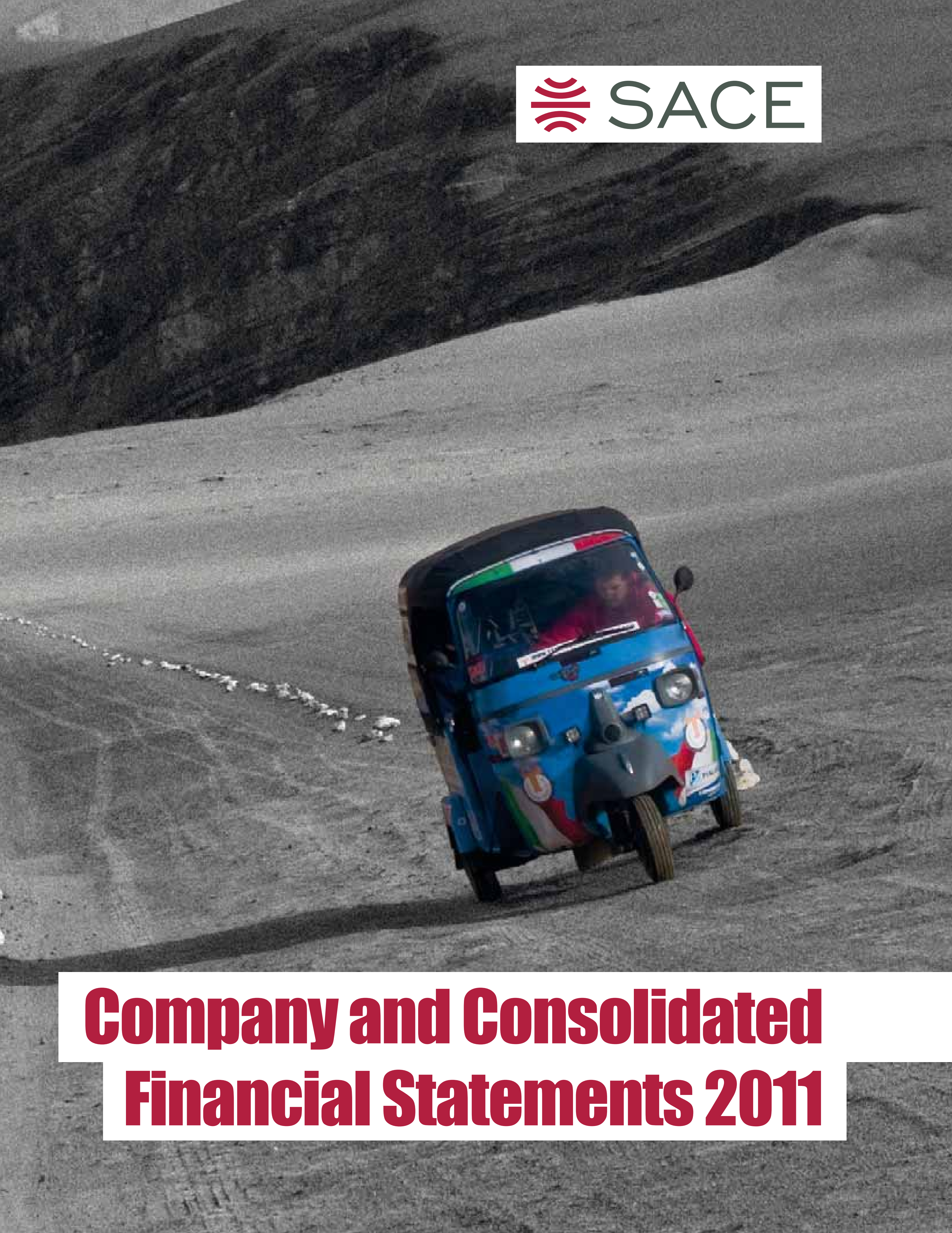
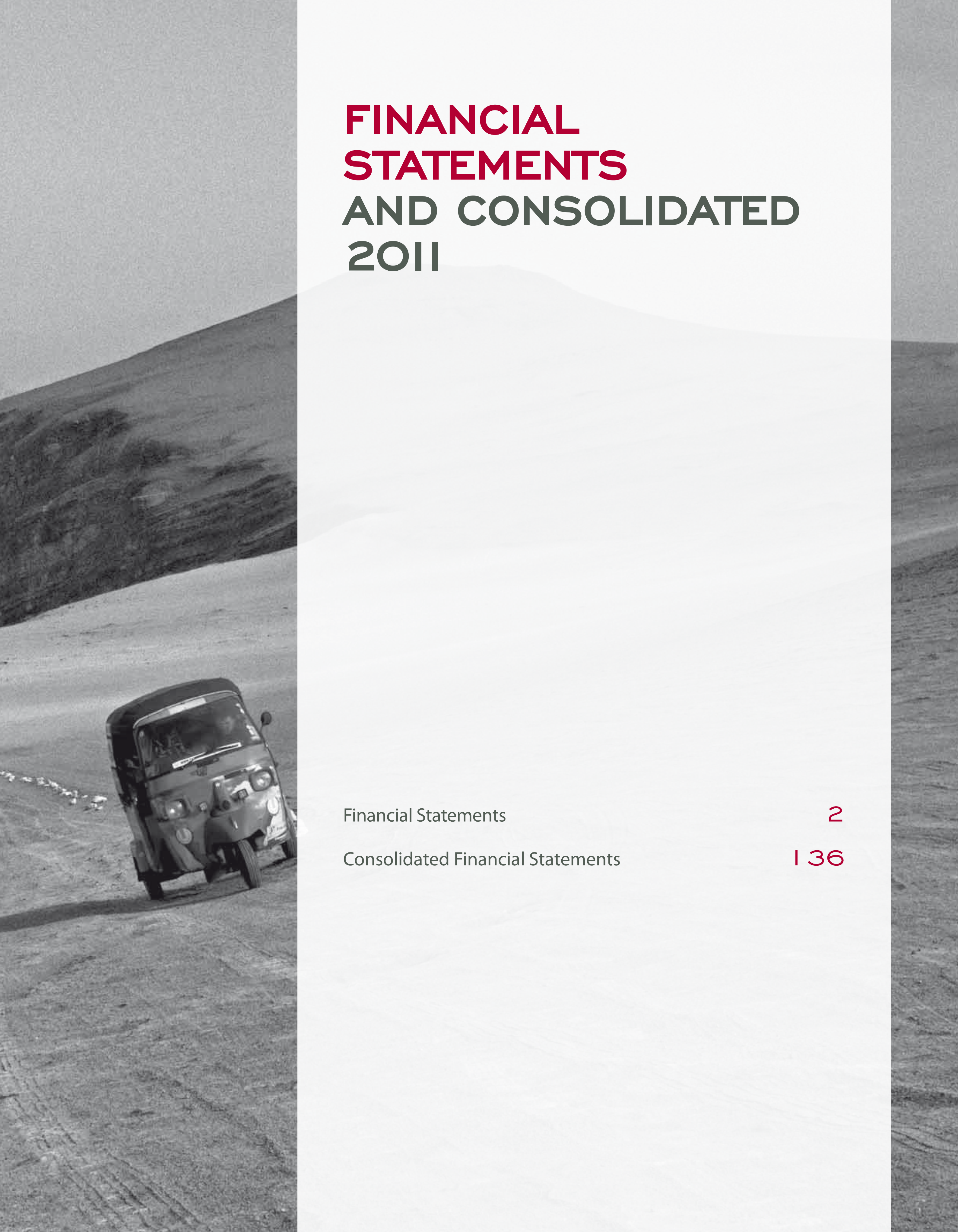
SACE



Company and Consolidated Financial Statements 2011



FINANCIAL STATEMENTS AND CONSOLIDATED 2011

FINANCIAL STATEMENTS AT 31 DECEMBER 2011

SACE S.p.A.

SACE S.p.A.

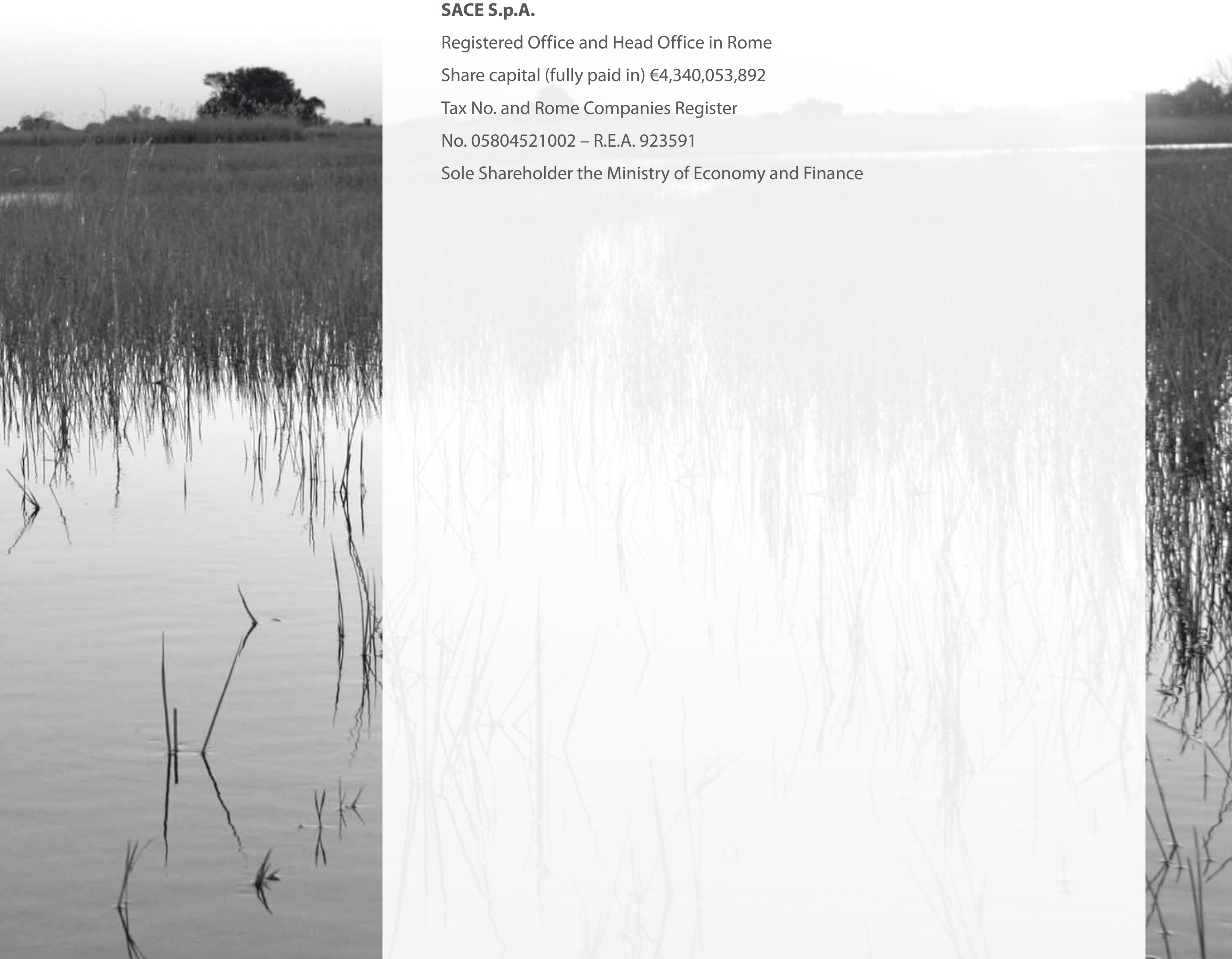
Registered Office and Head Office in Rome

Share capital (fully paid in) €4,340,053,892

Tax No. and Rome Companies Register

No. 05804521002 – R.E.A. 923591

Sole Shareholder the Ministry of Economy and Finance



Company officers and boards

BOARD OF DIRECTORS

Chairman

Giovanni CASTELLANETA

CEO (*)

Alessandro CASTELLANO

Directors

Ludovico Maria GILBERTI
Carlo MONTICELLI
Gianmaria SPARMA

BOARD OF STATUTORY AUDITORS

Chairman

Marcello COSCONATI

Standing Auditors — Guido MARCHESE
Leonardo QUAGLIATA

Alternate Auditors — Carlo PONTESILLI
Alessandra D'ONOFRIO

Standing delegate of the Court of Auditors

Antonio FRITTELLA

External Auditors (**)

PRICEWATERHOUSECOOPERS S.p.A.

Company boards appointed by the shareholders' meeting of 24 June 2010 and in office for three years
(*) Appointed CEO by resolution of the board of directors on 6 July 2010
(**) Appointed for the three-year period 2010 - 2012 by the shareholder's meeting of 15 June 2010

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DIRECTORS' REPORT

DIRECTORS' REPORT

1. THE ECONOMIC SCENARIO

1.1. THE ADVANCED ECONOMIES AND THE EUROPEAN DEBT CRISIS

The growth rate of world GDP slowed in 2011, in terms of purchasing power parity, to 3.8%. Economic growth proceeded at two different speeds. The first half of the year was a period of recovery, albeit with the economy showing some signs of cyclical weakness. The crisis that started in 2008 worsened again in the summer, causing the situation to deteriorate further. The markets of emerging economies continued to outperform those in developed countries and the difference in growth rates between the two groups increased (from 4 percentage points in 2010 to 4.6 in 2011). In early 2011 several factors indicated that the economies of the industrialised countries were heading for a downturn. High unemployment rates and significant fiscal imbalances in the euro area, the explosion of the sovereign debt crisis and drastic fiscal adjustments imposed by the worst hit countries all contributed to the slowdown. In the United States, GDP grew at below its potential rate, although there were signs of recovery in domestic demand in the second half of the year. The Japanese economy entered recession as a consequence of the earthquake and subsequent *tsunami*.

Waning market confidence, initially confined to more peripheral European countries such as Greece, Portugal and Ireland, subsequently spread to more core economies. Even countries considered more fiscally sound were exposed to a real risk of contagion, fuelling concerns about the sustainability of sovereign debts in the whole of the euro area. Following the downgrading by Standard & Poor's of the United States' credit rating, these countries witnessed repeated rounds of credit rating downgradings. Spreads on sovereign debt of several European countries, including Italy and Spain, shot up. In November the yield differential between ten-year Italian BTPs and German bunds peaked at almost 570 basis points. The increased risk perception generated a preference for safe havens such as German bunds. A number of fiscal adjustments were implemented in an effort to ease tensions on the financial markets; the Italian government approved a package of corrective measures aimed at cutting the budget deficit by 3 percentage points of GDP in 2012 and by around 4.6 points in 2013-2014. The ECB expanded its liquidity operations and implemented the Securities Markets Programme, established in May 2010, to support bonds issued by countries under the greatest pressure. In the United States, the Federal Reserve's non-conventional expansionary monetary policy involving the purchase of USA securities for USD 600 billion, ended in June.

1.2. THE EMERGING MARKETS AND COUNTRY RISK

The emerging countries enjoyed relatively brisk growth in 2011. Total output increased at a rate of 5.4%, driven in particular by the economies of Asia and Latin America. However, in the second half of the year even the strongest of the emerging markets, such as the BRIC countries, began to feel the effects of global economic imbalances. Rising exchange rates caused by large capital inflows, the drop in exports to mature markets and the adoption of restrictive monetary policies aimed at averting the risk of the economies overheating led to a general slowdown in growth rates. On financial markets, stock and bond prices also fell towards the end of the year. A notable increase in flight of capital, which started in the summer, coincided with the financial market tensions that affected banks in the euro area. As a consequence, the emerging economies experienced increasing instability of their currencies, especially the Indian rupee and Brazilian real, and a growing bank liquidity risk.

The perception of country risk, which had already risen in 2010, remained high throughout 2011. Investors started to consider exposure to sovereign risk as a fundamental factor, even in countries of Western Europe, where the sovereign debt crisis affected key players such as Spain, Italy and France. Risks linked to political and institutional revolts continue to be the focus of attention in North Africa, especially Egypt and Libya. Iran is facing growing international pressure over its nuclear development programme. The situation in Syria has deteriorated and the country now hovers on the brink of outright civil war, the outcome of which is extremely uncertain.

Given the turmoil in financial markets, investors are having to pay particular attention to the analysis of each country's macroeconomic fundamentals. Countries with sizeable imbalances in their public finances, a current account deficit and low currency reserves need to be approached with caution, as they would be more vulnerable should the crisis in the euro area deepen.

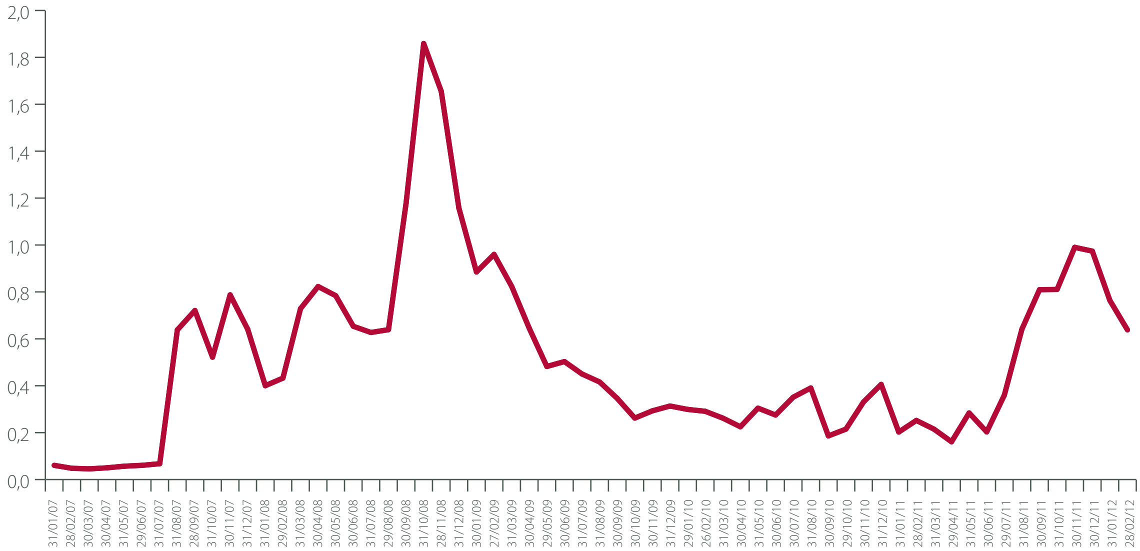
1.3. World trade, Italian exports and export credit

International trade, which made a significant contribution to economic recovery in 2010, was affected by the "two-speed" pace of growth in 2011. In the second half of the year the growth in world trade volumes fell by almost half compared to the first six months. Overall in 2011, international trade increased by 5.6%, six percentage points less than in 2010. The value of Italian exports, only marginally affected by the slowdown, increased by 11.4%. Sales to the emerging countries recorded the briskest growth. Exports to Latin America grew at the fastest rate, especially those to Brazil and Mexico, which increased by around 25%. Exports to Asia also increased, though slowing slightly compared with 2010. Exports to East European and CIS countries grew at a faster rate than expected. The only markets where exports contracted were in North Africa, reflecting the economic impact of the uprisings in the region.

Exports of capital goods – the main drivers of demand for export credit insurance - grew at a rate of 10.7%. This contributed to good performance in the most traditional area of business of SACE S.p.A., which was, however, undermined by turmoil in the interbank market and heightened investors' risk aversion towards Italian government debt. The liquidity premium, calculated as the difference between the 3-month Euribor and the overnight indexed swap, started to rise again. Banks began to tighten loans to Italian exporters as they experienced a shortage of liquid funds; in some cases borrowing costs soared. The drop in the price of Italian bonds not only affected demand for SACE's insurance products but also had negative repercussions on the company's financial management.

Renewed liquidity tensions

(EURIBOR-OIS spread, % points)



Source: Bloomberg.

1.4. ITALY: GROWTH, INDUSTRY AND INSOLVENCIES

The Italian economy grew at an overall rate of 0.5% in 2011. After recovering slightly at the beginning of the year, growth stalled and then contracted in the second two quarters, entering a new technical recession. Although foreign trade made a positive contribution, the deterioration of cyclical conditions and the financial turmoil that erupted in the summer led to a decline in consumption and in public and private investment. As in other eurozone countries, the first sector to enter recession was industry. Stable production volumes were only maintained thanks to positive growth in the first part of the year. Textiles and apparel, with the exception of top-of-the-range fashion products, chemicals, household appliances, computers and electronics were the worst hit sectors. Mechanical engineering and the metals sectors, which are more export-oriented, performed better. The number of insolvencies in the manufacturing industry fell. However, having risen in recent years, their number remained high. The number of insolvencies in the services and construction industry rose; overall, there was a 7.4% increase in the number of insolvencies and more than 12,000 firms went out of business. Bank credit increased in the first part of the year before falling back in the light of tensions in sovereign debt markets and the effect of these on the banking system. Towards the end of the year there was a decline in loans to non-financial companies, also as a consequence of stricter lending criteria imposed by banks. In this context, our internationalisation guarantees confirm our support of Italian companies, especially SMEs.

1.5. THE OUTLOOK FOR 2012

The outlook for the world economy is for a further slowdown in growth. While this trend will be more evident in advanced markets, it will also affect the emerging economies. The European debt crisis, which eased slightly between the end of 2011 and early 2012, remains the main downside risk. The Italian economy is expected to remain in recession throughout the year, with a further rise in unemployment. The recession should, however, be far less severe than that of 2009. The benefits of a reduction in interest payments on the sovereign debt – with the gradual restoration of investor confidence – could exceed expectations.

2. STRATEGY

The already difficult macroeconomic climate of the last two years deteriorated further in the second half of 2011. As market perception of Italy's solvency deteriorated and banks faced a shortage of liquid funds, SACE's customers experienced a significant hike in borrowing costs which had a negative impact on their foreign investments and export credit operations. Nonetheless, during the year SACE confirmed its role of working alongside companies looking to expand their business abroad with a series of initiatives in response to particularly tight lending constraints, which look set to persist in Italy. While working to consolidate its business volumes, the company also continued to pursue the goal of broadening its customer base by implementing various lines of action. The strategy consisted of strengthening the company's presence in Italy, with new offices that are already operational or opening soon in Verona, Pesaro and Florence, and entering into specific agreements with international brokers. It also launched specific projects to upgrade the on-line channel and signed partnership agreements with trade associations and other institutional bodies with a view to reaching as many corporate clients as possible. SACE extended its buyer credit facility under the Export Banca scheme by strengthening its partnership with Cassa Depositi e Prestiti. This is a core product for funding major projects that envisage extended terms of payment and are particularly exposed to the difficulties that continue to plague financial markets. In expanding its supplier credit and financial guarantee products, SACE has worked to foster closer partnerships with the banking system and with the European Investment Bank to define framework agreements, especially addressing SMEs. In November 2011 SACE renewed its three-year industrial plan and confirmed its increasing focus on customer centricity and on expanding and integrating the group's product offering.

3. REPORT ON OPERATIONS

3.1. SHARE STRUCTURE AND SHARE CAPITAL

All shares in SACE are allocated by law to the Ministry of Economy and Finance. At year-end, the share capital amounted to €4,340,053,892 and consisted of 1,000,000 shares with a par value of €4,340.05.

3.2. 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 € million)	2011	2010	Change
Gross premiums	336.1	442.0	-24%
Claims	55.1	107.3	-49%
Technical provisions	2,477.4	2,447.7	1%
Investments (including other assets)	7,517.4	7,796.5	-4%
Shareholders' equity	5,713.2	5,830.9	-2%
Gross profit	275.6	543.9	-49%
Net profit	184.0	366.7	-50%
Guarantees approved	10,445.2	10,444.2	-

PROFIT & LOSS ACCOUNT

(in € million)	2011	2010
Gross premiums	336.1	442
Outward reinsurance premiums	-0.7	-2.4
Change in the provision for unearned premiums	30.4	68.9
Net premium income	365.9	508.5
Claims incurred	-55.1	-107.3
Change in recoveries	190.4	165.9
Change in the provision for claims outstanding	-21.6	1
Claims incurred, net of recoveries	113.6	59.7
Change in the equalisation reserve	-40.3	-52.8
Investment return transferred from the non-technical account	0.0	13.4
Premium refunds and profit sharing	-1.8	-18
Operating expenses	-56.4	-57.5
Other technical income and charges	6.6	2.7
Balance on the technical account	**387.6**	**456.1**
Financial and other income	1062.8	986.1
Investment management and financial charges	-1177.8	-885.5
Investment return transferred to the technical account	0.0	-13.4
Income from ordinary operations	**-115.1**	**87.3**
Extraordinary income	4.6	2.6
Extraordinary charges	-1.6	-2
Balance on the non-technical account	**-112.0**	**87.8**
Profit before taxes	**275.6**	**543.9**
Tax	-91.7	-177.2
Net profit	**184.0**	**366.7**

In 2011, SACE posted a net profit of €184 million, 50% lower than the €366.7 million reported in 2010.

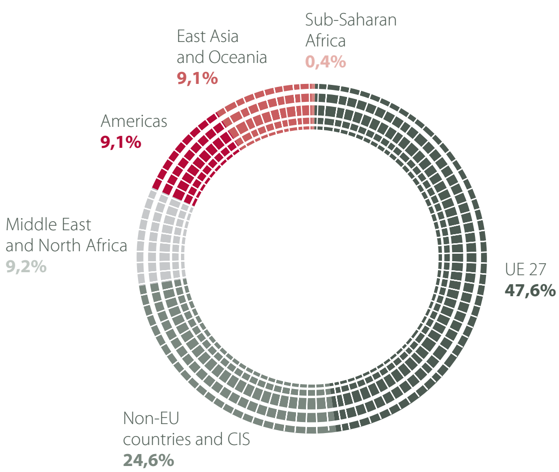
The main components of the result are discussed below:

- gross premiums, for a total of €336.1 million, decreased by 24% over the previous year;
- the change in the provision for unearned premiums was positive and amounted to €30.4 million;
- there was a 49% y/y reduction in claims incurred which amounted to €55.1 million;
- management of subrogation credits generated capital gains (change in recoveries) of €190.4 million, up on the previous year's result (€165.9 million);
- operating expenses (€56.4 million) were in line with the figure for the previous year;
- the non-technical account (net of extraordinary items), showed a negative balance of €115.4 million, reflecting losses on bonds in the securities portfolio following the worsening of the European debt crisis.

3.3. VOLUMES

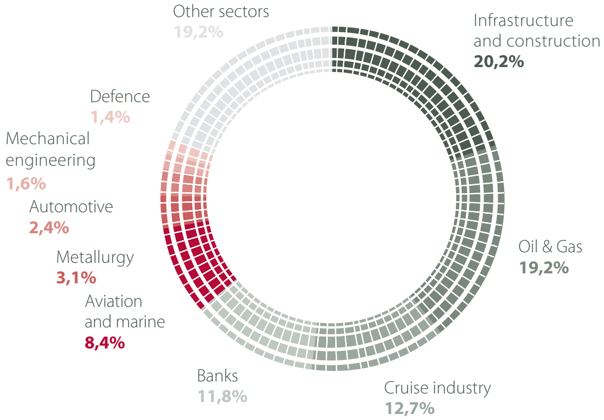
The value of guarantees approved in 2011 (in terms of principal and interest) amounted to €10,445.2 million. New commitments were mainly directed towards the EU (47.6%), non-EU and CIS countries (24.6%) and the Middle East and North Africa (9.2%).

Commitments approved in 2011 by geo-economic area



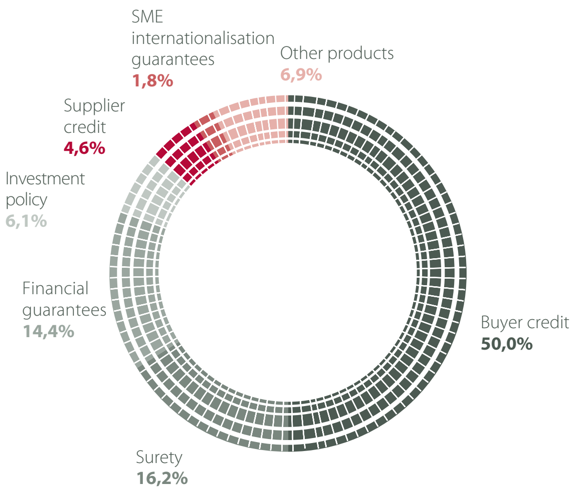
The main industrial sectors involved were infrastructure and construction (20.2%), oil and gas (19.2%) and the cruise industry (12.7%).

Commitments approved in 2011 by sector



The commitments approved were generated mainly by the buyer credit policy (50.0%), surety bonds (16.2%) and financial guarantees (14.4%).

Commitments approved in 2011 by product



3.4. Changes in the insurance portfolio: Internationalisation Guarantees

In 2011 SACE issued 290 new guarantees for a total lending volume of €289 million and an exposure of €180.9 million. In detail, around 76% of the guarantees were issued to SMEs and the remainder to businesses with a turnover of between €50 and €250 million. The average unitary turnover of guaranteed enterprises was €31 million of which around 51% deriving from exports. Of the 290 loans guaranteed by SACE in 2011, as at 31 December 2011 253 had been granted for a total amount of €258 million.

Internationalisation Guarantees: FY 2011

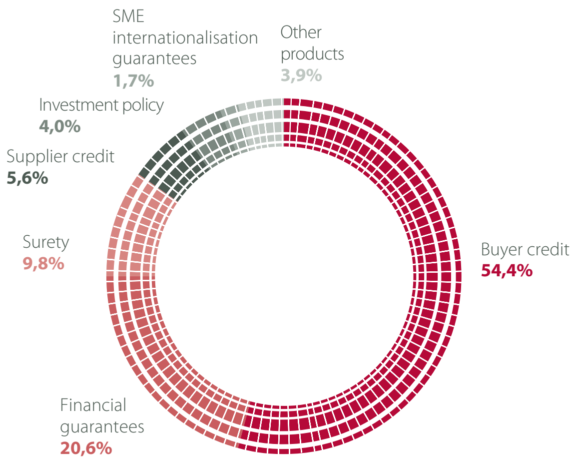
	Total portfolio	SME portfolio
Number of guarantees issued	290	221
Average turnover	€31 million	€16 million
Average % of export turnover	51%	53%
Loans approved	€289 million	€154 million
Loans granted	€258 million	€139 million
Exposure approved (K + I)	€181 million	€93 million

The portfolio accumulated in 2011 was mainly concentrated in the regions of central and northern Italy: 30% of guarantees were issued to companies based in Emilia Romagna, 27% to companies based in Veneto, 12% to companies in Lombardy and 8% to those in Piedmont. The main industrial sectors involved were mechanical engineering (22%), trade (18%) and metallurgy (13%). They were mainly used to purchase, upgrade or renew plant and machinery (25%), for investments abroad (19%) and to cover research and development activities (7%). Claims paid in 2011 amounted to €11 million, falling with respect to the previous year (€20 million). In 2011, 35 companies benefitted from the suspension of payments on capital pursuant to the ABI joint announcement of 3 August 2009, for a total of €7.4 million. Although internationalisation guarantees continued to be exposed to the effects of the global crisis, albeit to a lesser extent than in 2010, they sustained investment projects of export-oriented SMEs at a time when there was a shortage of financial resources. As at 31 December 2011 SACE's exposure in relation to the portfolios accumulated between 2005 and 2011 amounted to €519 million (+4.6% compared with 2010).

3.5. PREMIUMS

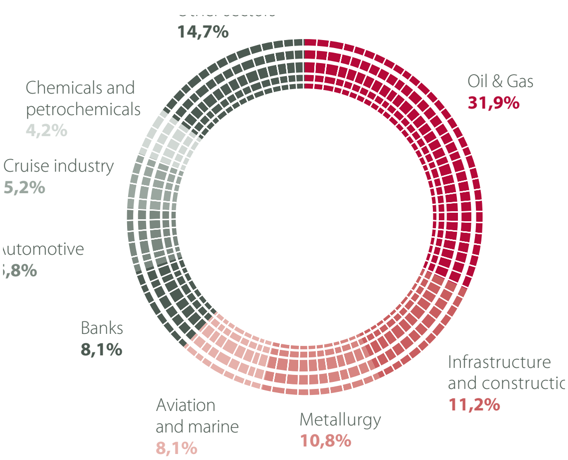
In 2011, gross premiums amounted to €336.1 million and were generated for €327.7 million by direct business and for €8.4 million by indirect business (reinsurance provided). Compared with 2010 there was a decrease of 24% in this item. The products that contributed most to premiums were the buyer credit policy (54.4%), financial guarantees (20.6%) and surety bonds (9.8%).

