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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS**

ANNUAL ACCOUNTS OF THE EUROPEAN DEVELOPMENT FUND 2015

Annual accounts of the European Development Fund 2015

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CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Development Fund for the year 2015 have been prepared in accordance with Title IX of the Financial Regulation of the 11th European Development Fund and with the accounting principles, rules and methods set out in annex to the financial statements.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Development Fund in accordance with Article 20 of the Financial Regulation of the 11th European Development Fund.

I have obtained from the authorising officers and from the EIB, who guarantee its reliability, all the information necessary for the production of the accounts that show the European Development Fund's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present a true and fair view of the financial position of the European Development Fund in all material aspects.

[signed]

Manfred Kraff

Accounting Officer

12 July 2016

IMPLEMENTING AND ACCOUNTING FOR THE EDF RESOURCES

1. BACKGROUND

The European Union (hereinafter referred to as the EU) has cooperative relations with a large number of developing countries. The main objective is to promote economic, social and environmental development, with the primary aim of reducing and eradicating poverty in the long-term, by providing beneficiary countries with development aid and technical assistance. To achieve this, the EU draws up, jointly with the partner countries, cooperation strategies and mobilises the financial resources to implement them. These EU resources allocated to development cooperation come from three sources:

- The EU budget;
- The European Development Fund;
- The European Investment Bank.

The European Development Fund (hereinafter referred to as the EDF) is the main instrument for providing EU aid for development cooperation to the African, Caribbean and Pacific (hereinafter referred to as the ACP) States and Overseas Countries and Territories (hereinafter referred to as the OCTs).

The EDF is not funded by the EU budget. It is established by an internal agreement of the Representatives of the Member States, sitting within the Council, and managed by a specific committee. The European Commission (hereinafter referred to as the Commission) is responsible for the financial implementation of the operations carried out with EDF resources. The European Investment Bank (hereinafter referred to as the EIB) manages the Investment Facility.

During the period 2014-2020, the geographic aid granted to ACP States and OCTs will continue to be mainly funded by the EDF. Each EDF is usually concluded for a period of around five years and is governed by its own Financial Regulation which requires the preparation of financial statements for each individual EDF. Accordingly, financial statements are prepared separately for each EDF in respect of the part that is managed by the Commission. These financial statements are also presented in an aggregated way so as to provide a global view of the financial situation of the resources for which the Commission is responsible.

The Internal Agreement establishing the 11th EDF was signed by the participating Member States, meeting within the Council, in June 2013¹. It came into force on 1 March 2015. In order to assure continuity between the end of the 10th EDF and the entry into force of the 11th EDF, the Commission proposed transitional measures, known as the Bridging Facility (BF)². The BF is presented under the 11th EDF.

At the same time the 10th EDF Financial Regulation³ was amended and the new Financial Regulation applicable to the transition period was adopted⁴. They entered into force on 30 May 2014. On 2 March 2015 the Council adopted the 11th EDF Financial Regulation⁵ and the Implementation Rules⁶. They entered into force on 6 March 2015.

¹ OJ L 210, 6.8.2013, p. 1.

² The creation of the Bridging Facility had been first proposed as an article of the 11th EDF Implementation Regulation (COM(2013)445). The Commission however has proposed, as an alternative, the creation of the Bridging Facility by a specific Council decision (Proposal for a Council decision regarding transitional EDF management measures from 1 January 2014 until the entry into force of the 11th EDF European Development Fund, COM(2013)663).

³ Council Regulation (EC) No 215/2008 of 18 February 2008 on the Financial Regulation applicable to the 10th EDF. OJ L 78, 19.2.2008, p.1.

⁴ Council Regulation (EU) No 567/2014 of 26 May 2014 amending Regulation (EC) No 215/2008 on the Financial Regulation applicable to the 10th EDF as regards the application of the transition period between the 10th EDF and the 11th EDF until the entry into force of the 11th EDF Internal Agreement. OJ L 157, 27.5.2014, p. 52.

⁵ Council Regulation (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund. OJ L 58, 3.3.2015, p. 17–38.

Within the framework of the ACP-EU Partnership Agreement, the Investment Facility was established. This Investment Facility is managed by the EIB and is used to support private sector development in the ACP States by financing essentially – but not exclusively – private investments. The Facility is designed as a renewable fund, so that loan repayments can be reinvested in other operations, thus resulting in a self-renewing and financially independent facility. As the Investment Facility is not managed by the Commission, it is not consolidated in the first part of the annual accounts – the financial statements of the EDF and the related report on financial implementation. The financial statements of the Investment Facility are included as a separate part of the annual accounts (part II) to provide a full picture of the development aid of the EDF⁷.

2. HOW IS THE EDF FUNDED?

The European Council of 2 December 2013 adopted the Multi-annual Financial Framework for 2014-2020. In this context, it was decided that geographical cooperation with the ACP States would not be integrated into the EU budget (budgetised), but would continue to be funded through the existing inter-governmental EDF.

The EU budget is annual and according to the budgetary principle of annuality, expenditure and revenue are planned and authorised for one year. Unlike the EU, the EDF is a fund operating on the basis of multiannuality. Each EDF establishes an overall fund to implement development cooperation during a period of usually five years. As resources are allocated on a multiannual basis, the allocated funds may be used over the period of the EDF. The lack of budget annuality is highlighted in the budgetary reporting, where the budgetary implementation of the EDFs is measured against the total funds.

The EDF resources are “ad hoc” contributions from the EU Member States. Approximately every five years, Member State representatives meet at intergovernmental level to decide on an overall amount that will be allocated to the fund and to oversee its implementation. The Commission then manages the fund in accordance with the Union policy on development cooperation. Since Member States have their own development and aid policies in parallel to the Union policy, the Member States must coordinate their policies with the EU to ensure they are complementary.

In addition to the above mentioned contributions, it is also possible for Member States to enter into co-financing arrangements or to make voluntary financial contributions to the EDF.

3. YEAR-END REPORTING

3.1. ANNUAL ACCOUNTS

It is the Accounting Officer's responsibility to prepare the annual accounts and ensure that they present a true and fair view of the financial position of the EDF.

The annual accounts are presented as follows:

Part I: Funds managed by the Commission

⁶ Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund. OJ L 58, 3.3.2015, p. 1–16.

⁷ Council Regulation (EU) No 567/2014 of 26 May 2014 amending Regulation (EC) No 215/2008 on the Financial Regulation applicable to the 10th EDF as regards the application of the transition period between the 10th EDF and the 11th EDF until the entry into force of the 11th EDF Internal Agreement. OJ L 157, 27.5.2014, Art. 43.

- (i) Financial statements of the EDF
- (ii) Report on financial implementation of the EDF

Part II: Funds managed by the EIB

- (i) Financial statements of the Investment Facility

In addition, since 2014 when a trust fund has been created under the EDF (see **3.2** below), its accounts, as well as the consolidated (EDF and trust fund) accounts are presented below.

The annual accounts are adopted by the Commission by 31 July of the subsequent year and presented to the European Parliament and to the Council for discharge.

3.2. BÊKOU TRUST FUND

In accordance with Article 187(1) of the Financial Regulation applicable to the general budget of the Union (EU FR) and Article 42 of the Financial Regulation applicable to the transition period, the Commission is allowed to create Union Trust Funds for external actions under an agreement concluded with other donors. These trust funds may be created for emergency, post-emergency and thematic actions. In accordance with Article 187(6) of the EU FR, the accounting officer of the Union Trust Fund shall be the Accounting Officer of the Commission.

The first multi-donor EU Trust Fund called Bêkou, was established on 15 July 2014, by the EU and Germany, France and the Netherlands, with the aim to promote the stabilisation and reconstruction of the Central African Republic. The maximum duration of the Bêkou Trust fund is 60 months.

As the Bêkou Trust fund was established under the EDF, its annual accounts are consolidated with the EDF accounts.

4. AUDIT AND DISCHARGE

4.1. AUDIT

The EDF annual accounts and resource management are overseen by its external auditor, the European Court of Auditors (hereinafter referred to as the ECA), which draws up an annual report for the European Parliament and the Council.

4.2. DISCHARGE

The final control is the discharge of the financial implementation of the EDF resources for a given financial year. The European Parliament is the discharge authority of the EDF. This means that following the audit and finalisation of the annual accounts it falls to the Council to recommend and then to the European Parliament to decide whether to grant discharge to the Commission for the financial implementation of the EDF resources for a given financial year. This decision is based on a review of the accounts and the annual report of the ECA (which includes an official statement of assurance) and replies of the Commission, and also following questions and further information requests to the Commission.

FINANCIAL STATEMENTS AND EXPLANATORY NOTES - FUNDS MANAGED BY THE EUROPEAN COMMISSION

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add-up.

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FINANCIAL STATEMENTS OF THE EDF

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables may appear not to add-up.

EDF BALANCE SHEET

EUR millions

	Note	31.12.2015	31.12.2014
NON-CURRENT ASSETS			
<i>Pre-financing</i>	2.1	516	472
<i>Trust Fund contributions</i>	2.2	34	39
		550	511
CURRENT ASSETS			
<i>Pre-financing</i>	2.3	1 145	1 403
<i>Receivables</i>	2.4	171	84
<i>Cash and cash equivalents</i>	2.6	504	391
		1 820	1 879
TOTAL ASSETS		2 370	2 389
NON-CURRENT LIABILITIES			
<i>Provisions</i>	2.7	(4)	–
<i>Payables</i>	2.8	(10)	(34)
		(14)	(34)
CURRENT LIABILITIES			
<i>Payables</i>	2.9	(1 376)	(1 423)
		(1 376)	(1 423)
TOTAL LIABILITIES		(1 390)	(1 457)
NET ASSETS		980	932
FUNDS & RESERVES			
<i>Called fund capital - active EDFs</i>	2.10	38 873	35 673
<i>Called fund capital from closed EDFs carried forward</i>	2.11	2 252	2 252
<i>Economic result carried forward from previous years</i>		(36 994)	(33 468)
<i>Economic result of the year</i>		(3 152)	(3 526)
NET ASSETS		980	932

EDF STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	Note	2015	2014
OPERATING REVENUE	3.2	132	132
OPERATING EXPENSES			
<i>Operating expenses</i>	3.3	(3 179)	(3 650)
<i>Administrative expenses</i>	3.4	(113)	(22)
		(3 291)	(3 671)
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		(3 160)	(3 539)
<i>Financial revenue</i>	3.5	8	13
<i>Financial charges</i>		(0)	(0)
SURPLUS/(DEFICIT) FROM FINANCIAL ACTIVITIES		8	13
ECONOMIC RESULT OF THE YEAR		(3 152)	(3 526)

EDF CASHFLOW STATEMENT

EUR millions

	Note	2015	2014
<i>Economic result of the year</i>		(3 152)	(3 526)
OPERATING ACTIVITIES			
<i>Ordinary contributions from Member States</i>		3 232	3 068
<i>(Reversal of) impairment losses on receivables</i>		1	14
<i>(Increase)/decrease in pre-financing</i>		214	(165)
<i>(Increase)/decrease in Trust Fund contributions</i>		5	(39)
<i>(Increase)/decrease in current receivables*</i>		(88)	(15)
<i>Increase/(decrease) in non-current liabilities</i>		(20)	9
<i>Increase/(decrease) in current liabilities**</i>		(211)	152
<i>Increase/(decrease) in accrued charges and deferred income</i>		132	134
NET CASHFLOW		113	(368)
Net increase/(decrease) in cash and cash equivalents		113	(368)
<i>Cash and cash equivalents at the beginning of the year</i>	2.6	391	759
<i>Cash and cash equivalents at year-end</i>	2.6	504	391

* Current receivables excluding receivables relating to ordinary contributions.

** Current liabilities excluding liabilities relating to ordinary contributions.

EDF STATEMENT OF CHANGES IN NET ASSETS

	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Total Net Assets (C) + (D) + (E)
BALANCE AS AT 31.12.2013	45 691	13 162	32 529	(33 468)	2 252	1 313
Capital increase - ordinary contributions	-	(3 144)	3 144	-	-	3 144
Economic result of the year	-	-	-	(3 526)	-	(3 526)
BALANCE AS AT 31.12.2014	45 691	10 018	35 673	(36 994)	2 252	932
Capital increase - contributions	-	(4 795)	4 795	-	-	4 795
Capital decrease - funds committed under the Bridging Facility	(1 595)	-	(1 595)	-	-	(1 595)
Recognition of the 11th EDF capital	29 367	29 367	-	-	-	-
Economic result of the year	-	-	-	(3 152)	-	(3 152)
BALANCE AS AT 31.12.2015	73 464	34 590	38 873	(40 146)	2 252	980

EUR millions

BALANCE SHEET BY EDF

Note	31.12.2015				31.12.2014				EUR millions
	Eighth EDF	Ninth EDF	Tenth EDF	11th EDF	Eighth EDF	Ninth EDF	Tenth EDF	11th EDF	
NON-CURRENT ASSETS									
2.1	–	63	368	84	–	17	411	44	
2.2	–	–	–	34	–	–	–	39	
	–	63	368	118	–	17	411	83	
CURRENT ASSETS									
2.3	3	67	879	195	5	142	1 178	77	
2.4	1	65	103	2	3	66	15	0	
2.5	214	657	1 190	–	216	810	–	607	
2.6	–	–	–	504	–	–	–	391	
	218	790	2 172	701	224	1 018	1 193	1 076	
	218	853	2 541	819	224	1 035	1 604	1 159	
NON-CURRENT LIABILITIES									
2.7	–	–	–	(4)	–	–	–	–	
2.8	–	–	(10)	–	–	–	(34)	–	
	–	–	(10)	(4)	–	–	(34)	–	
CURRENT LIABILITIES									
2.9	(3)	(128)	(1 174)	(71)	(10)	(175)	(1 195)	(43)	
2.5	–	–	–	(2 062)	–	–	(1 633)	–	
	(3)	(128)	(1 174)	(2 132)	(10)	(175)	(2 828)	(43)	
	(3)	(128)	(1 184)	(2 136)	(10)	(175)	(2 862)	(43)	
NET ASSETS									
	214	726	1 357	(1 317)	214	860	(1 258)	1 116	
FUNDS & RESERVES									
2.10	12 164	10 973	15 737	–	12 840	11 699	11 134	–	
2.11	627	1 625	–	–	627	1 625	–	–	
2.12	(2 476)	2 376	35	65	(3 147)	1 758	(209)	1 597	
	(10 107)	(14 223)	(12 183)	(482)	(10 114)	(13 988)	(9 356)	(10)	
	6	(26)	(2 232)	(901)	8	(235)	(2 828)	(472)	
	214	726	1 357	(1 317)	214	860	(1 258)	1 116	
	214	726	1 357	(1 317)	214	860	(1 258)	1 116	

STATEMENT OF FINANCIAL PERFORMANCE BY EDF

EUR millions

Note	2015					2014				
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	11th EDF	Eighth EDF	Ninth EDF	10th EDF	11th EDF	11th EDF
OPERATING REVENUE	3.2	4	24	99	5	9	43	79	1	1
OPERATING EXPENSES										
Operating expenses	3.3	2	(56)	(2 297)	(828)	(1)	(293)	(2 881)	(475)	(475)
Administrative expenses	3.4	(0)	–	(34)	(79)	–	0	(22)	–	–
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES		2	(56)	(2 331)	(907)	(1)	(293)	(2 903)	(475)	(474)
		6	(32)	(2 232)	(902)	8	(249)	(2 824)	(474)	(474)
Financial revenue	3.5	(0)	6	0	2	0	15	(3)	2	2
Financial charges		–	–	0	(0)	–	–	(0)	–	–
SURPLUS/(DEFICIT) FROM FINANCIAL ACTIVITIES		(0)	6	1	2	0	15	(4)	2	2
ECONOMIC RESULT OF THE YEAR		6	(26)	(2 232)	(901)	8	(235)	(2 828)	(472)	(472)

STATEMENT OF CHANGES IN NET ASSETS BY EDF

Eighth EDF	EUR millions						
	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2013	12 840	-	12 840	(10 114)	627	(3 083)	270
Transfers to/from the 10th EDF						(64)	(64)
Economic result of the year				8			8
BALANCE AS AT 31.12.2014	12 840	-	12 840	(10 107)	627	(3 147)	214
Capital decrease - funds committed under the Bridging Facility	(676)		(676)				(676)
Transfers to/from the 10th EDF						(6)	(6)
Transfers to/from the 11th EDF						676	676
Economic result of the year				6			6
BALANCE AS AT 31.12.2015	12 164	-	12 164	(10 100)	627	(2 476)	214

Ninth EDF	EUR millions						
	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A)-(B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C)+(D)+(E)+(F)
BALANCE AS AT 31.12.2013	11 699	-	11 699	(13 988)	1 625	2 130	1 467
Transfers to/from the 10th EDF						(372)	(372)
Economic result of the year				(235)			(235)
BALANCE AS AT 31.12.2014	11 699	-	11 699	(14 223)	1 625	1 758	860
Capital decrease - funds committed under the Bridging Facility	(727)		(727)				(727)
Transfers to/from the 10th EDF						(109)	(109)
Transfers to/from the 11th EDF						727	727
Economic result of the year				(26)			(26)
BALANCE AS AT 31.12.2015	10 973	-	10 973	(14 249)	1 625	2 376	726

10th EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C) = (A) - (B)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C) + (D) + (E) + (F)
BALANCE AS AT 31.12.2013	21 152	13 162	7 990	(9 365)	-	952	(423)
Capital increase - contributions	-	(3 144)	3 144				3 144
Transfers to/from the Eighth and Ninth EDF			-			(936)	(936)
Transfers to/from the 11th EDF				10		(225)	(225)
Transfer of economic result carried forward - treasury - from the 10th EDF to the 11th EDF							10
Economic result of the year				(2 828)			(2 828)
BALANCE AS AT 31.12.2014	21 152	10 018	11 134	(12 183)	-	(209)	(1 258)
Capital increase - contributions		(4 795)	4 795				4 795
Capital decrease - funds committed under the Bridging Facility	(192)		(192)				(192)
Transfers to/from the Eighth and Ninth EDF						84	84
Transfers to/from the 11th EDF						160	160
Economic result of the year				(2 232)			(2 232)
BALANCE AS AT 31.12.2015	20 960	5 223	15 737	(14 415)	-	35	1 357

EUR millions

11th EDF	Fund capital - active EDFs (A)	Uncalled funds - active EDFs (B)	Called fund capital - active EDFs (C)	Cumulative Reserves (D)	Called fund capital from closed EDFs carried forward (E)	Called fund capital transfers between active EDFs (F)	Total Net Assets (C) + (D) + (E) + (F)
BALANCE AS AT 31.12.2013	-	-	-	-	-	-	-
Capital increase - ordinary contributions	-	-	-	-	-	1 597	1 597
Transfers to/from the Eighth, Ninth and 10th EDF	-	-	-	(10)	-	-	(10)
Transfer of economic result carried forward - treasury - from the 10th EDF to the 11th EDF	-	-	-	(472)	-	-	(472)
Economic result of the year	-	-	-	(482)	-	1 597	1 116
BALANCE AS AT 31.12.2014	29 301	29 301	-	-	-	-	-
Recognition of the 11th EDF capital in line with the Internal Agreement	-	-	-	-	-	(1 532)	(1 532)
Transfers to/from the Eighth, Ninth and 10th EDF	-	-	-	(901)	-	-	(901)
Economic result of the year	29 301	29 301	-	(1 382)	-	65	(1 317)
BALANCE AS AT 31.12.2015	29 301	29 301	-	(1 382)	-	65	(1 317)

EUR millions

NOTES TO THE FINANCIAL STATEMENTS OF THE EDF

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. LEGAL BASIS AND ACCOUNTING RULES

In accordance with Article 46 of the EDF Financial Regulation, the EDF financial statements are prepared on the basis of accrual-based accounting rules that are based on International Public Sector Accounting Standards (IPSAS). The accounting rules adopted by the Accounting Officer of the Commission are applied by all the Institutions and bodies of the EU in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements and consolidation, as required by Article 152 of the EU Financial Regulation. These rules are also applied to the EDF while taking into account the specific nature of its activities.

1.2. ACCOUNTING PRINCIPLES

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU accounting rule 1 "Financial Statements" (the same as in IPSAS 1): fair presentation, accrual basis, going concern, consistency of presentation, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting according to Article 144 of the EU Financial Regulation are relevance, reliability, understandability and comparability.

1.3. BASIS OF PREPARATION

1.3.1. Currency and basis for conversion

The annual accounts are presented in millions of euros, the euro being the EU's functional and reporting currency. Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the exchange rates applying on 31 December.

Euro exchange rates

Currency	31.12.2015	31.12.2014	Currency	31.12.2015	31.12.2014
BGN	1.9558	<i>1.9558</i>	LTL	-	<i>3.4528</i>
CZK	27.0230	<i>27.7350</i>	PLN	4.2639	<i>4.2732</i>
DKK	7.4626	<i>7.4453</i>	RON	4.5240	<i>4.4828</i>
GBP	0.7340	<i>0.7789</i>	SEK	9.1895	<i>9.3930</i>
HRK	7.6380	<i>7.6580</i>	CHF	1.0835	<i>1.2024</i>
HUF	315.9800	<i>315.5400</i>	JPY	131.0700	<i>145.2300</i>
			USD	1.0887	<i>1.2141</i>

1.3.2. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to; amounts for employee

benefit liabilities, provisions, financial risk on inventories and accounts receivables, accrued income and charges, contingent assets and liabilities, and degree of impairment of intangible assets and property, plant and equipment. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

1.4. BALANCE SHEET

1.4.1 Intangible assets

Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met. The costs capitalisable include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

1.4.2 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the entity and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred. Land and works of art are not depreciated as they are deemed to have an indefinite useful life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
<i>Buildings</i>	4% to 10%
<i>Plant and equipment</i>	10% to 25%
<i>Furniture and vehicles</i>	10% to 25%
<i>Fixtures and fittings</i>	10% to 33%
<i>Computer hardware</i>	25% to 33%
<i>Other</i>	10% to 33%

Gains or losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and are included in the statement of financial performance.

Leases

Leases of tangible assets, where the entity has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to expenditure over the period of the lease at a constant periodic rate in relation to the balance outstanding. The rental obligations, net of finance charges, are included as liabilities. The assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.4.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Intangible assets and property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, at least once per year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.4.4 Financial assets

The financial assets are classified in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available for sale financial assets. The classification of the financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the entity. Derivatives are also categorised in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. During this financial year, the entity did not hold any investments in this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the entity provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets, except for maturities within 12 months of the balance sheet date.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the positive intention and ability to hold to maturity. During this financial year, the entity did not hold any investments in this category.

(iv) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the time period in which the entity expects to dispose of them which is usually the remaining maturity at the balance sheet date.

1.4.5 Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular contract, decision, agreement or the basic legal act. The float or advance is either used for the purpose for which it was provided during the period defined in the agreement or it is repaid. If the beneficiary does not incur eligible expenditures, he has the obligation to return the pre-financing advance to the entity. The amount of the pre-financing is reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses) and amounts returned.

At year-end, outstanding pre-financing amounts are measured at the amount(s) initially recognised on the balance sheet less amounts returned and eligible expenses, including estimated amounts where necessary, incurred during the period.

1.4.6 Receivables and recoverables

Receivables and recoverables are carried at original amount less write-down for impairment. A write-down for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

1.4.7 Cash and cash equivalents

Cash and cash equivalents are financial instruments and classified as available for sale financial assets. They include cash at hand, deposits held at call or at short notice with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.4.8 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ("expected value" method).

1.4.9 Payables

A significant amount of the payables of the entity are not related to the purchase of goods or services – instead they are unpaid cost claims from beneficiaries of grants or other EU funding. They are recorded as payables for the requested amount when the cost claim is received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount.

Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the entity.

1.4.10 Accrued and deferred income and charges

At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. Revenue is also accounted for in the period to which it relates. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the entity or a contractual agreement exists, an accrued income will be recognised in the financial statements. In addition, at year-end, if an invoice is issued but the services have not yet been

rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

1.5. STATEMENT OF FINANCIAL PERFORMANCE

1.5.1 Revenue

Revenue from non-exchange transactions are taxes and transfers because the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Exchange revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

1.5.2 Expenses

Exchange expenses arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the entity. They are valued at original invoice amount. Furthermore, at the balance sheet date expenses related to the service delivered during the period for which an invoice has not yet been received or accepted are recognised in the statement of financial performance.

Non-exchange expenses relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and discretionary grants, contributions and donations. Transfers are recognised as expenses in the period during which the events giving rise to the transfer occurred, as long as the nature of the transfer is allowed by regulation or a contract has been signed authorising the transfer; any eligibility criteria have been met by the beneficiary; and a reasonable estimate of the amount can be made.

When a request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses due to the beneficiaries but not yet reported are estimated and recorded as accrued expense.

