



EUROPEAN
COMMISSION

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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
FOR THE FINANCIAL YEAR 2022**

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CERTIFICATION OF THE ACCOUNTS

The annual accounts of the European Commission for the year 2022 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 77 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.

Rosa ALDEA BUSQUETS

Accounting Officer of the Commission

19 June 2023

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 million	
	Note	31.12.2022	31.12.2021
NON-CURRENT ASSETS			
<i>Intangible assets</i>	2.1	442	365
<i>Property, plant and equipment</i>	2.2	9 820	9 493
<i>Investments accounted for using the equity method</i>	2.3	1 313	1 192
<i>Financial assets</i>	2.4	225 268	180 637
<i>Pre-financing</i>	2.5	47 303	60 665
<i>Exchange receivables and non-exchange recoverables</i>	2.6	18 984	40 804
		303 132	293 157
CURRENT ASSETS			
<i>Financial assets</i>	2.4	8 821	6 512
<i>Pre-financing</i>	2.5	54 042	33 675
<i>Exchange receivables and non-exchange recoverables</i>	2.6	29 417	31 555
<i>Inventories</i>	2.7	76	79
<i>Cash and cash equivalents</i>	2.8	45 201	43 464
		137 557	115 285
TOTAL ASSETS		440 688	408 441
NON-CURRENT LIABILITIES			
<i>Pension and other employee benefits</i>	2.9	(80 116)	(121 848)
<i>Provisions</i>	2.10	(2 009)	(2 763)
<i>Financial liabilities</i>	2.11	(323 444)	(214 380)
		(405 569)	(338 990)
CURRENT LIABILITIES			
<i>Provisions</i>	2.10	(534)	(328)
<i>Financial liabilities</i>	2.11	(28 275)	(31 090)
<i>Payables</i>	2.12	(56 913)	(47 644)
<i>Accrued charges and deferred income</i>	2.13	(85 129)	(77 057)
		(170 851)	(156 120)
TOTAL LIABILITIES		(576 419)	(495 111)
NET ASSETS		(135 731)	(86 669)
<i>Reserves</i>	2.14	138	51
<i>Amounts to be called from Member States*</i>	2.15	(135 868)	(86 721)
NET ASSETS		(135 731)	(86 669)

* The European Parliament adopted a budget on 23 November 2022 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 the following year. Additionally, under article 83 of the Staff Regulations (Council Regulation No 259/68 of 29 February 1968 as amended), the Member States shall jointly guarantee the liability for pensions.

STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	Note	2022	2021
REVENUE			
Revenue from non-exchange transactions			
GNI resources		103 880	115 955
Traditional own resources		23 495	20 590
VAT		19 666	18 340
Plastics own resources		6 337	5 831
Fines		915	1 990
Recovery of expenses	3.1	1 216	1 762
UK Withdrawal Agreement		–	1 122
Other	3.2	6 735	2 753
		162 245	168 342
Revenue from exchange transactions			
Financial revenue	3.3	2 593	5 090
Other	3.4	864	727
		3 458	5 817
Total Revenue		165 702	174 159
EXPENSES			
Implemented by Member States	3.5		
European Agricultural Guarantee Fund		(41 031)	(40 829)
European Agricultural Fund for Rural Development		(16 073)	(15 451)
European Regional Development Fund &		(43 083)	(46 932)
European Social Fund		(14 649)	(16 727)
Other		(3 482)	(4 835)
Implemented by the Commission, executive agencies	3.6	(94 049)	(63 025)
Implemented by other EU agencies and bodies	3.7	(4 693)	(4 211)
Implemented by third countries and int. organisations	3.7	(5 281)	(4 512)
Implemented by other entities	3.7	(4 743)	(3 225)
Staff and pension costs	3.8	(9 959)	(8 593)
Finance costs	3.9	(7 470)	(4 158)
UK Withdrawal Agreement		(6 961)	–
Other	3.10	(6 081)	(3 736)
Total Expenses		(257 554)	(216 234)
ECONOMIC RESULT OF THE YEAR		(91 852)	(42 075)

CASHFLOW STATEMENT

EUR million

	2022	2021
<i>Economic result of the year</i>	(91 852)	(42 075)
Operating activities		
<i>Amortisation</i>	32	27
<i>Depreciation</i>	959	758
<i>(Increase)/decrease in loans</i>	(40 790)	(70 281)
<i>(Increase)/decrease in pre-financing</i>	(7 005)	(30 887)
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>	23 958	1 838
<i>(Increase)/decrease in inventories</i>	2	(4)
<i>Increase/(decrease) in pension and other employee benefits</i>	(41 732)	6 440
<i>Increase/(decrease) in provisions</i>	(548)	(2 157)
<i>Increase/(decrease) in financial liabilities (other than NGEU borrowings)</i>	14 120	60 129
<i>Increase/(decrease) in payables</i>	9 268	14 538
<i>Increase/(decrease) in accrued charges and deferred income</i>	8 072	13 350
<i>Prior year budgetary surplus taken as non-cash revenue</i>	(3 227)	(1 769)
<i>Remeasurements in employee benefits liabilities (non-cash movements not included in statement of financial performance)</i>	45 916	(3 241)
<i>Other non-cash movements</i>	102	(1 757)
Investing activities		
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>	(1 396)	(1 888)
<i>(Increase)/decrease in investments accounted for using the equity method</i>	(121)	(604)
<i>(Increase)/decrease in non-derivative financial assets at fair value through surplus or deficit*</i>	(5 994)	(4 703)
<i>(Increase)/decrease in derivative financial assets at fair value through surplus or deficit</i>	(156)	(629)
Financing activities		
<i>Increase/(decrease) in borrowings related to NGEU</i>	92 128	91 000
NET CASHFLOW	1 736	28 084
<i>Net increase/(decrease) in cash and cash equivalents</i>	1 736	28 084
<i>Cash and cash equivalents at the beginning of the year</i>	43 464	15 380
<i>Cash and cash equivalents at year-end</i>	45 201	43 464

STATEMENT OF CHANGES IN NET ASSETS

EUR million

	Amounts to be called from Member States Accumulated Surplus/(Deficit)	Other reserves	Fair value reserve	Net Assets
BALANCE AS AT 31.12.2020	(41 329)	3 031	470	(37 828)
<i>Impact of revised EAR 11 (see Note 1)</i>	1 693	(3 043)	(470)	(1 820)
BALANCE AS AT 01.01.2021	(39 636)	(12)	–	(39 648)
<i>Remeasurements in employee benefits liabilities</i>	(3 241)	–	–	(3 241)
<i>Other</i>	–	63	–	63
<i>2020 budget result credited to Member States</i>	(1 769)	–	–	(1 769)
<i>Economic result of the year</i>	(42 075)	–	–	(42 075)
BALANCE AS AT 31.12.2021	(86 721)	51	–	(86 669)
<i>Remeasurements in employee benefits liabilities</i>	45 916	–	–	45 916
<i>Other</i>	15	86	–	102
<i>2021 budget result credited to Member States</i>	(3 227)	–	–	(3 227)
<i>Economic result of the year</i>	(91 852)	–	–	(91 852)
BALANCE AS AT 31.12.2022	(135 868)	138	–	(135 731)

NOTES TO THE FINANCIAL STATEMENTS

For further information in addition to the notes below, please also see the 2022 EU consolidated annual accounts.

Note that in the following tables amounts concerning the UK in relation to MFFs up to end 2020 are still shown under the heading Member States as although the UK withdrew from the Union on 1 February 2020, in accordance with the Withdrawal Agreement, it continues to have a financial relationship with the Union equivalent to that of a Member State for these periods.

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) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30 July 2018, p. 1) hereinafter referred to as the 'Financial Regulation' (FR).

In accordance with article 80 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 ensure the internal consistency of the EU consolidated accounts.

Application of new and amended European Union Accounting Rules (EAR)

Revised EAR effective for annual periods beginning on or after 1 January 2022

There are no new EAR which became effective for annual periods beginning on or after 1 January 2022.

New EAR adopted but not yet effective at 31 December 2022

There are no new EAR adopted but not yet effective at 31 December 2022.

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 are relevance, faithful representation (reliability), understandability, timeliness, comparability and verifiability.

1.3. CONSOLIDATION

Scope of consolidation

The consolidated financial statements of the EU comprise all significant controlled entities, joint arrangements and associates. The complete list of entities falling under the scope of consolidation, which now comprises 54 controlled entities and 1 associate (2021: 55 controlled entities and 1 associate), can be found in note 9. Among the controlled entities are the EU institutions (including the Commission, but not the European Central Bank) and the EU agencies (except those of the Common and Foreign Security Policy). The European Coal and Steel Community in Liquidation (ECSC i.L.) is also considered as a controlled entity. The EU's only associate is the European Investment Fund (EIF).

Entities falling under the scope of consolidation but immaterial to the EU consolidated financial statements as a whole need not be consolidated or accounted for using the equity method where to do so would result in excessive time or cost to the EU. These entities are referred to as 'Minor entities' and are separately listed in note 9. In 2022, 8 entities have been classified as such minor entities (2021: 8 entities).

Controlled entities

In order to determine the scope of consolidation, the control concept is applied. Controlled entities are entities for which the EU is exposed, or has right, to variable benefits from its involvement and has the ability 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.

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 of which the EU and one or more parties have joint control. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of parties sharing control. Joint agreements can be either joint ventures or joint operations. A joint venture is a joint arrangement that is structured through a separate vehicle and whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Participations in joint ventures are accounted for using the equity method (see note 1.5.4). A joint operation is a joint arrangement whereby the parties that have joint control of the arrangements have rights to the assets, and obligations for the liabilities, related to the arrangement. Participations in joint operations are accounted for by recognising in the EU's financial statements its assets and liabilities, revenues and expenses, as well as its share of assets, liabilities, revenues and expenses jointly held or incurred.

Associates

Associates are entities over which the EU has, directly or indirectly, significant influence but not exclusive or joint 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 behalf of these entities. 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 in accordance with Article 243 of the Financial Regulation. 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, unless stated otherwise, the euro being the EU's functional 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.

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	31.12.2022	31.12.2021	Currency	31.12.2022	31.12.2021
BGN	1.9558	1.9558	PLN	4.6808	4.5969
CZK	24.1160	24.8580	RON	4.9495	4.949
DKK	7.4365	7.4364	SEK	11.1218	10.2503
GBP	0.8869	0.8403	CHF	0.9847	1.0331
HRK	7.5345	7.5156	JPY	140.6600	130.3800
HUF	400.8700	369.1900	USD	1.0666	1.1326

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, financial risk of accounts receivable and the amounts disclosed in the notes concerning financial instruments, impairment allowance for financial assets at amortised cost and for financial guarantee contract liabilities, accrued revenue and charges, provisions, degree of impairment of intangible assets and property, plant and equipment, net realisable value of inventories, contingent assets and liabilities. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known, if the change affects that period only, or that period and future periods, if the change affects both.

1.5. BALANCE SHEET

1.5.1. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is either separable (i.e. it is capable of being separated or divided from the entity, e.g. by being sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so), or arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations).

Acquired intangible assets are stated at historical cost less accumulated amortisation and impairment losses. Internally developed intangible assets are capitalised when the relevant criteria of the EU Accounting Rules are met and the expenses relate solely to the development phase of the asset. The capitalisable costs 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.

Intangible assets are amortised on a straight-line basis over their estimated useful lives (3 to 11 years). The estimated useful lives of intangible assets depend on their specific economic life time or legal life time determined by an agreement.

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 is not depreciated as it is 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>	<i>4% to 10%</i>
<i>Space assets</i>	<i>8% to 25%</i>
<i>Plant and equipment</i>	<i>10% to 25%</i>
<i>Furniture and vehicles</i>	<i>10% to 25%</i>
<i>Computer hardware</i>	<i>25% to 33%</i>
<i>Other</i>	<i>10% to 33%</i>

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

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are classified as either finance leases or operating leases.

Finance leases are leases where substantially all the risks and rewards incidental to ownership are transferred to the lessee. When entering a finance lease as a lessee, the assets acquired under the finance lease are recognised as assets and the associated lease obligations as liabilities as from the commencement of the lease term. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Over the period of the lease term, the assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term. The minimum lease payments are apportioned between the finance charge (the interest element) and the reduction of the outstanding liability (the capital element). The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability, which is presented as current/non-current, as applicable. Contingent rents are charged as expenses in the period in which they are incurred.

An operating lease is a lease other than a finance lease, i.e. a lease where the lessor retains substantially all the risks and rewards incidental to ownership of an asset. When entering an operating lease as a lessee, the operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term with neither a leased asset nor a leasing liability presented in the balance sheet.

1.5.3. Impairment of non-financial assets

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through amortisation or depreciation (as applicable). 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 tested for impairment whenever there is an indication at the reporting date that an asset may be impaired. 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. 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, with the initial carrying amount subsequently being increased or decreased to recognise further contributions, the EU's share of the surplus or deficit of the investee, any impairments and dividends. The initial cost together with all movements give the carrying amount of the investment in the financial statements at the balance sheet date. The EU's share of the investee's surplus or deficit is recognised in the statement of financial performance, and its share of investee's movements in equity is recognised in the reserves within net assets. 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 note **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 financial assets at fair value through surplus or deficit ('FVSD').

Associates and joint ventures classified as minor entities (see note **1.3**) 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 at initial recognition

The classification depends on two criteria:

- The financial assets management model. This requires an assessment of how the EU manages the financial assets to generate cash flows and to achieve its objectives and how it evaluates the performance on financial assets.
- The asset contractual cash-flow characteristics. This requires an assessment of whether the contractual cash flows are solely payments of principal and interest on the principal outstanding. The interest is the consideration for the time value of money, credit risk and other basic lending risks and costs.

