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

**ANNUAL ACCOUNTS OF THE EUROPEAN COMMISSION 2016**



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## CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Commission for the year 2016 have been prepared in accordance with the Financial Regulation applicable to the general budget of the European Union and the accounting rules adopted by myself in my capacity as the Commission's Accounting Officer, as are to be applied by all the institutions and Union bodies.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Commission in accordance with Article 68 of the Financial Regulation.

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

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

*[signed]*

Rosa ALDEA BUSQUETS

**Accounting Officer of the Commission**

*23 June 2017*

# FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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

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## BALANCE SHEET

EUR millions

	Note	31.12.2016	31.12.2015
<b>NON-CURRENT ASSETS</b>			
<i>Intangible assets</i>	2.1	135	128
<i>Property, plant and equipment</i>	2.2	6 832	5 592
<i>Investments accounted for using the equity method</i>	2.3	528	497
<i>Financial assets</i>	2.4	60 733	55 341
<i>Pre-financing</i>	2.5	21 777	29 884
<i>Exchange receivables and non-exchange recoverables</i>	2.6	729	899
		<b>90 734</b>	<b>92 341</b>
<b>CURRENT ASSETS</b>			
<i>Financial assets</i>	2.4	3 295	9 579
<i>Pre-financing</i>	2.5	23 964	15 360
<i>Exchange receivables and non-exchange recoverables</i>	2.6	10 607	9 215
<i>Inventories</i>	2.7	75	75
<i>Cash and cash equivalents</i>	2.8	27 579	20 660
		<b>65 521</b>	<b>54 889</b>
<b>TOTAL ASSETS</b>		<b>156 255</b>	<b>147 230</b>
<b>NON-CURRENT LIABILITIES</b>			
<i>Pension and other employee benefits</i>	2.9	(66 550)	(63 208)
<i>Provisions</i>	2.10	(1 786)	(1 562)
<i>Financial liabilities</i>	2.11	(54 375)	(50 897)
		<b>(122 711)</b>	<b>(115 666)</b>
<b>CURRENT LIABILITIES</b>			
<i>Provisions</i>	2.10	(626)	(302)
<i>Financial liabilities</i>	2.11	(2 165)	(7 898)
<i>Payables</i>	2.12	(40 240)	(32 367)
<i>Accrued charges and deferred income</i>	2.13	(67 027)	(67 962)
		<b>(110 059)</b>	<b>(108 528)</b>
<b>TOTAL LIABILITIES</b>		<b>(232 770)</b>	<b>(224 194)</b>
<b>NET ASSETS</b>		<b>(76 515)</b>	<b>(76 964)</b>
<i>Reserves</i>	2.14	3 031	2 915
<i>Amounts to be called from Member States*</i>	2.15	(79 546)	(79 879)
<b>NET ASSETS</b>		<b>(76 515)</b>	<b>(76 964)</b>

\* The European Parliament adopted a budget on 1 December 2016 which provides for the payment of the Commission's short-term liabilities from own resources to be collected by, or called up from, the Member States in 2017. Additionally, under article 83 of the Staff Regulations (Council Regulation 259/68 of 29 February 1968 as amended), the Member States shall jointly guarantee the liability for pensions.

## STATEMENT OF FINANCIAL PERFORMANCE

EUR millions

	Note	2016	2015
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
GNI resources		95 578	95 355
Traditional own resources	3.1	20 439	18 649
VAT		15 859	18 328
Fines		3 858	531
Recovery of expenses	3.2	1 946	1 547
Other	3.3	1 695	1 223
		<b>139 376</b>	<b>135 633</b>
<b>Revenue from exchange transactions</b>			
Financial income	3.4	1 746	1 787
Other	3.5	647	1 264
		<b>2 393</b>	<b>3 051</b>
<b>Total Revenue</b>		<b>141 769</b>	<b>138 684</b>
<b>EXPENSES</b>			
Implemented by Member States	3.6		
European Agricultural Guarantee Fund		(44 152)	(45 032)
European Agricultural Fund for Rural Development and other rural development instruments		(12 604)	(16 376)
European Regional Development Fund & Cohesion Fund		(35 045)	(38 745)
European Social Fund		(9 366)	(9 849)
Other		(1 606)	(2 380)
Implemented by the Commission, executive agencies and trust funds	3.7	(15 644)	(15 635)
Implemented by other EU agencies and bodies	3.8	(3 064)	(1 616)
Implemented by third countries and int. organisations	3.8	(3 259)	(3 031)
Implemented by other entities	3.8	(2 035)	(2 107)
Staff and pension costs	3.9	(6 911)	(7 537)
Changes in employee benefits actuarial assumptions		(992)	(2 008)
Finance costs	3.10	(1 857)	(1 933)
Share of net result of joint ventures and associates		2	(641)
Other	3.11	(3 462)	(4 655)
<b>Total Expenses</b>		<b>(139 994)</b>	<b>(151 546)</b>
<b>ECONOMIC RESULT OF THE YEAR</b>		<b>1 775</b>	<b>(12 862)</b>



## CASHFLOW STATEMENT

EUR millions

	Note	2016	2015
<i>Economic result of the year</i>		1 775	(12 862)
<b>Operating activities</b>			
<i>Amortisation</i>		26	20
<i>Depreciation</i>		314	221
<i>(Increase)/decrease in loans</i>		1 726	1 455
<i>(Increase)/decrease in pre-financing</i>		(497)	7 287
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>		(1 222)	5 308
<i>(Increase)/decrease in inventories</i>		0	7
<i>Increase/(decrease) in pension and employee benefits liability</i>		3 343	5 163
<i>Increase/(decrease) in provisions</i>		548	(249)
<i>Increase/(decrease) in financial liabilities</i>		(2 254)	(920)
<i>Increase/(decrease) in payables</i>		7 874	(10 619)
<i>Increase/(decrease) in accrued charges and deferred income</i>		(935)	12 386
<i>Prior year budgetary surplus taken as non-cash revenue</i>		(1 349)	(1 435)
<i>Other non-cash movements</i>		23	65
<b>Investing activities</b>			
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>		(1 587)	(1 054)
<i>(Increase)/decrease in investments accounted for using the equity method</i>		(31)	(87)
<i>(Increase)/decrease in available for sale financial assets</i>		(835)	(214)
<i>(Increase)/decrease in financial assets at fair value through surplus or deficit</i>		(0)	-
<b>NET CASHFLOW</b>		<b>6 920</b>	<b>4 472</b>
<i>Net increase/(decrease) in cash and cash equivalents</i>		6 920	4 472
<i>Cash and cash equivalents at the beginning of the year</i>		20 660	16 187
<i>Cash and cash equivalents at year-end</i>		27 579	20 660

## STATEMENT OF CHANGES IN NET ASSETS

*EUR millions*

	Reserves (A)		Amounts to be called from Member States (B)		Net Assets =(A)+(B)
	Fair value reserve	Other reserves	Accumulated Surplus/(Deficit)	Economic result of the year	
<b>BALANCE AS AT 31.12.2014</b>	<b>202</b>	<b>2 438</b>	<b>(54 147)</b>	<b>(11 226)</b>	<b>(62 734)</b>
<i>Movement in Guarantee Fund reserve</i>	-	189	(189)	-	-
<i>Fair value movements</i>	84	-	-	-	84
<i>Other</i>	-	2	(20)	-	(18)
<i>Allocation of the 2014 economic result</i>	-	-	(11 226)	11 226	-
<i>2014 budget result credited to Member States</i>	-	-	(1 435)	-	(1 435)
<i>Economic result of the year</i>	-	-	-	(12 862)	(12 862)
<b>BALANCE AS AT 31.12.2015</b>	<b>286</b>	<b>2 629</b>	<b>(67 016)</b>	<b>(12 862)</b>	<b>(76 964)</b>
<i>Movement in Guarantee Fund reserve</i>	-	82	(82)	-	-
<i>Fair value movements</i>	24	-	-	-	24
<i>Other</i>	-	9	(11)	-	(2)
<i>Allocation of the 2015 economic result</i>	-	-	(12 862)	12 862	-
<i>2015 budget result credited to Member States</i>	-	-	(1 349)	-	(1 349)
<i>Economic result of the year</i>	-	-	-	1 775	1 775
<b>BALANCE AS AT 31.12.2016</b>	<b>311</b>	<b>2 720</b>	<b>(81 321)</b>	<b>1 775</b>	<b>(76 515)</b>

# **NOTES TO THE FINANCIAL STATEMENTS**

*For further information in addition to the notes below, please also see the 2016 EU consolidated annual accounts.*

# 1. SIGNIFICANT ACCOUNTING POLICIES

The European Commission (hereinafter referred to as the Commission) applies the accounting policies of the European Union (hereinafter referred to as the EU). A summary of the significant EU accounting policies is given below.

## 1.1. LEGAL BASIS AND ACCOUNTING RULES

The accounts of the EU are kept in accordance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26 October 2012, p. 1) hereinafter referred to as the 'Financial Regulation' and Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 (OJ L 362, 31 December 2012, p. 1) laying down detailed rules of application of this Financial Regulation.

In accordance with article 143 of the Financial Regulation, the EU prepares its financial statements on the basis of accrual-based accounting rules that are based on International Public Sector Accounting Standards (IPSAS). These accounting rules, adopted by the Accounting Officer of the Commission, have to be applied by all the institutions and EU bodies falling within the scope of consolidation in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements and consolidation.

## 1.2. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users. For the EU as a public sector entity, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it. It is with these goals in mind that the present document has been drawn up.

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

## 1.3. CONSOLIDATION

### Scope of consolidation

The consolidated financial statements of the EU comprise all significant controlled entities (i.e. the EU institutions (including the Commission) and the EU agencies), associates and joint ventures. The complete list of consolidated entities can be found in note 9 of the EU financial statements. It now comprises 52 controlled entities and 1 associate. Entities that fall under the consolidation scope, but which are immaterial to the EU consolidated financial statements as a whole, need not be consolidated or accounted for using equity method where to do so would result in excessive time or cost to the EU. Those entities are referred to as 'Minor entities' and are separately listed in note 9 - scope of consolidation. In 2016, 7 entities have been classified as minor entities.

### Controlled entities

The decision to include an entity in the scope of consolidation is based on the control concept. Controlled entities are all entities for which the EU is exposed, or has right, to variable benefits from its involvement and has the liability to affect the nature and amount of those benefits through its power over the other entity. This power must be presently exercisable and must relate to the relevant activities of the entity. Controlled entities are fully consolidated. The consolidation begins at the first date on which control exists, and ends when such control no longer exists.

The most common indicators of control within the EU are: creation of the entity through founding treaties or secondary legislation, financing of the entity from the EU budget, the existence of voting rights in the governing bodies, audit by the European Court of Auditors and discharge by the European Parliament. An individual assessment for each entity is made in order to decide whether one or all of the criteria listed above are sufficient to result in control.

Under this approach, the EU's institutions (except the European Central Bank) and agencies (excluding the agencies of the former 2nd pillar) are considered as under the exclusive control of the EU and are therefore included in the consolidation scope. Furthermore the European Coal and Steel Community (ECSC) in Liquidation is also considered as a controlled entity.

All material "inter-entity transactions and balances" between EU controlled entities are eliminated, while unrealised gains and losses on such transactions are not material and so have not been eliminated.

### Joint Arrangements

A joint arrangement is an agreement over which the EU and one or more parties have joint control. Joint control is contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of parties sharing control. Joint agreements can be either joint operations or joint ventures. In case a joint arrangement is structured through a separate vehicle and parties to the joint arrangement have rights to the net assets of the arrangement, this joint arrangement classifies as a joint venture. Participations in joint ventures are accounted for using the equity method (see note **1.5.4**). In case the parties have rights to the assets, and obligations for the liabilities, related to the arrangement, this joint arrangement is classified as a joint operation. In relation to its interest in joint operations, the EU recognises in its financial statements: its assets and liabilities, revenue and expense, as well as its share of assets, liabilities, revenue and expense held or incurred jointly.

### Associates

Associates are entities over which the EU has, directly or indirectly, significant influence but not control. It is presumed that significant influence exists if the EU holds directly or indirectly 20 % or more of the voting rights. Participations in associates are accounted for using the equity method (see note **1.5.4**).

### Non-consolidated entities the funds of which are managed by the Commission

The funds of the Joint Sickness Insurance Scheme for staff of the EU, the European Development Fund and the Participants Guarantee Fund are managed by the Commission on their behalf. However, since these entities are not controlled by the EU, they are not consolidated in its financial statements.

## 1.4. BASIS OF PREPARATION

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

### 1.4.1. Currency and basis for conversion

#### Functional and reporting currency

The financial statements are presented in millions of euros, the euro being the EU's functional and reporting currency.

#### Transactions and balances

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Translation differences on non-monetary financial instruments classified as available for sale financial assets are included in the fair value reserve.

Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the rate that applied at the date when they were purchased.

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

#### Euro exchange rates

Currency	31.12.2016	31.12.2015	Currency	31.12.2016	31.12.2015
<b>BGN</b>	<b>1.9558</b>	1.9558	<b>PLN</b>	<b>4.4103</b>	4.2639
<b>CZK</b>	<b>27.0210</b>	27.0230	<b>RON</b>	<b>4.5390</b>	4.5240
<b>DKK</b>	<b>7.4344</b>	7.4626	<b>SEK</b>	<b>9.5525</b>	9.1895
<b>GBP</b>	<b>0.8562</b>	0.7340	<b>CHF</b>	<b>1.0739</b>	1.0835
<b>HRK</b>	<b>7.5597</b>	7.6380	<b>JPY</b>	<b>123.4000</b>	131.0700
<b>HUF</b>	<b>309.8300</b>	315.9800	<b>USD</b>	<b>1.0541</b>	1.0887

#### 1.4.2. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to: amounts for employee benefit liabilities, provisions, financial risk on inventories and accounts receivable, accrued income and charges, contingent assets and liabilities, degree of impairment of intangible assets and property, plant and equipment and amounts disclosed in the notes concerning financial instruments. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

## 1.5. BALANCE SHEET

#### 1.5.1. Intangible assets

Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives (3-11 years). The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met and relate solely to the development phase of the asset. The costs capitalisable include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

#### 1.5.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the EU and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

Land and works of art are not depreciated as they are deemed to have an indefinite useful life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
<i>Buildings</i>	4 % to 10 %
<i>Space assets</i>	8 % to 20 %
<i>Plant and equipment</i>	10 % to 25 %
<i>Furniture and vehicles</i>	10 % to 25 %
<i>Computer hardware</i>	25 % to 33 %
<i>Other</i>	10 % to 33 %

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

### Leases

Leases of tangible assets, where the EU has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to expenditure over the period of the lease at a constant periodic rate in relation to the balance outstanding. The rental obligations, net of finance charges, are included in financial liabilities (non-current and current). The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

### 1.5.3. Impairment of non-financial assets

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

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

### 1.5.4. Investments accounted for using the equity method

#### Participations in associates and joint ventures

Investments accounted for using the equity method are initially recognised at cost. The EU's interest in these investments is recognised in the statement of financial performance, and its share in the movements in reserves is recognised in the fair value reserve in net assets. The initial cost together with all movements (further contributions, share of economic results and reserve movements, impairments, and dividends) give the book value of the investment in the financial statements at the balance sheet date. Distributions received from the investment reduce the carrying amount of the asset.