1.6. CONTINGENT ASSETS AND LIABILITIES

1.6.1 Contingent assets

A contingent asset is a possible asset that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

1.6.2 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, in the rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

1.7. CO-FINANCING

Co-financing contributions received fulfil the criteria of revenues from non-exchange transactions under condition and they are presented as payables to Member States, non-Member States and others. The EDF is required to use the contributions to deliver services to third parties or is otherwise required to return the assets (the contributions received). The outstanding payables relating to co-financing agreements represent the co-financing contributions received less the expenses incurred related to the project. The effect on net assets is nil.

Expenses relating to co-financing projects are recognised as they are incurred. The corresponding amount of contributions is recognised as operating revenue and the effect on economic result of the year is nil.

2. NOTES TO THE BALANCE SHEET

NON-CURRENT ASSETS

2.1. PRE-FINANCING

	<i>EUR millions</i>					
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Pre-financing</i>	–	63	368	84	516	472
Total	–	63	368	84	516	472

	<i>EUR millions</i>	
	31.12.2015	31.12.2014
Direct Management	65	72
<i>Implemented by:</i>		
<i>Commission</i>	43	47
<i>EU executive agencies</i>	1	3
<i>EU delegations</i>	21	22
Indirect Management	451	400
<i>Implemented by :</i>		
<i>Third countries</i>	25	22
<i>International organisations</i>	90	127
<i>EIB and EIF</i>	323	223
<i>Public law bodies</i>	10	24
<i>Private law bodies with a public service mission</i>	3	4
Total	516	472

Many contracts provide for payments of advances before the commencement of works, deliveries of supplies or the provision of services. Sometimes the payment schedules of contracts foresee payments on the basis of progress reports. Pre-financing is normally paid in the currency of the country or territory where the project is executed.

The timing of the recoverability or utilisation of the pre-financing governs whether it is disclosed as a current or a non-current pre-financing asset. The utilisation is defined by the project's underlying agreement. Any repayments or utilisation due within twelve months of the reporting date are disclosed as current pre-financing. As many of the EDF projects are long-term in nature, it is necessary that the related advances are available for more than one year. Thus some pre-financing amounts are shown as non-current assets, but since the Eighth and the Ninth EDFs are winding down, most pre-financing is current.

The increase in non-current pre-financing by EUR 44 million compared to 31 December 2014 is mainly explained by the implementation of new contracts under the 11th EDF and the extension of 2 significant contracts under the Ninth EDF.

2.2. TRUST FUND CONTRIBUTIONS

This heading represents the amount paid as contributions to the Békou EU Trust Fund less the estimated proportion of costs incurred by the trust fund.

The trust fund contributions are implemented by the EDF under the direct management mode.

CURRENT ASSETS

2.3. PRE-FINANCING

	<i>EUR millions</i>					
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Pre-financing (gross)</i>	14	265	3 032	939	4 250	4 335
<i>Cleared via cut-off</i>	(11)	(198)	(2 153)	(744)	(3 105)	(2 932)
Total	3	67	879	195	1 145	1 403

	<i>EUR millions</i>	
	31.12.2015	31.12.2014
Direct Management	284	227
<i>Implemented by:</i>		
<i>Commission</i>	123	116
<i>EU executive agencies</i>	1	4
<i>EU delegations</i>	159	106
Indirect Management	861	1 176
<i>Implemented by :</i>		
<i>Third countries</i>	229	257
<i>International organisations</i>	336	494
<i>EIB and EIF</i>	235	357
<i>Public law bodies</i>	56	41
<i>Private law bodies with a public service mission</i>	5	24
<i>Private law bodies implementing Public Private Partnership</i>	0	2
Total	1 145	1 403

The decrease in current pre-financing by EUR 298 million compared to 31 December 2014 is mainly explained by a number of clearings under the Ninth and 10th EDF.

2.3.1. Guarantees received in respect of pre-financing

Guarantees are held to secure pre-financing and are released when the final claim under a project is paid. At 31 December 2015 the nominal value of guarantees received by the EDF in respect of pre-financing amounts to EUR 198 million. At year-end, an in-depth review of guarantees has been performed to comply with the accounting standards. Following this review, guarantees in respect of pre-financing with a nominal value of EUR 444 million have been written-off as not belonging to the EDF but to the contracting authority.

2.4. RECEIVABLES

	<i>EUR millions</i>						
	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Receivables from customers, public bodies, EFTA and third states</i>	2.4.1	1	5	6	2	13	21
<i>Receivables from Member States</i>	2.4.2	–	–	90	–	90	0
<i>Accrued income and deferred charges</i>	2.4.3	–	60	7	–	67	63
Total		1	65	103	2	171	84

EUR millions

	31.12.2015	31.12.2014
Recoverables from non-exchange transactions	104	21
Receivables from exchange transactions	67	63
Total	171	84

2.4.1. Receivables from customers, public bodies, EFTA and third states

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
Receivables from customers, public bodies and third states	4	22	15	2	42	49
Write-down	(3)	(17)	(10)	–	(29)	(28)
Total	1	5	6	2	13	21

2.4.2 Receivables from Member States

Receivables from Member States include amounts to be received as well as the amounts to be deducted from the future Member States contributions. This is a consequence of Bridging Facility adjustments (see note 2.10 Called fund capital – active EDFs).

EUR millions

Member States	Amounts to be received by MS	Amounts to be deducted from MS's contributions	Net amount at 31.12.2015
Belgium	1	(5)	
Denmark		(2)	
Greece	3		
Ireland	2		
Luxemburg		–	
Portugal	3		
Spain	28		
United Kingdom	16		
Austria		(3)	
Finland		–	
Cyprus	1		
Czech Republic	7		
Estonia	1		
Hungary	8		
Lithuania	1		
Latvia	1		
Malta	–		
Poland	18		
Slovenia	3		
Slovakia	3		
Romania	5		
Total	101	(11)	90

2.4.3 Accrued income and deferred charges

Accrued income and deferred charges include primarily accrued interest on pre-financing amounts.

2.5. LIAISON ACCOUNTS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015
<i>Liaison accounts</i>	214	657	1 190	(2 062)	-
Total	214	657	1 190	(2 062)	-

For efficiency reasons, the single treasury covering all the EDFs is allocated to the 11th EDF⁸; this leads to operations between the various EDFs, which are balanced out in the liaison accounts between the various EDF balance sheets. Liaison accounts are presented only in the individual EDFs.

2.6. CASH AND CASH EQUIVALENTS⁹

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
Special accounts:						
<i>Financial institutions of Member States</i>	-	-	-	489	489	378
Current accounts:						
<i>Commercial banks</i>	-	-	-	14	14	13
<i>Democratic Republic Congo Special fund*</i>	-	-	-	1	1	1
Total	-	-	-	504	504	391

*This balance represents the amounts available for the Democratic Republic of the Congo in accordance with the provisions of Council Decision [2003/583/EC](#).

The overall increase in cash and cash equivalents is mainly explained by the advance payment of the first 2016 contributions by some Member States in December 2015.

It should be noted that there are STABEX funds held by beneficiary ACP States and thus not included on the EDF balance sheet. STABEX is the acronym for a EU compensatory finance scheme to stabilise export earnings of the ACP countries. Once the Commission and the beneficiary (ACP) State reach agreement on how the STABEX funds are to be utilised, a transfer convention is signed by both parties. In accordance with the provisions of Article 211 of the Lomé IV Agreement¹⁰ (as revised), the funds are transferred into an interest bearing double signature account (Commission and Beneficiary State) opened in the name of the ACP State. The funds remain in these double signature accounts until a Framework of Mutual Obligations (FMO) justifies a transfer for a project. The Commission's Authorising Officer retains the power of signature over the account in order to ensure that the funds are disbursed as intended. The funds in the double signature accounts are the property of the ACP State and are consequently not recorded as assets in the EDF accounts. The transfers to these accounts are recorded as STABEX payments. See also note **3.2.1** for more information.

With the aim of improving the presentation in the 2015 annual accounts, the classification of financial institutions and banks has been reviewed. The comparative figures for 2014 are disclosed accordingly.

⁸ In accordance with Article 59 of the Financial Regulation applicable to the 11th European Development Fund, the treasury is presented in the balance sheet of the 11th EDF.

⁹ In accordance with Article 59 of the Financial Regulation applicable to the 11th European Development Fund, the treasury is presented in the balance sheet of the 11th EDF. The nature of the various bank accounts is outlined in chapter 5, Financial Risk Management.

¹⁰ OJ L 156, 29.5.1998, p. 3-106.

NON-CURRENT LIABILITIES

2.7. PROVISIONS

	EUR millions					
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Provisions</i>	–	–	–	4	4	–
Total	–	–	–	4	4	–

This is the estimate of amounts that will probably have to be paid out more than 12 months after the year-end in relation to the liquidation phase and a probable legal case with the Centre de Development of Enterprise.

The liquidation phase, to be managed by a Curator, will only comprise residual administrative tasks, for example keeping the archives of the CDE, replying to any administrative formality, or managing residual litigations that could not have been settled up to 31 December 2016. This phase will be financed by the EDF and at the date of preparation of the EDF financial statements, a very rough budget estimate of the total costs needed for the passive phase is EUR 2.6 million. An amount of around EUR 1.2 million should be as well taken into account in case the CDE will be condemned by the International Labour Organisation Tribunal to pay indemnities for the three persons currently in litigation. See also note 4.2.1 for more information.

2.8. PAYABLES

	EUR millions					
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Co-financing - payables</i>	–	–	10	–	10	34
Total	–	–	10	–	10	34

The change in the total co-financing payables is explained in the note 2.9.1.2.

CURRENT LIABILITIES

2.9. PAYABLES

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Current payables</i>	2.9.1	0	13	184	17	215	474
<i>Accrued charges</i>	2.9.2	3	114	684	54	854	722
<i>Deferred fund capital contribution</i>	2.9.3	–	–	307	–	307	228
Total		3	128	1 174	71	1 376	1 423

2.9.1 Current payables

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Suppliers and other</i>	2.9.1.1	0	14	153	14	181	403
<i>Co-financing payables</i>	2.9.1.2	–	(0)	31	(0)	31	67
<i>Sundry payables</i>	2.9.1.3	(0)	(1)	(0)	4	3	4
Total		0	13	184	17	215	474

Payables include cost statements received by the EDF relating to its grant activity. They are recorded for the amount being claimed from the moment the demand is received. The same procedure applies to invoices and credit notes received under procurement activities. The cost claims concerned have been taken into account for the year-end cut-off procedures. Following the cut-off entries, estimated eligible amounts have been recognised in the statement of financial performance.

2.9.1.1 Suppliers and other

Included under this heading are amounts owed to suppliers as well as amounts payable to public bodies and third states.

The decrease of EUR 222 million compared to the previous reporting period relates primarily to a EUR 224 million decrease in payables to third states.

2.9.1.2 Co-financing payables

The total non-current and current co-financing payables decreased by EUR 60 million compared to the previous reporting period.

During 2015, new co-financing contributions were received from the France (EUR 5 million), United Kingdom (EUR 1.5 million) and other countries.

The total non-current and current co-financing payables were decreased by EUR 69 million in order to recognise revenue and expenses related to co-financing projects (see 3.2.2 and 3.3.2).

2.9.1.3 Sundry payables

Sundry payables mainly comprise unallocated cash receipts and returned payments.

2.9.2 Accrued charges

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Accrued charges</i>	3	114	684	54	854	722
Total	3	114	684	54	854	722

At year-end, an assessment is made concerning eligible expenses incurred by beneficiaries of EDF funds but not yet reported. Following these cut-off calculations, estimated eligible amounts are recorded as accrued charges.

In 2015 the Commission refined its methodology for estimating accrued charges for the budget support contracts. Had this refinement not been made, the operating expenses would have been EUR 3 545 million instead of EUR 3 671 million and the accrued charges amount would have been EUR 126 million lower.

2.9.3 Deferred fund capital contribution

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>United Kingdom</i>	–	–	259	–	259	222
<i>Sweden</i>	–	–	48	–	48	–
<i>Czech Republic</i>	–	–	–	–	–	4
<i>Lithuania</i>	–	–	–	–	–	1
Total	–	–	307	–	307	228

These are Member States' contributions paid in advance.

NET ASSETS

2.10. CALLED FUND CAPITAL – ACTIVE EDFs

	<i>EUR millions</i>				
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
<i>Fund capital</i>	12 840	11 699	21 152	–	45 691
<i>Uncalled fund capital</i>	–	–	(10 018)	–	(10 018)
Called fund capital 31.12.2014	12 840	11 699	11 134	–	35 673
<i>Fund capital</i>	12 164	10 973	20 960	29 367	73 464
<i>Uncalled fund capital</i>	–	–	(5 223)	(29 367)	(34 590)
Called fund capital 31.12.2015	12 164	10 973	15 737	–	38 873

The fund capital represents the total amount of contributions from Member States for the relevant EDF fund as laid down in each of the Internal Agreements. The uncalled funds represent the initial allocation not yet called up from Member States.

The called fund capital represents the amount of the initial allocations which have been called up for transfer to the treasury accounts by the Member States.

The capital of the Eighth and the Ninth EDF has been called up and received in its entirety.

The activities of the Bridging Facility were financed through decommitted amounts from previous EDFs (see **2.13** Called fund capital transfers between active EDFs).

The Council decision establishing the Bridging Facility stipulates that the funds committed under the Bridging Facility should be deducted from the shares of the Member States' contributions set out in Article 1(2)(a) of the Internal Agreements of the Eighth, Ninth and 10th EDF after the entry into force of the 11th EDF Internal Agreement.¹¹ The 11th EDF internal Agreement entered into force on 1 March 2015 and total fund capital has been decreased by EUR 1.595 million (Eighth EDF – EUR 676 million, Eighth EDF – EUR 727 million, 10th EDF - EUR 192 million).

As the Internal Agreement establishing the 11th EDF enters into force, fund capital presented under the 11th EDF has been recognised in line with the Agreement.

¹¹ Council decision 2013/759/EU of 12/12/13

2.11. CALLED AND UNCALLED FUND CAPITAL BY MEMBER STATES

<i>EUR millions</i>					
Contributions	%	Uncalled 10th EDF 31.12.2014	Called up in 2015	Reduction of the 10th EDF capital	Uncalled 10th EDF 31.12.2015
<i>Austria</i>	2.41	(241)	111	5	(126)
<i>Belgium</i>	3.53	(354)	162	7	(184)
<i>Bulgaria</i>	0.14	(14)	6	0	(7)
<i>Cyprus</i>	0.09	(9)	4	0	(5)
<i>Czech Republic</i>	0.51	(51)	23	1	(27)
<i>Denmark</i>	2.00	(200)	92	4	(104)
<i>Estonia</i>	0.05	(5)	2	0	(3)
<i>Finland</i>	1.47	(147)	68	3	(77)
<i>France</i>	19.55	(1 958)	900	38	(1 021)
<i>Germany</i>	20.50	(2 053)	944	39	(1 070)
<i>Greece</i>	1.47	(147)	68	3	(77)
<i>Hungary</i>	0.55	(55)	25	1	(29)
<i>Ireland</i>	0.91	(91)	42	2	(48)
<i>Italy</i>	12.86	(1 288)	592	25	(672)
<i>Latvia</i>	0.07	(7)	3	0	(4)
<i>Lithuania</i>	0.12	(12)	6	0	(6)
<i>Luxemburg</i>	0.27	(27)	12	1	(14)
<i>Malta</i>	0.03	(3)	1	0	(2)
<i>Netherlands</i>	4.85	(486)	223	9	(253)
<i>Poland</i>	1.30	(130)	60	2	(68)
<i>Portugal</i>	1.15	(115)	53	2	(60)
<i>Romania</i>	0.37	(37)	17	1	(19)
<i>Slovakia</i>	0.21	(21)	10	0	(11)
<i>Slovenia</i>	0.18	(18)	8	0	(9)
<i>Spain</i>	7.85	(786)	361	15	(410)
<i>Sweden</i>	2.74	(274)	126	5	(143)
<i>United Kingdom</i>	14.82	(1 485)	682	28	(774)
Total	100.00	(10 018)	4 603	192	(5 223)

Capital called in 2015 consists of ordinary call (EUR 3 200 million) and special call (called "special consumption" - EUR 1 403 million). The special call was made in order to get funds for the reduction of the capital of the Eighth and Ninth EDF.

2.12. CALLED FUND CAPITAL FROM CLOSED EDFs CARRIED FORWARD

	EUR millions				
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
<i>Funds transferred from closed EDFs</i>	627	1 625	-	-	2 252
Balance at 31.12.2015	627	1 625	-	-	2 252

This heading includes the resources transferred from closed EDFs to the Eighth and Ninth EDFs.

2.13. CALLED FUND CAPITAL TRANSFERS BETWEEN ACTIVE EDFs

	EUR millions				
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Balance at 31.12.2013	(3 083)	2 130	952	-	0
<i>Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs</i>	(64)	(372)	436		0
<i>Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs</i>			(225)	225	0
<i>Transfer from the 10th and 11th performance reserves to the Bridging Facility</i>			(1 372)	1 372	0
Balance at 31.12.2014	(3 147)	1 758	(209)	1 597	0
<i>Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs</i>	(6)	(109)	114		0
<i>Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs</i>			(32)	32	0
<i>Transfer from the 10th and 11th performance reserves to the Bridging Facility</i>			(41)	41	0
<i>Recoveries from the Bridging Facility to the 10th and 11th performance reserves</i>			11	(11)	0
<i>Return of funds committed under the Bridging Facility</i>	676	727	192	(1 595)	0
Balance at 31.12.2015	(2 476)	2 376	35	65	0

This heading includes the resources transferred between the active EDFs.

Since the entry into force of the Cotonou Agreement, all the unspent funds in previous active EDFs are transferred to the most recently opened EDF after decommitment. The resources transferred from other EDFs increase the appropriations of the receiving fund and reduce the appropriations of the fund of origin. Funds transferred to the performance reserve of the 10th and 11th EDFs can be committed only under specific conditions set out in the Internal Agreements.

In 2015 funds committed under the Bridging Facility of EUR 1 595 million came back to the performance reserve of the 10th EDF and they were used to refund capital of the Eighth, Ninth and 10th EDF (see **2.10** Called fund capital – active EDFs).

At year-end the non-mobilisable Performance Reserve of the 10th EDF is EUR 84 million while the one of the 11th EDF is EUR 65 million.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

3.1. REVENUE FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

EUR millions

	2015	2014
Revenue from non-exchange transactions	89	87
Revenue from exchange transactions	51	59
Total	140	145

The EUR 89 million of revenue from non-exchange transactions is exclusively operating revenue while the EUR 51 million of revenue from exchange transactions comprises operating revenue (EUR 43 million) and financial revenue (EUR 8 million – see note 3.5).

3.2. OPERATING REVENUE

EUR millions

	Note	Eighth EDF	Ninth ED	10th EDF	11th EDF	2015	2014
Recovery of expenses	3.2.1	1	10	9	1	20	26
Recovery of STABEX funds	3.2.2	1	–	–	–	1	4
Foreign exchange gains		3	15	22	2	42	45
Operating income co-financing	3.2.3	–	–	68	1	69	57
Total		4	24	99	5	132	132

EUR millions

	2015	2014
Direct Management	61	17
Implemented by:		
Commission	3	0
EU delegations	58	17
Indirect Management	29	70
Implemented by :		
Third countries	14	68
International organisations	14	1
Public law bodies	0	–
Private law bodies with a public service mission	1	–
Total operating revenue excluding foreign exchange gains	90	86

3.2.1 Recovery of STABEX funds

During 2015, EUR 1 million was returned to the EDF from double signature accounts in ACP countries. These revenues are included in operating income (recovery of STABEX funds) in the statement of financial performance of the Eighth EDF.

3.2.2 Operating income co-financing

The operating income relating to co-financing represents the contributions used (see 3.3.2).

3.3. OPERATING EXPENSES

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2015	2014
<i>Operating expenses aid instruments</i>	3.3.1	(5)	47	2 197	820	3 059	3 545
<i>Operating expenses co-financing</i>	3.3.2	–	–	68	1	69	57
<i>Foreign exchange losses</i>		3	14	24	3	44	33
<i>Write-down of receivables & provisions for Risk and charges</i>		(0)	(5)	8	4	7	14
Total		(2)	56	2 297	828	3 179	3 650

EUR millions

	2015	2014
Direct Management	1 106	933
<i>Implemented by:</i>		
<i>Commission</i>	99	114
<i>EU executive agencies</i>	2	2
<i>EU delegations</i>	1 000	817
<i>Trust Funds</i>	5	–
Indirect Management	2 023	2 670
<i>Implemented by :</i>		
<i>Third countries</i>	900	1 111
<i>International organisations</i>	990	1 148
<i>EIB and EIF</i>	31	179
<i>Public law bodies</i>	70	144
<i>Private law bodies with a public service mission</i>	31	46
<i>Private law bodies implementing Public Private Partnership</i>	1	41
<i>Persons implementing CFSP actions</i>	0	–
Total operating expenses: aid instruments and co-financing	3 128	3 603

3.3.1. Operating expenses – aid instruments

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2015	2014
<i>Programmable aid</i>	1	18	1 557	394	1 971	2 159
<i>Macro-economic support</i>	–	51	–	–	51	42
<i>Sectoral policy</i>	0	(25)	–	–	(24)	10
<i>Interest rate subsidies</i>	(6)	–	–	–	(6)	3
<i>Intra ACP projects</i>	–	5	459	282	746	979
<i>Emergency aid</i>	–	1	167	117	285	335
<i>Refugee aid</i>	0	–	–	–	0	(0)
<i>Risk capital</i>	–	–	–	–	–	0
<i>STABEX</i>	–	–	–	–	–	2
<i>SYSMIN</i>	(0)	–	–	–	(0)	0
<i>Other aid programmes related to former EDFs</i>	–	0	–	–	0	2
<i>Institutional support</i>	–	–	13	20	34	19
<i>Compensation export receipts</i>	0	(3)	–	–	(3)	(5)
<i>Contributions to Trust Funds</i>	–	–	–	5	5	–
Total	(5)	47	2 197	820	3 059	3 545

The EDF operating expenditure covers various aid instruments and takes different forms, depending on how the money is paid out and managed.

3.3.2. Operating expenses co-financing

These are the expenses incurred on co-financing projects in 2015. As the co-financing contributions received fulfil the criteria of revenues from non-exchange transactions under condition, a corresponding amount of contributions has been recognised as operating revenue (see 3.2.2).

3.4. ADMINISTRATIVE EXPENSES

	<i>EUR millions</i>					
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2015	2014
<i>Administrative expenses</i>	0	(0)	34	79	113	22
Total	0	(0)	34	79	113	22

This heading includes support expenditure, i.e. the administrative costs related to the programming and implementation of the EDFs. This includes expenses for preparation, follow-up, monitoring, and evaluation of projects as well as expenses for computer networks, technical assistance etc.

The variation in the administrative costs between 2014 and 2015 (EUR 91 million) is due to a change in accounting methodology in 2014. This new methodology had a one-time impact on decreasing the amount of administrative costs.

3.5. FINANCIAL REVENUE

	<i>EUR millions</i>					
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2015	2014
Interest income-European banks	(0)	(0)	(0)	2	1	(1)
Interest on pre-financing	–	6	0	0	7	15
<i>Accrued interest</i>	–	4	0	–	4	11
<i>Recovered interest</i>	–	2	0	0	3	3
Total	(0)	6	0	2	8	13

Interest on pre-financing is recognised in accordance with the provisions of Article 9(2)d of the Financial Regulation applicable to the 11th EDF.

Financial revenue is considered as revenue from exchange transactions.

4. CONTINGENT ASSETS & LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

4.1. CONTINGENT ASSETS

	<i>EUR millions</i>					
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Performance guarantees</i>	0	7	7	(0)	13	101
<i>Retention guarantees</i>	–	3	3	–	6	50
Total	0	10	10	(0)	20	150

Overall, the amount of guarantees held to secure EDF assets under a project has increased in 2015. However, in 2015, more guarantees have been linked to contracts managed with an indirect mode. In such case, the beneficiary of the guarantee is not the EDF but the contracting authority. By comparison, in 2014, those guarantees belonging to a contracting authority other than the EDF amounted to 273 million while they amount to 723 million in 2015.

4.1.1. Performance guarantees

Performance guarantees are sometimes requested to ensure that beneficiaries of EDF funding meet the obligations of their contracts with the EDF.

4.1.2. Retention guarantees

Retention guarantees concern only works contracts. Typically, 10 % of the interim payments to beneficiaries are withheld to ensure that the contractor fulfils his/her obligations. These withheld amounts are reflected as amounts payable. Subject to the approval of the contracting authority, the contractor may instead submit a retention guarantee which replaces the amounts withheld on interim payments. These received guarantees are disclosed as contingent assets.

