

# European Stability Mechanism

## Rating Report

### Rating rationale and Outlook

The AAA/Stable rating of the European Stability Mechanism (ESM) reflects its i) 'aaa' intrinsic credit profile, underpinned by a 'Strong' institutional profile and an 'Excellent' financial profile, and ii) 'Excellent' shareholder support. In detail:

- **Institutional profile:** The ESM has a record of excellent governance and a very strong mandate for its shareholders, with Bulgaria set to join as its 21<sup>st</sup> member, having adopted the euro as its national currency on 1 January 2026. The ESM occupies a key position within the euro area institutional framework as a financial backstop to safeguard financial stability. While the timing of the ratification process of the revised ESM treaty remains uncertain, the ESM's mandate to safeguard financial stability in the euro area remains critical and highly relevant to euro area member states.
- **Financial profile:** The ESM benefits from prudent risk management and is highly capitalised with EUR 80.7bn of paid-in capital, the highest of any supranational. The ESM's very comfortable liquidity position stands out as one of the highest among rated peers, shielding it from refinancing risk. Funding needs are stable at EUR 7bn in 2026.

The ESM's mandate to provide support to member states undergoing severe funding crises results in a highly concentrated borrower base and moderate profitability. It benefits from strong risk mitigants, however, including its preferred creditor status. The ESM's three borrowers, Greece (BBB/Positive), Spain (A/Positive) and Cyprus (A-/Positive), have so far repaid all loans in full and on time, with Spain expected to make its final repayment in 2027.

- **Shareholder support:** The ESM benefits from highly rated shareholders and a very strong capital call mechanism. More than half of its capital is held by sovereigns rated AA- or higher.

Figure 1: Scope's assessment of the ESM's rating drivers



Source: Scope Ratings

### Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt/Outlook

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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Credit Strengths and Challenges

Credit strengths	Credit challenges
<ul style="list-style-type: none"><li>Substantial capital position</li><li>Very high liquidity buffers</li><li>Excellent access to capital markets</li><li>Highly rated shareholders</li></ul>	<ul style="list-style-type: none"><li>Concentrated loan portfolio</li><li>Concentrated shareholder base</li></ul>

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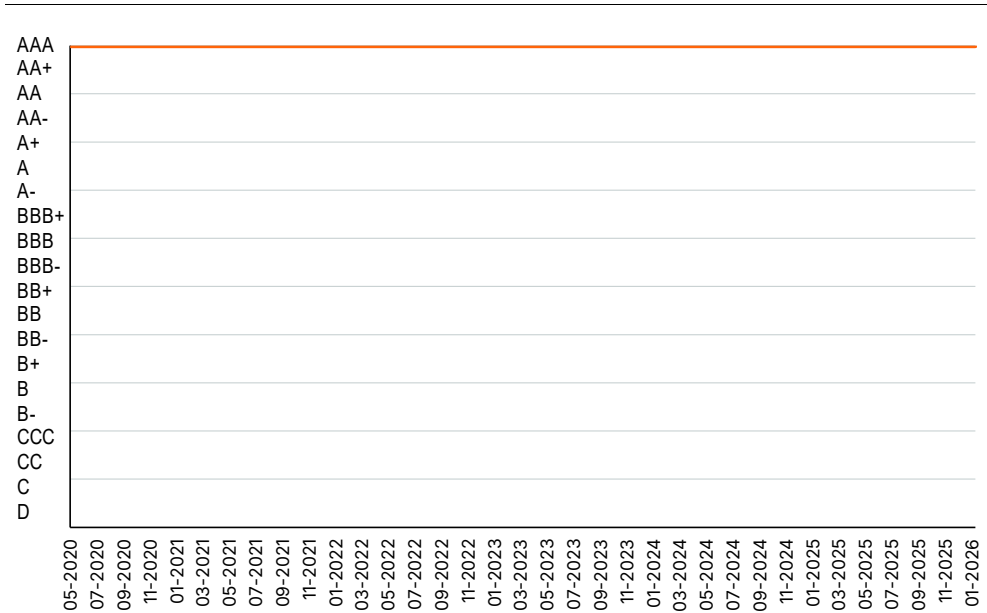
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Rating Outlook and Sensitivities

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating divers	Negative rating drivers
<ul style="list-style-type: none"><li>N/A</li></ul>	<ul style="list-style-type: none"><li>Lower liquidity buffers</li><li>Weaker capital base</li><li>Weaker asset quality</li></ul>

