

EUROPEAN STABILITY MECHANISM



June 2022

ESM Public



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EFSF and ESM OVERVIEW



1

THE EFSF and ESM MISSION

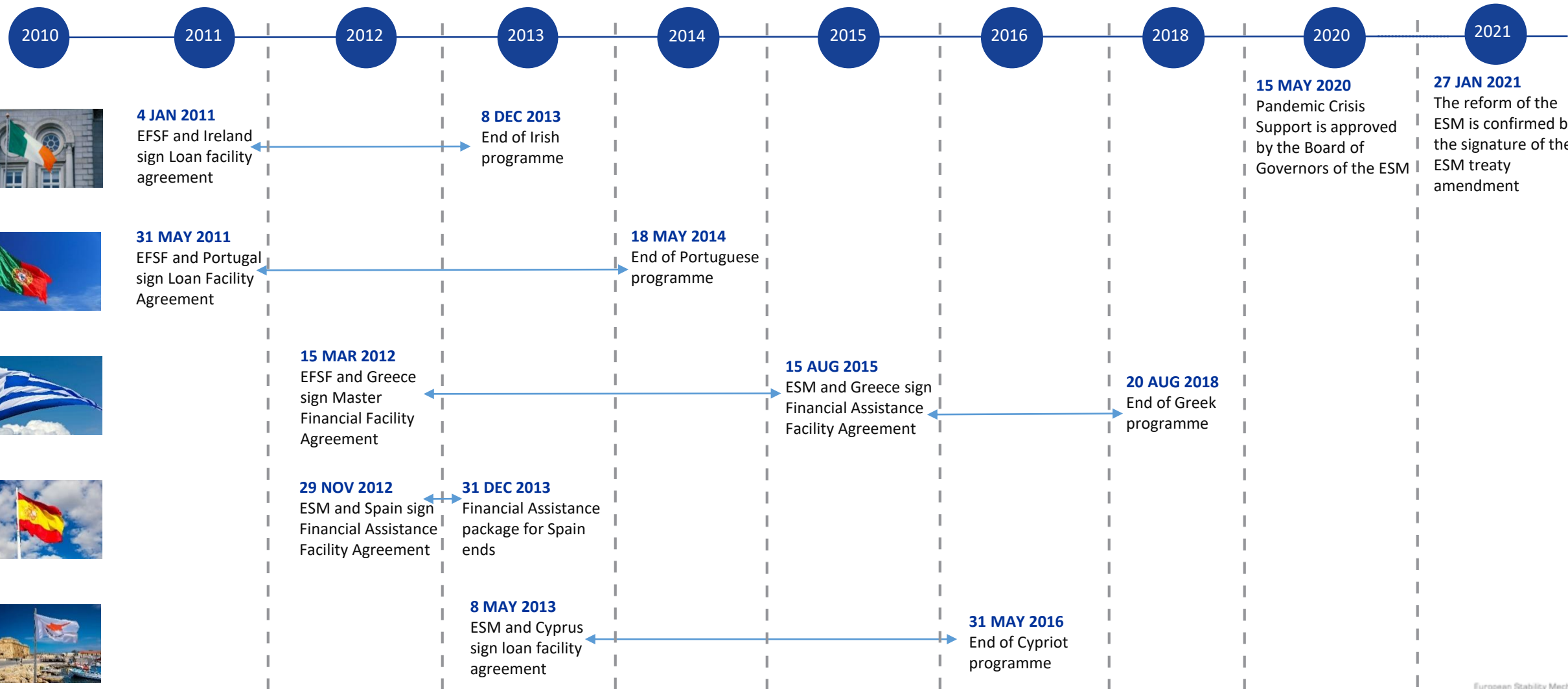


¹ Net disbursed amount
Source: ESM data at 31/03/2022



FINANCIAL BACKSTOPS – EFSF AND ESM TIMELINE

7 JUN 2010
EFSF created

8 OCT 2012
ESM inaugurated



KEY DIFFERENCES BETWEEN EFSF AND ESM

	<div>European Financial Stability Facility</div> 	<div>European Stability Mechanism</div> 
Legal Structure	Private company under Luxembourg law	Inter-governmental institution under international law
Framework	Lending June 2010 - June 2013 Funding until 2070	Permanent institution
Capital Structure	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
Creditor status	Pari passu	Preferred creditor status (after IMF) **
Credit Rating	AA (stable) / Aaa (stable) / AA (stable)	AAA (stable) / Aaa (stable) / AAA (stable)

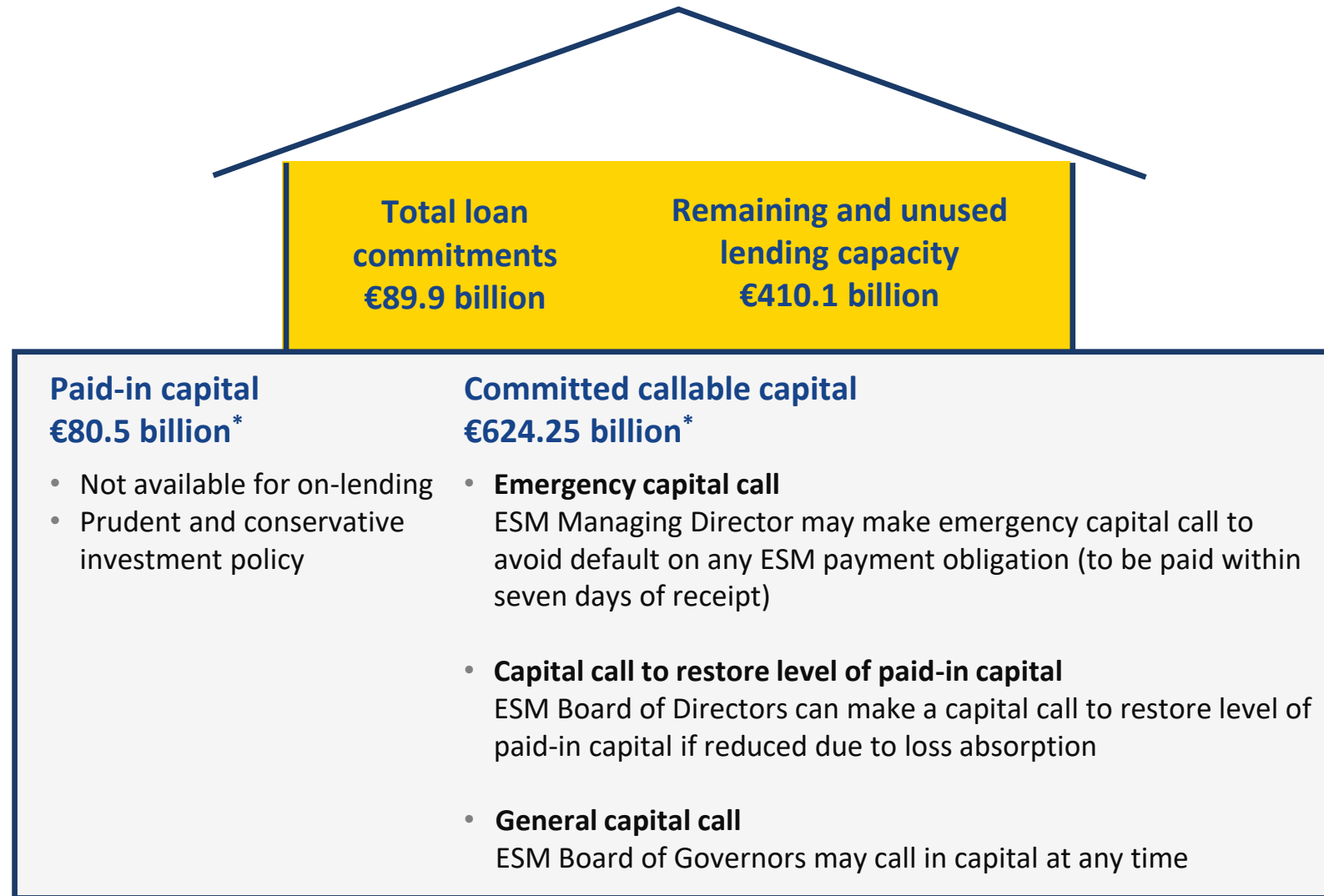
* The initial subscribed capital of €700 bn has increased since the accession of Latvia in March 2014 and Lithuania in February 2015

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

ESM LOAN COMMITMENTS ARE BACKED BY A STRONG CAPITAL STRUCTURE

Maximum lending capacity of €500 billion

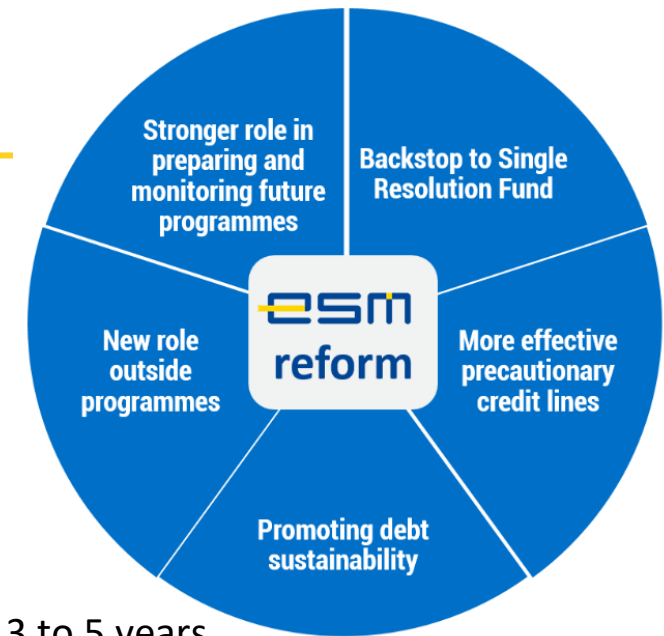
Backed by €704.8* billion subscribed capital by the 19 euro area countries



* The initial subscribed capital of €700 billion has increased since the accession of Latvia in March 2014 and Lithuania in February 2015. Paid-in capital has been increased by €0.5 bn and committed callable capital has been increased by €4.25 bn

THE REFORM OF THE ESM : A STRONGER ROLE

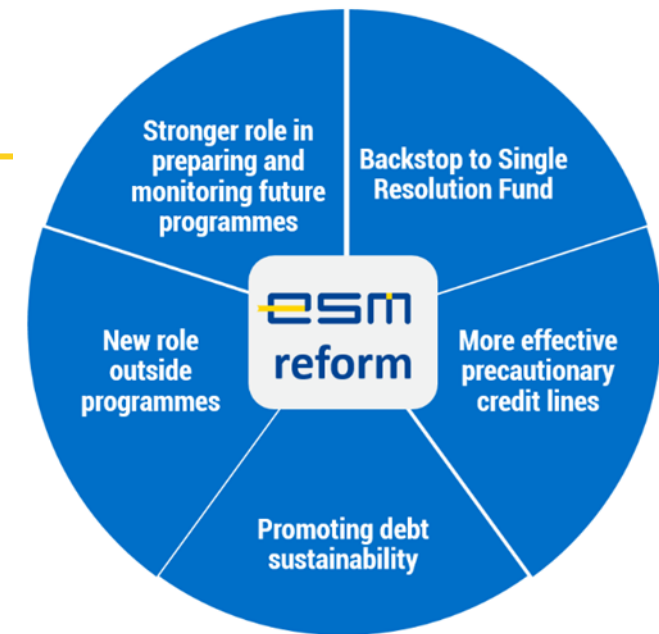
In January 2021, the revised ESM Treaty was signed, giving new tasks to the ESM. It will enter into force following ratification by all 19 ESM Members



