



European Investment Bank

Audit Committee Annual Reports for the year 2013



AUDIT COMMITTEE

Annual Report to the Board of Governors

For the 2013 financial year

AUDIT COMMITTEE**ANNUAL REPORT TO THE BOARD OF GOVERNORS****For the 2013 financial year****Table of Contents**

1.	INTRODUCTION	3
2.	AUDITING ACTIVITIES	3
2.1	Review of Audit Work.....	3
	2.1.1. <i>External auditors</i>	3
	2.1.2. <i>Inspectorate General</i>	4
	2.1.3. <i>Cooperation with the Audit Board of the European Investment Fund</i>	5
2.2	The Financial Statements as at December 31, 2013	5
	2.2.1. <i>EIB</i>	5
	2.2.2. <i>Trust Funds</i>	6
3.	RISK MANAGEMENT ACTIVITIES	6
4.	EIB COMPLIANCE WITH BEST BANKING PRACTICE	8
4.1	Implementation and verification methodology	8
4.2	Areas where full compliance not yet achieved	9
5.	ISSUES OF FOCUS FOR THE AUDIT COMMITTEE LOOKING FORWARD	11
6.	CONCLUSIONS	12

1. INTRODUCTION

The Audit Committee is established under EIB Statute as a committee independent from the Board of Directors. Its Members (and Observers, as the case may be) are appointed by, and report directly to, the Board of Governors.

The Audit Committee is responsible for the auditing of EIB's financial statements, as detailed below, and verifies that the activities of the Bank conform to Best Banking Practice.

The Audit Committee held meetings over twelve days in 2013.

This report is addressed to the Board of Governors, in accordance with the Statute and Rules of Procedure, and provides details on the work of the Audit Committee in relation to the audit of the 2013 financial statements, as well as on the other activities performed since the date of the previous Annual Report.

Besides financial reporting, and audit matters, the Audit Committee focused our attention on the progress made by the EIB in complying with Best Banking Practice and on the risk management activities of the Bank. The following sections of this report provide further detail in this respect.

In relation to our responsibility for auditing the EIB's accounts, the Audit Committee's Annual Statements were issued for the following financial statements as at December 31, 2013:

- Bank statutory;
- EIB Group consolidated under the general principles of the EU Directives;
- EIB Group consolidated according to IFRS;
- Investment Facility;
- EU Africa Infrastructure Trust Fund; and
- Neighbourhood Investment Facility (NIF) Trust Fund.

In the statements, the Audit Committee confirms, that to the best of its knowledge and belief, the financial statements prepared for the entities listed above give a true and fair view of their financial position, of the results of their operations, and cash flows for the year under review.

2. AUDITING ACTIVITIES

2.1 Review of Audit Work

In its work, the Audit Committee relies on the external and internal auditors and where appropriate the work of external experts, from which it receives assurance on the accuracy of financial reporting and confirmation of the effectiveness of the internal control processes.

In addition, the Audit Committee obtains a representation letter from the President of the Bank, which is itself based on internal support letters from the Bank's services, confirming Management's responsibility for establishing and maintaining an efficient internal control structure and its responsibility for the preparation and fair presentation of the financial statements.

2.1.1. External auditors

The day-to-day audit work is delegated to the external audit firm, KPMG. The external auditors are appointed by, and report directly to, the Audit Committee.

The Audit Committee noted that the audit methodology and approach applied by KPMG was substantially consistent with that of 2012.

KPMG identified the following priority audit areas in their audit plan:

- lending, including valuation of the loan portfolio taking into account an increase in credit risk, and the audit of the migration of the final set of loan contracts transferred to a new IT application during the year,

- treasury, including valuation of the Bank's treasury and derivatives portfolios and related disclosures in the financial statements,
- the controls surrounding the financial reporting process, including the proper application of both new and revised accounting standards, such as IFRS 13 Fair Value Measurement, IAS 1 Presentation of the Financial Statements, IAS 19 Employee Benefits and forbearance related disclosures. KPMG specialists were involved to ensure that the Bank's primary statements, accounting policies and disclosures are in line with best practices and prevailing accounting standards.

The Audit Committee was briefed throughout the year on the progress and outcome of the audit procedures, in particular in relation to the priority audit areas. The Audit Committee ensured that the external auditor reported to us in writing on significant matters arising from the audit process in accordance with the requirements of International Standards on Auditing.

The Audit Committee met with KPMG Financial Risk Management specialists to discuss the outcome of the work performed in respect of the first time application of IFRS 13 Fair Value Measurement. IFRS 13 defines fair value and sets out in a single IFRS a framework for measuring fair value and disclosure requirements.

The Audit Committee regularly met with, and received reports from the external auditor, meaning that the Audit Committee was able to closely monitor audit progress and ensure a timely resolution of any issues, resulting in a no surprises audit.

The Audit Committee received assurances that the audit process went as planned, with full support from the Bank's services. The Audit Committee was satisfied with the results of the external audit work, which enable it to formulate its own conclusions to the Board of Governors.

The Audit Committee is also responsible for ensuring the independence of the external auditor. The Bank's general policy is to not allow the incumbent external auditor to undertake work outside the scope of the Framework agreement for audit services. KPMG was not engaged to perform non-audit services for the Bank during the year ended December 31, 2013.

2.1.2. Inspectorate General

The internal oversight function at the Bank is headed by the Inspector General (IG) and comprises four lines of service: internal audit (IA), fraud investigations, operations evaluations and complaints mechanism. Although the direct reporting line is to the President of the Bank, the Audit Committee has a privileged relationship with the Inspector General and the Head of Internal Audit who may request private sessions with the Audit Committee and have unrestricted access to it.

The Audit Committee met regularly with IG to examine and discuss the salient features of IA reports issued, receive updates of the status of implementation of agreed action plans (AAPs), and discuss with the Fraud Investigations Division the on-going cases under their remit.

The Audit Committee was consulted on the revision of the Internal Audit Charter and the drafting of the Internal Audit work plan for 2014-2016.

An external Quality Assurance Review of the Fraud Investigations Division was carried out at the end of 2013.

The objective of the review was to review the adherence of the Division's practices with the Bank's fraud policies and investigation procedures, together with the IFI Anti-Corruption Uniform Framework and best practice of international investigations. The external reviewer was also asked to make recommendations, where appropriate, to improve the effectiveness and efficiency of the fraud investigations function.

The report concluded positively with some recommendations for further improvement, which include the clarification and streamlining of certain internal procedures, adapting the case management software to provide more functionality and formalising the reporting of the remedial actions taken by the Bank's services to address findings raised by the Division.

