2017

Balance SACE

Financial and Consolidated statements

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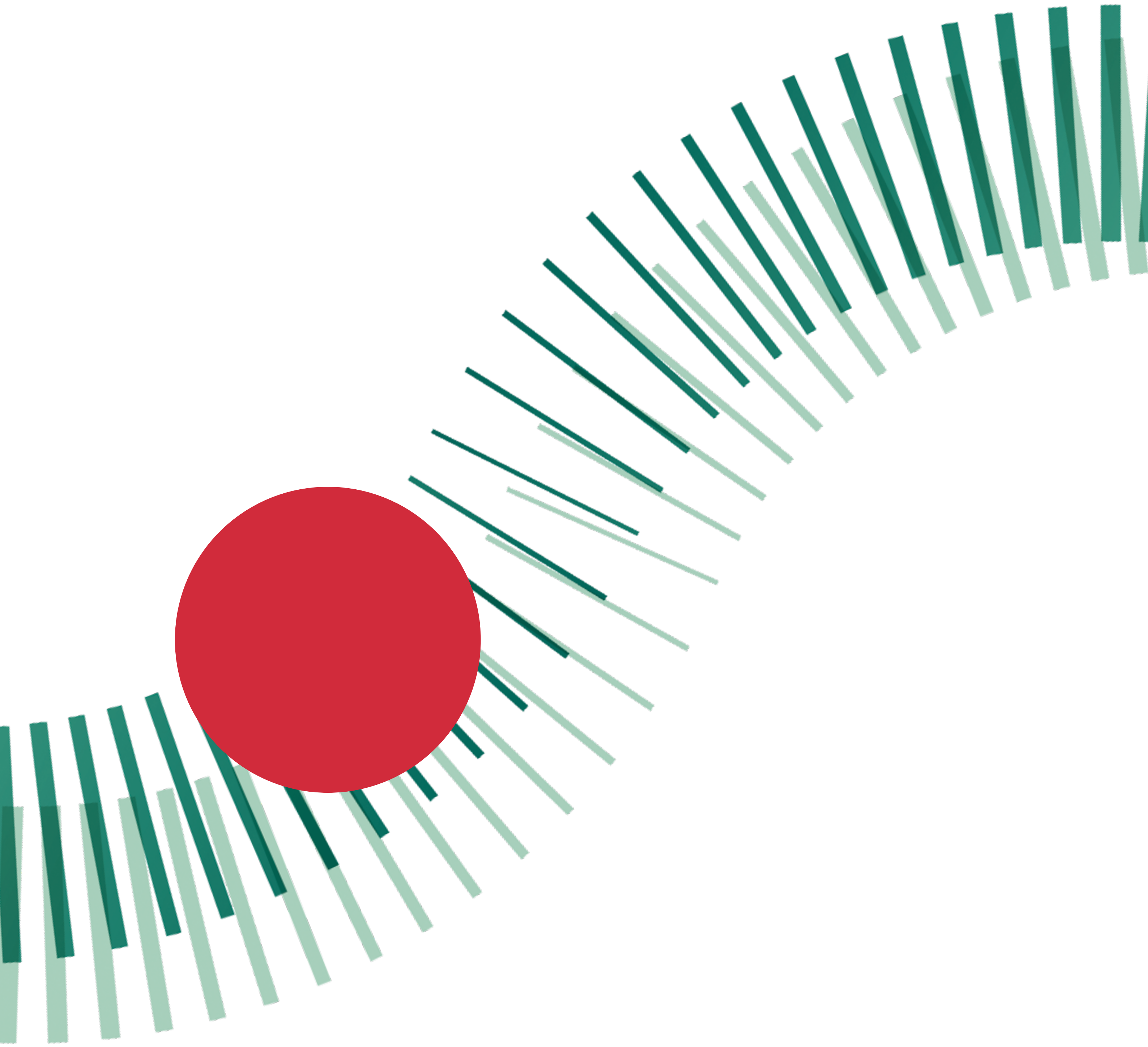
2017 Financial and Consolidated statements



Financial statements

at 31 December 2017

Meeting of the Board of Directors
of 20 March 2018

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

Company officers and boards

Board of Directors

Chairman

Beniamino QUINTIERI

Chief Executive Officer and General Manager

Alessandro Maria DECIO (*)

Directors

Maria ALLEGRINI
Antonella BALDINO
Paolo Carlo Renato DAL PINO (**)
Rodolfo ERRORE (****)
Alessandra FERONE (*****)
Giuseppe MARESCA (****)
Federico MEROLA

Board of Statutory Auditors

Chairman

Franco Luciano TUTINO

Standing Auditors

Roberta BATTISTIN
Giuliano SEGRE

Alternate Auditors

Antonia DI BELLA
Francesco DI CARLO

Standing Delegate of the Court of Auditors

Guido CARLINO

Independent Auditors (***)

PRICEWATERHOUSECOOPERS S.p.A.

Company Boards appointed by the Shareholders' Meeting on 14 June 2016 and in office for three years.
(*) Appointed CEO and General Manager by resolution of the Board of Directors on 14 June 2016.
(**) Appointed as a Member of the Board by resolution of the Shareholders' Meeting on 28 September 2016.
(***) Appointed for the period 2015-2023 by resolution of the Shareholders' Meeting of 23 April 2015.
(****) Appointed as a Member of the Board by resolution of the Shareholders' Meeting on 12 September 2017.
(*****) Director coopted by resolution of the Board of Directors on 30 November 2017.

Contents

Directors' Report

1. The economic scenario

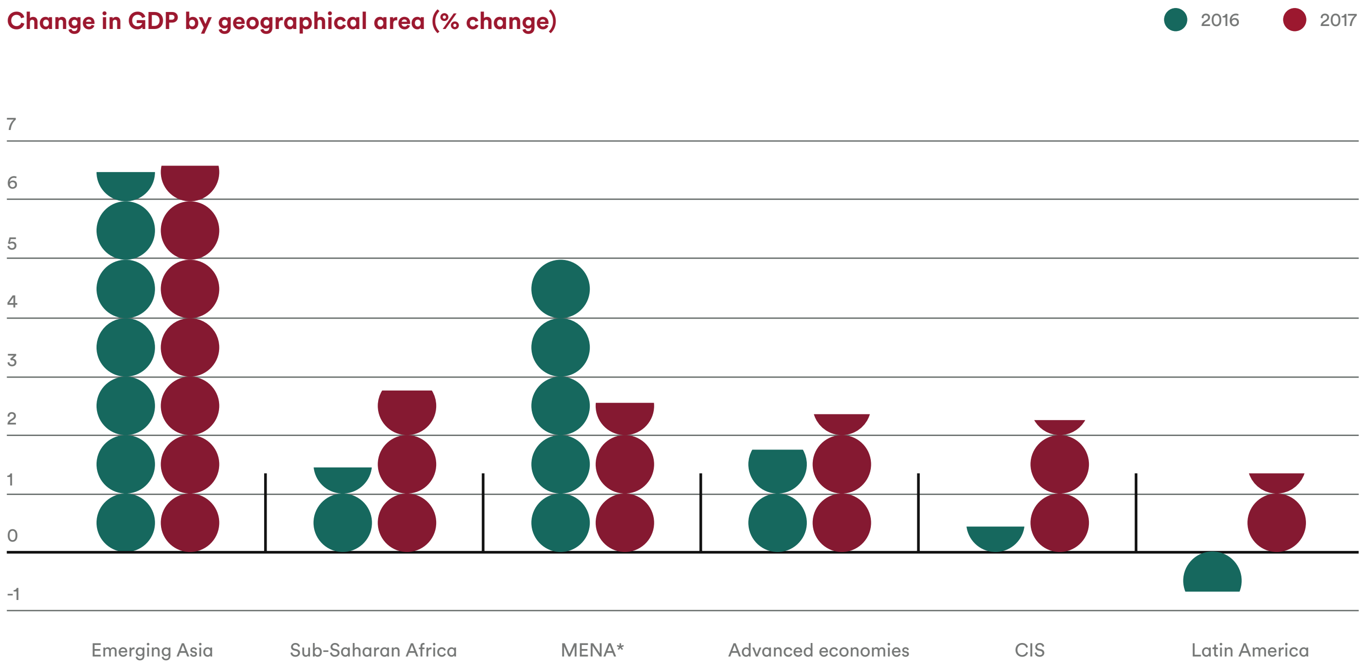
The world economy

Global economic growth exceeded expectations in 2017 (global GDP grew by +3.7%, compared to the +3.4% forecast in January 2016). Growth was reported in all regions, also thanks to recovery in a number of emerging markets that were in recession the previous year.

Growth in the advanced economies was surprisingly positive despite the presence of numerous downside political risks at the beginning of the year. In the UK, despite the first effects of the Brexit vote being felt (especially on the pound), economic activity remained brisk, although started to slow towards the end of the year. Growth in the United States was also better than expected, driven by consumer spending and investments; there is however still uncertainty about new government policies, especially with regard to trade and immigration. Economic growth in the Euro area picked up speed (+2.4%), but the region also experienced increased political instability, not only on the back of Brexit negotiations, but then with the Catalan crisis in Spain and the political *impasse* in Germany.

Emerging markets consolidated their growth momentum during the course of the year. Although economic growth in China remained strong (albeit slower than in the past), some key issues still need to be addressed in order to achieve sustainable economic expansion. These include the high level of private sector and local government debt. India pursued its policy to liberalise the economy and attract foreign investors, implemented by Prime Minister Modi who was elected in 2014. In Argentina, new measures introduced by the Macri government to reform the country's economic and productive sectors are helping to create a more transparent and credible business environment. Russia and Brazil have left the recession behind them.
Commodity exporting countries benefited from the recovery of commodity prices. In the MENA region pressure on public finances eased and the economies of Latin America experienced a slow recovery after a decline in activity in 2016.

Change in GDP by geographical area (% change)



Source: IMF (January 2018)
* Data for the MENA region also include Pakistan and Afghanistan.

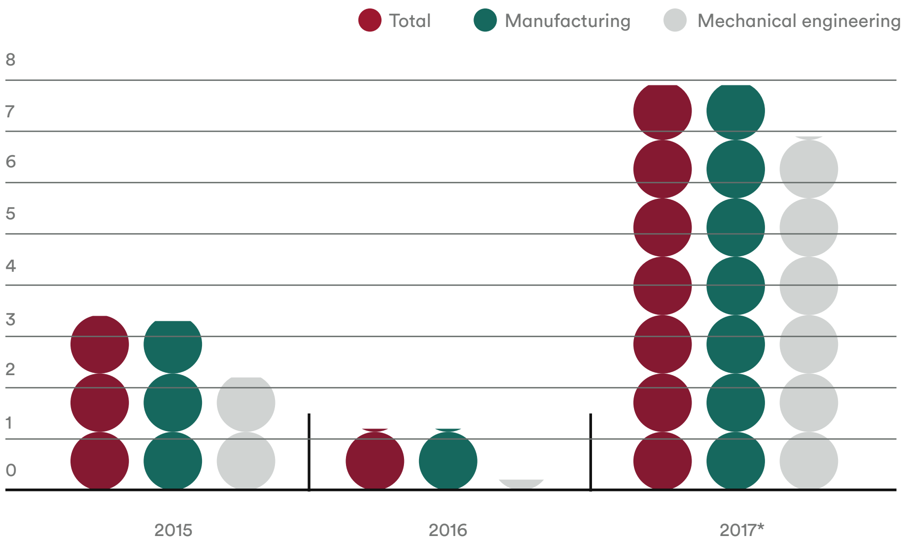
The Italian economy and industrial sectors

Against this favourable backdrop, the Italian economy expanded (+1.6%). Economic activity was driven by exports, which benefited from an acceleration in global economic growth and international trade, and by components of domestic demand, including investments (especially in capital goods) and consumption.
Industrial production increased by 2.7% in the first 11 months of the year. Among the main categories, consumer goods recorded the strongest growth, especially durable consumer goods. Capital goods also recorded positive growth (+2.6%). At sector level, growth was driven by pharmaceuticals, means of transport, petroleum and refined products, metallurgy and metal products and machinery and equipment. The computers and electronics, electrical appliances and wood industries instead reported negative growth.
Lending to businesses and households continued to expand in 2017. Loan quality also improved thanks to a reduction in non-performing loans (15.3% of the total according to the latest figures published by Banca d'Italia).
The number of insolvencies continued to fall in 2017. Just under 12,000 Italian companies were declared bankrupt, 11.3% fewer than in 2016. Although the numbers have gradually fallen, they are still higher than in 2009.

Italian exports

After two years of slow growth, world trade picked up in 2017, expanding at the fastest pace since 2010. Growth in international trade volumes exceeded world GDP growth (+4.7%).
Italy posted a trade surplus of over €42 billion in the first 11 months of the year. The value of exports of goods increased by 7.9%, sustained by demand from within the EU (+7.1%) and from non-EU countries (+8.9%). The most dynamic countries were China, Russia, Poland and Spain, while sales to OPEC countries decreased. For the main sectors, the increase in exports was primarily due to growth in sales of motor vehicles, chemical and pharmaceutical products (sectors that are not typical of Italy's specialisation model), metal products, food and beverages and mechanical engineering products; the latter is the main driver of demand for insurance against the risk of non-payment in the medium and long term.

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



Source: Istat
* Growth rates are based on average year-on-year growth for the period from January to November (last available data November 2017).

2. Significant events in 2017 - Strategy

In 2017 SACE continued to support the exports and internationalisation of Italian companies. The volume of transactions approved increased from €13.2 billion in 2016 to approximately €18 billion in 2017. The geo-political context was reflected in an increase in demand for insurance to cover political country risk - in countries such as Qatar, Ethiopia and Kenya - and risks directly related to certain sectors of strategic importance for Italy, such as the cruise industry. Projects undertaken in 2017 were aimed at (i) strengthening our commitment to support Italian exporters also indirectly through the push strategy programme, to sustain Italian procurement (with the approval of new guarantees worth approximately €700 million), (ii) supplementing the product offering in terms of digital evolution, through the new web-based service platform that came on stream in October 2017, (iii) defining efficiency-enhancing measures to reduce the times involved in subscribing small transactions. As part of our commitment to supporting exports, we reached an agreement with the Ministry for the Economy and Finance on amendments in terms of reinsurance cover for risk concentration, an enabling factor for developing business. We also obtained authorisation to open a new international office in Shanghai. In line with the 2016-2020 Business Plan that was approved in December 2016, the “one-door” Export Hub offering was presented during numerous meetings held jointly throughout the country under the new SACE SIMEST brand. Operating synergies have also been developed for managing joint operations. In 2018 we aim to expand our customer portfolio by implementing a “four-step plan” and strategies focused on the mid-corporate segment. We will also look to increase our sectoral and geographical diversification, including through agreements with supply chain champions and by adopting a proactive approach to countries of strategic importance and areas of economic interest for the Italian economy (giving further impetus to the push strategy).

3. Report on operations

Shareholding structure and share capital

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

Net profit for the year

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

Highlights

(in € millions)	2017	2016	Change
Gross premiums	804.4	534.2	51%
Claims	353.0	344.1	3%
Technical provisions	3,461.9	3,449.6	-
Investments (including other assets)	7,651.0	7,391.3	4%
Shareholders' equity	4,671.7	4,546.9	3%
Gross profit	360.1	413.3	-13%
Net profit	274.9	303.5	-9%
Commitments approved	17,383.4	13,173.9	32%

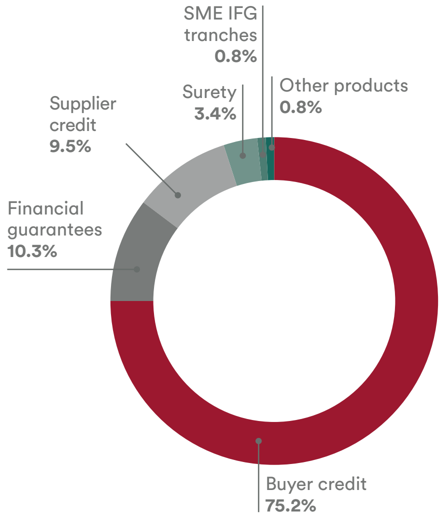
Profit & loss account

(in € millions)	2017	2016
Gross premiums	804.4	534.2
Outward reinsurance premiums	(147.2)	(152.3)
Change in the provision for unearned premiums	(111.5)	(244.9)
Net premium income	545.8	137.0
Claims incurred	(353.0)	(344.1)
Change in recoveries	228.3	238.3
Change in the provision for claims outstanding	211.1	88.5
Claims incurred, net of recoveries	86.3	(17.3)
Change in other technical provisions, net of reinsurance	(5.2)	(5.2)
Change in the equalisation reserve	(42.7)	(28.7)
Investment return transferred from the non-technical account		121.5
Premium refunds and profit sharing	(18.3)	(13.9)
Operating expenses	(79.0)	(74.4)
Other technical income and charges	16.7	12.1
Balance on the technical account	**503.7**	**131.1**
Financial and other income	718.1	1,347.5
Investment management and financial charges	(863.1)	(944.8)
Investment return transferred to the technical account		(121.5)
Balance on the non-technical account	**(145.0)**	**281.1**
Income from ordinary operations	**358.7**	**412.2**
Extraordinary income	2.5	2.3
Extraordinary charges	(1.1)	(1.2)
Profit before taxes	**360.1**	**413.3**
Taxes	(85.2)	(109.8)
Net profit	**274.9**	**303.5**

In 2017, SACE posted a net profit of €274.9 million, a slight decrease compared to the €303.5 million reported in 2016.
The main components of the result are shown below:

- gross premiums, for a total of €804.4 million, increased significantly with respect to the previous year (+51%);
- the change in the provision for unearned premiums was negative and amounted to €111.5 million, reflecting the increase in premiums for the year, which was partially offset by a decrease in the component for unexpired risks;
- claims incurred increased slightly compared to 2016 and amounted to €353 million;
- the change in the provision for claims outstanding was positive and amounted to €211.1 million, due to settlements for the year and a reduction in claims;
- the change in recoveries related to the management of subrogation credit for €228.3 million, includes gains for recoveries of prior year claims (€174.1 million), recoverable amounts on claims for the year (€88.4 million), write-downs on loans due to alignment with the presumed realisable value (€14.9 million), losses on loans (€15.2 million) and reinsurers' share of amounts recovered (€4.1 million);
- operating expenses for the year, net of reinsurers' share of commissions for €17.4 million, amounted to €79 million, slightly up on the previous year;
- the balance on the non-technical account was negative and equal to €145 million. This result includes the negative effect of financial operations for €80.4 million due to the negative valuation by the market of the currency-hedged ETFs (-€107.1 million). However, the balance on the non-technical account also reflected the positive effect of fixed asset investments (+€40.1 million), current assets (+€41.7 million), the negative effect of exchange gains and losses (-€62.5 million) and equity investments (+€7.4 million). The result of financial operations is calculated by including the positive result of exchange activities in technical provisions (equal to €89.9 million recorded in the technical account).

Guarantees provided in 2017 by product

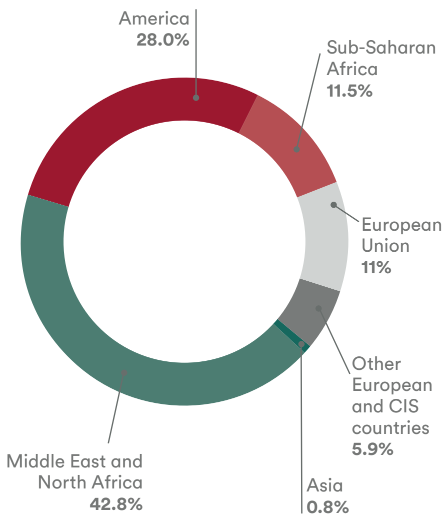


Guarantees provided

Lending volumes (guarantees provided in terms of principal and interest) amounted to €17,737.7 million in 2017. Transactions were mainly generated by buyer credit policies (75.2%), financial guarantees (10.3%) and supplier credit policies (9.5%).

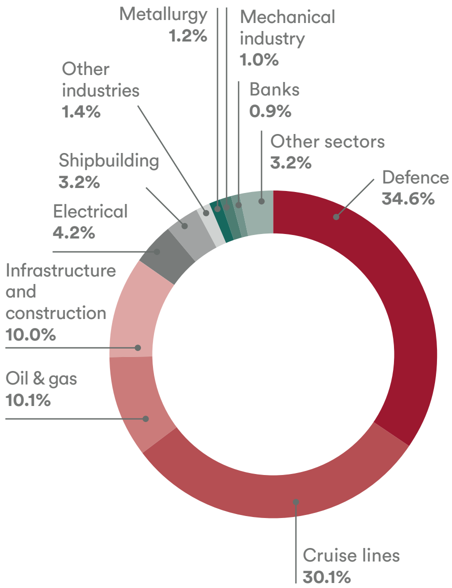
In terms of geographical areas, new commitments were mainly directed towards the Middle East and North Africa (42.8%), the Americas (28%) and Sub-Saharan Africa (11.5%).

Guarantees provided in 2017 by geo-economic region



The industrial sectors that accounted for the highest volumes were defence (34.6%), the cruise industry (30.1%) and the oil & gas sector (10.1%).

Guarantees provided in 2017 by industrial sector



Commitments approved

The value of commitments approved in 2017 (in terms of principal and interest, including changes recognised during the year) amounted to €17,383.4 million, of which €16,305.8 million under the annual upper limit and €1,077.6 million under the revolving limit. Commitments approved increased by 32% with respect to 2016.

Details of the main transactions worth more than €20 million approved in 2017 are provided below.

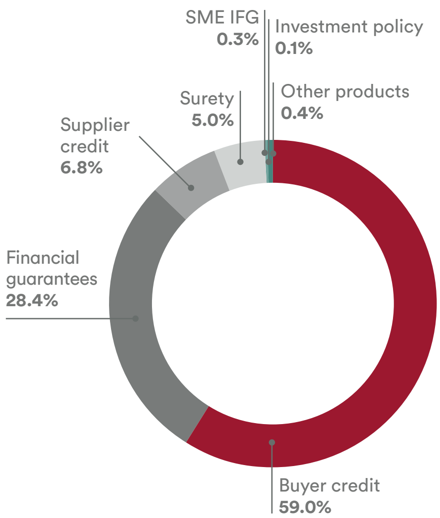
COUNTRY	Geographical region	Sector of industrial activity	Commitments approved (€ m)
Qatar	Middle East	SOVEREIGN	3,715.65
Qatar	Middle East	SOVEREIGN	1,071.23
United States	North America	BACKED CORPORATE	1,032.80
United States	North America	BACKED CORPORATE	1,025.78
United States	North America	BACKED CORPORATE	755.69
United States	North America	BACKED CORPORATE	750.58
Mozambique	Sub-Saharan Africa	PROJECT FINANCE	693.60
United Kingdom	European Union	CORPORATE	583.18
United Kingdom	European Union	CORPORATE	552.82
Qatar	Middle East	SOVEREIGN	539.96
Kuwait	Middle East	CORPORATE	539.54
United Kingdom	European Union	CORPORATE	475.68
Ethiopia	Sub-Saharan Africa	SOVEREIGN	468.57
Qatar	Middle East	PUBLIC NON-SOVEREIGN	462.79
Kenya	Sub-Saharan Africa	SOVEREIGN	420.25
Italy	European Union	CORPORATE	380.00
Qatar	Middle East	PUBLIC NON-SOVEREIGN	223.07
Kenya	Sub-Saharan Africa	SOVEREIGN	221.89
Vietnam	Asia	SOVEREIGN	206.70
Iraq	Middle East	SOVEREIGN	182.17
United States	North America	CORPORATE	172.00
Saudi Arabia	Middle East	CORPORATE	160.70
Saudi Arabia	Middle East	PUBLIC NON-SOVEREIGN	152.38
Italy	European Union	CORPORATE	150.58
Bahrain	Middle East	CORPORATE	124.37
Zambia	Sub-Saharan Africa	SOVEREIGN	107.25
Turkey	Other European and CIS countries	CORPORATE	103.61
Turkey	Other European and CIS countries	CORPORATE	91.32
Ethiopia	Sub-Saharan Africa	CORPORATE	85.00
Indonesia	Asia	CORPORATE	72.76
Switzerland	Other European and CIS countries	CORPORATE	72.50
Turkey	Other European and CIS countries	CORPORATE	69.03
Italy	European Union	BANK	57.00
Mozambique	Sub-Saharan Africa	POLITICAL	56.80
Mexico	Latin America	CORPORATE	55.57
Italy	European Union	CORPORATE	55.06
Kenya	Sub-Saharan Africa	SOVEREIGN	51.24
Italy	European Union	CORPORATE	49.99
Turkey	Other European and CIS countries	BANK	49.54
Italy	European Union	CORPORATE	42.76
Mexico	Latin America	CORPORATE	42.43
Italy	European Union	CORPORATE	42.22

COUNTRY	Geographical region	Sector of industrial activity	Commitments approved (€ m)
Qatar	Middle East	CORPORATE	40.00
Turkey	Other European and CIS countries	BACKED CORPORATE	39.01
Turkey	Other European and CIS countries	BACKED CORPORATE	39.01
Turkey	Other European and CIS countries	BACKED CORPORATE	39.01
Italy	European Union	CORPORATE	31.80
Ghana	Sub-Saharan Africa	SOVEREIGN	31.59
Italy	European Union	CORPORATE	30.61
Italy	European Union	CORPORATE	30.07
Algeria	North Africa	PUBLIC NON-SOVEREIGN	30.00
Turkey	Other European and CIS countries	CORPORATE	27.00
Ethiopia	Sub-Saharan Africa	SOVEREIGN	25.92
India	Asia	CORPORATE	25.53
Indonesia	Asia	SOVEREIGN	25.38
Senegal	Sub-Saharan Africa	SOVEREIGN	25.24
Turkey	Other European and CIS countries	CORPORATE	25.15
Qatar	Middle East	PUBLIC NON-SOVEREIGN	25.00
Argentina	Latin America	CORPORATE	23.83
Costa Rica	Latin America	CORPORATE	22.47
Indonesia	Asia	SOVEREIGN	20.30
Total			**16,723.00**

Premiums

In 2017, gross premiums amounted to €804.4 million and were generated for €772.7 million by direct business and for €31.7 million by indirect business (reinsurance provided). There was a 51% increase compared to 2016. The products that contributed most to premiums were the buyer credit policy (59%), financial guarantees (28.4%) and the supplier credit policy (6.8%).

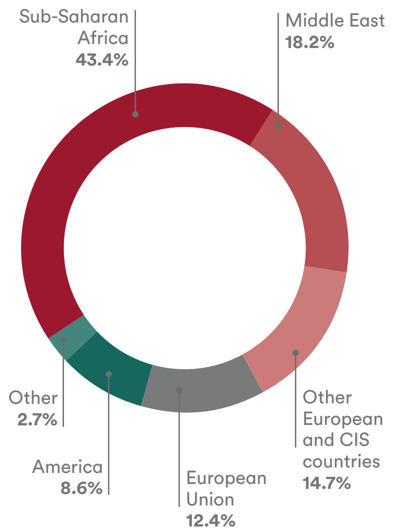
Gross premiums by product



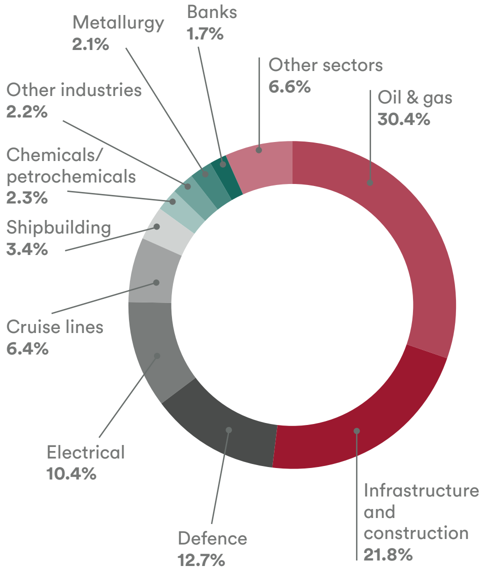
The geographical regions with the highest concentrations of premiums are: Sub-Saharan Africa (43.4%), the Middle East (18.2%) and other European and CIS countries (14.7%).

The industrial sectors that accounted for most of the new business premiums were oil & gas (30.4%), infrastructure and construction (21.8%), and defence (12.7%).

Gross premiums by geographical region

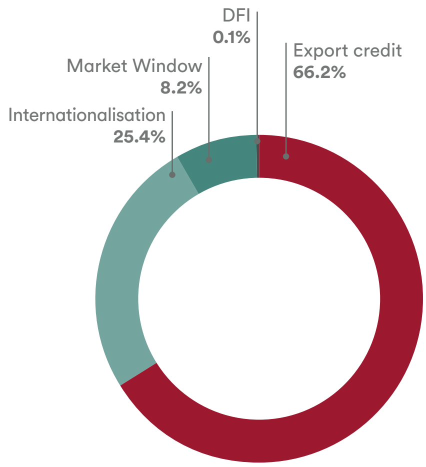


Gross premiums by industrial sector



In terms of the composition of gross premiums by business operations, export credit continued to account for the highest proportion (66.2%) of business.

Gross premiums by business operations



Claims

Claims paid during 2017 amounted to €369.8 million (with a year-over-year increase of 5.9%). More than 80% of claims refer to export credit insurance with counterparties in Germany, Russia, Ukraine and Poland, already involved in claims in previous years. 13.5% of claims refer to the Italy risk, in terms of internationalisation and market window financing. The sectors with the highest claims were shipbuilding, metallurgy and aviation.

Recoveries

In 2017 SACE collected €153.3 million in political recoveries, a significant reduction compared to 2016, when it recovered €731.4 million (an exceptionally high amount, largely referring to repayments by Iran under the Settlement Agreement signed on 25 January 2016 which enabled SACE to recover €509.0 million).
Political recoveries mainly refer to payments in connection with bilateral agreements with Iraq (€40.9 million), Ecuador (€28.1 million), Argentina (€28.1 million) and Cuba (€21.4 million).

Commercial recoveries totalled €221.1 million in 2017, notably higher than in 2016 (€23.1 million).
The item refers to recoveries recognised under subrogation credit and/or restructuring agreements concluded during the year in connection with large claims. In detail, €86.5 million were recovered from Iranian counterparties under a restructuring agreement, €68.7 million from Polish counterparties as payment for sale of the loan, €36.6 from German counterparties for the transfer of insured vessels and €7.7 million from Italian counterparties under settlement agreements.

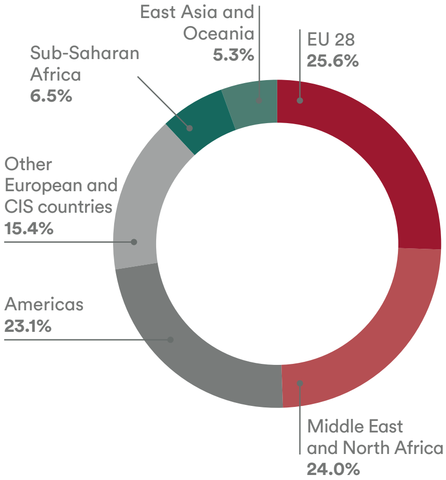
Risk portfolio

Total exposure, calculated as the sum of receivables and outstanding guarantees (principal and interest) amounted to €50.5 billion, an increase of 15.4% compared to the end of 2016. The growth trend continued, chiefly attributable to the guarantee portfolio which represents 98.9% of total exposure and included some sizeable transactions during the year. The credit portfolio decreased by 22.8% compared to the figure for the end of 2016. The change was largely due to the sovereign component, which accounts for 74.0% of all credits and decreased by 24.7% (from €543.0 million to €408.9 million) with respect to the end of 2016. The commercial component, which accounts for 26.0% of the portfolio, decreased by 17.1% compared to 2016.

Portfolio	2017	2016	Change
Outstanding guarantees	49,929.4	43,037.4	16%
principal	*43,789.9*	*37,210.6*	*17.7%*
interest	*6,139.5*	*5,826.8*	*5.4%*
Receivables	552.3	715.8	-22.8%
Total exposure	**50,481.7**	**43,753.2**	**15.4%**

The analysis by geo-economic region shows that the highest exposure was once again towards EU countries (25.6% in relation to 36.4% in 2016), but with a marked decrease of 18.7% compared to the previous year. However, in terms of concentration, Italy was replaced in top position by the United States, which had a 14.1% impact on the portfolio. Next, in terms of region, came the Middle East and North Africa, which had a 24.0% impact on the portfolio (up from 15.1% in 2016) and an 83.6% increase in exposure. The Americas were the third-biggest region, with an impact on the portfolio of 23.1% and exposure up 30.1% on 2016 when it had a 20.5% impact. Other geo-economic regions together account for 27.2% of the portfolio: exposure to other European and CIS (Commonwealth of Independent States) countries increased by 8.8% (the impact on the portfolio fell from 16.4% in 2016 to 15.4% in 2017), whereas Sub-Saharan Africa saw the biggest increase in exposure, which rose by 93.5% (the impact on the portfolio increased from 3.9% in 2016 to 6.5% in 2017). Exposure to East Asia and Oceania fell by 21.6% compared to the previous year (the impact on the portfolio decreased from 7.8% in 2016 to 5.3% in 2017).

Total exposure by geo-economic region (%)



The analysis by type of risk shows a sharp rise in sovereign risk (>100%) and a significant decrease in political risk (-59.7%). Exposure to private risk – considering both credit risk and surety bonds - continued to be the highest, with an incidence of 76.2% on the total portfolio.

Type of risk	2017	2016	Change
Sovereign	9,287.7	3,859.1	>100%
Political	194.1	482.2	-59.7%
Private sector risk	33,389.6	32,622.4	2.4%
Ancillary	918.5	246.9	>100%
Total	**43,789.9**	**37,210.6**	**17.7%**

Within private risk only a 68.2% increase in backed corporate risk and an 8.9% rise in project finance risk were observed. Exposure to corporate risk in the credit and surety businesses decreased by 6.4% and 5.6%, respectively. Other risks also decreased: structured finance risk (-9.0%), bank risk (-22.3%) and the aviation component of asset-based risks (-27.5%)

Type of risk	2017	2016	Change
Corporate - credit business	13,070.2	13,959.2	-6.4%
Banking	1,726.5	2,221.6	-22.3%
Aviation (asset - based)	545.8	752.5	-27.5%
Backed corporate	5,082.7	3,022.1	68.2%
Project Finance	8,187.4	7,520.9	8.9%
Structured Finance	2,130.5	2,341.5	-9.0%
Corporate - surety business	2,646.4	2,804.5	-5.6%
Total	**33,389.6**	**32,622.4**	**2.4%**

The level of concentration by sector continued to be high, with the largest five sectors accounting for 77.6% of the total private portfolio. The main sector continued to be the cruise industry, which accounted for 33.5% of the portfolio, with a 48.3% increase in exposure compared to 2016; the oil & gas sector remained in second place, accounting for 19.6% (20.3% in 2016).

Technical provisions

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

- the provision for premium instalments, amounting to €2,113.2 million, calculated as the portion of outstanding risk on the basis of the gross premiums written. The provision is calculated on a *pro rata temporis* basis.
- the provision for unexpired risks, equal to €450.0 million;
- the provision for claims outstanding, amounting to €295.3 million;
- the equalisation provision for credit insurance business amounting to €603.4 million.

Investments

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

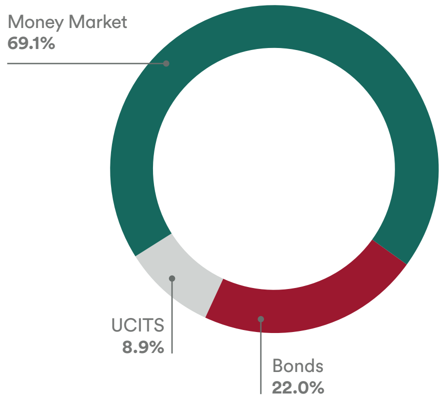
- to preserve the value of Company assets: in line with new legislation and changes in the financial context of reference, SACE pursues an integrated asset-liability management strategy that includes direct and indirect hedging transactions to partially offset negative variations in the loan and guarantee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

This strategy, involving the use of highly liquid instruments with a limited risk profile, confirmed values in line with the established limits for each type of investment, mainly based on VaR and sensitivities techniques, and with the investment guidelines.

Total assets at the end of 2017 amounted to €7,157.8 million. The breakdown of these is as follows: 22.0% invested in bonds, other debt securities and shares, 8.9% in UCITS and 69.1% in money market instruments.

The non-current portfolio, equal to €1,568.8 million, represents 21.9% of total assets and consists entirely of bonds, 94.7% of which are bonds issued by governments and supranational institutions. They have a duration of 2.27 years. The average portfolio rating is BBB+, unchanged with respect to the end of the previous year. 0.2% of the investment portfolio, of €5,589.0 million, consists of bonds and other debt securities and shares, 11.4% of UCITS made up of bonds and shares, and 88.4% of money market instruments.

Breakdown of the portfolio by asset class



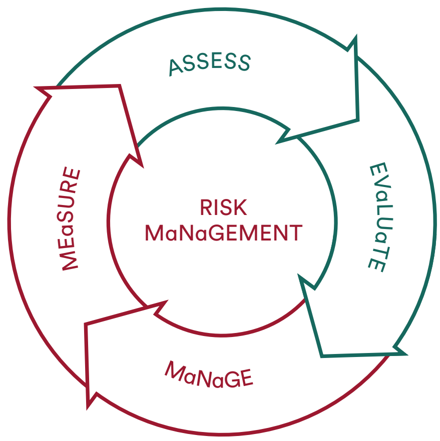
Relations with other Export Credit Agencies (ECAs) and international organisations

To date SACE has signed 26 reinsurance agreements with other Export Credit Agencies. In 2017 SACE signed a memorandum of understanding on cooperation with the Georgian Partnership Fund and a co-insurance agreement with Turkey's Eximbank. During the year SACE also reviewed the reinsurance agreement in place with the Swiss ECA SERV, and provided training services to the following institutions: Nepad Business Foundation (South Africa), Export Development Bank of Iran, Turk Eximbank and Qatar's Ministry of Defence.

Risk management

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

The Company implements its risk management in accordance with the fundamental principles of supervisory regulations[1].
There are two main types of risks:



- **Technical risk**: meaning **underwriting risk**. For the SACE guarantees portfolio, it is the risk of financial losses arising from unfavourable trends in actual compared to expected claims (premium risk) or differences between the cost of claims and reserved cost (reserve risk). Both risks are managed by adopting prudent pricing and provisioning strategies, which are defined in accordance with market best practices, and through prudent underwriting policies, permanent monitoring and active portfolio management.