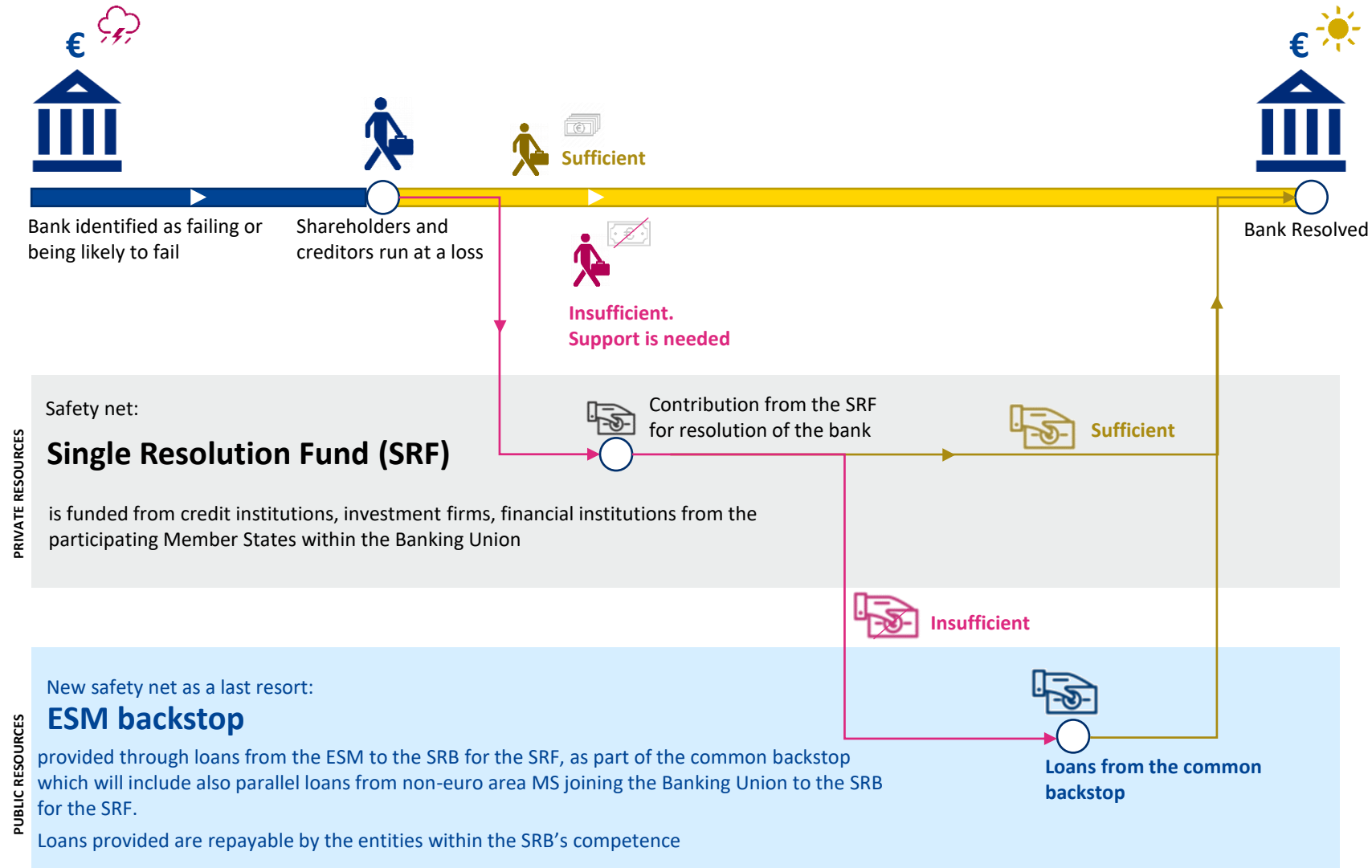
- **Backstop to the Single Resolution Fund (SRF)**
 - In the form of a credit line
 - Backstop volume: nominal cap for ESM loans to the SRF is set at €68 billion
 - If backstop funds are drawn, loan to be repaid by SRF from bank contributions within 3 to 5 years
- **ESM to prepare, design and monitor future country programmes together with the Commission**
 - ESM more involved in the design of policy conditionality
 - Future MoU with beneficiary member states signed by both the Commission and the ESM
 - Debt sustainability analysis done together with the Commission
- **ESM's role outside programmes**
 - The ESM can follow macro-economic and financial developments in all euro area member states
 - The Commission and the ESM will informally share analysis and discuss and assess macro-financial risks
 - The Commission may invite ESM to join its missions related to economic policy coordination and budgetary monitoring prior agreement with the Member State in question

THE REFORM OF THE ESM : A STRONGER ROLE

- **Improved effectiveness of ESM precautionary credit lines (PCCL and ECCL)**
 - The eligibility process for the precautionary credit lines will be made more transparent and predictable
- **Single-limb Collective Action Clauses (CACs) in ESM Treaty**
 - The revised ESM Treaty envisages the introduction of single-limb CACs as of 1 January 2022
 - In November 2021, however, ESM Members agreed to implement single-limb CACs on the first day of the second month following the entry into force of the revised ESM Treaty. This decision would provide ESM Members sufficient time to make the necessary preparations to implement single-limb CACs in a harmonised and coordinated manner following the actual ratification of the revised ESM Treaty.



ESM backstop to the Single Resolution Fund



Pandemic Crisis Support and the ESM's role

KEY FACTS

In May 2020 the EU Heads of State or Government agreed upon a comprehensive European response for up to €540 billion to the Covid-19 crisis:



European Commission: Backstop for workers and jobs (SURE) - loans to Member States for up to €100 billion.



European Investment Bank: Backstop for companies. Pan-European guarantee fund of €25 billion to support up to €200 billion of financing.



ESM: Backstop for countries (Pandemic Crisis Support) up to €240 billion to support direct and indirect healthcare, cure and prevention related costs due to COVID-19 crisis.

KEY FEATURES OF PANDEMIC CRISIS SUPPORT

- Available to all 19 euro area members
- Amount available: 2% of each country's GDP as a benchmark
- Available until end of 2022
- Maximum average maturity of loans: 10 years
- Disbursement of 15% of the total support per month
- Margin of 10 basis points, up-front service fee of 25 basis points, and annual service fee of 0.5 basis points

The ESM is a well-established crisis resolution mechanism. Experience in raising funds in difficult market situations.

By using an existing instrument, the ESM can act quickly.

No country is singled out, no individual conditionality; the money is available to all members of the euro area on equal terms, so no stigma for countries.



The only requirement is the commitment from the country to use the funds for direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis.

The ESM's AAA/AAA/Aaa rating means low funding costs passed on to member states. For some of them, it is cheaper funding than going to the market to fund themselves. This means annual budgetary savings for Member States.

THE ADVANTAGES

Funding the Pandemic Crisis Support with Social Bonds

BACKGROUND

- The terms, conditions, and use of the Pandemic Crisis Support offer the ESM the possibility to finance this new instrument through the issuance of Social Bonds
- The Pandemic Response Plan approved by the ESM Board of Governors and signed by the European Commission on behalf of the ESM, which will detail the use of proceeds, will be the basis for the ESM to define the eligible social expenditures that can be financed through Social Bonds
- The ESM has developed a Social Bond Framework built around the four core components of the ICMA Social Bond Principles.

KEY FACTS

- ESM Social bonds would have the same rating and credit risk as conventional ESM bonds.
- They would be listed on the Luxembourg Green Exchange (LGX)
- Fully align in the ESM general Funding Strategy with ESM benchmarks.
- Compliant with the ICMA Social Bond Principles



ESM Social Bond Framework

Use of Proceeds	Process for Evaluation and Selection	Management of Proceeds	Reporting
<ul style="list-style-type: none">• Proceeds only used for direct and indirect health care related costs.• Uses of funds in line with the cost spending categories in the Pandemic Response Plan.	<ul style="list-style-type: none">• Terms agreed by the ESM Board of Governors.• Request assessed by European Commission, ECB and ESM.• ESM identifies the eligible expenditures that qualify for Social Bond funding.	<ul style="list-style-type: none">• Central Budgetary approach: proceeds are pooled and an equal amount is allocated to eligible expenditures.• The total proceeds of Social Bonds cannot exceed the total amount of eligible expenditures.	<ul style="list-style-type: none">• Report on allocation and impact of the proceeds.• Based on monitoring and surveillance tools.• Reporting up to one-year following first bond, and every year until full allocation.

ESG STRATEGY AT THE ESM



2

ESM APPROACH TO ESG

The ESM has a holistic approach to ESG, founded in the social dimension of its lending operations.

- ❑ ESM lending and financial firepower show **European solidarity** and make reforms more **sustainable** and **socially** easier to implement:
 - ✓ ESM acts as lender of last resort to sovereigns, with low interest rates and long maturities;
 - ✓ Countries have time and support to implement sustainable structural reforms;
 - ✓ ESM bonds contribute to social stability;
- ❑ Strategic priority for 2022 – Integrate **ESG in the full balance sheet** of the ESM:
 - ✓ Review existing instruments to ensure they address ESG considerations for future programmes;
 - ✓ Integrate ESG considerations in macro-economic analysis and communication on financial stability;
 - ✓ ESG Framework for Investment, based on the signed UN PRI;
 - ✓ Participation in various ESG groups: EU Sustainable Platform, ICMA SB working group, NGFS of Central Banks.
- ❑ **Holistic approach** in our Funding Operations:
 - ✓ Continue our engagement with ESG rating agencies to improve our ESG scores;
 - ✓ Integrate the social aspect of our Funding – ESM bonds contribute to social stability;
 - ✓ Ad-hoc Sustainable frameworks for dedicated social programmes - Pandemic Crisis Support (PCS) facility still available until end-2022 with the possibility to be financed with Social Bonds

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Environmental



- Since 2019 ESM publishes its **annual Carbon Footprint Report** as part of ongoing efforts to monitor, measure, and report the institution's environmental impact.
- ESM continuously implements measures to improve the **internal environmental impact**. Environmental certificates from Luxembourg government encouraging our staff's environmentally conscious behaviour.



Social



- ESM fosters a **diverse working environment**, the highest standards of **integrity**, as well as promotes a healthy **work-life balance**.
- ESM Pandemic Crisis Support focused on Social lending to finance the health related costs of the Covid-19.
- ESM set up a **Social Bond Framework** to finance this credit line with the issuance of Social Bonds.



Governance



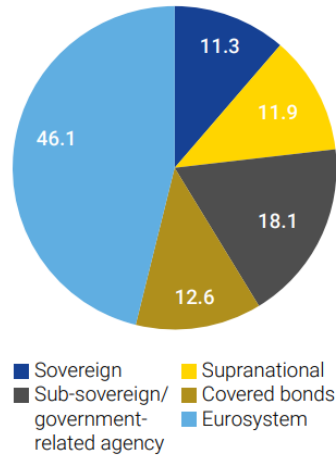
- **Robust ESM governance framework** ensuring strong accountability and transparency vis-à-vis the ESM shareholders and other stakeholders.
- Reflected in the latest **upgrade Rating report** from Moody's
- **Three layers of audit oversight** to ensure accountability of the ESM.



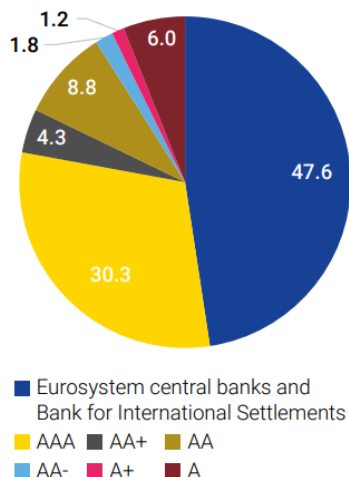
Policy
A policy described
government, privat
"Statement of Inte
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ESM AS AN INVESTOR

Asset class distribution of investments
(in %)



Ratings distribution of investments
(in %)



Source: ESM Annual Report 2021

❑ The ESM is a significant investor in SSA space

- ✓ Unlike other peers, the ESM is not allowed to on-lend its paid-in capital.
- ✓ With €80.5bn paid in capital, highest capitalised IFI globally
- ✓ We invest in highly secured liquid fixed income assets rated “A” and above.

❑ ESM as a sustainable and responsible investor - ESG

- ✓ The ESM is currently building a responsible investment framework to assess the alignment of issuers with ESG criteria.
- ✓ Of our investments, €7.7bn are split between green, social and sustainability bonds (in addition to €0.3bn invested in pandemic bonds).

❑ PRI membership

- ✓ In February 2020 the ESM became signatory of United Nations Principles for Responsible Investments.
- ✓ The UN PRI is recognised as the leading global network for investors committed to integrating ESG considerations into their investment practices.
- ✓ As a PRI signatory, the ESM will include ESG criteria within its investment processes.

HOW AND WHY DO THE EFSF AND ESM PROVIDE FINANCIAL ASSISTANCE?