If the EU's share of deficits of an investment accounted for using the equity method equals or exceeds its interest in the investment, the EU discontinues recognising its share of further losses ("unrecognised losses"). After the EU's interest is reduced to zero, additional losses are provided for and a liability is

recognised, only to the extent that the EU has incurred legal or constructive obligation or made payments on behalf of the entity.

If there are indications of impairment, a write-down to the lower recoverable amount is necessary. The recoverable amount is determined as described under **1.5.3**. If the reason for impairment ceases to apply at a later date, the impairment loss is reversed to the carrying amount that would have been determined had no impairment loss been recognised.

In cases where the EU holds 20 % or more of an investment capital fund, it does not seek to exert significant influence. Such funds are therefore treated as financial instruments and categorised as available for sale financial assets.

Associates and joint ventures classified as minor entities are not accounted for under the equity method. EU contributions to those entities are accounted for as an expense of the period.

### 1.5.5. Financial assets

#### Classification

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

#### *(i) Financial assets at fair value through surplus or deficit*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the EU. Derivatives are also categorised in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

#### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the EU provides money, goods or services directly to a debtor with no intention of trading the receivable, or in case the EU is subrogated to the rights of the original lender following a payment made by the EU under a guarantee contract. Payments due within 12 months of the balance sheet date are classified as current assets. Payments due after 12 months from the balance sheet date are classified as non-current assets. Loans and receivables include term deposits with the original maturity above three months.

#### *(iii) Held-to-maturity investments*

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

#### *(iv) Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the EU expects to hold them, which is usually the maturity date. Investments in entities that are neither consolidated nor accounted for using the equity method and other equity-type investments (e.g. Risk Capital Operations) are also classified as available for sale financial assets.

#### Initial recognition and measurement

Purchases and sales of financial assets at fair value through surplus or deficit, held-to-maturity and available for sale are recognised on trade-date – the date on which the EU commits to purchase or sell the asset. Cash equivalents and loans are recognised when cash is advanced to the borrowers. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through surplus or deficit transactions costs are added to the fair value at initial recognition. Financial assets



carried at fair value through surplus or deficit are initially recognised at fair value and transaction costs are expensed in the statement of financial performance.

The fair value of a financial asset on initial recognition is normally the transaction price (i.e. the fair value of the consideration received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets (e.g. in case of some derivative contracts). However, when a long-term loan that carries no interest or an interest below market conditions is granted, its fair value can be estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating.

Loans granted are measured at their nominal amount, which is considered to be the fair value of the loan. The reasoning for this is as follows:

- The "market environment" for EU lending is very specific and different from the capital market used to issue commercial or government bonds. As lenders in these markets have the opportunity to choose alternative investments, the opportunity possibility is factored into market prices. However, this opportunity for alternative investments does not exist for the EU which is not allowed to invest money on the capital markets; it only borrows funds for the purpose of lending at the same rate. This means that there is no alternative lending or investment option available to the EU for the sums borrowed. Thus, there is no opportunity cost and therefore no basis of comparison with market rates. In fact, the EU lending operation itself represents the market. Essentially, since the opportunity cost "option" is not applicable, the market price does not fairly reflect the substance of the EU lending transactions. Therefore, it is not appropriate to determine the fair value of EU lending with reference to commercial or government bonds.
- Furthermore as there is no active market or similar transactions to compare with, the interest rate to be used by the EU for fair valuing its lending operations under the EFSM, BOP and other such loans, should be the interest rate charged.
- In addition, for these loans, there are compensating effects between loans and borrowings due to their back-to-back character. Thus, the effective interest for the loan equals the effective interest rate for the related borrowings. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.

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

### Subsequent measurement

- (i) Financial assets at fair value through surplus or deficit are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial instruments at fair value through surplus or deficit' category are included in the statement of financial performance in the period in which they arise.
- (ii) Loans and receivables are carried at amortised cost using the effective interest method. In the case of loans granted on borrowed funds, the same effective interest rate is applied to both the loans and borrowings since these loans have the characteristics of 'back-to-back operations' and the differences between the loan and the borrowing conditions and amounts are not material. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.
- (iii) Held to maturity assets are carried at amortised cost using the effective interest method. The EU currently holds no held to maturity investments.
- (iv) Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in the fair value reserve, except for translation differences on monetary assets which are recognised in the statement of financial performance. When assets classified as available for sale financial assets are derecognised or impaired, the cumulative fair value adjustments previously recognised in the fair value reserve are recognised in the statement of financial performance. Interest on available for sale financial assets calculated using the effective interest method is recognised in the statement of financial performance. Dividends on available for sale equity instruments are recognised when the EU's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities and over-the-counter derivatives), the EU establishes a fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cashflow analysis, option pricing models and other valuation techniques commonly used by market participants.

Investments in Venture Capital Funds, classified as available for sale financial assets, which do not have a quoted market price in an active market are valued at the attributable net asset value, which is considered as an equivalent of their fair value.

In cases where the fair value of investments in equity instruments that do not have a quoted market price in an active market cannot be reliably measured, these investments are valued at cost less impairment losses.

#### Impairment of financial assets

The EU assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cashflows of the financial asset that can be reliably estimated.

##### (a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cashflows of a collateralised financial asset reflects the cashflows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of financial performance.

##### (b) *Assets carried at fair value*

In the case of equity investments classified as available for sale financial assets, a significant or permanent (prolonged) decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of financial performance – is removed from reserves and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance. If, in a subsequent period, the fair value of a debt instrument classified as available for sale financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of financial performance.

#### 1.5.6. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other directly attributable costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When inventories are held for distribution at no charge or for a nominal charge, they are measured at the lower of cost and current replacement cost. Current replacement cost is the cost the EU would incur to acquire the asset on the reporting date.

### 1.5.7. Pre-financing amounts

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

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

Interest on pre-financing is recognised as it is earned in accordance with the provisions of the relevant agreement. An estimate of the accrued interest revenue, based on the most reliable information, is made at the year-end and included on the balance sheet.

Other advances to Member States which originate from reimbursement by the EU of amounts paid as advances by the Member States to their beneficiaries (including "financial instruments under shared management") are recognised as assets and presented under the pre-financing heading. Other advances to Member States are subsequently measured at the amount initially recognised on the balance sheet less a best estimate of the eligible expenses incurred by final beneficiaries, calculated on the basis of reasonable and supportable assumptions.

The EU contributions to the trust funds of the European Development Fund or other unconsolidated entities are also classified as pre-financing since their purpose is to give a float to the trust fund to allow it to finance specific actions defined under the trust fund's objectives. The EU contributions to trust funds are measured at the initial amount of the EU contribution less eligible expenses, including estimated amounts where necessary, incurred by the trust fund during the reporting period and allocated to the EU contribution in accordance with the underlying agreement.

### 1.5.8. Exchange receivables and non-exchange recoverables

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

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly (see **1.5.5** above). The financial instruments notes disclosures concerning receivables from exchange transactions include accrued income and deferred charges from exchange transactions as they are not material.

Recoverables from non-exchange transactions are carried at original amount (adjusted for interest and penalties) less write-down for impairment. A write-down for impairment of recoverables from non-exchange transactions is established when there is objective evidence that the EU will not be able to collect all amounts due according to the original terms of recoverables from non-exchange transactions. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance. A general write-down, based on past experience, is also made for outstanding recovery orders not already subject to a specific write-down. See note **1.5.14** below concerning the treatment of accrued income at year-end. Amounts displayed and disclosed as recoverables from non-exchanges transactions are not financial instruments as they do not arise from a contract that would give rise to a financial liability or equity instrument. However, in the notes to the financial statements recoverables from non-exchange transactions are disclosed together with receivables from exchange transactions where appropriate.

### 1.5.9. Cash and cash equivalents

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

### 1.5.10. Pension and other employee benefits

#### Pension obligations

The EU operates defined benefit pension plans. Whilst staff contribute from their salaries one third of the expected cost of these benefits, the liability is not funded. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of any plan assets. The defined benefit obligation is calculated by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of financial performance. Past-service costs are recognised immediately in statement of financial performance, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

#### Post-employment sickness benefits

The EU provides health benefits to its employees through the reimbursement of medical expenses. A separate fund has been created for its day-to-day administration. Both current employees, pensioners, widowers and their relatives benefit from the system. The benefits granted to the "inactives" (pensioners, orphans, etc.) are classified as "Post-Employment Employee Benefits". Given the nature of these benefits, an actuarial calculation is required. The liability in the balance sheet is determined on a similar basis as that for the pension obligations (see above).

### 1.5.11. Provisions

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

### 1.5.12. Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or as financial liabilities carried at amortised cost. Borrowings are composed of borrowings from credit institutions and debts evidenced by certificates. They are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred, then subsequently carried at amortised cost using the effective interest method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Financial liabilities are classified as non-current liabilities, except for maturities less than 12 months after the balance sheet date. In the case of loans granted on borrowed funds, the effective interest method may not be applied to loans and borrowings, based on materiality considerations. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.

EU trust funds that are considered as part of the Commission's operational activities are accounted for in the Commission accounts and further consolidated in the EU annual accounts. Therefore, contributions from other donors to the EU trust funds fulfil the criteria of revenues from non-exchange transactions under conditions and they are presented as financial liabilities until the conditions attached to the contributions transferred are met, i.e. eligible costs are incurred by the trust fund. The trust fund is required to finance specific projects and return remaining funds at the time of winding-up. At the balance sheet date the outstanding contribution liabilities are measured at contributions received less the expenses incurred by the trust fund, including estimated amounts when necessary. For reporting purposes the net expenses are allocated to the contributions of other donors in proportion to net contributions paid as at 31 December. This allocation of contributions is only indicative. When the trust fund is wound up the actual split of remaining resources will be decided by the trust fund board.

Financial liabilities categorised at fair value through surplus or deficit include derivatives when their fair value is negative. They follow the same accounting treatment as financial assets at fair value through surplus or deficit, see note **1.5.5**.

### 1.5.13. Payables

A significant amount of the payables of the EU are unpaid cost claims from beneficiaries of grants or other EU funding (non-exchange transactions). They are recorded as payables for the requested amount when the cost claim is received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount.

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

### 1.5.14. Accrued and deferred income and charges

Transactions and events are recognised in the financial statements in the period to which they relate. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the EU or a contractual agreement exists (e.g. by reference to a treaty), an accrued income will be recognised in the financial statements. In addition, at year-end, if an invoice is issued but the services have not yet been rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

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

## 1.6. STATEMENT OF FINANCIAL PERFORMANCE

### 1.6.1. Revenue

#### REVENUE FROM NON-EXCHANGE TRANSACTIONS

The vast majority of the EU's revenue relates to non-exchange transactions:

#### GNI based resources and VAT resources

Revenue is recognised for the period for which the Commission sends out a call for funds to the Member States claiming their contribution. They are measured at their "called amount". As VAT and GNI resources are based on estimates of the data for the budgetary year concerned, they may be revised as changes occur until the final data are issued by the Member States. The effect of a change in estimate is included when determining the net surplus or deficit for the period in which the change occurred.

## Traditional own resources

Recoverables from non-exchange transactions and related revenues are recognised when the relevant monthly "A" statements (including duties collected and amounts due that are guaranteed and not contested) are received from the Member States. At the reporting date, revenue collected by the Member States for the period but not yet paid to the Commission is estimated and recognised as accrued income. The quarterly "B" statements (including duties neither collected nor guaranteed, as well as guaranteed amounts that have been contested by the debtor) received from the Member States are recognised as revenue less the collection costs to which they are entitled. In addition, a value reduction is recognised for the amount of the estimated recovery gap.

## Fines

Revenue from fines is recognised when the EU's decision imposing a fine has been taken and it is officially notified to the addressee. If there are doubts about the undertaking's solvency, a value reduction on the entitlement is recognised. After the decision to impose a fine, the debtors have two months from the date of notification:

- either to accept the decision, in which case they must pay the fine within the time limit laid down and the amount is definitively collected by the EU;
- or not to accept the decision, in which case they lodge an appeal under EU law.

However, even if appealed, the fine must be paid within the time limit of three months laid down as the appeal does not have suspensory effect (Article 278 of the EU Treaty) or, under certain circumstances and subject to the agreement of the Commission's Accounting Officer, the debtor may present a bank guarantee for the amount instead.

If the undertaking appeals against the decision, and has already provisionally paid the fine, the amount is disclosed as a contingent liability. However, since an appeal against an EU decision by the addressee does not have suspensory effect, the cash received is used to clear the recoverable. If a guarantee is received instead of payment, the fine remains as a recoverable. If it appears probable that the General Court may not rule in favour of the EU, a provision is recognised to cover this risk. If a guarantee had been given instead, then the recoverable outstanding is written-down as required. The accumulated interest received by the Commission on the bank accounts where received payments are deposited is recognised as revenue, and any contingent liability is increased accordingly.

Since 2010, all provisionally cashed fines are managed by the Commission in a specifically created fund (BUFI) and invested in financial instruments.

## REVENUE FROM EXCHANGE TRANSACTIONS

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

## Interest income and expense

Interest income and expense are recognised in the statement of financial performance using the effective interest method. This is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. When calculating the effective interest rate, the EU estimates cashflows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cashflows for the purpose of measuring the impairment loss.

## Dividend income

Dividend income is recognised when the right to receive payment is established.

## 1.6.2. Expenses

Expenses from non-exchange transactions account for the majority of the EU's expenses. They relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and discretionary grants, contributions and donations.

Transfers are recognised as expenses in the period during which the events giving rise to the transfer occurred, as long as the nature of the transfer is allowed by regulation (Financial Regulation, Staff Regulations, or other regulation) or an agreement has been signed authorising the transfer; any eligibility criteria have been met by the beneficiary; and a reasonable estimate of the amount can be made.

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

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

## 1.7. CONTINGENT ASSETS AND LIABILITIES

### 1.7.1. Contingent assets

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

### 1.7.2. Contingent liabilities

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

## 1.8. CASHFLOW STATEMENT

Cashflow information is used to provide a basis for assessing the ability of the EU to generate cash and cash equivalents, and its needs to utilise those cashflows.

The cashflow statement is prepared using the indirect method. This means that the economic result for the financial year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cashflows.

Cashflows arising from transactions in a foreign currency are recorded in the EU's reporting currency (Euro), by applying to the foreign currency amount the exchange rate between the euro and the foreign currency at the date of the cashflow.

The cashflow statement reports cashflows during the period classified by operating and investing activities (the EU does not have financing activities).

Operating activities are the activities of the EU that are not investing activities. These are the majority of the activities performed. Loans granted to beneficiaries (and the related borrowings, when applicable) are not considered as investing (or financing) activities as they are part of the general objectives and thus

daily operations of the EU. Operating activities also include investments such as investments in the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD) and venture capital funds. Indeed, the aim of these activities is to contribute to the achievement of policy objectives.

