

EUROPEAN STABILITY MECHANISM

April 2025



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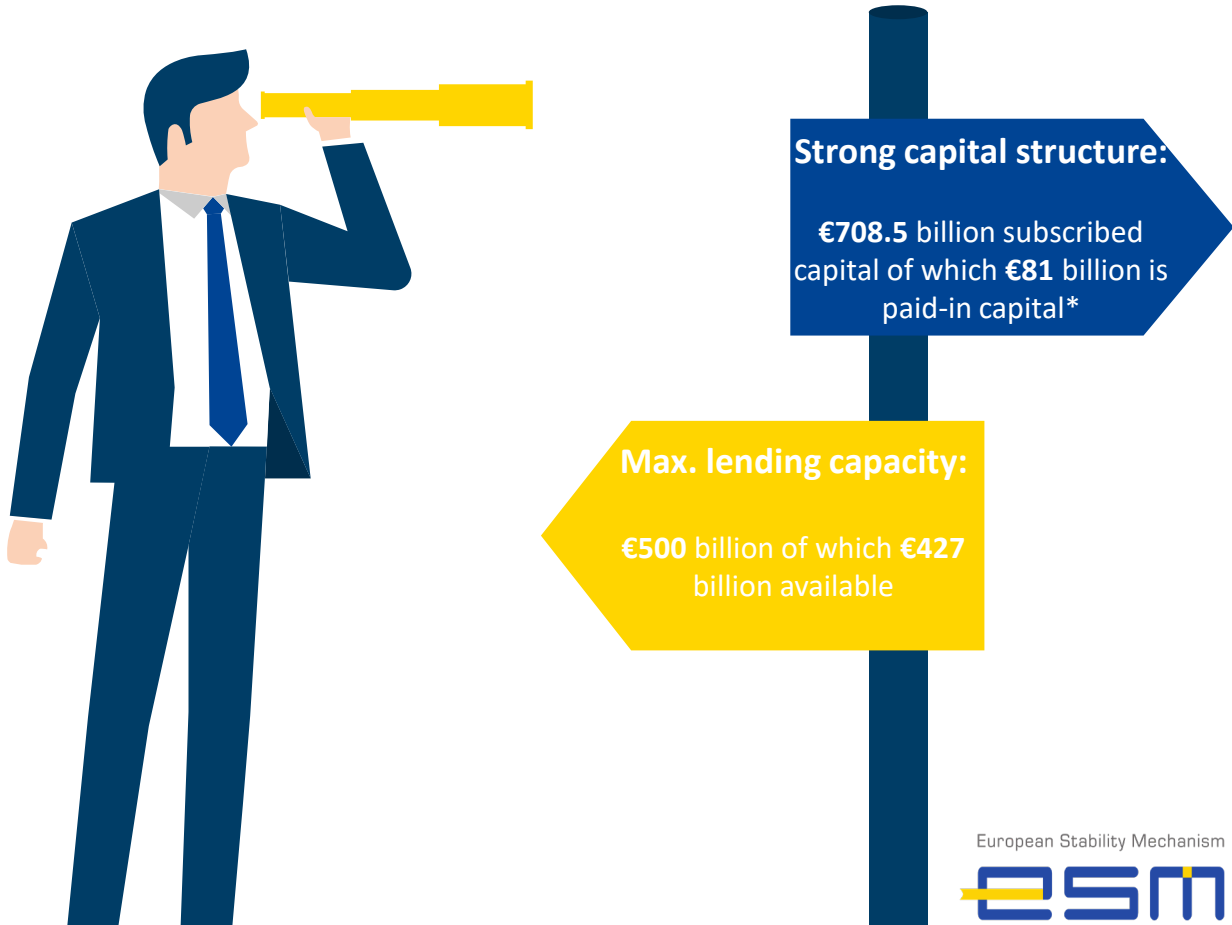
CONTENTS



ESM MANDATE



THE ESM IS THE CRISIS PREVENTION AND RESOLUTION MECHANISM OF THE EURO AREA



Financial assistance

The ESM provides financial assistance to euro area countries experiencing or threatened by severe financing problems, through raising financing on debt capital markets

Crisis prevention and market trust

ESM supports market stability and confidence through strong market presence and the existence of its diversified toolkit


Enhanced mandate**

Common backstop to the SRB and a stronger role in designing and monitoring future programmes








*This amount reflects the paid-in capital subscribed by Croatia upon its accession to the ESM. The total contribution of €422.29 million is to be paid in five equal annual instalments of €84.46 million. The first instalment was paid on 30 March 2023, the second on 28 March 2024, and the third on 28 March 2025.

**Ratification of the Amending Agreement to the ESM Treaty ongoing

ESM'S FIREPOWER: FINANCIAL ASSISTANCE INSTRUMENTS

 <p>Loans within a macroeconomic adjustment programme</p> <p>Used</p> 	 <p>Primary market purchases</p> <p>Unused</p>	 <p>Secondary market purchases</p> <p>Unused</p>	 <p>Precautionary credit lines</p> <p>Unused</p>	 <p>Loans for indirect bank recapitalisation</p> <p>Used</p> 	 <p>Direct recapitalisation of institutions</p> <p>Unused</p>
To assist ESM Members in need of financing, which have lost market access	Engaging in the primary markets to assist ESM Members	Engaging in the secondary markets to assist ESM Members	For ESM Members with sound economic health but risks of market loss	To assist ESM Members when their financial sector is at the root of a crisis	To assist ESM Members address risks of contagion from the financial sector to the sovereign

COMPREHENSIVE REVIEW OF ESM TOOLKIT, LENDING CAPACITY AND CAPITAL ADEQUACY

 <p>Loans with a macroeconomic adjustment programme</p>	 <p>Precautionary credit lines</p>	 <p>Primary and secondary market purchases</p>	 <p>Loans for indirect bank recapitalisation</p>	 <p>Backstop Function</p>	 <p>Direct Recapitalisation Instrument</p>	 <p>Lending Capacity and capital adequacy</p>
✓	🔍	✓	🔍	✓	🔍	✓
Remain adequate	Refinements addressing stigma and facilitate lending during shocks	Remain adequate	Remain adequate with possible novel use for climate change and NBFi	Should be introduced as soon as possible	Reviewed in 2024; to be cancelled after the introduction of the backstop	Remain adequate

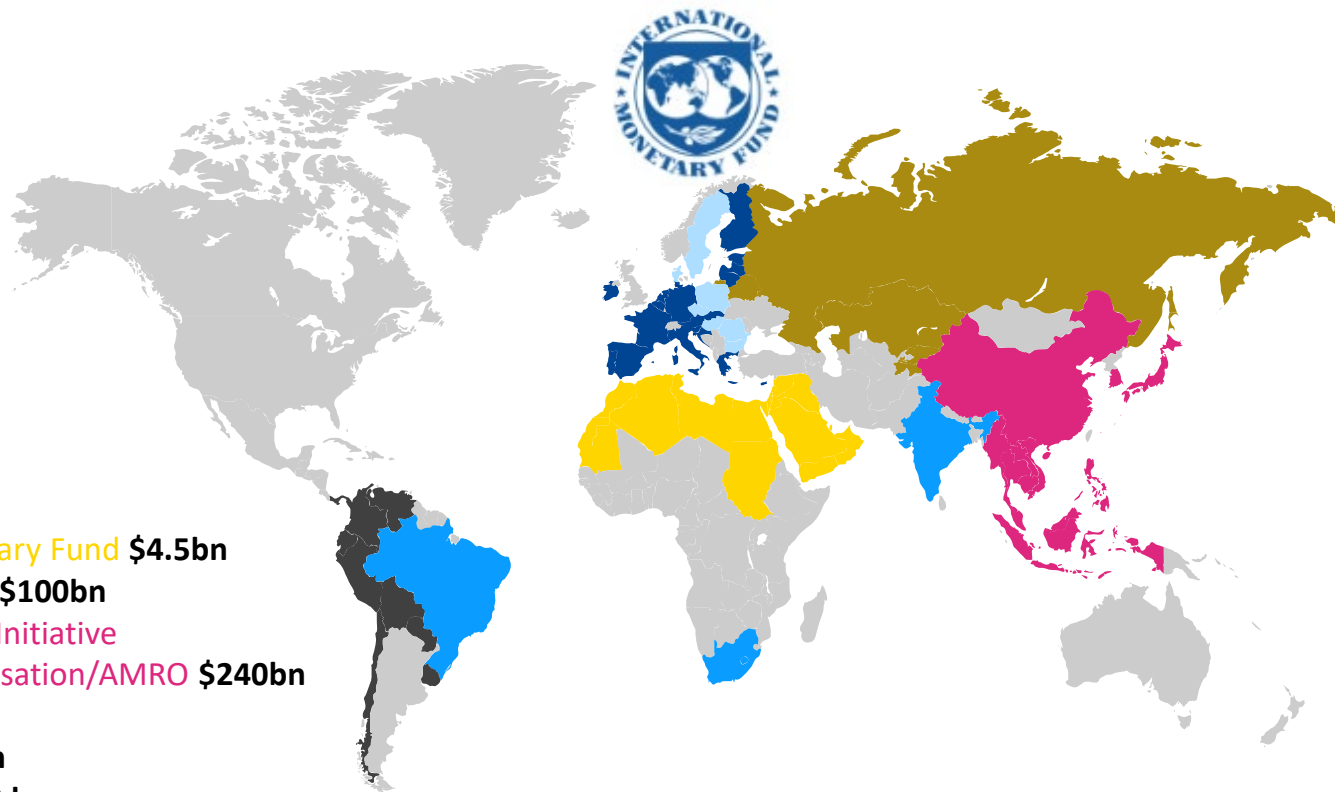
ESM WITHIN THE EUROPEAN FINANCIAL ARCHITECTURE



* Ratification of the Amending Agreement to the ESM Treaty ongoing

THE ESM IS COMMITTED TO STRENGTHEN THE GLOBAL FINANCIAL SAFETY NET (GFSN)

A complex geo-economic environment makes a strong case for enhanced cooperation between the regional rescue funds and the IMF



- 1 Annual **High-level Dialogue between Regional Financing Arrangements (RFA) and IMF leaders** initiated by ESM, Latin American Reserve Fund (FLAR) and ASEAN+3 Macroeconomic Research Office (AMRO) in 2016 fosters policy exchanges
- 2 **Joint research projects and regular expert interactions** help strengthen institutional capacity
- 3 **In-crisis cooperation with the IMF** through co-financing and financial assistance complementarity



* The BRICS Contingent Reserve Arrangement (CRA) is a framework for the provision of support through liquidity and precautionary instruments in response to actual or potential short-term balance of payments pressures. It was established in 2015 by the BRICS countries: Brazil, Russia, India, China and South Africa.



