EUROPEAN
INVESTMENT
FUND

ANNUAL REPORT
2014

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1. INTRODUCTION

FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

In 2014, the year in which it celebrated its 20th anniversary, EIF, as part of the EIB Group's commitment to bridge Europe's financing gap and create growth, provided high value added and impactful financial products across a broad range of market segments. EIF considerably expanded its capacity to put European small and medium-sized enterprises (SMEs) and midcaps back on the road to recovery. Its catalytic role was crucial in mobilising private capital, boosting competitiveness and growth potential, and bridging market gaps stemming from financial fragmentation in the European Union.

Research and innovation by European companies, the creation of start-ups and support for growing enterprises are fundamental EIF policy objectives, and are particularly important for the economy as they drive structural change. However, addressing access to finance for SMEs and midcaps requires the availability and an adequate mix of equity and debt products. Again in 2014, EIF continued to prove that it is a reliable promoter of European SMEs and midcaps and a reliable partner of financial institutions. With its variety of financial instruments, EIF responded to the specific needs of Member States and their regions and adapted its product range to the different stages of their economic growth.

2014 was also a special year for EIF as it had to prepare the ground to further increase its support for European businesses. I am grateful for the significant amounts of funding made available for new mandates by the European Commission, the EIB and Member States that will help to alleviate the financing needs of our end clients. Building on these financial resources, EIF designed new equity, debt, credit enhancement and microfinance instruments to provide more capital and attract private investors and strategic partners to the market, so that European businesses could be given the means to develop their competitiveness and grow.

The composition of the Board of Directors changed at certain points in 2014, notably at the Annual General Meeting in April, when the Board welcomed one new full member and five new alternate members. Later in the year, Gerassimos Thomas and Franciscus Godts resigned as Board members due to professional changes and, on behalf of the Board, thanks are extended for their contributions.

In May, EIF's shareholders approved a EUR 1.5bn capital increase, which raised EIF's total authorised capital to EUR 4.5bn. With this decision, the shareholders gave a strong signal in favour of further extending EIF's activity in support of European SMEs and midcaps, and I would like to express my appreciation for their continued support and engagement towards EIF.

In parallel, in September 2014, EIF further diversified its shareholder base when Banco Santander and Cassa Depositi e Prestiti S.p.A. were welcomed to EIF's financial institutions shareholders group, both banks having already been long-term business partners of EIF.

Going forward, European Commission President Juncker's plan to stimulate investment, create jobs and restore private investors' confidence will give EIF an opportunity to significantly step up its support for Europe's entrepreneurs.

Reflecting on this extraordinary year, I would like to congratulate Pier Luigi Gilibert, EIF's Chief Executive, for the success he has already achieved since March 2014, ensuring that EIF stays true to its mission of being the leading risk finance provider for European businesses and at the same time exploring new development opportunities. I am confident that EIF has a bright future under his leadership.

To conclude, I also express my gratitude for the commitment demonstrated by EIF's staff, without which these achievements would not have been possible.

DARIO SCANNAPIECO

INTRODUCTION BY THE CHIEF EXECUTIVE

I am delighted to have the opportunity to reflect and report on 2014, a year of significant achievements, tremendous developments and structural changes for EIF.

Few issues are as important to us as support for Europe's small businesses and midcaps, particularly in the current environment, and we have been doing our utmost throughout the year to ensure that we are delivering the value added financing they need. They are and will remain at the very heart of our strategic decisions and priorities and will continue to shape our operational goals.

We want to bridge the SME and midcap financing gap, mobilise and trigger additional investment and be part of a much-needed European economic rejuvenation. We want to deliver the financial means for innovation, employment, competitiveness and entrepreneurship, and are committed to social inclusion to help provide a better quality of life for Europeans and to support the "real economy".

To achieve this, in 2014 we provided long-term finance to the private equity market by investing a record EUR 1.65bn in SME and midcap-focused funds and worked towards making it sustainable by attracting EUR 8.24bn of resources. We guaranteed portfolios of SME loans and leases and supported the revival of the European SME securitisation market with guarantee commitments of EUR 1.61bn, which mobilised EUR 5.57bn. In line with EU policy objectives, we promoted social inclusion and job creation, supporting micro-entrepreneurs and social enterprises. In 2014, a total of 175 000 companies in Europe benefited from financial resources deployed by EIF.

Through working collaboratively with the EIB and the EC we designed and implemented innovative means of financing to be able to achieve and deliver a greater impact and increase our risk-taking capacity.

