

## **SIMPLIFIED BASE PROSPECTUS**



# **REPUBLIC OF ITALY**

## ***Programme for the Issuance of Debt Instruments***

Application may be made to the Luxembourg Stock Exchange for debt instruments (the "**Instruments**") issued under the programme (the "**Programme**") described in this Simplified Base Prospectus to be admitted to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange on an issue by issue basis from the date hereof. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments. The Programme also permits Instruments to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer and the relevant Dealer.

This Simplified Base Prospectus does not constitute a prospectus for the purposes of Article 5 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), nor does it constitute a prospectus pursuant to Part II of the Luxembourg law on the prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) dated 10 July 2005 (the "**Luxembourg Prospectus Law**") which implements the Prospectus Directive or a simplified prospectus pursuant to Part III of the Luxembourg Prospectus Law. See "*Important Notices*".

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Arranger  
**BARCLAYS**

Dealers

**BANCA IMI**  
**BNP PARIBAS**  
**CITIGROUP**  
**DEUTSCHE BANK**  
**HSBC**  
**J.P. MORGAN**  
**MPS CAPITAL SERVICES S.p.A.**  
**NOMURA**  
**UBS INVESTMENT BANK**

**BARCLAYS**  
**BOFA MERRILL LYNCH**  
**CRÉDIT AGRICOLE CIB**  
**GOLDMAN SACHS INTERNATIONAL BANK**  
**ING**  
**MORGAN STANLEY**  
**NATWEST MARKETS**  
**SOCIÉTÉ GÉNÉRALE CORPORATE &  
INVESTMENT BANKING**  
**UNICREDIT**

19 December 2017

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## IMPORTANT NOTICES

The Republic of Italy (the "**Issuer**"), acting through the Director of Direction II of the Treasury Department, delegated by the Director General of the Treasury Department and empowered thereunto by the Minister of Economy and Finance, accepts responsibility for the information contained in this Simplified Base Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Simplified Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

References herein to the "**Programme Date**" are to the date specified on the cover of the Simplified Base Prospectus.

This Simplified Base Prospectus should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference and, in relation to any Series (as defined herein) of Instruments, should be read and construed together with the relevant Final Terms (as defined herein).

This Simplified Base Prospectus does not comprise a prospectus or a base prospectus under the Prospectus Directive or a document for listing purposes in relation to the Euro MTF market of the Luxembourg Stock Exchange.

This Simplified Base Prospectus neither constitutes a prospectus pursuant to Part II of the Luxembourg Prospectus Law implementing the Prospectus Directive nor a simplified prospectus pursuant to Part III of the Luxembourg Prospectus Law. Accordingly, this Simplified Base Prospectus does not purport to meet the format and the disclosure requirements of the Prospectus Directive and Commission Regulation (EC) No. 809/2004 approval to any competent authority within the meaning of the Prospectus Directive and in particular the Luxembourg *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purpose of the Prospectus Directive and one of the competent authorities under the Luxembourg Prospectus Law. The Instruments, issued pursuant to this Simplified Base Prospectus, will therefore not qualify for the benefit of the single European passport pursuant to the Prospectus Directive.

The Issuer has confirmed to the dealers (the "**Dealers**") named under "*Subscription and Sale*" below that the Simplified Base Prospectus is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed therein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Simplified Base Prospectus the omission of which would, in the context of the Programme or the issue of the Instruments, make any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealers that this Simplified Base Prospectus (together with the relevant Final Terms) contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Simplified Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Simplified Base Prospectus. Neither the delivery of this Simplified Base Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall, in any circumstances, create any implication that the information contained in this Simplified Base Prospectus is true subsequent to the date thereof or the date upon which this Simplified Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer since the date thereof or, if later, the date upon which this Simplified Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Simplified Base Prospectus and any Final Terms and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Simplified

Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions.

The Instruments have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may include Instruments in bearer form which are subject to U.S. tax law requirements. Instruments may not be offered, sold or delivered within the United States, or to or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of this Simplified Base Prospectus or any Final Terms and other offering material relating to the Instruments, see "*Subscription and Sale*".

**Neither this Simplified Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.**

Neither this Simplified Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Simplified Base Prospectus or any Final Terms should subscribe for or purchase any Instruments. Each recipient of this Simplified Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Instruments outstanding at any one time under the Programme will not exceed U.S.\$80,000,000,000 (and for this purpose, any Instruments denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Instruments using the spot rate of exchange for the purchase of such currency against payment of U.S. dollars being quoted by the Fiscal Agent on the date on which the relevant agreement in respect of the relevant Tranche (as defined herein) was made or such other rate as the Issuer and the relevant Dealer may agree. The maximum aggregate principal amount of Instruments which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In relation to any issue of Instruments which, as set out in the Final Terms thereto, have denominations consisting of a minimum Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Instruments may be traded in amounts that are not integral multiples of such minimum Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Denomination in an account with Euroclear or Clearstream, Luxembourg (as defined below) at the relevant time may not receive a definitive Instrument in respect of such holding (should definitive Instruments be printed) and would need to purchase a principal amount of Instruments such that the holding amounts to a minimum Denomination.

Tranches of Instruments issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Issuer or to Instruments already issued. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be (1) issued by a credit rating agency established in the European Economic Area (the "**EEA**") and registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**") or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the Final Terms. A rating is not a recommendation to buy, sell or hold Instruments and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The European Securities and Markets Authority ("**ESMA**") is obliged to maintain on its website, [www.esma.europa.eu](http://www.esma.europa.eu), a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within 5 working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. The ESMA website is not incorporated by reference into, nor does it form part of, this Simplified Base Prospectus.

Prospective investors who are European regulated investors should note that, in general, they are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the

EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

All references in this Simplified Base Prospectus to "U.S.\$", "U.S. dollars" or "USD" are to the lawful currency of the United States of America, all references to "£", "Sterling" and "GBP" are to Pounds Sterling and all references to "€", "Euro", "euro" or "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

## **DOCUMENTS INCORPORATED BY REFERENCE**

All amendments and supplements to this Simplified Base Prospectus prepared by the Issuer from time to time shall be deemed to be incorporated in, and to form part of, this Simplified Base Prospectus save that any statement contained in this Simplified Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Simplified Base Prospectus shall be deemed to be modified or superseded for the purpose of this Simplified Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The Issuer will undertake, in connection with the admission to listing on the official list and trading of the Instruments on the regulated market of the Luxembourg Stock Exchange or the admission of the Instruments to listing, trading and/or quotation by any other listing authorities, stock exchanges and/or quotation systems, that if, while Instruments of the Issuer are outstanding and admitted to trading on the regulated market of the Luxembourg Stock Exchange or admitted to listing, listing and trading and/or quotation on any other listing authorities, stock exchanges and/or quotation systems, there shall occur any adverse change in the financial situation of the Issuer or any change in the information set out under "*Terms and Conditions of the Instruments*" that is material in the context of issuance under the Programme which is not reflected in this Simplified Base Prospectus (or any of the documents incorporated by reference in this Simplified Base Prospectus) the Issuer will prepare or procure the preparation of an amendment or supplement to this Simplified Base Prospectus or, as the case may be, publish a new Simplified Base Prospectus for use in connection with any subsequent issue by the Issuer of Instruments to be admitted to trading on the regulated market of the Luxembourg Stock Exchange or admitted to listing, listing and trading and/or quotation on any other listing authorities, stock exchanges and/or quotation systems. The Issuer will, at the specified offices of the Paying Agent, provide, free of charge, upon the oral or written request therefor, a copy of this Simplified Base Prospectus (or any document incorporated by reference in this Simplified Base Prospectus). Written or oral requests for such documents should be directed to the specified office of the Paying Agent or the specified office of the Listing Agent in Luxembourg.

In this Simplified Base Prospectus, references to websites or uniform resource locators (URLs) are inactive textual references. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Simplified Base Prospectus.

**In connection with the issue of any Tranche of Instruments, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Instruments or effect transactions with a view to supporting the market price of the Instruments at a level higher than that which might otherwise prevail.**

**However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Instruments is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Instruments and 60 days after the date of the allotment of the relevant Tranche of Instruments. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## SUMMARY OF THE PROGRAMME

The following is a brief summary only and should be read in conjunction with the rest of this document and, in relation to any Instruments, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Instruments set out herein.

- Issuer:** The Republic of Italy, acting through the Director of Direction II of the Treasury Department, delegated by the Director General of the Treasury Department and empowered thereunto by the Minister of Economy and Finance.
- Arranger:** Barclays Bank PLC.
- Dealers:** Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Goldman Sachs International Bank, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, MPS Capital Services S.p.A., Nomura International plc, The Royal Bank of Scotland plc (trading as NatWest Markets), Société Générale, UBS Limited, UniCredit S.p.A. and any other dealer appointed from time to time by the Issuer in respect of the Programme.
- Fiscal Agent:** Citibank, N.A., London Branch.
- Registrar:** Citibank, N.A., London Branch.
- Alternative Registrar:** Citibank Europe Plc, Belgium Branch.
- Luxembourg Listing Agent:** Banque Internationale à Luxembourg S.A.
- Authorised Amount:** U.S.\$80,000,000,000 (and, for this purpose, any Instruments denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Instruments using the spot rate of exchange for the purchase of such currency against payment of U.S. dollars being quoted by the Fiscal Agent on the date on which the relevant agreement in respect of the relevant Tranche (as defined below) was made or such other rate as the Issuer and the relevant Dealer may agree) in aggregate principal amount of Instruments outstanding at any one time. The maximum aggregate principal amount of Instruments which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under "*Subscription and Sale*".
- Issuance in Series:** Instruments will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") issued on different issue dates. The Instruments of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Instruments in bearer

form and Instruments in registered form and Instruments in more than one denomination. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments in bearer form and Instruments in registered form and may comprise Instruments of different denominations.

**Form of Instruments:**

Instruments may be issued in bearer form or in registered form in compliance with all applicable laws and regulations including Italian Presidential Decree dated 30 December 2003, No. 398, Italian Legislative Decree dated 24 February 1998, No. 58, and Italian Legislative Decree dated 24 June 1998, No. 213, in each case as amended and integrated from time to time.

Each Tranche of Instruments issued in bearer form will initially be in the form of either a Temporary Global Instrument or a Permanent Global Instrument (each as defined in the Conditions), in each case as specified in the relevant final terms in respect of such Tranche of Instruments (each, a "**Final Terms**"). Each Global Instrument which is not intended to be issued in new global note form (a "**Classic Global Instrument**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Instrument which is intended to be issued in new global note form (a "**New Global Instrument**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Instrument will be exchangeable for a Permanent Global Instrument or, if so specified in the relevant Final Terms, for Instruments in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Final Terms) registered form in accordance with its terms. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Instrument or receipt of any payment of interest in respect of a Temporary Global Instrument. Each Permanent Global Instrument will be exchangeable for Definitive Instruments (as defined in the Conditions) and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Final Terms) registered form in accordance with its terms. Definitive Instruments will, if interest-bearing, have interest coupons ("**Coupons**") attached and, if appropriate, a talon ("**Talon**") for further Coupons.

Each Tranche of Registered Instruments will be in the form of either Individual Instrument Certificates or a Global Registered Instrument, in each case as specified in the relevant Final Terms. Each Tranche of Instruments represented by a Global Registered Instrument will either be: (a) in the case of an Instrument which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg

and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the common depository; or (b) in the case of an Instrument to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. A Global Registered Instrument will be exchangeable for Individual Instrument Certificates in accordance with its terms.

Instruments in registered form may not be exchanged for Instruments in bearer form.

**Currencies:**

Instruments may be denominated in any currency or currencies (including, without limitation, Australian Dollars ("AUD"), Canadian Dollars ("CAD"), Czech Koruna ("CZK"), Danish Kroner ("DKK"), Euro, Hong Kong Dollars ("HKD"), Japanese Yen ("JPY"), New Zealand Dollars ("NZD"), Norwegian Kroner ("NKR"), Polish Zloty ("PLN"), Sterling, South African Rand ("ZAR"), Swedish Kronor ("SEK"), Swiss Francs ("CHF") and U.S. dollars) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status:**

Instruments will be issued on an unsubordinated basis.

**Issue Price:**

Instruments may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.

**Maturities:**

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Redemption:**

Instruments may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.

**Early Redemption:**

Early redemption will be permitted only to the extent specified in the relevant Final Terms.

**Interest:**

Instruments may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.

**Denominations:**

Instruments will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the

purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") by the Issuer.

**Taxation:**

All payments of principal and interest in respect of the Instruments by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or within the Republic of Italy or by or within any district, municipality or other political subdivision or taxing authority therein or thereof unless such withholding or deduction is required by law.

**Governing Law and Jurisdiction:**

The Instruments, all related contractual documentation and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, Italian law and the Italian courts shall have exclusive jurisdiction in accordance with all applicable Italian laws.

**Listing:**

Each Series may be admitted to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be unlisted.

**Terms and Conditions:**

Final Terms will be prepared in respect of each Tranche of Instruments a copy of which will, in the case of Instruments to be admitted to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation on any other listing authority, stock exchange and/or quotation system be delivered to the regulated market of the Luxembourg Stock Exchange and/or such other listing authority, stock exchange and/or quotation system on or before the date of issue of such Instruments. Each Tranche will be the subject of the Final Terms which, for the purposes of that Tranche only, supplements the "*Terms and Conditions of the Instruments*" and this Simplified Base Prospectus and must be read in conjunction with this Simplified Base Prospectus. The terms and conditions applicable to each Tranche will be those set out herein under "*Terms and Conditions of the Instruments*" as supplemented, amended and/or modified or replaced by the relevant Final Terms.

**Clearing Systems:**

Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Final Terms.

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States, the United Kingdom, Japan and the Republic of Italy, see "*Subscription and Sale*".