HIGHEST RATINGS FROM THE MAIN RATING AGENCIES

STANDARD & POOR'S

Very strong capital adequacy, further reinforced by strong access to market funding and a robust liquidity position. ESM is a key pillar for the euro area's financial architecture, alongside institutions such as the EIB and the ECB.

AAA Outlook Stable
Short-term: A-1+

FitchRatings

Fitch assesses ESM's standalone credit profile based on a conservative scenario, under which the ESM uses its full lending capacity. The ESM's strong capitalisation supports its ratings. The low-risk business profile primarily reflects the ESM's excellent governance and importance of its public mandate, further enhanced by the role it is expected to play in the Banking Union.

AAA Outlook Stable
Short-term: F1+

Unsolicited rating

MORNINGSTAR | DBRS

AAA
Outlook Stable

Short-term: R-1 (High)

MOODY'S

The credit profile of the ESM, the euro area's permanent crisis resolution mechanism, reflects its substantial capital buffers, low leverage and preferred creditor status. Other credit strengths include its prudent capital and liquidity management, strong liquidity and the very strong support of its shareholders.

Aaa outlook Stable
Short-term: P-1



The rating of the ESM reflects its strong institutional profile and excellent financial profile, which drive our 'aaa' assessment of its intrinsic credit profile and excellent shareholder support. Other credit strengths include its substantial capital position, high liquidity buffers, excellent access to capital markets, and highly rated shareholders.

AAA Outlook Stable
Short-term: S-1+

Commentaries selectively chosen for information purposes.



HIGHEST RATINGS FROM THE MAIN RATING AGENCIES

STANDARD & POOR'S

The EFSF has benefited from low funding costs since its inception, and we expect it will continue to do so. Under the Basel framework, EFSF bonds are considered to have 0% risk weights. Furthermore, the European Central Bank (ECB) has included the EFSF in its expanded public-sector asset purchases program.

AA- Outlook Negative
Short-term: A-1+

FitchRatings

EFSF's ratings rely on irrevocable and unconditional guarantees and over-guarantees provided by Euro Area Member States (EAMS) (...). They ensure EFSF debt is fully covered by guarantees and over guarantees (up to 165% of original guarantees) from the most highly-rated EAMS or by a cash reserve.

AA-
Short-term: F1+

MOODY'S

The EFSF Aaa ratings are based on the very strong member support provided by the guarantors of EFSF's bond issuances. In addition, the ratings are supported by the very high quality of the institution's management, which manifests itself in strong liquidity and solid market access.

Aaa outlook Stable
Short-term: P-1

MORNINGSTAR | DBRS

Unsolicited rating

AAA Outlook Stable
Short-term: R-1 (High)



Unsolicited rating

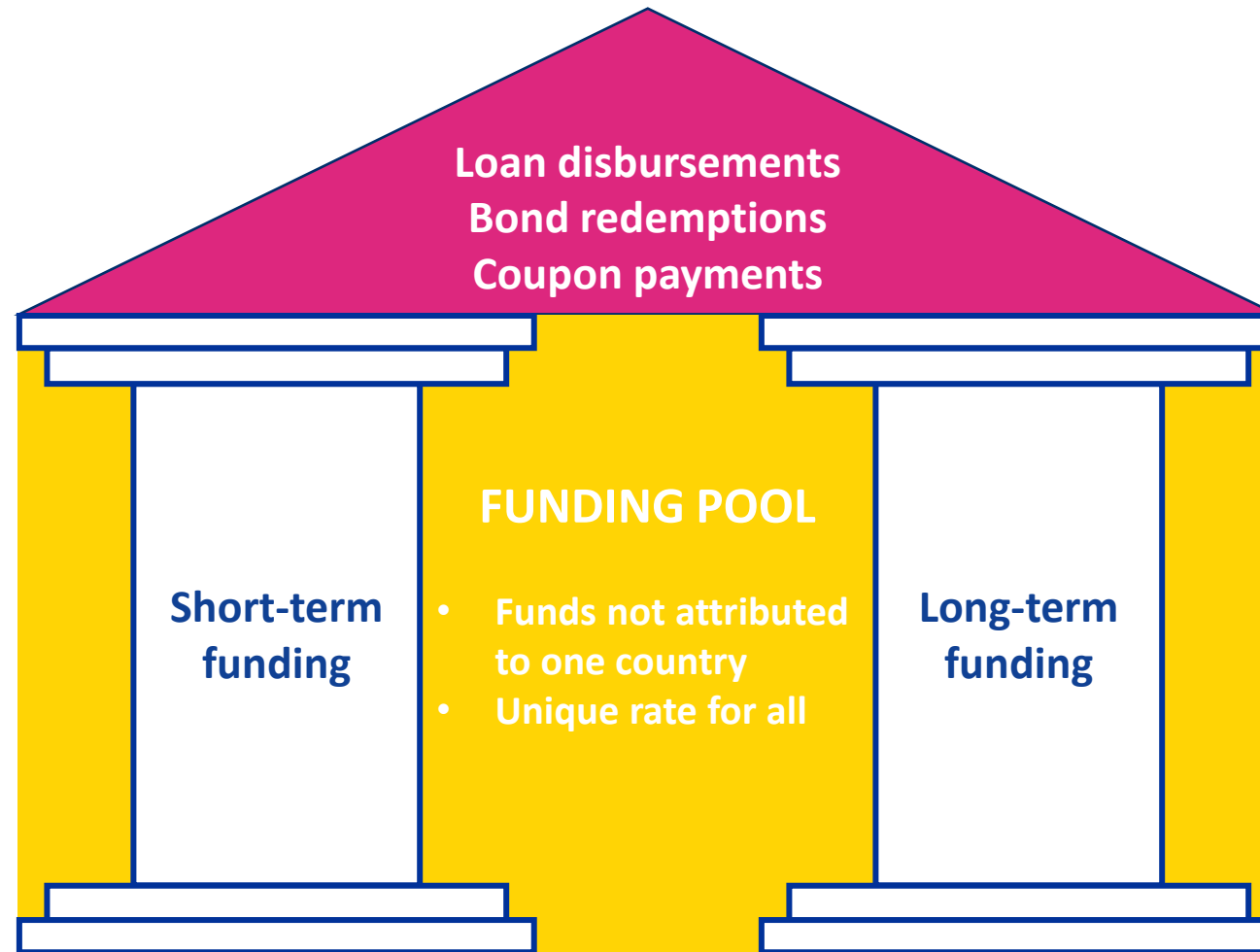
AA+ Outlook Stable
Short-term: S-1

Commentaries selectively chosen for information purposes.

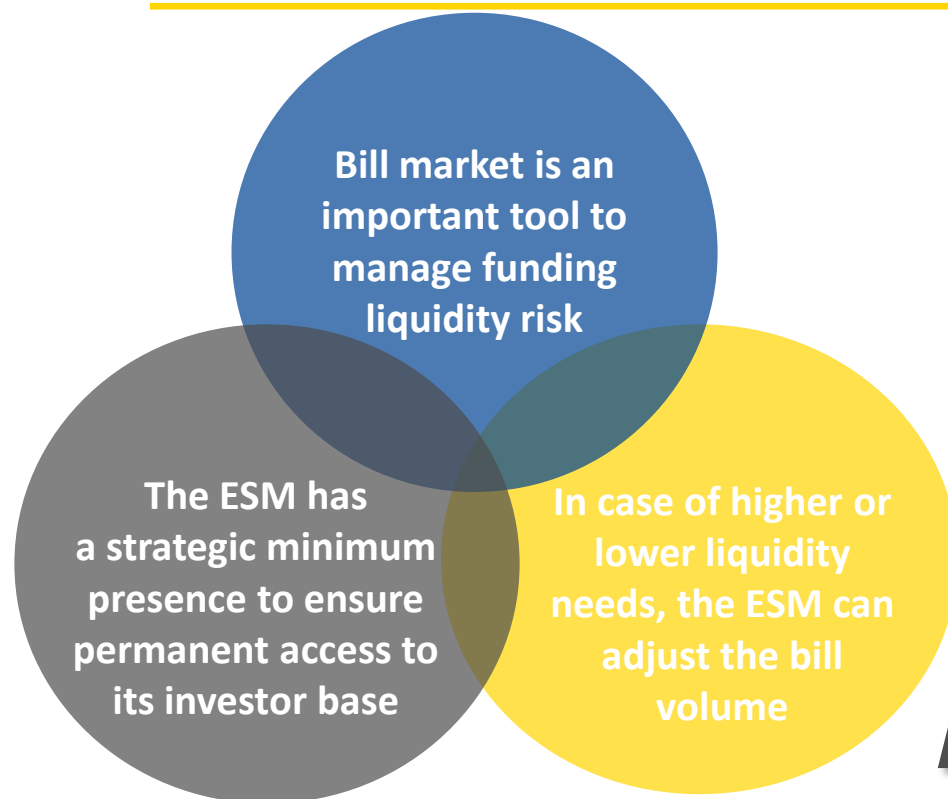
FUNDING PROGRAMMES



FUNDING STRATEGY WITH TWO PILLARS



SHORT-TERM FUNDING – ESM BILL PROGRAMME



Current characteristics

Size: Min. target size of €1.1bn

Timing: 1st and 3rd week of the month (see calendar below)

