

BTP Italia

Eleventh Issuance – Term Sheet

Issuer	Republic of Italy
Issuer ratings	Baa2 / BBB- / BBB / BBBH (Moody's / S&P's / Fitch / DBRS)
Issuance announcement	May 12 th 2017, with an Issuance Decree and a Press Release of the Ministero dell'Economia e delle Finanze (MEF) where the characteristics of the bond are described as well as the guaranteed minimum annual (real) coupon rate.
Guaranteed minimum annual (real) coupon rate	It is indicative and it is released in the Issuance announcement to facilitate the investment choices of investors. The definitive annual (real) coupon rate is set at the end of the placement ¹ period on the MOT and it cannot be below that level.
Maturity	6 years (May 22 nd , 2023)
Structure	Bond indexed to Italian inflation (Indices of Consumer Prices for blue and white-collar households with the exclusion of tobacco, FOI ex-tobacco index)
- <i>Coupon: calculation methodology and payment</i>	<p>Semi-annual, indexed to the FOI ex-tobacco index of the semester, paid in arrears, and calculated by multiplying the real fixed semi-annual coupon rate (definitive annual real coupon rate/2) for the revalued principal.</p> <p>In case of deflation in a semester, the coupon for the same semester is calculated by multiplying the fixed semi-annual coupon rate for the nominal principal amount (<i>floor</i> on the coupon), thereby guaranteeing for the same semester a minimum return given by the semi-annual real coupon rate. In case of inflation during the following semesters, the revaluation of the principal will take place only if the index goes above the maximum level reached in the previous semesters.</p>
- <i>Principal revaluation: calculation methodology and payment</i>	<p>Paid semi-annually, on the basis of the FOI ex-tobacco index, applied to the nominal principal purchased; it is paid together with the semi-annual coupon.</p> <p>In case of deflation in a semester, there is no payment due on the part of the investor at the end of the same semester. In case of inflation during the following semesters, the revaluation of the principal will take place only if the index goes above the maximum level reached in the previous semesters.</p>
- <i>Nominal principal redemption</i>	The nominal principal is reimbursed in a bullet format at maturity, at the nominal (face) value (therefore non-revalued).
Issue price	100 (at par)
MOT placement period	4 business day of the Borsa Italiana calendar, from May 15 th to May 18 th 2017

¹ "Placement" according to the [Decree for transparency in government bond placement transactions of 15.01.2015](#) available on the *Laws and regulations* section on the website of the Public Debt Directorate of the Department of the Treasury (www.publicdebt.it).

First phase of the placement period	From May 15 th to May 17 th 2017, unless early closing
Persons² admitted	Individual investors and other persons similarly classified
Closing of the First Phase	At 5.30 p.m. of May 17 th , 2017, unless early closing. The early closing may take place not earlier than 5.30 p.m. of the second day of placement (May 16 th). The irrevocable offers to purchase entered into the MOT within the date and time of the effectiveness of the closing, or of the early closing, will be met for the full amount of the contracts concluded on the MOT.
Communication of the possible early closing	In the event of early closing in the second day of placement (May 16 th), the communication will be given at the end of the first trading day (May 15 th) or by 1.00 p.m. of the same second day. In the event of early closing during the third day of placement (May 17 th) it will take place not before 2.00 p.m. and the relative communication will be given at the end of the previous trading day (May 16 th). The relative press release, which will be given the broadest diffusion, will be issued simultaneously together by MEF and Borsa Italiana and it will be published in accordance with standard practices.
Second Phase of the placement period	May 18 th , 2017, from 9 a.m. to 11 a.m.
Persons² admitted	Institutional investors
Closing of the Second Phase	At 11 a.m. of May 18 th , 2017. At the closing, the purchase proposals will be satisfied entirely or, in the event that their amount will be in excess of that the MEF plans to offer, Borsa Italiana will proceed to apply a mechanism of proportional allocation.
Placement on the MOT	Directly at par price on the MOT, the Borsa Italiana's screen-based market for securities and government bonds, through two market Dealers, selected by the MEF among Specialists in government bonds.
How to purchase the bond by individual investors during the First Phase	Through the bank (whether it is a direct MOT participant or not) where the investor has her/his securities account, addressing the bank desk, via home banking (normally with <i>trading</i> function available), or at post office.
Minimum lot purchasable during the First Phase	Euro 1,000
Minimum lot purchasable during the Second Phase	Euro 100,000
Minimum lots	Euro 1,000
First accrual and settlement day	May 22 nd , 2017

² For a complete description of persons who can participate in the First and in the Second Phases of the placement period, see the annex attached to this term sheet.

