture loans | | | 141 0 | |
| IV - Amounts owed to banks and credit institutions | | | 142 0 | |
| V - Loans guaranteed by mortgages | | | 143 0 | |
| VI - Miscellaneous loans and other financial liabilities | | | 144 0 | |
| VII - Provisions for employee termination indemnities | | | 145 5,285,488 | |
| VIII - Other creditors | | | | |
| 1. Premium taxes | 146 | 0 | | |
| 2. Other tax liabilities | 147 | 1,202,846 | | |
| 3. Social security | 148 | 1,468,238 | | |
| 4. Miscellaneous creditors | 149 | 47,883,051 | 150 50,554,135 | |
| IX - Other liabilities | | | | |
| 1. Deferred reinsurance items | 151 | 54,557 | | |
| 2. Commissions for premiums in course of collection | 152 | 0 | | |
| 3. Miscellaneous liabilities | 153 | 57,732,934 | 154 57,787,491 | 155 226,597,284 |
| | | to be carried forward | | 8,901,135,835 |

Previous year

| | | | |
|-----------------------|-------------|-----------------|-----------------|
| carried forward | | | 7,896,564,902 |
| | 308 | 0 | |
| | 309 | 109,442,400 | |
| | 310 | 90,844,096 | 311 200,286,496 |
| | | | 312 0 |
| 313 | 0 | | |
| 314 | 0 | | |
| 315 | 29,438,497 | | |
| 316 | 0 | 317 29,438,497 | |
| 318 | 81,190,664 | | |
| 319 | 0 | 320 81,190,664 | |
| | | 321 0 | |
| | | 322 0 | |
| | | 323 0 | |
| | | 324 0 | |
| | | 325 5,902,750 | |
| 326 | 0 | | |
| 327 | 233,565,553 | | |
| 328 | 1,440,860 | | |
| 329 | 43,638,555 | 330 278,644,968 | |
| 331 | 143,751 | | |
| 332 | 0 | | |
| 333 | 31,253,058 | 334 31,396,809 | 335 426,573,687 |
| to be carried forward | | | 8,523,425,086 |

Balance sheet non life - Liabilities and shareholders' equity

| | carried forward | | | Current year |
|--|-----------------|-----|------------|---------------------|
| H. ACCRUALS AND DEFERRED INCOME | | | | 8,901,135,835 |
| 1. Accrued interest | | 156 | 17,204,577 | |
| 2. Rents | | 157 | 306,194 | |
| 3. Other prepayments and accrued income | | 158 | 66,803 | 159 17,577,574 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | | | 160 8,918,713,409 |

Previous year

| | | | |
|-----------------|-----|------------|-------------------|
| carried forward | | | 8,523,425,086 |
| | 336 | 17,198,630 | |
| | 337 | 0 | |
| | 338 | 82 | 339 17,198,712 |
| | | | 340 8,540,623,798 |

Annex II

| | | |
|----------------------|--|------------------------|
| Company | SACE S.p.A. | |
| Subscribed capital | Eur 3,730,323,610 | Paid Eur 3,730,323,610 |
| Registered offices | ROME | |
| Financial statements | PROFIT AND LOSS ACCOUNT 2016 (Amounts in euros) | |

Profit & loss account

Values of the year

| I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE BUSINESS | | | | | |
|---|----|--------------|----|--------------|-------------|
| 1. PREMIUMS EARNED, NET OF REINSURANCE | | | | | |
| a) Gross premiums written | 1 | 534,242,469 | | | |
| b) (-) Outward reinsurance premiums | 2 | 152,308,612 | | | |
| c) Change in the gross provision for unearned premiums | 3 | 418,139,173 | | | |
| d) Change in the provision for unearned premiums, reinsurers' share | 4 | -173,238,491 | 5 | 137,033,175 | |
| 2. (+) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (Item III. 6) | | | | 6 | 121,522,913 |
| 3. OTHER TECHNICAL INCOME, NET OF REINSURANCE | | | | 7 | 5,760,929 |
| 4. CLAIMS INCURRED, NET OF RECOVERY AND REINSURANCE | | | | | |
| a) Claims paid | | | | | |
| aa) Gross amount | 8 | 354,126,652 | | | |
| bb) (-) reinsurers' share | 9 | 9,995,158 | 10 | 344,131,494 | |
| b) Change in recoveries, net of reinsurance | | | | | |
| aa) Gross amount | 11 | -267,194,475 | | | |
| bb) (-) reinsurers' share | 12 | -28,891,018 | 13 | -238,303,457 | |
| c) Change in the provisions for outstanding claims | | | | | |
| aa) Gross amount | 14 | -84,022,697 | | | |
| bb) (-) reinsurers' share | 15 | 4,485,118 | 16 | -88,507,816 | |
| 5. CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE | | | | 18 | 5,224,665 |
| 6. PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE | | | | 19 | 13,928,101 |
| 7. OPERATING EXPENSES: | | | | | |
| a) Acquisition commissions | 20 | 0 | | | |
| b) Other acquisition costs | 21 | 25,224,740 | | | |
| c) Change in commissions and other acquisition costs to be amortised | 22 | 0 | | | |
| d) Collecting commissions | 23 | 1,437,752 | | | |
| e) Other administrative expenses | 24 | 47,700,894 | | | |
| f) (-) Reinsurance commissions and profit-sharing | 25 | 22,018,400 | 26 | 52,344,986 | |
| 8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE | | | | 27 | 15,710,247 |
| 9. CHANGE IN THE EQUALISATION PROVISION | | | | 28 | 28,699,412 |
| 10. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (Item III. 1) | | | | 29 | 131,089,384 |

Profit & loss account

Values of the year

| II. TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS | | | | | |
|--|----|---|----|----|---|
| 1. PREMIUMS EARNED, NET OF REINSURANCE: | | | | | |
| a) Gross premiums written | 30 | 0 | | | |
| b) (-) Outward reinsurance premiums | 31 | 0 | | 32 | 0 |
| 2. INVESTMENT INCOME: | | | | | |
| a) From shares and interests | 33 | 0 | | | |
| (of which: from Group companies and other shareholdings) | 34 | 0 | | | |
| b) From other investments: | | | | | |
| aa) income from land and buildings | 35 | 0 | | | |
| bb) income from other investments | 36 | 0 | 37 | 0 | |
| (of which: from Group companies) | 38 | 0 | | | |
| c) Value re-adjustments on investments | 39 | 0 | | | |
| d) Gains on the disposal of investments | 40 | 0 | | | |
| (of which: from Group companies) | 41 | 0 | | 42 | 0 |
| 3. INCOME AND UNREALIZED GAINS ON INVESTMENTS TO THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS | | | | | |
| | | | | 43 | 0 |
| 4. OTHER TECHNICAL INCOME, NET OF REINSURANCE | | | | | |
| | | | | 44 | 0 |
| 5. CLAIMS INCURRED, NET OF REINSURANCE: | | | | | |
| a) Claims paid | | | | | |
| aa) Gross amount | 45 | 0 | | | |
| bb) (-) Reinsurers' share | 46 | 0 | 47 | 0 | |
| b) Change in the provisions for claims to be paid | | | | | |
| aa) Gross amount | 48 | 0 | | | |
| bb) (-) Reinsurers' share | 49 | 0 | 50 | 0 | |
| | | | | 51 | 0 |
| 6. CHANGE IN THE PROVISION FOR POLICY LIABILITIES AND IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE | | | | | |
| a) Provisions for policy liabilities: | | | | | |
| aa) Gross amount | 52 | 0 | | | |
| bb) (-) Reinsurers' share | 53 | 0 | 54 | 0 | |
| b) Unearned premium provision for supplementary coverage: | | | | | |
| aa) Gross amount | 55 | 0 | | | |
| bb) (-) Reinsurers' share | 56 | 0 | 57 | 0 | |
| c) Other technical provisions | | | | | |
| aa) Gross amount | 58 | 0 | | | |
| bb) (-) Reinsurers' share | 59 | 0 | 60 | 0 | |
| d) Provisions for policies where the investment risk is borne the policyholders and relating to the administration of pension funds | | | | | |
| aa) Gross amount | 61 | 0 | | | |
| bb) (-) Reinsurers' share | 62 | 0 | 63 | 0 | |
| | | | | 64 | 0 |

Values of the previous year

| | | | | |
|----------------------------------|-----|---|-----|---|
| | 140 | 0 | | |
| | 141 | 0 | 142 | 0 |
| | 143 | 0 | | |
| (of which: from Group companies) | 144 | 0 | | |
| | 145 | 0 | | |
| | 146 | 0 | 147 | 0 |
| (of which: from Group companies) | 148 | 0 | | |
| | 149 | 0 | | |
| | 150 | 0 | | |
| (of which: from Group companies) | 151 | 0 | 152 | 0 |
| | | | 153 | 0 |
| | | | 154 | 0 |
| | 155 | 0 | | |
| | 156 | 0 | 157 | 0 |
| | 158 | 0 | | |
| | 159 | 0 | 160 | 0 |
| | 162 | 0 | | |
| | 163 | 0 | 164 | 0 |
| | 165 | 0 | | |
| | 166 | 0 | 167 | 0 |
| | 168 | 0 | | |
| | 169 | 0 | 170 | 0 |
| | 171 | 0 | | |
| | 172 | 0 | 173 | 0 |
| | | | 174 | 0 |

Profit & loss account

| | | | | Values of the year | |
|-----------------------------------|--|----|---------------|--------------------|---------------|
| 7. | PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE | | | 65 | 0 |
| 8. | OPERATING EXPENSES: | | | | |
| | a) Acquisition commissions | 66 | 0 | | |
| | b) Other acquisition costs | 67 | 0 | | |
| | c) Change in commissions and other acquisition costs to be amortised | 68 | 0 | | |
| | d) Collecting commissions | 69 | 0 | | |
| | e) Other administrative expenses | 70 | 0 | | |
| | f) (-) Reinsurance commissions and profit-sharing | 71 | 0 | 72 | 0 |
| 9. | INVESTMENT MANAGEMENT AND FINANCIAL CHARGES: | | | | |
| | a) Investment management charges, including interest | 73 | 0 | | |
| | b) Value adjustments on investments | 74 | 0 | | |
| | c) Losses on the disposal of investments | 75 | 0 | 76 | 0 |
| 10. | EXPENSES AND UNREALIZED LOSSES ON INVESTMENTS TO THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS | | | 77 | 0 |
| 11. | OTHER TECHNICAL CHARGES, NET OF REINSURANCE | | | 78 | 0 |
| 12. | (-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (Item III. 4) | | | 79 | |
| 13. | BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item III. 2) | | | 80 | 0 |
| III. NON TECHNICAL ACCOUNT | | | | | |
| 1. | BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (ITEM I.10) | | | 81 | 131,089,384 |
| 2. | BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (ITEM II. 13) | | | 82 | 0 |
| 3. | NON-LIFE INVESTMENT INCOME: | | | | |
| | a) From shares and interests | 83 | 45,103 | | |
| | (of which: from Group companies) | 84 | 0 | | |
| | b) From other investments: | | | | |
| | aa) income from land and buildings | 85 | 613,310 | | |
| | bb) income from other investments | 86 | 86,338,041 | 87 | 86,951,351 |
| | (of which: from Group companies) | 88 | 3,262,622 | | |
| | c) Value re-adjustments on investments | 89 | 80,855,154 | | |
| | d)) Gains on the disposal of investments | 90 | 1,046,368,743 | | |
| | (of which: from Group companies) | 91 | 0 | 92 | 1,214,220,351 |

Values of the previous year

| | | | | |
|---|-----|---------------|-----|---------------|
| | | | 175 | 0 |
| | | | | |
| | 176 | 0 | | |
| | 177 | 0 | | |
| | 178 | 0 | | |
| | 179 | 0 | | |
| | 180 | 0 | | |
| | 181 | 0 | 182 | 0 |
| | | | | |
| | 183 | 0 | | |
| | 184 | 0 | | |
| | 185 | 0 | 186 | 0 |
| | | | | |
| | | | 187 | 0 |
| | | | 188 | 0 |
| | | | 189 | 0 |
| | | | 190 | 0 |
| | | | 191 | 186,956,206 |
| | | | 192 | 0 |
| | | | | |
| | 193 | 880,491 | | |
| (di cui: provenienti da imprese del gruppo) | 194 | 0 | | |
| | | | | |
| | 195 | 614,462 | | |
| | 196 | 92,141,872 | 197 | 92,756,334 |
| (di cui: provenienti da imprese del gruppo) | 198 | 5,313,922 | | |
| | | | | |
| | 199 | 86,287,969 | | |
| | 200 | 1,332,451,877 | | |
| (di cui: provenienti da imprese del gruppo) | 201 | 0 | 202 | 1,512,376,671 |

Profit & loss account

| | | Values of the year |
|-----|---|---------------------------|
| 4. | (+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE LIFE TECHNICAL ACCOUNT (VOCE II. 12) | 93 0 |
| 5. | INVESTMENT MANAGEMENT AND FINANCIAL CHARGES NON-LIFE BUSINESS: | |
| | a) Investment management charges, including interest | 94 3,737,636 |
| | b) Value adjustments on investments | 95 105,797,088 |
| | c) Losses on the disposal of investments | 96 766,419,247 |
| | | 97 875,953,970 |
| 6. | (-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE BUSINESS TECHNICAL ACCOUNT (ITEM I.2) | 98 121,522,913 |
| 7. | OTHER INCOME | 99 133,280,180 |
| 8. | OTHER CHARGES | 100 68,885,240 |
| 9. | INCOME FROM ORDINARY OPERATIONS | 101 412,227,791 |
| 10. | EXTRAORDINARY INCOME | 102 2,323,270 |
| 11. | EXTRAORDINARY CHARGES | 103 1,229,012 |
| 12. | EXTRAORDINARY PROFIT OR LOSS | 104 1,094,259 |
| 13. | PROFIT BEFORE TAXES | 105 413,322,050 |
| 14. | INCOME TAXES | 106 109,793,846 |
| 15. | NET PROFIT (LOSS) FOR THE YEAR | 107 303,528,203 |

Values of the previous year

| | | | |
|--|-----|-------------|-------------|
| | | 203 | 0 |
| | | | |
| | 204 | 5,331,131 | |
| | 205 | 81,005,498 | |
| | 206 | 909,678,723 | 207 |
| | | | 996,015,351 |
| | | | |
| | | | 208 |
| | | | 183,759,788 |
| | | | |
| | | | 209 |
| | | | 221,876,547 |
| | | | |
| | | | 210 |
| | | | 97,412,658 |
| | | | |
| | | | 211 |
| | | | 644,021,627 |
| | | | |
| | | | 212 |
| | | | 16,941,098 |
| | | | |
| | | | 213 |
| | | | 3,086,668 |
| | | | |
| | | | 214 |
| | | | 13,854,429 |
| | | | |
| | | | 215 |
| | | | 657,876,057 |
| | | | |
| | | | 216 |
| | | | 251,223,795 |
| | | | |
| | | | 217 |
| | | | 406,652,262 |

I, the undersigned, declare that these financial statements comply with the truth and accounting records.

The legal representatives of the company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

Space reserved for the stamp of the registry office
to be applied at the time of filing the accounts.

(*) For foreign companies, the document must be signed by the general representative for Italy.

(**) Indicate the position of the person who signs.

Notes to the financial statements

Foreword

The financial statements herewith presented, comprising the schedules of the balance sheet, profit and loss account, cash flow statement, explanatory notes and related annexes accompanied by the Directors' report, have been prepared in accordance with article 6(22) of Italian Legislative Decree No. 269/2003, ("Transformation of SACE into a joint stock company") as per the pertinent provisions of Legislative Decree 209 of 7 September 2005, Legislative Decree 173 of 26 May 1997, with regard to the provisions governing the annual and consolidated accounts of insurance companies. The provisions of ISVAP Regulation No. 22 issued on 4 April 2008 and IVASS Ruling No. 53 of 6 December 2016 have only been adopted insofar as applicable to SACE. These financial statements have been audited by PricewaterhouseCoopers as prescribed under articles 14 and 16 of Legislative Decree 39 of 27 January 2010, pursuant to the resolution of the Shareholders' Meeting of 23 April 2015 whereby this firm was appointed for the period 2015-2023.

The purpose of these notes is to explain, analyse and in some cases integrate the data in the accounts. They provide all the information required by art. 2427 of the Italian Civil Code and are in line with the regulatory amendments introduced by Legislative Decree No. 139/15 and with the accounting principles issued by the OIC (Italian Accounting Board). They include:

Part A - Valuation criteria

Part B - Information on the balance sheet and profit and loss account

Part C - Other information

The amounts in the financial statements are in euros. The amounts in these notes are stated in thousands of euros.

Furthermore, pursuant to Legislative Decree 38 of 28/2/2005, the consolidated financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) and ISVAP Regulation No. 7/2007 insofar as applicable to SACE.

Part A – Valuation criteria and basis of presentation

The financial statements have been prepared in accordance with statutory requirements and specific criteria applicable to the insurance sector, interpreted on the basis of Italian accounting standards. These accounting standards and valuation criteria are also based on the general principles of prudence, on the accruals principle and the principle of going concern in order to provide a clear and accurate view of the financial position and operating result of SACE.

Section 1 - Valuation criteria

The valuation criteria adopted in preparing the financial statements are set out below. The valuation criteria incorporate the regulatory amendments introduced by Legislative Decree No. 139/2015 and the accounting principles issued by the OIC (Italian Accounting Board) in December 2016, considering what stated by IVASS.

Intangible assets

These items are stated at purchase cost increased by any additional charges; permanent impairments of value are tested on an annual basis taking into account conditions of use. Intangible assets are amortised over their estimated useful life. Amortisation, charged from the moment the assets become available for use, is stated as decreasing the original value of the asset.

Land and buildings

Buildings are recognised at purchase cost increased by accessory charges, upkeep expenses and revaluations made according to specific laws and decreased, where applicable, by losses of value based on independent appraisals. Land and buildings are considered long-term assets as they are a permanent part of the assets of the company. The value of buildings has been unbundled from that of the land on which they stand in accordance with OIC 16. The land on which the premises held for use in the business stand is not depreciated, since its life is indefinite. The value of the building is depreciated at a rate of 3%, considered representative of the useful life of the asset.

Equities

Equities are initially recognised at cost, increased by additional charges. As such investments are intended to be held for the longer term, they are considered financial fixed assets. Equities in subsidiaries and associated companies are subsequently valued by the equity method, pursuant to art. 2426, paragraph 4 of the Italian Civil Code, with the portion of the carrying value of the shareholders' equity calculated as per the companies' last approved financial statements.

Investments

SACE's investments are divided into two categories: those held to maturity and those held for trading purposes. Securities held to maturity are recognised at purchase cost, adjusted by the year's portion of the positive or negative trading differences and, where applicable, written down in the case of permanent impairment. Interest and coupons matured on securities in the portfolio are recognised on an accruals basis and posted to accrued income.

Trading securities are recognised at the lower of weighted average cost and realisable value at market prices. The original carrying value is restored, entirely or in part, when the reasons for the write-downs no longer apply. Any transfers of securities from one category to the other are effected on the basis of the value of the security on that date, defined according to the criteria for the category of origin. Following transfer, the securities are recognised according to the criteria of the new category.

Receivables

These items are recognised at presumed realisable value taking into account probable future losses for non-collection. Losses on receivables are recognised where supported by objective documentary evidence. Compensatory and arrears interest on receivables is recorded for the amount matured for each year. Any exceptions to the valuation criteria in the case of exceptional events are explained in detail in the explanatory notes in accordance with article 2423a (2) of the Italian Civil Code.

Receivables for premiums for the year

Premiums receivable for the year are stated according to the date of maturity as specified in the policy, i.e. the date of conclusion of the contract and, where applicable, the starting date of the risk. If there is a likelihood of future losses due to non-collection, premiums receivable are written down to their presumed realisable value.

Reinsurers' share of technical provisions

These are determined according to contractual reinsurance agreements, on the basis of the gross amounts of technical provisions.

Tangible fixed assets and stocks

These items are recognised at purchase cost, increased by any directly attributable additional charges; they are written-down in the case of permanent impairments of value; depreciation is calculated on a straight-line basis over their estimated useful life. Depreciation is charged from the time the assets become available for use.

Technical provisions

Technical provisions are determined pursuant to art. 31 of Legislative Decree No. 173/97 and in accordance with the general principle that technical provisions must at all times be sufficient to cover any reasonably foreseeable liabilities arising out of insurance contracts. The amount of the provision for risks assumed in reinsurance is calculated on the basis of information provided by the ceding insurer. Technical provisions ceded to reinsurers are calculated by applying the reinsurance rates provided for under the relative reinsurance contracts to the gross amounts of technical provisions for direct business.

a) Provision for unearned premiums

The provision for premium instalments is determined according to the *pro-rata temporis* method, applied analytically to each policy on the basis of gross premiums. The provision for unearned premiums has also been aligned with the expected rate of claims not covered by the provision for premium instalments referring to insurance contracts concluded by the closing date of the year (provision for unexpired risks). Overall, the provision for unearned premiums is deemed adequate to cover risks that may arise after the end of the year.

b) Provision for outstanding claims

The provision for outstanding claims is determined according to a prudent estimate of loss on the basis of an objective analysis of each claim. The amount of the provision is calculated on an ultimate cost basis. The calculation also takes into account all the costs, including settlement costs, that are expected to be incurred in order to avoid or limit the damage caused by the claim. In particular, for credit business, this includes the related salvage costs. For the credit and surety business, amounts that are certain to be collected, on the basis of objective factors supported by documentary evidence, are deducted from the provision. Furthermore, for credit business, the provision is always formed (regardless of any valuation) on the date of notification of claim by the policyholder and, in any case, on occurrence of any facts/actions according to which such events can be reasonably foreseen. As regards positions that are the subject of litigation, the characteristics of each single dispute and the state of inquiries are taken into consideration. In evaluating disputes and estimating amounts to be set aside, the interest and legal costs that SACE may have to pay are also taken into account. The reinsurers' share of the provision for outstanding claims is determined by adopting the same criteria used for direct insurance and the treaties in force at the time. The inward reinsurance provision for outstanding claims, posted on the basis of the exchange of information with the ceding insurers, is currently deemed to be adequate.

c) Equalisation provision

The equalisation provision includes amounts set aside, in accordance with the provisions of law, to offset fluctuations in the rate of claims in future years or to cover specific risks. The provision is set aside in years in which the balance on the technical account is positive and is used in years in which the technical result of credit business is negative.

Provision for pension funds and similar liabilities

The provision represents the entire liability accrued in respect of each employee's retirement pension.

Provisions for risks and charges

Provisions for risks and charges are intended to cover losses or liabilities, the existence of which is certain or probable but the amount and/or date of occurrence of which could not be determined at the end of the year. The provisions reflect the best possible estimate on the basis of available information.

Provision for taxes

The provision consists of sums set aside to cover any deferment of taxes.

Since SACE is included in the tax consolidation regime of Cassa depositi e prestiti, current tax receivables and payables have been recognised as amounts due from/amounts payable to the parent.

Provision for severance indemnities

The provision, net of advances paid, covers the company's liability towards its employees accrued at the end of the year. It is calculated for each individual employee on the basis of current legislation and employment contracts.

As a consequence of the reform of supplementary pension schemes, Law No. 296 of 27 December 2006:

- portions of severance pay accrued until 31 December 2006 continue to be held by the company;
- portions of severance pay payable as from 1 January 2007 must, at the employee's choice (expressed on the basis of explicit or tacit approval procedures) be either:
 - paid into supplementary pension schemes;
 - held by the company, which must transfer the portions of severance indemnities to the INPS Treasury Fund.

Accounts payable

These items are recognised at face value.

Accruals and deferrals

Accruals and deferrals are recognised to reflect timing differences in the respective expense and revenue items.

Off-balance-sheet transactions and derivatives

Transactions on derivatives, entered into for hedging and efficient management purposes, are recognised by posting valuation gains and losses to profit and loss. The contract value is determined by referring to the respective market data and to the values and commitments connected to them, information about which is provided in the memorandum accounts.

Gross premiums written

Gross premiums written are attributed to the year according to date of maturity. They are measured net only of technical cancellations.

Costs of personnel and general administrative expenses

As applicable legislation requires that these costs be classified according to both “type” and “destination”:

- 1) personnel costs are allocated according to an analytical calculation based on the percentage weight of the costs for each resource within the specific structure;
- 2) general administrative expenses incurred for a specific reason are attributed directly;
- 3) other general expenses that are not specifically attributable are allocated on the basis of the percentages calculated using the method used to distribute personnel costs.

Items in foreign currency

Accounts payable and receivable are posted at the year-end spot exchange rate, while costs and revenues in foreign currency are recognised at the exchange rate prevailing at the time of the transaction. Exchange rate differences arising from such adjustments are posted to other income and other charges. Valuation gains and losses are recognised in profit and loss. With the approval of the financial statements and allocation of the profit for the year, and once the legal reserve has been set aside, the positive net balance (net profit) is posted to a specific equity reserve. This amount cannot be distributed until the asset or liability that generated it has been realised.

Criteria for determining the allocated investment return transferred from the non-technical account

The allocated investment return transferred from the non-technical account is determined according to the provisions of art. 55 of Legislative Decree No. 173/97 and ISVAP regulation No. 22/2008, applying the ratio between the half-sum of technical provisions and the half-sum of technical provisions and the opening and closing shareholders' equity to the net income on investments.

Extraordinary income and charges

This item includes only the results of events that have far-reaching effects on corporate structure, disposals of long-term investments and non-operating income and expenses.

Income taxes

The liability for income taxes is determined as the best estimate of the taxable income, calculated in accordance with the requirements of current legislation. Reference accounting principles on deferred and prepaid taxes have also been taken into account. Therefore, prepaid taxes and tax relief on losses carried forward are recognised when there is reasonable certainty of future recovery, and deferred tax liabilities are not recorded if there is little likelihood of the related charge occurring.

Exchange rates

The main currencies were converted into euros on the basis of the following exchange rates:

| | 31-12-16 | 31-12-15 | 31-12-14 |
|-------------|----------|----------|----------|
| US dollar | 1.0541 | 1.0887 | 1.2141 |
| GB pound | 0.85618 | 0.73395 | 0.7789 |
| Swiss franc | 1.0739 | 1.0835 | 1.2024 |

Functional currency

All amounts in the financial statements are in euros. The amounts in the notes are stated in thousands of euros.

Part B - Information on the balance sheet and the profit and loss account

Balance sheet

(in € thousands)

| | 31-12-16 | 31-12-15 |
|---|------------------|------------------|
| Intangible assets | 565 | 375 |
| Investments | 4,807,725 | 6,437,915 |
| Reinsurers' share of technical provisions | 614,878 | 395,160 |
| Receivables | 883,389 | 1,562,785 |
| Other assets | 2,583,593 | 117,314 |
| Accruals and deferrals | 28,563 | 27,074 |
| Balance Sheet - Assets | 8,918,713 | 8,540,624 |
| Shareholders' equity: | | |
| - Share capital | 3,730,324 | 3,541,128 |
| - Share premium account | 43,305 | |
| - Revaluation reserves | | |
| - Legal reserve | 235,799 | 215,466 |
| - Other reserves | 233,907 | 146,518 |
| - Profit (loss) brought forward | | |
| - Profit for the year | 303,528 | 406,652 |
| Subordinated liabilities | 500,000 | 500,000 |
| Technical provisions | 3,449,615 | 3,086,800 |
| Provisions for risks and charges | 178,061 | 200,286 |
| Creditors and other liabilities | 226,597 | 426,574 |
| Accruals and deferrals | 17,578 | 17,199 |
| Balance sheet - Liabilities | 8,918,713 | 8,540,624 |

Profit & loss account*(in € thousands)*

| | 31-12-16 | 31-12-15 |
|--|-----------------|-----------------|
| Non-life business technical account | | |
| Gross premiums | 534,242 | 483,811 |
| Change in the provision for unearned premiums and outward reinsurance premiums | (397,209) | (220,352) |
| Net premium income | 137,033 | 263,459 |
| Change in other technical provisions, net of reinsurance | (5,225) | (5,225) |
| Allocated investment return transferred from the non-technical account | 121,523 | 183,760 |
| Change in the equalisation provision | (28,699) | (9,589) |
| Other technical income and charges | (9,949) | (6,210) |
| Claims incurred, net of recoveries | (17,320) | (174,358) |
| Premium refunds and profit sharing | (13,928) | (5,965) |
| Operating expenses | (52,345) | (58,914) |
| Balance on the non-life business technical account | 131,089 | 186,956 |
| Non-technical account | | |
| Non-life investment income | 1,214,220 | 1,512,377 |
| Investment management and financial charges for non-life business | (875,954) | (996,015) |
| Allocated investment return transferred to the non-life technical account | (121,523) | (183,760) |
| Other income | 133,280 | 221,877 |
| Other expense | (68,885) | (97,413) |
| Balance on the non-technical account | 281,138 | 457,065 |
| Income from extraordinary operations | 1,094 | 13,854 |
| Income taxes | (109,794) | (251,224) |
| Profit for the year | 303,528 | 406,652 |

Balance Sheet - Assets

Section 1 Item B Intangible assets (Annex 4)

1.1 - Change in the year

Details of changes in intangible assets are shown in Annex 4.

1.4 – Breakdown of other multi-year costs (Item B.5)

The breakdown is as follows:

TABLE 1 *(in € thousands)*

| Description | 31-12-16 | 31-12-15 |
|---|-----------------|-----------------|
| Property rights | 316 | 215 |
| Brands and licences | 21 | 26 |
| Software | 228 | 134 |
| Total other multi-year costs (Item B5) | 565 | 375 |

Software costs (€ 228 thousand) mainly refer to costs for implementing and developing IT systems. During the year costs relating to intellectual property rights were capitalised for € 235 thousand and mainly related to software licences.

Section 2 Item C Investments (Annexes 4, 5, 6, 7, 8, 9, 10)

2.1 - Land and buildings - Item C.I

This item (€ 62,837 thousand) reflects:

- a) the value of the building owned by the company (€ 13,037 thousand), located in Piazza Poli 37/42, Rome, used in part for business purposes and in part leased to the subsidiaries;
- b) the value of the land on which the building stands (€ 49,800 thousand).

2.1.1 - Changes during the year in the land and buildings item are reported in Annex 4.

2.2 - Investments in group companies and other companies in which significant interest is held - Item C.II

Total investments recorded under this item amounted to € 631,110 thousand at 31 December 2016.

2.2.1 Shares and interests (Item C.II.1):

The item includes:

- the investment in the SACE BT subsidiary, set up on 27 May 2004, the share capital of which, amounting to € 56.5 million, is fully subscribed by SACE;
- the investment in SACE Fct, set up on 24 March 2009, the share capital of which, amounting to € 50 million, has been fully subscribed by SACE;
- the investment in SACE Do Brasil, set up on 14 May 2012 with a 99.95% stake, valued at € 0.3 million;
- the interest in ATI (African Trade Insurance Agency) in the form of 100 shares for an equivalent value of USD 10.2 million;
- the shareholding in Simest, equal to 76.005% for an equivalent value of € 246 million. This interest was transferred by the parent Cassa depositi e prestiti on 30 September 2016 with a corresponding increase of € 189 million in SACE's share capital and the establishment of a share premium account of € 43.3 million. The transfer value was determined in accordance with the procedure established by articles 2343-ter paragraph 2(B) and 2343-quater of the Italian Civil Code;
- bonds issued by the parent Cassa depositi e prestiti for € 82.9 million;
- the loans granted to the SACE Fct subsidiary amounting to € 125 million.

The investments are evaluated using the equity method. The application of this criterion resulted in a total write-up of € 9,933 thousand, recorded under income from investments, relating to the company SACE Fct for € 4,808 thousand, to the company SACE BT for € 2,857 thousand, to the company SIMEST for € 2,269 thousand, and a total write-down of € 214 thousand, under investment management and financial charges, relating to the company SACE do Brasil.

With regard to the interest in SIMEST, in addition to the aforesaid write-up, the revaluation of shareholders' equity also resulted in the recognition under the other equity reserves item of a non-distributable reserve for gains on shares acquired, equal to € 11,221 thousand, which is the difference between the transfer value and the actual quota of the subsidiary's equity on the date of the transfer.

2.2.1.a) The changes in shares and interests are set forth in Annex 5.

2.2.1.b) Information on subsidiary and affiliated companies is set forth in Annex 6.

2.2.1.c) The breakdown of changes is set forth in Annex 7.

2.2.2 Debt securities issued by group companies (Item C.II.2):

This item refers to debt securities issued by the parent Cassa depositi e prestiti for € 82,854 thousand. Changes in this item are reported in Annex 5.

For the sake of clarity, the balance at 31 December 2015 of the debt securities issued by Cassa depositi e prestiti, equal to € 82.6 million and stated under other financial investments (Item C.III) in the 2015 financial statements, has been reclassified under this item.

2.2.3 Loans to group companies (Item C.II.3).

Changes in this item are reported in Annex 5.

Loans to undertakings were granted to the SACE Fct subsidiary and amounted to € 125 million (€ 295 million at 31 December 2015, of which € 170 million were repaid in 2016).

2.3 - Other financial investments - Item C.III

2.3.1 – Breakdown of financial investments according to use.

The breakdown of investments according to whether they are long-term or short-term, their carrying value and current value are shown in Annex 8. There were no transfers from one category to another during the year. Investments and assignment of these to the related class according to use comply with the financial management guidelines approved by the board of directors.

TABLE 2 (in € thousands)

| List of government bonds and securities with issuer | 31-12-16 | 31-12-15 |
|--|------------------|------------------|
| Government bonds issued by Austria | 37,610 | 36,979 |
| Government bonds issued by Greece | 10,600 | 9,689 |
| Government bonds issued by Ireland | 99,903 | 99,850 |
| Government bonds issued by Italy | 1,282,358 | 1,278,970 |
| Other listed securities | 99,984 | 99,647 |
| Total | 1,530,455 | 1,525,135 |

Other listed securities mainly refer to bonds issued by bank and supranational issuers.

Securities are deposited with banks. Details on the fair value measurement of securities are given in Annex 9.

With reference to the debt securities and other fixed-income securities under item CIII, issue and trading differences posted to profit and loss for the year amounted to:

Table 3 (in € thousands)

| Description | Positive | Negative |
|---------------------|-----------------|-----------------|
| Issue differences | - | - |
| Trading differences | 6,109 | - |

2.3.2 – Changes in the year in long-term assets included under the items indicated in point 2.3.1 (Annex 9)

2.3.3 – Changes in loans – item C.III.4 and deposits with credit institutions – item C.III.6 (Annex 10).

2.3.4 – Breakdown of significant loans secured by mortgages – Item C.III.4.a.

Loans include mortgages granted to employees, which amounted to € 4,345 thousand at the beginning of the year. Instalments for € 1,021 thousand were collected during the year. The balance for € 3,324 thousand refers to the remaining amount receivable in relation to the loans granted.

2.3.5 – Breakdown of deposits with credit institutions by duration – Item C.III.6

TABLE 4 (in € thousands)

| Duration | 31-12-16 | 31-12-15 |
|-----------------|------------------|------------------|
| Within 6 months | 1,310,170 | 2,966,484 |
| Total | 1,310,170 | 2,966,484 |

Time deposits are held with leading financial institutions.

The amount includes € 174,556 thousand deposited with Cassa depositi e prestiti.

2.3.6 – Breakdown of other financial investments according to type – Item C.III.7

TABLE 5 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|------------------------------------|-----------------|-----------------|
| Notes | 627,803 | 720,724 |
| Other investments | 29 | 29 |
| Other financial investments | 627,832 | 720,753 |

2.3.7 – Breakdown of shares in UCITs by country – Item C.III.2

TABLE 6 (in € thousands)

| UCITs by country | 31-12-16 | 31-12-15 |
|-------------------------|-----------------|-----------------|
| France | 255,299 | 184,930 |
| Italy | 11,028 | 6,608 |
| Luxembourg | 88,953 | 93,209 |
| Sweden | 10,377 | 13,758 |
| USA | 276,242 | 277,183 |
| Total | 641,899 | 575,688 |

2.4 - Deposits with ceding companies – Item C.IV

This item reflects the amount of guarantee deposits (€ 99 thousand) with ceding companies regulated by current treaties. No write-downs were made on such deposits during the year.

Section 4 Item D bis - Reinsurers' share of technical provisions

This item mainly includes amounts allocated to reserves that were recorded following the agreement between SACE and the Ministry of the Economy and Finance on 19 November 2014.

TABLE 7 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|----------------------------------|----------------|----------------|
| Provision for unearned premiums | 550,251 | 329,793 |
| Provision for outstanding claims | 22,830 | 18,345 |
| Other technical provisions | 41,797 | 47,022 |
| Total | 614,878 | 395,160 |

Section 5 – Item E – Receivables

TABLE 8 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|--|----------------|------------------|
| Receivables arising out of direct insurance business from policyholders (Item E.1) | 38,997 | 71,908 |
| Policyholders and third parties for recoveries | 511,753 | 929,449 |
| Receivables arising out of reinsurance business | 16,303 | 21,747 |
| Other debtors (Item E.III) | 316,336 | 539,682 |
| Total | 883,389 | 1,562,785 |

The breakdown of this item is as follows:

5.1 – Receivables arising out of direct insurance operations – policyholders (Item E.I.).

This item comprises premiums to be collected on policies issued at the reporting date (€ 38,997 thousand). No losses were recognised in the year on amounts receivable in connection with insurance operations for premiums.

The policyholders and third parties for recoveries item (€ 511,753 thousand) mainly consists of subrogation credits measured and recognised at presumed realisable value, determined separately for each type of credit and counterparty. It refers for € 338,905 thousand to subrogation credits for sovereign risk and for € 172,834 thousand to subrogation credits for commercial risk.

Specifically, the subrogation credits for commercial risk that arose in 2016, characterised by a high level of risk for which their realisation is uncertain, have been recognised directly at their estimated realisable value.

The change in the value of receivables as at 31 December 2016 compared with the value of the previous year is primarily due to recoveries of claims for € 458,442 thousand. Year-end exchange rate adjustments for receivables denominated in currencies other than the euro were positive and amounted to € 9,303 thousand.

With reference to the OPTIMUM transaction, it should be noted that:

- in 2005, securitisation of the OPTIMUM debt was terminated in advance: SACE re-acquired, against payment, the amounts originally granted to the SPV in excess of the latter's financial requirements;

- given the homogeneous nature of such receivables compared with other receivables previously stated by SACE in the accounts in 2005, in accordance with article 2423, paragraph 4 of the Italian Civil Code, the company opted to make an exception to the valuation criteria envisaged under article 2426, paragraph 1(9) of the Italian Civil Code. This resulted in the revaluation of the book value of the specific re-acquired receivables for € 104,235 thousand. Said revaluation was offset by a specific equity reserve the distribution of which is subject to effective recovery of the receivables;
- in 2016, such receivables were recovered for € 3,507 thousand, generating gains of € 821 thousand. The effects on the provision pursuant to article 2423, paragraph 4 of the Italian Civil Code are shown in the shareholders' equity table to which reference should be made.

Receivables arising out of reinsurance business (E.II) posted a balance of € 16,303 thousand. This item refers for € 9,272 thousand to receivables from reinsurers for commissions in connection with outward reinsurance contracts (€ 6,057 thousand refer to the reinsurance agreement with the Ministry of the Economy and Finance). The item also includes € 3,249 thousand for amounts due from the Ministry of the Economy and Finance for claims and reimbursements on premiums.

5.2 – Breakdown of other debtors (Item E.III)

TABLE 9 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|---|----------------|----------------|
| Other debtors country | 34,260 | 37,572 |
| Compensatory interest on claims to be recovered | 169,840 | 200,598 |
| Receivables from tax authorities | 21,501 | 152,830 |
| Advance tax assets | 84,583 | 143,562 |
| Sundry receivables | 6,152 | 5,120 |
| Other debtors (Item E.III) | 316,336 | 539,682 |

Other debtors country (€ 34,260 thousand) comprises receivables from policyholders in relation to their exposure. The aforesaid receivables are similar, as far as their related terms and conditions of repayment are concerned, to the receivables payable by foreign countries due directly to SACE. Compensatory interest on claims to be recovered (€ 169,840 thousand) represents the total amount payable as at the reporting date by foreign countries by way of interest under existing restructuring agreements. Receivables from the Tax Authorities (€ 21,501 thousand) mainly include: tax credits for which reimbursement has been requested which, increased by the interest accrued at 31 December 2016, amounted to € 1,009 thousand and the IRAP (Regional Tax on Production Activities) credit for advance payments made during the year net of the charge for the period for € 20,465 thousand. Prepaid tax assets (€ 84,583 thousand), details of which can be found in table No. 31, refer to items in the profit and loss account that contribute to the taxable income for years other than that in which they are recognised. This item is stated net of the transfer in 2016 to profit and loss of prepaid taxes appropriated in previous tax periods due to achievement of a taxable income for IRES (Corporate Income Tax) and IRAP. The breakdown is shown in section 21.7 of these notes.