In February 2014 the European Commission issued an EU Anti-Corruption Report. With regards to EIB funded projects the Audit Committee expects that the Bank addresses, where appropriate, the findings raised.

Over the year the Audit Committee noted continued progress with the implementation of AAPs, in particular the resolution of high priority matters. The Audit Committee has stressed the need for timely clearance of all AAPs, including those considered as medium and low risk.

IA has agreed to provide detailed quarterly reporting on the status of these AAPs in order that any issues may be more easily identified by the Audit Committee and followed up with IA and the services responsible.

Further to a request from the Audit Committee in 2012, an audit of the qualitative elements of the Internal Ratings process was performed during the year. Internal audit was asked to assess the methodology applied, with a focus on the quality of the internal ratings established and the adequacy of resources to maintain the ratings going forward. The Audit Committee was informed that the audit identified no material weaknesses.

Finally, the Audit Committee has received full support from the internal audit division in relation to the verification of Best Banking Practice implementation (see section 4 below). An internal audit addressing the integration of Best Banking Practice in the field of Transaction Risk Management, through the review of the internal ratings process, was performed during the reporting period.

Internal audit has planned a review of the integration of Best Banking Practice into the control framework of Compliance for later in 2014.

2.1.3. Cooperation with the Audit Board of the European Investment Fund

The Audit Committee met with the Audit Board of the European Investment Fund. The two respective bodies discussed specific areas of audit focus and shared matters of interest which included, where possible, common working practices.

2.2 The Financial Statements as at December 31, 2013

The Audit Committee has examined the three sets of accounts issued by the EIB and those of the Investment Facility, the EU-Africa Infrastructure Trust Fund, and the NIF Trust Fund for 2013.

The key elements of the various financial statements are presented below.

2.2.1. EIB

Statutory financial statements (non-consolidated):

The Audit Committee noted that the total balance sheet as at December 31, 2013 amounts to EUR 512 billion, an increase of EUR 4 billion, +1%, compared to the previous year (December 31, 2012: EUR 508 billion). Total own funds at December 31, 2013 have increased by EUR 2.7 billion to EUR 57.9 billion, +5%, from EUR 55.2 billion at December 31, 2012.

The Audit Committee noted a year on year increase in the total volume of loans to customers and loans and advance to credit institutions of EUR 9 billion to EUR 461 billion (2012: EUR 452 billion) and an increase in debts evidenced by certificates on the liabilities side of EUR 1 billion to EUR 426 billion (2012: EUR 425 billion).

The net surplus for the financial year ended December 31, 2013 stands at EUR 2,515 million, a reduction of EUR 226 million, - 9%, compared with December 31, 2012 (2012: 2,740 million).

Consolidated financial statements:

The consolidated financial statements comprise those of the Bank and those of its subsidiary, the European Investment Fund. The financial statements of the Fund are prepared for the same reporting year as the Bank, using consistent accounting policies.

- Prepared in accordance with EU Accounting Directives.

The total balance sheet of the consolidated financial statements prepared in accordance with EU accounting directives amounts to EUR 513 billion at December 31, 2013 (2012: EUR 509 billion).

The Audit Committee noted that the total consolidated net profit amounts to EUR 2,546 million, EUR 31 million higher than the net profit of the unconsolidated financial statements of EUR 2,515 million. The difference is explained by consolidation adjustments and EIF's result for the year.

- Prepared in accordance with IFRS

The consolidated profit for the year ended December 31, 2013 prepared in accordance with IFRS stands at EUR 2,918 million, the year on year variance in the IFRS financial statements amounts to EUR 2,628 million. At the end of 2012 the IFRS profit for the year was EUR 289 million.

The Audit Committee took note of the restatements made to the 2012 and 2011 profit and reserves due to the application of IAS 19 revised, Employee Benefits. A full reconciliation of the impact is presented in note A.3 to the IFRS financial statements.

The year on year variance in the IFRS result is largely explained by the application of the fair value option accounted for in relation to loans, borrowings and ALM swaps. The fair value option is applied in accordance with the requirements of IAS 39 'Financial Instruments Recognition and Measurement.'

2.2.2. Trust Funds

EU-Africa Infrastructure Trust Fund:

The total comprehensive loss of the EU-Africa Infrastructure Trust Fund for the year ended December 31, 2013 is EUR 12.2 million compared to a total comprehensive loss of EUR 15 million in 2012 (restated due to change in accounting policy).

The NIF Trust Fund:

The total comprehensive loss of NIF Trust Fund for the year ended December 31, 2013 amounts to EUR 4 million compared to EUR 5.7 million in 2012 (restated due to a change in accounting policy).

3 RISK MANAGEMENT ACTIVITIES

The Audit Committee draws up its work plan with the objective of obtaining a thorough understanding of the Bank's activities throughout the year. The Audit Committee requests specific analyses in order to assess the risk impact of various external developments such as the changing macro-economic situation as well as various internal developments in the Bank, including the launch of new products and initiatives.

During the past year the Audit Committee has continued to dedicate significant time at each meeting to discuss, evaluate and assess the Bank's risk management practices.

In obtaining assurance in relation to risk management activities the Audit Committee has met with the Bank's Risk Management ('RM') and Transaction Monitoring and Restructuring ('TMR') Directorates at each Audit Committee meeting.

The Audit Committee paid attention to specific technical points together with the regular reviews of the monthly risk reporting. Over the reporting period the Audit Committee has focussed on topics such as credit risk assessment and monitoring, the impact of the on-going financial and economic crisis, operational risk assessment and monitoring, liquidity risk management and capital adequacy requirements.

The Audit Committee also received presentations of the Bank's Stress Testing Framework, Internal Capital Adequacy Assessment Process and Treasury Risk Management procedures.

Key elements are presented below:

Credit risk monitoring

The Audit Committee held discussions throughout the year with Management concerning the trends of key risk indicators such as the capital adequacy ratio, evolution of loan gradings, large exposures, concentration risk, watch list' loans and the level of late payments.

The Audit Committee sought further explanations concerning the monitoring of operations reported on the 'watch list', loans where specific provisions had been established and loans where contractual clause related events had occurred.

The Audit Committee asked the Bank to perform a 'health check' of the credit risk assessment process to ensure that procedures meet the needs of the changing activities of the Bank.

As a result the Audit Committee received a detailed presentation of the Bank's credit risk assessment process and provisioning policy. The Audit Committee was assured that the Bank's processes and systems are suited to establishing and monitoring the credit risks associated with new types of activities, products and counterparties.