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following are the Terms and Conditions of the Instruments which as supplemented, modified or replaced in relation to any Instruments by the relevant Final Terms, will be applicable to each Series of Instruments:*

The Instruments are issued pursuant to and in accordance with an issue and paying agency agreement (as amended, supplemented or replaced, the "**Issue and Paying Agency Agreement**") dated 15 July 1998 as amended and restated on 14 December 2012, and made between the Republic of Italy (the "**Issuer**"), acting through the Director of Direction II of the Treasury Department empowered thereunto by the Minister of Economy and Finance, Citibank, N.A., London Branch in its capacities as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such) and as principal registrar (the "**Principal Registrar**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such), Citibank Europe Plc, Belgium Branch in its capacity as alternative registrar (the "**Alternative Registrar**", which expression shall include any successor to Citibank Europe Plc, Belgium Branch in its capacity as such) and the paying agent named therein (the "**Paying Agent**", which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). Copies of the Issue and Paying Agency Agreement are available for inspection during normal business hours at the specified office of the Paying Agent, the Principal Registrar and the Alternative Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Instruments. Each Tranche will be the subject of final terms (each, "**Final Terms**"), a copy of which will be available for inspection during normal business hours at the specified office of the Fiscal Agent and/or, as the case may be, the Registrar (as defined in Condition 2.2). In the case of a Tranche of Instruments in relation to which application has not been made for listing on any stock exchange, copies of the Final Terms will only be available for inspection by a Holder of such Instruments.

References in these Terms and Conditions to Instruments are to Instruments of the relevant Series and any references to Coupons (as defined in Condition 1.6) and Receipts (as defined in Condition 1.7) are to Coupons and Receipts relating to Instruments of the relevant Series.

References in these Terms and Conditions to the Final Terms are to the Final Terms or Pricing Supplement(s) prepared in relation to the Instruments of the relevant Tranche or Series.

In respect of any Instruments, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Final Terms.

## 1. FORM AND DENOMINATION

- 1.1 Instruments are issued in bearer form ("**Bearer Instruments**") or in registered form ("**Registered Instruments**") in compliance with all applicable laws and regulations including Italian Presidential Decree dated 30 December 2003, No. 398, Italian Legislative Decree dated 24 February 1998, No. 58, and Italian Legislative Decree dated 24 June 1998, No. 213, in each case as amended and integrated from time to time, as specified in the Final Terms and are serially numbered. Registered Instruments will not be exchangeable for Bearer Instruments.

### *Bearer Instruments*

- 1.2 The Final Terms shall specify whether U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") or U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") shall apply. Each Tranche of Bearer Instruments is represented upon issue by a temporary global Instrument (a "**Temporary Global Instrument**"), unless the Final Terms specify otherwise and the TEFRA C Rules apply.

Where the Final Terms applicable to a Tranche of Bearer Instruments specifies that the TEFRA C Rules apply, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a Permanent Global Instrument (as defined below).

Interests in the Temporary Global Instrument may be exchanged for:

- (i) interests in a permanent global Instrument (a "**Permanent Global Instrument**"); or
- (ii) if so specified in the Final Terms, definitive instruments in bearer form ("**Definitive Instruments**") and/or (in the case of a Series comprising both Bearer Instruments and Registered Instruments and if so specified in the Final Terms) Registered Instruments.

Exchanges of interests in a Temporary Global Instrument for Definitive Instruments or, as the case may be, a Permanent Global Instrument will be made only on or after the Exchange Date (as specified in the Final Terms) and (unless the Final Terms specify that the TEFRA C Rules are applicable to the Instruments) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Instruments will be made at any time or from such date as may be specified in the Final Terms, in each case, without any requirement for certification.

- 1.3 The bearer of any Temporary Global Instrument shall not (unless, upon due presentation of such Temporary Global Instrument for exchange (in whole but not in part only) for a Permanent Global Instrument or for delivery of Definitive Instruments and/or Registered Instruments, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Instruments represented by such Temporary Global Instrument which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- 1.4 Unless the Final Terms specify that the TEFRA C Rules are applicable to the Instruments and subject to Condition 1.3 above, if any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") or any other relevant clearing system including Clearstream Banking AG Frankfurt. Payments of principal, interest or any other amounts due in respect of a Permanent Global Instrument or (subject to Condition 1.3 above) a Temporary Global Instrument (if the Final Terms specify that the TEFRA C Rules are applicable to the Instruments) will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

- 1.5 Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole but not in part only at the option of the Holder of such Permanent Global Instrument, for Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the Final Terms) Registered Instruments, (a) if an Event of Default occurs in respect of any Instrument of the relevant Series; or (b) if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently or in fact does so or any of the circumstances described in Condition 7 (*Events of Default*) occurs, in all cases at the cost and expense of the Issuer.

If the Issuer does not make the required delivery of Definitive Instruments and/or Registered Instruments by 6.00 p.m. (London time) on the day on which the relevant notice period expires or, as the case may be, the thirtieth day after the day on which such Permanent Global Instrument becomes due to be exchanged and, in the case of (a) above, such Instrument is not duly redeemed (or the funds required for such redemption are not available to the Fiscal Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (London time) on the thirtieth day after the day at which such Instrument became immediately redeemable then the bearer of the Permanent Global Instrument or any accountholder or participant with a clearing system holding an interest in the Permanent Global Instrument will thereupon be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Instruments in an amount equal to the value of their holding in the relevant clearing system.

- 1.6 Interest-bearing Definitive Instruments have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Interest-bearing Definitive Instruments, if so specified in the Final Terms, have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.
- 1.7 Instruments, the principal amount of which is repayable by instalments ("**Instalment Instruments**") which are Definitive Instruments, have endorsed thereon a grid for recording the repayment of principal or, if so specified in the Final Terms, have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

### *Denomination*

#### *Denomination of Bearer Instruments*

- 1.8 Bearer Instruments are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Instruments of one denomination may not be exchanged for Bearer Instruments of any other denomination.

#### *Denomination of Registered Instruments*

- 1.9 Registered Instruments are in the minimum denomination specified in the Final Terms or integral multiples thereof.

#### *Currency of Instruments*

- 1.10 The Instruments are denominated in such currency as may be specified in the Final Terms. Any currency may be so specified (including, without limitation, Australian Dollars ("**AUD**"), Canadian Dollars ("**CAD**"), Czech Koruna ("**CZK**"), Danish Kroner ("**DKK**"), Euro ("**Euro**"), Hong Kong Dollars ("**HKD**"), Japanese Yen ("**JPY**"), New Zealand Dollars ("**NZD**"), Norwegian Kroner ("**NKR**"), Polish Zloty ("**PLN**"), Pounds Sterling ("**GBP**"), South African Rand ("**ZAR**"), Swedish Kronor ("**SEK**"), Swiss Francs ("**CHF**") and United States dollars ("**USD**")), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

#### *Partly Paid Instruments*

- 1.11 Instruments may be issued on a partly paid basis ("**Partly Paid Instruments**") if so specified in the Final Terms. The subscription moneys therefor shall be paid in such number of instalments ("**Partly Paid Instalments**") in such amounts, on such dates and in such manner as may be specified in the

Final Terms. The first such instalment shall be due and payable on the date of issue of the Instruments. For the purposes of these Terms and Conditions, in respect of any Partly Paid Instrument ("**Paid Up Amount**") means the aggregate amount of all Partly Paid Instalments in respect thereof as shall have fallen due and been paid up in full in accordance with the Terms and Conditions.

Not less than 14 days nor more than 30 days prior to the due date for payment of any Partly Paid Instalment (other than the first such Instalment) the Issuer shall publish a notice in accordance with Condition 14 stating the due date for payment thereof and stating that failure to pay any such Partly Paid Instalment on or prior to such date will entitle the Issuer to forfeit the Instruments with effect from such date ("**Forfeiture Date**") as may be specified in such notice (not being less than 14 days after the due date for payment of such Partly Paid Instalment), unless payment of the relevant Partly Paid Instalment together with any interest accrued thereon is paid prior to the Forfeiture Date.

The Issuer shall procure that any Partly Paid Instalments paid in respect of any Instruments subsequent to the Forfeiture Date in respect thereof shall be returned promptly to the persons entitled thereto. The Issuer shall not be liable for any interest on any Partly Paid Instalment so returned.

Interest shall accrue on any Partly Paid Instalment which is not paid on or prior to the due date for payment thereof at the Interest Rate (in the case of non-interest bearing Instruments, at the rate applicable to overdue payments) and shall be calculated in the same manner and on the same basis as if it were interest accruing on the Instruments for the period from and including the due date for payment of the relevant Partly Paid Instalment up to but excluding the Forfeiture Date. For the purpose of the accrual of interest, any payment of any Partly Paid Instalment made after the due date for payment shall be treated as having been made on the day preceding the Forfeiture Date (whether or not a Business Day as defined in Condition 5.9).

Unless an Event of Default shall have occurred and be continuing, on the Forfeiture Date, the Issuer shall forfeit all of the Instruments in respect of which any Partly Paid Instalment shall not have been duly paid, whereupon the Issuer shall be entitled to retain all Partly Paid Instalments previously paid in respect of such Instruments and shall be discharged from any obligation to repay such amount or to pay interest thereon, or (where such Instruments are represented by a Temporary Global Instrument or a Permanent Global Instrument) to exchange any interests in such Instrument for interests in a Permanent Global Instrument or to deliver Definitive Instruments or Registered Instruments in respect thereof, but shall have no other rights against any person entitled to the Instruments which have been so forfeited.

Without prejudice to the right of the Issuer to forfeit any Instruments, for so long as any Partly Paid Instalment remains due but unpaid, and except in the case where an Event of Default shall have occurred and be continuing (a) no interests in a Temporary Global Instrument may be exchanged for interests in a Permanent Global Instrument and (b) no transfers of Registered Instruments or exchanges of Bearer Instruments for Registered Instruments may be requested or effected.

Until such time as all the subscription moneys in respect of Partly Paid Instruments shall have been paid in full and except in the case where an Event of Default shall have occurred and be continuing or if any of Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, no interests in a Temporary Global Instrument or a Permanent Global Instrument may be exchanged for Definitive Instruments or Registered Instruments.

## 2. **TITLE AND TRANSFER**

2.1 Title to Bearer Instruments, Receipts and Coupons passes by delivery. References herein to the "**Holder**s" of Bearer Instruments or of Receipts or Coupons are to the bearers of such Bearer Instruments or such Receipts or Coupons.

2.2 Title to Registered Instruments passes by registration in the register which the Issuer shall procure to be kept by the Registrar. For the purposes of these Terms and Conditions, "**Registrar**" means, in relation to any Series comprising Registered Instruments, the Principal Registrar or, as the case may be, the Alternative Registrar, as specified in the Final Terms, provided always that, where such Series is admitted to listing and trading on a listing authority, stock exchange and/or quotation system that

requires a registrar to be resident in the jurisdiction of such authority, stock exchange and/or quotation system, "**Registrar**" shall mean an agent resident in that jurisdiction, as specified in the Final Terms. References herein to the "**Holders**" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

- 2.3 The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

*Transfer of Registered Instruments and exchange of Bearer Instruments for Registered Instruments*

- 2.4 A Registered Instrument may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar.

A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor. Registered Instruments held in global form shall be transferred in accordance with the rules and regulations of the relevant clearing systems.

- 2.5 If so specified in the Final Terms, the Holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Fiscal Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.6) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 9B.3) for such payment of interest and the date on which such payment of interest falls due.

- 2.6 Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Fiscal Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or the Fiscal Agent until the day following the due date for such payment.

*For the purposes of these Terms and Conditions,*

- (i) "**Relevant Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to the Fiscal Agent, in the place where the specified office of the Fiscal Agent is located;
- (ii) the "**exchange date**" shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.5; and

- (iii) the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.4.

2.7 The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer, the Fiscal Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

### 3. **STATUS OF THE INSTRUMENTS**

The Instruments constitute direct, unconditional and general obligations of the Issuer and rank *pari passu* among themselves and equally with all other unsecured External Indebtedness of the Issuer.

The Instruments shall be equivalent in all respects to Italian public debt securities and the proceeds of the issue of Instruments shall be equivalent in all respects to the proceeds of Italian public debt securities.

For this purpose, "**External Indebtedness**" means all indebtedness of the Issuer in respect of moneys borrowed by the Issuer on the international market.

### 4. **NEGATIVE PLEDGE**

So long as any of the Instruments remain outstanding, the Issuer will not grant or have outstanding any mortgage, lien (other than a lien arising by operation of law), pledge or other charge upon the whole or any part of its revenues, property or assets, present or future, to secure any bonds, notes or like securities (or any guarantee thereof) that are placed outside the Republic of Italy without at the same time according to the Instruments the same security as is granted or is outstanding in respect thereof.

### 5. **INTEREST**

#### *Interest*

5.1 Instruments may be interest-bearing or non interest-bearing, as specified in the Final Terms. Words and expressions appearing in this Condition 5 and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 5.9.

#### *Interest-bearing Instruments*

5.2 Instruments which are specified in the Final Terms as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date.

#### *Floating Rate Instruments*

5.3 If the Final Terms specify the Interest Rate applicable to the Instruments as being Floating Rate it shall also specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Instruments for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

- (a) the Calculation Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (b) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is

unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market (or, in the case where the Floating Rate basis is EURIBOR or EONIA, in the Euro-zone interbank Market), selected by the Issuer in accordance with the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market (or, in the case where the Floating Rate basis is EURIBOR or EONIA, in the Euro-zone interbank Market) for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

- (c) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (d) if, fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (or, in the case of Instruments denominated in Euro, in such financial centre or centres within the euro-zone as the Calculation Agent may select) selected by the Issuer in accordance with the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres in the Euro-zone as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period for the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

and the Interest Rate applicable to such Instruments during each Interest Accrual Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined provided, however, that, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Instruments during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Instruments in respect of the last preceding Interest Accrual Period.

#### *ISDA Rate Instruments*

5.4 If the Final Terms specify the Interest Rate applicable to the Instruments as being ISDA Rate, each Instrument shall bear interest as from such date, and at such rate or in such amounts, and such interest will be payable on such dates, as would have applied (regardless of any event of default or termination event or tax event thereunder) if the Issuer had entered into an interest rate swap transaction with the Holder of such Instrument under the terms of an agreement to which the ISDA Definitions applied and under which:

- the Fixed Rate Payer, Fixed Amount Payer, Fixed Price Payer, Floating Rate Payer, Floating Amount Payer or, as the case may be, the Floating Price Payer is the Issuer (as specified in the Final Terms);
- the Effective Date is the Interest Commencement Date;
- the Termination Date is the Maturity Date;
- the Calculation Agent is the Calculation Agent as specified in the Final Terms;
- the Calculation Periods are the Interest Accrual Periods;
- the Period End Dates are the Interest Period End Dates;
- the Payment Dates are the Interest Payment Dates;
- the Reset Dates are the Interest Period End Dates;

- the Calculation Amount is the principal amount of such Instrument;
- the Day Count Fraction applicable to the calculation of any amount is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions;
- the Applicable Business Day Convention applicable to any date is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions; and
- the other terms are as specified in the Final Terms.

