

# Insights for investors

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European Stability Mechanism



March 2026

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**A crisis resolution  
mechanism established  
by the euro area  
countries.**

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# ESM and EFSF fundamentals

# EFSF: a temporary crisis resolution mechanism

## Overview

- Created in 2010
- Assistance financed through issuance of bonds and debt instruments over-guaranteed by the best rated euro area countries
- Provided financial assistance to three countries
- No longer provides new financial assistance programmes, task now performed by the ESM

## Financial assistance



### Greece

Total disbursed: €142 billion  
Loan repayments: 2023–2070  
Average maturity: 42 years



### Portugal

Total disbursed: €26 billion  
Loan repayments: 2025–2040  
Average maturity: 20.8 years



### Ireland








Total disbursed: €18 billion  
Loan repayments: 2029–2042  
Average maturity: 21 years

## Continued operations

- Receives loan repayments from beneficiary countries
- Makes interest and principal payments to holders of EFSF bonds
- Rolls over outstanding EFSF bonds
- Manages over-guarantee mechanism contribution key

# EFSF: structure and over-guarantee mechanism

Issuances benefit from a robust credit structure with an over-guarantee mechanism which ensures that scheduled due amounts under EFSF Notes are fully covered by guarantees issued by the higher rated euro area countries

Core EFSF guarantors	Contribution key (%)	Effective guarantee (%)
 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%

Source: ESM data

Note: Each Guarantor guarantees due amounts with a guarantee equal to the product of the due amount, the Contribution key % and the Applicable Over-Guarantee % of up to 165%. The Applicable Over-Guarantee % is specified in the Final Terms of each Series of EFSF Notes and is re-set if the rating of the Guarantors evolve. The Effective Guarantee % as of 4 November 2025 is set out in the Table.

# ESM: permanent crisis prevention and resolution mechanism

## Overview

- Created in 2012 by and for the euro area countries
- Robust capital base setup by euro area countries shareholders
- Set up to help countries experiencing or threatened by severe financing problem
- Provided assistance to three countries
- Acts as lender of last resort for those unable to refinance government debt in financial markets at sustainable rates
- €500 billion maximum lending capacity, €432 billion available

## Financial assistance



### Spain

Total disbursed: €41.3 billion  
Loan repayments: 2022–2027  
Average maturity: 12 years



### Greece

Total disbursed: €61.9 billion  
Loan repayments: 2034–2060  
Average maturity: 32 years



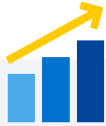
### Cyprus

Total disbursed: €6.3 billion  
Loan repayments: 2025–2031  
Average maturity: 15 years

## Continued operations

- Receives loan repayments from beneficiary countries
- Makes interest and principal payments to holders of ESM bonds
- Rolls over outstanding ESM bonds
- Can provide financial assistance to an ESM Member when required

# ESM capital structure overview



## One of the strongest capital structure globally

- €708.5 billion subscribed capital, €81 billion paid in
- Additional €3.5\* billion of reserve fund
- Not available for on-lending
- Prudent and conservative investment policy



## Crisis prevention, financial assistance and market trust

- Strong market presence to ensure best financial conditions to Beneficiary Member States supported through existing loans
- High liquidity to secure market stability and confidence
- Complete toolkit to safeguard the euro area as lender of last resort



## Committed callable capital

- €627.52 billion committed callable capital
- General capital call: ESM Board of Governors can request capital call at any time
- Capital call to restore paid-in capital: ESM Board of Directors can replenish paid-in capital when required
- Emergency capital call: ESM Managing Director can request emergency capital call to prevent default on ESM payments

\*As at 31 December 2024.  
Source: Annual report 2024

# ESM toolkit



## Loans with a macroeconomic adjustment programme

### Objective:

Assists ESM Members in significant need of financing that have lost market access, either because they cannot find lenders or because the financing costs would adversely impact the sustainability of public finances.



## Loans for indirect bank recapitalisation

### Objective:

Preserves financial stability of the euro area by addressing those cases where the financial sector is primarily at the root of a crisis, rather than fiscal or structural policies.

# Other instruments at hand



## Precautionary credit lines

### Objective:

- Support sound policies and prevent crises from emerging
- Help ESM Members with sound economic conditions maintain continuous access to market financing by strengthening the credibility of their macroeconomic performance



## Primary market purchases

### Objective:

- Purchase bonds or other debt securities issued by ESM Members at market prices to allow them to maintain or restore their relationship with the investment community, reducing the risk of a failed auction.
- Can complement loan instrument or a precautionary programme



## Secondary market purchases

### Objective:

- Support sound functioning of government debt markets when lack of market liquidity threatens financial stability in context of loan
- Can be with macroeconomic adjustment programme or without if economic and financial situation is fundamentally sound



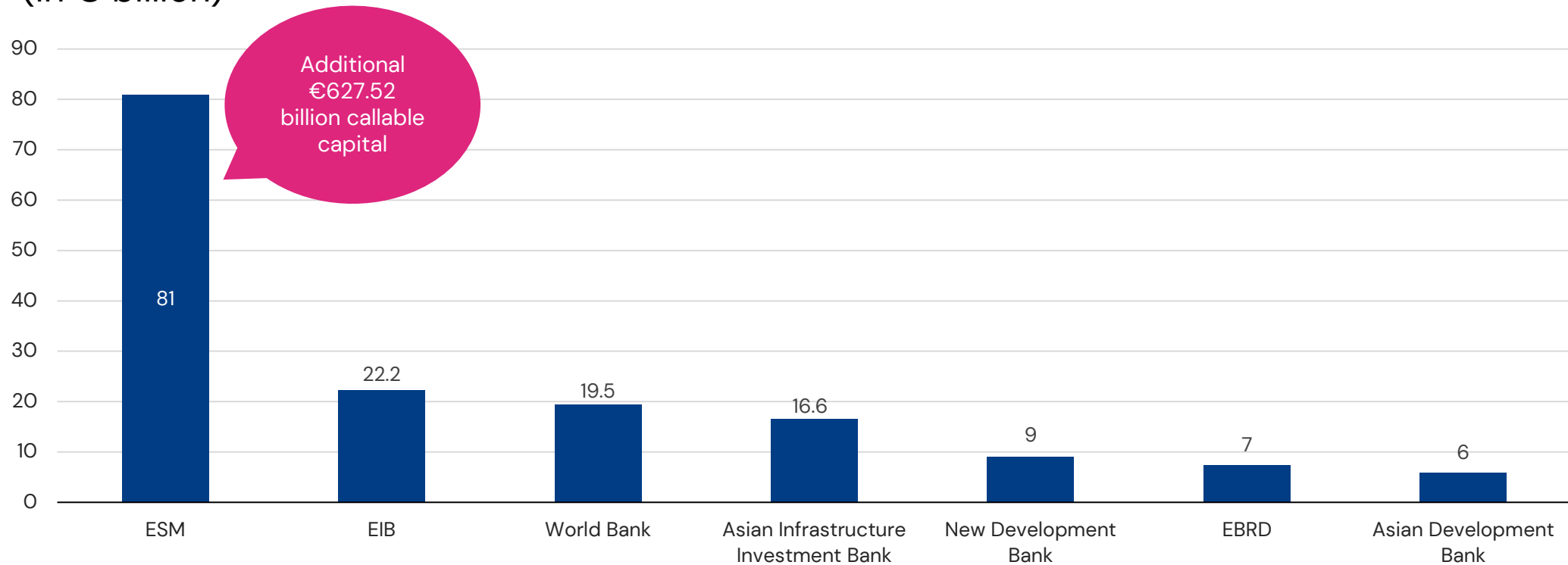
## Direct recapitalisation instrument

### Objective:

- Removes a serious contagion risk from financial sector to sovereign by allowing direct recapitalisation of institutions
- Total amount available is limited to €60 billion
- Relevant for systemically important credit institutions, financial holding companies, and mixed financial holding companies as defined in EU legislation

# ESM compared to peers

## Paid-in capital of major international financial institutions (in € billion)



Note: As of 22 January 2026

# Comparison EFSF and ESM



<b>Legal structure</b>	Private company under Luxembourg law	Intergovernmental institution under international law
<b>Framework</b>	Lending June 2010–June 2013 Funding until 2070	Permanent institution
<b>Capital structure</b>	Backed by guarantees from euro area countries	€708.5 billion* subscribed capital €81 billion paid-in capital €627.52 billion committed callable capital
<b>Guarantors</b>	Finland, Germany, Luxembourg, Netherlands, Austria, France, Belgium, Estonia, Slovakia, Slovenia, Italy, Malta, Spain*	20–euro area countries
<b>Creditor status</b>	Pari passu	Preferred creditor status (after IMF)**
<b>Credit rating</b>	S&P Global Ratings: A+, Outlook Stable Fitch Ratings, Inc.: A+ Moody's Ratings: Aaa, Outlook Negative	S&P Global Ratings: AAA, Outlook Stable Fitch Ratings, Inc.: AAA, Outlook Stable Moody's Ratings: Aaa, Outlook Stable Scope Ratings GmbH: AAA, Outlook Stable

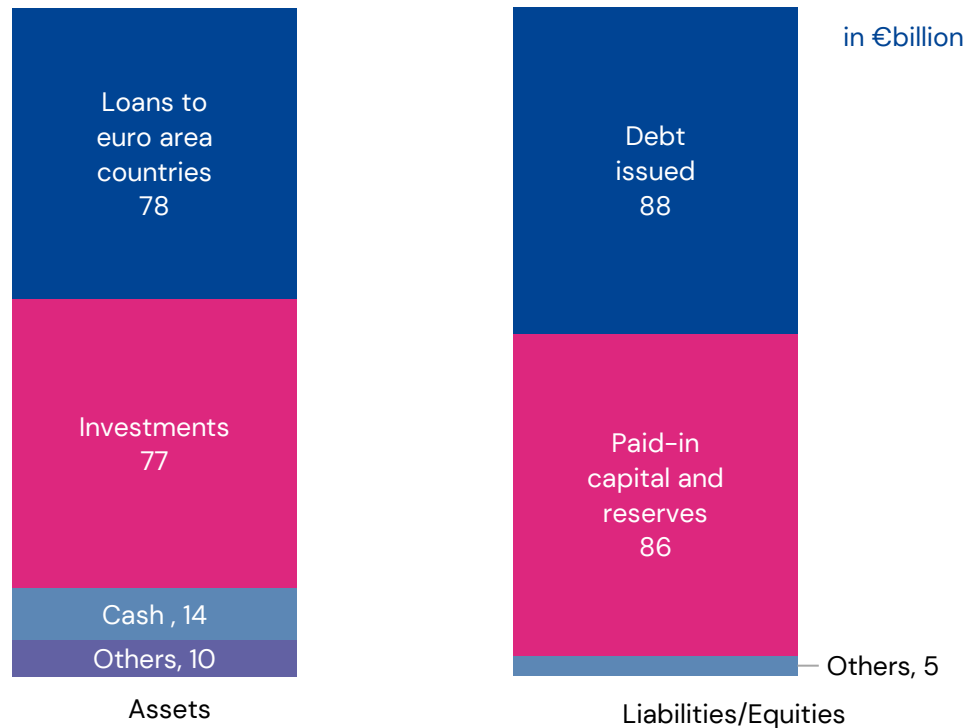
\* The Hellenic Republic, Ireland and Portugal are Stepping-Out Guarantors