Bidding period: 08:00 - 12:30 CET

Features: Multiple price auction, each bill is rated by S&P, Moody's and Fitch

Access: Via ESM market group

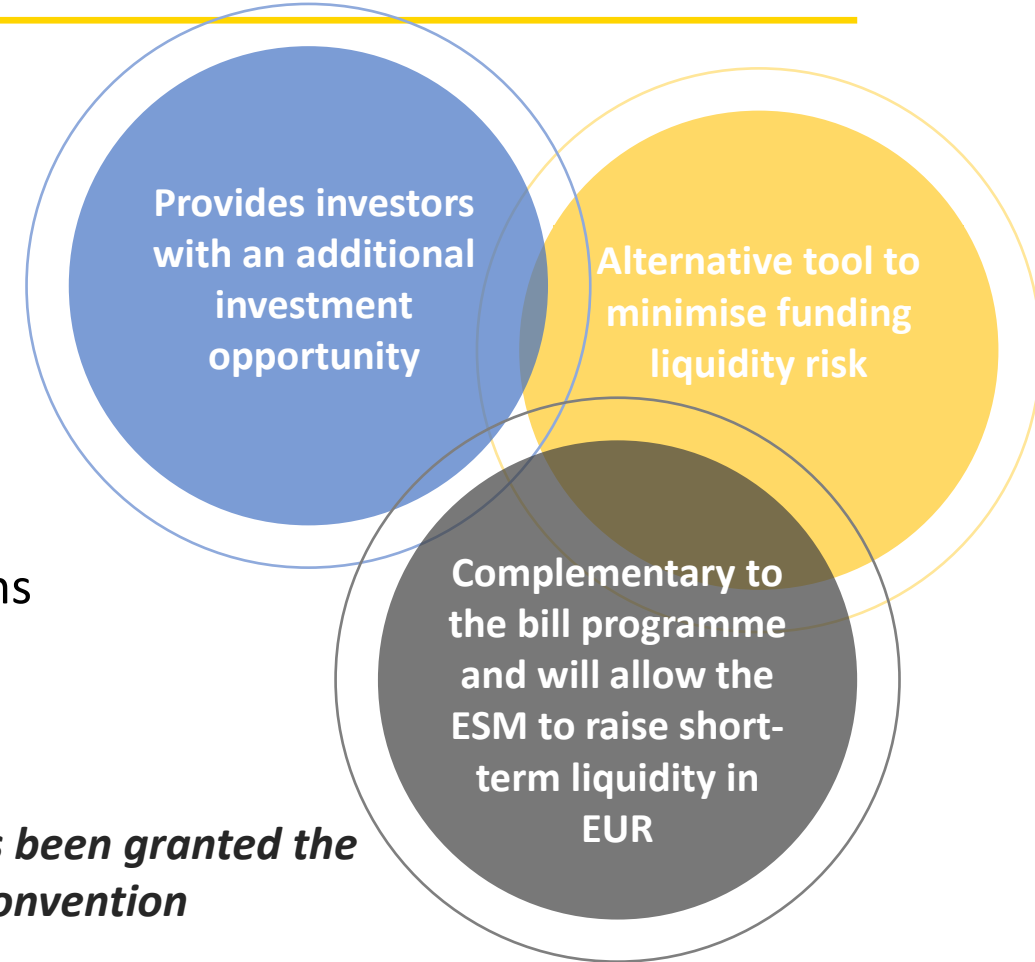
Information: Bloomberg ESM pages, 4 {GO}, Buba {GO} and GAM {GO}

Auction dates for each half-year announced in advance

2025	January	February	March	April	May	June
3-month	Tuesday 07	Tuesday 04	Tuesday 04	Tuesday 01	Tuesday 06	Tuesday 03
6-month	Tuesday 21	Tuesday 18	Tuesday 18	Tuesday 15	Tuesday 20	Tuesday 17

ESM EURO-COMMERCIAL PAPER PROGRAMME

- **Size of the programme:** €20 billion
- **Arranger:** BARCLAYS
- **Dealers:** BARCLAYS, BofA Securities, BRED Banque Populaire, Citigroup, Crédit Agricole CIB, Goldman Sachs International, J.P. Morgan and NatWest Markets
- **Access:** Via private placements through 8 dealers
- **Minimum ticket size:** €25 million
- **Maturities:** Up to 1 year with focus on 1 week – 2 months
- **Rating:** S&P A-1+and Moody's P-1
- **Information:** Bloomberg ESM pages



The ESM Euro- Commercial Paper Programme has been granted the STEP label, in accordance with the STEP Market Convention

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LONG-TERM FUNDING



FLAGSHIP PRODUCTS

Highly liquid € benchmark bonds

- Flagship product with regular presence in all parts of the curve
- ESM up to longest loan with maximum limit of 45 years, EFSF<2070
- Use of taps to increase liquidity
- Syndication and auction



STRATEGIC PRODUCTS

USD market*

- Strategic tool utilised subject to market conditions and funding needs
- Issuance format: RegS/144A
- All proceeds swapped back to euros

N-bonds

- Minimum issue size: €25 million
- Maturity: ESM maximum limit of 45 years, EFSF<2070
- Frequency: Issuance via reverse enquiry
- Distribution: Via ESM/EFSF market group members

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

* For ESM only

ESM/EFSF FUNDING PROGRAMME

The combined funding for
EFSF & ESM for 2025 is

€28.5 billion

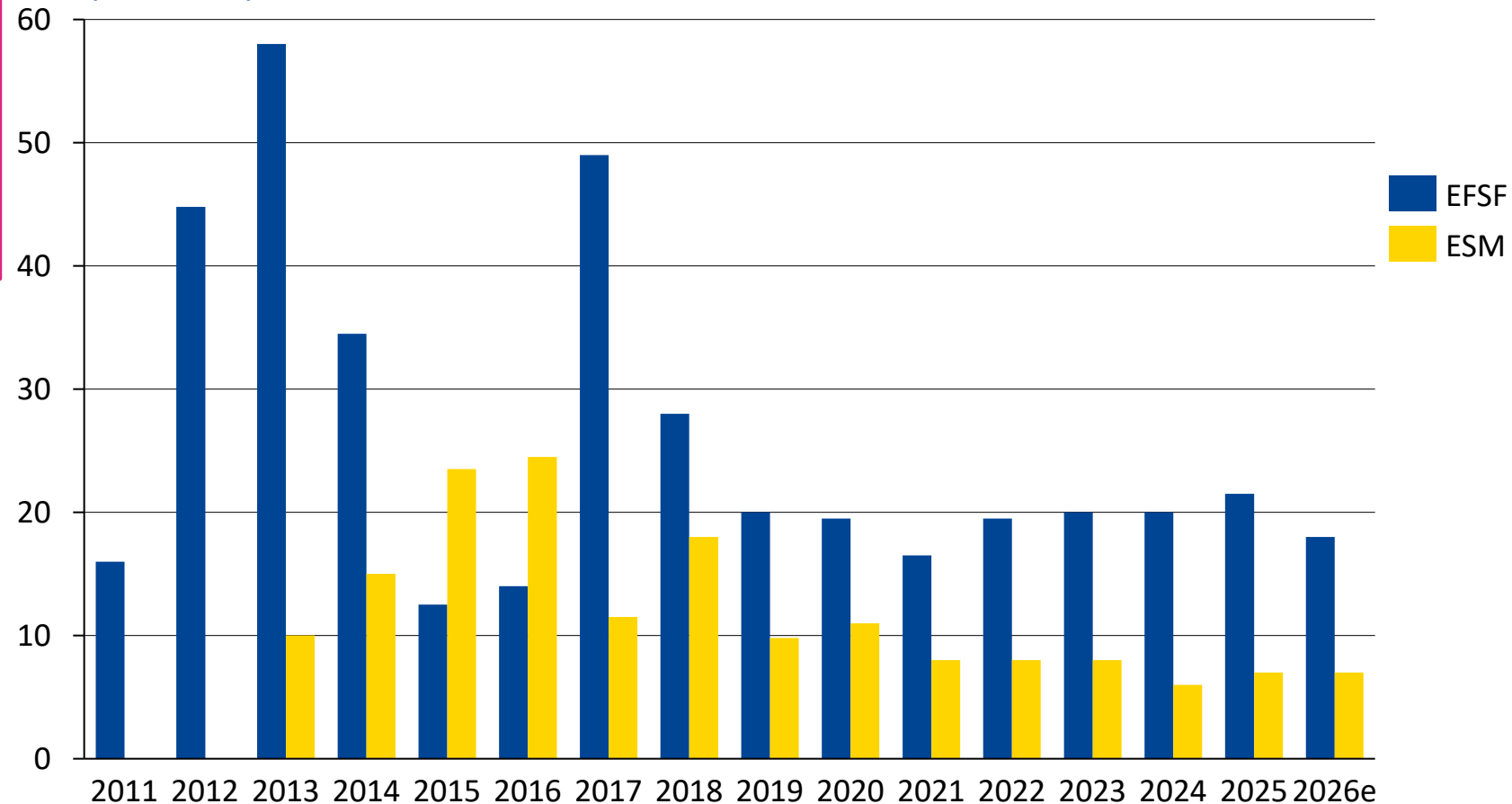
- €21.5 billion for EFSF
- €7 billion for ESM