*Maximum or Minimum Interest Rate*

- 5.5 If any Maximum or Minimum Interest Rate is specified in the Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

*Accrual of Interest*

- 5.6 Interest shall accrue on the Outstanding Principal Amount of each Instrument during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 6.9) or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at EONIA or such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Fiscal Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

*Interest Amount(s), Calculation Agent and Reference Banks*

- 5.7 If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the "**Interest Amount(s)**") in respect of each denomination of the Instruments (in the case of Bearer Instruments) and the minimum denomination (in the case of Registered Instruments) for the relevant Interest Accrual Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Registrar (in the case of Registered Instruments), the Issuer, the Holders in accordance with Condition 14 and, if the Instruments are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Instruments become due and payable under Condition 7, the Interest Rate and the accrued interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount,

the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Instruments and a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

#### *Calculations and Adjustments*

5.8 The amount of interest payable in respect of any Instrument for any period shall be calculated by multiplying the product of the Interest Rate and the Outstanding Principal Amount by the relevant Day Count Fraction, save that (i) if the Final Terms specify a specific amount in respect of such period, the amount of interest payable in respect of such Instrument for such period will be equal to such specified amount and (ii) in the case of Instruments where the Interest Rate is fixed and a specific amount is not specified in the Final Terms as described above, the amount of interest shall be calculated on the following basis:

- (a) if "**Actual/Actual (ICMA)**" is specified in the Final Terms as the Day Count Fraction, and the Calculation Period is equal to or shorter than the Regular Period (as defined below) during which it falls, interest will be calculated on the basis of the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if "**Actual/Actual (ICMA)**" is specified in the Final Terms as the Day Count Fraction, and the Calculation Period is longer than one Regular Period, interest will be calculated on the basis of the sum of:
  - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (c) if "**30/360**" is specified in the Final Terms, interest will be calculated on the basis of the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; or

- (d) on such other basis as is specified in the Final Terms (including, without limitation, if the Interest Payment Dates do not fall at regular intervals between the Issue Date and the Maturity Date).

For the purposes of this Condition:

- (i) the day and month (but not the year) on which any Interest Payment Date falls shall be a "**Regular Date**"; and
- (ii) each period from and including a Regular Date falling in any year to but excluding the next succeeding Regular Date shall be a "**Regular Period**".

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all USD amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all JPY amounts used in or resulting from such calculations will be rounded downwards to the next lower whole JPY amount, and (d) all amounts denominated in Euro or any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

#### *Definitions*

- 5.9 "**Applicable Business Day Convention**" means the "Business Day Convention" which may be specified in the Final Terms as applicable to any date in respect of the Instruments unless the Final Terms specify "No Adjustment" in relation to any date in which case such date shall not be adjusted in accordance with any Business Day Convention. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Instruments.

"**Banking Day**" means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

"**Business Day**" means a day (other than a Saturday or Sunday):

- (i) in relation to Instruments denominated or payable in Euro, on which the TARGET System is operating;
- (ii) in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and
- (iii) in either case, on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms.

"**Business Day Convention**" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Final Terms in relation to any date applicable to any Instruments, shall have the following meanings:

- (i) **"Following Business Day Convention"** means that such date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (iv) **"FRN Convention"** or **"Eurodollar Convention"** means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which the preceding such date occurred Provided that:
  - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

**"Calculation Agent"** means such agent as may be specified in the Final Terms as the Calculation Agent and if none is so specified, then the Fiscal Agent.

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (**"Calculation Period"**), such day count fraction as may be specified in the Final Terms and:

- (i) if **"Actual/365"** or **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (iii) if **"30/360"** is specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (iv) if "**30E/360**" or "**Eurobond Basis**" is so specified means, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (v) if "**30E/360 (ISDA)**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

- (vi) if "**Actual/Actual (ICMA)**" is so specified, means:
- (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
- (vii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Euro-zone**" means the zone comprising the Member States of the European Union (the "**EU**") that participate or are participating in European Monetary Union and that adopt or have adopted the Euro as their lawful currency.

"**Interest Accrual Period**" means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

"**Interest Commencement Date**" means the date of issue of the Instruments (as specified in the Final Terms) or such other date as may be specified as such in the Final Terms.

"**Interest Determination Date**" means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified:

- (i) in the case of Instruments denominated in Pounds Sterling, the first day of such Interest Accrual Period; or
- (ii) in the case of Instruments denominated in Euro, the date falling two TARGET Business Days prior to the first day of such Interest Accrual Period; or
- (iii) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

**"Interest Payment Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Instruments (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

**"Interest Period"** means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

**"Interest Period End Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if an Applicable Business Day Convention is specified in the Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Instruments.

**"Interest Rate"** means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Instruments specified in, or calculated or determined in accordance with the provisions of, the Final Terms.

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Instruments of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Instruments of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Outstanding Principal Amount"** means, in respect of an Instrument, its principal amount less, in respect of any Instalment Instrument, any principal amount on which interest shall have ceased to accrue in accordance with Condition 5.6 or, in the case of a Partly Paid Instrument, the Paid Up Amount of such Instrument or otherwise as indicated in the Final Terms.

**"Reference Banks"** means such banks as may be specified in the Final Terms as the Reference Banks or, if none are specified, "Reference Banks" has the meaning given in the ISDA Definitions, mutatis mutandis.

**"Relevant Financial Centre"** means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of "Business Day" in the ISDA Definitions and in any other place specified in the Final Terms.

**"Relevant Time"** means the time as of which any rate is to be determined as specified in the Final Terms or, if none is specified, at which it is customary to determine such rate.

**"Reuters Screen"** means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying such information).

**"TARGET Business Day"** means a day on which the TARGET System is operating.

**"TARGET System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) payment system which utilises a single shared platform and which was launched on 19 November 2007.

*Non-Interest Bearing Instruments*

- 5.10 If any Maturity Redemption Amount (as defined in Condition 6.1) in respect of any Instrument which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the Final Terms or at such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 that the Fiscal Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

The amount of any such interest shall be calculated in accordance with the provisions of Condition 5.8 as if the Interest Rate was the Amortisation Yield, the Outstanding Principal Amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the Final Terms or, if not so specified, 30E/360 (as defined in Condition 5.9).

6. **REDEMPTION AND PURCHASE**

*Redemption at Maturity*

- 6.1 Unless previously redeemed, or purchased and cancelled or unless such Instrument is stated in the Final Terms as having no fixed maturity date, each Instrument shall be redeemed at its maturity redemption amount (the "**Maturity Redemption Amount**") (which shall be its Outstanding Principal Amount or such other redemption amount as may be specified in or determined in accordance with the Final Terms) (or, in the case of Instalment Instruments, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the Final Terms) on the date or dates (or, in the case of Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Final Terms.

*Optional Early Redemption (Call)*

- 6.2 If this Condition 6.2 is specified in the Final Terms as being applicable, then the Issuer may, having given the appropriate notice and subject to such conditions as may be specified in the Final Terms, redeem all (but not, unless and to the extent that the Final Terms specify otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their Outstanding Principal Amount or, in the case of Instruments which are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.10) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon on the date specified in such notice. In the case of a partial redemption of Instruments, the Instruments to be redeemed ("**Redeemed Instruments**") will be selected individually by lot, in the case of Redeemed Instruments represented by definitive Instruments, and in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion), in the case of Redeemed Instruments represented by a Global Instrument, not more than 30 days prior to the date fixed for redemption.

The Issuer may not exercise such option in respect of any Instrument which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Instrument under Condition 6.5.

6.3 The appropriate notice referred to in Condition 6.2 is a notice given by the Issuer to the Holders of the Instruments of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:

- the Series of Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Instrument or Permanent Global Instrument) the serial numbers of the Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be not less than thirty days nor more than sixty days after the date on which such notice is given and which shall be such date or the next of such dates ("**Call Option Date(s)**") or a day falling within such period ("**Call Option Period**"), as may be specified in the Final Terms and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the Early Redemption Amount (Call) at which such Instruments are to be redeemed.

*Partial Redemption*

6.4 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 6.2:

- in the case of Bearer Instruments (other than a Temporary Global Instrument or Permanent Global Instrument), the Instruments to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair;
- in the case of a Temporary Global Instrument or a Permanent Global Instrument, the Instruments to be redeemed shall be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; and
- in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) pro rata to their principal amounts, provided always that the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Instruments may be listed.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.7 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

*Optional Early Redemption (Put)*

6.5 If this Condition 6.5 is specified in the Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its Outstanding Principal Amount or, if such Instrument is non-interest bearing, its Amortised Face Amount (as defined in Condition 6.10) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates ("**Put Date(s)**") or a day falling within such period ("**Put Period**") as may be specified in the Final Terms), deposit the relevant Instrument (together, in the case of an interest-

bearing Definitive Instrument, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 9A.6 apply) during normal business hours at the specified office of, in the case of a Bearer Instrument, the Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed early redemption notice ("**Put Notice**") in the form which is available from the specified office of the Paying Agent or, as the case may be, the Registrar specifying, in the case of a Temporary Global Instrument or Permanent Global Instrument or Registered Instrument, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.7 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

The holder of an Instrument may not exercise such option in respect of any Instrument which is the subject of an exercise by the Issuer of its option to redeem such Instrument under Condition 6.2.

#### *Purchase of Instruments*

- 6.6 The Issuer may at any time purchase Instruments in the open market or otherwise and at any price provided that all unmatured Receipts and Coupons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all Holders of Instruments alike.

#### *Cancellation of Redeemed and Purchased Instruments*

- 6.7 All unmatured Instruments and Coupons redeemed or purchased in accordance with this Condition 6 will be cancelled forthwith and may not be reissued or resold.

#### *Further Provisions applicable to Redemption Amount and Instalment Amounts*

- 6.8 The provisions of Condition 5.7 and the last paragraph of Condition 5.8 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Calculation Agent (as defined in Condition 5.9).
- 6.9 References herein to "**Redemption Amount**" shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms.
- 6.10 In the case of any Instrument which is non-interest bearing, the "**Amortised Face Amount**" shall be an amount equal to the sum of:
- (i) the Issue Price specified in the Final Terms; and
  - (ii) the product of the Amortisation Yield (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Final Terms to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Instrument becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 5.9) specified in the Final Terms for the purposes of this Condition 6.10.

- 6.11 If any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 6.10 but as if references in subparagraph (ii) to the date fixed for

redemption or the date upon which such Instrument becomes due and repayable were replaced by references to the earlier of:

- (i) the date on which, upon due presentation or surrender of the relevant Instrument (if required), the relevant payment is made; and
- (ii) (except where presentation or surrender of the relevant Instrument is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Instruments in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

## 7. EVENTS OF DEFAULT

7.1 The following events or circumstances as modified by, and/or such other events as may be specified in, the Final Terms (each an "**Event of Default**") shall be acceleration events in relation to the Instruments of any Series, namely:

- (i) *Non-payment:* the Issuer fails to pay any amount of principal or interest in respect of the Instruments of the relevant Series or any of them within 30 days of the due date for payment thereof; or
- (ii) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Instruments of the relevant Series or the Issue and Paying Agency Agreement and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Fiscal Agent by the Holder of any such Instrument; or
- (iii) *Non-payment of External Indebtedness:* if the Issuer fails to pay any principal or interest on any External Indebtedness on its due date or any External Indebtedness has become due for premature repayment as a result of acceleration of maturity by reason of default.

7.2 If any Event of Default occurs and is continuing in relation to any Series of Instruments, the Holders of not less than 25% of the aggregate principal amount of the outstanding Instruments of the relevant Series may, by written notice given to the Issuer, declare the Instruments to be immediately due and payable. Upon any declaration of acceleration properly given in accordance with this Condition, all amounts payable on the Instruments will become immediately due and payable on the date that written notice of acceleration is received by the Issuer, unless the Event of Default has been remedied or waived prior to the receipt of the notice by the Issuer. The Instruments shall become immediately due and payable at their early termination amount (the "**Early Termination Amount**") (which shall be their Outstanding Principal Amount or, if such Instruments are non-interest bearing, their Amortised Face Amount (as defined in Condition 6.10) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms), together with all interest (if any) accrued thereon.

7.3 The Holders of more than 50% of the aggregate principal amount of the outstanding Instruments of the relevant Series may, on behalf of all Holders of the Instruments of the relevant Series, rescind or annul any notice of acceleration given pursuant to Condition 7.2 above.

7.4 In the absence of the notice of acceleration referred to in Condition 7.2. above and not earlier than 90 days after the occurrence of any Event of Default in relation to any Series of Instruments, any Holder of an Instrument of the relevant Series may, by written notice to the Issuer, at the specified office of the Fiscal Agent, declare that such Instrument and (if the Instrument is interest-bearing) all interest then accrued on such Instrument shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Termination Amount, together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Instruments to the contrary notwithstanding,

unless, prior thereto, all Events of Default in respect of the Instruments of the relevant Series shall have been cured.

## 8. TAXATION

8.1 All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Instruments will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Italy or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Instrument or Coupon:

- (i) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with the Republic of Italy other than by reason of (a) the mere holding of such Instrument or Coupon or (b) the receipt of principal, interest or other amount in respect of such Instrument or Coupon; or
- (ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on or before the expiry of such period of thirty days; or
- (iii) presented for payment in the Republic of Italy; or
- (iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the EU.

8.2 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Fiscal Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 14.

8.3 If the Issuer becomes subject generally at any time to any taxing jurisdiction other than or in addition to the Republic of Italy references in Condition 8.1 to the Republic of Italy shall be read and construed as references to the Republic of Italy and/or to such other jurisdiction(s).

8.4 Any reference in these Terms and Conditions to "**principal**" and/or "**interest**" in respect of the Instruments shall be deemed also to refer to any additional amounts which may be payable under this Condition 8. Unless the context otherwise requires, any reference in these Terms and Conditions to "principal" shall include any premium payable in respect of an Instrument, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "interest" shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

## 9. PAYMENTS

### 9A. Payments — Bearer Instruments

9A.1 This Condition 9A is applicable in relation to Instruments in bearer form.

