European Financial Stability Facility

European Financial Stability Facility Société Anonyme

Financial Statements, Management Report and Auditor's Report 31 December 2013

6a, Circuit de la Foire Internationale
L-1347 Luxembourg
R.C.S. Luxembourg: B 153 414

Contents

Auditor's report

To the Shareholders of
European Financial Stability Facility S.A.

We have audited the accompanying financial statements of European Financial Stability Facility S.A., which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of European Financial Stability Facility S.A. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 15 May 2014

Pierre Krier

Management Report

Business review and results

The Company

The European Financial Stability Facility (EFSF) was created by the euro area Member States following the decisions taken on 9 May 2010 within the framework of the Ecofin Council. Created as a temporary rescue mechanism with a tenure of 3 years, the EFSF was incorporated on 7 June 2010 as a *société anonyme* based in Luxembourg. The mandate of the EFSF is to safeguard financial stability in Europe by providing financial assistance to euro area Member States.

The Treaty establishing the permanent crisis resolution mechanism - the European Stability Mechanism (ESM) - was originally signed by the finance ministers of the 17 euro area countries on 11 July 2011. A modified version of the Treaty, incorporating amendments aimed at improving the effectiveness of the mechanism, was signed in Brussels on 2 February 2012. The ESM Treaty entered into force on 27 September 2012 and the ESM was inaugurated on 8 October 2012 following ratification by the then 17 euro area Member States.

The ESM is the main instrument to finance new financial assistance programmes. The EFSF will, only remain active in financial assistance programmes that have started before the ESM became operational. As of 1 July 2013, the EFSF may no longer engage in new financing programmes or enter into new loan facility agreements but continues the management of existing programmes and the repayment of any outstanding debt. The EFSF shall be dissolved and liquidated when its purpose is fulfilled, i.e. when the EFSF has received full payment of the financing granted to the Member States and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

The EFSF is authorised to:

- Provide loans to countries in financial difficulties;
- Intervene in the primary and secondary debt markets. intervention in the secondary market will be only on the basis of a European Central Bank (ECB) analysis recognising the existence of exceptional financial market circumstances and risks to financial stability for the euro area as a whole;
- Act on the basis of a precautionary programme;
- Finance recapitalisations of financial institutions through loans to governments.

Any intervention by the EFSF is linked to appropriate conditionality. To fulfill its mission, EFSF issues bonds or other debt instruments in the capital markets.

Funding strategy

The EFSF initially used a simple back-to-back funding strategy. However, in November 2011, a diversified funding strategy was adopted using a liquidity buffer as a key component. As part of this strategy, the EFSF has introduced a short term bill programme and since the end of 2011 until January 2013 has held regular auctions of 3-month and 6-month bills.

One consequence of the diversified funding strategy is that funds raised are no longer attributed to a particular country. The funds are pooled and then disbursed to programme countries upon request.

During 2013, under the diversified funding strategy, the EFSF continued to build its yield curve by issuing long-term bonds with different maturities. All issues during the year have been successfully placed despite challenging market conditions.

As at 31 December 2013, the EFSF as an issuer has been assigned an AA rating by Standard & Poor's, an Aa1 rating by Moody's and an AA+ by Fitch Ratings and the highest possible short-term rating from all three major credit rating agencies – Standard and Poor's (A-1+); Moody's (P-1) and Fitch Ratings (F1+).

Lending operations

The EFSF can act after a support request is made by a euro area Member State and a country programme linked to strict policy conditions that has been negotiated with the European Commission in liaison with the ECB, and where possible, the International Monetary Fund (IMF) and after such a programme has been accepted by the euro area finance ministers and a Memorandum of Understanding (MoU) has been signed.

In 2013, the EFSF supported financial assistance programmes to Ireland, Portugal and Greece. The programme for Ireland ended in December 2013. The EFSF has loans to Ireland outstanding, which in line with the terms of the relevant loans, must be repaid by 2042.

Significant events of 2013

<u>Funding activity</u>

During 2013, under the diversified funding strategy, the EFSF continued to build its yield curve by issuing long-term bonds with different maturities. All issues during the year have been successfully placed raising a total of € 58 billion in 2013.

As at 31 December 2013 the nominal outstanding amount of debt securities issued is € 183.9 billion. The balance includes bonds issued under the back-to-back funding strategy amounting to € 19 billion, short term funding of € 9.1 billion and long term funding of € 92.8 billion under the diversified funding strategy. The short term notes issued by the EFSF were purchased by the ESM. This transaction, which is of a temporary nature until the end of 2014, will allow the EFSF to roll the short term funding of the former EFSF bill programme into long term funding.

Additionally the EFSF executed cashless transactions, in which case the EFSF provided its own notes to Greece under the Greek liability management exercise (Private Sector Involvement) and the bank recapitalisation as part of the loan facility. The outstanding amount of these debt securities is € 63.0 billion.

Financial assistance for Ireland

In January 2011, the EFSF commenced the financial assistance activities by carrying out the first issue for the financial assistance programme for Ireland. The EFSF contributed € 17.7 billion from the total package of € 85 billion.

In 2011 and 2012, the EFSF disbursed € 12.1 billion. In 2013, an additional € 5.6 billion was disbursed.

On 16 March 2013 and subsequently on 12 April 2013 the Eurogroup (the main forum for the management of the single currency area that brings together the finance ministers of countries whose currency is the euro) announced that to support Ireland's efforts to regain full market access and successfully exit their well-performing programmes, subject to national procedures, the maturities of the European Financial Stability Mechanism (EFSM) and EFSF loans to Ireland would be lengthened by increasing the weighted average maturity limit up to 7 years provided their continued successful programme implementation is confirmed by the Troika. The extension would smooth the debt redemption profile of Ireland and lower their refinancing needs in the post-programme period.

On 24 June 2013 the Board of Directors of the EFSF approved to extend the maturities of the loans to Ireland. The Amendment Agreement relating to the loan facility agreement was signed on 26 June 2013.

On 8 December 2013, Ireland officially exited the EFSF financial assistance programme. The EFSF contributed a total of € 17.7 billion to a joint external financing package of € 67.5 billion. This was the first financial assistance programme carried out by the EFSF. The loans provided by the EFSF have supported Ireland in the implementation of an economic adjustment programme whose main goals were: restoring fiscal sustainability; structural reforms focusing on competitiveness and job creation; and a downsizing, restructuring and recapitalisation of the banking sector. These reforms have allowed Ireland to return to a path of sustainable economic growth, and to end reliance on external assistance and resume long-term funding in financial markets.

Financial assistance for Portugal

On 17 May 2011, an agreement concerning a financial assistance programme for Portugal was signed. The EFSF contributes € 26 billion from the total package of € 78 billion. The EFSF placed its first issue in support of this programme in June 2011.

In 2011 and 2012, the EFSF disbursed € 18.2 billion. In 2013, an additional € 6.6 billion was disbursed.

On 16 March 2013 and subsequently on 12 April 2013 the Eurogroup announced that to support Portugal's efforts to regain full market access and successfully exit their well-performing programmes, subject to national procedures, the maturities of the EFSM and EFSF loans to Portugal will be lengthened by increasing the weighted average maturity limit up to 7 years provided their continued successful programme implementation is confirmed by the Troika. The extension would smooth the debt redemption profile of Portugal and lower its refinancing needs in the post-programme period.

On 24 June 2013, the Board of Directors of the EFSF approved the extension of the maturities of the loans to Portugal. The Amendment Agreement relating to the loan facility agreement was signed on 25 June 2013.

According to the terms of the relevant financial assistance agreement Portugal must repay the loans by 2040.

Financial assistance for Greece

On 21 February 2012, the Eurogroup agreed the details of the second financial assistance programme for Greece. The total amount for the overall programme was set at € 164.4 billion of which € 144.6 billion is being contributed by the EFSF. Out of the € 144.6 billion, € 35.5

billion is allocated to the Private Sector Involvement (PSI) in the context of the Greek debt restructuring, and the remaining amount of € 109.1 billion to the rest of the financial assistance programme.

In March 2012, the EFSF contributed to the PSI of Greece in several ways. The EFSF provided € 35.0 billion in 1-year notes used as collateral for the Eurosystem, which notes were returned to the EFSF on 25 July 2012 and were subsequently cancelled on 3 August 2012. Additionally € 29.7 billion in 1 and 2-year EFSF notes were provided to bondholders as part of the debt exchange under the PSI and € 4.9 billion in 6-month bills for Greek bonds to cover interest due under outstanding Greek bonds.

Subsequent to the Eurogroup decisions of cancellation of the EFSF guarantee commitment fee, maturity extension of EFSF loans, deferral of EFSF interest rate payments on EFSF loans by 10 years, on 12 December 2012 the Amendment Agreement relating to the Master Financial Assistance Facility Agreement was signed.

In May 2013, two floating rate notes for an amount of € 7.2 billion were provided to the Hellenic Financial Stability Facility (which is Greece's national bank recapitalisation fund) in order to recapitalise the Greek financial sector.

In addition during 2013, € 18.1 billion in cash disbursements were made to Greece for budgetary needs.

According to the terms of the relevant financial assistance Greece must repay the loans by 2050.

European Stability Mechanism

In the first quarter of 2013 the transfer of all employees of the EFSF to ESM was completed. In order to fulfil its ongoing activity, the EFSF asked ESM to provide certain administrative services and other support services. To formalise such cooperation, the ESM and EFSF entered into a Service Level Agreement with the commencement date of 1 January 2013.

Financial overview

The EFSF's net income is improving mainly due to the increase in the lending volume and by the increasing amount of up-front service fees recognised during the financial year.

The results of the EFSF as at 31 December 2013 are summarised in the table below.

Summary of the profit & loss account (in € '000)

	Year 2013	**Year 2012**
Income	2,518,013	1,610,425
Expenses	(2,413,586)	(1,543,536)
Net income	**104,427**	**66,889**
Net results on available-for-sale financial assets (unrealised)	(101,907)	246,307
Total comprehensive income for the financial year	**2,520**	**313,169**

The balance sheet in 2013 increased compared to year-end 2012 due to fact that EFSF's lending activity increased in 2013 given the significant contributions to the second Greek programme.