\*\* For the financial assistance for recapitalisation of the Spanish banking sector, pari passu will apply

# ESM and EFSF – large market players as investors and issuers



€808 billion balance sheet incl. callable capital\*



\* €627.52 billion callable capital

Source: ESM calculations as of 31 December 2024



€190 billion balance sheet loans are financed by guaranteed debt instruments



# ESM and EFSF-supported countries became success stories

Four former programme countries rank among the Economists' top 10 best performing economies for 2025

Finance & economics | Muito bom

## Which economy did best in 2025?

Our annual ranking returns

### AS SWEET AS A PASTEL DE NATA

OECD countries, Q3 2025

Ranking*		GDP <sup>†</sup> % change on a year earlier	Share prices <sup>‡</sup> % change on a year earlier
1	Portugal	2.4	20.9
2	Ireland	3.2	20.1
3	Israel	3.5	53.3
4=	Colombia	3.4	43.8
4=	Spain	2.8	35.0
6=	Czech Republic	2.8	46.2
6=	Greece	1.7	44.0
8	Canada	1.4	24.0
9	Slovenia	1.6	52.8
10	Poland	3.8	33.5



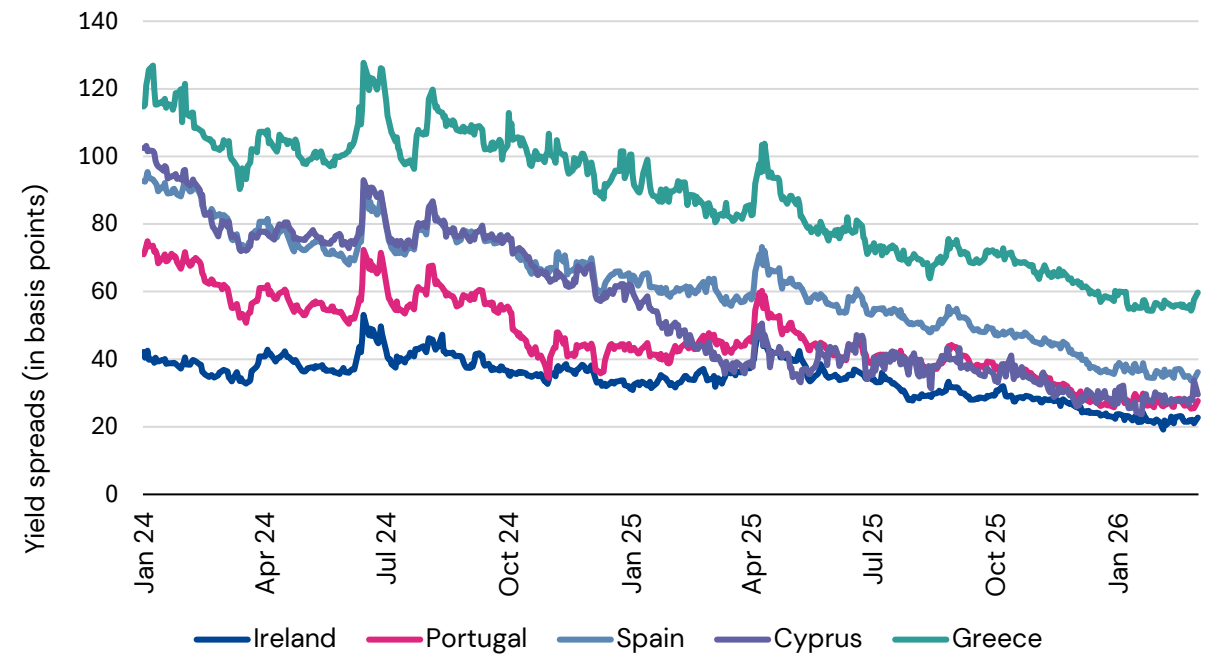
Notes: Out of 36 countries, excl. Chile and Costa Rica. Three indications not shown: core inflation, inflation breadth and employment † Or latest available ‡ National stockmarket indices, Oct 2025

Source: The Economist – 7 Dec 2025

## Track record of market support

Rating upgrades and downward trend of spreads show the countries' success, are expected to continue in 2026.

### 10-Year yield spreads vs German bonds



Note: As of 27 February 2026.  
Source: Bloomberg

# Bulgaria poised to join the ESM

- Bulgaria became the 21<sup>st</sup> to join the euro area on 01 January 2026
- Euro area membership makes Bulgaria eligible for ESM membership.
- As an ESM Member, Bulgaria will join the ESM Board of Governors, which oversees key decisions.
- Contributions to the ESM capital are based on population and GDP
- Bulgaria eligible to receive a 12-year adjustment period for lower initial contributions.
- ESM membership offers access to financial support and investor protection.





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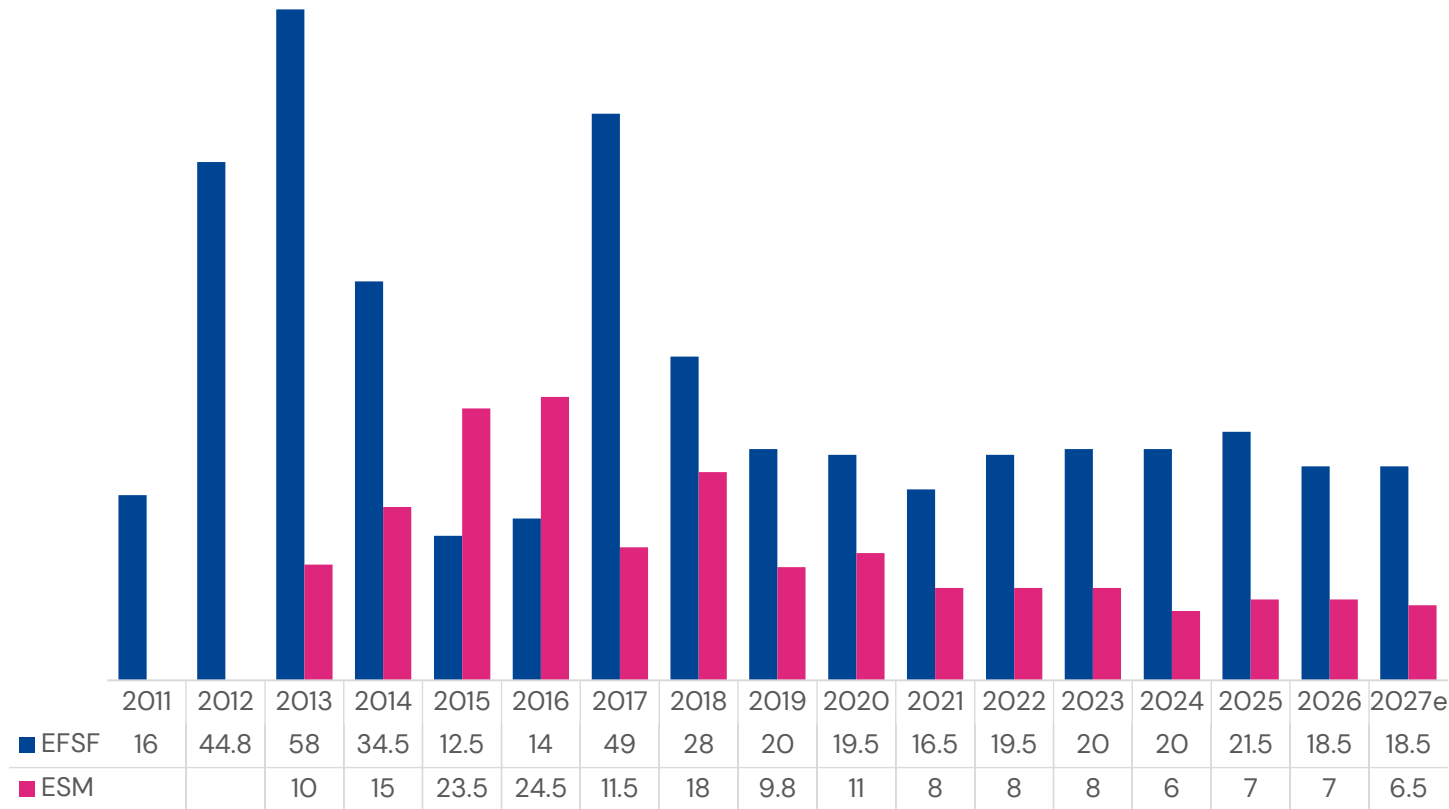
# Funding programmes



# 2026 ESM and EFSF funding programmes

## Evolution of EFSF/ESM bond issuance

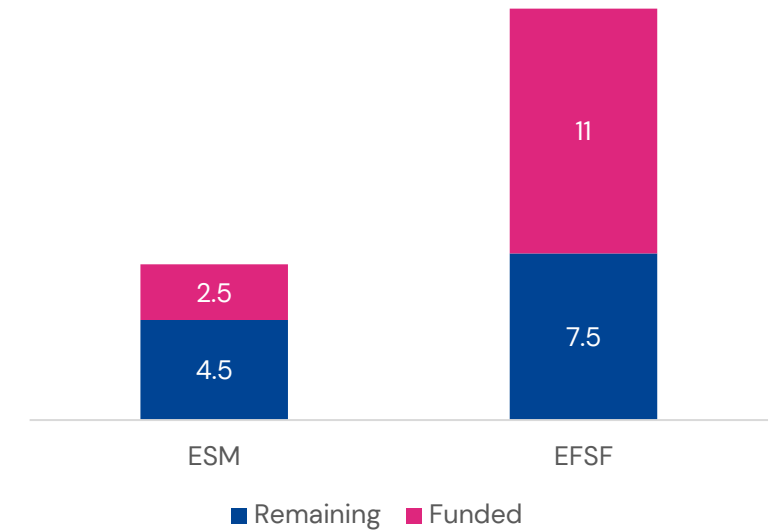
(in € billion)