Liquidity Risk Monitoring

The Audit Committee received an overview of the Bank's liquidity risk management framework. The Audit Committee was briefed about the governance of this framework, the Bank's contingency liquidity plan, the monitoring and reporting of key short term and long term risk metrics together with the various stress test scenarios retained by the Bank's Asset and Liability Committee. The Audit Committee reviewed and discussed the results of the Bank's key liquidity risk metrics throughout the reporting period.

In addition, as the Bank participates in the Eurosystem's liquidity operations, an agreement was signed with the Banque Centrale du Luxembourg ('BCL') establishing a framework for the assessment by the BCL of the liquidity situation and liquidity risk management of the EIB.

In January 2013 a written report, following up on an initial assessment performed in 2010, was issued by the BCL. The report concluded positively that liquidity risk management procedures within the Bank are considered to be well established.

The Audit Committee noted that the Bank took measures to implement the recommendations raised in the report by revising, where necessary, the Bank's stress testing framework and contingency liquidity plan. The completion of a project to implement an improved collateral management system will address the remaining BCL recommendations.

EIB Cartography of Risk

The Audit Committee discussed with RM the annual update of the Bank's Cartography of Risks (CARE). The CARE document incorporates an assessment of credit, operational, compliance, market and legal risks. RM intends to add an assessment of reputational risk to the CARE document in future.

The cartography identified certain gaps to be addressed such as the revision of Asset Management Guidelines for assets managed on behalf of third parties, certain input data quality problems identified upon the analysis of market risks and a need to ensure that the additional resources approved by Management were recruited and operational to meet the demands upon the risk function.

The Audit Committee received explanations as to how residual credit risk is mitigated by the Bank, suggested improvements to the executive summary of the report, encouraged a timelier finalisation of the report after year end and recommended that the document be submitted for information to the Bank's Management.

Capital adequacy reporting

The Audit Committee met with the persons responsible from the Bank's services at each meeting to monitor and discuss the evolution of the Bank's CAD ratio.

The Audit Committee also reviewed the results of two capital adequacy related IA reports issued. The first, the annual audit of Basel II/ Capital Requirements Directive ('CRD'), where the integrity of project finance related exposures in the capital calculation processes was reviewed. The scope of the second audit involved a review of the soundness and adequacy of the implementation of Current Exposure Method for calculating exposure at default for over the counter ('OTC') Derivatives.

The Audit Committee took note of the findings reported. A review of the current capital calculation framework of project finance exposures, to ensure full compliance with Best Banking Practice, should be performed. Improvements to the current validation framework, procedural documentation and coherence checks between the calculation methods are also required.

In addition, enhancements to controls to ensure the integrity of the OTC derivatives data used for the calculation of the counterparty credit charge as well as to the documentation of related procedures was recommended.

Further detail on the work performed by the Audit Committee in relation to the capital adequacy ratio together with our response to the status of implementation of Best Banking Practice and the aforementioned recommendations made by IA, is detailed in section 4.2, 'Capital Requirements', below.

4 EIB COMPLIANCE WITH BEST BANKING PRACTICE

The Audit Committee, in accordance with the responsibilities assigned to it by the Bank's Statute, has carried out the annual exercise of verifying the EIB's compliance with Best Banking Practice.

The Framework for EIB conformity with Best Banking Practice ('the BBP Framework') was jointly established by the Audit Committee and the Bank's Management and services.

The services of the Bank are required to proactively consider and propose the inclusion of new or revised standards within the BBP Framework.

4.1 Implementation and verification methodology

The BBP Framework is based on a hierarchical set of reference documents (e.g. EU Treaty, including the Bank's Statute, EU Directives, international standards, guidance and principles issued by regulatory bodies – collectively referred to as "standards" further in this report) that are considered relevant at a certain point in time, EIB compliance is measured against the requirements of these reference documents.

On the basis of proposals from the Bank's services, the Audit Committee approves updates to the BBP Framework, its implementation and verification of Best Banking Practice, on an annual basis, details of which are provided below.

During the year the Audit Committee has reviewed the annual self-assessment of compliance with the BBP Framework established, with each of the Directorates concerned. In addition to verifying the ongoing maintenance of areas where the Bank achieves full compliance with BBP, the meetings aimed at highlighting:

- (i) The areas where full compliance had not been achieved at the last self-assessment and the progress made, for each of the applicable standards, towards full implementation;
- (ii) Developments in standard setting (new standards and reformed standards); and

- (iii) New EIB internal developments and their possible relevance to the standards (e.g. to see whether new standards become relevant to EIB as new products or initiatives are developed or whether there is a change in compliance).

The Audit Committee considers that compliance with the BBP Framework is a process that should form an integral part of written procedures, the internal control environment and daily working practices of the Bank.

To complement the self-assessments reported by Directorates, the Audit Committee has requested that IA includes within its annual work plan an audit of one area of the BBP Framework each year, with the specific objective of providing assurance regarding the integration of Best Banking Practice into the corresponding internal written procedures of the Bank's services.

In addition, when planning and performing individual audit assignments, The Audit Committee asked IA to incorporate and perform tests of controls linked to the reference standards, with a view to providing further assurance in the form of an opinion on compliance.

4.2 Areas where full compliance not yet achieved

The Audit Committee has met and discussed at length with the Bank's services the status of implementation of Best Banking Practice and the results of the annual verification process, focussing in particular on progress made during the year in closing remaining compliance gaps.

Areas where full compliance has not yet been achieved are detailed as follows:

Capital requirements

The Audit Committee had previously highlighted to the Management Committee the resource implications associated with achieving full compliance with CRD, ensuring the effective maintenance and development of internal capital adequacy processes and models and addressing new regulatory requirements. As a result the Management Committee subsequently approved the recruitment of additional resources to undertake the work required to achieve, and then maintain, full compliance with the CRD.

The Audit Committee stressed the importance of the timely recruitment of additional resources. The Audit Committee was informed that the Bank undertook the necessary measures to recruit additional staff members.

External consultants working in collaboration with the Bank's services, performed a comprehensive gap analysis to establish both the work needed, and to estimate the number of man days required, to address remaining compliance gaps.

An internal working group headed by a project manager, reporting to the Management Committee and the Audit Committee, will now see that the work programme established is achieved and key milestones met.

We will continue to closely monitor the timely achievement of this project plan in the forthcoming year.

In addition, as from January 1, 2014, Directive 2006/48/EC was repealed and replaced by Directive 2013/36/EU ("CRD IV") and Regulation (EU) No 575/2013 (the Capital Requirements Regulation) that transposes the Basel III framework in the EU legislative environment.