Investing activities are the acquisition and disposal of intangible assets and property, plant and equipment and of other investments which are not included in cash equivalents. Investing activities do not include loans granted to beneficiaries. The objective is to show the real investments made by the EU.



## 2. NOTES TO THE BALANCE SHEET

### ASSETS

#### 2.1. INTANGIBLE ASSETS

EUR millions

<i>Gross carrying amount at 31.12.2015</i>	219
<i>Additions</i>	30
<i>Disposals</i>	(4)
<i>Transfer between asset categories</i>	-
<i>Other changes</i>	7
<b>Gross carrying amount at 31.12.2016</b>	<b>252</b>
<i>Accumulated amortisation at 31.12.2015</i>	(91)
<i>Amortisation charge for the year</i>	(26)
<i>Amortisation written back</i>	-
<i>Disposals</i>	3
<i>Transfer between asset categories</i>	-
<i>Other changes</i>	(2)
<b>Accumulated amortisation at 31.12.2016</b>	<b>(116)</b>
<b>NET CARRYING AMOUNT AT 31.12.2016</b>	<b>135</b>
<i>NET CARRYING AMOUNT AT 31.12.2015</i>	128

## 2.2. PROPERTY, PLANT AND EQUIPMENT

	<i>EUR millions</i>								
	Land and buildings	Space assets	Plant and equipment	Furniture and vehicles	Computer hardware	Other	Finance leases	Assets under construction	TOTAL
<i>Gross carrying amount at 31.12.2015</i>	1 395	725	253	73	237	148	1 552	3 350	7 733
<i>Additions</i>	15	13	8	4	26	11	3	1 469	1 550
<i>Disposals</i>	(2)	(2)	(7)	(3)	(21)	(5)	(3)	(0)	(43)
<i>Transfer between asset categories</i>	25	2 864	2	-	2	(0)	(2)	(2 891)	-
<i>Other changes</i>	3	1	1	0	2	1	0	(2)	7
<b>Gross carrying amount at 31.12.2016</b>	<b>1 436</b>	<b>3 602</b>	<b>257</b>	<b>74</b>	<b>248</b>	<b>155</b>	<b>1 550</b>	<b>1 925</b>	<b>9 247</b>
<i>Accumulated depreciation at 31.12.2015</i>	(765)	(141)	(226)	(56)	(194)	(103)	(656)	-	(2 141)
<i>Depreciation charge for the year</i>	(42)	(161)	(14)	(4)	(24)	(14)	(55)	-	(314)
<i>Depreciation written back</i>	-	-	0	-	-	-	-	-	0
<i>Disposals</i>	2	2	7	3	21	5	3	-	42
<i>Transfer between asset categories</i>	-	-	(0)	-	(2)	0	2	-	-
<i>Other changes</i>	(0)	(0)	(0)	(0)	(0)	(1)	(0)	-	(2)
<b>Accumulated depreciation at 31.12.2016</b>	<b>(806)</b>	<b>(300)</b>	<b>(233)</b>	<b>(58)</b>	<b>(201)</b>	<b>(112)</b>	<b>(705)</b>	<b>-</b>	<b>(2 415)</b>
<b>NET CARRYING AMOUNT AT 31.12.2016</b>	<b>631</b>	<b>3 302</b>	<b>24</b>	<b>16</b>	<b>47</b>	<b>43</b>	<b>844</b>	<b>1 925</b>	<b>6 832</b>
<i>NET CARRYING AMOUNT AT 31.12.2015</i>	630	584	28	16	43	45	896	3 350	5 592

## 2.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

EUR millions

	Note	31.12.2016	31.12.2015
<i>Participations in joint ventures</i>		-	5
<i>Participations in associates</i>	2.3.1	528	491
<b>Total</b>		<b>528</b>	<b>497</b>

### 2.3.1. Participation in associates

EUR millions

European  
Investment Fund

<i>Participation at 31.12.2015</i>	491
<i>Contributions</i>	41
<i>Dividends received</i>	(6)
<i>Share of net result</i>	34
<i>Changes in fair value reserve</i>	(0)
<i>Other equity movements</i>	(32)
<b>Participation at 31.12.2016</b>	<b>528</b>

The following carrying amounts are attributable to the Commission based on its percentage of participation of 28.1 % at 31 December 2016 (2015: 26.5 %):

EUR millions

	31.12.2016		31.12.2015	
	Total EIF	EU's share	Total EIF	EU's share
Assets	2 301	647	2 183	578
Liabilities	(423)	(119)	(328)	(87)
Revenue	240	67	192	51
Expenses	(118)	(33)	(95)	(25)
Surplus/(deficit)	122	34	97	26

The Commission has paid in 20 % of the EU participation, the balance being uncalled, corresponding at 31 December 2016 to the following amounts:

EUR millions

	Total EIF capital	EU subscription
<i>Total share capital</i>	4 382	1 232
<i>Paid-in</i>	(876)	(246)
<b>Uncalled</b>	<b>3 506</b>	<b>986</b>

## 2.4. FINANCIAL ASSETS

EUR millions

	Note	31.12.2016	31.12.2015
<b>Non-current financial assets</b>			
Available for sale financial assets	2.4.1	7 721	5 820
Loans	2.4.3	53 012	49 521
		<b>60 733</b>	<b>55 341</b>
<b>Current financial assets</b>			
Available for sale financial assets	2.4.1	1 035	2 101
Financial assets at fair value through surplus or deficit	2.4.2	0	-
Loans	2.4.3	2 260	7 477
		<b>3 296</b>	<b>9 579</b>
<b>Total</b>		<b>64 029</b>	<b>64 919</b>

### 2.4.1. Available for sale financial assets

EUR millions

	31.12.2016	31.12.2015
BUFI investments	2 013	2 647
European Bank for Reconstruction and Development	188	188
	<b>2 201</b>	<b>2 835</b>
<i>Guarantee Funds for budgetary guarantees:</i>		
Guarantee Fund for external actions	2 069	2 002
EFSI Guarantee Fund	948	-
	<b>3 017</b>	<b>2 002</b>
<i>Financial instruments supported by the EU budget:</i>		
Horizon 2020	1 213	765
Risk Sharing Finance Facility	719	773
Connecting Europe Facility*	483	425
ETF start up	476	485
Risk Capital Operations	132	152
European Fund for South East Europe	118	118
Other	398	366
	<b>3 539</b>	<b>3 084</b>
<b>Total</b>	<b>8 757</b>	<b>7 921</b>
<i>Non-current</i>	<i>7 721</i>	<i>5 820</i>
<i>Current</i>	<i>1 035</i>	<i>2 101</i>

\* Previous year amounts relate to Project Bond Initiative and Loan Guarantee Instrument for TEN-T projects. These two instruments were merged in 2016 into Connecting Europe Facility.

### 2.4.2. Financial assets at fair value through surplus or deficit

EUR millions

	31.12.2016		Fair value	31.12.2015		Fair value
	Notional amount receive leg	Notional amount pay leg		Notional amount receive leg	Notional amount pay leg	
Foreign currency forward contract	50	(50)	0	-	-	-

## Fair value hierarchy of financial assets measured at fair value

EUR millions

	31.12.2016	31.12.2015
Level 1: Quoted prices in active markets	7 224	6 459
Level 2: Observable inputs other than quoted prices	231	152
Level 3: Valuation techniques with inputs not based on observable market data	1 302	1 310
<b>Total</b>	<b>8 757</b>	<b>7 921</b>

## Reconciliation of financial assets measured using valuation techniques with inputs not based on observable market data (level 3)

EUR millions

Opening balance at 31.12.2015	1 310
Purchases and sales	32
Gains or losses for the period in financial income or finance costs	(54)
Gains or losses in net assets	13
Transfers into level 3	-
Transfers out of level 3	-
Other	-
<b>Closing balance at 31.12.2016</b>	<b>1 302</b>

## 2.4.3. Loans

EUR millions

	Note	31.12.2016	31.12.2015
Loans for financial assistance	2.4.3.1	54 944	56 645
Other loans	2.4.3.2	328	353
<b>Total</b>		<b>55 272</b>	<b>56 998</b>
Non-current		53 012	49 521
Current		2 260	7 477

## 2.4.3.1. Loans for financial assistance

EUR millions

	EFSM	BOP	MFA	Euratom	Total
Total at 31.12.2015	47 509	5 811	3 024	301	56 645
New loans	4 750	-	10	-	4 760
Repayments	(4 750)	(1 500)	(70)	(49)	(6 369)
Exchange differences	-	-	-	-	-
Changes in carrying amount	(53)	(40)	-	-	(93)
Impairment	-	-	-	-	-
<b>Total at 31.12.2016</b>	<b>47 456</b>	<b>4 272</b>	<b>2 964</b>	<b>252</b>	<b>54 944</b>
Non-current	46 800	3 050	2 889	199	52 938
Current	656	1 222	75	53	2 006

The change in carrying amount corresponds to the change in accrued interests.

Nominal value of loans for financial assistance at 31 December 2016 total EUR 54 198 million (2015: EUR 55 807 million).

## Loans effective interest rates (expressed as a range of interest rates)

	31.12.2016	31.12.2015
Macro Financial Assistance (MFA)	0 % - 4.54 %	0 % - 4.54 %
Euratom	0 % - 5.76 %	0.08 % - 5.76 %
Balance of Payment (BOP)	2.37 % - 3.37 %	2.37 % - 3.62 %
European Financial Stability Mechanism (EFSM)	0.62 % - 3.75 %	0.62 % - 3.75 %

## 2.4.3.2. Other loans

EUR millions

	31.12.2016	31.12.2015
<i>Loans with special conditions</i>	93	113
<i>Term deposits over 3 months</i>	235	240
<b>Total</b>	<b>328</b>	<b>353</b>
<i>Non-current</i>	74	83
<i>Current</i>	254	270

Nominal value of other loans at 31 December 2016 total EUR 668 million (2015: EUR 602 million).

## Impairment on other loans

EUR millions

	31.12.2015	Additions	Reversals	Write-off	Other	31.12.2016
<i>Loans with special conditions</i>	13	-	(6)	-	-	7
<i>Subrogated loans</i>	218	114	-	-	-	332
<b>Total</b>	<b>231</b>	<b>114</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>339</b>

## 2.5. PRE-FINANCING

EUR millions

	Note	31.12.2016	31.12.2015
<b>Non-current pre-financing</b>			
<i>Pre-financing</i>	2.5.1	20 095	28 548
<i>Other advances to Member States</i>	2.5.2	1 651	1 332
<i>Contribution to Trust Funds</i>		31	4
		<b>21 777</b>	<b>29 884</b>
<b>Current pre-financing</b>			
<i>Pre-financing</i>	2.5.1	21 781	11 581
<i>Other advances to Member States</i>	2.5.2	2 183	3 779
		<b>23 964</b>	<b>15 360</b>
<b>Total</b>		<b>45 741</b>	<b>45 244</b>

### 2.5.1. Pre-financing

EUR millions

	Gross amount	Cleared via cut-off	Net amount at 31.12.2016	Gross amount	Cleared via cut-off	Net amount at 31.12.2015
<b>Shared Management</b>						
<i>EAFRD &amp; other rural development instruments</i>	3 955	-	3 955	4 726	(1 629)	3 097
<i>ERDF &amp; CF</i>	19 858	(4 727)	15 131	24 268	(7 416)	16 852
<i>ESF</i>	6 477	(617)	5 860	7 251	(1 325)	5 926
<i>Other</i>	4 219	(2 393)	1 826	4 359	(2 365)	1 994
<b>Direct Management</b>						
<i>Implemented by:</i>						
<i>Commission</i>	12 710	(9 077)	3 633	12 741	(9 744)	2 997
<i>EU executive agencies</i>	13 138	(8 349)	4 789	11 067	(7 769)	3 298
<i>Trust funds</i>	142	(82)	60	14	(5)	9
<b>Indirect Management</b>						
<i>Implemented by:</i>						
<i>Other EU agencies &amp; bodies</i>	2 790	(2 110)	680	2 250	(1 649)	601
<i>Third countries</i>	1 861	(1 135)	726	2 151	(1 229)	922
<i>International organisations</i>	7 230	(4 432)	2 797	6 640	(4 014)	2 626
<i>Other entities</i>	6 496	(4 077)	2 418	5 327	(3 521)	1 806
<b>Total</b>	<b>78 876</b>	<b>(37 000)</b>	<b>41 876</b>	<b>80 795</b>	<b>(40 666)</b>	<b>40 129</b>
<i>Non-current</i>	20 095	-	20 095	28 548	-	28 548
<i>Current</i>	58 781	(37 000)	21 781	52 247	(40 666)	11 581

### 2.5.2. Other advances to Member States

EUR millions

	31.12.2016	31.12.2015
<i>Advances to Member States for financial instruments under shared management</i>	2 534	3 287
<i>Aid Schemes</i>	1 300	1 824
<b>Total</b>	<b>3 834</b>	<b>5 111</b>
<i>Non-current</i>	1 651	1 332
<i>Current</i>	2 183	3 779

## 2.6. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

EUR millions

	Note	31.12.2016	31.12.2015
<b>Non-current</b>			
Recoverables from non-exchange transactions	2.6.1	727	899
Receivables from exchange transactions	2.6.2	2	0
		<b>729</b>	<b>899</b>
<b>Current</b>			
Recoverables from non-exchange transactions	2.6.1	10 266	8 844
Receivables from exchange transactions	2.6.2	341	372
		<b>10 607</b>	<b>9 215</b>
<b>Total</b>		<b>11 336</b>	<b>10 114</b>

### 2.6.1. Recoverables from non-exchange transactions

EUR millions

	Note	31.12.2016	31.12.2015
<b>Non-current</b>			
Member States	2.6.1.1	700	856
Accrued income and deferred charges	2.6.1.2	-	-
Other recoverables		27	42
		<b>727</b>	<b>899</b>
<b>Current</b>			
Member States	2.6.1.1	8 122	6 803
Fines		1 808	1 601
Accrued income and deferred charges	2.6.1.2	153	242
Other recoverables		182	197
		<b>10 266</b>	<b>8 844</b>
<b>Total</b>		<b>10 993</b>	<b>9 742</b>

#### 2.6.1.1. Recoverables from Member States

EUR millions

	31.12.2016	31.12.2015
<i>Recoverables related to own resources:</i>		
Established in the A account	3 261	3 041
Established in the separate account	1 437	1 283
Own resources to be received	1 764	-
Impairment	(753)	(760)
Other	36	10
<b>Own resource recoverables</b>	<b>5 745</b>	<b>3 573</b>
<i>Recoverables in the area of agriculture and rural development:</i>		
European Agricultural Guarantee Fund (EAGF)	2 606	3 846
European Agricultural Fund for Rural Development (EAFRD)	924	750
Temporary Rural Development Instrument (TRDI)	30	26
Special Accession Programme for Agriculture and Rural Development (SAPARD)	167	175
Impairment	(999)	(1 092)
<b>EAGF and rural development recoverables</b>	<b>2 729</b>	<b>3 705</b>
<b>Pre-financing recovery expected</b>	<b>293</b>	<b>313</b>
<b>VAT paid and recoverable</b>	<b>17</b>	<b>13</b>
<b>Other recoverables from Member States</b>	<b>39</b>	<b>56</b>
<b>Total</b>	<b>8 822</b>	<b>7 660</b>
<i>Non-current</i>	<i>700</i>	<i>856</i>
<i>Current</i>	<i>8 122</i>	<i>6 803</i>



