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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	28 June 2018
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2018) 519 final
Subject:	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS - Annual accounts of the European Development Fund 2017

Delegations will find attached document COM(2018) 519 final.

Encl.: COM(2018) 519 final

EUROPEAN
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Brussels, 27.6.2018
COM(2018) 519 final

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

ANNUAL ACCOUNTS OF THE EUROPEAN DEVELOPMENT FUND 2017

Annual accounts of the European Development Fund 2017

CONTENTS

CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Development Fund for the year 2017 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 the notes 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 officer 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]

Rosa ALDEA BUSQUETS

Accounting Officer

June 2018

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 2013[1]. 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 Regulation[3] was amended and the new Financial Regulation applicable to the transition period was adopted[4]. They entered into force on 30 May 2014. On 2 March 2015 the Council adopted the 11th EDF Financial Regulation[5] and the Implementation Rules[6]. They entered into force on 6 March 2015.

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[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.

[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.

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 EDF[7].

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 budget, 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

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 themselves 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 EU accounting rules are also applied to the EDF while taking into account the specific nature of its activities.

The preparation of the EDF annual accounts is entrusted to the Commission's Accounting Officer who is the Accounting Officer of the EDF. She ensures that the annual accounts of EDF 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

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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 and explanatory notes of the EDF

(ii) Financial statements of the EU trust funds consolidated in the EDF

(iii) Consolidated financial statements of EDF and the EU trust funds

(iv) Report on financial implementation of the EDF

Part II: Annual report on implementation - Funds managed by the EIB

(i) Financial statements of the Investment Facility

The part 'Financial statements of the European trust funds consolidated in the EDF' includes financial statements of the two trust funds created under the EDF: The Bêkou EU Trust Fund (see section 'Financial statements of the Bêkou EU Trust Fund') and The EU Trust Fund for Africa (see section 'Financial statements of EU Trust Fund for Africa'). The trust funds individual financial statements are prepared under the responsibility of the EC Accounting Officer and subject to external audit carried out by a private auditor. The trust funds' figures included in these annual accounts are final, i.e. after the necessary audit adjustments, but the accounts have not yet been formally signed-off.

The annual accounts must be adopted by the Commission not later than 31 July of the subsequent year and presented to the European Parliament and to the Council for discharge.

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.

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.

CONTENTS

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	31.12.2017	31.12.2016
NON-CURRENT ASSETS			
Pre-financing	*2.1*	*582*	*409*
Trust Fund contributions	*2.2*	*163*	*98*
		745	**507**
CURRENT ASSETS			
Pre-financing	*2.1*	*1 518*	*1 372*
Exchange receivables and non-exchange recoverables	*2.3*	*92*	*132*
Cash and cash equivalents	*2.4*	*347*	*680*
		1 958	**2 184**
TOTAL ASSETS		**2 703**	**2 691**
NON-CURRENT LIABILITIES			
Provisions	*2.5*	*(4)*	*(4)*
Financial liabilities	*2.6*	*(14)*	*(6)*
		(18)	**(10)**
CURRENT LIABILITIES			
Payables	*2.7*	*(563)*	*(549)*
Accrued charges and deferred income	*2.8*	*(733)*	*(776)*
		(1 296)	**(1 324)**
TOTAL LIABILITIES		**(1 314)**	**(1 334)**
NET ASSETS		**1 389**	**1 357**
FUNDS & RESERVES			
Called fund capital - active EDFs	*2.9*	*46 173*	*42 323*
Called fund capital from closed EDFs carried forward	*2.9*	*2 252*	*2 252*
Called fund capital transfers between active EDFs	*2.9*	*–*	*–*
Economic result carried forward from previous years		*(43 219)*	*(40 146)*
Economic result of the year		*(3 818)*	*(3 073)*
NET ASSETS		**1 389**	**1 357**

EDF STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	Note	2017	2016
REVENUE			
Revenue from non-exchange transactions	*3.1*		
Recovery activities		*61*	*8*
		61	**8**
Revenue from exchange transactions	*3.2*		
Financial revenue		*4*	*3*
Other revenue		*22*	*62*
		25	**66**
Total Revenue		**87**	**73**
EXPENSES			
Aid instruments	*3.3*	*(3 700)*	*(2 970)*
Co-financing expenses	*3.4*	*(42)*	*15*
Finance costs	*3.6*	*(8)*	*4*
Other expenses	*3.7*	*(154)*	*(196)*
Total Expenses		**(3 904)**	**(3 146)**
ECONOMIC RESULT OF THE YEAR		**(3 818)**	**(3 073)**

EDF CASHFLOW STATEMENT

EUR millions

	Note	2017	2016
Economic result of the year		*(3 818)*	*(3 073)*
Operating activities			
Capital increase – contributions (net)		*3 850*	*3 450*
(Increase)/decrease in trust funds contributions		*(66)*	*(64)*
(Increase)/decrease in pre-financing		*(319)*	*(120)*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*40*	*39*
Increase/(decrease) in financial liabilities		*8*	*(4)*
Increase/(decrease) in payables		*14*	*28*
Increase/(decrease) in accrued charges and deferred income		*(42)*	*(80)*
NET CASHFLOW		**(333)**	**177**
Net increase/(decrease) in cash and cash equivalents		**(333)**	**177**
Cash and cash equivalents at the beginning of the year	*2.4*	*680*	*504*
Cash and cash equivalents at year-end	*2.4*	*347*	*680*

EDF STATEMENT OF CHANGES IN NET ASSETS

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)	Total Net Assets (C)+(D)+(E)
BALANCE AS AT 31.12.2015	**73 464**	**34 590**	**38 873**	**(40 146)**	**2 252**	**980**
Capital increase - contributions		*(3 450)*	*3 450*			*3 450*
Economic result of the year			–	*(3 073)*		*(3 073)*
BALANCE AS AT 31.12.2016	**73 464**	**31 140**	**42 323**	**(43 219)**	**2 252**	**1 357**
Capital increase - contributions		*(4 050)*	*4 050*			*4 050*
Refund to Member States	*(200)*		*(200)*			*(200)*
Economic result of the year			–	*(3 818)*		*(3 818)*
BALANCE AS AT 31.12.2017	**73 264**	**27 090**	**46 173**	**(47 037)**	**2 252**	**1 389**

BALANCE SHEET BY EDF

EUR millions

	Note	31.12.2017 Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2016 Eighth EDF	Ninth EDF	10th EDF	11th EDF
NON-CURRENT ASSETS									
Pre-financing	2.1	–	32	221	330	–	32	242	135
Trust Fund contributions	2.2	–	86	–	77	–	–	–	98
		–	**118**	**221**	**407**	**–**	**32**	**242**	**232**
CURRENT ASSETS									
Pre-financing	2.1	1	40	867	610	1	50	909	412
Exchange receivables and non-exchange recoverables	2.3	0	64	17	11	1	71	59	2
Liaison accounts	2.3	189	88	3 555	–	196	424	3 424	–
Cash and cash equivalents	2.4	–	–	–	347	–	–	–	680
		190	**193**	**4 439**	**968**	**198**	**544**	**4 391**	**1 094**
TOTAL ASSETS *		**190**	**311**	**4 660**	**1 375**	**198**	**577**	**4 633**	**1 327**
NON-CURRENT LIABILITIES									
Provisions	2.5	–	–	–	(4)	–	–	–	(4)
Financial liabilities	2.6	–	–	(7)	(7)	–	–	(6)	–
		–	**–**	**(7)**	**(11)**	**–**	**–**	**(6)**	**(4)**
CURRENT LIABILITIES									
Payables	2.7	(0)	(13)	(133)	(417)	(0)	(12)	(438)	(99)
Liaison accounts	2.3	–	–	–	(3 833)	–	–	–	(4 043)
Accrued charges and deferred income	2.8	(0)	(76)	(517)	(140)	(1)	(93)	(567)	(115)
		(0)	**(89)**	**(650)**	**(4 389)**	**(1)**	**(104)**	**(1 005)**	**(4 257)**
TOTAL LIABILITIES *		**(0)**	**(89)**	**(657)**	**(4 401)**	**(1)**	**(104)**	**(1 011)**	**(4 261)**
NET ASSETS *		**190**	**222**	**4 003**	**(3 025)**	**197**	**472**	**3 622**	**(2 934)**
FUNDS & RESERVES									
Called fund capital - active EDFs	2.9	12 164	10 773	20 960	2 277	12 164	10 973	19 187	–
Called fund capital from closed EDFs carried forward	2.9	627	1 625	–	–	627	1 625	–	–
Called fund capital transfers between active EDFs	2.9	(2 503)	2 177	120	206	(2 496)	2 214	247	35
Economic result carried forward from previous years		(10 098)	(14 339)	(15 812)	(2 969)	(10 100)	(14 248)	(14 415)	(1 382)
Economic result of the year		0	(13)	(1 266)	(2 539)	2	(91)	(1 397)	(1 587)
NET ASSETS		**190**	**222**	**4 003**	**(3 025)**	**197**	**472**	**3 622**	**(2 934)**

* From total assets, liabilities and net assets, liaison accounts should be deducted in order to reconcile them to the totals in the EDF Balance sheet

STATEMENT OF FINANCIAL PERFORMANCE BY EDF

EUR millions

		2017				2016			
	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Eighth EDF	Ninth EDF	10th EDF	11th EDF
REVENUE									
Revenue from non-exchange transactions	3.1								
Recovery activities		*0*	*5*	*49*	*7*	*1*	*5*	*(2)*	*4*
		0	**5**	**49**	**7**	**1**	**5**	**(2)**	**4**
Revenue from exchange transactions	3.2								
Financial revenue		*(0)*	*(1)*	*4*	*(0)*	*(0)*	*2*	*2*	*(1)*
Other revenue		*1*	*5*	*13*	*4*	*2*	*17*	*40*	*3*
		1	**4**	**17**	**4**	**2**	**19**	**43**	**2**
Total revenue		**1**	**9**	**66**	**11**	**3**	**23**	**41**	**7**
EXPENSES									
Aid instruments	3.3	*(0)*	*(14)*	*(1 251)*	*(2 435)*	*2*	*(95)*	*(1 411)*	*(1 465)*
Co-financing expenses	3.4	–	–	*(42)*	*(1)*	–	–	*15*	–
Finance costs	3.6	*1*	*1*	*(10)*	*(0)*	*(0)*	*(0)*	*4*	*(0)*
Other expenses	3.7	*(2)*	*(9)*	*(29)*	*(114)*	*(3)*	*(19)*	*(46)*	*(129)*
Total expenses		**(1)**	**(22)**	**(1 332)**	**(2 549)**	**(1)**	**(114)**	**(1 437)**	**(1 594)**
ECONOMIC RESULT OF THE YEAR		**0**	**(13)**	**(1 266)**	**(2 539)**	**2**	**(91)**	**(1 397)**	**(1 587)**

STATEMENT OF CHANGES IN NET ASSETS BY EDF

EUR millions

Eighth 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 31.12.2015	**12 164**	**–**	**12 164**	**(10 100)**	**627**	**(2 476)**	**214**
Transfers to/from the 10th EDF			–			*(20)*	*(20)*
Transfers to/from the 11th EDF			–			–	–
Economic result of the year			–	*2*			*2*
BALANCE AS AT 31.12.2016	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 496)**	**197**
Transfers to/from the 10th EDF			–			*(7)*	*(7)*
Transfers to/from the 11th EDF			–			–	–
Economic result of the year			–	*0*		–	*0*
BALANCE AS AT 31.12.2017	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 503)**	**190**

EUR millions

Ninth 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 31.12.2015	**10 973**	**–**	**10 973**	**(14 249)**	**1 625**	**2 376**	**726**
Transfers to/from the 10th EDF			–			*(163)*	*(163)*
Economic result of the year			–	*(91)*			*(91)*
BALANCE AS AT 31.12.2016	**10 973**	**–**	**10 973**	**(14 339)**	**1 625**	**2 214**	**472**
Refund to Member States	*(200)*		*(200)*				*(200)*
Transfers to/from the 10th EDF			–			*(37)*	*(37)*
Transfers to/from the 11th EDF			–			–	–
Economic result of the year			–	*(13)*		–	*(13)*
BALANCE AS AT 31.12.2017	**10 773**	**–**	**10 773**	**(14 352)**	**1 625**	**2 177**	**222**

EUR millions

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 31.12.2015	**20 960**	**5 223**	**15 737**	**(14 415)**	**–**	**35**	**1 357**
Capital increase - contributions		*(3 450)*	*3 450*				*3 450*
Transfers to/from the Eighth and Ninth EDF			*–*			*182*	*182*
Transfers to/from the 11th EDF			*–*			*30*	*30*
Economic result of the year			*–*	*(1 397)*			*(1 397)*
BALANCE AS AT 31.12.2016	**20 960**	**1 773**	**19 187**	**(15 812)**	**–**	**247**	**3 622**
Capital increase - contributions		*(1 773)*	*1 773*			*–*	*1 773*
Transfers to/from the Eighth and Ninth EDF			*–*			*44*	*44*
Transfers to/from the 11th EDF			*–*			*(171)*	*(171)*
Economic result of the year			*–*	*(1 266)*		*–*	*(1 266)*
BALANCE AS AT 31.12.2017	**20 960**	**–**	**20 960**	**(17 078)**	**–**	**120**	**4 003**

EUR millions

11th 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 31.12.2015	**29 367**	**29 367**	**–**	**(1 382)**	**–**	**65**	**(1 317)**
Transfers to/from the Eighth, Ninth and 10th EDF			*–*		*–*	*(30)*	*(30)*
Economic result of the year			*–*	*(1 587)*		*–*	*(1 587)*
BALANCE AS AT 31.12.2016	**29 367**	**29 367**	**–**	**(2 969)**	**–**	**35**	**(2 934)**
Capital increase - contributions		*(2 277)*	*2 277*			*171*	*2 448*
Transfers to/from the Eighth, Ninth and 10th EDF			*–*			*–*	*–*
Economic result of the year			*–*	*(2 539)*		*–*	*(2 539)*
BALANCE AS AT 31.12.2017	**29 367**	**27 090**	**2 277**	**(5 508)**	**–**	**206**	**(3 025)**

NOTES TO THE 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.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU Accounting Rule 1 'Financial Statements' and are the same as those described in IPSAS 1: fair presentation, accrual basis, going concern, consistency of presentation, materiality, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting are relevance, faithful representation (reliability), understandability, timeliness, comparability and verifiability.

1.2. BASIS OF PREPARATION

1.2.1. Reporting period

Financial statements are presented annually. The accounting year begins on 1 January and ends on 31 December.

1.2.2. Currency and basis for conversion

The annual accounts are presented in millions of euros, the euro being the EDF's functional and reporting currency. Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the date when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are translated into euros on the basis of the European Central Bank (ECB) exchange rates applying on 31 December.

Euro exchange rates

Currency	31.12.2017	31.12.2016	Currency	31.12.2017	31.12.2016
BGN	**1.9558**	*1.9558*	**PLN**	**4.177**	*4.4103*
CZK	**25.5350**	*27.0210*	**RON**	**4.6585**	*4.5390*
DKK	**7.4449**	*7.4344*	**SEK**	**9.8438**	*9.5525*
GBP	**0.8872**	*0.8562*	**CHF**	**1.1702**	*1.0739*
HRK	**7.4400**	*7.5597*	**JPY**	**135.01**	*123.4000*
HUF	**310.3300**	*309.8300*	**USD**	**1.1993**	*1.0541*

1.2.3. 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; accrued and deferred revenue and charges, provisions, financial risk on accounts receivables, contingent assets and liabilities, and degree of impairment of assets. Actual results could differ from those estimates.

Reasonable estimates are essential part of the preparation of financial statements and do not undermine their reliability. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error. The effect of a change in accounting estimate shall be recognised in the surplus or deficit in the periods in which it becomes known.

1.3. BALANCE SHEET

1.3.1. Financial assets

The financial assets are classified in the following categories: financial assets at fair value through surplus or deficit; 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 surplus or deficit

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. Loans and receivables include term deposits with the original maturity above three months.

(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 period of time the entity expects to hold them, which is usually the maturity date.

Initial recognition and measurement

Purchases and sales of financial assets at fair value through surplus or deficit, held-to-maturity and available for sale are recognised on trade date - the date on which the entity commits to purchase or sell the asset. Cash equivalents, loans and term deposits are recognised at settlement date. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through surplus or deficit transaction costs are added to the fair value at initial recognition.

Financial instruments are derecognised when the rights to receive cashflows from the investments have expired or the entity has transferred substantially all risks and rewards of ownership to another party.

Subsequent measurement

Financial assets at fair value through surplus or deficit are subsequently carried at fair value with gains and losses arising changes in the fair value being included in the statement of financial performance in the period in which they arise.

Loans and receivables and held-to maturity investments are carried at amortised cost using the effective interest method.

Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in the fair value reserve. Interest on available for sale financial assets calculated using the effective interest method is recognised in the statement of financial performance.

The entity assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired and whether an impairment loss should be recorded in the statement of financial performance.

1.3.2. 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 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 expenditure, he has the obligation to return the pre-financing advance to the entity. The amount of the pre-financing may be reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses).

Pre-financing is, on subsequent balance sheet dates, measured at the amount initially recognised on the balance sheet less eligible expenses (including estimated amounts where necessary) incurred during the period.

1.3.3. Receivables and recoverables

As the EU accounting rules require a separate presentation of exchange and non-exchange transactions, for the purpose of drawing up the accounts, receivables are defined as stemming from exchange transactions and recoverables are defined as stemming from non-exchange transactions (when the entity receives value from another entity without directly giving approximately equal value in exchange).

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly (see 1.3.1 above).

Recoverables from non-exchange transactions are carried at original amount (adjusted for interests and penalties) 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 the recoverables. 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.

1.3.4. Cash and cash equivalents

Cash and cash equivalents are financial instruments and 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.

1.3.5. 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 expenditure 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).

1.3.6. Payables

Included under accounts payable are both amounts related to exchange transactions such as the purchase of goods and services and to non-exchange transactions e.g. to cost claims from beneficiaries, grants or other EU funding.

Where grants or other funding is provided to the beneficiaries, the cost claims 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.

1.3.7. Accrued and deferred revenue and charges

Transactions and events are recognised in the financial statements in the period to which they relate. 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 (e.g. by reference to a contract), an accrued revenue 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.

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Accounting Officer which aim at ensuring that the financial statements provide a faithful representation of the economic and other phenomena they purport to represent. By analogy, if a payment has been made in advance for services or goods that have not yet been received, the expense will be deferred and recognised in the subsequent accounting period.

1.4. STATEMENT OF FINANCIAL PERFORMANCE

1.4.1. Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Depending on the nature of the underlying transactions in the statement of financial performance it is distinguished between:

(i) Revenue from non-exchange transactions

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. The entity shall recognise an asset in respect of transfers when the entity controls the resources as a result of a past event (the transfer) and expects to receive future economic benefits or service potential from those resources, and when the fair value can be reliably measured. An inflow of resources from a non-exchange transaction recognised as an asset (i.e. cash) is also recognised as revenue, except to the extent that the entity has a present obligation in respect of that transfer (condition), which needs to be satisfied before the revenue can be recognised. Until the condition is met the revenue is deferred and recognised as a liability (pre-financing received).

(ii) Revenue from exchange transactions

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.

1.4.2. Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity. They include both the expenses from exchange transactions and expenses from non-exchange transactions.

Expenses from exchange transactions 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.

Expenses from non-exchange transactions 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 an agreement 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.

1.5. CONTINGENT ASSETS AND LIABILITIES

1.5.1. 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.

1.5.2. 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.

1.6. 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

ASSETS

2.1. PRE-FINANCING

Many contracts provide for payments of advances before the commencement of works, delivery 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 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.

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Non-current pre-financing	*2.1.1*	*–*	*32*	*221*	*330*	*582*	*409*
Current pre-financing	*2.1.2*	*1*	*40*	*867*	*610*	*1 518*	*1 372*
Total		**1**	**72**	**1 088**	**939**	**2 100**	**1 781**

The increase in overall pre-financing is explained by the very high level of payments in 2017. The overall level of net payments in 2017 increased by 24 % compared to 2016 (see table **2.1** in the EDF Report on Financial Implementation). The level of "gross" payments, i.e. payments without inflows from recovery orders, increased in 2017 by 25 %.