Following assessment based on these criteria, the financial assets can be classified in three categories: Financial assets at amortised cost ('AC'), financial assets at fair value through net assets/equity ('FVNA') or financial assets at fair value through surplus or deficit ('FVSD').

Financial assets with contractual cash flows that represent solely principal and interests are classified depending on the entity's management model. If the management model is to hold the financial assets in order to collect contractual cash flows, the financial assets are classified at AC. If the management model is to hold the financial assets both to collect contractual cash flows and to sell the financial assets, the classification is FVNA. If the management model is different to these two models (e.g. the financial assets are held for trading or held in a portfolio managed and evaluated on a fair value basis), the financial assets are classified as FVSD.

Financial assets with contractual cash flows that do not represent only principal and interests, but introduce exposure to risks and volatility other than those present in a basic lending arrangement (e.g. changes in equity prices), are classified as FVSD regardless of the management model.

At initial recognition, the EU classifies the financial assets as follows:

(i) Financial assets at amortised cost

The EU classifies in this category:

- Cash and cash equivalents;
- Loans (including term deposits with original maturity of more than three months);
- Exchange receivables, except for the financial guarantee contract receivable leg classified as financial asset at fair value through surplus or deficit.

These non-derivative financial assets meet two conditions: The EU's management model is to hold them in order to collect the contractual cash flows. Furthermore, on specified days, there are contractual cash flows that represent only principal and interest on the outstanding principal.

Financial assets at amortised cost are included in current assets, except for those with maturity of more than 12 months from the reporting date.

(ii) Financial assets at fair value through net assets/equity

These non-derivatives financial assets have contractual cash flows that represent only principal and interest on the outstanding principal. In addition, the management model is to hold the financial assets both to collect contractual cash flows and to sell the financial assets.

Assets in this category are classified as current assets, if they are expected to be realised within 12 months from the reporting date.

The EU does not hold such assets at 31 December 2022.

(iii) Financial assets at fair value through surplus or deficit

The EU classifies the following financial assets as FVSD because the contractual cash flows do not represent only principal and interests on the principal:

- Derivatives;
- Equity investments and investments in money market funds or in pooled portfolio funds;
- Other equity-type investments (e.g. Risk Capital Operations).

In addition, the EU classifies the debt securities it holds as FVSD because the portfolios of debt securities are managed and evaluated on a portfolio fair value basis (e.g. Common Provisioning Fund under Article 212 of the Financial Regulation).

Assets in this category are classified as current assets, if they are expected to be realised within 12 months from the reporting date.

Initial recognition and measurement

Purchases of financial assets at fair value through net assets/equity and at fair value through surplus or deficit are recognised on their trade-date – the date on which the EU commits to purchase the asset. Cash equivalents and loans are recognised when cash is deposited in a financial institution or advanced to borrowers.

Financial assets are initially measured at fair value. For all financial assets not carried at fair value through surplus or deficit, the transactions costs are added to the fair value at initial recognition. For financial assets carried at fair value through surplus or deficit the 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 unless the transaction is not at arm's length i.e. at no or at nominal consideration for public policy purposes. In this case, the difference between the fair value of the financial instrument and the transaction price is a non-exchange component which is recognised as an expense in the statement of financial performance. In this case, the fair value of a financial asset is derived from current market transactions for a directly equivalent instrument. If there is no active market for the instrument, the fair value is derived from a valuation technique that uses available data from observable markets.

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 under the Recovery and Resilience Facility and loans for financial assistance are initially measured at their nominal amount, with the transaction price considered the fair value of the loan. This is because:

- The 'market environment' for EU lending is very specific and different from the capital market used to issue commercial or government debt. As lenders in these markets have the opportunity to choose alternative investments, the opportunity of doing so is factored into market prices. However, this opportunity for alternative investments does not exist for the EU, which is not allowed to invest money in the capital markets; it only borrows funds for the purpose of lending. 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 should be the interest rate charged.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial assets at fair value through net assets/equity are subsequently measured at fair value. Gains and losses from changes in the fair value are recognised in the fair value reserve, except for foreign exchange translation differences on monetary assets, which are recognised in the statement of financial performance.

Financial assets at fair value through surplus or deficit are subsequently measured at fair value. Gains and losses from changes in the fair value (including those stemming from foreign currency translation and any interests earned) are included in the statement of financial performance in the period in which they arise.

Fair value at subsequent measurement

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 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.

Impairment of financial assets

The EU recognises and measures an impairment loss for expected credit losses on financial assets that are measured at amortised cost and at fair value through net assets/equity.

The expected credit loss (ECL) is the present value of the difference between the contractual cash flows and the cash flows that the EU expects to receive. The ECL incorporates reasonable and supportable information that is available without undue cost or effort at the reporting date.

The ECL is measured with a three stage model that takes into account probability weighted default events during the lifetime of the financial asset and the evolution of credit risk since the origination of the financial asset. For loans, origination is the date of the irrevocable loan commitment.

If there is no significant increase in credit risk since origination ('stage 1'), the impairment loss is the ECL from possible default events in the next 12 months from the reporting date ('12 months ECL'). If there is a significant increase in credit risk since origination ('stage 2'), or if there is objective evidence of a credit impairment ('stage 3'), the impairment loss equals the ECL from possible default events over the whole lifetime of the financial asset ('lifetime ECL') (see note **6.3**).

For assets at amortised cost, the asset's carrying amount is reduced by the amount of the impairment loss which is recognised in the statement of financial performance. For assets at fair value through net assets/equity the loss allowance is recognised in net assets/equity and does not reduce the carrying amount of the financial asset in the balance sheet. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the statement of financial performance.

(a) *Loans to sovereigns*

The EU bases its assessment of loans' impairment, in the context of the nature of the EU's financing and its unique institutional status.

For the impairment of loans to non-Member States, the EU calculates the expected credit losses using external credit quality data, however taking into account its preferred creditor status, which reduces the credit risk. For the calculation of the present value, the discount rate is the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate is the current effective interest rate determined under the contract.

For loans to Member States, the EU has never incurred any impairment losses, nor faced any defaults on payments. For these loans, in addition to the preferred creditor status, the EU takes into account the relationships with its Member States. These two elements, in principle, guarantee the full recovery of the loans to Member States, on maturity. Therefore, the EU considers the expected credit losses from loans to Member States to be negligible, and a statistical approach to calculate expected credit losses as inappropriate for these loans. Thus no expected credit losses are recognised in the statement of financial performance for the loans to Member States.

(b) *Receivables*

The EU measures the impairment loss at the amount of lifetime ECL, using practical expedients (e.g. provision matrix).

(c) *Cash and cash equivalents*

The EU holds cash and cash equivalents in current bank accounts and term deposits of up to 3 months. The cash is held in banks with very high credit ratings (see note **6.3**), thus having very low default probabilities. Given the short duration and low default probabilities, the expected credit losses from cash and cash equivalents are negligible. As a result, no impairment allowance is recognised for cash equivalents.

Derecognition

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. Sales of financial assets at fair value through net assets/equity and through surplus or deficit are recognised on their trade-date.

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 in accordance with the principle of sound financial management over a period defined in the particular contract, decision, agreement or basic 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 to the EU. As the EU retains control over the pre-financing and is entitled to a refund for the ineligible part, the amount is presented as an asset.

Pre-financing is initially recognised on the balance sheet when cash is transferred to the recipient. It is measured at the amount of the consideration given. In subsequent periods pre-financing is measured at the amount initially recognised on the balance sheet less the 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 in 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 heading 'Pre-financing'. 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 contributions to EU trust funds (as established under Article 234 of the Financial Regulation) not consolidated in the European Commission, or to other unconsolidated entities, are 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

The EU Accounting Rules require a separate presentation of exchange and non-exchange transactions. To distinguish between the two categories, the term 'receivables' is reserved for exchange transactions, whereas for 'non-exchange transactions', i.e. when the EU receives value from another entity without directly giving approximately equal value in exchange, the term 'recoverables' is used (e.g. recoverables from Member States related to own resources).

Receivables from exchange transactions are financial assets measured at amortised cost, except for certain amounts of financial guarantee contract receivable leg which are classified as financial asset at fair value through surplus or deficit (see note **1.5.5**).

Recoverables from non-exchange transactions are carried at fair value as at the date of acquisition 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** concerning the treatment of accrued revenue at year-end. Amounts displayed and disclosed as recoverables from non-exchange 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 assets at amortised cost 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. Employee benefits

The EU provides a set of benefits (emoluments and social security) to employees. For accounting purposes these have to be classified into short-term and post-employment benefits.

Short-term employee benefits

Short-term employee benefits are those benefits due to be settled before twelve months after the end of the reporting period in which employees rendered the service, such as salaries, annual and paid sick leaves, and other short-term allowances. Short-term employee benefits are recognised as an expense when the related service is provided. A liability is recognised for the amount expected to be paid if the EU has a present legal or constructive obligation to pay as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The EU grants a set of post-employment benefits to employees, which include retirement, invalidity and survival pensions provided under the Pension Scheme of the European Officials (PSEO), as well as health insurance coverage provided under the Joint Sickness Insurance Scheme (JSIS) (see note **2.9**). These benefits are provided under a single plan – although split in two schemes – and they must be treated similarly so as to give a fair presentation of the situation and reflect the economic reality:

- i. Pension Scheme of European Officials (PSEO): The benefits granted under this notionally funded¹ scheme relate to seniority, invalidity and survival, as well as, family allowances, death before retirement to those employees that work or worked in the EU Institutions, Agencies and other EU bodies or are survivors of deceased officials or pensioners. Staff contribute one third of the expected cost of these benefits from their salaries.
- ii. Joint Sickness Insurance Scheme (JSIS): Under this scheme, the EU provides health insurance coverage for staff of the European Commission, Institutions, Agencies and other EU bodies through the reimbursement of medical expenses. The benefits granted to the 'inactives' of this scheme (i.e. pensioners, orphans, etc.) are classified as post-employment benefits.

¹ The PSEO is a notional (virtual) fund with defined benefits in which staff's contributions serve to finance their future pensions. Although there is no actual investment fund, the amount that would have been collected by such a fund is considered to have been invested in the Member States' long-term bonds and is reflected in the pension liability that is registered in the annual accounts of the European Union. Member States jointly guarantee the payment of the benefits pursuant to Article 83 of the Staff Regulations and Article 4(3) of the Treaty on European Union (see COM(2018) 829 for a detailed description of the scheme).

The EU also provides post-employment benefits to Members and former Members of the EU institutions via separate pension schemes. These are shown under the heading 'Other retirement benefit schemes'. Under these schemes the EU provides pension benefits to members of the Commission, European Court of Justice, Court of Auditors, Council, European Parliament, European Ombudsman, and the European Data Protection Supervisor. The EU provides health coverage to the members of the EU Institutions via the JSIS.

The above post-employment benefits qualify as defined benefit obligations of the EU and are calculated at each reporting date by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligation is performed annually 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.

The post-employment benefits provided to EU staff are incorporated in a single plan comprising both a pension scheme (PSEO) and a sickness insurance scheme (JSIS), with the right to coverage under the JSIS scheme being dependent on having acquired the right to coverage under the PSEO scheme. Under the terms of this single plan, as set out in the Staff Regulation, certain entitlements, such as the right to a deferred and reduced pension under the PSEO scheme, are acquired after 10 years of service. However, the entitlements acquired under the single plan by the employee's subsequent service are materially higher than those initial entitlements as reflected by subsequent annually accrued pension rights.

Therefore, in order to depict the economic substance of the underlying transaction required by the faithful representation qualitative characteristic of financial reporting as outlined in both EAR 1 and the IPSAS Conceptual Framework, the service cost incurred is accrued on a straight-line basis over staff's estimated active service period, i.e. the period from the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases. This approach is applied consistently to the benefits provided for under the single plan.

Remeasurements in the net defined benefit liabilities comprise actuarial gains and losses and the return on plan assets, and are recognised immediately in net assets.

The EU recognises the net interest expense (income) and other expenses related to the defined benefit plans in the statement of financial performance within the heading 'Staff and pension costs'.

When benefits provided are changed or curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of financial performance. Gains and losses on settlement are recognised when the settlement occurs. Past service cost is recognised immediately in the statement of financial performance, unless the changes are conditional on the employees remaining in service for a specified period of time.

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).

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

1.5.12. Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit, financial liabilities carried at amortised cost, or as financial guarantee contract liabilities.

Borrowings are composed of borrowings from credit institutions and debts evidenced by certificates (EU bonds, EU deposits and EU bills). 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. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are immaterial and are directly recognised in the statement of financial performance.

Financial liabilities at fair value through surplus or deficit include derivatives where the 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**.

The EU recognises a financial guarantee contract liability when it enters into a contract that requires the EU to make specified payments to reimburse the guarantee holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Where the guarantee contract requires the EU to make payments in response to financial instruments price changes or changes to other underlyings, the guarantee contract is a derivative i.e. a financial liability at fair value through surplus or deficit. All other guarantee contracts are accounted for as financial provisions.

Financial guarantee contract liabilities are initially recognised at fair value. This equals the net present value of the premium receivable, if it is at market terms. When no guarantee premium is charged or where the consideration is not fair value, the fair value is determined based on the quoted prices in an active market for financial guarantee contracts directly equivalent to that entered into the financial guarantee liability, if available, or using a valuation technique. If no reliable measure of fair value can be determined either by direct observation of an active market or through another valuation technique, the financial guarantee contract liability is initially measured at the amount of the lifetime expected credit losses.