Figure 2: Rating history<sup>1</sup>



<sup>1</sup>Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

**Indicative rating: 'aaa'**

**Institutional and financial profiles for the ESM**

Intrinsic Credit Profile		Institutional Profile				
		Excellent	Strong	Adequate	Moderate	Weak
Financial Profile	Excellent	aaa	aaa	aaa	aa+	aa
	Very Strong (+)	aaa	aaa	aa+	aa	aa-
	Very Strong	aaa	aa+	aa	aa-	a+
	Very Strong (-)	aa+	aa	aa-	a+	a
	Strong (+)	aa	aa-	a+	a	a-
	Strong	aa-	a+	a	a-	bbb+
	Strong (-)	a+	a	a-	bbb+	bbb
	Adequate (+)	a	a-	bbb+	bbb	bbb-
	Adequate	a-	bbb+	bbb	bbb-	bb+
	Adequate (-)	bbb+	bbb	bbb-	bb+	bb
	Moderate (+)	bbb	bbb-	bb+	bb	bb-
	Moderate	bbb-	bb+	bb	bb-	b+
	Moderate (-)	bb+	bb	bb-	b+	b
	Weak (+)	bb	bb-	b+	b	b-
	Weak	bb-	b+	b	b-	ccc
	Weak (-)	b+	b	b-	ccc	ccc
	Very Weak (+)	b	b-	ccc	ccc	ccc
	Very Weak	b-	ccc	ccc	ccc	ccc
	Very Weak (-)	ccc	ccc	ccc	ccc	ccc

## Mapping intrinsic credit profile and shareholder support for the ESM

Indicative Rating		Shareholder Support			
		Excellent	Very High	High	Moderate
Intrinsic Credit Profile	aaa	aaa	aaa	aaa	aaa
	aa+	aaa	aaa	aaa	aaa / aa
	aa	aaa	aaa	aaa / aa	aa+ / aa-
	aa-	aaa	aaa / aa	aa+ / aa-	aa / a+
	a+	aaa / aa	aa+ / aa-	aa / a+	aa- / a
	a	aa+ / aa-	aa / a+	aa- / a	a+ / a-
	a-	aa / a+	aa- / a	a+ / a-	a / bbb+
	bbb+	aa- / a	a+ / a-	a / bbb+	a- / bbb
	bbb	a+ / a-	a / bbb+	a- / bbb	bbb+ / bbb-
	bbb-	a / bbb+	a- / bbb	bbb+ / bbb-	bbb / bb+
	bb+	a- / bbb	bbb+ / bbb-	bbb / bb+	bbb- / bb
	bb	bbb+ / bbb-	bbb / bb+	bbb- / bb	bb+ / bb-
	bb-	bbb / bb+	bbb- / bb	bb+ / bb-	bb / b+
	b+	bbb- / bb	bb+ / bb-	bb / b+	bb- / b
	b	bb+ / bb-	bb / b+	bb- / b	b+ / b-
	b-	bb / b+	bb- / b	b+ / b-	b / ccc
	ccc	bb- / b	b+ / b-	b / ccc	b- / ccc

## Annex I: Shareholders

ESM Shareholders (EUR 000s)	Paid-in capital	Callable capital	Subscribed capital	Key (%)	Rating	Callable capital ≥ AA-
Germany	21,651,750	167,801,050	189,452,800	26.7	AAA/Stable	167,801,050
France	16,259,660	126,012,340	142,272,000	20.1	AA-/Negative	126,012,340
Italy	14,287,850	110,730,850	125,018,700	17.6	BBB+/Positive	
Spain	9,494,290	73,580,710	83,075,000	11.7	A/Positive	
<b>Total key shareholders*</b>	<b>61,693,550</b>	<b>478,124,950</b>	<b>539,818,500</b>	<b>76.2</b>		<b>293,813,390</b>
Netherlands	4,559,860	35,338,940	39,898,800	5.6	AAA/Stable	35,338,940
Belgium	2,773,280	21,492,920	24,266,200	3.4	A+/Stable	
Greece	2,246,550	17,410,750	19,657,300	2.8	BBB/Positive	
Austria	2,220,020	17,205,180	19,425,200	2.7	AA-/Negative	17,205,180
Portugal	2,001,300	15,510,100	17,511,400	2.5	A/Positive	
Finland	1,433,630	11,110,670	12,544,300	1.8	AA+/Negative	11,110,670
Ireland	1,269,910	9,841,790	11,111,700	1.6	AA/Stable	9,841,790
Slovakia	792,790	6,144,110	6,936,900	1.0	A/Negative	
Croatia**	442,290	3,610,542	3,695,000	0.5	A-/Positive	
Slovenia	375,930	2,913,470	3,289,400	0.5	A+/Stable	
Lithuania	327,200	2,536,200	2,863,400	0.4	A+/Stable	
Latvia	221,200	1,714,100	1,935,300	0.3	A-/Stable	
Estonia	204,650	1,586,050	1,790,700	0.3	A+/Stable	
Luxembourg	199,740	1,547,960	1,747,700	0.2	AAA/Stable	1,547,960
Cyprus	156,530	1,213,070	1,369,600	0.2	A-/Positive	
Malta	72,260	560,040	632,300	0.1	A+/Stable	
<b>Total</b>	<b>80,990,690.0</b>	<b>627,523,010.0</b>	<b>708,493,700</b>	<b>100.0</b>		<b>368,857,930</b>