Source: ESM data

## ESM and EFSF funding programme 2026

(in € billion)



# The EFSF and ESM Market Group



Asia

**NOMURA**



Europe

Bayern LB

BARCLAYS

BNP PARIBAS

BRED  
BANQUE POPULAIRE

COMMERZBANK

CRÉDIT  
AGRICOLE

Danske Bank

.DekaBank Deutsche Bank

DZ BANK  
Die Initiativbank

ERSTE  
Group

HSBC

INTESA  
SANPAOLO

LBBW

NATIXIS

NATIONAL BANK  
OF GREECE

NatWest

Nordea

Santander

SOCIÉTÉ  
GÉNÉRALE

UniCredit

UBS



Americas

BANK OF AMERICA

citi

Morgan Stanley

Goldman  
Sachs

RBC  
Royal Bank

J.P. Morgan

TD Bank

Note: As of 01 March 2026

# Long-term funding



## Flagship products



## Strategic products

Highly liquid € benchmark bonds	USD market*	N-bonds
<ul style="list-style-type: none"> <li>• Regular presence in all parts of the curve</li> <li>• Maximum loan maturities: EFSF up to 2070 and ESM up to 2060</li> <li>• Use of taps to increase liquidity</li> <li>• Syndication and auction</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic tool utilised by ESM only subject to market conditions and funding needs</li> <li>• Issuance format: RegS/144A</li> <li>• All proceeds swapped back to euros</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum issue size: €25 million</li> <li>• Maturity: EFSF up to 2070 and ESM up to 2060</li> <li>• Frequency: Issuance via reverse enquiry</li> <li>• Distribution: Via ESM/EFSF market group members</li> </ul>

\* For ESM only

# Short-term funding

## ESM bill programme

- Size: in the €1.5 billion area
- Timing: 1<sup>st</sup> 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, Fitch and Scope Ratings GmbH
- Access: via ESM Market Group
- Information: Bloomberg ESM pages, 4 {GO}, Buba {GO}, and GAM {GO}

- **Bill market is an important tool to manage funding liquidity risk**
- **The ESM has a strategic minimum presence to ensure permanent access to its investor base**
- **ESM can adjust bill volume in case of higher or lower liquidity needs**

2026	January	February	March	April	May	June
3-month	Tuesday 06	Tuesday 03	Tuesday 03	Tuesday 07	Tuesday 05	Tuesday 02
6-month	Tuesday 20	Tuesday 17	Tuesday 17			

# Short-term funding

## ESM euro commercial paper programme

- Size: €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 eight agreed permanent dealers
- Minimum ticket size: €25 million
- Maturities: Up to one year, with focus on one week to two months
- Reg S only
- Rating: S&P A-1+ and Moody's P-1
- Information: Bloomberg ESM pages

**Provides investors with an additional investment opportunity**

**Alternative tool to minimise funding liquidity risk**

**Complementary to the bill programme and allows the ESM to raise short-term liquidity in euros**

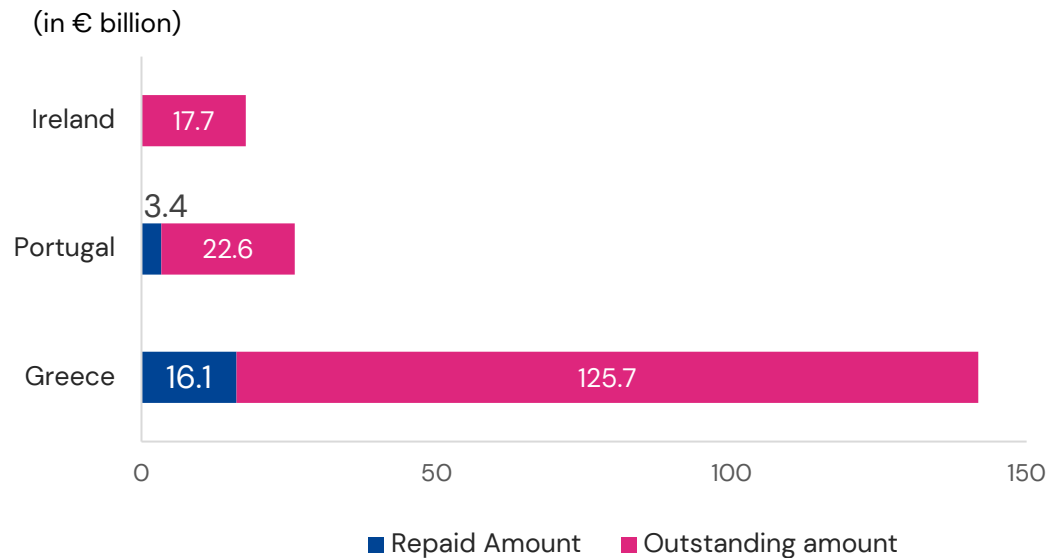
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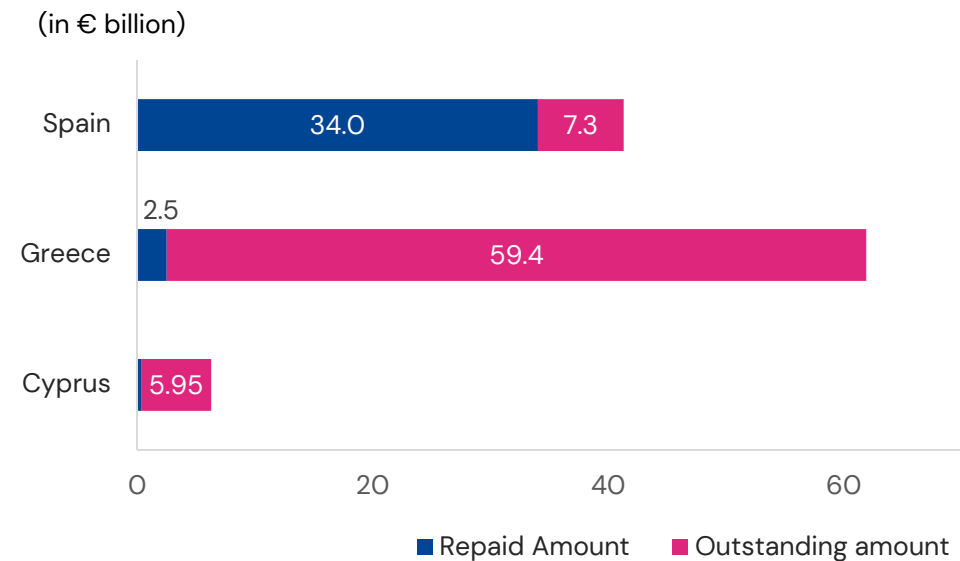
# What impacts our funding amounts?

## EFSF lending overview



Note: EFSF disbursed € 185.5 billion, its longest loan is 2070

## ESM lending overview



Note: ESM disbursed € 109.5 billion, its longest loan matures in 2060

# The liquidity risk is mitigated by the flexibility to:

- Issue on different parts of the curve
- Issue in different currencies
- Run a liquidity buffer
- Use different products

## Managing liquidity risk

The ESM must be able to raise financing when required, irrespective of market conditions.

The main risk is funding liquidity.

The ESM/EFSF lending rates aim to fully cover their funding and operational costs and reflect the varying risk profiles of each funding instrument.

The average lending rates of pool funded loans, as of 31/12/2025, including margin and fees are 1.62% for ESM and 1.78% for EFSF.

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## Average funding maturity (pool):

EFSF 8.28 years\*

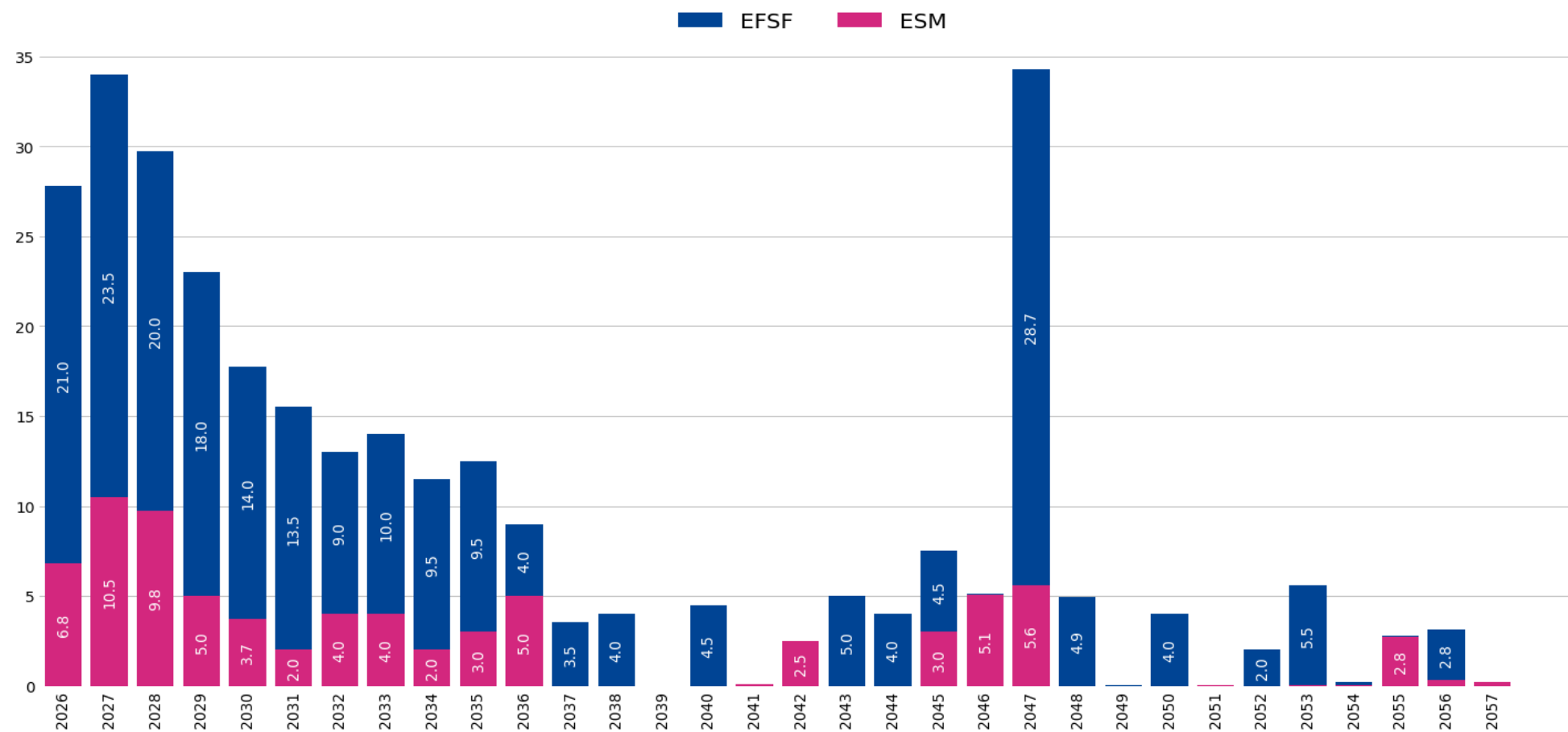
ESM 6.95 years\*

\* As at 17/03/2026. ESM includes bills and bonds.