Gross premiums by product



The industrial sectors that accounted for most of the new business premiums were oil and gas (31.9%), infrastructure and construction (11.2%), and metallurgy (10.8%).

Gross premiums by industrial sector



3.6. Claims

Claims paid during 2011 (€54.9 million) were lower than in the previous year (€107.3 million). The general trend in default rates affected all sectors of SACE's business. In terms of commercial claims, the steelworking, mechanical and electrical engineering sectors were those worst hit.

3.7. Recoveries

Sovereign credit recoveries amounted to around €84.2 million, with Iraq and Egypt accounting for 60%. SACE also signed new debt restructuring agreements with Ajman UAE and Cuba, the latter regarding short-term receivables only. As regards trade recoveries, the total amount collected due to SACE in 2011 amounted to some €8.4 million. This mainly referred to the transaction with Socotherm and amounts collected under the debt restructuring agreement with Nadra Bank.

3.8. Risk portfolio

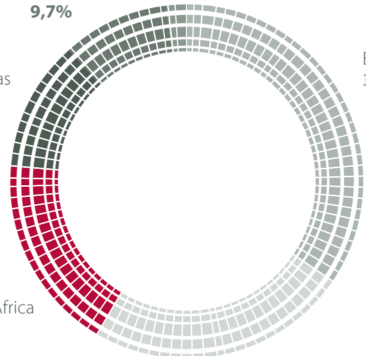
Total exposure, calculated as the sum of performing credits and outstanding guarantees (principal and interest) amounted to €34.6 billion, rising by 5.7% and continuing the upward trend of recent years. In terms of principal only, the guarantee portfolio increased by 6%. The credit portfolio, which accounts for 2.1% of total exposure, showed a 24.2% increase in sovereign credits and an 80.7% rise in trade receivables. The increase in sovereign credits was mainly due to the upward adjustment of Iraqi credits; the rise in trade receivables was mainly due to the increase in the claims rate during the year (although the total value remained low and represents just 3.6% of the total credit portfolio).

Total exposure of SACE

Principal and interest (€ million)	2011	2010	Change
Portfolio			
Outstanding guarantees	33,928.1	32,202.6	5.4%
principal	28,884.9	27,249.5	6.0%
interest	5,043.2	4,953.2	1.8%
Performing credits	717.7	571.3	25.6%
Total exposure	**34,645.8**	**32,774.0**	**5.7%**

With regard to the breakdown by geo-economic area, the highest exposure was towards EU countries (34.5% in relation to 32.5% in 2010), in particular towards Italy, which remained in top place in terms of concentration. Exposure towards the Americas (+12%) and East Asia and Oceania (+8.4%) also rose: for the former, the increase in commitments mainly reflects an expansion of business in Latin America. Exposure in Sub-Saharan Africa fell by 4.25% and in the Middle East and North Africa by 2.20%. Levels of exposure in other European and CIS countries were more or less unchanged.

Total exposure by geo-economic area (%)



The portfolio of outstanding guarantees (principal only) increased compared to 2010: the share of the biggest country rose from 23.1% to 26.2%, while that of the first ten countries climbed from 67.3% to 68.8%.

As shown in the table, the concentration of exposure to private sector risk increased by 10.9%, while exposure to political risk fell by 22.2% reflecting the expiry of cover for substantial investments abroad. The concentration of sovereign risk and ancillary risk guarantees also fell, respectively, by 3.9% and 28.8%.

Exposure by type of risk

(in € million)

	2011	2010	Change
Type of risk			
Sovereign	2,257.6	2,348.3	-3.9%
Political	1,817.8	2,335.1	-22.2%
Private sector risk	24,416.2	22,013.5	10.9%
Ancillary	393.3	552.5	-28.8%
Total	**28,884.9**	**27,249.5**	**6.0%**

In the private sector portfolio, there was an overall increase in exposure to corporate risk in the credit insurance and surety business (which rose, respectively, by +27.9% and +13.9%), and a decrease in exposure to bank risk (10.1%).

	2011	2010	Change
Private sector risk			
Corporate - credit business	8,767.5	6,856.9	27.9
Banking	1,726.2	1,919.2	-10.1
Aviation (asset based)	531.1	430.9	23.3
Corporate with collateral	2,259.0	2,390.2	-5.5
Project Finance	4,937.7	4,553.5	8.4
Structured Finance	1,243.9	1,515.4	-17.9
Corporate - surety business	4,950.7	4,347.5	13.9
Total	**24,416.2**	**22,013.5**	**10.9**

In terms of exposure by industrial sector, concentration remained high in the first five sectors, which account for 70% of the private sector portfolio. Oil and gas continued to be the biggest sector, representing 24.6%.

3.9. Technical provisions

Technical provisions cover the best estimate for the provision* for unearned premiums, this is determined according to the credit metrics method, calculating – on the entire portfolio – the forecast loss until run-off.

A risk margin is added to the best estimate to take into account the non-market-consistent components in the calculation model.

The total value of technical provisions is calculated as the sum of:

- The provision for premium instalments, amounting to €1,388.1 million, calculated as the portion of outstanding risk on the basis of the gross premiums written determined pro rata temporis.
- The provision for unexpired risks, equal to €350 million.
- The provision for claims outstanding, amounting to €273.8 million;
- The equalisation provision for credit insurance business, amounting to €515.5 million.

3.10. Investments

Financial management is performed in accordance with guidelines issued by the board of directors, in pursuit of the following goals:

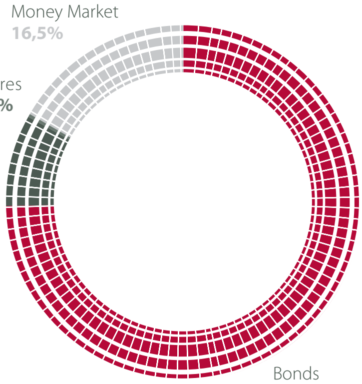
- optimisation of capital structure;
- management of liquidity to improve balance sheet structure;
- counterbalancing the risks inherent in the guarantee portfolio of its core business, through financial hedging.

This is achieved by adopting an integrated asset-liability management approach, through the use of highly liquid instruments with a limited risk profile.

Total assets at year-end, amounting to €7,239.5 million, consisted of the following: 74.8% invested in bonds, 8.3% in shares of collective investment undertakings, 0.4% in shares and 16.5% in money market instruments.

*Expected value (probability-weighted average) of future cash flows, considering the current value using the appropriate yield curve.

Breakdown of the investment portfolio by asset class



The non-current portfolio, equal to €1,729.0 million, accounts for 23.9% of total assets and consisted entirely of bonds. 88.6% were government bonds. Duration was 3.99 years. The average portfolio rating of A reflected a one-notch reduction compared with the end of 2010. This was mainly due to the downgrading of some sovereign issuers.

66.9% of the investment portfolio, which amounted to €5,510.5 million, consisted of bonds, 11% of shares of collective investment undertakings comprising bonds and shares, 0.5% of shares and 21.6% of money market instruments.

Bond duration was 0.60 years, consistent with investment liquidity guidelines and expected interest rates. The bond portfolio had an average rating of A-, down one notch compared to the end of 2010.

3.11. Reinsurance, relations with other Export Credit Agencies (ECAs) and international organisations

SACE's reinsurance policy, steered towards maintaining and improving technical balance, is based on relationships with international market operators with top ratings. To date SACE has signed 23 reinsurance agreements with other ECAs. In 2011 SACE sealed a new reinsurance agreement with the Israeli ECA Ashra and a cooperation agreement with the Greek ECA ECIO.

3.12. Research and Development

Research and development expenses reflect the costs of launching new products, charged directly to income as occurred.

3.13. 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 in order to improve risk-adjusted performance. The risk identification, measurement and control phases are essential factors in joint evaluation of company assets and liabilities. They are performed using the most effective asset liability management techniques.

The company implements its risk management system in accordance with the applicable legal requirements[1].

There are two main types of risks:

- **Technical risk:** meaning **underwriting risk**.

  This refers to the risk in the guarantee portfolio of loss or adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions, or the risk of default or the downgrading of counterparties' credit rating. Both risks are managed by adopting prudent pricing and provisioning strategies, which are defined according to market best practice, 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 models.

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

- **Liquidity risk**: 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. This type of risk is therefore not significant.
- **Operational risk**: SACE conducts periodical self-assessments of potential operational risk factors and uses a loss data collection process to measure and record its actual operating losses. These data represent the input of the process for measuring and controlling operational risks in line with market best practice.
- **Reputation risk**: the risk of damage to the company's image and conflict with policyholders, 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

[1] ISVAP Regulation No. 20 of 26 March 2008

such non-compliance. This risk is notably mitigated by the existing internal control and risk management functions and, for example, by the activities of the compliance department, as well as by adopting specific internal procedures directed towards regulating all operations performed by SACE.

- **Strategic risk:** the current and prospective impact on earnings or capital arising from ineffective changes in activities or inappropriate business plans, improper implementation of decisions or failure to respond to changes in the competitive environment.
- **Risk associated with performance of interests and reinsurance:** the risk of loss of value of the controlling interests in SACE BT, SACE Fct and the ATI (African Trade Insurance Agency) and of losses in connection with the subscription of reinsurance contracts with subsidiaries; this risk is mitigated through constant monitoring of subsidiaries and the adoption of risk management policies at group level.

The risk management division:

- proposes methods, develops models and systems for measurement and monitoring of risks and makes recommendations regarding the relative provisions, adopting a VaR approach;
- implements systems for the measurement and integrated control of the risk/return ratio and the creation of value by individual risk-taking units and monitors correct allocation of economic capital;
- assists with defining the operational autonomy of company offices, reporting any breaches of the limits to the board of directors, senior management and the offices concerned;
- ensures the measurement and integrated control of overall risk exposure by defining the procedures for identifying, assessing, monitoring and reporting risks, including scenario analysis and stress tests;
- supports the corporate offices involved in calculating provisions;
- issues periodic reports on changes in the risks assumed and the presence of any anomalous situations and exceeding of limits, and submits these to the board of directors, senior management and office supervisors;
- monitors activities aimed at optimising capital structure, managing reserves and liquidity (ALM);
- cooperates with other internal and external control functions and bodies, to which it sends periodical reports.

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

- the management committee: examines and shares 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;
- the risk committee: examines underwriting, indemnities, restructuring and other significant operations and assesses their permissibility compatibly with the risk management guidelines drawn up by the risk management division;
- the business coordination committee: examines and approves group client portfolio proposals to be submitted to the business development manager and monitors attainment of the goals defined; defines criteria for assigning customers/products to the various companies within the group and decides upon their allocation in the event of any overlapping; assesses the advisability of developing new business actions/opportunities at group level according to strategic guidelines;

- the product committee: examines, processes and modifies policy proposals relating to existing and new products (commercial, risk, remuneration, organisational, legal aspects, etc.), assessing their overall impact on company business; defines the guidelines for development of new products, examines and manages any overlapping of group product portfolios;
- the board of directors: approves strategies, procedures, management policies and organisational aspects;
- the supervisory body: a collegiate body appointed by the board of directors of SACE; it oversees the procedures established by the organisational, management and control model aimed at preventing offences and is vested with the necessary powers to carry out controls and investigations.

3.14. Human resources

As at 31 December 2011, there were 443 employees on the payroll. During the year, 37 people were hired and 23 left the company.

Distribution of staff by grade

Grade	N.	Distribution
Senior managers	25	5,6%
Managers	190	42,9%
Clerical staff	228	51,5%
Total	**443**	**100%**

Over the years, the personnel recruitment and management policies adopted have resulted in a reduction of average age (which is currently 41) and 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).

Distribution of staff by age group

	Distribution	Change
Under 25	1.2%	-50%
Between 26 and 35	29.8%	6.8%
Between 36 and 55	60.5%	-2.1%
Over 55	8.5%	7.6%

Distribution of staff by qualification

	Distribution	Change
Degree	59 %	-0.8%
Secondary school certificate/other	41%	1.2%

Average gross pay, net of amounts paid by INPS, was €59 thousand per employee, an increase of 1.72% on the previous year. The average cost of labour per employee was around €86 thousand, in line with the previous year. The company implements training programmes to strengthen the specific skills required by the various business areas, develop the managerial and leadership qualities needed to manage complexity and change and support knowledge creation and sharing. In 2011 SACE provided training schemes for all employees. These included languages (General and Business English) and managerial courses (People Management, Lean Sigma, Effective

Communication, Problem Solving, etc.), in addition to the courses required by law (e.g. Italian Legislative Decrees 231/01, 196/2003 and 81/08).

3.15. litigation

At 31 December 2011, the company was party to 27 lawsuits, most of which relating to insurance commitments assumed prior to 1998. In particular, the company was defendant in 18 lawsuits, amounting potentially to around €54.4 million, and plaintiff in 9 lawsuits, for around €201 million.

3.16. corporate Governance and Organisational Model under Legislative Decree 231/01

SACE adopts a traditional model of administration and control. The main corporate bodies are the shareholders' meeting, the board of directors, the chairman, the CEO and the board of statutory auditors, as set forth in the company bylaws. SACE is managed according to principles of legitimacy and transparency, which are applied by adopting a system of prevention comprising two basic elements:

- the organisational, management and control model pursuant to Italian Legislative Decree 231/2001 governing the administrative liability of legal entities, companies and associations including those without legal status;
- the code of conduct, which sets out the values and principles with which directors, auditors, reporting accountants, managers, staff, co-workers and all third parties who have relations with SACE are all expected to comply. Although the code of conduct is distinct from the organisational model pursuant to Italian Legislative Decree 231/2001, the two are related in that they are both an integral part of the prevention and control system.

The supervisory body is charged with overseeing the application, appropriateness and implementation of the model and must act within its authority to investigate any violations of the code of conduct. SACE has adopted the appropriate rules, procedures and structures aimed at ensuring correct functioning and good performance, efficacy and efficiency of company procedures, adequate risk monitoring, reliability and integrity of accounting and financial data, safeguarding of the company's assets and compliance with laws, supervisory regulations and internal procedures.

The internal auditing department assists with the assessment of the company's governance, control and risk management procedures and helps to improve these.

The compliance division monitors the risk of non-compliance with the law and damage to the company's reputation.

The risk management division detects, measures, assesses and monitors the risks to which the company is exposed.

3.17. social and cultural commitments

SACE continued to support the work of "Dynamo Camp", a non-profit organisation that runs free recreational therapy summer camps catering especially to children suffering from serious chronic conditions. In partnership with an Italian art publishing company, SACE published the catalogue of works by Brazilian artist and sculptor Beatriz Milhazes, whose works can be admired among collections at some of the world's most important museums.

3.18. subsidiary companies

The SACE BT subsidiary closed the year with a profit of €247 thousand and the SACE Fct subsidiary with a profit of €6,610 thousand.

As part of its business operations, the company 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 in favour of the SACE Fct subsidiary.

3.19 other information

a) Domestic consolidated tax scheme

In 2011 the company submitted notification of its renewal of adhesion to the national consolidated tax scheme for the three-year period 2011-2013 in order to establish a single tax basis for IRES with its SACE BT S.p.A. and SACE SRV S.r.l. subsidiaries for the related three-year period. In 2009 this option was also extended to include the SACE Fct S.p.A. subsidiary (for the three-year period 2009-2011).

3.20. main events in early 2012 and business outlook

On the basis of the results for the opening months of the year, the earnings prospects assumed in the 2011-2013 industrial plan are confirmed.

4. PROPOSED ALLOCATION OF NET PROFIT

The shareholder is asked to approve the financial statements at 31 December 2011 and the allocation of the net profit of €183,963,403 as follows:

€	183,963,403	Net profit
€	9,198,170	to the legal reserve as required by article 2430 of the Italian Civil Code
€	14,578,643	to other reserves, relating for €7,969,030 to the net profit on exchange rate valuation (under art. 2426, No. 8-bis of the Italian Civil Code) and for €6,609,613 to revaluations of equity investments resulting from application of the equity method (pursuant to art. 2426, para 1, point 4 of the Italian Civil Code)
€	160,186,590	according to resolutions to be passed by the shareholders' meeting

Roma, 27 March 2012

on behalf of the board of directors

CEO

Alessandro Castellano

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Annex I

Company	**SACE S.p.A.**	
Subscribed capital	Eur 4,340,053.892	Paid eur 4,340,053.892
Registered offices	ROME	

Financial Statements	**Balance Sheet** **FY 2011**
	(Value in €)

BALANCE SHEET
ASSETS

								Current year
A. SUBSCRIBED CAPITAL UNPAID							1	
of which called-up capital			2	0				
B. INTANGIBLE ASSETS								
1. Acquisition commissions to be amortised								
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	336,403			10	336,403
C. INVESTMENTS								
I - Land and buildings								
1. Property used for own activities			11	65,589,436				
2. Property used by third parties			12	1,860,370				
3. Other properties			13	0				
4. Other property rights			14	0				
5. Construction in progress and payments on account			15	0	16	67,449,807		
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	165,609,218						
c) affiliated companies	19	0						
d) associated companies	20	7,443,921						
e) other companies	21		22	173,053,139				
2. Debt securities issued by:								
a) controlling companies	23	0						
b) subsidiary companies	24	0						
c) affiliated companies	25	0						
d) associated companies	26	0						
e) other companies	27	0	28	0				
3. Loans to:								
a) controlling companies	29	0						
b) subsidiary companies	30	975,000,000						
c) affiliated companies	31	0						
d) associated companies	32	0						
e) other companies	33	0	34	975,000,000	35	1,148,053,139		
				to be carried forward				336,403

			Previous year
			181
	182 0		
183 0			
184 0	185 0		
	186 0		
	187		
	188		
	189 423,411		190 423,411
	191 66,569,870		
	192 1,575,381		
	193 0		
	194 0		
	195 0	196 68,145,251	
197 0			
198 158,752,853			
199 0			
200 7,125,190			
201 0	202 165,878,043		
203 0			
204 0			
205 0			
206 0			
207 0	208 0		
209 0			
210 617,600,000			
211 0			
212 0			
213 0	214 617,600,000	215 783,478,043	
	to be carried forward		423,411

BALANCE SHEET
ASSETS

							Current year		
carried forward									336,403
C. RECEIVABLES									
III - Other financial investments									
1. Shares and interests									
a) Listed shares	36	28,695,028							
b) Unlisted shares	37	171,099							
c) Interests	38	0	39	28,866,126					
2. Shares in common investment funds			40	601,899,520					
3. Debt securities and other fixed-income securities									
a) listed	41	4,818,317,287							
b) unlisted	42	73,500,000							
c) convertible debentures	43	0	44	4,891,817,287					
4. Loans									
a) mortgage loans	45	6,598,153							
b) loans on policies	46	0							
c) other loans	47	0	48	6,598,153					
5. Shares in investment pools			49	0					
6. Deposits with credit institutions			50	155,000,000					
7. Other financial investments			51	529,876,954	52	6,214,058,041			
IV - Deposits with ceding companies					53	279,065		54	7,429,840,051
D. INVESTMENTS FOR THE BENEFIT OF LIFE INSURANCE POLICYHOLDERS WHO BEAR INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS									
I - Investments relating to contracts linked to investment funds and market indexes						0			
II - Investments relating to the administration of pension funds						0			
								57	0
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS									
I - NON-LIFE BUSINESS									
1. Provision for unearned premiums			58	4,553,106					
2. Provision for claims outstanding			59	0					
3. Provision for profit sharing and premium refunds			60	0					
4. Other technical provisions			61	0	62	4,553,106			
II - LIFE INSURANCE BUSINESS									
1. Provisions for policy liabilities			63	0					
2. Unearned premium provision for supplementary coverage			64	0					
3. Provision for amounts payable			65	0					
4. Provision for profit sharing and premium refunds			66	0					
5. Other technical provisions			67	0					
6. Provisions for policies where the investment risk is borne by the policyholders and relating to the administration of pension funds			68	0	69	0		70	4,553,106
to be carried forward									7,434,729,560

				Previous year
carried forward				423,411
	216 18,749,986			
	217 0			
	218 0	219 18,749,986		
		220 1,146,602,224		
	221 5,143,582,897			
	222 143,396,102			
	223 0	224 5,286,978,999		
	225 7,350,851			
	226 0			
	227 0	228 7,350,851		
		229 0		
		230 70,000,000		
		231 337,481,342	232 6,867,163,402	
			233 296,806	234 7,719,083,502
			235 0	
			236 0	
				237 0
		238 6,285,685		
		239 0		
		240 0		
		241 0	242 6,285,685	
		243 0		
		244 0		
		245 0		
		246 0		
		247 0		
		248 0	249 0	250 6,285,685
to be carried forward				7,725,792,598

BALANCE SHEET
ASSETS

							Current year	
carried forward								7,434,729,560
E. RECEIVABLES								
I - Receivables arising out of direct insurance business:								
1. Policyholders								
a) for premiums - current year	71	60,686,398						
b) for premiums - previous years	72	122,341	73	60,808,740				
2. Insurance intermediaries			74	0				
3. Current accounts with insurance companies			75	0				
4. Policyholders and third parties for recoveries			76	513,628,120	77	574,436,860		
II - Receivables arising out of reinsurance business:								
1. Insurance and reinsurance companies			78	1,106,390				
2. Reinsurance intermediaries			79		80	1,106,390		
III - Other debtors					81	354,887,109	82	930,430,359
F. OTHER ASSETS								
I - Tangible assets and stocks:								
1. Furniture, office equipment and internal transport vehicles			83	2,253,814				
2. Vehicles listed in public registers			84	0				
3. Equipment and appliances			85	59,538				
4. Stocks and other goods			86	121,786	87	2,435,138		
II - Cash and cash equivalents								
1. Bank and postal deposits			88	50,407,874				
2. Cheques and cash in hand			89	1,513	90	50,409,388		
III - Own shares or equity interests					91	0		
IV - Other assets								
1. Transitory reinsurance accounts receivable			92	74,435				
2. Sundry assets			93	34,667,412	94	34,741,848	95	87,586,373
G. ACCRUALS AND DEFERRALS								
1. Interests					96	68,996,827		
2. Rents					97	0		
3. Other accruals and deferrals					98	301,623	99	69,298,450
TOTAL ASSETS							100	8,522,044,742

			Previous year
	carried forward		7,725,792,598
251 69,338,116			
252 28,952	253 69,367,069		
	254 0		
	255 0		
	256 421,864,698	257 491,231,766	
	258 119,440		
	259	260 119,440	
		261 385,587,234	
			262 876,938,440
	263 2,148,003		
	264 0		
	265 92,285		
	266 104,019	267 2,344,307	
	268 57,146,624		
	269 2,934	270 57,149,558	
		271 0	
	272 615,231		
	273 17,340,784	274 17,956,015	
			275 77,449,881
		276 55,611,265	
		277 0	
		278 891,387	279 56,502,653
			280 8,736,683,572

BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

			Current year	
A. SHAREHOLDERS' EQUITY				
I - Subscribed capital or equivalent funds			101 4,340,053,892	
II - Share premium account			102	
III - Revaluation reserve			103 17,922,701	
IV - Legal reserve			104 160,473,140	
V - Statutory reserve			105	
VI - Reserve for own shares and shares of the parent company			106	
VII - Other reserves			107 972,409,028	
VIII - Profit (loss) brought forward			108 38,383,626	
IX - Profit (loss) for the year			109 183,963,403	
- Advances on dividends				110 5,713,205,790
B. SUBORDINATED LIABILITIES				111 0
C. TECHNICAL PROVISIONS				
I - NON-LIFE INSURANCE BUSINESS				
1, Provision for unearned premiums	112 1,688,071,299			
2, Provision for claims outstanding	113 273,825,562			
3, Provision for profit sharing and premium refunds	114 0			
4, Other technical provisions	115 0			
5, Equalisation provision	116 515,483,512		117 2,477,380,372	
II - LIFE INSURANCE BUSINESS				
1, Provisions for policy liabilities	118 0			
2, Unearned premium provision for supplementary coverage	119 0			
3, Provision for amounts payable	120 0			
4, Provision for profit sharing and premium refunds	121 0			
	122 0		123 0	124 2,477,380,372
D. TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNEASSICURATI E RISERVE 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				8,190,586,163

Previous year

	281 4,340,053,892	
	282	
	283 9,615,916	
	284 142,137,160	
	285	
	286	
	287 972,409,028	
	288	
	289 366,719,606	
		290 5,830,935,602
		291 0
292 1,720,224,685		
293 252,201,168		
294 0		
295 0		
296 475,227,660	297 2,447,653,513	
298 0		
299		
300		
301		
302	303 0	304 2,447,653,513
	305 0	
	306 0	307 0
to be carried forward		8,278,589,115

BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

			Current year	
	carried forward			8,190,586,163
E. PROVISIONS FOR RISKS AND CHARGES				
1. Provisions for pensions and similar obligations			128 2,066,127	
2. Provision for tax			129 45,106,006	
3. Other provisions			130 42,332,694	131 89,504,828
F. DEPOSITS RECEIVED FROM REINSURERS				132 0
G. ACCOUNTS PAYABLE AND OTHER LIABILITIES				
I - Accounts payable arising out of direct insurance business:				
1. Insurance intermediaries	133	0		
2. Current accounts with insurance companies	134	0		
3. Premium deposits and premiums due to policyholders	135	51,002,318		
4. Guarantee funds in favour of policyholders	136	0	137 51,002,318	
II - Accounts payable arising out of reinsurance business:				
1. Insurance and reinsurance companies	138	0		
2. Reinsurance intermediaries	139	0	140 0	
III - Debenture loans			141 0	
IV - Amounts due to banks and credit institutions			142 140,597	
V - Loans guaranteed by mortgages			143 0	
VI - Sundry loans and other financial liabilities			144 0	
VII - Provision for severance pay			145 6,270,353	
VIII - Other accounts payable				
1. Taxes payable by policyholders	146	0		
2. Other tax liabilities	147	79,411,987		
3. Social security	148	1,720,547		
4. Sundry accounts payable	149	36,689,172	150 117,821,706	
IX - Other liabilities				
1. Deferred reinsurance items	151	126,754		
2. Commissions for premiums in course of collection	152	16,953		
3. Sundry liabilities	153	66,346,712	154 66,490,419	155 241,725,393
	to be carried forward			8,521,816,383

	Previous year	
carried forward		8.278.589.115
	308 2,139,350	
	309 22,083,596	
	310 72,153,718	311 96,376,664
		312 0
313 0		
314 0		
315 55,879,691		
316 0	317 55,879,691	
318 120,086		
319 0	320 120,086	
	321 0	
	322 571,689	
	323 0	
	324 0	
	325 6,489,397	
326 0		
327 167,754,061		
328 1,176,481		
329 65,924,660	330 234,855,201	
331 314,187		
332 11,944		
333 63,299,206	334 63,625,337	335 361,541,400
to be carried forward		8,736,507,179

BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

		Current year		
carried forward				8,521,816,383
H. ACCRUALS AND DEFERRALS				
1. Interests	156	0		
2. Rents	157	194,498		
3. Other accruals and deferrals	158	33,861	159	228,358
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			160	8,522,044,742

BALANCE SHEET
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

			Current year
GUARANTEES. COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS			
I - Guarantees given			
1, Sureties		161	12,000
2. Endorsements		162	0
3. Other personal guarantees		163	0
4. Guarantees secured by mortgages		164	0
II - Guarantees received			
1. Sureties		165	4,288,370
2. Endorsements		166	0
3. Other personal guarantees		167	0
4. Guarantees secured by mortgages		168	0
III - Guarantees issued by third parties in the interest of the company		169	0
IV - Commitments		170	4,459,111,556
V - Third party assets		171	0
VI - Assets belonging to pension funds managed on behalf of third parties		172	0
VII - Securities deposited with third parties		173	5,324,028,878
VIII - Other memorandum accounts		174	0

		Previous year
carried forward		8,736,507,179
	336 0	
	337 150,706	
	338 25,687	339 176,393
		340 8,736,683,572

		Previous year
		341 12,000
		342 0
		343 0
		344 0
		345 4,221,215
		346 0
		347 0
		348 0
		349 0
		350 3,326,197,266
		351 0
		352 0
		353 6,427,994,709
		354 0

Annex II

Company	**SACE S.p.A.**	
Subscribed capital	Eur 4,340,053.892	Paid Eur 4,340,053.892
Registered offices	ROME	

	Profit and loss account
Financial Statements	**FY 2011**
	(Value in €)

PROFIT & LOSS ACCOUNT

				Current year
I; TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS				
1; EARNED PREMIUMS, NET OF REINSURANCE				
a) Gross premiums written			1 336,149,116	
b) (-) Outward reinsurance premiums			2 683,687	
c) Change in the gross provision for unearned premiums			3 -32,153,386	
d) Change in the provisions for unearned premiums, reinsurers' share			4 1,732,579	5 365,886,236
2; (+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (item III; 6)				6
3; OTHER TECHNICAL INCOME, NET OF REINSURANCE				7 7,994,201
4; CLAIMS INCURRED, NET OF RECOVERIES AND REINSURANCE				
a) Claims paid				
aa) Gross amount	8 55,724,508			
bb) (-) reinsurers' share	9 607,128		10 55,117,380	
b) Change in recoveries, net of reinsurers' share				
aa) Gross amount	11 -190,385,780			
bb) (-) reinsurers' share	12 0		13 -190,385,780	
c) Change in the provision for claims outstanding				
aa) Gross amount	14 21,624,394			
bb) (-) reinsurers' share	15 0		16 21,624,394	17 -113,644,006
5; CHANGE IN OTHER TECHNICAL PROVISIONS NET OF REINSURANCE				18 0
6; PREMIUM REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE				19 1,840,209
7; OPERATING EXPENSES:				
a) Acquisition commissions			20 0	
b) Other acquisition costs			21 16,356,845	
c) Change in commissions and other acquisition costs to be amortised			22 0	
d) Collecting commissions			23 866,477	
e) Other administrative expenses			24 39,202,349	
f) (-) Reinsurance commissions and profit-sharing			25 68,369	26 56,357,303
8; OTHER TECHNICAL CHARGES, NET OF REINSURANCE				27 1,438,071
9; CHANGE IN THE EQUALISATION PROVISION				28 40,255,851
10; BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE BUSINESS (item III; 1)				29 387,633,009

Previous year					
		111	441,988,057		
		112	2,384,300		
		113	-69,146,948		
		114	262,944	115	508,487,761
				116	13,395,252
				117	4,244,435
118	107,272,030				
119	0	120	107,272,030		
121	-165,944,195				
122	0	123	-165,944,195		
124	-1,032,919				
125	0	126	-1,032,919		
				127	-59,705,084
				128	0
				129	17,950,479
		130	0		
		131	17,399,509		
		132	0		
		133	621,262		
		134	39,731,477		
		135	238,430	136	57,513,818
				137	1,535,467
				138	52,752,451
				139	456,080,318

PROFIT & LOSS ACCOUNT

					Current 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)			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 UNREALISED 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 amounts payable						
aa) Gross amount	48	0				
bb) (-) Reinsurers' share	49	0	50	0	51	0
6. CHANGE IN PROVISIONS 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) Provision for policies where the investment risk is borne by the policyholders and relating to the administration of pension funds						
aa) Gross amount	61	0				
bb) (-) Reinsurers' share	62	0	63	0	64	0

					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	161	0
	162	0				
	163	0	164	0		
	165	0				
	166	0	167	0		
	168	0				
	169	0	170	0		
			170			
	171	0				
	172	0	173	0	174	0

PROFIT & LOSS ACCOUNT

				Current year	
7. PREMIUM 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 UNREALISED LOSSES ON INVESTMENTS TO THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND ON INVESTMENTS 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 BUSINESS (item I.10)				81	387,633,009
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	115,778		
(of which: from group companies)		84	0		
b) From other investments:					
aa) income from land and buildings	85 777,926				
bb) income from other investments	86 193,009,648	87	193,787,575		
(of which: from group companies)		88	12,761,852		
c) Value re-adjustments on investments		89	54,146,018		
d) Gains on the disposal of investments		90	648,666,935		
(of which: from group companies))		91	0	92	896,716,305

							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	456,080,318
							192	0
			193	673,001				
(of which: from group companies)			194	0				
	195	621,624						
	196	168,604,390	197	169,226,013				
(of which: from group companies)			198	1,284,325				
			199	26,139,170				
			200	703,314,370				
(of which: from group companies)			201	0			202	899,352,554

PROFIT & LOSS ACCOUNT

				Current year	
4. (+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE LIFE TECHNICAL ACCOUNT (item II.) 12)			93	0
5. INVESTMENT MANAGEMENT AND FINANCIAL CHARGES - NON-LIFE BUSINESS:				
a) Investment management charges. including interest	94	6,451,175		
b) Value adjustments on investments	95	576,539,435		
c) Losses on the disposal of investments	96	542,487,293	97	1,125,477,903
6. (-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (item I.2)			98	0
7. OTHER INCOME			99	166,064,808
8. OTHER CHARGES			100	52,357,581
9. RESULT OF ORDINARY OPERATIONS			101	272,578,637
10. EXTRAORDINARY INCOME			102	4,630,272
11. EXTRAORDINARY CHARGES			103	1,564,143
12. EXTRAORDINARY PROFIT OR LOSS			104	3,066,129
13. PROFIT BEFORE TAXES			105	275,644,766
14. INCOME TAX FOR THE YEAR			106	91,681,363
15. NET INCOME (LOSS) FOR THE YEAR			107	183,963,403

		Previous year	
		203	0
204	7,571,332		
205	255,923,513		
206	590,590,772	207	854,085,617
		208	13,395,252
		209	86,760,027
		210	31,367,120
		211	543,344,910
		212	2,597,077
		213	2,013,132
		214	583,946
		215	543,928,855
		216	177,209,249
		217	366,719,606

NOTES
TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FOREWORD

The financial statements herewith presented, comprising the schedules of the balance sheet, profit and loss account, explanatory notes and related attachments accompanied by the directors' report, have been prepared in accordance with article 6, para. 22 of Italian Legislative Decree No. 269/2003, the pertinent provisions of Legislative Decree No. 209 of 7 September 2005, Legislative Decree No. 173 of 26 May 1997, with regard to the provisions governing the annual and consolidated accounts of insurance companies, and ISVAP Regulation No. 22 of 4 April 2008, where applicable to SACE. The financial statements have been audited by PricewaterhouseCoopers S.p.A., as prescribed under articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010, pursuant to the resolution of the shareholders' meeting held on 24 June 2010 whereby this firm was appointed for the period 2010-2012.

