Dok 46

September 2025

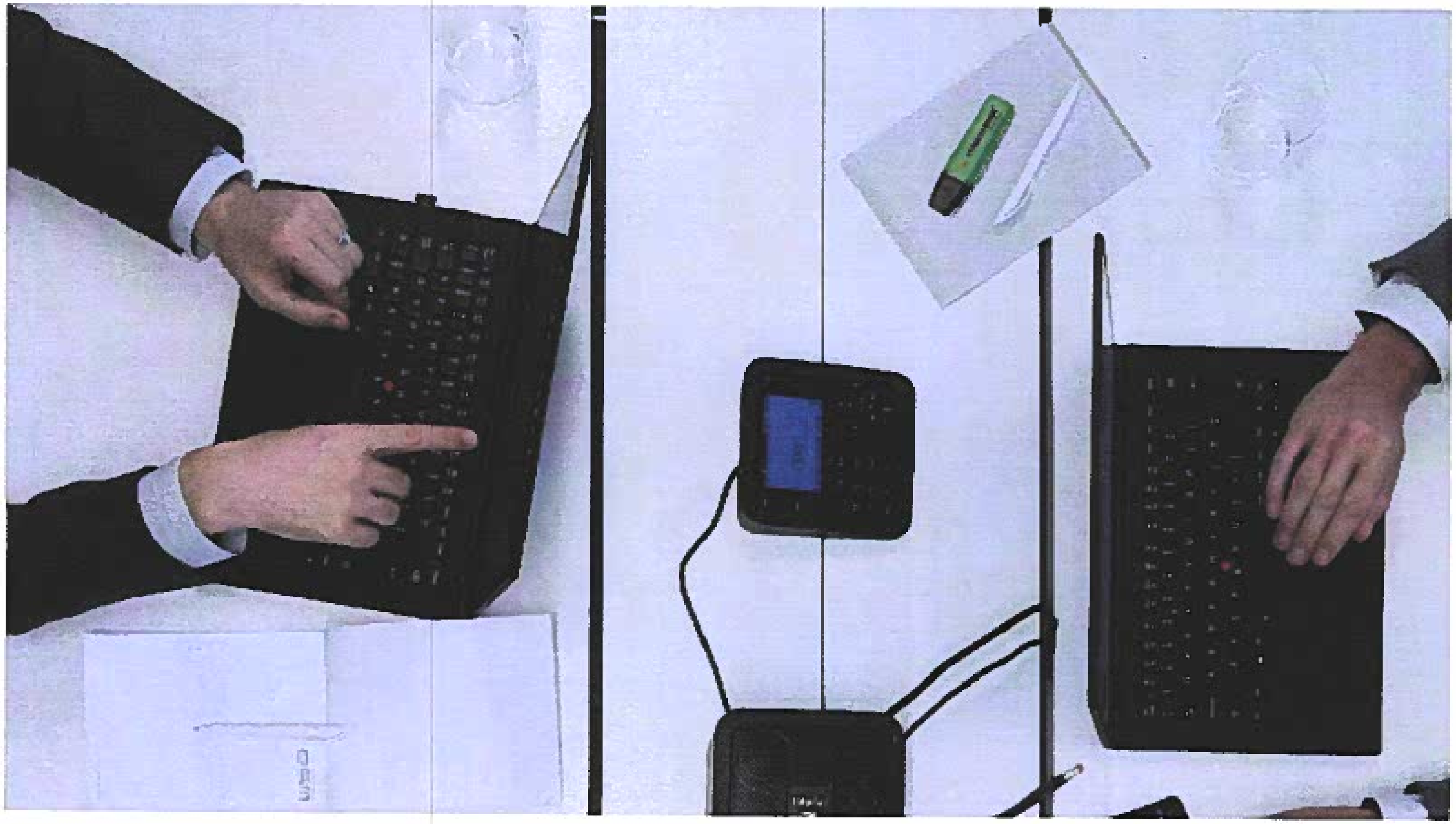
European Stability Mechanism
Annual Report 2024