The balance sheet is summarised as follows:

Summary of the balance sheet (in € '000)

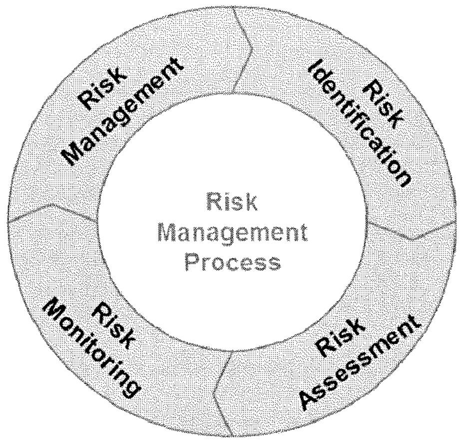
	31.12.2013	**31.12.2012**
TOTAL ASSETS	**187,242,346**	**160,132,502**
Of which :		
Cash and cash equivalents	239,166	15,620,616
Loans and advances to credit institutions	3,485,462	-
Loans to euro area Member States	179,279,794	140,658,968
Available-for-sale financial assets	4,222,946	3,836,431
ESM related charges	14,806	16,014
TOTAL EQUITY AND LIABILITIES	**187,242,346**	**160,132,502**
Total liabilities	*186,794,496*	*159,687,172*
Of which :		
Debt securities in issue	184,908,013	157,882,209
Liability against euro area Member States	1,867,869	1,795,748
Total shareholders' equity	*447,850*	*445,330*

Outlook for 2014

For 2014, the funding target for EFSF is € 34.5 billion. The EFSF will continue to finance the remaining programmes for Greece and Portugal and the rollover of the existing debt until all the loans have been repaid by the beneficiary Member States. The existing programmes for Greece and Portugal will end in 2014.

Risk management

The EFSF has implemented a systematic process for the management of the various types of risk to which the organisation is exposed in executing its mandate. The management of risk at the EFSF is a four step process that applies equally to the management of both financial (Credit, Market and Liquidity Risk) and non-financial risks:



Risk identification is the process for ensuring the identification of all material risk exposures, both financial and non-financial, faced by the EFSF, together with relevant internal or external indicators that support proactive, forward-looking assessment of actual or potential changes in risk exposure.

Risk assessment is the process for assessing all identified risk exposures to determine their materiality. For financial risks, materiality is typically assessed on the basis of expert judgement and in consultation with relevant internal stakeholders. For non-financial risks this is done by assessing probability of occurrence and the consequences / impact to the organisation in the event of occurrence.

Risk monitoring is the set of processes, procedures, responsibilities and tools needed for on-going monitoring and reporting of material risk exposures and for triggering the active management of an unacceptable risk exposure. This requires robust, auditable control processes, limit frameworks, breach escalation mechanisms, dashboards, reports and other tools to ensure appropriate risk monitoring.

Certain financial risk exposures are monitored by setting appropriate limits on exposure. Credit Risk limits are set against individual obligors, such as issuers in the case of the EFSF's available-for-sale financial assets. Market risk limits are set against certain aggregated exposures such as exposure to movements in interest rates. Liquidity risk limits are set against certain funding outcomes and market indicators of liquidity.

Risk management is the process of determining and executing appropriate actions, typically by the Front Office, or the implementation of specific policies to actively manage risk exposures. For financial risks, these management actions might include elimination, mitigation, transfer, reduction or acceptance of the risk.

The EFSF was established to support the stability of the euro area and euro area Member States. Effectively fulfilling this mandate requires ensuring the highest creditworthiness in order to minimise the cost of borrowing to support lending operations and ensure market access. In order to attain the highest credit rating, overall risk tolerance is very conservative so as to minimise the risk of capital loss on investments, maintain access to the funding market and manage credit risk.

As with all financial institutions, the EFSF remains subject to a number of financial and non-financial risks. The types of risk to which the EFSF is exposed are a function of the nature of its mandate and operational activities. Appropriate procedures and processes are implemented to identify, assess and measure, monitor and manage these risks.

Credit risk

Credit risk is the potential for loss arising from the inability of a counterparty, issuer, insurer or other obligor, to fulfil its contractual obligations. Credit risk mainly arises from loans granted to the borrower euro area Member States. Ultimately, the decision to lend to a Member State is taken by the Shareholders who guarantee the issuances of the EFSF. Monthly reports are supplied to Shareholders detailing their guarantee consumption in respect of each bond and bill issued by the EFSF.

Credit risk also arises from investments in available-for-sale financial assets related to the support programmes which are mitigated through strict investment guidelines focusing on issuers with the highest credit ratings and through limits to mitigate the maximum exposure per counterparty or issuer.

Market risk

Market risk is the risk of losses arising from changes in the values of financial assets and liabilities due to fluctuations in market factors such as interest rates, foreign exchange, prices of securities etc. Market risk can be structural (in relation to assets and liabilities and credit enhancement) or non-structural (in relation to investments). The EFSF has both types of market risk: structural for the lending and funding activity, and non-structural in relation to the available-for-sale portfolio.

In order to mitigate market risk, the EFSF aims to match its funding instruments with its loan profiles as far as possible so as to avoid having open positions that are subject to structural market risk. At present, the EFSF's loans are longer in maturity than its funding, hence there is a maturity mismatch which gives rise to refinancing risk, where a higher borrowing cost could apply at future dates. This is managed by careful asset-liability cash flow monitoring and funding plans that address any significant mismatches over an appropriate period.

The available-for-sale financial assets are in practice generally invested to maturity, so that although market risk is assumed on the portfolio from one accounting period to the next, as reflected in the notes to the accounts, the impact on the EFSF over the life of the investments is limited.

Liquidity risk

Liquidity risk is the risk of losses arising from the difficulty in securing the necessary funding, due to a deterioration of the EFSF's creditworthiness or needing to borrow at a time of unfavourable market conditions (e.g. periods of high stress). Liquidity risk is addressed by holding adequate available funds to cover short-term liquidity needs.

The Liquidity risk is mitigated through:

- Available funds, with ability to call from Shareholders further funds if there is a shortfall;
- Loan specific cash buffer;
- Committed liquidity lines with financial institutions of a high rating;
- Other liquid assets available;
- Regular active monitoring of the cash position.

Operational risk

Operational risk is defined as the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks are categorised in line with the guidance by the Basel Committee on Banking Supervision, as follows:

- Execution, delivery and process management;
- Counterparts, products and business practices;
- Fraud;
- Business continuity and systems failures;
- Employment practices and workplace safety;
- Damage to physical assets.

All departments are responsible for proactive mitigation of operational risks and for the robustness of the controls in their processes. In case specific operational risk events are identified, these are reported to an internal operational risk register. All departments, with support from the Operational Risk function, perform a root-cause analysis and implement improvements in the underlying processes and controls in order to reduce the probability of re-occurrence.

Research and development

The entity has no activity in relation to research and development.

Share capital

The Company's approved and issued share capital totals € 28,513,396.92 consisting of 2,851,339,692 shares with a face value of € 0.01 each.

Shareholders

The shareholders of the Company are the euro area Member States as of 31 December 2013. The following table shows the number of shares and subscription amounts for each shareholder.

Member State	Number of shares	Capital as of 31 December 2013 (in €)
Kingdom of Belgium	98,844,650	988,446.50
Federal Republic of Germany	771,706,294	7,717,062.94
Republic of Estonia	7,294,357	72,943.57
Ireland*	45,261,689	452,616.89
Hellenic Republic*	80,070,849	800,708.49
Kingdom of Spain	338,392,963	3,383,929.63
French Republic	579,522,400	5,795,224.00
Italian Republic	509,243,918	5,092,439.18
Republic of Cyprus*	5,578,757	55,787.57
Grand Duchy of Luxembourg	7,119,129	71,191.29
Republic of Malta	2,575,437	25,754.37
Kingdom of the Netherlands	162,521,534	1,625,215.34
Republic of Austria	79,125,435	791,254.35
Portuguese Republic*	71,329,846	713,298.46

Republic of Slovenia	13,398,796	133,987.96
Slovak Republic	28,256,464	282,564.64
Republic of Finland	51,097,174	510,971.74
Total	**2,851,339,692**	**28,513,396.92**

* As at the effective date of the amendments, Ireland, the Portuguese Republic and the Hellenic Republic have become Stepping-Out Guarantors. The Republic of Cyprus has become a Stepping-Out Guarantor as of 29 April 2013.

Corporate governance

The Board of Directors

The Board of Directors comprises a member for each of its Shareholders. Each EFSF Shareholder proposes for nomination to the EFSF Board of Directors its representative in the Eurogroup Working Group (or such person's alternate as representative in the Eurogroup Working Group). The Commission and ECB are entitled to appoint an observer who may take part in the meetings of the Board of Directors and may present their observations, without however having the power to vote.

The Directors are appointed by the general meeting of shareholders for a period not exceeding six years and are eligible for reappointment. They may be removed at any time by a resolution of the general meeting of shareholders.

The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the Company's interests. The Board of Directors is authorised to transfer, assign and dispose of the assets of the Company in such manner as the Board of Directors deems appropriate.

The Board of Directors may delegate its powers to conduct the daily management and affairs of the Company and the representation of the Company for such daily management and affairs to any member or members of the Board of Directors, managers, officers or other agents who need not be shareholders of the Company, under such terms and with such powers as the Board of Directors may determine.

The Shareholders

The general meeting of shareholders represents the entire body of shareholders of the Company. It shall have the broadest powers to order, carry out or ratify acts relating to the operations of the Company.

Each share is entitled to one vote. A shareholder may act at any general meeting, by appointing another person as his proxy.

Audit Committee

The Audit Committee is a sub-committee of the Board of Directors of the Company established by the Board of Directors on 17 December 2013, pursuant to Article 74 of the Luxembourg Law of 18 December 2009 concerning the audit profession. The Audit Committee assists the Board of Directors in the discharge of its responsibilities in the areas of financial reporting, internal control and risk management.

The Audit Committee consists of five members, who are appointed by the Board of Directors from among the Directors, for a renewable term of office of one year.

The Audit Committee held its inaugural meeting on 27 February 2014 and meets at least two times a year and whenever the affairs of the Company so require, at the time and place specified in the notice of the meeting.

Audit and Control

The Charter for Audit and Control was signed on November 26, 2010 between the EFSF Management and the EFSF Internal Audit and was approved during the board meeting held on 3 December 2010.

The scope of work of Audit and Control encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

Rules Governing Amendments to the Articles of Incorporation

Amendments to the Articles of Incorporation are approved by resolution at an Extraordinary General Meeting of Shareholders under the conditions of the law.

Branches of the Company

The Company has no branch.

Main subsequent events

Please refer to Note 27 of the financial statements.

Future prospects

The EFSF has been created as a temporary institution. In accordance with its Articles of Association, the EFSF will be liquidated on the earliest date after 30 June 2013 on which there are no longer loans outstanding to a euro area Member State and all Funding Instruments issued by the EFSF and any reimbursement amounts due to Guarantors have been repaid in full. Currently the longest outstanding loan matures in 2050.

