Europe: the good, the bad... and the future

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Member of the Management Board
Chief Financial Officer

6 November 2026

European Stability Mechanism

1

Power slides on Europe



European Stability Mechanism

Europe: From recovery to success

7 EU countries, including **4 ESM/EFSF** 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

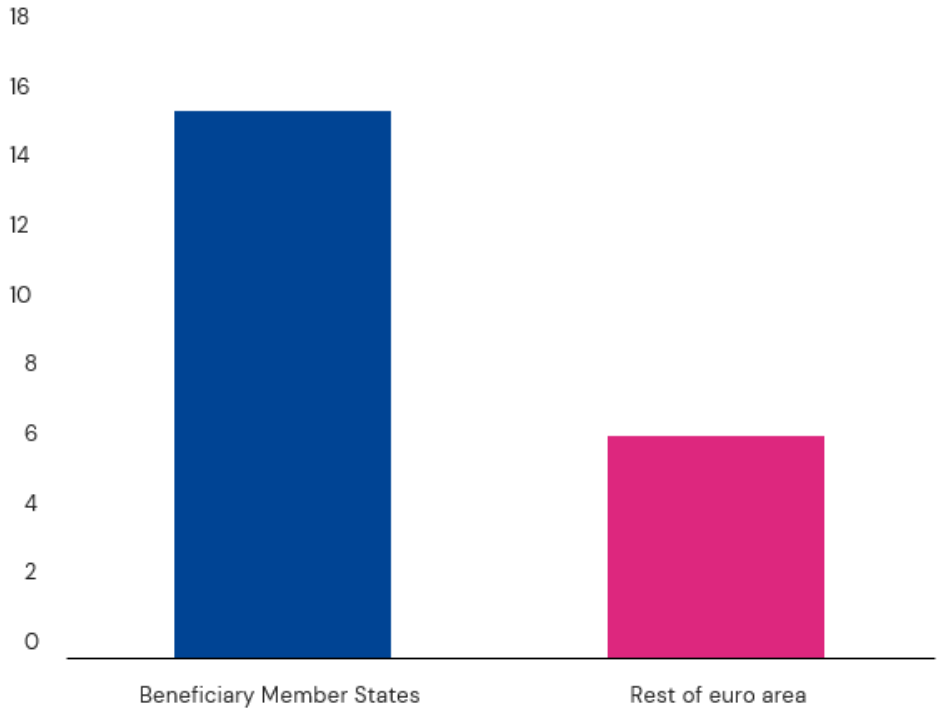


Notes: out of 36 countries, excl. Chile and Costa Rica. Three indications not shown: core inflation, inflation breadth and employment † Or latest available ‡ National stock market indices, Oct 2025.
Source: Economist, 7 Dec 2025

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

Greece, Spain, Cyprus, Ireland and Portugal vs the rest of the Euro Area

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



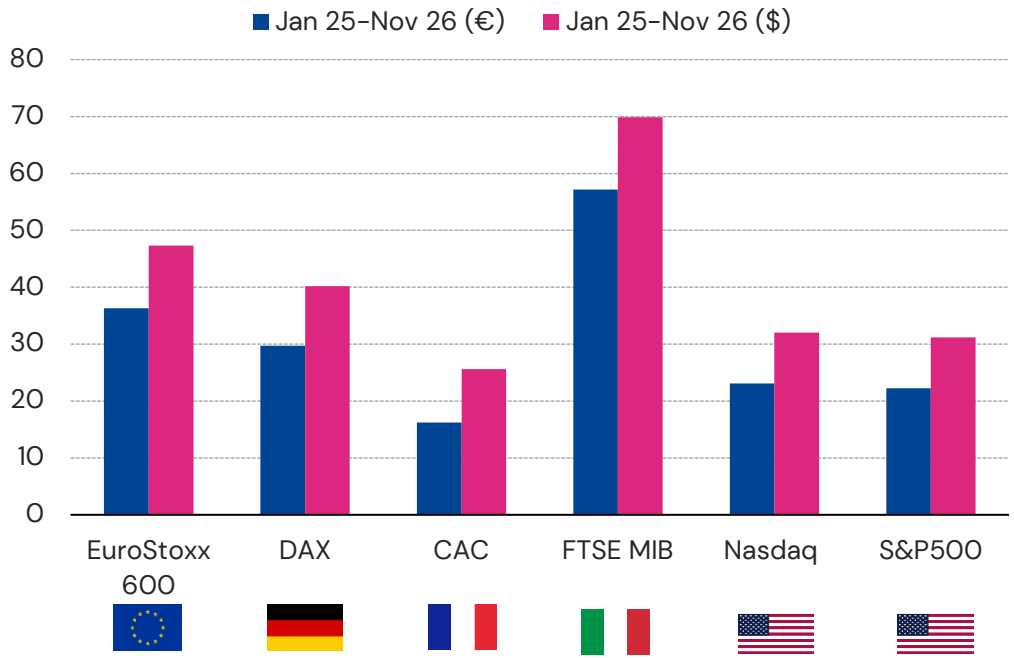
Source: European Commission

Over a 2-year period, European equities did well. Last months have been more volatile…

European and US equity markets

Jan 2025 – Nov 2026

(%)

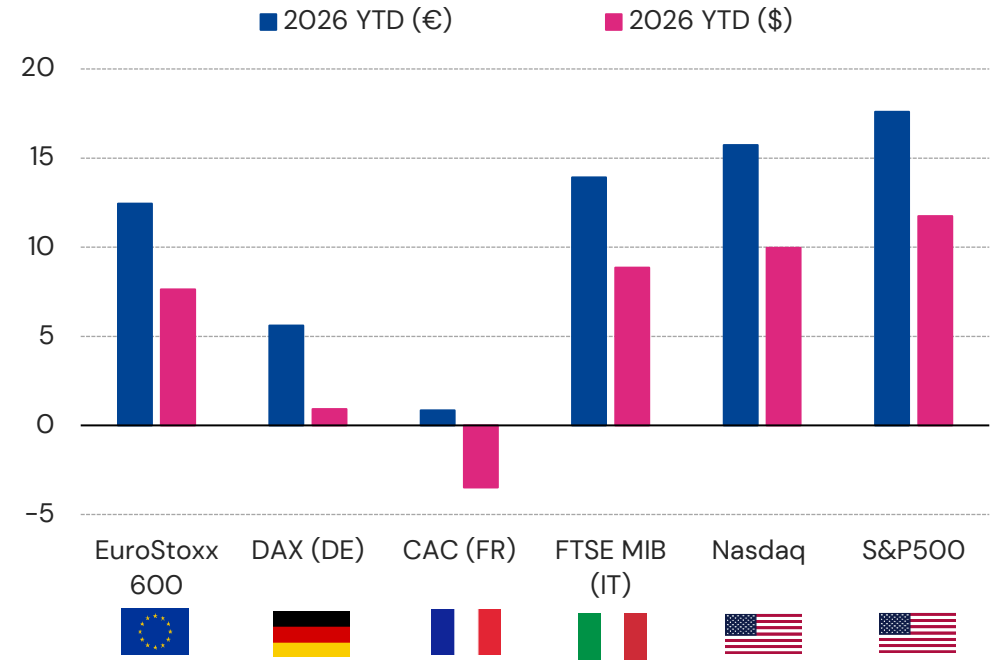


Note: from 1 January 2025 to 2 November 2026.
Sources: Bloomberg, ESM

European and US equity markets

2026 YTD

(%)

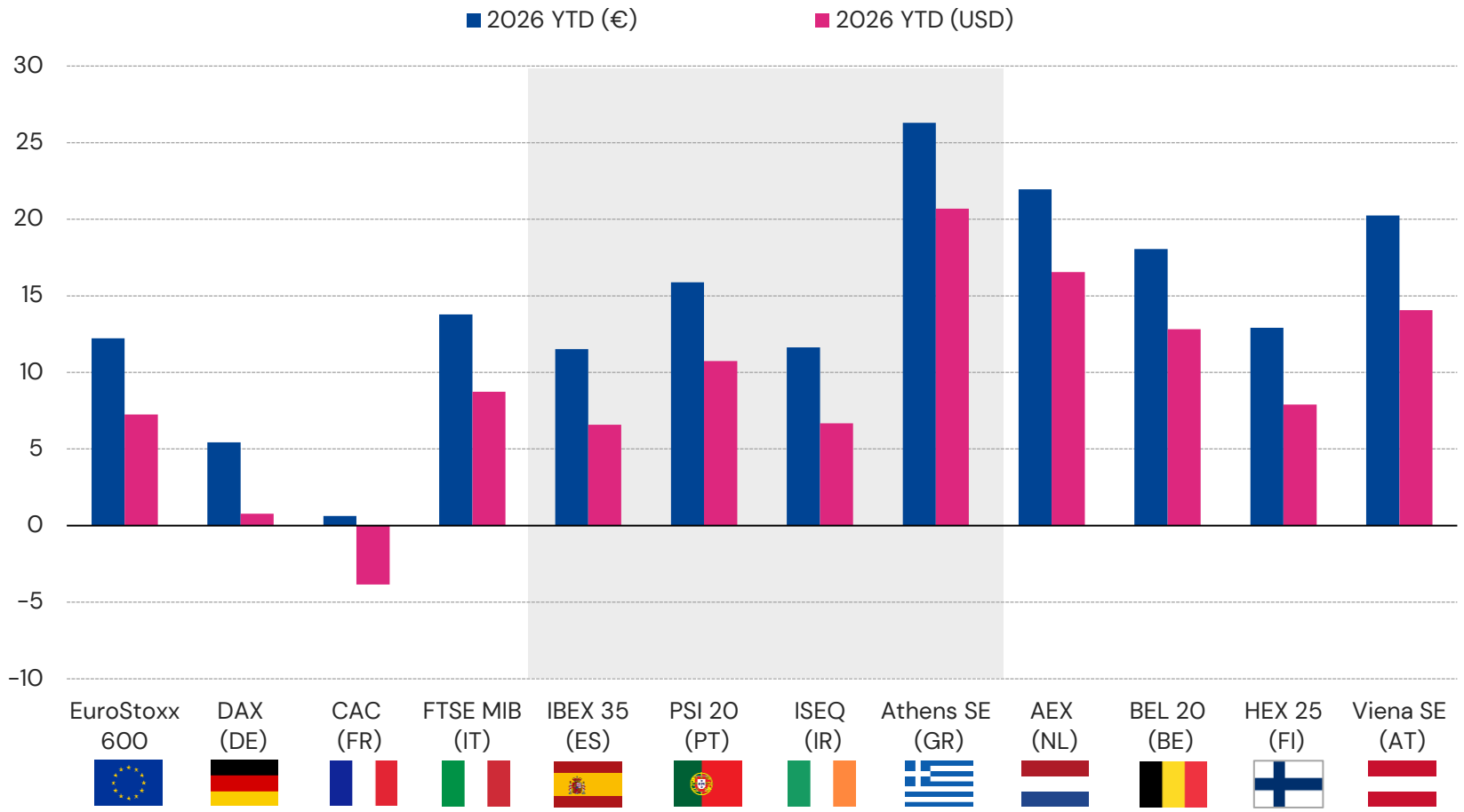


Note: As of 2 November 2026.
Sources: Bloomberg, ESM

… still non-core EA equities did better than expected

Performance rotates rather than disappear

Equity markets across euro area
(%)