Ministry for Finance

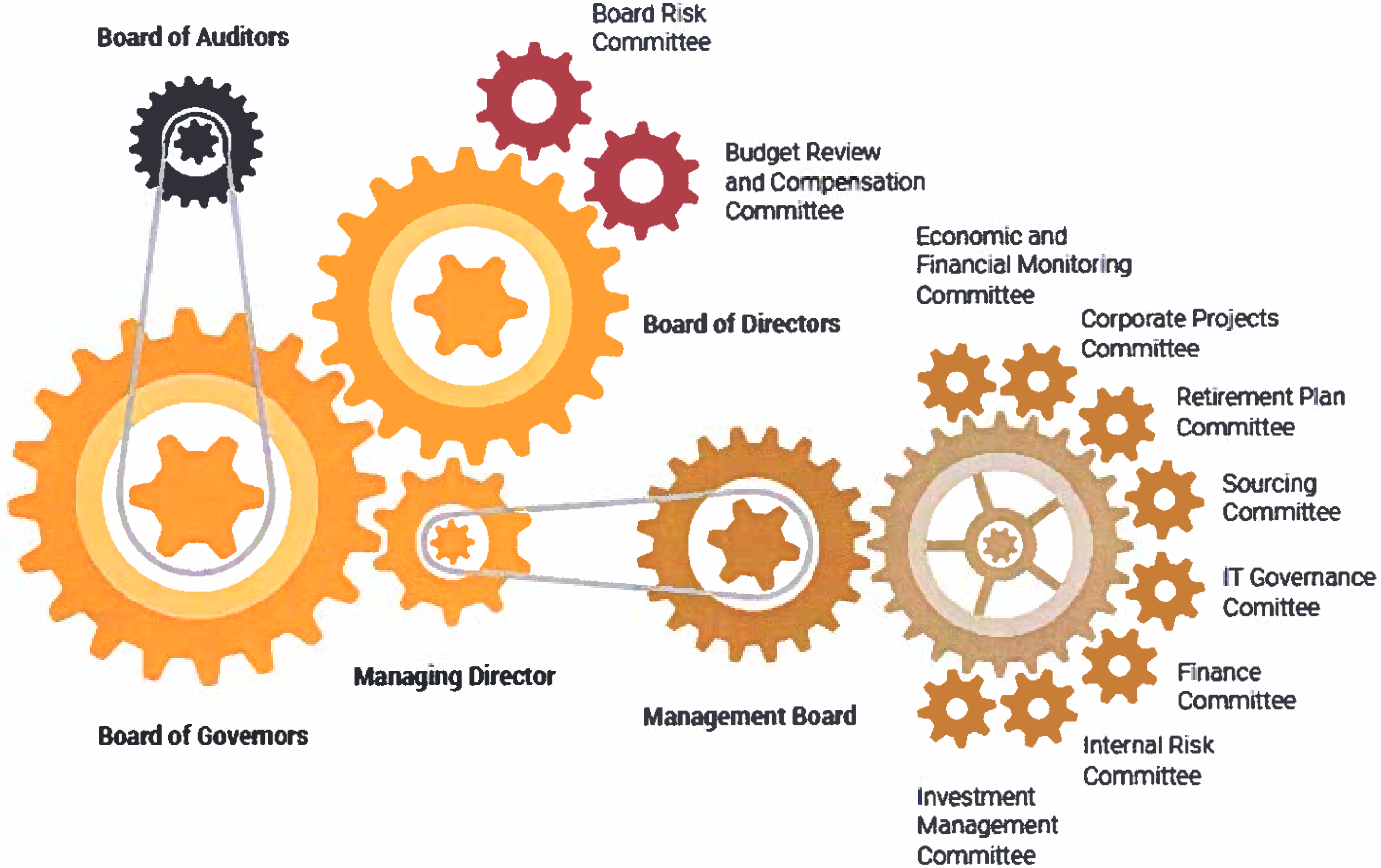
Presentation Outline

- ESM Governance & Financial Reports 2024
- Macroeconomic and Financial Environment
- Programme Country Experiences
- ESM Rating
- From Crisis to Confidence
- Conclusions