Declaration on the conformity of the financial statements and the management report in accordance with the regulations of article 3 of the transparency law ("Loi Transparence").

Hereby, we declare that to the best of our knowledge, the financial statements as at 31 December 2013 of the Company have been prepared in accordance with the applicable accounting standards and give a true and fair view of the statement of financial position, the statement of comprehensive income, the statement of changes in equity an the statement of cash flows and that the management report is an accurate description of the situation, including the main risks and uncertainties of the Company in the financial statements.

For and on behalf of the Board of Directors.

Klaus Regling

Chief Executive Officer

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013
(in € '000)

	Notes	31.12.2013	31.12.2012
ASSETS			
Cash and cash equivalents	7	239,166	15,620,616
Loans and advances to credit institutions	8	3,485,462	-
Loans to euro area Member States	9	179,279,794	140,658,968
Available-for-sale financial assets	10	4,222,946	3,836,431
Property, plant and equipment	11	8	13
Prepayments and deferred charges	12	164	460
ESM related expenses	13	14,806	16,014
Total assets		**187,242,346**	**160,132,502**
LIABILITIES			
Debt securities in issue	14	184,908,013	157,882,209
Liability against euro area Member States	15	1,867,869	1,795,748
Provisions	16	-	-
Trade and other payables	17	18,614	9,215
Total liabilities		**186,794,496**	**159,687,172**
SHAREHOLDERS' EQUITY			
Ordinary shares	18	28,513	28,513
Legal reserve	19	2,894	-
Fair value reserve	10, 19	257,030	358,937
Retained earnings		54,986	(9,009)
Net income for the year		104,427	66,889
Total shareholders' equity		**447,850**	**445,330**
Total equity and liabilities		**187,242,346**	**160,132,502**

The accompanying Notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ending 31 December 2013

(in € '000)

	Notes	2013	2012
Interest and similar income	20	2,517,843	1,610,247
Interest and similar expenses	20	(2,369,750)	(1,435,008)
Result on financial operations recycled from the available-for-sale portfolio		170	178
Other expenses	21	(22,493)	(83,211)
Net financial income		**125,770**	**92,206**
Administrative expenditures	22	(21,118)	(19,202)
Employee salaries and benefits expenses	23	(220)	(6,110)
Depreciation and amortisation	11	(5)	(5)
Total operating expenses		**(21,343)**	**(25,317)**
Net income for the year		**104,427**	**66,889**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Available-for-sale financial assets	10	(101,907)	246,307
Total comprehensive income for the year		**2,520**	**313,196**

The accompanying Notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the financial year ending 31 December 2013
(in € '000)

	Ordinary shares	Legal reserve	Fair value reserve	Retained earnings	Result of the year	Total
At 1 January 2013	**28,513**	**-**	**358,937**	**(9,009)**	**66,889**	**445,330**
Comprehensive income						
Allocation of the result of 2012:						
- to the legal reserve	-	2,894	-	-	(2,894)	-
- to the retained earnings	-	-	-	63,995	(63,995)	-
Profit for the year 2013	-	-	-	-	104,427	**104,427**
Fair value reserve	-	-	(101,907)	-	-	**(101,907)**
At 31 December 2013	**28,513**	**2,894**	**257,030**	**54,986**	**104,427**	**447,850**

	Ordinary shares	Fair value reserve	Retained earnings	Result of the year	Total
At 1 January 2012	**28,513**	**112,630**	**(6,452)**	**(2,557)**	**132,134**
Comprehensive income					
Allocation of the result of 2011	-	-	(2,557)	2,557	-
Profit for the year 2012	-	-	-	66,889	**66,889**
Fair value reserve	-	246,307	-		**246,307**
At 31 December 2012	**28,513**	**358,937**	**(9,009)**	**66,889**	**445,330**

The accompanying Notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the financial year ending 31 December 2013
(in € '000)

	2013	2012
Operating activities:		
Net income for the year	104,427	66,889
Amortisation	5	5
Changes in provision	-	(101)
Prepayments	292	32
ESM related expenses	1,211	(15,127)
Trade and other payables	9,399	3,366
Interest received on cash and cash equivalents	(308)	7
Net cash provided (used) in operating activities	**115,026**	**55,071**
Investing activities		
Loans and advances to credit institutions	(3,485,154)	13,923
Loans to euro area Member States	(38,219,474)	(123,648,550)
Interest receivable on loans to euro area Member States	(378,859)	(700,778)
Net investment in available-for-sale financial assets	(503,761)	(69,700)
Interest receivable on available-for-sale portfolio	64,968	63,092
Purchases of property, plant and equipment (PPE)	-	(3)
Net cash used in investing activities	**(42,522,280)**	**(124,342,016)**
Financing activities		
Issuance of debt instruments	26,616,299	139,074,251
Interest payable on debt securities in issue	409,505	795,229
Net cash provided by financing activities	**27,025,804**	**139,869,480**
Net change in cash and cash equivalents	(15,381,450)	15,582,535
Cash and cash equivalents at the beginning of the year	15,620,616	38,081
Cash and cash equivalents at the end of the year	**239,166**	**15,620,616**

The accompanying Notes form an integral part of these financial statements

Notes to the financial statements

1. General information

The European Financial Stability Facility ("the EFSF" or "the Company") was incorporated on 7 June 2010 and is organised under the laws of Luxembourg as a société anonyme. It has its registered office at 6a, Circuit de la Foire Internationale, L-1347 Luxembourg.

The EFSF was created by the euro area Member States following the decisions taken on 9 May 2010 within the framework of the Ecofin Council and is owned by euro area Member States.

The EFSF was initially designed to issue notes guaranteed by euro area Member States for up to around € 440 billion for on-lending to euro area Member States in financial difficulty, subject to conditions negotiated with the European Commission in liaison with the European Central Bank and where appropriate International Monetary Fund and to be approved by the Eurogroup.

On 24 June 2011, the Heads of State or Government agreed to increase the EFSF's scope of activity and increased its guarantee commitments from € 440 billion to € 780 billion including an over-guarantee of up to 165% which corresponded to a lending capacity of € 440 billion in order to ensure highest possible credit rating. On 21 July 2011, the Heads of State or Government agreed to further increase the EFSF's scope of activity as follows:

- issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries in financial difficulties;
- intervene in the primary debt markets;
- intervene in the secondary debt markets;
- act on the basis of a precautionary programme;
- finance recapitalisations of financial institutions through loans to governments including in non-programme countries.

Following the conclusion of all necessary national procedures, these amendments to the EFSF Framework came into force on 18 October 2011.

On 26 October 2011, the Heads of State or Government of euro area Member States agreed on maximising the capacity of the EFSF without increasing the euro area Member States' guarantee commitments by two approaches, the partial risk protection and the co-investment approach. The options were designed to support the continued market access of euro area Member States under financial distress and safeguard financial stability of the euro area. As at balance sheet date the options have not been used yet.

Since 1 July 2013, the Company may no longer engage in new financial assistance facilities, but continues the management of existing programmes and the repayment of any outstanding debt. The Company shall be dissolved and liquidated when its purpose is fulfilled, i.e. when the Company has received full payment of the financing granted to the Member States and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

At the beginning of 2013, the staff of EFSF was transferred to ESM. In order to fulfil its ongoing activity, EFSF asked ESM to provide certain administrative services and other support services. To formalise such cooperation, ESM and EFSF entered into a Service Level Agreement with the commencement date of 1 January 2013.

The present financial statements cover the period from 1 January 2013 to 31 December 2013.

The accompanying financial statements have been authorised for issue by the Board of Directors on 24 April 2014. Based on the criteria defined by Luxembourg law, the Company is exempt from the obligation to draw up consolidated accounts and a consolidated management report for the financial year ended 31 December 2013.

1.1. General overview of financial assistance programmes

1.1.1. Financial assistance under the framework agreement ("EFSF 1")

Under the framework of EFSF 1, the Company did participate in two financial assistance programmes for Portugal and Ireland, which started in 2011.

Initially, under these programmes, all issued debt was backed by an over-guarantee of 120% from the Guarantee countries ("Guarantors") of the euro area Member States and by cash retentions from the proceeds of the issued bonds. The cash retentions were calculated in a way that the guarantees from AAA rated countries and the cash retained should be sufficient to cover all of the associated debt service if the underlying loan is not paid in full (see below). These credit enhancements were designed to support the AAA rating of the EFSF as an issuer.

The interest rate which the EFSF applied to each loan covered the cost of funding incurred by the EFSF and included a Margin which was intended to provide remuneration for the Guarantors and which was deducted from the loan disbursement amount as Prepaid Margin, plus the service fee which was used to cover the operational costs of the EFSF and any costs and fees directly related to the issuance of funding instruments which have not otherwise been charged to the relevant borrowing country.

In relation to each loan, a Loan Specific Cash Buffer was put aside to ensure that the principal amount of debt securities issued to fund that loan (together with the interest which will accrue on such debt securities to scheduled maturity) was at the date of issuance of such debt security fully covered by the sum of:

- the aggregate amount of guarantees of Guarantors with the highest quality rating (taking into account the 120% guarantee coverage);
- the cash reserve retained in relation to such loans (financed out of the Prepaid Margin and the service fee);
- the Negative Carry payment retained in respect of such loans;
- the applicable Loan Specific Cash Buffer; and
- any other credit enhancement (if any) in the form of cash or credit enhancement with the highest quality rating that is adopted pursuant to a Framework Agreement.

The Cash Reserve includes these retained amounts, together with all income and investments earned by investment of these amounts. The Cash Reserve is invested in accordance with investment guidelines approved by the EFSF's Board of Directors.

On 21 July 2011, the Heads of State or Government decided that the Margin, initially reserved to provide remuneration for the Guarantors, will no longer be applicable to new loans granted to Ireland, Portugal and Greece under EFSF 2.1. This has given rise to further decision in relation to the reimbursement of the Prepaid Margin already charged to Ireland and Portugal under EFSF 1. According to the new mechanism, the Margin may be reimbursed to the borrowing countries at the maturity of the bonds as a rebate. Such a rebate will be made in accordance with the proportion share due after 21 July 2011. The proportional share of the margin before 21 July 2011 will be due to the Member State Guarantors.

1.1.2. Financial assistance under the amended framework agreement ("EFSF 2.1")

The Board of Directors, in their meeting on 27 October 2011, approved the new EFSF framework agreement. All new issues after this date no longer operate with the cash reserve and only the irrevocable and unconditional guarantee granted by euro area Member States on the issued bonds remains in place.

All issues under the revised debt issuance programme are over-guaranteed by 165% from the Guarantee countries of the euro area Member States. As a consequence, there was no need for new issues after this date to benefit from the cash reserve as the irrevocable and unconditional guarantees granted by euro area Member States on the issued bonds are large enough to cover the entire amounts due.

