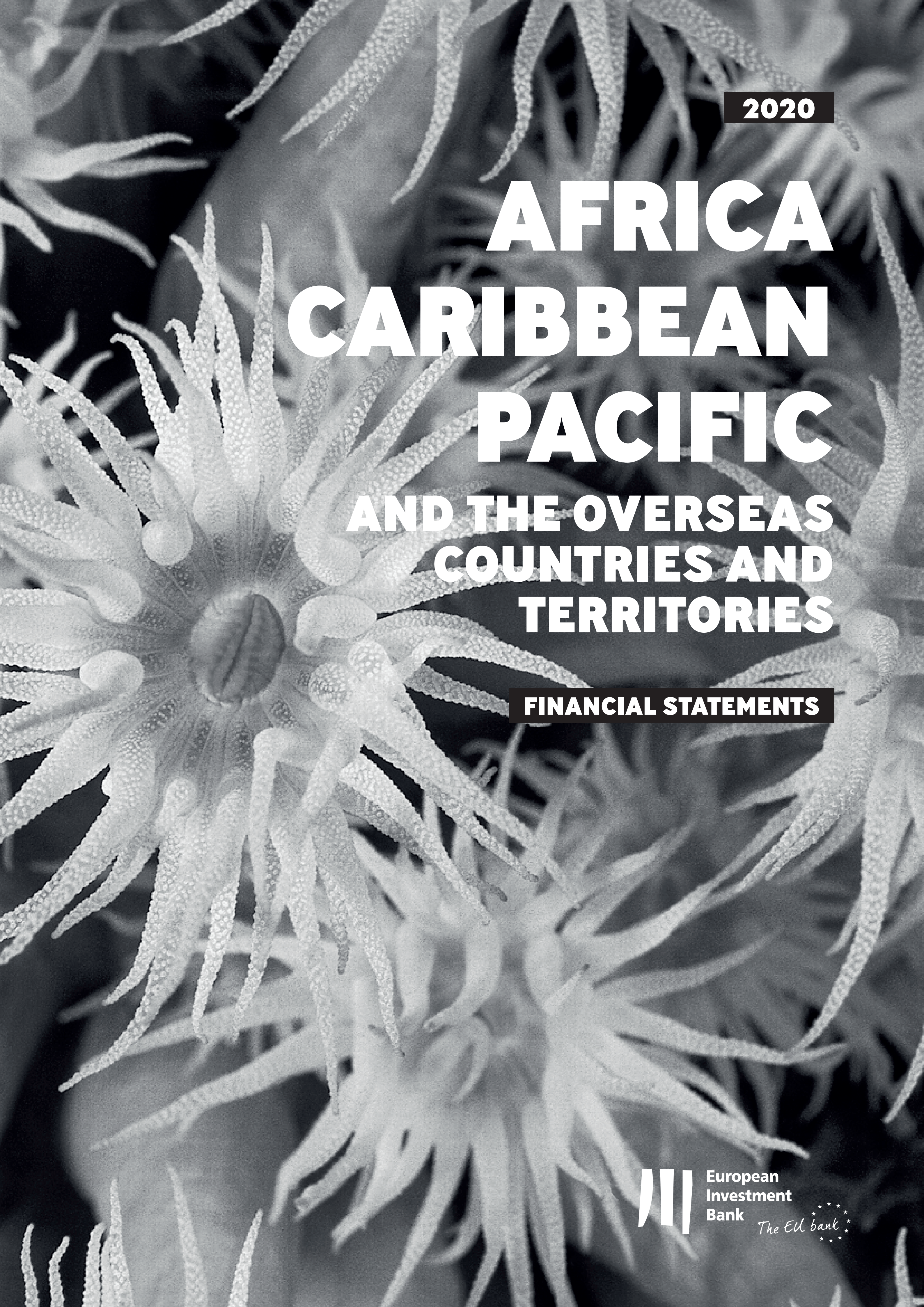

2020

AFRICA CARIBBEAN PACIFIC

AND THE OVERSEAS COUNTRIES AND TERRITORIES

FINANCIAL STATEMENTS

European Investment Bank
The EU bank

EUROPEAN INVESTMENT BANK

2020

AFRICA CARIBBEAN PACIFIC

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FINANCIAL STATEMENTS

European Investment Bank

The EU bank

Financial Statements 2020 on European Investment Bank Activity in Africa, the Caribbean, the Pacific, and the Overseas Countries and Territories

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INVESTMENT FACILITY

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

(in EUR'000)

	Notes	31.12.2020	31.12.2019
ASSETS			
Cash and cash equivalents	5	923,940	837,777
Amounts receivable from contributors	9/17	68,908	86,330
Treasury financial assets	10	351,873	330,587
Derivative financial instruments	6	33,584	14,184
Loans and advances	7	1,673,445	1,518,675
Shares and other variable yield securities	8	526,810	619,928
Other assets	11	109	-
Total assets		**3,578,669**	**3,407,481**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	6	642	191
Deferred income	12	29,732	32,566
Provisions for guarantees issued	13	851	628
Provisions for loan commitments	14	33,152	37,269
Amounts owed to third parties	15	152,378	147,438
Other liabilities	16	3,446	2,353
Total liabilities		**220,201**	**220,445**
CONTRIBUTORS' RESOURCES			
Facility Member States Contribution called	17	3,221,695	2,967,000
Retained earnings		136,773	220,036
Total contributors' resources		**3,358,468**	**3,187,036**
Total liabilities and contributors' resources		**3,578,669**	**3,407,481**

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

INVESTMENT FACILITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

(in EUR'000)

	Notes	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Interest and similar income*	19	84,783	93,923
Interest and similar expenses	19	-5,250	-2,948
Net interest and similar income		**79,533**	**90,975**
Fee and commission income	20	353	4,438
Fee and commission expenses	20	-225	-721
Net fee and commission income		**128**	**3,717**
Fair value change of derivative financial instruments		18,949	12,611
Net result on shares and other variable yield securities	21	-46,717	9,904
Net result on loans and advances measured at FVTPL	7	-29,621	-8,331
Sale of loans and proceeds from recovery actions		2,362	2,064
Net foreign exchange result		-48,545	-61,998
Net result on financial operations		**-103,572**	**-45,750**
Change in impairment on loans and advances, net of reversals	7	-4,312	17,243
Change in provisions for guarantees, net of reversals	13	-228	107
Change in provisions for loan commitments, net of reversals	14	3,715	-13,244
General administrative expenses	22	-58,527	-50,009
(Loss) / profit for the year		**-83,263**	**3,039**
Other comprehensive income		-	-
Total comprehensive income (loss) / profit for the year		**-83,263**	**3,039**

* For the year ended 31 December 2020, interest and similar income included EUR 77.9 million (2019: EUR 93.9 million) calculated on assets held at amortised cost based on effective interest method.

INVESTMENT FACILITY

STATEMENT OF CHANGES IN CONTRIBUTORS' RESOURCES
FOR THE YEAR ENDED 31 DECEMBER 2020

(in EUR'000)

		Contribution called	Retained earnings	Total
At 1 January 2020	**Notes**	**2,967,000**	**220,036**	**3,187,036**
Member States contribution called during the year	17	209,614	-	209,614
Reallocation of 9th EDF Contribution to interest subsidies and technical assistance to Contributor's resources	17	45,081	-	45,081
(Loss) for the year 2020		-	-83,263	-83,263
Changes in contributors' resources		**254,695**	**-83,263**	**171,432**
At 31 December 2020		**3,221,695**	**136,773**	**3,358,468**

		Contribution called	Retained earnings	Total
At 1 January 2019		**2,697,000**	**216,997**	**2,913,997**
Member States contribution called during the year	17	270,000	-	270,000
Profit for the year 2019		-	3,039	3,039
Changes in contributors' resources		**270,000**	**3,039**	**273,039**
At 31 December 2019		**2,967,000**	**220,036**	**3,187,036**

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

INVESTMENT FACILITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(in EUR'000)

	Notes	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
OPERATING ACTIVITIES			
(Loss) / Profit for the year		-83,263	3,039
Adjustments made for			
Net result in fair value on shares and other variable yield securities	8	47,909	-8,629
Change in impairment on loans and advances, net of reversals	7	4,312	-17,243
Net result on loans and advances measured at FVTPL		29,621	8,331
Change in accrued interest and amortised cost on loans and advances	7	-5,202	-5,087
Net change in provisions for guarantees issued, net of reversals	13	228	-107
Net change in provisions for loan commitments, net of reversals		-4,117	13,447
Fair value changes on derivatives		-18,949	-12,611
Change in accrued interest and amortised cost on treasury financial assets	10	1,067	331
Change in deferred income		-2,834	-1,198
Effect of exchange rate changes on loans	7	90,878	-17,752
Effect of exchange rate changes on shares and other variable yield securities	8	33,616	-6,812
Effect of exchange rate changes on cash held		9,233	2,369
Profit / (Loss) on operating activities before changes in operating assets and liabilities		**102,499**	**-41,922**
Loan disbursements	7	-560,291	-311,185
Repayments of loans	7	276,101	355,078
Sale of loans and proceeds from recovery actions		2,362	2,194
Change in accrued interest on cash and cash equivalents	5	66	-93
(Increase) in treasury financial assets	10	-2,710,009	-2,948,021
Maturities of treasury financial assets	10	2,689,790	2,952,905
Decrease in shares and other variable yield securities	8	-85,305	-106,943
Net proceeds from shares and other variable yield securities		85,477	71,024
Increase / (Decrease) in other assets		109	-171
(Increase) / Decrease in other liabilities		-1,093	140
Increase in amounts payable to the European Investment Bank		8,543	2,187
Net cash flows used in operating activities		**-191,751**	**-24,807**
FINANCING ACTIVITIES			
Contribution received from Member States		227,035	284,820
Amounts received from Member States with regard to interest subsidies and technical assistance		60,387	30,000
Amounts paid on behalf of Member States with regard to interest subsidies and technical assistance		-18,807	-28,220
Net cash flows from financing activities		**268,615**	**286,600**
Net increase in cash and cash equivalents		**76,864**	**261,793**
Summary statement of cash flows:			
Cash and cash equivalents at the beginning of financial year		**837,980**	**573,818**
Net cash flows (used in) / from :			
Operating activities		-191,751	-24,937
Financing activities		268,615	286,730
Effects of exchange rate changes on cash and cash equivalents		9,233	2,369
Cash and cash equivalents at the end of financial year		**924,077**	**837,980**
Cash and cash equivalents are composed of:			
Cash in hand	5	398,991	72,166
Term deposits (excluding accrued interest)	5	380,000	622,991
Commercial papers	5	145,086	142,823
		924,077	**837,980**

