Final Terms dated 7 December 2012

EUROPEAN STABILITY MECHANISM ("ESM")

Issue of EUR 2,500,000,000 Zero Coupon Notes due February 2013

under the Debt Issuance Programme

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes 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 in certain transactions exempt from the registration requirements of the Securities Act.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Information Memorandum dated 3 December 2012 (the ‘Information Memorandum”). This document constitutes the Final Terms of the Notes described herein. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Information Memorandum.

1. Issuer: European Stability Mechanism
2. Series Number: 1
3. Tranche Number: 1
4. Specified Currency or Currencies: Euro ("EUR")
5. Aggregate Nominal Amount:
   (i) Series: EUR 2,500,000,000
   (ii) Tranche: EUR 2,500,000,000
6. Issue Price: 99.99655 per cent. of the Aggregate Nominal Amount
7. Specified Denominations: EUR 0.01
8. (i) Issue Date: 11 December 2012
   (ii) Interest Commencement Date: Not Applicable
9. Maturity Date: 11 February 2013
10. Interest Basis: Zero Coupon
    (further particulars specified below)
11. Redemption/Payment Basis: Redemption at par
12. Change of Interest or Redemption/Payment Basis: Not Applicable
13. Call Option: Not Applicable
14. (i) Status of the Notes: Senior
15. Method of distribution: Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions Not Applicable

17. Floating Rate Note Provisions Not Applicable

18. Zero Coupon Note Provisions Applicable
   (i) Accrual Yield: 0.02 per cent. per annum
   (ii) Reference Price: 99.99655 per cent. of the Aggregate Nominal Amount
   (iii) Any other formula/basis of determining amount payable: Actual/360

19. Index-Linked Interest Note/other variable-linked interest Note Provisions Not Applicable

PROVISIONS RELATING TO REDEMPTION

20. Call Option Not Applicable

21. Final Redemption Amount of each Note EUR 0.01 per Specified Denomination

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes: Bearer Note
   Reg S:
   Global Note exchangeable for Definitive Notes:
   Global Bearer Note deposited with the Clearing System and exchangeable for Definitive Notes in the limited circumstances described in the Global Note

23. New Global Note form Not Applicable

24. Talons for future coupons or Receipts to be attached to Definitive Notes (and dates on which such talons mature): Not Applicable

25. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: Not Applicable

26. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: Not Applicable
27. Redenomination, renominalisation and reconventioning provisions: Not Applicable

28. Consolidation provisions: Not Applicable

29. Other final terms: Not Applicable

DISTRIBUTION

30. (i) If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable

(ii) Date of Subscription Agreement: 7 December 2012

(iii) Stabilising Manager(s) (if any): Not Applicable

31. If non-syndicated, name and address of Dealer:

32. Total commission and concession: As separately agreed between the Issuer and the Dealer

33. U.S. Selling Restrictions:

Reg. S, Category 2

TEFRA Not Applicable

34. Additional selling restrictions: Not Applicable

GOVERNING LAW

35. Governing law: English law

Signed on behalf of the European Stability Mechanism:

By: KLAUS REGLING
Duly authorised

Klaus Regling
Managing Director
PART B – OTHER INFORMATION

1. **LISTING**
   
   (i) Listing
   None
   
   (ii) Admission to trading
   Not Applicable

2. **RATINGS**

   Ratings:
   
   Moody’s Investors Service Limited has assigned ESM’s Debt Issuance Programme a short-term rating of (P)Prime-1.
   
   Fitch Rating Ltd has assigned ESM’s Debt Issuance Programme a short-term rating of F1+(exp).
   
   Each of the above credit ratings will be treated for the purposes of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended (the "CRA Regulation") as having been issued by Moody’s Investors Service Limited and Fitch Ratings Ltd. respectively. Each of Moody’s Investors Service Limited and Fitch Ratings Ltd. is established in the European Union and is registered under the CRA Regulation. As such, each of Moody’s Investors Service Limited and Fitch Ratings Ltd. is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

3. **OPERATIONAL INFORMATION**

   ISIN Code: EU000A1U97C2
   
   Common Code: 086279908
   
   Clearing System, including the relevant identification number(s):
   Clearstream Banking AG Frankfurt
   
   Intended for New Global Note Form
   Not Applicable
   
   Intended for New Safekeeping Structure (NSS)
   Not Applicable
   
   Delivery: Delivery against payment
Names and addresses of the Issuing and Paying Agent:
Deutsche Bundesbank
Wilhelm-Epstein-Straße 14
60431 Frankfurt am Main
Germany

Names and addresses of additional paying agent(s) (if any):
Not Applicable

Names and addresses of the Luxembourg Listing Agent:
Not Applicable

Names and addresses of the Calculation Agent (if any):
Not Applicable

Intended to be held in a manner which would allow Eurosystem eligibility:
Yes

Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with a Clearing System and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday 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.