The subsequent measurement depends on the evolution of the credit risk exposure from the financial guarantee. If there is no significant increase in credit risk ('stage 1'), financial guarantee liabilities are measured at the higher of the 12 months expected credit losses and the amount initially recognised less, when appropriate, cumulative amortisation. If there is a significant increase in credit risk ('stage 2'), financial guarantee liabilities are measured at the higher of the lifetime expected credit losses and the amount initially recognised less, when appropriate, cumulative amortisation (see note **6.3**).

Financial liabilities are classified as non-current liabilities, except for maturities less than 12 months after the balance sheet date. Financial guarantee contracts are classified as current liabilities except if the EU has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

EU trust funds that are considered as part of the Commission's operational activities (i.e. trust funds Madad and Colombia) 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 distribution of the remaining resources will be decided by the trust fund board.

The same measurement principles apply to the external contributions to the EU programmes, in case such contributions are received with conditions to use the resources as stipulated in the contribution agreements or otherwise to return them to the contributor.

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 eligible amount.

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

1.5.14. Accrued and deferred revenue and charges

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

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the 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 a payment has been made in advance for services or goods that have not yet been received, the expense will be deferred and recognised in the subsequent accounting period.

1.6. 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 as follows:

GNI based resources, VAT and Plastics own resources

Revenue is recognised for the period for which the Commission sends out a call for funds to the Member States claiming their contribution. The revenue is measured at its 'called amount'. As VAT, GNI and Plastics own resources are based on estimates of the data for the budgetary year concerned, they may be revised since 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 revenue. 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 adopted and it is officially notified to the addressee. After the decision to impose a fine, the fined entities have two months from the date of notification:

- a) 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

- b) not to accept the decision, in which case they challenge it in accordance with EU law.

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 TFEU). The cash received is used to clear the recoverable. However, subject to the agreement of the Commission's Accounting Officer, the undertaking may present a bank guarantee for the amount instead. In that case the fine remains as a recoverable. If neither cash nor a guarantee is received and there are doubts about the undertaking's solvency, a value reduction on the entitlement is recognised.

If the undertaking appeals against the decision, and has already provisionally paid the fine, the amount is disclosed as a contingent liability, or, 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 is given instead, the outstanding recoverable is written down.

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 revenue and expense

Interest revenue 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 revenue 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 interest rate 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 is considered credit impaired ('stage 3'), the interest revenue is recognised using the rate of interest to discount the future cashflows for the purpose of measuring the impairment loss.

Revenue from dividends

Revenue from dividends and similar distributions is recognised when the right to receive payment is established.

Revenue and expense from financial assets through surplus or deficit

This refers to the fair value gains (revenue) and fair value losses (expense) from these financial assets, including those stemming from foreign exchange translation. For interest-bearing financial assets, this also includes interest. See also note **3.8**.

Revenue from financial guarantee contracts

The revenue from financial guarantee contracts (guarantee premium) is recognised over the time the EU stands ready to compensate the holder of the financial guarantee contract for the credit loss it may incur. The amortisation schedule applied takes into account the passage of time and the volume of the guaranteed exposure. Revenue from financial guarantee contracts include also amortisation of financial guarantee contracts liability in cases when the guarantee was provided at no or nominal consideration.

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: (i) entitlements, (ii) transfers under agreement and discretionary grants, as well as (iii) 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 their 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, either 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. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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, investing and financing activities.

Operating activities are the activities of the EU that are not investing or financing activities. These are the majority of the activities performed.

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 as they are part of the general objectives and thus daily operations of the EU. The objective is to show the real investments made by the EU.

Financing activities are activities that result in changes in the size and composition of borrowings other than those granted to beneficiaries on a back-to-back basis or for the acquisition of property, plant and equipment (which are included under operating activities).

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. INTANGIBLE ASSETS

EUR million

<i>Gross carrying amount at 31.12.2021</i>	603
<i>Additions</i>	114
<i>Disposals</i>	(22)
<i>Transfer between asset categories</i>	–
<i>Other changes</i>	–
Gross carrying amount at 31.12.2022	694
<i>Accumulated amortisation at 31.12.2021</i>	(238)
<i>Amortisation charge for the year</i>	(32)
<i>Amortisation written back</i>	–
<i>Disposals</i>	18
<i>Transfer between asset categories</i>	–
<i>Other changes</i>	–
Accumulated amortisation at 31.12.2022	(252)
NET CARRYING AMOUNT AT 31.12.2022	442
<i>NET CARRYING AMOUNT AT 31.12.2021</i>	365

2.2. PROPERTY, PLANT AND EQUIPMENT

EUR million

	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 31.12.2021</i>	1 492	7 730	276	64	210	153	1 546	3 814	15 286
<i>Additions</i>	16	7	5	2	19	3	58	1 285	1 397
<i>Disposals</i>	(3)	(340)	(13)	(6)	(19)	(6)	(57)	–	(444)
<i>Transfer between asset categories</i>	2	206	–	–	–	–	–	(208)	–
<i>Other changes</i>	–	–	–	–	–	–	(6)	–	(6)
Gross carrying amount at 31.12.2022	1 507	7 603	269	60	211	151	1 539	4 892	16 232
<i>Accumulated depreciation at 31.12.2021</i>	(973)	(3 250)	(251)	(57)	(181)	(136)	(945)	–	(5 792)
<i>Depreciation charge for the year</i>	(33)	(811)	(13)	(2)	(17)	(6)	(78)	–	(959)
<i>Depreciation written back</i>	–	–	–	–	–	–	5	–	5
<i>Disposals</i>	1	255	13	6	18	6	37	–	335
<i>Transfer between asset categories</i>	–	–	–	–	–	–	–	–	–
Accumulated depreciation at 31.12.2022	(1 005)	(3 807)	(250)	(54)	(180)	(136)	(980)	–	(6 412)
NET CARRYING AMOUNT AT 31.12.2022	502	3 796	18	7	31	14	559	4 892	9 820
<i>NET CARRYING AMOUNT AT 31.12.2021</i>	519	4 480	26	7	29	18	601	3 814	9 493

2.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The participation of the EU - represented by the Commission - in the European Investment Fund (EIF) is treated as an associate using the equity method of accounting. At 31 December 2022, the EU holds 30% of the ownership interest in EIF (2021: 30%).

EUR million

	European Investment Fund
Participation at 31.12.2021	1 192
<i>Contributions</i>	-
<i>Dividends received</i>	(4)
<i>Share of net result</i>	24
<i>Share in the net assets</i>	102
Participation at 31.12.2022	1 313

EIF summarised financial information:

EUR million

	31.12.2022 Total EIF	31.12.2021 Total EIF
<i>Assets</i>	5 504	5 187
<i>Liabilities</i>	(1 127)	(1 213)
<i>Revenue</i>	340	781
<i>Expenses</i>	(261)	(217)
<i>Surplus/(deficit)</i>	79	564

The reconciliation of the above summarised financial information to the carrying amount of the interest held in the EIF is as follows:

EUR million

	31.12.2022	31.12.2021
<i>Net assets of the associate</i>	4 377	3 974
EC ownership interests in EIF	30.0%	30.0%
<i>Carrying amount</i>	1 313	1 192

The Commission has paid-in 20 % of its subscribed shares in the EIF capital at 31 December 2022, the uncalled amount is as follows:

EUR million

	Total EIF capital	EU subscription
<i>Total share capital</i>	7 300	2 190
<i>Paid-in</i>	(1 460)	(438)
Uncalled	5 840	1 752

2.4. FINANCIAL ASSETS

EUR million

	Note	31.12.2022	31.12.2021
Non-current			
Financial assets at amortized cost	2.4.1	199 916	160 200
Financial assets at fair value through surplus or deficit	2.4.2	25 352	20 437
		225 268	180 637
Current			
Financial assets at amortized cost	2.4.1	4 422	3 349
Financial assets at fair value through surplus or deficit	2.4.2	4 398	3 163
		8 821	6 512
Total		234 089	187 149

2.4.1. Financial assets at amortized cost

EUR million

	Note	31.12.2022	31.12.2021
Loans for RRF (NGEU) and financial assistance	2.4.1.1	204 103	163 392
Other loans		235	157
Total		204 338	163 549
Non-current		199 916	160 200
Current		4 422	3 349

2.4.1.1. Loans for RRF (NGEU) and financial assistance

EUR million

	RRF (NGEU)	SURE	EFSM	BOP	MFA	Euratom	Total
Total at 31.12.2021	17 978	90 567	47 138	201	7 170	338	163 392
New loans (nominal)	27 187	8 718	2 200	–	7 535	–	45 639
Repayments	–	–	(2 700)	–	(10)	(23)	(2 733)
Changes in carrying amount	176	(155)	(51)	0	(60)	0	(90)
Changes in impairment	–	–	–	–	(2 023)	(82)	(2 105)
Total at 31.12.2022	45 340	99 130	46 587	201	12 613	232	204 103
Non-current	45 156	99 026	42 666	200	12 482	218	199 749
Current	184	104	3 921	1	130	14	4 354

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

	31.12.2022	31.12.2021
RRF (NGEU)	0.14% - 2.54%	0.11% - 0.12%
SURE	(0.48)% - 2.78%	(0.48)% - 0.77%
EFSM	(0.03)% - 3.79%	(0.03)% - 3.79%
BOP	2.95%	2.95%
MFA	(0.14)% - 3.70%	(0.14)% - 3.70%
Euratom	(0.08)% - 1.53%	(0.08)% - 1.66%

2.4.2. Financial assets at fair value through surplus or deficit (FVSD)

		EUR million	
	Note	31.12.2022	31.12.2021
Financial assets at FVSD non-derivatives	2.4.2.1	28 767	22 773
Financial assets at FVSD derivatives	2.4.2.2	984	828
Total		29 751	23 600
Non-current		25 352	20 437
Current		4 398	3 163

2.4.2.1. Financial assets at FVSD non-derivatives

Financial assets at FVSD non-derivatives by type

	EUR million	
	31.12.2022	31.12.2021
Debt securities	23 340	17 875
MMFs, ETFs and investments in pooled portfolios	2 895	2 513
Other equity investments	2 532	2 384
Total	28 767	22 773
Non-current	24 373	19 611
Current	4 394	3 161

Financial assets at FVSD non-derivatives by programme

	EUR million	
	31.12.2022	31.12.2021
Innovation Fund	6 476	4 195
BUFI investments	2 015	1 257
European Bank for Reconstruction and Development	188	188
	8 679	5 640
<i>Budgetary Guarantee Funds:</i>		
Common Provisioning Fund	14 057	11 272
	14 057	11 272
<i>Financial instruments supported by the EU budget:</i>		
Horizon 2020 and Horizon Europe	3 766	3 342
Connecting Europe Facility	697	762
EU SME Equity Facilities	512	684
European Fund for South East Europe	214	213
Green for Growth Fund	107	146
Energy Efficiency Finance Facility	109	107
Other	628	606
	6 031	5 861
Total	28 767	22 773
Non-current	24 373	19 611
Current	4 394	3 161

Fair value hierarchy of non-derivative financial assets at FVSD

	EUR million	
Type of financial asset	31.12.2022	31.12.2021
Level 1: Quoted prices in active markets	23 371	17 886
Level 2: Observable inputs other than quoted prices	3 061	2 698
Level 3: Valuation techniques with inputs not based on observable market data	2 335	2 190
Total	28 767	22 773

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

EUR million

Fair value movements	
Opening balance at 1.1.2022	2 190
Investments during the period	383
Capital repayments	(143)
Revenues settled	(115)
Gains or losses for the period in surplus or deficit	19
Transfers into level 3	–
Transfers out of level 3	–
Other	–
Closing balance at 31.12.2022	2 335

2.4.2.2. Financial assets and liabilities at FVSD derivatives

Financial assets and liabilities at FVSD derivatives by type

EUR million

Type of derivative	31.12.2022			31.12.2021		
	Notional amount	Fair Value Asset	Fair Value Liability	Notional amount	Fair Value Asset	Fair Value Liability
Foreign currency forward contract	488	5	–	646	2	–
Guarantee on equity portfolio	4 694	979	(17)	4 148	826	(1)
Guarantees on FX risk	87	–	(8)	28	–	(4)
Total	5 269	984	(25)	4 822	828	(5)
Non-current		979	(9)		826	(5)
Current		5	(15)		2	–

Derivative contracts for which the fair value is negative at year end are classified as financial liabilities (see note 2.11).

Fair value hierarchy of derivative financial assets and liabilities

EUR million

Type of derivative	31.12.2022		31.12.2021	
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
Level 1: Quoted prices in active markets	–	–	–	–
Level 2: Observable inputs other than quoted prices	5	(3)	2	(2)
Level 3: Valuation techniques with inputs not based on observable market data	979	(21)	826	(2)
Total	984	(25)	828	(5)

During the period, there were no transfers between level 1 and level 2.

