

Newsletter

N°19

March 2016

Our mission is to **safeguard financial stability in Europe** by providing financial assistance to euro area Member States

Dear investor,

Our funding team continued to generate lively interest for the bond deals of the ESM and the EFSF during a successful first quarter. This is good news for the two institutions - but it also shows that investors are willing to take a stake in the future of Europe. Last year, Europe emerged from the worst crisis in 80 years. The continent is now stronger than before – both institutionally and economically. But much hard work still lies ahead. We need to make the euro area more robust and resilient against shocks.

This year, I will again do my utmost to keep you informed of the role the ESM is playing as Europe continues this work - both in my public statements and our bilateral meetings.

In our first newsletter of the year, I would like to introduce you to a new face. Please meet Kalin Anev Janse, who will be in charge of funding activities on the Management Board as of next month. Kalin, one of the first joiners at the EFSF, takes on this new task from Christophe Frankel.

As you know, Christophe has been in charge of EFSF and ESM funding since their inception. He has done a terrific job. Both institutions are highly credible issuers. While remaining in charge of Investments, Christophe will take on new responsibilities for Human Resources and Finance and Control. He also remains our CFO. The funding strategy will not change - we know how important continuity is for investors. Neither will there be any changes to our expert funding team, led by Siegfried Ruhl.

More on funding: we issued our first N-bonds in the first quarter, for a total of €185 million. These private placements in the German market have lowered our funding needs for the rest of the year somewhat. We will announce these changes each quarter from now on.

Back to our programme countries: Cyprus will exit its ESM assistance package this month. This makes it our fourth success story. The country has shown remarkable progress in fixing its economy and its banking system, and is further testimony to the fact that our cash-for-reform approach works. Moreover, the ESM only disbursed 70 percent of the available funds to Cyprus. Consequently, our funding needs for the second quarter have come down by €3 billion.

I hope that you find this information useful, and look forward to meeting many of you this year.



Klaus Regling
ESM Managing Director
EFSF CEO

FUNDING REVIEW Q1 2016

SHORT-TERM FUNDING

ESM bills issued in Q1 2016

ISIN code	Auction date	Tenor/ Maturity	Issue amount	Weighted average yield	Average price	Bid/ cover
EU000A1Z97C1	22/03/16	6 mth 22/09/16	EUR 1.48040 bn	-0,4218%	100,21372%	2,9
EU000A1Z97B3	08/03/16	3 mth 09/06/16	EUR 1.45730 bn	-0,4191%	100,10605%	2,9
EU000A1Z97A5	16/02/16	6 mth 18/08/16	EUR 1.48175 bn	-0,3728%	100,18882%	2,4
EU000A1U99Z9	02/02/16	3 mth 05/05/16	EUR 1.93260 bn	-0,3490%	100,08830%	1,9
EU000A1U99Y2	19/01/16	6 mth 21/07/16	EUR 1.48615 bn	-0,3562%	100,18038%	2,0
EU000A1U99X4	05/01/16	3 mth 07/04/16	EUR 1.99080 bn	-0,3835%	100,09703%	2,0

LONG-TERM FUNDING

EFSF bonds issued in Q1 2016

The EFSF raised €6 billion in the first quarter of 2016 starting with a €3 billion 5-year bond. This was followed by a dual-tranche tap increasing the February '45 bond by €1.25 billion to €3.5 billion and the November '19 bond by €1.75 billion to €4 billion.

Type	ISIN code	Issue date	Tenor/ Maturity	Nominal amount	Issuance level	Reoffer yield	Coupon
Tap	EU000A1G0DF9	02/02/16	4.5 yr 04/11/19	€ 1.75bn	MS-9bp	-0,099%	0,125%
Tap	EU000A1G0DD4	02/02/16	30 yr 17/02/45	€ 1.25bn	MS+24bp	1,628%	1,20%
New	EU000A1G0DG7	19/01/16	5 yr 19/01/21	€ 3bn	MS-14bp	0,118%	0,10%

ESM bonds issued in Q1 2016

The ESM started its 2016 funding with a dual tranche priced on 23 February: a new 10-year bond which raised €3 billion and a tap increasing the December '55 bond by €1 billion to €2 billion. Then, on 9 March, the ESM tapped via auction the November '20 bond for €992.75 million bringing the outstanding size of the bond to almost €5 billion. Funding requirement for the first quarter was completed with a final tap for €1 billion.

Type	ISIN code	Issue date	Tenor/ Maturity	Nominal amount	Issuance level	Reoffer yield	Coupon
Tap	EU000A1U99Z8	22/03/16	21 yr 17/11/36	€1bn	MS+13bp	1,208%	1,625%
Tap via auction	EU000A1U99I0	11/03/16	5 yr 03/11/20	€ 0.99275bn	n/a	0,19%*	0,10%
New	EU000A1U9944	02/03/16	10 yr 02/03/26	€ 3bn	MS-1bp	0,582%	0,50%
Tap	EU000A1U9936	01/03/16	40 yr 01/12/55	€ 1bn	MS+49 bp	1,505%	1,85%

*Average yield

In January, the ESM received the SSAR Issuer of the Year 2015 at the annual IFR awards





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SHORT-TERM FUNDING

Q2 2016 Bill Auctions

The ESM will maintain the strategic bill programme and continue the regular auctions of 3-month and 6-month bills in 2016.

	3 month	6 month
April	Tuesday 5	Tuesday 19
May	Tuesday 3	Tuesday 17
June	Tuesday 7	Tuesday 21

LONG-TERM FUNDING

EF SF

The EFSF scheduled funding target for the second quarter is €5 billion.

ESM

The ESM scheduled funding target for the second quarter is €6 billion, a reduction from the previously announced €9 billion. This is due to the following two factors:

- Cyprus: the programme for Cyprus will expire at the end of March and it is not expected that the remaining €2.668 billion of the programme will be disbursed.
- N-Bonds: since the launch of the ESM N-Bond programme at the beginning of the year, ESM has raised €185 million in N-Bonds.

Q2 2016 Timetable of potential benchmark transactions. Transactions may be for the EFSF or ESM.

Week 15	Monday 11 – Friday 15 April
Week 17	Monday 25 – Friday 29 April
Week 21	Monday 23 – Friday 27 May
Week 23	Monday 6 – Friday 10 June
Week 26	Monday 27 June – Friday 1 July

Overview long-term funding 2016

EUR billion	Q1 2016	Q2 2016	Q3 2016	Q4 2016	TOTAL 2016
Long Term Funding	6.0	5.0	2.0	1.0	14.0
EUR billion	Q1 2016	Q2 2016	Q3 2016	Q4 2016	TOTAL 2016
Long Term Funding	6.0	6.0	7.0	6.5	25.5

Please note that figures are based on estimates and may vary depending upon market conditions. These figures do not include any cashless operations. Negative gaps between Lending requirements and Long Term Funding will be covered by the Bill Programme. Total lending requirements for future periods are based on current disbursement schedule.

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