Council of the
European Union

Brussels, 28 June 2019
(OR. en)

10799/19

ACP 84
FIN 451
PTOM 18

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	27 June 2019
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2019) 317 final
Subject:	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS - Annual Accounts of the European Development Fund 2018

Delegations will find attached document COM(2019) 317 final.

Encl.: COM(2019) 317 final

EUROPEAN
COMMISSION

Brussels, 26.6.2019
COM(2019) 317 final

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

Annual Accounts of the European Development Fund 2018

EN EN

Annual Accounts of the European Development Fund 2018

CONTENTS

CERTIFICATION OF THE ACCOUNTS 3
IMPLEMENTING AND ACCOUNTING FOR THE EDF RESOURCES 4
FUNDS MANAGED BY THE EUROPEAN COMMISSION 7
FINANCIAL STATEMENTS OF THE EDF 9
FINANCIAL STATEMENTS OF THE EU TRUST FUNDS CONSOLIDATED IN EDF 46
FINAL ANNUAL ACCOUNTS OF THE BÊKOU EU TRUST FUND 2018 47
FINAL ANNUAL ACCOUNTS OF THE EUTF AFRICA 2018 55
CONSOLIDATED FINANCIAL STATEMENTS OF THE EDF AND THE EU TRUST FUNDS 63
EDF REPORT ON FINANCIAL IMPLEMENTATION 68
ANNUAL REPORT ON IMPLEMENTATION - FUNDS MANAGED BY THE EUROPEAN INVESTMENT BANK 85

CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Development Fund for the year 2018 have been prepared in accordance with Title X 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 18 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.

Rosa ALDEA BUSQUETS

Accounting Officer

June 2019

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 2018, the Council adopted the Financial Regulation applicable to the 11th EDF[2]. This repealed the previous regulation in force and is applicable to operations financed from previous EDFs without prejudice to existing legal commitments. This Regulation does not apply to the Investment Facility under previous EDFs.

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.

[1] OJ L 210, 6.8.2013, p. 1.
[2] Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323

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 Articles 18(3) 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. These 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

(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 Commission’s Accounting Officer and are subject to external audit carried out by a private auditor. The trust funds' figures included in these annual accounts are provisional.

The EDF 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 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 of the financial implementation of the EDF resources for a given financial year is the discharge. 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 to questions and further information requests.

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 9
EDF BALANCE SHEET 10
EDF STATEMENT OF FINANCIAL PERFORMANCE 11
EDF CASHFLOW STATEMENT 12
EDF STATEMENT OF CHANGES IN NET ASSETS 13
BALANCE SHEET BY EDF 14
STATEMENT OF FINANCIAL PERFORMANCE BY EDF 15
STATEMENT OF CHANGES IN NET ASSETS BY EDF 16
NOTES TO THE FINANCIAL STATEMENTS OF THE EDF 18
FINANCIAL STATEMENTS OF THE EU TRUST FUNDS CONSOLIDATED IN EDF 46
FINAL ANNUAL ACCOUNTS OF THE BÊKOU EU TRUST FUND 2018 47
BALANCE SHEET 51
STATEMENT OF FINANCIAL PERFORMANCE 52
CASHFLOW STATEMENT 53
STATEMENT OF CHANGES IN NET ASSETS 54
FINAL ANNUAL ACCOUNTS OF THE EUTF AFRICA 2018 55
BALANCE SHEET 59
STATEMENT OF FINANCIAL PERFORMANCE 60
CASHFLOW STATEMENT 61
STATEMENT OF CHANGES IN NET ASSETS 62
CONSOLIDATED FINANCIAL STATEMENTS OF THE EDF AND THE EU TRUST FUNDS 63
CONSOLIDATED BALANCE SHEET 64
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE 65
CONSOLIDATED CASH FLOW STATEMENT 66
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS 67
EDF REPORT ON FINANCIAL IMPLEMENTATION 68

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	31.12.2018	31.12.2017
NON-CURRENT ASSETS			
Pre-financing	2.1	887	582
Trust Fund contributions	2.2	201	163
		1 088	**745**
CURRENT ASSETS			
Pre-financing	2.1	1 448	1 518
Exchange receivables and non-exchange recoverables	2.3	138	92
Cash and cash equivalents	2.4	387	347
		1 973	**1 958**
TOTAL ASSETS		**3 061**	**2 703**
NON-CURRENT LIABILITIES			
Provisions	2.5	–	(4)
Financial liabilities	2.6	(18)	(14)
		(18)	**(18)**
CURRENT LIABILITIES			
Payables	2.7	(241)	(563)
Accrued charges and deferred income	2.8	(1 281)	(733)
		(1 523)	**(1 296)**
TOTAL LIABILITIES		**(1 540)**	**(1 314)**
NET ASSETS		**1 521**	**1 389**
FUNDS & RESERVES			
Called fund capital - active EDFs	2.9	50 423	46 173
Called fund capital from closed EDFs carried forward	2.9	2 252	2 252
Economic result carried forward from previous years		(47 037)	(43 219)
Economic result of the year		(4 118)	(3 818)
NET ASSETS		**1 521**	**1 389**

EDF STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	Note	2018	2017
REVENUE			
Revenue from non-exchange transactions	*3.1*		
Recovery activities		*4*	*61*
		4	**61**
Revenue from exchange transactions	*3.2*		
Financial revenue		*10*	*4*
Other revenue		*46*	*22*
		57	**25**
Total Revenue		**60**	**87**
EXPENSES			
Aid instruments	*3.3*	*(4 054)*	*(3 700)*
Co-financing expenses	*3.4*	*17*	*(42)*
Finance costs	*3.6*	*7*	*(8)*
Other expenses	*3.7*	*(148)*	*(154)*
Total Expenses		**(4 178)**	**(3 904)**
ECONOMIC RESULT OF THE YEAR		**(4 118)**	**(3 818)**

EDF CASHFLOW STATEMENT

EUR millions

	Note	2018	2017
Economic result of the year		*(4 118)*	*(3 818)*
Operating activities			
Capital increase - contributions (net)		*4 250*	*3 850*
(Increase)/decrease in trust funds contributions		*(38)*	*(66)*
(Increase)/decrease in pre-financing		*(235)*	*(319)*
(Increase)/decrease in exchange receivables and non-exchange recoverables		*(46)*	*40*
Increase/(decrease) in provisions		*(4)*	*–*
Increase/(decrease) in financial liabilities		*3*	*8*
Increase/(decrease) in payables		*(322)*	*14*
Increase/(decrease) in accrued charges and deferred income		*548*	*(42)*
NET CASHFLOW		**40**	**(333)**
Net increase/(decrease) in cash and cash equivalents		**40**	**(333)**
Cash and cash equivalents at the beginning of the year	*2.4*	*347*	*680*
Cash and cash equivalents at year-end	*2.4*	*387*	*347*

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 31.12.2016	**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**
Capital increase - contributions	–	*(4 250)*	*4 250*	–	–	*4 250*
Economic result of the year	–	–	–	*(4 118)*	–	*(4 118)*
BALANCE AS AT 31.12.2018	**73 264**	**22 840**	**50 423**	**(51 155)**	**2 252**	**1 521**

BALANCE SHEET BY EDF

EUR millions

	Note	31.12.2018 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total	31.12.2017 Eighth EDF	Ninth EDF	10th EDF	11th EDF	Total
NON-CURRENT ASSETS											
Pre-financing	*2.1*	*–*	*23*	*520*	*344*	*887*	*–*	*32*	*221*	*330*	*582*
Trust Fund contributions	*2.2*	*–*	*–*	*–*	*201*	*201*	*–*	*86*	*–*	*77*	*163*
		–	**23**	**520**	**546**	**1 088**	**–**	**118**	**221**	**407**	**745**
CURRENT ASSETS						–					–
Pre-financing	*2.1*	*0*	*19*	*445*	*984*	*1 448*	*1*	*40*	*867*	*610*	*1 518*
Exchange receivables and non-exchange recoverables	*2.3*	*1*	*65*	*36*	*36*	*138*	*0*	*64*	*17*	*11*	*92*
Inter-EDF accounts	*2.3*	*183*	*111*	*2 421*	*–*	*2 715*	*189*	*88*	*3 555*	*–*	*3 832*
Cash and cash equivalents	*2.4*	*–*	*–*	*–*	*387*	*387*	*–*	*–*	*–*	*347*	*347*
		184	**195**	**2 902**	**1 407**	**4 689**	**190**	**193**	**4 439**	**968**	**5 791**
TOTAL ASSETS*		**184**	**218**	**3 422**	**1 953**	**5 777**	**190**	**311**	**4 660**	**1 375**	**6 536**
						–					–
NON-CURRENT LIABILITIES						–					–
Provisions	*2.5*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*(4)*	*(4)*
Financial liabilities	*2.6*	*–*	*–*	*(1)*	*(16)*	*(18)*	*–*	*–*	*(7)*	*(7)*	*(14)*
		–	**–**	**(1)**	**(16)**	**(18)**	**–**	**–**	**(7)**	**(11)**	**(18)**
CURRENT LIABILITIES						–					–
Payables	*2.7*	*(0)*	*(6)*	*(125)*	*(111)*	*(241)*	*(0)*	*(13)*	*(133)*	*(417)*	*(563)*
Inter-EDF accounts	*2.3*	*–*	*–*	*–*	*(2 715)*	*(2 715)*	*–*	*–*	*–*	*(3 833)*	*(3 833)*
Accrued charges and deferred income	*2.8*	*(0)*	*(83)*	*(358)*	*(840)*	*(1 281)*	*(0)*	*(76)*	*(517)*	*(140)*	*(733)*
		(0)	**(89)**	**(482)**	**(3 666)**	**(4 237)**	**(0)**	**(89)**	**(650)**	**(4 389)**	**(5 128)**
TOTAL LIABILITIES*		**(0)**	**(89)**	**(484)**	**(3 682)**	**(4 255)**	**(0)**	**(89)**	**(657)**	**(4 401)**	**(5 147)**
						–					–
NET ASSETS*		**184**	**129**	**2 938**	**(1 729)**	**1 521**	**190**	**222**	**4 003**	**(3 025)**	**1 389**
						–					–
FUNDS & RESERVES						–					–
Called fund capital - active EDFs	*2.9*	*12 164*	*10 773*	*20 960*	*6 527*	*50 423*	*12 164*	*10 773*	*20 960*	*2 277*	*46 173*
Called fund capital from closed EDFs carried forward	*2.9*	*627*	*1 625*	*–*	*–*	*2 252*	*627*	*1 625*	*–*	*–*	*2 252*
Called fund capital transfers between active EDFs	*2.9*	*(2 509)*	*2 137*	*55*	*317*	*–*	*(2 503)*	*2 177*	*120*	*206*	*–*
Economic result carried forward from previous years		*(10 098)*	*(14 352)*	*(17 078)*	*(5 508)*	*(47 037)*	*(10 098)*	*(14 339)*	*(15 812)*	*(2 969)*	*(43 219)*
Economic result of the year		*0*	*(53)*	*(1 000)*	*(3 065)*	*(4 118)*	*0*	*(13)*	*(1 266)*	*(2 539)*	*(3 818)*
NET ASSETS		**184**	**129**	**2 938**	**(1 729)**	**1 521**	**190**	**222**	**4 003**	**(3 025)**	**1 389**

* from total assets and liabilities, inter-EDF accounts should be deducted in order to reconcile them to the totals on the EDF Balance sheet

STATEMENT OF FINANCIAL PERFORMANCE BY EDF

EUR millions

	Note	2018 Eighth EDF	2018 Ninth EDF	2018 10th EDF	2018 11th EDF	2018 Total	2017 Eighth EDF	2017 Ninth EDF	2017 10th EDF	2017 11th EDF	2017 Total
REVENUE											
Revenue from non-exchange transactions	**3.1**										
Recovery activities		*0*	*3*	*(3)*	*4*	*4*	*0*	*5*	*49*	*7*	*61*
		0	**3**	**(3)**	**4**	**4**	**0**	**5**	**49**	**7**	**61**
Revenue from exchange transactions	**3.2**										
Financial revenue		*0*	*2*	*8*	*1*	*10*	*(0)*	*(1)*	*4*	*(0)*	*4*
Other revenue		*1*	*6*	*27*	*12*	*46*	*1*	*5*	*13*	*4*	*22*
		1	*8*	*35*	*13*	*57*	*1*	*4*	*17*	*4*	*25*
Total revenue		***1***	***11***	***32***	***17***	***60***	***1***	***9***	***66***	***11***	***87***
EXPENSES											
Aid instruments	*3.3*	*0*	*(59)*	*(984)*	*(3 012)*	*(4 054)*	*(0)*	*(14)*	*(1 251)*	*(2 435)*	*(3 700)*
Co-financing expenses	*3.4*	*–*	*–*	*18*	*(1)*	*17*	*–*	*–*	*(42)*	*(1)*	*(42)*
Finance costs	*3.6*	*0*	*1*	*5*	*1*	*7*	*1*	*1*	*(10)*	*(0)*	*(8)*
Other expenses	*3.7*	*(1)*	*(7)*	*(71)*	*(70)*	*(148)*	*(2)*	*(9)*	*(29)*	*(114)*	*(154)*
Total expenses		***(0)***	***(64)***	***(1 031)***	***(3 082)***	***(4 178)***	***(1)***	***(22)***	***(1 332)***	***(2 549)***	***(3 904)***
ECONOMIC RESULT OF THE YEAR		**0**	**(53)**	**(1 000)**	**(3 065)**	**(4 118)**	**0**	**(13)**	**(1 266)**	**(2 539)**	**(3 818)**

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 31.12.2016	**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**
Transfers to/from the 10th EDF			*–*			*(7)*	*(7)*
Economic result of the year			*–*	*0*		*–*	*0*
BALANCE AS AT 31.12.2018	**12 164**	**–**	**12 164**	**(10 098)**	**627**	**(2 509)**	**184**

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 31.12.2016	**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)*
Economic result of the year			*–*	*(13)*			*(13)*
BALANCE AS AT 31.12.2017	**10 773**	**–**	**10 773**	**(14 352)**	**1 625**	**2 177**	**222**
Transfers to/from the 10th EDF			*–*			*(40)*	*(40)*
Transfers to/from the 11th EDF			*–*			*–*	*–*
Economic result of the year			*–*	*(53)*		*–*	*(53)*
BALANCE AS AT 31.12.2018	**10 773**	**–**	**10 773**	**(14 406)**	**1 625**	**2 137**	**129**

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 31.12.2016	**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**
Transfers to/from the Eighth and Ninth EDF			*–*			*47*	*47*
Transfers to/from the 11th EDF			*–*			*(112)*	*(112)*
Economic result of the year			*–*	*(1 000)*		*–*	*(1 000)*
BALANCE AS AT 31.12.2018	**20 960**	**–**	**20 960**	**(18 077)**	**–**	**55**	**2 938**

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 31.12.2016	**29 367**	**29 367**	**–**	**(2 969)**	**–**	**35**	**(2 934)**
Capital increase - contributions		*(2 277)*	*2 277*			*–*	*2 277*
Transfers to/from the Eighth, Ninth and 10th EDF			*–*		*–*	*171*	*171*
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)**
Capital increase - contributions		*(4 250)*	*4 250*			*112*	*4 362*
Transfers to/from the Eighth, Ninth and 10th EDF			*–*			*–*	*–*
Economic result of the year			*–*	*(3 065)*		*–*	*(3 065)*
BALANCE AS AT 31.12.2018	**29 367**	**22 840**	**6 527**	**(8 573)**	**–**	**317**	**(1 729)**

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	31.12.2018	31.12.2017	Currency	31.12.2018	31.12.2017
BGN	**1.9558**	*1.9558*	**PLN**	**4.3014**	*4.177*
CZK	**25.7240**	*25.5350*	**RON**	**4.6635**	*4.6585*
DKK	**7.4673**	*7.4449*	**SEK**	**10.2548**	*9.8438*
GBP	**0.8945**	*0.8872*	**CHF**	**1.1269**	*1.1702*
HRK	**7.4125**	*7.4400*	**JPY**	**125.8500**	*135.01*
HUF	**320.9800**	*310.3300*	**USD**	**1.145**	*1.1993*

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 an 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

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. During this financial year, the entity did not hold any investments in this category.

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 and loans are recognised when cash is deposited in a financial institution or advanced to borrowers. 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 from 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 are 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 conditions 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	31.12.2018	31.12.2017
Non-current pre-financing	*2.1.1*	*–*	*23*	*520*	*344*	*887*	*582*
Current pre-financing	*2.1.2*	*0*	*19*	*445*	*984*	*1 448*	*1 518*
Total		**0**	**42**	**964**	**1 328**	**2 335**	**2 100**

The increase in non-current pre-financing was mainly caused by the extension up to 2023 (with 7 years disbursement period) of a contract that was supposed to end in 2017. In 2017 the total value of this contract had been expensed, whereas after the extension, the non-current pre-financing was estimated at EUR 217 million.

The decrease in current pre-financing was caused by a decrease in the pre-financing payments made (by 10%) and an increase in the level of clearings (mainly in the 10th EDF).

This decrease is in line with the lifecycle of the EDF. Many contracts have been cleared and completed in the 10th EDF: this can be seen in the drop of their number – from 3.4k in 2017 to 2.6k in 2018.

At the same time the number of open contracts in the 11th EDF increased from 1.6k in 2017 to 2.3k in 2018. The 11th EDF started in 2015 and 2018 was thus the fourth year of its existence. The 11th EDF has reached maturity with regards to the implementation of adopted actions.

2.1.1. Non-current pre-financing

EUR millions

	31.12.2018	31.12.2017
Direct Management	**188**	**159**
Implemented by:		
Commission	*140*	*105*
EU executive agencies	*0*	*6*
EU delegations	*48*	*48*
Indirect Management	**698**	**423**
Implemented by :		
EIB and EIF	*367*	*166*
International organisations	*280*	*189*
Private law bodies with a public service mission	*6*	*11*
Public law bodies	*24*	*37*
Third countries	*21*	*20*
EU bodies and Public Private Partnership	*0*	*–*
Private law bodies implementing Public Private Partnership	*–*	*0*
Total	**887**	**582**

2.1.2. Current pre-financing

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Pre-financing (gross)	*1*	*113*	*2 034*	*3 005*	*5 153*	*5 288*
Cleared via cut-off	*(1)*	*(94)*	*(1 589)*	*(2 021)*	*(3 705)*	*(3 770)*
Total	**0**	**19**	**445**	**984**	**1 448**	**1 518**

EUR millions

	31.12.2018	31.12.2017
Direct Management	**280**	**256**
Implemented by:		
Commission	*102*	*86*
EU executive agencies	*8*	*10*
Trust Funds	*1*	*–*
EU delegations	*169*	*161*
Indirect Management	**1 169**	**1 262**
Implemented by :		
EIB and EIF	*100*	*345*
International organisations	*658*	*563*
Private law bodies with a public service mission	*78*	*59*
Public law bodies	*124*	*108*
Third countries	*208*	*186*
EU Bodies and Public Private Partnership	*0*	*-*
Private law bodies implementing Public Private Partnership	*0*	*0*
Total	**1 448**	**1 518**

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 2018 the guarantees received by the EDF in respect of pre-financing amounted to EUR 79 million (2017 EUR 54 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 2018 those guarantees amounted to EUR 534 million.