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# Maturity profiles of EFSF and ESM bonds

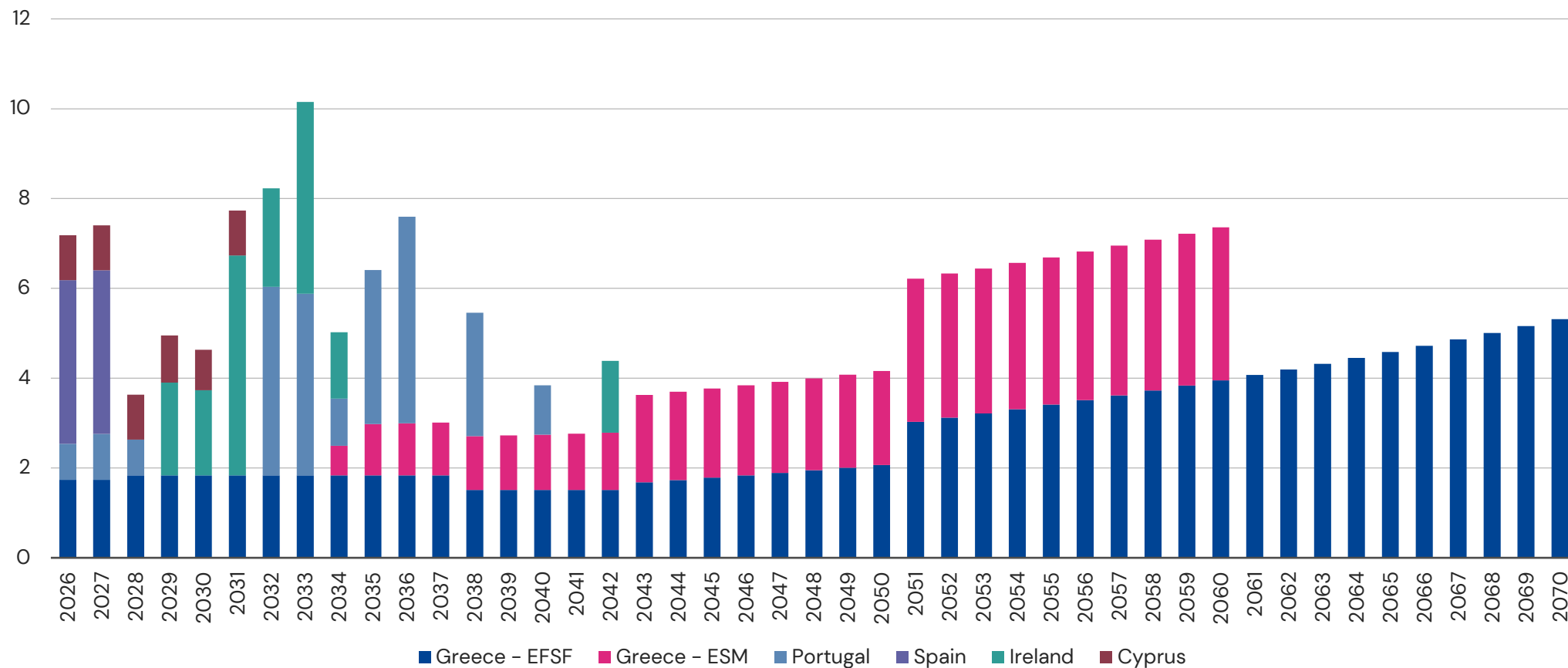
**Maturity profile of EFSF and ESM bonds**  
(in € billion)



Note: As of 17 March 2026

# Maturity profiles of ESM and EFSF loans

Beneficiary member state maturity profile  
(in € billions)

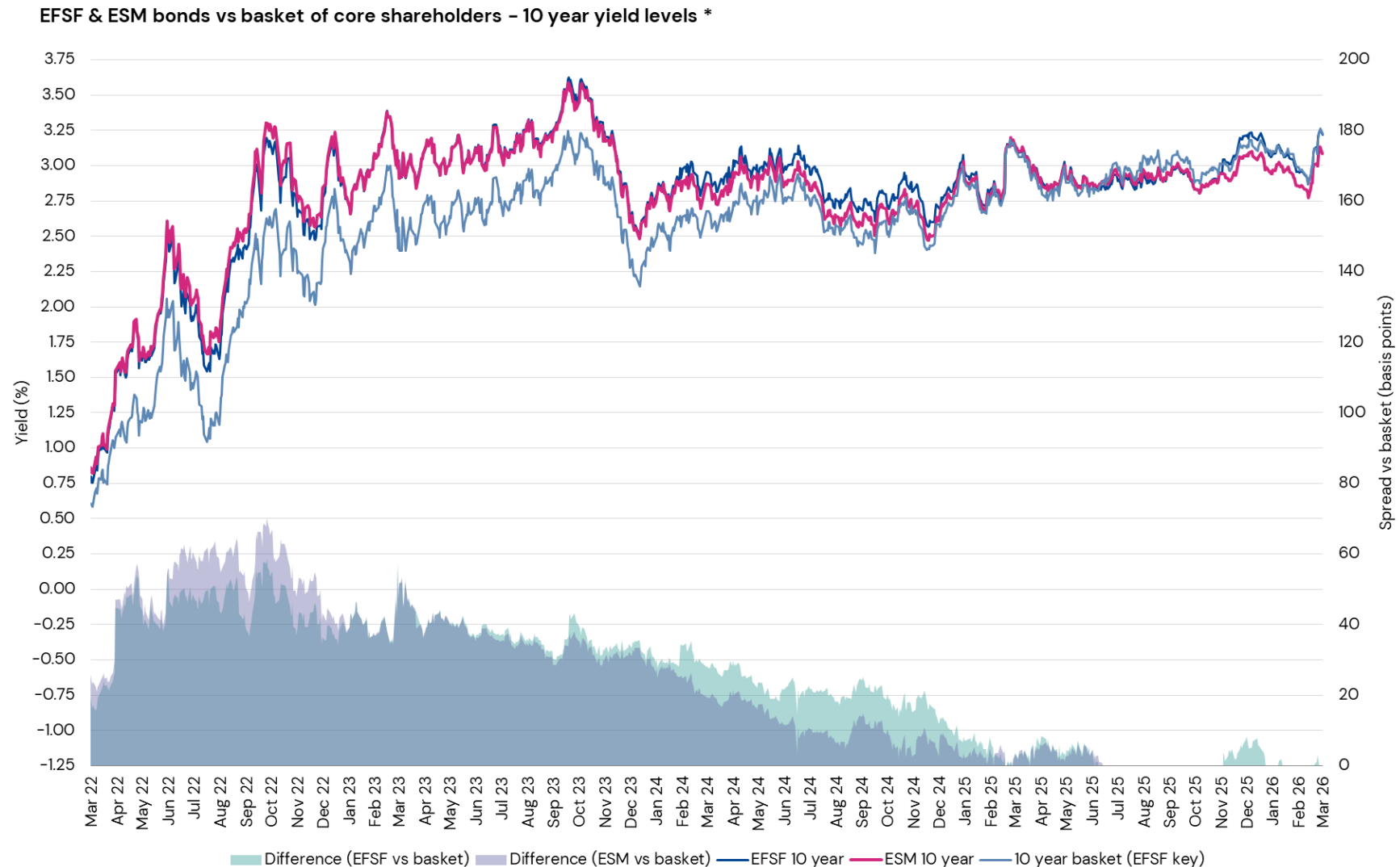


Note: As of 01 February 2026.  
Source: ESM

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# Why invest in EFSF and ESM?