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

- **Market risk**: the risk arising from trends in risk factors such as currencies, interest rates, credit spreads and commodities. This type of risk is managed using asset-liability management techniques and kept within previously established limits by adopting guidelines on asset allocation and market VaR techniques.

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

- **Liquidity risk**: the risk of losses due to the Company being unable to meet financial obligations arising from its business activities and financial liabilities. Insurance portfolios do not carry a significant liquidity risk since, in addition to the technical forms of underwriting which enable the settlement of the claim to be spread out over time, the investment policy is closely linked to the specific need for liquidity. All the securities in the portfolios used to cover technical reserves are traded in regulated markets and the short average life of the investments guarantees their rapid turnover.
- **Operational risk**: the risk of incurring losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. SACE conducts periodical self-assessments of potential operational risk factors 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 accordance with market best practice.
- **Reputational risk**: the current or prospective risk to earnings and capital, of incurring sanctions or to the institutional role of SACE, arising from adverse perception of the Company's image on the part of customers, counterparties, shareholders, investors, regulators or other stakeholders. The prevention and monitoring of events that could have a reputational impact on its business operations is a priority for SACE, which has set up a system of internal controls to mitigate this risk and adopted specific measures to prevent any reputational events in its business operations.
- **Risk of belonging to a group: "contamination" risk**, intended as the risk that, as a result of transactions between the Company and other Group entities, difficulties experienced by an entity in the same group may have negative effects on the Company; risk of conflict of interest.
- **Risk of non-compliance with regulations**: the risk of incurring legal or administrative fines, suffering losses or damage to reputation as a consequence of violation of compulsory requirements (laws, regulations) or self-regulatory measures (e.g., Articles of Association, codes of conduct). SACE has developed a process for managing the risk of non-compliance in order to ensure that internal processes and procedures are consistent with the objective of preventing any infringement of regulations, whether imposed by the authorities or the Company itself.

The Risk Management function:

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

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

- Board of Directors: approves strategies, procedures, management policies and organisational aspects;
- Risk and Control Committee: supports the Board of Directors on matters relating to risks and internal controls, provides advice and formulates proposals;
- Management Committee: examines and evaluates the strategies, objectives and operational guidelines of SACE and its subsidiaries; evaluates the various aspects of performance and defines the appropriate measures in order to improve profitability; investigates key issues regarding the management and operational guidance of SACE and its subsidiaries;
- Operations Committee: examines assumption, indemnities, restructuring and other significant operations and assesses their permissibility compatibly with the risk management guidelines drawn up by Risk Management.
- Risk Committee: supports the Board of Directors and the Risk and Control Committee in the implementation of an effective system of risk management and control, by contributing to the definition of Company strategies and guidelines on the management and transfer of risk. Assesses and indicates policies for improving the overall quality of the portfolio in line with the guidelines for managing the overall risk position defined by Risk Management. Adhering to the guidelines for managing the overall risk position, it comments on policies for improving the overall quality of the portfolio, proposing actions on the technical and financial portfolios to rebalance the risk positions and measures for optimising capital, reserves and liquidity, based on conclusions drawn from the risk monitoring process, analysis of concentration levels and verification of compliance with operating limits;
- Investments Committee: periodically defines Company portfolio investment strategies to optimise the risk/return profile of financial activities and compliance with the guidelines established by the Board of Directors. Monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions. Submits proposals for updating the guidelines on financial activities to the decision-making body.

Reinsurance

Reinsurance is an important tool for integrated risk management and control. To safeguard its portfolio and meet its strategic objectives, SACE has reinsurance protection in line with market standards and export credit best practices.
The main purposes of reinsurance are:

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

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

- quota share reinsurance: aimed mainly at enhancing underwriting capacity. This type of cover is also used when the structure of the reinsurance contract (especially the ceding commission) makes reinsurance economically viable;
- surplus share reinsurance: purchased to increase underwriting capacity towards debtors/sectors in relation to which the Company has already reached its full underwriting capacity;
- non-proportional reinsurance (excess of loss or stop loss): this type of cover is purchased to enhance SACE's guarantee portfolio in terms of capital relief or to stabilise the technical account.

The Reinsurance unit manages operations and monitors reinsurance risks, checking the consistency of the sale plan with the reinsurance strategy approved by the Board of Directors. The reinsurance portfolio increased considerably in 2017, with a total ceded amount in excess of €16 billion. Of this, the most significant portion was ceded to the Ministry of the Economy and Finance under the Agreement between SACE and the Ministry approved by Decree of the President of the Council of Ministers on 20 November 2014 and filed with the Court of Auditors on 23 December 2014, transferring risks to the Ministry that could otherwise result in high levels of concentration for SACE. Almost all of the remaining portion was ceded to the private reinsurance market, and in particular to Lloyd's of London.

Internationalisation financial guarantees

As regards financial guarantees for internationalisation (Italian Law 80/2005, art. 11-*quinques*), there was a decrease in the number of outstanding guarantees (-9%), commitments (-22%) and premiums approved (-40%) with respect to the previous year.
In 2017 SACE supported exporters through commitments approved for approximately €124 million (€158 million in 2016) and loans granted for €227 million (approximately €289 million in 2016).

80% of the guarantees were issued to SMEs (in terms of number of transactions), which accounted for around 60% of total commitments approved, and the remainder to corporations with a turnover of between €50 and €250 million.

Internationalisation guarantees: FY 2017	Total portfolio	of which SMEs
Loans guaranteed	€227 million	€134 million
Exposure approved (K + I)	€124 million	€74 million

The portfolio accumulated was concentrated in the regions of Central and Southern Italy (40% of total commitments) and in the North-West (33% of commitments), whereas the North-East and Centre-North both represented around 13%.[2]

Human resources

At 31 December 2017 there were 524 employees on the payroll, an increase of 6% compared to the previous year. During the year, 78 people were hired and 44 left the Company.

Distribution of staff by grade	No.	Composition
Senior managers	35	6.7%
Managers	260	49.6%
Clerical staff	229	43.7%
Total	**524**	**100%**

Distribution of staff by age group	Composition	Change
Under 30	10%	
Between 31 and 40	35%	-3%
Between 41 and 50	32%	-1%
Over 50	23%	4%

Distribution of staff by qualification	Composition	Change
Degree	76%	1%
Secondary school certificate/other	24%	-1%

[2] The territorial division used is based on the same criteria for the organisation of the company's regional offices. The country is divided into four macro-areas:
- North-West: Lombardy, Piedmont, Liguria and Valle d'Aosta;
- North-East: Veneto, Trentino-Alto Adige and Friuli-Venezia Giulia;
- Centre-North: Emilia-Romagna, Marche, Umbria;
- Centre-South: Tuscany, Lazio, Abruzzo, Campania, Puglia, Basilicata, Calabria, Molise, Sicily and Sardinia.

The figures show that the level of education of staff has improved following continuous growth over the last few years. Training schemes continued to be offered to all employees. These included language and management courses, in addition to the courses required by law (Italian Legislative Decrees 231/2001, 196/2003, 81/2008). The Company's training programme aims to strengthen the specific technical skills required by the various business areas, by developing the managerial abilities and leadership qualities needed to manage complexity and change, and supporting knowledge creation and sharing. High level training continued to be offered and amounted to a total of 15,692 hours in 2017 (12,501 hours in 2016). An experimental Smart Working project was launched in 2016 and continued throughout 2017. The aim of this new flexible working option is to contribute to building a stronger performance culture and improving the work-life balance. The project involved 28 people for a total of 232 working days.

Litigation

At 31 December 2017, SACE was party to 23 lawsuits, most of which relating to insurance commitments assumed prior to 1998. In particular, the Company was defendant in 16 lawsuits, amounting to a reserved amount of some €15.56 million, and plaintiff in seven lawsuits to recover claims paid for around €170 million. SACE was plaintiff in a further 57 proceedings to obtain recognition of its privilege pursuant to Italian Legislative Decree 123/98 to payment before other creditors in insolvency proceedings, for claims paid (or being paid) against guarantees to support the internationalisation of business enterprises and in five labour disputes.

Corporate Governance

Organisation, management and control model pursuant to Italian Legislative Decree 231/01

The management of SACE is based on principles of compliance and transparency and the adoption of a framework of prevention and control that is described below. The most recent version of the Organisation, management and control model ("Model") was approved on 22 July 2015 by SACE's Board of Directors pursuant to and for the effects specified by Italian Legislative Decree 231/01 ("Decree"). The Model is regularly updated on the basis of audits which include the definition of a risk map and analysis of the system of internal controls. The Model comprises:

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

The function of monitoring the suitability and application of the Model has been assigned to a Supervisory Body, a collective body appointed by the Board of Directors. It has three members, who must meet the following criteria: have proven experience, have in-depth knowledge of the Company and its operations and be

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

Code of Conduct

The Code of Conduct sets out the principles with which SACE and its subsidiaries are expected to comply in their relations with stakeholders. The Code of Conduct and the Model are two separate documents, although they are both an integral part of the prevention system that has been adopted.
These guidelines reflect SACE's mission to make business ethics a concrete part of Company life.
The Code recognises the legal relevance and mandatory effect of the principles and values that must guide the actions of SACE's stakeholders and is part of the Organisation, management and control model pursuant to Italian Legislative Decree 231/01. Under the Code, all external parties with which SACE does business are required to act in accordance with the rules and procedures inspired by those same principles. To make all internal and external stakeholders aware of the Code, it is published on each company's internet and intranet site and sent by email to each employee.
The Code of Conduct has been drawn up to clearly define the set of values that SACE recognises, accepts and shares and the set of responsibilities it assumes vis-à-vis parties within and outside the Company.

System of internal control and risk management

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

- the Board of Directors has ultimate responsibility for the system and for ensuring its completeness, functionality and efficacy at all times. The Board of Directors approves the Company's organisational structure and the assignment of duties and responsibilities to the various operational units and is responsible for ensuring their continued adequacy. It also has responsibility for ensuring the adequacy of the risk management system to identify, evaluate and control risks, including

future risks, when implementing the Company's business strategies and policies and in view of the evolution of internal and external factors, in order to guarantee the safeguarding of the Company's assets, including in the medium and long term. Lastly, it promotes a high level of business integrity, ethical conduct and a culture of internal control in order to raise awareness among everyone at the Company about the importance and usefulness of such controls.
- senior management is responsible for the application, maintenance and monitoring of the system of internal controls and risk management and for defining its organisational structure, functions and responsibilities.
- the Board of Statutory Auditors must evaluate the efficacy and efficiency of the system of internal controls, especially as regards the actions of the Internal Auditing function by verifying its compliance with the requirements of autonomy, independence and functionality. It must also inform the Board of Directors of any anomalous situations or weaknesses in the system of internal controls, suggest appropriate corrective measures and see that these are implemented.

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

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

Internal Auditing

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

The manager responsible for financial reporting

The Chief Financial Officer is responsible for preparing the corporate accounting documents of SACE. The provisions of art. 13 of the Articles of Association of SACE establishing the professional requirements and procedures for appointing and dismissing the manager responsible for preparing the corporate accounting documents are provided below.
Article 13 (paragraphs 10.1 - 10.8) of the Articles of Association of SACE
10.1. The Board of Directors may, with the compulsory consent of the Board of Auditors, appoint a manager responsible for preparing the corporate accounting documents, of which in art. 154-bis of the Consolidation Act for dispositions on financial matters (Legislative Decree 58 dated 1998 and subsequent amendments), for a period of not less than the term of office of the Board and not more than six business years.
10.2. The manager responsible for preparing the corporate accounting documents must be in possession of the same probity requirements as the directors, and according to the DPCM cannot hold any office in the management or control bodies, or managerial functions within Eni S.p.A and its subsidiaries, nor have any direct or indirect relations of a professional or equity nature with such companies.
10.3. The manager responsible for preparing the corporate accounting documents must be chosen on the basis of criteria of professionalism and skills from among the directors who have acquired an overall experience of at least three years in the management of businesses or consultancy firms or professional firms.
10.4. The Board of Directors may dismiss the manager responsible for preparing the corporate accounting documents only for legitimate reasons and with the consent of the Board of Statutory Auditors.
10.5. The manager responsible for preparing the corporate accounting documents shall withdraw from office in the absence of the requirements necessary for taking office. Withdrawal will be declared by the Board of Directors within thirty days of becoming aware of the absence of requirements.
10.6. The manager responsible for preparing the corporate accounting documents will set adequate accounting and administrative procedures for drawing up the financial statements and the Consolidated financial statements, if provided.
10.7. The Board of Directors will ensure that the manager responsible for preparing the corporate accounting documents is conferred with adequate powers and means for exercising the duties conferred and ensure the effective respect of the management and accounting procedures.
10.8. The Chief Executive Officer and the manager responsible for preparing the corporate accounting documents will certify the effective application of the procedures of which in paragraph 6 during the course of the business year to which the documents refer, in a suitable report attached to the business year financial statements and Consolidated financial statements, if provided, and certify their correspondence to the findings in the accounts books and documents and their suitability in terms of providing a truthful and correct representation of the equity, economic and financial situation of the company and the group of companies in the scope of consolidation, in the case of the Consolidated financial statements being provided.

Social and cultural commitments

Once again, SACE confirmed its commitment to social and cultural concerns by supporting non-profit organisations with financial contributions. More specifically, SACE supported: Rondine the Citadel of Peace, an organisation that hosts students from areas of conflict and who belong to different cultures; Komen Italia, an association active in the fight against breast cancer; Fondazione Veronesi, which promotes scientific research activities; Jointly, an organisation that promotes corporate welfare and youth employment activities; FAI (Fondo Ambiente Italiano - the Italian National Trust), a foundation concerned with safeguarding the national heritage; Lega del Filo d'Oro, an association specialised in breaking down the barriers to the inclusion of deaf and dumb people.
A team from SACE took part in the Race for the Cure, to raise funds for breast cancer research.
Blood donation days were organised in collaboration with Bambino Gesù children's hospital in Rome and AVIS (Italian Association of Voluntary Blood Donors) in Milan.
SACE also actively protects the environment, with energy-efficiency, energy-saving measures and by upgrading the waste recycling system within the Company.

Subsidiaries and Parent company

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

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

With reference to relations with the parent company Cassa depositi e prestiti, it should be noted that in 2017 insurance guarantees were issued which generated premiums for approximately €24.3 million (€37.2 million in 2016). SACE's financial investment portfolio contains two bonds with a total nominal amount of €84 million issued by the parent Cassa depositi e prestiti and purchased by SACE before the change of the controlling shareholder. Furthermore, on 31 December 2017 there were €4,912.5 million as time deposits at the parent company Cassa depositi e prestiti S.p.A.

Other information

Since SACE is included in the tax consolidated tax regime of Cassa depositi e prestiti, for the three-year period 2016-2018 current IRES (Corporate Income Tax) has been recognised as tax consolidation charges payable to the parent.
With reference to the “Non-financial statement” as required by Italian Legislative Decree 254/2016, the Company applied the exemption provided for by article 6(1) of said Decree, in that the Consolidated Non-financial Statement is prepared by the parent Cassa depositi e prestiti S.p.A.

Main events after the closure of the year

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

Outlook for 2018

The outlook for the global economy and international trade remains favourable, with trade likely to keep growing faster than GDP provided it is not impeded by rising protectionism.
Global GDP growth is estimated at 3.9%, sustained by the continuation of good performance among advanced economies, expansion in China and India and the strengthening of some large economies like Brazil and Russia.
There are still several latent risks associated with a possible rise in volatility on financial markets (currently at an all-time low) or the possible worsening of geo-political tensions. The latter include instability in the Balkan States and “Stan” countries, social tensions in some oil economies (Venezuela, Nigeria), as well as a number of open issues, such as the renegotiation of the NAFTA, evolution of sanctions against Russia, relations between the USA and the Middle East and the “case” of North Korea.
The forecast for Italy’s GDP is favourable (+1.4%), although there are still some doubts about the duration of the current recovery in light of uncertainties in the international context and the relative fragility of the banking system.

Rome, 20 March 2018

On behalf of the Board of Directors
Chief Executive Officer
Alessandro Maria Decio

Balance sheet,
Profit & loss account

Annex I

Company	**SACE S.p.A.**	
Subscribed capital	€3,730,323,610	Paid €3,730,323,610
Registered offices	ROME	
Financial statements	BALANCE SHEET **2017**	
	(Amounts in euros)	

Balance sheet assets

							Current year	
A. SUBSCRIBED CAPITAL UNPAID							1	
of which called-up capital			2					
B. INTANGIBLE ASSETS								
1. Deferred acquisition commissions								
a) Life business	3							
b) Non-life business	4		5					
2. Other acquisition costs			6					
3. Start-up and expansion costs			7					
4. Goodwill			8					
5. Other multi-year costs			9	616,230			10	616,230
C. INVESTMENTS								
I - Land and buildings								
1. Property used in Company operations			11	61,131,656				
2. Property rented to third parties			12	1,041,537				
3. Other properties			13					
4. Other properties rights			14					
5. Construction in progress and advance			15		16	62,173,194		
II - Investments in Group companies and other shareholdings								
1. Shares and interests in:								
a) controlling companies	17							
b) subsidiary companies	18	418,089,644						
c) affiliated companies	19							
d) associated companies	20	8,010,292						
e) other companies	21		22	426,099,936				
2. Bonds issued by:								
a) controlling companies	23	83,156,613						
b) subsidiary companies	24							
c) affiliated companies	25							
d) associated companies	26							
e) other companies	27		28	83,156,613				
3. Loans to:								
a) controlling companies	29							
b) subsidiary companies	30							
c) affiliated companies	31							
d) associated companies	32							
e) other companies	33		34	0	35	509,256,549		
to be carried forward								616,230

Previous year

			181
	182		
183			
184	185		
	186		
	187		
	188		
	189 565,127		190 565,127
	191 61,764,066		
	192 1,072,531		
	193		
	194		
	195	196 62,836,597	
197			
198 415,301,673			
199			
200 7,954,057			
201	202 423,255,729		
203 82,853,826			
204			
205			
206			
207	208 82,853,826		
209			
210 125,000,000			
211			
212			
213	214 125,000,000	215 631,109,555	
	to be carried forward		565,127

Balance sheet assets

								Current year
				carried forward				616,230
C. INVESTMENTS (continued)								
III - Other financial investments								
1. Shares and interests								
a) listed shares	36	445,741						
b) unlisted shares	37							
c) interests	38		39	445,741				
2. Shares in common investment funds			40	636,621,271				
3. Bonds and other fixed-income securities								
a) listed	41	1,485,746,538						
b) unlisted	42							
c) convertible debentures	43		44	1,485,746,538				
4. Loans								
a) loans secured by mortgage	45	2,917,968						
b) loans on policies	46							
c) other loans	47		48	2,917,968				
5. Participation in investment pools			49					
6. Deposits with credit institutions			50	16,676,395				
7. Other financial investments			51	8,693,825	52	2,151,101,738		
IV - Deposits with ceding companies					53	86,429	54	2,722,617,909
D. INVESTMENTS FOR THE BENEFIT OF LIFE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS								
I - Investments relating to contracts linked to investment funds and market indexes					55			
II - Investments relating to the administration of pension funds					56			
							57	
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS								
I - NON-LIFE BUSINESS								
1. Provisions for unearned premiums			58	663,642,844				
2. Provisions for claims outstanding			59	17,218,361				
3. Provisions for profit-sharing and premium refunds			60					
4. Other technical provisions			61	36,572,658	62	717,433,863		
II - LIFE BUSINESS								
1. Provisions for policy liabilities			63					
2. Unearned premium provision for supplementary coverage			64					
3. Provision for sums to be paid			65					
4. Provisions for profit-sharing and premium refunds			66					
5. Other technical provisions			67					
6. Technical provisions where the investments risk is borne by the policyholders and relating to the administration of pension funds			68		69		70	717,433,863
				to be carried forward				3,440,668,002

				Previous year
carried forward				565,127
	216			
	217			
	218	219		
		220 641,899,131		
	221 1,530,455,193			
	222			
	223	224 1,530,455,193		
	225 3,324,110			
	226			
	227	228 3,324,110		
		229		
		230 1,310,169,813		
		231 627,832,509	232 4,113,680,757	
			233 98,559	234 4,807,725,468
			235	
			236	
				237
		238 550,250,339		
		239 22,830,294		
		240		
		241 41,797,324	242 614,877,957	
		243		
		244		
		245		
		246		
		247		
		248	249	250 614,877,957
to be carried forward				5,423,168,552

Balance sheet assets

										Current year
		carried forward								3,440,668,002
E.		RECEIVABLES								
	I	- Reseivables arising out of direct insurance business:								
		1. Policy holders								
		a) for premiums current year	71	48,856,719						
		b) for premiums previous years	72	6,677,986	73	55,534,706				
		2. Insurance intermediaries			74					
		3. Current accounts with insurance companies			75					
		4. Policyholders and third parties for recoveries			76	388,085,388	77	443,620,094		
	II	- Receivables arising out of reinsurance operations:								
		1. Insurance and reinsurance companies			78	16,860,043				
		2. Reinsurance intermediaries			79		80	16,860,043		
	III	- Other debtors					81	264,431,992	82	724,912,129
F.		OTHER ASSETS								
	I	- Tangible assets and inventories:								
		1. Furniture, office machines and internal transport vehicles			83	1,350,527				
		2. Vehicles listed in public registers			84					
		3. Machinery and equipment			85	3,851				
		4. Inventories and other goods			86	64,532	87	1,418,911		
	II	- Cash at bank and in hand:								
		1. Bank and postal accounts			88	4,926,506,564				
		2. Cheques and cash on hand			89	7,384	90	4,926,513,948		
	III	- Own shares or equity interests					91			
	IV	- Other								
		1. Deferred reinsurance items			92	118,544				
		2. Miscellaneous assets			93	340,610	94	459,154	95	4,928,392,012
G.		PREPAYMENTS AND ACCRUED INCOME								
		1. Accrued interest					96	22,435,689		
		2. Rents					97			
		3. Other prepayments and accrued income					98	975,115	99	23,410,804
		TOTAL ASSETS							100	9,117,382,947

Previous year

			carried forward				5,423,168,552
251	31,645,617						
252	7,351,015	253	38,996,632				
		254					
		255					
		256	511,753,256	257	550,749,888		
		258	16,303,202				
		259		260	16,303,202		
				261	316,335,815		
						262	883,388,905
		263	1,219,705				
		264					
		265	5,270				
		266	66,961	267	1,291,936		
		268	2,490,371,396				
		269	2,378	270	2,490,373,774		
				271			
		272	388,529				
		273	91,539,210	274	91,927,739		
						275	2,583,593,449
				276	27,893,307		
				277			
				278	669,195	279	28,562,503
						280	8,918,713,409

Balance sheet-liabilities and shareholders' equity

								Current year
A. SHAREHOLDERS' EQUITY								
I - Subscribed capital or equivalent fund				101	3,730,323,610			
II - Share premium reserve				102	43,304,602			
III - Revaluation reserve				103				
IV - Legal reserve				104	250,975,430			
V - Statutory reserves				105				
VI - Reserves for own shares and shares of the controlling company				106				
VII - Other reserves				107	283,493,018			
VIII - Net profit (loss) carried forward				108	88,765,626			
IX - Net profit (loss) for the year				109	274,866,133			
X - Negative reserve for own shares in portfolio				401			110	4,671,728,419
B. SUBORDINATED LIABILITIES							111	500,000,000
C. TECHNICAL PROVISIONS								
I - NON-LIFE BUSINESS								
1. Provisions for unearned premiums		112	2,563,155,501					
2. Provisions for claims outstanding		113	295,349,038					
3. Provisions for profit-sharing and premium refunds		114						
4. Other technical provisions		115						
5. Equalization provision		116	603,409,966	117	3,461,914,505			
II - LIFE BUSINESS								
1. Provisions for policy liabilities		118						
2. Unearned premium provision for supplementary coverage		119						
3. Provision for sums to be paid		120						
4. Provision for profit-sharing and premium refunds		121						
5. Other technical provisions		122		123			124	3,461,914,505
D. PROVISIONS FOR POLICIES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS								
I - Provisions relating to contracts linked to investment funds and market indexes				125				
II - Provisions relating to the administration of pension funds				126			127	
to be carried forward								8,633,642,924

Previous year

	281 3,730,323,610	
	282 43,304,602	
	283	
	284 235,799,020	
	285	
	286	
	287 233,906,851	
	288	
	289 303,528,203	
	501	290 4,546,862,286
		291 500,000,000
292 2,376,846,640		
293 512,013,614		
294		
295		
296 560,755,214	297 3,449,615,469	
298		
299		
300		
301		
302	303	304 3,449,615,469
	305	
	306	307
to be carried forward		8,496,477,755

Balance sheet-liabilities and shareholders’ equity

					Current year
		carried forward			8,633,642,924
E.	PROVISIONS FOR OTHER RISKS AND CHARGES				
	1. Provisions for pensions and similar obligations		128		
	2. Provisions for taxation		129	57,783,850	
	3. Other provisions		130	75,511,829	131	133,295,679
F.	DEPOSITS RECEIVED FROM REINSURERS				132
G.	CREDITORS AND OTHER LIABILITIES				
I	- Creditors arising out of direct insurance operations:				
	1. Insurance intermediaries	133			
	2. Current accounts with insurance companies	134			
	3. Premium deposits and premiums due to policyholders	135 29,425,907			
	4. Guarantee funds in favour of policyholders	136	137	29,425,907	
II	- Creditors arising out of reinsurance operations:				
	1. Insurance and reinsurance companies	138 110,859,694			
	2. Reinsurance intermediaries	139	140	110,859,694	
III	- Debenture loans		141		
IV	- Amounts owed to banks and credit institutions		142		
V	- Loans guaranteed by mortgages		143		
VI	- Miscellaneous loans and other financial liabilities		144		
VII	- Provisions for employee termination indemnities		145	5,565,092	
VIII	- Other creditors				
	1. Premium taxes	146			
	2. Other tax liabilities	147 8,308,688			
	3. Social security	148 1,460,887			
	4. Miscellaneous creditors	149 104,294,352	150	114,063,927	
IX	- Other liabilities				
	1. Deferred reinsurance items	151 151,691			
	2. Commissions for premiums in course of collection	152			
	3. Miscellaneous liabilities	153 73,160,964	154	73,312,655	155 333,227,274
		to be carried forward			9,100,165,877

				Previous year	
carried forward					8,496,477,755
		308			
		309	93,472,554		
		310	84,588,242	311	178,060,796
				312	
313					
314					
315	30,423,619				
316		317	30,423,619		
318	82,546,552				
319		320	82,546,552		
		321			
		322			
		323			
		324			
		325	5,285,488		
326					
327	1,202,846				
328	1,468,238				
329	47,883,051	330	50,554,135		
331	54,557				
332					
333	57,732,934	334	57,787,491	335	226,597,284
to be carried forward					8,901,135,835

Balance sheet-liabilities and shareholders' equity

				Current year
carried forward				9,100,165,877
H. ACCRUALS AND DEFERRED INCOME				
1. Accrued interest	156	17,198,630		
2. Rents	157			
3. Other prepayments and accrued income	158	18,440	159	17,217,070
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			160	9,117,382,947

Previous year

carried forward				8,901,135,835
	336	17,204,577		
	337	306,194		
	338	66,803	339	17,577,574
			340	8,918,713,409

Annex II

Company	**SACE S.p.A.**	
Subscribed capital	€3,730,323,610	Paid €3,730,323,610
Registered offices	ROME	
Financial statements	PROFIT & LOSS ACCOUNT **2017**	
	(Amounts in euros)	

Profit & loss account

								Values of the year
I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE BUSINESS								
1. PREMIUMS EARNED, NET OF REINSURANCE								
a) Gross premiums written					1	804,397,730		
b) (-) Outward reinsurance premiums					2	147,176,184		
c) Change in the gross provision for unearned premiums					3	186,308,861		
d) Change in the provision for unearned premiums, reinsurers' share					4	(74,840,843)	5	545,753,528
2. (+) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (Item III. 6)							6	
3. OTHER TECHNICAL INCOME, NET OF REINSURANCE							7	2,438,700
4. CLAIMS INCURRED, NET OF RECOVERY AND REINSURANCE								
a) Claims paid								
aa) gross amount		8	374,575,188					
bb) (-) reinsurers' share		9	21,533,637		10	353,041,551		
b) Change in recoveries, net of reinsurance								
aa) gross amount		11	(232,382,531)					
bb) (-) reinsurers' share		12	(4,093,035)		13	(228,289,496)		
c) Change in the provisions for outstanding claims								
aa) gross amount		14	(216,664,576)					
bb) (-) reinsurers' share		15	(5,611,933)		16	(211,052,643)	17	(86,300,588)
5. CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE							18	5,224,665
6. PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE							19	18,308,867
7. OPERATING EXPENSES:								
a) Acquisition commissions					20			
b) Other acquisition costs					21	25,458,511		
c) Change in commissions and other acquisition costs to be amortised					22			
d) Collecting commissions					23	2,883,610		
e) Other administrative expenses					24	50,618,255		
f) (-) Reinsurance commissions and profit-sharing					25	17,439,473	26	61,520,904
8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE							27	3,131,303
9. CHANGE IN THE EQUALISATION PROVISION							28	42,654,752
10. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (Item III. 1)							29	503,652,325

Values of the previous year

		111	534,242,469		
		112	152,308,612		
		113	418,139,173		
		114	(173,238,491)	115	137,033,175
				116	121,522,913
				117	5,760,929
118	354,126,652				
119	9,995,158	120	344,131,494		
121	(267,194,475)				
122	(28,891,018)	123	(238,303,457)		
124	(84,022,697)				
125	4,485,118	126	(88,507,816)	127	17,320,221
				128	5,224,665
				129	13,928,101
		130			
		131	25,224,740		
		132			
		133	1,437,752		
		134	47,700,894		
		135	22,018,400	136	52,344,986
				137	15,710,247
				138	28,699,412
				139	131,089,384

Profit & loss account

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

Values of the previous year

		140	
		141	142
		143	
(of which: from Group companies)		144	
	145		
	146	147	
(of which: from Group companies)		148	
		149	
		150	
(of which: from Group companies)		151	152
			153
			154
	155		
	156	157	
	158		
	159	160	161
	162		
	163	164	
	165		
	166	167	
	168		
	169	170	
	171		
	172	173	174

Profit & loss account

						Values of the year
7. PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE					65	
8. OPERATING EXPENSES:						
a) Acquisition commissions			66			
b) Other acquisition costs			67			
c) Change in commissions and other acquisition costs to be amortised			68			
d) Collecting commissions			69			
e) Other administrative expenses			70			
f) (-) Reinsurance commissions and profit-sharing			71		72	
9. INVESTMENT MANAGEMENT AND FINANCIAL CHARGES:						
a) Investment management charges, including interest			73			
b) Value adjustments on investments			74			
c) Losses on the disposal of investments			75		76	
10. EXPENSES AND UNREALIZED LOSSES ON INVESTMENTS TO THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS					77	
11. OTHER TECHNICAL CHARGES, NET OF REINSURANCE					78	
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	
III. NON TECHNICAL ACCOUNT						
1. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (Item I. 10)					81	503,652,325
2. BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item II. 13)					82	
3. NON-LIFE INVESTMENT INCOME:						
a) From shares and interests			83			
(of which: from Group companies)			84			
b) From other investments:						
aa) income from land and buildings	85	605,444				
bb) income from other investments	86	73,760,302	87	74,365,746		
(of which: from Group companies)			88	2,077,760		
c) Value re-adjustments on investments			89	8,203,576		
d)) Gains on the disposal of investments			90	578,113,065		
(of which: from Group companies)			91		92	660,682,387

Values of the previous year

					175	
			176			
			177			
			178			
			179			
			180			
			181		182	
			183			
			184			
			185		186	
					187	
					188	
					189	
					190	
					191	131,089,384
					192	
			193	45,103		
(of which: from Group companies)			194			
	195	613,310				
	196	86,338,041	197	86,951,351		
(of which: from Group companies)			198	3,262,622		
			199	80,855,154		
			200	1,046,368,743		
(of which: from Group companies)			201		202	1,214,220,351

Profit & loss account

				Values of the year	
4.	(+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE LIFE TECHNICAL ACCOUNT (Item II. 12)			93	
5.	INVESTMENT MANAGEMENT AND FINANCIAL CHARGES NON-LIFE BUSINESS:				
	a) Investment management charges, including interest	94	2,917,308		
	b) Value adjustments on investments	95	151,301,208		
	c) Losses on the disposal of investments	96	523,696,903	97	677,915,419
6.	(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE BUSINESS TECHNICAL ACCOUNT (Item I. 2)			98	
7.	OTHER INCOME			99	57,440,584
8.	OTHER CHARGES			100	185,161,880
9.	INCOME FROM ORDINARY OPERATIONS			101	358,697,997
10.	EXTRAORDINARY INCOME			102	2,502,212
11.	EXTRAORDINARY CHARGES			103	1,096,095
12.	EXTRAORDINARY PROFIT OR LOSS			104	1,406,117
13.	PROFIT BEFORE TAXES			105	360,104,115
14.	INCOME TAXES			106	85,237,982
15.	NET PROFIT (LOSS) FOR THE YEAR			107	274,866,133

Values of the previous year

		203	
204	3,737,636		
205	105,797,088		
206	766,419,247	207	875,953,970
		208	121,522,913
		209	133,280,180
		210	68,885,240
		211	412,227,791
		212	2,323,270
		213	1,229,012
		214	1,094,259
		215	413,322,050
		216	109,793,846
		217	303,528,203

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

The legal representatives of the Company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

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

(*) For foreign companies, the document must be signed by the general representative for Italy.
(**) Indicate the position of the person who signs.

Notes
to the financial statements

Foreword

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

The purpose of these notes is to explain, analyse and in some cases integrate the data in the accounts. They provide all the information required by art. 2427 of the Italian Civil Code and are in line with the regulatory amendments introduced by Legislative Decree 139/15 and with the accounting principles issued by the OIC (Italian Accounting Board). They include:

Part A - Valuation criteria
Part B - Information on the Balance sheet and Profit & loss account
Part C - Other information

The amounts in the financial statements are in euros. The amounts in these notes are stated in thousands of euros.
Furthermore, pursuant to Legislative Decree 38 of 28/2/2005, the Consolidated financial statements have been prepared in accordance with international accounting standards (IAS/IFRS) and ISVAP Regulation No. 7/2007 insofar as applicable to SACE.

Part A - Valuation criteria and basis of presentation

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

Section 1 - Valuation criteria

The valuation criteria adopted in preparing the financial statements are set out below. The valuation criteria incorporate the regulatory amendments introduced by Legislative Decree 139/2015 and the accounting principles issued by the OIC (Italian Accounting Board) in December 2016.

Intangible assets

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

Land and buildings

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

Shareholdings

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

Investments

SACE's investments are divided into two categories: those held to maturity and those held for trading purposes. Securities held to maturity are recognised at purchase cost, adjusted by the year's portion of the positive or negative trading differences and, where applicable, written-down in the case of permanent impairment. Interest and coupons matured on securities in the portfolio are recognised on an accruals basis and posted to accrued income.
Trading securities are recognised at the lower of weighted average cost and realisable value at market prices. The original carrying value is restored, entirely or in part, when the reasons for the write-downs no longer apply. Any transfers of securities from one category to the other are effected on the basis of the value of the security on that date, defined according to the criteria for the category of origin. Following transfer, the securities are recognised according to the criteria of the new category.

Receivables

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

Receivables for premiums for the year

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

Reinsurers' share of technical provisions

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

Tangible fixed assets and stocks

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

Technical provisions

Technical provisions are determined pursuant to art. 31 of Legislative Decree 173/97 and in accordance with the general principle that technical provisions must at all times be sufficient to cover any reasonably foreseeable liabilities arising out of insurance contracts. The amount of the provision for risks assumed in reinsurance is calculated on the basis of information provided by the ceding insurer. Technical provisions ceded to reinsurers are calculated by applying the reinsurance rates provided for under the relative reinsurance contracts to the gross amounts of technical provisions for direct business.

a) Provision for unearned premiums

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

b) Provision for outstanding claims

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

c) Equalisation provision

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

Provision for pension funds and similar liabilities

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

Provisions for risks and charges

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

Provision for taxes

The provision consists of sums set aside to cover any deferment of taxes.
Since SACE is included in the tax consolidation regime of Cassa depositi e prestiti S.p.A., current tax receivables and payables have been recognised as amounts due from/amounts payable to the parent.

Provision for severance indemnities

The provision, net of advances paid, covers the Company's liability towards its employees accrued at the end of the year. It is calculated for each individual employee on the basis of current legislation and employment contracts.
As a consequence of the reform of supplementary pension schemes, Law 296 of 27 December 2006:

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

Accounts payable

These items are recognised at face value.

Accruals and deferrals

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

Off-Balance sheet transactions and derivatives

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

Gross premiums written

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

Costs of personnel and general administrative expenses

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

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

Items in foreign currency

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

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

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

Extraordinary income and charges

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

Income 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. Reference accounting principles on deferred and prepaid taxes have also been taken into account. Therefore, prepaid taxes and tax relief on losses carried forward are recognised when there is reasonable certainty of future recovery, and deferred tax liabilities are not recorded if there is little likelihood of the related charge occurring.