9A.2 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of partial payment or payment of an Instalment

Amount (other than the final Instalment Amount)) surrender of the relevant Bearer Instruments at the specified office of the Paying Agent.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Instrument which is a Definitive Instrument with Receipts will be made against presentation of the Instrument together with the relevant Receipt and surrender of such Receipt at the specified office of the Paying Agent.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Instrument to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of an Instrument without the relative Receipt or the presentation of a Receipt without the Instrument to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

9A.3 Payment of amounts in respect of interest on Bearer Instruments will be made:

- (i) in the case of a Temporary Global Instrument or Permanent Global Instrument, against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the specified office of the Paying Agent outside (unless Condition 9A.4 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein;
- (ii) in the case of Definitive Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Instruments at the specified office of the Paying Agent outside (unless Condition 9A.4 applies) the United States; and
- (iii) in the case of Definitive Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 9A.4 applies) the United States.

9A.4 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 9A.7 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agent outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

9A.5 If the due date for payment of any amount due in respect of any Bearer Instrument is not a Relevant Financial Centre Day (as defined in Condition 9C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, if appropriate, Condition 5.10.

9A.6 Each Definitive Instrument initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption

Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

- (i) if the Final Terms specify that this paragraph (i) of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph (i) shall apply to Definitive Instruments which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of the Paying Agent at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;
- (ii) if the Final Terms specify that this paragraph (ii) of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Instruments which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;
- (iii) in the case of Definitive Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and
- (iv) in the case of Definitive Instruments initially delivered with Receipts attached thereto, all Receipts relating to such Instruments in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 9A.6 notwithstanding, if any Definitive Instruments should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Definitive Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates (Payments of interest and principal on Global Instruments will be made in accordance with the rules and regulations of the relevant clearing systems).

- 9A.7 In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent outside (unless Condition 9A.4 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

**9B. Payments — Registered Instruments**

- 9B.1 This Condition 9B is applicable in relation to Instruments in registered form.
- 9B.2 Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Instruments will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Instrument is not a Relevant Financial Centre Day (as defined in Condition 9C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, as appropriate, Condition 5.10.
- 9B.3 Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.6) before the due date for such payment (the "**Record Date**").
- 9B.4 Notwithstanding the provisions of Condition 9C.2, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Instruments will be made in the currency in which such amount is due by cheque (in the case of payment in sterling, drawn on a town clearing branch of a bank in the city of London) and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.6) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account.

In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.6 or, as appropriate, Condition 5.10.

9C. **Payments — General Provisions**

- 9C.1 Save as otherwise specified in these Terms and Conditions, this Condition 9C is applicable in relation to Instruments whether in bearer or in registered form.
- 9C.2 Payments of amounts due (whether principal, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due by cheque (in the case of payment in sterling, drawn on a bank in the city of London) or by transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.
- 9C.3 For the purposes of these Terms and Conditions:

- (i) **"Relevant Financial Centre Day"** means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the Final Terms or in the case of payment in Euro, a TARGET Business Day; and
- (ii) **"local banking day"** means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon.

9C.4 No commissions or expenses shall be charged to the holders of Instruments or Coupons in respect of such payments.

## 10. **PRESCRIPTION**

- 10.1 Claims against the Issuer for payment of principal and interest in respect of Instruments will be prescribed and become void unless made within five years of the Relevant Date (as defined in Condition 8.2) for payment thereof.
- 10.2 In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.6 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 10 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument.

## 11. **THE PAYING AGENT, THE REGISTRARS AND THE CALCULATION AGENT**

- 11.1 The initial Paying Agent and Registrars and their respective initial specified offices are specified below. The Calculation Agent in respect of any Instruments shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar or the Calculation Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent provided that it will at all times maintain (i) a Fiscal Agent, (ii) in the case of Registered Instruments, a Registrar, (iii) a Paying Agent (which may be the Fiscal Agent) with a specified office in a continental European city, (iv) so long as the Instruments are admitted to listing and trading on any stock exchange, a Paying Agent (which may be the Fiscal Agent) or a Registrar, as applicable, with a specified office in such place as may be required by the rules of such other stock exchange, (v) in the circumstances described in Condition 9A.4, a Paying Agent with a specified office in New York City and (vi) a Calculation Agent where required by the Terms and Conditions applicable to any Instruments (in the case of (i), (ii), (iii), (iv) and (v) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agent, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agent, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.
- 11.2 The Paying Agent, the Registrar and the Calculation Agent act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Instrument, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

## 12. REPLACEMENT OF INSTRUMENTS

If any Instrument, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Final Terms (in the case of Bearer Instruments and Coupons) or of the Registrar (in the case of Registered Instruments) ("**Replacement Agent**"), subject to all applicable laws and the requirements of any stock exchange or other relevant authority on which the Instruments are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Instruments, Receipts and Coupons must be surrendered before replacements will be delivered therefor.

## 13. MEETINGS OF HOLDERS AND MODIFICATION

### (a) *General*

The Issue and Paying Agency Agreement contains provisions for convening meetings of holders of Instruments to consider matters relating to the Instruments, including the modification of any provision of the Terms and Conditions and related provisions of any agreement governing the issuance or administration of the Instruments, including the Issue and Paying Agency Agreement. The following is a summary of selected provisions contained in the Issue and Paying Agency Agreement.

For the purposes of this Condition 13 (*Meetings of Holders and Modification*):

- (i) '**debt securities**' means the Instruments and any other bills, instruments, debentures, notes or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year, and includes any such obligation, irrespective of its original stated maturity, that formerly constituted a component part of a debt security.
- (ii) '**cross-series modification**' means a modification involving (i) the Instruments or any agreement governing the issuance or administration of the Instruments, and (ii) the debt securities of one or more other series or any agreement governing the issuance or administration of such other debt securities.
- (iii) only for the purpose of this Condition 13, '**holder**' in relation to an Instrument means the person in whose name the Instrument is registered on the books and records of the Issuer, the bearer of the Instruments, and in relation to any other debt security means the person the Issuer is entitled to treat as the legal holder of the debt security under the law governing that debt security.
- (iv) '**outstanding**' in relation to any Instrument means an Instrument that is outstanding for purposes of Condition 13(j) (*Outstanding Instruments - Instruments Controlled by the Republic of Italy*), and in relation to the debt securities of any other series means a debt security that is outstanding for the purposes of Condition 13 (k) (*Outstanding Debt Securities*).
- (v) '**modification**' in relation to the Instruments means any modification, amendment, supplement or waiver of the Terms and Conditions of the Instruments or any agreement governing the issuance or administration of the Instruments, and has the same meaning in relation to the debt securities of any other series save that any of the foregoing references to the Instruments or any agreement governing the issuance or administration of the Instruments shall be read as references to such other debt securities or any agreement governing the issuance or administration of such other debt securities.
- (vi) '**reserved matter**' in relation to the Instruments means any modification of the Terms and Conditions of the Instruments or of any agreement governing the issuance or administration of the Instruments that would:

- (a) change the date on which any amount is payable on the Instruments;
- (b) reduce any amount, including any overdue amount, payable on the Instruments;
- (c) change the method used to calculate any amount payable on the Instruments;
- (d) reduce the redemption price for the Instruments or change any date on which the Instruments may be redeemed;
- (e) change the currency or place of payment of any amount payable on the Instruments;
- (f) impose any condition on or otherwise modify the Issuer's obligation to make payments on the Instruments;
- (g) change any payment-related circumstance under which the Instruments may be declared due and payable prior to their stated maturity;
- (h) change the seniority or ranking of the Instruments;
- (i) change any immunity waived by the Issuer in relation to legal proceedings arising out of or in connection with the Instruments;
- (j) change the principal amount of outstanding Instruments or, in the case of a cross-series modification, the principal amount of debt securities of any other series required to approve a proposed modification in relation to the Instruments, the principal amount of outstanding Instruments required for a quorum to be present, or the rules for determining whether an Instrument is outstanding for these purposes; or
- (k) change the definition of a reserved matter,

and has the same meaning in relation to the debt securities of any other series save that any of the foregoing references to the Instruments or any agreement governing the issuance or administration of the Instruments shall be read as references to such other debt securities or any agreement governing the issuance or administration of such other debt securities.

- (vii) only for the purpose of this Condition 13, '**record date**' in relation to any proposed modification means the date fixed by the Issuer for determining the holders of Instruments and, in the case of a cross-series modification, the holders of debt securities of each other series that are entitled to vote on or sign a written resolution in relation to the proposed modification.
- (viii) '**series**' means a tranche of debt securities, together with any further tranche or tranches of debt securities that in relation to each other and to the original tranche of debt securities are (i) identical in all respects except for their date of issuance or first payment date, and (ii) expressed to be consolidated and form a single series, and includes the Instruments and any further issuances of Instruments.

(b) *Convening Meetings.*

A meeting of holders of Instruments:

- (i) may be convened by the Issuer at any time; and

- (ii) will be convened by the Issuer if an event of default in relation to the Instruments has occurred and is continuing and a meeting is requested in writing by the holders of not less than 10% of the aggregate principal amount of the Instruments then outstanding.

(c) *Quorum.*

The quorum at any meeting at which holders of Instruments will vote on a proposed modification to, or a proposed modification of:

- (i) a reserved matter will be one or more persons present and holding not less than  $66\frac{2}{3}\%$  of the aggregate principal amount of the Instruments then outstanding; and
- (ii) a matter other than a reserved matter will be one or more persons present and holding not less than 50% of the aggregate principal amount of the Instruments then outstanding.

If a quorum is not present within thirty minutes of the time appointed for a meeting, the meeting may be adjourned for a period of not more than 42 days and not less than 14 days as determined by the chair of the meeting.

The quorum for any adjourned meeting will be one or more persons present and holding:

- (i) not less than  $66\frac{2}{3}\%$  of the aggregate principal amount of the Instruments then outstanding in the case of a proposed reserved matter modification or a proposal relating to a reserved matter; and
- (ii) not less than 25% of the aggregate principal amount of the Instruments then outstanding in the case of a non-reserved matter modification or any proposal relating to a matter other than a reserved matter.

(d) *Non-Reserved Matter Modification.*

The Terms and Conditions of the Instruments and any agreement governing the issuance or administration of the Instruments may be modified in relation to any matter other than a reserved matter with the consent of the Issuer and:

- (i) the affirmative vote of holders of more than 50% of the aggregate principal amount of the outstanding Instruments represented at a duly called meeting of holders of Instruments; or
- (ii) a written resolution signed by or on behalf of holders of more than 50% of the aggregate principal amount of the outstanding Instruments.

(e) *Reserved Matter Modification.*

The Terms and Conditions of the Instruments and any agreement governing the issuance or administration of the Instruments may be modified in relation to a reserved matter with the consent of the Issuer and:

- (i) the affirmative vote of holders of not less than 75% of the aggregate principal amount of the outstanding Instruments represented at a duly called meeting of holders of Instruments; or
- (ii) a written resolution signed by or on behalf of holders of not less than  $66\frac{2}{3}\%$  of the aggregate principal amount of the Instruments then outstanding.

(f) *Cross-Series Modification.*

In the case of a cross-series modification (and/or a proposal in respect of a Cross-Series Modification), the Terms and Conditions of the Instruments and debt securities of any other series, and any agreement (including the Issue and Paying Agency Agreement) governing the issuance or administration of the Instruments or debt securities of such other series, may be modified in relation to a reserved matter with the consent of the Issuer and:

- (i) the affirmative vote of not less than 75% of the aggregate principal amount of the outstanding debt securities represented at separate duly called and quorate meetings of the holders of debt securities of all the series (taken in the aggregate) that would be affected by the proposal and/or proposed modification; or
- (ii) a written resolution signed by or on behalf of the holders of not less than 66<sup>2</sup>/<sub>3</sub>% of the aggregate principal amount of the outstanding debt securities of all the series (taken in the aggregate) that would be affected by the proposal and/or proposed modification;

and

- (i) the affirmative vote of more than 66<sup>2</sup>/<sub>3</sub>% of the aggregate principal amount of the outstanding debt securities represented at separate duly called meetings of the holders of each series of debt securities (taken individually) that would be affected by the proposal and/or proposed modification; or
- (ii) a written resolution signed by or on behalf of the holders of more than 50% of the aggregate principal amount of the then outstanding debt securities of each series (taken individually) that would be affected by the proposal and/or proposed modification.

(g) *Written Resolutions*

A "written resolution" is a resolution in writing signed by or on behalf of holders of the requisite majority of the Instruments and will be valid for all purposes as if it was a resolution passed at a quorate meeting of holders of Instruments duly convened and held in accordance with these provisions. A written resolution may be set out in one or more documents in like form each signed by or on behalf of one or more holders of Instruments.

(h) *Entitlement to Vote*

Any person who is a holder of an outstanding Instrument on the record date for a proposed modification, and any person duly appointed as a proxy by a holder of an outstanding Instrument on the record date for a proposed modification, will be entitled to vote on the proposed modification at a meeting of holders of Instruments and to sign a written resolution with respect to the proposed modification.

(i) *Binding Effect*

A resolution duly passed at a quorate meeting of holders duly convened and held in accordance with these provisions, and a written resolution duly signed by the requisite majority of holders of Instruments, will be binding on all holder of Instruments, whether or not the holder was present at the meeting, voted for or against the resolution or signed the written resolution.

