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# EUROPEAN FINANCIAL STABILITY FACILITY SOCIÉTÉ ANONYME

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Financial Statements,  
Management Report and Independent  
Auditor's Report

31 December 2023

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## CONTENTS

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|  |           |
|--|-----------|
| <b>Independent Auditor's report</b>      | <b>3</b>  |
| <b>Management report</b>                 | <b>9</b>  |
| <b>Statement of financial position</b>   | <b>19</b> |
| <b>Statement of comprehensive income</b> | <b>20</b> |
| <b>Statement of changes in equity</b>    | <b>21</b> |
| <b>Statement of cash flows</b>           | <b>22</b> |
| <b>Notes to the financial statements</b> | <b>23</b> |



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To the Shareholders of  
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## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### ***Report on the audit of the financial statements***

#### ***Opinion***

We have audited the financial statements of European Financial Stability Facility (the "Entity" or "EFSF"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Entity as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

#### ***Basis for opinion***

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Entity in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## 1. *Impairment of loans and advances to Beneficiary Member States*

### Why the matter was considered to be one of most significance in our audit

As at 31 December 2023, the balance of loans and advances to Beneficiary Member States amounts to EUR 186.4 billion and pertains to financial assistance granted to Ireland, Portugal and Greece. These loans are recorded in the statement of financial position at amortised cost with Expected Credit Loss ("ECL") being recognised in accordance with IFRS 9 – Financial instruments.

As of 31 December 2023, all these loans and advances are classified as "stage 1" under IFRS 9, and no ECL has been recorded by EFSF on these exposures.

Due to the significance of loans and advances to Beneficiary Member States and the judgement involved concerning their impairment assessment, where judgements are applied in order to determine whether any of these loans and advances incurred, since their origination, a significant increase in credit risk and should be reclassified to a higher impairment stage under IFRS 9, we consider this aspect as a key audit matter.

To assess the incidence of a significant increase in credit risk (which would trigger the recognition of a lifetime ECL), EFSF has put in place a warning system through which it analyses the main indicators of the Beneficiary Member States such as:

- the sovereign liquidity situation;
- the public debt medium and long-term sustainability;
- the identification of default events;
- the financial prospects, whenever relevant to assess repayment flows;
- the review of the medium-term economic and financial outlook;
- the assessment of the repayment risk for the upcoming twelve months;
- the market access.

Furthermore, the Entity evaluates the impact of inflationary pressures, macroeconomic and geopolitical uncertainties.

Please refer to the Entity's accounting policies in note 2.5 and to notes 6 and 8 of the financial statements.

### How the matter was addressed in our audit

Our audit approach included testing both the effectiveness of key internal controls around determining a significant increase in credit risk as well as substantive audit procedures.

Our controls testing procedures covered the design and implementation and the operating effectiveness of the key controls over EFSF's processes for determining whether any of the loans and advances to Beneficiary Member States incurred, since their origination, a significant increase in credit risk and should be reclassified to a higher impairment under IFRS 9.



Our procedures included, but were not limited to the following:

- testing key controls over the review process and the approval of assumptions made by the Management and the Board of Directors;
- obtaining the quarterly Early Warning System reports issued per country and assessing that adequate staging classification or impairment assessment was implemented;
- testing the underlying assumptions and judgements made by the Management and the Board of Directors regarding expected cash flows;
- reading and assessing the related contents of the major internal committees' minutes.

Regarding substantive audit procedures, we considered the creditworthiness of the Beneficiary Member States to form our own assessment as to whether any impairment events have occurred and to assess whether such impairment was identified and recorded in a timely manner. For these loans we also checked that reimbursements and waivers granted are made in accordance with the terms and conditions agreed.

Finally, we assessed whether the disclosures in the financial statements appropriately reflect the Entity's exposure to credit risk.

#### ***Other matter relating to comparative information***

The financial statements of the Entity for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2023.

#### ***Other information***

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the Corporate Governance Statement but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.



### ***Responsibilities of the Board of Directors and Those Charged with Governance for the financial statements***

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Responsibilities of the réviseur d'entreprises agréé for the audit of the financial statements***

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.



- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards or actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

### ***Report on other legal and regulatory requirements***

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 28 June 2023 for a three-year term and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.



We confirm that the prohibited non-audit services referred to in EU Regulation N° 537/2014 were not provided and that we remained independent of the Entity in conducting the audit.

Luxembourg, 26 March 2024

KPMG Audit S.à r.l.  
Cabinet de révision agréé

A handwritten signature in black ink, appearing to be 'Emmanuel Dollé', written in a cursive style.

Emmanuel Dollé  
Partner



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## MANAGEMENT REPORT

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### THE COMPANY

The European Financial Stability Facility (hereafter referred to as “EFSF” or the “Company”) was created by the euro area member states on 9 May 2010 as a temporary rescue mechanism. Incorporated on 7 June 2010 as a Société Anonyme based in Luxembourg, the EFSF’s mandate 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 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 of the ESM Treaty by the then 17-euro area member states.

The ESM is currently the only mechanism to finance new financial assistance programmes. As of 1 July 2013, the EFSF may no longer engage in new financing programmes or enter into new loan facility agreements, but it will continue to manage existing programmes and the repayment of any outstanding debt. The EFSF shall be dissolved and liquidated when its purpose is fulfilled, in other words when the EFSF has received full repayment of the financing granted to the beneficiary Member States (hereinafter, the BMS) and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

All EFSF financial assistance programmes were linked to appropriate economic reforms. To fulfil its mission, the EFSF issues bonds or other debt instruments on the capital markets.

The last EFSF assistance programme was for Greece and expired on 30 June 2015. The EFSF will not provide any further financial assistance. However, the EFSF will continue its operations in order to:

- receive loan repayments from beneficiary Member States;
- make interest and principal payments to EFSF bondholders;
- roll over outstanding EFSF bonds, as the maturity of loans provided to Ireland, Portugal, and Greece is longer than the maturity of EFSF-issued bonds.

### SERVICE LEVEL AGREEMENT WITH THE EUROPEAN STABILITY MECHANISM

To fulfil its ongoing activity, the EFSF asked the ESM to provide administrative services and other support services. To formalise such cooperation, the ESM and the EFSF entered into a service level agreement dated 1 January 2013 and amended on 17 July 2020.

## FUNDING STRATEGY

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

One consequence of the diversified funding strategy is that funds raised were no longer attributed to specific beneficiary Member States. The funds were pooled and then disbursed to programme countries upon request. As before, in 2023 the EFSF's strategy continued to focus on standard benchmark and tap issues. The EFSF responded to investor demand with flexibility, conducting transactions such as a dual tranche of a €4.0 billion 10-year bond and a €2.0 billion 3-year bond. These transactions had total order books in excess of €17.5 billion and yields of 2.96% and 2.81% respectively. A €2.0 billion 15-year bond and a tap of a 3-year bond €1.0 billion were issued in January. A €4.0 billion 5.5-year bond and €3 billion 7 year bond were issued in April and July.

As of 31 December 2023, the EFSF had been assigned an AA rating by Standard & Poor's, an Aaa rating by Moody's and an AA- by Fitch Ratings. All three major credit rating agencies also gave the EFSF the highest possible short-term rating – Standard and Poor's (A1+); Moody's (P-1) and Fitch Ratings (F1+).

In 2023, under the diversified funding strategy, the EFSF continued to issue long-term bonds with different maturities. All 2023 bond issuances were successfully placed, raising a total of €20 billion.

On 31 December 2023, the nominal outstanding amount of bonds issued was €189.2 billion. The balance includes bonds issued under the diversified funding strategy, which corresponds to €161.1 billion.

## LENDING OPERATIONS

The EFSF programmes for Ireland, Portugal and Greece ended in December 2013, May 2014 and June 2015 respectively.

### Financial assistance for Ireland (2010 – 2013)

Ireland was the first country to request financial assistance from the EFSF, which provided €17.7 billion in loans. This was part of an external financing package worth €67.5 billion in total.

The financial assistance package was tied to an economic adjustment programme, which included:

- A financial sector strategy comprising fundamental downsizing and reorganisation of the banking sector (including recapitalisation and deleveraging);
- A strategy to restore fiscal sustainability (reducing government expenditure, tax system reform, generation of additional revenues);
- A structural reform package to strengthen economic growth, focusing on competitiveness and job creation.

EFSF loans to Ireland are scheduled to be repaid from 2029 to 2042 after the approval of extension of loan maturities in 2013, with a weighted average loan maturity of 20.8 years.

As of 31 December 2023, the EFSF has no outstanding commitments under this programme.

### Financial assistance for Portugal (2011 – 2014)

Portugal was the second country to request financial assistance from the EFSF, which provided € 26.0 billion in loans. This was part of an external financing package worth €78.0 million in total.

The financial assistance package was tied to an economic adjustment programme, which included:

- A fiscal consolidation strategy, supported by structural and fiscal measures;
- Structural reforms to boost potential growth, create jobs, and improve competitiveness;
- Stabilisation of the financial sector through recapitalisation and deleveraging.

EFSF loans to Portugal are scheduled to be repaid from 2025 to 2040 after the approval of extension of loan maturities in 2013, with a weighted average loan maturity of 20.8 years. Portugal made an early repayment of €2.0 billion to the EFSF in 2019.

As of 31 December 2023, the EFSF has no outstanding commitments under this programme.

#### **Financial assistance for Greece (2012 – 2015)**

Greece was the third country to request financial assistance from the EFSF, which provided €141.8 billion in loans. This was part of an external financing package worth €288.7 million in total.

The financial assistance packages were tied to economic adjustment programmes, which focused on:

- Restoring fiscal sustainability;
- Safeguarding financial stability (bank recapitalisation; reduction of non-performing loans);
- Enhancing growth, competitiveness and investment (labour and product market reforms);
- Increasing the efficiency of public administration and the judicial system.

EFSF loans to Greece are scheduled to be repaid from 2023 to 2070. The EFSF received the first scheduled repayment, amounting to €1.7 billion, in 2023. The current repayment schedule was established as a result of the implementation of short- and medium-term debt relief measures.

As of 31 December 2023, the EFSF has no outstanding commitments under this programme.

#### Short-term debt relief measures (2017)

The EFSF Board of Directors adopted the rules implementing a set of short-term debt relief measures, which included the smoothing of Greece's repayment profile on 23 January 2017.

There were three sets of short-term measures:

- smoothing Greece's repayment profile;
- reducing interest rate risk;
- waiving the step-up interest rate margin for 2017.

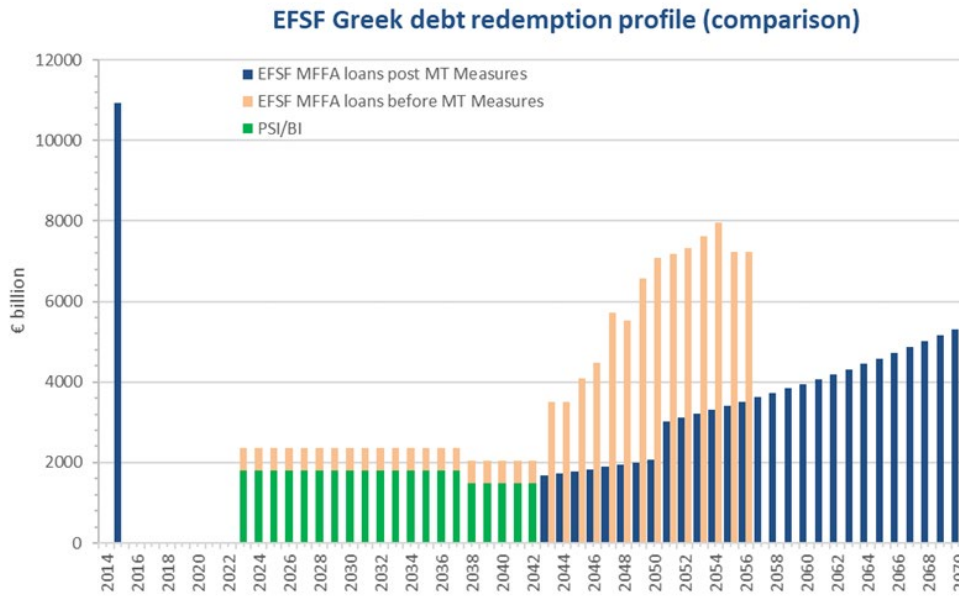
#### Medium-term debt relief measures (2018)

The Board of Directors approved the implementation of a set of medium-term debt relief measures for Greece on 22 November 2018. The measures were set out in a number of EFSF documents including the Master Financial Assistance Facility Agreement between the EFSF and Greece. Euro area finance ministers had endorsed the measures at the Eurogroup meeting on 22 June 2018.

- The abolition of the step-up interest rate margin related to the debt buy-back instalment of the second Greek programme as of 2018<sup>1</sup>;
- The use of 2014 Securities Markets Programme (SMP) profits from the ESM segregated account and the restoration of the transfer of Agreement on Net Financial Assets and SMP income equivalent amounts to Greece (as of budget year 2017). The available income equivalent amounts were transferred to Greece in equal amounts on a semi-annual basis from 2018 until June 2022, via the ESM segregated account and were used to reduce gross financing needs or to finance other agreed investments;
- A further deferral of interest and amortisation by 10 years and an extension of the maximum weighted average maturity (WAM) by 10 years on €96.4 billion of EFSF loans.

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<sup>1</sup> As part of the medium-term debt relief, EFSF decided to wave a step-up margin from 2019 onwards.



### Post-programme surveillance

Following the completion of the country programmes, post-programme surveillance (PPS) has been carried out by the European Commission in liaison with the European Central Bank. The procedure involves regular review missions in the programme country to assess its economic, fiscal and financial situation. The ESM participates in PPS missions (also in relation to EFSF programmes) to fulfil the requirements of its Early Warning System, i.e. to assess a country's capacity to repay its outstanding loans. This requires an assessment of the country's short-term liquidity, market access, and the medium-term to long-term sustainability of public debt.

