

Final Terms dated 29 March 2016

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

**Issue of EUR 1,000,000,000 1.625 per cent. Notes due 17 November 2036 (the "Notes")**

**to be consolidated and form a single series with the existing  
Issue of EUR 1,500,000,000 1.625 per cent. Notes due 17 November 2036 (the "Original Notes")**

**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 9 March 2015. 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 the Conditions and the Information Memorandum dated 4 March 2016.

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|--------------------------------------|---|
| 1. Issuer:                           | European Stability Mechanism  |
| 2. Series Number:                    | 88  |
| 3. Tranche Number:                   | 2   |
|                                      | The Notes will be consolidated and form a single series with the Original Notes on the Issue Date.  |
| 4. Specified Currency or Currencies: | Euro (" <b>EUR</b> ")   |
| 5. Aggregate Nominal Amount:         |   |
| (i) Series:                          | EUR 2,500,000,000   |
| (ii) Tranche:                        | EUR 1,000,000,000   |
| 6. Issue Price:                      | 107.572 per cent. of the Aggregate Nominal Amount of the Notes plus an amount corresponding to accrued interest from and including the Interest Commencement Date up to but excluding the Issue Date amounting to EUR 5,993,852.46. |
| 7. Specified Denominations:          | EUR 0.01  |
| 8. (i) Issue Date:                   | 31 March 2016   |
| (ii) Interest Commencement Date:     | 17 November 2015  |
| 9. Maturity Date:                    | 17 November 2036  |

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| 10. | Interest Basis:  | 1.625 per cent. <i>per annum</i> Fixed Rate<br>(further particulars specified below) |
| 11. | Redemption/Payment Basis:  | Redemption at par  |
| 12. | Change of Interest or Redemption/Payment Basis:                            | Not Applicable   |
| 13. | Call Option  | Not Applicable   |
| 14. | (i) Status of the Notes:   | Senior, Unsecured, Unsubordinated  |
|     | (ii) Dates of Board of Directors approvals for issuance of Notes obtained: | 6 October 2015, 29 October 2015 and 22 December 2015                                 |
| 15. | Method of distribution:  | Syndicated   |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

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|-----|---|--|
| 16. | Fixed Rate Note Provisions:   | Applicable   |
|     | (i) Rate of Interest:   | 1.625 per cent. <i>per annum</i> payable annually in arrear  |
|     | (ii) Interest Payment Date(s):  | 17 November in each year commencing on and including 17 November 2016 (the " <b>First Interest Payment Date</b> "), (following unadjusted) |
|     | (iii) Broken Amount(s):   | Not Applicable   |
|     | (iv) Day Count Fraction:  | Actual/Actual (ICMA)   |
|     | (v) Regular Dates:  | 17 November in each year   |
|     | (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: | Not Applicable   |
| 17. | Floating Rate Note Provisions:  | Not Applicable   |
| 18. | Zero Coupon Note Provisions:  | Not Applicable   |
| 19. | Index-Linked Interest Note/other variable-linked interest Note Provisions:            | Not Applicable   |

**PROVISIONS RELATING TO REDEMPTION**

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

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

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|-----|---|---|
| 22. | Form of Notes:  | <b>Bearer Note</b><br><br><b>Reg S</b><br><br><b>Global Note exchangeable for Definitive Notes:</b><br><br>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):   | No  |
| 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**

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| 30. | (i) If syndicated, names of Managers:          | Crédit Agricole Corporate and Investment Bank<br><br>HSBC France<br><br>Nomura International plc |
|     | (ii) Date of Subscription Agreement:           | 29 March 2016  |
|     | (iii) Stabilising Manager(s) (if any):         | Crédit Agricole Corporate and Investment Bank  |
| 31. | If non-syndicated, name and address of Dealer: | Not Applicable   |
| 32. | Total commission and concession:               | As separately agreed between the Issuer and the Managers   |
| 33. | Net proceeds:                                  | EUR 1,079,463,852.46   |
| 34. | U.S. Selling Restrictions:                     | Reg. S, Category 2<br><br>TEFRA C  |

35. Additional selling restrictions: Not Applicable

**GOVERNING LAW**

36. Governing law: English law

Signed on behalf of the European Stability Mechanism:

By:   
.....  
Duly authorised  
**Rolf Strauch**  
Member of the Management Board  
Economics and Policy Strategy

By:   
.....  
Duly authorised  
**Ralf Jansen**  
Member of the Management Board  
General Counsel

**PART B – OTHER INFORMATION****1. LISTING**

- (i) Listing: Luxembourg
- (ii) Admission to trading: Application 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 31 March 2016.
- The Original Notes are already admitted to trading on the Luxembourg Stock Exchange.

**2. RATINGS**

Ratings: Moody's Investors Service Limited has assigned ESM's Debt Issuance Programme a long-term rating of (P)Aa1 (Stable Outlook).

Fitch Ratings Ltd has assigned ESM's Debt Issuance Programme a long-term rating of AAA(Stable).

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: EU000A1U9928
- Common Code: 132155003
- WKN Code: A1U992
- 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 Federal Republic of 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):	Not Applicable
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.