(j) *Outstanding Instruments - Instruments Controlled by the Republic of Italy*

In determining whether holders of the requisite principal amount of outstanding Instruments have voted in favour of a proposed modification or whether a quorum is present at any meeting of holders of Instruments called to vote on a proposed modification, an Instrument will be deemed to be not outstanding, and may not be voted for or against a proposed

modification or counted in determining whether a quorum is present, if on the record date for the proposed modification:

- (i) the Instrument has previously been cancelled or delivered for cancellation or held for reissuance but not reissued;
- (ii) the Instrument has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligation to make all payments due in respect of the Instrument in accordance with its terms; or
- (iii) the Instrument is held by the Issuer, by a department, ministry or agency of the Issuer, or by a corporation, trust or other legal entity that is controlled by the Issuer or a department, ministry or agency of the Issuer and, in the case of an Instrument held by any such above-mentioned corporation, trust or other legal entity, the holder of the Instrument does not have autonomy of decision, where:
  - (a) the holder of an Instrument for these purposes is the entity legally entitled to vote the Instrument for or against a proposed modification or, if different, the entity whose consent or instruction is by contract required, directly or indirectly, for the legally entitled holder, to vote the Instrument for or against a proposed modification;
  - (b) a corporation, trust or other legal entity is controlled by the Issuer or by a department, ministry or agency of the Issuer if the Issuer or any department, ministry or agency of the Issuer has the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity; and
  - (c) the holder of an Instrument has autonomy of decision if, under applicable law, rules or regulations and independent of any direct or indirect obligation the holder may have in relation to the Issuer: (x) the holder may not, directly or indirectly, take instruction from the Issuer on how to vote on a proposed modification; or (y) the holder, in determining how to vote on a proposed modification, is required to act in accordance with an objective prudential standard, in the interest of all of its stakeholders or in the holder's own interest; or (z) the holder owes a fiduciary or similar duty to vote on a proposed modification in the interest of one or more persons other than a person whose holdings of Instruments (if that person then held any Instruments) would be deemed to be not outstanding under this Condition 13(j) (*Outstanding Instruments - Instruments Controlled by the Republic of Italy*).

(k) *Outstanding Debt Securities*

In determining whether holders of the requisite principal amount of outstanding debt securities of another series have voted in favour of a proposed cross-series modification or whether a quorum is present at any meeting of the holders of such debt securities called to vote on a proposed cross-series modification, an affected debt security will be deemed to be not outstanding, and may not be voted for or against a proposed cross-series modification or counted in determining whether a quorum is present, in accordance with the applicable terms and conditions of that debt security.

(l) *Exchange and Conversion*

Any duly approved modification of the Terms and Conditions of the Instruments may be implemented by means of a mandatory exchange or conversion of the Instruments for new

debt securities containing the modified Terms and Conditions if the proposed exchange or conversion is notified to holders of Instruments prior to the record date for the proposed modification. Any conversion or exchange undertaken to implement a duly approved modification will be binding on all holders of Instruments.

(m) *Manifest Error, Technical Amendments, etc.*

Notwithstanding anything to the contrary herein, the Terms and Conditions of the Instruments and any agreement governing the issuance or administration of the Instruments (including the Issue and Paying Agency Agreement) may be modified by the Issuer without the consent of the holders:

- (i) to correct a manifest error or cure an ambiguity; or
- (ii) if the modification is of a formal, minor or technical nature or for the benefit of the holders.

The Issuer will publish the details of any modification of the Instruments made pursuant to this Condition 13(m) (*Manifest Error, Technical Amendments, etc.*) within ten days of the modification becoming legally effective.

## 14. NOTICES

### *To Holders of Bearer Instruments*

- 14.1 Notices to Holders of Bearer Instruments will, save where another means of effective communication has been specified herein or in the Final Terms, be deemed to be validly given if (i) published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) (ii) in the case of any Instruments which are admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange (so long as such Instruments are admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require), in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or (in the case of (i) or (ii)), if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe (or, if permitted by the rules of the relevant stock exchange, in the case of Instruments represented by a Temporary Global Instrument or Permanent Global Instrument, if delivered to Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein). The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Instruments are listed. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or, as the case may be, on the fourth weekday after the date of such delivery to Euroclear and Clearstream, Luxembourg and/or such other clearing system. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

### *To Holders of Registered Instruments*

- 14.2 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Instruments admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, any notices to holders must also be published in a daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

15. **FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Holders of any Instruments or Coupons, create and issue further instruments, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Instruments of any particular Series.

16. **CURRENCY INDEMNITY**

The currency in which the Instruments are denominated or, if different, payable, as specified in the Final Terms (the "**Contractual Currency**"), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an Instrument or Coupon in respect of such Instrument or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

17. **WAIVER AND REMEDIES**

No failure to exercise, and no delay in exercising, on the part of the Holder of any Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

18. **LAW AND JURISDICTION**

18.1 The Instruments, the Issue and Paying Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law. The Italian Courts shall have exclusive jurisdiction in accordance with all applicable Italian laws.

18.2 To the extent that the Issuer may be entitled to claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that there may be attributed to itself or its assets immunity (whether or not claimed), the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

## FORMS OF THE INSTRUMENTS

### Bearer Instruments

Each Tranche of Instruments in bearer form ("**Bearer Instruments**") will initially be in the form of either a temporary global instrument (the "**Temporary Global Instrument**"), without interest coupons, or a permanent global instrument (the "**Permanent Global Instrument**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Instrument or, as the case may be, Permanent Global Instrument (each a "**Global Instrument**") which is not intended to be a Classic Global Instrument, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Instruments with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Instrument which is intended to be issued as a New Global Instrument, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Instruments with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the European Central Bank (the "**ECB**") announced that instruments in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time, the ECB also announced that arrangements for instruments in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that instruments in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used. The Issuer only intends to issue Instruments under the Programme in NGN form where such Instruments, which must also fulfil certain other ECB criteria for Eurosystem collateral eligibility, will be eligible as collateral for the Eurosystem.

In the case of each Tranche of Bearer Instruments, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Instruments or, if the Instruments do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

#### *Temporary Global Instrument exchangeable for Permanent Global Instrument*

If the relevant Final Terms specify the form of Instruments as being "Temporary Global Instrument exchangeable for a Permanent Global Instrument", then the Instruments will initially be in the form of a Temporary Global Instrument which will be exchangeable, in whole or in part, for interests in a Permanent Global Instrument, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Instruments upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Instrument unless exchange for interests in the Permanent Global Instrument is improperly withheld or refused. In addition, interest payments in respect of the Instruments cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Instrument is to be exchanged for an interest in a Permanent Global Instrument, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Instrument to the bearer of the Temporary Global Instrument or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Instrument in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Instrument to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Instrument shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Instrument exceed the initial principal amount of the Temporary Global Instrument.

The Permanent Global Instrument will be exchangeable in whole, but not in part, for Bearer Instruments in definitive form ("**Definitive Instruments**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Instrument", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 7 (*Events of Default*) occurs.

Whenever the Permanent Global Instrument is to be exchanged for Definitive Instruments, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Instruments, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Instrument to the bearer of the Permanent Global Instrument against the surrender of the Permanent Global Instrument to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

*Temporary Global Instrument exchangeable for Definitive Instruments*

If the relevant Final Terms specifies the form of Instruments as being "Temporary Global Instrument exchangeable for Definitive Instruments" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Instruments will initially be in the form of a Temporary Global Instrument which will be exchangeable, in whole but not in part, for Definitive Instruments not earlier than 40 days after the issue date of the relevant Tranche of the Instruments.

If the relevant Final Terms specifies the form of Instruments as being "Temporary Global Instrument exchangeable for Definitive Instruments" and also specifies that the TEFRA D Rules are applicable, then the Instruments will initially be in the form of a Temporary Global Instrument which will be exchangeable, in whole or in part, for Definitive Instruments not earlier than 40 days after the issue date of the relevant Tranche of the Instruments upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Instruments cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Instrument is to be exchanged for Definitive Instruments, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Instruments, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Instrument to the bearer of the Temporary Global Instrument against the surrender of the Temporary Global Instrument to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

*Permanent Global Instrument exchangeable for Definitive Instruments*

If the relevant Final Terms specifies the form of Instruments as being "Permanent Global Instrument exchangeable for Definitive Instruments", then the Instruments will initially be in the form of a Permanent Global Instrument which will be exchangeable in whole, but not in part, for Definitive Instruments:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Instrument", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 7 (*Events of Default*) occurs.

Whenever the Permanent Global Instrument is to be exchanged for Definitive Instruments, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Instruments, duly authenticated and

with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Instrument to the bearer of the Permanent Global Instrument against the surrender of the Permanent Global Instrument to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### *Legend concerning United States persons*

In the case of any Tranche of Bearer Instruments having a maturity of more than 365 days, the Instruments in global form, the Instruments in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

#### *Exchange for Definitive Instruments*

Notwithstanding the foregoing, the exchange upon notice/at any time options should not be expressed to be applicable if the Denomination of the Instruments includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Denomination construction is not permitted in relation to any issuance of Instruments which is to be represented on issue by a Temporary Global Instrument or a Permanent Global Instrument, as the case may be, exchangeable for Definitive Instruments.

#### **Registered Instruments**

Each Tranche of Instruments in registered form ("**Registered Instruments**") will be in the form of either individual Instrument certificates in registered form ("**Individual Instrument Certificates**") or a global Instrument in registered form (a "**Global Registered Instrument**"), in each case as specified in the relevant Final Terms.

If the relevant Final Terms specifies the form of Instruments as being "Individual Instrument Certificates", then the Instruments will at all times be in the form of Individual Instrument Certificates issued to each Holder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Instruments as being "Global Registered Instrument exchangeable for Individual Instrument Certificates", then the Instruments will initially be in the form of a Global Registered Instrument which will be exchangeable in whole, but not in part, for Individual Instrument Certificates:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Instrument", then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (ii) any of the circumstances described in Condition 7 (*Events of Default*) occurs.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered instruments which the ICSDs had designed in cooperation with market participants and that Instruments to be held under the New Safekeeping Structure would be in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Instruments to be held in NSS form will be offered

by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used. The Issuer only intends to issue Instruments under the Programme to be held under the NSS where such Instruments, which must also fulfil certain other ECB criteria for Eurosystem collateral eligibility, will be eligible as collateral for the Eurosystem.

Each Global Registered Instrument will either be: (a) in the case of an Instrument which is not to be held under the New Safekeeping Structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms; or (b) in the case of an Instrument to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Instrument Certificates in accordance with its terms.

### **Terms and Conditions applicable to the Instruments**

The terms and conditions applicable to any Instrument in global form will differ from those terms and conditions which would apply to the Instrument were it in definitive form to the extent described under "*Provisions Relating to the Instruments while in Global Form*" below.

The terms and conditions applicable to any Definitive Instrument or Individual Instrument Certificate will be endorsed on that Instrument and will consist of the terms and conditions set out under "*Terms and Conditions of the Instruments*" above and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

## SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILST IN GLOBAL FORM

### (A) Relationship of Accountholders with Clearing Systems

In relation to any Tranche of Instruments in bearer form represented by a Global Instrument, references in the Terms and Conditions of the Instruments to "**holder**" are references to the bearer of the relevant Global Instrument which, for so long as the Global Instrument or Global Registered Instrument is held by a depositary or a common depositary or, in the case of an NGN or a Global Registered Instrument to be held under the NSS, a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of an Instrument represented by a Global Instrument (which expression includes a Temporary Global Instrument and a Permanent Global Instrument) or Global Registered Instrument must look solely to Euroclear, Clearstream, Luxembourg or such other clearing system (as the case may be) for such person's share of each payment made by the Issuer to the bearer of such Global Instrument or the registered holder of the Global Registered Instrument, as the case may be, and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Payments of interest and principal on Global Instruments or Global Registered Instruments will be made in accordance with the rules and regulations of the relevant clearing systems. Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument or Global Registered Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument or the registered holder of the Global Registered Instrument, as the case may be, in respect of each amount so paid. References in these provisions relating to the Instruments in global form to "**holder**" or "**accountholder**" are to those persons shown in the records of the relevant clearing system as a holder of an Instrument.

### (B) Form and Exchange — Bearer Global Instruments

#### Exchange of Temporary Global Instruments

Whenever any interest in a Temporary Global Instrument is to be exchanged for an interest in a Permanent Global Instrument, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Instrument, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Instrument; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Instrument in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against, in the case of a CGN, presentation and (in the case of final exchange) surrender of the Temporary Global Instrument to or at the order of the Fiscal Agent or, in the case of partial exchange of an NGN, confirmation from the common service provider that Euroclear and Clearstream, Luxembourg have made appropriate entries in their records to reflect the relevant exchange and, in the case of final exchange of an NGN, surrender of the Temporary Global Instrument to or at the order of the Fiscal Agent and destruction of the Temporary Global Instrument by the common safekeeper in accordance with the Agency Agreement, in any such case within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Instrument is to be exchanged for Definitive Instruments, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Instruments, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Instrument to the

bearer of the Temporary Global Instrument against the surrender of the Temporary Global Instrument to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Instrument has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Instrument has requested exchange of an interest in the Temporary Global Instrument for an interest in a Permanent Global Instrument; or
- (b) Definitive Instruments have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Instrument has requested exchange of the Temporary Global Instrument for Definitive Instruments; or
- (c) a Temporary Global Instrument (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Instruments or the date for final redemption of a Temporary Global Instrument has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Instrument in accordance with the terms of the Temporary Global Instrument on the due date for payment,

then the terms of such Temporary Global Instrument provide for relevant account holders (which, for the purposes hereof, shall be deemed to be the Holder of the relevant Instrument as referred to in Condition 7) with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Instruments to the relevant value at the time of such event.

#### **Exchange of Permanent Global Instruments**

Whenever a Permanent Global Instrument is to be exchanged for Definitive Instruments, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Instruments, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Instrument to the bearer of the Permanent Global Instrument against the surrender of the Permanent Global Instrument to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Instruments have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Instrument has duly requested exchange of the Permanent Global Instrument for Definitive Instruments; or
- (b) a Permanent Global Instrument (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Instruments or the date for final redemption of the Instruments has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Instrument in accordance with the terms of the Permanent Global Instrument on the due date for payment,

then the terms of such Permanent Global Instrument provide for relevant account holders (which, for the purposes hereof, shall be deemed to be the Holder of the relevant Instrument as referred to in Condition 7) with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Instruments to the relevant value at the time of such event.

#### **Exchange for Definitive Instruments**

Notwithstanding the foregoing, the exchange upon notice/at any time options should not be expressed to be applicable if the Denomination of the Instruments includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including

€199,000". Furthermore, such Denomination construction is not permitted in relation to any issuance of Instruments which is to be represented on issue by a Temporary Global Instrument or a Permanent Global Instrument, as the case may be, exchangeable for Definitive Instruments.