## FINANCIAL OVERVIEW

Compared to 2022, the EFSF's net profit increased by €155.2 million mainly driven by higher return on cash and securities which outweighed the higher funding cost during the same period.

The total comprehensive income/(loss) increased by €164.0 million in 2023.

The results of the EFSF as of 31 December 2023 are summarised in the table below:

### Summary of the statement of comprehensive income

| (in €'000)  | 2023           | 2022            |
|---|----------------|-----------------|
| Income  | 2,398,141      | 1,800,397       |
| Expenses  | (2,268,753)    | (1,826,206)     |
| <b>Net profit/(loss) for the year</b>   | <b>129,388</b> | <b>(25,809)</b> |
| Other comprehensive income/(loss):  |                |                 |
| Net results on treasury financial assets (unrealised)   | 4,412          | (4,412)         |
| Net amount reclassified to the statement of comprehensive income on sale of treasury financial assets portfolio | -              | -               |
| <b>Total comprehensive income/(loss) for the year</b>   | <b>133,800</b> | <b>(30,221)</b> |

In 2023, the total balance sheet decreased by €1.1 billion compared to year-end 2022. This is due to the decrease of €1.2 billion in cash and cash equivalents, a decrease in loans to euro area member states of €0.4 billion mostly driven by the scheduled repayment from Greece, and the increase of €0.5 billion in treasury financial assets.

The balance sheet is summarised as follows:

### Summary of the balance sheet

| (in €'000)                                | 31.12.2023         | 31.12.2022         |
|---|--------------------|--------------------|
| <b>TOTAL ASSETS</b>                       | <b>191,899,186</b> | <b>193,040,519</b> |
| Of which:                                 |                    |                    |
| Cash and cash equivalents                 | 4,285,625          | 5,521,997          |
| Loans to euro area member states          | 186,445,337        | 186,803,925        |
| Treasury financial assets                 | 1,168,175          | 714,514            |
| <b>TOTAL EQUITY AND LIABILITIES</b>       | <b>191,899,186</b> | <b>193,040,519</b> |
| <i>Total liabilities</i>                  | <i>191,020,748</i> | <i>192,295,881</i> |
| Of which:                                 |                    |                    |
| Debt securities in issue                  | 190,431,227        | 191,765,423        |
| Liability against euro area member states | 580,936            | 522,088            |
| <i>Total shareholders' equity</i>         | <i>878,438</i>     | <i>744,638</i>     |

## OUTLOOK FOR 2024

For 2024, the EFSF's long-term funding target is €20.0 billion. The EFSF will continue to finance the existing debt until all the loans have been repaid by the beneficiary Member States. The positive EFSF net result during 2023 was largely supported by the remuneration of the cash deposits following the ECB's decision to increase the interest rates on euro area government deposits. Its future development is uncertain and the EFSF's net result may turn back to negative for future periods, due to the decreasing service fee income.

## 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 the probability of occurrence and the consequences/impact to the organisation in the event of occurrence.

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

**Risk monitoring** is the set of processes, procedures, responsibilities, and tools needed for ongoing 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 treasury financial assets and deposits. Liquidity risk limits are set against certain funding outcomes.

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 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 on investments.

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, monitor, and manage these risks.

The EFSF established an information security function within the Risk division to provide independent oversight and monitoring of information technology operations and other 'first line of defence' divisions managing information security. The aim is to strengthen the confidentiality, integrity, and availability of valuable or sensitive information and enhance resilience to cyber security risks. The information security was carried over to the ESM, where it establishes risk guidelines for the ESM's information security strategy and for the design of information security controls. The function also maintains ESM's information security policy and conducts periodic reviews of user access to information.



## CREDIT RISK

Credit risk is the potential for loss arising from the inability of a counterparty, issuer or other obligor to fulfil its contractual obligations. Credit risk mainly arises from loans granted to the borrower euro area member states. Quarterly reports are provided to Shareholders detailing their guarantee consumption in respect of each bond and bill issued by the EFSF.

Credit risk can also arise from investments in treasury financial assets, 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, and prices of securities. Market risk can be structural (in relation to assets and liabilities) or non-structural (in relation to investments). The EFSF has both types of market risk: structural for the lending and funding activities, and non-structural in relation to the investment portfolios.

At present, the EFSF's loans are longer in maturity than its funding, hence there is a maturity mismatch, where a higher borrowing cost could apply at future dates. This mismatch is managed by careful asset-liability cash flow monitoring and a diversified funding strategy. This risk is not retained by the EFSF, due to the pass-through feature of the EFSF pricing policy.

The treasury financial assets are 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 loss 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.

Liquidity risk is mitigated through:

- available funds, with ability to call from Guarantors further funds if there is a shortfall;
- a diversified funding strategy;
- regular active monitoring of the cash position;
- a regular presence in the market which maintains access to a wide and well diversified investor base.

## OPERATIONAL RISK

Operational risk is defined as the potential loss or inability to fulfil the EFSF's mandate or reputational damage 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.

Management has no tolerance for material operational risks, including those originating from third party/vendor engagements, which may result in the EFSF's inability to effectively fulfil its mandate, or in significant loss and/or reputational damage. No material operational risk losses were identified in 2023.

The ESM, on behalf of the EFSF, has processes, risk management tools and a control framework to ensure a high level of control on the operational risks inherent to activities of the EFSF. The ESM, also on behalf of the EFSF, maintains business continuity plans and has resources dedicated to the oversight and management of specific types of operational risk of the EFSF such as fraud, risks pertaining to payment systems, and security risks to information systems.

All departments are responsible for the proactive mitigation of operational risks, and for the robustness of the associated processes, in a “first line of defence” capacity. If operational risk events occur, they are reported to the Risk Management through an internal operational risk register. Formal escalation procedures have been established to ensure the active involvement of management, the EFSF Audit Committee and, where necessary, the EFSF Board of Directors.

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## Research and development

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The Company has no research and development activity.

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## Share capital

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

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## Shareholders

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The shareholders of the Company are the euro area member states as of 31 December 2023 except for the Republic of Latvia, the Republic of Lithuania and the Republic of Croatia. The following table shows the number of shares and subscription amounts for each shareholder.

| <b>Member State</b>                | <b>Number of shares</b> | <b>Capital as of<br/>31 December 2023 (in €)</b> |
|------------------------------------|-------------------------|--|
| Federal Republic of Germany        | 771,706,294             | 7,717,062.94                                     |
| French Republic                    | 579,522,400             | 5,795,224.00                                     |
| Italian Republic                   | 509,243,918             | 5,092,439.18                                     |
| Kingdom of Spain                   | 338,392,963             | 3,383,929.63                                     |
| Kingdom of the Netherlands         | 162,521,534             | 1,625,215.34                                     |
| Kingdom of Belgium                 | 98,844,650              | 988,446.50                                       |
| Hellenic Republic <sup>(1)</sup>   | 80,070,849              | 800,708.49                                       |
| Republic of Austria                | 79,125,435              | 791,254.35                                       |
| Portuguese Republic <sup>(1)</sup> | 71,329,846              | 713,298.46                                       |
| Republic of Finland                | 51,097,174              | 510,971.74                                       |
| Ireland <sup>(1)</sup>             | 45,261,689              | 452,616.89                                       |
| Slovak Republic                    | 28,256,464              | 282,564.64                                       |
| Republic of Slovenia               | 13,398,796              | 133,987.96                                       |
| Republic of Estonia                | 7,294,357               | 72,943.57  |
| Grand Duchy of Luxembourg          | 7,119,129               | 71,191.29  |
| Republic of Cyprus <sup>(1)</sup>  | 5,578,757               | 55,787.57  |
| Republic of Malta                  | 2,575,437               | 25,754.37  |
| <b>Total</b>                       | <b>2,851,339,692</b>    | <b>28,513,396.92</b>                             |

<sup>(1)</sup> As at the effective date of the amendments, Ireland, the Portuguese Republic, and the Hellenic Republic had become Stepping-Out Guarantors. The Republic of Cyprus became a Stepping-Out Guarantor as of 29 April 2013.



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## Corporate governance

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### BOARD OF DIRECTORS

The Board of Directors is comprised of high-level representatives of each of the 17 EFSF shareholders. The European Commission and the European Central Bank (ECB) are entitled to appoint an observer to the Board of Directors' meetings, who may present their observations but do not have voting rights.

The Directors are appointed by the shareholders' general meeting 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 it 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.

### GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders represents the entire body of shareholders of the Company. It has 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, directly or by appointing a proxy.

### AUDIT COMMITTEE

The Audit Committee is a permanent sub-committee of the Board of Directors of the Company pursuant to Article 52 of the Luxembourg Law of 23 July 2016 concerning the audit profession. The Audit Committee was established by the Board of Directors on 17 December 2013. The Board of Directors approved the Terms of Reference and Rules of Procedure of the Audit Committee on 24 March 2014, and they were subsequently amended on 8 February 2018. The Audit Committee assists the Board of Directors in discharging its responsibilities in financial reporting, internal control, risk management, internal audit and external audit of the Company. The Audit Committee consists of five members who are appointed by the Board of Directors from among Directors, for a renewable term of office of one year.

The Audit Committee meets whenever the affairs of the Company so require, at the time and place specified in the notice of the meeting.

### AUDIT

EFSF Management and Internal Audit signed a Charter for Audit and Control on 26 November 2010. It was presented to the Board of Directors at its meeting on 3 December 2010. An updated Internal Audit Charter was approved by the Board of Directors on 23 November 2020.

Internal Audit examines and evaluates the adequacy and effectiveness of the organisation's governance, risk management process, and system of internal controls. It also analyses the organisation's performance in carrying out assigned responsibilities to achieve its stated goals and objectives.

The term of the EFSF external auditor, EY Luxembourg, expired with the completion of their financial year 2022 audit. The new EFSF's external auditor, KPMG Audit S.à r.l., was appointed by the Annual General Meeting of Shareholders on 28 June 2023 for the audit of the EFSF financial statements for the financial years 2023, 2024 and 2025.

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## Rules Governing Amendments to the Articles of Association

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Amendments to the Articles of Association are approved by resolution at an Extraordinary General Meeting of Shareholders subject to the EFSF Articles of Association and Luxembourg law.

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## Branches of the Company

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The Company has no branch.

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## Main subsequent events

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Please refer to Note 23 of the financial statements.

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## Future prospects

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The EFSF was created as a temporary institution. In accordance with its Articles of Association, the EFSF will be dissolved and liquidated when its purpose will be fulfilled, that being the moment when the EFSF will have received full repayment of the financing granted to the member states and will have repaid all its liabilities under the financial instruments issued and financing arrangements entered into. No new financing programme and no new loan facility agreements may be established or entered into by the EFSF after 30 June 2015.

Currently the longest outstanding EFSF loan, following the implementation of the medium-term measures, matures in 2070 for Greece.

For and on behalf of the Board of Directors.

Pierre Gramegna

Chief Executive Officer

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(In €'000)

|   | Notes | 31.12.2023         | 31.12.2022         |
|---|-------|--------------------|--------------------|
| <b>ASSETS</b>                             |       |                    |                    |
| Cash and cash equivalents                 | 7     | 4,285,625          | 5,521,997          |
| Loans to euro area member states          | 8     | 186,445,337        | 186,803,925        |
| Treasury financial assets                 | 9     | 1,168,175          | 714,514            |
| Prepayments and other receivables         | 10    | 49                 | 83                 |
| <b>Total assets</b>                       |       | <b>191,899,186</b> | <b>193,040,519</b> |
| <b>LIABILITIES</b>                        |       |                    |                    |
| Debt securities in issue                  | 11    | 190,431,227        | 191,765,423        |
| Liability against euro area member states | 12    | 580,936            | 522,088            |
| Trade and other payables                  | 13    | 8,585              | 8,370              |
| <b>Total liabilities</b>                  |       | <b>191,020,748</b> | <b>192,295,881</b> |
| <b>SHAREHOLDERS' EQUITY</b>               |       |                    |                    |
| Ordinary shares                           | 14    | 28,513             | 28,513             |
| Legal reserve                             | 15    | 2,894              | 2,894              |
| Fair value reserve                        | 9/15  | -                  | (4,412)            |
| Retained earnings                         |       | 717,643            | 743,452            |
| Net profit/(loss) for the year            |       | 129,388            | (25,809)           |
| <b>Total shareholders' equity</b>         |       | <b>878,438</b>     | <b>744,638</b>     |
| <b>Total equity and liabilities</b>       |       | <b>191,899,186</b> | <b>193,040,519</b> |

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

## STATEMENT OF COMPREHENSIVE INCOME

For the financial year ending 31 December 2023

(In €'000)

|  | Notes | 2023            | 2022            |
|--|-------|-----------------|-----------------|
| <b>Statement of Profit or Loss</b>   |       |                 |                 |
| Interest revenue calculated using the effective interest method                          | 16    | 2,398,141       | 1,800,397       |
| Interest expense calculated using the effective interest method                          | 16    | (2,190,964)     | (1,747,524)     |
| Result on financial operations on treasury financial assets portfolio                    |       | -               | (471)           |
| Other expenses   | 17    | (43,700)        | (43,904)        |
| <b>Net financial income</b>  |       | <b>163,477</b>  | <b>8,498</b>    |
| Administrative expenditures  | 18    | (34,089)        | (34,307)        |
| <b>Total operating expenses</b>  |       | <b>(34,089)</b> | <b>(34,307)</b> |
| <b>Net profit/(loss) for the year</b>  |       | <b>129,388</b>  | <b>(25,809)</b> |
| <b>Other comprehensive income/ (loss)</b>  |       |                 |                 |
| <b>Items that are or may be subsequently reclassified in statement of profit or loss</b> |       |                 |                 |
| Change in fair value of treasury financial assets portfolio recognised in OCI            | 9     | 4,412           | (4,412)         |
| <b>Total comprehensive income/(loss) for the year</b>                                    |       | <b>133,800</b>  | <b>(30,221)</b> |

