

Session 6:
A View from the Issuance Side

European Stability Mechanism:

A crisis resolution mechanism established
by the euro area countries

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European Stability Mechanism

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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

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, €433 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

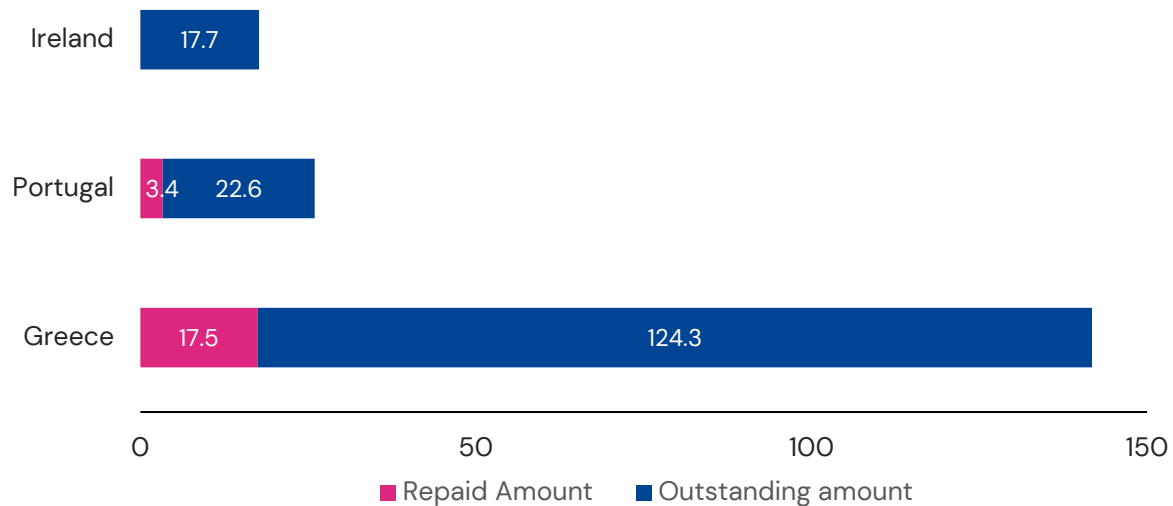
Continued operations

- 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

EFSF and ESM lending overview

EFSF lending overview

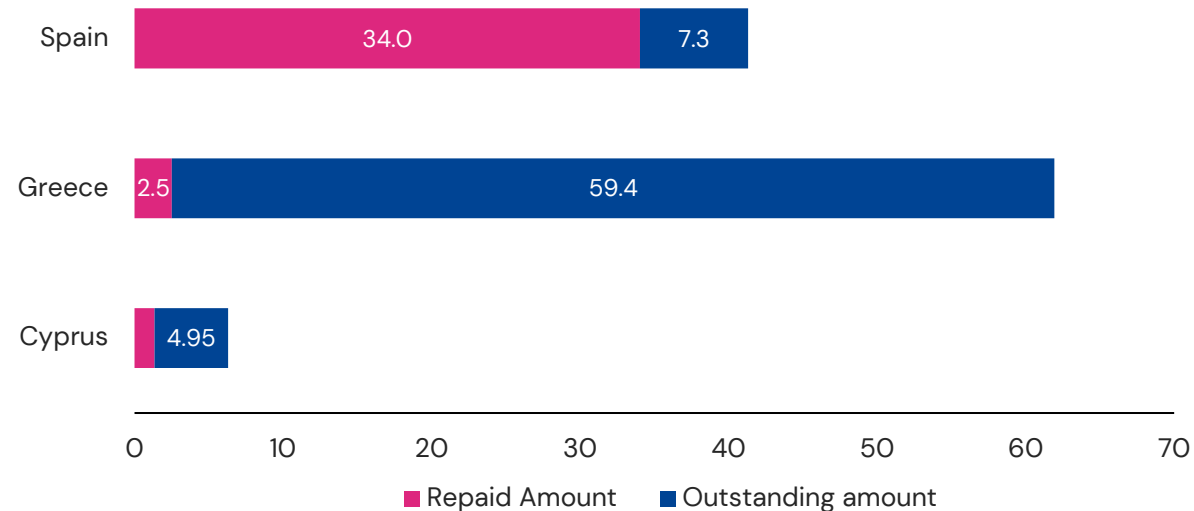
(in € billion)



