esm

YOUTH TALK

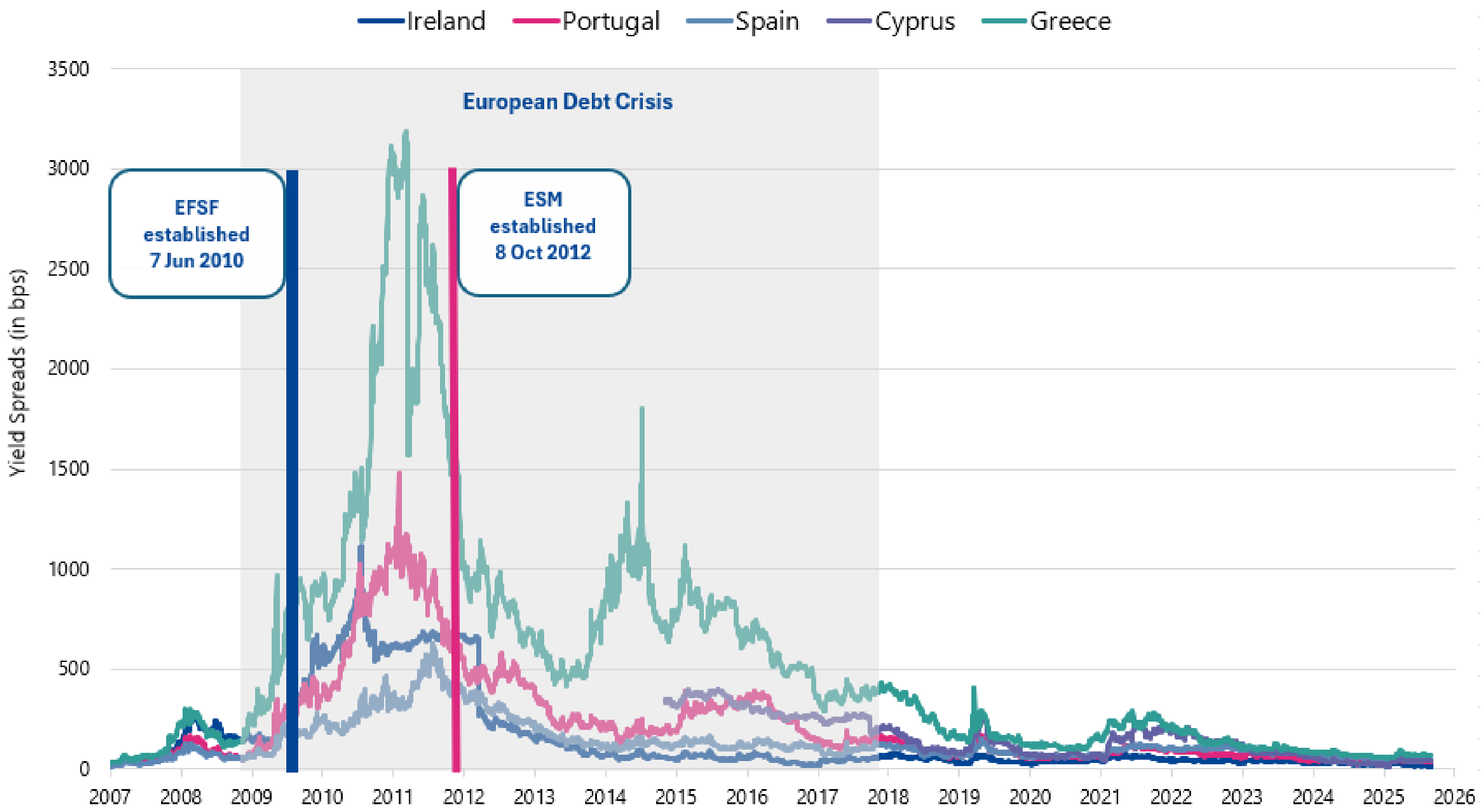
New opportunities, new future: Bulgaria and the Euro

With Yana Djoneva, Chief Operating Officer, ESM
and Kalin Anev Janse, Chief Financial Officer, ESM

UNWE Sofia, 24 September 2026

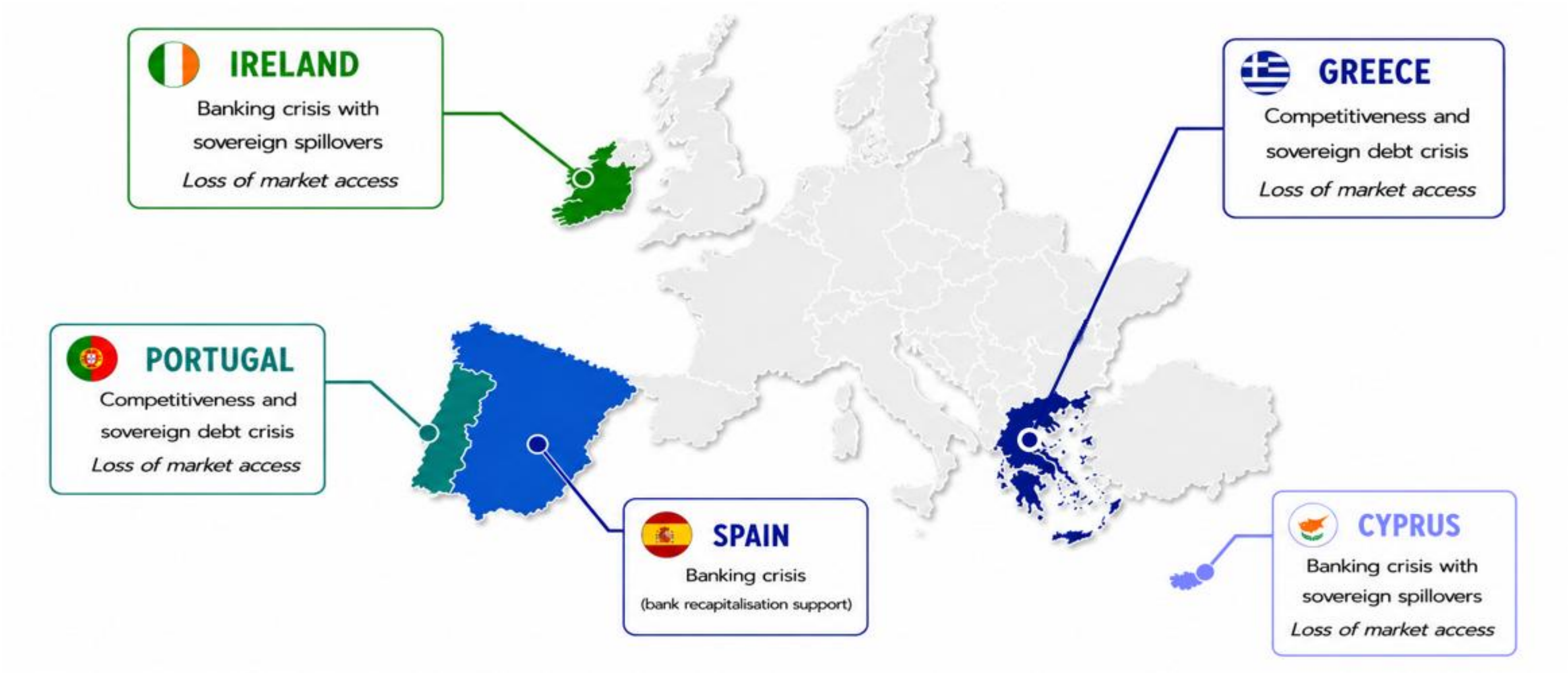
ESM was born out of the biggest financial crisis in last 100 years

10-Year BMS Yield Spreads vs German Bonds



Note: as of 2 September 2026.
Sources: Bloomberg, ESM

Euro area crisis (2010–2018)



The ESM did not exist when the euro was created

The euro was launched in non-physical form in 1999, euro banknotes and coins were introduced in 2002

The single currency required a single monetary policy, and the coordination of economic and fiscal policies

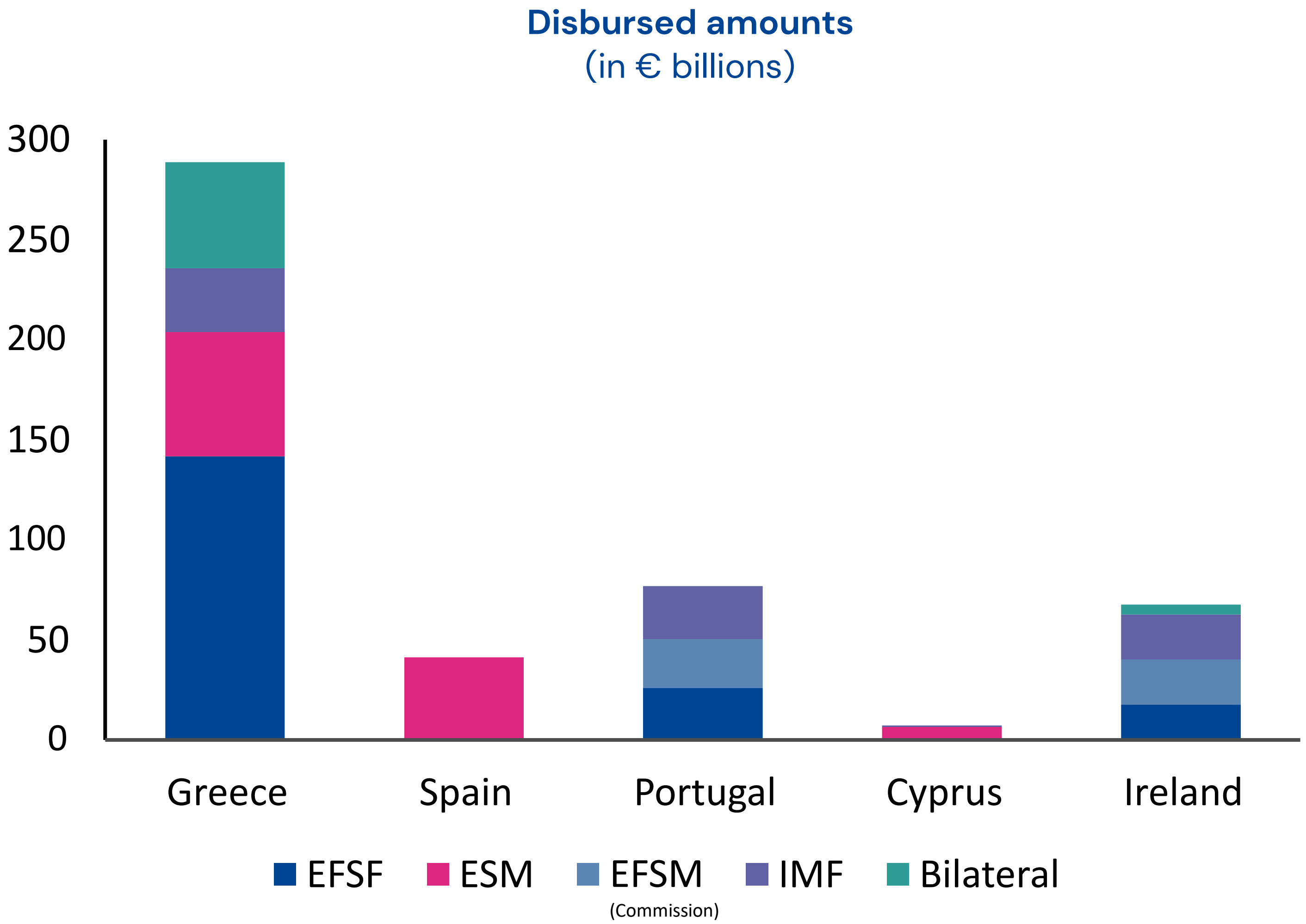
The original set-up of Economic and Monetary Union (EMU) did not foresee a rescue fund for euro area governments

Creation of the EFSF and ESM

- The **European Financial Stability Facility (EFSF)** was created in June 2010 as a temporary mechanism to provide financial help to euro area countries
- The permanent **European Stability Mechanism (ESM)** was inaugurated in October 2012

ESM Board of Governors (euro area finance ministers) at inauguration of ESM, 8 October 2012

Europe and other creditors helped with financial assistance



Source: ESM

- Financial support provided breathing room for reforms…
- …and prevented systemic contagion.
- Tailored to country circumstances; no one-size-fits-all.

EFSF and ESM programmes

EFSF	ESM
Ireland (2010-2013) €17.7 billion	**Spain (2012-2013)** €41.3 billion
Portugal (2011-2014) €26 billion	**Cyprus (2013-2016)** €6.3 billion
Greece (2012-2015) €141.8 billion	**Greece (2015-2018)** €61.9 billion

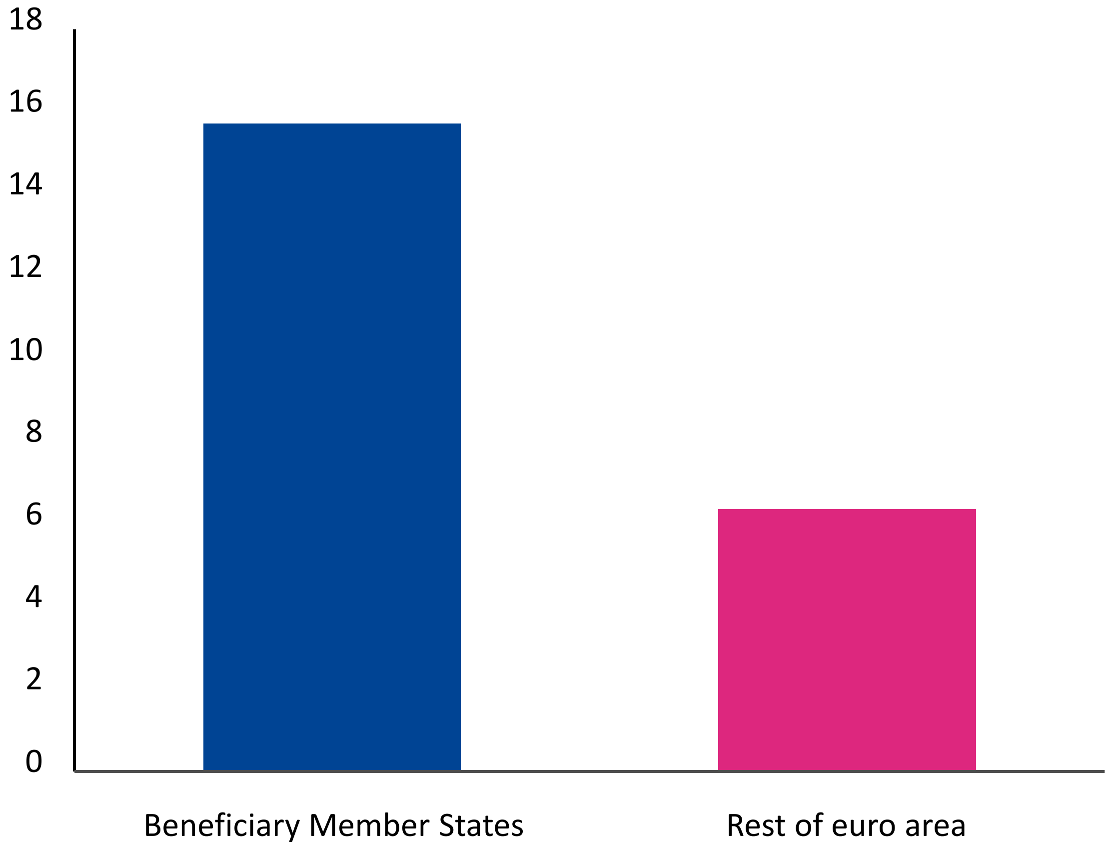
Total amount disbursed by EFSF and ESM: **€295 billion**