This increase is in line with the lifecycle of the EDF. The 11th EDF started in 2015 and 2017 was thus the third year of its existence. The 11th EDF has reached its maturity and peak with regards to the implementation of adopted actions. The number of open contracts in the 11th EDF increased from 1.3k in 2016 to 1.6k in 2017. In 2017 the value of the average contracted amount increased by 51 % compared to 2016. Therefore the level of net payments in the 11th EDF increased in 2017 by 52 % compared to 2016 (see table **2.1** in the EDF Report on Financial Implementation). As the ratio between payments relating to invoices and the pre-financing is stable (42 %-44 %), the increase in payments resulted in the higher level of pre-financing.

The increase in the overall pre-financing is in line with the decrease in cash and cash equivalents (see note **2.4**).

2.1.1. Non-current pre-financing

EUR millions

	31.12.2017	31.12.2016
Direct Management	**159**	**71**
Implemented by:		
Commission	*105*	*39*
EU executive agencies	*6*	*4*
EU delegations	*48*	*29*
Indirect Management	**423**	**338**
Implemented by :		
EIB and EIF	*166*	*180*
International organisations	*189*	*87*
Private law bodies with a public service mission	*11*	*25*
Public law bodies	*37*	*13*
Third countries	*20*	*34*
Total	**582**	**409**

2.1.2. Current pre-financing

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Pre-financing (gross)	*2*	*158*	*2 722*	*2 406*	*5 288*	*4 745*
Cleared via cut-off	*(1)*	*(118)*	*(1 855)*	*(1 796)*	*(3 770)*	*(3 373)*
Total	**1**	**40**	**867**	**610**	**1 518**	**1 372**

EUR millions

	31.12.2017	31.12.2016
Direct Management	**256**	**246**
Implemented by:		
Commission	*86*	*115*
EU executive agencies	*10*	*10*
EU delegations	*161*	*122*
Indirect Management	**1 262**	**1 125**
Implemented by :		
EIB and EIF	*345*	*372*
International organisations	*563*	*432*
Private law bodies with a public service mission	*59*	*121*
Public law bodies	*108*	*53*
Third countries	*186*	*148*
Total	**1 518**	**1 372**

2.1.3. 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 2017 the guarantees received by the EDF in respect of pre-financing amounted to EUR 54 million (2016 EUR 53 million).

The majority of pre-financing is paid under the indirect management mode. In this case the beneficiary of the guarantee is not the EDF but the contracting authority. Even though the EDF is not the beneficiary, those guarantees secure its assets. In 2017 those guarantees amounted to EUR 577 million.

2.2. TRUST FUND CONTRIBUTIONS

This heading represents the amount paid as contributions to the Bêkou EU Trust Fund and EU Trust Fund for Africa. The contributions are net of the costs incurred by the trust funds and attributable to the EDF.

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

EUR millions

Trust Funds	Net contribution at 31.12.2016	Contributions paid in 2017	Allocation of TF's net expenses 2017	Net contribution at 31.12.2017
Africa	*72*	*180*	*(104)*	*148*
Bêkou	*26*	*–*	*(10)*	*16*
Total	**98**	**180**	**(114)**	**163**

The activities of EUTF Africa increased in 2017 after the start-up year 2016. Its expenses in 2017 increased almost 5 times compared to 2016. Its payments doubled compared to the previous year.

2.3. NON-EXCHANGE RECOVERABLES AND EXCHANGE RECEIVABLES

EUR millions

	Note	31.12.2017	31.12.2016
Recoverables from non-exchange transactions	*2.3.1*	*19*	*62*
Receivables from exchange transactions	*2.3.2*	*73*	*70*
Total		**92**	**132**

2.3.1. Recoverables from non-exchange transactions

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Member States	–	–	–	*7*	*7*	*40*
Customers	*2*	*7*	*9*	*1*	*19*	*18*
Public bodies	–	*10*	*8*	*2*	*20*	*23*
Third states	*0*	*1*	*4*	*0*	*6*	*4*
Write down	*(2)*	*(16)*	*(15)*	*(1)*	*(34)*	*(25)*
Liaison accounts with EU institutions	–	–	–	*2*	*2*	*2*
Total	**0**	**2**	**6**	**11**	**19**	**62**

The overall decrease of the recoverables from non-exchange transactions is mainly due to a decrease in recoverables from Member States. At 31 December 2016 this included ordinary contributions and amounts to be received as a consequence of Bridging Facility adjustments that were compensated against Member States contributions in 2017.

At 31 December 2017 Member States' recoverables include the outstanding financial adjustment implemented against the first instalment of fund capital to be called in 2018 (see note **2.9.1**).

EUR millions

Member States	31.12.2017
Czech Republic	*2*
Romania	*1*
Hungary	*1*
Ireland	*1*
Greece	*1*
Other	*1*
Total	**7**

2.3.2. Receivables from exchange transactions

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Accrued income	–	*63*	*11*	–	*74*	*70*
Liaison accounts between EDFs	*189*	*88*	*3 555*	*(3 833)*	*(0)*	*(0)*
Total	**189**	**151**	**3 566**	**(3 833)**	**73**	**70**

Included under accrued income are primarily amounts of accrued interest on pre-financing related to projects (EUR 63 million) and on pre-financing related to the EU-Africa Trust Fund (EUR 11 million).

For efficiency reasons, the single treasury covering all the EDFs is allocated to the 11th EDF[8]; 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. The total of liaison accounts is nil.

2.4. CASH AND CASH EQUIVALENTS[9]

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Special accounts:						
Financial institutions of Member States	–	–	–	*105*	*105*	*292*
Current accounts:						
Commercial banks	–	–	–	*242*	*242*	*389*
Total	**–**	**–**	**–**	**347**	**347**	**680**

The overall decrease in cash and cash equivalents is mainly explained by the exceptionally high level of payments in 2017. The overall level of net payments in 2017 increased by 24 % compared to 2016 (see table **2.1** in the EDF Report on Financial Implementation). The level of "gross" payments, i.e. payments without inflows from recovery orders, increased in 2017 by 25 %.

This increase of payments is in line with the lifecycle of the EDF. The 11th EDF started in 2015 and 2017 was the third year of its existence. The 11th EDF has reached its maturity and a peak in the implementation of adopted actions. The number of open contracts in the 11th EDF increased from 1.3k in 2016 to 1.6k in 2017. In 2017 the level of net payments in the 11th EDF increased by 52 % compared to 2016 (see table **2.1** in the EDF Report on Financial Implementation).

With the aim of improving the presentation in the 2017 annual accounts, the classification of financial institutions and banks has been reviewed. The comparative figures for 2016 are disclosed accordingly.

LIABILITIES

2.5. PROVISIONS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Provisions	–	–	–	*4*	*4*	*4*
Total	**–**	**–**	**–**	**4**	**4**	**4**

The provision is the best estimation of the probable amount to be paid by the EDF to finance the orderly closure of the Centre de Development (CDE), decided by the ACP-EU Committee of Ambassadors (Decision No 4/2014 of 23 October 2014).

The amount includes court cases (EUR 1.2 million) raised against the CDE and the remaining expected cost of the passive phase (e.g. residual administrative tasks, other residual litigations, archive, etc.) that started on 31 December 2016 (see note **4.2.2**). No expenses regarding the passive phase have been incurred so far.

[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.

2.6. FINANCIAL LIABILITIES

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Co-financing - payables	–	–	7	7	14	6
Total	**–**	**–**	**7**	**7**	**14**	**6**

The change in the total co-financing liabilities is explained in the note **2.7.2.1.**

2.7. PAYABLES

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Current payables	2.7.1	0	13	114	235	361	222
Sundry payables	2.7.2	–	(0)	20	182	202	327
Total		**0**	**13**	**133**	**417**	**563**	**549**

2.7.1. Current payables

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Suppliers	0	9	85	40	133	98
Member States	–	–	0	12	12	0
Third states	0	(0)	15	131	146	91
Public bodies	–	3	10	70	83	32
Other current payables	0	1	4	(18)	(13)	1
Total	**0**	**13**	**114**	**235**	**361**	**222**

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. Non-eligible amounts have been disclosed as other current payables.

Member States payables represent the outstanding financial adjustment to be deducted from the first instalment of fund capital to be called in 2018 (see note **2.9.1**). This heading includes the amounts due to France (EUR 10 million), the Netherlands (EUR 1 million) and Austria (EUR 1 million).

2.7.2. Sundry payables

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Co-financing payables	2.7.2.1	–	–	22	6	28	64
Deferred fund capital contributions	2.7.2.2	–	–	–	173	173	261
Other sundry payables		–	–	–	1	1	2
Total		**–**	**–**	**22**	**179**	**202**	**327**

2.7.2.1. Co-financing payables

The breakdown of the non-current and current co-financing payables by Member State is summarized in the table below:

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Non-current co-financing						
Belgium	–	–	*0*	*1*	*2*	*2*
Denmark	–	–	–	*0*	*0*	*0*
France	–	–	*4*	–	*4*	–
Germany	–	–	–	–	–	*0*
Sweden	–	–	*1*	*2*	*3*	*2*
United Kingdom	–	–	*1*	–	*1*	*1*
Canada	–	–	–	–	–	*0*
Australia	–	–	*0*	–	*0*	–
USAID	–	–	–	*4*	*4*	–
	–	**–**	***7***	***7***	***14***	***6***
Current co-financing						
Belgium	–	–	*4*	*(1)*	*3*	*4*
Denmark	–	–	*(1)*	*1*	*(0)*	*1*
France	–	–	*12*	–	*12*	*37*
Germany	–	–	*0*	–	*0*	*1*
Netherlands	–	–	*0*	–	*0*	*1*
Spain	–	–	*1*	–	*1*	*3*
Sweden	–	–	*5*	*0*	*5*	*7*
United Kingdom	–	–	*1*	*3*	*4*	*11*
Canada	–	–	*0*	–	*0*	*0*
USAID	–	–	–	*2*	*2*	–
	–	**–**	***22***	***6***	***28***	***64***
Total	**–**	**–**	**29**	**13**	**42**	**70**

The total non-current and current co-financing payables decreased by EUR 28 million compared to the previous reporting period.

During 2017, new co-financing contributions were received from USAID (EUR 7 million), the United Kingdom (EUR 5 million) and Sweden (EUR 2 million).

The total co-financing payables were decreased by EUR 42 million in order to recognise revenue and expenses related to co-financed projects (see notes **3.1.1** and **3.4**).

2.7.2.2. Deferred fund capital contributions

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
United Kingdom	–	–	–	*170*	*170*	*252*
Lithuania	–	–	–	*2*	*2*	–
Hungary	–	–	–	–	–	*9*
Total	**–**	**–**	**–**	**173**	**173**	**261**

This heading completely relates to Member States' 2018 contributions paid in advance.

2.8. ACCRUED CHARGES AND DEFERRED INCOME

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Accrued charges	*0*	*76*	*517*	*137*	*730*	*770*
Other accruals and deferrals	–	–	–	*3*	*3*	*6*
Total	**0**	**76**	**517**	**140**	**733**	**776**

Accrued charges comprise estimated operating expenses for on-going or ended contracts without validated cost claims where the 2017 eligible expenses incurred by beneficiaries of EDF were estimated using the best available information about the existing contracts. The portion of the estimated accrued charges which relates to pre-financing paid has been recorded as a reduction of the pre-financing amounts (see note **2.1**).

NET ASSETS

2.9. FUND CAPITAL

2.9.1. Called fund capital – active EDFs

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Fund capital	*12 164*	*10 973*	*20 960*	*29 367*	*73 464*
Uncalled fund capital	–	-	*(1 773)*	*(29 367)*	*(31 140)*
Called fund capital 31.12.2016	**12 164**	**10 973**	**19 187**	**–**	**42 323**
Fund capital	*12 164*	*10 773*	*20 960*	*29 367*	*73 264*
Uncalled fund capital	–	-	-	*(27 090)*	*(27 090)*
Called fund capital 31.12.2017	**12 164**	**10 773**	**20 960**	**2 277**	**46 173**

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 (see note **2.9.2** below).

By means of Council Decision (EU) 2017/1206[10] the Member States' contributions set out in the Internal Agreements of the Eighth and Ninth EDF are to be reduced accordingly for an amount of EUR 200 million from funds decommitted under the Eighth and the Ninth EDF. As the funds decommitted under the Eighth EDF have been already almost entirely transferred to the other EDFs, EUR 200 million was deducted from the capital of the Ninth EDF.

Refunds arising from this reduction have been compensated against additional call for funds under the 11th EDF. It resulted in the financial adjustment. The financial adjustment can be implemented against the third instalment 2017 and/or the first instalment 2018. The outstanding financial adjustment has been disclosed either as receivables or payables from/to Member States (see notes **2.3.1** and **2.7.1**)

[10] L 173/15

2.9.2. Called and uncalled fund capital by Member State

EUR millions

Contributions 10th EDF	%	Uncalled capital 31.12.2016	Capital called in 2017	Uncalled capital 31.12.2017
Austria	*2.41*	*43*	*(43)*	–
Belgium	*3.53*	*63*	*(63)*	–
Bulgaria	*0.14*	*2*	*(2)*	–
Cyprus	*0.09*	*2*	*(2)*	–
Czech Republic	*0.51*	*9*	*(9)*	–
Denmark	*2.00*	*35*	*(35)*	–
Estonia	*0.05*	*1*	*(1)*	–
Finland	*1.47*	*26*	*(26)*	–
France	*19.55*	*347*	*(347)*	–
Germany	*20.50*	*364*	*(364)*	–
Greece	*1.47*	*26*	*(26)*	–
Hungary	*0.55*	*10*	*(10)*	–
Ireland	*0.91*	*16*	*(16)*	–
Italy	*12.86*	*228*	*(228)*	–
Latvia	*0.07*	*1*	*(1)*	–
Lithuania	*0.12*	*2*	*(2)*	–
Luxemburg	*0.27*	*5*	*(5)*	–
Malta	*0.03*	*1*	*(1)*	–
Netherlands	*4.85*	*86*	*(86)*	–
Poland	*1.30*	*23*	*(23)*	–
Portugal	*1.15*	*20*	*(20)*	–
Romania	*0.37*	*7*	*(7)*	–
Slovakia	*0.21*	*4*	*(4)*	–
Slovenia	*0.18*	*3*	*(3)*	–
Spain	*7.85*	*139*	*(139)*	–
Sweden	*2.74*	*49*	*(49)*	–
United Kingdom	*14.82*	*263*	*(263)*	–
Total	**100.00**	**1 773**	**(1 773)**	**–**

EUR millions

Contributions 11th EDF	%	Uncalled capital 31.12.2016	Capital called in 2017	Uncalled capital 31.12.2017
Austria	*2.40*	*704*	*(55)*	*650*
Belgium	*3.25*	*954*	*(74)*	*880*
Bulgaria	*0.22*	*64*	*(5)*	*59*
Croatia	*0.23*	*66*	*(5)*	*61*
Cyprus	*0.11*	*33*	*(3)*	*30*
Czech Republic	*0.80*	*234*	*(18)*	*216*
Denmark	*1.98*	*582*	*(45)*	*537*
Estonia	*0.09*	*25*	*(2)*	*23*
Finland	*1.51*	*443*	*(34)*	*409*
France	*17.81*	*5 231*	*(406)*	*4 826*
Germany	*20.58*	*6 044*	*(469)*	*5 575*
Greece	*1.51*	*443*	*(34)*	*408*
Hungary	*0.61*	*180*	*(14)*	*166*
Ireland	*0.94*	*276*	*(21)*	*255*
Italy	*12.53*	*3 680*	*(285)*	*3 394*
Latvia	*0.12*	*34*	*(3)*	*31*
Lithuania	*0.18*	*53*	*(4)*	*49*
Luxemburg	*0.26*	*75*	*(6)*	*69*
Malta	*0.04*	*11*	*(1)*	*10*
Netherlands	*4.78*	*1 403*	*(109)*	*1 294*
Poland	*2.01*	*589*	*(46)*	*544*
Portugal	*1.20*	*351*	*(27)*	*324*
Romania	*0.72*	*211*	*(16)*	*195*
Slovakia	*0.38*	*110*	*(9)*	*102*
Slovenia	*0.22*	*66*	*(5)*	*61*
Spain	*7.93*	*2 330*	*(181)*	*2 149*
Sweden	*2.94*	*863*	*(67)*	*796*
United Kingdom	*14.68*	*4 311*	*(334)*	*3 976*
Total	**100.00**	**29 367**	**(2 277)**	**27 090**

In 2017 EUR 1 773 million has been called from the 10th EDF and EUR 2 277 million EUR from the 11th EDF. At 31 December 2017 the capital of the Eighth, Ninth and 10th EDF has been called up and received in its entirety.

2.9.3. Called fund capital from closed EDFs carried forward

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Funds transferred from closed EDFs	*627*	*1 625*	*–*	*–*	*2 252*	*2 252*

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

2.9.4. Called fund capital transfers between active EDFs

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
Balance at 31.12.2015	**(2 476)**	**2 376**	**35**	**65**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(20)*	*(163)*	*182*	*–*	*–*
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	*–*	*–*	*(356)*	*356*	*–*
Transfer from the 11th performance reserve to the African Peace Facility (10th EDF)	*–*	*–*	*386*	*(386)*	*–*
Balance at 31.12.2016	**(2 496)**	**2 214**	**247**	**35**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(7)*	*(37)*	*44*	*–*	*–*
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	*–*	*–*	*(171)*	*171*	*–*
Balance at 31.12.2017	**(2 503)**	**2 177**	**120**	**206**	**–**

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.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

EUR millions

	Note	2017	2016
Revenue from non-exchange transactions	*3.1*	*61*	*8*
Revenue from exchange transactions	*3.2*	*25*	*66*
Total		**87**	**73**

3.1. REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2017	2016
Recovery of expenses		*0*	*5*	*7*	*7*	*19*	*23*
Recovery of STABEX funds		*–*	*–*	*–*	*0*	*0*	*1*
Co-financing revenue	*3.1.1*	*–*	*–*	*42*	*1*	*42*	*(15)*
Total		**0**	**5**	**49**	**7**	**61**	**8**

The non-exchange revenue can be broken down by management mode as follows:

EUR millions

	2017	2016
Direct Management	**5**	**6**
Implemented by:		
Commission	*1*	*1*
EU delegations	*4*	*5*
Indirect Management	**56**	**2**
Implemented by :		
Third countries	*55*	*(0)*
International organisations	*2*	*2*
Public law bodies	*0*	*0*
Private law bodies with a public service mission	*(1)*	*0*
Total	**61**	**8**

3.1.1. Co-financing revenue

The co-financing contributions received fulfil the criteria of revenues from non-exchange transactions under conditions and as such should not affect the statement of financial performance. The received contributions remain under liabilities (see note **2.7.2.1**) until the conditions attached to the donated funds are met, i.e. eligible expenses are incurred (see note **3.4**). The corresponding amount is then recognised as non-exchange revenue from co-financing. Consequently the effect on the economic result of the year is nil.

3.2. REVENUE FROM EXCHANGE TRANSACTIONS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2017	2016
Financial revenue	*(0)*	*(1)*	*4*	*(0)*	*4*	*3*
Other revenue	*1*	*5*	*13*	*4*	*22*	*62*
Total	**1**	**4**	**17**	**4**	**25**	**66**

The financial revenue comprises interest from the Trust Fund and interest on pre-financing.

Other income entirely relates to the realised and unrealised foreign exchange gains.

EXPENSES

3.3. AID INSTRUMENTS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2017	2016
Programmable aid	*1*	*3*	*805*	*1 341*	*2 150*	*1 751*
Macro-economic support	–	*21*	–	–	*21*	*39*
Sectoral policy	*(0)*	*(9)*	–	–	*(9)*	*18*
Intra ACP projects	–	*0*	*417*	*694*	*1 112*	*693*
Interest rate subsidies	–	–	–	–	–	*(3)*
Emergency aid	–	*(1)*	*26*	*264*	*289*	*398*
Other aid programmes related to former EDFs	–	*(1)*	–	–	*(1)*	*1*
Institutional support	–	–	*3*	*21*	*23*	*38*
Compensation export receipts	*(0)*	*(1)*	–	–	*(1)*	*0*
Contributions to Trust Funds	–	–	–	*114*	*114*	*35*
Total	**0**	**14**	**1 251**	**2 435**	**3 700**	**2 970**

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

The increase in overall expenses on aid instruments is in line with the lifecycle of the EDF. The 11th EDF started in 2015 and 2017 was thus the third year of its existence. The 11th EDF has reached its maturity and peak with regards to the implementation of adopted actions. The number of open contracts in the 11th EDF increased from 1.3k in 2016 to 1.6k in 2017. In 2017 the value of average contracted amount increased by 51 % compared to 2016.