Reconciliation of derivative financial assets and liabilities measured using valuation techniques with inputs not based on observable market data (Level 3)

EUR million

Fair value movements	
Opening balance asset/(liability) as at 1.1.2022	824
Guarantee call claims paid	51
Guarantee calls returned	–
Revenues from guarantee settled	(98)
Gains or losses for the period in surplus or deficit	181
Transfers into level 3	–
Transfers out of level 3	–
Other	–
Closing balance at 31.12.2022	958

2.5. PRE-FINANCING

EUR million

	Note	31.12.2022	31.12.2021
Non-current			
Pre-financing	2.5.1	47 001	57 637
Other advances to Member States	2.5.2	216	2 901
Contribution to Trust Funds		86	126
		47 303	60 665
Current			
Pre-financing	2.5.1	47 954	29 446
Other advances to Member States	2.5.2	6 087	4 229
		54 042	33 675
Total		101 345	94 340

2.5.1. Pre-financing

EUR million

	Gross amount	Cleared via accruals	Net amount at 31.12.2022	Gross amount	Cleared via accruals	Net amount at 31.12.2021
Shared Management						
EAFRD & other rural development instruments	3 051	(527)	2 525	3 172	(208)	2 965
ERDF & CF	29 812	(4 932)	24 880	23 531	(4 571)	18 960
ESF	11 621	(1 974)	9 647	9 085	(1 823)	7 263
Other	8 063	(4 498)	3 565	4 836	(2 263)	2 572
Direct Management						
Implemented by:						
Commission	42 115	(14 069)	28 047	46 852	(12 303)	34 549
of which RRF (NGEU)	28 347	(5 389)	22 958	34 879	(4 065)	30 814
EU executive agencies	29 568	(17 104)	12 464	23 934	(15 031)	8 903
Trust funds	738	(582)	156	1 140	(847)	293
Indirect Management						
Implemented by:						
Other EU agencies & bodies	7 299	(4 860)	2 439	5 980	(4 150)	1 830
Third countries	1 797	(1 275)	522	1 874	(1 261)	614
International organisations	12 488	(7 491)	4 997	9 545	(5 955)	3 590
Other entities	15 231	(9 517)	5 714	13 001	(7 455)	5 546
Total	161 783	(66 828)	94 955	142 950	(55 867)	87 084
Non-current	47 001	–	47 001	57 637	–	57 637
Current	114 782	(66 828)	47 954	85 313	(55 867)	29 446

2.5.2. Other advances to Member States

EUR million

	31.12.2022	31.12.2021
Advances to Member States for financial instruments under shared management	3 390	3 647
Aid Schemes	2 914	3 483
Total	6 303	7 130
Non-current	216	2 901
Current	6 087	4 229

2.6. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

EUR million

	Note	31.12.2022	31.12.2021
Non-current			
Recoverables from non-exchange transactions	2.6.1	16 519	35 108
Receivables from exchange transactions	2.6.2	2 466	5 696
		18 984	40 804
Current			
Recoverables from non-exchange transactions	2.6.1	25 907	29 426
Receivables from exchange transactions	2.6.2	3 510	2 129
		29 417	31 555
Total		48 402	72 359

2.6.1. Recoverables from non-exchange transactions

EUR million

	Note	31.12.2022	31.12.2021
Non-current			
Member States	2.6.1.1	498	2 491
UK Withdrawal Agreement	2.6.1.2	14 810	30 839
Accrued income and deferred charges	2.6.1.4	1 011	1 556
Other recoverables		199	222
		16 519	35 108
Current			
Member States	2.6.1.1	5 967	5 625
UK Withdrawal Agreement	2.6.1.2	9 061	10 913
Competition fines	2.6.1.3	9 420	11 698
Accrued income and deferred charges	2.6.1.4	1 006	826
Other recoverables		453	363
		25 907	29 426
Total		42 426	64 534

2.6.1.1. Recoverables from Member States

EUR million

	31.12.2022	31.12.2021
TOR A accounts	4 397	6 137
TOR separate accounts	1 356	1 405
Own resources to be received	7	15
Impairment	(686)	(875)
Other	–	–
Own resource recoverables	5 073	6 683
European Agricultural Guarantee Fund (EAGF)	1 621	1 525
European Agricultural Fund for Rural Development (EAFRD) and other rural development instruments	189	668
Impairment	(591)	(843)
EAGF and rural development recoverables	1 219	1 350
Pre-financing recovery	13	26
VAT paid and recoverable	10	12
Other recoverables from Member States	150	46
Total	6 465	8 118
<i>Non-current</i>	<i>498</i>	<i>2 491</i>
<i>Current</i>	<i>5 967</i>	<i>5 625</i>

2.6.1.2. UK Withdrawal agreement

EUR million

	Article 140	Article 142	Other	31.12.2022	31.12.2021
Due from the UK	17 029	9 587	68	26 683	43 982
Due to the UK	–	–	(2 812)	(2 812)	(2 229)
Total	17 029	9 587	(2 744)	23 871	41 753
Non-current	8 465	9 298	(2 953)	14 810	30 839
Current	8 563	288	209	9 061	10 913

EUR million

	Remainder of	April 2022	September	Total
Article 140	5 090	4 029	2 437	11 556
Article 142	18	236	11	265
Article 136	29	–	7	37
Article 147	–	6	–	6
	5 138	4 271	2 455	11 864
Article 136	–	(573)	–	(573)
Article 141	(34)	(0)	(56)	(90)
Article 143	–	(163)	–	(163)
Article 144	–	(73)	–	(73)
Article 145	–	(37)	–	(37)
Article 146	–	(7)	–	(7)
	(34)	(853)	(56)	(943)
Total	5 104	3 418	2 399	10 921

Article 140 – Outstanding Commitments

EUR million

Amount owed by the UK at 31.12.2021	28 620
Net financial corrections related to 2014-2020 or previous programme periods (including adjustment of 2021 deductions)	(123)
TOR relating to 2020 and made available to the Union in 2022 (including adjustment of 2021 deductions)	–
Net payments received from the UK in 2022	(11 556)
Adjustment of estimated non-implementation	88
Total	17 029
Non-current	8 465
Current	8 563

Article 142 – Outstanding 2020 liabilities

Outstanding 2020 liabilities under Article 142 (6)

EUR million

	Pension Scheme of European Officials	Joint Sickness Insurance Scheme	31.12.2022	31.12.2021
Outstanding 2020 liabilities	67 840	5 168	73 008	114 507
UK Share	8 434	642	9 076	14 235
PSEO/JSIS contributions	250	9	259	236
Total	8 684	651	9 335	14 471
Non-current	8 434	642	9 076	14 235
Current	250	9	259	236

Other articles

EUR million

	31.12.2022	31.12.2021
Due from the UK:		
Article 136	–	557
Article 147	68	53
	68	610
Due to the UK:		
Article 136	(678)	–
Article 141	(1 637)	(1 818)
Article 143	(313)	(163)
Article 144	(54)	(73)
Article 145	(111)	(148)
Article 146	(20)	(27)
	(2 812)	(2 229)
Total	(2 744)	(1 618)
Non-current	(2 953)	(711)
Current	209	(908)

Article 136 – Provisions applicable in relation to own resources

EUR million

Amount due from the UK at 31.12.2021	557
Amount invoiced to the UK in September 2022	20
UK Share for undervaluation case	(370)
Payments made to the UK in 2022	536
UK correction including the rectified amount of 2018-2019 UK corrections update done in 2022 (EUR 3.7 million)	11
Update of VAT and GNI adjustments (balances exercise 2021)	(64)
VAT and GNI adjustments (balances exercise 2022)	(1 377)
UK net traditional own resources after 28 February 2021	8
Amount due to the UK at 31.12.2022	(678)
Non-current	(1 377)
Current	699

2.6.1.3. Recoverables from competition fines

EUR million

	31.12.2022	31.12.2021
Recoverable from fines gross amount	13 635	14 922
Provisional payments	(2 980)	(2 100)
Impairment	(1 235)	(1 125)
Total	9 420	11 698
Non-current	–	–
Current	9 420	11 698

2.6.1.4. Accrued income and deferred charges

EUR million

	31.12.2022	31.12.2021
Other accrued income	1 931	2 301
Deferred charges relating to non-exchange transactions	86	81
Total	2 017	2 382
Non-current	1 011	1 556
Current	1 006	826

2.6.2. Receivables from exchange transactions

	EUR million	
	31.12.2022	31.12.2021
Non-current		
<i>Financial guarantee receivable</i>	1 832	2 630
<i>Late payment interest</i>	597	3 052
<i>Other receivables</i>	37	14
	2 466	5 696
Current		
<i>Financial guarantee receivable</i>	369	485
<i>Customers</i>	223	232
<i>Impairment on receivables from customers</i>	(162)	(167)
<i>Deferred charges relating to exchange transactions</i>	127	110
<i>Late payment interest</i>	2 554	1 127
<i>Other</i>	400	342
	3 510	2 129
Total	5 976	7 825

Out of the total amount of EUR 2 201 million of the Financial Guarantee Contract receivable as at 31 December 2022 (2021: EUR 3 115 million), EUR 2 198 million are classified as financial assets measured at fair value through surplus or deficit (Fair value level 3) (2021: EUR 3 113 million).

2.7. INVENTORIES

	EUR million	
	31.12.2022	31.12.2021
<i>Scientific materials</i>	54	58
<i>Other</i>	22	20
Total	76	79

2.8. CASH AND CASH EQUIVALENTS

	EUR million	
	31.12.2022	31.12.2021
<i>Accounts with Treasuries and Central Banks</i>	21 413	20 121
<i>Current accounts</i>	178	453
<i>Imprest accounts</i>	8	8
<i>Transfers (cash in transit)</i>	–	–
Bank accounts for budget implementation	21 598	20 582
NGEU	19 929	18 027
Financial instruments	2 713	2 838
Fines	914	1 953
Trust funds	47	65
Total	45 201	43 464

LIABILITIES

2.9. PENSION AND OTHER EMPLOYEE BENEFITS

Net employee benefit scheme liability

	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	31.12.2022 Total	EUR million 31.12.2021 Total
<i>Defined Benefit Obligation</i>	73 126	1 316	6 064	80 507	122 234
<i>Plan assets</i>	N/A	N/A	(390)	(390)	(386)
Net liability	73 126	1 316	5 674	80 116	121 848

Actuarial assumptions - employee benefits

	2022	2021
Pension Scheme of European Officials		
<i>Nominal discount rate</i>	3.6%	1.0%
<i>Expected inflation rate</i>	2.4%	2.0%
<i>Real discount rate</i>	1.1%	(1.0)%
<i>Expected rate of salary increases</i>	1.5%	1.8%
<i>Retirement age</i>	63/64/66	63/64/66
Joint Sickness Insurance Scheme		
<i>Nominal discount rate</i>	3.6%	1.0%
<i>Expected inflation rate</i>	2.4%	2.0%
<i>Real discount rate</i>	1.1%	(1.0)%
<i>Expected rate of salary increases</i>	1.6%	1.9%
<i>Medical cost trend rates</i>	2.3%	2.5%
<i>Retirement age</i>	63/64/66	63/64/66

Movement in present value of employee benefits defined benefit obligation

	Pension Scheme of European Officials	Other retirement benefit Schemes	Joint Sickness Insurance Scheme	EUR million Total
Present value as at 31.12.2021	109 679	1 907	10 647	122 234
Recognised in statement of financial performance				
<i>Current service cost</i>	4 575	116	310	5 001
<i>Interest expense</i>	1 096	17	106	1 219
Recognised in net assets				
<i>Remeasurements in employee benefits liabilities</i>				
<i>Actuarial (gains)/losses from experience</i>	1 226	10	(267)	970
<i>Actuarial (gains)/losses from demographic assumptions</i>	78	1	11	91
<i>Actuarial (gains)/losses from financial assumptions</i>	(41 533)	(695)	(4 642)	(46 869)
Other				
<i>Benefits paid</i>	(1 996)	(41)	(102)	(2 139)
Present value as at 31.12.2022	73 126	1 316	6 064	80 507

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

EUR million

Present value as at 31.12.2021	386
<i>Net movement in plan assets</i>	<i>5</i>
Present value as at 31.12.2022	390

Pension Scheme of European Officials sensitivity

A ten basis points change in the assumed discount rate would have the following effects:

EUR million

	2022		2021	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
<i>Defined benefit obligation</i>	<i>(1 316)</i>	<i>1 352</i>	<i>(2 464)</i>	<i>2 544</i>

A ten basis points change in the expected salary increases rate would have the following effects:

EUR million

	2022		2021	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
<i>Defined benefit obligation</i>	<i>1 312</i>	<i>(1 280)</i>	<i>2 414</i>	<i>(2 345)</i>

A one year change in the assumed retirement age would have the following effects:

EUR million

	2022		2021	
	One year increase	One year decrease	One year increase	One year decrease
<i>Defined benefit obligation</i>	<i>(727)</i>	<i>988</i>	<i>(1 155)</i>	<i>1 527</i>

Joint Sickness Insurance Scheme sensitivity

A ten basis points change in the assumed medical cost trend rates would have the following effects:

EUR million

	2022		2021	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
<i>The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs</i>	<i>10</i>	<i>(10)</i>	<i>13</i>	<i>(12)</i>
<i>Defined benefit obligation</i>	<i>148</i>	<i>(144)</i>	<i>317</i>	<i>(307)</i>

A ten basis points change in the assumed discount rate would have the following effects:

EUR million

	2022		2021	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
<i>Defined benefit obligation</i>	<i>(118)</i>	<i>121</i>	<i>(265)</i>	<i>274</i>

A ten basis points change in the expected salary increases rate would have the following effects:

EUR million

	2022		2021	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
<i>Defined benefit obligation</i>	<i>(23)</i>	<i>22</i>	<i>(42)</i>	<i>41</i>

A one year change in the assumed retirement age would have the following effects:

EUR million

	2022		2021	
	One year increase	One year decrease	One year increase	One year decrease
<i>Defined benefit obligation</i>	<i>(173)</i>	<i>184</i>	<i>(317)</i>	<i>334</i>

2.10. PROVISIONS

EUR million

	Amount at 31.12.2021	Revision of EAR 11	Additional provisions	Unused amounts reversed	Amounts used	Transfer between categories	Change in estimation	Amount at 31.12.2022
<i>Legal cases:</i>								
<i>Agriculture</i>	354	–	222	(83)	(216)	–	–	277
<i>Other</i>	9	–	21	(3)	(2)	–	–	26
<i>Nuclear site dismantling</i>	2 440	–	–	–	(38)	–	(657)	1 745
<i>Financial</i>	1	–	–	–	–	–	0	1
<i>Other</i>	287	–	494	(246)	(40)	–	–	494
Total	3 091	–	737	(332)	(296)	–	(657)	2 543
Non-current	2 763	–	242	(84)	(218)	(36)	(657)	2 009
Current	328	–	495	(248)	(77)	36	–	534