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

Notes to the financial statements as at 31 December 2020

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 States 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 States 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 EU and ACP sides have agreed transitional arrangements that would allow the EIB to carry on signing operations in ACP region until the end of November 2021, or until the entry into force of a new ACP-EU Agreement, or the provisional application between the Union and the ACP States of the new Agreement, whichever comes first (Decision No 2/2020 of the ACP-EU Committee of Ambassadors of 4 December 2020 to amend Decision No 3/2019 of the ACP-EU Committee of Ambassadors to adopt transitional measures pursuant to Article 95(4) of the ACP-EU Partnership Agreement - OJ L 420, 14.12.2020, p. 32).

Agreement was reached on 15 December 2020 on the Neighbourhood, Development and International Cooperation Instrument ("NDICI"), covering external action of the EU for the period 2021-2027. This includes the integration of the current extra-budgetary EDF into the EU budget. The NDICI Regulation will provide the legal basis for the Commission to entrust future EU mandates to the EIB for its activity outside the EU. It will also provide the external investment framework for the Union to cooperate with partner institutions through grants or guarantees from the EU budget. The NDICI legal text is expected to be formally adopted in the spring of 2021.

On 23 December 2020, the Council decided to extend the current ACP Investment Facility commitment period by at least six months. Going forward, reflows from the ACP IF shall be deployed within the NDICI framework through a combination of a dedicated ACP private sector window under the European Fund for Sustainable Development (EFSD+) and a Trust Fund, both to be implemented by the EIB.

Following, the extension of the Investment Facility commitment period, the Bank will continue approving operations in line with its Mandate until 30 June 2021, or until the entry into force of a regulation establishing the external financing instrument, whichever is the later, and in any case no later than 30 November 2021 (Council Decision 2020/2233 of 23 December 2020 concerning the commitment of the funds stemming from reflows under the ACP Investment Facility from operations under the 9th, 10th and 11th European Development Funds - L 437/188, 28.12.2020).

The financial statements have been prepared on a going concern basis, which assumes that the Investment Facility will be able to meet all monies payables under any operations. The duration of the Investment Facility is not determined. The 11th EDF Internal Agreement remains in force (pursuant to Article 14(3) thereof) so long as is necessary for all the operations financed under the ACP-EU Partnership Agreement, the Overseas Association Decision and the multi-annual financial framework to be fully executed.

The present financial statements cover the period from 1 January 2020 to 31 December 2020.

On a proposal from the EIB Management Committee and the EIB Board of Directors adopted the Financial Statements on 11 March 2021, and authorised their submission to the EIB Board of Governors for approval by 23 April 2021.

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 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 ("FA") and financial liabilities ("FL") 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, which can result in significant changes to the timing and amount of allowance for credit loss to be recognized (Note 2.4.2). Relevant assumptions on the effects on impairment resulting from COVID–19 are detailed under Note 2.4.2 and Note 3.2.3.7.

- **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.

- **Consolidation of entities in which the Facility holds interest**

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

2.3 Changes in accounting policies

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

Standards adopted

The following interpretations as well as the amendments to and revision of existing standards became effective for the Facility`s financial statements as of 1 January 2020:

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which provide temporary reliefs that would enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (a RFR).

The amendments to IFRS 9 include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable;
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss;
- The assessment of the economic relationship between the hedged item and the hedging instrument.

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based are not altered as a result of IBOR reform.

The fourth relief provides that a non-contractually specified risk component only needs to be separately identifiable need at initial hedge designation and not on ongoing basis.

Application of the reliefs is mandatory and the reliefs continue indefinitely in the absence of any of the events described in the amendments. The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

The adoption of the amendments had no material impacts on the Facility’s financial statements.

Definition of Material - Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors'.

The amendments clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards themselves. The amended definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments did not have a significant impact on the Facility’s financial statements.

Amendments to References to Conceptual Framework in IFRS Standards

The revised Conceptual Framework for Financial Reporting is not a standard, and none of the concepts override those in any standard or any requirements in a standard, but mainly has the purpose to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The Facility adopted the revised Conceptual Framework from 1 January 2020. The revised Conceptual Framework did not have a significant impact on the Facility’s financial statements.

Standards issued but not yet adopted

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments are effective for annual periods beginning on or after 1 January 2021. The Facility did not adopt these amendments early and a cross services IBOR working group is in place to assess the impact and manage its transition.

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.

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

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, loans and debt securities including bonds, notes or certificates issued by structured entities, government or corporates.

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.

The business model for the Impact Financing Envelope direct loan operations has been described and disclosed in Note 24.

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.

Derecognition

The Facility derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the rights to receive the contractual cash flow are transferred in a transaction in which either the Facility transfers the risks and rewards of ownership of the financial asset or it retains substantially all of the risks and rewards of ownership but 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.

Modification

A financial asset measured at amortised cost is considered modified when its contractual cash flows are renegotiated or otherwise modified. Renegotiation or modification may or may not lead to derecognition of the old and recognition of the new financial instrument.

A substantial contractual modification on the cash flows of a financial asset measured at amortised cost which results in the derecognition of the financial asset, leads to the recognition of the new financial asset at its fair value, and the recording of the modification gain or loss impact in the consolidated income statement under “Result on financial operations”.

A contractual modification is deemed substantial if the discounted present value of the cash flows under the revised terms (discounted using the original effective interest rate) is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset. Qualitative factors such as a change in the currency on which the financial asset is denominated and conversion features are also considered.

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 Bank 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 Bank uses its 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

IFRS 9 is based on a forward-looking expected credit loss (“ECL”) model. The EIB has established a framework to calculate “expected credit loss” conditional on the state of the macro-economy. It involves the construction of point-in-time (“PIT””) credit risk parameters (Probability of default – “PD” and Loss given default – “ LGD”) based on a systematic factor (credit cycle) that is driven by the macro-economy and projected via macroeconomic forecasts or scenarios. The final ECL is a probability weighted average of the respective macro-economic scenario ECLs. This forward-looking impairment model is applied to financial assets measured at AC, to financial guarantee contracts, as well as to off-balance sheet commitments.

Under IFRS 9, loss allowances are 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 ECL’s: 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 which are, from the moment of initial recognition, deemed to be classified as 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 Bank’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 (“FMGPs”), notably covering early warning triggers, Watch List (“WL”), internal rating and arrears.

In line with guidance issued by standard setters and market practises, the EIB considers that the application of COVID-19 short-term forbearance measures to performing counterparties, aimed at addressing the adverse systemic economic impact of the COVID-19 pandemic, should not be considered by themselves as an automatic trigger to conclude that SICR has occurred. As disclosed under Note 3.2.3.8, the EIB applies expert judgement when assessing the credit risk of such counterparties.

The EIB considers that the COVID-19 pandemic effect is reflected within the existing forward-looking ECL model which is deemed sufficiently robust to factor in such extreme events. Notably, the respective impacts have been directly captured through the macroeconomic projections and the PD terms structures.

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 Bank determines whether or not there is objective evidence of a non-performing exposure. 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:

- Credit rating and PIT Probability of default ("PD"),
- PIT Loss Given default ("LGD"),
- Exposure at default ("EAD").

The credit rating of a counterpart is determined at a certain date, using score-sheet models tailored to the various categories of counterparties and exposures.

Each credit rating maps to a specific PD that 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. Hence, ratings are primary input into the determination of the PIT 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 and given specific macro-economic scenarios.

The LGD 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. LGD 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 PIT and 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.

For the measurement of ECL, the EIB has developed a conditional modelling approach for calculating PD term structures involving:

- the definition of an economically reasonable link function between the credit cycle and macroeconomic variables, and
- a set of three macro-economic scenarios (one baseline and two scenarios reflecting downturn and upturn in the economy) with multi-year potential realisation for the GDP and their associated likelihoods.

To generate macroeconomic scenarios, the EIB uses a macro semi-structural multi-country and multi-equation model of the global economy with country specific blocks. The central / baseline scenario is designed to be consistent with the most recent European Commission forecasts. The positive and negative scenarios are designed around the central scenario by the deployment of the multi-country/multi-equation model. The scenarios are derived shocking GDP, which is the key measure of economic activity. The shocks to real GDP are calibrated to replicate the past volatility of the variable. Also expert judgment is applied, when appropriate, to refine the size and persistency of GDP shocks. As a result, shocks are determined together with a decay function to determine the impact of the shocks over time. Probabilities attached to each scenario are defined reflecting market (volatility) indicators and internally developed indicators/trackers deployed in a consistent manner over time to capture uncertainty.

The EAD represents the expected exposure in the event of a default and is based on the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn.