The notes to the financial statements include:
Part A - Valuation criteria
Part B - Information on the balance sheet and profit and loss account
Part C - Other information

All amounts in these notes are indicated in thousands of euro.
Pursuant to Legislative Decree No. 38 of 28 February 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 S.p.A.

Section I - Valuation criteria

The valuation criteria adopted in preparing the financial statements and any changes in relation to previous criteria are set out below.

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. Land and buildings are considered long-term assets as they are a permanent part of the assets of the company. 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 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 valued by the equity method, with the portion of the carrying value of the shareholders' equity calculated as per the companies' last approved financial statements.

Investments

Pursuant to Ministerial Decree 116895 of 10 November 2004, with a view to promoting efficient management of business, and in accordance with the related resolutions of the board of directors, 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. Accounts receivable resulting from salvage payable by policyholders are recognised at face value; during valuation, all objective factors that could result in the loss of said receivables are taken into account. Amounts receivable resulting from salvage payable by foreign policyholders are stated at presumed realisable value. Any exceptions to the valuation criteria in the case of exceptional events are explained in detail in the explanatory notes in accordance with article 2423 bis, para. 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.

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 individually to each policy on the basis of gross premiums minus direct acquisition costs. The provision for unearned premiums has also been aligned with the expected claims rate not covered by the provision for premium instalments with regard to insurance contracts concluded by the closing date of the year. In particular, the provision for unexpired risks has been determined according to the credit metrics method. 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 insurance 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 to offset fluctuations in the rate of claims in future years or to cover specific risks. This provision is utilised in years in which the technical balance 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.

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 deferred income

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

Off-balance-sheet transactions and derivatives

These items are recognised and evaluated according to the provisions of Law No. 342/2000. In particular, transactions on derivatives, pursuant to Ministerial Decree No. 116895 of 10 November 2004 and resolutions voted by the board of directors on protection of the portfolio, are entered into for hedging purposes and are recognised by posting valuation gains and losses to profit and loss. The value of derivatives is determined referring to the respective market prices. Values and commitments in connection with derivatives are set forth 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. This reserve can also be utilised to cover prior year losses.

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 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 + 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 tax

The liability for income taxes is determined as the best estimate of the taxable income, calculated in accordance with the requirements of current legislation. In 2011 the company submitted its notification of renewal of adhesion to the national consolidated tax scheme for the three-year period 2011-2013, as consolidating entity, and opted for the so-called "national fiscal consolidation" scheme together with the SACE BT S.p.A. and SACE SRV S.r.l. subsidiaries.

In 2009 this option was also extended to include the subsidiary SACE Fct S.p.A. (for the three-year period 2009-2011). 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 euro on the basis of the following rates of exchange:

	31-12-2011	31-12-2010	31-12-2009
US dollar	1,2939	1,3362	1,4406
GB pound	0,8353	0,86075	0,8881
Swiss franc	1,2156	1,2504	1,4836

Functional currency

All amounts in the accounts are expressed in euro. All amounts in the notes are expressed in thousands of euro.

Section 2 – Adjustments and provisions for taxes

No provisions have been accrued and no adjustments of value have been made in application of tax laws.

PART B: INFORMATION ON THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

BALANCE SHEET

(in € thousand)	31-12-2011	31-12-2010
Intangible assets	336	423
Investments	7,429,840	7,719,084
Reinsurers' share of technical provisions	4,553	6,286
Receivables	930,430	876,938
Other assets	87,586	77,450
Accruals and deferrals	69,298	56,503
Balance Sheet - Assets	**8,522,045**	**8,736,684**
Shareholders' equity:		
- Share capital	4,340,054	4,340,054
- Revaluation reserves	17,923	9,616
- Legal reserve	160,473	142,137
- Other reserves	972,409	972,409
- Profit (loss) brought forward	38,384	-
- Profit for the year	183,963	366,720
Technical provisions	2,477,380	2,447,654
Provisions for risks and charges	89,505	96,377
Creditors and other liabilities	241,725	361,541
Accruals and deferrals	228	176
Balance sheet - Liabilities	**8,522,045**	**8,736,684**

PROFIT & LOSS ACCOUNT

(in € thousand)	31-12-2011	31-12-2010
Non-life business technical account		
Gross premiums	336,149	441,988
Change in the provision for unearned premiums and outward reinsurance premiums	29,737	66,500
Net premium income	365,886	508,488
Allocated investment return transferred from the non-technical account	-	13,395
Change in the equalisation provision	(40,256)	(52,752)
Other technical income and charges	6,556	2,709
Claims incurred, net of recoveries	113,644	59,705
Premium refunds and profit sharing	(1,840)	(17,950)
Operating expenses	(56,357)	(57,514)
Balance on the non-life business technical account	**387,633**	**456,080**
Non-technical account		
Non-life investment income	896,716	899,353
Investment management and financial charges for non-life business	(1,125,478)	(854,086)
Allocated investment return transferred to the non-life technical account	-	(13,395)
Other income	166,065	86,760
Other expense	(52,358)	(31,367)
Balance on the non-technical account	**(115,054)**	**87,265**
Income from extraordinary operations	**3,066**	**584**
Income tax	(91,681)	(177,209)
Profit for the year	**183,963**	**366,720**

Balance Sheet - Assets

Section 1 – item B – Intangible assets (annex 4)

Details of changes in intangible assets are shown in annex 4. The balance refers exclusively to other multi-year costs, as follows:

Table 1 (in € thousand)	31-12-2011	31-12-2010
Property rights	200	246
Brands and licences	43	18
Software	93	120
Construction in progress and payments on account	0	39
Total other multi-year costs (item B5)	**336**	**423**

Software costs (€93 thousand) mainly refer to costs for implementing and developing IT systems in connection with the ESACE project.

During the year costs relating to brands were capitalised for €14 thousand.

Section 2 item C – Investments (annexes 5, 6, 7, 8, 9, 10)

2.1 - Land and buildings - item C.I

This item (€67,450 thousand) reflects:

a. the value of the building owned by the company (€17,550 thousand), located in Piazza Poli 37/42, Rome, used in part for business purposes and in part leased to the SACE BT S.p.A. subsidiary;
b. the value of the land on which the building stands (€49,900 thousand).

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 €1,148,053 thousand at 31 December 2011 (the entire amount refers to financial fixed assets). The item includes: the investment in the SACE BT S.p.A. subsidiary, set up on 27 May 2004, the share capital of which (€100 million) is fully subscribed by SACE; the interest in SACE Fct S.p.A., set up on 24 March 2009, the share capital of which (€50 million) is fully subscribed by SACE S.p.A.; the interest in ATI (African Trade Insurance Agency) consisting of 100 shares for USD 9.6 million and loans granted to the SACE Fct S.p.A. subsidiary for €975 million.

Shareholdings are valued, in the financial statements of the parent company, by the equity method. The adoption of this criterion resulted in a revaluation of €6,942 thousand, recorded under investment income, of which €247 thousand relating to SACE BT and €6,610 thousand to SACE Fct.

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

2.2.1.b) The information regarding subsidiary and affiliated companies is set forth in annex 6 to the notes.

2.2.1.c) The analytical schedule of movements is set forth in annex 7 to the notes.

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 € thousand)	31 Dec 2011	31 Dec 2010
List of government securities and bonds indicating the issuer		
Government securities issued by Austria	37,882	33,828
Government securities issued by Belgium	6,709	23,208
Government securities issued by France	2,098	45,449
Government securities issued by Germany	2,068	54,465
Government securities issued by Greece	59,136	219,220
Government securities issued by Ireland	99,635	103,048
Government securities issued by Italy	3,907,158	3,629,934
Government securities issued by the Netherlands	-	49,928
Government securities issued by Poland	2,632	-
Government securities issued by Portugal	-	18,842
Government securities issued by Slovakia	3,077	-
Government securities issued by Spain	13,912	76,400
Government securities issued by Sweden	-	2,998
Other listed securities	684,010	886,263
Other unlisted securities	73,500	143,396
Total	**4,891,817**	**5,286,979**

In view of what is regarded as a long-term impairment of value and of how the situation has evolved since the end of the year, Greek government securities classified as long-term investments are valued according to the arithmetic average of prices in December 2011. Other listed securities mainly refer to bonds issued by Cassa Depositi and Prestiti, Monte dei Paschi and Banco Popolare.

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 € thousand)	Positive	Negative
Description		
Issue differences	10.253	798
Trading differences	6.040	0

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 €7,351 thousand at the beginning of the year. Instalments for €753 thousand were collected during the year. The balance of €6,598 refers to the outstanding capital in relation to the loans granted.

2.3.5 Breakdown of shares in common investment funds – item C.III.2

Table 4 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Shares in common investment funds		
France	69,220	92,816
Ireland	-	7,160
Italy	53,725	53,485
Luxembourg	124,180	709,156
Sweden	36,905	33,568
USA	317,870	250,417
Total	**601,900**	**1,146,602**

2.3.6 – Breakdown of deposits with credit institutions by duration – item C.III.6

Table 5 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Duration		
1 month	155,000	70,000
TOTAL	**155,000**	**70,000**

Time deposits are held with leading financial institutions.

2.3.7 – Breakdown of other financial investments according to type – item C.III.7

Table 6 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Description		
Receivables from leaving indemnity policyholders	4,412	4,554
Other investments	525,465	332,927
Other financial investments	**529,877**	**337,481**

2.4 - Deposits with ceding companies – item C.IV

This item reflects the amount of guarantee deposits with ceding companies regulated by current treaties. The same treaties also govern the conditions and procedures for changes in such accounts. These deposits amount to a total of €279 thousand. No write-downs were made on such deposits during the year.

Section 4 – item D bis - Reinsurers' share of technical provisions

This item consists exclusively of the provision for unearned premiums.

Table 7 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Provision for unearned premiums	**4,553**	**6,286**

Section 5 – item E – Receivables

Table 8 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Receivables arising out of direct insurance business - policyholders	60,809	69,367
Policyholders and third parties for recoveries (item E.I)	513,628	421,865
Insurance and reinsurance companies (item E.II)	1,106	119
Other debtors (item E.III)	354,887	385,587
TOTAL	**930,430**	**876,938**

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 (€60,809 thousand). No impairment losses were recognised in the year on amounts receivable in connection with insurance operations for premiums. The policyholders and third parties for recoveries item (€513,628 thousand) mainly consists of subrogation credits granted by the Ministry of Economy and Finance pursuant to Legislative Decree No. 269/2003, measured at presumed realisable value and determined separately for each type of credit and counterparty.

Changes in policyholders and third parties for recoveries are shown below:

Table 9 (in € thousand)	
Description	
Values at 1 January 2011	**421,865**
+ Receivables matured in the year	57,284
- receivables collected in the year	37,601
- losses on receivables/write-downs	33,629
+ revaluations	93,538
+ upward adjustment of value for previous years	1,845
+ adjustments from item E.III and other adjustments	35
+ exchange rate alignment (+/-)	10,291
Values at 31 December 2011	**513,628**

The change in the value of receivables at 31 December 2011 with respect to the previous year was essentially forged by collections for the period, write-downs of receivables and value re-adjustments on receivables from Iraq and Ajman UAE to their presumed realisable value (€92,089 thousand and €3,294 thousand, respectively) and due to the effect of valuations at year-end exchange rates for receivables expressed in currencies other than the euro (€10,291 thousand).

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

- in 2005, securitisation of the OPTIMUM debt was terminated in advance by means of a receivables retransfer agreement under which SACE re-acquired from OPTIMUM, against payment, the outstanding receivables, i.e. amounts originally granted to the SPV in excess of the latter's financial requirements;
- given the homogenous nature of such receivables compared with other non-securitised receivables stated in the accounts, in 2005, in order to provide a clear and true view of the company's financial position and in accordance with article 2423, para. 4 of the Italian Civil Code, the company decided to make an exception to the valuation criteria envisaged under article 2426, para. 1, point 9) of the Italian Civil Code. This resulted in the revaluation of the book value of the specific 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 2011, such receivables were collected for €2,618 thousand, generating gains of €2,542 thousand. The effects on the provision pursuant to article 2423, para. 4 of the Italian Civil Code are shown in the shareholders' equity table to which reference should be made.

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

Table 10 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Description		
Other debtors country	20,498	12,248
Compensatory interest on claims to be recovered	184,520	138,182
Receivables from tax authorities	93,405	181,713
Advance tax assets	52,488	48,875
Sundry receivables	3,976	4,569
Other debtors (item EIII)	**354,887**	**385,587**

Other debtors country (€20,498 thousand) comprise 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 directly to SACE and are stated at purchase price. Compensatory interest on claims to be recovered (€184,520 thousand) represents the total amount payable as at the date of the financial statements by foreign countries by way of interest under existing restructuring agreements. Receivables from the tax authorities (€93,405 thousand) mainly include: tax credits for which reimbursement has been requested which, increased by the interest due as at 31 December 2011, amounted to €853 thousand; advance payments of IRES (Corporate Income Tax) and IRAP (Regional Tax on Production Activities) for the year (€88,912 thousand), tax withholdings on own current accounts and on trading of securities under management for €3,470 thousand and tax withholdings transferred by subsidiaries under the consolidated tax scheme for €144 thousand. Advance tax assets (€52,488 thousand) refer to items in the profit and loss account that contribute to forming the taxable income of years other than that in which they are recognised. This item is stated net of the transfer in 2011 to profit and loss of prepaid taxes appropriated in previous tax periods due to achievement of a taxable income for IRES and IRAP. The breakdown is shown in section 21.7 of these notes.

Debtors country – breakdown by geographical area

Table 11 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Africa	86,949	91,428
America	153,850	157,334
Asia	395,691	240,181
Europe	81,256	82,365
Total	**717,746**	**571,308**

Debtors country – breakdown by foreign currency

Table 12 (in € thousand)	31 Dec 2011	31 Dec 2010
Currency		
USD	574,629	510,650
EUR	266,660	185,093
CHF	8,472	5,051
Other currencies	9	9

Section 6 – item F - Other assets

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

Table 13 (in € thousand)	2010	Increase	Decrease	2011
Description				
Furniture and machinery	2,148	672	566	2,254
Works of art	46	2	0	48
Plant	92	3	35	60
Stocks	32	15	0	47
Construction in course and advances	26	0	0	26
Total	**2,344**	**692**	**601**	**2,435**

Cash and cash equivalents

Deposits with credit institutions amounted to €50,408 thousand, of which €8,815 thousand in foreign currency current accounts. At 31 December 2011 cash on hand amounted to €1.5 thousand.

6.4 – Sundry assets

Table 14 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Capital gains on foreign exchange forward transactions	28,839	15,821
Gains on derivatives	166	710
Receivables from SACE Servizi	461	475
Receivables from SACE Fct	3,317	132
Receivables from SACE BT	1,884	203
TOTAL	**34,667**	**17,341**

Section 7 – Accruals and deferrals - item G

Table 15 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Description		
for interest on government securities and bonds	67,483	55,530
for interest on other financial investments	1,514	81
Other accrued income	0	0
Accrued income	**68,997**	**55,611**
Other accruals	301	891
Prepaid expenses	**301**	**891**

The interest on other financial investments item (€1,514 thousand) reflects interest on time deposit transactions and notes. Other accruals for €301 thousand consist of €175 thousand for portions of general expenses to be attributed to subsequent years, and €126 thousand for portions of fees in connection with hedging derivatives not relevant to the year ended.

Balance Sheet Liabilities and Shareholders' Equity

Section 8 – Shareholders' equity - item A

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

Table 16 *amounts in € thousand*	Share capital	Revaluation reserves	Legal reserve	Other reserves	Profit carried forward	Profit for the year	Total
Description							
Balance at 1 January 2010	**4,340,054**	**9,616**	**122,485**	**962,350**	**-**	**393,024**	**5,827,529**
Reduction in share capital							
Allocation of 2009 net profit:							
- Distribution of dividends						(363,313)	(363,313)
- Other allocations			19,652	10,059		(29,711)	-
Revaluation of property under Law 2/2009							
Result for 2010						366,720	366,720
Balance at 31.12 2010	**4,340,054**	**9,616**	**142,137**	**972,409**	**-**	**366,720**	**5,830,936**
Allocation of 2010 net profit:							
- Distribution of dividends						(310,000)	(310,000)
- Other allocations			18,336	-	38,384	(56,720)	-
Revaluation of receivables 2011		8,307					8,307
Result for 2011						183,963	183,963
Balance at 31.12 2011	**4,340,054**	**17,923**	**160,473**	**972,409**	**38,384**	**183,963**	**5,713,206**

The following table shows the individual items on the basis of their availability and possibility of distribution, in accordance with article 2427 No. 7-bis of the Italian Civil Code.

Table 17 (amounts in €)	Amount	Possibility of utilisation	Available portion	Summary of utilisation in the previous 3 years
Capital at 31.12.2011	**4,340,053,892**			
Capital reserves:				
Revaluation reserves	17,922,701	A, B,C	9,615,916	
Retained earnings:		A, B	8,306,785	
Legal reserve	160,473,140	B	-	
Other reserves	25,432,507	A, B	25,432,507	
Other reserves	946,976,521	A, B,C	946,976,521	
Total			**990,331,730**	
not distributable (1)			33,739,292	
distributable			956,592,437	

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

(1) the non-distributable portion includes €22,275 thousand for the provision pursuant to article 2423, para 4 set aside as at 31.12.2005 (€104,235 thousand) net of amounts collected during the year (€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), €2,457 thousand for the remaining portion of the reserve for exchange gains and €8,307 thousand for the portion of the reserve for revaluation of receivables.

The share capital consists of 1 million shares for a total face value of €4,340,054 thousand, entirely attributed to the Ministry of Economy and Finance.

Section 9 – Subordinated liabilities

The company had no subordinated liabilities.

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 18 (in € thousand)	31 Dec 2011	31 Dec 2010
Provision for unearned premiums		
- Provision for premium instalments	1,338,071	1,205,443
- Provision for unexpired risks	350,000	514,782
Total	**1,688,071**	**1,720,225**
Provision for claims outstanding		
- Provision for claims paid and direct expenses	258,311	207,524
- Provision for settlement costs	2,546	8,053
- Provision for late claims	12,969	36,624
Total	**273,826**	**252,201**

The provision for unearned premiums refers for €684,385 thousand to exposure in foreign currency. The provision for claims outstanding refers for €65,164 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 saving generated by differences between the provision set aside, payments of claims from previous years and claims settled without further action, and the amount of the provision still standing at the end of the year reflect the good level of recoveries from third party debtors. These savings confirm the adequacy of the criteria used to evaluate all foreseeable expenses. The values for direct business and inward reinsurance are shown in the table below:

Table 19 (in € thousand)	DB 31 Dec 2011	IB 31 Dec 2011	DB 31 Dec 2010	IB 31 Dec 2010
Description				
Provision for unearned premiums				
- Provision for premium instalments	1,314,831	23,240	1,186,490	18,953
- Provision for unexpired risks	350,000	-	514,782	-
Carrying value	**1,664,831**	**23,240**	**1,701,272**	**18,953**
Provision for claims outstanding				
- Provision for claims paid and direct expenses	254,425	3,886	203,228	4,296
- Provision for settlement costs	2,546	-	8,053	-
- Provision for late claims	12,969	-	36,624	-
Carrying value	**269,940**	**3,886**	**247,905**	**4,296**

The change in the provision for unexpired risks, calculated according to the credit metrics method, takes into account the global scenario. The assets guarantee coverage of the technical provisions at the end of the year.

10.2 - Equalisation provision

The equalisation provision, of €515,484 thousand, increased with respect to the previous year (€40,256 thousand).

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 €89,505 thousand. These comprise €2,066 thousand for severance pay, €45,106 thousand for deferred tax liabilities and €42,333 thousand for other provisions, the main components of which are listed below:

- €3,713 thousand which refer to litigation in course at the end of the year;
- €20,958 thousand for agreements currently being defined with policyholders;
- €639 thousand allocated on the basis of prudent calculations to be assigned to policyholders by way of shares due;
- €9,733 thousand for potential estimated liabilities with policyholders, due to the non-maturity of said amounts.

Section 13 – Accounts payable and other liabilities – item G

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

Table 20 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Description		
Premium reimbursements	1,107	1,107
Advances for premiums	3,858	989
Front-end expenses	160	188
Amounts due on recoveries	45,877	53,595
Accounts payable to policyholders - item G.I.3.	**51,002**	**55,879**

Amounts due on recoveries include amounts due to policyholders in respect of deductibles on recovered amounts. The change compared to the previous year is due to the payment of the amounts due made in 2011.

13.2 – Amounts due to banks and credit institutions (item G.IV)

This item comprises the amount due to the banks that are counterparties to the credit default swap transaction (€141 thousand).

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 21 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Other tax liabilities	79,412	167,754
Social security	1,720	1,176
Sundry creditors	36,689	65,925
TOTAL	**117,821**	**234,855**

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

Sundry creditors (for a total of €36,689 thousand) mainly comprise amounts due to suppliers for €7,314 thousand against general administrative costs for the year and payables to banks for €18,767 for premiums on foreign exchange options and securities falling due the following year.

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

The information received from the ceding companies on provisional technical income for 2011 was carried forward to the technical account for the following year as deferred reinsurance items. Pursuant to article 42 of Legislative Decree No. 173/97, the claims outstanding provision reported in the balance sheet includes €127 thousand referring to agreements with reinsured companies.

13.8 – Sundry liabilities – item G.IX.3

This item, amounting to a total of €66,347 thousand, comprises amongst others valuation losses on portfolio derivatives (€66,345 thousand) used to hedge foreign currency assets.

Section 14 – Accrued liabilities - item H

14.1 – Separate indication of accrued liabilities for each item.

Table 22 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Interest on loans	0	0
Accrued expenses	**0**	**0**
Deferred payments on rent income	**194**	**151**
Other accrued liabilities	**34**	**26**

14.2 – Breakdown of other accrued liabilities by type (item H.3).

Other accrued liabilities amounted to €34 thousand and refer to deferred payments on services rendered.

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, €3,502,510 thousand fall due after the end of the following year and €2,016,403 thousand after five years. The accounts payable under liability items F and G (€57,324 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 refers to derivatives for a total of €4,459,112 thousand, details of which are given in annex 18. This amount comprises €162,300 thousand representing the notional reference capital for the credit default swap transactions for partial coverage of the insurance policies issued. The counterparties for the instruments traded were leading credit institutions with high ratings.

Derivatives on hand at the end of the year, classified according to purpose, type and expiry date, were as follows:

Table 23 (in € thousand)	**Expiry date**	**EUR**	**USD**
Type			
Exchange rate derivatives	*10-Jan -12*	145,025	
	17-Jan-12		29,451
	18-Jan-12	78,339	
	20-Jan-12		41,058
	23-Jan-12		245,674
	24-Jan-12	125,757	118,965
	25-Jan-12	54,150	
	31-Jan-12	283,503	
	06-Feb-12		98,878
	08-Feb-12	137,101	
	14-Feb-12	278,515	181,275
	16-Feb-12		148,005
	21-Feb-12	117,555	160,000
	28-Feb-12	72,260	
	29-Feb-12	176,605	
	02-Mar-12	103,255	
	09-Mar-12	153,201	
	13-Mar-12	147,098	
	16-Mar-12		186,450
	19-Mar-12	67,295	260,691
	05-Apr-12	95,662	
	15-Aug-12	160,772	
	26-Nov-12	101,626	
	06-Dec-12		170,000
Derivative contracts on securities	*20-Jan-12*	2,460	
Credit derivatives	*20-Mar-12*		80,000
	20-Jun-12		130,000

The effect of exchange rate hedging transactions on items in foreign currency that expired in the year produced a positive balance of €61,139 thousand, while the effect of valuations of existing derivatives at year-end exchange rates and items in foreign currency produced a positive balance of €7,969 thousand. These components are analysed in detail in section 22 of these notes.

Profit & Loss Account

Section 18 Information on the non-life technical account

18.1 - Gross premiums written

Gross premiums written amounted to €336,149 thousand.

In accordance with the applicable legislation, 16 resources were engaged in the provision of internationalisation guarantees, which generated gross premiums of €4,118 thousand.

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

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

Table 24 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Description		
Prior year premiums - direct business (+)	639	92
Prior year premiums - inward reinsurance (+)	2,149	-459
Prior year premiums - ceded business (-)	0	0
Sundry technical income (+)	5,206	4,611
TOTAL	**7,994**	**4,244**

Sundry technical income mainly refers to front-end expenses for the year for €473 thousand and the other technical income arising from the management of insurance contracts for €2,743 thousand.

18.5 – Claims incurred net of recoveries and reinsurance

Table 25 (in € thousand)	**DB 31 Dec 11**	**IB 31 Dec 11**	**Total 31 Dec 11**	**DB 31 Dec 10**	**IB 31 Dec 10**	**Total 31 Dec 10**
Description						
Claims paid for the current year	-35,227	-549	-35,776	-88,362	-2,229	-90,591
Claims paid relating to previous years	-17,034	-596	-17,630	-12,494	-0,17	-12,494
Costs of claims management	-2,319	0	-2,319	-4,187	0	-4,187
Reinsurers' share of claims	607	0	607	0	0	0
Change in recoveries	101,204	145	101,349	164,988	315	165,303
Write-downs of receivables for amounts payable	-33,152	0	-33,152	-66,515	0	-66,515
Write-backs of receivables for amounts payable	141,291	0	141,291	98,272	0	98,272
Losses on amounts due	-19,102	0	-19,102	-31,116	0	-31,116
Change in the provision for claims outstanding	-22,034	410	-21,624	-696	1,729	1,033
Total net claims incurred	**114,234**	**-590**	**113,644**	**59,890**	**-185**	**59,705**

In line with the procedures defined at the time of negotiating subrogation credits, valuation of the credits at presumed realisable value resulted in the changes listed in the table.

The amount of the claims paid during the same year and for claims relating to previous years were completely covered by the specific provisions made.

18.6 – Premium refunds and profit sharing, net of reinsurance – item I.6

Premium refunds, characterised by refunds net of reinsurance, amounted to €1,840 thousand (€17,950 thousand at the end of the previous year).

18.7 - Reinsurance commissions and profit-sharing – item I.7.f.

This item posted a balance at 31 December 2011 of €68 thousand referring exclusively to reinsurance commissions.

Operating expenses – details of this item are given in the table below:

Table 26 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Description		
Collection and acquisition commissions	866	621
Other acquisition costs	16,357	17,400
Other administrative expenses	39,202	39,731
Commissions and profit sharing	-68	-238
Operating expenses	**56,357**	**57,514**

Other acquisition costs comprise reinsurance commissions and general expenses made up of personnel costs (€10,538 thousand) and other general administrative expenses (€5,819 thousand). Other administrative expenses comprise general expenses made up of costs of personnel (€35,244 thousand), other general administrative expenses (€3,357 thousand), depreciation of instrumental assets (€601 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.

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

This item, for €1,438 thousand, refers 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 €40,256 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 for the Italian portfolio 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 27 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Income from shares and interests	116	673
Income from investments in land and buildings	778	622
Income from other investments	193,009	168,605
Value re-adjustments on investments	54,146	26,139
Gains on the disposal of investments	648,667	703,314
TOTAL	**896,716**	**899,353**

Income from other investments (€193,009 thousand) includes €162,227 thousand for interest on government securities and bonds, €140 thousand for interest income on mortgages, €8,580 thousand for interest on time deposits, €2 thousand for proceeds on shares of collective investment undertakings, €9,176 thousand for interest on Carnival notes and €12,762 thousand for interest on the loan to SACE Fct. The value re-adjustment on investments item (€54,146 thousand) refers to forward currency sales for €28,938 thousand (see also section 22 of these notes), upward adjustments on government securities, bonds and shares for €18,266 thousand and the upward adjustment on the interest in SACE Fct, SACE BT and ATI for €6,942 thousand. Gains on the disposal of investments (€648,667 thousand) include €345,569 thousand referring to forward transactions, €251,514 thousand on transactions in derivatives and €51,584 thousand for 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 28 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Investment management charges and other charges	6,452	7,571
Value re-adjustments on investments	576,539	255,924
Losses on the disposal of investments	542,487	590,591
TOTAL	**1,125,478**	**854,086**

Investment management charges and other charges mainly comprise issue differences on government securities (€798 thousand), charges on transactions in derivatives (€443 thousand), investment management charges (€1,702 thousand) and property management charges (€1,849 thousand). Value re-adjustments on investments (€576,539 thousand) refers to forward contracts on transactions in derivatives for €66,345 thousand, losses on government securities, bonds and shares (€509,499 thousand) and depreciation of real estate for €695 thousand. Losses on the disposal of investments (€542,487 thousand) include €466,267 thousand referring to forward transactions, €67,976 thousand on transactions in derivatives and €8,244 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 29 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Compensatory interest on premiums	1	85
Compensatory interest on receivables	25,682	10,748
Interest earned and other income	1,917	2,233
Interest earned on tax credits	15	560
Capital gains on other receivables	5,206	4,087
Profits on exchange rates	22,768	3,456
Utilisation of provisions and non-existent liabilities	36,069	15,354
Valuation gains on exchange rates	71,327	47,185
Revenues from services to affiliates	3,080	3,052
TOTAL	**166,065**	**86,760**

Compensatory interest on receivables (€25,682 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 (€5,206 thousand) refer for €1,763 thousand to collection of compensatory interest, €2,542 thousand for recovery of receivables ex Optimum and €900 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 - (annex 32)

Table 30 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Other non-technical administrative expenses	5,936	5,950
Amortisation of intangible assets	237	323
Additions to risk provisions	6,374	4,963
Exchange losses	28,450	4,889
Valuation exchange losses	4,679	11,865
Other financial charges	3,840	520
Write-downs of receivables - compensatory interest	2,338	1,944
Write-down of other receivables	342	784
Other interest and charges on SPOT transactions	161	129
TOTAL	**52,357**	**31,367**

Exchange losses on valuation (€4,679 thousand) refer for €1,973 thousand to valuation of receivables and payables expressed in foreign currency, and €2,706 thousand for valuation losses on exchange rates, recorded with reference to the current accounts denominated in foreign currency (for more details see section 22 of these notes).

Personnel costs are listed in annex 32.

21.5 – Breakdown of extraordinary income – item III.10

Table 31 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Sundry non-operating income	4,612	2,046
Other extraordinary income	0	7
Other financial income	18	544
TOTAL	**4,630**	**2,597**

Sundry non-operating income reflects reversal of costs accrued in previous years.

21.6 – Breakdown of extraordinary charges – item III.11

Table 32 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Other financial charges from previous years	5	101
Sundry non-operating liabilities	1,559	1,912
TOTAL	**1,564**	**2,013**

Sundry non-operating liabilities include general expenditure accrued from previous years and reductions in value of compensatory interest for previous years.