## 2.6.1.2. Accrued income and deferred charges

EUR millions

	31.12.2016	31.12.2015
<i>Cohesion, Agricultural &amp; Rural Development Funds:</i>	9	10
<i>Financial corrections</i>		
<i>Other accrued income</i>	70	162
<i>Deferred charges relating to non-exchange transactions</i>	74	70
<b>Total</b>	<b>153</b>	<b>242</b>
<i>Non-current</i>	–	–
<i>Current</i>	153	242

## 2.6.2. Receivables from exchange transactions

EUR millions

	31.12.2016	31.12.2015
<b>Non-current</b>		
<i>Other receivables</i>	2	0
	<b>2</b>	<b>0</b>
<b>Current</b>		
<i>Customers</i>	189	167
<i>Impairment on receivables from customers</i>	(124)	(105)
<i>Deferred charges relating to exchange transactions</i>	162	142
<i>Others</i>	114	168
	<b>341</b>	<b>372</b>
<b>Total</b>	<b>343</b>	<b>372</b>

## 2.7. INVENTORIES

EUR millions

	31.12.2016	31.12.2015
<i>Scientific materials</i>	54	55
<i>Other</i>	21	20
<b>Total</b>	<b>75</b>	<b>75</b>

## 2.8. CASH AND CASH EQUIVALENTS

EUR millions

	31.12.2016	31.12.2015
<i>Accounts with Treasuries and Central Banks</i>	24 566	17 119
<i>Current accounts</i>	127	110
<i>Imprest accounts</i>	5	4
<i>Transfers (cash in transit)</i>	–	–
<i>Other term deposits</i>	–	28
Bank accounts for budget implementation and other term deposits	<b>24 698</b>	<b>17 262</b>
Cash belonging to financial instruments	<b>1 390</b>	<b>1 298</b>
Cash relating to fines	<b>1 325</b>	<b>1 908</b>
Cash relating to trust funds	<b>167</b>	<b>192</b>
<b>Total</b>	<b>27 579</b>	<b>20 660</b>

## LIABILITIES

### 2.9. PENSION AND OTHER EMPLOYEE BENEFITS

Net employee benefit scheme liability

EUR millions

	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	31.12.2016 Total	31.12.2015 Total
<i>Defined Benefit Obligation</i>	58 746	1 062	7 036	66 844	63 488
<i>Plan assets</i>	N/A	N/A	(293)	(293)	(280)
<b>Net liability</b>	<b>58 746</b>	<b>1 062</b>	<b>6 742</b>	<b>66 550</b>	<b>63 208</b>

Actuarial assumptions - employee benefits

	Pension Scheme of European Officials	Joint Sickness Insurance Scheme
<b>2016</b>		
<i>Nominal discount rate</i>	1.7 %	1.9 %
<i>Expected inflation rate</i>	1.4 %	1.5 %
<i>Real discount rate</i>	0.3 %	0.4 %
<i>Expected rate of salary increases</i>	1.2 %	1.1 %
<i>Medical cost trend rates</i>	N/A	3.0 %
<i>Retirement age</i>	63/64/66	63/64/66
<b>2015</b>		
<i>Nominal discount rate</i>	2.0 %	2.1 %
<i>Expected inflation rate</i>	1.4 %	1.4 %
<i>Real discount rate</i>	0.6 %	0.7 %
<i>Expected rate of salary increases</i>	1.2 %	1.2 %
<i>Medical cost trend rates</i>	N/A	3.0 %
<i>Retirement age</i>	63/64/65	63/64/66

Movement in present value of employee benefits defined benefit obligation

EUR millions

	Pension Scheme of European Officials	Other retirement benefit Schemes	Joint Sickness Insurance Scheme	Total
<b>Present value as at 31.12.2015</b>	<b>54 967</b>	<b>859</b>	<b>7 662</b>	<b>63 488</b>
<i>Current Service Cost</i>	2 267	75	283	2 626
<i>Interest cost</i>	1 264	18	161	1 442
<i>Net Actuarial (gains) and losses</i>	2 142	72	(1 039)	1 174
<i>Contributions from members</i>	-	-	24	24
<i>Benefits paid</i>	(1 330)	(13)	(55)	(1 398)
<i>Liability increase/(decrease) due to taxes on pensions</i>	(565)	52	-	(512)
<b>Present value as at 31.12.2016</b>	<b>58 746</b>	<b>1 062</b>	<b>7 036</b>	<b>66 844</b>

## Movement in present value of plan assets of the Joint Sickness Insurance Scheme

EUR millions

<b>Present value as at 31.12.2015</b>	<b>280</b>
<i>Net movement in plan assets</i>	14
<b>Present value as at 31.12.2016</b>	<b>293</b>

## 5 year trend

EUR millions

	2012	2013	2014	2015	2016
<i>Present Value of the defined benefit obligation</i>	41 891	46 367	58 317	63 488	66 844
<i>Fair Value of plan assets</i>	(271)	(264)	(272)	(280)	(293)
<b>Employee benefits liability</b>	<b>41 620</b>	<b>46 103</b>	<b>58 045</b>	<b>63 208</b>	<b>66 550</b>

## Amounts recognised in the Statement of Financial Performance

EUR millions

	Pension Scheme of European Officials	Other retirement benefit Schemes	Joint Sickness Insurance Scheme	Total
<b>2016</b>				
<i>Current service cost</i>	2 042	93	283	2 418
<i>Interest cost</i>	1 138	21	161	1 320
<i>Past service cost</i>	-	-	-	-
<i>Change in plan assets</i>	-	-	(45)	(45)
<b>Staff and pension costs</b>	<b>3 180</b>	<b>114</b>	<b>399</b>	<b>3 693</b>
<b>Actuarial gains and losses</b>	<b>1 929</b>	<b>103</b>	<b>(1 039)</b>	<b>992</b>
<b>Total</b>	<b>5 108</b>	<b>217</b>	<b>(640)</b>	<b>4 685</b>

## Joint Sickness Insurance Scheme sensitivity

EUR millions

	One percentage point increase	One percentage point decrease
<i>The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs</i>	89	(74)
<i>The accumulated post-employment benefit obligation for medical costs</i>	2 201	(1 828)

## 2.10. PROVISIONS

EUR millions

	Amount at 31.12.2015	Additional provisions	Unused amounts reversed	Amounts used	Transfer between categories	Change in estimation	Amount at 31.12.2016
<i>Legal cases:</i>							
<i>Agriculture</i>	-	40	(21)	0	129	-	149
<i>Cohesion</i>	-	19	-	-	198	-	217
<i>Other</i>	371	6	(2)	(33)	(327)	0	14
<i>Nuclear site dismantling</i>	1 078	-	-	(29)	-	64	1 113
<i>Financial</i>	410	536	(7)	(53)	-	(6)	880
<i>Fines</i>	4	20	-	-	-	-	23
<i>Other</i>	2	14	10	(11)	-	-	16
<b>Total</b>	<b>1 864</b>	<b>636</b>	<b>(21)</b>	<b>(125)</b>	<b>-</b>	<b>57</b>	<b>2 412</b>
<b>Non-current</b>	<b>1 562</b>	<b>487</b>	<b>(22)</b>	<b>(3)</b>	<b>(303)</b>	<b>65</b>	<b>1 786</b>
<b>Current</b>	<b>302</b>	<b>149</b>	<b>1</b>	<b>(121)</b>	<b>303</b>	<b>(8)</b>	<b>626</b>

## 2.11. FINANCIAL LIABILITIES

EUR millions

	Note	31.12.2016	31.12.2015
<b>Non-current financial liabilities</b>			
Financial liabilities at amortised cost	2.11.1	54 375	50 897
Financial liabilities at fair value through surplus or deficit	2.11.2	-	-
Financial guarantee liabilities		-	-
		<b>54 375</b>	<b>50 897</b>
<b>Current financial liabilities</b>			
Financial liabilities at amortised cost	2.11.1	2 164	7 898
Financial liabilities at fair value through surplus or deficit	2.11.2	1	-
Financial guarantee liabilities		-	-
		<b>2 165</b>	<b>7 898</b>
<b>Total</b>		<b>56 540</b>	<b>58 794</b>

### 2.11.1. Financial liabilities at amortised cost

EUR millions

	Note	31.12.2016	31.12.2015
Borrowings for financial assistance	2.11.1.1	54 944	56 645
Other financial liabilities	2.11.1.2	1 596	2 149
<b>Total</b>		<b>56 540</b>	<b>58 794</b>
<i>Non-current</i>		<i>54 375</i>	<i>50 897</i>
<i>Current</i>		<i>2 164</i>	<i>7 898</i>

#### 2.11.1.1. Borrowings for financial assistance

EUR millions

	EFSM	BOP	MFA	Euratom	Total
Total at 31.12.2015	47 509	5 811	3 024	301	56 645
New borrowings	4 750	-	10	-	4 760
Repayments	(4 750)	(1 500)	(70)	(49)	(6 369)
Exchange differences	-	-	-	-	-
Changes in carrying amounts	(53)	(40)	-	-	(93)
<b>Total at 31.12.2016</b>	<b>47 456</b>	<b>4 272</b>	<b>2 964</b>	<b>252</b>	<b>54 944</b>
<i>Non-current</i>	<i>46 800</i>	<i>3 050</i>	<i>2 889</i>	<i>199</i>	<i>52 938</i>
<i>Current</i>	<i>656</i>	<i>1 222</i>	<i>75</i>	<i>53</i>	<i>2 006</i>

Borrowings effective interest rates (expressed as a range of interest rates)

	31.12.2016	31.12.2015
Macro Financial Assistance (MFA)	0 % - 4.54 %	0 % - 4.54 %
Euratom	0 % - 5.68 %	0 % - 5.67 %
Balance of Payment (BOP)	2.37 % - 3.37 %	2.37 % - 3.62 %
European Financial Stability Mechanism (EFSM)	0.62 % - 3.75 %	0.62 % - 3.75 %

## 2.11.1.2. Other financial liabilities

EUR millions

	31.12.2016	31.12.2015
<b>Non-current</b>		
<i>Finance lease liabilities</i>	969	1 021
<i>Buildings paid for in instalments</i>	279	299
<i>Other</i>	190	139
	<b>1 438</b>	<b>1 459</b>
<b>Current</b>		
<i>Fines to be reimbursed</i>	25	625
<i>Finance lease liabilities</i>	54	45
<i>Buildings paid for in instalments</i>	20	19
<i>Other</i>	59	1
	<b>158</b>	<b>690</b>
<b>Total</b>	<b>1 596</b>	<b>2 149</b>

## Finance lease liabilities

EUR millions

	Future amounts to be paid			Total Liability
	< 1 year	1 - 5 years	> 5 years	
<i>Land and buildings</i>	50	242	722	1 014
<i>Other tangible assets</i>	4	5	-	9
<b>Total at 31.12.2016</b>	<b>54</b>	<b>247</b>	<b>722</b>	<b>1 023</b>
<i>Interest element</i>	57	195	209	461
<b>Total future minimum lease payments at 31.12.2016</b>	<b>111</b>	<b>442</b>	<b>931</b>	<b>1 484</b>
<i>Total future minimum lease payments at 31.12.2015</i>	93	442	1 040	1 575

## 2.11.2. Financial liabilities at fair value through surplus and deficit

EUR millions

	31.12.2016		Fair value	31.12.2015		Fair value
	Notional amount receive leg	Notional amount pay leg		Notional amount receive leg	Notional amount pay leg	
<i>Foreign currency forward contract</i>	99	(101)	1	-	-	-

At 31 December 2016 all financial liabilities at fair value through surplus or deficit were categorised into level 2 of fair value hierarchy (valuation based on observable inputs other than quoted prices).

## 2.12. PAYABLES

	<i>EUR millions</i>					
	Gross Amount	Adjustments*	Net Amount at 31.12.2016	Gross Amount	Adjustments*	Net Amount at 31.12.2015
<b>Cost claims and invoices received from:</b>						
<i>Member States</i>						
European Agricultural Fund for Rural Development & other rural development instruments	500	(34)	467	2 621	(230)	2 391
European Regional Development Fund & Cohesion Fund	10 663	(793)	9 871	8 360	(950)	7 410
European Social Fund	4 145	(95)	4 050	3 355	(2)	3 353
Other	795	(47)	748	436	(102)	334
<i>Private and public entities</i>	1 677	(169)	1 507	1 928	(223)	1 705
<b>Total costs claims &amp; invoices received</b>	<b>17 781</b>	<b>(1 138)</b>	<b>16 643</b>	<b>16 700</b>	<b>(1 507)</b>	<b>15 193</b>
<b>EAGF</b>	<b>12 193</b>	<b>N/A</b>	<b>12 193</b>	<b>6 851</b>	<b>N/A</b>	<b>6 851</b>
<b>Own Resources</b>	<b>10 441</b>	<b>N/A</b>	<b>10 441</b>	<b>9 506</b>	<b>N/A</b>	<b>9 506</b>
<b>Payables</b>						
<b>Sundry Payables</b>	<b>962</b>	<b>N/A</b>	<b>962</b>	<b>816</b>	<b>N/A</b>	<b>816</b>
<b>Total</b>	<b>41 378</b>	<b>(1 138)</b>	<b>40 240</b>	<b>33 873</b>	<b>(1 507)</b>	<b>32 367</b>

\* Estimated non-eligible amounts and pending other advances to Member States.