The estimated funding for
EFSF & ESM for 2026 is

€25 billion

- €18 billion for EFSF
- €7 billion for ESM

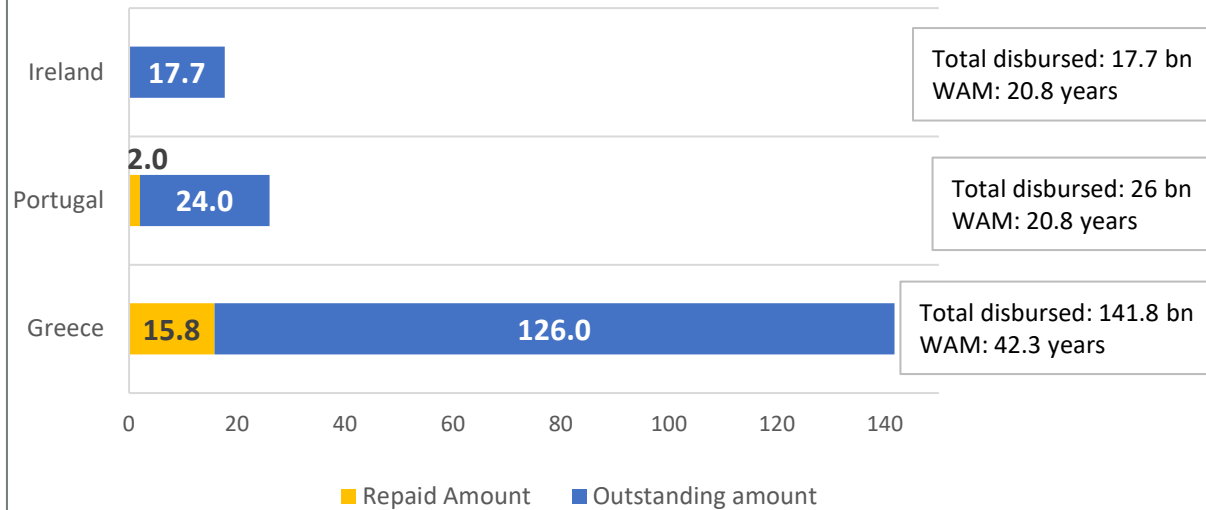
EFSF / ESM Bond issuance
(€ billion)*



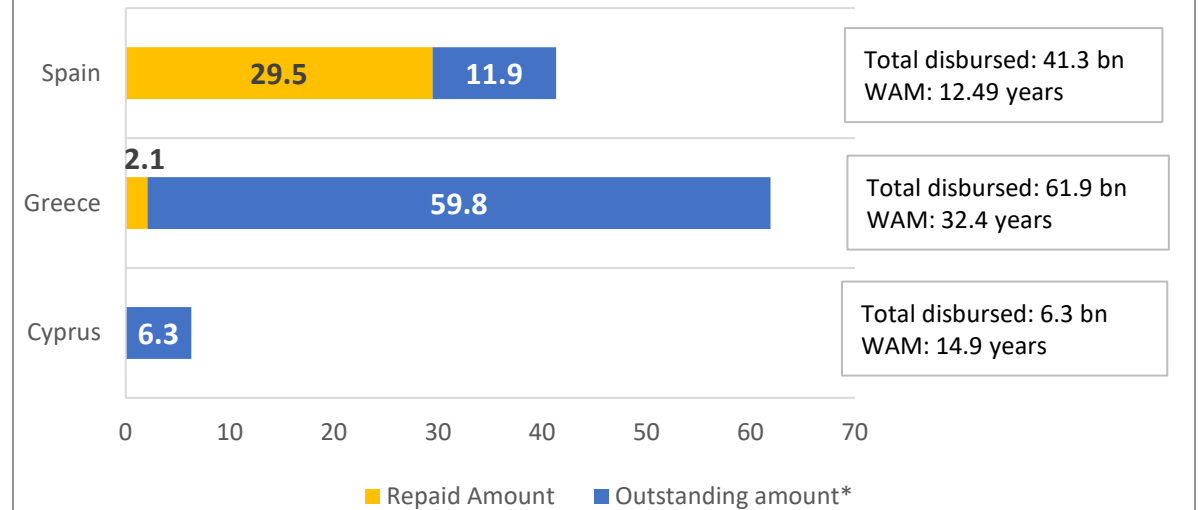
*Please note that figures are based on estimates and may vary. These figures do not include any cashless operations.

WHAT IMPACTS OUR FUNDING AMOUNTS?

EFSF Lending overview



ESM Lending overview



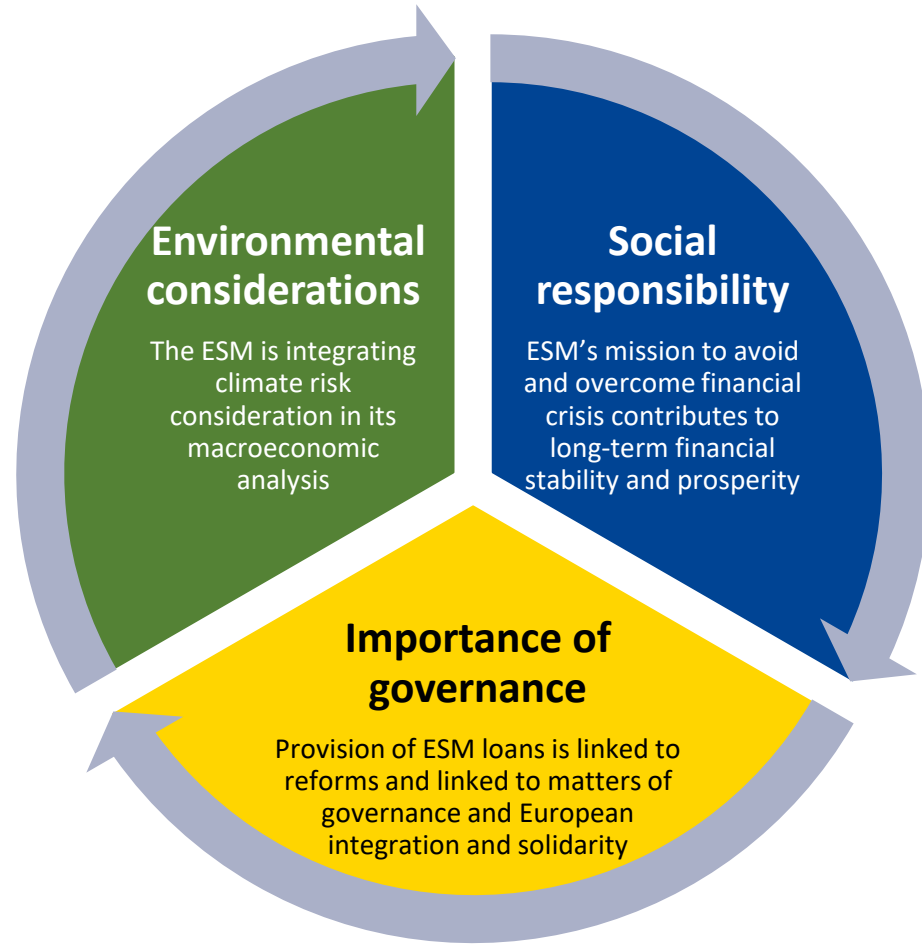
- EFSF disbursed € 185.5 bn, its longest loan is **2070**
- ESM disbursed € 109.5 bn, its longest loan matures in **2060**
- **€ 295 bn was the total amount of loans disbursed by ESM/EFSF**

ESG AT THE ESM



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THE ESM IS ENGAGED IN ESG



ESG Ratings

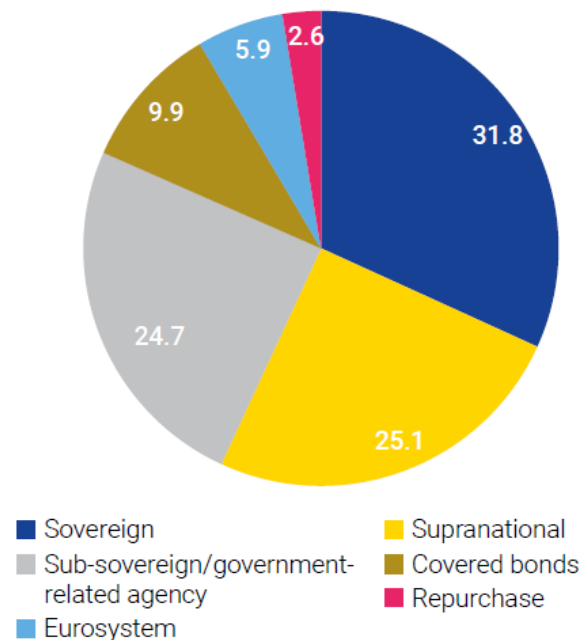
- In 2023, both the ESM and the EFSF were assessed by Morningstar Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors.
- Since 2022, both the ESM and the EFSF benefit from a rating of A (on a scale of AAA-CCC) in the MSCI ESG Rating assessment*.



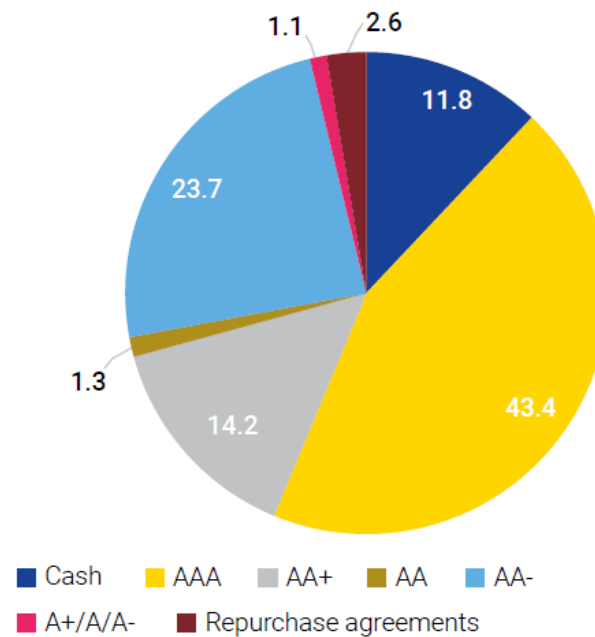
* The use by the ESM of any MSCI ESG research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks, or index names herein do not constitute a sponsorship, endorsement, recommendation, or promotion of the ESM by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI

ESM AS AN INVESTOR

Asset class distribution of investments
(in %)



Ratings distribution of investments
(in %)