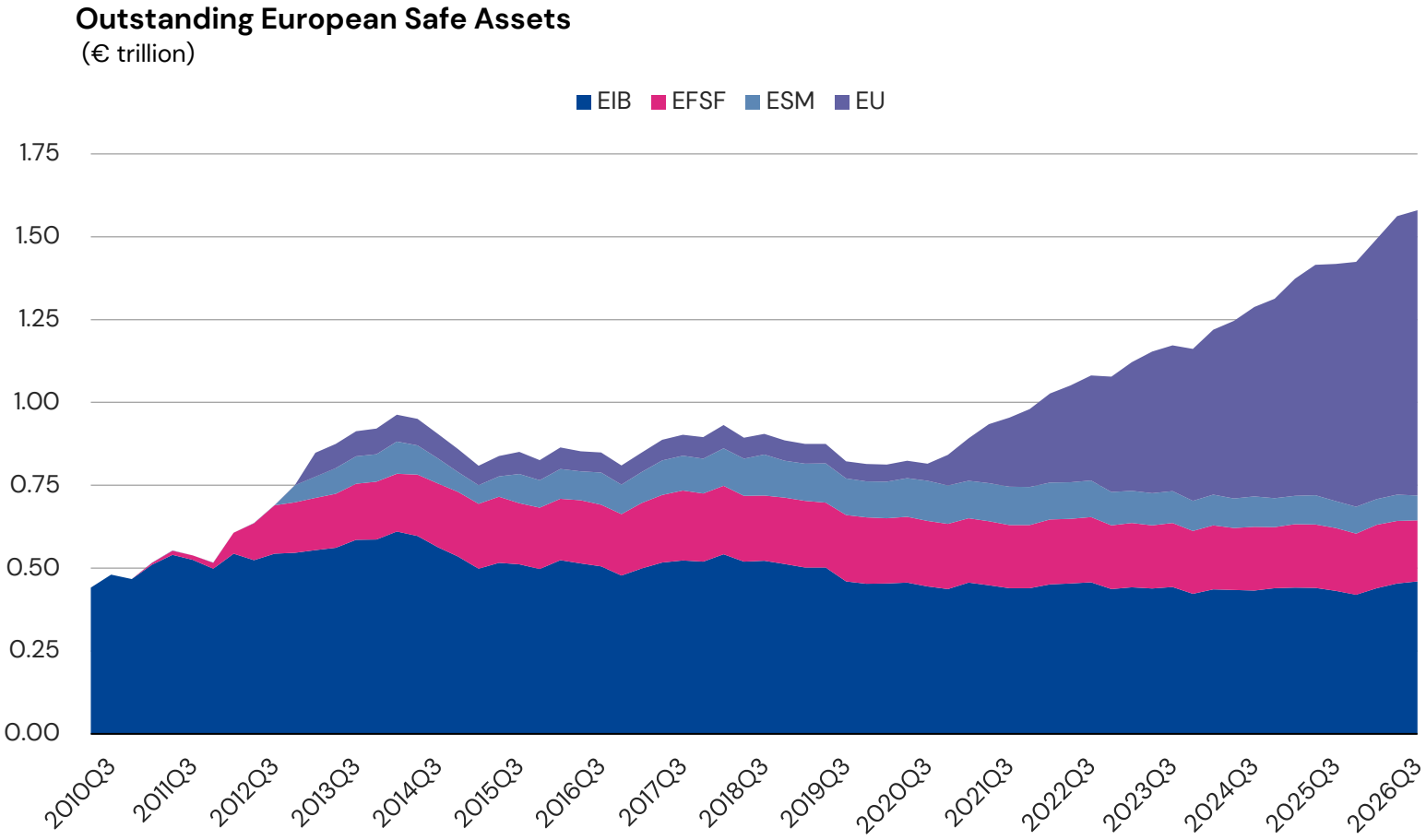


Note: from 1 January 2026 to 2 November 2026.
Sources: Bloomberg, ESM

Index	Market Cap (€ bn)
Stoxx Europe 600	16,336
CAC 40	2,403
DAX	2,088
AEX	1,646
IBEX 35	1,159
FTSE MIB	1,026
BEL 20	395
HEX 25	299
Vienna SE (ATX)	177
Athens SE Composite	180
ISEQ	112
PSI 20	94

Note: As of 28 October 2026
Source: Bloomberg

European safe assets have been on a growing trend, reaching almost €1.6 tn in Q3 2026



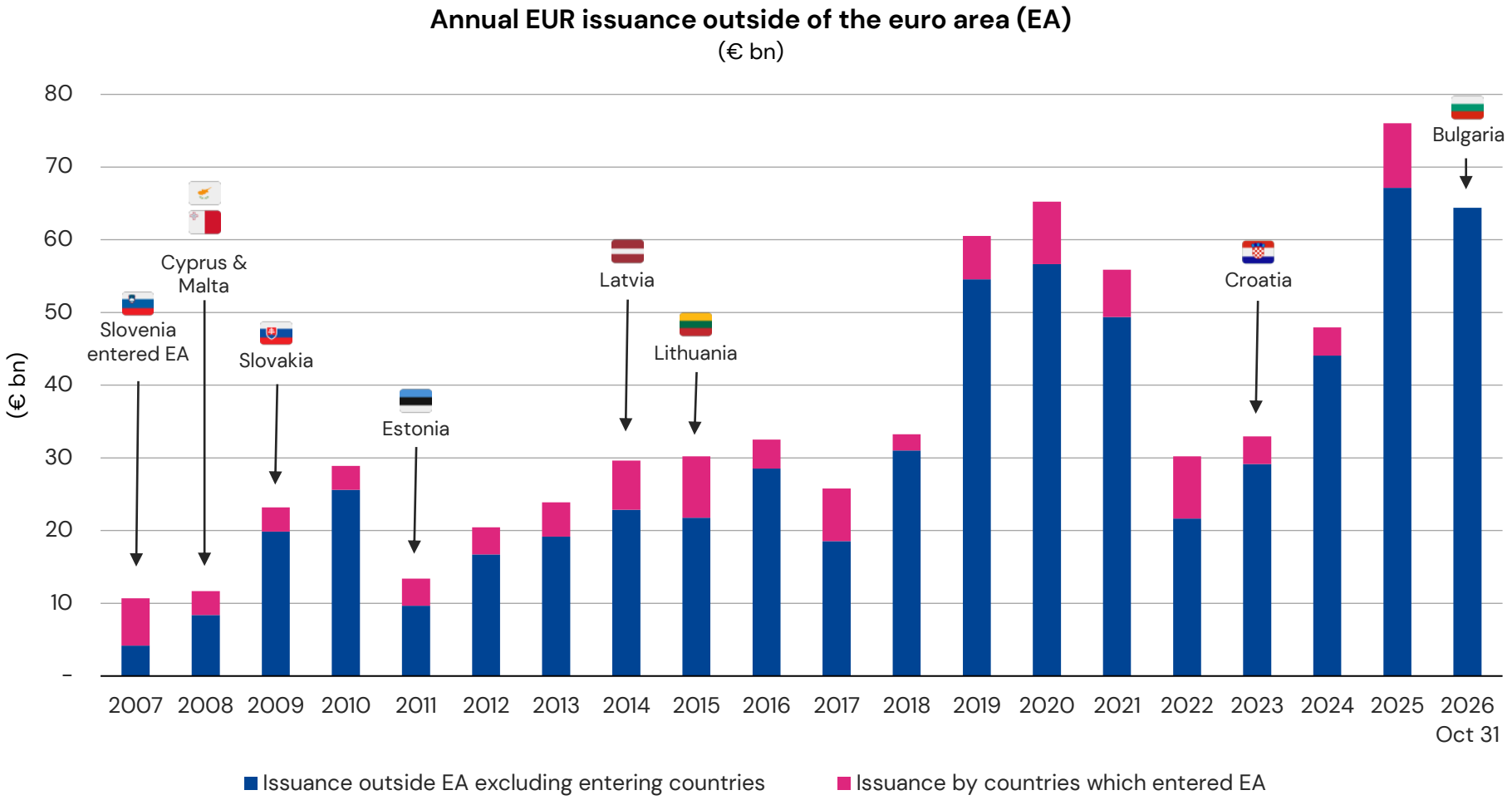
Note: As of Q3 2026.
Source: ESM calculations based on Bloomberg and national DMO data

Outstanding bonds of European Supranational Institutions equal in value those of the 4th 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

Record issuances in euro by non-euro countries

2025: led by Romania and Bulgaria, with record amounts from Mexico and Colombia
2026: large triple tranches from China, Brazil, Mexico (€4.75 – 5 bn)



Note: as of 31 October 2026.
Sources: Bloomberg, ESM calculations

Bulgaria joined the ESM

- Bulgaria became the 21st to join the euro area on 01 January 2026.
- Euro area membership made Bulgaria eligible for ESM membership, which took effect in June 2026.
- Contributions to the ESM capital are based on population and GDP.
- Bulgaria is eligible to receive a 12-year adjustment period for lower initial contributions.
- Membership offers access to financial support, investor protection.











October 2012
Founding 17 members

March 2014
Latvia

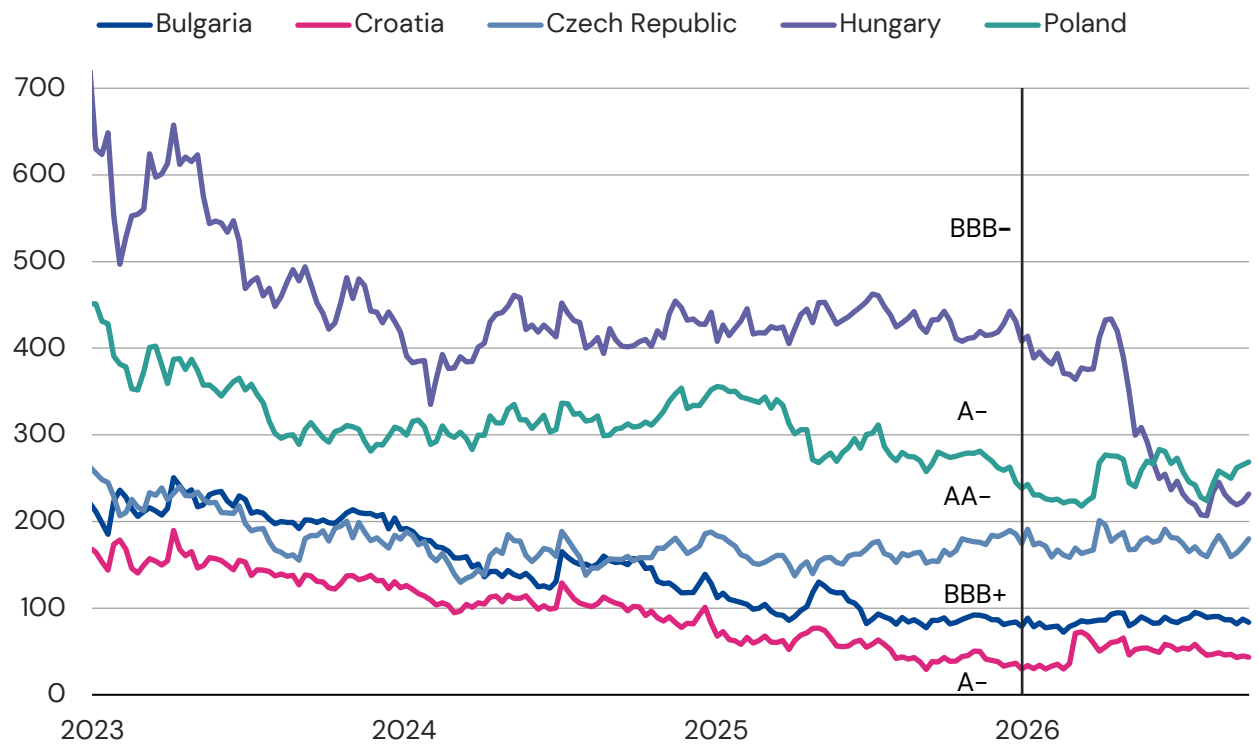
February 2015
Lithuania

March 2023
Croatia

June 2026
Bulgaria

Euro adoption and political change drive spread compression in Bulgaria and Hungary

10-year spreads vs Bund
(bps)