4.2. CONTINGENT LIABILITIES

4.2.1. Centre for the Development of Enterprise

The ACP-EU Council of Ministers agreed in June 2014 "to proceed with the orderly closing of the CDE", and at the same time "to ensure that the private sector support projects implemented by the CDE in ACP countries and regions are completed in full". For this purpose, the ACP-EU Council of Ministers granted a delegation of powers to the ACP-EU Committee of Ambassadors to take this matter forward with a view to adopt the necessary decisions.

The ACP-EU Committee of Ambassadors authorised, by Decision No 4/2014 of 23/10/2014, the Executive Board of the CDE to take, with immediate effect, all appropriate measures to prepare for the closure of the CDE. As stipulated in article 2 of that Decision, the Executive Board was instructed to contract a Curator to prepare and implement a closure plan. That closure plan "should permit the closure of the CDE

in an orderly manner, while respecting the rights of all involved third parties, and ensuring that the ongoing private sector support projects are completed either by the CDE itself or by an entity to whom their management can be assigned". The closure plan is to envisage the finalisation of the winding-up of the CDE by 31 December 2016.

The curator has submitted to the CDE Executive Board, at the end of June 2015, a definitive strategic plan, with a budget and work-plan, which reflects the outcome of the social dialogue. The budget of the definitive strategic plan, approved by the CDE Executive Board, had been the basis for the Commission's proposal for a Financing Decision, that has been adopted after having received the opinion of the EDF Committee for a total of EUR 18.2 million. Subsequent to the adoption of that Financing decision, a grant agreement was concluded in December 2015 between the CDE and the Commission which provides the necessary financing for the realization of CDE's assets and full settlement of its liabilities. The implementation of the definitive strategic plan started on 1 January 2016. Following the revision of the Annex III of the Cotonou Agreement, currently under negotiation between the EU Council and the ACP, the CDE will enter into its passive phase during which it will solely exist for the needs of its liquidation - as from 1 January 2017 and for a period that will last up to 5 years. See also note 2.7 for more information.

4.3. OTHER SIGNIFICANT DISCLOSURES

4.3.1. Outstanding commitments not yet expensed

The amount disclosed below is the budgetary RAL ("Reste à Liquider") less related amounts that have been included as expenses in the 2015 statement of financial performance. The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. This is the normal consequence of the existence of multi-annual programmes.

	<i>EUR millions</i>					
	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2015	31.12.2014
<i>Outstanding commitments not yet expensed</i>	5	303	3 174	2 338	5 821	5 291
Total	5	303	3 174	2 338	5 821	5 291

At 31 December 2015 the budgetary RAL totalled EUR 6 809 million (2014: EUR 5 889 million). In December 2015, EUR 1 316 million were committed to finance the new Emergency EU Trust Fund for stability and addressing root causes of illegal migration in Africa (EU Trust Fund Africa). When excluding the effect of that exceptional event, the RAL would amount to EUR 5 493 million, which represents a reduction of EUR 396 million compared to the previous year.

5. FINANCIAL RISK MANAGEMENT

The following disclosures with regard to the financial risk management of the EDF relate to the treasury operations carried out by the Commission on behalf of the EDF in order to implement its resources.

5.1. RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

The rules and principles for the management of the treasury operations are laid down in the 11th EDF Financial Regulation and in the Internal Agreement.

As a result of the above regulation, the following main principles apply:

- The EDF contributions are paid by Member States in special accounts opened with the bank of issue of each Member State or the financial institution designated by it. The amounts of the contributions shall remain in those special accounts until the payments of EDF need to be made.
- EDF contributions are paid by Member States in EUR, while the EDF's payments are denominated in EUR and in other currencies, including less well-known ones.
- Bank accounts opened by the Commission on behalf of the EDF may not be overdrawn.

In addition to the special accounts, other bank accounts are opened by the Commission in the name of the EDF, with financial institutions (central banks and commercial banks), for the purpose of executing payments and receiving receipts other than the Member State contributions to the budget.

Treasury and payment operations are highly automated and rely on modern information systems. Specific procedures are applied to guarantee system security and to ensure segregation of duties in line with the Financial Regulation, the Commission's internal control standards, and audit principles.

A written set of guidelines and procedures regulate the management of the treasury and payment operations with the objective of limiting operational and financial risk and ensuring an adequate level of control. They cover the different areas of operation, and compliance with the guidelines and procedures is checked regularly.

5.2. CURRENCY RISK

Exposure of the EDF to currency risk at year end – net position

	EUR millions													
	31.12.2015					31.12.2014								
	USD	GBP	DKK	SEK	EUR	Other	Total	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets														
Receivables and recoverables	-	-	-	-	171	1	171	0	-	-	-	76	8	84
Cash and cash equivalents	4	0	-	-	500	-	504	6	0	-	-	386	-	391
Total	4	0	-	-	671	1	675	6	0	-	-	462	8	475
Financial liabilities														
Payables	0	-	-	-	(485)	(47)	(532)	0	-	-	-	(691)	(45)	(736)
Total	0	-	-	-	(485)	(47)	(532)	0	-	-	-	(691)	(45)	(736)
Total	4	0	-	-	186	(46)	143	6	0	-	-	(229)	(37)	(261)

All contributions are held in EUR, and other currencies are purchased only when they are needed for the execution of payments. As a result the EDF's treasury operations are not exposed to currency risk.

5.3. INTEREST RATE RISK

The EDF does not borrow money and as a consequence it is not exposed to interest rate risk.

Interest is accrued on balances it holds on its different banks accounts. The Commission, on behalf of the EDF, has therefore put in place measures to ensure that interest earned regularly reflect market interest rates as well as their possible fluctuation.

Overnight balances held on commercial bank accounts are remunerated on a daily basis. The remuneration of balances on such accounts is based on variable market rates to which a contractual margin (positive or negative) is applied. For most of the accounts the interest calculation is linked to a market reference rate and is adjusted to reflect any fluctuations of this rate. As a result no risk is taken by the EDF that its balances be remunerated at rates lower than market rates.

5.4. CREDIT RISK (COUNTERPARTY RISK)

Financial assets that are neither past due nor impaired:

EUR millions

	Total	Neither past due nor impaired	Past due but not impaired		
			< 1 year	1-5 years	> 5 years
<i>Receivables and recoverables</i>	171	50	120	1	–
Total at 31.12.2015	171	50	120	1	–
<i>Receivables Recoverables</i>	84	75	5	4	–
Total at 31.12.2014	84	75	5	4	–

Financial assets by risk category:

EUR millions

	31.12.2015			31.12.2014		
	Receivables	Cash	Total	Receivables	Cash	Total
Counterparties with external credit rating						
<i>Prime and high grade</i>	6	167	173	0	318	318
<i>Upper medium grade</i>	34	16	50	–	39	39
<i>Lower medium grade</i>	36	312	348	–	7	7
<i>Non- investment grade</i>	14	9	23	–	27	27
Total	90	503	593	0	391	391
Counterparties without external credit rating						
<i>Debtors without defaults in the past</i>	81	1	98	83	–	83
<i>Debtors with defaults in the past</i>	–	–	–	1	–	1
Total	97	1	98	84	–	84
Total	171	504	692	84	391	475

Funds in the categories *non-investment grade* and *lower medium grade* relate mainly to Member State contributions to the EDF paid to the special accounts opened by Member States in accordance with Article 22(3) of the EDF FR. According to this regulation the amount of such contributions must remain in those special accounts until the payments need to be made.

Most of the EDF's treasury resources are kept, in accordance with the EDF FR, in the "special accounts" opened by Member States for the payment of their contributions. The majority of such accounts are held

with Member States' treasuries or national central banks. These institutions carry the lowest counterparty risk for the EDF (exposure is with its Member States).

For the part of the EDF's treasury resources kept with commercial banks in order to cover the execution of payments, replenishment of these accounts is executed on a just-in-time basis and is automatically managed by the Commission treasury's cash management system. Minimum cash levels, proportional to the average amount of daily payments made from it, are kept on each account. As a consequence the amounts kept overnight on these accounts remain constantly at low levels which ensure the EDF's risk exposure is limited.

In addition, specific guidelines are applied for the selection of commercial banks in order to further minimise counterparty risk to which the EDF is exposed.

All commercial banks are selected by call for tenders. The minimum short-term credit rating required for admission to the tendering procedures is Moody's P-1 or equivalent (S&P A-1 or Fitch F1). A lower level may be required in specific and duly justified circumstances.

5.5. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

	<i>EUR millions</i>			
	< 1 year	1-5 years	> 5 years	Total
<i>Payables</i>	522	10		532
Total at 31.12.2015	522	10	–	532
<i>Payables</i>	702	34		736
Total at 31.12.2014	702	34	–	736

Budget principles applied to the EDF ensure that overall cash resources for the budgetary period are always sufficient for the execution of all related payments. Indeed the total Member States' contributions equal the overall amount of payment appropriations for the relevant budgetary period.

Member States contributions to EDF, however, are paid in three instalments per year, while payments are subject to certain seasonality.

In order to ensure that treasury resources are always sufficient to cover the payments to be executed in any given month, information on the treasury situation is regularly exchanged between the Commission' treasury and the relevant spending departments in order to ensure that payments executed in any given period do not exceed the available treasury resources.

In addition to the above, in the context of the EDF's daily treasury operations, automated cash management tools ensure that sufficient liquidity is available on each of the EDF's bank accounts, on a daily basis.

6. RELATED PARTY DISCLOSURES

The related parties of the EDF are Békou and Africa EU Trust Funds. Transactions between these entities take place as part of the normal operations of the EDF and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU accounting rules.

The EDF has no separate management since it is managed by the Commission. The entitlements of the key management of the EU, including the Commission, have been disclosed in the Consolidated annual accounts of the European Union under heading 8.2 "Key management entitlements".

7. EVENTS AFTER THE BALANCE SHEET DATE

At the date of transmission of these accounts, no material issues had come to the attention of the Accounting Officer of the EDF or were reported to him that would require separate disclosure under this section. The annual accounts and related notes were prepared using the most recently available information and this is reflected in the information presented above.

8. RECONCILIATION OF ECONOMIC RESULT AND BUDGET RESULT

The economic result of the year is calculated on the basis of accrual accounting principles. The budget result is however based on cash accounting rules. As the economic result and the budget result both cover the same underlying operational transactions, it is a useful control to ensure that they are reconcilable. The table below shows this reconciliation, highlighting the key reconciling amounts, split between revenue and expenditure items.

EUR millions

	2015	2014
ECONOMIC RESULT OF THE YEAR	(3 152)	(3 526)
Revenue		
<i>Entitlements not affecting the budget result</i>	(1)	(10)
<i>Entitlements established in current year but not yet collected</i>	(11)	(19)
<i>Entitlements established in previous years and collected in current year</i>	19	12
<i>Net effect of pre-financing</i>	28	41
<i>Accrued revenue (net)</i>	29	(71)
Expenses		
<i>Expenses of the current year not yet paid</i>	61	165
<i>Expenses of previous years paid in the current year</i>	(221)	(28)
<i>Payments cancellation</i>	12	65
<i>Net effect of pre-financing</i>	(53)	(562)
<i>Accrued expenses (net)</i>	200	417
BUDGET RESULT OF THE YEAR	(3 088)	(3 516)

8.1. RECONCILING ITEMS - REVENUE

The budgetary revenue of a financial year corresponds to the revenue collected from entitlements established in the course of the year and amounts collected from entitlements established in previous years.

The entitlements not affecting the budget result are recorded in the economic result but from a budgetary perspective cannot be considered as revenues as the cashed amount is transferred to reserves and cannot be recommitted without a Council decision.

The entitlements established in the current year but not yet collected are to be deducted from the economic result for reconciliation purposes as they do not form part of budgetary revenue. On the contrary, the entitlements established in previous years and collected in the current year must be added to the economic result for reconciliation purposes.

The net effect of pre-financing is the clearing of the recovered pre-financing amounts. This is a cash receipt which has no impact on the economic result.

The net accrued revenue mainly consists of accruals made for year-end cut-off purposes. Only the net effect, i.e. the accrued revenue of the current year less the reversal of accrued revenue of the previous year, is taken into consideration.

8.2. RECONCILING ITEMS - EXPENDITURE

Expenses of the current year not yet paid are to be added for reconciliation purposes as they are included in the economic result but do not form part of budgetary expenditure. On the contrary, the **expenses of previous years paid in the current year** must be deducted from the economic result for reconciliation purposes as they are part of the current year's budgetary expenditure but have either no effect on the economic result or they decrease the expenses in case of corrections.

The cash receipts from **payment cancellations** do not affect the economic result whereas they impact the budget result.

The **net effect of pre-financing** is the combination of the new pre-financing amounts paid in the current year (recognised as budgetary expenditure of the year) and the clearing of pre-financing paid in the current year or previous years through the acceptance of eligible costs. The latter represents an expense in accrual terms but not in the budgetary accounts since the payment of the initial pre-financing had already been considered as a budgetary expenditure at the time of its payment.

The **net accrued expenses** mainly consist of accruals made for year-end cut-off purposes, i.e. eligible expenses incurred by beneficiaries of EDF funds but not yet reported to the EDF. Only the net effect, i.e. the accrued expenses of the current year less the reversal of accrued expenses of the previous year, is taken into consideration.

FINANCIAL STATEMENTS OF THE BÊKOU TRUST FUND

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables may appear not to add-up.

CERTIFICATION OF THE ACCOUNTS

The annual accounts of the Bêkou EU Trust Fund for the year 2015 have been prepared in accordance with the Financial Regulation applicable to the general budget of the European Union and the accounting rules adopted by myself in my capacity as the Commission's Accounting Officer, as are to be applied by all the institutions and Union bodies.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the Bêkou EU Trust Fund in accordance with Article 68 of the Financial Regulation.

I have obtained from the authorising officers, who certified its reliability, all the information necessary for the production of the accounts that show the Bêkou EU Trust Fund's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the Bêkou EU Trust Fund.

[signed]

Manfred Kraff

Accounting Officer

BACKGROUND INFORMATION ON THE BÊKOU EU TRUST FUND

In accordance with Article 187(1) of the Financial Regulation applicable to the general budget of the Union (EU FR) and Article 42 of the Financial Regulation applicable to the 11th European Development Fund, the Commission is authorised to create Union Trust Funds for external actions under an agreement concluded with other donors. These trust funds may be created for emergency, post-emergency and thematic actions. The constitutive act of each trust fund defines its objectives.

The first multi-donor EU Trust Fund called Bêkou, which means "hope" in Sango, was established on 15 July 2014, by the EU (represented by DGs DEVCO and ECHO, and the EEAS) and three of its Member States (Germany, France and the Netherlands), with the aim of promoting the stabilisation and reconstruction of the Central African Republic. It has been established for a maximum duration of 60 months in order to provide a medium-term response. At the end of 2015 7 donors contributed to the Bêkou Trust Fund: the European Development Fund, the European Commission via the EU Budget, 4 Member States and 1 non-Member State.

Union trust funds for external actions are required to prepare and adopt their own annual accounts. As the Bêkou EU Trust Fund was established under the EDF, its annual accounts will be consolidated in those of the EDF. The preparation of the annual accounts is entrusted to the Bêkou EU Trust Fund Accounting Officer, who is the Accounting Officer of the Commission, in accordance with Article 187(6) EU FR.

BÊKOU TRUST FUND BALANCE SHEET

EUR '000

	Note	31.12.2015	31.12.2014
NON-CURRENT ASSETS			
<i>Pre-financing</i>	1.1	3 446	–
CURRENT ASSETS			
<i>Pre-financing</i>	1.2	6 047	–
<i>Exchange receivables and non-exchange recoverables</i>	1.3	1 364	–
<i>Cash and cash equivalents</i>	1.4	52 461	45 000
		59 873	45 000
TOTAL ASSETS		63 319	45 000
NON-CURRENT LIABILITIES			
<i>Financial liabilities</i>	1.5	(63 125)	(45 000)
		(63 125)	(45 000)
CURRENT LIABILITIES			
<i>Accrued charges and deferred income</i>		(193)	–
		(193)	–
TOTAL LIABILITIES		(63 319)	(45 000)
NET ASSETS		–	–
FUNDS & RESERVES			
<i>Economic result of the year</i>		–	–
NET ASSETS		–	–

BÊKOU TRUST FUND STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2015	2014
REVENUE			
Revenue from non-exchange transactions			
<i>Revenue from donations</i>	2.1	9 354	–
Revenue from exchange transactions			
<i>Financial income</i>		101	–
Total		9 455	–
EXPENSES			
<i>Operating expenses</i>	2.2	(8 824)	–
<i>Other expenses</i>	2.3	(631)	–
Total		(9 455)	–
ECONOMIC RESULT OF THE YEAR		–	–

BĚKOU TRUST FUND CASHFLOW STATEMENT

EUR '000

	Note	2015	2014
<i>Economic result of the year</i>		–	–
OPERATING ACTIVITIES			
<i>(Increase)/decrease in pre-financing</i>		(9 493)	–
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>		(1 364)	–
<i>Increase/(decrease) in non-current liabilities</i>		18 125	45 000
<i>Increase/(decrease) in current liabilities</i>		193	–
NET CASHFLOW		7 461	45 000
<i>Net increase/(decrease) in cash and cash equivalents</i>		7 461	45 000
<i>Cash and cash equivalents at the beginning of the year</i>		45 000	–
<i>Cash and cash equivalents at year-end</i>	1.4	52 461	45 000

BÊKOU TRUST FUND STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Accumulated surplus/ (deficit)	Economic result of the year	Net assets
BALANCE AS AT 31.12.2014	–	–	–
<i>Economic result of the year</i>	–	–	–
BALANCE AS AT 31.12.2015	–	–	–

NOTES TO THE FINANCIAL STATEMENTS OF THE BÊKOU TRUST FUND

1. NOTES TO THE BALANCE SHEET

NON-CURRENT ASSETS

1.1. PRE-FINANCING

EUR '000

	Total 31.12.2015	Total 31.12.2014
<i>Pre-financing</i>	3 446	–
Total	3 446	–

EUR '000

	Total 31.12.2015	Total 31.12.2014
Direct Management	1 078	–
<i>Implemented by:</i>		
<i>Commission</i>	1 078	–
Indirect Management	2 368	–
<i>Implemented by:</i>		
<i>Public law bodies</i>	1 155	–
<i>Private law bodies with a public service mission</i>	1 213	–
Total	3 446	–

CURRENT ASSETS

1.2. PRE-FINANCING

EUR '000

	Total 31.12.2015	Total 31.12.2014
<i>Pre-financing</i>	14 860	–
<i>Cleared via cut-off</i>	(8 813)	–
Total	6 047	–

EUR '000

	Total 31.12.2015	Total 31.12.2014
Direct Management	4 046	–
<i>Implemented by:</i>		
<i>Commission</i>	4 046	–
Indirect Management	2 002	–
<i>Implemented by:</i>		
<i>Public law bodies</i>	806	–
<i>Private law bodies with a public service mission</i>	1 196	–
Total	6 047	–

1.3. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

This heading represents deferred management costs (EUR 1.3 million) and accrued income (kEUR 45).

1.4. CASH AND CASH EQUIVALENTS

Funds controlled by the Békou EU Trust Fund were presented in the 2014 annual accounts as receivables to the common central treasury system. With the aim of improving the presentation in the 2015 annual accounts, these funds were presented as cash and cash equivalents. The comparative figures for 2014 are disclosed accordingly.

NON-CURRENT LIABILITIES

1.5. FINANCIAL LIABILITIES

				EUR '000
Contributions	%	Paid contributions	Allocation of net results	Financial liabilities
European Commission	6	4 554	(588)	3 966
EDF	54	39 000	(5 033)	33 967
Member States :	39	28 000	(3 614)	24 386
<i>Germany</i>		<i>15 000</i>	<i>(1 936)</i>	<i>13 064</i>
<i>France</i>		<i>10 000</i>	<i>(1 291)</i>	<i>8 709</i>
<i>Netherlands</i>		<i>2 000</i>	<i>(258)</i>	<i>1 742</i>
<i>Italy</i>		<i>1 000</i>	<i>(129)</i>	<i>871</i>
Non-Member States:	1	925	(119)	806
<i>Switzerland</i>		<i>925</i>	<i>(119)</i>	<i>806</i>
Total	100	72 480	(9 354)	63 125

The total non-current financial liabilities relate to EUR 34 million of contributions from the European Development Fund, EUR 4 million from the European Commission via the EU Budget, EUR 24 million from various Member States and EUR 1 million from non-Member State.

The allocation of net results is only indicative and is made purely for accounting purposes. If the Békou Trust Fund is wound up, the final decision on the return of remaining funds will be made by the Trust Fund Board.

2. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

2.1. REVENUE FROM NON-EXCHANGE TRANSACTIONS

This heading represents contributions from donors recognised as operating revenue in line with the net expenses¹². Consequently the economic result of the year is nil.

2.2. OPERATING EXPENSES

EUR '000

	2015	2014
<i>Food aid/food security programmes</i>	460	–
<i>Women's equality organisations and institutions</i>	389	–
<i>Basic health care - basic and primary health care</i>	6 678	–
<i>Urban development and management</i>	539	–
<i>Reconstruction relief and rehabilitation</i>	758	–
Total	8 824	–

EUR '000

	2015	2014
Direct Management	7 527	–
<i>Implemented by:</i>		
<i>Commission</i>	7 527	–
Indirect Management	1 297	–
<i>Implemented by:</i>		
<i>Public law bodies</i>	539	–
<i>Private law bodies with a public service mission</i>	758	–
Total	8 824	–

2.3. OTHER EXPENSES

EUR '000

	2015	2014
<i>Other expenses</i>	615	–
<i>Foreign exchange losses</i>	16	–
Total	631	–

This heading includes the Commission management costs (EUR 0.4 million), technical assistance (EUR 0.15 million), audit (EUR 0.05 million) and other costs.

¹² Net expenses are the expenses incurred by the trust fund, including estimated amounts when necessary, net of the income generated by the activities of the trust fund.

3. OTHER SIGNIFICANT DISCLOSURES

3.1. Outstanding commitments not yet expensed

At 31 December 2015 the outstanding commitments not yet expensed amounted to EUR 12 million. The amount comprises the budgetary RAL ("Reste à Liquider") less related amounts that have been included as expenses in the 2015 statement of financial performance. The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. This is the normal consequence of the existence of multi-annual programmes.

3.2. Related parties

The related party of the Békou EU Trust Fund is the European Development Fund. Transactions between these entities take place as part of the normal operations of the Békou EU Trust Fund and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU accounting rules.

3.3. Events after reporting date

At the date of transmission of these accounts, no material issues had come to the attention of the Accounting Officer of the Békou EU Trust Fund or were reported to him that would require separate disclosure under this section. The annual accounts and related notes were prepared using the most recently available information and this is reflected in the information presented above.

4. FINANCIAL INSTRUMENTS DISCLOSURES

4.1. CURRENCY RISKS

Exposure of the Bêkou EU Trust Fund to currency risk at year end

At 31 December 2015 the ending balances of financial assets and financial liabilities did not include any material amounts quoted in different currencies than euro.

4.2. CREDIT RISK

The financial assets compose of cash and cash equivalent of EUR 52 million and receivables and recoverables that amounted to EUR 1.4 million at 31 December 2015.

Financial assets that are neither past due nor impaired

Receivables and recoverables are neither past due nor impaired.

Financial assets by risk category

The entire amount of EUR 52 million of cash and cash equivalents is placed in a bank with prime and high grade.

4.3. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

The financial liabilities are entirely composed of liabilities to donors. They will be paid when the Bêkou EU Trust Fund is wound-up.

5. RECONCILIATION OF ECONOMIC RESULT AND BUDGET RESULT

The economic result of the year is calculated on the basis of accrual accounting principles. The budget result is however based on cash accounting rules. As the economic result and the budget result both cover the same underlying operational transactions, it is a useful control to ensure that they are reconcilable. The table below shows this reconciliation, highlighting the key reconciling amounts, split between revenue and expenditure items.

EUR '000

	2015
ECONOMIC RESULT OF THE YEAR	-
Revenue	
<i>Entitlements not affecting the budget result</i>	<i>(9 455)</i>
<i>Entitlements collected in current years</i>	<i>45 595</i>
<i>Accrued revenue (net)</i>	<i>40</i>
Expenses	
<i>Net effect of pre-financing</i>	<i>(18 306)</i>
<i>Accrued expenses (net)</i>	<i>7 703</i>
BUDGET RESULT OF THE YEAR	25 577

CONSOLIDATED FINANCIAL STATEMENTS OF THE EDF AND THE BÊKOU TRUST FUND

It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables may appear not to add-up.