The Audit Committee noted that additional Basel III requirements have been addressed in the project plan. Consequently at the end of 2014 Risk Management will be required to report to the Audit Committee the results of their self-assessment of compliance with CRD IV.

The Bank remains broadly compliant with the qualitative elements of the prevailing CRD.

Corporate governance

The Bank follows corporate governance standards established by the EU, the OECD, the Basel Committee on Banking Supervision ('BCBS') and the European Banking Authority Guidelines on Internal Governance.

With reference to a finding reported in last year's Annual Report, the Audit Committee was informed that greater coordination between the EIB and EIF risk functions was established in 2013. The Audit Committee understands that a document elaborating Group Risk policies is currently being drafted. The Audit Committee retains their recommendation to ensure compliance with the requirements of the BBP Framework, the Bank needs to undertake the necessary measures to further enhance the oversight of risk at group level.

The extent of the applicability of the following regulations to the Bank was discussed in view of the precedence of the Bank's Statute with regards to the organisation, composition and nomination to the Bank's governing bodies:

- Directive 2013/36/EU of June, 26 2013 coordinating national provisions concerning access to the activity of credit institutions and investment firms, the modalities for their governance and their supervisory framework;
- EBA Guidelines on the assessment of the suitability of members of the management body and key function holders;
- Transparency: EC Regulation 1049/2001 regarding public access to European Parliament, Council and Commission documents together with Article 15,3 of the Treaty on the Functioning of the European Union.

With reference to the application of BBP, the Audit Committee recommends that the general orientation of the Bank should be to apply these requirements, when not contradictory to the Bank's legal texts.

Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT)

The Audit Committee received regular updates throughout the reporting period on the work underway to close remaining compliance gaps in the field of AML-CFT.

The Audit Committee noted the progress made during the reporting period. The finding in relation to the provision of AML-CFT training has been addressed, and the project to implement an IT filtering tool completed.

The Audit Committee understands that progress has been made in respect of the finalisation of a revised AML-CFT Framework and Counterparty Monitoring and Acceptance procedure and stressed the importance of the completion of the reference documents in order that the remaining compliance gaps are addressed.

The Audit Committee has asked that, once the Bank reports full compliance with BBP in the area of AML-CFT, IA performs a follow up review of the effective implementation of the related requirements.

The Audit Committee is sensitive to any revisions to the Bank's Non-Compliant Jurisdictions ('NCJ') policy that may be required as a result of country ratings published by the OECD Global Forum on Transparency and Information for Tax Proposes in November 2013.

The Audit Committee will be kept informed of the status of any proposed changes to the NCJ policy with a view to receiving assurance that the EIB continues to lead by example on the matter.

New developments in Best Banking Practice

The application and assessment of compliance with the BBP Framework is an iterative process. The Bank's services are required to propose the inclusion of new or revised practices to the BBP Framework as and when such requirements become effective.

The Bank's services have not identified nor proposed any other significant changes to the BBP Framework during the reporting period than those referred to above.

The Audit Committee will monitor developments in 2014 to the regulatory environment, with the Bank's services, in order to ensure that the BBP Framework continues to reflect prevailing Best Banking Practice.

5. ISSUES OF FOCUS FOR THE AUDIT COMMITTEE LOOKING FORWARD

We understand that the EIB intends to sustain its increased lending activity and counter-cyclical support for growth and job creation in Europe.

The EIB will focus on lending activity targeted towards priority objectives which are aligned with EU policy, especially projects which will help foster growth and employment within the EU, and which contribute to economic and social cohesion, environmental sustainability and climate action.

In order to meet these objectives the EIB continues to seek out market demand in new areas, in new sectors, with new counterparts and products. The EIB also maintains targets for lending for 'higher-risk special activities' i.e. 'sub investment grade'.

Within the remit of the 2014-2020 Multi Annual Financial Framework the EIB envisages even stronger collaboration with the family of European Institutions, through a substantial increase in the third party resources/ external actions managed by the Bank.

The Audit Committee recognises that this represents a significant increase, over a short period of time, to the volume and nature of the Bank's operations.

We also acknowledge that the Bank will have to continue to balance the demands of this increased activity with the need to ensure the high credit quality of its portfolio is maintained, as well as that prudential standards, are complied with.

We were consulted by Management on plans to reorganise the structure of the Bank and we expect to be consulted in particular where such reorganisation might concern the internal control environment framework and Best Banking Practice before important changes are implemented. We were informed that, once effective the reorganised structure will better meet the demands of the Bank's changing activities, enhance synergies and ensure even closer cross Bank cooperation.

The Audit Committee's role is to oversee the Bank's control environment, regardless of these operational demands and the internal reorganisation, to ensure that it continues to remain sound and is designed to meet the needs of the Bank's changing business activities, requirements of Best Banking Practice and the challenging economic and financial environment.

Given continued uncertain economic outlook the Audit Committee will also continue to devote significant attention to the effective oversight of the management of risks, in particular the management of credit and liquidity risk and the operating effectiveness of internal control environment.

We intend to carefully monitor the outcome in 2014 of the European Central Bank's comprehensive assessment of the banking system, which will be carried out in line with the provisions of the Regulation of the Single Supervisory Mechanism ('SSM'). The assessment encompasses, amongst other elements, a risk-based asset quality review, unprecedented in its European scale, and a stress test to examine the resilience of banks' balance sheets to stress scenarios. We will expect that the Bank's services are in a position to evaluate and establish the implications for the EIB and, if necessary, identify remedial actions to be taken.

With regards to EIB's compliance with Best Banking Practice, the Audit Committee will continue to concentrate on monitoring and reviewing the actions undertaken by the Bank's services to close the remaining compliance gaps, in particular with regards to achieving full compliance with the qualitative elements of CRD and the requirements of the AML-CFT Directive.

We are aware of the forthcoming revisions to International Financial Reporting Standards (IFRS), in particular the various consolidation related standards effective from 2014. We will liaise with the Bank's services to understand the potential implications for the financial reporting process, including any IT system or data configuration requirements, as well as to ensure the EIB's readiness for first time application of these standards.

Finally we will follow developments with respect to proposed reforms to the audit profession to ensure that the EIB's policies and practices, in view, for example, of the provision of non-audit services and external auditor rotation, continue to meet regulatory requirements.

