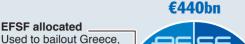
Scenarios for saving Italy

Italv has €260 billion of debt to refinance next year, with 45% maturing between February and April. With government debt of around €1.9 trillion. its funding needs are too great to be met by the eurozone's rescue fund

European Financial Stability Fund (EFSF)



Ireland and Portugal €190bn

European **Financial Stability** Mechanism

€60bn

Total available to bailout Italy

€421hn

€250bn* *€139bn of this is pledged by Italy itself International **Monetary Fund** €250bn

EFSF residual:



Total Italian government debt **€1,900**bn

To be refinanced in 2012 €260bn



1. Current plan: Cut debt and spur

IMF officials in

of state-owned

retirement age.

Votes due in

Italian Senate

and Chamber

of Deputies by

weekend

assets and

increase in

growth. EU and Rome want sale

2. Temporary credit line: FFSF and/or IMF gives Italy up to €80bn to enable Rome to borrow money at rates lower

than current 7%. Prime Minister Silvio Berlusconi turned down this offer at recent G20 summit in Cannes

3. Full-scale bail-out: Protect Italy from bond markets by covering its debt repayments for next three years. This will cost at least €518bn. more than total available bailout fund. unless EFSF can

option: European Central Bank prints money to quarantee all €1.900bn of Italian debt. Backed by French President Nicolas Sarkozv. fiercely opposed by German Chancellor

Sources: Bank of Italy, Bloomberg

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Angela Merkel