2.11. FINANCIAL LIABILITIES

EUR million

	Note	31.12.2022	31.12.2021
Non-current			
Financial liabilities at AC	2.11.1	323 257	214 230
Financial liabilities at FVSD	2.4.2.2	9	5
Financial guarantee liabilities	2.11.2	177	146
		323 444	214 380
Current			
Financial liabilities at AC	2.11.1	21 980	23 442
Financial liabilities at FVSD	2.4.2.2	15	–
Financial guarantee liabilities	2.11.2	6 279	7 648
		28 275	31 090
Total		351 718	245 470

2.11.1. Financial liabilities at amortised cost

EUR million

	Note	31.12.2022	31.12.2021
Borrowings for NGEU and financial assistance	2.11.1.1	344 303	236 720
Other financial liabilities	2.11.1.2	934	951
Total		345 237	237 672
Non-current		323 257	214 230
Current		21 980	23 442

2.11.1.1. Borrowings for NGEU and financial assistance

EUR million

	NGEU	SURE	EFSM	BOP	MFA	Euratom	Total
Total at 31.12.2021	91 000	90 567	47 138	201	7 464	351	236 720
New borrowings - nominal	150 267	8 718	2 200	–	7 535	–	168 720
Repayments	(53 381)	–	(2 700)	–	(10)	(23)	(56 114)
Changes in carrying amount	(4 758)	(155)	(51)	0	(60)	0	(5 023)
Total at 31.12.2022	183 129	99 130	46 587	201	14 929	327	344 303
Non-current	165 546	99 026	42 666	200	14 798	314	322 549
Current	17 583	104	3 921	1	131	14	21 754

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

	31.12.2022	31.12.2021
NGEU	(0.49)% - 3.41%	(0.95)% - 0.74%
SURE	(0.48)% - 2.78%	(0.48)% - 0.77%
EFSM	(0.03)% - 3.79%	(0.03)% - 3.79%
BOP	2.95%	2.95%
MFA	(0.14)% - 3.70%	(0.14)% - 3.70%
Euratom	(0.08)% - 1.53%	(0.08)% - 1.58%

2.11.1.2. Other financial liabilities

EUR million

	31.12.2022	31.12.2021
Non-current		
Finance lease liabilities	573	660
Buildings paid for in instalments	125	156
Other	10	31
	708	847
Current		
Finance lease liabilities	79	75
Buildings paid for in instalments	30	28
Fines to be reimbursed	–	–
Other	117	2
	226	105
Total	934	951

Finance lease liabilities

EUR million

	Future amounts to be paid			Total Liability
	< 1 year	1 - 5 years	> 5 years	
Land and buildings	74	307	259	640
Other fixed assets	6	7	–	12
Total at 31.12.2022	79	314	259	652
Interest element	35	95	36	166
Total future minimum lease payments at 31.12.2022	114	409	295	819
Total future minimum lease payments at 31.12.2021	115	439	391	945

2.11.2. Financial guarantee liabilities

EUR million

	31.12.2022		31.12.2021	
	Financial guarantee receivable (Note 2.6.2)	Financial guarantee liability	Financial guarantee receivable (Note 2.6.2)	Financial guarantee liability
<i>EU budgetary guarantee programmes</i>				
EFSI guarantee	2 039	2 178	2 917	3 618
EIB ELM guarantees	47	2 358	106	2 569
EFSD guarantee	3	180	2	139
InvestEU guarantee	46	332	–	–
NDICI EU guarantee	0	203	–	4
	2 134	5 252	3 024	6 330
<i>EU financial instrument programmes</i>				
COSME	0	617	0	780
Horizon 2020	37	422	59	410
CCS	–	60	–	110
Other	29	106	32	165
	66	1 204	90	1 464
Total	2 201	6 456	3 115	7 794
Non-current	1 832	177	2 630	146
Current	369	6 279	485	7 648

2.12. PAYABLES

	EUR million			EUR million		
	Gross Amount	Adjustments*	Net Amount at 31.12.2022	Gross Amount	Adjustments*	Net Amount at 31.12.2021
<i>Cost claims and invoices received from:</i>						
<i>Member States</i>						
<i>EAFRD & other rural development instruments</i>	80		80	30		30
<i>ERDF & CF</i>	6 258	(1 614)	4 644	6 484	(1 878)	4 606
<i>ESF</i>	2 796	(368)	2 428	3 311	(596)	2 715
<i>RRF (NGEU)</i>	24 629		24 629	19 118		19 118
<i>Other</i>	1 077	(170)	907	677	(58)	619
<i>Private and public entities</i>	1 527	(467)	1 060	1 563	(320)	1 244
Total costs claims & invoices received	36 368	(2 620)	33 748	31 183	(2 851)	28 331
EAGF	15 795	N/A	15 795	15 650	N/A	15 650
Own Ressources Payables	3 764	N/A	3 764	38	–	38
Sundry Payables	3 605	N/A	3 605	3 625	N/A	3 625
Total	59 533	(2 620)	56 913	50 496	(2 851)	47 644

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

2.13. ACCRUED CHARGES AND DEFERRED INCOME

	EUR million	
	31.12.2022	31.12.2021
<i>Accrued charges</i>	84 976	76 962
<i>Deferred income</i>	2	1
<i>Other</i>	151	94
Total	85 129	77 057

The split of accrued charges is as follows:

	EUR million	
	31.12.2022	31.12.2021
<i>RRF (NGEU)</i>	17 188	8 263
<i>EAGF</i>	25 316	25 241
<i>EAFRD and other rural development instruments</i>	19 625	19 245
<i>ERDF and CF</i>	8 741	10 710
<i>ESF</i>	3 366	3 499
<i>Other</i>	10 739	10 003
Total	84 976	76 962

NET ASSETS

2.14. RESERVES

	EUR million	
	31.12.2022	31.12.2021
<i>Other reserves</i>	138	51
Total	138	51

2.15. AMOUNTS TO BE CALLED FROM MEMBER STATES

	EUR million
Amounts to be called from Member States at 31.12.2021	86 721
<i>2021 budget result credited to Member States</i>	3 227
<i>Remeasurements in employee benefits liabilities</i>	(45 916)
<i>Other</i>	(15)
<i>Economic result of the year</i>	91 852
Total amounts to be called from Member States at 31.12.2022	135 868

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

REVENUE FROM NON-EXCHANGE TRANSACTIONS: TRANSFERS

3.1. RECOVERY OF EXPENSES

	EUR million	
	2022	2021
<i>Shared management</i>	1 110	1 682
<i>Direct management</i>	91	61
<i>Indirect management</i>	15	19
Total	1 216	1 762

3.2. OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS

	EUR million	
	2022	2021
<i>Contribution from Member States to the Innovation Fund</i>	3 192	2 187
<i>Contribution from third countries and accession countries</i>	1 227	973
<i>Contribution from Member States for external aid</i>	204	199
<i>Staff taxes and contributions</i>	1 095	1 036
<i>Transfer of assets</i>	318	353
<i>Budgetary adjustments</i>	3 246	1 245
<i>Adjustment of provisions</i>	989	63
<i>Agricultural levies</i>	–	–
<i>Funding of institutions</i>	(4 104)	(3 660)
<i>Other</i>	568	356
Total	6 735	2 753

REVENUE FROM EXCHANGE TRANSACTIONS

3.3. FINANCIAL REVENUE

	EUR million	
	2022	2021
<i>Interest on:</i>		
<i>Late payments</i>	(927)	1 529
<i>Loans</i>	1 238	1 160
<i>Borrowings</i>	325	220
<i>Other</i>	119	9
<i>Revenue from FGCs</i>	1 282	987
<i>Gains on financial assets or liabilities at FVSD:</i>		
<i>Non-derivatives</i>	128	324
<i>Derivatives</i>	294	815
<i>Dividends</i>	114	30
<i>Other</i>	20	15
Total	2 593	5 090

3.4. OTHER REVENUE FROM EXCHANGE TRANSACTIONS

	EUR million	
	2022	2021
<i>Foreign exchange gains</i>	299	284
<i>Share of net result of EIF</i>	24	169
<i>Sales of goods</i>	17	18
<i>Fixed assets related revenue</i>	25	3
<i>Other</i>	499	253
Total	864	727

EXPENSES

3.5. SHARED MANAGEMENT

	EUR million	
	2022	2021
Implemented by Member States		
European Agricultural Guarantee Fund	41 031	40 829
European Agricultural Fund for Rural Development and other rural development instruments	16 073	15 451
European Regional Development Fund and Cohesion Fund	43 083	46 932
European Social Fund	14 649	16 727
Other	3 482	4 835
Total	118 318	124 774

3.6. DIRECT MANAGEMENT

	EUR million	
	2022	2021
Implemented by the Commission	78 518	48 289
of which RRF (NGEU)	69 461	42 940
Implemented by EU Executive Agencies	14 963	14 233
Implemented by Trust funds	568	503
Total	94 049	63 025

3.7. INDIRECT MANAGEMENT

	EUR million	
	2022	2021
Implemented by other EU agencies and bodies	4 693	4 211
Implemented by third countries	630	887
Implemented by international organisations	4 650	3 624
Implemented by other entities	4 743	3 225
Total	14 717	11 947

3.8. STAFF AND PENSION COSTS

	EUR million	
	2022	2021
Staff costs	3 738	3 556
Pension costs	6 221	5 038
Total	9 959	8 593

3.9. FINANCE COSTS

	EUR million	
	2022	2021
<i>Interest expenses:</i>		
<i>Borrowings</i>	1 912	1 209
<i>Loans</i>	161	146
<i>Finance leases</i>	37	44
<i>Other</i>	23	96
<i>FGCs - subsidised remuneration</i>	514	233
<i>Net impairment losses on:</i>		
<i>FGCs</i>	362	947
<i>Loans and receivables</i>	2 105	1 244
<i>Loss on financial assets or liabilities at FVSD:</i>		
<i>Non-derivatives</i>	2 203	195
<i>Derivatives</i>	126	40
<i>Other</i>	27	4
Total	7 470	4 158

3.10. OTHER EXPENSES

	EUR million	
	2022	2021
<i>Adjustment of provisions</i>	735	480
<i>Administrative and IT expenses</i>	1 006	948
<i>Fixed assets related expenses</i>	1 098	808
<i>Foreign exchange losses</i>	393	156
<i>Funding and contributions to other EU bodies</i>	608	543
<i>Land and buildings management expenses</i>	261	227
<i>Operating lease expenses</i>	136	162
<i>Reduction of fines by Court decision</i>	1 378	15
<i>Other</i>	465	397
Total	6 081	3 736

The aggregate amount of research and development expenditure recognised as an expense during 2022 is as follows:

	EUR million	
	2022	2021
<i>Research costs</i>	409	390
<i>Non-capitalised development costs</i>	71	78
Total	480	469

3.11. SEGMENT REPORTING BY MULTIANNUAL FINANCIAL FRAMEWORK HEADING (MFF)

	EUR million								
	Single market,	Cohesion	Natural	Migration	Resilience,	Neighbour-	European	Not assigned	Total
GNI resources	-	-	-	-	-	-	-	103 880	103 880
Traditional own resources	-	-	-	-	-	-	-	23 495	23 495
VAT	-	-	-	-	-	-	-	19 666	19 666
New own resources	-	-	-	-	-	-	-	6 337	6 337
Fines	-	-	-	-	-	-	-	915	915
Recovery of expenses	62	620	468	4	0	63	0	(2)	1 216
UK Withdrawal Agreement	-	-	-	-	-	-	-	-	-
Other	1 173	140	345	0	657	206	(2 874)	7 087	6 735
Non-Exchange Revenue	1 236	761	813	4	657	269	(2 874)	161 379	162 245
Financial revenue	1 471	18	1	-	0	362	-	741	2 593
Other	111	(25)	(12)	(0)	(3)	67	345	382	864
Exchange Revenue	1 582	(7)	(11)	(0)	(3)	429	345	1 123	3 458
Total revenue	2 817	754	802	4	654	699	(2 529)	162 502	165 702
Expenses implemented by :									
Member States:									
EAGF	-	-	(41 031)	-	-	-	-	-	(41 031)
EAFRD & other	-	-	(16 073)	-	-	-	-	-	(16 073)
ERDF & CF	-	(43 083)	-	-	-	-	-	-	(43 083)
ESF	-	(14 649)	-	-	-	-	-	-	(14 649)
Other	-	(764)	(755)	(862)	(72)	(132)	-	(898)	(3 482)
EC, executive agencies and	(12 765)	(73 573)	(906)	(459)	(303)	(5 802)	(12)	(229)	(94 049)
Other EU agencies and bodies	(2 848)	(494)	(90)	(1 018)	(210)	(25)	-	(9)	(4 693)
Third countries and int.	(418)	(114)	(5)	(241)	(163)	(4 334)	(1)	(5)	(5 281)
Other entities	(225)	(2 799)	(1)	(6)	(57)	(1 653)	(0)	(3)	(4 743)
Staff and pension costs	(493)	(15)	(2)	(0)	(3)	(157)	(9 288)	-	(9 959)
Finance costs	(882)	(11)	(6)	(0)	(0)	(574)	(50)	(5 946)	(7 470)
UK Withdrawal Agreement	-	-	-	-	-	-	-	(6 961)	(6 961)
Other expenses	(2 195)	(168)	(305)	(19)	(8)	(281)	(1 323)	(1 783)	(6 081)
Total expenses	(19 825)	(135 670)	(59 174)	(2 604)	(816)	(12 957)	(10 673)	(15 835)	(257 554)
Economic result of the year	(17 008)	(134 916)	(58 372)	(2 600)	(163)	(12 258)	(13 203)	146 667	(91 852)

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

4. CONTINGENT LIABILITIES AND ASSETS

4.1. GUARANTEES GIVEN BY EU BUDGET

4.1.1. Guarantees given under the EU budgetary guarantee programmes (nominal)

EUR million

	31.12.2022			EUR million
	Guarantees given			Assets provisioned*
	Ceiling	Signed	Disbursed	
<i>EIB ELM guarantees</i>	30 599	30 599	20 909	2 710
<i>EFSD guarantee</i>	25 793	24 615	21 084	8 571
<i>EFSD guarantee</i>	1 176	522	446	728
<i>InvestEU guarantee</i>	21 280	2 108	324	1 722
<i>NDICI external action guarantee</i>	27 020	4 515	156	1 067
Total	105 869	62 359	42 919	14 798

* The EUR 2.7 bn of assets provisioned for the EIB External Lending Mandate (ELM) guarantee also cover borrowings under legacy MFA and Euratom (see note 4.1.2).

