

**Final Terms dated 7 December 2012**

**EUROPEAN STABILITY MECHANISM ("ESM")**

Issue of EUR 12,000,000,000 Floating Rate Notes due December 2014

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.

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| 1. Issuer:  | European Stability Mechanism   |
| 2. Series Number:                                   | 4  |
| 3. Tranche Number:                                  | 1  |
| 4. Specified Currency or Currencies:                | Euro (" <b>EUR</b> ")  |
| 5. Aggregate Nominal Amount:                        |  |
| (i) Series:   | EUR 12,000,000,000   |
| (ii) Tranche:                                       | EUR 12,000,000,000   |
| 6. Issue Price:                                     | 100 per cent. of the Aggregate Nominal Amount  |
| 7. Specified Denominations:                         | EUR 0.01   |
| 8. (i) Issue Date:                                  | 11 December 2012   |
| (ii) Interest Commencement Date:                    | 11 December 2012   |
| 9. Maturity Date:                                   | The Specified Interest Payment Date scheduled to fall on 11 December 2014                |
| 10. Interest Basis:                                 | Six-month EURIBOR -0.12 per cent. Floating Rate<br>(further particulars specified below) |
| 11. Redemption/Payment Basis:                       | Redemption at par  |
| 12. Change of Interest or Redemption/Payment Basis: | Not Applicable   |
| 13. <i>Call Option</i>                              | Not Applicable   |
| 14. (i) Status of the Notes:                        | Senior   |

- (ii) Date of Board of Directors approval for issuance of Notes obtained: 29 November 2012
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** Applicable
- (i) Interest Period(s): The period beginning on (and including) a Specified Interest Payment Date and ending on (but excluding) the next Specified Interest Payment Date *provided that* the first Interest Period shall begin on (and include) the Interest Commencement Date and end on (but exclude) the next Specified Interest Payment Date
- (ii) Specified Period: Not Applicable
- (iii) Specified Interest Payment Dates: From (but excluding) the Issue Date to (and including) the Maturity Date, interest will be payable semi-annually in arrear on 11 June and 11 December in each year, commencing on 11 June 2013, (subject in each case) to adjustment in accordance with the Business Day Convention
- (iv) First Interest Payment Date: 11 June 2013
- (v) Business Day Convention: Modified Following Business Day Convention
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: Screen Rate Determination
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) : HSBC Bank plc shall be the Calculation Agent
- (viii) Screen Rate Determination: Applicable
- Reference Rate: Six-month EURIBOR
  - Interest Determination Date(s): Second TARGET Settlement Day prior to the commencement of each Interest Period
  - Relevant Screen Page: Reuters page EURIBOR 01
  - Relevant Time: 11 a.m. Brussels time
- (ix) ISDA Determination: Not Applicable
- (x) Margin(s): -0.12 per cent. per annum
- (xi) Minimum Rate of Interest: Not Applicable
- (xii) Maximum Rate of Interest: Not Applicable
- (xiii) Day Count Fraction: Actual/360
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Not Applicable

Notes, if different from those set out in the Conditions:

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|-----|--|----------------|
| 18. | <b>Zero Coupon Note Provisions</b>   | Not Applicable |
| 19. | <b>Index-Linked Interest Note/other variable-linked interest Note Provisions</b> | Not Applicable |

**PROVISIONS RELATING TO REDEMPTION**

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|-----|---|-------------------------------------|
| 20. | <b>Call Option</b>                          | Not Applicable                      |
| 21. | <b>Final Redemption Amount of each Note</b> | EUR 0.01 per Specified Denomination |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

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|-----|---|--|
| 22. | <b>Form of Notes:</b>   | <b>Bearer Note</b>   |
|     |   | <b>Reg S:</b>  |
|     |   | <b>Global Note exchangeable for Definitive Notes:</b>  |
|     |   | Global 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, renominatisation 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   | HSBC Trinkaus & Burkhardt AG |

- Dealer: Königsallee 21/23, 40212 Düsseldorf, Germany
32. Total commission and concession: As separately agreed between the Issuer and the Dealer
33. Net proceeds: 12,000,000,000
34. U.S. Selling Restrictions: Reg. S, Category 2  
TEFRA C
35. Additional selling restrictions: Not Applicable

**GOVERNING LAW**

36. 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**

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|------|----------------------|--|
| (i)  | Listing              | Luxembourg   |
| (ii) | Admission to trading | Application is/has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange with effect from 11 December 2012 |

2. **RATINGS**

Ratings:	Moody's Investors Service Limited has assigned ESM's Debt Issuance Programme a long-term rating of (P)Aa1 (Negative Outlook).
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Fitch Rating Ltd has assigned ESM's Debt Issuance Programme a long-term rating of AAA(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:	EU000A1U98V0
Common Code:	086280434
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:	Deutsche Bank Luxembourg S.A. 2, Boulevard Konrad Adenauer L-1115 Luxembourg Grand Duchy of Luxembourg
Names and addresses of the Calculation Agent (if any):	HSBC Bank plc Level 27 8 Canada Square London E14 5HQ United Kingdom
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.