Information available to the market during the placement period	Issue price (par) and the guaranteed minimum annual (real) coupon rate. The definitive annual (real) coupon rate is set by a Special Decree to be issued at the end of the final day of the placement period (May 18 th , 2017).
Mechanism for setting the definitive annual (real) coupon rate	Based on market conditions of the day May 18 th , 2017, at a level not less than the guaranteed minimum annual (real) coupon rate announced on May 12 th , 2017.
Fees to be paid by investors for participating to the placement	There are no fees to be borne by investors
Fees to be paid by MEF only during the First Phase of placement	0.3 per cent on the non-revalued nominal total amount issued paid by MEF to intermediaries who provide investment services to the final investors in proportion to the amount of bids collected during the First Phase of the placement period and on the basis of the technical procedures set out in the Issuance Decree.
Dealers selected by the MEF among the Specialists in government bonds	Banca IMI S.p.A. UniCredit S.p.A.
Co-Dealers selected by the MEF among participants in the MOT Market	Banca Akros S.p.A Banca Sella Holding S.p.A
Fees to be paid by MEF to Dealers and Co-Dealers	0.05 per cent paid by the MEF on the non-revalued nominal total issued amount on the basis of the technical procedures set out in the Issuance Decree
Final bonus³	0.4 per cent paid at maturity by the MEF on a pre-tax basis on the non-revalued principal nominal amount to investors who purchased the bond during the First Phase of the placement period and hold it until the final maturity (May 22 nd , 2023)
Quotation	MOT (Borsa Italiana)
Liquidity on the secondary market	From the first accrual and settlement day, the bond will be tradable on the MOT and the liquidity will be guaranteed through the commitment of the Dealers and two Co-Dealers, selected by the MEF among the most active participants in the MOT on the segment of Italian government bonds.
MOT trading fees starting from October 24th, 2016	Set discretionally by the banks operating on the MOT
Taxation treatment	12.5 per cent, as for all government securities
Information about the issuance	The press releases concerning the issue and its results, together with all technical documentation, will be available on the website of the MEF (www.tesoro.it) and on the website of the Public Debt Directorate of the Department of the Treasury (www.publicdebt.it , www.debitopubblico.it).

³The detailed information about the final bonus for investors is available in the FAQs of BTP Italia on the website of the MEF (www.tesoro.it) and on the website of the Public Debt Directorate of the Department of the Treasury (www.publicdebt.it).

Timing for the tenth issuance

Date	Event
Friday, May 12 th , 2017	MEF's drafting and publication of a Press Release and publication of the Issuance Decree which sets out the characteristics of the bond, announces the guaranteed minimum annual (real) coupon rate and the ISIN code of the bond for the First Phase of the placement period.
Monday, May 15 th , 2017	At 9.00 a.m.- Starting of the First Phase of the placement period on the MOT.
Tuesday, May 16 th , 2017	Last guaranteed day of the placement, even with early closing. The decision of the MEF to exercise the faculty of early closing in the second day of placement will be given the broadest diffusion by both the MEF and Borsa Italiana with simultaneous press releases that will be issued around the closing time of the trading day before or by 1.00 p.m. of the same trading day.
Wednesday, May 17 th , 2017	At 5.30 p.m. - Closing of the placement period, unless early closing. The decision of the MEF to exercise the faculty of early closing in the third day of placement (at 2.00 p.m.) will be given the broadest diffusion by both the MEF and Borsa Italiana with simultaneous press releases that will be issued around the closing time of the trading day before. The MEF announces the ISIN code of the bond for the Second Phase of the placement period.
Thursday, May 18 th , 2017	At 9.00 a.m. - Starting of the Second Phase of the placement period on the MOT that lasts 2 hours. At 11.00 a.m. - Closing of the Second Phase of placement period. At the closing, the purchase proposals will be satisfied entirely or, in the event that their amount will be in excess of that the MEF plans to offer, Borsa Italiana will proceed to apply a mechanism of proportional allocation releasing the relative coefficient. Then, the MEF issues a Special Decree setting the definitive annual (real) coupon rate and the final nominal amount issued during the First and in the Second Phase.
Monday, May 22 nd , 2017	First accrual date/settlement ⁴ First day of trading on the MOT ⁵