ESM Governance & Financial Reports 2024

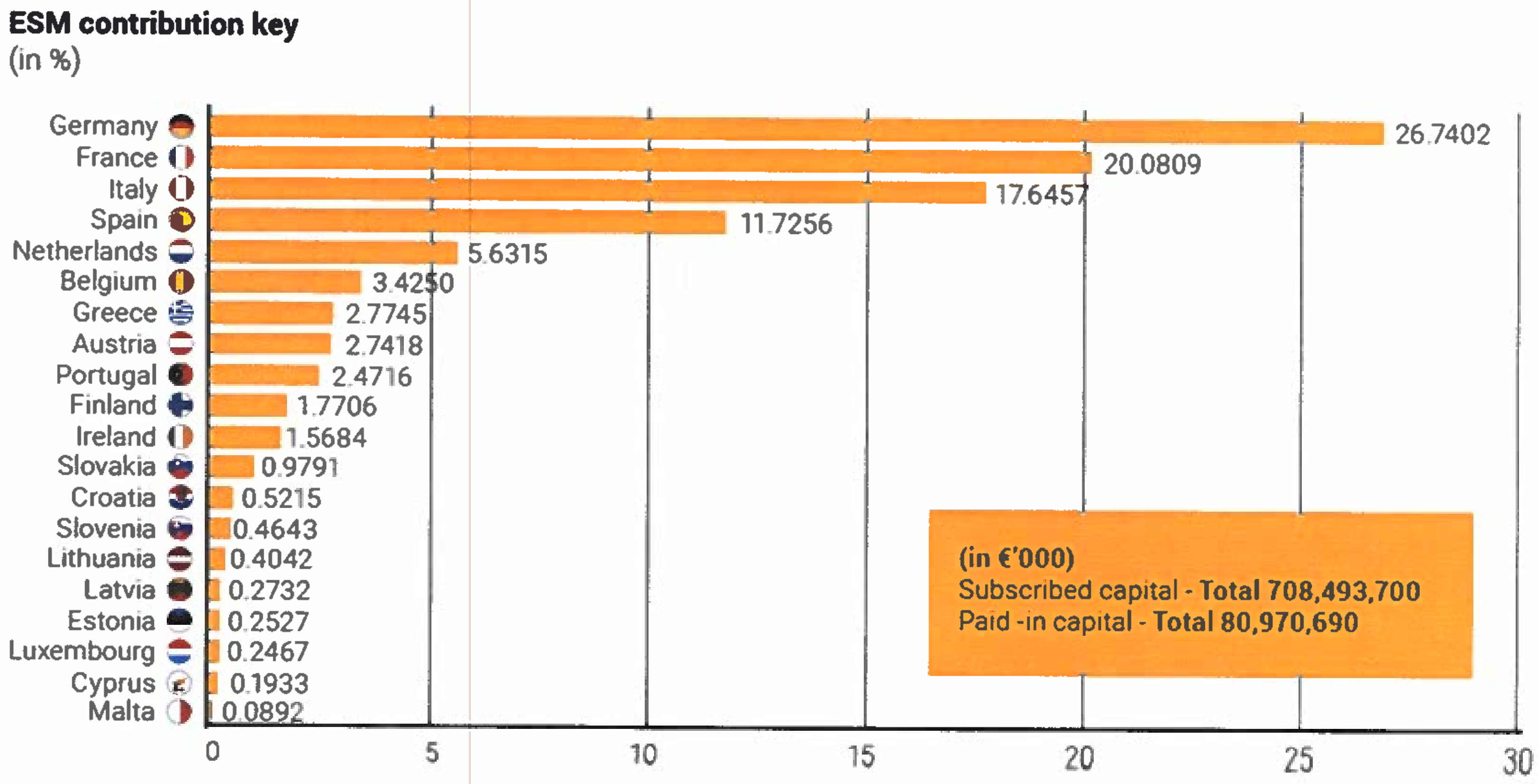


Governance



Board of Auditors
Board Risk Committee
Budget Review and Compensation Committee
Economic and Financial Monitoring Committee
Board of Directors
Corporate Projects Committee
Retirement Plan Committee
Sourcing Committee
IT Governance Comittee
Finance Committee
Internal Risk Committee
Investment Management Committee
Managing Director
Management Board
Board of Governors

ESM shareholders & contribution key (%)

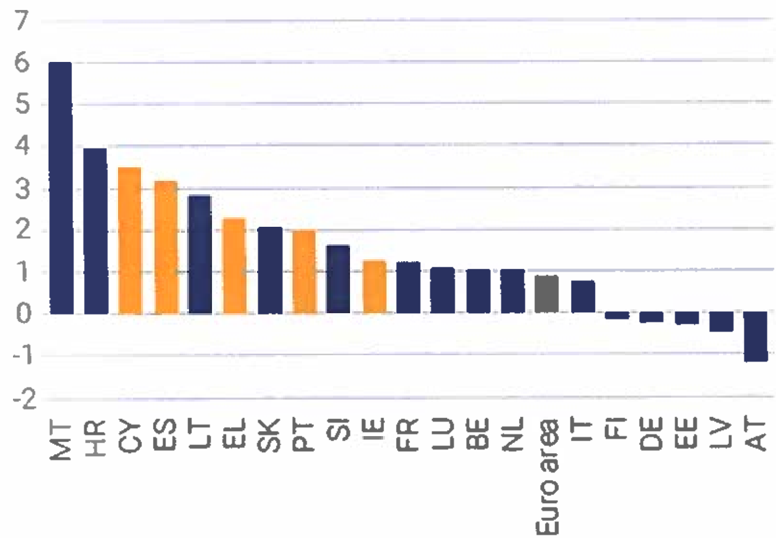


ESM Financial Report 2024

Balance Sheet	Profit & Loss	Outlook
As of 31 December 2024, the total ESM balance sheet was €806.5 billion, a decrease by €1.9 billion compared to the previous year	Net profit surged to €1.8bn in 2024	2025 profit expected to remain in line with 2024
Subscribed capital: €81.0 billion (of which €80.7 billion paid)	Stronger investment returns boosted income	High uncertainty from trade & geopolitical tensions
Croatia paid €84.5 million 2nd instalment in March 2024 (total €422.3 million)	Focus on discipline and cost control	ESM ready to adjust with mitigating actions
Issued debt securities: €4.3 billion lower (mainly due to Spain's €4.6 billion loan repayment in Dec 2024)		
Debt securities holdings: €77.2 billion (+€2.4 billion vs 2023)		