Note: As of 17 June 2026. EFSF disbursed € 185.5 billion, its longest loan is 2070

ESM lending overview

(in € billion)



Note: As of 17 June 2026. ESM disbursed € 109.5 billion, its longest loan matures in 2060

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

Comparison EFSF and ESM



Legal structure	Private company under Luxembourg law	Intergovernmental institution under international law
Framework	Lending June 2010–June 2013 Funding until 2070	Permanent institution
Capital structure	Backed by guarantees from euro area countries	€714.67 billion subscribed capital €81.67 billion paid-in capital €633.00 billion committed callable capital**
Guarantors	Finland, Germany, Luxembourg, Netherlands, Austria, France, Belgium, Estonia, Slovakia, Slovenia, Italy, Malta, Spain*	21-euro area countries
Creditor status	Pari passu	Preferred creditor status (after IMF)***
Credit rating	S&P Global Ratings: A+, Outlook Stable Fitch Ratings.: A+ Moody's Ratings: Aaa, Outlook Negative	S&P Global Ratings: AAA, Outlook Stable Fitch Ratings.: AAA, Outlook Stable Moody's Ratings: Aaa, Outlook Stable Scope Ratings GmbH: AAA, Outlook Stable

Notes:

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

**The total amount of paid-in capital will increase from €81.07 billion to €81.68 billion, after Bulgaria's five annual instalments have been paid, as of 30 June 2026.

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

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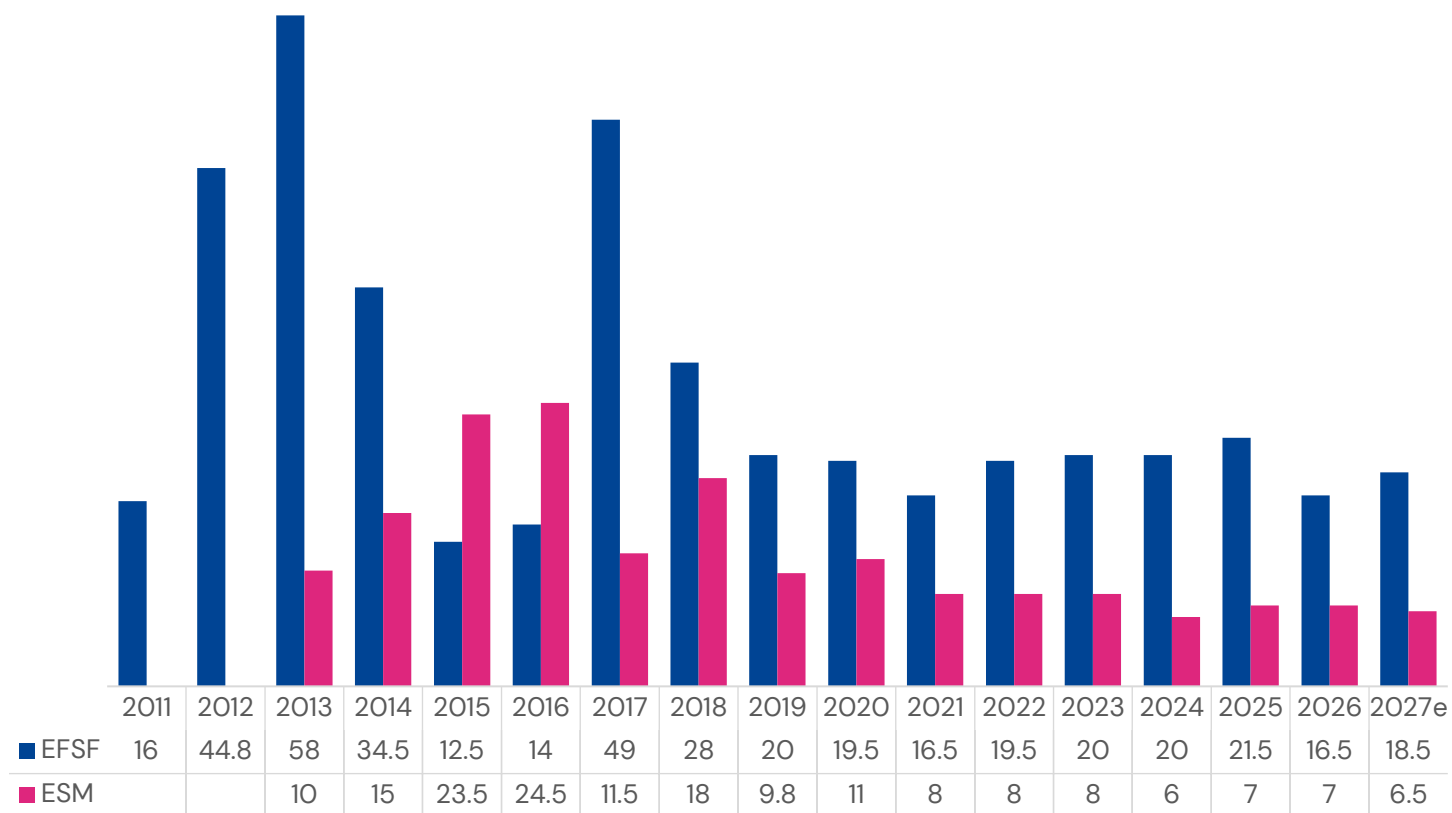
Funding programmes