2.2. TRUST FUND CONTRIBUTIONS

This heading represents the amount paid as contributions to the EU Trust Fund for Africa and the Bêkou EU Trust Fund. 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 31.12.2017	Contributions paid in 2018	Allocation of TF's net expenses 2018	Net contribution at 31.12.2018
Africa	*148*	*345*	*(301)*	*192*
Bêkou	*16*	*–*	*(7)*	*9*
Total	**163**	**345**	**(308)**	**201**

2.3. NON-EXCHANGE RECOVERABLES AND EXCHANGE RECEIVABLES

EUR millions

	Note	31.12.2018	31.12.2017
Recoverables from non-exchange transactions	*2.3.1*	*37*	*19*
Receivables from exchange transactions	*2.3.2*	*101*	*73*
Total		**138**	**92**

2.3.1. Recoverables from non-exchange transactions

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Member States	*–*	*–*	*–*	*5*	*5*	*7*
Customers	*2*	*7*	*16*	*1*	*26*	*19*
Public bodies	*0*	*9*	*9*	*7*	*25*	*20*
Third states	*0*	*1*	*3*	*0*	*5*	*6*
Write down	*(2)*	*(15)*	*(10)*	*(0)*	*(27)*	*(34)*
Inter-company accounts with EU institutions	*–*	*–*	*–*	*3*	*3*	*2*
Total	**1**	**2**	**18**	**16**	**37**	**19**

2.3.2. Receivables from exchange transactions

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Accrued income	*0*	*63*	*18*	*0*	*81*	*74*
Receivable from EU	*–*	*–*	*–*	*20*	*20*	*–*
Inter-EDF accounts	*183*	*111*	*2 421*	*(2 715)*	*(0)*	*(0)*
Total	**183**	**174**	**2 439**	**(2 695)**	**101**	**73**

Included under accrued income are 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 18 million).

The receivable from the EU is the amount that was transferred to the trust account owned by the European Commission.

For efficiency reasons, the single treasury covering all the EDFs is allocated to the 11th EDF; this leads to operations between the various EDFs, which are balanced out in the inter-EDF accounts between the various EDF balance sheets.

Inter-EDF accounts are presented only in the individual EDFs. The total of inter-EDF accounts is nil.

2.4. CASH AND CASH EQUIVALENTS[3]

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Central banks	–	–	–	*276*	*276*	*105*
Commercial banks	–	–	–	*87*	*87*	*242*
Cash belonging to financial instruments	–	–	–	*24*	*24*	–
Total	**–**	**–**	**–**	**387**	**387**	**347**

The total level of cash and cash equivalents remained stable. However, the structure of the cash position has changed. A significant decrease (EUR 136 million) was observed in the UK's contribution account in the commercial bank Natwest. It was mainly because at the end of 2017 the UK paid the first instalment of its 2018 contribution of EUR 170 million.
On 31.12.2018 more cash was kept in the central banks, in order to limit counterparty risk (see note **5.4**).

LIABILITIES

2.5. PROVISIONS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Provisions	–	–	–	–	–	*4*
Total	**–**	**–**	**–**	**–**	**–**	**4**

The provision for the Centre de Development (CDE) has been released as the court cases have been finished and no additional costs should be incurred.

2.6. FINANCIAL LIABILITIES

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Co-financing - payables	–	–	*1*	*16*	*18*	*14*
Total	**–**	**–**	**1**	**16**	**18**	**14**

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

2.7. PAYABLES

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Current payables	*2.7.1*	*0*	*6*	*80*	*88*	*173*	*361*
Sundry payables	*2.7.2*	–	–	*45*	*23*	*68*	*202*
Total		**0**	**6**	**125**	**111**	**241**	**563**

[3] In accordance with Article 53 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.

2.7.1. Current payables

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Suppliers	*0*	*5*	*65*	*32*	*102*	*133*
Member States	*–*	*–*	*0*	*1*	*1*	*12*
Third states	*0*	*–*	*6*	*31*	*37*	*146*
Public bodies	*–*	*2*	*10*	*30*	*43*	*83*
Other current payables	*(0)*	*(2)*	*(2)*	*(6)*	*(10)*	*(13)*
Total	**0**	**6**	**80**	**88**	**173**	**361**

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 shown as other current payables.

2.7.2. Sundry payables

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Co-financing payables	*2.7.2.1*	*–*	*–*	*47*	*21*	*68*	*28*
Deferred fund capital contributions	*2.7.2.2*	*–*	*–*	*–*	*–*	*–*	*173*
Other sundry payables		*–*	*–*	*(2)*	*2*	*–*	*1*
Total		**–**	**–**	**45**	**23**	**68**	**202**

2.7.2.1. Co-financing payables

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

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	31.12.2018	31.12.2017
Non-current co-financing						
Austria	–	–	–	1	1	–
Belgium	–	–	0	2	2	2
Czech Republic	–	–	–	1	1	–
Denmark	–	–	–	3	3	0
Finland	–	–	–	1	1	–
France	–	–	1	1	2	4
Luxembourg	–	–	–	1	1	–
Netherlands	–	–	–	3	3	–
Portugal	–	–	–	0	0	–
Sweden	–	–	0	–	0	3
United Kingdom	–	–	–	2	2	1
Australia	–	–	0	–	0	0
USAID	–	–	–	2	2	4
	–	**–**	***1***	***16***	***18***	***14***
Current co-financing						
Austria	–	–	–	0	0	–
Belgium	–	–	4	0	4	3
Czech Republic	–	–	–	0	0	–
Denmark	–	–	0	2	3	(0)
Finland	–	–	–	0	0	–
France	–	–	21	1	22	12
Germany	–	–	1	–	1	0
Luxembourg	–	–	–	0	0	–
Netherlands	–	–	1	1	2	0
Poland	–	–	0	–	0	–
Portugal	–	–	–	0	0	–
Spain	–	–	2	–	2	1
Sweden	–	–	5	1	5	5
Switzerland	–	–	0	–	0	0
United Kingdom	–	–	13	12	25	4
Canada	–	–	0	–	0	0
Australia	–	–	0	–	0	1
USAID	–	–	–	4	4	2
	–	**–**	***47***	***21***	***68***	***28***
Total	**–**	**–**	**48**	**37**	**86**	**42**

The total non-current and current co-financing payables increased by EUR 44 million compared to the previous reporting period.

During 2018, a total of EUR 28 million new co-financing contributions were received.

The total co-financing payables increased by EUR 17 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	31.12.2018	31.12.2017
United Kingdom	–	–	–	–	–	170
Lithuania	–	–	–	–	–	2
Total	**–**	**–**	**–**	**–**	**–**	**173**

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	31.12.2018	31.12.2017
Accrued charges	*0*	*83*	*358*	*838*	*1 279*	*730*
Other accruals and deferrals	*–*	*–*	*–*	*3*	*3*	*3*
Total	**0**	**83**	**358**	**840**	**1 281**	**733**

Accrued charges comprise estimated operating expenses for on-going or completed contracts without validated cost claims where the 2018 eligible expenses incurred by beneficiaries of EDF were estimated using the best available information. 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**).

Accrued charges increased mainly in the 11th EDF (from EUR 140 million in 2017 to EUR 840 million in 2018). This is in line with the increase in the number of contracts (from 1.6k in 2017 to 2.3k in 2018). The 11th EDF started in 2015 and 2018 was thus the fourth year of its existence. The 11th EDF has reached maturity with regards to the implementation of adopted actions.

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*	*10 773*	*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**
Fund capital	*12 164*	*10 773*	*20 960*	*29 367*	*73 264*
Uncalled fund capital	*–*	*–*	*–*	*(22 840)*	*(22 840)*
Called fund capital 31.12.2018	**12 164**	**10 773**	**20 960**	**6 527**	**50 423**

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 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).

2.9.2. Called and uncalled fund capital by Member State

EUR millions

Contributions 11th EDF	%	Uncalled capital 31.12.2017	Capital called in 2018	Uncalled capital 31.12.2018
Austria	*2.40*	*650*	*(102)*	*548*
Belgium	*3.25*	*880*	*(138)*	*742*
Bulgaria	*0.22*	*59*	*(9)*	*50*
Croatia	*0.23*	*61*	*(10)*	*51*
Cyprus	*0.11*	*30*	*(5)*	*25*
Czech Republic	*0.80*	*216*	*(34)*	*182*
Denmark	*1.98*	*537*	*(84)*	*452*
Estonia	*0.09*	*23*	*(4)*	*20*
Finland	*1.51*	*409*	*(64)*	*345*
France	*17.81*	*4 826*	*(757)*	*4 068*
Germany	*20.58*	*5 575*	*(875)*	*4 700*
Greece	*1.51*	*408*	*(64)*	*344*
Hungary	*0.61*	*166*	*(26)*	*140*
Ireland	*0.94*	*255*	*(40)*	*215*
Italy	*12.53*	*3 394*	*(533)*	*2 862*
Latvia	*0.12*	*31*	*(5)*	*27*
Lithuania	*0.18*	*49*	*(8)*	*41*
Luxemburg	*0.26*	*69*	*(11)*	*58*
Malta	*0.04*	*10*	*(2)*	*9*
Netherlands	*4.78*	*1 294*	*(203)*	*1 091*
Poland	*2.01*	*544*	*(85)*	*458*
Portugal	*1.20*	*324*	*(51)*	*273*
Romania	*0.72*	*195*	*(31)*	*164*
Slovakia	*0.38*	*102*	*(16)*	*86*
Slovenia	*0.22*	*61*	*(10)*	*51*
Spain	*7.93*	*2 149*	*(337)*	*1 812*
Sweden	*2.94*	*796*	*(125)*	*671*
United Kingdom	*14.68*	*3 976*	*(624)*	*3 353*
Total	**100.00**	**27 090**	**(4 250)**	**22 840**

In 2018 EUR 4 250 million has been called from the 11th EDF. At 31 December 2018 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	31.12.2018	31.12.2017
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 31.12.2016	**(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**	**–**
Transfer of decommitted amounts to the 10th EDF performance reserve from previous EDFs	*(7)*	*(40)*	*47*	–	–
Transfer of decommitted amounts to the 11th EDF performance reserve from previous EDFs	–	–	*(112)*	*112*	–
Balance at 31.12.2018	**(2 509)**	**2 137**	**55**	**317**	**–**

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	2018	2017
Revenue from non-exchange transactions	*3.1*	*4*	*61*
Revenue from exchange transactions	*3.2*	*57*	*25*
Total		**60**	**87**

3.1. REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR millions

	Note	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2018	2017
Recovery of expenses		*0*	*3*	*14*	*3*	*21*	*19*
Recovery of STABEX funds		*–*	*–*	*0*	*–*	*0*	*0*
Co-financing revenue	*3.1.1*	*–*	*–*	*(18)*	*1*	*(17)*	*42*
Total		**0**	**3**	**(3)**	**4**	**4**	**61**

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

EUR millions

	2018	2017
Direct Management	**4**	**5**
Implemented by:		
Commission	*1*	*1*
EU delegations	*3*	*4*
Indirect Management	**0**	**56**
Implemented by :		
Third countries	*(13)*	*55*
International organisations	*12*	*2*
Public law bodies	*0*	*0*
Private law bodies with a public service mission	*1*	*(1)*
Total	**4**	**61**

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	2018	2017
Financial revenue	*0*	*2*	*8*	*1*	*10*	*4*
Other revenue	*1*	*6*	*27*	*12*	*46*	*22*
Total	**1**	**8**	**35**	**13**	**57**	**25**

Financial revenue comprises interest from the Trust Funds 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	2018	2017
Programmable aid	*(0)*	*1*	*532*	*1 468*	*2 001*	*2 150*
Macro-economic support	*–*	*26*	*–*	*–*	*26*	*21*
Sectoral policy	*–*	*2*	*–*	*–*	*2*	*(9)*
Intra ACP projects	*–*	*27*	*389*	*410*	*827*	*1 112*
Emergency aid	*–*	*3*	*60*	*811*	*873*	*289*
Other aid programmes related to former EDFs	*–*	*0*	*–*	*–*	*0*	*(1)*
Institutional support	*–*	*–*	*3*	*15*	*18*	*23*
Compensation export receipts	*0*	*(0)*	*–*	*–*	*0*	*(1)*
Contributions to Trust Funds	*–*	*–*	*–*	*307*	*307*	*114*
Total	**(0)**	**59**	**984**	**3 012**	**4 054**	**3 700**

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 mainly in the 11th EDF. This is in line with the lifecycle of this EDF. The 11th EDF started in 2015 and 2018 was thus the fourth year of its existence. In 2018 the 11th EDF reached maturity with regards to the implementation of adopted actions and thus the expenses have increased compared to 2017. The number of open contracts in the 11th EDF increased from 1.6k in 2017 to 2.3k in 2018.

This increase is in line with the increase in clearings of pre-financing and increase in accrued charges.

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	2018	2017
Co-financing	*–*	*–*	*(18)*	*1*	*(17)*	*42*

Included under this heading are the expenses incurred on co-financing projects in 2018. 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 2017 estimated expenses (EUR 52 million) exceeded the expenses incurred in 2018 (EUR 36 million), the co-financing expenses are negative for 2018.

Corresponding negative 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

	2018	2017
Direct Management	**1 750**	**1 447**
Implemented by:		
Commission	*122*	*122*
EU executive agencies	*31*	*26*
Trust Funds	*594*	*89*
EU delegations	*1 003*	*1 209*
Indirect Management	**2 287**	**2 295**
Implemented by:		
EIB and EIF	*44*	*48*
International organisations	*920*	*1 171*
Private law bodies with a public service mission	*114*	*(20)*
Public law bodies	*231*	*356*
Third countries	*977*	*739*
EU bodies with Public Private Partnership	*1*	*–*
Private law bodies implementing Public Private Partnership	*0*	*0*
Total	**4 037**	**3 742**

3.6. FINANCE COSTS

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2018	2017
Write-down of receivables	*(0)*	*(1)*	*(5)*	*(1)*	*(7)*	*9*
Other financial expenses	*–*	*–*	*–*	*(0)*	*(0)*	*(1)*
Total	**(0)**	**(1)**	**(5)**	**(1)**	**(7)**	**8**

The heading write-down of receivables comprises the estimate of expenses on irrecoverable receivables. Because the estimate also includes reversals of the previous year's estimation, the overall expenses were negative in 2018 (from EUR 34 million in 2017 to EUR 27 million in 2018 – see note **2.3.1**).

3.7. OTHER EXPENSES

EUR millions

	Eighth EDF	Ninth EDF	10th EDF	11th EDF	2018	2017
Administrative and IT expenses	*(0)*	*(0)*	*45*	*67*	*112*	*107*
Provision for risks and charges	*–*	*–*	*–*	*(4)*	*(4)*	*–*
Realised losses on trade debtors	*0*	*0*	*0*	*–*	*1*	*3*
Exchange losses	*0*	*6*	*26*	*7*	*39*	*44*
Total	**1**	**7**	**71**	**70**	**148**	**154**

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	31.12.2018	31.12.2017
Performance guarantees	*–*	*0*	*10*	*0*	*11*	*10*
Retention guarantees	*–*	*0*	*6*	*–*	*7*	*8*
Total	**–**	**1**	**16**	**0**	**17**	**18**

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 2018 those guarantees amounted to EUR 501 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	31.12.2018	31.12.2017
Outstanding commitments not yet expensed	*0*	*88*	*1 650*	*8 009*	*9 071*	*8 508*
Total	**0**	**88**	**1 650**	**8 009**	**9 071**	**8 508**

At 31 December 2018 the budgetary RAL totalled EUR 10 616 million (2017: EUR 9 745 million).

4.2.2. 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). In doing so it triggered Article 50 of the Treaty on European Union, which sets out the procedure for a Member State to withdraw from the Union.

The negotiation process

On 19 March 2018 the Commission published a draft of the Withdrawal Agreement that outlined the progress made in the negotiations. In the financial settlement part of the Withdrawal Agreement, the EU and the UK translated the progress achieved in the first phase of negotiations into a legal text.

A Joint Report was published on 14 November 2018 reporting agreement at negotiators' level on the full text of the draft Withdrawal Agreement, and on an outline of the Political Declaration on the framework for the future relationship between the United Kingdom and the European Union. On the same day, this updated and agreed draft Withdrawal Agreement was published, in which the UK agreed to pay all its obligations under the current Multiannual Financial Framework (MFF) and previous financial perspectives as if it were still a Member State, including its share of the Union's liabilities and contingent liabilities. The UK government approved the draft Withdrawal Agreement on the 14 November and the European Council endorsed it on 25 November 2018. On 11 January 2019, the Council (Article 50) approved the decision on the conclusion of the Withdrawal Agreement and sent it to the European Parliament for its consent. On the request of the United Kingdom, in accordance with the procedure set in the Article 50 of the TFEU, on 21 March 2019 the European Council agreed to extend the UK's departure date to 22 May 2019, provided the Withdrawal Agreement was approved by the House of Commons by 29 March 2019 at the latest and to the 12 April 2019 if it was not the case (European Council Decision (EU) 2019/476 of 22 March 2019, OJ L80 22.3.2019, p. 1). Subsequent to this, the House of Commons did not approve the Withdrawal Agreement by 29 March 2019 and so, again on the request of the United Kingdom, on 10 April 2019 the European Council agreed to an extension to the UK's departure until 31 October 2019 (European Council Decision (EU) 2019/584 of 11 April 2019, OJ L101 11.4.2019, p. 1). The withdrawal should take place on the first day of the month following the completion of the ratification procedures or on 1 November 2019, whichever is the earliest. The United Kingdom will remain a Member State until the new withdrawal date, with full rights and obligations in accordance with Article 50 TEU, and the United Kingdom has a right to revoke its notification at any time.

With regard to the EDF

The 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.

At the time of the signature of these accounts, and in the absence of ratification by the United Kingdom, the actual departure date and manner of the departure (with or without agreement) is not yet known. Based on this current situation, there is no financial impact to be reported in the EDF financial statements as at 31 December 2018.