The sectoral policy expenses were negative in 2017 due to reversal of an invoice that was incorrectly recorded in 2016.

3.4. CO-FINANCING EXPENSES

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2017	2016
Co-financing	–	–	*42*	*1*	*42*	*(15)*

Included under this heading are the expenses incurred on co-financing projects in 2017. It should be noted that the expenses incurred include estimated amounts related to the cut-off exercise (and consequently reversals of the estimated amounts related to last year). Because the reversals of the 2015 estimated expenses (EUR 50 million) exceeded the expenses incurred in 2016 (EUR 35 million), the co-financing expenses were negative for 2016.

Corresponding revenue has been recognised in the statement of financial performance (see note **3.1.1**).

3.5. AID INSTRUMENTS AND CO-FINANCING EXPENSES BY MANAGEMENT TYPE

EUR millions

	2017	2016
Direct Management	**1 447**	**1 173**
Implemented by:		
Commission	*122*	*140*
EU executive agencies	*26*	*10*
Trust Funds	*89*	*36*
EU delegations	*1 209*	*987*
Indirect Management	**2 295**	**1 781**
Implemented by:		
EIB and EIF	*48*	*5*
International organisations	*1 171*	*821*
Private law bodies with a public service mission	*(20)*	*143*
Public law bodies	*356*	*57*
Third countries	*739*	*756*
Private law bodies implementing Public Private Partnership	*0*	*(1)*
Total	**3 742**	**2 954**

3.6. FINANCE COSTS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2017	2016
Write-down of receivables	*(1)*	*(1)*	*10*	*1*	*9*	*(4)*
Other financial expenses	*–*	*–*	*–*	*(1)*	*(1)*	*0*
Total	**(1)**	**(1)**	**10**	**0**	**8**	**(4)**

The heading write-down of receivables comprises the closure estimate of expenses on irrecoverable receivables. The 2017 estimated expenses reflect the increase of the overall write down on receivables from EUR 25 milllion to EUR 34 million (see note **2.3.1**). Because the estimate also includes reversals of the the previous year's estimation, the overall expenses were negative in 2016 (from EUR 29 million in 2015 to EUR 25 million in 2016).

3.7. OTHER EXPENSES

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2017	2016
Administrative and IT expenses	*(0)*	*0*	*1*	*106*	*107*	*129*
Provision for risks and charges	*–*	*–*	*–*	*–*	*–*	*–*
Realised losses on trade debtors	*1*	*1*	*1*	*–*	*3*	*0*
Exchange loses	*1*	*7*	*28*	*8*	*44*	*66*
Total	**2**	**9**	**29**	**114**	**154**	**196**

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.

4. CONTINGENT ASSETS & LIABILITIES AND OTHER SIGNIFICANT DISCLOSURES

4.1. CONTINGENT ASSETS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Performance guarantees	-	*4*	*6*	*0*	*10*	*9*
Retention guarantees	-	*4*	*4*	–	*8*	*7*
Total	**-**	**8**	**10**	**0**	**18**	**16**

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

Retention guarantees concern only works contracts. Typically 10 % of the interim payments to beneficiaries are withheld to ensure that the contractors fulfil their 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.

For contracts managed under the indirect mode, the guarantees belong to a contracting authority other than the EDF and they are therefore not recorded by the EDF. In 2017 those guarantees amounted to EUR 644 million.

4.2. OTHER SIGNIFICANT DISCLOSURES

4.2.1. 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 statement of financial performance. The budgetary RAL is an amount representing the 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.

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2017	31.12.2016
Outstanding commitments not yet expensed	*0*	*88*	*1 659*	*6 760*	*8 508*	*6 746*
Total	**0**	**88**	**1 659**	**6 760**	**8 508**	**6 746**

At 31 December 2017 the budgetary RAL totalled EUR 9 745 million (2016: EUR 7 665 million).

4.2.2. 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.

The Curator submitted to the CDE Executive Board at the end of June 2015 a definitive strategic plan, with a budget and work-plan, which reflected the outcome of the social dialogue. The budget of the definitive strategic plan, approved by the CDE Executive Board, was the basis for the Commission's proposal for a Financing Decision that was adopted by the EC in 2015 for a total amount of EUR 18.2 million. Subsequent to the adoption of the above Financing Decision, a grant agreement was concluded in December 2015 between the CDE and the European Commission providing the necessary financing for the realization of CDE's assets and settlement of its liabilities. This grant agreement started on 1 January 2016 and lasted until 31 December 2017.

4.2.3. The United Kingdom's withdrawal from the European Union

Background

On 23 June 2016 a majority of the citizens of the United Kingdom who voted in the referendum on membership of the European Union voted to leave the EU. On 29 March 2017 the United Kingdom formally notified the European Council of its intention to leave the EU and the European Atomic Energy Community (Euratom).

With regard to the EDF

On 19 March 2018 the Commission published a draft of the Withdrawal Agreement that outlined the progress made in the negotiations with the UK.

This draft Withdrawal Agreement states that the United Kingdom shall remain party to the EDF until the closure of the 11th EDF and all previous unclosed EDFs, and shall in this respect assume the same obligations as the Member States under the Internal Agreement by which it was set up, as well as the obligations resulting from previous EDFs until their closure. It may participate, as observer, without voting rights, in the EDF Committee.

The draft Withdrawal Agreement also states that, where the amounts from projects under the 10th EDF or from previous EDFs have not been committed or have been decommitted on the date of entry into force of this agreement, the United Kingdom's share of those amounts shall not be reused. The same applies to the United Kingdom share of funds not committed or decommitted amounts under 11th EDF after 31 December 2020.

As at 31 December 2017, there is no financial impact to be reported in the EDF financial statement. The negotiations on the United Kingdom's withdrawal from the European Union are still ongoing and, therefore, the final form of the agreement is not confirmed at this time.

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

	31.12.2017							31.12.2016						
	USD	GBP	DKK	SEK	EUR	Other	Total	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets														
Receivables and recoverables	*64*	–	–	–	*26*	*2*	*92*	*0*	–	–	–	*129*	*3*	*132*
Cash and cash equivalents	*4*	*0*	–	–	*344*	–	*347*	*2*	*0*	–	–	*678*	–	*680*
Total	**68**	**0**	**–**	**–**	**370**	**2**	**439**	**2**	**0**	**–**	**–**	**807**	**3**	**812**
Financial liabilities														
Non-current financial liabilities	–	–	–	–	*(14)*	–	*(14)*	–	–	–	–	*(6)*	–	*(6)*
Payables	*(0)*	–	–	–	*(533)*	*(30)*	*(563)*	*0*	–	–	–	*(495)*	*(54)*	*(549)*
Total	**(0)**	**–**	**–**	**–**	**(547)**	**(30)**	**(577)**	**0**	**–**	**–**	**–**	**(501)**	**(54)**	**(555)**
Total	**68**	**0**	**–**	**–**	**(177)**	**(28)**	**(138)**	**2**	**0**	**–**	**–**	**306**	**(51)**	**257**

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 in 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.

Contributions to the EDF budget are credited by each Member State to a special account opened with the financial institution designed by it. As the remuneration applied to some of these accounts may currently be negative, cash management procedures are in place to minimise balances kept on the accounts concerned. In addition, in accordance with Council Regulation (EU)2016/888, any negative remuneration on these accounts is borne by the relevant Member State.

Overnight balances held in 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
Exchange receivables and non-exchange recoverables	*92*	*92*	*0*	*–*	*–*
Total at 31.12.2017	**92**	**92**	**0**	**–**	**–**
Exchange receivables and non-exchange recoverables	*132*	*93*	*36*	*4*	*–*
Total at 31.12.2016	**132**	**93**	**36**	**4**	**–**

Financial assets by risk category:

EUR millions

	31.12.2017			31.12.2016		
	Receivables	Cash	Total	Receivables	Cash	Total
Counterparties with external credit rating						
Prime and high grade	*3*	*103*	*106*	*34*	*284*	*318*
Upper medium grade	*0*	*240*	*240*	*3*	*371*	*374*
Lower medium grade	*3*	*4*	*7*	*2*	*16*	*18*
Non- investment grade	*1*	*0*	*2*	*1*	*9*	*10*
Total	***7***	***347***	***354***	***40***	***680***	***720***
Counterparties without external credit rating						
Group 1 (debtors without defaults in the past)	*86*	*0*	*86*	*92*	*0*	*92*
Group 2 (debtors with defaults in the past)	*–*	*–*	*–*	*–*	*–*	*–*
Total	***86***	***0***	***86***	***92***	***0***	***92***
Total	**92**	**347**	**440**	**132**	**680**	**812**

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

EUR millions

	< 1 year	1-5 years	> 5 years	Total
Financial liabilities	*563*	*13*	*1*	*577*
Total at 31.12.2017	***563***	***13***	***1***	***577***
Financial liabilities	*549*	*6*	*–*	*555*
Total at 31.12.2016	***549***	***6***	***–***	***555***

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 Bêkou, Africa EU Trust Funds and the European Commission. 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 7.2 "Key management entitlements".

7. EVENTS AFTER THE BALANCE SHEET DATE

At the date of signing of these accounts, no material issues had come to the attention of or were reported to the Accounting Officer of the EDF 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

	2017	2016
ECONOMIC RESULT OF THE YEAR	**(3 818)**	**(3 073)**
Revenue		
Entitlements not affecting the budget result	*(7)*	*(2)*
Entitlements established in current year but not yet collected	*(3)*	*(7)*
Entitlements established in previous years and collected in current year	*29*	*16*
Net effect of pre-financing	*57*	*41*
Accrued revenue (net)	*(62)*	*8*
Other	*(2)*	*(5)*
Expenses		
Expenses of the current year not yet paid	*19*	*22*
Expenses of previous years paid in the current year	*(60)*	*(88)*
Net effect of pre-financing	*(685)*	*(459)*
Accrued expenses (net)	*373*	*256*
BUDGET RESULT OF THE YEAR	**(4 158)**	**(3 291)**

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 EU TRUST FUNDS CONSOLIDATED IN EDF

ANNUAL ACCOUNTS OF THE BÊKOU EU TRUST FUND 2017

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

BACKGROUND INFORMATION ON THE BÊKOU EU TRUST FUND

General background on Union Trust Funds

A trust fund is a legal arrangement with a distinct financial structure that pools the funds of several donors to jointly finance an action on the basis of commonly agreed objectives and reporting formats.

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 (EDF FR), the Commission is authorised to create Union Trust Funds for external actions (EUTF). The EUTFs are created under an agreement concluded with other donors (at least one external donor) to respond to emergency, post-emergency or thematic actions. The establishment of an EUTF needs to be justified namely by EU added value (its objectives can be better met at EU than at national level), and complimentarity (the trust fund should not duplicate already existing and similar instruments).

The European Commission submits the draft decision to establish an EUTF to the competent committee defined in the basic act governing the instrument that provides the EU's financial contribution to the new Trust Fund. The consultation of the Committees ensures an adequate involvement of the Council in the establishment of any EUTF. The proposal for the revision of the Financial Regulation addresses the need for greater involvement of the European Parliament in the creation of EUTFs (Article 227(1)) and reporting on their activities (Article 244).

After the adoption of the establishment and financing decisions, the constitutive act of the EUTF is signed by the European Commission and the donors. The constitutive act details the main features of the EUTF, such as its specific objectives, the rules for the composition and the internal rules of its board, as well as the duration. EUTFs are created for a limited duration, which is, together with its objectives, defined by the constitutive act of each trust fund. In accordance with Article 187 of the EU FR, the EUTF has specific governance arrangements and contributions are placed outside the EU budget.

EUTFs offer a number of advantages: they are EU led instruments, offering better coordination with EU Member States; better control of operations by the Union and other donors and enhanced EU visibility. Trust Funds benefit from fast decision-making processes and from their capacity to pool larger sums from different sources making them a flexible, proactive and adaptable tool.

EUTFs are managed by the Commission under the responsibility of the authorising officer by delegation who provides assurance on the use of the funds to the Commission and to third donors. The EUTF manager is the authorising officer by sub-delegation. As is the case for the European Development Fund, the accounting officer of a EUTF is the accounting officer of the Commission, who is responsible for laying down accounting procedures and chart of accounts common to all EUTFs.

The European Parliament and/or the Council may request the Commission to discontinue the appropriations for the Trust Fund or revise the constitutive act with a view to liquidate it.

Current EU Trust Funds

To date, the Commission has set up four EUTFs:

- The **BÊKOU EUTF**, whose objective is to support all aspects of the Central African Republic's exit from crisis and its reconstruction efforts. Established on 15 July 2014;

- The **MADAD EUTF**, a European Union Regional Trust Fund in response to the Syrian crisis. Established on 15 December 2014;

- The **AFRICA EUTF**; a European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa. Established on 12 November 2015;

- The **COLOMBIA EUTF**; to support the implementation of the peace agreement in the early recovery and stabilisation post conflict. Established on 12 December 2016.

Further information is available on the websites of individual EUTFs:

Bekou - http://ec.europa.eu/europeaid/bekou-trust-fund-introduction_en

Madad - http://ec.europa.eu/enlargement/neighbourhood/countries/syria/madad/index_en.htm

Africa - http://ec.europa.eu/europeaid/regions/africa/eu-emergency-trust-fund-africa_en

Colombia -http://ec.europa.eu/europeaid/eu-trust-fund-colombia_en

The Bêkou Trust Fund

The first multi-donor EU Trust Fund called Bêkou, which means 'hope' in Sango, was established on 15 July 2014, by the Commission (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 (CAR). It has been established for a maximum duration of 60 months. The trust fund is managed from Brussels.

The Trust Fund Board and the Operational Committee of the Bêkou EU Trust Fund are composed of representatives of the donors, of the Commission and observers.

The Board adopts and reviews the strategy of the EUTF. The Board shall meet at least once a year.

The Operational Committee examines, approves and supervises the implementation of the actions financed by the Fund. The Committee also approves the annual accounts and the annual reports on the activities financed by the Trust Fund.

Annual accounts of the Bêkou Trust Fund

According to Article 8 of the Agreement establishing the European Union Trust Fund for the Central African Republic, the 'Bêkou EU Trust Fund' and article 11.2.1 of the Constitutive agreement, the annual accounts comprise two parts: (1) The annual financial report prepared by the EUTF manager and (2) The annual financial statements prepared by the Commission's Accounting Officer, who is, based on the same article also the Accounting Officer of the trust fund.

According to Article 8 of the Constitutive agreement the financial statements shall be prepared in accordance with the accounting rules adopted by the Commission's Accounting Officer (EU Accounting Rules, EAR) that are based on the International Public Sector Accounting Standards (IPSAS).

The annual accounts are subject to independent external audit and the final annual accounts are submitted by the EUTF manager and the Accounting Officer to the Operational Committee for approval (Article 8.3.4(c)).

Highlights of the year

The EU launched its first ever Trust Fund, named Bêkou, in July 2014 to help the Central Africa Republic and its population overcome the consequences of the crisis in ensuring access to basic services, in re-launching economic recovery and job creation, and in supporting reconciliation.

In 2017, the Bêkou EUTF adopted its operational strategy for the period 2017-2019, which focuses on: (i) rural development; (ii) support to the health sector; (iii) redeployment of public services and (iv) reconciliation. Priorities have been aligned with the "Plan national de Relèvement et de Consolidation de la Paix" (RCPCA) and the National Indicative Programme (NIP) for the Central African Republic (signed in June 2017) and ownership by national authorities will be enhanced. In 2017, The Bêkou EUTF has adopted actions for a total amount of EUR 52.3 million in the sectors of rural resilience and job creation, health, support to the return of internally displaced people (IDPs) and refugees, light infrastructure, water and sanitation. The indicated amount covers newly adopted programmes, as well as several revisions of already adopted actions.

The Bêkou EUTF encompasses 15 programmes since its creation. In terms of contracts, the Bêkou EUTF signed 15 new contracts in 2017 for a total amount of nearly EUR 20 million, which contribute to the implementation of its programmes in the sectors of health, food security, gender empowerment and wildlife conservation. Moreover, amounts committed to some spending areas have increased to implement the adopted programme revisions; in particular, an increase of EUR 12 million for the spending area "Basic health care".

Pledges by its contributors amounted to more than EUR 236 million by the end of 2017. This is an increase of EUR 63 million compared to year 2016. However, EUR 56 million out of these EUR 236 million remain to be certified.

Furthermore, more than EUR 18 million was paid on top of payments made during previous years; total disbursements have reached over EUR 61 million since the creation of Bêkou EUTF.

In the financial statements, the most important movements can be found in:
- Pre-financing: a decrease of kEUR 7 912 as less contracts have an open pre-financed amount;
- Operating expenses: An increase of kEUR 12 486 illustrating the maturity of the Trust Fund and the increased activities in the fields of urban development and basic and primary health care.

BALANCE SHEET

EUR '000

	31.12.2017	31.12.2016
NON-CURRENT ASSETS		
Pre-financing	*686*	*3 604*
	686	**3 604**
CURRENT ASSETS		
Pre-financing	*7 465*	*12 458*
Exchange receivables and non-exchange recoverables	*877*	*1 455*
Cash and cash equivalents	*39 943*	*43 036*
	48 285	**56 949**
TOTAL ASSETS	***48 971***	***60 554***
NON-CURRENT LIABILITIES		
Financial liabilities	*(44 720)*	*(59 339)*
	(44 720)	**(59 339)**
CURRENT LIABILITIES		
Payables	*(716)*	*(0)*
Accrued charges and deferred revenue	*(3 536)*	*(1 215)*
	(4 252)	**(1 215)**
TOTAL LIABILITIES	***(48 971)***	***(60 554)***
NET ASSETS	**–**	**-**
FUNDS & RESERVES		
Accumulated surplus	–	–
Economic result of the year	–	–
NET ASSETS	**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	2017	2016
REVENUE		
Revenue from non-exchange transactions		
Revenue from donations	*29 620*	*17 232*
	29 620	**17 232**
Revenue from exchange transactions		
Financial revenue	*1*	*48*
	1	**48**
Total Revenue	**29 621**	**17 280**
EXPENSES		
Operating expenses	*(28 918)*	*(16 432)*
Other expenses	*(703)*	*(848)*
Total Expenses	**(29 621)**	**(17 280)**
ECONOMIC RESULT OF THE YEAR	**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2017	2016
Economic result of the year	*–*	*–*
Operating activities		
(Increase)/decrease in pre-financing	*7 912*	*(6 569)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*578*	*(91)*
Increase/(decrease) in financial liabilities	*(14 620)*	*(3 786)*
Increase/(decrease) in payables	*716*	*0*
Increase/(decrease) in accrued charges and deferred revenue	*2 321*	*1 021*
NET CASHFLOW	**(3 092)**	**(9 425)**
Net increase/(decrease) in cash and cash equivalents	*(3 092)*	*(9 425)*
Cash and cash equivalents at the beginning of the year	*43 036*	*52 461*
Cash and cash equivalents at year-end	*39 943*	*43 036*

STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Accumulated surplus/ (deficit)	Economic result of the year	Net assets
BALANCE AS AT 31.12.2016	**–**	**–**	**–**
Economic result of the year	–	–	–
BALANCE AS AT 31.12.2017	**–**	**–**	**–**

ANNUAL ACCOUNTS OF THE EUTF FOR AFRICA 2017

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

BACKGROUND INFORMATION ON THE EUTF FOR AFRICA

General background on Union Trust Funds

A trust fund is a legal arrangement with a distinct financial structure that pools the funds of several donors to jointly finance an action on the basis of commonly agreed objectives and reporting formats.