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

This item, totalling €91,681 thousand, comprises the following:

a) €55,534 thousand for IRES for the year;

b) €22,399 thousand for IRAP for the year;

c) €5,661 thousand for proceeds calculated on taxable amounts transferred by the subsidiaries participating in the consolidated tax scheme;

d) €28,018 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 and IRAP for €14,390 thousand, were calculated on the basis of the reasonable certainty of generating tax liable income in the future such as to enable their recovery. As in the previous year, no prepaid taxes were recognised in relation to subrogation credit write-offs since there is no reasonable certainty as regards the recoverability of such amounts or the period in which such temporary differences will reverse.

e) €10,969 thousand corresponding to transfer to profit and loss of prepaid IRES and IRAP accrued in previous years.

f) €4,996 thousand corresponding to transfer to profit and loss of deferred IRES and IRAP accrued in previous years.

g) €192 thousand corresponding to the change in the rate of IRAP (from 4.97% to 6.82%), pursuant to Italian Legislative Decree 98/2011 applicable to financial 2011.

Current taxes were calculated at the current rate of 27.5% for IRES and 6.82% for IRAP. Prepaid and deferred taxes deriving from temporary changes during the year have been determined according to current rates.

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

Table 33 (in € thousand)	Opening balance		Utilisation 2011		Change in the year		Closing balance	
	Temporary differences	Tax	Temporary differences	Tax	Temporary differences	Tax	Temporary differences	Tax
IRAP								
Type of temporary differences								
Recognised in profit or loss								
Differences giving rise to advance tax assets								
Representation expenses	9	0	(9)	0			0	0
Maintenance	1,880	89	(1,121)	(56)			759	33
Reserve fund	14,290	687	(6,266)	(312)			8,024	375
Provision for claims outstanding	1,317	64	(593)	(29)			724	35
Depreciation on revaluation of property	597	28			298	15	895	43
Change in tax rates		31				192		223
Total	**18,093**	**899**	**(7,989)**	**(397)**	**298**	**207**	**10,402**	**709**

	Opening balance		Utilisation 2011		Change in the year		Closing balance	
	Temporary differences	Tax	Temporary differences	Tax	Temporary differences	Tax	Temporary differences	Tax
IRES								
Type of temporary differences								
Recognised in profit or loss								
Differences giving rise to advance tax assets								
Representation expenses	9	2	(9)	(2)			0	0
Maintenance	7,995	2,199	(2,435)	(670)	1,023	282	6,583	1,811
Reserve fund	18,800	5,170	(1,757)	(483)			17,043	4,687
Provision for claims outstanding	40,486	11,133	(2,407)	(662)	11,352	3,122	49,431	13,593
Auditors' certificate	49	13	(49)	(13)	49	13	49	13
Potential liabilities fund	26,916	7,403	(12,341)	(3,394)	6,374	1,754	20,949	5,762
Fees paid to directors	19	5	(19)	(5)			0	0
Exchange rate valuation losses	63,920	17,579	(11,832)	(3,254)	1,973	542	54,061	14,867
Depreciation on revaluation of property	664	182			332	91	996	273
Valuation losses on listed shares	10,022	2,757	(2,019)	(556)	11,014	3,029	19,017	5,230
Allocation to employee premium	5,577	1,533	(5,577)	(1,534)	5,577	1,533	5,577	1,532
Valuation losses on long-term securities					14,578	4,010	14,578	4,010
Total	**174,457**	**47,976**	**(38,445)**	**(10,573)**	**52,272**	**14,376**	**188,284**	**51,778**
Differences giving rise to deferred tax liabilities								
Exchange rate valuation gains	79,716	21,922	(17,579)	(4,834)	101,885	28,018	164,022	45,106
Valuation gains on listed shares	588	162	(588)	(162)			0	0
Total	**80,304**	**22,084**	**(18,167)**	**(4,996)**	**101,885**	**28,018**	**164,022**	**45,106**
Differences excluded from the determination of advance taxes								
Subrogation credit write-offs - pol. business	55,793						21,304	
Subrogation credit write-offs - com. business	12,666						16,031	
Write downs of other credits - technical business	784						342	
Total prepaid taxes arising from temporary differences		**48,875**		**(10,970)**		**14,583**		**52,487**
Total deferred taxes arising from temporary differences		**22,084**		**(4,996)**		**28,018**		**45,106**

Section 22 – Other information in the Profit and Loss Account

Details concerning relations with group companies are provided in annex 30. Information concerning the distribution by geographical area (Italy, EU, non-EU countries) of direct business premiums written 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 €61,139 thousand, while the effect of valuations of existing derivatives at year-end exchange rates and entries in foreign currency generated a negative balance of €7,969 thousand, as shown in the table below.

Table 34 (in € thousand)	**31 Dec 2011**
REALISED	
Losses on forward contracts and trading	(466,267)
Gains on forward contacts and trading	345,569
Proceeds from derivatives	251,508
Charges on derivatives	(67,438)
Net realised gains (A)	**63,372**
Exchange gains	27,241
Exchange losses	(29,473)
Net realised exchange losses (B)	**(2,232)**
Result realised (A+B)	**61,139**

FROM VALUATION	
Valuation losses on forward contracts and derivatives	(66,345)
Valuation gains on forward contracts and derivatives	28,938
Net valuation losses (C)	**(37,406)**
Exchange gains – valuation of technical provisions	-
Exchange losses – valuation of technical provisions	(1,744)
Exchange losses– valuation of provision for unearned premiums	(19,528)
Exchange gains – valuation of receivables and payables	71,049
Exchange losses - valuation of receivables and payables	(1,973)
Exchange gains – valuation of cash and cash equivalents	279
Exchange losses - valuation of cash and cash equivalents	(2,707)
Net valuation exchange gains (D)	**45,376**
Net exchange gains from valuation (C +D)	**7,969**

PART C — OTHER INFORMATION

CASH FLOW STATEMENT

(in € thousand)	FY 2011	FY 2010
Profit (loss) for the year before tax	**275,645**	**543,929**
Changes in non-cash items	**546,639**	**206,706**
Change in the provision for unearned premiums - non-life business	(30,421)	(68,884)
Change in the provision for claims outstanding and other technical provisions - non-life business	61,880	51,720
Change in the general provision	(6,374)	(4,963)
Non-cash income and expense from financial instruments, investment property and equity investments	522,393	229,784
Other changes	(839)	(951)
Change in receivables and payables generated by operations	**(202,887)**	**(10,557)**
Change in receivables and payables arising from direct insurance and reinsurance business	(84,192)	17,335
Change in other receivables and payables	(118,695)	(27,892)
Tax paid	**(91,681)**	**(177,209)**
TOTAL NET CASH FlOW ARISING FROM OPERATIONS	**527,716**	**562,869**
Net cash flow generated/absorbed by investment property	695	695
Net cash flow generated/absorbed by financial investments	(233,863)	(808,792)
Net cash flow generated/absorbed by plant, property and equipment and intangible assets	835	1,254
TOTAL NET CASH FlOW ARISING FROM INVESTMENT OPERATIONS	**(232,333)**	**(806,843)**
Repayment of share capital		-
Revaluation of receivables	8,307	
Revaluation of property	-	-
Distribution of dividends	(310,000)	(363,313)
Net cash flow generated/absorbed by other financial liabilities	(431)	(361)
TOTAL NET CASH FlOW ARISING FROM LOAN OPERATIONS	**(302,124)**	**(363,674)**
Effect of exchange rate differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**57,150**	**664,798**
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	(6,741)	(607,648)
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**50,409**	**57,150**

SACE S.p.A.

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

The legal representatives of the company

Alessandro Castellano

The Statutory Auditors

Marcello Cosconati

Guido Marchese

Leonardo Quagliata

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

ANNEXES
TO THE NOTES

ANNEXES TO THE NOTES

pursuant to Italian Legislative Decree No. 173/97

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	€ 4,340,053.892	Paid € 4,340,053.892
Registered offices	Roma - Piazza Poli, 37/42	
Companies Register	Rome Reg. No. 142046/99	

	Attachments to the notes to the accounts
FY	**2011**
	(Value in €)

Company **SACE S.p.A.** Financial 2011

BALANCE SHEET NON-LIFE INSURANCE BUSINESS ASSETS

						Current year		
A. SUBSCRIBED CAPITAL UNPAID							1	0
of which called-up capital			2	0				
B. INTANGIBLE ASSETS								
1. Acquisition commissions to be amortised			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	336			10	336
C. INVESTMENTS								
I - Land and buildings								
1. Property used for own activities			11	65,589				
2. Property used by third parties			12	1,860				
3. Other properties			13	0				
4. Other property rights			14	0				
5. Construction in progress and payments on account			15	0	16	67,450		
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	165,609						
c) affiliated companies	19	0						
d) associated companies	20	7,444						
e) other companies	21	0	22	173,053				
2. Debt securities issued by:								
a) controlling companies	23	0						
b) subsidiary companies	24	0						
c) affiliated companies	25	0						
d) associated companies	26	0						
e) other companies	27	0	28	0				
3. Loans to:								
a) controlling companies	29	0						
b) subsidiary companies	30	975,000						
c) affiliated companies	31	0						
d) associated companies	32	0						
e) other companies	33	0	34	975,000	35	1,148,053		
			to be carried forward					336

			Previous year
			181 0
	182 0		
	184 0		
	186 0		
	187 0		
	188 0		
	189 423		190 423
	191 66,570		
	192 1,575		
	193 0		
	194 0		
	195 0	196 68,145	
197 0			
198 158,753			
199 0			
200 7,125			
201 0	202 165,878		
203 0			
204 0			
205 0			
206 0			
207 0	208 0		
209 0			
210 617,600			
211 0			
212 0			
213 0	214 617,600	215 783,478	
	to be carried forward		423

BALANCE SHEET NON-LIFE INSURANCE BUSINESS ASSETS

Current year

				carried forward				336
C. INVESTMENTS (continued)								
III - Other financial investments								
1. Shares and interests								
a) Listed shares	36	28,695						
b) Unlisted shares	37	171						
c) Interests	38	0	39	28,866				
2. Shares in common investment funds			40	601,900				
3. Debt securities and other fixed-income securities								
a) listed	41	4,818,317						
b) unlisted	42	73,500						
c) convertible debentures	43	0	44	4,891,817				
4. Loans								
a) mortgage loans	45	6,598						
b) loans on policies	46	0						
c) other loans	47	0	48	6,598				
5. Shares in investment pools			49	0				
6. Deposits with credit institutions			50	155,000				
7. Other financial investments			51	529,877	52	6,214,058		
IV - Deposits with ceding companies					53	279		
							54	7,429,840
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS								
I - NON-LIFE BUSINESS								
1. Provision for unearned premiums			58	4,553				
2. Provision for claims outstanding			59	0				
3. Provision for profit sharing and premium refunds			60	0				
4. Other technical provisions			61	0			62	4,553
				to be carried forward				7,434,730

							Previous year
			carried forward				423
216	18,750						
217	0						
218	0	219	18,750				
		220	1,146,602				
221	5,143,583						
222	143,396						
223	0	224	5,286,979				
225	7,351						
226	0						
227	0	228	7,351				
		229	0				
		230	70,000				
		231	337,481	232	6,867,163		
				233	297		
						234	7,719,084
		238	6,286				
		239	0				
		240	0				
		241	0			242	6,286
			to be carried forward				7,725,793

BALANCE SHEET NON-LIFE
INSURANCE BUSINESS ASSETS

							Current year	
carried forward								7,434,730
E. RECEIVABLES								
I - Receivables arising out of direct insurance business:								
1. Policyholders								
a) for premiums - current year	71	60,686						
b) for premiums - previous years	72	122	73	60,809				
2. Insurance intermediaries			74	0				
3. Current accounts with insurance companies			75	0				
4. Policyholders and third parties for recoveries			76	513,628	77	574,437		
II - Receivables arising out of reinsurance business:								
1. Insurance and reinsurance companies			78	1,106				
2. Reinsurance intermediaries			79	0	80	1,106		
III - Other debtors					81	354,887	82	930,430
F. OTHER ASSETS								
I - Tangible assets and stocks:								
1. Furniture, office equipment and internal transport vehicles			83	2,254				
2. Vehicles listed in public registers			84	0				
3. Equipment and appliances			85	60				
4. Stocks and other goods			86	122	87	2,435		
II - Cash and cash equivalents								
1. Bank and postal deposits			88	50,408				
2. Cheques and cash in hand			89	2	90	50,409		
III - Own shares or equity interests					91	0		
IV - Other assets								
1. Transitory reinsurance accounts receivable			92	74				
2. Sundry assets			93	34,667	94	34,742	95	87,586
of which connection account with life business			901	0				
G. ACCRUALS AND DEFERRALS								
1. Interests					96	68,997		
2. Rents					97	0		
3. Other accruals and deferrals					98	302	99	69,298
TOTAL ASSETS							100	8,522,045

Previous year

	carried forward		7,725,793
251 69,338			
252 29	253 69,367		
	254 0		
	255 0		
	256 421,865	257 491,231	
	258 119		
	259 0	260 119	
		261 385,587	262 876,938
	263 2,148		
	264 0		
	265 92		
	266 104	267 2,344	
	268 57,147		
	269 3	270 57,150	
		271 0	
	272 615		
	273 17,341	274 17,956	275 77,450
	903 0		
		276 55,611	
		277 0	
		278 891	279 56,503
			280 8,736,684

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS
LIABILITIES AND SHAREHOLDERS' EQUITY

				Current year			
A. SHAREHOLDERS' EQUITY							
I - Subscribed capital or equivalent funds				101	4,340,054		
II - Share premium account				102	0		
III - Revaluation reserve				103	17,923		
IV - Legal reserve				104	160,473		
V - Statutory reserve				105	0		
VI - Reserve for own shares and shares of the parent company				106	0		
VII - Other reserves				107	972,409		
VIII - Profit (loss) brought forward				108	38,384		
IX - Profit (loss) for the year				109	183,963		
- Advances on dividends						110	5,713,206
B. PASSIVITA' SUBORDINATE						111	0
C. SUBORDINATED LIABILITIES							
I - NON-LIFE INSURANCE BUSINESS							
1. Provision for unearned premiums		112	1,688,071				
2. Provision for claims outstanding		113	273,826				
3. Provision for profit sharing and premium refunds		114	0				
4. Other technical provisions		115	0				
5. Equalisation provision		116	515,484			117	2,477,380
	to be carried forward						8,190,586

Previous year		
	281 4,340,054	
	282 0	
	283 9,616	
	284 142,137	
	285 0	
	286 0	
	287 972,409	
	288 0	
	289 366,720	
		290 5,830,936
		291 0
292 1,720,225		
293 252,201		
294 0		
295 0		
296 475,228		297 2,447,654
to be carried forward		8,278,589

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS
LIABILITIES AND SHAREHOLDERS' EQUITY

					Current year		
carried forward							8,190,586
E. PROVISIONS FOR RISKS AND CHARGES							
1. Provisions for pensions and similar obligations			128	2,066			
2. Provision for tax			129	45,106			
3. Other provisions			130	42,333	131	89,505	
F. DEPOSITS RECEIVED FROM REINSURERS					132	0	
G. ACCOUNTS PAYABLE AND OTHER LIABILITIES							
I - Accounts payable arising out of direct insurance business:							
1. Insurance intermediaries	133	0					
2. Current accounts with insurance companies	134	0					
3. Premium deposits and premiums due to policyholders	135	51,002					
	136	0	137	51,002			
II - Accounts payable arising out of reinsurance business:							
1. Insurance and reinsurance companies	138	0					
2. Reinsurance intermediaries	139	0	140	0			
III - Debenture loans			141	0			
IV - Amounts due to banks and credit institutions			142	141			
V - Loans guaranteed by mortgages			143	0			
VI - Sundry loans and other financial liabilities			144	0			
VII - Provision for severance pay			145	6,270			
VIII - Other accounts payable							
1. Taxes payable by policyholders	146	0					
2. Other tax liabilities	147	79,412					
3. Social security	148	1,721					
4. Sundry accounts payable	149	36,689	150	117,822			
IX - Other liabilities							
1. Deferred reinsurance items	151	127					
2. Commissions for premiums in course of collection	152	17					
3. Sundry liabilities	153	66,347	154	66,490	155	241,725	
of which connection account with life business	902	0					
to be carried forward							8,521,816

Previous year

carried forward		8,278,589
	308 2,139	
	309 22,084	
	310 72,154	311 96,377
		312 0
313 0		
314 0		
315 55,880		
316 0	317 55,880	
318 120		
319 0	320 120	
	321 0	
	322 572	
	323 0	
	324 0	
	325 6,489	
326 0		
327 167,754		
328 1,176		
329 65,925	330 234,855	
331 314		
332 12		
333 63,299	334 63,625	335 361,541
904 0		
to be carried forward		8,736,507

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS
LIABILITIES AND SHAREHOLDERS' EQUITY

					Current year
carried forward					8,521,816
H. ACCRUALS AND DEFERRALS					
1. Interests	156	0			
2. Rents	157	194			
3. Other accruals and deferrals	158	34		159	228
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				160	8,522,045

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

			Current year
GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS			
I - Guarantees given			
1. Sureties		161	12
2. Endorsements		162	0
3. Other personal guarantees		163	0
4. Guarantees secured by mortgages		164	0
II - Guarantees received			
1. Sureties		165	4,288
2. Endorsements		166	0
3. Other personal guarantees		167	0
4. Guarantees secured by mortgages		168	0
III - Guarantees issued by third parties in the interest of the company		169	0
IV - Commitments		170	4,459,112
V - Third party assets		171	0
VII - Securities deposited with third parties		173	5,324,029
VIII - Other memorandum accounts		174	0

Previous year

carried forward	8,736,507
336 0	
337 151	
338 26	339 176
	340 8,736,684

Previous year

	341 12
	342 0
	343 0
	344 0
	345 4,221
	346 0
	347 0
	348 0
	349 0
	350 3,326,197
	351 0
	353 6,427,995
	354 0

Company **SACE S.p.A.** Financial 2011

BREAKDOWN OF THE OPERATING RESULT BETWEEN NON-LIFE AND LIFE BUSINESS

			Non-life business		Life business		Total
Balance on the technical account		1	387,633	21		41	387,633
Investment income	+	2	896,716			42	896,716
Investment management and financial charges	-	3	1,125,478			43	1,125,478
Allocated investment return transferred to the life technical account	+			24		44	0
Allocated investment return transferred to the non-life technical account	-	5	0			45	0
Interim result		6	158,871	26		46	158,871
Other income	+	7	166,065	27		47	166,065
Other charges	-	8	52,358	28		48	52,358
Extraordinary income	+	9	4,630	29		49	4,630
Extraordinary charges	-	10	1,564	30		50	1,564
Result before tax		11	275,645	31		51	275,645
Income taxes for the year	-	12	91,681	32		52	91,681
Profit (loss) for the year		13	183,963	33		53	183,963

Company **SACE S.p.A.** Financial 2011

ASSETS - CHANGES IN INTANGIBLE ASSETS (ITEM B) AND LAND AND BUILDINGS (ITEM C.I)

			Intangible assets B		Land and buildings C.I
Gross original value		1	11,114	31	73,081
Increases for the year		2	176	32	0
due to: acquisitions or increases		3	176	33	0
upward adjustments of value		4	0	34	0
revaluations		5	0	35	0
other changes		6	0	36	0
Reductions during the year		7		37	0
due to: sales or reductions		8		38	0
long-term write-downs		9		39	0
other changes		10		40	0
Gross final value (a)		11	11,290	41	73,081
Amortisation:					
Initial value		12	10,691	42	4,936
Increases for the year		13	237	43	696
due to: amortisation and depreciation for the year		14	237	44	
other changes		15	0	45	0
Reductions in the year		16	26	46	0
due to: reductions following disposal		17		47	0
other changes		18		48	0
Final values of amortisation (b) (*)		19	10,954	49	5,632
Carrying value (a - b)		20	336	50	67,449
Current value		21		51	69,900
Total revaluations		22	0	52	0
Total write-downs		23	0	53	0
(*) of which amortisation and depreciation in application of tax laws only		24	0	54	0

Company **SACE S.p.A.** Financial 2011

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)

		Shares and interests C.II.1		Bonds C.II.2		Loans C.II.3
Initial amounts	1	165,878	21	0	41	617,600
Increases during the year:	2	7,175	22	0	42	357,400
due to: acquisitions, subscriptions, issues	3		23	0	43	357,400
upward adjustments of value	4	6,942	24	0	44	0
revaluations	5	0				
other changes	6	233	26	0	46	0
Reductions during the year:	7	0	27	0	47	0
due to: sales or redemptions	8	0	28	0	48	0
write-downs	9		29	0	49	0
other changes	10	0	30	0	50	0
Carrying value	11	173,053	31	0	51	975,000
Current value	12	173,053	32	0	52	975,000
Total revaluations	13	0				
Total write-downs	14	0	34	0	54	0

Item C.II.2 includes:

Listed debt securities	61	0
Unlisted debt securities	62	0
Carrying value	63	0
of which convertible debentures	64	0

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

Financial 2011

ASSETS – INFORMATION REGARDING INVESTEE COMPANIES (*)

Ord. No.	Type	Listed or unlisted	Business activity	Co. name and reg. office	Currency	Share capital		Sharehol-ders' equity (**)	Profit or loss of the previous year (**)	Share held -5		
						Amount	Number			Direct	Indirect	Total
	-1	-2	-3			-4	shares/interests	-4	-4	%	%	%
1	b	NQ	1	Sace BT S.p.A	€	100,000	100,000	108,985	247	100		100
2	b	NQ	2	Sace Fct S.p.A	€	50,000	50,000	56,624	6,610	100		100
3	d	NQ	1	ATI (African Trade Insurance Agency)	USD	148,000	1,480	142,549	-6,822	6.76		6.76

(*) 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
c = Affiliated
d = Associated
e = Others

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

(3) Business activity
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 body

(4) Amounts in original currency

(5) Indicate the total percentage ownership

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

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ASSETS - DETAILS OF INVESTMENTS IN GROUP COMPANIES AND OTHER COMPANIES IN WHICH SIGNIFICANT INTEREST IS HELD: SHARES AND INTERESTS

Ord, No,	Type		Name	Increases in the year			Reductions in the year			Carrying value -4		Purchase	Value
				For purchases		Other	For sales		Other			cost	value
-1	-2	-3		Amount	Value	increases	Amount	Value	increases	Amount	Value		
1	b	D	Sace BT S,p,A			247				100,000	108,985	105,800	108,985
2	b	D	Sace Fct S.p.A			6,610				50,000	56,624	600	56,624
3	d	D	ATI (African Trade Insurance Agency)			319				100	7,444	6,886	7,444
			Totals C.II.1	0	0						173,053	113,286	173,053
	a		Controlling companies										
	b		Subsidiary companies	0	0						165,609	106,400	165,609
	c		Affiliated companies										
	d		Associated companies								7,444	6,886	7,444
	e		Other										
			Total D.I										
			Total D,II										

(1) Must be the same as that shown in annex 6

(2) Type
a = Controlling
b = Subsidiary
c = Affiliated
d = Associated
e = Others

(3) Indicate:
D for non-life business investments (item C.II.1)
V for life business investments (item C.II.1)
V1 for life business investments (item D.I)
V2 for life business investments (item D.2)
The same number must be assigned to the shareholding even if split

(4) Mark (*) if recognised using the net equity method (only for type b and d)

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

Financial 2011

ASSETS - BREAKDOWN OF FINANCIAL INVESTMENTS ACCORDING TO USE: SHARES AND INTERESTS, SHARES OF 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 insurance

	Long-term investment portfolio				Short-term financial assets portfolio				Total			
	Carrying value		Current value		Carrying value		Current value		Carrying value		Current value	
1. Shares and interests:	1	0	21	0	41	28,866	61	28,939	81	28,866	101	28,939
a) listed shares	2	0	22	0	42	28,695	62	28,753	82	28,695	102	28,753
b) unlisted shares	3	0	23	0	43	171	63	186	83	171	103	186
c) other interests	4	0	24	0	44	0	64	0	84	0	104	0
2. Shares of common investment funds	5	0	25	0	45	601,900	65	601,900	85	601,900	105	601,900
3. Bonds and other fixed-income securities	6	1,728,952	26	1,511,744	46	3,162,866	66	3,181,446	86	4,891,817	106	4,693,190
a1) listed government securities	7	1,531,111	27	1,314,383	47	2,603,197	67	2,617,650	87	4,134,308	107	3,932,033
a2) other listed securities	8	197,841	28	197,362	48	486,169	68	490,296	88	684,010	108	687,658
b1) unlisted government securities	9	0	29	0	49	0	69	0	89	0	109	0
b2) other unlisted securities	10	0	30	0	50	73,500	70	73,500	90	73,500		73,500
c) convertible debentures	11	0	31	0	51	0	71	0	91	0	111	0
5. Shares in investment pools	12	0	32	0	52	0	72	0	92	0	112	0
7. Other financial investments	13	0	33	0	53	529,877	73	529,877	93	529,877	113	529,877

II - Life business

	Long-term investment portfolio				Short-term financial assets portfolio				Total			
	Carrying value		Current value		Carrying value		Current value		Carrying value		Current value	
1. Shares and interests:	121	0	141	0	161	0	181	0	201	0	221	0
a) listed shares	122	0	142	0	162	0	182	0	202	0	222	0
b) unlisted shares	123	0	143	0	163	0	183	0	203	0	223	0
c) other interests	124	0	144	0	164	0	184	0	204	0	224	0
2. Shares of common investment funds	125	0	145	0	165	0	185	0	205	0	225	0
3. Bonds and other fixed-income securities	126	0	146	0	166	0	186	0	206	0	226	0
a1) listed government securities	127	0	147	0	167	0	187	0	207	0	227	0
a2) other listed securities	128	0	148	0	168	0	188	0	208	0	228	0
b1) unlisted government securities	129	0	149	0	169	0	189	0	209	0	229	0
b2) other unlisted securities	130	0	150	0	170	0	190	0	210	0	230	0
c) convertible debentures	131	0	151	0	171	0	191	0	211	0	231	0
5. Shares in investment pools	132	0	152	0	172	0	192	0	212	0	232	0
7. Other financial investments	133	0	153	0	173	0	193	0	213	0	233	0

Notes to the financial statements – Annex 9

Company **SACE S.p.A.** Financial 2011

ASSETS - CHANGES DURING THE YEAR IN OTHER LONG-TERM FINANCIAL INVESTMENTS: EQUITIES, SHARES OF COMMON INVESTMENT FUNDS, DEBT SECURITIES 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
Initial amounts	+	1	0	21	0	41	1,717,080	81	0	101	337,481
Increases during the year:	+	2	0	22	0	42	191,185	82	0	102	451,468
due to: purchases		3	0	23	0	43	185,145	83	0	103	394,334
upward adjustments of value		4	0	24	0	44	0	84	0	104	0
transfers from the short-term portfolio		5	0	25	0	45	0	85	0	105	0
other changes		6	0	26	0	46	6,040	86	0	106	57,134
Reductions during the year:	-	7	0	27	0	47	179,313	87	0	107	259,072
due to: sales		8	0	28	0	48	0	88	0	108	
write-downs		9	0	29	0	49	49,921	89	0	109	0
transfers to the short-term portfolio		10	0	30	0	50	0	90	0	110	0
other changes		11	0	31	0	51	129,392	91	0	111	259,072
Carrying value		12	0	32	0	52	1,728,952	92	0	112	529,877
Current value		13	0	33	0	53	1,511,744	93	0	113	529,877

Company **SACE S.p.A.** Financial 2011

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 amounts	+	1	7,351	21	70,000
Increases during the year:	+	2	0	22	2,476,510
due to: issues		3	0	23	2,476,510
upward adjustments of value		4	0	24	
other changes		5		25	
Reductions during the year:	-	6	753	26	2,391,510
due to: repayments		7	753	27	2,391,510
write-downs		8		28	
other changes		9		29	
Carrying value		10	6,598	30	155,000

Company **SACE S.p.A.** Financial 2011

LIABILITIES - CHANGES IN THE NON-LIFE UNEARNED PREMIUMS PROVISION (ITEM C.I.1) AND CLAIMS OUTSTANDING PROVISION (ITEM C.I.2)

Type		Current year		Previous year		Change
Provisions for unearned premiums:						
Provision for premium instalments	1	1,338,071	11	1,205,443	21	132,628
Provision for unexpired risks	2	350,000	12	514,782	22	-164,782
Carrying value	3	1,688,071	13	1,720,225	23	-32,154
Provisions for claims outstanding:						
Provision for refunds and direct expenses	4	258,311	14	207,524	24	50,787
Provision for claim settlement costs	5	2,546	15	8,053	25	-5,507
IBNR provision	6	12,969	16	36,624	26	-23,655
Carrying value	7	273,826	17	252,201	27	21,625

Company **SACE S.p.A.** Financial 2011

LIABILITIES - CHANGE IN PROVISIONS FOR RISKS AND CHARGES (ITEM E) AND FOR EMPLOYEE SEVERANCE INDEMNITIES (ITEM G.VII)

			Provision for pensions and similar		Provision for tax		Other provisions		Severance pay provision
Initial amounts	+	1	2,139	11	22,084	21	72,154	31	6,489
Sums set aside for the year	+	2		12	23,022	22	6,375	32	326
Other increases	+	3		13		23	560	33	
Utilisations for the year	-	4	73	14		24	36,015	34	517
Other reductions	-	5		15		25	741	35	28
Carrying value		6	2,066	16	45,106	26	42,333	36	6,270

Company **SACE S.p.A.** Financial 2011

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	2 165,609	3	4 7,444	5	6 173,053
Debt securities	7	8	9	10	11	12 0
Loans	13	14 975,000	15	16	17	18 975,000
Shares 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	33	34	35	36 0
Deposits with ceding companies	37	38 197	39	40	41	42 197
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
Receivables arising out of insurance business	55	56	57	58	59	60 0
Receivables arising out of reinsurance business	61	62 934	63	64	65	66 934
Other receivables	67	68 3,052	69	70	71	72 3,052
Bank and postal deposits	73	74	75	76	77	78 0
Other	79	80 0	81	82	83	84 0
Total	85 0	86 **1,144,793**	87	88 **7,444**	89	90 **1,152,237**
of which subordinated assets	91 0	92 0	93	94 0	95	96 0

II: Liabilities

	Controlling companies	Subsidiaries	Affiliated companies	Associated companies	Other	Total
Subordinated liabilities	97 0	98	99 0	100 0	101 0	102 0
Deposits received from reinsurers	103 0	104	105 0	106 0	107 0	108 0
Accounts payable arising out of insurance business	109 0	110	111 0	112 0	113 0	114 0
Accounts payable arising out of reinsurance business	115 0	116	117 0	118 0	119 0	120 0
Amounts owed to credit institutions	121 0	122	123 0	124 0	125 0	126 0
Loans guaranteed by mortgages	127 0	128	129 0	130 0	131 0	132 0
Other loans and financial liabilities	133 0	134	135 0	136 0	137 0	138 0
Sundry accounts payable	139	140 1,176	141 0	142 0	143 0	144 1,176
Sundry liabilities	145	146	147 0	148 0	149 0	150 0
Total	151	152 **1,176**	153 0	154 0	155 0	156 **1,176**

Company **SACE S.p.A.** Financial 2011

DETAILS OF CLASSES I, II, III AND IV OF GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

			Current year		Previous year
I.	Guarantees given:				
a)	sureties and endorsements in the interest of parent companies, subsidiaries and affiliates	1		31	
b)	sureties and endorsements in the interest of ass. companies and other companies in which significant interest is held	2	12	32	12
c)	sureties and endorsements in the interest of third parties	3	0	33	0
d)	other personal guarantees in the interest of parent companies, subsidiaries and affiliates	4		34	
e)	other personal guarantees in the interest of associated companies and other companies in which significant interest is held	5		35	
f)	other personal guarantees in the interest of third parties	6		36	
g)	guarantees secured by mortgages given for obligations of controlling companies subsidiaries and affiliates	7		37	
h)	guarantees secured by mortgages for obligations of ass. companies and other companies in which significant interest is held	8		38	
i)	guarantees secured by mortgages for obligations of third parties	9	0	39	0
l)	guarantees issued for obligations of the company	10	0	40	0
m)	assets deposited for inward reinsurance business	11	0	41	0
Total		12	**12**	42	**12**
II.	Guarantees received:				
a)	by group companies, associated companies and other companies in which significant interest is held		0	43	0
b)	by third parties		4,288	44	4,221
Total		15	**4,288**	45	**4,221**
III.	Guarantees issued by third parties in the interest of the company:				
a)	by group companies, associated companies and other companies in which significant interest is held	16	0	46	0
b)	by third parties	17	0	47	0
Total		18	**0**	48	**0**
IV.	Commitments:				
a)	commitments for acquisitions with obligation to re-sell	19	0	49	0
b)	commitments for sales with obligation to buy back	20	0	50	0
c)	other commitments	21	4,459,112	51	3,326,197
Total		22	**4,459,112**	52	**3,326,197**

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

Financial 2011

SCHEDULE OF LIABILITIES FOR TRANSACTIONS ON DERIVATIVES

		Current year				Previous year			
		Purchase		Sale		Purchase		Sale	
Derivatives		(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 2,460	126 -126	46	146	66 608,393	166 -33,227
	on bonds	7	107	27	127	47	147	67	167
	on currencies	8	108	28 1,008,764	128 -18,823	48	148	68 291,841	168 -869
	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 2,208,929	171 -13,343
	on rates	12	112	32	132	52	152	72	172
	other	13	113	33	133	53	153	73	173
Other transactions		14 162,300	114 99	34	134	54 217,033	154 283	74	174
Total		15 162,300	115 99	35 1,011,224	135 -18,949	55 217,033	155 283	75 3,109,164	175 -47,439

NB: - 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 if 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 the settlement price of these must be indicated; in all other cases the nominal value of the reference capital must be indicated.