In 2020, and in line with its ongoing model review and maintenance, the EIB has updated its PIT, PD and LGD models used to calculate the estimates of ECL. The nature of the update relates mostly to a change in data input sources, more specifically, credit and macroeconomic data used for credit cycle modelling to support the calculation of PIT ECL (lifetime and 12M). The credit cycle is now constructed from an external rating agency's downgrade and default rates data and projected via annual growth rates of real GDP and spread between long and short-term interest rates, namely interest rate term premium, while the previous model version extracted the credit cycle from PIT PD measures provided by external data provider and included one single macroeconomic variable only, namely quarterly growth rates of real GDP.

The model update brings several upgrades, namely, the new credit cycle definition which comes with increased discrimination power across industry and region segments, the link to the macro-economic variables is stronger and allows for the incorporation of a second external explanatory variable (term premium). The model upgrade impact is disclosed in Notes 7.2 and 14.

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 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

The loan and advances portfolio may consist of debt instruments such as loans and debt securities including bonds, notes or certificates issued by structured entities with the intention of holding them to maturity and to collect the contractual cash flows.

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.

Debt securities are recognised in the assets of the Facility when cash is advanced to the issuer and can take the form of a contractually linked or single tranche debt instrument. Undisbursed parts of debt securities are recorded in the off-balance at their nominal value. Debt securities are initially measured at cost, which is the fair value plus any directly attributable transaction cost, and are subsequently measured at AC using the effective interest rate method. The difference between entry price and redemption value is amortised in accordance with the effective interest method over the remaining life of the instrument.

The impairment policy on loans and advances is described under Note 2.4.2.

Loans and advances not fulfilling the SPPI criterion are mandatorily measured at FVTPL. The fair value measurement technique used is based on a discounted cash flow technique or liquidation value.

2.4.2.4 Shares and other variable yield securities

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).

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.

2.4.4 Financial liabilities other than derivatives

Classification and measurement

Financial liabilities

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

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 regarding 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.

Interest subsidies received for the Facility’s resources are deferred and recognised as an adjustment to the effective yield, being recorded under “Interest and similar income” in the income statement over the period from disbursement to repayment of the subsidised 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 (“TA”)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.

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 EIB adapts the IF`s risk management framework on an ongoing basis.

The Risk Management Directorate of the 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 Office.

At EIB level, the Group Chief Risk Officer ("GCRO") reports on Group Risks to the EIB Management Committee under the oversight of the MC member in charge of risk. The GCRO has direct access to the Risk Policy Committee and can write directly to and communicate with the EIB Board of Directors on any matter of his/her field of attribution.

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, the EIB assesses the credit risk and expected loss with a view to quantify and price the risk. The 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, Financial Institutions, etc.). Taking into consideration both, Best Banking Practice applicable to the EIB 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 PD following an in-depth analysis of the counterpart's business and financial risk profile and its country risk operating context. Expert adjustments are made when necessary under the consideration of the legal entities' parental or government support, and the final rating allows for overrides to reflect information (e.g. market pricing) not considered in the scoring sheet.

The credit assessment of project finance and other structured limited recourse operations uses 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. Finally, Non-EU sovereigns are rated by the Economics Department based on a statistical model.

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)	31.12.2020	31.12.2019
ASSETS		
Cash and cash equivalents	923,940	837,777
Amounts receivable from contributors	68,908	86,330
Treasury financial assets	351,873	330,587
Derivative financial instruments	33,584	14,184
Loans and advances	1,673,445	1,518,675
Other assets	109	-
Total	**3,051,859**	**2,787,553**
Provisions for loan commitments	**-33,152**	**-37,269**
OFF BALANCE SHEET		
Contingent liabilities		
- Issued Guarantees	998,560	200,013
Commitments		
- Undisbursed loans	1,722,618	1,357,320
- Non-issued guarantees	554,686	1,359,818
Total off balance sheet	**3,275,864**	**2,917,151**
Total credit exposure	**6,294,571**	**5,667,435**

3.2.3 Credit risk on loans and advances

3.2.3.1 Credit risk measurement for loans and advances

Loans and advances 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 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 PD of the main obligors, the EAD 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 an indicator of credit risk variations for the purposes of prioritising monitoring efforts;
- as a description of the loan's portfolio quality at any given date;
- as a benchmark for calculating the annual additions to the General loan reserve; and
- as an input in risk-pricing decisions.

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 III Internal Ratings Based 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 LG.

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%.

"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 internal loan grading based 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 below the one at approval.

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 carrying amount) to credit risk on loans and advances signed (disbursed and undisbursed) nature of borrower taking into account guarantees provided by guarantors:

At 31.12.2020 In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total disbursed
Financial institutions	87,269	-	963,366	**1,050,635**	**64%**
Corporates	203,772	27,026	177,321	**408,119**	**24%**
Public institutions	21,866	-	1,057	**22,923**	**1%**
States	-	1,506	190,262	**191,768**	**11%**
Total disbursed	**312,907**	**28,532**	**1,332,006**	**1,673,445**	**100%**
Undisbursed	**196,692**	**-**	**1,492,774**	**1,689,466**	**-**
Total disbursed and undisbursed	**509,599**	**28,532**	**2,824,780**	**3,362,911**	**-**

At 31.12.2019 In EUR'000	Guaranteed	Other credit enhancements	Not guaranteed	Total	% of Total disbursed
Financial institutions	111,806	-	803,861	915,667	**60%**
Corporates	190,006	36,704	172,082	398,792	**26%**
Public institutions	26,908	-	1,686	28,594	**2%**
States	-	2,085	173,537	175,622	**12%**
Total disbursed	**328,720**	**38,789**	**1,151,166**	**1,518,675**	**100%**
Undisbursed	**191,191**	**-**	**1,128,860**	**1,320,051**	**-**
Total disbursed and undisbursed	**519,911**	**38,789**	**2,280,026**	**2,838,726**	**-**

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 2020 and 31 December 2019 by the Loan Grading applications, based on the exposure signed (disbursed and undisbursed):

At 31.12.2020 **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	Financial institutions	290,565	90,445	475,331	815,120	-	**1,671,461**	**50%**
	Corporates	118,990	46,861	14,433	512,142	313,762	**1,006,188**	**30%**
	Public institutions	-	21,866	-	-	1,057	**22,923**	**1%**
	States	-	4,865	3,926	653,548	-	**662,339**	**19%**
Total		**409,555**	**164,037**	**493,690**	**1,980,810**	**314,819**	**3,362,911**	**100%**

*Loan operations measured at FVTPL.

At 31.12.2019 **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	Financial institutions	234,072	219,467	335,841	817,894	-	**1,607,274**	**57%**
	Corporates	100,115	49,458	-	524,532	95,925	**770,030**	**27%**
	Public institutions	-	26,908	-	-	1,686	**28,594**	**1%**
	States	-	6,285	4,486	422,057	-	**432,828**	**15%**
Total		**334,187**	**302,118**	**340,327**	**1,764,483**	**97,611**	**2,838,726**	**100%**

*Loan operations measured at FVTPL.

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	31.12.2020	31.12.2019
Egypt	319,040	101,316
Nigeria	236,149	179,499
Kenya	195,917	230,837
Ethiopia	92,346	62,005
Mauritius	76,419	96,014
Barbados	75,037	75,342
Uganda	61,869	64,882
Tanzania	60,058	96,640
Rwanda	59,114	48,839
Congo (Democratic Republic)	56,527	66,754
Zambia	42,553	43,036
New Caledonia	41,224	43,980
Mauritania	38,131	49,139
Regional-ACP	37,497	14,674
Cameroon	36,749	32,238
Senegal	32,850	42,750
Dominican Republic	30,741	45,393
Jamaica	23,411	33,436
Ghana	21,249	31,635
Guinea	18,534	20,399
Malawi	17,349	21,800
Cape Verde	14,952	17,226
Angola	14,654	19,269
Mali	12,918	4,234
Mozambique	10,775	12,709
Togo	10,625	18,022
French Polynesia	8,783	12,556
Cayman Islands	8,027	12,203
Benin	3,932	59
Seychelles	3,359	4,201
Micronesia	3,073	648
Haiti	2,617	3,345
Niger	2,243	5,399
Samoa	1,898	3,036
Burkina Faso	1,267	1,861
Vanuatu	1,200	1,527
Palau	358	768
Botswana	-	1,004
Total	**1,673,445**	**1,518,675**

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 "Tertiary and other" (in EUR'000):

Industry sector of borrower	31.12.2020	31.12.2019
Tertiary and other	1,079,088	932,901
Electricity, coal and others	207,940	226,314
Urban development, renovation and transport	206,201	195,042
Chemicals, plastics and pharmaceuticals	89,495	51,865
Basic material and mining	34,292	44,746
Airports and air traffic management systems	21,866	26,908
Telecommunications	14,964	21,546
Investment goods, Consumer durables	11,531	4,186
Waste recuperation	6,063	6,812
Food chain	2,005	8,355
Total	**1,673,445**	**1,518,675**

3.2.3.5 Credit risk exposure for each internal risk rating

The EIB 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.