□ The ESM is a significant investor in the SSA space

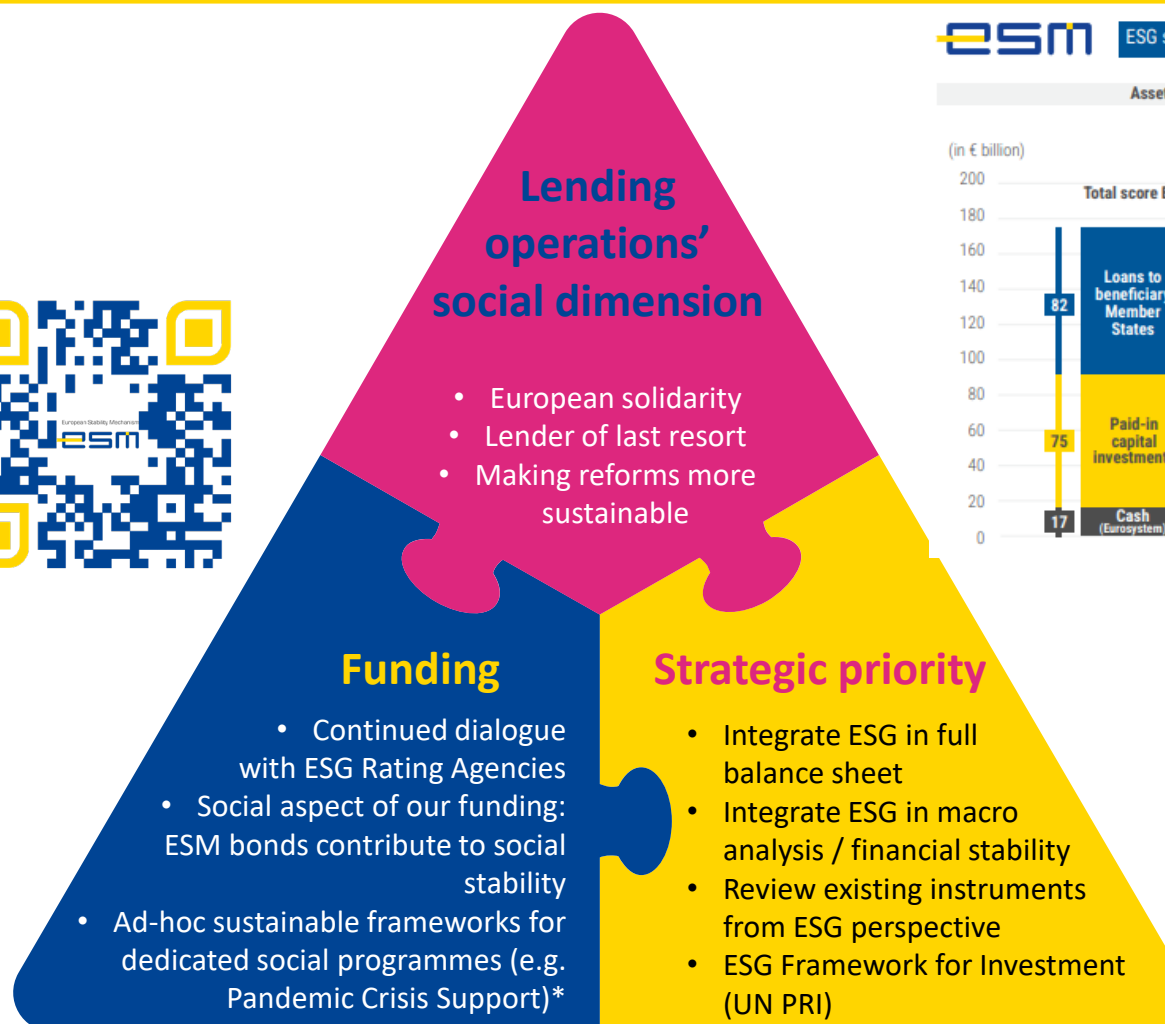
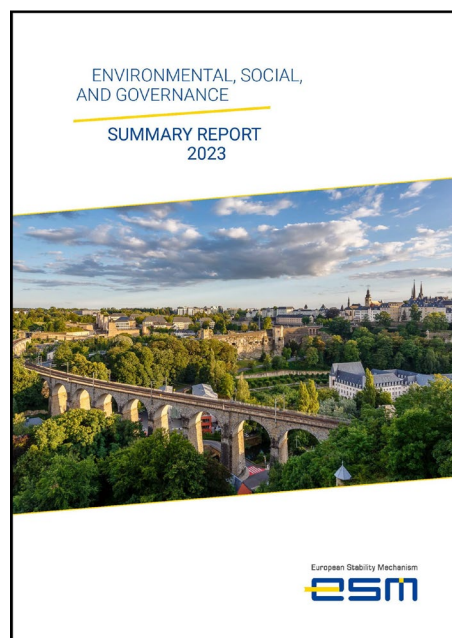
- ✓ With €81bn paid-in capital, ESM is the highest capitalised IFI globally.
- ✓ Unlike other peers, the ESM does not use its Paid-in capital to provide loans.
- ✓ We invest in secure liquid fixed income assets rated “A” and above.
- ✓ At the end of 2023, the ESM held €5.2 billion of ESG labelled bonds in marked-to-market terms.

□ Participation in the Principles for Responsible Investment (PRI)

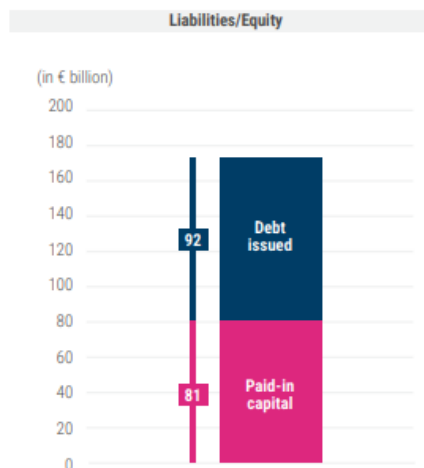
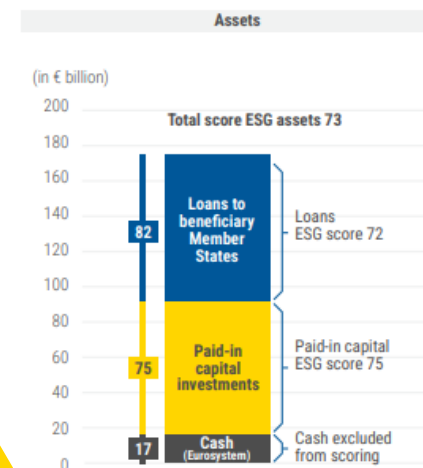
- ✓ As a PRI signatory, the ESM has enhanced its responsible investment approach by implementing an issuer-based ESG scoring of its paid-in capital.
- ✓ The ESG weighted score, based on Moody’s (Vigeo-Eiris) data, stood at 75 out of 100 at the end of 2023, corresponding to the provider's "Advanced" ESG category.
- ✓ In November 2024, the ESM published its second Principles for Responsible Investment public transparency report.

THE ESM HAS A HOLISTIC APPROACH TO ESG

Second ESG Summary Report published in June 2024



ESG scoring of ESM assets



*Currently, there are no established frameworks in place that address social programmes.

WHY INVEST IN ESM AND EFSF ?



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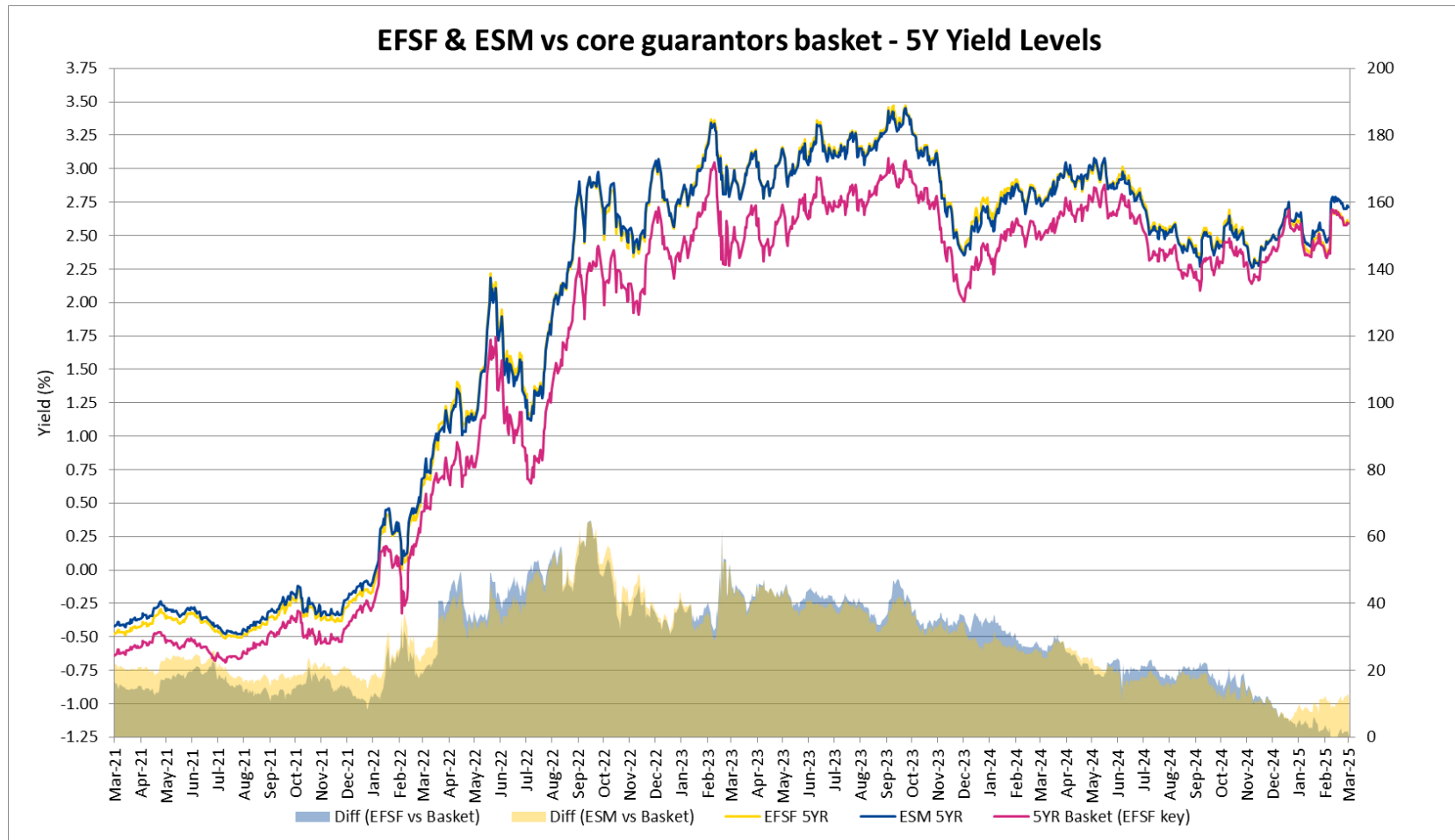
PERFORMANCE: OPPORTUNITIES COMBINED WITH ROBUST STRUCTURE