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 (EDF FR), the Commission is authorised to create Union Trust Funds for external actions (EUTF). The EUTFs are created under an agreement concluded with other donors (at least one external donor) to respond to emergency, post-emergency or thematic actions. The establishment of an EUTF needs to be justified namely by EU added value (its objectives can be better met at EU than at national level), and complimentarity (the trust fund should not duplicate already existing and similar instruments).

The European Commission submits the draft decision to establish an EUTF to the competent committee defined in the basic act governing the instrument that provides the EU's financial contribution to the new Trust Fund. The consultation of the Committees ensures an adequate involvement of the Council in the establishment of any EUTF. The proposal for the revision of the Financial Regulation addresses the need for greater involvement of the European Parliament in the creation of EUTFs (Article 227(1)) and reporting on their activities (Article 244).

After the adoption of the establishment and financing decisions, the constitutive act of the EUTF is signed by the European Commission and the donors. The constitutive act details the main features of the EUTF, such as its specific objectives, the rules for the composition and the internal rules of its board, as well as the duration. EUTFs are created for a limited duration, which is, together with its objectives, defined by the constitutive act of each trust fund. In accordance with Article 187 of the EU FR, the EUTF has specific governance arrangements and contributions are placed outside the EU budget.

EUTFs offer a number of advantages: they are EU led instruments, offering better coordination with EU Member States; better control of operations by the Union and other donors and enhanced EU visibility. Trust Funds benefit from fast decision-making processes and from their capacity to pool larger sums from different sources making them a flexible, proactive and adaptable tool.

EUTFs are managed by the Commission under the responsibility of the authorising officer by delegation who provides assurance on the use of the funds to the Commission and to third donors. The EUTF manager is the authorising officer by sub-delegation. As is the case for the European Development Fund, the accounting officer of a EUTF is the accounting officer of the Commission, who is responsible for laying down accounting procedures and chart of accounts common to all EUTFs.

The European Parliament and/or the Council may request the Commission to discontinue the appropriations for the Trust Fund or revise the constitutive act with a view to liquidate it.

Current EU Trust Funds

To date, the Commission has set up four EUTFs:

- The **BÊKOU EUTF**, whose objective is to support all aspects of the Central African Republic's exit from crisis and its reconstruction efforts. Established on 15 July 2014;

- The **MADAD EUTF**, a European Union Regional Trust Fund in response to the Syrian crisis. Established on 15 December 2014;

- The **AFRICA EUTF**; a European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa. Established on 12 November 2015;

- The **COLOMBIA EUTF**; to support the implementation of the peace agreement in the early recovery and stabilisation post conflict. Established on 12 December 2016.

Further information is available on the websites of individual EUTFs:

Bekou - http://ec.europa.eu/europeaid/bekou-trust-fund-introduction_en

Madad - http://ec.europa.eu/enlargement/neighbourhood/countries/syria/madad/index_en.htm

Africa - http://ec.europa.eu/europeaid/regions/africa/eu-emergency-trust-fund-africa_en

Colombia -http://ec.europa.eu/europeaid/eu-trust-fund-colombia_en

The EUTF for Africa

European Union Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa ('EUTF for Africa') was launched on 12 November 2015 during the Valletta Summit on Migration. The main objectives of this trust fund is to support all aspects of stability and contribute to better migration management as well as addressing the root causes of destabilisation, forced displacement and irregular migration, in particular by promoting resilience, economic and equal opportunities, security and development and addressing human rights abuses.

The trust fund operates in three main geographic areas, namely the Sahel region and Lake Chad area, the Horn of Africa and the North of Africa but also the neighbouring countries of the eligible countries may benefit, on a case by case basis, from the Trust fund's project. The Trust Fund is established for a limited period, until 31 December 2020 in order to provide a short and medium-term response to the challenges of the regions. The trust fund is managed from Brussels.

The Trust Fund Board and the Operational Committee of the EUTF for Africa are composed of representatives of the donors and of the Commission, as well as representatives of non-contributing EU Member States, authorities of eligible countries' and regional organisations as observers.

The Board establishes and reviews the strategy of the EUTF. The Board shall meet at least once a year.

The Operational Committee examines, approves and supervises the implementation of the actions financed by the Fund. The Committee also approves the annual accounts and the annual reports on the activities financed by the Trust Fund.

Annual accounts of the EUTF for Africa

According to Article 7 of 'The agreement establishing the European Union emergency trust fund for stability and addressing root causes of irregular migration and displaced persons in Africa and its internal rules' ('Constitutive agreement') the annual accounts comprise two parts: (1) The annual financial report prepared by the EUTF manager and (2) The annual financial statements prepared by the EC Accounting Officer, who is, based on the same article also the Accounting Officer of the trust fund.

According to Article 8 of the Consitutive agreement the financial statements shall be prepared in accordance with the accounting rules adopted by the Commission's Accounting Officer (EU Accounting Rules, EAR) that are based on the International Public Sector Accounting Standards (IPSAS).

The annual accounts are subject to independent external audit and the final annual accounts are submitted by the EUTF manager and the Accounting Officer to the Operational Committee for approval (Article 8.3.4(c)).

Highlights of the year

As of 31 December 2017, resources allocated to the EU Trust Fund for Africa amount to approximately EUR 3 330 million: over EUR 2 900 million from the European Development Fund (EDF) and EU financial instruments including DCI, ENI, HOME and ECHO funding, and EUR 378.8 million from EU Member States and other donors (Switzerland and Norway), of which EUR 340.9 million have been paid as of 31 December 2017.

In the course of 2017, resources from the EDF and the EU budget have increased by approximately EUR 525 million (EUR 245 million from EDF, EUR 230 million from DCI and EUR 50 million from DG HOME funding) which represents an increase of almost 22 %. But, more importantly, as a result of the strong call for additional funding by the Commission and the European Council, resources pledged by EU Member States and other donors have significantly increased in 2017 by EUR 226.4 million (148.5 %), going from EUR 152.4 million at the end of December 2016 to EUR 378.8 million at the end of 2017. This remarkable increase of EU Member States contributions has mainly focussed on the North of Africa region.

As of 31 December 2017, a total of 143 projects worth EUR 2 388 million have been approved for the Sahel and Lake Chad, the Horn of Africa and the North of Africa regions. Of the total amount approved, 210 contracts have been signed with implementing partners for an amount of over EUR 1 502 million (63 % of the approved funding). In 2017, the EUTF for Africa focused on deploying activities at country and regional level to address the compelling needs of African partner countries while further translating the Trust Fund's strategic priorities into action. During the year, 40 new programmes have been approved in the three regions, bringing the total of approved programmes at the end of 2017 to 143 including 3 which operate across several regions. With EUR 900 million contracted, the implementation pace of the EUTF for Africa has significantly improved in 2017. An overall amount of EUR 1.5 billion has been signed with implementing partners since the inception of the Trust Fund. The Trust Fund for Africa has further intensified its efforts aimed at creating economic and employment opportunities, notably in the countries of origin, and to develop sustainable development opportunities in the countries of transit encouraging people to abandon activities linked to illegal migration. It is expected that in total over half a million people will have a job, receive vocational training or assistance to develop a business with the assistance of the EUTF for Africa. In 2017, the EUTF for Africa has offered protection and assistance to more than 13 000 migrants and the capacities of 1 500 governmental entities have been strengthened in order to fight against the smuggling of migrants and trafficking of human beings.

In the financial statements, the impact of this increased activity is most visible when looking at:

- Pre-financing: an increase of kEUR 134 662 (+117 %). This is comparable with the amounts contracted, which increased from EUR 600 million in 2016 to 1 502 million in 2017.
- Cash and cash equivalents: an increase of kEUR 147 691 due to the new funds received.

Expenses: An increase of kEUR 226 956 illustrating the increased activities of the Trust Fund after the start-up year 2016.

BALANCE SHEET

EUR '000

	31.12.2017	31.12.2016
NON-CURRENT ASSETS		
Pre-financing	*52 990*	*44 854*
	52 990	**44 854**
CURRENT ASSETS		
Pre-financing	*197 258*	*70 731*
Exchange receivables and non-exchange recoverables	*3 020*	*9 476*
Cash and cash equivalents	*162 571*	*14 879*
	362 849	**95 086**
TOTAL ASSETS	***415 838***	***139 941***
NON-CURRENT LIABILITIES		
Financial liabilities	*(396 713)*	*(138 502)*
	(396 713)	**(138 502)**
CURRENT LIABILITIES		
Payables	*(526)*	*(702)*
Accrued charges and deferred revenue	*(18 600)*	*(736)*
	(19 126)	**(1 439)**
TOTAL LIABILITIES	***(415 838)***	***(139 941)***
NET ASSETS	**-**	**–**
FUNDS & RESERVES		
Accumulated surplus	–	–
Economic result of the year	–	–
NET ASSETS	**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	2017	2016
REVENUE		
Revenue from non-exchange transactions		
Revenue from donations	*279 027*	*52 246*
	279 027	**52 246**
Revenue from exchange transactions		
Financial revenue	*2*	*54*
Other revenue	*270*	*43*
	271	**97**
Total Revenue	**279 299**	**52 343**
EXPENSES		
Operating expenses	*(271 669)*	*(49 042)*
Other expenses	*(7 630)*	*(3 301)*
Total expenses	**(279 299)**	**(52 343)**
ECONOMIC RESULT OF THE YEAR	**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2017	2016
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*(134 662)*	*(115 585)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*6 456*	*(9 476)*
Increase/(decrease) in financial liabilities	*258 211*	*105 860*
Increase/(decrease) in payables	*(177)*	*702*
Increase/(decrease) in accrued charges and deferred revenue	*17 864*	*736*
NET CASHFLOW	**147 691**	**(17 763)**
Net increase/(decrease) in cash and cash equivalents	*147 691*	*(17 763)*
Cash and cash equivalents at the beginning of the year	*14 879*	*32 642*
Cash and cash equivalents at year-end	*162 571*	*14 879*

STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Accumulated surplus/ (deficit)	Economic result of the year	Net assets
BALANCE AS AT 31.12.2016	**–**	**–**	**–**
Economic result of the year	–	–	–
BALANCE AS AT 31.12.2017	**–**	**–**	**–**

CONSOLIDATED FINANCIAL STATEMENTS OF THE EDF AND THE EU TRUST FUNDS

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
	31.12.2017	31.12.2016
NON-CURRENT ASSETS		
Pre-financing	*636*	*457*
	636	***457***
CURRENT ASSETS		
Pre-financing	*1 723*	*1 455*
Exchange receivables and non-exchange recoverables	*96*	*143*
Cash and cash equivalents	*550*	*738*
	2 369	**2 336**
TOTAL ASSETS	**3 005**	**2 794**
NON-CURRENT LIABILITIES		
Provisions	*(4)*	*(4)*
Financial liabilities	*(292)*	*(106)*
	(296)	***(110)***
CURRENT LIABILITIES		
Payables	*(564)*	*(549)*
Accrued charges and deferred income	*(755)*	*(778)*
	(1 319)	**(1 327)**
TOTAL LIABILITIES	**(1 615)**	**(1 436)**
NET ASSETS	**1 389**	**1 357**
FUNDS & RESERVES		
Called fund capital - active EDFs	*46 173*	*42 323*
Called fund capital from closed EDFs carried forward	*2 252*	*2 252*
Economic result carried forward from previous years	*(43 219)*	*(40 146)*
Economic result of the year	*(3 818)*	*(3 073)*
NET ASSETS	**1 389**	**1 357**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	2017	2016
REVENUE		
Revenue from non-exchange transactions		
Recovery activities	*61*	*8*
Revenue from trust funds donations	*194*	*35*
	255	***43***
Revenue from exchange transactions		
Financial revenue	*4*	*4*
Other revenue	*22*	*62*
	26	**66**
Total Revenue	**281**	**108**
EXPENSES		
Aid instruments	*(3 585)*	*(2 935)*
Expenses implemented by trust funds	*(301)*	*(65)*
Co-financing expenses	*(42)*	*15*
Finance costs	*(8)*	*4*
Other expenses	*(162)*	*(200)*
Total Expenses	**(4 099)**	**(3 181)**
ECONOMIC RESULT OF THE YEAR	**(3 818)**	**(3 073)**

CONSOLIDATED CASH FLOW STATEMENT

EUR milions

	2017	2016
Economic result of the year	*(3 818)*	*(3 073)*
Operating activities		
Capital increase - contributions	*3 850*	*3 450*
(Increase)/decrease in trust funds contributions	*–*	*(0)*
(Increase)/decrease in pre-financing	*(446)*	*(242)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*47*	*29*
Increase/(decrease) in financial liabilities	*186*	*34*
Increase/(decrease) in payables	*15*	*29*
Increase/(decrease) in accrued charges and deferred income	*(22)*	*(78)*
NET CASHFLOW	**(188)**	**149**
Net increase/(decrease) in cash and cash equivalents	*(188)*	*149*
Cash and cash equivalents at the beginning of the year	*738*	*589*
Cash and cash equivalents at year-end	*550*	*738*

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

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)	Total Net Assets (C)+(D)+(E)
BALANCE AS AT 31.12.2015	**73 464**	**34 590**	**38 873**	**(40 146)**	**2 252**	**980**
Capital increase - contributions		*(3 450)*	*3 450*	*–*	*–*	*3 450*
Economic result of the year	*–*	*–*	*–*	*(3 073)*	*–*	*(3 073)*
BALANCE AS AT 31.12.2016	**73 464**	**31 140**	**42 323**	**(43 219)**	**2 252**	**1 357**
Capital increase - contributions		*(4 050)*	*4 050*			*4 050*
Refund to Member States	*(200)*		*(200)*			*(200)*
Economic result of the year			*–*	*(3 818)*		*(3 818)*
BALANCE AS AT 31.12.2017	**73 264**	**27 090**	**46 173**	**(47 037)**	**2 252**	**1 389**

EDF REPORT ON FINANCIAL IMPLEMENTATION

1. INTRODUCTORY NOTE

1.1. Closed 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 2017, 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.

2. 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 to be 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.

The actual credits available (see table **1.3**) differ from the above due to: decommitments from previous EDFs, interest and co-financing.

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.

3. 11th EDF

The Internal Agreement on the financing of Union 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 Union on August 2013, entered into force on March 2015.

Under the Cotonou Agreement, the third period (2014-2020) of Union aid to the ACP States and OCTs is to be 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.

The actual credits available (see table **1.4**) differ from the above due to the same reasons as mentioned under the 10th EDF above.

Remaining funds on non-mobilisable performance reserves at 31 December 2017

The amounts decommitted from projects under the ninth and previous EDFs are transferred to the performance reserve of the 10th EDF, with the exception of Stabex funds.

The decommited funds from projects under the 10th EDF are transferred to the performance reserve of the 11th EDF.

During 2017, all decommitted funds from previous EDFs were transferred to the respective reserves.

In accordance with article 1.4 of the 11th EDF Internal Agreement and the Council Decision of 2 August 2016 (2016/1337), an amount of decommitted funds from the 10th EDF shall be allocated for the purpose of replenishing the African Peace Facility for the period 2016-2018 up to a maximum of EUR 491 million and up to EUR 16 million for support of expenditure.

In accordance with article 1.4 of the 11th EDF Internal Agreement and the Council Decision of 4 July 2017 (2017/1206), the shares of Member States' contributions set out in Article 1(2)(a) of the Internal Agreements of the Eighth and Ninth EDF shall be reduced accordingly for an amount of EUR 200 million from funds decommitted under the Eighth and the Ninth EDF.

EUR millions

Total available on non-mobilisable performance reserves at 31.12.2017	
Non-mobilisable reserve from decommitted funds under the eighth, and ninth EDF at 31.12.2017	309.1
Non-mobilisable reserve from decommitted funds under the 10th EDF at 31.12.2017	206.0
Total available on non-mobilisable performance reserves at 31.12.2017	515.1

- EDF Co-financings

Under the 10th and 11th EDFs, transfer agreements for co-financings from Member States were signed, and commitment appropriations were opened for a total amount of EUR 228.5 million, while payment appropriations were opened for the cashed amounts totalling EUR 211.2 million.

The situation of co-financing appropriations at 31.12.2017 is shown in the table below:

EUR millions

	Commitments appropriations	Payment appropriations
Co-financing - A Envelope	208.8	191.9
Co-financing - Intra ACP	13.4	13.4
Co-financing – Administrative expenses	6.3	5.9
	228.5	**211.2**

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

Eight EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2017
ANALYSIS OF CREDITS PER INSTRUMENT

EUR millions

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2016	INCREASE OR DECREASE IN RESOURCES IN 2017	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Lomé**					
	Regular MS Contributions	**12,967**	**(3,272)**	**(6)**		**9,689**
	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	(298)	(3)	(1)	69
	Risk capital	1,000	15			1,015
	Stabex	1,800	(1,077)			723
	Structural adjustment	1,400	97			1,497
	Sysmin	575	(474)			101
	Total indicative programmes	7,562	(2,605)	(3)	(1)	4,954
	Utilisation of interest income	0	35			35
	Cotonou					
	Regular MS Contributions	**0**	**650**	**(0)**		**650**
	A Envelope - National Allocations	0	417	(0)	(1)	417
	B Envelope - National Allocations	0	233	(0)	(1)	233
	Interests and other receipts	0	0			0
	SUB TOTAL ACP	**12,967**	**(2,621)**	**(6)**		**10,339**

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2016	INCREASE OR DECREASE IN RESOURCES IN 2017	Notes	CURRENT LEVEL APPROPRIATION
OCT	**Lomé**					
	Regular MS Contributions	**0**	**46**	**(1)**		**46**
	Interest-rate subsidies	0	1			1
	Risk capital	0	6			6
	Stabex	0	1			1
	Sysmin	0	2			2
	Total indicative programmes	0	36	(1)	(1)	35
	SUB TOTAL OCT	**0**	**46**	**(1)**		**46**
TOTAL 8th EDF		**12,967**	**(2,575)**	**(7)**		**10,385**

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

Table 1.2

Ninth EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2017
ANALYSIS OF CREDITS PER INSTRUMENT

EUR millions

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2016	INCREASE OR DECREASE IN RESOURCES IN 2017	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Lomé**					
	Regular MS Contributions	**0**	**672**	**(2)**		**669**
	Transfers from 6th EDF - Lomé	0	20	(0)	(1)	20
	Transfers from 7th EDF - Lomé	0	651	(2)	(1)	649
	Cotonou					
	Regular MS Contributions	**8,919**	**5,583**	**(34)**		**14,468**
	A Envelope - National Allocations	5,318	3,319	(13)	(1)	8,624
	B Envelope - National Allocations	2,108	(896)	(2)	(1)	1,210
	CDE, CTA and Parliamentary Assembly	164	(10)			154
	Implementation costs	125	52			177
	Interests and other receipts	0	63			63
	Other Intra-ACP allocations	300	2,314	(13)	(1)	2,602
	Peace facility	0	354			354
	Regional allocations	904	(134)	(5)	(1)	765
	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
	SUB TOTAL ACP	**8,919**	**6,255**	**(36)**		**15,138**

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2016	INCREASE OR DECREASE IN RESOURCES IN 2017	Notes	CURRENT LEVEL APPROPRIATION
OCT	**Lomé**					
	Regular MS Contributions	**0**	**3**			**3**
	Transfers from 6th EDF - Lomé	0	0			0
	Transfers from 7th EDF - Lomé	0	3			3
	Cotonou					
	Regular MS Contributions	**0**	**290**	**(1)**		**289**
	A Envelope - National Allocations	0	237	(0)	(1)	237
	B Envelope - National Allocations	0	4			4
	Regional allocations	0	48	(1)	(1)	47
	Studies / Technical assistance OCT	0	1			1
	SUB TOTAL OCT	**0**	**293**	**(1)**		**292**
	TOTAL 9th EDF	**8,919**	**6,548**	**(37)**		**15,430**

(1) All decreases are decommitments 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)

Table 1.3

10th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2017
ANALYSIS OF CREDITS PER INSTRUMENT

EUR millions

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2016	INCREASE OR DECREASE IN RESOURCES IN 2017	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Regular MS Contributions**	**20,896**	**233**	**(120)**		**21,009**
	A Envelope - National Allocations	0	13,244	(144)	(2)	13,100
	A Envelope reserve	13,500	(13,500)			0
	B Envelope - National Allocations	0	2,015	(11)	(2)	2,004
	B Envelope reserve	1,800	(1,800)			0
	Implementation costs	430	15	(0)	(2)	445
	Institutional and support expenditure	0	232	(0)	(2)	232
	Interests and other receipts	0	84	2	(2)	85
	Intra-ACP Reserve	2,700	(2,700)			0
	National allocations Reserve A Envelope STABEX	0	0			0
	NIP/RIP reserve	683	(683)			0
	Non-mobilisable reserve	0	243	43	(2)	286
	Other Intra-ACP allocations	0	1,889	(3)	(2)	1,886
	Peace facility	0	1,014			1,014
	Regional allocations	0	1,962	(5)	(2)	1,956
	Regional allocations reserve	1,783	(1,783)			0
	Co-financing	**0**	**204**	**0**		**204**
	A Envelope - National Allocations	0	187		(3)	187
	Implementation costs	0	5		(3)	5
	Other Intra-ACP allocations	0	12		(3)	12
	Peace facility	0	1		(3)	1
	SUB TOTAL ACP	**20,896**	**437**	**(120)**		**21,213**

INSTRUMENT		INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2016	INCREASE OR DECREASE IN RESOURCES IN 2017	Notes	CURRENT LEVEL APPROPRIATION
OCT	**Regular MS Contributions**	**0**	**275**	**0**		**275**
	A Envelope - National Allocations	0	193	(1)	(2)	192
	A Envelope reserve	0	0			0
	B Envelope - National Allocations	0	15	(0)	(2)	15
	B Envelope reserve	0	0			0
	National allocations Reserve A Envelope STABEX	0	0			0
	Non-mobilisable reserve	0	21	2	(2)	23
	Regional allocations	0	40			40
	Regional allocations reserve	0	0			0
	Studies / Technical assistance OCT	0	5	(0)	(2)	5
	SUB TOTAL OCT	**0**	**275**	**0**		**275**
TOTAL 10th EDF		**20,896**	**712**	**(120)**		**21,488**

(1) Transfer in decommitments from projects of the 9th and previous EDF's 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 transfered to 9th EDF).