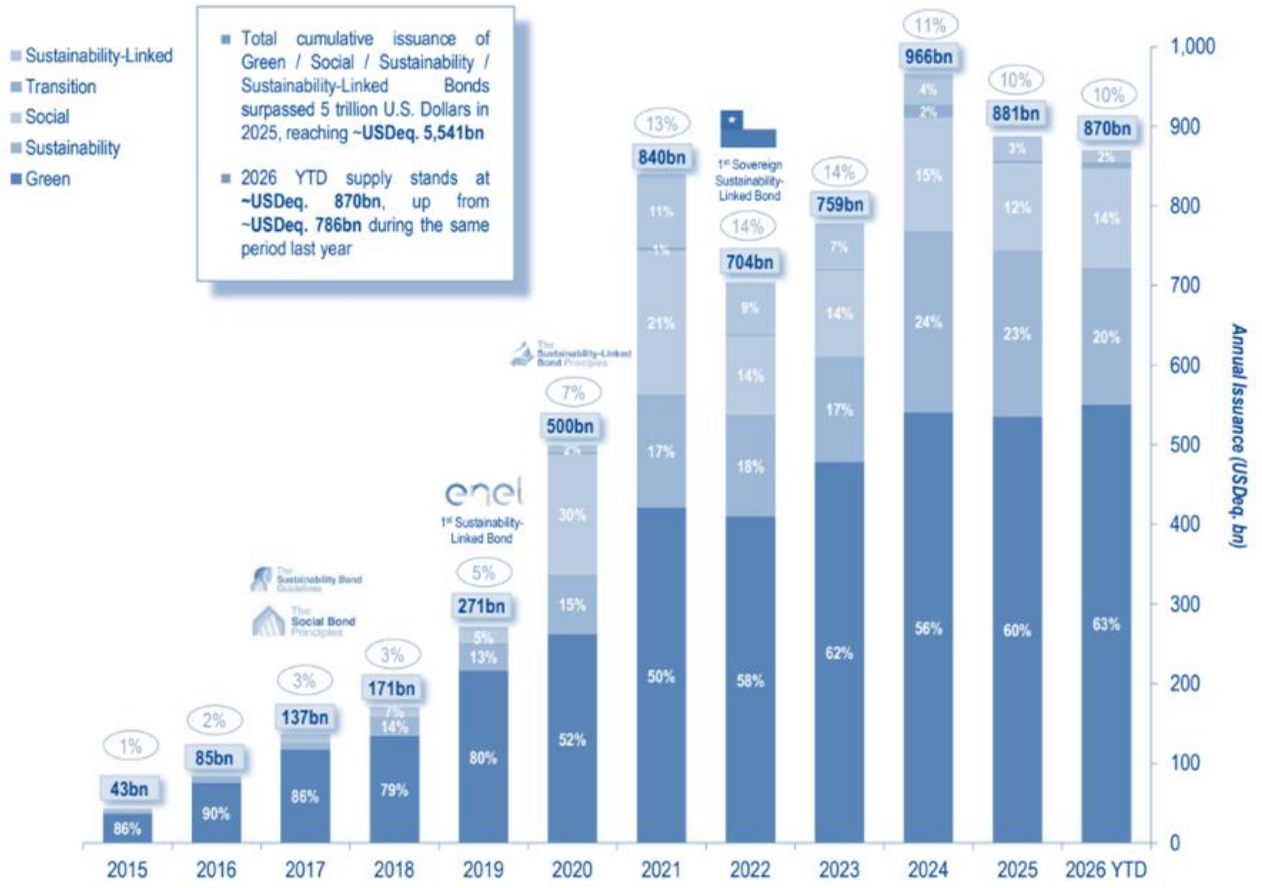


Note: as of 23 October 2026 (weekly data).
Sources: Bloomberg, ESM

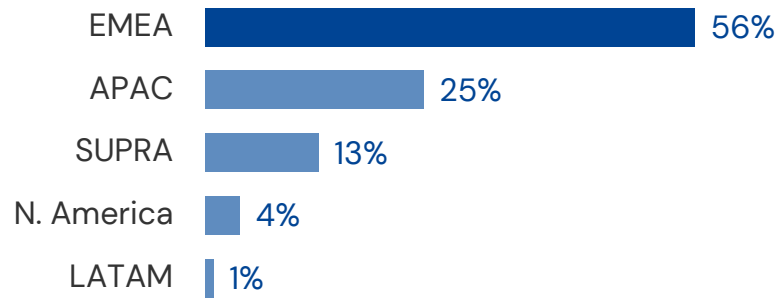
- **Bulgaria's euro adoption** boosted markets, reduced yields and supported credit ratings.
- **Hungary's pro-European vote** lowered yields and improved market sentiment. Its ambition to adopt the euro signals a positive next step.

Europe dominates the global sustainable bond market in issuance and euro denomination

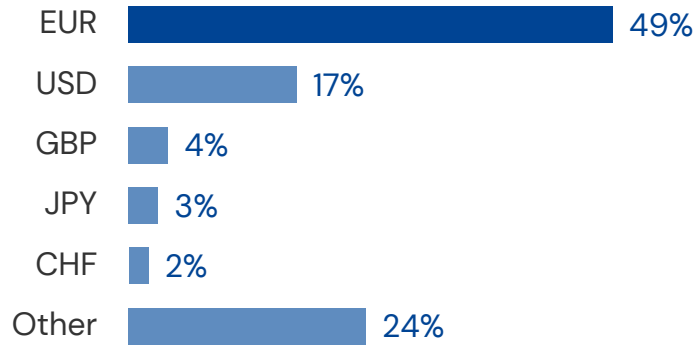
By end of 2025 ~USD eq. 5,541bn of bonds had been issued in sustainable format.
In FY2025, 10% of new issuances globally were in sustainable format, 15% in EMEA.



Issuer region



Currency breakdown

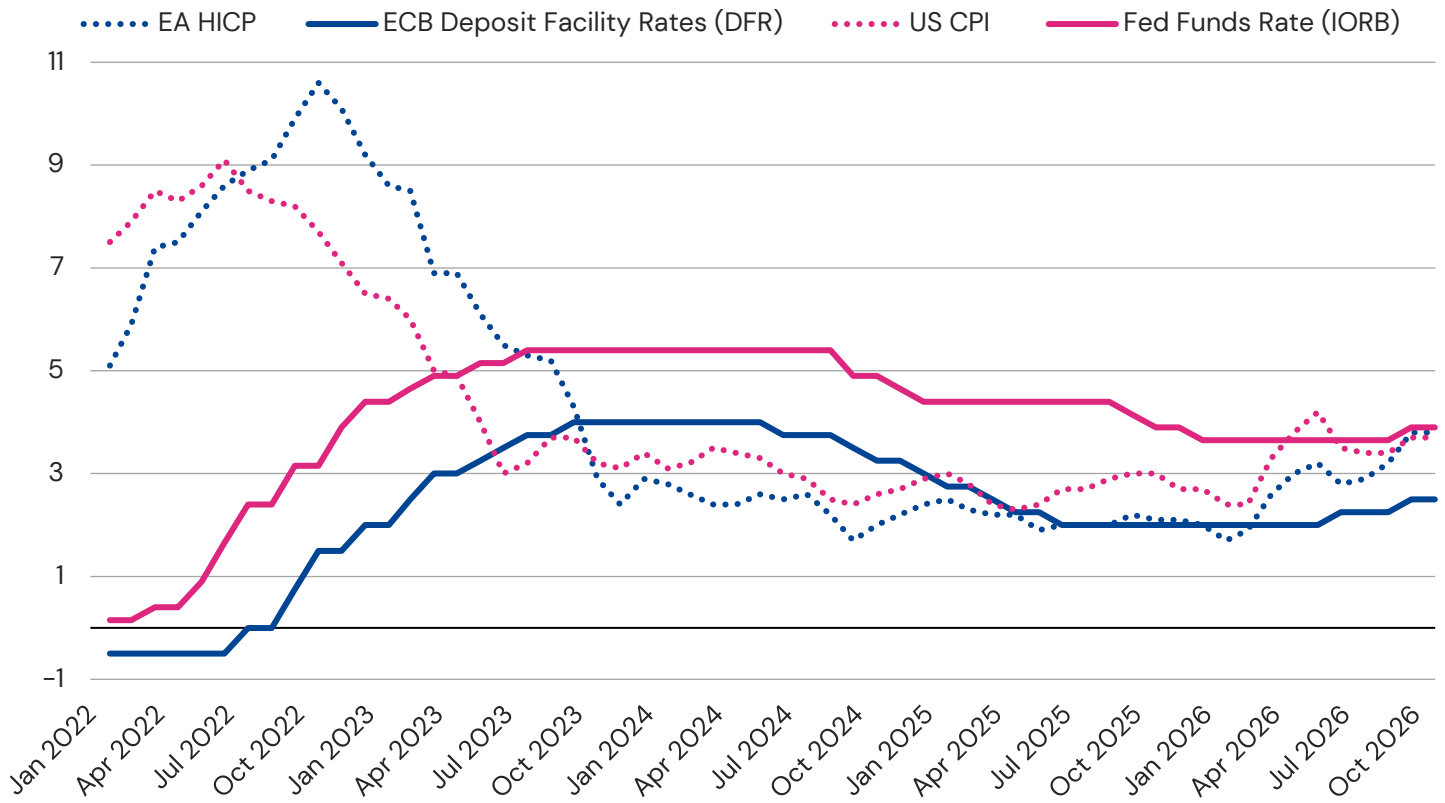


Source: BNP and Bloomberg

2 Macro to market

ECB's inflation task was complete before Middle East conflict

ECB rates vs inflation
(%)

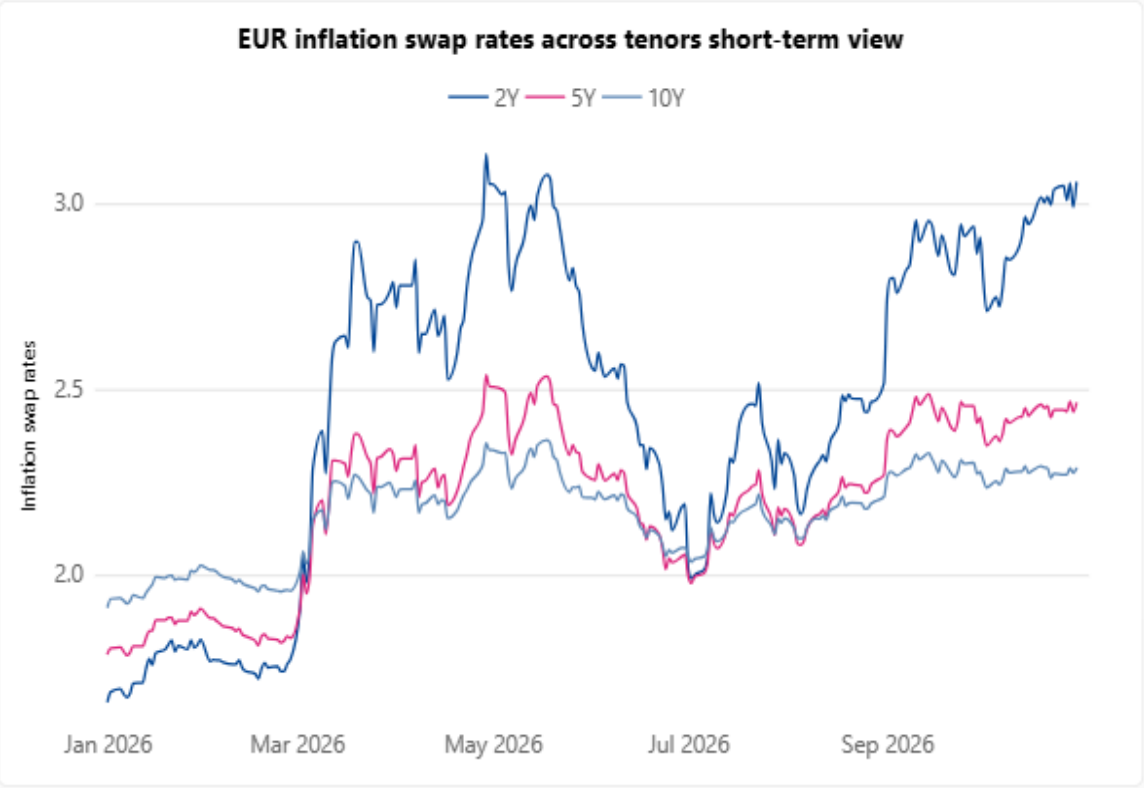


Note: as of 2 November 2026.
Sources for rates: ECB Deposit Rates, US Fed Interest on Reserve Balances (IORDB)
Sources for inflation: For the euro area (EA), it is measured by the Harmonized Index of Consumer Prices (HICP), adjusted for working days and seasonality. For the US, the Consumer Price Index (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. Energy passthrough from the Iran conflict has pushed inflation above target again.
- Markets currently expect more than 2 central bank hikes over the coming 12 months for both the USA and Euro area.