		2020					
in EUR'000	**Moody's equiv. grade**	**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	Aaa	-	73,545	-	-	-	**73,545**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	75,048	-	-	-	-	**75,048**
Internal Rating 3 - low credit risk	A1 - A3	2,087	-	-	-	-	**2,087**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	54,412	6,087	-	-	-	**60,499**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	392,787	19,761	-	-	-	**412,548**
Internal Rating 6 - high credit risk	B1 - B3	581,607	193,877	32,032	-	-	**807,516**
Internal Rating 7 - very high credit risk	below Caa1	70,495	177,919	1,493	-	-	**249,907**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	5,693	45,000	-	-	**50,693**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**92,436**	**92,436**
Loss allowance and FV adjustment		**-16,389**	**-43,976**	**-44,538**	**-**	**-45,931**	**-150,834**
Carrying amount of loans and advances		**1,160,047**	**432,906**	**33,987**	**-**	**46,505**	**1,673,445**
Loan commitments							
Internal Rating 1 - minimal credit risk	Aaa	-	-	-	-	-	**-**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	95,067	-	-	-	-	**95,067**
Internal Rating 3 - low credit risk	A1 - A3	87,000	-	-	-	-	**87,000**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	57,282	-	-	-	-	**57,282**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	152,264	-	-	-	-	**152,264**
Internal Rating 6 - high credit risk	B1 - B3	675,365	8,964	-	-	-	**684,329**
Internal Rating 7 - very high credit risk	below Caa1	72,500	110,331	-	-	-	**182,831**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	38,497	-	-	**38,497**
No internal rating*		129,669	27,365	-	-	-	**157,034**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**268,314**	**268,314**
Loss allowance and FV adjustment		**-6,817**	**-26,335**	**-**	**-**	**-**	**-33,152**
Carrying amount of loan commitments		**1,262,330**	**120,325**	**38,497**	**-**	**268,314**	**1,689,466**

* Agency agreements for which there are no underlying counterparts at reporting date

3.2.3.5 Credit risk exposure for each internal risk rating (continued)

		2019					
in EUR'000	**Moody's equiv. grade**	**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	Aaa	-	82,211	-	-	-	**82,211**
Internal Rating 2 - very low credit risk	Aa1 - Aa3	75,352	-	-	-	-	**75,352**
Internal Rating 3 - low credit risk	A1 - A3	5,399	-	-	-	-	**5,399**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	60,385	16,449	-	-	-	**76,834**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	192,201	6,199	-	-	-	**198,400**
Internal Rating 6 - high credit risk	B1 - B3	708,162	159,858	-	-	-	**868,020**
Internal Rating 7 - very high credit risk	below Caa1	79,411	145,176	-	-	-	**224,587**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	136,749	-	-	**136,749**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**37,366**	**37,366**
Loss allowance and FV adjustment		**-17,191**	**-38,509**	**-114,307**	**-**	**-16,236**	**-186,243**
Carrying amount of loans and advances		**1,103,719**	**371,384**	**22,442**	**-**	**21,130**	**1,518,675**
Loan commitments							
Internal Rating 2 - very low credit risk	Aa1 - Aa3	102,092	-	-	-	-	**102,092**
Internal Rating 3 - low credit risk	A1 - A3	12,000	-	-	-	-	**12,000**
Internal Rating 4 - moderate credit risk	Baa1 - Baa3	61,461	-	-	-	-	**61,461**
Internal Rating 5 - financially weak counterpart	Ba1 - Ba3	323,080	-	-	-	-	**323,080**
Internal Rating 6 - high credit risk	B1 - B3	405,773	126,076	-	-	-	**531,849**
Internal Rating 7 - very high credit risk	below Caa1	14,883	104,328	-	-	-	**119,211**
Internal Rating 8 - counterpart in default	below Caa1 but in default	-	-	51,377	-	-	**51,377**
No internal rating*		79,669	-	-	-	-	**79,669**
Loans and advances at FVTPL		**-**	**-**	**-**	**-**	**76,581**	**76,581**
Loss allowance and FV adjustment		**-3,943**	**-33,326**	**-**	**-**	**-**	**-37,269**
Carrying amount of loan commitments		**995,015**	**197,078**	**51,377**	**-**	**76,581**	**1,320,051**

* Agency agreements for which there are no underlying counterparts at reporting date

The EIB continually monitors events affecting its borrowers and guarantors, especially banks. In particular, the EIB 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 the Facility management is provided on the overall status.

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

	Loans and advances	**Loans and advances**
	31.12.2020	**31.12.2019**
Carrying amount	**1,673,445**	**1,518,675**
Lifetime ECL credit- impaired		
Gross amount	45,000	136,749
Impairment- loss allowance	-44,538	-114,307
Carrying amount of lifetime ECL credit-impaired	**462**	**22,442**
Past due but not credit- impaired		
Past due comprises		
0-30 days	2,008	61
30-60 days	-	924
60-90 days	-	-
90-180 days	174	135
more 180 days	-	26
Carrying amount past due but not credit- impaired	**2,182**	**1,146**
Carrying amount neither past due nor credit- impaired	**1,670,801**	**1,495,087**
Total carrying amount loans and advances	**1,673,445**	**1,518,675**

3.2.3.7 Sensitivity on ECL to future economic conditions (in EUR'000)

The ECL is sensitive to judgments and assumptions made regarding formulation of forward-looking scenarios. The EIB performs a sensitivity analysis on the ECL recognised on material classes of its assets.

The forecasts of future economic conditions (via macroeconomic scenarios) are inputs to forecasting model producing conditional risk parameters, which are an input to loss allowance calculation.

The scenarios are derived shocking GDP, which is the key measurement of economic activity. The shocks to real GDP are calibrated to replicate the past volatility of the variable. In addition, expert judgment is applied, when appropriate, to refine the size and persistency of GDP shocks. As a result, shocks are determined together with a decay function to determine the impact of the shocks over time. Probabilities attached to each scenario are defined reflecting market (volatility) indicators and internally developed indicators/trackers consistently deployed over time to capture uncertainty. The weighting of positive and negative shocks depends on the balance of risks in the economy, on average negative and positive shocks EUR -20,533 (2019: EUR -2,670) and EUR 17,658 (2019: EUR 2,396) were respectively applied on quarterly projections in the past exercise.

The table below shows the loss allowance on loans and advances under Stage 1 and 2. Each forward-looking scenario (e.g. baseline, positive and negative) was weighted 100% instead of applying scenario probability weights across the three scenarios.

	2020		
(in EUR'000)	**Positive**	**Baseline**	**Negative**
Gross exposure	3,063,652	3,063,652	3,063,652
Loss allowance	70,645	88,303	108,836

	2019		
(in EUR'000)	**Positive**	**Baseline**	**Negative**
Gross exposure	2,748,523	2,748,523	2,748,523
Loss allowance	89,255	91,651	94,321

3.2.3.8 Loan renegotiation and forbearance

The EIB considers loans to be forborne loans (i.e. loans, debt securities and loan commitments) in respect of which forbearance measures have been extended. Forbearance measures consist of "concessions" that the EIB decides to make towards an obligor who is considered unable to comply with the contractual debt service terms and conditions due to its financial difficulties, in order to enable the obligor to service the debt or to refinance, totally or partially, the contract. Exposures shall be treated as forborne if a concession has been made, irrespective of whether any amount is past-due, or the exposure is classified as defaulted. Exposures shall not be treated as forborne when the obligor is not in financial difficulties.

In the normal course of business, the LG of the loans in question would have deteriorated, the loans would have been included in the Watch List before renegotiation and the financial instrument would move from Stage 1 to Stage 2 in the three-stage model for impairment. Once renegotiated, the EIB would continue to closely monitor these loans and the financial instrument would be credit impaired and moved to Stage 3. If subsequently the LG of a loan improves sufficiently, the loan would be removed from the Watch List in line with the EIB's procedures.

As part of its response to the economic effects of the COVID-19 pandemic, the Bank has decided to make a number of supportive measures available to its clients in certain circumstances, which include, among other things, (i) the temporary easing (including waivers) of financial covenants and other key clauses, (ii) the re-profiling of cash flows by setting new repayment schedules or the temporary standstill of repayment obligations and (iii) certain other complementary supportive measures, such as the signing of new contracts, accelerating loan disbursements and increasing amounts lent to borrowers. The Bank is assessing requests for such measures on a case-by-case basis within the limits of certain specific conditions. These measures are intended to be extended to clients who are temporarily affected by the economic effects of the COVID-19 pandemic but who are not experiencing any structural financial difficulties or solvency issues and are considered to be a going concern at the time of granting such measures. If, as a result of the assessment, a client does not meet these requirements or the Facility identifies risks for the long-term sustainability of the client's business model, it will consider any other appropriate measures and, if necessary, follow the EIB's standard restructuring processes.

Forbearance measures and practices undertaken by the EIB during the reporting period include, but are not limited to, extension of maturities, deferral of capital only, deferral of capital and interest, breach of material covenants and capitalisation of arrears.

3.2.3.8 Loan renegotiation and forbearance (continued)

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

in EUR'000	31.12.2020		31.12.2019	
	Performing	Non-Performing	Performing	Non-Performing
Number of contracts subject to forbearance practices	12	14	19	9
Carrying values (incl. interest and amounts in arrears)	169,274	58,748	182,619	62,915
ECL allowance recognised	19,311	28,934	7,916	57,321
Interest income in respect of forborne contracts	7,729	5,099	8,130	854
Exposures written-off / derecognised (following the termination/sale of the operation)	-	49,472	-	280

in EUR'000	31.12.2019	Forbearance measures: Extension of maturities	Deferral of capital and interest	Breach of material financial covenants	Other	Contractual repayment, termination and/or write off*	31.12.2020
Financial institutions	51,468	-1,995	11,989	43,746	-	-14,683	90,525
Corporates	194,066	-1,074	-	-3,515	-	-51,980	137,497
Total	**245,534**	**-3,069**	**11,989**	**40,231**	**-**	**-66,663**	**228,022**

* Decreases are explained by repayments of capital occurred during the year on operations already considered as forborne as of 31 December 2020 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 2020, and 31 December 2019, 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 2020 and 31 December 2019 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 2020 and as at 31 December 2019 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.