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:

(a) 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.
(b) 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.
(c) 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

	31.12.2018							31.12.2017						
	USD	GBP	DKK	SEK	EUR	Other	Total	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets														
Receivables and recoverables	*63*	*–*	*0*	*–*	*67*	*8*	*138*	*64*	*–*	*–*	*–*	*26*	*2*	*92*
Cash and cash equivalents	*1*	*0*	*–*	*–*	*386*	*–*	*387*	*4*	*0*	*–*	*–*	*344*	*–*	*347*
Total	**64**	**0**	**0**	**–**	**453**	**8**	**525**	**68**	**0**	**–**	**–**	**370**	**2**	**439**
Financial liabilities														
Non-current financial liabilities	*–*	*–*	*–*	*–*	*(18)*	*–*	*(18)*	*–*	*–*	*–*	*–*	*(14)*	*–*	*(14)*
Payables	*(1)*	*–*	*–*	*–*	*(218)*	*(22)*	*(241)*	*0*	*–*	*–*	*–*	*(533)*	*(30)*	*(563)*
Total	**(1)**	**–**	**–**	**–**	**(236)**	**(22)**	**(259)**	**0**	**–**	**–**	**–**	**(547)**	**(30)**	**(577)**
Total	**63**	**0**	**0**	**–**	**217**	**(14)**	**267**	**68**	**0**	**–**	**–**	**(177)**	**(28)**	**(138)**

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 reflects 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 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	*138*	*121*	*12*	*5*	*–*
Total at 31.12.2018	**138**	**121**	**12**	**5**	**–**
Exchange receivables and non-exchange recoverables	*92*	*92*	*0*	*–*	*–*
Total at 31.12.2017	**92**	**92**	**0**	**–**	**–**

Financial assets by risk category:

EUR millions

	31.12.2018			31.12.2017		
	Receivables	Cash	Total	Receivables	Cash	Total
Counterparties with external credit rating						
Prime and high grade	*5*	*303*	*308*	*3*	*103*	*106*
Upper medium grade	*–*	*80*	*80*	*0*	*240*	*240*
Lower medium grade	*–*	*4*	*4*	*3*	*4*	*7*
Non- investment grade	*–*	*0*	*0*	*1*	*0*	*2*
Total	***5***	***387***	***391***	***7***	***347***	***354***
Counterparties without external credit rating						
Group 1 (debtors without defaults in the past)	*133*	*0*	*134*	*86*	*0*	*86*
Group 2 (debtors with defaults in the past)	*–*	*–*	*–*	*–*	*–*	*–*
Total	***133***	***0***	***134***	***86***	***0***	***86***
Total	**138**	**387**	**525**	**92**	**347**	**440**

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 20(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 calls for tender. 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	*241*	*7*	*11*	*259*
Total at 31.12.2018	***241***	***7***	***11***	***259***
Financial liabilities	*563*	*13*	*1*	*577*
Total at 31.12.2017	***563***	***13***	***1***	***577***

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's treasury and the relevant spending departments.

In addition to the above, in the context of the EDF's 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 the Bêkou- and 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 signature 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

	2018	2017
ECONOMIC RESULT OF THE YEAR	**(4 118)**	**(3 818)**
Revenue		
Entitlements not affecting the budget result	*(1)*	*(7)*
Entitlements established in current year but not yet collected	*(11)*	*(3)*
Entitlements established in previous years and collected in current year	*11*	*29*
Net effect of pre-financing	*36*	*57*
Accrued revenue (net)	*(39)*	*(62)*
Other	*(1)*	*(2)*
Expenses		
Expenses of the current year not yet paid	*115*	*19*
Expenses of previous years paid in the current year	*(366)*	*(60)*
Net effect of pre-financing	*(179)*	*(685)*
Accrued expenses (net)	*484*	*373*
BUDGET RESULT OF THE YEAR	**(4 069)**	**(4 158)**

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

FINAL ANNUAL ACCOUNTS OF THE BÊKOU EU TRUST FUND 2018

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

In accordance with Articles 234 and 235 of the Financial Regulation applicable to the general budget of the Union (EU FR)[4] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[5], the European Commission may establish Union trust funds for external actions ('Union trust funds'). The Union trust funds are constituted under an agreement concluded with other donors for emergency and post-emergency actions necessary to react to a crisis, or for thematic actions.

Union trust funds are established by the European Commission with a decission after consulting or approval of the European Parliament and the Council. This decission includes the constitutive agreement with other donors.

Union trust funds are only established and implemented subject to the following conditions:

- there is added value of the Union intervention: the objectives of Union trust funds, in particular by reason of their scale or potential effects, may be better achieved at Union level than at national level and the use of the existing financing instruments would not be sufficient to achieve policy objectives of the Union;
- Union trust funds bring clear political visibility for the Union and managerial advantages as well as better control by the Union of risks and disbursements of the Union and other donors' contributions;
- Union trust funds do not duplicate other existing funding channels or similar instruments without providing any additionality;
- the objectives of Union trust funds are aligned with the objectives of the Union instrument or budgetary item from which they are funded.

A board chaired by the Commission is established for each Union trust fund to ensure a fair representation of the donors and to decide upon the use of the funds. The board includes a representative of each non-contributing Member State as an observer. The rules for the composition of the board and its internal rules shall be laid down in the constitutive agreement of the Union trust fund.

Union trust funds are established for a limited duration as determined in their constitutive agreement. That duration may be extended upon request of the board of the Union trust fund and upon presentation by the Commission of a report justifying the extension. 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.

The accounting officer of the Commission serves as the accounting officer of the Union trust funds. The accounting officer is responsible for laying down accounting procedures and chart of accounts common to all Union trust funds. The Commission's internal auditor, OLAF and the Court of Auditors exercise the same powers over Union trust funds as they do in respect of other actions carried out by the Commission. The Union trust funds are also subject to an independent external audit every year.

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;

[4] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union,
[5] Council regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323

- 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 Bêkou EU Trust Fund (Bêkou EUTF) aims to ensure access to basic services, support economic recovery and job creation, and promote social cohesion and reconciliation. Since its creation, the Bêkou EUTF has adopted 16 programmes and has reached more than 2 million beneficiaries.

Despite the existence of a democratically elected government and its efforts to return to stability, the security situation in the CAR remains volatile. It is in this complex and fragile context, where the Bêkou EUTF takes full advantage of its comparative advantages of flexibility and adaptability to changing circumstances. Additionally, the Bêkou EUTF remains the only instrument building resilience for both the population and the state, in a true Linking Relief Rehabilitation and Development (LRRD) approach.

Given the current situation in CAR and in view of the expiration of the Bêkou EUTF in July 2019, in November 2018, the EUTF Board formally requested an extension of 18 months, thus bringing the total duration of the Bêkou EUTF from 60 months to 78 months. The official procedure, which includes a consultation of the European Parliament and the Council, was launched in December 2018.

The operational highlights of the 2018 are the following:

- The Bêkou EUTF adopted a new action for a total amount of EUR 35 million in the sector of health and increased by EUR 2 million each the budget of two already adopted actions in the sectors of economic recovery and promotion of social cohesion, dialogue and reconciliation.

- The Bêkou EUTF Results Framework was adopted, responding to the Court of Auditors' recommendation on the identification of SMART objectives at a EUTF level. This strategic tool will better demonstrate the overall results of the Bêkou EUTF actions.

- The Bêkou EUTF projects were marked by the relative stability in the north-eastern and south-western parts of the country that called for additional interventions, the localised conflicts in Bangui and the hinterland, as well as the redeployment of public officials outside Bangui.

On the financial side, by the end of 2018, pledges by EUTF contributors amounted to more than EUR 242 million. This is an increase of EUR 6 million compared to 2017. Only EUR 5 million out of these EUR 242 million remain to be certified.

In terms of contracts, the Bêkou EUTF signed 30 new contracts in 2018 for a total amount of nearly EUR 80 million (representing 48% of the total amount contracted since its creation). They contribute to the implementation of its programmes in the sectors of health, economic recovery, rural resilience and job creation, water and sanitation, reconciliation and opening-up of regions.

Last but not least, more than EUR 57 million (representing nearly 50% of the total amount paid since the creation of Bêkou EUTF) was paid in 2018 on top of payments made during previous years; total disbursements have nearly reached EUR 119 million since the creation of the Bêkou EUTF.

In the financial statements, the impact of the above mentioned activities are most visible when looking at:

- Pre-financing: an increase of kEUR 24 839 resulting from the high number of new contracts signed and advances paid out;
- Cash and cash equivalents: a decrease of kEUR 26 017 is mainly caused by the increased payments of pre-financing, highlighted above;
- Outstanding commitments not yet expensed: an increase from kEUR 25 310 to 54 645 kEUR due to the new contracts.

BALANCE SHEET

EUR '000

	31.12.2018	31.12.2017
NON-CURRENT ASSETS		
Pre-financing	*3 443*	*686*
	3 443	**686**
CURRENT ASSETS		
Pre-financing	*29 546*	*7 465*
Exchange receivables and non-exchange recoverables	*1 138*	*877*
Cash and cash equivalents	*13 926*	*39 943*
	44 611	**48 285**
TOTAL ASSETS	***48 054***	***48 971***
NON-CURRENT LIABILITIES		
Financial liabilities	*(42 737)*	*(44 720)*
	(42 737)	**(44 720)**
CURRENT LIABILITIES		
Payables	*(918)*	*(716)*
Accrued charges and deferred revenue	*(4 399)*	*(3 536)*
	(5 317)	**(4 252)**
TOTAL LIABILITIES	***(48 054)***	***(48 971)***
NET ASSETS	**–**	**–**
FUNDS & RESERVES		
Accumulated surplus	–	–
Economic result of the year	–	–
NET ASSETS	**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	2018	2017
REVENUE		
Revenue from non-exchange transactions		
Revenue from donations	*33 682*	*29 620*
	33 682	**29 620**
Revenue from exchange transactions		
Financial revenue	*1*	*1*
	1	**1**
Total Revenue	**33 683**	**29 621**
EXPENSES		
Operating expenses	*(32 825)*	*(28 918)*
Other expenses	*(858)*	*(703)*
Total Expenses	**(33 683)**	**(29 621)**
ECONOMIC RESULT OF THE YEAR	**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2018	2017
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*(24 839)*	*7 912*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(261)*	*578*
Increase/(decrease) in financial liabilities	*(1 982)*	*(14 620)*
Increase/(decrease) in payables	*202*	*716*
Increase/(decrease) in accrued charges and deferred revenue	*863*	*2 321*
NET CASHFLOW	**(26 017)**	**(3 092)**
Net increase/(decrease) in cash and cash equivalents	*(26 017)*	*(3 092)*
Cash and cash equivalents at the beginning of the year	*39 943*	*43 036*
Cash and cash equivalents at year-end	*13 926*	*39 943*

STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Accumulated surplus/ (deficit)	Economic result of the year	Net assets
BALANCE AS AT 31.12.2017	**–**	**–**	**–**
Economic result of the year	–	–	–
BALANCE AS AT 31.12.2018	**–**	**–**	**–**

FINAL ANNUAL ACCOUNTS OF THE EUTF AFRICA 2018

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

In accordance with Articles 234 and 235 of the Financial Regulation applicable to the general budget of the Union (EU FR)[6] and Article 35 of the Financial Regulation applicable to the 11th European Development Fund (EDF FR)[7], the European Commission may establish Union trust funds for external actions ('Union trust funds'). The Union trust funds are constituted under an agreement concluded with other donors for emergency and post-emergency actions necessary to react to a crisis, or for thematic actions.

Union trust funds are established by the European Commission with a decission after consulting or approval of the European Parliament and the Council. This decission includes the constitutive agreement with other donors.

Union trust funds are only established and implemented subject to the following conditions:

- there is added value of the Union intervention: the objectives of Union trust funds, in particular by reason of their scale or potential effects, may be better achieved at Union level than at national level and the use of the existing financing instruments would not be sufficient to achieve policy objectives of the Union;
- Union trust funds bring clear political visibility for the Union and managerial advantages as well as better control by the Union of risks and disbursements of the Union and other donors' contributions;
- Union trust funds do not duplicate other existing funding channels or similar instruments without providing any additionality;
- the objectives of Union trust funds are aligned with the objectives of the Union instrument or budgetary item from which they are funded.

A board chaired by the Commission is established for each Union trust fund to ensure a fair representation of the donors and to decide upon the use of the funds. The board includes a representative of each non-contributing Member State as an observer. The rules for the composition of the board and its internal rules shall be laid down in the constitutive agreement of the Union trust fund.

Union trust funds are established for a limited duration as determined in their constitutive agreement. That duration may be extended upon request of the board of the Union trust fund and upon presentation by the Commission of a report justifying the extension. 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.

The accounting officer of the Commission serves as the accounting officer of the Union trust funds. The accounting officer is responsible for laying down accounting procedures and chart of accounts common to all Union trust funds. The Commission's internal auditor, OLAF and the Court of Auditors exercise the same powers over Union trust funds as they do in respect of other actions carried out by the Commission. The Union trust funds are also subject to an independent external audit every year.

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;

[6] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

[7] Council regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323

- 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 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 projects. 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 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 which is the responsibility of 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 2018, resources pledged to the EUTF Africa amounted to approximately EUR 4.2 billion. This includes around EUR 3.7 billion from the European Development Fund (EDF) and EU financial instruments including the Development Cooperation Instrument (DCI), the European Neighbourhood Instrument (ENI), the Asylum, Migration and Integration Fund (AMIF) and funding from the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO), as well as EUR 489.5 million from EU Member States and other donors (Switzerland and Norway).

In the course of 2018, the overall resources of the EUTF Africa increased by EUR 902 million, including new pledges of EUR 674 million from the EDF and EUR 117 million from EU Budget. The EUTF Africa received 24 new pledges from EU Member States and other donors amounting to EUR 110 million (EUR 49 million to the Sahel and Lake Chad window, EUR 47 million to the North of Africa window and EUR 14 million to the Horn of Africa window). All pledges from EU Member States and other donors made in 2018 plus an outstanding pledge of 2017 were certified by the end of 2018. The conclusions of the European Council of 28 June 2018 called on the EU and its Member States to provide additional funding to the EUTF Africa. As a follow-up, the Commission adopted on 6 July a decision to transfer EUR 500 million from the 11th EDF reserve.

With regards the state of implementation of the EUTF Africa in the year 2018, 45 new programmes were adopted as well as 13 top-ups across the three regions including cross-window programmes (16 in the Sahel/Lake Chad, 26 in the Horn of Africa and 9 in the North of Africa and 7 cross-window). This brings, as of the end of 2018, the total number of programmes approved by Operational committees to 187 for a total of EUR 3 590 million. As of the end of 2018, contracts signed with implementing partners have reached 366, for an overall amount of EUR 2 461 million, of which 949.3 million in new operational contracts for 2018 only. Modifications to old contracts bring the total operational contracted amount in 2018 to 959.9 million. The contracting rate as of the end of 2018 has improved compared to the contracting rate as of the end of 2017 (69% of signed contracts over approved funding as opposed to 62.9%).

In the course of 2018, the EUTF Africa has further intensified its efforts together with its African and European partners, to foster stability and contribute to improved migration management in the Sahel and Lake Chad, the Horn of Africa and the North of Africa regions. It continued addressing the root causes of destabilization, forced displacement and irregular migration, by promoting development and security. During its third year, the EUTF Africa has further demonstrated its added-value as a swift and effective implementation tool which facilitates political dialogue with partner countries, applies innovative approaches and produces concrete results by pooling together funding and expertise from a variety of stakeholders.

Through the EUTF Africa, over 5.3 million vulnerable people benefitted from basic services and food security and nutrition programmes. Over 150 000 people were reached by information campaigns on resilience-building practices and basic rights and 96 000 migrants, or potential migrants, were reached out by information campaign on migration and risks linked to irregular migration. Through the EU-IOM Initiative, the EUTF Africa has supported 42 628 vulnerable migrants voluntary returns mostly from Libya (18 329) and Niger (17 226), and more than 58 000 vulnerable migrants were assisted upon return to their country of origin. Through the Better Migration Management programme in the Horn of Africa alone, the EUTF Africa has already assisted almost 11 000 migrants and forcibly displaced people and has trained nearly 1 600 persons on migration management.

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

- Pre-financing: increased by kEUR 57 110 as advances on the new contracts were paid out;
- Payables and accrued charges: increased by kEUR 81 753 as more cost claims are processed but also more expenses must be accrued for;
- Expenses: increased from kEUR 279 299 in 2017 to kEUR 576 808 in 2018 as the Trust Fund is in its third year of existence and many more contracts are being implemented;
- Outstanding commitments not yet expensed increased from kEUR 926 139 to kEUR 1 310 069 due to the new contracts.

BALANCE SHEET

EUR '000

	31.12.2018	31.12.2017
NON-CURRENT ASSETS		
Pre-financing	*34 144*	*52 990*
	34 144	**52 990**
CURRENT ASSETS		
Pre-financing	*273 214*	*197 258*
Exchange receivables and non-exchange recoverables	*16 656*	*3 020*
Cash and cash equivalents	*146 864*	*162 571*
	436 734	**362 849**
TOTAL ASSETS	***470 878***	***415 838***
NON-CURRENT LIABILITIES		
Financial liabilities	*(369 999)*	*(396 713)*
	(369 999)	**(396 713)**
CURRENT LIABILITIES		
Payables	*(12 733)*	*(526)*
Accrued charges and deferred revenue	*(88 146)*	*(18 600)*
	(100 879)	**(19 126)**
TOTAL LIABILITIES	***(470 878)***	***(415 838)***
NET ASSETS	**–**	**–**
FUNDS & RESERVES		
Accumulated surplus	–	–
Economic result of the year	–	–
NET ASSETS	**–**	**–**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	2018	2017
REVENUE		
Revenue from non-exchange transactions		
Revenue from donations	*576 802*	*279 027*
	576 802	**279 027**
Revenue from exchange transactions		
Financial revenue	*2*	*2*
Other exchange revenue	*5*	*270*
	6	**271**
Total revenue	**576 808**	**279 299**
EXPENSES		
Operating expenses	*(561 761)*	*(271 669)*
Other expenses	*(15 047)*	*(7 630)*
Total expenses	**(576 808)**	**(279 299)**
ECONOMIC RESULT OF THE YEAR	**–**	**–**

CASHFLOW STATEMENT

EUR '000

	2018	2017
Economic result of the year	–	–
Operating activities		
(Increase)/decrease in pre-financing	*(57 110)*	*(134 662)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(13 636)*	*6 456*
Increase/(decrease) in financial liabilities	*(26 713)*	*258 211*
Increase/(decrease) in payables	*12 207*	*(177)*
Increase/(decrease) in accrued charges and deferred revenue	*69 546*	*17 864*
NET CASHFLOW	**(15 706)**	**147 691**
Net increase/(decrease) in cash and cash equivalents	*(15 706)*	*147 691*
Cash and cash equivalents at the beginning of the year	*162 571*	*14 879*
Cash and cash equivalents at year-end	*146 864*	*162 571*

STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Accumulated surplus/ (deficit)	Economic result of the year	Net assets
BALANCE AS AT 31.12.2017	**–**	**–**	**–**
Economic result of the year	–	–	–
BALANCE AS AT 31.12.2018	**–**	**–**	**–**

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

	31.12.2018	31.12.2017
NON-CURRENT ASSETS		
Pre-financing	*924*	*636*
	924	***636***
CURRENT ASSETS		
Pre-financing	*1 751*	*1 723*
Exchange receivables and non-exchange recoverables	*156*	*96*
Cash and cash equivalents	*548*	*550*
	2 455	**2 369**
TOTAL ASSETS	**3 379**	**3 005**
NON-CURRENT LIABILITIES		
Provisions	*–*	*(4)*
Financial liabilities	*(229)*	*(292)*
	(229)	***(296)***
CURRENT LIABILITIES		
Payables	*(255)*	*(564)*
Accrued charges and deferred income	*(1 374)*	*(755)*
	(1 629)	**(1 319)**
TOTAL LIABILITIES	**(1 858)**	**(1 615)**
NET ASSETS	**1 521**	**1 389**
FUNDS & RESERVES		
Called fund capital - active EDFs	*50 423*	*46 173*
Called fund capital from closed EDFs carried forward	*2 252*	*2 252*
Economic result carried forward from previous years	*(47 037)*	*(43 219)*
Economic result of the year	*(4 118)*	*(3 818)*
NET ASSETS	**1 521**	**1 389**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	2018	2017
REVENUE		
Revenue from non-exchange transactions		
Recovery activities	*4*	*61*
Revenue from trust funds donations	*303*	*194*
	307	***255***
Revenue from exchange transactions		
Financial revenue	*10*	*4*
Other revenue	*46*	*22*
	57	**26**
Total Revenue	**364**	**281**
EXPENSES		
Aid instruments	*(3 747)*	*(3 585)*
Expenses implemented by trust funds	*(595)*	*(301)*
Co-financing expenses	*17*	*(42)*
Finance costs	*7*	*(8)*
Other expenses	*(164)*	*(162)*
Total Expenses	**(4 482)**	**(4 099)**
ECONOMIC RESULT OF THE YEAR	**(4 118)**	**(3 818)**

CONSOLIDATED CASH FLOW STATEMENT

EUR milions

	2018	2017
Economic result of the year	*(4 118)*	*(3 818)*
Operating activities		
Capital increase - contributions	*4 250*	*3 850*
(Increase)/decrease in trust funds contributions	*(0)*	*–*
(Increase)/decrease in pre-financing	*(317)*	*(446)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(60)*	*47*
Increase/(decrease) in financial liabilities	*(63)*	*186*
Increase/(decrease) in payables	*(309)*	*15*
Increase/(decrease) in accrued charges and deferred income	*618*	*(22)*
NET CASHFLOW	**(2)**	**(188)**
Net increase/(decrease) in cash and cash equivalents	*(2)*	*(188)*
Cash and cash equivalents at the beginning of the year	*550*	*738*
Cash and cash equivalents at year-end	*548*	*550*

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 31.12.2016	**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**
Capital increase - contributions		*(4 250)*	*4 250*			*4 250*
Economic result of the year			–	*(4 118)*		*(4 118)*
BALANCE AS AT 31.12.2018	**73 264**	**22 840**	**50 423**	**(51 155)**	**2 252**	**1 521**

EDF REPORT ON FINANCIAL IMPLEMENTATION

INTRODUCTORY NOTE

1. Previous EDFs

As the sixth EDF was closed in 2006 and the seventh EDF was closed in 2008, the annual accounts no longer contain implementation tables for these EDFs. However, implementation of the transferred balances can be found in the ninth EDF.

