

BTP Italia – New issuance for Covid-19 emergency

Sixteenth Issuance – Term Sheet

Issuer	Republic of Italy
Issuer ratings	Baa3 / BBB / BBB- / BBBH (Moody's / S&P's / Fitch / DBRS)
Issuance announcement	May 15 th 2020, 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. The Issuance Decree will refer to the legislative provisions aimed at increasing the State cash-borrowing requirement related to Covid-19 emergency, which this issuance will help to finance.
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 before the opening of the Second Phase of the placement period on the MOT and it cannot be below that level.
Maturity	5 years (May 26 th , 2025)
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 (floor 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, based on 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 18 th to May 21 st 2020

First phase of the placement period	From May 18 th to May 20 th 2020
Persons¹ admitted	Individual investors and other persons similarly classified
Closing of the First Phase	At 5.30 p.m. of May 20 th , 2020. The irrevocable bids entered into the MOT within the date and time of the effectiveness of the closing, will be met for the full amount of the contracts concluded on the MOT.
Early closing	In order to allow the widest possible participation by retail investors and help the financial intermediaries' services under such unusual conditions due to Covid-19 pandemic emergency, this special BTP Italia issuance does not envisage the possibility of early closing, allowing retail investors for three full days of issuance (from 18 th to 20 th May 2020).
Second Phase of the placement period	May 21 st , 2020, from 10 a.m. to 12 p.m.
Persons² admitted	Institutional investors
Closing of the Second Phase	At 12 p.m. of May 21 st , 2020. 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 the 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 trading 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	Tuesday May 26 th , 2020
Information available to the market during the placement period	Issue price (at par) and the guaranteed minimum annual (real) coupon rate. Before the opening of the last day of the placement period (May the 21 st), a Press Release will communicate to the market the definitive annual (real) coupon rate.
Mechanism for setting the definitive annual (real) coupon	Based on market conditions of the day May 21 st , 2020, at a level not less than the guaranteed minimum annual (real) coupon rate

¹ 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.

rate	announced on May 15 th , 2020.
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 to intermediaries only during the First Phase of placement	0.5 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. BNP Paribas Monte dei Paschi di Siena Capital Services Banca per le Imprese 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 ICCREA Banca S.p.A.
Fees to be paid by MEF to Dealers and Co-Dealers	0.075 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 bonus²	0.8 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 26 th , 2025).
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 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 May 26th, 2020	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).

²The 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 sixteenth issuance

Date	Event
Friday, May 15th, 2020	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 18th, 2020	At 9.00 a.m. - Starting of the First Phase of the placement period on the MOT.
Tuesday, May 19th, 2020	9.00 a.m. – 5.30 p.m. – Second day of the placement period on the MOT.
Wednesday, May 20th, 2020	At 5.30 p.m. - Closing of the First Phase of the placement period. The MEF announces the ISIN code of the bond for the Second Phase of the placement period.
Thursday, May 21st, 2020	By 10.00 a.m. – The MEF announces by Press Release the definitive annual (real) coupon rate. At 10.00 a.m. - Starting of the Second Phase of the placement period on the MOT that lasts 2 hours. At 12.00 p.m. - Closing of the Second Phase of the 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 final nominal amount issued during the First and in the Second Phase and the definitive annual (real) coupon rate already announced during the morning.
Tuesday, May 26th, 2020	First accrual date/settlement ³ First day of trading on the MOT ⁴

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³The settlement and first accrual dates coincide in order to prevent the subscriber from having to pay accrued interest/inflation in addition to the clean price.

⁴The 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 (18-19-20 May 2020)
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. 20307/2018, as amended). Retail clients treated as professional customers on request (referred to num. II in Annex 3 of Regulation CONSOB n. 20307/2018, 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
(21st May 2020)**

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. 20307/2018*

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. 20307/2018*

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.