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

## STATEMENT OF CHANGES IN EQUITY

For the financial year ending 31 December 2023

(In €'000)

|                                     | Ordinary<br>shares | Legal<br>reserve | Fair value<br>reserve | Retained<br>earnings | Net (loss)<br>/profit | Total           |
|-------------------------------------|--------------------|------------------|-----------------------|----------------------|-----------------------|-----------------|
| <b>As at 1 January 2022</b>         | <b>28,513</b>      | <b>2,894</b>     | <b>-</b>              | <b>764,363</b>       | <b>(20,911)</b>       | <b>774,859</b>  |
| Allocation of the net loss of 2021: |                    |                  |                       |                      |                       |                 |
| - to the retained earnings          | -                  | -                | -                     | (20,911)             | 20,911                | -               |
| Net loss for the year 2022          | -                  | -                | -                     | -                    | (25,809)              | <b>(25,809)</b> |
| Change in fair value reserve        | -                  | -                | (4,412)               | -                    | -                     | <b>(4,412)</b>  |
| <b>As at 31 December 2022</b>       | <b>28,513</b>      | <b>2,894</b>     | <b>(4,412)</b>        | <b>743,452</b>       | <b>(25,809)</b>       | <b>744,638</b>  |

|                                     | Ordinary<br>shares | Legal<br>reserve | Fair value<br>reserve | Retained<br>earnings | Net (loss)<br>/profit | Total          |
|-------------------------------------|--------------------|------------------|-----------------------|----------------------|-----------------------|----------------|
| <b>As at 1 January 2023</b>         | <b>28,513</b>      | <b>2,894</b>     | <b>(4,412)</b>        | <b>743,452</b>       | <b>(25,809)</b>       | <b>744,638</b> |
| Allocation of the net loss of 2022: |                    |                  |                       |                      |                       |                |
| - to the retained earnings          | -                  | -                | -                     | (25,809)             | 25,809                | -              |
| Net profit for the year 2023        | -                  | -                | -                     | -                    | 129,388               | <b>129,388</b> |
| Change in fair value reserve        | -                  | -                | 4,412                 | -                    | -                     | <b>4,412</b>   |
| <b>As at 31 December 2023</b>       | <b>28,513</b>      | <b>2,894</b>     | <b>-</b>              | <b>717,643</b>       | <b>129,388</b>        | <b>878,438</b> |

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

## STATEMENT OF CASH FLOWS

For the financial year ending 31 December 2023

(In €'000)

|  | Notes | 2023               | 2022             |
|--|-------|--------------------|------------------|
| <b>Operating activities</b>                              |       |                    |                  |
| Net profit/(loss) for the year                           |       | 129,388            | (25,809)         |
| Interest receivable on loans to euro area member states  | 16    | (2,050,274)        | (1,643,526)      |
| Interest receivable on treasury financial assets         |       | (7,010)            | (264)            |
| Interest payable on debt securities in issue             |       | 2,198,550          | 1,684,128        |
| Decrease in prepayments                                  |       | 35                 | 40               |
| Increase of trade and other payables                     |       | 215                | -                |
| <b>Net cash flow from operating activities</b>           |       | <b>270,904</b>     | <b>14,569</b>    |
| <b>Investing activities</b>                              |       |                    |                  |
| Interest received on loans to euro area member states    | 8/16  | 714,585            | 774,980          |
| Repayments of loans to euro area member states received  | 8     | 1,737,977          | -                |
| Investment in treasury financial assets purchased        | 9     | (20,927,267)       | (3,172,119)      |
| Investment in treasury financial assets matured or sold  |       | 20,500,175         | 2,452,869        |
| Interest received on treasury financial assets           |       | -                  | 73               |
| <b>Net cash flow from investment activities</b>          |       | <b>2,025,470</b>   | <b>55,803</b>    |
| <b>Financing activities</b>                              |       |                    |                  |
| Issuance of debt instruments                             | 11    | 19,759,060         | 19,443,001       |
| Redemption of debts instruments                          |       | (21,256,463)       | (14,747,002)     |
| Interest paid on debt securities in issue                |       | (2,035,343)        | (1,829,449)      |
| <b>Net cash flow (used in)/from financing activities</b> |       | <b>(3,532,746)</b> | <b>2,866,550</b> |
| Net change in cash and cash equivalents                  |       | (1,236,372)        | 2,936,922        |
| Cash and cash equivalents at the beginning of the year   |       | 5,521,997          | 2,585,075        |
| <b>Cash and cash equivalents at the end of the year</b>  |       | <b>4,285,625</b>   | <b>5,521,997</b> |

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, Grand Duchy of 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 not including Latvia, Lithuania and Croatia.

The EFSF was initially designed to issue notes guaranteed by euro area member states for up to around €440 billion to lend on to euro area member states in financial difficulty. The assistance was subject to conditions negotiated with the European Commission in liaison with the ECB and, where appropriate the International Monetary Fund (IMF), which the Eurogroup needed to approve.

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

- 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 and resolutions of financial institutions through loans to governments.

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

As of 1 July 2013, the Company may no longer engage in new financial assistance facilities, but it continues to manage existing programmes and the repayment of any outstanding debt. The Company shall be dissolved and liquidated when its purpose is fulfilled, in other words when the Company has received full repayment of the financing granted to BMS and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

At the beginning of 2013, the staff of the EFSF was transferred to the ESM. To carry out its ongoing activity, the EFSF asked the ESM to provide it with certain administrative and other support services. To formalise such cooperation, the ESM and the EFSF entered into a Service Level Agreement beginning on 1 January 2013. On 17 July 2020, the annex to the service level agreement detailing the fees calculation was amended following a decision of the ESM Managing Director. The new applicable calculation method of the fees was determined to better reflect the fair cost-sharing between the ESM and the EFSF compared to their respective level of activity.

The present financial statements cover the period from 1 January 2023 to 31 December 2023.

These financial statements were approved by the EFSF Board of Directors on 26 March 2024 and authorised for submission to the Shareholders for approval at their 26 June 2024 Annual General Meeting.

# Financial Statements

## 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 provided three financial assistance programme loans - one for Ireland and two for Portugal, all of 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 would be sufficient to cover all of the associated debt service if the underlying loan was 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 it incurred and included a Margin which was intended to provide remuneration for the Guarantors. The Margin was deducted from the loan disbursement amount as Prepaid Margin, plus the service fee which was used to cover the EFSF's operational costs and any costs and fees directly related to the issuance of funding instruments which had not otherwise been charged to the relevant borrowing country.

For the loans, 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 their 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 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 investing (part of EFSF investing activities) these amounts, net of any amounts representing investment losses or negative interest. The Cash Reserve is invested in accordance with the Investment Strategy approved by the EFSF Board of Directors.

On 21 July 2011, the Heads of State or Government decided that the Margin, initially reserved to remunerate the Guarantors, will no longer be applicable to new loans granted to Greece, Ireland and Portugal 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 was made in accordance with the proportional share due after 21 July 2011. The proportional share of the Margin before 21 July 2011 will be due to the Member State Guarantors.

Following the maturity of the EFSF 1 programme, EFSF returned Prepaid Margin and accumulated investment returns to Ireland amounted to €554.9 million on 18 July 2016, to Portugal amounted to €301.8 million and €1.1 billion on 5 December 2016 and 4 July 2021.

The portion of the Prepaid Margin not eligible for rebate, accumulated investment returns and unused negative carry for the Member State Guarantors was not been paid out at the balance sheet date. The amounts for 2022 were: €56.2 million (Ireland), €4.0 million (Portugal) and €11.6 million (Portugal) for 2023 and €54.5 million (Ireland), €4.0 million (Portugal) and €11.2 million (Portugal).



## Financial Statements

### 1.1.2. FINANCIAL ASSISTANCE UNDER THE AMENDED FRAMEWORK AGREEMENT ("EFSF 2.1")

The Board of Directors approved the new EFSF framework agreement on 27 October 2011. 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. Therefore, 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 for the EFSF's operational costs. The service fee has two components: an up-front service fee (50 basis points) and an annual service fee (0.5 basis points). To provide the same cover for investors, the amount of over-guarantee was increased to 165% from 120%. Under this amended framework agreement, the EFSF is entitled to charge 10 basis points of guarantee commission fee for the loans granted to euro area member states where such a fee provides remuneration for the guarantor member states.

All loans granted in 2012, 2013 and 2014 under financial assistance programmes were concluded under the amended framework agreement.

In November 2012, the Eurogroup took the political decision to change the lending terms of the support programme for Greece. As a result, the Board of Directors decided to extend the maturities of EFSF loans to Greece by 15 years and deferred Greece's interest payments on EFSF loans by 10 years. In addition, the Board cancelled the guarantee commission fee.

To manage this loan maturity extension, the EFSF was required to allow repayments after 2048. To finance these extended loans, the EFSF amended in 2013 the relevant Trust Deeds to allow for the issuance of funding instruments after 2048. It introduced a similar amendment to the relevant Deeds of Guarantee, extending the end year for the Deeds of Guarantee to 2070.

To support Ireland's and Portugal's efforts to regain full market access and successfully exit their programmes, the EFSF decided, in line with a Eurogroup decision, to lengthen the maturities of their EFSF loans by increasing the weighted average maturity limit by seven years. The extension smoothed the debt-redemption profile of both countries and lowered 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 its maturities by seven years.

Initially, the weighted average maturity of EFSF loan tranches was up to 15 years. The final weighted average maturity of EFSF loans to Portugal and Ireland is 20.8 years.

On 8 December 2013, Ireland officially exited the EFSF financial assistance programme with the expiry of the availability period under its Master Financial Assistance Facility Agreement.

On 18 May 2014, Portugal exited the EFSF financial assistance programme.

On 19 December 2014, the Board of Directors decided to grant Greece a two-month technical extension of its second economic adjustment programme financed by the EFSF until 28 February 2015. On 27 February 2015, the Board of Directors decided on a further four-month technical extension of the programme until 30 June 2015. Following the expiration of the programme, the EFSF will not provide any further financial assistance.

On 23 January 2017, the EFSF Board of Directors adopted the rules implementing a set of short-term debt relief measures which included the smoothing of Greece's repayment profile.

## Financial Statements

In this context, the Board of Directors approved a bond exchange, where floating rate notes disbursed by the EFSF to Greece were exchanged for fixed coupon notes. In addition, the EFSF waived the step-up interest rate margin for the year 2017 on the €11.3 billion EFSF loan tranche that was used to finance a debt buy-back. A margin of 2% had originally been foreseen, starting from 2017. A further measure – the smoothing of Greece's EFSF repayment profile – was completed on 10 February 2017. Following the smoothing, Greece must repay the loans by 2070 according to the terms of the relevant financial assistance agreement. The above measures did not affect the profit or loss of the EFSF, as the net present value of the modified cash flows approaches the carrying amount of the loans.

On 22 November 2018, the Board of Directors approved the implementation of a set of medium-term debt relief measures for Greece. The measures are set out in a number of EFSF documents including the Master Financial Assistance Facility Agreement between the EFSF and Greece. Euro area finance ministers had endorsed the measures at the Eurogroup meeting on 22 June 2018.

The implementation of the EFSF medium-term measures for Greece consists of (i) a mechanism for the conditional abolition of the step-up interest rate margin related to the debt buy-back instalment of the second Greek programme from 2018 onwards; (ii) a further deferral of interest and amortisation by 10 years on €96.4 billion of EFSF loans to Greece; and (iii) extension of the maximum weighted average maturity of the above-mentioned loans by 10 years, respecting the programme authorised amount. Following implementation of the measures, the weighted average maturity for this part of Greece's EFSF loans is now 42.3 years. The interest deferral period, previously ending on 12 December 2022, was extended by 10 years until December 2032, i.e. interest accruing on €96.4 billion of EFSF loans to Greece is not due and payable but deferred. The Deeds of Guarantee and the Trust Deed were also amended in 2018 in the context of the medium-term debt measures and that the expiration date of the guarantees has been extended to 31 December 2082. As part of the medium-term debt relief, the EFSF decided to reduce to zero the 2% step-up margin from 2018 onwards.

The EFSF received an early repayment request from the Portuguese authorities on 27 June 2019. The EFSF Board of Directors approved this €2.0 billion early repayment request on 5 September 2019. Portugal's €2.0 billion reimbursement to the EFSF corresponds to a full repayment of a loan tranche maturing in August 2025 and partial repayment of a tranche maturing in December 2025. The early repayment did not significantly affect the net present value of the corresponding loans.

# Financial Statements

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## 2. Summary of material accounting policies

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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 on a going concern basis and presented in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. 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 judgement in the process of applying the Company’s accounting policies. Areas involving a higher degree of judgement 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 may 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 profit or loss under the statement of comprehensive income as translation gains or losses. As at 31 December 2023 and 2022, there were no monetary assets or liabilities denominated in foreign currencies.

### 2.4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in 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 FINANCIAL LIABILITIES

In accordance with IFRS 9, all financial assets and financial liabilities have to be recognised in the statement of financial position and measured in accordance with their assigned category.

# Financial Statements

## 2.5.1. FINANCIAL ASSETS

### (a) Classification and measurement – financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. IFRS 9 includes three classification categories for financial assets: measured at amortised cost, measured at fair value through other comprehensive income (FVOCI), or measured at fair value through profit or loss (FVTPL). All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL (the EFSF does not hold any financial assets at FVTPL). In addition, on initial recognition the EFSF may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition, based on the business model assessment and the contractual cash flows.

#### i) Business model assessment

The EFSF assesses the objective of the business model in which a financial asset is held at portfolio level, because this best reflects the way each group of assets is managed and information is provided to management.

#### ii) Assessment whether the contractual cash flows are solely payments of principal and interest (SPPI test)

In assessing whether the contractual cash flows are solely payments of principal and interest, the EFSF considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not be consistent with a basic lending arrangement.

