

Final Terms dated 15 July 2016

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

**Issue of EUR 2,500,000,000 0.875 per cent. Notes due 18 July 2042 (the "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 4 March 2016 (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:                                  | 108  |
| 3.  | Tranche Number:                                 | 1  |
| 4.  | Specified Currency or Currencies:               | Euro (" <b>EUR</b> ")  |
| 5.  | Aggregate Nominal Amount:                       |  |
|     | (i) Series:                                     | EUR 2,500,000,000  |
|     | (ii) Tranche:                                   | EUR 2,500,000,000  |
| 6.  | Issue Price:                                    | 98.667 per cent. of the Aggregate Nominal Amount                                     |
| 7.  | Specified Denominations:                        | EUR 0.01   |
| 8.  | (i) Issue Date:                                 | 19 July 2016   |
|     | (ii) Interest Commencement Date:                | 19 July 2016   |
| 9.  | Maturity Date:                                  | 18 July 2042   |
| 10. | Interest Basis:                                 | 0.875 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 17 June 2016
15. Method of distribution: Syndicated

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

16. Fixed Rate Note Provisions: Applicable
- (i) Rate of Interest: 0.875 per cent. *per annum* payable annually in arrear
- (ii) Interest Payment Date(s): 18 July in each year commencing on and including 18 July 2017 (the "**First Interest Payment Date**") (following unadjusted)
- (iii) Broken Amount(s): Short first coupon from and including the Interest Commencement Date to but excluding the First Interest Payment Date amounting to an aggregate amount of EUR 21,815,068.49 payable on the First Interest Payment Date
- (iv) Day Count Fraction: Actual/Actual (ICMA)
- (v) Regular Dates: 18 July 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**

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

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22. Form of Notes: **Bearer Note**  
**Reg S**  
**Global Note exchangeable for Definitive Notes:**  
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):

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|-----|---|----------------|
| 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 Joint Lead Managers: | Barclays Bank PLC<br>Citigroup Global Markets Limited<br>Deutsche Bank Aktiengesellschaft |
|     | (ii) Date of Subscription Agreement:             | 15 July 2016  |
|     | (iii) Stabilising Manager(s) (if any):           | Deutsche Bank Aktiengesellschaft  |
| 31. | If non-syndicated, name and address of Dealer:   | Not Applicable  |
| 32. | Total commission and concession:                 | As separately agreed between the Issuer and the Joint Lead Managers                       |
| 33. | Net proceeds:                                    | EUR 2,461,050,000.00  |
| 34. | U.S. Selling Restrictions:                       | Reg. S, Category 2<br>TEFRA C   |
| 35. | Additional selling restrictions:                 | Not Applicable  |

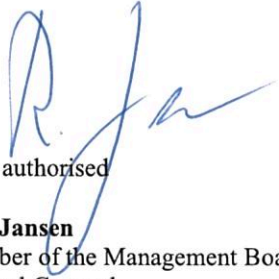
**GOVERNING LAW**

36. Governing law:

English law

Signed on behalf of the European Stability Mechanism:

By:



Duly authorised

**Ralf Jansen**  
Member of the Management Board  
General Counsel

By:



Duly authorised

**Siegfried Ruhl**  
Head of Funding

**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 19 July 2016.

**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: EU000A1U9977

Common Code: 145092604

WKN Code: A1U997

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
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Names and addresses of additional paying agent(s) (if any):	Not Applicable
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Names and addresses of the Luxembourg Listing Agent:	Deutsche Bank Luxembourg S.A. 2, Boulevard Konrad Adenauer L-1115 Luxembourg Grand Duchy of Luxembourg
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Names and addresses of the Calculation Agent (if any):	Not Applicable
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Intended to be held in a manner which would allow Eurosystem eligibility:	Yes
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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.