Macroeconomic and Financial Environment

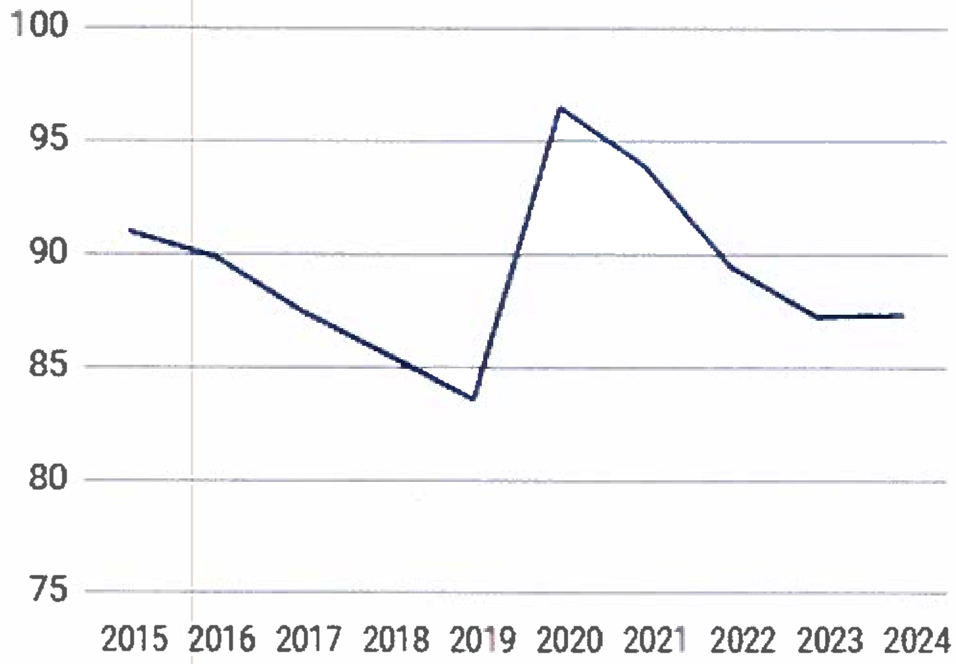
Real GDP growth in 2024
(in %)



Note: ESM/EFSF former programme countries in yellow.
Source: Eurostat

In 2024, economic growth varied across countries, driven by strong domestic demand and tourism, while industrial and construction sectors struggled and large export-oriented economies faced weaker growth.

Euro area general government gross debt (in % of GDP)



Source: Eurostat

Programme Country Experiences

Ireland

GDP growth: Real GDP grew 1.2% in 2024, driven by foreign-owned multinationals and domestic consumption.

Fiscal performance: Large budget surplus from windfall and one-off revenues; public debt projected at 40.9% of GDP (69% of GNI*).

Risks: Exposure to trade tensions, housing and labour constraints, commercial real estate vulnerabilities, and potential shocks to windfall tax revenues.

Inflation & wages: Low inflation (1.3%) and nominal wage increases supported private consumption.

Financial sector: Banks resilient with stable capital ratios, declining NPLs, and strong profitability.

Debt sustainability: Ireland can meet obligations, with adequate cash buffers and low short-term market stress risk.

Labour market: Unemployment near historic low at 4.3%.

2025 outlook: GDP expected to accelerate to 4.0%; inflation projected at 1.9%.

Greece

Economic growth: GDP grew 2.3% in 2024, above the euro area average, supported by investment, tourism, and employment gains.

Sovereign debt: Spreads fell to lowest since the financial crisis; Greece regained investment grade status from all rating agencies and repaid €8bn early to the Greek Loan Facility.

Risks & priorities: Addressing productivity gaps, restructuring legacy NPLs, and sustaining reforms are key for long-term debt sustainability.

Inflation & labour: Inflation remained high at 3.0%, while unemployment fell below 10% for the first time in over a decade.

Banking sector: Profitable and stable; NPL ratios declined to 3.4%, credit to firms grew 10%, and banks paid dividends for the first time in 16 years. Legacy NPLs (€74.7bn) remain a challenge.

Fiscal performance: Primary surplus rose to 4.8% of GDP; public debt-to-GDP ratio dropped sharply for a fourth consecutive year.

Outlook 2025: Growth projected at 2.3%, inflation trending toward 2%. Comfortable cash buffers, low near-term market risks.

Spain

Economic growth: GDP grew slightly above 3% in 2024, outperforming the euro area average, driven by consumption, tourism, and non-tourism service exports.

Reforms & investment: Next Generation EU funds supported investment and reforms despite political uncertainty.

Risks: Weak investment, political uncertainty, ageing population, climate risks, and low productivity.

Inflation & labour: Inflation eased to 2.8% by year-end; labour market supported by immigration but unemployment remained high.