**(C) Form and Exchange — Registered Instruments**

Whenever the Global Registered Instrument is to be exchanged for Individual Instrument Certificates, the Issuer shall procure that Individual Instrument Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Instrument within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Instrument to the Registrar of such information as is required to complete and deliver such Individual Instrument Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Instrument Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Instrument at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Issue and Paying Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Instrument Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Registered Instrument; or
- (b) any of the Instruments evidenced by the Global Registered Instrument has become due and payable in accordance with the Conditions or the date for final redemption of the Instruments has occurred,

and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Instrument on the due date for payment in accordance with the terms of the Global Registered Instrument, then the terms of such Global Registered Instrument provide for relevant account holders (which, for the purposes hereof, shall be deemed to be the Holder of the relevant Instrument as referred to in Condition 7) with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding Definitive Instruments to the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Holder and operate as full and final discharge to the Issuer in this respect.

**(D) Amendment to Conditions**

The Global Instruments and Global Registered Instruments contain provisions that apply to the Instruments that they represent, some of which modify the effect of the Terms and Conditions of the Instruments set out in this Simplified Base Prospectus. The following is a summary of certain of those provisions:

- (1) *Meetings:* The holder of a Global Instrument or of the Instruments represented by a Global Registered Instrument shall be treated as having one vote in respect of each minimum Denomination of Instruments for which such Global Instrument may be exchanged. (All holders of Registered Instruments are entitled to one vote in respect of each Instrument comprising such holder's holding, whether or not represented by a Global Registered Instrument.).
- (2) *Cancellation:* Cancellation of any Instrument represented by a Global Instrument that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by

reduction in the principal amount of the relevant Temporary Global Instrument or Permanent Global Instrument.

- (3) *Purchase:* Instruments represented by a Global Instrument may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- (4) *Issuer's Options:* Any option of the Issuer contained in Condition 6.2 (*Optional Early Redemption (Call)*) while such Instruments are represented by a Global Instrument or a Global Registered Instrument shall be exercised by the Issuer giving notice to the holders within the time limits set out in and containing the information required by the Conditions. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be) to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion.
- (5) *Holders' Options:* In order to exercise the option contained in Condition 6.5 (*Optional Early Redemption (Put)*), the holder of the Global Instrument or Global Registered Instrument must, within the period specified for the deposit of the relevant Instrument and Put Notice, given written notice of such exercise to the Fiscal Agent specifying the principal amount of Instruments in respect of which such option is being exercised. Any such Put Notice will be irrevocable and may not be withdrawn.
- (6) *Payment Business Day:* If the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.
- (7) *Payment Record Date:* Each payment in respect of a Global Registered Instrument will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Instrument is being held is open for business.
- (8) *Notices:* So long as any Instruments are represented by a Global Instrument or Global Registered Instrument and such Global Instrument or Global Registered Instrument is held on behalf of a clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to the clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the Holder of the Global Instrument or Global Registered Instrument except that so long as the Instruments are admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange and the rules and regulations of that exchange and/or applicable law or regulation so require, notice shall also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## FORM OF FINAL TERMS

### *Pro Forma Final Terms for an issue by the Republic of Italy under the Programme for the Issuance of Debt Instruments*

*The Final Terms in respect of each Tranche of Instruments will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Instruments and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

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#### FINAL TERMS dated [●]

Series No.: [       ]

Tranche No.: [       ]

#### Republic of Italy

U.S.\$80,000,000,000

#### Programme for the Issuance of Debt Instruments

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Instruments]

The Instruments constitute direct, unconditional and general obligations of the issuer and rank *pari passu* among themselves and equally with all other unsecured External Indebtedness (as defined in the Simplified Base Prospectus dated 19 December 2017 (the "**Simplified Base Prospectus**") in relation to the Programme) of the Issuer.

These Final Terms (as referred to in the Simplified Base Prospectus) relates to the Tranche of Instruments referred to above, contains the final terms and conditions of the Instruments and should be read in conjunction with the Simplified Base Prospectus dated 19 December 2017 [as supplemented by the supplemental Simplified Base Prospectus dated [date].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Simplified Base Prospectus with an earlier date:*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Simplified Base Prospectus dated 19 December 2017 [as supplemented by the supplemental Simplified Base Prospectus dated [date]]. These Final Terms contains the final terms and conditions of the Instruments and must be read in conjunction with the Simplified Base Prospectus dated 19 December 2017 [and the supplemental Simplified Base Prospectus dated [●], save in respect of the Conditions which are extracted from the Simplified Base Prospectus dated [●] and are attached hereto.]

The Instruments have not and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may include Instruments in bearer form which are subject to U.S. tax law requirements. The Instruments may not be offered, sold or delivered within the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[If the Instruments have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

The particulars to be specified in relation to such Tranche are as follows:

1. Issuer: Republic of Italy
2. [Arranger[s]]: [Name]
3. Relevant Dealer/Lead Manager: [Name]
4. Syndicated: [Yes/No]
5. Other Dealers/Managers (if any): [Not Applicable/Name(s)]
6. Status: Unsubordinated
7. Currency:  
(Condition 1.10)  
— of Denomination [Specify]  
— of Payment [Specify]
8. Aggregate Principal Amount of:  
[(i)] Series [Specify]  
[(ii)] Tranche [Specify]
9. Fungible with existing Series, Series No: [Not Applicable/If fungible with an existing Series, give details of existing Series including the date on which the Notes become fungible]
10. Issue Date: [Specify]
11. Issue Price: [ ] per cent. of the Aggregate Principal Amount of Tranche [plus accrued interest from [date] (*in the case of fungible issues only, if applicable*)]
12. Denomination(s): [Specify]  
(Condition 1.8 or 1.9)  
*[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the Issuer in the United Kingdom, the Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (ii) another applicable exemption from section 19 of the FSMA must be available.]*  
*[N.B. Under the current practices of Euroclear and Clearstream, Luxembourg, unless paragraph 16 (Form of Notes) below specifies that, with respect to Bearer Notes, the Temporary Global Instrument or the Permanent Global Instrument, as the case may be, is to be exchanged for Definitive Notes "in the limited circumstances described in the Permanent Global Instrument", Instruments may only be issued in denominations which are integral multiples of the lowest Denomination and may only be traded in such*

- amounts, whether in global or definitive form.]*
13. [Commission Payable: [None/Specify]]
14. [Selling Concession: [None/Specify]]
15. [Expenses: [None/Specify. *If Definitive Instruments specify that the Issuer must bear the cost for producing Definitive Instruments.*]]
16. (a) Form of Instruments: [Bearer/Registered]
- (b) Bearer Instruments exchangeable for Registered Instruments: [Yes/No]
17. If issued in Bearer form:
- (a) Initially represented by a Temporary Global Instrument or Permanent Global Instrument: (Condition 1.2) [Specify. *If nothing is specified and these Final Terms do not specify that the TEFRA C Rules apply, Instruments will be represented initially by a Temporary Global Instrument. If these Final Terms specify that the TEFRA C Rules apply, Instruments will be represented initially by a Permanent Global Instrument.*]
- (b) Temporary Global Instrument exchangeable for Permanent Global Instrument[, Definitive Instruments] and/or [(if the relevant Series comprises both Bearer and Registered Instruments)] Registered Instruments: (Condition 1.2) [Yes/No. Give details (*e.g., exchanges for a Permanent Global Instrument or Definitive Instruments will be made on or after the Exchange Date.*)]
- Specify date (if any) from which exchanges for Registered Instruments will be made: (Condition 1.2) [Not Applicable/Specify Exchange Date *if applicable. If nothing is specified, exchanges will be made at any time.*]
- (c) Permanent Global Instrument exchangeable at the option of the bearer for Definitive Instruments and/or [(if the relevant Series comprises both Bearer Instruments and Registered Instruments)] Registered Instruments: (Condition 1.5) [Yes/No[, see paragraph [17](a) above.]]
- (d) Talons for future Coupons to be attached to Definitive Instruments: (Condition 1.6) [Yes/No/Not Applicable]
- (e) Receipts to be attached to Instalment Instruments which are Definitive Instruments: (Condition 1.7) [Yes/No/Not Applicable]
- (f) New Global Instrument: [Yes/No]
18. If issued in Registered Form:
- (a) Individual Instrument Certificate: [Yes/No]
- (b) Global Registered Instrument: [No / Yes. Global Registered Instrument exchangeable for Individual Instrument Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Registered Instrument]

- (c) Global Registered Instrument to be held under the New Safekeeping Structure: [Yes/No/Not Applicable]
- (d) Registrar: (Condition 2.2) [Not Applicable/Name and specified office]
19. Partly Paid Instruments: (Condition 1.11) [Yes/No. *If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription moneys and any further additional provisions (including Forfeiture Dates in respect of late payment of Partly Paid Instalments).*]
20. Interest: (Condition 5) [Interest bearing/Non-interest bearing] [(further particulars specified below)]
21. Interest Rate: (Condition 5.2) [Specify rate (if fixed) or Floating Rate (if floating) or ISDA Rate or formula/Not Applicable] [(further particulars specified below)]

#### **FIXED RATE INSTRUMENT PROVISIONS**

- [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
22. (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (b) Interest Payment Date(s): [ ] in each year commencing on [ ] up to (and including) [the Maturity Date/other date (specify)] [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/, No Adjustment]
- (c) Fixed Coupon Amount(s): [ ] per [ ] in Aggregate Principal Amount
- (d) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*]
- (e) Day Count Fraction: (Condition 5.9) [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (f) [Determination Dates: [ ] in each year (*insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Instruments: [Not Applicable/give details]

#### **FLOATING RATE INSTRUMENT PROVISIONS**

- [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
23. Relevant Screen Page: (Condition 5.3) [For example, Reuters/Other] page [EURIBOR 01/EONIA=/other (*specify*)]
24. Relevant Margin: (Condition 5.3) [+/-] [ ] per cent. per annum
25. ISDA Rate: (Condition 5.4) [Not Applicable/Issuer is [Fixed Rate/Fixed Amount/ Fixed Price/Floating Rate/Floating Amount/Floating Price] Payer]

26. Minimum Interest Rate: (Condition 5.5) [Not Applicable/[ ] per cent. per annum.]
27. Maximum Interest Rate: (Condition 5.5) [Not Applicable/[ ] per cent. per annum.]
28. Interest Commencement Date: (Condition 5.9) [Specify, if different from the Issue Date]
29. Interest Payment Dates (or, if the Applicable Business Day Convention is the FRN Convention, Interest Period): (Condition 5.9) [Specify dates (or if the Applicable Business Day Convention is the FRN Convention, number of months) [commencing on [ ] up to (and including) [the Maturity Date/other date (specify)]] [adjusted in accordance with item [32] below/, No Adjustment]
30. Interest Period End Dates (or, if the Applicable Business Day Convention is the FRN Convention, Interest Accrual Period): (Condition 5.9) [Interest Payment Dates/Specify. *If nothing is specified Interest Period End Dates will correspond with Interest Payment Dates.*]
31. Applicable Business Day Convention: (Condition 5.9) [Specify, unless no adjustment is required in which case specify "No Adjustment". *If nothing is specified there will be no adjustment. Care should be taken to match the Maturity Date (as well as other key dates) of the Instruments with any underlying swap transaction. Since maturity dates do not automatically move with business day conventions under ISDA, it may be necessary to specify "No Adjustment" in relation to the maturity date of the Instruments to disapply the Applicable Business Day Convention.*]
- for Interest Payment Dates [ ]
- for Interest Period End Dates [ ]
- for Maturity Date [ ]
- any other date [ ]
32. Definition of Business Day: (Condition 5.9) [Specify any additional places or days for the purpose of adjusting any date in Accordance with a Business Day Convention (e.g., in the case of EURIBOR or EONIA, a Relevant Financial Centre in the Euro-zone)]
33. Day Count Fraction: (Condition 5.9) [30/360 / Actual/Actual (ICMA/ISDA) / other]
34. Interest Determination Date: (Condition 5.9) [Specify number of Banking Days in which city(ies), if different from Condition 5.9]
35. Relevant Time: (Condition 5.9) [ ][a.m./p.m.][Specify city]
36. Default Interest Rate: (Condition 5.6) [Specify if different from EONIA]
37. Calculation Agent: (Condition 5.9) [Not Applicable/Name and specified office]
38. Reference Banks: (Condition 5.9) [Not Applicable/Specify]
39. If non-interest bearing: [Applicable/Not Applicable]
- Amortisation Yield [Not Applicable/Specify]

- Rate of interest on overdue amounts [Not Applicable/Amortisation Yield/Specify, if not the Amortisation Yield]
- Day Count Fraction [Not Applicable/Specify for the purposes of Condition 5.10 and Condition 6.11]

#### PROVISIONS RELATING TO REDEMPTION

40. Maturity Date:  
(Condition 6.1) [Specify date (or Interest Payment Date occurring in month and year if FRN Convention applies) [adjusted in accordance with paragraph [32] above/, No Adjustment]]
41. Dates for payment of Instalment Amounts  
(Instalment Instruments):  
(Condition 6.1) [Not Applicable/Specify dates (or Interest Payment Dates occurring in months and years if FRN Convention applies)]
42. Maturity Redemption Amount:  
(Condition 6.1) [Specify, if not the Outstanding Principal Amount]
43. Instalment Amounts:  
(Condition 6.1) [Not Applicable/Specify]
44. Optional Early Redemption (Call):  
(Condition 6.3) [Yes/No]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Early Redemption Amount (Call): [Specify, if not the Outstanding Principal Amount or, in the case of any Instruments which are non-interest bearing, the Amortised Face Amount]
- (b) Series redeemable in part: [Specify, otherwise redemption will only be permitted of entire Series]
- (c) Call Option Date(s)/Call Option Period: [Specify]  
  
*[N.B. Euroclear and Clearstream, Luxembourg request a minimum of 5 Business Days notice in order to process an Optional Early Redemption (Call).]*
45. Optional Early Redemption (Put):  
(Condition 6.6) [Yes/No]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Early Redemption Amount (Put): [Specify, if not the Outstanding Principal Amount or, in the case of any Instruments which are non-interest bearing, the Amortised Face Amount]
- (b) Put Date(s)/Put Period: [Specify]  
  