The EIB Group Risk Enhancement Mandate (EREM) was elaborated to revitalise the SME market and offer a new range of debt finance and equity products, including the ABS Credit Enhancement instrument. In parallel, the EC Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) and InnovFin – EU Finance for Innovators programmes were launched as a means of boosting the innovation of European businesses, increasing their competitiveness and enhancing their access to finance.

Our shareholders' approval of our capital increase was one of the most important milestones of this year as it gave us extensive scope to develop our operations, strengthen our financial offering and increase our transaction volumes. Furthermore, we scaled up our collaboration with our financial institutions shareholders group and are committed to continue enhancing our dialogue with those institutions going forward.

Throughout 2014, we worked intensively to develop new processes and implement structural changes that will allow us to further increase our output and efficiency. We also intensified our cooperation with the EIB to provide a more comprehensive and efficient Group response to market needs, blending resources to maximise the impact on the growth of SMEs and midcaps.

Beyond 2014, we have set ourselves ambitious objectives. In the coming months, we will be launching additional programmes and initiatives that focus on SMEs, student mobility, microfinance, social impact financing, research, innovation and technology transfer, as well as debt funds and credit enhancement. We will also increase our collaboration with governments, regional partners and national promotional institutions to broaden our geographical reach, strengthen our international standing and connect with EU regions and nations, thus fulfilling our objective to have an even greater impact on more businesses across Europe.

Finally, I feel privileged to lead EIF and am extremely proud of our achievements in 2014. None of these would have been possible without the continued support of our shareholders and mandators and the dedication and commitment of our staff. This year has given me confidence in our ability to achieve our goals and I am looking forward to the opportunities and challenges that lie ahead.

PIER LUIGI GILIBERT

Throughout 2014, EIF's role as risk finance provider in Europe has been vital in addressing the financing needs of SMEs and midcaps

2. BUSINESS YEAR 2014

EUROPEAN MARKET ENVIRONMENT

Europe continued its recovery in 2014, but at a slower pace than expected. Top issues were still the concerns surrounding sovereign debt, weakly capitalised banks and the sluggish development of demand.

According to the European Commission's (EC's) and European Central Bank's (ECB's) latest survey on the access to finance of enterprises in the euro area[1], access to finance remained one of the most pressing problem for a significantly large proportion of SMEs. The ECB bank lending survey shows that, on balance, the reporting euro area banks have not eased their credit standards for SMEs, though they continued to report a net easing for large firms.

Great disparities in access to finance by country persist. The relatively difficult access to finance for SMEs in those countries that have suffered the most from the crisis remains particularly worrying, as SMEs account for significant shares of total value added generated in those countries.

Looking ahead, positive signs are beginning to emerge in the recent developments in economic sentiment indicators for SMEs. Despite the slow economic recovery, SMEs' business climate has, on average, improved. Moreover, European SMEs are more optimistic about their expectations for 2015.

PRIVATE EQUITY

Following the downturn of European private equity (PE) activity in 2008/2009, PE investments and fundraising have partially rebounded and stabilised in recent years. This trend continued in 2014, according to the European Venture Capital Association's (EVCA's) preliminary figures. In the venture capital (VC) segment of the market, investment and fundraising activity have stabilised, but at lower levels. Some of the gap has been filled by business angels on the investment side, thanks to their proximity to the market. In contrast, the exit markets have shown promising signs of a strong upturn, indicated, inter alia, by high levels of divestment amounts and a decrease in the relative importance of write-offs.

The still-difficult VC fundraising environment and investors' cautious sentiment towards this part of the market are also demonstrated by the shift in the investor base – a trend that has been going on for the past few years. Additionally, government agencies, which accounted for almost 40% of total VC fundraising in 2013, again remained the largest investor group in 2014, according to preliminary information from EVCA.

SME GUARANTEES/SECURITISATION

The preliminary statistics from the European Association of Mutual Guarantee Societies (AECM) show a decrease in volumes and a parallel increase in the number of guarantees, which has been explained by an increase in guarantees of smaller amounts, as well as short-term guarantees, due to the current crisis. Moreover, those countries that suffered most from the sovereign debt crisis and experienced weak economic growth – or even a decline in economic activity – also showed lacklustre growth in guarantee transactions. In addition, public budgetary constraints, accompanied by perceptions of high financial risk, have been weighing heavily on providers of guarantees.

[1] http://www.ecb.europa.eu/pub/pdf/other/accesstofinancesmallmediumsizedenterprises201411.en.pdf

In the SME securitisation market, originators continued mainly to retain newly-issued transactions to create liquidity buffers, and to collateralise financing from central banks. It can also be seen that, despite the financial and sovereign debt crises, the European securitisation market continues to perform relatively well, with the SME segment showing low default rates. Although conditions are still challenging, sentiment about the use of securitisation techniques to support the SME markets is improving, which is also linked to positive signs of growth in economic activity. Additional comfort has been provided by the ECB, which recently started its asset-backed securities (ABS) purchase programme. However, more needs to be done, particularly on the regulatory side, before a full recovery of the markets can be expected.