6. CONCLUSIONS

Based on work undertaken and the information received, including an unqualified opinion from the external auditors on the financial statements, and a representation letter from the Management of the Bank, the Audit Committee concludes that the financial statements drawn up by the Board of Directors give a true and fair view of the financial position of the Bank and of the results of its operations and cash-flows for 2013, in accordance with the applicable accounting framework.

The Audit Committee is able to extend the same conclusion to the financial statements of the EU-Africa Infrastructure Trust Fund and the Neighbourhood Investment Facility Trust Fund as these are covered to a large extent by the EIB's own risk control systems and internal and external audit arrangements.

The Audit Committee was able to carry out its work to fulfil its statutory mandate under normal, unrestricted conditions. The Audit Committee is satisfied that the audit assurance obtained during the meetings, corroborated by the review of the documentation presented, and its own analyses sustain its conclusions. On this basis, the Audit Committee issued its annual statements as of the date of signature of the audit report by the external auditors and of the adoption by the Board of Directors.

The Audit Committee's verification of the Bank's compliance with Best Banking Practice is a requirement of the Bank's Statute. We have, together with the Bank's services, dedicated significant time throughout the year to oversee the actions taken to close remaining compliance gaps.

The Audit Committee considers that the Bank is compliant with requirements of the BBP Framework, with the exception of certain points brought to your attention in section 4.2 above.

The Audit Committee had a balanced work approach during the year in terms of focus, objectives and means utilised to obtain the necessary assurance. The Audit Committee believes that it has retained appropriate standing within the Bank, and that it has maintained appropriate relations with the Management Committee and Bank staff, while remaining independent at all times. In 2013 the Audit Committee received the expected full support from the Bank's Management and services, thus being able properly to discharge its responsibilities.

Luxembourg May 6, 2014

Signed by:

M. MATEJ, Member

M. ÜÜRİKE, Member

B. JAKOBSEN, Member

J.N. SCHAUS, Member

D. PITTA FERRAZ, Member

AUDIT COMMITTEE

Annual Report to the Board of Governors

Investment Facility

For the 2013 financial year

AUDIT COMMITTEE**ANNUAL REPORT TO THE BOARD OF GOVERNORS
ON THE INVESTMENT FACILITY****For the 2013 financial year****Table of contents:**

1. INTRODUCTION - the role of the Audit Committee	15
2. AUDIT COMMITTEE REVIEW	15
3. THE FINANCIAL STATEMENTS AS AT DECEMBER 31 2013 AND THE ANNUAL STATEMENT OF THE AUDIT COMMITTEE.....	16
4. CONCLUSION	16

1. INTRODUCTION - the role of the Audit Committee

The statutory role of the EIB's Audit Committee is to verify that the Bank's operations have been conducted and its books kept in a proper manner, as defined in the Statute and Rules of Procedure. The Financial Regulation of the Cotonou Agreement provides for the audit and discharge procedures of the Investment Facility to be the same as those defined for the Bank.

The Audit Committee issues a statement each year confirming, to the best of its knowledge and belief that the financial statements prepared for the Investment Facility give a true and fair view of its financial position, the results of its operations and of its cash flows for the respective year, in accordance with the accounting framework applied by the Bank (see section 3 for more details).

The Audit Committee is established under the EIB Statute as a committee completely independent from the Board of Directors, with the Members and Observers being appointed directly by the Board of Governors. This report from the Audit Committee to the Board of Governors provides a summary of the Committee's work focused more specifically on the Investment Facility during the period since the last annual report date.

2. AUDIT COMMITTEE REVIEW

The assurance expressed by the Audit Committee is based essentially on the external audit performed by KPMG, but also on the fact that the Investment Facility (IF) shares a number of systems with the Bank, notably those involved in risk management, human resources management, treasury management and financial reporting. The Risk Report for the Investment Facility prepared by the Bank services was also shared with us. The Audit Committee obtains an understanding of the activities and risks associated with the various developments by reviewing regular management reports and by interacting regularly with the relevant Bank services involved in the IF activities.

Meetings with Management

The Audit Committee has met during the past year with the Management of the Investment Facility, who offered details about the recent developments and future orientations for the IF and the Bank's activities in the ACP region in general. The IF portfolio, including the watch list, together with current project trends was discussed.

Monitoring Aspects

Continuing to build on progress made over the last few years with regards to enhancing the due diligence process and the control environment, the Bank has re-enforced the monitoring of operations by creating a segregated function tasked with the monitoring and post signature follow up of both loan and equity investments.

External auditors (KPMG)

The external auditors report to the Audit Committee, which delegated to them the day-to-day work concerning the audit of the financial statements. In order to be able to rely on the work performed by the external auditors, the Audit Committee has properly monitored their activity, by requesting oral and written reports, by reviewing the external auditor's deliverables and making further inquiries and through a formal interview before the sign-off of the accounts.

We held discussions with the auditors throughout the year, in order to keep ourselves briefed on the audit progress and the audit and accounting issues. We conducted a private interview with KPMG before giving our clearance on the various financial statements. We received assurances that the audit process went as planned, with full support from the Bank services.

The Audit Committee assesses regularly the external auditor's independence, including the absence of conflicts of interests.

Inspector General

The internal oversight function at the Bank is headed by the Inspector General (IG) and comprises four lines of service: internal audit, fraud investigation, operations evaluations and complaints mechanism. Although there is no direct reporting line, the Audit Committee has a privileged relation with the Inspector General and the Head of Internal Audit who may request private sessions with the Committee and have unrestricted access to it. The Audit Committee meets regularly with IG and examines IA reports and ongoing cases with the Fraud Investigations Unit.

The Audit Committee is also informed about any alleged cases of wrongdoing and ongoing investigations relating to Bank projects, including Investment Facility operations. We also discuss with Internal Audit all the significant audit recommendations and agreed action plans, together with the unit responsible for implementation. No specific audits in relation to the IF have been performed by the EIB Internal Audit during the reporting period.

European Court of Auditors

The Audit Committee has not received from the European Court of Auditors any audit reports or audit notifications related to the Investment Facility in 2013.

3. THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013 AND THE ANNUAL STATEMENT OF THE AUDIT COMMITTEE

The Audit Committee examined the 2013 financial statements of the Investment Facility and has interviewed the external auditors, in the presence of the Bank's management and in private, in order to obtain an understanding of the audit procedures applied.

