

Financial
and consolidated
statements

2020

BALANCE SACE



sace 
gruppo cdp

Financial
and consolidated
statements

2020

sace 
gruppo cdp





Financial statements at 31 december 2020

Meeting of the Board of Directors
of 23 March 2021

SACE S.p.A.

Registered Office and Head Office in Rome

Share capital (fully paid in) 3,730,323,610 Euro

Tax No. and Rome Companies

Register No. 05804521002 – R.E.A. 923591

Sole Shareholder Cassa Depositi e Prestiti S.p.A.

Company officers and boards

Board of Directors

Chairman

- Rodolfo Errore

Chief Executive Officer and General Manager

- Pierfrancesco Latini (*)

Directors

- Ilaria Bertizzolo
- Roberto Cociancich
- Elena Comparato
- Filippo Giansante
- Mario Giro
- Federico Merola
- Monica Scipione

Board of Statutory auditors

Chairman

- Silvio Salini

Standing Auditors

- Gino Gandolfi
- Moira Paragone

Substitute Auditors

- Marco Brini
- Cinzia Marzoli

Standing Delegate of the Court of Auditors (**)

- Natale Maria Alfonso D'Amico

Independent Auditors (***)

- Deloitte & Touche S.p.A.

Company Boards appointed by the Shareholders' Meeting on 2 December 2019 and in office for three years.

(*) Appointed CEO by resolution of the Board of Directors on 4 December 2019; Appointed General Manager by resolution of the Board of Directors on 25 February 2020.

(**) Appointed Standing Delegate responsible for controlling the management of financial operations of SACE S.p.A. as from 1 January 2020.

(***) Appointed for the period 2020-2028 by resolution of the Shareholders' Meeting on 17 October 2019 with effect as from the Shareholders' Meeting of 4 May 2020 which approved the financial statements at 31 December 2019.

Contents

Directors' report	10
1. The economic scenario	10
1.1. The world economy	10
1.2. The Italian economy and industrial sectors	11
1.3. Italian exports	11
2. Significant events in 2020	12
2.1. The strategy	12
2.2. Summary of the 2020 legislative interventions (new business)	12
3. Report on operations	14
3.1. Share structure and share capital	14
3.2. Net profit for the year	15
3.3. Volumes	18
3.4. Commitments underwritten: Export and Internationalization	19
3.5. Premiums	20
3.6. Claims	21
3.7. Recoveries	21
3.8. Risk portfolio	21
3.9. Technical reserves	22
3.10. Investments	22
3.11. Analysis of the impacts of COVID	23
3.12. Relations with other Export Credit Agencies (ECAs) and international organizations	23
3.13. Risk management	24
3.14. Reinsurance	26
3.15. Internationalisation Financial Guarantees	28
3.16. New business operations in 2020 ("Liquidity" Decree, Relaunch Decree, Simplification Decree)	28
3.17. Human resources	30
3.18. Litigation	31
3.19. Corporate Governance	31
3.20. Environmental, social, and cultural commitments	34
3.21. Subsidiaries and Parent Company	34
3.22. Other information	35
3.23. Outlook for 2021 and significant events after the reporting date	36
Balance sheet and income statement	41
Notes to the financial statements	68
Part A – Valuation criteria and basis of presentation	69
Part B - Information on the balance sheet and income statement	74
Part C – Other information	92
Annexes to the notes	100
Report of the independent boards	140
Independent auditor's report	140
Report of the Board of Statutory Auditors	149



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Directors' report

Directors' report

1. The economic scenario

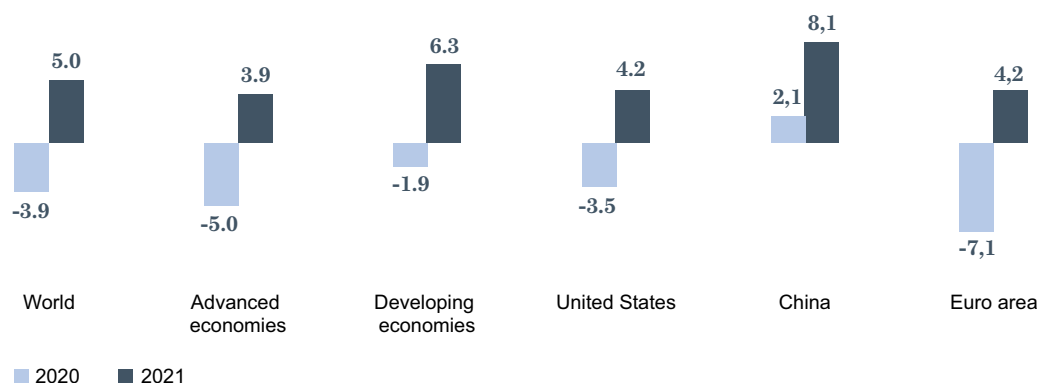
1.1 The world economy

In 2020, the global macroeconomic conditions were upended by the health crisis caused by the Covid-19 pandemic. Its spread occurred with different timeframes between macro regions and required the implementation of strict restrictive measures to contain and combat the contagion based - though with heterogeneous methods between countries and variable intensities over the course of the year - on limiting the movement of people and suspending numerous productive and commercial operations.

The joint shock, at an international level, of offer and demand and the uncertainty regarding the development of the pandemic, negatively affected global business activity, leading to a deep recession in the global GDP (-3.9% according to Oxford Economics, in line with recent estimates disseminated by the International Monetary Fund¹). The economic crisis extended both to developed countries (-5.0%) and to developing countries (-1.9%), except for some exceptions such as China, which recorded positive growth. Among the most advanced economies, the United States witnessed the end of a ten-year growth cycle, whereas in the Euro zone - where growth was already weaker - the contraction was relatively more severe. Among developing countries, strong falls in GDP occurred in India (one of the countries worst hit by the pandemic), the Philippines, Argentina, Mexico, Morocco, and South Africa.

The orientation of monetary policy remained broadly accommodating on a global scale. The central banks of the main developed and developing countries, reduced their benchmark rates and expanded programmes for purchasing securities, ensuring liquidity and credit to the real economy. At a fiscal level, national governments intervened with expansive budget policies, which were also supported by the interventions of supranational institutions, in order to support the families and businesses most struck by the restrictive provisions and in order to relaunch the economy with extraordinary stimulus programmes. The improvement in financial conditions and the fiscal measures implemented encouraged a significant increase in debt, both public and private, that - together with the economic recession - was reflected in a steep rise in the total level of debt in relation to the global GDP of more than 350%.²

Real GDP, by geographical region (% change)



Source: Oxford Economics (January 2021)

¹ Oxford Economics *World Economic Prospects Monthly* and International Monetary Fund *World Economic Outlook Update*, January 2021.

² International Institute of Finance *Global Debt Monitor*, February 2021.

1.2 The Italian economy and industrial sectors

In this context, Italy's GDP decreased by 8.9% in 2020, according to preliminary estimates by ISTAT³ and in line with the figure expected by Oxford Economics. The rapid fall recorded in the second quarter, in conjunction with the restrictive measures launched - already in March - by the Italian government in response to the worsening of the health crisis, negatively influenced the contraction of national business activity. In the third quarter, a short-term rebound that was both significant and greater than expected was recorded; this was owing to the slowdown in restrictions, as well a basic, statistical effect. In Autumn, the fresh outbreak of infections and the return of circumscribed and partial lockdowns led, again, to a fall in GDP, although more limited compared to the first wave. Overall, all the demand components underwent a strong contraction, except for public spending.

On average in 2020, the industrial production volume index in the Euro zone and in Italy recorded a fall, on an annual basis, of -8.7% and -11.4%, respectively. In a context in which all sectors recorded annual negative trends, the strategic sectors of the Italian economy are those that felt the greatest shock from Covid-19, from textiles-clothing (-28.5%) to mechanical engineering (-14.8%), to transport (-18.3%) to metal products (-13%). Food (-2.5%) and pharmaceuticals (-5.5%), being essential goods, were affected to a relatively lesser extent. In the same period, the production volume index for construction recorded a downturn of -8.2% on a year-on-year basis.⁴

Bank loans to non-financial companies grew by 8.5% in December over 12 months⁵, encouraged by a context of low monetary interest rates and supported by state guarantees. At the same time, the non-performing loans for these non-financial companies decreased by 29%, due to the temporary effects of the moratorium on loans and the support measures (so-called "ristori" or relief measures). The impact of non-performing loans on total loans granted to residents in Italy decreased to 3.4% in December 2020 (compared to 4.8% of the same month of the previous year).

Equally, the data on business closures are conditioned by the above-mentioned extraordinary support measures, together with legislative provisions on bankruptcies and reduced court operations, which made it possible to avoid - for now - critical insolvency situations. In 2020, the total of open bankruptcies was 7,594, decreasing by 31.6% compared to the previous year.⁶

1.3 Italian exports

The global economic recession was also inevitably reflected in international trade, estimated to have decreased by 9.3% in volume and strongly driven down by the services component. The nature of the pandemic crisis - and as a result of the infection containment measures - most penalised tourism, transport, and, in general, businesses linked to hospitality, leading to a double-figure fall in the volume of trade in services (-21.8% estimated by Oxford Economics). The impact on the corresponding international trade of goods was much smaller (-6.8% estimated by Oxford Economics, more pessimistic compared to the -5.3% that can be drawn from the available data over 12 months recorded by the Central Planning Bureau).

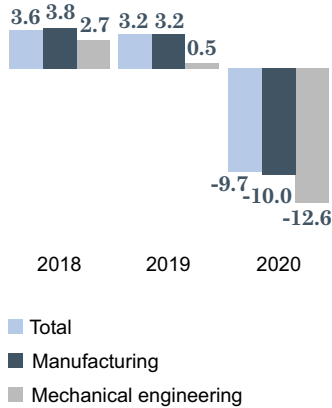
³ ISTAT, GDP preliminary estimate, January 2021. The annual estimate is based on seasonally-adjusted quarterly figures and considering calendar effects.

⁴ ISTAT, Construction and industrial output, February 2021. Data adjusted for calendar effects.

⁵ Banca d'Italia, *Banche e Moneta*, February 2021. The percentage change in loans has been adjusted to take into account securitised loans and other loans that have been transferred and are not reported in banks' financial statements.

⁶ Cerved, Bankruptcies, insolvency proceedings and business closures, March 2021.

Italian exports of goods in terms of value, by selected sectors (% change)



Source: ISTAT (February 2021)

In particular, Italian exports of goods and services were badly struck. On average for the year, the value of goods exports contracted by 9.7% compared to the same period in the previous year⁷, thus ending a ten-year growth cycle. Overall, it was the second quarter that mainly affected the cumulative figure, with the greatest year-on-year decrease recorded in April, at the same time as the apex of the Great Lockdown (expression that refers to the isolation of more than half of the global population due to restrictive measures) was reached. Beginning in July, a progressive improvement was recorded, with positive growth rates recorded in September and November. Overall, both sales of goods within the European Union and to non-EU markets suffered. In terms of each sector, all sections were hurt by the crisis - except for the food and drink sector and the pharmaceutical one due to their being essential goods. The worst-hit sectors were those traditional Made In Italy ones: textiles-clothing, leather goods, and furnishings, weighed down by the strong decrease in family consumption, as well as transport and mechanical engineering, hit by the slowdown in global supply chains and by the collapse in business investments. In terms of trade, the trade surplus reached almost 56 billion Euro, resulting in an increase of 13.3% on an annual basis, favored by a more marked downturn in the import of goods compared to the downturn in exports. Regarding services, in the first three quarters of 2020, a year-on-year contraction of 31% was recorded, due to the strong collapse in the flow of tourists from overseas and in transport.

2. Significant events in 2020

2.1 Strategy

In a macroeconomic context strongly altered by the health crisis caused by Covid, SACE has, on the one hand, continued to support the export and internationalization of Italian businesses (large companies and SMEs) through the Company's traditional business tools and, on the other hand, has assumed a new role in supporting Italian businesses during the emergency in order to relaunch the national economy. During 2020, in fact, in order to limit the negative effects on the economy deriving from COVID-19 and, in order to strengthen support of companies' export and internationalization, some legislative interventions were adopted (the "Liquidity", "Relaunch", "August", and "Simplification" decrees - described more fully below) that expanded SACE's business operations including the possibility of granting guarantees - to be accounted separately - to support (i) the liquidity necessary for companies struck by the pandemic (art. 1 of the "Liquidity" Decree), (ii) the insurance of short-term trade receivables (art. 35 of the "Relaunch" Decree), and (iii) projects aimed at the transition towards a clean, circular economy and sustainable transport (art. 64 of the "Simplification" Decree).

In the context of traditional operations, the resources mobilized in 2020, equal to 14.9 billion Euro, grew by 25% compared to 2019 (11.9 billion Euro). Proximity to the customer, despite the health crisis, was ensured thanks to the availability of digital products and processes, the subject of investment in recent years; over the year, 78 webinars were also organised. There were more than 2,600 requests received via the online platform for export support products, with an increase of 84% compared to the previous years. The Education to Export platform has also attracted growing interest, engaging more than 4,000 customers (businesses registered, +70% compared to 2019) and generating some 51,000 contacts. In September, the export.gov platform was launched, the first single portal for export support and internationalization services promoted by MAECI (Italy's Ministry of Foreign Affairs) and created by SACE SIMEST in collaboration with the ICE Agency (Italian Trade Agency). From the second quarter of the year, to cope with the requests from insured parties, more than 500 moratoria were, in addition, granted for up to 12 months on guaranteed loans. 14,741 customers were served at the SACE Group level, up 27% compared to 2019.

⁷ ISTAT, Foreign trade and import prices, February 2021.

As far as regards the new business operations, SACE has developed an IT platform called “Garanzia Italia” through which, over the year, guarantees for a total of 20.8 billion Euro in loans were issued. In addition, the agreement pursuant to art. 35 of the “Relaunch” Decree was prepared with the Ministry of the Economy and Finance, which was signed with 5 insurance companies for short-term trade receivables. Finally, regarding support for the sustainable transition (pursuant to art. 64 “Simplification” Decree), the company expanded its area of activity with the relaunch of guarantees for loans for “green” projects: over the year 7, guarantees were approved for an amount financed of 615 million Euro, of which 303 million were issued by 31 December. In the course of the financial year, special commitment was dedicated to digitalisation activities for new business products, an essential element for the full implementation of support to companies in an emergency such as that experienced in 2020.

The “Liquidity” Decree also stipulated, beginning from 8 April 2020, that the Ministry of the Economy and Finance will reinsure up to 90% of existing commitments deriving from SACE’s guarantee insurance activities via the transfer of assets held to cover technical provisions. Due to this reinsurance, SACE retained, at the date of the transfer, commitments equal to 5.8 billion Euro. In addition, beginning in 2021 and based on what was set forth in the “Liquidity” Decree, SACE and the state will assume the commitments via a co-insurance scheme to the degree, respectively, of ten and ninety per cent of the commitments assumed.

2.2 Summary of the 2020 regulatory actions (new business)

Below is a summary of the main 2020 legislative interventions that concerned SACE.

- The Decree Law No. 23 of 8 April 2020 (the “Liquidity” Decree or “DL23”) converted, with amendments, into Law No. 40 of 5 June 2020 strengthened and broadened SACE’s business operations as follows:
 - article 1.1 of DL23 establishes that, to support the liquidity needs of companies other than banks and other authorised credit institutions based in Italy and affected by the COVID-19 outbreak, SACE may, in the period up to 30 June 2021⁸ and in accordance with the applicable European legislation, issue up to 200 billion Euro in loan guarantees in favour of financing entities (referred to as the “Garanzia Italia” scheme). The obligations of SACE arising from the granting of the guarantees pursuant to DL23, to be the subject of separate accounting records, will be covered by law by the Italian Government; operating expenses incurred will be reimbursed;
 - art. 1, para. 14, of Decree Law 23 established in the MEF’s budget forecast a fund (“Fund”), the management of which was attributed to SACE (pursuant to paragraphs 5 and 15 of art. 1 of the DL23), to cover the commitments connected to SACE’s granting of the guarantees pursuant to art. 1 DL23, of the guarantees issued pursuant to art. 6, paragraph 14-bis, of DL 269/2003, as well as the guarantees issued to insurance companies for short-term trade receivables, as stipulated by art. 35, paragraph 5 of Decree Law 34/2020. To manage this Fund, DL23 provided for the opening of a current account in the central treasury in the name of SACE in which the commissions taken were deposited, net the amounts owing to SACE as reimbursement of the operating expenses incurred.
 - article 2 of DL23 amends article 6 of Law No. 326 of 24 November 2003 with the addition of paragraph 14-bis authorising SACE to issue new guarantees - at market conditions and in accordance with European legislation - “in favour of banks, national and international financial institutions and other authorised lending institutions in Italy, for loans in any form granted to companies based in Italy, up to a maximum total amount of Euro 200 billion”. Such guarantees will also be covered by law by the Italian Government and are subject of separate accounting records;
 - article 2, para. 6, established that the Italian Government will reinsure ninety per cent of the insurance commitments undertaken by SACE in place on the date of enactment of the Decree (with the exception of those for which claims for compensation had already been filed), against the transfer to the MEF of ninety per cent of the assets held to cover technical provisions. These activities will be managed by SACE under the guidance of the MEF;

⁸ This deadline, which was originally set at 31 December 2020 by the “Liquidity” Decree, was extended to 30 June 2021 by the 2021 Budget Law.

- article 2, para. 7, established the possibility for the Italian Government to reinsure additional commitments undertaken in the period between the date of entry into force of DL23 and 31 December 2020;
- article 2, para 3, states that, as of 1 January 2021, commitments deriving from insurance business and the cover of non-market risks as defined by EU regulations, will be assumed by SACE and by the Italian Government respectively to the extent of ten per cent and ninety per cent of the capital and interest of each commitment;
- article 3 established that, *“considering the strategic role of SACE S.p.A. in implementing measures to support exports and the internationalisation of companies and to relaunch investments, ..., the company will no longer be subject to management and coordination by the sole shareholder, Cassa Depositi e Prestiti S.p.A.”*
- Decree Law No. 34 of 19 May 2020 (the so-called “Relaunch” Decree) converted into Law no. 77 of 17 July 2020 assigned SACE the role of guarantor in relation to short-term trade receivables insurance companies, and in particular:
 - art. 35 of the “Relaunch” Decree stipulated that SACE grant short-term trade receivables insurance companies, authorised to operate in credit insurance⁹ and which have joined via the special Agreement approved with the MEF decree, a guarantee of 90% of the payments generated by exposures relating to trade receivables accrued from 19 May 2020 to 30 June 2021¹⁰ and within the maximum limit of 2000 million Euro. The above-mentioned agreement was approved by the MEF Decree of 5 November 2020. For the purposes referred to in this law, a special section, with autonomous accounting, was established in the context of the Fund referred to in art. 1, para. 14, of the “Liquidity” Decree in order to cover guarantees relating to credit insurance companies, with an endowment of 1,700 million Euro for 2020. This section is supplied, in addition, with financial resources deposited by insurance companies by way of remuneration of the guarantee net of the management costs incurred by SACE for the activities performed.
- Decree Law No. 76/2020 (the so-called “Simplification Decree”), containing “Urgent measures for simplification and digital innovation”, converted, with amendments, into Law No. 120 of 11 September 2020 (“Conversion Law”), in order to support the interventions referred to in art. 1, para. 86, of Law No. 160 of 27 December 2019, regarding the European Green Deal established that:
 - art. 64 SACE is authorised to grant guarantees for projects aimed at easing a transition towards a clean, circular economy and sustainable mobility, within the limit of 2.5 billion Euro for 2020 and, for successive years, within the limit of commitments to be assumed fixed annually by the budget approval legislation. The resources available in the Fund, assigned to cover these guarantees, amount to 470 million Euro as of 31 December 2020, for a maximum commitment to be assumed, by SACE, of 2,500 million Euro.
- Decree Law No. 104 of 14 August 2020 (the so-called “August Decree”) containing urgent measures for supporting and relaunching the economy, converted, with amendments, into Law No. 126 of 13 October 2020, provided for the restructuring of SACE Group (art. 67) to be implemented via agreement between the MEF and CDP, with MEF Decree, in accordance with the MAECI, without prejudice, as far as compatible, to the provisions of arts. 2 and 3 of the “Liquidity” Decree.

3. Report on operations

3.1 Share structure and share capital

As of 31 December 2020, the shares in SACE S.p.A. are fully held by Cassa Depositi e Prestiti S.p.A. The share capital amounts, at the end of the financial year, to 3,730,323,610 Euro and consisted of 1,053,428 shares with a par value of 3,541.13 Euro. SACE does not hold its own shares or shares in the parent company, Cassa Depositi e Prestiti S.p.A.

⁹ SACE BT is included among the short-term trade receivables insurance companies authorised to operate in credit insurance.
¹⁰ This deadline, which was originally set at 31 December 2020 by the Relaunch Decree, was extended by article 1, para. 232 of the 2021 Budget Law.

3.2 Net profit for the year

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

Within the new applicable legislative context, described above, we note that:

- SACE's financial and economic position at 31 December 2020 includes the effects deriving from the application of article 2, para. 9, of the "Liquidity" Decree and, in particular, the transfer up to a reinsurance percentage of 90% of the performing portfolio as of 8 April 2020 via the MEF's reinsurance of the portfolio with recognition of accounts payable to MEF of around 1.5 billion Euro. This amount has been quantified in the Report on the capital endowment of SACE drafted pursuant to the above-mentioned law and it is subject to verification activities pursuant to what is set forth in para. 6 of the same law. To quantify the assets to be transferred, SACE took into account the Premium provision corresponding to the existing and transferred commitments, believing it could exclude what had been set aside by way of Equalization Provision - which, at 31 March 2020, amounted to 710 million Euro - taking into account the legal provisions that regulate the operation of the Equalization Provision and, in particular, the aim of stabilizing the retained Technical Account, the nature of this provision not directly attributable to business in force; and the general market practice adopted in reinsurance transactions. In January 2021, as a result of discussions with the MEF that followed the transmission of the Report on the capital endowment of SACE, it emerged that the law cited - the "Liquidity" Decree - could be subject to a broader interpretation - the cited legal provision being able, in theory, to refer, in a broader sense, to the totality of Technical Reserves, the Equalization Provision also being included among them. As a result, an analysis was launched that was aimed, first of all, at defining, together with the MEF, the interpretation of the cited law - the "Liquidity" Decree - and, following this, at identifying, again with the MEF, where necessary, the criteria aimed at making the quantification for identifying any share of assets to be transferred, also in relation to the Equalization Provision, taking into account that the same provision is not analytically attributable to any individual commitment granted, as it is aimed at hedging the overall technical balance retained. At 31 December 2020, and, again, as of the date of approval of the financial statements by the board of directors, the analysis activities both regarding the interpretation of the law cited - the "Liquidity" Decree - and any successive quantification of the assets to be transferred are still underway. We further specify that any transfer of assets in relation to the Reserve mentioned above, including in the broader interpretation, would not result in economic effects for SACE's financial statements because the greater value would be included in the reserves transferred to the Reinsurer, an item of the capital assets, with the payables to the MEF the offsetting item, confirming the solidity of SACE's balance sheet ratios and liquidity.
- The new business operations introduced in 2020 (Garanzia Italia scheme, Trade receivables under article 35, Green Guarantees) are recorded in separate accounting records, as set forth by the applicable legislation; the financial and economic position at 31 December 2020 of SACE includes the reimbursement of management costs incurred in the financial year and mainly referring to the cost of staff performing these operations.
- The financial position also includes the cash and cash equivalents held in the current account in SACE's name, of 31 billion Euro, and relating to the Fund set up by art. 1, para. 14 of the "Liquidity" Decree, to cover the commitments of the State connected to the granting of guarantees related to SACE's new operations made available in 2020 by the MEF in a Central Treasury account held by SACE S.p.A.

HIGHLIGHTS

(in € millions)	31 December 2020	31 December 2019	change
Gross premiums	736.9	565.4	30%
Claims	163.6	221.7	-26%
Technical provisions	4,975.3	4,158.9	20%
Net investments (including other assets)	39,100.1	7,758.8	>100%
Shareholders' equity	4,775.4	4,763.2	0%
Gross profit	110.3	213.8	-48%
Net profit	79.7	141.6	-44%
Commitments approved	12,866.7	16,620.1	-23%

INCOME STATEMENT		
(in € millions)	2020	2019
<i>Gross premiums</i>	736.9	565.4
<i>Outward reinsurance premiums</i>	(341.3)	(208.9)
<i>Change in the provision for unearned premiums</i>	(289.7)	30.9
Net premium income	105.9	387.4
<i>Claims incurred</i>	(163.6)	(221.7)
<i>Change in recoveries</i>	47.4	106.9
<i>Change in the provision for claims outstanding</i>	129.1	(29.9)
Claims incurred, net of recoveries	12.9	(144.7)
Change in other technical provisions, net of reinsurance	(26.1)	(5.2)
Change in the equalisation provision	(36.3)	(42.8)
Investment return transferred from the non-technical account	7.0	34.3
Premium refunds and profit sharing	(0.6)	(0.8)
Operating expenses	(85.8)	(86.4)
Other technical income and charges	42.0	21.8
Balance on the technical account	19.1	163.7
Financial and other income	254.3	230.6
Investment management and financial charges	(156.3)	(147.1)
Investment return transferred to the technical account	(7.0)	(34.3)
Balance on the non-technical account	91.0	49.1
Income from ordinary operations	110.1	212.8
Extraordinary income	0.8	3.8
Extraordinary charges	(0.5)	(2.8)
Profit before taxes	110.3	213.8
Taxes	(30.6)	(72.2)
Net profit	79.7	141.6

In a year characterised by a context that was both complex and negative, SACE has achieved a net positive result of 79.7 million Euro, less than the result of the corresponding period of 2019 (141.6 million Euro). The main components of the result are set forth below:

- the gross premiums, overall equal to 736.9 million Euro, increased in comparison to the previous year (+30%) due to the increase in the volumes in the year (14.8 billion Euro against 11.9 billion Euro in 2019);

- the outward reinsurance premiums amount to 341.3 million, an increase of 63% compared to 2019 (208.9 million Euro); this change is in line with the growth in gross premiums and in reinsurance with the MEF;
- change in the provision for unearned premiums is negative, equaling 289.7 million Euro, and reflects the increase in portfolio risk and the effect of the downgrade suffered by the most significant counterparties present in the SACE portfolio;
- the claims incurred amount to 163.6 million Euro, a decrease compared to 2019 (-26%); the 2019 financial year had been characterised by a significant amount of claims paid;
- the change in the provision for outstanding claims is positive and equal to 129.1 million Euro due to the fewer claims in 2020 compared to 2019 and to the operative reinsurance with the MEF;
- the change in recoveries, related to the value of subrogation credits, is positive and equal to 47.4 million Euro, and includes gains from recoveries on claims from previous years (39.2 million Euro), subrogation credits for claims for the year (48 million Euro), write-downs and losses on loans due to alignment with the estimated realizable value (35.3 million Euro), amounts recovered and reinsurers' share of amounts to be recovered (4.9 million Euro and 0.4 million Euro, respectively);
- the other technical income and charges item is positive and equal to 42 million Euro, and mainly includes the provisions received from reinsurers on outward premiums during the year. This item comprises, in addition, the reimbursement of management costs on the commissions for transactions completed relating to the Garanzia Italia operations for 7.4 million Euro, of short-term trade receivables reinsurance for 0.6 million Euro, and to the Green Guarantee operations for 0.7 million Euro. The management costs equal to 85.8 million Euro are in line with the previous year;
- the balance on the non-technical account is positive and equal to 91 million Euro. It includes the positive result of financial management activities (62.5 million Euro) the breakdown of which is shown in the table below. The effect of exchange gains and losses (positive for 20.4 million Euro) comprises the effect of the valuation of receivables and payables (positive for 58.3 million Euro), of currency forward contracts (negative for 35.4 million Euro), and the exchange rate valuation effect recorded in the technical reserves (negative for 2.5 million Euro, included in the technical account).

(in € millions)	2020	2019
Effect of the non-current investment portfolio	28.2	57.5
Effect of the current investment portfolio	19.5	20.4
Effect of exchange gains and losses	20.4	15.5
Effect of equity investments	(5.6)	(21.7)
Total effect of financial management activities	62.5	71.7

The effect of equity investments, which was negative for 5.6 million Euro, refers to the investments in the subsidiaries resulting from the application of the equity method.

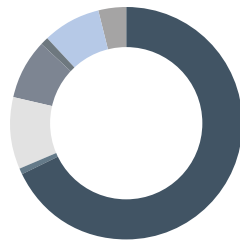
3.3 Volumes

Lending volumes (in terms of principal and interest) amounted to 14,880 million Euro in 2020. The volumes mainly relate to buyer credit policies (67.8%), supplier credit policies (10.1%), and financial guarantees (8.3%).

In terms of geographical areas, these volumes were mainly directed towards the Middle East and Northern Africa (25.1%), other European and CIS countries (21.3%) and America (19.3%).

The industrial sectors that accounted for the highest volumes were the cruise liner (29.6%), the defence sector (15.6%) and the oil and gas sector (15.5%).

Volumes in 2020
by product



67.8%
Buyer credit

10.1%
Supplier credit

0.9%
SME financial guarantees

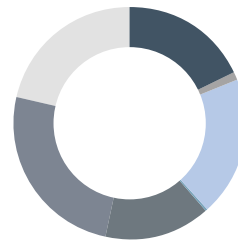
3.8%
Bond

0.9%
Letters of credit

8.3%
Financial guarantees

8.1%
Political Risk Insurance

Volumes in 2020
by geo-economic region



18.0%
Sub-Saharan Africa

1.1%
Asia

19.3%
Americas

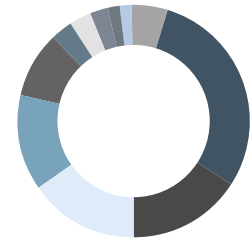
0.2%
Oceania

14.9%
European Union

25.1%
Middle East and North Africa

21.3%
Other European and CIS countries

Volumes in 2020
by industrial sector



29.6%
Cruise lines

15.5%
Oil&Gas

9.1%
Banks

2.8%
Chemicals/Petrochemicals

1.8%
Naval industry

5.0%
Other sectors

15.6%
Defence

13.3%
Infrastructure and construction

3.2%
Electricity

2.6%
Non-financial services

1.5%
Mechanical industry

3.4 Commitments underwritten: Export and Internationalization

Commitments approved on Export and Internationalization in 2020 (in terms of principal and interest, including changes recognized during the period) totalled 12,866.7 million Euro, of which 10,800.3 million Euro under the annual upper limit and 2,066.4 million Euro under the revolving limit. Commitments approved decreased by 23% compared with 2019, mainly owing to the cruise liner sector.

The breakdown of the main transactions worth at least 100 million Euro approved in 2020 is shown in the table below.

Country	Geographical region	Risk Profile	Amount approved (€ m)
EGYPT	NORTH AFRICA	SOVEREIGN	1,014.2
KUWAIT	MIDDLE EAST	CORPORATE	999.6
UNITED STATES	AMERICA	BACKED CORPORATE	951.9
EGYPT	NORTH AFRICA	SOVEREIGN	850.9
UNITED STATES	AMERICA	BACKED CORPORATE	840.5
NIGERIA	SUB SAHARAN AFRICA	BACKED CORPORATE	759.6
UNITED STATES	AMERICA	BACKED CORPORATE	524.2
UNITED STATES	AMERICA	CORPORATE	442.6
EGYPT	NORTH AFRICA	POLITICAL	355.0
RUSSIA	OTHER EUROPEAN AND CIS COUNTRIES	CORPORATE	310.0
SERBIA	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	275.0
BOSNIA HERZEGOVINA	OTHER EUROPEAN AND CIS COUNTRIES	POLITICAL	240.0
BRASIL	AMERICA	CORPORATE	227.1
ITALY	EUROPEAN UNION	CORPORATE	151.4
QATAR	MIDDLE EAST	NON SOVEREIGN PUBLIC	149.6
EGYPT	NORTH AFRICA	NON SOVEREIGN PUBLIC	139.9
MEXICO	AMERICA	CORPORATE	121.2
ITALY	EUROPEAN UNION	CORPORATE	120.4
BOSNIA HERZEGOVINA	OTHER EUROPEAN AND CIS COUNTRIES	POLTICAL	115.0
CHINA	ASIA	CORPORATE	104.9
GHANA	SUB SAHARAN AFRICA	SOVEREIGN	101.8
ITALY	EUROPEAN UNION	CORPORATE	100.0
ROMANIA	EUROPEAN UNION	POLITICAL	100.0
Grand Total			8,994.9

3.5 Premiums

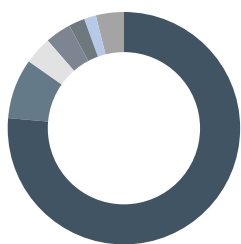
In 2020, gross premiums amounted to 736.9 million Euro and related to direct business for 612.5 million Euro and to indirect business (reinsurance provided) for 124.4 million Euro. Compared to 2019, an increase of 30%, in line with the growth in lending volumes, was recorded. The products that contributed most to premiums were the buyer credit policy (78.9%), financial guarantees (8.6%), and the supplier credit policy (3.8%).

The geographical regions with the highest concentrations of premiums are: The Middle East and Northern Africa (29.0%), EU countries (22.1%), and other European and CIS countries (19.9%).

The industrial sectors that accounted for most of the new business premiums were the Infrastructure and Construction sector (26.7%), the Cruise liner sector (20.7%), and the Oil and Gas sector (19.6%).

In terms of the composition of gross premiums by conventional business operations, in 2020 export credit continued to account for the highest proportion (83.3%) of business.

Gross premiums by product



78.9%
Buyer credit

8.6%
Financial guarantees

3.8%
Supplier credit

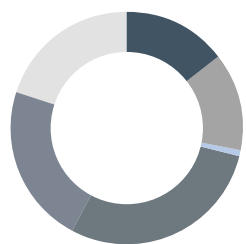
3.7%
Push strategy

2.4%
Surety bond

1.8%
Political risk insurance

3.8%
Other products

Gross premiums by geographical region



14.6%
Sub-Saharan Africa

13.6%
Americas

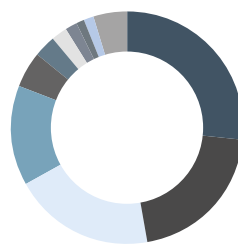
0.7%
Asia and Oceania

29%
Middle East and North Africa

22%
European Union

19.9%
Other European and CIS countries

Gross premiums by industrial sector



26.7%
Infrastructure and construction

20.7%
Cruise lines

19.6%
Oil&Gas

14.1%
Defence

5%
Electricity

3%
Banks

2.2%
Other industries

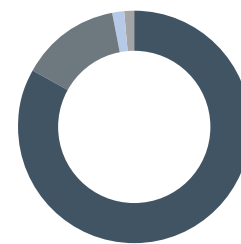
1.5%
Mechanical industry

1.3%
Chemicals/Petrochemicals

1.2%
Metallurgy

4.7%
Other sectors

Gross premiums by business operations



83.3%
Export credit

13.8%
Strategic survey

1.7%
DFI

1.2%
Internationalisation

3.6 Claims

In 2020, claims worth 178.5 million Euro were paid, a decrease of approximately 25% compared to the payments in 2019 (238.9 million Euro), a year characterised by a significant amount of claims. Approximately 82% of the claims that were paid out concerned overseas risk, predominantly in the aeronautics sector (in addition to the payment of claims dating back to previous financial years). The remaining 18% of the year's payments concerned Italy risk and mainly in the construction sector.

3.7 Recoveries

In 2020, the political recoveries amount to 51 million Euro, 50% less than in the previous year (102 million Euro). This difference is mainly owing to the instalments not paid by some countries (Argentina, Pakistan, and Cuba) relating to agreements that benefitted from the suspension of payments in 2020. The amounts collected mainly included payments under bilateral agreements with Iraq (38.9 million Euro), Serbia (4.7 million Euro), Egypt (2.2 million Euro), and Ecuador (2 million Euro).

In 2020, trade recoveries amounted to 26.3 million Euro, less than in 2019 (62.6 million Euro). The amounts collected mainly included balances held by insolvency proceeding bodies of Italian counterparties for 6.8 million Euro and payments in relation to restructuring agreements signed with Egyptian counterparties (4.4 million Euro), Italian counterparties (3.1 million Euro), and Russian counterparties (1.9 million Euro).

3.8 Risk portfolio

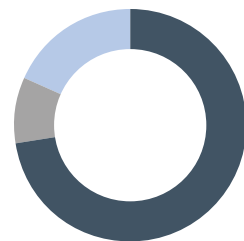
Total exposure, calculated as the sum of receivables and outstanding guarantees (principal and interest) amounted to 70.5 billion Euro. During 2020, export credit business operations accounted for 83% of the total flow of outstanding guarantees. The share in reinsurance increased (81.9% compared to 43.5% in 2019) as a result of the reinsurance of the portfolio up to 90% of the outstanding exposures as set forth by Decree Law No. 23 of 8 April 2020. The loans and receivables portfolio decreased by 13.3% compared to 2019, mainly as a consequence of sovereign credits which fell by 13.8% and accounted for 52% of the total portfolio. The weight of the trade component, which accounted for 48% of the portfolio, and which decreased by 12.8%, from 243.8 million Euro to 212.7 million Euro, remained more-or-less constant.

Portfolio	2020	2019	Change
Outstanding guarantees	70,085.8	64,537.4	+8.6%
<i>principal</i>	62,560.1	57,140.0	+9.5%
<i>interest</i>	7,525.7	7,397.4	+1.7%
Receivables	443.1	511.0	-13.3%
Total exposure	70,529.0	65,048.5	+8.4%

The analysis by geo-economic region shows that the highest exposure was towards the Middle East and Northern Africa (27.3% in relation to 27.4% in 2019), followed by EU countries (22.8% in relation to 24.5% in 2019). The highest exposure by country was towards the US, with a concentration of 15.6%. This is followed by the Americas, in terms of region, which accounted for 20.1%, compared to 19.1% in 2019. The other geo-economic regions together account for 29.8% of the portfolio: an increase of 31.2% is recorded in the Sub-Saharan Africa area.

The analysis by type of risk confirms the rise in political risk (+19.3%). Exposure to private sector risk - considering both credit risk and surety bonds - continued to be the highest, accounting for 70.7% of the total portfolio.

Total exposure by reinsurer (%)

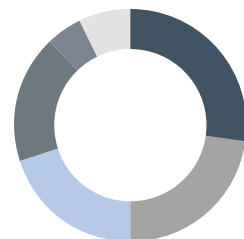


72.7%
Ministry of economy and finance

9.2%
Other reinsurers

18.1%
SACE

Total exposure by geo-economic region (%)



27.3%
Middle Est and North Africa

22.8%
EU 28

20.1%
Americas

17.7%
Other European Countries and CIS

4.9%
East Asia and Pacific

7.2%
Sub-Saharan Africa

Type of risk	2020	2019	Change
Sovereign	16,925.9	15,389.5	+10.0%
Political	2,623.3	2,199.7	+19.3%
Private sector risk	49,578.4	45,996.1	+7.8%
Ancillary	958.3	952.1	-0.7%
Total	70,085.8	64,537.4	+8.6%

Within private sector risk, there was a 47% increase in secured corporate risk. Decreases were mainly seen in aeronautics (-30.3%) and banking (-11.8%).

Type of risk	2020	2019	Change
Corporate - credit business	15,265.1	15,897.8	-2.9%
Banking	1,241.2	1,407.5	-11.8%
Aviation (Asset Based)	288.2	413.6	-30.3%
Backed corporate	15,219.9	10,352.3	+47.0%
Project finance	12,708.4	12,940.9	-1.8%
Structured finance	2,469.9	2,764.7	-10.7%
Corporate - surety business	2,385.6	2,219.2	-0.2%
Total	49,578.4	45,996.1	+7.8%

The level of sector concentration remains high, with the top five sectors accounting for 85.8% of the overall private portfolio. The main sector continued to be the cruise liner industry, which accounted for 45.8% of the portfolio; this was followed by the oil and gas sector, accounting for 19.6% (slightly less than last year, when it accounted for 20.1%).

3.9 Technical reserves

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.

The total value is calculated as the sum of:

- The provision for premium instalments, amounting to Euro 2,706.3 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 1,041.2 million Euro.
- The provision for claims outstanding, amounting to 506.1 million Euro.
- The Equalization provision for credit insurance business, amounting to 740.2 million Euro.

3.10 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 hedging transactions to partially offset negative variations in the loan and guarantee portfolio in case of any worsening of risk factors;
- to help the company pursue its economic goals through targeted and effective investments.

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

Total assets at the end of 2020 amounted to 7,601.9 million Euro¹¹. The breakdown of these is as follows: 51.2% invested in bonds, 0.5% in shares, 1.8% in UCITS and 46.5% in money market instruments.

The non-current portfolio, equal to 2,942.5 million Euro, represents 38.7% of total assets and consists entirely of bonds, 84.5% of which are bonds issued by government and supranational institutions. The modified duration of securities equals 4.40 while the average portfolio rating is BBB.

20.4% of the investment portfolio, of 4,659.4 million Euro, consists of bonds, 0.8% of shares, 2.9% of UCITS made up of bonds and 75.9% of money market instruments.

3.11 Analysis of the impacts of COVID

During March 2020, the novel Covid-19 virus infection spread to many countries around the world and, on 11 March 2020, the World Health Organization declared the situation to be a “pandemic”. Changes in the economic context linked to the pandemic have had a considerable impact on SACE’s business activities, attributable to the downgrading of counterparties’ credit ratings made by rating agencies and moratoria on guaranteed loan payments. Counterparties operating in sectors in which SACE’s guarantee portfolio has the greatest exposures, such as the cruise ship and aviation industries, have been particularly badly affected.

More specifically, these factors have resulted in an increase in credit risk, which can be measured using the expected loss model, with a consequent impact on technical provisions.

Premium Best Estimates (in € thousands)	Expected loss
31.12.2019	2,920,433
31.12.2020	3,747,441
Change	827,007

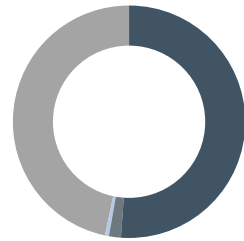
The change is almost exclusively attributable to the downgrades of counterparties as a result of Covid-19.

With reference to liquidity risk, the pandemic crisis should not entail, even looking forward, structural tensions in light of the high degree of liquidity of the financial portfolio, the bond component of which is mainly eligible for repurchase business operations.

3.12 Relations with other Export Credit Agencies (ECAs) and international organizations

As far as regards relationships with overseas institutions, we note that, during 2020, SACE finalised collaboration agreements with Azerbaijan Investment Company (AIC), the Saudi Arabian Finance Ministry, the Ministry of Industry, Commerce & Tourism of Bahrain, the National Bank of Kuwait (NBK), and Rönesans Holding (Turkey). To date, SACE has also signed 26 reinsurance agreements, overall, with other export credit agencies. In 2020, SACE also won a call for tenders for a study aimed at assisting the modernisation process of the Greek ECA: Export Credit Insurance Organization (ECIO). In support of ECIO, consultancy activities for updating portfolio products were conducted in 2020.

Breakdown of the portfolio by asset class



51.2%
Bonds

1.8%
UCITS

0.5%
Shares

46.5%
Money market

¹¹ This amount also comprises the cash balances relating to the Garanzia Italia business operations equaling 54.3 million.

3.13 Risk management



Risk management is based on constant improvement of 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 regulations¹².

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 unfavorable 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 according to market best practice, and through prudent underwriting policies, permanent monitoring and active portfolio management.
- **Market risk:** this category includes the risks generated by market operations involving financial instruments. It includes the interest rate, the currency, the credit and the equity risks. SACE monitors and manages market risk using asset-liability management techniques and keeps it within previously established limits by adopting guidelines on asset allocation and quantitative risk measurement models (Market VaR).