CONSOLIDATED BALANCE SHEET

EUR millions

	31.12.2015	31.12.2014
NON-CURRENT ASSETS		
<i>Pre-financing</i>	520	472
	520	472
CURRENT ASSETS		
<i>Pre-financing</i>	1 151	1 403
<i>Receivables</i>	172	84
<i>Cash and cash equivalents</i>	556	436
	1 879	1 923
TOTAL ASSETS	2 399	2 395
NON-CURRENT LIABILITIES		
<i>Provisions</i>	(4)	
<i>Payables</i>	(39)	(40)
	(43)	(40)
CURRENT LIABILITIES		
<i>Payables</i>	(1 376)	(1 423)
	(1 376)	(1 423)
TOTAL LIABILITIES	(1 419)	(1 463)
NET ASSETS	980	932
FUNDS & RESERVES		
<i>Called fund capital - active EDFs</i>	38 873	35 673
<i>Called fund capital from closed EDFs carried forward</i>	2 252	2 252
<i>Economic result carried forward from previous years</i>	(36 994)	(33 468)
<i>Economic result of the year</i>	(3 152)	(3 526)
NET ASSETS	980	932

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	2015	2014
OPERATING REVENUE	136	132
OPERATING EXPENSES		
<i>Operating expenses</i>	<i>(3 182)</i>	<i>(3 650)</i>
<i>Administrative expenses</i>	<i>(114)</i>	<i>(22)</i>
	(3 296)	(3 671)
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	(3 160)	(3 539)
<i>Financial revenue</i>	<i>8</i>	<i>13</i>
<i>Financial charges</i>	<i>(0)</i>	<i>(0)</i>
SURPLUS/(DEFICIT) FROM FINANCIAL ACTIVITIES	8	13
ECONOMIC RESULT OF THE YEAR	(3 152)	(3 526)

CONSOLIDATED CASH FLOW STATEMENT

	<i>EUR millions</i>
	2015
<i>Economic result of the year</i>	<i>(3 152)</i>
OPERATING ACTIVITIES	
<i>Ordinary contributions from Member States</i>	<i>3 232</i>
<i>(Reversal of) impairment losses on receivables</i>	<i>1</i>
<i>(Increase)/decrease in pre-financing</i>	<i>204</i>
<i>(Increase)/decrease in current receivables</i>	<i>(89)</i>
<i>(Increase)/decrease in non-current liabilities</i>	<i>2</i>
<i>Increase/(decrease) in current liabilities</i>	<i>(211)</i>
<i>Increase/(decrease) in accrued charges and deferred income</i>	<i>132</i>
NET CASHFLOW	120
Net increase/(decrease) in cash and cash equivalents	120
<i>Cash and cash equivalents at the beginning of the year</i>	<i>436</i>
<i>Cash and cash equivalents at year-end</i>	<i>556</i>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Fund capital (A)	Uncalled funds (B)	Called fund capital (C) = (A) - (B)	Cumulative Reserves (D)	Other reserves (E)	Total Net Assets (C) + (D) + (E)
BALANCE AS AT 31.12.2013	45 691	13 162	32 529	(33 468)	2 252	1 313
Capital changes	–	(3 144)	3 144	–	–	3 144
Economic result of the year	–	–	–	(3 526)	–	(3 526)
BALANCE AS AT 31.12.2014	45 691	10 018	35 673	(36 994)	2 252	932
Capital changes	27 772	24 572	3 200	–	–	3 200
Economic result of the year	–	–	–	(3 152)	–	(3 152)
BALANCE AS AT 31.12.2015	73 464	34 590	38 873	(40 146)	2 252	980

EUR millions

EDF REPORT ON FINANCIAL IMPLEMENTATION

REPORT ON FINANCIAL IMPLEMENTATION - 2015

INTRODUCTORY NOTE

Previous EDFs

- As the Sixth EDF was closed in 2006 and the Seventh EDF was closed in 2008, the annual accounts no longer contain implementation tables for these EDFs. However, implementation of the transferred balances can be found in the Ninth EDF.
- As in past years, to ensure transparency in the presentation of the accounts for 2015, the tables set out separately for the Eighth EDF the part used for Lomé Convention programming and the part used for programming under the Cotonou Agreement.
- In accordance with article 1(2)(b) of the Internal Agreement of the Ninth EDF, balances and decommitments of previous EDFs have been transferred to the Ninth EDF, and, during the life of the Ninth EDF, have been committed as Ninth EDF funds.

10th EDF

The ACP-EC Partnership Agreement signed on 23 June 2000 in Cotonou by the Member States of the European Community and the States of Africa, the Caribbean and the Pacific (ACP States) entered into force on 1 April 2003. The Cotonou Agreement was amended twice, firstly by the agreement signed in Luxembourg on 25 June 2005, secondly by the agreement signed in Ouagadougou on 22 June 2010.

The EU Council Decision of 27 November 2001 (2001/822/EC) on the association of the overseas countries and territories (OCT) with the European Union entered into force on 2 December 2001. This Decision was amended on 19 March 2007 (Decision 2007/249/EC).

The Internal Agreement on the financing of Community aid under the multiannual financial framework for the period 2008-2013 in accordance with the revised Cotonou Agreement, adopted by the Representatives of the Governments of the Member States of the European Community on 17 July 2006, entered into force on 1 July 2008.

Under the Cotonou Agreement, the second period (2008-2013) of Community aid to the ACP States and OCTs is funded by the 10th EDF for an amount of EUR 22 682 million, of which:

- EUR 21 966 million is allocated to the ACP countries in accordance with the multiannual financial framework set out in Annex Ib to the revised Cotonou Agreement, of which EUR 20 466 million is managed by the European Commission;
- EUR 286 million is allocated to the OCTs in accordance with Annex IIAa of the revised Council Decision on the association of the OCTs with the European Community, of which EUR 256 million is managed by the European Commission;
- EUR 430 million is for the Commission to finance the costs arising from the programming and implementation of 10th EDF resources, in accordance with Article 6 of the Internal Agreement.

According to the "Sunset clause" of the 10th EDF, (articles 1(4) and 1(5) of the 10th EDF Internal Agreement) no funds could be committed after 31 December 2013. Uncommitted funds were transferred to the 11th EDF performance reserve.

- Bridging Facility

The Internal Agreement establishing the eleventh European Development Fund (11th EDF) was signed by the Member States, meeting within the Council, in June 2013. It came into force on 1 March 2015.

In order to assure continuity between the end of the 10th EDF and the entry into force of the 11th EDF, the Commission proposed transitional measures, known as the "Bridging Facility", to ensure availability of funds for cooperation with African, Caribbean and Pacific countries and with Overseas Countries and Territories, as well as for support expenditure.

The Bridging Facility was adopted on 12 December 2013 (Decision 2013/759/EU), entered into force on 1 January 2014. The Bridging Facility and is financed from:

- funds decommitted from Eighth and Ninth EDF up to 31/12/2013,
- uncommitted balances from the 10th EDF at 31/12/2013,
- funds decommitted from the 10th and previous EDFs as from 01/01/2014 until 28/02/2015.

By the entry into force of the 11th EDF, a total of EUR 1 630 million had been de-committed from former EDF's and were therefore potentially available to the Bridging Facility, of which EUR 1 595 million were allocated and are accounted for under the 11th EDF, and EUR 4 million remained unallocated on the Bridging Facility and returned to the original performance reserve.

11th EDF

The ACP-EC Partnership Agreement signed on 23 June 2000 in Cotonou by the Member States of the European Community and the States of Africa, the Caribbean and the Pacific (ACP States) entered into force on 1 April 2003. The Cotonou Agreement was amended twice, firstly by the agreement signed in Luxembourg on 25 June 2005, secondly by the agreement signed in Ouagadougou on 22 June 2010.

The EU Council Decision of 27 November 2001 (2001/822/EC) on the association of the overseas countries and territories (OCT) with the European Union entered into force on 2 December 2001. This Decision was amended on 19 March 2007 (Decision 2007/249/EC).

The Internal Agreement on the financing of Community aid under the multiannual financial framework for the period 2014-2020 in accordance with the revised Cotonou Agreement, adopted by the Representatives of the Governments of the Member States of the European Community on August 2013, entered into force on March 2015.

Under the Cotonou Agreement, the third period (2014-2020) of Community aid to the ACP States and OCTs is funded by the 11th EDF for an amount of EUR 30 506 million, of which:

- EUR 29 089 million is allocated to the ACP countries in accordance with Article 1.2(a) and Article 2(d) of the Internal Agreement, of which EUR 27 955 million is managed by the European Commission;
- EUR 364.5 million is allocated to the OCTs in accordance with Article 1.2(a) and Article 3.1 of the Internal Agreement, of which 359.5 million is managed by the European Commission;
- EUR 1 052.5 million is for the Commission to finance the costs arising from the programming and implementation of 11th EDF resources, in accordance with Article 1.2(a) of the Internal Agreement.

- Remaining funds on non-mobilisable performance reserves at 31.12.2015

Until the coming into force of the Bridging Facility on 1 January 2014, the amounts decommitted from projects under the Ninth and previous EDFs were transferred to the performance reserve of the 10th EDF. On 1 January 2014 the uncommitted funds of the 10th EDF were transferred to the performance reserve of the 11th EDF, with the exception of Stabex funds and administrative envelope.

During 2015 all decommitted funds from previous EDFs were transferred to the respective reserves.

In accordance with article 1.4 of the 10th EDF Internal Agreement, and the Council Decision of 12 December 2013 (2013/759/EU) those funds were allocated to the Bridging Facility.

	EUR millions
Total available on non-mobilisable performance reserves at 31/12/2013	938
Total made available on non-mobilisable performance reserves during 2014	661
Less total transferred to the Bridging facility	(1 597)
Non-mobilisable performance reserve not transferred to BF at 31/12/2014	2

- 11th EDF Stabex reserve

Following the closure of Stabex accounts, unused/decommitted funds are transferred to the 11th EDF Stabex A Envelope reserve (10th EDF Internal Agreement Art. 1(4)) and then to the national indicative programmes of the countries concerned.

- 10th EDF Co-financings

Under the 10th and 11th EDF, transfer agreements for co-financings from Member States were signed, and commitment appropriations were opened for a total amount of EUR 204.6 million, while payment appropriations were opened for the cashed amounts totalling EUR 184.9 million.

The situation of co-financing appropriations at 31.12.2015 is shown in the table below :

EUR millions

	Commitments appropriations	Payment appropriations
Co-financing - A Envelope	186.1	166.8
Co-financing - Intra ACP	13.4	13.4
Co-financing – Administrative expenses	5.1	4.7
	204.6	184.9

The following tables, concerning the amounts decided, contracted and paid, show net figures. The tables presenting the situation by instrument are annexed.

Table 1.1

8th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2015
ANALYSIS OF CREDITS PER INSTRUMENT

		(EUR million)				
INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2014	INCREASE OR DECREASE IN RESOURCES IN 2015	Notes	CURRENT LEVEL APPROPRIATION	
Lomé	12,967	(3,252)			9,711	
<i>Regular MS Contributions</i>				(4)		
Aid for refugees	120	(20)			100	
Emergency aid (Lomé)	140	(4)			136	
Heavily indebted poor countries (Lomé)	0	1,060			1,060	
Interest-rate subsidies	370	(291)			79	
Risk capital	1,000	16			1,016	
Stabex	1,800	(1,077)			723	
Structural adjustment	1,400	97			1,497	
Sysmin	575	(474)			101	
Total indicative programmes	7,562	(2,595)		(4) (1)	4,963	
Utilisation of interest income	0	35			35	
Cotonou	0	654			654	
<i>Regular MS Contributions</i>						
A Envelope - National Allocations	0	418			418	
B Envelope - National Allocations	0	237			237	
Interests and other receipts	0	0			0	
SUB TOTAL ACP	12,967	(2,598)		(4)	10,365	
Lomé						
<i>Regular MS Contributions</i>	163	(115)		(2)	47	
Interest-rate subsidies	9	(8)			1	
Risk capital	30	(24)			6	
Stabex	6	(5)			1	
Sysmin	3	(1)			2	
Total indicative programmes	115	(78)		(2) (1)	36	
SUB TOTAL OCT	163	(115)		(2)	47	
TOTAL 8th EDF	13,130	(2,713)		(6)	10,412	

(1) All decreases are decommitments transferred to the non-mobilisable performance reserve of the 10th EDF.

Table 1.2

9th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2015
ANALYSIS OF CREDITS PER INSTRUMENT

		(EUR million)			
INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2014	INCREASE OR DECREASE IN RESOURCES IN 2015	Notes	CURRENT LEVEL APPROPRIATION
Lomé					
<i>Regular MS Contributions</i>	0	700	(11)		689
Transfers from 6th EDF - Lomé	0	20	(0)	(1)	20
Transfers from 7th EDF - Lomé	0	679	(11)	(1)	668
Cotonou					
<i>Regular MS Contributions</i>	8,919	5,820	(93)		14,646
A Envelope - National Allocations	5,318	3,428	(30)	(1)	8,716
B Envelope - National Allocations	2,108	(876)	(4)	(1)	1,227
CDE, CTA and Parliamentary Assembly	164	(10)			154
Implementation costs	129	53	(1)	(2) + (3)	177
Interests and other receipts	0	63	(0)	(0)	63
Other Intra-ACP allocations	300	2,363	(34)	(1)	2,629
Peace facility	0	362	(1)	(1)	360
Regional allocations	904	(83)	(22)	(1)	799
Special allocation R.D. Congo	0	105			105
Special allocation South Sudan	0	267		(3)	267
Special allocation Sudan	0	110		(2)	110
Voluntary contribution Peace facility	0	39			39
ACP					
SUB TOTAL ACP	8,919	6,520	(104)		15,334
Lomé					
<i>Regular MS Contributions</i>	0	3			3
Transfers from 6th EDF - Lomé	0	0			0
Transfers from 7th EDF - Lomé	0	3			3
Cotonou					
<i>Regular MS Contributions</i>	10	287	(9)		292
A Envelope - National Allocations	0	244	(4)	(1)	239
B Envelope - National Allocations	0	4			4
Regional allocations	8	40	(0)	(1)	48
Studies / Technical assistance OCT	2	(1)			1
OCT					
SUB TOTAL OCT	10	290	(5)		295
TOTAL 9th EDF	8,929	6,810	(109)		15,630

(1) All decreases are commitments transferred to the non-mobilisable performance reserve of the 10th EDF.
 (2) Following Council Decision 2010/406/EU, 150 million was added from non-mobilisable performance reserve 10th EDF for Sudan (147 million to special allocation Sudan and 3 million to implementation costs)
 (3) Following Council Decision 2011/315/EU, 200 million was added from non-mobilisable performance reserve 10th EDF for Sudan (194 million to special allocation South Sudan and 6 million to implementation costs)

Annual accounts of the European Development Fund 2015

Table 1.3

10th EDF EVOLUTION OF APPROPRIATIONS: 31 December 2015 ANALYSIS OF CREDITS PER INSTRUMENT					(EUR million)
INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2014	INCREASE OR DECREASE IN RESOURCES IN 2015	Notes	CURRENT LEVEL APPROPRIATION
Regular MS Contributions	20,896	(25)	34		20,905
A Envelope - National Allocations	0	13,526	(18)	(2)	13,507
A Envelope reserve	13,500	(13,500)			0
B Envelope - National Allocations	0	2,026	(5)	(2)	2,020
B Envelope reserve	1,800	(1,800)			0
Implementation costs	430	(1)			429
Institutional and support expenditure	0	242	(1)	(2)	241
Interests and other receipts	0	70	(0)	(2)	70
Intra-ACP Reserve	2,700	(2,700)			0
National allocations Reserve A Envelope STABEX	0	0	(0)	(2)	(0)
NIP/RIP reserve	683	(683)			0
Non-mobilisable reserve	0	0	67	(2)	67
Other Intra-ACP allocations	0	1,904	(0)	(2)	1,904
Peace facility	0	688			688
Regional allocations	0	1,985	(7)	(2)	1,978
Regional allocations reserve	1,753	(1,753)			0
Co-financing	0	202	2		203
A Envelope - National Allocations	0	185	2	(3)	186
Implementation costs	0	5	0	(3)	5
Other Intra-ACP allocations	0	12	0	(3)	12
Peace facility	0	1	1	(3)	1
SUB TOTAL ACP	20,896	177	36		21,108
Regular MS Contributions	256	3	17		276
A Envelope - National Allocations	0	196			196
A Envelope reserve	195	(195)			0
B Envelope - National Allocations	0	15			15
B Envelope reserve	15	(15)			0
National allocations Reserve A Envelope STABEX	0	0			0
Non-mobilisable reserve	0	2	17	(2)	19
Regional allocations	0	40			40
Regional allocations reserve	40	(40)			0
Studies / Technical assistance OCT	6	0			6
SUB TOTAL OCT	256	3	17		276
TOTAL 10th EDF	21,152	179	53		21,384

(1) Transfer in commitments from projects of the 9th and previous EDFs to the non mobilisable performance reserve for 377 million less transfer out of reserves to South Sudan for 200 million (to 9th EDF). Year to date the total of the non-mobilisable reserve ACP created was 807 million, of which 350 million has been used (150 million for Sudan, 200 million for South Soudan, both transferred to 9th EDF).

(2) Transfers in/from the 10th EDF reserves

(3) For the cofinancings, the table only presents the commitment appropriations.

Table 1.4

11th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2015
ANALYSIS OF CREDITS PER INSTRUMENT

		(EUR million)				
INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2014	INCREASE OR DECREASE IN RESOURCES IN 2015	Notes	CURRENT LEVEL APPROPRIATION	
Regular MS Contributions	29,008	(88)	173		29,093	
A Envelope - National Allocations	0	653	14,146		14,799	
B Envelope - National Allocations	0	86	108		194	
B Envelope reserve	0	0	71		71	
Implementation costs	1,053	5	(5)		1,053	
Institutional and support expenditure	0	33	212		244	
Interests and other receipts	0	13	1		15	
Intra-ACP Reserve	3,590	(536)	(2,848)		206	
National allocations Reserve A Envelope STABEX	0	0	(0)		(0)	
NIP/RIP reserve	24,365	(945)	(18,752)		4,668	
Non-mobilisable reserve	0	0	65		65	
Other Intra-ACP allocations	0	56	2,184		2,240	
Peace facility	0	445	455		900	
Regional allocations	0	103	4,537		4,640	
Co-financing	0	0	1		1	
Implementation costs	0	0	0		0	
Peace facility	0	0	1		1	
EC Internal SLA	0	0	1		1	
A Envelope - National Allocations	0	0	1		1	
ACP						
SUB TOTAL ACP	29,008	(88)	175		29,095	
Regular MS Contributions	360	0			360	
NIP/RIP reserve	360	(3)			357	
Non-mobilisable reserve	0	0			0	
Studies / Technical assistance OCT	0	3			3	
OCT						
SUB TOTAL OCT	360	0			360	
TOTAL 11th EDF	29,367	(87)	175		29,455	

Table 2.1

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2015
PROGRESS REPORT

(EUR million)

ALLOCATION		EDF				
		8	9	10	11	TOTAL
	Sundry income	35				35
L	Total indicative programmes	4,999				4,999
o	Total Non-Programmable Aid	4,723				4,723
n	Transfers from other funds		692			692
e	SUB TOTAL: REGULAR MS CONTRIBUTIONS	9,757	692			10,449
	A Envelope - National Allocations	418	8,955	13,703	14,799	37,875
	B Envelope - National Allocations	237	1,232	2,035	194	3,697
	Bridging facility				0	0
	CDE, CTA and Parliamentary Assembly		154			154
	Country reserve			0	71	71
	Implementation Costs and Interests Revenues	0	240	505	1,070	1,816
	Intra-ACP allocations		2,990	2,833	3,384	9,207
	Intra-ACP Reserve			0	206	206
	National allocations Reserve A Envelope STABEX			0	0	0
	NIP/RIP reserve			0	5,024	5,024
C	Non-mobilisable reserve			86	65	151
o	Regional allocations		846	2,018	4,640	7,504
t	Regional allocations reserve			0		0
o	Special allocation R.D. Congo		105			105
n	Special allocation South Sudan		267			267
o	Special allocation Sudan		110			110
u	Voluntary contribution Peace facility		39			39
	SUB TOTAL: REGULAR MS CONTRIBUTIONS	654	14,938	21,181	29,452	66,226
	A Envelope - National Allocations				1	1
	SUB TOTAL: EC INTERNAL SLA				1	1
	A Envelope - National Allocations			186		186
	Implementation Costs and Interests Revenues			5	0	5
	Intra-ACP allocations			12	1	13
	SUB TOTAL: CO-FINANCING			203	1	205
	TOTAL	10,412	15,630	21,384	29,455	76,880

Decisions	EDF	Aggregate Total		Cumulative Figures 2008	Annual Figures 2009	Annual Figures 2010	Annual Figures 2011	Annual Figures 2012	Annual Figures 2013	Annual Figures 2014	Annual Figures 2015
		At 31/12/2015	% of allocation								
	8	10,404	100%	10,786	(42)	(45)	(60)	(64)	(98)	(63)	(12)
	9	15,533	99%	16,633	(54)	(116)	(9)	(297)	(72)	(381)	(170)
	10	21,137	99%	4,766	3,501	2,349	3,118	3,524	4,131	(95)	(156)
	11	6,533	22%							1,160	5,372
Total		53,607		32,185	3,405	2,187	3,049	3,163	3,961	621	5,034

Assigned Funds	EDF	Aggregate Total		Cumulative Figures 2008	Annual Figures 2009	Annual Figures 2010	Annual Figures 2011	Annual Figures 2012	Annual Figures 2013	Annual Figures 2014	Annual Figures 2015
		At 31/12/2015	% of allocation								
	8	10,385	100%	10,541	(42)	8	(13)	(46)	(11)	(37)	(16)
	9	15,355	98%	14,209	997	476	9	(187)	(96)	(1)	(52)
	10	19,035	89%	130	3,184	2,820	2,514	3,460	3,457	2,687	783
	11	4,024	14%							731	3,293
Total		48,798		24,881	4,140	3,304	2,509	3,226	3,350	3,380	4,008

Payments	EDF	Aggregate Total		Cumulative Figures 2008	Annual Figures 2009	Annual Figures 2010	Annual Figures 2011	Annual Figures 2012	Annual Figures 2013	Annual Figures 2014	Annual Figures 2015
		At 31/12/2015	% of allocation								
	8	10,376	100%	9,930	152	158	90	15	18	16	(3)
	9	14,985	96%	10,011	1,806	1,304	906	539	231	145	43
	10	15,009	70%	90	1,111	1,772	1,879	2,655	2,718	2,760	2,024
	11	1,619	5%							595	1,024
Total		41,989		20,031	3,069	3,233	2,874	3,209	2,967	3,516	3,088

* Negative figures represent decommitments

Table 2.2

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2015
CLASS OF AID

(EUR million)

	EDF									
	8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Sundry Income										
Appropriations	35								35	
Decisions	35	100%							35	100%
Assigned funds	35	100%							35	100%
Payments	35	100%							35	100%
Total indicative programmes										
Appropriations	4,999								4,999	
Decisions	4,994	100%							4,994	100%
Assigned funds	4,989	100%							4,989	100%
Payments	4,986	100%							4,986	100%
Total Non-Programmable Aid										
Appropriations	4,723								4,723	
Decisions	4,722	100%							4,722	100%
Assigned funds	4,711	100%							4,711	100%
Payments	4,706	100%							4,706	100%
Transfers from other funds										
Appropriations			692						692	
Decisions			678	98%					678	98%
Assigned funds			671	97%					671	97%
Payments			670	97%					670	97%
Regular MS Contributions										
A Envelope - National Allocations										
Appropriations	418		8,955		13,703		14,799		37,875	
Decisions	418	100%	8,918	100%	13,570	99%	3,287	22%	26,193	69%
Assigned funds	417	100%	8,862	99%	12,004	88%	1,483	10%	22,767	60%
Payments	417	100%	8,798	98%	9,298	68%	673	5%	19,186	51%
B Envelope - National Allocations										
Appropriations	237		1,232		2,035		194		3,697	
Decisions	235	99%	1,220	99%	2,034	100%	163	84%	3,653	99%
Assigned funds	233	98%	1,215	99%	1,973	97%	113	58%	3,533	96%
Payments	231	98%	1,204	98%	1,792	88%	88	44%	3,313	90%
Bridging facility							0		0	
Appropriations							0		0	
Decisions										
Assigned funds										
Payments										
CDE, CTA and Parliamentary Assembly										
Appropriations			154						154	100%
Decisions			154	100%					154	100%
Assigned funds			154	100%					154	100%
Payments			154	100%					154	100%
Implementation Costs and Interests Revenues										
Appropriations	0		240		505		1,070		1,816	
Decisions			240	100%	504	100%	246	23%	991	55%
Assigned funds			240	100%	501	99%	208	19%	950	52%
Payments			239	100%	495	98%	194	18%	929	51%
Intra-ACP allocations										
Appropriations			2,990		2,833		3,384		9,207	
Decisions			2,979	100%	2,827	100%	1,292	38%	7,098	77%
Assigned funds			2,959	99%	2,723	96%	871	26%	6,553	71%
Payments			2,910	97%	2,193	77%	556	16%	5,658	61%
Regional allocations										
Appropriations			846		2,018		4,640		7,504	
Decisions			840	99%	2,016	100%	1,542	33%	4,397	59%
Assigned funds			802	95%	1,663	82%	1,347	29%	3,812	51%
Payments			767	91%	1,114	55%	110	2%	1,991	27%
Special allocation R.D. Congo										
Appropriations			105						105	
Decisions			105	100%					105	100%
Assigned funds			105	100%					105	100%
Payments			105	100%					105	100%
Special allocation South Sudan										
Appropriations			267						267	
Decisions			266	100%					266	100%
Assigned funds			217	81%					217	81%
Payments			53	20%					53	20%
Special allocation Sudan										
Appropriations			110						110	
Decisions			109	99%					109	99%
Assigned funds			106	96%					106	96%
Payments			60	55%					60	55%
Voluntary contribution Peace facility										
Appropriations			39						39	
Decisions			24	62%					24	62%
Assigned funds			24	62%					24	62%
Payments			24	62%					24	62%
Regular MS Contributions										
A Envelope - National Allocations										
Appropriations					186				186	
Decisions					170	92%			170	92%
Assigned funds					156	84%			156	84%
Payments					106	57%			106	57%
Implementation Costs and Interests Revenues										
Appropriations					5		0		5	
Decisions					4	70%			4	69%
Assigned funds					2	45%			2	44%
Payments					1	20%			1	20%
Intra-ACP allocations										
Appropriations					12		1		13	
Decisions					12	99%	1	100%	13	99%
Assigned funds					12	97%	1	100%	13	98%
Payments					10	83%			10	75%
Co-financing										