Exchange rates

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

	31-12-17	31-12-16	31-12-15
US dollar	1.1993	1.0541	1.0887
GB pound	0.88723	0.85618	0.73395
Swiss franc	1.1702	1.0739	1.0835

Functional currency

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

Part B - Information on the Balance sheet and the Profit & loss account

Balance sheet *(in € thousands)*	31-12-17	31-12-16
Intangible assets	616	565
Investments	2,722,618	4,807,725
Reinsurers' share of technical provisions	717,434	614,878
Receivables	724,912	883,389
Other assets	4,928,392	2,583,593
Accruals and deferrals	23,411	28,563
Balance Sheet - Assets	**9,117,383**	**8,918,713**
Shareholders' equity:		
- Share capital	3,730,324	3,730,324
- Share premium account	43,305	43,305
- Revaluation reserves		
- Legal reserve	250,975	235,799
- Other reserves	283,493	233,907
- Profit (loss) carried forward	88,766	
- Profit for the year	274,866	303,528
Subordinated liabilities	500,000	500,000
Technical provisions	3,461,915	3,449,615
Provisions for risks and charges	133,296	178,061
Creditors and other liabilities	333,226	226,597
Accruals and deferrals	17,217	17,578
Balance sheet - Liabilities	**9,117,383**	**8,918,713**

Profit & loss account

(in € thousands)	31-12-17	31-12-16
Non-life business technical account		
Gross premiums	*804,398*	*534,242*
Change in the provision for unearned premiums and outward reinsurance premiums	(258,644)	(397,209)
Net premium income	545,754	137,033
Change in other technical provisions, net of reinsurance	(5,225)	(5,225)
Allocated investment return transferred from the non-technical account		121,523
Change in the equalisation reserve	(42,655)	(28,699)
Other technical income and charges	(693)	(9,949)
Claims incurred, net of recoveries	86,301	(17,320)
Premium refunds and profit sharing	(18,309)	(13,928)
Operating expenses	(61,521)	(52,345)
Balance on the non-life business technical account	**503,652**	**131,089**
Non-technical account		
Non-life investment income	660,682	1,214,220
Investment management and financial charges for non-life business	**(677,915)**	**(875,954)**
Allocated investment return transferred to the non-life technical account		(121,523)
Other income	57,441	133,280
Other expense	(185,162)	(68,885)
Balance on the non-technical account	**(144,954)**	**281,138**
Income from extraordinary operations	**1,406**	**1,094**
Income tax	(85,238)	(109,794)
Profit for the year	**274,866**	**303,528**

Balance Sheet - Assets

Section 1 - Item B - Intangible assets (Annex 4)

1.1 - Change in the year

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

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

The breakdown is as follows:

TABLE 1 *(in € thousands)*

Description	31-12-17	31-12-16
Property rights	383	316
Brands and licences	54	21
Software	179	228
Total other multi-year costs (Item B.5)	**616**	**565**

Software costs (€179 thousand) mainly refer to costs for implementing and developing IT systems.
During the year costs relating to intellectual property rights were capitalised for €241 thousand and mainly related to software licences.

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

2.1 - Land and buildings - Item C.I

This item (€62,173 thousand) reflects:

a) the value of the building owned by the Company (€12,373 thousand), located in Piazza Poli 37/42, Rome, used in part for business purposes and in part leased to the subsidiaries;
b) the value of the land on which the building stands (€49,800 thousand).

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

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

Total investments recorded under this item amounted to €509,257 thousand at 31 December 2017.

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

The item includes:

- the investment in the SACE BT subsidiary, set up on 27 May 2004, the share capital of which, amounting to €56,539 million, is fully subscribed by SACE;
- the investment in SACE Fct, set up on 24 March 2009, the share capital of which, amounting to €50,000 million, has been fully subscribed by SACE;
- the investment in SACE do Brasil, set up on 14 May 2012 with a 99.96% stake, valued at €613 thousand;
- the interest in ATI (African Trade Insurance Agency) in the form of 100 shares for an equivalent value of USD 10,311 thousand;
- the shareholding in SIMEST, equal to 76.005% for an equivalent value of €243,568 thousand.

The investments are evaluated using the equity method. The application of this criterion resulted in a total write-up of €7,811 thousand, recorded under income from investments, relating to the company SACE Fct for €3,269 thousand, to the company SACE BT for €1,613 thousand, to the company SIMEST for €2,873 thousand, to the company ATI for €56 thousand and a total write-down of €443 thousand, under investment management and financial charges, relating to the company SACE do Brasil.
Further details are provided in Annex 6 and Annex 7.

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

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

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

2.2.2 Debt securities issued by Group companies (Item C.II.2).
This item refers to debt securities issued by the parent Cassa depositi e prestiti S.p.A. for €83,157 thousand. Changes in this item are reported in Annex 5.

2.2.3 Loans to Group companies (Item C.II.3).
Changes in this item are reported in Annex 5.
As compared to 31 December 2016, the balance of the loans item was zero following repayment in full of the loan by the SACE Fct subsidiary during the first half of the year (€125,000 at 31 December 2016).

2.3 - Other financial investments - Item C.III

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

TABLE 2 *(in € thousands)*

List of government bonds and securities with issuer	31-12-17	31-12-16
Government bonds issued by Austria	38,240	37,610
Government bonds issued by Greece	11,595	10,600
Government bonds issued by Ireland	99,957	99,903
Government bonds issued by Italy	1,285,736	1,282,358
Other listed securities	50,219	99,984
Total	**1,485,747**	**1,530,455**

Other listed securities mainly refer to bonds issued by bank and supranational issuers.
Securities are deposited with banks. Details on the fair value measurement of securities are given in Annex 9.

With reference to the debt securities and other fixed-income securities under Item C.III, issue and trading differences posted to profit and loss for the year amounted to:

TABLE 3 *(in € thousands)*

Description	Positive	Negative
Issue differences		
Trading differences	6,007	

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

2.3.3 – Changes in loans – Item C.III.4 and deposits with credit institutions – Item C.III.6.
See 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 €3,324 thousand at the beginning of the year. Instalments for €406 thousand were collected during the year. The balance for €2,918 thousand refers to the remaining amount receivable in relation to the loans granted.

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

TABLE 4 ***(in € thousands)***

Duration	31-12-17	31-12-16
Within 6 months	16,676	1,310,170
Total	**16,676**	**1,310,170**

Time deposits are held with leading financial institutions.

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

TABLE 5 ***(in € thousands)***

Description	31-12-17	31-12-16
Notes	8,665	627,803
Other investments	29	29
Other financial investments	**8,694**	**627,832**

Notes were repaid for €617,945 thousand during the year, of which €588,370 thousand attributable to the prepayment of Carnival notes.

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

TABLE 6 ***(in € thousands)***

UCITs by country	31-12-17	31-12-16
France	242,784	255,299
Italy	106,643	11,028
Luxembourg	87,730	88,953
Sweden	8,782	10,377
USA	190,682	276,242
Total	**636,621**	**641,899**

The increase in “Italy funds” compared to 31 December 2016 was attributable to the Export Development Fund.

2.4 - Deposits with ceding companies – Item C.IV

This item reflects the amount of guarantee deposits (€86 thousand) with ceding companies regulated by current treaties. No write-downs were made on such deposits during the year.

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

This item, equal to €717,434 thousand, mainly includes amounts allocated to reserves that were recorded following the agreement between SACE and the Ministry of the Economy and Finance on 19 November 2014.

TABLE 7 ***(in € thousands)***

Description	31-12-17	31-12-16
Provision for unearned premiums	663,643	550,251
Provision for outstanding claims	17,218	22,830
Other technical provisions	36,573	41,797
Total	**717,434**	**614,878**

Section 5 - Item E - Receivables

TABLE 8 ***(in € thousands)***

Description	31-12-17	31-12-16
Receivables arising out of direct insurance business from policyholders (Item E.I)	55,535	38,997
Policyholders and third parties for recoveries	388,085	511,753
Receivables arising out of reinsurance business (Item E.II)	16,860	16,303
Other debtors (Item E.III)	264,432	316,336
Total	**724,912**	**883,389**

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 (€55,535 thousand). No losses were recognised in the year on amounts receivable in connection with insurance operations for premiums.

The "Policyholders and third parties for recoveries" item (€388,085 thousand) mainly consists of subrogation credits measured and recognised at presumed realisable value, determined separately for each type of credit and counterparty. It refers for €247,766 thousand to subrogation credits for sovereign risk and for €140,319 thousand to subrogation credits for commercial risk.
The change in the value of receivables as at 31 December 2017 compared with the value of the previous year is primarily due to recoveries of claims for €152,952 thousand. Year-end exchange rate adjustments for receivables denominated in currencies other than the euro were negative and amounted to €27,715 thousand.
With reference to the OPTIMUM transaction, it should be noted that:

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

- given the homogeneous nature of such receivables compared with other receivables previously stated by SACE in the accounts in 2005, in accordance with article 2423, paragraph 4 of the Italian Civil Code, the Company opted to make an exception to the valuation criteria envisaged under article 2426, paragraph 1(9) of the Italian Civil Code. This resulted in the revaluation of the book value of the specific re-acquired receivables for €104,235 thousand. Said revaluation was offset by a specific equity reserve the distribution of which is subject to effective recovery of the receivables;
- in 2017 such receivables were recovered for €3,957 thousand, generating gains of €892 thousand. The effects on the provision pursuant to article 2423, paragraph 4 of the Italian Civil Code are shown in the shareholders' equity table, to which reference should be made.

Receivables arising out of reinsurance business (E.II) posted a balance of €16,860 thousand. This item refers for €9,627 thousand to receivables from reinsurers for commissions in connection with outward reinsurance contracts (€8,569 thousand refer to the reinsurance agreement with the Ministry of the Economy and Finance). The item also includes €6,037 thousand for amounts due from the Ministry of the Economy and Finance for claims and reimbursements on premiums.

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

TABLE 9 *(in € thousands)*

Description	31-12-17	31-12-16
Other debtors country	28,303	34,260
Compensatory interest on claims to be recovered	135,326	169,840
Receivables from tax authorities	1,041	21,501
Advance tax assets	94,133	84,583
Sundry receivables	5,629	6,152
Other debtors (Item E.III)	**264,432**	**316,336**

Other debtors country (€28,303 thousand) comprises receivables from policyholders in relation to their exposure. The aforesaid receivables are similar, as far as their related terms and conditions of repayment are concerned, to the receivables payable by foreign countries due directly to SACE. Compensatory interest on claims to be recovered (€135,326 thousand) represents the total amount payable as at the reporting date by foreign countries by way of interest under existing restructuring agreements.

Receivables from tax authorities include tax credits for which reimbursement has been requested, increased by the interest accrued at 31 December 2017. The decrease with respect to the previous year was due to the utilisation of the IRAP (Regional Tax on Production Activities) credit for 2016, for €20,471 thousand, included in the debt exposure for the period (for a total of €27,249 thousand).

Prepaid tax assets (€94,133 thousand), details of which can be found in table No. 31, refer to items in the Profit & loss account that contribute to the taxable income for years other than that in which they are recognised. This item is stated net of the transfer in 2017 to profit and loss of prepaid taxes appropriated in previous tax periods due to achievement of a taxable income for IRES (Corporate Income Tax) and IRAP. The breakdown is shown in section 21.7 of these notes.

Debtors country – breakdown by foreign currency

TABLE 10 *(in € thousands)*

Currency	31-12-17	31-12-16
USD	353,996	415,825
EUR	253,067	316,528
CHF	4,725	5,175
Other currencies	7	7

Section 6 - Item F - Other assets

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

TABLE 11 ***(in € thousands)***

Description	2016	Increase	Decrease	2017
Furniture and machinery	1,220	603	472	1,351
Works of art	48	5		53
Plant and equipment	5	1	2	4
Inventories	19		8	11
Total	**1,292**	**609**	**482**	**1,419**

Cash and cash equivalents

Deposits with credit institutions amounted to €4,926,507 thousand, of which €2,854 thousand denominated in foreign currency. At 31 December 2017 cash on hand amounted to €7 thousand.

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

TABLE 12 ***(in € thousands)***

Description	31-12-17	31-12-16
Capital gains on foreign exchange forward transactions	341	70,922
Receivables from SACE SRV		
Receivables from SACE Fct		
Receivables from CDP for tax consolidation		20,617
Total	**341**	**91,539**

Section 7 - Item G - Accruals and deferrals

TABLE 13 ***(in € thousands)***

Description	31-12-17	31-12-16
Accrued income for interest on government securities and bonds	22,358	24,564
Accrued income for interest on other financial investments	77	3,329
Total accrued income for interest	**22,435**	**27,893**
Other accruals	975	669
Total accruals	**975**	**669**

The interest on other financial investments item (€77 thousand) reflects interest on time deposit transactions and interest on notes. Other accruals amounted to €975 thousand and refer to portions of general expenses to be attributed to subsequent years.

7.3 – Indication of multi-year accruals and deferrals and separate indication of those with a duration of more than five years.
Multi-year accruals include €175 thousand relating to costs in connection with agreements with non-compete and non-solicit provisions.

Balance Sheet-Liabilities and Shareholders' Equity

Section 8 - Item A - Shareholders' equity

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

TABLE 14 *(in € thousands)*

	Share capital	Profit carried forward	Legal reserve	Other reserves	Share premium account	Profit for the year	Total
Balances at 1 January 2016	**3,541,128**		**215,466**	**146,518**		**406,652**	**4,309,765**
Allocation of 2015 net profit:							
- Distribution of dividends						(310,153)	(310,153)
- Other allocations			20,333	76,166		(96,499)	
Increase in share capital	189,195						189,195
Other changes				11,221	43,305		54,526
Result for 2016						303,528	303,528
Balances at 31.12.2016	**3,730,324**		**235,799**	**233,906**	**43,305**	**303,528**	**4,546,862**
Allocation of 2016 net profit:							
- Distribution of dividends						(150,000)	(150,000)
- Other allocations		88,766	15,176	49,586		(153,528)	
- Increase in share capital							
Other changes							
Result for 2017						274,866	274,866
Balances at 31.12.2017	**3,730,324**	**88,766**	**250,975**	**283,492**	**43,305**	**274,866**	**4,671,728**

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

TABLE 15 *(in € thousands)*

	Amount	Possibility of utilisation	Available portion	Summary of utilisation in the previous 3 years
Capital at 31.12.2017	**3,730,323,610**			
Capital reserves:				
Revaluation reserves		A, B,C		
Share premium account	43,304,602	A,B,C upon attainment by the Legal reserve of the limit set at 1/5 of the share capital		
Retained earnings:				
Legal reserve	250,975,430	B		
Other reserves	107,456,856	A, B	107,456,856	
Other reserves	176,036,162	A, B,C	176,036,162	
Profit carried forward	88,765,626	A, B,C	88,765,626	
Total			**372,258,644**	
- not distributable (1)			107,456,856	
- distributable			264,801,788	

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

(1) The non-distributable portion includes €6,440 thousand for the provision pursuant to article 2423, paragraph 4, set aside as at 31.12.2005 (€104,235 thousand) net of amounts collected during the year (€3,957 thousand in 2017, €3,507 thousand in 2016, €2,866 thousand in 2015, €2,098 thousand in 2014, €1,791 thousand in 2013, €2,316 thousand in 2012, €2,618 thousand in 2011, €2,204 thousand in 2010, €2,306 thousand in 2009, €21,232 thousand in 2008, €17,290 thousand in 2007 and €35,608 thousand in 2006), €30,416 thousand for the remaining portion of the reserve for exchange gains, €2,447 thousand for the portion of the reserve for the revaluation of receivables and €68,154 for the revaluation of investments resulting from the application of the equity method,

The share capital consists of 1,053,428 shares for a total face value of €3,730,323,610, held by Cassa depositi e prestiti. The nominal value of each share is equal to €3,541.13.

Section 9 – Subordinated liabilities

On 30 January 2015, SACE successfully placed an issue of perpetual subordinated bonds for a total of €500 million. The bonds, aimed at institutional investors, will pay an annual coupon of 3,875% for the first 10-years and indexed to the 10-year swap rate plus 318.6 basis points for subsequent years. The bonds can be recalled by the issuer after 10 years and following each coupon payment date. They are listed on the Luxembourg Stock Exchange.

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

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

TABLE 16 *(in € thousands)*

Description	31-12-17	31-12-16
Provision for unearned premiums		
Provision for premium instalments	2,113,155	1,826,847
Provision for unexpired risks	450,000	550,000
Total	**2,563,155**	**2,376,847**
Provision for claims outstanding		
Provision for claims paid and direct expenses	276,392	489,295
Provision for settlement costs	4,659	7,807
Provision for late claims	14,298	14,912
Total	**295,349**	**512,014**

The provision for unearned premiums and the provision for claims outstanding refer to exposure in foreign currency for €861,788 thousand and for €67,555 thousand, respectively. The provision for unearned premiums increased as a result of the positive trend in premiums for the year, which was partially offset by a decrease in the components for unexpired risks. The provision for claims outstanding decreased due to settlements for the year and a reduction in claims. The provision is deemed adequate to cover the potential cost of fully or partially unpaid claims at the end of the year.

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

TABLE 17 *(in € thousands)*

Description	DB 31-12-17	IB 31-12-17	DB 31-12-16	IB 31-12-16
Provision for unearned premiums				
Provision for premium instalments	2,007,785	105,370	1,731,110	95,737
Provision for unexpired risks	450,000		550,000	
Total	**2,457,785**	**105,370**	**2,281,110**	**95,737**
Provision for claims outstanding				
Provision for claims paid and direct expenses	275,567	825	484,722	4,572
Provision for settlement costs	4,659		7,807	
Provision for late claims	14,298		14,912	
Total	**294,524**	**825**	**507,441**	**4,572**

The provision for unexpired risks, calculated using the CreditMetrics method (which calculates the expected loss of the entire portfolio until it is run off), relates to business trends and covers the portion of risk that falls in periods after the end of the year. As established by ISVAP Regulation No. 16, SACE opted to calculate the provision empirically rather than analytically. In detail, starting from the estimated expected loss of the entire portfolio, the main components taken into consideration in order to determine the provision for unexpired risks include:

- observed and expected trends in the portfolio of outstanding guarantees with specific focus on the risk profile, concentration by counterparty and industrial sector;
- the total exposure in foreign currency and observed and expected trends in exchange rates;
- the duration of the portfolio run-off and observed trends.

The assets guarantee coverage of the technical provisions at the end of the year.
The provision for outstanding claims includes the total of the sums which, according to a prudent evaluation based on objective elements, are necessary to settle claims (i) incurred in the year or in previous years regardless of when they were reported, and not yet settled (ii) the related settlement expenses, regardless of their origin and (iii) the provision for claims incurred but not yet reported on the valuation date. As envisaged by Regulation No. 16 for the credit business, SACE opted to deduct the estimate of amounts to be recovered from the amounts taken to reserves, based on previous trends in post-settlement recoveries.
The provision for claims incurred but not reported includes the total of the sums which, according to a prudent estimate, are necessary to settle claims incurred in the current year or in previous years, but which had not been reported at the valuation date and the related settlement expenses. To obtain an estimate of the IBNR claims provision, the number of IBNR claims (according to past records of claims reported late for each quarter) and the average cost of such claims (based on the average cost of claims reported late and the average cost of claims reported during the year) were estimated separately. In line with the method used to calculate the provision for claims reported, an average portfolio RR and an average portfolio underwriting rate were applied to the IBNR claims provision thus obtained as the product of the number of IBNR claims and the average cost. No particularly large or exceptional late claims were reported, taking into account the type of risks in this business line.

10.3 – Equalisation provision
The equalisation provision, €603,410 thousand, increased by €42,655 with respect to the previous year owing to the positive balance on the technical account. The provision is calculated in accordance with the provisions of art. 37 of Legislative Decree 209/2005 (and art. 80 of Legislative Decree 173/1997).

Section 12 - Item E - Provisions for risks and charges

Changes in this item are reported in Annex 15.
Provisions for risks and charges amounted to €133,296 thousand. These comprise €57,784 thousand for deferred tax liabilities and €75,512 thousand for other provisions, the main components of which are listed below:

- €2,648 thousand which refer to ongoing disputes at the end of the year;
- €21,484 thousand for agreements currently being defined with policyholders;
- €97 thousand allocated for amounts to be assigned to policyholders by way of shares due;
- €8,229 thousand for potential estimated liabilities with policyholders, due to the non-maturity of said amounts;
- €36,573 thousand for the potential charges pursuant to the agreement with the Ministry of the Economy and Finance related to the amount calculated as 10% of the 2014 equalisation reserve of SACE (art. 8.1.a).

Section 13 - Item G - Creditors and other liabilities

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

TABLE 18 ***(in € thousands)***

Description	31-12-17	31-12-16
Advances for premiums	280	983
Accounts payable to policyholders for premium refunds	11	90
Front-end expenses	299	35
Other payables arising out of direct insurance business	28,836	29,316
Accounts payable to policyholders - Item G.I.3.	**29,426**	**30,424**

The other payables arising out of direct insurance business item, for €28,836 thousand, mainly includes payables for amounts due to policyholders for deductibles on amounts recovered. The change compared to the previous year reflects recoveries of amounts due to policyholders recognised in 2017 and adjustments to exposure in currencies other than the euro.

TABLE 19 ***(in € thousands)***

Description	31-12-17	31-12-16
Accounts payable arising out of inward reinsurance		319
Accounts payable arising out of outward reinsurance	110,860	82,227
Accounts payable arising out of reinsurance business Item G.II.1.	**110,860**	**82,546**

Accounts payable arising out of outward reinsurance, for €110,860 thousand, mainly consist of amounts payable for premiums ceded to reinsurers for €80,832 thousand, principally related to reinsurance business with Great Britain (€18,152 thousand), France (€10,801 thousand) and the Ministry of the Economy and Finance (€51,888 thousand). This item also includes €26,238 thousand referring to the portion of the provision for unearned premiums to be refunded to the Ministry of the Economy and Finance.

13.5 – Provision for severance pay (Item G.VII)
Changes in this item, shown in Annex 15, include the allocation for the year, net of payments to the pension funds pursuant to the reform of supplementary pension schemes.

Other accounts payable – Item G.VIII

TABLE 20 ***(in € thousands)***

Description	31-12-17	31-12-16
Other tax liabilities	8,309	1,203
Social security	1,461	1,468
Sundry creditors	104,294	47,883
Total	**114,064**	**50,554**

The change in the amount of this item with respect to the previous year is mainly due to IRAP tax payables for the year, equal to €6,779 (net of the credit for €20,471 carried forward from the previous year) and tax consolidation charges payable to the parent Cassa depositi e prestiti for €81,248 thousand (net of accounts receivable carried forward from the previous year for €21,202 thousand and receivables from tax authorities falling due in 2017 transferred to the tax consolidation for €777 thousand).

13.6 – Breakdown of sundry creditors – Item G.VIII.4
Sundry creditors (for a total of €104,294 thousand) mainly comprise amounts due to suppliers for €10,074 thousand against general administrative costs for the year, amounts due to employees for €9,555 thousand, premiums payable on options purchased for €2,771 thousand and tax consolidation charges for €81,248 thousand.

13.7 – Deferred reinsurance items – Item G.IX.1
The information received from the ceding companies on provisional technical income for 2017 was carried forward to the technical account for the following year as deferred reinsurance items. Pursuant to art. 42 of Legislative Decree 173/97, the claims outstanding provision reported in the Balance sheet includes €152 thousand referring to agreements with reinsured companies.

13.8 – Sundry liabilities – Item G.IX.3
This item, amounting to a total of €73,161 thousand, comprises amongst others valuation losses on contracts used to hedge foreign currency assets for €43,097 thousand.

Section 14 - Item H - Accrued liabilities

TABLE 21 ***(in € thousands)***

Description	**31-12-17**	**31-12-16**
Accrued interest expense	17,199	17,205
Deferred payments on rent income		306
Other accrued liabilities	18	67
Total accrued liabilities and deferred expenses	**17,217**	**17,578**

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

The balance of accrued interest expense, equal to €17,199 thousand, refers to the accrued liabilities on the subordinated bond issue (see Section 9).

14.3 – Indication of multi-year accrued liabilities and separate indication of those with a duration of more than five years.
No deferred payments with a duration of more than one year were reported.

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

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

Section 16 - Receivables and accounts payable

16.1 – Receivables and accounts payable are due as follows
Of the receivables under asset items C and E, €1,703,485 thousand fall due after the end of the following year and €327,077 thousand after the following five years. The accounts payable under liability items F and G (€43,444 thousand) are due within five years.

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

Details of the memorandum accounts are given in Annex 17.

17.1 – Breakdown of commitments
The commitments item, totalling €3,462,190 thousand, refers to forward transactions for €2,303,966 thousand and options in foreign currency for €1,158,224 thousand. The contracts traded were stipulated with leading credit institutions with high ratings.
Open positions at the end of the year, classified according to purpose, type and expiry date, were as follows:

TABLE 22 ***(in € thousands)***

Contract type	Expiry	EUR	USD
Forward contracts	16/01/2018	181,684	
	18/01/2018		191,500
	22/01/2018		385,000
	24/01/2018		189,668
	29/01/2018		462,148
	30/01/2018		6,844
	31/01/2018		205,000
	13/02/2018	179,345	188,069
	22/02/2018		192,905
	26/02/2018		200,000
	27/02/2018		174,930
	20/03/2018		140,317
Options	22/01/2018	200,000	
	30/01/2018		39,978
	31/01/2018		920,000
	27/04/2018		180,550

The effect of exchange rate transactions on items in foreign currency that expired in the year produced a negative balance of €63,026 thousand. The effect of valuations of items in foreign currency and existing derivatives at year-end exchange rates produced a positive balance of €6,867 thousand.
These components are analysed in detail in section 22 of these notes.

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

17.4 Breakdown of securities deposited with third parties according to the entity with which they are deposited with an indication of those related to Group companies.
Securities, including those related to Group companies, are deposited with banks, for €2,099,327 thousand and asset management companies, for €106,643 thousand.

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

Profit & Loss Account

Section 18 - Information on the non-life technical account

18.1 - Gross premiums written
Gross premiums written for the year amounted to €804,398 thousand.
In accordance with the applicable legislation (art. 11, paragraph 5 of Law 80/2005), 12 resources were engaged in the provision of internationalisation guarantees which generated gross premiums for €2,736 thousand.
Premiums ceded at 31 December 2017 amounted to €147,176 thousand, of which €102,286 thousand refer to the reinsurance agreement with the Ministry of the Economy and Finance.

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

18.3 – Details of the reasons for transferring the allocated investment return from the non-technical account and description of the calculation criteria used – Item I.2.
Pursuant to article 55 of Legislative Decree 173/97 and in view of the negative balance of financial revenue, no amount was transferred to the technical account.

18.4 – Other technical income net of reinsurance – Item I.3
The item equal to €2,439 thousand mainly concerns the technical income arising from the management of insurance contracts for €1,572 thousand and from front-end expenses for the year for €214 thousand.

18.5 – Claims incurred net of recoveries and reinsurance

TABLE 23 ***(in € thousands)***

Description	DB 31-12-17	IB 31-12-17	Total 31-12-17	DB 31-12-16	IB 31-12-16	Total 31-12-16
Claims paid for the current year	(262,327)	(119)	(262,446)	(164,277)	(1,486)	(165,763)
Claims paid relating to previous years	(100,931)	(6,497)	(107,428)	(183,247)	(318)	(183,565)
Costs of claims management	(4,701)		(4,701)	(4,798)		(4,798)
Reinsurers' share	21,534		21,534	9,995		9,995
Change in recoveries	227,363	926	228,289	235,409	2,894	238,303
Change in the provision for claims outstanding	207,352	3,701	211,053	85,615	2,892	88,508
Total net claims incurred	**88,290**	**(1,989)**	**86,301**	**(21,302)**	**3,982**	**(17,320)**

The change in recoveries (€228,289 thousand) mainly refers to amounts recovered from foreign countries for €199,102 thousand, principally from Poland for €59,518 thousand, Germany for €13,165 thousand, Iran for €60,846 thousand and Iraq for €15,708 thousand.
The reinsurers' share amounted to €21,534 thousand, of which €20,788 thousand refer to the reinsurance agreement with the Ministry of the Economy and Finance.

18.7 – Premium refunds and profit sharing, net of reinsurance – Item I.6
Premium refunds, reflecting premium refunds net of reinsurance, amounted to €18,309 thousand (€13,632 thousand at the end of 2016).

Operating expenses - Item I.7
Details of this item are given in the table below:

TABLE 24 *(in € thousands)*

Description	31-12-17	31-12-16
Collection and acquisition commissions	2,884	1,438
Other acquisition costs	25,458	25,225
Other administrative expenses	50,618	47,700
Commissions and profit sharing	(17,439)	(22,018)
Operating expenses	**61,521**	**52,345**

Other acquisition costs comprise reinsurance commissions and general expenses made up of personnel costs (€13,817 thousand) and other general administrative expenses (€11,641 thousand). Other administrative expenses comprise general expenses made up of costs of personnel (€35,182 thousand), other general administrative expenses (€14,965 thousand), and depreciation of capital goods (€471 thousand).
Personnel costs, a description of the relative items, the average number of employees during the year, the number of directors and Statutory Auditors and related remuneration are given in Annex 32.
Commissions and profit-sharing received from reinsurers, amounting to €17,439 thousand, mainly comprise commissions in connection with the agreement signed with the Ministry of the Economy and Finance (€16,411 thousand).

18.8 – Other technical charges net of reinsurance – Item I.8
This item, equal to €3,131 thousand, refers mainly to technical cancellations of premiums due to termination of insurance contracts.

18.9 – Change in the equalisation provision – Item I.9
The change in the equalisation provision, equal to €42,655 thousand, was determined in accordance with current legislation.

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

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

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

21.1 – Breakdown of investment income for the non-life business – Item III.3 (Annex 21)
A summary of investment income is given in the following table:

TABLE 25 ***(in € thousands)***

Description	31-12-17	31-12-16
Income from shares and interests		45
Income from investments in land and buildings	605	613
Income from other investments	73,760	86,338
Value re-adjustments on investments	8,204	80,855
Gains on the disposal of investments	578,113	1,046,369
Total	**660,682**	**1,214,220**

The income from other investments item (€73,760 thousand) mainly includes €61,289 thousand for interest on government securities and bonds, €63 thousand for interest receivable for mortgages, €4,637 thousand for interest from time deposits, €5,570 thousand for interest from Carnival and General Electric notes and €2,078 thousand for interest from the loan to SACE Fct. The value re-adjustments on investments item (€8,204 thousand) refers to forward currency sales for €340 thousand (see also Section 22 of these notes), upward adjustments on government securities and bonds for €52 thousand and upward adjustments on investments in SACE Fct, SACE BT, ATI and SIMEST for €7,811 thousand. Gains on the disposal of investments (€578,113 thousand) comprise €424,190 thousand referring to gains on forward transactions, €126,117 thousand to gains on transactions in derivatives and €27,806 thousand to gains on the sale of securities. The breakdown of each item is detailed in Annex 21.

21.2 – Breakdown of investment management and financial charges for the non-life business – Item III.5 (Annex 23)
Investment management and financial charges are summarised in the following table:

TABLE 26 ***(in € thousands)***

Description	31-12-17	31-12-16
Investment management charges and other charges	2,917	3,738
Value re-adjustments on investments	151,301	105,797
Losses on the disposal of investments	523,697	766,419
Total	**677,915**	**875,954**

Investment management charges and other charges mainly comprise investment management fees (€469 thousand) and property management charges (€838 thousand). The value re-adjustments on investments item (€151,301 thousand) refers to the valuation of forward contracts (€43,098 thousand), losses on equity and bond funds (€107,097 thousand), write-down of the investment in SACE do Brasil (€443 thousand) and depreciation of real estate for €663 thousand. Losses on the disposal of investments (€523,697 thousand) include €505,588 thousand referring to losses on forward transactions and €18,109 thousand on transactions in derivatives. The breakdown of each item is detailed in Annex 23.

21.3 – Breakdown of other income – Item III.7

TABLE 27 *(in € thousands)*

Description	31-12-17	31-12-16
Compensatory interest on premiums	1,149	236
Compensatory interest on receivables	13,704	14,721
Interest earned and other income	3,269	6,995
Interest earned on tax credits	16	17
Capital gains on other receivables	5,736	7,230
Profits on exchange rates	2,462	29,562
Utilisation of provisions and non-existent liabilities	7,229	6,632
Valuation gains on exchange rates	19,521	64,099
Revenues from services to affiliates	4,355	3,788
Total	**57,441**	**133,280**

Compensatory interest on receivables (€13,704 thousand) represents the interest matured in the year on subrogation credit. Profits on exchange rates (€2,462 thousand) refer to gains on exchange rates on transactions in foreign currency. Gains on other receivables (€5,736 thousand) refer for €259 thousand to collection of compensatory interest, €892 thousand to recovery of receivables ex OPTIMUM and €4,585 thousand to gains on receivables for amounts acquired due to policyholders. Valuation gains on exchange rates include the result of the valuation of the entries in foreign currencies at year-end exchange rates (for further details, see section 22 of these notes).

21.4 – Breakdown of other charges – Item III.8

TABLE 28 *(in € thousands)*

Description	31-12-17	31-12-16
Amortisation and depreciation	263	201
Additions to risk provisions	6,597	7,764
Exchange losses	98,400	28,780
Valuation exchange losses	59,801	10,790
Write-down of receivables - compensatory interest	343	410
Write-down of other receivables	337	1,477
Losses on other receivables		3
Other interest expense and financial liabilities	19,421	19,460
Total	**185,162**	**68,885**

Valuation exchange losses (€98,400 thousand) include the result of the valuation of the entries in foreign currencies at year-end exchange rates (for further details, see section 22 of these notes). The other interest expense and financial liabilities item (€19,421 thousand) refers for €19,369 thousand to interest payable on the debenture loan issued.

Personnel costs are listed in Annex 32.

21.5 – Breakdown of extraordinary income – Item III.10

TABLE 29 ***(in € thousands)***

Description	31-12-17	31-12-16
Sundry non-operating income	2,502	2,323
Total	**2,502**	**2,323**

Sundry non-operating income mainly refers to adjustments on general costs not relating to the period (€1,707 thousand).

21.6 – Breakdown of extraordinary charges – Item III.11

TABLE 30 ***(in € thousands)***

Description	31-12-17	31-12-16
Losses on disposal of movable assets	2	3
Sundry non-operating liabilities	1,094	1,226
Total	**1,096**	**1,229**

Sundry non-operating liabilities mainly refer to general costs accrued from previous years (€877 thousand).

21.7 – Breakdown of income taxes and deferred taxes – Item III.14
This item, totalling €85,238 thousand, comprises the following:

a) €27,249 thousand for IRAP for the year;
b) €103,228 thousand for the liability calculated on the taxable income transferred to the parent for inclusion in the tax consolidation regime;
c) €4,676 thousand for disclosure of deferred taxes on temporary changes during the year determined as illustrated in the table below. For the current year, prepaid IRES for €23,168 thousand was calculated on the basis of the reasonable certainty of generating tax liable income in the future such as to enable its recovery;
d) €13,618 thousand corresponding to transfer to Profit & loss of prepaid IRES and IRAP accrued in previous years;
e) €40,365 thousand corresponding to transfer to Profit & loss of deferred IRES accrued in previous years.

Current taxes were calculated at the current rate of 24% for IRES and 6.82% for IRAP.

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

TABLE 31 *(in € thousands)*

IRAP (regional tax on production)	Opening balance		Utilisation 2017		Change in the year		Closing balance	
Type of temporary differences	Temporary differences	Taxes	Temporary differences	Taxes	Temporary differences	Taxes	Temporary differences	Taxes
Recognised in Profit & loss								
Differences giving rise to deferred tax assets								
Reserve fund	1						1	
Provision for claims outstanding								
Depreciation on revaluation of property	1,193	81					1,193	81
Write-down of receivables for premiums	286	20	(24)	(2)			262	18
Change in tax rates								
Total	**1,480**	**101**	**(24)**	**(2)**			**1,456**	**99**

IRES (corporate income tax)	Opening balance		Utilisation 2017		Change in the year		Closing balance	
Type of temporary differences	Temporary differences	Taxes	Temporary differences	Taxes	Temporary differences	Taxes	Temporary differences	Taxes
Recognised in Profit & loss								
Differences giving rise to deferred tax assets								
Reserve fund	8,254	1,981	(1,758)	(422)			6,496	1,559
Provision for claims outstanding	199,644	47,915	(29,721)	(7,133)			169,923	40,782
Write-down of receivables for premiums	286	69	(24)	(6)			262	63
Potential liabilities fund	71,179	17,083	(13,375)	(3,210)	6,597	1,583	64,401	15,456
Exchange rate valuation losses	71,318	17,116	(11,855)	(2,845)	89,776	21,546	149,239	35,817
Depreciation on revaluation of property	1,328	319					1,328	319
Valuation losses on listed shares					160	38	160	38
Write-downs of political risk receivables								
Total	**352,009**	**84,482**	**(56,733)**	**(13,616)**	**96,533**	**23,168**	**391,809**	**94,034**
Differences giving rise to deferred tax liabilities								
Exchange rate valuation gains	389,470	93,473	(168,187)	(40,365)	19,484	4,676	240,767	57,784
Total	**389,470**	**93,473**	**(168,187)**	**(40,365)**	**19,484**	**4,676**	**240,767**	**57,784**
Differences excluded from the determination of advance taxes								
Subrogation credit write-downs – pol. business	5,077						3,902	
Subrogation credit write-downs – com. business	72,163						11,348	
Write downs of other receivables - technical business	1,477						337	
Total deferred tax assets arising from temporary differences		**84,583**		**(13,617)**		**23,168**		**94,133**
Total deferred tax liabilities arising from temporary differences		**93,473**		**(40,365)**		**4,676**		**57,784**

Section 22 - Other information on the Profit & loss account

Details concerning relations with Group companies are provided in Annex 30. Information concerning the distribution of direct business premiums written by geographical region (Italy, EU, non-EU countries) is provided in Annex 31.
The breakdown of personnel costs for the Italian and foreign portfolios is given in Annex 32.
The effect of exchange rate hedging transactions on entries in foreign currency that expired during the year generated a negative balance of €63,026 thousand, the effect of valuations of existing contracts at year-end exchange rates and entries in foreign currency generated a positive balance of €6,867 thousand, as shown in the table below.

TABLE 32 ***(in € thousands)***

Realised	31-12-17	31-12-16
Losses on forward contracts and trading	(505,588)	(715,479)
Gains on forward contacts and trading	424,190	754,003
Proceeds from derivatives	126,117	264,510
Charges on derivatives	(18,109)	(47,723)
Net realised gains (A)	**26,610**	**255,311**
Exchange gains	8,764	30,117
Exchange losses	(98,400)	(30,187)
Net loss on exchange rates (B)	**(89,636)**	**(70)**
Result realised (A+B)	**(63,026)**	**255,241**

Valuation differences	31-12-17	31-12-16
Valuation losses on forward contracts and derivatives	(43,097)	(57,613)
Valuation gains on forward contracts and derivatives	340	70,922
Net valuation losses (C)	**(42,757)**	**13,309**
Exchange gains - valuation of technical provisions	113,885	4,974
Exchange losses - valuation of technical provisions	(23,981)	(29,083)
Exchange gains - valuation of receivables and payables	19,484	56,255
Exchange losses - valuation of receivables and payables	(56,024)	(10,735)
Exchange gains - valuation of cash and cash equivalents	37	7,844
Exchange losses - valuation of cash and cash equivalents	(3,777)	(55)
Net valuation gains on exchange rates (D)	**49,624**	**29,201**
Net exchange gains from valuation (C +D)	**6,867**	**42,510**

Part C - Other information

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

At 31 December 2017 the shareholders' equity of SACE amounted to €4,671,728 thousand (€4,546,862 thousand in 2016). The items of shareholders' equity at 31 December 2017 are as follows:

- share capital equal to €3,730,324 thousand;
- share premium account equal to €43,305 thousand;
- legal reserve equal to €250,975 thousand;
- other reserves equal to €283,493 thousand;
- profit carried forward equal to €88,765 thousand;
- profit for the year equal to €274,866 thousand.