# Performance: Opportunities combined with robust structure

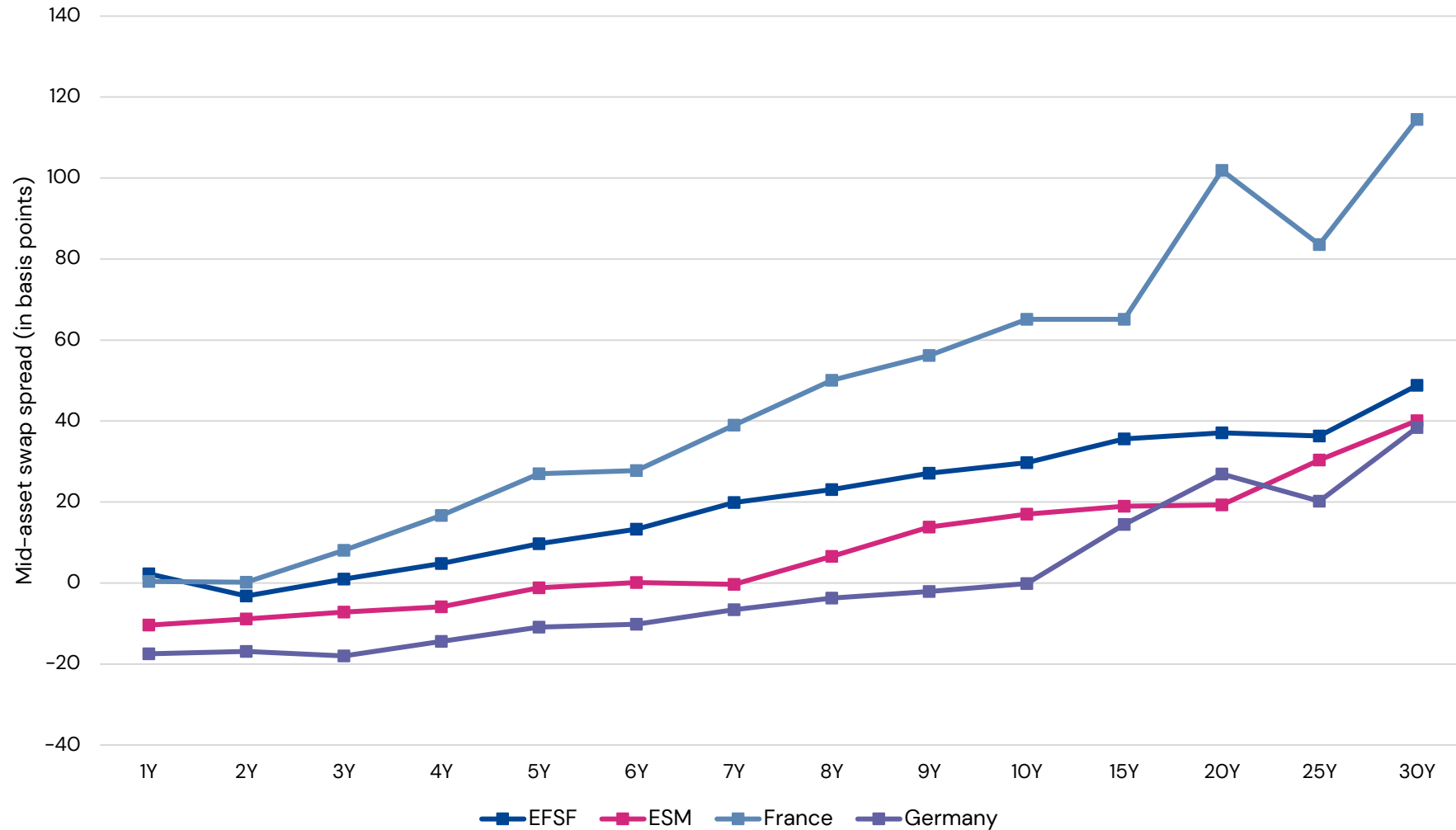


\* The basket is a reference composed by the best rated euro-area countries reflecting the guarantees weights of EFSF bonds.

Note: As of 17 March 2026.

Source: Bloomberg

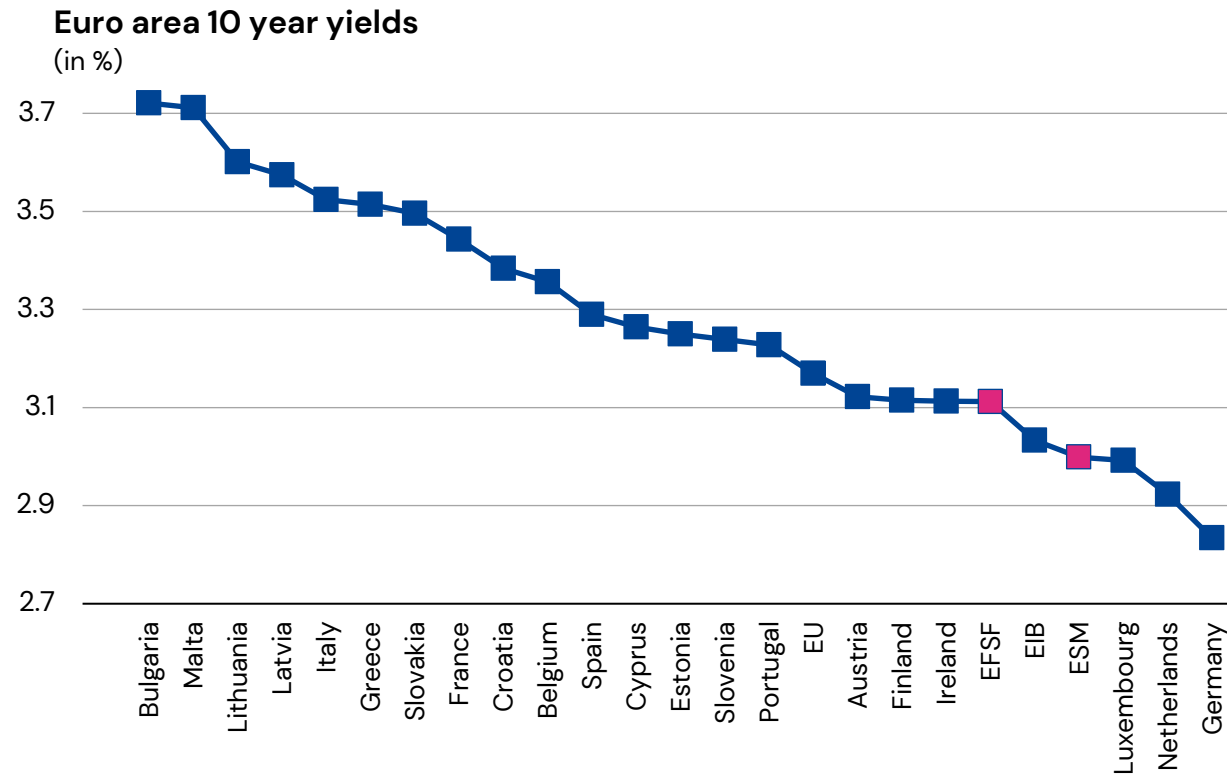
# Performance: EFSF and ESM bond curves



Note: As of 17 March 2026  
Source: Bloomberg

# ESM market confidence

ESM prices as strong European safe asset

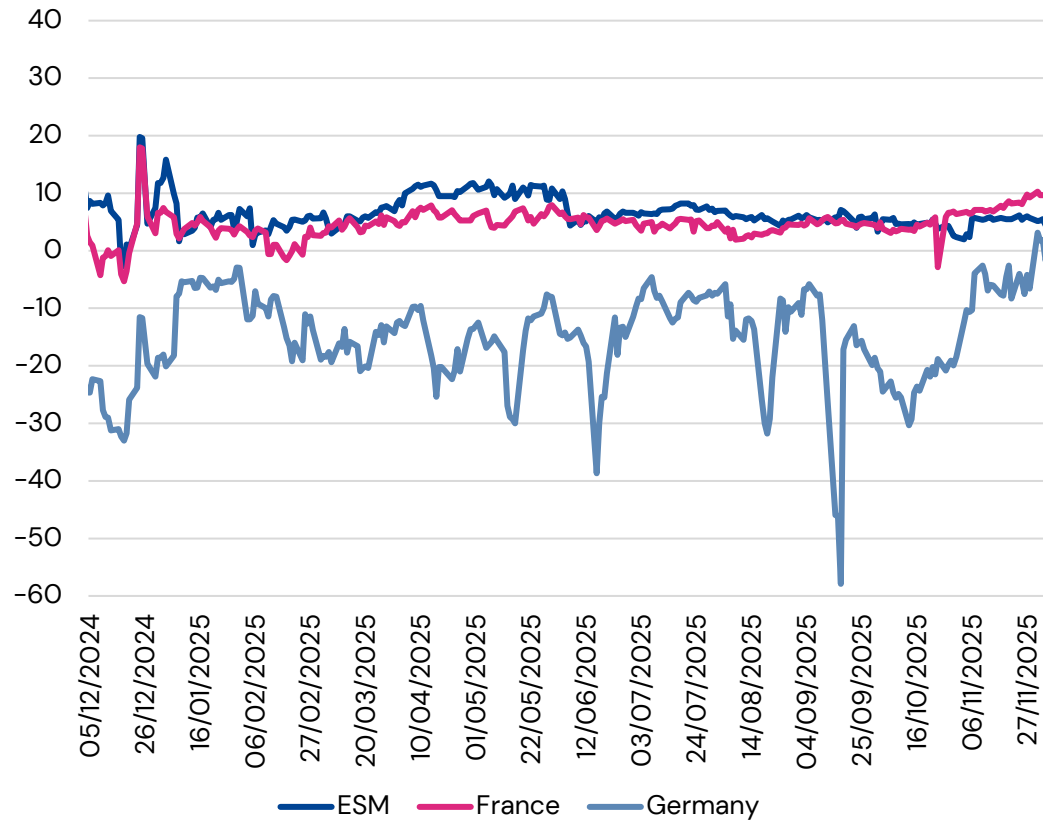


Note: As of 10 March 2026.  
Source: Bloomberg

- This yield differential signals strong market confidence in ESM as a supra-national issuer
- The ESM benefits from some of the lowest bond yields in the euro area, enabling it to provide loans to euro area countries at very low interest rates
- Core Strengths:
  - High creditworthiness
  - Reliable status
  - Cost-effective financial assistance