Appropriations	8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Country reserve					0		71		71	
Intra-ACP Reserve					0		206		206	
National allocations Reserve A Envelope STABEX					0		0		0	
NIP/RIP reserve					0		5,024		5,024	
Regional allocations reserve					0				0	
Mobilisable reserves										
Non-mobilisable reserve					86		65		151	
Non-mobilisable reserve										

	8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Appropriations	10,412		15,630		21,384		29,455		76,880	
Decisions	10,404	100%	15,533	99%	21,137	99%	6,533	22%	53,607	70%
Assigned funds	10,385	100%	15,355	98%	19,035	89%	4,024	14%	48,798	63%
Payments	10,376	100%	14,985	96%	15,009	70%	1,619	5%	41,989	55%
TOTAL: ALL ALLOCATIONS										

(1) % of appropriations

Table 2.3

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2015
CLASS OF AID
ACP + OCT - 8 th EDF

	(EUR million)											
	CREDITS		DECISIONS		ASSIGNED FUNDS		PAYMENTS					
	(1)	(2)	(2) : (1)	(3)	(3) : (2)	(4)	(4) : (3)	(5)	(5) : (4)	(6)	(6) : (5)	
ACP												
Regular MS Contributions												
Utilisation of interest income	35	35	100%	35	100%	35	100%	35	100%	35	100%	100%
SUB TOTAL: SUNDRY INCOME	35	35	100%	35	100%	35	100%	35	100%	35	100%	100%
Total indicative programmes	4,963	4,958	(9)	4,954	(3)	4,951	(1)	4,951	(1)	4,951	(1)	100%
SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	4,963	4,958	(9)	4,954	(3)	4,951	(1)	4,951	(1)	4,951	(1)	100%
Aid for refugees	100	100	100%	100	100%	100	100%	100	100%	100	100%	100%
Emergency aid (Lomé)	136	136	100%	136	100%	136	100%	136	100%	136	100%	100%
Heavily indebted poor countries (Lomé)	1,060	1,060	100%	1,060	100%	1,060	100%	1,060	100%	1,060	100%	100%
Interest-rate subsidies	79	79	100%	72	(7)	69	91%	69	91%	69	95%	95%
Risk capital	1,016	1,015	(1)	1,012	(3)	1,012	100%	1,012	100%	1,012	100%	100%
Stabex	723	723	100%	723	100%	722	(0)	722	100%	722	100%	100%
Structural adjustment	1,497	1,497	100%	1,497	100%	1,497	100%	1,497	100%	1,497	100%	100%
Sysmin	101	101	100%	101	100%	101	100%	101	100%	101	100%	100%
SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	4,713	4,711	(1)	4,700	(11)	4,696	(0)	4,696	(0)	4,696	(0)	100%
ACP												
Regular MS Contributions												
A Envelope - National Allocations	418	418	100%	417	(0)	417	100%	417	100%	417	100%	100%
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	418	418	100%	417	(0)	417	100%	417	100%	417	(0)	100%
B Envelope - National Allocations	237											
Compensation export earnings	237	235	(1)	233	(2)	231	99%	231	99%	231	(1)	99%
SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	237	235	(1)	233	(2)	231	99%	231	99%	231	(1)	99%
Interests and other receipts	0											
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ACP (A)	10,365	10,357	(12)	10,339	(15)	10,330	(2)	10,330	(2)	10,330	(2)	100%
OCT												
Regular MS Contributions												
Total indicative programmes	36	36	100%	35	(0)	35	98%	35	98%	35	100%	100%
SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	36	36	100%	35	(0)	35	98%	35	98%	35	100%	100%
Interest-rate subsidies	1	1	100%	1	100%	1	100%	1	100%	1	100%	100%
Risk capital	6	6	100%	6	100%	6	100%	6	100%	6	100%	100%
Stabex	1	1	100%	1	100%	1	100%	1	100%	1	100%	100%
Sysmin	2	2	100%	2	100%	2	85%	2	85%	2	100%	100%
SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	11	11	0	10	(0)	10	97%	10	97%	10	(0)	100%
TOTAL OCT (B)	47	47	0	46	(0)	46	98%	46	98%	46	(0)	100%
TOTAL: ACP+OCT (A+B)	10,412	10,404	(12)	10,385	(16)	10,376	(3)	10,376	(3)	10,376	(3)	100%

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Table 2.4

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2015
CLASS OF AID
ACP + OCT - 9 th EDF

	(EUR million)											
	CREDITS			DECISIONS			ASSIGNED FUNDS			PAYMENTS		
	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
(1)	(2)	(2):(1)	(2)	(3)	(3):(2)	(3)	(4)	(4):(3)	(4)	(5)	(5):(4)	
ACP												
Regular MS Contributions												
L Transfers from 6th EDF - Lomé	20	20	100%	(0)	20	100%	20	99%	20	100%	100%	
o Transfers from 7th EDF - Lomé	668	654	98%	(22)	648	99%	648	(16)	647	(0)	100%	
6 SUB TOTAL: TRANSFERS FROM OTHER FUNDS	689	674	98%	(22)	668	99%	668	(16)	667	(0)	100%	
ACP												
Regular MS Contributions												
A Envelope - National Allocations	8,716	8,680	100%	(60)	8,625	99%	8,625	(54)	8,563	(6)	99%	
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	8,716	8,680	100%	(60)	8,625	99%	8,625	(54)	8,563	(6)	99%	
B Envelope - National Allocations	1,227	1,227	100%	(0)	1,227	100%	1,227	(0)	1,227	(0)	100%	
Compensation export earnings	149	149	100%	(0)	149	100%	149	(0)	149	(0)	100%	
Emergency aid	1,056	1,056	100%	(0)	1,056	100%	1,056	(0)	1,056	(0)	100%	
Heavily indebted poor countries	11	11	100%	(0)	11	100%	11	(0)	11	(0)	100%	
SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	1,227	1,227	100%	(0)	1,227	100%	1,227	(0)	1,227	(0)	100%	
CDE, CTA and Parliamentary Assembly	154	154	100%	(0)	154	100%	154	(0)	154	(0)	100%	
SUB TOTAL: CDE, CTA AND PARLIAMENTARY ASSEMBLY	154	154	100%	(0)	154	100%	154	(0)	154	(0)	100%	
Implementation costs	177	177	100%	(0)	177	100%	177	(0)	176	0	99%	
Interests and other receipts	63	63	100%	(0)	63	100%	63	(0)	63	0	100%	
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE	240	240	100%	(0)	240	100%	240	(0)	239	0	100%	
Other Intra-ACP allocations	2,629	2,625	99%	(4)	2,605	99%	2,605	(18)	2,556	25	98%	
Peace facility	350	354	99%	(4)	354	99%	354	(7)	353	(1)	100%	
SUB TOTAL: INTRA-ACP ALLOCATIONS	2,990	2,979	99%	(11)	2,959	99%	2,959	(24)	2,910	24	98%	
Regional allocations	799	792	99%	(7)	756	95%	756	(32)	722	(3)	96%	
SUB TOTAL: REGIONAL ALLOCATIONS	799	792	99%	(7)	756	95%	756	(32)	722	(3)	96%	
Special allocation R.D. Congo	105	105	100%	(0)	105	100%	105	(0)	105	(0)	100%	
SUB TOTAL: SPECIAL ALLOCATION R.D. CONGO	105	105	100%	(0)	105	100%	105	(0)	105	(0)	100%	
Special allocation South Sudan	267	266	99%	(1)	217	85%	217	85	53	15	25%	
SUB TOTAL: SPECIAL ALLOCATION SOUTH SUDAN	267	266	99%	(1)	217	85%	217	85	53	15	25%	
Special allocation Sudan	110	109	99%	(1)	106	97%	106	1	60	15	57%	
SUB TOTAL: SPECIAL ALLOCATION SUDAN	110	109	99%	(1)	106	97%	106	1	60	15	57%	
Voluntary contribution Peace facility	39	24	62%	(15)	24	100%	24	(15)	24	(1)	100%	
SUB TOTAL: VOLUNTARY CONTRIBUTION PEACE FACILITY	39	24	62%	(15)	24	100%	24	(15)	24	(1)	100%	
TOTAL: ACP (A)	15,334	15,239	99%	(168)	15,063	99%	15,063	(51)	14,696	44	98%	
OCT												
Regular MS Contributions												
L Transfers from 6th EDF - Lomé	0	0	100%	(0)	0	100%	0	(0)	0	(0)	100%	
o Transfers from 7th EDF - Lomé	3	3	100%	(0)	3	100%	3	(0)	3	(0)	100%	
6 SUB TOTAL: TRANSFERS FROM OTHER FUNDS	3	3	100%	(0)	3	100%	3	(0)	3	(0)	100%	
OCT												
Regular MS Contributions												
A Envelope - National Allocations	239	238	99%	(1)	237	99%	237	(0)	235	(1)	99%	
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	239	238	99%	(1)	237	99%	237	(0)	235	(1)	99%	
B Envelope - National Allocations	4	4	100%	(0)	4	100%	4	(0)	4	(0)	100%	
Emergency aid	4	4	100%	(0)	4	100%	4	(0)	4	(0)	100%	
SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	4	4	100%	(0)	4	100%	4	(0)	4	(0)	100%	
Studies / Technical assistance OCT	1	1	100%	(0)	1	100%	1	(0)	1	(0)	100%	
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE	1	1	100%	(0)	1	100%	1	(0)	1	(0)	100%	
Regional allocations	48	48	100%	(0)	46	97%	46	(0)	45	0	98%	
SUB TOTAL: REGIONAL ALLOCATIONS	48	48	100%	(0)	46	97%	46	(0)	45	0	98%	
TOTAL: OCT (B)	295	294	100%	(1)	292	99%	292	(0)	288	(1)	99%	
TOTAL: ACP+OCT (A+B)	15,630	15,533	99%	(170)	15,355	99%	15,355	(52)	14,985	43	98%	

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Table 2.5 EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2015 CLASS OF AID ACP + OCT - 10 th EDF (EUR million)

	CREDITS		DECISIONS		ASSIGNED FUNDS		PAYMENTS	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			%	%			%	%
			(3) : (1)	(4) : (2)			(7) : (5)	(8) : (6)
Regular MS Contributions								
A Allocations	13,607	13,375	99%	99%	11,870	600	89%	1,487
A Envelope - National Allocations	13,507	13,375	99%	99%	11,870	600	89%	1,487
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS								
B Envelope - National Allocations	2,020	2,019	100%	100%	1,960	28	97%	1,21
C Compensation export earnings								
D Emergency aid to poor countries								
E Other choices with budgetary impact								
SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS								
Implementation costs	429	429	100%	100%	429	(1)	100%	1
Interest and other receipts	70	69	99%	97%	67	3	97%	3
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE	499	499	100%	100%	496	(1)	99%	14
Institutional and support expenditure	241	238	99%	99%	237	(3)	100%	(0)
Other Intra-ACP allocations	1,904	1,901	100%	100%	1,826	60	96%	198
Peace facility	688	688	100%	100%	660	(23)	96%	(12)
SUB TOTAL: INTRA-ACP ALLOCATIONS	2,833	2,827	100%	100%	2,723	34	96%	81
Regional allocations	1,928	1,928	100%	100%	1,828	97	95%	137
SUB TOTAL: REGIONAL ALLOCATIONS	1,978	1,976	100%	100%	1,828	97	92%	137
Co-financing								
A Allocations	186	170	92%	92%	156	11	83%	65
A Envelope - National Allocations	186	170	92%	92%	156	11	83%	65
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS								
Implementation costs	5	4	70%	70%	2	2	65%	1
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE								
Other Intra-ACP allocations	12	11	98%	98%	11	1	99%	2
Peace facility	1	1	100%	100%	1	0	99%	1
SUB TOTAL: INTRA-ACP ALLOCATIONS								
Mobilisable reserves	12	12	100%	100%	12	0	100%	2
Reserves	0	0						
A Envelope reserve	0	0						
B Envelope reserve	0	0						
SUB TOTAL: COUNTRY RESERVE								
Intra-ACP Reserve	0	0						
SUB TOTAL: INTRA-ACP RESERVE								
National allocations Reserve A Envelope STABEX	0	0						
SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE								
NIP/RIP reserve	0	0						
SUB TOTAL: NIP/RIP RESERVE								
Regional allocations reserve	0	0						
SUB TOTAL: REGIONAL ALLOCATIONS RESERVE								
Non-mobilisable reserve	0	0						
Reserves	67	67						
SUB TOTAL: NON-MOBILISABLE RESERVE								
Regular MS Contributions								
A Allocations	196	195	100%	100%	134	2	69%	113
A Envelope - National Allocations	196	195	100%	100%	134	2	69%	113
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS								
Emergency aid	15	9	60%	60%	7	0	76%	7
Other choices with budgetary impact	6	6	100%	100%	6	0	100%	6
Studies / Technical assistance OCT	6	5	83%	83%	5	0	98%	5
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE								
Regional allocations	40	40	100%	100%	35	9	89%	13
SUB TOTAL: REGIONAL ALLOCATIONS								
Mobilisable reserves	19	19	100%	100%	19	0	100%	19
Reserves	0	0						
A Envelope reserve	0	0						
B Envelope reserve	0	0						
SUB TOTAL: COUNTRY RESERVE								
National allocations Reserve A Envelope STABEX	0	0						
SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE								
Regional allocations reserve	0	0						
SUB TOTAL: REGIONAL ALLOCATIONS RESERVE								
Non-mobilisable reserve	19	19						
Reserves	19	19						
SUB TOTAL: NON-MOBILISABLE RESERVE								
TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	21,384	21,137	99%	99%	19,035	783	90%	15,009
								79%

Table 2.6

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2015
CLASS OF AID
ACP + OCT - 11 th EDF

	CREDITS		DECISIONS		ASSIGNED FUNDS		PAYMENTS	
	(1)	(2)	(2) : (1)	(3)	(3) : (2)	(4)	(4) : (3)	
	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL
Regular MS Contributions								
Allocations	14,799	3,287	22%	1,483	1,286	45%	673	488
A Envelope - National Allocations	14,799	3,287	22%	1,483	1,286	45%	673	488
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS								
B Envelope - National Allocations	194	163	84%	113	48	69%	86	39
Emergency aid	194	163	84%	113	48	69%	86	39
SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS								
Bridging facility	0	0		0	0		0	0
SUB TOTAL: BRIDGING FACILITY								
Implementation costs	1,053	237	23%	202	110	85%	191	99
Interests and other receipts	15	6	43%	5	5	85%	3	3
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE								
Institutional and support expenditure	244	101	41%	56	43	56%	39	34
Other Intra-ACP allocations	2,240	291	13%	216	216	74%	290	290
Peace facility	900	900	100%	599	298	67%	516	290
SUB TOTAL: INTRA-ACP ALLOCATIONS								
Regional allocations	4,640	1,542	33%	1,347	1,285	87%	110	71
SUB TOTAL: REGIONAL ALLOCATIONS								
Co-financing								
Allocations	0	0		0	0		0	0
Implementation costs	0	0		0	0		0	0
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE								
Peace facility	1	1	100%	1	1	100%	1	1
SUB TOTAL: INTRA-ACP ALLOCATIONS								
Mobilisable reserves	1	1	100%	1	1	100%	1	1
Reserves								
B Envelope reserve	71	71						
SUB TOTAL: COUNTRY RESERVE								
Intra-ACP Reserve	206	206						
SUB TOTAL: INTRA-ACP RESERVE								
National allocations Reserve A Envelope STABEX	0	0						
SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE S								
NIP/RIP reserve	4,968	4,968						
SUB TOTAL: NIP/RIP RESERVE								
Non-mobilisable reserve								
Reserves								
Non-mobilisable reserve	65	65						
SUB TOTAL: NON-MOBILISABLE RESERVE								
EC Internal SLA								
Reserves	1	1	100%	1	1	100%	1	1
A Envelope - National Allocations	1	1	100%	1	1	100%	1	1
SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS								
Regular MS Contributions								
Allocations	0	0						
Bridging facility	0	0						
SUB TOTAL: BRIDGING FACILITY								
Studies / Technical assistance OCT	3	3	100%	1	1	34%	0	0
SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUE								
Mobilisable reserves	3	3	100%	1	1	34%	0	0
Reserves								
NIP/RIP reserve	357	357						
SUB TOTAL: NIP/RIP RESERVE								
Non-mobilisable reserve	0	0						
Reserves	0	0						
Non-mobilisable reserve	0	0						
SUB TOTAL: NON-MOBILISABLE RESERVE								
TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	29,455	6,533	22%	4,024	3,293	62%	1,619	1,024
TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	90	5,372	22%	4,024	3,293	62%	1,619	1,024
TOTAL: ACP+OCT (INCL. RESERVES) (A+B)								40%

FINANCIAL STATEMENTS AND EXPLANATORY NOTES – FUNDS MANAGED BY THE EUROPEAN INVESTMENT BANK

EUROPEAN INVESTMENT BANK

CA/491/16

10 March 2016

Document 16/119

BOARD OF DIRECTORS

**INVESTMENT FACILITY
FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2015**

- Statement of financial position
- Statement of profit or loss and other comprehensive income
- Statement of changes in contributors' resources
- Statement of cash flows
- Notes to the financial statements
- Independent auditor's report

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INVESTMENT FACILITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(In EUR'000)

	Notes	31.12.2015	31.12.2014
ASSETS			
Cash and cash equivalents	5	448,995	545,399
Derivative financial instruments	6	311	448
Loans and receivables	7	1,460,057	1,331,918
Available-for-sale financial assets	8	419,353	403,085
Amounts receivable from contributors	9/15	-	42,590
Held-to-maturity financial assets	10	228,521	99,988
Other assets	11	27	5,522
Total assets		2,557,264	2,428,950
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	6	8,219	14,632
Deferred income	12	29,325	31,310
Amounts owed to third parties	13	101,202	68,824
Other liabilities	14	2,364	2,591
Total liabilities		141,110	117,357
CONTRIBUTORS' RESOURCES			
Member States Contribution called	15	2,157,000	2,057,000
Fair value reserve		163,993	156,122
Retained earnings		95,161	98,471
Total contributors' resources		2,416,154	2,311,593
Total liabilities and contributors' resources		2,557,264	2,428,950

INVESTMENT FACILITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(In EUR'000)

	Notes	From 01.01.2015 to 31.12.2015	From 01.01.2014 to 31.12.2014
Interest and similar income	17	90,385	77,240
Interest and similar expenses	17	-1,556	-1,522
Net interest and similar income		88,829	75,718
Fee and commission income	18	932	1,163
Fee and commission expenses	18	-63	-37
Net fee and commission income		869	1,126
Fair value change of derivative financial instruments		6,276	-11,663
Net realised gains on available-for-sale financial assets	19	33,878	8,109
Net foreign exchange loss		-52,483	-222
Net result on financial operations		-12,329	-3,776
Change in impairment on loans and receivables, net of reversal	7	-33,988	-75,756
Impairment on available-for-sale financial assets	8	-3,646	-6,262
Other income	21	-	337
General administrative expenses	20	-43,045	-38,128
Loss for the year		-3,310	-46,741
Other comprehensive income:			
<i>Items that are or may be reclassified to profit or loss:</i>			
Available-for-sale financial assets – Fair value reserve	8		
1. Net change in fair value of available-for-sale financial assets		43,394	87,230
2. Net amount transferred to profit or loss		-35,523	-9,299
Total available-for-sale financial assets		7,871	77,931
Total other comprehensive income		7,871	77,931
Total comprehensive income for the year		4,561	31,190

INVESTMENT FACILITY

STATEMENT OF CHANGES IN CONTRIBUTORS' RESOURCES FOR THE YEAR ENDED 31 DECEMBER 2015

(In EUR'000)

		Contribution called	Fair value reserve	Retained earnings	Total
At 1 January 2015	Notes	2,057,000	156,122	98,471	2,311,593
Member States contribution called during the year	15	100,000	-	-	100,000
Loss for the year 2015		-	-	-3,310	-3,310
Total other comprehensive income for the year		-	7,871	-	7,871
Changes in contributors' resources		100,000	7,871	-3,310	104,561
At 31 December 2015		2,157,000	163,993	95,161	2,416,154
		Contribution called	Fair value reserve	Retained earnings	Total
At 1 January 2014		1,661,309	78,191	145,212	1,884,712
Member States contribution called during the year	15	105,691	-	-	105,691
Unused interest subsidies and technical assistance	15	290,000	-	-	290,000
Loss for the year 2014		-	-	-46,741	-46,741
Total other comprehensive income for the year		-	77,931	-	77,931
Changes in contributors' resources		395,691	77,931	-46,741	426,881
At 31 December 2014		2,057,000	156,122	98,471	2,311,593

INVESTMENT FACILITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

(In EUR'000)

	Notes	From 01.01.2015 to 31.12.2015	From 01.01.2014 to 31.12.2014
OPERATING ACTIVITIES			
Loss for the financial year		-3,310	-46,741
Adjustments made for :			
Impairment on available-for-sale financial assets	8	3,646	6,262
Other income	21	-	-337
Net change in impairment on loans and receivables	7	33,988	75,756
Interest capitalised on loans and receivables	7	-13,262	-11,915
Change in accrued interest and amortised cost on loans and receivables		1,594	895
Change in accrued interest and amortised cost on held-to-maturity financial assets	10	12	12
Change in deferred income		-1,985	-3,773
Effect of exchange rate changes on loans	7	-73,447	-92,707
Effect of exchange rate changes on available-for-sale financial assets		-9,385	-449
Effect of exchange rate changes on cash held		-12,216	-9,362
Loss on operating activities before changes in operating assets and liabilities		-74,365	-82,359
Loan disbursements	7	-282,784	-248,326
Repayments of loans	7	205,772	166,578
Change in accrued interest on cash and cash equivalent	5	4	7
Fair value changes on derivatives		-6,276	11,663
Increase in held-to-maturity financial assets	10	-1,545,550	-1,610,057
Maturities of held-to-maturity financial assets	10	1,417,005	1,612,619
Increase in available-for-sale financial assets	8	-67,449	-42,646
Repayments/sales of available-for-sale financial assets	8	64,791	43,378
Decrease/(increase) in other assets		5,495	-5,374
(Decrease)/increase in other liabilities		-227	19
Increase/(decrease) in amounts payable to the European Investment Bank		4,668	-175
Net cash flows used in operating activities		-278,916	-154,673
FINANCING ACTIVITIES			
Contribution received from Member States	15	100,000	105,691
Amounts received from Member States with regard to interest subsidies and technical assistance		92,590	7,410
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-22,290	-21,899
Net cash flows from financing activities		170,300	91,202
Net decrease in cash and cash equivalents		-108,616	-63,471
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		545,398	599,507
Net cash from:			
Operating activities		-278,916	-154,673
Financing activities		170,300	91,202
Effects of exchange rate changes on cash and cash equivalents		12,216	9,362
Cash and cash equivalents at the end of financial year		448,998	545,398
Cash and cash equivalents are composed of:			
Cash in hand	5	71,405	9,642
Term deposits (excluding accrued interest)		290,576	415,756
Commercial papers	5	87,017	120,000
		448,998	545,398

INVESTMENT FACILITY

Notes to the financial statements as at 31 December 2015

1 General information

The Investment Facility (“the Facility” or “IF”) has been established within the framework of the Cotonou Agreement (the “Agreement”) on co-operation and development assistance negotiated between the African, Caribbean and Pacific Group of States (the “ACP States”) and the European Union and its Member States on 23 June 2000, revised on 25 June 2005 and 22 June 2010.

