

Newsletter

N°20

June 2016

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

Dear investors,

Last week, the UK people voted to leave the European Union. It is a regrettable decision, but one that has to be respected. What is important to point out here is that the direct consequences for the ESM or the EFSF will be minimal. The UK is not a shareholder of the ESM, nor a guarantor of the EFSF.

Turning to Greece, the ESM last week disbursed €7.5 billion as part of the country's third financial assistance programme. The decision is a recognition that the Greek government is committed to modernizing its economy. The country has passed new legislation in a number of areas of essential reform. This, and other measures implemented in recent months, will help it to return to growth.

Moreover, Euro area ministers are willing to support the country with further debt relief measures. This depends on Greece's continued fulfilment of the reforms it has committed to.

The debt relief package consists of measures in the short term, which can be applied during the course of the current programme. Medium and long term measures are possible at a later stage, if needed.

Three short-term measures are foreseen. The ESM will waive a step-up interest rate margin foreseen for 2017 on an EFSF loan for debt buy-backs. We will also smoothen the repayment profile of certain EFSF loans. And finally, we will reduce the interest rate risk for Greece, without raising the cost for other programme countries.

It is important to point out that none of this will change our diversified funding strategy. The strategy is crucial to fulfil the mission of the ESM and the EFSF. Since our inception, we have built a wide investor base. By continuing to be present at the entire yield curve in benchmark size, we aim to keep this investor base to ensure access to funding. Even in a difficult market.

I wish you a good summer.



Klaus Regling
ESM Managing Director
EFSF CEO

FUNDING REVIEW Q2 2016

SHORT-TERM FUNDING

ESM bills issued in Q2 2016

ISIN code	Auction date	Tenor/ Maturity	Issue amount	Weighted average yield	Average price	Bid/cover
EU000A1Z97J6	21/06/16	6 mth 22/12/16	EUR 1.48660 bn	-0,5102%	100,25862%	2,9
EU000A1Z97H0	07/06/16	3 mth 08/09/16	EUR 1.45400 bn	-0,5004%	100,12666%	2,7
EU000A1Z97G2	17/05/16	6 mth 24/11/16	EUR 1.49425 bn	-0,5047%	100,26565%	4,1
EU000A1Z97F4	03/05/16	3 mth 04/08/16	EUR 1.49660 bn	-0,4702%	100,11899%	3,4
EU000A1Z97E7	19/04/16	6 mth 20/10/16	EUR 1.49675 bn	-0,4682%	100,23724%	3,6
EU000A1Z97D9	05/04/16	3 mth 07/07/16	EUR 1.48370 bn	-0,4281%	100,10832%	2,6

LONG-TERM FUNDING

EFSF bonds issued in Q2 2016

The EFSF completed its €5 billion quarterly target in one shot with the joint placement of two new bonds on Monday 23 May: a new 10-year bond raising €3 billion and – a new point on the curve – a 31-year bond raising the remaining €2 billion.

Type	ISIN code	Issue date	Tenor/ Maturity	Nominal amount	Issuance level	Reoffer yield	Coupon
New	EU000A1G0DH5	31/05/16	10 yr 31/05/26	EUR 3 bn	MS-8bp	0,493%	0,400%
New	EU000A1G0DJ1	31/05/16	31 yr 31/05/47	EUR 2 bn	MS+29bp	1,424%	1,375%

ESM bonds issued in Q2 2016

The ESM achieved its €6 billion funding target for this quarter with two new lines: First of all, an 8-year bond was placed on 13 April raising €3 billion. This was followed by a new point on the ESM yield curve with the introduction of a 16-year bond which also raised €3 billion.

Type	ISIN code	Issue date	Tenor/ Maturity	Nominal amount	Issuance level	Reoffer yield	Coupon
New	EU000A1U9969	03/05/16	16 yr 03/05/32	EUR 3 bn	MS+7bp	1,160%	1,125%
New	EU000A1U9951	22/04/16	8 yr 22/04/24	EUR 3 bn	MS-14bp	0,205%	0,125%

ESM receives Global Capital awards

At the Global Capital Awards ceremony held in London on 25 May, the ESM received the following:

- Overall Most Impressive SSA Funding Official: Siegfried Ruhl
- Most Impressive Supranational Funding Official: Siegfried Ruhl
- Most Impressive Supranational Funding Team in Euros: ESM/EFSF



Left to right: Francis Dassyras, Kalin Anev Janse, Silke Weiss, Siegfried Ruhl, Douwe Miedema



ESM Annual Report

The ESM Annual Report is now available online. For printed copies, please contact investor.relations@esm.europa.eu



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SHORT-TERM FUNDING

Q3 2016 Bill Auctions

	3 month	6 month
July	Tuesday 5	Tuesday 19
August	Tuesday 2	Tuesday 16
September	Tuesday 6	Tuesday 20

LONG-TERM FUNDING

EFSF

The EFSF scheduled funding target for the third quarter is **€1 billion**. €1 billion has been carried forward to the fourth quarter but the total funding target for the entire year remains unchanged.

ESM

The ESM scheduled funding target for the third quarter is **€7 billion**.

N-BONDS

Since the launch of the ESM N-Bond programme, ESM has raised **€215 million** in N-Bonds. EFSF will also launch an N-Bond programme during the third quarter. Information is expected to be sent to the Market Group shortly.

Q3 2016 Timetable of potential benchmark transactions. Transactions may be for the EFSF or ESM.

Week 28	Monday 11 – Friday 15 July
Week 30	Monday 25 – Friday 29 July
Week 36	Monday 5 – Friday 9 September
Week 39	Monday 26 – Friday 30 September

Overview long-term funding 2016

<i>EUR billion</i>	Q1 2016	Q2 2016	Q3 2016	Q4 2016	TOTAL 2016
Long Term Funding	6.0	5.0	1.0	2.0	14.0
<i>EUR billion</i>	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.

**Total 2016 long-term funding
ESM + EFSF = €39.5 billion**

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