Total amount outstanding: **€236 billion**

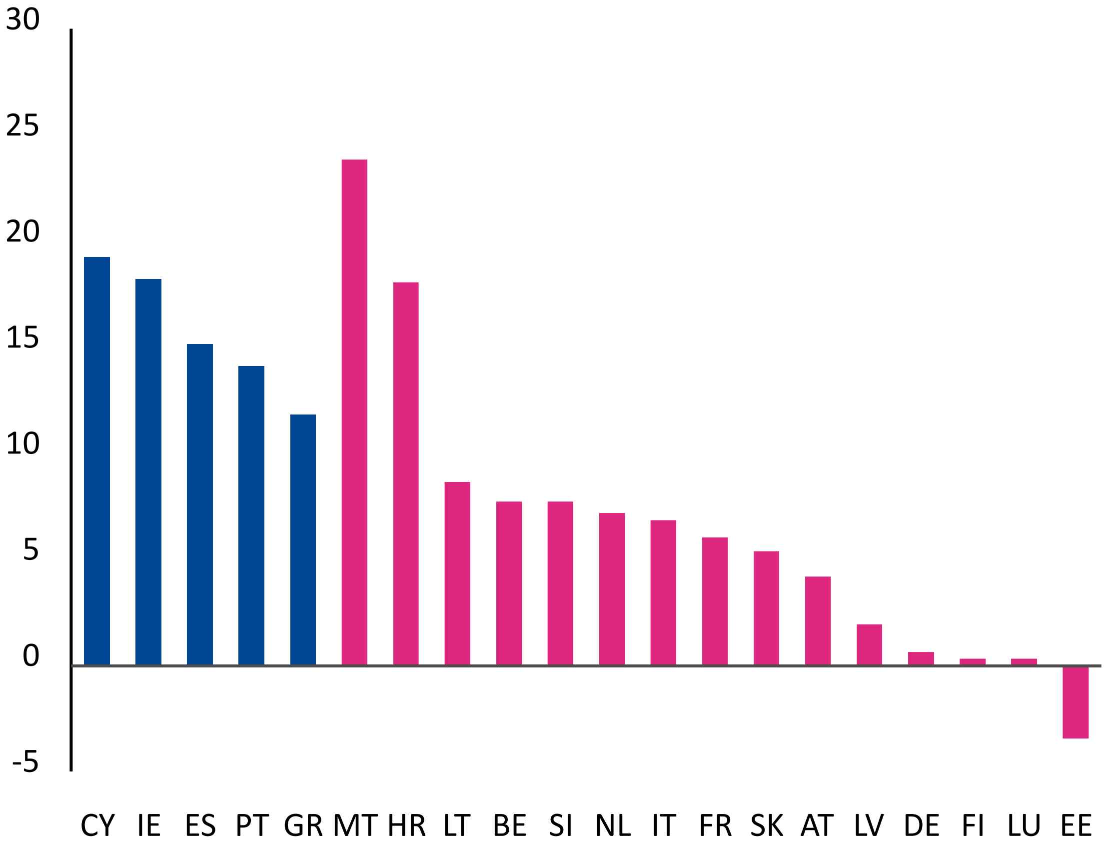
Source: European Stability Mechanism

Crisis countries no more: from under- to over-performers…

Cumulative real GDP growth
(% avg., 2022-2025)



Cumulative real GDP growth
(%, 2022-2025)



Source: European Commission

Mandate: Safeguard financial stability

Financial assistance

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

Crisis prevention and market trust

ESM also helps **prevent** crises. It supports market stability and confidence through strong market presence and the existence of its diversified toolkit. It also performs risk monitoring.

The ESM in the European institutional architecture

ESM decision-making

Board of Governors

- Highest decision-making body
- Comprises euro area finance ministers as voting members
- Mutual agreement of all Board members is needed to approve financial assistance programmes

Pierre Gramegna, ESM Managing Director and Kyriakos Pierrakakis, Chairman of ESM Board of Governors

Board of Directors

- Specific tasks mandated in ESM Treaty or delegated by Board of Governors
- Each Governor appoints one Director

Managing Director

- Appointed by Board of Governors for 5-year term *
- Chief of ESM staff and directs current business

*renewable once

ESM paid-in capital

Paid-in capital serves as a **security buffer** for the bonds and bills issued by the ESM and contributes to its very strong (AAA) credit rating.

- ESM invests its paid-in capital in high-quality liquid assets with minimum rating criteria
- Paid-in capital **cannot be used for lending**

Member State	**ESM key (%)**	**Paid-in capital (€bn; rounded)**
Germany	26.5090	**21.7**
France	19.9072	**16.3**
Italy	17.4931	**14.3**
Spain	11.6242	**9.5**
Netherlands	5.5828	4.6
Belgium	3.3954	2.8
Greece	2.7505	2.2
Austria	2.7418	2.2
Portugal	2.7180	2.0
Finland	1.7552	1.4
Ireland	1.5548	1.3
Slovakia	0.9706	0.8
Bulgaria	**0.7385**	**0.6**
Croatia	0.5170	0.4
Slovenia	0.4603	0.4
Lithuania	0.4007	0.3
Latvia	0.3971	0.2
Estonia	0.2506	0.2
Luxembourg	0.2445	0.2
Cyprus	0.1916	0.2
Malta	0.0885	0.1
TOTAL	**100**	**81**

Comprehensive review of ESM toolkit, lending capacity, and capital adequacy

Loans with a macroeconomic adjustment programme	Precautionary credit lines	Primary and secondary market purchases	Loans for indirect bank recapitalisation	Backstop Function	Direct Recapitalisation Instrument	Lending Capacity and capital adequacy
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

The ESM is the largest regional player in the Global Financial Safety Net (GFSN)

Future shocks make a strong case for enhanced cooperation between the regional rescue funds and the IMF

RFAs around the world and their maximum lending capacity.

1. Annual **High-level Dialogue between RFA and IMF leaders** initiated by ESM, FLAR and AMRO in 2016 fosters policy exchanges
2. **Technical cooperation: joint research projects and regular expert interactions** help strengthen institutional capacity
3. **Exploring complementarities** between IMF' and RFA' toolboxes and lending frameworks

Bulgaria joining € and **ESM.**

Bulgaria joined the ESM

- On **1 January 2026** Bulgaria became the **21 country** to join the euro area.
- Euro area membership made Bulgaria eligible for **ESM membership**.
- In May 2026, the Bulgarian parliament ratified the **ESM Treaty**.
- ESM Treaty entered into force for Bulgaria on 29 June 2026.
- Contributions to the ESM capital are based on population and **GDP**.
- Bulgaria will benefit from a **12-year period** with lower initial contributions. Total contribution in 2038 will reach **€991.9 million**, corresponding to 1.2% of ESM capital.

October 2012
Founding 17 members

March 2014
Latvia

February 2015
Lithuania

March 2023
Croatia

June 2026
Bulgaria

What are Bulgaria’s benefits to join the Euro & ESM?

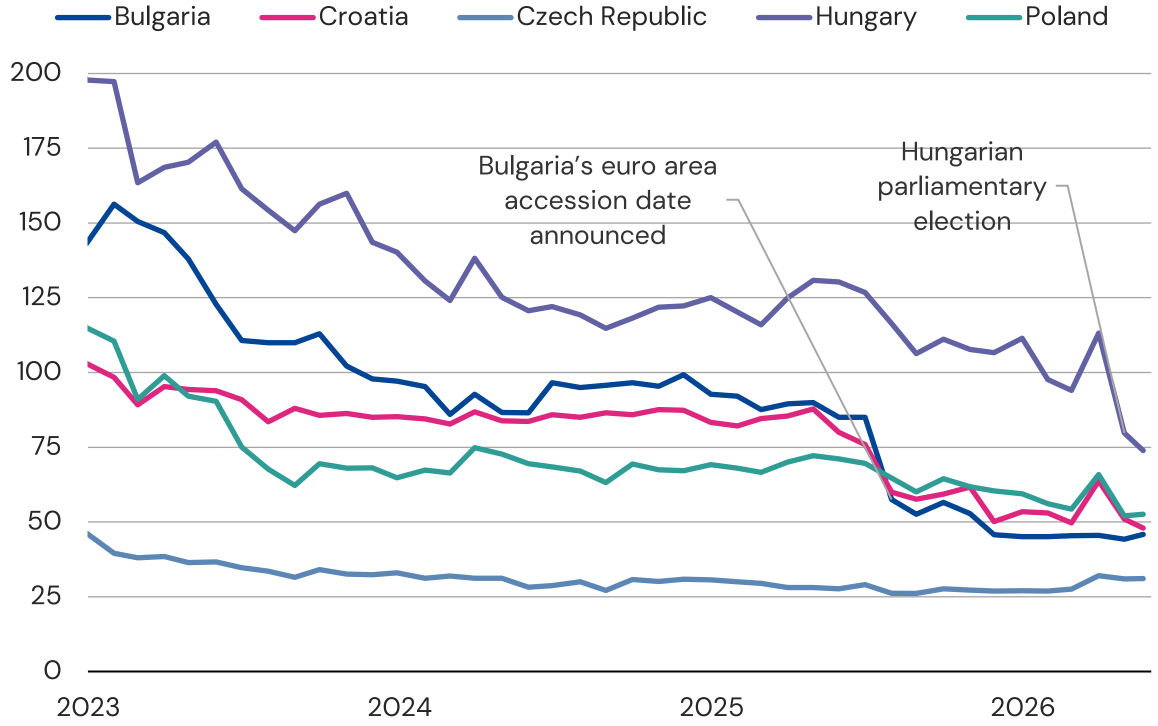
1) Pay with **one currency** across 21 EU countries.
2) Participate in the Eurogroup, ECB Governing Council, and ESM Board of Governors.
3) Benefit from the euro area's **financial safety net** through ESM membership: stronger investor confidence, more **stable banking** framework, **lower risk** of speculative attacks, access to **emergency financial assistance**.

What are Bulgaria's benefits to join the Euro & ESM?

5) Join the **second largest reserve currency** in the world, after the USD
6) Gain access to deeper and more **liquid capital markets**.
7) Attract **investment** and support **lower financing costs**.
8) Move from **emerging-market** to **core-market trading**.
9) Benefit from potential **rating upgrades** and **positive market repricing**.
10) Improve **price transparency**, **competition** and **economic integration**.

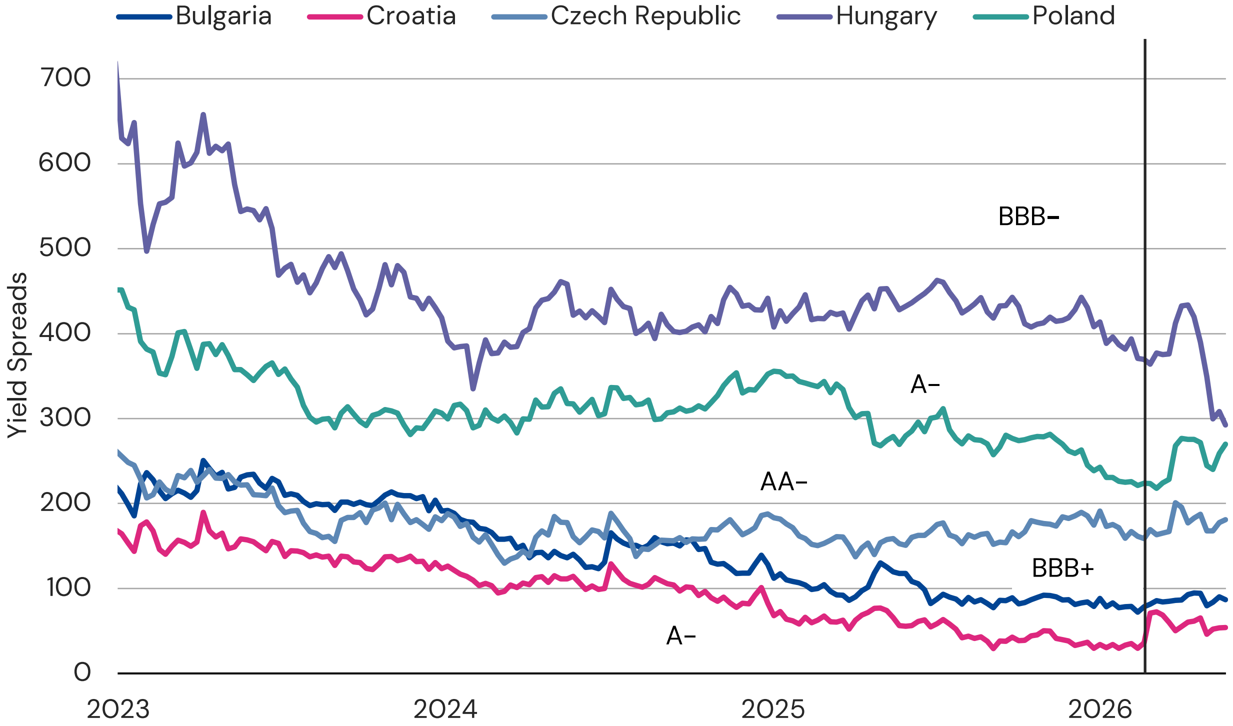
Pro-European Momentum driving market confidence: Bulgaria's spread compression is impressive!