Market inflation expectations spiked but remain below 2022 levels

01/01/2026 30/10/2026

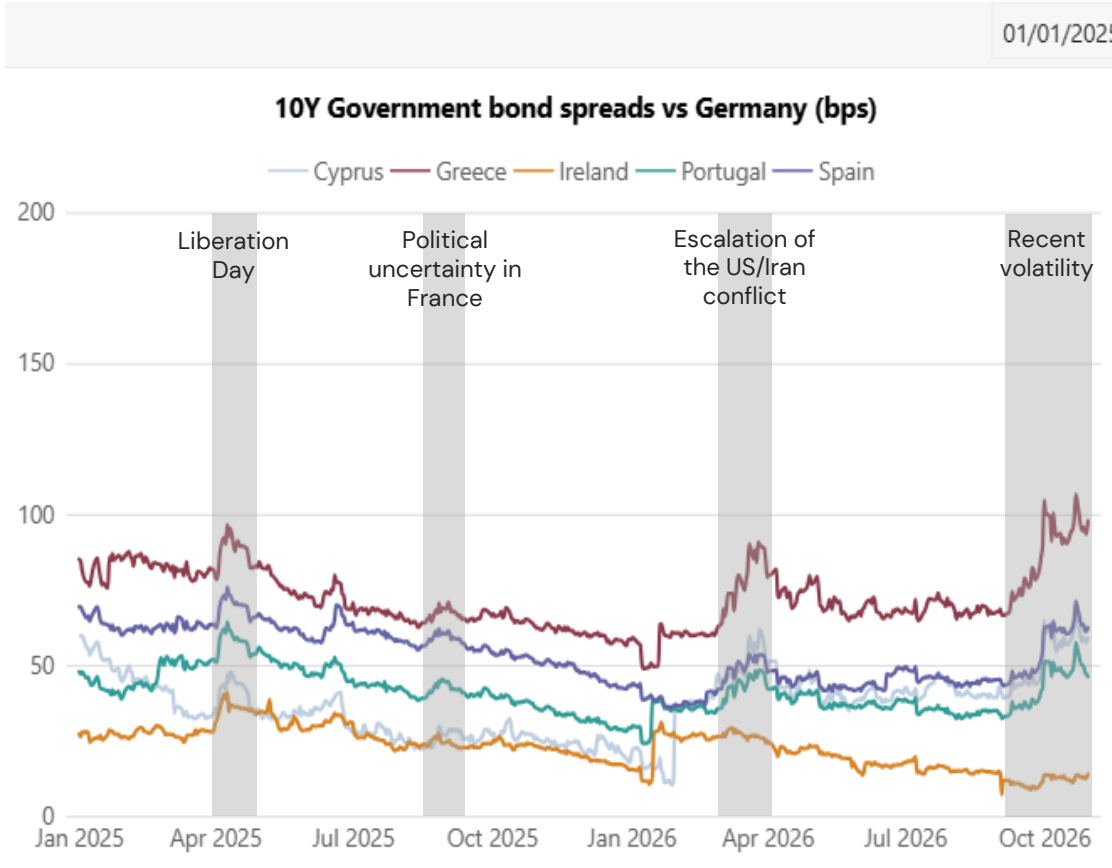


01/01/2016 30/10/2026

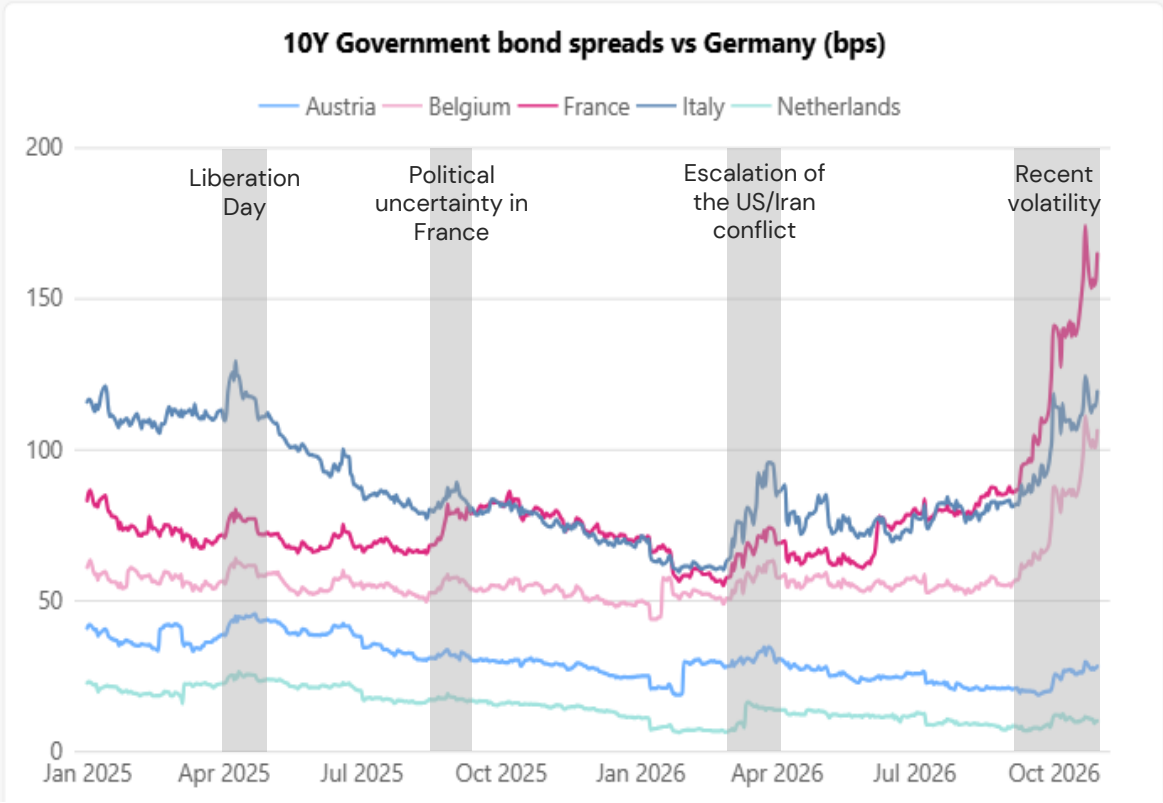


Note: as of 30 October 2026.
Sources: Bloomberg, ESM

Despite volatility, ESM beneficiary countries spread movements suggest more contained risk



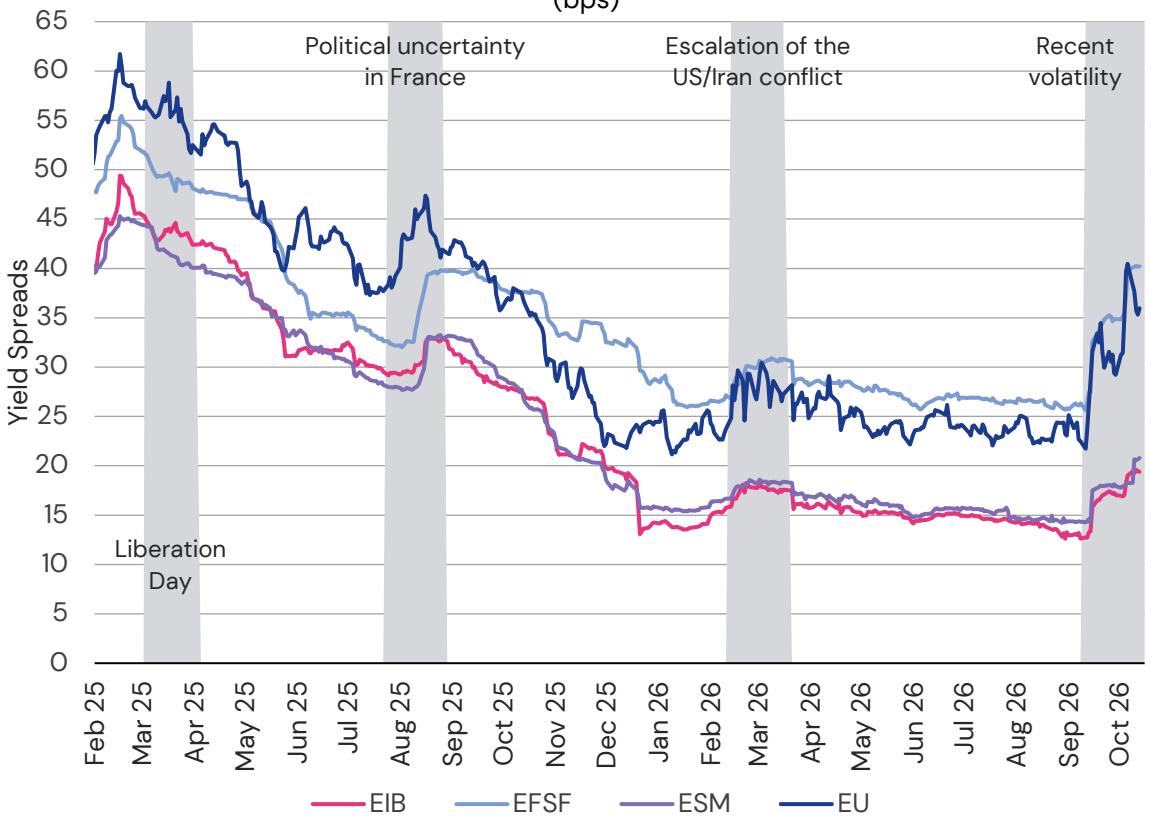
Note: as at 2 November 2026.
Sources: Bloomberg, ESM



Note: as at 2 November 2026.
Sources: Bloomberg, ESM

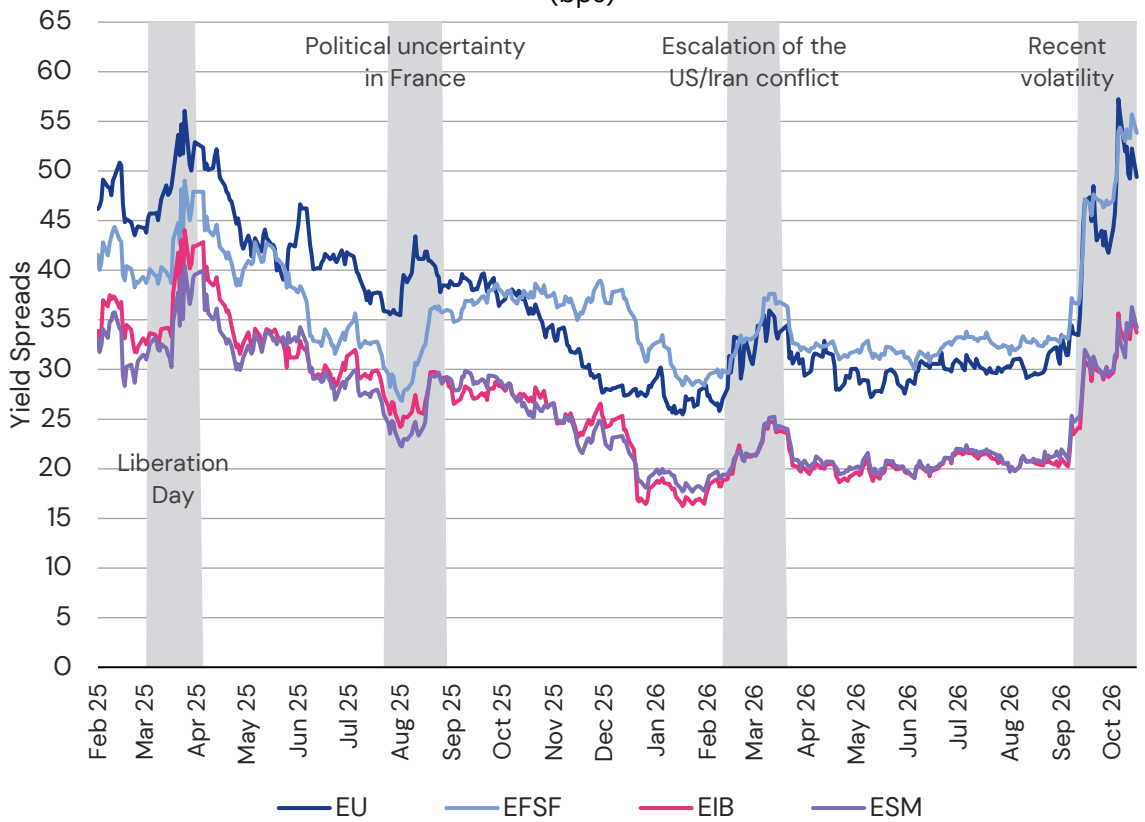
The relative resilience of European Supranational Issuers