Debtors country – breakdown by foreign currency

TABLE 10 (in € thousands)

| Currency | 31-12-16 | 31-12-15 |
|------------------|----------|----------|
| USD | 415,825 | 652,083 |
| EUR | 316,528 | 562,851 |
| CHF | 5,175 | 6,094 |
| Other currencies | 7 | 8 |

Section 6 – Item F - Other assets

6.1 – Changes in long-term assets included in category F.I.

TABLE 11 (in € thousands)

| Description | 2015 | Increase | Decrease | 2016 |
|-------------------------|--------------|------------|------------|--------------|
| Furniture and machinery | 1,253 | 309 | 342 | 1,220 |
| Works of art | 48 | | | 48 |
| Plant and equipment | 7 | | 2 | 5 |
| Stocks | 21 | | 2 | 19 |
| Total | 1,329 | 309 | 346 | 1,292 |

Cash and cash equivalents

Deposits with credit institutions amounted to € 2,490,371 thousand, of which € 19,007 thousand denominated in foreign currency. At 31 December 2016 cash on hand amounted to € 2 thousand.

6.4 – Sundry assets The breakdown of the items is as follows:

TABLE 12 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|--|---------------|---------------|
| Capital gains on foreign exchange forward transactions | 70,922 | 43,889 |
| Receivables from SACE SRV | 0 | 221 |
| Receivables from SACE Fct | 0 | 3,295 |
| Receivables from CDP for tax consolidation | 20,617 | 0 |
| Total | 91,539 | 47,405 |

Section 7 Accruals and deferrals Item G

TABLE 13 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|---|---------------|---------------|
| for interest on government securities and bonds | 24,564 | 22,934 |
| for interest on other financial investments | 3,329 | 3,665 |
| Accrued income | 27,893 | 26,599 |
| Other accruals | 669 | 476 |
| Prepaid expenses | 669 | 476 |

The interest on other financial investments item (€ 3,329 thousand) reflects interest on time deposit transactions, interest on notes and interest on the loan to Sace Fct. Other accruals amounted to € 669 thousand and refer to portions of general expenses to be attributed to subsequent years.

7.3 – Indication of multi-year accruals and deferrals and separate indication of those with a duration of more than five years.

Multi-year accruals include € 153 thousand relating to costs in connection with non-competition agreements.

Balance Sheet Liabilities and Shareholders' Equity

Section 8 – Shareholders' equity - Item A

On 28 September 2016 the Shareholders' Meeting of SACE resolved to increase the share capital by € 189,195 thousand in addition to establishing a share premium account of € 43,305 thousand, recognised under a specific capital reserve, against the transfer of the shares held by Cassa depositi e prestiti in Sim-est and equal to 76.005% of that company's share capital. The share capital of SACE therefore amounts to € 3,730,323,610.00.

Details of changes in these items are shown in the table below:

TABLE 14 (in € thousands)

| Description | Share capital | Revaluation reserves | Legal reserve | Other reserves | Share premium account | Profit for the year | Total |
|---------------------------------------|------------------|----------------------|----------------|----------------|-----------------------|---------------------|------------------|
| Balances at 1 January 2015 | 4,340,054 | | 196,310 | 62,532 | | 383,143 | 4,982,039 |
| Allocation of 2014 net profit: | | | | | | | |
| - Distribution of dividends | | | | | | -280,000 | -280,000 |
| - Other allocations | | | 19,156 | 83,986 | | -103,143 | |
| Reduction in share capital | -798,926 | | | | | | -798,926 |
| Distribution of available reserves | | | | | | | |
| Result for 2015 | | | | | | 406,652 | 406,652 |
| Balances at 31.12.2015 | 3,541,128 | | 215,466 | 146,518 | | 406,652 | 4,309,765 |
| Allocation of 2015 net profit: | | | | | | | |
| - Distribution of dividends | | | | | | -310,153 | -310,153 |
| - Other allocations | | | 20,333 | 76,166 | | -96,499 | |
| Increase in share capital | 189,195 | | | | | | 189,195 |
| Other changes | | | | 11,221 | 43,305 | | 43,305 |
| Result for 2016 | | | | | | 303,528 | 303,528 |
| Balances at 31.12.2016 | 3,730,324 | | 235,799 | 233,906 | 43,305 | 303,528 | 4,546,862 |

The following table shows the individual items on the basis of their availability and possibility of distribution, in accordance with article 2427, point 7-bis of the Italian Civil Code.

TABLE 15 (in € thousands)

| | Amount | Possibility of utilisation | Available portion | Summary of utilisation in the previous 3 years |
|----------------------------------|----------------------|---|--------------------|--|
| Capital at 31.12.2016 | 3,730,323,610 | | | |
| Capital reserves: | | | | |
| Revaluation reserves | | A, B, C | | |
| Share premium account | 43,304,602 | A, B, C upon attainment by the legal reserve of the limit set at 1/5 of the share capital | | |
| Retained earnings: | | | | |
| Legal reserve | 235,799,020 | B | | |
| Other reserves | 144,159,138 | A, B | 144,159,138 | |
| Other reserves | 89,747,712 | A, B, C | 89,747,712 | |
| Total | | | 233,906,851 | |
| not distributable ⁽¹⁾ | | | 144,159,138 | |
| distributable | | | 89,747,712 | |

Legend: A = for capital increase; B = to cover losses; C = for distribution to shareholders.

(1) The non-distributable portion includes € 10,397 thousand for the provision pursuant to article 2423, paragraph 4, set aside as at 31.12.2005 (€ 104,235 thousand) net of amounts collected during the year (€ 3,507 thousand in 2016, € 2,866 thousand in 2015, € 2,098 thousand in 2014, € 1,791 thousand in 2013, € 2,316 thousand in 2012, € 2,618 thousand in 2011, € 2,204 thousand in 2010, € 2,306 thousand in 2009, € 21,232 thousand in 2008, € 17,290 thousand in 2007 and € 35,608 thousand in 2006), € 64,671 thousand for the remaining portion of the reserve for exchange gains, € 2,719 thousand for the portion of the reserve for the revaluation of receivables and € 66,372 for the revaluation of investments resulting from the application of the equity method.

The share capital consists of 1,053,428 shares for a total face value of € 3,730,323.610, held by Cassa depositi e prestiti. The nominal value of each share is equal to € 3,541.13.

Section 9 – Subordinated liabilities

On 30 January 2015 SACE successfully placed an issue of perpetual subordinated bonds for a total of € 500 million. The bonds, aimed at institutional investors, will pay an annual coupon of 3.875% for the first ten years and indexed to the ten-year swap rate plus 318.6 basis points for subsequent years. The bonds can be recalled by the issuer after 10 years and following each coupon payment date. They are listed on the Luxembourg Stock Exchange.

Section 10 – Technical provisions Item C.I. (Annex 13)

10.1 – Changes in the non-life unearned premiums provision – Item C.I.1 – and claims outstanding provision – Item C.I.2. (Annex 13).

TABLE 16 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|---|------------------|------------------|
| Provision for unearned premiums | | |
| - Provision for premium instalments | 1,826,847 | 1,603,707 |
| - Provision for unexpired risks | 550,000 | 355,000 |
| Total | 2,376,847 | 1,958,707 |
| Provision for claims outstanding | | |
| - Provision for claims paid and direct expenses | 489,295 | 575,542 |
| - Provision for settlement costs | 7,807 | 9,969 |
| - Provision for late claims | 14,912 | 10,525 |
| Total | 512,014 | 596,036 |

The provision for unearned premiums refers for € 865,132 thousand to exposure in foreign currency. The provision for claims outstanding refers for € 110,110 thousand to exposure in foreign currencies. The provision for claims outstanding is deemed sufficient to cover the potential cost of unpaid claims, fully or in part, at the end of the year.

The values for direct business and inward reinsurance are shown in the table below:

TABLE 17 (in € thousands)

| Description | DB 31-12-16 | IB 31-12-16 | DB 31-12-15 | IB 31-12-15 |
|---|------------------|----------------|------------------|----------------|
| Provision for unearned premiums | | | | |
| - Provision for premium instalments | 1,731,110 | 95,737 | 1,515,820 | 87,888 |
| - Provision for unexpired risks | 550,000 | | 355,000 | |
| Carrying value | 2,281,110 | 95,737 | 1,870,820 | 87,888 |
| Provision for claims outstanding | | | | |
| - Provision for claims paid and direct expenses | 484,722 | 4,572 | 568,078 | 7,465 |
| - Provision for settlement costs | 7,807 | | 9,969 | |
| - Provision for late claims | 14,912 | | 10,525 | |
| Carrying value | 507,441 | 4,572 | 588,572 | 7,465 |

The provision for unexpired risks, calculated using the CreditMetrics method, relates to business trends and covers the portion of risk that falls in periods after the end of the year. As established by ISVAP Regulation No. 16, the company opted to calculate the provision empirically rather than analytically. In detail, the provision is calculated as the difference (semi-positive) between the estimated forecast loss over the entire guarantee portfolio until run-off and the provision for premium instalments. The assets guarantee coverage of the technical provisions at the end of the year.

The provision for outstanding claims includes the total of the sums which, according to a prudent evaluation based on objective elements, are necessary to settle claims (i) incurred in the year or in previous years regardless of when they were reported, and not yet settled (ii) the related settlement expenses, regardless of their origin and (iii) the provision for claims incurred but not yet reported on the valuation date. As envisaged by Regulation No. 16 for the credit business, SACE opted to deduct the estimate of amounts to be recovered from the amounts taken to reserves, based on previous trends in post-settlement recoveries.

The provision for claims incurred but not reported includes the total of the sums which, according to a prudent estimate, are necessary to settle claims incurred in the year or in previous years, but which had not been reported at the valuation date and the related settlement expenses. To obtain an estimate of the IBNR claims provision, separate estimates were made of the number of IBNR claims (according to past records of claims reported late for each quarter) and the average cost of such claims (based on the average cost of claims reported late and the average cost of claims reported during the year). In line with the method used to calculate the provision for claims reported, an average portfolio RR and an average portfolio underwriting rate were applied to the IBNR claims provision thus obtained as the product of the number of IBNR claims and the average cost. No particularly large or exceptional late claims were reported, taking into account the type of risks in this business line.

10.3 - Equalisation provision

The equalisation provision, of € 560,755 thousand, increased by € 28,699 with respect to the previous year owing to the positive balance on the technical account. The provision is calculated in accordance with the provisions of art. 37 of Legislative Decree 209/2005 (and art. 80 of Legislative Decree 173/1997).

Section 12 Provisions for risks and charges Item E

Changes in this item are reported in Annex 15.

Provisions for risks and charges amounted to € 178,061 thousand. These comprise € 93,473 thousand for deferred tax liabilities and € 84,588 thousand for other provisions, the main components of which are listed below:

- € 3,107 thousand which refer to ongoing disputes at the end of the year;
- € 23,230 thousand for agreements currently being defined with policyholders;
- € 97 thousand allocated for amounts to be assigned to policyholders by way of shares due;
- € 8,782 thousand for potential estimated liabilities with policyholders, due to the non-maturity of said amounts;
- € 41,797 thousand for the potential charges pursuant to the agreement with the Ministry of the Economy and Finance related to the amount calculated as ten percent of the 2014 equalisation reserve of SACE (art. 8.1.a).

Section 13 – Creditors and other liabilities – item G

Accounts payable arising out of direct insurance business (item G.I.).

TABLE 18 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|---|---------------|---------------|
| Advances for premiums | 983 | 3,107 |
| Accounts payable to policyholders premium refunds | 90 | 11 |
| Front-end expenses | 35 | 33 |
| Other payables arising out of direct insurance business | 29,316 | 26,287 |
| Accounts payable to policyholders - Item G.I.3. | 30,424 | 29,438 |

The other payables arising out of direct insurance business item, for € 29,316 thousand, mainly includes payables for amounts due to policyholders for deductibles on amounts recovered. The change compared to the previous year is due to the recovery of the amounts due recognised in 2016.

TABLE 19 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|---|---------------|---------------|
| Accounts payable arising out of inward reinsurance | 319 | 0 |
| Accounts payable arising out of outward reinsurance | 82,227 | 81,191 |
| Accounts payable arising out of reinsurance business Item G.II.1 | 82,546 | 81,191 |

Accounts payable arising out of outward reinsurance, for € 82,227 thousand, mainly consist of amounts payable for premiums ceded to reinsurers for € 64,921 thousand, principally related to reinsurance business with Korea (€ 18,793 thousand), Canada (€ 13,409 thousand) and the Ministry of the Economy and Finance (€ 29,894 thousand). This item also includes € 16,960 thousand referring to the portion of the provision for unearned premiums to be refunded to the Ministry of the Economy and Finance.

13.5 - Provision for severance pay (Item G.VII)

Changes in this item, shown in Annex 15, include the allocation for the year, net of payments to the pension funds pursuant to the reform of supplementary pension schemes.

Other accounts payable – Item G.VIII

TABLE 20 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|-----------------------|---------------|----------------|
| Other tax liabilities | 1,203 | 233,566 |
| Social security | 1,468 | 1,441 |
| Sundry creditors | 47,883 | 43,638 |
| Total | 50,554 | 278,645 |

The difference in the amount of this item with respect to the previous year is mainly due to the decrease in IRES tax payables following SACE's adhesion for the three-year period 2016-2018 to the tax consolidation regime of the parent Cassa depositi e prestiti.

13.6 – Breakdown of sundry creditors – Item G.VIII.4

Sundry creditors (for a total of € 47,883 thousand) comprise amounts due to suppliers for € 8,361 thousand against general administrative costs for the year, amounts due to employees for € 2,659 thousand, subsidiary debt items for € 250 thousand and premiums payable on options purchased for € 29,673 thousand.

13.7 – Deferred reinsurance items – Item G.IX.1

The information received from the ceding companies on provisional technical income for 2016 was carried forward to the technical account for the following year as deferred reinsurance items. Pursuant to art. 42 of Legislative Decree No. 173/97, the claims outstanding provision reported in the balance sheet includes € 55 thousand referring to agreements with reinsured companies.

13.8 – Sundry liabilities – Item G.IX.3

This item, amounting to a total of € 57,733 thousand, comprises amongst others valuation losses on contracts used to hedge foreign currency assets for € 57,613 thousand.

Section 14 – Accrued liabilities - Item H

TABLE 21 (in € thousands)

| Description | 31-12-15 | 31-12-14 |
|---|----------|----------|
| Accrued interest expense | 17,205 | 17,198 |
| Deferred payments on rent income | 306 | |
| Other accrued liabilities | 67 | |
| Total accrued liabilities and deferred expenses | 17,578 | 17,198 |

14.1 – Breakdown of other accrued liabilities by type (Item H.3).

The balance of accrued interest expense, equal to € 17,205 thousand, refers to the accrued liabilities on the subordinated bond issue (see Section 9).

14.3 – Indication of multi-year accrued liabilities and separate indication of those with a duration of more than five years.

No deferred payments with a duration of more than one year were reported.

Section 15 – Assets and liabilities relating to companies in which a significant interest is held

Details of assets and liabilities relating to group companies are given in Annex 16.

Section 16 – Receivables and accounts payable

16.1 – Receivables and accounts payable are due as follows

Of the receivables under asset items C and E, € 6,718,504 thousand fall due after the end of the following year and € 1,585,266 thousand after the following five years. The accounts payable under liability items F and G (€ 50,897 thousand) are due within five years.

Section 17 – Guarantees, commitments and other memorandum accounts – Items I, II, III and IV

Details of the memorandum accounts are given in Annex 17.

17.1 – Breakdown of commitments

The commitments item, totalling € 7,913,982 thousand, refers to forward transactions for € 4,271,270 thousand and options in foreign currency for € 3,642,712 thousand. The counterparties for the instruments traded were leading credit institutions with high ratings.

Open positions at the end of the year, classified according to purpose, type and expiry date, were as follows:

TABLE 22 (in € thousands)

| Contract type | Expiry | EUR | USD |
|----------------------|---------------|------------|------------|
| forward contracts | 04/01/17 | 35,362 | - |
| | 09/01/17 | 222,441 | - |
| | 11/01/17 | 82,163 | - |
| | 13/01/17 | 256,152 | - |
| | 17/01/17 | 920 | 394,442 |
| | 20/01/17 | 155,728 | - |
| | 23/01/17 | 257,840 | - |
| | 24/01/17 | 528 | - |
| | 25/01/17 | 93,574 | - |
| | 26/01/17 | 95,790 | - |
| | 27/01/17 | 76,691 | 50,216 |
| | 30/01/17 | 221,670 | 110,139 |
| | 31/01/17 | 353,667 | - |
| | 09/02/17 | 320,011 | - |
| | 14/02/17 | - | 245,624 |
| | 15/02/17 | - | 225,873 |
| | 17/02/17 | - | 152,090 |
| | 21/02/17 | - | 684,649 |
| | 28/02/17 | 7,170 | 160,152 |
| | 06/03/17 | 50,000 | - |
| 15/03/17 | - | 118,645 | |
| options | 24/01/17 | 242,436 | - |
| | 14/02/17 | 240,825 | 238,735 |
| | 15/02/17 | - | 214,050 |
| | 21/02/17 | - | 939,615 |
| | 28/02/17 | 552,288 | 392,045 |
| | 02/03/17 | 160,000 | - |
| | 28/03/17 | 150,000 | - |
| | 03/04/17 | 235,383 | - |
| | 08/05/17 | 238,755 | - |
| | 06/10/17 | - | 171,025 |

The effect of exchange rate transactions on items in foreign currency that expired in the year produced a positive balance of € 255,241 thousand, and that of valuations of existing derivatives at year-end exchange rates and items in foreign currency produced a positive balance of € 42,510 thousand. These components are analysed in detail in section 22 of these notes.

17.1 The breakdown of guarantees given and received and of commitments is set forth in Annex 17.

17.4 Breakdown of securities deposited with third parties according to the entity with which they are deposited with an indication of those related to Group companies.

Securities, including those related to Group companies, are deposited with banks, for € 2,244,180 thousand and asset management companies, for € 11,028 thousand.

17.6 The schedule of commitments for transactions on derivatives is set forth in Annex 18.

Profit & Loss Account

Section 18 Information on the non-life technical account

18.1 - Gross premiums written

Gross premiums written for the year amounted to € 534,242 thousand.

In accordance with the applicable legislation (art. 11, paragraph 5 of Law 80/2005), 12 resources were engaged in the provision of internationalisation guarantees which generated gross premiums for € 3,953 thousand.

Premiums ceded at 31 December 2016 amounted to € 152,309 thousand, of which € 86,028 thousand refer to the reinsurance agreement with the Ministry of the Economy and Finance.

18.2 – The breakdown of premiums for direct business, inward reinsurance, Italian portfolio and foreign portfolio is provided in Annex 19.

18.3 – Details of the reasons for transferring the allocated investment return from the non-technical account and description of the calculation criteria used – Item I.2.

Pursuant to article 55 of Legislative Decree 173/97, the allocated investment return transferred amounted to € 121,523 thousand.

18.4 – Other technical income net of reinsurance – Item I.3

The item equal to € 5,761 thousand mainly concerns the technical income arising from the management of insurance contracts for € 3,280 thousand and from front-end expenses for the year for € 453 thousand.

18.5 – Claims incurred net of recoveries and reinsurance

TABLE 23 (in € thousands)

| Description | DB | IB | Total | DB | IB | Total |
|--|----------------|--------------|----------------|-----------------|------------|-----------------|
| | 31-12-16 | 31-12-16 | 31-12-16 | 31-12-15 | 31-12-15 | 31-12-15 |
| Claims paid for the current year | -164,277 | -1,486 | -165,763 | -160,527 | -4,898 | -165,425 |
| Claims paid relating to previous years | -183,247 | -318 | -183,565 | -88,591 | -4,254 | -92,845 |
| Costs of claims management | -4,798 | 0 | -4,798 | -3,305 | 0 | -3,305 |
| Reinsurers' share | 9,995 | 0 | 9,995 | 2,916 | 0 | 2,916 |
| Change in recoveries | 235,409 | 2,894 | 238,303 | 125,404 | 19,197 | 144,601 |
| Change in the provision for claims outstanding | 85,615 | 2,892 | 88,508 | -59,670 | -630 | -60,300 |
| Total net claims incurred | -21,302 | 3,982 | -17,320 | -175,189 | 831 | -174,358 |

The change in recoveries item (€ 238,303 thousand) comprises the amount recovered on Iranian policies by virtue of the bilateral agreement signed on 25 January 2016 (€ 181,535 thousand).

The reinsurers' share amounted to € 9,995 thousand, of which € 9,674 thousand refer to the reinsurance agreement with the Ministry of the Economy and Finance.

18.7 – Premium refunds and profit sharing, net of reinsurance – Item I.6

Premium refunds, reflecting premium refunds net of reinsurance, amounted to € 13,632 thousand (€ 5,965 thousand at the end of the previous year).

Operating expenses - Item I.7

Details of this item are given in the table below:

TABLE 24 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|--|-----------------|-----------------|
| Collection and acquisition commissions | 1,438 | 2,079 |
| Other acquisition costs | 25,225 | 23,885 |
| Other administrative expenses | 47,700 | 48,755 |
| Commissions and profit sharing | -22,018 | -15,805 |
| Operating expenses | 52,345 | 58,914 |

Other acquisition costs comprise reinsurance commissions and general expenses made up of personnel costs (€ 14,910 thousand) and other general administrative expenses (€ 10,315 thousand). Other administrative expenses comprise general expenses made up of costs of personnel (€ 32,906 thousand), other general administrative expenses (€ 14,307 thousand), and depreciation of capital goods (€ 487 thousand). Personnel costs, a description of the relative items, the average number of employees during the year, the number of directors and statutory auditors and related remuneration are given in Annex 32.

Commissions and profit-sharing received from reinsurers, amounting to € 22,018 thousand, mainly comprise commissions in connection with the agreement signed with the Ministry of the Economy and Finance (€ 16,082 thousand).

18.8 – Other technical charges net of reinsurance – Item I.8

This item, equal to € 15,710 thousand, refers mainly to technical cancellations of premiums due to termination of insurance contracts.

18.9 – Change in the equalisation provision – Item I.9

The change in the equalisation provision, equal to € 28,699 thousand, was determined in accordance with current legislation.

Section 20 – Analysis of technical items by business and result of the non-technical account

A summary of the technical account by business is provided in Annex 25.

Section 21 – Information on the non-technical account (III)

21.1 – Breakdown of investment income for the non-life business – item III.3 (annex 21)

A summary of investment income is given in the following table:

TABLE 25 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|---|------------------|------------------|
| Income from shares and interests | 45 | 880 |
| Income from investments in land and buildings | 613 | 614 |
| Income from other investments | 86,338 | 92,142 |
| Value re-adjustments on investments | 80,855 | 86,288 |
| Gains on the disposal of investments | 1,046,369 | 1,332,452 |
| Total | 1,214,220 | 1,512,376 |

The income from other investments item (€ 86,338 thousand) includes € 64,066 thousand for interest on government securities and bonds, € 75 thousand for interest receivable for mortgages, € 5,524 thousand for interest from time deposits, € 13,410 thousand for interest from Carnival and General Electric notes and € 3,263 thousand for interest from the loan to SACE Fct. The value re-adjustment on investments item (€ 80,855 thousand) refers to forward currency sales for € 70,922 thousand (see also Section 22 of these notes) and upward adjustments on investments in SACE Fct, SACE BT and Simest for € 9,933 thousand. Gains on the disposal of investments (€ 1,046,369 thousand) comprise € 754,003 thousand referring to gains on forward transactions, € 264,510 thousand to gains on transactions in derivatives and € 27,856 thousand to gains on the sale of securities. The breakdown of each item is detailed in Annex 21.

21.2 – Breakdown of investment management and financial charges for the non-life business – Item III.5 (Annex 23)

Investment management and financial charges are summarised in the following table:

TABLE 26 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|---|----------------|----------------|
| Investment management charges and other charges | 3,738 | 5,331 |
| Value re-adjustments on investments | 105,797 | 81,005 |
| Losses on the disposal of investments | 766,419 | 909,679 |
| Total | 875,954 | 996,015 |

Investment management charges and other charges mainly comprise investment management fees (€ 670 thousand) and property management charges (€ 916 thousand). The value re-adjustments on investments item (€ 105,797 thousand) refers to the valuation of forward contracts (€ 57,613 thousand), losses on equity and bond funds (€ 44,188 thousand), write-downs of the investment in Sace do Brasil (€ 214 thousand) and of notes (€ 3,119 thousand) and depreciation of real estate for € 663 thousand. Losses on the disposal of investments (€ 766,419 thousand) include € 715,479 thousand referring to losses on forward transactions, € 47,723 thousand on transactions in derivatives, € 3,217 thousand on the sale of securities. The breakdown of each item is detailed in Annex 23.

21.3 – Breakdown of other income – Item III.7

TABLE 27 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|--|----------------|----------------|
| Compensatory interest on premiums | 236 | 0 |
| Compensatory interest on receivables | 14,721 | 13,928 |
| Interest earned and other income | 6,995 | 2,991 |
| Interest earned on tax credits | 17 | 17 |
| Capital gains on other receivables | 7,230 | 4,836 |
| Profits on exchange rates | 29,562 | 50,604 |
| Utilisation of provisions and non-existent liabilities | 6,632 | 176 |
| Valuation gains on exchange rates | 64,099 | 145,146 |
| Revenues from services to affiliates | 3,788 | 4,178 |
| Total | 133,280 | 221,876 |

Compensatory interest on receivables (€ 14,721 thousand) represents the interest matured in the year on subrogation credit. Profits on exchange rates refer to capital gains on exchange rates on transactions in foreign currency. Gains on other receivables (€ 7,230 thousand) refer for € 533 thousand to collection of compensatory interest, € 821 thousand for recovery of receivables ex Optimum and € 5,876 thousand for gains relating to receivables for acquired shares due to policyholders. Profits from valuation gains on exchange rates include the result of the valuation of the entries in foreign currencies at year-end exchange rates (for further details, see section 22 of these notes).

21.4 – Breakdown of other charges - Item III.8

TABLE 28 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|--|---------------|---------------|
| Depreciation | 201 | 149 |
| Additions to risk provisions | 7,764 | 55,025 |
| Exchange losses | 28,780 | 4,675 |
| Valuation exchange losses | 10,790 | 19,317 |
| Write-downs of receivables - compensatory interest | 410 | 731 |
| Write-down of other receivables | 1,477 | 35 |
| Losses on other receivables | 3 | - |
| Other interest expense and financial liabilities | 19,460 | 17,481 |
| Total | 68,885 | 97,413 |

Valuation exchange losses (€ 10,790 thousand) include the result of the valuation of the entries in foreign currencies at year-end exchange rates (for further details, see section 22 of these notes). The other interest expense and financial liabilities item (€ 19,460 thousand) refers for € 19,381 thousand to interest payable on the debenture loan issued.

Personnel costs are listed in Annex 32.

21.5 – Breakdown of extraordinary income – item III.10

TABLE 29 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|-----------------------------|--------------|---------------|
| Sundry non-operating income | 2,323 | 16,941 |
| Total | 2,323 | 16,941 |

Sundry non-operating income reflects adjustments on recoveries from foreign countries of amounts not relating to the period (€ 370 thousand) and outward reinsurance premiums (€ 1,466 thousand).

21.6 – Breakdown of extraordinary charges – Item III.11

TABLE 30 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|--------------------------------------|--------------|--------------|
| Losses on disposal of movable assets | 3 | 7 |
| Sundry non-operating liabilities | 1,226 | 3,080 |
| Total | 1,229 | 3,087 |

Sundry non-operating liabilities include general costs accrued from previous years (€ 520 thousand) and a higher tax charge for the previous year (€ 142 thousand).

21.7 – Breakdown of income taxes and deferred taxes – Item III.14

This item, totalling € 109,794 thousand, comprises the following:

- a) € 2,682 thousand for IRAP for the year.
- b) € 64,103 thousand for the liability calculated on the taxable income transferred to the parent for inclusion in the tax consolidation regime.
- c) € 15,772 thousand for disclosure of deferred taxes on temporary changes during the year determined as illustrated in the table below. For the current year, prepaid IRES for € 4,440 thousand was calculated on the basis of the reasonable certainty of generating tax liable income in the future such as to enable its recovery.
- d) € 61,524 thousand corresponding to transfer to profit and loss of prepaid IRES and IRAP accrued in previous years.
- e) € 20,411 thousand corresponding to transfer to profit and loss of deferred IRES accrued in previous years.
- f) € 9,437 resulting from the adjustment of the IRES tax rate to 24%, as from 1 January 2017, as established by Law 208/2015 (so-called 2016 Stability Law). The adjustment only applied to temporary changes for which their reversal from the 2017 tax year is reasonably certain.

Current taxes were calculated at the current rate of 27.5% for IRES and 6.82% for IRAP.

Details of advance and deferred taxes are given in the following tables.

TABLE 31 (in € thousands)

| IRAP (regional tax on production) | Opening balance | | Utilisation 2016 | | Change in the year | | Closing balance | |
|---|-----------------------|------------|-----------------------|------------|-----------------------|-----|-----------------------|------------|
| | Temporary differences | Tax | Temporary differences | Tax | Temporary differences | Tax | Temporary differences | Tax |
| Type of temporary differences | | | | | | | | |
| Recognised in profit or loss | | | | | | | | |
| <i>Differences giving rise to deferred tax assets</i> | | | | | | | | |
| Reserve fund | | | 1 | | | | 1 | |
| Provision for claims outstanding | | | | | | | | |
| Depreciation on revaluation of property | 1,193 | 81 | | | | | 1,193 | 81 |
| Write-down of receivables for premiums | 301 | 21 | (15) | (1) | | | 286 | 20 |
| Change in tax rates | | | | | | | | |
| Total | 1,494 | 102 | (14) | (1) | | | 1,480 | 101 |

| IRES (corporate income tax) | Opening balance | | Utilisation 2016 | | Change in the year | | Closing balance | |
|--|-----------------------|----------------|-----------------------|-----------------|-----------------------|--------------|-----------------------|---------------|
| | Temporary differences | Tax | Temporary differences | Tax | Temporary differences | Tax | Temporary differences | Tax |
| Type of temporary differences | | | | | | | | |
| Recognised in profit or loss | | | | | | | | |
| <i>Differences giving rise to deferred tax assets</i> | | | | | | | | |
| Maintenance | 204 | 56 | (204) | (56) | | | | |
| Reserve fund | 10,012 | 2,753 | (1,758) | (486) | | | 8,254 | 1,981 |
| Provision for claims outstanding | 229,365 | 63,075 | (29,721) | (8,173) | | | 199,644 | 47,915 |
| Write-down of receivables for premiums | 301 | 83 | (15) | (4) | | | 286 | 69 |
| Contingent liabilities fund | 70,047 | 19,263 | (6,632) | (1,824) | 7,764 | 1,863 | 71,179 | 17,083 |
| Exchange rate valuation losses | 86,976 | 23,918 | (26,393) | (7,258) | 10,735 | 2,576 | 71,318 | 17,116 |
| Depreciation on revaluation of property | 1,328 | 365 | | | | | 1,328 | 319 |
| Valuation losses on listed shares | 22,843 | 6,282 | (22,843) | (6,282) | | | | |
| Write-downs of political risk receivables | 136,141 | 37,439 | (136,141) | (37,439) | | | | |
| Adjustment to new rate pursuant to 2016 Stability Law | | (8,129) | | | | (1,894) | | |
| Total | 557,217 | 145,106 | (223,707) | (61,522) | 18,499 | 2,546 | 352,009 | 84,482 |
| <i>Differences giving rise to deferred tax liabilities</i> | | | | | | | | |
| Exchange rate valuation gains | 397,973 | 109,442 | (74,220) | (20,411) | 65,717 | 15,772 | 389,470 | 104,804 |
| Adjustment to new rate pursuant to 2016 Stability Law | | | | | | (11,331) | | (11,331) |
| Total | 397,973 | 109,442 | (74,220) | (20,411) | 65,717 | 4,441 | 389,470 | 93,473 |
| <i>Differences excluded from the determination of advance taxes</i> | | | | | | | | |
| Subrogation credit write-downs – pol. business | 18,195 | | | | | | 5,077 | |
| Subrogation credit write-downs – com. business | 111,328 | | | | | | 72,163 | |
| Write downs of other receivables - technical business | | | | | | | 1,477 | |
| Total deferred tax assets arising from temporary differences | | 143,561 | | (61,522) | | 2,546 | | 84,584 |
| Total deferred tax liabilities arising from temporary differences | | 109,442 | | (20,411) | | 4,441 | | 93,473 |

Section 22 – Other information on the Profit and Loss Account

Details concerning relations with group companies are provided in Annex 30. Information concerning the distribution of direct business premiums written by geographical region (Italy, EU, non-EU countries) is provided in Annex 31.

The breakdown of personnel costs for the Italian and foreign portfolios is given in Annex 32

The effect of exchange rate hedging transactions on entries in foreign currency that expired during the year generated a positive balance of € 255,241 thousand, the effect of valuations of existing contracts at year-end exchange rates and entries in foreign currency generated a positive balance of € 42,510 thousand, as shown in the table below.

TABLE 32 (in € thousands)

Realised

| | |
|---|----------------|
| Losses on forward contracts and trading | -715,479 |
| Gains on forward contacts and trading | 754,003 |
| Proceeds from derivatives | 264,510 |
| Charges on derivatives | -47,723 |
| Net realised gains (A) | 255,311 |
| Exchange gains | 30,117 |
| Exchange losses | -30,187 |
| Net loss on exchange rates (B) | -70 |
| Result realised (A+B) | 255,241 |

Valuation differences

| | |
|--|---------------|
| Valuation losses on forward contracts and derivatives | -57,613 |
| Valuation gains on forward contracts and derivatives | 70,922 |
| Net valuation gains (C) | 13,309 |
| Exchange gains – valuation of technical provisions | 4,974 |
| Exchange losses – valuation of technical provisions | -29,083 |
| Exchange gains – valuation of receivables and payables | 56,255 |
| Exchange losses – valuation of receivables and payables | -10,735 |
| Exchange gains – valuation of cash and cash equivalents | 7,844 |
| Exchange losses – valuation of cash and cash equivalents | -55 |
| Net valuation gains on exchange rates (D) | 29,201 |
| Net exchange gains from valuation (C +D) | 42,510 |

Part C – Other information

1. Assets under Items A.1 and A.X of the balance sheet

At 31 December 2016 the shareholders' equity of SACE amounted to € 4,546,862 thousand (€ 4,309,765 thousand in 2015). The items of shareholders' equity at 31 December 2016 are as follows:

- share capital equal to € 3,730,324 thousand;
- share premium account equal to € 43,305 thousand;
- legal reserve € 235,799 thousand;
- other reserves € 233,907 thousand
- profit for the year equal to € 303,528 thousand which the company proposes to allocate to the legal reserve for € 15,176 thousand, to the reserve for exchange gains for € 42,510 thousand, to other equity reserves for € 7,076 thousand, according to resolutions to be passed by the Shareholders' Meeting for € 238,766 thousand.

2. Fees of Directors with executive powers

The policies governing the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer are set out below, in accordance with current legal requirements.¹

Having regard to the functions/powers assigned, respectively, to the Chairman of the Board of Directors and Chief Executive Officer under the Articles of Association and by the Meeting of the Board of Directors held on 14 June 2016, at the Meeting held on 23 June 2016, the Board of Directors, taking into account the instructions of the Shareholder, approved the following remuneration components to be paid to the Chairman of the Board of Directors and Chief Executive Officer:

Chairman of the Board of Directors (amounts in €)

| | |
|--|---------|
| Fixed component: fee for position held - art 2389, paragraph 1 | 40,000 |
| Fixed component: fee for powers assigned - art 2389, paragraph 3 | 200,000 |

The fixed component of the remuneration of the Chairman of the Board of Directors consists of a fee for the position held (pursuant to art. 2389, paragraph 1) and a fee in relation to the powers assigned thereto (pursuant to art. 2389, paragraph 3).

Chief Executive Officer (amounts in €)

| | |
|--|---------|
| Fixed component: fee for position held - art 2389, paragraph 1 | 25,000 |
| Fixed component: fee for powers assigned - art 2389, paragraph 3 | 190,000 |
| Long-term variable component (so-called LTIP) (annual tranche) | 24,700 |

The fixed component is related to the strategic position held within the company and consists of: a) a fee for the position held pursuant to art. 2389, paragraph 1(b) and a fee for the powers assigned thereto pursuant to art. 2389, paragraph 3.

Long-term variable component

In view of the powers assigned thereto, the Chief Executive Officer's remuneration includes a three-year component (LTIP – Long Term Incentive Plan), that will only be paid upon attainment, in each year of the three-year period, of the fixed qualitative and quantitative business objectives for each year of reference.

¹ In detail, in accordance with the Shareholder's policies, these respect the requirements established by the Directive of the Ministry of the Economy and Finance dated 24 June 2013 (which recommends, among other things, that directors should "adopt remuneration policies in line with international best practice, but which are also consistent with the company's performance and are in any case based on the principles of transparency and moderation, in the light of overall economic conditions in the country, and so as to establish a connection between the overall remuneration of directors with executive powers and the median salary across the company").

In accordance with the aforesaid requirements, the total annual remuneration of Mr. Alessandro Decio, in his capacity as Chief Executive Officer, inclusive of the remuneration for his position as General Manager and of the respective short and long-term variable components, amounts to € 799,000.

Cash Flow Statement

Cash flow statement

(in € thousands)

| | FY 2016 | FY 2015 |
|--|------------------|------------------|
| Profit (loss) for the year before tax | 413,322 | 657,876 |
| Changes in non-cash items | 166,218 | (87,441) |
| Change in the provision for unearned premiums - non-life business | 198,421 | (114,612) |
| Change in the provision for claims outstanding and other technical provisions - non-life business | (55,323) | 87,994 |
| Change in the general provision | (1,133) | (54,849) |
| Non-cash income and expense from financial instruments, investment property and equity investments | 24,942 | (5,282) |
| Other changes | (689) | (692) |
| Change in receivables and payables generated by operations | 412,557 | 376,176 |
| Change in receivables and payables arising from direct insurance and reinsurance business | 456,051 | (38,727) |
| Change in other receivables and payables | (43,494) | 414,903 |
| Tax paid | (109,794) | (251,224) |
| TOTAL NET CASH FLOW ARISING FROM OPERATIONS | 882,303 | 695,387 |
| Net cash flow generated/absorbed by investment property | 663 | 1,863 |
| Net cash flow generated/absorbed by financial investments | 1,604,556 | (109,556) |
| Net cash flow generated/absorbed by plant, property and equipment and intangible assets | 536 | 796 |
| TOTAL NET CASH FLOW ARISING FROM INVESTMENT OPERATIONS | 1,605,755 | (106,897) |
| Increase + / - Repayment of share capital | 189,195 | (798,926) |
| Capital reserves | 54,526 | |
| Revaluation of property | | |
| Distribution of dividends | (310,153) | (280,000) |
| Net cash flow generated/absorbed by other financial liabilities | | 500,000 |
| TOTAL NET CASH FLOW ARISING FROM LOAN OPERATIONS | (66,431) | (578,926) |
| Effect of exchange rate differences on cash and cash equivalents | | |
| CASH AND CASH EQUIVALENTS - OPENING BALANCE | 68,747 | 59,184 |
| INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS | 2,421,627 | 9,563 |
| CASH AND CASH EQUIVALENTS - CLOSING BALANCE | 2,490,374 | 68,747 |

4. Independent auditors' fees

Pursuant to Legislative Decree 39 of 27 January 2010, the fees due to PricewaterhouseCoopers for their auditing services in 2016 amounted to € 107 thousand.

5. Company name and registered office of the parent company

SACE is wholly owned by Cassa depositi e prestiti, which has its registered office at Via Goito 4 in Rome and performs management and coordination activities pursuant to article 2497 of the Italian Civil Code. In compliance with the reporting requirement set out in art. 2497-bis of the Italian Civil Code, the main

figures from the last approved financial statements of the parent company are provided below. For an adequate and complete understanding of the assets and financial position of Cassa depositi e prestiti as of 31 December 2016, and of the operating result of the company for the year ended as of that date, please refer to the financial statements that, together with the independent auditor's report, are available in the forms and methods specified by law.