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

(3) For the co-financing, the table only presents the commitment appropriations

Table 1.4

11th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2017
ANALYSIS OF CREDITS PER INSTRUMENT

EUR millions

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2016	INCREASE OR DECREASE IN RESOURCES IN 2017	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Regular MS Contributions**	**29,008**	**54**	**170**		**29,232**
	A Envelope - National Allocations	0	15,115	425		15,540
	B Envelope - National Allocations	0	648	67		715
	B Envelope reserve	0	0			0
	Implementation costs	1,053	0			1,053
	Institutional and support expenditure	0	246			246
	Interests and other receipts	0	16	0		16
	Intra-ACP Reserve	3,590	(3,387)	(110)		93
	National allocations Reserve A Envelope STABEX	0	0	0		0
	NIP/RIP reserve	24,365	(20,937)	(1,077)		2,351
	Non-mobilisable reserve	0	31	170	(1)	201
	Other Intra-ACP allocations	0	2,241	10		2,251
	Peace facility	0	900	100		1,000
	Regional allocations	0	5,181	585		5,766
	Co-financing	**0**	**5**	**20**		**24**
	A Envelope - National Allocations	0	3	19		22
	Implementation costs	0	0	1		1
	Peace facility	0	1			1
	EC Internal SLA	**0**	**1**	**0**		**1**
	A Envelope - National Allocations	0	1	0		1
	SUB TOTAL ACP	**29,008**	**60**	**190**		**29,257**

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2016	INCREASE OR DECREASE IN RESOURCES IN 2017	Notes	CURRENT LEVEL APPROPRIATION
OCT	**Regular MS Contributions**	**0**	**363**	**(5)**		**358**
	A Envelope - National Allocations	0	41	142		183
	NIP/RIP reserve	0	316	(151)		165
	Non-mobilisable reserve	0	3	1	(1)	5
	Regional allocations	0	0	1		1
	Studies / Technical assistance OCT	0	3	2		5
	Co-financing	**0**	**0**	**0**		**0**
	A Envelope - National Allocations	0	0	0		0
	EC Internal SLA	**0**	**0**	**0**		**0**
	A Envelope - National Allocations	0	0	0		0
	SUB TOTAL OCT	**0**	**363**	**(5)**		**358**
	Regular MS Contributions	**0**	**0**	**6**		**6**
	A Envelope - National Allocations	0	0	6		6
	SUB TOTAL	**0**	**0**	**6**		**6**
	TOTAL 11th EDF	29,008	423	191		29,621

(1) Council Decision No 2013/759/EU (3) established transitional European Development Fund (EDF) management measures ('Bridging Facility') to ensure the availability of funds for cooperation with African, Caribbean and Pacific (ACP) States and with Overseas Countries and Territories (OCTs), as well as for support expenditure, from 1 January 2014 until the entry into force of the 11th EDF Internal Agreement

Table 2.1

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2017
PROGRESS REPORT

EUR millions

	ALLOCATION	EDF 8	EDF 9	EDF 10	EDF 11	TOTAL
Lomé	Sundry Income	35				35
	Total indicative programmes	4,989				4,989
	Total Non-Programmable Aid	4,711				4,711
	Transfers from other funds		672			672
	SUB TOTAL: REGULAR MS CONTRIBUTIONS	9,735	672			10,407
Cotonou	A Envelope - National Allocations	417	8,861	13,292	15,729	38,299
	B Envelope - National Allocations	233	1,215	2,019	715	4,181
	Bridging facility				(0)	(0)
	CDE, CTA and Parliamentary Assembly		154			154
	Country reserve			0	0	0
	Implementation Costs and Interests Revenues	0	240	536	1,073	1,849
	Intra-ACP allocations		2,955	3,132	3,497	9,584
	Intra-ACP Reserve			0	93	93
	National allocations Reserve A Envelope STABEX			0	0	0
	NIP/RIP reserve			0	2,515	2,515
	Non-mobilisable reserve			309	206	515
	Regional allocations		812	1,996	5,767	8,575
	Regional allocations reserve			0		0
	Special allocation R.D. Congo		105			105
	Special allocation South Sudan		267			267
	Special allocation Sudan		110			110
	Voluntary contribution Peace facility		39			39
	SUB TOTAL: REGULAR MS CONTRIBUTIONS	650	14,758	21,284	29,596	66,287
	A Envelope - National Allocations				1	1
	SUB TOTAL: EC INTERNAL SLA				1	1
	A Envelope - National Allocations			187	22	209
	Implementation Costs and Interests Revenues			5	1	6
	Intra-ACP allocations			12	1	13
	SUB TOTAL: CO-FINANCING			204	24	229
	TOTAL	10,385	15,430	21,488	29,621	76,924

Decisions		Aggregate Total		Cummulative Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures
	EDF	At 31/12/2017	% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	8	10,382	100%	10,786	(42)	(45)	(60)	(64)	(98)	(63)	(12)	(13)	(9)
	9	15,391	100%	16,633	(54)	(116)	(9)	(297)	(72)	(381)	(170)	(104)	(38)
	10	21,052	98%	4,766	3,501	2,349	3,118	3,524	4,131	(95)	(156)	(80)	(5)
	11	19,027	64%							1,160	5,372	6,688	5,807
Total		**65,852**		**32,185**	**3,405**	**2,187**	**3,049**	**3,163**	**3,961**	**621**	**5,034**	**6,491**	**5,754**
Assigned Funds		Aggregate Total		Cummulative Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures
	EDF	At 31/12/2017	% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	8	10,376	100%	10,541	(42)	8	(13)	(46)	(11)	(37)	(16)	(6)	(3)
	9	15,289	99%	14,209	997	476	9	(187)	(96)	(1)	(52)	(46)	(20)
	10	20,125	94%	130	3,184	2,820	2,514	3,460	3,457	2,687	783	541	550
	11	13,453	45%							731	3,293	3,745	5,684
Total		**59,242**		**24,881**	**4,140**	**3,304**	**2,509**	**3,226**	**3,350**	**3,380**	**4,008**	**4,234**	**6,211**
Payments		Aggregate Total		Cummulative Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures
	EDF	At 31/12/2017	% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	8	10,375	100%	9,930	152	158	90	15	18	16	(3)	(0)	(1)
	9	15,164	98%	10,011	1,806	1,304	906	539	231	145	43	68	111
	10	17,753	83%	90	1,111	1,772	1,879	2,655	2,718	2,760	2,024	1,466	1,277
	11	6,206	21%							595	1,024	1,816	2,770
Total		**49,497**		**20,031**	**3,069**	**3,233**	**2,874**	**3,209**	**2,967**	**3,516**	**3,088**	**3,350**	**4,158**

* Negative figures represent decommitments

Table 2.2

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2017

EUR millions

		EDF									
		8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Lomé	**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	4,989								4,989	
	Decisions	4,987	100%							4,987	100%
	Assigned funds	4,986	100%							4,986	100%
	Payments	4,985	100%							4,985	100%
	Total Non-Programmable Aid										
	Appropriations	4,711								4,711	
	Decisions	4,710	100%							4,710	100%
	Assigned funds	4,706	100%							4,706	100%
	Payments	4,706	100%							4,706	100%
	Transfers from other funds										
	Appropriations			672						672	
	Decisions			671	100%					671	100%
	Assigned funds			671	100%					671	100%
	Payments			670	100%					670	100%
	Regular MS Contributions										
Cotonou	**A Envelope - National Allocations**										
	Appropriations	417		8,861		13,292		15,729		38,299	
	Decisions	417	100%	8,852	100%	13,212	99%	10,987	70%	33,468	87%
	Assigned funds	417	100%	8,834	100%	12,641	95%	6,944	44%	28,836	75%
	Payments	417	100%	8,800	99%	11,113	84%	2,960	19%	23,290	61%
	B Envelope - National Allocations										
	Appropriations	233		1,215		2,019		715		4,181	
	Decisions	233	100%	1,213	100%	2,017	100%	699	98%	4,161	100%
	Assigned funds	232	99%	1,209	100%	1,994	99%	687	96%	4,122	99%
	Payments	231	99%	1,203	99%	1,918	95%	472	66%	3,823	91%
	Bridging facility										
	Appropriations							(0)		(0)	
	Decisions										
	Assigned funds										
	Payments										
	CDE, CTA and Parliamentary Assembly										
	Appropriations			154						154	
	Decisions			154	100%					154	100%
	Assigned funds			154	100%					154	100%
	Payments			154	100%					154	100%
	Implementation Costs and Interests Revenues										
	Appropriations	0		240		536		1,073		1,849	
	Decisions			240	100%	506	94%	552	51%	1,299	70%
	Assigned funds			240	100%	503	94%	499	47%	1,243	67%
	Payments			240	100%	501	93%	464	43%	1,204	65%
	Intra-ACP allocations										
	Appropriations			2,955		3,132		3,497		9,584	
	Decisions			2,949	100%	3,128	100%	2,344	67%	8,421	88%
	Assigned funds			2,937	99%	2,930	94%	1,786	51%	7,654	80%
	Payments			2,921	99%	2,636	84%	1,365	39%	6,922	72%
	Regional allocations										
	Appropriations			812		1,996		5,767		8,575	
	Decisions			808	100%	1,989	100%	4,422	77%	7,219	84%
	Assigned funds			792	98%	1,864	93%	3,514	61%	6,170	72%
	Payments			774	95%	1,442	72%	943	16%	3,160	37%
	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			218	82%					218	82%
	Payments			184	69%					184	69%

EUR millions

	EDF									
	8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Special allocation Sudan										
Appropriations			110						110	
Decisions			109	98%					109	98%
Assigned funds			105	96%					105	96%
Payments			90	81%					90	81%
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					187		22		209	
Decisions					185	99%	20	92%	205	98%
Assigned funds					178	95%	20	92%	199	95%
Payments					131	70%			131	63%
Implementation Costs and Interests Revenues										
Appropriations					5		1		6	
Decisions					4	84%			4	69%
Assigned funds					2	45%			2	37%
Payments					1	28%			1	23%
Intra-ACP allocations										
Appropriations					12		1		13	
Decisions					12	97%	1	100%	13	98%
Assigned funds					11	91%	1	100%	12	92%
Payments					11	88%	1	100%	12	89%
Co-financing										
A Envelope - National Allocations										
Appropriations							1		1	
Decisions							1	71%	1	71%
Assigned funds							1	71%	1	71%
Payments							1	52%	1	52%
EC Internal SLA										

Appropriations		8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Cotonou	Country reserve					**0**		**0**		**0**	
	Intra-ACP Reserve					**0**		**93**		**93**	
	National allocations Reserve A Envelope STABEX					**(0)**		**0**		**0**	
	NIP/RIP reserve					**0**		**2,515**		**2,515**	
	Regional allocations reserve					**0**				**0**	
	Mobilisable reserves										
	Non-mobilisable reserve					**309**		**206**		**515**	
	Non-mobilisable reserve										

	8	% (1)	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
Appropriations	10,385		15,430		21,488		29,621		76,924	
Decisions	10,382	100%	15,391	100%	21,052	98%	19,027	64%	65,852	86%
Assigned funds	10,376	100%	15,289	99%	20,125	94%	13,453	45%	59,242	77%
Payments	10,375	100%	15,164	98%	17,753	83%	6,206	21%	49,497	64%
TOTAL: ALL ALLOCATIONS										

(1) % of appropriations

Table 2.3

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2017
CLASS OF AID
ACP + PTOM - Eight EDF

EUR millions

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
Lomé	**ACP**										
	Regular MS Contributions										
	Utilisation of interest income	35	35		100%	35		100%	35		100%
	SUB TOTAL: SUNDRY INCOME	**35**	**35**		**100%**	**35**		**100%**	**35**		**100%**
	Total indicative programmes	4,954	4,951	(5)	100%	4,950	(2)	100%	4,950	(1)	100%
	SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	**4,954**	**4,951**	**(5)**	**100%**	**4,950**	**(2)**	**100%**	**4,950**	**(1)**	**100%**
	Aid for refugees	100	100	(0)	100%	100	(0)	100%	100		100%
	Emergency aid (Lomé)	136	136		100%	136		100%	136		100%
	Heavily indebted poor countries (Lomé)	1,060	1,060		100%	1,060		100%	1,060		100%
	Interest-rate subsidies	69	69	(3)	100%	68	(0)	100%	68	(0)	100%
	Risk capital	1,015	1,015		100%	1,012		100%	1,012		100%
	Stabex	723	723	(0)	100%	722	(0)	100%	722		100%
	Structural adjustment	1,497	1,497	0	100%	1,497	(0)	100%	1,497		100%
	Sysmin	101	101		100%	101		100%	101		100%
	SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	**4,700**	**4,699**	**(4)**	**100%**	**4,695**	**(1)**	**100%**	**4,695**	**(0)**	**100%**
Cotonou	**ACP**										
	Regular MS Contributions										
	A Envelope - National Allocations	417	417		100%	417		100%	417		100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**417**	**417**		**100%**	**417**		**100%**	**417**		**100%**
	B Envelope - National Allocations	233									
	Compensation export earnings		233	(0)		232	(0)	99%	231		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**233**	**233**	**(0)**	**100%**	**232**	**(0)**	**99%**	**231**		**100%**
	Interests and other receipts	0									
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**0**									
	TOTAL ACP (A)	**10,339**	**10,336**	**(9)**	**100%**	**10,330**	**(3)**	**100%**	**10,329**	**(1)**	**100%**

EUR millions

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
Lomé	OCT										
	Regular MS Contributions										
	Total indicative programmes	35	35	(1)	100%	35		100%	35		100%
	SUB TOTAL: TOTAL INDICATIVE PROGRAMMES	**35**	**35**	**(1)**	**100%**	**35**		**100%**	**35**		**100%**
	Interest-rate subsidies	1	1		100%	1		100%	1		100%
	Risk capital	6	6		100%	6		100%	6		100%
	Stabex	1	1		100%	1		100%	1		100%
	Sysmin	2	2		100%	2		100%	2		100%
	SUB TOTAL: TOTAL NON-PROGRAMMABLE AID	**10**	**10**		**100%**	**10**		**100%**	**10**		**100%**
	TOTAL OCT	**46**	**46**	**(1)**	**100%**	**46**		**100%**	**46**		**100%**
	TOTAL: ACP+OCT (A+B)	**10,385**	**10,382**	**(9)**	**100%**	**10,376**	**(3)**	**100%**	**10,375**	**(1)**	**100%**

Table 2.4

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2017
CLASS OF AID
ACP + PTOM - Ninth EDF

EUR millions

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
Lomé	**ACP**										
	Regular MS Contributions										
	Transfers from 6th EDF - Lomé	20	20	(0)	100%	20	(0)	100%	20		100%
	Transfers from 7th EDF - Lomé	649	648	(3)	100%	647	(1)	100%	647	(0)	100%
	SUB TOTAL: TRANSFERS FROM OTHER FUNDS	**669**	**668**	**(3)**	**100%**	**668**	**(1)**	**100%**	**667**	**(0)**	**100%**
Cotonou	**ACP**										
	Regular MS Contributions										
	A Envelope - National Allocations	8,624	8,615	(16)	100%	8,599	(6)	100%	8,566	(3)	100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**8,624**	**8,615**	**(16)**	**100%**	**8,599**	**(6)**	**100%**	**8,566**	**(3)**	**100%**
	B Envelope - National Allocations	1,210									
	Compensation export earnings		148	(1)		148	(1)	100%	148	(1)	100%
	Emergency aid		1,050	(1)		1,045	1	100%	1,040	(0)	99%
	Heavily indebted poor countries		11			11		100%	11		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**1,210**	**1,208**	**(2)**	**100%**	**1,204**	**0**	**100%**	**1,198**	**(1)**	**100%**
	CDE, CTA and Parliamentary Assembly	154	154		100%	154		100%	154		100%
	SUB TOTAL: CDE, CTA AND PARLIAMENTARY ASSEMBLY	**154**	**154**		**100%**	**154**		**100%**	**154**		**100%**
	Implementation costs	177	177		100%	177	0	100%	177	1	100%
	Interests and other receipts	63	63		100%	63		100%	63		100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**240**	**240**		**100%**	**240**	0	**100%**	**239**	**1**	**100%**
	Other Intra-ACP allocations	2,602	2,595	(9)	100%	2,584	(6)	100%	2,567	(3)	99%
	Peace facility	354	354		100%	353		100%	353		100%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**2,955**	**2,949**	**(9)**	**100%**	**2,937**	**(6)**	**100%**	**2,921**	**(3)**	**99%**
	Regional allocations	765	763	(6)	100%	747	(5)	98%	729	3	98%
	SUB TOTAL: REGIONAL ALLOCATIONS	**765**	**763**	**(6)**	**100%**	**747**	**(5)**	**98%**	**729**	**3**	**98%**
	Special allocation R.D. Congo	105	105		100%	105		100%	105		100%
	SUB TOTAL: SPECIAL ALLOCATION R.D. CONGO	**105**	**105**		**100%**	**105**		**100%**	**105**		**100%**
	Special allocation South Sudan	267	266	0	100%	218	1	82%	184	107	84%
	SUB TOTAL: SPECIAL ALLOCATION SOUTH SUDAN	**267**	**266**	0	**100%**	**218**	**1**	**82%**	**184**	**107**	**84%**