As in past years and to ensure transparency in the presentation of the accounts, 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.

In 2018 the Commission launched a special exercise for the closure of the remaining contracts under the eighth and ninth EDF. A final report on the financial implementation of the eighth EDF should be available by the end of 2019 (and on the ninth EDF by the end of 2020).

2. 11th EDF

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

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

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

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

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

Remaining funds on non-mobilisable performance reserves at 31 December 2018

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 2018, 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 has been 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.

EUR millions

Total available on non-mobilisable performance reserves	**31.12.2018**
Non-mobilisable reserve from decommitted funds under the eight and ninth EDF	157
Non-mobilisable reserve from decommitted funds under the 10th EDF	318
Total	**475**

EDF Co-financing

Under the 10th and 11th EDF, transfer agreements for co-financing projects were signed and commitment appropriations were opened for an amount of EUR 241.9 million, while payment appropriations were opened for the cashed amounts totalling EUR 230.2 million.

The situation of co-financing appropriations at 31 December 2018 is shown in the table below :

EUR millions

	Commitments appropriations	**Payment appropriations**
Co-financing - A Envelope	211.5	200.0
Co-financing - Intra ACP	23.3	23.2
Co-financing – Administrative expenses	7.1	7.0
	241.9	**230.2**

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

8th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2018
ANALYSIS OF CREDITS PER INSTRUMENT

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2017	INCREASE OR DECREASE IN RESOURCES IN 2018	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Lomé**					
	Regular MS Contributions	***12,967***	***(3,278)***	***(7)***		***9,683***
	Aid for refugees	120	(20)	–	(1)	100
	Emergency aid (Lomé)	140	(4)			136
	Heavily indebted poor countries (Lomé)	–	1,060			1,060
	Interest-rate subsidies	370	(301)			69
	Risk capital	1,000	15	(3)	(1)	1,012
	Stabex	1,800	(1,077)			723
	Structural adjustment	1,400	97			1,497
	Sysmin	575	(474)			101
	Total indicative programmes	7,562	(2,608)	(3)	(1)	4,951
	Utilisation of interest income	–	35			35
	Cotonou					
	Regular MS Contributions	***–***	***650***			***650***
	A Envelope - National Allocations	–	417			417
	B Envelope - National Allocations	–	233			233
	Interests and other receipts	–	–			–
	SUB TOTAL ACP	**12,967**	**(2,628)**	**(7)**		**10,333**
OCT	**Lomé**					
	Regular MS Contributions	***–***	***46***			***46***
	Interest-rate subsidies	–	1			1
	Risk capital	–	6			6
	Stabex	–	1			1
	Sysmin	–	2			2
	Total indicative programmes	–	35			35
	SUB TOTAL OCT	**–**	**46**			**46**
	TOTAL 8th EDF	**12,967**	**(2,582)**	**(7)**		**10,379**

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

Table 1.2

9th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2018
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2017	INCREASE OR DECREASE IN RESOURCES IN 2018	Notes	CURRENT LEVEL APPROPRIATION
ACP	**Lomé**					
	Regular MS Contributions	–	669	(2)		668
	Transfers from 6th EDF - Lomé	–	20	–	(1)	20
	Transfers from 7th EDF - Lomé	–	649	(2)	(1)	647
	Cotonou					
	Regular MS Contributions	8,919	5,549	(36)		14,433
	A Envelope - National Allocations	5,318	3,306	(16)	(1)	8,608
	B Envelope - National Allocations	2,108	(898)	(2)	(1)	1,208
	CDE, CTA and Parliamentary Assembly	164	(10)			154
	Implementation costs	125	52			177
	Interests and other receipts	–	63			63
	Other Intra-ACP allocations	300	2,302	(13)	(1)	2,589
	Peace facility	–	354	–	(1)	353
	Regional allocations	904	(139)	(5)	(1)	759
	Special allocation R.D. Congo	–	105			105
	Special allocation South Sudan	–	267		(3)	267
	Special allocation Sudan	–	110		(2)	110
	Voluntary contribution Peace facility	–	39			39
	SUB TOTAL ACP	**8,919**	**6,219**	**(38)**		**15,100**
OCT	**Lomé**					
	Regular MS Contributions	–	3			3
	Transfers from 6th EDF - Lomé	–	–			–
	Transfers from 7th EDF - Lomé	–	3			3
	Cotonou					
	Regular MS Contributions	–	289	(2)		287
	A Envelope - National Allocations	–	237	–	(1)	237
	B Envelope - National Allocations	–	4			4
	Regional allocations	–	47	(2)	(1)	45
	Studies / Technical assistance OCT	–	1			1
	SUB TOTAL OCT	**–**	**292**	**(2)**		**290**
	TOTAL 9th EDF	**8,919**	**6,511**	**(40)**		**15,390**

(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 2018
ANALYSIS OF CREDITS PER INSTRUMENT

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2017	INCREASE OR DECREASE IN RESOURCES IN 2018	Notes	CURRENT LEVEL APPROPRIATION
ACP	***Regular MS Contributions***	***20,896***	***(87)***	***(65)***		***20,744***
	A Envelope - National Allocations	–	13,100	(177)	(2)	12,922
	A Envelope reserve	13,500	(13,500)			–
	B Envelope - National Allocations	–	2,004	(4)	(2)	2,000
	B Envelope reserve	1,800	(1,800)			–
	Implementation costs	430	15	–	(2)	445
	Institutional and support expenditure	–	232	(1)	(2)	230
	Interests and other receipts	–	85	(1)	(2)	85
	Intra-ACP Reserve	2,700	(2,700)			–
	National allocations Reserve A Envelope STABEX	–	–			–
	NIP/RIP reserve	683	(683)			–
	Non-mobilisable reserve	–	86	45	(2)	131
	Other Intra-ACP allocations	–	1,886	(18)	(2)	1,868
	Peace facility	–	1,014	105		1,119
	Regional allocations	–	1,956	(14)	(2)	1,942
	Regional allocations reserve	1,783	(1,783)			–
	Co-financing	***–***	***204***	***–***		***204***
	A Envelope - National Allocations	–	187	–	(3)	187
	Implementation costs	–	5	–	(3)	5
	Other Intra-ACP allocations	–	12		(3)	12
	Peace facility	–	1		(3)	1
	SUB TOTAL ACP	**20,896**	**117**	**(65)**		**20,948**
OCT	***Regular MS Contributions***	***–***	***275***	***–***		***275***
	A Envelope - National Allocations	–	192	(2)	(2)	190
	A Envelope reserve	–	–			–
	B Envelope - National Allocations	–	15			15
	B Envelope reserve	–	–			–
	National allocations Reserve A Envelope STABEX	–	–			–
	Non-mobilisable reserve	–	23	2	(2)	25
	Regional allocations	–	40			40
	Regional allocations reserve	–	–			–
	Studies / Technical assistance OCT	–	5			5
	SUB TOTAL OCT	**–**	**275**	**–**		**275**
	TOTAL 10th EDF	**20,896**	**392**	**(65)**		**21,223**

(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 cofinancings, the table only presents the commitment appropriations

Table 1.4

11th EDF
EVOLUTION OF APPROPRIATIONS: 31 December 2018
ANALYSIS OF CREDITS PER INSTRUMENT

(EUR million)

	INSTRUMENT	INITIAL APPROPRIATION	INCREASES/DECREASES IN CUMULATIVE RESOURCES AT 31 DECEMBER 2017	INCREASE OR DECREASE IN RESOURCES IN 2018	Notes	CURRENT LEVEL APPROPRIATION
ACP	***Regular MS Contributions***	***29,008***	***224***	***110***		***29,342***
	A Envelope - National Allocations	–	15,540	(121)		15,419
	B Envelope - National Allocations	–	715	2		717
	B Envelope reserve	–	–			–
	Implementation costs	1,053	–			1,053
	Institutional and support expenditure	–	246			246
	Interests and other receipts	–	16	–		16
	Intra-ACP Reserve	3,590	(3,497)	(24)		69
	National allocations Reserve A Envelope STABEX	–	–			–
	NIP/RIP reserve	24,365	(22,014)	(1,080)		1,270
	Non-mobilisable reserve	–	201	110	(1)	311
	Other Intra-ACP allocations	–	2,251	449		2,700
	Peace facility	–	1,000			1,000
	Regional allocations	–	5,766	775		6,541
	Co-financing	**–**	***24***	***13***		***38***
	A Envelope - National Allocations	–	22	1		23
	Implementation costs	–	1	1		2
	Peace facility	–	1	10		11
	Regional allocations	–	–	2		2
	EC Internal SLA	**–**	***1***			***1***
	A Envelope - National Allocations	–	1			1
	SUB TOTAL ACP	**29,008**	**249**			**29,381**
OCT	***Regular MS Contributions***	**–**	***358***	***(9)***		***350***
	A Envelope - National Allocations	–	183	13		196
	B Envelope - National Allocations	–	–	8		8
	NIP/RIP reserve	–	165	(116)		49
	Non-mobilisable reserve	–	5	2	(1)	7
	Regional allocations	–	1	80		81
	Studies / Technical assistance OCT	–	5	4		9
	Co-financing	**–**	**–**			**–**
	A Envelope - National Allocations	–	–			–
	EC Internal SLA	**–**	**–**			**–**
	A Envelope - National Allocations	–	–			–
	SUB TOTAL OCT	**–**	**358**			**350**
	Regular MS Contributions	**–**	***6***	***11***		***17***
	A Envelope - National Allocations	–	6	4		10
	B Envelope - National Allocations	–	–	7		7
	SUB TOTAL	**–**	**6**			**17**
	TOTAL 11th EDF	29,008	614	126		29,747

(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 2018
PROGRESS REPORT

(EUR million)

	ALLOCATION	EDF				
		8	9	10	11	TOTAL
Lomé	Sundry Income	35				35
	Total indicative programmes	4,986				4,986
	Total Non-Programmable Aid	4,707				4,707
	Transfers from other funds		671			671
	SUB TOTAL: REGULAR MS CONTRIBUTIONS	9,728	671			10,399
Cotonou	A Envelope - National Allocations	417	8,845	13,113	15,625	38,000
	B Envelope - National Allocations	233	1,213	2,015	732	4,193
	Bridging facility				–	–
	CDE, CTA and Parliamentary Assembly		154			154
	Country reserve			–	–	–
	Implementation Costs and Interests Revenues	–	240	535	1,077	1,853
	Intra-ACP allocations		2,942	3,218	3,946	10,106
	Intra-ACP Reserve			–	69	69
	National allocations Reserve A Envelope STABEX			–	–	–
	NIP/RIP reserve			–	1,320	1,320
	Non-mobilisable reserve			156	318	475
	Regional allocations		804	1,982	6,622	9,408
	Regional allocations reserve			–		–
	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	14,719	21,019	29,709	66,097
	A Envelope - National Allocations				1	1
	SUB TOTAL: EC INTERNAL SLA				1	1
	A Envelope - National Allocations			187	23	210
	Implementation Costs and Interests Revenues			5	2	7
	Intra-ACP allocations			12	11	23
	Regional allocations				2	2
	SUB TOTAL: CO-FINANCING			204	38	242
	TOTAL	10,379	15,390	21,223	29,747	76,739

		Aggregate Total		Cummulative	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures
Decisions	E	At 31/12/2018	% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	8	10,377	100%	10,786	(42)	(45)	(60)	(64)	(98)	(63)	(12)	(13)	(9)	(4)
	9	15,357	100%	16,633	(54)	(116)	(9)	(297)	(72)	(381)	(170)	(104)	(38)	(33)
	10	20,905	99%	4,766	3,501	2,349	3,118	3,524	4,131	(95)	(156)	(80)	(5)	(147)
	11	23,359	79%							1,160	5,372	6,688	5,807	4,332
Total		**69,998**		**32,185**	**3,405**	**2,187**	**3,049**	**3,163**	**3,961**	**621**	**5,034**	**6,491**	**5,754**	**4,147**
Assigned Funds		Aggregate Total		Cummulative	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures
	E	At 31/12/2018	% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	8	10,375	100%	10,541	(42)	8	(13)	(46)	(11)	(37)	(16)	(6)	(3)	–
	9	15,305	99%	14,209	997	476	9	(187)	(96)	(1)	(52)	(46)	(20)	16
	10	20,361	96%	130	3,184	2,820	2,514	3,460	3,457	2,687	783	541	550	236
	11	18,140	61%							731	3,293	3,745	5,684	4,687
Total		**64,182**		**24,881**	**4,140**	**3,304**	**2,509**	**3,226**	**3,350**	**3,380**	**4,008**	**4,234**	**6,211**	**4,940**
Payments		Aggregate Total		Cummulative	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures	Annual Figures
	E	At 31/12/2018	% of allocation	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	8	10,375	100%	9,930	152	158	90	15	18	16	(3)	–	(1)	–
	9	15,187	99%	10,011	1,806	1,304	906	539	231	145	43	68	111	23
	10	18,829	89%	90	1,111	1,772	1,879	2,655	2,718	2,760	2,024	1,466	1,277	1,076
	11	9,175	31%							595	1,024	1,816	2,770	2,970
Total		**53,566**		**20,031**	**3,069**	**3,233**	**2,874**	**3,209**	**2,967**	**3,516**	**3,088**	**3,350**	**4,158**	**4,069**

* Negative figures represent decommitments

Table 2.2

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2018
CLASS OF AID

(EUR million)

		EDF									
		8	%	9	% (1)	10	% (1)	11	% (1)	TOTAL	% (1)
	Sundry Income										
	Appropriations	35								35	
	Decisions	35	100%							35	100%
	Assigned funds	35	100%							35	100%
	Payments	35	100%							35	100%
	Total indicative programmes										
	Appropriations	4,986								4,986	
	Decisions	4,986	100%							4,986	100%
	Assigned funds	4,986	100%							4,986	100%
	Payments	4,985	100%							4,985	100%
Lomé	**Total Non-Programmable Aid**										
	Appropriations	4,707								4,707	
	Decisions	4,706	100%							4,706	100%
	Assigned funds	4,706	100%							4,706	100%
	Payments	4,706	100%							4,706	100%
	Transfers from other funds										
	Appropriations			671						671	
	Decisions			671	100%					671	100%
	Assigned funds			671	100%					671	100%
	Payments			670	100%					670	100%
	Regular MS Contributions										
	A Envelope - National Allocations										
	Appropriations	417		8,845		13,113		15,625		38,000	
	Decisions	417	100%	8,837	100%	13,009	99%	12,822	82%	35,085	92%
	Assigned funds	417	100%	8,825	100%	12,663	97%	9,387	60%	31,292	82%
	Payments	417	100%	8,799	99%	11,712	89%	4,549	29%	25,478	67%
	B Envelope - National Allocations										
	Appropriations	233		1,213		2,015		732		4,193	
	Decisions	233	100%	1,213	100%	2,010	100%	707	97%	4,162	99%
	Assigned funds	231	99%	1,209	100%	1,990	99%	704	96%	4,134	99%
	Payments	231	99%	1,203	99%	1,952	97%	607	83%	3,992	95%
	Bridging facility										
	Appropriations							–		–	
	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										
	Appropriations	–		240		535		1,077		1,853	
	Decisions			240	100%	510	95%	715	66%	1,464	79%
	Assigned funds			240	100%	508	95%	658	61%	1,405	76%
	Payments			240	100%	507	95%	613	57%	1,359	73%
	Intra-ACP allocations										
	Appropriations			2,942		3,218		3,946		10,106	
	Decisions			2,940	100%	3,212	100%	3,249	82%	9,401	93%
	Assigned funds			2,931	100%	3,151	98%	2,391	61%	8,473	84%
	Payments			2,922	99%	2,916	91%	1,843	47%	7,681	76%
	Regional allocations										
	Appropriations			804		1,982		6,622		9,408	
	Decisions			801	100%	1,965	99%	5,840	88%	8,605	91%
	Assigned funds			789	98%	1,855	94%	4,977	75%	7,622	81%
	Payments			773	96%	1,587	80%	1,561	24%	3,921	42%
Cotonou	**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			253	95%					253	95%
	Payments			200	75%					200	75%
	Special allocation Sudan										
	Appropriations			110						110	
	Decisions			107	97%					107	97%
	Assigned funds			105	95%					105	95%
	Payments			97	88%					97	88%
	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		23		210	
	Decisions					183	98%	20	89%	203	97%
	Assigned funds					179	95%	20	89%	199	95%
	Payments					143	76%	1	5%	144	69%
	Implementation Costs and Interests										
	Appropriations					5		2		7	
	Decisions					5	100%	1	70%	7	92%
	Assigned funds					3	62%			3	46%
	Payments					2	40%			2	29%
	Intra-ACP allocations										
	Appropriations					12		11		23	
	Decisions					11	92%	2	16%	13	56%
	Assigned funds					11	91%	2	16%	13	55%

		8	%	9	%	10	%	11	%	TOTAL	%
	Payments					11	89%	1	11%	12	52%
	Regional allocations										
	Appropriations							2		2	
	Decisions							2	100%	2	100%
	Assigned funds							2	100%	2	100%
	Payments										
	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**	**%**	**9**	**% (1)**	**10**	**% (1)**	**11**	**% (1)**	**TOTAL**	**% (1)**
Cotonou	Country reserve					**–**		**–**		**–**	
	Intra-ACP Reserve					**–**		**69**		**69**	
	National allocations Reserve A Envelope STABEX					**–**		**–**		**–**	
	NIP/RIP reserve					**–**		**1,320**		**1,320**	
	Regional allocations reserve					**–**				**–**	
	Mobilisable reserves										
	Non-mobilisable reserve					**156**		**318**		**475**	
	Non-mobilisable reserve										