# Performance: ESM bills

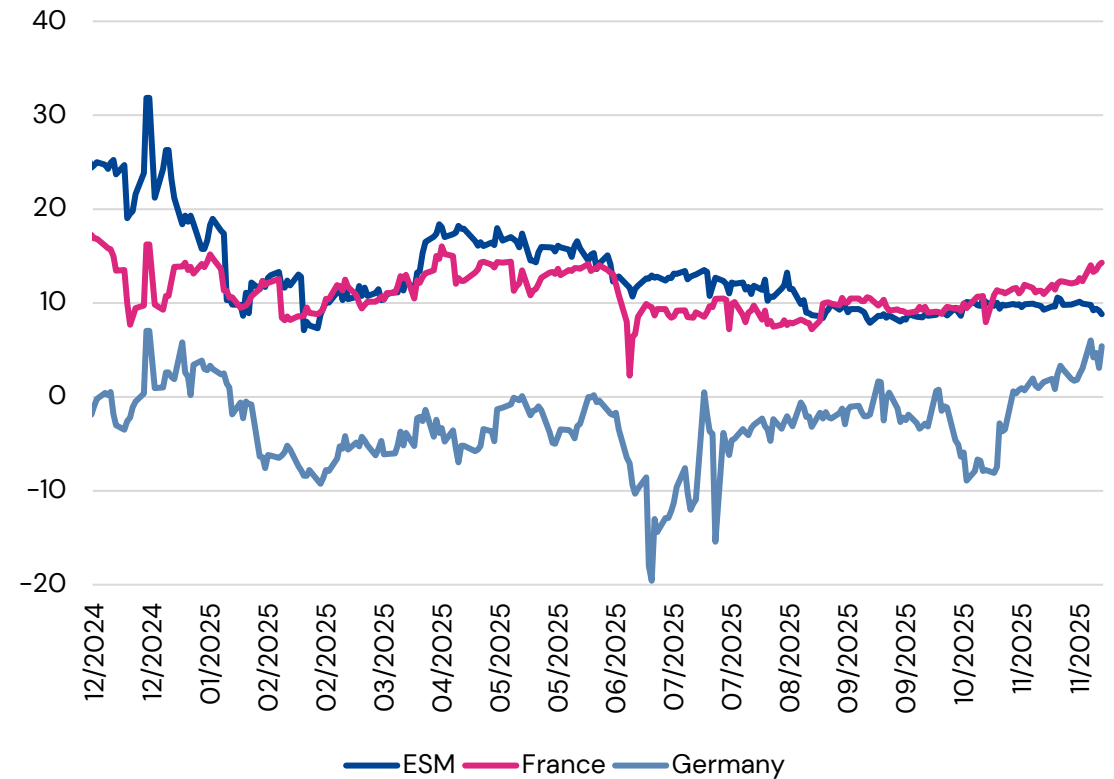
## €3 million bill yield spreads vs €STR



Note: As of 04 February 2026

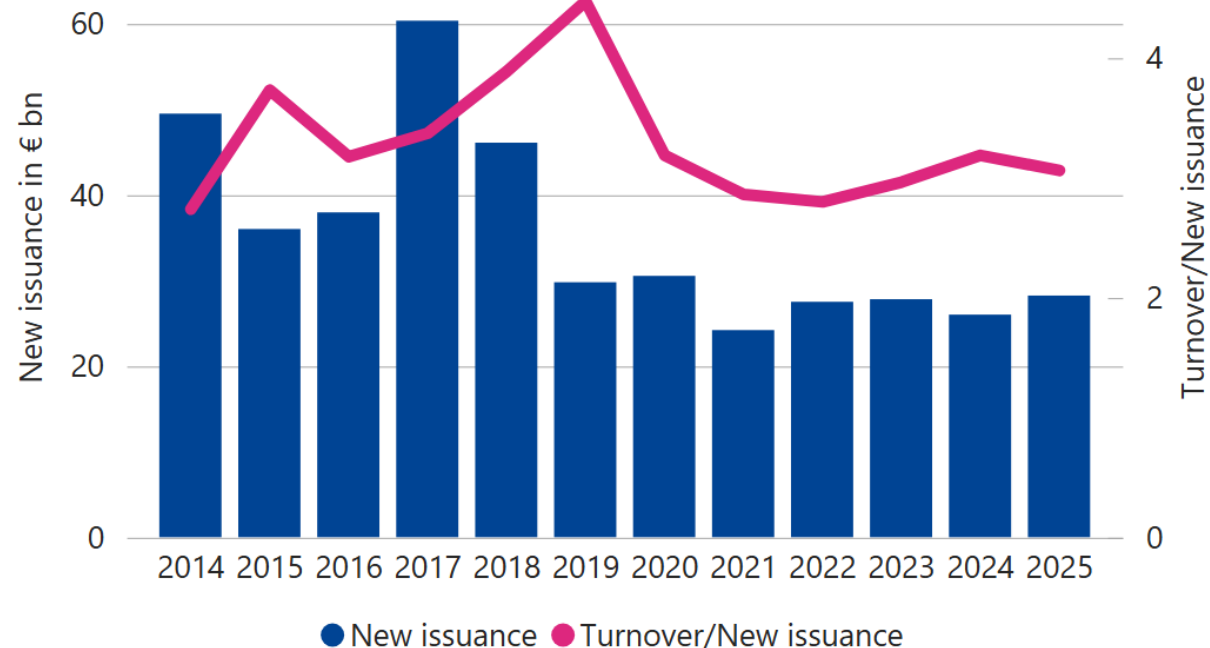
Source: Bloomberg

## €6 million bill yield spreads vs €STR



# Liquidity: a key role in the funding strategy

ESM & EFSF bond issuance and turnover



Market Group members required to report EFSF/ESM secondary market turnover using the harmonised reporting format (HRF2022)

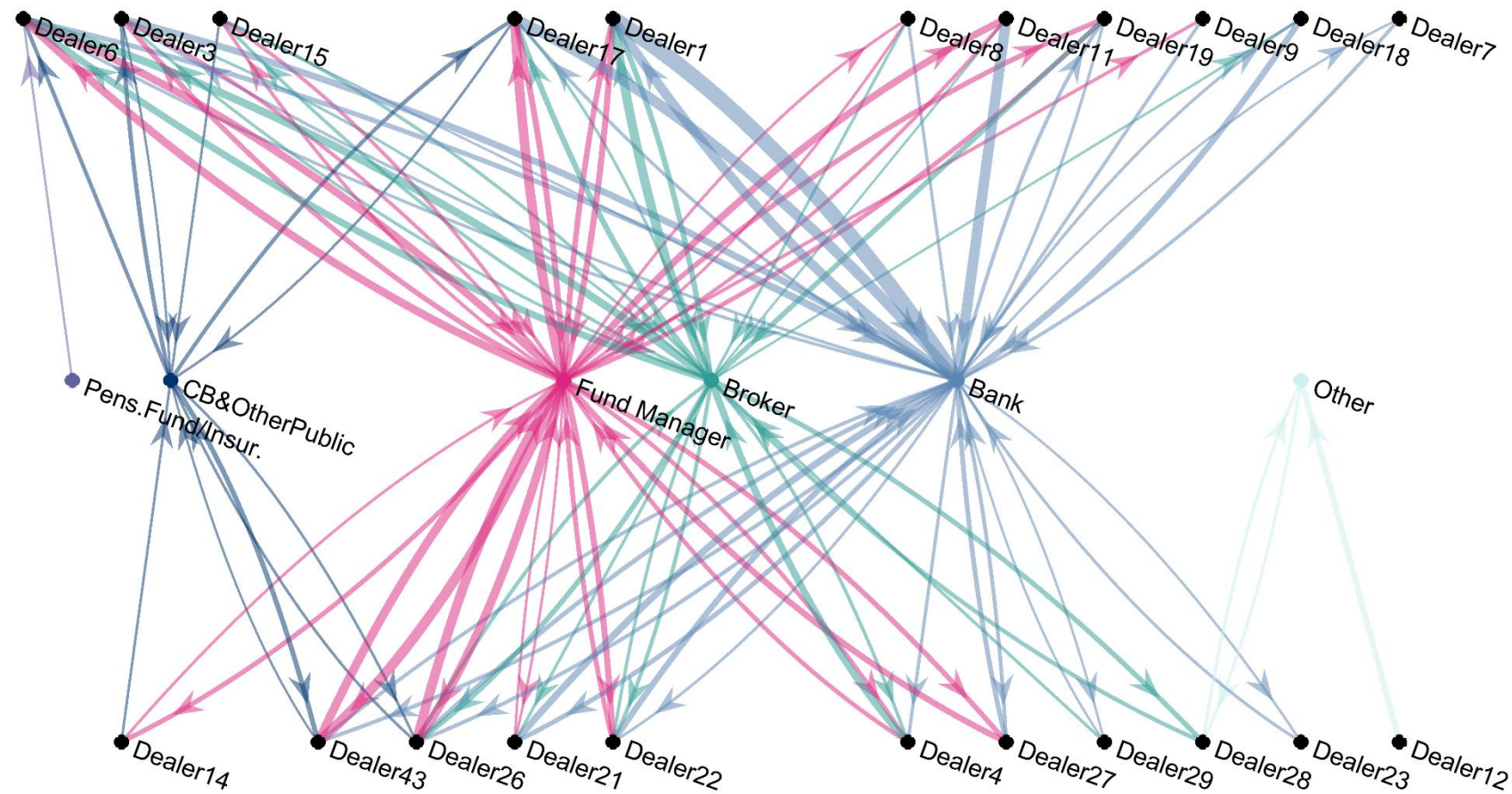
Turnover rankings are part of the selection criteria for syndicated transactions

Secondary market turnover remains stable

Note: This data is sourced and compiled from trading activities in ESM / EFSF bonds from the market group banks.  
Source: ESM data

# Liquidity: supported by a strong market group

Investor-dealer networks for ESM/EFSF bonds in 2025

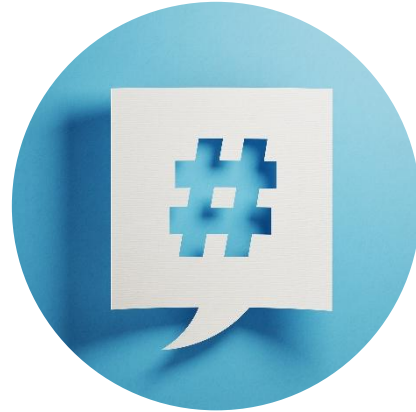


# Transparency: high degree of communication to investors



## Newsletter

Announces auctions in advance for each half-year reviewing funding plans alongside other relevant information for investors



## Social media

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



## Investor disclosure

Any material changes communicated in timely manner to investor community



## Transaction communication

High degree of communication during transactions starting from the RFP announcement and continuing through mandate and execution, fostering transparency and supporting well-informed participation