2. Fees of directors with executive powers

The policies governing the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer are set out below, in accordance with current legal requirements[2].
Having regard to the functions/powers assigned, respectively, to the Chairman of the Board of Directors and Chief Executive Officer under the Articles of Association and by the Meeting of the Board of Directors held on 14 June 2016, at the Meeting held on 23 June 2016, the Board of Directors, taking into account the instructions of the Shareholder, approved the following remuneration components to be paid to the Chairman of the Board of Directors and Chief Executive Officer:

Chairman of the Board of Directors *(amounts in €)*	
Fixed component: fee for position held - art. 2389, paragraph 1	40,000
Fixed component: fee for powers assigned - art. 2389, paragraph 3	200,000

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

Chief Executive Officer *(amounts in €)*	
Fixed component: fee for position held - art. 2389, paragraph 1	25,000
Fixed component: fee for powers assigned - art. 2389, paragraph 3	190,000
Long-term variable component (so-called LTIP) (annual tranche)	24,700

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

Long-term variable component

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

[2] In detail, in accordance with the shareholder's policies, these respect the requirements established by the Directive of the Ministry of the Economy and Finance dated 24 June 2013 (which recommends, among other things, that directors should "adopt remuneration policies in line with international best practice, but which are also consistent with the company's performance and are in any case based on the principles of transparency and moderation, in the light of overall economic conditions in the country, and so as to establish a connection between the overall remuneration of directors with executive powers and the median salary across the company").
In accordance with the aforesaid requirements, the total annual remuneration of Mr. Alessandro Decio, in his capacity as Chief Executive Officer, inclusive of the remuneration for his position as General Manager and of the respective short and long-term variable components, amounts to €799,000.

3. Cash flow statement

CASH FLOW STATEMENT

(in € thousands)	FY 2017	FY 2016
Profit (loss) for the year before tax	**360,104**	**413,322**
Changes in non-cash items	**52,738**	**166,218**
Change in the provision for unearned premiums - non-life business	83,753	198,421
Change in the provision for claims outstanding and other technical provisions - non-life business	(174,010)	(55,323)
Change in the general provision	632	(1,133)
Non-cash income and expense from financial instruments, investment property and equity investments	143,098	24,942
Other changes	(735)	(689)
Change in receivables and payables generated by operations	**315,982**	**412,557**
Change in receivables and payables arising from direct insurance and reinsurance business	106,573	456,052
Change in other receivables and payables	209,409	(43,495)
Tax paid	**(85,238)**	**(109,794)**
TOTAL NET CASH FLOW ARISING FROM OPERATIONS	**643,586**	**882,303**
Net cash flow generated/absorbed by investment property	663	663
Net cash flow generated/absorbed by financial investments	1,941,334	1,604,556
Net cash flow generated/absorbed by plant, property and equipment and intangible assets	557	536
TOTAL NET CASH FLOW ARISING FROM LENDING OPERATIONS	**1,942,554**	**1,605,755**
Increase+/-Repayment of share capital		189,195
Capital provision		54,526
Property revaluation		
Distribution of dividends	(150,000)	(310,153)
Net cash flow generated/absorbed by other financial liabilities		
TOTAL NET CASH FLOW ARISING FROM LOAN OPERATIONS	**(150,000)**	**(66,431)**
Effect of exchange rate differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**2,490,374**	**68,747**
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	2,436,140	2,421,627
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**4,926,514**	**2,490,374**

4. Independent Auditors' fees

Pursuant to Legislative Decree 39 of 27 January 2010, the fees due to PricewaterhouseCoopers for their auditing services in 2017 amounted to €112 thousand.

5. Company name and registered office of the Parent company

SACE is wholly owned by Cassa depositi e prestiti, which has its registered office at Via Goito 4 in Rome and performs management and coordination activities pursuant to article 2497 of the Italian Civil Code. In compliance with the reporting requirement set out in art. 2497-*bis* of the Italian Civil Code, the main figures from the last approved financial statements of the Parent company are provided below. For an adequate and complete understanding of the assets and financial position of Cassa depositi e prestiti as of 31 December 2017, and of the operating result of the Company for the year ended as of that date, please refer to the Financial statements that, together with the Independent Auditor's report, are available in the forms and methods specified by law.

BALANCE SHEET

(in € thousands)		31-12-2016
	Assets	
10.	Cash and cash equivalents	3
20.	Financial assets held for trading	207,650
40.	Available-for-sale financial assets	9,596,393
50.	Financial assets held to expiry	32,268,680
60.	Receivables from banks	23,964,632
	of which to guarantee covered bonds	*446,325*
70.	Receivables from customers	258,642,911
80.	Hedging derivatives	733,273
100.	Equities	30,896,644
110.	Property, plant and equipment	272,567
120.	Intangible assets	8,571
130.	Tax assets	972,787
	a) current	628,100
	b) prepaid	344,687
	- of which pursuant to Law 214/2011	-
150.	Other assets	145,602
	Total assets	**357,709,713**

		31-12-2016
	Liabilities and shareholders' equity	
10.	Amounts owed to banks	14,487,458
	of which guaranteed by covered bonds	
20.	Payables to customers	305,798,520
30.	Outstanding securities	12,031,654
40.	Financial liabilities held for trading	183,286
60.	Hedging derivatives	831,894
70.	Value adjustment to hedged financial liabilities (+/-)	38,206
80.	Tax liabilities	210,912
	a) current	93,878
	b) deferred	117,034
100.	Other liabilities	877,150
110.	Provision for employee severance indemnities	1,005
120.	Provisions for risks and charges	42,813
	b) other provisions	42,813
130.	Valuation reserves	946,537
160.	Reserves	14,225,166
170.	Share premium account	2,378,517
180.	Principal	4,051,143
190.	Own shares (-)	(57,220)
200.	Net income (loss) for the year (+/-)	1,662,672
	Total liabilities and shareholders' equity	**357,709,713**

PROFIT & LOSS ACCOUNT

(in € thousands)		31-12-16
10.	Interest earned and similar income	6,722,913
20.	Interest expense and similar charges	(4,354,350)
30.	**Interest margin**	**2,368,563**
40.	Commission income	96,955
50.	Commission expense	(1,581,160)
60.	**Net commissions**	**(1,484,205)**
70.	Dividends and similar income	1,570,769
80.	Net result of trading activities	5,666
90.	Net result of hedging activities	757
100.	Gains (losses) on sale or repurchase of:	24,606
	a) receivables	19,140
	b) AFS financial assets	5,464
	c) financial assets held to expiry	2
	d) financial liabilities	
120.	**Intermediation margin**	**2,486,155**
130.	Net adjustments/re-adjustments of value for impairment of:	(457,112)
	a) receivables	(163,236)
	b) AFS financial assets	(215,949)
	d) other financial transactions	(77,928)
140.	**Net result of financial operations**	**2,029,043**
150.	Administrative expenses	(136,163)
	a) personnel costs	(80,533)
	b) other administrative expenses	(55,630)
160.	Net provisions to reserves for risks and charges	(1,158)
170.	Net adjustments/re-adjustments of value of tangible assets	(4,557)
180.	Net adjustments/re-adjustments of value of intangible assets	(2,466)
190.	Other operating income/expense	3,752
200.	**Operating costs**	**(140,591)**
210.	Income (Loss) on equity investments	(270,010)
240.	Income (Loss) on the disposal of investments	(4)
250.	**Income (Loss) on current operations before taxes**	**1,618,439**
260.	Income taxes for the year on current operations	44,233
270.	**Income (Loss) on current operations net of taxes**	**1,662,672**
290.	**Net income (loss) for the year (+/-)**	**1,662,672**

6. Proposed allocation of net income

The shareholder is asked to approve the Financial statements as at 31 December 2017 and the allocation of the net profit of €274,866,133 as follows:

€274,866,133	Net profit
€13,743,307	to the legal reserve as required by article 2430 of the Italian Civil Code
€111,122,826	to other reserves, for €6,866,930 to net exchange gains (pursuant to art. 2426(8-*bis*) of the Italian Civil Code) and for €6,198,288 to the investment revaluation reserve for application of the equity method (pursuant to art. 2426, paragraph 1(4) of the Italian Civil Code
€150,000,000	to be paid as a dividend to the sole shareholder Cassa depositi e prestiti S.p.A.

Rome, 20 March 2018

On behalf of the Board of Directors
Chief Executive Officer
Alessandro Maria Decio

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

The legal representatives of the Company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

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

(*) For foreign companies, the document must be signed by the general representative for Italy.
(**) Indicate the position of the person who signs.

Annex to the notes

pursuant to Legislative Decree 173/97

No	Descriptions
Annex 1	Balance sheet – non-life insurance business
Annex 3	Breakdown of the operating result between non-life and life business
Annex 4	Assets - Changes in intangible assets (Item B) and land and buildings (Item C.I)
Annex 5	Assets - Changes during the year in investments in Group companies and companies in which significant interest is held: shares and interests (Item C.II.1), bonds (Item C.II.2) and loans (Item C.II.3)
Annex 6	Assets - Information regarding investee companies
Annex 7	Assets - Details of investments in Group companies and other companies in which significant interest is held: shares and interests
Annex 8	Assets - Breakdown of financial investments according to use: shares and interests in companies, shares in common investment funds, bonds and other fixed-income securities, participation in investment pools and other financial investments
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
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	€3.730.323.610	Paid €3.730.323.610
Registered offices	Rome - Piazza Poli, 37/42	
Company Register	Rome Reg. No. 142046/99	

	BALANCE SHEET
Financial statements	**2017**
	(Amounts in thousand of euros)

Notes to the Financial Statements - Annex 1

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

Balance sheet - non-life business
Assets

								Current year
A. SUBSCRIBED CAPITAL UNPAID							1	
of which called-up capital			2					
B. INTANGIBLE ASSETS								
1. Deferred acquisition commissions			4					
2. Other acquisition costs			6					
3. Start-up and expansion costs			7					
4. Goodwill			8					
5. Other multi-year costs			9	616			10	616
C. INVESTMENTS								
I - Land and buildings								
1. Property used in Company operations			11	61,132				
2. Property rented to third parties			12	1,042				
3. Other properties			13					
4. Other property rights			14					
5. Construction in progress and advance			15		16	62,173		
II - Investments in Group companies and other shareholdings								
1. Shares and interests in:								
a) controlling companies	17							
b) subsidiary companies	18	418,090						
c) affiliated companies	19							
d) associated companies	20	8,010						
e) other companies	21		22	426,100				
2. Bonds issued by:								
a) controlling companies	23	83,157						
b) subsidiary companies	24							
c) affiliated companies	25							
d) associated companies	26							
e) other companies	27		28	83,157				
3. Loans to:								
a) controlling companies	29							
b) subsidiary companies	30							
c) affiliated companies	31							
d) associated companies	32							
e) other companies	33		34	0	35	509,257		
to be carried forward								616

Previous year

						181	
		182					
		184					
		186					
		187					
		188					
		189	565			190	565
		191	61,764				
		192	1,073				
		193					
		194					
		195		196	62,837		
197							
198	415,302						
199							
200	7,954						
201		202	423,256				
203	82,854						
204							
205							
206							
207		208	82,854				
209							
210	125,000						
211							
212							
213		214	125,000	215	631,110		
			to be carried forward				565

Balance sheet - non-life business
Assets

								Current year
				carried forward				616
C. INVESTMENTS (continued)								
III - Other financial investments								
1. Shares and interests								
a) listed shares	36	446						
b) unlisted shares	37							
c) interests	38		39	446				
2. Shares in common investment funds			40	636,621				
3. Bonds and other fixed-income securities								
a) listed	41	1,485,747						
b) unlisted	42							
c) convertible debentures	43		44	1,485,747				
4. Loans								
a) loans secured by mortgage	45	2,918						
b) loans on policies	46							
c) other loans	47		48	2,918				
5. Participation in investment pools			49					
6. Deposits with credit institutions			50	16,676				
7. Other financial investments			51	8,694	52	2,151,102		
IV - Deposits with ceding undertakings					53	86	54	2,722,618
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS								
I - NON-LIFE BUSINESS								
1. Provisions for unearned premiums			58	663,643				
2. Provisions for claims outstanding			59	17,218				
3. Provisions for profit-sharing and premium refunds			60					
4. Other technical provisions			61	36,573			62	717,434
				to be carried forward				3,440,668

Previous year

			carried forward				565
216							
217							
218		219					
		220	641,899				
221	1,530,455						
222							
223		224	1,530,455				
225	3,324						
226							
227		228	3,324				
		229					
		230	1,310,170				
		231	627,833	232	4,113,681		
				233	99	234	4,807,725
		238	550,250				
		239	22,830				
		240					
		241	41,797			242	614,878
			to be carried forward				5,423,169

Balance sheet - non-life business assets

							Current year	
carried forward								3,440,668
E. RECEIVABLES								
I - Receivables arising out of direct insurance operations:								
1. Policyholders								
a) for premiums current year	71	48,857						
b) for premiums previous years	72	6,678	73	55,535				
2. Insurance intermediaries			74					
3. Current accounts with insurance companies			75					
4. Policyholders and third parties for recoveries			76	388,085	77	443,620		
II - Receivables arising out of reinsurance operations:								
1. Insurance and reinsurance companies			78	16,860				
2. Reinsurance intermediaries			79		80	16,860		
III - Other debtors					81	264,432	82	724,912
F. OTHER ASSETS								
I - Tangible assets and inventories:								
1. Furniture, office machines and internal transport vehicles			83	1,351				
2. Vehicles listed in public registers			84					
3. Machinery and equipment			85	4				
4. Inventories and other goods			86	65	87	1,419		
II - Cash at bank and in hand								
1. Bank and postal accounts			88	4,926,507				
2. Cheques and cash on hand			89	7	90	4,926,514		
III - Own shares or equity interests					91			
IV - Other								
1. Deferred reinsurance items			92	119				
2. Miscellaneous assets			93	341	94	459	95	4,928,392
of which connection account with Life business			901					
G. PREPAYMENTS AND ACCRUALS INCOME								
1. Accrued interest					96	22,436		
2. Rents					97			
3. Other prepayments and accrued income					98	975	99	23,411
TOTAL ASSET							100	9,117,383

Previous year

		carried forward					5,423,169
251	31,646						
252	7,351	253	38,997				
		254					
		255					
		256	511,753	257	550,749		
		258	16,303				
		259		260	16,303		
				261	316,336		
						262	883,389
		263	1,220				
		264					
		265	5				
		266	67	267	1,292		
		268	2,490,371				
		269	2	270	2,490,374		
				271			
		272	389				
		273	91,539	274	91,928		
		903				275	2,583,593
				276	27,893		
				277			
				278	669	279	28,563
						280	8,918,713

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

							Current year
A. SHAREHOLDERS' EQUITY							
I - Subscribed capital or equivalent fund				101	3,730,324		
II - Share premium reserve				102	43,305		
III - Revaluation reserves				103			
IV - Legal reserve				104	250,975		
V - Statutory reserves				105			
VI - Reserves for own shares and shares of the controlling company				106			
VII - Other reserves				107	283,493		
VIII - Net profit (loss) carried forward				108	88,766		
IX - Net profit (loss) for the year				109	274,866		
X - Negative reserve for own shares in portfolio				401		110	4,671,728
B. SUBORDINATED LIABILITIES						111	500,000
C. TECHNICAL PROVISIONS							
I - NON-LIFE BUSINESS							
1. Premium provisions		112	2,563,156				
2. Provisions for claims outstanding		113	295,349				
3. Provisions for profit-sharing and premium refunds		114					
4. Other technical provisions		115					
5. Equalization provision		116	603,410			117	3,461,915
			to be carried forward				8,633,643

Previous year

		281	3,730,324		
		282	43,305		
		283			
		284	235,799		
		285			
		286			
		287	233,907		
		288			
		289	303,528		
		501		290	4,546,862
				291	500,000
292	2,376,847				
293	512,014				
294					
295					
296	560,755			297	3,449,615
to be carried forward					8,496,478

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

						Current year
carried forward						8,633,643
E. PROVISIONS FOR OTHER RISKS AND CHARGES						
1. Provisions for pensions and similar obligations			128			
2. Provisions for taxation			129	57,784		
3. Other provisions			130	75,512	131	133,296
F. DEPOSITS RECEIVED FROM REINSURERS					132	
G. CREDITORS AND OTHER LIABILITIES						
I - Creditors arising out of direct insurance operations:						
1. Insurance intermediaries	133					
2. Current accounts with insurance companies	134					
3. Premium deposits and premiums due to policyholders	135	29,426				
4. Guarantee funds in favour of policyholders	136		137	29,426		
II - Creditors arising out of reinsurance operations:						
1. Insurance and reinsurance companies	138	110,860				
2. Reinsurance intermediaries	139		140	110,860		
III - Debenture loans			141			
IV - Amounts owed to banks and credit institutions			142			
V - Loans guaranteed by mortgages			143			
VI - Miscellaneous loans and other financial liabilities			144			
VII - Provisions for employee termination indemnities			145	5,565		
VIII - Other creditors						
1. Premium taxes	146					
2. Other tax liabilities	147	8,309				
3. Social security	148	1,461				
4. Miscellaneous creditors	149	104,294	150	114,064		
IX - Other liabilities						
1. Deferred reinsurance items	151	152				
2. Commissions for premiums in course of collection	152					
3. Miscellaneous liabilities	153	73,161	154	73,313	155	333,227
of which connection account with life business	902					
to be carried forward						9,100,166

Previous year

carried forward		8,496,478
	308	
	309 93,473	
	310 84,588	311 178,061
		312
313		
314		
315 30,424		
316	317 30,424	
318 82,547		
319	320 82,547	
	321	
	322	
	323	
	324	
	325 5,285	
326		
327 1,203		
328 1,468		
329 47,883	330 50,554	
331 55		
332		
333 57,733	334 57,787	335 226,597
904		
to be carried forward		8,901,136

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

				Current year
carried forward				9,100,166
H. ACCRUALS AND DEFERRED INCOME				
1. Accrued interest	156	17,199		
2. Rents	157			
3. Other prepayments and accrued income	158	18	159	17,217
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			160	9,117,383

		Previous year
carried forward		8,901,136
	336 17,205	
	337 306	
	338 67	339 17,578
		340 8,918,713

Notes to the Financial Statements - Annex 3

Company **SACE S.p.A.** FY 2017

Breakdown of the operating result between non-life and life business

			Non-life business		Life business		Total
Result of the technical account		1	**503,652**	21		41	**503,652**
Investment income	+	2	660,682			42	660,682
Investment management and financial charges	-	3	677,915			43	677,915
Allocated investment return transferred from the technical account of life business	+			24		44	
Allocated investment return transferred from the technical account of non-life business	-	5				45	
Intermediate operating result		6	**486,419**	26		46	**486,419**
Other income	+	7	57,441	27		47	57,441
Other charges	-	8	185,162	28		48	185,162
Extraordinary income	+	9	2,502	29		49	2,502
Extraordinary charges	-	10	1,096	30		50	1,096
Profit before taxes		11	**360,104**	31		51	**360,104**
Income taxes	-	12	85,238	32		52	85,238
Net profit for the year		13	**274,866**	33		53	**274,866**

Notes to the Financial Statements - Annex 4

Company **SACE S.p.A.** FY 2017

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

			Intangible assets B		Land and buildings C.I
Gross initial balance	+	1	12,371	31	71,913
Increases during the year	+	2	314	32	
for: purchases or additions		3	314	33	
write-backs		4		34	
revaluations		5		35	
other changes		6		36	
Reductions during the year	-	7		37	
for: sales or decreases		8		38	
long-term write-downs		9		39	
other changes		10		40	
Gross initial balance		11	**12,685**	41	**71,913**
Amortisation and depreciation:					
Gross initial balance	+	12	11,806	42	9,076
Increases during the year	+	13	263	43	664
for: Third party interest in net income for the year		14	263	44	664
other changes		15		45	
Reductions during the year	-	16		46	
for: reductions following disposals		17		47	
other changes		18		48	
Final values of amortisation (b) (*)		19	**12,069**	49	**9,740**
Carrying value (a – b)		20	**616**	50	**62,173**
Current value		21		51	63,500
Total revaluations		22		52	
Total write-downs		23		53	

(*) Of which amortisation and depreciation in application of tax laws only.

Notes to the Financial Statements - Annex 5

Company **SACE S.p.A.** FY 2017

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

			Shares and interests C.II.1		Bonds C.II.2		Loans C.II.3
Gross initial balance	+	1	423,256	21	82,854	41	125,000
Increases during the year	+	2	8,581	22	303	42	
for: purchases, subscriptions or issues		3		23		43	
write-backs		4	7,811	24		44	
revaluations		5					
other changes		6	770	26	303	46	
Decreases during the year	-	7	5,737	27		47	125,000
for: sales or repayments		8		28		48	125,000
write-downs		9	443	29		49	
other changes		10	5,294	30		50	
Carrying value		11	**426,100**	31	**83,157**	51	
Current value		12	426,100	32	72,623	52	
Total revaluations		13					
Total write-downs		14	443	34		54	

Item C.II.2 includes:

Listed bonds	61	83,157
Unlisted bonds	62	
Carrying value	63	**83,157**
of which convertible debentures	64	

Notes to the Financial Statements - Annex 6

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

FY 2017

Assets – Information regarding investee companies (*)

Order No.	Type	Listed or unlisted	Assets Amount	Name and registered offices	Currency	Share capital		Shareholders' equity (**)	Net income or loss of the previous year (**)	Percentage interest (5)		
						Amount	Number shares			Direct	Indirect	Total
	(1)	(2)	(3)			(4)		(4)	(4)	%	%	%
1	b	UL	1	SACE BT S.p.A.	euro	56,539	56,539	61,081	1,613	100		100
2	b	UL	2	SACE Fct S.p.A.	euro	50,000	50,000	112,827	3,255	100		100
3	d	UL	1	ATI (African Trade Insurance Agency)	usd	202,000	2,020	208,284	2,410	4.95		4.95
4	b	UL	1	SACE do Brasil	R$	8,833	8,833	2,435	(1,329)	99.96		99.96
5	b	UL	2	SIMEST S.p.A.	euro	164,646	316,627	320,464	3,624	76.005		76.005

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

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

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

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

(4) Amounts in original currency

(5) Indicate the total percentage ownership

Notes to the Financial Statements - Annex 7

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

FY 2017

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

Order No. (1)	Type (2)	(3)	Name	Increases during the year: For purchases Quantity	Increases during the year: For purchases Value	Increases during the year: Other increases	Decreases during the year: For sales Quantity	Decreases during the year: For sales Value	Decreases during the year: Other increases	Carrying value (4) Quantity	Carrying value (4) Value	Purchase cost	Market value
1	b	D	SACE BT S.p.A			1,613				56,539	61,081	154,300	61,081
2	b	D	SACE Fct S.p.A			3,269				50,000	112,827	50,000	112,827
3	d	D	ATI (African Trade Insurance Agency)			56				10,000	8,010	6,886	8,010
4	b	D	SACE do Brasil			770			443	8,833	613	11	613
5	b	D	SIMEST S.p.A.			2,873			5,294	316,627	243,568	232,500	243,568
			Total C.II.1								**426,100**	**443,697**	**426,100**
	a		Associated companies										
	b		Subsidiary companies								418,090	436,811	418,090
	c		Affiliated companies										
	d		Associated companies								8,010	6,886	8,010
	e		Other										
			Total D.I										
			Total D.II										

(1) Must match that indicated in Annex 6

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

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

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

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

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

I – Non-life business

	Long-term investment portfolio				Short-term financial assets portfolio				Total			
	Carrying value		Market value		Carrying value		Market value		Carrying value		Market value	
1. Shares and interests:	1		21		41	446	61	446	81	446	101	446
a) listed shares	2		22		42	446	62	446	82	446	102	446
b) unlisted shares	3		23		43		63		83		103	
c) other interests	4		24		44		64		84		104	
2. Shares of common investment funds	5		25		45	636,621	65	638,003	85	636,621	105	638,003
3. Bonds and other fixed-income securities	6	1,485,642	26	1,647,783	46	104	66	104	86	1,485,747	106	1,647,887
a1) listed government securities	7	1,435,424	27	1,594,789	47	104	67	104	87	1,435,528	107	1,594,893
a2) other listed securities	8	50,219	28	52,994	48		68		88	50,219	108	52,994
b1) unlisted government securities	9		29		49		69		89		109	
b2) other unlisted securities	10		30		50		70		90		110	
c) convertible debentures	11		31		51		71		91		111	
5. Shares in investment pools	12		32		52		72		92		112	
7. Other financial investments	13		33		53	8,694	73	8,694	93	8,694	113	8,694

II - Life business

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

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

		Shares and interests C.III.1		Shares in common investment funds C.III.2		Bonds and other fixed-income securities C.III.3		Participation in investment pools C.III.5		Sundry financial investments C.III.7	
Initial balance	+	1		21		41	1,499,816	81		101	627,833
Increases during the year	+	2		22		42	5,704	82		102	
for: purchases		3		23		43		83		103	
write-backs		4		24		44		84		104	
transfer from short-term portfolio		5		25		45		85		105	
other changes		6		26		46	5,704	86		106	
Decreases during the year	-	7		27		47	19,878	87		107	619,139
for: sales		8		28		48		88		108	
write-downs		9		29		49		89		109	
transfer to short-term portfolio		10		30		50		90		110	
other changes		11		31		51	19,878	91		111	619,139
Carrying value		12		32		52	**1,485,642**	92		112	**8,694**
Current value		13		33		53	1,647,783	93		113	8,694

Notes to the Financial Statements - Annex 10

Company **SACE S.p.A.** FY 2017

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

			Loans C.III.4		Deposits with credit institutions C.III.6
Initial balance	+	1	3,324	21	1,310,170
Increases during the year	+	2		22	3,379,471
for: issues		3		23	3,379,471
write-backs		4		24	
other changes		5		25	
Decreases during the year	-	6	406	26	4,672,965
for: repayments		7	406	27	4,672,965
write-downs		8		28	
other changes		9		29	
Carrying value		10	**2,918**	30	**16,676**

Notes to the Financial Statements - Annex 13

Company **SACE S.p.A.** FY 2017

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

Type		Financial		Previous year		Change
Provisions for unearned premiums:						
Reserve for premium instalments	1	2,113,156	11	1,826,847	21	286,309
Reserve for unexpired risks	2	450,000	12	550,000	22	(100,000)
Carrying value	3	**2,563,156**	13	**2,376,847**	23	**186,309**
Provisions for claims outstanding:						
Provision for damages and direct expenses	4	276,392	14	489,294	24	(212,902)
Provision for claim settlement costs	5	4,659	15	7,808	25	(3,149)
Provision for claims incurred and not notified	6	14,298	16	14,912	26	(614)
Carrying value	7	**295,349**	17	**512,014**	27	**(216,665)**

Notes to the Financial Statements - Annex 15

Company **SACE S.p.A.** FY 2017

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

			Provisions for pensions and similar obligations		Provisions for taxation		Other provisions		Severance pay provision
Gross initial balance	+	1		11	93,473	21	84,588	31	5,285
Provisions for the year	+	2		12		22	6,597	32	410
Other increases	+	3		13		23		33	342
Utilization for the year	-	4		14	35,689	24	13,375	34	409
Other increases	-	5		15		25	2,298	35	63
Carrying value		6		16	**57,784**	26	**75,512**	36	**5,565**

Notes to the Financial Statements - Annex 16

Company **SACE S.p.A.** FY 2017

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	2 418,090	3	4 8,010	5	6 426,100
Bonds	7 83,157	8	9	10	11	12 83,157
Loans	13	14	15	16	17	18
Participation in investment pools	19	20	21	22	23	24
Deposits with credit institutions	25	26	27	28	29	30
Other financial investments	31	32	33	34	35	36
Deposits with ceding undertakings	37	38 71	39	40	41	42 71
Investments relating to contracts linked to investment funds and market indexes	43	44	45	46	47	48
Investments relating to the administration of pension funds	49	50	51	52	53	54
Debtors arising out of direct insurance	55	56	57	58	59	60
Debtors arising out of reinsurance operations	61	62 33	63	64	65	66 33
Other debtors	67 31	68 2,889	69	70	71	72 2,920
Bank and postal accounts	73	74	75	76	77	78
Miscellaneous assets	79	80	81	82	83	84
Total	85 **83,187**	86 **421,082**	87	88 **8,010**	89	90 **512,280**
of which subordinated assets	91	92	93	94	95	96

II: Liabilities

	Controlling companies	Subsidiaries	Affiliated companies	Associated companies	Other	Total
Subordinated liabilities	97	98	99	100	101	102
Deposits received from reinsurers	103	104	105	106	107	108
Creditors arising out of direct insurance	109	110	111	112	113	114
Creditors arising out of reinsurance operations	115	116	117	118	119	120
Amounts owed to banks and credit institutions	121	122	123	124	125	126
Loans guaranteed by mortgages	127	128	129	130	131	132
Miscellaneous loans and other financial liabilities	133	134	135	136	137	138
Miscellaneous creditors	139 (712)	140 1,221	141	142	143	144 1,221
Miscellaneous liabilities	145	146	147	148	149	150
Total	151 **(712)**	152 **1,221**	153	154	155	156 **1,221**

Notes to the Financial Statements - Annex 17

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

FY 2017

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

			FY		Previous year
I.	Guarantees given:				
a)	sureties and endorsements given in the interest of controlling subsidiary and affiliated companies	1		31	
b)	sureties and endorsements given in the interest of associated companies and other shareholdings	2		32	
c)	sureties and endorsements given in the interest of third parties	3		33	
d)	other personal guarantees given in the interest of subsidiary and affiliated companies	4		34	
e)	other personal guarantees given in the interest of other shareholdings	5		35	
f)	other personal guarantees given in the interest of third parties	6		36	
g)	guarantees secured by mortgages given for obligations of third parties subsidiary and affiliated companies	7		37	
h)	guarantees secured by mortgages given for obligations of associated companies and other shareholdings	8		38	
i)	guarantees secured by mortgages given for obligations of third parties	9		39	
l)	guarantees given for obligations of the Company	10		40	
m)	assets deposited for inward reinsurance	11		41	
Total		12		42	
II.	Guarantees received:				
a)	from Group companies, associates and other shareholdings	13		43	
b)	from third parties	14	1,678	44	1,861
Total		15	**1,678**	45	**1,861**
III.	Guarantees issued by third parties in the interest of the Company:				
a)	from Group companies, associates and other shareholdings	16		46	
b)	from third parties	17		47	
Total		18		48	
IV.	Commitments:				
a)	commitments for purchases with obligation of resale	19		49	
b)	commitments for sales with obligation of repurchase	20		50	
c)	other commitments	21	3,462,190	51	7,913,982
Total		22	**3,462,190**	52	**7,913,982**
V.	Assets relating to pension funds managed in the name and on behalf of third parties	23		53	
VI.	Securities deposited with third parties	24	2,428,595	54	2,633,005
Total		25	**2,428,595**	55	**2,633,005**

Notes to the Financial Statements - Annex 18

Company **SACE S.p.A.** FY 2017

Schedule of commitments for transactions on derivatives

		Financial				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	126	46	146	66	166
	on bonds	7	107	27	127	47	147	67	167
	on currencies	8	108	28 1,158,224	128 14	48	148	68 3,642,712	168 (43,809)
	on rates	9	109	29	129	49	149	69	169
	other	10	110	30	130	50	150	70	170
Swaps:	on currencies	11	111	31	131	51	151	71	171
	on rates	12	112	32	132	52	152	72	172
	other	13	113	33	133	53	153	73	173
Other tran-sactions		14	114	34	134	54	154	74	174
Total		15	115	35 **1,158,224**	135 **14**	55	155	75 **3,642,712**	175 **(43,809)**

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

  If the contract does not correspond precisely to the figures described or in the case in which it is characterised by elements of several types, it must be stated in the closest contractual category.
- Offsetting of items is not permitted except in relation to purchase/sale transactions relating to the same type of contract (same content, expiry, underlying assets, etc.).
- The value to be assigned to derivative contracts that involve or may involve the exchange of capital at term is the settlement price of these; in all other cases, the nominal value of the reference capital must be indicated.
- Contracts that envisage the swapping of two currencies must be indicated once only, referring, by convention, to the currency to be purchased. Contracts that envisage interest rate and currency swaps must be indicated only under contracts on currency. Interest swap derivatives are classified conventionally as “purchases” or “sales” according to whether they involve the purchase or sale of the fixed rate or sale of the fixed rate for the insurance company.

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

(2) Indicate the fair value of derivative contracts.

Notes to the Financial Statements - Annex 19

Company **SACE S.p.A.** FY 2017

Summary information relating to the technical account of non-life insurance business

	Gross premiums		Gross charge for claims	Management costs	Reinsurance balance
	written	for the year			
Direct business:					
Personal accident and health (classes 1 and 2)	1	2	3	4	5
TPL land vehicles (class 10)	6	7	8	9	10
TPL land vehicles (class 3)	11	12	13	14	15
Marine, aviation and transport (classes 4, 5, 6, 7, 11 and 12)	16	17	18	19	20
Fire and other property damage(classes 8 and 9)	21	22	23	24	25
Non-motor TPL (class 13)	26	27	28	29	30
Personal accident and health (classes 14 and 15)	31 772,678	32 596,003	33 (76,462)	34 76,077	35 40,872
Sundry pecuniary losses (class 16)	36	37	38	39	40
Legal fees (class 17)	41	42	43	44	45
Assistance (class 18)	46	47	48	49	50
Total direct business	51 772,678	52 596,003	53 (76,462)	54 76,077	55 40,872
Reinsurance business	56 30,470	57 21,216	58 1,911	59 2,770	60
Total Italian portfolio	61 803,148	62 617,219	63 (74,551)	64 78,847	65 40,872
Foreign portfolio	66 1,249	67 870	68 78	69 114	70
Grand total	71 804,397	72 618,089	73 (74,472)	74 78,961	75 40,872

Notes to the Financial Statements - Annex 21

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

FY 2017

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

	Non-life business		Life business		Total	
Income from shares and interests:						
Dividends and other income from shares and interests of Group companies and shareholdings	1		41		81	
Dividends and other income from shares and interests in other companies	2		42		82	
Total	3		43		83	
Income from investments in land and buildings	4	**605**	44		84	**605**
Income from other investments:						
Income from bonds of Group companies and shareholdings	5	2,954	45		85	2,954
Interest on loans to Group companies and shareholdings	6	2,078	46		86	2,078
Income from shares in common investment funds	7		47		87	
Income from bonds and other fixed-income securities	8	58,458	48		88	58,458
Interest on loans	9	63	49		89	63
Income from shares in investment pools	10		50		90	
Interests on deposits with credit institutions	11	4,637	51		91	4,637
Income from other financial investments	12	5,570	52		92	5,570
Interest on deposits with ceding undertakings	13		53		93	
Total	14	**73,760**	54		94	**73,760**
Value re-adjustments on investments in:						
Land and buildings	15		55		95	
Shares and interests, Group companies and shareholdings	16	7,811	56		96	7,811
Bonds issued by Group companies and shareholdings	17		57		97	
Other shares and interests	18		58		98	
Other bonds	19	52	59		99	52
Other financial investments	20	340	60		100	340
Total	21	**8,204**	61		101	**8,204**
Income from the disposal of investments:						
Gains on disposal of land and buildings	22		62		102	
Gains on shares and interests in Group companies and shareholdings	23		63		103	
Income from bonds issued by Group companies and shareholdings	24		64		104	
Gains on other shares and interests	25		65		105	
Gains on other bonds	26	27,806	66		106	27,806
Gains on other financial investments	27	550,307	67		107	550,307
Total	28	**578,113**	68		108	**578,113**
GRAND TOTAL	29	660,682	69		109	660,682

Notes to the Financial Statements - Annex 23

Company **SACE S.p.A.** FY 2017

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

		Non-life business		Life business		Total
Investment management charges and other charges						
Charges relating to shares and interests	1		31		61	
Charges relating to investments in land and buildings	2	838	32		62	838
Charges relating to bonds	3		33		63	
Charges relating to common investment funds	4		34		64	
Charges relating to participation in investment pools	5		35		65	
Charges relating to miscellaneous financial investments	6	2,079	36		66	2,079
Interest on deposits received from reinsurers	7		37		67	
Total	8	**2,917**	38		68	**2,917**
Value adjustments on investments referring to:						
Land and buildings	9		39		69	
Shares and interests of Group companies and shareholdings	10	443	40		70	443
Bonds issued by Group companies and shareholdings	11		41		71	
Other shares and interests	12	107,097	42		72	107,097
Other bonds	13		43		73	
Other financial investments	14	43,761	44		74	43,761
Total	15	**151,301**	45		75	**151,301**
Capital losses on disposal of investments						
Losses on the sale of land and buildings	16		46		76	
Losses on other shares and interests	17		47		77	
Losses on bonds	18		48		78	
Losses from other financial investments	19	523,697	49		79	523,697
Total	20	**523,697**	50		80	**523,697**
GRAND TOTAL	21	**677,915**	51		81	**677,915**

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

FY 2017

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

			Accounting class 01 Accident (name)	Accounting class 02 Health (name)	Accounting class 03 Hulls land vehicles (name)	Accounting class 04 Hulls railway rolling stock (name)	Accounting class 05 Hulls aircraft (name)	Accounting class 06 Hulls marine, lake, river craft (name)
Direct business gross of reinsurance								
Premiums written		+	1	1	1	1	1	1
Change in the provisions for unearned premiums (+ or -)		-	2	2	2	2	2	2
Charges relating to claims		-	3	3	3	3	3	3
Change in miscellaneous technical provisions (+ or -) (1)		-	4	4	4	4	4	4
Balance of other technical items (+ or -)		+	5	5	5	5	5	5
Operating expenses		-	6	6	6	6	6	6
Technical balance direct business (+ or -)	**A**		7	7	7	7	7	7
Result of outward reinsurance (+ or -)	**B**		8	8	8	8	8	8
Net result of inward reinsurance (+ or -)	**C**		9	9	9	9	9	9
Change in the equalisation provision (+ or -)	D		10	10	10	10	10	10
Allocated investment return transferred from the non-technical account	E		11	11	11	11	11	11
Result of the technical account (+ or -)	**(A + B + C - D + E)**		12	12	12	12	12	12

			Accounting class 07 Goods transported (name)	Accounting class 08 Fire and natural forces (name)	Accounting class 09 Other property damage (name)	Accounting class 10 Motor TPL (name)	Accounting class 11 TPL aircraft (name)	Accounting class 12 TPL marine (name)
Direct business gross of reinsurance								
Premiums written		+	1	1	1	1	1	1
Change in the provisions for unearned premiums (+ or -)		-	2	2	2	2	2	2
Charges relating to claims		-	3	3	3	3	3	3
Change in miscellaneous technical provisions (+ or -) (1)		-	4	4	4	4	4	4
Balance of other technical items (+ or -)		+	5	5	5	5	5	5
Operating expenses		-	6	6	6	6	6	6
Technical balance direct business (+ or -)	**A**		7	7	7	7	7	7
Result of outward reinsurance (+ or -)	**B**		8	8	8	8	8	8
Net result of inward reinsurance (+ or -)	**C**		9	9	9	9	9	9
Change in the equalisation provision (+ or -)	D		10	10	10	10	10	10
Allocated investment return transferred from the non-technical account	E		11	11	11	11	11	11
Result of the technical account (+ or -)	**(A + B + C - D + E)**		12	12	12	12	12	12

			Accounting class 13 Non-motor TPL (name)	Accounting class 14 Credit (name)	Accounting class 15 Suretyship (name)	Accounting class 16 Sundry pecuniary losses (name)	Accounting class 17 Legal fees (name)	Accounting class 18 Assistance (name)
Direct business gross of reinsurance								
Premiums written		+	1	1 (732,841)	1 (39,837)	1	1	1
Change in the provisions for unearned premiums (+ or -)		-	2	2 167,567	2 9,109	2	2	2
Charges relating to claims		-	3	3 (72,519)	3 (3,942)	3	3	3
Change in miscellaneous technical provisions (+ or -) (1)		-	4	4	4	4	4	4
Balance of other technical items (+ or -)		+	5	5 19,819	5 1,077	5	5	5
Operating expenses		-	6	6 72,154	6 3,922	6	6	6
Technical balance direct business (+ or -)	**A**		7	7 (545,820)	7 (29,671)	7	7	7
Result of outward reinsurance (+ or -)	**B**		8	8 46,097	8	8	8	8
Net result of inward reinsurance (+ or -)	**C**		9	9 (15,409)	9 (838)	9	9	9
Change in the equalisation provision (+ or -)	D		10	10 38,863	10 2,113	10	10	10
Allocated investment return transferred from the non-technical account	E		11	11	11	11	11	11
Result of the technical account (+ or -)	**(A + B + C - D + E)**		12	12 (476,270)	12 (28,396)	12	12	12

Notes to the Financial Statements - Annex 26

Company **SACE S.p.A.** FY 2017

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

		Risks of direct insurance				Risks of indirect insurance				Risks preserved	
		Direct risks 1		Risks ceded 2		Risks assumed 3		Risks retroceded 4		Total 5 = 1 - 2 + 3 - 4	
Premiums written	+	1	(772,678)	11	147,176	21	(30,470)	31		41	(655,973)
Change in the provisions for unearned premiums (+ or -)	-	2	176,676	12	(74,841)	22	9,254	32		42	111,089
Charges relating to claims	-	3	(76,462)	13	(11,829)	23	1,911	33		43	(86,379)
Change in miscellaneous technical provisions (+ or -)	-	4		14	5,225	24		34		44	5,225
Balance of other technical items (+ or -)	+	5	20,896	15	(2,195)	25	288	35		45	18,990
Operating expenses	-	6	76,077	16	(17,439)	26	2,770	36		46	61,407
Technical balance (+ or -)		7	**(575,491)**	17	**46,097**	27	**(16,247)**	37		47	**(545,641)**
Change in the equalisation provision (+ or -)	-	8	40,975							48	40,975
Allocated investment return transferred from the non-technical account	+	9				29				49	
Result of the technical account (+ or -)		10	**(534,516)**	20	**46,097**	30	**(16,247)**	40		50	**(504,666)**

(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.