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



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

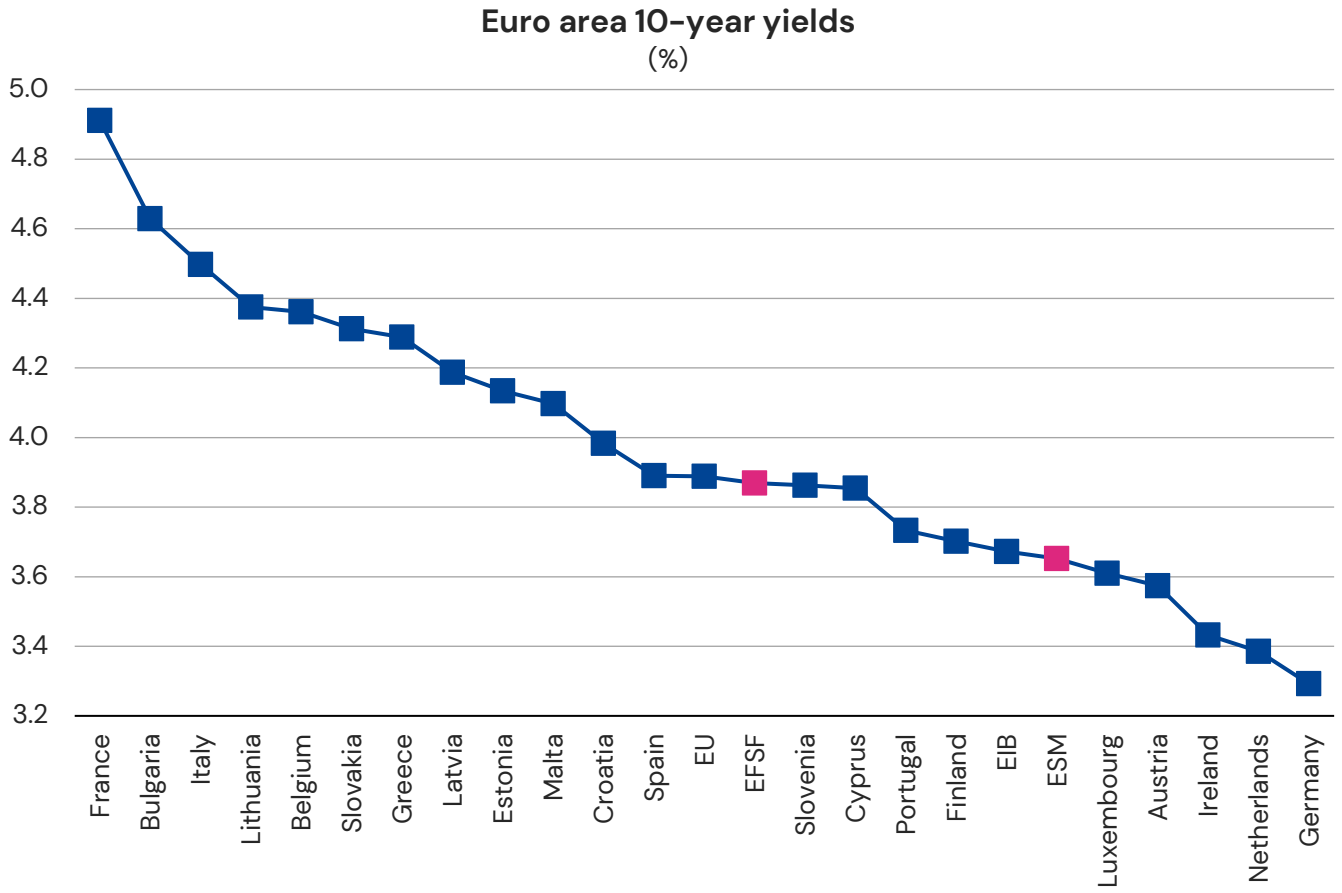
European Supranationals 10-year euro area spreads vs Germany
(bps)



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

ESM market resilience

ESM prices as a strong European safe asset



Note: as of 2 November 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**

3 What’s new at the ESM

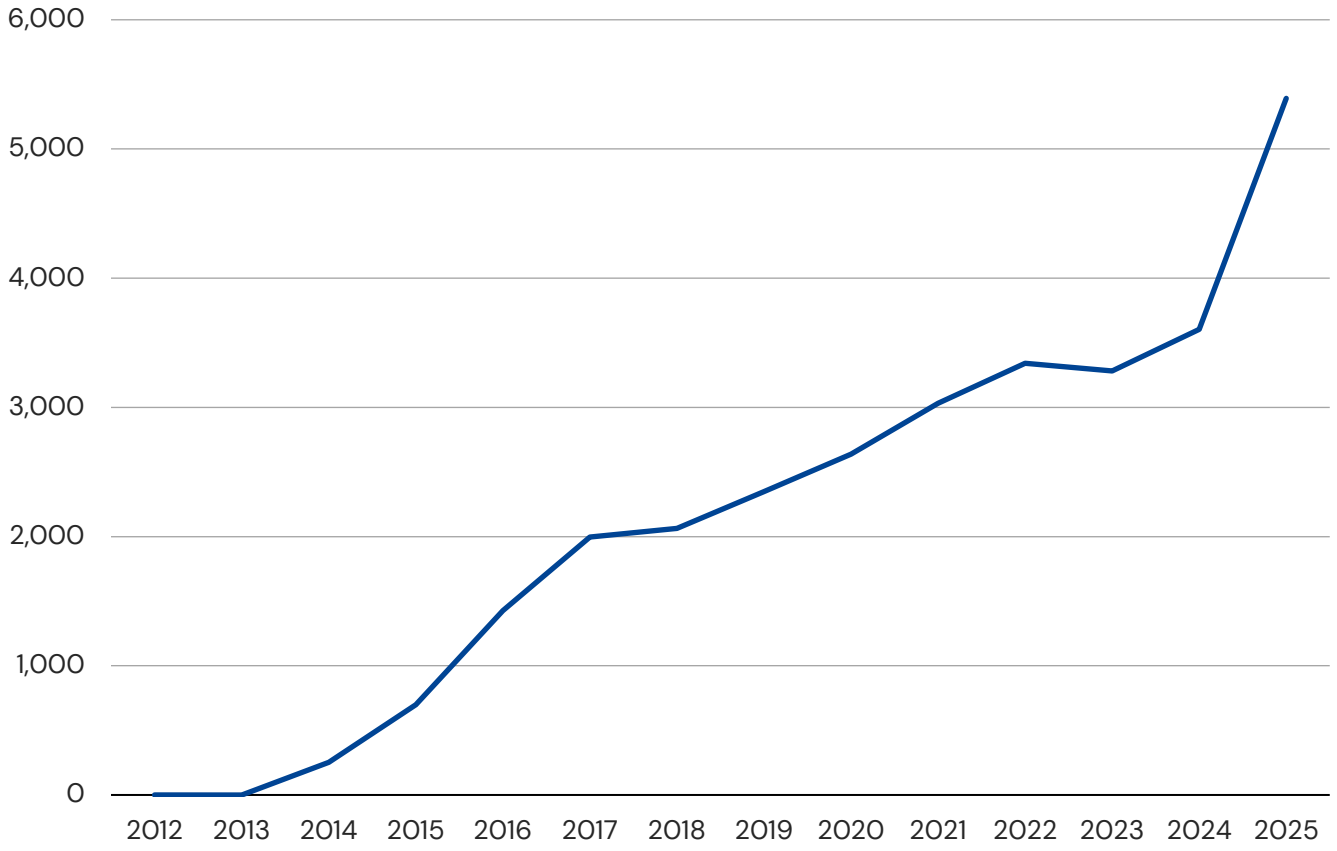
What's new at the ESM

- **Spain** is 1 year away from full repayment
- **Greece** early repayment
- **2025 ESG Report** published June 2026
- New **Sovereign Sentiment Survey** results
- **Debut Digitally Native Note** benchmark issuance

18

€1.97 billion 2025 net profit: highest in ESM history

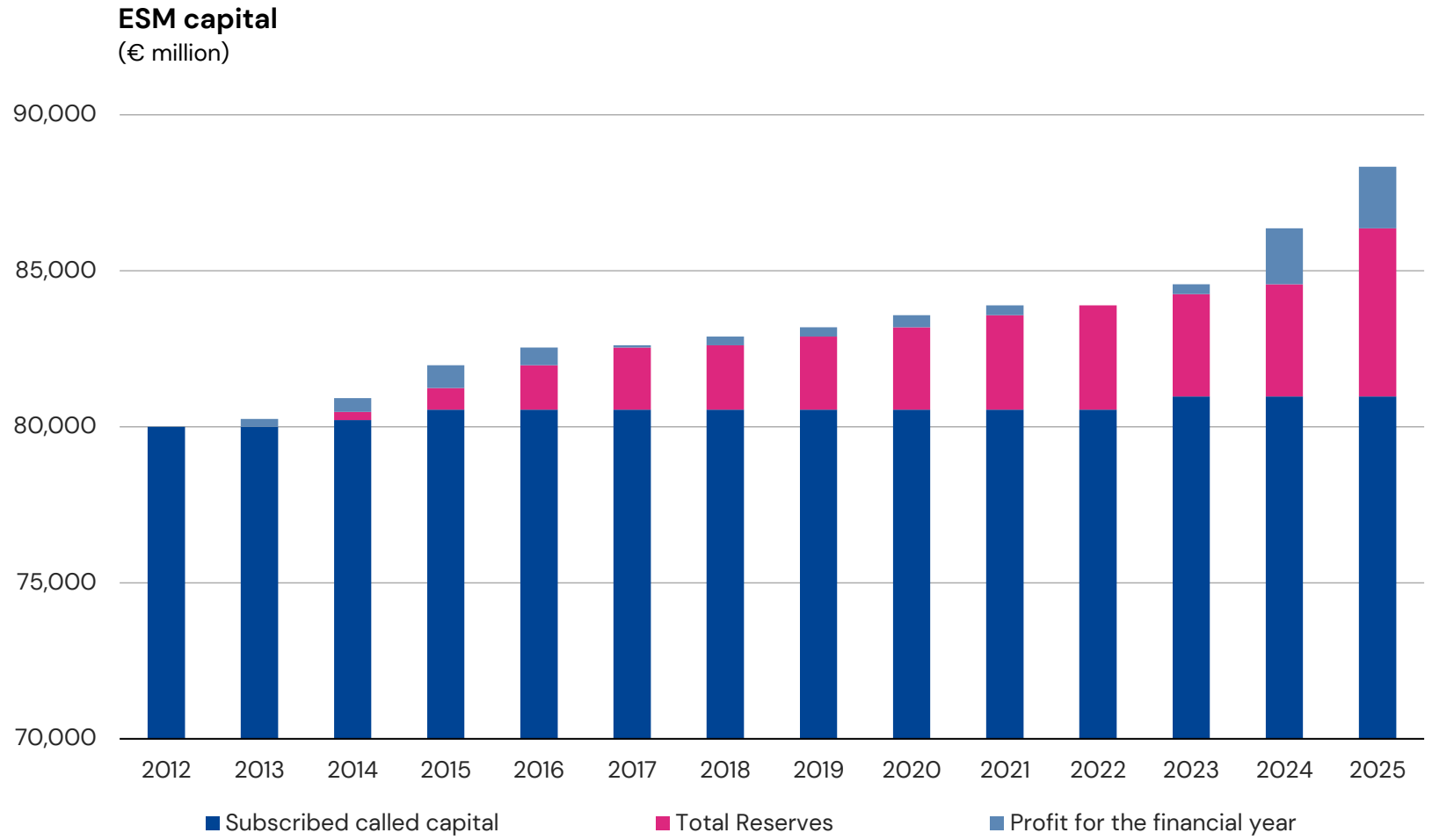
Evolution of accumulated profits
(€ million)



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 to safeguard euro area financial stability.
- ESM capital reached €88.3 billion at end-2025.

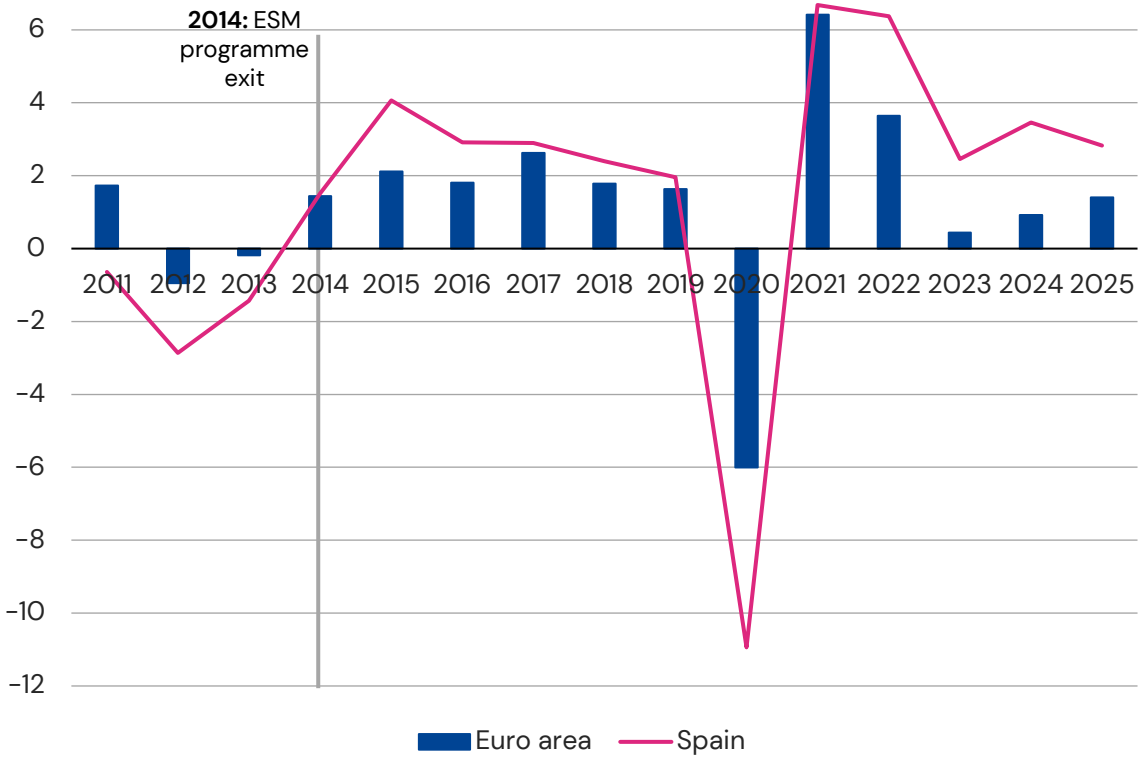
Growing capacity to withstand euro area crisis