## 2.13. ACCRUED CHARGES AND DEFERRED INCOME

	<i>EUR millions</i>	
	31.12.2016	31.12.2015
Accrued charges	66 310	66 947
Deferred income	690	980
Other	26	34
<b>Total</b>	<b>67 027</b>	<b>67 962</b>

The split of accrued charges is as follows:

	<i>EUR millions</i>	
	31.12.2016	31.12.2015
European Agricultural Guarantee Fund	33 033	38 263
European Agricultural Fund for Rural Development and other rural development instruments	17 024	14 806
European Regional Development Fund and Cohesion Fund	7 157	5 026
European Social Fund	3 473	2 636
Other	5 623	6 216
<b>Total</b>	<b>66 310</b>	<b>66 947</b>

## NET ASSETS

### 2.14. RESERVES

EUR millions

	Note	31.12.2016	31.12.2015
Fair value reserve	2.14.1	311	287
Guarantee Fund reserve		2 643	2 561
Other reserves		77	68
<b>Total</b>		<b>3 031</b>	<b>2 915</b>

#### 2.14.1. Fair value reserve

Movements of fair value reserve during the period

EUR millions

	2016	2015
Available for sale financial assets:		
Included in fair value reserve	25	79
Included in statement of financial performance	0	(3)
<b>Total</b>	<b>25</b>	<b>77</b>
Relating to participations accounted for using the equity method	(0)	7
<b>Total</b>	<b>24</b>	<b>85</b>

### 2.15. AMOUNTS TO BE CALLED FROM MEMBER STATES

EUR millions

<b>Amounts to be called from Member States at 31.12.2015</b>	<b>79 879</b>
Return of 2015 budget surplus to Member States	1 349
Movement in Guarantee Fund reserve	82
Other reserve movements	12
Economic result of the year	(1 775)
<b>Total amounts to be called from Member States at 31.12.2016</b>	<b>79 546</b>

### 3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

#### REVENUE

#### REVENUE FROM NON-EXCHANGE TRANSACTIONS: OWN RESOURCES

##### 3.1. TRADITIONAL OWN RESOURCES

EUR millions

	2016	2015
<i>Customs duties</i>	20 301	18 524
<i>Sugar levies</i>	138	125
<b>Total</b>	<b>20 439</b>	<b>18 649</b>

#### REVENUE FROM NON-EXCHANGE TRANSACTIONS: TRANSFERS

##### 3.2. RECOVERY OF EXPENSES

EUR millions

	2016	2015
<i>Shared management</i>	1 876	1 465
<i>Direct management</i>	56	76
<i>Indirect management</i>	15	6
<b>Total</b>	<b>1 946</b>	<b>1 547</b>

##### 3.3. OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR millions

	2016	2015
<i>Budgetary adjustments</i>	1 956	984
<i>Contribution of third countries and accession countries</i>	946	939
<i>Staff taxes and contributions</i>	901	815
<i>Contribution from Member States for external aid</i>	732	0
<i>Transfer of assets</i>	147	197
<i>Adjustment of provisions</i>	14	70
<i>Agricultural levies</i>	5	814
<i>Funding of institutions</i>	(3 324)	(3 189)
<i>Other</i>	318	592
<b>Total</b>	<b>1 695</b>	<b>1 223</b>



## REVENUE FROM EXCHANGE TRANSACTIONS

### 3.4. FINANCIAL INCOME

EUR millions

	2016	2015
<i>Interest income on:</i>		
<i>Pre-financing</i>	(0)	8
<i>Late payments</i>	108	20
<i>Available for sale financial assets</i>	17	45
<i>Loans</i>	1 436	1 601
<i>Cash and cash equivalents</i>	5	11
<i>Impaired financial assets</i>	9	7
<i>Other</i>	0	0
<b>Total interest income</b>	<b>1 575</b>	<b>1 693</b>
<b>Dividend income</b>	<b>13</b>	<b>8</b>
<b>Realised gains on sale of available for sale financial assets</b>	<b>29</b>	<b>20</b>
<b>Financial income from financial assets or liabilities at fair value through surplus or deficit</b>	<b>(0)</b>	<b>-</b>
<b>Other financial income</b>	<b>128</b>	<b>66</b>
<b>Total</b>	<b>1 745</b>	<b>1 787</b>

### 3.5. OTHER REVENUE FROM EXCHANGE TRANSACTIONS

EUR millions

	2016	2015
<i>Foreign exchange gains</i>	320	949
<i>Fee and premium revenue related to financial instruments</i>	48	43
<i>Sales of goods</i>	14	20
<i>Property, plant and equipment related revenue</i>	3	-
<i>Other</i>	262	251
<b>Total</b>	<b>647</b>	<b>1 264</b>

## EXPENSES

### 3.6. SHARED MANAGEMENT

EUR millions

<b>Implemented by Member States</b>	2016	2015
<i>European Agricultural Guarantee Fund</i>	44 152	45 032
<i>European Agricultural Fund for Rural Development &amp; other rural development instruments</i>	12 604	16 376
<i>European Regional Development Fund and Cohesion Fund</i>	35 045	38 745
<i>European Social Fund</i>	9 366	9 849
<i>Other</i>	1 606	2 380
<b>Total</b>	<b>102 772</b>	<b>112 382</b>

### 3.7. DIRECT MANAGEMENT

EUR millions

	2016	2015
<i>Implemented by the Commission</i>	9 287	10 097
<i>Implemented by EU Executive Agencies</i>	6 260	5 532
<i>Implemented by Trust funds</i>	97	6
<b>Total</b>	<b>15 644</b>	<b>15 635</b>

### 3.8. INDIRECT MANAGEMENT

EUR millions

	2016	2015
<i>Implemented by other EU agencies &amp; bodies</i>	3 064	1 616
<i>Implemented by third countries</i>	876	905
<i>Implemented by international organisations</i>	2 382	2 126
<i>Implemented by other entities</i>	2 035	2 107
<b>Total</b>	<b>6 358</b>	<b>6 754</b>

### 3.9. STAFF AND PENSION COSTS

EUR millions

	2016	2015
<i>Staff costs</i>	3 218	3 126
<i>Pension costs</i>	3 693	4 411
<b>Total</b>	<b>6 911</b>	<b>7 537</b>

### 3.10. FINANCE COSTS

EUR millions

	2016	2015
<i>Interest expenses:</i>		
<i>Borrowings</i>	1 426	1 588
<i>Other</i>	56	20
<i>Finance leases</i>	39	60
<i>Impairment losses on available for sale financial assets</i>	40	27
<i>Impairment loss on loans and receivables</i>	184	174
<i>Realised loss on sale of available for sale financial assets</i>	0	3
<i>Loss on financial assets or liabilities at fair value through surplus or deficit</i>	1	-
<i>Other finance costs</i>	111	60
<b>Total</b>	<b>1 857</b>	<b>1 933</b>

### 3.11. OTHER EXPENSES

EUR millions

	2016	2015
<i>Reduction of fines by the Court of Justice</i>	18	1 137
<i>Foreign exchange losses</i>	491	761
<i>Administrative and IT expenses</i>	713	754
<i>Property, plant and equipment related expenses</i>	726	637
<i>Adjustment of provisions</i>	680	517
<i>Funding and contributions to other EU bodies</i>	425	402
<i>Other</i>	408	447
<b>Total</b>	<b>3 462</b>	<b>4 655</b>

Expenses relating to research and development are as follows:

EUR millions

	2016	2015
<i>Research costs</i>	338	384
<i>Non-capitalised development costs</i>	43	60
<b>Total</b>	<b>381</b>	<b>443</b>

### 3.12. SEGMENT REPORTING BY MULTI ANNUAL FINANCIAL FRAMEWORK HEADING (MFF)

	EUR millions						
	Smart and inclusive growth	Sustainable growth	Security and citizenship	Global Europe	Administration	Not assigned to MFF headings*	Total
<i>GNI resources</i>	-	-	-	-	-	95 578	95 578
<i>Traditional own resources</i>	-	-	-	-	-	20 439	20 439
<i>VAT</i>	-	-	-	-	-	15 859	15 859
<i>Fines</i>	-	-	-	-	-	3 858	3 858
<i>Recovery of expenses</i>	48	1 871	4	23	-	0	1 946
<i>Other</i>	785	171	28	105	869	(262)	1 695
<b>Non-exchange revenue</b>	<b>834</b>	<b>2 041</b>	<b>32</b>	<b>128</b>	<b>869</b>	<b>135 473</b>	<b>139 376</b>
<i>Financial income</i>	87	0	0	21	(0)	1 637	1 746
<i>Other</i>	121	(11)	(7)	(5)	222	328	647
<b>Exchange revenue</b>	<b>208</b>	<b>(11)</b>	<b>(7)</b>	<b>16</b>	<b>222</b>	<b>1 965</b>	<b>2 393</b>
<b>Total revenue</b>	<b>1 041</b>	<b>2 030</b>	<b>25</b>	<b>144</b>	<b>1 091</b>	<b>137 438</b>	<b>141 769</b>
<i>Expenses implemented by Member States:</i>							
<i>EAGF</i>	-	(44 152)	-	-	-	-	(44 152)
<i>EAFRD &amp; other rural develop. instruments</i>	-	(12 604)	-	-	-	-	(12 604)
<i>ERDF &amp; CF</i>	(35 045)	-	-	-	-	-	(35 045)
<i>ESF</i>	(9 366)	-	-	-	-	-	(9 366)
<i>Other</i>	(466)	(754)	(470)	84	-	-	(1 606)
<i>Implemented by the Commission, executive agencies and trust funds</i>	(10 143)	(544)	(957)	(3 951)	(50)	-	(15 644)
<i>Implemented by other EU agencies and bodies</i>	(2 028)	(110)	(662)	(265)	-	-	(3 064)
<i>Implemented by third countries and international organisations</i>	(274)	(5)	(188)	(2 792)	-	-	(3 259)
<i>Implemented by other entities</i>	(1 411)	(16)	(2)	(606)	(0)	-	(2 035)
<i>Staff and pension costs</i>	(1 593)	(345)	(390)	(575)	(4 008)	-	(6 911)
<i>Changes in employee benefits actuarial assumptions</i>	-	-	-	-	(992)	-	(992)
<i>Finance costs</i>	(173)	(47)	(1)	(20)	(95)	(1 520)	(1 857)
<i>Share of net result of joint ventures and associates</i>	2	-	-	-	-	-	2
<i>Other expenses</i>	(1 468)	(83)	(102)	(70)	(1 271)	(468)	(3 462)
<b>Total expenses</b>	<b>(61 964)</b>	<b>(58 659)</b>	<b>(2 772)</b>	<b>(8 195)</b>	<b>(6 416)</b>	<b>(1 988)</b>	<b>(139 994)</b>
<b>Economic result of the year</b>	<b>(60 923)</b>	<b>(56 629)</b>	<b>(2 747)</b>	<b>(8 051)</b>	<b>(5 324)</b>	<b>135 450</b>	<b>1 775</b>

\* "Not assigned to MFF headings" includes off-budget operations and unallocated programmes with immaterial amounts.

## 4. CONTINGENT LIABILITIES AND ASSETS

### 4.1. CONTINGENT LIABILITIES

#### 4.1.1. Budgetary guarantees

EUR millions

	31.12.2016			31.12.2015		
	Ceiling	Signed	Disbursed	Ceiling	Signed	Ceiling
<i>EIB external lending mandate guarantees</i>	40 645	30 161	21 145	41 764	28 741	19 450
<i>EFSI guarantee</i>	16 000	11 245	4 392	16 000	1 252	202
<b>Total</b>	<b>56 645</b>	<b>41 406</b>	<b>25 537</b>	<b>57 764</b>	<b>29 993</b>	<b>19 652</b>

#### 4.1.2. Guarantees relating to financial assistance (borrowing and lending activities)

EUR millions

	31.12.2016			31.12.2015		
	Drawn	Undrawn	Total	Drawn	Undrawn	Total
<i>EFSM</i>	47 456	–	47 456	47 509	–	47 509
<i>BOP</i>	4 272	–	4 272	5 811	–	5 811
<i>MFA</i>	2 964	1 313	4 277	3 024	1 323	4 347
<i>Euratom</i>	252	300	552	301	300	601
<b>Total</b>	<b>54 944</b>	<b>1 613</b>	<b>56 557</b>	<b>56 645</b>	<b>1 623</b>	<b>58 268</b>

#### 4.1.3. Guarantees given for EU financial instruments

EUR millions

	31.12.2016	31.12.2015
<i>Horizon 2020</i>	921	459
<i>Risk Sharing Finance Facility</i>	711	845
<i>Connecting Europe Facility*</i>	465	429
<i>Other</i>	3	–
<b>Total</b>	<b>2 101</b>	<b>1 733</b>

\* Previous year amount relates to Project Bond Initiative and Loan Guarantee Instrument for TEN-T projects. These two instruments were merged in 2016 into the Connecting Europe Facility.

#### 4.1.4. Legal cases

EUR millions

	31.12.2016	31.12.2015
<i>Fines</i>	1 834	3 951
<i>Agriculture</i>	1 711	1 377
<i>Cohesion</i>	3	3
<i>Other</i>	506	835
<b>Total</b>	<b>4 054</b>	<b>6 166</b>

### 4.2. CONTINGENT ASSETS

EUR millions

	31.12.2016	31.12.2015
<i>Guarantees received:</i>		
<i>Performance guarantees</i>	121	173
<i>Other guarantees</i>	6	3
<i>Other contingent assets</i>	33	46
<b>Total</b>	<b>160</b>	<b>222</b>

## 5. BUDGETARY AND LEGAL COMMITMENTS

EUR millions

	Note	31.12.2016	31.12.2015
Outstanding budgetary commitments not yet expensed	5.1	188 828	174 295
Shared management legal commitments under the current MFF pending implementation	5.2	276 351	338 755
Significant legal commitments in other areas	5.3	18 338	14 882
<b>Total</b>		<b>483 517</b>	<b>527 932</b>

### 5.1. OUTSTANDING BUDGETARY COMMITMENTS NOT YET EXPENSED

EUR millions

	31.12.2016	31.12.2015
Outstanding budgetary commitments not yet expensed	188 828	174 295

### 5.2. SHARED MANAGEMENT LEGAL COMMITMENTS UNDER THE CURRENT MFF PENDING IMPLEMENTATION

EUR millions

Funds	Financial framework 2014-2020 (A)	Legal commitments concluded (B)	Budget commitments (C)	Decommitments (D)	Budget available under MFF (=A-C)	Legal commitments less budget commitments (=B-C+D)
European Regional Development Fund and Cohesion Fund	262 058	262 058	102 172	-	159 886	159 886
European Social Fund	91 991	91 991	38 418	-	53 573	53 573
Fund for European Aid to the most Deprived	3 814	3 814	1 570	-	2 244	2 244
<b>HEADING 1B: COHESION POLICY FUNDS</b>	<b>357 862</b>	<b>357 862</b>	<b>142 160</b>	<b>-</b>	<b>215 702</b>	<b>215 702</b>
European Agricultural Fund for Rural Development	99 348	99 348	42 064	-	57 284	57 284
European Maritime and Fisheries Fund	5 749	5 749	2 392	-	3 358	3 358
<b>HEADING 2: NATURAL RESOURCES</b>	<b>105 097</b>	<b>105 097</b>	<b>44 455</b>	<b>-</b>	<b>60 641</b>	<b>60 641</b>
Asylum and Migration Fund	3 607	1 977	1 970	-	1 637	7
Internal Security Fund	2 195	981	981	-	1 214	0
<b>HEADING 3: SECURITY &amp; CITIZENSHIP</b>	<b>5 802</b>	<b>2 958</b>	<b>2 951</b>	<b>-</b>	<b>2 851</b>	<b>7</b>
<b>Total</b>	<b>468 761</b>	<b>465 917</b>	<b>189 566</b>	<b>-</b>	<b>279 195</b>	<b>276 351</b>

## 5.3. SIGNIFICANT LEGAL COMMITMENTS IN OTHER AREAS

EUR millions

	Note	31.12.2016	31.12.2015
<i>Connecting Europe Facility</i>		13 799	10 051
<i>Copernicus</i>		2 393	2 939
<i>Galileo</i>		523	124
<i>Fisheries agreements</i>		247	373
<i>Operating lease commitments</i>	5.3.1	891	913
<i>Other contractual commitments</i>		485	483
<b>Total</b>		<b>18 338</b>	<b>14 882</b>