		8	**%**	**9**	**% (1)**	**10**	**% (1)**	**11**	**% (1)**	**TOTAL**	**% (1)**
	Appropriations	10,379		15,390		21,223		29,747		76,739	
	Decisions	10,377	100%	15,357	100%	20,905	99%	23,359	79%	69,998	91%
	Assigned funds	10,375	100%	15,305	99%	20,361	96%	18,140	61%	64,182	84%
	Payments	10,375	100%	15,187	99%	18,829	89%	9,175	31%	53,566	70%
	TOTAL: ALL ALLOCATIONS										

(1) % of appropriations

Table 2.3

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2018
CLASS OF AID
ACP + PTOM - 8 th EDF

(EUR million)

		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										
Lomé	Utilisation of interest income	35	35		100%	35		100%	35		100%
Lomé	**SUB TOTAL: SUNDRY INCOME**	**35**	**35**		**100%**	**35**		**100%**	**35**		**100%**
Lomé	Total indicative programmes	4,951	4,951	(1)	100%	4,950	–	100%	4,950	–	100%
Lomé	**SUB TOTAL: TOTAL INDICATIVE PROGRAMMES**	**4,951**	**4,951**	**(1)**	**100%**	**4,950**	**–**	**100%**	**4,950**	**–**	**100%**
Lomé	Aid for refugees	100	100		100%	100		100%	100		100%
Lomé	Emergency aid (Lomé)	136	136		100%	136		100%	136		100%
Lomé	Heavily indebted poor countries (Lomé)	1,060	1,060		100%	1,060		100%	1,060		100%
Lomé	Interest-rate subsidies	69	69		100%	68		100%	68		100%
Lomé	Risk capital	1,012	1,012	(3)	100%	1,012		100%	1,012		100%
Lomé	Stabex	723	723	–	100%	722		100%	722		100%
Lomé	Structural adjustment	1,497	1,497	–	100%	1,497		100%	1,497		100%
Lomé	Sysmin	101	101		100%	101		100%	101		100%
Lomé	**SUB TOTAL: TOTAL NON-PROGRAMMABLE AID**	**4,697**	**4,696**	**(3)**	**100%**	**4,695**		**100%**	**4,695**		**100%**
	ACP										
	Regular MS Contributions										
Cotonou	A Envelope - National Allocations	417	417		100%	417		100%	417		100%
Cotonou	**SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS**	**417**	**417**		**100%**	**417**		**100%**	**417**		**100%**
Cotonou	B Envelope - National Allocations	233									
Cotonou	Compensation export earnings		233			231	–	99%	231		100%
Cotonou	**SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS**	**233**	**233**		**100%**	**231**	**–**	**99%**	**231**		**100%**
Cotonou	Interests and other receipts	–									
Cotonou	**SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES**	**–**									
	TOTAL ACP (A)	**10,333**	**10,332**	**(4)**	**100%**	**10,330**	**–**	**100%**	**10,329**	**–**	**100%**
	OCT										
	Regular MS Contributions										
Lomé	Total indicative programmes	35	35		100%	35		100%	35		100%
Lomé	**SUB TOTAL: TOTAL INDICATIVE PROGRAMMES**	**35**	**35**		**100%**	**35**		**100%**	**35**		**100%**
Lomé	Interest-rate subsidies	1	1		100%	1		100%	1		100%
Lomé	Risk capital	6	6		100%	6		100%	6		100%
Lomé	Stabex	1	1		100%	1		100%	1		100%
Lomé	Sysmin	2	2		100%	2		100%	2		100%
Lomé	**SUB TOTAL: TOTAL NON-PROGRAMMABLE AID**	**10**	**10**		**100%**	**10**		**100%**	**10**		**100%**
	TOTAL OCT	**46**	**46**		**100%**	**46**		**100%**	**46**		**100%**
	TOTAL: ACP+OCT (A+B)	**10,379**	**10,377**	**(4)**	**100%**	**10,375**	**–**	**100%**	**10,375**	**–**	**100%**

Table 2.4

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2018
CLASS OF AID
ACP + PTOM - 9 th EDF

(EUR million)

		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										
Lomé	Transfers from 6th EDF - Lomé	20	20	–	100%	20		100%	20		100%
	Transfers from 7th EDF - Lomé	647	647	–	100%	647		100%	647		100%
	SUB TOTAL: TRANSFERS FROM OTHER FUNDS	**668**	**668**	**–**	**100%**	**668**		**100%**	**667**		**100%**
	ACP										
	Regular MS Contributions										
Cotonou	A Envelope - National Allocations	8,608	8,600	(15)	100%	8,590	(9)	100%	8,565	(1)	100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**8,608**	**8,600**	**(15)**	**100%**	**8,590**	**(9)**	**100%**	**8,565**	**(1)**	**100%**
	B Envelope - National Allocations	1,208									
	Compensation export earnings		148	–		148	–	100%	148		100%
	Emergency aid		1,049	–		1,045	–	100%	1,040	–	99%
	Heavily indebted poor countries		11			11		100%	11		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**1,208**	**1,208**	**–**	**100%**	**1,204**	**–**	**100%**	**1,198**	**–**	**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	(1)	100%	177	–	100%	177		100%
	Interests and other receipts	63	63		100%	63		100%	63		100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**240**	**239**	**(1)**	**100%**	**239**	**–**	**100%**	**239**		**100%**
	Other Intra-ACP allocations	2,589	2,586	(9)	100%	2,577	(7)	100%	2,568	1	100%
	Peace facility	353	353	–	100%	353		100%	353		100%
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**2,942**	**2,940**	**(9)**	**100%**	**2,931**	**(7)**	**100%**	**2,922**	**1**	**100%**
	Regional allocations	759	756	(7)	100%	745	(2)	99%	729	(1)	98%
	SUB TOTAL: REGIONAL ALLOCATIONS	**759**	**756**	**(7)**	**100%**	**745**	**(2)**	**99%**	**729**	**(1)**	**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	–	100%	253	35	95%	200	16	79%
	SUB TOTAL: SPECIAL ALLOCATION SOUTH SUDAN	**267**	**266**	**–**	**100%**	**253**	**35**	**95%**	**200**	**16**	**79%**
	Special allocation Sudan	110	107	(1)	97%	105	–	98%	97	8	93%
	SUB TOTAL: SPECIAL ALLOCATION SUDAN	**110**	**107**	**(1)**	**97%**	**105**	**–**	**98%**	**97**	**8**	**93%**
	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)	**15.100**	**15.067**	**(33)**	**100%**	**15.018**	**17**	**100%**	**14.900**	**23**	**99%**
	OCT										
	Regular MS Contributions										
Lomé	Transfers from 6th EDF - Lomé	–	–		100%	–		100%	–		100%
	Transfers from 7th EDF - Lomé	3	3		100%	3		100%	3		100%
	SUB TOTAL: TRANSFERS FROM OTHER FUNDS	**3**	**3**		**100%**	**3**		**100%**	**3**		**100%**
	OCT										
	Regular MS Contributions										
Cotonou	A Envelope - National Allocations	237	237		100%	235		99%	235		100%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**237**	**237**		**100%**	**235**		**99%**	**235**		**100%**
	B Envelope - National Allocations	4									
	Emergency aid		4			4		100%	4		100%
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**4**	**4**		**100%**	**4**		**100%**	**4**		**100%**
	Studies / Technical assistance OCT	1	1		100%	1		100%	1		100%
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**1**	**1**		**100%**	**1**		**100%**	**1**		**100%**
	Regional allocations	45	45	–	100%	45	–	99%	45	–	100%
	SUB TOTAL: REGIONAL ALLOCATIONS	**45**	**45**	**–**	**100%**	**45**	**–**	**99%**	**45**	**–**	**100%**
	TOTAL: OCT	**290**	**290**	**–**	**100%**	**288**	**–**	**99%**	**288**	**–**	**100%**
	TOTAL: ACP+OCT (A+B)	**15.390**	**15.357**	**(33)**	**100%**	**15.305**	**16**	**100%**	**15.187**	**23**	**99%**

Table 2.5

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2018
CLASS OF AID
ACP + PTOM - 10 th EDF

(EUR million)

		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	12,922	12,820	(201)	99%	12,482	5	97%	11,568	586	93%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**12,922**	**12,820**	**(201)**	**99%**	**12,482**	**5**	**97%**	**11,568**		**586**
	B Envelope - National Allocations	2,000									
	Compensation export earnings		203	(1)		200	2	99%	190		8
	Emergency aid		840	(4)		831	(5)	99%	813		23
	Heavily indebted poor countries		49			49	–	100%	49		
	Other chocs with budgetary impact		904	(1)		896	(1)	99%	886		4
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**2,000**	**1,995**	**(6)**	**100%**	**1,976**	**(4)**	**99%**	**1,938**		**34**
	Implementation costs	445	436	4	98%	436	5	100%	435		6
	Interests and other receipts	85	68	–	80%	67	–	98%	67		–
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**530**	**504**	**4**	**95%**	**503**	**5**	**100%**	**502**		**6**
	Institutional and support expenditure	230	229	(3)	99%	229	(1)	100%	209		(2)
	Other Intra-ACP allocations	1,868	1,864	(18)	100%	1,823	(4)	98%	1,683		73
	Peace facility	1,119	1,119	105	100%	1,099	227	98%	1,023		209
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**3,218**	**3,212**	**85**	**100%**	**3,151**	**221**	**98%**	**2,916**		**280**
	Regional allocations	1,942	1,926	(24)	99%	1,818	(8)	94%	1,555		144
	SUB TOTAL: REGIONAL ALLOCATIONS	**1,942**	**1,926**	**(24)**	**99%**	**1,818**	**(8)**	**94%**	**1,555**		**144**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	187	183	(1)	98%	179	–	97%	143		12
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**187**	**183**	**(1)**	**98%**	**179**	**–**	**97%**	**143**		**12**
	Implementation costs	5	5	1	100%	3	1	62%	2		1
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**5**	**5**	**1**	**100%**	**3**	**1**	**62%**	**2**		**1**
	Other Intra-ACP allocations	12	11	(1)	92%	10		99%	10		–
	Peace facility	1	1		100%	1		99%	1		
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**12**	**11**	**(1)**	**92%**	**11**		**99%**	**11**		**–**
	Mobilisable reserves										
	Reserves										
	A Envelope reserve	–									
	B Envelope reserve	–									
	SUB TOTAL: COUNTRY RESERVE	**–**									
	Intra-ACP Reserve	–									
	SUB TOTAL: INTRA-ACP RESERVE	**–**									
	National allocations Reserve A Envelope STABEX	–									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE STABEX	**–**									
	NIP/RIP reserve	–									
	SUB TOTAL: NIP/RIP RESERVE	**–**									
	Regional allocations reserve	–									
	SUB TOTAL: REGIONAL ALLOCATIONS RESERVE	**–**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	131									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**131**									
OCT	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	190	189	(2)	99%	182	17	96%	144	13	79%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**190**	**189**	**(2)**	**99%**	**182**	**17**	**96%**	**144**		**13**
	B Envelope - National Allocations	15									
	Emergency aid		9	–		8	–	99%	8		–
	Other chocs with budgetary impact		6			6		100%	6		
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**15**	**15**	**–**	**98%**	**14**	**–**	**99%**	**14**		**–**
	Studies / Technical assistance OCT	5	5		100%	5	–	98%	5		–
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**5**	**5**		**100%**	**5**	**–**	**98%**	**5**		**–**
	Regional allocations	40	39	(1)	98%	37	(1)	95%	32		–
	SUB TOTAL: REGIONAL ALLOCATIONS	**40**	**39**	**(1)**	**98%**	**37**	**(1)**	**95%**	**32**		**–**
	Mobilisable reserves										

	Reserves										
	A Envelope reserve	–									
	B Envelope reserve	–									
	SUB TOTAL: COUNTRY RESERVE	**–**									
	National allocations Reserve A Envelope STABEX	–									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE STABEX	**–**									
	Regional allocations reserve	–									
	SUB TOTAL: REGIONAL ALLOCATIONS RESERVE	**–**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	25									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**25**									
	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	**21.223**	**20.905**	**(147)**	**99%**	**20.361**	**236**	**97%**	**18.829**	**1.076**	**92%**

Table 2.6

EDF AGGREGATED ACCOUNTS AT 31 DECEMBER 2018
CLASS OF AID
ACP + PTOM - 11 th EDF

(EUR million)

		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	15,419	12,634	1,743	82%	9,202	2,346	73%	4,467	1,536	49%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**15,419**	**12,634**	**1,743**	**82%**	**9,202**	**2,346**	**73%**	**4,467**		**1,536**
	B Envelope - National Allocations	717									
	Emergency aid		592	2		589	10	99%	493		50
	Other chocs with budgetary impact		109			109		100%	109		80
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**717**	**701**	**2**	**98%**	**698**	**10**	**100%**	**601**		**130**
	Bridging facility	–									
	SUB TOTAL: BRIDGING FACILITY	**–**									
	Implementation costs	1,053	700	162	67%	646	157	92%	603		148
	Interests and other receipts	16	10	–	59%	7	1	71%	6		–
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**1,069**	**710**	**162**	**66%**	**653**	**157**	**92%**	**609**		**148**
	Institutional and support expenditure	246	133	27	54%	98	7	74%	85		16
	Other Intra-ACP allocations	2,700	2,116	871	78%	1,347	537	64%	899		408
	Peace facility	1,000	1,000	6	100%	946	61	95%	859		54
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**3,946**	**3,249**	**905**	**82%**	**2,391**	**604**	**74%**	**1,843**		**478**
	Regional allocations	6,541	5,803	1,381	89%	4,940	1,426	85%	1,554		610
	SUB TOTAL: REGIONAL ALLOCATIONS	**6,541**	**5,803**	**1,381**	**89%**	**4,940**	**1,426**	**85%**	**1,554**		**610**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	23	20		89%	20		100%	1		1
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**23**	**20**		**89%**	**20**		**100%**	**1**		**1**
	Implementation costs	2	1	1	70%						
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**2**	**1**	**1**	**70%**						
	Peace facility	11	2	1	16%	2	1	100%	1		
	SUB TOTAL: INTRA-ACP ALLOCATIONS	**11**	**2**	**1**	**16%**	**2**	**1**	**100%**	**1**		
	Regional allocations	2	2	2	100%	2	2	100%			
	SUB TOTAL: REGIONAL ALLOCATIONS	**2**	**2**	**2**	**100%**	**2**	**2**	**100%**			
	Mobilisable reserves										
	Reserves										
	B Envelope reserve	–									
	SUB TOTAL: COUNTRY RESERVE	**–**									
	Intra-ACP Reserve	69									
	SUB TOTAL: INTRA-ACP RESERVE	**69**									
	National allocations Reserve A Envelope STABEX	–									
	SUB TOTAL: NATIONAL ALLOCATIONS RESERVE A ENVELOPE STABEX	**–**									
	NIP/RIP reserve	1,270									
	SUB TOTAL: NIP/RIP RESERVE	**1,270**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	311									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**311**									
	EC Internal SLA										
	Reserves										
	A Envelope - National Allocations	1	1		71%	1		100%	1		
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**1**	**1**		**71%**	**1**		**100%**	**1**		

OCT	**Regular MS Contributions**										
	Allocations										
	A Envelope - National Allocations	196	183	92	93%	179	97	98%	76	50	43%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**196**	**183**	**92**	**93%**	**179**	**97**	**98%**	**76**		**50**
	B Envelope - National Allocations	8									
	Emergency aid		3	3		3	3	100%	2		2
	Other chocs with budgetary impact		3	3		3	3	100%	3		3
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**8**	**6**	**6**	**75%**	**6**	**6**	**100%**	**5**		**5**
	Bridging facility	–									
	SUB TOTAL: BRIDGING FACILITY	**–**									
	Studies / Technical assistance OCT	9	5	–	60%	5	1	90%	3		1
	SUB TOTAL: IMPLEMENTATION COSTS AND INTERESTS REVENUES	**9**	**5**	**–**	**60%**	**5**	**1**	**90%**	**3**		**1**
	Regional allocations	81	37	37	46%	37	37	99%	7		7
	SUB TOTAL: REGIONAL ALLOCATIONS	**81**	**37**	**37**	**46%**	**37**	**37**	**99%**	**7**		**7**
	Co-financing										
	Allocations										
	A Envelope - National Allocations	–									
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**–**									
	Mobilisable reserves										
	Reserves										
	NIP/RIP reserve	49									
	SUB TOTAL: NIP/RIP RESERVE	**49**									
	Non-mobilisable reserve										
	Reserves										
	Non-mobilisable reserve	7									
	SUB TOTAL: NON-MOBILISABLE RESERVE	**7**									
	EC Internal SLA										
	Reserves										
	A Envelope - National Allocations	–									
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**–**									

	Regular MS Contributions										
	Allocations										
	A Envelope - National Allocations	10	6		60%	6		98%	6	4	98%
	SUB TOTAL: A ENVELOPE - NATIONAL ALLOCATIONS	**10**	**6**		**60%**	**6**		**98%**	**6**		**4**
	B Envelope - National Allocations	7									
	SUB TOTAL: B ENVELOPE - NATIONAL ALLOCATIONS	**7**									

	TOTAL: ACP+OCT (INCL. RESERVES) (A+B)	**29,747**	**23,359**	**4,332**	**79%**	**18,140**	**4,687**	**78%**	**9,175**	**2,970**	**51%**

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

EUROPEAN INVESTMENT BANK

CA/521/19
14 March 2019

Document 19/092

BOARD OF DIRECTORS

INVESTMENT FACILITY

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018

- 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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(In EUR'000)

	Notes	31.12.2018	31.12.2017
ASSETS			
Cash and cash equivalents	5	573,708	549,101
Amounts receivable from contributions	9/17	100,000	150,000
Treasury financial assets	10	335,140	144,382
Derivative financial instruments	6	9,873	12,521
Loans and advances	7	1,540,991	1,666,725
Shares and other variable yield securities	8	567,292	497,539
Other assets	11	171	4,385
Total assets		**3,127,175**	**3,024,653**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	6	8,493	1,153
Deferred income	12	33,764	25,802
Provisions for guarantees issued	13	793	484
Provisions for loan commitments	14	23,822	-
Amount owed to third parties	15	143,813	157,285
Other liabilities	16	2,493	2,462
Total liabilities		**213,178**	**187,186**
CONTRIBUTORS' RESOURCES			
Facility Member States Contribution called	17	2,697,000	2,517,000
Fair value reserve (IAS 39)		-	125,816
Retained earnings		216,997	194,651
Total contributors' resources		**2,913,997**	**2,837,467**
Total liabilities and contributors' resources		**3,127,175**	**3,024,653**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(In EUR'000)

	Notes	From 01.01.2018 to 31.12.2018	From 01.01.2017 to 31.12.2017
Interest and similar income	19	96,730	101,406
Interest and similar expenses	19	-2,539	-2,671
Net interest and similar income		**94,191**	**98,735**
Fee and commission income	20	284	210
Fee and commission expenses	20	-106	-60
Net fee and commission income		**178**	**150**
Fair value change of derivative financial instruments		-9,987	29,637
Net result on shares and other variable yield securities (2017 AFS)	21	-10,179	2,711
Net result on loans and advances at FVTPL	21	-702	-
Net foreign exchange loss		-32,436	-38,165
Net result on financial operations		**-53,304**	**-5,817**
Change in impairment on loans and advances, net of reversal	7	-22,771	-10,721
Change in provisions for guarantees	13	-485	-65
Change in provisions for loan commitments	14	-19,612	-
Impairment on available-for-sale financial assets (IAS 39)	8	-	-22,024
General administrative expenses	22	-47,799	-45,105
(Loss)/profit for the year		**-49,602**	**15,153**
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets – Fair value reserve (IAS 39)	8		
1. Net change in fair value of available-for-sale financial assets		-	-31,034
2. Net amount transferred to profit or loss		-	13,966
Total available-for-sale financial assets		**-**	**-17,068**
Total other comprehensive (loss)		**-**	**-17,068**
Total comprehensive (loss) for the year		**-49,602**	**-1,915**

(1) For the year ended 31 December 2018, interests and similar income include EUR 96.7 million calculated on assets held at amortised cost based on effective interest method.