#### iii) Financial assets classification

The classification and measurement of financial assets is as follows:

- Loans to euro area member states are classified and measured at amortised cost under IFRS 9 because they are managed in a business model of collecting contractual cash flows and the EFSF has no intention or expectation of selling these loans. The SPPI test has returned the eligibility for amortised cost measurement of all the EFSF loans. The EFSF conducts tests to verify such eligibility on each new exposure.
- Treasury financial assets are classified and measured as financial assets at fair value through other comprehensive income under IFRS 9 because both collecting contractual cash flows and selling the financial assets are an integral part of the business model. The SPPI test has returned the eligibility for fair value through other comprehensive income of all the EFSF treasury financial assets.

### (b) Credit risk and impairment – financial assets

IFRS 9 applies a forward-looking 'expected credit loss' (ECL) model. Following this model, a first assessment is made to determine whether the credit risk attached to each financial asset has significantly increased since initial recognition and a second assessment is made to determine the expected credit loss. This requires considerable judgement on how changes in economic factors affect ECLs.

## Financial Statements

### i) Significant increase in credit risk (SICR)

Under IFRS 9, the significant increase in credit risk on a financial asset is determined in comparison to the initial recognition of the asset. This is a key aspect for determining ECL on loans granted by the EFSF, especially in the context of crisis resolution and financial assistance to member states, which are also the shareholders of the Company.

The EFSF considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the EFSF's historical experience, monitoring systems and forward-looking information.

At each reporting date, the EFSF assesses whether the credit risk on a financial asset has increased significantly since initial recognition, in order to classify the financial asset as either Stage 1, Stage 2 or Stage 3 (counterparty default – refer to sub note 'v' in the same section below).

When making the assessment, the EFSF evaluates the credit risk of each financial asset through a combination of short-term and medium to long-term parameters, as detailed below:

- in the case of EFSF loans to euro area member states, an approach based on qualitative and non-statistical quantitative information available is deemed to be the most adequate to assess the credit risk. The features of EFSF loans, the lending conditionality and a unique access to borrower information, enable the Company to follow a primarily qualitative approach in the assessment of default risk of its exposures.
- on the treasury financial assets, the EFSF assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument within the investment portfolio is determined to have low credit risk at reporting date. An external rating of 'investment grade' (BBB-/Baa3 and above) is considered as indicator of a low credit risk.

#### *Qualitative measures of SICR*

The idiosyncratic features of EFSF loans, their unique institutional status and all conditionality attached to the financial assistance, make these loans a special type of financial assets. Direct access to relevant information and the unique relationship with its member states, enables the Company to follow a primarily qualitative approach in the credit risk assessment of its exposures. In particular, EFSF financial assistance to member states is strictly linked to an adjustment programme that the beneficiary Member State (BMS) commits to in order to overcome imbalances, restore sustainability, and repay the Company.

The EFSF is therefore able to rely on unique internal risk management and monitoring tools and on a large array of information, which may not be publicly available.

The EFSF Management, through its Internal Risk Committee, reviews such information every quarter and makes the final assessment about any significant increase in the credit risk attached to each lending exposure.

#### *Quantitative measures of SICR*

The EFSF makes use of its internal risk monitoring tools together with other relevant sources of information to identify any significant increase in credit risk and default status of its exposures.

The EFSF monitors the performance and economic condition of its borrowers and its vulnerabilities and detects early warning signals about their repayment capacity. The monitoring is based on a wide set of considerations, like the government borrowing needs and economic strength, debt structure, fiscal position, financial sector and real estate developments, private sector leverage and credit flows.

As such, the assessment reflects a wide range of macroeconomic variables relevant to credit risk in the context of sovereign lending, including short-term liquidity risks, medium to long-term vulnerabilities and

## Financial Statements

debt sustainability. The results are used to produce an internal credit risk categorisation of the BMS, which then links into the stage allocation as per IFRS 9.

As a result of this process, as of 31 December 2022 and 2023, all exposures to BMS have been assessed in Stage 1 under IFRS 9. For all lending exposures, no SICR occurred compared to the credit risk level at inception of the transactions. The EFSF has not identified any significant indicators that would contradict the conclusion reached on stage allocation, neither on the opening balances nor as at reporting date.

For all three EFSF loan exposures, notwithstanding varying modalities, timing and context, the implementation of the macroeconomic measures attached to the financial assistance and the successful implementation of the programmes have contributed to lowering the beneficially Member States credit risk since their respective loan inceptions. The economic development of the BMS as compared to the inception of the EFSF programmes further evidence that BMS do not exhibit a significant increase in credit risk since inception. All BMS have regained full market access, which was one of the key goals of EFSF lending.

### *Treasury financial assets*

For its investment portfolio (treasury financial assets), the EFSF performs an assessment of the instruments held, considering external ratings and any other information deemed relevant in the assessment of the issuer credit risk.

Given its strict investment policy, the EFSF holds only highly rated instruments in its investment portfolios. Consequently, the probability of significant credit losses on those portfolios is very low.

An external rating of 'investment grade' (BBB-/Baa3 or above) is considered as an indicator that the financial instrument has low credit risk and thus serves as a criterion for determining SICR.

The EFSF considers that a significant increase in credit risk for a financial instrument occurs when there is a downgrade of its issuer's rating by three or more notches, unless the financial instrument within the EFSF's investment portfolio is considered to exhibit low credit risk at the reporting date as described above.

For determining if a significant increase in credit risk occurred, the EFSF uses the lowest rating among the three largest external rating agencies: Standard & Poor's, Moody's and Fitch.

The EFSF has no direct credit risk exposure to Ukraine, Russia or entities in the Middle East. In 2023, Risk Management continued to closely monitor credit risk developments for EFSF treasury financial assets, which were also discussed in risk committees on a regular basis.

As of 31 December 2022 and 2023, no SICR occurred on any of the EFSF securities portfolio. Accordingly, all these assets have been assessed in Stage 1 under IFRS 9.

#### ii) Measurement of the expected credit loss (ECL)

The ECL is a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due as per contract, and the cash flows that the Institution expects to receive (discounted at the effective interest rate). This refers also to assets that are not credit-impaired but for which significant increase in credit risk has occurred.
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

For financial assets not showing a SICR compared to inception (Stage 1), the ECL is measured over a 12-month period. For financial assets showing a SICR (Stage 2) or a default status (Stage 3), the ECL is measured over their lifetime.

# Financial Statements

## iii) Inputs and assumptions for ECL measurement

### *Inputs*

While assessing the ECL, lenders must use a wide range of information. Such information must be relevant to the lender and specific to its environment and features.

Given the unique features of EFSF loans, the attached conditionality and the limited number of exposures (albeit significant in value) along with privileged access to a large array of borrowers' information, the EFSF adopts a primarily qualitative approach for the purpose of the estimation of the ECL. In particular, the EFSF relies on the following sources of information:

- Risk assessment of the short-term liquidity position of the country, its market access, the medium-term economic and financial outlook and the long-term sustainability of public debt;
- Analysis provided by other international financial institutions (IFIs) to the ESM. The use of several different sources helps to better capture the BMS's ability to repay its financial obligations;
- Consideration of the current political environment and the possible measures available to increase the BMS repayment capacity, at both national and EU level;
- Consideration of the BMS's possible willingness to repay the loan or to enter into any remedy actions should financial difficulties occur, based on the current and expected political environment;
- The combination of any available market information, to complement the estimation of the lifetime expected credit losses.

### *Assumptions*

A main feature of the approach used to measure the ECL in the EFSF environment, together with the selected option of using a primarily qualitative approach, is that the risk of default of a BMS in the short-term period (12 months) on the EFSF lending is nil. This is based on several institution-specific features:

- The unique nature of the loans, also linked to the fact that such loans are granted at highly favourable terms, with a view to boosting the recovery of the BMS. It is therefore an essential priority for the BMS to maintain an accessible and active channel with the Company and preserve a healthy relationship and a positive performance. Moreover, the difference compared to standard lending activities must be underlined. The EFSF does not only lend money, it offers financial assistance to BMS with the purpose of safeguarding financial stability within the euro area;
- The ability of the EFSF to access all needed information about the BMS, which gives the Company a higher predictive power compared to market indicators, reducing the degree of uncertainty over the short-term period;
- The constant interaction of the EFSF with the ESM and the possible support of other IFIs, which are expected to address severe liquidity distress of euro area member states;
- The post-programme surveillance that, with the support of other institutional creditors, complements the EFSF monitoring system with insights on the economic and budgetary developments of the countries, which is crucial to gauging its repayment capacity.

These elements and the specific context of the financial assistance to member states bring the credit monitoring of the EFSF to a level that other lenders may not reach and neutralise the risk on the short-term horizon.

### *Additional inputs into measurement of ECLs*

For EFSF investment portfolios, external benchmark information (like credit ratings and associated probabilities of default) is used as a supplement to the internally produced data and assumptions (e.g. recovery rates).

## Financial Statements

### iv) Forward looking information

Under IFRS 9, the EFSF incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement date of the ECL. The Company uses a combination of non-statistical quantitative and qualitative information in both the stage allocation and the ECL measurement on the loans to member states. On the securities portfolio, a model based on external credit ratings of quoted instruments is used to calculate probability of default (PD) and loss given default (LGD) on the exposure at default (EAD) at reporting date.

The assessment of any increase in credit risk, which in turn leads to staging, includes the use of all relevant information from processes used by the EFSF to measure and monitor credit risk. These processes are regularly reviewed such that all exposures are allocated to a credit category on the most recent review or other information. Similarly, the ECL estimation captures a wide range of forward-looking information linked to the credit risk performance of the BMS and its overall economic conditions over the relevant time horizon.

### v) Definition of default

Under IFRS 9, the EFSF considers a financial asset to be credit impaired (Stage 3) when default is considered to have occurred with regard to a particular BMS, when either or both of the following criteria are met:

- past due criterion, which is defined based on the unique characteristics of EFSF loans and determines that, as foreseen by IFRS 9, the Institution can envisage the possibility of rebutting the 90 days presumptions of the standard to a maximum period of 180 days for its exposures to BMS. For instance, when a delay is considered the consequence of a technical situation (as defined in IFRS 9.B5.5.37 as well as in Article 178 1(b) of Regulation (EU) No 575/2013) or a longer than expected completion of certain administrative procedures. In all cases, the EFSF will duly assess whether the past due indicates that the asset is credit impaired and whether a default should be recognised;
- unlikely to pay criterion, according to which the borrower is considered as unlikely to pay its credit obligations in full, without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due. Given the specific context of financial assistance to sovereigns, the likelihood of default cannot be assessed with standard market indicators; hence, it should be assessed in relation to the EFSF mandate.

The EFSF uses institution-specific elements (e.g. BMS performance in implementing the agreed macroeconomic measures), as well as market information when applicable and relevant. Factual indicators or events (e.g. breach of covenants) have a relevant impact on the assessment of the likelihood to default. Other indicators, like the non-payment of an obligation to other creditors, are duly considered and assessed on a case-by-case basis.

In general, a BMS is considered unlikely to pay when the exposure to the BMS shows a significant and non-recoverable decrease in future cash flows compared to the contractual cash flows, or when the exposure to the BMS is impaired as a result of creditors' agreement following borrower's difficulties (e.g. haircut granted).

Inputs into the assessment of whether a financial instrument is in default, and their significance, may vary over time to reflect changes in circumstances.

### vi) Impact on expected credit loss and reconciliation

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. The EFSF calculates 12-month ECLs, except when a significant increase in credit risk occurs on a financial asset, which would then require the ECL calculation on a lifetime basis.

Based on the above described assumptions and the related assessment as of 31 December 2023, no ECL was recorded on financial assets.



## Financial Statements

### (c) Contract modification and financial asset derecognition

The contractual terms of a loan may be modified for several reasons, including factors not related to a current or potential credit deterioration of the borrower (e.g. the re profiling of a loan to support the financial recovery of the BMS in parallel with agreed macroeconomic measures). An existing loan whose terms have been modified may be derecognised, with a renegotiated loan recognised as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition of the asset, the determination of whether the asset's credit risk has increased significantly reflects the difference between:

- the remaining lifetime credit risk, based on the modified terms; and
- the remaining lifetime credit risk based on parameters at initial recognition and original contractual terms.

IFRS 9 contains specific guidance for the accounting when the modification of a financial instrument not measured at FVTPL does not result in derecognition. Under IFRS 9, the lender recalculates the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognising any resulting adjustment as a modification gain or loss in profit or loss.

When a contract modification occurs, the EFSF compares the initial terms with the amended contract and assesses whether the modification:

- is substantial,
- requires derecognition,
- is done in relation to a SICR,
- impacts the ECL assessment on the financial asset.

As of 31 December 2023, no modification gain or loss related to the above requirements was identified. Any re profiling of lending contracts that occurred on existing exposures was made in the context of the financial assistance and in response to agreed macroeconomic measures. There was no modification done in response of any specific credit deterioration, borrower's difficulty or SICR. Any re profiling of an EFSF loan reimbursement schedule is designed to be neutral for the Institution and therefore to have a non-substantial effect when compared to the original contractual terms.

IFRS 9 does not specify thresholds for defining whether a modification is substantial, but it includes guidance on such threshold for modification of a liability in IFRS9. The EFSF follows that guidance to perform the assessment.

### 2.5.2. FINANCIAL LIABILITIES

The Company holds its financial liabilities at amortised cost. Financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and 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.

# Financial Statements

## (b) 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 cost.

## 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 relating in part to the subsequent year.

## 2.7. 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.

## 2.8. 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 ends 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.

## 2.9. 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 profit or loss under 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 Company 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. (refer to note 16)

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 to discount the future cash flows for the purpose of measuring the impairment loss.

## 2.10. STAFF COST

On 31 December 2023 and 31 December 2022, the EFSF did not employ any staff and depended on the staff of the ESM. The EFSF has entered into a Service Level Agreement (SLA) with the ESM for the provision of administrative services and other support services to assist the EFSF in performing its activities.