(2) Indicate the fair value of derivative contracts;

Company **SACE S.p.A.** Financial 2011

SUMMARY INFORMATION RELATING TO THE NON-LIFE TECHNICAL ACCOUNT

		Gross premiums written		Gross premiums for the year		Gross charge for claims		Management costs		Reinsurance balance
Direct business:										
Accident and Health (lines 1 and 2)	1		2		3		4		5	
Land vehicles TPL (line 10)	6		7		8		9		10	
Land vehicle hulls (line 3)	11		12		13		14		15	
Marine, Aviation and Transport (lines 4, 5, 6, 7, 11 and 12)	16		17		18		19		20	
Fire and other damage to property (lines 8 and 9)	21		22		23		24		25	
General TPL (line 13)	26		27		28		29		30	
Credit and suretyship (lines 14 and 15)	31	327,765	32	364,207	33	-113,627	34	55,559	35	1,741
Miscellaneous financial loss (line 16)	36	0	37		38		39		40	
Legal expenses (line 17)	41		42		43		44		45	
Assistance (line 18)	46		47		48		49		50	
Total direct insurance	51	327,765	52	364,207	53	-113,627	54	55,559	55	1,741
Inward reinsurance	56	8,175	57	3,994	58	576	59	845	60	
Total Italian portfolio	61	335,940	62	368,201	63	-113,051	64	56,404	65	1,741
Foreign portfolio	66	209	67	102	68	15	69	22	70	
Grand total	71	336,149	72	368,303	73	-113,036	74	56,426	75	1,741

Company **SACE S.p.A.** Financial 2011

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 in group companies and other companies in which significant interest is held	1		41		81	
Dividends and other income from shares and interests in other companies	2	116	42		82	116
Total	3	116	43		83	116
Income from land and buildings	4	778	44		84	778
Income from other investments:						
Income from bonds of group companies and shareholdings	5		45		85	
Interest on loans to group companies and companies in which significant interest is held	6	12,762	46		86	
Income from shares of common investment funds	7	0	47		87	
Income from debt securities and other fixed-income securities	8	162,227	48		88	162,227
Interest on loans	9	140	49		89	140
Income from shares of investment pools	10	2	50		90	2
Interest on deposits with credit institutions	11	8,580	51		91	8,580
Income from other financial investments	12	9,298	52		92	9,298
Interest on deposits with ceding companies	13	0	53		93	0
Total	14	193,010	54		94	193,010
Value re-adjustments on investments in:						
Land and buildings	15		55		95	
Shares and interests in group companies & other companies in which significant interest is held	16		56		96	
Bonds issued by group companies and companies in which significant interest is held	17		57		97	
Other shares and interests	18	17,532	58		98	17,532
Other debt securities	19	733	59		99	733
Other financial investments	20	35,881	60		100	35,881
Total	21	54,146	61		101	54,146
Income from disposal of investments:						
Surplus on the sale of land and buildings	22		62		102	
Gains on shares and interests in group companies and companies in which significant interest is held	23		63		103	
Income from bonds issued by group companies and other companies in which significant interest is held	24		64		104	
Gains on other shares and interests	25	27,642	65		105	27,642
Gains on other debt securities	26	19,476	66		106	19,476
Gains on other financial investments	27	601,549	67		107	601,549
Total	28	648,667	68		108	648,667
GRAND TOTAL	29	896,716	69		109	896,716

Company **SACE S.p.A.** Financial 2011

DETAILS OF INVESTMENT MANAGEMENT AND FINANCIAL CHARGES (ITEMS II.9 AND III.5)

		Non-life business		Life business		Total
Investment management charges and other charges						
Charges referring to shares and interests	1	0	31	0	61	0
Charges referring to investments in land and buildings	2	1,849	32	0	62	1,849
Charges referring to debt securities	3	798	33	0	63	798
Charges referring to shares of common investment funds	4	0	34	0	64	0
Charges referring to shares in investment pools	5	0	35	0	65	0
Charges referring to other financial investments	6	3,803	36	0	66	3,803
Interest on deposits received from reinsurers	7	0	37	0	67	0
Total	8	6,451	38	0	68	6,451
Value re-adjustments on investments referring to:						
Land and buildings	9	0	39	0	69	0
Shares and interests in group companies and companies in which significant interest is held	10	0	40	0	70	0
Debt securities issued by group companies and companies in which significant interest is held	11	0	41	0	71	0
Other shares and interests	12	217,695	42	0	72	217,695
Other debt securities	13	291,805	43	0	73	291,805
Other financial investments	14	67,040	44	0	74	67,040
Total	15	576,539	45	0	75	576,539
Losses on disposal of investments						
Losses on the sale of land and buildings	16	0	46	0	76	0
Losses on shares and interests	17	511	47	0	77	511
Losses on debt securities	18	7,734	48	0	78	7,734
Losses on other financial investments	19	534,243	49	0	79	534,243
Total	20	542,487	50	0	80	542,487
GRAND TOTAL	21	1,125,478	51	0	81	1,125,478

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

NON-LIFE - SUMMARY LAYOUT OF TECHNICAL ACCOUNT BY LINE OF BUSINESS - ITALIAN PORTFOLIO

			Business code Accident (name)		Business code 02 Health (name)		Business code 03 Motor hulls (name)		Business code 04 Hulls of railway rolling stock (name)		Business code 05 Hulls of aircraft (name)		Business code 06 Ships (name)	
Direct business gross of reinsurance														
Premiums written		+	1	0	1	0	1	0	1	0	1	0	1	0
Change in the provision for unearned premiums (+ or -)		-	2	0	2	0	2	0	2	0	2	0	2	0
Claims incurred		-	3	0	3	0	3	0	3	0	3	0	3	0
Change in sundry technical provisions (+ or -) (1)		-	4	0	4	0	4	0	4	0	4	0	4	0
Balance of other technical income and charges (+ or -)		+	5	0	5	0	5	0	5	0	5	0	5	0
Operating expense		-	6	0	6	0	6	0	6	0	6	0	6	0
Balance on the technical account for direct business (+ or -)	**A**		7	0	7	0	7	0	7	0	7	0	7	0
Balance of reinsurance ceded (+ or -)			8	0	8	0	8	0	8	0	8	0	8	0
Net balance of indirect business (+ or -)	**B**		9	0	9	0	9	0	9	0	9	0	9	0
Change in the equalisation provision (+ or -)			10	0	10	0	10	0	10	0	10	0	10	0
Allocated investment return transferred from the non-technical account			11	0	11	0	11	0	11	0	11	0	11	0
Balance on the technical account (+ or -)	**(A + B + C - D + E)**		12	0	12	0	12	0	12	0	12	0	12	0

			Business code 07 Goods Transported (name)		Business code 08 Fire and Natural Forces (name)		Business code 09 Other Property Damage (name)		Business code 10 Motor TPL (name)		Business code 11 TPL aircraft (name)		Business code 12 Ships TPL (name)	
Direct business gross of reinsurance														
Premiums written		+	1	0	1	0	1	0	1	0	1	0	1	0
Change in the provision for unearned premiums (+ or -)		-	2	0	2	0	2	0	2	0	2	0	2	0
Claims incurred		-	3	0	3	0	3	0	3	0	3	0	3	0
Change in sundry technical provisions (+ or -) (1)		-	4	0	4	0	4	0	4	0	4	0	4	0
Balance of other technical income and charges (+ or -)		+	5	0	5	0	5	0	5	0	5	0	5	0
Operating expense		-	6	0	6	0	6	0	6	0	6	0	6	0
Balance on the technical account for direct business (+ or -)	**A**		7	0	7	0	7	0	7	0	7	0	7	0
Balance of reinsurance ceded (+ or -)	**B**		8	0	8	0	8	0	8	0	8	0	8	0
Net balance of indirect business (+ or -)	**C**		9	0	9	0	9	0	9	0	9	0	9	0
Change in the equalisation provision (+ or -)	**D**		10	0	10	0	10	0	10	0	10	0	10	0
Allocated investment return transferred from the non-technical account	**E**		11	0	11	0	11	0	11	0	11	0	11	0
Balance on the technical account (+ or -)	**(A + B + C - D + E)**		12	0	12	0	12	0	12	0	12	0	12	0

			Business code 13 Non-motor TPL (name)		Business code 14 Credit (name)		Business code 15 Suretyship (name)		Business code 16 Sundry Pecuniary Losses (name)		Business code 17 Legal Fees (name)		Business code 18 Assistance (name)	
Direct business gross of reinsurance														
Premiums written		+	1	0	1	-294,478	1	-33,287	1	0	1	0	1	0
Change in the provision for unearned premiums (+ or -)		-	2	0	2	-32,741	2	-3,701	2	0	2	0	2	0
Claims incurred		-	3	0	3	-102,087	3	-11,540	3	0	3	0	3	0
Change in sundry technical provisions (+ or -) (1)		-	4	0	4		4		4	0	4	0	4	0
Balance of other technical income and charges (+ or -)		+	5	0	5	-2,306	5	-261	5	0	5	0	5	0
Operating expense		-	6	0	6	49,917	6	5,642	6	0	6	0	6	0
Balance on the technical account for direct business (+ or -)	**A**		7	0	7	-381,695	7	-43,146	7	0	7	0	7	0
Balance of reinsurance ceded (+ or -)	**B**		8	0	8	1,741	8	0	8	0	8	0	8	0
Net balance of indirect business (+ or -)	**C**		9	0	9	-4,195	9	-474	9	0	9	0	9	0
Change in the equalisation provision (+ or -)	**D**		10	0	10	35,265	10	3,986	10	0	10	0	10	0
Allocated investment return transferred from the non-technical account	**E**		11	0	11	0	11	0	11	0	11	0	11	0
Balance on the technical account (+ or -)	**(A + B + C - D + E)**		12	0	12	-348,884	12	-39,634	12	0	12	0	12	0

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

Financial 2011

SUMMARY LAYOUT OF TECHNICAL ACCOUNTS FOR ALL LINES OF NON-LIFE BUSINESS ITALIAN PORTFOLIO

		Risks of direct insurance				Risks of indirect insurance				Risks retained	
		Direct insurance 1		Ceded risks 2		Inward reinsurance 3		Retrocessions 4		Total 5 = 1 - 2 + 3 - 4	
Premiums written	+	1	-327.765	11	684	21	-8.175	31	0	41	-335.256
Change in the provision for unearned premiums (+ or -)	-	2	-36.442	12	1.733	22	4.181	32	0	42	-30.528
Claims incurred	-	3	-113.627	13	-607	23	576	33	0	43	-113.659
Change in sundry technical provisions (+ or -) (1)	-	4	0	14	0	24	0	34	0	44	0
Balance of other technical income and charges (+ or -)	+	5	-2.566	15	0	25	-2.096	35	0	45	-4.662
Operating expense	-	6	55.559	16	-68	26	845	36	0	46	56.336
Technical balance (+ or -)		7	-424.841	17	1.741	27	-4.669	37	0	47	-427.769
Change in the equalisation provision (+ or -)	-	8	39.252							48	39.252
Allocated investment return transferred from the non-technical account	+	9	0			29				49	0
Balance on the technical account (+ or -)		10	-385.589	20	1.741	30	-4.669	40	0	50	-388.518

(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

Company **SACE S.p.A.** Financial 2011

SUMMARY LAYOUT OF TECHNICAL ACCOUNTS FOR ALL LINES OF BUSINESS - FOREIGN PORTFOLIO

Section I: Non-life insurance

				Total lines of business
Direct business gross of reinsurance				
Premiums written			1	
Change in the provision for unearned premiums (+ or -)		-	2	
Claims incurred		-	3	
Change in sundry technical provisions (+ or -) (1)		-	4	
Balance of other technical items (+ or -)			5	
Operating expense		-	6	
Balance on the technical account for direct business (+ or -)	**A**		7	
Balance of reinsurance ceded (+ or -)	**B**		8	
Net balance of indirect business (+ or -)	**C**		9	-119
Change in the equalisation provision (+ or -)	**D**		10	1,004
Allocated investment return transferred from the non-technical account	**E**		11	0
Balance on the technical account (+ or -)	**(A + B + C - D + E)**		12	**885**

Section II: Life insurance business

				Total lines of business
Direct business gross of reinsurance				
Premiums written		+	1	0
Claims incurred		-	2	0
Change in the policy liabilities provision and sundry technical provisions (+ or -) (2)		-	3	0
Balance of other technical income and charges (+ or -)		+	4	0
Operating expense		-	5	0
Investment income net of the allocation transferred to the non-technical account (3)		+	6	0
Balance of direct business gross of reinsurance (+ or -)	**A**		7	0
Balance of reinsurance ceded (+ or -)	**B**		8	0
Net balance of indirect business (+ or -)	**C**		9	0
Balance on the technical account (+ or -)	**(A + B + C)**		10	0

(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

Company **SACE S.p.A.** Financial 2011

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	0	2	778	3	0	4	0	5	0	6	778
Dividends and other equities	7	0	8	0	9	0	10	0	11	0	12	0
Income from debt securities	13	0	14	0	15	0	16	0	17	0	18	0
Interest on loans	19	0	20	0	21	0	22	0	23	0	24	0
Income from other financial investments	25	0	26	12,762	27	0	28	0	29	0	30	12,762
Interest on deposits with ceding companies	31	0	32	3	33	0	34	0	35	0	36	3
Total	37	0	38	13,543	39	0	40	0	41	0	42	13,543
Unrealised income and gains on investments for the benefit of policyholders who bear the investment risk and relating to the administration of pension funds	43	0	44	0	45	0	46	0	47	0	48	0
Other income												
Interest on credits	49	0	50	0	51	0	52	0	53	0	54	0
Recovery of administrative expenses	55	0	56	0	57	0	58	0	59	0	60	0
Other income and recoveries	61		62	3,080	63	0	64	0	65	0	66	3,080
Total	67	0	68	3,080	69	0	70	0	71	0	72	3,080
Profits on disposal of investments (*)	73	0	74	0	75	0	76	0	77	0	78	0
Extraordinary income	79	0	80	0	81	0	82	0	83	0	84	0
GRAND TOTAL	85	0	86	16,623	87	0	88	0	89	0	90	16,623

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	0
Interest on subordinated liabilities	97		98		99		100		101		102	0
Interest on deposits from reinsurers	103		104		105		106		107		108	0
Interest on debts from insurance business	109		110		111		112		113		114	0
Interest on debts from reinsurance business	115		116		117		118		119		120	0
Interest on debts towards banks and financial institutions	121		122		123		124		125		126	0
Interest on mortgages	127		128		129		130		131		132	0
Interest on other debts	133		134		135		136		137		138	0
Losses on credits	139		140		141		142		143		144	0
Administrative and third party charges	145		146		147		148		149		150	0
Other charges	151		152		153		154		155		156	0
Total	157		158	0	159		160		161		162	0
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	0	164	0	165	0	166	0	167	0	168	0
Losses on disposal of investments (*)	169	0	170	0	171	0	172	0	173	0	174	0
Extraordinary charges	175	0	176	0	177	0	178	0	179	0	180	0
GRAND TOTAL	181	0	182	0	183	0	184	0	185	0	186	0

(*) With reference to the counterparty in the operation

Company **SACE S.p.A.** Financial 2011

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	327,765	5	0	11	0	15	0	21	327,765	25	0
in other EU countries	2	0	6	0	12	0	16	0	22	0	26	0
in third countries	3	0	7	0	13	0	17	0	23	0	27	0
Total	4	327,765		0	14	0	18	0	24	327,765	28	0

Company **SACE S.p.A.** Financial 2011

STATEMENT OF COSTS RELATING TO PERSONNEL, DIRECTORS AND STATUTORY AUDITORS

I: Staff costs

		Non-life business		Life business		Total
Personnel costs:						
Italian portfolio:						
- Wages	1	31,590	31	0	61	31,590
- Social contributions	2	8,327	32	0	62	8,327
- Severance payments and other obligations	3	1,983	33	0	63	1,983
- Other staff costs	4	5,884	34	0	64	5,884
Total	5	47,784	35	0	65	47,784
Foreign portfolio:						
- Wages	6	810	36	0	66	810
- Social contributions	7	214	37	0	67	214
- Other staff costs	8	151	38	0	68	151
Total	9	1,174	39	0	69	1,174
Grand total	10	48,959	40	0	70	48,959
Costs of self-employed personnel:						
Italian portfolio	11	1,243	41	0	71	1,243
Foreign portfolio	12	32	42	0	72	32
Total	13	1,275	43	0	73	1,275
Total cost of workforce	14	50,234	44	0	74	50,234

II: Details of items entered

		Non-life business		Life business		Total
Investment management charges	15	1,276	45	0	75	1,276
Claims incurred	16	1,749	46	0	76	1,749
Other acquisition costs	17	10,983	47	0	77	10,983
Other administrative costs	18	36,226	48	0	78	36,226
Administrative charges and charges for third parties	19	0	49	0	79	0
	20	0	50	0	80	0
Total	21	50,234	51	0	81	50,234

III: Average number of staff

		Number
Managers	91	25
Employees	92	417
Salaried staff	93	0
Others	94	0
Total	95	442

IV: Directors and auditors

		Number		Fees
Directors	96	5	98	929
Auditors	97	3	99	55

SACE S.p.A.

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

The legal representatives of the company

Alessandro Castellano

The Statutory Auditors

Marcello Cosconati

Guido Marchese

Leonardo Quagliata

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

Certification of the Financial Statements Pursuant to article 13, para. 10.8 of the corporate bylaws of SACE S.p.A.

We the undersigned, Alessandro Castellano, in my capacity as Chief Executive Officer and Roberto Taricco, 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 2011.

The adequacy of the administrative and accounting procedures used to prepare the financial statements for the year ended at 31 December 2011 was assessed on the basis of a process defined by SACE in accordance with generally recognised international standards.

We also hereby certify that:

- the financial statements for the year ended at 31 December 2011:
  - correspond to the results of company records and accounting entries;
  - were drawn up in accordance with 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 comprises a reliable analysis of performance and operating results and of the state of affairs of the company togheter with the description of the main risks and uncertainties to which it is exposed.

Rome, 27 marzo 2012

Chief Executive Officer	Executive Officer
Alessandro Castellano	Roberto Taricco
SACE S.p.A.	SACE S.p.A.

AUDITORS' REPORT

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 31 DECEMBER 2011

Dear Shareholders,

This report has been drawn up by the board of statutory auditors pursuant to the provisions of art. 2429, section two of the Italian Civil Code.

During the year ended at 31 December 2011 we carried out our duties, pursuant to the provisions of art. 2403 of the Italian Civil Code, in accordance with the principles of conduct of the board of statutory auditors as recommended by the Italian National Council of Accountants and Tax Advisers.

The financial statements for the year ended at 31 December 2011 were provided to us by the board of directors, together with the relative detailed statements and annexes and their report on operations, in accordance with the requirements of company law and legislation governing the specific area of business of SACE S.p.A.

We were not called upon to perform financial auditing and therefore, during the period of reference, we acted in an entirely supervisory capacity. Thus, in line with current legislation and best practice, this report consists of a single section. It is not concerned with auditing activities, which are the responsibility of the independent auditors appointed for that purpose, namely PricewaterhouseCoopers S.p.A., although reference is made to their report.

We held 8 meetings in 2011, producing records of these in specific minutes that were provided to senior management; we attended all the meetings of the corporate bodies and received information about operations and the most significant transactions without delay from the board of directors, company managers and the other supervisory bodies, and are satisfied that all operations approved and implemented comply with the law and the corporate bylaws, do not contradict previous decisions and are in line with the principles of correct administration, and we can reasonably state that they are consistent with the size of the company and its assets.

The resolutions of the board of directors were always preceded by adequate analyses and clearly grounded, enabling us to exclude any plainly rash or risky decisions or potentially involving conflicts of interest.

We fostered and gathered an adequate flow of information concerning aspects of corporate life as provided by the explanations, clarifications and details supplied, also pursuant to art. 2381 of the Italian Civil Code, by the legal representative and the heads of the specific departments.

The operating result was consistent with the business plan defined by the board of directors and the latter periodically provided information about any differences, preparing adequate reports.

We did not note any extraordinary or unusual transactions with respect to the “characteristics” of the corporate purpose.

Operations with group companies were implemented to rationalise management and improve cost-effectiveness. In that respect, in 2011 the company submitted notification of renewal of its adhesion to the national consolidated tax scheme for the three-year period 2011-2013 in order to establish a single tax basis for IRES with its SACE BT S.p.A. and SACE SRV S.r.l. subsidiaries for the related three-year period. In 2009 this option was also extended to include the SACE Fct S.p.A. subsidiary (for the three-year period 2009-2011). I

We monitored the adequacy of the company's organisational structure, also by gathering information from the respective department managers, examining the work of the independent auditors and through functional links with the boards of statutory auditors of the SACE BT S.p.A. and SACE Fct S.p.A. subsidiaries; this showed the organisational 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 internal auditing department, which also gave rise to detailed analyses and flows of information concerning the effectiveness of corrections that had been proposed and implemented.

The information we gathered from the supervisory body concerning the adequacy of the organisational, management and control model implemented pursuant to Italian legislative Decree No. 231 of 2001 confirmed the absence of any indications of weakness in the model.

Functions are well distributed within the board of directors and consistent with the mandates conferred.

In that respect we made recommendations and extended our supervision to verify the effective separation of responsibilities as regards the various tasks and functions.

PricewaterhouseCoopers S.p.A, the independent auditors, did not report any irregularities in the recording and disclosure of corporate facts nor, as far as the financial statements are concerned, any discrepancies with respect to the accounting standards and valuation criteria adopted in previous years, thus confirming the compliance of those used in order to give a true and fair view of the company's assets, liabilities, costs and revenues for the year ended at 31 December 2011.

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 report on operations.

We did not receive any petitions or complaints pursuant to article 2408 of the Italian Civil Code.

* * * * *

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 net profit amounting to €183,963,403.00, as follows:

- €9,198,170, equal to 5% of the net profit, to the legal reserve;
- €14,578,643 to other reserves;
- €160,186,590, in accordance with resolutions to be passed by the meeting of shareholders.

Rome, 13 April 2012

The Statutory Auditors

Dr. Marcello Cosconati (Chairman)

Dr. Leonardo Quagliata (Standing Auditor)

Dr. Guido Marchese (Standing Auditor)

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholder of
SACE SpA – Servizi Assicurativi del Commercio Estero

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

1 We have audited the separate financial statements of SACE SpA – Servizi Assicurativi del Commercio Estero as at 31 December 2011. The directors of SACE SpA – Servizi Assicurativi del Commercio Estero are responsible for the preparation of these financial statements in compliance with the laws governing the criteria for their preparation. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the standards on auditing issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For performing our engagement we were supported by the actuary-auditor who set out his opinion about the sufficiency of the technical reserves recorded in the balance sheet liabilities of SACE SpA – Servizi Assicurativi del Commercio Estero through his report hereto attached.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 8 April 2011.

3 In our opinion, the separate financial statements of SACE SpA – Servizi Assicurativi del Commercio Estero as of 31 December 2011 comply with the laws governing the criteria for their preparation; accordingly, they have been prepared clearly and give a true and fair view of the financial position and of the results of operations of the Company.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Catania** 95129 Corso Italia 302 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10122 Corso Palestro 10 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37135 Via Francia 21/C Tel.0458263001

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4 The directors of SACE SpA – Servizi Assicurativi del Commercio Estero are responsible for the preparation of a report on operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion the report on operations is consistent with the separate financial statements of SACE SpA – Servizi Assicurativi del Commercio Estero as of 31 December 2011.

Rome, 13 April 2012

PricewaterhouseCoopers SpA

Signed by

Antonio Dogliotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

ACRA

PRESIDENTE
Prof. Paolo De Angelis

SOCI
Dott. Paolo Nicoli
Dott. Fabio Baione
Dott. Andrea Fortunati

PARTNERS
Dott. Eraldo Antonini
Dott. Francesco Maria Matricardi
Dott.ssa Susanna Levantesi
Prof. Massimiliano Menzietti

To the auditors
PRICEWATERHOUSECOOPERS S.P.A.
Largo Angelo Fochetti, 29
00154 Roma

Rome, April 12th 2012

OBJECT: SACE S.P.A.
Financial Statements as at and for the year ended December 31st 2011

In accordance with my engagement, I have carried out an actuarial audit of the captions relating to the technical reserves included in the balance sheet liabilities of the financial statements of SACE S.p.A as at and for the year ended December 31st 2011, in order to express my opinion on the adequacy of the above technical reserves.

In particular I declare that SACE S.p.A. in calculating technical reserves as at December 31st 2011 has adopted:

- market-consistent models for risk credit reserves, and
- market-consistent parameters estimation.

In my opinion the technical reserves of SACE S.p.A. as at December 31st 2011 - taken as a whole - are adequate to describe the value of Company liabilities.

The Actuary

Signed by

(Prof. Paolo De Angelis)

Prof. PAOLO DE ANGELIS
ORDINE NAZIONALE ATTUARI
N° 548
ATTUARIO

"This report has been translated from the original issued according with Italian rules".

ASSOCIAZIONE
PER LA CONSULENZA
E LA RICERCA ATTUARIALE

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CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

SACE GROUP

SACE S.p.A.

Registered Office and Head Office in Rome

Share capital (fully paid in) €4,340,053,892

Tax No. and Rome Companies Register

No. 05804521002 – R.E.A. 923591

Sole Shareholder the Ministry of Economy and Finance

Company officers and Boards

BOARD OF DIRECTORS

Chairman

Giovanni CASTELLANETA

CEO (*)

Alessandro CASTELLANO

Directors

Ludovico Maria GILBERTI
Carlo MONTICELLI
Gianmaria SPARMA

BOARD OF STATUTORY AUDITORS

Chairman

Marcello COSCONATI

Standing Auditors Guido MARCHESE
Leonardo QUAGLIATA

Alternate Auditors Carlo PONTESILLI
Alessandra D'ONOFRIO

Standing delegate of the Court of Auditors

Antonio FRITTELLA

External Auditors (**)

PRICEWATERHOUSECOOPERS S.p.A.

Company boards appointed by the shareholders' meeting of 24 June 2010 and in office for three years
(*) Appointed CEO by resolution of the board of directors on 6 July 2010
(**) Appointed for the three-year period 2010 - 2012 by the shareholder's meeting of 15 June 2010

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DIRECTORS' REPORT

DIRECTORS' REPORT

1. THE ECONOMIC SCENARIO

Growth and the European debt crisis

The growth rate of world GDP slowed in 2011, in terms of purchasing power parity, to 3.8%. Economic growth proceeded at two different speeds. The crisis that started in 2008 worsened again in the summer causing the already weak economic situation to deteriorate further. The markets of emerging economies continued to outperform those in developed countries and the difference in growth rates between the two groups increased (from 4 percentage points in 2010 to 4.6 in 2011). In early 2011 several factors indicated that the economies of the industrialised countries were heading for a downturn. Of these, high unemployment rates and significant fiscal imbalances in the euro area were of particular concern. The explosion of the sovereign debt crisis in the eurozone caused spreads on sovereign debt of several countries, including Italy and Spain, to shoot up. Waning market confidence, initially confined to more peripheral European countries such as Greece, Portugal and Ireland, subsequently spread to more core economies. 2011 saw the introduction of a series of drastic fiscal adjustments and the establishment of a 500 billion euro permanent rescue fund called the European Stability Mechanism which will become operational in July 2012. Countries in the euro area reported a slowdown in growth. In the United States, GDP grew at below its potential rate, though there were signs of recovery in domestic demand in the second half of the year. The Japanese economy entered recession as a consequence of the earthquake and subsequent tsunami.

The emerging markets and country risk

The emerging countries enjoyed relatively brisk growth in 2011. Total output increased at a rate of 5.4%, driven in particular by the economies of Asia and Latin America. However, in the second half of the year even the strongest of the emerging markets, such as the BRIC countries, began to feel the effects of global economic imbalances. The perception of country risk, which had already risen in 2010, remained high throughout 2011. As a consequence of the crisis, investors started to consider exposure to sovereign risk as a fundamental factor, even in countries of Western Europe. Risks linked to political and institutional revolts continue to be the focus of attention in North Africa, especially Egypt and Libya. Iran is facing growing international pressure over its nuclear development programme. The situation in Syria has deteriorated and the country now hovers on the brink of outright civil war, the outcome of which is extremely uncertain. Given the turmoil in financial markets, investors are having to pay particular attention to the analysis of each country's macroeconomic fundamentals. Countries with sizeable imbalances in their public finances, a current account deficit and low currency reserves need to be approached with caution, as they would be more vulnerable should the crisis in the euro area deepen.

Exports and export credit in Italy

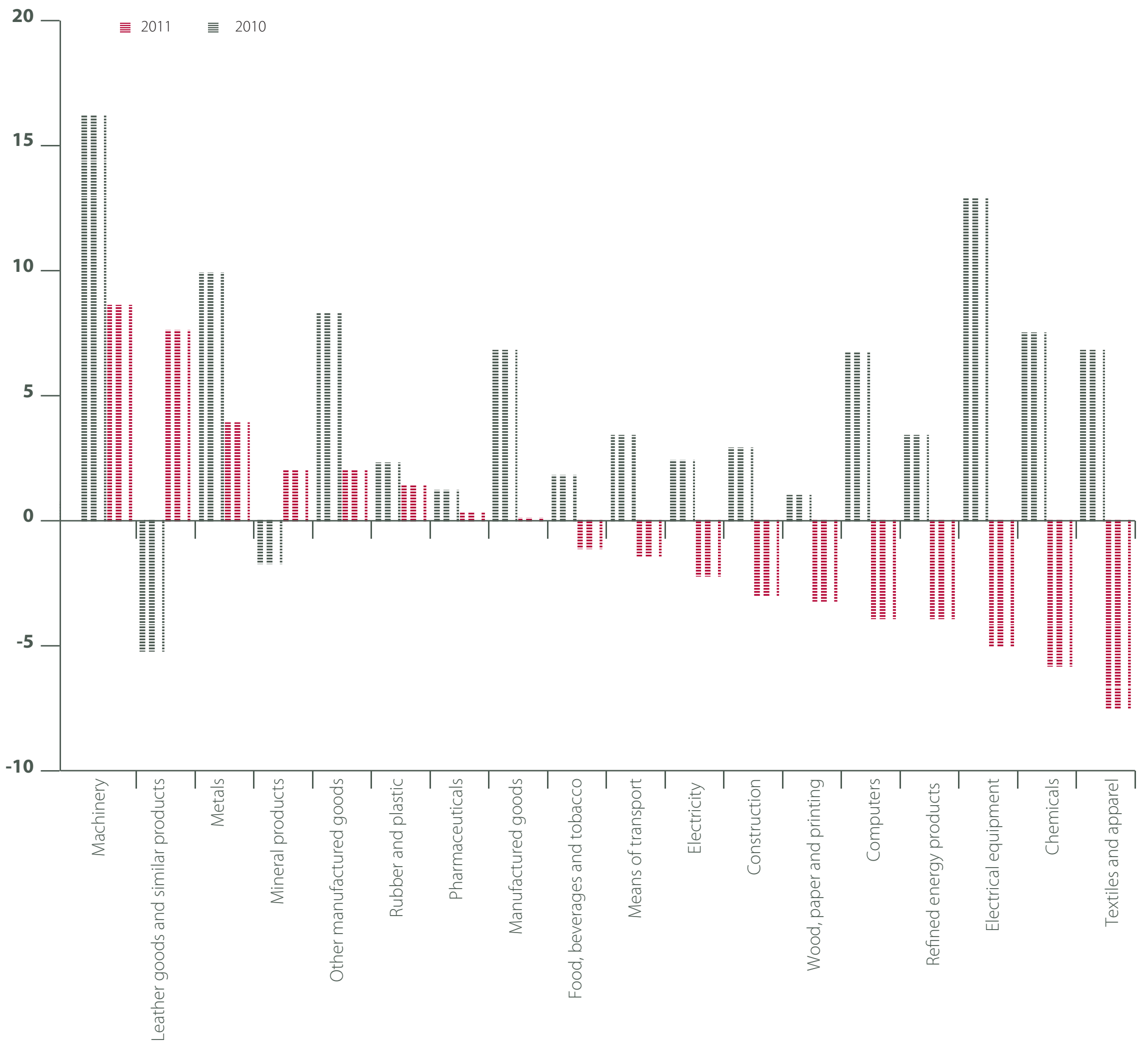
International trade was affected by the “two-speed” pace of growth in 2011. In the second half of the year the growth in world trade volumes fell by almost half compared to the first six months. Overall in 2011, international trade increased by 5.6%, six percentage points less than in 2010. The value of Italian exports, only marginally affected by the slowdown, increased by 11.4%. Exports to Latin America, and especially to Brazil and Mexico, grew at the fastest rate, increasing by around 25%. Exports to Asia also increased, though slowing slightly compared with 2010. Exports of capital goods – the main drivers of demand for export credit insurance - grew at a rate of 10.7%. This contributed to good performance in the most traditional area of business of SACE S.p.A., which was, however, undermined by turmoil in the interbank market and heightened investors’ risk aversion towards Italian government debt. The liquidity premium started to rise again. Banks began to tighten loans to back foreign trade as they experienced a shortage of liquid funds; in some cases borrowing costs soared. The drop in the price of Italian bonds not only affected demand for SACE’s insurance products but also had negative repercussions on the company’s financial management.