MICROFINANCE

Microfinance is generally associated with social and economic objectives, and it is an important financing factor in job creation. The majority of European microfinance institutions (MFIs) include social impact, job creation, and social and financial inclusion as part of their mission. However, the European microfinance market is still young and heterogeneous, especially with regard to the diversity of lending approaches.

Difficulties in access to finance are particularly acute for micro-enterprises and other target groups of microfinance. According to the 2014 survey on the access to finance of enterprises in the euro area, for micro-enterprises too access to finance remained a problem. They continue to experience relatively higher rejection rates, and micro-enterprises are discouraged from applying for loans, often because of the higher interest rates charged by the banks on smaller loans.

Nevertheless, despite the unfavourable conditions, the recent European Microfinance Network (EMN) survey reported growth in both the overall total value and number of micro-loans provided by the MFIs surveyed. With regard to future trends, MFIs expect less public support in the coming years due to public budgetary constraints. In the currently difficult environment, support at European level – e.g. funding, guarantees (in particular to “crowd in” additional private resources) and technical assistance – has become even more important to a broad range of financial intermediaries, from small non-bank financial institutions to well-established microfinance banks in order to make microfinance a fully-fledged segment of the European financial sector. In addition, new financing channels for microfinance are emerging, such as crowdfunding and crowdlending platforms, digital lending clubs and mobile payment solutions.

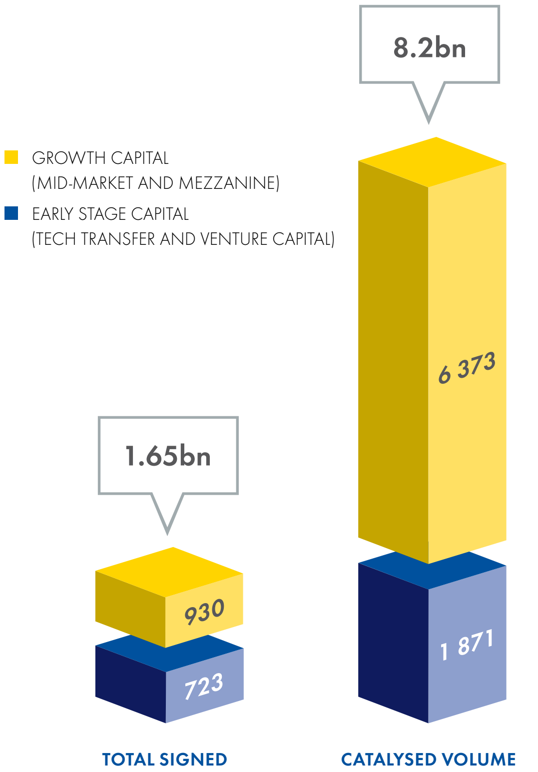
EQUITY ACTIVITY

In 2014, EIF continued to work hard towards helping to build a sustainable and well-functioning European private equity market, fulfilling its objective to support European entrepreneurship and innovation.

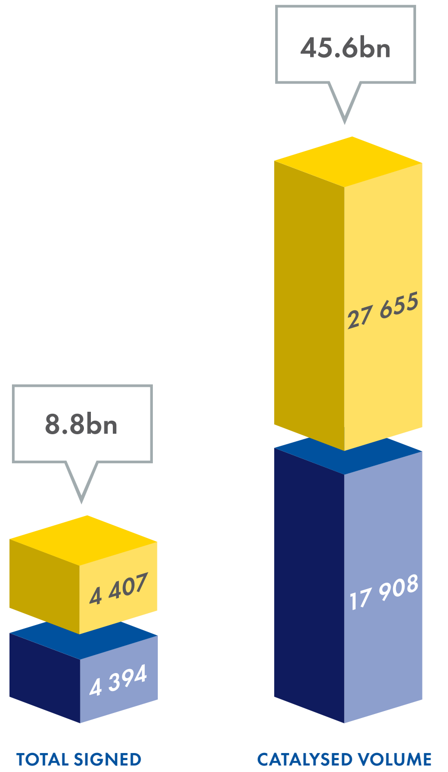
EIF created value by investing a record EUR 1.65bn of its own financial resources or capital entrusted by mandators and third parties in 74 SME and midcap funds managed by first-time and established teams across EU Member States and candidate countries. This engagement mobilised capital from other market players of EUR 8.2bn, creating a fivefold leverage effect and maximising the impact on European businesses.

