PIK Notes

Issuance and main features
What are PIK bonds?
Bonds with a PIK option ("Payment in Kind"), or PIYC ("Pay if you can"), are financial instruments which, at given conditions, allow the issuer not to pay the coupon by cash but to exercise the option to capitalise interests, to be accrued and paid in a future coupon or in the final redemption.

Who are the issuers?
Issuers are companies, with important and long-term projects or that are going through financial difficulties, which issue bonds with a low or no rating but which offer higher interests compared to the market conditions.

Who are investors?
Investors are generally funds, hedge funds and insurances companies.
PIK bonds
Main features

Prerequisites to centralise PIK bonds in Monte Titoli

• Bonds at the issue date are blocked on the Monte Titoli participant’s account
• Bonds are subject to tax system 239/96: transfers are only allowed between qualified investors
• Transfers after issuance, which are very rare, are subject to a procedure which requires Monte Titoli’s intervention

Why Issuers have chosen Monte Titoli?
• ICSD currently don’t accept in their system bonds with a PIK option as they are not able to manage the PIK option functionality

How many Assets have we centralised since the beginning of the service:

<table>
<thead>
<tr>
<th>Number of issuance</th>
<th>€4,27bn Nominal Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td></td>
</tr>
</tbody>
</table>
Annex 1: MT Issuer Services track record

<table>
<thead>
<tr>
<th>Corporates + FIG</th>
<th>Yankee Bonds</th>
<th>PIK Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEF - BTP Italia EUR 6.750bn 2019 MOT</td>
<td>Graded Spa EUR 1.8m October 2019 ExtraMOT PRO</td>
<td>SVIM SAN BABILASPA EUR 350m, 10Y November 2017</td>
</tr>
<tr>
<td>MEF - BTP Italia EUR 2.164bn 2018 MOT</td>
<td>Autotorino Spa EUR 10m September 2019 ExtraMOT PRO</td>
<td>EUR 100m, 4Y December 2017</td>
</tr>
<tr>
<td>cdp CDP Spa EUR 750m March 2019 ExtraMOT PRO</td>
<td>F.I.I De Cecco Spa EUR 10m November 2018 ExtraMOT PRO</td>
<td>EUR 5.08bn, 30Y Siena NPL srl December 2017</td>
</tr>
<tr>
<td>Enel Assicurazioni Generali EUR 750m November 2019 ExtraMOT PRO</td>
<td>BPB SME TV EUR 747m August 2019 ExtraMOT PRO</td>
<td>EUR 75m, 3Y February 2019</td>
</tr>
<tr>
<td>ENEL Finance NV EUR 2.5bn October 2019 ExtraMOT PRO</td>
<td>Valsabbina TV EUR 542m July 2019 ExtraMOT PRO</td>
<td>EUR 35.8m, 5Y May 2019</td>
</tr>
<tr>
<td>Gruppo IREN EUR 500m October 2019 ExtraMOT PRO</td>
<td>Brera TV NV 71 EUR 9.78bn December 2018 ExtraMOT PRO</td>
<td>EUR 750m November 2019 ExtraMOT PRO</td>
</tr>
<tr>
<td>HERA Spa EUR 500m October 2019 ExtraMOT PRO</td>
<td>HERA Spa EUR 500m October 2019 ExtraMOT PRO</td>
<td>HERA Spa EUR 500m October 2019 ExtraMOT PRO</td>
</tr>
</tbody>
</table>

- **Corporates + FIG**
  - MEF - BTP Italia: EUR 2.164bn, 2018 MOT
  - CDP Spa: EUR 750m, March 2019, ExtraMOT PRO
  - Assicurazioni Generali: EUR 750m, November 2019, ExtraMOT PRO
  - ENEL Finance NV: EUR 2.5bn, October 2019, ExtraMOT PRO
  - Gruppo IREN: EUR 500m, October 2019, ExtraMOT PRO

- **Yankee Bonds**
  - Graded Spa: EUR 1.8m, October 2019, ExtraMOT PRO
  - Autotorino Spa: EUR 10m, September 2019, ExtraMOT PRO
  - F.I.I De Cecco Spa: EUR 10m, November 2018, ExtraMOT PRO
  - BPB SME TV: EUR 747m, August 2019, ExtraMOT PRO
  - Valsabbina TV: EUR 542m, July 2019, ExtraMOT PRO

- **PIK Notes**
  - SVIM SAN BABILASPA: EUR 350m, 10Y, November 2017
  - EUR 100m, 4Y, December 2017
  - EUR 5.08bn, 30Y, Siena NPL srl, December 2017
  - EUR 75m, 3Y, February 2019
  - EUR 35.8m, 5Y, May 2019
  - EUR 172m, 10Y, Junior Note, October 2019
  - EUR 300m, 8Y, February 2021