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

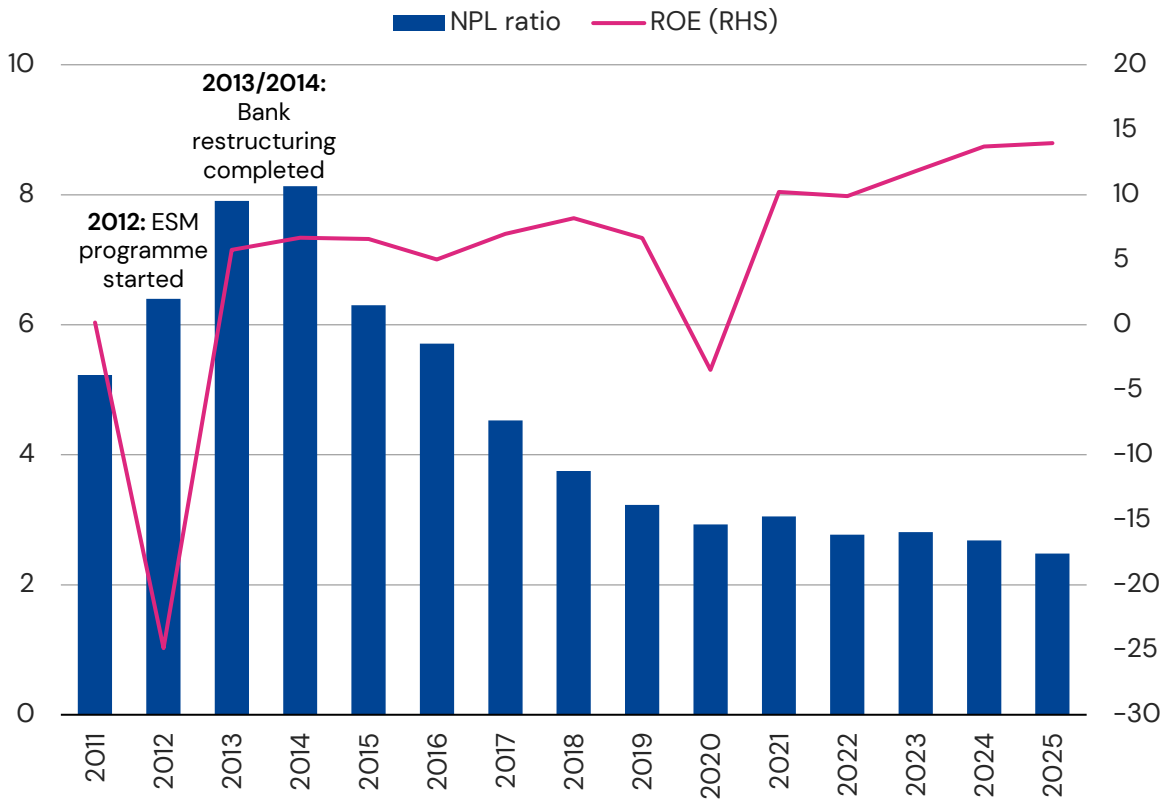
Spain to exit its programme in a year in good shape

Annual GDP Spain
(%)



Source: European Commission (Spring 2026)

Spain: NPL and ROE ratios
(%)



Note: As at December 2025.
Source: ECB and EBA

Greece repayments absorbed by EFSF, reducing borrowing needs

Greece repays €2.5 billion to EFSF

01/10/2026 | Press releases



(Luxembourg) - Greece repaid €2.5 billion to the European Financial Stability Facility (EFSF) on Thursday, using proceeds from the reprivatisation of Greek banks that had previously received support from the Hellenic Financial Stability Fund (HFSF).

"This repayment is another sign of the progress Greece has made in strengthening its economy and financial system. The proceeds from the reprivatisation of the banks are a tangible reflection of the recovery of the Greek banking sector since the crisis. Using part of these proceeds to repay the EFSF reduces Greece's public debt and sends a signal of confidence to the market. It is a positive outcome for Greece," said EFSF CEO Pierre Gramegna.

On 1 September, Greece notified the EFSF and ESM of approximately €4 billion in HFSF-related proceeds held by the Hellenic Corporation of Assets and Participations (HCAP – following its merger with the HFSF).

ESM first €1 bn digitally native note issuance settled via ECB Pontes using central bank money & DLT

What was our motivation?

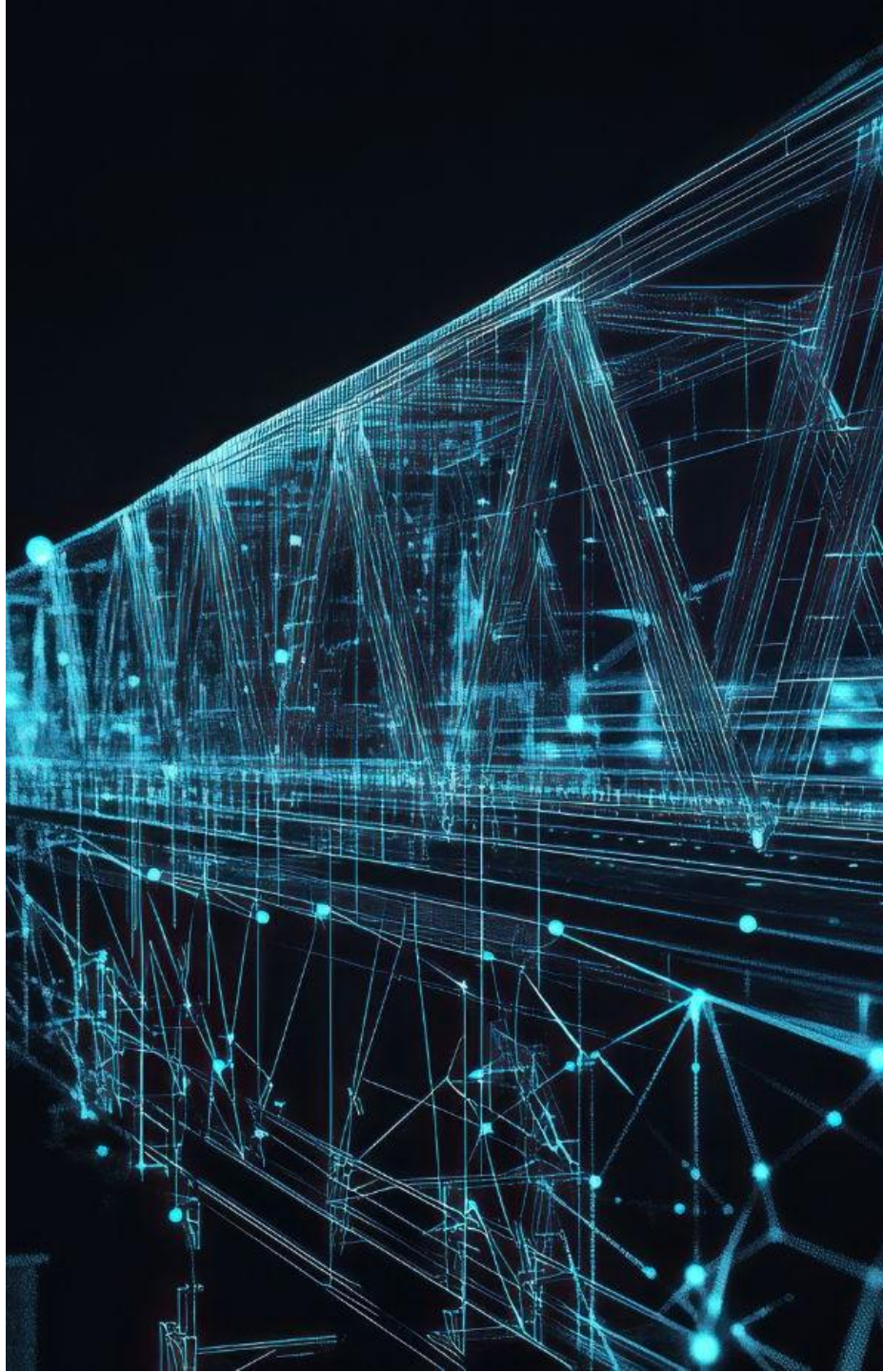
1. Support the exploration of a more **modern**, integrated, efficient **European financial ecosystem**
2. Support key role of **central bank money** as the **safest, credit-risk free means** of settlement in connection to the use of **DLT**
3. Gain operational experience with emerging **digital market infrastructure**
4. Contribute to the development of **future market standards** for primary market settlement



ECB Pontes launch event
Frankfurt, 21 September 2026

ESM inaugural digitally native note

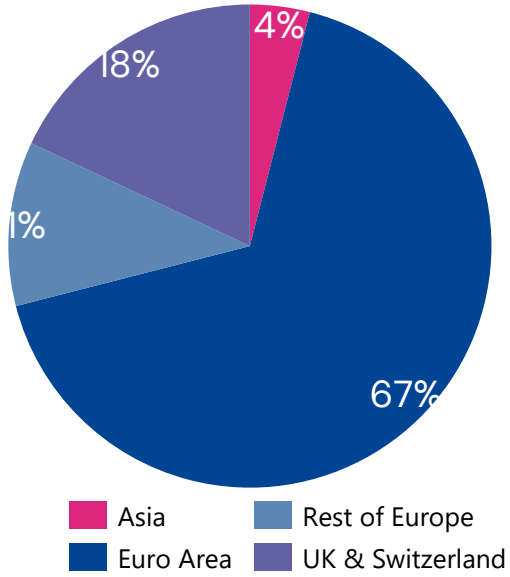
- On **26 October** 2026, ESM issued its **first-ever** digitally native bond
- **First** European supranational issuer that settled a **DLT**-based **benchmark** bond through the Eurosystem's **Pontes** platform
- **Bundesbank** and **Clearstream** as key partners
- Issuance combined **digital technology** with the **existing legal framework**, infrastructure, and operating standards of European capital markets
- Following primary settlement via Pontes in **central bank money**, the bond moved to traditional settlement infrastructure and T2S



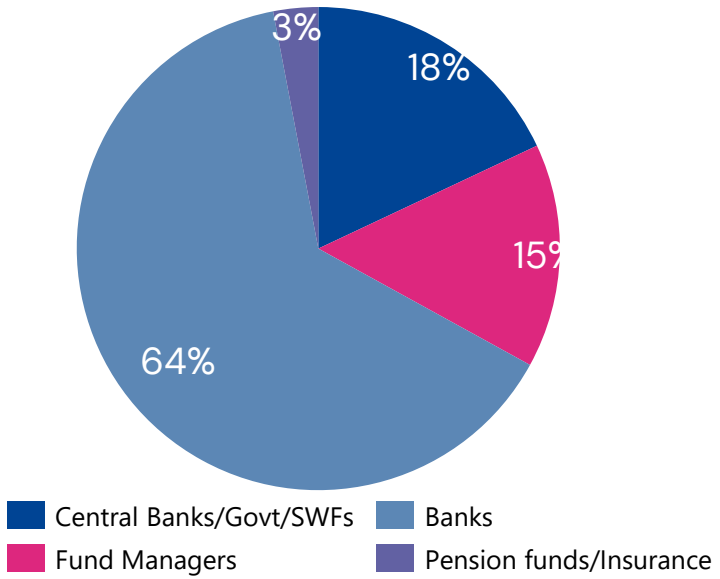
ESM issues €1 billion digitally native bond

- The 3.375% bond, maturing on 8 April 2030, attracted an order book of over €2.2 billion, including joint lead manager interest.
- The spread was fixed at mid-swaps plus 3 basis points, corresponding to a re-offer yield of 3.468%.
- Joint lead managers: DZ BANK, HSBC, Santander and Société Générale; DZ BANK and Société Générale acted as Digital Advisory Banks.