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

- **Liquidity risk:** the risk of incurring losses resulting from the company's reduced ability to meet financial obligations generated by its core business and financial liabilities. Due to the entry into force of Decree Law 23/2020 that, among other things, amended the governance of SACE as well as its business operations (introducing the co-insurance system with the state as of 2021), the monitoring of this risk is increasingly important. In particular, while remaining technical forms of underwriting that enable the settlement of the claim to be spread out over time, the accurate management and continuous monitoring of this risk component assume, in the current and future contexts, increasing significance. The investment policy is, in this way, closely linked to the specific need for liquidity of the insurance portfolios. All the securities in the portfolios used to cover technical reserves can be traded in regulated markets, many of which can be refinanced with central banks. The short average life of the investments guarantees, in addition, their rapid turnover.
- **Operational risk:** the risk of incurring losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. This definition includes, inter alia, losses resulting from fraud, human errors, business disruption, system unavailability, breach of contract and natural disasters. This risk component pertains to exposures that SACE assesses on behalf of the Italian State, with reference both to the export credit business operations and to those relating to the other public guarantees for which, in compliance with the specific legislative provisions that regulate its operation, SACE performs risk assessment and management activities. In light of this, there is a clear increase in exposures considered in the assessment and measurement of operating risks as well as a greater differentiation in the types of transactions owed to several operational areas introduced by the new legal provisions.
- **Reputation risk:** the current and forward-looking impact of sanctions on earnings and capital or on the institutional role of SACE, arising from a negative perception of the image of Group companies by customers, counterparties, shareholders, investors, regulators or other stakeholders. The prevention and monitoring of events that could pose a risk to its business reputation 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.

¹² IVASS Regulation No. 38 of 3 July 2018, European Solvency II Directive No. 2009/138.

- **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 one entity within the 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 companies themselves.

The Risk Management division:

- proposes, develops and implements methodologies, models and systems for the measurement and integrated control of risks, monitoring the correct allocation of economic capital, in line with the related company guidelines and in compliance with the applicable legislation, ensuring the control of risk/return and the creation of value for individual risk-taking units;
- oversees the definition of the risk appetite framework and operational limits and monitors compliance with these throughout the year;
- determines the current 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, assessing, monitoring and reporting risks, including scenario analysis and stress tests;
- takes care of the levels of the technical provisions and verifies the suitability of the provisions together with the other functions concerned;
- monitors the capital optimisation interventions, including the impacts and efficacy of the risk transfer strategies, of the reserves and of the liquidity;
- defines the guidelines regarding management and transfer of the risk, submitting them to the Board of Directors;
- issues periodical reports on changes in the risks assumed and the presence of anomalous situations and exceeding of limits, and submits these to the Board of Directors, company management, and the divisions concerned.

Within SACE's Risk Management Division, there is a specific unit that has the goal of permanently monitoring the methodological framework for defining, implementing, and validating methodologies for identifying and quantifying operational risks.

This unit assists the risk management divisions of the individual group companies, moving their individual operational risk management systems towards converging policies, while contributing to a single SACE policy.

The operational risk management and monitoring process is governed by the policy: “Operational risk management”, which describes the methodological framework and the operational tools used to:

- evaluate the level of company exposure to operational risks - Risk Self Assessment (RSA);
- gather and analyse internal loss data related to operational risk events - Loss Data Collection (LDC);
- define mitigation actions with a view to minimising the residual risk encountered in company processes;
- assess the operational risk inherent in the launch of new products, promoting the implementation of control frameworks suitable for minimising residual operational risk.

In 2020, the Operational Risks structure developed control and monitoring protections in relation to cyber risk through the introduction of performance and risk indicators in order to ensure the ongoing and effective measurement of the management system for this type of risk.

The goal is to identify suitability and efficiency interventions in order to ensure the strengthening of the security levels and to mitigate exposure to risk.

The adoption of the operational risk management framework strengthens risk controls and improves the overall effectiveness and efficiency of processes, reducing the variability of the profits for the period connected to the specific risk category and therefore protecting assets from unexpected losses.

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

- **Board of Directors:** has ultimate responsibility for defining the strategies for internal controls and the risk management system, making sure they are always complete, functional and effective;
- **Risk and Control Committee:** supports the Board of Directors on matters relating to risks and the system of internal controls, provides advice and formulates proposals;
- **Management Committee:** examines and evaluates the strategies, objectives, and operational planning guidelines of SACE and its subsidiaries and safeguards the implementation thereof; evaluates the various aspects of performance and defines the appropriate measures in order to achieve the best results in terms of profitability; investigates key matters and issues regarding the management and operational guidance of SACE and its subsidiaries;
- **Risk Evaluation Committee:** evaluates proposed transactions delegated by the Board of Directors (risk taking, changes, restructuring agreements, claims, commercial recoveries, agreements for political recoveries) and other relevant transactions, expressing a risk opinion on the transaction;
- **Risks Committee:** assists the Board of Directors and the Risk and Control Committee with the implementation of an effective risk management and control system, while contributing to the definition of strategies and guidelines for risk management and transfer. It 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 exposures, 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.
- **Investment Committee:** periodically defines company portfolio investment strategies to optimise the risk/yield profile of financial activities and compliance with the guidelines established by the Board of Directors. Monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions. Submits proposals for updating the guidelines on financial activities by the decision-making body.

3.14 Reinsurance

Reinsurance is an important business tool to optimise and mitigate risks and plays an essential role in the larger integrated risk management and control system.

At 31 December 2020, the most significant form of risk transfer for SACE is represented by the reinsurance with the Ministry of the Economy and Finance referred to in the Decree Law 23 of 8 April 2020 ("Liquidity" Decree), converted, with amendments, by Law No. 40 of 5 June 2020 that expanded, for portfolio risks, the percentages of reinsurance in relation to the preceding Agreement signed in 2014 with the Ministry of the Economy and Finance, approved with Prime Ministerial Decree of 20 November 2014 and filed with the Court of Auditors on 23 December 2014, and which adjusted the transfer in proportion to the risks that may result in high levels of concentration for SACE.

More especially, with reference to risk reinsurance, the "Liquidity" Decree stipulates that:

- a) the Italian Government will guarantee 13 transactions in the cruise ship sector approved by SACE in 2019 and in the first months of 2020 and for which SACE has already submitted an application for reinsurance under the scope of the Agreement with the Ministry of the economy and finance referred to in article 6.9-*bis* of Decree Law No. 269/2003, converted, with amendments, by Law No. 326 of 24 November 2003;
- b) the Minister of the Economy and Finance is authorised, for 2020, to issue the Government guarantee in favor of SACE, in accordance with the aforesaid Decree Law No. 269/2003, within specific limits established for the cruise ship industry and for the defence sector for transactions with a sovereign counterparty approved in 2020;
- c) the Minister of the Economy and Finance will reinsure up to 90 per cent of commitments undertaken by SACE and in place on the date of entry into force of Decree Law No. 23/2020, with some specific exceptions in respect of exposures for which the risk profile is badly impaired;

- d) the introduction of an interim period between the effective date of Decree Law No. 23/2020 and 31 December 2020 during which 90 per cent of the commitments undertaken by SACE in that period may be reinsured by means of a specific Decree of the Minister of the Economy and Finance (to which SACE did not resort in 2020).

In addition to the state reinsurance, and in consideration of the growth in volumes recorded in recent years, in order to mitigate the concentrations present in the portfolio, reinsurance with private counterparties, including Lloyd's of London, was also activated, as an additional tool for reaching SACE's goals and which provides a continuous comparison with the market.

The ceding agreements with the other Export Credit Agencies complete the reinsurance channels.

The purpose of reinsurance is to share the risk with specialised counterparties with a high credit rating in order to:

- improve portfolio balance;
- enhance the companies financial soundness;
- stabilize operating results;
- increase underwriting capacity.

In choosing reinsurance policies, the goal of optimising the trade-off between the financial impact of the policy cost and the benefit in terms of risk mitigation is taken into account.

In this context, the Reinsurance Unit studies and proposes reinsurance solutions and manages the related operational processes, verifying the consistency of the risk transfer plan with the reinsurance strategy approved by the Board of Directors.

SACE's reinsurance strategy involved, in recent years, the use of various forms of reinsurance, in particular:

- Quota share reinsurance: aimed mainly at enhancing underwriting capacity. This type of policy provides for the proportional transfer of the premium to the reinsurer, equal to the transferred portion of risk, and the retrocession of the fees covering the costs incurred to underwrite and manage the contract (ceding commission) by the reinsurer. In the case of claims, the reinsurer must settle its share of the claim;
- Surplus share reinsurance: purchased to increase underwriting capacity towards debtors/countries/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 stabilize the technical account by limiting the maximum cost of any claims to pre-set amounts;
- Coverage, on an optional basis, to cover individual risks or similar sub-groups of risks, or on a treaty basis, via the automatic transfer of risks related to specific underwriting years.

At 31 December 2020, on a portfolio of transactions completed overall equal to 70 billion Euro, 57 billion Euro (82%) were ceded as reinsurance. Approximately 89% of these cessions is in reinsurance with the MEF and comprises the cession performed pursuant to point c) referred to above; a 10% share was ceded to major global reinsurers in the private reinsurance market; a very small proportion (1%) was ceded to other ECAs under existing bilateral agreements.

With reference to the reinsurance undertaken in the course of 2020, in relation to transactions completed for 14.9 billion Euro overall, approximately 8.4 billion Euro were reinsured, of which (i) 6.0 billion Euro to the MEF pursuant to articles 6.1b and 6.1c of the SACE-MEF Agreement, and comprising the cession performed pursuant to point c) referred to above, (ii) 2.3 billion Euro to the reinsurance treaty with the private market, and (iii) 88 million Euro to the optional private market.

Regarding the reinsurance with private counterparties during 2020, the quota share treaty, effective from 1 January 2020 and applicable to the portfolio approved during this year, was renewed.

3.15 Internationalisation Financial Guarantees

As regards financial guarantees for internationalisation (Italian Law 80/2005, art. 11-*quinquies*), there was a decrease in the number of transactions agreed upon (-42%), commitments (-22%), and premiums approved (-24%), with respect to the previous year.

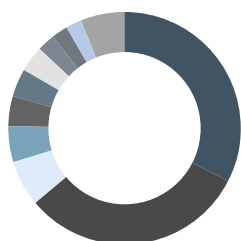
In 2020, SACE supported exporters through commitments approved for around 133.7 million Euro (170.8 million Euro in 2019) against loans granted for 263.9 million Euro (approximately 341.8 million Euro in 2019).

71% of guarantees were issued to SMEs (in terms of number of transactions), which accounted for around 40% of total commitments approved, and the remainder to corporations with a turnover of between Euro 50 and Euro 250 million.

Internationalisation guarantees: FY 2020	Total portfolio	of which SMEs
Loans guaranteed	€ 263.9 mln	€ 109.8 mln
Exposure approved (K + I)	€ 133.7 mln	€ 52.5 mln

The portfolio accumulated was not concentrated in any particular region of Italy: 26.2% of total commitments in the Centre-South, 16.3% in the Centre-North, 32.2% in the North-West and 25.3% in the North-East¹³.

Guarantees in 2020
by industrial sector



32.7%

Automotive

31.4%

Non financial service

6.5%

Naval

4.9%

Infrastructure and construction

4.2%

Metallurgy

3.8%

Chemicals/Petrochemicals

3.6%

Mechanical industry

2.6%

Textile

2.3%

Agricultural

2.1%

other industries

6%

other sectors

3.16 New business operations in 2020 (“Liquidity” Decree, Re-launch Decree, Simplification Decree)

Below is a summary of the technical forms introduced in 2020: “Garanzia Italia”, “Short-term Credit Insurance”, “Green New Deal”.

3.16.1 Garanzia Italia (art. 1 “Liquidity” Decree)

In the period from 20/04/2020 (effective date of the guarantee pursuant to article 1 of the Decree Law 23 of 8 April 2020, hereinafter the “Liquidity” Decree) and until 31/12/2020, in response to requests coming via the dedicated “Garanzia Italia” portal, the guarantees issued were 1,401 for a total loan amount equaling 20,769 million Euro and a maximum guaranteed amount¹⁴ equaling 19,409 million Euro. Of these, more than 99% followed a “simplified” process with the guarantee’s being issued in less than 2 working days (1,394 in simplified process).

The guarantees issued are, thus, divided by technical form:

Technical form	Guarantees	Amount Financed € millions	Maximum guaranteed amount € millions
Loan	1,382	20,659	19,303
Factoring	12	101	97
Leasing	6	6.7	6.4
Debt securities	1	1.9	1.7
Total	1,401	20,769	19,408

¹³ The territorial division used is based on the same criteria applied for the organization of the company’s regional offices. Below are the details for the 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.

¹⁴ The guaranteed amount corresponds to the capital plus additional charges and interest, net the percentage of coverage, at the time of the guarantee being issued.

The distribution by geographical region is divided thus: North 66% (920 guarantees for 16,109 million Euro), Central 21% (304 guarantees for 3,032 million Euro), South and Islands 13% (177 guarantees for 1,627 million Euro).

The main industrial sectors in which the guarantees were issued, are the Automobile sector (32.7%), the Non-financial services sector (31.4%), and the Naval sector (6.5%).

In terms of scope, the guarantees were issued by Working Capital (77.0%), by Staff Cost (13.3%), by Investments (9.5%), and by Rentals (0.2%).

The guarantees issued by 31/12/2020 were 1,183, for a total loan amount equaling 19,154 million and a guaranteed maximum amount of 17,793 million Euro. In relation to the guarantees issued at 31 December 2020, there are 54.3 million Euro in fees received and receivables to be collected of 11 million Euro.

Operating expenses in connection to the “Garanzia Italia” scheme amounted to 7.4 million Euro. These refer to the costs incurred by SACE to implement the new scheme, as well as the adaptations required following the amendments introduced with the conversion of the decree into law, and to issue the contracts received and for the checks carried out.

At 31 December 2020, the available ceiling equals:

- 148,525 million Euro for guarantees for large companies
- 29,708 million Euro for guarantees for SMEs

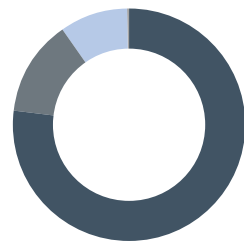
3.16.2 Short-term Credit Insurance (art. 35 “Relaunch” Decree)

The SACE-Reinsured Agreement pursuant to art. 35 of the Decree Law 34 of 19 May 2020 came into force on 5 November 2020. Five Credit Insurance Companies, operating in Italy, joined the Agreement, representing 86% of the market (based on 2019 premiums), to cover approximately 14,051 insured parties of which 80% are SMEs. The insured ceilings at 30 September 2020 equal 166.3 billion Euro, for approximately 1.4 million debtors. The distribution by geographical region is as follows: Italy (71.5%), Other EU countries (18%), CIS countries (4.2%), Americas (3%), Asia-Oceania (2.9%), and Africa (0.4%).

The reinsurance premiums for balances as of 30 September were 96.8 million Euro; the charges paid according to the Agreement equal to 33.4 million Euro and claims to be paid 15,472 Euro, for a net balance of 63.3 million Euro. The available ceiling equals 1,999.9 million Euro.

The management costs incurred by SACE for implementing the business operations, mainly attributable to the issuing of the underwriting deeds and controls on the management and accounting information flows received, equalled 0.6 million Euro.

Guarantees in 2020 by goals



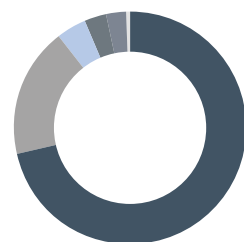
77.0%
Current assets

13.3%
Staff costs

9.5%
Investments

0.2%
Rent

Maximum coverage by geographical area



71.5%
Italy

17.9%
EU countries (except Italy)

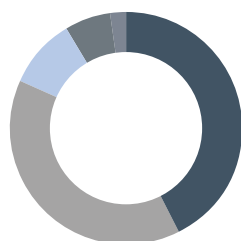
4.2%
Extra EU countries and CSI

3.0%
Americas

2.9%
Asia-Oceania

0.4%
Africa

Guarantees issued in 2020 per financed amount by industrial sector



42.7%
Renewable

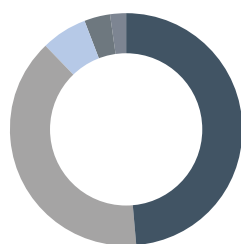
39%
Metallurgy

9.8%
Naval

6.5%
Infrastructure and construction

2%
Other industries

Approved guarantees by amount financed in 2020 by Objective



48.8%
Pollution Prevention and Decrease

39.0%
Circular Economy

6.5%
Sustainable and Smart Mobility

3.7%
Climate Change Mitigation

2%
Water Defence and Naval Resources

3.16.3 Green New Deal (art. 76 "Simplification" Decree)

The SACE-MEF Agreement pursuant to art. 64 of the Decree Law 76 of 16 July 2020 came into force on 18 December 2020. At 31 December 2020, there were 7 approved guarantees for an amount financed of 614.8 million Euro (principal) and a guaranteed amount for 325.4 million Euro (of which 294.1 million Euro in principal). Of these, at the above-mentioned date, 3 had been issued, for an amount financed (principal) of 302.6 million Euro.

The main industrial sectors in which the guarantees were approved, were the Renewables sector (42.7%), the Metallurgy sector (39.0%), and the Naval sector (9.8%).

The main objectives for which the guarantees were approved were the Prevention and Reduction in Pollution (48.8%), the Circular Economy (39.0%), and Sustainable and Intelligent Mobility (6.5%).

At 31 December 2020, the available ceiling in principal equals 2,206 million Euro. In relation to the guarantees issued at 31 December 2020, the premiums earned are equal to 1.1 million Euro. The management costs amount to 0.7 million Euro, as expenses incurred by SACE both for the implementation of the business operations and for the preliminary activities and issuing of contracts received.

3.17 Human resources

At 31 December 2020, employees of SACE totalled 580, an increase of 4 people compared to the previous year. During the year, 63 people were hired and 59 left the company.

Distribution of staff by grade	No.	Breakdown
Executives	37	6%
Officials	306	53%
Office workers	237	41%
Total	580	100%

Distribution of staff by age group	Breakdown	Change
Under 30	18%	+7%
Between 31 and 40	31%	+1%
Between 41 and 50	31%	+8%
Over 50	20%	-13%

Distribution of staff by qualification	Breakdown	Change
Degree	84%	+6%
Secondary school certificate/other	16%	-21%

During 2020, as far as regards training, the activities aimed at acquiring and consolidating technical-specialist skills and the dissemination of expertise relating to business and to the development of cross-business expertise were continued.

Due to the Covid-19 pandemic, all the training courses already planned at the beginning of the year were reprogrammed in terms of their content and method of delivery. This involved dealing with technological updates and cultural changes contemporaneously and in a short space of time. The first allowed us to continue to deliver, remotely, all the planned training; the second made it possible to experience the pandemic crisis as an opportunity for growth and personal development. The typical company training paths (managerial, behavioural, IT, linguistic, specialist technical and business technical) were supplemented with others devised to facilitate and accompany the transformations underway. Among these, for example: i) the "Digital Transformation Lab", aimed at creating and consolidating a new digital mindset and exploring digital tools, methodologies, and technologies; ii) managerial training for managing teams remotely (Group Coaching) dedicated to all managers; iii) training aimed at all staff on the use of Microsoft Teams; iv) delivery of webinars to disseminate knowledge of

new products (e.g. Garanzia Italia) and new legislation created to react to the economic crisis generated by the pandemic. In addition, the eLearning portal was revised, reorganised, and equipped with a Virtual Classroom where all the training sessions linked to the Hub's typical activities were held in a synchronous manner. Overall, a total of 15,901 hours were provided to employees of SACE in 2020.

The Early Career Program was continued in 2020. The three-year onboarding scheme is a training and development plan designed to support the growth of young people. The program involved 43 staff (19 temporary staff and 24 permanent). All the program initiatives were implemented: the projects on strategic-company issues, the assessments of potential, and the training courses on soft skills and also the first edition of Mentoring that involved voluntary Mentors of lines I and II.

Everyone at the company underwent an assessment of their performance in the previous year. These assessments considered technical skills, cross-business competencies (suitability for the job), and each employee's specific activities and objectives. They resulted in the production of structured feedback and a shared training plan.

In order to strengthen company Welfare, a flexible benefit plan was proposed for the year 2020 as well. Employees were able to benefit from this tool, both as a One-Off credit for renewing the CIA (corporate supplementary agreement), and for converting the PAV (variable company bonus), using the related amounts to purchase goods and services and increasing their net pay.

In 2020, the new CIA for SACE SpA came into force, characterised by the strengthening of the institutions with greatest social benefit: health policy, check up, supplementary pensions, and parental support.

Finally, with the aim of maintaining the generational change process launched in recent years, the Solidarity Fund was set up for SACE, as set forth in the sector agreements, which met with a high level of support, enabling 25 colleagues to leave with incentivised redundancy and to receive their pension check early.

3.18 Litigation

At 31 December 2020, SACE was defendant in 14 lawsuits regarding a contested amount of around Euro 29 million, and plaintiff in 7 cases for a total of approximately Euro 157 million.

SACE was plaintiff in a further 48 proceedings to obtain recognition of its privilege pursuant to Italian Legislative Decree 123/1998 to payment before other creditors in insolvency proceedings, for claims paid (or being paid) against guarantees to support the internationalisation of business enterprises, for, overall, approximately 59 million Euro. The company is also involved in three labour disputes.

3.19 Corporate Governance

Organization, management and control model pursuant to 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 Organization, management and control model ("Model") was approved on 28 May 2020 by SACE's Board of Directors pursuant to and for the effects specified by Legislative decree No. 231/01 ("Decree"). The Model is regularly updated on the basis of audits which include the definition of a risk map and analysis of 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 committing a crime is theoretically possible. This part includes references to the System of Internal Controls with regard to the prevention of crimes.

The function of monitoring the suitability and application of the Model has been assigned to the Supervisory Body, a collective body appointed by the Board of Directors. The Supervisory Body is composed of three components that must possess certain professional characteristics. At the time of appointing the Supervisory Body, the Board also appoints one member as the Chair.

The Supervisory Body provides an annual report to the Board of Directors and the Board of Statutory Auditors. The Supervisory Body 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. Its adoption reflects 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 Organization, management and control model pursuant to Legislative decree No. 231/01. Under the Code, all external parties with which SACE does business are required to act in accordance with the rules and procedures inspired by those same principles. To make all internal and external stakeholders aware of the Code, it is published on each company's internet and intranet site and sent by email to each employee. The Code of Conduct has been drawn up to clearly define the set of values that SACE recognises, accepts and shares and the set of responsibilities it assumes vis à-vis parties within and outside the company.

Internal control and risk management system

The system of internal controls and risk management is built around a set of rules, processes, procedures, functions, organizational 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 organizational 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 organizational structure, functions and responsibilities.
- The Board of Auditors must evaluate the efficacy and efficiency of the system of internal controls especially as regards the actions of the Internal Audit department 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:

- First level controls. The operational units and heads of each unit identify, evaluate, monitor, mitigate and report the risks associated with the company's ordinary business activities, in accordance with the risk management process. They must see 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;
- Second level controls. The Risk Management department ensures: (i) correct implementation of the risk management process and (ii) that the various departments respect the established operating limits. While the Compliance and Anti-money laundering department ensures, according to a risk-based approach, the management of regulatory non-compliance risk, money-laundering and terrorism-financing risk, as well as reputational risk connected to business operations;
- Third level controls. The Internal Audit 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.

The relevant paragraph also includes information relating to the "Report on corporate governance and ownership structures" pursuant to what is set forth in art. 123-bis of Legislative Decree 58/1998 (Consolidated Finance Law). The Company availed itself of the right set forth in this article, for companies not having shares admitted to trading on regulated markets, to omit the publication of information referred to in paragraphs 1 and 2 of art. 123-bis, only providing those referred to in para. 2, point b).

Internal Audit

The Internal audit function performs independent and impartial assurance and consultancy activities on behalf of SACE and its subsidiaries, aimed at improving the efficacy and efficiency of the organization. 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 plan is approved by the Board of Directors and establishes the audit work priorities, identified on the basis of the company's strategic objectives and the assessment of current and future risks in view of trends in operating performance. The annual plan may also be reviewed and amended in response to significant changes that affect the company's business, plans, systems, activities, risks or controls. Furthermore, where necessary, the Internal audit function performs controls not envisaged by the plan. It also monitors the system of controls at all levels and works to promote a culture of control endorsed by the Board of Directors. It 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 (IIA).

Financial reporting and the manager responsible for the reporting process

The provisions of art. 13 of the Articles of Association of SACE S.p.A. establishing the professional requirements and procedures for appointing and dismissing the manager responsible for preparing the corporate accounting documents are provided below.

Article 13 of the Articles of Association of SACE S.p.A. (paragraphs 10.1 - 10.8)

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 provisions 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.

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 applicable.

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 suitable and effective application of the procedures, referred to in paragraph 6, during the business year to which the documents refer, in a suitable report attached to the business year financial statements and consolidated financial statements, if applicable, and certify their correspondence to the findings in the accounting 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.

3.20 Environmental, social, and cultural commitments

SACE actively protects the environment, with actions relating to energy efficiency, reduction of the environmental impact through eco-friendly mobility initiatives (using hybrid cars in the company fleet, incentivising the use of bicycles, mopeds, and electric scooters through agreements for employees, smart working), with a reduction in the use of fossil fuels (installation of solar power systems, drawing up a contract for distributing green solar energy in the Rome branch), with the recycling of waste through waste segregation, with a reduction in the use of plastic through the Zero Plastic project, with the reduction in the use of paper through the development of digitalisation and Paperless campaigns for disposing of paper in the offices, and with the involvement of the business structures in imprinting their activities with a green perspective. To encourage the development of activities to protect the environment, a specific cross-business group was created.

As far as regards its social commitments, SACE, in the context of the COVID health emergency, supported the Ospedale Giovanni XXIII in Bergamo in June 2020 and "l'Albero della Vita" (the Tree of Life), a non-profit organization that helps families and children in socially disadvantaged situations, in December 2020.

3.21 Subsidiaries and Parent Company

With reference to transactions with the sole shareholder Cassa Depositi e Prestiti S.p.A., in 2020, insurance guarantees were issued that generated premiums of 180 million Euro (127.9 million Euro in 2019). SACE's financial investment portfolio contains one bond for a total nominal amount of 54 million Euro issued by the sole shareholder Cassa Depositi e Prestiti S.p.A. that was already included in the portfolio at 31 December 2019, and three bonds for a total nominal amount of 300 million Euro purchased by SACE in the first half of 2020. Furthermore, at 31 December 2020, there were 3,203.8 million Euro as demand deposits at Cassa Depositi e Prestiti S.p.A., 127.2 million Euro as margin loans and asset swap and IRS transactions for a total notional amount of 1,314 million Euro.

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 subsidiary SACE BT;
- irregular deposits in favor of the SACE Fct subsidiary;
- staff secondments (fees amount to the reimbursement of costs sustained by the seconding company in the form of remuneration and the related costs) with the group companies (CDP, SACE Fct, SIMEST, SACE BT, SACE Srv).

A summary of the net results of the subsidiaries:

- SACE Fct (wholly owned) closed the financial year with a net loss of 3.4 million Euro mainly caused by the adjustments recorded during the year, due to the deterioration in the portfolio;
- the subsidiary SIMEST (76.005% stake) closed the financial year with a net profit of 4.6 million Euro, mainly attributable to income deriving from equity investments and commission income;
- SACE BT (wholly owned) closed the financial year with a net loss of 6.3 million Euro mainly attributable to the negative result of the technical account influenced by greater provisions for unearned premiums and by some large claims that year.

3.22 Other information

Hereinafter, other information relating to the management:

- Since SACE participates in the tax consolidation scheme of Cassa Depositi e Prestiti for the three-year period 2019-2021, current IRES (corporate income tax) has been recognized as a tax consolidation charge to the parent.
- During 2020, SACE concluded the "Patent box" procedure launched in December 2015 with the definition, in joint consultation with the Agenzia delle Entrate, of methods and criteria for calculating the share of company income from the direct use of the so-called "intangible" assets. With the agreement signed on 16 December, the "patent box" concessional terms were quantified for the years 2015-2019 overall as 3,828 thousand Euro with a positive income statement effect to be drawn from the taxes for the year for 1,180 thousand Euro.
- In accordance with the "Non-financial statement" referred to in Legislative decree No. 254/2016, the company made use of the exemption described in art. 6, para. 1, of the Decree, since the declaration has been prepared on a consolidated basis by the parent Cassa Depositi e Prestiti S.p.A.

3.23 Outlook for 2021 and significant events after the reporting date.

2021 looks to be a year of transition towards an exit from the health crisis, driven, on the one hand, by positive factors linked to the availability of a number of vaccines and, on the other hand, exposed to adverse shocks caused by new waves of infection, fed by virus variants characterised by a high capacity for transmission. Presumably, the first part of the year will see the maintenance of the restrictive measures widely spread on a global scale (above all in the first quarter), with a relaxation of these in the second half of the year alongside the progress in the mass vaccination campaigns. Despite the still uncertain and vulnerable context, the consensus projections converge on a recovery of the global economy for this year (+5% according to Oxford Economics, a relatively slow rate compared to that indicated by the International Monetary Fund of +5.5%), which will be more marked among developing countries.

In 2021, Italy's GDP was expected to partially recover ground, with an expansion estimated around 4.5% according to Oxford Economics, more optimistic compared to the International Monetary Fund projections (+3.0%) and of the Banca d'Italia¹⁵ (+3.5%). The recovery will be driven both by domestic demand - in particular, investments - and by the overseas component.

In this macroeconomic context, SACE will take on an essential role in supporting Italian businesses and the relaunch of the economy and of exports that represents a significant component thereof.

This relaunch strategy, beginning from 1 January 2021, will be activated in the area of the new structure for distributing new commitments deriving from insurance activities and the guarantee of non-market risks set forth in the "Liquidity" Decree (to the degree of 10% assumed by SACE and 90% assumed by the state) and regulated by a specific agreement signed by SACE and by the Ministry of the Economy and Finance on 26 November 2020 and approved by the CIPE.

In the first months of 2021, activities for determining the restructuring of SACE Group continued in order to implement the regulations referred to in art. 67, para. 2, of the Decree Law No. 104 of 14 August 2020, converted, with amendments, by Law No. 126 of 13 October 2020 ("August Decree"). This legislation stipulated, in fact, that "*Subject to agreement between the Ministry of the Economy and Finance and Cassa depositi e prestiti (CDP) S.p.A., with the decree of the Ministry of the Economy and Finance, together with the Ministry of Foreign Affairs and International Cooperation, subject to filing with the Court of Auditors, the restructuring of the SACE Group has been determined and the value of the transfer of the relevant holdings deemed congruous by the parties*". As a result of trading, MEF and CDP agreed to the transfer of SACE Group, net SIMEST, from CDP to the MEF. As a result, SACE was required to transfer its entire holding in SIMEST to CDP. We should note that this restructuring operation - still underway - will reveal its effects as soon as the MEF-MAECI inter-ministerial decree, which will determine its characteristics, is issued and filed with the Court of Auditors. As of today, this decree has still not been issued.

Rome, March 23, 2021

on behalf of the Board of Directors
Chief Executive Officer
Pierfrancesco Latini



02

Balance sheet and Income statement

Annex I

Company	SACE S.p.A.	
Subscribed capital	euro 3,730,323,610	Paid euro 3,730,323,610
Registered offices	ROME	
Financial statements	BALANCE SHEET 2020	
	(Amounts in euros)	

Balance sheet non-life Insurance business 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	2,478,655	10 2,478,655
C.	INVESTMENTS			
	I - Land and buildings			
	1. Property used in company operations	11	59,306,552	
	2. Property rented to third parties	12	876,432	
	3. Other properties	13		
	4. Other properties rights	14		
	5. Construction in progress and advance	15	60,182,984	16 60,182,984
	II - Investments in Group companies and other shareholdings			
	1. Shares and interests in:			
	a) controlling companies	17		
	b) subsidiary companies	18	395,470,723	
	c) affiliated companies	19		
	d) associated companies	20	9,339,341	
	e) other companies	21	404,810,065	22 404,810,065
	2. Bond issued by:			
	a) controlling companies	23	353,995,725	
	b) subsidiary companies	24		
	c) affiliated companies	25		
	d) associated companies	26		
	e) other companies	27	353,995,725	28 353,995,725
	3. Loans to:			
	a) controlling companies	29		
	b) subsidiary companies	30		
	c) affiliated companies	31		
	d) associated companies	32		
	e) other companies	33	758,805,789	34 758,805,789
			35	
		to be carried forward		2,478,655

Previous year

			181
	182		
183			
184	185		
	186		
	187		
	188		
	189	2,928,800	190 2,928,800
	191	59,913,953	
	192	932,435	
	193		
	194		
	195	196 60,846,387	
197			
198	401,555,708		
199			
200	8,699,470		
201	202 410,255,178		
203	83,762,186		
204			
205			
206			
207	208 83,762,186		
209			
210			
211			
212			
213	214	215 494,017,364	
	to be carried forward		2,928,800

Balance sheet non-life Insurance business assets

		Current year	
		carried forward	2,478,655
C.	INVESTMENTS (continued)		
III	- Other financial investments		
1.	Shares and interests		
a)	Listed shares	36 15,261,144	
b)	Unlisted shares	37	
c)	Interests	38 39 15,261,144	
2.	Shares in common investment funds	40 135,347,077	
3.	Bonds and other fixed-income securities		
a)	listed	41 3,538,377,169	
b)	unlisted	42	
c)	convertible debentures	43 44 3,538,377,169	
4.	Loans		
a)	loans secured by mortgage	45 1,794,535	
b)	loans on policies	46	
c)	other loans	47 48 1,794,535	
5.	Participation in investment pools	49	
6.	Deposits with credit institutions	50 1,299,090,131	
7.	Other financial investments	51 21,083,387	52 5,010,953,445
IV	- Deposits with ceding companies		53 44,076 54 5,829,986,294
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
D bis.	REINSURERS' SHARE OF TECHNICAL PROVISIONS		57
I	- NON-LIFE BUSINESS		
1.	Provisions for unearned premiums	58 3,066,005,958	
2.	Provisions for claims outstanding	59 261,420,364	
3.	Provisions for profit-sharing and premium refunds	60	
4.	Other technical provisions	61 62 3,327,426,322	
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 3,327,426,322	70 3,327,426,322
	to be carried forward		9,159,891,272

		Previous year	
carried forward		2,928,800	
216	365,448		
217			
218	219 365,448		
	220 150,594,302		
221	3,856,542,630		
222			
223	224 3,856,542,630		
225	2,168,455		
226			
227	228 2,168,455		
	229		
	230		
	231 29,015	232 4,009,699,849	
		233 53,040	234 4,564,616,641
		235	
		236	
			237
	238 1,128,864,329		
	239 100,825,899		
	240		
	241 26,123,327	242 1,255,813,555	
	243		
	244		
	245		
	246		
	247		
	248	249	250 1,255,813,555
	to be carried forward		5,823,358,996

Balance sheet non-life Insurance business assets

		carried forward				Current year
						9,159,891,272
E.	RECEIVABLES					
I	- Receivables arising out of direct insurance business:					
	1. Policyholders					
	a) for premiums current year	71	58,118,715			
	b) for premiums previous years	72	22,604,884	73	80,723,599	
	2. Insurance intermediaries			74		
	3. Current accounts with Insurance companies			75		
	4. Policyholders and third parties for recoveries	76	348,201,339	77	428,924,938	
II	- Receivables arising out of reinsurance operations:					
	1. Insurance and Reinsurance companies	78	138,138,163			
	2. Reinsurance intermediaries	79		80	138,138,163	
III	- Other debtors			81	312,546,273	82 879,609,374
F.	OTHER ASSETS					
I	- Tangible assets and stocks:					
	1. Furniture, office machines and internal transport vehicles	83	1,423,852			
	2. Vehicles listed in public registers			84		
	3. Machinery and equipment	85	1,260			
	4. Stocks and other goods	86	64,572	87	1,489,684	
II	- Cash at bank and in hand:					
	1. Bank and Postal accounts	88	34,237,554,285			
	2. Cheques and cash on hand	89	906	90	34,237,555,192	
III	- Own shares or equity interests			91		
IV	- Other					
	1. Deferred reinsurance items	92	51,494			
	2. Miscellaneous assets	93	29,804,617	94	29,856,111	95 34,268,900,986
G.	PREPAYMENTS AND ACCURIED INCOME					
	1. Accrued interest			96	23,713,448	
	2. Rents			97		
	3. Other prepayments and accrued income			98	1,446,474	99 25,159,922
TOTAL ASSETS						100 44,333,561,554

		carried forward		Previous year	
				5,823,358,996	
251	26,164,318				
252	4,790,985	253	30,955,303		
		254			
		255			
256	403,870,854	257	434,826,158		
		258 16,505,726			
259		260	16,505,726		
		261 278,683,593			
				262	730,015,476
		263 1,415,950			
		264			
		265 1,996			
266	59,368	267	1,477,315		
		268 5,154,706,613			
269	3,791	270	5,154,710,404		
		271			
		272 33,320			
273	22,462,327	274	22,495,646		
				275	5,178,683,365
		276 25,664,713			
		277			
		278	952,034	279	26,616,748
				280	11,758,674,585

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	281,102,178
V	- Statutory reserves	105	
VI	- Reserves for own shares and shares of the controlling company	106	
VII	- Other reserves	107	408,758,159
VIII	- Net profit (loss) brought forward	108	232,179,831
IX	- Net profit (loss) for the year	109	79,722,088
X	- Riserva negativa per azioni proprie in portafoglio	401	110 4,775,390,468
B. LINKED LIABILITIES			
			111 500,000,000
C. TECHNICAL PROVISIONS			
I - NON-LIFE BUSINESS			
	1. Provisions for unearned premiums	112	3,729,010,236
	2. Provisions for claims outstanding	113	506,127,975
	3. Provisions for profit-sharing and premium refunds	114	
	4. Other technical provisions	115	
	5. Equalization provision	116	740,204,417
		117	4,975,342,628
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 4,975,342,628
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		10,250,733,096

Previous year

	281	3,730,323,610	
	282	43,304,602	
	283		
	284	274,023,092	
	285		
	286		
	287	401,498,705	
	288	172,441,123	
	289	141,581,727	
	501		290 4,763,172,858
			291 500,000,000
292	2,980,302,434		
293	474,607,489		
294			
295			
296	703,951,315	297 4,158,861,238	
298			
299			
300			
301			
302		303	304 4,158,861,238
		305	
		306	307
to be carried forward			9,422,034,096

Balance sheet liabilities and Shareholders' equity

				Current year
	carried forward			10,250,733,096
E. PROVISIONS FOR OTHER RISKS AND CHARGES				
1. Provisions for pensions and similar obligations		128		
2. Provisions for taxation		129	36,302,052	
3. Other provisions		130	54,379,016	131 90,681,068
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	29,506,698		
4. Guarantee funds in favour of policyholders	136		137 29,506,698	
II - Creditors arising out of reinsurance operations:				
1. Insurance and Reinsurance companies	138	1,674,653,190		
2. Reinsurance intermediaries	139		140 1,674,653,190	
III - Debenture loans			141	
IV - Amounts owed to banks and credit institutions			142	98,623,767
V - Loans guaranteed by mortgages			143	
VI - Miscellaneous loans and other financial liabilities			144	998,793,682
VII - Provisions for employee termination indemnities			145	4,950,244
VIII - Other creditors				
1. Premium taxes	146			
2. Other tax liabilities	147	1,518,298		
3. Social security	148	1,653,224		
4. Miscellaneous creditors	149	22,902,272	150	26,073,794
IX - Other liabilities				
1. Deferred reinsurance items	151	31,926		
2. Commissions for premiums in course of collection	152			
3. Miscellaneous liabilities	153	31,141,094,010	154	31,141,125,936
to be carried forward				155 33,973,727,310
				44,315,141,474

		Previous year	
carried forward			9,422,034,096
	308		
	309	19,720,128	
	310	88,107,636	311 107,827,764
			312
313			
314			
315	30,183,299		
316	317	30,183,299	
318	96,341,435		
319	320	96,341,435	
	321		
	322	64,252,912	
	323		
	324	1,985,538,090	
	325	5,220,572	
326			
327	1,365,562		
328	1,592,616		
329	21,717,337	330	24,675,515
331	51,679		
332			
333	4,196,756	334	4,248,435
to be carried forward		335	2,210,460,258
			11,740,322,118

Balance sheet liabilities and Shareholders' equity

				Current year	
	carried forward				44,315,141,474
H. ACCRUALS AND DEFERRED INCOME					
1. Accrued interest		156	17,204,577		
2. Rents		157			
3. Other prepayments and accrued income		158	1,215,503	159	18,420,079
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				160	44,333,561,554

		Previous year	
carried forward			11,740,322,118
	336	17,198,630	
	337	301,099	
	338	852,738	339
			18,352,467
			340
			11,758,674,585

Annex II

<u>Company</u>	<u>SACE S.p.A.</u>	
<u>Subscribed capital</u>	<u>euro 3,730,323,610</u>	<u>Paid euro 3,730,323,610</u>
<u>Registered offices</u>	<u>ROME</u>	
<u>Financial statements</u>	<u>PROFIT & LOSS ACCOUNT</u> <u>2020</u>	
	(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	736,911,128					
b) (-) Outward reinsurance premiums	2	341,349,623					
c) Change in the gross provision for unearned premiums	3	748,707,801					
d) Change in the provision for unearned premiums, reinsurers' share	4	(459,025,674)			5	105,879,378	
2. (+) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (Item III. 6)						6	7,043,057
3. OTHER TECHNICAL INCOME, NET OF REINSURANCE						7	13,497,184
4. CLAIMS INCURRED, NET OF RECOVERY AND REINSURANCE							
a) Claims paid							
aa) Gross amount	8	182,732,888					
bb) (-) reinsurers' share	9	19,168,908	10	163,563,980			
b) Change in recoveries, net of reinsurance							
aa) Gross amount	11	(51,920,146)					
bb) (-) reinsurers' share	12	(4,491,679)	13	(47,428,467)			
c) Change in the provisions for outstanding claims							
aa) Gross amount	14	31,520,485					
bb) (-) reinsurers' share	15	160,594,465	16	(129,073,980)	17	(12,938,467)	
5. CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE						18	26,123,327
6. PREMIUMS REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE						19	586,612
7. OPERATING EXPENSES:							
a) Acquisition commissions			20				
b) Other acquisition costs			21	23,671,055			
c) Change in commissions and other acquisition costs to be amortised			22				
d) Collecting commissions			23	12,369,728			
e) Other administrative expenses			24	62,135,036			
f) (-) Reinsurance commissions and profit-sharing			25	48,492,754	26	49,683,064	
8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE						27	7,584,555
9. CHANGE IN THE EQUALISATION PROVISION						28	36,253,103
10. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (Item III. 1)						29	19,127,425

Values of the previous year

			111	565,449,334	
			112	208,920,808	
			113	63,982,149	
			114	(94,858,189)	115
					387,404,566
					116
					34,338,803
					117
					2,511,465
			118	243,055,346	
			119	21,401,350	120
					221,653,996
			121	(121,776,195)	
			122	(14,905,804)	123
					(106,870,391)
			124	101,997,985	
			125	72,109,363	126
					29,888,622
					127
					144,672,227
					128
					5,224,665
					129
					819,798
			130		
			131	28,385,480	
			132		
			133	266,348	
			134	57,705,757	
			135	29,087,420	136
					57,270,165
					137
					9,813,244
					138
					42,783,423
					139
					163,671,312

Profit & loss account

Values of the year

		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 and other shareholdings)	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 19,127,425
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	85 593,615		
	bb) income from other investments	86 84,045,741	87 84,639,356	
	(of which: from Group companies)	88 140,579		
	c) Value re-adjustments on investments	89 4,454,719		
	d) Gains on the disposal of investments	90 40,802,023		
	(of which: from Group companies)	91		92 129,896,097

Values of the previous year

					175
				176	
				177	
				178	
				179	
				180	
				181	182
				183	
				184	
				185	186
					187
					188
					189
					190
					191 163,671,312
					192
				193	
(of which: from Group companies)				194	
		195	596,553		
		196	102,233,428	197	102,829,981
(of which: from Group companies)				198	1,377,131
				199	6,771,288
				200	65,907,649
(of which: from Group companies)				201	202 175,508,918

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 13,342,008	
	b) Value adjustments on investments	95 32,388,094	
	c) Losses on the disposal of investments	96 60,813,492	97 106,543,594
6.	(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE BUSINESS TECHNICAL ACCOUNT (ITEM I.2)		98 7,043,057
7.	OTHER INCOME		99 124,404,769
8.	OTHER CHARGES		100 49,746,602
9.	INCOME FROM ORDINARY OPERATIONS		101 110,095,037
10.	EXTRAORDINARY INCOME		102 758,878
11.	EXTRAORDINARY CHARGES		103 511,558
12.	EXTRAORDINARY PROFIT OR LOSS		104 247,319
13.	PROFIT BEFORE TAXES		105 110,342,357
14.	INCOME TAXES		106 30,620,268
15.	NET PROFIT (LOSS) FOR THE YEAR		107 79,722,088

Values of the previous year

		203		
	204	12,564,092		
	205	31,291,060		
	206	35,033,563	207	78,888,716
			208	34,338,803
			209	55,041,809
			210	68,226,384
			211	212,768,135
			212	3,821,693
			213	2,759,095
			214	1,062,598
			215	213,830,733
			216	72,249,006
			217	141,581,727

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

The legal representatives of the Company (*)

Pierfrancesco Latini (**)

The Statutory Auditors

Silvio Salini

Gino Gandolfi

Moira Paragone

Reserved for the stamp of the registry office to be applied at the time of filing the financial statements.

