

**Transcript of interview with Kalin Anev Janse, Member of the ESM and EFSF Management Board, responsible for Funding, Asset Liability Management and Lending, and ESM Secretary General**

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By Nick Shamim

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**MNI: Is the ESM likely to issue a dollar-denominated bond this year?**

Anev Janse: So far we have only issued in euros, but we are planning to change that in 2017. It's likely we will look to issue a dollar-denominated bond, but it could also be another currency. Before we do that, we have a lot of internal planning work, in terms of CSA's (Credit Support Annex) and risk management et cetera. There is no pressure to do it this year or the beginning of next year. But 2017 is the internal timeline we have given ourselves. We have been quite successful in the euro market, so we will remain strong in the euro-denominated bonds. I think for investors, that is the most important issuance currency for the EFSF and the ESM.

**MNI: Has the ESM decided on the maturity of the potential dollar-denominated bond through feedback from investors?**

Anev Janse: It is too early a stage for that. We haven't discussed this in depth with our investors. However, we know that there are some who only invest in US Dollars and at some stage, we want to reach out to them. For the moment, we haven't gone into details in which maturity or size of the issue et cetera. That is for next year.

**MNI: Is the ESM looking at any particular basis swap level to make the dollar-denominated deal attractive to sell?**

Anev Janse: It is too early for that. To be very honest, it is an internal project that started in April. To have all the legal documentation in place, it takes time. What is important for us is to continue Euro issuance this year and also next year. That is the key priority at this stage.

**MNI: Is a sterling or yen denominated bond also being considered or is this also off the radar this year?**

Anev Janse: When we look at the dollar-denominated bond for 2017, we can also look at a different currencies, but as I said, its too early at this stage.

**MNI: Are there any further plans to lengthen maturity profile of the EFSF/ESM? Some Eurozone countries have recently issued a 50-year bond, will we see the EFSF/ESM sell a 50-year bond in 2016?**

Anev Janse: This week we had two very successful issuances under the EFSF -- a 31-year bond issued at the 140 basis points area and 10-year bond in the 40 basis points area, which shows the strength of the EFSF. We also completed Q2 funding for both the EFSF and the ESM. For the EFSF, we only need to issue another €3 billion in the second half. We are trying to take advantage in the current long-end interest environment, but we do have certain restrictions.

So for example, we cannot issue longer than the loans that we have given to the countries. For the EFSF, this is 2054 and for the ESM, this is 2059. We have successfully issued a 40-year issuance in Dec 2015 and then tapped it again in March, so it has €2 billion outstanding. If you look at our funding strategy and borrowing guidelines, we can go up to 45-years but not longer than the loans. At the moment, for the 2059 loans, this is another 43 years, so this is the kind of gap we have. We borrow in the market in order to cover our loans, so we don't go longer than the loans we have outstanding.

**MNI: By lengthening the maturity profile, how is this helping the programme countries?**

Anev Janse: The most important factor is how the EFSF and ESM are already helping the programme countries with our favourable lending rates. If you look at Greece for example, it currently pays the ESM/EFSF a rate of less than 1%, which is a very attractive rate for them. It is much less than what the IMF charges. We have done internal calculations, and we know that for Greece by borrowing through us - rather than going to the financial market - gives them an annual saving of around E8 billion, which is approximately 4% of GDP on an annual basis. With some of the longer-term bonds that we have issued in the past months, we have locked in the current low interest rates, which is another benefit. Of course the goal of the new ESM programme is that Greece must return to the bond market itself.

**MNI: Is Portugal also benefitting?**

Anev Janse: Portugal has exited its programme and has returned back to the capital market, which is a success. Of course it still has loans outstanding to us, which they will to repay us in the next years. That is also why they are still paying interest to us. So to answer your question, yes it is also still benefiting from our favourable interest rates. The EFSF and ESM strategy is to help countries during the programme for 3-years. What success means for us, is if these countries go back to the capital markets themselves. At the moment, Greece is our only active programme. Four countries have exited their programmes - Portugal, Cyprus, Ireland and Spain.

I think a lot of these countries are doing very well. Ireland for example had 7.8% GDP growth last year, which was more than China's 6.9% reported growth for 2015 and that is impressive. Spain had 3.2% GDP growth, which is more than the US. So some of the fastest growing countries in the western world are in the Euro area. If you look at Ireland, it is doing very well not just in the capital market, anecdotally, you can see a trend where people are moving back to Ireland as it is growing again. This shows the strength of this programme and the capital markets appreciate that, so you can see their issuance programme currently doing very well.

**MNI: Is the EFSF/ESM planning any other new issues this year?**

Anev Janse: We will continue to issue both for the EFSF and the ESM this year. We issue from 3-month Bills to 40-year bonds and we try to be regular in the market across the curve. We are always looking at market environment, to see what is the right maturity. We always try to fill the curve as much as possible and find new spots in the curve that makes it attractive to investors. We try to be an attractive issuer as best as possible. If you look at the last issuance, the 10-year bond and the 31-year bond were very successful this week. We closed Q2 funding for the EFSF with this dual-tranche issue. This wasn't what we planned, but there was sufficient market appetite for these two maturities. So we took that opportunity.

**MNI: Has there been any change in the funding target for 2016?**

Anev Janse: We publically announce the amount we want to issue for each year. For this year, the EFSF and ESM together it was €39.5 billion. For the EFSF, we have only €3 billion to go until the end of this year and for the ESM its €13.5 billion. For 2017, we have already announced we plan to issue €50 billion (€27 billion for the EFSF and €23 billion for the ESM).

**MNI: What are the projections for 2018?**

Anev Janse: We will give the exact numbers for 2018 at the end of this year, but in our investor presentation we have said that we plan to issue between €30 billion to €50 billion each year for the next 10-years. However, that depends on the redemption profile. We will be very transparent about this.

**MNI: How much has the ECB purchased of ESM/EFSF bonds so far as part of the PSPP?**

Anev Janse: We can only do estimations, as it's not publicly known how much the ECB holds in ESM/EFSF bonds. However, they do announce how much they purchase in each bucket. In our estimation, the ECB currently holds around 20% of the eligible debt, which is €40 billion in combined EFSF/ESM bonds. What we see from investors is that this is very good, as there is always a buyer in the market and we also see there is sufficient non-PSPP liquidity, which we measure and publish; on a monthly basis there is €8 to €12 billion non-PSPP trading in ESM/EFSF bonds, which is sizeable liquidity. I was at an investor roadshow yesterday in Frankfurt and investors said they were happy with liquidity.

**MNI: Has there been any other feedback from investors from roadshows?**

Anev Janse: The most questions we get is what is the future of Europe, how Europe's economy is evolving, how the programme countries are doing, what we expect the next flagship projects of Europe will be and also of course, questions about Greece. From a funding point of view, investors say they are very happy with the EFSF/ESM. They are happy we are very transparent, they are happy that we indicate issuance windows so that they know when we will be in the market; they are also

very happy we are in the Bill market, so they can participate in that. So in general, they are very happy with the EFSF/ESM.