*[N.B. Euroclear and Clearstream, Luxembourg request a minimum of 15 Business Days notice in order to process an Optional Early Redemption (Put).]*
46. Events of Default  
(Condition 7.1):
- (a) Early Termination Amount: [Specify, if not the Outstanding Principal Amount or, in the case of any Instruments which are non-interest bearing, the Amortised Face Amount]
- (b) Any additional (or modifications to) Events of Default: [Not Applicable/Specify]

47. Payments:  
(Condition 9)
- (a) Unmatured Coupons missing upon Early Redemption: [Specify whether paragraph (i) of Condition 9A.6 or paragraph (ii) of Condition 9A.6 applies. If nothing is specified paragraph (i) will apply to fixed rate or fixed coupon amount Instruments and paragraph (ii) will apply to floating rate or variable coupon amount Instruments.]
- (b) Relevant Financial Centre Day:  
(Condition 9C.3) [Specify any additional places]
48. Replacement of Instruments:  
(Condition 12) [In the case of Bearer Instruments specify Replacement Agent, if other than (or in addition to) the Fiscal Agent]
49. Notices:  
(Condition 14) [Specify any other means of effective communication]
50. Listing: [Yes/No. *If Yes, specify which Stock Exchange(s)/ other*]

## DISTRIBUTION

51. Selling Restrictions:
- United States of America Category 1 restrictions apply to the Instruments  
[Specify whether the Instruments are subject to TEFRA C or TEFRA D Rules. *In the absence of specification TEFRA D Rules will apply*]  
[Specify Exchange Date]
- Other [Not Applicable/Specify any modifications of or additions to selling restrictions contained in Dealership Agreement]
52. Stabilising Manager(s) (if any): [Not applicable/give names]
53. ISIN: [ ]
54. Common Code: [ ]
55. New Global Note or Instrument to be held under the New Safekeeping Structure intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable]  
[Yes. Note that the designation “yes” simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)[*include this text for Instruments in registered form*] and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  
[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them, the Instruments may then be deposited with one of the ICSDs as common

safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)[ include this text for Instruments in registered form]. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

56. Any Clearing System other than Euroclear Bank SA/NV and Clearstream Banking, S.A.: [None/Specify]
57. Settlement Procedures: [Specify whether customary medium term note/eurobond/other settlement and payment procedures apply]
58. Ratings: [Yes/No]

(If Yes) [The Instruments to be issued are expected to be rated by [full name of legal entity or entities expected to give the rating]]/[The Instruments to be issued are expected to be rated:

[S&P: [ ]]  
[Moody's: [ ]]  
[Fitch: [ ]]  
[[Other]: [ ]]

*\* The exact legal name of the rating agency entity providing the rating should be specified - for example, "Standard & Poor's Credit Market Services Europe Limited", rather than just "S&P" or "Standard and Poor's".*

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

*(The above disclosure should reflect the rating allocated to Instruments of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

***Option 1 - CRA established in the EEA and registered under the CRA Regulation***

[Insert rating agency legal name] is established in the European Economic Area (the "EEA") and registered under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation").

***Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration***

[Insert rating agency legal name] is established in the European Economic Area (the "EEA") and has applied for registration under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority]/[European

Securities and Markets Authority ("ESMA").

***Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration***

[Insert rating agency legal name] is established in the European Economic Area (the "EEA") and is neither registered nor has it applied for registration under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation").

***Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation***

[Insert rating agency legal name] is not established in the European Economic Area (the "EEA") but the rating it has given to the [Instruments]/[unsecured, unsubordinated long-term debt securities of the Issuer [to be issued under the Programme]] is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation").

***Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation***

[Insert rating agency legal name] is not established in the European Economic Area (the "EEA") but is certified under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation").

***Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation***

[Insert rating agency legal name] is not established in the European Economic Area (the "EEA") and is not certified under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation") and the rating it has given to the [Instruments]/[unsecured, unsubordinated long-term debt securities of the Issuer [to be issued under the Programme]] is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

[[The European Securities and Markets Authority ("ESMA")/ESMA] is obliged to maintain on its website, [www.esma.europa.eu](http://www.esma.europa.eu), a list of credit rating agencies registered in accordance with the CRA Regulation. This list must be updated within 5 working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation.]

[Prospective investors who are European regulated investors should note that, in general, they are

restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.]

59. Other relevant Terms and Conditions: [None/give details]

**[LISTING APPLICATION**

These are the Final Terms required to list the issue of Instruments described herein pursuant to the U.S.\$80,000,000,000 Programme for the Issuance of Debt Instruments of the Republic of Italy.]

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.

CONFIRMED

**REPUBLIC OF ITALY**

By: \_\_\_\_\_

Authorised signatory

Date: \_\_\_\_\_

## **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Instruments will be applied by the Issuer to meet part of its general financing requirements.

## ITALIAN TAXATION

The information provided below does not purport to be a complete summary of Italian tax law and practice currently applicable, nor does it purport to be a complete analysis of all tax considerations relating to the Instruments, whether in Italy or elsewhere. Prospective purchasers of Instruments should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Instruments and receiving payments of interest, principal and/or other amounts under the Instruments and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Simplified Base Prospectus and is subject to any change in law that may take effect after such date.

No Italian income or other Italian taxes will be levied or applied by the Issuer by way of withholding, deduction or otherwise in connection with any payments by the Issuer of principal or interest in respect of the Instruments to non-residents of the Republic of Italy ("**Italy**") having no permanent establishment in Italy provided that:

- (a) they are (i) resident of a country or territory which allows for a satisfactory exchange of information with the Italian authorities included in the Decree of the Minister of Finance dated 4<sup>th</sup> September, 1996, as amended and supplemented by Italian Ministerial Decree dated 23 March, 2017 (the "**White List**"), and updated every six months period according to Article 11, par. 4, let. c) of Decree 239 , (ii) supranational entities set up in accordance with an international treaty executed by Italy, (iii) foreign institutional investors, whether or not subject to tax, established in a country or territory included in the White List, or (iv) central banks or entities which manage, *inter alia*, the official reserves of foreign countries;
- (b) the Instruments are timely deposited directly or indirectly (i) with a bank or a securities dealing firm (*società di intermediazione mobiliare*) resident in Italy, (ii) with the Italian permanent establishment of a non-resident bank or brokerage company which is electronically connected with the Italian Revenue Agency or (iii) with a non-resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear or Clearstream, Luxembourg) which has a direct relationship with the Italian Revenue Agency;
- (c) the banks or brokers mentioned in (b) above timely receive a self-declaration from the beneficial owner of the interest which states that the beneficial owner is a resident of one of the above mentioned States. The self-declaration, which must be in conformity with the model approved by the Ministry of Economy and Finance (approved by Decree of the Ministry of Economy and Finance of 12 December 2001, published in the Ordinary Supplement No. 287 to the Official Journal No. 301 of 29 December 2001), is valid until revoked by the investor and does not have to be filed if an equivalent self-declaration (including Form 116/IMP) has been submitted to the same intermediary for the same or different purposes. In the case of certain foreign institutional investors not subject to tax, the institutional investors shall be regarded as the beneficial owners and the relevant self-declaration shall be produced by the management company. The self-declaration is not requested for non-Italian resident investors that are supranational entities set up in accordance with an international treaty executed by Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state; and
- (d) the banks or brokers mentioned in (b) and (c) above receive all necessary information to identify the non-resident beneficial owner of the deposited Instruments, and all necessary information in order to determine the amount of interest that such beneficial owner is entitled to receive.

Non-residents of Italy are subject to the 12.5 per cent. substitute tax on interest if any of the above conditions (a), (b), (c) and (d) is not timely satisfied.

If the Instruments are held by Italian resident companies or similar commercial entities and the Instruments are deposited with an authorised intermediary, interest and other income from the Instruments must be included in the relevant holder's income tax return and are therefore subject to ordinary Italian corporate taxation (and, in certain circumstances, depending on the *status* of the holder, also to IRAP, the regional tax on productive activities).

If the Instruments are held by individuals resident of Italy acting in a business capacity, interest in respect of the Instruments will be subject to a substitute tax (currently at the rate of 12.5 per cent.) withheld by the authorised intermediary in Italy making the payment; interest and other income from the Instruments must also be included

in the relevant holder's income tax return and the 12.5 per cent. substitute tax is creditable against the overall tax due.

If the Instruments are held by residents of Italy who are individuals not acting in a business capacity, non-commercial partnerships (partnerships other than a *società in nome collettivo* or *società in accomandita semplice* or similar commercial partnership), public or private entities, trust, not carrying out business activities, national or local government entities or other entities or organisations not subject to corporation income taxes, the 12.5 per cent. substitute tax shall be a final tax. If holders of Instruments subject to such final tax hold the Instruments through an authorised intermediary in Italy having asset management power over such Instruments, such holders may opt to pay a final 26 per cent. tax levied by the intermediary on all interest, other payments and gains deriving from such management on an annual basis ("**managed savings option**"). However, in that case, interest, other payments and gains arising from the Instruments will be taxable for 48.08 per cent. of the relevant amount. If holders of Instruments subject to such substitute tax on account of income taxes hold Instruments through such an assets manager, interest, other payments and gains will be taxed as part of their overall income.

Subject to certain conditions, interest received by Italian resident individuals holding the Instruments not in connection with an entrepreneurial activity may be exempt from taxation, including the 12,5 per cent. substitute tax, if the Instruments are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232 of 11 December 2016 ("**Law No. 232**").

If interest or principal are paid outside of Italy by an entity other than an authorised intermediary in Italy to residents of Italy who would otherwise be subject to the above 12.5 per cent. final tax, holders of Instruments must include the payments received in their annual income tax return and the payments shall be subject to a different substitute tax at a 12.5 per cent. rate or, at the holders' option, to ordinary income taxes at the applicable marginal rates to their overall income with a tax credit for taxes paid abroad.

If the Instruments are held by an Italian pension fund and are deposited with an authorised intermediary, interest, premium and other income relating to the Instruments and accrued during the holding period will not be subject to the substitute tax, but must be included in the result of the relevant portfolio accrued at the end of the tax period for 62.5 per cent. of their amount, to be subject to a 20 per cent. substitute tax on the increase in value of the managed assets accrued at the end of the tax period.

If the Instruments are held by an Italian authorised investment fund (*organismi di investimento collettivo del risparmio – O.I.C.R.*), a SICAV (*società di investimento a capitale variabile*) or a SICAF (*società di investimento a capitale fisso*) investing in securities and are deposited with an authorised intermediary, interest, premium and other income relating to the Instruments and accrued during the holding period will not be subject to the substitute tax, but must be included in the result of the portfolio of the Italian authorised investment fund, SICAV, SICAF for 48.08 per cent. of their amount. The Italian authorised investment fund, SICAV, SICAF will apply, in certain circumstances, a 26 per cent. withholding tax in case of distributions to unitholders or shareholders.

If the Instruments are held by an Italian real estate investment fund (*fondi immobiliari*) or a SICAF (*società di investimento a capitale fisso*) investing in securities and are deposited with an authorised intermediary, interest, premium and other income relating to the Instruments and accrued during the holding period will not be subject to the substitute tax but must be included in the result of the portfolio of the Italian real estate investment fund or, SICAF for 48.08 per cent. of their amount. The income of the real estate investment fund or SICAF is subject to tax, in the hands of the unitholder, depending on the *status* and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units or shares; in that case a 26 per cent. withholding tax will apply.

Non-residents of Italy having no permanent establishment in Italy will not be subject to Italian capital gains taxes in respect of the disposal or the redemption of the Instruments.

Gains realised on the disposal or redemption of the Instruments by residents of Italy who are individuals not acting in a business capacity or by non-commercial partnerships or by private or public institutions not carrying out mainly or exclusively business activities will be subject to a final capital gains tax currently levied at the rate of 12.5 per cent. The tax applies to all gains and losses realised in the relevant year and losses may be carried forward to the subsequent four years. Said holders of Instruments may opt to pay capital gains tax by reporting the gains in their annual income tax return or, if the Instruments are deposited with an authorised intermediary in

Italy, authorising the intermediary to levy the aforementioned capital gains tax ("**administered savings option**"). If they have elected the managed savings option, gains arising from the Instruments will be subject to tax for 48.08 per cent. of the relevant amount.

Subject to certain conditions, capital gains realised upon sale, transfer or redemption by residents of Italy who are individuals not acting in a business capacity may be exempt from taxation, including the 12,5 per cent., if the Instruments are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232.

Gains realised by residents of Italy who are individuals acting in a business capacity, commercial partnerships, corporations or permanent establishments of foreign corporations shall be subject to personal income or corporation taxes as part of the overall business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes).

Gains realised by Italian pension funds will be included in the result of the relevant portfolio accrued at the end of the tax period. Such results, if referred to the Instruments, will be subject to a 20 per cent. substitute tax for 62.50 per cent. of the relevant amount.

Gains realised by investment funds (*organismi di investimento collettivo del risparmio – O.I.C.R.*), SICAVs (*Società di investimento a capitale variabile*) or SICAFs (*Società di investimento a capitale fisso*) on the Instruments will be included in the result of the portfolio accrued for 48.08 per cent. of their amount. The fund, SICAV or SICAF will not be subject to taxation on such results, but will apply, in certain circumstances, a 26 per cent. withholding tax in case of distributions to unitholders or shareholders.

Gains realised on the Instruments by Italian real estate investment funds (complying with the definition as amended pursuant to Law Decree n. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010) or SICAFs, to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, are subject neither to capital gains tax nor to any other income tax in the hands of the real estate fund or SICAF, but will be included in the result of the portfolio accrued for 48.08 per cent. of their amount. The result of the real estate investment fund or SICAF is subject to tax in the hands of unitholders or shareholders, depending on the *status* and percentage of participation, or, when earned by the fund or SICAF, upon distribution, redemption and/or disposal of the units or shares; in that case, the income referred to the Instruments will be subject to a 26 per cent. withholding tax .

Italian government bonds (including the Instruments) are excluded from the tax base of the inheritance tax but remain subject to gift taxes in Italy.

### **Common Reporting Standard**

Directive 2014/107/EU as well as the agreements entered into pursuant to art. 6 of the Convention on mutual administrative assistance in tax matters between the Member States of the Council of Europe and the OECD countries provides for the automatic exchange of financial information for tax purposes under a common standard of communication in order to counteract international tax evasion. In order to apply these rules the financial institutions shall transmit to the competent Revenue Agency of their own country the data on each person who is the subject of communication and on the related account, including those relating to financial assets controlled by one or more persons subject to disclosure.