Notes to the Financial Statements - Annex 29

Company **SACE S.p.A.** FY 2017

Summary layout of non-life and life technical accounts – Foreign portfolio

Section I: Non-life business

				Total lines of business
Direct business gross of reinsurance				
Premiums written			1	
Change in the provisions for unearned premiums (+ or -)		-	2	
Charges relating to claims		-	3	
Change in miscellaneous technical provisions (+ or -) (1)		-	4	
Balance of other technical items (+ or -)			5	
Operating expenses		-	6	
Technical balance direct business (+ or -)			7	
Result of outward reinsurance (+ or -)			8	
Net result of inward reinsurance (+ or -)	**C**		9	**(666)**
Change in the equalisation provision (+ or -)	**D**		10	1,679
Allocated investment return transferred from the non-technical account	**E**		11	
Result of the technical account (+ or -)	**(A + B + C - D + E)**		12	**1,014**

Section II: Life business

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

(1) As well as including the change in other technical provisions this item also includes the change in the provision for premium refunds and profit sharing.
(2) Sundry technical provisions include other technical provisions and technical provisions if the investment risk is borne by the policyholders and provisions relating to the administration of pension funds.
(3) Sum of the items relating to the foreign portfolio included under Items II.2, II.3, II.9, II.10 and II.12 of profit and loss.

Notes to the Financial Statements - Annex 30

Company **SACE S.p.A.** FY 2017

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

I: Income	Controlling companies	Subsidiaries	Affiliated companies	Associated companies	Other	Total
Investment income						
Income from land and buildings	1	2 605	3	4	5	6 605
Dividends and other income from shares and interests	7	8	9	10	11	12
Income from bonds	13	14	15	16	17	18
Interest on loans	19	20	21	22	23	24
Income from other financial investments	25	26 2,078	27	28	29	30 2,078
Interest on deposits with ceding undertakings	31	32	33	34	35	36
Total	37	38 **2,683**	39	40	41	42 **2,683**
Income and unrealised gains on investments for the benefit of policyholders who bear the investment risk and relating to the administration of pension funds	43	44	45	46	47	48
Other income						
Interest on receivables	49	50	51	52	53	54
Refunds of administrative expenses and charges	55	56	57	58	59	60
Other income and refunds	61	62 4,355	63	64	65	66 4,355
Total	67	68 4,355	69	70	71	72 4,355
Income from the disposal of investments (*)	73	74	75	76	77	78
Extraordinary income	79	80	81	82	83	84
GRAND TOTAL	85	86 **7,039**	87	88	89	90 **7,039**

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

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

Notes to the Financial Statements - Annex 31

Company **SACE S.p.A.** FY 2017

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	1 772,678	5	11	15	21 772,678	25
- in other countries of the European Union	2	6	12	16	22	26
- in non-EU Countries	3	7	13	17	23	27
Total	4 **772,678**		14	18	24 **772,678**	28

Notes to the Financial Statements - Annex 32

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

FY 2017

Statement of expenses relating to personnel, directors and Statutory Auditors

I: Staff costs

I: Staff costs		Non-life business		Life business		Total
Personnel costs						
Italian portfolio:						
- Wages and salaries	1	32,005	31		61	32,005
- Social security contributions	2	8,694	32		62	8,694
- Allocation to the provisions for employee termination indemnities and similar obligations	3	2,467	33		63	2,467
- Sundry personnel expenses	4	10,309	34		64	10,309
Total	5	**53,475**	35		65	**53,475**
Foreign portfolio:						
- Wages and salaries	6	1,299	36		66	1,299
- Social security contributions	7	353	37		67	353
- Sundry personnel expenses	8	418	38		68	418
Total	9	**2,070**	39		69	**2,070**
Grand Total	10	**55,545**	40		70	**55,545**
Costs of self-employed personnel:						
Total Italian portfolio	11	5,346	41		71	5,346
Foreign portfolio	12	217	42		72	217
Total	13	**5,563**	43		73	**5,563**
Total costs of workforce	14	**61,108**	44		74	**61,108**

II: Description of the item

II: Description of the item		Non-life business		Life business		Total
Investment management charges	15	1,611	45		75	1,611
Charges relating to claims	16	3,562	46		76	3,562
Other acquisition costs	17	16,514	47		77	16,514
Other acquisition costs	18	39,421	48		78	39,421
Administrative costs and expenses on behalf of third parties	19		49		79	
	20		50		80	
Total	21	**61,108**	51		81	**61,108**

III: Average number of personnel during the year

III: Average number of personnel during the year		Number
Managers	91	35
White collar	92	471
Blue collar workers	93	
Others	94	
Total	95	**506**

IV: Directors and Statutory Auditors

IV: Directors and Statutory Auditors		Number		Fees
Directors	96	9	98	624
Statutory Auditors	97	3	99	80

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

The legal representatives of the Company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

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

(*) For foreign companies, the document must be signed by the general representative for Italy.
(**) Indicate the position of the person who signs.

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

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

- the adequacy in relation to the characteristics of the Company and
- the effective application

of the administrative and accounting procedures used to prepare the Financial statements for the year ended at 31 December 2017.

The adequacy of the administrative and accounting procedures used to prepare the Financial statements for the year ended at 31 December 2017 was assessed on the basis of a process defined by SACE in accordance with generally recognised international standards.

We hereby also certify that:

- the financial statements at 31 December 2017:
  - correspond to the results of Company records and accounting entries;
  - were drawn up according to article 6 para 22 of Legislative Decree 269/2003, the applicable provisions of Legislative Decree 209 of 7 September 2005, Legislative Decree 173 of 26 May 1997 (with regard to the provisions governing the annual and consolidated accounts of insurance companies) and that to the best of our knowledge they give a true and fair view of the state of affairs, the financial standing and the operating result of the Company.
- the report on operations includes a fair review of the operating performance and result and the situation of the Company, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 20 March 2018

CEO	**Executive Officer**
Alessandro Maria Decio	Michele De Capitani

Report of the Independent Boards

Report of the Board of Statutory Auditors

SACE S.p.A. – Financial Statements at 31 December 2017 –

Dear Shareholder,
We have prepared this report pursuant to art. 2429, paragraph 2, of the Italian Civil Code. It has been collectively approved and duly filed at the Company's registered office.
As you know, SACE operates under the direction and control of Cassa depositi e prestiti, which is the sole shareholder and is also vested with governance powers.
In exercising such powers, in 2017 the Parent once again issued specific Guidelines and Policies, which have been transposed and implemented by the Company. These include inter alia definitions of the roles and responsibilities of the Parent and other Group companies in each area, and govern the methods of interaction, detailing the issues and activities in each area for which the companies require binding or non-binding opinions.
Information on our oversight activities during the year ended at 31 December 2017 is provided below.
In the year ended at 31 December 2017 we carried out our duties in accordance with art. 2403 of the Italian Civil Code and in compliance with the Principles of conduct of the Board of Statutory Auditors, recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian board of certified public accountants).
During this period, in view of the fact that the statutory audit is the responsibility of the Audit firm appointed for that purpose, we acted in a supervisory capacity in accordance with art. 2403 of the Italian Civil Code, working in conjunction with the Internal Audit and Compliance functions and with the involvement of the heads of the departments responsible for the matters investigated.
Following the resolutions adopted, on 20 March 2018 the Board of Directors of SACE provided us with the draft financial statements for the year ended at 31 December 2017, together with the schedules and detailed annexes and their report, in accordance with the requirements of company law and legislation governing the specific area of business of SACE.
We were appointed as members of the Board of Statutory Auditors by the resolution of the Shareholders' Meeting held on 14 June 2016 for three years and, therefore, until the Shareholders' Meeting called to approve the 2018 financial statements. We held 14 (fourteen) meetings in 2017, as recorded in our register of meetings and resolutions. During the year, we also participated in all of the Board Meetings and meetings of the Risk and Control Committee, established by resolution on 31 January 2017, and received information about operations and the most significant transactions from the Board of Directors, management and the other supervisory bodies, and are satisfied that all operations approved and implemented comply with the law, the Company by-laws and resolutions, are in line with correct management practices and are consistent with the structure and size of the Company and its assets.
Relations with the Company and its directors, employees and consultants are based on mutual collaboration and respect of individual roles. Board resolutions were supported by adequate analyses and reasons.
We fostered and gathered a sufficient flow of information on general operations, receiving information, clarifications and explanations from the Chief Executive Officer and from those responsible for specific functions, in accordance with art. 2381 of the Italian Civil Code.

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

The main topics addressed were:

- Audit activities, conducted on the basis of a specific plan approved by the Board of Directors, which were the subject of six-monthly reports. With specific reference to the appointment of a new department manager, in accordance with the policy governing the "System of internal controls and risk management", on 30 November 2017 we issued our favourable opinion regarding the appointment by SACE of the new Head of the Internal Auditing department, who took office as from 1 January 2018.
- Annual planning of the work of the Compliance function and regular reviews of the findings of assessments conducted and the respective corrective measures.
- The work of the Risk management function, also following the review of the Risk Appetite Framework, approved by the Board Meeting on 30 November 2017.
- The work of the Supervisory Body pursuant to Legislative Decree No. 231/2001, whose new members were appointed by the Board of Directors on 25 July 2017. Based on the annual plan submitted to the Board for approval, its activities were the subject of a report submitted to the Board Meeting of 20 March 2018.

The work undertaken by PricewaterhouseCoopers, the Audit firm appointed for the period from 2015 to 2023. In detail, we exchanged information with the Audit firm in order to help us perform our respective duties and planned specific informative meetings. In a letter dated 8 March 2018 the Audit firm proposed a number of amendments to the terms of their contract and, also in view of changes to the law regarding the auditing of Company accounts, requested an extra fee for the additional activities that they are now required to perform and which involved and will continue to involve more hours of work. After meeting the Audit firm to obtain further details about the additional activities and the competent Company departments for their views concerning the request for an extra fee and the reasonableness of that request, we resolved to submit a specific motivated opinion to the Meeting, to which reference should be made, proposing to increase the fee paid to the Audit firm.
Examination, in the presence of the department heads and/or on the basis of specific documents prepared thereby, of aspects of organisation, functioning and performance in the following areas: Business, Risks, Administration and Finance, Legal and Corporate Affairs, Organisation of Systems and Services.
We did not note any unusual transactions with respect to the "characteristics" of the corporate purpose. The Company's core business activities did not change during the year in question and are consistent with the corporate purpose.
Taking into account the direction and coordination activities of the Parent, Cassa depositi e prestiti, we monitored the adequacy of the Company's organisational, administrative and accounting structure, also by gathering information from the respective department managers, examining the work of the Audit firm and holding meetings with the Boards of Statutory Auditors of the SIMEST, SACE BT, SACE SRV and SACE Fct subsidiaries. This showed the organisational, administrative and accounting structure to be in line with the Company's needs and to be backed by efficient corporate procedures.
We worked in collaboration with the Head of the Internal Auditing department, which also gave rise to detailed analyses and flows of information concerning the implementation of the corrective measures adopted, including with specific reference to the management of funds 295/73 and 395/81 by the SIMEST subsidiary. In detail, we asked the Head of SACE's Internal Auditing function to provide regular reports on these, including details of any measures planned following the assessments carried out, and held *ad hoc* meetings for that purpose.
The information received from the Supervisory Body on the adequacy of the organisation, management and control model, pursuant to Legislative Decree No. 231/2001, did not highlight any inefficiencies in the procedures adopted by the Company, also on account of its recent revision and the approval of the new version by the Board on 27 February 2018. No critical issues of any significance emerged with respect to the organisational model.

Functions within the Board of Directors are well distributed and in line with the mandates conferred. We once again recommended that the actual segregation of duties, functions and responsibilities within the areas of corporate governance and organisational structure be monitored, to protect the risks assumed.
Today the Audit firm, PricewaterhouseCoopers, issued their audit report on the financial statements at 31 December 2017, in accordance with the new rules on statutory audits implemented in Italy with Legislative Decree No. 135/2016. In detail: i) the Audit firm issued their audit opinion stating that the financial statements give a true and fair view of the assets and financial position of the Company as at 31 December 2017 and of its operating result and cash flows for the year ended as at that date, in accordance with Italian statutory requirements with regard to their preparation; ii) they issued their opinion stating that the management report is consistent with the financial statements of SACE at 31 December 2017 and has been drawn up in accordance with statutory requirements; iii) with reference to the statement referred to in art. 14, paragraph 2(e) of Legislative Decree No. 39/2010, issued on the basis of their knowledge and understanding of the Company and the context in which it operates, obtained in the course of their audit, they had nothing to report.
Today the Audit firm also provided us with their report as required by art. 11 of Regulation (EU) No. 537/2014, according to which they did not identify any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association in the course of their audit to be brought to our attention. The Audit firm also provided the annual confirmation of their independence pursuant to art. 6 of Regulation (EU) No. 537/2014 and of their compliance with all ethical and independence requirements.
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 management report.
We did not receive or file any petitions or complaints pursuant to art. 2408 of the Italian Civil Code. During the performance of our oversight activities, as described above, no significant facts emerged worthy of mention in this report. Moreover, no measure was necessary in respect of any omission by the Board of Directors pursuant to art. 2406 of the Italian Civil Code.
We did not note any atypical and/or unusual transactions, including transactions with related or intragroup parties, that were not carried out under normal market conditions.
We are not aware of any mandates assigned to persons linked through any continuous working relationship to the Audit firm, nor do we have access to the information required in order to detect the existence of such relationships.

Based on the above, we have no reservations concerning the approval of the financial statements as prepared by the Board of Directors or their proposal to allocate the profit for the year, amounting to €274,866,133, as follows:

- €13,743,307 to the Legal reserve, equal to 5% of the net profit, in accordance with art. 2430 of the Italian Civil Code;
- €150,000,000 to be paid as a dividend to the sole shareholder Cassa depositi e prestiti;
- €111,122,826 to “Other reserves”.

Rome, 6 April 2018

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

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholder of
SACE SpA

Report on the Audit of the Financial Statements as of 31 December 2017

Opinion

We have audited the financial statements of SACE SpA (the Company), which comprise the balance sheet as of 31 December 2017, the profit and loss account and cash flow statement for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of the provision for unexpired risks *Notes to the financial statements for the year ended 31 December 2017:* *Part A – Valuation criteria and basis of presentation – Technical provisions* *Part B – Information on the balance sheet and profit and loss account - Section 10 – Technical provisions – item C.I.* The technical provisions of SACE SpA included Euro 450 million related to the provision for unexpired risks, equal to 5 per cent of "total liabilities and shareholders' equity". The provision for unexpired risks supplements the provision for premium instalments to cover the portion of risk falling in the periods after the year-end, in the event the expected cost of assumed risks exceeds the accrual to the provision for premium instalments. The determination of the provision for unexpired risks depends on the estimate of the expected loss until the run-off of the existing portfolio at the reporting date, which loss is determined according to statistical models. The analysis of this item is a key audit matter on account of the complexity of the model and the relative degree of subjectivity, in particular, in respect of the estimated insolvency likelihood, correlation coefficients and the recovery rates.	We performed the following main activities in order to address this matter: • identification and review of the internal controls, which were considered more significant, put in place by management to support the correct determination of the provision for unexpired risks; • discussions with the relevant corporate functions regarding the trend of risk metrics which affect the changes in the expected loss; • performance of procedure aimed at verifying the agreement of the management and accounting information; • involvement of PwC network actuaries in order to verify the reasonableness of the methods and assumptions behind the model used to determine the provision for unexpired risks.
Valuation of receivables from Policyholders and third parties for recoveries *Notes to the financial statements for the year ended 31 December 2017:* *Part A – Valuation criteria and basis of*	We performed the following main activities in order to address this matter:

presentation – Receivables
Part B – Information on the balance sheet and profit and loss account - Section 5 "Item E - Receivables"

Receivables from policyholders and third parties for recoveries, including "other debtors country" and "compensatory interest on claims to be recovered", amounted to Euro 551 million, equal to 6 per cent of total assets.

By paying claims, as a result of the subrogation, the Company becomes a creditor to the defaulting parties, which are, in the case of sovereign risk policies, generally represented by foreign counties, whereas in the case of commercial risk policies, are corporate counterparties. The Company adjusts the value of receivables to the presumed realisable value taking into account the particular nature of the underlying operations, the geo-political situation of the debtor country, the assessment by external third parties and the existence of a restructuring agreement, if any.

In the evaluation of receivables, estimates are a key element which is marked by a high degree of subjectivity, with particular reference to the calculation of the recoverable amount and related timing.

- discussions with the relevant corporate functions regarding the development of the economic and geo-political situation of the main debtors;
- acquisition and critical analysis of the internal and external documentation supporting the write-downs or write-backs recorded;
- performance of procedure aimed at verifying the agreement of the management and accounting information;
- performance of comparative analysis procedures with reference to significant discrepancies compared to the previous year and insights into the findings with the corporate functions involved;
- for a sample of counterparties, verification of the regularity of payments and the respect of the restructuring agreements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements,

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management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 23 April 2015, the shareholders of SACE SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

Management of SACE SpA is responsible for preparing a report on operations of SACE SpA as of 31 December 2017, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of

SACE SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of SACE SpA as of 31 December 2017 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As illustrated in the report on operations, management of SACE SpA has opted to use the exemption from the preparation of the non-financial statement allowed by article 6, paragraph 1, of Legislative Decree No. 254 of 30 December 2016.

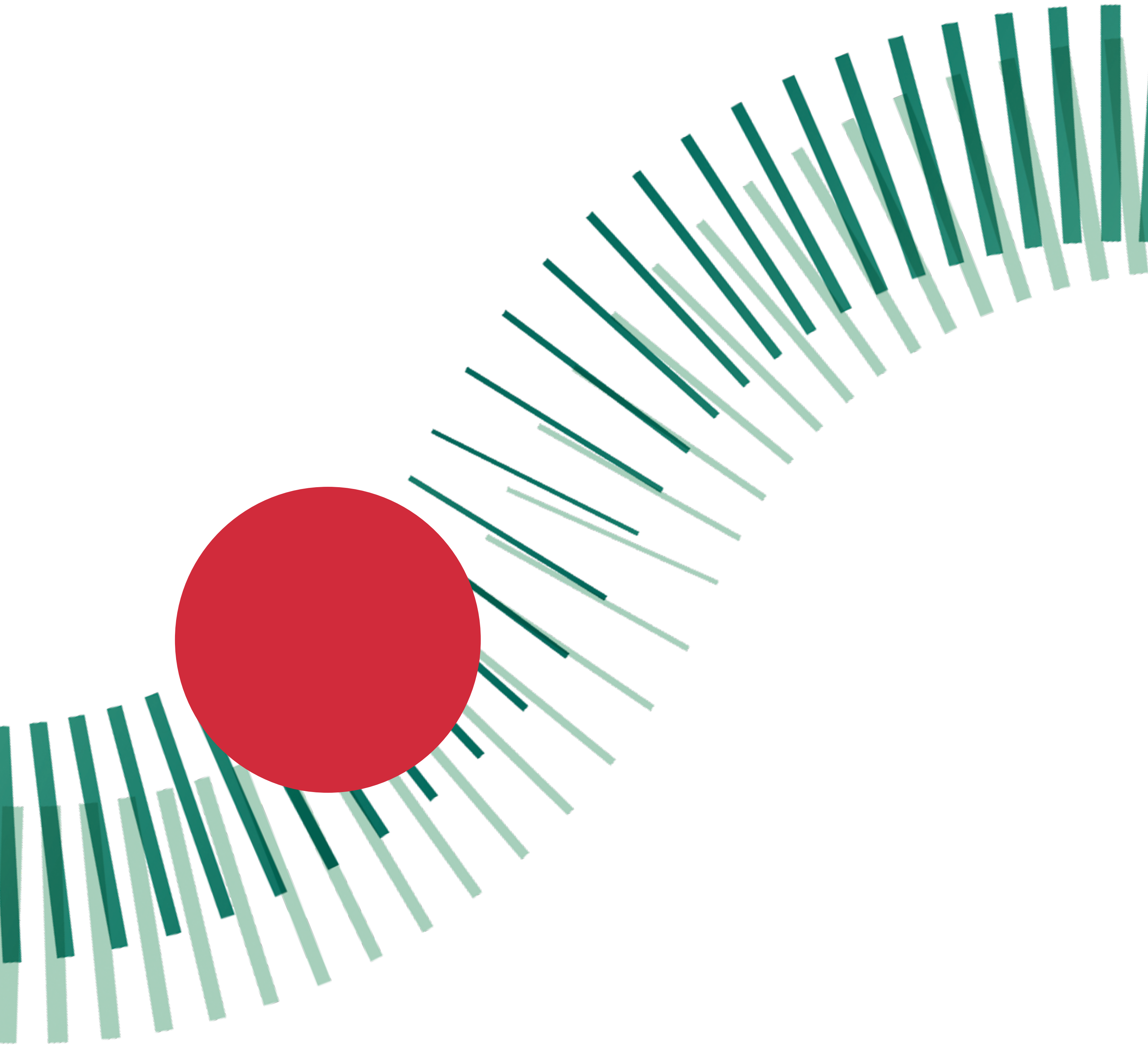
Rome, 6 April 2018

PricewaterhouseCoopers SpA

Signed by

Alberto Buscaglia
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.



Consolidated financial statements

at 31 December 2017

Meeting of the Board of Directors
of 20 March 2018

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

Company officers and boards

Board of Directors

Chairman

Beniamino QUINTIERI

Chief Executive Officer and General Manager

Alessandro Maria DECIO (*)

Directors

Maria ALLEGRINI
Antonella BALDINO
Paolo Carlo Renato DAL PINO (**)
Rodolfo ERRORE (****)
Alessandra FERONE (*****)
Giuseppe MARESCA (****)
Federico MEROLA

Board of Statutory Auditors

Chairman

Franco Luciano TUTINO

Standing Auditors

Roberta BATTISTIN
Giuliano SEGRE

Alternate Auditors

Antonia DI BELLA
Francesco DI CARLO

Standing Delegate of the Court of Auditors

Guido CARLINO

Independent Auditors (***)

PRICEWATERHOUSECOOPERS S.p.A.

Company Boards appointed by the Shareholders' Meeting on 14 June 2016 and in office for three years.
(*) Appointed CEO and General Manager by resolution of the Board of Directors on 14 June 2016.
(**) Appointed as a Member of the Board by resolution of the Shareholders' Meeting on 28 September 2016.
(***) Appointed for the period 2015-2023 by resolution of the Shareholders' Meeting of 23 April 2015.
(****) Appointed as a Member of the Board by resolution of the Shareholders' Meeting on 12 September 2017.
(*****) Director coopted by resolution of the Board of Directors on 30 November 2017.

Contents

Directors' Report

1. The economic scenario

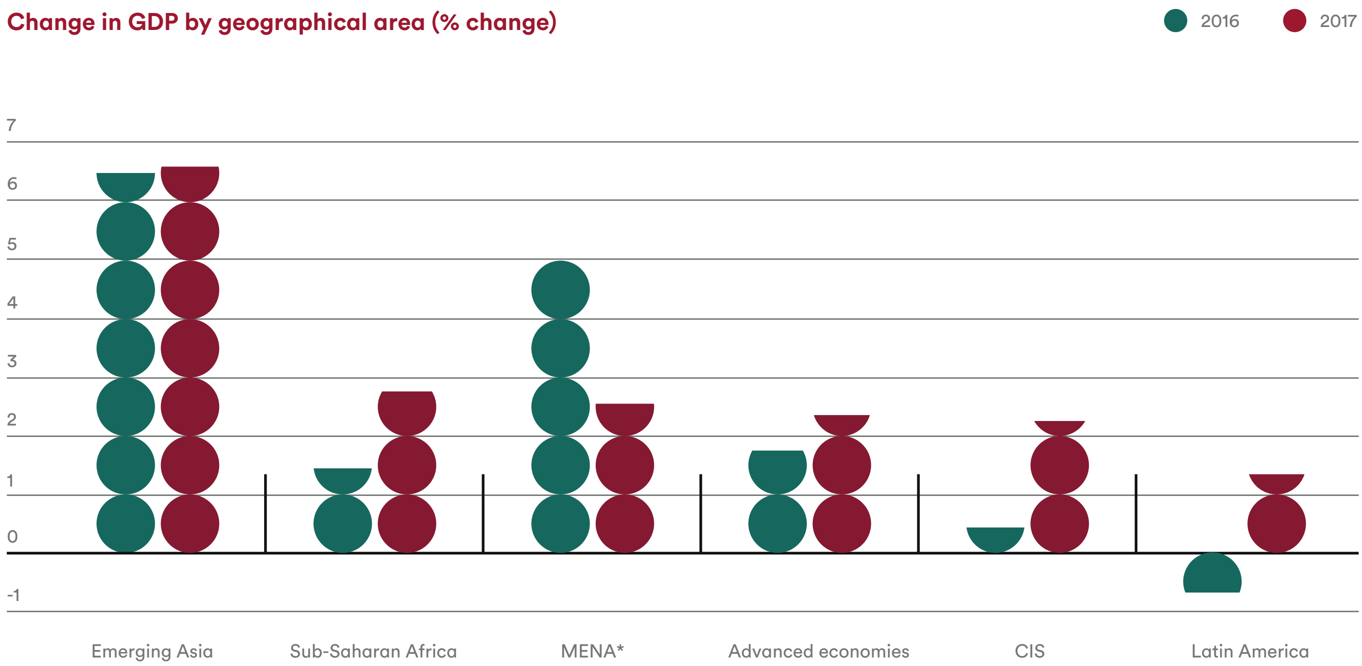
The world economy

Global economic activity strengthened in 2017 (+3.7%). The acceleration compared to 2016 was evident both in the advanced economies (+2.3%), despite potential political risks, and in the emerging countries (+4.7%).

Among the advanced economies, growth in the euro area exceeded expectations notwithstanding political risks stemming from the Brexit vote, the Catalan crisis and Germany's political stalemate Countries in the euro area continued to benefit from the ECB's policy stance, which remained highly accommodative, whereas the Federal Reserve adopted a more restrictive approach. Nonetheless, growth in the United States was better than expected, driven by consumer spending and investments. There is, however, still considerable uncertainty over the policies of America's new administration, especially with regard to trade protectionism and immigration.

Among the emerging economies, growth in China and India remained strong, increasing by almost 7%. However, the Chinese economy is still faced with high levels of private sector and local government debt. In India, measures introduced by Prime Minister Modi to liberalise the economy and attract foreign investors are starting to produce their first effects. Russia and Brazil have left the recession behind them. Some commodity exporting countries benefited from the slight increase in commodity prices. Middle East and North Africa (MENA) countries benefited from an easing of pressure on public finances and Latin America saw a reversal of the downward trend, returning to growth in 2017 (+1.3%) In Argentina, new measures introduced by the Macri government to reform the country's economic and productive sectors are helping to create a more transparent and credible business environment.

Change in GDP by geographical area (% change)



Source: IMF (January 2018).
* Data for the MENA region also include Pakistan and Afghanistan.

Total global debt rose again in 2017 and in September stood at 233,000 billion dollars (+7.4% compared to the end of 2016). Notwithstanding the increase in absolute terms, widespread economic growth led to a reduction in the global debt-to-GDP ratio, which sat at 318% in September 2017, three percentage points lower than the record high reached in 2016.

Global flows of foreign direct investment (FDI) fell by 16% in 2017 compared to the previous year. There was a particularly sharp drop in FDI flows to developed countries (-27% compared to 2016), with a strong decrease in flows reported in both EU countries and North America. FDI flows rose marginally in emerging countries (+2% with respect to 2016), especially in Latin America, due to economic recovery in the region, and in developing Asia. While overall FDI flows to Africa decreased (-1%), South Africa bucked the regional trend. At global level, in 2017 the USA confirmed its position as the largest recipient of FDI, with a $ 311 billion inflow, followed by China which reported a record $ 144 billion.

The Italian economy and industrial sectors

Italy's real GDP grew by approximately 1.6% in 2017, buoyed mainly by components of domestic demand (household consumption and investments). Industrial production increased by 2.7% between January and November with all the main categories reporting positive growth. At sector level, growth was driven by pharmaceuticals, means of transport, refined products and other manufactured products. Electronic devices and electrical appliances instead reported negative growth. Foreign direct investment inflows between December 2016 and November 2017 amounted to €13.5 billion as compared to €13 billion in the same period of the previous year. On the contrary, Italian investments abroad fell from €10.8 billion to €5.2 billion. According to the latest available data (2015), Italian enterprises have investments in almost 36,000 foreign companies.

Italian exports

In 2017 Italian exports were buoyed by the strengthening of global economic growth and international trade. The value of exports of goods increased by 7.9% in the first 11 months of 2017 with respect to the same period of the previous year, sustained by demand from within the EU (+7.1%), especially Poland and Spain, and from non-EU countries (+8.9%), above all China and Russia. Sales to OPEC countries decreased as oil prices remained low. At sector level, motor vehicles, chemical and pharmaceutical products saw the biggest increases: these sectors are not typical of Italy's specialisation model. Positive growth was also recorded for metal products, food and beverages and mechanical engineering: the latter sector that is the main driver of demand for insurance against the risk of non-payment. Despite the substantial increase in exports, Italy's trade surplus (approximately €42 billion for the first 11 months of 2017) shrank by roughly 4% with respect to the same period of 2016. This trend was linked to the recovery of consumption, which triggered an increase in imports.

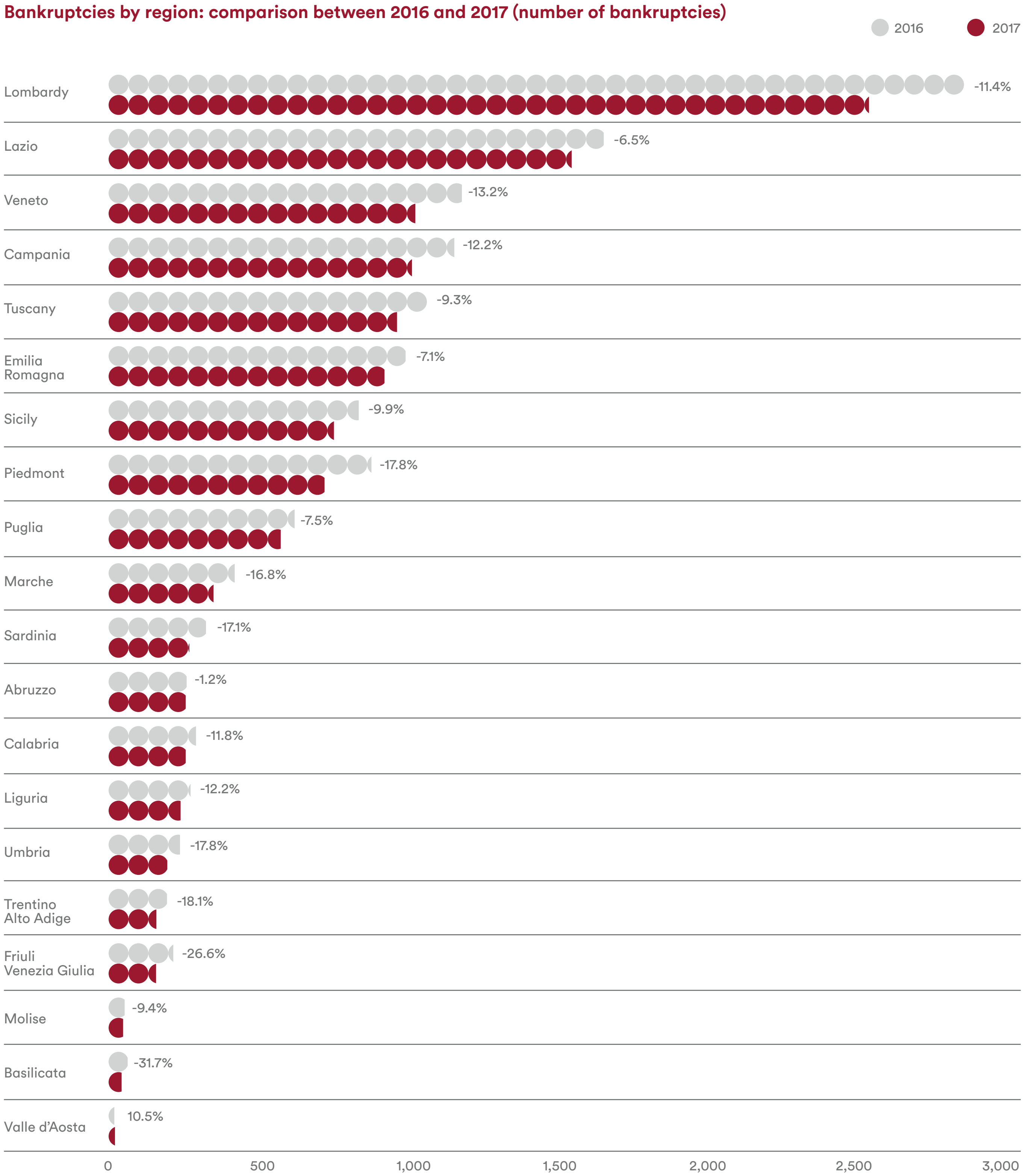
Lending to companies, bankruptcies, construction and insolvencies

Lending to businesses and households strengthened in 2017. Loan quality also improved thanks to a decline in non-performing loans (15.3% of the total according to the latest figures published by Banca d'Italia).

Business demography data confirm the strengthening of the Italian economy: in the first nine months of 2017 the balance between new registrations and closures (excluding cancellations by operation of law) was positive for 38 thousand. There were encouraging signs from Southern Italy, where data for the first quarter showed a positive balance of around 21 thousand new companies. At sector level, accommodation and catering, business services and professional, scientific and technical activities were the sectors with the highest number of new registrations compared to closures; in the construction and manufacturing industries the number of closures continued to exceed that of new registrations.

Although the number of bankruptcies remained high (11.9 thousand in 2017), this figure has fallen (-11.3% compared to 2016, according to data provided by Cribis) and confirms the downward trend that started in 2016. The improvement was observed in all sectors, particularly industry (-16.1% compared to 2016), construction and commerce; the results were less positive for services. The positive trend was seen across most of the country, with the regions of Basilicata, Friuli-Venezia Giulia, Trentino-Alto Adige and Piedmont showing the biggest reductions in the number of bankruptcies.

Bankruptcies by region: comparison between 2016 and 2017 (number of bankruptcies)



NB: the percentage values at the end of the bars are the percentage change for 2017 over 2016.
Source: Cribis data processed by SACE.

Investment in the construction industry, the main sector of demand for surety and technological risk business, is estimated to have increased by 0.2% in 2017 (Ance estimates in July last year). The new residential building sector appears to be the only sector to have contracted again (-1.5%), although there was a slight increase in investment in the private non-residential sector and in upgrading works. Investment in public works remained more or less unchanged. However, construction output increased for the first time in 11 years (+3.3% compared to the previous year, according to data provided by Cresme), driven by the non-residential sector. While the figures for 2017 are positive, they fall a long way short of the construction volumes reported in 2006 (-61%).