The situation in Italy: economy and industry

The Italian economy grew at an overall rate of 0.5% in 2011, slowing compared to 2010 and entering a new technical recession in the second half of the year. Rising inflation, unemployment and borrowing costs had a negative impact on household spending and business investments; private demand slowed, albeit only partially, as a consequence of the fiscal adjustments introduced in the second half of the year. Net exports, however, made a positive contribution to GDP. Industrial production remained unchanged: production volumes continued to stand at 16% less than the average for 2007 and just 6% higher than in 2009. The various product categories recorded differences in performance in 2011, but overall industrial output stagnated. The poorest performers were intermediate and consumer goods, sectors that are more frequently associated with recurrent sales to the same counterparties and the application of shorter terms of payment, i.e. sources of demand for credit insurance. There was a more marked polarisation of growth rates in the various sectors towards the end of the year, but with an overall tendency towards negative territory. Mechanical engineering, a sector that is better positioned to take advantage of more dynamic geographical areas, was among the best performers. This was followed by metals and rubber and plastic products. The household appliances sector suffered negative growth as a result of weak demand for household products, computers and electronics. Negative growth was also reported by the chemicals sector, which was also affected by a reduction in stocks, and by textiles and apparel, with the exception of top-of-the-range fashion products.

Production fell in several manufacturing sectors

(% change)



Source: calculations by SACE SRV based on ISTAT data

Liquidity, insolvencies and payments

The decline in domestic demand was gradually reflected in weaker demand for credit by manufacturing industries. Growth in bank loans thus slowed, also due to the fact that banks gradually tightened their lending criteria in the wake of significant financial tensions associated with the sovereign debt crisis. Despite a slight improvement in the quality of bank assets as the economy recovered, non-performing loans continued to represent a significant proportion of all loans and banks were therefore less willing to lend. This had a positive impact on demand for factoring arrangements. According to estimates by Assifact, in 2011 turnover in this sector increased by 22%, to

€168 billion, and accounted for 10% of GDP. Total receivables amounted to more than €57 billion, growing at a similar pace. Apart from an initial growth period, the results of SACE Fct reflect these market trends.
According to the 2011 European Payment Index, in Italy the delay in payment of invoices by public sector enterprises rose from 86 to 90 days in 2011, with an average delay of 180 days, compared to the European average of 65. Insolvency rates rose by 7% in 2011, with more than 12,000 firms going out of business. The construction and services industries were most severely affected, while the number of bankruptcy proceedings in the manufacturing industry fell. It should be noted, however, that this sector has seen a sharp rise in the number of insolvencies over the past few years. There were repercussions on the claims rate in the credit insurance sector, especially towards the end of the year, but not to such an extent as to unbalance the technical accounts. The rise in the number of bankruptcies also had a negative effect on credit recovery activities, which will be the core activity of SACE SRV in 2012.

2. STRATEGY

The already difficult macroeconomic climate of the last two years deteriorated further in the second half of 2011. As market perception of Italy's solvency deteriorated and banks faced a shortage of liquid funds, SACE's customers experienced a significant hike in borrowing costs which had a negative impact on their foreign investments and export credit operations. Nonetheless, during the year SACE confirmed or launched a series of initiatives in response to lending constraints, which look set to persist. As well as strengthening its presence in Italy, with new offices that are already operational or opening soon in Verona, Pesaro and Florence, SACE entered into agreements with international brokers to open up new channels for promoting its services and products. It launched specific projects to upgrade the on-line channel and signed partnership agreements with trade associations and other institutional bodies with a view to reaching as many corporate clients as possible. SACE extended its buyer credit facility under the Export Banca scheme by strengthening its partnership with Cassa Depositi e Prestiti. It also worked to foster closer partnerships with the banking system and with the European Investment Bank to define framework agreements, especially addressing SMEs.
SACE BT, the subsidiary that operates in the credit, surety and construction risk insurance sector, achieved its objective of breaking even in 2011 having embarked on a turnaround plan in 2009 which covered all technical and organisational aspects of the company. In view of the worsening macroeconomic climate, prudent policies in terms of risk assumption, pricing and management of insurance contracts with a negative underwriting performance will remain in place for 2012.
In its second year as a fully operational factoring company, SACE Fct continued to pursue its mission of supporting business relations between suppliers and customers, especially public sector customers, by providing factoring and reverse factoring arrangements, pooling transactions with leading market operators and defining framework agreements with public sector bodies (regional, provincial and municipal councils) and major distribution agreements such as that with Poste Italiane to promote the "Reverse Factoring P.A." product. SACE Fct is awaiting the decision by Banca d'Italia, which is due to be issued in the first half of 2012, concerning its inclusion in the Single Register of Financial Intermediaries.

In line with the three-year industrial plan for 2011-2013, which was renewed in November, the group confirmed its increasing focus on customer centricity and on expanding and integrating the product offering. The ultimate aim is to develop a complete suite of solutions and promote the full range of group products for use by business enterprises.

3. CONSOLIDATED NET PROFIT

The main highlights of 2011 operating performance are set forth below.

(in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Gross premiums	*442,292*	*532,843*
Change in technical provisions	*-99,467*	*93,580*
Outward reinsurance premiums for the year	*-42,293*	*-35,466*
Net premium income	300,533	590,957
Net claims incurred	-46,019	37,701
Operating expenses:	97,186	97,840
Commissions and other acquisition expenses	*32,126*	*32,288*
Investment management charges	*5,426*	*6,751*
Other administrative expenses	*59,634*	*58,801*
Income and expense on financial instruments at fair value through profit or loss	-572,503	-205,703
Income from other financial instruments and investment property	209,792	196,670
Expense relating to other financial instruments and investment property	5,810	1,307
Other income	509,596	399,378
Other expense	179,194	231,967
Pre-tax profit	**211,247**	**612,487**
Tax	-71,727	-202,663
Net profit for the year	**139,520**	**409,824**

Group interest in the net profit for the year amounted to €139.5 million. The components that contributed to determining the result for the period are set forth below:

- at €442.3 million, there was a y/y decrease in gross premiums (€532.8 million in 2010). This reduction was forged by the drop of around 20% in premium income in the parent company's credit business.
- net charges for claims, amounting to €46 million, were affected by claims paid for €91.5 million, the €23.6 million change in the claims outstanding provision and the change in recoveries for €161.1 million;
- operating expenses (€97.2 million) were basically in line with those for the previous year;
- the non-technical account fell compared to 2010, reflecting valuation losses on bonds in the securities portfolio following the worsening of the European debt crisis.

4. INSURANCE OPERATIONS

Premiums

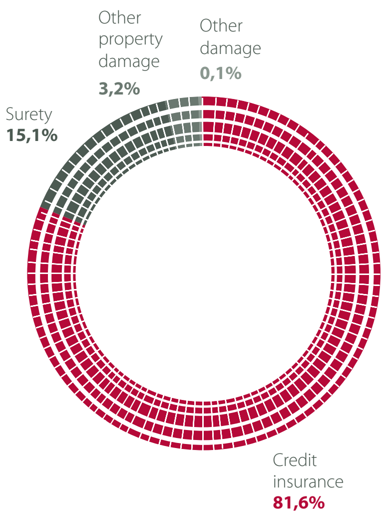
In 2011, the SACE group reported gross premiums for €442.3 million, of which €431.4 million from direct business and €10.9 million from inward reinsurance. The y/y decrease in premiums was approx. 17%.

Breakdown of premiums

(in € thousand)	2011	2010	Change compared to 2010
Business			
Non-life (direct business)	431,393	527,604	-18.20%
Credit insurance	*352,028*	*469,333*	*-25.00%*
Surety	*65,143*	*44,063*	*47.80%*
Other property damage	*13,673*	*13,492*	*1.30%*
Non-motor TPL	*309*	*441*	*-29.90%*
Fire	*176*	*198*	*-11.10%*
Accident	*64*	*77*	*-16.90%*
Health	*0*	*0*	*Ns*
Life (direct business)	0	0	Ns
Total Direct Business	431,393	527,604	-18.20%
Total Indirect Business	10,899	5,239	>100.0%
Total	**442,292**	**532,843**	**-17.00%**

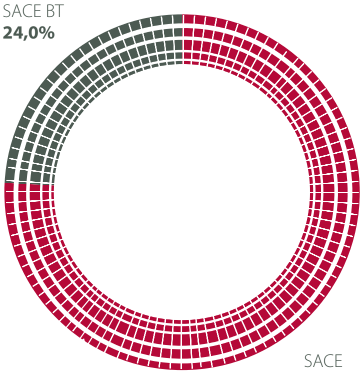
In terms of ratio of the individual classes of business to gross premiums from direct business, 81.6% of the premiums stemmed from credit insurance, 15.1% from surety bond insurance and 3.2% from other property damage.

Details of premiums by class (direct business)



Of gross premiums from direct business, 76.0% refer to SACE while the remaining 24.0% refer to SACE BT.

Details of premiums by group company (direct business)



Claims and recoveries

Claims paid by SACE S.p.A. during 2011 (€55.7 million) were lower than in the previous year (€107.3 million). There was a general rise in defaults. The cash flow from sovereign credit recoveries amounted to around €84.2 million. As regards commercial recoveries, these amounted to a total of some €8.4 million in 2011.

Claims paid by the SACE BT subsidiary amounted to €56.8 million (€74.3 million at 31 December 2010). The cost of claims followed different trends according to type of business:

- in the credit insurance business there was an 8% decrease in defaults reported compared to 2010 while the average cost of claims remained substantially stable. Recovery activities, starting from when claims are reported and continuing after settlement, enabled 18.5% of claims to be closed without follow-up in the pre-settlement phase, 7 points down on 2010;
- in the surety business there was a 14% reduction in the number of claims but an increase in the average cost of claims;
- the other property damage insurance business reported a 5% reduction in the number of claims reported and a 16% increase in the cost of claims.

5. RISK MANAGEMENT

5.1 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 in order to improve risk-adjusted performance. The risk identification, measurement and control phases are essential factors in joint evaluation of company assets and liabilities. They are performed using the most effective asset liability management techniques.

The company implements its risk management system in accordance with the applicable legal requirements[1]. Risk management follows a set of procedures based on a three-pillar approach:

- Pillar I introduces a minimum capital requirement for the risks that financial and insurance institutions typically face (technical risk, counterparty risk, market risk and operational risk);
- Pillar II requires group companies 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.

The most significant risks to which each group company is exposed are listed below:

- **technical risk:** meaning **underwriting risk and credit risk**[2]. The former refers to the risk of loss or adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions; the latter is the risk of default or the downgrading of counterparties' credit rating. Both risks are managed by adopting prudent pricing and provisioning strategies, which are defined according to market best practice, 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 models.

1 For SACE Fct Circular No. 216 of 5 August 1996 – 7th version as updated on 9 July 2007 "Supervisory instructions for financial intermediaries registered with the "Special List" issued by Banca d'Italia", for SACE BT and SACE S.p.A. ISVAP Regulation No. 20 of 26 March 2008, European Solvency II Directive No. 2009/138 and SACE group guidelines.

2 Underwriting risk applies to SACE S.p.A. and SACE BT

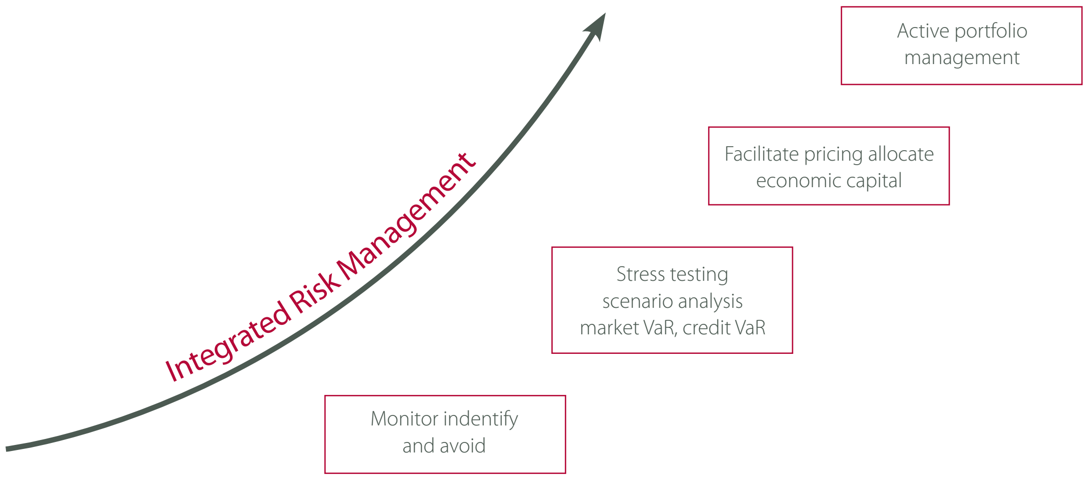
- **Operational risk**: the risk of losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. SACE and SACE BT conduct periodic self-assessments of potential operational risk factors and use a loss data collection process to measure and record their operating losses. These data represent the input of the process for measuring and controlling operational risks in accordance with current regulations. Similar loss data collection and self-assessments will also be implemented by SACE Fct with a view to developing a more efficient and complete risk management system.
- **Liquidity risk**: the risk of being unable to meet financial obligations due to the inability to liquidate investments and other assets. For SACE and SACE BT the liquidity risk is not significant as 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. SACE Fct is in the process of defining a specific liquidity risk management procedure to meet prudential regulatory requirements.
- **Concentration risk**: the risk relating to exposure to counterparties, groups of related counterparties and counterparties in the same economic sector or that carry out the same activity or are from the same geographical region;
- **Interest rate risk**: specific to the business of SACE Fct and with respect to assets other than those held for trading; it relates to exposure of the company's earnings and book capital to adverse changes in interest rates.

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

- **Reputation risk**: the risk of damage to the company's image and conflict with policyholders, 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 systems in addition to specific internal procedures directed towards regulating all group operations.
- **Strategic risk**: the current and prospective impact on earnings or capital arising from ineffective changes in activities or inappropriate business plans, improper implementation of decisions or failure to respond to changes in the competitive environment.

5.2 THE ROLE OF RISK MANAGEMENT

As part of an integrated process, the risk management division formulates and implements risk management activities for the entire group, 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 within the group.



The risk management division:

- proposes methods, develops models and systems for measurement and monitoring of risk and internal capital, and makes recommendations regarding the relative provisions, using methods such as VaR and portfolio scoring, in accordance with the applicable supervisory regulations
- implements the procedures for measurement and integrated control of the risk/return ratio and the creation of value by individual risk taking units and monitors correct allocation of economic capital, in line with the related company guidelines;
- assists with defining the operational autonomy of company offices, reporting any breaches of the limits to the board of directors, senior management and the offices concerned;
- ensures the measurement and integrated control of overall risk exposure by defining the procedures for identifying, assessing, monitoring and reporting risks, including scenario analysis and stress tests;
- supports the corporate offices involved in calculating provisions;
- issues periodic reports on changes in the risks assumed and the presence of any anomalous situations and exceeding of limits, and submits these to the board of directors, senior management and office supervisors;
- monitors activities aimed at optimising capital structure, managing reserves and liquidity (ALM);
- cooperates with other internal and external control functions and bodies, to which it sends periodic reports
- coordinates activities to ensure compliance with capital adequacy regulations.

Risk governance is entrusted to the following bodies:

- the management committee: examines and shares 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;
- the risk committee:[3] examines underwriting, indemnities, restructuring and other significant operations and assesses their permissibility compatibly with the risk management guidelines drawn up by the risk management division;
- the major risks committee:[4] examines positions characterised by significant exposure, analyses trends, prospects and management aspects associated with the concentration of underwriting risks (country risk, sector risk, counterparty risk) and financial risks; it also defines guidelines and proposes methods for improving the overall quality of the portfolio, preventing the deterioration of exposures and making recovery procedures more effective;
- the claims committee: analyses trends in large claims and defines management guidelines for SACE BT;
- the business coordination committee: examines and approves group client portfolio proposals to be submitted to the business development manager and monitors attainment of the goals defined; defines criteria for assigning customers/products to the various companies within the group and decides upon their allocation in the event of any overlapping; assesses the advisability of developing new business actions/opportunities at group level according to strategic guidelines.
- the product committee: examines, processes and modifies policy proposals relating to existing and new products (commercial, risk, remuneration, organisational, legal aspects, etc.), assessing their overall impact on company business; defines the guidelines for development of new products, examines and manages any overlapping of group product portfolios;
- the board of directors: approves strategies, procedures, management policies and organisational aspects.

5.3 GUARANTEE AND CREDIT PORTFOLIO

Total exposure of the parent company, calculated as the sum of performing credits and outstanding guarantees (principal and interest) amounted to €34.6 billion, rising by 5.7% and continuing the upward trend of recent years. In particular, the guarantee portfolio increased by 5.4%, while the receivables portfolio showed a 24.2% increase in sovereign credits and an 80.7% rise in trade receivables. The total portfolio of SACE BT continued its upward trend: overall exposure amounted to €36.8 billion, rising by 2.39%.

SACE Fct reported total receivables relating to invoices factored gross of value adjustments for €1.2 billion, up 51.7% compared to the end of 2010.

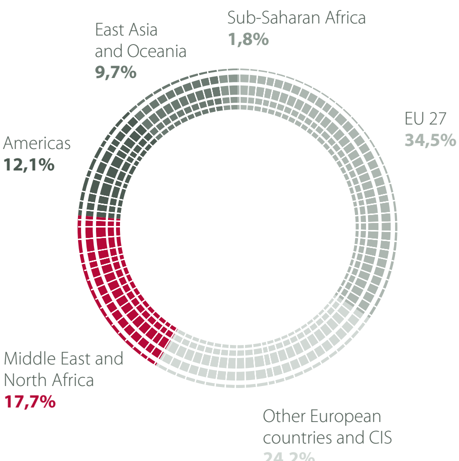
3 The commitments committee for SACE Bt and the credit committee for SACE Fct
4 The risk committee for SACE BT and SACE Fct

(in € million)	2011	2010	Var. vs 2010
Portfolio			
SACE	**34,645.80**	**32,774.00**	**5.71%**
Outstanding guarantees	*33,928.10*	32,202.60	*5.36%*
- principal	*28,884.90*	27,249.50	*6.00%*
- interest	*5,043.20*	4,953.20	*1.82%*
Performing credits	*717.7*	571.3	*25.63%*
SACE BT	**36,849.90**	**35,991.10**	**2.39%**
Short-term credit	*15,579.30*	*13,847.40*	*12.51%*
Surety Italy	*7,478.90*	*7,371.50*	*1.46%*
Other property damage	*13,791.70*	*14,772.25*	*-6.64%*
SACE Fct	**1,219.60**	**804**	**51.70%**
Outstanding credits	*1.219.60*	*804*	*51.70%*

SACE

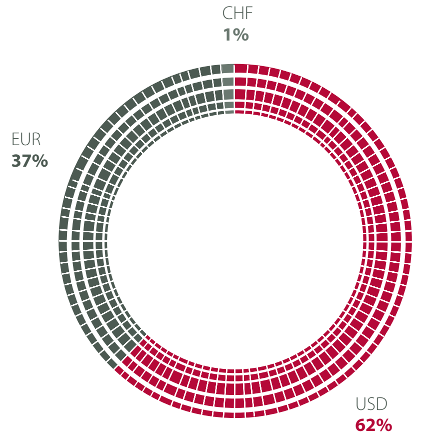
In terms of geo-economic area, EU countries accounted for the highest exposure (34.5%, compared with 32.5% in 2010). There was also an increase in exposure towards the Americas (+12%) and East Asia and Oceania (+8.4%). Exposure in Sub-Saharan Africa fell by 4.25% and in the Middle East and North Africa by 2.20%. Levels of exposure in other European and CIS countries were more or less unchanged.

SACE: total exposure by geo-economic area



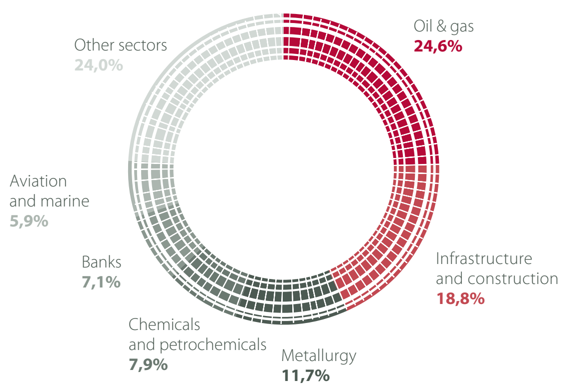
Credits in dollars fell from 67% in 2010 to 62% in 2011. 45% of the parent company's guarantee portfolio is denominated in the same currency. Exchange rate risk on the credit and guarantees portfolios is mitigated partly though the natural hedge provided by management of the provision for unearned premiums, and partly via the asset-liability management techniques adopted by the company.

SACE: credit portfolio by original currency



In terms of exposure by industrial sector, concentration remained high in five sectors that accounted for 70% of the portfolio of outstanding guarantees (principal only). The biggest sector continued to be oil & gas, which accounted for 24.6% of the portfolio, followed by infrastructure and construction (18.8%) and metallurgy (11.7%). Exposure in the banking sector fell and represented 7% of the portfolio (compared with 8.7% the previous year) while that in the chemicals and petrochemicals sector rose to account for 8% and in the aircraft and shipping sector to 6%.

SACE: guarantee portfolio by industrial sector



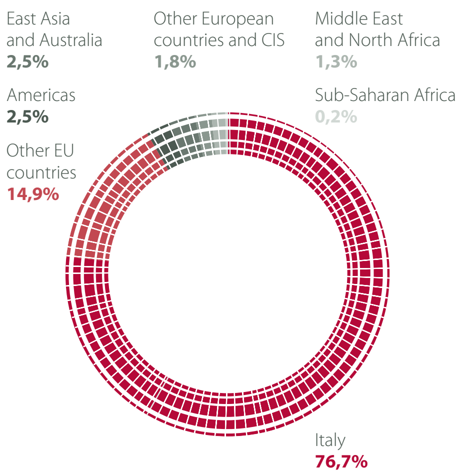
SACE BT

Credit insurance business

Nominal exposure[5] in the credit insurance business amounted to €15.6 billion, a y/y increase of 12.5%. The number of buyers also rose by 11% compared with 2010. Exposure was concentrated in EU countries (91.6%), with Italy alone representing 76.7%.

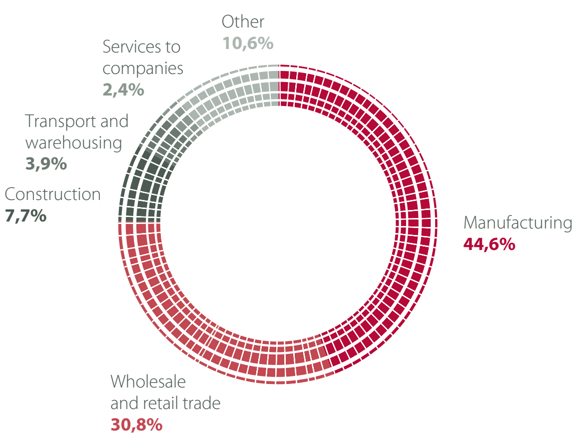
5 Limits net of compulsory excess

SACE BT: nominal exposure by geo-economic area (credit business)



The first two industrial sectors[6] in terms of nominal exposure were manufacturing and wholesale and retail trade, which accounted for 75.5% of exposure.

SACE BT: exposure by industrial sector (credit business)

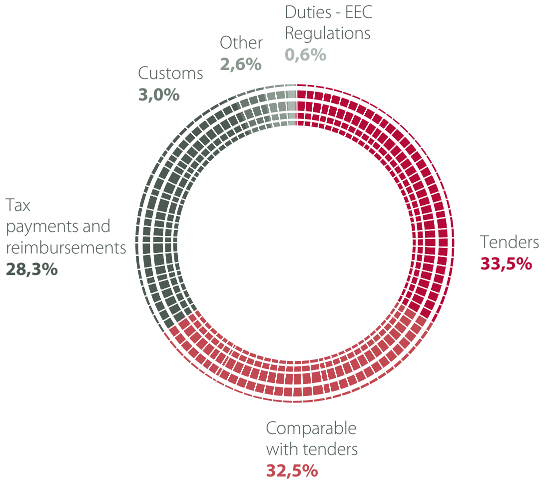


Surety business

Nominal exposure in the surety business amounted to €7.5 billion, unchanged with respect to 2010. The main products were guarantees for contracts (66.9%) and for tax payments and reimbursements (28.3%).

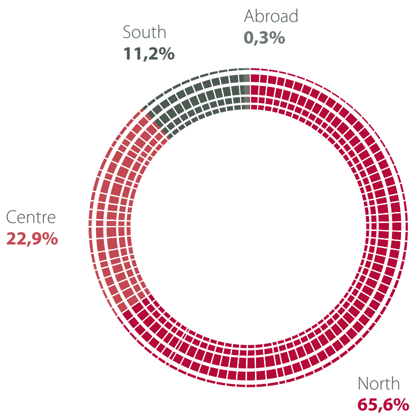
6 ATECO 2007 classification system

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



In terms of nominal exposure by geographical area, Northern Italy alone represented 65.6% of the total. Central Italy represented about 22.9% of the portfolio.

SACE BT: nominal exposure by geographical area (surety business)

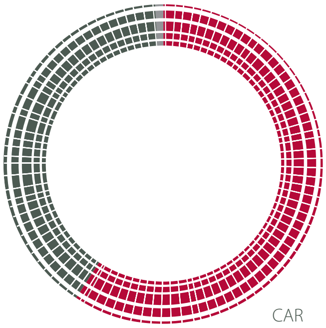


Other property damage business

Exposure[7] in the other property damage business amounted to €13.8 billion, down 6.6% on the previous year.

7 Considers the effect of exclusions, deductibles and compensation limits.

SACE BT: exposure by type of policy (other property damage business)



SACE Fct

SACE Fct reported total receivables, meaning the sum of receivables purchased net of receivables collected and credit notes, of €1.219 million (+51.7% compared to 2010). The company ended the year with a turnover of €1.315 million (an increase of 48.6% compared with 2010). Net income for the period stood at €870 million. At the end of the year, creditors numbered 190 (36 in 2010) while debtors numbered 2.743[8] (2,419 in 2010), of which 95% in the public sector. Total receivables refer mainly to without-recourse factoring arrangements, which accounted for 92.3% of the total; recourse factoring transactions increased from 4.7% in 2010 to 7.7% in 2011.

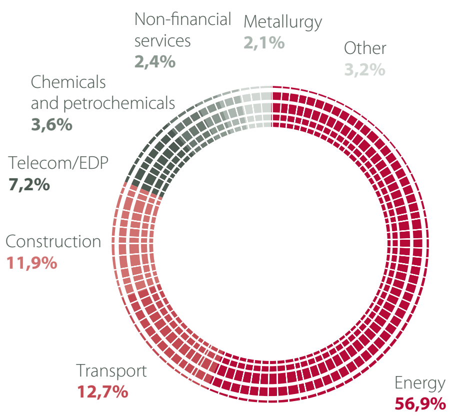
Total receivables

(in € million)	2011	2010	Change
Non-recourse	1,126.2	766.1	47.0%
Recourse	93.4	38.0	145.8%
SACE Fct	**1,219.6**	**804.1**	**51.7%**

The main industrial sectors for SACE Fct's business are energy (56.9%), followed by transport (12.7%) and construction (11.9%).

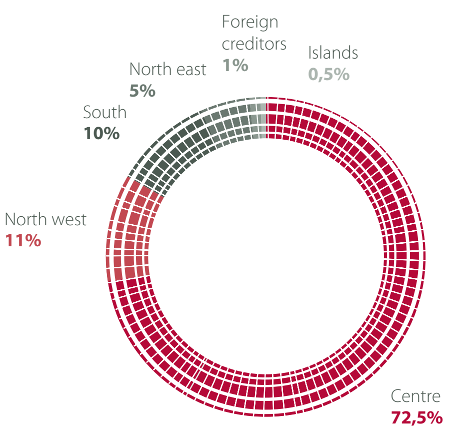
8 Net of debtors in the "household consumer" category.

SACE Fct: total receivables by industrial sector of the supplier



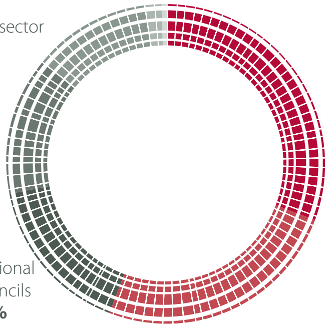
In terms of geographical area, business continued to be mainly generated by customers based in central (72.5%) and north-western Italy (11%).

SACE Fct: Total receivables by geographical area of the supplier



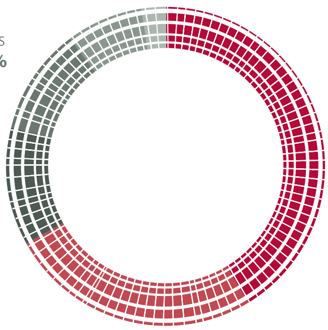
The breakdown of total receivables according to the sector of debtors shows the biggest concentration among public sector customers (74.5% of the total); there was, however, a significant increase in customers in the "companies" sector (which accounted for 25% compared to 13% in 2010).

SACE Fct: total receivables by economic sector of debtors



In terms of distribution of total receivables by geographical area of debtors, the highest concentration was in central Italy, reflecting the location of central government customers. The increase in customers in north-western and north-eastern Italy and subsequent contraction of those in the south and islands should also be underlined. The number of foreign debtors also increased. These accounted for 2.5% of the total at the end of the year.

SACE Fct: total receivables by geographical area of debtors



5.4 SECURITIES PORTFOLIO

Financial management consists of adopting an asset-liability management (ALM) strategy to ensure effective overall risk management. This activity confirmed values in line with the limits defined for each group company and each type of investment. These limits are fixed to ensure prudent and efficient asset management, aimed at controlling portfolio risks and maintaining these within previously defined limits. Value-at-Risk models are used to quantify the capital absorbed.

	Non-current	Investment	Total	%
Asset Class				
Bonds	1,764.0	3,889.1	5,653.1	75.3
Collective investment undertakings	-	601.9	601.9	8.0
Shares	-	28.9	28.9	0.4
Money Market	-	1,219.3	1,219.3	16.3
Total	**1,764.0**	**5,739.3**	**7,503.2**	**100.0**

The portfolio consists for 75.3% of bonds, for 8% of shares of collective investment undertakings comprising bonds and shares, 0.4% of shares and the remaining 16.3% of money market instruments.