The Committee noted, in relation to the 2013 financial statements:

- Income statement: The Investment Facility recorded a profit of EUR 0.61 million in 2013 compared to a profit of EUR 19 million in 2012.
- Balance Sheet: The total increased from EUR 2,133 million at December 31, 2012 to EUR 2,257 million at December 31, 2013.
- Credit risk: The Investment Facility had disbursed exposure totalling EUR 1,280 million at the end of 2013, increasing from EUR 1,178 million at December 31, 2012.
- Impairment: The balance of impairments increased from EUR 45 million at the end of 2012 to EUR 71 million at the end of 2013.

Basis of accounting: In accordance with the Investment Facility Management Agreement ('the Agreement'), the Bank prepares financial statements guided by International Public Sector Accounting Standards or International Accounting Standards as appropriate (Article 7, paragraph 3 of the Agreement). The accounting framework applied to the financial statements is International Financial Reporting Standards (IFRS) as endorsed by the EU.

4. CONCLUSION

In meeting its responsibilities in 2013 the aim of the Audit Committee was to achieve a balanced approach in terms of focus, issues handled and means utilised to obtain the necessary assurance. The Audit Committee is of the opinion that it has been able to carry out its work to fulfil its statutory mission under normal, unrestrictive conditions. We have received full cooperation from the Investment Facility during the reporting period.

Based on the work undertaken and the information we have received (including the opinion from the external auditor on the financial statements and a representation letter from the Management of the Bank), the Audit Committee concludes that the 2013 financial statements of the Investment Facility have been drawn up correctly and that they give a true and fair view of the 2013 results and financial status according to the accounting principles applicable to the Investment Facility.

On this basis, we signed our annual statement as of March 13, 2014, the date on which the EIB Board of Directors has approved the submission of the IF financial statements to the Board of Governors.

Luxembourg, May 6 2014

M. MATEJ, Member

M. ÜÜRRIKE, Member

B. JAKOBSEN, Member

J.N. SCHAUS, Member

D. PITTA FERRAZ, Member

AUDIT COMMITTEE

**Response of the Management Committee
To the Annual Reports of the Audit Committee
For the 2013 financial year**

**RESPONSE OF THE MANAGEMENT COMMITTEE
TO THE ANNUAL REPORTS OF THE AUDIT COMMITTEE
FOR THE YEAR 2013**

Table of Contents

1	CORPORATE GOVERNANCE AND INTERNAL CONTROL.....	20
2	RISK MANAGEMENT.....	21
2.1	General Risk Management Approach	21
2.2	Specific Risk Management Activities	21
3	BEST BANKING PRACTICE.....	22
3.1	Implementation and Verification Methodology	22
3.2	Capital Requirement Directive (CRD)	23
3.3	Corporate Governance	23
3.4	Oversight of Risk at a Group Level	23
3.5	Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT)	24
4	THE INVESTMENT FACILITY.....	24
5	LOOKING AHEAD.....	24
6	CONCLUSION.....	25
	ANNEX 1 - Activities in Preparation of Revisions to International Financial Reporting Standards and International Accounting Standards.....	26

1 CORPORATE GOVERNANCE AND INTERNAL CONTROL

In line with its responsibilities assigned in the Bank's Statute, the Board of Directors has overall responsibility for maintaining a sound system of internal control that supports the achievement of the Bank's policies, aims and objectives while safeguarding its funds and assets. The Management Committee, under the supervision of the Board of Directors, has the day-to-day responsibility for the system of internal control based on ongoing identification, evaluation and management of the principal risks to the achievement of policies, aims and objectives. In this regard, the Management Committee continues to seek measures to enhance the risk management, audit and other internal control functions of the Bank.

The Audit Committee verifies the activities of the Bank conform to best banking practice and is responsible for the auditing of its accounts. The Management Committee and Bank services meet with the Audit Committee regularly during the year. The Bank services have maintained a collaborative approach in supporting the work of the Audit Committee and continue to foster mutually constructive, yet appropriately independent, relationships between the Management Committee, Audit Committee, the internal auditors and external auditors. The Bank commits to maintain this collaborative approach to enable the Audit Committee to execute its responsibilities in line with its statutory provision.

In addition to an annual external audit of the financial statements under the discharge rules of the Statute, a number of the Bank's activities under partnership agreements are also subject to separate external audit scrutiny. Furthermore, various audit procedures are required in connection with certain bond issues. As both a Community body and a financial institution, the Bank also cooperates with other independent control bodies such as the European Court of Auditors, European Anti-Fraud Office (OLAF) and the European Ombudsman. As such, the Bank is subject to significant independent review throughout the year, as well as at the year end.

The Bank's Internal Audit function reported that the 2013 Audit Plan has been broadly achieved and sustained progress has been made in the timely clearance of Agreed Action Plans (AAPs). The number of high risk AAPs outstanding at the end of 2013 was seven (end 2012: seven). At the request of the Audit Committee, going forward additional emphasis will be placed upon the closure of medium and low risk AAPs, with more detailed reporting of such AAPs being made available on a quarterly basis. The Bank's management will continue efforts to maintain improvements in addressing the number of outstanding AAPs.

At the request of the Inspector General, an external Quality Assurance Review of the Fraud Investigations Division (IG/IN) was carried out at the end of 2013. The objective of the review was to confirm the adherence of IG/IN's practices with the Bank's anti-fraud policy and investigation procedures, together with the IFI Anti-Corruption Uniform Framework and best practice of international investigations. The external reviewers were also asked to make recommendations, where appropriate, to improve the effectiveness and efficiency of the fraud investigations function.

The report concluded that the assessment of policy basis supporting IG/IN's function and the quality of IG/IN's work in carrying out investigations and related work, was overall, positive and in line with international best practice. Recommendations for further improvement include, the clarification and streamlining of applicable policies, such as the anti-fraud policy, the whistleblowing policy and the staff code of conduct; the introduction of a case management software to provide more functionality and formalising the reporting of the remedial actions taken by the Bank's services to address findings raised by the Division; further development of forensic investigation tools; further development of the pro-active work, as well as the need to give consideration to reviewing current resource levels.

The Bank will consider in detail all these recommendations; prioritise those which are of a more urgent nature, and report regularly to the Audit Committee on progress made. The Bank also takes note of the European Commission's EU Anti-Corruption Report and will ensure that its findings are addressed where appropriate.

The Bank has a balanced approach to 'risk taking' and adopts an active approach to the mitigation of risk. The Management Committee remains satisfied that the major risks, to which the Bank is exposed, as identified through the risk management and internal control framework, have been reviewed and systems, policies and/or procedures have been established to manage those risks. Overall internal controls and procedures are effectively designed and operated to provide proper assurance on the integrity, legality and timeliness of the underlying transactions and processes of the annual financial statements. Further comments on governance are given in the context of the best banking practices framework in Section 3 below.