## SUBSCRIPTION AND SALE

Instruments may be sold from time to time by the Issuer to any one or more of Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Goldman Sachs International Bank, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, MPS Capital Services S.p.A., Nomura International plc, The Royal Bank of Scotland plc (trading as NatWest Markets), Société Générale, UBS Limited and UniCredit S.p.A. (the "**Dealers**"). The arrangements under which Instruments may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealership agreement dated 15 July 1998 as amended and restated on 8 April 2011 (the "**Dealership Agreement**") and made between the Issuer and the Dealers. Any such agreement will, inter alia, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

**United States of America:** *Regulation S Category 1 TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms; Not Rule 144A Eligible*

The Instruments have not been and will not be registered under the Securities Act, and may include Instruments in bearer form which are subject to U.S. tax law requirements. Instruments may not be offered, sold or delivered within the United States, or to or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of any offering, an offer or sale of Instruments from that offering within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed pursuant to the Programme will be required to represent, warrant and agree, that:

- (a) **No deposit-taking:** in relation to any Instruments having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Instruments would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

## Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended, the "**FIEL**") and, accordingly, each Dealer has undertaken, and each further Dealer appointed pursuant to the Programme will be required to undertake, that it will not offer or sell any Instruments directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with the FIEL and all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## Republic of Italy

The offering of the Instruments has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation. Each Dealer has represented and agreed, and each further Dealer appointed pursuant to the Programme will be required to represent and agree, that any offer, sale or delivery of the Instruments or distribution of copies of this Simplified Base Prospectus or any other document relating to the Instruments in the Republic of Italy will be effected in accordance with all Italian securities and other applicable laws and regulation.

Any such offer, sale or delivery of the Instruments or distribution of copies of this Simplified Base Prospectus or any other document relating to the Instruments in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Italian Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Italian Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and
- (ii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

## General

Other than with respect to the listing of the Instruments on the relevant stock exchange, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Simplified Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or (in any other case) in a supplement to this Simplified Base Prospectus.

## RECENT DEVELOPMENTS

*The information below is not a complete description of the recent developments of the Italian economy, it comes mainly from the Update of the 2017 Economic and Financial Document (the "EFD"), and it only includes selected measures and data. The information below will not be updated unless this Simplified Base Prospectus is amended in connection with the update of the Programme. Information based on assumptions may not materialise.*

The recovery of the Italian economy began to strengthen in the final quarter of 2016 against a background of more robust growth at the European and global levels. This is borne out by the data on gross domestic product and those for employment and working hours. In the last three quarters, real GDP has increased at a pace of about 0.4 percent q/q; in the second quarter the year-on-year rate of growth reached 1.5 percent. In the labour market, in the first half of the year the number of people in employment rose by 1.1 percent y/y, while the number of hours worked increased by 2.8 percent.

On the demand side, the performance of sectors sensitive to the level of interest rates was already very positive in 2016, when there was an increase of 15.9 percent in new car registrations and an increase of 17.3 percent in property sales.

With the initiatives it has undertaken and the reforms introduced in the last two years, the government has taken targeted, effective and transparent action to restore health to the banking system, complying with complex European restrictions and safeguarding the interests of retail investors and taxpayers. Another factor prompting optimism for the future is the cumulative effect of the structural reforms undertaken in recent years, from the public administration to the labour market, growth financing and the efficiency of the tax system and the legal system. Quantitative estimates of the effects of already enacted reforms suggest that once fully implemented they could increase GDP by up to 3 percentage points over five years. An additional boost to the economy could come from public investment: the government has been working for some time on fostering a turnaround in public investment. This would not only stimulate aggregate demand, it would also improve the economy's potential output with the construction of more modern, efficient and sustainable infrastructure, as well as research and development activities.

	<b>2016</b>
Net borrowing.....	-2.5
Primary balance .....	1.5
Tax burden.....	42.7
Current revenues.....	46.5
Total revenues .....	46.9
Current expenditures.....	45.9
Total expenditures (net of interest) .....	45.2
Total expenditures .....	49.4

(source: Update to 2017 EFD)

<b>Public Finance</b>	<b>2016</b>	<b>2017</b>
Primary balance, as percentage of GDP .....	1.5	1.7
Public debt (in million euro)(1) .....	2,218,472	2,258,914
Public debt as percentage of GDP(1).....	132.0	131.6
Net borrowing (in million euro).....	-41,937	-36,439
Net borrowing as percentage of GDP .....	-2.5	-2.1
GDP (nominal value, in million euro)	1,680,500	1,716,500

(source: Update to 2017 EFD)

(1) Net of euro area financial support and acceleration of payments due by the public administration.

## Public Debt

The following table shows the total debt incurred by the Treasury as of the dates indicated. Total debt incurred by the Treasury differs from Italy's total public debt as it does not include liabilities to holders of postal savings accounts and debt incurred by other state sector entities and other general government entities.

	<b>31 December 2016</b>	<b>31 October 2017</b>
	<i>(millions of euro)</i>	
Short term bonds (BOT) .....	107,112.61	114,340.61
Medium and long term bonds (initially incurred or issued in Italy) .....	1,712,256.70	1,770,318.28
External bonds (initially incurred or issued outside Italy, inclusive of ISPA Notes).....	45,418.50	42,216.33
<b>Total debt incurred by the Treasury</b>	<b>1,867,214.32</b>	<b>1,929,093.11</b>

(source: Ministry of Economy and Finance)

In May 2005 Eurostat classified the debt of Infrastrutture S.p.A. (now merged into Cassa Depositi e Prestiti S.p.A.) under its notes and loans funding programme (the “**ISPA Programme**”, which was established for the financing of the Turin-Milan-Naples line of the Italian high-speed railway network), as public debt of the Republic of Italy.

By the provisions of Law No. 296 of 27 December 2006 (the “**Italian 2007 Budget Law**”), the Republic of Italy has formally assumed, by way of *accollo*, all the debt obligations incurred by ISPA under the ISPA Programme. As provided for in the Italian 2007 Budget Law, the Ministry of Economy and Finance issued a decree (“**MEF Decree**”) on 27 December 2006 to describe the means by which the said assumption of debt (*accollo*) is to be carried out and to identify the debt obligations incurred by ISPA under the ISPA Programme. The debt obligations relating to the notes issued under the ISPA Programme (the “**ISPA Notes**”) are described in the table below.

### AV/AC Programme – debt instruments

<b>Debt Instrument Series</b>	<b>Nominal Amount</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Reference rate</b>	<b>Spread</b>	<b>Day Count Fraction</b>	<b>Amortisation Schedule</b>
ISPA SERIES 2	750,000,000	6 February 2004	31 July 2019	Variable	Inflation index		A/A	Maturity
ISPA SERIES 3	3,250,000,000	6 February 2004	31 July 2024	5.1250%			A/A	Maturity
ISPA SERIES 4	2,200,000,000	6 February 2004	31 July 2034	5.2000%			A/A	Maturity
ISPA SERIES 5	850,000,000	4 March 2005	31 July 2045	Variable	Euribor 12 M	0.2300%	A/360	Amortising
ISPA SERIES 6	1,000,000,000	25 April 2005	31 July 2045	Variable	Euribor 12 M	0.2350%	A/A	Amortising
ISPA SERIES 7	300,000,000	30 June 2005	31 July 2035	3.50% (cap at 6%)	CMS 10Y		A/A	Maturity
ISPA SERIES 8	100,000,000	30 June 2005	31 July 2035	3.50% (cap at 6.1%)	CMS 10Y		A/A	Maturity
<b>Total Debt Instrument Series</b>	<b>8,450,000,000</b>							

On 27 October 2017, Standard and Poor's raised its unsolicited foreign and local currency long- and short-term sovereign credit ratings on the Republic of Italy to 'BBB/A-2' from 'BBB-/A-3', with stable outlook, reflecting

improved economic growth prospects, subsiding risks in the banking sector for the economic outlook and expected further budgetary consolidation.

Fitch Ratings, on 20 October 2017, confirmed the Republic of Italy BBB rating with stable outlook, after the downgrade from BBB+ (negative outlook) to BBB (stable outlook) occurred on 21 April 2017 and due to a track record of fiscal slippage, low trend of GDP growth, weakness of the banking sector and political risk.

On 6 October 2017, Moody's confirmed the Republic of Italy Baa2 rating, and maintained the negative outlook, reflecting two key drivers: i) the government has managed to stabilise the banking sector; ii) the economy is currently seeing stronger growth.

DBRS, on 14 July 2017, confirmed the Republic of Italy BBB (High) rating with stable trend, after the downgrade from A (low) under review with negative implications to BBB (High) with stable trend occurred on 13 January 2017 and due to a combination of factors including uncertainty over the political ability to sustain the structural reform effort and the weakness in the banking system, amid a period of fragile growth.

#### ISPA Series 5

Date	Repayment Schedule
31/07/2031	56,667,000.00
31/07/2032	56,667,000.00
31/07/2033	56,666,000.00
31/07/2034	56,667,000.00
31/07/2035	56,667,000.00
31/07/2036	56,666,000.00
31/07/2037	56,667,000.00
31/07/2038	56,667,000.00
31/07/2039	56,666,000.00
31/07/2040	56,667,000.00
31/07/2041	56,667,000.00
31/07/2042	56,666,000.00
31/07/2043	56,667,000.00
31/07/2044	56,667,000.00
31/07/2045	56,666,000.00
	850,000,000.00

#### ISPA Series 6

Date	Repayment Schedule
31/07/2031	66,666,667.00
31/07/2032	66,666,667.00
31/07/2033	66,666,666.00
31/07/2034	66,666,667.00
31/07/2035	66,666,667.00
31/07/2036	66,666,666.00
31/07/2037	66,666,667.00
31/07/2038	66,666,667.00
31/07/2039	66,666,666.00
31/07/2040	66,666,667.00
31/07/2041	66,666,667.00
31/07/2042	66,666,666.00
31/07/2043	66,666,667.00
31/07/2044	66,666,667.00
31/07/2045	66,666,666.00
	1,000,000,000.00

In accordance with the Italian 2007 Budget Law and the MEF Decree, the ISPA Programme documents, including the terms and conditions of the ISPA Notes (the "**ISPA Terms and Conditions**"), were amended pursuant to the provisions governing the ISPA Programme by a meeting of holders of ISPA Notes held on 20 September 2007. The amendments align the ISPA Terms and Conditions with the Conditions. Consequently, the ISPA Notes are deemed by law to constitute Notes and rank *pari passu* with the Notes issued and to be issued by the Republic of Italy under the Programme pursuant to this Simplified Base Prospectus.

## GENERAL INFORMATION

1. Application may be made to admit to listing and trading the Instruments to be issued under the Programme on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Instruments to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer and the relevant Dealer.

However, Instruments may be issued pursuant to the Programme which will not be admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange or admitted to listing, trading and/or quotation on any other listing authorities, stock exchanges and/or quotation systems.

2. The Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.
3. Bearer Instruments (other than Temporary Global Instruments) with a maturity of more than 365 days and any Coupon appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Bearer Instrument or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Instrument or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
4. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Tranche of Instruments.
5. There are no legal, arbitration or administrative proceedings against or affecting the Issuer (and no such proceedings are pending or threatened) which have or may have, individually or in the aggregate, a significant effect on the financial position of the Issuer.
6. For so long as the Programme remains in effect or any Instruments shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected and copies will be obtainable during normal business hours at the specified office of the Paying Agent:
  - (a) this Simplified Base Prospectus and any document incorporated by reference therein;
  - (b) the Issue and Paying Agency Agreement;
  - (c) the agreement between the Issuer and the ICSDs with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of New Global Instruments or to be held under the New Safekeeping Structure); and
  - (d) any Final Terms relating to Instruments which are listed on any stock exchange, which will be made available free of charge. In the case of any Instruments which are not listed on any stock exchange, copies of the relevant Final Terms will only be available for inspection by a Holder.
7. The update of the Programme is authorised pursuant to Decree No. 108152 of 22 December 2016 of the Minister of Economy and Finance, and has been approved by Decree No. 102661 of 19 December 2017 of the Director General of the Treasury Department, who has delegated to the Director of Direction II to execute all instruments relating thereto.
8. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and

reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

9. This Simplified Base Prospectus and any supplements hereto will be made available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **THE ISSUER**

The Ministry of Economy and Finance - Public Debt  
Via XX Settembre 97  
00187 Rome  
Italy

## **THE ARRANGER**

Barclays Bank PLC  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

## **DEALERS**

**Banca IMI S.p.A.**  
Largo Mattioli 3  
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**Goldman Sachs International Bank**  
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**HSBC Bank plc**  
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**ING Bank N.V.**  
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The Netherlands

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**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
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**Morgan Stanley & Co. International plc**  
25 Cabot Square  
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**Nomura International plc**  
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**Société Générale**  
29 Boulevard Haussmann  
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France

**The Royal Bank of Scotland plc (trading as  
NatWest Markets)**  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**UBS Limited**  
5 Broadgate  
London EC2M 2QS  
United Kingdom

**UniCredit S.p.A.**  
Via Alessandro Specchi 16  
00186 Rome  
Italy

**FISCAL AGENT and PRINCIPAL REGISTRAR**

**Citibank, N.A., London Branch**  
13<sup>th</sup> Floor  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**ALTERNATIVE REGISTRAR**

**Citibank Europe Plc, Belgium Branch**  
Boulevard Général  
Jacques 2639  
1050 Brussels  
Belgium

**PAYING AGENT**

**Citibank, N.A., London Branch**  
13<sup>th</sup> Floor  
Citigroup Centre  
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Canary Wharf  
London E14 5LB  
United Kingdom

**LEGAL ADVISERS**

*To the Dealers*

**Clifford Chance**  
**Studio Legale Associato**  
Piazzetta M. Bossi, 3  
20121 Milan  
Italy

*To the Issuer*

**Head of the Legal Department of the Ministry of Economy and Finance**  
Via XX Settembre 97  
00187 Rome  
Italy

**LISTING AGENT**

**Banque Internationale à Luxembourg S.A.**  
69, route d'Esch  
2953 Luxembourg  
Grand Duchy of Luxembourg