2026 ESM and EFSF funding programmes

Evolution of EFSF/ESM bond issuance

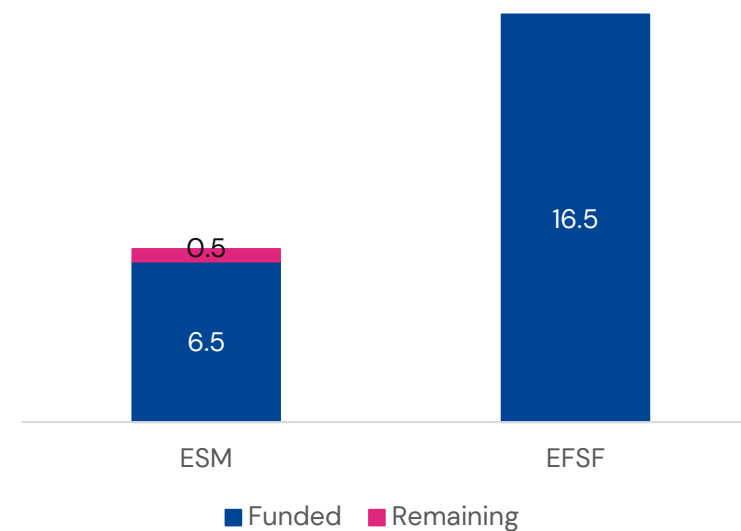
(in € billion)