5-year CDS premia for selected European countries
(bps)



Notes: 5Y Credit Default Swap premia for USD-denominated contracts for sovereign bonds issued in local currencies (EUR, CZK, HUF, PLN). Latest observation - 22 May 2026.
Sources: Bloomberg, ECB

10-year spreads vs Bund
(bps)



Note: as of 22 May 2026 (weekly data).
Sources: Bloomberg, ESM

Recent developments for Europe

European: From recovery to real success

7 EU countries, including **4 ESM** beneficiary member states, rank among the Economist's 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

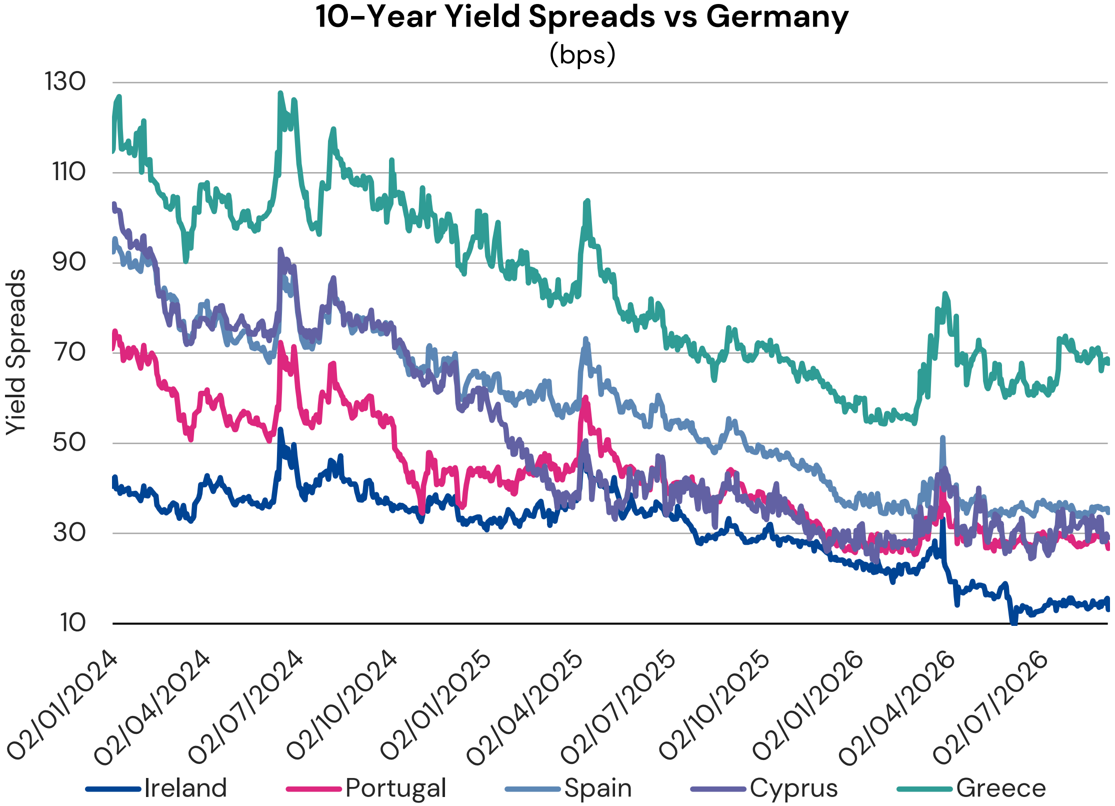
OECD countries, Q3 2025

Ranking*		GDP† % change on a year earlier	Share prices‡ % 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 stock market indices, Oct 2025.
Source: Economist, 7 Dec 2025

Track record of market support

Rating upgrades & lower spreads show beneficiary member states' success, which is expected to continue



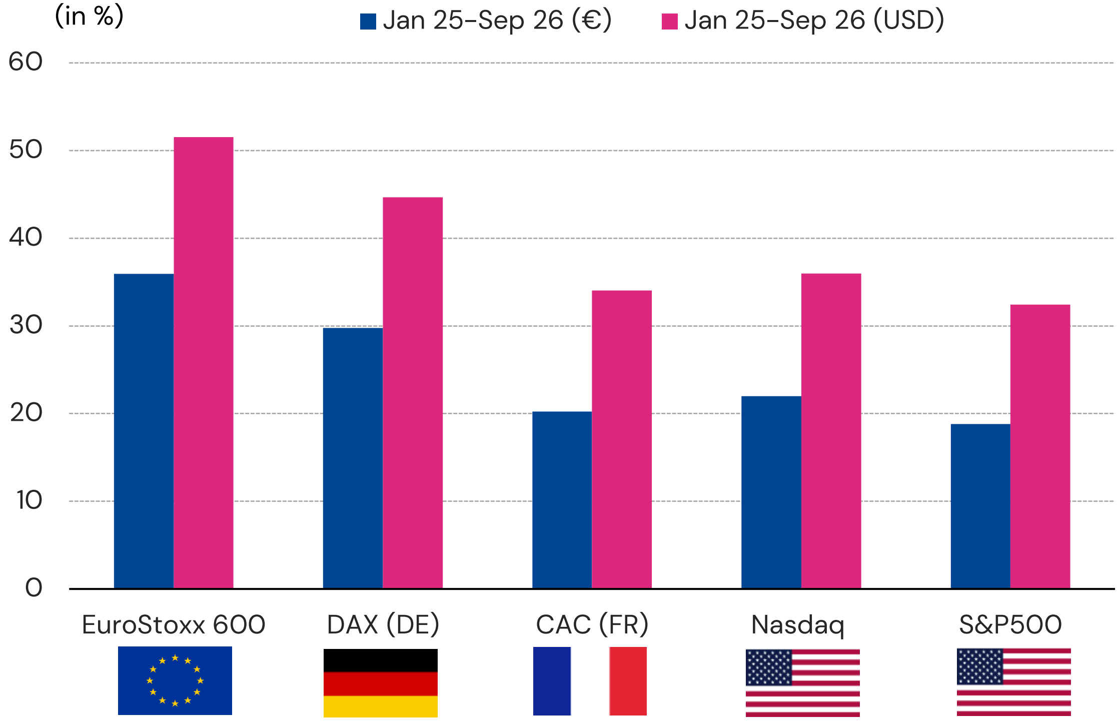
Note: as of 2 September 2026.
Source: Bloomberg, ESM

European equities: Outperformance through volatility

- Leading **European stock markets** have mostly **outperformed** those in the **United States** since the start of 2025.
- Germany's DAX, and the broader EuroStoxx 600 surpassed both the S&P 500 and Nasdaq, while France's CAC outperformed the S&P 500.
- Equities have shown strong performance, with the **EuroStoxx 600 index rising strongly** year-over-year and significant gains observed in sectors like energy, basic resources, banks, technology, chemicals

European and US equity markets

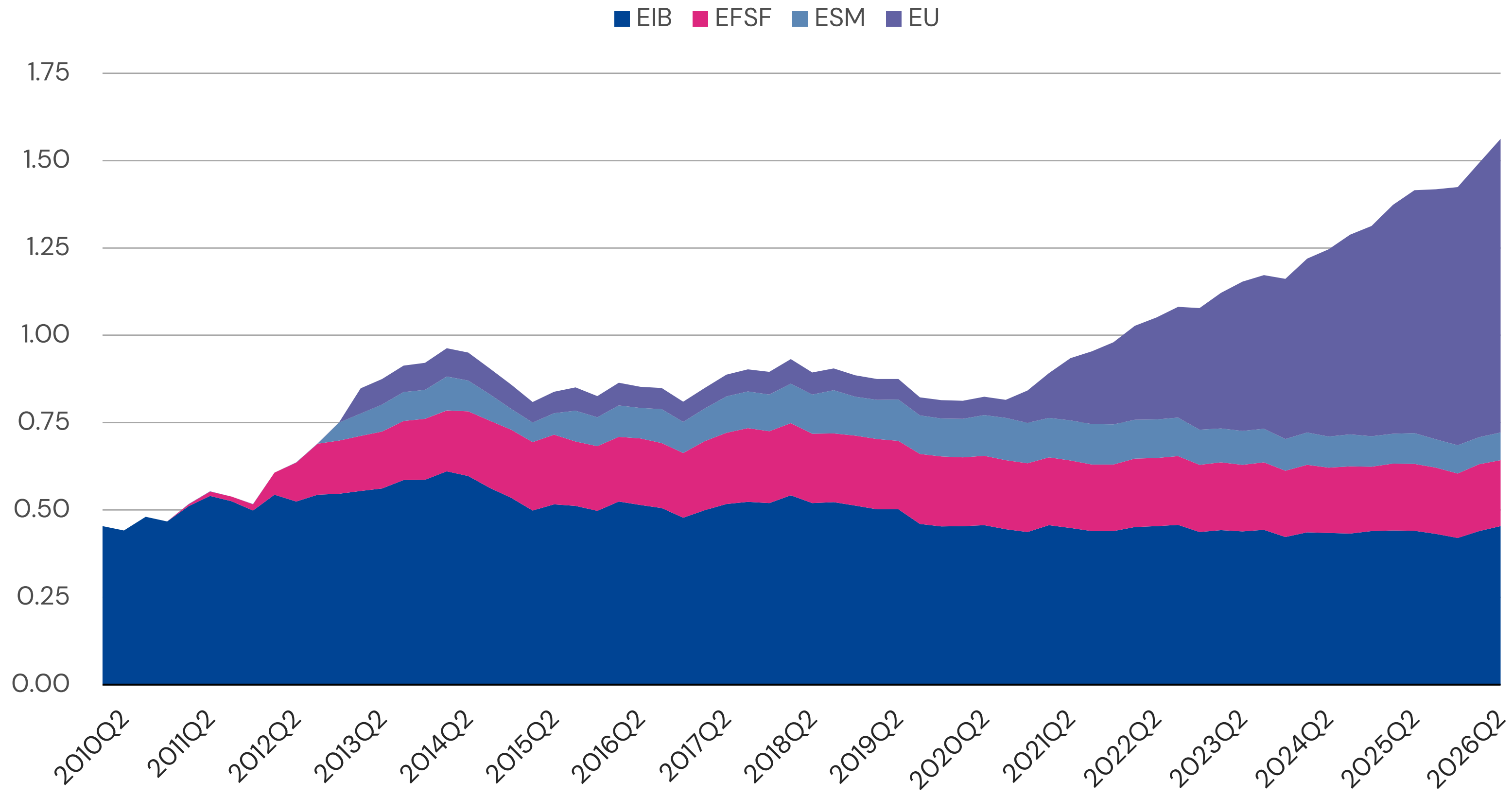
(in %)



Note: from 1 January 2025 to 2 September 2026.
Sources: Bloomberg, ESM

European safe assets exceeded €1.5trn in H1 2026, placing them just below the 4th largest country

Outstanding European Safe Assets
(€ trillion)



Outstanding bonds of European Supranational Institutions exceed in value those of the 5th largest country in the euro area

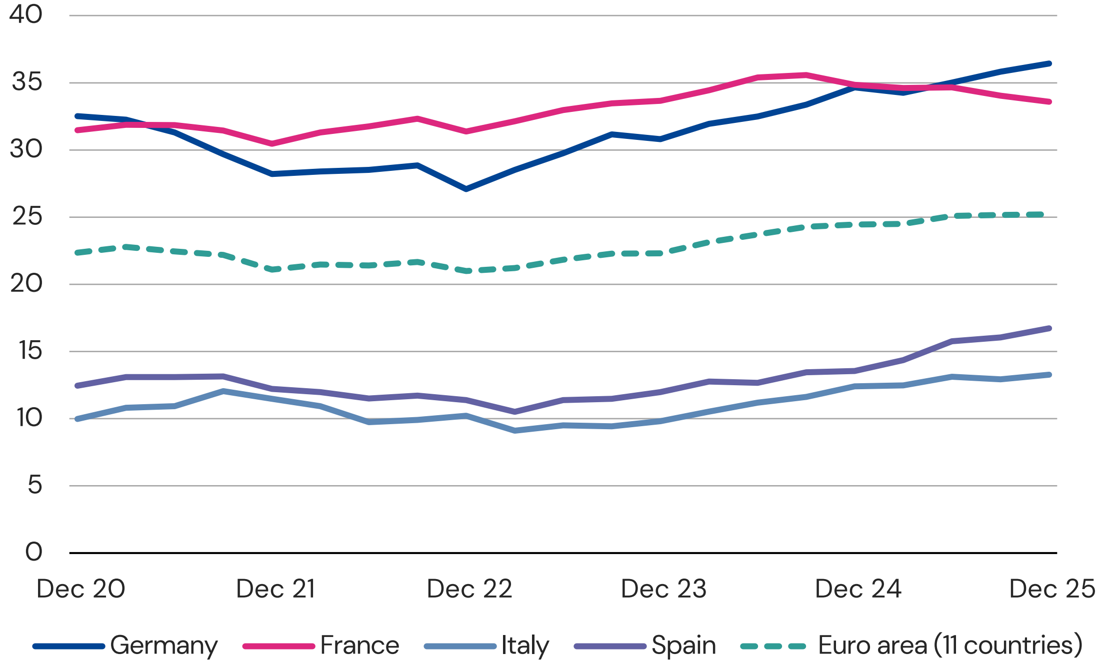
1. France: €2.9 trillion
2. Italy: €2.7 trillion
3. Germany: €2.1 trillion
4. Spain: €1.6 trillion
5. **European Supranational Institutions: €1.5 trillion**

Note: As of Q2 2026.
Source: ESM calculations based on Bloomberg and national DMO data

Euro becoming more popular as global investment and issuance currency

Net buying of euro area government bonds by foreigners increased their holdings share from 21% low to above 25%.

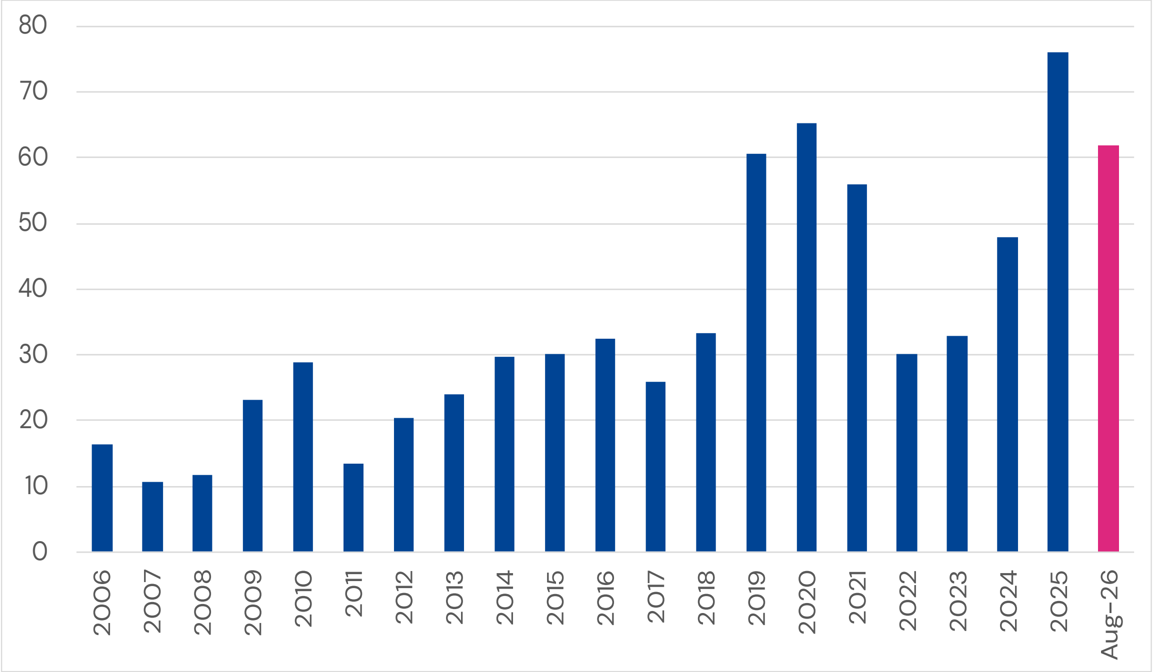
Share of international holdings of German, French, Italian, and Spanish governments bonds
(in %)



Notes: estimates up to Q4 2025. Euro area aggregate is based on 11 euro area countries: Germany, France, Italy, Spain, Belgium, the Netherlands, Austria, Portugal, Greece, Ireland, and Finland.
Sources: ESM calculations based on ECB SHSS, QSA, and BPS data

Issuances in euro by non-euro countries: 2025 highest on record (e.g. Mexico, Colombia) and already strong 2026 (e.g. Chile, China, Brazil)