### 5.3.1. Operating lease commitments

EUR millions

	Future amounts to be paid			Total
	< 1 year	1- 5 years	> 5 years	
<i>Buildings</i>	133	407	346	886
<i>IT materials and other equipment</i>	2	3	-	5
<b>Total</b>	<b>135</b>	<b>410</b>	<b>346</b>	<b>891</b>

## 6. FINANCIAL INSTRUMENTS DISCLOSURES

### 6.1. CURRENCY RISKS

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

EUR millions

	USD	GBP	DKK	31.12.2016			Total
				SEK	EUR	Other	
<b>Financial assets</b>							
Available for sale financial assets	228	58	14	42	8 394	21	8 757
Financial assets at fair value through surplus or deficit	(49)	-	-	-	50	-	0
Loans*	4	-	-	-	315	10	328
Receivables and recoverables	-	591	49	80	10 611	4	11 336
Cash and cash equivalents	31	2 392	426	1 220	21 423	2 087	27 579
	<b>213</b>	<b>3 041</b>	<b>490</b>	<b>1 341</b>	<b>40 793</b>	<b>2 122</b>	<b>48 001</b>
<b>Financial liabilities</b>							
Financial liabilities at fair value through surplus or deficit	(100)	-	-	-	100	-	(1)
Payables	(0)	-	-	-	(40 240)	(0)	(40 240)
	<b>(101)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40 141)</b>	<b>(0)</b>	<b>(40 241)</b>
<b>Total</b>	<b>113</b>	<b>3 041</b>	<b>490</b>	<b>1 341</b>	<b>652</b>	<b>2 122</b>	<b>7 760</b>

EUR millions

	USD	GBP	DKK	31.12.2015			Total
				SEK	EUR	Other	
<b>Financial assets</b>							
Available for sale financial assets	81	76	11	8	7 717	28	7 921
Financial assets at fair value through surplus or deficit	-	-	-	-	-	-	-
Loans*	5	-	-	-	330	18	353
Receivables and recoverables	-	537	52	82	9 441	1	10 114
Cash and cash equivalents	29	1 784	366	1 284	16 357	840	20 660
	<b>115</b>	<b>2 397</b>	<b>429</b>	<b>1 375</b>	<b>33 845</b>	<b>888</b>	<b>39 048</b>
<b>Financial liabilities</b>							
Financial liabilities at fair value through surplus or deficit	-	-	-	-	-	-	-
Payables	-	-	-	-	(32 367)	-	(32 367)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32 367)</b>	<b>-</b>	<b>(32 367)</b>
<b>Total</b>	<b>115</b>	<b>2 397</b>	<b>429</b>	<b>1 375</b>	<b>1 478</b>	<b>887</b>	<b>6 681</b>

\* Excluding back-to-back loans for financial assistance.

If the EUR had strengthened against the currency concerned by 10 %, then this would have had the following impact:

EUR millions

	Economic result			
	USD	GBP	DKK	SEK
2016	(3)	(271)	(43)	(118)
2015	(3)	(211)	(38)	(124)

EUR millions

	Net assets			
	USD	GBP	DKK	SEK
31.12.2016	(7)	(5)	(1)	(4)
31.12.2015	(7)	(7)	(1)	(1)

If the EUR had weakened against the currency concerned by 10 %, then this would have had the following impact:

EUR millions

	Economic result			
	USD	GBP	DKK	SEK
2016	4	331	53	144
2015	4	258	46	152

EUR millions

	Net assets			
	USD	GBP	DKK	SEK
31.12.2016	9	6	2	5
31.12.2015	9	8	1	1

## 6.2. INTEREST RATE RISK

The following table illustrates the interest rate sensitivity of available for sale financial assets assuming possible change in interest rates of +/- 100 basis points (1 %).

EUR millions

	Increase (+) / decrease (-) in basis points	Effect on economic result and net assets
31.12.2016: Available for sale financial assets	+100	(238)
	-100	254
31.12.2015: Available for sale financial assets	+100	(160)
	-100	172

## 6.3. CREDIT RISK

Analysis of the age of financial assets that are not impaired

EUR millions

	Total	Neither past due nor impaired	Past due but not impaired		
			< 1 year	1-5 years	> 5 years
Loans	55 272	55 271	1	-	-
Receivables and recoverables	11 336	10 031	124	909	273
Financial assets at fair value through surplus or deficit	0	0	-	-	-
<b>Total at 31.12.2016</b>	<b>66 608</b>	<b>65 302</b>	<b>125</b>	<b>909</b>	<b>273</b>
Loans	56 998	56 998	-	-	-
Receivables and recoverables	10 114	8 510	73	1 383	148
<b>Total at 31.12.2015</b>	<b>67 112</b>	<b>65 508</b>	<b>73</b>	<b>1 383</b>	<b>148</b>



## Credit quality of financial assets that are neither past due nor impaired

EUR millions

	Available for sale*	Financial assets at FVSD**	31.12.2016 Loans and receivables	Cash	Total
<b>Counterparties with external credit rating</b>					
<i>Prime and high grade</i>	5 264	–	3 162	21 180	29 606
<i>Upper medium grade</i>	1 184	–	23 820	5 178	30 181
<i>Lower medium grade</i>	786	–	4 526	486	5 798
<i>Non-investment grade</i>	–	–	27 719	733	28 452
	<b>7 234</b>		<b>59 226</b>	<b>27 576</b>	<b>94 037</b>
<b>Counterparties without external credit rating</b>					
<i>Group 1 (debtors without defaults in the past)</i>	–	0	5 996	3	6 000
<i>Group 2 (debtors with defaults in the past)</i>	–	–	79	–	79
	–	<b>0</b>	<b>6 076</b>	<b>3</b>	<b>6 079</b>
<b>Total</b>	<b>7 234</b>	<b>0</b>	<b>65 302</b>	<b>27 579</b>	<b>100 116</b>

EUR millions

	Available for sale*	Loans and receivables	Cash	Total
<b>Counterparties with external credit rating</b>				
<i>Prime and high grade</i>	4 833	2 996	15 269	23 099
<i>Upper medium grade</i>	854	23 800	4 414	29 068
<i>Lower medium grade</i>	909	4 524	253	5 685
<i>Non-investment grade</i>	17	29 366	721	30 103
	<b>6 612</b>	<b>60 687</b>	<b>20 657</b>	<b>87 955</b>
<b>Counterparties without external credit rating</b>				
<i>Group 1 (debtors without defaults in the past)</i>	–	4 727	3	4 730
<i>Group 2 (debtors with defaults in the past)</i>	–	95	–	95
	–	<b>4 822</b>	<b>3</b>	<b>4 825</b>
<b>Total</b>	<b>6 612</b>	<b>65 509</b>	<b>20 660</b>	<b>92 780</b>

\* Available for sale financial assets (excluding equity instruments and Unitary Fund).

\*\* Financial assets at fair value through surplus or deficit.

## 6.4. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

	<i>EUR millions</i>			
	< 1 year	1-5 years	> 5 years	Total
<i>Borrowings</i>	2 006	17 988	34 950	54 943
<i>Payables</i>	40 240	0	-	40 240
<i>Other financial liabilities</i>	158	532	906	1 596
<b>Total at 31.12.2016</b>	<b>42 405</b>	<b>18 520</b>	<b>35 855</b>	<b>96 780</b>
<i>Borrowings</i>	7 207	9 456	39 982	56 645
<i>Payables</i>	32 366	(0)	-	32 366
<i>Other financial liabilities</i>	690	398	1 060	2 149
<b>Total at 31.12.2015</b>	<b>40 264</b>	<b>9 854</b>	<b>41 043</b>	<b>91 161</b>

Financial liabilities at fair value through surplus or deficit

	<i>EUR millions</i>			
	< 1 year	1-5 years	> 5 years	Total
<i>Derivative receive leg</i>	149	-	-	149
<i>Derivative pay leg</i>	(150)	-	-	(150)
<b>Net liability at 31.12.2016</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>

## 6.5. CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following classes of financial assets and liabilities are not measured at fair value: cash and cash equivalents, loans, exchange receivables and non-exchange recoverables, borrowings and other financial liabilities at amortised cost. The carrying amount of those financial assets and liabilities is considered as a reasonable approximation of their fair value.

## **7. RELATED PARTIES**

The related parties of the entity are the EU consolidated entities and the key management personnel of these entities. Transactions between these entities take place as part of the normal operations of the EU and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU accounting rules.

Details on key management entitlements are provided in note **7** of the EU consolidated annual accounts.

## **8. EVENTS AFTER THE BALANCE SHEET DATE**

At the date of signing of these accounts, except for the matter outlined below, no material issues had come to the attention of or were reported to the Accounting Officer of the Commission that would require separate disclosure under this section. The accounts and related notes were prepared using the most recently available information and this is reflected in the information presented.

On 29 March 2017 the United Kingdom formally announced its intention to leave the European Union, thus activating Article 50 of the Treaty on European Union. In accordance with this article as well as the European Council guidelines on the financial agreement and negotiating directives provided by the Council, the EU shall conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal. At the time of the signing of these accounts, the negotiation process has just begun and there is no impact on the financial position of the Commission at 31 December 2016.

# BUDGETARY IMPLEMENTATION REPORTS

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

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## EU BUDGET RESULT

	<i>EUR millions</i>	
	<b>2016</b>	<b>2015</b>
<i>Revenue for the financial year</i>	144 717	146 624
<i>Payments against current year appropriations</i>	(135 180)	(143 485)
<i>Payment appropriations carried over to year N+1</i>	(1 655)	(1 299)
<i>Cancellation of unused appropriations carried over from year N-1</i>	63	29
<i>Evolution of assigned revenue</i>	(1 367)	(704)
<i>Exchange differences for the year</i>	(173)	182
<b>Budget result*</b>	<b>6 405</b>	<b>1 347</b>

\* Of which EFTA result is EUR 0 million in 2016 and EUR (2) million in 2015.

# STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## BUDGET REVENUE

EUR millions

	Initial adopted budget	Final adopted budget	Entitlements established	Revenue
1 Own resources	142 269	133 677	132 192	132 166
3 Surpluses, balances and adjustments	0	1 349	1 358	1 358
4 Revenue accruing from persons working with the institutions and other union bodies		1 011	1 118	1 112
5 Revenue accruing from the administrative operation of the institutions		55	325	309
6 Contributions and refunds in connection with Union agreements and programmes		60	6 170	5 913
7 Interests on late payments and fines	123	123	9 739	3 175
8 Borrowing and lending operations	5	5	46	41
9 Miscellaneous revenue	25	25	24	15
<b>Total</b>	<b>143 548</b>	<b>136 305</b>	<b>150 972</b>	<b>144 089</b>



## BUDGET EXPENDITURE: COMMITMENTS BY MULTIANNUAL FINANCIAL FRAMEWORK (MFF) HEADING

EUR millions

MFF Heading	Initial adopted budget	Final adopted budget	Total appropriations available	Payments made
1 Smart and inclusive growth	69 841	69 841	73 039	71 731
1a: Competitiveness for growth and jobs	19 010	19 010	21 569	20 332
1b: Economic, social and territorial cohesion	50 831	50 831	51 471	51 400
2 Sustainable growth: natural resources	62 484	62 470	66 952	64 547
of which: Market related expenditure and direct payments	42 220	42 218	46 051	44 285
3 Security and citizenship	4 052	4 292	4 423	4 336
4 Global Europe	9 167	9 377	12 240	11 278
5 Administration	5 164	5 173	5 521	5 379
6 Compensations	0	0	0	0
8 Negative reserve and deficit carried over from the previous financial year	0	0	0	0
9 Special Instruments	525	346	395	61
<b>Total</b>	<b>151 233</b>	<b>151 498</b>	<b>162 569</b>	<b>157 332</b>

## BUDGET EXPENDITURE: PAYMENTS BY MULTIANNUAL FINANCIAL FRAMEWORK (MFF) HEADING

EUR millions

MFF Heading	Initial adopted budget	Final adopted budget	Total appropriations available	Payments made
1 Smart and inclusive growth	66 263	59 459	63 618	56 265
1a: Competitiveness for growth and jobs	17 418	17 406	20 976	18 461
1b: Economic, social and territorial cohesion	48 844	42 053	42 642	37 804
2 Sustainable growth: natural resources	55 121	55 214	59 464	57 412
of which: Market related expenditure and direct payments	42 212	42 210	46 057	44 084
3 Security and citizenship	3 022	3 069	3 195	3 077
4 Global Europe	10 156	9 860	11 163	10 277
5 Administration	5 164	5 172	5 807	5 350
6 Compensations	0	0	0	0
8 Negative reserve and deficit carried over from the previous financial year	0	0	0	0
9 Special Instruments	389	90	140	61
<b>Total</b>	<b>140 114</b>	<b>132 864</b>	<b>143 386</b>	<b>132 442</b>

# 1. IMPLEMENTATION OF EC BUDGET REVENUE

## 1.1 SUMMARY OF THE IMPLEMENTATION OF BUDGET REVENUE

EUR millions

Title	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total		
1 Own resources	142 269	133 677	132 164	28	132 192	132 163	3	132 166	99 %	26
3 Surpluses, balances and adjustments	0	1 349	1 358	0	1 358	1 358	0	1 358	101 %	0
4 Revenue accruing from persons working with the institutions and other union bodies	1 011	1 011	1 105	14	1 118	1 098	14	1 112	110 %	6
5 Revenue accruing from the administrative operation of the institutions	55	55	313	13	325	301	8	309	562 %	16
6 Contributions and refunds in connection with Union agreements and programmes	60	60	5 914	256	6 170	5 790	123	5 913	9854 %	258
7 Interests on late payments and fines	123	123	2 946	6 793	9 739	1 045	2 131	3 175	2582 %	6 564
8 Borrowing and lending operations	5	5	40	6	46	36	6	41	792 %	5
9 Miscellaneous revenue	25	25	14	9	24	13	2	15	61 %	9
<b>Total</b>	<b>143 548</b>	<b>136 305</b>	<b>143 854</b>	<b>7 119</b>	<b>150 972</b>	<b>141 804</b>	<b>2 285</b>	<b>144 089</b>	<b>106 %</b>	<b>6 883</b>