3

LENDING TOOLKIT



Loans



**Precautionary
programme**



**Indirect bank recapitalisation
through loans to governments**



**Pandemic Crisis
Support**



**Primary market
purchases**

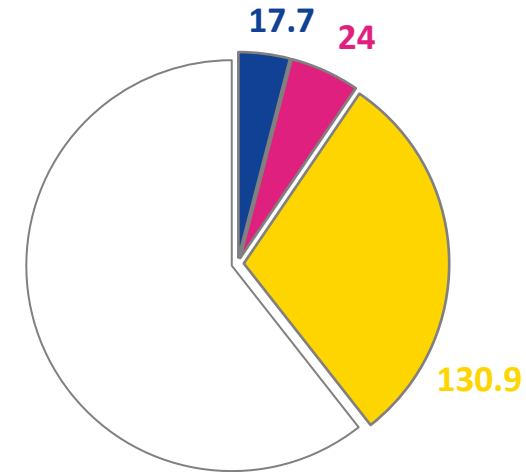


**Secondary market
purchases**

ESM AND EFSF LOANS

EFSF and ESM together have €262.5 billion of outstanding loans

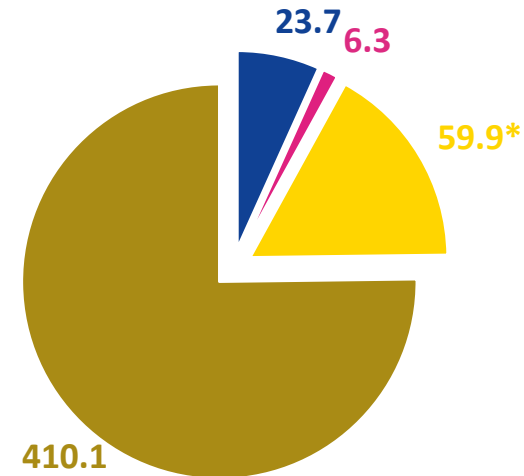
EFSF - €172.6 billion Outstanding loans



■ Ireland
■ Portugal
■ Greece

€ billion

ESM - €89.9 billion Outstanding loans



■ Recapitalisation of Spanish banks
■ Cyprus
■ Greece
■ Available capacity

€ billion

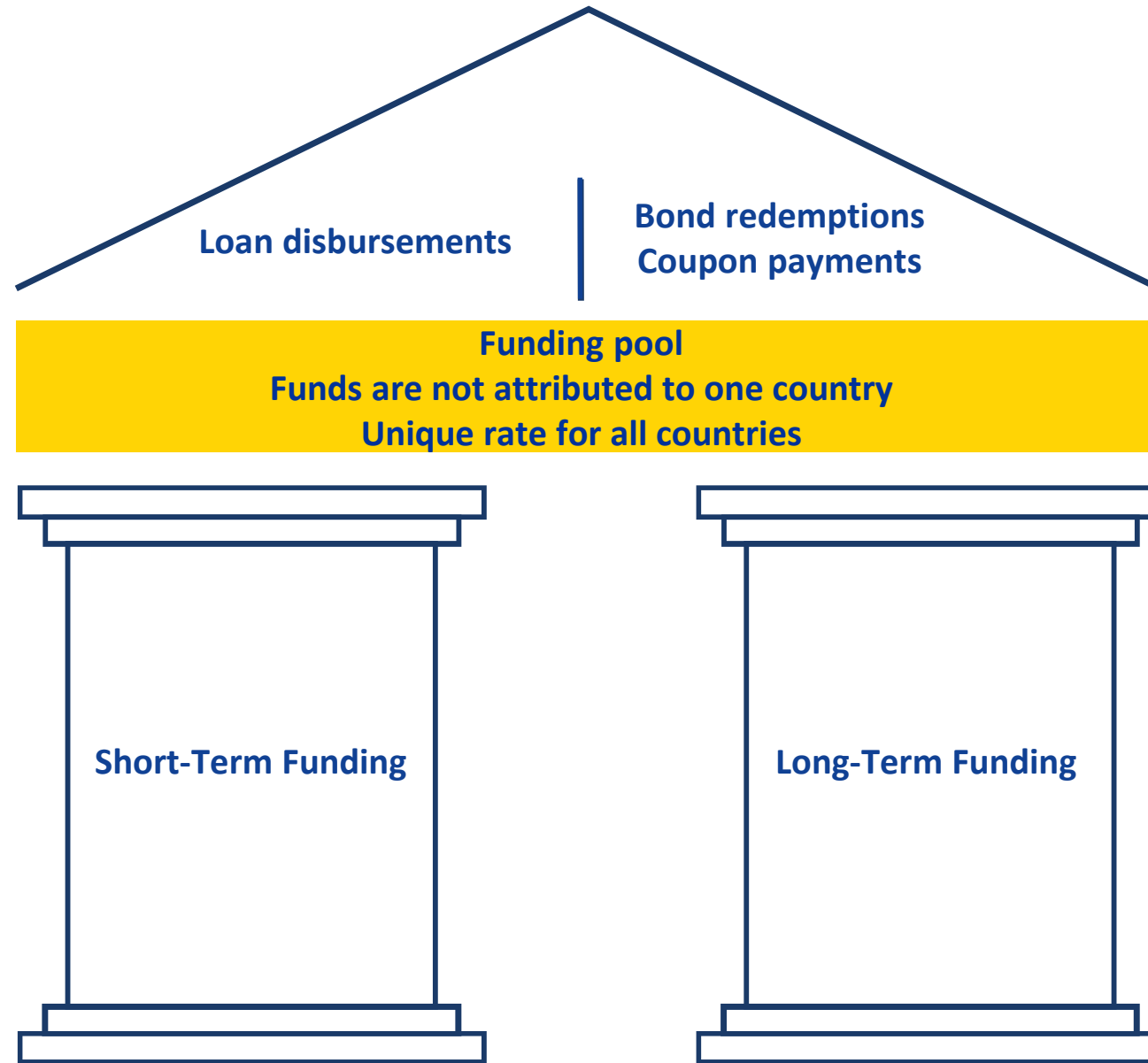
*Original loan commitments to Greece at programme inception was €86bn (ESM). On 20 Feb 2017, the ESM received a loan repayment from Greece of €2bn so total loans reduced by €2bn from €61.9bn to €59.9bn.

HOW DO THE EFSF AND ESM FINANCE THEIR LOANS?



4

FUNDING STRATEGY WITH TWO PILLARS



SHORT-TERM FUNDING

- Bill market is an important tool to manage funding liquidity risk
- The ESM has a strategic minimum presence in order to ensure permanent access to its investor base
- In case of higher or lower liquidity needs, the ESM can adjust the bill volume
- Characteristics

Size	Min. target size of €1.1bn
Timing	1 st and 3 rd full week of the month (see calendar below)
Bidding period	08:00 - 12:30 CET
Features	Multiple price auction, each bill is rated by Moody's, Fitch and S&P
Access	Via ESM market group
Information	Bloomberg ESM pages, 4 {GO}, Buba {GO} and GAM {GO}



[Dedicated section on bills on ESM website](#)

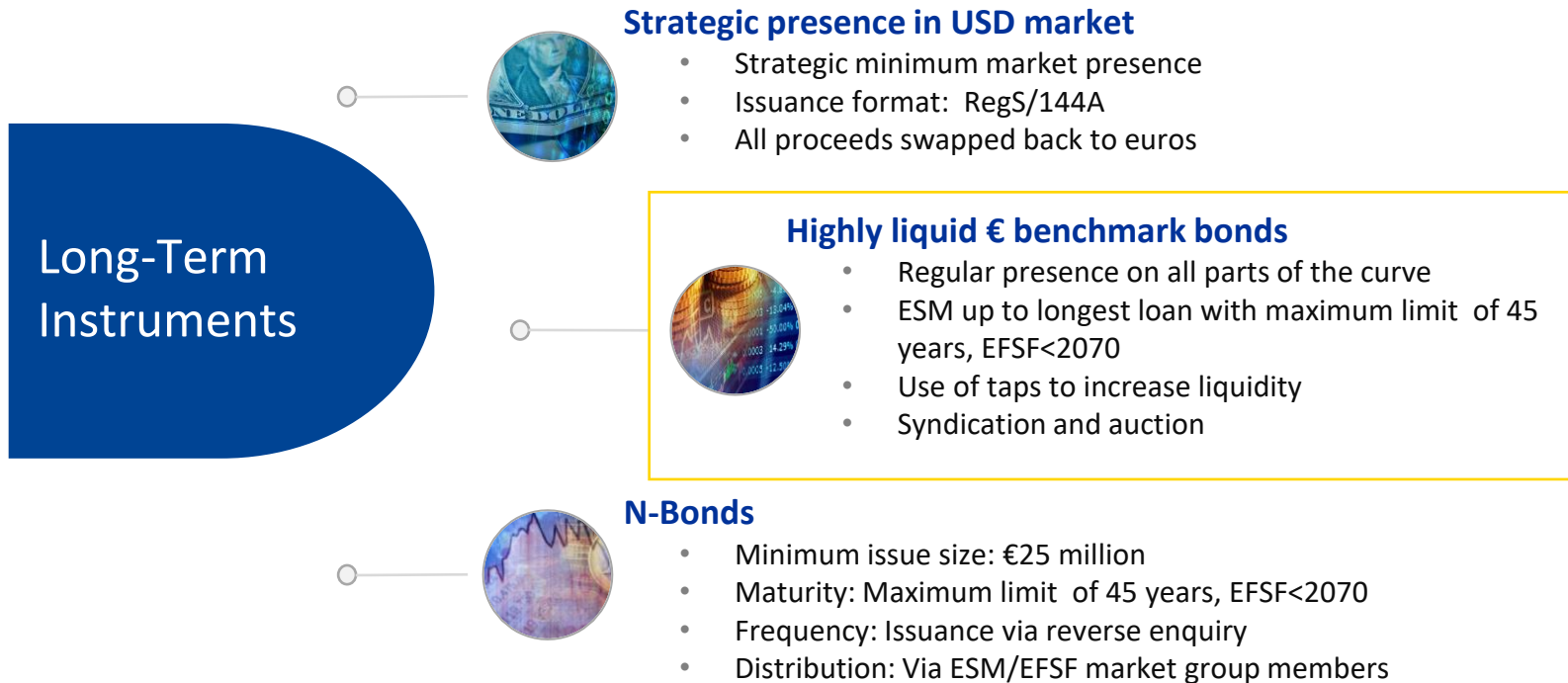
Short term rating	
Moody's	P-1
Fitch Ratings	F1+
S&P	A-1+

Auction dates for each half-year announced in advance *

2022	July	August	September	October	November	December
3 month	Tuesday 05	Tuesday 02	Tuesday 06	Tuesday 04	Wednesday 02	Tuesday 06
6 month	Tuesday 19	Tuesday 16	Tuesday 20	Tuesday 18	Tuesday 15	-

*12 month line discontinued as of 06 May 2022

LONG-TERM FUNDING



Long term rating	
EFSF	AA(stable)/Aaa(stable)/AA(stable)
ESM	AAA(stable)/Aaa(stable)/AAA(stable)

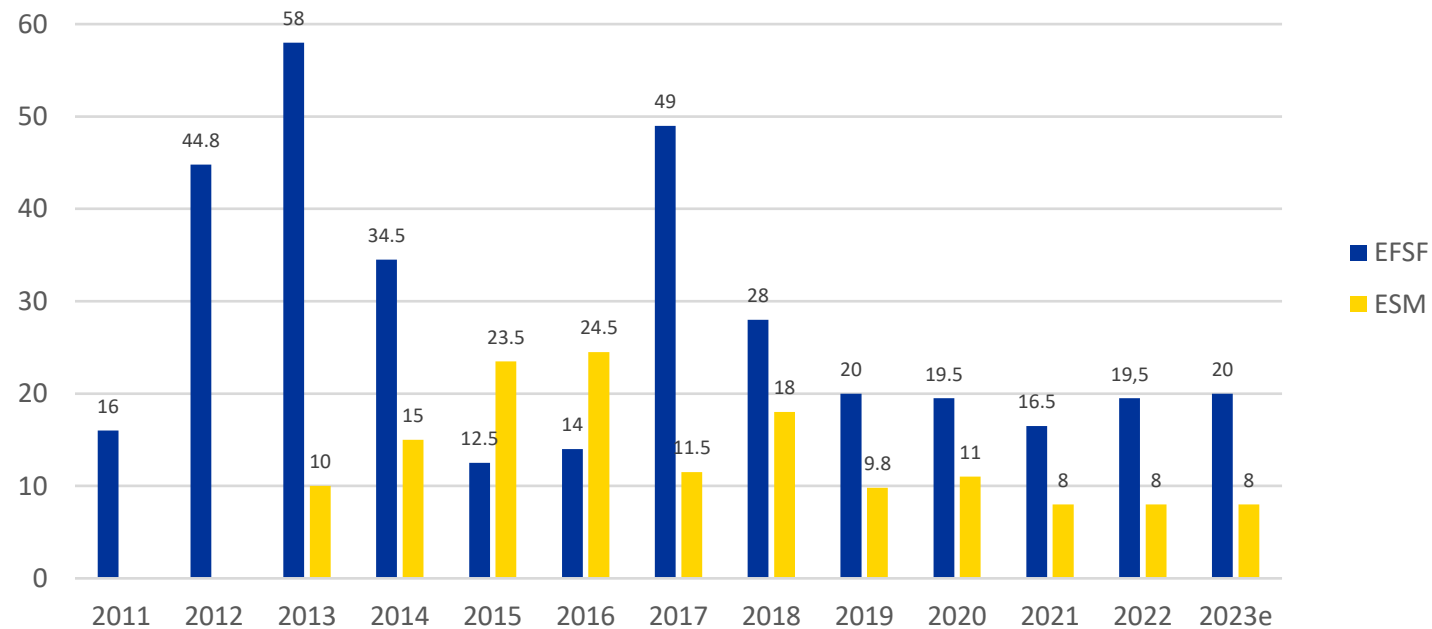
The EFSF and ESM are included in the major SSA and government bond indices such as ICE BofAML, J.P. Morgan, iBoxx, FTSE or Barclays.

EFSF/ESM FUNDING PROGRAMME

The combined funding for EFSF & ESM for 2022 will be **€27.5 billion**:

- €19.5 billion for EFSF
- €8 billion for ESM

EFSF / ESM Bond issuance
(€ billion)*



*Please note that figures are based on estimates and may vary. These figures do not include any cashless operations. Total lending requirements for future periods are based on the current disbursement schedule.

MANAGING LIQUIDITY RISK

No interest rate risk

- All funding costs are passed on to beneficiary countries so EFSF and ESM carry **no interest rate risk**
- Cost of funding rate is a daily per annum rate computed from the actual interest rate accrued on all debt issued for each issuer
- Lending rate is cost of funding + margin and fees

Liquidity risk is mitigated by the flexibility to:

- Issue on different parts of the curve
- Issue in different currencies
- Run a liquidity buffer
- Use different products



Lending Rates*:

- EFSF 0.83%
- ESM 0.58%



Average funding maturity (pool):

- EFSF 8.96 years**
- ESM 6.31 years**



Weighted average loan maturity:

- Greece ESM 32.3 years
- Greece EFSF 42.5 years
- Cyprus 14.9 years
- Spain 12.5 years
- Portugal 20.8 years
- Ireland 20.8 years

* Average lending rates of pool funded loans over Q1 2022, including margin and fees

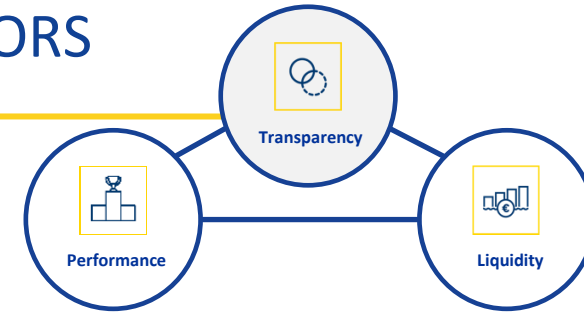
** As at 20/06/2022. ESM includes bills and bonds; Weighted average maturity is from programme inception

WHY INVEST IN EFSF and ESM?