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

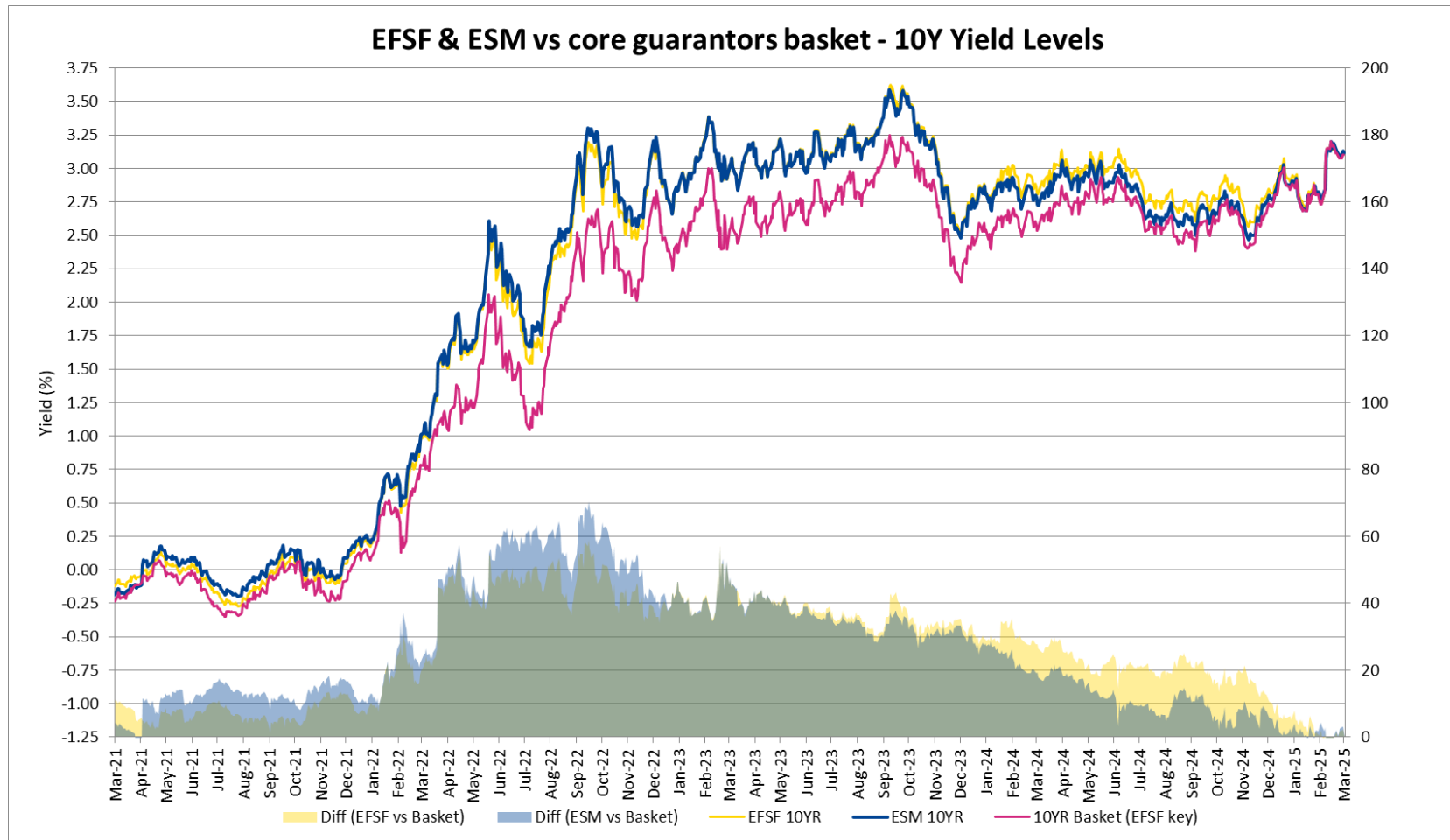
Core EFSF guarantors	Adjusted Cont. Key	Over-guaranteed Cont. Key
Germany	29.13%	44.10%
France	21.88%	33.12%
The Netherlands	6.13%	9.29%
Belgium*	3.73%	5.65%
Austria	2.99%	4.52%
Finland	1.93%	2.92%
Luxembourg	0.27%	0.41%
Total		100%

* As of January 2025, Belgium has been included in the group of "higher rated guarantors" in the EFSF guarantee structure, resulting in a redistribution of the over-guarantee burden among all guarantors.