	31.12.2021			
	Guarantees given			Assets provisioned*
	Ceiling	Signed	Disbursed	
<i>EIB ELM guarantees</i>	33 026	33 026	20 835	2 700
<i>EFSD guarantee</i>	25 826	24 730	20 358	8 602
<i>EFSD guarantee</i>	1 391	611	535	796
<i>NDICI external action guarantee</i>	200	200	200	–
Total	60 442	58 566	41 928	12 098

* The EUR 2.7 bn of assets provisioned for the EIB ELM guarantee also cover borrowings under legacy MFA and Euratom (see note 4.1.2).

4.1.2. Guarantees given under EU financial instrument programmes (nominal)

EUR million

	31.12.2022	31.12.2021
<i>Horizon 2020</i>	2 649	2 590
<i>Connecting Europe Facility</i>	648	568
<i>COSME</i>	674	782
<i>Other</i>	604	653
Total	4 576	4 593

4.2. Contingent liabilities relating to legal cases

EUR million

	31.12.2022	31.12.2021
<i>Fines</i>	2 990	2 111
<i>Agriculture</i>	194	79
<i>Cohesion</i>	–	210
<i>Other</i>	2 889	1 146
Total	6 072	3 546

4.3. Contingent assets

	31.12.2022	EUR million 31.12.2021
<i>Guarantees received:</i>		
<i>Performance guarantees</i>	64	68
<i>Other guarantees</i>	2	2
<i>Other contingent assets</i>	19	98
Total	85	169

5. BUDGETARY AND LEGAL COMMITMENTS

		EUR million	
	Note	31.12.2022	31.12.2021
Outstanding budgetary commitments not yet expensed	5.1	359 017	261 062
Significant legal commitments	5.2	398 419	126 936
Total		757 436	387 998

5.1. OUTSTANDING BUDGETARY COMMITMENTS NOT YET EXPENSED

	EUR million	
	31.12.2022	31.12.2021
Outstanding budgetary commitments not yet expensed	359 017	261 062

5.2. SIGNIFICANT LEGAL COMMITMENTS

		EUR million	
	Note	31.12.2022	31.12.2021
Economic, Social and Territorial Cohesion		298 948	–
Natural Resources and Environment		82 372	17 662
Migration and Border Management		8 368	–
RRF (NGEU) non-repayable support commitments		–	99 530
Space Programmes		3 548	4 189
Connecting Europe Facility		1 811	–
Brexit Adjustment Reserve		296	3 072
EURATOM		362	445
HorizonEU		322	382
Fisheries agreements		265	412
EU Solidarity Fund		700	–
Operating lease commitments	5.2.1	881	805
Other contractual commitments		545	438
Total		398 419	126 936

5.2.1. Operating lease commitments

	EUR million			
	Future amounts to be paid			
	< 1 year	1- 5 years	> 5 years	Total
Buildings	135	375	364	874
IT materials and other equipment	4	3	0	7
Total	138	379	364	881

6. FINANCIAL RISK MANAGEMENT

6.1. CURRENCY RISK

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

EUR million

	31.12.2022						
	USD	GBP	PLN	SEK	Other	EUR	Total
Financial assets							
Financial assets at AC*	83	–	–	–	12	140	235
Financial assets at FVSD							
Non-derivatives	843	25	–	20	98	27 782	28 767
Derivatives	(483)	–	–	–	–	1 467	984
Receivables**	87	110	14	0	4	5 631	5 846
Cash and cash equivalents	71	10	1 031	473	1 274	42 343	45 201
	601	144	1 045	493	1 387	77 363	81 033
Financial liabilities							
Financial guarantee liability	(793)	(0)	(37)	(12)	(164)	(5 450)	(6 456)
Financial liabilities at FVSD	(1)	–	–	8	19	(50)	(25)
	(795)	(0)	(37)	(4)	(146)	(5 500)	(6 481)
Total	(194)	144	1 008	489	1 242	71 863	74 552

EUR million

	31.12.2021						
	USD	GBP	PLN	SEK	Other	EUR	Total
Financial assets							
Financial assets at AC*	63	–	–	–	7	87	157
Financial assets at FVSD	–	–	–	–	–	–	–
Non-derivatives	934	51	–	23	75	21 690	22 773
Derivatives	(646)	–	–	–	–	1 474	828
Receivables**	108	98	108	4	72	7 318	7 707
Cash and cash equivalents	74	20	1 014	591	1 516	40 250	43 464
	532	170	1 121	617	1 669	70 819	74 928
Financial liabilities							
Financial guarantee liability	(1 047)	(0)	(62)	(19)	(248)	(6 418)	(7 794)
Financial liabilities at FVSD	(1)	–	–	–	(4)	–	(5)
	(1 048)	(0)	(62)	(19)	(251)	(6 418)	(7 798)
Total	(516)	170	1 059	598	1 418	64 401	67 130

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

** Excluding deferred charges.

If the EUR had strengthened or weakened against the currency concerned by 10 % then this would have had the following impact on the economic result:

EUR million

FX Rate Increase (+)/ Decrease(-)	2022			
	USD	GBP	PLN	SEK
+10%	18	(13)	(92)	(44)
-10%	(22)	16	112	54

EUR million

FX Rate Increase (+)/ Decrease(-)	USD	GBP	2021	PLN	SEK
+10%	47	(15)		(96)	(54)
-10%	(57)	19		118	66

6.2. INTEREST RATE RISK

The following table illustrates the interest rate sensitivity of debt securities assuming a possible change in interest rates of +/- 100 basis points (1 %).

EUR million

	Increase (+) / decrease (-) in basis points	Economic result
2022: Financial assets at FVSD	+100	(699)
	-100	739
2021: Financial assets at FVSD	+100	(573)
	-100	608

6.3. CREDIT RISK

Maximum credit risk exposure

EUR million

	31.12.2022	31.12.2021
Financial assets		
Loans	204 338	163 549
Cash and cash equivalents	45 201	43 464
Exchange receivables*	5 846	7 707
Financial assets at FVSD - debt securities	23 340	17 875
Financial assets at FVSD - derivatives	984	828
Guarantees given and loan commitments		
FGCs	55 502	55 267
Loan commitments	8	-
Total at 31.12.2022	335 219	288 689

*Excluding deferred charges

Loans: credit quality

EUR million

	31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Credit rating					
Premium and high grade	12 833	-	-	-	12 833
Upper medium grade	62 240	-	-	-	62 240
Lower medium grade	106 537	-	-	-	106 537
Non-investment grade (incl.	11 923	13 094	29	114	25 159
Gross carrying amount	193 533	13 094	29	114	206 769
Minus loss allowance	(55)	(2 361)	(27)	13	(2 431)
Net carrying amount	193 478	10 732	2	126	204 338

EUR million

31.12.2021					
	Stage 1	Stage 2	Stage 3	POCI	Total
Credit rating					
Premium and high grade	10 361	–	–	–	10 361
Upper medium grade	58 991	–	–	–	58 991
Lower medium grade	79 672	–	–	–	79 672
Non-investment grade (incl.	8 819	5 965	29	48	14 860
Gross carrying amount	157 842	5 965	29	48	163 884
Minus loss allowance	(10)	(299)	(26)	–	(336)
Net carrying amount	157 832	5 665	3	48	163 549

Loans: Movement in impairment loss allowance

EUR million

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance at 01.01.2022	10	299	26	–	336
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	(0)	1	(1)	–	0
Transfer to Stage 3	(1)	(0)	1	–	–
New loans	9	763	–	–	772
Derecognitions - repayments	(0)	–	–	–	(0)
Derecognitions - write offs	–	–	(2)	–	(2)
Loss allowance remeasurement	37	1 298	3	(13)	1 326
Other	–	–	–	–	–
Loss allowance at 31.12.2022	55	2 361	27	(13)	2 431

Cash and cash equivalents: credit quality

EUR million

	31.12.2022	31.12.2021
Credit rating		
Premium and high grade	39 634	39 666
Upper medium grade	3 507	3 345
Lower medium grade	1 322	285
Non-investment grade	737	167
Gross carrying amount	45 201	43 464
Minus loss allowance	–	–
Net carrying amount	45 201	43 464

Receivables: credit quality

EUR million

	Not due	Past due 0-30 days	Past due 31-90 days	Past due 91 days - 1 year	Past due > 1 year	Total
Gross carrying amount	1 788	7	10	20	1 986	3 812
Minus loss allowance	(2)	(2)	(2)	(13)	(145)	(163)
Net carrying amount at 31.12.2022	1 786	5	8	7	1 841	3 648
Gross carrying amount	2 728	4	7	575	1 447	4 762
Minus loss allowance	(2)	(1)	(4)	(17)	(143)	(168)
Net carrying amount at 31.12.2021	2 726	3	4	558	1 304	4 594

The part of the financial guarantee contracts receivable leg, measured at FVSD, is excluded from this table (see note 2.6.2)

Financial guarantee contracts: credit quality

EUR million

	31.12.2022			31.12.2021		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Long-term rating						
Prime and high grade	0	4	4	0	1	1
Upper medium grade	3	–	3	2	–	2
Lower medium grade	23	–	23	219	–	219
Non-investment grade	24 124	31 339	55 463	3 964	51 079	55 043
Managed on collective basis / not rated	7	2	9	2	–	2
Total	24 157	31 345	55 502	4 187	51 080	55 267

Financial guarantee contracts: Movement in the loss allowance

EUR million

	Stage 1	Stage 2	Total
Loss allowance at 01.01.2022	485	7 048	7 533
Transfer to Stage 2	(3)	3	–
Transfer to Stage 1	2 855	(2 855)	–
Additions	170	45	215
Release of guarantees	(9)	(1)	(10)
Remeasurement	(2 298)	(1 110)	(3 409)
Loss allowance at 31.12.2022	1 199	3 130	4 330
Financial guarantee liability carrying amount at 31.12.2022	3 194	3 263	6 456

6.4. LIQUIDITY RISK

Maturity analysis of non-derivative financial liabilities by remaining contractual maturity

EUR million

	Undiscounted contractual cash-flows				Carrying amount
	< 1 year	1-5 years	> 5 years	Total	
Borrowings	(23 204)	(80 495)	(280 075)	(383 774)	(344 303)
Payables	(56 913)	–	–	(56 913)	(56 913)
Other	(268)	(491)	(373)	(1 132)	(934)
Total at 31.12.2022	(80 385)	(80 986)	(280 448)	(441 819)	(402 150)
Borrowings	(23 769)	(45 030)	(180 660)	(249 459)	(236 720)
Payables	(47 644)	–	–	(47 644)	(47 644)
Other	(153)	(564)	(484)	(1 201)	(951)
Total at 31.12.2021	(71 567)	(45 594)	(181 144)	(298 305)	(285 316)

Maturity analysis of derivative financial liabilities by remaining contractual maturity

EUR million

	Undiscounted contractual cash-flows				Carrying amount
	< 1 year	1-5 years	> 5 years	Total	
<i>Derivative pay leg</i>	(504)	(8)	–	(512)	
<i>Derivative receive leg</i>	487	–	–	487	
Net cash flows at 31.12.2022	(17)	(8)	–	(25)	(20)
<i>Derivative pay leg</i>	(646)	(5)	–	(651)	
<i>Derivative receive leg</i>	648	–	–	648	
Net cash flows at 31.12.2021	2	(5)	–	(3)	(3)

Maturity analysis of financial guarantee contracts issued by earliest period in which the guarantee could be called

EUR million

	Maximum amount of guarantee				Carrying amount
	< 1 year	1-5 years	> 5 years	Total	
<i>FGCs at 31.12.2022</i>	(65 109)	(13 332)	(4 902)	(83 343)	(6 456)
<i>FGCs at 31.12.2021</i>	(55 381)	(878)	(1)	(56 259)	(7 794)

6.5. OTHER PRICE RISK

EUR million

	10%	(10)%
<i>Equity investments</i>	253	(253)
<i>MMFs, ETFs and investments in pooled portfolios</i>	290	(290)
<i>Guarantees on equity*</i>	469	(469)
Total at 31.12.2022	1,012	(1,012)
<i>Equity investments</i>	238	(238)
<i>MMFs, ETFs and investments in pooled portfolios</i>	251	(251)
<i>Guarantees on equity*</i>	415	(415)
Total at 31.12.2021	905	(905)

*The risk of guarantees on equity is based on the notional amount that is covered by the guarantee.

7. RELATED PARTY DISCLOSURES

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 signature of these accounts 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.