5

TRANSPARENCY: HIGH DEGREE OF COMMUNICATION TO INVESTORS



- Newsletter announces auctions in advance for each half-year
- High degree of communication during transactions (RFP announcement, mandate)
- Any material changes communicated in timely manner to investor community
- [LinkedIn](#) page where we publish Funding and Investor Relations latest news and developments.

The image shows the cover of the 'Quarter 2 2022' investor newsletter. It features the logos for the European Stability Mechanism (ESM) and the European Financial Stability Facility (EFSSF) on a blue background with a map of Europe. The text on the cover includes: 'QUARTER 2 2022', 'INVESTOR NEWSLETTER NO. 44', 'N° 44 / 27 June 2022', and 'Dear Investor,'. The main body of the newsletter text discusses credit rating upgrades for ESM and EFSSF, inflation rates, and market conditions.

Dear Investor,

The last weeks were especially significant for both the EFSF and ESM. Moody's Investor Service upgraded ESM to their highest long-term credit rating of Aaa from Aa1. This means that ESM now has the highest ratings with S&P Fitch, and Moody's (AAA/AAA/Aaa), and all offer a stable outlook. For the EFSF, the same upgrade followed by Moody's (Aaa, stable).

As Moody's explained in their rating action statement: "The key driver for today's rating actions is Moody's view that the improved robustness of the European crisis-fighting architecture – as exemplified during the coronavirus pandemic – reduces the risk of a systemic crisis with a high default correlation among EU member countries."

The upgrade came in the midst of a challenging time for financial markets.

The second quarter saw rising energy prices, conflict in Ukraine, and post-pandemic demand drive inflation to its highest levels in Europe for more than 30 years.

The EU recorded an annual inflation rate of 8.8% in May, up from 8.1% in April, according to Eurostat. A year earlier it was 2.3%. The euro area's annual inflation rate marked a record high of 8.1% in May, up from 7.4% in April.

In the quarter just ending we have seen euro area interest rate expectations race higher. In late June, markets expected the European Central Bank's policy rate to be at 2.65% by the end of 2023, according to calculations using the three-month Euribor futures curve. That compares with 1.85% by end of 2023 recorded at the start of April.

In bond markets we have seen euro area bond yields rise. In spite of the market conditions, the EFSF was able to issue €2 billion of new 10-year bonds in mid-June. Choosing a two-day transaction gave investors time to engage and attracted a high-quality order book.

With market volatility rising, the need for issuers and investors to engage takes on even greater meaning.

So, during the second quarter, the EFSF and ESM were actively meeting investors face to face and exchanging viewpoints on financial markets.

During such a visit to Asia, I was heartened to learn the reaction of investors to the ESM's Pandemic Crisis Support tool introduced in 2020.

Investors said that the credit line was deemed a success because it provided reassurance without impacting the ESM's balance sheet. It reassured them to buy European Government Bonds (EGB), knowing that there is always a line that can be tapped in case of turmoil. They saw it as EGB credit positive. The credit line is still operational until end of 2022.

During the second quarter, we engaged with investors across Europe as well as Asia. We are back on the road again visiting investors around the world.

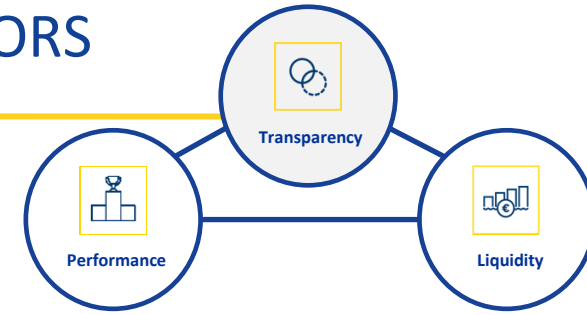
I wanted to also acknowledge how much we value investors who came to visit us in Luxembourg this month.

Whether in person or online, you joined us for this year's Capital Markets Seminar, co-hosted with our colleagues from the European Investment Bank and European Union. Investors came together to hear of the stability that Europe offers. We thank you for your continued confidence.



Kalin Anev Janse
ESM Member of the Management Board,
Chief Financial Officer

TRANSPARENCY: HIGH DEGREE OF COMMUNICATION TO INVESTORS

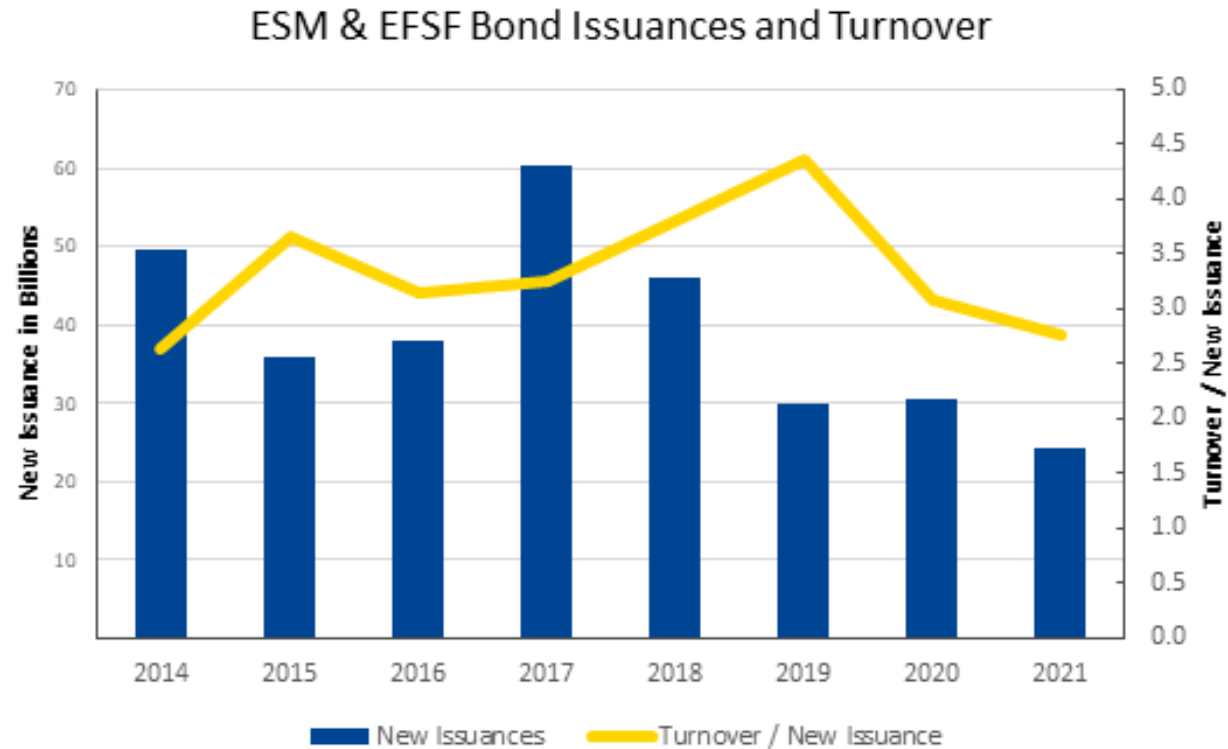
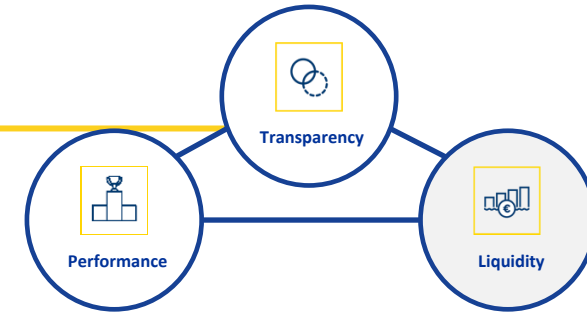


- The European Stability Mechanism in collaboration with the European Commission and the European Investment Bank host an annual **Capital Markets Seminar** addressed to worldwide investors.
- This flagship event is a great opportunity to present the latest developments at the three institutions and in the EU capital markets, with a special focus on the investor perspective.
- The event gathers speakers that include both C-Level and operational leaders from the host institutions and other capital markets participants.



LIQUIDITY: A KEY ROLE IN THE FUNDING STRATEGY

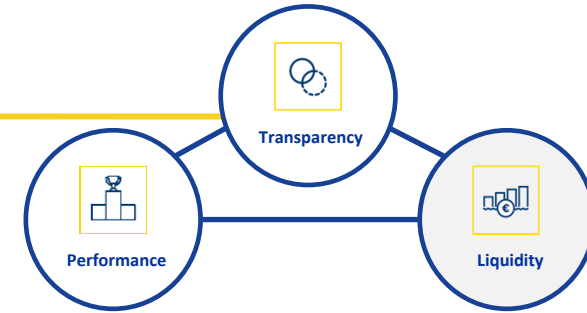
EFSF and ESM bonds are highly liquid in terms of issuance volumes. Despite the lower volumes issued from 2019, liquidity has remained at a good level.



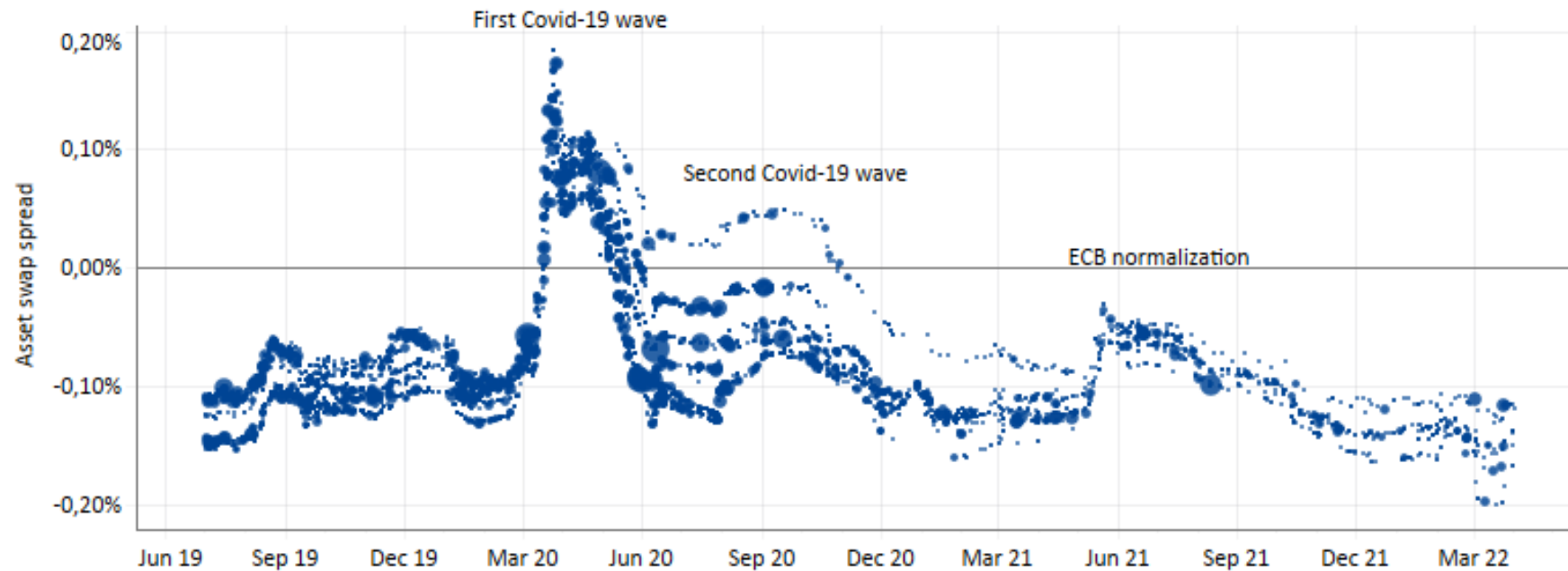
NB: This data is sourced and compiled from trading activities in ESM / EFSF bonds from the market group banks. The data is compiled in a Harmonised Reporting Format used by all Euro Governments and Debt Management Offices.

LIQUIDITY IN STRESS TIMES

Liquidity in EFSF/ESM bonds has proven to be resilient even in stress times, after the peaks of the Covid-19 crisis and following the ECB normalization.

