

Frequently Asked Questions on ESM paid-in capital

➤ 1 – How much capital does the ESM have?

The ESM has a total subscribed capital of nearly €702 billion. This comprises in excess of €80 billion in the form of paid-in capital provided by ESM Members and approximately €622 billion in the form of committed callable capital.

➤ 2 – What is ESM paid-in capital used for?

The ESM's paid-in capital supports the financial strength and high creditworthiness of the ESM as an issuer. It serves as a security buffer for the bonds issued by the ESM. The money raised by selling these bonds enables the ESM to finance loans provided to beneficiary Member States. In the unlikely case a beneficiary ESM Member would have to default on a loan payment, paid-in capital could be used to pay bondholders and absorb the loss.¹ As a result the ESM's creditors would not be affected.

➤ 3 – Does the EFSF also have paid-in capital?

The EFSF only has a minimum amount of share capital to cover certain operational costs. The bonds issued by the EFSF are backed by guarantees provided by Member States.

➤ 4 – Can paid-in capital be lent to beneficiary Member States?

No, paid-in capital cannot be used for lending to beneficiary Member States.

➤ 5 – What does the ESM do with its paid-in capital?

The ESM invests its paid-in capital very carefully and according to conservative criteria in high quality liquid assets. An appropriate level of diversification is maintained through allocation between various asset classes, geographical areas, issuers and instruments.²

➤ 6 – How much paid-in capital have ESM Members contributed?

The amount of paid-in capital (and total capital subscription) of ESM Members is based on the shareholder contribution key. This key is derived from the capital key of the European Central Bank (ECB). It reflects the respective country's share in the total population and gross domestic product of the euro area.

¹ Any losses would first be covered by the reserve fund - established by the ESM Board of Governors for placing net income generated by the ESM operations, as well as the proceeds of the potential financial sanctions received from the ESM Members under the multilateral surveillance procedure, the excessive deficit procedure and the macro-economic imbalances procedure.

If the reserve fund and paid-in capital proved insufficient to cover losses, committed callable capital would be used.

² For more information on how ESM paid-in capital is invested, please consult the ESM's Investment Policy <http://www.esm.europa.eu/pdf/Investment%20policy.pdf>

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The 17 founding Members of the ESM completed their payment of paid-in capital on 30 April 2014. Moreover, Latvia paid its initial tranche after joining the ESM earlier this year. The contribution keys and corresponding amount of paid-in capital contributed by each ESM Member are as follows:

ESM Member	Contribution Key (%)	Paid-in capital (€ bn)
Austria	2.7757	2.23
Belgium	3.4675	2.78
Cyprus	0.1957	0.16
Estonia	0.1855	0.15
Finland	1.7924	1.44
France	20.3297	16.31
Germany	27.0716	21.72
Greece	2.8089	2.25
Ireland	1.5878	1.27
Italy	17.8643	14.33
Latvia*	0.2757	0.04
Luxembourg	0.2497	0.20
Malta	0.0729	0.06
Netherlands	5.7012	4.57
Portugal	2.5023	2.01
Slovakia	0.8217	0.66
Slovenia	0.4264	0.34
Spain	11.8709	9.52
Total	100	80.04

* Latvia, which joined the ESM in March 2014, will provide its share of paid-in capital in five annual instalments of €44.24 million each. The instalment for 2014 has been paid and is recorded in the table.

➤ 7 – Does the ESM pay its Members a dividend?

The Board of Directors may decide to distribute a dividend to the ESM Members after deductions of operational costs. The dividends may come from investment returns, fees paid to ESM or other profits. Dividends would be distributed to the ESM Members according to their shareholder contribution key.³

➤ 8 – Could the level of ESM paid-in capital be raised in the future?

According to Article 10 of the ESM Treaty, the Board of Governors will regularly review (at least every five years) the ESM's maximum lending volume and adequacy of its authorised capital stock. The Board of Governors may change the authorised capital stock by a unanimous decision of its members.

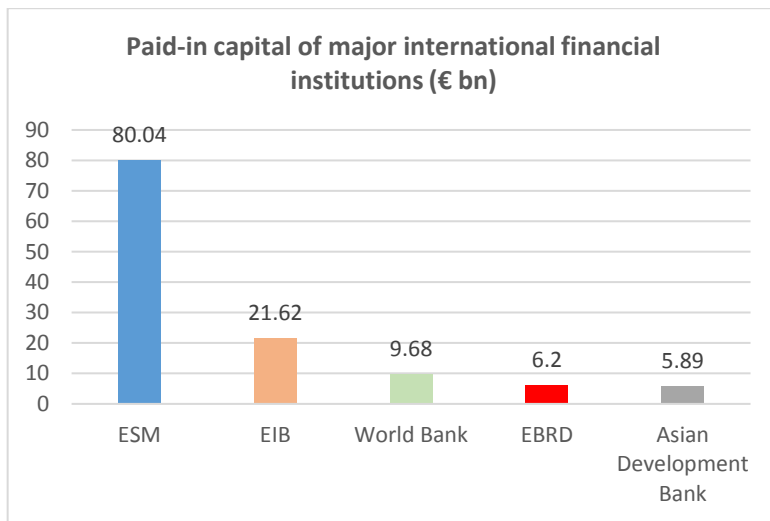
➤ 9 – How does the amount of the ESM's paid-in capital compare to other international financial

³ For detailed rules concerning dividends, please consult the ESM Guideline on Dividend Policy <http://www.esm.europa.eu/pdf/Guideline%20on%20dividend%20policy.pdf>

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institutions?

The ESM has the largest amount of paid-in capital among all international financial institutions, as shown in the following chart:



Source: most recent financial statement of each institution

Amounts for World Bank and Asian Development Bank converted from USD according to exchange rate of 28/04/2014

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