EFSF places €5 billion bond in support of Portugal

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Press releases
EFSF

Luxembourg – European Financial Stability Facility (EFSF) today placed a €5 billion bond with a 10 year maturity to fund the EFSF's first disbursement as part of the financial assistance package to Portugal.

Christophe Frankel, CFO and Deputy CEO, commented: "The size of the order book and the final pricing highlight the strong market demand for quality issuers such as EFSF. It also underlines EFSF's ambition to ensure investors see performance from their investment."

The issuance spread was fixed at mid swap plus 17 basis points. This implies borrowing costs for EFSF of 3.49%. Investor interest was strong with an order book in excess of €8 billion from nearly 100 investors. Investor demand came from around the world from all types of investors. As anticipated, demand was particular strong from Asia with the Japanese Ministry of Finance buying €1.1 billion.

The funds will be disbursed to Portugal on 22 June (five business days settlement). This corresponds to Portugal's request for a loan of around €3.6 billion. The difference between the amount raised on the markets and the amount disbursed to Portugal is due to EFSF's credit enhancements using a cash reserve and loanspecific cash buffer to secure a triple A rating. The exact loan amount and the final cost charged to Portugal will only be known once the cash reserve and the loanspecific cash buffer, which are retained by EFSF, have been reinvested.

Barclays Capital, Deutsche Bank and HSBC acted as lead managers for this issue and Deutsche Finanzagentur (the German Debt Management Office) acted as Issuance Agent.

This is EFSF's second issue. Its inaugural issue, a €5 billion bond with a July 2016 maturity, was placed on 25 January 2011 as part of the EU/IMF financial support package for Ireland.

A further issue for the Portuguese programme is scheduled before mid July. This €3 billion bond is expected to be a 5 year maturity.

The financial assistance programme for Portugal

Following the formal request for financial assistance made on 7 April by the Portuguese authorities, the terms and conditions of the financial assistance package were agreed by the Eurogroup and the EU's Council of Economics and Finance Ministers on 17 May 2011. The financial package will cover Portugal's financing needs of up to €78 billion. The European Union, through the European Financial Stabilisation Mechanism (EFSM) and the EFSF will each provide up to €26 billion[1] to be disbursed over 3 years. Further support will be made available through the IMF for up to €26 billion, as approved by the IMF Executive Board on 20 May.

About EFSF

The European Financial Stability Facility (EFSF) was incorporated in Luxembourg under Luxembourg law on 7 June 2010. Its objective is to preserve financial stability of Europe's Economic and Monetary Union by providing temporary financial assistance to euro area Member States in difficulty. In order to reach its objective EFSF can - with the support of the German Debt Management Office (DMO) – issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries which submit a request. Issues are backed by guarantees given by euro area Member States of up to €440 billion.

EFSF is part of a wider safety net. Its funds are combined with loans of up to €60 billion coming from the European Financial Stabilisation Mechanism (EFSM), i.e. funds raised by the European Commission and guaranteed by the EU budget, and up to €250 billion from the International Monetary Fund (IMF) for an overall rescue package worth up to €750 billion. Any financial assistance by EFSF, EFSM and IMF to a country in need is linked to very strict policy conditions.

[1] *Due to its structure of overguarantees and cash buffer, EFSF would need to raise an amount above that of its disbursements. Please see investor presentation for further details*

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