The Facility is not a separate legal entity and the European Investment Bank (“EIB” or “the Bank”) manages the contributions on behalf of the Member States (“Donors”) in accordance with the terms of the Agreement and acts as an administrator of the Facility.

Financing under the Agreement is provided from EU Member States’ budgets. EU Member States contribute with the amounts allocated to finance the IF and grants for the financing of the interest subsidies as provided for under the multi-annual financial frameworks (First Financial Protocol covering the period 2000 - 2007 and referred to as the Ninth European Development Fund (EDF), Second Financial Protocol covering the period 2008 - 2013 and referred to as the 10th EDF, the “Bridging Facility” covering the period from 1 January 2014 until 28 February 2015 and the Third Financial Protocol covering the period 2014 - 2020 referred to as the 11th EDF). The EIB is entrusted with the management of:

- the Facility, a EUR 3,685.5 million risk-bearing revolving fund geared to fostering private sector investment in ACP countries of which EUR 48.5 million are allocated to Overseas Countries and territories (“OCT countries”);
- grants for the financing of interest subsidies worth max. EUR 1,220.85 million for ACP countries and max. EUR 8.5 million for OCT countries. Up to 15% of these subsidies can be used to fund project-related technical assistance (“TA”);
- the “Bridging Facility” (1 January 2014 to 28 February 2015) covering the grants to finance the interest subsidies and project-related technical assistance and being composed of un- and de-committed balances from previous EDFs.

The present financial statements cover the period from 1 January 2015 to 31 December 2015.

On a proposal from the Management Committee of EIB, the Board of Directors of EIB adopted the Financial Statements on 10 March 2016, and authorised their submission to the Board of Governors for approval by 26 April 2016.

2 Significant accounting policies

2.1 Basis of preparation – Statement of compliance

The Facility’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2.2 Significant accounting judgments and estimates

The preparation of financial statements requires the use of accounting estimates. It also requires the European Investment Bank’s Management to exercise its judgment in the process of applying the Investment Facility’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed hereafter.

The most significant use of judgments and estimates are as follows:

▪ Measurement of fair values of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker price quotations. Where the fair values cannot be derived from active markets, they are determined using a variety of 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 valuations are categorised into different levels in the fair value

INVESTMENT FACILITY

hierarchy based on the inputs used in the valuation techniques as described and disclosed in Notes 2.4.3 and 4.

These valuation techniques may include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Facility uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require limited management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Facility uses own valuation models, which are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and guarantees for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability or counterparty default and prepayments and selection of appropriate discount rates.

The Facility has an established control framework with respect to the measurement of fair values. This framework includes the EIB's Investment Bank's Risk Management and Market Data Management functions. These functions are independent of front office management and are responsible for verifying significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- A review and approval process for new valuation models and changes to existing models;
- Calibration and back testing of models against observed market transactions;
- Analysis and investigation of significant valuation movements;
- Review of significant unobservable inputs and valuation adjustments.

Where third-party information such as broker quotes or pricing services are used to measure fair value, the Facility verifies that such valuations meet the requirements of IFRS. This includes the following:

- Determining where broker quote or pricing service pricing is appropriate;
- Assessing whether a particular broker quote or pricing service is reliable;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement.

▪ **Impairment losses on loans and receivables**

The Facility reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the statement of profit or loss and other comprehensive income. In particular, judgment by the European Investment Bank's Management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowances against individually significant loans and receivables, the Facility may also book a collective impairment allowance

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against exposures which have not been individually identified as impaired and have a greater risk of default than when originally granted.

In principle, a loan is considered as impaired when payment of interest and principal are past due by 90 days or more and, at the same time, the European Investment Bank's Management considers that there is an objective indication of impairment.

▪ Valuation of unquoted available-for-sale equity investments

Valuation of unquoted available-for-sale equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- adjusted net assets method; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted available-for-sale equity investments requires significant estimation. The Facility calibrates the valuation techniques periodically and tests them for validity using either price from observable current market transactions in the same instrument or from other available observable market data.

▪ Impairment of available-for-sale financial assets

The Facility treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Facility treats "significant" generally as 30% or more and "prolonged" greater than 12 months. In addition, the Facility evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

▪ Consolidation of entities in which the Facility holds interest

The Facility made significant judgements that none of the entities in which it holds interest, are controlled by the Facility. This is due to the fact that in all such entities, either the General Partner or the Fund Manager or the Management Board have the sole responsibility for the management and control of the activities and affairs of the partnership and have the power and authority to do all things necessary to carry out the purpose and objectives of the partnership complying with the investment and policy guidelines.

2.3 Changes in accounting policies

Except for the changes below, the Facility has consistently applied the accounting policies set out in Note 2.4 to all periods presented in these financial statements. The Facility has adopted the following new standards and amendments to standards.

Standards adopted

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

- Annual Improvements to IFRSs 2010–2012 Cycle – various standards;
- Annual Improvements to IFRSs 2011–2013 Cycle – various standards.

These changes had no material impact on the Facility's financial statements.

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Standards issued but not yet effective

The following standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those of which may be relevant for the Facility are set out below.

IFRS 9 Financial instruments

The last part of the standard was issued on 24 July 2014 and replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 9 has not yet been adopted by the EU. The Facility does not plan to adopt this standard early and the impact analysis is currently in progress.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 15 has not yet been adopted by the EU. The Facility has not yet determined the extent of the impact of this standard.

2.4 Summary of significant accounting policies

The statement of financial position represents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

2.4.1 Foreign currency translation

The Facility uses the Euro (EUR) for presenting its financial statements, which is also the functional currency. Except as otherwise indicated, financial information presented in EUR has been rounded to the nearest thousand.

Foreign currency transactions are translated, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the exchange rate prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the statement of profit or loss and other comprehensive income.

The elements of the statement of profit or loss and other comprehensive income are translated into Euro on the basis of the exchange rates prevailing at the date of the transaction.

2.4.2 Cash and cash equivalents

INVESTMENT FACILITY

The Facility defines cash and cash equivalents as current accounts, short-term deposits or commercial papers with original maturities of three months or less.

2.4.3 Financial assets other than derivatives

Financial assets are accounted for using the settlement date basis.

▪ Fair value of financial instruments

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

When applicable, the EIB on behalf of the Facility 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 recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of 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 EIB measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are unadjusted quoted market prices in active markets for identical instruments to which the Facility has access.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are not observable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

▪ Held-to-maturity financial assets

Held-to-maturity financial assets comprise quoted bonds with the intention of holding them to maturity, and commercial papers with original maturities of more than three months.

Those bonds and commercial papers are initially recorded at their fair value plus any directly attributable transaction cost. The difference between entry price and redemption value is amortised in accordance with the effective interest method over the remaining life of the instrument.

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

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Impairment loss is recognised in profit and loss and the amount of the loss is measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

▪ Loans

Loans originated by the Facility are recognised in the assets of the Facility when cash is advanced to borrowers. They are initially recorded at cost (net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortised cost, using the effective yield method, less any provision for impairment or uncollectability.

▪ Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and receivables. They include direct equity investments and investments in venture capital funds.

After initial measurement, available-for-sale financial assets are subsequently carried at fair value. Note the following details for the fair value measurement of equity investments, which cannot be derived from active markets:

a. Venture capital funds

The fair value of each venture capital fund is based on the latest available Net Asset Value (NAV), reported by the fund, if calculated based on international valuation guidelines recognised to be in line with IFRS (for example: the International Private Equity and Venture Capital Valuation guidelines, IPEV Guidelines, as published by the European Venture Capital Association). The Facility may however decide to adjust the NAV reported by the fund if there are issues that may affect the valuation.

b. Direct equity investments

The fair value of the investment is based on the latest set of financial statements available, re-using, if applicable, the same model as the one used at the acquisition of the participation.

Unrealised gains or losses on venture capital funds and direct equity investments are reported in contributors' resources until such investments are sold, collected or disposed of, or until such investments are determined to be impaired. If an available-for-sale investment is determined to be impaired, the cumulative unrealised gain or loss previously recognised in equity is transferred to the statement of profit or loss and other comprehensive income.

For unquoted investment, the fair value is determined by applying recognised valuation techniques (for example adjusted net assets, discounted cash flows or multiple). These investments are accounted for at cost when the fair value cannot be reliably measured. To be noted that in the first 2 years of the investments, they are recognised at cost.

The participations acquired by the Facility typically represent investments in private equity or venture capital funds. According to industry practice, such investments are generally investments jointly subscribed by a number of investors, none of whom is in a position to individually influence the daily operations and the investment activity of such fund. As a consequence, any membership by an investor in a governing body of such fund does not in principle entitle such investor to influence the day-to-day operations of the fund. In addition, individual investors in a private equity or a venture capital fund do not determine policies of a fund such as distribution policies on dividends or other distributions. Such decisions are typically taken by the management of a fund on the basis of the shareholders agreement governing the rights and obligations of the management and all shareholders of the fund. The shareholders' agreement also generally prevents individual investors from bilaterally executing material transactions with the fund, interchanging managerial personnel or obtaining privileged access to essential technical information. The Facility's investments are executed in line with the above stated industry practice, ensuring that the Facility neither controls nor exercises any form of significant influence within the meaning of IFRS 10 and IAS 28 over any of these investments, including those investments in which the Facility holds over 20 % of the voting rights.

▪ Guarantees

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At initial recognition, the financial guarantees are recognised at fair value corresponding to the Net Present Value (NPV) of expected premium inflows. This calculation is performed at the starting date of each transaction and is recognised on balance sheet as “Financial guarantees” under “other assets” and “other liabilities”.

Subsequent to initial recognition, the Facility’s liabilities under such guarantees are measured at the higher of:

- the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, which is estimated based on all relevant factors and information existing at the date of the statement of financial position.
- the amount initially recognised less cumulative amortisation. The amortisation of the amount initially recognised is done using the actuarial method.

Any increase or decrease in the liability relating to financial guarantees is taken to the statement of profit or loss and other comprehensive income under “fee and commission income”.

The Facility’s assets under such guarantee are subsequently amortized using the actuarial method and tested for impairment.

In addition, when a guarantee agreement is signed, it is presented as a contingent liability for the Facility and when the guarantee is engaged, as a commitment for the Facility.

2.4.4 Impairment of financial assets

The Facility assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans outstanding at the end of the financial year and carried at amortised cost, impairments are made when presenting objective evidence of risks of non-recovery of all or part of their amounts according to the original contractual terms or the equivalent value. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The Facility conducts the credit risk assessments based on each individual operation and does not consider a collective impairment.

For the available-for-sale financial assets, the Facility assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its costs. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income) is removed from contributors’ resources and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on available-for-sale financial assets are not reversed through the statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised directly in contributors’ resources.

The European Investment Bank’s Risk Management reviews financial assets for impairment at least once a year. Resulting adjustments include the unwinding of the discount in the statement of profit or loss and other comprehensive income over the life of the asset, and any adjustments required in respect of a reassessment of the initial impairment.

2.4.5 Derivative financial instruments

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Derivatives include cross currency swaps, cross currency interest rate swaps, short term currency swaps ("FX swaps") and interest rate swaps.

In the normal course of its activity, the Facility may enter into swap contracts with a view to hedge specific lending operations or into currency forward contract with a view to hedge its currency positions, denominated in actively traded currencies other than the Euro, in order to offset any gain or loss caused by foreign exchange rate fluctuations.

The Facility does not use any of the hedge possibilities under IAS 39. All derivatives are measured at fair value through the profit or loss and are reported as derivative financial instruments. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third party quotes.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments are shown in the statement of profit and loss and other comprehensive income under "Fair value change of derivative financial instruments".

Derivatives are initially recognised using the trade date basis.

2.4.6 Contributions

Contributions from Member States are recognised as receivables in the statement of financial position on the date of the Council Decision fixing the financial contribution to be paid by the Member States to the Facility.

The Member States contributions meet the following conditions and are consequently classified as equity:

- as defined in the contribution agreement, they entitle the Member States to decide on the utilisation of the Facility's net assets in the events of the Facility's liquidation;
- they are in the class of instruments that is subordinated to all other classes of instruments;
- all financial instruments in the class of instruments that are subordinated to all other classes of instruments have identical features;
- the instrument does not include any features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Facility over the life of the instrument.

2.4.7 Interest income on loans

Interest on loans originated by the Facility is recorded in the statement of profit or loss and other comprehensive income ('Interest and similar income') and on the statement of financial position ('Loans and receivables') on an accrual basis using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loan to the net carrying amount of the loan. Once the recorded value of a loan has been reduced due to impairment, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Commitment fees are deferred and recognised in income using the effective interest method over the period from disbursement to repayment of the related loan, and are presented in the statement of profit or loss and other comprehensive income within interest and similar income.

2.4.8 Interest subsidies and technical assistance

As part of its activity, the Facility manages interest subsidies and technical assistance on behalf of the Member States.

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The part of the Member States contributions allocated to the payment of interest subsidies and TA is not accounted for in the Facility's contributors' resources but is classified as amounts owed to third parties. The Facility operates the disbursement to the final beneficiaries and then decreases the amounts owed to third parties.

When amounts contributed with regard to interest subsidies and TA are not fully granted, they are reclassified as contribution to the Facility.

2.4.9 Interest income on cash and cash equivalents

Interest income on cash and cash equivalents is recognised in the statement of profit or loss and other comprehensive income of the Facility on an accrual basis.

2.4.10 Fees, commissions and dividends

Fees received in respect of services provided over a period of time are recognised as income as the services are provided, while fees that are earned on the execution of a significant act are recognised as income when the significant act has been completed. These fees are presented in the statement of profit or loss and other comprehensive income within fee and commission income.

Dividends relating to available-for-sale financial assets are recognised when received and presented in the statement of profit or loss and other comprehensive income within net realised gains on available-for-sale financial assets.

2.4.11 Taxation

The Protocol on the Privileges and Immunities of the European Union, appended to the treaty on the European Union and the treaty of the functioning of the European Union, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

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3 Risk Management

This note presents information about the Facility's exposure to and its management and control of credit and financial risks, in particular the primary risks associated with its use of financial instruments. These are:

- credit risk – the risk of loss resulting from client or counterparty default and arising on credit exposure in all forms, including settlement risk;
- liquidity risk – the risk that an entity is not able to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses;
- market risk – the risk that changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates will affect an entity's income or the value of its holdings in financial instruments.

3.1 Risk management organisation

The European Investment Bank adapts its risk management on an ongoing basis.

The Risk Management of EIB independently identifies, assesses, monitors and reports the risks to which the Facility is exposed. Within a framework whereby the segregation of duties is preserved, the Risk Management is independent of the Front Offices. At EIB level the Director General of Risk Management reports for risk matters to the designated Vice-President for Risk Management. The designated Vice-President is responsible for overseeing risk reporting to the European Investment Bank's Management Committee and the Board of Directors.

3.2 Credit risk

Credit risk is the potential loss that could result from client or counterparty default and arising on credit exposure in all forms, including settlement.

3.2.1 Credit risk policy

In carrying out the credit analysis on loan counterparts, EIB assesses the credit risk and expected loss with a view to quantify and price the risk. EIB has developed an Internal Rating Methodology (IRM) to determine the Internal Ratings of its credit-relevant borrower/guarantor counterparts. The methodology is based on a system of scoring sheets tailored for each major credit counterpart type (e.g. Corporates, Banks, Public Sector Entities, etc). Taking into consideration both, Best Banking Practice and the principles set under the Basel International Capital Accord (Basel II), all counterparts that are material to the credit profile of a specific transaction are classified into internal rating categories using the IRM for the specific counterpart type. Each counterpart is assigned an Internal Rating reflecting its probability of default foreign currency rating following an in-depth analysis of the counterpart's business and financial risk profile and its country risk operating context.

The credit assessment of project finance and other structured limited recourse operations is using credit risk tools relevant for the sector, focused mainly on cash flow availability and debt service capacity. These tools include the analysis of projects' contractual framework, counterpart's analysis and cash flow simulations. Similarly to corporates and financial institutions, each project is assigned an internal risk rating.

All Internal Ratings are monitored over loan life, and periodically updated.

All non-sovereign (or non sovereign guaranteed/assimilated) operations are subject to specific transaction-level and counterpart size limits. Counterpart limits are set at consolidated group exposure level, where applicable. Such limits typically reflect e.g. the size of counterparts own funds.

In order to mitigate credit risk the EIB uses, where appropriate and on a case by case basis, various credit enhancements which are:

- Counterparty or project related securities (e.g., pledge over the shares; pledge over the assets; assignment of rights; pledge over the accounts); or/and

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- guarantees, generally provided by the sponsor of the financed project (e.g., completion guarantees, first demand guarantees) or bank guarantees.

The Facility does not use any credit derivatives to mitigate credit risk.

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3.2.2 Maximum exposure to credit risk without taking into account 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, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral.

Maximum exposure (in EUR'000)	31.12.2015	31.12.2014
ASSETS		
Cash and cash equivalents	448,995	545,399
Derivative financial instruments	311	448
Loans and receivables	1,460,057	1,331,918
Amounts receivable from contributors	-	42,590
Held-to-maturity financial assets	228,521	99,988
Other assets	27	5,522
Total assets	2,137,911	2,025,865
OFF BALANCE SHEET		
Contingent liabilities		
- Signed non-issued guarantees	10,000	25,000
Commitments		
- Un-disbursed loans	1,189,564	1,161,859
- Issued guarantees	798	2,298
Total off balance sheet	1,200,362	1,189,157
Total credit exposure	3,338,273	3,215,022

3.2.3 Credit risk on loans and receivables

3.2.3.1 Credit risk measurement for loans and receivables

Each and every lending transaction undertaken by the Facility benefits from a comprehensive risk assessment and quantification of expected loss estimates that are reflected in a Loan Grading ("LG"). LGs are established according to generally accepted criteria, based on the quality of the borrower, the maturity of the loan, the guarantee and, where appropriate, the guarantor.

The loan grading (LG) system comprises the methodologies, processes, databases and IT systems supporting the assessment of credit risk in lending operations and the quantification of expected loss estimates. It summarises a large amount of information with the purpose of offering a relative ranking of loans' credit risks. LGs reflect the present value of the estimated level of the "expected loss", this being the product of the probability of default of the main obligors, the exposure at risk and the loss severity in the case of default. LGs are used for the following purposes:

- as an aid to a finer and more quantitative assessment of lending risks;
- as help in distributing monitoring efforts;
- as a description of the loan's portfolio quality at any given date;
- as one input in risk-pricing decisions based on the expected loss.

The following factors enter into the determination of an LG:

- i) The borrower's creditworthiness: Risk Management independently reviews borrowers and assesses their creditworthiness based on internal methodologies and external data. In line with the Basel II Advanced Approach chosen, the Bank has developed an internal

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rating methodology (IRM) to determine the internal ratings of borrowers and guarantors. This is based on a set of scoring sheets specific to defined counterparty types.

- ii) The default correlation: it quantifies the chances of simultaneous financial difficulties arising for both the borrower and the guarantor. The higher the correlation between the borrower and the guarantor's default probabilities, the lower the value of the guarantee and therefore the lower the LG.
- iii) The value of guarantee instruments and of securities: this value is assessed on the basis of the combination of the issuer's creditworthiness and the type of instrument used.
- iv) The contractual framework: a sound contractual framework will add to the loan's quality and enhance its internal grading.
- v) The loan's duration: all else being equal, the longer the loan, the higher the risk of incurring difficulties in the servicing of the loan.

A loan's expected loss is computed by combining the five elements discussed above. Depending on the level of this loss, a loan is assigned to one of the following LG classes listed below:

- A Prime quality loans: there are three sub-categories. A comprises all EU sovereign risks, i.e. loans granted to or fully, explicitly and unconditionally guaranteed by Member States, where no repayment difficulties are expected and for which an unexpected loss of 0% is allocated. A+ denotes loans granted to (or guaranteed by) entities other than Member States, with no expectation of deterioration over their duration. A- includes those lending operations where there is some doubt about the maintenance of their current status (for instance because of a long maturity, or for the high volatility of the future price of an otherwise excellent collateral), but where any downside is expected to be quite limited.
- B High quality loans: these represent an asset class with which the bank feels comfortable, although a minor deterioration is not ruled out in the future. B+ and B- are used to denote the relative likelihood of the possibility of such deterioration occurring.
- C Good quality loans: an example could be unsecured loans to solid banks and corporates with a 7-year bullet, or equivalent amortising, maturity at disbursement.
- D This rating class represents the borderline between "acceptable quality" loans and those that have experienced some difficulties. This watershed in loan grading is more precisely determined by the sub-classifications D+ and D-. Loans rated D- require heightened monitoring.
- E This LG category includes loans with a risk profile greater than generally accepted. It also includes loans which in the course of their lives have experienced severe problems and their sliding into a situation of loss cannot be excluded. For this reason, the loans are subject to close and high monitoring. The sub-classes E+ and E- differentiate the intensity of this special monitoring process, with those operations graded E- being in a position where there is a strong possibility that debt service cannot be maintained on a timely basis and therefore some form of debt restructuring is required, possibly leading to an impairment loss.
- F F (fail) denotes loans representing unacceptable risks. F- graded loans can only arise out of outstanding transactions that have experienced, after signature, unforeseen, exceptional and dramatic adverse circumstances. All operations where there is a loss of principal to the Facility are graded F and a specific provision is applied.

Generally, loans internally graded D- or below are placed on the Watch List. However, if a loan was originally approved with a risk profile of D- or weaker, it will only be placed on the Watch List as a result of a material credit event causing a further deterioration of its LG classification.

The table in section 3.2.3.3 shows the credit quality analysis of the Facility's loan portfolio based on the various LG classes as described above.

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3.2.3.2 Analysis of lending credit risk exposure

The following table shows the maximum exposure to credit risk on loans signed and disbursed by nature of borrower taking into account guarantees provided by guarantors:

At 31.12.2015					
In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total
Banks	18,964	73,670	758,412	851,046	58%
Corporates	37,431	89,170	272,186	398,787	27%
Public institutions	37,112	-	14	37,126	3%
States	-	4,295	168,803	173,098	12%
Total disbursed	93,507	167,135	1,199,415	1,460,057	100%
Signed not disbursed	135,821	-	1,053,743	1,189,564	

At 31.12.2014					
In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total
Banks	16,457	106,667	571,609	694,733	52%
Corporates	23,494	93,731	310,396	427,621	32%
Public institutions	33,279	-	31	33,310	3%
States	-	4,815	171,439	176,254	13%
Total disbursed	73,230	205,213	1,053,475	1,331,918	100%
Signed not disbursed	121,826	117,758	922,275	1,161,859	

Transaction Management and Restructuring is tasked with the responsibility of performing borrower and guarantor monitoring, as well as project-related financial and contractual monitoring. Thus, the creditworthiness of the Facility's loans, borrowers and guarantors are continually monitored, at least annually but more frequently on an as-needed basis and as a function of credit events taking place. In particular, Transaction Management and Restructuring reviews if contractual rights are met and, in case of a rating deterioration and/or contractual default, remedy action is taken. Mitigation measures are pursued, whenever necessary in accordance with the credit risk guidelines. Also, in case of renewals of bank guarantees received for its loans, it is ensured that these are replaced or action is taken in a timely manner.