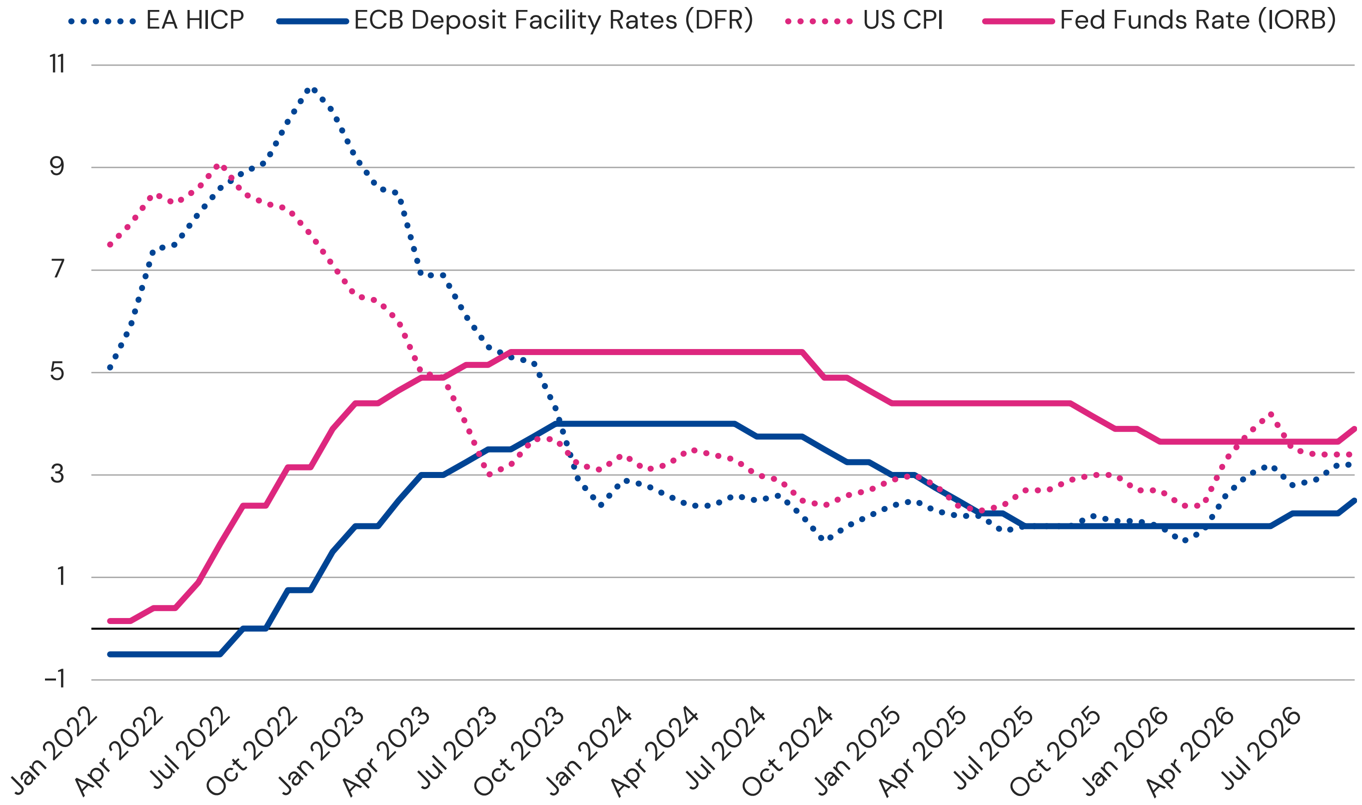
Yearly EUR issuance by countries outside euro area
(in € billion)



Note: as of 31 August 2026.
Sources: ESM calculations based on Bloomberg

ECB v. Fed policy rates: ECB's inflation task was complete before Middle East conflict

ECB rates vs inflation
(in %)

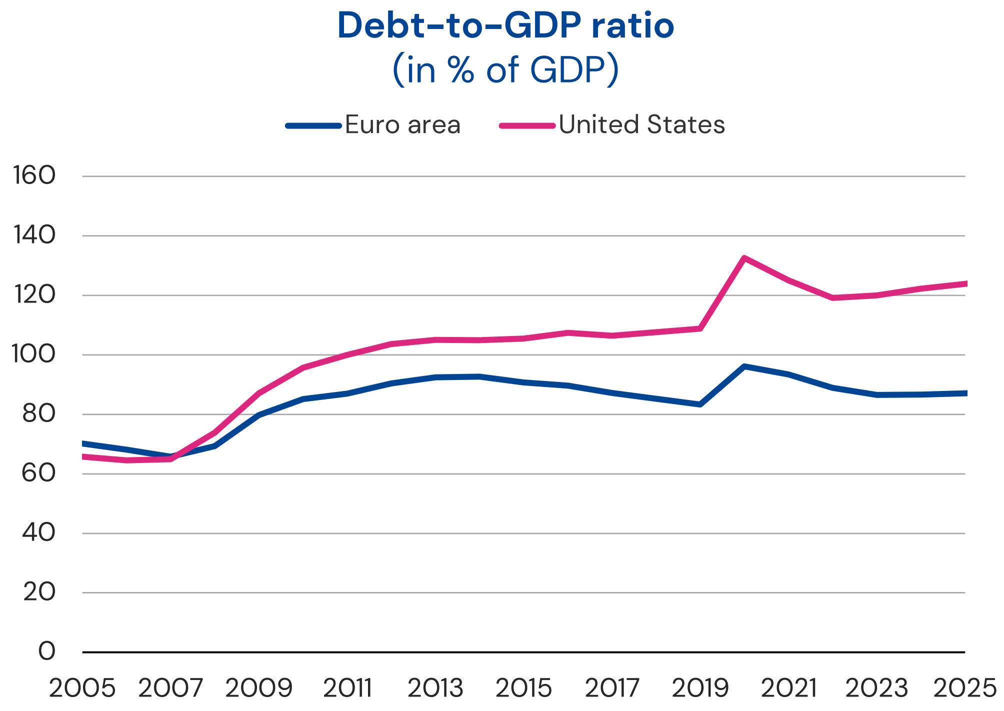


Note: as of 22 September 2026.
Sources for rates: ECB Deposit Rates, US Fed Interest on Reserve Balances (IORDB)
Sources for inflation: For the euro area (EA), it is measured by the Harmonized Index of Consumer Prices (HICP), adjusted for working days and seasonality. For the US, the Consumer Price Index (CPI) is used for comparison.

- After rapidly hiking policy rates between the second half of 2022 and summer 2024, the ECB managed to bring inflation to 2% target.
- However, with inflation rising post-Middle East conflict, though way below 2022 levels, the ECB is expected to hike at least once before year end.

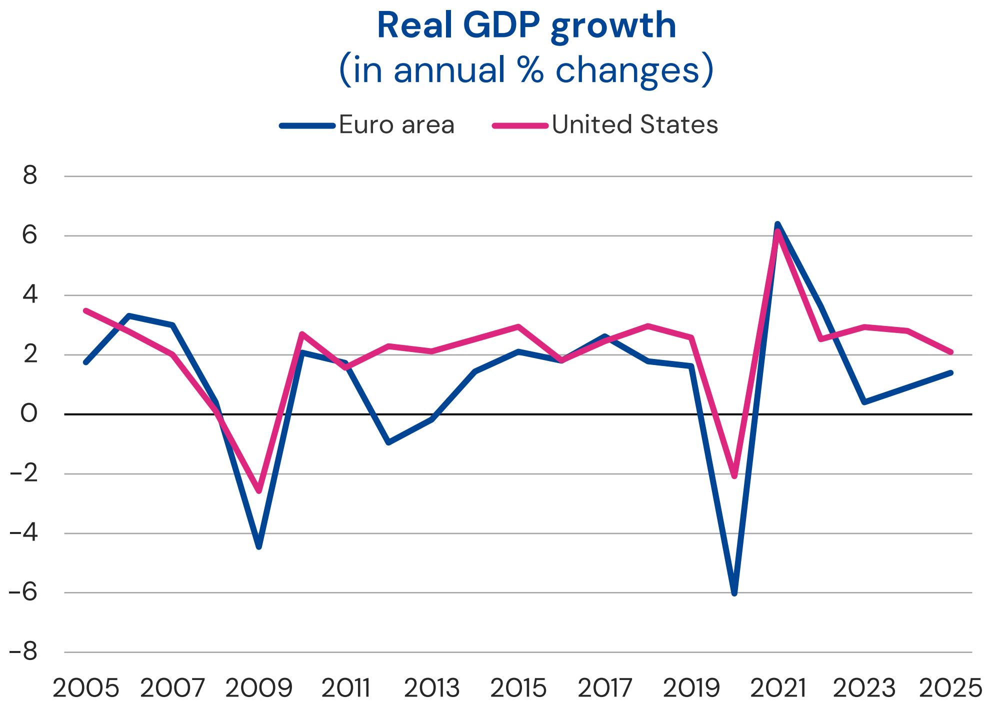
Euro area public debt remains broadly well contained

US debt-to-GDP on the rise, euro area debt is stable



Source: IMF

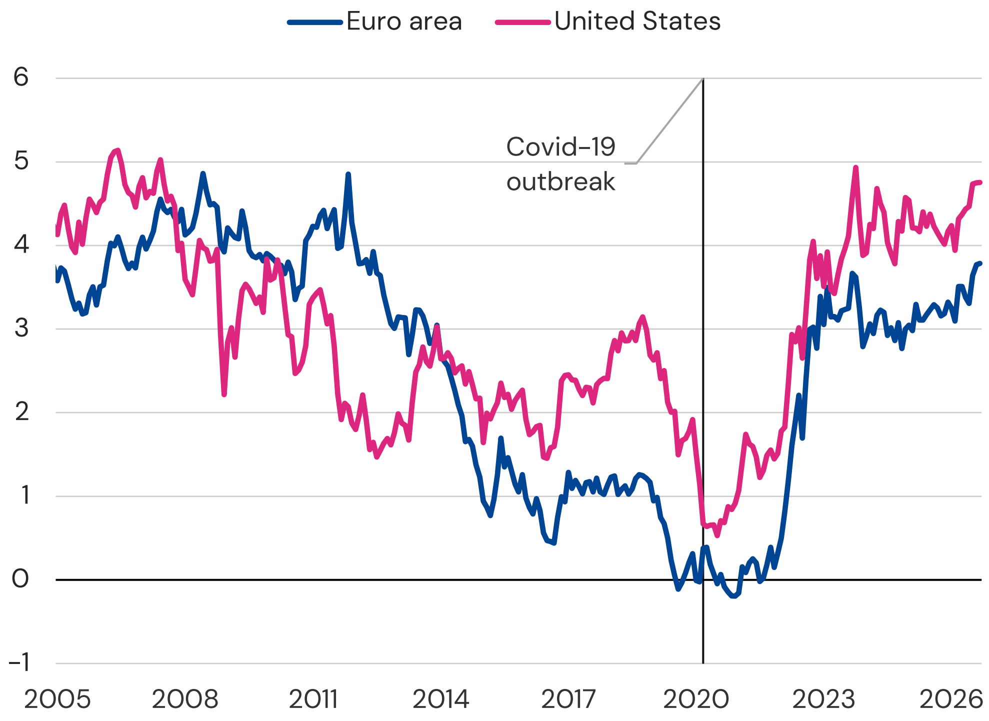
US and euro area real **GDP growth** in similar trends



Source: IMF

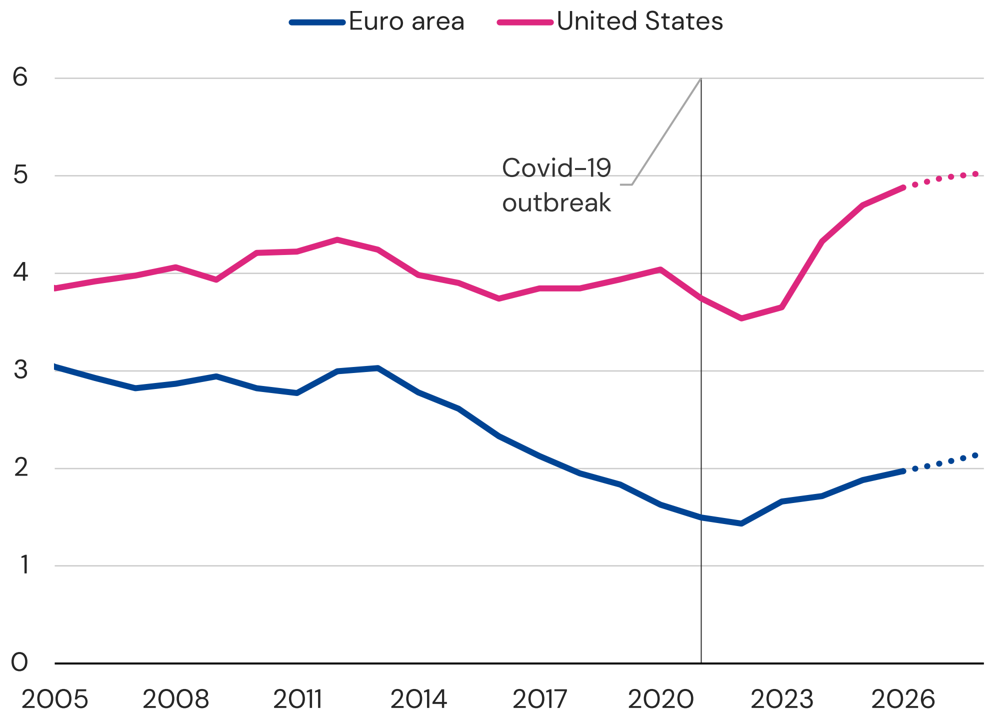
Euro area countries service debt at lower costs compared to the US

10-year sovereign bond yields (%)



Notes: euro area series is based on all euro area government bonds meeting the criteria under the ECB methodology (link). Covid-19 outbreak depicts March 2020. Latest observation - 3 Sep 2026.
Sources: Bloomberg, ECB

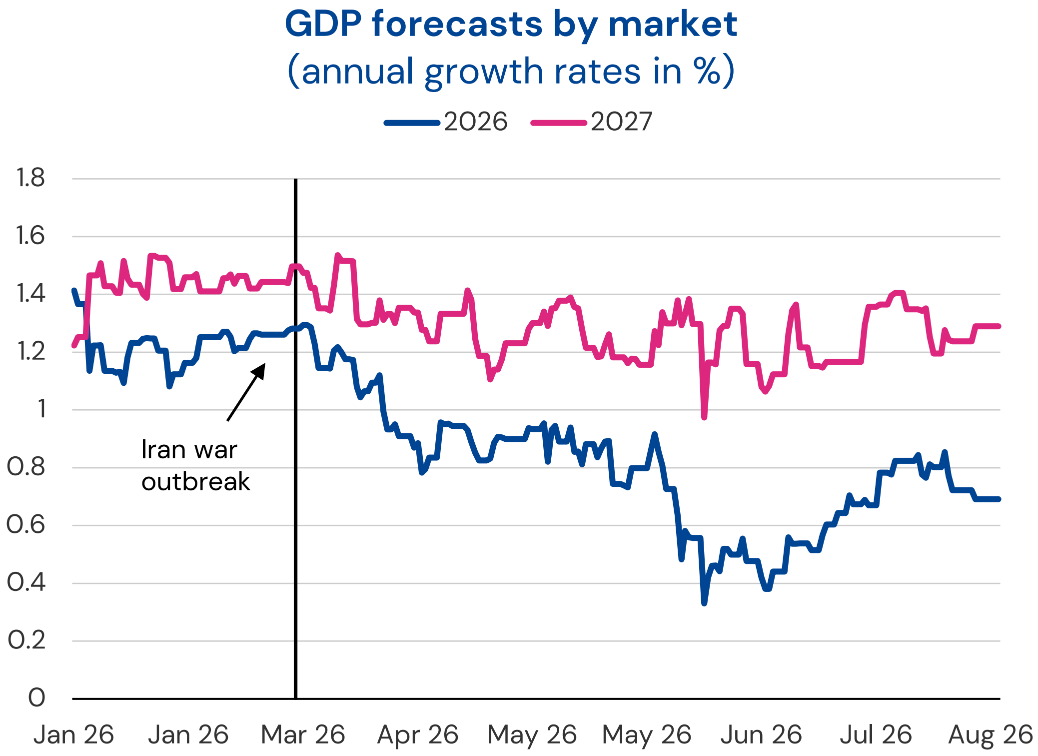
Sovereign interest payments (% of GDP)