PERFORMANCE: OPPORTUNITIES COMBINED WITH ROBUST STRUCTURE

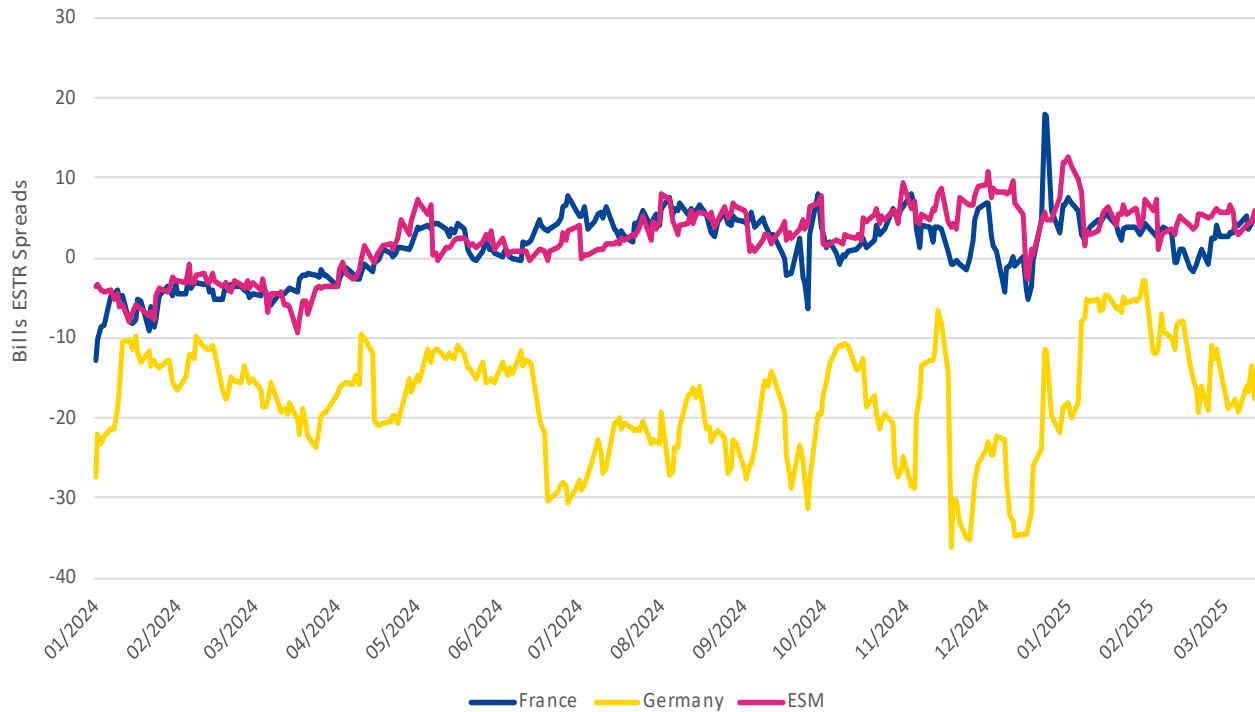


PERFORMANCE: OPPORTUNITIES COMBINED WITH ROBUST STRUCTURE

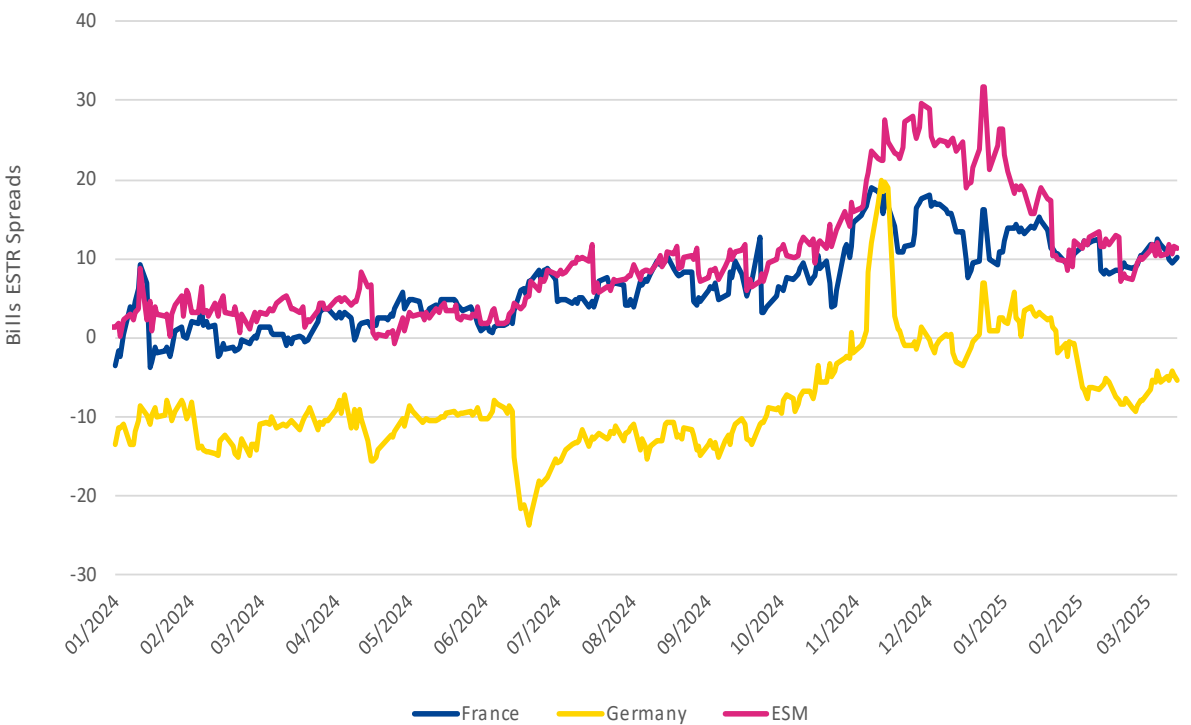


PERFORMANCE: ESM BILLS

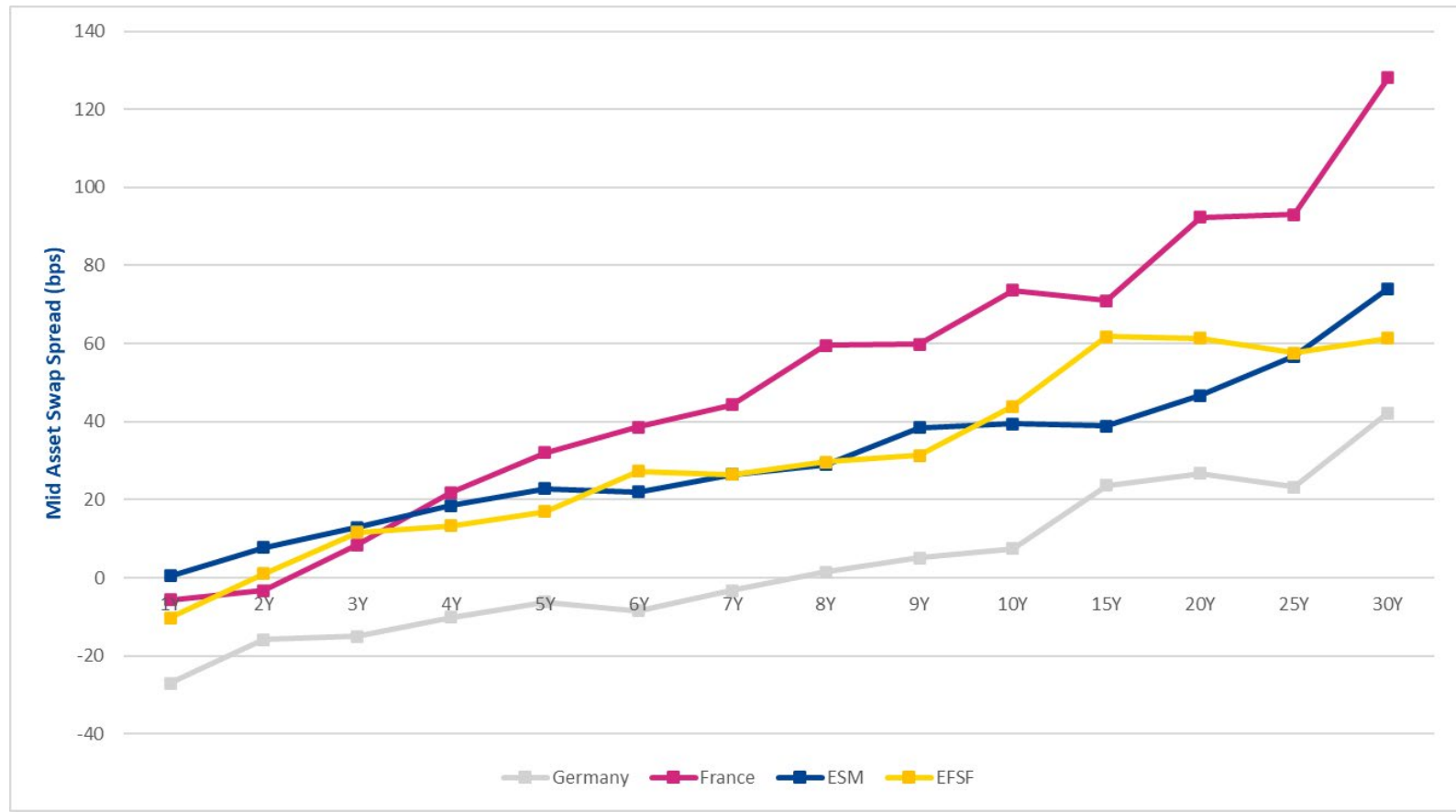
3M bill yield spreads vs €STR



6M bill yield spreads vs €STR

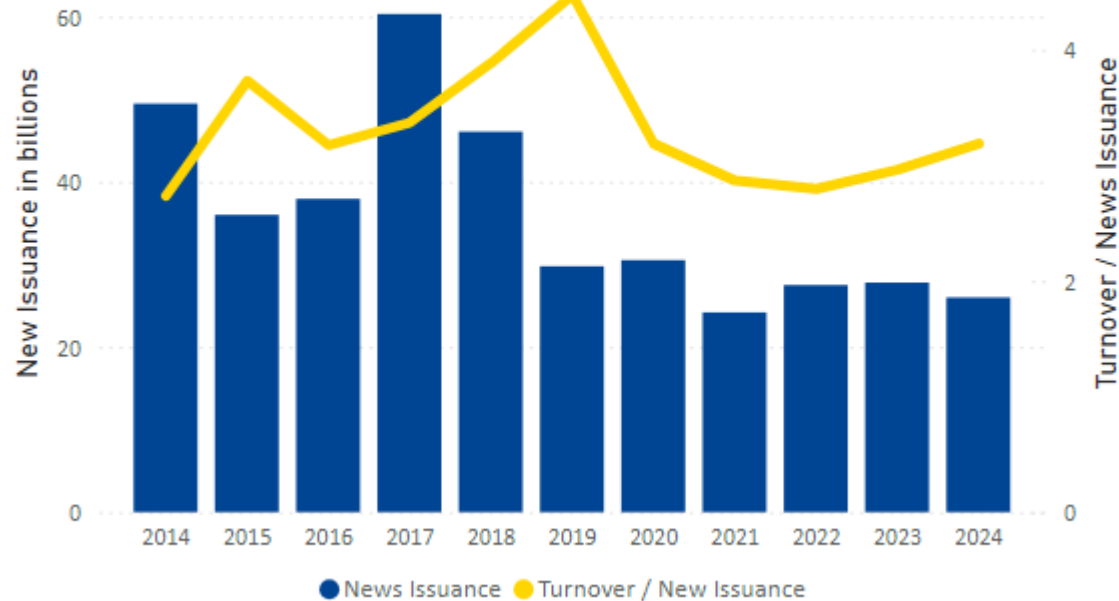


PERFORMANCE: EFSF & ESM BOND CURVES



LIQUIDITY: A KEY ROLE IN THE FUNDING STRATEGY

ESM & EFSF Bond Issuance and Turnover



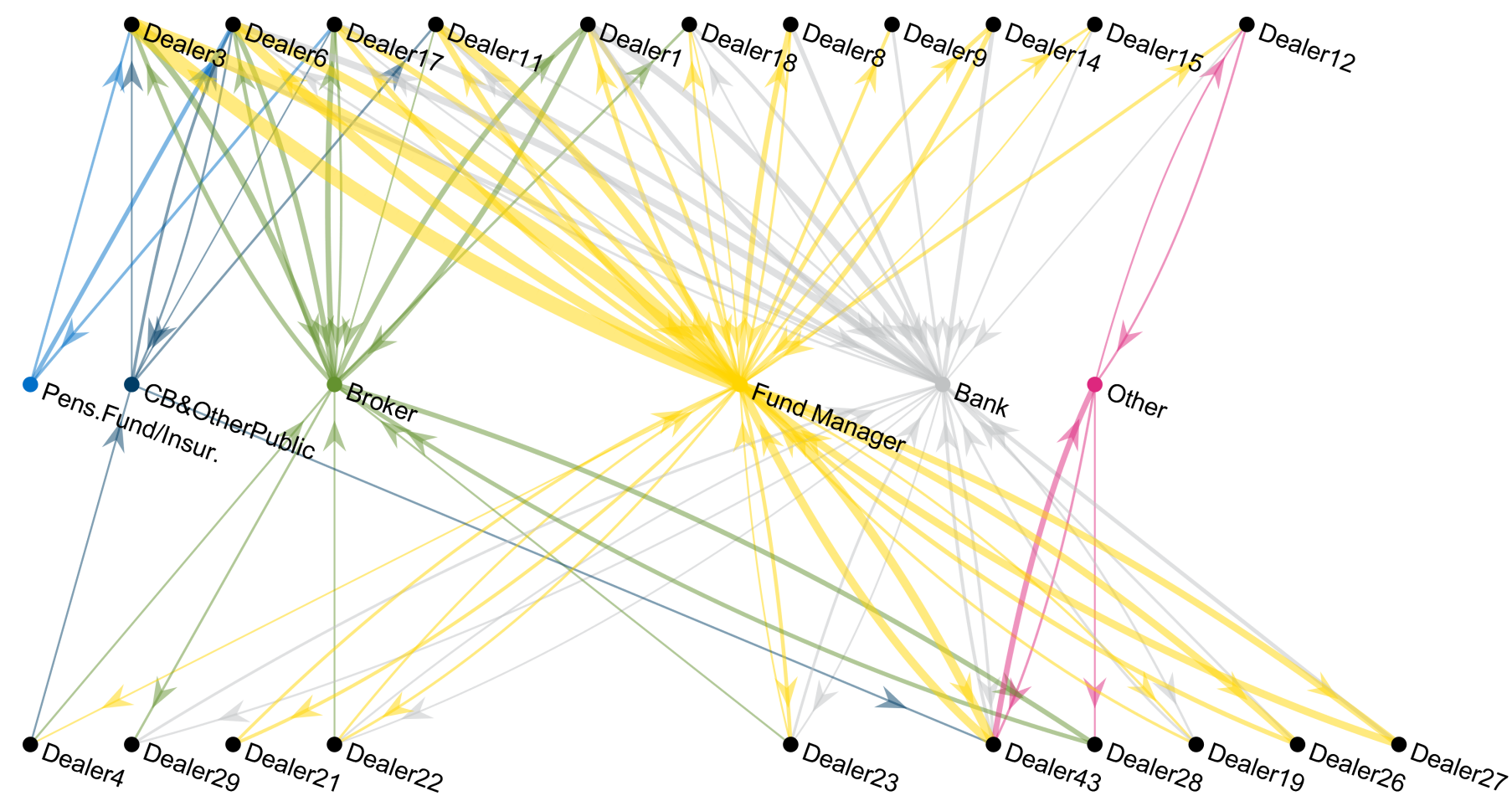
- Market Group Members are required to report their EFSF/ESM secondary market turnover using the harmonized reporting format (HRF2022)
- Turnover rankings are part of the selection criteria for syndicated transactions



Secondary market turnover remains stable

LIQUIDITY: SUPPORTED BY A STRONG MARKET GROUP

Investor-dealer networks for ESM/EFSF bonds in 2024



THE EFSF AND ESM MARKET GROUP

ESM/EFSS Market Group comprises the following international institutions:



TRANSPARENCY: HIGH DEGREE OF COMMUNICATION TO INVESTORS



INVESTOR NEWSLETTER NO. 55

Quarter 1 - 2025

N° 55 / 26 March 2025

Dear Investor,

We started the year on a high note, with the EFSF raising €7 billion in a dual-tranche deal, completing nearly one third of its long-term funding programme for 2025. The combined order book of nearly €57 billion was the EFSF's second largest on record. Demand was not only high but also well diversified, and the new 3-year and 10-year bonds offered investors the choice of allocating their funds in both short and long maturities. The ESM also recorded a strong start to the year, raising €2 billion of its €7 billion target for the year with a new 10-year bond.