EUR millions

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
	Special allocation Sudan	110	109	0	98%	105	0	97%	90	9	85%
	SUB TOTAL: SPECIAL ALLOCATION SUDAN	**110**	**109**	0	**98%**	**105**	**0**	**97%**	**90**	**9**	**85%**
	Voluntary contribution Peace facility	39	24		62%	24		100%	24		100%
	SUB TOTAL: VOLUNTARY CONTRIBUTION PEACE FACILITY	**39**	**24**		**62%**	**24**		**100%**	**24**		**100%**
	TOTAL: ACP (A)	**15,138**	**15,101**	**(35)**	**100%**	**15,001**	**(17)**	**99%**	**14,876**	**112**	**99%**
Lomé	OCT										
Lomé	**Regular MS Contributions**										
Lomé	Transfers from 6th EDF - Lomé	0	0		100%	0		100%	0		100%
Lomé	Transfers from 7th EDF - Lomé	3	3		100%	3		100%	3		100%
Lomé	**SUB TOTAL: TRANSFERS FROM OTHER FUNDS**	**3**	**3**		**100%**	**3**		**100%**	**3**		**100%**
Cotonou	OCT										
Cotonou	**Regular MS Contributions**										
Cotonou	A Envelope - National Allocations	237	237	(0)	100%	235	(2)	99%	235	(0)	100%
Cotonou	**SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS**	**237**	**237**	**(0)**	**100%**	**235**	**(2)**	**99%**	**235**	**(0)**	**100%**
Cotonou	B Envelope - National Allocations	4									
Cotonou	Emergency aid		4			4		100%	4		100%
Cotonou	**SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS**	**4**	**4**		**100%**	**4**		**100%**	**4**		**100%**
Cotonou	Studies / Technical assistance OCT	1	1		100%	1		100%	1		100%
Cotonou	**SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES**	**1**	**1**		**100%**	**1**		**100%**	**1**		**100%**
Cotonou	Regional allocations	47	45	(3)	96%	45	(1)	100%	45	(1)	99%
Cotonou	**SUB TOTAL: REGIONAL ALLOCATIONS**	**47**	**45**	**(3)**	**96%**	**45**	**(1)**	**100%**	**45**	**(1)**	**99%**
	TOTAL: OCT	**292**	**290**	**(3)**	**99%**	**288**	**(3)**	**99%**	**288**	**(1)**	**100%**
	TOTAL: ACP+OCT (A+B)	**15,430**	**15,391**	**(38)**	**100%**	**15,289**	**(20)**	**99%**	**15,164**	**111**	**99%**

Table 2.5

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2017
CLASS OF AID
ACP + PTOM - 10th EDF

EUR millions

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	13,100	13,021	(200)	99%	12,477	176	96%	10,983	739	88%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**13,100**	**13,021**	**(200)**	**99%**	**12,477**	**176**	**96%**	**10,983**	**739**	**88%**
	B Envelope - National Allocations	2,004									
	Compensation export earnings		204	(0)		199	6	97%	183	4	92%
	Emergency aid		844	(6)		836	5	99%	791	24	95%
	Heavily indebted poor countries		49			49	0	100%	49	0	100%
	Other chocs with budgetary impact		905	(0)		897	1	99%	882	10	98%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**2,004**	**2,002**	**(6)**	**100%**	**1,980**	**12**	**99%**	**1,904**	**38**	**96%**
	Implementation costs	445	433	1	97%	431	2	100%	429	2	100%
	Interests and other receipts	85	68	(1)	80%	67	(0)	98%	67	0	100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**530**	**501**	**1**	**94%**	**498**	**2**	**99%**	**496**	**2**	**100%**
	Institutional and support expenditure	232	232	(0)	100%	230	(1)	99%	211	(0)	91%
	Other Intra-ACP allocations	1,886	1,882	(7)	100%	1,828	4	97%	1,611	119	88%
	Peace facility	1,014	1,014	220	100%	872	233	86%	814	198	93%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**3,132**	**3,128**	**213**	**100%**	**2,930**	**235**	**94%**	**2,636**	**317**	**90%**
	Regional allocations	1,956	1,950	(10)	100%	1,826	49	94%	1,410	145	77%
	SUB TOTAL: REGIONAL ALLOCATIONS	**1,956**	**1,950**	**(10)**	**100%**	**1,826**	**49**	**94%**	**1,410**	**145**	**77%**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	187	185	(0)	99%	178	43	97%	131	16	74%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**187**	**185**	**(0)**	**99%**	**178**	**43**	**97%**	**131**	**16**	**74%**
	Implementation costs	5	4		84%	2	0	53%	1	0	63%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**5**	**4**		**84%**	**2**	0	**53%**	**1**	**0**	**63%**
	Other Intra-ACP allocations	12	11	0	97%	10	(0)	94%	10	0	96%
	Peace facility	1	1		100%	1		99%	1		100%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**12**	**12**	0	**97%**	**11**	**(0)**	**94%**	**11**	**0**	**96%**

EUR millions

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	286									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**286**									
OCT	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	192	191	(2)	99%	164	29	86%	131	7	79%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**192**	**191**	**(2)**	**99%**	**164**	**29**	**86%**	**131**	**7**	**79%**
	B Envelope - National Allocations	15									
	Emergency aid		9	(0)		8	2	95%	7	0	84%
	Other chocs with budgetary impact		6			6		100%	6		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**15**	**15**	**(0)**	**100%**	**14**	**2**	**97%**	**13**	**0**	**91%**
	Studies / Technical assistance OCT	5	5	(0)	100%	5	(0)	99%	5	0	98%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**5**	**5**	**(0)**	**100%**	**5**	**(0)**	**99%**	**5**	**0**	**98%**
	Regional allocations	40	40	0	100%	38	3	97%	32	12	84%
	SUB TOTAL: REGIONAL ALLOCATIONS	**40**	**40**	0	**100%**	**38**	**3**	**97%**	**32**	**12**	**84%**
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	23									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**23**									
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	**21,488**	**21,052**	**(5)**	**98%**	**20,125**	**550**	**96%**	**17,753**	**1,277**	**88%**

Table 2.6

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2017
CLASS OF AID
ACP + PTOM - 11th EDF

EUR millions

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
ACP	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	15,540	10,890	2,960	70%	6,856	3,106	63%	2,931	1,414	43%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**15,540**	**10,890**	**2,960**	**70%**	**6,856**	**3,106**	**63%**	**2,931**	**1,414**	**43%**
	B Envelope - National Allocations	715									
	Emergency aid		590	91		578	247	98%	443	205	77%
	Other chocs with budgetary impact		109			109	100	100%	29	24	26%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**715**	**699**	**91**	**98%**	**687**	**347**	**98%**	**472**	**229**	**69%**
	Bridging facility	0									
	SUB TOTAL: BRIDGING FACILITY	**0**									
	Implementation costs	1,053	538	164	51%	490	161	91%	456	153	93%
	Interests and other receipts	16	10	2	62%	6	0	63%	6	0	93%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**1,068**	**548**	**166**	**51%**	**496**	**161**	**91%**	**461**	**153**	**93%**
	Institutional and support expenditure	246	106		43%	91	14	86%	70	10	76%
	Other Intra-ACP allocations	2,251	1,245	885	55%	810	560	65%	490	284	61%
	Peace facility	1,000	994	94	99%	885	7	89%	805	74	91%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**3,497**	**2,344**	**979**	**67%**	**1,786**	**580**	**76%**	**1,365**	**368**	**76%**
	Regional allocations	5,766	4,422	1,536	77%	3,514	1,408	79%	943	582	27%
	SUB TOTAL: REGIONAL ALLOCATIONS	**5,766**	**4,422**	**1,536**	**77%**	**3,514**	**1,408**	**79%**	**943**	**582**	**27%**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	22	20	17	92%	20	20	100%			
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**22**	**20**	**17**	**92%**	**20**	**20**	**100%**			
	Implementation costs	1									
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**1**									
	Peace facility	1	1		100%	1		100%	1	1	100%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**1**	**1**		**100%**	**1**		**100%**	**1**	**1**	**100%**
	Mobilisable reserves										
	Reserves										
	B Envelope reserve	0									
	SUB TOTAL: COUNTRY RESERVE	**0**									
	Intra-ACP Reserve	93									
	SUB TOTAL: INTRA-ACP RESERVE	**93**									
	National allocations Reserve A Envelope STABEX	0									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE STABEX	**0**									

EUR millions

		CREDITS	DECISIONS			ASSIGNED FUNDS			PAYMENTS		
			AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%	AGGREG.	ANNUAL	%
		(1)	(2)		(2) : (1)	(3)		(3) : (2)	(4)		(4) : (3)
	NIP/RIP reserve	2,351									
	SUB TOTAL: NIP/RIP RESERVE	**2,351**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	201									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**201**									
	EC Internal SLA										
	Reserves										
	A Envelope - National Allocations	1	1		71%	1		100%	1		73%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**1**	**1**		**71%**	**1**		**100%**	**1**		**73%**
OCT	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	189	97	56	51%	87	61	90%	28	21	33%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**189**	**97**	**56**	**51%**	**87**	**61**	**90%**	**28**	**21**	**33%**
	Bridging facility	0									
	SUB TOTAL: BRIDGING FACILITY	**0**									
	Studies / Technical assistance OCT	5	5	2	94%	4	1	75%	2	1	66%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**5**	**5**	**2**	**94%**	**4**	**1**	**75%**	**2**	**1**	**66%**
	Regional allocations	1			0%						
	SUB TOTAL: REGIONAL ALLOCATIONS	**1**			**0%**						
	Mobilisable reserves										
	Reserves										
	NIP/RIP reserve	165									
	SUB TOTAL: NIP/RIP RESERVE	**165**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	5									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**5**									
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	**29,621**	**19,027**	**5,807**	**64%**	**13,453**	**5,684**	**71%**	**6,206**	**2,770**	**46%**

ANNUAL REPORT ON IMPLEMENTATION - FUNDS MANAGED BY THE EUROPEAN INVESTMENT BANK

EUROPEAN INVESTMENT BANK

CA/511/18

15 March 2018

Document 18/099

B O A R D   O F   D I R E C T O R S

INVESTMENT FACILITY

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2017

- 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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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

(In EUR'000)

	Notes	31.12.2017	31.12.2016
ASSETS			
Cash and cash equivalents	5	549,101	360,817
Amounts receivable from contributors	9/16	150,000	86,395
Held-to-maturity financial assets	10	144,382	169,398
Derivative financial instruments	6	12,521	6,920
Loans and receivables	7	1,666,725	1,729,380
Available-for-sale financial assets	8	497,539	516,884
Other assets	11	4,385	345
Total assets		**3,024,653**	**2,870,139**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	6	1,153	25,189
Deferred income	12	25,802	26,283
Provisions for guarantees issued	13	484	625
Amounts owed to third parties	14	157,285	116,114
Other liabilities	15	2,462	2,546
Total liabilities		**187,186**	**170,757**
CONTRIBUTORS' RESOURCES			
Member States Contribution called	16	2,517,000	2,377,000
Fair value reserve		125,816	142,884
Retained earnings		194,651	179,498
Total contributors' resources		**2,837,467**	**2,699,382**
Total liabilities and contributors' resources		**3,024,653**	**2,870,139**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(In EUR'000)

	Notes	From 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
Interest and similar income	18	101,406	106,698
Interest and similar expenses	18	-2,671	-2,307
Net interest and similar income		**98,735**	**104,391**
Fee and commission income	19	210	699
Fee and commission expenses	19	-60	-48
Net fee and commission income		**150**	**651**
Fair value change of derivative financial instruments		29,637	-10,361
Net realised gains on available-for-sale financial assets	20	2,711	6,504
Net foreign exchange loss		-38,165	-14,995
Net result on financial operations		**-5,817**	**-18,852**
Change in impairment on loans and receivables, net of reversal	7	-10,721	44,365
Change in provisions for guarantees	13	-65	-242
Impairment on available-for-sale financial assets	8	-22,024	-2,493
General administrative expenses	21	-45,105	-43,483
Profit/loss for the year		**15,153**	**84,337**
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets – Fair value reserve	8		
1. Net change in fair value of available-for-sale financial assets		-31,034	-14,624
2. Net amount transferred to profit or loss		13,966	-6,485
Total available-for-sale financial assets		**-17,068**	**-21,109**
Total other comprehensive income		**-17,068**	**-21,109**
Total comprehensive income for the year		**-1,915**	**63,228**

STATEMENT OF CHANGES IN CONTRIBUTORS' RESOURCES FOR THE YEAR ENDED 31 DECEMBER 2017

(In EUR'000)

		Contribution called	Fair value reserve	Retained earnings	Total
At 1 January 2017	**Notes**	**2,377,000**	**142,884**	**179,498**	**2,699,382**
Member States contribution called during the year	16	140,000	-	-	140,000
Profit for the year 2017		-	-	15,153	15,153
Total other comprehensive income for the year		-	-17,068	-	-17,068
Changes in contributors' resources		**140,000**	**-17,068**	**15,153**	**138,085**
At 31 December 2017		**2,517,000**	**125,816**	**194,651**	**2,837,467**

		Contribution called	Fair value reserve	Retained earnings	Total
At 1 January 2016		**2,157,000**	**163,993**	**95,161**	**2,416,154**
Member States contribution called during the year	16	220,000	-	-	220,000
Profit for the year 2016		-	-	84,337	84,337
Total other comprehensive income for the year		-	-21,109	-	-21,109
Changes in contributors' resources		**220,000**	**-21,109**	**84,337**	**283,228**
At 31 December 2016		**2,377,000**	**142,884**	**179,498**	**2,699,382**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

(In EUR'000)

	Notes	From 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
OPERATING ACTIVITIES			
Profit for the financial year		15,153	84,337
Adjustments made for:			
Impairment on available-for-sale financial assets	8	22,024	2,493
Net change in impairment on loans and receivables	7	10,721	-44,365
Interest capitalised on loans and receivables	7	-	-7,183
Change in accrued interest and amortised cost on loans and receivables	7	-1,198	-5,843
Net change in provisions for guarantees issued	13	-141	625
Change in accrued interest and amortised cost on held-to-maturity financial assets	10	-398	-1,126
Change in deferred income		-481	-3,042
Effect of exchange rate changes on loans	7	168,304	-35,025
Effect of exchange rate changes on available-for-sale financial assets		-1,655	-5,125
Effect of exchange rate changes on cash held		-6,473	-1,106
Loss on operating activities before changes in operating assets and liabilities		**205,856**	**-15,360**
Loan disbursements	7	-368,662	-528,376
Repayments of loans	7	253,486	351,468
Change in accrued interest on cash and cash equivalent	5	63	2
Fair value changes on derivatives		-29,637	10,361
(Decrease) in held-to-maturity financial assets	10	-1,084,149	-1,159,704
Maturities of held-to-maturity financial assets	10	1,109,563	1,219,953
(Decrease) in available-for-sale financial assets	8	-62,660	-153,986
Repayments/sales of available-for-sale financial assets	8	44,568	37,978
(Increase) in other assets		-4,040	-318
(Decrease)/increase in other liabilities		-84	182
Increase in amounts payable to the European Investment Bank		2,202	423
Net cash flows used from/in operating activities		**66,506**	**-237,377**
FINANCING ACTIVITIES			
Contribution received from Member States	16	76,395	133,605
Amounts received from Member States with regard to interest subsidies and technical assistance		60,000	30,000
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-21,026	-15,510
Net cash flows from financing activities		**115,369**	**148,095**
Net increase/(decrease) in cash and cash equivalents		**181,875**	**-89,282**
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		**360,821**	**448,998**
Net cash from:			
Operating activities		66,506	-237,377
Financing activities		115,369	148,095
Effects of exchange rate changes on cash and cash equivalents		6,473	1,106
Cash and cash equivalents at the end of financial year		**549,169**	**360,822**
Cash and cash equivalents are composed of:			
Cash in hand	5	166,445	51,462
Term deposits (excluding accrued interest)		367,721	259,342
Commercial papers	5	15,003	50,018
		549,169	**360,822**

Notes to the financial statements as at 31 December 2017

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 9th European Development Fund (EDF), Second Financial Protocol covering the period 2008 - 2013 and referred to as the 10th EDF 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 present financial statements cover the period from 1 January 2017 to 31 December 2017.

On a proposal from the Management Committee of EIB, the Board of Directors of EIB adopted the Financial Statements on 15 March 2018, and authorised their submission to the Board of Governors for approval by 27 April 2018.

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 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 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.

▪ **Provisions on financial guarantees**

The Facility reviews its guarantee contracts at each reporting date to assess whether a provision should be recorded in the statement of profit or loss and other comprehensive income. For determining the provision particular judgement is required in making estimates and assumptions about a number of factors, such as:

- amount and timing of future cash flows;
- utilisation level of the guarantees;
- discount factors applied on the estimated cash flows.

- **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

Amendments to IAS 7 'Statement of cash flows' – Disclosure initiative;

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Amendments are effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

Additional disclosures of relevance for the Facility include changes arising from:
- cash flows, such as drawdowns and repayments of borrowings; and
- non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

Amendment to IAS 7 has been endorsed by the EU on 9 November 2017 and is effective for the annual reporting periods beginning on or after 1 January 2017.

Standards issued but not yet effective

The following standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017. The Facility has not applied the following new or amended standards in preparing these financial statements.

Annual improvements 2014-2016 Cycle - various standards (Amendments to IFRS 12)

This amendment clarifies that the disclosure requirement of IFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.

The adoption of these amendments had no impact on the Facility`s financial statements.

It is worth noted that the aforementioned amendments have not been yet endorsed by EU according to the latest status of endorsement by EFRAG.

IFRS 9 Financial instruments

Estimated impact of the adoption of 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 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a new expected credit loss model for impairment on financial assets and introduces new rules for hedge accounting.

IFRS 9 has been endorsed by the EU on 22 November 2016 and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Facility did not adopt the standard earlier than its effective date. The Facility has assessed the estimated impact that the initial application of IFRS 9 will have on its contributors resources' in the financial statements.

In EUR'000	As reported at 31 December 2017	Estimated adjustment to Contributors` resources at 1 January 2018	Estimated adjusted opening balance at 1 January 2018
Net impact Contributors' resources	**2,837,467**	**53,891**	**2,783,576**

This impact is based on the assessments undertaken to date and is summarised below. The actual impacts of adopting IFRS 9 at 1 January 2018 may change because:

- the Bank has not finalised the testing and assessment of controls over its new IT systems; and
- The new accounting policies are subject to change until the Facility presents its first financial statements that include the date of initial application.

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income (''FVOCI'') and fair value through profit or loss (''FVTPL''). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

In addition, under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Facility does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities except for:

- equity investments: There are two types of equity investments at the Facility: (i) direct equity investments and (ii) venture capital funds. At 31 December 2017, the Facility had classified equity investments, as available-for-sale with a fair value of EUR 497 million. Under IFRS 9, the Facility will designate these investments as measured at FVTPL. The related fair value reserve will be released against the retained earnings.

- quasi-equity loans, which are a category of "debt" bearing equity-type risks. The cash flows of those types of products have equity-type features that are unrelated to a basic lending arrangement. According to the requirements of IFRS 9, quasi-equity loans will be mandatorily reclassified from loans and receivables under IAS 39 to FVTPL under IFRS 9. The fair value of quasi-equity loans are EUR 1.4 million as at 31 December 2017. These net fair value adjustments amount to EUR 0.4 million.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities and the IF's financial liabilies are measured at amortised under IAS39 and IFRS9 as well.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (''ECL'') model. This will require judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

To comply with IFRS the EIB has developed an Expected Credit Loss (hereinafter "ECL") model for the EIB`s IFRS group financial statements which is also applied to the IF.

The new impairment model will apply to financial assets measured at AC as well as to off-balance commitments

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECL's: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument.

The IFRS 9 Standard sets out a "three-stage" model for impairment based on changes in credit quality since initial recognition. Financial instruments are classified in Stage 1 except for those instruments for which significant increase in credit risk (SICR) since initial recognition is identified. For determining whether there is a significant increase in credit risk since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Facility's historical experience and expert credit and including forward-looking information. If significant increase in credit risk has occurred, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The Bank's assessment of the impairment Stage is based on a sequential approach using counterparty or instrument specific information (Internal Default Event, Special High Risk, Watch List, Rating deterioration, Days in arrears – more than 30 days past due).

Lifetime ECL measurement applies to Stage 2 and Stage 3 assets, while 12-month ECL measurement applies to Stage 1 assets.

It is expected that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. Based on the impairment methodology described below, the Facility has estimated that application of IFRS 9's impairment requirements at 1 January 2018 results in additional impairment losses as follows:

In EUR'000	Estimated additional impairment recognised at 1 January 2018
Loans and receivables	49,709
Treasury assets	30
Undisbursed loans	4,152
Gross additional impairment losses	**53,891**

Treasury assets are composed of high credit quality securities, therefore, the Facility decided to make use of the IFRS 9 practical expedient for low credit risk financial instruments.

The expected credit losses were calculated based on the following variables:

- Probability of default (PD),
- Loss Given default (LGD),
- Exposure at default (EAD).

The PD represents the likelihood of a counterpart defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. PD is estimated at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

Ratings are primary input into the determination of the term structure of PD for exposures. Performance and default information about its credit risk exposures are collected. The collected data are segmented by type of industry and by type of region. Different industries and regions reacting in a homogenous manner to credit cycles are analysed together.