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)	31.12.2020		31.12.2019	
P-1	Aaa	49,988	5%	98,945	12%
P-1	Aa2	25,022	3%	67,799	8%
P-1	Aa3	130,024	14%	89,983	11%
P-1	A1	99,969	11%	213,914	26%
P-1	A2	119,972	13%	212,199	25%
P-1	A3	498,965	54%	104,944	12%
P-2	A3	-	-	49,993	6%
Total		**923,940**	**100%**	**837,777**	**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 EIB with an external counterpart. The swaps are arranged by the same Master Swap Agreements and Credit Support Annexes signed between the EIB and its external counterparts.

3.2.5.2 Credit risk measurement for derivatives

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

The EIB 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 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 1,480.0 million as at 31 December 2020 against EUR 1,545.0 million as at 31 December 2019. The fair value of FX swaps amounts to EUR 33.6 million as at 31 December 2020 against EUR 14.1 million as at 31 December 2019.

The Facility enters into interest rate swap contracts in order to hedge the interest rate risk on loans disbursed. As at 31 December 2020, there are two interest rate swaps outstanding with a notional amount of EUR 17.7 million (2019: EUR 24.2 million) and a fair value of EUR -0.6 million (2019: EUR -0.1 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:

In EUR '000					
Minimum short-term rating (Moody's term)	**Minimum long-term rating (Moody's term)**	**31.12.2020**		**31.12.2019**	
P-1	Aa1	50,006	14%	50,046	15%
P-1	Aa2	50,040	14%	19,997	6%
P-1	Aa3	50,016	14%	50,025	15%
P-1	Aaa	51,705	15%	-	0%
P-1	A1	-	0%	55,050	17%
P-1	A2	50,058	15%	-	0%
P-2	A3	-	0%	85,027	26%
P-2	Baa1	50,035	14%	30,433	9%
P-2	Baa3	50,013	14%	40,009	12%
Total		**351,873**	**100%**	**330,587**	**100%**

3.3 Liquidity risk

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

3.3.1.1 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 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 PIT forecasted cash disbursements, as communicated periodically by the 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.

3.3.1.2 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 undisbursed portions of the credit under signed loan agreements, of undisbursed 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 undisbursed 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 undisbursed 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.

3.3.2 Liquidity risk measurement (continued)

Maturity profile of non-derivative financial liabilities in EUR'000 as at 31.12.2020	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Maturity Undefined	Gross nominal outflow
Outflows for committed but undisbursed loans	199,006	-	-	-	1,523,612	1,722,618
Outflows for committed investment funds and share subscription	1,043	-	-	-	377,303	378,347
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	1,553,246	1,553,246
Outflows for committed interest subsidies	18,494	-	-	-	356,391	374,885
Outflows for committed TA	2,504	-	-	-	43,029	45,533
Total	**221,047**	**-**	**-**	**-**	**3,853,581**	**4,074,629**

Maturity profile of non-derivative financial liabilities in EUR'000 as at 31.12.2019	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Maturity Undefined	Gross nominal outflow
Outflows for committed but undisbursed loans	33,038	-	-	-	1,324,282	1,357,320
Outflows for committed investment funds and share subscription	369	-	-	-	405,551	405,920
Others (signed non-issued guarantees, issued guarantees)	-	-	-	-	1,559,831	1,559,831
Outflows for committed interest subsidies	-	-	-	-	350,678	350,678
Outflows for committed TA	3,898	-	-	-	21,166	25,064
Total	**37,305**	**-**	**-**	**-**	**3,661,508**	**3,698,813**

Maturity profile of derivative financial liabilities in EUR'000 as at 31.12.2020	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	Gross nominal inflow/outflow
Short-term currency swaps – Inflows	1,480,000	-	-	1,480,000
Short-term currency swaps – Outflows	-1,448,077	-	-	-1,448,077
Interest Rate Swaps – Inflows	147	394	775	1,317
Interest Rate Swaps - Outflows	-	-815	-1,142	-1,957
Total	**32,070**	**-421**	**367**	**31,283**

Maturity profile of derivative financial liabilities in EUR'000 as at 31.12.2019	3 months or less	More than 3 months to 1 year	More than 1 year to 5 years	Gross nominal inflow/outflow
Short-term currency swaps – Inflows	1,545,000	-	-	1,545,000
Short-term currency swaps – Outflows	-1,535,571	-	-	-1,535,571
Interest Rate Swaps – Inflows	310	820	2,045	3,175
Interest Rate Swaps - Outflows	-	-1,128	-2,138	-3,266
Total	**9,739**	**-308**	**-93**	**9,338**

3.3.3 Long term financial assets and liabilities

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

in EUR'000	31.12.2020	31.12.2019
Financial assets:		
Loans and advances	1,812,807	1,636,520
Shares and other variable yield securities	526,810	619,928
Other assets	109	-
Total	**2,339,726**	**2,256,448**
Financial liabilities:		
Provisions for guarantees issued	851	628
Amount owed to third parties*	81,371	93,531
Provisions for loan commitments	33,152	37,269
Total	**115,374**	**131,428**

* The amounts owed to third parties are including the Interest subsidies and TA not yet disbursed owed to Member States, where the maturity is mainly undefined.

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 the 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 the 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 2020 would decrease by EUR 697k (as at 31 December 2019: decrease by EUR 533k) if all relevant interest rates curves are simultaneously shifted upwards in parallel by 1 basis point.

Basis point value	**Money**	**Very Short**	**Short**	**Medium**	**Long**	**Extra Long**	**Total**
in EUR'000	**Market**						
As at 31.12.2020	**1 year**	**2 to 3 years**	**4 to 6 years**	**7 to 11 years**	**12 to 20 years**	**21 years**	
Total sensitivity of loans and micro hedging swaps	-45	-113	-313	-215	-11	-	**-697**

Basis point value	**Money**	**Very Short**	**Short**	**Medium**	**Long**	**Extra Long**	**Total**
in EUR'000	**Market**						
As at 31.12.2019	**1 year**	**2 to 3 years**	**4 to 6 years**	**7 to 11 years**	**12 to 20 years**	**21 years**	
Total sensitivity of loans and micro hedging swaps	-42	-99	-172	-163	-57	-	**-533**

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 in either 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 EUR/USD 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 hedge 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 to ensure that the earnings will only be converted into the reporting currency (EUR) when received.

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, the remaining part of the assets and liabilities, which includes mainly interest accruals on loans, derivatives and subsidies, are presented under “FX position excluded from Risk Policies”.

As at 31 December 2020	**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	-117,144	-51,893	-169,037	479,103
*Local currencies (under synthetic hedge)**				
KES	23,439	-960	22,479	-
TZS	27,302	272	27,574	-
DOP	14,538	320	14,858	-
UGX	44,997	572	45,569	-
RWF	44,523	-872	43,651	-
*Local currencies (not under synthetic hedge)**				-
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	98,509	-1,512	96,997	-
Total non-EUR currencies	**136,164**	**-54,073**	**82,091**	**479,103**
EUR	**-**	**3,276,377**	**3,276,377**	**1,661,939**
Total EUR and non-EUR	**136,164**	**3,222,304**	**3,358,468**	**2,141,042**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

3.4.2.2.3 Foreign exchange position (in EUR'000) (continued)

As at 31 December 2019	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	-103,746	-56,632	-160,378	637,693
*Local currencies (under synthetic hedge)**				
KES	29,472	464	29,936	-
TZS	48,092	354	48,446	-
DOP	25,383	602	25,985	-
UGX	37,132	574	37,706	-
RWF	30,766	47	30,813	-
*Local currencies (not under synthetic hedge)**				
HTG, MUR, MZN, XOF, ZMW, BWP, JMD, NGN, ZAR	99,864	-530	99,334	-
Total non-EUR currencies	**166,963**	**-55,121**	**111,842**	**637,693**
EUR	**-**	**3,075,194**	**3,075,194**	**2,741,023**
Total EUR and non-EUR	**166,963**	**3,020,073**	**3,187,036**	**3,378,716**

* See section 3.4.2.2.2 for explanations on synthetic hedge.

3.4.2.3 Foreign exchange sensitivity analysis

As at 31 December 2020, a 10 percent depreciation of EUR versus all non EUR currencies would result in an increase of the contributors' resources amounting to EUR 9.1million (31 December 2019: EUR 14.0million). A 10 percent appreciation of the EUR versus all non EUR currencies would result in a decrease of the contributors' resources amounting to EUR -7.5 million (31 December 2019: EUR 11.4 million).

3.4.2.4 Conversion rates

The following conversion rates were used for establishing the balance sheet at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Non-EU currencies		
Botswana Pula (BWP)	13.2045	11.8376
Dominican Republic Pesos (DOP)	71.2661	59.3644
Fiji Dollars (FJD)	2.4584	2.4045
Haitian Gourde (HTG)	87.33	100.99
Jamaican Dollar (JMD)	172.0954	147.6966
Kenya Shillings (KES)	133.8	113.63
Mauritania Ouguiyas (MRU)	44.1396	42.2135
Mauritius Rupees (MUR)	48.52	40.63
Mozambican Metical (MZN)	91.02	68.64
Nigerian Naira (NGN)	466.78	343.45
Rwanda Francs (RWF)	1210.77	1051.12
Tanzania Shillings (TZS)	2838.58	2573.66
Uganda Shillings (UGX)	4474	4108
United States Dollars (USD)	1.2271	1.1234
Franc CFA Francs (XAF/XOF)	655.957	655.957
South Africa Rand (ZAR)	18.0219	15.7773
Zambia Kvacha (ZMW)	25.9324	15.7894

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 effect 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 52.7 million and EUR -52.7 million respectively as at 31 December 2020 (EUR 62.0 million and EUR -62.0 million respectively as at 31 December 2019).