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3.2.3.3 Credit quality analysis per type of borrower

The tables below show the credit quality analysis of the Facility's loan portfolio as at 31 December 2015 and 31 December 2014 by the Loan Grading applications, based on the exposure signed (disbursed and un-disbursed):

At 31.12.2015		High Grade	Standard Grade	Min. Accept. Risk	High Risk	No grading	Total	% of Total
In EUR'000								
		A to B-	C	D+	D- and below			
Borrower	Banks	92,260	31,558	326,635	990,971	245,160	1,686,584	64%
	Corporates	125,963	-	12,493	450,045	-	588,501	22%
	Public institutions	-	-	37,112	40,014	-	77,126	3%
	States	-	-	9,277	288,133	-	297,410	11%
Total		218,223	31,558	385,517	1,769,163	245,160	2,649,621	100%

At 31.12.2014		High Grade	Standard Grade	Min. Accept. Risk	High Risk	No grading	Total	% of Total
In EUR'000								
		A to B-	C	D+	D- and below			
Borrower	Banks	75,268	7,074	307,049	879,420	336,318	1,605,129	65%
	Corporates	102,974	7,964	16,713	456,210	-	583,861	23%
	Public institutions	-	-	33,279	40,031	-	73,310	3%
	States	-	-	4,815	226,662	-	231,477	9%
Total		178,242	15,038	361,856	1,602,323	336,318	2,493,777	100%

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3.2.3.4 Risk concentrations of loans and receivables

3.2.3.4.1 Geographical analysis

Based on the country of borrower, the Facility's loan portfolio can be analysed by the following geographical regions (in EUR'000):

Country of borrower	31.12.2015	31.12.2014
Nigeria	195,290	137,832
Kenya	192,945	155,168
Uganda	178,515	161,657
Regional-ACP	111,103	136,182
Mauritania	94,123	95,319
Jamaica	85,278	77,272
Togo	75,387	45,780
Dominican Republic	72,474	64,614
Ethiopia	67,589	68,614
Tanzania	56,367	62,916
Cameroon	51,930	61,067
Ghana	40,439	16,130
Congo (Democratic Republic)	39,766	39,786
Mozambique	25,124	29,139
Cape Verde	24,623	26,101
French Polynesia	22,095	14,622
Rwanda	20,466	14,854
Mauritius	18,882	35,811
Malawi	13,030	9,945
Senegal	10,991	12,046
Zambia	8,733	5,761
Haiti	7,071	7,379
Mali	6,688	7,207
Botswana	6,605	-
Samoa	6,267	7,595
Burkina Faso	5,967	7,456
Congo	5,189	6,919
Vanuatu	2,772	3,835
New Caledonia	2,705	3,211
Saint Lucia	2,671	2,363
Palau	2,197	2,254
Grenada	1,735	1,996
Niger	1,372	2,581
Micronesia	1,169	1,141
Trinidad and Tobago	1,010	1,180
Liberia	921	821
Seychelles	468	-
Tonga	54	681
Burundi	40	40
Sint Maarten	6	-
Angola	-	3,623
Gabon	-	528
Fiji	-	474
Chad	-	18

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Total	1,460,057	1,331,918
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3.2.3.4.2 Industry sector analysis

The table below analyses the Facility's loan portfolio by industry sector of the borrower. Operations which are first disbursed to a financial intermediary before being disbursed to the final beneficiary are reported under global loans (in EUR'000):

Industry sector of borrower	31.12.2015	31.12.2014
Global loans and agency agreements	658,098	541,600
Urban development, renovation and transport	207,773	209,849
Tertiary and other	201,361	168,689
Electricity, coal and others	197,547	198,604
Basic material and mining	88,615	108,367
Roads and motorways	48,165	43,993
Airports and air traffic management systems	37,126	33,310
Materials processing, construction	13,719	16,243
Food chain	7,643	18
Telecommunications	6	6,089
Waste recuperation	4	-
Paper chain	-	5,156
Total	1,460,057	1,331,918

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3.2.3.5 Arrears on loans and impairments

Amounts in arrears are identified, monitored and reported according to the procedures defined into the bank wide "Finance Monitoring Guidelines and Procedures". These procedures are in line with best banking practices and are adopted for all loans managed by the EIB.

The monitoring process is structured in order to make sure that (i) potential arrears are detected and reported to the services in charge with minimum delay; (ii) critical cases are promptly escalated to the right operational and decision level; (iii) regular reporting to EIB management and to Member States is provided on the overall status of arrears and on the recovery measures already taken or to be taken.

The arrears and impairments on loans can be analysed as follows (in EUR'000):

Notes	Loans and receivables 31.12.2015	Loans and receivables 31.12.2014
Carrying amount	1,460,057	1,331,918
Individually impaired		
Gross amount	214,232	210,338
Allowance for impairment	7	-152,137
Carrying amount individually impaired	23,186	58,201
Collectively impaired		
Gross amount	-	-
Allowance for impairment	-	-
Carrying amount collectively impaired	-	-
Past due but not impaired		
Past due comprises		
0-30 days	1,521	2,558
30-60 days	15	528
60-90 days	-	5
90-180 days	-	-
more 180 days	13	-
Carrying amount past due but not impaired	1,549	3,091
Carrying amount neither past due nor impaired	1,435,322	1,270,626
Total carrying amount loans and receivables	1,460,057	1,331,918

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3.2.4 Credit risk on cash and cash equivalents

Available funds are invested in accordance with the Facility's schedule of contractual disbursement obligations. As of 31 December 2015 and 31 December 2014, investments were in the form of bank deposits, certificates of deposit and commercial papers.

The authorized entities have a rating similar to the short- and long-term ratings required for the EIB's own treasury placements. The minimum short term rating required for authorised entities is P-1/A-1/F1 (Moody's, S&P, Fitch). In case of different ratings being granted by more than one credit rating agency, the lowest rating governs. The maximum authorized limit for each authorised bank (excluding the operational cash accounts of the Facility) is currently EUR 50,000,000 (fifty million euro).

All investments have been done with authorised entities with a maximum tenor of three months from trading date and up to the credit exposure limit. As at 31 December 2015 and 31 December 2014 all term deposits, commercial papers and cash in hand held by the treasury portfolio of the Facility had a minimum rating of P-1 (Moody's equivalent) at settlement day.

The following table shows the situation of cash and cash equivalents including accrued interest (in EUR'000):

Minimum short-term rating (Moody's term)	Minimum long-term rating (Moody's term)	31.12.2015		31.12.2014	
P-1	Aaa	49,999	11%	47,937	9%
P-1	Aa2	26	0%	38	0%
P-1	A1	115,705	26%	137,820	25%
P-1	A2	283,265	63%	359,604	66%
Total		448,995	100%	545,399	100%

3.2.5 Credit risk on derivatives

3.2.5.1 Credit risk policy of derivatives

The credit risk with respect to derivatives is represented by the loss which a given party would incur where the other counterparty to the deal would be unable to honour its contractual obligations. The credit risk associated with derivatives varies according to a number of factors (such as interest and exchange rates) and generally corresponds to only a small portion of their notional value.

In the normal course of its activity, the Facility may enter into swap contracts with a view to hedge specific lending operations or into currency forward contracts, with a view to hedge its currency positions denominated in actively traded currencies other than the Euro. All the swaps are executed by the European Investment Bank with an external counterpart. The swaps are arranged by the same Master Swap Agreements and Credit Support Annexes signed between the European Investment Bank and its external counterparts.

3.2.5.2 Credit risk measurement for derivatives

All the swaps executed by the European Investment Bank that are related to the Facility are treated within the same contractual framework and methodologies applied for the derivatives negotiated by the European Investment Bank for its own purposes. In particular, eligibility of swap counterparts is determined by the European Investment Bank based on the same eligibility conditions applied for its general swap purposes.

The European Investment Bank measures the credit risk exposure related to swaps and derivatives transactions using the Net Market Exposure ("NME") and Potential Future Exposure ("PFE") approach for reporting and limit monitoring. The NME and the PFE fully include the derivatives related to the Investment Facility.

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The following table shows the maturities of cross currency swaps and cross currency interest rate swaps, sub-divided according to their notional amount and fair value:

Swap contracts at 31.12.2015	less than	1 year	5 years	more than	Total 2015
In EUR'000	1 year	to 5 years	to 10 years	to 10 years	
Notional amount	-	9,589	-	-	9,589
Fair Value (i.e. net discounted value)	-	-3,835	-	-	-3,835

Swap contracts at 31.12.2014	less than	1 year	5 years	more than	Total 2014
In EUR'000	1 year	to 5 years	to 10 years	to 10 years	
Notional amount	-	11,606	-	-	11,606
Fair Value (i.e. net discounted value)	-	-3,219	-	-	-3,219

The Facility enters into foreign exchange short term currency swaps ("FX swaps") contracts in order to hedge currency risk on loan disbursements in currencies other than EUR. FX swaps have a maturity of maximum three months and are regularly rolled-over. The notional amount of FX swaps stood at EUR 1,400.0 million at 31 December 2015 against EUR 1,059.0 million at 31 December 2014. The fair value of FX swaps amounts to EUR -3.8 million at 31 December 2015 against EUR -10.8 million at 31 December 2014.

The Facility enters into interest rate swap contracts in order to hedge the interest rate risk on loans disbursed. As at 31 December 2015 there are two interest rate swaps outstanding with a notional amount of EUR 44.9 million (2014: EUR 44.7 million) and a fair value of EUR -0.3 million (2014: EUR -0.1 million).

3.2.6 Credit risk on held-to-maturity financial assets

The following table shows the situation of the held-to-maturity portfolio entirely composed of treasury bills issued by Italy, Portugal and Spain with remaining maturities of less than three months. EU Member States are eligible issuers. The maximum authorized limit for each authorised issuer is EUR 50,000,000 (fifty million euro). Investments in medium and long-term bonds could also be eligible, according to the investment guidelines and depending on liquidity requirements:

Minimum short-term rating	Minimum long-term rating		
(Moody's term)	(Moody's term)	31.12.2015	31.12.2014
P-1	A2	69,502	31%
P-3	Baa3	50,012	22%
P-2	Baa2	50,007	22%
NP	Ba1	49,000	21%
P-1	A1	10,000	4%
NP	Ba2	-	0%
Total		228,521	100%
			99,988
			100%

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3.3 Liquidity risk

Liquidity risk refers to an entity's ability to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. It can be split into funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that an entity will not be able to meet efficiently both expected and unexpected current and future cash flow needs without affecting its daily operations or its financial condition. Market liquidity risk is the risk that an entity cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

3.3.1 Liquidity risk management

The Facility is primarily funded by annual contributions from Member States as well as by reflows stemming from the Facility's operations. The Facility manages its funding liquidity risk primarily by planning of its net liquidity needs and the required Member States annual contributions.

In order to calculate Member States' annual contributions, disbursement patterns of the existing and pipelined portfolio is analysed and followed up throughout the year. Special events, such as early reimbursements, sales of shares or default cases are taken into account to correct annual liquidity requirements.

To further minimize the liquidity risk, the Facility maintains a liquidity reserve sufficient to cover at any point in time forecasted cash disbursements, as communicated periodically by EIB's Lending Department. Funds are invested on the money market and bond markets in the form of interbank deposits and other short term financial instruments by taking into consideration the Facility's cash disbursement obligations. The Facility's liquid assets are managed by the Bank's Treasury Department with a view to maintain appropriate liquidity to enable the Facility to meet its obligations.

In accordance with the principle of segregation of duties between the Front and Back Office, settlement operations related to the investment of these assets are under the responsibility of the EIB's Planning and Settlement of Operations Department. Furthermore, the authorisation of counterparts and limits for treasury investments, as well as the monitoring of such limits, are the responsibility of the Bank's Risk Management Directorate.

3.3.2 Liquidity risk measurement

The tables in this section analyse the financial liabilities of the Facility by maturity on the basis of the period remaining between the balance sheet date and the contractual maturity date (based on undiscounted cash flows).

In terms of non-derivative financial liabilities, the Facility holds commitments in form of un-disbursed portions of the credit under signed loan agreements, of un-disbursed portions of signed capital subscription/investment agreements, of loan guarantees granted, or of committed interest subsidies and TA.

Loans under the IF have a disbursement deadline. However, disbursements are made at times and in amounts reflecting the progress of underlying investment projects. Moreover, the IF's loans are transactions performed in a relatively volatile operating environment, hence their disbursement schedule is subject to a significant degree of uncertainty.

Capital investments become due when and as soon as equity fund managers issue valid calls for capital, reflecting the progress in their investment activities. The drawdown period is usually of 3 years, with frequent prolongation by one or two years. Some disbursement commitments usually survive the end of the drawdown period until full disposal of the fund's underlying investments, as the fund's liquidity may be insufficient from time to time to meet payment obligations arising in respect of fees or other expenses.

Guarantees are not subject to specific disbursement commitments unless a guarantee is called. The amount of guarantees outstanding is reduced alongside the repayment schedule of guaranteed loans.

Committed interest subsidies' cash outflows occur in the case of subsidized loans financed by the Bank's own resources. Therefore, reported outflows represent only commitments related to these loans rather than the total amount of committed un-disbursed interest subsidies. As in the case of loans, their disbursement schedule is uncertain.

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Committed TA “gross nominal outflow” in the “Maturity profile of non-derivative financial liabilities” table refers to the total un-disbursed portion of signed TA contracts. The disbursement time pattern is subject to a significant degree of uncertainty. Cash outflows classified in the “3 months or less” bucket represent the amount of outstanding invoices received by the reporting date.

Commitments for non-derivative financial liabilities for which there is no defined contractual maturity date are classified under “Maturity Undefined”. Commitments, for which there is a recorded cash disbursement request at the reporting date, are classified under the relevant time bucket.

In terms of derivative financial liabilities, the maturity profile represents the contractual undiscounted gross cash flows of swap contracts including cross currency swaps (CCS), cross currency interest rate swaps (CCIRS), short term currency swaps and interest rate swaps.

Maturity profile of non-derivative financial liabilities	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Maturity Undefined	Gross nominal outflow
In EUR'000 as at 31.12.2015						
Outflows for committed but un-disbursed loans	41,028	-	-	-	1,148,536	1,189,564
Outflows for committed investment funds and share subscription	23,371	-	-	-	274,984	298,355
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	10,798	10,798
Outflows for committed interest subsidies	-	-	-	-	281,682	281,682
Outflows for committed TA	811	-	-	-	28,072	28,883
Total	65,210	-	-	-	1,744,072	1,809,282

Maturity profile of non-derivative financial liabilities	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Maturity Undefined	Gross nominal outflow
In EUR'000 as at 31.12.2014						
Outflows for committed but un-disbursed loans	1,576	-	-	-	1,160,283	1,161,859
Outflows for committed investment funds and share subscription	4,584	-	-	-	196,053	200,637
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	27,298	27,298
Outflows for committed interest subsidies	-	-	-	-	241,890	241,890
Outflows for committed TA	595	-	-	-	18,978	19,573
Total	6,755	-	-	-	1,644,502	1,651,257

Maturity profile of derivative financial liabilities	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Gross nominal inflow/outflow
In EUR'000 as at 31.12.2015					
CCS and CCIRS – Inflows	5	2,307	7,671	-	9,983
CCS and CCIRS – Outflows	-	-3,571	-10,714	-	-14,285
Short term currency swaps – Inflows	1,400,000	-	-	-	1,400,000
Short term currency swaps – Outflows	-1,407,763	-	-	-	-1,407,763
Interest Rate Swaps – Inflows	383	1,269	6,059	2,524	10,235
Interest Rate Swaps - Outflows	-	-2,145	-6,127	-2,206	-10,478
Total	-7,375	-2,140	-3,111	318	-12,308

Maturity profile of derivative financial liabilities	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Gross nominal inflow/outflow
In EUR'000 as at 31.12.2014					
CCS and CCIRS – Inflows	6	2,218	10,036	-	12,260
CCS and CCIRS – Outflows	-	-3,202	-12,809	-	-16,011
Short term currency swaps – Inflows	1,059,000	-	-	-	1,059,000

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Short term currency swaps – Outflows	-1,070,677	-	-	-	-1,070,677
Interest Rate Swaps – Inflows	371	1,103	6,495	3,619	11,588
Interest Rate Swaps - Outflows	-	-2,143	-6,373	-3,022	-11,538
Total	-11,300	-2,024	-2,651	597	-15,378

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3.4 Market risk

Market risk represents the risk that changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates will affect an entity's income or the value of its holdings in financial instruments.

3.4.1 Interest rate risk

Interest rate risk arises from the volatility in the economic value of, or in the income derived from, interest rate bearing positions due to adverse movements in interest rates.

The Facility is not directly impacted by the fluctuation of its economic value or to pricing mismatches between different assets, liabilities and hedge instruments because (i) it does not have any direct borrowing costs or interest rate bearing liabilities and (ii) it accepts the impact of interest rate fluctuations on the revenues from its investments.

The Facility measures the sensitivity of its loan portfolio and micro hedging swaps to interest rate fluctuations via a Basis Point Value (BPV) calculation.

The BPV measures the gain or loss in the net present value of the relevant portfolio, due to a 1 basis point (0.01%) increase in interest rates tenors ranging within a specified time bucket "money market – up to one year", "very short – 2 to 3 years", "short – 4 to 6 years", "medium – 7 to 11 years", "long – 12 to 20 years" or "extra-long – more than 21 years".

To determine the net present value (NPV) of the loans' cash flows denominated in EUR, the Facility uses the EIB's EUR base funding curve (EUR swap curve adjusted with EIB's global funding spread). The EIB's USD funding curve is used for the calculation of the NPV of loan's cash flows denominated in USD. The NPV of the loans' cash flows denominated in currencies for which a reliable and sufficiently complete discount curve is not available, is determined by using EIB's EUR base funding curve as a proxy.

To calculate the net present value of the micro hedging swaps, the facility uses the EUR swap curve for cash flows denominated in EUR and the USD swap curve for cash flows denominated in USD.

As shown in the following table the net present value of the loan portfolio including related micro-hedging swaps as at 31 December 2015 would decrease by EUR 532k (as at 31 December 2014: decrease by EUR 419k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value	Money	Very Short	Short	Medium	Long	Extra Long	Total
In EUR'000	Market						
As at 31.12.2015	1 year	2 to 3 years	4 to 6 years	7 to 11 years	12 to 20 years	21 years	
Total sensitivity of loans and micro hedging swaps	-37	-72	-252	-139	-32	-	-532

Basis point value	Money	Very Short	Short	Medium	Long	Extra Long	Total
In EUR'000	Market						
As at 31.12.2014	1 year	2 to 3 years	4 to 6 years	7 to 11 years	12 to 20 years	21 years	
Total sensitivity of loans and micro hedging swaps	-33	-70	-126	-146	-44	-	-419

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3.4.2 Foreign exchange risk

Foreign exchange (“FX”) risk for the IF is the risk of loss in earnings or economic value due to adverse movements of FX rates.

Given a reference accounting currency (EUR for the IF), the Facility is exposed to FX risk whenever there is a mismatch between assets and liabilities denominated in a non-reference accounting currency. FX risk also includes the effect of changes in the value of future cash flows denominated in non-reference accounting currency, e.g. interest and dividend payments, due to fluctuations in exchange rates.

3.4.2.1 Foreign exchange risk and treasury assets

The IF’s treasury assets are denominated either in EUR or USD.

FX risk is hedged by means of FX cross currency spot or forward transactions, FX swaps or cross-currency swaps. The EIB’s Treasury Department can, where deemed necessary and appropriate, use any other instrument, in line with the Bank’s policy, that provide protection against market risks incurred in connection with the IF’s financial activities.

3.4.2.2 Foreign exchange risk and operations financed or guaranteed by the IF

Member States’ IF contributions are received in EUR. The operations financed or guaranteed by the IF as well as interest subsidies can be denominated in EUR, USD or any other authorized currency.

A foreign exchange risk exposure (against the EUR reference currency) arises whenever transactions denominated in currencies other than the EUR are left un-hedged. The IF’s foreign exchange risk hedging guidelines are set out below.

3.4.2.2.1. Hedging of operations denominated in USD

The FX risk generated by IF operations denominated in USD shall be covered on an aggregated basis via the use of USD/EUR FX swaps, rolled over and adjusted in terms of amount on a periodic basis. The use of FX swaps serves a dual purpose. On one side the necessary liquidity for new disbursements (loans and equity) is generated and on the other side an FX macro hedging is maintained.

At the beginning of each period, the cash flows to be received or paid in USD during the next period shall be estimated on the basis of planned or expected reflows/disbursements. Subsequently, the maturing FX swaps shall be rolled over, their amount being adjusted to cover at least the USD liquidity needs projected over the next period.

- On a monthly basis, the USD FX position shall be hedged, if exceeding the relevant limits, by means of a spot or forward operation.
- Within a roll-over period, unexpected USD liquidity deficits shall be covered by means of ad hoc FX swap operations while liquidity surpluses shall either be invested in treasury assets or converted into EUR if occurred from an increase of the FX position.

3.4.2.2.2. Hedging of operations denominated in currencies other than EUR or USD

- IF operations denominated in currencies other than EUR and USD shall be hedged through cross-currency swap contracts with the same financial profile as the underlying Loan, provided that a swap market is operational.
- IF has operations denominated in currencies for which hedging possibilities are either not efficiently available or available at a high cost. These operations are denominated in local currencies (LCs) but settled in EUR or USD. IF’s financial risk framework, which was approved by the IF Committee on 22 January 2015, offers the possibility to hedge the FX exposure in LCs that exhibit a significant positive correlation with the USD synthetically via USD-denominated derivatives. The LCs hedged synthetically with USD denominated derivatives are reported in the table in section 3.4.2.2.3 below under item “Local currencies (under synthetic

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hedge)", while the LCs not hedged synthetically with the USD are reported in the same table under item "Local currencies (not under synthetic hedge)".

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3.4.2.2.3 Foreign exchange position (in EUR'000)

The tables of this note show the Facility's foreign exchange position.

The foreign exchange position is presented in the tables below in accordance with the IF's Risk Policies (as described in the IF's financial risk framework). The FX position as per Risk Policies is based on accounting figures and defined as the balance between selected assets and liabilities. The assets and liabilities defined in the FX position as per Risk Policies are selected so as to ensure that the earnings will only be converted into the reporting currency (EUR) when received.

The unrealised gains/losses and impairment on available-for-sale financial assets are included in the FX position as per Risk Policies, as well as impairments on loans and receivables. Derivatives included in the FX position as per Risk Policies are considered at their nominal value instead of their fair value, in order to be aligned with the retained value of the assets, considered also at their nominal value adjusted by the impairment for loans.

In the tables below the remaining part of the assets and liabilities, which includes mainly interest accruals on loans, derivatives and subsidies, is presented as "FX position excluded from Risk Policies".

At 31 December 2015	Assets and liabilities			Commitments and contingent liabilities
Currencies	FX position as per Risk Policies	FX position excluded from Risk Policies	Balance sheet FX position	
USD	-207,050	5,023	-202,027	270,236
<i>Local currencies (under synthetic hedge)*</i>				
KES	129,862	3,101	132,963	-
TZS	46,246	780	47,025	-
DOP	40,799	1,274	42,073	-
UGX	30,182	565	30,747	-
RWF	11,979	164	12,143	-
<i>Local currencies (not under synthetic hedge)*</i>				
HTG, MUR, MZN, XOF, ZMW	15,474	201	15,675	798
Total non-EUR currencies	67,492	11,108	78,599	271,034
EUR	-	2,337,555	2,337,555	1,579,719
Total EUR and non-EUR	67,492	2,348,663	2,416,154	1,850,753

* See section 3.4.2.2.2 for explanations on synthetic hedge.

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At 31 December 2014	Assets and liabilities			Commitments and contingent liabilities
Currencies	FX position as per Risk Policies	FX position excluded from Risk Policies	Balance sheet FX position	
USD	42,050	3,997	46,047	237,987
<i>Local currencies (under synthetic hedge)*</i>				
KES	97,921	2,481	100,402	-
TZS	52,799	613	53,412	-
DOP	31,266	1,273	32,539	-
UGX	27,028	503	27,531	-
RWF	11,937	178	12,115	-
<i>Local currencies (not under synthetic hedge)*</i>				
HTG, MUR, MZN, XOF	15,916	265	16,181	2,298
Total non-EUR currencies	278,917	9,310	288,227	240,285
EUR	-	2,023,366	2,023,366	1,434,748
Total EUR and non-EUR	278,917	2,032,676	2,311,593	1,675,033

* See section 3.4.2.2.2 for explanations on synthetic hedge.

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2015 a 10 percent depreciation of EUR versus all non EUR currencies would result in an increase of the contributors' resources amounting to EUR 8.7 million (31 December 2014: EUR 32.0 million). A 10 percent appreciation of the EUR versus all non EUR currencies would result in a decrease of the contributors' resources amounting to EUR 7.1 million (31 December 2014: EUR 26.2 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2015 and 31 December 2014:

	31 December 2015	31 December 2014
Non-EU currencies		
Dominican Republic Pesos (DOP)	49.0144	53.1988
Fiji Dollars (FJD)	2.3124	2.376
Haitian Gourde (HTG)	61.19	55.23
Kenya Shillings (KES)	111.3	109.86
Mauritania Ouguiyas (MRO)	326.46	350.61
Mauritius Rupees (MUR)	38.85	38.46
Mozambican Metical (MZN)	50.59	40.04
Rwanda Francs (RWF)	806.36	831.04
Tanzania Shillings (TZS)	2,344.42	2,096.58
Uganda Shillings (UGX)	3,665.00	3,354.00
United States Dollars (USD)	1.0887	1.2141
Franc CFA Francs (XAF/XOF)	655.957	655.957
South Africa Rand (ZAR)	16.953	14.0353
Zambia Kwacha (ZMW)	11.9571	7.753

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3.4.3 Equity price risk

Equity price risk refers to the risk that the fair values of equity investments decrease as the result of changes in the levels of equity prices and/or the value of equity investments.

The IF is exposed to equity price risk via its investments in direct equity and venture capital funds.

The value of non-listed equity positions is not readily available for the purpose of monitoring and control on a continuous basis. For such positions, the best indications available include prices derived from any relevant valuation techniques.

The effects on the Facility's contributors' resources (as a result of a change in the fair value of the available-for-sale equity portfolio) due to a +/-10% change in the value of individual direct equity and venture capital investments, with all other variables held constant, is EUR 41.9 million respectively EUR -41.9 million as at 31 December 2015 (EUR 40.3 million respectively EUR -40.3 million as at 31 December 2014).

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4 Fair values of financial instruments

4.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. These do not include fair value information for financial assets and financial liabilities not carried at fair value if the carrying amount is a reasonable approximation of fair value.