BALANCE SHEET

(in € thousands)

31-12-2015

| ASSETS | | |
|---|--|--------------------|
| 10. | Cash and cash equivalents | 3 |
| 20. | Financial assets held for trading | 200,502 |
| 40. | Available-for-sale financial assets | 7,578,553 |
| 50. | Financial assets held to expiry | 24,577,265 |
| 60. | Receivables from banks | 25,207,955 |
| | <i>of which to guarantee covered bonds</i> | 406,692 |
| 70. | Receivables from customers | 257,105,038 |
| 80. | <i>Hedging derivatives</i> | 789,378 |
| 100. | Equities | 28,138,171 |
| 110. | Property, plant and equipment | 252,558 |
| 120. | Intangible assets | 5,349 |
| 130. | Tax assets | 809,947 |
| | a) current | 467,581 |
| | b) prepaid | 342,365 |
| | - of which pursuant to Law 214/2011 | - |
| 150. | Other assets | 234,235 |
| | Total assets | 344,898,956 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| 10. | Amounts owed to banks | 14,336,702 |
| | <i>of which guaranteed by covered bonds</i> | 400,003 |
| 20. | Payables to customers | 294,843,708 |
| 30. | Outstanding securities | 14,381,591 |
| 40. | Financial liabilities held for trading | 169,572 |
| 60. | Hedging derivatives | 535,247 |
| 70. | Value adjustment to hedged financial liabilities (+/-) | 43,273 |
| 80. | Tax liabilities | 142,330 |
| | a) current | 35,305 |
| | b) deferred | 107,025 |
| 100. | Other liabilities | 945,658 |
| 110. | Provision for employee severance indemnities | 930 |
| 120. | Provisions for risks and charges | 38,893 |
| | b) other provisions | 38,893 |
| 130. | Valuation reserves | 940,470 |
| 160. | Reserves | 14,184,832 |
| 180. | Capital | 3,500,000 |
| 190. | Own shares (-) | (57,220) |
| 200. | Net income (loss) for the year (+/-) | 892,970 |
| | Total liabilities and shareholders' equity | 344,898,956 |

PROFIT & LOSS ACCOUNT*(in € thousands)*

| | 31-12-15 |
|--|--------------------|
| 10. Interest earned and similar income | 5,906,933 |
| 20. Interest expense and similar charges | (5,001,806) |
| 30. Interest margin | 905,126 |
| 40. Commissions receivable | 61,366 |
| 50. Commission expense | (1,614,857) |
| 60. Net commissions | (1,553,491) |
| 70. Dividends and similar income | 1,538,444 |
| 80. Net result of trading activities | 69,670 |
| 90. Net result of hedging activities | 4,504 |
| 100. Gains (losses) on sale or repurchase of: | 399,986 |
| a) receivables | 67,284 |
| b) AFS financial assets | 332,692 |
| c) financial assets held to expiry | 10 |
| d) financial liabilities | - |
| 120. Intermediation margin | 1,364,240 |
| 130. Net adjustments/re-adjustments of value for impairment of: | (95,628) |
| a) receivables | (101,828) |
| b) AFS financial assets | (27) |
| d) other financial transactions | 6,226 |
| 140. Net result of financial operations | 1,268,611 |
| 150. Administrative expenses | (130,723) |
| a) personnel costs | (71,654) |
| b) other administrative expenses | (59,069) |
| 160. Net provisions to reserves for risks and charges | (18,486) |
| 170. Net adjustments/re-adjustments of value of tangible assets | (4,575) |
| 180. Net adjustments/re-adjustments of value of intangible assets | (2,247) |
| 190. Other operating income/expense | (18,383) |
| 200. Operating costs | (174,415) |
| 210. Income (Loss) on equity investments | (209,042) |
| 240. Income (Loss) on the disposal of investments | (5) |
| 250. Income (Loss) on current operations before taxes | 885,149 |
| 260. Income taxes for the year on current operations | 7,821 |
| 270. Income (Loss) on current operations net of taxes | 892,970 |
| 290. Net income (loss) for the year (+/-) | 892,970 |

6. Proposed allocation of net income

The shareholder is asked to approve the financial statements as at 31 December 2016 and the allocation of the net profit of € 303,528,203 as follows:

| | |
|---------------|--|
| € 303,528,203 | Net profit |
| € 15,176,410 | to the legal reserve as required by article 2430 of the Italian Civil Code |
| € 49,586,167 | to other reserves, for € 42,509,793 to net exchange gains (pursuant to art. 2426(8-bis) of the Italian Civil Code) and for € 7,076,374 to the investment revaluation reserve for application of the equity method (pursuant to art. 2426, paragraph 1(4) of the Italian Civil Code |
| € 238,765,626 | according to resolutions to be passed by the Shareholders' Meeting. |

Rome, 21 March 2017

on behalf of the board of directors
Chief Executive Officer
Alessandro Maria Decio

I, the undersigned, declare that these financial statements comply with the truth and accounting records.

The legal representatives of the company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

Space reserved for the stamp of the registry office
to be applied at the time of filing the accounts.

(*) For foreign companies, the document must be signed by the general representative for Italy.

(**) Indicate the position of the person who signs.

Annex to the notes

EX D.LGS 173/97

| No | Descriptions |
|-----------------|--|
| Annex 1 | Balance sheet - non-life insurance business |
| Annex 3 | Breakdown of the operating result between non-life and life business |
| Annex 4 | Assets - Changes in intangible assets (item B) and land and buildings (item C.I) |
| Annex 5 | Assets - Changes during the year in investments in group companies and companies in which significant interest is held: shares and interests (item C.II.1), bonds (item C.II.2) and loans (item C.II.3) |
| Annex 6 | Assets - Information regarding investee companies |
| Annex 7 | Assets - Details of investments in group companies and other companies in which significant interest is held: shares and interests |
| Annex 8 | Assets - Breakdown of financial investments according to use: shares and interests in companies, shares in common investment funds, bonds and other fixed-income securities, participation in investment pools and other financial investments (items C.III.1,2,3,5,7) |
| Annex 9 | Assets - Changes during the year in other long-term financial investments: shares and interests, shares in common investment funds, bonds and other fixed-income securities, participation in investment pools and other financial investments (items C.III.1,2,3,5,7) |
| Annex 10 | Assets - Changes during the year in loans and deposits with credit institutions (items C.III.4, 6) |
| Annex 13 | Liabilities - Changes during the year in components of the reserve for unearned premiums (item C.I.1) and the reserve for claims outstanding (item C.I.2) of the non-life branches |
| Annex 15 | Liabilities - Change in provisions for risks and charges (item E) and for employee severance indemnities (item G.VII) |
| Annex 16 | Detailed statement of assets and liabilities relating to group companies and companies in which significant interest is held |
| Annex 17 | Details of classes I, II, III and IV of guarantees, commitments and other memorandum accounts |
| Annex 18 | Schedule of liabilities for transactions on derivatives |
| Annex 19 | Summary information relating to the non-life technical account |
| Annex 21 | Investment income (item II.2 and III.3) |
| Annex 23 | Details of investment management and financial charges (items II.9 and III.5) |
| Annex 25 | Non-life - Summary layout of technical account by line of business - Italian portfolio |
| Annex 26 | Summary layout of technical accounts for all lines of business - Italian portfolio |
| Annex 29 | Summary layout of technical accounts for non-life and life business - Foreign portfolio |
| Annex 30 | Relations with group companies and companies in which significant interest is held |
| Annex 31 | Summary statement of premiums written for direct business |
| Annex 32 | Statement of costs relating to personnel, directors and statutory auditors |

The annexes to these accounts are those required under Legislative Decree 173/1997. Annexes with no entries or concerning the life business are not included.

| | | |
|----------------------|---|------------------------|
| Company | SACE S.p.A. | |
| Subscribed capital | Eur 3,730,323,610 | Paid Eur 3,730,323,610 |
| Registered offices | Rome - Piazza Poli, 37/42 | |
| Company Register | Rome Reg. No. 142046/99 | |
| Financial statements | BALANCE SHEET 2016 (Amounts in euros) | |

Company **SACE S.p.A.**

Balance sheet - non-life business assets

| | | | | | Current year |
|---|----|---------|-----------------------|---------|--------------|
| A. SUBSCRIBED CAPITAL UNPAID | | | | | 1 |
| of which called-up capital | | | | | |
| | 2 | 0 | | | |
| B. INTANGIBLE ASSETS | | | | | |
| 1. Deferred acquisition commissions | 4 | 0 | | | |
| 2. Other acquisition costs | 6 | 0 | | | |
| 3. Start-up and expansion costs | 7 | 0 | | | |
| 4. Goodwill | 8 | 0 | | | |
| 5. Other multi-year costs | 9 | 565 | 10 | 565 | |
| C. INVESTMENTS | | | | | |
| I - Land and buildings | | | | | |
| 1. Property used in company operations | 11 | 61,764 | | | |
| 2. Property rented to third parties | 12 | 1,073 | | | |
| 3. Other properties | 13 | 0 | | | |
| 4. Other property rights | 14 | 0 | | | |
| 5. Construction in progress and advance | 15 | 0 | 16 | 62,837 | |
| II - Investments in Group companies and other companies in which significant interest is held | | | | | |
| 1. Shares and interests in: | | | | | |
| a) controlling companies | 17 | 0 | | | |
| b) subsidiary companies | 18 | 415,302 | | | |
| c) affiliated companies | 19 | 0 | | | |
| d) associated companies | 20 | 7,954 | | | |
| e) other companies | 21 | 22 | 423,256 | | |
| 2. Debt securities issued by: | | | | | |
| a) controlling companies | 23 | 82,854 | | | |
| b) subsidiary companies | 24 | 0 | | | |
| c) affiliated companies | 25 | 0 | | | |
| d) associated companies | 26 | 0 | | | |
| e) other companies | 27 | 0 | 28 | 82,854 | |
| 3. Loans to: | | | | | |
| a) controlling companies | 29 | 0 | | | |
| b) subsidiary companies | 30 | 125,000 | | | |
| c) affiliated companies | 31 | 0 | | | |
| d) associated companies | 32 | 0 | | | |
| e) other companies | 33 | 0 | 34 | 125,000 | 35 |
| | | | 35 | 631,110 | |
| | | | to be carried forward | | 565 |

Previous year

| | | | | |
|-----|-----------------------|---------|---------|---------|
| | | | 181 | 0 |
| | 182 | 0 | | |
| | 184 | 0 | | |
| | 186 | 0 | | |
| | 187 | 0 | | |
| | 188 | 0 | | |
| | 189 | 375 | 190 | 375 |
| | 191 | 62,373 | | |
| | 192 | 1,127 | | |
| | 193 | 0 | | |
| | 194 | 0 | | |
| | 195 | 0 | 196 | 63,500 |
| 197 | 0 | | | |
| 198 | 161,892 | | | |
| 199 | 0 | | | |
| 200 | 7,954 | | | |
| 201 | 202 | 169,846 | | |
| 203 | 82,550 | | | |
| 204 | 0 | | | |
| 205 | 0 | | | |
| 206 | 0 | | | |
| 207 | 0 | 208 | 82,550 | |
| 209 | 0 | | | |
| 210 | 295,000 | | | |
| 211 | 0 | | | |
| 212 | 0 | | | |
| 213 | 0 | 214 | 295,000 | 215 |
| | | | | 547,396 |
| | to be carried forward | | | 375 |

Balance sheet - non-life business assets

| | | carried forward | | Current year | |
|--------|--|-----------------|-----------|--------------|-----------------------|
| | | | | 565 | |
| C. | INVESTMENTS (continued) | | | | |
| III | - Other financial investments | | | | |
| | 1. Shares and interests | | | | |
| | a) Listed shares | 36 | 0 | | |
| | b) Unlisted shares | 37 | 0 | | |
| | c) Interests | 38 | 0 | 39 | 0 |
| | 2. Shares in common investment funds | | 40 | 641,899 | |
| | 3. Debt securities and other fixed-income securities | | | | |
| | a) listed | 41 | 1,530,455 | | |
| | b) unlisted | 42 | 0 | | |
| | c) convertible debentures | 43 | 0 | 44 | 1,530,455 |
| | 4. Loans | | | | |
| | a) loans secured by mortgage | 45 | 3,324 | | |
| | b) loans on policies | 46 | 0 | | |
| | c) other loans | 47 | 0 | 48 | 3,324 |
| | 5. Shares in investment pools | | 49 | 0 | |
| | 6. Deposits with credit institutions | | 50 | 1,310,170 | |
| | 7. Other financial investments | | 51 | 627,833 | 52 4,113,681 |
| IV | - Deposits with ceding undertakings | | | 53 99 | 54 4,807,725 |
| D bis. | REINSURERS' SHARE OF TECHNICAL PROVISIONS | | | | |
| | I - NON-LIFE BUSINESS | | | | |
| | 1. Provisions for unearned premiums | | 58 | 550,250 | |
| | 2. Provisions for claims outstanding | | 59 | 22,830 | |
| | 3. Provisions for profit-sharing and premium refunds | | 60 | 0 | |
| | 4. Other technical provisions | | 61 | 41,797 | |
| | | | | | 62 614,878 |
| | | | | | 5,423,169 |
| | | | | | to be carried forward |

Previous year

| | | | | |
|-----|-----------------|-----------------------|-----------|-----------|
| | carried forward | | | 375 |
| 216 | 34,486 | | | |
| 217 | 0 | | | |
| 218 | 0 | 219 | 34,486 | |
| | | 220 | 575,688 | |
| 221 | 1,525,135 | | | |
| 222 | 0 | | | |
| 223 | 0 | 224 | 1,525,135 | |
| 225 | 4,345 | | | |
| 226 | 0 | | | |
| 227 | 0 | 228 | 4,345 | |
| | | 229 | 0 | |
| | | 230 | 2,966,484 | |
| | | 231 | 720,754 | |
| | | 232 | 5,826,892 | |
| | | 233 | 127 | 234 |
| | | | | 6,437,915 |
| | | 238 | 329,793 | |
| | | 239 | 18,345 | |
| | | 240 | 0 | |
| | | 241 | 47,022 | 242 |
| | | to be carried forward | | 395,160 |
| | | | | 6,833,450 |

Balance sheet - non-life business assets

| | | carried forward | | | Current year |
|---|----|-----------------|-----|-----------|--------------|
| | | | | | 5,423,169 |
| E. DEBTORS | | | | | |
| I - Debtors arising out of direct insurance operations: | | | | | |
| 1. Policyholders | | | | | |
| a) per premi dell'esercizio | 71 | 31,646 | | | |
| b) per premi degli es. precedenti | 72 | 7,351 | 73 | 38,997 | |
| 2. Insurance intermediaries | | | 74 | 0 | |
| 3. Current accounts with Insurance companies | | | 75 | 0 | |
| 4. Policyholders and third parties for recoveries | | | 76 | 511,753 | 77 |
| | | | | | 550,750 |
| II - Debtors arising out of reinsurance operations: | | | | | |
| 1. Insurance and Reinsurance companies | | | 78 | 16,303 | |
| 2. Reinsurance intermediaries | | | 79 | 0 | 80 |
| | | | | | 16,303 |
| III - Other debtors | | | | | 81 |
| | | | | | 316,336 |
| | | | | | 82 |
| | | | | | 883,389 |
| F. OTHER ASSETS | | | | | |
| I - Tangible assets and stocks: | | | | | |
| 1. Furniture, office machines and internal transport vehicles | | | 83 | 1,220 | |
| 2. Vehicles listed in public registers | | | 84 | 0 | |
| 3. Machinery and equipment | | | 85 | 5 | |
| 4. Stocks and other goods | | | 86 | 67 | 87 |
| | | | | | 1,292 |
| II - Cash at bank and in hand | | | | | |
| 1. Bank and Postal accounts | | | 88 | 2,490,371 | |
| 2. Cheques and cash on hand | | | 89 | 2 | 90 |
| | | | | | 2,490,374 |
| III - Own shares or equity interests | | | | | 91 |
| | | | | | 0 |
| IV - Other | | | | | |
| 1. Deferred reinsurance items | | | 92 | 389 | |
| 2. Miscellaneous assets | | | 93 | 91,539 | 94 |
| of which connection account with Life business | | | 901 | 0 | 95 |
| | | | | | 2,583,593 |
| G. ACCRUALS AND DEFERRED INCOME | | | | | |
| 1. Accrued interest | | | | | 96 |
| | | | | | 27,893 |
| 2. Rents | | | | | 97 |
| | | | | | 0 |
| 3. Other prepayments and accrued income | | | | | 98 |
| | | | | | 669 |
| | | | | | 99 |
| | | | | | 28,563 |
| TOTAL ASSETS | | | | | 100 |
| | | | | | 8,918,713 |

Previous year

| | | | | |
|-----|-----------------|-----|-----------|-----------|
| | carried forward | | 6,833,450 | |
| 251 | 61,234 | | | |
| 252 | 10,674 | 253 | 71,908 | |
| | | 254 | 0 | |
| | | 255 | 0 | |
| | 929,450 | 256 | 1,001,356 | |
| | 21,747 | | | |
| 258 | 21,747 | | | |
| 259 | 0 | 260 | 21,747 | |
| | | 261 | 539,682 | |
| | | | 262 | 1,562,785 |
| | 1,252 | | | |
| 263 | 1,252 | | | |
| 264 | 0 | | | |
| 265 | 8 | | | |
| 266 | 69 | 267 | 1,329 | |
| | 68,743 | | | |
| 268 | 68,743 | | | |
| 269 | 4 | 270 | 68,747 | |
| | | 271 | 0 | |
| | -166 | | | |
| 272 | -166 | | | |
| 273 | 47,405 | 274 | 47,238 | |
| 903 | 0 | | 275 | 117,314 |
| | | 276 | 26,599 | |
| | | 277 | 0 | |
| | | 278 | 476 | |
| | | 279 | 27,074 | |
| | | 280 | 8,540,624 | |

Balance sheet - non-life business liabilities and shareholders' equity

| | | Current year | |
|------------------------------------|---|---------------------|-----------|
| A. SHAREHOLDERS' EQUITY | | | |
| I | - Subscribed capital or equivalent fund | 101 | 3,730,324 |
| II | - Share premium reserve | 102 | 43,305 |
| III | - Revaluation reserves | 103 | 0 |
| IV | - Legal reserve | 104 | 235,799 |
| V | - Statutory reserves | 105 | 0 |
| VI | - Reserves for own shares and shares of the controlling company | 106 | 0 |
| VII | - Other reserves | 107 | 233,907 |
| VIII | - Net profit (loss) brought forward | 108 | 0 |
| IX | - Net profit (loss) for the year | 109 | 303,528 |
| | | | 0 |
| | | 110 | 4,546,862 |
| B. SUBORDINATED LIABILITIES | | | |
| | | 111 | 500,000 |
| C. TECHNICAL PROVISIONS | | | |
| I - NON-LIFE BUSINESS | | | |
| 1. | Premium provisions | 112 | 2,376,847 |
| 2. | Provisions for claims outstanding | 113 | 512,014 |
| 3. | Provisions for profit-sharing and premium refunds | 114 | 0 |
| 4. | Other technical provisions | 115 | 0 |
| 5. | Equalization provision | 116 | 560,755 |
| | to be carried forward | 117 | 3,449,615 |
| | | | 8,496,478 |

Previous year

| | | | | |
|-----------------------|-----|-----------|-----|-----------|
| | 281 | 3,541,128 | | |
| | 282 | 0 | | |
| | 283 | 0 | | |
| | 284 | 215,466 | | |
| | 285 | 0 | | |
| | 286 | 0 | | |
| | 287 | 146,518 | | |
| | 288 | 0 | | |
| | 289 | 406,652 | | |
| | | 0 | 290 | 4,309,765 |
| | | | 291 | 500,000 |
| 292 | | 1,958,707 | | |
| 293 | | 596,036 | | |
| 294 | | 0 | | |
| 295 | | 0 | | |
| 296 | | 532,056 | 297 | 3,086,800 |
| to be carried forward | | | | 7,896,565 |

Balance sheet - non-life business liabilities and shareholders' equity

| | carried forward | | | Current year |
|--|-----------------|--------|------------|------------------|
| | | | | 8,496,478 |
| E. PROVISIONS FOR OTHER RISKS AND CHARGES | | | | |
| 1. Provisions for pensions and similar obligations | | 128 | 0 | |
| 2. Provisions for taxation | | 129 | 93,473 | |
| 3. Other provisions | | 130 | 84,588 | 131 178,061 |
| F. DEPOSITS RECEIVED FROM REINSURERS | | | | 132 0 |
| G. CREDITORS AND OTHER LIABILITIES | | | | |
| I - Creditors arising out of direct insurance operations: | | | | |
| 1. Insurance intermediaries | 133 | 0 | | |
| 2. Current accounts with Insurance companies | 134 | 0 | | |
| 3. Premium deposits and premiums due to policyholders | 135 | 30,424 | | |
| 4. Guarantee funds in favour of policyholders | 136 | 0 | 137 30,424 | |
| II - Creditors arising out of reinsurance operations: | | | | |
| 1. Insurance and Reinsurance companies | 138 | 82,547 | | |
| 2. Reinsurance intermediaries | 139 | 0 | 140 82,547 | |
| III - Debenture loans | | | 141 0 | |
| IV - Amounts owed to banks and credit institutions | | | 142 0 | |
| V - Loans guaranteed by mortgages | | | 143 0 | |
| VI - Miscellaneous loans and other financial liabilities | | | 144 0 | |
| VII - Provisions for employee termination indemnities | | | 145 5,285 | |
| VIII - Other creditors | | | | |
| 1. Premium taxes | 146 | 0 | | |
| 2. Other tax liabilities | 147 | 1,203 | | |
| 3. Social security | 148 | 1,468 | | |
| 4. Miscellaneous creditors | 149 | 47,883 | 150 50,554 | |
| IX - Other liabilities | | | | |
| 1. Deferred reinsurance items | 151 | 55 | | |
| 2. Commissions for premiums in course of collection | 152 | 0 | | |
| 3. Miscellaneous liabilities | 153 | 57,733 | 154 57,787 | 155 226,597 |
| of which connection account with Life business | 902 | 0 | | |
| to be carried forward | | | | 8,901,136 |

Previous year

| | | | | |
|-----|-----------------------|-----|---------|-------------|
| | carried forward | | | 7,896,565 |
| | | 308 | 0 | |
| | | 309 | 109,442 | |
| | | 310 | 90,844 | 311 200,286 |
| | | | | 312 0 |
| 313 | 0 | | | |
| 314 | 0 | | | |
| 315 | 29,438 | | | |
| 316 | 0 | 317 | 29,438 | |
| 318 | 81,191 | | | |
| 319 | 0 | 320 | 81,191 | |
| | | 321 | 0 | |
| | | 322 | 0 | |
| | | 323 | 0 | |
| | | 324 | 0 | |
| | | 325 | 5,903 | |
| 326 | 0 | | | |
| 327 | 233,566 | | | |
| 328 | 1,441 | | | |
| 329 | 43,639 | 330 | 278,645 | |
| 331 | 144 | | | |
| 332 | 0 | | | |
| 333 | 31,253 | 334 | 31,397 | 335 426,574 |
| 904 | 0 | | | |
| | to be carried forward | | | 8,523,425 |

Balance sheet - non-life business liabilities and shareholders' equity

| | carried forward | | | Current year |
|--|-----------------|-----|--------|---------------------|
| H. ACCRUALS AND DEFERRED INCOME | | | | 8,901,136 |
| 1. Accrued interest | | 156 | 17,205 | |
| 2. Rents | | 157 | 306 | |
| 3. Other prepayments and accrued income | | 158 | 67 | 159 17,578 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | | | 160 8,918,713 |

Previous year

| | | | |
|-----------------|-----|--------|---------------|
| carried forward | | | 8,523,425 |
| | 336 | 17,199 | |
| | 337 | 0 | |
| | 338 | 0 | 339 17,199 |
| | | | 340 8,540,624 |

Breakdown of the operating result between Non-life and Life business

| | | Non-life business | Life business | Total |
|---|---|------------------------------|--------------------------|--------------|
| Result of the technical account | | 1 131,089 | 21 | 41 131,089 |
| Investment income | + | 2 1,214,220 | | 42 1,214,220 |
| Investment management and financial charges | - | 3 875,954 | | 43 875,954 |
| Allocated investment return transferred from the technical account of Life business | + | | 24 | 44 |
| Allocated investment return transferred from the technical account of Non-life business | - | 5 121,523 | | 45 121,523 |
| Intermediate operating result | | 6 347,833 | 26 | 46 347,833 |
| Other income | + | 7 133,280 | 27 | 47 133,280 |
| Other charges | - | 8 68,885 | 28 | 48 68,885 |
| Extraordinary income | + | 9 2,323 | 29 | 49 2,323 |
| Extraordinary charges | - | 10 1,229 | 30 | 50 1,229 |
| Profit before taxes | | 11 413,322 | 31 | 51 413,322 |
| Income taxes | - | 12 109,794 | 32 | 52 109,794 |
| Net profit for the year | | 13 303,528 | 33 | 53 303,528 |

Changes during the year in intangible assets (item B) and land and buildings (item C.I)

| | Intangible assets B | | Land and buildings C.I | |
|---|--------------------------------|---------------|-----------------------------------|---------------|
| Gross initial balance | 1 | 11,980 | 31 | 71,913 |
| Increases during the year | 2 | 391 | 32 | |
| for: purchases or additions | 3 | | 33 | |
| write-backs | 4 | | 34 | |
| revaluations | 5 | | 35 | |
| other changes | 6 | | 36 | |
| Reductions during the year | 7 | | 37 | |
| for: sales or decreases | 8 | | 38 | |
| long-term write-downs | 9 | | 39 | |
| other changes | 10 | | 40 | |
| Gross initial balance | 11 | 12,371 | 41 | 71,913 |
| Amortisation and depreciation: | | | | |
| Gross initial balance | 12 | 11,605 | 42 | 8,413 |
| Increases during the year | 13 | 201 | 43 | 663 |
| for: Third party interest in net income for the year | 14 | 201 | 44 | 663 |
| other changes | 15 | | 45 | |
| Reductions during the year | 16 | | 46 | |
| for: reductions following disposals | 17 | | 47 | |
| other changes | 18 | | 48 | |
| Final values of amortisation (b) (*) | 19 | 11,806 | 49 | 9,076 |
| Carrying value (a – b) | 20 | 565 | 50 | 62,837 |
| Current value | 21 | | 51 | 63,500 |
| Total revaluations | 22 | | 52 | |
| Total write-downs | 23 | | 53 | |
| (*) Of which amortisation and depreciation in application of tax laws only. | | | | |

Assets – Changes during the year in investments in Group companies and other companies in which significant interest is held: shares and interests (item C.II.1), bonds (item C.II.2) and loans (item C.II.3)

| | | Shares and interests C.II.1 | | Bonds C.II.2 | | Loans C.II.3 |
|---|---|--|----|-------------------------|----|-------------------------|
| Gross initial balance | + | 1 169,846 | 21 | 82,550 | 41 | 295,000 |
| Increases during the year | + | 2 253,655 | 22 | 304 | 42 | |
| for: purchases, subscriptions or issues | | 3 232,500 | 23 | | 43 | |
| write-backs | | 4 21,155 | 24 | | 44 | |
| revaluations | | 5 | | | | |
| other changes | | 6 | 26 | 304 | 46 | |
| Decreases during the year | - | 7 245 | 27 | | 47 | 170,000 |
| for: sales or repayments | | 8 | 28 | | 48 | 170,000 |
| write-downs | | 9 214 | 29 | | 49 | |
| other changes | | 10 31 | 30 | | 50 | |
| Carrying value | | 11 423,256 | 31 | 82,854 | 51 | 125,000 |
| Current value | | 12 423,256 | 32 | 72,099 | 52 | 125,000 |
| Total revaluations | | 13 | | | | |
| Total write-downs | | 14 214 | 34 | | 54 | |

Item C.II.2 includes:

| | | |
|---------------------------------|----|--------|
| Listed bonds | 61 | 82,854 |
| Unlisted bonds | 62 | |
| Carrying value | 63 | 82,854 |
| of which convertible debentures | 64 | |

Company SACE S.p.A.

Assets – Information regarding investee companies (*)

| Ord No. | Type | Listed or unlisted (2) | Assets Amount (3) | Name and registered offices | Share capital | | Shareholders' equity (**) | Net income or loss of the previous year (**) | Percentage interest (5) | | | |
|---------|------|------------------------|-------------------|--------------------------------------|---------------|------------|---------------------------|--|-------------------------|----------|------------|---------|
| | | | | | Currency | Amount (4) | | | Number shares | Direct % | Indirect % | Total % |
| 1 | b | NQ | 1 | SACE BT S.p.A. | euro | 56,539 | 56,539 | 59,468 | 2,857 | 100 | 100 | 100 |
| 2 | b | NQ | 2 | SACE Fct S.p.A. | euro | 50,000 | 50,000 | 109,558 | 4,749 | 100 | 100 | 100 |
| 3 | d | NQ | 1 | ATI (African Trade Insurance Agency) | usd | 181,400 | 1,814 | 185,879 | 3,098 | 5.51 | | 5.51 |
| 4 | b | NQ | 1 | SACE Do Brasil | R\$ | 6,048 | 6,045 | 980 | -1,174 | 99.95 | | 99.95 |
| 5 | b | NQ | 2 | Simest S.p.A. | euro | 164,646 | 316,627 | 326,650 | 11,323 | 76.005 | | 76.005 |

(*) Group companies and other companies in which a direct interest is held also through trust companies or through a third person must be listed.
(**) To be compiled only for subsidiary and associated companies.

(1) Type

- a = Controlling
- b = Subsidiary companies
- c = Affiliated
- d = Associated
- e = Others

(2) Indicate L for securities traded on regulated market and UL for the others

(3) Business

- 1 = Insurance company
- 2 = Finance company
- 3 = Credit institution
- 4 = Real property company
- 5 = Trust company
- 6 = Unit trust management or distribution company
- 7 = Consortium
- 8 = Industrial company
- 9 = Other company or institution

(4) Amounts in original currency

(5) Indicate the total percentage ownership

Assets – Details of changes in investments in Group companies and other companies in which significant interest is held: shares and interests

| Ord. No. | Type | (1) | (2) | (3) | Name | Increases during the year | | | | Decreases during the year | | | | Purchase cost | Value | | |
|---------------------|----------------------|-----|-----|-----|--------------------------------------|---------------------------|--------|-----------------|-------|---------------------------|---------|-----------------|---------|---------------|-------|--------------------|-------|
| | | | | | | For purchases | | Other increases | | For sales | | Other increases | | | | Carrying value (4) | Value |
| | | | | | | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | | | | |
| 1 | b | D | | | SACE BT S.p.A | | 2,857 | | | | 56,539 | 59,468 | 105,800 | 59,468 | | | |
| 2 | b | D | | | SACE Fct S.p.A | | 4,808 | | 31 | | 50,000 | 109,558 | 600 | 109,558 | | | |
| 3 | d | D | | | ATI (African Trade Insurance Agency) | | | | | | 10,000 | 7,954 | 6,886 | 7,954 | | | |
| 4 | b | D | | | SACE Do Brasil | | | | 214 | | 6,045 | 285 | 11 | 285 | | | |
| 5 | b | D | | | SIMEST S.p.A. | 232,500 | 13,490 | | | | 316,627 | 245,990 | 232,500 | 245,990 | | | |
| Total C.II.1 | | | | | | | | | | | 423,256 | | 345,797 | 423,256 | | | |
| a | Associated companies | | | | | | | | | | | | | | | | |
| b | Subsidiary companies | | | | | | | | | | | | | | | | |
| c | Affiliated companies | | | | | | | | | | | | | | | | |
| d | Associated companies | | | | | | | | | | | | | | | | |
| e | Other | | | | | | | | | | | | | | | | |
| Total D.I | | | | | | | | | | | 169,311 | | 106,411 | 169,311 | | | |
| Total D.II | | | | | | | | | | | 7,954 | | 6,886 | 7,954 | | | |

(1) Must match that indicated in Annex 6

(2) Type

- a = Controlling
- b = Subsidiary companies
- c = Affiliated
- d = Associated
- e = Others

(3) Indicate:

- D for investments assigned to Non-life business (item C.II.1)
- V for investments assigned to Life business (item C.II.1)
- V1 for investments assigned to Life business (item D.I)
- V2 for investments assigned to Life business (voce D.2)

The same number must be assigned to the shareholding even if split

(4) Indicate whether valued by the equity method with an (*) (only for Type b and d)

Company **SACE S.p.A.**

Assets - Breakdown of other financial investments according to use: shares and interests in companies, shares in common investment funds, Bonds and other fixed-income securities, participation in investment pools and other financial investments (items C.III.1, 2, 3, 5, 7)

I – Non-life business

| | Long-term investment portfolio | | Short-term financial assets portfolio | | Total | |
|--|--------------------------------|--------------|---------------------------------------|--------------|----------------|--------------|
| | Carrying value | Market value | Carrying value | Market value | Carrying value | Market value |
| 1. Shares and interests: | | | | | | |
| a) listed shares | 0 | 21 | 0 | 61 | 0 | 101 |
| b) unlisted shares | 0 | 22 | 0 | 62 | 0 | 102 |
| c) other interests | 0 | 23 | 0 | 63 | 0 | 103 |
| 2. Shares of common investment funds | 0 | 24 | 0 | 64 | 0 | 104 |
| 3. Bonds and other fixed-income securities | 0 | 25 | 641,899 | 65 | 641,899 | 105 |
| a1) listed government securities | 1,499,816 | 26 | 1,697,233 | 46 | 1,530,455 | 106 |
| a2) other listed securities | 1,430,420 | 27 | 1,623,806 | 47 | 1,430,472 | 107 |
| b1) unlisted government securities | 69,396 | 28 | 73,428 | 48 | 99,983 | 108 |
| b2) other unlisted securities | 0 | 29 | 0 | 49 | 0 | 109 |
| c) convertible debentures | 0 | 30 | 0 | 50 | 0 | 110 |
| 5. Shares in investment pools | 0 | 31 | 0 | 51 | 0 | 111 |
| 7. Other financial investments | 0 | 32 | 0 | 52 | 0 | 112 |
| | 0 | 33 | 627,833 | 73 | 627,833 | 113 |

II - Life business

| | Long-term investment portfolio | | Short-term financial assets portfolio | | Total | |
|--|--------------------------------|--------------|---------------------------------------|--------------|----------------|--------------|
| | Carrying value | Market value | Carrying value | Market value | Carrying value | Market value |
| 1. Shares and interests: | | | | | | |
| a) listed shares | 0 | 141 | 0 | 181 | 0 | 221 |
| b) unlisted shares | 0 | 142 | 0 | 182 | 0 | 222 |
| c) other interests | 0 | 143 | 0 | 183 | 0 | 223 |
| 2. Shares of common investment funds | 0 | 144 | 0 | 184 | 0 | 224 |
| 3. Bonds and other fixed-income securities | 0 | 145 | 0 | 185 | 0 | 225 |
| a1) listed government securities | 0 | 146 | 0 | 186 | 0 | 226 |
| a2) other listed securities | 0 | 147 | 0 | 187 | 0 | 227 |
| b1) unlisted government securities | 0 | 148 | 0 | 188 | 0 | 228 |
| b2) other unlisted securities | 0 | 149 | 0 | 189 | 0 | 229 |
| c) convertible debentures | 0 | 150 | 0 | 190 | 0 | 230 |
| 5. Shares in investment pools | 0 | 151 | 0 | 191 | 0 | 231 |
| 7. Other financial investments | 0 | 152 | 0 | 192 | 0 | 232 |
| | 0 | 153 | 0 | 193 | 0 | 233 |

Company **SACE S.p.A.**

Assets – Changes during the year in other financial investments held as long-term investments: shares and interests in companies, shares in common investment funds, bonds and other fixed-income securities, participation in investment pools and other financial investments (items C.III.1, 2, 3, 5, 7)

| | Shares and interests C.III.1 | | Shares in common investment funds C.III.2 | | Bonds and other fixed-income securities C.III.3 | | Participation in investment pools C.III.5 | | Sundry financial investments C.III.7 | |
|------------------------------------|---------------------------------|------|---|------|--|------|---|-------|--|-------|
| | 0 21 | 0 41 | 0 21 | 0 41 | 0 41 | 0 81 | 0 101 | 0 101 | 0 101 | 0 101 |
| Initial balance | 0 21 | 0 41 | 0 21 | 0 41 | 1,493,706 | 81 | 0 101 | 0 101 | 720,754 | 0 101 |
| Increases during the year | 0 22 | 0 42 | 0 22 | 0 42 | 6,109 | 82 | 0 102 | 0 102 | 19,952 | 0 102 |
| for: purchases | 0 23 | 0 43 | 0 23 | 0 43 | 0 | 83 | 0 103 | 0 103 | 0 | 0 103 |
| write-backs | 0 24 | 0 44 | 0 24 | 0 44 | 0 | 84 | 0 104 | 0 104 | 0 | 0 104 |
| transfer from short-term portfolio | 0 25 | 0 45 | 0 25 | 0 45 | 0 | 85 | 0 105 | 0 105 | 0 | 0 105 |
| other changes | 0 26 | 0 46 | 0 26 | 0 46 | 6,109 | 86 | 0 106 | 0 106 | 19,952 | 0 106 |
| Decreases during the year | 0 27 | 0 47 | 0 27 | 0 47 | 0 | 87 | 0 107 | 0 107 | 112,874 | 0 107 |
| for: sales | 0 28 | 0 48 | 0 28 | 0 48 | 0 | 88 | 0 108 | 0 108 | 0 | 0 108 |
| write-downs | 0 29 | 0 49 | 0 29 | 0 49 | 0 | 89 | 0 109 | 0 109 | 3,119 | 0 109 |
| transfer to short-term portfolio | 0 30 | 0 50 | 0 30 | 0 50 | 0 | 90 | 0 110 | 0 110 | 0 | 0 110 |
| other changes | 0 31 | 0 51 | 0 31 | 0 51 | 0 | 91 | 0 111 | 0 111 | 109,755 | 0 111 |
| Carrying value | 0 32 | 0 52 | 0 32 | 0 52 | 1,499,816 | 92 | 0 112 | 0 112 | 627,833 | 0 112 |
| Current value | 0 33 | 0 53 | 0 33 | 0 53 | 1,697,233 | 93 | 0 113 | 0 113 | 627,833 | 0 113 |

Assets – Changes during the year in loans and deposits with credit institutions (items C.III.4, 6)

| | | Loans C.III.4 | | Deposits with credit institutions C.III.6 | |
|---------------------------|---|--------------------------|-------|--|-----------|
| Initial balance | + | 1 | 4,345 | 21 | 2,966,484 |
| Increases during the year | + | 2 | | 22 | 5,069,897 |
| for: issues | | 3 | | 23 | |
| write-backs | | 4 | | 24 | |
| other changes | | 5 | | 25 | |
| Decreases during the year | - | 6 | 1,021 | 26 | 6,726,212 |
| for: repayments | | 7 | 1,021 | 27 | |
| write-downs | | 8 | | 28 | |
| other changes | | 9 | | 29 | |
| Carrying value | | 10 | 3,324 | 30 | 1,310,170 |

Liabilities - Changes during the year in components of the reserve for unearned premiums (item C.I.1) and the provision for outstanding claims (item C.I.2) of the Non-life branches

| Type | Financial | | Previous year | | Change | |
|--|-----------|-----------|---------------|-----------|--------|---------|
| Provisions for unearned premiums: | | | | | | |
| Reserve for premium instalments | 1 | 1,826,847 | 11 | 1,603,707 | 21 | 223,140 |
| Reserve for unexpired risks | 2 | 550,000 | 12 | 355,000 | 22 | 195,000 |
| Carrying value | 3 | 2,376,847 | 13 | 1,958,707 | 23 | 418,140 |
| Provisions for claims outstanding: | | | | | | |
| Provision for damages and direct expenses | 4 | 489,294 | 14 | 575,542 | 24 | -86,248 |
| Provision for claim settlement costs. | 5 | 7,808 | 15 | 9,969 | 25 | -2,161 |
| Provision for claims incurred and not notified | 6 | 14,912 | 16 | 10,525 | 26 | 4,387 |
| Carrying value | 7 | 512,014 | 17 | 596,036 | 27 | -84,022 |