The EIB employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors. The gross domestic product (GDP) growth is identified as the relevant macro-economic factor. Based on projections of that variable, three macro-economic scenario's are generated, which are then translated into credit cycles and finally into PD's.

The LGD represents the expectation of the extent of loss on a defaulted exposure. The LGD definition is derived from the following definition of Recovery rate (i.e. "1-LGD"): the recovery rate for each defaulted contract is the ratio between the discounted cash flows received after the default date and the capital outstanding at the default date. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. Recovery rates are defined across three main classes of borrowers: non-EU Sovereigns and Public Institutions, Financial Institutions and Corporates.

The EAD represents the expected exposure in the event of a default EAD and is based on the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount, the outstanding signed on-balance exposures. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract.

The Facility estimated that the application of IFRS 9 impairment requirements at 1 January 2018 results in an increase of EUR 53.9 million over the impairment recognised under IAS 39.

The following table provides information about the estimated exposure to credit and ECLs for loans and advances to credit institutions and customers and undisbursed loans: For an overview of credit risk on cash and cash equivalent and held-to-maturity financial assets, see note 3.2.

In EUR'000	Disbursed amount	Undisbursed amount	Estimated impairment loss allowance	Credit impaired
Stage 1	1,265,945	823,023	21,727	No
Stage 2	375,716	20,615	32,134	No
Stage 3	138,319	-	113,255	Yes
Total	**1,779,980**	**843,638**	**167,116**	

Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. Preliminary assessment included an analysis to identify data gaps against current processes. The Facility has planned to implement the system and controls changes that it believes will be necessary to capture the required data.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- The Facility will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in the contributors` resources as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
  - The determination of the business model within which a financial asset is held,
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

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.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the entity satisfies the performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Additional disclosures are required when IFRS 15 is to be effective.

The standard gives a range of possible transition methods including (i) a full retrospective approach, (ii) a modified retrospective approach with optional practical expedients and (iii) a cumulative effect method with no restatement of comparative information.

At this stage, the Facility is finalising the assessment of the effects of applying the new standard on the financial statements. The nature of the following three main income types has been further analysed whether the new standard applies to them:

- Interest and similar income
- Fee and commission income
- Net financial result

The Facility's analysis indicated that only fee and commission income is in scope of IFRS 15.

Regarding Fee and commission income, the Facility is currently performing an assessment per type of fee. The preliminary assessment is based on the fact that the fee which is an integral part of the effective interest rate calculation is considered as out of IFRS 15 scope (in scope of IFRS 9). For the types of fees that are in scope of IFRS 15, the Facility is assessing the revenue recognition pattern of each type according to the 5-step approach of IFRS 15 and compares it with the existing one.

IFRS 15 has been endorsed by the EU on 22 September 2016 and is effective for annual reporting periods beginning on or after 1 January 2018.

The Facility intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the detailed assessment of the impact resulting from the application of IFRS 15 by the Facility, it is not expected that this new standard will have a significant impact on the Facility's financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces the current guidance of IAS 17. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. The accounting for lessors will not significantly change.

IFRS 16 has been endorsed by the EU on 31 October 2017 and is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is applied.

The Facility expects that this change will have no material impact on the Facility`s financial statements.

IFRIC 22 Foreign currency transactions and advance consideration

The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contract. It considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21 and provides guidance whether the date of the transaction is the date when the asset, expense or income is initially recognised, or the earlier date on which the advance consideration is paid or received, resulting in recognition of a prepayment or deferred income.

The Interpretation has not yet been adopted by the EU. According to the latest update of EFRAG, endorsement is not expected by the end of the year.

The Facility does not plan to adopt this interpretation early and does not expect to cause any material impact on the Facility's financial statements.

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 statement of financial position 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

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 statement of financial position 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 statement of financial position 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. Impairment loss is recognised in the statement of 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 and are initially recorded at fair value plus transaction costs.

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**

Financial guarantee contracts are contracts that require the Facility to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Under the existing rules, these guarantees do not meet the definition of an insurance contract (IFRS 4 Insurance Contracts) and are accounted for under IAS 39 Financial Instruments: Recognition and Measurement, either as "Derivatives" or as "Financial Guarantees", depending on their features and characteristics as defined by IAS 39.

The accounting policy for derivatives is disclosed under Note 2.4.5.

At initial recognition, the financial guarantees are recognised at fair value corresponding to the Net Present Value (NPV) of expected premium inflows and initial expected loss. This calculation is performed at the starting date of each transaction and is recognised on the statement of financial position 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 amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue and
- the best estimate of expenditure required to settle any present financial obligation arising as a result of the guarantee, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The best estimate of expenditure is determined in accordance with IAS 37. Financial guarantee provisions correspond to the cost of settling the obligation, which is the expected loss, estimated on the basis of all relevant factors and information existing at the statement of financial position date.

When a financial guarantee operation measured under IAS 39 is derecognised and treated under IAS 37, its value previously recorded under “Other liabilities” is transferred to the caption “Provisions for guarantees issued” on the statement of financial position.

The provision for financial guarantees (as measured per IAS 37) is recognised in the statement of profit or loss and other comprehensive income under “Change in provisions for guarantees, net of reversals”.

The premium received is recognised in the statement of profit or loss and other comprehensive income in “Fee and commission income” on the basis of an amortisation schedule in accordance with IAS 18 over the life of the financial guarantee.

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 statement of financial position 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 statement of financial position 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

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.

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.

2.5 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.

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, as a manager of the Facility, 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
- 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.

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)	31.12.2017	31.12.2016
ASSETS		
Cash and cash equivalents	549,101	360,817
Amounts receivable from contributors	150,000	86,395
Held-to-maturity financial assets	144,382	169,398
Derivative financial instruments	12,521	6,920
Loans and receivables	1,666,725	1,729,380
Other assets	4,385	345
Total assets	**2,527,114**	**2,353,255**
OFF BALANCE SHEET		
Contingent liabilities		
- Guarantees undrawn	74,569	35,337
Commitments		
- Undisbursed loans	869,983	901,899
- Guarantees drawn	7,682	8,627
Total off balance sheet	**952,234**	**945,863**
Total credit exposure	**3,479,348**	**3,299,118**

3.2.3 Credit risk on loans and receivables

3.2.3.1 Credit risk measurement for loans and receivables

Each and every loan or guarantee undertaken by the Facility benefits from a comprehensive risk assessment and quantification of expected loss estimates that are reflected in a Loan Grading ("LG"). Operations under the IFE (as described in Note 23), with the exception of intermediated loans, are not subject to the Credit Risk Policy Guidelines and are subject to a different procedure. 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 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.

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 31.12.2017 In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total
Banks	46,860	11,651	919,216	**977,727**	**59%**
Corporates	145,914	59,462	285,492	**490,868**	**29%**
Public institutions	30,882	-	-	**30,882**	**2%**
States	-	3,218	164,030	**167,248**	**10%**
Total disbursed	**223,656**	**74,331**	**1,368,738**	**1,666,725**	**100%**
Signed not disbursed	**89,597**	**-**	**780,385**	**869,983**	

At 31.12.2016 In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total
Banks	22,691	34,597	933,609	**990,897**	**57%**
Corporates	110,849	97,213	320,406	**528,468**	**31%**
Public institutions	38,330	-	-	**38,330**	**2%**
States	-	3,764	167,921	**171,685**	**10%**
Total disbursed	**171,870**	**135,574**	**1,421,936**	**1,729,380**	**100%**
Signed not disbursed	**94,976**	**-**	**806,923**	**901,899**	

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.

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 2017 and 31 December 2016 by the Loan Grading applications, based on the exposure signed (disbursed and un-disbursed):

At 31.12.2017 In EUR'000		**High Grade**	**Standard Grade**	**Min. Accept. Risk**	**High Risk**	**No grading**	**Total**	**% of Total**
		A to B-	**C**	**D+**	**D- and below**			
Borrower	Banks	208,601	187,225	189,727	870,912	-	**1,456,465**	**58%**
	Corporates	114,769	8,018	3,288	533,382	1,428	**660,885**	**26%**
	Public institutions	-	-	30,882	-	-	**30,882**	**1%**
	States	-	-	13,861	374,614	-	**388,476**	**15%**
Total		**323,370**	**195,243**	**237,758**	**1,778,908**	**1,428**	**2,536,708**	**100%**

At 31.12.2016 In EUR'000		**High Grade**	**Standard Grade**	**Min. Accept. Risk**	**High Risk**	**No grading**	**Total**	**% of Total**
		A to B-	**C**	**D+**	**D- and below**			
Borrower	Banks	94,081	53,970	315,524	1,038,705	126,951	**1,629,231**	**62%**
	Corporates	125,810	-	19,389	393,877	152,355	**691,431**	**26%**
	Public institutions	-	-	38,330	-	-	**38,330**	**1%**
	States	-	-	18,131	254,156	-	**272,287**	**11%**
Total		**219,891**	**53,970**	**391,374**	**1,686,738**	**279,306**	**2,631,279**	**100%**

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	31.12.2017	31.12.2016
Kenya	331,891	341,805
Nigeria	230,042	241,547
Uganda	169,869	175,424
Tanzania	116,093	115,239
Jamaica	85,728	90,237
Burundi	74,703	87,373
Mauritania	64,007	85,008
Congo (Democratic Republic)	62,439	47,122
Dominican Republic	61,326	81,230
Ethiopia	51,719	59,837
Ghana	49,895	45,715
Togo	45,574	64,605
Rwanda	38,555	29,918
Mauritius	26,598	31,518
Barbados	25,124	6,809
Cameroon	25,012	41,255
Malawi	22,800	11,493
New Caledonia	21,670	2,191
Cape Verde	20,487	23,029
Mozambique	19,212	22,389
French Polynesia	17,235	21,387
Cayman Islands	14,958	11,221
Angola	14,850	19
Senegal	13,881	18,544
Zambia	10,910	11,079
Botswana	7,618	7,889
Burkina Faso	6,041	4,480
Haiti	6,006	6,879
Niger	5,631	523
Mali	5,612	6,159
Samoa	5,100	6,356
Seychelles	5,036	2,058
Vanuatu	2,162	2,470
Namibia	1,971	-
Congo	1,730	3,460
Liberia	1,553	1,759
Palau	1,384	1,929
Micronesia	868	1,088
Regional-ACP	751	15,640
South Africa	653	1,336
Tonga	31	46
Trinidad and Tobago	-	528
Saint Lucia	-	392
Bahamas	-	392
Sint Maarten	-	2
Total	**1,666,725**	**1,729,380**

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	31.12.2017	31.12.2016
Tertiary and other	991,282	1,027,202
Electricity, coal and others	290,364	283,489
Urban development, renovation and transport	194,101	205,152
Basic material and mining	59,462	82,242
Roads and motorways	40,960	48,600
Airports and air traffic management systems	30,882	38,330
Telecommunications	20,310	1,981
Food chain	15,586	14,257
Oil, gas and petroleum	12,466	8,384
Waste recuperation	8,018	7,988
Materials processing, construction	2,194	8,691
Social infrastructure, education and health	1,100	2,280
Consumer goods	-	784
Total	**1,666,725**	**1,729,380**

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 31.12.2017	Loans and receivables 31.12.2016
Carrying amount		**1,666,725**	**1,729,380**
Individually impaired			
Gross amount		136,827	119,381
Allowance for impairment	7	-106,203	-117,640
Carrying amount individually impaired		**30,624**	**1,741**
Collectively impaired			
Gross amount		-	-
Allowance for impairment		-	-
Carrying amount collectively impaired		**-**	**-**
Past due but not impaired			
Past due comprises			
0-30 days		1,227	1,620
30-60 days		77	30
60-90 days		31	-
90-180 days		18	-
more 180 days		1	1
Carrying amount past due but not impaired		**1,354**	**1,651**
Carrying amount neither past due nor impaired		**1,634,747**	**1,725,988**
Total carrying amount loans and receivables		**1,666,725**	**1,729,380**

3.2.3.6 Loan renegotiation and forbearance

The Facility considers loans to be forborne if in response to adverse changes in the financial position of a borrower the Facility renegotiates the original terms of the contractual arrangements with this borrower affecting directly the future cash flows of the financial instrument, which may result in a loss to the Facility. However, the financial impact of restructuring activities is in general limited to impairment losses, if any, as financial neutrality is generally applied by the Facility and reflected in the renegotiated pricing conditions of the operations restructured.

In the normal course of business, the Loan Grading (LG) of the loans in question would have deteriorated and the loan would have been included in the Watch List before renegotiation. Once renegotiated, the Facility will continue to closely monitor these loans. If the renegotiated payment terms will not recover the original carrying amount of the asset, it will be considered as impaired. The corresponding impairment losses will be calculated based on the forecasted cash flows discounted at the original effective interest rate. The need for impairment for all loans whose LG deteriorated to E- is assessed regularly; all loans with a LG of F require impairment. Once the Loan Grading of a loan has improved sufficiently, it will be removed from the Watch List in line with the procedures of the Facility.

Forbearance measures and practices undertaken by the Facility's restructuring team during the reporting period includes extension of maturity, deferral of capital only, deferral of capital and interest and capitalisation of arrears. Such forbearance measures do not lead to the derecognition of the underlying operation.

Exposures subject to changes in contractual terms which do not affect future cash flows, such as collateral or other security arrangements or the waiver of contractual rights under covenants, are not considered as forborne and hence those events are not considered as sufficient to indicate impairment on their own.

Operations subject to forbearance measures are reported as such in the table below:

In EUR'000	31.12.2017	31.12.2016
Number of operations subject to forbearance practices	27	22
Carrying values	136,973	171,135
of which impaired	112,423	124,250
Impairment recognised	107,256	113,052
Interest income in respect of forborn operations	8,418	19,877
Exposures written off (following the termination/sale of the operation)	9,395	31,298

		Forbearance measures					
In EUR'000	**31.12.2016**	**Extension of maturities**	**Deferral of capital only**	**Deferral of capital and interest**	**Other**	**Contractual repayment and termination (1)**	**31.12.2017**
Banks	37,276	-	2,886	-	5,490	-15,305	30,347
Corporates	133,859	10,062	2,803	-	3,013	-43,111	106,626
Total	**171,135**	**10,062**	**5,689**	**-**	**8,503**	**-58,416**	**136,973**

(1) Decreases are explained by repayments of capital occurred during the year on operations already considered as forborne as of 31 December 2017 and by termination of forborn measures during the year.

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 2017 and 31 December 2016, investments were in the form of bank deposits, certificates of deposit and commercial papers.

The authorized entities have a rating similar to the short-term and long-term ratings required for the EIB's own treasury placements. 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 is currently EUR 50,000,000 (fifty million euro). An exception to this rule has been granted to Societe Generale where the Facility has its operational cash accounts. The short term credit limit for Societe Generale as at 31 December 2017 and 31 December 2016 amounts to EUR 110,000,000 (one hundred and ten million euro). The increased limit applies to the sum of the cash held at the operational cash accounts and the instruments issued by this counterpart and held by the treasury portfolio.

All investments have been done with authorised entities with a maximum tenor of three months from value date. As at 31 December 2017 and 31 December 2016 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)**	**31.12.2017**		**31.12.2016**	
P-1	Aaa	49,616	9%	37,949	10%
P-1	Aa2	-	0%	46,963	13%
P-1	Aa3	89,971	16%	40,436	11%
P-1	A1	143,080	26%	100,012	28%
P-1	A2	266,434	49%	135,457	38%
Total		**549,101**	**100%**	**360,817**	**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.

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

Swap contracts at 31.12.2017 **In EUR'000**	**less than 1 year**	**1 year to 5 years**	**5 years to 10 years**	**more than to 10 years**	**Total 2017**
Notional amount	-	8,098	-	-	**8,098**
Fair Value (i.e. net discounted value)	-	-955	-	-	**-955**

Swap contracts at 31.12.2016 **In EUR'000**	**less than 1 year**	**1 year to 5 years**	**5 years to 10 years**	**more than to 10 years**	**Total 2016**
Notional amount	-	7,430	-	-	**7,430**
Fair Value (i.e. net discounted value)	-	-3,051	-	-	**-3,051**

- 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 1,500.0 million at 31 December 2017 against EUR 1,611.0 million at 31 December 2016. The fair value of FX swaps amounts to EUR 12.0 million at 31 December 2017 against EUR -15.3 million at 31 December 2016.

- The Facility enters into interest rate swap contracts in order to hedge the interest rate risk on loans disbursed. As at 31 December 2017 there are two interest rate swaps outstanding with a notional amount of EUR 31.7 million (2016: EUR 41.2 million) and a fair value of EUR 0.3 million (2016: 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 and bonds issued or guaranteed by Italy, Portugal and Spain with remaining maturities of up to three months. EU Member States, their agencies, banks and non-bank entities 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 (Moody's term)	**Minimum long-term rating (Moody's term)**	**31.12.2017**		**31.12.2016**	
P-1	Aa2	-	0%	18,012	10%
P-1	A1	-	0%	30,002	18%
P-2	Non-Rated	-	0%	20,025	12%
P-2	Baa2	94,353	65%	-	0%
NP	Ba1	50,029	35%	50,005	30%
Non-Rated	Baa2	-	0%	51,354	30%
Total		**144,382**	**100%**	**169,398**	**100%**

3.3 Liquidity risk

Liquidity risk refers to an enitity'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.