Notes: dotted line represents AMECO forecast for 2026-2027. Based on data available as of 3 Sep 2026.
Sources: Bloomberg, ECB, European Commission

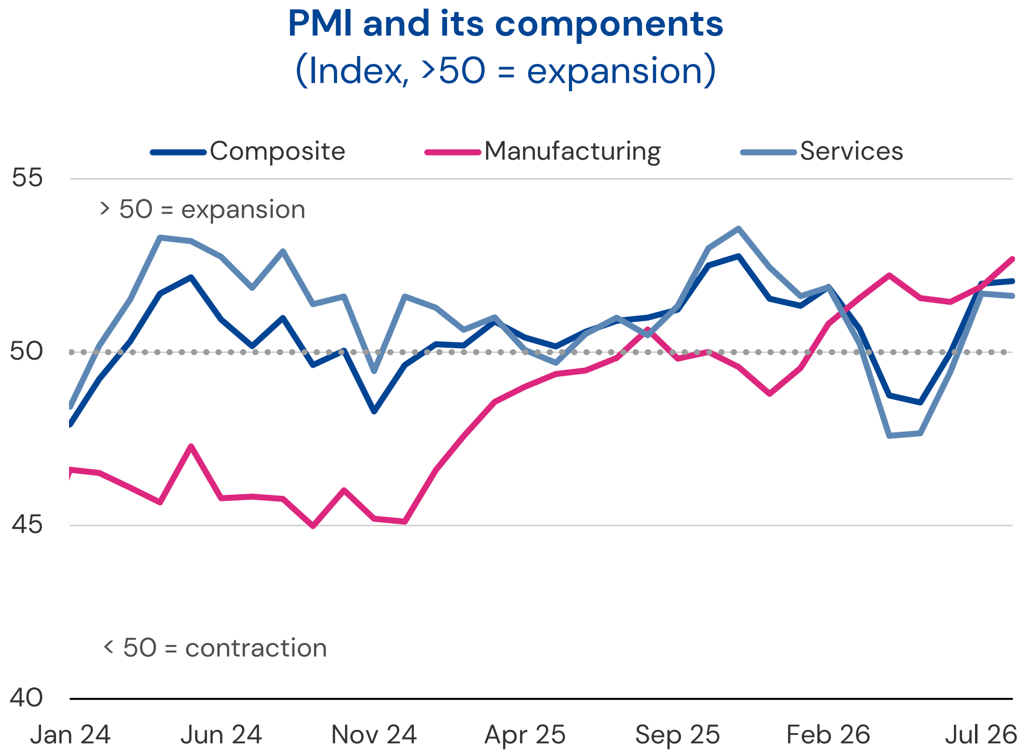
Euro area activity: Resilience so far despite global headwinds

Growth is expected to stay below 1% in 2026, and exceeding 1% in 2027.



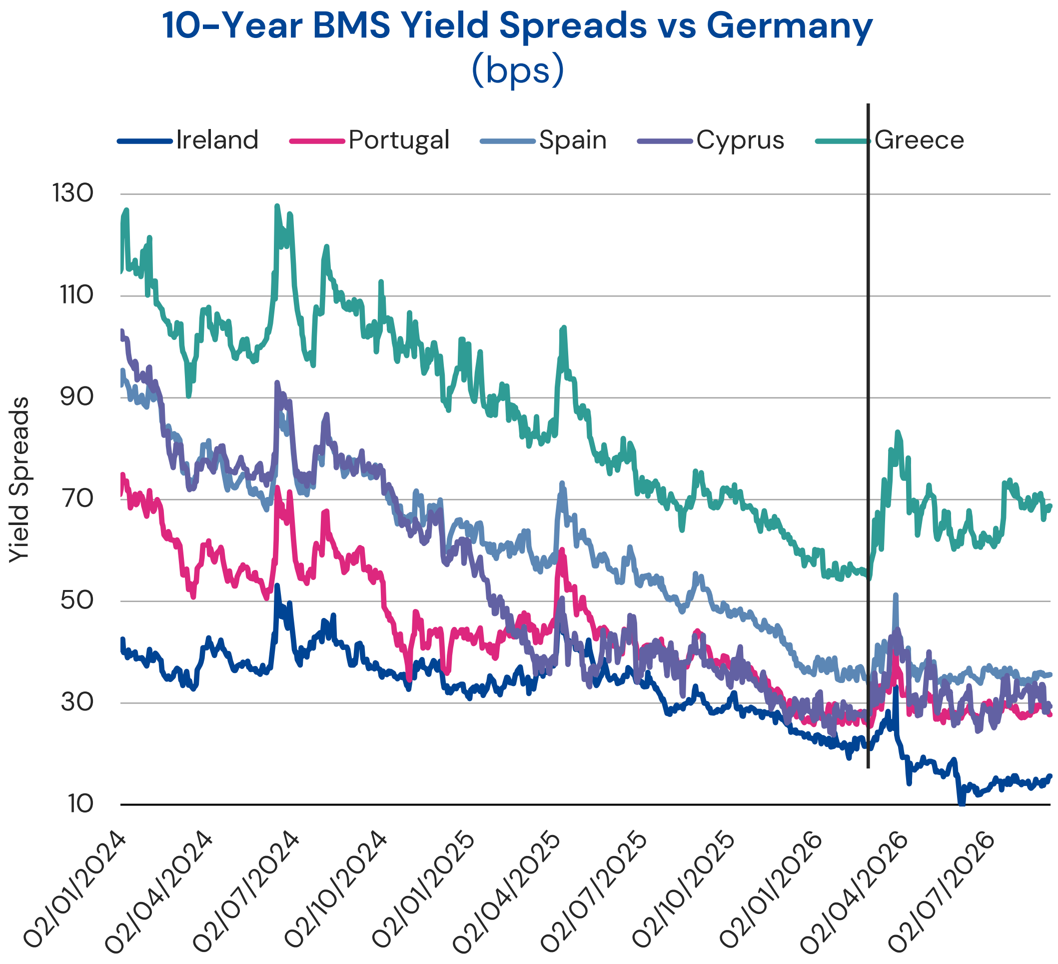
Note: The graph shows the change over time of the forecasts by latest market forecasters.
Source: FocusEconomics

Purchasing Manager's Index (PMI) points to solid growth momentum with strengthening manufacturing.

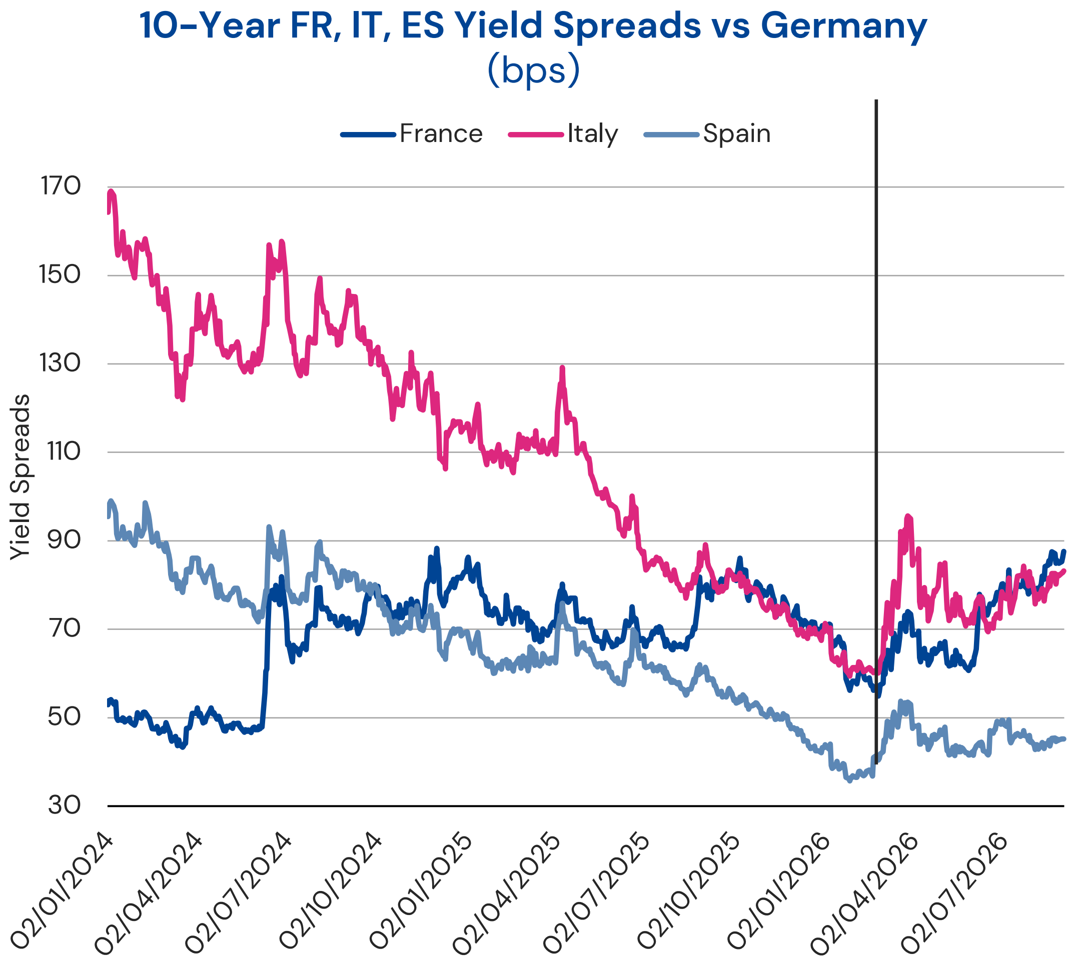


Note: A value above (below) 50 indicates an expansion (contraction) of the economy.
Source: S&P Global

Bond volatility remains contained compared to their strong performance in the last 2 years



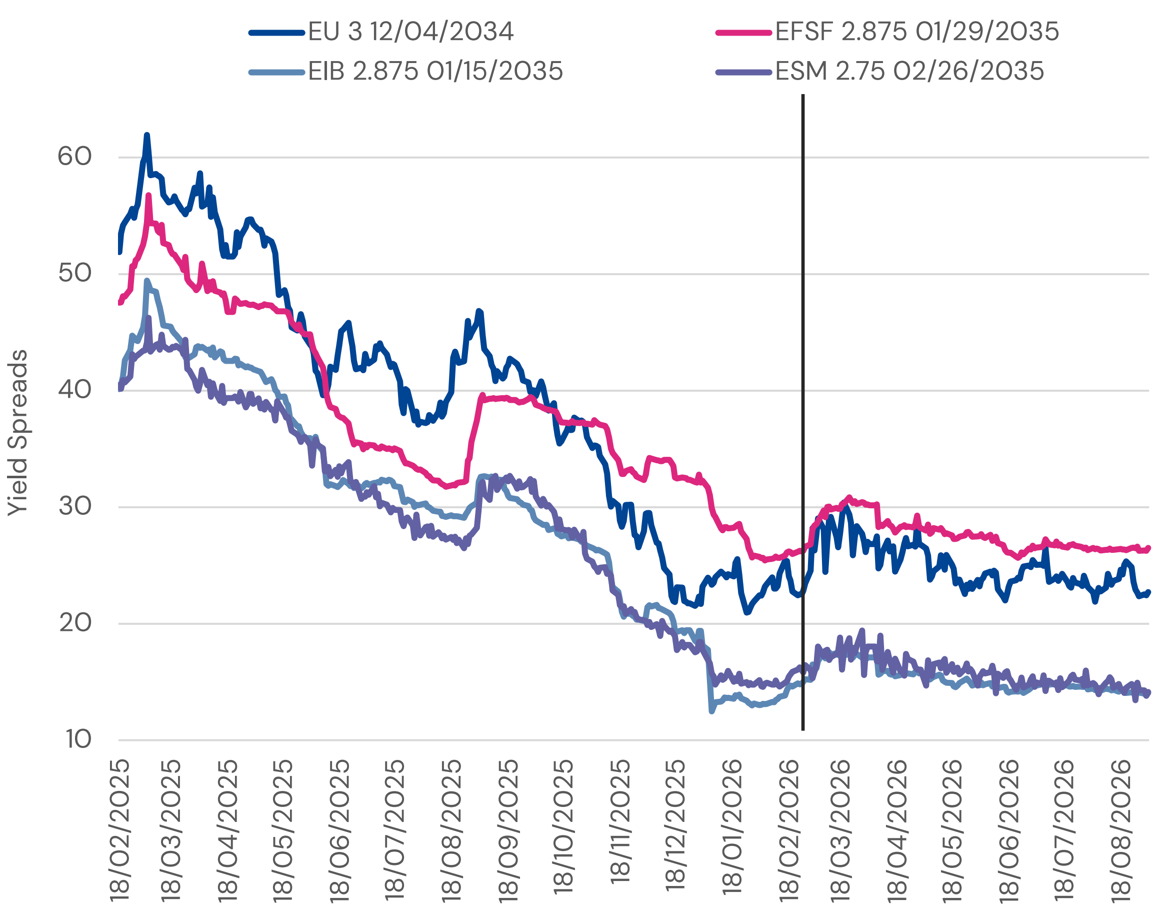
Note: as of 2 September 2026.
Sources: Bloomberg, ESM



Note: as of 2 September 2026.
Sources: Bloomberg, ESM

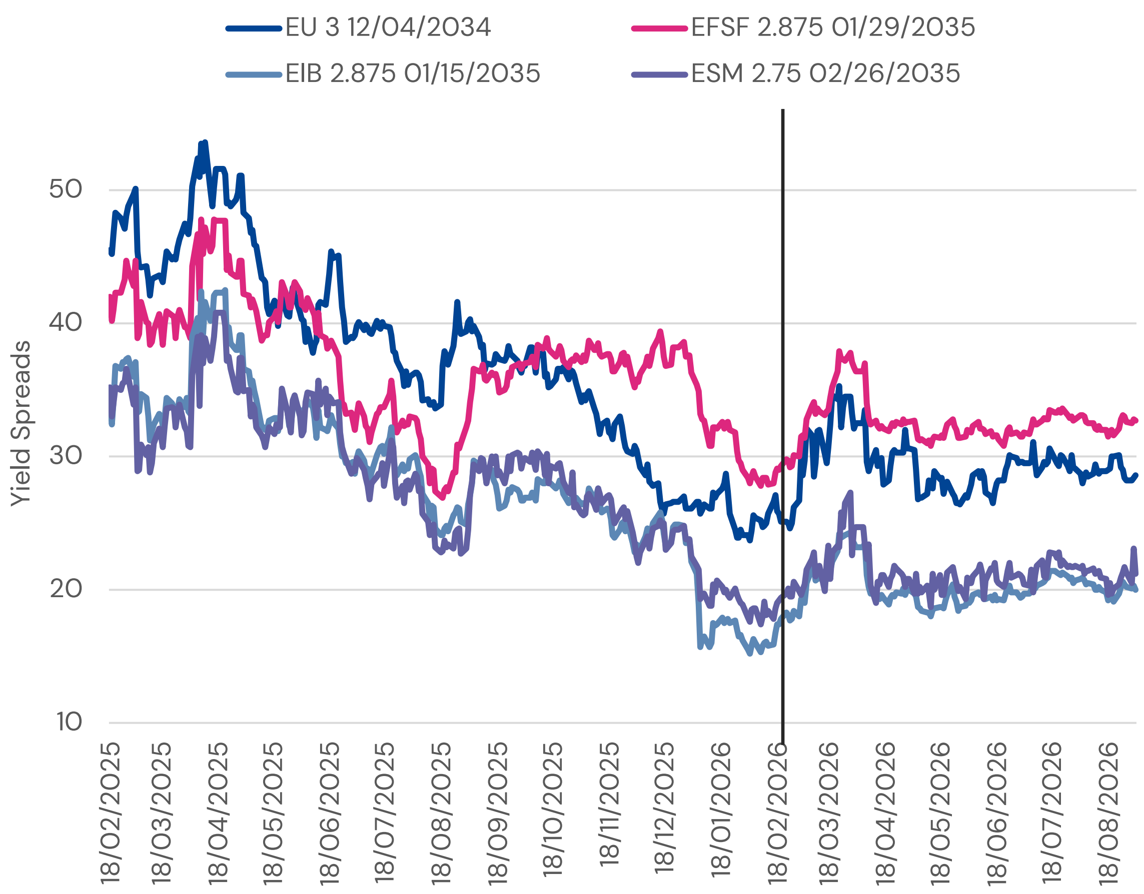
And E-Names hardly widened vs swaps and contained vs Germany