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 2020	**Carrying amount**						**Fair value**			
In EUR'000	**Derivative financial instruments**	**Shares and other variable yield securities**	**Cash, loans and advances**	**Treasury financial assets**	**Other financial assets/liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets mandatorily measured at FVTPL										
Derivative financial instruments	33,584	-	-	-	-	**33,584**	-	33,584	-	**33,584**
Venture Capital Fund	-	437,142	-	-	-	**437,142**	-	-	437,142	**437,142**
Direct Equity Investments	-	89,668	-	-	-	**89,668**	-	-	89,668	**89,668**
Loans and advances	-	-	47,309	-	-	**47,309**	-	-	47,309	**47,309**
Total financial assets mandatorily measured at FVTPL	**33,584**	**526,810**	**47,309**	**-**	**-**	**607,703**	**-**	**33,584**	**574,119**	**607,703**
Financial assets measured at AC										
Cash and cash equivalents	-	-	923,940	-	-	**923,940**	-	-	-	**-**
Loans and advances	-	-	1,626,136	-	-	**1,626,136**	-	1,757,593	-	**1,757,593**
Amounts receivable from contributors	-	-	68,908	-	-	**68,908**	-	-	-	**-**
Treasury financial assets	-	-	-	351,873	-	**351,873**	300,174	50,032	-	**350,206**
Other assets	-	-	-	-	109	**109**	-	-	-	**-**
Total financial assets measured at AC	**-**	**-**	**2,618,984**	**351,873**	**109**	**2,970,966**	**300,174**	**1,807,625**	**-**	**2,107,799**
Total financial assets	**33,584**	**526,810**	**2,666,293**	**351,873**	**109**	**3,578,669**				
Financial liabilities measured at FVTPL										
Derivative financial instruments	-642	-	-	-	-	**-642**	-	-642	-	**-642**
Total financial liabilities measured at FVTPL	**-642**	**-**	**-**	**-**	**-**	**-642**	**-**	**-642**	**-**	**-642**
Financial liabilities at AC										
Provisions for guarantees issued	-	-	-	-	-851	**-851**				
Provisions for loan commitments	-	-	-	-	-33,152	**-33,152**				
Amounts owed to third parties	-	-	-	-	-152,378	**-152,378**				
Other liabilities	-	-	-	-	-3,446	**-3,446**				
Total financial liabilities measured at AC	**-**	**-**	**-**	**-**	**-189,827**	**-189,827**				
Total financial liabilities	**-642**	**-**	**-**	**-**	**-189,827**	**-190,469**				

4 Fair values of financial instruments (continued)

4.1 Accounting classifications and fair values (continued)

As at 31 December 2019	Carrying amount						Fair value			
in EUR'000	**Derivative financial instruments**	**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	14,184	-	-	-	-	**14,184**	-	14,184	-	**14,184**
Venture Capital Fund	-	504,694	-	-	-	**504,694**	362	-	504,332	**504,694**
Direct Equity Investment	-	115,234	-	-	-	**115,234**	15,255	-	99,979	**115,234**
Loans and advances	-	-	21,702	-	-	**21 702**	-	-	21,702	**21,702**
Total financial assets mandatorily measured at FVTPL	**14,184**	**619,928**	**21,702**	**-**	**-**	**655,814**	**15,617**	**14,184**	**626,013**	**655,814**
Financial assets at AC										
Cash and cash equivalents	-	-	837,777	-	-	**837,777**	-	-	-	**-**
Loans and advances	-	-	1,496,973	-	-	**1,496,973**	-	1,699,057	-	**1,699,057**
Amounts receivable from contributors	-	-	86,330	-	-	**86,330**	-	-	-	**-**
Treasury financial assets	-	-	-	330,587	-	**330,587**	144,097	186,083	-	**330,180**
Other assets	-	-	-	-	-	**-**	-	-	-	**-**
Total financial assets measured at AC	**-**	**-**	**2,421,080**	**330,587**	**-**	**2,751,667**	**144,097**	**1,885,140**	**-**	**2,029,237**
Total financial assets	**14,184**	**619,928**	**2,442,782**	**330,587**	**-**	**3,407,481**				
Financial liabilities mandatorily measured at FVTPL										
Derivative financial instruments	-191	-	-	-	-	**-191**	-	-191	-	**-191**
Total financial liabilities measured at FVTPL	**-191**	**-**	**-**	**-**	**-**	**-191**	**-**	**-191**	**-**	**-191**
Financial liabilities at AC										
Provisions for guarantees issued	-	-	-	-	-628	**-628**				
Provisions for loan commitments	-	-	-	-	-37,269	**-37,269**				
Amounts owed to third parties	-	-	-	-	-147,438	**-147,438**				
Other liabilities	-	-	-	-	-2,353	**-2,353**				
Total financial liabilities measured at AC	**-**	-	-	-	-187,688	**-187,688**				
Total financial liabilities	**-191**	**-**	**-**	**-**	**-187,688**	**-187,879**				

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. 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.
Loans at fair value (IFE)	For going concern borrowers: Discounted cash flow using contractual/expected future cash flows discounted with appropriate risk-adjusted discount rate that captures the risk inherent to the loan (including credit risk of the borrower). The discount rate is compared/assessed with any relevant market benchmark. For borrowers not going concern: Net assets approach (liquidation value approach).	Components of the discount rate to reflect the credit risk of borrower compared to the risk-free market rates.	The higher the discount rate the lower the fair value

4.2.1 Valuation techniques and significant unobservable inputs (continued)

	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value measurement
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 as at 31 December 2020 and 2019, namely:

- Credit valuation adjustments (CVA), reflecting counterparty credit risk on derivative transactions, amounting to EUR -34.3k as at 31 December 2020 and to EUR -32.8k as at 31 December 2019.
- Debit valuation adjustments (DVA), reflecting own credit risk on derivative transactions, amounting to EUR +21.8k as at 31 December 2020 and EUR +28.7k as at 31 December 2019.

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 2020 and 2019 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 2020 and 31 December 2019:

in EUR'000	Shares and other variable yield securities
Balance as at 1 January 2020	**604,311**
Gains or losses included in profit or loss:	
Realised fair value adjustment on sales	-15,632
Net fair value change on shares and other variable yield securities	-47,909
Total	**-63,541**
Disbursements	85,305
Repayments	-65,649
Foreign exchange rates differences	-33,616
Balance as at 31 December 2020	**526,810**

Reconciliation of Level 3 fair values (continued)

in EUR'000	Shares and other variable yield securities
Balance as at 1 January 2019	**550,617**
Gains or losses included in profit or loss:	
Foreign exchange rates differences	1,708
Net fair value change on shares and other variable yield securities	17,666
Total	**19,374**
Disbursements	106,943
Repayments	-79,435
Foreign exchange rates differences	6,812
Balance as at 31 December 2019	**604,311**

In 2020 and 2019 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	31.12.2020	31.12.2019
Cash in hand	398,991	72,166
Term deposits	380,000	622,991
Commercial papers	145,086	142,823
Cash and cash equivalents in the cash flow statement	**924,077**	**837,980**
Accrued interest	-137	-203
Cash and cash equivalents in the statement of financial position	**923,940**	**837,777**

6 Derivative financial instruments

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

As at 31 December 2020	Fair Value		Notional amount
in EUR'000	Assets	Liabilities	
Interest rate swaps	-	-642	17,710
FX swaps	33,584	-	1,480,000
Total derivative financial instruments	**33,584**	**-642**	**1,497,710**

As at 31 December 2019	Fair Value		Notional amount
In EUR'000	Assets	Liabilities	
Interest rate swaps	99	-191	24,181
FX swaps	14,085	-	1,545,000
Total derivative financial instruments	**14,184**	**-191**	**1,569,181**

7 Loans and advances

7.1 Loans and advances

The following table shows the reconciliation from the opening to the closing balance of loans and advances:

in EUR'000	Global loans*	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2020	**1,021,556**	**597,364**	**27,714**	**-**	**1,646,634**
Disbursements	433,466	67,762	-	-	**501,228**
Write offs	-15,170	-2,268	-27,905	-	**-45,343**
Repayments	-214,018	-60,571	-	-	**-274,589**
Foreign exchange rates differences	-74,436	-29,423	191	-	**-103,668**
Nominal of loans at AC as at 31 December 2020	**1,151,398**	**572,864**	**-**	**-**	**1,724,262**
Impairment - loss allowance as at 1 January 2020	**-96,166**	**-36,650**	**-27,714**	**-**	**-160,530**
Net changes of the 12 month ECL	-1,344	-2,531	-	-	**-3,875**
Net changes of lifetime ECL not credit-impaired	-5,888	-3,628	-	-	**-9,516**
Lifetime ECL credit-impaired	-12,373	-	-	-	**-12,373**
Reversal of lifetime ECL credit-impaired	19,565	1,887	-	-	**21,452**
Write offs	15,170	2,268	27,905	-	**45,343**
Foreign exchange rates differences	12,793	3,104	-191	-	**15,706**
Impairment - loss allowance as at 31 December 2020	**-68,243**	**-35,550**	**-**	**-**	**-103,793**
Loans and advances at AC as at 31 December 2020	**1,083,155**	**537,314**	**-**	**-**	**1,620,469**
Nominal of loans at FVTPL as at 1 January 2020	**1,080**	**36,858**	**-**	**-**	**37,938**
Disbursements	-	29,063	30,000	**-**	**59,063**
Repayments	-	-1,512	-	**-**	**-1,512**
Foreign exchange rates differences	-	-2,916	-	**-**	**-2,916**
Nominal of loans at FVTPL as at 31 December 2020	**1,080**	**61,493**	**30,000**	**-**	**92,573**
Fair value adjustment as at 1 January 2020	**-1,080**	**-15,156**	**-**	**-**	**-16,236**
Net FV change	-	-11,330	-18,291	-	**-29,621**
Foreign exchange rates differences	-	593	-	-	**593**
Fair value adjustment as at 31 December 2020	**-1,080**	**-25,893**	**-18,291**	**-**	**-45,264**
Loans and advances at FVTPL as at 31 December 2020	**-**	**35,600**	**11,709**	**-**	**47,309**
Amortised Cost	-3,578	-5,100	-	-	**-8,678**
Interest	7,325	7,020	-	-	**14,345**
Loans and advances as at 31 December 2020	**1,086,902**	**574,834**	**11,709**	**-**	**1,673,445**