## 2.11. 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 tax 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:

### ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following interpretations as well as the amendments to and revision of existing standards became effective for the financial statements as of 1 January 2023:

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction & International Tax Reform – Pillar Two Model Rules (*effective as from 23 May 2023*)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- IFRS 17 Insurance Contracts; including Amendments to IFRS 17

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### NEW ACCOUNTING PRONOUNCEMENTS

The following standards and amendments to existing standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which EFSF has not early adopted. None of the below standards are expected to have any material impact on the financial statements when adopted:

Amendments to existing Standards endorsed by the EU:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)
- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
  - Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and
  - Non-current Liabilities with Covenants (issued on 31 October 2022)

Amendments to existing Standards not yet endorsed by the EU:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

## Financial Statements

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### 4. Financial risk management

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#### 4.1. CREDIT RISK

Credit risk arises mainly from loans granted to the beneficiary euro area member states and also from investments in Treasury financial assets related to the support programmes.

Given the nature of the EFSF's mandate, where credit risk from lending arises as a result of activities performed in support of euro area member state borrowers under a Financial Assistance Facility Agreement, the credit risk in the EFSF's lending exposure must be accepted. 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 at providing financial support according to rules that differ from those of financial markets, meaning the overall aim is to assist the euro area member state borrower to a return to public financial stability.

The determination and close monitoring of debt sustainability and the 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, are aimed at addressing and substantially reducing credit risk. Moreover, the EFSF applies an early warning procedure to monitor the ability of the euro area member state borrower to repay its obligations.

From an investor's point of view, the loan programmes were carefully designed to assure the EFSF's creditworthiness. To mitigate the exposure to the credit risk of the euro area member state borrower, the Company has adopted several 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 the EFSF;
- a Loan Specific Cash Buffer from the loan and by retaining the Negative Carry payment.

Under the amended EFSF 2.1 framework, adopted by the Board of Directors on 27 October 2011, the credit enhancement mechanism 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 were no longer required.

## Financial Statements

### 4.1.1. RISK CONCENTRATIONS: 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 considering 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.

| (in €'000)                                   | Maximum credit exposure |                    |
|--|-------------------------|--------------------|
|  | 31.12.2023              | 31.12.2022         |
| Cash and cash equivalents                    | 4,285,625               | 5,521,997          |
| Loans to euro area member states             | 186,445,337             | 186,803,925        |
| Treasury financial assets                    | 1,168,175               | 714,514            |
| <b>On balance sheet credit risk exposure</b> | <b>191,899,137</b>      | <b>193,040,436</b> |

### 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 counterparties.

| (in €'000)                              | Credit exposure    |                    |
|---|--------------------|--------------------|
|   | 31.12.2023         | 31.12.2022         |
| <i>Loans under EFSF 1</i>               |                    |                    |
| - to Ireland                            | 4,238,910          | 4,229,301          |
| - to Portugal                           | 6,158,056          | 6,149,682          |
| <i>Loans under EFSF 2.1</i>             |                    |                    |
| - to Ireland                            | 14,275,198         | 14,265,780         |
| - to Portugal                           | 19,316,302         | 19,297,054         |
| - to Greece                             | 142,456,871        | 142,862,108        |
| <b>Loans to euro area member states</b> | <b>186,445,337</b> | <b>186,803,925</b> |

IFRS 9 requires recognising a loss allowance equal to either 12-month ECLs or lifetime ECLs. The EFSF calculates 12-month ECLs, except when a significant increase in credit risk occurs on a financial asset, which would then require the ECL calculation on a lifetime basis.

The stage allocation returned Stage 1 for all lending exposures. No Expected Credit Loss was recorded on lending exposures as of 31 December 2023.

### 4.1.3. CREDIT RISK ON TREASURY FINANCIAL ASSETS

For treasury financial assets, the EFSF established strict investment guidelines that focus on low-risk asset classes and issuers with the highest credit standings in euro. The guidelines include a limit structure to mitigate the maximum exposure per counterparty. As at the reporting date, the EFSF invested in commercial paper issued by supranational institutions and governmental agencies. All commercial paper is denominated in euro. (For the ECL assesment, please refer to note 2.5.1)

## Financial Statements

### 4.1.4. CREDIT RATINGS

The following tables show the breakdown of the financial assets by credit rating from 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. If issuance ratings are not available, the issuer's 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 31.12.2023 |
|--|---------|-------------------|-------|--------------------------|
| Cash and cash equivalents <sup>(1)</sup> | NR      | NR                | NR    | 4,285,625                |
| Loans to euro area member states         | Aa3     | AA                | AA-   | 18,514,108               |
|  | A3      | BBB+              | A+    | 25,474,358               |
|  | Ba1     | BBB-              | BBB-  | 142,456,871              |
| Treasury financial assets                | AAA     | AAA               | AAA   | 99,661                   |
|  | NR      | AA+               | AA+   | 19,790                   |
|  | AA-     | AA                | NR    | 880,457                  |
|  | AA-     | NR                | AA    | 168,267                  |
| <b>Total</b>                             |         |                   |       | <b>191,899,137</b>       |

| (in €'000)                               | Moody's | Standard & Poor's | Fitch | Balance as of 31.12.2022 |
|--|---------|-------------------|-------|--------------------------|
| Cash and cash equivalents <sup>(1)</sup> | NR      | NR                | NR    | 5,521,997                |
| Loans to euro area member states         | A1      | AA-               | AA-   | 18,495,081               |
|  | Baa2    | BBB+              | BBB+  | 25,446,736               |
|  | Ba3     | BB+               | BB    | 142,862,108              |
| Treasury financial assets                | AAA     | AA+               | AA    | 49,626                   |
|  | NR      | AAA               | AAA   | 198,834                  |
|  | AA      | AA                | NR    | 366,632                  |
|  | AA+     | AA+               | AA+   | 99,422                   |
| <b>Total</b>                             |         |                   |       | <b>193,040,436</b>       |

<sup>(1)</sup> Cash and cash equivalents include balances placed with euro area central banks, which do not have ratings.

# Financial Statements

## 4.2. MARKET RISK

At present, EFSF 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 matched exactly to assets. It then adopted a diversified funding strategy. Under the new strategy, funds are not attributed directly to a particular loan or loans but pooled to support disbursements to beneficiary countries. A combination of long 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. The average cost of funding is, however, invoiced to beneficiary Member States, neutralising the EFSF's structural interest rate exposure in financial terms.

The financial assets for the credit enhancement portfolios follow a strict maturity profile in accordance with the related funding programme. The EFSF's financial assets are in practice generally held to maturity. 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 therefore limited.

### 4.2.1. INTEREST RATE RISK

Securities issued, and the treasury financial assets, are fixed or floating rate products. Loans and receivables granted to the BMS are also fixed or floating-rate products, perfectly reflecting the cost of funding the EFSF incurs in financing these loans. Therefore, EFSF loans and receivables granted to BMS are not subject to interest rate risk.

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 EFSF equity on an accounting period basis via the treasury financial assets rules (refer to Note 9), it is not a risk that is actively managed or mitigated, since the programmes concerned have stipulated that securities should be purchased with proceeds from EFSF issuances and are 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.

### 4.2.2. CURRENCY RISK

All the debt securities issued, and the loans and receivables granted to the programme countries, as well as the treasury financial assets portfolio, are denominated in euros. The Company does not therefore face any currency risk.

## 4.3. LIQUIDITY RISK

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

The EFSF required payments under its issued securities benefit from euro area member state guarantees. There is an established and detailed procedure which governs the operation of these guarantees. The EFSF makes a demand to euro area member state Guarantors 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.

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. 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.

## Financial Statements

The following table analyses the gross undiscounted cash outflows and inflows on the Company's financial assets and financial liabilities by maturity based on the period remaining between the balance sheet date and the contractual maturity date. If financial assets and financial liabilities have undeterminable future cash flows, then only the known cash flows are presented in the table below.

| <b>As at 31 December 2023</b><br><b>(in €'000)</b> | <b>Up to 12</b><br><b>months</b> | <b>1 to 5 years</b> | <b>Over 5 years</b> | <b>Total</b>        | <b>Carrying</b><br><b>Amount</b> |
|--|----------------------------------|---------------------|---------------------|---------------------|----------------------------------|
| <b>ASSETS</b>                                      |                                  |                     |                     |                     |                                  |
| Cash and cash equivalents                          | 4,285,625                        | -                   | -                   | <b>4,285,625</b>    | <b>4,285,625</b>                 |
| Loans to euro area member states                   | 4,178,015                        | 19,387,980          | 176,599,684         | <b>200,165,679</b>  | <b>186,445,337</b>               |
| Treasury financial assets                          | 1,178,500                        | -                   | -                   | <b>1,178,500</b>    | <b>1,168,175</b>                 |
| <b>Total financial assets</b>                      | <b>9,642,140</b>                 | <b>19,387,980</b>   | <b>176,599,684</b>  | <b>205,629,804</b>  | <b>191,899,137</b>               |
| <b>LIABILITIES</b>                                 |                                  |                     |                     |                     |                                  |
| Debt securities in issue                           | 25,926,677                       | 81,486,478          | 108,389,004         | <b>215,802,159</b>  | <b>190,431,227</b>               |
| Liability against euro-area Member States          | 574,177                          | -                   | -                   | <b>574,177</b>      | <b>580,936</b>                   |
| Trade and other payables                           | 8,585                            | -                   | -                   | <b>8,585</b>        | <b>8,585</b>                     |
| <b>Total financial liabilities</b>                 | <b>26,509,439</b>                | <b>81,486,478</b>   | <b>108,389,004</b>  | <b>216,384,921</b>  | <b>191,020,748</b>               |
| <b>Net of financial position</b>                   | <b>(16,867,299)</b>              | <b>(62,098,498)</b> | <b>68,210,680</b>   | <b>(10,755,117)</b> | <b>878,389</b>                   |
| <b>As at 31 December 2022</b>                      |                                  |                     |                     |                     |                                  |
| <b>(in €'000)</b>                                  | <b>Up to 12</b><br><b>months</b> | <b>1 to 5 years</b> | <b>Over 5 years</b> | <b>Total</b>        | <b>Carrying</b><br><b>Amount</b> |
| <b>ASSETS</b>                                      |                                  |                     |                     |                     |                                  |
| Cash and cash equivalents                          | 5,521,997                        | -                   | -                   | <b>5,521,997</b>    | <b>5,521,997</b>                 |
| Loans to euro area member states                   | 4,017,851                        | 17,922,247          | 182,673,951         | <b>204,614,049</b>  | <b>186,803,925</b>               |
| Treasury financial assets                          | 588,841                          | -                   | -                   | <b>588,841</b>      | <b>714,514</b>                   |
| <b>Total financial assets</b>                      | <b>10,128,689</b>                | <b>17,922,247</b>   | <b>182,673,951</b>  | <b>210,724,887</b>  | <b>193,040,436</b>               |
| <b>LIABILITIES</b>                                 |                                  |                     |                     |                     |                                  |
| Debt securities in issue                           | 23,160,441                       | 84,764,570          | 106,410,811         | <b>214,335,822</b>  | <b>191,765,423</b>               |
| Liability against euro-area Member States          | 528,182                          | -                   | -                   | <b>528,182</b>      | <b>522,088</b>                   |
| Trade and other payables                           | 8,370                            | -                   | -                   | <b>8,370</b>        | <b>8,370</b>                     |
| <b>Total financial liabilities</b>                 | <b>23,696,993</b>                | <b>84,764,570</b>   | <b>106,410,811</b>  | <b>214,872,374</b>  | <b>192,295,881</b>               |
| <b>Net of financial position</b>                   | <b>(13,568,304)</b>              | <b>(66,842,323)</b> | <b>76,263,140</b>   | <b>(4,147,487)</b>  | <b>744,555</b>                   |



## Financial Statements

### 4.4. CAPITAL MANAGEMENT

The Company's objective when managing capital is safeguarding its activity. The Company's lending costs reflect funding costs and 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 based on the ratio of total shareholders' equity excluding revaluation reserve per ordinary shares. On 31 December 2023, this ratio was 3,081% (2022: 2,627%).

The Company shall be dissolved and liquidated when its purpose is fulfilled, in other words, when the Company has received full repayment of the financing granted to the member states and has repaid its liabilities under the financial instruments issued and financing arrangements entered into.

### 4.5. SICR AND ECL ASSESMENT

During 2023, the EFSF risk assessment and impairment assessment methodology duly captured the severe impact, together with the related risks and the recent developments. In particular, the assessment focused on whether the effects of the war in Ukraine triggered a significant increase in credit risk (SICR) and if it would materialise in an expected credit loss (ECL), in accordance with IFRS 9 requirements. In that context, a complete assessment of a wide range of inputs was performed, to ensure a comprehensive assessment of all short-term and medium-to-long term factors and consequences. As described above, inputs include short-term economic data, vulnerability indicators, liquidity balances and market indicators, together with medium-to-long term risks, policy measures and mitigating factors.

Considering all these elements, as of 31 December 2023 the assessment did not identify a significant increase in credit risk on the EFSF's exposures to beneficiary Member States. The overall credit quality of the EFSF loans portfolio remained stable.

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## 5. Fair value of financial instruments

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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.