At end-2014, EIF's outstanding equity commitments stood at EUR 8.8bn, which mobilised EUR 45.6bn.

2014 EQUITY SIGNATURES AND CATALYSED VOLUME – IN EURm



TOTAL OUTSTANDING EQUITY SIGNATURES AND CATALYSED VOLUME SINCE INCEPTION AT 31.12.2014 – IN EURm



COMMERCIALISING DISCOVERIES

In 2014, EIF continued to develop its technology transfer activity, linking businesses with research organisations, facilitating licensing to help the development of early stage technologies and collaborating with world-class research organisations and universities to commercialise discoveries and increase their impact on the market.

Investments in new technology transfer markets, including Portugal, were successfully closed and particular support was given to Turkey through the launch of the Technology Transfer Accelerator Turkey Fund. This initiative – co-financed by the EU and the Republic of Turkey under the Regional Development Component of the Instrument for Pre-Accession Assistance funds and managed by EIF – will help build up the technology transfer market in Turkey, with a particular focus on spillovers to the less developed regions of Turkey.

In parallel, during the year, negotiations were under way with the EC's Directorate-General Research and Innovation to develop a Technology Transfer Finance Facility, with the participation of the EC and EIF. This pilot facility's resources would enable EIF to address a riskier but higher-value segment within the technology transfer space and significantly increase EIF's financing volumes and risk-taking impact on this market segment.

In all, EIF invested EUR 111m in six technology transfer transactions in 2014 and, through this engagement, helped bridge the gap between innovative discoveries and commercial partners and supported the development of cutting-edge science and technology in Europe.

NURTURING ENTREPRENEURSHIP

The venture capital market is gradually emerging from a period of unprecedented instability. Levels of activity and availability of capital are increasing in key markets and sectors. However, the improved conditions are often benefiting companies that have already successfully raised financing in previous rounds or have healthy balance sheets, but things remain challenging and conditions difficult for young, riskier start-ups and very early stage companies for which it is an uphill struggle to gain access to investors and capital. Yet the entrepreneurial spirit is stronger than ever in Europe and needs nurturing.

That is what EIF was focusing on in 2014, committing EUR 631m in nine business angel transactions and 23 venture capital funds that were able to demonstrate their capacity to offer small firms more and better financing, targeted advice and opportunities to grow. Moreover, EIF mobilised EUR 1.7bn of capital with other market players with the aim of reducing the market's dependence on public funding.

Working with business angels and capitalising on the crucial role they play in the financing of start-ups is one of EIF's priorities. At end-2014, EIF had signed a total of 19 business angel agreements in Germany, Spain and Austria under the European Angels Fund (EAF). As a result of this positive market response, several Member States have indicated interest in setting up similar programmes in their respective countries. In the years ahead the EAF platform's roll-out will continue, with a view to increasing cooperation with local partners (national like-minded public financial institutions). In parallel, discussions are ongoing with the EC's Directorate-General Connect and Directorate-General Research and Innovation to set up instruments to co-invest with individual business angels as well as business angel funds.

In 2014, EIF supported sectors that are key to Europe's economic recovery. They include the life sciences sector in areas such as pharmaceutical manufacturing, medical biotechnology, medical devices, agricultural chemicals and cosmetics. Similarly, EIF invested in ICT, one of the fastest-growing industries, whose development is high on the Europe 2020 strategy's agenda in an effort to boost company creation and enable Europe's businesses to get the most out of digital technologies. In this context, in 2014 EIF invested EUR 631m in both sectors, its highest commitment since 2001, and, in doing so, actively participated in the realisation of EU policy objectives.

ACHIEVING GROWTH

The lower mid-market and mezzanine markets are also demonstrating tangible signs of recovery, with increased volumes of liquidity, growing deal flow and heightened exit activity. Mid-market is increasingly becoming an attractive and active segment for investors.

Although many CEOs and company executives are much happier with the cash flow and prospects of their companies, they confirm that current regulatory, legal, restructuring and pricing pressures and lack of long-term finance to sustain their development remain a concern.

In 2014, with its core mid-market products (equity, hybrid debt-equity and mezzanine for SMEs and midcaps), EIF provided alternative sources of long-term finance to established businesses and later stage technology companies. In the current market context, debt/equity finance solutions proved highly successful, particularly for shareholding reorganisation, organic growth, restructuring or expansion.

Additionally, throughout the year EIF continued to pursue its two-pronged mid-market strategy. First, EIF backed emerging teams in the segment, catalysing other investors' interest, sharing best market practices and participating early in the fundraising process, which helped many teams to reach their target size. Second, EIF provided recurring support to established teams, validating their investment strategy while at the same time targeting a return on investments commensurate with the objectives of EIF's mandates.