The interest rate which the EFSF applies to each loan under EFSF 2.1 covers the cost of funding incurred plus the service fee to cover the operational costs of EFSF. The service fee has two components: an up-front service fee (50 basis points) and annual service fee (0.5 bp). In order to provide the same cover for investors, the amount of over-guarantee was increased from 120% to 165%. Under this amended framework agreement, EFSF is entitled to charge 10 bps of guarantee commission fee for the loans granted to euro area Member States where such guarantee commission fee provides remuneration for the guarantor Members States.

All loans granted in the course of 2012 and 2013 under financial assistance programmes were concluded under the amended framework agreements.

In November 2012, the Eurogroup decided to change the lending terms of the support programme for Greece. The changes related amongst others to an extension of the maturities of the EFSF loans to Greece by 15 years and a deferral of interest payments of Greece on EFSF loans by 10 years.

In order to extend the maturity of the EFSF loans to Greece by 15 years in accordance with the Eurogroup's decision of November 2012, the EFSF was required to allow repayments after 2048. To finance these extended loans, the EFSF amended in 2013 the relevant Trust Deeds in order to allow for the issuance of funding instruments after 2048. A similar amendment was introduced to the relevant Deeds of Guarantee, whereby the end year for the Deeds of Guarantee was extended to 2070.

To support the efforts to regain full market access and successfully exit their programmes, the EFSF decided (following the decision in the Eurogroup) to lengthen the maturities of the EFSF loans to Ireland and Portugal by increasing the average weighted maturity limit of up to seven years. The extension smoothens the debt redemption profile of both countries and lowers their refinancing needs in the post-programme period. The European Financial Stabilisation Mechanism (EFSM), which committed € 22.5 billion for Ireland and € 26 billion for Portugal, also extended their maturities of up to seven years.

On 8 December 2013, Ireland officially exited the EFSF financial assistance programme with the expiry of the availability period under its Master FFA. The EFSF contributed a total of € 17.7 billion to a joint external financing package of € 67.5 billion which also included loans from the EFSM, the IMF and bilateral lenders (the UK, Sweden and Denmark). The EFSF made a total of 10 loan disbursements between February 2011 and December 2013. The loans provided by the EFSF have supported Ireland in the implementation of an economic adjustment programme, whose main goals were: restoring fiscal sustainability; structural reforms focusing on competitiveness and job creation; and a downsizing, restructuring and recapitalisation of the banking sector.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of presentation

The accompanying standalone financial statements are prepared and presented on the accrual basis of accounting and comply with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements are presented in euro ("€") which is also the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in Notes 2.2, 5 and 6.

2.2. Use of estimates

Management could make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

Critical accounting estimates are detailed in Note 6.

2.3. Foreign currency translation

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any, arising out of transactions settled during the year are recognised in the statement of comprehensive income as translation gains or losses.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rates on that date. The exchange differences, if any, are recognised in the statement of comprehensive income as translation gains or losses and related assets and liabilities are accordingly revalued in the statement of financial position.

2.4. Cash and cash equivalent

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less with insignificant risk of change in fair value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.5. Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.5.1. Financial assets

The Company allocates financial assets to the following IAS 39 categories: loans and receivables and available-for-sale financial assets. Management determines, in accordance with IAS 39, the classification of its financial instruments at initial recognition.

(a) Loans and receivables

Loans and receivables are composed of loans to euro area Member States and loans and advances to credit institutions.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans granted to euro area Member States in financial difficulties under any type of financial assistance programme are in the statement of financial position classified in loans to euro area Member States.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to credit institutions. The counterparties enter into an irrevocable commitment to complete the operation on a date and a price fixed at the outset.

Securities purchased under agreement to resell are not recognised on the balance sheet and the consideration paid is recorded as loans and advances to credit institutions as appropriate. The difference between the sale and the repurchase price is treated as interest and recognised over the life of the agreement.

Interests on loans are included in the statement of comprehensive income and are reported as interest and similar income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income as loan impairment charges.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. Unrealised gains or losses reported in other comprehensive income are being accumulated in the revaluation reserve until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is recognised in the profit and loss account. However, interest is calculated using the effective interest rate method together with foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the profit and loss account.

(c) ESM related expenses

In the course of its activity, fees and invoices in relation to the setup of the ESM were paid by the EFSF in the previous years. The EFSF did not recognise these fees and invoices as expenses in the statement of comprehensive income, but decided to request the reimbursement of the costs of establishing the ESM. Hence, ESM related expenses are recognised as financial assets as at year end (refer to Note 13).

(d) Recognition

The entity uses trade date accounting for regular way contracts when recording financial asset transactions.

(e) Determination of fair value

When applicable, the Company measures the fair value of financial assets using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Where the fair values of financial assets recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques which incorporate factors that market participants would take into account in pricing a transaction. In such a case, a degree of judgement is required in establishing fair values.

The Company measures fair values using the fair value hierarchy as disclosed in Note 5.

(f) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

For the direct equity investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income) is removed from equity and recognised in the statement of comprehensive income. Impairment losses on direct equity investments are not reversed through the statement of comprehensive income; increases in their value after impairment are recognised directly in equity.

For loans and receivables category, evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

2.5.2. Financial liabilities

The entity holds its financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

(a) Debt securities in issue

Debt securities in issue are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

(b) Prepaid Margin

Prepaid Margin, deducted from the loan amount at disbursement date and held as cash reserve, will be paid out to the borrowing countries and/or to the Member State Guarantors at maturity if all payments on the issued bonds are met. The proportional share of the margin before 21 July 2011 will be due to the Member State Guarantors as a remuneration while proportional share of the margin after 21 July 2011 may be reimbursed to the borrowing countries as a rebate. In case of shortfall on the bond payments, the rebate amount will not be reimbursed to the borrowing country, but used for meeting the obligations arisen from the bond issue.

The Prepaid Margin amount paid out to the borrowing countries and the Member State Guarantors should include the initial amount plus the return on investments made from the Prepaid Margin.

The EFSF reports the nominal amount of the Prepaid Margin as liability against euro area Member States in the statement of financial position. The performance given by the underlying available-for-sale portfolio invested from the proceeds of the Margin is also added in the same caption.

(c) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

2.6. Prepayments and deferred charges

Prepayments are invoices received and paid in advance as the underlying expense is not or not exclusively related to the reporting period. Deferred charges are composed of invoices received during the year but partly relating to the subsequent year.

2.7. Property, plant and equipment

Property, plant and equipment are recorded in the statement of financial position at their acquisition cost, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated life of each item purchased. Furniture, fittings and equipment are amortised within 3-8 years depending on the nature of each individual asset.

2.8. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.9. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.10. Legal reserve

In accordance with Luxembourg Company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

2.11. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within interest income and interest expense in the statement of comprehensive income using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the entity estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the initial effective interest rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.12. Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of comprehensive income on a straight-line basis over the period of the lease.

2.13. Employee benefits

(a) Pension obligation

In the first quarter of 2013, the transfer of all employees of the EFSF to ESM was completed (refer to Note 23). Until completion, the Company operated a defined contribution plan for all staff under an EFSF employment contract, funded through payments to insurance companies.

A defined contribution plan is a pension plan under which the Company pays fixed contributions. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

In parallel of transferring all staff from the EFSF to the ESM, the Company's pension plan was transferred.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

As at 31 December 2013, the EFSF did not employ any staff due to the staff transfer to the ESM in the first quarter of 2013.

2.14. Taxation

The Company is domiciled in Luxembourg. As per the law dated 9 July 2010, there is no corporate income tax, net wealth tax, indirect tax or capital gains payable by the Company in Luxembourg.

3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations

Standard adopted

The following standards, amendments to standards and interpretations were adopted in the preparation of these financial statements.

IAS 1 Presentation of items of Other comprehensive income
The amendments to IAS 1 change the grouping of items presented in Other comprehensive income. Items that would be reclassified to profit and loss at a future point in time are presented separately from items that will never be reclassified. The Standard is effective for periods beginning on or after 1 July 2012 with early adoption permitted.

IAS 19 Employee benefits
The revision introduces certain amendments to the accounting for employee pensions, including recognition of defined benefit liability remeasurements in other comprehensive income and enhanced disclosure requirements for defined benefit pension plans. It also modifies accounting for termination benefits. The effective date of this standard is 1 January 2013. This amendment has no impact for the entity.

IFRS 7 Disclosures – offsetting financial assets and financial liabilities
The amendment introduces disclosures about the impact of netting arrangements on an entity's financial position, including disclosure of amounts that have been offset in the balance sheet and the nature and extent of rights of set-off under master netting arrangements or similar arrangements.

IFRS 13 Fair value measurement
The Company has adopted IFRS 13 Fair Value Measurement with effect from 1 January 2013. In accordance with the transitional provisions, IFRS 13 has been applied prospectively from that date. As a result, the entity has adopted a new definition of fair value as provided by the standard. The change had no impact on the measurements of the assets and liabilities. However, the entity has included new disclosures in the financial statements which are required under IFRS 13.

Standards issued but not yet effective

The following relevant standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements.

IAS 32 Offsetting financial assets and financial liabilities
The amendments clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for periods beginning on or after 1 January 2014 with early adoption permitted. The impact of the amendment on the Company's financial position and performance has not been assessed yet.

IFRS 9 Financial instruments

The first step in a three part project by the IASB to replace IAS 39 Financial instruments, this standard redefines the categories of financial assets and liabilities and their accounting treatment. The standard remains a 'work in progress' and it will eventually replace IAS 39 in its entirety. IFRS 9 is not yet endorsed by the European Union and there is no effective date determined yet. The Company does not plan to adopt this standard early and the extent of the impact has not yet been determined.

The following three standards were issued in 2012 and have been endorsed by the European Union being effective for annual periods beginning after 1 January 2014. The impact of the adoption of these standards on the entity's financial statements has not yet been determined.

IFRS 10 Consolidated financial statements
This standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11 Joint arrangements
This standard sets up a framework for determining the type of joint arrangements that an entity has with another entity.

IFRS 12 Disclosure of interests in other entities
The objective of this standard is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

4. Financial risk management

4.1. Credit risk

Credit risk arises mainly from loans granted to the borrower euro area Member States and also from investments in available-for-sale financial assets related to the support programmes. At 31 December 2013, the loan and receivables contain the outstanding balances of loans granted to Greece, Portugal, and Ireland amounting to € 179.3 billion, substantially higher than the balance at year-end 2012 amounting to € 140.7 billion.