## Financial Statements

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 following tables 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.

| 31 December 2023<br>(in €'000)                                  | Fair value         |                  |          | Financial assets /<br>liabilities not<br>carried at fair value | Total              | Carrying<br>amount |
|---|--------------------|------------------|----------|--|--------------------|--------------------|
|   | Level 1            | Level 2          | Level 3  |  |                    |                    |
| <b>Financial assets<br/>carried at fair value:</b>              |                    |                  |          |  |                    |                    |
| Treasury financial<br>assets                                    | -                  | 1,168,175        | -        | -  | 1,168,175          | 1,168,175          |
| <b>Total</b>  | <b>-</b>           | <b>1,168,175</b> | <b>-</b> | <b>-</b>   | <b>1,168,175</b>   | <b>1,168,175</b>   |
| <b>Financial assets not<br/>carried at fair value:</b>          |                    |                  |          |  |                    |                    |
| Cash and cash<br>equivalents                                    | -                  | -                | -        | 4,285,625  | 4,285,625          | 4,285,625          |
| <b>Total</b>  | <b>-</b>           | <b>-</b>         | <b>-</b> | <b>4,285,625</b>   | <b>4,285,625</b>   | <b>4,285,625</b>   |
| <b>Financial assets<br/>carried at amortised<br/>cost:</b>      |                    |                  |          |  |                    |                    |
| Loans to euro area<br>member states                             | -                  | -                | -        | 186,445,337  | 186,445,337        | 186,445,337        |
| <b>Total</b>  | <b>-</b>           | <b>-</b>         | <b>-</b> | <b>186,445,337</b>   | <b>186,445,337</b> | <b>186,445,337</b> |
| <b>Total financial assets</b>                                   | <b>-</b>           | <b>1,168,175</b> | <b>-</b> | <b>190,730,962</b>   | <b>191,899,137</b> | <b>191,899,137</b> |
| <b>Financial liabilities<br/>carried at amortised<br/>cost:</b> |                    |                  |          |  |                    |                    |
| Debt securities in<br>issue                                     | 173,416,848        | -                | -        | 875,779  | 174,292,627        | 190,431,227        |
| Liability against euro<br>area member states                    | -                  | -                | -        | 580,936  | 580,936            | 580,936            |
| Trade and other<br>payables                                     | -                  | -                | -        | 8,585  | 8,585              | 8,585              |
| <b>Total</b>  | <b>173,416,848</b> | <b>-</b>         | <b>-</b> | <b>1,465,300</b>   | <b>174,882,148</b> | <b>191,020,748</b> |
| <b>Total financial<br/>liabilities</b>                          | <b>173,416,848</b> | <b>-</b>         | <b>-</b> | <b>1,465,300</b>   | <b>174,882,148</b> | <b>191,020,748</b> |

# Financial Statements

| 31 December 2022<br>(in €'000)                                  | Fair value         |          |          | Financial assets /<br>liabilities not<br>carried at fair value | Total              | Carrying<br>amount |
|---|--------------------|----------|----------|--|--------------------|--------------------|
|   | Level 1            | Level 2  | Level 3  |  |                    |                    |
| <b>Financial assets<br/>carried at fair value:</b>              |                    |          |          |  |                    |                    |
| Treasury financial<br>assets                                    | 714,514            | -        | -        | -  | 714,514            | 714,514            |
| <b>Total</b>  | <b>714,514</b>     | <b>-</b> | <b>-</b> | <b>-</b>   | <b>714,514</b>     | <b>714,514</b>     |
| <b>Financial assets not<br/>carried at fair value:</b>          |                    |          |          |  |                    |                    |
| Cash and cash<br>equivalents                                    | -                  | -        | -        | 5,521,997  | 5,521,997          | 5,521,997          |
| <b>Total</b>  | <b>-</b>           | <b>-</b> | <b>-</b> | <b>5,521,997</b>   | <b>5,521,997</b>   | <b>5,521,997</b>   |
| <b>Financial assets<br/>carried at amortised<br/>cost:</b>      |                    |          |          |  |                    |                    |
| Loans to euro area<br>member states                             | -                  | -        | -        | 186,803,925  | 186,803,925        | 186,803,925        |
| <b>Total</b>  | <b>-</b>           | <b>-</b> | <b>-</b> | <b>186,803,925</b>   | <b>186,803,925</b> | <b>186,803,925</b> |
| <b>Total financial assets</b>                                   | <b>714,514</b>     | <b>-</b> | <b>-</b> | <b>192,325,922</b>   | <b>193,040,436</b> | <b>193,040,436</b> |
| <b>Financial liabilities<br/>carried at amortised<br/>cost:</b> |                    |          |          |  |                    |                    |
| Debt securities in<br>issue                                     | 167,672,394        | -        | -        | 875,749  | 168,548,143        | 191,765,423        |
| Liability against euro<br>area member states                    | -                  | -        | -        | 522,088  | 522,088            | 522,088            |
| Trade and other<br>payables                                     | -                  | -        | -        | 8,370  | 8,370              | 8,370              |
| <b>Total</b>  | <b>167,672,394</b> | <b>-</b> | <b>-</b> | <b>1,406,207</b>   | <b>169,078,601</b> | <b>192,295,881</b> |
| <b>Total financial<br/>liabilities</b>                          | <b>167,672,394</b> | <b>-</b> | <b>-</b> | <b>1,406,207</b>   | <b>169,078,601</b> | <b>192,295,881</b> |

## Assets for which carrying value approximates fair value

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

## Loans to euro area member states

The EFSF plays a unique role in providing financial assistance support to beneficiary Member States. The EFSF financing features policy conditions that require beneficiary Member States to implement macroeconomic and structural policies and are an integral part of the EFSF financing support. These measures aim to help beneficiary Member States to resolve their financial needs while safeguarding the EFSF resources. Considering this specificity, the EFSF loans do not have a market value and the best estimates of the fair value is the amortised cost.

## Financial Statements

### 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 an 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 the 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 item '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 part of the amount was invested in securities, it was recognised at fair value upon initial recognition and subsequently measured at amortised cost.

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## 6. Material accounting estimates and judgments

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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.

### Loss allowance of loans and receivables

The EFSF, in accordance with IFRS 9 requirements, reviews its loans and receivables at each reporting date to assess whether an impairment loss must be recorded, as described in Note 2.5.1.

For loans to euro area member states, given the EFSF's specific mandate as described in Note 4.1, judgement by the Company's management is required for the SICR assessment and the determination of the ECL. Such judgement follows specific policies in place to closely monitor the ability of the borrower to repay its obligations, as described in Note 2.5.1.

### 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 given that these loans to euro area member states are made in line with the Company's specific mandate as described in Note 4.1.

### The fair value of treasury financial asset

The fair value of an instrument is the quoted price in an active market for that instrument. Where the fair values cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models.

## Financial Statements

### 7. Cash and cash equivalents

The composition of cash and cash equivalents is as follows:

| (in €'000)                             | 31.12.2023       | 31.12.2022       |
|--|------------------|------------------|
| Cash at bank and in hand               | 4,285,625        | 5,405,148        |
| Short-term bank deposits               | -                | 116,849          |
| <b>Total cash and cash equivalents</b> | <b>4,285,625</b> | <b>5,521,997</b> |

### 8. Loans to euro area member states

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

| (in €'000)           | Nominal amount     | Carrying value as at<br>31 December 2023 |
|----------------------|--------------------|--|
| Loans under EFSF 1   |                    |  |
| - to Ireland         | 4,193,836          | 4,238,910                                |
| - to Portugal        | 6,127,669          | 6,158,056                                |
| Loans under EFSF 2.1 |                    |  |
| - to Ireland         | 14,216,833         | 14,275,198                               |
| - to Portugal        | 19,200,623         | 19,316,302                               |
| - to Greece          | 129,171,148        | 142,456,871                              |
| <b>Total</b>         | <b>172,910,109</b> | <b>186,445,337</b>                       |

| (in €'000)           | Nominal amount     | Carrying value as at<br>31 December 2022 |
|----------------------|--------------------|--|
| Loans under EFSF 1   |                    |  |
| - to Ireland         | 4,193,836          | 4,229,301                                |
| - to Portugal        | 6,127,669          | 6,149,682                                |
| Loans under EFSF 2.1 |                    |  |
| - to Ireland         | 14,216,833         | 14,265,780                               |
| - to Portugal        | 19,200,623         | 19,297,054                               |
| - to Greece          | 130,909,125        | 142,862,108                              |
| <b>Total</b>         | <b>174,648,086</b> | <b>186,803,925</b>                       |

## Financial Statements

The following table shows the movements of the loans to euro area member states:

| (in €'000)                                       | 31.12.2023         | 31.12.2022         |
|--|--------------------|--------------------|
| <b>Balance as at 1 January</b>                   | <b>186,803,925</b> | <b>185,891,476</b> |
| Repayment from Greece                            | (1,737,977)        | -                  |
| Discount amortisation                            | -                  | 313                |
| Change in accrued interest and loan related fees | 1,379,389          | 912,136            |
| <b>Balance as at 31 December</b>                 | <b>186,445,337</b> | <b>186,803,925</b> |

From the total balance of 'Loans to euro area member states', an amount of €2.0 billion (2022: €2.0 billion) is due within 12 months and is considered as a current asset. The fee accruals are €0.3 billion (2022: € 0.3 billion) and the repayments from Greece are €1.7 billion (2022: Nil). 'Change in accrued interest and loan related fees' includes the change in deferred interest under the financial assistance programme for Greece for an amount of €1.2 billion (2022: €1.1 billion).

### 9. Treasury financial assets

Treasury financial assets are mainly composed of a portfolio of debt instruments. The following table shows the movements in the treasury financial assets:

| (in €'000)                        | 31.12.2023       | 31.12.2022     |
|-----------------------------------|------------------|----------------|
| <b>Balance on 1 January</b>       | <b>714,514</b>   | <b>-</b>       |
| Additions                         | 20,927,267       | 3,172,119      |
| Disposals                         | (20,550,000)     | (2,452,869)    |
| Discount and premium amortisation | 71,982           | (324)          |
| Change in fair value              | 4,412            | (4,412)        |
| <b>Balance on 31 December</b>     | <b>1,168,175</b> | <b>714,514</b> |

On 31 December 2023, the amortised cost of the treasury financial assets was €1.2 billion (2022: €0.7 billion), against a market value of €1.2 billion (2022: €0.7 billion). Any differences present the fair-value unrealised profit or loss in the revaluation reserve. The revaluation reserve was nil on 31 December 2023 (2022: negative €4.4 million).

From the total balance of the treasury financial assets, an amount of €1.2 billion (2022: €0.7 billion) is due within 12 months and considered as a current asset.

The fair values of the treasury financial assets are determined based on unquoted market prices which represent the second level of the fair value hierarchy (refer to Note 5).

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

## Financial Statements

### 10. Prepayments and other receivables

On 31 December 2023, the prepayments were entirely composed of invoices paid in advance and amounted to €49 thousand (2022: €83 thousand).

### 11. Debt securities in issue

The table below discloses details of debt outstanding on 31 December 2023, together with applicable rates and maturity dates.

| Financial assistance programmes | ISIN code                   | Nominal Amount<br>(in €'000) | Maturity date | Coupon |
|---------------------------------|-----------------------------|------------------------------|---------------|--------|
| Issues under EFSF 2.1           |                             |                              |               |        |
| Greece                          | EU000A1G0A73 <sup>(1)</sup> | 1,540,000                    | 19/12/2024    | 0.000% |
| Greece                          | EU000A1G0DL7                | 3,500,000                    | 13/02/2043    | 1.700% |
| Greece                          | EU000A1G0DN3                | 2,500,000                    | 28/02/2056    | 2.000% |
| Greece                          | EU000A1G0DR4                | 3,500,000                    | 03/05/2027    | 0.750% |
| Greece                          | EU000A1G0DT0                | 6,000,000                    | 24/05/2033    | 1.250% |
| Greece                          | EU000A1G0DW4                | 4,800,000                    | 10/07/2048    | 1.800% |
| Greece                          | EU000A1G0DD4                | 1,000,000                    | 17/02/2045    | 1.200% |
| Greece                          | EU000A1G0DY0                | 1,000,000                    | 26/07/2027    | 0.875% |
| Greece                          | EU000A1G0EB6                | 250,000                      | 26/01/2026    | 0.400% |
| Greece                          | EU000A1G0EC4                | 350,000                      | 19/04/2024    | 0.000% |
| Greece                          | EU000A1G0EK7                | 400,000                      | 13/10/2027    | 0.000% |
| Greece                          | EU000A1G0EP6                | 200,000                      | 18/03/2030    | 0.125% |
| Greece                          | EU000A2SCAB4                | 300,000                      | 05/09/2028    | 0.875% |
| Greece                          | EU000A2SCAF5                | 450,000                      | 17/08/2026    | 2.750% |
| Issues under long-term funding  |                             |                              |               |        |
| Long-term                       | EU000A1G0AJ7                | 2,500,000                    | 30/03/2032    | 3.875% |
| Long-term                       | EU000A1G0AT6                | 3,500,000                    | 03/04/2037    | 3.375% |
| Long-term                       | EU000A1G0BJ5                | 4,500,000                    | 04/09/2034    | 3.000% |
| Long-term                       | EU000A1G0BL1                | 1,500,000                    | 03/12/2029    | 2.750% |
| Long-term                       | EU000A1G0BN7                | 4,000,000                    | 19/02/2024    | 2.125% |
| Long-term                       | EU000A1G0BQ0                | 4,500,000                    | 27/06/2024    | 1.750% |
| Long-term                       | EU000A1G0D05                | 4,500,000                    | 05/09/2040    | 1.450% |
| Long-term                       | EU000A1G0D62                | 6,000,000                    | 17/02/2025    | 0.400% |
| Long-term                       | EU000A1G0D70                | 5,000,000                    | 14/02/2028    | 0.950% |
| Long-term                       | EU000A1G0D88                | 3,999,800                    | 16/10/2026    | 0.625% |
| Long-term                       | EU000A1G0D96                | 3,000,000                    | 17/07/2053    | 1.750% |
| Long-term                       | EU000A1G0DB8                | 4,000,000                    | 29/07/2044    | 2.350% |
| Long-term                       | EU000A1G0DD4                | 3,500,000                    | 17/02/2045    | 1.200% |
| Long-term                       | EU000A1G0DE2                | 3,000,000                    | 28/04/2025    | 0.200% |
| Long-term                       | EU000A1G0DH5                | 5,000,000                    | 31/05/2026    | 0.400% |
| Long-term                       | EU000A1G0DJ1                | 4,500,000                    | 31/05/2047    | 1.375% |