Credit collection and payments

SACE SRV reported a short-term credit recovery rate in line with the average rates for the last three years. Between July and September 2017, 38.2% of Italian businesses paid their suppliers on time. 10.5% of payments were made more than 30 days late. In terms of geographical area, companies in the North-East were the most punctual payers, with 46.5% of payments made on time. In the South of Italy, the percentage was much lower, at just 25.9%. At regional level, the situation was good in Veneto, Emilia-Romagna and Lombardy; the lowest percentage of payments made within the due date were in Sicily, Calabria and Campania. In terms of macro sectors, financial service companies were the most punctual payers (48.7%); on the other hand, just 26.3% of retail trade businesses paid their suppliers on time. At sector level, insurance agents and brokers were the most punctual payers, followed by companies in the rubber and plastics, paper and chemicals sectors; the agriculture, food and beverages, recreational activities and apparel sectors were the least punctual.

2. Strategy

In 2017 SACE strengthened its synergies with the product companies SIMEST, SACE BT, SACE Fct and SACE SRV.

SIMEST, which supports companies' export and internationalisation projects, has expanded the Export Hub's product offering with *quasi* equity products, special loans and interest contributions. It is a growing organisation that reported positive economic results. SACE BT, active in credit insurance, surety bonds and protection of construction risk, reported positive results thanks to its underwriting policy and the introduction of new mitigants in new contracts. Products developed in synergy with SACE Fct have enabled the Group to better integrate the product offering, especially for Italian companies. SACE SRV, active in managing informative files useful for counterparty risk evaluations and in the credit recovery business, has diversified the customer base to offer credit recovery products to third parties as well as to Group companies. It has also obtained ISO 9001:2015 certification.

In line with the Business Plan approved in December 2016 which, following the guidelines of the shareholder Cassa depositi e prestiti, envisaged the creation of an "Export and Internationalisation Hub", activities to finance and support companies' international expansion have resulted in an increase of over 40% in the resources mobilised by the Hub, which exceeded €25 billion, compared to €18 billion in 2016. As regards SACE BT, the judgement by the Court of Justice in relation to the appeal by SACE and SACE BT against a judgement by the General Court of the European Union concerning aid granted to SACE BT was published on 27 November. The judgement, upholding that of the General Court, ordered the recovery of the amounts previously paid by SACE to SACE BT. With this judgement, the Court dismissed the appeal. The ruling produced no significant impact on SACE BT, which had already repaid the amount requested by the European Commission in 2015.

3. Consolidated net profit

The main highlights of 2017 operating performance are set forth below.

(in € thousands)	**Total 31-12-17**	**Total 31-12-16**
Gross premiums	873,434	600,922
Change in technical provisions	56,675	(189,280)
Outward reinsurance premiums for the year	(96,043)	(6,745)
Net premium income	834,066	404,897
Net claims incurred	56,059	(262,865)
Operating expenses	(112,681)	(87,802)
Commissions and other acquisition expenses	(24,486)	(14,907)
Investment management charges	(3,158)	(9,297)
Other administrative expenses	(85,037)	(63,599)
Technical operating income	**777,445**	**54,230**
Non-technical operating income	**(145,776)**	**622,275**
Profit before taxes	**631,669**	**676,505**
Taxes	(175,670)	(194,610)
Net profit for the year	**455,999**	**481,895**

Group interest in the net profit for the year amounted to €456 million. The components that contributed to determining the net profit for the period are set forth below:

- at €873.4 million, there was a significant increase in gross premiums compared with the previous year (€600.9 million);
- net claims incurred were positive and amounted to €56.1 million (negative for €262.9 million at 31 December 2016). They are the result of claims paid amounting to €376.7 million (€373.8 million at 31 December 2016), the increase in the provision for claims outstanding and other technical provisions for €210.3 million (positive for €88.6 million at 31 December 2016) and the increase in recoveries amounting to €222.5 million (€22.3 million at 31 December 2016);
- operating expenses amount to €112.7 million and include €18.9 million related reinsurers' share of commissions;
- non-technical operating income was negative and equal to €145.8 million (positive for €622.3 million at 31 December 2016) and mainly includes the result of financial operations which was negative and equal to €194.2 million (positive for €363.9 million at 31 December 2016), in addition to the effect of extraordinary incomes on other receivables registered in 2016.

4. Insurance operations

Premiums

In 2017, the SACE Group reported gross premiums for €873.4 million, of which €841.8 million from direct business and €31.7 million from inward reinsurance with an increase of 45% on the previous year.

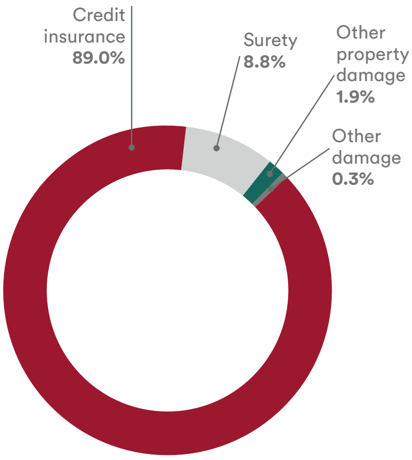
Breakdown of premiums
(in € thousands)

Business	31-12-17	31-12-16	Change compared to 2016
Non-life (direct business)	841,762	582,231	45%
Credit insurance	749,158	516,257	45%
Surety	73,851	46,382	59%
Other property damage	15,804	17,789	-11%
Non-motor TPL	949	791	20%
Fire	1,985	996	99%
Accident	15	16	-6%
Health			
Life (Direct business)			
Total Direct Business	841,762	582,231	45%
Total Indirect Business	31,672	18,692	69%
Total	**873,434**	**600,922**	**45%**

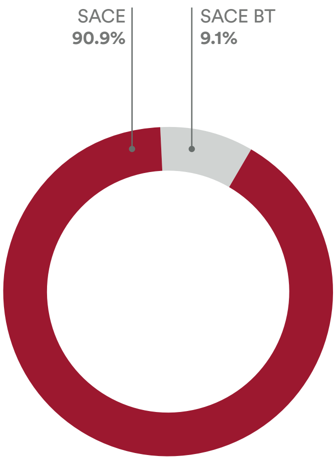
In terms of the ratio of the individual classes of business to gross premiums from direct business, 89% of the premiums stemmed from credit insurance, 8.8% from surety bond insurance and 1.9% from other property damage.

Of gross premiums from direct business, 90.9% refer to SACE while the remaining 9.1% refer to SACE BT.

Details of premiums by class (direct business)



Details of premiums by Group company (direct business)



Claims and recoveries

In 2017 SACE paid claims for a total of €369.8 million (with a year-on-year increase of 5,9%). More than 80% of claims refer to export credit insurance with counterparties in Germany, Russia, Ukraine and Poland, already involved in claims in previous years. 13.5% of claims refer to the Italy risk, in terms of internationalisation and market window financing. The sectors with the highest claims were shipbuilding, metallurgy and aviation.

In 2017 SACE collected €153.3 million in political recoveries, a significant reduction compared to 2016, when it recovered €731.4 million (an exceptionally high amount, largely referring to repayments by Iran under the Settlement Agreement signed on 25 January 2016 which enabled SACE to recover €509 million).
Political recoveries mainly refer to payments in connection with bilateral agreements with Iraq (€40.9 million), Ecuador (€28.1 million), Argentina (€28.1 million) and Cuba (€21.4 million).

Commercial recoveries totalled €221.1 million in 2017, notably higher than in 2016 (€23.1 million).
The item refers to recoveries recognised under subrogation credit and/or restructuring agreements concluded during the year in connection with large claims. In detail, €86.5 million were recovered from Iranian counterparties under a restructuring agreement, €68.7 million from Polish counterparties as payment for sale of the loan, €36.6 from German counterparties for the transfer of insured vessels and €7.7 million from Italian counterparties under settlement agreements.

Claims paid by SACE BT amounted to €23.7 million (€29.7 million at 31 December 2016), a decrease of 20% compared to the previous year, attributable to different phenomena in the various lines of business.
Recoveries amounted to €4.5 million in 2017 and mainly referred to collection of a number of large claims in the credit business.

5. Risk management

Risk management policies

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

Though not subject to supervision by IVASS, the Company implements its risk management in accordance with the fundamental principles of the applicable supervisory regulations[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 insurance/financial institutions typically face (technical risk, counterparty risk, market risk and operational risk);
- Pillar II requires SACE and its subsidiaries to adopt a strategy to review and evaluate their capital adequacy;
- Pillar III introduces disclosure requirements concerning capital adequacy, risk exposure and general characteristics of risk management and control procedures.

To this end, every year, SACE defines the Risk Appetite Framework (RAF) which groups the metrics, processes and systems supporting the correct management of the risk level and type that the company is willing to assume in line with its strategic objectives. The RAF is therefore an essential tool in SACE's operations as it ensures sustainable development in the medium/long term, preventing the adoption of short-term profit maximisation options which bear an excessive risk.

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

The most significant risks to which SACE and its subsidiaries are exposed are described below:

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

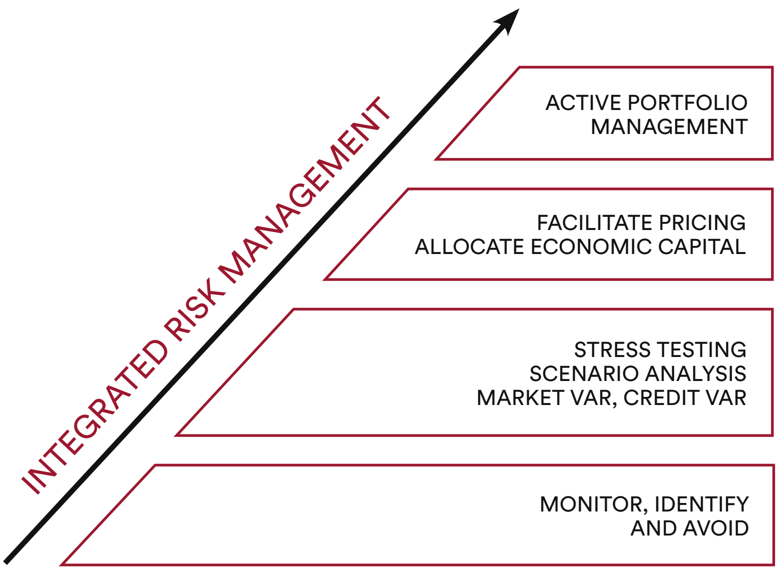
[2] The underwriting risk applies to SACE and SACE BT.

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

- **Reputational risk**: the current or prospective risk to earnings and capital, of incurring sanctions or to the institutional role of SACE, arising from adverse perception of the Company's image on the part of customers, counterparties, shareholders, investors, regulators or other stakeholders. The prevention and monitoring of events that could have a reputational impact on its business operations is a priority for SACE, which has set up a system of internal controls to mitigate this risk and adopted specific measures to prevent the occurrence of such events in its business operations.
- **Risk of belonging to a group: "contamination" risk**, intended as the risk that, as a result of transactions between the company and other group entities, difficulties experienced by an entity in the same group may have negative effects on the company; risk of conflict of interest.
- **Risk of non-compliance with regulations**: the risk of incurring legal or administrative fines, suffering losses or damage to reputation as a consequence of violation of compulsory requirements (laws, regulations) or self-regulatory measures (e.g., Articles of Association, codes of conduct). SACE and its subsidiaries have developed a process for managing the risk of non-compliance in order to ensure that internal processes and procedures are consistent with the objective of preventing any infringement of regulations, whether imposed by the authorities or the companies themselves.

The role of risk management

Risk management activities are performed by a single division which uses an integrated process to support strategic decisions and contribute to the financial and organisational stability of SACE and its product companies. This division defines the methods and instruments to be used to identify, measure and control risks and verifies the appropriateness and adequacy of these with respect to the risk profile of each company.



The Risk management function:

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

Risk governance is entrusted to the following bodies in addition to those specified in the Articles of Association:

- **Board of Directors**: approves strategies, procedures, management policies and organisational aspects.
- **Risk and Control Committee:** supports the Board of Directors on matters relating to risks and internal controls, provides advice and formulates proposals.
- **Management Committee**: examines and evaluates the strategies, objectives and operational guidelines; evaluates the various aspects of performance and defines the appropriate measures in order to improve profitability; investigates key issues regarding management and operational guidance.
- **Operations Committee**[3]: examines underwriting, indemnities, restructuring and other significant operations and assesses their permissibility compatibly with the risk management guidelines defined by the Group companies.
- **Risk Committee**[4]: supports the Board of Directors and the Risk and Control Committee in the implementation of an effective system of risk management and control, by contributing to the definition of company strategies and guidelines on the management and transfer of risk;
- **Investments Committee**[5]**:** periodically defines company portfolio investment strategies to optimise the risk/return profile of financial activities and compliance with the guidelines established by the Board of Directors. Monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions. Submits proposals for updating the guidelines on financial activities to the decision-making body.
- **Claims Committee**: analyses the performance of "Large Claims" and sets out the operating guidelines for SACE BT.

[3] Referred to as the Commitments Committee for SACE BT, the Credit Committee for SACE Fct and the Investments Committee for SIMEST.
[4] Defined for SACE, SACE BT and SACE Fct.
[5] Monitoring Committee in SIMEST S.p.A.

Reinsurance

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

The main purposes of reinsurance are:

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

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

- quota share reinsurance: aimed mainly at enhancing underwriting capacity. This type of cover is also used when the structure of the reinsurance contract (especially the ceding commission) makes reinsurance economically viable;
- surplus share reinsurance: purchased to increase underwriting capacity towards debtors/sectors in relation to which the company has already reached its full underwriting capacity;
- non-proportional reinsurance (excess of loss or stop loss): this type of coverage is purchased to enhance SACE's guarantee portfolio in terms of capital relief or to stabilise the technical account.

The Reinsurance unit manages operations and monitors reinsurance risks, checking the consistency of the sale plan with the reinsurance strategy approved by the Board of Directors. The reinsurance portfolio increased considerably in 2017, with a total ceded amount in excess of €16 billion. Of this, the most significant portion was ceded to the Ministry of the Economy and Finance under the Agreement between SACE and the Ministry approved by Decree of the President of the Council of Ministers on 20 November 2014 and filed with the Court of Auditors on 23 December 2014, transferring risks to the Ministry that could otherwise result in high levels of concentration for SACE. Almost all of the remaining portion was ceded to the private reinsurance market, and in particular to Lloyd's of London.

Receivables and guarantees portfolio

SACE's total exposure, calculated as the sum of loans and outstanding guarantees (principal and interest) amounted to €50.6 billion, an increase of 15.3% compared to 2016. Therefore, the growth trend recorded in 2016 and 2015 continued, mainly following the guarantee portfolio that accounts for 98.7% of total exposure. The receivables portfolio contracted sharply, by 21.4% compared to 2016. This reduction was mainly attributable to sovereign credits, which account for 77.3% of the total loan portfolio and decreased by 22.5%. The commercial component, representing 22.7% of the portfolio, decreased by 17.1%, from €172.9 million to €143.4 million.
SACE BT's total exposure at 31 December 2017 amounted to €41.3 billion, an increase of 2.5% compared to the end of 2016.

The outstanding receivables of SACE Fct, i.e. the total amount of loans acquired net of receivables collected and credit notes, amounted to €1,921.3 million, a 7.3% decrease on the previous year end.
At 31 December 2017 SIMEST had 240 subscribed shares in its portfolio for a total credit exposure (principal) of approximately €514.0 million, +4% compared to the end of 2016 when it was equal to €496.4 million.

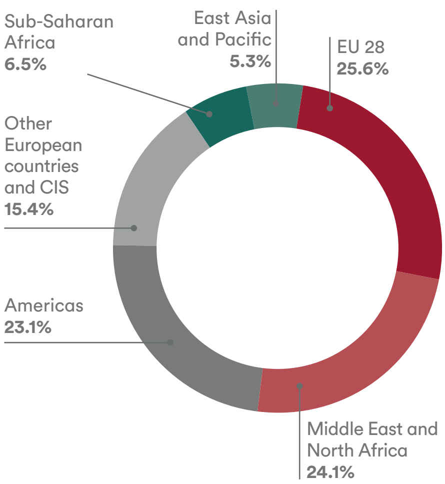
Portfolio

(in € millions)	2017	2016	Change
SACE	**50,561.6**	**43,841.2**	**15.3%**
Outstanding guarantees	49,929.5	43,037.4	16.0%
- principal	43,789. 9	37,210.6	17.7%
- interest	6,139.5	5,826.8	5.4%
Receivables	632.2	803.8	-21.4%
SACE BT	**41,283.7**	**40,262.4**	**2.5%**
Short-term receivables	9,695.7	8,894.1	9.0%
Surety Italy	6,234.7	6,634.6	-6.0%
Other property damage	25,353.3	24,733.7	2.5%
SACE Fct	**1,921.3**	**2,073.3**	**-7.3%**
Outstanding receivables	1,921.3	2,073.3	-7.3%
SIMEST	**514**	**496**	**3.8%**
Direct commitments of Italian partners	436	410	6.3%
Commitments backed by bank or insurance guarantees	48	58	-17.2%
Commitments backed by collateral	31	28	10.7%

SACE

The analysis by geo-economic region shows that the highest exposure was once again towards EU countries (25.6% in relation to 36.3% in 2016), but with a marked decrease of 18.7% compared to the previous year. However, in terms of concentration, Italy was replaced in top position by the United States, which had a 14.0% impact on the portfolio. Next, in terms of region, came the Middle East and North Africa, which had a 24.1% impact on the portfolio (up from 15.2% in 2016) and an 82.8% increase in exposure. The Americas were the third-biggest region, with an impact on the portfolio of 23.1% and exposure up 30.0% on 2016 when it had a 20.5% impact. Other geo-economic regions together account for 27.2% of the portfolio: exposure to other European and CIS (Commonwealth of Independent States) countries increased by 8.8% (the impact on the portfolio fell from 16.3% in 2016 to 15.4% in 2017), whereas Sub-Saharan Africa saw the biggest increase in exposure, which rose by +93.5% (the impact on the portfolio increased from 3.9% in 2016 to 6.5% in 2017). Exposure to East Asia and Oceania fell by 21.6% compared to the previous year (the impact on the portfolio decreased from 7.8% in 2016 to 5.3% in 2017).

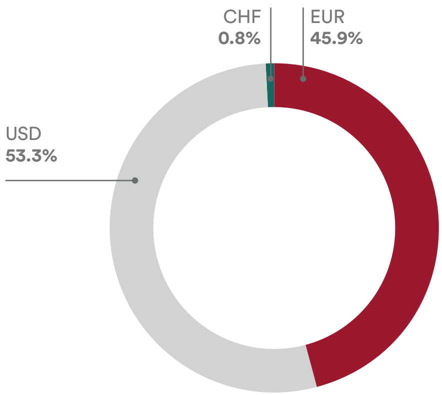
SACE: total exposure by geo-economic region (%)



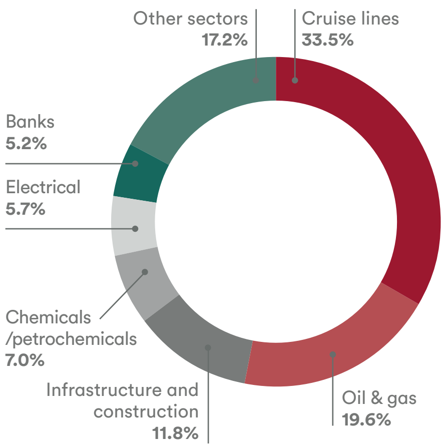
Receivables in dollars fell from 55.2% in 2016 to 53.3% in 2017 and 38.9% of the Parent company's guarantees portfolio was denominated in the same currency (47.2% in 2016). The US dollar depreciated in relation to the euro, moving from 1.0541 in 2016 to 1.1993 in 2017. The currency risk on the receivables and guarantees portfolio 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.

The level of concentration by sector continued to be high, with the largest five sectors accounting for 77.6% of the total private portfolio. The main sector was once again the cruise line industry, which accounted for 33.5% of exposure, an increase of 48.3% compared to 2016, when it accounted for 23.1% of the private portfolio. Concentration in all other sectors decreased compared to 2016: the oil & gas sector remained in second place with a reduction of just 1.3% in exposure and its impact on the private portfolio decreased from 20.3% to 19.6%; the infrastructure and construction sector, in third place, contracted by 16.9% (its impact decreased from 14.6% to 11.8%); this was followed by the chemicals and petrochemicals sector, which saw the biggest drop in exposure, which fell by 24.6% (its impact decreased from 9.5% to 7.0%). The electrical sector contracted by 12.6% and the bank sector by 22.3%.

SACE: guarantee portfolio by original currency



SACE: guarantee portfolio by industrial sector



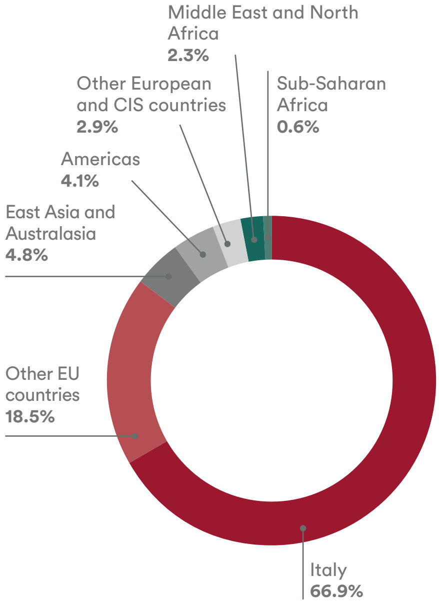
SACE BT

Receivables portfolio

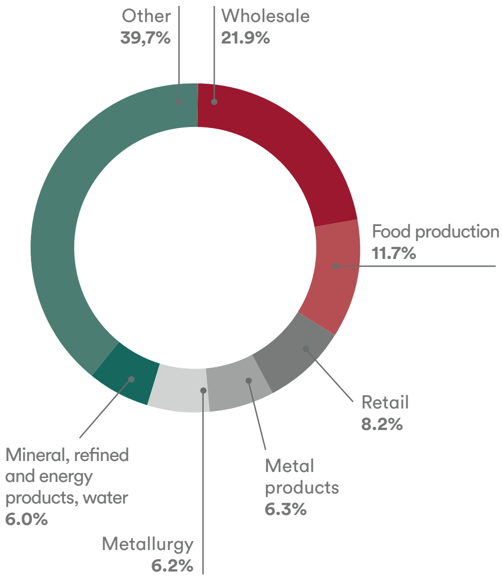
The credit insurance business had 113,702 exposures in place at 31 December 2017 (+1.6% compared to 2016), for a total value of €9.7 billion. Exposure was mainly concentrated in EU countries (85.4%), with Italy alone accounting for 66.9%.

Wholesale trade, food production and retail trade are the biggest industrial sectors of the portfolio, accounting for 21.9%, 11.7% and 8.2%, respectively.

SACE BT: nominal credit exposure by geo-economic area



SACE BT: nominal credit exposure by industrial sector

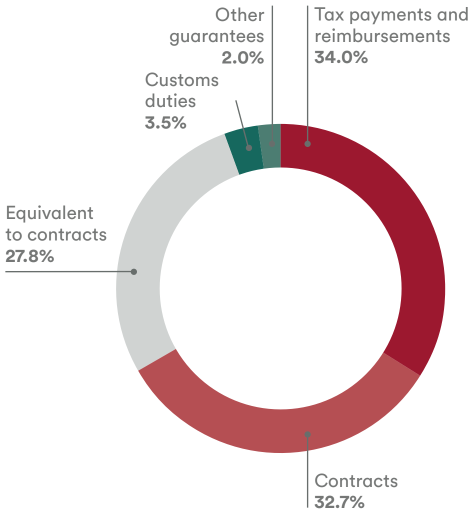


Surety portfolio

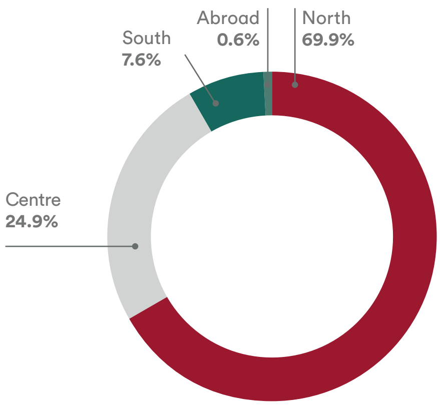
The exposure of the Surety bond portfolio (capital insured) amounted to €6.2 billion (-6.0% compared to 2016). Guarantees related to contracts accounted for 66.7% of the total exposure, followed by guarantees on tax payments and reimbursements (27.8%).

The portfolio, comprising around 33,099 thousand contracts, is concentrated in Northern Italy (66.9%).

SACE BT: nominal surety bond exposure by policy type



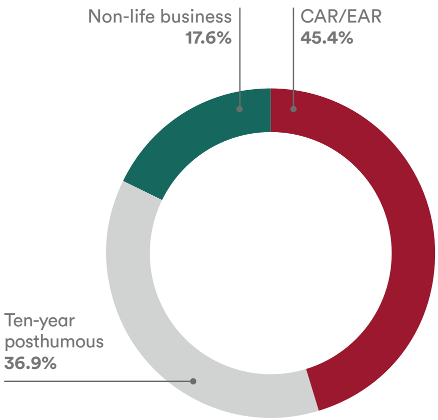
SACE BT: nominal surety bond exposure by geographical area



Construction/Other property damage portfolio

The nominal exposure (risk limits and insured capital) of the Construction/Other property damage business amounts to €25.4 billion (+2.5% compared to the previous year), of which €21.7 billion relate to the Construction portfolio (€22 billion in 2016) and €3.6 billion to Non-life business policies (€2.8 billion in 2016).
The number of policies in place stood at 7,797 (+0.8% compared to 2016). CAR/EAR policies accounted for 45.4% of the nominal exposure, ten-year posthumous type contracts for 36.9% and Non-life business policies for the remaining 17.6%.

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



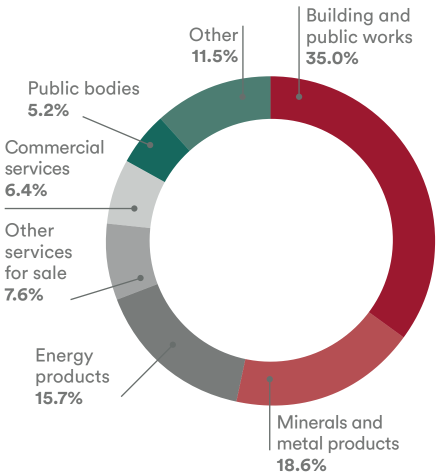
SACE Fct

At 31 December 2017 the outstanding receivables of SACE Fct amounted to €1,921 million, down 7.3% on the previous year-end balance. In 2017, factoring transactions generated a turnover of €4,616 million, 3% more than in 2016. As mentioned earlier, outstanding receivables mainly refer to non-recourse operations, which accounted for 92.5% of the total portfolio.

Outstanding receivables by type of transaction

(in € millions)	Amount	%
Without recourse	1,778.1	92.5%
With recourse	143.2	7.5%
Total	**1,921.3**	**100.0%**

SACE Fct: outstanding receivables by assignors' economic sector



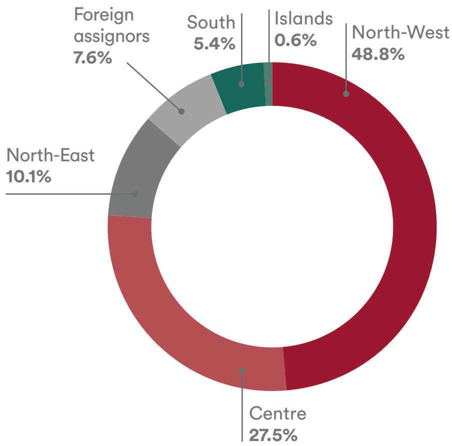
Outstanding receivables are analysed below by assignor, debtor, geographical area and industrial sector.

The breakdown of outstanding receivables by the assignor's sector shows a significant concentration in the building and public works sector (35.0%), followed by minerals and metal products (18.6%) and energy products (15.7%). Compared to the previous year, the concentration of outstanding receivables in the minerals and metals sector increased (15.0% at 31 December 2016) whereas that of the building and public works sector decreased (40.3% at 31 December 2016).

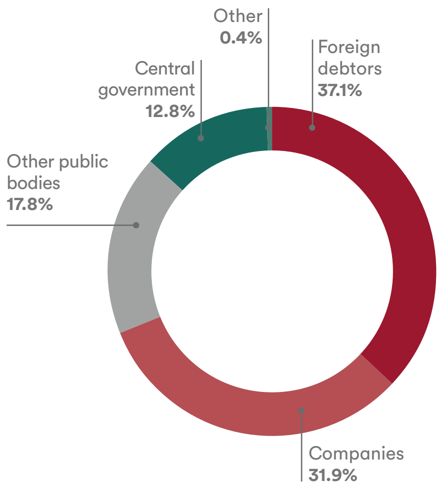
The geographical breakdown of assignors shows an increase in the concentration of those resident in North-West Italy (from 38.5% in 2016 to 48.8% in 2017), while the concentration in Central Italy decreased to 7.6% compared to 17.7% at 31 December 2016.

The breakdown of outstanding receivables by debtors' sector shows the majority of counterparties to be in the private sector, which represents 69.4% of the total; public administration debtors accounted for 30.6% of debtors, slightly more than at the end of the previous year, when they represented 28.4%.

SACE Fct: outstanding receivables by assignors' geographical area

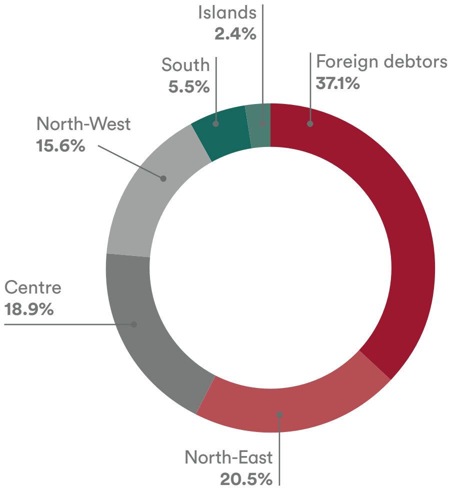


SACE Fct: outstanding receivables by debtors' economic sector



The graph below shows the breakdown of outstanding receivables by debtors' geographical area. Compared to the previous year, foreign debtors decreased considerably from 48.8% at 31 December 2016 to the current 37.1%. Furthermore, the concentration in North-East Italy increased (20.5% at 31 December 2017 compared to 8.4% at the end of the previous year).

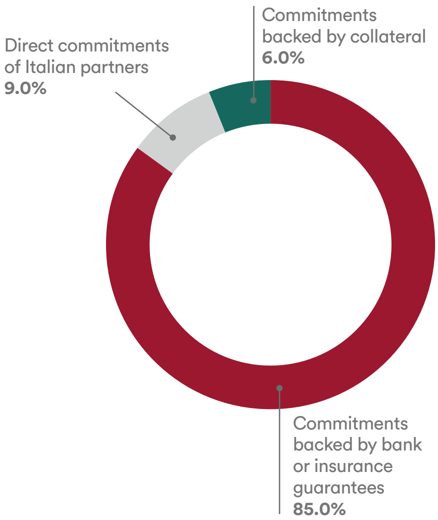
SACE Fct: outstanding receivables by debtors' geographical area



SIMEST

At 31 December 2017 SIMEST had 240 subscribed shares in its portfolio for a total credit exposure (principal) of approximately €514.0 million. The overall portfolio increased by around €18.0 million compared to 31 December 2016.
At 31 December 2017 direct commitments of Italian partners for the forward purchase of equity investments amounted to some €436.0 million (€410.0 million at 31 December 2016). Commitments backed by bank and/or insurance guarantees totalled approximately €48 million (€58 million at 31 December 2016), and those backed by collateral totalled €31 million (€28 million at 31 December 2016).

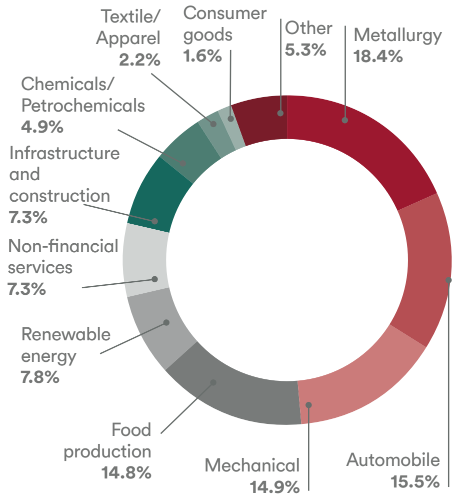
SIMEST: portfolio by type of guarantee



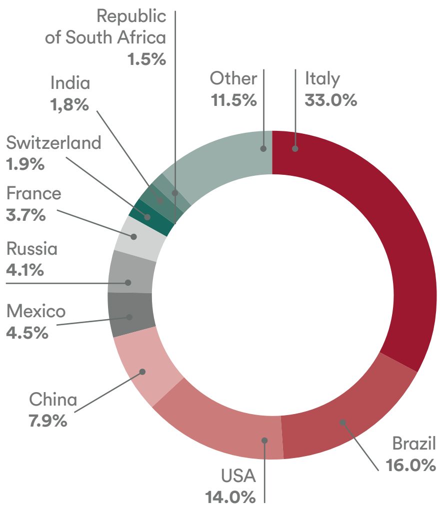
The metallurgy, automobile and mechanical industries are the three biggest industrial sectors of the portfolio, accounting for 18.4%, 15.5% and 14.9%, respectively.

The geographical breakdown of the portfolio shows that the first 10 countries where SIMEST operates through target companies cover around 90% of the total, with 26 other countries accounting for the remaining 10%.
It is worth noting that Italy accounts for the biggest portion, with 33% of the portfolio, followed by Brazil with 16% and the USA with 14%. Considered overall, the first three countries in terms of exposure cover almost 63% of the portfolio.

SIMEST: portfolio by industrial sector



SIMEST: portfolio by country



Financial portfolio

Financial management aims to achieve two main objectives:

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

This activity confirmed values in line with the limits defined for each company and each type of investment.

Asset allocation
(figures in € millions) [6]

Asset class	HTM	HFT	Total	%
Bonds	1,583.3	114.4	1,697.7	23.1%
UCITS	-	638	638	8.7%
Shares	-	6.2	6.2	0.1%
Money Market	-	5,002.3	5,002.3	68.1%
Total	**1,583.3**	**5,760.9**	**7,344.2**	**100%**

23.1% of the portfolio is comprised of bonds and other debt securities, 8.7% of UCITS mainly made up of bonds or shares, 0.1% of shares and the remaining 68.1% of money market instruments.
With regard to the credit risk of the securities portfolio, SACE and its subsidiaries pursue a prudent investment policy, setting operating limits based on the types of financial instruments that may be used, on concentration by type and on the creditworthiness of the issuer.

SACE: breakdown of securities portfolio by rating

Rating classes	%
AAA	3.4%
AA	3.5%
A	7.1%
BBB	84.9%
Other	1.1%

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

6. Human resources

At 31 December 2017 there were 912 employees on the payroll, an increase of 3% compared to the previous year (884 at 31 December 2016). During the year, 62 people were hired and 34 left the Company.

Distribution of staff by grade

Grade	SACE	SACE BT	SACE SRV	SACE Fct	SACE do Brasil	SIMEST S.p.A.	Total	Composition
Senior managers	35	8	1	6		7	57	6%
Managers	260	46	7	23	1	71	408	45%
Clerical staff	229	94	19	43	1	61	447	49%
Total	**524**	**148**	**27**	**72**	**2**	**139**	**912**	**100%**

Distribution of staff by age group

Age group	Composition
Under 30	11.4%
Between 31 and 40	32.2%
Between 41 and 50	30.1%
Over 50	26.3%

Distribution of staff by qualification

Qualification	Composition
Degree	74.7%
Secondary school certificate/other	25.3%

In 2017, staff training programmes consisted in providing and improving job-related knowledge and skills and continuously updating the managerial abilities and leadership qualities needed to manage complexity and change, with specific focus on mandatory, managerial and technical training. Language and management training schemes continued to be offered to all employees in addition to the courses required by law (Italian Legislative Decrees 231/2001, 196/2003, 81/2008) and specialist technical training courses. The Group provided a total of 20,909 hours of training in 2017 (compared to 15,499 hours in 2016).

7. Litigation

At 31 December 2017, SACE was party to 23 lawsuits, most of which relating to insurance commitments assumed prior to 1998. The Company was also plaintiff in 57 lawsuits to obtain recognition of its privilege pursuant to Italian Legislative Decree 123/98 and in five labour disputes. As regards the subsidiaries, SIMEST is party to two judicial proceedings, SACE BT is party to 201 disputes concerning insurance operations and six general disputes, and SACE Fct is party to 39 disputes to resolve credit recovery issues.

8. Distribution network and marketing activity

In 2017 SACE concentrated on improving the distribution model that will allow the Export Hub to better serve its target customers by ensuring the overall coordination of Group companies. The model is designed to satisfy the requirements of the different customer segments based on specific rules of engagement and the need to strengthen the indirect sales channel by establishing new partnerships with third-party networks. It involved the organisation of an integrated system of coverage at Group level and the definition of responsibilities and ownership in order to optimise the activities of Group companies. This will allow us to refocus our commercial efforts on customers' needs and achieve a closer coordination of the sales networks of Cassa depositi e prestiti and the Hub according to a product-based logic.

9. Corporate Governance

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

The management of SACE is based on principles of compliance and transparency and the adoption of a framework of prevention and control that is described below. The most recent version of the Organisation, management and control model ("Model") was approved on 22 July 2015 by SACE's Board of Directors pursuant to and for the effects specified by Italian Legislative Decree 231/01 ("Decree"). The Model is regularly updated on the basis of audits which include the definition of a risk map and analysis of the system of internal controls. The Model comprises:

- a general part that illustrates the principles of the Decree, the analysis of the System of Internal Controls, the Supervisory Body, the disciplinary system, staff training and dissemination of the Model both within and outside the Company;

- a special part that identifies the areas of specific interest in relation to the business activities undertaken, for which a potential risk of perpetrating offences is theoretically possible. This part includes references to the System of Internal Controls with regard to the prevention of offences.

The function of monitoring the suitability and application of the Model has been assigned to a Supervisory Body, a collective body appointed by the Board of Directors. It has three members, who must meet the following criteria: have proven experience, have in-depth knowledge of the Company and its operations and be skilled in their respective professional fields. At the time of appointing the Supervisory Body, the Board also appoints one member as the Chair.
The Body provides an annual report to the Board of Directors and the Board of Statutory Auditors. The Supervisory Body also meets the Supervisory Bodies of the other SACE Group companies at least once a year. This meeting is an opportunity to jointly examine issues concerning the activities of said Bodies, to discuss the work undertaken during the previous year and that planned for the coming year and to agree upon any joint action to be taken within the scope of their activities.

