EU and EFSF funding plans to provide financial assistance for Ireland

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Press releases
EFSF

The European Union (EU), under the auspices of the European Financial Stability Mechanism (EFSM), and the European Financial Stability Facility (EFSF,) have finalised their issuance calendars to raise funds to provide financial support to Ireland. The calendars have been closely coordinated between the EU and the EFSF. This will ensure smooth market operations over the entire duration of the support programme. The EU intends to launch a first bond at the beginning of January. The EFSF is expected to follow with its first bond issue towards the end of January. The EU and the EFSF will however carefully analyse the the markets after they reopen in the New Year and may adapt funding plans accordingly.

Issuances by the EU under the EFSM will be denominated only in euros. The EFSF will also most likely issue in euros, but it does not have any currency limitation for its funding activities and can adapt to market developments. Issues for both EU and EFSF will be mainly in standard benchmark maturities of 5, 7 and 10 years. The EU and the EFSF are rated triple A by the three major rating agencies, Fitch, Moody's and Standard & Poor's. Issuances by the EU are executed by the European Commission's financial operations department located in Luxembourg. They will all be launched through a syndication format. Issuances by the EFSF are executed by the German DMO on behalf of the EFSF. The first transaction of EFSF will be launched through a syndication format.

The Eurogroup and the EU's Council of Economics and Finance Ministers had decided on 28 November 2010 to grant financial assistance in response to the Irish authorities' request. The financial package will cover financing needs up to €85 billion. The EU will provide up to €22.5 billion and the EFSF up to €17.7 billion1 over 2011 and 2012.

In the first quarter of 2011, the EU (under the auspices of the EFSM) and the EFSF will disburse €11.7 billion to Ireland in total. Disbursements envisaged by the programme over the subsequent quarters are subject to the requirements of Ireland and to quarterly reviews by the Commission in cooperation with the International Monetary Fund (IMF) and in liaison with the European Central Bank (ECB).

Further support will be made available through the International Monetary Fund (€22.5 billion) and bilateral loans from UK, SE and DK totalling €4.8 billion. Ireland contributes €17.5 billion through the Treasury cash buffer and investments of the National Pension Reserve Fund, which will be used to stabilise the national banking sector.

In 2011 the EU will, under auspices of the EFSM, raise up to €17.6 billion and in 2012 up to €4.9 billion. Based on these amounts, subject to revision and Ireland's requirements, the EU intends to launch in 2011 4 to 5 benchmark bonds aiming at €3 to €5 billion for each transaction. The EU may complement its funding needs by smaller bond issues, either through taps of issues launched under the EFSM or targeted transactions. In the first half of 2011 the market should expect 3 EU benchmark transactions.

The EFSF in 2011 will raise funds up to €16.5 billion and in 2012 up to €10 billion. It intends, also subject to revision, to launch next year 3 benchmark bonds aiming at €3 to 5 billion for each transaction. The EFSF may complement its funding needs by smaller bond issues, either through taps or through targeted transactions. Syndications, auctions and private placements may be used: In the first half of 2011 the market should expect 2 benchmark issues.

EU Investor relations website:
http://ec.europa.eu/economy_finance/financial_operations/market/borrowing/index_en.htm

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About the EFSF:

The European Financial Stability Facility (EFSF) was incorporated in Luxembourg under Luxembourgish law on June 7th 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 the 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 would submit a request. Issues would be backed by guarantees given by euro area Member States of up to € 440 billion.

The EFSF is part of a wider safety net. Its funds would be 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. EFSF, EFSM and IMF can only act after a support request is made by a euro area Member State and a country programme has been negotiated with the European Commission and the IMF. This would only occur when the country is unable to borrow on markets at acceptable rates. Any financial assistance by EFSF, EFSM and IMF to a country in need would be linked to very strict policy conditions.

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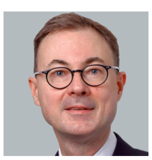
1 Due to its structure using an over-guarantee and cash buffer to secure triple A rating the lending capacity of the EFSF does not correspond to the funding volume which is expected to be about EUR 27 billion.

Contacts



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