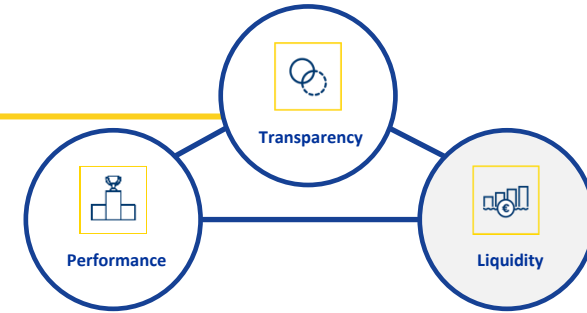


EFSF/ESM bond trades – volumes and asset swap spreads

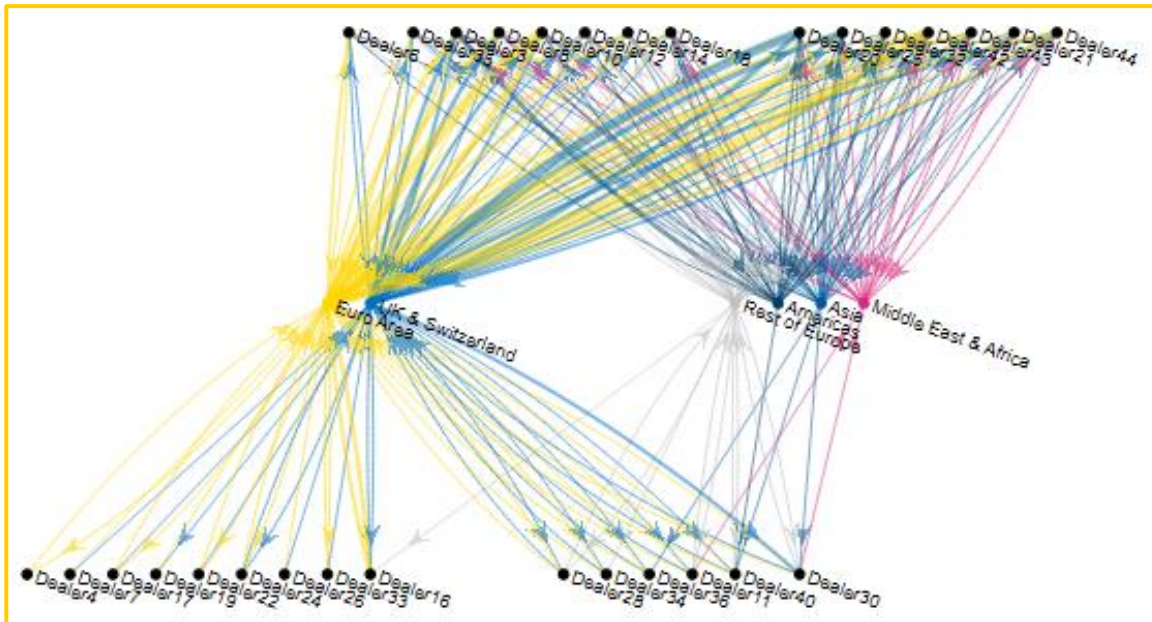


LIQUIDITY WELL DIVERSIFIED AMONG OUR DEALERS

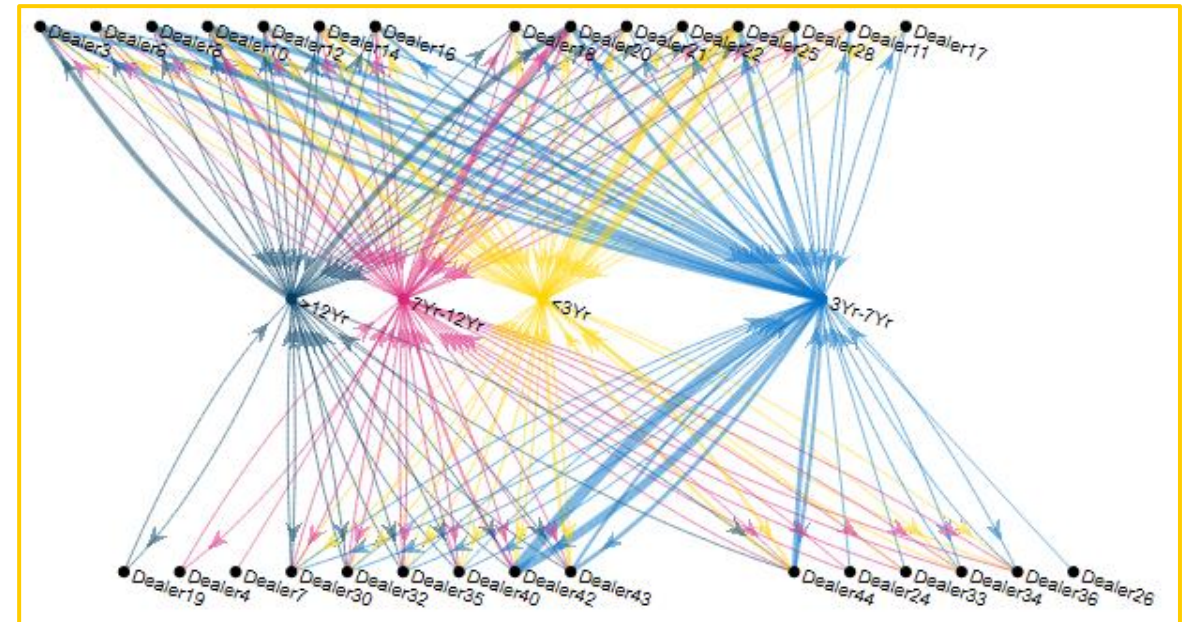
ESM closely monitors liquidity in secondary markets. We see a well distributed network of flows between dealers and regions / maturities.



Dealer distribution of flows by regions

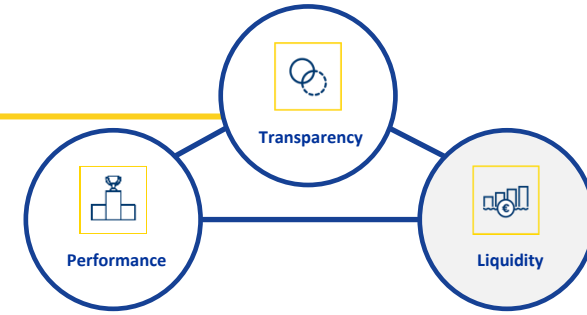


Dealer distribution of flows by maturity buckets

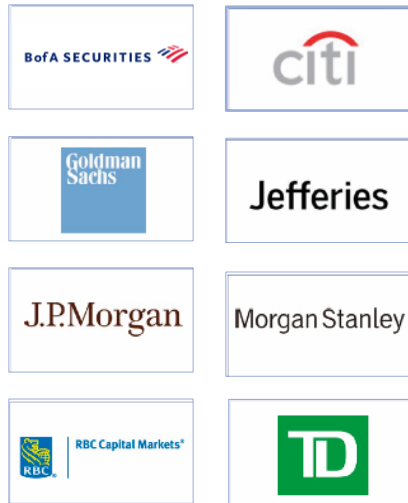


LIQUIDITY: SUPPORTED BY THE ESM/EFSF MARKET GROUP

ESM/EFSF Market Group comprises the following 34 international institutions:



Americas



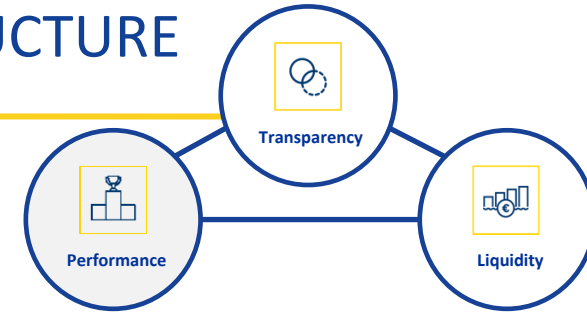
Europe



Asia



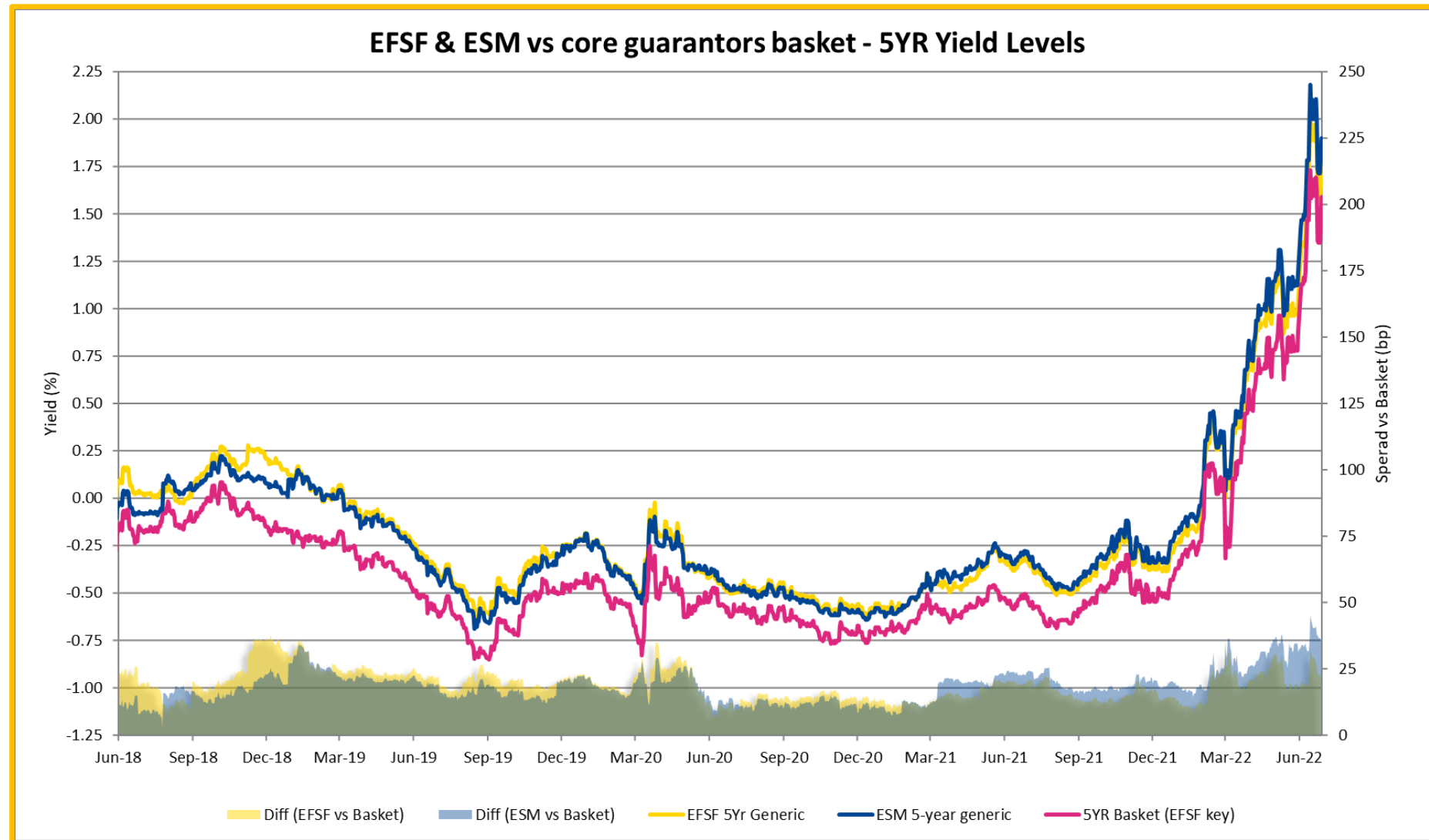
PERFORMANCE: OPPORTUNITIES COMBINED WITH ROBUST STRUCTURE



- ESM's issuances benefit from a robust capital structure
- EFSF's issuances benefit from a solid structure with an over guarantee mechanism from the six best-rated euro area countries

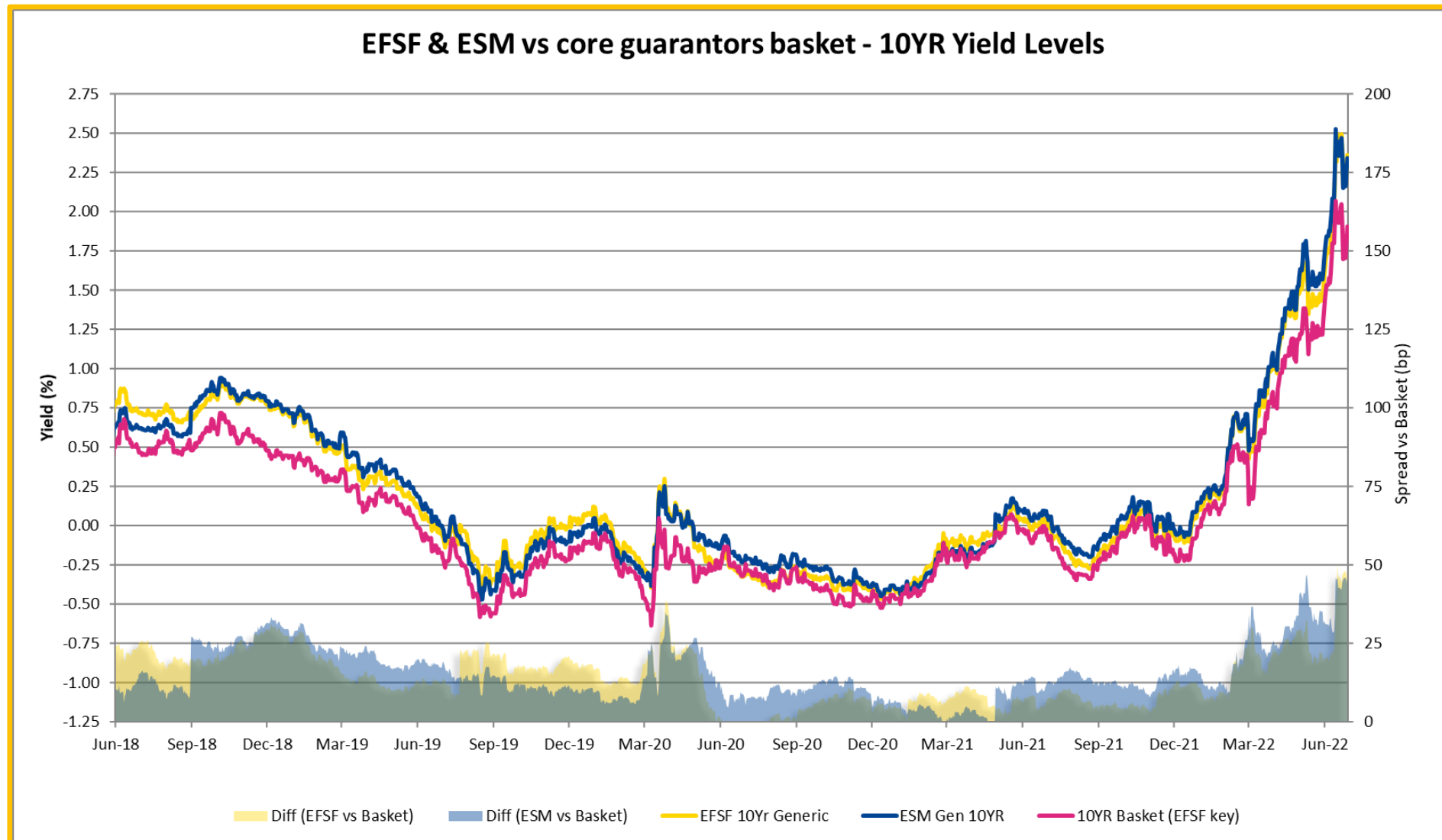
Core EFSF guarantors	Adjusted Cont. Key	Over-guaranteed Cont. Key
Germany	29.13%	46.74%
France	21.88%	35.10%
The Netherlands	6.13%	9.84%
Austria	2.99%	4.79%
Finland	1.93%	3.09%
Luxembourg	0.27%	0.43%
Total		100%