EIF signed a total of EUR 875m in 32 mid-market and mezzanine funds in 2014, an 18% increase on the previous year's results and mobilised EUR 6.2bn of resources, demonstrating its crucial catalytic role in helping to maintain a viable and healthy SME and midcap-focused private equity market.

Moreover, the launch of the new Mezzanine Co-Investment Facility (MCIF) in 2014 expanded EIF's mid-market activity to co-investments in target companies (see page 24).

Going forward, EIF expects to develop further its mid-market investment activities in the private debt segment through the EIB Group Risk Enhancement Mandate (EREM) mandate (see page 24).

SOCIAL IMPACT INVESTING

EIF is continually seeking out new ways to mobilise resources to support businesses. This means thinking beyond traditional equity.

Together with private sector partners Crédit Coopératif and Deutsche Bank, EIF recently launched an innovative new investment platform: the Social Impact Accelerator (SIA). The EUR 52m pilot, which is already almost fully invested, has proved a success and demonstrated that profit-making investment can generate social and environmental good and that combining social impact together with financial return is set to become a model to be applied to meet future market demands. In 2014, EIF committed an aggregate amount of EUR 36m to four social impact funds, financing sectors as diverse as employment, the environment, public health and education. These funds have proved crucial in complementing the already stretched resources governments are dedicating to welfare and provide invaluable support to social enterprises. At end-2014, the SIA's outstanding amount invested totalled EUR 46m in five funds.

As social impact investment plays an ever-increasing role in promoting social inclusion, providing alternative sources of finance and contributing to growth, it has also become an activity in its own right within EIF's investment strategy.

Looking beyond 2014, through the new EIB EREM mandate's social impact finance window, which was signed at the end of 2014, a total of over EUR 240m will now be made available for EIF to invest, transforming social impact finance into a mainstream financial instrument for EIF.

CASE STUDY
COMMUNICATION FOR ALL

INSANE LOGIC
UNITED KINGDOM

Communicating and interacting with one another enriches our lives. Without the ability to do so we are denied the chance to share knowledge and ideas, education and a place in society.

"Communication for everyone" is Insane Logic's mission. This company helps children, young people and adults who have speech, language or communication needs. Based in the UK and supported by Social Venture Fund II (one of the EIF-backed social impact funds), they believe everyone has the right to communication. They have created a language development programme – MyChoicePad – that brings together proven speech and language therapy techniques and market leading technology to deliver language development via tablet computers.

Having worked for many years with a charity dedicated to a language development programme, Zoe Peden and Andrew Jackman, the company's founders, were looking for an easy, simple, accessible and inexpensive way to provide children, parents and teachers with the speech and communication improvement support they needed. They designed an innovative and cheap symbol and gesture-based communication app but struggled to find the right technology for it. It all came together in 2010 with the launch of the first tablet computer. It was the perfect and most cost-effective solution and the app was released in May 2011. They spent the first two years developing the company in a back bedroom and in September 2013 moved into their own offices. Since then, Insane Logic has gone from strength to strength.

The award-winning MyChoicePad has already helped seven-year old Lucy, who has speech delay, to work on her sign language skills and increase her level of communication so she can learn to speak words and catch up with her peers. It also gave Richard, a teenager with Downs Syndrome, the ability to improve his vocabulary and Charmaine, who has a chromosome disorder that affects her ability to understand and communicate, a sense of control so that she can express what she wants and needs.

"Our journey has been exciting and challenging. We could not have got to where we are today without the financial support and advice of investors such as Social Venture Fund II. They gave us the opportunity to take our project to a new level."
Zoe Peden, Founder of Insane Logic

CASE STUDY
A CONCRETE SOLUTION

IDEOL
FRANCE

The effects of fossil fuel pollution on our planet and on our climate are evident and dramatic; they impact both the environment but also the society we live in. This has led to the development of alternative energy solutions such as onshore and offshore wind power generation. With offshore wind becoming a necessity for many countries and with wind farms increasing in size and being built further offshore, IDEOL saw the opportunity to innovate and develop a technically and economically viable floating offshore wind solution.

Based on the Mediterranean coast near Marseille, IDEOL specialises in the design, engineering and installation of a floating foundation solution enabling the construction of offshore wind farms further from the shore than conventional ones. Capturing more frequent and stronger winds and dramatically reducing the visual impact of such large installations are some of the many advantages offered by the product.