Given the nature of the EFSF's mandate, where credit risk from lending arises as a result of activities performed in support of borrower euro area Member States under a Financial Assistance Facility Agreement, the credit risk in the EFSF's lending exposure has to be accepted. The inherent risk of non-payment of any borrower euro area Member State in relation to loans to euro area Member States is not managed by the EFSF. As such, financial assistance in line with the purpose of the EFSF is granted to euro area Member States experiencing severe financial problems, if indispensable to safeguard the financial stability of the euro area as a whole and of its members. Therefore, the assistance aims to provide financial support according to rules that differ from those of financial markets, meaning the overall aim is to accompany the borrower euro area Member State to a return to public financial stability.

The determination of debt sustainability and the close monitoring and conditionality attached to all financial assistance to borrower euro area Member States, as negotiated with the European Commission in liaison with the ECB and whenever possible the IMF addresses and mitigates credit risk. Moreover, EFSF applies an early warning procedure to monitor the ability of the borrower euro area Member State to repay its obligations.

From an investor's point of view, the loan programmes were carefully designed to assure the creditworthiness of the EFSF itself. In order to mitigate the exposure to the credit risk of the borrower euro area Member States, the Company has adopted a number of credit enhancement measures namely:

- irrevocable and unconditional guarantees granted by euro area Member States on the issued bonds;
- a general Cash Reserve from the loan (equal to the sum of a service fee and the present value of the margin) which can be used to fund shortfalls on all loans made by EFSF;
- a Loan Specific Cash Buffer from the loan and by retaining the Negative Carry payment.

The "Loan Specific Cash Buffer", in relation to loans under EFSF 1 ensures that the principal amount of debt securities (together with the interest) issued to fund that loan is at the date of issuance fully covered by the sum of:

- the aggregate amount of guarantees of Guarantors with the highest quality rating (taking into account the 120% guarantee coverage);
- the cash reserve retained from the Loan (financed out of Prepaid Margin and the Service Fee);
- the Negative Carry payment retained in respect of such Loan;
- the applicable Loan Specific Cash Buffer and;
- any other credit enhancement (if any) that is adopted pursuant to the Framework Agreement.

Under the amended EFSF 2.1 framework which was adopted by the Board of Directors on 27 October 2011, the credit enhancement mechanism under EFSF 2.1 was changed to focus on a higher level of over-guarantee of up to 165% which meant that the above mentioned general Cash Reserve and Loan Specific Cash Buffer are no longer required.

4.1.1. Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statement of financial position without taking account any collateral and other credit enhancements. For on-balance-sheet positions, the exposures set out hereafter are based on net carrying amounts as reported in the statement of financial position.

	Maximum credit exposure	
In € '000	**31.12.2013**	**31.12.2012**
Cash and cash equivalents	239,166	15,620,616
Loans and advances to credit institutions	3,485,462	-
Loans to euro area Member States	179,279,794	140,658,968
Available-for-sale financial assets	4,222,946	3,836,431
ESM related expenses	14,806	16,014
On balance sheet credit risk exposure	**187,242,174**	**160,132,029**
Contingent liabilities	11,354,574	48,860,073
Maximum credit risk exposure	**198,596,748**	**208,992,102**

Contingent liabilities represent undisbursed amounts of the financial assistance programmes to borrower euro area Member States. Any new disbursement is subject to conditionality attached to the specific financial assistance programme.

4.1.2. Credit risk on loans to euro area Member States

The following table shows the maximum exposure to credit risk for the components of the loans to countries in financial difficulties, by geography of counterparty.

	Maximum credit exposure	
In € '000	**31.12.2013**	**31.12.2012**
Loans under EFSF 1		
- to Ireland	4,211,327	4,198,296
- to Portugal	7,127,628	7,114,551
Loans under EFSF 2.1		
- to Greece	134,621,896	108,239,872
- to Ireland	14,298,919	8,683,981
- to Portugal	19,020,024	12,422,268
Loans to euro area Member States	**179,279,794**	**140,658,968**

The following tables show the breakdown of the financial assets per credit rating given by Moody's, Standard & Poor's and Fitch. In respect of debt securities including fixed-income securities, the credit ratings of individual issuances (or in the case of short-term securities their long-term rating equivalents) are presented. In case the ratings of issuances are not available the issuers rating is presented. For other financial assets the credit ratings of the counterparties are presented.

In € '000	Moody's	Standard & Poor's	Fitch	Balance as of 31.12.2013
Cash and cash equivalents	NR**	NR**	NR**	161,869
	Aa1	AA+	NR	77,297
Loans and advances to credit institutions***	NR	NR	NR	3,485,462
Loans to euro area Member States	Baa1	BBB+	BBB+	18,510,246
	Ba3	BB	BB+	26,147,652
	Caa3	B-	B-	134,621,896
Available-for-sale financial assets*	Aaa	AAA	AAA	1,359,185
	Aaa	AA+	AAA	770,663
	Aaa	AA+	NR	23,311
	Aa1	AA	AA+	381,106
	Aa1	NR	AA+	1,416,252
	Aa3	AA	AA	272,389
Total				**187,227,328**

In € '000	Moody's	Standard & Poor's	Fitch	Balance as of 31.12.2012
Cash and cash equivalents	NR**	NR**	NR**	15,457,909
	Aa1	AA+	NR	162,707
Loans to euro area Member States	Ba1	BBB+	BBB+	12,882,277
	Ba3	BB	BB+	19,536,819
	C	B-	CCC	108,239,872
Available-for-sale financial assets*	Aaa	AAA	AAA	2,152,940
	Aa1	AA+	AAA	1,683,451
Total				**160,115,975**

NR – Not rated by the rating agency

* Excluding the participations (described in Note 10) which are not rated.

** Cash and cash equivalents includes balances placed with Eurosystem central banks, which do not have ratings. In the financial statements of 2012 the rating of the country was considered, therefore comparatives have been amended to align the presentation.

*** Loans and advances to credit institutions entirely consist of reverse repo transactions traded on the Eurex Exchange. Eurex as a trading platform is not rated.

4.1.3. Credit risk on available-for-sale financial assets

In respect of the available-for-sale financial assets, which contain principally those funds that serve as credit enhancement, EFSF established strict investment guidelines that focus on issuers with highest credit standing in euro and included a limit structure to mitigate the maximum exposure per counterparty.

4.2. Market risk

In order to mitigate market risk, the EFSF aims to match its funding instruments with its loan profiles as far as possible so as to avoid having open positions that are subject to structural market risk. At present, the EFSF's loans are longer in maturity than its funding, hence there is a structural maturity mismatch which gives rise to refinancing risk.

Until November 2011, the EFSF used a back-to-back approach to funding, whereby liabilities were exactly matched to assets. Thereafter, a diversified funding strategy was adopted whereby funds raised are not attributed directly to a particular loan or loans, but pooled to support disbursements to beneficiary countries. A combination of long-term and short-term instruments is used, and any cash raised in excess of lending requirements serves as a liquidity buffer, a key component of this approach. As a consequence of the diversified funding strategy, the EFSF accepts mismatches between its assets and its liabilities. However, the average cost of funding is invoiced to beneficiary countries, hence neutralising the EFSF's structural interest rate exposure in financial terms.

The available-for-sale financial assets for the credit enhancement portfolios follow a strict maturity profile in accordance with the related funding programme, so that although market risk is assumed on the portfolio from one accounting period to the next the impact on the EFSF over the life of the investments is strictly limited to what has been agreed as accepted under these programmes.

4.2.1. Interest rate risk

Securities issued, and the available-for-sale financial assets, are fixed rate products. Loans and receivables granted to the beneficiary Member States are fixed-rate or floating-rate products, reflecting perfectly the cost of funding incurred by the EFSF in financing these loans.

At 31 December 2013, the sensitivity to a general movement in the interest rate yield curve on the available-for-sale portfolio was € −1.51 million for a one basis-point increase in rates (2012: € −1.87 million). Investments are all managed under formal guidance that specifies a maximum maturity date for each tranche of credit enhancement. Although the stated interest rate risk applies to the EFSF equity on an accounting period basis via the available-for-sale rules (refer to Note 10), it is not a risk that is actively managed or mitigated since the programmes concerned have stipulated that bonds should be purchased with proceeds from EFSF issuance and constrained to certain fixed maturity dates. Additionally, investment of the periodic coupons from bond holdings and of any cash buffer takes place from time to time.

4.3. Currency risk

All the debt securities issued, and the loans and receivables granted to the programme countries, as well the available-for-sale portfolio, are denominated in euro. The Company does not therefore face any currency risk.

4.4. Liquidity risk

The EFSF monitors its liquidity position on a regular basis and will honour its obligations under its issued bonds and bills from proceeds that stem from its support programmes.

The EFSF required payments under its issued bonds and bills benefit from guarantees by euro area Member States. There is an established detailed procedure which governs the operation of these guarantees. The EFSF will make a demand to guarantor euro area Member States under the Deed of Guarantees if it determines on any date during the calculation period or the cut-off period as defined in the Deed of Guarantees that it has a cash shortfall in available funds in respect to the payments scheduled to be made on the relevant due date.

The loans specific cash buffer and other cash buffers are established in line with the EFSF framework agreement, and constitute liquid assets from which the EFSF will be able to assure payments under its issued bonds and bills. Surplus cash held by the Company over and above the balance required for working capital management is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities. Instruments are chosen with appropriate maturities and sufficient liquidity to provide adequate headroom, as determined by EFSF forecasts.

The table hereafter analyses the gross undiscounted cash outflows and inflows on financial assets and liabilities of the entity by maturity on the basis of the period remaining between the balance sheet date and the contractual maturity date. In case of financial assets and liabilities with undeterminable future cash flows only the known cash flows are presented in the table below.