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

SACE breakdown of securities portfolio by rating

	%
Rating	
AAA	2.8
AA+	0.4
AA	0.1
AA-	0.3
A+	0.7
A	76.1
Other	19.6
Total	**100.0**

5.5 Sensitivity Analysis

Quantitative prospective tests were carried out using the sensitivity analysis model for overall group investments, and individually for debt securities, equities and collective investment undertakings. Stress tests were calculated by simulating increases and decreases in credit spreads and parallel shift in interest rate curves.

The results revealed good performance of the portfolio in all scenarios. For stress tests which have a negative effect on the portfolio potential losses were higher than in 2010: in particular, the estimated loss in case of a 50% increase in spreads for investment grade counterparties rose from €51 million to €138 million. A 100% increase in all credit spreads continued to represent the main default condition, with losses increasing from €119 million at the end of 2010 to €325 at the end of 2011 (this is explained by the higher absolute value of such spreads). Although the loss would be substantial, in absolute terms, it would only represent 7.3% of the market value of the investment portfolio. The good performance of the portfolio was thus confirmed, even under conditions of stress and in extremely dramatic scenarios affecting all financial markets. On the other hand, stress tests with a positive effect on the portfolio (narrowing of credit spreads) produced excellent results, generating potential gains that were more than 100% higher than in 2010, for example: a 50% reduction in credit spreads would generate a profit of €219 million. The overall results confirmed the good performance of the portfolio and its resilience to stress scenarios, confirming the adoption of an extremely prudential investment policy approach.

Stress Test

(€ million)	Effect on the Trading Portfolio
10% reduction in share prices	- 31
25% increase in credit spread	- 75
50% increase in credit spread	- 163
100% increase in credit spread	- 325
50% increase in spreads for investment grade counterparties	- 138
100 bps increase in all spreads (Credit Rate Shock)	- 60
Interest rates increased by 100 bps	+ 6
25% reduction in credit spread	+ 115
50% reduction in credit spread	+ 219

Scenario analysis, based on important economic-financial events, produced excellent results and only a slight loss (of €5 million) associated with interest rate hike fears. For all other scenarios there was an average increase of more than 100% compared to 2010. In dramatic shock scenarios affecting all financial markets, these tests confirmed the adoption of an extremely prudential investment policy approach, underlining the importance of using financial instruments (ETFs) which are negatively correlated with market and credit risks.

Scenario Analysis	Effect on the Trading Portfolio (€ million)	Description of Scenario
Interest Rate Hike Fears	- 5	March 2002: 1 month Euribor at 3.35%, the market reacts to fears of inflation and a surge in the property market. US 10Y Govt +21.4%, EU 10Y Govt +10.9%
Small Cap Worries	+ 14	July 2002: a recession hitting low cap companies in China fuelled uncertainty about growth in the region and increased global risk aversion. S&P500 -15.6%, US 10Y Govt -34.4%, Dax Index -25.7%
Euro Weakens	+ 45	January 1999: the single European currency was adopted and the euro fell sharply against the USD
USA in recession	+ 67	March 2001: economic and financial recession in the USA
11 September 2001	+ 21	11 September 2001: shock on the world share indexes and collapse of returns on bonds.

6. HUMAN RESOURCES

At 31 December 2011, group employees totalled 689, an increase of 5% compared to the previous year. In 2011, 83 people were hired and 50 left the group.

Distribution of staff by grade

	SACE	SACE BT	SACE Servizi	SACE Fct	Totale	Distribution
Grade						
Senior managers	25	7	1	3	36	5.22%
Managers	190	43	3	10	246	35.70%
Clerical staff	228	143	14	18	403	58.49%
Sales staff	-	4	-	-	4	0.59%
Total	**443**	**197**	**18**	**31**	**689**	**100%**

Over the years, the staff recruitment and management policies have resulted in a reduction in average age (with fewer people in the first and third age groups and more in the second) and an increase in the average level of education (the number of university graduates rose by 1.6%). 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. TOEFI, TOEIC).

Distribution of staff by age group

	%	Change compared to 2010
Age group		
Under 25	1.4%	-46%
Between 26 and 35	38.1%	5.54%
Between 36 and 55	54.4%	-1.45%
Over 55	6.1%	0%

Distribution of staff by qualification

	%	Var. vs 2010
Qualification		
Degree	65%	1,6%
Secondary school certificate/other	35%	-2.8%

The company implements training programmes to strengthen the specific skills required by the various business areas, develop the managerial and leadership qualities needed to manage complexity and change and support knowledge creation and sharing. The group continued to provide training schemes for all employees. These included languages (General and Business English) and managerial courses (People Management, Lean Sigma, Effective Communication, Problem Solving, etc.), in addition to the courses required by law (e.g. Italian Legislative Decrees 231/01, 196/2003 and 81/08).

7. DISTRIBUTION NETWORK AND MARKETING ACTIVITY

Having strengthened its network of regional offices in Italy, the group is now better equipped to meet its customers' needs and has a closer understanding of local entrepreneurial, banking and corporate activity. These offices have brought SACE closer to the small and medium-sized enterprises located throughout Italy, also through partnerships and agreements with local banks.

The group continued its policy of extending its multi-channel distribution network to improve coverage of the entire territory.

8. AUDITING, INTERNAL CONTROL AND ORGANISATIONAL MODEL UNDER LEGISLATIVE DECREE 231/01

The group adopts a system of prevention and control based on two main elements:

- the organisational, management and control model pursuant to Italian Legislative Decree 231/2001 governing the administrative liability of legal entities, companies and associations including those without legal status (each company within the group has its own specific model);

- the code of conduct, which sets out the values and principles with which directors, auditors, reporting accountants, managers, staff, co-workers and third parties who have relations with group companies are all expected to comply. Although the code of conduct is distinct from the organisational model pursuant to Italian Legislative Decree 231/2001, the two are related in that they are both an integral part of the prevention and control system.

Each company within the group has its own supervisory body that is charged with overseeing the application, appropriateness and implementation of the model and must act within its authority to investigate any violations of the code of conduct.

As required under the relevant banking and insurance regulations and in line with market best practice, group companies have adopted the appropriate measures to detect, measure and control the risks inherent in their business, also in view of the scope and complexity of their activities. These internal controls consist of the rules, procedures and organisational structures aimed at ensuring compliance with corporate strategies, efficacy and efficiency of company procedures, safeguarding of the company's assets and protection against losses, reliability and integrity of accounting, financial, operational and administrative data and compliance with laws, supervisory regulations and internal procedures.

The parent company carries out its own internal auditing, compliance and risk management activities and provides SACE BT and SACE Fct with this service under outsourcing agreements.

9. RESEARCH AND DEVELOPMENT

The only research and development expenses refer to costs for the launching of new products. These were charged directly to income as occurred.

10. SHARE STRUCTURE AND SHARE CAPITAL

The parent company does not own treasury shares and its subsidiaries do not hold any shares in the parent either directly or through trust companies or nominees.

11. MAIN EVENTS IN EARLY 2011 AND BUSINESS OUTLOOK

On the basis of the results for the opening months of the year, the earnings prospects assumed in the 2011-2013 industrial plan are confirmed.

Rome, 27 March 2012

on behalf of the board of directors

CEO

Alessandro Castellano

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET
ASSETS

(in € thousand)		Total 31.12.11	Total 31.12.10
1	**INTANGIBLE ASSETS**	**15,776**	**16,502**
1.1	Goodwill	7,655	7,658
1.2	Other intangible assets	8,121	8,844
2	**PROPERTY, PLANT AND EQUIPMENT**	**70,656**	**79,273**
2.1	Real property	67,148	76,057
2.2	Other property, plant and equipment	3,508	3,216
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**104,042**	**99,717**
4	**INVESTMENTS**	**7,667,327**	**7,915,266**
4.1	Investment property	21,141	12,970
4.2	Equity investments in subsidiaries, associates and joint ventures	7,444	7,125
4.3	Held-to-maturity investments	1,763,988	1,738,687
4.4	Loans and receivables	1,325,822	862,222
4.5	Available-for-sale financial assets	-	-
4.6	Financial assets at fair value through profit or loss	4,548,932	5,294,262
5	**OTHER RECEIVABLES**	**992,550**	**841,939**
5.1	Receivables arising out of direct insurance business	946,240	795,116
5.2	Receivables arising out of reinsurance business	3,028	11,239
5.3	Other receivables	43,282	35,584
6	**OTHER ASSETS**	**250,006**	**285,519**
6.1	Non-current assets or of a disposal group held for sale	-	-
6.2	Deferred acquisition costs	-	-
6.3	Deferred tax assets	113,281	63,884
6.4	Current tax assets	92,739	180,917
6.5	Other assets	43,986	40,718
7	**CASH AND CASH EQUIVALENTS**	**78,299**	**84,368**
	TOTAL ASSETS	**9,178,656**	**9,322,584**

CONSOLIDATED BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

(in € thousand)		Total 31.12.11	Total 31.12.10
1	**SHAREHOLDERS' EQUITY**	**6,202,168**	**6,364,342**
1.1	**Group interest**	**6,202,168**	**6,364,342**
1.1.1	Capital	4,340,054	4,340,054
1.1.2	Other equity instruments	-	-
1.1.3	Capital reserves	-	-
1.1.4	Retained earnings and other equity reserves	1,722,594	1,614,464
1.1.5	(Treasury stock)	-	-
1.1.6	Reserve 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	-	-
1.1.9	Net group interest in the profit (loss) for the year	139,520	409,824
1.2	**Minority interest**	-	-
1.2.1	Capital and reserves - minorities	-	-
1.2.2	Gains (losses) taken directly to equity	-	-
1.2.3	Minority interest in the profit (loss) for the year	-	-
2	**PROVISIONS**	**46,525**	**76,060**
3	**TECHNICAL PROVISIONS**	**2,342,117**	**2,214,794**
4	**FINANCIAL LIABILITIES**	**170,639**	**188,441**
4.1	Financial liabilities at fair value through profit or loss	66,485	63,833
4.2	Other financial liabilities	104,154	124,608
5	**ACCOUNTS PAYABLE**	**182,775**	**193,447**
5.1	Accounts payable arising out of direct insurance business	52,826	58,905
5.2	Accounts payable arising out of reinsurance business	15,908	38,709
5.3	Other accounts payable	114,041	95,833
6	**OTHER LIABILITIES**	**234,432**	**285,500**
6.1	Liabilities of a disposal group held for sale	-	-
6.2	Passività fiscali differite	139,368	98,134
6.3	Current tax liabilities	83,484	170,479
6.4	Other liabilities	11,580	16,887
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**9,178,656**	**9,322,584**

CONSOLIDATED INCOME STATEMENT

(in € thousand)		Total 31.12.11	Total 31.12.10
1.1	Net premiums	300,533	590,957
1.1.1	Gross premiums for the year	342,826	626,423
1.1.2	Outward reinsurance premiums for the year	-42,293	-35,466
1.2	Commissions receivable	7,611	777
1.3	Income and expense on financial instruments at fair value through profit or loss	-572,503	-205,703
1.4	Income from equity investments in subsidiaries, associates and joint ventures	-	-
1.5	Income from other financial instruments and investment property	209,792	196,670
1.5.1	Interest income	208,765	195,591
1.5.2	Other income	1,027	1,079
1.5.3	Realised gains	-	-
1.5.4	Valuation gains	-	-
1.6	Other income	501,985	398,601
1	**TOTALE REVENUES AND INCOME**	**447,418**	**981,302**
2.1	Net claims incurred	-46,019	37,701
2.1.1	Amounts paid and changes to technical provisions	-23,748	49,109
2.1.2	Reinsurers' share	-22,271	-11,408
2.2	Commission expense	123	137
2.3	Expense relating to equity investments in subsidiaries, associates and joint ventures	-	359
2.4	Expense relating to other financial instruments and investment property	5,687	948
2.4.1	Interest expense	1,827	782
2.4.2	Other expense	188	166
2.4.3	Realised losses	0	0
2.4.4	Valuation losses	3,672	0
2.5	Operating expenses	97,186	97,840
2.5.1	Commissions and other acquisition expenses	32,126	32,288
2.5.2	Investment management charges	5,426	6,751
2.5.3	Other administrative expenses	59,634	58,801
2.6	Other expense	179,194	231,830
2	**TOTALE COSTS AND EXPENSES**	**236,171**	**368,815**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAX	**211,247**	**612,487**
3	**Tax**	71,727	202,663
	PROFIT (LOSS) FOR THE YEAR NET OF TAX	**139,520**	**409,824**
4	**PROFIT (LOSS) ON DISCONTINUED OPERATIONS**	**-**	**-**
	CONSOLIDATED INCOME (LOSS) FOR THE YEAR	**139,520**	**409,824**
	of which attributable to the group	**139,520**	**409,824**
	of which attributable to minorities	**-**	**-**

STATEMENT OF COMPREHENSIVE INCOME - NET AMOUNTS

(in € thousand)	Total 31.12.11	Total 31.12.10
CONSOLIDATED INCOME (LOSS) FOR THE YEAR	**139,520**	**409,824**
Change in the reserve for net exchange differences		
Gains (losses) on available-for-sale financial assets		
Gains (losses) on cash flow hedges		
Gains (losses) on hedges of net investments in foreign operations		
Change in the shareholders' equity of subsidiary and affiliated companies		
Change in the intangible assets revaluation reserve		
Change in the tangible assets revaluation reserve		
Income and expense relating to non-current assets or a disposal group held for sale		
Actuarial gains and losses and re-adjustments relating to defined benefit plans		
Other elements		
TOTAL OF OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME	**-**	**-**
TOTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**139,520**	**409,824**
of which attributable to the group	**139,520**	**409,824**
of which attributable to minorities		

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € thousand)

		Balance al 31-12-09	Allocations	Adjustments for reclassification of profit (loss) for the year	Transfers	Balance al 31-12-10	Change in closing balance	Allocations	Adjustments for reclassification of profit (loss) for the year	Transfers	Balance at 31.12.11
Group interest in shareholders' equity	Capital	4,340,054				4,340,054					4,340,054
	Other equity instruments	0				0					0
	Capital reserves	0				0					0
	Retained earnings and other equity reserves	1,517,838	96,626			1,614,464		108,130			1,722,594
	(Treasury stock)	0				0					0
	Income (loss) for the year	459,938	-50,114			409,824		-270,304			139,520
	Other items in the statement of comprehensive income	0				0		0			0
	Total group interest	**6,317,830**	**46,512**	**0**	**0**	**6,364,342**	**0**	**-162,174**	**0**	**0**	**6,202,168**
Minority interest in shareholders'	Capital and reserves - minorities										
	Income (loss) for the year										
	Other items in the statement of comprehensive income										
	Total minority interest										
Total											

CONSOLIDATED CASH FLOW STATEMENT

(in € thousand)	31-12-2011	31-12-2010
Profit (loss) for the year before tax	**211,247**	**612,487**
Changes in non-cash items	**86,483**	**(135,942)**
Change in the provision for unearned premiums - non-life business	99,927	(102,883)
Change in the provision for claims outstanding and other technical provisions - non-life business	23,071	(3,561)
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	(29,535)	(7,280)
Non-cash income and expense from financial instruments, investment property and equity investments		
Other changes	(6,980)	(22,218)
Change in receivables and payables generated by operations	**(169,858)**	**6,639**
Change in receivables and payables arising from direct insurance and reinsurance business	(171,793)	(10,356)
Change in other receivables and payables	1,935	16,995
Tax paid	**(71,727)**	**(202,663)**
Net cash flow generated/absorbed by investment and financial activities	**747,982**	**(212,804)**
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	747,982	(212,804)
TOTAL NET CASH FlOW ARISING FROM OPERATIONS	**804,127**	**67,717**
Net cash flow generated/absorbed by investment property	(8,171)	(220)
Net cash flow generated/absorbed by subsidiaries, associates and joint ventures	(319)	(239)
Net cash flow generated/absorbed by loans and receivables	(463,600)	(727,295)
Net cash flow generated/absorbed by held-to-maturity investments	(25,301)	371,754
Net cash flow generated/absorbed by available-for-sale financial assets	0	0
Net cash flow generated/absorbed by plant, property and equipment and intangible assets	9,343	1,015
Other net cash flows generated/absorbed by investments		
TOTAL NET CASH FlOW ARISING FROM INVESTMENT OPERATIONS	**(488,048)**	**(354,985)**
Net cash flow generated/absorbed by capital instruments attributable to the group		
Net cash flow generated/absorbed by own shares		
Distribution of dividends attributable to the group	(310,000)	(363,313)
Net cash flow generated/absorbed by capital and reserves attributable to minorities	8,307	
Net cash flow generated/absorbed by subordinated liabilities and participating financial instruments		
Net cash flow generated/absorbed by other financial liabilities	(20,455)	49,228
TOTAL NET CASH FlOW ARISING FROM LOAN OPERATIONS	**(322,148)**	**(314,085)**
Effect of exchange rate differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	84,368	685,721
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	(6,069)	(601,353)
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	78,299	84,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

The SACE group comprises the parent SACE S.p.A. and its SACE BT S.p.A., SACE Fct S.p.A. and SACE Servizi S.r.l. subsidiaries. SACE S.p.A. and its subsidiaries adopt an organisational structure in which the parent company operates in the sector of non-marketable credit insurance while its SACE BT subsidiary exercises non-life business specialising in the short-term credit insurance and surety markets; the SACE Fct subsidiary is a factoring company.
The group's registered offices are in Piazza Poli 37/42, Rome. The reference date of the consolidated financial statements (31 December 2011) coincides with the closing date of the annual accounts of the subsidiary companies.
The group's consolidated financial statements are presented in euro, which is the functional currency and currency of account of the parent company SACE S.p.A. The euro is also the functional currency of the subsidiaries. All amounts reported in the notes are in thousands of euro. The consolidated financial statements have been audited by PricewaterhouseCoopers S.p.A., appointed as auditors for the three-year period 2010-2012.

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 by Legislative Decree 173/1997 and subsequently under Legislative Decree 209/2005 must be exercised thereby in compliance with IAS/IFRS.
According to 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 company accounts in accordance with Legislative Decree No. 173/97;
c) must draw up their individual company accounts according to 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 the consolidated financial statements.

According to the above, the consolidated financial statements of the SACE group 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 ISVAP regulations and circulars.

Accounting standards used and declaration of conformity with the main international accounting standards.

The consolidated financial statements of the SACE group have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in the format required by ISVAP Regulation No. 7/2007. The IFRS also include all revised international accounting standards ("IAS"), all interpretation documents issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), and the formats required under ISVAP Regulation No. 7/2007 and subsequent amendments and additions.

Format of the accounts, accounting standards used and scope of consolidation

Format of the accounts

The group presents the schedules of the consolidated financial statements and related annexes in accordance with requirements of ISVAP Regulation No. 7/2007 and subsequent amendments and additions.

Consolidation procedures (IAS 27)

Subsidiaries are companies controlled by the group. The control requirement is satisfied if the group directly or indirectly has the power to govern the financial and operating policies of the company for the purpose of obtaining advantages from its business. The accounts of subsidiaries are included in the consolidated financial statements from the date on which the parent acquires control until the time said control ceases. All the subsidiaries are included in the scope of consolidation.

Scope of consolidation

The scope of consolidation of the SACE group includes the accounts of the parent company SACE S.p.A. and those of all its subsidiaries: SACE BT S.p.A., SACE Fct S.p.A. and SACE Servizi S.p.A.

Scope of consolidation

Name	Country	Method (1)	Assets (2)	% Direct ownership	% 100% interest (3)	% Voting rights available at the general meeting (4)	% 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%	0%	100%

(1) Method of consolidation: 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 holdings; 5=EU reins; 6=third-party country reins; 7=banks; 8=asset management companies; 9=other holdings; 10=real property companies; 11=other

(3) the product of the percentages of ownership relating to all the companies, along the line of ownership, between the company drawing up the consolidated accounts and the company in question. If the latter is owned directly by several subsidiaries, the single results must be added.

(4) total percentage of voting rights available at the general meeting, only disclosed if different from the direct or indirect percentage of ownership

Detail of non-consolidated interests

	Country	Assets (1)	Type (2)	% Direct ownership	% 100% interest (3)	% Voting rights available at the general meeting (4)	Carrying value
Name							
African Trade Insurance Agency	Kenya	3	b	6.76%	6.76%	6.76%	7,444

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

(2) a=subsidiaries (IAS27); b=associated companies (IAS28); c=joint ventures (IAS 31); companies classified as owned for sale in accordance with IFRS 5 must be marked with an asterisk (*) and the key must be included at the bottom of the table.

(3) the product of the percentages of ownership relating to all the companies, along the line of ownership, between the company drawing up the consolidated accounts and the company in question. If the latter is owned directly by several subsidiaries, the single results must be added

(4) total percentage of voting rights available at the general meeting, only disclosed if different from the direct or indirect percentage of ownership

Transactions eliminated on consolidation

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

Principles 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 amounts stated in relation to assets, liabilities, costs and revenues, and the presentation of potential 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 items of the balance sheet and profit and loss account.

Technical provisions

Technical provisions are determined according to actuarial calculations and taking into account ISVAP 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 assets

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

Other

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

Accounting Policies

Intangible assets

a) Goodwill (IAS 36, IFRS 3)

When a business is acquired, the assets, liabilities and any potential identifiable liabilities that are acquired are recognised at fair value on the date of acquisition. The positive difference between the purchase price and the group's interest in the current 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 tested annually to identify any changes in value (impairment losses) in accordance with IAS 36. Following initial recognition, goodwill is recorded at cost, net of any accumulated impairment losses.

b) Other intangibles (IAS 38, IAS 36)

This item comprises the assets defined and regulated by IAS 38 and IAS 36. 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 according to their relative useful life. Assets of 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 and reversal of impairment of non-financial assets), an impairment test is carried out at each reporting date or in the case of evidence of permanent impairments of value. The loss, equal to the difference between the carrying value of the asset and its recoverable value, is recognised through profit and loss. Depreciation 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 (IAS 16)

a) Property

This item includes property held for use in the business as defined 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 written down 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. These assets are tested for impairment at each annual or interim reporting date. The total of such impairments, equal to the difference between the carrying value of the asset and its recoverable value (equal to the

lower of fair value, net of any sale costs, and the relative value of the asset in use, meaning the current value of future cash flows deriving from the asset), is recorded through profit and 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 public registers. These items are stated at cost and subsequently recognised net of depreciation and any impairment of value. Depreciation rates are consistent with plans for the technical-financial use of each single category of assets. Other property, plant and equipment is 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 credit.

Investments

Investment property (IAS 40)

Investment property defined and regulated by IAS 40 is classified under this item. Such investments include land, buildings and individual residential units. Property used in company operations or available as part of the core business for purchase and sale is not included. At the time of initial recognition, investment properties are 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 value of the property is stated net of depreciation and impairment, if any. 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 and 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 a permanent impairment of value emerges during periodic testing or after specific events, the corresponding write-down is made. 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 (IAS 27, 28 and IAS 31)

All subsidiary companies have been consolidated line by line. This item comprises equity investments valued by the equity method and relating to associated companies or in companies subject to joint control. After initial recognition, at purchase cost, the change in value of such investments during the year, following application of the equity method, is recognised in the appropriate equity item.

Investments held to maturity (IAS 32 and IAS 39)

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 to hold and is capable of holding to maturity. At the time of initial recognition, coinciding with the settlement date, financial assets are recognised at cost, equal to the fair value of the instrument 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 value of HTM assets is adjusted to reflect the amortised cost using the effective interest rate method. Gains and losses arising from amortisation are recognised in profit and 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. Reclassification is not carried out only in the cases envisaged by IAS 39, where an unforeseeable objective change in the cited initial conditions make it impracticable to maintain the financial instrument as an HTM investment. Disposal gains and losses are recognised in profit and loss. On each reporting or interim-report 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 value of the asset and the present value of estimated future cash flows discounted at the original interest rate. Impairment losses are recognised in profit and loss. If the reasons for the loss are subsequently removed, the value of the asset is restored up to the amount of the amortised cost. HTM assets 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 (IAS 32 and IAS 39)

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 reinsurance 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 and 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 the 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 and loss. If the reasons for an impairment loss are subsequently removed, the value of the loan or receivable is restored. 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.

Financial assets measured at fair value through profit and loss (IAS 32 and IAS 39)

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 cost, deemed to be the fair value of the instrument, while transaction costs or income directly attributable to the instrument are taken to profit and 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 measured 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 (IAS 32 and IAS 39)

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. According to IAS 39, derivatives are measured at fair value, with direct impact on profit and 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 has been determined using valuation techniques in general use 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 (IAS 39)

Receivables arising out of direct insurance business (IAS 39)

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 to present value. Impairment of these receivables is 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 presumed 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 (IAS 12)

These items reflect, respectively, tax assets arising on deductible temporary differences and tax liabilities arising on taxable temporary differences, as defined and regulated by IAS 12. These items are entered according to Italian GAAP as all consolidated companies are domiciled for tax purposes 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 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 tax is recognised per contra in profit and loss except for tax 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 tax directly per contra to equity.

Current tax assets and liabilities (IAS 12)

These items reflect current tax assets and liabilities as defined and regulated by IAS 12. Income taxes are calculated according to current tax laws. 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 tax is recognised per contra in profit and 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 (IAS 7 and IAS 32)

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 (underwritten and paid in) is disclosed at face value.

Retained earnings and other equity reserves (IFRS 1, IAS 8, IFRS 2, IFRS 4)

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 (IAS 21)

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

Provisions (IAS 37)

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.

Technical provisions (IFRS 4)

IFRS 4 permits recognition of technical provisions on the basis of generally accepted local accounting principles. A review of all the group's non-life and life contracts showed that all 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 contacts). 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 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 are 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 (IAS 39, IAS 32, IFRS 4)

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 (IAS 32 and IAS 39)

This category comprises trade payables.

Accounts payable arising out of direct insurance business

This item comprises payables arising on direct insurance business. They are recognised at cost.

Accounts payable arising out of indirect insurance business

This item comprises trade payables arising from indirect insurance business. They are recognised at cost.

Other payables

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. Following amendments to the law on supplementary pension schemes under Law 252/2005 and Law 296/2006 and in consideration of the guidelines established by the OIC (Italian Accounting Authority) the company has: a) recorded the obligation for benefits accrued at 31 December 2006 according to the rules of defined benefit plans; this means that the enterprise must assess the obligation for benefits accrued by employees using actuarial techniques and must determine the total amount of actuarial gains and losses and the part of these to be disclosed; b) recorded the obligation for benefits accruing from 1 January 2007, to be allocated to supplementary social insurance or to the special 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.

Items of the PROFIT AND LOSS ACCOUNT

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 accounting principles described below.

Net premiums (IFRS 4 and IAS 39)

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 (the insured 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. The premiums are recognised net of reinsurance transfers.

Net income on financial instruments at fair value through profit or loss (IAS 39)

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 (IAS 27, IAS 28 and IAS 31)

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

Income from other financial instruments and investment property (IAS 18, IAS 39 and IAS 40)

This item reflects income from investment property and financial instruments not at fair value through profit or loss. Specifically, this item comprises:

a) interest receivable (recognised on financial instruments using the effective interest method);
b) other income (e.g., rents from investment property and dividends);
c) realised gains (recognised following the elimination of financial assets or liabilities or investment property);
d) valuation gains (including positive changes resulting from reversal of impairment and measurement subsequent to initial recognition of investment property at fair value and of financial assets and liabilities).

Other revenues (IAS 18, IFRS 4, IAS 21, IFRS 5, IAS 36)

This heading includes:

a) revenues 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 technical income not linked to insurance contracts;
c) exchange differences to be charged to profit and loss according to IAS 21;
d) profits on tangible and intangible assets;
e) reversals of impairment on tangible and intangible assets;
f) capital gains on non-current assets and disposal groups held for sale, other than discontinued operations.

Net claims incurred (IFRS 4)

This heading includes – before payment costs 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.

Charges relating to equity investments in subsidiaries, associates and joint ventures (IAS 27, 28 and 31)

This item includes the portion of the loss for the year relating to group companies, recognised according to the equity method.

Expense relating to other financial instruments and investment property (IAS 39)

This macro-item includes expense relating to investment property and financial instruments not valued at fair value through profit and loss. Specifically, this item comprises:

a) interest payable (recognised on financial instruments using the effective interest method);
b) other expense (e.g. costs relating to investment property, including property management charges and maintenance and repair costs not capitalised);
c) realised losses (recognised following the elimination of financial assets or liabilities or investment property);
d) valuation losses (including reductions arising from impairment tests and valuation subsequent to initial recognition at fair value of investment property and financial assets and liabilities).

Operating expenses (IFRS 4)

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.

Other costs (IAS 18, IAS 19, IFRS 4, IAS 21, IAS 36, IFRS 5)

This heading includes:

a) costs relating to the purchase of goods and services other than those of a financial nature and rental of property, plant and equipment and intangible assets or other assets belonging to external entities, as per IAS 18;
b) other net technical charges linked to insurance contracts;
c) additional provisions made during the year;
d) exchange differences to be charged to profit and loss according to IAS 21;
e) realised losses, permanent impairments of value and depreciation relating to property, plant and equipment not otherwise allocated to other cost items, and amortisation of intangible assets
f) capital losses relating to non-current assets and disposal groups held for sale, other than losses relating to discontinued operations.

Current tax (IAS 12)

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 tax (IAS 12)

This item refers to income tax payable in future years relating to taxable temporary differences. Deferred tax is charged to profit and loss except tax relating to gains and losses recognised directly in equity in respect of which tax is treated in the same way. Deferred and advance tax are calculated according to the tax rates prevailing in each fiscal year in which the tax will become payable.

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, accounting entries in currency are valued as follows:

a) cash balances are converted at the reporting date exchange rate;

b) non-cash balances valued at historical cost are converted at the exchange rate prevailing on the date of the transaction;

c) non-cash items at fair value are converted using the exchange rate prevailing on the reporting date.

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

Risk management

The Group regularly assesses its exposure to exchange-rate, interest-rate and credit-rate fluctuations and manages these risks by means of derivative contracts, in accordance with its risk management policies. These policies restrict the use of derivatives to management of exposure to exchange-rate and interest-rate fluctuations tied to cash flows and assets and liabilities and use for speculative purposes is not permitted.

The group uses derivatives designated as fair value hedges mainly for the management of:

- exchange 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.

New accounting principles

Some existing accounting principles were amended in 2010; these changes do not affect the presentation or evaluation of any of the items in the consolidated financial statements of the SACE group. Some accounting principles concerning the valuation and presentation of financial instruments and the presentation of transactions with related parties were amended and became effective as from 1 January 2011.