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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1. EU BUDGET RESULT

	EUR million	
	2022	2021
Revenue for the financial year	245 265	239 596
Payments against current year appropriations	(239 157)	(226 175)
Payment appropriations carried over to year N+1	(2 452)	(4 244)
Cancellation of unused appropriations carried over from year N-1	80	265
Evolution of assigned revenue (B)-(A)	(1 121)	(6 338)
<i>Unused appropriations at the end of current year (A)</i>	15 152	14 032
<i>Unused appropriations at the end of previous year (B)</i>	14 032	7 694
Exchange rate differences for the year	(97)	126
Budget result	2 519	3 230

2. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

2.1. BUDGET REVENUE

EUR million

Title	Initial adopted budget	Final adopted budget	Entitlements established	Revenue
1 Own resources	157 701	153 928	157 320	155 758
2 Surpluses, balances and adjustments		2 980	3 233	3 227
3 Administrative revenue	1 383	1 383	1 779	1 747
4 Financial revenue, default interest and fines	115	454	16 634	595
5 Budgetary guarantees, borrowing-and-lending operations			62 203	62 203
6 Revenue, contributions and refunds related to union policies	10 997	10 884	26 689	20 874
Total	170 195	169 630	267 859	244 404

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

EUR million

MFF Heading	Initial adopted budget	Final adopted budget	Total appropriations available	Commitments made
1 Single Market, Innovation and Digital	21 775	21 845	33 071	27 330
2 Cohesion, Resilience and Values	56 039	67 805	325 372	218 907
<i>Economic, social and territorial cohesion</i>	49 709	61 314	76 068	74 632
<i>Resilience and values</i>	6 330	6 491	249 303	144 275
3 Natural Resources and Environment	56 235	56 681	75 200	68 142
<i>of which market-related expenditure and direct payments</i>	40 369	40 369	41 687	41 182
4 Migration and Border Management	3 091	3 410	3 520	3 446
5 Security and Defence	1 785	1 813	1 851	1 840
6 Neighbourhood and the World	17 170	17 670	20 364	20 153
7 European Public Administration	6 199	6 298	7 034	6 814
O Outside MFF	–	–	6 692	3 006
S Solidarity mechanisms within and outside the Union (Special instruments)	2 799	2 219	3 531	2 602
Total	165 095	177 742	476 635	352 241

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

EUR million

MFF Heading	Initial adopted budget	Final adopted budget	Total appropriations available	Payments made
1 Single Market, Innovation and Digital	21 474	20 606	29 379	25 174
2 Cohesion, Resilience and Values	62 053	63 140	129 654	126 570
<i>Economic, social and territorial cohesion</i>	56 351	57 610	75 546	73 015
<i>Resilience and values</i>	5 702	5 531	54 108	53 555
3 Natural Resources and Environment	56 602	55 782	59 271	58 276
<i>of which market-related expenditure and direct payments</i>	40 393	40 356	41 674	41 152
4 Migration and Border Management	3 078	3 373	3 642	3 368
5 Security and Defence	1 238	1 159	1 192	1 154
6 Neighbourhood and the World	12 916	13 156	14 902	14 521
7 European Public Administration	6 199	6 298	7 424	6 782
O Outside MFF	–	–	6 830	72
S Solidarity mechanisms within and outside the Union (Special instruments)	2 623	2 040	3 351	2 602
Total	166 183	165 553	255 646	238 520

3. IMPLEMENTATION OF EC BUDGET REVENUE

EUR million

Title	Income appropriations		Entitlements established			Revenue		Total	Receipts as % of budget	Out-standing
	Initial budget adopted	Final budget adopted	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over			
1 Own resources	157 701	153 928	155 083	2 237	157 320	155 073	686	155 758	101 %	1 562
2 Surpluses, balances and adjustments	0	2 980	3 227	7	3 233	3 227	–	3 227	108 %	7
3 Administrative revenue	1 383	1 383	1 734	46	1 779	1 712	35	1 747	126 %	33
4 Financial revenue, default interest and fines	115	454	(226)	16 861	16 634	(949)	1 544	595	131 %	16 039
5 Budgetary guarantees, borrowing-and-lending operations	0	0	62 203	–	62 203	62 203	–	62 203	–	–
6 Revenue, contributions and refunds related to union policies	10 997	10 884	20 402	6 287	26 689	14 952	5 922	20 874	192 %	5 815
Total	170 195	169 630	242 422	25 437	267 859	236 217	8 187	244 404	144 %	23 455

4. IMPLEMENTATION OF EC BUDGET EXPENDITURE

4.1. MFF: BREAKDOWN & CHANGES IN COMMITMENT & PAYMENT APPROPRIATIONS

EUR million

MFF Heading	Commitment appropriations						Payment appropriations					
	Budget appropriations			Additional appropriations		Total approp. available	Budget appropriations			Additional appropriat.		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 Single Market, Innovation and Digital	21 775	70	21 845	230	10 995	33 071	21 474	(868)	20 606	147	8 625	29 379
2 Cohesion, Resilience and Values	56 039	11 766	67 805	0	257 566	325 372	62 053	1 088	63 140	27	66 487	129 654
<i>Economic, social and territorial cohesion</i>	49 709	11 605	61 314	–	14 754	76 068	56 351	1 259	57 610	3	17 934	75 546
<i>Resilience and values</i>	6 330	161	6 491	0	242 812	249 303	5 702	(171)	5 531	25	48 553	54 108
3 Natural Resources and Environment	56 235	446	56 681	686	17 832	75 200	56 602	(820)	55 782	693	2 797	59 271
<i>of which market-related expenditure and direct payments</i>	40 369	0	40 369	686	632	41 687	40 393	(37)	40 356	687	632	41 674
4 Migration and Border Management	3 091	319	3 410	2	108	3 520	3 078	294	3 373	27	242	3 642
5 Security and Defence	1 785	28	1 813	–	38	1 851	1 238	(79)	1 159	5	28	1 192
6 Neighbourhood and the World	17 170	500	17 670	2 237	456	20 364	12 916	240	13 156	1 048	698	14 902
7 European Public Administration	6 199	99	6 298	–	736	7 034	6 199	99	6 298	390	736	7 424
O Outside MFF	–	–	–	–	6 692	6 692	–	–	–	–	6 830	6 830
Solidarity mechanisms within and												
S outside the Union (Special instruments)	2 799	(580)	2 219	1 303	10	3 531	2 623	(583)	2 040	1 303	8	3 351
Total	165 095	12 647	177 742	4 459	294 434	476 635	166 183	(629)	165 553	3 640	86 452	255 646

4.2. MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR million

MFF Heading	Total appropri. available	from final adopted budget	Commitments made			%	Appropriations carried over to 2023			Appropriations lapsing			
			from carry- overs	from assigned revenue	Total		from final adopted budget	from assigned revenue	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
1 Single Market, Innovation and Digital	33 071	21 843	230	5 257	27 330	83 %	–	5 738	5 738	2	–	1	3
2 Cohesion, Resilience and Values	325 372	66 644	0	152 263	218 907	67 %	159	105 221	105 381	1 002	–	82	1 084
<i>Economic, social and territorial cohesion</i>	76 068	60 159	–	14 473	74 632	98 %	159	199	359	996	–	82	1 078
<i>Resilience and values</i>	249 303	6 485	0	137 790	144 275	58 %	0	105 022	105 022	5	–	1	6
3 Natural Resources and Environment	75 200	56 070	676	11 396	68 142	91 %	488	6 275	6 763	123	10	161	295
<i>of which market-related expenditure and direct payments</i>	41 687	39 876	676	629	41 182	99 %	485	2	488	7	10	0	18
4 Migration and Border Management	3 520	3 395	2	50	3 446	98 %	16	58	74	0	–	0	0
5 Security and Defence	1 851	1 809	–	30	1 840	99 %	3	7	11	0	–	0	1
6 Neighbourhood and the World	20 364	17 633	2 237	283	20 153	99 %	38	173	211	0	0	0	0
7 European Public Administration	7 034	6 288	–	526	6 814	97 %	–	209	209	10	–	0	10
O Outside MFF	6 692	–	–	3 006	3 006	45 %	–	3 686	3 686	–	–	–	–
S Solidarity mechanisms within and outside the Union (Special instruments)	3 531	1 299	1 303	–	2 602	74 %	746	3	749	173	–	7	180
Total	476 635	174 981	4 448	172 812	352 241	74 %	1 451	121 371	122 821	1 311	11	252	1 573

4.3. MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR million

MFF Heading	Total appropriations available	Payments made					Appropriations carried over to 2023			Appropriations lapsing			
		from final adopted budget	from carry- overs	from assigned revenue	Total	%	from final adopted budget	from assigned revenue	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
1 Single Market, Innovation and Digital	29 379	20 471	132	4 570	25 174	86 %	112	4 052	4 164	23	15	3	41
2 Cohesion, Resilience and Values	129 654	63 055	24	63 491	126 570	98 %	76	2 995	3 071	10	3	1	14
<i>Economic, social and territorial cohesion</i>	75 546	57 600	1	15 414	73 015	97 %	3	2 520	2 523	7	2	0	8
<i>Resilience and values</i>	54 108	5 455	23	48 077	53 555	99 %	73	475	548	3	2	0	5
3 Natural Resources and Environment	59 271	55 198	682	2 396	58 276	98 %	493	401	894	91	11	0	102
<i>of which market-related expenditure and direct payments</i>	41 674	39 846	677	629	41 152	99 %	486	2	488	24	10	0	34
4 Migration and Border Management	3 642	3 292	26	49	3 368	92 %	3	193	196	78	0	0	78
5 Security and Defence	1 192	1 130	5	19	1 154	97 %	6	9	15	23	0	0	23
6 Neighbourhood and the World	14 902	13 049	1 032	440	14 521	97 %	93	258	352	13	16	0	30
7 European Public Administration	7 424	5 962	361	459	6 782	91 %	326	276	603	10	29	1	39
O Outside MFF	6 830	–	–	72	72	1 %	–	6 757	6 757	–	–	–	–
S Solidarity mechanisms within and outside the Union (Special instruments)	3 351	1 294	1 303	5	2 602	78 %	746	3	749	0	–	–	0
Total	255 646	163 451	3 565	71 504	238 520	93 %	1 855	14 944	16 799	247	75	4	326

4.4. MFF: MOVEMENTS IN OUTSTANDING COMMITMENTS (RAL)

EUR million

MFF Heading	Commitments outstanding at the end of previous year				Commitments of the current year				Total commitm. outstanding at end of the year
	Commit. carried forward from prev. year	Decommitments/ Revaluations/ Cancellations	Payments	Commitm. outstandin g at year- end	Commit. made during the year	Payments	Cancellation of commitm. which cannot be carried- over	Commitm. outstanding at year-end	
	1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8
1 Single Market, Innovation and Digital	48 717	(733)	(19 163)	28 820	27 330	(6 011)	(10)	21 309	50 130
2 Cohesion, Resilience and Values	209 033	(288)	(89 146)	119 599	218 907	(37 423)	(1)	181 482	301 081
<i>Economic, social and territorial cohesion</i>	152 840	(155)	(65 983)	86 703	74 632	(7 032)	(1)	67 599	154 302
<i>Resilience and values</i>	56 193	(133)	(23 163)	32 896	144 275	(30 392)	(0)	113 883	146 779
3 Natural Resources and Environment	43 691	(98)	(16 091)	27 502	68 142	(42 185)	(0)	25 957	53 459
<i>of which market-related expenditure and direct payments</i>	334	(6)	(118)	210	41 182	(41 034)	–	147	357
4 Migration and Border Management	3 980	(50)	(1 464)	2 465	3 446	(1 903)	–	1 543	4 008
5 Security and Defence	2 397	(21)	(769)	1 607	1 840	(385)	(0)	1 455	3 061
6 Neighbourhood and the World	32 535	(1 205)	(8 701)	22 629	20 153	(5 820)	(0)	14 333	36 962
7 European Public Administration	392	(30)	(362)	0	6 814	(6 420)	(0)	394	394
O Outside MFF	147	(9)	(11)	127	3 006	(62)	–	2 944	3 071
S Solidarity mechanisms within and outside the Union (Special instruments)	–	–	–	–	2 602	(2 602)	–	0	0
Total	340 892	(2 435)	(135 708)	202 749	352 241	(102 812)	(11)	249 417	452 167

4.5. MFF: OUTSTANDING COMMITMENTS BY YEAR OF ORIGIN

		EUR million								
	MFF heading	<2016	2016	2017	2018	2019	2020	2021	2022	Total
1	Single Market, Innovation and Digital	634	612	1 364	2 072	5 400	8 895	9 823	21 329	50 130
2	Cohesion, Resilience and Values	2 129	528	6 063	8 997	15 494	25 268	61 090	181 512	301 081
3	Natural Resources and Environment	1 484	1 100	1 017	1 275	2 349	6 638	13 640	25 957	53 459
4	Migration and Border Management	17	26	105	170	559	1 025	562	1 543	4 008
5	Security and Defence	28	9	111	134	204	320	801	1 455	3 061
6	Neighbourhood and the World	1 152	814	1 365	2 492	3 943	4 452	8 411	14 333	36 962
7	European Public Administration	0	0	–	–	0	0	0	394	394
O	Outside MFF	0	0	0	0	–	0	127	2 944	3 071
S	Solidarity mechanisms within and outside the Union (Special instruments)	0	0	0	0	0	0	0	0	0
Total		5 445	3 090	10 025	15 140	27 949	46 599	94 453	249 466	452 167

An internal re-organisation at the HADEA agency included a re-allocation of transactions resulting in a shift of outstanding amount (49 EUR million) between years. The overall amount of outstanding commitments remains unchanged.