PERFORMANCE: OPPORTUNITIES COMBINED WITH ROBUST STRUCTURE



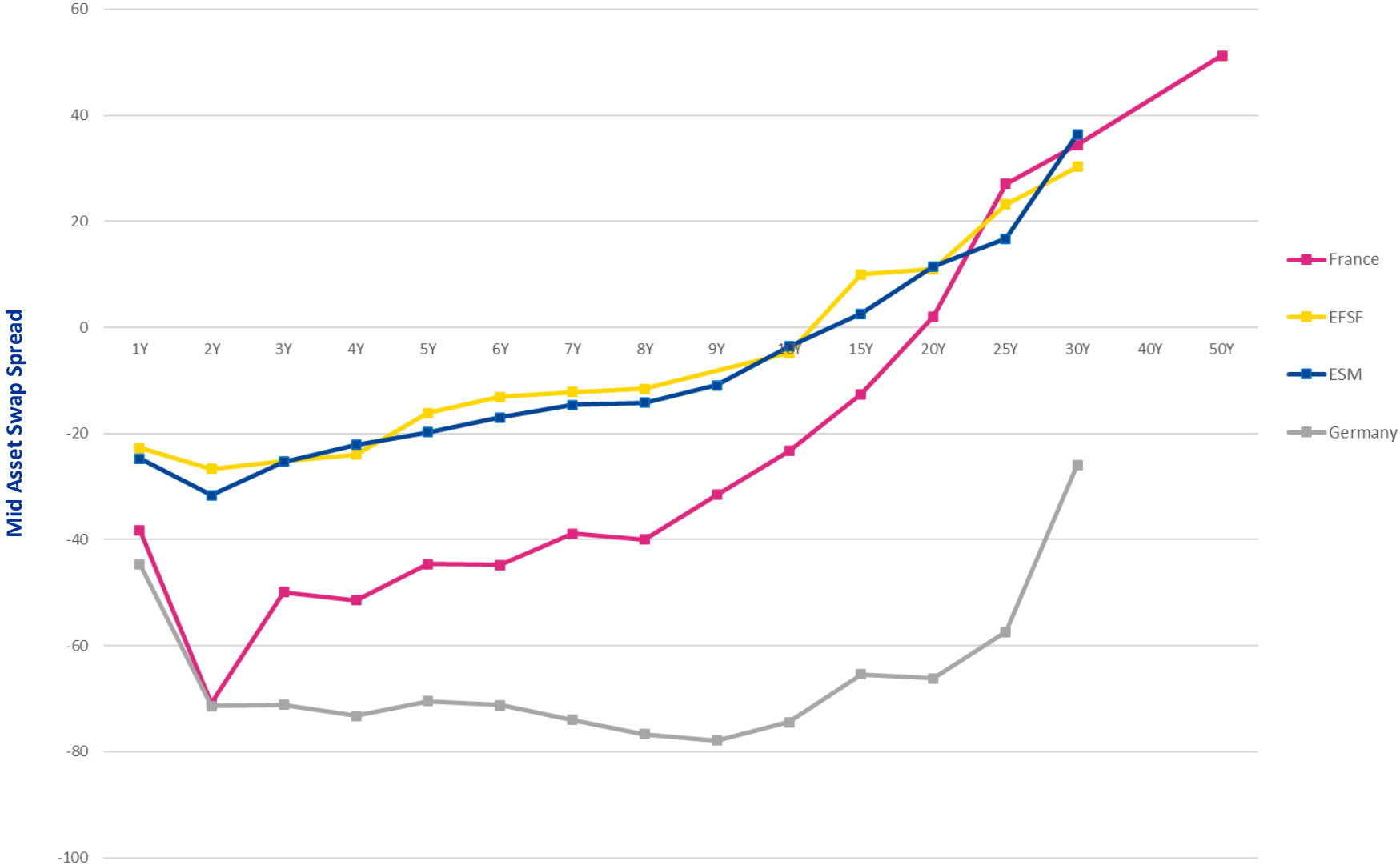
Source: Bloomberg, as of 28 June 2022

PERFORMANCE: OPPORTUNITIES COMBINED WITH ROBUST STRUCTURE



Source: Bloomberg, as of 28 June 2022

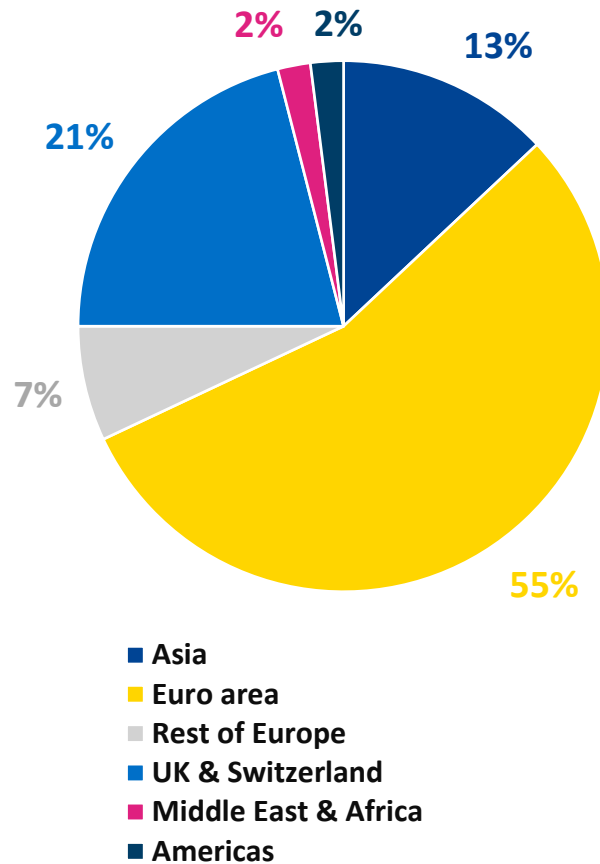
EFSF & ESM VS FRANCE AND GERMANY BOND CURVES



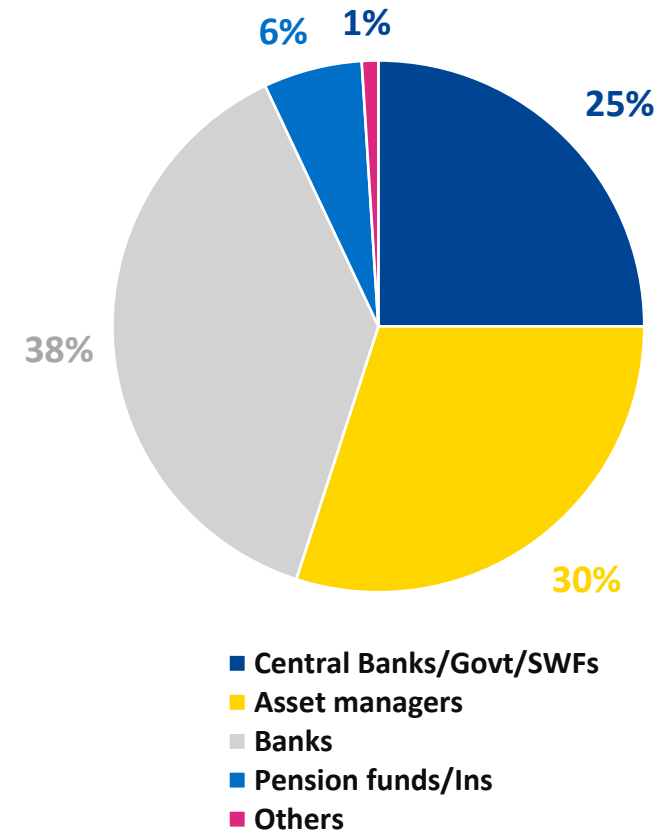
Source: Bloomberg, as of 20 June 2022

EFSF AND ESM: SOLID AND DIVERSIFIED INVESTOR BASE

Geographical Breakdown



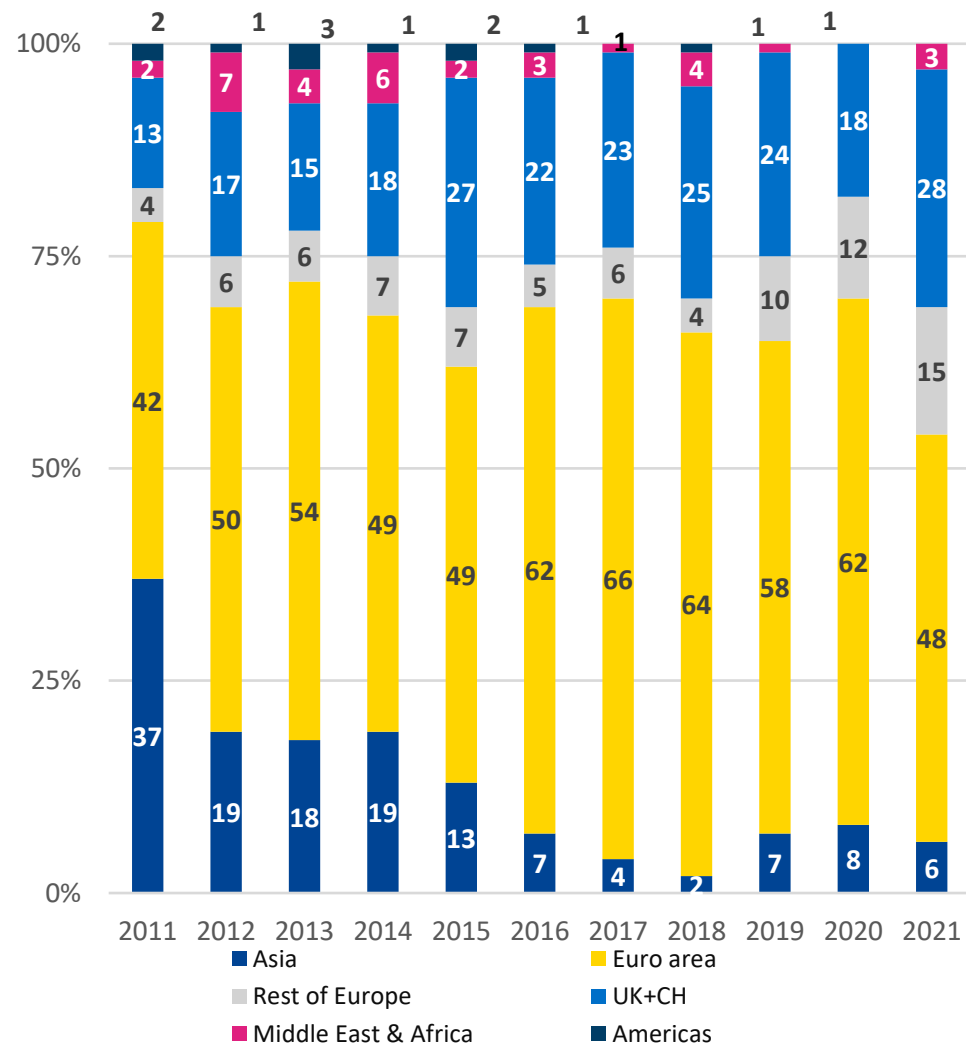
Breakdown by Investor Type



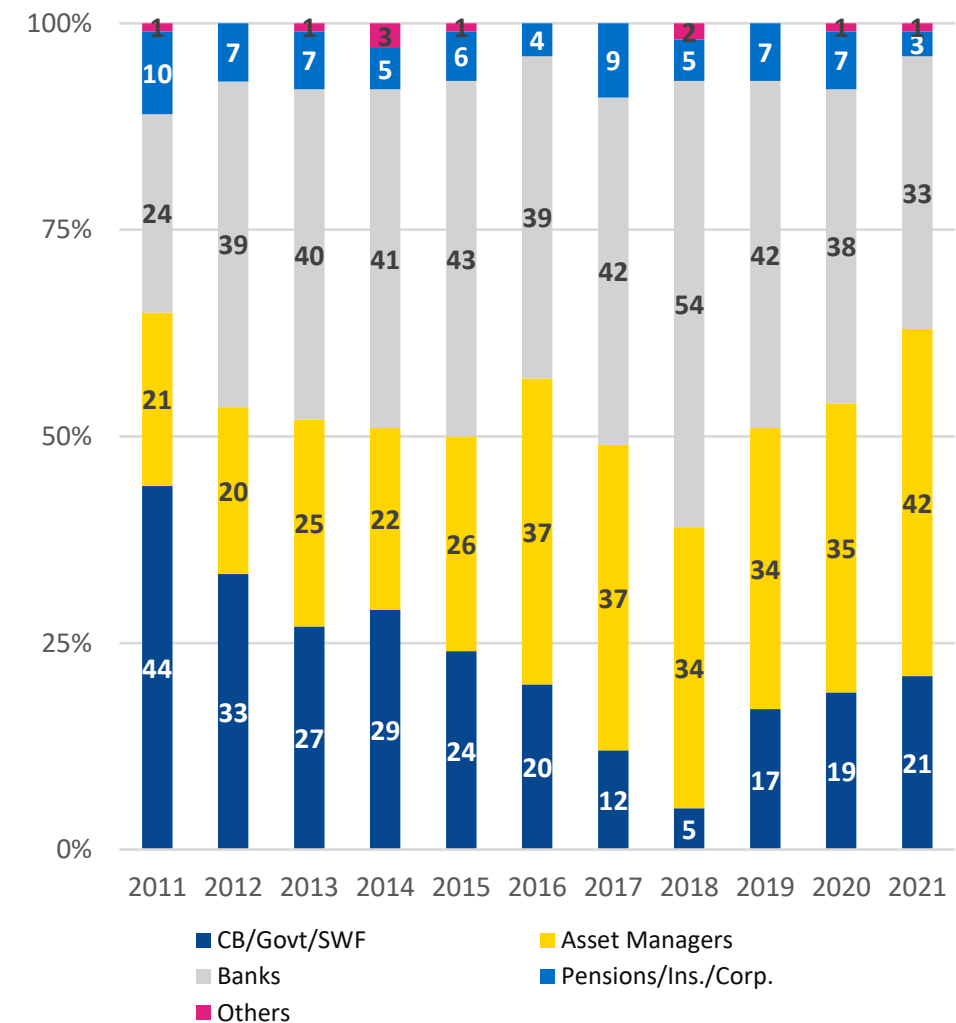
*Total breakdown includes all EFSF & ESM syndicated bond issues at time of issue. Placements by auction are not included. As at 14/06/2022. Data source: ESM