# Financial Statements

| Financial assistance programmes | ISIN code                   | Nominal Amount (in €'000) | Maturity date | Coupon |
|---------------------------------|-----------------------------|---------------------------|---------------|--------|
| Long-term                       | EU000A1G0DL7                | 1,500,000                 | 13/02/2043    | 1.700% |
| Long-term                       | EU000A1G0DQ6                | 4,000,000                 | 11/10/2024    | 0.375% |
| Long-term                       | EU000A1G0DR4                | 2,500,000                 | 03/05/2027    | 0.750% |
| Long-term                       | EU000A1G0DV6                | 3,495,550                 | 11/07/2025    | 0.500% |
| Long-term                       | EU000A1G0DY0                | 3,500,000                 | 26/07/2027    | 0.875% |
| Long-term                       | EU000A1G0EA8                | 4,000,000                 | 17/01/2024    | 0.200% |
| Long-term                       | EU000A1G0EB6                | 4,750,000                 | 26/01/2026    | 0.400% |
| Long-term                       | EU000A1G0EC4                | 5,150,000                 | 19/04/2024    | 0.000% |
| Long-term                       | EU000A1G0ED2                | 4,000,000                 | 10/04/2035    | 0.875% |
| Long-term                       | EU000A1G0EE0                | 5,000,000                 | 17/10/2029    | 0.050% |
| Long-term                       | EU000A1G0EG5                | 4,000,000                 | 20/01/2050    | 0.700% |
| Long-term                       | EU000A1G0EJ9                | 4,998,300                 | 15/10/2025    | 0.000% |
| Long-term                       | EU000A1G0EK7                | 4,600,000                 | 13/10/2027    | 0.000% |
| Long-term                       | EU000A1G0EL5                | 5,000,000                 | 20/01/2031    | 0.000% |
| Long-term                       | EU000A1G0EM3                | 2,000,000                 | 18/01/2052    | 0.050% |
| Long-term                       | EU000A1G0EN1                | 4,000,000                 | 20/07/2026    | 0.000% |
| Long-term                       | EU000A1G0EP6                | 2,800,000                 | 18/03/2030    | 0.125% |
| Long-term                       | EU000A2SCAA6                | 2,500,000                 | 17/01/2053    | 0.700% |
| Long-term                       | EU000A2SCAB4                | 2,700,000                 | 05/09/2028    | 0.875% |
| Long-term                       | EU000A2SCAC2                | 3,500,000                 | 21/06/2032    | 2.375% |
| Long-term                       | EU000A2SCAD0                | 4,000,000                 | 15/12/2025    | 1.500% |
| Long-term                       | EU000A2SCAE8                | 3,500,000                 | 11/04/2028    | 2.375% |
| Long-term                       | EU000A2SCAF5                | 2,550,000                 | 17/08/2026    | 2.750% |
| Long-term                       | EU000A2SCAG3                | 4,000,000                 | 16/02/2033    | 2.875% |
| Long-term                       | EU000A2SCAH1                | 4,000,000                 | 15/12/2028    | 3.000% |
| Long-term                       | EU000A2SCAJ7                | 3,000,000                 | 10/07/2030    | 3.000% |
| Long-term                       | EU000A2SCAK5                | 2,000,000                 | 30/08/2038    | 3.375% |
| Long-term                       | EU000A2SCAL3                | 2,500,000                 | 11/04/2029    | 3.500% |
| Long-term                       | EFSENBOND001 <sup>(2)</sup> | 25,000                    | 31/08/2046    | 0.771% |
| Long-term                       | EFSENBOND002 <sup>(2)</sup> | 50,000                    | 20/03/2037    | 1.450% |
| Long-term                       | EFSENBOND003 <sup>(2)</sup> | 27,000                    | 10/05/2055    | 1.900% |
| Long-term                       | EFSENBOND004 <sup>(2)</sup> | 101,000                   | 11/05/2048    | 1.820% |
| Long-term                       | EFSENBOND005 <sup>(2)</sup> | 40,000                    | 07/06/2056    | 1.775% |
| Long-term                       | EFSENBOND006 <sup>(2)</sup> | 30,000                    | 23/03/2048    | 1.520% |
| Long-term                       | EFSENBOND007 <sup>(2)</sup> | 50,000                    | 20/12/2046    | 1.582% |
| Long-term                       | EFSENBOND008 <sup>(2)</sup> | 50,000                    | 22/02/2056    | 1.794% |
| Long-term                       | EFSENBOND009 <sup>(2)</sup> | 125,000                   | 23/02/2056    | 1.770% |
| Long-term                       | EFSENBOND010 <sup>(2)</sup> | 60,000                    | 15/02/2049    | 1.495% |
| Long-term                       | EFSENBOND011 <sup>(2)</sup> | 97,000                    | 25/06/2054    | 1.132% |
| Long-term                       | EFSENBOND012 <sup>(2)</sup> | 30,000                    | 24/03/2054    | 0.410% |
| Long-term                       | EFSENBOND013 <sup>(2)</sup> | 25,000                    | 10/09/2054    | 0.420% |
| Long-term                       | EFSENBOND014 <sup>(2)</sup> | 30,000                    | 24/09/2053    | 0.285% |
| Long-term                       | EFSENBOND015 <sup>(2)</sup> | 25,000                    | 30/09/2054    | 0.499% |



# Financial Statements

| Financial assistance programmes | ISIN code                   | Nominal Amount<br>(in €'000) | Maturity date | Coupon |
|---------------------------------|-----------------------------|------------------------------|---------------|--------|
| Long-term                       | EFSENBOND016 <sup>(2)</sup> | 30,000                       | 20/12/2052    | 0.322% |
| Long-term                       | EFSENBOND017 <sup>(2)</sup> | 50,000                       | 31/01/2056    | 0.663% |
| Long-term                       | EFSENBOND018 <sup>(2)</sup> | 25,000                       | 17/09/2055    | 0.340% |
| <b>Total</b>                    |                             | <b>189,203,650</b>           |               |        |

<sup>(1)</sup> For floating rate bonds, the rate applicable on the balance sheet date is presented.

<sup>(2)</sup> N-bond with technical ISIN: N-Bonds (Namensschuldverschreibungen) are privately-placed, long-term funding instruments that are neither centrally cleared nor listed.

# Financial Statements

The table below discloses the details of debt outstanding on 31 December 2022, together with applicable rates and maturity dates.

| Financial assistance programmes | ISIN code                   | Nominal Amount<br>(in €'000) | Maturity date | Coupon |
|---------------------------------|-----------------------------|------------------------------|---------------|--------|
| Issues under EFSF 2.1           |                             |                              |               |        |
| Greece                          | EU000A1G0A65 <sup>(1)</sup> | 1,262,000                    | 19/12/2023    | 0.000% |
| Greece                          | EU000A1G0A73 <sup>(1)</sup> | 1,540,000                    | 19/12/2024    | 0.000% |
| Greece                          | EU000A1G0D05 <sup>(1)</sup> | 4,500,000                    | 05/09/2040    | 1.450% |
| Greece                          | EU000A1G0DL7                | 3,500,000                    | 13/02/2043    | 1.700% |
| Greece                          | EU000A1G0DN3                | 2,500,000                    | 28/02/2056    | 2.000% |
| Greece                          | EU000A1G0DR4                | 6,000,000                    | 03/05/2027    | 0.750% |
| Greece                          | EU000A1G0DT0                | 6,000,000                    | 24/05/2033    | 1.250% |
| Greece                          | EU000A1G0DW4                | 4,800,000                    | 10/07/2048    | 1.800% |
| Greece                          | EU000A1G0D96                | 2,000,000                    | 17/07/2053    | 1.750% |
| Issues under long-term funding  |                             |                              |               |        |
| Long-term                       | EU000A1G0AJ7                | 2,500,000                    | 30/03/2032    | 3.875% |
| Long-term                       | EU000A1G0EC4                | 5,500,000                    | 19/04/2024    | 0.000% |
| Long-term                       | EU000A1G0AT6                | 3,500,000                    | 03/04/2037    | 3.375% |
| Long-term                       | EU000A1G0BC0                | 5,000,000                    | 23/05/2023    | 1.875% |
| Long-term                       | EU000A1G0EG5                | 4,000,000                    | 20/01/2050    | 0.700% |
| Long-term                       | EU000A1G0BJ5                | 3,000,000                    | 04/09/2034    | 3.000% |
| Long-term                       | EU000A1G0EK7                | 5,000,000                    | 13/10/2027    | 0.000% |
| Long-term                       | EU000A1G0BL1                | 1,500,000                    | 03/12/2029    | 2.750% |
| Long-term                       | EU000A1G0EE0                | 5,000,000                    | 17/10/2029    | 0.050% |
| Long-term                       | EU000A1G0BN7                | 4,000,000                    | 19/02/2024    | 2.125% |
| Long-term                       | EU000A1G0BQ0                | 4,500,000                    | 27/06/2024    | 1.750% |
| Long-term                       | EU000A1G0D39                | 5,000,000                    | 17/10/2023    | 0.125% |
| Long-term                       | EU000A1G0DB8                | 4,000,000                    | 29/07/2044    | 2.350% |
| Long-term                       | EU000A1G0DC6                | 3,968,500                    | 20/01/2023    | 0.500% |
| Long-term                       | EU000A1G0DD4                | 4,500,000                    | 17/02/2045    | 1.200% |
| Long-term                       | EU000A1G0DE2                | 3,000,000                    | 28/04/2025    | 0.200% |
| Long-term                       | EU000A1G0EF7                | 3,000,000                    | 17/07/2023    | 0.000% |
| Long-term                       | EU000A1G0DH5                | 5,000,000                    | 31/05/2026    | 0.400% |
| Long-term                       | EU000A1G0DJ1                | 4,500,000                    | 31/05/2047    | 1.375% |
| Long-term                       | EU000A1G0DL7                | 1,500,000                    | 13/02/2043    | 1.700% |
| Long-term                       | EU000A1G0DQ6                | 4,000,000                    | 11/10/2024    | 0.375% |
| Long-term                       | EU000A1G0DV6                | 3,495,550                    | 11/07/2025    | 0.500% |
| Long-term                       | EU000A1G0DY0                | 4,500,000                    | 26/07/2027    | 0.875% |
| Long-term                       | EU000A1G0EA8                | 4,000,000                    | 17/01/2024    | 0.200% |
| Long-term                       | EU000A1G0D70                | 5,000,000                    | 14/02/2028    | 0.950% |
| Long-term                       | EU000A1G0D88                | 3,999,800                    | 16/10/2026    | 0.625% |
| Long-term                       | EU000A1G0D62                | 6,000,000                    | 17/02/2025    | 0.400% |
| Long-term                       | EU000A1G0ED2                | 4,000,000                    | 10/04/2035    | 0.875% |
| Long-term                       | EU000A1G0EB6                | 5,000,000                    | 26/01/2026    | 0.400% |

# Financial Statements

| Financial assistance programmes | ISIN code                   | Nominal Amount<br>(in €'000) | Maturity date | Coupon |
|---------------------------------|-----------------------------|------------------------------|---------------|--------|
| Long-term                       | EU000A1G0D96                | 1,000,000                    | 17/07/2053    | 1.750% |
| Long-term                       | EU000A1G0EJ9                | 4,998,300                    | 15/10/2025    | 0.000% |
| Long-term                       | EU000A1G0EH3                | 3,000,000                    | 24/04/2023    | 0.000% |
| Long-term                       | EU000A1G0EM3                | 2,000,000                    | 18/01/2052    | 0.050% |
| Long-term                       | EU000A1G0EL5                | 5,000,000                    | 20/01/2031    | 0.000% |
| Long-term                       | EU000A1G0EN1                | 4,000,000                    | 20/07/2026    | 0.000% |
| Long-term                       | EU000A1G0EP6                | 3,000,000                    | 18/03/2030    | 0.125% |
| Long-term                       | EU000A2SCAA6                | 2,500,000                    | 17/01/2053    | 0.700% |
| Long-term                       | EU000A2SCAB4                | 3,000,000                    | 05/09/2028    | 0.875% |
| Long-term                       | EU000A2SCAC2                | 3,500,000                    | 21/06/2032    | 2.375% |
| Long-term                       | EU000A2SCAD0                | 4,000,000                    | 15/12/2025    | 1.500% |
| Long-term                       | EU000A2SCAE8                | 3,500,000                    | 11/04/2028    | 2.375% |
| Long-term                       | EFSFNBOND001 <sup>(2)</sup> | 25,000                       | 31/08/2046    | 0.771% |
| Long-term                       | EFSFNBOND002 <sup>(2)</sup> | 50,000                       | 20/03/2037    | 1.450% |
| Long-term                       | EFSFNBOND003 <sup>(2)</sup> | 27,000                       | 10/05/2055    | 1.900% |
| Long-term                       | EFSFNBOND004 <sup>(2)</sup> | 101,000                      | 11/05/2048    | 1.820% |
| Long-term                       | EFSFNBOND005 <sup>(2)</sup> | 40,000                       | 07/06/2056    | 1.775% |
| Long-term                       | EFSFNBOND006 <sup>(2)</sup> | 30,000                       | 23/03/2048    | 1.520% |
| Long-term                       | EFSFNBOND007 <sup>(2)</sup> | 50,000                       | 20/12/2046    | 1.582% |
| Long-term                       | EFSFNBOND008 <sup>(2)</sup> | 50,000                       | 22/02/2056    | 1.794% |
| Long-term                       | EFSFNBOND009 <sup>(2)</sup> | 125,000                      | 23/02/2056    | 1.770% |
| Long-term                       | EFSFNBOND010 <sup>(2)</sup> | 60,000                       | 15/02/2049    | 1.495% |
| Long-term                       | EFSFNBOND011 <sup>(2)</sup> | 97,000                       | 25/06/2054    | 1.132% |
| Long-term                       | EFSFNBOND012 <sup>(2)</sup> | 30,000                       | 24/03/2054    | 0.410% |
| Long-term                       | EFSFNBOND013 <sup>(2)</sup> | 25,000                       | 10/09/2054    | 0.420% |
| Long-term                       | EFSFNBOND014 <sup>(2)</sup> | 30,000                       | 24/09/2053    | 0.285% |
| Long-term                       | EFSFNBOND015 <sup>(2)</sup> | 25,000                       | 30/09/2054    | 0.499% |
| Long-term                       | EFSFNBOND016 <sup>(2)</sup> | 30,000                       | 20/12/2052    | 0.322% |
| Long-term                       | EFSFNBOND017 <sup>(2)</sup> | 50,000                       | 31/01/2056    | 0.663% |
| Long-term                       | EFSFNBOND018 <sup>(2)</sup> | 25,000                       | 17/09/2055    | 0.340% |
| <b>Total</b>                    |                             | <b>190,434,150</b>           |               |        |

<sup>(1)</sup> For floating rate bonds, the rate applicable on the balance sheet date is presented.