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

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



03

Notes to the
financial statements

Notes to the financial statements

Foreword

These financial statements, comprising the schedules of the balance sheet, the income statement, the cash flow statement, the notes thereto and related annexes, and accompanied by the directors' report, have been prepared in accordance with article 6, para. 22 of Italian Legislative Decree No. 269/2003 ("Transformation of SACE into a joint stock company"), the pertinent provisions of Legislative Decree No. 209 of 7 September 2005 and Legislative Decree No. 173 of 26 May 1997, to the extent of 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 pursuant to articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010 by the independent Auditors Deloitte & Touche S.p.A.

These notes describe, analyse and, in some cases, supplement the figures in the financial statements and provide the information required by art. 2427 of the Italian Civil Code that is in line with the legal changes introduced by Legislative Decree 139/15 and with the accounting principles recommended by the OIC (the Italian accounting standards board), and comprise:

Part A - Valuation criteria

Part B - Information on the balance sheet and income statement

Part C - Other information

All amounts in the accounting schedules are expressed in euros. All amounts in these notes are stated in thousands of euros.

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.

We note that these Financial statements include the effects deriving from the application of Decree Law No. 23 (the "Liquidity" Decree or "DL23") converted, with amendments into Law No. 40 of 5 June 2020, and, in particular:

- SACE's financial and economic position at 31 December 2020 includes the effects deriving from the application of article 2, para. 9, of the "Liquidity" Decree and, in particular, the transfer up to a reinsurance percentage of 90% of the performing portfolio as of 8 April 2020 via the MEF's reinsurance of the portfolio with recognition of accounts payable to MEF of around 1.5 billion Euro. This amount has been quantified in the Report on the capital endowment of SACE drafted pursuant to the above-mentioned law and it is subject to verification activities pursuant to what is set forth in para. 6 of the same law. To quantify the assets to be transferred, SACE took into account the Premium provision corresponding to the existing and transferred commitments, believing it could exclude what had been set aside by way of Equalisation Provision - which, at 31 March 2020, amounted to 710 million Euro - taking into account: the legal provisions that regulate the operation of the Equalisation Provision and, in particular, the aim of stabilising the retained Technical Account; the nature of this provision not directly attributable to business in force; and the general market practice adopted in reinsurance transactions. In January 2021, as a result of discussions with the MEF that followed the transmission of the Report on the capital endowment of SACE, it emerged that the law cited - the "Liquidity" Decree - could be subject to a broader interpretation - the cited legal provision being able, in theory, to refer, in a broader sense, to the totality of Technical Reserves, the Equalization Provision also being included among them. As a result, an analysis was launched that was aimed, first of all, at defining, together with the MEF, the interpretation of the cited law - the "Liquidity" Decree - and, following this, at identifying, again with the MEF, where necessary, the criteria aimed at making the quantification for identifying any share of assets to be transferred, also in relation to the Equalization Provision, possible, taking into account that the same provision is not analytically attributable to any individual commitment granted, as it is aimed at hedging the overall technical balance retained. At 31 December 2020, and, again, as of the date of approval of the financial statements by the board of directors, the analysis activities both regarding the interpretation of the law cited - the "Liquidity" Decree - and any successive quantification of the assets to be transferred are still underway. We further specify that any transfer of assets in relation to the Reserve mentioned above, including in the broader interpretation, would not result in economic effects for SACE's financial statements because the greater value would be included in the reserves transferred to the Reinsurer, an item of the capital assets, with the payables to the MEF the offsetting item, confirming the solidity of SACE's balance sheet ratios and liquidity.

- relating to the new business operations introduced in 2020 (Garanzia Italia, art. 35 Trade Receivables, Green Guarantees), we note that: they are recorded in separate accounting records, as set forth by the applicable legislation; the full mitigation of risks for SACE was implemented through the setting up of MEF hedging funds; SACE's financial and economic position as of 31 December 2020 includes the reimbursement of management costs incurred in the financial year and mainly relating to the cost of staff performing these business operations recorded in the other technical income item; the commissions relating to the products introduced by SACE's new business operations (Garanzia Italia, art. 35 Trade Receivables, Green Guarantees) are accredited to the MEF by recording a payable in SACE's financial statements, net reimbursement of the management costs incurred.
- includes the cash and cash equivalents held in the current account in SACE's name, equaling 31 billion Euro, and relating to the Fund set up by art. 1, para. 14 of the "Liquidity" Decree, to cover the commitments of the State connected to the granting of guarantees related to SACE's new business operations, recorded with offsetting item in the sundry liabilities item.

Part A – Valuation criteria and basis of presentation

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

Section 1 - Measurement criteria

The valuation criteria used to prepare the financial statements are set out below.

The valuation criteria used comply with regulatory provisions referred to in Legislative Decree 139/2015 and the reporting standards issued by the OIC, as well as the requirements established by IVASS (the Italian insurance supervisory authority).

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 amortized over their estimated useful life. Amortization, 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 recognized at purchase cost increased by accessory charges, upkeep expenses and revaluations made in accordance with specific laws and decreased, where applicable, by impairment losses 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 carrying amount of buildings is separated 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.

Equity Investments

Equities are initially recognized at cost, increased by additional charges. As such investments are intended to be held for the longer term, they are considered financial fixed assets. Investments in subsidiaries and associated companies are measured using the equity method, in accordance with art. 2426(4) of the Italian Civil Code, with the corresponding portion of shareholders' equity calculated based on the companies' most recently approved financial statements.

Investments

SACE's investments are divided into two categories: "held to maturity" and "held for trading". Securities held to maturity are recognized 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 impairment. Interest and coupons matured on securities in the portfolio are recognized on an accruals basis and recognized under accrued income.

Trading securities are recognized at the lower of weighted average cost and realizable 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 only in exceptional and extraordinary cases and 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 recognized according to the criteria of the new category.

Receivables

These items are recognized at their presumed realizable value taking into account probable future losses for non-collection. Losses on receivables are recognized 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 is written down to their estimated realizable 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 inventory

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

Technical provisions

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

a) Provision for unearned premiums

The provision for premium instalments is determined according to the *pro-rata temporis* method, applied analytically to each policy on the basis of gross premiums. The provision for unearned premiums has also been aligned with the expected rate of claims not covered by the provision for premium instalments referring to insurance contracts signed by the reporting date (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) Equalization provision

The equalization 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 S.p.A. is included in the tax consolidation scheme of Cassa Depositi e Prestiti S.p.A., current tax receivables and payables have been recognized as amounts due from/to the parent.

Provision for severance indemnities

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

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

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

Accounts payable

These items are recognized at face value.

Accruals and deferred income

Accruals and deferred income are recognized 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 recognized by taking valuation gains and losses to profit or loss. The contract value is determined by referring to the respective market data and to the values and commitments connected to them. Derivative transactions carried out for micro fair value hedging purposes are measured considering the fair value changes of the hedged instrument related to the hedged risk component.

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 recognized at the exchange rate prevailing at the time of the transaction. Exchange rate differences arising from such adjustments are recognized under “Other income” and “Other charges”. Valuation gains and losses are recognized in profit and loss. With the approval of the financial statements and allocation of the profit for the year, and once the legal reserve has been set aside, the positive net balance (net profit) is posted to a specific equity reserve. This amount cannot be distributed until the asset or liability that generated it has been realized.

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

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

Extraordinary income and charges

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

Income 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 recognized 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 using the following exchange rates:

	31 December 2020	31 December 2019	31 December 2018
US dollar	1.2271	1.1234	1.1450
GB pound	0.89903	0.85080	0.89453
Swiss franc	1.0802	1.0854	1.1269

Uses of estimates

In preparing the financial statements, the directors are required to make estimates and evaluations that influence the amounts stated in relation to assets, liabilities, costs and revenues. For the 2020 financial statements, we consider that the assumptions made are appropriate and, as a consequence, that the financial statements are drafted with the intention of clarity and that they truthfully and correctly represent the financial position and the year's net profit. In order to formulate reliable estimates and hypotheses, the directors referred to historical experience, as well as to other factors considered reasonable for the case under consideration, based on all available information. It cannot be excluded, however, that changes in these estimates and assumptions may determine effects for the financial and economic position, as well as the potential liabilities included in the financial statements for information purposes, if different assessment factors, compared to those expressed at the time, intervene, including in light of the current context characterised by the health emergency underway. In particular, the greater use of subjective assessments by the company management was necessary in the following cases: in determining the technical reserves; in determining the fair value of financial assets and liabilities in cases where the same could not be directly observed on asset markets; in determining the recoverable value of claims registered, in estimating the recoverability of deferred tax assets, and in quantifying provisions for risks and charges.

Functional currency

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

Part B - Information on the balance sheet and income statement

BALANCE SHEET

(in € thousands)	31 December 2020	31 December 2019
Intangible assets	2,479	2,929
Investments	5,829,986	4,564,617
Reinsurers' share of technical provisions	3,327,426	1,255,814
Receivables	879,609	730,015
Other assets	34,268,901	5,178,683
Prepayments and accrued income	25,160	26,617
Balance Sheet - Assets	44,333,562	11,758,675
Shareholders' equity:		
- Subscribed capital or equivalent fund	3,730,324	3,730,324
- Share premium reserve	43,305	43,305
- Revaluation reserves		
- Legal reserve	281,102	274,023
- Other reserves	408,758	401,499
- Net profit (Loss) brought forward	232,180	172,441
- Net profit (Loss) for the year	79,722	141,582
Linked liabilities	500,000	500,000
Technical provisions	4,975,343	4,158,861
Provisions for other risks and charges	90,681	107,828
Creditors and other liabilities	33,973,727	2,210,460
Accruals and deferred income	18,420	18,352
Balance sheet - Liabilities	44,333,562	11,758,675

INCOME STATEMENT

(in € thousands)	31 December 2020	31 December 2019
Non-life business technical account		
Gross premiums	736,911	565,449
Change in the provision for unearned premiums and outward reinsurance premiums	(631,032)	(178,045)
Net premium income	105,879	387,405
Change in other technical provisions	(26,123)	(5,225)
Allocated investment return transferred from the non-technical account	7,043	34,339
Change in the equalisation provision	(36,253)	(42,783)
Other technical income and charges	5,913	(7,302)
Claims incurred, net of recoveries	12,938	(144,672)
Premium refunds and profit sharing	(587)	(820)
Operating expenses	(49,683)	(57,270)
Balance on the non-life business technical account	19,127	163,671
Non-technical account		
Non-life investment income	129,896	175,509
Investment management and financial charges for non-life business	(106,544)	(78,889)
Allocated investment return transferred to the non-life technical account	(7,043)	(34,339)
Other income	124,405	55,042
Other expense	(49,747)	(68,226)
Balance on the non-technical account	90,968	49,097
Income from extraordinary operations	247	1,063
Income tax	(30,620)	(72,249)
Profit for the year	79,722	141,582

Balance Sheet - Assets

Section 1 – Item B – Intangible assets

1.1 – Changes 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 December 2020	31 December 2019
Property rights	366	460
Brands and licences	36	46
Software	2,076	2,423
Total other multi-year costs (Item B.5)	2,478	2,929

Software costs (2,076 thousand Euro) mainly refer to costs for implementing the digital platform system for the SME product offering.

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

2.1 - Land and buildings - Item C.I

This item (60,183 thousand Euro) represents:

- a) the carrying amount of the building owned by the company (10,383 thousand Euro), located in Piazza Poli 37/42, Rome, used in part for business purposes and in part leased to the subsidiaries;
- b) the carrying amount of the land on which the building stands (49,800 thousand Euro).

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

2.2 - Investments in group companies and other shareholdings - Item C.II

Total investments recognized under this item amounted to 758,806 thousand Euro at 31 December 2020 (494,017 thousand Euro at 31 December 2019).

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

The item includes:

- the investment in the SACE BT S.p.A. subsidiary, set up on 27 May 2004, the share capital of which, amounting to 56,539 million Euro, is fully subscribed by SACE S.p.A.;
- the investment in SACE Fct S.p.A., set up on 24 March 2009, the share capital of which, amounting to 50,000 thousand Euro, is fully subscribed by SACE S.p.A.;
- the investment in SACE Do Brasil, set up on 14 May 2012 with a 100% stake, valued at 290 thousand Euro;
- the investment in ATI (African Trade Insurance Agency) comprised of 100 shares worth 11,798 thousand USD;
- the investment in SIMEST S.p.A., equal to 76.005%, amounting to 231,916 thousand Euro.

The investments are evaluated using the equity method. The application of this criterion resulted in a total write-up of 4,380 thousand Euro, recognized under “Income from investments”, related to SIMEST (3,510 thousand Euro) and to ATI (870 thousand Euro) and a total write-down of 9,995 thousand Euro, recognized under “Investment management and financial charges”, related to SACE Fct (3,425 thousand Euro), SACE BT (6,261 thousand Euro) and SACE do Brasil (309 thousand Euro).

Further details are provided in Annexes 6 and 7.

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

2.2.1.b) Information on investees is shown in Annex 6.

2.2.1.c) The breakdown of changes is shown 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 353,996 thousand Euro.

Changes in this item are shown in Annex 5.

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

Changes in this item are shown in Annex 5.

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 is 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 December 2020	31 December 2019
Government securities issued by Austria	40,131	39,500
Government securities issued by Greece	14,396	13,459
Government securities issued by Italy	3,310,492	3,562,850
Other listed securities	173,358	240,734
Total	3,538,377	3,856,543

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

Securities are deposited with banks. Information about the market value of securities is provided in Annex 8.

With reference to “Debt securities and other fixed-income securities” recognized under item C.III, issue and trading differences taken to the income statement amounted to:

Table 3 (in € thousands)

Description	Positive	Negative
Differences	3,129	0

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 2,168 thousand Euro at the beginning of the year. Instalments for 374 thousand Euro were collected during the year. The balance for 1,795 thousand Euro 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 December 2020	31 December 2019
Within 6 months	1,299,090	0
Total	1,299,090	0

The item refers to irregular deposits in favor of the SACE Fct subsidiary.

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

Table 5 (in € thousands)

Description	31 December 2020	31 December 2019
Equity instruments	21,054	0
Other investments	29	29
Other financial investments	21,083	29

The participating financial instruments were attributed to SACE following a restructuring operation of subrogation credits that occurred in 2020.

2.3.7 – Breakdown of UCITS by country – Item C.III.2

Table 6 (in € thousands)

UCITS by country	31 December 2020	31 December 2019
Italy	135,347	150,594
Total	135,347	150,594

The item refers to the Fondo Sviluppo Export shares.

2.4 - Deposits with ceding companies – Item C.IV

This item reflects the amount of guarantee deposits (44 thousand Euro) 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, equaling 3,327,426 thousand Euro, mainly refers to technical provisions recognized following reinsurance with the Ministry of the Economy and Finance. This item includes those amounts attributed to the MEF due to the "Liquidity" Decree, determined according to the criteria referred to in the Introduction to these Notes to the Financial Statements.

Table 7 (in € thousands)

Description	31 December 2020	31 December 2019
Provision for unearned premiums	3,066,006	1,128,865
Provision for outstanding claims	261,420	100,826
Other technical provisions	0	26,123
Total	3,327,426	1,255,814

Section 5 – Item E – Receivables

Table 8 (in € thousands)

Description	31 December 2020	31 December 2019
Receivables arising out of direct insurance business from policyholders (Item E.I.1)	80,724	30,955
Policyholders and third parties for recoveries (Item E.I.4)	348,201	403,871
Receivables arising out of reinsurance business (Item E.II.1)	138,138	16,506
Other debtors (Item E.III)	312,546	278,683
Total	879,609	730,015

The breakdown of this item is provided in the following paragraphs.

5.1 Receivables arising out of direct insurance business (Items E.I.1 – E.I.4)

The item E.I.1: “Receivables arising out of direct insurance business with insured parties” (80,724 thousand Euro) comprises the premium amounts to be collected on policies issued at the reporting date. No losses were recognized in the year on amounts receivable in connection with insurance operations for premiums. The item includes, in addition, 10,972 thousand Euro relating to receivables for Garanzia Italia commissions and 1,060 thousand Euro relating to Green Guarantees.

The item E.I.4: “Policyholders and third parties for recoveries” (348,201 thousand Euro) mainly consists of subrogation credits measured and recognized at their estimated realizable value, determined separately for each type of credit and counterparty. It also relates to subrogation credits for sovereign risk (140,095 thousand Euro) and subrogation credits for commercial risk (208,106 thousand Euro). The change in receivables at 31 December 2020 compared to the previous year is primarily due to recovered claims for 60,084 thousand Euro. Closing rate adjustments for receivables in currencies other than the euro were negative for Euro 10,191 thousand.

5.2 - Receivables arising out of Reinsurance business (Item E.II.1)

The item (E.II.1): “Receivables arising out of reinsurance business” posted a balance of 138,138 thousand Euro. This item includes receivables from reinsurers for commissions in connection with outward reinsurance contracts (26,213 thousand Euro), of which 15,303 thousand Euro refers to the reinsurance agreement with the MEF and 10,909 thousand Euro to the treaty with reinsurers in the private market. The item also includes 10,724 thousand Euro relating to receivables from the MEF for claims and reimbursements on premiums, 2,315 Euro relating to receivables from other reinsurers for claims, 2,096 thousand Euro for reinsurance receivables, and 96,782 thousand Euro for short-term trade receivables relating to new business operations of art. 35 of the Decree Law 34 of 2020 (“Relaunch” Decree).

5.3 – Breakdown of “Other Debtors” (item E.III)

Table 9 (in € thousands)

Description	31 December 2020	31 December 2019
Other debtors country	19,132	22,654
Compensatory interest on claims to be recovered	73,716	82,333
Receivables from tax authorities	9,306	11,869
Deferred tax assets	66,938	75,799
Sundry receivables	143,454	86,028
Other debtors (Item E.III)	312,546	278,683

“Other debtors country” (19,132 thousand Euro) 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” (73,716 thousand Euro) represents the total amount payable as at the reporting date by foreign countries by way of interest under existing restructuring agreements.

The “Receivables from tax authorities” item (9,306 thousand Euro) comprises receivables for 8,245 thousand Euro in connection with advance payments of IRAP (regional tax on production activities) in previous years (10,744 thousand Euro) net of the charge for 2020 (2,499 thousand Euro), and for 1,061 thousand Euro in connection with tax receivables for which reimbursement was claimed in previous years, increased by the interest accrued at 31 December 2020.

“Deferred tax assets” (66,938 thousand Euro), details of which can be found in Table 31, refer to income statement items that contribute to the calculation of the taxable income for years other than that in which they are recognized. This item is stated net of the transfer in 2020 to profit and loss of prepaid taxes appropriated in previous tax periods due to achievement of a taxable income for IRES and IRAP. The breakdown is shown in section 21.7 of these notes.

The increase in “Sundry receivables” compared to the previous year mainly refers to margin trading on asset swap transactions and repo agreements entered into with the parent Cassa Depositi e Prestiti S.p.A.

Receivables for amounts payable (sovereign and commercial risk) – breakdown by foreign currency

Below the detail, by currency, of the positions relating to receivables for amounts payable.

Table 10 (in € thousands)

Currency	31 December 2020	31 December 2019
USD	217,076	199,157
EUR	263,114	330,417
CHF	3,375	3,600
Other currencies	6	6

Section 6 – Item F - Other assets

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

Table 11 (in € thousands)

Description	2019	Increase	Decrease	2020
Furniture and machinery	1,416	544	536	1,424
Works of art	53	0	0	53
Machinery and Equipment	2	0	1	1
Inventory	6	5	0	11
Total	1,477	554	542	1,489

Cash and cash equivalents

Deposits with credit institutions amounted to 34,237,554 thousand Euro, of which 11,728 thousand Euro in foreign currency. This item comprises 31 billion Euro deposited by the MEF in the current account held by SACE and set up with the Central Treasury (Banca d'Italia) and dedicated to the new business operations under the “Liquidity” Decree with offsetting item in the sundry liabilities item. At 31 December 2020 cash on hand amounted to 0.9 thousand Euro.

6.4 – Sundry assets

The breakdown of the balance of this item is as follows:

Table 12 (in € thousands)

Description	31 December 2020	31 December 2019
Capital gains on foreign exchange forward transactions	75	0
Receivables from CDP for tax consolidation	28,892	20,879
Sundry assets	838	1,583
Total	29,805	22,462

Section 7 – Prepayments and accrued income – item G

Table 13 (in € thousands)

Description	31 December 2020	31 December 2019
Accrued income for interest on government securities and bonds	21,617	24,549
Accrued income for interest on other financial investments	2,096	1,116
Total accrued income for interest	23,713	25,665
Other prepayments	1,446	952
Total prepayments	25,159	26,617

Interest on other financial investments (2,096 thousand Euro) reflects interest on repo agreements and interest on the irregular deposits in favor of SACE Fct. Other accruals amounted to 1,446 thousand Euro and refer to portions of general expenses to be attributed to subsequent years.

7.3 – Indication of multi-year prepayments and accrued income and separate indication of those with a duration of more than five years.

Multi-year prepayments include 117 thousand Euro in connection with costs for service contracts. Prepayments greater than 5 years amount to 198 thousand Euro and relate to rental costs.

Balance Sheet Liabilities and Shareholders' Equity

Section 8 - Shareholders' Equity - Item A

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

Table 14 (in € thousands)

Description	Share capital	Retained earnings	Legal reserve	Other reserves	Share premium reserve	Profit for the year	Total
Balances at 1 January 2019	3,730,324	88,766	264,718	401,273	43,305	186,087	4,714,473
Allocation of 2018 net profit:							
- Distribution of dividends						(90,000)	(90,000)
- Other allocations		83,675	9,305	3,107		(96,087)	
Increase in share capital							
Other changes				(2,882)			(2,882)
Profit for 2019						141,582	141,582
Balances at 31.12.2019	3,730,324	172,441	274,023	401,498	43,305	141,582	4,763,173
Allocation of 2019 net profit:							
- Distribution of dividends						(70,000)	(70,000)
- Other allocations		59,739	7,079	4,764		(71,582)	
Increase in share capital							
Other changes				2,495			2,495
Profit at 31 December 2020						79,722	79,722
Balances at 31.12.2020	3,730,324	232,180	281,102	408,758	43,305	79,722	4,775,390

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)

Description	Amount	Possibility of utilisation	Available portion	Summary of utilisation in the previous 3 years
Capital at 31.12.2020	3,730,323,610			
Equity-related reserves:				
Revaluation reserves		A, B, C		
Share premium reserve	43,304,602	A, B, C when the legal reserve reaches 1/5 of share capital		
Income-related reserves:				
Legal reserve	281,102,178	B		
Other reserves	101,857,827	A, B	101,857,827	
Other reserves	306,900,332	A, B, C	306,900,332	
Retained earnings	232,179,831	A, B, C	232,179,831	
Total			640,937,990	
not distributable ¹			101,857,827	
distributable			539,080,163	

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

(1) the non-distributable portion includes 15,861 thousand Euro related to the residual portion of the reserve for exchange rate gains, 1,669 thousand Euro related to the portion of the reserve for the revaluation of receivables, 84,715 thousand Euro for the revaluation of investments resulting from the application of the equity method, and -387 thousand Euro related to the measurement of cash flow hedges.

The share capital consists of 1,053,428 shares for a total nominal amount of 3,730,323,610 thousand Euro, held by Cassa Depositi e Prestiti S.p.A. The nominal amount of each share is 3,541.13 Euro.

Section 9 – Linked liabilities

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

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

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

Table 16 (in € thousands)

Description	31 December 2020	31 December 2019
Provision for unearned premiums		
Provision for premium instalments	2,687,828	2,465,302
Provision for unexpired risks	1,041,182	515,000
Total	3,729,010	2,980,302
Provision for claims outstanding		
Provision for claims paid and direct expenses	488,622	452,767
Provision for settlement costs	8,447	7,879
Provision for late claims	9,059	13,961
Total	506,128	474,607

The provision for unearned premiums and the provision for claims outstanding refer to exposures in foreign currency for 1,114,011 thousand Euro and 72,450 thousand Euro, respectively. The provision for unearned premiums increased owing to the greater riskiness of the portfolio and the trend in premiums for the year. The provision for claims outstanding rose due to the increase in the rate of claims for the year. It is deemed adequate to cover the potential cost of fully or partially unpaid claims as at the end of the year.

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

Table 17 (in € thousands)

Description	31 December 2020		31 December 2019	
	DB	IB	DB	IB
Provision for unearned premiums				
Provision for premium instalments	2,504,487	183,341	2,368,614	96,688
Provision for unexpired risks	1,041,182		515,000	
Total	3,545,669	183,341	2,883,614	96,688
Provision for claims outstanding				
Provision for claims paid and direct expenses	417,627	70,995	414,546	38,221
Provision for settlement costs	8,447		7,879	
Provision for late claims	9,059		13,961	
Total	435,133	70,995	436,386	38,221

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 reporting date.

The provision for outstanding claims includes the total of the sums that, 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 - Equalization provision

The equalization provision, of 740,204 thousand Euro, increased with respect to the previous year by 36,253 thousand Euro. The provision is calculated in accordance with the provisions of art. 37 of Legislative Decree 209/2005 (and art. 80 of Legislative Decree No. 173/1997).

Section 12 – Provisions for risks and charges – Item E

Changes in this item are shown in Annex 15.

Provisions for risks and charges amounted to 90,681 thousand Euro. This amount comprises 36,302 thousand Euro for deferred tax liabilities and 54,379 thousand Euro for “Other provisions”, the main components of which are listed below:

- 15,805 thousand Euro related to ongoing disputes at the reporting date;
- 13,298 thousand Euro for agreements currently being defined with policyholders;
- 97 thousand Euro accrued for amounts to be assigned to policyholders by way of shares due;
- 7,929 thousand Euro for estimated potential liabilities with policyholders, due to the non-maturity of said amounts;
- 10,257 thousand Euro attributable to the “Intersectoral solidarity fund to provide income support and to support employment and professional retraining of employees of insurance and service companies” established by INPS, pursuant to Ministerial Decree No. 78459 of 17 January 2014.

Section 13 - Creditors and other liabilities - Item G

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

Table 18 (in € thousands)

Description	31 December 2020	31 December 2019
Advances for premiums	21	29
Accounts payable to policyholders for premium refunds	432	11
Front-end expenses	1	208
Other payables arising out of direct insurance business	29,052	29,936
Premium deposits and premiums due to policyholders - Item G.I.3.	29,506	30,183

The “Other payables arising out of direct insurance business” item, for 29,052 thousand Euro, mainly includes payables for amounts due to policyholders for deductibles on amounts recovered. The change in relation to the previous financial year is mainly owed to the adjustment of the exposures in a currency other than the Euro.

Table 19 (in € thousands)

Description	31 December 2020	31 December 2019
Accounts payable arising out of inward reinsurance business	33,527	0
Accounts payable arising out of outward reinsurance	1,641,126	96,341
Creditors arising out of reinsurance operations - Item G.II.1.	1,674,653	96,341

The “Inward reinsurance accounts payable” item, amounting to 33,527 thousand Euro, includes, for 33,452 thousand Euro, the accounts payable relating to the commissions and claims on inward reinsurance business for short-term trade receivables relating to new business operations under art. 35 Decree Law 34 of 2020 (“Relaunch” Decree).

The “Accounts payable arising out of outward reinsurance” item, amounting to 1,641,126 thousand Euro, refers, for 147,772 thousand Euro to amounts payable to premiums ceded, for 17,392 thousand Euro to accounts payable for claims, and for 1,475,963 thousand Euro to the accounts payable to the MEF for the technical reserves transferred due to the “Liquidity” Decree and determined according to the criteria mentioned in the Introduction to these Notes to the Financial Statements.

13.2 - Amounts owed to banks and credit institutions (Item G.IV)

This item, for 98,624 thousand Euro (64,253 thousand Euro at 31 December 2019), refers to asset swap transactions entered into with the parent Cassa Depositi e Prestiti S.p.A.

13.4 – Miscellaneous loans and other financial liabilities (Item G.VI)

This item, for 998,794 thousand Euro (1,985,538 thousand Euro at 31 December 2019), refers to repo agreements entered into with banking counterparties.

13.5 - Provision for severance indemnities (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 Creditors – Item G.VIII

Table 20 (in € thousands)

Description	31 December 2020	31 December 2019
Other tax liabilities	1,518	1,366
Social security	1,653	1,593
Miscellaneous Creditors	22,903	21,717
Total	26,074	24,676

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

This item (for a total of 22,903 thousand Euro) mainly comprises amounts due to suppliers for 12,331 thousand Euro, against general administrative costs for the year, and amounts due to employees for 9,450 thousand Euro.

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

The information received from the ceding companies on provisional technical income for 2020 was carried forward to the technical account for the following year as deferred reinsurance items.

13.8 – Miscellaneous Liabilities – Item G.IX.3

The “Miscellaneous liabilities” item, which amounts, overall, to 31,141,126 thousand Euro, includes the offsetting item of the deposit made by the MEF in the current account held by SACE with the central Treasury for 31 billion Euro (recognized under assets in the “Other assets” item), the accounts payable, net the management costs incurred, for the commissions on Garanzia Italia transactions performed as of 31 December 2020 for 57,890 thousand Euro, on short-term trade receivables reinsurance for 62,756 thousand Euro, and on Green Guarantees for 353 thousand Euro, the valuation losses on contracts used to hedge foreign currency assets for 20,095 thousand Euro.

Section 14 – Accruals and deferred income - Item H

Table 21 (in € thousands)

Description	31 December 2020	31 December 2019
Accrued interest	17,205	17,199
Other prepayments and accrued income	1,215	1,153
Accruals and deferred income	18,420	18,352

14.1 – Breakdown of other prepayments and accrued income (Item H.3).

The balance of the “Accrued interest expense” item, of 17,205 thousand Euro, refers to the accrued expenses on the subordinated bond issue (see Section 9).

14.3 – Indication of multi-year accrued expenses and deferred income and separate indication of those with a duration of more than five years. There is no deferred income with a duration of more than one year.

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, 2,046,599 Euro thousand are due after the end of the following year and 1,161,178 thousand Euro after five years. The accounts payable under liability items F and G, which are due within five years, equal 35,569 thousand Euro.

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

Details of the memorandum accounts are given in Annex 17.

17.1 – Breakdown of commitments

Commitments totalled 1,772,398 thousand Euro and relate to forward contracts for 458,398 thousand Euro and to asset swap and IRS transactions for 1,314,000 thousand Euro. The contracts traded were entered into with leading credit institutions with high ratings. The effect of exchange rate transactions on foreign currency items that expired in the year produced a negative amount of 15,274 thousand Euro, and that of valuations of foreign currency items and existing derivatives at closing rates resulted in a positive amount of 10,213 thousand Euro.

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 shown in Annex 17.

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

Securities, including those related to group companies, are deposited with banks, for 3,928,688 thousand Euro and asset management companies, for 135,347 thousand Euro.

17.6 The schedule of commitments for transactions on derivatives is shown 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 736,911 thousand Euro, of which 21,668 thousand Euro relate to previous years, (565,449 thousand Euro as of 31 December 2019).

In accordance with the applicable legislation (art 11, point 5, of Law 80/2005), the provision of internationalisation guarantees generated gross premiums for 1,907 thousand Euro and claims for 3,275 thousand Euro. Premiums ceded at 31 December 2020 amounted to 341,350 thousand Euro (208,921 thousand Euro as of 31 December 2019), of which 251,527 thousand Euro refer to the reinsurance agreement with the MEF.

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

Pursuant to art. 55 of Legislative Decree 173/97 and in view of the positive balance of financial revenue, the amount to be transferred to the technical account is equal to 7,043 thousand Euro.

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

This item, amounting to 13,497 thousand Euro, mainly concerns the technical income from the management of insurance contracts for 2,149 thousand Euro, from front-end expenses for the year for 360 thousand Euro, and the reimbursement of management expenses for Garanzia Italia transactions concluded for 7,391 thousand Euro, on short-term trade receivables reinsurance for 573 thousand Euro, and on Green Guarantees for 740 thousand Euro.

18.5 – Claims incurred net of recoveries and reinsurance

Table 22 (in € thousands)	DB			IB			Total		
	Description	31/12/2020	31/12/2020	31/12/2020	31/12/2019	31/12/2019	31/12/2019	31/12/2019	
Claims paid for the current year	(131,793)	(89)	(131,883)	(160,249)	(28)	(160,277)			
Claims paid relating to previous years	(46,695)	0	(46,695)	(78,660)	0	(78,660)			
Costs of claims management	(4,155)	0	(4,155)	(4,118)	0	(4,118)			
Reinsurers' share	19,169	0	19,169	21,401	0	21,401			
Change in recoveries	50,946	973	51,920	120,140	1,636	121,776			
Reinsurers' share	(4,492)	0	(4,492)	(14,906)	0	(14,906)			
Change in the provision for claims outstanding	1,254	(32,774)	(31,520)	(95,076)	(6,921)	(101,996)			
Reinsurers' share	160,594	0	160,594	72,109	0	72,109			
Total net claims incurred	44,828	(31,890)	12,938	(139,359)	(5,313)	(144,672)			

The “Change in recoveries” item (47,428 thousand Euro) mainly refers to amounts recovered from foreign countries for 38,359 thousand Euro, principally from Iraq (15,783 thousand Euro), Russia (1,390 thousand Euro), Tunisia (3,010 thousand Euro), and Egypt (4,116 thousand Euro).

The reinsurers' share amounted to 19,169 thousand Euro, of which 17,487 thousand Euro refer to the reinsurance agreement with the MEF.

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

Premium refunds, reflecting premium refunds net of reinsurance, amounted to 587 thousand Euro (820 thousand Euro at 31 December 2019).

Operating expenses - Item I.7

Details of this item are given in the table below:

Table 23 (in € thousands)	31 December 2020		31 December 2019	
Description				
Collecting commissions		12,370		266
Other acquisition costs		23,671		28,385
Other administrative expenses		62,135		57,706
Reinsurance commissions and profit sharing (I.7.f)		(48,493)		(29,087)
Operating expenses		49,683		57,270

The “collecting commissions” (12,370 thousand Euro) mainly refer to an inward reinsurance transaction completed in 2020. “Other acquisition costs” comprise reinsurance commissions and general expenses made up of personnel costs (13,337 thousand Euro) and other general administrative expenses (10,334 thousand Euro). “Other administrative expenses” comprise general expenses made up of personnel costs (38,638 thousand Euro), other general administrative expenses (22,970 thousand Euro), and depreciation of capital goods (527 thousand Euro). 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 (48,493 thousand Euro), mainly comprise commissions in connection with the agreement signed with the MEF (25,948 thousand Euro).

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

This item, equal to 7,585 thousand Euro, refers mainly to technical cancellations of premiums due to termination of insurance contracts.

18.9 – Change in the Equalization Provision – Item I.9

The change in the Equalization Provision, equal to 36,253 thousand Euro, 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 shown 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 24 (in € thousands)

Description	31 December 2020	31 December 2019
Income from investments in land and buildings	594	597
Income from other investments	84,046	102,233
Value re-adjustments on investments	4,454	6,771
Gains on the disposal of investments	40,802	65,908
Total	129,896	175,509

“Income from other investments” (84,046 thousand Euro) mainly includes 45,381 thousand Euro for interest on government securities and bonds (of which 25,474 thousand Euro refer to the negative effect of closing rate adjustments for securities in foreign currencies), 12,557 thousand Euro for income on repo transactions, 2,183 thousand Euro for income from common investment funds, and 22,514 thousand Euro for interest income and income on asset swap transactions. The “Reversals of impairment losses on investments” item (4,454 thousand Euro) relates to value re-adjustment on equity investments in SIMEST and ATI for 4,380 thousand Euro and the valuation of forward contracts for 74 thousand Euro. The “Gains on the disposal of investments” item (40,802 thousand Euro) comprises 40,460 thousand Euro related to forward transactions and 342 thousand Euro 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 25 (in € thousands)

Description	31 December 2020	31 December 2019
Investment management charges including interests	13,342	12,564
Value re-adjustments on investments	32,388	31,291
Losses on the disposal of investments	60,813	35,034
Total	106,543	78,889

The “Investment management charges including interests” item (13,342 thousand Euro) mainly comprises investment management fees (329 thousand Euro), interest charges on securities hedged by asset swap and IRS transactions (10,266 thousand Euro), charges for repo agreements (76 thousand Euro), and property management charges (1,060 thousand Euro). The “Value re-adjustments on investments” item (32,388 thousand Euro) refers to forward contracts (20,095 thousand Euro), the write-down of the investments in SACE Fct, SACE BT, and SACE do Brasil (9,995 thousand Euro), the reduction in value calculated on circulating category securities in compliance with the Italian accounting principles (1,635 thousand Euro), and the depreciation of real estate (663 thousand Euro). The “Losses on the disposal of investments” item (60,813 thousand Euro) includes 55,852 thousand Euro related to losses on forward contracts and 4,961 thousand Euro on securities. The breakdown of each item is detailed in Annex 23.

21.3 – Breakdown of other income – Item III.7

Table 26 (in € thousands)

Description	31 December 2020	31 December 2019
Compensatory interest on premiums	738	1,342
Compensatory interest on receivables	7,917	12,879
Interest earned and other income	1,848	472
Interest earned on tax credits	16	16
Gains on other receivables	2,667	5,182
Profits on exchange rates	1,740	10,625
Utilisation of provisions and non-existent liabilities	27,361	15,092
Valuation gains on exchange rates	78,273	4,561
Revenues from services to subsidiaries	3,845	4,873
Total	124,405	55,042

“Compensatory interest on receivables” (7,917 thousand Euro) represents the interest accrued in the year on subrogation credit. “Profits on exchange rates” (1,740 thousand Euro) refer to exchange rate gains on foreign currency transactions. “Gains on other receivables” (2,667 thousand Euro) relate to amounts acquired due to policyholders (2,520 thousand Euro) and the collection of compensatory interest (147 thousand Euro). “Valuation gains on exchange rates” (78,273 thousand Euro) include the result of the measurement of foreign currency items at closing rates (for further details, see section 22 of these notes).

21.4 – Breakdown of other charges - Item III.8

Table 27 (in € thousands)

Description	31 December 2020	31 December 2019
Amortisation and depreciation	1,334	902
Accruals to risk provisions	6,954	37,940
Realised exchange losses	1,622	7,394
Valuation exchange losses	20,106	2,322
Write-down of receivables - compensatory interest	58	202
Write-down of other receivables	16	25
Other interest expense and financial liabilities	19,657	19,441
Total	49,747	68,226

The “Valuation exchange losses” item (20,106 thousand Euro) includes the result of the measurement of foreign currency items at closing rates (for further details, see section 22 of these notes). The “Other interest expense and financial liabilities” item (19,657 thousand Euro) relates to interest accrued on the bond issue (19,381 thousand Euro).

Personnel costs are shown, overall, in Annex 32.

21.5 – Breakdown of extraordinary income – Item III.10

Table 28 (in € thousands)

Description	31 December 2020	31 December 2019
Gains on disposal of movable assets	0	1
Sundry non-operating income	759	3,821
Total	759	3,822

The sundry non-operating income item mainly comprises adjustments relating to general costs and personnel costs not pertaining to the year.

21.6 – Breakdown of extraordinary charges – Item III.11

Table 29 (in € thousands)

Description	31 December 2020	31 December 2019
Losses on disposal of movable assets	9	7
Sundry non-operating expenses	503	2,752
Total	512	2,759

The “Sundry non-operating expenses” item mainly relates to general costs accrued from previous years (445 thousand Euro).

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

This item, totalling 30,620 thousand Euro, comprises the following:

- a) 2,499 thousand Euro for IRAP for the year;
- b) 2,599 thousand Euro for the charge calculated on the taxable income transferred to the parent as per the consolidated tax scheme;
- c) 25,522 thousand Euro for the recognition of taxes deferred, determined as follows:
 - 8,940 thousand Euro of deferred tax assets, derived from 15,765 thousand Euro corresponding to the transfer of prepaid IRES and IRAP allocated in previous years to the income statement, net of 6,825 Euro corresponding to the recognition of new prepaid taxes;
 - 16,582 thousand Euro of deferred tax liabilities, derived from 2,158 thousand Euro corresponding to the transfer of deferred IRES allocated in previous years to the income statement, net of 18,740 thousand Euro corresponding to the recognition of new deferred taxes on temporary changes in the year, determined as illustrated in the table below.

The new prepaid taxes recognized in the year were calculated on the basis of the reasonable certainty of generating tax liable income in the future such as to enable their recovery. Further details are provided in the tables below.

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 30 (in € thousands)

IRAP (regional tax on production)	Opening balance		Utilisation 2020		Change for the year		Closing balance	
	Temporary differences	Taxes	Temporary differences	Taxes	Temporary differences	Taxes	Temporary differences	Taxes
Recognised in the income statement								
<i>Differences giving rise to deferred tax assets</i>								
Depreciation on revaluation of property	1,194	82					1,194	82
Write-down of receivables for premiums	262	18	(36)	(2)			226	16
Total	1,456	100	(36)	(2)			1,420	98

IRES (corporate income tax)	Opening balance		Utilisation 2020		Change for the year		Closing balance	
	Temporary differences	Taxes	Temporary differences	Taxes	Temporary differences	Taxes	Temporary differences	Taxes
Recognised in the income statement								
<i>Differences giving rise to deferred tax assets</i>								
Reserve fund	2,981	715	(1,758)	(422)			1,223	294
Provision for claims outstanding	174,728	41,935	(26,663)	(6,399)			148,065	35,536
Write-down of receivables for premiums	262	63	(36)	(9)			226	54
Potential liabilities fund	76,039	18,249	(31,462)	(7,551)	6,954	1,669	51,531	12,367
Exchange rate valuation losses	59,839	14,361	(5,708)	(1,370)	21,177	5,082	75,308	18,074
Depreciation on revaluation of property	1,326	318					1,326	318
Valuation losses on listed shares	240	58	(53)	(13)	127	30	314	75
Asset swap					508	122	508	122
Total	315,415	75,700	(65,680)	(15,763)	28,766	6,904	278,501	66,840
<i>Differences giving rise to deferred tax liabilities</i>								
Exchange rate valuation gains	82,168	19,720	(8,993)	(2,158)	78,084	18,740	151,259	36,302
Total	82,168	19,720	(8,993)	(2,158)	78,084	18,740	151,259	36,302
<i>Differences excluded from the determination of deferred tax assets</i>								
Subrogation credit write-downs – pol. risk	584							
Subrogation credit write-downs – com. risk	13,736						11,439	
Write-downs of other receivables - technical business	25						16	
Total deferred tax assets arising from temporary differences		75,800		(15,765)		6,904		66,938
Total deferred tax liabilities arising from temporary differences		19,720		(2,158)		18,740		36,302

Section 22 – Other information in the Profit and Loss Account

Details concerning relations with group companies are provided in Annex 30. Information concerning the distribution 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 shown in Annex 32.