Geographical breakdown



Breakdown by investor type



A traditional ESM bond with a digital element

1

Key features

- Notes issued under existing Debt Issuance Programme
- Same issuer credit risk and investor rights as for traditional ESM bonds
- Primary settlement in DvP format supported through D7 DLT & Pontes platform
- Listing at Luxembourg Stock Exchange
- ECB collateral eligibility
- Secondary market trading, coupon payments, redemption on the traditional systems used for a traditional ESM bond

2

Why it matters

- Support the exploration towards a more modern, integrated and efficient European financial ecosystem
- Support key role of central bank money as the safest and credit-risk free means of settlement in connection to the use of DLT platforms
- Gain operational experience with emerging digital market infrastructure
- Contributes to the development of future market standards

3

Why participate

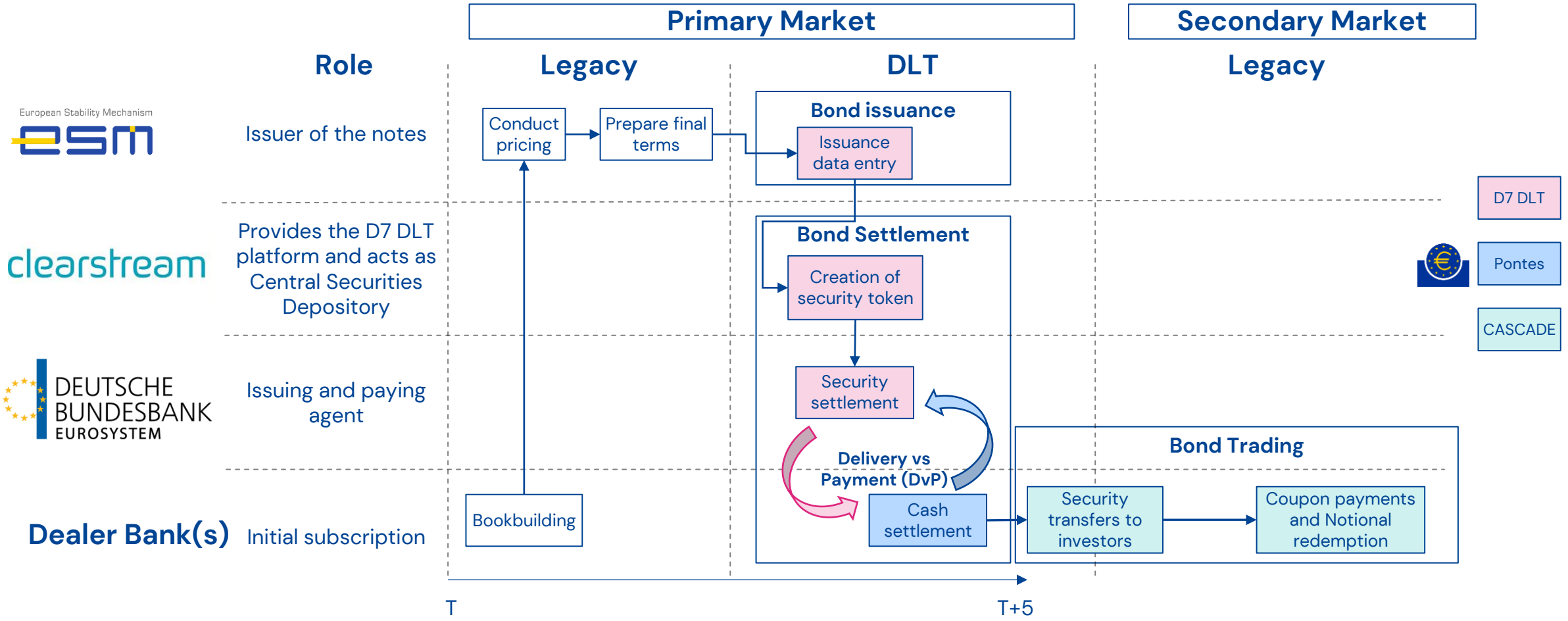
- Participate in DLT-based issuance with operational familiarity & same investor rights as for traditional ESM bonds
- Develop operational readiness through experience with DLT-based settlement
- Exposure to next-generation European bond issuance infrastructure (Pontes) with minimal effort to participate

Key features of the ESM digitally native notes

- Issuance & settlement of a standard vanilla note enabled by DLT and fully integrated into traditional post-trade infrastructure
- **What remains the same**
  - Issuance under the ESM Debt Issuance Programme
  - Issuer credit ratings (Aaa/AAA/AAA/AAA)
  - Same investor rights as for traditional ESM bonds
  - Listing: admission to trading to the regulated market operated by the Luxembourg Stock Exchange (LuxSE)
  - ECB collateral eligibility
  - Secondary market access and trading, coupon and redemption payments on the traditional systems used for a traditional ESM bond
- **What is new**
  - **Electronic security** created & recorded on **Clearstream's D7 DLT platform** replacing the physical Global Bearer Note
  - **Governing law**: form and issuance mechanics (German Law), other bond terms, e.g. interest payment and redemption (Luxembourg law)
  - **Primary settlement** supported **through D7 DLT & Pontes in central bank money** (direct settlement in TARGET2 Real-Time Gross Settlement (T2 RTGS))*

*Pontes is the new Eurosystem DLT solution that links market DLT platforms and TARGET Services to settle DLT-based wholesale transactions in central bank money (timeline: https://www.ecb.europa.eu/paym/target/pontes/html/index.en.html)

Digitally native format integrated with existing market infrastructure



2025 ESG Report (4th ed.)

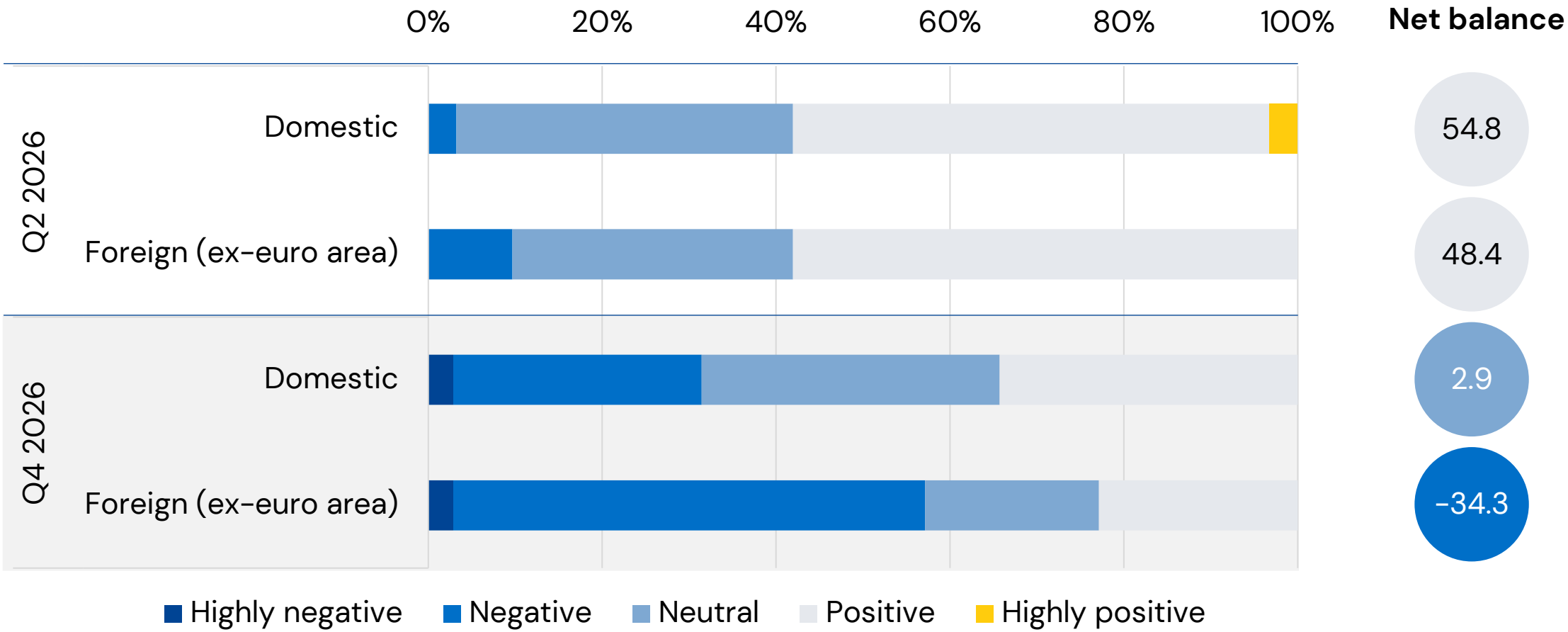
- The ESM maintained a €7.5 billion allocation to ESG-labelled bonds at end-2025.
- Projects supported through ESG investments included:
  - Renewable energy (14.8%)
  - Affordable housing (12.2%)
  - Clean transportation (11.3%)
- Progress in climate risk analysis, sustainable investment practices,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



4 ESM Sovereign sentiment survey

Sentiment has deteriorated – but remains positive

Perceived sentiment towards euro area sovereign bonds (shares of respondents)

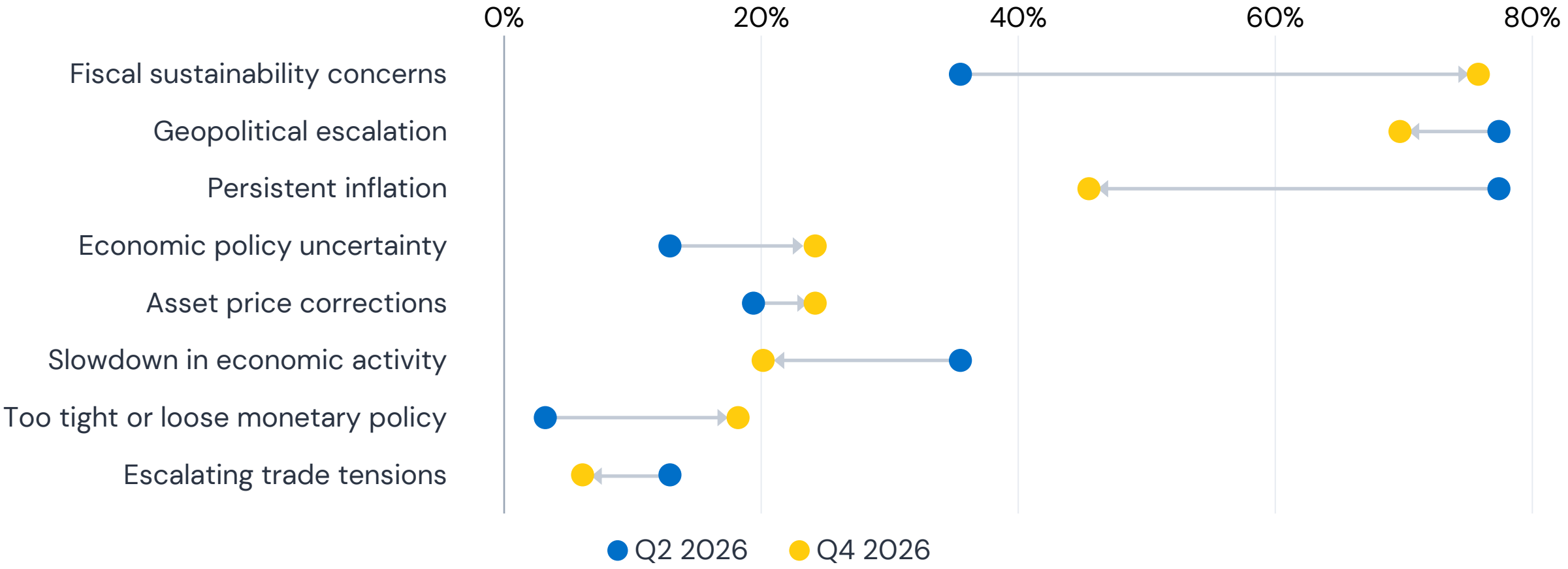


RESULTS FROM THE ESM SOVEREIGN SENTIMENT SURVEY

Source: ESM Sovereign Sentiment Survey Q4 2026. Net balance: highly positive + positive - negative – highly negative

Risk focus has shifted from inflation to fiscal

Most material adverse risks over 12 months (share of respondents)



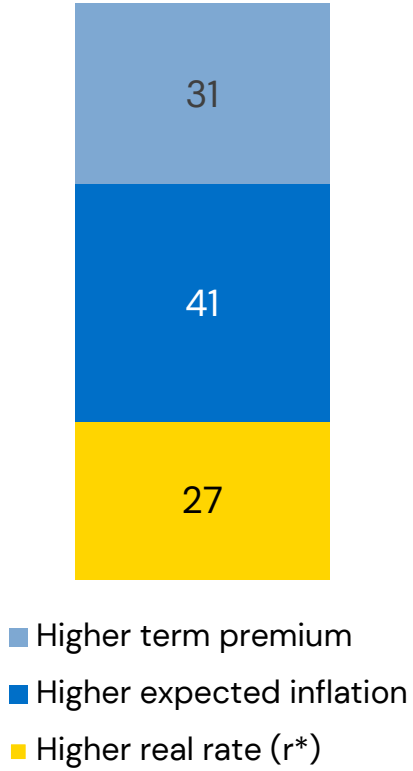
RESULTS FROM THE ESM SOVEREIGN SENTIMENT SURVEY

Source: ESM Sovereign Sentiment Survey Q4 2026. Multiple selections possible.