The company was created in 2010 by Paul de la Guerivière and Pierre Coulombeau, taking full advantage of their extensive and combined entrepreneurial and renewables project financing background. Targeting the development of an innovative, highly performing yet cost-competitive solution, they patented the "Damping Pool" concept and created a square concrete floating platform equipped with a hollow pool in its centre. The specific physical and hydro-dynamic properties of the "Damping Pool" counteract the vertical movement of the surrounding sea, bringing the stability the wind turbine requires to perform as expected.

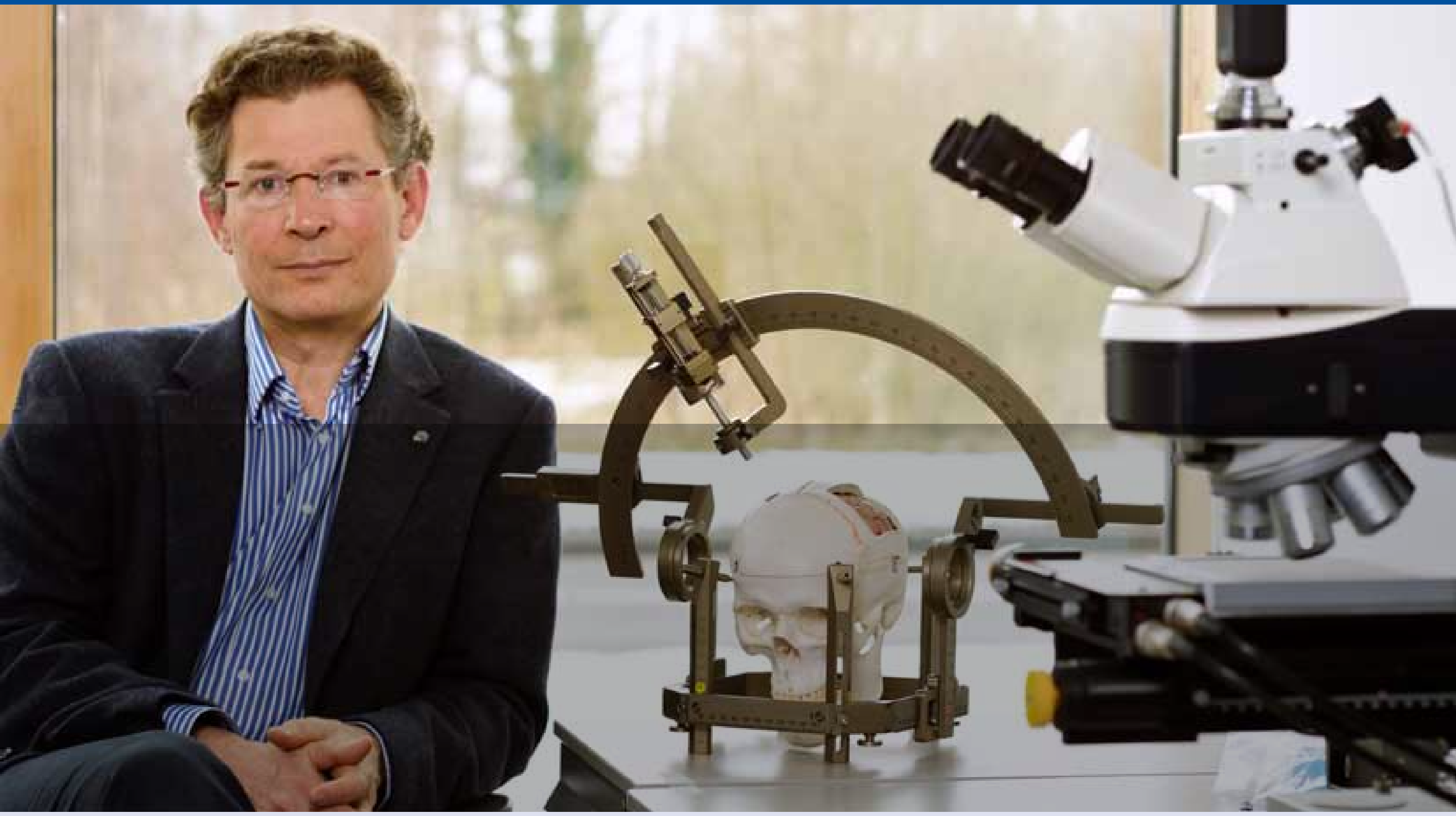
In 2013, the company was strengthened by an investment from Demeter 3 Seed Fund, which is managed by Demeter Partners, one of the leading EIF-backed cleantech investors in Europe.