Liabilities – Changes during the year in the provision for other risks and charges (item E) and in the provision for severance pay (item G.VII)

| | | Provisions for pensions and similar obligations | Provisions for taxation | Other provisions | Severance pay provision |
|--------------------------|---|--|------------------------------------|-----------------------------|------------------------------------|
| Gross initial balance | + | 1 | 11 109,442 | 21 90,844 | 31 5,903 |
| Provisions for the year | + | 2 | 12 | 22 7,764 | 32 339 |
| Other increases | + | 3 | 13 | 23 576 | 33 |
| Utilization for the year | - | 4 | 14 15,970 | 24 14,596 | 34 939 |
| Other increases | - | 5 | 15 | 25 | 35 17 |
| Carrying value | | 6 | 16 93,472 | 26 84,588 | 36 5,286 |

Detailed statement of assets and liabilities relating to Group companies and companies in which significant interest is held

I: Assets

| | Controlling companies | Subsidiaries | Affiliated companies | Associated companies | Other | Total |
|---|-----------------------|---------------------|----------------------|----------------------|-------|---------------------|
| Shares and interests | 1 | 2 415,302 | 3 | 4 7,954 | 5 | 6 423,256 |
| Bonds | 7 | 8 | 9 | 10 | 11 | 12 0 |
| Loans | 13 | 14 125,000 | 15 | 16 | 17 | 18 125,000 |
| Participation in investment pools | 19 | 20 | 21 | 22 | 23 | 24 0 |
| Deposits with credit institutions | 25 | 26 | 27 | 28 | 29 | 30 0 |
| Other financial investments | 31 | 32 718,196 | 33 | 34 | 35 | 36 718,196 |
| Deposits with ceding undertakings | 37 | 38 83 | 39 | 40 | 41 | 42 83 |
| Investments relating to contracts linked to investment funds and market indexes | 43 | 44 | 45 | 46 | 47 | 48 0 |
| Investments relating to the administration of pension funds | 49 | 50 | 51 | 52 | 53 | 54 0 |
| Debtors arising out of direct insurance | 55 | 56 | 57 | 58 | 59 | 60 0 |
| Debtors arising out of reinsurance operations | 61 | 62 0 | 63 | 64 | 65 | 66 0 |
| Other debtors | 67 | 68 2,196 | 69 | 70 | 71 | 72 2,196 |
| Bank and Postal accounts | 73 | 74 | 75 | 76 | 77 | 78 0 |
| Miscellaneous assets | 79 | 80 0 | 81 | 82 | 83 | 84 0 |
| Total | 85 | 86 1,260,777 | 87 | 88 7,954 | 89 | 90 1,268,731 |
| of which subordinated assets | 91 | 92 10,000 | 93 | 94 | 95 | 96 10,000 |

II: Liabilities

| | Controlling companies | Subsidiaries | Affiliated companies | Associated companies | Other | Total |
|---|-----------------------|------------------|----------------------|----------------------|-------|------------------|
| Subordinated liabilities | 97 | 98 | 99 | 100 | 101 | 102 |
| Deposits received from reinsurers | 103 | 104 | 105 | 106 | 107 | 108 |
| Creditors arising out of direct insurance | 109 | 110 560 | 111 | 112 | 113 | 114 560 |
| Creditors arising out of reinsurance operations | 115 | 116 323 | 117 | 118 | 119 | 120 323 |
| Amounts owed to banks and credit institutions | 121 | 122 | 123 | 124 | 125 | 126 |
| Loans guaranteed by mortgages | 127 | 128 | 129 | 130 | 131 | 132 |
| Miscellaneous loans and other financial liabilities | 133 | 134 | 135 | 136 | 137 | 138 |
| Miscellaneous creditors | 139 | 140 1,037 | 141 | 142 | 143 | 144 1,037 |
| Miscellaneous liabilities | 145 | 146 | 147 | 148 | 149 | 150 |
| Total | 151 | 152 1,920 | 153 | 154 | 155 | 156 1,920 |

Details of classes I, II, III and IV of “guarantees, commitments and other memorandum accounts”

| | FY | Previous year | |
|---|----|---------------|--------------|
| I. Guarantees given: | | | |
| a) sureties and endorsements given in the interest of controlling subsidiary and affiliated companies | 1 | | 31 |
| b) sureties and endorsements given in the interest of associated companies and other shareholdings | 2 | | 32 |
| c) sureties and endorsements given in the interest of third parties | 3 | | 33 |
| d) other personal guarantees given in the interest of subsidiary and affiliated companies | 4 | | 34 |
| e) other personal guarantees given in the interest of other shareholdings | 5 | | 35 |
| f) other personal guarantees given in the interest of third parties | 6 | | 36 |
| g) guarantees secured by mortgages given for obligations of third parties subsidiary and affiliated companies | 7 | | 37 |
| h) guarantees secured by mortgages given for obligations of associated companies and other shareholdings | 8 | | 38 |
| i) guarantees secured by mortgages given for obligations of third parties | 9 | | 39 |
| l) guarantees given for obligations of the Company | 10 | | 40 |
| m) assets deposited for inward inward reinsurance | 11 | | 41 |
| Total | 12 | | 42 |
| II. Guarantees received: | | | |
| a) from Group companies, associates and other shareholdings | 13 | | 43 |
| b) from third parties | 14 | 1,861 | 44 1,803 |
| Total | 15 | 1,861 | 45 1,803 |
| III. Guarantees issued by third parties in the interest of the Company: | | | |
| a) from Group companies, associates and other shareholdings | 16 | | 46 |
| b) from third parties | 17 | | 47 |
| Total | 18 | | 48 |
| IV. Commitments: | | | |
| a) commitments for purchases with obligation of resale | 19 | | 49 |
| b) commitments for sales with obligation of repurchase | 20 | | 50 |
| c) other commitments | 21 | 7,913,982 | 51 6,974,706 |
| Total | 22 | 7,913,982 | 52 6,974,706 |
| V. Assets relating to pension funds managed in the name and on behalf of third parties | 23 | | 53 |
| VI. Securities deposited with third parties | 24 | 2,633,005 | 54 2,458,753 |
| Total | 25 | 2,633,005 | 55 2,458,753 |

Schedule of commitments for transactions on derivatives

| Derivatives | Financial | | | | Previous Year | | | |
|----------------------|-----------|-----|------|-----------|---------------|-----|------|-----------|
| | Purchase | | Sale | | Purchase | | Sale | |
| | (1) | (2) | (1) | (2) | (1) | (2) | (1) | (2) |
| Futures: on shares | 1 | 101 | 21 | 121 | 41 | 141 | 61 | 161 |
| on bonds | 2 | 102 | 22 | 122 | 42 | 142 | 62 | 162 |
| on currencies | 3 | 103 | 23 | 123 | 43 | 143 | 63 | 163 |
| on rates | 4 | 104 | 24 | 124 | 44 | 144 | 64 | 164 |
| other | 5 | 105 | 25 | 125 | 45 | 145 | 65 | 165 |
| Options: on shares | 6 | 106 | 26 | 126 | 46 | 146 | 66 | 166 |
| on bonds | 7 | 107 | 27 | 127 | 47 | 147 | 67 | 167 |
| on currencies | 8 | 108 | 28 | 3,642,712 | 48 | 148 | 68 | 1,699,188 |
| on rates | 9 | 109 | 29 | 129 | 49 | 149 | 69 | 169 |
| other | 10 | 110 | 30 | 130 | 50 | 150 | 70 | 170 |
| Swaps: on currencies | 11 | 111 | 31 | 131 | 51 | 151 | 71 | 171 |
| on rates | 12 | 112 | 32 | 132 | 52 | 152 | 72 | 172 |
| other | 13 | 113 | 33 | 133 | 53 | 153 | 73 | 173 |
| Other transactions | 14 | 114 | 34 | 134 | 54 | 154 | 74 | 174 |
| Total | 15 | 115 | 35 | 3,642,712 | 55 | 155 | 75 | 1,699,188 |
| | | | | | | | | |

Notes: - Only transactions on derivatives existing at the date of the accounts that involve commitments for the Company must be stated.

- If the contract does not correspond precisely to the figures described or in the case in which it is characterised by elements of several types, it must be stated in the closest contractual category.

Offsetting of items is not permitted except in relation to purchase/sale transactions relating to the same type of contract (same content, expiry, underlying assets, etc.).

- The value to be assigned to derivative contracts that involve or may involve the exchange of capital at term is the settlement price of these; in all other cases, the nominal value of the reference capital must be indicated.

- Contracts that envisage the swapping of two currencies must be indicated once only, referring, by convention, to the currency to be purchased. Contracts that envisage interest rate and currency swaps must be indicated only under contracts on currency.

- Interest swap derivatives are classified conventionally as "purchases" or "sales" according to whether they involve the purchase or sale of the fixed rate or sale of the fixed rate for the insurance company.

(1) For derivative contracts that involve or may involve the exchange of capital at term is the settlement price of these; in all other cases, the nominal value of the reference capital must be indicated.

(2) Indicate the fair value of derivative contracts.

Investment income (item II.2 and III.3)

| | Non-life business | Life business | Total |
|---|-------------------|---------------|-----------|
| Income from shares and interests: | | | |
| Dividends and other income from shares and interests of Group companies and shareholdings | 1 | 41 | 81 |
| Dividends and other income from shares and interests in other companies | 2 | 45 | 45 |
| Total | 3 | 43 | 45 |
| Income from investments in land and buildings | 4 | 613 | 613 |
| Income from other investments: | | | |
| Income from bonds of Group companies and shareholdings | 5 | 2,957 | 2,957 |
| Interest on loans to group companies and shareholdings | 6 | 3,263 | 3,263 |
| Income from shares in common investment funds | 7 | 47 | 47 |
| Income from bonds and other fixed-income securities | 8 | 61,109 | 61,109 |
| Interest on loans | 9 | 75 | 75 |
| Income from shares in investment pools | 10 | 50 | 50 |
| Interests on deposits with credit institutions | 11 | 5,524 | 5,524 |
| Income from other financial investments | 12 | 13,410 | 13,410 |
| Interest on deposits with ceding undertakings | 13 | 53 | 53 |
| Total | 14 | 86,338 | 86,338 |
| Value re-adjustments on investments in: | | | |
| Land and buildings | 15 | 55 | 55 |
| Shares and interests, Group companies and shareholdings | 16 | 9,933 | 9,933 |
| Bonds issued by Group companies and shareholdings | 17 | 57 | 57 |
| Other shares and interests | 18 | 58 | 58 |
| Other bonds | 19 | 59 | 59 |
| Other financial investments | 20 | 70,922 | 70,922 |
| Total | 21 | 80,855 | 80,855 |
| Income from the disposal of investments: | | | |
| Gains on disposal of land and buildings | 22 | 62 | 62 |
| Gains on shares and interests in Group companies and shareholdings | 23 | 63 | 63 |
| Income from bonds issued by Group companies and shareholdings | 24 | 64 | 64 |
| Gains on other shares and interests | 25 | 27,210 | 27,210 |
| Gains on other bonds | 26 | 646 | 646 |
| Gains on other financial investments | 27 | 1,018,513 | 1,018,513 |
| Total | 28 | 1,046,369 | 1,046,369 |
| GRAND TOTAL | 29 | 1,214,220 | 1,214,220 |

Investment management and financial charges (items II.9 and III.5)

| | Non-life business | Life business | Total |
|---|-------------------|---------------|---------|
| Investment management charges and other charges | | | |
| Charges relating to shares and interests | 1 | 31 | 61 |
| Charges relating to investments in land and buildings | 2 | 917 | 62 |
| Charges relating to bonds | 3 | 33 | 63 |
| Charges relating to common investment funds | 4 | 34 | 64 |
| Charges relating to participation in investment pools | 5 | 35 | 65 |
| Charges relating to miscellaneous financial investments | 6 | 2,821 | 66 |
| Interest on deposits received from reinsurers | 7 | 37 | 67 |
| Total | 8 | 3,738 | 38 |
| Value adjustments on investments referring to: | | | |
| Land and buildings | 9 | 39 | 69 |
| Shares and interests of Group companies and shareholdings | 10 | 214 | 40 |
| Bonds issued by Group companies and shareholdings | 11 | 41 | 71 |
| Other shares and interests | 12 | 44,154 | 42 |
| Other bonds | 13 | 34 | 43 |
| Other financial investments | 14 | 61,396 | 44 |
| Total | 15 | 105,797 | 45 |
| Capital losses on disposal of investments | | | |
| Losses on the sale of land and buildings | 16 | 46 | 76 |
| Losses on other shares and interests | 17 | 3,217 | 47 |
| Losses on bonds | 18 | 48 | 78 |
| Losses from other financial investments | 19 | 763,202 | 49 |
| Total | 20 | 766,419 | 50 |
| GRAND TOTAL | 21 | 875,954 | 51 |
| | | | 81 |
| | | | 875,954 |

Non-life business - Summary statement of the technical accounts by individual branch – Italian portfolio

| | Accounting class 01 Accident (name) | Accounting class 02 Health (name) | Accounting class 03 Hulls and vehicles (name) | Accounting class 04 Hulls railway rolling stock (name) | Accounting class 05 Hulls aircraft (name) | Accounting class 06 Hulls marine lakes, river craft (name) |
|--|---|--|---|--|---|---|
| Direct business gross of reinsurance | | | | | | |
| Premiums written | 1 | 0 | 1 | 0 | 1 | 0 |
| Change in the provisions for unearned premiums (+ or -) | 2 | 0 | 2 | 0 | 2 | 0 |
| Charges relating to claims | 3 | 0 | 3 | 0 | 3 | 0 |
| Change in miscellaneous technical provisions (+ or -) (f) | 4 | 0 | 4 | 0 | 4 | 0 |
| Balance of other technical items (+ or -) | 5 | 0 | 5 | 0 | 5 | 0 |
| Operating expenses | 6 | 0 | 6 | 0 | 6 | 0 |
| Technical balance direct business (+ or -) | 7 | 0 | 7 | 0 | 7 | 0 |
| Result of outward reinsurance (+ or -) | 8 | 0 | 8 | 0 | 8 | 0 |
| Net result of inward reinsurance (+ or -) | 9 | 0 | 9 | 0 | 9 | 0 |
| Change in the equalisation provision (+ or -) | 10 | 0 | 10 | 0 | 10 | 0 |
| Allocated investment return transferred from the non-technical account | 11 | 0 | 11 | 0 | 11 | 0 |
| Result of the technical account (+ or -) | 12 | 0 | 12 | 0 | 12 | 0 |
| | | | | | | |
| | Accounting class 07 Goods, Transported (name) | Accounting class 08 Fire and Natural Forces (name) | Accounting class 09 Other Property, Damage (name) | Accounting class 10 Motor, TPL (name) | Accounting class 11 TPL aircraft (name) | Accounting class 12 TPL Marine (name) |
| Direct business gross of reinsurance | | | | | | |
| Premiums written | 1 | 0 | 1 | 0 | 1 | 0 |
| Change in the provisions for unearned premiums (+ or -) | 2 | 0 | 2 | 0 | 2 | 0 |
| Charges relating to claims | 3 | 0 | 3 | 0 | 3 | 0 |
| Change in miscellaneous technical provisions (+ or -) (f) | 4 | 0 | 4 | 0 | 4 | 0 |
| Balance of other technical items (+ or -) | 5 | 0 | 5 | 0 | 5 | 0 |
| Operating expenses | 6 | 0 | 6 | 0 | 6 | 0 |
| Technical balance direct business (+ or -) | 7 | 0 | 7 | 0 | 7 | 0 |
| Result of outward reinsurance (+ or -) | 8 | 0 | 8 | 0 | 8 | 0 |
| Net result of inward reinsurance (+ or -) | 9 | 0 | 9 | 0 | 9 | 0 |
| Change in the equalisation provision (+ or -) | 10 | 0 | 10 | 0 | 10 | 0 |
| Allocated investment return transferred from the non-technical account | 11 | 0 | 11 | 0 | 11 | 0 |
| Result of the technical account (+ or -) | 12 | 0 | 12 | 0 | 12 | 0 |
| | | | | | | |
| | Accounting class 13 Non-motor, TPL (name) | Accounting class 14 Credit (name) | Accounting class 15 Suretyship (name) | Accounting class 16 Sundry Pecuniary Losses (name) | Accounting class 17 Legal Fees (name) | Accounting class 18 Assistance (name) |
| Direct business gross of reinsurance | | | | | | |
| Premiums written | 1 | 0 | 1 | -14,524 | 1 | 0 |
| Change in the provisions for unearned premiums (+ or -) | 2 | 0 | 2 | 11,561 | 2 | 0 |
| Charges relating to claims | 3 | 0 | 3 | 194 | 3 | 0 |
| Change in miscellaneous technical provisions (+ or -) (f) | 4 | 0 | 4 | 0 | 4 | 0 |
| Balance of other technical items (+ or -) | 5 | 0 | 5 | 34,981 | 5 | 0 |
| Operating expenses | 6 | 0 | 6 | 70,871 | 6 | 0 |
| Technical balance direct business (+ or -) | 7 | 0 | 7 | 10,347 | 7 | 0 |
| Result of outward reinsurance (+ or -) | 8 | 0 | 8 | -35,434 | 8 | 0 |
| Net result of inward reinsurance (+ or -) | 9 | 0 | 9 | -12,641 | 9 | 0 |
| Change in the equalisation provision (+ or -) | 10 | 0 | 10 | 26,915 | 10 | 0 |
| Allocated investment return transferred from the non-technical account | 11 | 0 | 11 | -113,967 | 11 | 0 |
| Result of the technical account (+ or -) | 12 | 0 | 12 | -124,780 | 12 | 0 |

Summary statement of the technical account of all the Non-life branches Italian portfolio

| | | Risks of direct insurance | | Risks of indirect insurance | | Risks preserved | | | | |
|--|---|---------------------------|-------------|-----------------------------|------------------|-------------------|---------|----|----|----------|
| | | Direct risks | Risks ceded | Risks assumed | Risks retroceded | Total | | | | |
| | | 1 | 2 | 3 | 4 | 5 = 1 - 2 + 3 - 4 | | | | |
| Premiums written | + | 1 | -515,456 | 11 | 152,309 | 21 | -18,129 | 31 | 41 | -381,277 |
| Change in the provisions for unearned premiums (+ or -) | - | 2 | 410,290 | 12 | -173,238 | 22 | 7,574 | 32 | 42 | 244,626 |
| Charges relating to claims | - | 3 | 6,892 | 13 | 14,411 | 23 | -3,843 | 33 | 43 | 17,460 |
| Change in miscellaneous technical provisions (+ or -) | - | 4 | | 14 | 5,225 | 24 | | 34 | 44 | 5,225 |
| Balance of other technical items (+ or -) | + | 5 | 35,995 | 15 | -12,121 | 25 | 3 | 35 | 45 | 23,877 |
| Operating expenses | - | 6 | 72,926 | 16 | -22,018 | 26 | 1,387 | 36 | 46 | 52,295 |
| Technical balance (+ or -) | | 7 | 10,647 | 17 | -35,434 | 27 | -13,008 | 37 | 47 | -37,794 |
| Change in the equalisation provision (+ or -) | - | 8 | 27,695 | | | | | | 48 | 27,695 |
| Allocated investment return transferred from the non-technical account | + | 9 | -117,271 | | | 29 | | | 49 | -117,271 |
| Result of the technical account (+ or -) | | 10 | -78,929 | 20 | -35,434 | 30 | -13,008 | 40 | 50 | -127,370 |

(1) As well as including the change in other technical provisions this item also includes the change in the provision for premium refunds and profit sharing.

Summary layout of Non-life and Life technical accounts – Foreign portfolio

Section I: Non-life business

| | | Total lines of business |
|--|----------------------------|--|
| Direct business gross of reinsurance | | |
| Premiums written | | 1 |
| Change in the provisions for unearned premiums (+ or -) | - | 2 |
| Charges relating to claims | - | 3 |
| Change in miscellaneous technical provisions (+ or -) (1) | - | 4 |
| Balance of other technical items (+ or -) | | 5 |
| Operating expenses | - | 6 |
| Technical balance direct business (+ or -) | | 7 |
| Result of outward reinsurance (+ or -) | | 8 |
| Net result of inward reinsurance (+ or -) | C | 9 -472 |
| Change in the equalisation provision (+ or -) | D | 10 1,004 |
| Allocated investment return transferred from the non-technical account | E | 11 -4,252 |
| Result of the technical account (+ or -) | (A + B + C - D + E) | 12 -3,719 |

Section II: Life business

| | | Total lines of business |
|---|--------------------|-------------------------|
| Direct business gross of reinsurance | | |
| Premiums written | + | 1 |
| Charges relating to claims | - | 2 |
| Change in provisions for policy liabilities and in other technical provisions (+ or -) (2) | - | 3 |
| Balance of other technical items (+ or -) | + | 4 |
| Operating expenses | - | 5 |
| Income from investments net of the allocated investment return transferred to the non technical account (3) | + | 6 |
| Result of direct business gross of reinsurance (+ or -) | A | 7 |
| Result of inward reinsurance (+ or -) | B | 8 |
| Net result of inward reinsurance (+ or -) | C | 9 |
| Result of the technical account (+ or -) | (A + B + C) | 10 |

(1) As well as including the change in other technical provisions this item also includes the change in the provision for premium refunds and profit sharing.

(2) Sundry technical provisions include other technical provisions and technical provisions if the investment risk is borne by the policyholders and provisions relating to the administration of pension funds.

(3) Sum of the items relating to the foreign portfolio included under items II.2, II.3, II.9, II.10 and II.12 of profit and loss.

Relations with Group companies and companies in which significant interest is held

| I: Income | Controlling companies | Subsidiaries | Affiliated companies | Associated companies | Other | Total |
|---|-----------------------|--------------|----------------------|----------------------|-------|----------|
| Investment income | | | | | | |
| Income from land and buildings | 1 | 2 613 | 3 | 4 | 5 | 6 613 |
| Dividends and other income from shares and interests | 7 | 8 | 9 | 10 | 11 | 12 |
| Income from bonds | 13 | 14 | 15 | 16 | 17 | 18 |
| Interest on loans | 19 | 20 | 21 | 22 | 23 | 24 |
| Income from other financial investments | 25 | 26 3,263 | 27 | 28 | 29 | 30 3,263 |
| Interest on deposits with ceding undertakings | 31 | 32 | 33 | 34 | 35 | 36 |
| Total | 37 | 38 3,876 | 39 | 40 | 41 | 42 3,876 |
| Income and unrealised gains on investments for the benefit of policyholders who bear the investment risk and relating to the administration of pension funds | 43 | 44 | 45 | 46 | 47 | 48 |
| Other income | | | | | | |
| Interest on receivables | 49 | 50 | 51 | 52 | 53 | 54 |
| Refunds of administrative expenses and charges | 55 | 56 | 57 | 58 | 59 | 60 |
| Other income and refunds | 61 | 62 4,318 | 63 | 64 | 65 | 66 4,318 |
| Total | 67 | 68 4,318 | 69 | 70 | 71 | 72 4,318 |
| Income from the disposal of investments (*) | 73 | 74 | 75 | 76 | 77 | 78 |
| Extraordinary income | 79 | 80 13 | 81 | 82 | 83 | 84 13 |
| GRAND TOTAL | 85 | 86 8,207 | 87 | 88 | 89 | 90 8,207 |

| II: Charges | Controlling companies | Subsidiaries | Affiliated companies | Associated companies | Other | Total |
|---|-----------------------|--------------|----------------------|----------------------|-------|-------|
| Charges on investments and interest charges: | | | | | | |
| Investment charges | 91 | 92 | 93 | 94 | 95 | 96 |
| Interest on subordinated liabilities | 97 | 98 | 99 | 100 | 101 | 102 |
| Interest on deposits from reinsurers | 103 | 104 | 105 | 106 | 107 | 108 |
| Interest on debts from insurance business | 109 | 110 | 111 | 112 | 113 | 114 |
| Interest on debts from reinsurance business | 115 | 116 | 117 | 118 | 119 | 120 |
| Interest on debts towards banks and financial institutions | 121 | 122 | 123 | 124 | 125 | 126 |
| Interest on mortgages | 127 | 128 | 129 | 130 | 131 | 132 |
| Interest on other debts | 133 | 134 | 135 | 136 | 137 | 138 |
| Losses on credits | 139 | 140 | 141 | 142 | 143 | 144 |
| Administrative and third party charges | 145 | 146 | 147 | 148 | 149 | 150 |
| Other charges | 151 | 152 | 153 | 154 | 155 | 156 |
| Total | 157 | 158 | 159 | 160 | 161 | 162 |
| Unrealised charges and losses on investments for the benefit of policyholders who bear the investment risk and relating to the administration of pension funds | 163 | 164 | 165 | 166 | 167 | 168 |
| Losses on disposal of investments (*) | 169 | 170 | 171 | 172 | 173 | 174 |
| Extraordinary charges | 175 | 176 | 177 | 178 | 179 | 180 |
| GRAND TOTAL | 181 | 182 | 183 | 184 | 185 | 186 |

(*) With reference to the counterpart in the operation.

Summary statement of premiums written for direct business

| | Non-life business | | Life business | | Total | |
|---|-------------------|--------|---------------|--------|-------------------|--------|
| | Establishment | F.P.S. | Establishment | F.P.S. | Establishment | F.P.S. |
| Premiums written: | | | | | | |
| in Italy | 1 515,456 | 5 | 11 | 15 | 21 515,456 | 25 |
| in other countries of the European Union | 2 | 6 | 12 | 16 | 22 | 26 |
| in non-EU Countries | 3 | 7 | 13 | 17 | 23 | 27 |
| Total | 4 515,456 | | 14 | 18 | 24 515,456 | 28 |

Statement of expenses relating to personnel, directors and statutory auditors

| I: Staff costs | Non-life business | | Life business | | Total |
|---|------------------------------|--------|--------------------------|----|--------------|
| Personnel costs | | | | | |
| Italian portfolio: | | | | | |
| - Wages and salaries | 1 | 30,908 | 31 | 61 | 30,908 |
| - Social security contributions | 2 | 8,031 | 32 | 62 | 8,031 |
| - Allocation to the provisions for employee termination indemnities and similar obligations | 3 | 2,285 | 33 | 63 | 2,285 |
| - Sundry personnel expenses | 4 | 12,021 | 34 | 64 | 12,021 |
| Total | 5 | 53,245 | 35 | 65 | 53,245 |
| Foreign portfolio: | | | | | |
| - Wages and salaries | 6 | 1,121 | 36 | 66 | 1,121 |
| - Social security contributions | 7 | 291 | 37 | 67 | 291 |
| - Sundry personnel expenses | 8 | 436 | 38 | 68 | 436 |
| Total | 9 | 1,848 | 39 | 69 | 1,848 |
| Grand Total | 10 | 55,093 | 40 | 70 | 55,093 |
| Costs of self-employed personnel: | | | | | |
| Total Italian portfolio | 11 | 5,134 | 41 | 71 | 5,134 |
| Foreign portfolio | 12 | 186 | 42 | 72 | 186 |
| Total | 13 | 5,321 | 43 | 73 | 5,321 |
| Total costs of workforce | 14 | 60,414 | 44 | 74 | 60,414 |

| II: Description of the item | Non-life business | | Life business | | Total |
|--|------------------------------|--------|--------------------------|----|--------------|
| Investment management charges | 15 | 2,151 | 45 | 75 | 2,151 |
| Charges relating to claims | 16 | 3,934 | 46 | 76 | 3,934 |
| Other acquisition costs | 17 | 17,380 | 47 | 77 | 17,380 |
| Other acquisition costs | 18 | 36,948 | 48 | 78 | 36,948 |
| Administrative costs and expenses on behalf of third parties | 19 | | 49 | 79 | |
| | 20 | | 50 | 80 | |
| Total | 21 | 60,414 | 51 | 81 | 60,414 |

| III: Average number of personnel during the year | Number | |
|---|---------------|-----|
| Managers | 91 | 34 |
| White collar | 92 | 447 |
| Blue collar workers | 93 | |
| Others | 94 | |
| Total | 95 | 481 |

| IV: Directors and statutory auditors | Number | | Fees | |
|---|---------------|---|-------------|-----|
| Directors | 96 | 7 | 98 | 476 |
| Statutory Auditors | 97 | 3 | 99 | 71 |

I, the undersigned, declare that these financial statements comply with the truth and accounting records.

The legal representatives of the company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

Space reserved for the stamp of the registry office
to be applied at the time of filing the accounts.

(*) For foreign companies, the document must be signed by the general representative for Italy.

(**) Indicate the position of the person who signs.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
pursuant to article 13, para. 10.8 of the corporate bylaws of SACE S.p.A.

We the undersigned, Alessandro Maria Decio, in my capacity as CEO and Michele De Capitani, in my capacity as executive officer responsible for preparing the corporate accounts of Sace S.p.A., hereby certify:

- the adequacy in relation to the characteristics of the company and
 - the effective application
- of the administrative and accounting procedures used to prepare the financial statements for the year ended at 31 December 2016.

The adequacy of the administrative and accounting procedures used to prepare the consolidated financial statements for the year ended at 31 December 2016 was assessed on the basis of a process defined by SACE in accordance with generally recognised international standards.

We hereby also certify that:

- the financial statements at 31 December 2016:
 - correspond to the results of company records and accounting entries;
 - were drawn up according to article 6 para 22 of Legislative Decree 269/2003, the applicable provisions of Legislative Decree 209 of 7 September 2005, Legislative Decree 173 of 26 May 1997 (with regard to the provisions governing the annual and consolidated accounts of insurance companies) and that to the best of our knowledge they give a true and fair view of the state of affairs, the financial standing and the operating result of the company.
- the report on operations includes a fair review of the operating performance and result and the situation of the company, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 21 March 2017

CEO
Alessandro Maria Decio

Executive Officer
Michele De Capitani

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors

SACE - Financial Statements at 31 December 2016 -

Dear Shareholder,

We have prepared this report pursuant to Art. 2429, paragraph 2, of the Italian Civil Code. It has been collectively approved and duly filed at the company's registered office.

SACE is a company that operates under the direction and control of Cassa depositi e prestiti, which is the sole shareholder and is also vested with governance powers.

In exercising such powers, the Parent has issued specific Guidelines and Policies, which have been transposed and implemented by the company. These include inter alia definitions of the roles and responsibilities of the Parent and other Group companies in each area, and govern the methods of interaction, detailing the issues and activities in each area for which the companies require binding or non-binding opinions.

Information on our oversight activities during the year ended at 31 December 2016 is provided below.

In the year ended at 31 December 2016 we carried out our duties in accordance with Art. 2403 of the Italian Civil Code and in compliance with the Principles of conduct of the Board of Statutory Auditors, recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian board of certified public accountants).

During this period, in view of the fact that the statutory audit is the responsibility of the independent auditors appointed for that purpose, we acted in a supervisory capacity in accordance with Art. 2403 of the Italian Civil Code, working in conjunction with the Internal Audit and Compliance functions and with the involvement of the heads of the departments responsible for the matters investigated.

Following the resolutions adopted, on 21 March 2017 the Board of Directors of SACE provided us with the draft financial statements for the year ended at 31 December 2016, together with the schedules and detailed annexes and their report, in accordance with the requirements of company law and legislation governing the specific area of business of SACE.

We were appointed as members of the Board of Statutory Auditors by the resolution of the Shareholders' Meeting held on 14 June 2016 for three years and, therefore, until the Shareholders' Meeting called to approve the 2018 financial statements. We held 7 (seven) meetings in 2016, as recorded in our register of meetings and resolutions. During the year, we also participated in all of the Board Meetings and received information about operations and the most significant transactions from the Board of Directors, management and the other supervisory bodies, and are satisfied that all operations approved and implemented comply with the law, the company by-laws and resolutions, are in line with correct management practices and are consistent with the structure and size of the company and its assets.

Relations with the company and its directors, employees and consultants are based on mutual collaboration and respect of individual roles. Board resolutions were supported by adequate analyses and reasons. We fostered and gathered a sufficient flow of information on general operations, receiving information, clarifications and explanations from the Chief Executive Officer and from those responsible for specific functions, in accordance with Art. 2381 of the Italian Civil Code.

The operating result is consistent with the business plans defined by the Board of Directors and the latter periodically provided information about any differences, preparing adequate reports.

The main topics addressed were:

- Audit activities, conducted on the basis of a specific plan approved by the Board, which were the subject of six-monthly reports.
- The work of the Supervisory Body pursuant to Legislative Decree No. 231/2001 which, based on the annual plan submitted to the Board for approval, was the subject of annual reports.
- The work undertaken by PricewaterhouseCoopers, the Independent Auditors appointed for the period from 2015 to 2023. We exchanged information with the external auditors in order to help us perform our respective duties.
- Annual planning of the work of the Compliance function and regular reviews of the findings of assessments conducted and the respective corrective measures.
- Examination, in the presence of the department heads and/or on the basis of specific documents prepared thereby, of aspects of organisation, functioning and performance in the following areas: Business, Risks, Administration and Finance, Legal and Corporate Affairs, Organisation of Systems and Services and Human Resources.

We did not note any unusual transactions with respect to the “characteristics” of the corporate purpose. The company’s core business activities did not change during the year in question and are consistent with the corporate purpose.

Pursuant to Art. 2441, paragraph 6 of the Italian Civil Code, on 20 September 2016 the Board of Directors of SACE passed a resolution approving the contribution in kind by the shareholder, Cassa depositi e prestiti to SACE of the shareholding in SIMEST, the Italian company that helps businesses to expand abroad. The shareholding, made up of 240,652,174 ordinary shares, represents 76.005% of the company’s share capital. We were therefore called upon by Cassa depositi e prestiti to express our opinion on the appropriateness of the share issuing price for the proposed capital increase through the contribution of assets in kind, excluding option rights, as established by Art. 2441, paragraph 6 of the Italian Civil Code and Rule 10.1 of the “Rules of conduct of the Board of Statutory Auditors - Principles of conduct of the Board of Statutory Auditors of unlisted companies”. The purpose of the latter was to obtain our certification regarding the appropriateness of the issue price of the new shares, for the purpose of the contribution.

We examined the documents establishing the amount attributed to the contribution, and verified fulfilment of the conditions pursuant to Art. 2343-ter of the Italian Civil Code.

On the basis of the above considerations and our oversight activities, we expressed a favourable opinion on the proposed capital increase as set out in the Directors’ Report of 20 September 2016.

Taking into account the direction and coordination activities of the Parent, Cassa depositi e prestiti, we monitored the adequacy of the company’s organisational, administrative and accounting structure, also by gathering information from the respective department managers, examining the work of the Independent Auditors and holding meetings with the Boards of Statutory Auditors of the SIMEST, SACE BT, SACE SRV and SACE Fct subsidiaries. This showed the organisational, administrative and accounting structure to be in line with the company’s needs and to be backed by efficient corporate procedures.

We worked in collaboration with the Head of the Internal Auditing department, which also gave rise to detailed analyses and flows of information concerning the implementation of the corrective measures adopted.

The information received from the Supervisory Body on the adequacy of the organisation, management and control model, pursuant to Legislative Decree No. 231/2001, did not highlight any inefficiencies in the procedures adopted by the company. No critical issues of any significance emerged with respect to the organisational model.

Functions within the Board of Directors are well distributed and in line with the mandates conferred. Also in light of the changes in SACE’s Board of Directors during the year, we continued to recommend that the actual segregation of duties, functions and responsibilities within SACE’s corporate governance and organisational structure be monitored, to protect the risks assumed.

We did not identify any irregularities in the recognition and disclosure of company operations or, with respect to the financial statements, any departures from the accounting standards and measurement criteria applied in previous years, thus confirming the correctness of the criteria adopted to give a true and fair view of the assets, liabilities, costs and revenues for the year ended at 31 December 2016. We acknowledge that, in their report, the Independent Auditors have confirmed that the financial statements at 31 December 2016 give a true and fair view of the assets and financial position of SACE and of its operating result and cash flows for the year ended as at that date.

We supervised the general approach of the financial statements, their overall compliance with the law in terms of their layout and structure; we also verified compliance with the law concerning the preparation of the Directors' report.

We did not receive or file any petitions or complaints pursuant to Art. 2408 of the Italian Civil Code. During the performance of our oversight activities, as described above, no significant facts emerged worthy of mention in this report. Moreover, no measure was necessary in respect of any omission by the Board of Directors pursuant to Art. 2406 of the Italian Civil Code.

We did not note any atypical and/or unusual transactions, including transactions with related or intra-group parties, that were not carried out under normal market conditions.

We are not aware of any mandates assigned to persons linked through any continuous working relationship to the Independent Auditors, nor do we have access to the information required in order to detect the existence of such relationships.

Based on the above, we have no reservations concerning the approval of the financial statements as prepared by the Board of Directors or their proposal to allocate the profit for the year, amounting to € 303,528,203, as follows:

- € 15,176,410 to the "Legal reserve", equal to 5% of the net profit, in accordance with Art. 2430 of the Italian Civil Code;
- € 49,586,167 to "Other reserves";
- € 238,765,626 according to resolutions to be passed by the Shareholders' Meeting.

Rome, 11 April 2017

The Board of Statutory Auditors
Prof. Franco Tutino (Chairman)
Ms. Roberta Battistin (Standing Auditor)
Prof. Giuliano Segre (Standing Auditor)



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholder of
SACE SpA

REPORT ON THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

We have audited the accompanying financial statements of SACE SpA, which comprise the balance sheet as of 31 December 2016, the profit and loss account and the cash flow statement for the year then ended and related notes.

Directors' responsibility for the financial statements

The directors of SACE SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277831 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gimma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wulher 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Picciapetra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SACE SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

REPORT ON COMPLIANCE WITH OTHER LAWS AND REGULATIONS

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the Directors' Report, which is the responsibility of the directors of SACE SpA, with the financial statements of SACE SpA as of 31 December 2016. In our opinion, the Directors' Report is consistent with the financial statements of SACE SpA as of 31 December 2016.

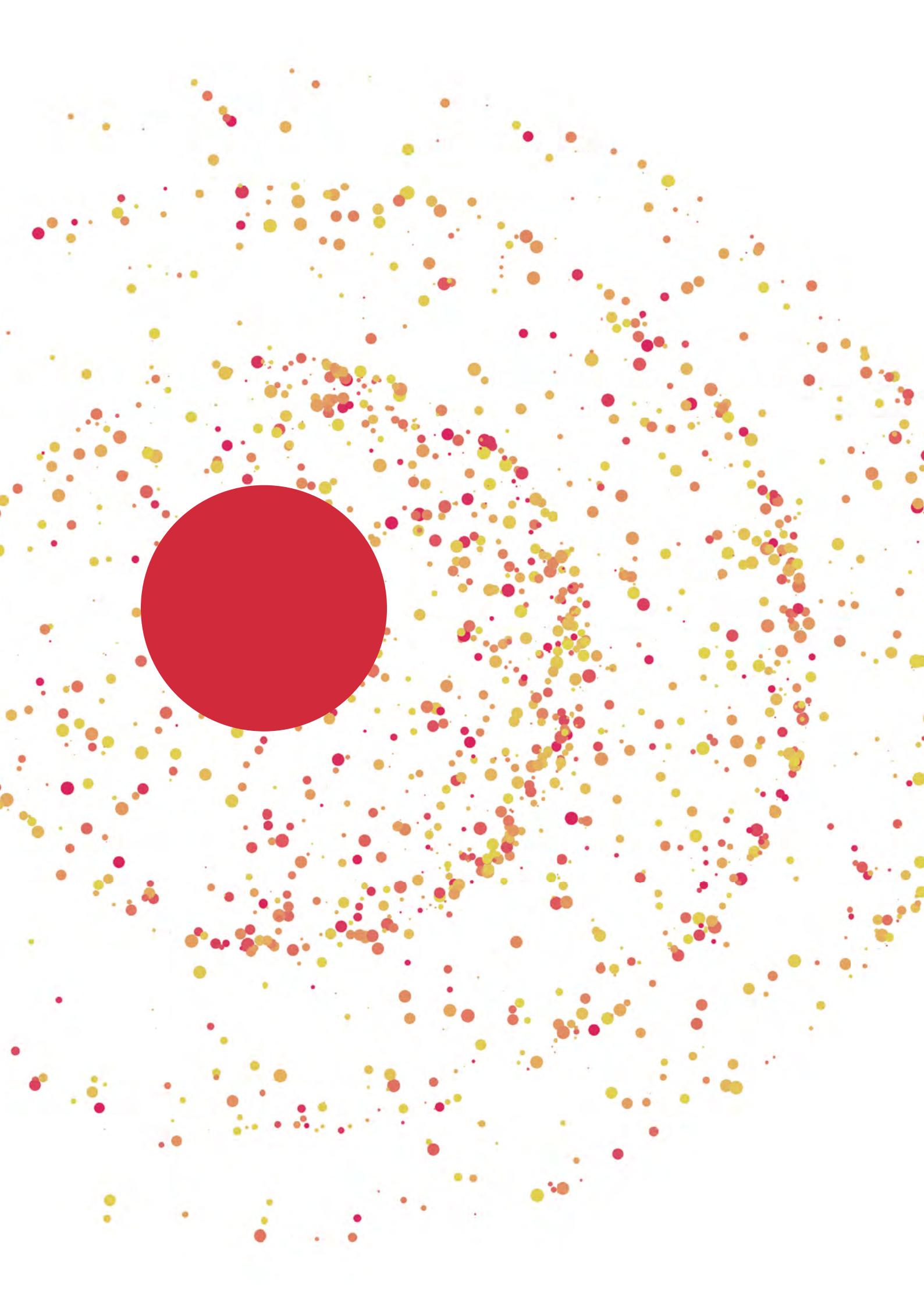
Rome, 10 April 2017

PricewaterhouseCoopers SpA

Signed by

Alberto Buscaglia
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.