\* We include shareholders whose cumulative capital share, starting from the largest shareholder, comprises at least 75% of the supranational's capital. We add all marginal shareholders with identical capital subscription to calculate the key shareholder rating.

\*\* Croatia became an ESM member on 22 March 2023. Following the end of a 12-year correction period, Croatia's total capital subscription will amount to EUR 5.7339bn. The table reflects the paid-in capital subscribed by Croatia upon accession to the ESM. The payment of the corresponding contribution of EUR 422.29m is to be paid in five equal annual instalments of EUR 84.46m.

Bulgaria (A-/Stable) will become the next ESM Member once the ESM Treaty enters into force after ratification in the country, which is expected for H1 2026. In the first twelve years of membership, Bulgaria's paid-in capital will be around EUR 600m, payable in five annual instalments. After the correction period, Bulgaria will pay in an additional EUR 392m, bringing its paid-in capital contribution to EUR 992m.

Figures may not add up due to rounding. Rating of ESM members as of 7 January 2026. Source: ESM, Scope Ratings

## Annex II: Scope's supranational scorecard

Analytical Pillar		Variables		Unit	+4	+3	+2	+1	0	-1	-2	Value	Assessment	ESM		
														Notches		
Intrinsic Credit Profile (90%*)	Institutional Profile (10%)	Mandate & ESG	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	Very High	1	Strong	
			Mandate (50%)	Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--			Strong
			Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Medium/ N/A			
		Governance (50%)	Shareholder concentration	HHI	--	--	--	--	≤ 1500	> 1500	--	1600	Moderate/Weak	0	Medium	
			Shareholder control	%	--	--	--	--	≤ 25	> 25	--	27	Moderate/Weak			
			Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong			
	Institutional Profile (10%)													Strong		
	Financial Profile (90%)	Capitalisation (30%)	Capital/ Potential assets	%	≥ 30	< 30; ≥ 20	< 20; ≥ 15	< 15; ≥ 10	< 10; ≥ 7.5	< 7.5; ≥ 5	< 5	24	Very High	3	Very Strong	
			(Capital/ Actual assets) - (Capital/ Potential assets)	pps	--	--	--	≥ 7.5	< 7.5	--	--	127	Excellent	1		
			Profitability (Adjusted return on equity)	%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	1	Moderate	0		
			Trend (-1; +1)											0		
		Asset quality (30%)	Portfolio quality	Incl. risk mitigants	Qualitative	--	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Strong	Very Strong	2	Excellent
			Asset performance	NPLs	% total loans	--	≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5; ≤ 7	> 7; ≤ 10	> 10	0.0	Excellent	3	
			Trend (-1; +1)											0		
		Liquidity & funding (40%)	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	355	Excellent	4	Excellent
			Funding access, flexibility and profile		Qualitative	Excellent	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak	Very Strong	Very Strong	3	
			Trend (-1; +1)											0		
	Financial Profile (90%)													Excellent		
	Intrinsic Credit Profile (90%*)													aaa		
Shareholder Support (10%)	Shareholder Strength	Weighted average rating of key shareholders**		Avg. rating	--	≥ AA-	≥ BBB-	< BBB-	--	--	--	--	AA-	3	Excellent	
		Share of portfolio related to key shareholders		%	--	--	--	--	≤ 50	> 50	--	10	Low / No adjustment			
		Adjusted key shareholder rating		Avg. rating	--	--	--	--	--	--	--	AA-				
	Willingness to support	Willingness to support		Qualitative	--	--	High	Medium	Low	--	--	High	High			
	Shareholder Support (10%)													Excellent		
Indicative Rating													aaa			
Additional considerations (-1; +1)													Neutral			
Final Rating													AAA			

Figures in the financial profile refer to three-year weighted averages for 2022-24.