2 RISK MANAGEMENT

2.1 General Risk Management Approach

The Bank takes a holistic, proactive approach to risk management through the close interaction of risk, return, capital and liquidity. The approach has been in place for some years, with an on-going process of continual review and improvement to the risk management framework.

The EUR 10bn increase in paid-in capital translated into an immediate improvement of the Capital Adequacy (CAD) and Leverage ratios. Until 2015, following the implementation of the operational plan 2014-2016, the CAD ratio is expected to decline and consume most of the extra risk absorption capacity provided by the capital increase. In spite of a projected increase of the borrowing level, the leverage is expected to further improve as a consequence of increasing Own Funds, fed by the generation of net surplus.

The Board of Directors is kept informed of the on-going risk-related developments including the potential impact of changes in market circumstances on EIB's financial stability and overall business model through monthly Risk Reports. Within the Board of Directors, the Risk Policy Committee meets no less than four times per year to review the Bank's policies with regard to credit, market and liquidity risks. The Risk Report is reviewed and discussed by the Risk Policy Committee as well as with the Audit Committee.

2.2 Specific Risk Management Activities

Credit Risk Monitoring

The Bank will sustain its increased lending activity and countercyclical support for growth and jobs in Europe; however at the same time it remains watchful that activity levels are financially sustainable in an uncertain lending environment hence, continuous assessment of credit risk remains a key priority. Impaired loans have remained low, demonstrating the continued strong asset performance. Since mid-2012, the amount of watch-listed loans relative to the Bank's risk portfolio has remained stable. It should be noted that most of the watch-listed operations remain performing.

A full health check was undertaken by the Bank early in 2013 to ensure that credit risk assessment processes were fit for purpose in terms of monitoring the credit risks associated with potential new activities, products and counterparts. The review concluded positively and a presentation detailing the Bank's credit risk assessment processes was delivered to the Audit Committee at the end of March 2013.

In January 2014, the Capital Requirements Directive and Regulation (CRD/CRR IV) (translation of Basel III guidelines into EU law) entered into force and the Bank adjusted the calculation of its CAD ratio accordingly. Since the introduction of Basel III had been anticipated by the Bank in the definition of its CAD internal prudent threshold the actual transition from Basel II to Basel III was broadly neutral for the risk bearing capacity of the Bank.

Liquidity Risk Monitoring

Liquidity risk is managed prudently in order to ensure the regular functioning of the Bank's core activities in both normal and simulated "stressed" conditions. The adequacy of the Bank's liquidity buffer is monitored through liquidity ratios and indicators, which have to remain within prudential pre-defined limits. As part of the liquidity risk management process, the Bank also monitors its prospective cumulative funding gaps, leading to funding recommendations to limit annual re-financing needs.

Discussions are ongoing with Central Bank of Luxembourg (BCL) on the interpretation of certain calculation rules relating to Basel III liquidity indicators as introduced by CRD/CRR IV. In the next months the regulatory framework of the CRD/CRR IV is expected to be completed by the European Banking Authority (EBA), therefore a fine tuning of such liquidity indicators could occur.

EIB Cartography of Risk (CARE)

The scope of the CARE document covers assessments of credit, operational, compliance, market and legal risks. An assessment of reputational risk will be included in the CARE report to be issued to the Management Committee and Risk Policy Committee of the Board in December 2014. In line with guidance provided by the Audit Committee, Risk Management undertake to implement suggested improvements to the format and timing of the report.

Capital Adequacy Reporting

The Bank is continuously reviewing and fine-tuning its implementation of capital adequacy reporting and underlying processes. In particular, the findings of the Internal Audit review of the regulatory treatment applied to project finance and derivative exposures have been included in the Bank's work plan to close regulatory and best practice compliance gaps and will be addressed according to a timetable agreed with Internal Audit.

Further information on the Bank's work plan with respect to capital adequacy requirements is provided in section 3.2 below.

3 BEST BANKING PRACTICE

3.1 Implementation and Verification Methodology

The Bank is committed, through article 12 of its Statute, to conform its activities to the relevant accepted best banking practices as defined within a framework established by the Audit Committee in consultation with the Bank's services in 2010.

The framework establishes a hierarchy of the main legal and regulatory texts that should be followed by the Bank. It flows from this hierarchy that precedence shall be given to the "core EU legislation" including the EU Treaty, the Bank's Statute and the Rules of Procedure over other provisions such as EU Directives, Regulations or guidelines.

The Bank continually seeks full compliance with current relevant best banking practices, as defined within the framework, and elements for further compliance have been identified and actions, reviews or investigations are underway to address them.

In addition to the identification and review of best banking practice embedded into all phases of the audit, each year Internal Audit perform a specific review of an aspect of the credit risk framework in order to comply with the requirements of Basel III and CRD/CRR IV. The focus of the 2014 review will be discussed with the Audit Committee following assessment of the status of ongoing actions within the Bank in addressing the overall requirements of the Capital Requirements Directive.

The Bank reiterates its recognition that evolution in banking activities will require continuous review of the best banking practices and commits to the revision, if necessary, of the Bank's associated compliance measures.

3.2 Capital Requirement Directive (CRD)

As reported by the Audit Committee, the Bank remains broadly compliant with the qualitative elements of the prevailing CRD. While the Bank has made considerable progress in several areas of non-compliance and partial compliance identified in the 2012 annual self-assessment process, challenges remain in terms of extensive regulatory reforms and scarcity of specific technical expertise available in the market.

Early in 2013, external consultants with the support of the Bank's services undertook a comprehensive gap analysis identifying work and resources required to close remaining compliance gaps identified during the 2012 best banking practices self-assessment. The Bank has now developed the best banking practices target roadmap and project directors, under the guidance and supervision of a dedicated steering committee, are responsible for ensuring key milestones are achieved. An extensive recruitment campaign to be concluded at the end of Q1 2014, shall deliver the required further resources to execute the work programme, with the active support of external consultants. The best banking practices target road map will be presented to the Audit Committee in March 2014.

It should be noted that any new requirements under CRD/CRR IV have been taken into consideration in the target roadmap. The 2014 self-assessment exercise will therefore report on compliance with CRD IV.

3.3 Corporate Governance

During 2013 the Bank identified three new reference documents in the field of Corporate Governance:

- Directive 2013/36/EU of 26 June 2013 coordinating national provisions concerning access to the activity of credit institutions and investment firms, the modalities for their governance and their supervisory framework;
- European Banking Authority (EBA) Guidelines on the assessment of the suitability of members of the management body and key function holders;
- Transparency: EC Regulation 1049/2001 regarding public access to European Parliament, Council and Commission documents together with Article 15,3 TFEU.