Consolidated Financial Statements

at 31 december 2016

Meeting of the Board of Directors
of 21 March 2017

SACE S.p.A.
Registered Office and Head Office in Rome
Share capital (fully paid in) € 3,730,323,610
Tax No. and Rome Companies
Register No. 05804521002 R.E.A. 923591
Sole Shareholder Cassa depositi e prestiti

Company officers and boards

Board of Directors

Chairman

Beniamino QUINTIERI

Chief Executive Officer

Alessandro Maria DECIO (*)

Directors

Maria ALLEGRINI
Antonella BALDINO
Paolo Carlo Renato DAL PINO (**)
Simonetta IARLORI
Federico MEROLA

Board of Statutory Auditors

Chairman

Franco Luciano TUTINO

Standing Auditors

Roberta BATTISTIN
Giuliano SEGRE

Alternate Auditors

Antonia DI BELLA
Francesco DI CARLO

Standing Delegate of the Court of Auditors

Guido CARLINO

External Auditors (***)

PRICEWATERHOUSECOOPERS S.p.A.

Company Boards appointed by the Shareholders' Meeting on 14 June 2016 and in office for three years.

(*) Appointed CEO by the Board of Directors on 14 June 2016.

(**) Appointed as a Member of the Board by the Shareholders' Meeting on 28 September 2016.

(***) Appointed for the period 2015 - 2023 by the Shareholders' Meeting of 23 April 2015.

Contents

| | |
|---|-----|
| Directors' report | 144 |
| 1. The economic scenario | 144 |
| 2. Strategy | 148 |
| 3. Consolidated net profit | 149 |
| 4. Insurance operations | 150 |
| 5. Risk management | 151 |
| 6. Human resources | 165 |
| 7. Litigation | 166 |
| 8. Distribution network and marketing activity | 166 |
| 9. Corporate Governance | 166 |
| 10. Share structure and share capital | 170 |
| 11. Business outlook for 2017 | 171 |
| | |
| Consolidated Balance Sheet | 172 |
| Consolidated Statement of Financial position - Assets | 172 |
| Consolidated Statement of Financial position - Liabilities and Shareholders' Equity | 173 |
| Consolidated Income Statement | 174 |
| Statement of Comprehensive Income - Net Amounts | 175 |
| Statement of changes in Shareholders' Equity | 176 |
| Consolidated Cash Flow Statement | 177 |
| | |
| Notes to the consolidated financial statements | 178 |
| Information on the consolidated balance sheet | 196 |
| Information on the consolidated income statement | 203 |
| Other information | 206 |
| | |
| Annexes to the notes | 208 |
| | |
| Report of the Board of Statutory Auditors | 218 |
| Report of the Board of Statutory Auditors | 218 |
| Report of the Independent Auditors | 220 |

Directors' Report

1. The economic scenario

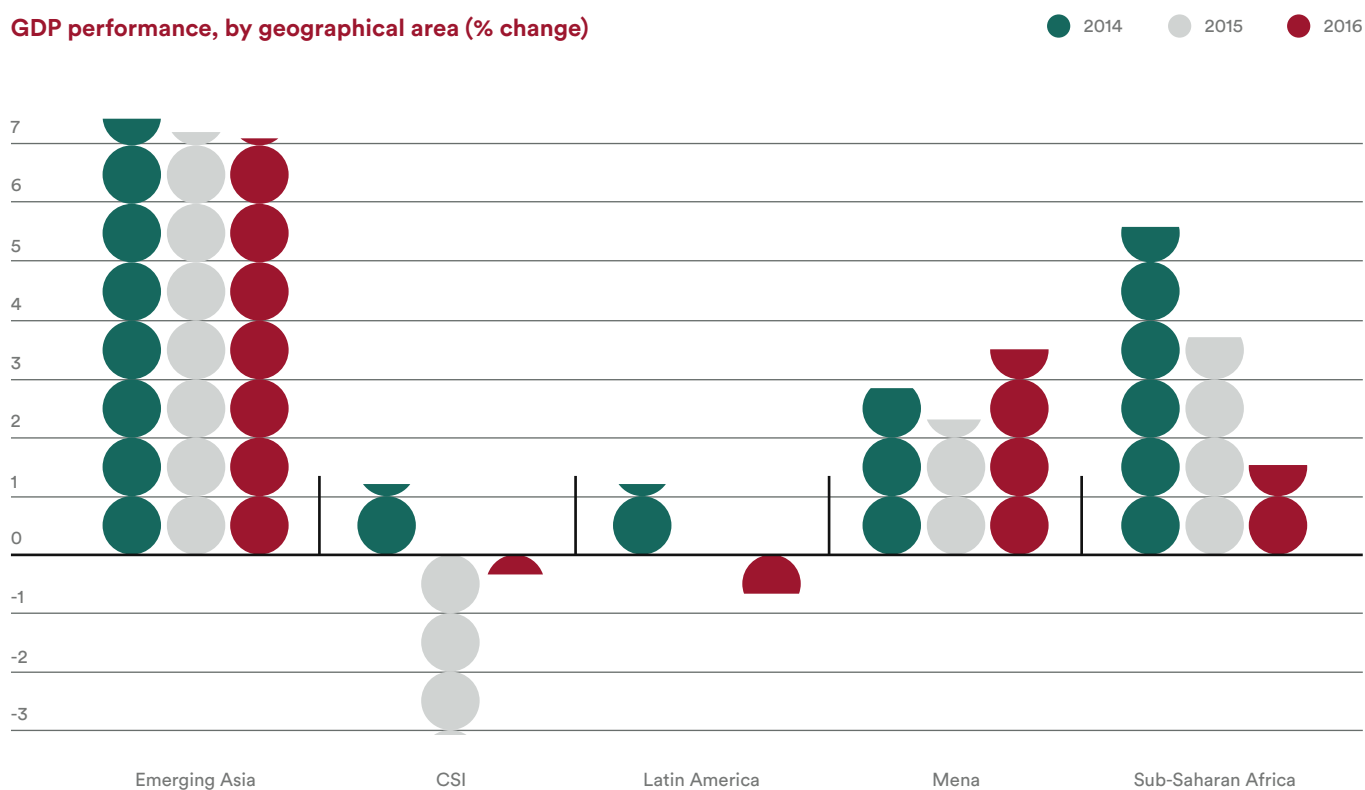
The world economy

The world economy reported steady growth in 2016 (+3.1%). Growth in the advanced countries was slightly slower than in 2015 (+1.6% compared to +2.1% in the previous year). The emerging countries continued to record positive trends (+4.1%), although growth was slower than in previous years and there were differences between the various geographical regions.

Among the advanced economies, the United States and the United Kingdom have not, as yet, been affected by the new political and financial scenarios that emerged during the year, although the prospects are clouded by uncertainty. Growth in the euro area stood at 1.7% and inflation rose slightly, thanks to the European Central Bank's decision to extend its asset purchase programme until the end of 2017. Conversely, in 2016 the Federal Reserve adopted a more restrictive monetary policy.

In the emerging countries, there were differences in terms of economic growth. The Chinese economy continued to expand at a fast pace (though more slowly than in recent years). However, the risks associated with the high level of private sector and local government debt remain. In India growth remained buoyant, although industrial production expanded only moderately. Difficulties persisted in Brazil and Russia. Brazil was faced with severe recession in 2016 (-3.5%) and the political situation is still uncertain. In Russia, the slight recovery in oil prices has helped to ease the recession (from -3.7% in 2015 to -0.6% in 2016). However, the slow recovery of crude oil prices has not been sufficient to improve the outlook for many oil-exporting countries in Sub-Saharan Africa (Nigeria and Angola), Latin America (Venezuela) and the Middle East and North Africa. The latter is also suffering the effects of instability due to political violence.

GDP performance, by geographical area (% change)



Source: IMF

In 2016 total global debt rose to 325% of world GDP. Although the advanced economies have a higher level of indebtedness than the emerging market economies, in the former this is driven by government spending whereas in the latter it is due to the granting of credit facilities. This trend is also evident in several large emerging market economies such as China, Brazil, Malaysia and Turkey.

The Italian economy and industrial sectors

The Italian economy continued its slow recovery that started in 2015 and expanded slightly again in 2016 (approximately 1%). Economic activity was driven by domestic demand (especially household spending but also the revival of investments). Industrial production increased by 1.6% during the year. Among the main categories, capital goods recorded the strongest growth, followed by intermediate goods. There was a slight slowdown in spending on durable consumer goods and energy. At sector level, growth was driven by means of transport, machinery and equipment, metallurgy and metal products. The mineral products, refined and petroleum products, textile, electrical appliances and wood industries instead reported negative growth. The quality of loans by Italian banks improved, also benefiting from a brighter cyclical outlook. The government has authorised the funding of measures to support Italian banks for up to a maximum of € 20 billion.

Italian exports

The volume of international trade in goods increased by around 2% in 2016, still well below pre-crisis levels (the average between 2000 and 2007 was 7.3%). Growth in trade volumes in 2016 was substantially spread across both advanced and emerging economies. In the former the rate of growth was almost half that of the previous year, whereas the emerging economies reported a new upturn in trade volumes after these contracted in 2015. Italy posted a trade surplus of almost € 52 billion in 2016, an improvement on the previous year (+€ 41.8 billion). The negative start to the year was followed by a marked upturn, especially towards the end of the year, when exports increasing by 1.1%. Growth was mainly driven by demand from within the EU (+3%), as well as by some non-EU countries, such as Japan and China. On the other hand, sales to Sub-Saharan Africa, Mercosur and OPEC countries and the Middle East decreased. Lastly, at sector level, there was an increase in sales of electricity and gas (although this sector accounts for a very small proportion of total exports), pharmaceutical and chemical products, means of transport and food products; exports in the mechanical engineering sector (the main driver of demand for insurance against the risk of non-payment) remained stable. Exports of refined and petroleum products and of mineral products decreased.

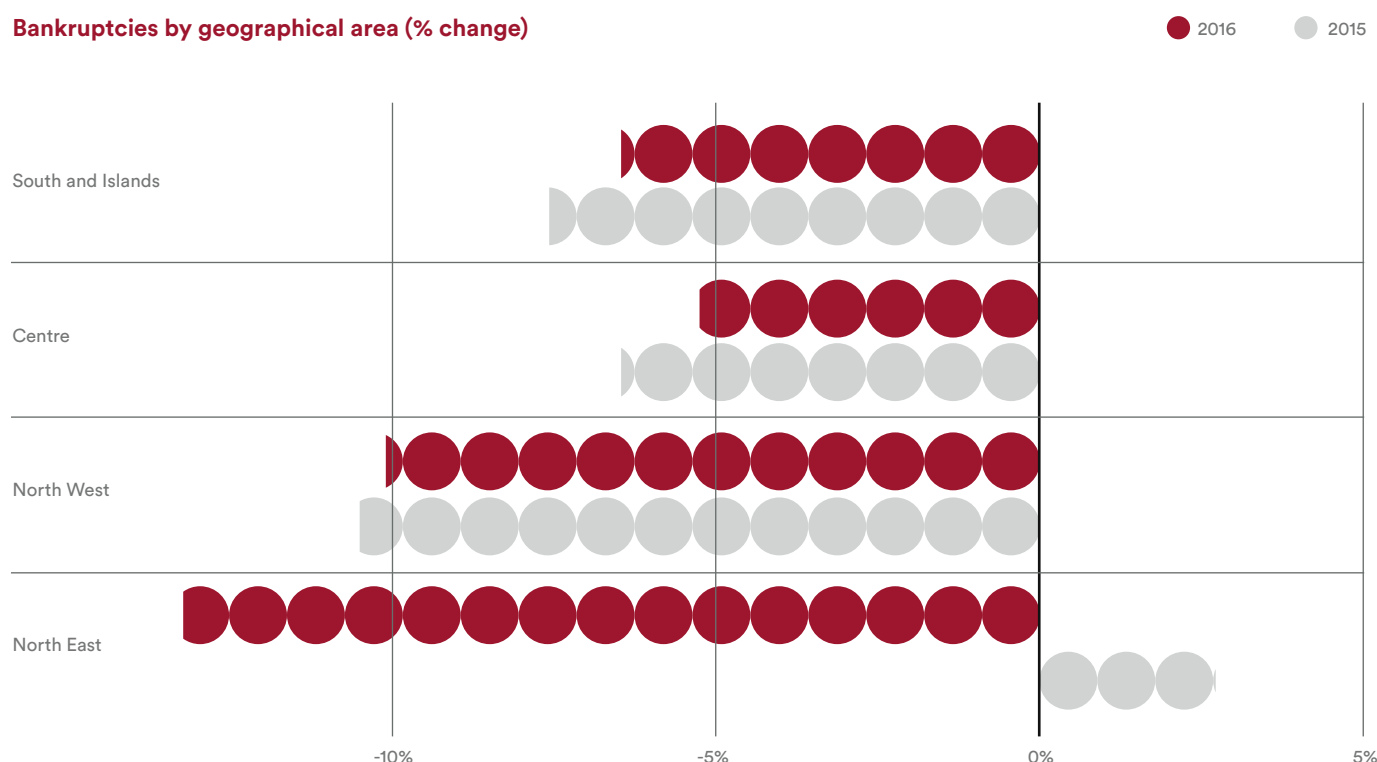
Lending to companies, bankruptcies, construction and insolvencies

Bank loans to the non-financial private sector continued to improve during the year, albeit slowly. Loans to companies also increased thanks to more favourable lending terms and low interest rates. Non-performing bank loans to companies and family businesses were substantially unchanged, standing at € 159 billion as at December 2016.

Business demography data followed the positive trend in the Italian economy. Some 41 thousand new businesses were set up in 2016 (+0.7%) but, of these, 60% operate in just three sectors: tourism, commerce and business services. According to

figures provided by Cerved, the number of Italian companies that went bankrupt in 2016 decreased (-8.5% compared to 2015), continuing the trend that started in the previous year (-6.1% in 2015 compared to 2014). However, the level is still very high (13.5 thousand cases during the year) and is about twice that recorded in 2008 (7.5 thousand). The fall in the number of bankruptcies was common to all sectors and particularly evident in the construction industry (-11.1% compared to 2015). This decrease has also had positive repercussions on SACE BT's credit business claims rate, which had already fallen thanks to the underwriting policies introduced in recent years. Improvements were seen throughout the country, with the exception of the Islands (+26.2% in Sardinia and +3% in Sicily). The regions of Abruzzo, Friuli, Piedmont and Molise reported the most significant reduction.

Bankruptcies by geographical area (% change)



Source: Cerved data processed by SACE.

There was a marked fall in the number of non-bankruptcy insolvency proceedings that were started in 2016 (-35.1%), continuing the positive trend that began in 2014. The figures show that the downward trend has been driven by the fall in applications for voluntary arrangements with creditors. There was a sharp rise in the number of applications for voluntary arrangements between 2011 and 2013, following the introduction of “reserved” applications, which proved particularly advantageous for businesses in difficulty. The number of non-bankruptcy proceedings fell throughout the country with all regions reporting double-digit reduction rates. The number of liquidations rose by 9.2% in 2016 compared to the previous year. The increase was partly due to the introduction of tax laws that made the liquidation of real estate companies advantageous. Excluding the latter, the number of liquidations rose by 3.8%.

Investment in the construction industry, the main sector of demand for surety and technological risk business, increased by 0.3% in 2016. The new residential building sector contracted by a further 3.4%, but there was a slight increase in investment in the private non-residential sector (+0.8%) and in the public works sector (+0.4%). Investments in upgrading works continued the positive trend (+1.7%) and this is now the main segment in this sector (accounting for 37%).

Credit collection and payments

SACE SRV reported a higher credit recovery rate than in the previous year (contrary to market trends). Between July and September (the latest period for which data are available) Italian companies paid suppliers after an average of 73.6 days, 2.4 days less than in the same period of 2015. The improvement mainly reflected a reduction in the average delay to 14.1 days, two days less than in the previous year and the lowest since 2012. The greatest improvement was in the construction sector. Companies in this sector reduced late payments by about five days, benefiting from less rigid deadlines compared to those imposed during the crisis. In terms of geographical regions, although companies in Southern Italy were those with the greatest delays, in the third quarter these companies settled invoices more quickly than companies in Central Italy. In terms of industrial sector, the most substantial reduction in late payments was in metallurgy (-6.8 days). The delay in payments in the hi-tech sector increased (+0.8 days).

2. Strategy

In 2016 SACE strengthened its synergies with the product companies SACE BT, SACE Fct and SACE SRV. SACE BT, active in credit insurance, surety bonds and protection of construction risk, reported positive results thanks to its underwriting policy and the introduction of new mitigants in new contracts. Products developed in synergy with SACE Fct have better integrated the group's product offering. SACE SRV, active in managing informative files useful for counterparty risk evaluations and in the credit recovery business, has diversified the customer base to offer credit recovery products to third parties as well as to group companies. In 2016, SACE Fct, a factoring company, came up against a highly concentrated and competitive market, where developments on monetary markets resulted in a further shrinking of margins and increased competition among the players.

In the last quarter of 2016 the Cassa depositi e prestiti parent finalised the transfer of SIMEST; the product offering has now therefore been expanded to include quasi equity products, special loans and interest contributions. The "one door" offering was presented during numerous joint meetings held throughout the country.

Following the guidelines of the Shareholder, Cassa depositi e prestiti, SACE's new Business Plan, approved in December 2016, envisages the development of an "Export and Internationalisation Hub". The main activities that are planned will be aimed at maximising support for exporting companies and internationalisation by significantly increasing the mobilisation of resources.

As regards SACE BT, IVASS ruling of 5 October 2016 excluded SACE SRV from the area of supervision of the SACE BT group. As a consequence, IVASS has removed SACE BT from the list of registered parent companies. In 2016 SACE FCT was included in the Single Register of financial intermediaries pursuant to article 106 of the Consolidated Banking Law (TUB).

3. Consolidated net profit

The main highlights of 2016 operating performance are set forth below.

| <i>(in € thousands)</i> | Total 31-12-16 | Total 31-12-15 |
|---|-----------------------|-----------------------|
| Gross premiums | 600,922 | 559,832 |
| Change in technical provisions | (189,280) | (463,297) |
| Outward reinsurance premiums for the year | (6,745) | 23,414 |
| Net premium income | 404,897 | 119,949 |
| Net claims incurred | (262,865) | (214,667) |
| Operating expenses | (87,802) | (89,865) |
| <i>Commissions and other acquisition expenses</i> | (14,907) | (21,854) |
| <i>Investment management charges</i> | (9,297) | (5,430) |
| <i>Other administrative expenses</i> | (63,599) | (62,581) |
| Technical operating income | 54,230 | (184,582) |
| Non-technical operating income | 622,275 | 690,383 |
| Profit before taxes | 676,505 | 505,801 |
| Taxes | (194,610) | (196,028) |
| Net profit for the year | 481,895 | 309,773 |

Group interest in the net profit for the year amounted to € 481.9 million. The components that contributed to determining the net profit for the period are set forth below:

- at € 600.9 million, there was an increase in gross premiums compared with the previous year (€ 559.8 million);
- net claims incurred were negative and amounted to € 262.9 million (€ 214.7 million at 31 December 2015). They are the result of claims paid amounting to € 373.8 million (€ 285.4 million at 31 December 2015), the increase in the provision for claims outstanding and other technical provisions amounting to € 88.6 million (€ 51.1 million at 31 December 2015) and the increase in recoveries amounting to € 22.3 million;
- operating expenses amount to € 87.8 million and include € 23.7 million related reinsurers' share of commissions;
- non-technical operating income was € 622.3 million (€ 690.4 million at 31 December 2015) and includes the result of financial operations for € 363.9 million (€ 672.1 million at 31 December 2015) and sundry receivables for € 240 million (€ 50 million at 31 December 2015).

4. Insurance operations

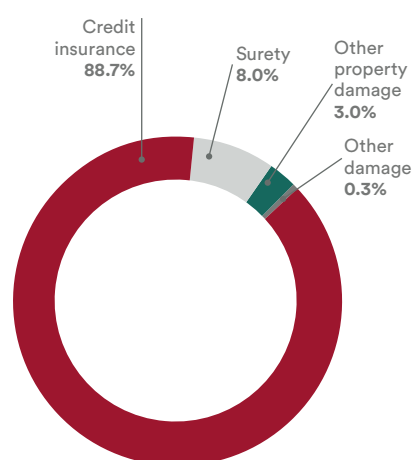
Premiums

In 2016, the SACE group reported gross premiums for € 600.9 million, of which € 582.2 million from direct business and € 18.7 million from inward reinsurance with an increase of 7% on the previous year.

Breakdown of premiums (in € thousands)

| Business | 31-12-16 | 31-12-15 | Change compared to 2015 |
|------------------------------|----------------|----------------|-------------------------|
| Non-life (direct business) | 582,231 | 529,745 | 10% |
| <i>Credit insurance</i> | 516,257 | 459,309 | 12% |
| <i>Surety</i> | 46,382 | 53,018 | -13% |
| <i>Other property damage</i> | 17,789 | 16,279 | 9% |
| <i>Non-motor TPL</i> | 791 | 548 | 44% |
| <i>Fire</i> | 996 | 571 | 74% |
| <i>Accident</i> | 16 | 20 | -20% |
| <i>Health</i> | | | |
| Life (direct business) | | | |
| Total Direct Business | 582,231 | 529,745 | 10% |
| Total Indirect Business | 18,692 | 30,087 | -38% |
| Total | 600,922 | 559,832 | 7% |

Details of premiums by class (direct business)



In terms of the ratio of the individual classes of business to gross premiums from direct business, 88.7% of the premiums stemmed from credit insurance, 8% from surety bond insurance and 3% from other property damage.

Of gross premiums from direct business, 86.4% refer to SACE while the remaining 13.6% refer to SACE BT.

Details of premiums by group company (direct business)



Claims and recoveries

In 2016 SACE paid claims for a total of € 344.1 million (with a year-over-year increase of 33%). The amount mainly refers to export credit insurance claims directed towards counterparties in Germany (23%), Iran (19%), Russia (16%) and Ukraine (11%). The sectors most affected were metallurgy (54%) and shipbuilding (23%).

In 2016 the amount collected by SACE in political recoveries stood at € 731.4 million, significantly more than in the previous year (€ 169.3 million), following the recovery of receivables from Iran for € 526.5 million (mainly pursuant to the Settlement Agreement signed on 25 January 2016 between SACE, the Iranian Ministry of Finance and the Central Bank of Iran on the repayment of indemnification paid by SACE against outstanding sovereign debt).

The remainder (€ 204.9 million) is in line with the result for 2015 and mainly reflects payments in connection with bilateral agreements with Iraq (€ 51.3 million), Egypt

(€ 49.6 million), Argentina (€ 38.1 million), Ecuador (€ 25.9 million) and Cuba (€ 16.3 million). As regards trade recoveries, the total amount collected due to SACE in 2016 amounts to € 23.1 million.

Claims paid by SACE BT amounted to € 29.7 million (€ 28.4 million at 31 December 2015). During the year there was a significant increase in gross claims incurred compared to 2015 (17%), as a result of the decrease in claims in the credit business and an increase in the surety and other property damage businesses.

SACE BT's recoveries for 2016 amounted to € 3.6 million, net of legal fees.

5. Risk management

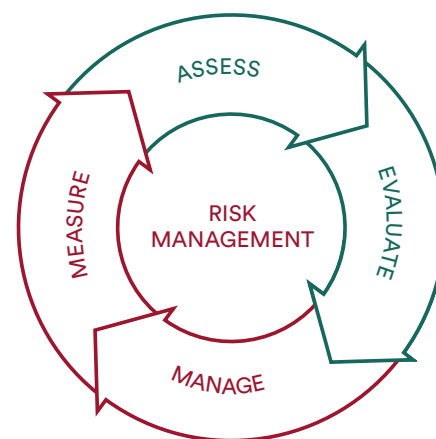
Risk management policies

Risk management is based on constant improvements to processes and technology and investments in human resources, and is integrated in decision-making processes (risk-adjusted performance). The steps of identifying, measuring and controlling risks are essential factors in joint evaluation of company assets and liabilities using the most effective asset liability management techniques.

Though not subject to supervision by IVASS, the company implements its risk management in accordance with the fundamental principles of the applicable supervisory regulations¹. Risk management follows a set of procedures based on a three-pillar approach:

- Pillar I introduces a minimum capital requirement for the risks that insurance/financial institutions typically face (technical risk, counterparty risk, market risk and operational risk);
- Pillar II requires SACE and its subsidiaries to adopt a strategy to review and evaluate their capital adequacy;
- Pillar III introduces disclosure requirements concerning capital adequacy, risk exposure and general characteristics of risk management and control procedures.

To this end, every year, SACE defines the Risk Appetite Framework (RAF) which groups the metrics, processes and systems supporting the correct management of the risk level and type that the company is willing to assume in line with its strategic objectives. The RAF is therefore an essential tool in SACE's operations as it ensures sustainable development in the medium/long term, preventing the adoption of short-term profit maximisation options which bear an excessive risk. The purpose of the RAF is to effectively align the risk profile to the objectives set by the Board of Directors and senior management based on stakeholders' expectations and enable the risk strategy to be linked to the business planning process, the system of limits and performance assessment. The RAF indicates the types of risk that the company intends to assume, fixes the risk objectives, tolerance thresholds and operational limits under both normal operating conditions and in stress scenarios, taking into account the business plan, the relevant risks that have been identified and the maximum risk that can be taken. It also indicates the circumstances in which certain types of risk must be avoided or limited with respect to the fixed objectives and thresholds. The RAF defines the procedures and actions to be taken by management to bring the risk level back to an acceptable or threshold level and describes



¹ For SACE FCT, Circular No. 288 of 3 April 2015 "Supervisory instructions for financial intermediaries" issued by Banca d'Italia, for SACE BT and SACE, ISVAP Regulation No. 20 of 26 March 2008, European Directive Solvency II No. 2009/138.

the duties of company bodies and of all functions involved in defining the process. The most significant risks to which SACE and its subsidiaries are exposed are described below:

- **Technical risk:** which includes the **underwriting risk** and the **credit risk**². The first regards the policy portfolio and is the risk of incurring financial losses arising from unfavourable trends in actual compared to expected claims (tariff risk) or differences between the cost of claims and reserved cost (technical provision risk); the second relates to the risk of defaulting and credit rating migration of the counterparty. Both risks are managed by adopting prudent pricing and provisioning strategies, which are defined in accordance with market best practices, and through prudent underwriting policies, permanent monitoring and active portfolio management.
- **Market risk:** the risk of losses due to adverse changes in market prices of financial instruments, currencies and commodities. This type of risk is managed using asset-liability management techniques and kept within previously defined limits by adopting guidelines on asset allocation and market VaR techniques.
- **Operational risk:** the risk of incurring losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. All companies conduct periodical self-assessments of potential operational risk factors to identify loss events and propose any appropriate corrective measures.
- **Liquidity risk:** the risk of the company being unable to meet financial obligations without suffering losses due to the inability to liquidate investments and other assets. For insurance portfolios liquidity risk is not significant since, in addition to the technical forms of underwriting which enable the settlement of the claim to be spread out over time, the investment policy is based heavily on the specific liquidity needs of investments. All the securities in the portfolios used to cover technical reserves are traded in regulated markets and the short average life of the investments guarantees their rapid turnover. The liquidity risk instead appears to be relevant for SACE Fct and this is essentially a funding liquidity risk; more specifically it relates to the difficulty in efficiently facing current and future cash outflows and/or in fulfilling its own operative business commitments due to the closure of current loans and/or SACE Fct's inability to procure funds on the market without suffering capital losses or costs that are higher than expected. To reduce its exposure to liquidity risk, SIMEST plans to review its financial liabilities in order to bring the timeline of its equity investments in line with the respective financial coverage. This will be done by taking out new medium and long-term loans and renegotiating existing lines of credit.
- **Concentration risk:** this is the risk from exposure to counterparties, groups of related counterparties and counterparties in the same business sector or which carry out the same activity or belong to the same geographic area.
- **Interest rate risk:** specific to the operations of SACE Fct and relating to activities other than those in the trading portfolio; it represents exposure of the financial situation of the company to unfavourable trends in interest rates.

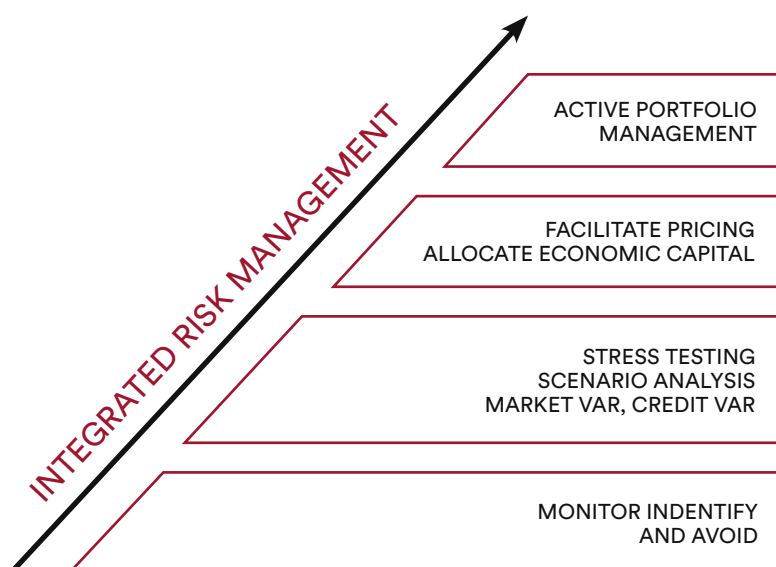
² The underwriting risk applies to SACE and SACE BT.

The following risks are also identified and, where necessary, measured and mitigated by adopting appropriate management procedures:

- **Reputational risk:** the risk of damage to the company’s image and conflict with policyholders, also due to the provision of services that are not up to standard, inadequacy of policies or lack of customer satisfaction with the sales network. This risk is notably mitigated by the existing internal control and risk management functions, for example the Compliance Service, and by adopting specific internal procedures directed towards regulating all operations performed by SACE and its subsidiaries.
- **Risk of belonging to a group: “contamination” risk,** intended as the risk that, as a result of transactions between the company and other group entities, difficulties experienced by an entity in the same group may have negative effects on the company; risk of conflict of interest.
- **Risk of non-compliance with regulations:** the risk of facing legal or administrative fines, suffering losses or damage to reputation as a result of failure to comply with laws, regulations or measures of the Supervisory Authorities or rules of self-regulation, such as bylaws, codes of conduct or codes of ethics; risk from unfavourable changes in the regulatory framework or national case law.

The role of risk management

As part of an integrated process, the risk management and monitoring division formulates and implements risk management activities for SACE and its subsidiaries, contributing to strategic decisions and the company’s financial and organisational stability. It also defines the methods and instruments to be used to identify, measure and control risks and verifies the appropriateness and adequacy of these with respect to the risk profile of each company.



The risk management division:

- proposes methodologies and develops models and systems for the measurement and integrated control of risks, monitoring the correct allocation of economic capital, in line with the related company guidelines and in compliance with the applicable legislation;
- it is in charge of the Risk Appetite Framework and of operational limits and monitors compliance therewith during the year;
- defines, develops and periodically reviews procedures for measurement and control of the risk/return ratio and the creation of value by individual risk taking units;
- determines the current and future internal capital with regard to the relevant risks, ensuring the measurement and integrated control of overall risk exposure by defining the procedures for identifying, evaluating, monitoring and reporting risks, including scenario analysis and stress tests;
- pays attention to the levels of the technical provisions together with the relevant functions;
- monitors transactions with the aim of optimising capital structure and the management of reserves and liquidity (ALM).

Risk governance is entrusted to the following bodies in addition to those specified in the company's articles of association:

- **Board of Directors:** Approves strategies, procedures, management policies and organisational aspects.
- **Management Committee:** examines and shares the strategies and objectives of group companies; validates and monitors business plans; investigates key issues regarding management and operational guidance
- **Operations Committee³:** examines underwriting, indemnities, restructuring and other significant operations and assesses their permissibility compatibly with the risk management guidelines defined by the group companies;
- **Risk Committee⁴:** contributes to the definition of risk management strategies and company policies and analyses the findings of the actual and prospective risk assessment activities. It also suggests portfolio actions to rebalance risk positions and capital management measures.
- **Investments Committee⁵:** periodically defines company portfolio investment strategies to optimise the risk/yield profile of financial activities and the compliance of the guidelines established by the Board of Directors; monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions; suggests that the deliberative body update the guidelines on financial activities.
- **Claims Committee:** analyses the performance of "Large Claims" and sets out the operating guidelines for SACE BT.

³ Referred to as the Commitments Committee for SACE Bt, the Credit Committee for SACE Fct and the Investments Committee for SIMEST.

⁴ Defined for SACE BT and SACE Fct.

⁵ Referred to as the Monitoring Committee for SIMEST.

Reinsurance

Reinsurance is an important tool in the system of control and integrated management of business risks. In this respect, SACE and SACE BT protect their portfolio and reach their strategic objectives through reinsurance policies in line with market standards and export credit best practices.

The main aims of insurance are as follows:

- improving portfolio balance;
- strengthening the company's financial soundness;
- spreading the risk with reliable insurance counterparties;
- stabilising financial results;
- increasing underwriting capacity.

Reinsurance policies are selected based on the above criteria, specifically:

- quota share policies: These are aimed mainly at increasing underwriting capacity. These policies are also used when the ceding structure, specifically the ceding commission, is such to make ceding cost effective;
- surplus policies: These are aimed at increasing the underwriting capacity towards debtors/countries in relation to which the company has already reached its full underwriting capacity;
- excess of loss or Stop loss policies: These are aimed at increasing the efficiency of SACE's guarantee portfolio in terms of capital relief (for XOL) or technical account stabilisation (for SL).

The Reinsurance unit manages operations and monitors reinsurance risks for SACE, checking the consistency of the sale plan with the reinsurance strategy approved by the Board of Directors. The reinsurance portfolio increased considerably in 2016, with a total ceded amount in excess of € 9 billion. Note that in 2016 a significant portion of the portfolio was again ceded to the Ministry of the Economy and Finance pursuant to the Agreement between SACE and the Ministry approved by the Decree of the President of the Council of Ministers on 20 November 2014, filed with the Court of Auditors on 23 December 2014. Almost all of the remaining portion was ceded to companies in Canada, Korea and Great Britain.

Guarantee and receivables portfolio

The following risk management analyses take into account the inclusion of SIMEST in the SACE group following the transfer of the shareholding, concluded on 30 September 2016.

SACE's total exposure, calculated as the sum of receivables and outstanding guarantees (principal and interest) amounted to € 43.8 billion, an increase of 4.5% compared to 2015. Therefore, the growth trend recorded in 2015 and 2014 continued, mainly following the guarantee portfolio that accounts for 98.2% of total exposure. The receivables portfolio contracted sharply, by 36% compared to 2015. This reduction was attributable to the sovereign credits portfolio, which accounts for 78.5% of the total receivables portfolio and decreased by 45.1%. The commercial component, representing 21.5% of the portfolio, increased from € 106.8 million to € 172.9 million (+61.8%).

SACE BT's total exposure at 31 December 2016 amounted to € 40.3 billion, an increase of +4.8% compared to the end of 2015.

The outstanding receivables of SACE Fct, i.e. the total amount of receivables acquired net of receivables collected and credit notes, amounted to € 2,073.3 million, a 7.4% increase on the previous year end.

At 31 December 2016 SIMEST had 237 subscribed shares in its portfolio for a total credit exposure (principal) of approximately € 496 million, +6% compared to the end of 2015 when it was equal to € 468 million.

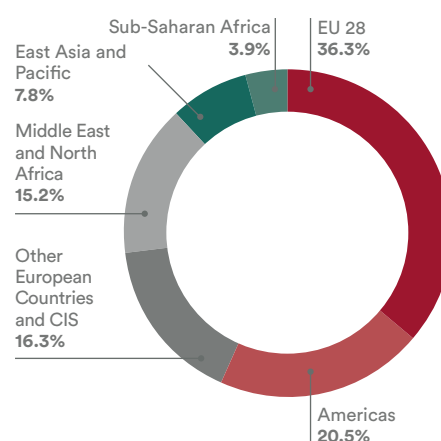
Portfolio (in € millions)

| | 2016 | 2015 | Var. |
|--|-----------------|-----------------|-------------|
| SACE | 43,841.2 | 41,970.7 | 4.5% |
| 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% |
| Receivables | 803.8 | 1,255.7 | -36.0% |
| SACE BT | 40,262.4 | 38,429.0 | 4.8% |
| Short-term receivables | 8,894.1 | 7,791.5 | 14.2% |
| Deposits Italy | 6,634.6 | 6,563.9 | 1.1% |
| Other property damage | 24,733.7 | 24,073.6 | 2.7% |
| SACE Fct | 2,073.3 | 1,929.7 | 7.4% |
| Outstanding receivables | 2,073.3 | 1,929.7 | 7.4% |
| SIMEST | 496.0 | 468.0 | 6.0% |
| Direct commitments of Italian partners | 410.0 | 370.0 | 10.8% |
| Commitments backed by bank or insurance guarantees | 58.0 | 77.0 | -24.7% |
| Commitments backed by collateral | 28.0 | 21.0 | 33.3% |

SACE

The analysis by geo-economic region shows that the highest exposure was towards EU countries (36.3% in relation to 41.7% in 2015), a decrease of 9.2% compared to the previous year. Italy remained in top place in terms of concentration, accounting for 18.3%. There was a 23.7% increase in exposure towards the Americas, which account for 20.5% of the portfolio (compared to 17.3% in 2015). Other geo-economic regions together account for 43.2% of the portfolio. Exposure to these regions increased by an average of 20.7% compared to 2015. In detail, exposure towards the region referred to as "Other European and CIS countries" decreased by 7.6% (the impact on the portfolio fell from 18.5% in 2015 to 16.3% in 2016); exposure to the Middle East and North Africa increased by 41.6% (the impact on the portfolio increased between 2015 and 2016 and was equal to 15.2%); exposure to East Asia and Oceania fell by -5.8% (the impact on the portfolio fell between 2015 and 2016, to 7.8%); lastly, the most significant increase in exposure was towards Sub-Saharan Africa, which rose by +54.4% compared to the previous year (the impact on the portfolio increased from 2.6% in 2015 to 3.9% in 2016).

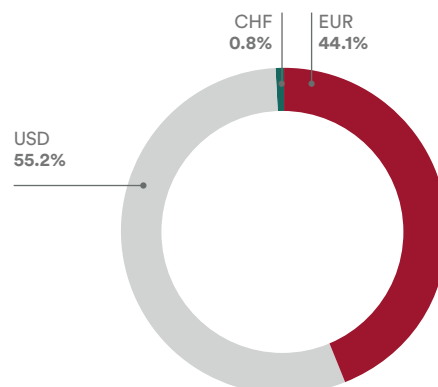
Total exposure by geo-economic region (%)



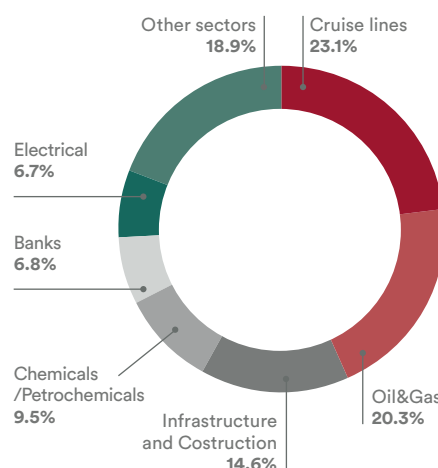
The receivables component in US dollars increased compared to the previous year, from 51.4% to 55.2% and the component of SACE's guarantees portfolio in US dollars increased from 43% in 2015 to 47% in 2016. The currency risk on the receivables and guarantees portfolio is mitigated partly through the natural hedge provided by management of the provision for unearned premiums, and partly via the asset-liability management techniques adopted by the company.