* Including agency agreements

7 Loans and advances (continued)

7.1 Loans and advances (continued)

in EUR'000	Global loans*	Senior loans	Subordinated loans	POCI	Total
Nominal of loans at AC as at 1 January 2019	**1,051,317**	**593,324**	**60,717**	**3,588**	**1,708,946**
Disbursements	164,308	123,416	-	-	**287,724**
Write offs	-2	-278	-	-	**-280**
Repayments	-206,517	-113,100	-34,496	-	**-354,113**
Sale of loans	-2,591	-	-	-	**-2,591**
Business model change (IFE**)	-	-10,062	-	-3,588	**-13,650**
Foreign exchange rates differences	15,041	4,064	1,493	-	**20,598**
Nominal of loans at AC as at 31 December 2019	**1,021,556**	**597,364**	**27,714**	**-**	**1,646,634**
Impairment - loss allowance as at 1 January 2019	**-103,868**	**-49,609**	**-29,360**	**-1,794**	**-184,631**
Net changes of the 12 month ECL	5,164	-86	-	-	**5,078**
Net changes of lifetime ECL not credit-impaired	-15,558	2,559	2,205	-	**-10,794**
Lifetime ECL credit-impaired	-4,397	-47	-	-	**-4,444**
Reversal of lifetime ECL credit-impaired	21,811	5,592	-	-	**27,403**
Sale of loans	2,591	-	-	-	**2,591**
Business model change (IFE**)	-	5,031	-	1,794	**6,825**
Write offs	2	278	-	-	**280**
Foreign exchange rates differences	-1,911	-368	-559	-	**-2,838**
Impairment - loss allowance as at 31 December 2019	**-96,166**	**-36,650**	**-27,714**	**-**	**-160,530**
Loans and advances at AC as at 31 December 2019	**925,390**	**560,714**	**-**	**-**	**1,486,104**
Nominal of loans at FVTPL as at 1 January 2019	**1,800**	**-**	**-**	**-**	**1,800**
Disbursements	-	23,461	-	-	**23,461**
Business model change (IFE**)	-	13,650	-	-	**13,650**
Repayments	-720	-245	-	-	**-965**
Foreign exchange rates differences	-	-8	-	-	**-8**
Nominal of loans at FVTPL as at 31 December 2019	**1,080**	**36,858**	**-**	**-**	**37,938**
Fair value adjustment as at 1 January 2019	**-1,080**	**-**	**-**	**-**	**-1,080**
Net FV change	-	-8,331	-	-	**-8,331**
Business model change (IFE**)	-	-6,825	-	-	**-6,825**
Fair value adjustment as at 31 December 2019	**-1,080**	**-15,156**	**-**	**-**	**-16,236**
Loans and advances at FVTPL as at 31 December 2019	**-**	**21,702**	**-**	**-**	**21,702**
Amortised Cost	-3,545	-4,950	10	-	**-8,485**
Interest	10,451	8,903	-	-	**19,354**
Loans and advances as at 31 December 2019	**932,296**	**-586,369**	**10**	**-**	**1,518,675**

* Including agency agreements

** For details, please refer to Note 24.

7.2 Impairment on loans and advances – Loss allowances

in EUR'000	2020				
		Lifetime ECL			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Loans and advances at AC					
Balance as at 1 January 2020*	**17,191**	**38,509**	**104,830**	**-**	**160,530**
Transfer to 12-month ECL	96	-167	-	-	**-71**
Transfer to lifetime ECL not credit-impaired	-732	6,380	-6,080	-	**-432**
Transfer to lifetime ECL credit-impaired	-127	-54	8,522	-	**8,341**
Net measurement of loss allowance	5,440	3,010	-6,554	-	**1,896**
Financial assets that have been derecognised	-802	347	-4,967	-	**-5,422**
Write-offs	-	-	-45,343	-	**-45,343**
Foreign exchange rates differences	-4,677	-4,049	-6,980	-	**-15,706**
Balance as at 31 December 2020	**16,389**	**43,976**	**43,428**	**-**	**103,793**

* Following the updated model versions referred in Note 2.4.2 opening balances for 12-month and Lifetime non-credit impaired ECL would be higher for EUR 0.3m and EUR 1.5m, respectively.

in EUR'000	2019				
		Lifetime ECL			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total
Loans and advances at AC					
Balance as at 1 January 2019	**22,023**	**27,342**	**133,472**	**1,794**	**184,631**
Transfer to 12-month ECL	3,952	-	-	-	**3,952**
Transfer to lifetime ECL not credit-impaired	-4,005	25,150	-	-	**21,145**
Transfer to lifetime ECL credit-impaired	-	-46	-	-	**-46**
Net measurement of loss allowance	-4,897	-4,249	-22,961	-	**-32,107**
Sale of loans	-	-	-2,591	-	**-2,591**
Business model change (IFE*)	-	-10	-5,031	-1,794	**-6,835**
Financial assets that have been derecognised	-129	-10,049	-	-	**-10,178**
Write-offs	-	-	-280	-	**-280**
Foreign exchange rates differences	247	371	2,221	-	**2,839**
Balance as at 31 December 2019	**17,191**	**38,509**	**104,830**	**-**	**160,530**

* For details, please refer to Note 24.

8 Shares and other variable yield securities

The following table show reconciliation from the opening to the closing balance of the Equity investments:

in EUR'000	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2020	**462,304**	**101,424**	**563,728**
Disbursements	85,305	-	85,305
Repayments / sales	-66,011	-18,274	-84,285
Foreign exchange rates differences	-29,437	-6,892	-36,329
Cost as at 31 December 2020	**452,161**	**76,258**	**528,419**
Unrealised gains and losses as at 1 January 2020	**42,390**	**13,810**	**56,200**
Net change in unrealised gains and losses	-45,079	-2,830	-47,909
Realised fair value adjustment on sales	-15,632	3,019	-12,613
Foreign exchange rates differences	3,302	-589	2,713
Unrealised gains and losses as at 31 December 2020	**-15,019**	**13,410**	**-1,609**
Shares and other variable yield securities as at 31 December 2020	**437,142**	**89,668**	**526,810**

in EUR'000	Venture Capital Funds	Direct Equity Investments	Total
Cost as at 1 January 2019	**421,593**	**93,214**	**514,807**
Disbursements	90,972	15,971	106,943
Repayments / sales	-56,387	-8,042	-64,429
Foreign exchange rates differences	6,126	281	6,407
Cost as at 31 December 2019	**462,304**	**101,424**	**563,728**
Unrealised gains and losses as at 1 January 2019	**45,559**	**6,926**	**52,485**
Net change in unrealised gains and losses	-3,488	12,117	8,629
Realised fair value adjustment on sales	-	-5,319	-5,319
Foreign exchange rates differences	319	86	405
Unrealised gains and losses as at 31 December 2019	**42,390**	**13,810**	**56,200**
Shares and other variable yield securities as at 31 December 2019	**504,694**	**115,234**	**619,928**

9 Amounts receivable from contributors

The amounts of EUR 68.9m (2019: EUR 86.3m) 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 2020	**330,587**
Acquisitions	2,710,009
Maturities	-2,689,790
Change in amortisation of premium/discount	-208
Change in accrued interest	1,275
Balance as at 31 December 2020	**351,873**

in EUR'000	
Balance as at 1 January 2019	**335,140**
Acquisitions	2,948,021
Maturities	-2,952,905
Change in amortisation of premium/discount	-93
Change in accrued interest	424
Balance as at 31 December 2019	**330,587**

11 Other assets

The main components of other assets are as follows:

in EUR'000	**31.12.2020**	**31.12.2019**
Financial guarantees	109	-
Total other assets	**109**	**-**

12 Deferred income

The main components of deferred income are as follows:

in EUR'000	**31.12.2020**	**31.12.2019**
Deferred interest subsidies	28,788	32,085
Deferred commissions on loans and advances	944	481
Total deferred income	**29,732**	**32,566**

13 Provisions for guarantees issued, net of reversals

The following tables show the reconciliation from the opening to the closing balance of the provision for financial guarantees.