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 **In EUR'000 as at 31.12.2017**	**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**
Outflows for committed but un-disbursed loans	5,543	-	-	-	864,440	869,983
Outflows for committed investment funds and share subscription	5,039	-	-	-	316,656	321,695
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	82,251	82,251
Outflows for committed interest subsidies	1,245	-	-	-	286,066	287,311
Outflows for committed TA	1,931	-	-	-	24,720	26,651
Total	**13,758**	**-**	**-**	**-**	**1,574,133**	**1,587,891**

Maturity profile of non-derivative financial liabilities **In EUR'000 as at 31.12.2016**	**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**
Outflows for committed but un-disbursed loans	82,405	-	-	-	819,494	901,899
Outflows for committed investment funds and share subscription	4,592	-	-	-	239,458	244,050
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	43,964	43,964
Outflows for committed interest subsidies	-	-	-	-	275,917	275,917
Outflows for committed TA	2,671	-	-	-	24,807	27,478
Total	**89,668**	**-**	**-**	**-**	**1,403,640**	**1,493,308**

Maturity profile of derivative financial liabilities **In EUR'000 as at 31.12.2017**	**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**
CCS and CCIRS – Inflows	7	3,144	5,122	-	8,273
CCS and CCIRS – Outflows	-	-4,051	-5,959	-	-10,010
Short term currency swaps – Inflows	1,500,000	-	-	-	1,500,000
Short term currency swaps – Outflows	-1,493,987	-	-	-	-1,493,987
Interest Rate Swaps – Inflows	355	1,102	4,138	625	6,219
Interest Rate Swaps - Outflows	-	-1,502	-3,782	-556	-5,840
Total	**6,375**	**-1,307**	**-482**	**69**	**4,655**

Maturity profile of derivative financial liabilities **In EUR'000 as at 31.12.2016**	**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**
CCS and CCIRS – Inflows	3	2,409	5,222	-	7,634
CCS and CCIRS – Outflows	-	-3,688	-7,377	-	-11,065
Short term currency swaps – Inflows	1,611,000	-	-	-	1,611,000
Short term currency swaps – Outflows	-1,636,001	-	-	-	-1,636,001
Interest Rate Swaps – Inflows	411	1,234	5,529	1,550	8,724
Interest Rate Swaps - Outflows	-	-1,962	-5,316	-1,329	-8,607
Total	**-24,587**	**-2,007**	**-1,942**	**221**	**-28,315**

3.3.3 Long term financial assets and liabilities

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

In EUR'000	31.12.2017	31.12.2016
Financial assets:		
Loans and receivables	1,608,488	1,692,867
Available-for-sale financial assets	497,539	516,884
Other assets	318	141
Total	**2,106,345**	**2,209,892**
Financial liabilities:		
Provisions for guarantees issued	549	497
Amount owed to third parties	109,004	69,960
Total	**109,553**	**70,457**

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 2017 would decrease by EUR 488k (as at 31 December 2016: decrease by EUR 516k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value In EUR'000 As at 31.12.2017	**Money Market 1 year**	**Very Short 2 to 3 years**	**Short 4 to 6 years**	**Medium 7 to 11 years**	**Long 12 to 20 years**	**Extra Long 21 years**	**Total**
Total sensitivity of loans and micro hedging swaps	-49	-96	-159	-168	-16	-	-488

Basis point value In EUR'000 As at 31.12.2016	**Money Market 1 year**	**Very Short 2 to 3 years**	**Short 4 to 6 years**	**Medium 7 to 11 years**	**Long 12 to 20 years**	**Extra Long 21 years**	**Total**
Total sensitivity of loans and micro hedging swaps	-46	-101	-164	-175	-30	-	-516

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

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 2017	**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	-206,535	6,087	-200,448	377,994
*Local currencies (under synthetic hedge)**				
KES	88,532	2,854	91,386	-
TZS	98,722	1,820	100,542	-
DOP	37,785	1,494	39,279	-
UGX	52,653	1,505	54,158	-
RWF	32,714	354	33,068	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP	30,802	183	30,985	-
Total non-EUR currencies	**134,673**	**14,297**	**148,970**	**377,994**
EUR	**-**	**2,688,497**	**2,688,497**	**1,278,511**
Total EUR and non-EUR	**134,673**	**2,702,794**	**2,837,467**	**1,656,505**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

At 31 December 2016	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	-258,496	7,578	-250,918	282,991
*Local currencies (under synthetic hedge)**				
KES	117,881	3,869	121,751	-
TZS	97,116	1,931	99,046	-
DOP	52,553	2,013	54,566	-
UGX	36,776	1,077	37,854	-
RWF	22,258	194	22,452	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW	22,534	252	22,786	246
Total non-EUR currencies	**90,622**	**16,914**	**107,537**	**283,237**
EUR	**-**	**2,591,845**	**2,591,845**	**1,241,229**
Total EUR and non-EUR	**90,622**	**2,608,759**	**2,699,382**	**1,524,466**

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2017 a 10 percent depreciation of EUR versus all non EUR currencies would result in an increase of the contributors' resources amounting to EUR 16.6 million (31 December 2016: EUR 12.0 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 13.6 million (31 December 2016: EUR 9.9 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Non-EU currencies		
Botswana Pula (BWP)	11.7512	11.2657
Dominican Republic Pesos (DOP)	57.1465	48.7476
Fiji Dollars (FJD)	2.4186	2.1969
Haitian Gourde (HTG)	75.69	68.78
Kenya Shillings (KES)	123.7	108.06
Mauritania Ouguiyas (MRO)	422.36	375.79
Mauritius Rupees (MUR)	40.07	37.85
Mozambican Metical (MZN)	70.09	75.25
Rwanda Francs (RWF)	1,003.37	856.80
Tanzania Shillings (TZS)	2,681.78	2,296.99
Uganda Shillings (UGX)	4,357.00	3,805.00
United States Dollars (USD)	1.1993	1.0541
Franc CFA Francs (XAF/XOF)	655.957	655.957
South Africa Rand (ZAR)	14.8054	14.457
Zambia Kvacha (ZMW)	11.965	10.4653

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 49.8 million respectively EUR -49.8 million as at 31 December 2017 (EUR 51.7 million respectively EUR -51.7 million as at 31 December 2016).

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 2017	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	12,521	-	-	-	-	12,521	-	12,521	-	12,521
Venture Capital Funds	-	420,104	-	-	-	420,104	-	-	420,104	420,104
Direct Equity Investments	-	77,435	-	-	-	77,435	24,458	-	52,977	77,435
Total	**12,521**	**497,539**	**-**	**-**	**-**	**510,060**	**24,458**	**12,521**	**473,081**	**510,060**
Financial assets not carried at fair value:										
Cash and cash equivalents	-	-	549,101	-	-	549,101	-	-	-	-
Loans and receivables	-	-	1,666,725	-	-	1,666,725	-	1,852,507	-	1,852,507
Amounts receivable from contributors	-	-	150,000	-	-	150,000	-	-	-	-
Bonds	-	-	-	144,382	-	144,382	144,382	-	-	144,382
Other assets	-	-	4,385	-	-	4,385	-	-	-	-
Total	**-**	**-**	**2,370,211**	**144,382**	**-**	**2,514,593**	**144,382**	**1,852,507**	**-**	**1,996,889**
Total financial assets	**12,521**	**497,539**	**2,370,211**	**144,382**	**-**	**3,024,653**				
Financial liabilities carried at fair value:										
Derivative financial instruments	-1,153	-	-	-	-	-1,153	-	-1,153	-	-1,153
Total	**-1,153**	**-**	**-**	**-**	**-**	**-1,153**	**-**	**-1,153**	**-**	**-1,153**
Financial liabilities not carried at fair value:										
Provisions for guarantees issued	-	-	-	-	-484	-484				
Amounts owed to third parties	-	-	-	-	-157,285	-157,285				
Other liabilities	-	-	-	-	-2,462	-2,462				
Total	**-**	**-**	**-**	**-**	**-160,231**	**-160,231**				
Total financial liabilities	**-1,153**	**-**	**-**	**-**	**-160,231**	**-161,384**				

4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

At 31 December 2016	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	6,920	-	-	-	-	6,920	-	6,920	-	6,920
Venture Capital Funds	-	437,788	-	-	-	437,788	-	-	437,788	437,788
Direct Equity Investments	-	79,096	-	-	-	79,096	22,880	-	56,216	79,096
Total	**6,920**	**516,884**	**-**	**-**	**-**	**523,804**	**22,880**	**6,920**	**494,004**	**523,804**
Financial assets not carried at fair value:										
Cash and cash equivalents	-	-	360,817	-	-	360,817				
Loans and receivables	-	-	1,729,380	-	-	1,729,380	-	1,951,786	-	1,951,786
Amounts receivable from contributors	-	-	86,395	-	-	86,395	-	-	-	-
Bonds	-	-	-	169,398	-	169,398	120,123	48,031	-	168,154
Other assets	-	-	345	-	-	345	-	-	-	-
Total	**-**	**-**	**2,176,937**	**169,398**	**-**	**2,346,335**	**120,123**	**1,999,817**	**-**	**2,119,940**
Total financial assets	**6,920**	**516,884**	**2,176,937**	**169,398**	**-**	**2,870,139**				
Financial liabilities carried at fair value:										
Derivative financial instruments	-25,189	-	-	-	-	-25,189	-	-25,189	-	-25,189
Total	**-25,189**	**-**	**-**	**-**	**-**	**-25,189**	**-**	**-25,189**	**-**	**-25,189**
Financial liabilities not carried at fair value:										
Provisions for guarantees issued	-	-	-	-	-625	-625				
Amounts owed to third parties	-	-	-	-	-116,114	-116,114				
Other liabilities	-	-	-	-	-2,546	-2,546				
Total	**-**	**-**	**-**	**-**	**-119,285**	**-119,285**				
Total financial liabilities	**-25,189**	**-**	**-**	**-**	**-119,285**	**-144,474**				

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.	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.	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.
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.	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.
		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 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.	Not applicable.
Held-to-maturity financial assets	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 2017 and 2016, namely:

- Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -38k as at 31 December 2017 and to EUR -76.4k as at 31 December 2016.
- Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +29.5k as at 31 December 2017 and EUR +42.9k as at 31 December 2016.

4.2.2 Transfers between Level 1 and 2

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.

In 2017 and 2016 the Facility did not make transfers from Level 1 to 2 or Level 2 to 1 of the fair value hierarchy.

4.2.3 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 2017 and 31 December 2016:

In EUR'000	Available-for-sale financial assets
Balance at 1 January 2017	**494,004**
Gains or losses included in profit or loss:	
- net realised gains on available-for-sale financial assets	2,711
- impairment on available-for-sale financial assets	-22,024
Total	**-19,313**
Gains or losses included in other comprehensive income:	
- net change in fair value of available-for-sale financial assets	-17,592
Total	**-17,592**
Disbursements	62,660
Repayments	-44,568
Write offs	-2,110
Balance at 31 December 2017	**473,081**

In EUR'000	Available-for-sale financial assets
Balance at 1 January 2016	**419,175**
Gains or losses included in profit or loss:	
- net realised gains on available-for-sale financial assets	-6,504
- impairment on available-for-sale financial assets	-2,493
Total	**-8,997**
Gains or losses included in other comprehensive income:	
- net change in fair value of available-for-sale financial assets	-24,628
Total	**-24,628**
Disbursements	153,986
Repayments	-37,978
Write offs	-7,554
Balance at 31 December 2016	**494,004**

In 2017 and 2016 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 2017 (in EUR'000)	Increase	Decrease
Direct Equity Investments	-	-

At 31 December 2016 (in EUR'000)	Increase	Decrease
Direct Equity Investments	10	-10
Total	**10**	**-10**

5 Cash and cash equivalents (in EUR'000)

The cash and cash equivalents are composed of:

	31.12.2017	31.12.2016
Cash in hand	166,445	51,462
Term deposits	367,653	259,337
Commercial papers	15,003	50,018
Cash and cash equivalents in the statement of financial position	**549,101**	**360,817**
Accrued interest	68	5
Cash and cash equivalents in the cash flow statement	**549,169**	**360,822**

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 2017	Fair Value		Notional amount
	Assets	Liabilities	
Cross currency interest rate swaps	149	-1,105	8,098
Interest rate swaps	393	-48	31,711
FX swaps	11,979	-	1,500,000
Total derivative financial instruments	**12,521**	**-1,153**	**1,539,809**

At 31 December 2016	Fair Value		Notional amount
	Assets	Liabilities	
Cross currency interest rate swaps	-	-3,051	7,430
Interest rate swaps	388	-335	41,233
FX swaps	6,532	-21,803	1,611,000
Total derivative financial instruments	**6,920**	**-25,189**	**1,659,663**

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 2017	**994,527**	**764,339**	**71,563**	**1,830,429**
Disbursements	305,059	63,603	-	368,662
Write offs	-3,257	-6,138	-	-9,395
Repayments	-162,361	-91,125	-	-253,486
Interest capitalised	-	-	-	-
Foreign exchange rates differences	-128,874	-43,180	-9,017	-181,071
Nominal as at 31 December 2017	**1,005,094**	**687,499**	**62,546**	**1,755,139**
Impairment as at 1 January 2017	**-18,185**	**-28,294**	**-71,161**	**-117,640**
Impairment recorded in statement of profit or loss and other comprehensive income	-5,105	-11,572	-	-16,677
Write offs	3,257	6,138	-	9,395
Reversal of impairment	2,204	3,752	-	5,956
Foreign exchange rates differences	914	3,234	8,615	12,763
Impairment as at 31 December 2017	**-16,915**	**-26,742**	**-62,546**	**-106,203**
Amortised Cost	-3,802	-3,408	-	-7,210
Interest	15,122	9,877	-	24,999
Loans and receivables as at 31 December 2017	**999,499**	**667,226**	**-**	**1,666,725**

	Global loans(*)	Senior loans	Subordinated loans	Total
Nominal as at 1 January 2016	**661,792**	**818,007**	**160,555**	**1,640,354**
Disbursements	476,685	51,691	-	528,376
Write offs	-	-109	-31,189	-31,298
Repayments	-178,282	-107,259	-65,927	-351,468
Interest capitalised	-	-	7,183	7,183
Foreign exchange rates differences	34,332	2,009	941	37,282
Nominal as at 31 December 2016	**994,527**	**764,339**	**71,563**	**1,830,429**
Impairment as at 1 January 2016	**-9,403**	**-22,445**	**-159,198**	**-191,046**
Impairment recorded in statement of profit or loss and other comprehensive income	-8,794	-11,999	-	-20,793
Write offs	-	109	31,189	31,298
Reversal of impairment	360	6,100	58,698	65,158
Foreign exchange rates differences	-348	-59	-1,850	-2,257
Impairment as at 31 December 2016	**-18,185**	**-28,294**	**-71,161**	**-117,640**
Amortised Cost	-3,906	-3,682	-	-7,588
Interest	14,807	9,371	1	24,179
Loans and receivables as at 31 December 2016	**987,243**	**741,734**	**403**	**1,729,380**

(*) including agency agreements

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 2017	**331,253**	**72,636**	**403,889**
Disbursements	62,660	-	62,660
Repayments / sales	-41,678	-2,890	-44,568
Write offs	-437	-1,673	-2,110
Foreign exchange rates differences on repayments / sales	1,600	55	1,655
Cost as at 31 December 2017	**353,398**	**68,128**	**421,526**
Unrealised gains and losses as at 1 January 2017	**129,427**	**13,457**	**142,884**
Net change in unrealised gains and losses	-18,242	1,174	-17,068
Unrealised gains and losses as at 31 December 2017	**111,185**	**14,631**	**125,816**
Impairment as at 1 January 2017	**-22,892**	**-6,997**	**-29,889**
Impairment recorded in statement of profit or loss and other comprehensive income during the year	-22,024	-	-22,024
Write offs	437	1,673	2,110
Impairment as at 31 December 2017	**-44,479**	**-5,324**	**-49,803**
Available-for-sale financial assets as at 31 December 2017	**420,104**	**77,435**	**497,539**

	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2016	**267,331**	**22,979**	**290,310**
Disbursements	101,323	52,663	153,986
Repayments / sales	-37,948	-30	-37,978
Write offs	-4,594	-2,960	-7,554
Foreign exchange rates differences on repayments / sales	5,141	-16	5,125
Cost as at 31 December 2016	**331,253**	**72,636**	**403,889**
Unrealised gains and losses as at 1 January 2016	**153,901**	**10,092**	**163,993**
Net change in unrealised gains and losses	-24,474	3,365	-21,109
Unrealised gains and losses as at 31 December 2016	**129,427**	**13,457**	**142,884**
Impairment as at 1 January 2016	**-25,029**	**-9,921**	**-34,950**
Impairment recorded in statement of profit or loss and other comprehensive income during the year	-2,457	-36	-2,493
Write offs	4,594	2,960	7,554
Impairment as at 31 December 2016	**-22,892**	**-6,997**	**-29,889**
Available-for-sale financial assets as at 31 December 2016	**437,788**	**79,096**	**516,884**

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 2017	**169,398**
Acquisitions	1,084,149
Maturities	-1,109,563
Change in amortisation of premium/discount	-59
Change in accrued interest	457
Balance as at 31 December 2017	**144,382**

Balance as at 1 January 2016	**228,521**
Acquisitions	1,159,704
Maturities	-1,219,953
Change in amortisation of premium/discount	-87
Change in accrued interest	1,213
Balance as at 31 December 2016	**169,398**

11 Other assets (in EUR'000)

The main components of other assets are as follows:

	31.12.2017	**31.12.2016**
Amount receivable from EIB	4,117	1
Financial guarantees	268	344
Total other assets	**4,385**	**345**

12 Deferred income (in EUR'000)

The main components of deferred income are as follows:

	31.12.2017	**31.12.2016**
Deferred interest subsidies	24,895	25,884
Deferred commissions on loans and receivables	907	399
Total deferred income	**25,802**	**26,283**

13 Provisions for guarantees issued (in EUR'000)

The amount of provisions for guarantees issued is recognised using the best estimate of expenditure required to settle any present financial obligation arising as a result of the guarantees and represents the sum of:

- the amounts initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue and
- the excess over the above amounts, as measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

	2017	2016
Balance at 1 January	625	-
Additions recorded in statement of profit or loss and other comprehensive income	65	242
Utilised	-206	-
Transfer from "Other liabilities", financial guarantees	-	383
Balance at 31 December	**484**	**625**

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

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

	31.12.2017	31.12.2016
Net general administrative expenses payable to EIB	45,105	43,483
Other amounts payable to EIB	580	-
Interest subsidies and TA not yet disbursed owed to Member States	111,600	72,631
Total amounts owed to third parties	**157,285**	**116,114**

15 Other liabilities (in EUR'000)

The main components of other liabilities are as follows:

	31.12.2017	31.12.2016
Loan repayments received in advance	1,986	2,081
Deferred income from interest subsidies	436	458
Financial guarantees	40	7
Total other liabilities	**2,462**	**2,546**

16 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	65,597	8,387	73,984	3,615
Belgium	96,872	12,340	109,212	5,295
Bulgaria	644	266	910	210
Cyprus	414	171	585	135
Czech Republic	2,346	969	3,315	765
Denmark	53,220	6,875	60,095	3,000
Estonia	230	95	325	75
Finland	37,206	4,920	42,126	2,205
France	589,781	72,062	661,843	29,325
Germany	574,815	72,516	647,331	30,750
Greece	32,475	4,589	37,064	2,205
Hungary	2,530	1,045	3,575	825
Ireland	16,939	2,620	19,559	1,365
Italy	317,104	42,453	359,557	19,290
Latvia	322	133	455	105
Lithuania	552	228	780	180
Luxembourg	7,207	930	8,137	405
Malta	138	57	195	45
Netherlands	129,685	16,715	146,400	7,275
Poland	5,980	2,470	8,450	1,950
Portugal	25,243	3,579	28,822	1,725
Romania	1,702	703	2,405	555
Slovakia	966	399	1,365	315
Slovenia	828	342	1,170	270
Spain	156,239	23,306	179,545	11,775
Sweden	68,760	9,129	77,889	4,110
United Kingdom	329,205	46,392	375,597	22,230
Total as at 31 December 2017	**2,517,000**	**333,691**	**2,850,691**	**150,000**
Total as at 31 December 2016	**2,377,000**	**273,691**	**2,650,691**	**86,395**

(*) On 26 October 2017, the Council fixed the amount of financial contributions to be paid by each Member State by. As at 31 December 2017 EUR 150,000,000 were not paid in.

17 Contingent liabilities and commitments (in EUR'000)

	31.12.2017	31.12.2016
Commitments		
Un-disbursed loans	869,983	901,899
Un-disbursed commitment in respect of available-for-sale financial assets	321,695	244,050
Issued guarantees	7,682	8,627
Interest subsidies and technical assistance	382,576	334,553
Contingent liabilities		
Signed non-issued guarantees	74,569	35,337
Total contingent liabilities and commitments	**1,656,505**	**1,524,466**

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

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

	From 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
Loans and receivables	97,440	102,580
Interest subsidies	3,966	4,118
Total interest and similar income	**101,406**	**106,698**

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

	From 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
Derivative financial instruments	-980	-1,142
Cash and cash equivalents	-1,037	-752
Held-to-maturity financial assets	-654	-413
Total interest and similar expenses	**-2,671**	**-2,307**

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

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

	From 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
Fee and commission on loans and receivables	-	515
Fee and commission on financial guarantees	209	183
Other	1	1
Total fee and commission income	**210**	**699**

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

	From 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
Commission paid to third parties with regard to available-for-sale financial assets	-60	-48
Total fee and commission expenses	**-60**	**-48**

20 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 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
Net proceeds from available-for-sale financial assets	1,030	2,159
Dividend income	1,681	4,345
Net realised gains on available-for-sale financial assets	**2,711**	**6,504**

21 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 01.01.2017 to 31.12.2017	From 01.01.2016 to 31.12.2016
Actual cost incurred by the EIB	-48,285	-45,858
Income from appraisal fees directly charged to clients of the Facility	3,180	2,375
Total general administrative expenses	**-45,105**	**-43,483**

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.

Type of structured entity	Caption	Carrying amount at 31.12.2017	Carrying amount at 31.12.2016	Maximum exposure to loss at 31.12.2017	Maximum exposure to loss at 31.12.2016
Venture capital funds	Available-for-sale financial assets	420,104	437,788	737,661	672,222
Total		**420,104**	**437,788**	**737,661**	**672,222**

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.

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 31.12.2017	Carrying amount at 31.12.2016	Undisbursed amount at 31.12.2017	Undisbursed amount at 31.12.2016
Social impact equity funds	Available-for-sale financial assets	7,839	5,021	51,720	19,567
Loans to financial intermediaries	Loans and receivables	30,804	23,702	44,017	46,958
Risk sharing facilitating instruments	Issued guarantees	296	-288	64,569	33,719
Direct financing – equity participations	Available-for-sale financial assets	42,981	39,986	4,014	14
Total		**81,920**	**68,421**	**164,320**	**100,258**

24 Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2017 financial statements.