\* Weights are approximated and for illustrative purposes.

\*\* Notches shown correspond to Shareholder Support uplift given 'Willingness to support' is assessed as 'High'.

Source: Scope Ratings

## Annex III: Climate risk assessment

Methodology input / assumptions	ESM	Output / calculations
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### Initial portfolio quality

	% of lending portfolio	Weighted average borrower quality
Sovereigns	100%	BBB
Non-financial Corporates	0%	N/A
Financial Institutions	0%	N/A
Public Sector	0%	N/A
<b>Total</b>	<b>100%</b>	<b>BBB</b>

### 1. Transition risks: NFC

Sectors with high transition risks	% of NFC	o/w aligned with Paris Agreement	% of NFC with high transition risk
Oil & gas	0.0%	0.0%	0.0%
Power generation (oil, coal)	0.0%	0.0%	0.0%
Metals & mining (coal & steel)	0.0%	0.0%	0.0%
Petrochemicals, cement & concrete manufacture	0.0%	0.0%	0.0%
<b>Total</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

### 2. Physical risks: NFC

Countries: ND-GAIN percentile	Physical risk assessment	% portfolio in countries	Assumed share of NFC with high physical risk*	% of NFC with high physical risk
0.00	Very High	0%	100%	0.0%
0.10	High	0%	75%	0.0%
0.25	Medium	0%	50%	0.0%
0.50	Moderate	0%	25%	0.0%
0.75	Low	0%	5%	0.0%
0.90	Very Low	0%	0%	0.0%
*This share is assumed and fixed.		Portfolio coverage		<b>0.0%</b>

### 3. 'High' climate risks (NFC portfolio)

	% of NFC
Transition risks	0.0%
Physical risks	0.0%
	<b>0.0%</b>

### 4. Adjustment for maturity

Avg. maturity of portfolio	Adjustment
< 1Y	100%
> 1Y; < 7Y	50%
> 7Y	0%

### Average maturity of NFC loan portfolio\*

\*If unavailable, proxied with total loan portfolio.

### Adj. high climate risk exposure, % of NFC

**0.0%**

### 6. Final portfolio quality (climate risk adjusted)

	% of total exposure	Before climate credit risk	Adjusted for climate credit risk
Sovereigns	100%	BBB	<b>bbb</b>
Non-financial Corporates	0%	N/A	N/A
Financial Institutions	0%	N/A	N/A
Public Sector	0%	N/A	N/A
<b>Total</b>	<b>100%</b>	<b>BBB</b>	<b>BBB</b>

### 5. Notches adjustment to avg. NFC borrower quality

Notches		% of NFC with high climate risks
0		≤ 25%
-1		> 25%; ≤ 50%
-2		> 50%

### Adjustment (notches)

**0**

## Annex IV: Asset quality assessment

Portfolio quality (initial assessment)			Excellent	Very Strong	Strong	Adequate	Moderate		Weak	
Indicative borrower quality			aaa	aa	a	bbb	bb		b	

Adjustments		Indicator	Assessment/ Thresholds									
Points			+5	+4	+3	+2	+1	0	-1	-2	-3	
Credit Protection	Sovereign PCS	% of gross loans	100	≥ 80	≥ 60	≥ 40	≥ 20	< 20				
	Private sector secured											
Diversification	Geography	HHI					≤ 1000	≤ 2000	> 2000			
	Sector	HHI						≤ 2000	> 2000			
	Top 10 exposures	% of gross loans					≤ 25	≤ 75	> 75			
Equity Exposure		% of capital							≤ 25	> 25	> 50	> 75
		Total points	+5									
		Adjustments	+2 categories									

Portfolio quality (final assessment)			Excellent	Very Strong	Strong	Adequate	Moderate	Weak	
Notches			3	2	1	0	-1	-2	

Note: Three points usually correspond to one assessment category. In the case of the ESM, this implies up to two higher categories from the initial portfolio quality assessment based on the estimated average borrower quality.