The effect of exchange rate transactions on foreign currency positions that expired during the year generated a negative balance of 15,274 thousand Euro, while the effect of measuring the existing contracts and foreign currency entries at closing rates generated a positive balance of 10,213 thousand Euro, as shown in the table below.

Table 31 (in € thousands)

Description	31 December 2020	31 December 2019
REALISED		
Losses on forward contracts and trading	(55,852)	(28,911)
Gains on forward contracts and trading	40,460	57,369
Net realised gains (losses) (A)	(15,392)	28,458
Exchange gains	1,740	10,696
Exchange losses	(1,622)	(7,396)
Net exchange gains (losses) (B)	118	3,300
Realised gains (losses) (A+B)	(15,274)	31,758
UNREALISED		
Unrealised losses on forward contracts and derivatives	(20,095)	(4,197)
Unrealised gains on forward contracts and derivatives	75	
Net unrealised gains (losses) (C)	(20,021)	(4,197)
Exchange gains – technical provisions	98,075	5,126
Exchange losses – technical provisions	(100,533)	(18,963)
Exchange gains – receivables and payables	78,084	4,558
Exchange losses - receivables and payables	(19,857)	(1,701)
Exchange gains – cash and cash equivalents	189	3
Exchange losses - cash and cash equivalents	(249)	(621)
Exchange gains on the non-current security portfolio	(25,474)	1,788
Unrealised net gains (losses) (D)	30,234	(9,810)
Net unrealised exchange gains (losses) (C +D)	10,213	(14,008)

Part C – Other information

1. Assets under Items A.I - A.X of the Balance Sheet

At 31 December 2020, the shareholders' equity of SACE S.p.A. amounted to 4,775,390 thousand Euro (4,763,173 thousand Euro in 2019). The items of shareholders' equity at 31 December 2020 are as follows:

- share capital: 3,730,324 thousand Euro;
- share premium reserve: 43,305 thousand Euro;
- legal reserve: 281,102 thousand Euro;
- other reserves: 408,758 thousand Euro;
- retained earnings: 232,180 thousand Euro;
- net profit for the year: 79,722 thousand Euro.

2. Fees of directors with executive powers¹⁶:

Taking into account the functions/executive powers respectively attributed to the Chairperson of the Board of Directors and to the Managing Director by the Articles of Association and the Board of Directors, the following annual remuneration components were awarded, from the date of appointment, to the same:

(amounts in €)

Chairman of the Board of Directors	Annual fee for the term of office 2019-2021
Fixed component: fee for position held - art. 2389(1)	40,000
Fixed component: fee for powers assigned - art. 2389(3)	200,000

The fixed remuneration component of the Chairperson of the Board of Directors is divided between a fee related to the position held (under art. 2389, para. 1, Italian Civil Code) and a fee in view of the powers assigned (under art. 2389, para. 3, Italian Civil Code).

(amounts in €)

Chief Executive Officer ¹⁷	Annual fee for the term of office 2019-2021
Fixed component: fee for position held - art. 2389(1)	25,000
Fixed component: fee for powers assigned - art. 2389(3)	100,000
Short-term variable component (MBO) (annual tranche)	50,000

The fixed remuneration component pertains to the strategic role held for the company and is divided between: a) a fee related to the position held (under art. 2389, para. 1, Italian Civil Code); b) a fee in view of the powers assigned (under art. 2389, para. 3, Italian Civil Code).

Short-term variable component

In view of the powers assigned to the Chief Executive Officer, the remuneration also includes a variable annual component (MBO – Management by Objectives) that will be paid upon attainment of the fixed qualitative and quantitative business objectives for each year of reference.

¹⁶ Specifically, these respect the requirements established by the Directive of the Ministry of the Economy and Finance dated 24 June 2013 (which recommend, among other things, that directors should “adopt remuneration policies in line with international best practices, 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”).

¹⁷ The total annual fee due to Pierfrancesco Latini as Chief Executive Officer and General Manager is equal to 625.000 Euro.

3. Cash Flow Statement

(in € thousands)

CASH FLOW STATEMENT	FY 2020	FY 2019
Profit (loss) for the year before tax	110,342	213,831
Changes in non-cash items	267,976	29,308
Change in the provision for unearned premiums - non-life business	287,529	(115,529)
Change in the provision for claims outstanding and other technical provisions - non-life business	(66,698)	144,781
Change in the general provision	20,408	(23,057)
Non-cash income and expense from financial instruments, investment property and equity investments	37,041	24,520
Other changes	(10,304)	(1,407)
Change in receivables and payables generated by operations	(920,585)	947,205
Change in receivables and payables arising from direct insurance and reinsurance business	29,711	9,082
Change in other receivables and payables	(950,295)	938,123
Tax paid	(30,620)	(72,249)
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	(572,887)	1,118,095
Net cash flows generated/used by investment property	-	663
Net cash flows generated/used by financial investments	(1,302,419)	1,056,275
Net cash flows generated/used by plant, property and equipment and intangible assets	2,300	461
TOTAL NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(1,300,120)	1,057,399
Increase +/- Repayment of share capital	-	-
Equity-related reserves	2,496	(2,882)
Revaluation of property	-	-
Distribution of dividends	(70,000)	(90,000)
Net cash flows generated/used by other financial liabilities	23,356	58,168
TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES	(44,149)	(34,714)
Effect of exchange differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	5,154,710	3,013,929
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	(1,917,155)	2,140,781
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	3,237,555	5,154,710

The cash flow statement was prepared without taking into account the amounts held in the Central Treasury current account held by SACE and relating to the Fund set up by art. 1, para. 14 of the "Liquidity" Decree, of an amount equaling 31 billion Euro and of the corresponding offsetting item recorded among the sundry liabilities.

4. Independent Auditors' fees

Pursuant to Legislative Decree No. 39 of 27 January 2010, the fees for the audit performed in 2020 owing to PricewaterhouseCoopers S.p.A., the company appointed as auditor up to the approval date of the financial statements as of 31 December 2019, are 74 thousand Euro, and, to Deloitte & Touche S.p.A., 54 thousand Euro.

5. Company management and coordination (art. 2497-bis Italian Civil Code)

The share capital of SACE S.p.A. is fully held by Cassa Depositi e Prestiti S.p.A. Art. 3 of the "Liquidity" Decree established that SACE, as of the entry into force of the "Liquidity" Decree, is not subject to the management and coordination of the single shareholder Cassa Depositi e Prestiti S.p.A.

6. Information made available pursuant to Law No. 124 of 2017

As far as regards its social commitments, SACE, in the context of the COVID health emergency, supported the Ospedale Giovanni XXIII in Bergamo in June 2020 via the distribution of 115 thousand Euro, and "l'Albero della Vita" (the Tree of Life), a non-profit organization that helps families and children in socially disadvantaged situations, in December 2020 via the distribution of 10 thousand Euro.

7. New business operations

The commissions relating to transactions concluded within the Garanzia Italia scheme as of 31 December 2020 amount to 65.3 million Euro; the reinsurance balance under art. 35 of the Relaunch Decree on transactions concluded as of 31 December 2020 amount to 63.3 million Euro; the premiums on Green Guarantees as of 31 December 2020 on transactions concluded amount to 1,092 thousand Euro.

Below is a summary of the balances for individual administrations.

"GARANZIA ITALIA"

(in € millions)

	31 December 2020
Balance sheet non life insurance business assets	
F.II Cash at bank and in hand	29,354
E.I Reseivables arising out of direct insurance business	11
E.III Other debtors	
Balance sheet liabilities	
G.I Creditors arising out of direct insurance operations	
G VII Other liabilities	(29,358)
Profit & Loss Account	
I.3 Other technical income, net of reinsurance	7

GREEN GUARANTEE

(in € millions)

	31 December 2020
Balance sheet non life insurance business assets	
F.II Cash at bank and in hand	
E.I Receivables arising out of direct insurance business	1
E.III Other debtors	
Balance sheet liabilities	
G.I Creditors arising out of direct insurance operations	
G VII Other liabilities	
Profit & Loss Account	
I.3 Other technical income, net of reinsurance	1

TRADE RECEIVABLES UNDER ARTICLE 35

(in € millions)

	31 December 2020
Balance sheet non life insurance business assets	
F.II Cash at bank and in hand	1,700
E.II Receivables arising out of reinsurance business	97
E.III Other debtors	
Balance sheet liabilities	
G.II Accounts payable arising out of reinsurance business	(33)
G VII Other liabilities	(1,763)
Profit & Loss Account	
I.3 Other technical income, net of reinsurance	1

8. Proposed allocation of the net profit for the year

The shareholder is invited to approve the financial statements at 31 December 2020 and the allocation of the net profit for the year of 79,722,088 Euro as follows:

79,722,088 Euro	Net profit
3,986,104 Euro	to the “Legal reserve” as required by article 2430 of the Italian Civil Code
14,593,243 Euro	to “Other reserves”, relating to 10,213,191 Euro to net exchange gains (under art. 2426 point 8-bis of the Italian Civil Code) and to 4,380,052 Euro to the investment revaluation reserve for application of the equity method (under art. 2426, para. 1, point 4 of the Italian Civil Code)
61,142,741 Euro	according to resolutions to be passed by the Shareholders’ meeting.

Rome, March 23, 2021

on behalf of the Board of Directors
Chief Executive Officer
Pierfrancesco Latini

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

The legal representatives of the Company (*)

Pierfrancesco Latini (**)

The Statutory Auditors

Silvio Salini

Gino Gandolfi

Moira Paragone

Reserved for the stamp of the registry office to be applied at the time of filing the financial statements.

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

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

04

Annexes to the Notes



Annexes to the notes

pursuant to Legislative Decree 173/97

No.	Description
1	Balance sheet - non-life business
3	Breakdown of operating profit (loss) between non-life and life business
4	Assets - Changes in intangible assets (Item B) and in land and buildings (Item C.I)
5	Assets - Changes in the year in investments in group companies and other investees: shares and interests (Item C.II.1), bonds (Item C.II.2) and loans (Item C.II.3)
6	Assets - Information about investees
7	Assets - Breakdown of changes in investments in group companies and other investees: shares and interests
8	Assets - Breakdown of financial investments according to use: shares and interests in companies, units of mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments
9	Assets - Changes in the year in other long-term financial investments: shares and interests, units of mutual funds, bonds and other fixed-income securities, participation in investment pools and other financial investments
10	Assets - Changes in the year in loans and deposits with credit institutions (Items C.III.4, 6)
13	Liabilities - Changes in the year in components of the provision for unearned premiums (Item C.I.1) and provision for outstanding claims (Item C.I.2) of the non-life business
15	Liabilities - Changes in the year in provisions for risks and charges (Item E) and for employee severance indemnities (Item G.VII)
16	Breakdown of assets and liabilities related to group companies and other investees
17	Breakdown of classes I, II, III and IV of "guarantees, commitments and other memorandum accounts"
18	Breakdown of liabilities for derivative transactions
19	Summary information about the non-life technical account
21	Investment income (Items II.2 and III.3)
23	Capital and financial charges (Items II.9 and III.5)
25	Non-life insurance - Summary of technical accounts by line of business - Italian portfolio
26	Summary of technical accounts for all lines of business - Italian portfolio
29	Summary of technical accounts for non-life and life business - Foreign portfolio
30	Transactions with group companies and other investees
31	Summary of premiums written for direct business
32	Personnel costs, directors' and statutory auditors' fees

The annexes to these financial statements 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	Euro 3,730,323,610	Paid Euro 3,730,323,610
Registered offices	Rome - Piazza Poli, 37/42	
Business register	Rome Reg. No. 142046/99	
Financial statements	ANNEXES TO THE NOTES TO THE FINANCIAL STATEMENTS 2020	
	(Amounts in thousands of euros)	

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

FY 2020

Balance sheet - non-life business assets

		Current year	
A.	SHARE CAPITAL PROCEEDS TO BE RECEIVED - SUBSCRIBED AND NOT PAID-UP		1
	of which called-up	2	
B.	INTANGIBLE ASSETS		
	1. Deferred acquisition commissions	4	
	2. Other acquisition costs	6	
	3. Start-up and capital costs	7	
	4. Goodwill	8	
	5. Other multi-year costs	9	2,479
			10
			2,479
C.	INVESTMENTS		
I	- Land and buildings		
	1. Property used in company operations	11	59,307
	2. Property used by third parties	12	876
	3. Other property	13	
	4. Other property rights	14	
	5. Assets under construction and advances	15	60,183
II	- Investments in group companies and other shareholdings		
	1. Shares and interests in:		
	a) controlling companies	17	
	b) subsidiary companies	18	395,471
	c) affiliated companies	19	
	d) associated companies	20	9,339
	e) other companies	21	404,810
	2. Bonds issued by:		
	a) controlling companies	23	353,996
	b) subsidiary companies	24	
	c) affiliated companies	25	
	d) associated companies	26	
	e) other companies	27	353,996
	3. Loans to:		
	a) controlling companies	29	
	b) subsidiary companies	30	
	c) affiliated companies	31	
	d) associated companies	32	
	e) other companies	33	758,806
		34	35
	to be carried forward		2,479

Previous year

			181
	182		
	184		
	186		
	187		
	188		
	189	2,929	190 2,929
	191	59,914	
	192	932	
	193		
	194		
	195	196 60,846	
197			
198	401,556		
199			
200	8,699		
201	202 410,255		
203	83,762		
204			
205			
206			
207	208 83,762		
209			
210			
211			
212			
213	214 494,017	215	
	to be carried forward		2,929

Balance sheet - non-life business assets

		Current year	
		carried forward	2,479
C.	INVESTMENTS (contd.)		
III	- Other financial investments		
1.	Shares and interests		
a)	Listed shares	36 15,261	
b)	Unlisted shares	37	
c)	Interests	38 39 15,261	
2.	Shares in common investment funds	40 135,347	
3.	Bonds and other fixed-income securities		
a)	listed	41 3,538,377	
b)	unlisted	42	
c)	convertible debentures	43 44 3,538,377	
4.	Loans		
a)	loans secured by mortgage	45 1,795	
b)	loans on policies	46	
c)	other loans	47 48 1,795	
5.	Participation in investment pools	49	
6.	Deposits with credit institutions	50 1,299,090	
7.	Other financial investments	51 21,083	52 5,010,953
IV	- Deposits with ceding companies		53 44 54 5,829,986
D bis.	REINSURERS' SHARE OF TECHNICAL PROVISIONS		
I	- NON-LIFE BUSINESS		
1.	Provision for unearned premiums	58 3,066,006	
2.	Provision for claims outstanding	59 261,420	
3.	Provision for profit-sharing and premium refunds	60	
4.	Other technical provisions	61	62 3,327,426
		to be carried forward	9,159,891

		Previous year	
	carried forward		2,929
216	365		
217			
218	219 365		
	220 150,594		
221	3,856,543		
222			
223	224 3,856,543		
225	2,168		
226			
227	228 2,168		
		229	
		230	
	231 29	232 4,009,700	
		233 53	234 4,564,617
	238 1,128,864		
	239 100,826		
		240	
	241 26,123	242 1,255,814	
	to be carried forward		5,823,359

Balance sheet - non-life business assets

		carried forward		Current year	
				9,159,891	
E. RECEIVABLES					
I - Receivables arising out of direct insurance business:					
1. Policyholders					
a) for premiums for the year	71	58,119			
b) for prior year premiums	72	22,605	73	80,724	
2. Insurance intermediaries					
3. Current accounts with insurance companies					
4. Policyholders and third parties for recoveries					
			74		
			75		
			76	348,201	77 428,925
II - Receivables arising out of direct insurance business:					
1. Insurance and reinsurance companies					
			78	138,138	
2. Reinsurance intermediaries					
			79		80 138,138
III - Other debtors					
					81 312,546 82 879,609
F. OTHER ASSETS					
I - Tangible assets and stocks:					
1. Furniture, office machines and internal transport vehicle					
			83	1,424	
2. Vehicles listed in public registers					
			84		
3. Machinery and equipment					
			85	1	
4. Stocks and other goods					
			86	65	87 1,490
II - Cash at bank and in hand					
1. Bank and postal accounts					
			88	34,237,554	
2. Cheques and cash on hand					
			89	1	90 34,237,555
III - Own shares or equity interests					
IV - Other					
1. Deferred reinsurance items					
			92	51	
2. Miscellaneous assets					
			93	29,805	94 29,856 95 34,268,901
			901		
G. PREPAYMENTS AND ACCRUED INCOME					
1. Accrued interests					
					96 23,713
2. Rents					
					97
3. Other prepayments and accrued income					
					98 1,446 99 25,160
TOTAL ASSETS					100 44,333,562

				Prior year	
		carried forward		5,823,359	
251	26,164				
252	4,791	253	30,955		
		254			
		255			
		256	403,871	257	434,825
		258	16,506		
		259		260	16,506
				261	278,684
				262	730,015
		263	1,416		
		264			
		265	2		
		266	59	267	1,477
		268	5,154,707		
		269	4	270	5,154,710
				271	
		272	33		
		273	22,462	274	22,496
		903		275	5,178,683
				276	25,665
				277	
				278	952
				279	26,617
				280	11,758,675

Previous year

	281	3,730,324		
	282	43,305		
	283			
	284	274,023		
	285			
	286			
	287	401,499		
	288	172,441		
	289	141,582		
	501		290	4,763,173
			291	500,000
292	2,980,302			
293	474,607			
294				
295				
296	703,951		297	4,158,861
to be carried forward				9,422,034

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

				Current year
	carried forward			10,250,733
E. PROVISIONS FOR OTHER RISKS AND CHARGES				
1. Provision for pensions and similar obligations		128		
2. Provisions for taxation		129	36,302	
3. Other provisions		130	54,379	131 90,681
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	29,507		
4. Guarantee funds in favour of policyholders	136		137 29,507	
II - Creditors, arising out of reinsurance operations:				
1. Insurance and reinsurance companies	138	1,674,653		
2. Reinsurance intermediaries	139		140 1,674,653	
III - Debenture loans			141	
IV - Amounts owed to banks and credit institutions			142	98,624
V - Loans guaranteed by mortgages			143	
VI - Miscellaneous loans and other financial liabilities			144	998,794
VII - Provision for employee indemnities			145	4,950
VIII - Other Creditors				
1. Premium taxes	146			
2. Other tax liabilities	147	1,518		
3. Social security	148	1,653		
4. Miscellaneous creditors	149	22,902	150	26,074
IX - Other liabilities				
1. Deferred reinsurance items	151	32		
2. Commissions for premiums in course of collection	152			
3. Miscellaneous liabilities	153	31,141,094	154	31,141,126
	902			155 33,973,727
	to be carried forward			44,315,141

		Previous year	
	carried forward		9,422,034
		308	
		309	19,720
		310	88,108
			311 107,828
			312
313			
314			
315	30,183		
316		317	30,183
318	96,341		
319		320	96,341
		321	
		322	64,253
		323	
		324	1,985,538
		325	5,221
326			
327	1,366		
328	1,593		
329	21,717	330	24,676
331	52		
332			
333	4,197	334	4,248
904			335 2,210,460
	to be carried forward		11,740,322

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

			Current year	
	carried forward			44,315,141
H. ACCRUALS AND DEFERRED INCOME				
1. Accrued interest		156	17,205	
2. Rents		157		
3. Other prepayments and accrued income		158	1,216	159
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				160 44,333,562

		Previous year	
carried forward			11,740,322
	336	17,199	
	337	301	
	338	853	339 18,352
			340 11,758,675

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

FY 2020

Breakdown of operating profit (loss) between non-life and life business

		Non-life business	Life business	Total
Balance on the technical account		1 19,127	21	41 19,127
Investment income	+	2 129,896		42 129,896
Capital and financial charges	-	3 106,544		43 106,544
Allocated investment return transferred from the technical account of life business	+		24	44
Allocated investment return transferred to the technical account of non-life business	-	5 7,043		45 7,043
Interim operating profit (loss)		6 35,437	26	46 35,437
Other income	+	7 124,405	27	47 124,405
Other expense	-	8 49,747	28	48 49,747
Extraordinary income	+	9 759	29	49 759
Extraordinary charges	-	10 512	30	50 512
Profit (loss) before taxes		11 110,342	31	51 110,342
Income taxes for the year	-	12 30,620	32	52 30,620
Net profit (loss) for the year		13 79,722	33	53 79,722

Notes to the financial statements - Annex 4

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

FY 2020

Assets - Changes in intangible assets (Item B) and in land and buildings (Item C.I)

		Intangible assets B	Land and buildings C.I
Gross opening balance	+	1 16,367	31 71,913
Increases during the year	+	2 884	32
for: purchases or additions		3 884	33
reversals of impairment losses		4	34
revaluations		5	35
other changes		6	36
Decreases during the year	-	7	37
for: sales or decreases		8	38
permanent write-downs		9	39
other changes		10	40
Gross closing balance (a)		11 17,251	41 71,913
Amortisation/depreciation:			
Opening balance	+	12 13,438	42 11,067
Increases during the year	+	13 1,334	43 663
for: amortisation/depreciation charge for the year		14 1,334	44 663
other changes		15	45
Decreases during the year	-	16	46
for: disposals		17	47
other changes		18	48
Amortisation/depreciation closing balance (b) (*)		19 14,772	49 11,730
Carrying amount (a - b)		20 2,479	50 60,183
Current value		21	51 75,600
Total revaluations		22	52
Total write-downs		23	53

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

FY 2020

Assets - Changes in investments in group companies and other shareholdings: 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
Opening balance	+	1 410,255	21 83,762	41
Increases during the year:	+	2 4,780	22 300,028	42
for: acquisitions, subscriptions or issues		3	23 300,000	43
reversals of impairment losses		4 4,380	24	44
revaluations		5		
other changes		6 400	26 28	46
Decreases during the year:	-	7 10,225	27 29,794	47
for: sales or repayments		8	28 29,793	48
write-downs		9 9,995	29	49
other changes		10 230	30 1	50
Carrying amount		11 404,810	31 353,996	51
Current value		12 404,810	32 364,052	52
Total revaluations		13		
Total write-downs		14 9,995	34	54

Item C.II.2 includes:

Listed bonds	61 353,996
Unlisted bonds	62
Carrying amount	63 353,996
of which convertible bonds	64

Notes to the financial statements - Annex 6
FY 2020

Company SACE S.p.A.

Assets - Information about investees (*)

Number	Type	Listed unlisted	Business activity	Name and registered office		Share capital		Shareholders' equity (**)		Profit or loss for the last year (**)	Interest held	
				(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)
1	b	NQ	1	Sace BT S.p.A	euro	56,539	56,539	59,242	(6,261)	100	100	100
2	b	NQ	2	Sace Fct S.p.A	euro	50,000	50,000	104,022	(3,424)	100	100	100
3	d	NQ	1	ATI (African Trade Insurance Agency)	usd	289,100	289,100	349,179	27,678	3.46	3.46	3.46
4	b	NQ	1	SACE Do Brasil	R\$	4,106	4,106	1,847	(1,420)	100	100	100
5	b	NQ	2	SIMEST S.P.A.	euro	164,646	316,627	305,133	4,612	76.005	76.005	76.005

(*) Group companies and other companies in which a direct interest is held, including through trustees or nominees.

(**) Only for subsidiaries and associated companies

(1) Type

- a = Parents
- b = Subsidiaries
- c = Related companies
- d = Associated companies
- e = Other

(2) Q for securities traded in regulated
markets and NQ for others

(3) Business activity

- 1 = Insurance company
- 2 = Financial company
- 3 = Bank
- 4 = Real estate company
- 5 = Trust company
- 6 = Mutual fund management or distribution company
- 7 = Consortium
- 8 = Industrial undertaking
- 9 = Other company or body

(4) Amounts in original currency

(5) Total investment held

Notes to the financial statements - Annex 7
FY 2020

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

Assets - Breakdown of changes in investments in group companies and other shareholdings: shares and interests

Number	Type	(1)	(2)	(3)	Name	Increases during the year			Decreases during the year			Carrying amount (4)	Purchase cost	Current value		
						For purchases	Value	Other increases	For sales	Value	Other decreases				Amount	Value
1	b	D	D	D	SACE BT S.p.A				6,261			56,539	59,242	154,300	59,242	
2	b	D	D	D	SACE Fct S.p.A				3,425			50,000	104,022	50,000	104,022	
3	d	D	D	D	ATI (African Trade Insurance Agency)			870			230	10,000	9,339	6,886	9,339	
4	b	D	D	D	SACE Do Brasil			400			309	4,106	290	11	290	
5	b	D	D	D	SIMEST S.p.A.			3,510				316,627	231,916	232,500	231,916	
Total C.II.1													404,810	443,697	404,810	
a	Parents															
b	Subsidiaries												395,471	436,811	395,471	
c	Related companies															
d	Associated companies												9,339	6,886	9,339	
e	Other															
Total D.I																
Total D.II																

(1) Must match that indicated in Annex 6

(2) Type
a = Parents
b = Subsidiaries
c = Related companies
d = Associated companies
e = Other

(3) Indicate:

D for investments allocated to non-life business
V for investments allocated to life business
V1 for investments allocated to life business
V2 for investments allocated to life business

Even if only a portion, the investment should be identified with the same number

(4) Mark (*) if measured using the equity method (for Types b and d only)

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

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

	Long-term investment portfolio		Short-term investment portfolio		Total	
	Carrying amount	Current value	Carrying amount	Current value	Carrying amount	Current value
1. Shares and interests:						
a) listed shares	21	17,222	61	15,261	81	15,261
b) unlisted shares	22	17,222	62	15,261	82	15,261
c) quotas	23		63		83	
c) quotas	24		64		84	
2. Shares in common investment funds	25	143,979	65	135,347	85	135,347
3. Bonds and other fixed-income securities	26	2,820,487	66	949,889	86	3,538,377
a1) listed government bonds	27	2,641,630	67	935,945	87	3,351,076
a2) other listed securities	28	178,857	68	13,943	88	187,301
b1) unlisted government bonds	29		69		89	
b2) other unlisted securities	30		70		90	
c) convertible bonds	31		71		91	
5. Participation in investment pools	32		72		92	
7. Other financial investments	33		73	21,083	93	21,083

	Long-term investment portfolio		Short-term investment portfolio		Total	
	Carrying amount	Current value	Carrying amount	Current value	Carrying amount	Current value
1. Shares and interests:						
a) listed shares	141	161	181		201	
b) unlisted shares	142	162	182		202	
c) quotas	143	163	183		203	
c) quotas	144	164	184		204	
2. Shares in common investment funds	145	165	185		205	
3. Bonds and other fixed-income securities	146	166	186		206	
a1) listed government bonds	147	167	187		207	
a2) other listed securities	148	168	188		208	
b1) unlisted government bonds	149	169	189		209	
b2) other unlisted securities	150	170	190		210	
c) convertible bonds	151	171	191		211	
5. Participation in investment pools	152	172	192		212	
7. Other financial investments	153	173	193		213	

Notes to the financial statements - Annex 9
FY 2020

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

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

	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	Other financial investments C.III.7
Opening balance	1	21	41	101	29
Increases during the year:	+	22	42	102	21,054
for: purchases	3	23	43	103	21,054
reversals of impairment losses	4	24	44	104	
transfer from the short-term portfolio	5	25	45	105	
other changes	6	26	46	106	
Decreases during the year:	-	27	47	107	
for: sales	8	28	48	108	
write-downs	9	29	49	109	
transfer to the short-term portfolio	10	30	50	110	
other changes	11	31	51	111	
Carrying amount	12	32	52	112	21,083
Current value	13	33	53	113	21,083

Notes to the financial statements - Annex 10

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

FY 2020

Assets - Changes in 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
Opening balance	+	1 2,168	21
Increases during the year:	+	2	22 1,609,090
for: issues		3	23 1,608,997
reversals of impairment losses		4	24
other changes		5	25 93
Decreases during the year:	-	6 374	26 310,000
for: repayments		7 374	27 310,000
write-downs		8	28
other changes		9	29
Carrying amount		10 1,795	30 1,299,090

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

FY 2020

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

Type	FY		Previous year		Change	
Provision for unearned premiums:						
Provision for premium instalments	1	2,687,828	11	2,465,302	21	222,526
Provision for unexpired risks	2	1,041,182	12	515,000	22	526,182
Carrying amount	3	3,729,010	13	2,980,302	23	748,708
Provision for claims outstanding:						
Provision for claims paid and direct expenses	4	488,622	14	452,767	24	35,855
Provision for settlement costs	5	8,447	15	7,879	25	568
Provision for late claims	6	9,059	16	13,961	26	(4,902)
Carrying amount	7	506,128	17	474,607	27	31,521

Notes to the financial statements - Annex 15

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

FY 2020

Liabilities - Changes in the year in provisions for risks and charges (Item E) and for employee severance indemnities (Item G.VII)

			Provisions for taxation		Other provisions		Provisions for employee severance indemnities
Opening balance	+	1	11 19,720	21	88,108	31	5,221
Accruals for the year	+	2	12 18,740	22	6,954	32	536
Other increases	+	3	13	23	2	33	48
Utilisations for the year	-	4	14 2,158	24	10,971	34	815
Other decreases	-	5	15	25	29,713	35	39
Carrying amount		6	16 36,302	26	54,379	36	4,950

Breakdown of assets and liabilities related to group companies and other investees

I: Assets

	Parents	Subsidiaries	Related companies	Associated companies	Other	Total
Shares and interests	1	2 395,471	3	4 9,339	5	6 404,810
Bonds	7 353,996	8	9	10	11	12 353,996
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 1,299,090	33	34	35	36 1,299,090
Deposits with ceding companies	37	38 43	39	40	41	42 43
Investments related to contracts linked to investment funds and market indexes	43	44	45	46	47	48
Investments related to the administration of pension funds	49	50	51	52	53	54
Receivables arising out of direct insurance	55 2,792	56 243	57	58	59	60 3,035
Receivables arising out of reinsurance	61	62 13,070	63	64	65	66 13,070
Other receivables	67 858	68 5,932	69	70	71	72 6,790
Bank and postal accounts	73	74	75	76	77	78
Other assets	79	80	81	82	83	84
Total	85 357,645	86 1,713,849	87	88 9,339	89	90 2,080,834
of which subordinated assets	91	92	93	94	95	96

II: Liabilities

	Parents	Subsidiaries	Related companies	Associated companies	Other	Total
Linked liabilities	97	98	99	100	101	102
Deposits received from reinsurers	103	104	105	106	107	108
Creditors arising out of direct insurance operations	109	110	111	112	113	114
Creditors arising out of reinsurance operations	115	116 4,713	117	118	119	120 4,713
Due to banks and financial institutions	121	122	123	124	125	126
Accounts payable secured by collateral	127	128	129	130	131	132
Miscellaneous loans and other financial liabilities	133	134	135	136	137	138
Other creditors	139 1,411	140 3,137	141	142	143	144 4,548
Other liabilities	145	146	147	148	149	150
Total	151 1,411	152 7,851	153	154	155	156 9,262

Notes to the financial statements - Annex 17

Company SACE S.p.A.

FY 2020

Breakdown 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 interests of parents, subsidiaries and related companies	1		31	
b) sureties and endorsements given in the interests of associates and other investees	2		32	
c) sureties and endorsements given in the interests of third parties	3		33	
d) other personal guarantees given in the interests of parents, subsidiaries and related companies	4		34	
e) other personal guarantees given in the interests of associates and other investees	5		35	
f) other personal guarantees given in the interests of third parties	6		36	
g) collateral for obligations of parents, subsidiaries and related companies	7		37	
h) collateral for obligations of associates, and other investees	8		38	
i) collateral 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 investees	13		43	
b) from third parties	14	1,641	44	1,787
Total	15	1,641	45	1,787
III. Guarantees issued by third parties in the interests of the company:				
a) by group companies, associates and other investees	16		46	
b) by 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	1,772,398	51	1,623,813
Total	22	1,772,398	52	1,623,813
V. Assets related to pension funds managed in the name and on behalf of third parties	23		53	
VI. Securities deposited with third parties	24	4,218,633	54	4,277,082
Total	25	4,218,633	55	4,277,082

Breakdown of liabilities for derivative transactions

Derivatives	Current year				Previous year			
	Purchase		Sale		Purchase		Sale	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Futures: on shares	1	101	21	121	41	141	61	161
on bonds	2	102	22	122	42	142	62	162
on currencies	3	103	23	123	43	143	63	163
on rates	4	104	24	124	44	144	64	164
other	5	105	25	125	45	145	65	165
Options: on shares	6	106	26	126	46	146	66	166
on bonds	7	107	27	127	47	147	67	167
on currencies	8	108	28	128	48	148	68	168
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 1,314,000	132 (125,570)	52	152	72 974,000	172 (63,102)
other	13	113	33	133	53	153	73	173
Other transactions	14	114	34 458,398	134 (20,021)	54	154	74 649,813	174 (4,197)
Total	15	115	35 1,772,398	135 (145,590)	55	155	75 1,623,813	175 (67,299)

NB:

- Include only derivative transactions existing at the reporting date which imply a commitment for the company. Where the derivative does not exactly match one of the above items or relates to more than one item, it should be included in the most similar one. Offsetting is not allowed except for purchase/sale transactions relating to the same derivative category (same content, maturity, underlying asset, etc.)
- Derivatives which involve or may involve capital forward exchanges should be stated at their regulated price; all other derivatives should be stated at their nominal value.
- Derivatives involving two currency swaps should be stated only once, referring to the currency to be purchased. Derivatives involving both interest rate and currency swaps should only be included in currency swaps.
- Derivatives relating to interest rate swaps are classified as "purchases" or "sales" depending on whether or not they imply the fixed-rate purchase or sale.

(1) Derivatives which involve or may involve capital forward exchanges should be stated at their regulated price; all other derivatives should be stated at their nominal value.

(2) Indicate the fair value of the derivatives;

Summary information about the non-life technical account

	Gross premiums written	Gross premiums for the year	Gross charge for claims	Management costs	Reinsurance balance
Direct business:					
Accident and health (classes 1 and 2)	1	2	3	4	5
TPL land vehicles (class 10)	6	7	8	9	10
Hulls 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
Credit and surety (classes 14 and 15)	31	32	33	34	35
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	52	53	54	55
Reinsurance business	56	57	58	59	60
Total Italian portfolio	61	62	63	64	65
Foreign portfolio	66	67	68	69	70
Grand total	71	72	73	74	75

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

	Non-life business	Life business	Total
Income from shares and interests:			
Dividends and other income from shares and interests in group companies and investees	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	594	44
Income from other investments:			
Income from bonds of group companies and investees	5	4,799	45
Interest on loans to group companies and investees	6	141	46
Income from units in mutual funds	7		47
Income from bonds and other fixed-income securities	8	41,813	48
Interest on loans	9	39	49
Income from shares in investment pools	10	2,183	50
Interest on deposits with credit institutions	11		51
Income from other financial investments	12	35,072	52
Interest on deposits with ceding companies	13		53
Total	14	84,046	54
Value re-adjustments on investments in:			
Land and buildings	15		55
Shares and interests in group companies and investees	16	4,380	56
Bonds issued by group companies and investees	17		57
Other shares and interests	18		58
Other bonds	19		59
Other financial investments	20	75	60
Total	21	4,455	61
Profit on the disposal of investments:			
Gains on the disposal of land and buildings	22		62
Gains on shares and interests in group companies and investees	23		63
Income from bonds issued by group companies and investees	24		64
Gains on other shares and interests	25		65
Gains on other bonds	26	342	66
Gains on other financial investments	27	40,460	67
Total	28	40,802	68
GRAND TOTAL	29	129,896	69
			109
			129,896

Capital 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	1,060	62
Charges relating to bonds	3	7,713	63
Charges relating to units in mutual funds	4	34	64
Charges relating to participation in investment pools	5	35	65
Charges relating to sundry financial investments	6	4,569	66
Interest on deposits received from reinsurers	7	37	67
Total	8	13,342	68
Value re-adjustments on investments in:			
Land and buildings	9	39	69
Shares and interests in group companies and investees	10	9,995	70
Bonds issued by group companies and investees	11	41	71
Other shares and interests	12	127	72
Other bonds	13	1,507	73
Other financial investments	14	20,759	74
Total	15	32,388	75
Losses on the disposal of investments			
Losses on the sale of land and buildings	16	46	76
Losses on shares and interests	17	47	77
Losses on bonds	18	4,961	78
Losses on other financial investments	19	55,852	79
Total	20	60,813	80
GRAND TOTAL	21	106,544	81

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

Non-life insurance - Summary of technical accounts by line of business - Italian portfolio

	Class 01 Accident (name)	Class 02 Health (name)	Class 03 Hulls land vehicles (name)	Class 04 Hulls railway rolling stock (name)	Class 05 Hulls aircraft (name)	Class 06 Hulls marine, river, lake craft (name)	
Direct business gross of reinsurance							
Premiums written	1	1	1	1	1	1	
Change in the provision for unearned premiums (+ or -)	2	2	2	2	2	2	
Charges related to claims	3	3	3	3	3	3	
Change in sundry 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	
Direct business technical balance (+ or -)	7	7	7	7	7	7	
Result of outward reinsurance (+ or -)	8	8	8	8	8	8	
Inward reinsurance net result (+ or -)	9	9	9	9	9	9	
Change in the equalisation provision (+ or -)	10	10	10	10	10	10	
Allocated investment return transferred from the non-technical account	11	11	11	11	11	11	
Balance on the technical account (+ or -) (A + B + C - D + E)	12	12	12	12	12	12	
		Class 08 Fire and natural forces (name)	Class 09 Other perils/damage (name)	Class 10 TPL (name)	Class 11 TPL aircraft (name)	Class 12 TPL marine, river and lake craft (name)	
Direct business gross of reinsurance							
Premiums written	1	1	1	1	1	1	
Change in the provision for unearned premiums (+ or -)	2	2	2	2	2	2	
Charges related to claims	3	3	3	3	3	3	
Change in sundry 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	
Direct business technical balance (+ or -)	7	7	7	7	7	7	
Result of outward reinsurance (+ or -)	8	8	8	8	8	8	
Inward reinsurance net result (+ or -)	9	9	9	9	9	9	
Change in the equalisation provision (+ or -)	10	10	10	10	10	10	
Allocated investment return transferred from the non-technical account	11	11	11	11	11	11	
Balance on the technical account (+ or -) (A + B + C - D + E)	12	12	12	12	12	12	
		Class 13 Non-motor TPL (name)	Class 14 Credit (name)	Class 15 Suretyship (name)	Class 16 Pecuniary losses (name)	Class 17 Legal fees (name)	Class 18 Assistance (name)
Direct business gross of reinsurance							
Premiums written	1	1	(612,491)	1	1	1	1
Change in the provision for unearned premiums (+ or -)	2	2	662,054	2	2	2	2
Charges related to claims	3	3	130,443	3	3	3	3
Change in sundry technical provisions (+ or -) (1)	4	4		4	4	4	4
Balance of other technical items (+ or -)	5	5	(5,475)	5	5	5	5
Operating expenses	6	6	85,806	6	6	6	6
Direct business technical balance (+ or -)	7	7	260,337	7	7	7	7
Result of outward reinsurance (+ or -)	8	8	(315,326)	8	8	8	8
Inward reinsurance net result (+ or -)	9	9	5,529	9	9	9	9
Change in the equalisation provision (+ or -)	10	10	30,134	10	10	10	10
Allocated investment return transferred from the non-technical account	11	11	(5,854)	11	11	11	11
Balance on the technical account (+ or -) (A + B + C - D + E)	12	12	(25,181)	12	12	12	12

Notes to the financial statements - Annex 26

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

FY 2020

Summary of technical accounts for all lines of business Italian portfolio

		Direct insurance risk		Indirect insurance risk		Risks retained	
		Direct insurance	Risks ceded	Inward reinsurance	Risks retroceded	Total	
		1	2	3	4	5 = 1 - 2 + 3 - 4	
Premiums written	+	1 (612,491)	11 341,350	21 (103,418)	31	41 (374,559)	
Change in the provision for unearned premiums (+ or -)	-	2 662,054	12 (459,026)	22 72,026	32	42 275,055	
Net charges related to claims	-	3 130,443	13 (175,272)	23 26,507	33	43 (18,322)	
Change in sundry technical provisions (+ or -) (1)	-	4	14 26,123	24	34	44 26,123	
Balance of other technical items (+ or -)	+	5 (5,475)	15 (9)	25 132	35	45 (5,353)	
Operating expenses	-	6 85,806	16 (48,493)	26 10,282	36	46 47,595	
Technical balance (+ or -)		7 260,337	17 (315,326)	27 5,529	37	47 (49,460)	
Change in the equalisation provision (+ or -)	-	8 30,134				48 30,134	
Allocated investment return transferred from the non-technical account	+	9 (5,854)		29		49 (5,854)	
Balance on the technical account (+ or -)		10 284,616	20 (315,326)	30 5,529	40	50 (25,181)	

(1) In addition to the change in "Other technical provisions", this item includes the change in the "Provision for profit-sharing and premium refunds".

Summary of technical accounts for non-life and life business - foreign portfolio

Section I: Non-life business		Total lines of business
Direct business gross of reinsurance		
Premiums written		1
Change in the provision for unearned premiums (+ or -)	-	2
Charges related to claims	-	3
Change in sundry technical provisions (+ or -) (1)	-	4
Balance of other technical items (+ or -)		5
Operating expenses	-	6
Direct business technical balance (+ or -)	A	7
Result of outward reinsurance (+ or -)	B	8
Inward reinsurance net result (+ or -)	C	9
Change in the equalisation provision (+ or -)	D	10
Allocated investment return transferred from the non-technical account	E	11
Balance on the technical account (+ or -)	(A + B + C - D + E)	12
		1,123
		6,120
		(1,189)
		6,054

Section II: Life business		Total lines of business
Direct business gross of reinsurance		
Premiums written	+	1
Charges related to claims	-	2
Change in sundry 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 outward reinsurance (+ or -)	B	8
Inward reinsurance net result (+ or -)	C	9
Balance on the technical account (+ or -)	(A + B + C)	10

(1) In addition to the change in "Other technical provisions", this item includes the change in the "Provision for profit-sharing and premium refunds".

(2) "Sundry technical provisions" include, among others, "Other technical provisions" and "Technical provisions where the investment risk is borne by the policyholders and relating to pension fund administration".

(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 the income statement.

Transactions with group companies and other investees

I: Income	Parents	Subsidiaries	Related companies	Associated companies	Other	Total
Investment income						
Income from land and buildings	1	2 594	3	4	5	6 594
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	26 141	27	28	29	30 141
Interest on deposits with ceding companies	31	32	33	34	35	36
Total	37	38 734	39	40	41	42 734
Unrealised gains and losses on investments for the benefit of policyholders who bear the 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
Recoveries of administrative expenses and charges	55	56	57	58	59	60
Other income and recoveries	61	62 3,845	63	64	65	66 3,845
Total	67	68 3,845	69	70	71	72 3,845
Profit on the disposal of investments (*)	73	74	75	76	77	78
Extraordinary income	79 77	80 24	81	82	83	84 100
GRAND TOTAL	85 77	86 4,603	87	88	89	90 4,680

II: Charges	Parents	Subsidiaries	Related companies	Associated companies	Other	Total
Investment management charges and interest expense:						
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 accounts payable arising out of direct insurance business	109	110	111	112	113	114
Interest on accounts payable arising out of reinsurance business	115	116	117	118	119	120
Interest on accounts payable to banks and financial institutions	121	122	123	124	125	126
Interest on accounts payable secured by collateral	127	128	129	130	131	132
Interest on other accounts payable	133	134	135	136	137	138
Losses on receivables	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 gains and losses on investments for the benefit of policyholders who bear the risk and relating to the administration of pension funds	163	164	165	166	167	168
Losses on the disposal of investments (*)	169	170	171	172	173	174
Extraordinary charges	175 27	176 108	177	178	179	180 135
GRAND TOTAL	181 27	182 108	183	184	185	186 135

(*) With reference to the counterparty.