At 31 December 2015	Carrying amount					Fair value					
	In EUR '000	Held for trading	Available-for-sale	Cash, loans and receivables	Held to maturity	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:											
Derivative financial instruments	311	-	-	-	-	-	311	-	311	-	311
Venture Capital Funds	-	396,203	-	-	-	-	396,203	-	-	396,203	396,203
Direct Equity Investments	-	23,150	-	-	-	-	23,150	178	-	22,972	23,150
Total	311	419,353	-	-	-	-	419,664	178	311	419,175	419,664
Financial assets not carried at fair value:											
Cash and cash equivalents	-	-	-	448,995	-	-	448,995	-	-	-	448,995
Loans and receivables	-	-	-	1,460,057	-	-	1,460,057	-	1,649,401	-	1,649,401
Amounts receivable from contributors	-	-	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	228,521	-	228,521	124,009	104,520	-	228,529
Other assets	-	-	-	27	-	-	27	-	-	-	27
Total	-	-	-	1,909,079	228,521	-	2,137,600	124,009	1,753,921	-	1,877,930
Total financial assets											
Financial liabilities carried at fair value:											
Derivative financial instruments	-8,219	-	-	-	-	-	-8,219	-	-8,219	-	-8,219
Total	-8,219	-	-	-	-	-	-8,219	-	-8,219	-	-8,219
Financial liabilities not carried at fair value:											
Amounts owed to third parties	-	-	-	-	-	-101,202	-101,202	-	-	-	-101,202
Other liabilities	-	-	-	-	-	-2,364	-2,364	-	-	-	-2,364
Total	-	-	-	-	-	-103,566	-103,566	-	-	-	-103,566
Total financial liabilities											
-8,219											
-111,785											

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4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

At 31 December 2014	Carrying amount					Fair value					
	In EUR '000	Held for trading	Available-for-sale	Cash, loans and receivables	Held to maturity	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:											
Derivative financial instruments	448	-	-	-	-	-	448	-	448	-	448
Venture Capital Funds	-	385,245	-	-	-	-	385,245	-	385,245	-	385,245
Direct Equity Investments	-	17,840	-	-	-	-	17,840	1,159	-	16,681	17,840
Total	448	403,085	-	-	-	-	403,533	1,159	448	401,926	403,533
Financial assets not carried at fair value:											
Cash and cash equivalents	-	-	545,399	-	-	-	545,399	-	-	-	545,399
Loans and receivables	-	-	1,331,918	-	-	-	1,331,918	-	1,488,215	-	1,488,215
Amounts receivable from contributors	-	-	42,590	-	-	-	42,590	-	-	-	42,590
Bonds	-	-	-	99,988	-	-	99,988	99,985	-	-	99,985
Other assets	-	-	5,522	-	-	-	5,522	-	-	-	5,522
Total	-	-	1,925,429	99,988	-	-	2,025,417	99,985	1,488,215	-	1,588,200
Financial liabilities carried at fair value:											
Derivative financial instruments	-14,632	-	-	-	-	-	-14,632	-	-14,632	-	-14,632
Total	-14,632	-	-	-	-	-	-14,632	-	-14,632	-	-14,632
Financial liabilities not carried at fair value:											
Amounts owed to third parties	-	-	-	-	-	-68,824	-68,824	-	-	-	-68,824
Other liabilities	-	-	-	-	-	-2,591	-2,591	-	-	-	-2,591
Total	-	-	-	-	-	-71,415	-71,415	-	-	-	-71,415
Total financial liabilities	-14,632	-	-	-	-	-71,415	-86,047	-	-	-	-86,047

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4.2 Measurement of fair values

4.2.1 Valuation techniques and significant unobservable inputs

The table below sets out information about the valuation techniques and significant unobservable inputs used in measuring financial instruments, categorised as level 2 and 3 in the fair value hierarchy:

Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value measurement
Financial instruments carried at fair value		
Derivative financial instruments	Discounted cash flow: Future cash flows are estimated based on forward exchange/interest rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contract forward/interest rates, discounted at a rate that reflects the credit risk of various counterparties.	Not applicable.
Venture Capital Fund (VCF)	Adjusted net assets method: The fair value is determined by applying either the Facility's percentage ownership in the underlying vehicle to the net asset value reflected in the most recent report adjusted for cash flows or, where available, the precise share value at the same date, submitted by the respective Fund Manager. In order to bridge the interval between the last available Net assets value (NAV) and the year-end reporting, a subsequent event review procedure is performed and if necessary the reported NAV is adjusted.	Adjustment for time elapsed between the last reporting date of the VCF and the measurement date, taking into account: operating expenses and management fees, subsequent changes in the fair value of the VCF's underlying assets, additional liabilities incurred, market changes or other economic condition changes.
Direct Equity Investment	Adjusted net assets.	Adjustment for time elapsed between the last reporting date of the investee and the measurement date, taking into account: operating expenses, subsequent changes in the fair value of the investee's underlying assets, additional liabilities incurred, market changes or other economic condition changes, capital increase, sale/change of control.
	Discount for lack of marketability (liquidity) determined by reference to previous transaction prices for similar equities in the country/region, ranging from 5 to 30%.	The longer the period between the fair value measurement date and the last reporting date of the VCF, the higher the adjustment for time elapsed.
		The longer the period between the fair value measurement date and the last reporting date of the investee, the higher the adjustment for time elapsed.
		The higher the marketability discount, the lower the fair value.
Financial instruments not carried at fair value		
Loans and receivables	Discounted cash flows: The valuation model uses contractual cash flows that are conditional upon the non-occurrence of default by the debtor and do not take into account any collateral values or early repayments' scenarios. To obtain the Net Present Value (NPV) of the loans, the model retained discounts the contractual cash flows of each loan using an adjusted market discount curve. The individual loan NPV is then adjusted to take into consideration the relevant associated Expected Loss. The results are then summed to obtain the fair value of Loans and receivables.	Not applicable.
Held-to-maturity financial assets	Discounted cash flows.	Not applicable.

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Amounts owed to third parties	Discounted cash flows.	Not applicable.	Not applicable.
Other liabilities	Discounted cash flows.	Not applicable.	Not applicable.

With the application of IFRS 13, valuation adjustments are included in the fair value of derivatives at 31 December 2015 and 2014, namely:

- 4 Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -122k as at 31 December 2015 and to EUR -184k as at 31 December 2014.
- 5 Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +64k as at 31 December 2015 and EUR +30k as at 31 December 2014.

The Facility's policy is to recognise the transfers between Levels as of the date of the event or change in circumstances that caused the transfer.

- Transfers between Level 1 and 2

In 2015 and 2014 the Facility did not make transfers from Level 1 to 2 or Level 2 to 1 of the fair value hierarchy.

- Level 3 fair values

Reconciliation of Level 3 fair values

The following tables present the changes in Level 3 instruments for the year ended 31 December 2015 and 31 December 2014:

In EUR'000	Available-for-sale financial assets
Balance at 1 January 2015	401,926
Gains or losses included in profit or loss:	
- net realised gains on available-for-sale financial assets	-33,878
- impairment on available-for-sale financial assets	-2,665
Total	-36,543
Gains or losses included in other comprehensive income:	
- net change in fair value of available-for-sale financial assets	52,365
Total	52,365
Disbursements	67,449
Repayments	-64,791
Write offs	-1,231
Balance at 31 December 2015	419,175

In EUR'000	Available-for-sale financial assets
Balance at 1 January 2014	324,855
Gains or losses included in profit or loss:	
- net realised gains on available-for-sale financial assets	8,109
- impairment on available-for-sale financial assets	-2,084
Total	6,025
Gains or losses included in other comprehensive income:	
- net change in fair value of available-for-sale financial assets	71,778
Total	71,778
Disbursements	42,646
Repayments	-43,378
Balance at 31 December 2014	401,926

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In 2015 and 2014 the Facility did not make transfers out or to Level 3 of the fair value hierarchy.

Sensitivity analysis

A +/- 10 percent change at the reporting date to one of the significant unobservable inputs used to measure the fair values of the Venture Capital Funds and Direct Equity Investments, holding other inputs constant, would have the following effects on the other comprehensive income:

At 31 December 2015 (in EUR'000)	Increase	Decrease
Direct Equity Investments	31	-31
Total	31	-31

At 31 December 2014 (in EUR'000)	Increase	Decrease
Direct Equity Investments	31	-31
Total	31	-31

5 Cash and cash equivalents (in EUR'000)

The cash and cash equivalents are composed of:

	31.12.2015	31.12.2014
Cash in hand	71,405	9,642
Term deposits	290,573	415,757
Commercial papers	87,017	120,000
Cash and cash equivalents in the statement of financial position	448,995	545,399
Accrued interest	3	-1
Cash and cash equivalents in the cash flow statement	448,998	545,398

6 Derivative financial instruments (in EUR'000)

The main components of derivative financial instruments, classified as held for trading, are as follows:

At 31 December 2015	Fair Value		Notional amount
	Assets	Liabilities	
Cross currency interest rate swaps	-	-3,835	9,589
Interest rate swaps	311	-639	44,913
FX swaps	-	-3,745	1,400,000
Total derivative financial instruments	311	-8,219	1,454,502

At 31 December 2014	Fair Value		Notional amount
	Assets	Liabilities	
Cross currency interest rate swaps	-	-3,219	11,606
Interest rate swaps	448	-564	44,749
FX swaps	-	-10,849	1,059,000
Total derivative financial instruments	448	-14,632	1,115,355

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7 Loans and receivables (in EUR'000)

The main components of loans and receivables are as follows:

	Global loans(*)	Senior loans	Subordinated loans	Total
Nominal as at 1 January 2015	542,506	782,563	146,643	1,471,712
Disbursements	196,607	86,177	-	282,784
Repayments	-106,921	-96,147	-2,704	-205,772
Interest capitalised	-	-	13,262	13,262
Foreign exchange rates differences	29,600	45,414	3,354	78,368
Nominal as at 31 December 2015	661,792	818,007	160,555	1,640,354
Impairment as at 1 January 2015	-5,751	-13,491	-132,895	-152,137
Impairment recorded in statement of profit or loss and other comprehensive income	-3,692	-7,576	-24,995	-36,263
Reversal of impairment	381	57	1,837	2,275
Foreign exchange rates differences	-341	-1,435	-3,145	-4,921
Impairment as at 31 December 2015	-9,403	-22,445	-159,198	-191,046
Amortised Cost	-3,129	-5,781	284	-8,626
Interest	8,838	10,533	4	19,375
Loans and receivables as at 31 December 2015	658,098	800,314	1,645	1,460,057

(*) including agency agreements

	Global loans(*)	Senior loans	Subordinated loans	Total
Nominal as at 1 January 2014	342,113	806,007	131,632	1,279,752
Disbursements	216,672	31,654	-	248,326
Repayments	-58,417	-107,794	-367	-166,578
Interest capitalised	-	-	11,915	11,915
Foreign exchange rates differences	42,138	52,696	3,463	98,297
Nominal as at 31 December 2014	542,506	782,563	146,643	1,471,712
Impairment as at 1 January 2014	-7,675	-12,734	-50,382	-70,791
Impairment recorded in statement of profit or loss and other comprehensive income	-	-	-79,249	-79,249
Reversal of impairment	2,586	907	-	3,493
Foreign exchange rates differences	-662	-1,664	-3,264	-5,590
Impairment as at 31 December 2014	-5,751	-13,491	-132,895	-152,137
Amortised Cost	-2,562	-5,125	28	-7,659
Interest	7,407	11,930	665	20,002
Loans and receivables as at 31 December 2014	541,600	775,877	14,441	1,331,918

(*) including agency agreements

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8 Available-for-sale financial assets (in EUR'000)

The main components of available-for-sale financial assets are as follows:

	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2015	259,784	19,714	279,498
Disbursements	63,574	3,875	67,449
Repayments / sales	-64,181	-610	-64,791
Write offs	-1,231	-	-1,231
Foreign exchange rates differences on repayments / sales	9,385	-	9,385
Cost as at 31 December 2015	267,331	22,979	290,310
Unrealised gains and losses as at 1 January 2015	149,995	6,127	156,122
Net change in unrealised gains and losses	3,906	3,965	7,871
Unrealised gains and losses as at 31 December 2015	153,901	10,092	163,993
Impairment as at 1 January 2015	-24,534	-8,001	-32,535
Impairment recorded in statement of profit or loss and other comprehensive income during the year	-1,726	-1,920	-3,646
Write offs	1,231	-	1,231
Impairment as at 31 December 2015	-25,029	-9,921	-34,950
Available-for-sale financial assets as at 31 December 2015	396,203	23,150	419,353
	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2014	256,161	23,620	279,781
Disbursements	41,990	656	42,646
Repayments / sales	-38,535	-4,843	-43,378
Foreign exchange rates differences on repayments / sales	168	281	449
Cost as at 31 December 2014	259,784	19,714	279,498
Unrealised gains and losses as at 1 January 2014	71,931	6,260	78,191
Net change in unrealised gains and losses	78,064	-133	77,931
Unrealised gains and losses as at 31 December 2014	149,995	6,127	156,122
Impairment as at 1 January 2014	-22,450	-3,823	-26,273
Impairment recorded in statement of profit or loss and other comprehensive income during the year	-2,084	-4,178	-6,262
Impairment as at 31 December 2014	-24,534	-8,001	-32,535
Available-for-sale financial assets as at 31 December 2014	385,245	17,840	403,085

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9 Amounts receivable from contributors (in EUR'000)

The amounts receivable from contributors are entirely composed of Member States contribution called but not paid.

10 Held-to-maturity financial assets (in EUR'000)

The held-to-maturity portfolio is composed of quoted bonds which have a remaining maturity of less than three months at reporting date. The following table shows the movements of the held-to-maturity portfolio:

Balance as at 1 January 2015	99,988
Acquisitions	1,545,550
Maturities	-1,417,005
Change in amortisation of premium/discount	-12
Balance as at 31 December 2015	228,521
Balance as at 1 January 2014	102,562
Acquisitions	1,610,057
Maturities	-1,612,619
Change in amortisation of premium/discount	-12
Balance as at 31 December 2014	99,988

11 Other assets (in EUR'000)

The main components of other assets are as follows:

	31.12.2015	31.12.2014
Amount receivable from EIB	1	5,447
Financial guarantees	26	75
Total other assets	27	5,522

12 Deferred income (in EUR'000)

The main components of deferred income are as follows:

	31.12.2015	31.12.2014
Deferred interest subsidies	28,683	30,750
Deferred commissions on loans and receivables	642	560
Total deferred income	29,325	31,310

13 Amounts owed to third parties (in EUR'000)

The main components of amounts owed to third parties are as follows:

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	31.12.2015	31.12.2014
Net general administrative expenses payable to EIB	43,045	38,348
Other amounts payable to EIB	15	44
Interest subsidies and TA not yet disbursed owed to Member States	58,142	30,432
Total amounts owed to third parties	101,202	68,824

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14 Other liabilities (in EUR'000)

The main components of other liabilities are as follows:

	31.12.2015	31.12.2014
Loan repayments received in advance	1,826	1,973
Deferred income from interest subsidies	512	542
Financial guarantees	26	76
Total other liabilities	2,364	2,591

15 Member States Contribution called (in EUR'000)

Member States	Contribution to the Facility	Contribution to interest subsidies and technical assistance	Total contributed	Called and not paid *
Austria	56,921	6,218	63,139	-
Belgium	84,164	9,163	93,327	-
Bulgaria	140	140	280	-
Cyprus	90	90	180	-
Czech Republic	510	510	1,020	-
Denmark	46,020	5,075	51,095	-
Estonia	50	50	100	-
Finland	31,914	3,597	35,511	-
France	519,401	54,467	573,868	-
Germany	501,015	54,066	555,081	-
Greece	27,183	3,266	30,449	-
Hungary	550	550	1,100	-
Ireland	13,663	1,801	15,464	-
Italy	270,808	30,879	301,687	-
Latvia	70	70	140	-
Lithuania	120	120	240	-
Luxembourg	6,235	687	6,922	-
Malta	30	30	60	-
Netherlands	112,225	12,350	124,575	-
Poland	1,300	1,300	2,600	-
Portugal	21,103	2,544	23,647	-
Romania	370	370	740	-
Slovakia	210	210	420	-
Slovenia	180	180	360	-
Spain	127,979	16,241	144,220	-
Sweden	58,896	6,663	65,559	-
United Kingdom	275,853	33,054	308,907	-
Total as at 31 December 2015	2,157,000	243,691	2,400,691	-
Total as at 31 December 2014	2,057,000	143,691	2,200,691	42,590

(*) On 10 November 2014, the Council fixed the amount of financial contributions to be paid by each Member State by 21 January 2015. As at 31 December 2014 EUR 42,590 were not paid in.

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16 Contingent liabilities and commitments (in EUR'000)

	31.12.2015	31.12.2014
Commitments		
Un-disbursed loans	1,189,564	1,161,859
Un-disbursed commitment in respect of available-for-sale financial assets	298,355	200,637
Issued guarantees	798	2,298
Interest subsidies and technical assistance	352,036	285,239
Contingent liabilities		
Signed non-issued guarantees	10,000	25,000
Total contingent liabilities and commitments	1,850,753	1,675,033

17 Interest and similar income and expenses (in EUR'000)

The main components of interest and similar income are as follows:

	From 01.01.2015 to 31.12.2015	From 01.01.2014 to 31.12.2014
Cash and cash equivalents	-	543
Held-to-maturity financial assets	4	276
Loans and receivables	86,305	72,135
Interest subsidies	4,076	4,286
Total interest and similar income	90,385	77,240

The main component of interest and similar expenses is as follows:

	From 01.01.2015 to 31.12.2015	From 01.01.2014 to 31.12.2014
Derivative financial instruments	-1,525	-1,522
Cash and cash equivalents	-31	-
Total interest and similar expenses	-1,556	-1,522

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18 Fee and commission income and expenses (in EUR'000)

The main components of fee and commission income are as follows:

	From 01.01.2015 to 31.12.2015	From 01.01.2014 to 31.12.2014
Fee and commission on loans and receivables	890	316
Fee and commission on financial guarantees	42	78
Other	-	769
Total fee and commission income	932	1,163

The main component of fee and commission expenses is as follows:

	From 01.01.2015 to 31.12.2015	From 01.01.2014 to 31.12.2014
Commission paid to third parties with regard to available-for-sale financial assets	-63	-37
Total fee and commission expenses	-63	-37

19 Net realised gains on available-for-sale financial assets (in EUR'000)

The main components of net realised gains on available-for-sale financial assets are as follows:

	From 01.01.2015 to 31.12.2015	From 01.01.2014 to 31.12.2014
Net proceeds from available-for-sale financial assets	834	3,179
Dividend income	33,044	4,930
Net realised gains on available-for-sale financial assets	33,878	8,109

20 General administrative expenses (in EUR'000)

General administrative expenses represent the actual costs incurred by the EIB for managing the Facility less income generated from standard appraisal fees directly charged by the EIB to clients of the Facility.

	From 01.01.2015 to 31.12.2015	From 01.01.2014 to 31.12.2014
Actual cost incurred by the EIB	-45,506	-40,912
Income from appraisal fees directly charged to clients of the Facility	2,461	2,784
Total general administrative expenses	-43,045	-38,128

Following the entry into force of the revised Cotonou Partnership Agreement on the 1st of July 2008, general administrative expenses are not covered anymore by the Member States.

21 Impairment on other assets (in EUR'000)

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During 2012 the Facility made a technical assistance payment amounting to EUR 638 which due to fraudulent behaviour of the counterparty did not reach the final beneficiary. Following legal interventions, the Facility could recover EUR 301 and the remaining amount outstanding of EUR 337 was recorded as impairment in the Facility's comprehensive income.

In 2014 the outstanding amount of EUR 337 was allocated to the interest rate subsidies and technical assistance envelope of the Facility and was recorded as other income in the Facility's statement of profit or loss and other comprehensive income.

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22 Involvement with unconsolidated structured entities (in EUR'000)

Definition of a structured entity

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding, who controls the entity. IFRS 12 observes that a structured entity often has some or all of the following features:

- Restricted activities;
- A narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to all structured entities that are not controlled by the Facility and includes interests in structured entities that are not consolidated.

Definition of Interests in structured entities:

IFRS 12 defines "interests" broadly to include any contractual or non-contractual involvement that exposes the reporting entity to variability in returns from the performance of the entity. Examples of such interests include the holding of equity interests and other forms of involvement such as the provision of funding, liquidity support, credit enhancements, commitments and guarantees to the other entity. IFRS 12 states that a reporting entity does not necessarily have an interest in another entity solely because of a typical customer supplier relationship.

The table below describes the types of structured entities that the Facility does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Facility
Project Finance - lending to Special Purposes Vehicles ("SPV")	Project Finance Transactions (PF Operations) are transactions where the Facility relies for the servicing of its debt on a borrower whose sole or main source of revenue is generated by a single or limited number of assets being financed by such debt or other pre-existing assets contractually linked to the project. PF operations are often financed through SPV.	Net disbursed amounts; Interest income.
Venture capital operations	The Facility finances venture capital and investment funds. Venture capital and investment funds pool and manage money from investors seeking private equity stakes in small and medium-size enterprises with strong growth potential as well as financing infrastructure projects.	Investments in units/shares issued by the venture capital entity; Dividends received as dividend income.

The table below shows the carrying amounts of unconsolidated structured entities in which the Facility has an interest at the reporting date, as well as the Facility's maximum exposure to loss in relation to those entities. The maximum exposure to loss includes the carrying amounts and the related un-disbursed commitments.

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Type of structured entity	Caption	Carrying amount at 31.12.2015	Carrying amount at 31.12.2014	Maximum exposure to loss at 31.12.2015	Maximum exposure to loss at 31.12.2014
Project finance operations	Loans and receivables	-	7,225	-	7,225
Venture capital funds	Available-for-sale financial assets	396,203	385,245	645,833	555,629
Total		396,203	392,470	645,833	562,854

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23 Impact financing envelope (in EUR'000)

In June 2013 the ACP-EU Joint Ministerial Council approved the new financial protocol for the 11th European Development Fund (EDF), covering the period 2014-2020.

A new EUR 500m endowment was agreed for the Investment Facility, the so called 'impact financing envelope' or "IFE", enabling the Facility to support projects that promise a particularly high development impact whilst bearing the greater risks inherent in such investments. This envelope will present new possibilities for enhancing the Facility's private sector lending through investments in the following instruments:

Social impact equity funds - promoted by an emerging population of private equity fund managers who put the alleviation of social or environmental issues at the core of their funds' investment strategy but still target sustainability at the levels of both the fund and its investee companies.

Loans to financial intermediaries - (e.g. microfinance institutions, local banks and credit unions) operating in ACP countries in which the EIB cannot consider financing - in particular in local currency - under the existing credit risk guidelines, e.g. due to either high country risks, currency volatility or lack of pricing benchmarks. The main objective of such loans will be to fund projects with a high developmental impact, especially in the field of support to micro and small enterprises (MSEs) and agriculture, which generally do not qualify for IF financing.

Risk sharing facilitating instruments - which will take the form of first loss guarantees ("first loss pieces") that will facilitate risk sharing operations of the EIB with local financial intermediaries (mainly commercial banks) for the benefit of underserved SMEs and small projects that meet the Impact Financing Criteria in situations where a market gap has been identified in relation to the access of SMEs/small projects to finance. The first loss pieces would be structured as a counter-guarantee in favour of senior guarantee tranches funded by the EIB - under the Investment Facility - and by other International Financial Institutions/Development Financial Institutions, thus generating a substantial leverage effect.

Direct financing - through debt or equity instruments in projects with sound and experienced promoters and high developmental impacts, but that will, however, also entail higher expectations of losses and difficulties to recover the investment (equity type risk with higher than usual expectation of losses). The EIB will apply strict selection and eligibility criteria for this instrument, as these projects, notwithstanding their high developmental impact, would not be able to meet acceptable financing criteria (i.e. low expectation of recovering the investment or offsetting the losses through interest rates /equity returns).

The IFE will also allow diversification into new sectors, such as health and education, agriculture and food security, and the development of new and innovative risk-sharing instruments.

From a financial and accounting perspective the IFE forms part of the IF portfolio and is accounted for in the overall IF annual financial statements, but with a special tracking of the operations.

The following table represents the carrying amounts and the committed, but undisbursed amounts, per type of asset:

Type of IFE investment	Caption	Carrying amount at 31.12.2015	Carrying amount at 31.12.2014	Undisbursed amount at 31.12.2015	Undisbursed amount at 31.12.2014
Social impact equity funds	Available-for-sale financial assets	2,257	-	16,927	8,237
Loans to financial intermediaries	Loans and receivables	-	-	10,000	-
Risk sharing facilitating instruments	Issued guarantees	-	-	-	-
Direct financing – equity participations	Available-for-sale financial assets	-	-	40,000	-

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Total	2,257	-	66,927	8,237
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24 Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2015 financial statements.