## 2. IMPLEMENTATION OF EC BUDGET EXPENDITURE

### 2.1 MFF: BREAKDOWN & CHANGES IN COMMITMENT & PAYMENT APPROPRIATIONS

EUR millions

MFF Heading	Commitment appropriations						Payment appropriations					
	Budget appropriations			Additional appropriations		Total approp. available	Budget appropriations			Additional appropriations		Total approp. available
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue	
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
1. Smart and inclusive growth	69 841	0	69 841	153	3 045	73 039	66 263	(6 804)	59 459	117	4 042	63 618
1a: Competitiveness for growth and jobs	19 010	0	19 010	0	2 558	21 569	17 418	( 13)	17 406	103	3 467	20 976
1b: Economic, social and territorial cohesion	50 831	0	50 831	153	487	51 471	48 844	(6 791)	42 053	15	575	42 642
2. Sustainable growth: natural resources	62 484	(15)	62 470	410	4 072	66 952	55 121	93	55 214	430	3 821	59 464
of which: Market related expenditure and direct payments	42 220	(2)	42 218	410	3 424	46 051	42 212	( 3)	42 210	424	3 424	46 057
3. Security and citizenship	4 052	240	4 292	0	131	4 423	3 022	46	3 069	9	117	3 195
4. Global Europe	9 167	210	9 377	237	2 626	12 240	10 156	( 295)	9 860	33	1 270	11 163
5. Administration	5 164	9	5 173	0	348	5 521	5 164	8	5 172	284	350	5 807
6. Compensations	0	0	0	0	0	0	0	0	0	0	0	0
8. Negative reserve and deficit carried over from the previous financial year	0	0	0	0	0	0	0	0	0	0	0	0
9. Special Instruments	525	( 179)	346	0	50	395	389	( 299)	90	1	50	140
<b>Total</b>	<b>151 233</b>	<b>265</b>	<b>151 498</b>	<b>800</b>	<b>10 271</b>	<b>162 569</b>	<b>140 114</b>	<b>(7 250)</b>	<b>132 864</b>	<b>874</b>	<b>9 649</b>	<b>143 386</b>

## 2.2 MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR millions

MFF Heading	Total approp. available 1	Commitments made					Approp. carried over to 2017			Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue	Total
		2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
1. Smart and inclusive growth	73 039	69 808	145	1 778	71 731	98 %	1 267	0	1 267	33	8	0	41
1a: Competitiveness for growth and jobs	21 569	18 997	0	1 335	20 332	94 %	1 224	0	1 224	13	0	0	13
1b: Economic, social and territorial cohesion	51 471	50 811	145	443	51 400	100 %	43	0	43	20	8	0	28
2. Sustainable growth: natural resources	66 952	62 013	396	2 138	64 547	96 %	1 934	433	2 368	23	14	0	38
of which: Market related expenditure and direct payments	46 051	41 770	395	2 120	44 285	96 %	1 304	433	1 737	15	14	0	29
3. Security and citizenship	4 423	4 287	0	49	4 336	98 %	82	0	82	5	0	0	5
4. Global Europe	12 240	9 364	237	1 677	11 278	92 %	948	10	959	3	0	0	3
5. Administration	5 521	5 166	0	213	5 379	97 %	135	1	137	5	0	0	5
6. Compensations	0	0	0	0	0	0 %	0	0	0	0	0	0	0
8. Negative reserve and deficit carried over from the previous financial year	0	0	0	0	0	0 %	0	0	0	0	0	0	0
9. Special Instruments	395	61	0	0	61	15 %	50	130	180	155	0	0	155
<b>Total</b>	<b>162 569</b>	<b>150 699</b>	<b>778</b>	<b>5 854</b>	<b>157 332</b>	<b>97 %</b>	<b>4 416</b>	<b>575</b>	<b>4 991</b>	<b>224</b>	<b>22</b>	<b>0</b>	<b>246</b>

## 2.3 MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR millions

MFF Heading	Total approp. available	Payments made					Appropriations carried over to 2017				Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automatic carry-overs	carry-overs by decision	assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue	Total
		2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
1. Smart and inclusive growth	63 618	55 005	102	1 158	56 265	88 %	126	5	2 881	3 012	4 323	15	3	4 341
1a: Competitiveness for growth and jobs	20 976	17 257	90	1 114	18 461	88 %	113	5	2 350	2 468	31	12	3	46
1b: Economic, social and territorial cohesion	42 642	37 748	12	44	37 804	89 %	13	0	531	544	4 292	3	0	4 295
2. Sustainable growth: natural resources	59 464	54 508	414	2 490	57 412	97 %	202	433	1 330	1 965	71	16	0	87
of which: Market related expenditure and direct payments	46 057	41 558	408	2 118	44 084	96 %	197	433	1 305	1 935	22	16	0	37
3. Security and citizenship	3 195	3 035	7	35	3 077	96 %	11	0	82	93	23	2	0	25
4. Global Europe	11 163	9 421	28	828	10 277	92 %	35	86	441	562	319	5	0	324
5. Administration	5 807	4 916	262	172	5 350	92 %	250	1	178	430	5	23	0	27
6. Compensations	0	0	0	0	0	0 %	0	0	0	0	0	0	0	0
8. Negative reserve and deficit carried over from the previous financial year	0	0	0	0	0	0 %	0	0	0	0	0	0	0	0
9. Special Instruments	140	33	0	28	61	44 %	0	31	22	54	25	0	0	25
<b>Total</b>	<b>143 386</b>	<b>126 917</b>	<b>813</b>	<b>4 711</b>	<b>132 442</b>	<b>92 %</b>	<b>624</b>	<b>557</b>	<b>4 934</b>	<b>6 115</b>	<b>4 766</b>	<b>60</b>	<b>3</b>	<b>4 830</b>

## 2.4 MFF: MOVEMENTS IN COMMITMENTS OUTSTANDING (RAL)

EUR millions

MFF Heading	Commitments outstanding at the end of previous year			Commitments of the year				Total	
	Commitments carried forward from previous year	De-commitments /Revaluations/ Cancellations	Payments	Commitments outstanding at year-end	Commitments made during the year	Payments	Cancellation of commitments which cannot be carried over	Commitments outstanding at year-end	Commitments outstanding at year-end
1. Smart and inclusive growth	160 827	(1 353)	(48 608)	110 866	71 731	(7 657)	(2)	64 072	174 938
1a: Competitiveness for growth and jobs	34 455	( 701)	(11 730)	22 024	20 332	(6 731)	(2)	13 599	35 622
1b: Economic, social and territorial cohesion	126 372	( 652)	(36 877)	88 843	51 400	( 927)	(0)	50 473	139 316
2. Sustainable growth: natural resources	28 191	(1 378)	(12 605)	14 207	64 547	(44 806)	(0)	19 740	33 947
of which: Market related expenditure and direct payments	49	(3)	(24)	22	44 285	(44 060)	0	225	247
3. Security and citizenship	3 137	(228)	(1 396)	1 512	4 336	(1 681)	0	2 655	4 167
4. Global Europe	24 673	(699)	(7 182)	16 792	11 278	(3 095)	(1)	8 182	24 974
5. Administration	295	(24)	(270)	1	5 379	(5 079)	(0)	300	301
6. Compensations	0	0	0	0	0	0	0	0	0
8. Negative reserve and deficit carried over from the previous financial year	0	0	0	0	0	0	0	0	0
9. Special Instruments	1	(0)	(0)	0	61	(61)	0	0	0
<b>Total</b>	<b>217 123</b>	<b>(3 682)</b>	<b>(70 062)</b>	<b>143 379</b>	<b>157 332</b>	<b>(62 380)</b>	<b>(3)</b>	<b>94 949</b>	<b>238 328</b>

## 2.5 MFF: COMMITMENTS OUTSTANDING BY YEAR OF ORIGIN

EUR millions

MFF Heading	< 2010	2010	2011	2012	2013	2014	2015	2016	Total
1 Smart and inclusive growth	1 741	738	1 120	3 461	23 109	16 371	64 326	64 072	174 938
1a: Competitiveness for growth and jobs	563	733	856	2 223	4 481	5 972	7 194	13 599	35 622
1b: Economic, social and territorial cohesion	1 178	5	264	1 237	18 627	10 399	57 132	50 473	139 316
2 Sustainable growth: natural resources	200	58	81	128	1 234	1 220	11 285	19 740	33 947
of which: Market related expenditure and direct payments	0	0	0	0	0	2	19	225	247
3 Security and citizenship	45	40	67	149	287	154	772	2 655	4 167
4 Global Europe	899	539	843	1 750	3 291	3 784	5 686	8 182	24 974
5 Administration	0	0	0	0	0	0	1	300	301
9 Special Instruments	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2 884</b>	<b>1 376</b>	<b>2 111</b>	<b>5 488</b>	<b>27 920</b>	<b>21 530</b>	<b>82 069</b>	<b>94 949</b>	<b>238 328</b>



## 2.6 POLICY AREA: BREAKDOWN AND CHANGES IN COMMITMENT AND PAYMENT APPROPRIATIONS

EUR millions

Policy area	Commitment appropriations						Payment appropriations					
	Budget appropriations			Additional appropriations		Total approp. available	Budget appropriations			Additional appropriations		Total approp. available
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carried over	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carried over	Assigned revenue	
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
01 Economic and financial affairs	2 533	(7)	2 525	0	122	2 648	1 097	432	1 529	6	125	1 660
02 Internal market, industry, entrepreneurship and SMEs	2 286	3	2 289	0	229	2 518	1 894	(36)	1 859	13	372	2 243
03 Competition	103	(1)	102	0	5	107	103	(1)	102	9	5	116
04 Employment, social affairs and inclusion	12 924	27	12 952	0	504	13 456	13 031	(1 818)	11 213	14	576	11 802
05 Agriculture and rural development	61 382	(4)	61 379	410	4 070	65 858	54 625	166	54 791	431	3 818	59 039
06 Mobility and transport	4 219	2	4 221	0	125	4 346	2 296	(103)	2 193	5	123	2 321
07 Environment	448	0	448	0	18	467	397	(5)	392	4	16	412
08 Research and innovation	5 855	(7)	5 848	0	897	6 745	5 403	(10)	5 393	28	1 391	6 811
09 Communications networks, content and technology	1 803	53	1 856	0	173	2 029	2 373	(32)	2 341	11	274	2 627
10 Direct research	397	0	397	0	538	935	403	(17)	385	40	479	905
11 Maritime affairs and fisheries	1 083	(9)	1 074	0	6	1 081	758	(145)	613	3	6	622
12 Financial stability, financial services and capital markets union	85	0	85	0	4	89	8	(3)	83	4	4	91
13 Regional and urban policy	35 989	40	36 029	146	60	36 235	36 386	(5 365)	31 021	11	76	31 108
14 Taxation and customs union	166	0	167	0	9	176	159	0	159	5	7	171
15 Education and culture	2 889	0	2 890	0	466	3 356	3 031	25	3 055	13	631	3 699
16 Communication	204	0	204	0	12	216	197	(2)	195	12	12	219
17 Health and food safety	571	(14)	557	0	42	598	571	(37)	535	9	42	586
18 Migration and home affairs	3 225	250	3 475	0	88	3 563	2 323	61	2 384	6	96	2 487

Policy area	Commitment appropriations						Payment appropriations					
	Budget appropriations			Additional appropriations		Total approp. available	Budget appropriations			Additional appropriations		Total approp. available
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carried over	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carried over	Assigned revenue	
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
19 Foreign policy instruments	783	(119)	663	17	53	733	677	(50)	628	3	52	683
20 Trade	107	1	108	0	3	111	106	1	106	2	3	112
21 International cooperation and development	3 162	1	3 163	0	220	3 383	3 346	21	3 367	18	203	3 587
22 Neighbourhood and enlargement negotiations	3 835	146	3 981	7	990	4 978	3 566	(264)	3 301	12	369	3 683
23 Humanitarian aid and civil protection	1 202	258	1 460	219	1 253	2 933	1 560	178	1 739	6	532	2 277
24 Fight against fraud	80	(1)	79	0	0	79	86	(1)	85	7	0	92
25 Commission's policy coordination and legal advice	206	4	210	0	12	222	206	4	210	15	12	237
26 Commission's administration	1 017	(21)	996	0	178	1 174	1 016	(15)	1 001	142	180	1 323
27 Budget	72	(13)	59	0	8	67	72	(13)	59	7	8	75
28 Audit	19	(0)	19	0	1	20	19	(0)	19	1	1	20
29 Statistics	139	0	140	0	16	155	128	0	128	5	21	154
30 Pensions and related expenditure	1 647	37	1 684	0	0	1 685	1 647	37	1 684	0	0	1 685
31 Language services	399	(3)	396	0	62	458	399	(3)	396	17	62	475
32 Energy	1 532	(122)	1 410	0	96	1 506	1 524	46	1 570	5	141	1 716
33 Justice and consumers	259	(0)	259	0	10	268	239	(8)	232	4	9	245
34 Climate action	138	0	138	0	1	139	82	(5)	77	4	1	82
40 Reserves	475	(238)	236	0	0	236	309	(288)	21	0	0	21
<b>Total</b>	<b>151 233</b>	<b>265</b>	<b>151 498</b>	<b>800</b>	<b>10 271</b>	<b>162 569</b>	<b>140 114</b>	<b>(7 250)</b>	<b>132 864</b>	<b>874</b>	<b>9 649</b>	<b>143 386</b>

## 2.7 POLICY AREA: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR millions

Policy area	Total appropriations available	Commitments made					Appropriations carried over to 2017				Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue	Total	
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
01 Economic and financial affairs	2 648	2 525	0	9	2 534	96 %	113	0	113	1	0	0	1	
02 Internal market, industry, entrepreneurship and SMEs	2 518	2 288	0	121	2 409	96 %	109	0	109	0	0	0	0	
03 Competition	107	102	0	3	105	98 %	2	0	2	0	0	0	0	
04 Employment, social affairs and inclusion	13 456	12 938	0	428	13 367	99 %	76	0	76	13	0	0	13	
05 Agriculture and rural development	65 858	60 927	395	2 143	63 466	96 %	1 927	433	2 360	18	14	0	32	
06 Mobility and transport	4 346	4 218	0	62	4 281	99 %	63	0	63	2	0	0	2	
07 Environment	467	448	0	10	458	98 %	8	0	8	0	0	0	0	
08 Research and innovation	6 745	5 848	0	538	6 386	95 %	359	0	359	0	0	0	0	
09 Communications networks, content and technology	2 029	1 856	0	81	1 936	95 %	92	0	92	0	0	0	0	
10 Direct research	935	397	0	114	510	55 %	424	0	424	0	0	0	0	
11 Maritime affairs and fisheries	1 081	1 069	0	2	1 071	99 %	5	0	5	5	0	0	5	
12 Financial stability, financial services and capital markets union	89	85	0	2	87	97 %	2	0	2	0	0	0	0	
13 Regional and urban policy	36 235	35 968	145	26	36 139	100 %	34	31	65	29	1	0	30	
14 Taxation and customs union	176	166	0	4	171	97 %	4	0	4	0	0	0	0	
15 Education and culture	3 356	2 890	0	359	3 249	97 %	107	0	107	0	0	0	0	
16 Communication	216	204	0	7	211	97 %	5	0	5	0	0	0	0	
17 Health and food safety	598	557	0	17	573	96 %	25	0	25	0	0	0	0	
18 Migration and home affairs	3 563	3 473	0	32	3 505	98 %	56	0	57	1	0	0	1	