The level of concentration by sector continued to be high, with the largest five sectors accounting for 74.3% of the total private portfolio. The main sector is the cruise line industry, which accounted for 23.1%, up on the previous year when it represented 20.7%. The oil & gas and infrastructure and construction sectors remained substantially unchanged with respect to 2015, the former increasing by 2.8% and the latter by 3.8%. Exposure to the chemicals and petrochemicals sectors grew considerably, by 56.9% (with the impact increasing from 6.3% in 2015 to 9.5%). The bank sector contracted by 16.9% (its impact fell from 8.6% in 2015 to 6.8% in 2016), whereas the electrical sector rose by 19.9% (with an impact that increased from 5.9% in 2015 to 6.7% in 2016).

SACE: receivables portfolio by original currency



SACE: guarantee portfolio by industrial sector



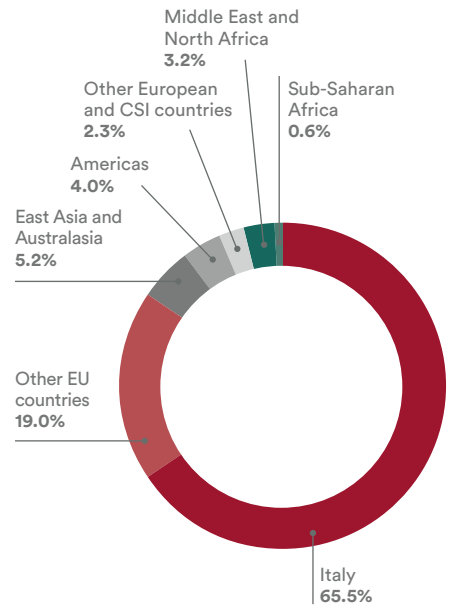
SACE BT

Receivables Portfolio

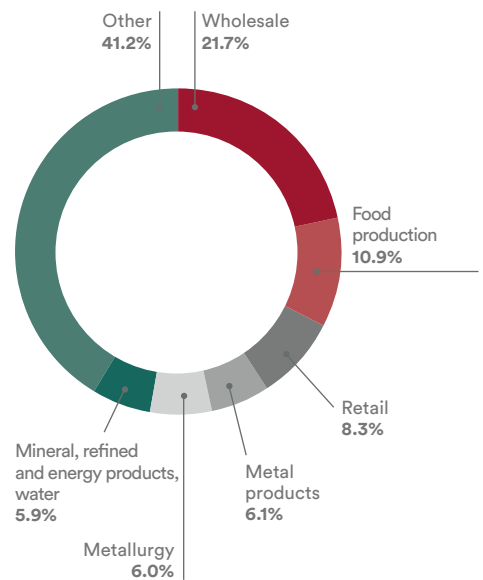
The credit insurance business had 111,872 exposures in place at 31 December 2016 (+10.9% compared to 2015), for a total value of € 8.9 billion. The nominal exposure, taking into account extended payment terms and policy deductibles, amounted to € 9.0 billion (+28.2% compared to 2015). Exposure was mainly concentrated in EU countries (84.6%), with Italy alone accounting for 65.5%.

Wholesale trade, food production and retail trade are the biggest industrial sectors of the portfolio, accounting for 21.7%, 10.9% and 8.3% respectively.

SACE BT: nominal credit exposure by geo-economic area



SACE BT: nominal credit exposure by industrial sector

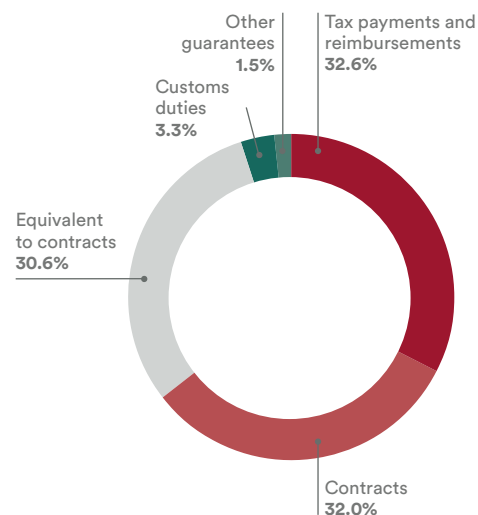


Surety Portfolio

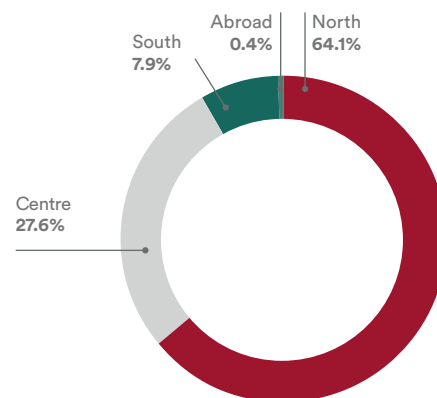
The exposure of the Surety bond portfolio (capital insured), amounted to € 6.6 billion (+1.1% compared to 2015). Guarantees related to contracts accounted for 62.6% of the total exposure, followed by guarantees on tax payments and reimbursements (32.6%).

The portfolio, comprising around 33 thousand contracts, is concentrated in Northern Italy (64.1%).

SACE BT: nominal surety bond exposure by policy type



SACE BT: nominal surety bond exposure by geographical area



Construction/Other property damage portfolio

The nominal exposure (risk limits and insured capital) of the Construction/Other property damage business amounts to € 24.7 billion (+2.7% compared to the previous year), of which € 22.0 billion relate to the Construction portfolio (€ 21.6 billion in 2015) and € 2.8 billion to Non-life business policies (€ 2.5 billion in 2015). The number of policies in place stood at 7,856 (+3.5% compared to 2015). CAR/EAR policies accounted for 45.5% of the nominal exposure, ten-year posthumous type contracts for 40.3% and Non-life business policies for the remaining 11.2%.

SACE Fct

At 31 December 2016 the outstanding receivables of SACE Fct amounted to € 2,073 million, up 7.4% on the previous year-end balance. In 2016, factoring transactions generated a turnover of € 4,479 million (+39% on 2015) against collections of € 3,879 million (+41.7% on 2015). As mentioned earlier, outstanding receivables mainly refer to non-recourse operations, which accounted for 92.6% of the total portfolio.

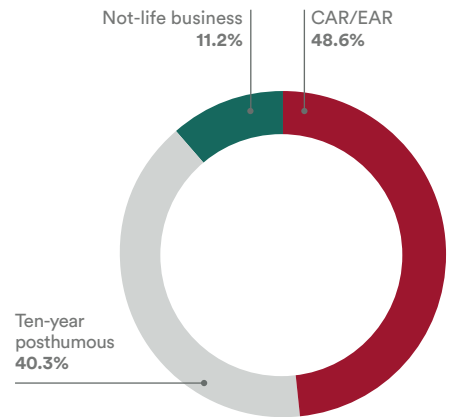
Outstanding receivables by type of transaction (in € millions)

| | Importo | % |
|--------------|----------------|---------------|
| Non-recourse | 1,920.8 | 92.6% |
| Recourse | 152.5 | 7.4% |
| Total | 2,073.3 | 100.0% |

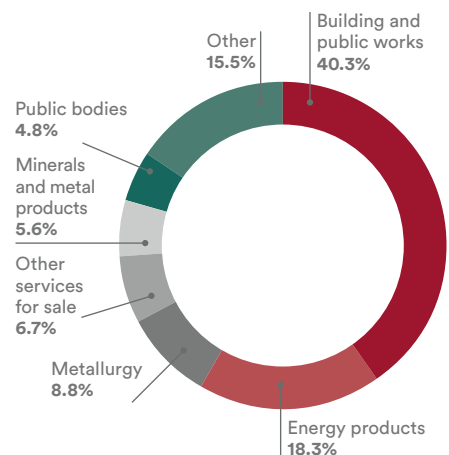
Outstanding receivables are analysed below by assignor, debtor, geographical area and industrial sector.

The breakdown of outstanding receivables by the assignor's sector shows a significant concentration in the building and public works sector (40.3%), followed by the energy products (18.3%) and metallurgy (8.8%) sectors. Compared to the previous year, the concentration of outstanding receivables in the building sector increased (23.5% at 31 December 2015) whereas that of the energy products decreased (27.4% at December 2015).

SACE BT: nominal exposure by type of policy (construction business)



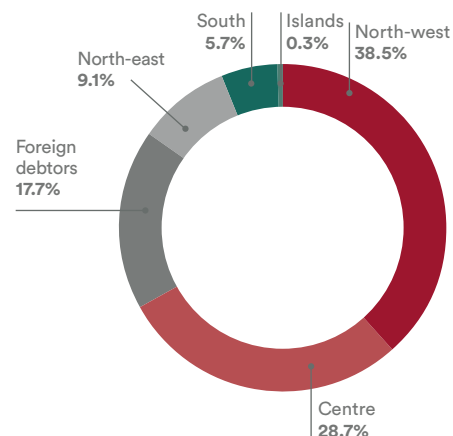
SACE Fct: outstanding receivables by assignors' sector



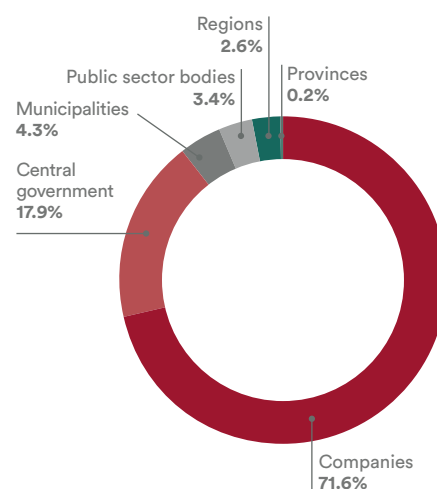
The geographical breakdown of assignors shows an increase in the concentration of those resident in North Western Italy (from 31.8% in 2015 to 38.5% in 2016), while the concentration in Central Italy was equal to 28.7% compared to 38.9% at 31 December 2015.

The breakdown of outstanding receivables by debtors' sector shows a higher concentration of private sector counterparties (71.6% at 31 December 2016, compared to 49.6% at the previous year end), with public administration counterparties accounting for 28.4% at 31 December 2016, compared to 50.4% at the previous year end. There was a reduction in the proportion of central government debtors (25.2% at December 2015) and regional government debtors (9.6% at December 2015).

SACE Fct: outstanding receivables by assignors' geographical area



SACE Fct: outstanding receivables by debtors' economic sector



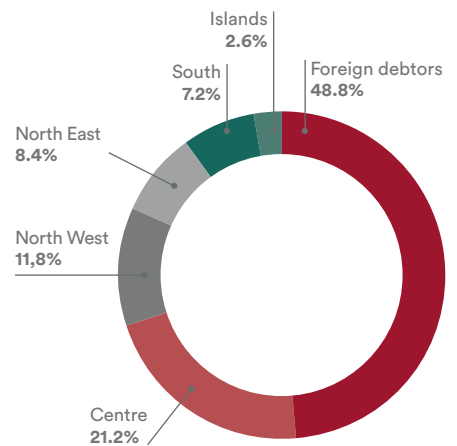
The graph below shows the breakdown of outstanding receivables by debtors' geographical area. Compared to the previous year, foreign debtors increased considerably from 35.3% at December 2015 to the current 48.8%. Furthermore, the concentration in Central Italy decreased from 31% at the end of the previous year to 21.2% at 31 December 2016.

SIMEST

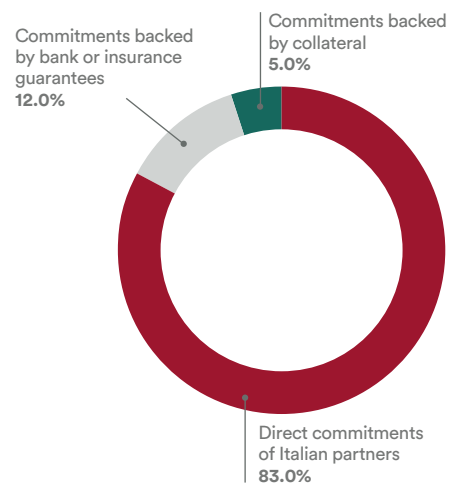
At 31 December 2016 SIMEST had 237 subscribed shares in its portfolio for a total credit exposure (principal) of approximately € 496 million. The overall portfolio increased by around € 28.3 million compared to 31 December 2015.

At 31 December 2016 direct commitments of Italian partners for the forward purchase of equity investments amounted to some € 410 million (€ 370 million at 31 December 2015). Commitments backed by bank and/or insurance guarantees totalled about € 58 million (€ 77 million at 31 December 2015), and those backed by collateral totalled € 28 million (€ 21 million at 31 December 2015).

SACE Fct: outstanding receivables by debtors' geographical area



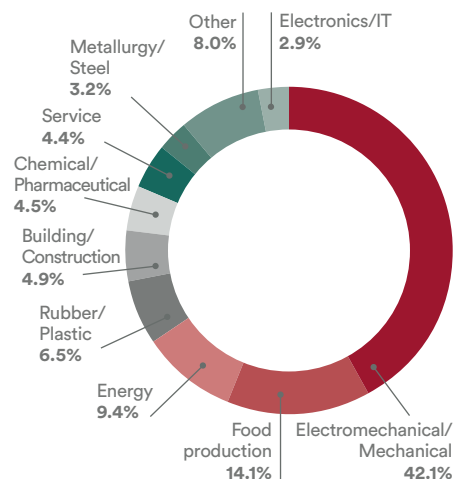
SIMEST: portfolio by type of guarantee



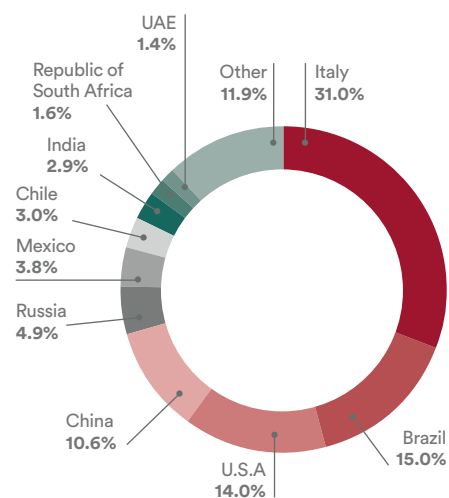
The electromechanical, food production and energy sectors are the three biggest industrial sectors of the portfolio, accounting for 42.1%, 14.1% and 9.4% respectively.

The geographical breakdown of the portfolio shows that the first 10 countries where Simest operates through target companies cover around 88% of the total, with 27 other countries accounting for the remaining 11%. It is worth noting that Italy accounts for the biggest portion, with 31% of the portfolio, followed by Brazil with 15% and the USA with 14%. Considered overall, the first three countries in terms of exposure cover almost 60% of the portfolio.

SIMEST: portfolio by industrial sector



SIMEST: portfolio by geographical area



Financial portfolio

Financial management aims to achieve two main objectives:

- to preserve the value of company assets: in line with new legislation and the financial context of reference, the company pursues an integrated asset-liability management strategy that includes direct and indirect hedging transactions to offset negative variations in the guarantee and credit portfolio in case of worsening of risk factors;
- to contribute to the achievement of the company's economic goals.

This activity confirmed values in line with the limits defined for each company and each type of investment. Absorbed capital is measured on the basis of Value-at-Risk techniques.

Asset Allocation

(figures in € millions) ⁶

| Asset class | HTM | HFT | Total | % |
|--------------|----------------|----------------|----------------|---------------|
| Bonds | 1,597.5 | 785.9 | 2,383.4 | 33.3% |
| UCITS | - | 642.0 | 642.0 | 9.0% |
| Shares | - | 4.3 | 4.3 | 0.1% |
| Money Market | - | 4,130.9 | 4,130.9 | 57.7% |
| Total | 1,597.5 | 5,563.1 | 7,160.6 | 100.0% |

33.3% of the portfolio is comprised of bonds and other debt securities, 9% of UCITS mainly made up of bonds or shares, 0.1% of shares and the remaining 57.7% of money market instruments.

With regard to the credit risk of the securities portfolio, SACE and its subsidiaries pursue a prudent investment policy, setting operating limits based on the types of financial instruments that may be used, on concentration by type and on the creditworthiness of the issuer.

SACE: breakdown of securities portfolio by rating

| Rating classes | % |
|----------------|-------|
| AAA | 2.2% |
| AA | 2.4% |
| A | 30.9% |
| BBB | 61.8% |
| Other | 2.7% |

⁶ The figures in the Table are gross of the positions between companies in the SACE group.

6. Human resources

At 31 December 2016 there were 892 employees on the payroll. During the year, 65 people were hired and 62 left the company.

Breakdown by position

| Position | SACE | SACE BT | SACE SRV | SACE Fct | SACE do Brasil | SIMEST | Total | Composition |
|-----------------|------------|------------|-----------|-----------|----------------|------------|------------|-------------|
| Senior managers | 33 | 7 | 1 | 4 | 0 | 12 | 57 | 6% |
| Managers | 240 | 41 | 4 | 22 | 1 | 78 | 386 | 43% |
| Clerical staff | 217 | 98 | 20 | 41 | 1 | 72 | 449 | 51% |
| Total | 490 | 146 | 25 | 67 | 2 | 162 | 892 | |

Over the years, the personnel recruitment and management policies adopted have resulted in an increase in the average level of education. Most new resources hold a degree, have attended post-graduate specialisation courses and have an excellent command of the English language as certified by internationally recognised tests (e.g. TOEFL, TOEIC).

Breakdown by age group

| Age group | Composition | Change compared to 2015 |
|-------------------|-------------|-------------------------|
| Under 30 | 9% | -1% |
| Between 31 and 39 | 35% | -4% |
| Between 40 and 49 | 29% | 0% |
| Over 50 | 27% | 5% |

Breakdown by qualification

| Qualification | Composition | Change compared to 2015 |
|------------------------------------|-------------|-------------------------|
| Degree | 72% | -2% |
| Secondary school certificate/other | 28% | 2% |

Training schemes continued to be offered to all employees. These included languages and managerial courses, in addition to the courses required by law (Italian Legislative Decrees 231/2001, 196/2003, 81/2008). The company's training programme aims to strengthen the specific technical skills required by the various business areas, by developing the managerial abilities and leadership qualities needed to manage complexity and change and supporting knowledge creation and sharing. Training schemes continued to be offered to all employees. These included languages and managerial courses, in addition to the courses required by law (e.g. Italian Legislative Decrees 231/01, 196/2003, 81/08). In 2016 SACE provided a total of 15,499 hours of training.

7. Litigation

At 31 December 2016, SACE was party to 24 lawsuits, most of which relating to insurance commitments assumed prior to 1998. The company was also plaintiff in 47 lawsuits to obtain recognition of its privilege pursuant to Italian Legislative Decree No. 123/98 and in 7 labour disputes. As regards the subsidiaries, Simest is party to three judicial proceedings in connection with labour disputes, SACE BT is party to 239 disputes concerning insurance operations and six general disputes, and SACE Fct is party to 146 disputes to resolve credit recovery issues.

8. Distribution network and marketing activity

In 2016 SACE and SIMEST came together to form the Italian Export Hub. In coordination with the parent Cassa depositi e prestiti, SACE and SIMEST have combined their expertise and synergies to offer a “one-door” system to support exports and international expansion. The aim is to give customers a unique and integrated service, and to meet all their internationalisation-related needs. The availability of a broader range of products and services has made it possible to support Italian companies looking to export their export business in order to increase their customer portfolio and diversify their business risk. Specific attention has been paid to completing the development of the business model, with the ultimate objective of improving the quality of services to customers.

9. Corporate Governance

Organisation, management and control model pursuant to Italian Legislative Decree No. 231/01

The management of SACE is based on principles of compliance and transparency and the adoption of a framework of prevention and control that is described below. The most recent version of the Organisation, management and control model (“Model”) was approved on 22 July 2015 by SACE’s Board of Directors pursuant to and for the effects specified by Italian Legislative Decree No. 231/01 (“Decree”). The

Model is regularly updated on the basis of audits which include the definition of a risk map and analysis of the system of internal controls. The Model comprises:

- a general part that illustrates the principles of the Decree, the analysis of the System of Internal Controls, the Supervisory Body, the disciplinary system, staff training and dissemination of the Model both within and outside the company;
- a special part that identifies the areas of specific interest in relation to the business activities undertaken, for which a potential risk of perpetrating offences is theoretically possible. This part includes references to the System of Internal Controls with regard to the prevention of offences.

The function of monitoring the suitability and application of the Model has been assigned to a Supervisory Body, a collective body appointed by the Board of Directors. It has three members, who must meet the following criteria: have proven experience, have in-depth knowledge of the company and its operations and be skilled in their respective professional fields. At the time of appointing the Supervisory Body, the Board also appoints one member as the Chair.

The Body provides an annual report to the Board of Directors and the Board of Statutory Auditors. The Supervisory Body also meets the Supervisory Bodies of the other SACE Group companies at least once a year. This meeting is an opportunity to jointly examine issues concerning the activities of said Bodies, to discuss the work undertaken during the previous year and that planned for the coming year and to agree upon any joint action to be taken within the scope of their activities.

Code of Conduct

The Code of Conduct sets out the principles with which SACE and its subsidiaries are expected to comply in their relations with stakeholders. The Code of Conduct and the Model are two separate documents, although they are both an integral part of the prevention system that has been adopted.

These guidelines reflect SACE's mission to make business ethics a concrete part of company life.

The Code recognises the legal relevance and mandatory effect of the principles and values that must guide the actions of SACE's stakeholders and is part of the Organisational, Management and Control Model pursuant to Italian Legislative Decree 231/01. Under the Code, all external parties with which SACE does business are required to act in accordance with the rules and procedures inspired by those same principles. To make all internal and external stakeholders aware of the Code, it is published on each company's internet and intranet site and sent by email to each employee.

The Code of Conduct has been drawn up to clearly define the set of values that SACE recognises, accepts and shares and the set of responsibilities it assumes vis-a-vis parties within and outside the company.

System of internal control and risk management

The system of internal controls and risk management is built around a set of rules, processes, procedures, functions, organisational structures and resources aimed at ensuring the correct functioning and good performance of the company and achievement of the following objectives: implementation of company strategies and policies; adequate control of current and future risks and containment of risk within the limits indicated in the reference framework for determining the company's risk appetite; the effectiveness and efficiency of company processes; the timeliness of company reporting systems; the reliability and integrity of company, accounting and management information and security of IT data and procedures; the safeguarding of equity, asset value and protection from losses, including over the medium and long term; the compliance of transactions with the law and supervisory regulations, as well as internal regulations, policies and procedures.

All levels have specific responsibilities within the system of internal controls and risk management. In detail:

- the Board of Directors has ultimate responsibility for the system and for ensuring its completeness, functionality and efficacy at all times. The Board of Directors approves the company's organisational structure and the allocation of duties and responsibilities to operational units and checks their adequacy over time. It also has responsibility for ensuring the adequacy of the risk management system to identify, evaluate and control risks, including future risks, when implementing the company's business strategies and policies and in view of the evolution of internal and external factors, in order to guarantee the safeguarding of the company's assets, including in the medium and long term. Lastly, it promotes a high level of business integrity, ethical conduct and a culture of internal control in order to raise awareness among everyone at the company about the importance and usefulness of such controls;
- senior management is responsible for the application, maintenance and monitoring of the system of internal controls and risk management and for defining its organisational structure, functions and responsibilities;
- the Board of Statutory Auditors must evaluate the efficacy and efficiency of the system of internal controls, especially as regards the actions of the Internal Auditing function by verifying its compliance with the requirements of autonomy, independence and functionality. Furthermore, it informs the Board of Directors of any irregularities or weaknesses in the system of internal controls, indicating and requesting appropriate corrective measures.

The system of internal controls and risk management has three levels of control:

1. First level checks: The operational units and heads of each unit identify, evaluate, monitor, mitigate and report all risks associated with the company's ordinary business activities, in accordance with the risk management process. To that end, they must see that operations are carried out properly and that established operational limits are respected in line with the risk objectives and the procedures of the risk management process.

2. Second level checks: The Risk Management and Compliance functions are responsible for ensuring: (i) correct implementation of the risk management process, (ii) that the various functions respect the established operational limits and (iii) compliance of business activities with the relevant rules and regulations.
3. Third level checks: The Internal Auditing function is responsible for monitoring and periodically evaluating the efficacy and efficiency of the risk management, control and governance system, in relation to the type and importance of the risk.

Internal Auditing

Internal Auditing performs independent and impartial assurance and consultancy activities on behalf of SACE and its subsidiaries to improve the effectiveness and efficiency of the organisation. It helps the company to pursue its objectives by adopting a systematic approach which generates added value by assessing and improving the governance, risk management and control processes and identifying sources of inefficiency in order to enhance corporate performance. The mandate of the Internal Auditing function, approved by the Board of Directors, sets out its purposes, authority and responsibilities and defines the reporting lines to senior management for communicating the results of its activities and the annual plan. The plan is approved by the Board of Directors and establishes the audit work priorities, identified on the basis of the company's strategic objectives and the assessment of current and future risks in view of trends in operating performance. The annual plan may also be reviewed and amended in response to significant changes that affect the company's business, plans, systems, activities, risks or controls. Internal Auditing monitors the system of controls at all levels and promotes the culture of control endorsed by the Board of Directors. The function carries out its activities in compliance with the regulatory framework, international standards for the professional practice of internal auditing and the Code of Ethics of the Institute of Internal Auditors.

The manager responsible of financial reporting

The Chief Financial Officer is responsible for preparing the corporate accounting documents of SACE. The provisions of art. 13 of the Articles of Association of SACE establishing the professional requirements and procedures for appointing and dismissing the manager responsible for preparing the corporate accounting documents are provided below.

Article 13 (paragraphs 10.1 - 10.8) of the Articles of Association of SACE

10.1. The Board of Directors may, with the compulsory consent of the Board of Auditors, appoint a manager responsible for preparing the corporate accounting documents, of which in art. 154-bis of the Consolidation Act for dispositions on financial matters (Legislative Decree 58 dated 1998 and subsequent amendments), for a period of not less than the term of office of the Board and not more than six business years.

10.2. The manager responsible for preparing the corporate accounting documents must be in possession of the same probity requirements as the directors, and according to the DPCM cannot hold any office in the management or control bodies,

or managerial functions within Eni S.p.A and its subsidiaries, nor have any direct or indirect relations of a professional or equity nature with such companies.

10.3. The manager responsible for preparing the corporate accounting documents must be chosen on the basis of criteria of professionalism and skills from among the directors who have acquired an overall experience of at least three years in the management of businesses or consultancy firms or professional firms.

10.4. The Board of Directors may dismiss the manager responsible for preparing the corporate accounting documents only for legitimate reasons and with the consent of the Board of Statutory Auditors.

10.5. The manager responsible for preparing the corporate accounting documents shall withdraw from office in the absence of the requirements necessary for taking office. Withdrawal will be declared by the Board of Directors within thirty days of becoming aware of the absence of requirements.

10.6. The manager responsible for preparing the corporate accounting documents will set adequate accounting and administrative procedures for drawing up the financial statements and the consolidated financial statements, if provided.

10.7. The Board of Directors will ensure that the manager responsible for preparing the corporate accounting documents is conferred with adequate powers and means for exercising the duties conferred and ensure the effective respect of the management and accounting procedures.

10.8. The Chief Executive Officer and the manager responsible for preparing the corporate accounting documents will certify the effective application of the procedures of which in paragraph 6 during the course of the business year to which the documents refer, in a suitable report attached to the business year financial statements and consolidated financial statements, if provided, and certify their correspondence to the findings in the accounts books and documents and their suitability in terms of providing a truthful and correct representation of the equity, economic and financial situation of the company and the group of companies in the scope of consolidation, in the case of the consolidated financial statements being provided.

10. Shareholding structure and share capital

SACE does not own treasury shares or shares of the parent Cassa depositi e prestiti and its subsidiaries do not hold any shares in the parent either directly or through trust companies or nominees.

11. Business outlook for 2017

Global GDP growth is estimated at 3.4% in 2017, sustained, on one hand, by expansion in China and India and held back, on the other, by the recession in a number of emerging countries that continue to face difficulties linked to the fragility of the banking system, reduced spending capacity caused by low commodity prices, the burden of debt on public finances and continuing political violence. As regards the American economy, much will depend on the economic policy stance of the incoming administration, which has yet to be defined in detail. The Federal Reserve's restrictive monetary policy approach should lead to a strengthening of the dollar, which could have positive repercussions for Italian exporters. The UK economy is shrouded in uncertainty following the Brexit vote and its possible effects in the medium term. Italy's GDP is projected to continue the trend of positive growth, driven by domestic demand and the strengthening of foreign demand. More favourable conditions on the credit market should help to boost private spending and the recovery of capital accumulation.

On the basis of the results for the opening months of the year, the outlook for earnings as set forth in the Business Plan is confirmed.

Rome, 21 March 2017

on behalf of the Board of Directors
Chief Executive Officer
Alessandro Maria DECIO

Consolidated balance sheet

(in € thousands)

| Statement of Financial position - Assets | | Total 31-12-16 | Total 31-12-15 |
|--|---|-------------------|------------------|
| 1 | INTANGIBLE ASSETS | 16,004 | 15,193 |
| 1.1 | Goodwill | 7,655 | 7,655 |
| 1.2 | Other intangible assets | 8,349 | 7,538 |
| 2 | PROPERTY, PLANT AND EQUIPMENT | 72,737 | 73,260 |
| 2.1 | Property | 70,761 | 71,488 |
| 2.2 | Other property, plant and equipment | 1,976 | 1,772 |
| 3 | REINSURERS' SHARE OF TECHNICAL PROVISIONS | 678,482 | 465,015 |
| 4 | INVESTMENTS | 6,177,281 | 7,446,515 |
| 4.1 | Investment property | 12,547 | 12,602 |
| 4.2 | Equity investments in subsidiaries, associates and joint ventures | 7,954 | 7,954 |
| 4.3 | Held-to-maturity investments | 1,597,530 | 1,591,256 |
| 4.4 | Loans and receivables | 3,678,557 | 5,125,705 |
| 4.5 | Available-for-sale financial assets | 5,165 | - |
| 4.6 | Financial assets at fair value through profit or loss | 875,528 | 708,998 |
| 5 | OTHER RECEIVABLES | 934,711 | 1,402,619 |
| 5.1 | Receivables arising out of direct insurance business | 844,261 | 1,324,599 |
| 5.2 | Receivables arising out of reinsurance business | 23,458 | 23,595 |
| 5.3 | Other receivables | 66,992 | 54,425 |
| 6 | OTHER ASSETS | 127,624 | 369,777 |
| 6.1 | Non-current assets or of a disposal group available-for-sale | - | - |
| 6.2 | Deferred acquisition costs | - | - |
| 6.3 | Deferred tax assets | 79,992 | 206,427 |
| 6.4 | Current tax assets | 22,783 | 153,418 |
| 6.5 | Other assets | 24,849 | 9,932 |
| 7 | CASH AND CASH EQUIVALENTS | 2,686,572 | 181,990 |
| | TOTAL ASSETS | 10,693,411 | 9,954,369 |

(in € thousands)

| Consolidated Statement of Financial position – Liabilities and Shareholders' Equity | | Total 31-12-16 | Total 31-12-15 |
|--|--|-----------------------|-----------------------|
| 1 | SHAREHOLDERS' EQUITY | 5,262,285 | 4,769,739 |
| 1.1 | Group interest | 5,184,625 | 4,769,739 |
| 1.1.1 | Principal | 3,730,324 | 3,541,128 |
| 1.1.2 | Other equity instruments | - | - |
| 1.1.3 | Capital reserves | 43,305 | - |
| 1.1.4 | Retained earnings and other equity reserves | 929,707 | 918,732 |
| 1.1.5 | (Treasury shares) | - | - |
| 1.1.6 | Reserves for net exchange differences | - | - |
| 1.1.7 | Gains (losses) on available-for-sale financial assets | - | - |
| 1.1.8 | Other gains (losses) taken directly to equity | 161 | 106 |
| 1.1.9 | Group interest in the profit for the year | 481,128 | 309,773 |
| 1.2 | Minority interest | 77,660 | - |
| 1.2.1 | Capital and reserves - minorities | 76,986 | - |
| 1.2.2 | Gains (losses) taken directly to equity | -93 | - |
| 1.2.3 | Minority interest in the profit for the year | 767 | - |
| 2 | PROVISIONS | 89,947 | 93,108 |
| 3 | TECHNICAL PROVISIONS | 2,979,294 | 2,884,745 |
| 4 | FINANCIAL LIABILITIES | 1,937,123 | 1,528,307 |
| 4.1 | Financial liabilities at fair value through profit or loss | 57,702 | 31,249 |
| 4.2 | Other financial liabilities | 1,879,421 | 1,497,058 |
| 5 | ACCOUNTS PAYABLE | 211,446 | 252,420 |
| 5.1 | Accounts payable arising out of direct insurance business | 34,369 | 30,690 |
| 5.2 | Accounts payable arising out of reinsurance business | 94,446 | 94,831 |
| 5.3 | Other accounts payable | 82,631 | 126,899 |
| 6 | OTHER LIABILITIES | 213,317 | 426,050 |
| 6.1 | Liabilities of a disposal group held for sale | - | - |
| 6.2 | Deferred tax liabilities | 178,587 | 184,576 |
| 6.3 | Current tax liabilities | 4,238 | 236,638 |
| 6.4 | Other liabilities | 30,491 | 4,836 |
| | TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 10,693,411 | 9,954,369 |

(in € thousands)

| Consolidated Income Statement | | Total 31-12-16 | Total 31-12-15 |
|--------------------------------------|---|-----------------------|-----------------------|
| 1.1 | Net premiums | 404,897 | 119,949 |
| 1.1.1 | <i>Gross premiums for the year</i> | 411,642 | 96,535 |
| 1.1.2 | <i>Outward reinsurance premiums for the year</i> | -6,745 | 23,414 |
| 1.2 | Commission income | 26,334 | 8,553 |
| 1.3 | Gains (losses) on financial instruments at fair value through profit or loss | 250,223 | 445,771 |
| 1.4 | <i>Gains from equity investments in subsidiaries, associates and joint ventures</i> | - | - |
| 1.5 | Income from other financial instruments and investment property | 356,722 | 165,864 |
| 1.5.1 | <i>Interest income</i> | 351,946 | 159,806 |
| 1.5.2 | <i>Other income</i> | 866 | 799 |
| 1.5.3 | <i>Realised gains</i> | 1,613,00 | - |
| 1.5.4 | <i>Unrealised gains</i> | 2,297 | 5,259 |
| 1.6 | Other revenue | 108,321 | 205,346 |
| 1 | TOTAL REVENUE AND INCOME | 1,146,497 | 945,484 |
| 2.1 | Net claims incurred | 262,865 | 214,667 |
| 2.1.1 | <i>Amounts paid and changes in technical provisions</i> | 285,740 | 223,878 |
| 2.1.2 | <i>Reinsurers' share</i> | -22,875 | -9,211 |
| 2.2 | Commission expense | 1,188 | 799 |
| 2.3 | <i>Expense related to equity investments in subsidiaries, associates and joint ventures</i> | - | - |
| 2.4 | Expense relating to other financial instruments and investment property | 34,531 | 27,040 |
| 2.4.1 | <i>Interest expense</i> | 25,162 | 21,738 |
| 2.4.2 | <i>Other expense</i> | 680 | 655 |
| 2.4.3 | <i>Realised losses</i> | 207 | 1,161 |
| 2.4.4 | <i>Unrealised losses</i> | 8,482 | 3,486 |
| 2.5 | Operating expenses | 87,802 | 89,865 |
| 2.5.1 | <i>Commissions and other acquisition expenses</i> | 14,907 | 21,854 |
| 2.5.2 | <i>Investment management charges</i> | 9,297 | 5,430 |
| 2.5.3 | <i>Other administrative expenses</i> | 63,599 | 62,581 |
| 2.6 | Other expenses | 83,606 | 107,311 |
| 2 | TOTAL COSTS AND EXPENSES | 469,993 | 439,683 |
| | PROFIT (LOSS) FOR THE YEAR BEFORE TAXES | 676,505 | 505,801 |
| 3 | Taxes | 194,610 | 196,028 |
| | PROFIT (LOSS) FOR THE YEAR NET OF TAXES | 481,895 | 309,773 |
| 4 | PROFIT (LOSS) ON DISCONTINUED OPERATIONS | - | - |
| | CONSOLIDATED PROFIT (LOSS) | 481,895 | 309,773 |
| | of which attributable to the Group | 481,128 | 309,773 |
| | of which attributable to minorities | 767 | |

(in € thousands)

| Statement of Comprehensive Income - Net Amounts | Total 31-12-16 | Total 31-12-15 |
|--|-----------------------|-----------------------|
| CONSOLIDATED PROFIT (LOSS) | 481,128 | 309,773 |
| Other income components after tax without reclassification to profit or loss | | |
| Changes in shareholders' equity of subsidiaries | | |
| Changes in intangible assets revaluation reserve | | |
| Change in property, plant and equipment revaluation reserve | | |
| Income and expense relating to non-current assets or of a disposal group held for sale | | |
| Actuarial gains and losses and adjustments related to defined benefit plans | -73 | 199 |
| Other | | |
| Other income components after tax with reclassification to income statement | | |
| Change in the reserve for net exchange differences | 128 | -136 |
| Gains (losses) on available-for-sale financial assets | | |
| Gains (losses) on cash flow hedges | | |
| Gains (losses) on hedges of a net investment in a foreign operation | | |
| Changes in shareholders' equity of subsidiaries | | |
| Income and expense relating to non-current assets or of a disposal group held for sale | | |
| Other | | |
| TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE) | - | - |
| CONSOLIDATED OTHER COMPREHENSIVE INCOME | 481,184 | 309,836 |
| of which attributable to the Group | 481,184 | 309,836 |
| of which attributable to minorities | | |

| | | Balance at 31-12-14 | Changes in closing balances | Allocations | Reclassification adjustments to profit for the year | Transfers | Balance at 31-12-2015 | Changes in closing balances | Allocations | Reclassification adjustments to profit for the year | Transfers | Balance at 31-12-2016 |
|---|---|------------------------|-----------------------------------|----------------|--|-------------------|--------------------------|-----------------------------------|-------------|--|-----------|--------------------------|
| <i>(in € thousands)</i> | | | | | | | | | | | | |
| Statement of changes in Shareholders' Equity | | | | | | | | | | | | |
| | Principal | 4,340,054 | | | | -798,926 | 3,541,128 | 189,196 | | | | 3,730,324 |
| | Other equity instruments | | | | | | | | | | | |
| | Capital reserves | | | | | | | 43,305 | | | | 43,305 |
| | Retained earnings and other equity reserves (Treasury shares) | 728,207 | | 190,524 | | | 918,732 | 10,975 | | | | 929,707 |
| Group interest in sharehol- ders' equity | Net profit (loss) for the year | 470,524 | | 309,773 | | -470,524 | 309,773 | 481,128 | | | -309,773 | 481,128 |
| | Other comprehensive income | 43 | | 63 | | | 106 | 55 | | | | 161 |
| | Total | 5,538,828 | | 500,360 | | -1,269,450 | 4,769,739 | | | | | 5,184,625 |
| | Capital and reserves - minorities | | | | | | | 76,893 | | | | 76,893 |
| Minority interest in sharehol- ders' equity | Net profit (loss) for the year | | | | | | | 767 | | | | 767 |
| | Other comprehensive income | | | | | | | | | | | |
| | Total minority interest | | | 500,360 | | -1,269,450 | 4,769,739 | 77,660 | | | | 77,660 |
| Total | | 5,538,828 | | 500,360 | | -1,269,450 | 4,769,739 | 77,660 | | | | 5,262,285 |

(in € thousands)

| Consolidated Cash Flow Statement (indirect method) | 31-12-16 | 31-12-15 |
|--|------------------|------------------|
| Profit (loss) for the year before tax | 676,505 | 505,801 |
| Changes in non-cash items | (103,399) | 381,402 |
| Change in the provision for unearned premiums - non-life business | (30,270) | 147,455 |
| Change in the provision for claims outstanding and other technical provisions - non-life business | (88,649) | (1,410) |
| Change in the provision for policy liabilities and other technical provisions - life business | 0 | 0 |
| Change in deferred acquisition costs | 0 | 0 |
| Change in the general provision | (3,161) | 55,193 |
| Non-cash income and expense from financial instruments, investment property and equity investments | | |
| Other changes | 18,681 | 180,163 |
| Change in receivables and payables generated by operations | 437,672 | 66,317 |
| Change in receivables and payables arising from direct insurance and reinsurance business | 483,769 | 21,195 |
| Change in other receivables and payables | (46,097) | 45,122 |
| Tax paid | (194,610) | (196,028) |
| Net cash flow generated/absorbed by investment and financial activities | (140,078) | (22,946) |
| Liabilities from financial policies issued by insurance companies | | |
| Due to banks and interbank liabilities | | |
| Loans and receivables with insured banks and interbank market | | |
| Other financial instruments at fair value through profit or loss | (140,078) | (22,946) |
| TOTAL NET CASH FLOW ARISING FROM OPERATIONS | 676,090 | 734,546 |
| Net cash flow generated/absorbed by investment property | 55 | (12) |
| <i>Net cash flow generated/absorbed by subsidiaries, associates and joint ventures</i> | 0 | (178) |
| Net cash flow generated/absorbed by loans and receivables | 1,447,147 | (487,395) |
| Net cash flow generated/absorbed by held-to-maturity investments | (6,274) | 99,745 |
| Net cash flow generated/absorbed by available-for-sale financial assets | (5,165) | 0 |
| Net cash flow generated/absorbed by plant, property and equipment and intangible assets | (288) | 1,380 |
| Other net cash flows generated/absorbed by investments | | |
| TOTAL NET CASH FLOW ARISING FROM INVESTMENT OPERATIONS | 1,435,476 | (386,460) |
| Net cash flow generated/absorbed by capital instruments attributable to the group | 243,913 | (798,869) |
| Net cash flow generated/absorbed by own shares | | |
| Distribution of dividends attributable to the group | (310,153) | (280,000) |
| Net cash flow generated/absorbed by capital and reserves attributable to minorities | 76,893 | 0 |
| Net cash flow generated/absorbed by subordinated liabilities and participating financial instruments | | |
| Net cash flow generated/absorbed by other financial liabilities | 382,363 | 812,568 |
| TOTAL NET CASH FLOW ARISING FROM LOAN OPERATIONS | 393,017 | (266,301) |
| Effect of exchange rate differences on cash and cash equivalents | | |
| CASH AND CASH EQUIVALENTS - OPENING BALANCE | 181,990 | 100,205 |
| INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS | 2,504,582 | 81,785 |
| CASH AND CASH EQUIVALENTS - CLOSING BALANCE | 2,686,572 | 181,990 |

Notes to the consolidated financial statements

General information

The SACE group is comprised of SACE and its subsidiaries SACE BT, SACE Fct, SACE SRV, SACE Do Brasil and SIMEST. SACE is active in the non-life business, in particular in non-marketable credit risk coverage, the SACE BT subsidiary in sureties and short-term credit risk coverage, while the SACE Fct subsidiary operates in the factoring market and SIMEST provides funding for internationalisation, export credit support and equity investments. Through the São Paulo office in Brazil, established under Brazilian law (SACE Do Brasil), SACE has expanded its business in a geographical area of strategic importance for the Italian economy, consolidating its current customer portfolio and promoting agreements with important local financial institutions.