STATEMENT OF CHANGES IN CONTRIBUTORS' RESOURCES
FOR THE YEAR ENDED 31 DECEMBER 2018

(In EUR'000)

		Contribution called	Fair Value Reserve *	Retained earnings *	Total
At 1 January 2018	**Notes**	**2,517,000**	**-**	**266,599**	**2,783,599**
Member States contribution called during the year	17	180,000	-	-	180,000
Loss for the year 2018		-	-	-49,602	-49,602
Changes in contributors' resources		**180,000**	**-**	**-49,602**	**130,398**
At 31 December 2018		**2,697,000**	**-**	**216,997**	**2,913,997**

		Contribution called	Fair value reserve	Retained earnings	Total
At 1 January 2017		**2,377,000**	**142,884**	**179,498**	**2,699,382**
Member States contribution called during the year	17	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**

*As at 31 December 2017, the Facility had classified equity investments as available-for-sale, while from 1 January 2018, with the IFRS 9 adoption, the Facility has reclassified equity investments to shares and other variable yield securities measured at FVTPL. The related fair value reserve of EUR 125,816 thousands as at 31 December 2017 has been released against the Facility's retained earnings as an opening balance adjustment (Note 2.5). Additionally, EUR 49,712 thousands representing the ECL impairment recognised for performing, Stage 1 and Stage 2 operations of the debt lending portfolio, as well as EUR 4,156 thousands ECL provision for undisbursed exposures of performing, Stage 1 and Stage 2 operations of the debt portfolio were included in the Retained earnings 2018 opening balance. For detailed reconciliation please refer to note 2.5.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

(In EUR'000)

	Notes	From 01.01.2018 to 31.12.2018	From 01.01.2017 to 31.12.2017
OPERATING ACTIVITIES			
(Loss)/Profit for the financial year		-49,602	15,153
Adjustments made for			
Impairment on available-for-sale financial assets (IAS 39)	8	-	22,024
Net result in fair value on shares and other variable yield securities		20,665	-
Change in impairment on loans and advances, net of reversal	7	22,771	10,721
Net result on loans and advances at FVTPL		702	-
Change in accrued interest and amortised cost on loans and advances	7	-1,833	-1,198
Net change in provisions for guarantees issued	13	309	-141
Net change in provisions for loan commitments		19,666	-
Change in accrued interest and amortised cost on treasury financial assets	10	-1,645	-398
Change in deferred income		7,962	-481
Effect of exchange rate changes on loans	7	-44,927	168,304
Effect of exchange rate changes on shares and other variable yield securities		-17,300	-1,655
Effect of exchange rate changes on cash held		2,561	-6,473
Loss on operating activities before changes in operating assets and liabilities		**-40,671**	**205,856**
Loan disbursements	7	-259,214	-368,662
Repayments of loans	7	354,855	253,486
Change in accrued interest on cash and cash equivalents	5	-178	63
Fair value changes on derivatives		9,987	-29,637
(Decrease) in treasury financial assets	10	-2,219,062	-1,084,149
Maturities of treasury financial assets	10	2,026,659	1,109,563
(Decrease) in shares and other variable yield securities	8	-95,434	-62,660
Repayments/sales of shares and other variable yield securities		32,802	44,568
(Increase) in other assets		-4,214	-4,040
(Decrease)/increase in other liabilities		31	-84
Increase in amounts payable to the European Investment Bank		2,168	2,202
Net cash flows used in/from operating activities		**-192,271**	**66,506**
FINANCING ACTIVITIES			
Contribution received from Member States	17	230,000	76,395
Amounts received from Member States with regard to interest subsidies and technical assistance		20,000	60,000
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-35,641	-21,026
Net cash flows from financing activities		**214,359**	**115,369**
Net increase in cash and cash equivalents		**22,088**	**181,875**
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		**549,169**	**360,821**
Net cash from:			
Operating activities		-192,271	66,506
Financing activities		214,359	115,369
Effects of exchange rate changes on cash and cash equivalents		2,561	6,473
Cash and cash equivalents at the end of financial year		**573,818**	**549,169**
Cash and cash equivalents are composed of:			
Cash in hand	5	51,936	166,445
Term deposits (excluding accrued interest)	5	521,882	367,721
Commercial papers	5	-	15,003
		573,818	**549,169**

Notes to the financial statements as at 31 December 2018

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 2018 to 31 December 2018.

On a proposal from the Management Committee of EIB, the Board of Directors of EIB adopted the Financial Statements on 14 March 2019, and authorised their submission to the Board of Governors for approval by 26 April 2019.

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 value 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 2.4.2 and 4.

- **Impairment losses on loans and advances**

The expected credit loss ('ECL') measurement requires management to apply significant judgments, in particular, the assessment of a significant increase in credit risk since initial recognition, the incorporation of forward looking information and further the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in significant changes to the timing and amount of allowance for credit loss to be recognized (Note 2.4.2).

- **Valuation of unquoted equity investments**

Valuation of unquoted 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 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 equity investments (applicable before 1 January 2018)**

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

IFRS 9 Financial Instruments

The Facility has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1st January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. For more details refer to note 2.5.

As permitted by the transitional provisions of IFRS 9, the Facility elected not to restate comparative periods. Any adjustment to the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 were recognized in the reserve fund and the fair value reserve as of 1st January 2018. Accordingly, the information presented for 2017 under the applicability does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

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 Facility adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption is recognised in retained earnings as of 1 January 2018 and the comparatives were not restated.

The application of IFRS 15, did not have a significant impact on the Facility's financial statements.

IFRIC 22 Foreign currency transactions and advance consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration.

This Interpretation adoption had no material impact on the Facility's financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IAS 28)

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.
The Facility does not use have investment in in joint ventures. Therefore, there is no impact on the Facility's financial statements

Standards issued but not yet adopted

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.

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 Financial assets other than derivatives

Non-derivative financial instruments are initially recognised using the settlement date basis.

Classification and measurement

Financial assets - Policy applicable after 1 January 2018

On initial recognition, a financial asset is classified as measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through P&L ("FVTPL") and a financial liability is classified as measured at AC or FVTPL.

Under IFRS 9, classification starts with determining whether the financial asset shall be considered as a debt or equity instrument. IFRS 9 refers to the definitions in IAS 32 Financial Instruments: Presentation.

Debt instruments are those instruments that meet the definition of a financial liability from the counterparty's perspective, such as loans, government and corporate bonds.

A debt instrument is classified at AC if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI criteria).

A debt instrument is classified at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are fulfilling the SPPI criteria.

The above requirements should be applied to an entire financial asset, even if it contains an embedded derivative.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Equity instruments are measured at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Facility may irrevocably elect to present subsequent changes in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

Business model assessment

The EIB, as a manager of the Facility, makes an assessment of the objective of a business model in which a debt instrument is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management´s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Facility's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectation about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Facility stated objective for managing the financial assets is achieved and how cash flows are realised.

Solely payment of principal and interests ('SPPI') criteria

For the purpose of this assessment, 'principal' is defined as the fair value of the debt instrument on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument are considered. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets - Policy applicable before 1 January 2018

The Facility classified its financial assets into one of the following categories:

- Loans and receivables ('L&R'),
- Held-to-maturity ('HTM'),
- Available-for-sale ('AFS'),
- at Fair Value through Profit or Loss ('FVTPL')

Derecognition

The Facility derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or which the Facility neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset or financial liability (Note 2.4.4), the difference between the carrying amount of the asset or liability (or the carrying amount allocated to the portion of the asset or liability derecognised) and the sum of (i) the consideration received or paid and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for the cumulative gains or losses recognised in other comprehensive income for equity investments measured at fair value through other comprehensive income which are transferred to the reserve fund rather than profit or loss on disposal.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Facility changes its business model for managing financial assets.

Measurement of fair values 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.

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 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.

Impairment on financial assets

Impairment - policy applicable after 1 January 2018

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (''ECL'') model. This will require judgement to determine the underlying variable (PD, LGD, EAD) used in order to assess how changes in economic and other factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC, to financial guarantee contracts, as well as to off-balance sheet 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. This includes both quantitative and qualitative information and analysis, based on the Bank's expertise, including forward-looking information.

Purchased or originated credit-impaired assets ('POCI') are the financial assets with exception to initial recognition of the ECLs as the POCI assets is always maintained in stage 3. For POCI financial assets, the cumulative changes in lifetime ECL since initial recognition are recognised in the statement of profit or loss.

The Facility's assessment of the Stage is based on a sequential approach which is consistent with the Credit Risk Guidelines ('CRG') and the Financial Monitoring Guidelines and Procedures ('FMGs'), notably covering watch list, internal rating and arrears.

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.

To identify Stage 3 exposures, the Facility determines whether or not there is objective evidence of default event. A financial asset is considered to be in default when the borrower is unlikely to pay its credit obligations to the Facility in full, without recourse by the Facility or the borrower is past due more than 90 days on any material credit obligation to the Facility.

In this respect, a financial asset is considered impaired when it is determined that it is probable that the Facility will not be able to collect all amounts due according to the original contractual terms or an equivalent value. Individual credit exposures are evaluated based upon the borrower's characteristics, overall financial condition, resources and payment record, the prospects for support from any financially responsible guarantors and, where applicable, the realisable value of any collateral.

All impaired claims are reviewed and analysed at least semi-annually. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates will result in a change in the provision for credit losses and be charged or credited to the income statement. An allowance for impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the claim agreement. A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established impairments or directly to the income statement and reduce the principal amount of a claim. Recoveries in part or in full of amounts previously written off are credited to the income statement.

Measuring ECL – Inputs, Assumptions and Techniques

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

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

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

The probability of default 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. The EIB collects performance and default information about the Facility's credit risk exposures. 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.

The loss given default represents the EIB's expectation of the ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default. Loss given default can be also defined as "1 - Recovery Rate". LGD estimates are determined mainly by geography and by type of counterparty, with five main exposure classes: Sovereigns, Public Institutions, Financial Institutions, Corporate and Project Finance. LGD values can be further adjusted based on the product and contract specific features of the exposure.

The EIB incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of expected credit losses.

Impairment - policy applicable before 1 January 2018

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.

2.4.2.1 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. Cash and cash equivalents are carried at AC in the statement of financial position.

2.4.2.2 Treasury financial assets

Treasury financial assets were presented as Held-to-maturity financial assets in the Investment Facility Financial Statements as at 31 December 2017.

Treasury financial assets comprise quoted and unquoted bonds with the intention of holding them to maturity, and commercial papers with original maturities of more than three months and are consequently classified at AC.

Those bonds and commercial papers are initially measured at cost, which is the 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.

2.4.2.3 Loans and advances

Loans and advances were presented as loans and receivables in the Investment Facility Financial Statements as at 31 December 2017 and measured at amortised cost.

Loans and advances include:

- Loans and advances measured at AC
- Loans and advances mandatorily measured at FVTPL.

Loans originated by the Facility are recognised in the assets of the Facility when cash is advanced to borrowers. Undisbursed parts of loans are recorded in the off-balance at their nominal value.

Loans passing the SPPI test are initially recorded at cost (their 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 AC using the effective interest rate method.

Loans not fulfilling the SPPI criterion are mandatorily measured at FVTPL.

The fair value measurement technique used is based on a discounted cash flow technique.

2.4.2.4 Shares and other variable yield securities

Shares and other variable yield securities were presented as available-for-sale financial assets in the Investment Facility Financial Statements as at 31 December 2017.

There are two types of equity investments at the Facility: (i) direct equity investments and (ii) venture capital funds. The shares and other variable yield securities are initially recognised at fair value plus transactions costs. Subsequently changes in fair value, including foreign currency translation gains and losses, are recognised in the statement of profit or loss and other comprehensive income under the caption net result on shares and other variable yield securities.

For unquoted investment, when the fair value cannot be derived from active markets, the fair value is determined by applying recognised valuation techniques (Note 4.2.1).

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.

2.4.3 Financial 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).

Policy applicable after 1 January 2018

Financial guarantees are accounted for under IFRS 9 – Financial Instruments, either as “Derivatives” or as “Financial Guarantees”, depending on their features and characteristics as defined by IFRS 9.

The accounting policy for derivatives is disclosed under Note 2.4.5.

Financial guarantees are initially recognised in the statement of financial position under “Provisions for guarantees issued” at fair value plus transaction costs that are directly attributable to the issuance of the financial guarantees. At initial recognition the obligation to pay corresponds to the Net Present Value (NPV) of expected premium inflows or the initial expected loss.

Subsequent to initial recognition, financial guarantees are measured at the higher of:

- The amount of the loss allowance as determined under IFRS 9; and
- The premium initially recognised less income recognised in accordance with the principles of IFRS 15.

Any increase or decrease in the net liability (as measured per IFRS 9) relating to financial guarantees other than the payment of guarantee calls is recognised in the statement of profit or loss and other comprehensive income under “Change in provisions for guarantees”.

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 IFRS 15 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.

Policy applicable before 1 January 2018

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”.

2.4.4 Financial liabilities other than derivatives

Classification and measurement

Financial liabilities - Policy applicable after 1 January 2018

A financial liability is measured at amortised cost except for financial liabilities that meet the definition of held for trading (e.g. derivative liabilities).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities and the Facility`s financial liabilities are measured at AC under IAS 39 and IFRS 9 as well.

Financial liabilities - Policy applicable before 1 January 2018

The Facility classified its financial liabilities into one of the following categories
- measured at amortised cost ('AC'),
- at fair value through profit or loss ('FVTPL'), and within this category as Held for trading ('HFT').

Derecognition

The Facility derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

2.4.5 Derivative financial instruments

Derivative financial instruments include cross currency swaps, cross currency interest rate swaps, short term currency swaps ("FX swaps") and interest rate swaps.

Derivative financial instruments are initially recognised using the trade date basis.

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.

All derivatives are measured at FVTPL 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".

Under IFRS 9, bifurcation requirements embedded derivatives have been eliminated for financial assets or financial liabilities and therefore, the hybrid contract is treated as a whole for classification of financial assets or financial liability accordingly.

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.

Contributions are classified and measured at AC in the financial statements.

2.4.7 Interest and similar income

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 in the statement of financial position ('Loans and advances') 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.

Interest on the POCI loans is recorded in the statement of profit or loss and other comprehensive income ('Interest and similar income') and in the statement of financial position ('Loans and advances') on an accrual basis using the credit- adjusted effective interest rate through the whole life of the loan, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loan to the amortised cost of the loan.

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 shares and other variable yield securities are recognised when received and presented in the statement of profit or loss and other comprehensive income within net realised gains on shares and other variable yield securities.

2.4.11 Taxation

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

2.5 Transition disclosures

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Facility's assets and liabilities as at 1 January 2018.

ASSETS in EUR '000

Statement of financial position as at 31 December 2017	Measurement Category IAS 39	Net carrying amount	Measurement category IFRS 9	Net carrying amount	Statement of financial position as from 1 January 2018
1. Cash and cash equivalents	L&R (Loans and receivables)	549,101	AC (Amortised Cost)	549,101	1. Cash and cash equivalents
2. Amounts receivable from contributors	L&R (Loans and receivables)	150,000	AC (Amortised Cost)	150,000	2. Amounts receivable from contributors
3. Held-to-maturity financial assets	HTM (Held to Maturity)	144,382	AC (Amortised Cost)	144,382	3. Treasury financial assets
4. Derivative financial instruments	FVTPL (Fair Value Through Profit and loss)	12,521	FVTPL (Fair Value Through Profit and loss)	12,521	4. Derivative financial instruments
5. Loans and receivables	L&R (Loans and receivables)	1,666,725	AC (Amortised Cost)	1,615,589	5. Loans and advances
			FVTPL (Fair Value Through Profit and loss)	1,422	
6. Available-for-sale financial assets	AFS (Available for Sale)	497,539	FVTPL (Fair Value Through Profit and loss)	497,539	6. Shares and other variable yield securities
7. Other assets	L&R (Loans and receivables)	4,385	AC (Amortised Cost)	4,385	7. Other assets
Total Assets		**3,024,653**		**2,974,939**	**Total Assets**

LIABILITIES in EUR '000

Statement of financial position as at 31 December 2017	Measurement Category IAS 39	Net carrying amount	Measurement category IFRS 9	Net carrying amount	Statement of financial position as from 1 January 2018
8. Derivative financial instruments	FVTPL (Fair Value Through Profit and loss)	1,153	FVTPL (Fair Value Through Profit and loss)	1,153	8. Derivative financial instruments
9. Deferred income	AC (Amortised Cost)	25,802	AC (Amortised Cost)	25,802	9. Deferred income
10. Provisions for guarantees issued	Financial guarantees	484	Financial guarantees	484	10. Provisions for guarantees issued
11. Provisions for loan commitments	AC (Amortised Cost)	-	AC (Amortised Cost)	4,156	11. Provisions for loan commitments
12. Amounts owed to third parties	AC (Amortised Cost)	157,285	AC (Amortised Cost)	157,285	12. Amounts owed to third parties
13. Other liabilities	AC (Amortised Cost)	2,462	AC (Amortised Cost)	2,462	13. Other liabilities
Total Liabilities		**187,186**		**191,342**	**Total Liabilities**
14. Contributors' resources					14. Contributors' resources
13.1. Member States Contribution called		2,517,000		2,517,000	13.1. Member States Contribution called
13.2. Fair value reserve		125,816		-	13.2. Fair value reserve
13.3. Retained earnings		194,651		266,597	13.3. Retained earnings
Total Liabilities and Equity		**3,024,653**		**2,974,939**	**Total Liabilities and Equity**

The following table reconciles the carrying amounts of the Facility's assets and liabilities from their previous measurement category under IAS 39 to their new measurement categories upon transition to IFRS 9 on 1st January 2018.