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

FY 2020

Summary 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:						
Italy	1 612,491	5	11	15	21 612,491	25
other EU countries	2	6	12	16	22	26
non-EU countries	3	7	13	17	23	27
Total	4 612,491		14	18	24 612,491	28

Personnel costs, directors' and statutory auditors' fees

I: Personnel costs	Non-life business		Life business		Total
Expenses for employees:					
Italian portfolio:					
- Wages and salaries	1	31,536	31	61	31,536
- Social security contributions	2	8,110	32	62	8,110
- Accruals to the provision for employee severance indemnities and similar obligations	3	4,280	33	63	4,280
- Sundry personnel costs	4	3,845	34	64	3,845
Total	5	47,772	35	65	47,772
Foreign portfolio:					
- Wages and salaries	6	6,404	36	66	6,404
- Social security contributions	7	1,647	37	67	1,647
- Sundry personnel costs	8	781	38	68	781
Total	9	8,832	39	69	8,832
Grand total	10	56,604	40	70	56,604
Consultants' fees:					
Italian portfolio	11	6,305	41	71	6,305
Foreign portfolio	12	1,280	42	72	1,280
Total	13	7,585	43	73	7,585
Total personnel costs	14	64,189	44	74	64,189

II: Description of items	Non-life business		Life business		Total
Investment management charges	15	1,612	45	75	1,612
Charges related to claims	16	3,786	46	76	3,786
Other acquisition costs	17	15,709	47	77	15,709
Other administrative expenses	18	43,081	48	78	43,081
Administrative and third-party charges	19		49	79	
	20		50	80	
Total	21	64,189	51	81	64,189

III: Average number of workers during the year	Number	
Managers	91	37
White collar	92	541
Blue collar	93	
Other	94	
Total	95	578

IV: Directors and statutory auditors	Number		Fees	
Directors	96	9	98	660
Statutory auditors	97	3	99	23

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

The legal representatives of the Company (*)

Pierfrancesco Latini (**)

The Statutory Auditors

Silvio Salini

Gino Gandolfi

Moira Paragone

Reserved for the stamp of the registry office to be applied at the time of filing the financial statements.

(*) 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 bylaws of SACE S.p.A.

We the undersigned, Pierfrancesco Latini, in my capacity as CEO and Nicoletta Cassano, in my capacity as manager responsible for preparing the financial reports 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 2020.

The adequacy of the administrative and accounting procedures used to prepare the financial statements for the year ended at 31 December 2020 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 2020:
 - correspond to the results of company records and accounting entries;
 - were drawn up according to article 6 para 22 of Legislative Decree 269/2003, to the applicable provisions of Legislative Decree 209 of 7 September 2005, to 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 directors 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, March 23, 2021

Pierfrancesco Latini
CEO

Nicoletta Cassano
Manager responsible for preparing
the company's financial reports



05

Report of the
independent boards



**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND
ARTICLE 10 OF THE EU REGULATION N. 537/2014**

**To the Shareholder of
SACE S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SACE S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2020, the income statement for the year then ended and the explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance for the year then ended in accordance with the Italian law governing financial statements.

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 our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to the audit of the 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Business resulting from new regulations issued in 2020

Description of the key audit matter

In 2020, the Company has expanded its business as a result of some changes in the regulatory framework (hereafter “Business resulting from new regulations”). Specifically, among the government actions aimed of both limiting the negative effects of Covid-19 pandemic on economy and of strengthening and supporting firms’ export and internationalization, Decree Law No. 23 (the “Decreto Liquidità”), converted into Law No. 40 of 5 June 2020 was issued on 8 April 2020.

The main changes, introduced by the Decreto Liquidità, which directly affected the Company operations and consequently its financial position and performance as of 31 December 2020, are summarized below:

- Article 1, paragraph 1 establishes that the Company may issue guarantees, until December 31, 2020 (subsequently extended until June 30, 2021), to Euro 200 billion in favor of financing entities (hereafter “Garanzia Italia”). The obligations of SACE S.p.A., whose operations are booked with separate accounts, will be guaranteed by the State, on first request and without recourse. The State’s guarantee is explicit, unconditional and irrevocable. The operations carried out by the company will be subject to reimbursement of the operating expenses incurred.
- Article 2, paragraph 6 establishes that the State will reinsure 90% of the insurance commitments undertaken by the Company in place on the date of enactment of the Decreto Liquidità - with the exception of those for which claims for compensation had already been filed -, against the transfer of 90% of the assets held to cover technical provisions.

Furthermore, Decree Law No. 34 of May 19, 2020 (the “Decreto Rilancio”) - converted into Law No. 77 of July 17, 2020 - establishes the role of SACE S.p.A. as guarantor in favor of insurance companies of short-term trade receivables, establishing that it will grant a guarantee equal to 90% of claims arising from trade receivables accrued from the date of issuing of the Decree to December 31, 2020 up to a maximum of Euro 2 billion (hereafter “Insurance of short-term trade receivables”). The obligations of SACE S.p.A., whose operations are booked with separate accounts, will be guaranteed by the State, on first request and without recourse. The State’s guarantee is explicit, unconditional and irrevocable.

Lastly, Decree Law No. 76 of July 16, 2020 converted into Law No. 120 of September 11, 2020 added a new element to the Company’s business; SACE S.p.A. is authorized to grant public guarantees for projects falling under the so-called Green New Deal (hereafter “Green Operation”).



With regard to the funds needed for this new business, it should be noted that article 1, paragraph 14 of the Decreto Liquidità sets up a fund to cover the commitments related to the guarantees granted under the aforementioned Decree and the guarantees issued pursuant to article 6, paragraph 14 bis of Decree Law No. 269 of September 30, 2003 with an initial endowment of Euro 1 billion. Article 31, paragraph 1 of the Decreto Rilancio increased this endowment fund to Euro 31 billion.

The Company, in the Directors' Report, section "Summary of 2020 regulatory actions (new business)" and in the Notes to the Financial Statements "Foreword", in the "Part B – Information on the balance sheet and income statement" and in the "Part C - Other information", provides details of the accounting criteria adopted and of the amounts registered as a result of the Business resulting from new regulations.

The Financial Statements are mainly affected by the Business resulting from new regulations as follows:

- Euro 1,476 million of payables to the Ministry of the Economy and Finance for the technical provisions transferred in accordance with the Decreto Liquidità (article 2, paragraph 6), with respect to the State's reinsurance;
- Euro 31,000 million of cash paid by the Ministry of the Economy and Finance on the current account held by SACE S.p.A. with the Department of Treasury (Bank of Italy) and related to the new business pursuant to article 1, paragraph 14 of the Decreto Liquidità and article 31, paragraph 1 of the Decreto Rilancio; the amount is recognized with a balancing entry under other liabilities.

The income statement as of December 31, 2020 includes, recorded in the item other technical income, the reimbursement of the operating expenses on the transactions carried out as part of Garanzia Italia, Insurance of short-term trade receivables and Green Operation.

In the light of the importance of the regulatory innovations introduced during the year and of their financial and economic impact over the Company, we have considered the Business resulting from new regulations, a key audit matter for the Company's Financial Statements as of December 31, 2020.

Audit procedures performed

The audit procedures carried out have included, among others, the following:

- analysis of the legislation issued during the year in relation to the Business resulting from new regulations and the related consequences on the Company's operations;



4

- discussion with the Management about the activities aimed at implementing the Business resulting from new regulations with the purpose of understanding and examining the relevant procedures and controls put in place by the Company;
- analysis of the accounting policies adopted for the registration of the items relating to the Business resulting from new regulations through discussion with the Management and acquisition and examination of the documentation prepared by the same;
- acquisition and analysis of the report on capital and capital endowment report prepared by the Company and drawn up in accordance with Article 2, paragraph 9 of the Decreto Liquidità;
- verification of the compliance of the accounting records with the management evidence and documentary evidence for a sample of transactions;
- verification of the completeness and adequacy of the information provided by the Company in accordance with the provisions of the applicable regulation.

Evaluation of Provision for unearned premiums

Description of the key audit matter

At December 31, 2020, the Company recorded in item C.I "Technical Provisions – Non Life Business" – liabilities of the Balance Sheet – a provision for unearned premiums for Euro 3,729 million, including the provision for unexpired risks.

As highlighted by the Directors into the Notes to the Financial Statements, section "Part A – Valuation criteria and basis of presentation", the technical provisions calculation is affected by complex subjective judgments and estimates based on past experience, which, with regards to the current Fiscal Year, may even be affected by the uncertainty related to the current context characterized by the ongoing public health emergency. The usage of such subjective judgements and estimates influences the carrying amounts of the Financial Statements.

The Company, in the Notes to the Financial Statements, section "Part A Valuation criteria and basis of presentation" and in section "Part B – Information on the balance sheet and income statement" provides details for the criteria adopted and the methodology applied in calculating the provision for unearned premiums. The provision for unearned premiums is determined on an accruals basis, applied analytically to each policy on the basis of gross premiums. This provision has also been aligned with the expected rate of claims referring to insurance contracts in portfolio signed by the reporting date (provision for unexpired risks). In respect of the provision for unexpired risks, the Directors highlight that the method used



considers the expected loss of the entire portfolio; the main components taken into consideration in order to determine the provision for unexpired risks includes:

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

In the light of the significance of the provision for unearned premiums amounts registered into the Financial Statements, of the complexity of the measurement criteria and of the variability of the assumptions made to determine the expected loss affecting the provision for unearned premiums itself and even in the light of the ongoing pandemic, we have considered the evaluation of the provision for unearned premiums a key audit matter for the SACE Financial Statements as of December 31, 2020.

Audit procedures performed

The review procedures, also carried out with the support of specialists belonging to the Deloitte *network*, included, among others, the following:

- understanding of the process of formation of the provision for unearned premiums, with detection and verification of the implementation of the relevant controls on the process of preparing financial information for the aforementioned provision;
- carrying out verification procedures in relation to the completeness and adequacy of the portfolios taken into consideration and their databases;
- verification of the correctness of the amounts related to the unearned premiums provision through the independent recalculation of the same for a sample of insurance contracts in the portfolio;
- reasonableness analysis of the methods and of the main technical and evolutionary hypotheses on which the estimate of the overall expected loss of portfolio has been based for the purpose of determining the provision for unexpired risks, also in the light of the current situation of ongoing sanitary emergency;
- verification of the computation of the provision for unexpired risks through the application of simplified methods in order to evaluate the reasonableness of the provision amounts determined by the Company Management;



6

- verification of the completeness and adequacy of the information provided by the Company with respect to the provisions of the applicable legislation.

Other matters

The financial statements of SACE S.p.A. as at December 31, 2019 was audited by another auditor who expressed an unmodified opinion on these financial statements on April 3, 2020.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or unintentional behaviors or events.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, and, in preparing the financial statements, for the appropriateness of using the going concern assumption, as well as for adequate disclosure in matter.

The Directors use the going concern assumption in the preparation of the financial statements unless they have assessed that the conditions exist for the liquidation of the Company or for the interruption of the activity or do not have realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 unintended behaviors or events, and to issue an auditor's 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 unintended behaviors or events 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 these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain 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 unintended behaviors or events, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude 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.
- Evaluate 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 communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of SACE S.p.A. has appointed us on October 17, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Management Control Committee, in its role of Audit Committee, referred to in art. 11 of the said Regulation.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree no. 39 of January 27, 2010, and art. 123-bis, paragraph 4, of Legislative Decree no. 58 of February 24, 1998

The Directors of SACE S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structures as at December 31, 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree no. 58 of February 24, 1998, with the financial statements of SACE S.p.A. as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the financial statements of SACE S.p.A. as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree no. 39 of January 27, 2010, made on the basis of the knowledge and understanding of the Company and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Rome, Italy
April 19, 2021

SACE S.p.A. - Financial Statements at 31 December 2020

Report of the Board of Statutory Auditors

Dear Shareholder,

This report has been prepared by the Board of Statutory Auditors of SACE S.p.A. (“SACE” or the “company”) pursuant to art. 2429.2 of the Italian Civil Code. It has been approved by us and filed with the company’s registered office in accordance with the provisions set out in art. 2429.3 of the Italian Civil Code.

As part of the performance of our duties, we acted in accordance with the Code of conduct for statutory auditors recommended by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

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.

On 23 March 2021, the SACE Directors approved the draft financial statements for the year ended at 31 December 2020, 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 by the resolution of the Shareholders’ Meeting held on 2 December 2019 for three years and, therefore, until the Shareholders’ Meeting called to approve the 2021 financial statements. We held 10 (ten) meetings in 2020, 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 and received information about operations and the most significant transactions from the directors and management, and satisfied ourselves that the 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.

The Board of Statutory Auditors 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 provided information about any differences, preparing adequate reports.

During the 2020 financial year, the Board of Statutory Auditors was regularly updated regarding the main developments of the business model as a result of the legal interventions and, in particular, as a result of the issuing of Decree Laws No. 23/2020 (the so-called “Liquidity” Decree), No. 34/2020 (the so-called “Relaunch Decree”), and No. 76/2020 (the so-called “Simplification Decree”) that supplemented the Company’s business operations, in order to implement public support measures in terms of liquidity, export, and internationalization of companies, as well as the issuing of guarantees for loans for so-called green projects and for trade receivables claimed by insurance companies. In particular, during the meeting held on 7 May 2020, the Board of Statutory Auditors received a report on the main areas of impact for SACE deriving from the entry into force of the “Liquidity” Decree, with particular reference to: i) the adoption of temporary measures for supporting company liquidity through the so-called “Garanzia Italia” scheme; ii) the development of the intervention model, requiring that commitments deriving from insurance activity and the guarantee of risks defined as non-market by European Union law are assumed to the degree of 10% of the principal and interest of each commitment, with the remaining 90% the responsibility of the state; iii) the SACE governance review, with particular regard to the termination of management and coordination activities by the single shareholder Cassa depositi e prestiti and to preventative consultation, due to the new areas of business operations, of the MEF and MAECI with regard to the so-called “significant company decisions”.

During 2020 and in the first months of 2021, the Board of Statutory Auditors also received updates regarding the activities for determining the restructuring of SACE Group in implementation of the provisions referred to in art. 67, para. 2, of the Decree Law No. 104 of 14 August 2020, converted, with amendments, into Law No. 126 of 13 October 2020 (“August Decree”). This legislation stipulated, in fact, that “*Subject to agreement between the Ministry of the Economy and Finance and Cassa depositi e prestiti (CDP) S.p.A., with the decree of the Ministry of the Economy and Finance, together with the Ministry of Foreign Affairs and International Cooperation, subject to filing with the Court of Auditors, the restructuring of the SACE Group has been determined and the value of the transfer of the relevant holdings deemed congruous by the parties*”. Following trading, in the first months of 2021, the MEF and CDP agreed to the transfer of SACE Group, net SIMEST, from CDP to the MEF. This restructuring operation - as also reported in the Financial Statements - will reveal its effects as soon as the inter-ministerial decree, which will determine its characteristics, is issued. As of today, this decree has still not been issued.

In view of the above, the main issues analysed by the Board of Statutory Auditors in 2020 related to:

- audit activities, conducted on the basis of a specific plan approved by the Board of Directors, which were the subject of six-monthly reports;
- annual planning of the work of the Compliance department and regular reviews of the findings of assessments conducted and the respective corrective measures;
- activities implemented by the Risk Management function, including with reference to the preparation of the SACE-MEF Risk Appetite Framework and the SACE Risk Appetite Framework;
- the activities of the Supervisory Body under Legislative Decree No. 231/2001 which, based on the annual plan submitted to the Board of Directors for approval, were discussed during the board meeting of 23 March 2021;
- the work undertaken by the Independent Auditors: Deloitte & Touche S.p.A. In particular, the Board of Statutory Auditors and the Independent Auditors arranged a periodic exchange of useful information for the activities within their respective ambits, planning specific informative meetings, the most recent on 22 March 2021, in order to verify the process for drafting the 2020 Financial Statements;
- the review - before the department heads and based on the specific documentation prepared by the latter - of organizational and functional aspects and performance of the Legal and Corporate Affairs, Risks, Planning, Administration and Finance, and Human Resources departments, as well as of the performance of the subsidiaries. For this purpose, on 25 March 2020, we met the Boards of Statutory Auditors of the subsidiary SIMEST S.p.A.
- the resolutions regarding the remuneration owing to the corporate officers under art. 2389, para. 3, Italian Civil Code, approved by the Board of Directors during the meetings of 25 February and 9 March 2020.

During 2020, the Board of Statutory Auditors monitored the adequacy of the company’s organizational, administrative, and accounting structure. We acknowledge that the organizational, administrative, and accounting structure appears to be in line with the company’s needs and is backed by efficient corporate procedures.

The work undertaken in collaboration with the Head of the Internal Audit department also gave rise to detailed analyses and flows of information concerning the implementation of the corrective measures adopted.

The information received from the Supervisory Body on the adequacy of the organizational, management and control model, pursuant to Legislative Decree No. 231/2001, did not highlight any inefficiencies in the procedures adopted by the company. Furthermore, no critical issues emerged with respect to the organizational model, which would need to be disclosed in this report.

Functions within the Board of Directors are well distributed and in line with the mandates conferred.

On 19 April 2021, the Independent Auditors Deloitte & Touche S.p.A. issued their report on the financial statements at 31 December 2020, in accordance with the rules on statutory audits implemented in Italy with Legislative Decree No. 135/2016. Specifically, the Independent Auditors: i) issued their report stating that the separate financial statements give a true and fair view of the company's financial position as at 31 December 2020, and the net profit for the year that ended on that date, in accordance with the Italian legislation governing their preparation; ii) expressed their opinion on the consistency of the Report, stating that the report on the management and some specific information contained in the report on corporate governance and ownership structures identified in art. 123-bis, para. 4 of Legislative Decree No. 58/1998, cohere with SACE's financial statements at 31 December 2020 and that this Report has been drawn up in accordance with statutory requirements; iii) with reference to the statement pursuant to art. 14, para. 2, point e) of Legislative Decree No. 39/2010, made 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.

On 19 April 2021, the Independent Auditors also provided us with their report pursuant to art. 11 of Regulation (EU) No. 537/2014, according to which they did not identify any actual or alleged non-compliance with laws and regulations or the articles of association to be brought to our attention. The independent auditors also provided us with 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. Furthermore, no situations that would compromise the company's independence were identified.

We supervised the general layout of the financial statements, their overall compliance with the law in terms of the basis of preparation and structure, and also checked compliance with the law concerning the preparation of the report on operations.

We did not receive or file any petitions or complaints pursuant to art. 2408 and 2409 of the Italian Civil Code. During the performance of our supervisory 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 management 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.

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 79,722,088 Euro, as follows:

- 3,986,104 Euro, equal to 5% of the net profit, to the legal reserve, in accordance with art. 2430 of the Italian Civil Code;
- 14,593,243 Euro to "Other reserves";
- 61,142,741 Euro, in accordance with the resolutions to be passed by the sole shareholder Cassa Depositi e Prestiti S.p.A.

Rome, April 22, 2021

THE BOARD OF STATUTORY AUDITORS
Silvio Salini (Chairperson)
Maira Paragone (Standing Auditor)
Gino Gandolfi (Standing Auditor)





Consolidated financial statements at 31 december 2020

Meeting of the Board of Directors of 23 March 2021

SACE S.p.A.

Registered Office and Head Office in Rome

Share capital (fully paid in) Euro 3,730,323,610

Tax No. and Rome Companies Register

No. 05804521002 – R.E.A. 923591

Sole Shareholder Cassa Depositi e Prestiti S.p.A.

Company officers and boards

Board of Directors

Chairman

- Rodolfo Errore

Chief Executive Officer and General Manager

- Pierfrancesco Latini (*)

Directors

- Ilaria Bertizzolo
- Roberto Cociancich
- Elena Comparato
- Filippo Giansante
- Mario Giro
- Federico Merola
- Monica Scipione

Board of Statutory auditors

Chairman

- Silvio Salini

Standing Auditors

- Gino Gandolfi
- Moira Paragone

Substitute Auditors

- Marco Brini
- Cinzia Marzoli

Standing Delegate of the Court of Auditors (**)

- Natale Maria Alfonso D'Amico

Independent Auditors (***)

- Deloitte & Touche S.p.A.

Company Boards appointed by the Shareholders' Meeting on 2 December 2019 and in office for three years.

(*) Appointed CEO by resolution of the Board of Directors on 4 December 2019; Appointed General Manager by resolution of the Board of Directors on 25 February 2020.

(**) Appointed Standing Delegate responsible for controlling the management of financial operations of SACE S.p.A. as from 1 January 2020.

(***) Appointed for the period 2020-2028 by resolution of the Shareholders' Meeting on 17 October 2019 with effect as from the Shareholders' Meeting of 4 May 2020 which approved the financial statements at 31 December 2019.

Contents

Directors' report	160
1. The economic scenario	160
2. Significant events in 2020	163
3. Preparation of the consolidated financial statements	166
4. Insurance business	168
5. Risk management	169
6. Human resources	181
7. Litigation	183
8. Distribution network and marketing activity	183
9. Corporate governance	184
10. Shareholding structure and share capital	186
11. Business outlook for 2021	187
Consolidated financial statements	190
Consolidated balance sheet – assets	190
Consolidated balance sheet - equity and liabilities	191
Income statement	192
Statement of comprehensive income - net amounts	193
Statement of changes in equity	194
Statement of cash flows	195
Notes to the consolidated financial statements	198
Notes to the consolidated balance sheet	214
Notes to the consolidated income statement	222
Other information	226
Annexes to the notes	230
Report of the independent boards	246
Independent auditor's report	246
Report of the Board of Statutory Auditors	255



01

Directors' report

Directors' report

1. The economic scenario

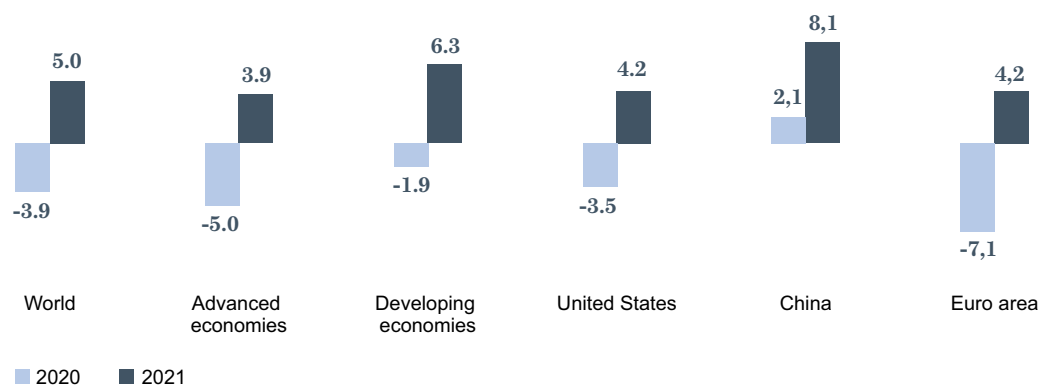
The world economy

In 2020, the global macroeconomic scenario was turned upside down by the public health emergency caused by the Covid-19 pandemic. The Covid-19 outbreak occurred at different times in different macro-regions and required the implementation of strict restrictions to contain and combat the contagion. Despite the different approaches selected by the affected countries and the varying intensity throughout the year, the restrictions mainly affected people's mobility and entailed the shuttering of many production and business activities.

The combined international supply and demand shock and the uncertainty about the evolution of the pandemic had a negative effect on the global economic activity, plunging the world GDP in deep recession (-3.9% according to Oxford Economics, in line with the International Monetary Fund's recent estimates¹). The economic crisis affected both advanced (-5.0%) and emerging countries (-1.9%), with a few exceptions such as China, which recorded positive growth. Among the more developed economies, the United States saw its ten-year expansion phase come to a halt, while in the Eurozone - which had already experienced a period of weak growth - the contraction was relatively more marked. With respect to emerging markets, GDP fell sharply in India (one of the world's worst hit countries by the pandemic), the Philippines, Argentina, Mexico, Morocco and South Africa.

The stance of monetary policy remained broadly accommodative on a global scale. The central banks of the main advanced and emerging countries cut their base rates and expanded their bond purchase programmes, ensuring liquidity and credit availability for the real economy. With respect to taxation, national governments implemented expansionary tax policies, also supported by the measures launched by supranational institutions to support households and businesses most affected by the restrictive measures and to boost the economy with unprecedented stimulus programmes. The improved financial conditions and the tax measures implemented resulted in a significant increase in public and private debt which - combined with the economic recession - translated into a global debt-to-GDP surge to over 350%.²

Real GDP, by geographical region (% change)



Source: Oxford Economics (January 2021)

¹ Oxford Economics *World Economic Prospects Monthly* and International Monetary Fund *World Economic Outlook Update*, January 2021.

² International Institute of Finance *Global Debt Monitor*, February 2021.

Global foreign direct investment (FDI) fell 42% to USD 859 billion in 2020.³ The decline in FDI was concentrated in developed countries (both Europe and the United States), where flows plummeted by 69% to USD 229 billion compared to the previous year. FDI flows to developing economies also decreased, though by a modest 12%, to USD 616 billion. Specifically, Latin America and Africa recorded the biggest falls, down by 37% and 18% respectively, while Asia weathered the storm well, with China remaining the world's largest FDI recipient (with annual growth up by 4%). Finally, FDI to transition economies declined by 77% to USD13 billion.

1.2 The Italian economy, industrial sectors and foreign direct investments

Against this background, Italy's GDP decreased by 8.9% in 2020, according to the preliminary estimates of ISTAT⁴ and in line with the figure expected by Oxford Economics. The contraction in Italy's economic activity reflects the sharp drop recorded in the second quarter, which coincided with the restrictive measures implemented - as early as March - by the Italian government to address the worsening public health emergency. In the third quarter, the economy rebounded significantly and above expectations thanks to the lifting of restrictions and a statistical base effect. In the autumn, the resurgence of contagions and the reintroduction of limited and partial lockdowns led to another decline in GDP, albeit smaller than in the first wave. Overall, all demand components contracted sharply, except for public spending.

On average, in 2020, the index of the volume of industrial production in the euro area and Italy decreased by 8.7% and 11.4%, respectively, year-on-year. In a situation in which all sectors recorded negative trends, the strategic sectors of the Italian economy were the most affected by the Covid-19 shock: textiles-clothing (-28.5%), mechanical engineering (-14.8%), means of transport (-18.3%) and metal products (-13%). Food (-2.5%) and pharmaceuticals (-5.5%), as essential goods, were relatively less affected. The January-February 2021 manufacturing Purchasing Managers' Index is encouraging as it continues to grow, pointing to a possible economic expansion in the next few months, supported by an acceleration of new orders. However, risks remain related to the still uncertain evolution of the pandemic, as indicated by the sector business confidence index which is struggling to recover pre-crisis levels.

In the first nine months of 2020, FDI fell by Euro 1.2 billion, while the flows from Italy to other countries amounted to Euro 8.6 billion.⁵

1.3 Italian Exports

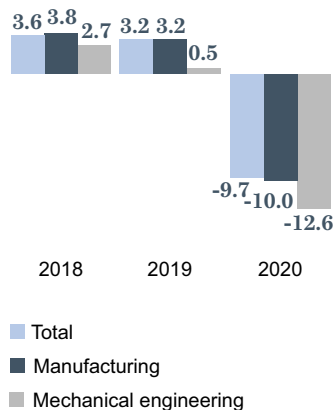
The global economic recession inevitably affected international trade, which is estimated to have decreased by 9.3% in volume, strongly pushed down by services. The nature of the pandemic crisis and, consequently, of the measures to contain the contagion, affected, in particular, tourism, transport and, in general, hospitality channel-related activities, leading to a double-digit decrease in trade in services (-21.8% as estimated by Oxford Economics). The impact on the international trade in goods was much smaller (-6.8%, as estimated by Oxford Economics, which is more pessimistic compared to the -5.3% reduction in 12-month data from the Central Planning Bureau).

³ UNCTAD, *Global Investment Trends Monitor*, January 2021.

⁴ Istat, Preliminary estimate of GDP, January 2021. The annual estimate is based on seasonally-adjusted quarterly figures and considering calendar effects.

⁵ OECD.

Italian exports of goods in terms of value, by selected sectors (% change)



Source: Istat (February 2021)

Specifically, Italian exports of goods and services were hit hardy. On average per year, exports of goods fell by 9.7% on the same period of the previous year⁶, thus interrupting a ten-year expansionary phase. The cumulative figure was mainly affected by the second quarter, which recorded the largest drop in April, concurrently with the peak of the great lockdown (an expression indicating the isolation of more than half the world's population as a result of restrictive measures). Since July, the situation has gradually improved, recording positive growth rates in September and November. Overall, sales of goods suffered both within the EU and in non-EU markets. The crisis hit all sectors - except for food and beverages and pharmaceuticals, being essential goods. The hardest-hit sectors include the traditional Made in Italy sectors (textiles-clothing, leather goods and furniture), which were affected by the sharp drop in household consumption, and transport and mechanical engineering, as a result of the slowdown in global supply chains and the collapse in business investments. With respect to the trade balance, the surplus is almost Euro 56 billion, up 13.3% year-on-year, driven by the more dramatic decline in imports of goods compared to exports. In the first three quarters of 2020, services declined 31% due to the sharp drop in foreign tourism and transport flows.

1.4 Loans, businesses, bankruptcies and the construction sector

Bank loans to non-financial companies increased by 8.5% in December on a 12-month basis⁷, boosted by low interest rates and supported by State guarantees. At the same time, non-performing loans to businesses decreased by 29% due to the provisional effects of the moratorium on loans and the measures to support businesses. The proportion of non-performing loans to total loans granted to Italian residents dropped by 3.4% in December 2020 (compared to 4.8% in the same month of the previous year).

In terms of business demography, in 2020, the number of newly-established businesses exceeded the number of business closures by about 19 thousand, up 0.3%.⁸ Southern Italy continued to show positive signs, accounting for approximately 85% of the balance, while North-East Italy was particularly hit by the economic crisis, with a negative balance of more than 4,000 business closures. At sector level, the positive trend continued for the activities related to the hospitality channel (tourism, travel, entertainment), indicating that the relief measures implemented by the Italian government for these sectors most affected by the restrictions have enabled businesses to survive. On the other hand, in the trade, agriculture and manufacturing services, the number of business closures has largely exceeded that of newly-established businesses.

Similarly, the figures related to business closures are affected by the above-mentioned extraordinary support measures, in addition to regulatory measures on bankruptcies and reduced court operations which, for the time being, have made it possible to avoid critical insolvency situations. In 2020, total open bankruptcies numbered 7,594, down 31.6% on the previous year.⁹

In 2020, the index of production volume in the construction sector in Italy decreased by an average of 8.2% year-on-year, narrowing the gap with the Eurozone as a whole, which fell 5.7% in recent months. With regard to the outlook for the first quarter of 2021, the sector's PMI index contracted slightly in January before returning to grow in February. In line with the outlook for the national economy, investments in construction are expected to pick up (+8.6%) - after the sharp fall estimated for 2020 (-10%) - also driven by the use of funds available under the Recovery Plan, which should accelerate the reopening of construction sites and thus allow the sector to restart.¹⁰

⁶ Istat, Foreign trade and import prices, February 2021.

⁷ Banca d'Italia, *Banche e Moneta*, February 2021. The percentage change in loans has been adjusted to take into account securitised loans and other loans that have been transferred and derecognised in banks' financial statements.

⁸ Infocamere, January 2021.

⁹ Cerved, Bankruptcies, insolvency proceedings and business closures, March 2021.

¹⁰ Ance, Construction industry observatory, February 2021.

1.5 Credit recovery and payments

With respect to SACE SRV credit recovery business, the recovery rate of short-term receivables was higher than in the previous year, although it was affected by restructuring requests and extensions to policyholders due to the current emergency, both in Italy and abroad, and thanks to the out-of-court settlement of numerous disputes. Despite the increase in new uncollected amounts and the requests for rescheduling from foreign counterparties following the general economic slowdown, the recovery rate of medium- to long-term receivables increased on the previous year, thanks to effective out-of-court activities. Furthermore, in 2020, SACE SRV was entrusted with management of over Euro 73 million new uninsured receivables.

With regard to non-payments, in the first three quarters of 2020, the figures point to a general increase among companies of different sizes, which was particularly marked between April and June. The pandemic crisis has affected the punctuality of businesses that have managed to settle their invoices. The average number of past-due days rose from 11.9 to 14.3 and the percentage of businesses that were considerably late rose to 8.1%, back to the highest peak recorded in 2012.¹¹ Regionally, the figures show a wider gap between Northern and Central-Southern Italy in terms of both the percentage of unpaid invoices and late payments.

2. Significant events in 2020

2.1 Strategy

In 2020, despite the negative impact of the public health emergency on international trade, the SACE Group continued to support Italian businesses' exports and internationalisation, serving 14,741 businesses - up 27% on the previous year - of which more than 87% were SMEs. The resources mobilised totalled Euro 25 billion compared to Euro 21.2 billion in 2019. Furthermore, in order to meet the demands of policyholders, it offered a moratorium for up to 12 months on guaranteed loans and extended payment terms by up to 60 days for policy fulfilments. In full compliance with Covid-19 prevention measures, the predominantly online interaction led to an increase in traffic on the digital platforms developed in recent years, both in product purchase requests (17,137, +560% on 2019), with an increase in requests for both insurability opinions and subsidised financing (Fund 394), and information/training requests, with 51,000 contacts and 4,100 engaged customers (+70% on 2019).

In 2020, SACE S.p.A. expanded its business to support (i) the liquidity needed by businesses hit by the pandemic (article 1 "Liquidity" Decree), (ii) the insurance of short-term trade receivables (article 35 Relaunch Decree) and (iii) projects for the transition to a clean economy, circulation and sustainable mobility (article 64 Simplification Decree). In detail:

- the guarantees given (pursuant to article 1 of the "Liquidity" Decree) at 31 December, thanks to the Garanzia Italia portal available on SACE SIMEST website, covering loans, factoring, leases and debt securities, amounted to 1,401 out of 745 customers (72% of which were new), worth a total of Euro 20.8 billion;
- five companies signed the Agreement (pursuant to article 35 of the Relaunch Decree), accounting for 86% of the credit insurance market and benefiting about 14,000 insured businesses;
- seven guarantees were approved (pursuant to article 64 of the Simplification Decree) for a financed amount of Euro 615 million, of which Euro 303 million has already been disbursed at 31 December 2020.

To support the expansion of the offer range and, in particular, the presentation to SMEs, 78 webinars were organised and more than 46,200 customer (and prospect customer) enquiries were handled via the Customer Care, compared to 12,600 in 2019 (+260%).

¹¹ Cerved, Observatory on payments, December 2020.

With respect to the new regulatory framework, we note the following:

- Sace's financial position at 31 December 2020 includes the effects of the application of article 2.9 of the "Liquidity" Decree, specifically, the transfer of up to 90% of the reinsurance of the portfolio of non-impaired loans at 8 April 2020, by means of reinsurance cession of the portfolio to the MEF, concurrently recognising a liability of approximately Euro 1.5 billion to the MEF. This amount was determined in Sace S.p.A.'s the Report on capital adequacy prepared in accordance with the above-mentioned regulation and is subject to verification in accordance with paragraph 6 of said regulation. In order to quantify the assets to be transferred, Sace S.p.A. considered the provision for unearned premiums corresponding to the existing and transferred commitments as it believed it could exclude the amount allocated to the equalisation provision (Euro 710 million at 31 March 2020), given the characteristics of this provision. In this respect, based on a possible more extensive interpretation of the above regulation - which broadly refers to all technical provisions, including the equalisation provision in SACE S.p.A.'s financial statements - a quantification exercise was commenced to identify the assets, if any, to be transferred also against this reserve, considering that this provision cannot be analytically associated with the individual commitments transferred as it is intended to cover the overall technical balance. At 31 December 2020, these activities were still in progress. Furthermore, the possible transfer of assets against the above reserve, including under the most extensive interpretation, would not produce economic effects. Accordingly, it would not affect SACE's financial soundness.
- The new business launched in 2020 (Garanzia Italia scheme, Trade receivables under article 35, Green Guarantees) is recognised separately pursuant to applicable legislation. SACE's financial position at 31 December 2020 includes the reimbursement of the operating expenses incurred during the year and mainly relating to the cost of personnel involved in this business.
- The balance sheet also includes the cash on the current account held by SACE (Euro 31 billion) relating to the Fund set up in accordance with article 1.14 of the "Liquidity" Decree, to cover the State's commitments connected with the granting of guarantees related to SACE's new business.

Furthermore, as of 2021, under the "Liquidity" Decree, SACE and the State will take on the commitments through a co-insurance scheme to the extent of 10% and 90% of the commitments assumed, respectively.

2.2 Summary of 2020 regulatory actions

The main regulatory actions of 2020 that affected SACE are summarised below.

- Decree Law No. 23 of 8 April 2020 (the "Liquidity" Decree or "DL23"), converted with amendments into Law No. 40 of 5 June 2020, strengthened and expanded SACE's business as follows:
 - article 1.1 of DL23 establishes that, to support the liquidity needs of businesses other than banks and other authorised credit institutions based in Italy and affected by the Covid-19 outbreak, SACE may, up to 30 June 2021¹² and in accordance with the applicable European legislation, issue up to Euro 200 billion of loan guarantees in favour of financing entities (the Garanzia Italia scheme). The obligations of SACE, arising from the granting of the guarantees pursuant to DL23 and accounted for separately, will be guaranteed by law by the State. The operations carried out will be subject to reimbursement of the operating expenses incurred;
 - article 1.14 of DL23 set up a fund (the "Fund") in the MEF budget, managed by SACE (pursuant to article 1.5 and 1.15 of DL23), to cover the commitments related to the guarantees granted by SACE under article 1 of DL23, the guarantees issued pursuant to article 6.14-bis of Decree Law No. 269/2003 and the guarantees issued in favour of short-term trade receivables insured by insurance companies as set out in article 35.5 of Decree Law No. 34/2020. In order to manage the Fund, DL23 required the opening of a treasury cash account in the name of SACE in which the commissions collected are paid, net of the amounts due to SACE as reimbursement of the operating expenses incurred.

¹² This deadline, which was originally set at 31 December 2020 by the "Liquidity" Decree, was extended to 30 June 2021 by the 2021 Budget Law.

- article 2 of DL23 amends article 6 of Law No. 326 of 24 November 2003 with the addition of paragraph 14-bis authorising SACE to issue new guarantees - at market conditions and in accordance with European legislation - “in favour of banks, national and international financial institutions and other authorised lending institutions in Italy, for loans in any form granted to companies based in Italy, up to a maximum total amount of Euro 200 billion”. Such guarantees will also be covered by law by the State and recognised separately;
- article 2.6 establishes that the State will reinsure ninety per cent of the insurance commitments undertaken by SACE in place on the date of enactment of the Decree (with the exception of those for which claims for compensation had already been filed), against the transfer to the MEF of ninety per cent of the assets held to cover technical provisions. These assets will be managed by SACE under the guidance of the MEF;
- article 2.7 establishes the possibility for the State to reinsure additional commitments undertaken in the period between the date of entry into force of DL23 and 31 December 2020;
- article 2.3 states that, as from 1 January 2021, commitments deriving from insurance business and the cover of non-market risks as defined by EU regulations, will be assumed by SACE and by the Italian Government respectively to the extent of ten per cent and ninety per cent of the capital and interest of each commitment;
- article 3 establishes that, “*considering the strategic role of SACE S.p.A. in implementing measures to support exports and the internationalisation of companies and to relaunch investments, ..., the company is not subject to management and coordination by the sole shareholder, Cassa Depositi e Prestiti S.p.A.*”.
- Decree Law No. 34 of 19 May 2020 (the Relaunch Decree) converted into Law No. 77 of 17 July 2020 under which SACE becomes the guarantor in favour of insurance companies of short-term trade receivables, and in particular:
 - article 35 of the Relaunch Decree envisaged that SACE would grant a guarantee equal to 90% of the trade receivables accrued from 19 May 2020 to 30 June 2021¹³ insured by insurance companies authorised to carry out credit insurance business¹⁴, which signed a specific Agreement approved by a Decree of the MEF, up to a maximum of Euro 2,000 million. The Agreement was approved by a Decree of the MEF dated 5 November 2020. To this end, within the Fund pursuant to article 1.14 of the “Liquidity” Decree, a special section was established, with separate accounting evidence, to cover the guarantees relating to credit insurance companies with an endowment of Euro 1,700 million for 2020. This section is also fed by the funds paid by the insurance companies as remuneration for the guarantee, net of the operating expenses incurred by SACE for its activities.
- Decree Law No. 76/2020 (the “Simplification Decree”), containing “Urgent measures for simplification and digital innovation”, converted with amendments into Law No. 120 of 11 September 2020 (the “Conversion Law”), in order to support interventions referred to in article 1.86 of Law No. 160 of 27 December 2019, regarding the European Green Deal has established that:
 - (article 64) SACE is authorised to grant guarantees for projects aimed at facilitating the transition towards a clean and circular economy and sustainable mobility, up to Euro 2.5 billion for 2020 and, for subsequent years, up to the maximum commitments set annually by the Budget Law. The Fund resources, to be used to cover these guarantees, amount to Euro 470 million at 31 December 2020, up to a maximum commitment by SACE of Euro 2,500 million.
- Decree Law No. 104 of 14 August 2020 (the “August Decree”), containing “Urgent measures to support and relaunch the economy”, converted with amendments into Law No. 126 of 13 October 2020, provided for the reorganisation of the SACE Group (article 67), to be carried out by means of an agreement between the MEF and CDP, by decree of the MEF, in agreement with the Ministry of Foreign Affairs and Cooperation (“MAECI”), without prejudice, as far as compatible, to the provisions of articles 2 and 3 of the “Liquidity” Decree.

¹³ This deadline, which was originally set at 31 December 2020 by the Relaunch Decree, was extended by article 1.232 of the 2021 Budget Law.

¹⁴ SACE BT is one of the short-term trade receivables insurance companies authorised to carry out credit insurance activities.

3. Preparation of the consolidated financial statements

With respect to the new regulatory framework, we note the following:

- SACE's financial position at 31 December 2020 includes the effects of the application of article 2.9 of the "Liquidity" Decree, specifically, the transfer of up to 90% of the reinsurance of the portfolio of non-impaired loans at 8 April 2020, by means of reinsurance cession to the MEF of the portfolio, concurrently recognising a liability of approximately Euro 1.5 billion to the MEF. This amount was determined in SACE's Report on capital adequacy prepared in accordance with the above-mentioned regulation and is subject to verification in accordance with paragraph 6 of said regulation. In order to quantify the assets to be transferred, SACE considered the provision for unearned premiums corresponding to the existing and transferred commitments as it believed it could exclude the amount allocated to the equalisation provision (Euro 710 million at 31 March 2020), given the regulatory provisions governing such provision and, specifically, the purpose of stabilising the technical account, the nature of this provision, which is not directly attributable to business in force, and the general market practice in reinsurance transactions. In January 2021, following discussions with the MEF after the submission of the Report on SACE's capital adequacy, it emerged that the above provision of the "Liquidity" Decree could be interpreted more extensively. Indeed, it could be applied more broadly to all the technical provisions, which also include the equalisation provision. Consequently, an in-depth analysis was conducted first to define, in agreement with the MEF, the interpretation of the above provision of the "Liquidity" Decree and, subsequently, to identify, again in agreement with the MEF and where necessary, the criteria necessary to quantify the share, if any, of the assets to be transferred, including the equalisation provision, also taking into account that such provision is not analytically attributable to the individual commitments transferred, rather it covers the overall technical balance retained. At 31 December 2020 and at the date of approval of the financial statements by the Board of Directors, the in-depth analysis of the interpretation of the above provision of the "Liquidity" Decree and of the possible subsequent quantification of the assets to be transferred, are still in progress.
- The new business launched in 2020 (Garanzia Italia scheme, Trade receivables under article 35, Green Guarantees) is recognised separately pursuant to applicable legislation. SACE's financial position at 31 December 2020 includes the reimbursement of the operating expenses incurred during the year and mainly relating to the cost of the personnel involved in this business.
- The balance sheet also includes the cash on the current account held by SACE (Euro 31 billion) relating to the Fund set up in accordance with article 1.14 of the "Liquidity" Decree, to cover the State's commitments connected with the granting of guarantees related to SACE's new business which was made available by the MEF in 2020 on a central treasury account held in the name of SACE S.p.A.