SACE's registered office is in Piazza Poli 37/42, Rome. The reference date of the consolidated financial statements (31 December 2016) coincides with the reporting date of the financial statements of the subsidiaries. The consolidated financial statements are presented in euros, the functional and the reporting currency of SACE and the subsidiaries. The amounts reported in the notes are in thousands of euros.

The consolidated financial statements have been audited by PricewaterhouseCoopers S.p.A., appointed as auditors for the nine-year period 2015-2023.

Applicable legislation

Italian Legislative Decree No. 38 of 28 February 2005 prescribes that, starting from FY 2005, companies within the scope of application of Legislative Decree No. 173 of 26 May 1997 are required to prepare their consolidated financial statements according to the international accounting standards issued by the IASB (International Accounting Standards Board) and endorsed by EC Regulation No. 1606/2002 (hereafter IAS/IFRS). Pursuant to the aforesaid Decree, the powers attributed to ISVAP (IVASS from 1 January 2013) by Legislative Decree No. 173/1997 and subsequent Legislative Decree No. 209/2005 must be exercised thereby in compliance with IAS/IFRS.

Under the options exercised by the Italian legislator, insurance sector companies:

- a) must draw up their consolidated financial statements in accordance with IAS/IFRS starting from FY 2005;
- b) must continue to draw up their individual financial statements in accordance with Legislative Decree 173/97;
- c) must draw up their individual financial statements in accordance with IAS starting from FY 2006 if they issue financial instruments admitted to trading on regulated markets of any member state of the European Union and do not prepare consolidated financial statements.

Based on the above, the consolidated financial statements of SACE have been prepared in accordance with the provisions of IAS/IFRS, ISVAP Regulation No. 7/2007 regarding the formats to be used and the applicable IVASS rulings, regulations and circulars.

Accounting standards used and statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in the technical formats required under ISVAP Regulation No. 7/2007. The term international accounting standards refers here to all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and those previously issued by the Standing Interpretations Committee ("SIC"), as well as the technical formats required under ISVAP Regulation No. 7/2007, as amended.

Financial statements, accounting standards and scope of consolidation

Financial statements

The consolidated financial statements and related annexes are presented in accordance with the requirements of ISVAP Regulation No. 7/2007, as amended.

Basis of consolidation

Subsidiaries are companies controlled by SACE. According to IFRS 10, the group controls an investment entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is assumed and until such control ceases to exist. All the subsidiaries are included in the scope of consolidation.

Scope of consolidation

The scope of consolidation includes SACE and its direct and indirect subsidiaries: SACE BT, SACE Fct, SACE SRV, SACE do Brasil and SIMEST

| Name | Country | Method (1) | Business (2) | % direct investment | % total interest (3) | % Voting rights at ordinary shareholders' meetings (4) | % of consolidation |
|----------------|---------|------------|--------------|---------------------|----------------------|--|--------------------|
| SACE BT | Italy | G | 1 | 100% | 100% | 100% | 100% |
| SACE FCT | Italy | G | 11 | 100% | 100% | 100% | 100% |
| SACE Servizi | Italy | G | 11 | 0% | 100% | 100% | 100% |
| SACE Do Brasil | Brazil | G | 11 | 99.95% | 100% | 100% | 100% |
| SIMEST S.p.A. | Italy | G | 11 | 76.005% | 76.005% | 76.005% | 76.005% |

(1) Consolidation method: Line-by-line=G, Proportionate=P, Line-by-line by unitary division=U.

(2) 1=Italian ins.; 2=EU ins.; 3=third-party country ins.; 4=insurance holding; 5=EU reins.; 6=third-party country reins.; 7=banks; 8=asset management company; 9=other holdings; 10=real estate companies; 11=other.

(3) The product of the percentages of ownership relating to all companies, along the equity investment chain, between the company preparing consolidated financial statements and the company in question. If the latter is owned directly by several subsidiaries, the individual results must be added.

(4) Total voting percentage at ordinary shareholders' meetings, if different from the direct or indirect percentage of investment.

| Name | Country | Business (1) | Type (2) | % direct investment | % total interest (3) | % Voting rights at ordinary shareholders' meetings (4) | Carrying amount |
|--------------------------------|---------|--------------|----------|---------------------|----------------------|--|-----------------|
| African Trade Insurance Agency | Kenya | 3 | b | 5.51% | 5.51% | 5.51% | 7,954 |

(1) 1=Italian ins.; 2=EU ins.; 3=third-party country ins.; 4=insurance holding; 5=EU reins.; 6=third-party country reins.; 7=banks; 8=asset management company; 9=other holdings; 10=real estate companies; 11=other.

(2) a=subsidiaries (IAS 27); b=associates (IAS 28) c= joint ventures (IAS 31); companies classified as held for sale in accordance with IFRS 5 must be marked with an asterisk (*) and the key must be included at the foot of the table.

(3) The product of the percentages of ownership relating to all companies, along the equity investment chain, between the company preparing consolidated financial statements and the company in question. If the latter is owned directly by several subsidiaries, the individual results must be added.

(4) Total voting percentage at ordinary shareholders' meetings, if different from the direct or indirect percentage of investment.

Transactions eliminated on consolidation

In preparing the consolidated financial statements, all balances and significant transactions between the companies and also realised gains and losses on intercompany transactions have been eliminated.

Basis of consolidation

The carrying value of the interests has been eliminated through shareholders' equity with recognition of goodwill if deemed recoverable.

Use of estimates

In preparing the consolidated financial statements, the directors are required to make estimates and evaluations which influence the carrying amounts of assets, liabilities, costs and revenues, and the presentation of contingent assets and liabilities. The directors verify their estimates and evaluations from time to time on the basis of past experience and other factors deemed reasonable in the circumstances. Recourse to estimates and evaluations is a significant factor in determining the following financial statement items.

Held-to-maturity investments and receivables

Impairment losses on receivables and other financial assets not recognised at fair value are determined on the basis of the estimated value of future cash flows.

Technical provisions

Technical provisions are determined using actuarial calculations and taking into account IVASS instructions for marketable companies. The provision for claims outstanding is calculated analytically by examining the single claims outstanding at the end of the year, also taking into account the estimate of late claims.

Intangible fixed assets

The useful life of intangible assets is determined on the basis of estimates and evaluations. It is evaluated annually, using prudential economic projections.

Other

Estimates are used to measure provisions for employee benefits and other provisions.

Valuation criteria

Intangible assets

a) Goodwill

With respect to business combinations, the assets, liabilities and acquired and identifiable contingent liabilities are recognised at their fair value on the date of acquisition. The residual positive difference between the purchase price and the group's interest in the fair value of such assets and liabilities is classified as goodwill and recorded as an intangible asset; the negative difference is recognised through profit or loss at the time of acquisition. Goodwill is not amortised but is tested for impairment annually in accordance with IAS 36. Subsequent to initial recognition, it is recognised at cost, net of accumulated impairment losses.

b) Other intangible assets

This item comprises the assets defined and regulated by IAS 38. Only identifiable intangible assets controlled by group companies are recognised when it is probable that use of the assets will generate future economic benefits and when the cost of the asset is determined or can be reliably measured. This item mainly reflects the costs of software purchased from third parties or developed internally. This item does not include values relating to deferred acquisition costs or intangible assets governed by other international accounting standards. These assets are recorded at cost. For assets with a finite useful life, the cost is amortised at constant rates over their useful life. Assets with an indefinite useful life are not amortised but, in accordance with IAS 36 – Impairment of assets (in the manner described in the paragraph referring to impairment losses and reversal of impairment losses on non-financial assets), an impairment test is carried out at each reporting date or in the case of evidence of permanent impairment. The loss, equal to the difference between the carrying value of the asset and its recoverable value, is recognised through profit and loss. Amortisation rates are consistent with plans for the technical-financial use of each single category of assets.

Intangible assets are derecognised when sold or when no future economic benefits are expected from the asset.

Property, plant and equipment

a) Property

This item comprises property used in company operations as specified and governed by IAS 16. These assets are distinguished between Land and Buildings and entered at cost which, in addition to the purchase price, includes any accessory charges directly attributable to the purchase and bringing into use of the asset.

Subsequently, the cost of the buildings is depreciated on a straight-line basis over their useful life. Land, whether purchased separately or as part of the value of buildings, is not depreciated, as of indefinite life. If the value of land is incorporated in the value of the building, the land is unbundled only if the company has full use of the building in all its parts. An impairment test is carried out whenever there is evidence of a potential loss of value. The total of any such impairments, equal to the difference between the carrying amount of the asset and its recoverable value (equal to the lower of fair value, net of any sale costs, and the related value of the asset in use, meaning the present value of future cash flows deriving from the asset), is recognised through profit or loss. Property is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

b) Other property, plant and equipment

This item comprises furniture, fittings, plant and equipment, office machinery and assets listed in the public registers. These items are stated at cost and subsequently recognised net of depreciation and any impairment losses. Depreciation rates are consistent with plans for the technical-financial use of each single category of assets. Other property, plant and equipment are derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Reinsurers' share of technical provisions

This item includes amounts corresponding to risks ceded to reinsurers under contracts regulated by IFRS 4. Reinsurers' shares of technical provisions are determined on the basis of agreements or treaties entered into between the parties, according to the same criteria described for technical provisions, except in the case of a different assessment of the recoverability of the receivable.

Investments

Investment property

This item comprises the property as specified and governed by IAS 40. Such investments comprise land, buildings and individual residential units not included among property used in company operations or available as part of the core business for purchase and sale. Investment property is recognised at cost which includes any directly attributable accessory charges or those necessary to bring the asset to working conditions. Investment property is depreciated in accordance with IAS 40. The property values are stated net of accumulated depreciation and of any impairment losses. Extraordinary maintenance costs that result in future economic benefits are capitalised on the value of the property, while ordinary maintenance costs are recognised through profit or loss as incurred. These assets are depreciated on a straight-line basis over their estimated useful life, except for the portion relating to the land belonging to the building or purchased separately, which is assumed to have an indefinite useful life and is therefore not depreciated. If permanent impairment emerges during periodic testing or after specific events, the corresponding impairment loss is recognised. Investment property is derecognised on disposal or in the case of events such as to eliminate the expected economic benefits of use.

Equity investments in subsidiaries, associates and joint ventures

All subsidiaries have been consolidated line by line. This item comprises equity investments measured using the equity method and relating to associates or companies subject to joint control. In periods following the initial recognition at purchase cost, the change in the value of the equity investments attributable to the profit or loss of investees is recorded in profit or loss.

Investments held to maturity

The item includes financial assets covered by IAS 39, which are not derivatives, with fixed or determinable payments and certain maturity which the company intends and is capable of holding to maturity. At the time of initial recognition, coinciding with the settlement date (so-called regular way contracts), financial assets are recognised at the fair value of the instrument normally coinciding with its cost, including directly attributable transaction costs or income. If assets are stated under this item as a result of reclassification of AFS assets, the fair value of the asset on the date of reclassification is taken as the new amortised cost of the asset. Subsequent to initial recognition, the HTM assets are valued at amortised cost using the effective interest rate method. Gains and losses arising from amortisation are recognised in profit or loss. If, following a change in the intention or ability to hold the asset, an HTM investment is reclassified as AFS or sold and provided that these transactions involve significant amounts, all remaining HTM investments are reclassified as AFS, with the prohibition of classifying financial assets in the HTM category for the following two years. Reclassification is not carried out only in the cases envisaged by IAS 39, where an unforeseeable objective change in the cited initial conditions makes it impracticable to maintain the financial instrument as an HTM investment. Disposal gains and losses are recognised in

profit or loss. On each annual or interim reporting date, these assets are tested for impairment. If there is evidence of impairment, the amount of these losses is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original interest rate. Impairment losses are recognised in profit or loss. If the reasons for the loss are subsequently removed, the value of the asset is restored up to the amount of the impairment losses previously recorded. HTM investments are derecognised when the contractual rights to the cash flows from the asset lapse or when all the risks and benefits of the asset are transferred.

Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments which are not listed in an active market and which are held with the intention not to sell them in the short term (IAS 39), excluding trade receivables.

Specifically, this item comprises loans, receivables other than premiums payable by policyholders, term deposits with banks, deposits with ceding companies, and any financial component of insurance and re-insurance contracts. Non-insurance-related loans and receivables are recognised at amortised cost using the effective interest method, net of any impairment losses.

Repo transactions are recognised as funding or lending transactions and are therefore booked under receivables or payables. Interest, i.e. the difference between the sale and repurchase prices, accrues over the life of the transaction and is recognised pro rata temporis in profit or loss under interest income. Cash deposits with third parties guaranteeing the group's future obligations are recognised at cost corresponding to their face value.

At the end of each year, loans and receivables are tested for impairment. Such receivables are valued analytically taking into account their recovery period. Any value adjustments are recognised in profit or loss. If the reasons for an impairment loss are subsequently removed, the value of the loan or receivable is restored up to the amount of the previously recorded impairment losses. Credits that do not present evidence of anomaly are valued collectively by dividing them into uniform risk classes and determining the estimated impairment loss for each on the basis of past loss experience. Loans and receivables are derecognised when deemed irrecoverable or when, following assignment, all the risks and benefits are effectively transferred to another entity.

Available-for-sale financial assets

This category includes financial assets that are not classified as loans and receivables, financial assets held to maturity, financial assets held for trading or financial assets at fair value.

Debt securities may be reclassified as financial assets held to maturity or as loans and receivables (provided that the company plans to hold them for the foreseeable future). The transfer value is given by the fair value at the time of the reclassification. Available-for-sale financial assets are initially recognised on the settlement date for debt and equity securities and on the disbursement date in the case of loans. Financial assets available for sale are initially recognised at fair value, which generally equals the amount paid, in addition to any directly attributable transaction costs, if material and determinable.

Following initial recognition, financial assets available for sale are measured at fair value with changes in value being recognised in a special equity reserve, the effects of which for the period are recognised in the statement of comprehensive income. For debt securities the value corresponding to the amortised cost is recognised in profit or loss. Certain equity securities not listed on active markets, the fair value of which cannot be reliably determined or verified, are carried at cost and written down in the event of impairment losses. The values recognised in the specific equity reserve are reversed to profit or loss upon disposal of the asset or in the event of impairment. Where impairment is found, the amount of the loss is measured as the difference between the carrying amount and the fair value of the asset. Should the reasons for the impairment cease to exist, write-backs are recognised in profit or loss for debt securities and

in equity in the case of equity instruments. The amount of the write-back shall not in any event exceed the amortised cost that the instrument would have had in the absence of the prior write-down.

The interest on debt securities recognised in this category is calculated using the effective interest rate method and is stated through profit or loss.

Dividends on available-for-sale capital instruments are recognised through profit or loss when the right to receive payment accrues.

Financial assets measured at fair value through profit or loss

This category comprises debt securities, equity instruments and the positive value of derivatives held for trading. On initial recognition, financial assets held for trading are recognised at fair value, which is normally equal to the acquisition cost of the instrument, while transaction costs or income directly attributable to the instrument are taken to profit or loss. Following initial recognition, HFT financial assets are recognised at fair value, i.e. the market price of financial instruments listed in an active market; if there is no active market, generally accepted estimates and valuation models based on market data are used. Fair value gains and losses on financial assets are recognised under gains (losses) on financial instruments at fair value through profit or loss. Financial assets are derecognised when the contractual rights to receive the cash flows from the asset and the underlying risks are transferred.

Derivative financial instruments

Derivatives are recognised at fair value. They are used with the intention of reducing market and credit risk. Derivatives are used for hedging or efficient management purposes; hedge accounting has not been applied for these instruments. Under IAS 39, derivatives are measured at fair value, with direct impact on profit or loss.

Determination of fair value

Fair value is the official price of an instrument in an active market. If the market for a financial instrument is inactive, fair value is determined using valuation techniques generally used in financial markets which refer to analysis of discounted cash flows and to pricing models. If there is no active market price or the fair value of an investment cannot be reliably determined, the financial asset is valued at cost.

Sundry receivables

Receivables arising out of direct insurance business

This item includes premiums receivable from policyholders still to be collected. Initial recognition is at fair value and subsequently at amortised cost. Short-term receivables are not discounted since the effects would not be significant. Medium/long-term receivables are discounted. Impairment losses on these receivables are recognised on the basis of past collection experience, in respect of each business line.

Receivables arising out of reinsurance business

The item includes accounts receivable from reinsurers. Initial recognition is at fair value and subsequently at amortised cost. Recognition does not entail discounting since these are short-term receivables and the effects would not be significant. On each subsequent reporting date, they are recognised at their estimated recovery value.

Other receivables

This item includes other trade receivables as defined by IAS 32 and governed by IAS 39, not relating to taxes and not included in the two preceding categories. Initial recognition is at fair value and subsequently at amortised cost net of any impairment losses. They are valued analytically and, if impaired, are written down individually.

Other assets

Deferred tax assets and liabilities

These items include, respectively, tax assets deriving from deductible temporary differences and tax liabilities deriving from taxable temporary differences, as defined and governed by IAS 12. These items are recognised based on national legislation, given that all the companies included in the scope of consolidation have tax domicile in Italy. All deferred tax liabilities on taxable temporary differences are recognised. Tax assets on deductible temporary differences are recognised if it is probable that sufficient taxable income will be generated in the future to permit use of these. Deferred tax assets and liabilities are recognised on the basis of the tax rate in force in the period in which the asset or liability is realised or settled. Deferred taxes are recognised with a balancing entry in profit or loss except for taxes relating to gains or losses on AFS financial assets and changes in the fair value of hedging instruments (cash-flow hedges), which are recognised net of taxes directly with a balancing entry against shareholders' equity.

Current tax assets and liabilities

These items include, respectively, current tax assets and liabilities as defined and governed by IAS 12. Income tax is recognised on the basis of Italian tax law. Tax charges (income) are the total of current and deferred tax included in the determination of the net profit or loss for the year. Current taxes are recognised with a balancing entry in profit or loss.

Other assets

This is a residual item comprising assets not included in the above items. It mainly includes transitory reinsurance accounts and deferred commissions payable on contracts to which IFRS 4 does not apply.

Cash and cash equivalents

This item reflects cash, current accounts with banks and demand deposits. These assets are recognised at face value. Cash and cash equivalents in foreign currency are disclosed at the exchange rate prevailing at the end of the year.

Group interest in shareholders' equity

This section includes equity instruments forming the group's shareholders' equity, as required by the Italian Civil Code and insurance sector legislation, taking into account the necessary consolidation adjustments. Specific information on each component of Shareholders' equity follows.

Share capital

The item includes those elements that, according to the legal standing of the company, form its capital. Share capital (subscribed and paid) is disclosed at face value.

Retained earnings and other equity reserves

The item includes:

- a) the reserve comprising gains (losses) arising from first-time adoption of IAS/IFRS as per IFRS 1;
- b) the reserve for gains (losses) due to fundamental calculation errors and changes in accounting policies or estimates used, as per IAS 8;
- c) reserves arising from reclassification of certain supplemental reserves and all equalisation reserves recognised under the standards previously in force (IFRS 4);
- d) other reserves required by the Italian Civil Code and previous insurance legislation;
- e) consolidation reserves.

Reserves for net exchange differences

This item includes exchange differences taken to equity as per IAS 21, arising on transactions in foreign currency.

Other gains (losses) taken directly to equity

This item reflects the net balance of the changes recorded directly against shareholders' equity. In this specific case, this item includes the actuarial gains and losses deriving from the measurement of the termination indemnities pursuant to IAS 19.

Provisions

The item includes the liabilities defined and governed by IAS 37 (Provisions, contingent liabilities and contingent assets).

Provisions for risks and charges are made when the following three conditions are met:

- a) an effective obligation (legal or implicit) exists;
- b) it is probable that resources will be used to meet the obligation and settle it;
- c) the amount of the obligation can be reliably estimated.

The amount of the provision is equal to the forecast obligation discounted at current market rates. The obligation is not discounted if this would not be significant. Continuation of the conditions that require the provision is regularly reviewed. If the liability is deemed possible but not probable, no provision is entered in the accounts but mention of the fact is made in the notes.

Technical provisions

IFRS 4 permits recognition of technical provisions on the basis of generally accepted local accounting principles. A review of all the non-life contracts showed that all the contracts qualify as insurance contracts. The technical provisions also include any provisions made necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions in that these are not permitted under IFRS. These provisions are recognised according to the accounting principles adopted prior to IFRS as all the outstanding non-life policies fall within the scope of IFRS 4 (insurance contracts). Specifically, this item includes:

- the provision for unearned premiums, which comprises two items: the provision for premium instalments determined pro rata temporis, as required by art. 45 of Legislative Decree No. 173 of 26 May 1997 and the provision for unexpired risks comprising amounts to be allocated to cover claims payments and expenses that exceed the provision for premium instalments on outstanding contracts and not subject to claim at the year end, while meeting the requirements of IFRS 4 for the liability adequacy test;
- the provision for claims outstanding which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. Claims provisions are determined on the basis of an analytical estimate of the ultimate cost of covering charges relating to the compensation paid, direct costs and payment for each individual claim.

Liability adequacy test

According to IAS/IFRS, the provision for unexpired risks complies with the requirements for the adequacy of insurance liabilities.

Financial liabilities

Financial liabilities at fair value through profit or loss

This item includes financial liabilities and derivative financial instruments at fair value.

Other financial liabilities

The item comprises financial liabilities defined and governed by IAS 39 not included in the previous item. Specifically, this item comprises:

- a) payables to banks;
- b) deposits received from reinsurers;
- c) amounts due to ceding companies for factoring contracts in portfolio.

Insurance items are recognised at face value and subsequently recognised at amortised cost.

Accounts payable

This category comprises trade payables.

Accounts payable arising out of direct insurance business

These are recognised at cost.

Accounts payable arising out of indirect insurance business

These are recognised at cost.

Other accounts payable

The item reflects the liability towards employees for termination benefits. It is calculated analytically for each employee in accordance with the law and current collective bargaining agreements. Due to the reform of supplementary pension schemes under Laws 252/2005 and 296/2006 and bearing in mind the OIC guidelines, it was decided to: a) record the obligation for benefits accrued at 31 December 2006 in accordance with the rules of defined benefit plans; this means that the company must measure the obligation for benefits accrued by employees using actuarial techniques and must determine the total amount of actuarial gains and losses to be recognised through profit or loss with a balancing entry in shareholders' equity; b) record the obligation for benefits accruing from 1 January 2007, to be allocated to supplementary social insurance or to the treasury fund set up at INPS, according to the contributions due each year.

Other liabilities

This category comprises trade payables.

Current and deferred tax liabilities

Reference should be made to the assets section.

Other liabilities

The item comprises:

- a) transitory reinsurance accounts;
- b) any accrued liabilities that could not be allocated to specific items.

Income statement items

Costs and revenues are recognised under the general accruals principle. The value according to which the various components of revenue are recognised is identified, for each item, according to the criteria set out below.

Net premiums

This heading includes premiums for the year relating to contracts classifiable as insurance contracts under IFRS 4 and investment contracts with discretionary participation feature, considered similar to insurance contracts by IFRS 4.

All contracts under which one party, the insurer, accepts significant insurance risk, agreeing to compensate another party, the policyholder or another beneficiary, if a specified uncertain future event adversely affects the policyholder or another beneficiary are considered to be insurance contracts.

All contracts distributed by the Group qualify as insurance contracts according to IFRS 4. Premiums are recognised net of reinsurance transfers.

Net income from financial instruments at fair value through profit or loss

This item discloses realised gains and losses and changes in the value of assets and liabilities at fair value through profit or loss.

Income and expense on investments in subsidiaries, associates and joint ventures

This item includes income and expense on investments valued according to the equity method and stated in the corresponding item under assets.

Income and expense from other financial instruments and investment property

This item reflects income and expense on investment property and financial instruments not at fair value through profit or loss.

Specifically, the items comprise:

- a) interest income and interest payable (recognised on financial instruments using the effective interest method);
- b) other income and expense (including, by way of example, rentals on investment property and dividends and property management charges such as service charges and maintenance and repair costs not capitalised);
- c) realised gains and losses (such as those recognised following the elimination of financial assets or liabilities or investment property);
- d) valuation gains and losses, (including positive and negative changes resulting from write-backs and value re-adjustments and from measurement subsequent to initial recognition of investment property at fair value and of financial assets and liabilities).

Other revenue and Other costs

These items comprise, respectively:

- a) revenue from services other than insurance services and rental of property, plant and equipment and intangible assets or other assets belonging to the company, as prescribed by IAS 18;
- b) other net technical income and charges linked to insurance contracts;
- c) additional provisions made during the year;
- d) exchange differences to be charged to profit or loss according to IAS 21;

- e) realised gains and reversals of impairment losses on tangible and intangible assets, realised losses, impairment losses and depreciation relating to property, plant and equipment not otherwise allocated to other cost items, and amortisation of intangible assets;
- f) capital gains and losses relating to non-current assets and disposal groups held for sale, other than those relating to discontinued operations.

Net claims incurred

This heading includes – before settlement expenses and net of amounts ceded to reinsurers – amounts paid, net of recoveries, changes in the claims provisions, in the recovery provision, in the provision for amounts payable, in the provision for policy liabilities, in other technical provisions relating to insurance contracts and financial instruments governed by IFRS 4. It also includes direct and indirect claim settlement expenses.

Operating expenses

The item includes:

- a) commissions and other acquisition costs on contracts classified as insurance or investment contracts under IFRS 4; these costs are disclosed net of reinsurance;
- b) investment management expenses including general expenses and payroll expenses relating to the management of financial instruments, investment property and equity investments as well as custodian and administrative costs;
- c) other administrative expenses, including general expenses and payroll expenses not allocated to costs of claims, insurance contract acquisition costs or investment management expenses.

Current taxes

This item includes income taxes calculated according to Italian tax laws (as the companies included in consolidation have their tax domicile in Italy), included in profit or loss.

Deferred taxes

This item refers to income tax payable in future years relating to taxable temporary differences. Deferred taxes are charged to profit or loss except for those relating to gains and losses recognised directly in shareholders' equity in respect of which taxes are treated in the same way. Deferred and advance taxes are calculated using the tax rates prevailing in each fiscal year in which the tax will become payable. During the year, deferred tax assets and liabilities were adjusted to comply with the lower IRES rate (24%), as required by the 2016 Stability Act (Law 208/2015). The adjustment only applied to temporary changes for which their reversal from the 2017 tax year is reasonably certain.

Items in foreign currency

Transactions in foreign currency are recognised initially in the functional currency, adopting the exchange rate prevailing on the date of the transaction.

On each annual or interim reporting date, foreign currency entries are measured as follows:

- a) cash balances are translated at closing rate;
- b) non-cash balances measured at historical cost are translated using the exchange rate prevailing on the date of the transaction;
- c) non-cash items at fair value are translated using the exchange rate prevailing on the closing date.

Exchange differences arising from cash settlement or translation of cash items at rates other than the initial translation rate, are recognised in profit or loss for the year in which they arise. When a gain or loss relating to a non-cash item is recognised in shareholders' equity, the related exchange difference is also recognised therein.

Risk management

SACE regularly assesses its exposure to currency, interest rate and credit fluctuations and manages these risks by means of asset liability management techniques, in accordance with its risk management policies. SACE uses financial instruments designated as hedges mainly for the management of:

- currency risk on financial instruments denominated in foreign currency;
- interest risk on fixed rate receivables and payables;
- credit risk.

The instruments used for this purpose are mainly forward contracts. The counterparties to these contracts are prime international banks with high ratings. Information regarding the fair value of outstanding derivatives at the reporting date is included in the annex.

Accounting standards and interpretations to be introduced shortly

The following apply as from 1 January 2016:

- Annual improvements to IFRS 2010 - 2012 cycle endorsed with Regulation (EU) No. 2015/28 within the scope of the annual improvement and general review of international accounting standards.
- IAS 19 - Employee benefits - Defined benefit plans: employee contributions amended by Regulation (EU) No. 2015/29.
- IFRS 11 - Joint arrangements amended by Regulation (EU) No. 2015/2173.
- IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets amended by Regulation (EU) No. 2015/2231. The amendment provides clarifications concerning the use of revenue-based methods to calculate depreciation.
- Annual improvements to IFRS 2012 - 2014 cycle endorsed with Regulation (EU) No. 2015/2343 within the scope of the annual improvement and general review of international accounting standards.
- IAS 1 - Presentation of financial statements amended by Regulation (EU) No. 2015/2406.
- IAS 27 - Separate financial statements amended by Regulation (EU) No. 2015/2441. For entities that prepare separate financial statements, the amendment introduced the possibility of using the equity method to account for investments in subsidiaries, associates and joint ventures.

Amendments to IFRS 10, IFRS 12 and IAS 28 endorsed with Regulation (EU) No. 2016/1703 - Investment entities - Applying the consolidation exception.

The following will be applicable from 1 January 2018:

- IFRS 15 - Revenue from contracts with customers endorsed with Regulation (EU) No. 2016/1905. The new standard will replace IAS 18 - Revenue, IAS 11 - Construction contracts and IFRIC 13 - Customer loyalty programmes. It provides a single, comprehensive framework for determining how to recognise revenue from contracts with customers in all industrial and commercial sectors.
- IAS 9 - Financial instruments endorsed with Regulation (EU) No. 2016/2067. The new accounting standard which, as from 1 January 2018 will partially replace IAS 39 - Financial instruments: Recognition and measurement, is based on three pillars:
 - Classification and measurement of financial assets, through the adoption of an approach driven by the business model defined by the entity's senior management and by the characteristics of expected contractual cash flows.
 - Impairment; based on the new expected loss impairment model that will require entities to account for credit losses prospectively over the life of the financial instrument and to recognise such loss impairments immediately rather than upon occurrence of a trigger event.
 - Hedge accounting; partially amended with respect to the provisions of IAS 39. The main new features include: more hedging instruments and hedged items will qualify for hedge accounting; hedge effectiveness can only be tested on a prospective basis, based on the existence of an economic relationship between the hedge item and the hedging instrument instead of an effectiveness test; it will be possible to modify the hedge ratio without discontinuing the existing hedge.

Lastly, as at the date of approval of these financial statements, the IASB has issued the following accounting standards, amendments and interpretations which have not yet been endorsed by the European Commission:

- IFRS 14 - Regulatory deferral accounts;
- IFRS 16 - Lease, scheduled to come into force on 1 January 2019;
- Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate or joint venture;
- Amendments to IAS 12 on the recognition of deferred tax assets for unrealised losses;
- Amendments to IAS 7 concerning the statement of cash flows related to financial assets;
- Clarifications to IFRS 15 - Revenue from contracts with customers;
- Amendments to IFRS 2: Classification and measurement of share based payment transactions;
- Amendments to IFRS 4: Applying IFRS 9 - Financial instruments with insurance contracts, pending the introduction of a new dedicated accounting standard;
- Annual improvements to IFRS 2014 - 2016 cycle;
- IFRIC Interpretation 22 - Foreign currency transactions and advance consideration;
- Amendments to IAS 40: Transfers of investment property.

The possible effects on financial disclosures of these accounting standards, amendments and interpretations, to be introduced in future, are currently being analysed and evaluated.

Exchange rates

The main currencies were converted into euros on the basis of the following rates of exchange:

| | 31-12-16 | 31-12-15 | 31-12-14 |
|-------------|----------|----------|----------|
| US dollar | 1.0541 | 1.0887 | 1.2141 |
| GB pound | 0.85618 | 0.73395 | 0.7789 |
| Swiss franc | 1.0739 | 1.0835 | 1.2024 |

Segment reporting

The business activities of the SACE group fall into the following sectors:

- non-life business
- other businesses

in compliance with the provisions of IVASS Regulation No. 7/2007.

(in € thousands)

| | Statement of financial position by business segment | | | | | | Inter-segment | | | | | |
|---|---|-----------|---------------|----------|------------------|-----------|---------------|----------|------------|-----------|--|--|
| | Non-life business | | Life business | | Other businesses | | eliminations | | Total | | | |
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | | |
| 1 INTANGIBLE ASSETS | 13,609 | 13,216 | | | 2,395 | 1,977 | 0 | 0 | 16,004 | 15,193 | | |
| 2 PROPERTY, PLANT AND EQUIPMENT | 72,397 | 73,119 | | | 340 | 141 | 0 | 0 | 72,737 | 73,260 | | |
| 3 REINSURERS' SHARE OF TECHNICAL PROVISIONS | 678,482 | 465,015 | | | 0 | 0 | 0 | 0 | 678,482 | 465,015 | | |
| 4 INVESTMENTS | 4,562,278 | 6,394,836 | | | 2,459,096 | 1,731,574 | -844,093 | -679,895 | 6,177,281 | 7,446,515 | | |
| 4.1 Investment property | 12,547 | 12,602 | | | 0 | 0 | | | 12,547 | 12,602 | | |
| 4.2 Equity investments in subsidiaries, associates and joint ventures | 7,954 | 7,954 | | | 0 | 0 | | | 7,954 | 7,954 | | |
| 4.3 Held-to-maturity investments | 1,597,530 | 1,591,256 | | | 0 | 0 | | | 1,597,530 | 1,591,256 | | |
| 4.4 Loans and receivables | 2,069,617 | 4,072,836 | | | 2,452,220 | 1,731,574 | -843,280 | -678,704 | 3,678,557 | 5,125,705 | | |
| 4.5 Available-for-sale financial assets | 0 | 0 | | | 5,165 | 0 | 0 | 0 | 5,165 | 0 | | |
| 4.6 Financial assets at fair value through profit or loss | 874,630 | 710,188 | | | 1,711 | 0 | -812 | -1,190 | 875,528 | 708,998 | | |
| 5 OTHER RECEIVABLES | 935,031 | 1,403,925 | | | 3,390 | 16,723 | -3,710 | -18,029 | 934,711 | 1,402,619 | | |
| 6 OTHER ASSETS | 103,537 | 361,598 | | | 24,893 | 8,147 | -806 | 31 | 127,624 | 369,777 | | |
| 6.1 Deferred acquisition costs | 0 | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 6.2 Other assets | 103,537 | 361,598 | | | 24,893 | 8,147 | -806 | 31 | 127,624 | 369,777 | | |
| 7 CASH AND CASH EQUIVALENTS | 2,503,305 | 110,939 | | | 183,267 | 71,051 | 0 | 0 | 2,686,572 | 181,990 | | |
| TOTAL ASSETS | 8,868,639 | 8,822,649 | | | 2,673,381 | 1,829,613 | -848,609 | -697,893 | 10,693,411 | 9,954,369 | | |
| 1 SHAREHOLDERS' EQUITY | | | | | | | | | 5,262,285 | 4,769,739 | | |
| 2 PROVISIONS | 88,946 | 92,509 | | | 1,001 | 599 | 0 | 0 | 89,947 | 93,108 | | |
| 3 TECHNICAL PROVISIONS | 2,977,578 | 2,884,745 | | | 1,716 | 0 | 0 | 0 | 2,979,294 | 2,884,745 | | |
| 4 FINANCIAL LIABILITIES | 605,289 | 578,933 | | | 2,175,112 | 1,628,079 | -843,279 | -678,704 | 1,937,123 | 1,528,307 | | |
| 4.1 Financial liabilities at fair value through profit or loss | 57,613 | 31,249 | | | 89 | 0 | 0 | 0 | 57,702 | 31,249 | | |
| 4.2 Other financial liabilities | 547,676 | 547,683 | | | 2,175,023 | 1,628,079 | -843,279 | -678,704 | 1,879,421 | 1,497,058 | | |
| 5 ACCOUNTS PAYABLE | 189,789 | 185,542 | | | 25,929 | 84,907 | -4,272 | -18,029 | 211,446 | 252,420 | | |
| 6 OTHER LIABILITIES | 185,393 | 423,080 | | | 29,541 | 4,129 | -1,618 | -1,159 | 213,317 | 426,050 | | |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | | | | | | | | 10,693,411 | 9,954,369 | | |

(in € thousands)

| | Income statement by business segment | | | | Inter-segment eliminations | | | | Total |
|--|--------------------------------------|-----------------|----------------|----------------|----------------------------|--------------|----------------------------|-----------------|-------|
| | Non-life business | | Life business | | Other businesses | | Inter-segment eliminations | | |
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | |
| 1.1 Net premiums | 404,897 | 119,949 | 0 | 0 | 0 | 0 | 404,897 | 119,949 | |
| 1.1.1 Gross premiums for the year | 411,642 | 96,535 | 0 | 0 | 0 | 0 | 411,642 | 96,535 | |
| 1.1.2 Outward reinsurance premiums for the year | -6,745 | 23,414 | 0 | 0 | 0 | 0 | -6,745 | 23,414 | |
| 1.2 Commission income | 0 | 0 | 26,334 | 8,553 | 0 | 0 | 26,334 | 8,553 | |
| 1.3 Gains (losses) on financial instruments at fair value through profit or loss | 250,223 | 445,771 | 0 | 0 | 0 | 0 | 250,223 | 445,771 | |
| 1.4 Gains from equity investments in subsidiaries, associates and joint ventures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1.5 Income from other financial instruments and investment property | 320,663 | 135,289 | 36,059 | 30,575 | 0 | 0 | 356,722 | 165,864 | |
| 1.6 Other revenue | 95,804 | 192,416 | 10,286 | 9,875 | 2,231 | 3,055 | 108,321 | 205,346 | |
| 1 TOTAL REVENUE AND INCOME | 1,071,587 | 893,426 | 72,679 | 49,003 | 2,231 | 3,055 | 1,146,497 | 945,484 | |
| 2.1 Net claims incurred | -263,943 | -216,266 | 0 | 0 | 1,078 | 1,599 | -262,865 | -214,667 | |
| 2.1.1 Amounts paid and changes in technical provisions | -286,818 | -225,477 | 0 | 0 | 1,078 | 1,599 | -285,740 | -223,878 | |
| 2.1.2 Reinsurers' share | 22,875 | 9,211 | 0 | 0 | 0 | 0 | 22,875 | 9,211 | |
| 2.2 Commission expense | 14,083 | 0 | -15,271 | -799 | 0 | 0 | -1,188 | -799 | |
| 2.3 Expense related to equity investments in subsidiaries, associates and joint ventures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 2.4 Expense relating to other financial instruments and investment property | -17,977 | -14,316 | -16,554 | -12,724 | 0 | 0 | -34,531 | -27,040 | |
| 2.5 Operating expenses | -69,993 | -78,998 | -18,831 | -12,191 | 1,022 | 1,324 | -87,802 | -89,865 | |
| 2.6 Other expenses | -73,715 | -97,932 | -10,108 | -9,597 | 217 | 218 | -83,606 | -107,311 | |
| 2 TOTAL COSTS AND EXPENSES | -411,546 | -407,513 | -60,764 | -35,311 | 2,317 | 3,141 | -469,993 | -439,683 | |
| PROFIT (LOSS) FOR THE YEAR BEFORE TAXES | 660,042 | 485,913 | 11,915 | 13,692 | 4,548 | 6,196 | 676,505 | 505,801 | |

Information on the consolidated statement of financial position

(data in € thousands)

1. Intangible assets (Item 1)

TABLE 1 (in € thousands)

| Intangible assets | Net amount at 31-12-16 | Net amount at 31-12-15 |
|-------------------------|------------------------|------------------------|
| Goodwill | 7,655 | 7,655 |
| Other intangible assets | 8,349 | 7,538 |
| Total | 16,004 | 15,193 |

Intangible assets comprise € 7,655 thousand for goodwill, which includes:

- € 7,563 thousand of goodwill recognised at the time of acquisition of the investment in SACE Surety. This goodwill has been maintained in the books in view of the higher market value of the property owned by SACE BT compared to the carrying value.
- € 92 thousand of goodwill relating to SACE SRV (formerly SACE Servizi) established in the second half of 2007.