# Annual Capital Markets Seminar

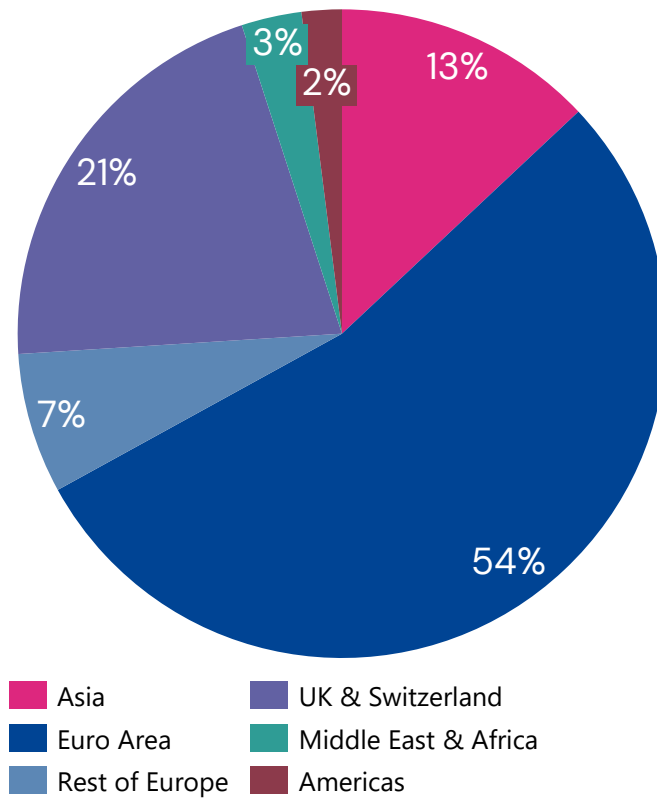
Next edition will take place on  
30 September – 1 October 2026  
in Luxembourg

- Jointly hosted by the ESM, the European Commission, and the EIB
- Flagship forum for global investors focused on key institutional developments and EU capital markets
- Contributions from senior leadership and operational experts from the host institutions and market participants

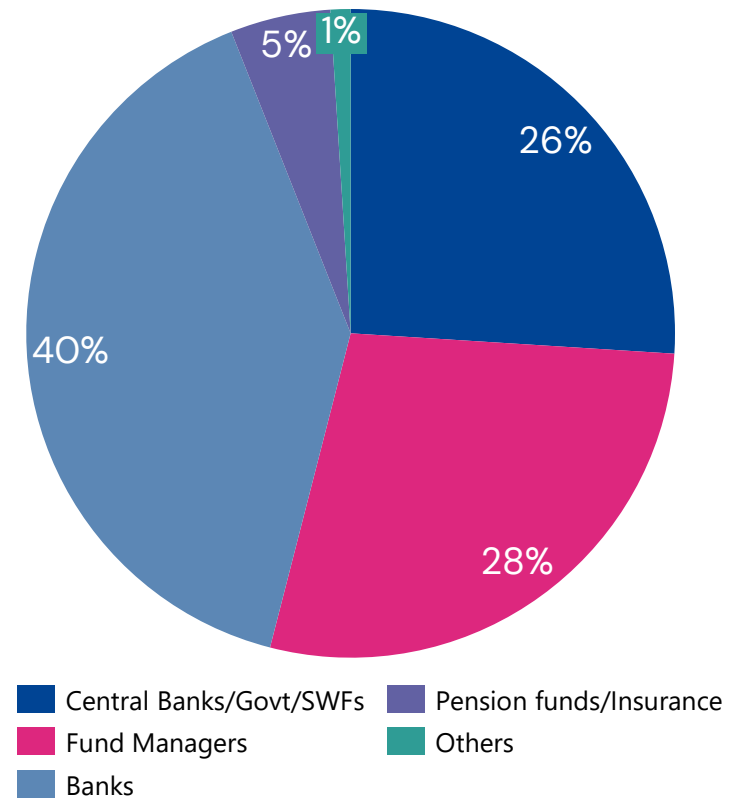


# EFSF and ESM: Solid and diversified investor base

## Geographical breakdown



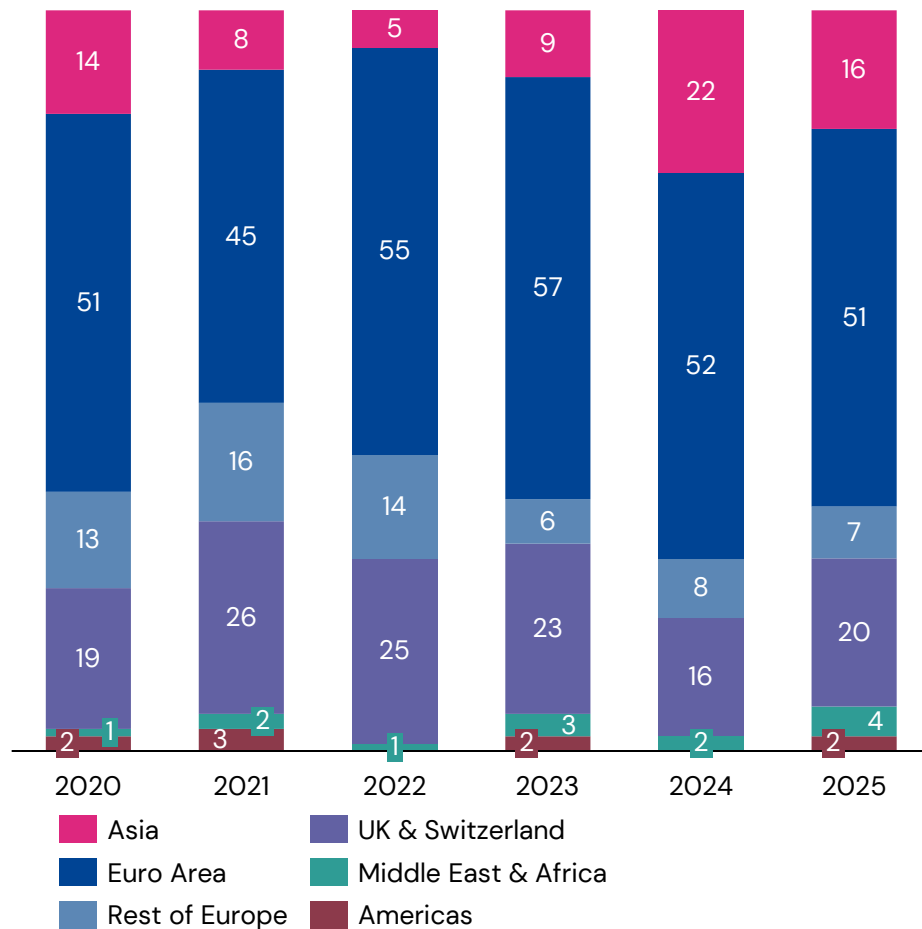
## Breakdown by investor type



Notes: Total breakdown includes all EFSF and ESM syndicated bond issues at time of issue. Placements by auction are not included. As at Q1 2026.  
Source: ESM data

# ESM and EFSF: annual investor breakdown

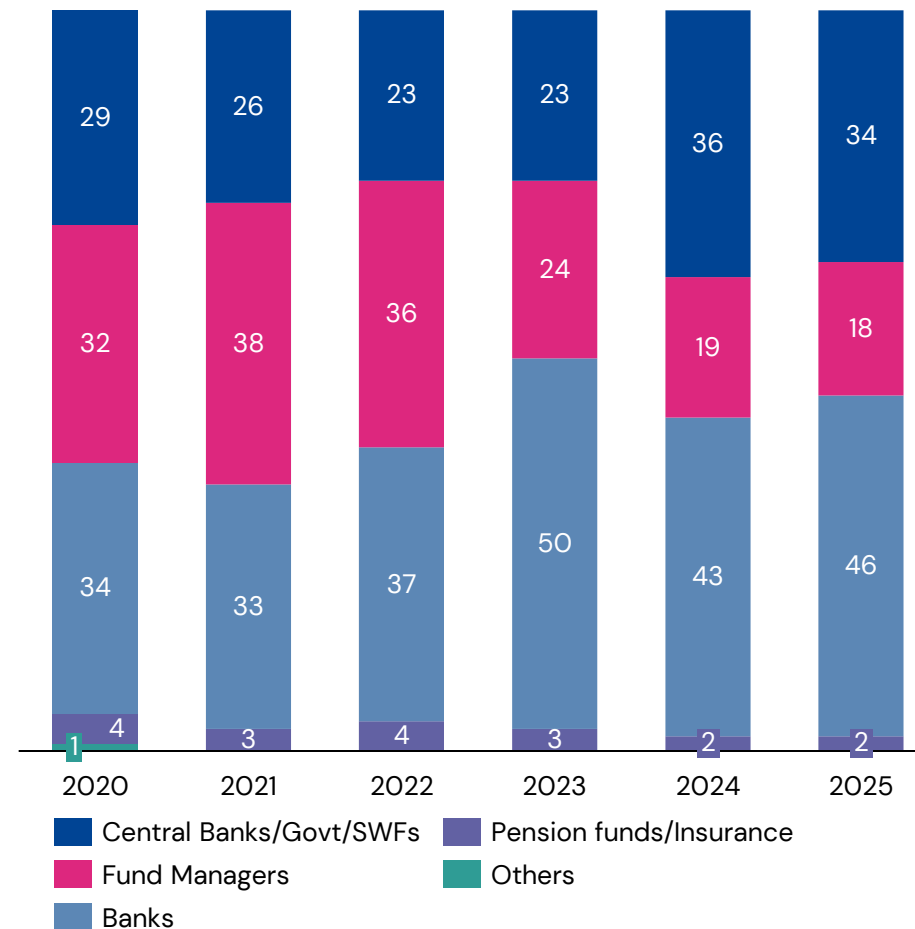
## Geographical breakdown



Source: ESM data



## Breakdown by investor type



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# ESG at the ESM



# The ESM is engaged in ESG



## Environmental considerations

The ESM is integrating climate risk consideration into the institution's country monitoring framework, focussing specifically on the direct and indirect impact of physical and transition risks on the macroeconomy, public finances and the financial sector.



## Social responsibility

ESM's mission to avoid and overcome financial crisis contributes to long-term financial stability and prosperity.



## Importance of governance

Provision of ESM loans is linked to reforms and to matters of governance and European integration and solidarity.

# The ESM is engaged in ESG

Lending social dimension	Funding	Strategic priority
European solidarity	Continued dialogue with ESG rating agencies	Integrate ESG in full balance sheet
Lender of last resort	Social aspect of our funding: ESM bonds contribute to social stability	Integrate ESG in macro analysis/financial stability
Making reforms more sustainable	Ad-hoc sustainable frameworks for dedicated social programmes	

# Impact investing at ESM

## Effect of ESG-labelled bonds



- ESM committed to supporting ESG-labelled bonds
- €7.4 billion\* of €81 billion paid-in capital invested in ESG bonds
- ESM measures the impact: from ESG labels to tangible impact through sub-categories
- ESG Framework for Investment (United Nations Principles for Responsible Investment rules)
- In 2024, both the ESM and the EFSF received an ESG rating of A (on a scale of AAA-CCC) from MSCI\*\*.