European Supranationals 10-year area spreads vs Swaps (bps)



Note: as of 2 September 2026.
Sources: Bloomberg, ESM

European Supranationals 10-year area spreads vs Germany (bps)

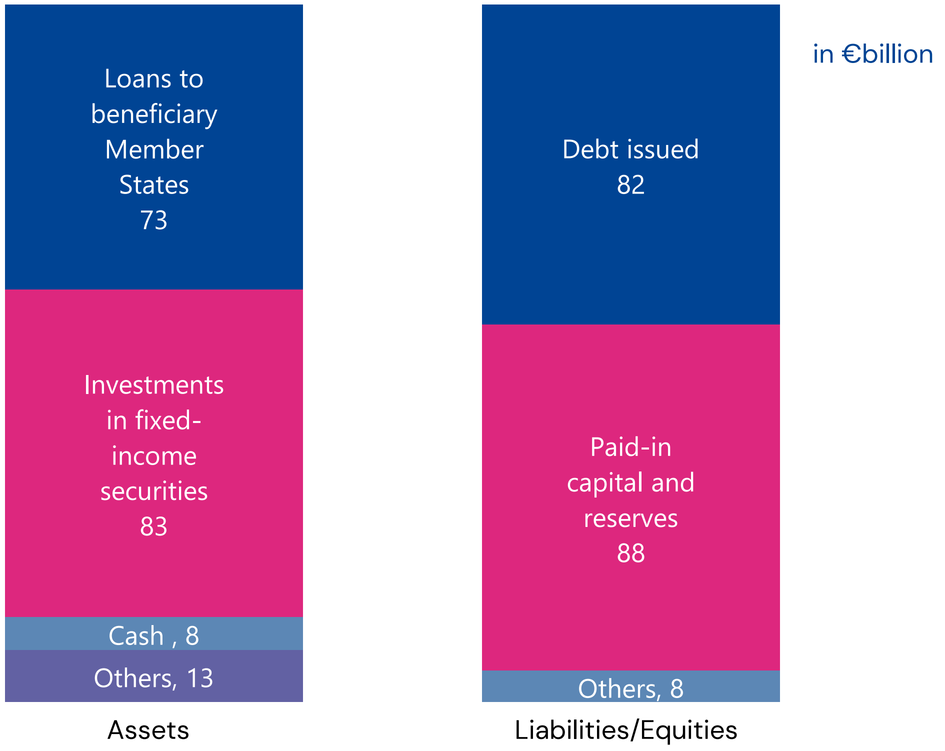


Note: as of 2 September 2026.
Sources: Bloomberg, ESM

ESM and EFSF – large market players as investors and issuers

European Stability Mechanism

€805 billion balance sheet incl. callable capital*



European Financial Stability Facility

€189 billion balance sheet loans are financed by guaranteed debt instruments

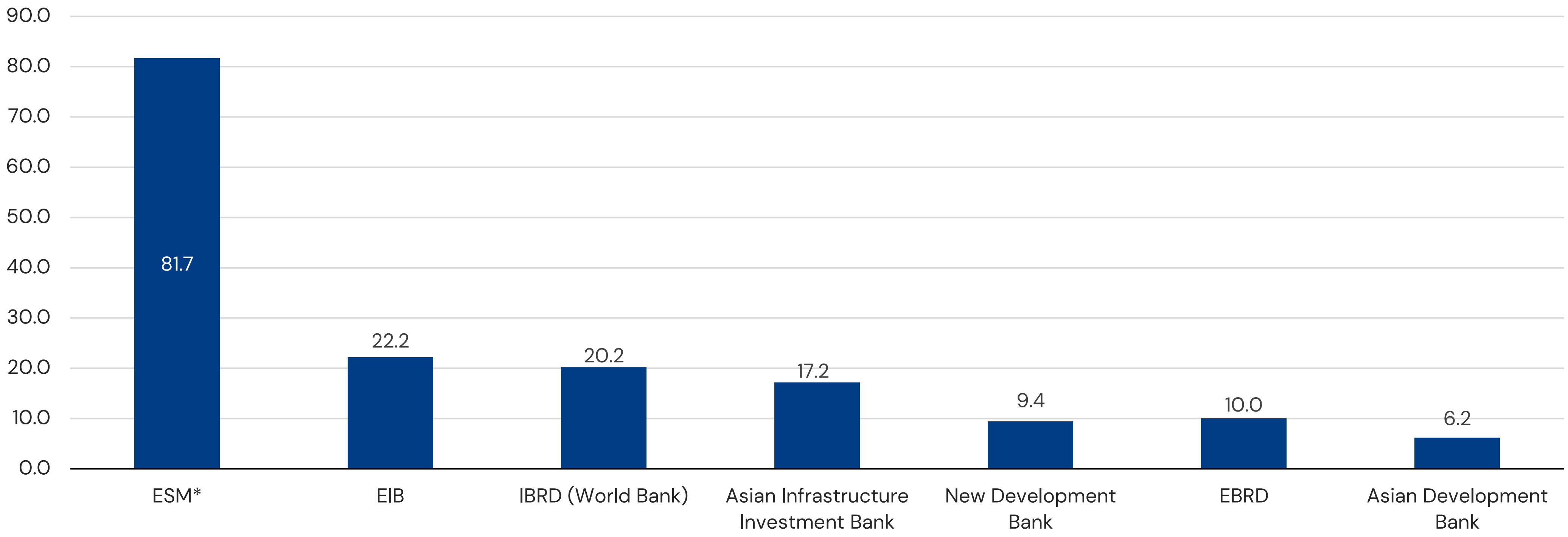
* €627.52 billion callable capital

Source: ESM calculations as of 31 December 2025

ESM is the most capitalised IFI in the world

Paid-in capital of major international financial institutions

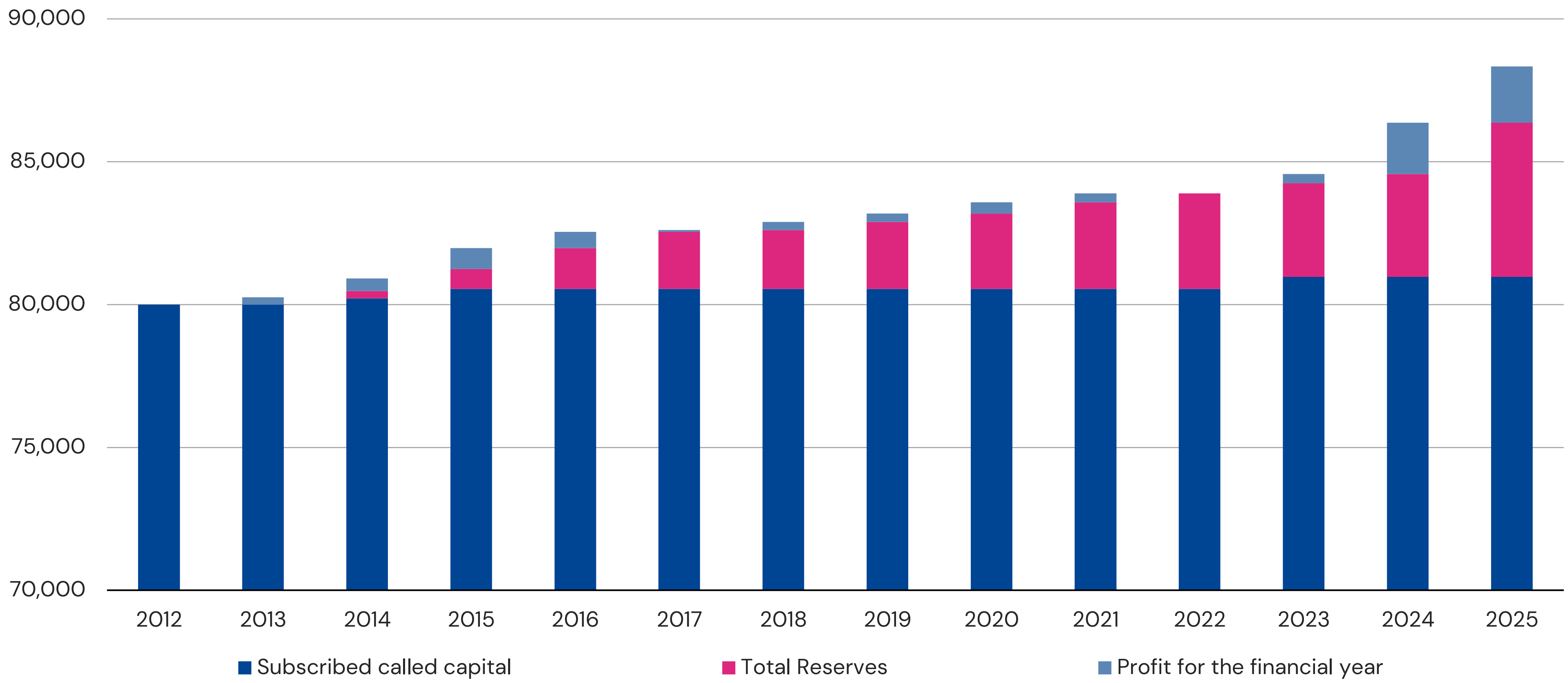
(in € billion)



Notes: The ESM has an additional €633.0 billion in callable capital.
The total amount of paid-in capital will increase from €81.1 billion to €81.7 billion, after Bulgaria's five annual instalments have been paid.
Figures in EUR equivalent USD/EUR=0.88, as of 30 June 2026.

€88.3 billion of capital at end 2025

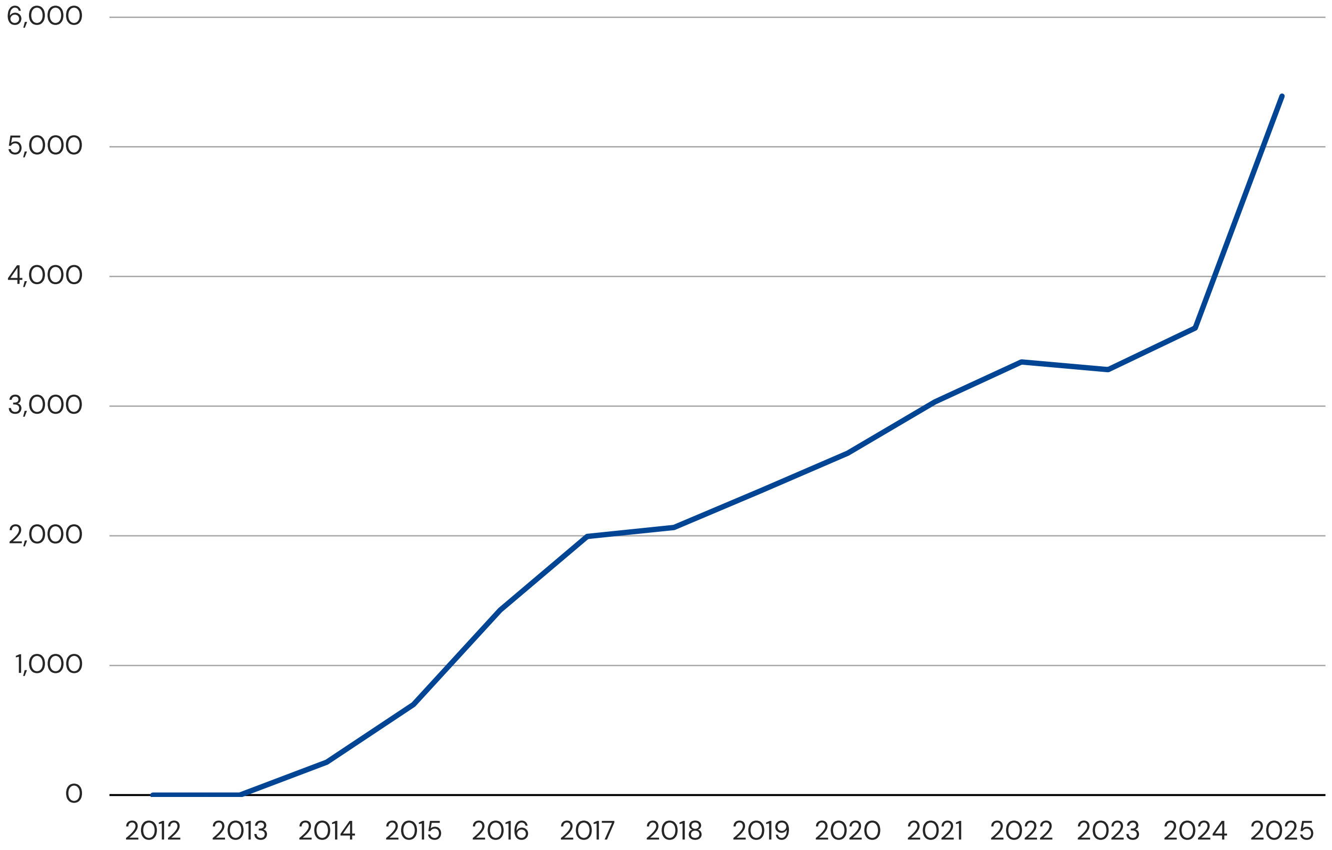
ESM Capital
(€ million)



Note: As of 31 Dec 2025.
Source: ESM data

€1.97 billion 2025 net profit: highest in ESM history

Evolution of accumulated profits
(€ million)