4.6. POLICY AREA: BREAKDOWN AND CHANGES IN COMMITMENT AND PAYMENT APPROPRIATIONS

EUR million

Policy area	Commitment appropriations						Payment appropriations					
	Budget appropriations			Additional appropriations		Total appropri. available	Budget appropriations			Additional appropriat.		Total appropri. 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
01 Research and Innovation	13 237	0	13 237	230	6 037	19 504	13 558	(598)	12 960	122	6 505	19 588
02 European Strategic Investments	5 507	2	5 509	–	4 759	10 268	4 853	(62)	4 791	11	1 788	6 590
03 Single Market	953	70	1 023	–	71	1 093	904	(65)	839	9	82	930
04 Space	2 077	–	2 077	–	129	2 205	2 156	(140)	2 016	5	249	2 271
05 Regional Development and Cohesion	36 570	8 836	45 406	–	8 653	54 059	42 651	914	43 565	2	12 374	55 942
06 Recovery and Resilience	1 508	177	1 685	0	242 344	244 029	1 093	(64)	1 029	7	47 955	48 991
07 Investing in People, Social Cohesion and Values	17 961	2 753	20 715	–	6 569	27 284	18 309	237	18 546	19	6 157	24 722
08 Agriculture and Maritime Policy	54 254	167	54 420	686	6 781	61 888	56 003	(813)	55 189	688	2 439	58 316
09 Environment and Climate Action	1 978	283	2 261	–	11 051	13 312	595	(3)	592	5	358	956
10 Migration	1 273	291	1 564	2	36	1 603	1 445	200	1 646	26	36	1 707
11 Border Management	1 816	30	1 846	–	72	1 918	1 631	96	1 727	1	207	1 935
12 Security	592	44	636	–	16	652	567	(38)	529	3	16	548
13 Defence	1 177	–	1 177	–	22	1 199	655	(25)	630	2	12	644
14 External Action	15 159	519	15 678	1 906	312	17 896	10 544	761	11 305	1 037	360	12 703
15 Pre-accession Assistance	2 012	(19)	1 992	331	145	2 468	2 372	(521)	1 851	11	338	2 200
16 Expenditure outside the annual ceilings set out in the Multiannual Financial Framework	50	1 995	2 045	1 303	6 702	10 050	75	1 965	2 040	1 303	6 838	10 181
20 Administrative expenditure of the European Commission	3 868	12	3 880	–	475	4 355	3 868	12	3 880	388	476	4 743
21 European Schools and Pensions	2 331	87	2 418	–	261	2 679	2 331	87	2 418	2	261	2 681
30 Reserves	2 774	(2 600)	173	–	–	173	2 572	(2 572)	–	–	–	–
Total	165 095	12 647	177 742	4 459	294 434	476 635	166 183	(629)	165 553	3 640	86 452	255 646

4.7. POLICY AREA: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR million

Policy area		Total appopr. available	Commitments made				Appropriations carried over to 2023			Appropriations lapsing				
			from final adopted budget	from carry- overs	from assigned revenue	Total	%	from final adopted budget	from assigned revenue	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	Research and Innovation	19 504	13 236	230	2 943	16 409	84 %	–	3 094	3 094	1	–	0	1
02	European Strategic Investments	10 268	5 508	–	2 202	7 710	75 %	–	2 557	2 557	1	–	0	1
03	Single Market	1 093	1 022	–	33	1 056	97 %	–	37	37	0	–	1	1
04	Space	2 205	2 077	–	79	2 156	98 %	–	50	50	–	–	–	–
05	Regional Development and Cohesion	54 059	44 307	–	8 414	52 721	98 %	151	166	317	947	–	73	1 020
06	Recovery and Resilience	244 029	1 684	0	137 535	139 219	57 %	0	104 809	104 809	1	–	0	1
07	Investing in People, Social Cohesion and Values	27 284	20 653	–	6 314	26 967	99 %	8	246	255	53	–	9	63
08	Agriculture and Maritime Policy	61 888	53 925	676	6 394	60 995	99 %	488	226	715	7	10	161	179
09	Environment and Climate Action	13 312	2 145	–	5 003	7 148	54 %	–	6 048	6 048	116	–	0	116
10	Migration	1 603	1 557	2	27	1 585	99 %	8	10	17	0	–	0	0
11	Border Management	1 918	1 838	–	23	1 861	97 %	8	49	57	0	–	0	0
12	Security	652	632	–	8	640	98 %	3	7	11	0	–	0	1
13	Defence	1 199	1 177	–	22	1 199	100 %	–	–	–	–	–	–	–
14	External Action	17 896	15 644	1 906	190	17 740	99 %	34	122	156	0	0	0	0
15	Pre-accession Assistance	2 468	1 989	331	94	2 413	98 %	4	51	55	(0)	0	–	0
16	Expenditure outside the annual ceilings set out in the Multiannual Financial Framework	10 050	1 299	1 303	3 006	5 608	56 %	746	3 689	4 435	0	–	7	7
20	Administrative expenditure of the European Commission	4 355	3 870	–	271	4 141	95 %	–	203	203	10	–	0	10
21	European Schools and Pensions	2 679	2 418	–	255	2 673	100 %	–	6	6	0	–	(0)	0
30	Reserves	173	–	–	–	–	0 %	–	–	–	173	–	–	173
Total		476 635	174 981	4 448	172 812	352 241	74 %	1 451	121 371	122 821	1 311	11	252	1 573

4.8. POLICY AREA: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR million

Policy area	Total appropri. available	Payments made					Appropriations carried over to 2023			Appropriations lapsing			
		from final adopted budget	from carry- overs	from assigned revenue	Total	%	from final adopted budget	from assigned revenue	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=12+ 13+14
01 Research and Innovation	19 588	12 869	109	2 819	15 797	81 %	89	3 685	3 773	2	13	2	18
02 European Strategic Investments	6 590	4 768	10	1 660	6 438	98 %	12	128	140	11	0	0	12
03 Single Market	930	823	8	32	862	93 %	6	50	57	10	1	0	11
04 Space	2 271	2 012	5	61	2 077	91 %	5	189	193	0	1	0	1
05 Regional Development and Cohesion	55 942	43 557	1	10 808	54 367	97 %	2	1 566	1 568	7	1	(0)	7
06 Recovery and Resilience	48 991	977	6	47 846	48 829	100 %	51	109	159	1	1	0	2
07 Investing in People, Social Cohesion and Values	24 722	18 521	17	4 836	23 374	95 %	23	1 320	1 344	2	2	0	4
08 Agriculture and Maritime Policy	58 316	54 612	677	2 218	57 507	99 %	487	220	707	91	11	0	101
09 Environment and Climate Action	956	586	5	178	769	80 %	6	180	187	0	0	0	0
10 Migration	1 707	1 597	25	23	1 645	96 %	2	12	14	47	0	0	48
11 Border Management	1 935	1 695	1	26	1 722	89 %	1	181	182	30	0	0	30
12 Security	548	503	3	7	513	94 %	3	9	12	23	0	0	23
13 Defence	644	627	2	12	641	100 %	3	–	3	0	0	0	0
14 External Action	12 703	11 221	1 023	187	12 431	98 %	77	173	250	8	14	0	22
15 Pre-accession Assistance	2 200	1 829	8	253	2 090	95 %	17	85	101	6	2	(0)	8
16 Expenditure outside the annual ceilings set out in the Multiannual Financial Framework	10 181	1 294	1 303	78	2 674	26 %	746	6 760	7 506	0	–	–	0
20 Administrative expenditure of the European Commission	4 743	3 543	359	205	4 108	87 %	326	270	596	10	29	1	39
21 European Schools and Pensions	2 681	2 418	2	254	2 674	100 %	0	6	7	0	–	(0)	0
30 Reserves	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	255 646	163 451	3 565	71 504	238 520	93 %	1 855	14 944	16 799	247	75	4	326

4.9. POLICY AREA: MOVEMENTS IN OUTSTANDING COMMITMENTS (RAL)

EUR million

Policy area	Commitments outstanding at the end of previous year				Commitments of the current year				Total commitm. outstanding at end of the year
	Commit. carried forward from prev. year	Decommitments/ Revaluations/ Cancellations	Payments	Commitm. outstanding at year-end	Commit. made during the year	Payments	Cancellation of commitm. which cannot be carried- over	Commitm. outstanding at year-end	
	1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8
01 Research and Innovation	29 329	(418)	(12 145)	16 767	16 409	(3 652)	(9)	12 748	29 514
02 European Strategic Investments	16 844	(253)	(5 691)	10 900	7 710	(748)	–	6 962	17 862
03 Single Market	1 159	(59)	(555)	545	1 056	(307)	(0)	749	1 293
04 Space	1 384	(4)	(772)	608	2 156	(1 304)	–	851	1 459
05 Regional Development and Cohesion	109 700	(134)	(49 026)	60 540	52 721	(5 340)	(1)	47 380	107 920
06 Recovery and Resilience	53 033	(37)	(21 648)	31 349	139 219	(27 181)	(0)	112 037	143 386
07 Investing in People, Social Cohesion and Values	46 300	(117)	(18 473)	27 711	26 967	(4 902)	(0)	22 065	49 775
08 Agriculture and Maritime Policy	41 502	(61)	(15 584)	25 857	60 995	(41 923)	(0)	19 072	44 928
09 Environment and Climate Action	2 188	(36)	(506)	1 646	7 148	(262)	–	6 885	8 531
10 Migration	2 383	(39)	(861)	1 482	1 585	(784)	–	801	2 283
11 Border Management	1 597	(11)	(603)	983	1 861	(1 119)	–	742	1 725
12 Security	1 077	(20)	(207)	850	640	(306)	–	335	1 185
13 Defence	1 320	(1)	(562)	757	1 199	(79)	(0)	1 120	1 876
14 External Action	25 065	(1 066)	(6 929)	17 070	17 740	(5 502)	(0)	12 237	29 307
15 Pre-accession Assistance	7 471	(139)	(1 773)	5 559	2 413	(318)	–	2 096	7 655
16 Expenditure outside the annual ceilings set out in the Multiannual Financial Framework	147	(9)	(11)	127	5 608	(2 664)	–	2 944	3 071
20 Administrative expenditure of the European Commission	390	(30)	(360)	0	4 141	(3 748)	(0)	393	393
21 European Schools and Pensions	2	–	(2)	–	2 673	(2 672)	–	1	1
Total	340 892	(2 435)	(135 708)	202 749	352 241	(102 812)	(11)	249 417	452 167

4.10. POLICY AREA: OUTSTANDING COMMITMENTS BY YEAR OF ORIGIN

EUR million									
Policy area	<2016	2016	2017	2018	2019	2020	2021	2022	Total
01 Research and Innovation	408	391	718	1 296	2 520	5 053	6 379	12 750	29 514
02 European Strategic Investments	198	211	625	713	2 737	3 331	3 084	6 962	17 862
03 Single Market	28	10	20	26	68	109	266	766	1 293
04 Space	–	–	1	37	74	402	94	851	1 459
05 Regional Development and Cohesion	1 667	386	4 686	6 859	12 101	18 186	16 654	47 380	107 920
06 Recovery and Resilience	0	1	4	13	35	248	31 020	112 067	143 386
07 Investing in People, Social Cohesion and Values	462	141	1 373	2 125	3 359	6 834	13 416	22 065	49 775
08 Agriculture and Maritime Policy	1 388	1 042	921	974	2 078	6 301	13 152	19 072	44 928
09 Environment and Climate Action	96	58	96	301	271	336	488	6 885	8 531
10 Migration	–	17	98	135	316	645	272	801	2 283
11 Border Management	17	9	8	36	243	381	290	742	1 725
12 Security	28	9	111	133	160	249	159	335	1 185
13 Defence	0	0	0	0	43	71	642	1 120	1 876
14 External Action	806	592	1 023	1 780	2 394	3 485	6 990	12 237	29 307
15 Pre-accession Assistance	346	222	343	712	1 549	968	1 421	2 096	7 655
16 Expenditure outside the annual ceilings set out in the Multiannual Financial Framework	0	0	0	0	–	0	127	2 944	3 071
20 Administrative expenditure of the European Commission	0	0	–	–	0	0	0	393	393
21 European Schools and Pensions	0	0	0	0	0	0	–	1	1
Total	5 445	3 090	10 025	15 140	27 949	46 599	94 453	249 466	452 167

An internal re-organisation at the HADEA agency included a re-allocation of transactions resulting in a shift of outstanding amount (49 EUR million) between years. The overall amount of outstanding commitments remains unchanged.

5. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR million

	2022	2021
ECONOMIC RESULT OF THE YEAR	(91 852)	(42 075)
Revenue		
<i>Entitlements established in current year but not yet collected</i>	(5 972)	(7 050)
<i>Entitlements established in previous years and collected in current year</i>	74 070	64 353
<i>Accrued revenue (net)</i>	2 072	(5 434)
Expenses		
<i>Accrued expenses (net)</i>	45 599	52 987
<i>Amount from liaison account</i>	4 104	3 660
<i>Expenses prior year paid in current year</i>	(2 053)	(1 046)
<i>Net-effect pre-financing</i>	(21 630)	(47 463)
<i>Payment appropriations carried over to next year</i>	(1 855)	(3 591)
<i>Payments made from carry-overs & cancellation of unused payment appropriations</i>	2 473	(4 899)
<i>Movement in provisions</i>	3 635	1 041
<i>Other</i>	(2 181)	(3 488)
BUDGET RESULT OF THE YEAR	6 409	6 995
BUDGET RESULT OTHER INSTITUTIONS	(3 890)	(3 765)
BUDGET RESULT OF THE YEAR (EU)	2 519	3 230