	2020			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance as at 1 January	**628**	**-**	**-**	**628**
Transfer to 12-month ECL	-	-	-	**-**
Guarantees that have been derecognised	-	-	-	**-**
Net measurement of loss allowance	228	-	-	**228**
Guarantee calls	-	-	-	**-**
Amortisation of upfront fees	-	-	-	**-**
Foreign exchange rates differences	-5	-	-	**-5**
Balance as at 31 December	**851**	**-**	**-**	**851**

	2019			
in EUR'000	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Guarantees issued				
Balance as at 1 January	**94**	**699**	**-**	**793**
Transfer to 12-month ECL	534	-	-	**534**
Guarantees that have been derecognised	-	-588	-	**-588**
Guarantee calls	-	-53	-	**-53**
Amortisation of upfront fees	-	-71	-	**-71**
Foreign exchange rates differences	-	13	-	**13**
Balance as at 31 December	**628**	**-**	**-**	**628**

14 Provisions for loan commitments

The following tables show the reconciliation from the opening to the closing balance of the loss allowance for undisbursed loans (loan commitments):

in EUR'000	2020 12-month ECL	2020 Lifetime ECL not credit-impaired	2020 Lifetime ECL credit-impaired	2020 Total
Loans commitments				
Balance as at 1 January*	**3,943**	**33,326**	**-**	**37,269**
Transfer to 12-month ECL	4,067	-	-	**4,067**
Transfer to lifetime ECL not credit-impaired	-	2,773	-	**2,773**
Net measurement of loss allowance	388	-5,932	-	**-5,544**
Financial assets that have been derecognised	-1,158	-3,853	-	**-5,011**
Foreign exchange rates differences	-423	21	-	**-402**
Balance as at 31 December	**6,817**	**26,335**	**-**	**33,152**

* Following the updated model versions referred in Note 2.4.2 opening balances for 12-month and Lifetime non-credit impaired ECL would be lower for EUR -0.2m and higher for EUR 1.1m, respectively.

in EUR'000	2019 12-month ECL	2019 Lifetime ECL not credit-impaired	2019 Lifetime ECL credit-impaired	2019 Total
Loans commitments				
Balance as at 1 January	**7,225**	**16,597**	**-**	**23,822**
Transfer to 12-month ECL	1,669	9,983	-	**11,652**
Transfer to lifetime ECL not credit-impaired	-836	15,138	-	**14,302**
Net measurement of loss allowance	696	773	-	**1,469**
Business model change (IFE)*	-2,974	-1,387	-	**-4,361**
Financial assets that have been derecognised	-1,960	-7,858	-	**-9,818**
Foreign exchange rates differences	123	80	-	**203**
Balance as at 31 December	**3,943**	**33,326**	**-**	**37,269**

* For details, please refer to Note 24.

15 Amounts owed to third parties

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

in EUR'000	31.12.2020	31.12.2019
Net general administrative expenses payable to the EIB	58,527	50,009
Other amounts payable to the EIB	56	31
Interest subsidies and TA not yet disbursed owed to Member States	93,795	97,398
Total amounts owed to third parties	**152,378**	**147,438**

16 Other liabilities

The main components of other liabilities are as follows:

in EUR'000	31.12.2020	31.12.2019
Loan repayments received in advance	3,166	1,961
Deferred income from interest subsidies	280	339
Financial guarantee calls	-	53
Total other liabilities	**3,446**	**2,353**

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	82,689	9,852	92,541	1,687
Belgium	121,923	14,470	136,393	2,471
Bulgaria	1,567	421	1,988	98
Cyprus	1,008	270	1,278	-
Czech Republic	5,710	1,532	7,242	357
Denmark	67,377	8,118	75,495	1,400
Estonia	560	150	710	35
Finland	47,569	5,876	53,445	-
France	729,689	82,689	812,379	13,685
Germany	720,567	84,614	805,181	14,350
Greece	42,735	5,648	48,383	1,029
Hungary	6,158	1,652	7,810	385
Ireland	23,221	3,345	26,566	637
Italy	407,583	50,996	458,579	9,002
Latvia	784	210	994	49
Lithuania	1,344	360	1,704	84
Luxembourg	9,119	1,097	10,216	189
Malta	336	90	426	21
Netherlands	164,029	19,716	183,745	3,395
Poland	14,555	3,905	18,460	910
Portugal	33,266	4,411	37,677	805
Romania	4,143	1,111	5,254	259
Slovakia	2,351	631	2,982	147
Slovenia	2,015	541	2,556	126
Spain	210,652	29,338	239,990	5,495
Sweden	88,064	10,923	98,987	1,918
United Kingdom	432,681	57,030	489,711	10,374
Total as at 31 December 2020	**3,221,695**	**398,996**	**3,620,692**	**68,908**
Total as at 31 December 2019	**2,967,000**	**383,691**	**3,350,691**	**86,330**

* On 10 November 2020, the Council fixed the amount of financial contributions to be paid by each Member State by 21 January 2021. As at 31 December 2020 EUR 68.9m were not paid in.
** On 14 July 2020, 9th EDF EUR 45.1m unused commitments for interest rate subsidies and technical assistance were reallocated to the Contributors' Resources as per allocation key for 9th EDF contributions.

18 Commitments and contingent liabilities

in EUR'000	31.12.2020	31.12.2019
Commitments		
Undisbursed loans	1,722,618	1,357,320
Undisbursed commitment in respect of shares and other variable yield securities	378,347	405,920
Issued guarantees	998,560	200,013
Interest subsidies and technical assistance	483,897	455,671
Contingent liabilities		
Signed non-issued guarantees	554,686	1,359,818
Total commitments and contingent liabilities	**4,138,108**	**3,778,742**

19 Interest and similar income and expenses

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Loans and advances	80,252	89,244
Interest subsidies	4,531	4,679
Total interest and similar income	**84,783**	**93,923**

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Derivative financial instruments	-541	-261
Cash and cash equivalents	-2,961	-722
Treasury financial assets	-1,748	-1,965
Total interest and similar expense	**-5,250**	**-2,948**

20 Fee and commission income and expenses

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Fee and commission on loans and advances	141	4,399
Fee and commission on financial guarantees	211	39
Other	1	-
Total fee and commission income	**353**	**4,438**

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Commission paid to third parties with regard to shares and other variable yield securities	-225	-721
Total fee and commission expenses	**-225**	**-721**

21 Net result on shares and other variable yield securities

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

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Net realised result due to sales and exits	-3,069	-133
Dividend income	4,261	1,408
Net fair value change	-47,909	8,629
Net result on shares and other variable yield securities	**-46,717**	**9,904**

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.

The main components of general administrative expenses are as follows:

in EUR'000	From 01.01.2020 to 31.12.2020	From 01.01.2019 to 31.12.2019
Actual cost incurred by the EIB	-61,470	-52,982
Income from appraisal fees directly charged to clients of the Facility	2,943	2,973
Total general administrative expenses	**-58,527**	**-50,009**

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 undisbursed commitments.

Type of structured entity	Caption	Carrying amount at 31.12.2020	Carrying amount at 31.12.2019	Maximum exposure to loss at 31.12.2020	Maximum exposure to loss at 31.12.2019
Venture capital funds	Shares and other variable yield securities	437,142	504,332	437,142	834,955
Total		**437,142**	**504,332**	**437,142**	**834,955**

No support is provided to structured entities by the Facility beyond the respective financing.

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 presents 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 is 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 take the form of first loss guarantees ("first loss pieces") that 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 (i.e. loans) 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 applies 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 also allows diversification into new sectors, such as health and education, agriculture and food security, and the development of new and innovative risk-sharing instruments. In 2016, the IFE financing capacity was increased to EUR 800m by making the IFE partially revolving.

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.

24 Impact financing envelope (in EUR'000) (continued)

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

Type of IFE investment	Caption	Measurement	Gross carrying amount as at 31.12.2020	Loss allowance / FV adj. amount as at 31.12.2020	Carrying amount as at 31.12.2020	Undisbursed amount as at 31.12.2020	OFF BS ECL adj. amount as at 31.12.2020
Loans to financial intermediaries	Loans and advances	AC	49,522	-1,839	47,683	26,954	-199
Direct loan operations	Loans and advances	FVTPL	91,186	-44,681	46,505	98,314	-
Social impact equity funds	Shares and other variable yield securities	FVTPL	41,885	-4,778	37,107	73,362	-
Direct equity participations	Shares and other variable yield securities	FVTPL	57,395	9,195	66,590	14	-
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-	-	-	40,746	-
Total			**239,988**	**-42,103**	**197,885**	**239,390**	**-199**

*For details, please refer to section subsequent measurement of Note 2.4.3.

Type of IFE investment	Caption	Measurement	Gross carrying amount as at 31.12.2019	Loss allowance / FV adj. amount as at 31.12.2019	Carrying amount as at 31.12.2019	Undisbursed amount as at 31.12.2019	OFF BS ECL adj. amount as at 31.12.2019
Loans to financial intermediaries	Loans and advances	AC	22,347	-354	21,993	42,400	-1,251
Direct loan operations	Loans and advances	FVTPL	37,136	-15,156	21,980	75,700	-
Social impact equity funds	Shares and other variable yield securities	FVTPL	33,417	-3,175	30,242	66,840	-
Direct equity participations	Shares and other variable yield securities	FVTPL	58,643	19,626	78,269	14	-
Risk sharing facilitating instruments	Issued guarantees	higher of approach*	-	-	-	47,331	-50
Total			**151,543**	**941**	**152,484**	**232,285**	**-1,301**

*For details, please refer to section subsequent measurement of Note 2.4.3.

The EIB is applying the General Mandate Risk Principles to IFE direct loan operations (excluding Loans to financial intermediaries), as envisaged in the EIB's Credit and Equity Risk Guidelines, and to monitor and report the risk associated with the IFE direct loan operations on the basis of their fair value. According to the methodology, the Bank performs a Qualitative Risk Assessment (QRA) aiming to assess the soundness of the investment rationale and plausible business viability of such operations.

25 Subsequent events

In the context of the COVID-19 pandemic, the IF continues to monitor the situation closely notably as part of the subsequent event review. It is considered that there have been no material events after the balance sheet date that would require adjustment of, or disclosure in the financial statements as at 31 December 2020.

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