Note: As of 31 Dec 2025.
Source: ESM data

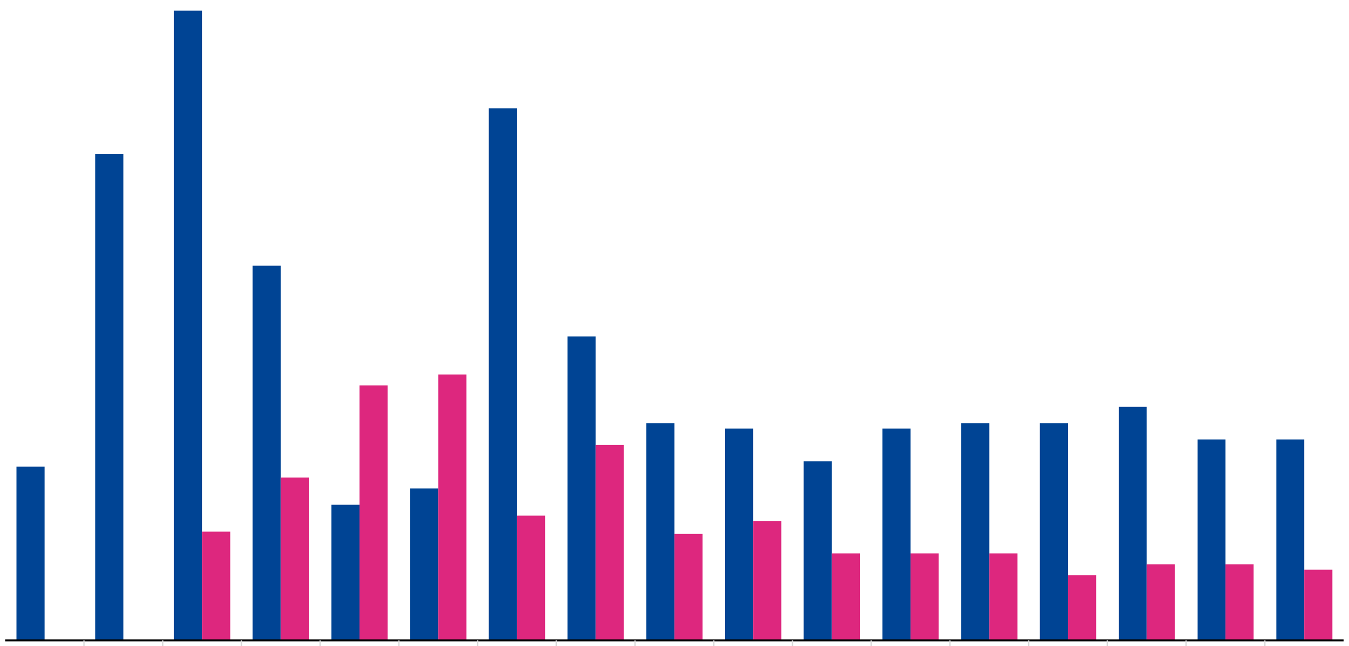
- **Record net profit of €1.97 billion in 2025,** further strengthening the institution's capital base
- A larger capital base reinforces the ESM's lending capacity and **AAA rating**
- Enhances the ESM's capacity to fulfil its mandate of safeguarding euro area **financial stability**
- ESM capital reached **€88.3 billion** at end-2025

2025 ESG Report (4th ed.)

- The ESM maintained a €7.5 billion allocation to ESG-labelled bonds at end-2025.
- Projects supported through ESG investments included:
  - **Renewable energy (14.8%)**
  - **Affordable housing (12.2%)**
  - **Clean transportation (11.3%)**
- Progress in climate risk analysis (next slide), sustainable investment practices, diversity and inclusion, staff wellbeing, and environmental footprint reduction.

2026 ESM and EFSF funding programmes

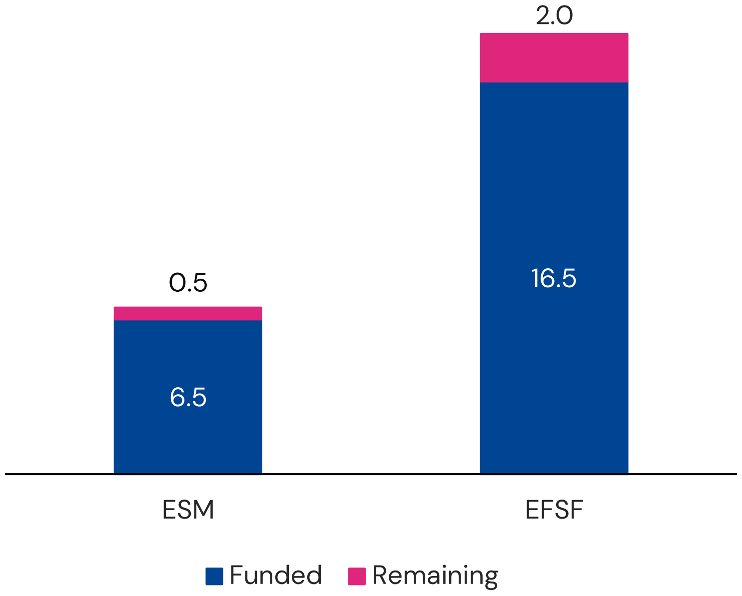
Evolution of EFSF/ESM bond issuance
(in € billion)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027e
EFSF	16	44.8	58	34.5	12.5	14	49	28	20	19.5	16.5	19.5	20	20	21.5	18.5	18.5
ESM			10	15	23.5	24.5	11.5	18	9.8	11	8	8	8	6	7	7	6.5

Source: ESM data

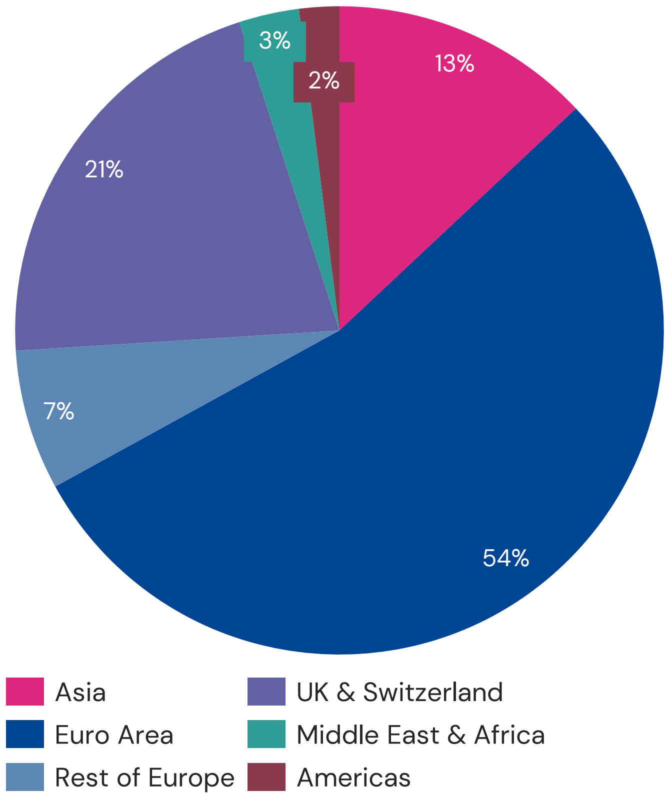
ESM and EFSF funding programme 2026
(in € billion)



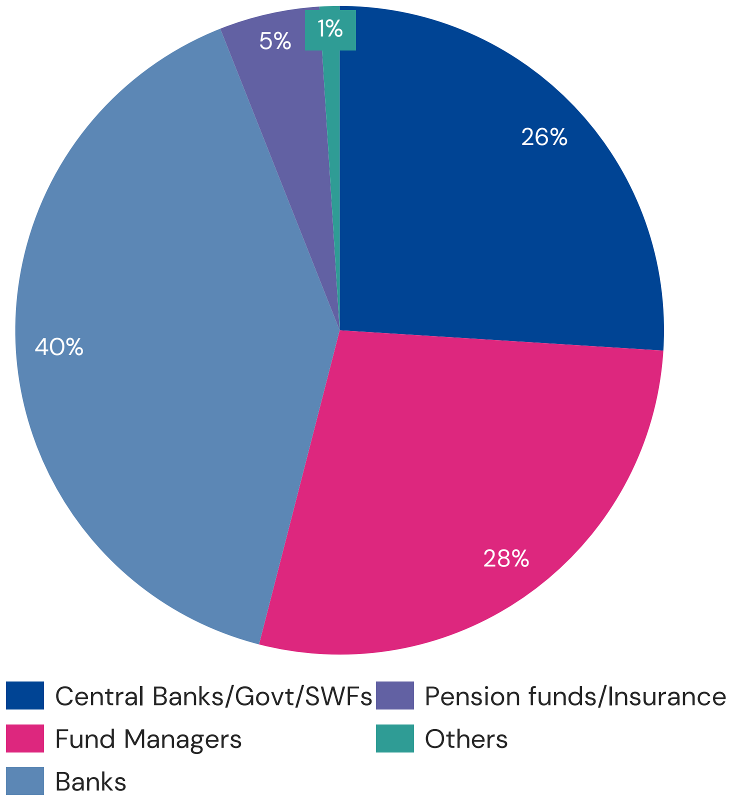
Note: As of 25 August 2026.

EFSF and ESM: Solid and diversified investor base

Geographical breakdown



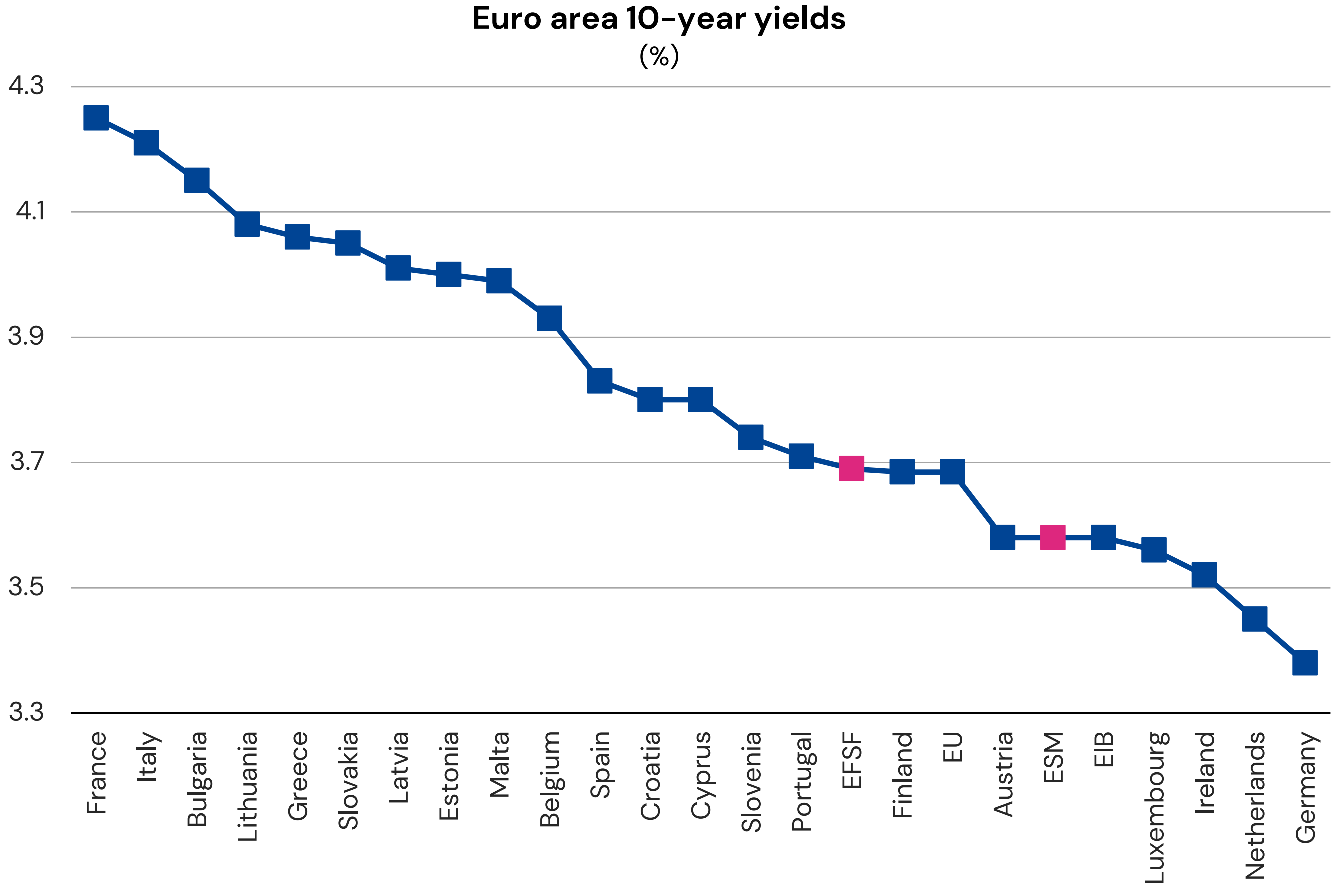
Breakdown by investor type



Notes: As of Q2 2026. Total breakdown includes all EFSF and ESM syndicated bond issues at time of issue. Placements by auction are not included.
Source: ESM data

ESM market confidence

ESM prices as a strong European safe asset

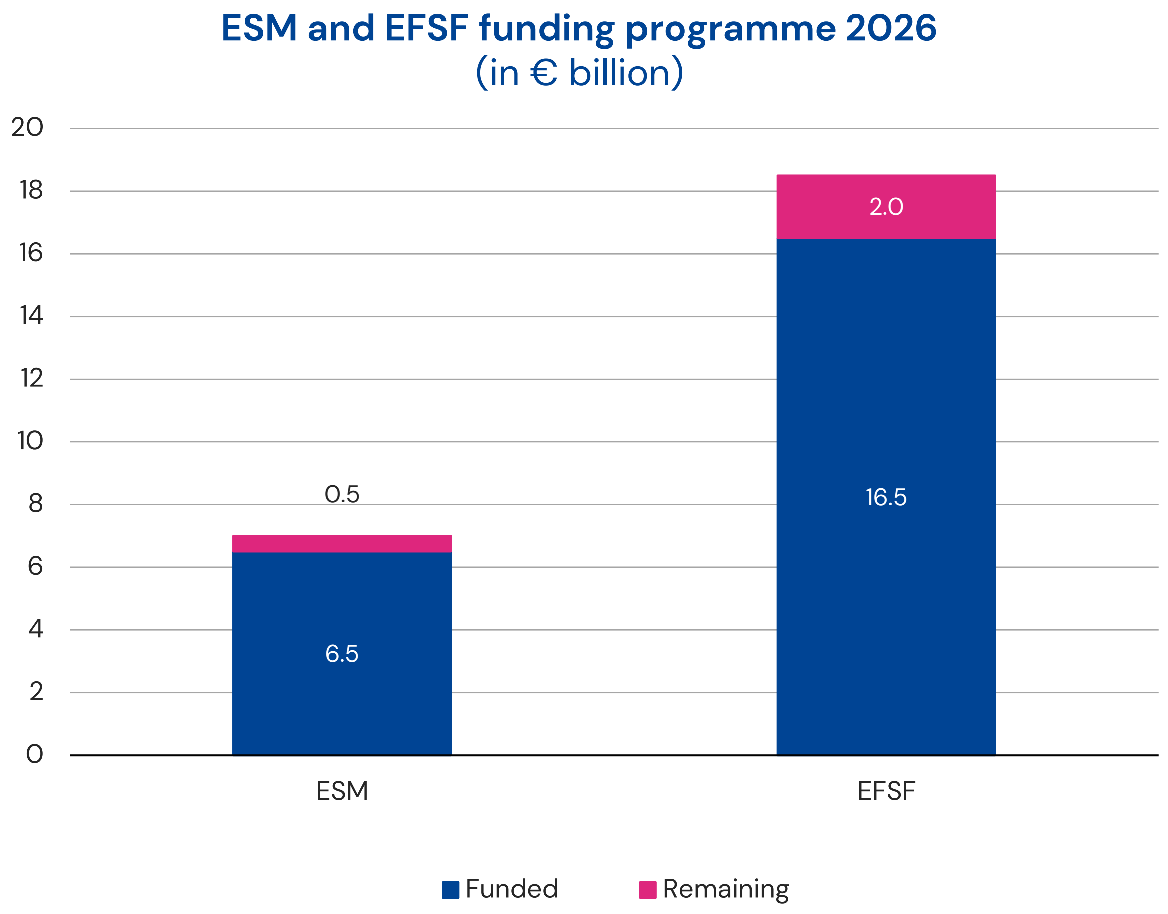


Note: as of 2 September 2026.
Sources: Bloomberg, ESM

- 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**

ESM issues 8th USD bond

- Having a U.S. Dollar programme provides access to a wider investor base making the ESM more capable to fulfill its mandate
- It provides the ESM with a strategic tool, subject to market conditions and funding needs
- Issuance format RegS/144a
- All proceeds are swapped back to euros