"We are passionate about renewable energy and are convinced that our solution will revolutionise the industry, but things can be challenging for a start-up in the cleantech sector. The Demeter team, together with other investors, believed in our strategy and were willing to take the risk. Their support confirms the viability or our product and the technology we have developed and gives us the tools we need to implement it."

Paul de la Guerivière, Co-Founder and CEO of IDEOL

CASE STUDY
STIMULATING THE BRAIN

SAPIENS
NETHERLANDS



As medical treatments become more advanced and research into new cures intensifies, the chances of surviving many well-known diseases are increasing each year. However, many illnesses still remain incurable and researchers worldwide continue to hope that companies will invest both time and money in finding cures for treatable serious diseases. Parkinson's disease, which currently affects around 10 million people, is one of the most well-known incurable diseases, but to date no one has found a sustainable treatment for this debilitating disease.

Treating brain conditions such as Parkinson's disease had puzzled Dutch start-up co-founders Sjaak Deckers, Hubert Martens and Michel Decre for many years. While still at Philips Research, they started working on a solution, and in 2011 they spun out Sapiens as a separate venture capital-funded company and embarked upon a journey that took them from a private company of four people in a small office in Eindhoven to a business that now employs over 60 people at Eindhoven's High Tech Campus.

Sapiens uses Deep Brain Stimulation (DBS) to treat degenerative or functional brain disorders, including Parkinson's disease. The system is designed to manage more precise stimulation of targeted areas of the brain and simplify the implantation procedure. Together the co-founders developed a device using 40 individual electrodes to optimally target the stimulation to specific areas of the brain and thereby avoid side effects.

The successful use on patients in Amsterdam and Sapiens' unique software, which aims to reduce the time, resources and costs associated with complex DBS procedures, convinced Gilde Healthcare, Wellington Partners and Life Science Partners, all fund managers supported by EIF, to invest. The funding rounds have enabled Sapiens to reach value inflection points that prompted Medtronic to acquire the company in August 2014.

Following the acquisition, Sapiens has become a global R&D centre for Medtronic's neuromodulation business.

"We were grateful for the vote of confidence and financial backing from established fund managers. These commitments enabled us to build a unique international team capable of bringing such a complex solution to the market."

Sjaak Deckers, Co-Founder and COO of Sapiens

Business-to-business e-commerce, or B2B, has become the preferred choice of many European companies nowadays to conduct their business, improve customer relationships and establish their brands on the market faster and more effectively. Few, however, have done it as successfully as Pixartprinting.

Pixartprinting is an Italian company and one of the European leaders in professional online printing, serving graphic art professionals such as printers, advertising agencies and graphic design studios in Italy and abroad and offering high-quality printing services, both digital and offset, in small and large formats.

The company was established in 1994 in Quarto D'Altino, Veneto, on the lagoon opposite Venice, by Matteo Rigamonti and specialised in a broad range of printing services. In 2000, Rigamonti realised that the future for his company was to go online and took the bold decision to transform it into a 100% web-based business, applying a technological approach and an innovative business model to the mature traditional printing sector. He invested in state-of-the art innovative technology and, together with a team of IT engineers, set up his one-stop B2B web shop, choosing to deploy the web as the company's primary means of communication and interaction with its customers, using solely the internet for its products. This decision enabled Pixartprinting to expand and succeed in a sector where competition is fierce.

Pixartprinting started out as a family business but has transformed itself into a truly European enterprise. It employs 385 people, has an active customer base of 120 000 businesses throughout Europe and handles 6 000 printing operations a day.

"The investment of Alcedo III, one of EIF's investee funds, in Pixartprinting has enabled us to step up our activity and expand beyond the Italian market. Its support has helped us to create a brand that is recognised nationally and internationally."

Matteo Rigamonti, Founder of Prixartprinting

GUARANTEE AND SECURITISATION ACTIVITY

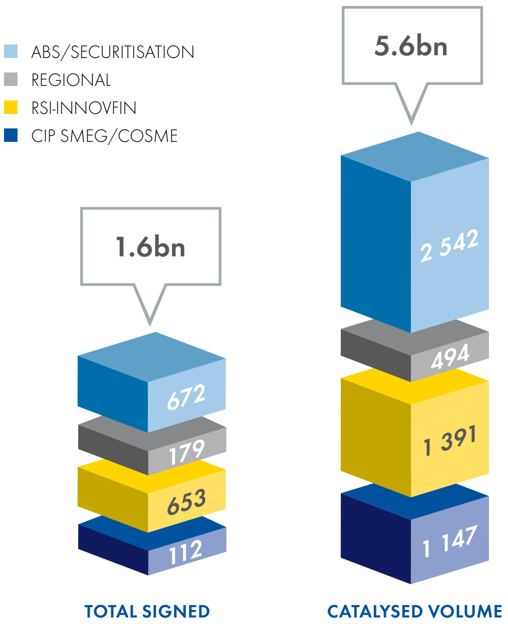
EIF addresses SMEs' and midcaps' financing needs by providing guarantees and counter-guarantees to financial institutions to stimulate additional lending to businesses.