EFSF: ANNUAL INVESTOR BREAKDOWN

Geographical breakdown in %

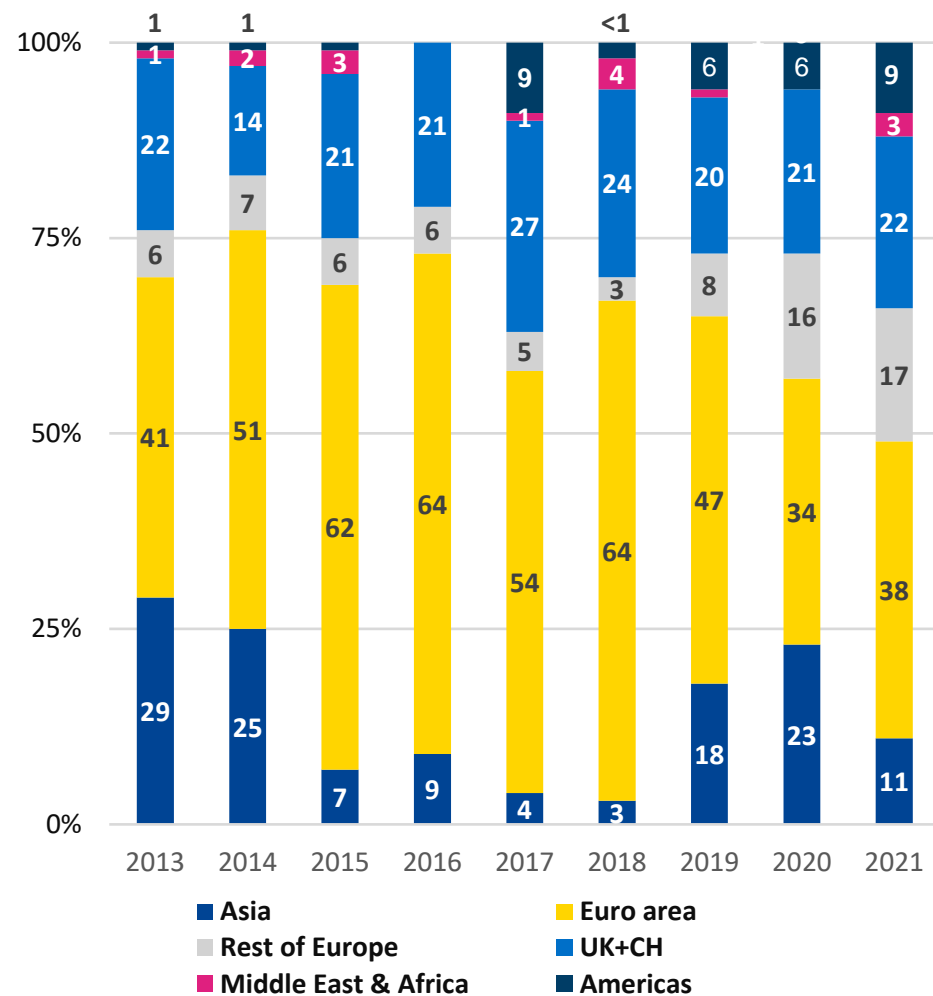


Investor type in %

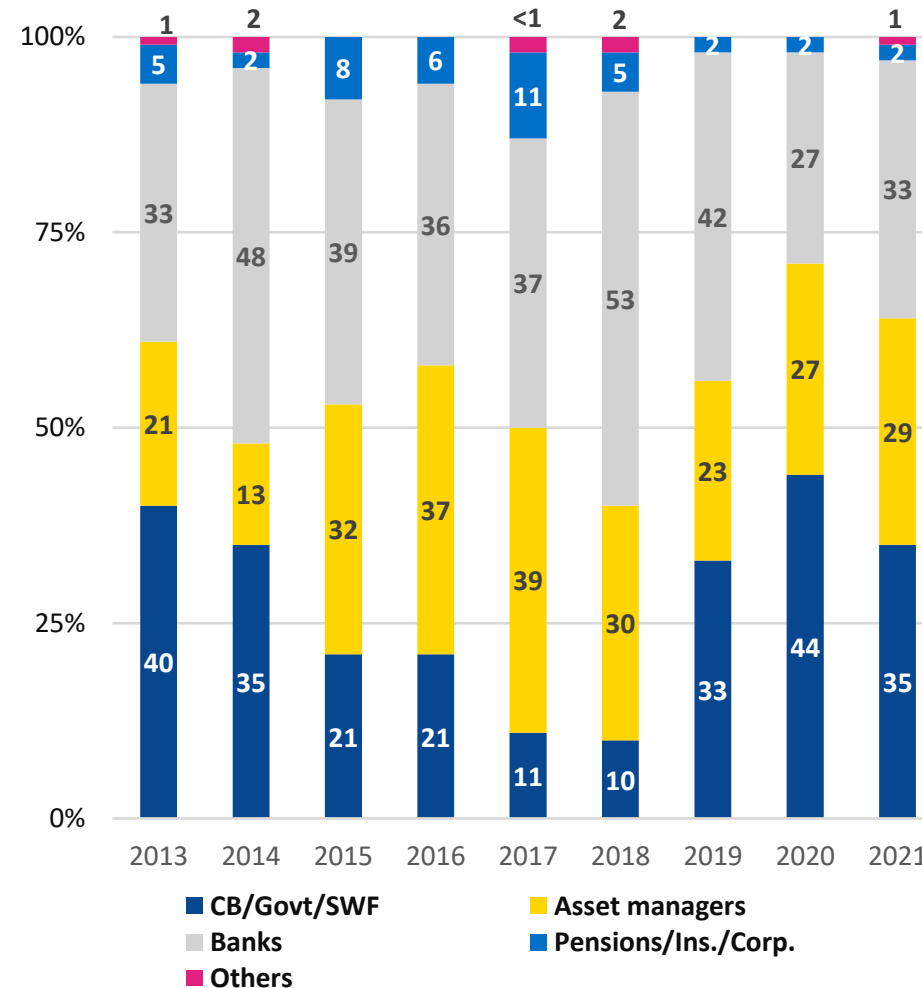


ESM: ANNUAL INVESTOR BREAKDOWN

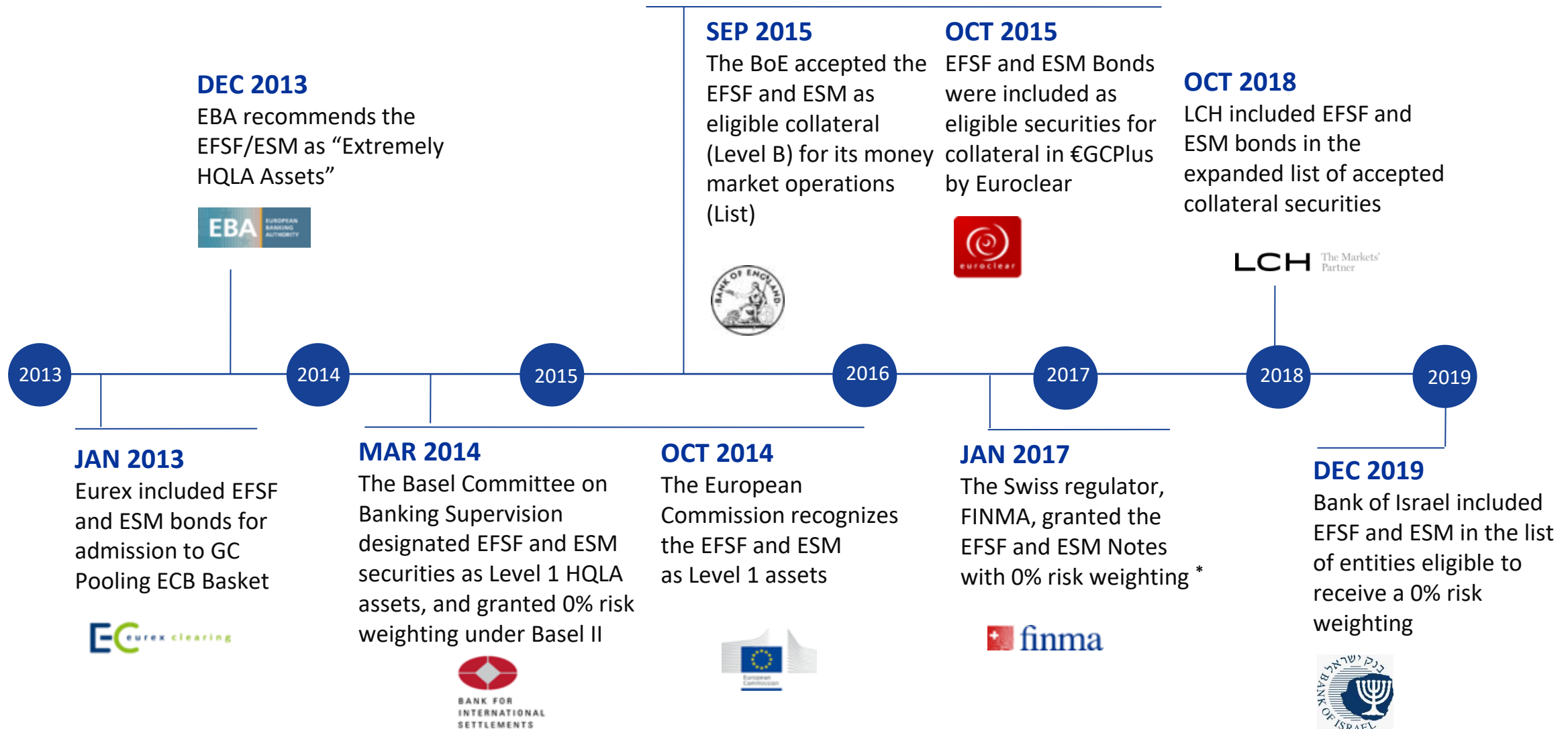
Geographical breakdown in %



Investor type in %



EFSF and ESM WIDELY RECOGNISED AS TOP QUALITY ASSETS



* A new credit risk standard model has been made available to Swiss insurance companies in the Swiss Solvency Test (SST) 2021, with the aim of replacing the Basel III approach. As a result, credit risk weights for individual bonds may not apply in that context. For more information: <https://www.finma.ch/de/ueberwachung/versicherungen/spartenuebergreifende-instrumente/schweizer-solvenztest-sst/>