Source: ESM data

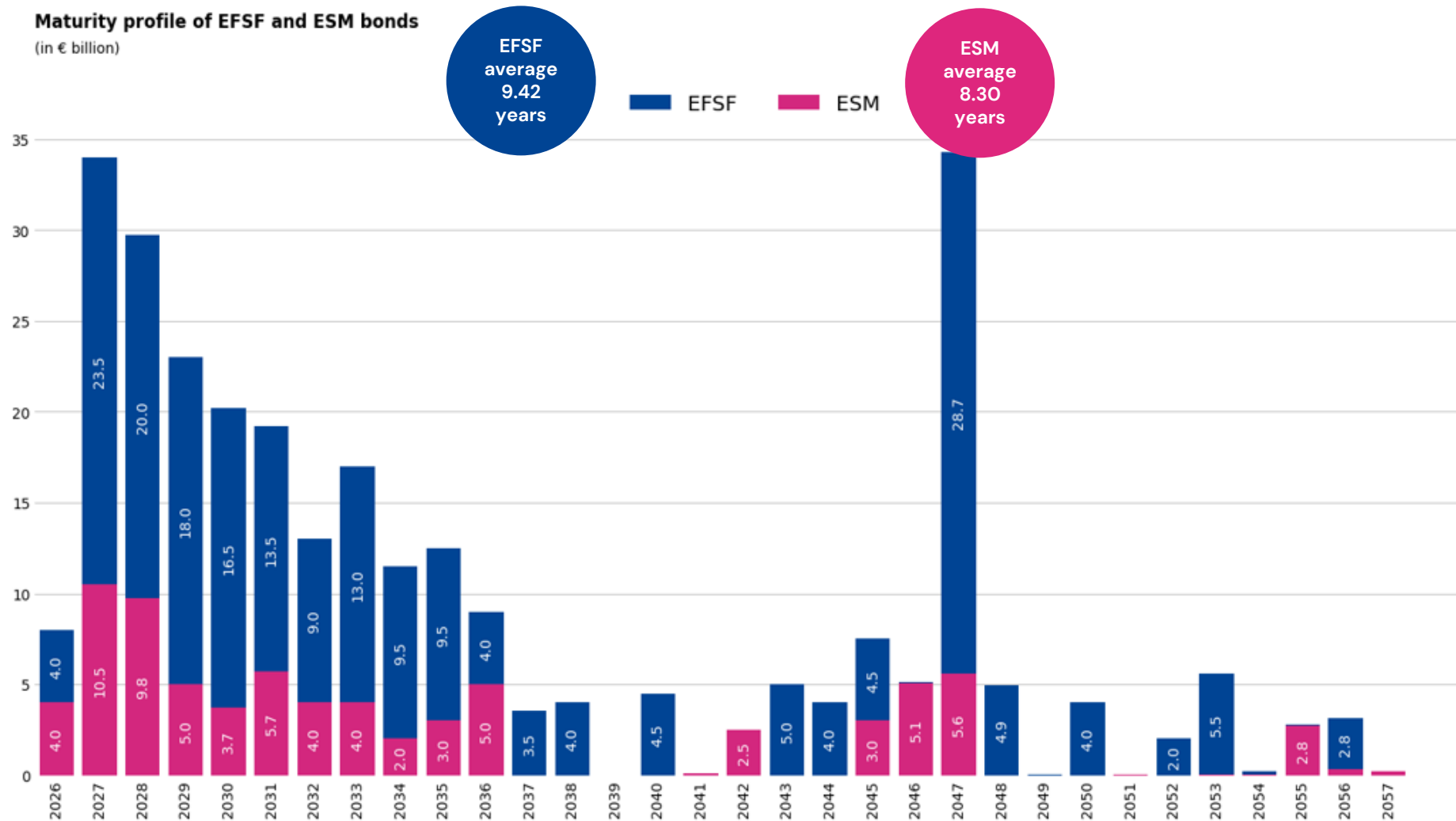
ESM and EFSF funding programme 2026

(in € billion)



Note: As of 01 October 2026.