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⁴The settlement and first accrual dates coincide so as to prevent the subscriber from having to pay accrued interest/inflation in addition to the clean price.

⁵The settlement of the trades on the MOT secondary market is carried out two days after the trade date.

ANNEX

Tables with the list of the types of investors that can participate
to the two Phases of the Period of Placement

PERSONS ADMITTED TO FIRST PHASE OF THE PERIOD OF PLACEMENT (15-16-17 May 2017, unless early closing)
A) Natural persons, anyhow classified
B) Retail clients, with the exclusion of qualified counterparties and investors qualified as professional clients by law (referred to in Annex 3 of Regulation CONSOB n. 16190/2007, as amended). Retail clients treated as professional customers on request (referred to num. II in Annex 3 of Regulation CONSOB n. 16190/2007, as amended) are included herein, but they should be identified as retail clients in connection with the distribution of BTP Italia by the intermediary sending or submitting the purchase order or in any case prove their status as retail clients to the intermediary.
C) Asset management companies authorised to provide portfolio management services on behalf of investors under points A) and B) above.
D) Intermediaries authorised to provide individual portfolio management services on behalf of investors under points A) and B) above.
E) Trust companies that provide portfolio management services, also through fiduciary registration, exclusively on behalf of investors under points A) and B) above.

**PERSONS ADMITTED TO
SECOND PHASE OF THE PERIOD OF PLACEMENT
(18 May 2017)**

F) Qualified counterparties, not being natural persons, even if treated as retail or professional clients on request, referred to in Annex 3 of Regulation CONSOB n. 16190/2007*

G) Investors, not being natural persons, qualified as professional clients by law, even if treated as retail customers on request, referred to in Annex 3 of Regulation CONSOB n. 16190/2007*

H) Authorities and bodies included in the Public Administrations

* A list of investors included in points F) e G) above is set out below:

Persons authorised and regulated to operate in Italian and foreign financial markets
Investment firms
Banks
Insurance companies
Collective investment undertakings
Asset management companies not admitted to the first phase of distribution
Harmonised asset management companies
Pension funds and management companies for such funds
Financial intermediaries registered in the lists pursuant to Articles 106, 107 and 113 of the Italian Consolidated Law on Banking
Financial companies subject to mutual recognition
E-money institutions
Banking foundations
National governments and their offices, including public bodies established to manage public debt
Central Banks
International public organisations
Persons whose main business consists of dealing on own account in commodities and commodity derivatives

<p>Persons whose exclusive business consists of dealing on own account on derivative financial instrument markets and, merely for hedging purposes, on spot markets, providing such persons are guaranteed by members of the central counterparties of the relevant markets, when the responsibility for the settlement of the contracts entered into by such persons falls under the competence of members of the central counterparties of the relevant markets.</p>
<p>Investors corresponding to those of previous paragraphs for persons in non-EU countries</p>
<p>Other authorized or regulated financial institutions</p>
<p>Persons dealing exclusively on their own account on financial instruments markets with indirect membership of clearing and settlement services and the local clearing and guarantee system</p>
<p>Other institutional investors, including companies dedicated to the securitization of assets or other financial transactions</p>
<p>Foreign institutional investors</p>
<p>Large undertakings meeting two of the following size requirements on a company basis:</p> <ul style="list-style-type: none"> - balance sheet total: 20,000,000 euro, - net revenues: 40,000,000 euro, - own funds: 2,000,000 euro.