



## ABOUT ESM

### What is the ESM?

The ESM is the **crisis resolution mechanism** for the countries of the euro area, inaugurated in October 2012. Its purpose is to provide stability support through a number of financial assistance instruments to euro area Member States which are experiencing, or are threatened by, severe financing problems. For this purpose, the ESM is entitled to raise funds by issuing capital market instruments and engaging in money market transactions.

#### KEY FIGURES

**€80.55 bn** paid-in capital  
**€704.8 bn** subscribed capital  
**€500 bn** maximum lending capacity  
**€410.1 bn** available lending capacity

### Instruments available to ESM

- Providing loans to countries
- Purchasing bonds of an ESM Member State in primary and secondary debt markets
- Providing precautionary financial assistance in the form of a credit line
- Financing recapitalisation of financial institutions through loans to governments including in non-programme countries
- Direct bank recapitalisation – as an instrument of last resort (when bail-in and contribution from resolution fund are insufficient to return an institution to viability)

*All financial assistance is linked to appropriate conditionality specified in MoU concluded by European Commission, ECB, IMF (where applicable) and beneficiary countries.*

### Financial assistance provided by ESM

Assistance	Date agreed	Duration	Amount disbursed	Amount reimbursed
Recapitalisation of Spanish banking sector	November 2012	Concluded December 2013	€41.3 bn	€17.6 bn
Programme for Cyprus	April 2013	Concluded March 2016	€6.3 bn	
Programme for Greece	August 2015	Aug 2015-Aug 2018	€61.9 bn	€2 bn

*“The ESM and EFSF have played a key role in overcoming the crisis in the euro area. As the permanent crisis resolution mechanism, the ESM provides loans with long maturities at favourable rates to countries in need in exchange for policies to address their structural problems. The results are clear: with its banks on a sound footing, Spain exited successfully its recapitalisation programme at the end of 2013, followed by clean exits from Ireland and Portugal. Cyprus is also on a good path, making steady progress in correcting its imbalances. The ESM programme for Greece will help the country to carry out long-needed reforms. Our loans will ensure financing for the Greek government at conditions that give its budget flexibility, while also providing a buffer for the Greek banking sector. The crisis may now be less acute but the ESM will remain an active issuer in the market, backed by a strong capital structure of over €80 billion in paid-in capital.”*



**Klaus Regling**  
 Managing Director  
 ESM

### Credit Rating

	Long Term	Short Term
Moody's	Aa1	P-1
Fitch Ratings	AAA	F1+



## FUNDING

### How do EFSF & ESM work together?

- Any new programmes, should they be required, will be financed by ESM
- EFSF will **roll over the maturing debt** until all loans have been repaid
- EFSF and ESM will therefore **both be active in the debt markets** for the years to come

	<b>EFSF</b> European Financial Stability Facility	<b>ESM</b> European Stability Mechanism
<b>Legal Structure</b>	Private company under Luxembourg law	Inter-governmental institution under international law
<b>Framework</b>	Lending June 2010 - June 2013 Funding until 2056	Permanent institution
<b>Capital Structure</b>	Backed by guarantees from euro area countries	Subscribed capital of €704.8 billion* €80.5 billion in paid-in capital €624.25 billion in committed callable capital Maximum €500bn lending capacity
<b>Creditor status</b>	Pari passu	Preferred creditor status (after IMF) **
<b>Credit Rating</b>	AA (stable) / Aa1 (positive) / AA (stable)	- / Aa1 (positive) / AAA (stable)

\* The initial subscribed capital of €700 bn has increased since the accession of Latvia in March 2014 and Lithuania in February 2015

\*\* For the financial assistance for recapitalisation of the Spanish banking sector, pari passu will apply

### Funding Strategy

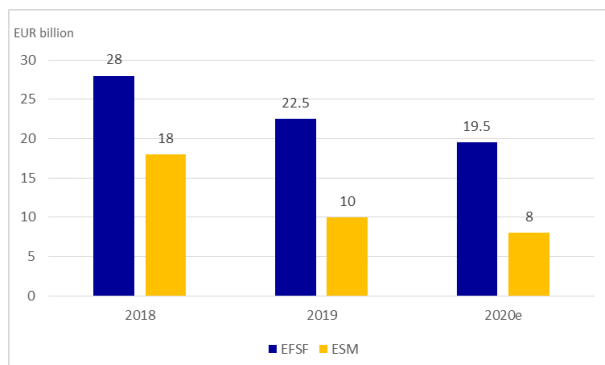
#### Long-term Funding (EFSF & ESM)

- Focus on benchmark issuance in € with high standard of liquidity
- Full yield curve
- \$ programme for ESM
- No currency limitation – only initially concentrated on euro
- Issuance through syndications, auctions and private placements

#### Short-term Funding (ESM)

- Regular 3- and 6-month bill auctions
- Auctions announced ahead of each quarter
- Unsecured money market

### Preliminary Long-Term Funding programmes\*



\* Subject to market conditions, requests by programme countries and to fulfilling conditionality. Please note that figures are based on estimates and may vary depending upon market conditions. These figures do not include disbursements in kind.

### Level 1 Asset recognition

- **International Regulatory Framework Basel III & Basel II**  
Basel Committee on Banking supervision designated EFSF & ESM securities as Level High Quality Liquid Assets under LCR in Basel III
- **European Regulatory Framework – CRR / CRD IV**  
The EBA has recommended the EFSF & ESM notes to be considered as “Extremely High Quality Liquid Assets”. The European Commission adopted a Delegated Act with regard to LCR, by which recognises EFSF & ESM as Level 1 assets
- **EFSF & ESM Notes eligible for BoE operations**  
EFSF & ESM notes are included in the list of International Institutions eligible as Level B collateral for its Money Market operations
- **EFSF & ESM granted with 0% Risk Weighting by FINMA**  
The Swiss regulator FINMA granted EFSF and ESM Notes with 0% Risk Weighting under the revised Credit Risk Ordinance

For further information  
On Bloomberg EFSF & ESM Corp

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