As at 31 December 2013 in € '000	**Up to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
ASSETS				
Cash and cash equivalents	239,166	-	-	**239,166**
Loans and advances to credit institutions	3,485,462	-	-	**3,485,462**
Loans to euro area Member States	2,250,890	7,335,756	205,964,223	**215,550,869**
Available-for-sale financial assets	506,920	2,491,081	1,437,619	**4,435,620**
ESM related expenses	14,806	-	-	**14,806**
Total financial assets	**6,497,244**	**9,826,837**	**207,401,842**	**223,725,923**
LIABILITIES				
Debt securities in issue	26,590,842	74,785,325	109,925,305	**211,301,472**
Liability against euro area Member States	173,045	967,640	919,691	**2,060,376**
Trade and other payables	18,614	-	-	**18,614**
Total financial liabilities	**26,782,501**	**75,752,965**	**110,844,996**	**213,380,462**
Net of financial position	**(20,285,257)**	**(65,926,128)**	**96,556,846**	**10,345,461**

As at 31 December 2012 in € '000	Up to 12 months	1 to 5 years	Over 5 years	Total
ASSETS				
Cash and cash equivalents	15,620,616	-	-	**15,620,616**
Loans to euro area Member States	859,697	12,082,760	134,099,826	**147,042,283**
Available-for-sale financial assets	118,471	2,474,233	1,453,240	**4,045,944**
ESM related expenses	16,014	-	-	**16,014**
Total financial assets	**16,614,798**	**14,556,993**	**133,553,066**	**166,724,857**
LIABILITIES				
Debt securities in issue	49,238,312	54,150,800	72,057,435	**175,446,547**
Liability against euro area Member States	83,704	954,982	1,115,661	**2,154,347**
Trade and other payables	9,215	-	-	**9,215**
Total financial liabilities	**49,331,231**	**55,105,782**	**73,173,096**	**177,610,109**
Net of financial position	**(32,716,433)**	**(40,548,789)**	**62,379,970**	**(10,885,252)**

4.5. Operational risk

Operational risk isdefined as the potential loss resulting from inadequate or failed internal processes, people and system or from external events.

No actual operational risk losses were identified in 2013.

All departments are responsible for proactive mitigation of operational risks and for the robustness of the controls in their processes. In case specific operational risk events are identified, these are reported to an internal operational risk register. All departments, with support from the Operational Risk function, perform a root-cause analysis and implement improvements in the underlying processes and controls in order to reduce the probability of re-occurrence.

4.6. Capital management

The Company's objective when managing capital is safeguarding the Company's activity. The Company's lending costs reflect funding costs and the operational costs. The Company is entitled to charge up-front service fees and annual service fees to cover its operational costs. The shareholders, if necessary and as occurred in 2011, are willing to raise capital to support the Company's capital structure.

The Management regularly monitors the Company's capital structure on the basis of the ratio of total shareholders' equity excluding revaluation reserve per ordinary shares. As at 31 December 2013, this ratio is 669% (2012: 303%).

The Company shall be dissolved and liquidated when its purpose is fulfilled, i.e., when the Company has received full payment of the financing granted to the Member States and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

5. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date.

When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs for the asset or liability that are not based on observable market data

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The tables below set out a comparison of the fair value, by the level of the fair value hierarchy, and the carrying amounts of the Company's financial assets and financial liabilities that are carried in the financial statements. The tables do not include the fair value of non-financial assets and non-financial liabilities. For financial instruments not carried at fair value, fair values are provided for disclosure purposes only and do not impact the balance sheet or income statement.

	Fair value				
31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**
Assets carried at fair value:					
Available-for-sale financial assets	4,222,906	-	40	4,222,946	4,222,946
Total	**4,222,906**	**-**	**40**	**4,222,946**	**4,222,946**
Assets carried at amortised cost:					
Cash and cash equivalents	-	239,166	-	239,166	239,166
Loans and advances to credit institutions	-	3,485,462	-	3,485,462	3,485,462
Loans to euro area Member States	-	181,653,601	-	181,653,601	179,279,794
ESM related expenses	-	-	14,806	14,806	14,806
Total	**-**	**185,378,229**	**14,806**	**185,393,035**	**183,019,228**
Total financial assets	**4,222,906**	**185,378,229**	**14,846**	**189,615,981**	**187,242,174**
Liabilities carried at amortised cost:					
Debt securities in issue	130,419,961	58,345,987	-	188,765,948	184,908,013
Liability against euro area Member States	-	1,892,895	-	1,892,895	1,867,869
Trade and other payable	-	-	18,614	18,614	18,614
Total	**130,419,961**	**60,238,882**	**18,614**	**190,677,457**	**186,794,496**
Total financial liabilities	**130,419,961**	**60,238,882**	**18,614**	**190,677,457**	**186,794,496**

	Fair value				
31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**
Assets carried at fair value:					
Available-for-sale financial assets	3,836,391	-	40	3,836,431	3,836,431
Total	**3,836,391**	**-**	**40**	**3,836,431**	**3,836,431**
Assets carried at amortised cost:					
Cash and cash equivalents	-	15,620,616	-	15,620,616	15,620,616
Loans to euro area Member States	-	141,410,070	-	141,410,070	140,658,968
ESM related expenses	-	-	16,014	16,014	16,014
Total	**-**	**157,030,686**	**16,014**	**157,046,700**	**156,295,598**
Total financial assets	**3,836,391**	**157,030,686**	**16,054**	**160,883,131**	**160,132,029**
Liabilities carried at amortised cost:					
Debt securities in issue	95,584,662	65,367,845	-	160,952,506	157,882,209
Liability against euro area Member States		1,888,542		1,888,542	1,795,748
Trade and other payables	-	-	9,215	9,215	9,215
Total	**95,584,662**	**67,256,387**	**9,215**	**162,850,263**	**159,687,172**
Total financial liabilities	**95,584,662**	**67,256,387**	**9,215**	**162,850,263**	**159,687,172**

Assets for which carrying value approximates fair value

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), it is assumed that the carrying amount approximates their fair value.

Loans to euro area Member States

The fair value of loans to euro area Member States is determined using valuation techniques with observable inputs. Financial support is provided by the EFSF according to rules that differ from those of financial markets. In light of this specificity the present values of the loans are calculated using a discounted cash flow model which takes into account the related funding cost of the EFSF.

Assets and liabilities recorded at fair value

Published price quotations in an active market are the first source for determining the fair value of a financial instrument. For instruments without available market price, fair values are estimated using valuation techniques or models based whenever possible on observable market data prevailing at the balance sheet date.

Debt securities in issue
Published price quotations in an active market are the first source for determining the fair value of the debt securities in issue. If public price is not available, especially for private placement in case of back-to-back funding, the fair value is determined using valuation techniques with observable inputs. For such cases the fair value is calculated using a discounted cash flow model which takes into account specific factors such as the funding cost of other debt securities in issue with available published price quotations.

Liability against euro area Member States
The liability against euro area Member States represents amounts collected and held by the EFSF and which are due to euro area Member States, such as the margin in relation to the financial assistance programmes under EFSF 1 and the guarantee commission fee. Since the amounts are invested until their payment is due, the fair value is determined based on the fair value of the underlying investments. This fair value will not necessary reflect the final liability due at payment date.

6. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Up-front service fee amortisation under EFSF 2.1

For the loans granted to Ireland, Portugal and Greece under EFSF 2.1, the EFSF charged up-front service fee of 0.5% of the notional amount of the loan to cover its operational cost. The EFSF recognises the up-front service fees over a seven year period, to match as closely as possible the economy of the business and to match as closely as possible the occurrences of the expenses aimed to cover. In 2013, €'000 106,135 (2012: €'000 58,888) of service fee was recognised in the statement of comprehensive income under interest and similar income.

Impairment of loans and receivables

The Company, following the guidance of IAS 39, reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded. In particular, in light of the specific purpose of the EFSF as described in Note 4.1, judgement by the management of the Company is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. The EFSF monitors closely the ability of the borrower euro area Member State to repay its obligations. In the event that payments are more than 180 days overdue, a loan is deemed to be non-performing and consequently the need for impairment is assessed. No impairment loss has been required as at 31 December 2013 and 2012, and thus none has been recognised.

The fair value of loans and receivables at initial recognition

The fair value of the loans to euro area Member States at initial recognition is deemed to be the cash consideration to originate a purchase of the loans including any transaction costs as these loans to euro area Member States are made in relation with the specific mandate of the Company as described in Note 4.1.

7. Cash and cash equivalents (in € '000)

The composition of cash and cash equivalents is as follows:

	31.12.2013	31.12.2012
Cash at bank and on hand	163,929	15,470,405
Short-term bank deposits	75,237	150,211
Total cash and cash equivalent	**239,166**	**15,620,616**

8. Loans and advances to credit institutions (in € '000)

The loans and advances to credit institutions are entirely composed of reverse repurchase agreements ('reverse repo'), which are transactions traded on regulated markets.

As at 31 December 2013 reverse repos amount to € 3,485,462 (2012: nil).

9. Loans to euro area Member States (in € '000)

The following table shows the geographical breakdown of loans per financial assistance programmes and by borrowing country:

	Nominal amount	Carrying value as at 31 December 2013
Loans under EFSF 1		
- to Ireland	4,193,836	4,211,326
- to Portugal	7,127,669	7,127,628
Loans under EFSF 2.1		
- to Ireland	14,216,833	14,298,920
- to Portugal	18,950,000	19,020,024
- to Greece	134,301,478	134,621,896
Total	**178,789,816**	**179,279,794**

	Nominal amount	Carrying value as at 31 December 2012
Loans under EFSF 1		
- to Ireland	4,193,836	4,198,296
- to Portugal	7,127,669	7,114,551
Loans under EFSF 2.1		
- to Ireland	8,550,000	8,683,981
- to Portugal	12,350,000	12,422,268
- to Greece	108,243,740	108,239,872
Total	**140,465,245**	**140,658,968**

The following table shows the movements of the loans to euro area Member States:

	31.12.2013	31.12.2012
Balance as at 1 January	**140,658,968**	**16,226,429**
New disbursements	38,136,677	123,544,121
- to Ireland	*5,638,499*	*4,541,300*
- to Portugal	*6,567,000*	*11,307,300*
- to Greece	*25,931,178*	*107,695,521*
Discount amortisation	35,166	16,240
Up-front service fee amortisation	106,218	58,888
Change in accrued interest and loan related fees	342,765	813,290
Balance as at 31 December	**179,279,794**	**140,658,968**

From the total balance of loans to euro area Member States, an amount of €'000 809,275 (2012: €'000 718,975) is due within 12 months and considered as current asset. This amount consists entirely of interest and fee accruals on the loans disbursed as there are no repayments of loans due within the next 12 months.

10. Available-for-sale financial assets (in € '000)

The available-for-sale financial assets are composed of a portfolio of debt instruments. The following table shows the movements in the available-for-sale assets:

	2013	2012
Balance as at 1 January	**3,836,431**	**3,533,986**
Additions	8,807,245	71,919
Disposals	(8,303,483)	(2,219)
Discount and premium amortisation	(17,200)	(14,753)
Change in accrued interest	1,860	1,191
Change in fair value	(101,907)	246,307
Balance as at 31 December	**4,222,946**	**3,836,431**

As at 31 December 2013, the amortised cost of the available-for-sale assets was € '000 3,965,876 (2012: € '000 3,477,494), against a market value of € '000 4,222,946 (2012: € '000 3,836,431). The differences present the fair-value unrealised gain as revaluation reserve which amounts as at 31 December 2013 to € '000 257,030 (2012: € '000 358,937).