Code of Conduct

The Code of Conduct sets out the principles with which SACE and its subsidiaries are expected to comply in their relations with stakeholders. The Code of Conduct and the Model are two separate documents, although they are both an integral part of the prevention system that has been adopted.
These guidelines reflect SACE's mission to make business ethics a concrete part of Company life.
The Code recognises the legal relevance and mandatory effect of the principles and values that must guide the actions of SACE's stakeholders and is part of the Organisation, management and control model pursuant to Italian Legislative Decree 231/01. Under the Code, all external parties with which SACE does business are required to act in accordance with the rules and procedures inspired by those same principles. To make all internal and external stakeholders aware of the Code, it is published on each company's internet and intranet site and sent by email to each employee.
The Code of Conduct has been drawn up to clearly define the set of values that SACE recognises, accepts and shares and the set of responsibilities it assumes vis-à-vis parties within and outside the Company.

System of internal control and risk management

The system of internal controls and risk management is built around a set of rules, processes, procedures, functions, organisational structures and resources aimed at ensuring the correct functioning and good performance of the Company and achievement of the following objectives: implementation of Company strategies and policies; adequate control of current and future risks and containment of risk within the limits indicated in the reference framework for determining the Company's risk appetite; the effectiveness and efficiency of Company processes; the timeliness of Company reporting systems; the reliability and integrity of Company, accounting and management information and security of IT data and procedures;

the safeguarding of equity, asset value and protection from losses, including over the medium and long term; the compliance of transactions with the law and supervisory regulations, as well as internal regulations, policies and procedures.
All levels have specific responsibilities within the system of internal controls and risk management. In detail:

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

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

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

Internal Auditing

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

The manager responsible for financial reporting

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

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

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

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

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

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

10.5. The manager responsible for preparing the corporate accounting documents shall withdraw from office in the absence of the requirements necessary for taking office. Withdrawal will be declared by the Board of Directors within thirty days of becoming aware of the absence of requirements.
10.6. The manager responsible for preparing the corporate accounting documents will set adequate accounting and administrative procedures for drawing up the financial statements and the Consolidated financial statements, if provided.
10.7. The Board of Directors will ensure that the manager responsible for preparing the corporate accounting documents is conferred with adequate powers and means for exercising the duties conferred and ensure the effective respect of the management and accounting procedures.
10.8. The Chief Executive Officer and the manager responsible for preparing the corporate accounting documents will certify the effective application of the procedures of which in paragraph 6 during the course of the business year to which the documents refer, in a suitable report attached to the business year financial statements and Consolidated financial statements, if provided, and certify their correspondence to the findings in the accounts books and documents and their suitability in terms of providing a truthful and correct representation of the equity, economic and financial situation of the company and the group of companies in the scope of consolidation, in the case of the Consolidated financial statements being provided.

10. Shareholding structure and share capital

SACE does not own treasury shares or shares of the Parent Cassa depositi e prestiti and its subsidiaries do not hold any shares in the Parent either directly or through trust companies or nominees.
According to “Non-financial statement” related to Italian Legislative Decree 254/2016 specify that the Company use the exemption expected on art. 6 paragraph 1 of mentioned Decree, since the declaration is organized on a consolidated level from the parent Cassa depositi e prestiti S.p.A.

11. Outlook for 2018

Global economic activity will continue to strengthen in 2018 on the back of favourable financial conditions and positive expectations of operators. This will also drive international trade, which is expected to keep growing faster than world GDP. In this favourable context, FDI (foreign direct investment) is forecast to increase by about 20% in 2018. However, the global outlook is subject to several downside risks, including a rise in volatility on financial markets (which reached an all-time low in 2017), an acceleration in price increases, the possibility of rising geopolitical tensions (including instability in the Balkan States and "Stan" countries, social tensions in some oil economies such as Venezuela and Nigeria) and the rise in corporate debt. There are also a number of open issues, such as the renegotiation of the NAFTA, Brexit negotiations, evolution of sanctions against Russia, relations between the USA and the Middle East and the "case" of North Korea.
In Italy, the outlook is for positive GDP growth in 2018 (+1.4%) and for the current high level of business confidence to be maintained. This situation could however be influenced by the external factors mentioned above and other internal issues such as the relative fragility of the banking system, which is, nonetheless, showing some signs of improvement, and uncertainties about the duration of the economic recovery that is underway.

Rome, 20 March 2018

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

Consolidated
Balance sheet and Profit & loss account

(in € thousands)

	Consolidated statement of financial position - Assets	31-12-17	31-12-16
1	**INTANGIBLE ASSETS**	**16,450**	**16,004**
1.1	Goodwill	7,655	7,655
1.2	Other intangible assets	8,795	8,349
2	**PROPERTY, PLANT AND EQUIPMENT**	**52,869**	**72,737**
2.1	Property	50,884	70,761
2.2	Other property, plant and equipment	1,984	1,976
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**777,523**	**678,482**
4	**INVESTMENTS**	**4,629,488**	**6,177,281**
4.1	Investment property	31,680	12,547
4.2	Equity investments in subsidiaries, associates and joint ventures	8,010	7,954
4.3	Held-to-maturity investments	1,583,288	1,597,530
4.4	Loans and receivables	2,221,714	3,678,557
4.5	Available-for-sale financial assets	5,165	5,165
4.6	Financial assets at fair value through profit or loss	779,630	875,528
5	**SUNDRY RECEIVABLES**	**752,044**	**934,711**
5.1	Receivables arising out of direct insurance business	692,286	844,261
5.2	Receivables arising out of reinsurance business	18,795	23,458
5.3	Other receivables	40,963	66,992
6	**OTHER ASSETS**	**163,325**	**127,624**
6.1	Non-current assets or of a disposal group available-for-sale		
6.2	Deferred acquisition costs		
6.3	Deferred tax assets	128,838	79,992
6.4	Current tax assets	1,850	22,783
6.5	Other assets	32,637	24,849
7	**CASH AND CASH EQUIVALENTS**	**4,985,369**	**2,686,572**
	TOTAL ASSETS	**11,377,067**	**10,693,411**

(in € thousands)

Consolidated statement of financial position – Liabilities and shareholders' equity		31-12-17	31-12-16
1	**SHAREHOLDERS' EQUITY**	**5,566,994**	**5,262,285**
1.1	**Group interest**	**5,490,098**	**5,184,625**
1.1.1	Principal	3,730,324	3,730,324
1.1.2	Other equity instruments		
1.1.3	Capital reserves	43,305	43,305
1.1.4	Retained earnings and other equity reserves	1,260,839	929,707
1.1.5	(Treasury shares)		
1.1.6	Reserves for net exchange differences		
1.1.7	Gains (losses) on available-for-sale financial assets		
1.1.8	Other gains (losses) taken directly to equity	501	161
1.1.9	Group interest in the profit for the year	455,129	481,128
1.2	**Minority interest**	**76,896**	**77,660**
1.2.1	Capital and reserves - minorities	76,082	76,986
1.2.2	Gains (losses) taken directly to equity	(56)	(93)
1.2.3	Minority interest in the profit for the year	870	767
2	**PROVISIONS**	**80,747**	**89,947**
3	**TECHNICAL PROVISIONS**	**2,700,001**	**2,979,294**
4	**FINANCIAL LIABILITIES**	**2,407,221**	**1,937,123**
4.1	Financial liabilities at fair value through profit or loss	73,160	57,702
4.2	Other financial liabilities	2,334,061	1,879,421
5	**ACCOUNTS PAYABLE**	**317,056**	**211,446**
5.1	Accounts payable arising out of direct insurance business	35,677	34,369
5.2	Accounts payable arising out of reinsurance business	122,968	94,446
5.3	Other accounts payable	158,411	82,631
6	**OTHER LIABILITIES**	**305,049**	**213,317**
6.1	Liabilities of a disposal group held for sale		
6.2	Deferred tax liabilities	266,511	178,587
6.3	Current tax liabilities	11,438	4,238
6.4	Other liabilities	27,100	30,491
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**11,377,067**	**10,693,411**

(in € thousands)

	Consolidated profit & loss account	31-12-17	31-12-16
1.1	Net premiums	834,066	404,897
1.1.1	*Gross premiums for the year*	*930,109*	*411,642*
1.1.2	*Outward reinsurance premiums for the year*	*(96,043)*	*(6,745)*
1.2	Commission income	28,763	26,334
1.3	Gains (losses) on financial instruments at fair value through profit or loss	(108,129)	250,223
1.4	Gains from equity investments in subsidiaries, associates and joint ventures		
1.5	Income from other financial instruments and investment property	153,210	356,722
1.5.1	*Interest income*	*149,495*	*351,946*
1.5.2	*Other income*	*910*	*866*
1.5.3	*Realised gains*	*892*	*1,613*
1.5.4	*Unrealised gains*	*1,913*	*2,297*
1.6	*Other revenue*	*24,397*	*108,321*
1	**TOTAL REVENUE AND INCOME**	**932,307**	**1,146,497**
2.1	Net claims incurred	(56,059)	262,865
2.1.1	*Amounts paid and changes in technical provisions*	*(18,742)*	*285,740*
2.1.2	*Reinsurers' share*	*(37,317)*	*(22,875)*
2.2	Commission expense	1,421	1,188
2.3	Expense related to equity investments in subsidiaries, associates and joint ventures		
2.4	Expense relating to other financial instruments and investment property	53,479	34,531
2.4.1	*Interest expense*	*26,554*	*25,162*
2.4.2	*Other expense*	*510*	*680*
2.4.3	*Realised losses*	*111*	*207*
2.4.4	*Unrealised losses*	*26,304*	*8,482*
2.5	Operating expenses	112,681	87,802
2.5.1	*Commissions and other acquisition expenses*	*24,486*	*14,907*
2.5.2	*Investment management charges*	*3,158*	*9,297*
2.5.3	*Other administrative expenses*	*85,037*	*63,599*
2.6	Other expenses	189,117	83,606
2	**TOTAL COSTS AND EXPENSES**	**300,638**	**469,993**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**631,669**	**676,505**
3	Taxes	175,670	194,610
	PROFIT (LOSS) FOR THE YEAR NET OF TAXES	**455,999**	**481,895**
4	**PROFIT (LOSS) ON DISCONTINUED OPERATIONS**		
	CONSOLIDATED PROFIT (LOSS)	**455,999**	**481,895**
	of which attributable to the Group	**455,129**	**481,128**
	of which attributable to minorities	**870**	**767**

(in € thousands)

Statement of comprehensive income - Net amounts	31-12-17	31-12-16
CONSOLIDATED PROFIT (LOSS)	**455,129**	**481,128**
Other income components after tax without reclassification to profit or loss		
Changes in shareholders' equity of subsidiaries		
Changes in intangible assets revaluation reserve		
Change in property, plant and equipment revaluation reserve		
Income and expense relating to non-current assets or of a disposal group held for sale		
Actuarial gains and losses and adjustments related to defined benefit plans	448	(73)
Other		
Other income components after tax with reclassification to Profit & loss account		
Change in the reserve for net exchange differences	(108)	128
Gains (losses) on available-for-sale financial assets		
Gains (losses) on cash flow hedges		
Gains (losses) on hedges of a net investment in a foreign operation		
Changes in shareholders' equity of subsidiaries		
Income and expense relating to non-current assets or of a disposal group held for sale		
Other		
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)		
CONSOLIDATED OTHER COMPREHENSIVE INCOME	**455,470**	**481,184**
of which attributable to the Group	**455,470**	**481,184**
of which attributable to minorities		

(in € thousands)

Statement of changes in shareholders' equity		Balance at 31-12-15	Changes in closing balances	Allocations	Reclassification adjustments to profit for the year	Transfers	Balance at 31-12-2016	Changes in closing balances	Allocations	Reclassification adjustments to profit for the year	Transfers	Balance at 31-12-2017
Group interest in shareholders' equity	Principal	3,541,128		189,196			3,730,324					3,730,324
	Other equity instruments											
	Capital reserves			43,305			43,305					43,305
	Retained earnings and other equity reserves	918,732		10,975			929,707		331,133			1,260,839
	(Treasury shares)											
	Net profit (loss) for the year	309,773		481,128		(309,773)	481,128		455,129		(481,128)	455,129
	Other comprehensive income	106		55			161		340			501
	Total Group interest	**4,769,739**		**724,659**		**(309,773)**	**5,184,625**		**786,603**		**(481,128)**	**5,490,098**
Minority interest in shareholders' equity	Capital and reserves - minorities			76,893			76,893		(867)			76,026
	Net profit (loss) for the year			767			767		870		(767)	870
	Other comprehensive income											
	Total minority interest			**77,660**			**77,660**		**2**			**76,896**
Total		**4,769,739**		**802,318**		**(309,773)**	**5,262,285**		**786,605**		**(481,894)**	**5,566,994**

(in € thousands)

Consolidated cash flow statement (indirect method)	31-12-17	31-12-16
Profit (loss) for the year before tax	**631,669**	**676,505**
Changes in non-cash items	**(320,323)**	**(103,399)**
Change in the provision for unearned premiums - non-life business	(168,071)	(30,270)
Change in the provision for claims outstanding and other technical provisions - non-life business	(210,263)	(88,649)
Change in the provision for policy liabilities and other technical provisions - life business		
Change in deferred acquisition costs		
Change in the general provision	(9,200)	(3,161)
Non-cash income and expense from financial instruments, investment property and equity investments		
Other changes	67,211	18,681
Change in receivables and payables generated by operations	**277,098**	**437,672**
Change in receivables and payables arising from direct insurance and reinsurance business	186,468	483,769
Change in other receivables and payables	90,629	(46,097)
Tax paid	**(175,670)**	**(194,610)**
Net cash flow generated/absorbed by investment and financial activities	**111,356**	**(140,078)**
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	111,356	(140,078)
TOTAL NET CASH FLOW ARISING FROM OPERATIONS	**524,130**	**676,090**
Net cash flow generated/absorbed by investment property	(19,133)	55
Net cash flow generated/absorbed by subsidiaries, associates and joint ventures	(56)	
Net cash flow generated/absorbed by loans and receivables	1,456,843	1,447,147
Net cash flow generated/absorbed by held-to-maturity investments	14,242	(6,274)
Net cash flow generated/absorbed by available-for-sale financial assets		(5,165)
Net cash flow generated/absorbed by plant, property and equipment and intangible assets	19,422	(288)
Other net cash flows generated/absorbed by investments		
TOTAL NET CASH FLOW ARISING FROM INVESTMENT OPERATIONS	**1,471,317**	**1,435,476**
Net cash flow generated/absorbed by capital instruments attributable to the Group	340	243,913
Net cash flow generated/absorbed by own shares		
Distribution of dividends attributable to the Group	(150,000)	(310,153)
Net cash flow generated/absorbed by capital and reserves attributable to minorities	(1,634)	76,893
Net cash flow generated/absorbed by subordinated liabilities and participating financial instruments		
Net cash flow generated/absorbed by other financial liabilities	454,640	382,363
TOTAL NET CASH FLOW ARISING FROM LOAN OPERATIONS	**303,346**	**393,017**
Effect of exchange rate differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**2,686,572**	**181,990**
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	2,298,797	2,504,582
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**4,985,369**	**2,686,572**

Notes to the Consolidated financial statements

General information

The SACE group is comprised of SACE and its subsidiaries companies SACE BT, SACE Fct, SACE SRV, SACE do Brasil and SIMEST. SACE is active in the non-life business, in particular in non-marketable credit risk coverage, the SACE BT subsidiary in sureties and short-term credit risk coverage, while the SACE Fct subsidiary operates in the factoring market and SIMEST provides funding for internationalisation, export credit support andequity investments. Through the São Paolo office in Brazil, established under Brazilian law (SACE do Brasil), SACE has expanded its business in a geographical area of strategic importance for the Italian economy, consolidating its current customer portfolio and promoting agreements with important local financial institutions.
SACE's registered office is in Piazza Poli 37/42, Rome. The reference date of the Consolidated financial statements (31 December 2017) coincides with the reporting date of the financial statements of the subsidiaries. The Consolidated financial statements are presented in euros, the functional and the reporting currency of SACE and the subsidiaries. The amounts reported in the notes are in thousands of euros.
The Consolidated financial statements have been audited by PricewaterhouseCoopers S.p.A., appointed as auditors for the nine-year period 2015-2023.

Applicable legislation

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

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

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

Accounting standards used and statement of compliance with IFRS

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

Financial statements, accounting standards and scope of consolidation

Financial statements

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

Basis of consolidation

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

Scope of consolidation

The scope of consolidation includes SACE and its direct and indirect subsidiaries: SACE BT, SACE Fct, SACE SRV, SACE do Brasil and SIMEST.
In order to provide a better representation, please note that at 31 December 2017 the shares of the Export Development Fund included in the assets of SACE has been consolidated line by line, since SACE is the only subscriber of the Fund shares.

Scope of consolidation

Name	Country	Method (1)	Business (2)	% direct investment	% total interest (3)	% Voting rights at ordinary Shareholders' Meetings (4)	% of consolidation
SACE BT	Italy	G	1	100%	100%	100%	100%
SACE Fct	Italy	G	11	100%	100%	100%	100%
SACE SRV	Italy	G	11	0%	100%	100%	100%
SACE do Brasil	Brazil	G	11	99.96%	100%	100%	100%
SIMEST S.p.A.	Italy	G	11	76.005%	76.005%	76.005%	76.005%
Export Development Fund	Italy	G	1	100%	100%	N.A.	100%

(1) Consolidation method: Line-by-line=G, Proportionate=P, Line-by-line by unitary division=U.
(2) 1=Italian ins.; 2=EU ins.; 3=third-party country ins.; 4=insurance holding; 5=EU reins.; 6=third-party country reins.; 7=banks; 8=asset management company; 9=other holdings; 10=real estate companies; 11=other.
(3) The product of the percentages of ownership relating to all companies, along the equity investment chain, between the company preparing Consolidated financial statements and the company in question. If the latter is owned directly by several subsidiaries, the individual results must be added.
(4) Total voting percentage at ordinary Shareholders' Meetings, if different from the direct or indirect percentage of investment.

Non-consolidated equity investments

Name	Country	Business (1)	Type (2)	% direct investment	% total interest (3)	% Voting rights at ordinary Shareholders' Meetings (4)	Carrying amount
African Trade Insurance Agency	Kenya	3	b	4.95%	4.95%	4.95%	8,010

(1) 1=Italian ins.; 2=EU ins.; 3=third-party country ins.; 4=insurance holding; 5=EU reins.; 6=third-party country reins.; 7=banks; 8=asset management company; 9=other holdings; 10=real estate companies; 11=other.
(2) a=subsidiaries (IAS 27); b=associates (IAS 28) c= joint ventures (IAS 31); companies classified as held for sale in accordance with IFRS 5 must be marked with an asterisk (*) and the key must be included at the foot of the table.
(3) The product of the percentages of ownership relating to all companies, along the equity investment chain, between the company preparing Consolidated financial statements and the company in question. If the latter is owned directly by several subsidiaries, the individual results must be added.
(4) Total voting percentage at ordinary Shareholders' Meetings, if different from the direct or indirect percentage of investment.

Transactions eliminated on consolidation

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

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

Held-to-maturity investments and receivables

Impairment losses on receivables and other financial assets not recognised at fair value are determined on the basis of the estimated value of future cash flows.
Technical provisions
Technical provisions are determined using actuarial calculations and taking into account IVASS instructions for marketable companies. The provision for claims outstanding is calculated analytically by examining the single claims outstanding at the end of the year, also taking into account the estimate of late claims.
Intangible fixed assets
The useful life of intangible assets is determined on the basis of estimates and evaluations. It is evaluated annually, using prudential economic projections.
Other
Estimates are used to measure provisions for employee benefits and other provisions.

Valuation criteria

Intangible assets

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

b) Other intangible assets
This item comprises the assets defined and regulated by IAS 38. Only identifiable intangible assets controlled by Group companies are recognised when it is probable that use of the assets will generate future economic benefits and when the cost of the asset is determined or can be reliably measured. This item mainly reflects the costs of software purchased from third parties or developed internally. This item does not include values relating to deferred acquisition costs or intangible assets governed by other international accounting standards. These assets are recorded at cost. For assets with a finite useful life, the cost is amortised at constant rates over their useful life. Assets with an indefinite useful life are not amortised but, in accordance with IAS 36 – Impairment of assets (in the manner described in the paragraph referring to impairment losses and reversal of impairment losses on non-financial assets), an impairment test is carried out at each reporting date or in the case of evidence of permanent impairment. The loss, equal to the difference between the carrying value of the asset and its recoverable value, is recognised through profit and loss. Amortisation rates are consistent with plans for the technical-financial use of each single category of assets.
Intangible assets are derecognised when sold or when no future economic benefits are expected from the asset.

Property, plant and equipment

a) Property
This item comprises property used in Company operations as specified and governed by IAS 16. These assets are distinguished between Land and Buildings and entered at cost which, in addition to the purchase price, includes any accessory charges directly attributable to the purchase and bringing into use of the asset.
Subsequently, the cost of the buildings is depreciated on a straight-line basis over their useful life. Land, whether purchased separately or as part of the value of buildings, is not depreciated, as of indefinite life. If the value of land is incorporated in the value of the building, the land is unbundled only if the Company has full use of the building in all its parts. An impairment test is carried out whenever there is evidence of a potential loss of value. The total of any such impairments, equal to the difference between the carrying amount of the asset and its recoverable value (equal to the lower of fair value, net of any sale costs, and the related value of the asset in use, meaning the present value of future cash flows deriving from the asset), is recognised through profit or loss. Property is derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

b) Other property, plant and equipment
This item comprises furniture, fittings, plant and equipment, office machinery and assets listed in the public registers. These items are stated at cost and subsequently recognised net of depreciation and any impairment losses. Depreciation rates are consistent with plans for the technical-financial use of each single category of assets.

Other property, plant and equipment are derecognised on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Reinsurers' share of technical provisions

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

Investments

Investment property

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

Equity investments in subsidiaries, associates and joint ventures

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

Investments held to maturity

The item includes financial assets covered by IAS 39, which are not derivatives, with fixed or determinable payments and certain maturity which the Company intends and is capable of holding to maturity. At the time of initial recognition, coinciding with the settlement date (so-called regular way contracts), financial assets are recognised at the fair value of the instrument normally coinciding with its cost, including directly attributable transaction costs or income. If assets are stated under this item as a result of reclassification of AFS assets, the fair value of the asset on the date of reclassification is taken as the new amortised cost of the asset. Subsequent to initial recognition, the HTM assets are valued at amortised cost using the effective interest rate method. Gains and losses arising from amortisation are recognised in profit or loss. If, following a change in the intention or ability to hold the asset, an HTM investment is reclassified as AFS or sold and provided that these transactions involve significant amounts, all remaining HTM investments are reclassified as AFS, with the prohibition of classifying financial assets in the HTM category for the following two years. Reclassification is not carried out only in the cases envisaged by IAS 39, where an unforeseeable objective change in the cited initial conditions makes it impracticable to maintain the financial instrument as an HTM investment. Disposal gains and losses are recognised in profit or loss. On each annual or interim reporting date, these assets are tested for impairment. If there is evidence of impairment, the amount of these losses is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the original interest rate. Impairment losses are recognised in profit or loss. If the reasons for the loss are subsequently removed, the value of the asset is restored up to the amount of the impairment losses previously recorded. HTM investments are derecognised when the contractual rights to the cash flows from the asset lapse or when all the risks and benefits of the asset are transferred.

Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments which are not listed in an active market and which are held with the intention not to sell them in the short term (IAS 39), excluding trade receivables.
Specifically, this item comprises loans, receivables other than premiums payable by policyholders, term deposits with banks, deposits with ceding companies, and any financial component of insurance and 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 or loss under interest income.
Cash deposits with third parties guaranteeing the Group's future obligations are recognised at cost corresponding to their face value.
At the end of each year, loans and receivables are tested for impairment. Such receivables are valued analytically taking into account their recovery period. Any value adjustments are recognised in profit or loss. If the reasons for an impairment loss are subsequently removed, the value of the loan or receivable is restored up to the amount of the previously recorded impairment losses. Credits that do not present evidence of anomaly are valued collectively by dividing them into uniform risk classes and determining the estimated impairment loss for each on the basis of past loss experience. Loans and receivables are derecognised when deemed irrecoverable or when, following assignment, all the risks and benefits are effectively transferred to another entity.

Available-for-sale financial assets

This category includes financial assets that are not classified as loans and receivables, financial assets held to maturity, financial assets held for trading or financial assets at fair value.
Debt securities may be reclassified as financial assets held to maturity or as loans and receivables (provided that the Company plans to hold them for the foreseeable future). The transfer value is given by the fair value at the time of the reclassification. Available-for-sale financial assets are initially recognised on the settlement date for debt and equity securities and on the disbursement date in the case of loans. Financial assets available for sale are initially recognised at fair value, which generally equals the amount paid, in addition to any directly attributable transaction costs, if material and determinable.
Following initial recognition, financial assets available for sale are measured at fair value with changes in value being recognised in a special equity reserve, the effects of which for the period are recognised in the statement of comprehensive income. For debt securities the value corresponding to the amortised cost is recognised in profit or loss. Certain equity securities not listed on active markets, the fair value of which cannot be reliably determined or verified, are carried at cost and written down in the event of impairment losses. The values recognised in the specific equity reserve are reversed to profit or loss upon disposal of the asset or in the event of impairment. Where impairment is found, the amount of the loss is measured as the difference between the carrying amount and the fair value of the asset. Should the reasons for the impairment cease to exist, write-backs are recognised in profit or loss for debt securities and in equity in the case of equity instruments. The amount of the write-back shall not in any event exceed the amortised cost that the instrument would have had in the absence of the prior write-down.
The interest on debt securities recognised in this category is calculated using the effective interest rate method and is stated through profit or loss.
Dividends on available-for-sale capital instruments are recognised through profit or loss when the right to receive payment accrues.

Financial assets measured at fair value through profit or loss

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

Derivative financial instruments

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

Determination of fair value

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

Sundry receivables

Receivables arising out of direct insurance business

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

Receivables arising out of reinsurance business

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

Other receivables

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

Other assets

Deferred tax assets and liabilities

These items include, respectively, tax assets deriving from deductible temporary differences and tax liabilities deriving from taxable temporary differences, as defined and governed by IAS 12. These items are recognised based on national legislation, given that all the companies included in the scope of consolidation have tax domicile in Italy.

All deferred tax liabilities on taxable temporary differences are recognised. Tax assets on deductible temporary differences are recognised if it is probable that sufficient taxable income will be generated in the future to permit use of these. Deferred tax assets and liabilities are recognised on the basis of the tax rate in force in the period in which the asset or liability is realised or settled. Deferred taxes are recognised with a balancing entry in profit or loss except for taxes relating to gains or losses on AFS financial assets and changes in the fair value of hedging instruments (cash-flow hedges), which are recognised net of taxes directly with a balancing entry against shareholders' equity.

Current tax assets and liabilities

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

Other assets

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

Cash and cash equivalents

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

Group interest in shareholders' equity

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

Share capital

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

Retained earnings and other equity reserves

The item includes:

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

Reserves for net exchange differences

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

Other gains (losses) taken directly to equity

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

Provisions

The item includes the liabilities defined and governed by IAS 37 (Provisions, contingent liabilities and contingent assets).
Provisions for risks and charges are made when the following three conditions are met:

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

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

Technical provisions

IFRS 4 permits recognition of technical provisions on the basis of generally accepted local accounting principles. A review of all the non-life contracts showed that all the contracts qualify as insurance contracts. The technical provisions also include any provisions made necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions in that these are not permitted under IFRS. These provisions are recognised according to the accounting principles adopted prior to IFRS as all the outstanding non-life policies fall within the scope of IFRS 4 (insurance 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 not subject to claim at the year end, while meeting the requirements of IFRS 4 for the liability adequacy test.
- the provision for claims outstanding which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. Claims provisions are determined on the basis of an analytical estimate of the ultimate cost of covering charges relating to the compensation paid, direct costs and payment for each individual claim.

Liability adequacy test

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

Financial liabilities

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

Accounts payable

This category comprises trade payables.

Accounts payable arising out of direct insurance business

These are recognised at cost.

Accounts payable arising out of indirect insurance business

These are recognised at cost.

Other accounts payable

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

Other liabilities

This category comprises trade payables.

Current and deferred tax liabilities

Reference should be made to the assets section.

Other liabilities

The item comprises:

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

Items of the Profit & 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 criteria set out below.

Net premiums

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

All contracts under which one party, the insurer, accepts significant insurance risk, agreeing to compensate another party, the policyholder or another beneficiary, if a specified uncertain future event adversely affects the policyholder or another beneficiary are considered to be insurance contracts.
All contracts distributed by the Group qualify as insurance contracts according to IFRS 4. Premiums are recognised net of reinsurance transfers.

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

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

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

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

Income and expense from other financial instruments and investment property

This item reflects income and expense on investment property and financial instruments not at fair value through profit or loss.
Specifically, the items comprise:

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

Other revenue and Other costs

These items comprise, respectively:

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

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

Net claims incurred

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

Operating expenses

The item includes:

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

Current taxes

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

Deferred taxes

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

Items in foreign currency

Transactions in foreign currency are recognised initially in the functional currency, adopting the exchange rate prevailing on the date of the transaction.
On each annual or interim reporting date, foreign currency entries are measured as follows:

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

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

Risk management

SACE regularly assesses its exposure to currency, interest rate and credit fluctuations and manages these risks by means of asset liability management techniques, in accordance with its risk management policies.

SACE uses financial instruments designated as hedges mainly for the management of:

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

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

Accounting standards and interpretations to be introduced shortly

The following apply as from 1 January 2018:

- **IFRS 9** - Financial instruments, endorsed with Regulation (EU) No. 2067/2016.

The new accounting standard which, as from 1 January 2018 will replace most of the guidance in IAS 39 - Financial instruments: Recognition and measurement, was designed to improve the principles for disclosures relating to financial instruments by taking into account the difficulties that arose during the financial crisis. It also introduces a new classification and measurement model to ensure timely recognition of expected losses on financial assets. The standard introduces changes in three areas:

i) **Classification and measurement** of financial assets, driven by the business model implemented by the entity's senior management for managing financial asserts and their contractual cash flow characteristics. The new standard requires the classification and measurement of financial assets in three categories (instead of the four established by IAS 39):
   - **Amortised cost**: financial assets held to collect their contractual cash flows which represent solely payments of principal and interest;
   - **Fair value measured through other comprehensive income (FVTOCI):** financial assets held to achieve an objective by both collecting contractual cash flows, which represent solely payments of principal and interest, and selling the assets;
   - **Fair value recorded through profit or loss (FVTPL):** the residual category which comprises financial assets that do not fall within either of the previous categories.

ii) **Impairment** based on the new expected loss impairment model that requires entities to account for credit losses prospectively over the life of the financial instrument and to recognise such loss impairments immediately rather than upon occurrence of a trigger event as required by the current incurred losses model. Under IFRS 9, companies must account for expected losses over the following 12 months (stage 1) from when the financial instruments are first recognised. However, if there has been a "significant" increase in the credit risk of financial assets since they were originally recognised (stage 2), or if the assets are impaired (stage 3), the expected credit loss must be calculated over their entire residual lifetime.

iii) **General hedge accounting:** partially amended with respect to the provisions of IAS 39. The main new features include: more hedging instruments and hedged items will qualify for hedge accounting; hedge effectiveness can only be tested on a prospective basis; it will be possible to modify the hedge ratio without discontinuing the existing hedge (rebalancing).

The classification and measurement of financial liabilities remains essentially the same as in IAS 39. The only difference regards the recognition of own credit risk: for financial liabilities at fair value (application of the fair value option), changes in fair value related to changes in own credit risk must be recognised in equity, unless doing so would give rise to an accounting mismatch in the profit for the year, while the remainder of the changes in fair value of liabilities must be recognised in profit or loss.

The main effects deriving from the application of IFRS 9 to the accounts of SACE regard the reclassification of financial instruments under the categories as defined by IFRS 9. The transition to IFRS 9 and first time adoption of this standard are not expected to produce any significant effects.

- **IFRS 15 -** Revenue from contracts with customers endorsed with Regulation (EU) No. 2016/1905.

  The new standard, which will replace IAS 18 -"Revenue", IAS 11 - "Construction contracts" and IFRIC 13 - "Customer loyalty programmes", introduces a new model for revenue recognition that no longer depends on the category of revenue (sales of goods, services, interest, royalties, etc.), but distinguishes between performance obligations satisfied at a point in time or over time.

  For contractual obligations satisfied at a point in time, revenue must only be recognised when "control" of the agreed-upon good or service is transferred to the customer. For the transfer to have taken place, the customer must not only have the significant risks and rewards of ownership of the asset, but also physical possession of the asset, have accepted the asset, legal title to the asset, etc..

  In the case of contractual obligations satisfied over time, the measurement and recognition of revenue are a virtual reflection of the progress towards complete satisfaction of the customer; in practice, the entity must apply a method based on the progress of production or of the costs sustained. The standard provides a specific guide to help entities choose the most appropriate accounting method.

  Moreover, the new standard requires sellers to measure each single performance obligation separately, even when they are part of the same contract.
  In applying this approach, there may be differences in the measurement and time of recognition of sales revenue as compared to when using IAS 18.

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

- **IFRS 14** - Regulatory deferral accounts.

- **IFRS 16** - Lease, scheduled to come into force on 1 January 2019.

The new standard sets out requirements for reporting lease agreements and supersedes IAS 17 - *Leases* as well as interpretations IFRIC 4 - "Determining whether an arrangement contains a lease", SIC 15 - "Operating leases" - incentives and SIC 27 - "Evaluating the substance of transactions in the legal form of a lease". The new standard introduces a principle based on the right of use, and prescribes the appropriate accounting policies and disclosures to apply in relation to finance and operating leases.

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

Exchange rates

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

	31-12-17	31-12-16	31-12-15
US Dollar	1.1993	1.0541	1.0887
GB pound	0.88723	0.85618	0.73395
Swiss franc	1.1702	1.0739	1.0835

Segment reporting

Pursuant to the provisions of IVASS Regulation No. 7/2007, the business activities of the SACE Group fall into the following sectors:

- non-life insurance business;
- other businesses.

(in € thousands)

Statement of financial position by business segment	Non-life business		Life business		Other businesses		Inter-segment eliminations		Total	
	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16
1 INTANGIBLE ASSETS	13,706	13,609			2,744	2,395			16,450	16,004
2 PROPERTY, PLANT AND EQUIPMENT	52,566	72,397			303	340			52,869	72,737
3 REINSURERS' SHARE OF TECHNICAL PROVISIONS	777,523	678,482							777,523	678,482
4 INVESTMENTS	2,429,309	4,562,278			2,200,250	2,459,096	(71)	(844,093)	4,629,488	6,177,281
4.1 Investment property	31,680	12,547							31,680	12,547
4.2 Equity investments in subsidiaries, associates and joint ventures	8,010	7,954							8,010	7,954
4.3 Held-to-maturity investments	1,583,288	1,597,530							1,583,288	1,597,530
4.4 Loans and receivables	29,307	2,069,617			2,192,478	2,452,220	(71)	(843,280)	2,221,714	3,678,557
4.5 Available-for-sale financial assets					5,165	5,165			5,165	5,165
4.6 Financial assets at fair value through profit or loss	777,023	874,630			2,607	1,711		(812)	779,630	875,528
5 SUNDRY RECEIVABLES	751,775	935,031			3,564	3,390	(3,295)	(3,710)	752,044	934,711
6 OTHER ASSETS	124,458	103,537			39,205	24,893	(338)	(806)	163,325	127,624
6.1 Deferred acquisition costs										
6.2 Other assets	124,458	103,537			39,205	24,893	(338)	(806)	163,325	127,624
7 CASH AND CASH EQUIVALENTS	4,952,162	2,503,305			33,207	183,267			4,985,369	2,686,572
TOTAL ASSETS	9,101,498	8,868,639			2,279,273	2,673,381	(3,704)	(848,609)	11,377,067	10,693,411
1 SHAREHOLDERS' EQUITY									5,566,994	5,262,285
2 PROVISIONS	76,263	88,946			1,274	1,001	3,210		80,747	89,947
3 TECHNICAL PROVISIONS	2,698,677	2,977,578			1,324	1,716			2,700,001	2,979,294
4 FINANCIAL LIABILITIES	645,957	605,289			1,761,264	2,175,112		(843,279)	2,407,221	1,937,123
4.1 Financial liabilities at fair value through profit or loss	73,160	57,613				89			73,160	57,702
4.2 Other financial liabilities	572,797	547,676			1,761,264	2,175,023		(843,279)	2,334,061	1,879,421
5 ACCOUNTS PAYABLE	275,326	189,789			45,093	25,929	(3,363)	(4,272)	317,056	211,446
6 OTHER LIABILITIES	275,031	185,393			30,295	29,541	(278)	(1,618)	305,049	213,317
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									11,377,067	10,693,411

(in € thousands)

	Income statement by business segment	Non-life business		Life business		Other businesses		Inter-segment eliminations		Total	
		31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16
1.1	Net premiums	834,066	404,897							834,066	404,897
1.1.1	*Gross premiums for the year*	*930,109*	*411,642*							*930,109*	*411,642*
1.1.2	*Outward reinsurance premiums for the year*	*(96,043)*	*(6,745)*							*(96,043)*	*(6,745)*
1.2	Commission income	1				28,762	26,334			28,763	26,334
1.3	Gains (losses) on financial instruments at fair value through profit or loss	(108,129)	250,223							(108,129)	250,223
1.4	Gains from equity investments in subsidiaries, associates and joint ventures										
1.5	Income from other financial instruments and investment property	93,247	320,663			59,963	36,059			153,210	356,722
1.6	Other revenue	12,267	95,804			10,085	10,286	2,045	2,231	24,397	108,321
1	**TOTAL REVENUE AND INCOME**	**831,452**	**1,071,587**			**98,810**	**72,679**	**2,045**	**2,231**	**932,307**	**1,146,497**
2.1	Net claims incurred	55,230	(263,943)					829	1,078	56,059	(262,865)
2.1.1	*Amounts paid and changes in technical provisions*	*17,913*	*(286,818)*					*829*	*1,078*	*18,742*	*(285,740)*
2.1.2	*Reinsurers' share*	*37,317*	*22,875*							*37,317*	*22,875*
2.2	Commission expense	3,890	14,083			(5,311)	(15,271)			(1,421)	(1,188)
2.3	Expense related to equity investments in subsidiaries, associates and joint ventures										
2.4	Expense relating to other financial instruments and investment property	(20,996)	(17,977)			(32,483)	(16,554)			(53,479)	(34,531)
2.5	Operating expenses	(78,752)	(69,993)			(35,006)	(18,831)	1,077	1,022	(112,681)	(87,802)
2.6	Other expenses	(178,126)	(73,715)			(11,216)	(10,108)	225	217	(189,117)	(83,606)
2	**TOTAL COSTS AND EXPENSES**	**(218,753)**	**(411,546)**			**(84,016)**	**(60,764)**	**2,131**	**2,317**	**(300,638)**	**(469,993)**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**612,699**	**660,042**			**14,794**	**11,915**	**4,176**	**4,548**	**631,669**	**676,505**

Information on the consolidated statement of financial position

(in € thousands)

1. Intangible assets - Item 1

TABLE 1 *(in € thousands)*

Intangible assets	Net amount at 31-12- 17	Net amount at 31-12-16
Goodwill	7,655	7,655
Other intangible assets	8,795	8,349
Total	**16,450**	**16,004**

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

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

Other intangible assets mainly include costs for the Company's IT system. Amortisation periods reflect the useful life of capitalised costs. Further details on the measurement of intangible assets are provided in the annex "Detail of property, plant and equipment and intangible assets".