The main highlights of the 2020 financial performance are set forth below.

(in € thousands)	Total as of December 31, 2020	Total as of December 31, 2019
Gross premiums	828,749	653,299
Change in technical provisions	(902,029)	(230,863)
Outward reinsurance premiums for the year	89,496	(70,407)
Net premium income	16,216	352,030
Net claims incurred	(59,320)	(180,386)
Operating expenses	(102,427)	(114,264)
<i>Commissions and other acquisition expenses</i>	4,641	(10,421)
<i>Investment management charges</i>	(3,417)	(3,653)
<i>Other administrative expenses</i>	(103,650)	(100,190)
Technical operating income	(145,531)	57,380
Non-technical operating income	137,152	105,172
Profit before taxes	(8,379)	162,552
Taxes	4,235	(59,363)
Net profit for the year	(4,144)	103,189
pertaining to the Group	(5,251)	109,698
pertaining to minority interests	1,107	(6,509)

SACE Group reported a loss for the year of Euro 4.1 million, down on the previous year, reflecting the increase in technical provisions given the higher level of portfolio risk due to the unfavourable economic climate in 2020 and the losses incurred by some investees. The elements that contributed to determining the loss for the year are summarised below.

- “Gross premiums” of Euro 828.7 million, which rose by 27% on the previous year (Euro 653.3 million), mainly as a consequence of the increase in SACE’s volumes for the year;
- the change in technical provisions was negative for Euro 902 million (negative for Euro 230.9 million at 31 December 2019) and reflects the increase in absolute terms of the total expected loss on the portfolio. This change was partially mitigated by the increase in the reinsurers’ share of technical provisions, mainly attributable to the reinsurance agreement with the Ministry of the economy and finance under the provisions of Decree-law No. 23/2020, included under outward reinsurance premiums for the period.
- “Net claims incurred”, negative by Euro 59.3 million (a negative Euro 180.4 million at 31 December 2019). This item reflects claims paid for Euro 191.5 million (Euro 250.6 million at 31 December 2019), the increase in the provision for claims outstanding for Euro 85.3 million (a negative Euro 35.4 million at 31 December 2019) and the increase in recoveries for Euro 46.9 million (a positive Euro 105.6 million at 31 December 2019);
- operating expenses amounted to Euro 102.4 million; the balance includes Euro 62.1 million for the reinsurers’ share of commissions (Euro 38.3 million at 31 December 2019);
- the positive balance of the non-technical account which amounted to Euro 137.2 million (Euro 105.2 million at 31 December 2019), and included the positive balance of financial operations for Euro 36.8 million, commission income for Euro 32.7 million, the positive effect of the valuation of foreign currency items at closing rates for Euro 58.2 million and the reimbursement of operating expenses on commissions of completed transactions related to the new business launched in 2020 by government decrees for Euro 8.7 million.

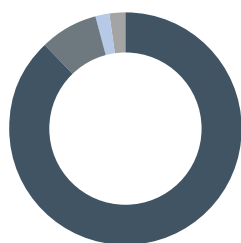
The results of consolidated companies are summarised below:

- SACE Fct (wholly owned) recorded a loss of Euro 3.4 million mainly due to the impairment losses recognised during the year as a consequence of portfolio deterioration;
- SIMEST (76.005% owned) recorded a profit of Euro 4.6 million mainly due to income from investment and commissions;
- SACE BT (wholly owned) recorded a loss of Euro 7.6 million mainly due to the negative balance of the technical account which was affected by the increase in the provision for unearned premiums and some large claims of the year;
- Sace do Brasil (99.99972% owned) recorded a loss of Euro 0,2 million.

4. Insurance business

4.1 Premiums

Breakdown of premiums by business (direct business)



88%

Credit insurance

8%

Surety

2%

Other property damage

2%

Other damage

In 2020, gross premiums amounted to Euro 828.7 million, of which Euro 695.7 million from direct business and Euro 133.1 million from indirect business (inward reinsurance). There was a 27% increase on the previous year.

Breakdown of premiums (in € thousands)

Business	31 December 2020	31 December 2019	Change compared to 2019
Non-life (direct business)	695,676	643,578	8%
<i>Credit insurance</i>	613,151	566,962	8%
<i>Surety</i>	51,900	52,369	-1%
<i>Other property damage</i>	14,186	12,993	9%
<i>Non-motor TPL</i>	1,777	1,466	21%
<i>Fire</i>	12,006	8,789	37%
<i>Accident</i>	10	12	-14%
<i>Nautical vehicle corps</i>	2,645	988	>100%
Total Direct Business	695,676	643,578	8%
Total Indirect Business	133,073	9,721	>100%
Total	828,749	653,299	27%

With respect to the ratio of the individual classes of business to gross premiums from direct business, 88% of the premiums stemmed from credit insurance, 8% from surety bond insurance, 2% from other property damage and 2% from other damage.

Of gross premiums from direct business, 87% related to SACE S.p.A. and the remaining 13% to SACE BT S.p.A.

4.2 Claims and recoveries

In 2020, SACE S.p.A. paid claims for Euro 178.5 million, down by approximately 25% on 2019 (Euro 238.9 million). Approximately 82% of claims related to foreign claims, mainly in the aviation sector (in addition to prior year claims). The remaining 18% related to Italy risk, mainly in the construction sector. In 2020, SACE collected Euro 51 million in political recoveries, 50% less than in the previous year (Euro 102 million). The difference is mainly due to the instalments not paid by Argentina, Pakistan and Cuba, related to agreements that benefited from the suspension of payments in 2020. Recoveries mainly refer to payments under bilateral agreements with Iraq (Euro 38.9 million), Serbia (Euro 4.7 million), Egypt (Euro 2.2 million) and Ecuador (Euro 2 million). Trade recoveries amounted to Euro 26.3 million in 2020, down on 2019 (Euro 62.6 million). Recoveries mainly include (i) recoveries under bankruptcy proceedings of Italian counterparties (Euro 6.8 million) and (ii) recoveries under restructuring agreements with Egyptian (Euro 4.4 million), Italian (Euro 3.1 million) and Russian (Euro 1.9 million) counterparties.

Claims paid by SACE BT S.p.A. for the insurance business amount to Euro 37.3 million (Euro 29 million in 2019). Recoveries collected in 2020 amounted to Euro 7 million and mainly related to surety business positions.

5. Risk management

5.1 Risk management policies

Risk management is based on constant improvements to processes, human resources and technology, 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 the applicable regulations, although it is not subject to supervisory regulations¹⁵. 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 S.p.A. 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 most significant risks to which SACE S.p.A. and its subsidiaries are exposed are described below:

- **Technical risk:** which includes the **underwriting risk** and the **credit risk**. 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 (reserve 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 provisions, which are defined according to market best practice, and through prudent underwriting policies, permanent monitoring and active portfolio management.



¹⁵ For SACE FCT S.p.A. Circular no. 288 of 3 April 2015 – “Supervisory instructions for financial intermediaries” issued by Banca d’Italia, for SACE BT S.p.A. and SACE S.p.A. IVASS Regulation No. 38 of 3 July 2018, European Solvency II Directive No. 2009/138.

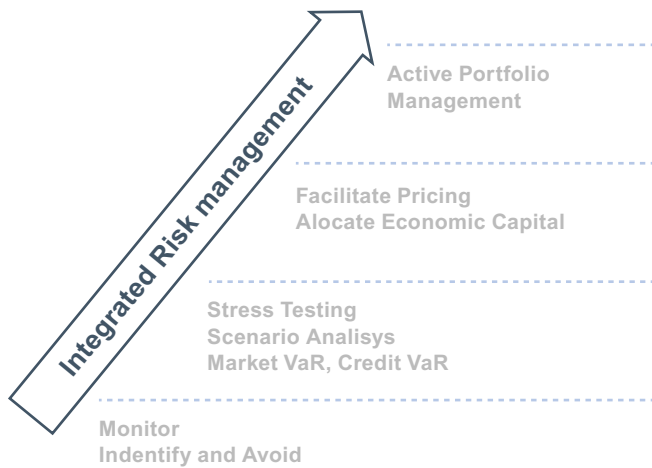
- **Market risk:** this category includes the risks generated by market operations involving financial instruments. It includes the interest rate, the currency, the credit and the equity risks. SACE monitors and manages market risk using asset-liability management techniques and keeps it within previously defined limits by adopting guidelines on asset allocation and quantitative risk measurement models.
- **Operational risk:** the risk of incurring losses resulting from inadequate or failed internal processes, personnel or systems, or from external events. This definition includes, inter alia, losses resulting from fraud, human errors, business disruption, system unavailability, breach of contract and natural disasters. This risk component also relates to exposures that SACE assesses on behalf of the State with reference to both export credit and other public guarantees for which, in accordance with the applicable regulatory provisions, SACE carries out risk assessment and management activities. Consequently, the exposures considered for operational risk assessment and measurement purposes increased as did the types of transactions due to the different operational areas introduced by the new regulatory provisions.
- **Liquidity risk:** the risk of incurring losses resulting from the company's reduced ability to meet financial obligations generated by its core business and financial liabilities. Following the coming into force of Legislative decree No. 23/2020 which, inter alia, has changed SACE's governance and its business by introducing the co-insurance system with the State from 2021, monitoring of this risk has increased. Specifically, even though technical forms of underwriting which enable the settlement of the claim to be spread out over time continue to exist, accurate management and ongoing monitoring of this risk component play an increasingly important role in the current and future context. Accordingly, the investment policy is closely linked to the specific liquidity needs of insurance portfolios. All the securities in the portfolios used to cover technical provisions are traded in regulated markets, many of which can be refinanced with central banks, and the short average life of the investments guarantees their rapid turnover.
On the other hand, the liquidity risk is material for SACE Fct S.p.A. and SIMEST. This is essentially a funding liquidity risk which, more specifically, relates to the difficulties in i) efficiently managing current and future cash outflows, ii) procuring funds on the market without incurring capital losses or funding costs that are excessively high, iii) fulfilling business operating commitments should the loans be terminated. For both companies, a Liquidity Risk Policy has been implemented to ensure a balance between commitments and funding.
- **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 geographical area.

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

- **Reputation risk:** the current and forward-looking risk of a decrease in profits, sanctions, losses in value or damage to SACE's institutional role, arising from a negative perception of the company's image by customers, counterparties, shareholders, investors, regulators or other stakeholders. The prevention and monitoring of events that could pose a risk to its business reputation 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 or difficulties experienced by one entity within the 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, incurring losses or suffer 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 S.p.A. 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.

5.2 The role of risk management

The risk management division ensures full coverage of risk control and management within SACE, using an organisational structure which complies with the specific nature and the regulatory provisions of the individual subsidiaries. It also defines the methods and tools to be used to identify, measure and control risks and verifies the appropriateness and adequacy of these with respect to the risk profile, as a whole.



Specifically, the risk management division:

- proposes, develops and implements methodologies, models and systems for the measurement and integrated control of risks, monitoring the correct allocation of economic capital, in line with the related company guidelines and in compliance with the applicable legislation, ensuring the control of risk/return and the creation of value for individual risk-taking units;
- oversees the definition of the risk appetite framework and operational limits and monitors compliance with these throughout the year;
- 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 analyses and stress tests.
- monitors the levels and adequacy of the technical provisions together with the other functions concerned;
- monitors capital optimisation actions, including the impact and effectiveness of risk transfer strategies, provisions and liquidity;
- sets out risk management and transfer guidelines and submits them to the Board of Directors;
- issues periodical reports on changes in the risks assumed and the existence of irregularities and overruns, and submits these to the Board of Directors, senior management and the heads of the relevant divisions.

SACE S.p.A.'s risk management division also includes a specific unit which constantly monitors the methodological framework to define, implement and validate the methodologies which identify and quantify operational risks.

This unit assists the risk management divisions of the individual companies, moving their individual operational risk management systems to converging policies, while contributing to a single SACE policy.

The operational risk management and monitoring process is governed by the “Operational risk management” policy which describes the methodological framework and the operational tools used to:

- assess the company's exposure to operational risks - Risk Self-Assessment (RSA);
- gather and analyse internal loss data related to operational risk events - Loss Data Collection (LDC);
- define actions that mitigate the residual risk within company processes;
- assess the operational risk associated with the launch of new products, promoting the implementation of control frameworks that minimise residual operational risk.

In 2020, the Operational risk unit developed a cyber risk control and monitoring system by introducing performance and risk indicators which ensure ongoing effective measurement of the system managing of this type of risk.

The aim is to identify adjustment and efficiency measures in order to enhance safety levels and mitigate risk exposures.

The adoption of the operational risk management framework has strengthened risk controls and improved the overall effectiveness and efficiency of processes, reducing the variability of the profits for the year related to this risk category and protecting assets from significant unexpected losses.

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

- **Board of Directors:** has ultimate responsibility for defining the strategies for internal controls and the risk management system, making sure they are always complete, functional and effective.
- **Risk and Control Committee¹⁶:** assists the Board of Directors with risk issues and internal controls and provides consulting support and proposals.
- **Management Committee¹⁷:** examines and evaluates the strategies, objectives and operational planning guidelines and oversees their implementation, assesses the performance of operations and identifies the measures necessary to achieve better profitability results and investigates key issues regarding management and operational guidance.
- **Risk Evaluation Committee¹⁸:** examines proposed operations delegated by the Board of Directors (risk taking, changes, restructuring agreements, claims, commercial recoveries, agreements for political recoveries) and other relevant transactions, assessing their eligibility.
- **Risks Committee:** assists the Board of Directors and the Risk and Control Committee with the implementation of an effective risk management and control system, while contributing to the definition of strategies and guidelines for risk management and transfer. It considers the actions to be taken to ensure the adequacy of the system of internal controls, identifying potential critical situations that could affect the system, and proposes improvements. It examines the findings of the integrated risk assessments conducted jointly by second and third level control functions.
- **Investment Committee¹⁹:** periodically defines company portfolio investment strategies to optimise the risk/yield profile of financial activities and compliance with the guidelines established by the Board of Directors. Monitors the trends and outlook of investment performance, reporting any critical areas to the competent functions. Submits proposals for updating the guidelines on financial activities by the decision-making body.
- **Claims Committee:** analyses the performance of Large Claims and sets out the operating guidelines for SACE BT S.p.A.

16 In Sace S.p.A, SACE BT (Risk and internal control committee) and in SIMEST (Risk and control board committee). Set up in July 2020. Its members were appointed in December 2020.

17 In Simest S.p.A. (Executive committee) it provides: i. the guidelines to define commercial policies; ii. validates the development of new products; iii. supervises and monitors strategic or major initiatives, specifically those across the group.

18 Referred to as the Commitments Committee for SACE BT S.p.A. which i. sets the risk ceilings / individual transactions / terms and conditions of policies and changes in accordance with the established limits; ii. approves claims in accordance with the established limits; Credit Committee for SACE Fct S.p.A. which approves factoring transactions in accordance with the established limits; and Operations Committee for Simest S.p.A. (Risk evaluation committee) which assesses i. proposed transactions and other relevant issues by expressing a risk opinion on the transaction to support the decision-making body's decisions.

19 Only in Sace S.p.A.

5.3 Reinsurance

Reinsurance is a business tool for optimising and mitigating risks and plays an essential role within the broader system of integrated risk management and control. Reinsurance spreads the risk with specialised counterparties with a high credit rating in order to:

- improve portfolio balance
- enhance the company's financial soundness
- stabilise operating results
- increase underwriting capacity.

Reinsurance policies are selected with a view to optimising the trade-off between the financial impact of the policy cost and the benefit in terms of risk mitigation.

Various forms of reinsurance may be used, depending on the objective:

- Quota share reinsurance: aimed mainly at enhancing underwriting capacity. This cover provides for the proportional transfer of the premium to the reinsurer, equal to the transferred portion of risk, and the retrocession of the fees covering the costs incurred to underwrite and manage the contract (ceding commission) by the reinsurer. In the case of claims, the reinsurer must settle its share of the claim;
- Surplus share reinsurance: purchased to increase underwriting capacity towards debtors/countries/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. They limit within default amounts the maximum cost of the claim, if any;
- Optional reinsurance: these reinsurance policies are used to cover individual risks or similar sub-groups of risks, or on a treaty basis, via the automatic transfer of the risks related to specific underwriting years.

The Reinsurance division studies and proposes reinsurance solutions and manages the related operational processes, checking that the risk transfer plan is consistent with the reinsurance strategy approved by the Board of Directors.

At 31 December 2020, the most significant form of risk transfer for SACE S.p.A. was the reinsurance with the MEF pursuant to Decree Law No. 23 of 8 April 2020 (the "Liquidity" Decree), converted with amendments by Law No. 40 of 5 June 2020 which extended, on the risks in the portfolio, the reinsurance percentages compared to previous Agreement signed in 2014 with the MEF, approved by Prime minister decree of 20 November 2014 and registered with the Court of Auditors on 23 December 2014, which regulated the proportional transfer of risks that may result in high levels of concentration for SACE.

As part of the measures to support export, internationalisation and business investment, the "Liquidity" Decree also introduced:

- a) the granting by law of a State guarantee on 13 transactions in the cruise ship sector approved by SACE in 2019 and in the first few months of 2020 and for which SACE has already submitted an application for reinsurance under the scope of the Agreement with the MEF referred to in article 6.9-bis of Decree Law No. 269/2003, converted, with amendments, by Law No. 326 of 24 November 2003;
- b) the authority for the MEF, for 2020, to issue the State guarantee in favour of SACE, in accordance with Decree Law No. 269/2003, within specific limits established for the cruise ship and the defence sectors for transactions with a sovereign counterparty to be approved in 2021;
- c) the possibility for the MEF to reinsure up to 90 per cent of commitments undertaken by SACE in place on the date of entry into force of Decree Law No. 23/2020, with some specific exceptions in respect of exposures for which the risk profile is badly impaired;
- d) the introduction of an interim period between the date of entry into force of Decree Law No. 23/2020 and 31 December 2020 during which 90 per cent of the commitments undertaken by SACE in that period may be reinsured by means of a specific Decree of the MEF (SACE did not opt for this option in 2020).

In addition to State reinsurance and given the growth in volumes in the past few years, in order to mitigate portfolio concentrations, reinsurance with private counterparties, including Lloyd's of London, was also activated as a further tool to achieve risk mitigation objectives. Reinsurance channels also include cession agreements with other export credit agencies (ECAs). With respect to SACE S.p.A., at 31 December 2020, out of a portfolio of completed transactions totalling Euro 70 billion, Euro 57 billion (82%) was ceded. Of this, around 89% was ceded to the MEF, including that set out in point c). A 10% share was ceded to major global reinsurers in the private reinsurance market and a small proportion (1%) was ceded to other ECAs under existing bilateral agreements. With respect to the amounts ceded in 2020, out of completed transactions totalling Euro 14.9 billion, approximately Euro 8.4 billion was ceded to reinsurers, of which (i) Euro 6.0 billion to the MEF pursuant to articles 6.1b and 6.1c of the Agreement between SACE and the MEF, net of the reinsurance under point c), (ii) Euro 2.3 billion to the reinsurance treaty with the private market and (iii) Euro 88 million to the optional private market.

In 2020, the subsidiary SACE BT underwrote various reinsurance covers with quota-share and excess of loss treaties and adhered to the State reinsurance agreement for trade receivables insurance in accordance with article 35 of the "Liquidity" Decree with 90% cession of the portfolio from 19 May 2020 to 31 December 2020 (extended to 30 June 2021 by the 2021 Budget Law).

5.4 Loans and receivables and guarantee portfolio

SACE's total exposure, calculated as the sum of loans and receivables and outstanding guarantees (principal and interest) amounts to Euro 70.6 billion, an increase of 8.4% compared to 2019. Therefore, the growth trend recorded in 2019 and 2018 continued, mainly driven by the guarantee portfolio which accounts for 99.3% of total exposure. The loans and receivables portfolio decreased by 12.5% on 2019 as a consequence of sovereign credits and trade receivables which fell by 12.4% and 12.8%, respectively. At 31 December 2020, SACE BT's total exposure amounts to Euro 83.2 billion, up by 23.8% on 2019. The outstanding receivables of SACE Fct, i.e., the total amount of receivables acquired net of receivables collected and credit notes, amount to Euro 2.2 billion, a 32.8% increase compared with the previous year end. At 31 December 2020, SIMEST S.p.A. had 214 subscribed transactions for a total credit exposure (principal) of approximately Euro 521.4 million. The overall portfolio decreased by around Euro 25.7 million compared to 31 December 2019.

Portfolio (in € millions)	31 December 2020	31 December 2019	Change compared to 2019
SACE	70,590.6	65,114.6	+8.4%
Outstanding guarantees	70,085.8	64,537.4	+8.6%
- principal	62,560.1	57,140.0	+9.5%
- interest	7,525.7	7,397.4	+1.7%
Receivables	504.8	577.2	-12.5%
SACE BT	83,167.6	67,153.3	23.8%
Short-term receivables	11,217.4	10,520.0	6.6%
Surety Italy	6,352.4	6,157.2	3.2%
Other property damage	65,597.8	50,476.1	30.0%
SACE Fct	2,231.3	1,680.0	+32.8%
Outstanding receivables	2,231.3	1,680.0	+32.8%
SIMEST	521.4	547.0	-4.8%
Direct commitments of Italian partners	448.0	472.0	-5.1%
Commitments backed by banks and insurance companies	29.0	31.0	-6.5%
Commitments backed by collateral	44.0	44.0	+0.0%

SACE

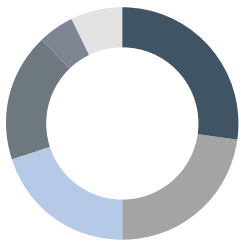
The analysis by geo-economic region shows that the highest exposure is towards countries in the Middle East and Northern Africa (27.4% compared to 27.5% in 2019). The highest exposure by country is that of the US (15.5%), followed by EU countries, in terms of region, which accounts for 22.8% of the portfolio (down 24.4% on 2019). The Americas account for 20% of the portfolio, up by 4.8% on 2019 (19.1%). The other geo-economic regions together account for 29.8% of the portfolio: the other European countries and the CIS (Commonwealth of Independent States) rose by 5.7% (with a portfolio impact slightly up from 16.7% in 2019 to 17.7% in 2020), Sub-Saharan Africa grew by 31.2% (with a portfolio impact up from 5.5% in 2019 to 7.2% in 2020) and, finally, East Asia and Oceania fell by 27.3% on the previous year (with a portfolio impact of 4.9%, compared to 6.7% in 2019).

Receivables in US dollars increased on the previous year, from 35.9% to 40.9%. 35.3% of SACE's guarantee portfolio is expressed in US dollars (37.8% in 2019). The US dollar depreciated considerably against the Euro from 1.1234 at 31 December 2019 to 1.2271 at 31 December 2020.

The currency risk on the loans and receivables and guarantee portfolio is mitigated partly through the natural hedge provided by management of the provision for unearned premiums and via the asset-liability management techniques adopted by the group.

The level of concentration by sector remains high, with the largest five sectors accounting for 85.8% of the total private portfolio. Once again, the cruise line industry shows the highest concentration (45.8%), up 19.1% on 2019. The Oil&Gas sector has the second-highest exposure, up by 4.9% (with a rate that went from 20.1% to 19.6% of the private portfolio). The Chemicals and petrochemicals industry ranks third, down by 10.6% (with a rate that decreased from 9.2% to 7.6% of the portfolio). The Infrastructure and construction sector follows, up by 1.4% (from 7.8% to 7.3% of the portfolio). The Electricity sector rose by 6.1%, while the Bank sector decreased by 11.8%.

SACE: total exposure by geo-economic region



27.4%
Middle Est and North Africa

22.8%
EU 28

20%
Americas

17.7%
Other European Countries and CIS

4.9%
East Asia and Pacific

7.2%
Sub-Saharan Africa

SACE: loans and receivables portfolio by original currency

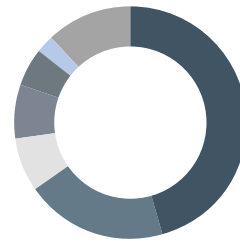


40.9%
USD

58.2%
EUR

0.9%
CHF

SACE: guarantee portfolio by industrial sector



45.8%
Cruise lines

19.6%
Oil & gas

7.6%
Chemicals/
Petrochemicals

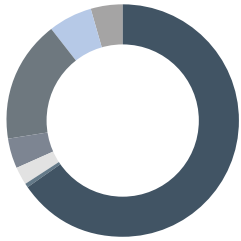
7.3%
Infrastructure
and Construction

5.5%
Electrical

2.5%
Banks

11.7%
Other Sectors

SACE BT: nominal credit exposure by geo-economic region



65.5%
Italy

0.4%
Sub-Saharan Africa

2.6%
Middle East and Northern Africa

4.3%
Other European countries and CIS

16.9%
Other EU countries

6%
Americas

4.4%
East Asia and Oceania

SACE BT

Loans and receivables portfolio

The credit insurance business has 133,453 exposures in place at 31 December 2020 (+8.2% on 2019), for a total of Euro 11.2 billion. Exposure is mainly concentrated in EU countries (82.4%), with Italy alone accounting for 65.5%.

The wholesale, agri-food and retail industries are the portfolio's three largest industrial sectors, accounting for 24.2%, 8.3% and 16.1%, respectively.

Surety portfolio

The exposure of the Surety bond portfolio (insured capital) amounts Euro 6.3 billion (+3.2% on 2019). Guarantees related to contracts account for 73.9% of the total exposure, followed by guarantees on tax payments and reimbursements (16.2%).

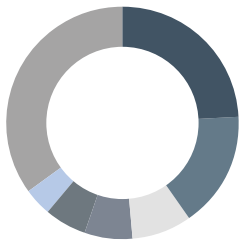
The portfolio comprises approximately 38,428 contracts and is concentrated in Northern Italy (65%).

Construction/Other property damage portfolio

The nominal exposure (risk limits and insured capital) of the Construction/Other property damage portfolio amounts to Euro 65.6 billion (+29.9% on 2019).

There are 9,422 policies in place (+10.0% on 2019). CAR/EAR policies account for 20.9% of the nominal exposure, decennial liability policies for 13.4% and Non-life business policies for 65.6%.

SACE BT: nominal credit exposure by industrial sector



24.2%
Wholesale trade

16.1%
Retail trade

8.3%
Agriculture

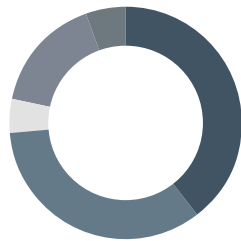
6.8%
Metallurgy

5.8%
Metal products

4%
Textile industry

34.7%
Other

SACE BT: nominal surety bond exposure by type of policy



39.7%
Contracts

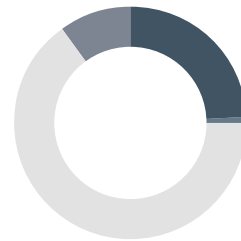
34.2%
Equivalent to contracts

4.6%
Custom duties

16.2%
Tax payments and refunds

5.4%
Other

SACE BT: nominal surety bond exposure by geographical region



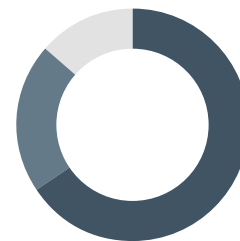
24.4%
Central Italy

0.6%
Abroad

65%
Northern Italy

10%
Southern Italy

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



65.6%
Non-life business

20.9%
CAR/EAR

13.4%
Decennial liability

SACE Fct

At 31 December 2020, the outstanding receivables of SACE Fct amounted to Euro 2,231.3 million, a 32.8% increase compared with the previous year. In 2020, factoring transactions generated turnover of Euro 4,759 million (up by 17.8% on 2019). As mentioned earlier, outstanding receivables mainly related to non-recourse operations, which account for 90.3% of the total portfolio.

Outstanding receivables by type of transaction (in € millions)	Amount	%
Without recourse	2,015.4	90.3%
With recourse	215.9	9.7%
Total	2,231.3	100.0%

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

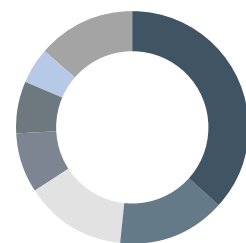
The breakdown of outstanding receivables by the assignor's sector shows a significant concentration in the manufacturing sector (36.7%), followed by the construction and public works sector (15.1%) and energy products (14.3%). Compared to the previous year, the concentration of outstanding receivables in the manufacturing sector decreased (41.3% at 31 December 2019) whereas that of the construction and public works sector increased (12.2% at 31 December 2019).

The geographical breakdown of assignors shows the greatest concentration of those resident in North West Italy 52.6% (43% in 2019), while assignors resident in Central Italy decreased to 22.4% at 31 December 2020 (from 32.6% at 31 December 2019).

According to the breakdown of outstanding receivables by debtors' sector, the majority of the counterparties are in the private sector, which accounts for 79.1% of the total; public administration debtors account for 20.9%, increasing from 18.8% at the end of the previous year.

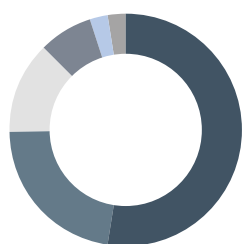
The graph below shows the breakdown of outstanding receivables by debtors' geographical region. In line with the previous year, foreign debtors account for 42.3% of the total and those resident in North West Italy increased from 19.4% in 2019 to 22.5% in 2020.

SACE Fct: outstanding receivables by assignors' sector



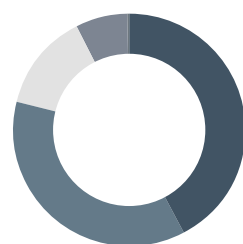
- 36.7%** Manufacturing
- 15.1%** Construction and public works
- 14.3%** Energy products
- 8.3%** Financial and insurance undertakings
- 7.1%** Commercial services
- 5.1%** Transport
- 13.4%** Other

SACE Fct: outstanding receivables by assignors' geographical region



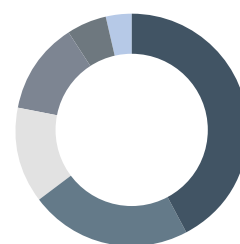
- 52.6%** North-West
- 22.4%** Central Italy
- 12.8%** North-East
- 7.4%** South
- 2.6%** Islands
- 2.3%** Abroad

SACE Fct: outstanding receivables by debtors' sector



- 42.3%** Abroad
- 36.6%** Companies
- 13.7%** Other public bodies
- 7.2%** Central government
- 0.2%** Other

SACE Fct: outstanding receivables by debtors' geographical region



- 42.3%** Foreign Debtors
- 22.5%** North-West
- 13.4%** North-East
- 12.7%** Central Italy
- 5.5%** South
- 3.5%** Islands

SIMEST

At 31 December 2020, SIMEST S.p.A. had 214 subscribed transactions in its portfolio for a total credit exposure (principal) of approximately Euro 521.4 million. The overall portfolio decreased by around Euro 25.7 million compared to 31 December 2019.

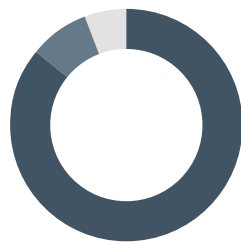
At 31 December 2020, direct commitments of Italian partners for the forward purchase of equity investments amount to some Euro 448 million (Euro 472 million at 31 December 2019). Commitments backed by bank and/or insurance guarantees total approximately Euro 29 million (Euro 31 million at 31 December 2019), and those backed by collateral Euro 44 million (Euro 44 million at 31 December 2019).

The automobile, mechanical and metalworking industries are the three biggest industrial sectors of the portfolio, accounting for 21.6%, 15.1% and 13.6%, respectively.

The geographical breakdown of the portfolio shows that the first 10 countries where SIMEST S.p.A. operates through target companies cover around 78% of the total, with 30 countries accounting for the remaining 22%.

Italy accounts for the biggest portion, with 26.7% of the portfolio, followed by the USA with 17.4% and Brazil with 13.2%. Overall, the first three countries in terms of exposure cover almost 57.3% of the portfolio.

**SIMEST: portfolio
by type of guarantee**

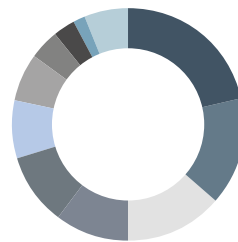


86%
Direct commitments
of Italian partners

8.4%
Commitments backed
by collateral

5.6%
Commitments backed by bank
and insurance guarantees

**SIMEST: portfolio
by industrial sector**



21.6%
Automobile

15.1%
Mechanical

13.6%
Metallurgy

10%
Chemicals/
Petrochemicals

6.6%
Infrastructure
and construction

3.1%
Electricity

5.9%
Other

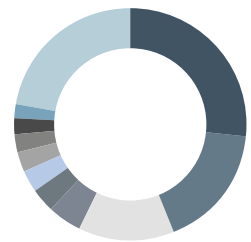
10.2%
Food Production

8%
Renewable
energy

4.2%
Non-financial
services

1.8%
Electronics/
Information
technology

**SIMEST: portfolio
by country**



26.7%
Italy

17.4%
USA

13.2%
Brazil

4.8%
China

3.4%
Mexico

2.7%
Spain

2.3%
Germany

22.1%
Other

3.1%
France

2.4%
Rep. of
South Africa

1.9%
Switzerland

5.5 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 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.

Assets Class (in € millions)	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortised cost	Total	%
Bonds	1,119		2,889	4,008	50,1%
UCITS	144			144	1,8%
Shares and equity instruments	43	5		48	0,6%
Money Market			3,796	3,796	47,5%
Total	1,305	5	6,685	7,995	100%

The portfolio includes the investment in the “Fondo Sviluppo Export” investment fund (UCITS) which is consolidated on a line-by-line basis and is comprised of bonds and other debt securities (50.1%), money market instruments (47.5%), UCITS (1.8%), mainly made up of bonds, and the remaining 0.6% of shares.

With regard to the credit risk of the securities portfolio, SACE S.p.A. 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.

Breakdown of securities portfolio by rating

Rating classes	%
AAA	2.9%
AA	2.3%
A	0.5%
BBB	94.0%
Other	0.3%
Total	100%

5.6 Analysis of the impacts of Covid-19

In March 2020, the novel Covid-19 coronavirus spread to many countries around the world and, on 11 March 2020, the World Health Organisation declared the situation to be a “pandemic”.

Changes in the economic context linked to the pandemic have had a considerable impact on SACE's business activities, attributable to the downgrading of counterparties' credit ratings by rating agencies and moratoria on guaranteed loan payments. Counterparties operating in sectors in which SACE's guarantee portfolio has the greatest exposures, such as the cruise ship and aviation industries, have been particularly badly affected.

More specifically, these factors have resulted in an increase in credit risk, measured using the expected loss model, with a consequent impact on technical provisions and on the impairment of loans, deposits and securities.

The impacts may be analysed as follows:

<i>Impairment (in € thousands)</i>	Post Covid-19 impact	Pre Covid-19 impact	Covid-19 impact
Held to Maturity (HTM)	9,613	2,968	6,646
Cash and cash equivalents	314	314	
Sovereign credit	13,172	11,707	1,464
Total	23,099	14,989	8,110

<i>Premium Best Estimates (in € thousands)</i>	Expected loss
31.12.2019	2,920,433
31.12.2020	3,747,441
Change	827,007

The change is almost exclusively due to downgrades of counterparties attributable to Covid-19. The impact of financial instruments measured at fair value is not significant since the change for the existing items prior to the pandemic was minimal, given the short-term maturities and the measures of the Central Banks. On the other hand, with respect to new purchases, the volatility of the market factors led to benefits in terms of profitability of the new portfolio.

With respect to the liquidity risk, the pandemic crisis should cause structural tensions, even from a forward-looking perspective, given the high degree of liquidity of the financial portfolio, whose bond component is mainly eligible for repurchase agreements.

6. Human resources

At 31 December 2020, there were 1004 employees on the payroll, an increase of 2% compared to the previous year (984 at 31 December 2019). During the year, 117 resources were hired and 97 left the company.

Distribution of staff by grade

	SACE	SACE BT	SACE SRV	SACE Fct	SACE do Brasil	SIMEST	Total	Breakdown
Executives	37	8	1	7	0	7	60	6%
Officials	306	69	8	34	1	73	491	49%
Office workers	237	76	32	37	1	70	453	45%
Total	580	153	41	78	2	150	1,004	100%

Distribution of staff by age group

	Breakdown
Under 30	16%
Between 31 and 40	30%
Between 41 and 50	30%
Over 50	24%

Distribution of staff by qualification

	Breakdown
Degree	82%
Secondary school certificate/other	18%

During the year, SACE and its subsidiaries responded promptly to the new requirements imposed by the pandemic by getting closer to their employees, who are entirely working from home. In this respect, a remote telephone counselling service was launched to help colleagues manage the uncertainties and fears generated by external factors.

In addition, the HR Business Partners continued to listen to internal customers' needs through management interviews. They met colleagues from all functions, mainly digitally, and discussed their professional and personal situation, considering the difficulties of the period.

During 2020, training activities continued, focusing on acquiring and consolidating technical-specialist skills and disseminating business-related knowledge and developing cross-functional skills.

Due to the Covid-19 pandemic, all the training courses already planned at the beginning of the year were rescheduled in terms of content and organisation. Technological updates and cultural changes were tackled simultaneously and in a short period of time. The former made it possible to continue to provide all the planned training courses remotely, while the latter translated the pandemic into an opportunity for personal growth and development. In addition to traditional corporate training courses (management, behaviour, IT, languages, specialised technical and business technical skills), other courses were launched to facilitate and accompany the changes underway. These include, for example: i) the "Digital Transformation Lab", which creates and consolidates a new digital mindset and provide additional information on digital tools, methodologies and technologies; ii) group coaching for remote team management for all managers; iii) training for the entire population on Microsoft Teams; iv) webinars to raise awareness of new products (e.g., Garanzia Italia scheme) and new regulations to respond to the economic crisis caused by the pandemic. Furthermore, the eLearning portal was updated, reorganised and equipped with a virtual classroom where all training sessions related to the core activities of SACE and its subsidiaries were held simultaneously. In 2020, a total of 24,793 hours of training were provided to the entire Group.

The Early Career Program continued during the year. This three-year onboarding scheme is a training and development plan designed to support the growth of young people. In 2020, it involved 68 employees (32 with a fixed-term contract and 36 with an open-ended contract). All the program initiatives were implemented: project work on strategic-business topics, potential assessments and training courses on soft skills and the first edition of "Mentoring", which involved first- and second-line volunteering mentors.

Everyone at the hub took part in the performance assessment process. Assessments, referring to performance in the previous year, considered technical skills, transversal competencies (suitability for the job), each participant's activities and objectives. They envisaged the use of structured feedback and sharing of a training plan.

As part of the policy to improve work-life balance, in 2020, SACE SIMEST offered employees a flexible benefit plan allowing them to convert all or a portion of their production bonuses into benefits aimed at improving their own and their families' well-being. Despite the particular situation due to the Covid-19 emergency, the plan involved about 86% of the SACE Group employees.

With a view to digitalisation, the Digital Human Innovation Project was launched in 2020 to seek innovative and environmentally sustainable solutions which led to paperless management of the mission management process. Furthermore, even paper-based meal vouchers are now distributed electronically.

In addition to this, the TRS (Total Reward Statement) was also distributed in paperless form in 2020. This document gives each employee a clear and comprehensive view of their remuneration package, including all fixed and variable elements, benefits and services that the company offers its employees.

In 2020, the new SACE's and SIMESTs' supplementary company labour contracts came into force, strengthening the most important social aspects: health insurance, check-ups, supplementary pension schemes and support for parents.

Lastly, diversity and inclusion activities continued, covering the following aspects: parenting, sexual orientation, age difference and disability. With regard to age difference, a generational reverse mentoring project was launched, involving employees under 30s and over 50s, to foster constructive dialogue for personal and professional enrichment.

7. Litigation

At 31 December 2020, SACE S.p.A. was defendant in 14 lawsuits regarding a contested amount of around Euro 29 million, and plaintiff in 7 cases for a total of approximately Euro 157 million. SACE S.p.A. was plaintiff in a further 48 proceedings to obtain recognition of its privilege pursuant to Legislative decree No. 123/1998 to payment before other creditors in insolvency proceedings, for claims paid (or being paid) against guarantees to support the internationalisation of businesses, for a total of Euro 59 million. The company is also involved in three labour disputes.

SACE BT S.p.A. was involved in 127 lawsuits as defendant in relation to a contested amount of approximately Euro 63 million and was plaintiff in five lawsuits involving a total of about Euro 21 million. The company is also involved in two labour disputes.

SACE Fct S.p.A. was defendant in three lawsuits for an overall contested amount of Euro 10.2 million, and plaintiff in 59 lawsuits for a total of approximately Euro 61.6 million.

SIMEST S.p.A. was party to two disputes that have been filed against it for a contested amount of approximately Euro 270 thousand and plaintiff in 72 proceedings (mainly injunctions, arrangements with creditors and bankruptcies) in relation to receivables - of principal and net of amounts received from guarantors - totalling approximately Euro 110 million.

8. Distribution network and marketing activity

During 2020, the SACE Group consolidated its distribution model based on the segmentation of customer companies by size and geographical area. The service model, which envisages CDP's coordination of commercial activities with large and strategic companies and SACE's management of relations with large, export-oriented large businesses, mid-caps and SMEs was maintained, as well as monitoring foreign markets and the development of relations with the main international buyers through the International Network and its offices in Italy's main export markets.

Commercial activities were focused on increasing the coverage of the distribution network in Italy and abroad and on expanding the offer and service, in order to meet the needs of export businesses, especially SMEs, also considering the expansion of SACE's scope of operations.

In order to support both new domestic operations and export credit and internationalisation products, during the year, many commercial initiatives were planned and developed for the leading and prospective customers of SACE and its subsidiaries, involving a total of over 36,000 businesses.

Furthermore, new commercial partnerships were established with banks, consulting companies and marketplaces to develop new business opportunities and expand the distribution capacity of the products of SACE and its subsidiaries, thus broadening and strengthening the multi-channel strategy undertaken by SACE over the past few years.

In 2020, customer-based development activities continued through the Education to Export (E2E) programme, which combines specialist local interventions, online training and a dedicated customer journey available on a digital platform, and by constantly enriching the offer of digital products on the group's portal (e.g., launching the sale of the digital bond product). The promotion of products to support export and internationalisation also continued through the creation (on behalf of MAECI) of the first Italian information portal system export.gov.it.

9. Corporate governance

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 28 May 2020 by SACE's Board of Directors pursuant to and for the effects specified by Legislative decree No. 231/01 ("Decree"). The Model is regularly updated on the basis of audits which include the definition of a risk map and analysis of 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 committing a crime is theoretically possible. This part includes references to the System of Internal Controls with regard to the prevention of crimes.

The function of monitoring the suitability and application of the Model has been assigned to the 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 Supervisory 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.