One contributing factor to the successful issuance was continued strong interest from Asian investors. To maintain our connection with this important market base, we are currently taking part in a roadshow to Beijing, Hong Kong, and Macao. We are meeting with public sector officials as well as private investors, updating them on developments in the euro area in the context of the rapidly changing geopolitical environment.

As recently announced, on 1 May Jun Dumolard will become our new Head of Funding and Investor Relations. Jun established himself as an accomplished Chief Financial Officer at Unédic, the French unemployment insurance agency, having played a key role in developing Unédic into a leading sovereign, supranational, and agency debt issuer. We look forward to welcoming Jun and are certain his extensive skills and experience will benefit our funding activities.

Finally, I warmly invite you to join our flagship event, the Annual Capital Markets Seminar on 1-2 October. The event, co-organised by the ESM with the European Investment Bank and European Commission, offers an excellent opportunity for investors to engage with issuers, intermediaries, and policymakers. This year, you may want to extend your stay, as 3 October will be a special day in Luxembourg with many colourful public events and festivities planned in celebration of Prince Guillaume succeeding his father Henri as the new Grand Duke.

With warm regards,



Kalin Anev Janse

ESM Member of the Management Board,
Chief Financial Officer

INVESTOR RELATIONS
NEWSLETTER SUBSCRIPTION



Any material changes
communicated in timely
manner to investor
community



High degree of
communication during
transactions RFP
announcement,
mandate



LinkedIn page where
we publish Funding and
Investor Relations latest
news and developments



Newsletter

announces auctions
in advance for each
half-year

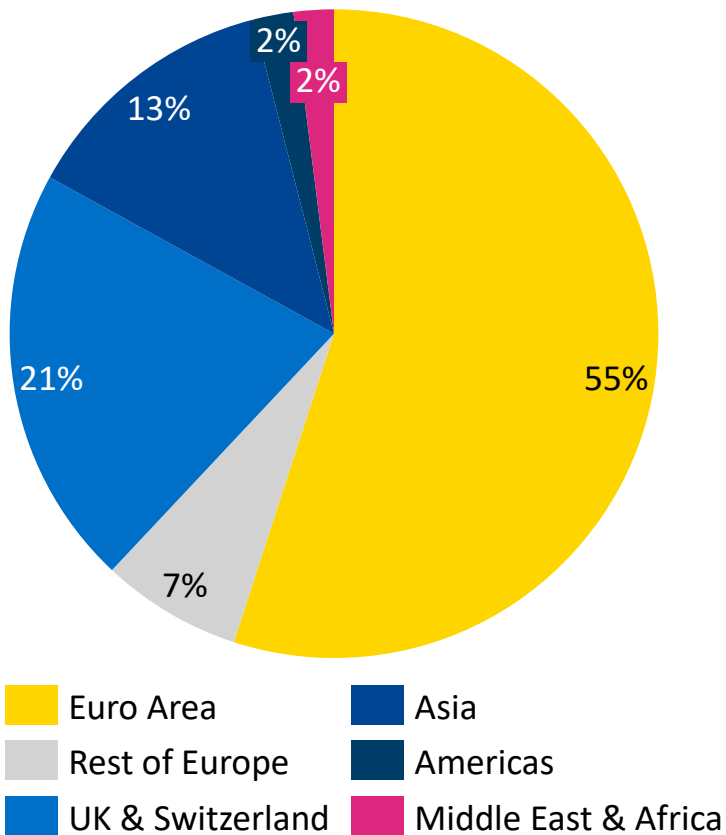
TRANSPARENCY: HIGH DEGREE OF COMMUNICATION TO INVESTORS

- 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 C-Level and operational leaders from host institutions and other capital market participants.
- The seventh edition will take place on 1-2 October 2025 in Luxembourg

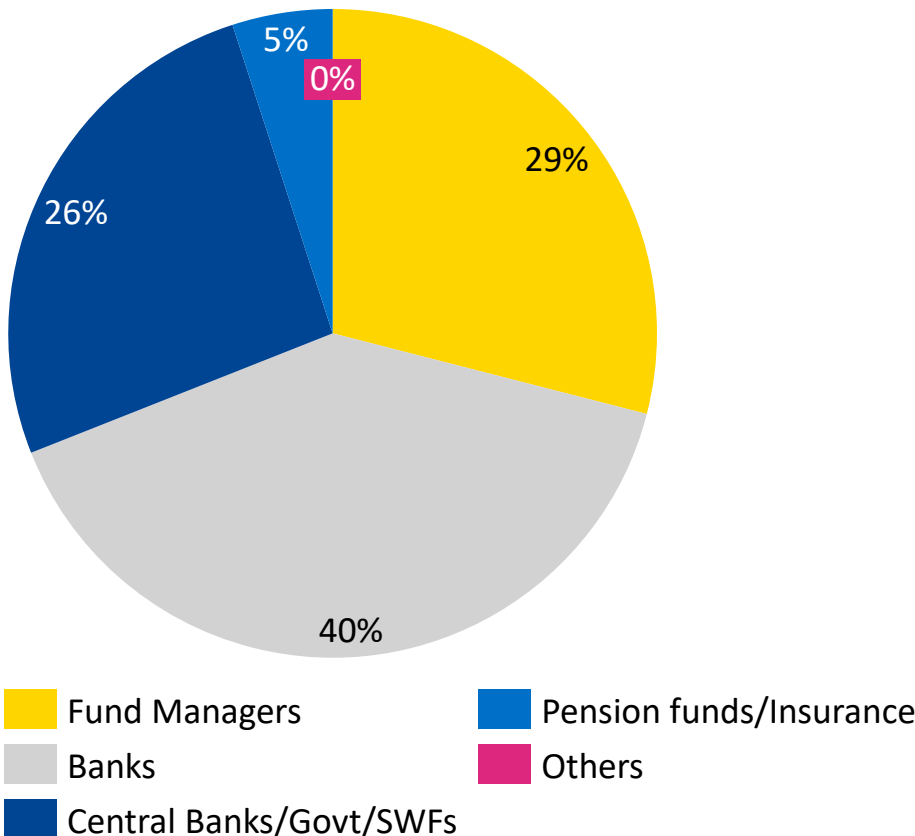


EFSF AND ESM: SOLID AND DIVERSIFIED INVESTOR BASE

Geographical Breakdown

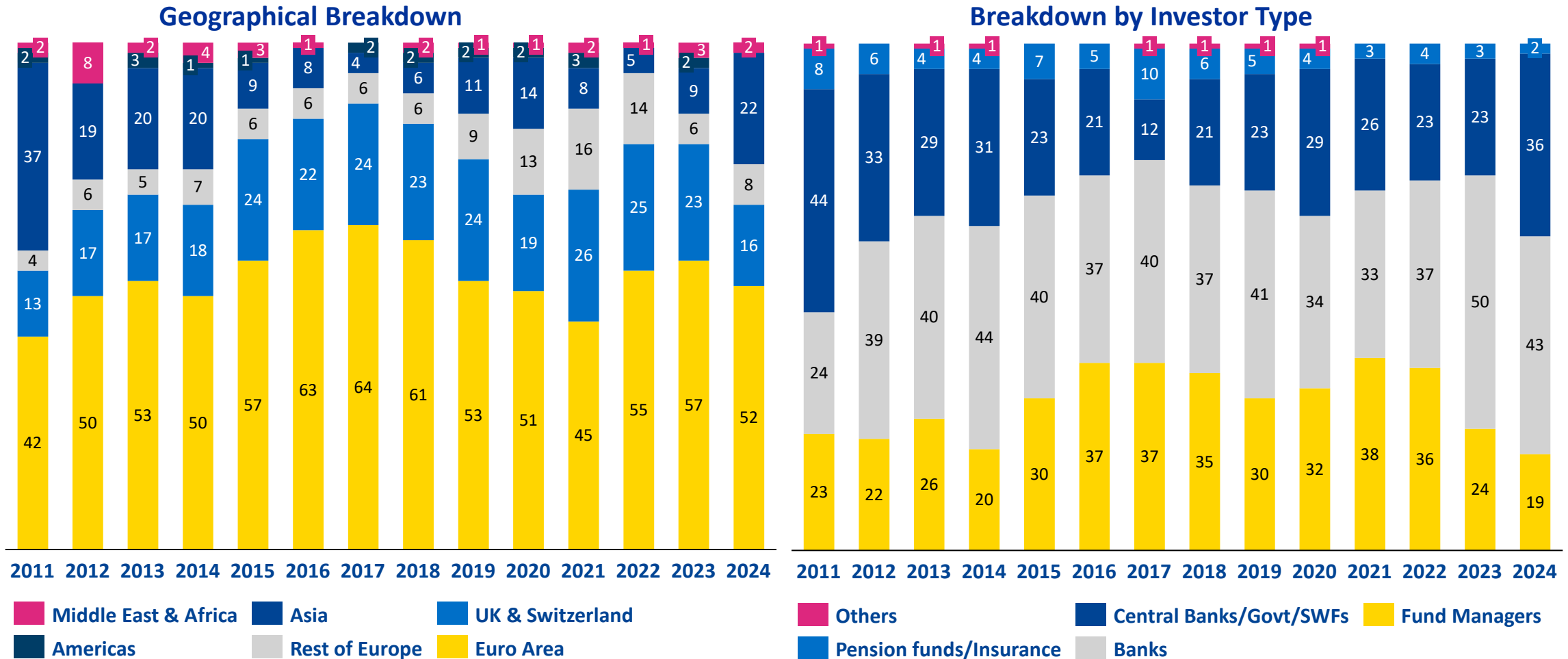


Breakdown by Investor Type



*Total breakdown includes all EFSF & ESM syndicated bond issues at time of issue. Placements by auction are not included. As at Q1 2025. Data source: ESM

ESM & EFSF: ANNUAL INVESTOR BREAKDOWN



*2011 & 2012 EFSF Only

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