Maturity profiles of EFSF and ESM bonds



Long-term funding



Flagship products



Strategic products

Highly liquid € benchmark bonds	USD market*	N-bonds
• Regular presence in all parts of the curve • Maximum loan maturities: EFSF up to 2070 and ESM up to 2060 • Use of taps to increase liquidity • Syndication and auction	• Strategic tool utilised by ESM only subject to market conditions and funding needs • Issuance format: RegS/144A • All proceeds swapped back to euros	• Minimum issue size: €25 million • Maturity: EFSF up to 2070 and ESM up to 2060 • Frequency: Issuance via reverse enquiry • Distribution: Via ESM/EFSS market group members

* For ESM only

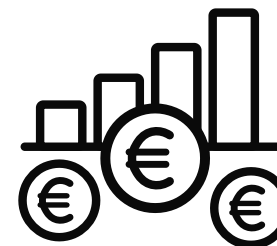
Managing Liquidity Risk



Liquidity Risk

Mitigated by:

- Issue on different parts of the curve and in different currencies
- Run a Liquidity Buffer
- Use of different products



Funding Pool & Lending Rates

- Average funding cost passed on to beneficiary countries in the form of **Lending Rate**:

ESM
1.78%

EFSF
2.03%

Note: As of 2 October 2026.

Short-term funding

ESM bill programme

- **Size:** in the €1.5 billion area
- **Timing:** 1st 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.
- The ESM can also issue Commercial Paper. See Annex.

2026	July	August	September	October	November	December
3-month	Tuesday 07	Tuesday 04	Tuesday 01	Tuesday 07	Tuesday 03	Tuesday 01

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

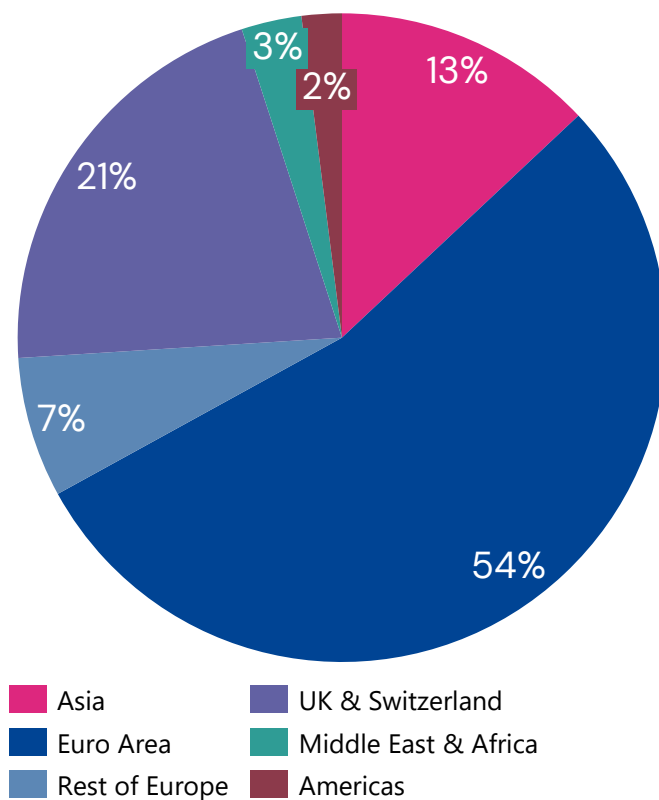
STEP label was granted, in accordance with the STEP Market Convention