Other intangible assets mainly include costs for the company's information system. Amortisation periods reflect the useful life of capitalised costs. Further details on the measurement of Intangible assets are provided in the annex "Detail of Property, Plant and Equipment and Intangible Assets".

2. Property, plant and equipment (Item 2)

Changes in the original carrying value and accumulated depreciation for the year are set forth below:

TABLE 2 (in € thousands)

| Real property | Amount |
|------------------------|---------------|
| Opening balance | 71,488 |
| Acquisitions | |
| Decreases | |
| Depreciation | 727 |
| Closing balance | 70,761 |

No title or ownership restrictions exist on property, plant and equipment and no assets have been pledged to guarantee liabilities. Further details on the measurement of Property are set forth in the annex "Detail of Property, Plant and Equipment and Intangible Assets".

TABLE 3 (in € thousands)

| Other property, plant and equipment | Amount |
|--|---------------|
| Opening balance | 1,772 |
| Increases for purchases | 932 |
| Decreases | 25 |
| Depreciation | 703 |
| Closing balance | 1,976 |

Details of property, plant and equipment and intangible assets are given in **Annex 1**.

3. Reinsurers' share of technical provisions (Item 3)

This item of € 678,482 thousand (€ 465,015 thousand at 31 December 2015) includes reinsurers' commitments arising on reinsurance contracts regulated by IFRS 4. Further details are provided in the annex "Detail of Reinsurers' share of technical provisions".

4. Investments (Item 4)

The detail is as follows:

TABLE 4 (in € thousands)

| | 31-12-16 | 31-12-15 |
|---|------------------|------------------|
| 4.1. Investment property | 12,547 | 12,602 |
| 4.2 Equity investments in subsidiaries, associates and joint ventures | 7,954 | 7,954 |
| 4.3 Held-to-maturity investments | 1,597,530 | 1,591,256 |
| 4.4 Loans and receivables | 3,678,557 | 5,125,705 |
| 4.5 Available-for-sale financial assets | 5,165 | |
| 4.6 Financial assets at fair value through profit or loss | 875,528 | 708,998 |
| Total | 6,177,281 | 7,446,515 |

4.1 Investment property

Investment property (Item 4.1) refers to property leased to third parties by the subsidiary SACE BT. Overall, the market value of each asset exceeds the carrying amount. The expert appraisals are aligned with the provisions of Title III of ISVAP Regulation No. 22. Further details are set forth in the annex "Detail of Property, Plant and Equipment and Intangible Assets".

4.2 Equity investments in subsidiaries, associates and joint ventures

This item comprises the interest in ATI (African Trade Insurance Agency) in the form of 100 shares for an equivalent value of USD 10.2 million.

4.3 Held-to-maturity investments

Changes in this item are detailed below:

TABLE 5 (in € thousands)

| Held-to-maturity investments | Amount |
|-------------------------------------|------------------|
| Opening balance | 1,591,256 |
| Increases during the year: | 29,225 |
| Decreases during the year: | 22,951 |
| Total | 1,597,530 |

4.4 Loans and receivables

Loans and receivables (Item 4.4) include loans (IAS 39.9) regulated by IAS 39, excluding trade receivables as defined by IAS 32 AG4 (a). This item also includes non-sight deposits at banks and reinsurers' deposits with ceding companies. It also includes the amount of € 1,913,971 thousand for receivables from debtors arising from factoring contracts subscribed before the end of the year and Notes for € 629,253 thousand. All items of this category of financial instruments are measured at amortised cost.

4.5 Available-for-sale financial assets

This item refers to the interest (not constituting an associate relationship) that SIMEST holds in FINEST.

4.6 Financial assets at fair value through profit or loss

This item includes investments of liquidity in bonds, equities and units of UCITS. Further details of "Held-to-maturity investments", "Loans and receivables" and "Financial assets at fair value through profit or loss" are provided in the annex "Detail of Financial Assets".

Information as per IFRS 7.27B(a) about the fair value hierarchies in accordance with IFRS 7.27 is provided in Annex 9 "Breakdown of financial assets and liabilities by level". Level 1 includes financial instruments listed in regulated markets, level 2 comprises unlisted securities and derivatives which are measured on the basis of directly observable market data, level 3 securities and financial instruments measured using valuation techniques based to a large extent on unobservable variables.

5. Sundry receivables (Item 5)

TABLE 6 (in € thousands)

| Sundry receivables | 31-12-16 | 31-12-15 |
|--|-----------------|------------------|
| 5.1 Receivables arising out of direct insurance business | 844,261 | 1,324,599 |
| 5.2 Receivables arising out of reinsurance business | 23,458 | 23,595 |
| 5.3 Other receivables | 66,992 | 54,425 |
| Total | 934,711 | 1,402,619 |

Receivables arising out of direct insurance business

This item consists mainly of subrogation receivables from sovereign debtors amounting to € 596,651 thousand.

Receivables arising out of reinsurance business

This item refers to current account debit and credit balances for premiums, claims, commissions, deposits and related interest towards counterparties with which reinsurance business is transacted. The item comprises the transactions pursuant to the Agreement with the Ministry of the Economy and Finance (€ 9,305 thousand).

Other receivables

Other receivables are detailed below.

TABLE 7 (in € thousands)

| Other receivables | 31-12-16 | 31-12-15 |
|--|-----------------|-----------------|
| Receivables from tax authorities | 4,618 | 5,476 |
| Receivables for invoices to be issued | 899 | 944 |
| Receivables from CDP for tax consolidation | 20,616 | 0 |
| Sundry receivables | 40,859 | 48,005 |
| Total | 66,992 | 54,425 |

Sundry receivables mainly comprise receivables from policyholders in relation to their exposure (€ 34,260 thousand). The aforesaid receivables are similar, as far as their related terms and conditions of repayment are concerned, to the receivables payable by foreign countries due directly to SACE.

6. Other assets (Item 6)

TABLE 8 (in € thousands)

| Other assets | 31-12-16 | 31-12-15 |
|--|-----------------|-----------------|
| 6.1 Non-current assets or of a disposal group available-for-sale | | |
| 6.2. Deferred acquisition costs | | |
| 6.3. Deferred tax assets | 79,992 | 206,427 |
| 6.4. Current tax assets | 22,783 | 153,418 |
| 6.5 Other assets | 24,849 | 9,932 |
| Total | 127,624 | 369,777 |

Current tax assets include receivables due from companies included in the tax consolidation scheme. Deferred tax assets reflect those deferred tax assets from the ordinary financial statements of companies included in the scope of consolidation and taxes relating to IFRS adjustments to the consolidated financial statements as required and governed by IAS 12. For a more detailed breakdown of deferred tax assets and liabilities reference should be made to the "Income statement - Taxation" section.

7. Cash and cash equivalents (Item 7)

TABLE 9 (in € thousands)

| Cash and cash equivalents | 31-12-16 | 31-12-15 |
|--------------------------------------|------------------|----------------|
| Bank and Post Office demand deposits | 2,686,560 | 181,983 |
| Cash in hand | 12 | 7 |
| Total | 2,686,572 | 181,990 |

8. Shareholders' equity

At 31 December 2016, shareholders' equity totalled € 5,262,285 thousand and comprises:

TABLE 10 (in € thousands)

| Shareholders' equity | 31-12-16 | 31-12-15 |
|---|------------------|------------------|
| Shareholders' equity | 5,262,285 | 4,769,739 |
| Group interest | 5,184,625 | 4,769,739 |
| Share capital | 3,730,324 | 3,541,128 |
| Capital reserves | 43,305 | |
| Retained earnings and other equity reserves | 929,707 | 918,732 |
| Other gains (losses) taken directly to equity | 161 | 106 |
| Group interest in the profit for the year | 481,129 | 309,773 |
| Minority interest | 77,660 | |
| Share capital | 76,986 | |
| Gains (losses) taken directly to equity | -93 | |
| Minority interest in the profit for the year | 767 | |

The share capital consists of 1,053,428 million ordinary shares and is fully paid in. Retained earnings and other equity reserves include gains and losses arising on first-time adoption of IFRS (IFRS 1) and also equalisation provisions as per IFRS 4.14 (a) and the reserves required by the Italian Civil Code and special legislation prior to the adoption of IFRS (reserves arising on waivers of accounting standards and also reserves arising on foreign exchange gains and losses).

9. Provisions

A breakdown of the related provisions and legal or implicit obligations to which SACE is exposed in exercising its business is provided below:

TABLE 11 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|---|---------------|---------------|
| Provisions for amounts due to policyholders | 8,879 | 8,734 |
| Provision for legal disputes | 5,229 | 4,791 |
| Provision for payments to agents | 1,520 | 1,137 |
| Other provisions | 74,319 | 78,446 |
| Total | 89,947 | 93,108 |

Other provisions include € 41,797 thousand related to potential charges pursuant to the agreement with the Ministry of the Economy and Finance to the extent of the amount calculated as 10% of SACE's equalisation provision for 2014. (art. 8.1.a).

Movements in this item during 2016 are detailed below:

TABLE 12 (in € thousands)

| Description | Amount |
|---------------------------|---------------|
| Opening balance | 93,108 |
| Provisions for the year | 12,344 |
| Utilisations for the year | 15,505 |
| Closing balance | 89,947 |

10. Technical provisions

Technical provisions include reinsurance commitments gross of commitments ceded. This item is detailed below.

TABLE 13 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|--|------------------|------------------|
| Provision for unearned premiums - non-life business | 2,363,818 | 2,174,539 |
| Provision for claims outstanding - non-life business | 614,490 | 709,201 |
| Other provisions | 986 | 1,005 |
| Total | 2,979,294 | 2,884,745 |

Further details are provided in the annex "Detail of technical provisions".

11. Financial liabilities

The detail of this heading is as follows:

TABLE 14 (in € thousands)

| Financial liabilities | 31-12-16 | 31-12-15 |
|--|------------------|------------------|
| 4.1 Financial liabilities at fair value through profit or loss | 57,702 | 31,249 |
| 4.2 Other financial liabilities | 1,879,421 | 1,497,058 |
| Total | 1,937,123 | 1,528,307 |

Financial liabilities at fair value through profit or loss reflect the value of financial instruments in portfolio. Financial instruments are used for hedging or efficient management purposes; hedge accounting has not been applied for these instruments. The fair value of derivatives is determined on the basis of market parameters at the reporting date. Other financial liabilities include the loans granted by banks and financial institutions to SACE Fct. Other financial liabilities include the amounts due to ceding companies for factoring contracts and the subordinated loan, listed on the Luxembourg Stock Exchange, issued by the Parent SACE and equal to € 500 million. Further details of this item are provided in the annex "Detail of financial liabilities".

12. Accounts payable

TABLE 15 (in € thousands)

| Accounts payable | 31-12-16 | 31-12-15 |
|---|----------------|----------------|
| 5.1 Accounts payable arising out of direct insurance business | 34,369 | 30,690 |
| 5.2 Accounts payable arising out of reinsurance business | 94,446 | 94,831 |
| 5.3 Other accounts payable | 82,631 | 126,899 |
| Total | 211,446 | 252,420 |

Accounts payable arising out of direct insurance business mainly include payables for amounts due to policyholders for deductibles on amounts recovered, equal to € 29,298 thousand. Accounts payable arising out of reinsurance business include € 47,196 thousand referring to transactions under the agreement with the Ministry of the Economy and Finance.

Other accounts payable include the following items:

TABLE 16 (in € thousands)

| Description | 31-12-16 | 31-12-15 |
|------------------------------------|---------------|----------------|
| Amounts due to suppliers | 14,354 | 13,052 |
| Provision for termination benefits | 8,580 | 6,268 |
| Sundry creditors | 59,697 | 107,579 |
| Total | 82,631 | 126,899 |

Sundry creditors consist of payments received from creditors in connection with factoring activities and to be processed (€ 13,341 thousand).

13. Other liabilities

This heading is detailed as follows:

TABLE 17 (in € thousands)

| Other liabilities | 31-12-16 | 31-12-15 |
|---|----------------|----------------|
| 6.1 Liability of a disposal group held for sale | | |
| 6.2 Deferred tax liabilities | 178,588 | 184,576 |
| 6.3 Current tax liabilities | 4,238 | 236,638 |
| 6.4 Other liabilities | 30,491 | 4,836 |
| Total | 213,317 | 426,050 |

Information on the consolidated income statement

14. Net premiums

This heading includes the premiums earned relating to insurance contracts under IFRS 4.2, net of amounts ceded to reinsurers. Gross premiums written amount to € 600,922 thousand. Indications regarding premiums income in 2016 segment by segment are provided in the Directors' Report. Further details can be found in the annex "Detail of insurance technical items".

15. Gains (losses) on financial instruments at fair value through profit or loss

This item comprises realised gains and losses and increases and decreases in the carrying amount of financial assets and liabilities at fair value through profit or loss. Specifically, it reflects the value of financial instruments used to hedge exchange rates (see also Other revenue for the component relating to exchange rate adjustments to portfolio receivables). Further details are provided in the annex "Financial and investment income (expense)".

16. Income from other financial instruments and investment property

This item includes income on investment property and financial instruments not measured at fair value through profit or loss. In particular, it comprises the following:

Interest income

This item includes interest recognised using the effective interest method (IAS 39).

Other income

This item reflects income from rentals on investment property.

17. Other revenue

This item mainly includes exchange rate differences to be recognised in profit or loss as set forth in IAS 21 of € 93,661 thousand (€ 195,750 thousand at 31 December 2015).

18. Net claims incurred

This item includes (gross of payment costs and amounts ceded to reinsurers) the amount of claims paid for € 373,811 thousand (€ 285,410 thousand at 31 December 2015). Information about claims in 2016 by class of business is provided in the Directors' Report. Further details can be found in the annex "Detail of insurance technical items".

19. Expense relating to other financial instruments and investment property

This item reflects charges on investment property and financial instruments not measured at fair value through profit or loss. The detail is as follows:

Interest expense

The item includes interest expense recognised using the effective interest method (relating to outstanding loans).

Other expense

The item includes, amongst others, costs relating to investment property and, specifically, property management charges and maintenance and repair costs not capitalised.

20. Operating expenses

Commissions and other acquisition expenses

The item includes acquisition costs, net of amounts ceded to reinsurers, relating to insurance contracts.

Investment management charges

This item includes general and personnel expenses relating to the management of financial instruments, investment property and equity investments.

Other administrative expenses

This item includes general and personnel expenses not allocated to claims expenses, acquisition costs in respect of insurance contracts or investment management costs.

21. Other expense

This heading includes:

- other net technical charges relating to insurance contracts (€ 15,601 thousand);
- impairment losses and additional provisions accrued during the year (€ 9,561 thousand);
- exchange rate differences recognised in profit or loss, as set forth in IAS 21 (€ 39,570 thousand);
- realised losses, depreciation of property, plant and equipment, not otherwise allocated to other cost items, and amortisation of intangible assets (€ 1,955 thousand).

22. Taxes

Taxes recognised in the consolidated income statement are as follows:

TABLE 18 (in € thousands)

| Income tax - Through profit or loss | 2016 | 2015 |
|--|----------------|----------------|
| Current taxes | | |
| Expense (income) for current taxes | 71,482 | 233,945 |
| Adjustments to prior year current taxes | 3 | -46 |
| Deferred taxes | | |
| Expense (income) due to recognition and elimination of temporary differences | 132,562 | -18,474 |
| Expense (income) due to changes in tax rates or new taxes | -9,437 | -19,397 |
| Expense (income) arising from tax losses | | |
| Expense (income) arising from impairment losses or reversals of impairment losses on deferred tax assets | | |
| Total income tax | 194,610 | 196,028 |

The reconciliation between the tax liability stated in the 2016 consolidated financial statements and the theoretical tax liability, determined according to theoretical tax rates adopted in Italy, is as follows:

TABLE 19 (as a percentage)

Reconciliation between average effective and theoretical tax rates - breakdown

| (as a %) | 2016 | 2015 |
|--|---------------|---------------|
| Ordinary rate applicable | 34.32% | 34.32% |
| Effect of increases/decreases | 5.55% | 4.44% |
| Tax rate on profit before taxes | 28.77% | 38.76% |

Overall, deferred tax assets, net of deferred tax liabilities, can be analysed as follows:

TABLE 20 (in € thousands)

| Deferred tax assets and liabilities | Assets | | Liabilities | | Net | |
|--|---------------|----------------|--------------------|----------------|----------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Related to: | | | | | | |
| Intangible assets | | | | | | |
| Unrealised revaluation | 781 | 596 | | | 781 | 596 |
| Equalisation and catastrophe reserves | | | 54,812 | 45,967 | -54,812 | -45,967 |
| Employee benefits | | | 163 | 99 | -163 | -99 |
| Assets at FV | | | 24,150 | 24,196 | -24,150 | -24,196 |
| Other items | 79,211 | 205,831 | 99,461 | 114,313 | -20,251 | 91,517 |
| Taxable losses | | | | | | |
| Total gross deferred taxes | 79,992 | 206,427 | 178,586 | 184,576 | -98,594 | 21,851 |
| Tax offsetting | | | | | 0 | 0 |
| Total net tax (assets)/liabilities | 79,992 | 206,427 | 178,586 | 184,576 | -98,594 | 21,851 |

Other information

Intra-group transactions and transactions with related parties

As part of its business operations, SACE has never engaged in any transactions with its subsidiaries that are atypical or outside its normal scope of business. All intra-group transactions are settled at arm's length and regarded the following:

- services rendered under specific agreements in that they do not constitute the company's core business;
- costs for rental of offices;
- reinsurance business with the SACE BT subsidiary;
- shareholders' loan agreement and irregular deposits in favour of the SACE Fct subsidiary.

With reference to relations with the parent company Cassa depositi e prestiti, it should be noted that in 2016 insurance guarantees were issued which generated premiums for approximately € 37.2 million (€ 11.9 million in 2015). SACE's financial investment portfolio contains 2 bonds with a total nominal value of € 84 million issued by the parent company Cassa depositi e prestiti and acquired by SACE before the change of the controlling shareholder. Furthermore, on 31 December 2016 there were € 175 million as time deposits and € 2,411 million as demand deposits at the parent company Cassa depositi e prestiti.

On 30 September 2016, following the transfer by the shareholder, SIMEST became a member of the SACE group.

Fees paid to senior managers with strategic responsibility

Fees were paid in 2016 for € 4,138 thousand.

Other information

On 27 September 2016 SACE was formally included in the consolidated tax regime of the parent company Cassa depositi e prestiti for the three-year period 2016-2018.

Independent auditors' fees

In accordance with Italian Legislative Decree No. 39 of 27 January 2010, the fees due for FY 2016 to PricewaterhouseCoopers for auditing the consolidated financial statements are shown in the table below.

TABLE 21 (in € thousands)

| | 2016 |
|-----------------------|-------------|
| SACE audit | 107 |
| Audit of subsidiaries | 301 |
| Total | 408 |

Events after the end of the year

There were no significant events after the closure of the year.

Annexes to the notes

(ISVAP REGULATION NO. 7/2007 AND SUBSEQUENT ADDITIONS)

(in € thousands)

Annex 1.

Detail of property, plant and equipment and intangible assets

| | At cost | Restated or at fair value | Total carrying amount |
|-------------------------------------|---------|------------------------------|--------------------------|
| Investment property | 12,547 | | 12,547 |
| Other property | 70,761 | | 70,761 |
| Other property, plant and equipment | 1,976 | | 1,976 |
| Other intangible assets | 8,349 | | 8,349 |

(in € thousands)

Annex 2.

Detail of Reinsurers' share of technical provisions

| | Direct business | | Indirect business | | Total carrying amount | |
|--|-----------------|----------------|-------------------|--------------|-----------------------|----------------|
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 |
| Non-life provisions | 677,070 | 463,712 | 1,412 | 1,303 | 678,482 | 465,015 |
| Provision for unearned premiums | 572,965 | 353,546 | 978 | 848 | 573,943 | 354,394 |
| Provision for claims outstanding | 62,196 | 63,016 | 434 | 455 | 62,630 | 63,471 |
| Other provisions | 41,909 | 47,149 | - | - | 41,909 | 47,149 |
| Life provisions | - | - | - | - | - | - |
| Provision for sums to be paid | - | - | - | - | - | - |
| Mathematical provisions | - | - | - | - | - | - |
| Technical provisions when the investment risk is borne by the policyholders and provisions relating to pension fund administration | - | - | - | - | - | - |
| Other provisions | - | - | - | - | - | - |
| Total of Reinsurers' share of technical provisions | 677,070 | 463,712 | 1,412 | 1,303 | 678,482 | 465,015 |

| | Financial assets at fair value through profit or loss | | | | | | | | | | | | | |
|---|---|------------------|------------------|------------------|-----------------------|----------------|-------------------------------------|------------------|-----------------------------------|---------------|---|------------------|-----------------------|------------------|
| | Held-to-maturity investments | | | | Loans and receivables | | Available-for-sale financial assets | | Financial assets held for trading | | Other financial assets at fair value through profit or loss | | Total carrying amount | |
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 |
| Annex 3. | | | | | | | | | | | | | | |
| Detail of financial assets | | | | | | | | | | | | | | |
| Equity instruments and derivatives measured at cost | | | | | | | | | | | | | | |
| Equity instruments at fair value - of which listed | | | | | | | | | | | | | | |
| Debt securities | 1,597,529 | 1,591,256 | | | | | | | 5,985 | 35,674 | | | 5,985 | 35,674 |
| - of which listed | 1,597,522 | 1,591,246 | | | | | | | 4,274 | 35,674 | | | 4,274 | 35,674 |
| Units of UCITS | | | | | | | | | 156,652 | 53,747 | | | 1,754,181 | 1,645,003 |
| Loans and receivables with insured banks | | | | | | | 50 | | 156,652 | 53,747 | | | 1,754,174 | 1,644,993 |
| Interbank loans and receivables | | | | | | | | | 641,969 | 575,688 | | | 641,969 | 575,688 |
| Deposits with ceding companies | | | | | | | | | | | | | 7,702 | 50 |
| Financial asset components of insurance policies | | | | | | | | | | | | | 312 | |
| Other loans and receivables | | | | | | | | | | | | | 379 | 564 |
| Non-hedge derivatives | | | | | | | | | | | | | | |
| Hedging derivatives | | | | | | | | | | | | | | |
| Other financial investments | | | | | | | | | | | | | | |
| Total | 1,597,529 | 1,591,256 | 3,678,557 | 5,125,705 | 875,528 | 708,998 | 3,670,164 | 5,125,091 | 70,922 | 43,889 | 3,670,164 | 5,125,091 | 6,151,615 | 7,425,959 |

(in € thousands)

| Annex 4. Detail of technical provisions | Direct business | | Indirect business | | Total carrying amount | |
|--|------------------|------------------|-------------------|---------------|-----------------------|------------------|
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 |
| Non-life provisions | 2,877,087 | 2,786,882 | 102,207 | 97,863 | 2,979,294 | 2,884,745 |
| Provision for unearned premiums | 2,266,890 | 2,085,251 | 96,928 | 89,288 | 2,363,818 | 2,174,539 |
| Provision for claims outstanding | 609,211 | 700,713 | 5,279 | 8,488 | 614,490 | 709,201 |
| Other provisions | 986 | 918 | | 87 | 986 | 1,005 |
| <i>of which provisions made following liability adequacy tests</i> | | | | | | |
| Life provisions | | | | | | |
| Provision for sums to be paid | | | | | | |
| Mathematical provisions | | | | | | |
| Technical provisions when the investment risk is borne by the policyholders and provisions relating to pension fund administration | | | | | | |
| Other provisions | | | | | | |
| <i>of which provisions made following liability adequacy tests</i> | | | | | | |
| <i>of which deferred liabilities to policy holders</i> | | | | | | |
| Total technical provisions | 2,877,087 | 2,786,882 | 102,207 | 97,863 | 2,979,294 | 2,884,745 |

(in € thousands)

| Annex 5. Detail of financial liabilities | Financial liabilities at fair value through profit or loss | | | | | | | |
|--|--|---------------|---|----------|-----------------------------|------------------|-----------------------|------------------|
| | Financial liabilities held for trading | | Financial liabilities designated at fair value through profit or loss | | Other financial liabilities | | Total carrying amount | |
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 |
| Participating financial instruments | | | | | | | | |
| Subordinated liabilities | | | | | 14,294 | 14,500 | 14,294 | 14,500 |
| Liabilities from financial contracts arising from: | | | | | | | | |
| - policies where the investment risk is borne by policyholders | | | | | | | | |
| - pension fund administration | | | | | | | | |
| - other policies | | | | | | | | |
| Deposits received from reinsurers | | | | | 16,095 | 15,873 | 16,095 | 15,873 |
| Financial liability components of insurance policies | | | | | | | | |
| Debt securities issued | | | | | 517,205 | 517,199 | 517,205 | 517,199 |
| Due to banks | | | | | 641,149 | 410,626 | 641,149 | 410,626 |
| Interbank liabilities | | | | | | | | |
| Other loans obtained | | | | | 672,890 | 521,067 | 672,890 | 521,067 |
| Non-hedge derivatives and forward contracts | 57,702 | 31,249 | | | | | 57,702 | 31,249 |
| Hedging derivatives | | | | | | | | |
| Other financial liabilities | | | | | 17,788 | 17,793 | 17,788 | 17,793 |
| Total | 57,702 | 31,249 | | | 1,879,421 | 1,497,058 | 1,937,123 | 1,528,307 |

(in € thousands)

| Annex 6. Detail of technical insurance items | 2016 | | | 2015 | | |
|---|---------------------|--------------------------|-------------------|---------------------|--------------------------|-------------------|
| | Gross amount | Reinsurers' share | Net amount | Gross amount | Reinsurers' share | Net amount |
| Net premiums | 411,641 | -6,744 | 404,897 | 96,534 | 23,415 | 119,949 |
| a Premiums written | 600,922 | -179,073 | 421,849 | 559,832 | -104,370 | 455,462 |
| b Change in the provision for unearned premiums | -189,280 | 172,329 | -16,951 | -463,298 | 127,785 | -335,513 |
| Net claims incurred | 290,153 | -27,286 | 262,865 | 225,213 | -10,545 | 214,667 |
| a Claims paid | 405,659 | -31,848 | 373,811 | 300,394 | -14,984 | 285,410 |
| b Change in the provision for claims outstanding | -94,712 | 842 | -93,870 | 44,898 | 795 | 45,693 |
| c Change in recoveries | -26,000 | 3,705 | -22,295 | -125,392 | 3,573 | -121,819 |
| d Change in other technical provisions | 5,206 | 15 | 5,221 | 5,314 | 71 | 5,385 |

Life business

Net premiums**Net claims incurred**

- | | |
|---|--|
| a | Claims paid |
| b | Change in the provision for claims outstanding |
| c | Change in mathematical provisions |
| d | Change in technical provisions where the investment risk is borne by the policyholders and relating to pension fund administration |
| e | Change in other technical provisions |

*(in € thousands)***Annex 7.
Financial and
investment income
and expense**

| | Interest | Other income | Other expense | Realised gains | Realised losses | Total realised income and expense | Unrealised gains | | Unrealised losses | | Total unrealised income and expense | Total income and expense | |
|--|-----------------|--------------|---------------|------------------|------------------|-----------------------------------|------------------|-------------------------------|-------------------|-------------------|-------------------------------------|--------------------------|----------|
| | | | | | | | Fair value gains | Reversal of impairment losses | Fair value losses | Impairment losses | | 31-12-16 | 31-12-15 |
| Investment income (expense) | 345,517 | 912 | (685) | 1,048,890 | (767,012) | 627,621 | 74,548 | (3,236) | (112,786) | (41,474) | 586,147 | 594,483 | |
| a On investment property | | 867 | (680) | | | 187 | | (117) | | (117) | 70 | (1,140) | |
| b Related to equity investments in subsidiaries, associates and joint ventures | 6,541 | | | 1,613 | | 8,154 | 1,421 | | (2,883) | (1,462) | 6,692 | 178 | |
| c On held-to-maturity investments | 60,636 | | | | | 60,636 | | | | | 60,636 | 50,818 | |
| d On loans and receivables | 273,132 | | | | | 273,132 | 666 | | (5,482) | (4,816) | 268,316 | 99,033 | |
| e On available-for-sale financial assets | | | | | | | | | | | | | |
| f On held-for-trading financial assets | 5,208 | 45 | (5) | 1,047,277 | (767,012) | 285,511 | 72,251 | (3,119) | (104,421) | (35,289) | 250,223 | 445,593 | |
| g On financial assets at fair value through profit or loss | | | | | | | 210 | | | 210 | 210 | | |
| Other receivables - income (expense) | 5,951 | | | | | 5,951 | | | | | 5,951 | 3,935 | |
| Cash and cash equivalents - income (expense) | 5,685 | | | | | 5,685 | | | | | 5,685 | 7,917 | |
| Financial liabilities - income (expense) | (5,702) | | | | (207) | (5,909) | | | | | (5,909) | (4,245) | |
| a On held-for-trading financial liabilities | | | | | | | | | | | | | |
| b Financial liabilities at fair value through profit or loss | | | | | | | | | | | | | |
| c On other financial liabilities | (5,702) | | | | (207) | (5,909) | | | | | (5,909) | (4,245) | |
| Indebtedness | (19,460) | | | | | (19,460) | | | | | (19,460) | (17,494) | |
| Total | 331,991 | 912 | (685) | 1,048,890 | (767,219) | 613,887 | 82,850 | (3,236) | (112,786) | (41,474) | 572,413 | 584,595 | |

(in € thousands)

| | Non-life business | | Life business | |
|---|-------------------|---------------|---------------|----------|
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 |
| Annex 8. | | | | |
| Detail of insurance business costs | | | | |
| Gross commissions and other acquisition expense | 47,089 | 45,629 | | |
| a Acquisition commissions | 13,155 | 12,777 | | |
| b Other acquisition costs | 30,808 | 30,799 | | |
| c Change in deferred acquisition costs | 0 | 0 | | |
| d Collecting commissions | 3,126 | 2,053 | | |
| Reinsurance commissions and profit-sharing | -31,304 | -22,887 | | |
| Investment management charges | 3,800 | 5,430 | | |
| Other administrative expenses | 50,408 | 50,825 | | |
| Total | 69,993 | 78,998 | | |

(in € thousands)

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|--|----------------|----------------|---------------|---------------|--------------|----------|----------------|----------------|
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 |
| Annex 9. | | | | | | | | |
| Assets and liabilities measured at fair value on a recurring and non-recurring basis: breakdown by fair value level | | | | | | | | |
| Total liabilities measured at fair value on a recurring basis | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | |
| Financial assets held for trading at fair value | 791,797 | 658,501 | 82,020 | 50,497 | | | 873,817 | 708,998 |
| Other financial assets at fair value through profit or loss | | | | | 1,711 | | 1,711 | |
| Investment property | | | | | | | | |
| Property, plant and equipment | | | | | | | | |
| Intangible assets | | | | | | | | |
| Total assets measured at fair value on a recurring basis | 791,797 | 658,501 | 82,020 | 50,497 | 1,711 | | 875,528 | 708,998 |
| Financial liabilities held for trading | | | 57,613 | 31,249 | | | 57,613 | 31,249 |
| Financial liabilities designated at fair value through profit or loss | | | | | 89 | | 89 | |
| Total liabilities measured at fair value on a recurring basis | | | 57,613 | 31,249 | 89 | | 57,702 | 31,249 |
| Assets and liabilities measured at fair value on a recurring basis | | | | | | | | |
| Non-current assets or of a disposal group available-for-sale | | | | | | | | |
| Liabilities of a disposal group held for sale | | | | | | | | |

(in € thousands)

| Annex 10. Assets and liabilities not measured at fair value: breakdown by fair value level | Carrying amount | | Fair value | | | | | | | |
|--|------------------|------------------|------------------|------------------|---------------|---------------|------------------|------------------|------------------|------------------|
| | Level 1 | | Level 2 | | Level 3 | | Total | | | |
| | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | 31-12-16 | 31-12-15 | | |
| Assets | | | | | | | | | | |
| Held-to-maturity investments | 1,597,530 | 1,591,256 | 1,769,332 | 1,790,530 | | | 7 | 10 | 1,769,339 | 1,790,540 |
| Loans and receivables | 3,678,557 | 5,125,705 | | | | | 3,678,557 | 5,125,705 | 3,678,557 | 5,125,705 |
| Equity investments in subsidiaries, associates and joint ventures | 7,954 | 7,954 | 7,954 | 7,954 | 7,954 | | | | 7,954 | 7,954 |
| Investment property | 12,547 | 12,602 | | | 12,547 | 12,602 | | | 12,547 | 12,602 |
| Property, plant and equipment | 72,737 | 73,260 | | | 72,737 | 73,260 | | | 72,737 | 73,260 |
| Total assets | 5,369,325 | 6,810,777 | 1,769,332 | 1,790,530 | 93,238 | 93,816 | 3,678,564 | 5,125,715 | 5,541,134 | 7,010,061 |
| Liabilities | | | | | | | | | | |
| Other financial liabilities | 1,879,421 | 1,497,058 | 496,283 | 503,369 | | | 1,347,922 | 965,325 | 1,844,205 | 1,468,694 |

I, the undersigned, declare that these financial statements comply with the truth and accounting records.

The legal representatives of the company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

Space reserved for the stamp of the registry office
to be applied at the time of filing the accounts.

(*) For foreign companies, the document must be signed by the general representative for Italy.

(**) Indicate the position of the person who signs.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
pursuant to article 13, para. 10.8 of the corporate bylaws of SACE S.p.A.

We the undersigned, Alessandro Maria Decio, in my capacity as CEO and Michele De Capitani, in my capacity as executive officer responsible for preparing the corporate accounts of Sace S.p.A., hereby certify:

- the adequacy in relation to the characteristics of the company and
 - the effective application
- of the administrative and accounting procedures used to prepare the consolidated financial statements for the year ended at 31 December 2016.

The adequacy of the administrative and accounting procedures used to prepare the consolidated financial statements for the year ended at 31 December 2016 was assessed on the basis of a process defined by SACE in accordance with generally recognised international standards.

We hereby also certify that:

- the consolidated financial statements at 31 December 2016:
 - correspond to the results of company records and accounting entries;
 - were drawn up according to the International Financial Reporting Standards adopted by the European Union pursuant to Regulation (EC) 1606/2002, the provisions of Legislative Decree 38/2005, the Italian Civil Code, Legislative Decree 209 of 7 September 2005 and the applicable ISVAP regulations and circulars and that to the best of our knowledge they give a true and fair view of the state of affairs, the financial standing and the operating result of the company and the group of companies included in the scope of consolidation.
- the report on operations includes a fair review of the operating performance and result and the situation of the company and all the consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 21 March 2017

CEO
Alessandro Maria Decio

Executive Officer
Michele De Capitani

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors

SACE - Consolidated Financial Statements at 31 December 2016 -

Dear Shareholder,

As stated in the Notes, the scope of consolidation of SACE includes:

- SACE, which directs and coordinates its subsidiaries;
- SIMEST, with a 76.005% interest;
- SACE Fct, wholly owned;
- SACE BT, wholly owned;
- SACE SRV, wholly owned through SACE BT;
- SACE do Brasil Representações Ltda, with a 99.95% direct stake and a 0.05% indirect stake through SACE SRV;

SACE does not hold any treasury shares or shares of the parent company, Cassa depositi e prestiti.

The consolidated financial statements of SACE for the year ended at 31 December 2016 have been prepared, pursuant to Legislative Decree No. 38 of 28 February 2005, in accordance with IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in the technical formats required under IVASS Regulation No. 7/2007.

The valuation criteria and consolidation principles adopted are explained in the Notes.

Together with the consolidated financial statements, the Board of Directors of SACE provided us with the reporting package as of 31 December 2016, drawn up for the purpose of preparing the consolidated financial statements of the parent company, Cassa depositi e prestiti on the basis of the instructions issued by Banca d'Italia and by the Shareholder.

The consolidated financial statements were also audited by the auditing firm, PricewaterhouseCoopers. We therefore performed no direct controls on these financial statements, as this was the responsibility of each single auditing body. We can state that the reports issued by the latter concerning the part for which they are responsible, do not reveal any anomalous situations, findings, criticisms or reservations.

We can also state that, within the framework of the duties assigned to us by law, we verified the following:

- compliance with valuation criteria, consolidation principles and other legal requirements, especially those concerning the formation of the scope of consolidation, the date of reference of data and rules of consolidation;
- the adequacy of the detailed information contained in the Report on operations and in the Notes and consistency with the information provided in the consolidated financial statements.

We acknowledge that, in their report, PricewaterhouseCoopers have confirmed that the consolidated financial statements at 31 December 2016 give a true and fair view of the assets and financial position of the SACE Group and of its operating result and cash flows for the year ended as at that date, in accordance with the aforesaid laws governing consolidated financial statements.

For all our other findings and comments on the consolidated financial statements for the year ended at 31 December 2016, reference should be made to the Report on the financial statements of SACE, which underlines the key aspects of the financial statements of the company, whose operations continued to have significant repercussions on the consolidated financial statements throughout 2016.

In our opinion and based on that stated above, the consolidated financial statements of the SACE Group for the year ended at 31 December 2016 – recording a net profit of € 481,895 thousand, including Group interest in the profit for the year of € 481,128 thousand, total assets for € 10,693,411 thousand, total liabilities for € 5,431,126 thousand and consolidated shareholders' equity for € 5,262,285 thousand, including Group interest in shareholders' equity for € 5,184,625 thousand – which are the result of financial statements that generated no exceptions, recommendations, criticisms or reservations, give a true and fair view of the assets and financial position of the SACE Group as at 31 December 2016 and of its operating result and cash flows for the year ended as at that date, in accordance with the aforesaid laws governing consolidated financial statements.

Rome, 11 April 2017

The Board of Statutory Auditors
 prof. Franco Tutino (Chairman)
 Ms. Roberta Battistin (Standing Auditor)
 Prof. Giuliano Segre (Standing Auditor)



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholder of
SACE SpA

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

We have audited the accompanying consolidated financial statements of the SACE Group, which comprise the statement of financial position as of 31 December 2016, the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of SACE SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gimma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Picciapetra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Foscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the SACE Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON COMPLIANCE WITH OTHER LAWS AND REGULATIONS

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the Directors' Report, which is the responsibility of the directors of SACE SpA, with the consolidated financial statements of the SACE Group as of 31 December 2016. In our opinion, the Directors' Report is consistent with the consolidated financial statements of the SACE Group as of 31 December 2016.

Rome, 10 April 2017

PricewaterhouseCoopers SpA

Signed by

Alberto Buscaglia
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.