2. Property, plant and equipment - Item 2

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

TABLE 2 *(in € thousands)*

Real property	Amount
Opening balance	70,761
Acquisitions	
Decreases	19,269
Depreciation	608
Closing balance	**50,884**

The change in real property mainly refers to the property owned by SACE BT (€12,202 thousand at 31 December 2016), situated in Via A. De Togni, 2, Milan, which was reclassified under investment property after the Milan office was moved to the new site in Via San Marco as part of a project by the Parent CDP to have all the offices of Group companies in Milan in the same building.

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

TABLE 3 ***(in € thousands)***

Other property, plant and equipment	Amount
Opening balance	1,976
Acquisitions	794
Decreases	85
Depreciation	701
Closing balance	**1,984**

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

3. Reinsurers' share of technical provisions - Item 3

This item of €777,523 thousand (€678,482 thousand at 31 December 2016) includes reinsurers' commitments arising on reinsurance contracts regulated by IFRS 4. Further details are provided in the annex "Detail of reinsurers' share of technical provisions".

4. Investments - Item 4

The detail is as follows:

TABLE 4 ***(in € thousands)***	31-12-17	31-12-16
4.1. Investment property	31,680	12,547
4.2 Equity investments in subsidiaries, associates and joint ventures	8,010	7,954
4.3 Held-to-maturity investments	1,583,288	1,597,530
4.4 Loans and receivables	2,221,714	3,678,557
4.5 Available-for-sale financial assets	5,165	5,165
4.6 Financial assets at fair value through profit or loss	779,630	875,528
Total	**4,629,487**	**6,177,281**

4.1 Investment property

Investment property (Item 4.1) refers to property leased to third parties by the subsidiary SACE BT. Overall, the market value of each asset exceeds the carrying amount. The expert appraisals are aligned with the provisions of Title III of ISVAP Regulation No. 22. Further details are set forth in the annex "Detail of property, plant and equipment and intangible assets". The change with respect to the previous year refers to the reclassification of the building owned by the SACE BT subsidiary under Item 4.2 Investment property instead of Item 2.1 Real property.

4.2 Equity investments in subsidiaries, associates and joint ventures

This item comprises the interest in ATI (the *African Trade Insurance Agency*) in the form of 100 shares for an equivalent value of USD 10.3 million.

4.3 Held-to-maturity investments

Changes in this item are detailed below:

TABLE 5 *(in € thousands)*

Held-to-maturity investments	Amount
Opening balance	1,597,530
Increases during the year	28,451
Decreases during the year	42,693
Total	**1,583,288**

TABLE 6 *(in € thousands)*

Composition	31-12-17	31-12-16
Government bonds	1,449,505	1,445,061
Listed bonds	133,778	152,462
Other unlisted securities	5	7
Total	**1,583,288**	**6,177,281**

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 €1,708,120 thousand for receivables from debtors arising from factoring contracts subscribed before the end of the year and Notes for €8,741 thousand.

4.5. Available-for-sale financial assets

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

4.6 Financial assets at fair value through profit or loss

This item includes investments of liquidity in bonds, equities and units of UCITS. Further details of "Held-to-maturity investments", "Loans and receivables" and "Financial assets at fair value through profit or loss" are provided in the annex "Detail of financial assets".
Information as per IFRS 7.27B(a) about the fair value hierarchies in accordance with IFRS 7.27 is provided in Annex 9 "Breakdown of financial assets and liabilities by level". Level 1 includes financial instruments listed in regulated markets, level 2 comprises unlisted securities and derivatives which are measured on the basis of directly observable market data, level 3 comprises securities and financial instruments measured using valuation techniques based to a large extent on unobservable variables.

TABLE 7 *(in € thousands)*

Composition	31-12-17	31-12-16
Government bonds	82,218	83,597
Listed bonds	23,478	73,054
Unlisted bonds	134,503	
Listed shares	6,207	4,275
Units of UCITS	530,277	641,969
Forward contracts	340	70,922
Other	2,607	1,711
Total	**779,630**	**875,528**

Other refers to the mark-to-market valuation at 31 December 2017 of derivatives relating to options on forward repurchase/sale agreements exercisable on loans for equity investments by SIMEST.
The afore-mentioned fair value comprises level 1 fair value for €641,881 thousand, level 2 fair value for €92,282 thousand and level 3 fair value for €45,467 thousand

5. Sundry receivables - Item 5

TABLE 8 *(in € thousands)*

Composition	31-12-17	31-12-16
5.1 Receivables arising out of direct insurance business	692,286	844,261
5.2 Receivables arising out of reinsurance business	18,795	23,458
5.3 Other receivables	40,963	66,992
Total	**752,044**	**934,711**

Receivables arising out of direct insurance business

This item consists mainly of subrogation receivables from sovereign debtors amounting to €460,479 thousand.

Receivables arising out of reinsurance business

This item refers to current account debit and credit balances for premiums, claims, commissions, deposits and related interest towards counterparties with which reinsurance business is transacted.
The item comprises the transactions pursuant to the Agreement with the Ministry of the Economy and Finance (€14,606 thousand).

Other receivables

Other receivables are detailed below.

TABLE 9 *(in € thousands)*

Composition	31-12-17	31-12-16
Receivables from tax authorities	4,471	4,618
Receivables for invoices to be issued	691	899
Receivables from CDP for tax consolidation		20,616
Sundry receivables	35,801	40,859
Total	**40,963**	**66,992**

Sundry receivables mainly comprise receivables from policyholders in relation to their exposure (€28,303 thousand). The aforesaid receivables are similar, as far as their related terms and conditions of repayment are concerned, to the receivables payable by foreign countries due directly to SACE.

6. Other assets - Item 6

TABLE 10 ***(in € thousands)***

Composition	31-12-17	31-12-16
6.1 Non-current assets or of a disposal group available-for-sale		
6.2 Deferred acquisition costs		
6.3 Deferred tax assets	128,838	79,992
6.4 Current tax assets	1,850	22,783
6.5 Other assets	32,637	24,849
Total	**163,325**	**127,624**

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

7. Cash and cash equivalents - Item 7

TABLE 11 ***(in € thousands)***

Composition	31-12-17	31-12-16
Bank and Post Office demand deposits	4,985,353	2,686,560
Cash in hand	16	12
Total	**4,985,369**	**2,686,572**

Cash and cash equivalents increased by €2,298,797 thousand in 2017, compared to year-end 2016. The increase was mainly due to the repayment of notes for €617,945 thousand, of time deposits for €1,293,493 thousand and the loan to SACE Fct for €125,000 thousand.

8. Shareholders' equity

At 31 December 2017, shareholders' equity totalled €5,566,994 thousand and comprises:

TABLE 12 ***(in € thousands)***

Composition	31-12-17	31-12-16
Shareholders' equity	**5,566,994**	**5,262,285**
Group interest	**5,490,098**	**5,184,625**
Share capital	3,730,324	3,730,324
Capital reserves	43,305	43,305
Retained earnings and other equity reserves	1,260,839	929,707
Other gains (losses) taken directly to equity	501	161
Group interest in the profit (loss) for the year	455,129	481,129
Minority interest	**76,896**	**77,660**
Share capital	76,082	**76,986**
Gains (losses) taken directly to equity	(56)	**(93)**
Minority interest in the profit (loss) for the year	870	**767**

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

9. Provisions

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

TABLE 13 ***(in € thousands)***

Description	31-12-17	31-12-16
Provisions for amounts due to policyholders	8,326	8,879
Provision for legal disputes	4,946	5,229
Provision for payments to agents	1,625	1,520
Other provisions	65,850	74,319
Total	**80,747**	**89,947**

Other provisions include €36,573 thousand related to potential charges pursuant to the agreement with the Ministry of the Economy and Finance to the extent of the amount calculated as 10% of SACE's equalisation provision for 2014. (art. 8.1.a).

Movements in this item during 2017 are detailed below:

TABLE 14 *(in € thousands)*

Description	Amount
Opening balance	89,947
Provisions	8,903
Utilisations	18,103
Closing balance	**80,747**

10. Technical provisions

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

TABLE 15 *(in € thousands)*

Description	31-12-17	31-12-16
Provision for unearned premiums - non-life business	2,309,096	2,363,818
Provision for claims outstanding - non-life business	389,749	614,490
Other provisions	1,156	986
Total	**2,700,001**	**2,979,294**

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

11. Financial liabilities

The detail of this heading is as follows:

TABLE 16 *(in € thousands)*

Description	31-12-17	31-12-16
4.1 Financial liabilities at fair value through profit or loss	73,160	57,702
4.2 Other financial liabilities	2,334,061	1,879,421
Total	**2,407,221**	**1,937,123**

Financial liabilities at fair value through profit or loss reflect the value of financial instruments in portfolio. Financial instruments are used for hedging or efficient management purposes; hedge accounting has not been applied for these instruments.
The fair value of derivatives is determined on the basis of market parameters at the reporting date.
Other financial liabilities include the loans granted by banks and financial institutions to SACE Fct. Other financial liabilities include the amounts due to ceding companies for factoring contracts and the subordinated loan, listed on the Luxembourg Stock Exchange, issued by the Parent SACE and equal to €500 million. Further details of this item are provided in the annex “Detail of financial liabilities”.

12. Accounts payable

TABLE 17 ***(in € thousands)***

Description	31-12-17	31-12-16
5.1 Accounts payable arising out of direct insurance business	35,677	34,369
5.2 Accounts payable arising out of reinsurance business	122,968	94,446
5.3 Other accounts payable	158,411	82,631
Total	**317,056**	**211,446**

Accounts payable arising out of direct insurance business mainly refer to payables for amounts due to policyholders for deductibles on amounts recovered, equal to €28,820 thousand.
Accounts payable arising out of reinsurance business include €51,888 thousand relating to amounts payable for premiums ceded under the Agreement with the Ministry of the Economy and Finance, and €26,238 thousand referring to the portion of the provision for unearned premiums to be refunded to the Ministry of the Economy and Finance.

Other accounts payable include the following items:

TABLE 18 ***(in € thousands)***

Description	31-12-17	31-12-16
Amounts due to suppliers	15,695	14,354
Provision for termination benefits	8,235	8,580
Amounts due to CDP for tax consolidation	81,248	
Sundry creditors	53,233	59,697
Total	**158,411**	**82,631**

Sundry creditors consist of payments received from creditors in connection with factoring activities and to be processed (€32,164 thousand).

13. Other liabilities

This heading is detailed as follows:

TABLE 19 ***(in € thousands)***

Description	31-12-17	31-12-16
6.1 Liability of a disposal group held for sale		
6.2 Deferred tax liabilities	266,511	178,588
6.3 Current tax liabilities	11,438	4,238
6.4 Other liabilities	27,100	30,491
Total	**305,049**	**213,317**

Information on the Consolidated profit & 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 amount to €873,434 thousand. Indications regarding premium income in 2017 segment by segment are provided in the Directors' Report.
Further details can be found in the annex "Detail of insurance technical items".

15. Gains (losses) on financial instruments at fair value through profit or loss

This item comprises realised gains and losses and increases and decreases in the carrying amount of financial assets and liabilities at fair value through profit or loss. Specifically, it reflects the value of financial instruments used to hedge exchange rates (see also Other revenue for the component relating to exchange rate adjustments to portfolio receivables). Further details are provided in the annex "Financial and investment income (expense)".

16. Income from other financial instruments and investment property

This item includes income on investment property and financial instruments not measured at fair value through profit or loss. In particular, it comprises the following:

Interest income

This item includes interest recognised using the effective interest method (IAS 39).

Other income

This item reflects income from rentals on investment property.

17. Other revenue

This item mainly includes exchange rate differences to be recognised in profit or loss as set forth in IAS 21 of €21,983 thousand (€93,661 thousand at 31 December 2016).

18. Net claims incurred

This item includes (gross of payment costs and amounts ceded to reinsurers) the amount of claims paid for €376,739 thousand (€373,811 thousand at 31 December 2016). Information about claims in 2017 by class of business is provided in the Directors' Report. Further details can be found in the annex "Detail of insurance technical items".

19. Expense relating to other financial instruments and investment property

This item reflects charges on investment property and financial instruments not measured at fair value through profit or loss. The detail is as follows:

Interest expense

The item includes interest expense recognised using the effective interest method (relating to outstanding loans).

Other expense

The item includes, amongst others, costs relating to investment property and, specifically, property management charges and maintenance and repair costs not capitalised.

20. Operating expenses

Commissions and other acquisition expenses

The item includes acquisition costs, net of amounts ceded to reinsurers, relating to insurance contracts.

Investment management charges

This item includes general and personnel expenses relating to the management of financial instruments, investment property and equity investments.

Other administrative expenses

This item includes general and personnel expenses not allocated to claims expenses, acquisition costs in respect of insurance contracts or investment management costs.

21. Other expenses

This heading includes:

- other technical charges relating to insurance contracts (€2,766 thousand);
- impairment losses and additional provisions accrued during the year (€7,262 thousand);
- exchange rate differences recognised in profit or loss, as set forth in IAS 21 (€158,201 thousand);
- realised losses, depreciation of property, plant and equipment, not otherwise allocated to other cost items, and amortisation of intangible assets (€2,047 thousand).

22. Taxes

Taxes recognised in the Consolidated profit & loss account are as follows:

TABLE 20 ***(in € thousands)***

Income tax - Through profit or loss	2017	2016
Current taxes		
Expense (Income) for current taxes	137,524	71,482
Adjustments to prior year current taxes	(385)	3
Deferred taxes		
Expense (income) due to recognition and elimination of temporary differences	38,531	132,562
Expense (income) due to changes in tax rates or new taxes		(9,437)
Expense (income) arising from tax losses		
Expense (income) arising from impairment losses or reversals of impairment losses on deferred tax assets		
Total income tax	**175,670**	**194,610**

The reconciliation between the tax liability stated in the 2017 Consolidated financial statements and the theoretical tax liability, determined according to theoretical tax rates adopted in Italy, is as follows:

TABLE 21 ***(in € thousands)***

Reconciliation between average effective and theoretical tax rates - breakdown	2017	2016
Ordinary rate applicable	30.82%	34.32%
Effect of increases/decreases	(3.01%)	(5.55%)
Tax rate on profit before taxes	**27.81%**	**28.77%**

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

TABLE 22 ***(in € thousands)***

Deferred tax assets and liabilities	Assets		Liabilities		Net	
Related to:	2017	2016	2017	2016	2017	2016
Intangible assets						
Unrealised revaluation	2,095	781			2,095	781
Equalisation and catastrophe reserves			67,958	54,812	(67,958)	(54,812)
Employee benefits	16		266	163	(250)	(163)
Assets at fair value			127,027	24,150	(127,027)	(24,150)
Other items	126,727	79,211	71,260	99,461	55,467	(20,251)
Taxable losses						
Total gross deferred taxes	128,838	79,992	266,511	178,586	(137,673)	(98,594)
Tax offsetting						
Total net tax (assets)/liabilities	**128,838**	**79,992**	**266,511**	**178,586**	**(137,673)**	**(98,594)**

Other information

Intra-group transactions and transactions with related parties

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

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

With reference to relations with the Parent company Cassa depositi e prestiti, it should be noted that in 2017 insurance guarantees were issued which generated premiums for approximately €24.3 million (€37.2 million in 2016). SACE's financial investment portfolio contains two bonds with a total nominal value equal to €84 million issued by the Parent company Cassa depositi e prestiti and purchased by SACE before the change of the controlling shareholder. Furthermore on 31 December 2017 there were €4,912.5 million as time deposits at the Parent company Cassa depositi e prestiti S.p.A.

Fees paid to senior managers with strategic responsibility

Fees were paid in 2017 for €2,631 thousand.

Other information

Since SACE is included in the tax consolidated tax regime of Cassa depositi e prestiti, for the three-year period 2016-2018 current IRES (Corporate Income Tax) has been recognised as tax consolidation charges payable to the Parent.

Independent Auditors' fees

In accordance with Italian Legislative Decree 39 of 27 January 2010, the fees due for FY 2017 to PricewaterhouseCoopers for auditing the Consolidated financial statements and to BDO Italia S.p.A. (limited to the subsidiary SACE BT S.p.A.) are shown in the table below.

TABLE 23 ***(in € thousands)***

Description	2017
SACE S.p.A. audit	112
Audit subsidiary and affiliated companies	329
Total	**441**

Events after the end of the year

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

Annexes to the notes

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

(in € thousands)

Annex 1. Detail of property, plant and equipment and intangible assets	At cost	Restated or at fair value	Total carrying amount
Investment property	31,680		31,680
Other property	50,884		50,884
Other property, plant and equipment	1,984		1,984
Other intangible assets	8,795		8,795

(in € thousands)

Annex 2. Detail of reinsurers' share of technical provisions	Direct business		Indirect business		Total carrying amount	
	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16
Non-life provisions	**776,251**	**677,070**	**1,272**	**1,412**	**777,523**	**678,482**
Provision for unearned premiums	686,412	572,965	880	978	687,292	573,943
Provision for claims outstanding	53,129	62,196	392	434	53,521	62,630
Other provisions	36,711	41,909			36,711	41,909
Life provisions						
Provision for sums to be paid						
Mathematical provisions						
Technical provisions when the investment risk is borne by the policyholders and provisions relating to pension fund administration						
Other provisions						
Total of reinsurers' share of technical provisions	**776,251**	**677,070**	**1,272**	**1,412**	**777,523**	**678,482**

(in € thousands)

Annex 3. Detail of financial assets

Detail of financial assets	Held-to-maturity investments		Loans and receivables		Available-for-sale financial assets		Financial assets at fair value through profit or loss: Financial assets held for trading		Financial assets at fair value through profit or loss: Other financial assets at fair value through profit or loss		Total carrying amount	
	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16
Equity instruments and derivatives measured at cost					5,165						5,165	
Equity instruments at fair value							8,814	5,985			8,814	5,985
- of which listed							*6,207*	*4,274*			*6,207*	*4,274*
Debt securities	1,583,288	1,597,529					240,199	156,652			1,823,487	1,754,181
- of which listed	*1,583,283*	*1,597,522*					*105,696*	*156,652*			*1,688,979*	*1,754,174*
Units of UCITS							530,277	641,969			530,277	641,969
Loans and receivables with insured banks			27	7,702							27	7,702
Interbank loans and receivables			675	312							675	312
Deposits with ceding companies			196	379							196	379
Financial asset components of insurance policies												
Other loans and receivables			2,220,815	3,670,164							2,220,815	3,670,164
Non-hedge derivatives							340	70,922			340	70,922
Hedging derivatives												
Other financial investments												
Total	**1,583,288**	**1,597,529**	**2,221,714**	**3,678,557**	**5,165**		**779,630**	**875,528**			**4,589,797**	**6,151,615**

(in € thousands)

Annex 4. Detail of technical provisions	**Direct business**		**Indirect business**		**Total carrying amount**	
	31-12-17	**31-12-16**	**31-12-17**	**31-12-16**	**31-12-17**	**31-12-16**
Non-life provisions	**2,591,077**	**2,877,087**	**108,924**	**102,207**	**2,700,001**	**2,979,294**
Provision for unearned premiums	2,202,004	2,266,890	107,092	96,928	2,309,096	2,363,818
Provision for claims outstanding	387,917	609,211	1,832	5,279	389,749	614,490
Other provisions	1,156	986			1,156	986
of which provisions made following liability adequacy tests						
Life provisions						
Provision for sums to be paid						
Mathematical provisions						
Technical provisions when the investment risk is borne by the policyholders and provisions relating to pension fund administration						
Other provisions						
of which provisions made following liability adequacy tests						
of which deferred liabilities to policy holders						
Total technical provisions	**2,591,077**	**2,877,087**	**108,924**	**102,207**	**2,700,001**	**2,979,294**

(in € thousands)

Annex 5. Detail of financial liabilities	**Financial liabilities at fair value through profit or loss**							
	Financial liabilities held for trading		**Financial liabilities designated at fair value through profit or loss**		**Other financial liabilities**		**Total carrying amount**	
	31-12-17	**31-12-16**	**31-12-17**	**31-12-16**	**31-12-17**	**31-12-16**	**31-12-17**	**31-12-16**
Participating financial instruments								
Subordinated liabilities					14,312	14,294	14,312	14,294
Liabilities from financial contracts arising from:								
- policies where the investment risk is borne by policyholders								
- pension fund administration								
- other policies								
Deposits received from reinsurers					15,036	16,095	15,036	16,095
Financial liability components of insurance policies								
Debt securities issued					517,199	517,205	517,199	517,205
Due to banks					675,817	641,149	675,817	641,149
Interbank liabilities								
Other loans obtained					1,093,524	672,890	1,093,524	672,890
Non-hedge derivatives and forward contracts	43,097	57,702					43,097	57,702
Hedging derivatives								
Other financial liabilities	30,063				18,173	17,788	48,236	17,788
Total	**73,160**	**57,702**			**2,334,061**	**1,879,421**	**2,407,221**	**1,937,123**

(in € thousands)

Annex 6. Detail of technical insurance items		2017 Gross amount	2017 Reinsurers' share	2017 Net amount	2016 Gross amount	2016 Reinsurers' share	2016 Net amount
Non-life business		**930,108**	**(96,042)**	**834,066**	**411,641**	**(6,744)**	**404,897**
a	Premiums written	873,433	(170,839)	702,593	600,922	(179,073)	421,849
b	Change in the provision for unearned premiums	56,676	74,797	131,473	(189,280)	172,329	(16,951)
Net claims incurred		**(24,408)**	**(31,652)**	**(56,060)**	**290,153**	**(27,286)**	**262,865**
a	Claims paid	418,723	(41,984)	376,739	405,659	(31,848)	373,811
b	Change in the provision for claims outstanding	(224,740)	9,109	(215,631)	(94,712)	842	(93,870)
c	Change in recoveries	(223,786)	1,249	(222,537)	(26,000)	3,705	(22,295)
d	Change in other technical provisions	5,395	(26)	5,369	5,206	15	5,221
Life business							
Net premiums							
Net claims incurred							
a	Claims paid						
b	Change in the provision for claims outstanding						
c	Change in mathematical provisions						
d	Change in technical provisions where the investment risk is borne by the policyholders and relating to pension fund administration						
e	Change in other technical provisions						

(in € thousands)

Annex 7. Financial and investment income and expense	Interest	Other income	Other expense	Realised gains	Realised losses	Total realised income and expense	Unrealised gains		Unrealised losses		Total unrealised income and expense	Total income and expense	
							Fair value gains	Reversal of impairment losses	Fair value losses	Impairment losses		31-12-17	31-12-16
Investment income (expense)	**147.504**	**910**	**(589)**	**564.486**	**(524.779)**	**187.533**	**3.426**	339	**(177.810)**	**(81)**	**(174.126)**	**13.407**	**586.147**
a On investment property		910	(510)			400				(81)	(81)	319	70
b Related to equity investments in subsidiaries, associates and joint ventures	28,497			892		29,389	1,653	316	(13,087)		(11,118)	18,271	6,692
c On held-to-maturity investments	59,600			122		59,723						59,723	60,636
d On loans and receivables	56,435				(22)	56,413			(13,136)		(13,136)	43,277	268,316
e On available-for-sale financial assets													
f On held-for-trading financial assets	2,972		(79)	563,472	(524,757)	41,608	1,772	23	(151,587)		(149,792)	(108,184)	250,223
g On financial assets at fair value through profit or loss													210
Other receivables - income (expense)	**64**					**64**						**64**	**5,951**
Cash and cash equivalents - income (expense)	**4,776**					**4,776**						**4,776**	**5,685**
Financial liabilities - income (expense)	**(7,133)**				**(89)**	**(7,222)**						**(7,222)**	**(5,909)**
a On held-for-trading financial liabilities													
b Financial liabilities at fair value through profit or loss													
c On other financial liabilities	(7,133)				(89)	(7,222)						(7,222)	(5,909)
Indebtedness	**(19,421)**					**(19,421)**						**(19,421)**	**(19,460)**
Total	**125,790**	**910**	**(589)**	**564,486**	**(524,868)**	**165,730**	**3,426**	339	**(177,810)**	**(81)**	**(174,126)**	**(8,397)**	**572,413**

(in € thousands)

Annex 8. Detail of insurance business costs	Non-life business		Life business	
	31-12-17	31-12-16	31-12-17	31-12-16
Gross commissions and other acquisition expense	48,259	45,396		
a Acquisition commissions	13,317	13,155		
b Other acquisition costs	32,060	30,808		
c Change in deferred acquisition costs				
d Collecting commissions	2,882	1,433		
Reinsurance commissions and profit-sharing	(23,012)	(29,611)		
Investment management charges	3,160	3,800		
Other administrative expenses	50,347	50,408		
Total	**78,753**	**69,993**		

(in € thousands)

Annex 9. Assets and liabilities measured at fair value on a recurring and non-recurring basis: breakdown by fair value level

		Level 1		Level 2		Level 3		Total	
		31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16
Total liabilities measured at fair value on a recurring basis									
Available-for-sale financial assets									
Financial assets at fair value through profit or loss	Financial assets held for trading	641,881	791,797	92,283	82,020			734,164	873,817
	Other financial assets at fair value through profit or loss					45,467	1,711	45,467	1,711
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets measured at fair value on a recurring basis		**641,881**	**791,797**	**92,283**	**82,020**	**45,467**	**1,711**	**779,631**	**875,528**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading			43,237	57,613	29,923		73,160	57,613
	Financial liabilities designated at fair value through profit or loss						89		89
Total liabilities measured at fair value on a recurring basis				**43,237**	**57,613**	**29,923**	**89**	**73,160**	**57,702**
Assets and liabilities measured at fair value on a recurring basis									
Non-current assets or of a disposal group available-for-sale									
Liabilities of a disposal group held for sale									

(in € thousands)

Annex 10. Assets and liabilities not measured at fair value: breakdown by fair value level	Carrying amount		Fair value – Level 1		Fair value – Level 2		Fair value – Level 3		Fair value – Total	
	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16	31-12-17	31-12-16
Assets										
Held-to-maturity investments	1,583,288	1,597,530	1,720,406	1,769,332			5	7	1,720,411	1,769,339
Loans and receivables	2,221,714	3,678,557					2,221,714	3,678,557	2,221,714	3,678,557
Equity investments in subsidiaries, associates and joint ventures	8,010	7,954			8,010	7,954			8,010	7,954
Investment property	31,680	12,547			31,680	12,547			31,680	12,547
Property, plant and equipment	52,869	72,737			52,869	72,737			52,869	72,737
Total assets	**3,897,561**	**5,369,325**	**1,720,406**	**1,769,332**	**92,559**	**93,238**	**2,221,719**	**3,678,564**	**4,034,684**	**5,541,134**
Liabilities										
Other financial liabilities	2,334,061	1,879,421	542,847	496,283			1,802,550	1,347,922	2,345,397	1,844,205

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

The legal representatives of the Company (*)

Alessandro Maria DECIO (**)

The Statutory Auditors

Franco Luciano TUTINO

Roberta BATTISTIN

Giuliano SEGRE

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

(*) For foreign companies, the document must be signed by the general representative for Italy.
(**) Indicate the position of the person who signs.

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

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

- the adequacy in relation to the characteristics of the Company and
- the effective application

of the administrative and accounting procedures used to prepare the Consolidated financial statements for the year ended at 31 December 2017.

The adequacy of the administrative and accounting procedures used to prepare the Consolidated financial statements for the year ended at 31 December 2017 was assessed on the basis of a process defined by SACE in accordance with generally recognised international standards.

We hereby also certify that:

- the Consolidated financial statements at 31 December 2017:
  - correspond to the results of Company records and accounting entries;
  - were drawn up according to the International Financial Reporting Standards adopted by the European Union pursuant to Regulation (EC) 1606/2002, the provisions of Legislative Decree 38/2005, the Italian Civil Code, Legislative Decree 209 of 7 September 2005 and the applicable ISVAP regulations and circulars and that to the best of our knowledge they give a true and fair view of the state of affairs, the financial standing and the operating result of the Company and the group of companies included in the scope of consolidation;
- the report on operations includes a fair review of the operating performance and result and the situation of the Company and all the consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 20 March 2018

CEO	**Executive Officer**
Alessandro Maria Decio	Michele De Capitani

Report of the Independent Boards

Report of the Board of Statutory Auditors

SACE - Consolidated financial statements at 31 December 2017

Dear Shareholder,

as stated in the Notes, the scope of consolidation of SACE includes:

- SACE, which directs and coordinates its subsidiaries;
- SIMEST, with a 76.005% interest;
- SACE Fct, wholly owned;
- SACE BT, wholly owned;
- SACE SRV, wholly owned through SACE BT;
- SACE do Brasil Representações Ltda, with a 99.96% direct stake and a 0.04% indirect stake through SACE SRV;
- Fondo Sviluppo Export – Investment fund in which SACE is the only unit holder.

SACE does not hold any treasury shares or shares of the Parent company, Cassa depositi e prestiti.
The Consolidated financial statements of SACE for the year ended at 31 December 2017 have been prepared, pursuant to Legislative Decree No. 38 of 28 February 2005, in accordance with IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in the technical formats required under IVASS Regulation No. 7/2007.
The valuation criteria and consolidation principles adopted are explained in the Notes.
Together with the Consolidated financial statements, the Board of Directors of SACE provided us with the reporting package as of 31 December 2017, drawn up for the purpose of preparing the Consolidated financial statements of the Parent company, Cassa depositi e prestiti on the basis of the instructions issued by Banca d'Italia and by the Shareholder.

The Consolidated financial statements were also audited by the Audit firm, PricewaterhouseCoopers. We therefore performed no direct controls on these financial statements, as this was the responsibility of each single auditing body. We can state that the reports issued by the latter concerning the part for which they are responsible, do not reveal any anomalous situations, findings, criticisms or reservations.

We can also state that, within the framework of the duties assigned to us by law, we verified the following:

- compliance with valuation criteria, consolidation principles and other legal requirements, especially those concerning the formation of the scope of consolidation, the date of reference of data and rules of consolidation;
- the adequacy of the detailed information contained in the Directors' Report and in the Notes and consistency with the information provided in the Consolidated financial statements.

Today the Audit firm, PricewaterhouseCoopers, issued their audit report on the financial statements at 31 December 2017 in accordance with the new rules on statutory audits implemented in Italy with Legislative Decree No. 135/2016. In detail: i) the Audit firm issued their audit opinion stating that the Consolidated financial statements give a true and fair view of the assets and financial position of the Group as at 31 December 2017 and of its operating result and cash flows for the year ended as at that date, in accordance with the International Financial reporting Standards adopted by the European Union; ii) they issued their opinion stating that the management report is consistent with the Consolidated financial statements of the SACE Group at 31 December 2017 and has been drawn up in accordance with statutory requirements; iii) with reference to the statement referred to in art. 14, paragraph 2(e) of Legislative Decree No. 39/2010, issued on the basis of their knowledge and understanding of the Company and the context in which it operates, obtained in the course of their audit, they had nothing to report.

For all our other findings and comments on the Consolidated financial statements for the year ended at 31 December 2017, reference should be made to the Report on the financial statements of SACE, which underlines the key aspects of the financial statements of the Company, whose operations continued to have significant repercussions on the Consolidated financial statements throughout 2017.

In our opinion and based on that stated above, the Consolidated financial statements of the SACE Group for the year ended at 31 December 2017 – recording a net profit of €455,999 thousand, including Group interest in the profit for the year of €455,129 thousand, total assets for €11,377,067 thousand, total liabilities for €5,810,073 thousand and consolidated shareholders' equity for €5,566,994 thousand, including Group interest in shareholders' equity for €5,490,098 thousand – which are the result of financial statements that generated no exceptions, recommendations, criticisms or reservations, give a true and fair view of the assets and financial position of the SACE Group as at 31 December 2017 and of its operating result and cash flows for the year ended as at that date, in accordance with the aforesaid laws governing Consolidated financial statements.

Rome, 6 April 2018

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

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholder of
SACE SpA

Report on the Audit of the Consolidated Financial Statements as of 31 December 2017

Opinion

We have audited the consolidated financial statements of SACE Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated profit & loss account, statement of comprehensive income, statement of changes in shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of SACE SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of the provision for unearned premiums *Notes to the consolidated financial statements for the year ended 31 December 2017:* *Valuation criteria – Technical provisions* *Information of the consolidated statement of financial position - Section 10 – Technical provisions* Technical provisions of the consolidated financial statements of SACE SpA include Euro 2,309 million related to the provision for unearned premiums, equal to 20 per cent of "total liabilities and shareholders'equity". The component named "provision for premium instalments" of the provision for unearned premiums of the consolidated financial statements is calculated on a *pro rata temporis* basis, a method analytically applied to each policy, by accruing to the provision the portion of the gross premium accounted for but pertaining to future financial periods. The component "provision for unexpired risks" supplements the provision for premium instalments to cover the portion of risk falling in the periods after the year-end, in the event the expected cost of assumed risks exceeds the accrual to the provision for premium. The determination of the provision for unearned premiums depends on the estimates of the expected loss until the run-off of the existing portfolio at the reporting date, which loss is determined according to statistical models.	We performed the following main activities in order to address this matter: • identification and review of the internal controls, which were considered more significant, put in place by management to support the correct determination of the provision; • discussions with the relevant corporate functions regarding the trend of risk metrics which affect the changes in the expected loss; • performance of procedure aimed at verifying the agreement of the management and accounting information; • involvement of PwC network actuaries in order to verify the reasonableness of the methods and assumptions behind the model used to determine the component "reserve for unexpired risks".

The analysis of this item is a key audit matter on account of the complexity of the model and the relative degree of subjectivity, in particular, in respect of the estimated insolvency likelihood, correlation coefficients and the recovery rates.

Valuation of receivables from Policyholders and third parties for recoveries

Notes to the consolidated financial statements for the year ended 31 December 2017:
Part A – Valuation criteria and basis of presentation – Receivables
Information on the consolidated statement of financial position - Section 5 "Item E – Sundry receivables" (Item 5)

Sundry receivables include Euro 603 million, equal to 5 per cent of total assets, in relation to receivables from policyholders and third parties for recoveries.

By paying claims, as a result of the subrogation, the Company becomes a creditor to the defaulting parties, which are, in the case of sovereign risk policies, generally represented by foreign counties, whereas in the case of commercial risk policies, are corporate counterparties. The Company adjusts the value of receivables to the presumed realisable value taking into account the particular nature of the underlying operations, the geo-political situation of the debtor country, the assessment by external third parties and the existence of a restructuring agreement, if any.

In the evaluation of receivables estimates are a key element which is marked by a high degree of subjectivity, with particular reference to the calculation of the recoverable amount and related timing.

We performed the following main activities in order to address this matter:

- discussions with the relevant corporate functions regarding the development of the economic and geo-political situation of the main debtors;
- acquisition and critical analysis of the internal and external documentation supporting the write-downs or write-backs recorded;
- performance of procedure aimed at verifying the agreement of the management and accounting information;
- performance of comparative analysis procedures with reference to significant discrepancies compared to the previous year and insights into the findings with the corporate functions involved;
- for a sample of counterparties, verification of the regularity of payments and the respect of the restructuring agreement.

Evaluation of receivables for factoring contracts

Notes to the consolidated financial statements for the year ended 31 December 2017:
Valuation criteria – Receivables
Information on the consolidated statement of financial position - Section 4 – Investments (Item 4) – par. 4.4 Loans and receivables

The item "Loans and Receivables" of the consolidated financial statements of SACE SpA includes receivables deriving from factoring transactions for an amount of Euro 1,708 million, equal to 15 per cent of total assets.

The impairment of receivables for factoring contracts is analytically calculated in respect of the non-performing loan positions which are individually significant, while all other positions (both non-performing and performing) are grouped into homogenous categories.
The impairment calculation is a key audit matter since it inherently relies on elements for estimate in the determination of the recoverable amount and related timing and it requires a high degree of professional judgement.
For impairments on an analytical basis, estimates are used to determine if there was a loss event and to estimate the related impact on the expected cash flows and on the connected recovery costs of each single position.
The adjustments on a collective basis are calculated using estimate models based on internal and market parameters that management considers as representative of the expected impairment of the portfolio.

We performed the following main activities in order to address this matter:

- understanding and evaluating of the corporate procedures and processes related to the monitoring and evaluation of loans and receivables and checks on the operating efficacy of the related relevant controls;

- analysis of the impairment model on a collective basis and verification, on a sample basis, of the reasonableness of the measures being estimated under the model;

- performance of procedures aimed at verifying the agreement of the management and accounting information;

- performance of comparative analysis procedures with reference to significant discrepancies compared to the previous year and insights into the findings with the corporate functions involved;

- for positions valued on an analytical basis, sample testing on the evaluation and classification in the financial statements according to the categories provided for by the applicable regulatory and financial reporting framework.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate SACE SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

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- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 23 April 2015, the shareholders of SACE SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

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We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

Management of SACE SpA is responsible for preparing a report on operations of the SACE Group as of 31 December 2017, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the SACE Group as of 31 December 2017 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of SACE SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As illustrated in the report on operations, management of SACE SpA has opted to use the exemption from the preparation of the non-financial statement allowed by article 6, paragraph 1, of Legislative Decree No. 254 of 30 December 2016.

Rome, 6 April 2018

PricewaterhouseCoopers SpA

Signed by

Alberto Buscaglia
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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