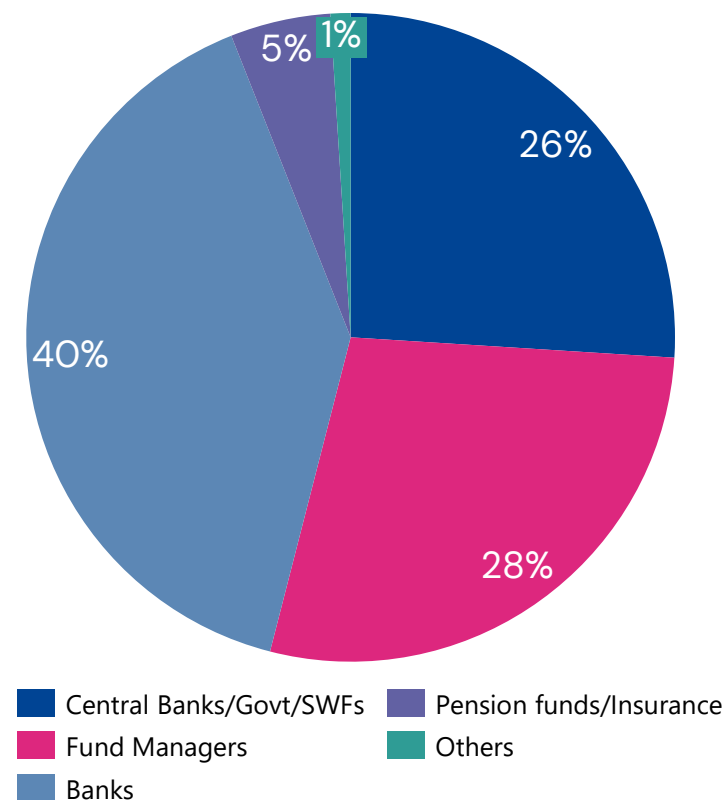
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EFSF and ESM: Solid and diversified investor base

Geographical breakdown



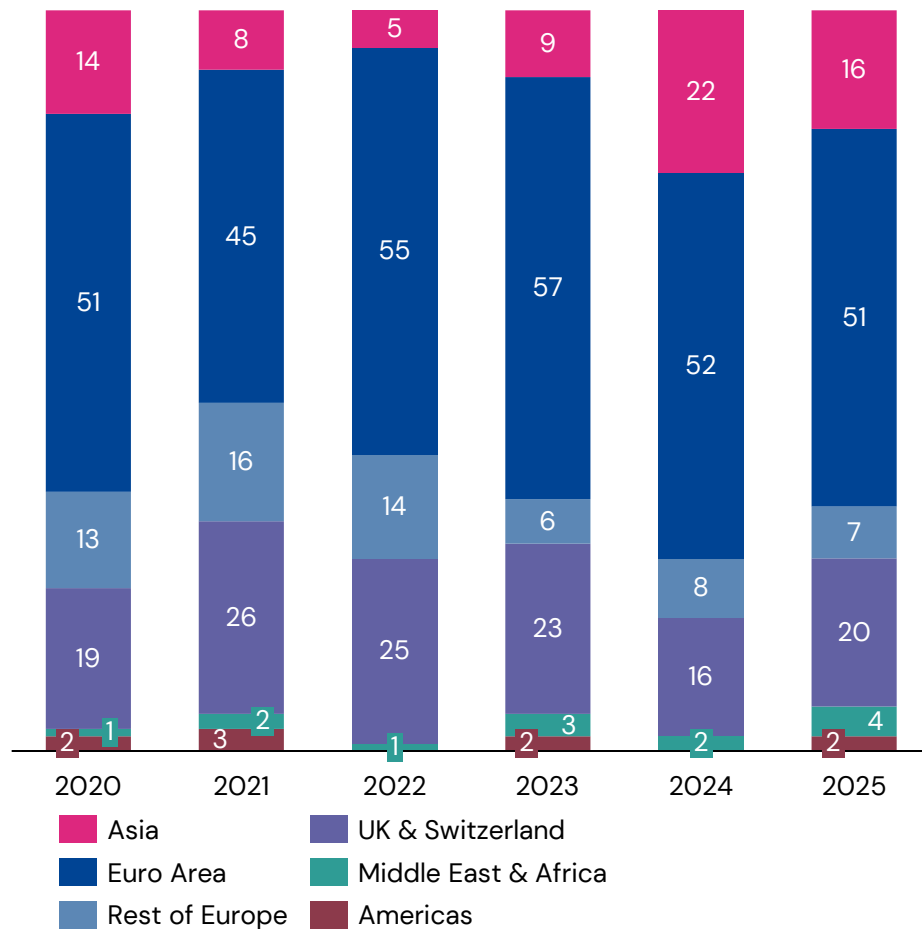
Breakdown by investor type



Notes: As of Q3 2026. Total breakdown includes all EFSF and ESM syndicated bond issues at time of issue. Placements by auction are not included.
Source: ESM data