9.1 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. Its adoption reflects 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 Legislative decree No. 231/01. Under the Code, all external parties with which SACE does business are required to act in accordance with the rules and procedures inspired by those same principles. To make all internal and external stakeholders aware of the Code, it is published on each company's internet and intranet site and sent by email to each employee. The Code of Conduct has been drawn up to clearly define the set of values that SACE recognises, accepts and shares and the set of responsibilities it assumes vis-à-vis parties within and outside the company.

9.2 Internal control and risk management system

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:

- Ultimate responsibility for the system lies with the Board of Directors, which must ensure 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 internal control and risk management system 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 Audit 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:

- first level controls. The operational units and heads of each unit identify, evaluate, monitor, mitigate and report the risks associated with the company's ordinary business activities, in accordance with the risk management process. They must see 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;
- second level controls. The Risk management function is responsible for ensuring: (i) correct implementation of the risk management process and (iii) compliance with the operational limits of the individual functions. The Compliance and Anti-Money Laundering function ensures, according to a risk-based approach, management of the risk of non-compliance with regulations, the risk of money laundering and terrorist financing and the reputational risk associated with business operations;
- third level controls. The Internal Audit 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.

This paragraph also includes information on the "Report on Corporate Governance and Ownership Structure" required by article 123-bis of Legislative decree No. 58/1998 (Consolidated Finance Act). The Company has availed itself of the option provided for by said article and applicable to companies whose shares are not admitted to trading on regulated markets. Therefore, it omitted publication of the information required by article 123 bis.1 and 2 and provided only the information required by paragraph 2, letter b).

9.3 Internal audit

The Internal audit function 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 audit function, approved by the Board of Directors, sets out its purposes, authority and responsibilities and defines the reporting lines to senior management for communicating the results of its activities and the annual plan. The plan is approved by the Board of Directors and establishes the audit work priorities, identified on the basis of the company's strategic objectives and the assessment of current and future risks in view of trends in operating performance. The annual plan may also be reviewed and amended in response to significant changes that affect the company's business,

plans, systems, activities, risks or controls. Furthermore, where necessary, the Internal audit function performs controls not envisaged by the plan. It also monitors the system of controls at all levels and works to promote a culture of control endorsed by the Board of Directors. It 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 (IIA).

9.4 Manager responsible for preparing the Company's financial reports and financial information process

The provisions of article 13 of SACE S.p.A.'s Articles of Association establishing the professional requirements and procedures for appointing and dismissing the manager responsible for preparing the corporate accounting documents are provided below.

Article 13 of SACE S.p.A.'s Articles of Association (paragraphs 10.1 - 10.8)

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.

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 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.

9.5 Other information

In accordance with the "Non-financial statement" under Legislative decree No. 254/2016, the Company availed itself of the exemption described in article 6.2 of the above decree, since the statement has been prepared on a consolidated basis by the parent Cassa Depositi e Prestiti S.p.A.

10. Shareholding structure and share capital

SACE S.p.A.'s share capital amounts to Euro 3,730.3 million. The company does not own treasury shares or shares of the sole shareholder Cassa Depositi e Prestiti S.p.A. (CDP S.p.A.) and its subsidiaries do not hold any shares in the parent either directly or through trust companies or nominees. From the date of entry into force of Decree Law No. 23/2020 (DL 23/2020) and pursuant to article 3 of said decree, SACE S.p.A. does not operate under the direction and coordination of CDP S.p.A.

11. Business outlook for 2021

2021 is expected to be a transitional year towards the end of the public health emergency, driven, on the one hand, by positive factors linked to the availability of several vaccines and, on the other, exposed to adverse shocks caused by new waves of contagion, fuelled by virus variants characterised by a high transmission capacity. In the first part of the year, the globally-widespread restrictive measures will remain in place (especially in the first quarter), with easing in the second half as mass vaccination campaigns progress. Although the situation remains uncertain and vulnerable, consensus projections point to a recovery of the world economy this year (+5% according to Oxford Economics, a relatively lower pace than the +5.5% indicated by the International Monetary Fund), more pronounced for emerging countries.

In this context, Italy's GDP is expected to recover some ground, up by around 4.5% according to Oxford Economics, more optimistic than the projections of the International Monetary Fund (+3.0%) and the Bank of Italy²⁰ (+3.5%). Both domestic demand - in particular investments - and foreign demand will drive the recovery.

In this macroeconomic context, SACE will play a fundamental role in supporting Italian businesses and relaunching the economy and exports, which are a major component thereof. Starting from 1 January 2021, the revitalisation strategy will be implemented as part of the new commitments related to insurance activities and the guaranteeing of non-market related risks envisaged by the "Liquidity" Decree (assumed by SACE and the State on a 10:90 basis) and governed by a specific agreement signed by SACE and the MEF on 26 November 2020 and approved by CIPE. For information about the significant events after the reporting date, reference should be made to the notes to the consolidated financial statements.

Rome, March 23, 2021

On behalf of the Board of Directors
Chief Executive Officer
Pierfrancesco Latini

²⁰ Bank of Italy, Economic Bulletin No. 1, January 2021.

A decorative graphic consisting of several concentric, semi-circular arcs. The outermost arc is light gray. Inside it, there are two more light gray arcs. The innermost arc is a thick, solid green line. Below the green arc, there is a thick, solid red line. The arcs are arranged in a way that they appear to be part of a larger circular structure, possibly representing a stylized 'C' or a partial circle.

02

Consolidated
financial statements

Consolidated financial statements

Balance sheet – assets

(in € thousands)	Total as of December 31, 2020	Total as of December 31, 2019
1 INTANGIBLE ASSETS	11,547	12,693
1.1 Goodwill	92	92
1.2 Other intangible assets	11,455	12,601
2 TANGIBLE ASSETS	74,488	76,612
2.1 Property	68,465	70,798
2.2 Other tangible assets	6,023	5,815
3 REINSURERS' SHARE OF TECHNICAL PROVISIONS	3,495,165	1,404,350
4 INVESTMENTS	6,866,382	6,334,457
4.1 Investment property	12,305	12,402
4.2 <i>Investments in subsidiaries, associates companies and joint ventures</i>	9,340	8,700
4.3 Financial assets at amortised cost	5,247,848	3,969,714
4.4 Financial assets at fair value through other comprehensive income	5,165	5,165
4.5 Financial assets at fair value through profit or loss	1,591,724	2,338,476
4.5.1 Financial assets held for trading	1,257,477	1,407,340
4.5.2 <i>Financial assets designated as at fair value</i>	-	-
4.5.3 <i>Other financial assets for which fair value measurement is mandatory</i>	334,246	931,137
5 SUNDRY RECEIVABLES	938,094	781,342
5.1 Receivables arising out of direct insurance business	603,188	618,171
5.2 Receivables arising out of reinsurance business	129,579	19,212
5.3 Other receivables	205,327	143,959
6 OTHER ASSETS	154,632	241,769
6.1 Non-current assets or of a disposal group classified as held for sale	-	-
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	122,382	201,686
6.4 Current tax assets	9,365	12,549
6.5 Other assets	22,885	27,533
7 CASH AND CASH EQUIVALENTS	34,495,589	5,302,651
TOTAL ASSETS	46,035,896	14,153,873

Balance sheet – liabilities and equity

(in € thousands)	Total as of December 31, 2020	Total as of December 31, 2019
1 SHAREHOLDERS' EQUITY	5,526,207	5,597,231
1.1 Group interest	5,452,990	5,525,121
1.1.1 Share capital	3,730,324	3,730,324
1.1.2 Other equity instruments	-	-
1.1.3 Capital reserves	43,305	43,305
1.1.4 Revenue reserves and other equity reserves	1,683,798	1,644,101
1.1.5 Own shares	-	-
1.1.6 Reserves for net exchange differences	-	-
1.1.7 Gains (losses) on financial assets at fair value through other comprehensive income	-	-
1.1.8 Other gain (losses) recognised directly in equity	814	(2,307)
1.1.9 Group interest in the profit (loss) for the year	(5,251)	109,698
1.2 Minority interest	73,217	72,109
1.2.1 Share capital and reserves	72,175	78,684
1.2.2 Gains (losses) taken directly to equity	(65)	(66)
1.2.3 Minority interest in the profit (loss) for the year	1,107	(6,509)
2 PROVISIONS	62,916	95,656
3 TECHNICAL PROVISIONS	4,543,097	3,589,684
4 FINANCIAL LIABILITIES	2,758,494	4,370,286
4.1 Financial liabilities at fair value through profit or loss	146,881	69,246
4.1.1 Financial liabilities held for trading	146,881	69,246
4.1.2 <i>Financial liabilities designated as at fair value</i>	-	-
4.2 Financial liabilities at amortised cost	2,611,613	4,301,039
5 PAYABLE	1,806,312	193,306
5.1 Payable arising out of direct insurance business	35,483	35,993
5.2 Payable arising out of reinsurance business	1,684,904	109,851
5.3 Other payable	85,925	47,462
6 OTHER LIABILITIES	31,338,870	307,711
6.1 Liabilities of a disposal group classified as held for sale	-	-
6.2 Deferred tax liabilities	201,293	291,130
6.3 Current tax liabilities	3,793	3,514
6.4 Other liabilities	31,133,784	13,067
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	46,035,896	14,153,873

Income statement

(in € thousands)		Total as of December 31, 2020	Total as of December 31, 2019
1.1	Net premiums	16,216	352,030
1.1.1	<i>Gross premiums for the year</i>	(73,280)	422,437
1.1.2	<i>Outward reinsurance premiums for the year</i>	89,496	(70,407)
1.2	Commissions income	32,739	24,466
1.3	Income and expense from financial instruments at fair value through profit or loss	(26,891)	23,478
1.3 bis	<i>Reclassification using the overlay approach</i>	-	-
1.4	Income from investments in subsidiaries, associates companies and joint ventures	870	-
1.5	Income from other financial instruments and investment property	105,610	159,875
1.5.1	<i>Interest income</i>	103,829	156,442
1.5.2	<i>Other income</i>	1,505	1,295
1.5.3	<i>Realised gains</i>	172	2,138
1.5.4	<i>Valuation gains</i>	104	-
1.6	Other revenue	131,400	51,270
1	TOTAL REVENUES AND INCOME	259,945	611,120
2.1	Net claims incurred	59,320	180,386
2.1.1	<i>Claims paid and changes in technical provisions</i>	93,448	229,574
2.1.2	<i>Reinsurers' share</i>	(34,128)	(49,188)
2.2	Commissions expense	2,071	1,653
2.3	Expense from investments in subsidiaries, associates companies and joint ventures	-	-
2.4	Expense related to other financial instruments and investment property	39,869	64,823
2.4.1	<i>Interest expense</i>	25,762	34,051
2.4.2	<i>Other expense</i>	224	352
2.4.3	<i>Realised losses</i>	29	108
2.4.4	<i>Valuation losses</i>	13,854	30,312
2.5	Operating expenses	102,427	114,264
2.5.1	<i>Commissions and other acquisition expenses</i>	(4,641)	10,421
2.5.2	<i>Investment management charges</i>	3,417	3,653
2.5.3	<i>Other administrative expenses</i>	103,650	100,190
2.6	Other expenses	64,637	87,443
2	TOTAL COSTS AND EXPENSES	268,324	448,567
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	(8,379)	162,552
3	Taxes	(4,235)	59,363
	PROFIT (LOSS) FOR THE YEAR NET OF TAXES	(4,144)	103,189
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	-
	CONSOLIDATED PROFIT (LOSS)	(4,144)	103,189
	of which Group interest	(5,251)	109,698
	of which minority interest	1,107	(6,509)

Statement of comprehensive income - net amounts

(in € thousands)	Total as of December 31, 2020	Total as of December 31, 2019
CONSOLIDATED PROFIT (LOSS)	(4,144)	103,189
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 tangible assets		
Income and charges relating to non-current assets or disposal group classified as held for sale		
Actuarial gains and losses and adjustments related to defined benefit plans	323	(25)
Gains (losses) on equity investments designated as at fair value through other comprehensive income		
Change in own creditworthiness on financial liabilities designated as at fair value		
Other		
Other income components after tax with reclassification to profit or loss		
Change in the reserve for net exchange differences	(86)	(25)
Gains or losses on financial assets (other than equity investments) at fair value through other comprehensive income		
Gains or losses on cash flow hedges	2,882	(2,882)
Gains or losses on hedging instruments a net investment in a foreign operation		
Changes in shareholders' equity of subsidiaries		
Income and charges relating to non-current assets or disposal group classified as held for sale		
Reclassification using the overlay approach		
Other		
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT COMPONENTS		
TOTAL CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	(1,025)	100,257
of which Group interest	(2,131)	100,257
of which minority interest	1,107	(6,509)

Statement of changes in equity

(in € thousands)	Balance at 31-12-2018		Adjustments for reclassification in profit and loss		Balance at 31/12/2019		Adjustments for reclassification in profit and loss		Balance at 31/12/2020	
	Balance at 31-12-2018	Allocations	Allocations	Transfers	Balance at 31/12/2019	Allocations	Transfers	Balance at 31/12/2020		
Share capital	3,730,324				3,730,324				3,730,324	
Other equity instruments										
Capital reserves	43,305				43,305				43,305	
Revenue reserves and other equity reserves	1,605,588	38,513			1,644,101	109,698	(70,000)		1,683,799	
Own shares										
Net profit (loss) for the year	128,515	109,698		(128,515)	109,698	(5,251)	(109,698)		(5,251)	
Other comprehensive income items	625	(2,932)			(2,306)	3,119			814	
Total	5,508,357	145,278		(128,515)	5,525,121	107,566	(179,698)		5,452,990	
Share capital and reserves	78,347	271			78,618	(6,509)			72,110	
Net profit (loss) for the year	289	(6,509)		(289)	(6,509)	1,107	6,509		1,107	
Other comprehensive income items										
Total minority interest	78,636	(6,238)		(289)	72,109	(5,402)	6,509		73,217	
Total	5,586,993	139,040		(128,804)	5,597,231	102,164	(173,189)		5,526,207	

Statement of cash flows

(in € thousands)	31 December 2020	31 December 2019
Profit (loss) for the year before tax	(8,379)	162,552
Changes in non monetary items	288,768	100,417
Change in the provision for unearned premiums - non-life business	423,904	41,955
Change in the provision for claims outstanding and other technical provisions - non-life business	(85,344)	34,707
Change in the general provision	(32,740)	16,448
Not monetary Income and expense on financial instruments, investment property and equity investments	29,496	
Other changes	(46,548)	7,306
Change in receivables and payables generated by operations	145,135	2,772
Change in receivables and payables arising from direct insurance and reinsurance business	46,966	70,762
Change in other receivables and payables	98,170	(67,991)
Tax paid	4,235	(59,363)
Net cash flow generated/absorbed by investment and financial activities	837,202	1,305,934
Liabilities from financial contracts		
Other financial instruments at fair value through profit or loss	837,202	1,305,934
TOTAL NET CASH FLOW ARISING FROM OPERATING ACTIVITIES	1,266,962	1,512,312
Net cash flow generated/absorbed by investment property	153	55
Net cash flow generated/absorbed by subsidiaries, associates companies and joint ventures	238	(338)
Net cash flow generated/absorbed by financial assets at amortised cost	(1,339,080)	(454,145)
Net cash flow generated/absorbed by financial assets at fair value through other comprehensive income	-	-
Net cash flow generated/absorbed by tangible assets and intangible assets	5,731	(25,339)
Other net cash flows generated/absorbed by investment activities	-	-
TOTAL NET CASH FLOW ARISING FROM INVESTMENT OPERATIONS	(1,332,958)	(479,768)
Net cash flow generated/absorbed by capital instruments pertaining to the Group	3,121	(2,950)
Net cash flow generated/absorbed by own shares		
Distribution of dividends pertaining to the Group	(70,000)	(90,000)
Net cash flow generated/absorbed by capital and reserves pertaining to minority interest		
Net cash flow generated/absorbed by subordinated liabilities and participating financial instruments		
Net cash flow generated/absorbed by financial liabilities at amortised cost	(1,674,186)	1,229,602
TOTAL NET CASH FLOW ARISING FROM FINANCING OPERATIONS	(1,741,065)	1,136,652
Effect of exchange rate differences on cash and cash equivalents		
CASH AND CASH EQUIVALENTS - OPENING BALANCE	5,302,651	3,133,456
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,807,062)	2,169,194
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	3,495,589	5,302,651

These consolidated financial statements have been prepared without taking into account the amounts in the central treasury account held in the name of SACE and relating to the Fund established pursuant to article 1.14 of the “Liquidity” Decree (Euro 31 billion), and the corresponding balancing entry recognised under other liabilities.



03

Notes to the consolidated
financial statements

Notes to the consolidated financial statements

General information

The SACE group is comprised of SACE S.p.A. and its subsidiaries, SACE BT S.p.A., SACE Fct S.p.A., SACE SRV S.r.l., SACE Do Brasil and SIMEST S.p.A. SACE S.p.A. is active in the non-life business, in particular in non-market-related credit risk coverage, the subsidiary SACE BT S.p.A. in sureties and short-term credit risk coverage, while the subsidiary SACE Fct S.p.A. operates in the factoring market and SIMEST S.p.A. provides funding for internationalisation, export credit support and equity 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 reporting date of the consolidated financial statements (31 December 2020) coincides with that of the financial statements of the subsidiaries. The consolidated financial statements are presented in euros, the functional and the reporting currency of SACE S.p.A. and its subsidiaries. The amounts reported in the notes are in thousands of euros.

These consolidated financial statements have been audited by Deloitte & Touche S.p.A.

Applicable legislation

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

According to the options exercised by the Italian legislator, insurance sector companies:

- a) must draw up their consolidated financial statements in accordance with IAS/IFRS starting from FY 2005;
- b) must continue to draw up their separate financial statements in accordance with Legislative decree no. 173/97;
- c) must draw up their separate financial statements according to IAS starting from FY 2006 if they issue financial instruments admitted to trading on regulated markets of any member state of the European Union and do not prepare the consolidated financial statements.

Based on the above, the consolidated financial statements of SACE S.p.A. have been prepared in accordance with the provisions of IAS/IFRS, ISVAP Regulation no. 7/2007, as amended by Ruling no. 74 of 8 May 2018, regarding the formats to be used, and 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, as amended by Ruling no. 74 of 8 May 2018. 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 subsequently amended.

Forthcoming accounting standards and interpretations

Standards endorsed which came into force in 2020

The European Commission Regulations that have endorsed new international accounting standards, or amendments to existing standards, whose application became mandatory as of 1 January 2020 are as follows:

- Commission Regulation (EU) 2019/2014 of 29 November 2019, published in Official Journal L 318 of 10 December 2019, amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards International Accounting Standards 1 and 8. The amendments are effective for companies with an annual period beginning on 1 January 2020 or at a later date.
- Commission Regulation (EU) 2019/2075 of 29 November 2019, published in the Official Journal L 316 of 6 December 2019, amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards International Accounting Standards 1, 8, 34, 37 and 38, International Financial Reporting Standards 2, 3 and 6, Interpretations 12, 19, 20 and 22 of the International Financial Reporting Interpretations Committee and Interpretation 32 of the Standing Interpretations Committee. The amendments are effective for companies with an annual period beginning on 1 January 2020 or at a later date.
- Commission Regulation (EU) 2020/34 of 15 January 2020, published in Official Journal L 12 of 16 January 2020, amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39 and International Financial Reporting Standards 7 and 9. The amendments under article 1 are effective for companies with an annual period beginning on 1 January 2020 or at a later date. The main changes refer to the interest rate benchmark reform to calculate interest rates.
- Commission Regulation (EU) 2020/551 of 21 April 2020, published in Official Journal L 127 of 22 April 2020, amending Regulation No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 3. The amendments under article 1 are effective for companies with an annual period beginning on 1 January 2020 or at a later date.
- Commission Regulation (EU) 2020/1434 of 9 October 2020, published in Official Journal L 331 of 12 October 2020 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as regards International Financial Reporting Standard 16.

New accounting standards and interpretations that have already been issued and endorsed by the European Union but are not yet effective (effective date for annual period beginning on or after 1 January 2021)

The following is a list of new standards and interpretations that have already been issued and endorsed, but are not yet effective and are therefore not applicable to the preparation of financial statements at 31 December 2020:

- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 4.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2020

At the preparation date of these notes, several accounting standards, interpretations and amendments had been issued by the IASB, but not yet endorsed by the European Union, namely:

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) including *Amendments to IFRS 17* (issued on 25 June 2020);
- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020);
- *Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements* (issued 14 May 2020);
- *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2* (issued on 27 August 2020).

For the full list of International Accounting Standards and amendments published by the IASB, including whether they have been endorsed by the European Union, reference should be made to the EFRAG website at <http://www.efrag.org/Endorsement>.

Financial statements

The consolidated financial statements and related annexes are presented in accordance with the requirements of ISVAP Regulation no. 7/2007, as amended by Ruling no. 74 of 8 May 2018.

With reference to the new “Garanzia Italia” business, “Riassicurazione dei crediti commerciali a breve termine” and “Garanzia Green New Deal” the estimated reimbursement of operating expenses incurred by SACE S.p.A. is recognised under Other revenue.

Basis of consolidation

Subsidiaries are companies controlled by SACE. Under 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.

Changes in accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to (EC) regulation no. 1606/2002 in force on the same date.

They have also been prepared in accordance with IVASS Ruling no. 74 of 8 May 2018, which amended and supplemented the provisions of IVASS Regulation no. 7/2007 with regard to the application of IFRS 9 (Financial Instruments) which replaces IAS 39 starting from annual periods beginning on or after 1 January 2018.

The accounting policies are unchanged from the previous year.

Financial assets at amortised cost

This category applies to the financial assets covered by IFRS 7, paragraph 8(f), other than receivables recognised under sundry receivables, that meet the following two conditions (IFRS 9, paragraph 4.1.2):

- a) the objective of the entity’s business model is to hold the financial asset to collect the contractual cash flows;
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

This item includes the financial assets referred to in IFRS 7, paragraph 8(h) and, specifically:

- financial assets that meet the following two conditions (IFRS 9, paragraph 4.1.2A):
 - a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
 - b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- equity investments, considering the clarifications set out in IFRS 9 BC5.21, which the entity irrevocably elected to measure at fair value through other comprehensive income at initial recognition in accordance with IFRS 9, paragraph 5.7.5.

Financial assets at fair value through profit or loss

This item includes the financial assets referred to in IFRS 7, paragraph 8(a) not classified as financial assets measured at amortised cost or at fair value through other comprehensive income (IFRS 9, paragraph 4.1.4), specifically:

- financial assets held for trading;
- financial assets designated at fair value and, in particular, financial assets irrevocably designated at fair value at initial recognition to eliminate or significantly reduce an accounting mismatch (IFRS 9, paragraph 4.1.5) and financial assets whose credit risk is managed using a credit derivative that is measured at fair value through profit or loss where the eligibility criteria set out in IFRS 9, paragraph 6.7.1 are met;
- other financial assets for which fair value measurement is mandatory including, in particular, financial assets other than those which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and assets not held for trading but managed in accordance with other business models (IFRS 9, paragraph B4.1.5).

Financial liabilities at fair value through profit or loss

This item comprises financial liabilities measured at fair value through profit or loss as defined by IFRS 7, paragraph 8(e) and, in detail:

- financial liabilities held for trading;
- financial liabilities at fair value and, in particular, financial liabilities irrevocably designated on initial recognition at fair value to eliminate or significantly reduce a measurement or recognition inconsistency, i.e., an accounting mismatch (IFRS 9, paragraph 4.2.2(a)) or a group of financial liabilities or a group of financial assets and financial liabilities managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy (IFRS 9, paragraph 4.2.2(b)).

Financial liabilities at amortised cost

This item includes the financial liabilities defined and governed by IFRS 9, paragraph 4.2.1, as established by IFRS 7, paragraph 8(g). In detail, it comprises investment contracts (as defined in IFRS 4.IG 2) that do not fall within the scope of IFRS 4, deposits received from reinsurers, any financial components of insurance contracts and lease liabilities recognised by a lessor.

The impairment model

With respect to impairment, instruments measured at amortised cost and at fair value through equity, are subject to a model based on expected losses instead of the incurred loss model, envisaged by IAS 39. Under IFRS 9, companies shall recognise 12-month ECL since the initial recognition of the financial instrument (stage 1). Conversely, the time horizon to calculate the expected credit loss is the entire residual life of the asset under assessment, when the credit quality of the financial instrument has deteriorated significantly since the date of initial recognition (stage 2) or is impaired (stage 3).

Scope of consolidation

The scope of consolidation includes SACE S.p.A. and all its direct and indirect subsidiaries: SACE BT S.p.A., SACE Fct S.p.A., SACE SRV S.r.l., SACE do Brasil and SIMEST S.p.A.

For the purposes of a better presentation, Fondo Sviluppo Export, included in SACE S.p.A.'s assets, has been consolidated on a line-by-line basis. Indeed, SACE is the only subscriber to the Fund.

Name	Country of head office	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	99.9997%	100%	100%	100%
SIMEST	Italy	G	11	76.005%	76.005%	76.005%	76.005%
FONDO SVILUPPO EXPORT	Italy	G	11	100%	100%	N.A.	100%

(1) Method of consolidation: Line-by-line=G, Proportionate=P, Line-by-line by unitary division=U.

(2) 1= Italian ins; 2 = EU ins; 3 = third-party country ins; 4 = insurance holdings; 4.1 = mixed financial holding companies; 5 = EU reins; 6 = third-party country reins; 7 = banks; 8 = asset management companies; 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 the consolidated financial statements and the company in question. If the latter is owned directly by several subsidiaries, the single results must be added.

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

Name	Country of head office	Business (1)	Type (2)	% direct investment	% total investment (3)	% voting rights at ordinary Shareholders' Meetings (4)	Carrying amount
African Trade Insurance Agency	Kenya	3	b	3.46%	3.46%	3.46%	9,339

(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 the consolidated financial statements and the company in question. If the latter is owned directly by several subsidiaries, the single results must be added.

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

Transactions eliminated on consolidation

In preparing the consolidated financial statements, all balances and transactions between the companies and also realised gains and losses on intercompany transactions have been eliminated. Impairment losses arising from intercompany transactions continue to be recognised.

Principles of consolidation

The carrying amount of investments has been eliminated against equity with recognition of goodwill if deemed recoverable.

Uses of estimates

In preparing the consolidated financial statements, the directors are required to make estimates and assumptions which influence the carrying amounts of assets, liabilities, costs and revenues. The assumptions made for the 2020 consolidated financial statements are deemed appropriate. Consequently, these financial statements have been prepared clearly and give a true and fair view of the group's financial position, financial performance and cash flows for the year.

In order to make reliable estimates and assumptions, the directors have referred to past experience and to other factors deemed reasonable under the circumstances, based on all available information. However, it cannot be excluded that changes in these estimates and assumptions may have an impact on the group's financial position and financial performance and on the contingent liabilities disclosed in the notes, should different judgements be made with respect to those previously expressed, also considering the current context characterised by the ongoing public health emergency. Specifically, management made greater use of subjective judgements for the following: calculating technical provisions; calculating the fair value of financial assets and liabilities when fair value was not directly observable on active markets; calculating the recoverable amount of recognised receivables; estimating the recoverability of deferred tax assets and calculating the provisions for risks and charges.

Measurement 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 recognised 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 amounts relating to deferred acquisition costs or intangible assets governed by other international accounting standards. These assets are recognised at cost. For assets with a finite useful life, the cost is amortised at constant rates according to their relative 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 amount of the asset and its recoverable amount, is recognised through profit and loss. Depreciation rates are consistent with plans for the technical-financial use of each single category of assets.

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

Tangible assets

a) Property

This item comprises property used in group operations as specified and governed by IAS 16. These assets are distinguished between Land and Buildings and are recognised 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 amount (equal to the lower of fair value less costs to sell, and the related value in use of the asset, 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 tangible assets

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 tangible assets 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 group 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. Property is stated net of accumulated depreciation and 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 a 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 on a line-by-line basis. This item comprises equity investments measured using the equity method and relating to associated companies or companies subject to joint control. In periods following the initial recognition at purchase cost, the change in the carrying amount of the equity investments attributable to the profit or loss of investees is taken to profit or loss.

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 realisable value.

Other receivables

This item includes other trade receivables as defined by IAS 32 and governed by IFRS 9, 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 measured 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. They are recognised in accordance with applicable Italian legislation.

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.

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 taxes included in the determination of the 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 recognised at the closing rate.

Equity attributable to the owners of the parent

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

Share capital

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

Revenue reserve 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) reserves arising from reclassification of certain supplemental reserves and all equalisation reserves recognised under the standards previously in force (IFRS 4);
- c) other reserves required by the Italian Civil Code and previous insurance legislation;
- d) 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) recognised directly to equity

This item reflects the net balance of the changes recorded directly in as a counter entry in 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 recognised, but it is disclosed in the notes.

Technical provisions

IFRS 4 permits recognition of technical provisions on the basis of generally accepted local accounting standards. A review of all the non-life contracts showed that all the contracts qualify as insurance contracts. Claims provisions do not include compensation and equalisation provisions in that these are not permitted under IFRS. These provisions are recognised in accordance with IFRS as all the outstanding non-life policies fall within the scope of IFRS 4 (insurance contracts). Specifically, this item includes:

- Provision for unearned premium: it is determined on an accruals basis, applied analytically to each policy on the basis of gross premiums. This provision has also been aligned with the expected rate of claims not covered by the provision referring to insurance contracts in portfolio signed by the reporting date (provision for unexpired risks). This provision, which is 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. 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 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 claims provision includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim settlement and operating 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.

Payable

This item comprises trade payables arising out of direct and indirect insurance business.

Payable arising out of direct and indirect insurance business

They are recognised at cost.

Other 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) recognise 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 equity; b) recognise the obligation for benefits accruing from 1 January 2007, to be allocated to supplementary pension schemes or to the treasury fund set up at INPS, according to the contributions due each year.

Other Liabilities

This category includes:

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;
- b) the balancing entry of cash on the central treasury current account paid by the MEF and related to the new business.

Items of the income statement

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 item includes premiums for the year relating to contracts classifiable as insurance contracts under 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. The premiums are recognised net of reinsurance transfers.

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

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

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

These items include income and expense on investments measured using the equity method and recognised in the corresponding item under assets.

Income and expense from other financial instruments and investment property

These items include income and expense on investment property and financial instruments not at fair value through profit or loss.

Specifically, they comprise:

- a) interest income and expense (recognised on financial instruments using the effective interest method);
- b) other income and expense (including, by way of example, revenue from the use of third party assets, investment property and dividends and investment property management charges, such as service charges and maintenance and repair costs not capitalised);
- c) realised gains and losses (including those resulting from the derecognition of a financial asset/liability 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 lease of property, plant and equipment and intangible assets or other assets belonging to the company, as required by IFRS 15;
- b) other net technical income and charges linked to insurance contracts;
- c) provisions made during the year;
- d) exchange differences to be taken to profit or loss in accordance with IAS 21;
- e) realised gains and reversals of impairment losses on property, plant and equipment and intangible assets and realised losses, impairment losses and depreciation 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 item 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 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 contracts under IFRS 4; these costs are recognised 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 in accordance with Italian tax laws.

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 equity in respect of which taxes are treated in the same way. Deferred 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 items are measured as follows:

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

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

New business

With respect to the new business launched in 2020 by the “Liquidity, Relaunch and Simplification Decrees”, characterised by the full mitigation of risks for SACE via the MEF’s Fund, it is noted that SACE recognises the revenue from the reimbursement of the operating expenses incurred in profit or loss. The balance sheet includes the cash held in the current account in the name of SACE (31 billion Euro) relating to the Fund established by article 1.14 of the “Liquidity” Decree, to cover the State’s commitments connected with the granting of guarantees related to SACE’s new business. They are recognised with a balancing entry under other liabilities. The commissions received in respect of the guarantees issued are recognised separately in accordance with applicable legislation, under the item “Liability with the MEF”, with a balancing entry under other technical charges.

Risk management

SACE regularly assesses its exposure to the currency, interest rate and credit risks and manages them 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 forwards and swaps. 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.

Exchange rates

The main currencies were converted into Euros, using the following exchange rates:

	31 December 2020	31 December 2019	31 December 2018
US Dollar	1.2271	1.1234	1.14500
GB Pound	0.89903	0.85080	0.89453
Swiss Franc	1.0802	1.0854	1.12690

Segment reporting

Pursuant to the provisions of IVASS Regulation no. 7/2007, it is noted that the SACE Group operates in the following segments:

- non-life insurance business (SACE S.p.A. and SACE BT S.p.A.)
- other businesses (SACE Fct S.p.A., Simest S.p.A. and Fondo Sviluppo Export).

Balance Sheet by business sector

	Non-life business		Life business		Other businesses		Elimination between sectors		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
1 INTANGIBLE ASSETS	8,378	9,097			3,168	3,596			11,547	12,693
2 TANGIBLE ASSETS	65,944	66,688			8,544	9,924			74,488	76,612
3 REINSURERS' SHARE OF TECHNICAL PROVISIONS	3,495,165	1,404,350							3,495,165	1,404,350
4 INVESTMENTS	4,092,408	4,316,302			2,774,105	2,018,155	(132)		6,866,382	6,334,457
4.1 Investment property	12,305	12,402							12,305	12,402
4.2 Equity investments in subsidiaries, associates companies and joint ventures	9,340	8,700							9,340	8,700
4.3 Financial assets at amortised cost	2,907,926	2,214,633			2,339,922	1,755,081			5,247,848	3,969,714
4.4 Financial assets measured at fair value through other comprehensive income	1,162,837	2,080,567			5,165	5,165			5,165	5,165
4.5 Financial assets at fair value through profit or loss	951,177	779,113			429,018	257,909	(132)		1,591,724	2,338,476
5 SUNDRY RECEIVABLES	129,852	214,842			8,275	8,388	(21,358)		938,094	781,342
6 OTHER ASSETS	129,852	214,842			25,086	27,225	(306)		154,632	241,769
6.1 Deferred acquisition costs										
6.2 Other assets	129,852	214,842			25,086	27,225	(306)		154,632	241,769
7 CASH AND CASH EQUIVALENTS	34,320,235	5,224,653			175,353	77,997			34,495,589	5,302,651
TOTAL ASSETS	43,063,160	12,015,045			2,994,531	2,145,285	(21,796)		46,035,896	14,153,873
1 SHAREHOLDERS' EQUITY	41,919	62,530			5,985	5,235	15,012		62,916	95,656
2 PROVISIONS	4,543,097	3,589,684							4,543,097	3,589,684
3 TECHNICAL PROVISIONS	1,703,036	2,678,720			2,354,548	1,691,689	(1,299,090)		2,758,494	4,370,286
4 FINANCIAL LIABILITIES	146,881	69,246							146,881	69,246
4.1 Financial liabilities at fair value through profit or loss										
4.2 Financial liabilities at amortised cost	1,556,155	2,609,474			2,354,548	1,691,689	(1,299,090)		2,611,613	4,301,039
5 PAYABLE	1,770,132	180,454			57,565	18,911	(21,385)		1,806,312	193,306
6 OTHER LIABILITIES	31,322,827	293,255			16,258	14,502	(215)		31,338,870	307,711
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									46,035,896	14,153,873

Income statement by business sector

(in € thousands)	Non-life business		Life business		Other businesses		Elimination between sectors		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
1.1 Net premiums	16,216	352,030					16,216		16,216	352,030
1.1.1 Gross premiums for the year	(73,280)	422,437					(73,280)		(73,280)	422,437
1.1.2 Outward reinsurance premiums for the year	89,496	(70,407)					89,496		89,496	(70,407)
1.2 Commissions income					32,739	24,466			32,739	24,466
1.3 Income and expense from financial instruments at fair value through profit or loss	(20,140)	49,410			(6,751)	(25,932)			(26,891)	23,478
1.3 bis <i>Reclassification using the overlay approach</i>										
1.4 Income from investments in subsidiaries, associates companies and joint ventures	870								870	
1.5 Income from other financial instruments and investment property	59,057	110,945			46,553	48,930			105,610	159,875
1.6 Other revenue	114,334	35,676			14,659	13,589		2,408	131,400	51,270
1 TOTAL REVENUES AND INCOME	170,337	548,062			87,200	61,053		2,408	259,945	611,120
2.1 Net claims incurred	(60,336)	(179,704)						1,016	(59,320)	(180,386)
2.1.1 Claims paid and changes in technical provisions	(94,464)	(228,892)						1,016	(93,448)	(229,574)
2.1.2 Reinsurers' share	34,128	49,188							34,128	49,188
2.2 Commissions expense		2,693			(2,070)	(4,346)			(2,071)	(1,653)
2.3 Expense from investments in subsidiaries, associates companies and joint ventures										
2.4 Expense related to other financial instruments and investment property	(28,091)	(30,963)			(11,778)	(33,860)			(39,869)	(64,823)
2.5 Operating expenses	(64,862)	(79,085)			(38,820)	(36,374)		1,255	(102,427)	(114,264)
2.6 Other expenses	(71,863)	(69,668)			7,002	(17,561)		224	(64,637)	(87,443)
2 TOTAL COSTS AND EXPENSES	(225,153)	(356,727)			(45,665)	(92,141)		2,494	(268,324)	(448,568)
PROFIT (LOSS) FOR THE PERIOD BEFORE TAXES	(54,816)	191,335			41,535	(31,088)		4,902	(8,379)	162,552

Notes to the consolidated balance sheet

1. Intangible assets (Item 1)

Table 1 (amounts in € thousands)

Intangible assets	Net amount at 31 December 2020	Net amount at 31 December 2019
Goodwill	92	92
Other intangible assets	11,455	12,601
Total	11,547	12,693

“Goodwill” (Euro 92 thousand) relates to SACE SRV S.r.l. (formerly SACE Servizi) established in the second half of 2007.

Other intangible assets mainly include costs for the company’s information system. Amortisation periods reflect the useful life of capitalised costs.

Further details on the measurement of Intangible Assets are provided in Annex 1 “Breakdown of Property, Plant and Equipment and Intangible Assets”.

2. Tangible assets (Item 2)

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

Table 2 (amounts in € thousands)

Real property	Amount
Opening balance	70,798
Increase for right of use asset	1,593
Acquisitions	66
Decreases	910
Depreciation	3,082
Closing balance	68,465

This item amounts to Euro 68,465 thousand and refers to the building in Piazza Poli 37/42, Rome. It is owned by SACE S.p.A. and used by the company to carry out its business activities. The market value of the building exceeds the carrying amount. 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 1 “Breakdown of property, plant and equipment and intangible assets”.

Table 3 (amounts in € thousands)

Other property, plant and equipment	Amount
Opening balance	5,815
Increase for right of use asset	982
Increases for purchases	958
Decreases	30
Depreciation	1,702
Closing balance	6,023

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

This item, of Euro 3,495,165 thousand (Euro 1,404,350 thousand at 31 December 2019) includes reinsurers' commitments arising on reinsurance contracts regulated by IFRS 4. Further details are provided in the annex 2 "Breakdown of reinsurers' share of technical provisions". The change in this item is mainly attributable to the effects of the reinsurance agreement with the MEF under the "Liquidity" Decree (DL 23/2020).

4. Investments (Item 4)

The detail is as follows:

Table 4 (amounts in € thousands)	31 December 2020	31 December 2019
4.1. Investment property	12,305	12,402
4.2 Equity investments in subsidiaries, associates and joint ventures	9,340	8,700
4.3 Financial assets at amortised cost	5,247,848	3,969,714
4.4 Financial assets at fair value through other comprehensive income	5,165	5,165
4.5 Financial assets at fair value through profit or loss:	1,591,724	2,338,476
4.5.1 Financial assets held for trading	1,257,477	1,407,340
4.5.2 Financial assets designated at fair value		
4.5.3 Other financial assets for which fair value measurement is mandatory	334,246	931,137
Total	6,866,382	6,334,457

4.1 Investment property

Investment property (Item 4.1) refers to property leased to third parties by the subsidiary SACE BT S.p.A. Overall, the market value of each asset exceeds the carrying amount. The expert appraisals are in line with the provisions of Title III of ISVAP Regulation no. 22. Further details are provided in Annex 1 "Breakdown of Property, Plant and Equipment and Intangible Assets".

4.2 Investments in subsidiaries, associates companies and joint ventures

This item comprises the investment in ATI (African Trade Insurance Agency), equal to 100 shares worth USD 11.8 million.

4.3 Financial assets at amortised cost

The detail is as follows:

Table 5 (amounts in € thousands)	31 December 2020	31 December 2019
Breakdown		
Government bonds	2,431,266	2,021,427
Other listed securities	474,628	190,539
Other unlisted securities		1
Equity investment loans	305,802	295,562
Other	2,036,152	1,462,185
Total	5,247,848	3,969,714

“Other” includes the loans and receivables of the subsidiary SACE Fct S.p.A. for Euro 2,030,004 thousand.

This item includes financial assets that meet both of the following characteristics:

- the objective of the entity’s business model is to hold the financial asset to collect the contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Further details are provided in Annex 3 “Breakdown of Financial Assets”.

4.4 Financial assets at fair value through other comprehensive income

This item, of Euro 5,165 thousand at 31 December 2020, relates to the investment by SIMEST S.p.A. in FINEST S.p.A.

Further details are provided in Annex 3 “Breakdown of Financial Assets”.

4.5 Financial assets measured at fair value through profit or loss

This item includes the financial assets covered by IFRS 7, paragraph 8(a) not classified as financial assets at amortised cost or at fair value through other comprehensive income (IFRS 9, paragraph 4.1.4).

Further details are provided in Annex 3 “Breakdown of Financial Assets”.

4.5.1 Financial assets held for trading

Table 6 (amounts in € thousands)

Financial assets held for trading	31 December 2020	31 December 2019
Government bonds	992,360	1,155,815
Listed bonds	15,038	50,268
Unlisted bonds	207,330	199,308
Listed shares	17,221	365
Equity instruments	24,615	
Forward contracts	75	
Other	838	1,584
Total	1,257,477	1,407,340

4.5.3 Other financial assets for which fair value measurement is mandatory

This item comprises financial assets other than those which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and assets not held for trading but managed in accordance with other business models (IFRS 9.B4.1.5).

Table 7 (amounts in € thousands)

Breakdown	31 December 2020	31 December 2019
Government bonds	60,828	532,283
Bonds	56,049	140,945
Equity investment loans	217,369	257,909
Total	334,246	931,137

The information required by IFRS 13.93 letter b) about fair value hierarchies in accordance with IFRS 13.92 is provided in Annex 9 “Breakdown of Financial Assets and Liabilities by Level”. Level 1 includes financial instruments listed in regulated markets, level 2 comprises unlisted securities and derivatives which are valued on the basis of directly observable inputs, level 3 securities and financial instruments measured using valuation techniques based to a large extent on unobservable inputs.

Annex 9.1 “Breakdown of level 3 financial assets and liabilities measured at fair value on a recurring basis” provides the information required by IFRS 13.93 letters e) and f) about the reconciliation between opening and closing balances and the breakdown of changes of the year in assets and liabilities measured at fair value on a recurring basis, classified under level 3.

5. Sundry receivables (Item 5)

Table 8 (amounts in € thousands)

Breakdown	31 December 2020	31 December 2019
5.1 Receivables arising out of direct insurance business	603,188	618,171
5.2 Receivables arising out of reinsurance business	129,579	19,212
5.3 Other receivables	205,327	143,959
Total	938,094	781,342

5.1 Receivables arising out of direct insurance business

This item, of Euro 603,188 thousand, mainly relates to subrogation receivables from sovereign debtors for Euro 272,974 thousand (Euro 310,683 thousand at 31 December 2019) and from foreign trade debtors for Euro 210,631 thousand (Euro 241,660 thousand at 31 December 2019).

5.2. Receivables arising out of reinsurance business

This item, amounting to Euro 129,579 thousand, refers to current account balances for premiums, claims, commissions, deposits and related interest towards counterparties with which reinsurance business is transacted.