Their applicability to the Bank was discussed with the Audit Committee. It was agreed that the requirements would be applied to the extent possible given the precedence of the Bank's Statute in respect of the organisation, composition and nomination to the Bank's governing bodies.

3.4 Oversight of Risk at a Group Level

While there is no official Group risk management function as such, the Risk Management Directorate at EIB is setting up a unit dedicated to Group risk that will leverage on the efforts made until now to deepen the coordination between the two institutions in this matter.

EIB-EIF mandates have historically been governed by contractual guidelines (this is the case for Risk Capital Resources (RCR) and Treasury). Compared to last year, progress has been made on Group limits and guidelines, which are already in place for all activities where EIB and EIF overlap (Credit Risk Policy Guidelines (CRPGs) include Group limits for non-recourse ABS, the ABS initiative documentation covers monitoring, while the RCR mandate has been governed for years by contractual guidelines as has the management of EIF Treasury by EIB).

Furthermore, the respective Directorates have advanced on the preparation of a Group Risk Charter (or high level Group Risk Policy) which is still in the process of including elements that have emerged since the drafting started such as the June 2013 EU Council decision and the impending signature of the EIB Group Risk Enhancement Mandate (EREM). The finalisation of this Group Risk Policy is foreseen for 2014.

3.5 Anti-Money Laundering and Combating the Financing of Terrorism (AML-CFT)

Work to close remaining compliance gaps in the field of AML-CFT continues to progress well. After extensive consultations and discussions with the European Data Protection Supervisor (EDPS), a revised AML-CFT Framework and Counterparty Monitoring and Acceptance procedure document is being prepared. The document will include a roadmap for the implementation of all corporate system upgrades and enhanced resources considered necessary for the achievement of effective AML-CFT processes. Full implementation is estimated within two years of the roadmap being approved by the Management Committee. In 2013, the Bank established a comprehensive AML/CFT training programme, which will be expanded in 2014 to include e-learning modules.

4 THE INVESTMENT FACILITY

The Bank is entrusted with the management of the Investment Facility (IF), financed by the EU Member States' budgets. Resources from the IF, alongside the Bank's own resources (OR), are utilised in the finance of operations in the African Caribbean and Pacific Countries (ACPs) and in the Overseas Countries and Territories (OCTs). The operations flowing from the IF and the Bank's own resources are complementary in nature. IF operations typically focus on the riskier market segment of private sector projects that would normally not meet the prudential requirements set under the financing of OR supported operations.

The key transactions and internal activities related to the management of the IF are handled by the same processes, procedures and infrastructure of the Bank. Hence key management and internal controls, particularly in regard to risk management, internal audit, human resources, treasury and financial reporting are the same as those applied to the operations of the EIB. External mandates, including those of the IF, are subject to external audit.

5 LOOKING AHEAD

The trend of high lending volumes and increasing product innovation will continue during 2014, as momentum is maintained for the EIB's crisis response and as the implications for the Bank of the new Multi Annual Financial Framework (MFF) continue to unfold. The Bank's risk processes to assess proposals for new operations and the resolution of credit events on outstanding exposures are well established and have served well during the Bank's crisis response starting in 2009. Nevertheless, the appropriateness of these processes will continue to be reviewed. In order to better meet the demands of the Bank's changing activities, enhance synergies and

ensure even closer cross Bank cooperation, a major reorganisation of the Bank's services will be undertaken during the year – the Audit Committee will continue to be kept informed of these plans to ensure they comply with best banking practices.

The Bank is also assessing possible implications which the Single Supervisory Mechanism under the European Central Bank (ECB) may have. In particular, special attention will be paid to the on-going comprehensive assessment of the eurozone's banking system undertaken by the ECB. In the event a capital shortfall should be identified regarding any counterpart of the Bank, the respective information will be promptly assessed and, if deemed necessary, appropriate steps will be taken by the Bank's relevant services, including Transaction Management & Restructuring (TMR). In any case, the Bank will monitor the results of the comprehensive assessment and take it into consideration in the credit risk evaluation process of its counterparts. Also relevant for the Bank is the finalization of the Bank Recovery and Resolution directive and its subsequent translation in national law before year-end 2014. Unsecured lending to banks will become riskier and both capital requirements and risk pricing for new operations will increase. Potential mitigating actions include the provision of additional securities or guarantees by the bank counterparts, either on a negotiated basis or as a result of a strict enforcement of the Bank's contractual rights (Loss of rating clauses) in case of rating downgrades.

The Bank has already made significant plans in anticipation of the forthcoming revisions to International Financial Reporting Standards (IRFS) and International Accounting Standards (IAS) as summarised in Annex 1.

6 CONCLUSION

The Management Committee is appreciative of the feedback and support from the Audit Committee during 2013 and shares its concerns regarding adherence to best banking practices particularly in the light of continued high lending volumes. The Management Committee continues to be confident in its policies, procedures and people to succeed in both delivering the operational plan and in ensuring effective control mechanisms.

ANNEX 1 - Activities in Preparation of Revisions to International Financial Reporting Standards and International Accounting Standards

The Bank has assessed the implications for the financial reporting process in relation to standards which become applicable for the first time in 2014 namely;

IAS 32 Offsetting financial assets and financial liabilities – Effective date 1 January 2014

Additional clarification provided to existing offsetting criteria, explain when an entity has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. It is expected that the implementation of this standard will have a limited impact.

IFRS 10, 11 and 12 Consolidated financial statements, Joint arrangements and disclosure of interests in other entities – Effective date 1 January 2014

These standards establish (i) the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities (ii) the framework for determining the type of joint arrangements that an entity has with another entity and (iii) the requirements to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities. The expected impact of these standards is limited.

IFRS 9 Financial Instruments – Effective no earlier than 2018

The Bank continues to closely follow the finalisation of the IFRS 9 components with a view to ensuring proper implementation once the standard becomes applicable in the European Union. Beginning of 2014 the International Accounting Standards Board (IASB) announced that the standard will not become effective before 2018. This could have implications for the actual content of the scope.



Contacts

For general information:

Information Desk

Corporate Responsibility and
Communication Department

☎ +352 4379-22000

☎ +352 4379-62000

✉ info@eib.org

European Investment Bank

98-100, boulevard Konrad Adenauer
L-2950 Luxembourg

☎ +352 4379-1

☎ +352 437704

www.eib.org