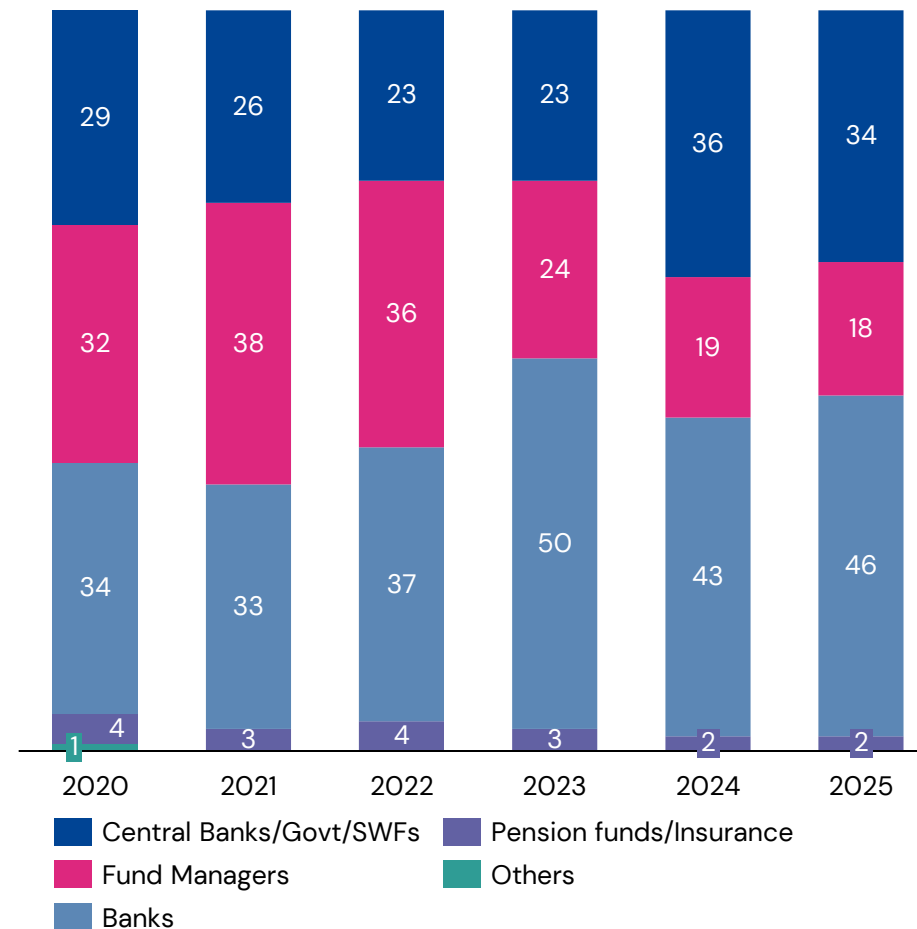
ESM and EFSF: annual investor breakdown

Geographical breakdown



Source: ESM data

Breakdown by investor type



Impact investing at ESM

Effect of ESG-labelled bonds



- ESM committed to supporting ESG-labelled bonds
- €7.5 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 2025, 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 2025.

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ESG summary report 2025

Key Highlights

- Increase to €7.5 billion on a marked-to-market basis, up from €7.4 billion in 2024, of ESM investment in ESG-labelled bonds.
- Deepening into a subcategories analysis of the ESG bond holdings to understand the impact of ESG investments, being renewable energy (14.8%), affordable housing (12.2%), and clean transportation (11.3%) the most allocated subcategories.
- New research on the macroeconomic effects of extreme weather events, providing evidence to enhance the ESM's climate risk monitoring toolkit and support the integration of physical climate risks into country surveillance and debt sustainability analysis.

ENVIRONMENTAL, SOCIAL,
AND GOVERNANCE

SUMMARY REPORT
2025



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