Source: Scope Ratings



## Annex V: Statistical table

In EUR m unless otherwise specified

	2018	2019	2020	2021	2022	2023	2024
<b>Capitalisation</b>							
Scope mandated potential assets	500,000.0	500,000.0	500,000.0	500,000.0	500,000.0	500,000.0	500,000.0
Scope mandated assets (disbursed)	89,894.7	89,894.7	89,894.7	89,867.5	86,210.4	82,552.9	77,945.9
Scope total capital	118,531.3	119,470.4	120,704.5	119,780.1	115,231.3	119,088.9	122,721.1
Capitalisation ratio, potential (%)	23.7%	23.9%	24.1%	24.0%	23.0%	23.8%	24.5%
Capitalisation ratio, actual (%)	131.9%	132.9%	134.3%	133.3%	133.7%	144.3%	157.4%
<b>Profitability</b>							
Reported net income	284.7	289.7	392.9	311.0	-60.2	320.5	1,789.1
Scope adjusted return on equity (%)	0.2%	0.2%	0.3%	0.3%	-0.1%	0.3%	1.5%
<b>Asset quality</b>							
Total gross loans	89,894.7	89,894.7	89,894.7	89,867.5	86,210.4	82,552.9	77,945.9
Non-performing loans	-	-	-	-	-	-	-
<b>Liquidity</b>							
Liquid assets	86,813.6	99,498.5	107,209.0	105,789.9	98,677.9	90,318.9	94,280.3
Cash & cash equivalents	65,245.7	64,973.1	58,217.2	60,401.8	55,568.4	17,108.3	14,118.3
Loans and advances to credit institutions	1,291.7	6,412.9	11,084.0	7,098.4	1,959.7	4,090.0	7,266.0
Debt securities rated ≥ AA-	20,276.2	28,112.4	37,907.8	38,289.7	41,149.7	69,120.6	72,896.0
Liabilities due within 12 months and disbursements	21,967.6	31,792.5	34,771.7	37,974.6	31,558.6	24,578.6	26,301.6
Financial liabilities due within 12 months	21,967.6	31,792.5	34,771.7	37,974.6	31,558.6	24,578.6	26,301.6
Disbursements over the next 12 months	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scope liquid assets ratio (%)	395.2%	313.0%	308.3%	278.6%	312.7%	367.5%	358.5%
<b>Funding</b>							
Annual funding volume	18,000.0	9,800.0	11,000.0	8,000.0	8,000.0	8,000.0	6,000.0
Debt outstanding, by currency (% of total)							
USD	94.7%	93.6%	94.5%	92.5%	93.6%	92.1%	93.4%
EUR	5.3%	6.4%	5.5%	7.5%	6.4%	7.9%	6.6%
<b>Equity</b>							
Total equity	82,971.9	83,629.3	84,493.1	83,846.1	80,661.9	83,362.2	85,904.8
Paid-in capital	80,483.0	80,548.4	80,548.4	80,548.4	80,548.4	80,632.9	80,717.3
Fair value reserve	140.2	442.4	913.4	-44.7	-3,195.7	-873.4	-204.3
Reserve fund	2,064.1	2,348.8	2,638.5	3,031.4	3,263.4	3,176.2	3,494.3
Other reserves	0.0	0.0	0.0	0.0	106.0	106.0	108.4
Profit for the financial year	284.7	289.7	392.9	311.0	-60.2	320.5	1,789.1
Callable capital counted towards capital	35,559.4	35,841.1	36,211.3	35,934.0	34,569.4	35,726.7	36,816.3
10% of callable capital rated ≥ AA-	38,165.7	38,148.9	38,257.5	39,177.7	39,177.7	39,193.7	39,035.1
25% of callable capital rated ≥ AA-, auth. & appr.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Callable capital cap (set at 30% of total capital)	35,559.4	35,841.1	36,211.3	35,934.0	34,569.4	35,726.7	36,816.3
Total capital	118,531.3	119,470.4	120,704.5	119,780.1	115,231.3	119,088.9	122,721.1
<b>Shareholder support</b>							
Key shareholder rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-
Shareholders rated AA- or higher (%)	61.1%	61.1%	61.3%	62.8%	62.8%	62.5%	62.2%

Source: ESM, Scope Ratings

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**Applied methodology**

[Supranational Rating Methodology](#), 23 May 2025

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