From the total balance of available-for-sale financial assets, an amount of € '000 384,788 (2012: € '000 68,926) is due within 12 months and considered as current asset. This amount includes interest accruals and the book value of securities maturing within 12 months.

The available-for-sale financial assets include the EFSF's participation in the European Sovereign Bond Protection Facility (ESBPF) amounting to € '000 9.3 representing the 30% of the shares of the ESBPF and its participation in the European Sovereign Bond Investment Facility (ESBIF) amounting to € '000 31.0 representing 100% of the shares of the ESBIF.

On 5 January 2012 the ESBPF and on 19 January 2012 the ESBIF were created, both as a société anonyme incorporated in Luxembourg. These entities were created subsequent to the decision of the euro area Finance Ministers on 26 October 2011 to increase the EFSF's firepower by optimising its lending capacity within the existing Framework Agreement without extending the amount of guarantees by Member States.

The fair values of the available-for-sale assets are determined based on quoted market prices which represent the first level of the fair value hierarchy except for the participations for € '000 40 in ESBPF and in ESBIF. The securities of the available-for-sale portfolio are quoted on active markets (level 1) except for the participations in ESBPF and ESBIF (level 3).

The table below sets out information about significant unobservable inputs used as at 31 December 2013 in measuring financial instruments categorised as 3 in the fair value hierarchy:

(in €'000)	Valuation technique and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
40	n/a as all the direct equity investments are valued at cost less impairment	n/a	n/a

There was no change in valuation techniques during the year. The entity's policy is to recognise the transfers between Levels as of the date of the event or change in circumstances that caused the transfer.

11. Property, plant and equipment (in € '000)

The following table shows the movements of the property, plant and equipment during the year 2013:

	Furniture and equipment	Total tangible assets
Historical cost		
Balance as at 1 January 2013	19	**19**
Additions	-	**-**
Balance as at 31 December 2013	19	**19**
Accumulated amortisation		
Balance as at 1 January 2013	(6)	**(6)**
Depreciation	(5)	**(5)**
Balance as at 31 December 2013	(11)	**(11)**
Net book value	**8**	**8**
Balance as at 31 December 2013	**8**	**8**
Balance as at 31 December 2012	**13**	**13**

12. Prepayments and deferred charges (in € '000)

As at 31 December 2013, the prepayments are entirely composed of invoices paid in advance and amounts to € '000 164 (2012: € '000 460).

13. ESM related expenses (in € '000)

The deferred expenses related to the ESM correspond to the set up costs paid by the EFSF concerning the implementation of the ESM. This entity has been operating from 8 October 2012 and the deferred expenses will be refunded to the EFSF during 2014.

As at 31 December 2013, the amount of ESM related expenses is € '000 14,806 (2012: € '000 16,014).

14. Debt securities in issue (in € '000)

The table below discloses the details of debt outstanding as at 31 December 2013, together with their rates and maturity dates.

Financial assistance programmes	ISIN code	Nominal Amount	Maturity date	Coupon
Issues under EFSF 1				
Ireland	EU000A1G0AA6	5,000,000	18/07/2016	2.750%
Portugal	EU000A1G0AB4	5,000,000	05/07/2021	3.375%
Portugal	EU000A1G0AC2	3,000,000	05/12/2016	2.750%
Issues under EFSF 2.1				
Ireland	EU000A1G0AD0	3,000,000	04/02/2022	3.500%
Ireland/Portugal	EU000A1G0AE8	3,000,000	04/02/2015	1.625%
Greece	EU000A1G0AG3	14,844,504	12/03/2014	1.000%
Greece	EU000A1G0A57	5,000,000	19/12/2022	0.734%**
Greece	EU000A1G0A65	5,000,000	19/12/2023	0.744%**
Greece	EU000A1G0A73	6,000,000	19/12/2024	0.754%**
Greece	EU000A1G0AL3	5,000,000	19/04/2018	0.805%**
Greece	EU000A1G0AM1	5,000,000	19/04/2019	0.916%**
Greece	EU000A1G0AN9	5,000,000	19/04/2020	0.985%**
Greece	EU000A1G0AP4	5,000,000	19/04/2021	1.056%**
Greece	EU000A1G0AQ2	5,000,000	19/04/2022	1.116%**
Greece	EU000A1G0BE6	3,600,000	30/05/2024	0.657%**
Greece	EU000A1G0BD8	3,600,000	30/05/2025	0.667%**
Issues under short term funding				
Short term	EU000A1G0CN5	500,000	20/02/2014	ZC*
Short term	EU000A1G0CP0	1,350,000	20/03/2014	ZC*
Short term	EU000A1G0CR6	1,972,300	06/02/2014	ZC*
Short term	EU000A1G0CQ8	2,461,000	24/04/2014	ZC*
Short term	EU000A1G0CS4	1,983,600	22/05/2014	ZC*
Short term	EU000A1G0CT2	800,000	06/03/2014	ZC*

Financial assistance programmes	ISIN code	Nominal Amount	Maturity date	Coupon
Issues under long term funding				
Long term	EU000A1G0A16	3,974,350	05/09/2022	2.250%
Long term	EU000A1G0A24	5,900,000	30/11/2017	1.125%
Long term	EU000A1G0AJ7	2,500,000	30/03/2032	3.875%
Long term	EU000A1G0AK5	4,960,000	15/05/2017	2.000%
Long term	EU000A1G0AR0	5,500,000	02/05/2019	2.625%
Long term	EU000A1G0AS8	4,483,600	01/06/2015	1.125%
Long term	EU000A1G0AT6	3,500,000	03/04/2037	3.375%
Long term	EU000A1G0AU4	6,000,000	15/09/2017	1.625%
Long term	EU000A1G0A81	8,000,000	22/01/2020	1.500%
Long term	EU000A1G0A99	5,000,000	05/02/2018	1.250%
Long term	EU000A1G0BA4	5,500,000	07/03/2016	0.500%
Long term	EU000A1G0BB2	8,000,000	16/04/2018	0.875%
Long term	EU000A1G0BC0	5,000,000	23/05/2023	1.875%
Long term	EU000A1G0BF3	4,000,000	05/06/2017	0.750%
Long term	EU000A1G0BG1	5,986,250	17/07/2020	1.625%
Long term	EU000A1G0BH9	4,000,000	31/07/2018	1.250%
Long term	EU000A1G0BJ5	3,000,000	04/09/2034	3.000%
Long term	EU000A1G0BL1	1,500,000	03/12/2029	2.750%
Long term	EU000A1G0BK3	6,000,000	29/10/2020	1.750%
Total		**183 915 604**		

* Zero-coupon bond
** For floating rate bonds the rate applicable at balance sheet is presented

The table below discloses the details of debt outstanding as at 31 December 2012, together with their rates and maturity dates.

Financial assistance programmes	ISIN code	Nominal Amount	Maturity date	Coupon
Issues under EFSF 1				
Ireland	EU000A1G0AA6	5,000,000	18/07/2016	2.750%
Portugal	EU000A1G0AB4	5,000,000	05/07/2021	3.375%
Portugal	EU000A1G0AC2	3,000,000	05/12/2016	2.750%
Issues under EFSF 2.1				
Ireland	EU000A1G0AD0	3,000,000	04/02/2022	3.500%
Ireland/Portugal	EU000A1G0AE8	3,000,000	04/02/2015	1.625%
Greece	EU000A1G0A40	11,291,508	17/06/2013	ZC**
Greece	EU000A1G0AF5	14,844,504	12/03/2013	0.400%
Greece	EU000A1G0AG3	14,844,504	12/03/2014	1.000%
Greece	EU000A1G0A57	5,000,000	19/12/2022	0.657%**
Greece	EU000A1G0A65	5,000,000	19/12/2023	0.667%**
Greece	EU000A1G0A73	6,000,000	19/12/2024	0.677%**
Greece	EU000A1G0AL3	5,000,000	19/04/2018	0.869%**
Greece	EU000A1G0AM1	5,000,000	19/04/2019	0.979%**
Greece	EU000A1G0AN9	5,000,000	19/04/2020	1.049%**
Greece	EU000A1G0AP4	5,000,000	19/04/2021	1.119%**
Greece	EU000A1G0AQ2	5,000,000	19/04/2022	1.179%**
Issues under short term funding				
Short term	EU000A1G0A32	7,000,000	03/12/2013	0.125%
Short term	EU000A1G0B56	1,488,400	24/01/2013	ZC*
Short term	EU000A1G0B72	1,499,200	21/02/2013	ZC*
Short term	EU000A1G0B98	1,941,000	21/03/2013	ZC*
Short term	EU000A1G0CA2	1,990,200	10/01/2013	ZC*
Short term	EU000A1G0CB0	1,988,550	25/04/2013	ZC*
Short term	EU000A1G0CC8	1,927,700	07/02/2013	ZC*
Short term	EU000A1G0CD6	1,966,050	23/05/2013	ZC*
Short term	EU000A1G0CE4	1,432,000	07/03/2013	ZC*
Issues under long term funding				
Long term	EU000A1G0A16	3,000,000	05/09/2022	2.250%
Long term	EU000A1G0A24	5,900,000	30/11/2017	1.125%
Long term	EU000A1G0AJ7	2,500,000	30/03/2032	3.875%
Long term	EU000A1G0AK5	4,960,000	15/05/2017	2.000%
Long term	EU000A1G0AR0	5,500,000	02/05/2019	2.625%
Long term	EU000A1G0AS8	4,483,600	01/06/2015	1.125%
Long term	EU000A1G0AT6	2,500,000	03/04/2037	3.375%
Long term	EU000A1G0AU4	6,000,000	15/09/2017	1.625%
Total		**157 057 216**		

* Zero-coupon bond
** For floating rate bonds the rate applicable at balance sheet is presented

The following table shows the movements of the debt securities in issue:

	2013	2012
Balance as at 1 January	**157,882,209**	**18,012,729**
Issuance during the year	87,614,695	141,047,151
Maturities during the year	(60,998,396)	(1,972,900)
Premium amortisation	41,472	22,829
Change in accrued interest	368,033	772,400
Balance as at 31 December	**184,908,013**	**157,882,209**

All debt securities in issue as at 31 December 2013 are backed by irrevocable and unconditional guarantees of the euro area Member States.

From the total balance of debt securities in issue, an amount of € '000 25,220,935 (2012: € '000 49,238,312) is due within 12 months and considered as current liability. This amount includes interest accruals of issued debt and the book value of securities maturing within 12 months.

As at 31 December 2013, the total fair value of the debt securities in issue (including their accrued interest) amounts to € '000 188,765,948 (2012: € '000 160,952,506) based on quoted market prices.