FINANCIAL ASSETS in EUR '000	IAS 39 carrying amount 31.12.2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 01.01.2018
Amortized Cost				
1. Cash and cash equivalents				
Opening balance under IAS 39 and closing balance under IFRS 9	549,101	-	-	549,101
2. Amounts receivable from contributors				
Opening balance under IAS 39 and closing balance under IFRS 9	150,000	-	-	150,000
3. Treasury financial assets				
Opening balance under IAS 39 and closing balance under IFRS 9	144,382	-	-	144,382
4. Derivative financial instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	12,521	-	-	12,521
5.Loans and advances				
Opening balance under IAS 39	1,666,725	-	-	1,666,725
Transfer from AC to FVTPL	-	-1,422	-	-1,422
Remeasurement: ECL allowance	-	-	-49,714	-49,714
Closing balance under IFRS 9	1,666,725	-1,422	-49,714	1,615,589
7. Other assets				
Opening balance under IAS 39 and closing balance under IFRS 9	4,385	-	-	4,385
Total financial assets measured at amortized cost	**2,527,114**	**-1,422**	**-49,714**	**2,475,978**

	IAS 39 carrying amount 31.12.2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 01.01.2018
Fair Value Through OCI / AFS				
6. Shares and other variable yield securities				
Opening balance under IAS 39	497,539	-	-	497,539
Transfer from AFS to FVTPL	-	-497,539	-	-497,539
Closing balance under IFRS 9	497,539	-497,539	-	-
Total financial assets measured at Fair Value Through OCI	**497,539**	**-497,539**	-	-
Fair Value Through Profit and Loss				
5.Loans and advances				
Opening balance under IAS 39	-	-	-	-
Transfer from AC to FVTPL	-	1,422	-	1,422
Remeasurement: ECL allowance	-	-	-	-
Closing balance under IFRS 9	-	1,422	-	1,422
6. Shares and other variable yield securities				
Opening balance under IAS 39	-	-	-	-
Transfer from AFS to FVTPL	-	497,539	-	497,539
Closing balance under IFRS 9	-	497,539	-	497,539
Total financial assets measured at Fair Value Through Profit and Loss	-	**498,961**	-	**498,961**
Total financial assets	**3,024,653**	**-**	**-49,714**	**2,974,939**

FINANCIAL LIABILITIES in EUR '000	IAS 39 carrying amount 31.12.2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 01.01.2018
Amortized Cost				
9. Deferred income				
Opening balance under IAS 39 and closing balance under IFRS 9	25,802	-	-	25,802
10. Provisions for loan commitments				
Opening balance under IAS 39	-	-	-	
Remeasurement ECL allowance	-	-	4,156	4,156
Closing balance under IFRS 9		-	4,156	4,156
11. Amounts owed to third parties				
Opening balance under IAS 39 and closing balance under IFRS 9	157,285	-	-	157,285
12. Other liabilities				
Opening balance under IAS 39 and closing balance under IFRS 9	2,462	-	-	2,462
Total financial liabilities measured at amortised cost	**185,549**	**-**	**4,156**	**189,705**
Fair Value Through Profit and Loss				
13. Derivative financial instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	1,153	-	-	1,153
14. Provisions for guarantees issued				
Opening balance under IAS 39 and closing balance under IFRS 9	484	-	-	484
Remeasurement ECL allowance	-	-	-	-
Closing balance under IFRS 9	484	-	-	484
Total financial liabilities measured at Fair Value Through Profit and Loss	**1,637**	**-**	-	**1,637**
Total financial liabilities	**187,186**	**-**	**4,156**	**191,342**

The following table analyses the impact of transition to IFRS 9 on the Facility's Contributors' resources as at 1 January 2018. The impact relates to the fair value reserve. There is no impact on other components of Contributors' resources.

in EUR '000	**Fair value reserve**
Closing balance under IAS 39 (31 December 2017)	**125,816**
Reclassification of shares and other variable-yield securities from AFS to FVTPL	-125,816
Opening balance under IFRS 9 (1 January 2018)	**-**
	Retained earnings
Closing balance under IAS 39 (31 December 2017)	**194,651**
Reclassification of shares and other variable-yield securities from AFS to FVTPL	125,816
Recognition of ECL under IFRS 9 (loans and advances)	-49,712
Recognition of provisions under IFRS 9 (loan commitments)	-4,156
Opening balance under IFRS 9 (1 January 2018)	**266,599**
Total changes in equity due to adopting IFRS 9	**- 53,868**

The following table reconciles the closing impairment allowance measured in accordance with IAS 39 to the new impairment allowance measured in accordance with IFRS 9:

in EUR '000	01.01.2018				31.12.2017
Impairment allowance for	**12-month ECL (stage 1)**	**Lifetime ECL not credit-impaired (stage 2)**	**Lifetime ECL credit-impaired (stage 3)**	**Total**	**Total**
1. Cash and cash equivalents at AC under IAS 39 and IFRS 9	-	-	-	-	-
2. Treasury financial assets	-	-	-	-	-
3.1 Loans and advances - Balance Sheet	19,738	29,976	113,255	162,969	113,255
3.2 Loan commitments - Off Balance Sheet	1,993	2,163	-	4,156	-
4. Financial guarantee contracts issued	-	484	-	484	484
Total	**21,731**	**32,623**	**113,255**	**167,609**	**113,739**

3 Risk Management

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

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

3.1 Risk management organisation

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

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

3.2 Credit risk

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

3.2.1 Credit risk policy

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

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

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

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

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

- Counterparty or project related securities (e.g., pledge over the shares; pledge over the assets; assignment of rights; pledge over the accounts); or/and
- 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)	31.12.2018	31.12.2017
ASSETS		
Cash and cash equivalents	573,708	549,101
Amounts receivable from contributors	100,000	150,000
Treasury financial assets	335,140	144,382
Derivative financial instruments	9,873	12,521
Loans and advances	1,540,991	1,666,725
Other assets	171	4,385
Total assets	**2,559,883**	**2,527,114**
Provisions for loan commitments	**-23,822**	**-**
OFF BALANCE SHEET		
OFF BALANCE SHEET		
Contingent liabilities		
- Issued Guarantees	1,553,668	74,569
Commitments		
- Undisbursed loans	1,283,931	869,983
- Non-issued guarantees	2,800	7,682
Total off balance sheet	**2,840,399**	**952,234**
Total credit exposure	**5,376,460**	**3,479,348**

3.2.3 Credit risk on loans and advances

3.2.3.1 Credit risk measurement for loans and advances

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 24), 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 (worse) 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 applicable recovery rate: being the amount assumed to be recovered following a default by the relevant counterpart expressed as a percentage of the relevant loan exposure

v) The contractual framework: a sound contractual framework will add to the loan's quality and enhance its internal grading.

vi) The duration of the loan or, more generally, the cash-flows of the loan: 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 of which there are three sub-categories:

"A0" comprising loans to or guaranteed by an EU Member State which have an expected loss of 0% (based on the Bank's preferred creditor status and statutory protection which are deemed to assure a full recovery of the Bank's assets upon maturity).

"A+" comprising loans granted to (or guaranteed by) entities other than EU Member States in respect of which there is no expectation of deterioration in quality over their term.

"A-" includes those lending operations where there is some doubt about the maintenance of their current status but where any downside is expected to be 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 (net of ECL) to credit risk on loans signed and disbursed by nature of borrower taking into account guarantees provided by guarantors:

At 31.12.2018 In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total
Banks	88,263	-	856,484	**944,747**	**61%**
Corporates	147,551	45,820	205,198	**398,569**	**26%**
Public institutions	29,182	-	-	**29,182**	**2%**
States	-	2,647	165,846	**168,493**	**11%**
Total disbursed	**264,996**	**48,467**	**1,227,528**	**1,540,991**	**100%**
Signed not disbursed	**170,356**	**-**	**1,089,753**	**1,260,110**	

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**	**-**	**780,386**	**869,983**	

Transaction Management and Restructuring Directorate 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 Directorate 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 2018 and 31 December 2017 by the Loan Grading applications, based on the exposure signed (disbursed and un-disbursed):

At 31.12.2018 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	232,467	238,619	349,756	698,562	-	**1,519,404**	**54%**
	Corporates	103,845	7,564	744	693,100	50,000	**855,253**	**31%**
	Public institutions	-	-	29,182	2,994	-	**32,176**	**1%**
	States	-	4,786	7,681	381,801	-	**394,268**	**14%**
Total		**336,312**	**250,969**	**387,363**	**1,776,457**	**50,000**	**2,801,101**	**100%**

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	870,913	-	**1,456,466**	**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	-	**388,475**	**15%**
Total		**323,370**	**195,243**	**237,758**	**1,778,909**	**1,428**	**2,536,708**	**100%**

3.2.3.4 Risk concentrations of loans and advances

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	31.12.2018	31.12.2017
Kenya	233,269	331,891
Nigeria	172,515	230,042
Tanzania	124,718	116,093
Uganda	81,766	169,869
Burundi	77,568	74,703
Barbados	74,638	25,124
Egypt	74,431	-
Jamaica	72,165	85,728
Congo (Democratic Republic)	62,708	62,439
Mauritius	55,564	26,598
Ethiopia	55,215	51,719
Dominican Republic	54,326	61,326
Mauritania	50,727	64,007
Ghana	39,246	49,895
Togo	30,634	45,574
Rwanda	28,704	38,555
Malawi	26,827	22,800
Regional-ACP	24,335	751
New Caledonia	21,124	21,670
Angola	20,651	14,850
Cape Verde	18,923	20,487
Senegal	18,330	13,881
Zambia	17,700	10,910
French Polynesia	17,453	17,235
Cameroon	14,784	25,012
Mozambique	14,719	19,212
Cayman Islands	13,213	14,958
Niger	9,655	5,631
Botswana	7,278	7,618
Seychelles	4,786	5,036
Mali	4,767	5,612
Haiti	4,748	6,006
Burkina Faso	4,649	6,041
Samoa	3,986	5,100
Vanuatu	1,848	2,162
Liberia	1,153	1,553
Palau	1,107	1,384
Micronesia	759	868
South Africa	2	653
Namibia	-	1,971
Congo	-	1,730
Tonga	-	31
Total	**1,540,991**	**1,666,725**

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	31.12.2018	31.12.2017
Tertiary and other	957,602	991,282
Urban development, renovation and transport	192,400	194,101
Electricity, coal and others	181,317	290,364
Basic material and mining	45,820	59,462
Materials processing, construction	33,144	2,194
Roads and motorways	32,043	40,960
Airports and air traffic management systems	29,182	30,882
Telecommunications	26,095	20,310
Chemicals, plastics and pharmaceuticals	20,436	-
Food chain	15,386	15,586
Waste recuperation	7,564	8,018
Social infrastructure, education and health	2	1,100
Oil, gas and petroleum	-	12,466
Total	**1,540,991**	**1,666,725**

3.2.3.5 Credit risk exposure for each internal risk rating

The Facility uses an internal rating methodology in line with the Internal ratings based approach under Basel III. The majority of the Facility's counterparties have been assigned an internal rating according to this methodology. The table below shows a breakdown of the Facility's loan portfolio by the better of the borrower's or guarantor's internal ratings, where available. In cases where an internal rating is not available, the external rating has been used for this analysis.

The table shows both the exposures signed (disbursed and undisbursed) and the risk-weighted exposures, based on an internal methodology that the Facility uses for limit management.

	2018					
(in EUR '000)	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**POCI**	**FVTPL**	**Total**
Loans and advances at AC						
Internal Rating 1 - minimal credit risk	-	90,875	-	-	-	90,875
Internal Rating 2 - very low credit risk	74,650	-	-	-	-	74,650
Internal Rating 3 - low credit risk	17,804	-	-	-	-	17,804
Internal Rating 4 - moderate credit risk	39,295	18,783	-	-	-	58,078
Internal Rating 5 - financially weak counterpart	165,551	-	-	-	-	165,551
Internal Rating 6 - high credit risk	834,194	94,749	-	-	-	928,943
Internal Rating 7 - very high credit risk	75,057	134,701	-	-	1,806	211,564
Internal Rating 8 - counterpart in default	-	-	185,273	3,588	-	188,861
Loss allowance	-22,023	-27,342	-143,092	-1,794	-1,084	-195,335
Carrying amount	**1,184,528**	**311,766**	**42,181**	**1,794**	**722**	**1,540,991**
Loan commitments						
Internal Rating 1 - minimal credit risk	-	-	-	-	-	-
Internal Rating 2 - very low credit risk	102,092	-	-	-	-	102,092
Internal Rating 3 - low credit risk	12,000	-	-	-	-	12,000
Internal Rating 4 - moderate credit risk	12,463	-	-	-	-	12,463
Internal Rating 5 - financially weak counterpart	230,455	-	-	-	-	230,455
Internal Rating 6 - high credit risk	567,573	22,467	-	-	-	590,040
Internal Rating 7 - very high credit risk	100,055	96,074	-	-	-	196,129
Internal Rating 8 - counterpart in default	-	-	16,932	-	-	16,932
No internal rating*	123,821	-	-	-	-	123,821
Loss allowance	-7,225	-16,597	-	-	-	-23,822
Carrying amount	**1,141,234**	**101,944**	**16,932**	**-**	**-**	**1,260,110**

(*) agency agreements for which at reporting date there is no underlying counterparts

The Facility continually monitors events affecting its borrowers and guarantors, especially banks. In particular, the Facility is assessing on a case-by-case basis its contractual rights in case of rating deterioration and is seeking mitigating measures. It is also closely following the renewals of bank guarantees received for its loans to ensure that these are replaced or action is taken in a timely manner if need be.

3.2.3.6 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):

	Loans and advances	Loans and receivables
	31.12.2018	**31.12.2017**
Carrying amount	**1,540,991**	**1,666,725**
Lifetime ECL credit- impaired		
Gross amount	188,861	136,827
Impairment- loss allowance	-144,886	-106,203
Carrying amount of lifetime ECL credit-impaired	**43,975**	**30,624**
Past due but not credit- impaired		
Past due comprises		
0-30 days	804	1,227
30-60 days	-	77
60-90 days	-	31
90-180 days	-	18
more 180 days	1	1
Carrying amount past due but not credit- impaired	**805**	**1,354**
Carrying amount neither past due nor credit- impaired	**1,496,211**	**1,634,747**
Total carrying amount loans and advances	**1,540,991**	**1,666,725**

3.2.3.7 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 Bank'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 unless the impact of the contractual changes on the net present value of the loan at the date of restructuring is considered significant. If such newly recognised financial asset is credit-impaired, it would meet the definition of the POCI financial asset.

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	**31.12.2018**	**31.12.2017**
Number of operations subject to forbearance practices	33	27
Carrying values	280,720	136,973
of which impaired	9,506	112,423
Impairment recognised	86,334	107,256
Interest income in respect of forborne operations	13,465	8,418
Exposures written off (following the termination/sale of the operation)	-	9,395

		Forbearance measures					
In EUR'000	**31.12.2017**	**Extension of maturities**	**Deferral of capital only**	**Deferral of capital and interest**	**Other**	**Contractual repayment and termination (1)**	**31.12.2018**
Banks	30,347	-	290	5,654	765	-9,464	27,592
Corporates	106,626	3,463	-	15,271	143,261	-15,493	253,128
Total	**136,973**	**3,463**	**290**	**20,925**	**144,026**	**-24,957**	**280,720**

(1) Decreases are explained by repayments of capital occurred during the year on operations already considered as forborne as of 31 December 2018 and by termination of forborne 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 2018 and 31 December 2017, 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 2018 and 31 December 2017 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. All credit exposure limit breaches have been reported to the mandators. As at 31 December 2018 all term deposits, commercial papers and cash in hand held by the treasury portfolio of the Facility had a minimum rating of at least P-2 (Moody's equivalent) at settlement day. As at 31 December 2017 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)	31.12.2018		31.12.2017	
P-1	Aaa	71,914	13%	49,616	9%
P-1	Aa3	49,972	9%	89,971	16%
P-1	A1	199,938	34%	143,080	26%
P-1	A2	201,899	35%	266,434	49%
P-2	A3	49,985	9%	-	0%
Total		**573,708**	**100%**	**549,101**	**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 31.12.2018 In EUR'000	less than 1 year	1 year to 5 years	5 years to 10 years	more than to 10 years	Total 2018
Notional amount	-	5,245	-	-	**5,245**
Fair Value (i.e. net discounted value)	-	-325	-	-	**-325**

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**

- 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 1,460.6 million at 31 December 2018 against EUR 1,500.0 million at 31 December 2017. The fair value of FX swaps amounts to EUR 1.1 million at 31 December 2018 against EUR 12.0 million at 31 December 2017.

- The Facility enters into interest rate swap contracts in order to hedge the interest rate risk on loans disbursed. As at 31 December 2018 there are two interest rate swaps outstanding with a notional amount of EUR 28.5 million (2017: EUR 31.7 million) and a fair value of EUR 0.7 million (2017: EUR 0.3 million).

3.2.6 Credit risk on treasury financial assets

The following table shows the situation of the treasury portfolio entirely composed of commercial papers issued by sub-sovereigns, banks and non-bank entities 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)	31.12.2018		31.12.2017	
P-1	Aa2	80,041	24%	-	0%
P-1	Aa3	95,055	29%	-	0%
P-1	A1	15,005	4%	-	0%
P-1	A2	45 008	13%	-	0%
P-2	A2	50,015	15%	-	0%
P-2	A3	50,016	15%	-	0%
P-2	Baa2	-	0%	94,353	65%
NP	Ba1	-	0%	50,029	35%
Total		**335,140**	**100%**	**144,382**	**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	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Maturity Undefined**	**Gross nominal outflow**
In EUR'000 as at 31.12.2018						
Outflows for committed but un-disbursed loans	7,854	-	-	-	1,276,077	1,283,931
Outflows for committed investment funds and share subscription	2,023	-	-	-	345,144	347,167
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	1,556,468	1,556,468
Outflows for committed interest subsidies	-	-	-	-	360,655	360,655
Outflows for committed TA	2,373	-	-	-	24,082	26,455
Total	**12,250**	**-**	**-**	**-**	**3,562,426**	**3,574,676**

Maturity profile of non-derivative financial liabilities	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Maturity Undefined**	**Gross nominal outflow**
In EUR'000 as at 31.12.2017						
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 derivative financial liabilities	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Gross nominal inflow/outflow**
In EUR'000 as at 31.12.2018					
CCS and CCIRS – Inflows	5	3,281	1,816	-	5,102
CCS and CCIRS – Outflows	-	-4,081	-1,770	-	-5,851
Short term currency swaps – Inflows	1,460,608	-	-	-	1,460,608
Short term currency swaps – Outflows	-1,465,498	-	-	-	-1,465,498
Interest Rate Swaps – Inflows	397	1,171	3,473	204	5,245
Interest Rate Swaps - Outflows	-	-1,340	-3,030	-175	-4,545
Total	**-4,488**	**-969**	**489**	**29**	**-4,939**

Maturity profile of derivative financial liabilities	**3 months or less**	**More than 3 months to 1 year**	**More than 1 year to 5 years**	**More than 5 years**	**Gross nominal inflow/outflow**
In EUR'000 as at 31.12.2017					
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**

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	31.12.2018	31.12.2017
Financial assets:		
Loans and advances	1,666,232	1,608,488
Shares and other variable yield securities	567,292	497,539
Other assets	171	318
Total	**2,233,695**	**2,106,345**
Financial liabilities:		
Provisions for guarantees issued	793	549
Amount owed to third parties	93,641	109,004
Provisions for loan commitments	23,822	-
Total	**118,256**	**109,553**

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 2018 would decrease by EUR 483k (as at 31 December 2017: decrease by EUR 488k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value In EUR'000 As at 31.12.2018	**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	-38	-94	-168	-154	-29	-	-483

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

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.

Policy applicable before 1 January 2018

The unrealised gains/losses and impairment on available-for sale financial assets (IAS 39) 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.