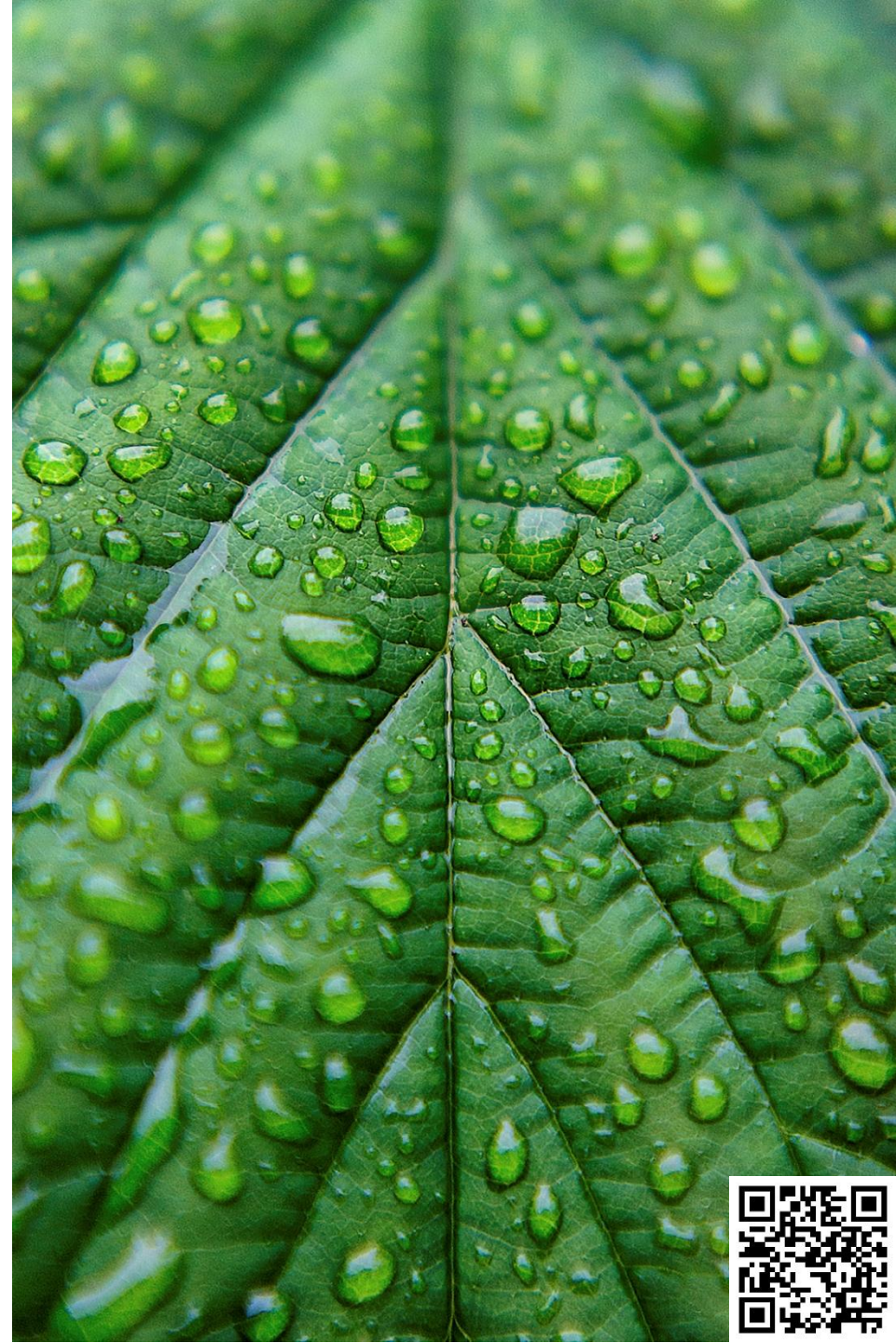
\* Note: As at 31 Dec 2024.

\*\* 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.



# ESG summary report 2024

- Increase to €7.4 billion on a marked-to-market basis, up from € 5.2 billion in 2023, of ESM investment in ESG-labelled bonds. Of this, € 7.3 billion adhered to International Capital Market Association principles and guidelines.
- Change of ESG rating provider from Moody's to ISS.
- First participation in the annual United Nations Climate Change Conference (COP29).



# Contact

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# Annex



# Procedure for approval of financial assistance

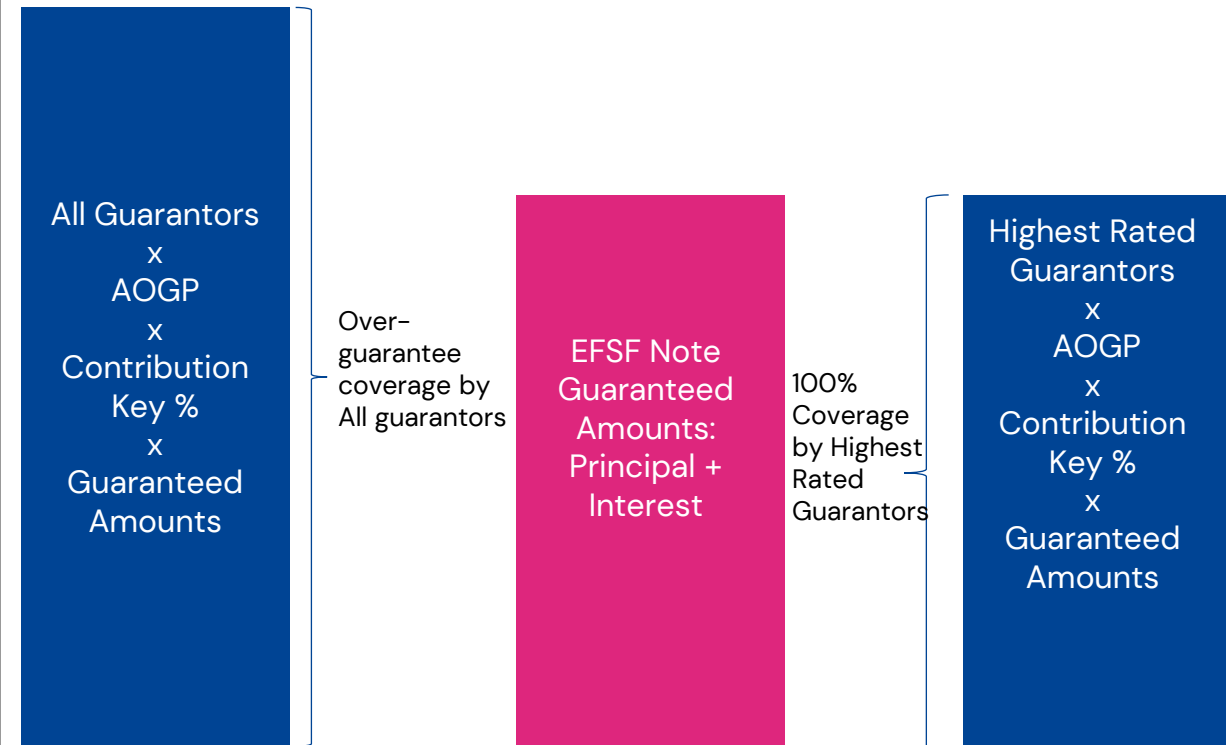
Application for support: country makes formal request to Chairperson of ESM Board of Governors



# EFSF: solid over-guarantee credit enhancement structure

- EFSF Notes benefit from a credit enhancement structure by which each guarantor agrees to provide an “over-guarantee” which exceeds its pro-rata Guarantee Contribution Key % of the guaranteed amounts of EFSF notes.
- The applicable over-guarantee percentage (“**AOGP**”) is specified in the final terms of each series of Notes and may vary between series of Notes as the credit ratings of the Guarantors evolve from time to time.
- The AOGP is capped at 165%.
- If due to a delayed or default in payment by a borrower there is a shortfall, EFSF shall call on the Guarantors to cover the shortfall to ensure timely payment of the notes.
- Whilst initially EFSF makes a call on each guarantor for its Guarantee Contribution Key% of a shortfall; if a guarantor fails to pay on time, EFSF can call on the other guarantors for up to the AOGP of their pro rata portion of the shortfall.
- All guarantors rank equally and *pari passu* amongst themselves and are called on a *pro rata* basis at the same time.
- Whilst the liability of each guarantor is several, the over-guarantee % applicable to guaranteed amounts provides a buffer which covers failures to make timely payment by other guarantors.

## Credit enhancement structure



# AOGP calculation

Guarantor	Guarantor rating* (S&P / Fitch / Moody's)	Contribution key (%)	Cumulative
Germany	AAA / AAA / Aaa	29.13%	29.13%
The Netherlands	AAA / AAA / Aaa	6.14%	35.27%
Luxembourg	AAA / AAA / Aaa	0.27%	35.53%
Austria	AA+ / AA / Aa1	2.99%	38.52%
Finland	AA+ / AA / Aa1	1.93%	40.45%
France	A+ / A+ / Aa3	21.88%	62.33%
Belgium	AA / A+ / Aa3	3.73%	66.06%
Slovenia	AA / A+ / A3	0.51%	66.56%
Spain	A+ / A / A3	12.77%	79.34%
Slovakia	A+ / A- / A3	1.07%	80.40%
Estonia	-- / A+ / A1	0.28%	80.68%
Malta	A- / A+ / A2	0.10%	80.78%
Italy	BBB+ / BBB+ / Baa2	19.22%	100.00%
		100.00%	

**Credit  
enhancement  
(over-guarantee)**  
100% of  
Guaranteed  
liabilities to be  
covered by the  
highest rated  
guarantors group

The AOGP is a key determinant of the credit rating of EFSF. It ensures that guaranteed amounts are fully covered by the Highest Rated Guarantors group.

### Steps:

1. Rank Guarantors on the basis of their credit ratings and identify which Guarantors are the Highest Rated Guarantors for short term or long-term Notes.
2. Determine applicable over-guarantee percentage needed to achieve full guarantee coverage of the relevant EFSF Note Issuance by Guarantors in the Highest Rated Guarantors group and to achieve the required EFSF short term or long-term rating.