Sovereign markets: Investor confidence strong; spreads narrowed from ~100 bps to 70 bps; 10-year yield stable at 3.1%.

Priorities: Implement fiscal-structural plan, boost private investment, and strengthen long-term debt sustainability.

Public finances: Deficit narrowed to 3.2% of GDP (above 3% target due to flood costs); public debt fell to 101.8% of GDP.

Banking sector: Adequate capital and liquidity, robust profitability, NPL ratio below 3%; credit growth weak but improved slightly as monetary policy eased.

Cyprus

Economic growth: Real GDP grew ~3.5% in 2024, more than four times the euro area average, driven by private consumption, investment, tourism, and services exports.

Credit rating & markets: All major rating agencies upgraded Cyprus to investment grade; sovereign bond yields fell to ~3%.

2025 outlook: GDP projected to grow 2.8%; inflation slightly above 2%; low short- and medium-term debt sustainability risks.

Inflation & labour: Inflation eased to 2.3%; unemployment fell to 4.9%.

Banking sector: Record profitability, strong capital and liquidity, improved asset quality, moderate new lending, ongoing legacy NPL challenges.

Risks: Geopolitical uncertainty could impact tourism, domestic demand, and energy/commodity prices.

Fiscal performance: Primary surplus reached 5.5% of GDP (highest in euro area); public debt fell to 65% of GDP, a cumulative decline of 48 percentage points since 2020.

Recovery & reform: Progress on recovery and resilience plan; focus on green and digital transition, energy independence, and foreclosure framework.

Portugal

Economic growth: GDP grew 1.9% in 2024, above the euro area average, supported by private consumption and a strong labour market.

Market access & sovereign ratings: 10-year yield ended at 2.8%; sovereign spread narrowed below 50 bps; credit ratings improved with positive outlooks.

2025 outlook & risks: GDP expected to grow 1.9%; inflation at 2.1%; risks from geopolitical tensions, protectionism, demographic changes, and delays in reforms.

Inflation & labour: Inflation moderated to 2.1%; unemployment remained low; net migration boosted employment.

Banking sector: Record profitability, strong solvency and liquidity, resilient asset quality; macroprudential measures strengthened against real estate risks.

Priorities: Timely implementation of recovery and resilience plan and structural reforms to support medium- and long-term debt sustainability.

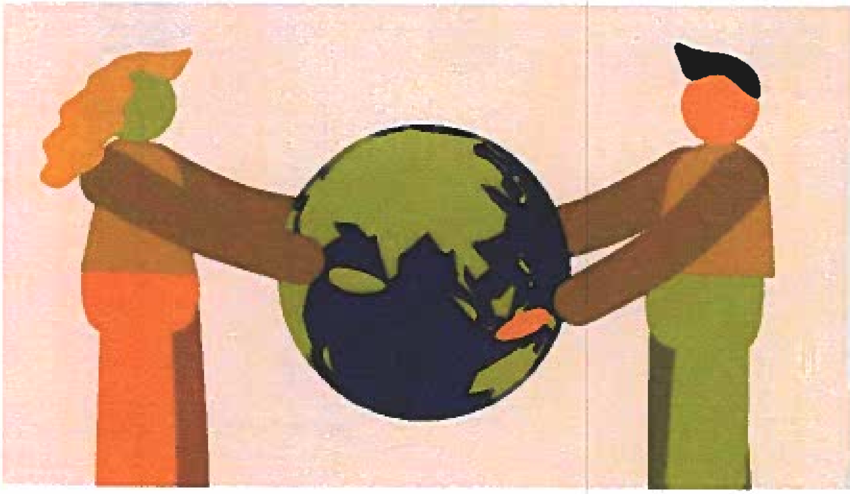
Fiscal performance: General government surplus of 0.7% of GDP; public debt declined to 94.9% of GDP; strong corporate tax collection.

Investment & external position: Private investment subdued; tourism and services exports supported current account surplus; European funds improved external position.