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EUR millions

Policy area	Total appropriations available	Commitments made					Appropriations carried over to 2017				Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue	Total	
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
19 Foreign policy instruments	733	654	17	18	689	94 %	35	9	44	0	0	0	0	
20 Trade	111	108	0	2	109	99 %	1	0	1	0	0	0	0	
21 International cooperation and development	3 383	3 161	0	187	3 349	99 %	32	1	33	1	0	0	1	
22 Neighborhood and enlargement negotiations	4 978	3 979	0	925	4 904	99 %	65	0	65	2	7	0	9	
23 Humanitarian aid and civil protection	2 933	1 459	219	552	2 231	76 %	701	0	701	1	0	0	1	
24 Fight against fraud	79	79	0	0	79	100 %	0	0	0	0	0	0	0	
25 Commission's policy coordination and legal advice	222	209	0	7	216	97 %	5	0	5	1	0	0	1	
26 Commission's administration	1 174	995	0	108	1 104	94 %	69	0	69	0	0	0	0	
27 Budget	67	59	0	5	64	95 %	3	0	3	0	0	0	0	
28 Audit	20	18	0	1	19	97 %	1	0	1	0	0	0	0	
29 Statistics	155	139	0	6	145	94 %	10	0	10	0	0	0	0	
30 Pensions and related expenditure	1 685	1 684	0	0	1 684	100 %	0	0	0	0	0	0	0	
31 Language services	458	396	0	42	437	95 %	20	0	20	0	0	0	0	
32 Energy	1 506	1 405	0	41	1 446	96 %	55	0	55	5	0	0	5	
33 Justice and consumers	268	256	0	3	259	97 %	7	0	7	2	0	0	2	
34 Climate action	139	137	0	1	138	100 %	0	0	0	0	0	0	0	
40 Reserves	236	0	0	0	0	0 %	0	99	99	138	0	0	138	
<b>Total</b>	<b>162 569</b>	<b>150 699</b>	<b>778</b>	<b>5 854</b>	<b>157 332</b>	<b>97 %</b>	<b>4 416</b>	<b>575</b>	<b>4 991</b>	<b>224</b>	<b>22</b>	<b>0</b>	<b>246</b>	

## 2.8 POLICY AREA: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR millions

Policy area	Total approp. available	Payments made					Appropriations carried over to 2017					Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automatic carry-overs	carry-overs by decision	assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue	Total	
		2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13	
01 Economic and financial affairs	1 660	1 512	5	11	1 529	92 %	5	0	114	119	12	1	0	13	
02 Internal market, industry, entrepreneurship and SMEs	2 243	1 843	11	59	1 913	85 %	15	0	313	328	1	1	0	2	
03 Competition	116	94	8	3	105	90 %	8	0	3	10	0	1	0	1	
04 Employment, social affairs and inclusion	11 802	8 819	10	44	8 873	75 %	12	0	532	544	2 381	4	0	2 385	
05 Agriculture and rural development	59 039	54 127	414	2 488	57 029	97 %	203	433	1 330	1 965	28	16	0	44	
06 Mobility and transport	2 321	2 183	4	64	2 251	97 %	4	0	59	63	6	0	1	7	
07 Environment	412	379	3	9	392	95 %	3	0	7	11	9	0	0	9	
08 Research and innovation	6 811	5 359	25	396	5 780	85 %	29	0	994	1 023	6	2	0	8	
09 Communications networks, content and technology	2 627	2 326	10	113	2 449	93 %	15	0	162	177	1	1	0	2	
10 Direct research	905	339	36	95	469	52 %	46	0	385	431	0	5	0	5	
11 Maritime affairs and fisheries	622	585	2	2	589	95 %	2	0	5	6	26	0	0	27	
12 Financial stability, financial services and capital markets union	91	80	3	2	85	93 %	3	0	2	5	0	0	0	1	
13 Regional and urban policy	31 108	29 072	10	40	29 123	94 %	10	31	36	78	1 906	1	0	1 908	
14 Taxation and customs union	171	155	5	2	161	94 %	5	0	5	9	0	0	0	0	
15 Education and culture	3 699	3 043	12	299	3 354	91 %	12	0	332	344	0	1	0	1	
16 Communication	219	185	11	6	202	92 %	10	0	6	16	0	1	0	1	
17 Health and food safety	586	526	8	16	550	94 %	8	0	25	34	0	1	0	2	
18 Migration and home affairs	2 487	2 364	5	24	2 393	96 %	7	0	73	80	12	1	0	13	

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EUR millions

Policy area	Total appropriations available	Payments made					Appropriations carried over to 2017					Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automatic carry-overs	carry-overs by decision	assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue	Total	
		2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13	
19 Foreign policy instruments	683	595	3	19	617	90 %	3	0	33	36	29	1	0	29	
20 Trade	112	103	2	2	107	96 %	3	0	2	5	0	0	0	0	
21 International cooperation and development	3 587	3 344	16	133	3 493	97 %	21	0	70	91	1	2	0	3	
22 Neighborhood and enlargement negotiations	3 683	3 007	10	317	3 334	91 %	11	0	52	62	284	2	0	286	
23 Humanitarian aid and civil protection	2 277	1 637	6	360	2 002	88 %	7	86	173	265	9	1	0	10	
24 Fight against fraud	92	72	6	0	78	84 %	7	5	0	12	1	2	0	2	
25 Commission's policy coordination and legal advice	237	194	13	6	213	90 %	15	0	6	21	0	2	0	3	
26 Commission's administration	1 323	879	135	83	1 097	83 %	121	0	97	218	1	8	0	8	
27 Budget	75	53	7	4	63	85 %	6	0	5	11	0	0	0	0	
28 Audit	20	18	1	1	19	94 %	1	0	1	1	0	0	0	0	
29 Statistics	154	123	4	6	134	87 %	5	0	15	20	0	1	0	1	
30 Pensions and related expenditure	1 685	1 684	0	0	1 684	100 %	0	0	0	0	0	0	0	0	
31 Language services	475	381	16	37	435	92 %	15	0	25	39	0	1	0	1	
32 Energy	1 716	1 549	5	67	1 621	94 %	5	0	71	76	15	1	3	19	
33 Justice and consumers	245	222	3	4	229	94 %	4	0	5	9	6	1	0	7	
34 Climate action	82	64	3	1	68	83 %	4	0	1	4	9	1	0	9	
40 Reserves	21	0	0	0	0	0 %	0	0	0	0	21	0	0	21	
<b>Total</b>	<b>143 386</b>	<b>126 917</b>	<b>813</b>	<b>4 711</b>	<b>132 442</b>	<b>92 %</b>	<b>624</b>	<b>557</b>	<b>4 934</b>	<b>6 115</b>	<b>4 766</b>	<b>60</b>	<b>3</b>	<b>4 830</b>	

## 2.9 POLICY AREA: MOVEMENTS IN COMMITMENTS OUTSTANDING (RAL)

EUR millions

Policy area	Commitments outstanding at the end of previous year				Commitments of the year				Total
	Commitments carried forward from previous year	Decommitments / Revaluations / Cancellations	Payments	Commitments outstanding at year-end	Commitments made during the year	Payments	Cancellation of commitments which cannot be carried over	Commitments outstanding at year-end	Commitments outstanding at the end of the year
01 Economic and financial affairs	1 884	(28)	(1 127)	728	2 534	(401)	0	2 133	2 861
02 Internal market, industry, entrepreneurship and SMEs	2 179	(26)	(1 145)	1 008	2 409	(768)	(1)	1 640	2 648
03 Competition	9	(1)	(8)	0	105	(97)	0	8	8
04 Employment, social affairs and inclusion	33 275	(438)	(8 516)	24 321	13 367	(357)	(0)	13 010	37 331
05 Agriculture and rural development	25 424	(1 340)	(12 274)	11 810	63 466	(44 756)	(0)	18 710	30 520
06 Mobility and transport	5 883	(114)	(1 528)	4 241	4 281	(723)	0	3 558	7 799
07 Environment	1 118	(2)	( 275)	841	458	(117)	0	341	1 182
08 Research and innovation	12 813	(107)	(3 844)	8 863	6 386	(1 937)	(0)	4 449	13 312
09 Communications networks, content and technology	3 365	(20)	(1 488)	1 856	1 936	(961)	(0)	975	2 832
10 Direct research	174	(19)	(100)	55	510	(369)	(0)	141	196
11 Maritime affairs and fisheries	2 201	(53)	(409)	1 740	1 071	(180)	(0)	891	2 630
12 Financial stability, financial services and capital markets union	12	(2)	(7)	3	87	(78)	(0)	9	13
13 Regional and urban policy	92 788	(286)	(28 491)	64 010	36 139	(631)	(0)	35 508	99 518
14 Taxation and customs union	125	(6)	(73)	45	171	(88)	0	83	128
15 Education and culture	2 801	(52)	(1 256)	1 494	3 249	(2 099)	(0)	1 150	2 644
16 Communication	56	(3)	(49)	4	211	(153)	(0)	58	62
17 Health and food safety	503	(46)	(264)	193	573	(86)	0	287	480
18 Migration and home affairs	2 596	(168)	(1 096)	1 332	3 505	(1 297)	0	2 207	3 539

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EUR millions

Policy area	Commitments outstanding at the end of previous year				Commitments of the year				Total commitments outstanding at the end of the year
	Commitments carried forward from previous year	De-commitments / Revaluations / Cancellations	Payments	Commitments outstanding at year-end	Commitments made during the year	Payments	Cancellation of commitments which cannot be carried over	Commitments outstanding at year-end	
19 Foreign policy instruments	905	(46)	(339)	520	689	(278)	(0)	410	930
20 Trade	20	(1)	(13)	6	109	(94)	0	16	22
21 International cooperation and development	9 572	(278)	(2 937)	6 358	3 349	(557)	(0)	2 792	9 150
22 Neighborhood and enlargement negotiations	11 606	(306)	(2 547)	8 753	4 904	(787)	(0)	4 117	12 870
23 Humanitarian aid and civil protection	827	(5)	(542)	279	2 231	(1 460)	0	770	1 050
24 Fight against fraud	30	(2)	(19)	9	79	(59)	0	20	29
25 Commission's policy coordination and legal advice	15	(2)	(13)	0	216	(200)	0	16	16
26 Commission's administration	185	(9)	(169)	8	1 104	(928)	0	176	184
27 Budget	7	(0)	(7)	0	64	(56)	0	8	8
28 Audit	1	(0)	(1)	0	19	(18)	0	1	1
29 Statistics	115	(7)	(50)	57	145	(83)	(0)	62	119
30 Pensions and related expenditure	0	0	0	0	1 684	(1 684)	0	0	0
31 Language services	17	(1)	(16)	0	437	(418)	0	19	19
32 Energy	6 225	(309)	(1 325)	4 590	1 446	(296)	0	1 150	5 740
33 Justice and consumers	224	(4)	(91)	129	259	(138)	0	121	250
34 Climate action	168	(1)	(43)	124	138	(25)	0	113	237
<b>Total</b>	<b>217 123</b>	<b>(3 682)</b>	<b>(70 062)</b>	<b>143 379</b>	<b>157 332</b>	<b>(62 380)</b>	<b>(3)</b>	<b>94 949</b>	<b>238 328</b>



## 2.10 POLICY AREA: COMMITMENTS OUTSTANDING BY YEAR OF ORIGIN

EUR millions

Policy area	< 2010	2010	2011	2012	2013	2014	2015	2016	Total
01 Economic and financial affairs	11	0	0	117	244	10	346	2 133	2 861
02 Internal market, industry, entrepreneurship and SMEs	13	11	29	93	86	144	633	1 640	2 648
03 Competition	0	0	0	0	0	0	0	8	8
04 Employment, social affairs and inclusion	382	6	265	420	4 112	4 118	15 018	13 010	37 331
05 Agriculture and rural development	34	0	0	2	868	985	9 921	18 710	30 520
06 Mobility and transport	100	64	249	508	571	1 321	1 430	3 558	7 799
07 Environment	80	58	68	98	137	181	217	341	1 182
08 Research and innovation	77	112	318	705	1 686	2 835	3 129	4 449	13 312
09 Communications networks, content and technology	29	16	37	141	298	615	721	975	2 832
10 Direct research	9	2	1	1	11	11	19	141	196
11 Maritime affairs and fisheries	85	0	13	27	286	26	1 302	891	2 630
12 Financial stability, financial services and capital markets union	0	0	0	0	0	1	3	9	13
13 Regional and urban policy	1 022	1	8	825	14 947	5 750	41 459	35 508	99 518
14 Taxation and customs union	0	0	0	0	1	11	32	83	128
15 Education and culture	83	26	66	128	220	436	535	1 150	2 644
16 Communication	0	0	0	0	0	0	4	58	62
17 Health and food safety	14	3	5	10	15	52	93	287	480
18 Migration and home affairs	45	46	67	158	322	111	583	2 207	3 539

EUR millions

Policy area	< 2010	2010	2011	2012	2013	2014	2015	2016	Total
19 Foreign policy instruments	12	5	11	38	55	168	231	410	930
20 Trade	0	0	0	0	1	1	4	16	22
21 International cooperation and development	227	219	331	699	1 237	1 525	2 120	2 792	9 150
22 Neighborhood and enlargement negotiations	414	290	473	993	1 507	2 037	3 039	4 117	12 870
23 Humanitarian aid and civil protection	22	25	24	23	22	28	135	770	1 050
24 Fight against fraud	0	0	0	0	1	3	6	20	29
25 Commission's policy coordination and legal advice	0	0	0	0	0	0	0	16	16
26 Commission's administration	0	0	0	0	2	1	4	176	184
27 Budget	0	0	0	0	0	0	0	8	8
28 Audit	0	0	0	0	0	0	0	1	1
29 Statistics	0	0	0	0	3	17	37	62	119
30 Pensions and related expenditure	0	0	0	0	0	0	0	0	0
31 Language services	0	0	0	0	0	0	0	19	19
32 Energy	225	491	142	496	1 273	1 053	910	1 150	5 740
33 Justice and consumers	0	0	4	6	13	36	70	121	250
34 Climate action	0	0	0	0	1	54	69	113	237
<b>Total</b>	<b>2 884</b>	<b>1 376</b>	<b>2 111</b>	<b>5 488</b>	<b>27 920</b>	<b>21 530</b>	<b>82 069</b>	<b>94 949</b>	<b>238 328</b>

### 3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR millions

	2016	2015
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>1 775</b>	<b>(12 862)</b>
<b>Revenue</b>		
<i>Entitlements established in current year but not yet collected</i>	(1 963)	(313)
<i>Entitlements established in previous years and collected in current year</i>	3 356	7 936
<i>Accrued revenue (net)</i>	611	(359)
<b>Expenses</b>		
<i>Accrued expenses (net)</i>	10 626	9 953
<i>Amount from liaison account</i>	3 286	3 189
<i>Expenses prior year paid in current year</i>	(7 656)	(1 208)
<i>Net-effect pre-financing</i>	(366)	(4 764)
<i>Payment appropriations carried over to next year</i>	(2 500)	(1 658)
<i>Payments made from carry-overs &amp; cancellation of unused payment appropriations</i>	841	1 365
<i>Movement in provisions</i>	3 890	4 914
<i>Other</i>	(2 084)	(1 725)
<b>BUDGET RESULT OF THE YEAR (COMMISSION)</b>	<b>9 817</b>	<b>4 470</b>
<b>BUDGET RESULT OTHER INSTITUTIONS</b>	<b>(3 413)</b>	<b>(3 123)</b>
<b>BUDGET RESULT OF THE YEAR (EU)</b>	<b>6 405</b>	<b>1 347</b>