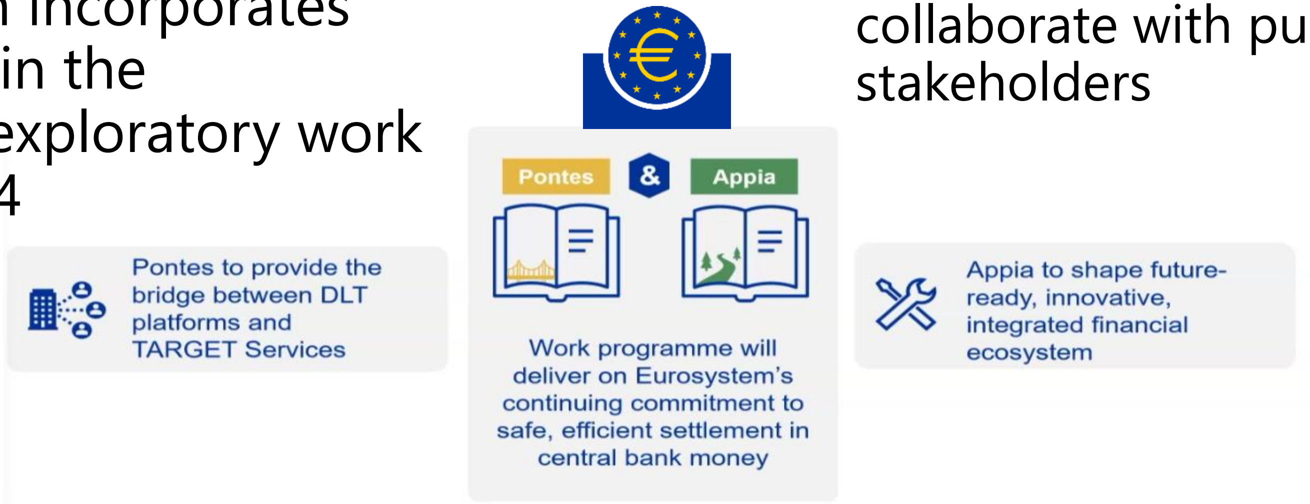
The future is here today: ECB two-track approach for DLT-based settlement using central bank money

Pontes

- **Short-term** track
- To pilot link between distributed ledger technology (DLT) platforms and TARGET Services by end-2026
- Offering a single Eurosystem solution which incorporates features used in the Eurosystem's exploratory work on DLT in 2024

Appia

- **Long-term** track
- To shape future-ready, innovative, integrated financial ecosystems in Europe that also facilitate safe and efficient operations at the global level
- Eurosystem will actively continue to analyse DLT-based solutions and collaborate with public and private stakeholders



New publication: Euro Area Stability Watch

- Regular, integrated assessment of macroeconomic and financial risks in the euro area.
- Highlights implications for public finances and sovereign debt markets.
- Strengthens the ESM as a center of expertise on financial stability, sovereign risk, and macro-financial developments in the euro area.
- Complements crisis-prevention mandate by enhancing transparency, surveillance, and informed policy discussion across the euro area.

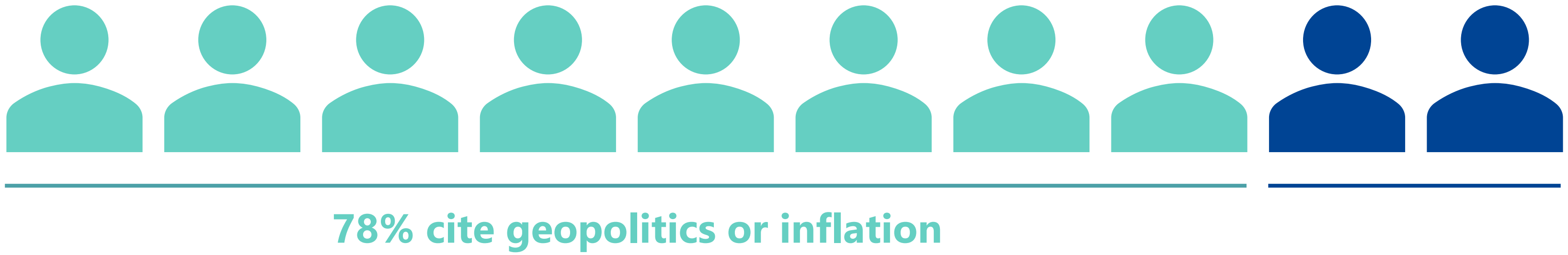
Key take away: positive sentiment amid a challenging risk landscape

Results from the ESM Sovereign Sentiment Survey

Overall sentiment towards euro area sovereign bonds is positive …
(share of respondents)

Foreign investors seen as **3× more likely** to hold negative view (10%) than domestic counterparts (3%)

… but a challenging risk landscape seen ahead
(share of respondents)



Other risks cited:
Fiscal path: **36%**
Slowdown: 36%
Price correction: 19%
Trade tensions: 13%

Results of the ESM Sovereign Sentiment Survey are based on a survey of 31 financial market participants active in EA sovereign bond markets, conducted between 27 March and 17 April 2026. Percentages above denote shares of respondents.

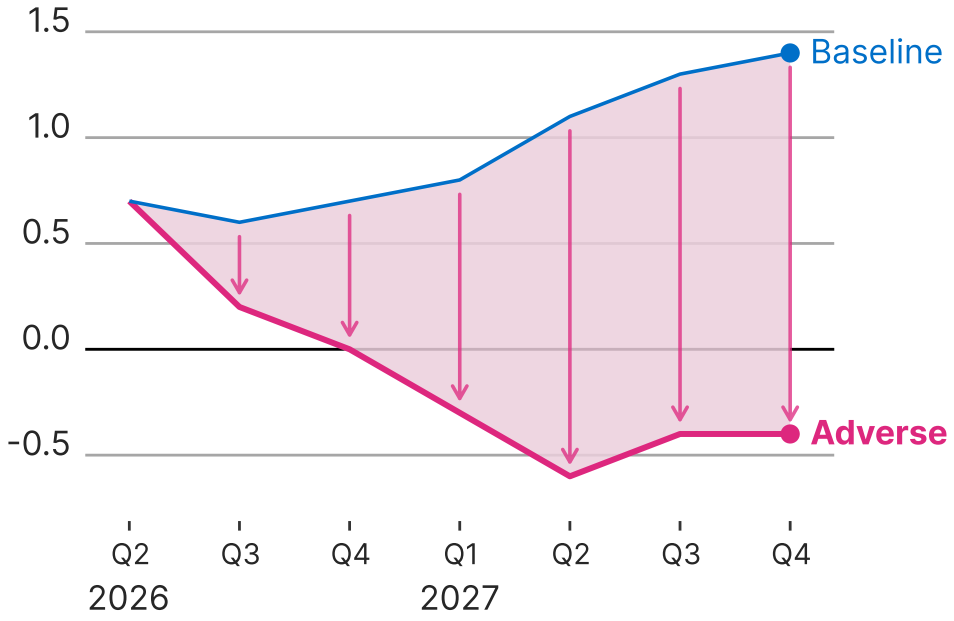
Main risks: geopolitics and US asset price correction

Re-escalation of Middle East conflict	• **Prolonged conflict/escalation will further raise inflation and weigh on growth** → Higher energy prices, supply disruptions and second round effects → Higher uncertainty and weaker confidence → Tightening of global financial conditions • **Longer-term GDP losses due to lower competitiveness and investment**
US asset price correction	• **Higher US policy uncertainty:** lower demand for US assets → higher US yields • **AI narrative challenged:** correction in US equity markets → global risk aversion • **Spillovers to Europe**: → EU holdings of US assets → Global risk aversion → Exchange rate and capital flows.

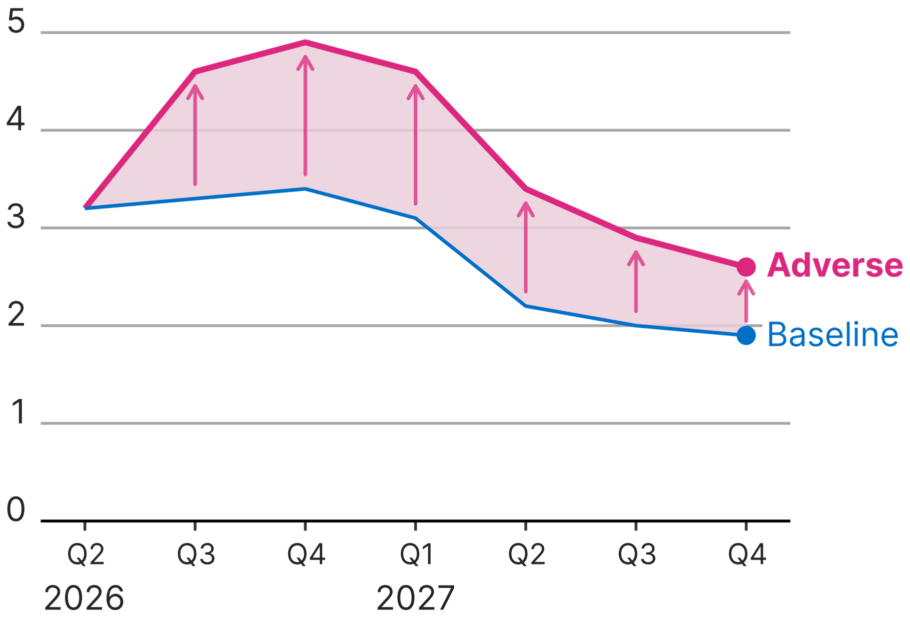
Adverse scenario: prolonged Middle East conflict & US asset repricing

Combined shocks can push the euro area towards recession, with inflation soaring

GDP growth
(%, year-on-year)



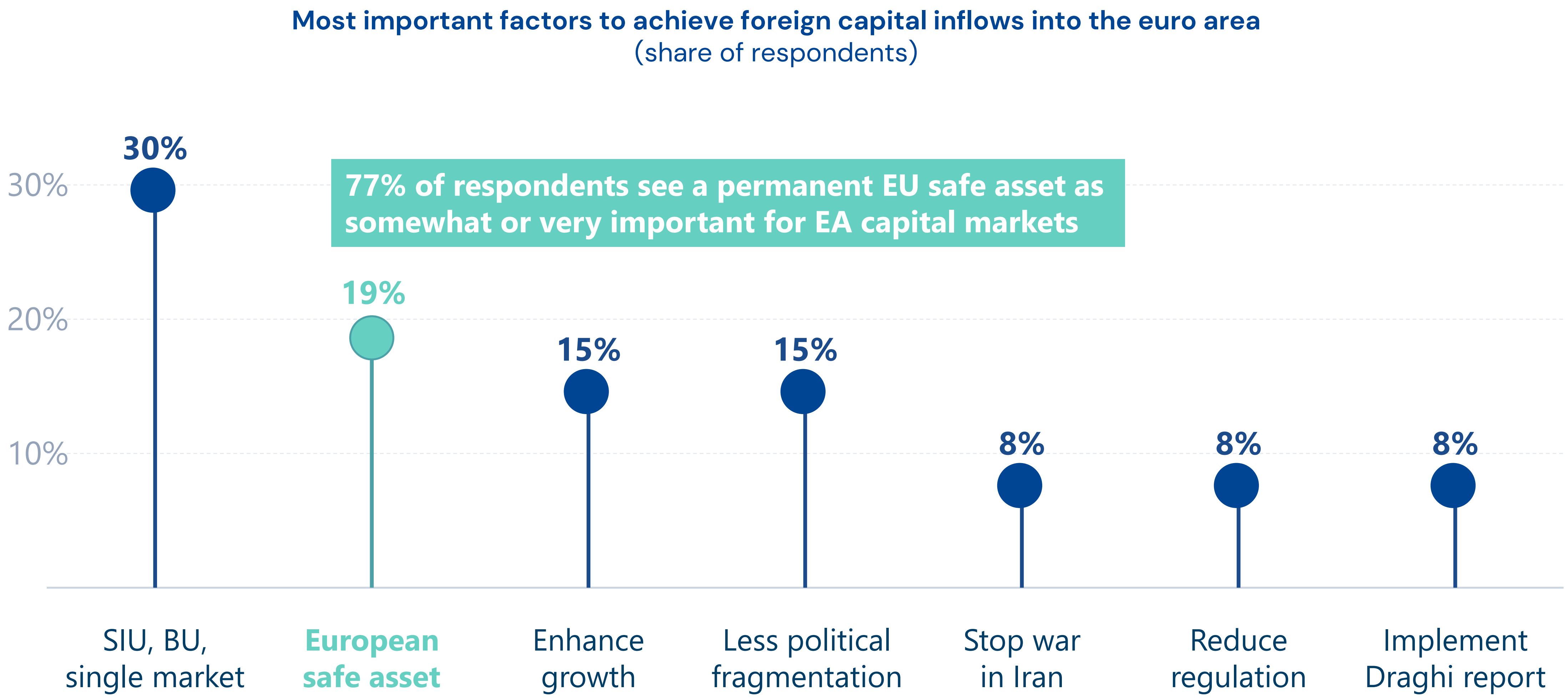
Inflation
(%, year-on-year)



Source: ESM calculations based on European Commission Spring Forecasts April 2026 and Eurostat data

A European safe asset could finance common goods

Results from the ESM Sovereign Sentiment Survey



SIU: Savings and Investment Union. BU: Banking Union. Results of the ESM Sovereign Sentiment Survey are based on a survey of 31 financial market participants active in EA sovereign bond markets, conducted between 27 March and 17 April 2026. Percentages above denote shares of respondents.

What’s next for **Europe**

Risks and opportunities for Europe

	Risks	Opportunities
Short term	Pressure on fiscal and energy. Political instability or downgrades.	Countries that reform are appreciated by markets. Overall, European markets are functioning well.
Long term	Continuation and escalation of (hybrid) conflict. Weaker transatlantic alliance.	“More Europe” like the success of SAFE instrument. More European Safe Assets.

What to expect more from Europe?

1) A **stronger** and more **united** Europe
2) More European **safe assets**
3) More countries that want to **join** the euro area and the EU
4) More strategic **autonomy**
5) More **defence** financing
6) More **trade** deals globally
7) A more **world-oriented Europe**, bridge to many continents

Contact

Yana Djoneva
y.djoneva@esm.europa.eu

Kalin Anev Janse
k.anevjanse@esm.europa.eu

European Stability Mechanism
6a Circuit de la Foire Internationale
L-1347 Luxembourg

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