15. Liability against euro area Member States (in € '000)

Under the financial assistance programmes running under EFSF 1, the Margin deducted from the loan amount at disbursement date is booked as an amount held as cash reserve. This Margin will be paid out at maturity if all payments on the issued bonds are met. In case of shortfall on the bond payments, this will be used for meeting the obligations arisen from the bond issue.

The Margin will be paid out on a pro rata basis. For the period before 21 July 2011, the Margin will be paid to the Member State Guarantors, while for the period after 21 July 2011, the Margin can be paid back to beneficiary Member States as a rebate. The payments at maturity should equal the initial margin amount and any investment return (interests) on the underlying made from the respective part of the cash reserve.

This Margin is included in liability against euro area Member States.

Moreover, the EFSF is entitled to charge 10 bps of guarantee commission fee for loans granted under EFSF 2.1 where such a guarantee commission fee is the remuneration for the guarantor Member States. In parallel of the accrual of such incomes on the loans granted to euro area Member States, the Company recognises a liability against the euro area Member States at the same time for the same amount.

The following tables show the balance of the components per financial assistance programmes:

2013	**Nominal amount**	**Return on underlying investments**	**Total liabilities**
Financial assistance under EFSF 1			
Ireland			
- Rebate for the borrowing countries	484,640	37,494	**522,134**
- Margin as remuneration for the MSG*	45,170	3,494	**48,664**
Portugal			
- Rebate for the borrowing countries	1,091,895	88,643	**1,180,538**
- Margin as remuneration for the MSG*	9,560	776	**10,336**
Financial assistance under EFSF 2.1			
Ireland			
- Guarantee commission fee	18,595	-	**18,595**
Portugal			
- Guarantee commission fee	22,296	-	**22,296**
Greece			
- Guarantee commission fee	65,306	-	**65,306**
Balance as at 31 December 2013	**1,737,462**	**130,407**	**1,867,869**

* Member State Guarantors

2012	Nominal amount	Return on underlying investments	Total liabilities
Financial assistance under EFSF 1			
Ireland			
- Rebate for the borrowing countries	484,640	24,599	**509,239**
- Margin as remuneration for the MSG*	45,170	2,293	**47,463**
Portugal			
- Rebate for the borrowing countries	1,091,895	53,276	**1,145,171**
- Margin as remuneration for the MSG*	9,560	411	**9,971**
Financial assistance under EFSF 2.1			
Ireland			
- Guarantee commission fee	8,426	-	**8,426**
Portugal			
- Guarantee commission fee	7,770	-	**7,770**
Greece			
- Guarantee commission fee	67,508	-	**67,508**
Balance as at 31 December 2012	**1,737,618**	**80,579**	**1,795,548**

* Member State Guarantors

The total balance of liability against euro area Member States is considered as non-current liability.

As at 31 December 2013 the total estimated fair value of the position liability against euro area Member States amounts to € '000 1,892,895 (2012: € '000 1,888,542).

16. Provisions (in € '000)

As at 31 December 2012, provisions were fully reversed with regards to early termination benefits as subsequently in the first quarter of 2013 all staff of the EFSF have been transferred to the ESM (refer to Note 2.13.).

	31.12.2013	31.12.2012
At 1 January	-	101
Additional provisions	-	-
Reversals of provisions	-	(101)
At 31 December	-	-

17. Trade and other payables (in € '000)

The following table shows the breakdown of trade and other payables which are reported as current liabilities and are expected to be settled within no more than 12 months after the date of the statement of financial position:

	31.12.2013	31.12.2012
Amount charged by ESM for administrative services	17,009	-
Trade payables	1,170	4,941
Accrued expenses	435	3,890
Salaries, social security and others taxes	-	384
Total trade and other payables	**18,614**	**9,215**

18. Share capital

	Number of shares (in thousands)	Ordinary shares (in €'000)	Total (in €'000)
At 1 January 2013	**2,851,339**	**28,513**	**28,513**
Proceeds from shares issued	-	-	-
At 31 December 2013	**2,851,339**	**28,513**	**28,513**
At 1 January 2012	**2,851,339**	**28,513**	**28,513**
Proceeds from shares issued	-	-	-
At 31 December 2012	**2,851,339**	**28,513**	**28,513**

By resolutions dated 30 June 2011, the Board of Directors of the Company approved the increase of the share capital of the Company by reserving to the existing shareholders their preferential subscription rights, by a total amount of € 10,000,000, in order to raise it from its previous amount of € 18,440,453.35 to € 28,440,453.35 by creating and issuing 1,000,000,000 new shares with a par value of € 0.01 each, such capital increase being effective upon receipt of all the subscription funds.

As a consequence of the increase of the share capital with effect from 29 July 2011, the subscribed share capital of the entity amounts to € 28,440,453.35, divided into 2,844,045,335 shares, with a par value of € 0.01 each.

In addition to the subscribed share capital, the Company had an unissued but authorised share capital set at € 1,590,546.65 to be divided into 159,054,665 shares of a par value of € 0.01 each.

By resolutions dated 27 October 2011 further to the integration of Estonia in EFSF, the Board of Directors of the Company approved the increase of the share capital of the Company without reserving to the existing shareholders their preferential subscription rights, by a total amount of € 72,943.57, in order to raise it from its previous amounted to € 28,440,453.35 to € 28,513,396.92 by creating and issuing 7,294,357 new shares with a par value of € 0.01 each.

In addition to the subscribed share capital, the Company has an unissued but authorised share capital set at € 1,517,603.08 to be divided into 151,760,308 shares of a par value of € 0.01 each.

19. Reserves (in € '000)

The following table shows the reserves (in € '000):

	2013	2012
Fair value reserve	257,030	358,937
Legal reserve	2,894	-
Total	**259,924**	**358,937**

In accordance with Luxembourg law the Company allocated € '000 2,894 to the legal reserve for the first time in 2013. This reserve may be distributed to shareholders only in the event of the liquidation of the Company.

20. Interest and similar income and expenses (in € '000)

The following table shows the net interest income (in € '000):

	2013	2012
Interest and similar income		
on cash and cash equivalents	-	1,394
on loans to credit institutions	1,360	465
on loans to euro area Member States	2,413,223	1,504,107
on available-for-sale financial assets	103,260	104,281
Total interest and similar income	**2,517,843**	**1,610,247**
Interest and similar expenses		
on cash and cash equivalents	(2)	(256)
on liability against euro area Member States	(49,629)	(49,529)
on debt securities in issue	(2,320,119)	(1,385,223)
Total interest and similar expenses	**(2,369,750)**	**(1,435,008)**
Net interest margin	**148,093**	**175,239**

21. Other expenses (in € '000)

Other expenses are composed of guarantee commission fees due to Member State Guarantors in relation with EFSF 2.1 programme for an amount of € '000 22,493 as at 31 December 2013 (2012: € '000 83,211).

22. Administrative expenditures (in € '000)

Administrative expenditures consist of fees paid for professional services and miscellaneous operating expenses and are detailed as follows:

	2013	2012
Amount charged by ESM for administrative services	(17,009)	-
Funding and treasury fees	(1,751)	(5,190)
Rating agencies fees	(721)	(1,475)
Legal services	(609)	(5,500)
Stock exchange fees	(457)	(783)
IT services	(175)	(1,132)
Advisory services	(30)	(3,272)
Other services	(366)	(1,850)
Total administrative expenditures	**(21,118)**	**(19,202)**

The EFSF has asked the ESM to provide certain administrative services and other support services in order to assist the EFSF in performing its activities. To formalise such cooperation the ESM and EFSF entered into a Service Level Agreement with the commencement date of 1 January 2013.

Under the terms of the Agreement the ESM is entitled to charge a Service Fees which is calculated with the objective to achieve a fair cost-sharing between the ESM and EFSF. The Service Fees represent the compensation for overhead cost, such as staff cost and other administrative cost incurred by the ESM. For the services provided during the financial year 2013, ESM charged € 17.0 million to EFSF (refer to Note 17). The amount has not been paid yet at balance sheet date.

23. Employee salaries and benefits expenses (in € '000)

The following table shows the breakdown of the employee salaries and benefits expenses:

	2013	2012
Wages and salaries	(145)	(5,186)
Social security costs	(12)	(264)
Pension costs	(63)	(761)
Termination benefits (refer to Note 16)	-	101
Total employee salaries and benefits expenses	**(220)**	**(6,110)**

The majority of the EFSF staff was transferred to the ESM on 1 January 2013. The staff transfer was completed in the first quarter of 2013. The 2013 figures correspond to the staff members that were not transferred on 1 January 2013 and consequently remained on the EFSF payroll in the first quarter of 2013.

24. Segment reporting

Concerning segment reporting, the Company applies the "management approach" of IFRS 8 meaning that the definition for segments as well as the preparation of information used for segment reporting are both based on information prepared for internal management decisions.

The Company has one single reportable segment which is the Company's financial assistance activity comprising the Company's lending and funding operations.

25. Related-party transactions

Key Management

At 31 December 2013, the Board of Directors was composed of 17 Directors. They have the authority for planning, directing and controlling the Company's activities. These Directors were not entitled to remuneration during the period.

Transactions with shareholders

As disclosed in details in Note 9, the Company gave loans to Ireland, Portugal and Greece which are also shareholders of the Company. Moreover in the course of its activity, the EFSF purchases debt securities issued by its shareholders. Such securities are reported as Available-for-sale financial assets in the statement of financial position.

Transactions with European Stability Mechanism

External expenses incurred by the EFSF in relation to setting up and running the ESM were recharged by the EFSF to ESM together with other non-expense related items (refer to Note 13).

The EFSF has asked the ESM to provide certain administrative services and other support services in order to assist EFSF in performing its activities. To formalise such cooperation the ESM and EFSF entered into a Service Level Agreement. Under the terms of the Agreement the ESM charged € 17.0 million to the EFSF for the financial year 2013, which has not been paid yet at balance sheet date (refer to Note 17). The EFSF recognised the amount as Administrative expenditures in the statement of comprehensive income.

During the year the ESM purchased short term notes issued by the EFSF. The aim of this purchase is to provide intermediate short term financing to the EFSF due to the transfer of the bill programme from the EFSF to ESM. This will allow the EFSF to roll the short term funding of the former EFSF bill programme into long term funding. This transaction is of temporary nature and will be discontinued by the end of 2014.

26. Auditor's fee (in € '000)

The total fees accrued by the Company to PricewaterhouseCoopers, Société coopérative are presented as follows:

	2013	2012
Legal audit	(151)	(90)
Other services	-	(86)
Total fees	**(151)**	**(176)**

27. Events after the reporting period

Except for those included in the other Notes to the financial statements, there have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2013 financial statements.