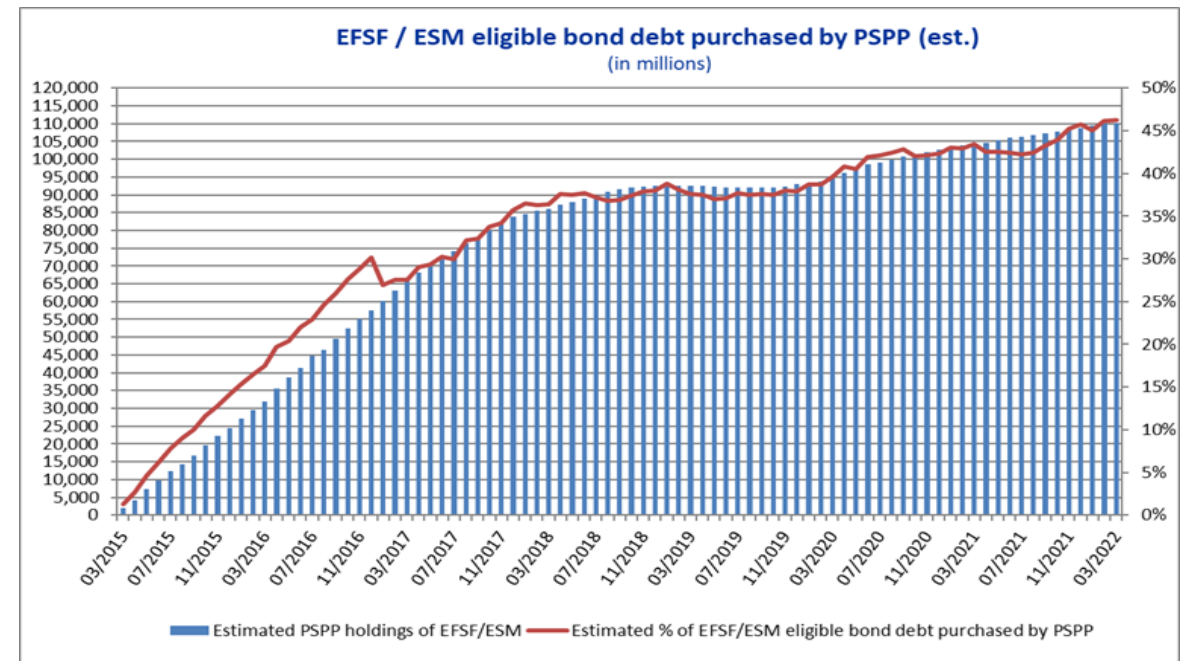
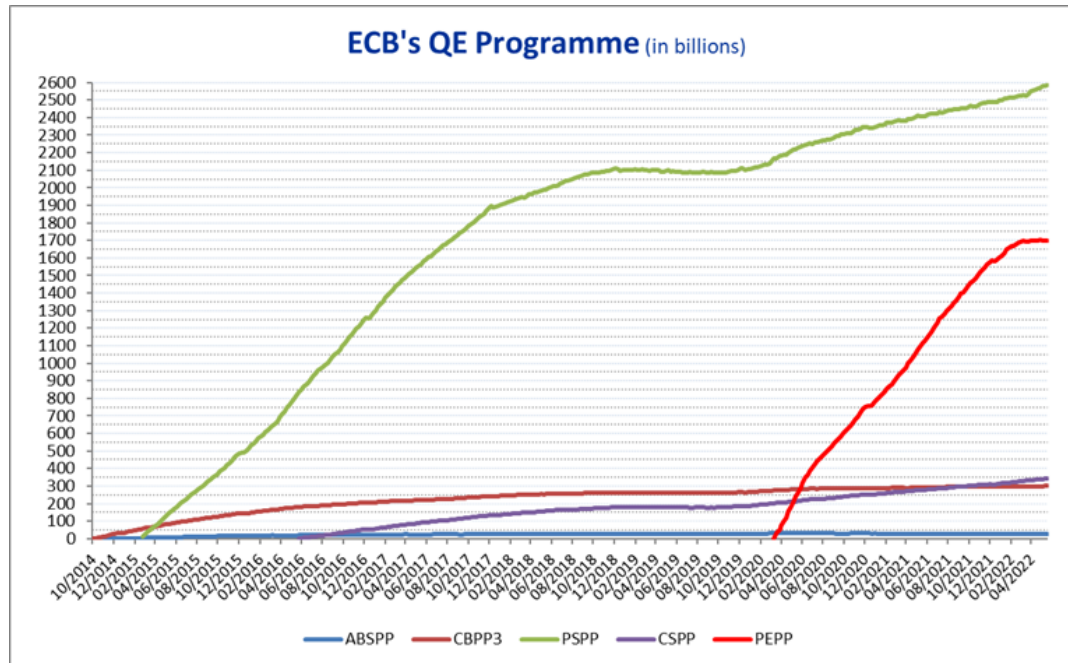
WHAT ARE THE IMPLICATIONS OF ECB'S QE FOR THE EFSF AND ESM ?



6

EFSF/ESM and the ECB Asset Purchase Programme (APP)

- *October 2014 - December 2018: the Eurosystem conducted net purchases of securities under the Asset Purchase Programme (APP). EFSF/ESM debt was included under the Public Sector Purchase Programme (PSPP)*
- *January – October 2019: the Eurosystem fully reinvested the principal payments from maturing securities held in the APP portfolios*
- *November 2019: ECB Governing Council decided to restart net purchases APP at a monthly pace of €20 billion*
- *March 2020: ECB Governing Council initiated a temporary asset purchase program of private and public sector securities, the Pandemic Emergency Purchase Program (PEPP), until end of March 2022*
- *July 2022 – End of APP. Only reinvestment of redemptions*



Under PSPP, based on the weekly publications from the ECB on the QE-activities and the ESM/EFSF's share of eligible supranational debt, we estimate that the ECB held around 46.7% or ~€111.3billion of EFSF/ESM's outstanding stock of the eligible bond debt as of 3 June 2022

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Thomson Reuters: 0#EUEFSF= ; 0#EUESM=



https://twitter.com/ESM_Press



APPENDIX



7

EFSF and ESM PROGRAMME OVERVIEW

Institution	Country	Date agreed	Date concluded	Amount disbursed	Weighted average maturity	Final maturity
EFSF	Ireland	December 2010	Dec 2013	€17.7bn	20.8 years	2042
EFSF	Portugal	May 2011	May 2014	€26.0bn (€2bn repaid)	20.8 years	2040
EFSF	Greece	March 2012	June 2015	€141.8bn (€10.9 bn EFSF bonds were redelivered)	42.45years	2070
ESM	Spain	July 2012	December 2013	€41.3bn (€17.6bn repaid)	12.5 years	2027
ESM	Cyprus	March 2013	March 2016	€6.3bn	14.9 years	2031
ESM	Greece	August 2015	August 2018	€61.9bn (€2bn repaid)	32.35 years	2060

EFSF SHAREHOLDER CONTRIBUTION KEY

Member States	Credit rating (S&P/Moodys/Fitch)	EFSF maximum guarantee commitments*	EFSF contribution key in %*
Austria	(AA+/Aa1/AA+)	21,639.19	2.9869
Belgium	(AA/Aa3/AA-)	27,031.99	3.7313
Cyprus	(BBB-/Ba1/BBB-)	0.00	0.00
Estonia	(AA-/A1/AA-)	1,994.86	0.2754
Finland	(AA+/Aa1/AA+)	13,974.03	1.9289
France	(AA/Aa2/AA)	158,487.53	21.8762
Germany	(AAA/Aaa/AAA)	211,045.90	29.1309
Greece	(BB+/Ba3/BB)	0.00	0.00
Ireland	(AA-/A1/AA-)	0.00	0.00
Italy	(BBB/Baa3/BBB)	139,267.81	19.2233
Luxembourg	(AAA/Aaa/AAA)	1,946.94	0.2687
Malta	(A-/A2/A+)	704.33	0.0972
Netherlands	(AAA/Aaa/AAA)	44,446.32	6.1350
Portugal	(BBB/Baa2/BBB)	0.00	0.00
Slovakia	(A+/A2/A)	7,727.57	1.0666
Slovenia	(AA-/A3/A)	3,664.30	0.5058
Spain	(A/Baa1/A-)	92,543.56	12.7739
Total		724,474.32	100.0000

*Amended following stepping out of Portugal, Greece, Ireland, and Cyprus

In case a country steps out, contribution keys would be readjusted among remaining guarantors and the guarantee commitment amount would decrease accordingly.

ESM SHAREHOLDER CONTRIBUTION KEY

Member States	Credit rating (S&P/Moodys/Fitch)	ESM contribution key (%)	Capital subscription (€bn)	Paid-in capital (€bn)
Austria	(AA+/Aa1/AA+)	2.7581	19.4388	2.22
Belgium	(AA/Aa3/AA-)	3.4454	24.2832	2.78
Cyprus	(BBB-/Ba1/BBB-)	0.1945	1.3705	0.16
Estonia	(AA-/A1/AA-)	0.1847	1.3020	0.15
Finland	(AA+/Aa1/AA+)	1.7811	12.5531	1.43
France	(AA/Aa2/AA)	20.2003	142.3716	16.27
Germany	(AAA/Aaa/AAA)	26.8992	189.5854	21.67
Greece	(BB+/Ba3/BB)	2.791	19.6710	2.25
Ireland	(AA-/A1/AA-)	1.5777	11.1195	1.27
Italy	(BBB/Baa3/BBB)	17.7506	125.1062	14.30
Latvia*	(A+/A3/A-)	0.2746	1.9353	0.22
Lithuania**	(A+/A2/A)	0.4063	2.8634	0.33
Luxembourg	(AAA/Aaa/AAA)	0.2482	1.7490	0.20
Malta	(A-/A2/A+)	0.0898	0.6327	0.07
Netherlands	(AAA/Aaa/AAA)	5.665	39.9267	4.56
Portugal	(BBB/Baa2/BBB)	2.4863	17.5236	2.00
Slovakia	(A+/A2/A)	0.9849	6.9418	0.79
Slovenia	(AA-/A3/A)	0.467	3.2917	0.38
Spain	(A/Baa1/A-)	11.7953	83.1332	9.50
Total		100%	704.7987	80.55

* 13 March 2014 Latvia joined the ESM.

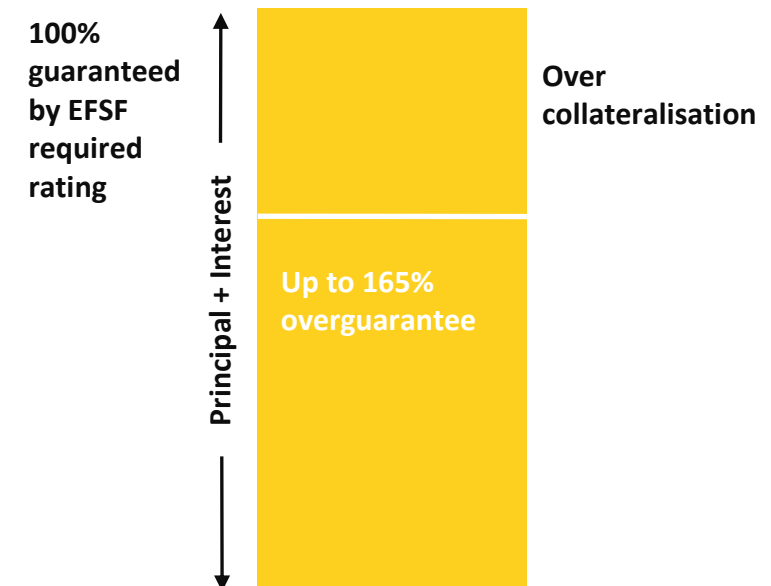
** 03 February 2015 Lithuania joined the ESM.

EFSF: SOLID OVER-GUARANTEE STRUCTURE

- In the case of a missed payment by a borrower, EFSF would be in charge of ensuring that **each Guarantor remits its share of the shortfall** to the EFSF
- The shortfall would be covered by the:
 - **Guarantees**
 - **Grossing up of guarantees (up to 165% over-collateralisation)**
- All guarantors rank equally and *pari passu* amongst themselves

EFSF over-guarantee covers defaults by guarantors on their guarantee payments (making each other guarantor liable for up to 165% of its own guarantee commitment)

Credit enhancement structure





Precautionary financial assistance

- Objective: **prevent crisis situations** by offering assistance before a country faces difficulties raising funds in the capital markets
- Two precautionary instruments: Precautionary conditioned credit line (PCCL) and Enhanced conditions credit line (ECCL)
- Country placed under enhanced surveillance during availability period (ECCL) or after funds are drawn (PCCL)



Secondary market support facility

- Objective: **support functioning of debt markets** and appropriate price formation in government bonds
- For countries under or outside of a macro-economic adjustment programme
- Subject to conditionality, a memorandum of understanding, and an ECB assessment report



Pandemic Crisis Support

- Objective: **support domestic financing** of direct and indirect healthcare, cure and prevention related costs due to the COVID 19 crisis
- Access granted will be up to 2% of the respective Member's GDP
- A country can request access to the ESM's Pandemic Crisis Support until 31 December 2022 and can draw down loans during a period of 1 year after credit line has been accorded, plus 2 times 6 month prolongation

FINANCIAL ASSISTANCE TOOLKIT



Loans

- Objective: **Provide funding** to euro area countries that have lost market access
- ESM loans are conditional upon the implementation of macroeconomic reform programmes



Indirect Bank recapitalisation through loans to governments

- Objective: Help **remove the risk of contagion** from the financial sector to the sovereign
- For countries not under a macro-economic adjustment programme. Subject to certain eligibility criteria, including lack of alternatives in the private sector, financial stability risks if banks are recapitalised, ability to repay the loan, and the recapitalised banks are systemically relevant.



Primary market support facility

- Objective: Allow member countries to **maintain or restore market access**, reduce execution risk
- For use by a country under a macro-economic adjustment programme or under a precautionary programme
- Generally no more than 50% of issuance amount
- The ESM can hold / sell back to country / resell on market / use for repos