<sup>(2)</sup> N-bond with technical ISIN: N-Bonds (Namensschuldverschreibungen) are privately-placed, long-term funding instruments that are neither centrally cleared nor listed.

## Financial Statements

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

| (in €'000)                    | 31.12.2023         | 31.12.2022         |
|-------------------------------|--------------------|--------------------|
| <b>Balance on 1 January</b>   | <b>191,765,423</b> | <b>187,214,745</b> |
| Issuance during the year      | 19,759,060         | 19,443,001         |
| Maturities during the year    | (21,230,500)       | (14,762,950)       |
| Premium amortisation          | (70,937)           | (101,765)          |
| Change in accrued interest    | 208,181            | (27,608)           |
| <b>Balance on 31 December</b> | <b>190,431,227</b> | <b>191,765,423</b> |

On 31 December 2023 all debt securities in issue 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 €24.8 billion (2022: €22.3 billion) is due within 12 months and considered as a current liability. This amount includes interest accruals of issued debt and the carrying value of securities maturing within 12 months.

On 31 December 2023, the total fair value of the debt securities in issue (including their accrued interest) except private placements amounted to €173.4 billion (2022: €167.7 billion) based on quoted market prices.

## 12. Liability against euro area member states

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 related loans are met. If there is a shortfall on the loan payments, this will be used to meet the obligations arising from the bond issue.

The Margin is accrued on a pro rata basis. For disbursements occurred until 21 July 2011, the related Margin will be paid to the Member State Guarantors, while for disbursements occurred after that date the Margin was paid back to BMS 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 the balance sheet position 'Liability against euro area member states'.

Moreover, the EFSF is entitled to charge 10 basis points of guarantee commission fee for loans granted under EFSF 2.1 where this fee is the remuneration for the Member State Guarantors. In parallel to accrual of such income 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. With the amendment of the Master Financial Assistance Facility Agreement signed on 12 December 2012 with Greece, the guarantee commission fee has been reduced to zero basis points per annum without retroactive effect.

# Financial Statements

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

| <b>31 December 2023</b>                             | <b>(in €'000)</b> | <b>Nominal amount</b> | <b>Return on underlying investments</b> | <b>Total liabilities</b> |
|---|-------------------|-----------------------|---|--------------------------|
| <b>Financial assistance under EFSF 1</b>            |                   |                       |   |                          |
| Ireland   |                   |                       |   |                          |
| - Margin as remuneration for the MSG <sup>(1)</sup> |                   | 45,170                | 11,033                                  | <b>56,203</b>            |
| Portugal  |                   |                       |   |                          |
| - Margin as remuneration for the MSG <sup>(1)</sup> |                   | 9,560                 | 6,027                                   | <b>15,587</b>            |
| <b>Financial assistance under EFSF 2.1</b>          |                   |                       |   |                          |
| Ireland   |                   |                       |   |                          |
| - Guarantee commission fee <sup>(2)</sup>           |                   | 192,215               | 2,823                                   | <b>195,038</b>           |
| Portugal  |                   |                       |   |                          |
| - Guarantee commission fee <sup>(2)</sup>           |                   | 244,856               | 3,586                                   | <b>248,442</b>           |
| Greece  |                   |                       |   |                          |
| - Guarantee commission fee <sup>(2)</sup>           |                   | 65,306                | 360                                     | <b>65,666</b>            |
| <b>Balance as at 31 December 2023</b>               |                   | <b>557,107</b>        | <b>23,829</b>                           | <b>580,936</b>           |

<sup>(1)</sup> Member State Guarantors (MSG)

<sup>(2)</sup> Return on the underlying investments includes negative interest on cash balances due to MSG.

Amounts include cumulative interest from 2017 to 2023 (totalling negative €6.2 million for 2017-2022 and positive €13.0 million for 2023).

| <b>31 December 2022</b>                             | <b>(in €'000)</b> | <b>Nominal amount</b> | <b>Return on underlying investments</b> | <b>Total liabilities</b> |
|---|-------------------|-----------------------|---|--------------------------|
| <b>Financial assistance under EFSF 1</b>            |                   |                       |   |                          |
| Ireland   |                   |                       |   |                          |
| - Margin as remuneration for the MSG <sup>(1)</sup> |                   | 45,170                | 9,311                                   | <b>54,481</b>            |
| Portugal  |                   |                       |   |                          |
| - Margin as remuneration for the MSG <sup>(1)</sup> |                   | 9,560                 | 5,549                                   | <b>15,109</b>            |
| <b>Financial assistance under EFSF 2.1</b>          |                   |                       |   |                          |
| Ireland   |                   |                       |   |                          |
| - Guarantee commission fee <sup>(2)</sup>           |                   | 173,992               | (2,129)                                 | <b>171,863</b>           |
| Portugal  |                   |                       |   |                          |
| - Guarantee commission fee <sup>(2)</sup>           |                   | 219,378               | (2,717)                                 | <b>216,661</b>           |
| Greece  |                   |                       |   |                          |
| - Guarantee commission fee <sup>(2)</sup>           |                   | 65,306                | (1,332)                                 | <b>63,974</b>            |
| <b>Balance as at 31 December 2022</b>               |                   | <b>513,406</b>        | <b>8,682</b>                            | <b>522,088</b>           |

<sup>(1)</sup> Member State Guarantors (MSG)

<sup>(2)</sup> Return on the underlying investments includes negative interest on cash balances due to MSG.

Amounts include cumulative negative interest from 2017 to 2022 (totalling €5.7 million for 2017-2021 and €0.5 million for 2022).

## Financial Statements

On 31 December 2023 the total estimated fair value of the position 'Liability against euro area member states' amounted to €0.6 billion (31 December 2022 : €0.5 billion).

### 13. Trade and other payables

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:

| (in €'000)  | 31.12.2023   | 31.12.2022   |
|---|--------------|--------------|
| Amount charged by ESM for administrative services | 8,187        | 8,284        |
| Trade payables                                    | 72           | -            |
| Accrued expenses                                  | 326          | 86           |
| <b>Total trade and other payables</b>             | <b>8,585</b> | <b>8,370</b> |

### 14. Share capital

By resolutions dated 30 June 2011, the Board of Directors of the Company approved an increase in the Company's share capital reserving to the existing shareholders their preferential subscription rights, by a total amount of €10,000,000, to raise it to €28,440,453.35 from its previous amount of €18,440,453.35. To do so, it created and issued 1,000,000,000 new shares with a par value of €0.01 each, with the capital increase taking effect upon receipt of all the subscription funds.

As a result of the share capital increase with effect from 29 July 2011, the Company's subscribed share capital 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 the EFSF, the Board of Directors of the Company approved an increase in the Company's share capital without reserving to the existing shareholders their preferential subscription rights, by a total amount of €72,943.57, in order to raise it to €28,513,396.92 from its previous amount of €28,440,453.35 by creating and issuing 7,294,357 new shares with a par value of €0.01 each. The number of ordinary shares outstanding stood at 2,851,399 thousand as at 31 December 2023 and 31 December 2022.

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.

## Financial Statements

### 15. Reserves

The following table shows the reserves:

| (in €'000)            | 31.12.2023   | 31.12.2022     |
|-----------------------|--------------|----------------|
| Fair value reserve    | -            | (4,412)        |
| Legal reserve         | 2,894        | 2,894          |
| <b>Total reserves</b> | <b>2,894</b> | <b>(1,518)</b> |

EFSF disposed €20.6 billion of treasury financial assets in 2023 (refer to Note 9). The fair value that was recorded in 2022 and moved to the Statement of Comprehensive Income for the period ending 31 December 2023 was nil.

In accordance with Luxembourg Law, the Company allocated €2.9 million to the legal reserve for the first time in 2013. There was no additional allocation. This reserve may be distributed to shareholders only in the event of the liquidation of the Company.

### 16. Interest revenue and expense calculated using the effective interest method

The following table shows the net interest margin:

| (in €'000)   | 2023               | 2022               |
|--|--------------------|--------------------|
| <b>Interest revenue calculated using the effective interest method</b>       |                    |                    |
| on cash and cash equivalents   | 151,074            | 22,621             |
| on loans to euro area member states  | 2,171,931          | 1,746,980          |
| on liability against euro area member states                                 | -                  | 515                |
| on treasury financial assets   | 72,254             | 2,195              |
| on debt securities in issue  | 2,882              | 28,086             |
| <b>Total interest revenue calculated using the effective interest method</b> | <b>2,398,141</b>   | <b>1,800,397</b>   |
| <b>Interest expense calculated using the effective interest method</b>       |                    |                    |
| on cash and cash equivalents   | (18)               | (18,481)           |
| on loans to credit institutions  | (58)               | (151)              |
| on liability against euro area member states                                 | (15,148)           | -                  |
| on treasury financial assets   | (271)              | (730)              |
| on debt securities in issue  | (2,175,469)        | (1,728,162)        |
| <b>Total interest expense calculated using the effective interest method</b> | <b>(2,190,964)</b> | <b>(1,747,524)</b> |
| <b>Net interest margin</b>   | <b>207,177</b>     | <b>52,873</b>      |

On 31 December 2023 and on 31 December 2022, the interest on cash and cash equivalents represents the interest received and paid for cash held with the euro area central banks. In 2021, the EFSF was charged an interest (Deposit Facility Rate – DFR) of 0.50% on the cash held at Eurosystem central banks. Due to the entry into force of the European Central Bank's revised guideline on domestic asset and liability management

## Financial Statements

operations by national central banks on 1 October 2019 and to the discontinuation of the EONIA as of 3 January 2022, the remuneration applied to EFSF euro cash accounts held at national central banks has changed from the DFR to the lowest rate between zero, the DFR and the €STR. It has been effective from 3 January 2022 for Deutsche Bundesbank. For harmonisation purposes, the ECB also decided to align the remuneration to the lowest rate between zero, the DFR and the €STR effective from 4 April 2022. On 8 September 2022 the ECB announced a temporary change, effective from 14 September 2022 to 30 April 2023, in the applicable remuneration formula on Eurosystem deposits for public institutions, including the EFSF, to the minimum between DFR and €STR. As of 1st May 2023, the Governing Council of the ECB adjusted the ceiling for the remuneration of Euro area government deposits, set at the euro short-term rate (€STR) minus 20 basis points.

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. 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. The interest received are disclosed under the investing activities in the statement of cash flows.

### 17. Other expenses

Other expenses are mainly composed of guarantee commission fees due to Member State Guarantors in relation to the EFSF 2.1 programme for an amount of €43.7 million for the year 2023 (2022: €43.9 million).

### 18. Administrative expenditures

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

| (in €'000)  | 2023            | 2022            |
|---|-----------------|-----------------|
| Amount charged by the ESM for administrative services | (32,810)        | (33,139)        |
| Rating agencies fees                                  | (654)           | (642)           |
| Other services  | (625)           | (526)           |
| <b>Total other administrative expenditures</b>        | <b>(34,089)</b> | <b>(34,307)</b> |

The ESM provides administrative services and other support services to the EFSF. To formalise such cooperation, the ESM and the EFSF entered into a Service Level Agreement starting on 1 January 2013. On 17 July 2020 and effective for the full year 2020, the fees calculation section of the Annex to the SLA between the EFSF and the ESM has been amended by a decision of the ESM Managing Director to better reflect the cost-sharing between the EFSF and the ESM. The change did not lead to material differences.

Under the amended terms of this agreement, the ESM is entitled to charge a service fee, which is calculated based on a fair cost-sharing and reflecting the level of activity for cost allocations between two institutions. The service fee represents the compensation for staff cost and other administrative costs incurred by the ESM. For the services provided during the financial year 2023, the ESM charged €32.8 million to the EFSF (2022: €33.1 million), out of which €8.2 million (2022: €8.3 million) (refer to Note 13) had yet to be paid on the balance sheet date.



## Financial Statements

### 19. Staff cost

The EFSF did not employ any staff in either 2023 or 2022. The ESM provides administrative services and other support services to the EFSF. A service fee is charged by the ESM to the EFSF for the services provided (refer to Note 18).

### 20. 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.

### 21. Related-party transactions

#### **Key Management**

On 31 December 2023, 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. Pierre Gramegna was appointed as the new European Financial Stability Facility (EFSF) Chief Executive Officer (CEO) by the Board of Directors on 13 December 2022.

#### **Transactions with shareholders**

As disclosed in detail in Note 8, the Company provided loans to Ireland, Greece and Portugal which are also Company shareholders. As part of its activities, the EFSF can also purchase debt securities issued by its shareholders. Such securities are reported as treasury financial assets in the statement of financial position. On 31 December 2023, the total carrying amount of purchased securities issued by shareholders of the EFSF was Nil (31 December 2022: €99.4 million).

#### **Transactions with the European Stability Mechanism**

The ESM provides administrative services and other support services to the EFSF. To formalise such cooperation, the ESM and the EFSF entered into a Service Level Agreement starting on 1 January 2013 and has been subsequently revised during 2020. Under the terms of this agreement, the ESM is entitled to charge a service fee to the EFSF (refer to Note 18 and Note 19).

### 22. Auditor’s fee

The total fees accrued by the Company to Ernst & Young, Société anonyme for the year 2022 and to KPMG Audit S.à r.l. for the year 2023 are presented as follows:

| (in €'000)        | 2023         | 2022         |
|-------------------|--------------|--------------|
| Legal audit       | (286)        | (166)        |
| <b>Total fees</b> | <b>(286)</b> | <b>(166)</b> |

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## 23. Events after the reporting period

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There have been no material events after the balance sheet date that would require adjustment of, or disclosure in, the financial statements as of 31 December 2023.