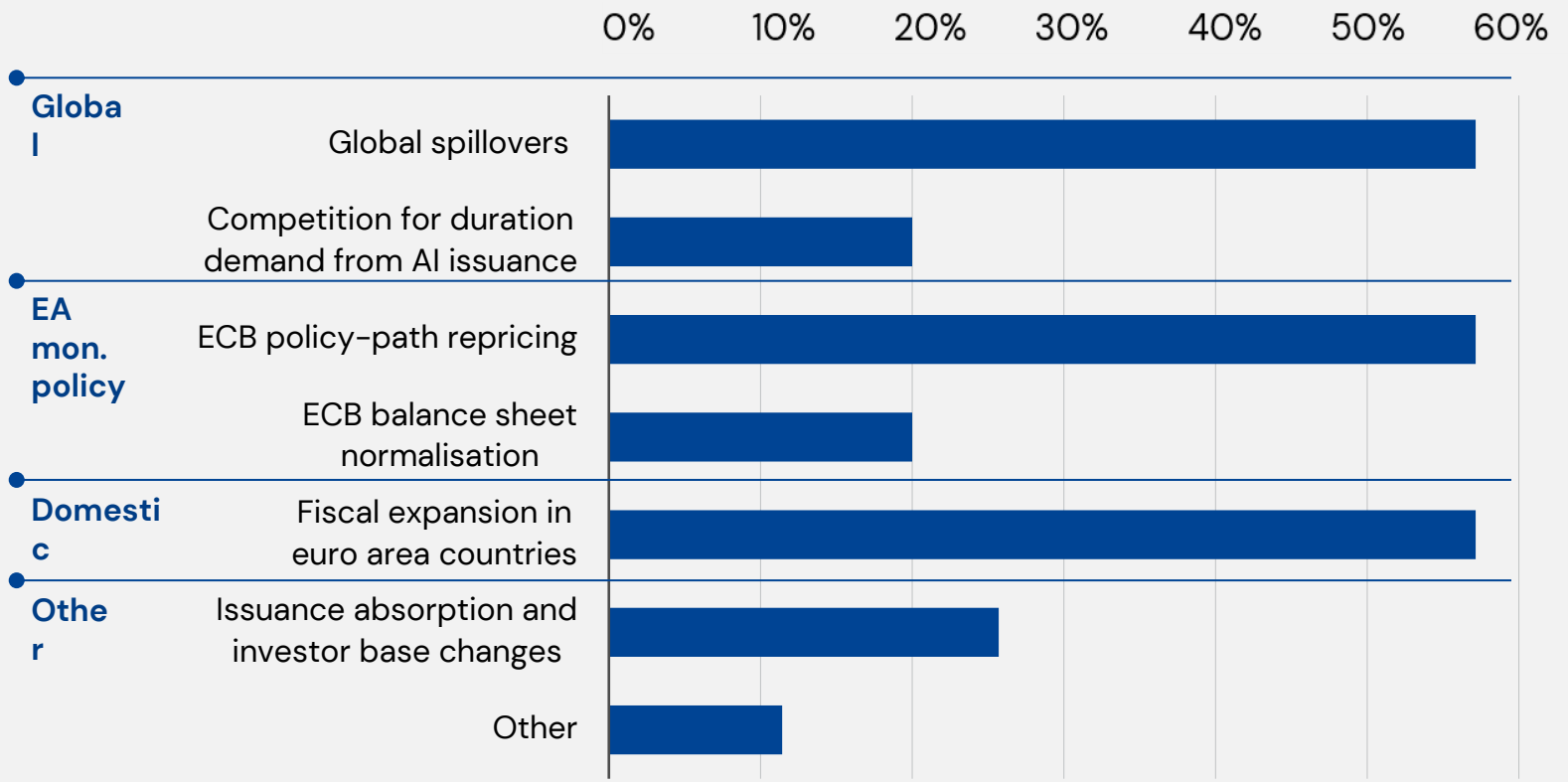
Yields rose on global, monetary and fiscal factors

What's behind the rise in euro area sovereign yields? (Shares of respondents)

Yield components



Thematic drivers (multiple responses possible)

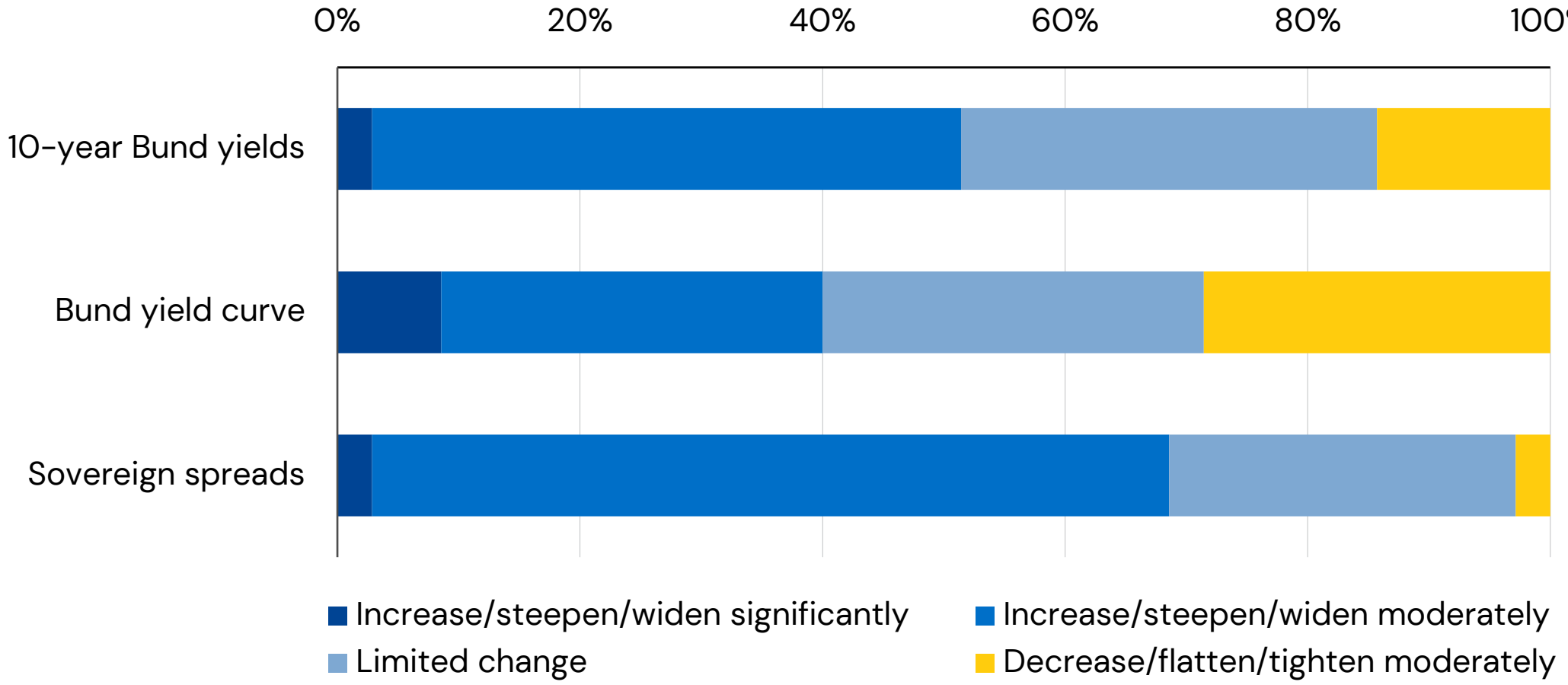


RESULTS FROM THE ESM SOVEREIGN SENTIMENT SURVEY

Source: ESM Sovereign Sentiment Survey Q4 2026

A majority expects further spread widening

What is the outlook for EA sovereign assets over 12 months? (Shares of respondents)

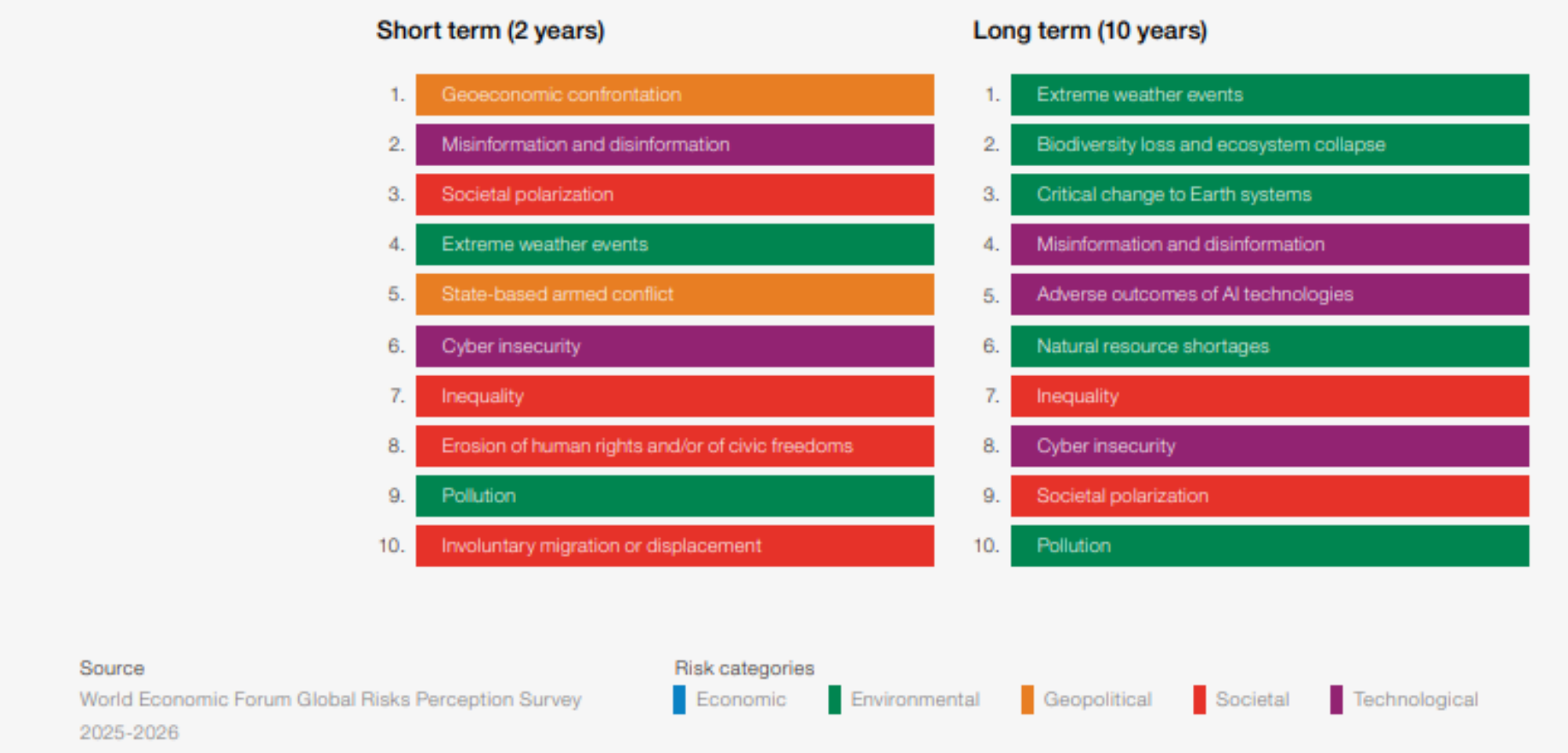


RESULTS FROM THE ESM SOVEREIGN SENTIMENT SURVEY

Source: ESM Sovereign Sentiment Survey Q4 2026. 10-year spreads vs. Bunds. 10y2y Bund yield curve.

5 What is next for Europe?

WEF Davos 2026: the top risks have shifted



Europe: from resilience to investment

	Risks	Opportunities
Short term	• Global volatility and repricing • Reform momentum stalls • Funding complexity rises • Sovereign risk spillovers	• Rising euro-asset demand • Fast-track SIU reforms • Investor diversification • Grow European safe asset pool
Long term	• Persistent market fragmentation • Investment gap persists • Unmanaged digital finance risks	• Mobilise European savings • Strengthen euro's global role • Build digital market infrastructure

What to expect more of from Europe?

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

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