Segment reporting

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

- Non-life business
- Life business
- Other businesses

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

Balance Sheet by business sector

(in € thousand)

	Non-life business		Life business		Other businesses		Inter-segment adjustments		Total	
Balance Sheet by business sector	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
1 INTANGIBLE ASSETS	**15,400**	**16,052**			**376**	**450**	**0**	**0**	**15,776**	**16,502**
2 PROPERTY, PLANT AND EQUIPMENT	**70,538**	**79,241**			**118**	**32**	**0**	**0**	**70,656**	**79,273**
3 REINSURERS' SHARE OF TECHNICAL PROVISIONS	**104,042**	**99,717**			**0**	**0**	**0**	**0**	**104,042**	**99,717**
4 INVESTMENTS	**7,482,826**	**7,753,730**			**1,159,698**	**780,142**	**-975,197**	**-618,606**	**7,667,327**	**7,915,266**
4.1 Investment property	21,141	12,970			0	0		0	21,141	12,970
4.2 Equity investments in subsidiaries, associates and joint ventures	7,444	7,125			0	0		0	7,444	7,125
4.3 Held-to-maturity investments	1,763,988	1,738,687			0	0		0	1,763,988	1,738,687
4.4 Loans and receivables	1,141,321	700,686			1,159,698	780,142	-975,197	-618,606	1,325,822	862,222
4.5 Available-for-sale financial assets	0	0			0	0	0	0	0	0
4.6 Financial assets at fair value through profit or loss	4,548,932	5,294,262			0	0	0	0	4,548,932	5,294,262
5 OTHER RECEIVABLES	**999,500**	**842,724**			**4,210**	**4,152**	**-11,160**	**-4,937**	**992,550**	**841,939**
6 OTHER ASSETS	**247,933**	**284,969**			**2,728**	**1,171**	**-655**	**-621**	**250,006**	**285,519**
6.1 Deferred acquisition costs	0	0			0	0	0	0	0	0
6.2 Other assets	247,933	284,969			2,728	1,171	-655	-621	250,006	285,519
7 CASH AND CASH EQUIVALENTS	**57,237**	**81,352**			**21,062**	**3,016**	**0**	**0**	**78,299**	**84,368**
TOTAL ASSETS	**8,977,477**	**9,157,785**			**1,188,192**	**788,963**	**-987,013**	**-624,164**	**9,178,656**	**9,322,584**
1 SHAREHOLDERS' EQUITY									**6,202,168**	**6,364,342**
2 PROVISIONS	**45,831**	**75,986**			**694**	**74**	**0**	**0**	**46,525**	**76,060**
3 TECHNICAL PROVISIONS	**2,342,117**	**2,214,794**			**0**	**0**	**0**	**0**	**2,342,117**	**2,214,794**
4 FINANCIAL LIABILITIES	**93,029**	**94,122**			**1,052,610**	**712,982**	**-975,000**	**-618,663**	**170,639**	**188,441**
4.1 Financial liabilities at fair value through profit or loss	66,485	63,832			0	0	0	1	66,485	63,833
4.2 Other financial liabilities	26,544	30,290			1,052,610	712,982	-975,000	-618,664	104,154	124,608
5 ACCOUNTS PAYABLE	**123,017**	**180,943**			**71,478**	**17,516**	**-11,720**	**-5,012**	**182,775**	**193,447**
6 OTHER LIABILITIES	**233,318**	**281,878**			**1,461**	**4,111**	**-347**	**-489**	**234,432**	**285,500**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									**9,178,656**	**9,322,584**

Segment reporting - Income Statement

(in € thousand)	Non-life business		Life business		Other businesses		Inter-segment adjustments		Total	
Segment reporting - Income Statement	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
1.1 Net premiums	300,533	193,967						-460	300,533	590,957
1.1.1 Gross premiums for the year	*342,826*	*240,924*						*-3,755*	*342,826*	*626,423*
1.1.2 Outward reinsurance premiums for the year	*-42,293*	*-46,957*						*3,295*	*-42,293*	*-35,466*
1.2 Commissions receivable					7,611	777			7,611	777
1.3 Income and expense on financial instruments at fair value through profit or loss	-572,503	509,489			0	94		-1,285	-572,503	-205,703
1.4 Income from equity investments in subsidiaries, associates and joint ventures	1,061	0			0	0	1,061			0
1.5 Income from other financial instruments and investment property	182,056	201,274			27,736	4,128	0	-621	209,792	196,670
1.6 Other income	492,671	233,560			8,814	8,795	500	-4,289	501,985	398,601
1 TOTALE REVENUES AND INCOME	**144,194**	**1,138,290**			**44,161**	**13,794**	**1,561**	**-6,655**	**447,418**	**981,302**
2.1 Net claims incurred	46,019	-37,705			0	0	0	4	46,019	-37,701
2.1.1 Amounts paid and changes to technical provisions	*23,748*	*-51,193*			*0*	*0*	*0*	*2,084*	*23,748*	*-49,109*
2.1.2 Reinsurers' share	*22,271*	*13,488*			*0*	*0*	*0*	*-2,080*	*22,271*	*11,408*
2.2 Commission expense		0			-123	-137	0		-123	-137
2.3 *Expense on equity investments in subsidiaries, associates and joint ventures*	0	-359			0	0	0	0	0	-359
2.4 Expense relating to other financial instruments and investment property	11,846	-676			-17,533	-1,558	0	1,286	-5,687	-948
2.5 Operating expenses	-90,468	-99,411			-7,062	-3,536	344	5,107	-97,186	-97,840
2.6 Other expense	-172,227	-225,512			-7,123	-6,576	156	258	-179,194	-231,830
2 TOTALE COSTS AND EXPENSES	**-204,830**	**-363,663**			**-31,841**	**-11,807**	**500**	**6,655**	**-236,171**	**-368,815**
PROFIT (LOSS) FOR THE YEAR BEFORE TAX	**-60,636**	**774,627**			**12,320**	**1,987**	**2,061**	**0**	**211,247**	**612,487**

Figures are provided by business sector in accordance with ISVAP Regulation 7/2007, which is deemed adequate.

Information on the Consolidated Balance Sheet

(data in € thousand)

1. Intangible assets (item 1)

This heading comprises the assets defined and regulated by IAS 38 and also goodwill arising on the acquisition of SACE Surety, merged through incorporation in SACE BT and goodwill deriving from the setting up of SACE Servizi.

Intangible assets

Table 1 (in € thousand)	Net amount at 31.12.2011	Net amount at 31.12.2010
Goodwill	7,655	7,658
Other intangible assets	8,121	8,844
Total	**15,776**	**16,502**

Intangible assets comprise €7,655 thousand of goodwill. This includes:

- €7,563 thousand for the remaining goodwill recognised at the time of acquisition of the interest in SACE Surety. Goodwill has been maintained in the accounts as the current value of the assets exceeds the book value;
- €92 thousand of goodwill relating to SACE Servizi established in the second half of 2007.

Other intangible assets mainly include the costs of the group's corporate information system. Amortisation periods reflect the useful life of group 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 € thousand)	Amount
Real property	
Opening balance	76,057
Acquisitions	
Decreases	8,203
Depreciation	707
Final value	**67,148**

Property includes assets defined and regulated by IAS 16.

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 € thousand)	**Amount**
Other property, plant and equipment	
Opening balance	3,216
Increases for purchases	1,148
Decreases	1
Depreciation	855
Final value	**3,508**

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

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

This heading for a total of €104,042 thousand (€99,717 thousand at 31 December 2010) includes reinsurers' commitments arising on reinsurance contracts regulated by IFRS 4. Further details of Reinsurers' share of technical provisions are provided in the annex "Detail of Reinsurers' share of technical provisions".

4. Investments (item 4)

The detail is as follows:

Table 4 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Investments		
4.1. Investment property	21,141	12,970
4.2 Equity investments in subsidiaries, associates and joint ventures	7,444	7,125
4.3 Investments held to maturity	1,763,988	1,738,687
4.4 Loans and receivables	1,325,822	862,222
4.6 Financial assets at fair value through profit or loss	4,548,932	5,294,262
Total	**7,667,327**	**7,915,266**

4.1 Investment property

Investment property (Item 4.1) includes assets defined and regulated by IAS 40. In particular, it reflects property leased to third parties by the SACE BT subsidiary. Overall, the market value of each asset exceeds that carried in the consolidated financial statements. The expert appraisals are aligned with the provisions of Title III of ISVAP Regulation No. 22. Further details are provided 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 million.

4.3 Investments held to maturity

Investments held to maturity (Item 4.3) comprise financial assets held to maturity as defined by IAS 39.9 under IAS 39. Movements on this account are detailed below:

Table 5 (in € thousand)	**Amount**
Held-to-maturity investments	
Opening balance	1,738,687
Increases during the year:	229,068
Decreases during the year:	203,767
Total	**1,763,988**

The reductions during the year reflect reimbursements made.

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 €1,187,367 thousand for receivables from debtors arising from factoring contracts subscribed before the end of the year. All items of this category of financial instruments are carried at cost.

4.6 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (Item 4.6) reflect financial assets regulated by IAS 39. This item includes investments of liquidity in bonds, equities and shares of collective investment undertakings. It includes financial instruments held for trading. Further details of investments held to maturity, 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) concerning the fair value hierarchies according to 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 valued on the basis of directly observable market data, level 3 securities and financial instruments valued using valuation techniques which refer to significant unobservable variables.

5. Sundry receivables (item 5)

Table 6 (in € thousand)	**31 Dec 2011**	**31 Dec 2010**
Sundry receivables		
5.1 Receivables arising out of direct insurance business	946,240	795,116
5.2 Receivables arising out of reinsurance business	3,028	11,239
5.3 Other receivables	43,282	35,584
Total	**992,550**	**841,939**

The item includes the receivables set forth in IAS 32 AG4 (a) regulated by IAS 39.

Receivables arising out of direct insurance business

This item mainly refers to subrogation credits from sovereign entities for €815,690.

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 companies with which reinsurance business is transacted.

Other receivables

Other receivables are detailed below.

Table 7 (in € thousand)	31 Dec 2011	31 Dec 2010
Other receivables		
Receivables from tax authorities	7,189	5,599
Receivables for invoices to be issued	131	1,664
Premiums on options	2	0
Premiums receivable from policyholders	0	10,111
Sundry receivables	35,960	18,210
Total	**43,282**	**35,584**

6. Other assets (item 6)

Table 8 (in € thousand)	31 Dec 2011	31 Dec 2010
Other assets		
6.1 Non-current assets or of a disposal group available-for-sale	0	0
6.2. Deferred acquisition costs	0	0
6.3. Deferred tax assets	113,281	63,884
6.4, Current tax assets	92,739	180,917
6.5 Other assets	43,986	40,718
Total	**250,006**	**285,519**

Current tax assets include receivables due from companies included in the tax consolidation scheme. Deferred tax assets reflect advance tax originating in the ordinary accounts of the companies inside the scope of consolidation and in taxes payable in connection with adjustments to the consolidated financial statements as required and governed by IAS 12. For a more detailed breakdown of deferred tax assets and liabilities refer to "Profit and Loss – Taxation" below.

7. Cash and cash equivalents (item 7)

Table 9 (in € thousand)	31 Dec 2011	31 Dec 2010
Cash and cash equivalents		
Bank and Post Office demand deposits	78,290	84,357
Cash in hand	9	11
Total	**78,299**	**84,368**

This heading includes the financial assets defined by IAS 7.6.

8. Shareholders' equity

At 31 December 2011, shareholders' equity totalled €6,202,168 thousand and comprises:

Table 10 (in € thousand)	31 Dec 2011	31 Dec 2010
Shareholders' equity		
Group interest	**6,202,168**	**6,364,342**
Share capital	4,340,054	4,340,054
Retained earnings and other equity reserves	1,722,594	1,614,464
Group interest in the profit (loss) for the year	139,520	409,824
Minority interest		
Minority interest in the profit (loss) for the year		

The share capital consists of 1 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 valuation criteria and also reserves arising on the result of foreign exchange management).

9. Provisions

This item comprises liabilities defined and governed by IAS 37. A breakdown of the related provisions and legal or implicit obligations to which the SACE group is exposed in exercising its business is provided below:

Table 11 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Provisions for amounts due to policyholders	31,330	10,698
Provision for legal disputes	5,216	62,899
Provision for payments to agents	624	2,463
Other provisions	9,355	0
Total	**46,525**	**76,060**

Movements on this account during 2011 are detailed below:

Table 12 (in € thousand)	Amount
Description	
Initial value	76,060
Provisions for the year	8,089
Utilisations for the year	37,624
Final value	**46,525**

10. Technical provisions

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

Table 13 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Provision for unearned premiums - non-life business	1,922,678	1,823,100
Provision for claims outstanding - non-life business	419,439	391,694
Total	**2,342,117**	**2,214,794**

Further details are provided in the annex "Detail of technical provisions".

11. Financial liabilities

This heading includes the financial liabilities regulated by IAS 39, other than trade payables, and comprises:

Table 14 (in € thousand)	31 Dec 2011	31 Dec 2010
Financial liabilities		
4,1 Financial liabilities at fair value through profit or loss	66,485	63,833
4.2 Other financial liabilities	104,154	124,608
Total	**170,639**	**188,441**

Financial liabilities at fair value through profit or loss reflect the value of derivative financial instruments in portfolio and amounts due to ceding insurers for factoring contracts. Derivatives 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. Further details of this item are provided in the annex "Detail of financial liabilities".

12. Creditors

Table 15 (in € thousand)	31 Dec 2011	31 Dec 2010
Accounts payable		
5.1 Accounts payable arising out of direct insurance business	52,826	58,905
5.2 Accounts payable arising out of reinsurance business	15,908	38,709
5.3 Other accounts payable	114,041	95,833
Total	**182,775**	**193,447**

This heading includes trade payables as per IAS 32 AG.

Accounts payable arising out of direct insurance business mainly include payables for amounts due to policyholders for deductibles on amounts recovered, equal to €45,555 thousand, other payables for premium reimbursements and front-end expenses in the amount of €5,125 thousand.

Other accounts payable include:

Table 16 (in € thousand)	31 Dec 2011	31 Dec 2010
Description		
Amounts due to suppliers	12,384	9,983
Provision for termination benefits	6,184	7,377
Sundry creditors	95,473	78,473
Total	**114,041**	**95,833**

Sundry creditors include costs for the year relating to employees (€9,478 thousand), payments received from creditors in connection with factoring activities and to be processed (€62,890 thousand) and the counter-entry of the valuation of derivatives in the portfolio (€18,767 thousand).

13. Other liabilities

This heading is detailed as follows:

Table 17 (in € thousand)	31 Dec 2011	31 Dec 2010
Other liabilities		
6.1 Liability of a disposal group held for sale	0	0
6.2 Deferred tax liabilities	139.368	98.134
6.3 Current tax liabilities	83.484	170.479
6.4 Other liabilities	11.580	16.887
Total	**234.432**	**285.500**

Information on the consolidated Profit and Loss Account

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 amounted to €442,292 thousand; indications regarding premiums income in 2011 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 heading comprises realised gains and losses and positive or negative changes in the value of financial assets and liabilities at fair value through profit or loss. Specifically, it reflects the value of derivatives used to hedge exchange rates (see also Other income for the component relating to exchange rate adjustments to portfolio credits). 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 receivable recognised according to the effective interest method (IAS 18.30 (a)).

Other income

This item reflects income from rentals on investment property..

17. Other income

This heading comprises income from the provision of services other than financial services and exchange differences taken to profit and loss as per IAS 21 for €444,138 thousand (€380,402 thousand at 31 December 2010).

18. Net claims incurred

This heading includes claims paid (gross of payment costs and amounts ceded to reinsurers) for €112,543 thousand). Indications regarding the claims experience in 2011 by class of business are 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 heading 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 according to the effective interest method (relating to outstanding loans).

Other charges

The item includes, amongst others, costs relating to property investments 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, of 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:

- costs relating to the provision of services other than those of a financial nature;
- other technical charges relating to insurance contracts (€1,406 thousand);
- write-downs and additional provisions accrued during the year (€12,899 thousand);
- exchange differences recognised in profit and loss, as set forth in IAS 21 (€144,817 thousand);
- realised losses, depreciation of property, plant and equipment, not otherwise allocated to other items of cost, and amortisation of intangible assets (€2,524 thousand).

22. Tax

Tax recognised in the consolidated profit and loss account is as follows:

Table 18 (in € thousand)	**2011**	**2010**
Income tax		
Through profit or loss		
Current tax		
Expense (income) for current tax	79,926	167,603
Adjustments to prior year current tax		
Deferred tax		
Expense (income) due to recognition and elimination of temporary differences	-4,736	35,060
Expense (income) due to changes in tax rates or new taxes		
Expense (income) recognised arising from tax losses		
Charges (income) relating to write-downs or write-backs of deferred tax assets	-3,463	
TOTAL INCOME TAX	**71,727**	**202,663**

The reconciliation between the tax liability stated in the 2011 consolidated financial statements and the theoretical tax liability, determined according to theoretical tax rates adopted in Italy, is as follows:

Reconciliation between average actual and theoretical tax rates

Table 19 (in € thousand)	Taxable income	Tax
Income before tax	**211,247**	**58,093**
Theoretical tax rate		*27.50%*
Permanent differences	93,747	25,780
	93,747	25,780
IRAP		**24,393**
Total		**50,173**
Effective tax rate		*23.75%*

Overall, deferred tax assets net of deferred tax liabilities can be analysed as follows:

Reconciliation between average actual and theoretical tax rates

	Assets		Liabilities		Net	
Table 20 (in € thousand)	2011	2010	2011	2010	2011	2010
Deferred tax assets and liabilities						
Relating to:						
Intangible assets						
Unrealised revaluation	800	843		2,451	800	-1,608
-Financial assets	*800*	*843*			*800*	*843*
-Investment property				*2,451*	*0*	*-2,451*
Equalisation and catastrophic risk provision			42,982	32,296	-42,982	-32,296
Employee benefits		20	206		-206	20
Valuation of assets at FV			49,702	5,354	-49,702	-5,354
Other items	112,481	63,021	46,478	58,033	66,003	4,988
Amount of tax relating to taxable losses						0
Total gross deferred tax	113,281	63,884	139,368	98,134	-26,087	-34,250
Tax equalisation					0	0
Total net tax (assets)/liabilities	**113,281**	**63,884**	**139,368**	**98,134**	**-26,087**	**-34,250**

Other information

Intra-group transactions and transactions with related parties

As part of their business, group companies were not party to any atypical transactions extraneous to their usual business conduct. Intra-group transactions, settled on an arm's length basis, are carried out through reinsurance relationships, the provision of services under specific outsourcing agreements (activities entrusted by the SACE BT S.p.A. and SACE Fct S.p.A. subsidiaries to the SACE S.p.A. parent company for activities not part of company core business - IT, communication, personnel management and internal auditing). During the year a shareholders' loan agreement was signed in favour of the SACE Fct subsidiary. Premises at the offices of the controlling entity were rented at market prices and the subsidiaries entered into leasing contracts. These services made it possible to rationalise operating functions and improve the standard of service. During the year, insurance transactions were carried out with companies controlled by the Ministry of Economy and Finance, also settled at arm's length.

Fees paid to senior managers with strategic responsibility at the parent company.

Fees were paid in 2011 for €929 thousand.

Fees due to external auditors

In accordance with Italian Legislative Decree No. 39 of 27 January 2010, the fees due for FY 2011 to PricewaterhouseCoopers S.p.A. for auditing the consolidated accounts are shown in the table below.

revisions

Table 22 (in € thousand)	**2011**
Audit parent company	56
Audit subsidiary and affiliated companies	154
Total	**210**

Events after the end of the year.

Reference should be made to the Directors' Report.

ANNEXES
TO THE NOTE

ANNEXES TO THE NOTES

(ISVAP Regulation No. 7/2007 and subsequent amendments and additions)

Annex 1. Detail of property, plant and equipment and intangible assets

(in € thousand)	Valued at cost	At recalculated value or fair value	Total carrying value
Investment property	21,141		21,141
Other properties	67,148		67,148
Other property, plant and equipment	3,508		3,508
Other intangible assets	8,121		8,121

Annex 2. Detail of Reinsurers' share of technical provisions

	Direct business		Indirect business		Total carrying value	
(in € thousand)	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Non-life provisions	**103,836**	**99,361**	**206**	**356**	**104,042**	**99,717**
Provision for unearned premiums	41,964	42,174	166	304	42,130	42,478
Provision for claims outstanding	61,513	57,159	40	52	61,553	57,211
Other provisions	359	28	0		359	28
Life provisions	**0**	**0**	**0**	**0**	**0**	**0**
Provision for sums to be paid	0		0		0	0
Provisions for policy liabilities	0		0		0	0
Technical provisions where the investment risk is borne by the policyholders and provisions relating to the administration of pension funds			0		0	0
Other provisions	0		0		0	0
Total reinsurers' share of technical provisions	**103,836**	**99,361**	**206**	**356**	**104,042**	**99,717**

Annex 3. Detail of financial assets

(in € thousand)	Held-to-maturity investments		Loans and receivables		Available-for-sale financial assets		Financial assets at fair value through profit or loss				Total carrying value	
							Financial assets held for trading		Financial assets designated at fair value through profit or loss			
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Equity instruments and derivatives valued at cost											0	0
Equity instruments at fair value							28,938	19,257			28,938	19,257
- of which listed											0	0
Debt securities	1,763,988	1,738,687					3,889,088	4,110,768			5,653,076	5,849,455
- of which listed	*1,763,988*	*1,738,687*					*3,288,001*	*3,621,910*			*5,051,989*	*5,360,597*
Shares of collective investment funds							601,900	1,147,706			601,900	1,147,706
Loans and receivables with insured banks											0	0
Interbank loans and receivables			2	14							2	14
Deposits with ceding companies			88	98							88	98
Financial asset components of insurance policies											0	0
Other loans and receivables			1,325,733	862,110							1,325,733	862,110
Non-hedge derivatives							29,006	16,531			29,006	16,531
Hedging derivatives											0	0
Other financial investments											0	0
Total	**1,763,988**	**1,738,687**	**1,325,822**	**862,222**	**0**	**0**	**4,548,932**	**5,294,262**			**7,638,742**	**7,895,171**

Annex 4. Detail of technical provisions

	Direct business		Direct business		Total carrying value	
(in € thousand)	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Non-life provisions	**2,313,182**	**2,189,981**	**28,935**	**24,813**	**2,342,117**	**2,214,794**
Provision for unearned premiums	1,897,752	1,802,753	24,926	20,346	1,922,678	1,823,099
Provision for claims outstanding	414,298	386,394	4,009	4,467	418,307	390,861
Other provisions	1,132	834	0	0	1,132	834
of which provisions made following liability adequacy tests						
Life provisions	**0**	**0**	**0**	**0**	**0**	**0**
Provision for sums to be paid	0	0	0	0	0	0
Provisions for policy liabilities	0	0	0	0	0	0
Technical provisions where the investment risk is borne by the policyholders and provisions relating to the administration of pension funds	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0
of which provisions made following liability adequacy tests			0	0	0	0
of which deferred liabilities to policyholders			0	0	0	0
Total Technical Provisions	**2,313,182**	**2,189,981**	**28,935**	**24,813**	**2,342,117**	**2,214,794**

Annex 5. Detail of financial liabilities

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit ot loss					
(in € thousand)	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Participating financial instruments		**0**		**0**	**0**	**0**	**0**	**0**
Subordinated liabilities		0		0	0	0	0	0
Liabilities from financial policies issued by insurance companies relating to:								
- policies where the investment risk is borne by policyholders			0		0	0	0	0
- the administration of pension funds			0		0	0	0	0
- other policies			0		0	0	0	0
- deposits received from reinsurers			0		26,544	30,290	26,544	30,290
Financial liability components of insurance policies			0		0	0	0	0
Debt securities issued			0		0	0	0	0
Payables to insured banks			0		0	0	0	0
Interbank liabilities			0		0	0	0	0
Other loans obtained			0		0	0	0	0
Non-hedge derivatives	18,949	34,096	0		0	0	18,949	34,096
Hedging derivatives			0		0	0	0	0
Other financial liabilities	47,536	29,737	0		77,610	94,318	125,146	124,055
Total	**66,485**	**63,833**	**0**	**0**	**104,154**	**124,608**	**170,639**	**188,441**

Annex 6. Detail of technical insurance items

(in € thousand)	2011			2010		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
NET PREMIUMS	**342,827**	**-42,294**	**300,533**	**626,423**	**-35,466**	**590,957**
a Premiums written	442,293	-41,891	400,402	536,653	-44,709	491,944
b Change in the provision for unearned premiums	-99,466	-403	-99,869	89,770	9,243	99,013
NET CLAIMS INCURRED	**-23,210**	**-22,809**	**-46,019**	**51,189**	**-13,488**	**37,701**
a Claims paid	112,543	-20,988	91,555	181,540	-21,397	160,143
b Change in the provision for claims outstanding	26,972	-4,396	22,576	-8,288	4,697	-3,591
c Change in recoveries	-164,222	3,076	-161,146	-122,550	3,072	-119,478
d Change in other technical provisions	1,497	-501	996	487	140	627
Life business						
NET PREMIUMS	**0**	**0**	**0**			
NET CLAIMS INCURRED	**0**	**0**	**0**			
a Claims paid	0	0	0			
b Change in the provision for claims outstanding	0	0	0			
c Change in provisions for policy liabilities	0	0	0			
d Change in technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds	0	0	0			
e Change in other technical provisions	0	0	0			

Annex 7 - Financial and investment income and expense

(in € thousand)	Interest	Other income	Other expense	Realised gains	Realised losses	Total realised income and expense	Valuation gains		Valuation losses		Total non-realised income and expense	Total income and expense	
							Valuation gains	Restoration of value	Valuation losses	Reduction in value		31/12/2011	31/12/2010
Investment income (expense)	**292,942**	**1,769**	**246**	**311,908**	**(421,343)**	**185,030**	**47,290**	**0**	**(566,704)**	**85**	**(544,599)**	**(359,569)**	**(13,015)**
a On investment property	0	1,013	188	0	0	825	0	0	0	85	(85)	740	913
b On equity investments in subsidiaries, associates and joint ventures	0	0	0	0	0	0	86	0	0	0	86	86	(359)
c On held-to-maturity investments	73,960	0	0	0	608	74,567	0	0	0	0	0	74,567	86,247
d On loans and receivables	128,441	14	0	0	0	128,455	0	0	(3,587)	0	(3,587)	124,868	104,600
e On available-for-sale financial assets	0	0	0	0	0	0	0	0	0	0	0	0	0
f On held-for-trading financial assets	90,542	742	58	311,908	(421,951)	(18,817)	47,204	0	(563,117)	0	(541,013)	(559,830)	(204,416)
g On financial assets designated at fair value though profit or loss	0	0	0	0	0	0	0	0	0	0	0	0	0
Other receivables - income (expense)	**1,049**	**0**	**0**	**0**	**0**	**1,049**	**0**	**0**	**0**	**0**	**0**	**1,049**	**469**
Cash and cash equivalents - income (expense)	**4,712**	**0**	**0**	**0**	**0**	**4,712**	**0**	**0**	**0**	**0**	**0**	**4,712**	**2,990**
Financial liabilities - income	**(13,946)**	**0**	**481**	**0**	**0**	**(14,427)**	**0**	**0**	**0**	**0**	**0**	**(14,427)**	**(652)**
a On held-for-trading financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
b On financial liabilities designated at fair value though profit or loss	0	0	0	0	0	0	0	0	0	0	0	0	0
c On other financial liabilities	(13,946)	0	481	0	0	(14,427)	0	0	0	0	0	(14,427)	(652)
Indebtedness	**(162)**	**0**	**0**	**0**	**0**	**(162)**	**0**	**0**	**0**	**0**	**0**	**(162)**	**(132)**
Total	**284,595**	**1,769**	**727**	**311,908**	**(421,343)**	**176,201**	**47,290**	**0**	**(566,704)**	**85**	**(544,599)**	**(368,398)**	**(10,340)**

Annex 8. Detail of insurance business costs

	Non-life business		Life business	
(in € thousand)	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Gross commissions and other acquisition expense	**41,653**	**41,192**		
a) Acquisition commissions	15,859	15,602		
b) Other acquisition costs	25,120	24,969		
c) Change in deferred acquisition costs	0	0		
d) Collecting commissions	675	621		
Reinsurance commissions and profit-sharing	-9,595	-8,134		
Investment management charges	5,425	6,752		
Other administrative expenses	52,985	59,602		
Total	**90,468**	**99,411**		

Annex 9. Breakdown of financial assets and liabilities by level

		Level 1		Level 2		Level 3		Total	
(in € thousand)		31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Available-for-sale financial assets									
Financial assets at fair value through profit or loss	Financial assets held for trading	3,864,930	4,735,388	157,047	225,929	526,956	332,945	4,548,932	5,294,262
	Financial assets measured at fair value though profit and loss								
Total		**3,864,930**	**4,735,388**	**157,047**	**225,929**	**526,956**	**332,945**	**4,548,932**	**5,294,262**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading								
	Financial liabilities designated at fair value through profit or loss								
Total									

Annex 10. Detail of changes in level 3 financial assets and liabilities

	Available-for-sale financial assets			Financial assets designated at fair value though profit and loss	
	Available-for-sale financial assets	Financial assets at fair value through profit or loss			
(in € thousand)		Financial assets at fair value through profit or loss	Financial assets designated at fair value though profit and loss	Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss
Opening balance					
Acquisitions/Issues			526,956		
Sales/Repurchases					
Repayments					
Gains (losses) through profit and loss					
Gains (losses) in other items in the statement of comprehensive income					
Transfers to level 3					
Transfers to other levels					
Other changes					
Closing balance					

SACE S.p.A.

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

The legal representatives of the company

Alessandro Castellano

The Statutory Auditors

Marcello Cosconati

Guido Marchese

Leonardo Quagliata

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

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 Castellano, in my capacity as Chief Executive Officer and Roberto Taricco, 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 2011.

The adequacy of the administrative and accounting procedures used to prepare the financial statements for the year ended at 31 December 2011 was assessed on the basis of a process defined by SACE in accordance with generally recognised international standards.

We also hereby certify that:

- the consolidated financial statements for the year ended at 31 December 2011:
  - correspond to the results of company records and accounting entries;
  - were drawn up in accordance 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 comprises a reliable analysis of performance and operating results and of the state of affairs of the company included in the scope of consolidation, together with the description of the main risks and uncertainties to which they are exposed.

Rome, 27 marzo 2012

Chief Executive Officer	Executive Officer
Alessandro Castellano	Roberto Taricco
SACE S.p.A.	SACE S.p.A.

AUDITORS' REPORT

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SACE GROUP FOR THE YEAR ENDED AT 31 DECEMBER 2011

Dear Shareholders,

As stated in the notes, the scope of consolidation of the SACE group includes:

- SACE S.p.A., the parent company, which directs and coordinates its subsidiaries;
- SACE Fct S.p.A., 100 percent direct ownership;
- SACE Fct S.p.A., 100 percent direct ownership;
- SACE SRV S.r.l., 100 percent indirectly owned through SACE BT S.p.A.

The consolidated financial statements of the SACE group for the year ended at 31 December 2011 were prepared, pursuant to Italian Legislative Decree No. 38 of 28 February 2005, in accordance with the international accounting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union; the format of the consolidated financial statements and of the relative annexes satisfies the requirements of ISVAP Regulation No. 7/2007.

The valuation criteria and consolidation principles adopted are explained in the notes.

The consolidated financial statements have undergone statutory auditing by PricewaterhouseCoopers S.p.A., and – as pertaining to their duties – by the respective boards of statutory auditors of the subsidiaries; we therefore performed no direct controls on these financial statements, as this was the responsibility of each single auditing body.

We can however 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 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 the information provided 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 noted that in their report, the independent auditors, PricewaterhouseCoopers S.p.A., certify that the consolidated financial statements for the year ended at 31 December 2011 were drawn up clearly and provide a true and fair view of the group's state of affairs, financial standing, operating result, changes in shareholders' equity and cash flows.

For all our other findings and comments on the consolidated financial statements of the group for the year ended at 31 December 2011, reference should be made to the report accompanying the financial statements of SACE S.p.A., which underlines the key aspects of the financial statements of the parent company, whose operations continued to have significant repercussions on the group's consolidated financial statements throughout 2011.

In our opinion and based on that stated above, the consolidated financial statements for the year ended at 31 December 2011 – recording group profits for €139,520 thousand, total assets for €9,178,656 thousand, total liabilities for €2,976,488 thousand and consolidated shareholders' equity for €6,202,168 thousand – which are the result of financial statements that generated no exceptions, recommendations, criticisms or reservations, give a correct view of the group's state of affairs, financial standing and operating result in accordance with the aforesaid laws governing consolidated financial statements.

Rome, 13 April 2012

The Board of Statutory Auditors

Dr. Marcello Cosconati (Chairman)

Dr. Leonardo Quagliata (Standing Auditor)

Dr. Guido Marchese (Standing Auditor)

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholder of
SACE SpA – Servizi Assicurativi del Commercio Estero

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

1 We have audited the consolidated financial statements of SACE SpA – Servizi Assicurativi del Commercio Estero and its subsidiaries ("SACE Group") as of 31 December 2011, which comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and related explanatory notes. The directors of SACE SpA – Servizi Assicurativi del Commercio Estero are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 90 of Legislative Decree No. 209/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the standards on auditing issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 8 April 2011.

3 In our opinion, the consolidated financial statements of SACE SpA – Servizi Assicurativi del Commercio Estero as of 31 December 2011 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 90 of Legislative Decree No. 209/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, results of operations and cash flows of the SACE Group for the year then ended.

PricewaterhouseCoopers SpA

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4 The directors of SACE SpA – Servizi Assicurativi del Commercio Estero are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion the report on operations is consistent with the consolidated financial statements of SACE SpA – Servizi Assicurativi del Commercio Estero as of 31 December 2011.

Rome, 13 April 2012

PricewaterhouseCoopers SpA

Signed by

Antonio Dogliotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

2 of 2

Project and coordination
SACE

Creative concept
Tribeka Comunicazione

Realisation
19novanta communication partners

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Dipendenti SACE
Deborah Alterisio
Corbis

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