It includes the transactions covered by the Agreement with the MEF (Euro 26,034 thousand) and receivables from reinsurers for short-term trade receivables pertaining to the new business under article 35 of Decree Law No. 34/2020 (the Relaunch Decree) (Euro 83,711 thousand).

5.3 Other Receivables

Other receivables are detailed below.

Table 9 (amounts in € thousands)

Breakdown	31 December 2020	31 December 2019
Receivables from tax authorities	10,885	9,206
Receivables for invoices to be issued	647	502
Receivables from CDP for tax consolidation	30,659	23,270
Receivables for margins on financial transactions	133,110	76,980
Sundry receivables	30,024	34,001
Total	205,325	143,959

Sundry receivables mainly comprise receivables from policyholders in relation to their exposure (Euro 19,132 thousand). As far as their terms and conditions of repayment, they are similar to the receivables from foreign countries due directly to SACE.

6. Other Assets (Item 6)

Table 10 (amounts in € thousands)

Breakdown	31 December 2020	31 December 2019
6.3. Deferred tax assets	122,382	201,686
6.4. Current tax assets	9,365	12,549
6.5 Other assets	22,885	27,534
Total	154,632	241,769

Current tax assets, amounting to Euro 9,365 thousand, include receivables due from companies included in the tax consolidation scheme. Deferred tax assets reflect the deferred tax assets recognised in the ordinary financial statements of companies included in the scope of consolidation and taxes relating to IAS adjustments to the consolidated financial statements as required and governed by IAS 12. For a more detailed breakdown of deferred tax assets and liabilities reference should be made to the “Income statement - Taxation” section.

Net deferred taxes, of Euro 122,382 thousand, relate to the taxes calculated on technical provisions (Euro 37,196 thousand), taxes calculated on financial assets at amortised cost and financial assets measured at fair value (Euro 30,468 thousand), taxes calculated on the provisions for risks and charges (Euro 12,368 thousand) and deferred tax assets calculated on unrealised exchange differences on receivables and payables (Euro 17,796).

7. Cash and cash equivalents (Item 7)

Table 11 (amounts in € thousands)

Breakdown	31 December 2020	31 December 2019
Bank and Post Office demand deposits	34,495,579	5,302,640
Cash in hand	10	11
Total	34,495,589	5,302,651

This item comprises Euro 31 billion paid by the MEF on the current account held by SACE with the Bank of Italy and related to the new business pursuant to the “Liquidity” Decree.

8. Shareholders Equity

At 31 December 2020, equity totalled Euro 5,526,207 thousand. The breakdown as follows:

Table 12 (amounts in € thousands)

Breakdown	31 December 2020	31 December 2019
SHAREHOLDERS' EQUITY	5,526,207	5,597,231
Group interest	5,452,990	5,525,121
Share capital	3,730,324	3,730,324
Capital reserves	43,305	43,305
Revenue reserve and other equity reserves	1,683,798	1,644,101
Other gain (losses) recognised directly in equity	814	(2,307)
Group interest in the profit (loss) for the year	(5,251)	109,698
Minority interest	73,217	72,109
Share capital and reserves	72,175	78,684
Gains (losses) taken directly to equity	(65)	(66)
Minority interest in the profit (loss) for the year	1,107	(6,509)

The share capital consists of 1,053,428 ordinary shares and is fully paid in. Revenue reserve 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 exchange gains and losses).

9. Provisions

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

Table 13 (amounts in € thousands)

Description	31 December 2020	31 December 2019
Provision for credit risk - financial commitments and guarantees issued	929	597
Provisions for amounts due to policyholders	8,026	8,388
Provision for legal disputes	18,390	16,175
Provision for payments to agents	2,353	2,029
Other provisions	33,218	65,467
Total	62,916	92,656

The “Provision for credit risk - financial commitments and guarantees issued” relates to SACE Fct S.p.A. commitments to grant funds for formal non-recourse financing.

Other provisions include Euro 10,257 thousand attributable to the “Intersectoral solidarity fund to provide income support and to support employment and professional retraining of employees of insurance and service companies” established by INPS, pursuant to Ministerial Decree No. 78459 of 17 January 2014 and Euro 13,298 thousand for agreements currently being defined with policyholders.

Table 14 (amounts in € thousands)

Description	Amount
Opening balance	95,656
Provisions	11,584
Utilisations	44,324
Closing balance	62,916

10. Technical provisions

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

Table 15 (amounts in € thousands)

Description	31 December 2020	31 December 2019
Provision for unearned premiums - non-life business	3,906,062	3,002,732
Provision for claims outstanding - non-life business	636,146	586,034
Other provisions	889	918
Total	4,543,097	3,589,684

Further details are provided in the annex 4 “Breakdown of technical provisions”.

11. Financial liabilities (Item 4)

The breakdown is as follows:

Table 16 (amounts in € thousands)

Description	31 December 2020	31 December 2019
4.1 Financial liabilities at fair value through profit or loss:	146,881	69,247
4.1.1 Financial liabilities held for trading	146,881	69,247
4.1.2 Financial liabilities designated as at fair value		
4.2 Financial liabilities at amortised cost	2,611,613	4,301,039
Total	2,758,494	4,370,286

“Financial liabilities held for trading” include the derivative financial instruments in portfolio.

“Financial liabilities at amortised cost” decreased on the previous year end, mainly as a consequence of the termination of repurchase agreements with the parent Cassa Depositi e Prestiti S.p.A. and the reduction in the bank loans of the subsidiary SACE Fct S.p.A. This item includes:

- Euro 997 million relating to repurchase agreements between SACE S.p.A. and banks;
- Euro 500 million related to the subordinated loan, listed on the Luxembourg Stock Exchange, issued by the parent SACE S.p.A.;
- Euro 697 million related to bank loans taken out by SACE Fct S.p.A. not repaid at 31 December 2020;
- Euro 229 million related to the current account overdraft and the use of credit lines to support the cash flows of the investments in Simest S.p.A.;
- Euro 23 million related to financial liabilities arising from lease contracts within the scope of application of IFRS16.

12. Payable

Table 17 (amounts in € thousands)

Description	31 December 2020	31 December 2019
5.1 Payable arising out of direct insurance business	35,483	35,993
5.2 Payable arising out of reinsurance business	1,684,904	109,851
5.3 Other payable	85,925	47,462
Total	1,806,312	193,306

Accounts payable arising out of direct insurance business mainly include the amounts due to policyholders for deductibles on amounts recovered, equal to Euro 29,042 thousand. Accounts payable arising out of reinsurance business include Euro 1,475,963 thousand for amounts payable to the Ministry of the economy and finance for the technical provisions transferred in accordance with article 2 of Decree-law No. 23/2020.

“Other accounts payable” include:

Table 18 (amounts in € thousands)

Description	31 December 2020	31 December 2019
Amounts due to suppliers	16,046	15,053
Provision for termination benefits	6,504	7,312
Sundry payables	63,375	25,097
Total	85,925	47,462

“Sundry payables” mainly comprise the payments received from creditors in connection with factoring activities (Euro 40,968 thousand) and personnel costs (Euro 9,450 thousand).

13. Other liabilities

This heading is detailed as follows:

Table 19 (amounts in € thousands)

Description	31 December 2020	31 December 2019
6.2 Deferred tax liabilities	201,293	291,130
6.3 Current tax liabilities	3,793	3,514
6.4 Other liabilities	31,133,784	13,067
Total	31,338,870	307,711

Deferred tax liabilities, of Euro 201,293 thousand, mainly relate to the taxes calculated on the elimination of the equalisation provision for IFRS purposes (Euro 110,118 thousand), the taxes calculated on financial assets at amortised cost and financial assets measured at fair value (Euro 47,279 thousand). The total balance also considers Euro 36,302 thousand related to deferred tax liabilities calculated on unrealised exchange differences on receivables and payables.

“Other liabilities” include the balancing entry of the MEF’s deposit on the treasury current account held by SACE of Euro 31 billion (recognised under asset item Cash and cash equivalents), the liability, net of the operating expenses incurred, related to the fees on Garanzia Italia transactions at 31 December 2020 (Euro 57,890 thousand), the reinsurance of short-term trade receivables (Euro 62,756 thousand) and the Green Guarantee (Euro 353 thousand).

Notes to the consolidated income statement

14. Net premiums

This item includes the premiums earned relating to insurance contracts under IFRS 4.2, net of amounts ceded to reinsurers. Gross premiums written amount to Euro 828,749 thousand. Information about premium income by business for 2020 is provided in the Directors' Report.

Further details are provided in Annex 6 "Breakdown of Insurance Technical Items".

15. Income and expense from 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 carrying amount of financial instruments used to hedge exchange rates (see also "Other revenue" for the component relating to exchange rate adjustments to receivables in the portfolio) and the balance of asset swap transactions. Further details are provided in Annex 7 "Financial and Investment Income and 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 income recognised using the effective interest method (IFRS 9).

Other income

This item includes income from lease of investment property.

Realised gains

This item includes gains realised upon derecognition of a financial asset or liability or investment property.

Valuation gains

This item includes positive changes resulting from reversals of impairment and measurement subsequent to initial recognition of financial assets and liabilities.

Further details are provided in the annex "Financial and investment income and expense".

17. Other revenue

This item, totalling Euro 131,400 thousand, mainly includes exchange rate differences to be recognised in profit or loss as set forth in IAS 21 of Euro 80,012 thousand (Euro 15,186 thousand in 2019), of which Euro 78,273 thousand related to unrealised exchange differences, and the utilisation of the risk provision for Euro 27,362 (Euro 14,882 thousand in 2019). It also includes the reimbursement of the operating expenses on the transactions carried out as part of the new business launched in 2020 by the relevant government decrees (Euro 8,704 thousand).

18. Net claims incurred

This item includes the amount of claims paid (gross of settlement costs and amounts ceded to reinsurers) for Euro 191,500 thousand (Euro 250,552 thousand at 31 December 2019). Information about claims in 2020 by class of business is provided in the Directors' Report. Further details are provided in Annex 6 "Breakdown of Insurance Technical Items".

19. Expense related 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 breakdown is as follows:

Interest expense

This item includes interest expense recognised using the effective interest method (related to outstanding loans).

Other expense

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

Realised losses

This item includes losses realised upon derecognition of a financial asset or liability.

Valuation losses

This item includes negative changes resulting from amortisation and depreciation, impairment and measurement subsequent to initial recognition of financial assets and liabilities.

Further details are provided in the Annex 7 "Financial and investment income and expense".

20. Operating expenses

Commissions and other acquisition expenses

This item includes acquisition costs, net of amounts ceded to reinsurers, related to insurance contracts. It has a positive balance of Euro 4,641 thousand (a negative Euro 10,421 thousand in 2019) which mainly reflects the fees received from reinsurers on premiums ceded during the year Euro 48,493 thousand (Euro 29,087 thousand in 2019) related to the Agreement entered into with the MEF (Euro 25,948 thousand).

Investment management expenses

This item includes general and personnel expenses related 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 expenses.

21. Other expenses

The items under this heading, for a total of Euro 64,637 thousand (Euro 87,443 thousand at 31 December 2019) include:

- impairment losses and additional provisions accrued during the year for Euro 9,795 thousand (Euro 44,274 thousand at 31 December 2019);
- exchange differences recognised in profit or loss as set forth in IAS 21 for Euro 21,728 thousand (Euro 9,716 thousand at 31 December 2019), of which unrealised exchange differences for Euro 20,106 thousand;
- realised losses, depreciation and amortisation for Euro 4,156 amortisation (Euro 4,143 thousand at 31 December 2019).

22. Taxes

Taxes recognised in the consolidated income statement are as follows:

Table 20 (amounts in € thousands)

Income tax		
Through profit or loss	2020	2019
<i>Current taxes</i>		
Expense (Income) for current taxes	4,003	51,851
Adjustments to prior year current taxes	2,471	8,122
<i>Deferred taxes</i>		
Expense (Income) due to recognition and elimination of temporary differences	(10,710)	45
Expense (Income) due to changes in tax rates or new taxes		
Expense (Income) arising from tax losses		
Expense (Income) arising from impairment losses or reversals of impairment losses on deferred tax assets		(655)
Total income tax	(4,235)	59,363

The reconciliation between the tax charge and the theoretical tax charge, calculated using the theoretical tax rates ruling in Italy, is as follows:

Table 21 (amounts in € thousands)

Reconciliation between average effective and theoretical tax rates - breakdown

Rates as percentages	2020	2019
Ordinary rate applicable	30.82%	30.82%
Effect of increases/decreases	-81.36%	5.70%
Tax rate on profit before taxes	-50.54%	36.52%

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

Table 22 (amounts in € thousands)

Deferred tax assets and liabilities related to:	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Intangible assets						
Unrealised revaluation	13,232	9,360			13,232	9,360
Technical provisions			110,118	98,945	(110,118)	(98,945)
Employee benefits			489	389	(489)	(389)
Assets at FV			47,279	163,566	(47,279)	(163,566)
Other items	109,150	192,326	43,407	28,230	65,744	164,096
Taxable losses	122,382	201,686	201,293	291,130	(78,911)	(89,444)
Total net tax (assets)/liabilities	122,382	201,686	201,293	291,130	(78,911)	(89,444)

Other information

Intragroup and related party transactions

As part of its business operations, SACE S.p.A. 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 subsidiary SACE BT S.p.A.;
- irregular deposits in favour of the SACE Fct S.p.A. subsidiary;
- staff secondments (the amount relates to the reimbursement of the costs incurred by the seconding company in the form of remuneration and the related costs) with group companies (CDP, SACE Fct, SIMEST, SACE BT and SACE SRV).

With reference to transactions with the sole shareholder Cassa Depositi e Prestiti S.p.A., in 2020, insurance guarantees were issued which generated premiums of Euro 180 million (Euro 127.9 million in 2019). SACE's financial investment portfolio contains a bond for a total nominal amount of Euro 54 million issued by the sole shareholder Cassa Depositi e Prestiti S.p.A. that was already included in the portfolio at 31 December 2019, and three bonds for a total nominal amount of Euro 300 million purchased by SACE in the first half of 2020. Furthermore, at 31 December 2020, there were Euro 3,203.8 million as demand deposits at Cassa Depositi e Prestiti S.p.A., Euro 127.2 million as repo agreements and asset swap and IRS transactions for a total notional amount of Euro 1,314 million.

Fees paid to senior managers with strategic responsibility

The fees paid in 2020 amount to Euro 2,707 thousand.

Other information

Since SACE S.p.A. has renewed its participation in the tax consolidation scheme of Cassa Depositi e Prestiti S.p.A. for the three-year period 2019-2021, current IRES (corporate income tax) has been recognised as a tax consolidation charge to the parent.

From the social point of view, in June 2020, as part of the COVID-19 public health emergency, SACE supported the Giovanni XXIII Hospital in Bergamo by means of a cash disbursement of Euro 115 thousand and, in December 2020, it supported "L'Albero della Vita", a non-profit organisation that helps families and children in situations of social hardship, by means of a cash disbursement of Euro 10 thousand (this disclosure is made pursuant to Law No. 124/2017).

Independent auditors' fees

In accordance with Legislative decree No. 39 of 27 January 2010, in 2020, the fees paid to PricewaterhouseCoopers S.p.A., the audit company engaged to audit the financial statements until the approval of those as at and for the year ended 31 December 2019, amount to Euro 74 thousand, while Deloitte & Touche S.p.A. was paid Euro 54 thousand.

Analysis of the impacts of Covid - 19

For an analysis of the impacts of COVID-19 on the figures of the consolidated financial statements, reference should be made to the directors' report.

Garanzia Italia, Insurance of short-term receivables and Green New Deal

As reported in the introduction to these notes, DL 23 authorises SACE to grant guarantees, until 30 June 2021²¹, on loans to support Italian businesses that have been adversely affected by the Covid-19 crisis. SACE's obligations under the guarantee will be backed by a first-demand guarantee issued by the Italian Government. In accordance with the provisions of the applicable EU law, these loans must have a maximum duration of six years, with a pre-amortisation period of up to 36 months. Decree-law No. 23 (article 1.6 *et seq.*, to which reference should be made for a detailed description of the procedure for issuing the guarantees) envisages two different procedures for accessing the guarantees, depending on the size of the enterprise: a simplified procedure and an ordinary procedure. The new product is available through a specially developed "Garanzia Italia" section of the SACE SIMEST website, together with the updated contractual documentation and information material.

In the period from 20 April 2020 (the date the guarantee pursuant to article 1 of DL 23 of 8 April 2020 (the "LD") became effective) to 31 December 2020, based on the applications received through the "Garanzia Italia" portal, 1,401 guarantees were issued for a total of Euro 20,769 million and a maximum guaranteed amount of Euro 19,409 million. A total of 1,183 guarantees were given by 31 December 2020 for a total of Euro 19,154 million and a maximum guaranteed amount of Euro 17,793 million. In respect of the guarantees given at 31 December 2020, fees of Euro 54.3 million were paid and receivables to be collected amounted to Euro 11 million. Operating expenses in connection with the Garanzia Italia scheme amount to Euro 7.4 million. These refer to the costs incurred by SACE S.p.A. to implement the new scheme, as well as the adjustments required by the amendments introduced with the Conversion Decree, and to issue the contracts received and for the checks carried out.

The SACE-Reinsurance Agreement pursuant to article 35 of DL No. 34 of 19 May 2020 became effective on 5 November 2020. Five credit insurance companies, operating in Italy and accounting for 86% of the market (based on 2019 premiums), have signed the Agreement, covering 14,051 policyholders, of which 80% are SMEs. At 30 September 2020, the maximum insured amounts were Euro 166.3 billion, covering approximately 1.4 million debtors. At 30 September, reinsurance premiums amounted to Euro 96.8 million, commissions paid to ceding companies under the Agreement amounted to Euro 33.4 million and compensation to be paid was equal to Euro 15,742 for a net balance of Euro 63.3 million. The operating costs incurred by SACE to start up the business, issue the subscription deeds and checking the management and accounting information flows received amounted to Euro 0.6 million.

The SACE- MEF Agreement pursuant to article 64 of DL No. 76 of 16 July 2020 became effective on 18 December 2020. At 31 December 2020, seven guarantees had been approved worth Euro 614.8 million (principal) and a guaranteed amount of Euro 325.4 million (of which Euro 294.1 million principal). Of these, three were issued at the above date, for Euro 302.6 million (principal). The earned premiums for the guarantees issued at 31 December 2020 amounted to Euro 1.1 million.

Operating expenses amounted to Euro 0.7 million, consisting of expenses incurred by SACE S.p.A. to start up the business and the preliminary investigation and issue of contracts.

Events after the reporting date

In early 2021, activities continued in respect of the reorganisation of the SACE Group implementing the provisions of article 67.2 of Decree Law No. 104 of 14 August 2020, converted, with amendments, by Law No. 126 of 13 October 2020 (the "August Decree"). In accordance with the law, "*Subject to an agreement between the MEF and Cassa Depositi e Prestiti (CDP) S.p.A., a decree by the MEF, in agreement with the MAECI, subject to registration by the Court of Auditors, will determine the reorganisation of the SACE Group and the transfer value of the relevant interests deemed appropriate by the parties*". Following the negotiations, the MEF and CDP agreed to transfer the SACE Group, net of SIMEST, from CDP to the MEF. Consequently, SACE was asked to sell its entire investment in SIMEST to CDP. The reorganisation - which is still in progress - will take effect once the MEF - MAECI inter-ministerial decree determining its characteristics has been issued and registered by the Court of Auditors. To date, no such decree has been issued.

²¹ This deadline, which was originally set at 31 December 2020 by the "Liquidity" Decree, was extended to 30 June 2021 by the 2021 Budget Law.

04

Annexes to the Notes



Annexes to the Notes

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

Annex 1. Breakdown of reinsurers' share of technical provisions

(in € thousands)

Description	At cost	Restated or at fair value	Total carrying amount
Investment property	12,305		12,305
Other property	68,465		68,465
Other property, plant and equipment	6,023		6,023
Other intangible assets	11,455		11,455

Annex 2. Detail of reinsurers' share of technical provisions

(in € thousands)	Direct business		Indirect business		Total carrying amount	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Non-life provisions	3,491,524	1,400,552	3,641	3,797	3,495,165	1,404,350
Provision for unearned premiums	3,182,790	1,227,400	1,910	1,911	3,184,700	1,229,312
Provision for outstanding claims	308,506	146,912	1,730	1,886	310,236	148,798
Other reserves	229	26,240			229	26,240
Life provisions						
Provision for sums to be paid						
Mathematical provisions						
Technical provisions where the investment risk is borne by the policyholders and relating to pension fund administration						
Other reserves						
Total of reinsurers' share of technical provisions	3,491,524	1,400,552	3,641	3,797	3,495,165	1,404,350

Annex 3. Breakdown of financial assets

(in € thousands)	Financial assets at fair value through profit or loss																
	Financial assets at amortised cost				Financial assets at fair value through other comprehensive income				Financial assets held for trading		Financial assets at fair value		Other financial assets for which fair value measurement is mandatory		Total carrying amount		
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	
Equity instruments																	
- of which listed																	
Debt securities	2,905,895	2,211,967															
- of which listed	2,905,895	2,211,965															
Units of UCITS																	
Loans and receivables with insured banks	98	539															
Interbank loans and receivables																	
Deposits with ceding companies	208	469															
Financial asset components of insurance policies																	
Other loans and receivables	2,341,648	1,756,739															
Non-hedging derivatives																	
Hedging derivatives																	
Other financial investments																	
Total	5,247,848	3,969,714	5,165	5,165	1,257,477	1,407,340	334,246	931,137	6,844,737	24,615	2,014,648	2,559,018	2,014,648	2,559,018	23,145	5,530	6,313,355

Annex 4. Detail of technical provisions

(in € thousands)	Direct business		Indirect business		Total carrying amount	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Non-life provisions	4,278,029	3,447,339	265,067	142,345	4,543,097	3,589,684
Provision for unearned premiums	3,717,295	2,902,355	188,766	100,377	3,906,061	3,002,732
Provision for outstanding claims	559,845	544,066	76,301	41,968	636,146	586,034
Other reserves	889	918			889	918
<i>of which provisions stated following liability adequacy tests</i>						
Life provisions						
Provision for sums to be paid						
Mathematical provisions						
Technical provisions where the investment risk is borne by the policyholders and relating to pension fund administration						
Other reserves						
<i>of which provisions stated following liability adequacy tests</i>						
<i>of which deferred liabilities towards policyholders</i>						
Total technical provisions	4,278,029	3,447,339	265,067	142,345	4,543,097	3,589,684

Annex 5 Breakdown of financial liabilities

Financial liabilities at fair value through
profit or loss

(in € thousands)	Financial liabilities held for trading		Financial liabilities designated at fair value		Financial liabilities at amortised cost		Total carrying amount	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Participating financial instruments								
Subordinated liabilities					531,577	531,550	531,577	531,550
Liabilities from financial contracts issued by insurance companies arising from:								
- financial contracts where the investment risk is borne by policyholders								
- pension fund administration								
- other contracts								
Deposits received from reinsurers					12,925	13,553	12,925	13,553
Financial liability components of insurance policies								
Debt securities issued								
Due to banks					922,000	618,155	922,000	618,155
Interbank liabilities								
Other loans obtained					110,588	1,117,857	110,588	1,117,857
Non-hedging derivatives	20,095	4,197					20,095	4,197
Hedging derivatives	126,786	65,049					126,786	65,049
Other financial liabilities					1,034,522	2,019,925	1,034,522	2,019,925
Total	146,881	69,246			2,611,613	4,301,040	2,758,494	4,370,286

Annex 6. Detail of technical insurance items

(in € thousands)	31/12/2020			31/12/2019		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non - Life business						
NET PREMIUMS	(73,280)	89,497	16,216	422,436	(70,406)	352,030
a Premiums written	828,749	(387,778)	440,971	653,299	(242,656)	410,643
b Change in the provision for unearned premiums	(902,026)	477,274	(424,752)	(230,863)	172,250	(58,613)
NET CLAIMS INCURRED	93,448	(34,128)	59,320	229,574	(49,189)	180,386
a Claims paid	234,187	(42,687)	191,500	287,168	(36,616)	250,552
b Change in the provision for outstanding claims	(118,285)	6,273	(112,012)	42,606	(13,183)	29,423
c Change in recoveries	(49,550)	2,638	(46,912)	(106,338)	731	(105,607)
d Change in other technical provisions	27,099	(352)	26,747	6,138	(121)	6,017
Life business						
NET PREMIUMS						
NET CLAIMS INCURRED						
a Amounts paid						
b Change in the provision for claims to be paid						
c Change in mathematical provisions						
d Change in technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds						
e Change in other technical provisions						

Annex 7. Financial and investment income and expense

(in € thousands)	Interest income	Other income	Other expense	Realised gains	Realised losses	Total realised gains and losses	Valuation gains			Valuation losses			Total income and expense	
							Valuation gains	Reversals of write-downs	Valuation losses	Impairment of value	31/12/2020	31/12/2019		
Investment income (expense)	105,492	2,383	(241)	41,411	(69,400)	79,645	17,045	214	(46,822)	(7,098)	(36,662)	42,983	142,893	
a On investment property		569	(224)			345			(41)		(41)	304	(54)	
Related to investments in subsidiaries, associates companies and joint ventures							870				870	870	460	
c On financial assets at amortised cost	65,581	167		157	(29)	65,876	104	15	(7,063)	(7,098)	(14,042)	51,833	88,986	
d On financial assets at fair value through other comprehensive income							10,374		(21,988)		(11,614)	(13,640)	56,203	
e On financial assets held for trading	20,613	5,928	(17)	40,821	(69,371)	(2,025)								
f On financial assets designated as at fair value							5,697	199	(17,731)		(11,835)	3,615	(2,703)	
g On other financial assets for which fair value measurement is mandatory	19,298	(4,282)		433		15,449						9,862	2,413	
Sundry receivables - income (expense)	9,486					9,486				376	376	27	190	
Cash and cash equivalents - income (expense)	54					54				(27)	(27)			
Financial liabilities - income (expense)	(12,837)					(12,837)						(12,837)	801	
a On financial assets held for trading													7,086	
b On financial liabilities designated as at fair value														
c On financial liabilities at amortised cost	(12,837)					(12,837)						(12,837)	(6,285)	
Payables - Income (expense)	(312)					(312)						(312)	(27,767)	
Total	101,883	2,383	(241)	41,411	(69,400)	76,036	17,045	214	(46,822)	(6,750)	(36,314)	39,721	118,530	

Annex 8. Detail of insurance business costs

(in € thousands)	Non-life business		Life business	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Gross commissions and other acquisition costs	58,440	49,532		
a Acquisition commissions	18,775	16,549		
b Other acquisition costs	27,295	32,717		
c Change in deferred acquisition costs	-	-		
d Collection commissions	12,370	266		
Reinsurance commissions and profit-sharing	(62,121)	(38,315)		
Investment management charges	3,138	3,653		
Other administrative expenses	65,405	64,216		
Total	64,862	79,085		

Annex 9.1 Breakdown of level 3 financial assets and liabilities measured at fair value on a recurring basis

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss				
		Financial assets held for trading	Financial assets designated as at fair value	Other financial assets for which fair value measurement is mandatory	Investment property	Property, plant and equipment
		Intangible assets	Financial liabilities held for trading	Financial liabilities designated "AS" at fair value		
(in € thousands)						
Opening balance	5,165	116,861	257,909			
Purchases/Issues		39,434				
Sales/Repurchases						
Repayments		(3,171)	(31,522)			
Profit or loss recognised in profit or loss		1,258	(9,018)			
- of which for value gains/losses		1,258	(9,018)			
Gain or loss recognised in other comprehensive income						
Transfers to level 3						
Transfers to other levels						
Other changes		(15)				
Closing balance	5,165	154,368	217,369			

Annex 10. Assets and liabilities not measured at fair value: breakdown by fair value level

(in € thousands)	Carrying amount		Fair value						Total	
			Level 1		Level 2		Level 3			
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Assets										
Financial assets at amortised cost	5,247,848	3,969,714	3,141,691	2,358,339	2	2	2,341,746	1,757,279	5,483,439	4,115,619
Investments in subsidiaries, associates companies and joint ventures	9,340	8,700			9,340	8,700			9,340	8,700
Investment property	12,305	12,402			12,305	12,402			12,305	12,402
Tangible assets	74,488	76,612			81,623	76,612			81,623	76,612
Total assets	5,343,981	4,067,428	3,141,691	2,358,339	103,270	97,716	2,341,746	1,757,279	5,586,707	4,213,333
Liabilities										
Financial liabilities at amortised cost	2,611,613	4,301,039	541,245	541,139	32,333	33,650	2,062,076	3,750,191	2,635,654	4,324,980

Annex 11. Detail of other comprehensive income components

	Allocations		Adjustments for reclassification in profit and loss		Other changes		Total changes		Taxes		Balance	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
(in € thousands)												
Other income components without reclassification in profit and loss	414						414	0			(1,107)	(783)
Reserve arising from changes in shareholders' equity of subsidiaries									(90)			
Intangible assets revaluation reserve												
Tangible assets revaluation reserve												
Income and charges relating to non-current assets or to a disposal group held for sale							414		(90)		(1,107)	(783)
Actuarial gains and losses and adjustments relating to defined benefit plans	414											
Gains (losses) on equity investments designated as at fair value through other comprehensive income												
Reserve arising from change in own creditworthiness on financial liabilities at fair value												
Other												
Other income components with reclassification in profit and loss	2,796						2,796				293	3,090
Reserves for net exchange differences	(86)						(86)				293	207
Gains or losses on cash flow hedges	2,882						2,882					2,882
Gains or losses on hedges of net investments in foreign entities												
Reserve arising from changes in shareholders' equity of subsidiaries												
Income and charges relating to non-current assets or to a disposal group held for sale												
Reclassification using the overlay approach												
Other												
TOTAL OF OTHER COMPREHENSIVE INCOME COMPONENTS	3,210						3,210		(90)		(814)	2,307

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

The legal representatives of the Company (*)

Pierfrancesco Latini (**)

The Statutory Auditors

Silvio Salini

Gino Gandolfi

Maira Paragone

Reserved for the stamp of the registry office to be applied at the time of filing the financial statements.

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

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

Certification of the consolidated financial statements pursuant to article 13, para. 10.8 of the corporate bylaws of SACE S.p.A.

We the undersigned, Pierfrancesco Latini, in my capacity as CEO and Nicoletta Cassano, in my capacity as manager responsible for preparing the financial reports 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 2020.

The adequacy of the administrative and accounting procedures used to prepare the consolidated financial statements for the year ended at 31 December 2020 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 2020:
 - 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 directors report 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, March 23, 2021

Pierfrancesco Latini
CEO

Nicoletta Cassano
**Manager responsible for preparing
the company's financial reports**



05

Report of the
independent boards



**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND
ARTICLE 10 OF THE EU REGULATION N. 537/2014**

**To the Shareholder of
SACE S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of SACE Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the regulation issued pursuant to art. 90 of Legislative Decree no. 209 of September 7, 2005.

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 our report.

We are independent of the company in accordance with the regulations and standards on ethics and independence applicable to the audit of the 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 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Business resulting from new regulations issued in 2020

Description of the key audit matter

In 2020 the Group has expanded its business as a result of some changes in the regulatory framework (hereafter “Business resulting from new regulations”). Specifically, among the government actions aimed of both limiting the negative effects of Covid-19 pandemic on economy and of strengthening and supporting firms’ export and internationalization, Decree Law No. 23 (the “Decreto Liquidità”), converted into Law No. 40 of 5 June 2020 was issued on 8 April 2020.

The main changes, introduced by the Decreto Liquidità, which directly affected the Group operations and consequently its financial position and performance as of December 31, 2020, are summarized below:

- Article 1, paragraph 1 establishes that the parent company SACE S.p.A. may issue guarantees, until December 31, 2020 (subsequently extended until June 30, 2021), to Euro 200 billion in favor of financing entities (hereafter “Garanzia Italia”). The obligations of SACE S.p.A., whose operations are booked with separate accounts, will be guaranteed by the State, on first request and without recourse. The State’s guarantee is explicit, unconditional and irrevocable. The operations carried out by the company will be subject to reimbursement of the operating expenses incurred.
- Article 2, paragraph 6 establishes that the State will reinsure 90% of the insurance commitments undertaken by the parent company SACE S.p.A. in place on the date of enactment of the Decreto Liquidità - with the exception of those for which claims for compensation had already been filed -, against the transfer of 90% of the assets held to cover technical provisions.

Furthermore, Decree Law No. 34 of May 19, 2020 (the “Decreto Rilancio”) - converted into Law No. 77 of July 17, 2020 - establishes the role of SACE S.p.A. as guarantor in favor of insurance companies of short-term trade receivables, establishing that it will grant a guarantee equal to 90% of claims arising from trade receivables accrued from the date of issuing of the Decree to December 31, 2020 up to a maximum of Euro 2 billion (hereafter “Insurance of short-term trade receivables”). The obligations of SACE S.p.A., whose operations are booked with separate accounts, will be guaranteed by the State, on first request and without recourse. The State’s guarantee is explicit, unconditional and irrevocable.

Lastly, Decree Law No. 76 of July 16, 2020 - converted into Law No. 120 of September 11, 2020 - added a new element to the parent company’s business; SACE S.p.A. is authorized to grant public guarantees for projects falling under the so-called Green New Deal (hereafter “Green Operation”).



With regard to the funds needed for this new business, it should be noted that article 1, paragraph 14 of the Decreto Liquidità set up a fund to cover the commitments related to the guarantees granted under the aforementioned decree and the guarantees issued pursuant to article 6, paragraph 14 bis of Decree Law No. 269 of September 30, 2003 with an initial endowment of Euro 1 billion. Article 31, paragraph 1 of the Decreto Rilancio increased this endowment fund to Euro 31 billion.

The Group, in the Directors' Report in section "Summary of 2020 regulatory actions" and in the Notes to the Consolidated Financial Statements in section "Measurement Criteria", in section "Notes to the Consolidated Balance Sheet", in section "Notes to the Consolidated Income Statement" and in section "Other Information", provides details of the accounting criteria adopted and of the amounts registered as a result of the Business resulting from new regulations.

In particular the financial statements are mainly affected by the Business resulting from new regulations as follows:

- Euro 1,476 million of payables to the Ministry of the Economy and Finance for the technical provisions transferred in accordance with the Decreto Liquidità (article 2, paragraph 6), with respect to the State's reinsurance;
- Euro 31,000 million of cash paid by the Ministry of the Economy and Finance on the current account held by SACE S.p.A. with the Department of Treasury (Bank of Italy) and related to the new business pursuant to article 1, paragraph 14 of the Decreto Liquidità and article 31, paragraph 1 of the Decreto Rilancio; the amount is recognized with a balancing entry under other liabilities.

The income statement as of December 31, 2020 includes, recorded in the item other revenue, the reimbursement of the operating expenses on the transactions carried out as part of Garanzia Italia, Insurance of short-term trade receivables and Green Operation.

In the light of the importance of the regulatory innovations introduced during the year and of their financial and economic impact over the Group, we have considered the Business resulting from new regulations, a key audit matter for the Group's consolidated financial statements as of December 31, 2020.



Audit procedures performed

The audit procedures carried out have included, among others, the following:

- analysis of the legislation issued during the year in relation to the Business resulting from new regulations and the related consequences on the Group's operations;
- discussion with the Management about the activities aimed at implementing the Business resulting from new regulations with the purpose of understanding and examining the relevant procedures and controls put in place by the Group;
- analysis of the accounting policies adopted for the registration of the items relating to the Business resulting from new regulations through discussion with the Management and acquisition and examination of the documentation prepared by the same;
- acquisition and analysis of the report on capital and capital endowment prepared by the parent company SACE S.p.A. and drawn up in accordance with Article 2, paragraph 9 of the Decreto Liquidità;
- verification of the compliance of the accounting records with the management evidence and documentary evidence for a sample of transactions;
- verification of the completeness and adequacy of the information provided by the Group in accordance with the provisions of the applicable regulation.

Evaluation of Provision for unearned premiums

Description of the key aspect of the audit

At December 31, 2020, the Group recorded in item 3 "Technical Provisions" – liabilities of the Balance Sheet – a provision for unearned premiums for Euro 3,906.1 million, including the provision for unexpired risks.

As highlighted by the Directors into the Notes to the Consolidated Financial Statements, section "Uses of estimates", the technical provisions calculation is affected by complex subjective judgments and estimates based on past experience, which, with regards to the current fiscal year, may even be affected by the uncertainty related to the current context characterized by the ongoing public health emergency. The use of such subjective judgements and estimates influences the carrying amounts of the Group financial statements.

The Group, in the Notes to the Consolidated Financial Statements, section "Measurement Criteria", provides details for the criteria adopted and the methodology applied in calculating the provision for unearned premiums. The provision for unearned premiums is determined on an accruals basis,



applied analytically to each policy on the basis of gross premiums. The provision has also been aligned with the expected rate of claims referring to insurance contracts in portfolio signed by the reporting date (provision for unexpired risks). In respect of the provision for unexpired risks, the Directors highlight that the method used considers the expected loss of the entire portfolio; the main components taken into consideration in order to determine the provision for unexpired risks includes:

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

In the light of the significance of the provision for unearned premiums amounts registered into the consolidated financial statements, of the complexity of the measurement criteria and of the variability of the assumptions made to determine the expected loss affecting the provision for unearned premiums itself and even in the light of the ongoing pandemic, we have considered the evaluation of the provision for unearned premiums a key audit matter for the Group consolidated financial statements as of December 31, 2020.

Audit procedures performed

The audit procedures, also carried out with the support of specialists belonging to the Deloitte *network*, included, among others, the following:

- understanding of the process of formation of the provision for unearned premiums and detection and verification of the implementation of the relevant controls on the process of preparing financial information for the aforementioned provision;
- carrying out verification procedures in relation to the completeness and adequacy of the portfolios taken into consideration and their databases;
- verification of the correctness of the amounts related to the unearned premiums provision through the independent recalculation of the same for a sample of insurance contracts in the portfolio;
- reasonableness analysis of the methods and of the main technical and evolutionary hypotheses on which the estimate of the overall expected loss of portfolio has been based for the purpose of determining the provision for unexpired risks, also in the light of the current situation of ongoing sanitary emergency;



- verification of the computation of the provision for unexpired risks through the application of simplified methods in order to evaluate the reasonableness of the provision amounts determined by the Group Management;
- verification of the completeness and adequacy of the information provided by the Group with respect to the provisions of the applicable legislation.

Other matters

The consolidated financial statements of SACE Group as at December 31, 2019 was audited by another auditor who expressed an unmodified opinion on these financial statements on April 3, 2020.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are 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 the requirements of national regulations issued pursuant to art. 90 of Legislative Decree no. 209 of September 7, 2005 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or unintentional behaviors or events.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, and, in preparing the consolidated financial statements, for the appropriateness of using the going concern assumption, as well as for adequate disclosure in matter.

The Directors use the going concern assumption in the preparation of the consolidated financial statements unless they have assessed that the conditions exist for the liquidation of the parent company SACE S.p.A. or for the interruption of the activity or do not have realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 unintended behaviors or events, and to issue an auditor's 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 unintended behaviors or events 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 these consolidated financial statements.



As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain 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 unintended behaviors or events, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude 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.
- Evaluate 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.
- Obtain 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.

We communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of SACE S.p.A. has appointed us on October 17, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Management Control Committee, in its role of Audit Committee, referred to art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree no. 39 of January 27, 2010, and art. 123-bis, paragraph 4, of Legislative Decree no. 58 of February 24, 1998

The Directors of SACE S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structures as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree no. 58 of February 24, 1998, with the consolidated financial statements of SACE Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of SACE Group as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree no. 39 of January 27, 2010, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

Deloitte.

9

As indicated into report on operations the Directors of SACE S.p.A. availed themselves of the exemption from the preparation of the non-financial statement pursuant to art. 6, paragraph 2 of Legislative Decree December 30, 2016, n. 254.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Rome, Italy
April 19, 2021

This report has been translated into the English language solely for the convenience of international readers.

SACE S.p.A. – Consolidated financial statements at 31 December 2020

Report of the Board of Statutory Auditors

Dear Shareholder,

As stated in the notes to the financial statements, the scope of consolidation of SACE S.p.A., as at 31 December 2020, includes:

- SACE S.p.A., which directs and coordinates its direct subsidiaries;
- SIMEST S.p.A., with a 76.005% interest;
- SACE Fct S.p.A., wholly owned;
- SACE BT S.p.A., wholly owned;
- SACE SRV S.r.l., wholly owned through SACE BT S.p.A.;
- SACE do Brasil Representações Ltda, with a 99.99972% direct stake and a 0.00028% indirect stake through SACE SRV S.r.l.;
- Fondo Sviluppo Export – Investment fund in which SACE is the only holder.

SACE S.p.A. does not hold any treasury shares or shares of its shareholder Cassa Depositi e Prestiti S.p.A.

The consolidated financial statements of SACE S.p.A. at 31 December 2020 have been prepared, pursuant to Legislative Decree No. 38 of 28 February 2005, in accordance with the 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, as amended by Ruling No. 74 of 8 May 2018.

The measurement criteria and the basis of consolidation are described in the notes to the consolidated financial statements.

Together with the consolidated financial statements, the Directors of SACE S.p.A. provided the Board of Statutory Auditors with the reporting package at 31 December 2020, drawn up for the purposes of preparing the consolidated financial statements of the ultimate parent Cassa Depositi e Prestiti S.p.A., on the basis of the instructions issued by Banca d’Italia and the Shareholder.

The consolidated financial statements were also audited by the independent auditors Deloitte & Touche S.p.A. We therefore performed no direct controls on the financial statements included in the scope of consolidation as this was the responsibility of each individual competent body.

We acknowledge that the reports issued by each individual competent body concerning the part for which they are responsible, do not reveal any irregularities, findings, issues or reservations.

Furthermore, within the framework of the duties assigned to us by law, we checked the following:

- compliance with measurement criteria, basis of consolidation and other legal requirements, especially those concerning the formation of the scope of consolidation, the reference date of the figures and the consolidation rules;
- the adequacy of the detailed information provided in the report on operations and in the notes to the financial statements and consistency with the information provided in the consolidated financial statements.

On April 19th of this year, the independent auditors Deloitte & Touche S.p.A. issued their report on the consolidated financial statements at 31 December 2020 in accordance with the rules on statutory audits implemented in Italy with Legislative Decree No. 135/2016. Specifically, the independent auditors: i) issued their report stating that the consolidated financial statements give a true and fair view of the Group's financial position, performance and cash flows as at and for the year ended 31 December 2020 in accordance with the IFRS endorsed by the European Union and also and with the Regulation issued in implementation of the art. 90 of Legislative Decree No. 209/2005; ii) expressed their opinion on the consistency of the Report on operations and of some specific information included in the Report on Corporate Governance and ownership structure set out in the art. 126-bis., paragraph 4, of Legislative Decree No 58/1998 with the consolidated financial statements of the SACE Group at 31 December 2020 and that those Reports have been drawn up in accordance with statutory requirements; iii) with reference to the statement pursuant to art. 14.2(e) of Legislative Decree No. 39/2010, made 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 at 31 December 2020, reference should be made to the Report to the financial statements of SACE S.p.A., which underlines the main aspects, whose operations continued to have significant repercussions on the consolidated financial statements throughout 2020.

In our opinion and based on that stated above, the consolidated financial statements of the SACE Group for the year ended at 31 December 2020 – recording a net loss of 4,144 thousands of Euro, including a Group net loss of 5,251 thousands of Euro, total assets for 46,035,896 thousands of Euro, total liabilities for 40,509,689 thousands of Euro and consolidated shareholders' equity for 5,526,207 thousands of Euro, including Group interest in shareholders' equity for 5,452,990 thousands of Euro – 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 2020 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, April 22, 2021

THE BOARD OF STATUTORY AUDITORS

Silvio Salini (Chairman)

Moira Paragone (Standing Auditor)

Gino Gandolfi (Standing Auditor)

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