Policy applicable after 1 January 2018

The fair value change on shares and other variable yield securities are included in the FX position as per Risk Policies, as well as impairments on loans and advances. 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 is 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 2018	**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	-157,177	-52,111	-209,288	600,271
*Local currencies (under synthetic hedge)**				
KES	35,806	252	36,058	-
TZS	71,195	814	72,009	-
DOP	35,311	821	36,132	-
UGX	45,731	769	46,500	-
RWF	24,176	17	24,193	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	74,265	-432	73,833	-
Total non-EUR currencies	**129,307**	**-49,870**	**79,437**	**600,271**
EUR	**-**	**2,834,560**	**2,834,560**	**3,044,623**
Total EUR and non-EUR	**129,307**	**2,784,690**	**2,913,997**	**3,644,894**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

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**

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2018 a 10 percent depreciation of EUR versus all non EUR currencies would result in an increase of the contributors' resources amounting to EUR 8.8 million (31 December 2017: EUR 16.6 million). A 10 percent appreciation of the EUR versus all non EUR currencies would result in a decrease of the contributors' resources amounting to EUR 7.2 million (31 December 2017: EUR 13.6 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2018 and 31 December 2017:

	31 December 2018	31 December 2017
Non-EU currencies		
Botswana Pula (BWP)	12.2038	11.7512
Dominican Republic Pesos (DOP)	57.4037	57.1465
Fiji Dollars (FJD)	2.4104	2.4186
Haitian Gourde (HTG)	86.92	75.69
Jamaican Dollar (JMD)	144.081	148.7032
Kenya Shillings (KES)	116.24	123.7
Mauritania Ouguiyas (MRO)*	-	422.36
Mauritania Ouguiyas (MRU)*	41.166	-
Mauritius Rupees (MUR)	39.05	40.07
Mozambican Metical (MZN)	70.14	70.09
Nigerian Naira (NGN)	351.05	367.44
Rwanda Francs (RWF)	1020.1	1003.37
Tanzania Shillings (TZS)	2624.33	2681.78
Uganda Shillings (UGX)	4239	4357
United States Dollars (USD)	1.145	1.1993
Franc CFA Francs (XAF/XOF)	655.957	655.957
South Africa Rand (ZAR)	16.4594	14.8054
Zambia Kvacha (ZMW)	13.6077	11.965

(*) The MRU was introduced as at 1 January 2018, replacing the old MRO at a rate of 1 MRU = 10 MRO

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 equity instruments 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 56.7 million respectively EUR -56.7 million as at 31 December 2018 (EUR 49.8 million respectively EUR -49.8 million as at 31 December 2017).

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 2018	Carrying amount						Fair value			
In EUR'000	**Held for trading**	**Shares and other variable yield securities**	**Cash, loans and advances**	**Treasury financial assets**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets mandatorily measured at FVTPL										
Derivative financial instruments	9,873	-	-	-	-	9,873	-	9,873	-	9,873
Venture Capital Fund	-	467,152	-	-	-	467,152	-	-	467,152	467,152
Direct Equity Investment	-	100,140	-	-	-	100,140	16,675	-	83,465	100,140
Loans and advances	-	-	720	-	-	720	-	720	-	720
Total	**9,873**	**567,292**	**720**	**-**	**-**	**577,885**	**16,675**	**10,593**	**550,617**	**577,885**
Financial assets at AC										
Cash and cash equivalents	-	-	573,708	-	-	573,708	-	-	-	-
Loans and advances	-	-	1,540,271	-	-	1,540,271	-	1,760,576	-	1,760,576
Amounts receivable from contributors	-	-	100,000	-	-	100,000	-	-	-	-
Treasury financial assets	-	-	-	335,140	-	335,140	191,475	145,061	-	336,536
Other assets	-	-	171	-	-	171	-	-	-	-
Total	**-**	**-**	**2,214,150**	**335,140**	**-**	**2,549,290**	**191,475**	**1,905,637**	**-**	**2,097,112**
Total financial assets	**9,873**	**567,292**	**2,214,870**	**335,140**	**-**	**3,127,175**				
Financial liabilities mandatorily measured at FVTPL										
Derivative financial instruments	-8,493	-	-	-	-	-8,493	-	-8,493	-	-8,493
Total	**-8,493**	**-**	**-**	**-**	**-**	**-8,493**	**-**	**-8,493**	**-**	**-8,493**
Financial liabilities at AC:										
Provisions for guarantees issued	-	-	-	-	-793	-793				
Provisions for loan commitments	-	-	-	-	-23,822	-23,822				
Amounts owed to third parties	-	-	-	-	-143,813	-143,813				
Other liabilities	-	-	-	-	-2,493	-2,493				
Total	**-**	**-**	**-**	**-**	**-170,921**	**-170,921**				
Total financial liabilities	**-8,493**	**-**	**-**	**-**	**-170,921**	**-179,414**				

4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

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**
In EUR'000										
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	-	-	-	-
Amounts receivable from contributors	-	-	150,000	-	-	150,000	-	1,852,507	-	1,852,507
Bonds	-	-	-	144,382	-	144,382	-	-	-	-
Other assets	-	-	4,385	-	-	4,385	144,382	-	-	144,382
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**				

4.2 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 advances	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 advances.	Not applicable.	Not applicable.
Treasury 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 2018 and 2017, namely:

- Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -37.4k as at 31 December 2018 and to EUR -38k as at 31 December 2017.
- Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +15.1k as at 31 December 2018 and EUR +29.5k as at 31 December 2017.

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 2018 and 2017 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 2018 and 31 December 2017:

In EUR'000	Shares and other variable yield securities
Balance at 1 January 2018	**473,081**
Gains or losses included in profit or loss:	
- net realised gains on shares and other variable yield securities	-10,622
- net fair value change on shares and other variable yield securities	-13,411
Total	**-24,033**
Disbursements	95,434
Repayments	-11,165
Write offs	17,300
Balance at 31 December 2018	**550,617**

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 2018 and 2017 the Facility did not make transfers out or to Level 3 of the fair value hierarchy.

5 Cash and cash equivalents

The cash and cash equivalents are composed of:

In EUR'000	31.12.2018	31.12.2017
Cash in hand	51,936	166,445
Term deposits	521,882	367,653
Commercial papers	-	15,003
Cash and cash equivalents in the statement of financial position	**573,818**	**549,101**
Accrued interest	-110	68
Cash and cash equivalents in the cash flow statement	**573,708**	**549,169**

6 Derivative financial instruments

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

At 31 December 2018	Fair Value		Notional amount
In EUR'000	Assets	Liabilities	
Cross currency interest rate swaps	340	-665	5,245
Interest rate swaps	654	-	28,470
FX swaps	8,879	-7,828	1,460,608
Total derivative financial instruments	**9,873**	**-8,493**	**1,494,323**

At 31 December 2017	Fair Value		Notional amount
In EUR'000	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**

7 Loans and advances

7.1 Loans and advances

The following table show reconciliation from the opening to the closing balance of the loans and advances with new ECL IFRS 9 impairment model. Comparative impairment amounts for 2017 represent allowance account for credit losses and reflect measurement under IAS 39.

In EUR'000	Global loans(*)	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2018	**1,003,294**	**687,499**	**62,546**	**-**	**1,753,339**
Disbursements	203,352	52,274	-	3,588	259,214
Write offs	-	-	-	-	-
Repayments	-192,355	-157,952	-4,548	-	-354,855
Interest capitalised	-	-	-	-	-
Foreign exchange rates differences	37,026	11,503	2,719	-	51,248
Nominal of loans at AC as at 31 December 2018	**1,051,317**	**593,324**	**60,717**	**3,588**	**1,708,946**
Impairment – loss allowance as at 1 January 2018	**-35,082**	**-57,911**	**-62,546**	**-**	**-155,539**
Net changes of the 12 month ECL	-1,853	288	-	-	-1,565
Net changes of lifetime ECL not credit-impaired	4,696	870	-2,146	-	3,420
Lifetime ECL credit-impaired	-71,204	-	-	-1,794	-72,998
Reversal of lifetime ECL credit-impaired	2,214	8,480	37,678	-	48,372
Write offs	-	-	-	-	-
Foreign exchange rates differences	-2,639	-1,336	-2,346	-	-6,321
Impairment – loss allowance as at 31 December 2018	**-103,868**	**-49,609**	**-29,360**	**-1,794**	**-184,631**
Loans and advances AC as at 31 December 2018	**947,449**	**543,715**	**31,357**	**1,794**	**1,524,315**
Nominal of loans at FVTPL as at 1 January 2018	**1,800**	**-**	**-**	**-**	**1,800**
Disbursements	-	-	-	-	-
Repayments	-	-	-	-	-
Write offs	-	-	-	-	-
Foreign exchange rates differences	-	-	-	-	-
Nominal of loans at FVTPL as at 31 December 2018	**1,800**	**-**	**-**	**-**	**1,800**
Fair value adjustment as at 1 January 2018	**-378**	**-**	**-**	**-**	**-378**
Net FV change	-702	-	-	-	-702
Foreign exchange rates differences	-	-	-	-	-
Fair value adjustment as at 31 December 2018	**-1,080**	**-**	**-**	**-**	**-1,080**
Loans and advances at FVTPL as at 31 December 2018	**720**	**-**	**-**	**-**	**720**
Amortised Cost	-3,550	-3,109	11	-	-6,648
Interest	12,330	9,243	1,031	-	22,604
Loans and advances as at 31 December 2018	**956,949**	**549,849**	**32,399**	**1,794**	**1,540,991**

7 Loans and advances (continued)

7.1 Loans and advances (continued)

In EUR'000	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
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**

(*) including agency agreements

7.2 Impairment on loans and advances – Loss allowances

	2018				
In EUR'000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Loans and advances at AC					
Balance at 1 January 2018	19,738	29,975	105,826	-	155,539
Transfer to 12-month ECL	2,285	-	-	-	2,285
Transfer to lifetime ECL not credit-impaired	-	-2,633	-	-	-2,633
Transfer to lifetime ECL credit-impaired	-	-	27,646	1,794	29,440
Financial assets that have been derecognised	-	-	-	-	-
Write-offs	-	-	-	-	-
Balance at 31 December 2018	**22,023**	**27,342**	**133,472**	**1,794**	**184,631**

8 Shares and other variable yield securities

The following table show reconciliation from the opening to the closing balance of the Equity investments with new measurement policy under IFRS 9. Comparative amounts for 2017 represent measurement under IAS 39 when equity instruments were classified under available-for-sale portfolio:

In EUR'000	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2018	**356,086**	**70,310**	**426,396**
Disbursements	73,250	22,184	95,434
Repayments / sales	-21,681	-635	-22,316
Foreign exchange rates differences on repayments / sales	13,938	1,355	15,293
Cost as at 31 December 2018	**421,593**	**93,214**	**514,807**
Unrealised gains and losses as at 1 January 2018	**64,018**	**7,125**	**71,143**
Net change in unrealised gains and losses	-20,493	-172	-20,665
Foreign exchange rates differences on unrealised gains and losses	2,034	-27	2,007
Unrealised gains and losses as at 31 December 2018	**45,559**	**6,926**	**52,485**
Shares and other variable yield securities as at 31 December 2018	**467,152**	**100,140**	**567,292**

In EUR'000	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	-38,990	-708	-39,698
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	**356,086**	**70,310**	**426,396**
Unrealised gains and losses as at 1 January 2017	**129,427**	**13,457**	**142,884**
Net change in unrealised gains and losses	-20,930	-1,008	-21,938
Unrealised gains and losses as at 31 December 2017	**108,497**	**12,449**	**120,946**
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**

9 Amounts receivable from contributors (in EUR'000)

The amounts of EUR 100,000 receivable from contributors are entirely composed of Member States contribution called but not paid.

10 Treasury financial assets

The treasury 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 treasury portfolio:

In EUR'000	
Balance as at 1 January 2018	**144,382**
Acquisitions	2,219,062
Maturities	-2,026,659
Change in amortisation of premium/discount	149
Change in accrued interest	-1,794
Balance as at 31 December 2018	**335,140**

In EUR'000	
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**

11 Other assets

The main components of other assets are as follows:

In EUR'000	**31.12.2018**	**31.12.2017**
Amount receivable from EIB	-	4,117
Financial guarantees	171	268
Total other assets	**171**	**4,385**

12 Deferred income

The main components of deferred income are as follows:

In EUR'000	**31.12.2018**	**31.12.2017**
Deferred interest subsidies	32,658	24,895
Deferred commissions on loans and advances	1,106	907
Total deferred income	**33,764**	**25,802**

13 Provisions for guarantees issued

The following tables show reconciliation from the opening to the closing balance of the provision for financial guarantees under new ECL IFRS 9 model. Comparative amounts for 2017 represent the provision for guarantees issued that has been recognized under IAS 39 as there is objective evidence that the Facility will have to incur a loss in respect of guarantees granted.

	2018			
In EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance at 1 January	-	484	-	484
Transfer to 12-month ECL	94	-	-	94
Transfer to lifetime ECL not credit-impaired	-	391	-	391
Transfer to lifetime ECL credit-impaired	-	-	-	-
Guarantees that have been derecognised	-	-	-	-
Guarantee calls	-	-	-	-
Amortisation of upfront fees	-	-128	-	-128
Foreign exchange rates differences	-	-48	-	-48
Balance at 31 December	**94**	**699**	**-**	**793**

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

14 Provisions for loan commitments

The following table shows reconciliation from the opening to the closing balance of the loss allowance for undisbursed loans (loan commitments) under new ECL IFRS 9 model. Comparative amounts for 2017 represent allowance account for credit losses and reflect measurement under IAS 39.

	2018			
In EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans commitments				
Balance at 1 January	1,993	2,163	-	4,156
Transfer to 12-month ECL	5,192	-	-	5,192
Transfer to lifetime ECL not credit-impaired	-	14,420	-	14,420
Transfer to lifetime ECL credit-impaired	-	-	-	-
Foreign exchange rates differences	40	14	-	54
Balance at 31 December	**7,225**	**16,597**	**-**	**23,822**

15 Amounts owed to third parties

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

In EUR'000	31.12.2018	31.12.2017
Net general administrative expenses payable to EIB	47,799	45,105
Other amounts payable to EIB	54	580
Interest subsidies and TA not yet disbursed owed to Member States	95,960	111,600
Total amounts owed to third parties	**143,813**	**157,285**

16 Other liabilities

The main components of other liabilities are as follows:

In EUR'000	31.12.2018	31.12.2017
Loan repayments received in advance	2,124	1,986
Deferred income from interest subsidies	369	436
Financial guarantees	-	40
Total other liabilities	**2,493**	**2,462**

17 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	69,935	8,869	78,804	2,410
Belgium	103,226	13,046	116,272	3,530
Bulgaria	896	294	1,190	140
Cyprus	576	189	765	90
Czech Republic	3,264	1,071	4,335	510
Denmark	56,820	7,275	64,095	2,000
Estonia	320	105	425	50
Finland	39,852	5,214	45,066	1,470
France	624,971	75,972	700,943	19,550
Germany	611,715	76,616	688,331	20,500
Greece	35,121	4,883	40,004	1,470
Hungary	3,520	1,155	4,675	550
Ireland	18,577	2,802	21,379	910
Italy	340,252	45,025	385,277	12,860
Latvia	448	147	595	70
Lithuania	768	252	1,020	120
Luxembourg	7,693	984	8,677	270
Malta	192	63	255	30
Netherlands	138,415	17,685	156,100	4,850
Poland	8,320	2,730	11,050	1,300
Portugal	27,313	3,809	31,122	1,150
Romania	2,368	777	3,145	370
Slovakia	1,344	441	1,785	210
Slovenia	1,152	378	1,530	180
Spain	170,369	24,876	195,245	7,850
Sweden	73,692	9,677	83,369	2,740
United Kingdom	355,881	49,356	405,237	14,820
Total as at 31 December 2018	**2,697,000**	**353,691**	**3,050,691**	**100,000**
Total as at 31 December 2017	**2,517,000**	**333,691**	**2,850,691**	**150,000**

On 12 November 2018, the Council fixed the amount of financial contributions to be paid by each Member State by 21 January 2019. As at 31 December 2018 EUR 100,000 were not paid in.

18 Contingent liabilities and commitments

In EUR'000	31.12.2018	31.12.2017
Commitments		
Un-disbursed loans	1,283,931	869,983
Un-disbursed commitment in respect of shares and other variable yield securities	347,167	321,695
Issued guarantees	2,800	7,682
Interest subsidies and technical assistance	457,328	382,576
Contingent liabilities		
Signed non-issued guarantees	1,553,668	74,569
Total contingent liabilities and commitments	**3,644,894**	**1,656,505**

19 Interest and similar income and expenses

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

In EUR'000	From 01.01.2018 to 31.12.2018	From 01.01.2017 to 31.12.2017
Loans and advances	92,506	97,440
Interest subsidies	4,224	3,966
Total interest and similar income	**96,730**	**101,406**

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

In EUR'000	From 01.01.2018 to 31.12.2018	From 01.01.2017 to 31.12.2017
Derivative financial instruments	-563	-980
Cash and cash equivalents	-654	-1,037
Treasury financial assets	-1,322	-654
Total interest and similar expense	**-2,539**	**-2,671**

20 Fee and commission income and expenses

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

In EUR'000	From 01.01.2018 to 31.12.2018	From 01.01.2017 to 31.12.2017
Fee and commission on loans and advances	107	-
Fee and commission on financial guarantees	170	209
Other	7	1
Total fee and commission income	**284**	**210**

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

In EUR'000	From 01.01.2018 to 31.12.2018	From 01.01.2017 to 31.12.2017
Commission paid to third parties with regard to shares and other variable yield securities	-106	-60
Total fee and commission expenses	**-106**	**-60**

21 Net result on shares and other variable yield securities

The main components of net realised gains on shares and other variable yield securities are as follows:

In EUR'000	From 01.01.2018 to 31.12.2018	From 01.01.2017 to 31.12.2017
Net proceeds from shares and other variable yield securities	3,166	1,030
Dividend income	7,320	1,681
Net fair value change	-20,665	-
Net result on shares and other variable yield securities	**-10,179**	**2,711**

22 General administrative expenses

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.

In EUR'000	From 01.01.2018 to 31.12.2018	From 01.01.2017 to 31.12.2017
Actual cost incurred by the EIB	-50,021	-48,285
Income from appraisal fees directly charged to clients of the Facility	2,222	3,180
Total general administrative expenses	**-47,799**	**-45,105**

23 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 31.12.2018	Carrying amount at 31.12.2017	Maximum exposure to loss at 31.12.2018	Maximum exposure to loss at 31.12.2017
Venture capital funds	Shares and other variable yield securities	467,152	420,104	797,775	737,661
Total		**467,152**	**420,104**	**797,775**	**737,661**

24 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 31.12.2018	Carrying amount at 31.12.2017	Undisbursed amount at 31.12.2018	Undisbursed amount at 31.12.2017
Social impact equity funds	Shares and other variable yield securities	19,134	7,839	53,672	51,720
Loans to financial intermediaries	Loans and advances	36,277	30,804	139,329	44,017
Risk sharing facilitating instruments	Issued guarantees	-786	-296	43,668	64,569
Direct financing – equity participations	Shares and other variable yield securities	53,183	42,981	1,014	4,014
Total		**107,808**	**81,328**	**237,683**	**164,320**

25 Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2018 financial statements.