Lending

In 2024, Greece and Spain made scheduled and early repayments to the ESM/EFSF, including a €7.9 billion early Greek Loan Facility repayment, while the total ESM/EFSF loan portfolio reached €249.1 billion

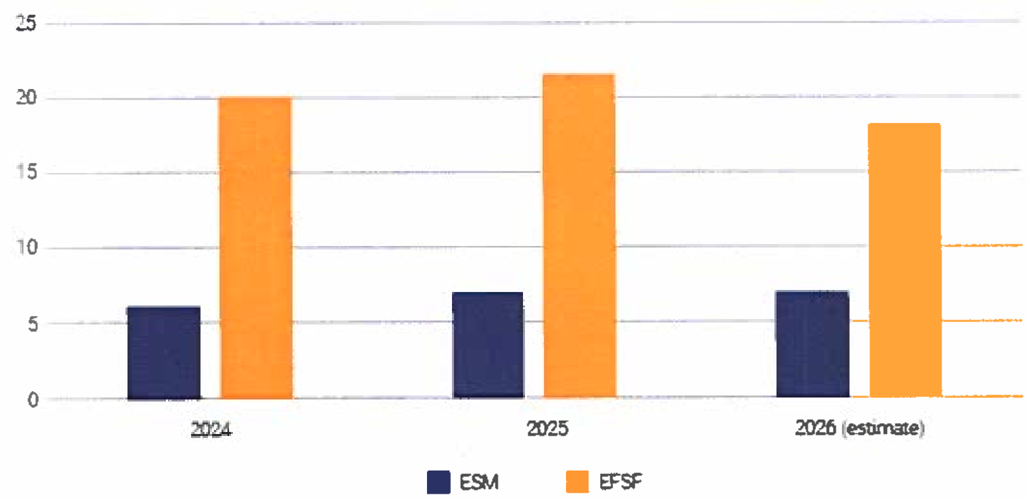
Addressing Future Challenges



ESM tools are adequate, with preventive and precautionary instruments key for early crisis mitigation, market confidence, and cost-effective financial stability.

Funding & Investment Relations

Figure 13
ESM/EFSF long-term funding programme
(in € billion)



Source: ESM

- ESM/EFSF issue €26 billion in bonds with frequent presence in the market through new lines and taps of existing bonds.
- Positive yields entice central banks, sovereign wealth funds, and other government and agency investors.
- Asian investors step up interest in ESM/EFSF bonds.
- ESM launches euro commercial paper programme, issues €3.46 billion.
- ESM co-hosts, with the European Investment Bank and the European Commission, over 200 people at its sixth annual Capital Markets Seminar in Luxembourg.
- ESM/EFSF embark on 11 virtual and physical roadshows.
- ESM sharpens focus on climate risk considerations.
- ESM/EFSF confirm 2025 funding target of €28.5 billion.


ESM Rating

ESM Ratings

ESM retains top credit ratings from five agencies

S&P	**Long-term rating** ★	AAA
	Short-term rating	A-1+
	Rating outlook	Stable
Fitch	**Long-term rating** ★	AAA
	Short-term rating	F1+
	Rating outlook	Stable
Moody's	**Long-term rating** ★	Aaa
	Short-term rating	P-1
	Rating outlook	Stable
Scope	**Long-term rating** ★	AAA
	Short-term rating	S-1+
	Rating outlook	Stable
Morningstar DBRS	**Long-term rating** ★	AAA
	Short-term rating	R-1 (high)
	Rating outlook	Stable

Notes: Morningstar DBRS ratings are unsolicited; Scope ratings became solicited on 31 March 2025.
Sources: The rating agencies named, compiled by the ESM

Conclusion

"The euro area has demonstrated resilience, but it is imperative to remain vigilant and adaptable. The ESM is committed to supporting the euro area and its members as effectively as possible, ensuring a safer, more prosperous future for all."

- Pierre Gramegna
ESM Managing Director