Through its AAA-rated guarantees and securitisation instruments, EIF shares in various ways the credit risk taken by financial institutions and helps to increase the volume of loans and leases they make available to SMEs on favourable financing terms.

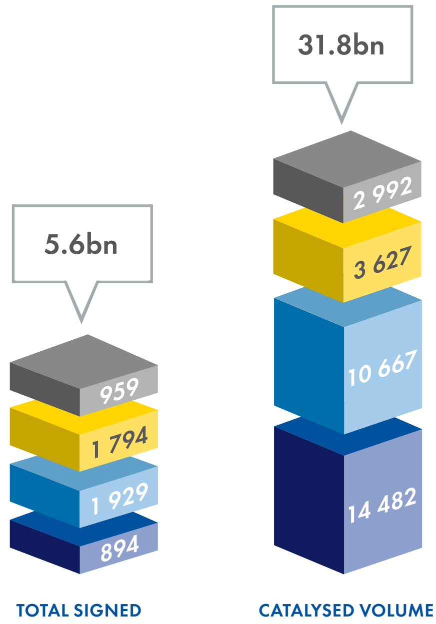
In 2014, 60 new transactions were signed for EUR 1.6bn and over EUR 5.6bn was mobilised via EIF's guarantee and securitisation activity, illustrating EIF's important role in financing SMEs.

At end-2014, EIF's overall outstanding portfolio of guarantee and securitisation transactions amounted to EUR 5.6bn and the total mobilised volume to EUR 31.8bn.

2014 GUARANTEE AND SECURITISATION SIGNATURES AND CATALYSED VOLUME – IN EURm



TOTAL OUTSTANDING GUARANTEE AND SECURITISATION SIGNATURES AND CATALYSED VOLUME SINCE INCEPTION, AT 31.12.2014 – IN EURm



RISK SHARING ON NEW LENDING

EIF is entrusted by the EU and Member States with managing several SME and midcap initiatives aimed at providing enhanced access to finance for businesses. These programmes are implemented via banks and guarantee institutions that are required to take on additional risk so that EIF can guarantee a substantial part of their portfolio of newly granted SME loans or leases.

2014 was a transitional year for EIF as most of these programmes became fully utilised and came to a close, while new ones were launched, bringing new capital for deployment to SMEs and midcaps and ensuring continuity of the support.

The last resources of the EC Competitiveness and Innovation Framework Programme's SME Guarantee window (CIP SMEG) were deployed in 2014. This first loss guarantee facility has so far supported more than 350 000 SMEs, mobilised loan volumes totalling EUR 18.6bn and will continue to have an effect over the coming years through the gradual deployment by financial intermediaries of the resources allocated to them by EIF.

In July, the new EC programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) was launched, with a view to providing more SME loans and finance leases with higher risk and continuing to encourage the development of European competitiveness (see page 26).

Like CIP, the COSME Loan Guarantee Facility window provides first loss portfolio guarantees. It has a total budget of approximately EUR 660m. The first COSME guarantee transactions were signed at end-2014.

In June, InnovFin – EU Finance for Innovators was launched (see page 25). The InnovFin SME guarantee builds on the success of its predecessor pilot, the Risk-Sharing Instrument (RSI). RSI was developed under the Seventh EU Framework Programme for Research and Technological Development (FP7) to improve innovative SMEs' and small midcaps' access to debt finance to support their research and innovation projects. RSI proved to be a very successful pilot initiative, which met market needs and was swiftly deployed to businesses. One of the keys to its success was the uncapped nature of the guarantee, covering up to 50% of the loan/lease amount. The last signatures under the RSI pilot took place during the first half of 2014. Under the RSI pilot, EIF entered into guarantee agreements with 36 financial intermediaries for a total outstanding amount of EUR 1.6bn in 18 countries, enabling over EUR 3.25bn of loans and leases to innovative SMEs and small midcaps.

STIMULATING LENDING THROUGH SECURITISATION

In 2014, EIF continued to participate in the revival of the SME securitisation market, using its own capital to credit-enhance tranches of SME loan or lease securitisation transactions and enabling financial institutions to apply a 0% risk weighting to assets guaranteed by EIF. During the year, the total volume of executed SME securitisation guarantees amounted to EUR 647m and catalysed EUR 2.3bn, demonstrating EIF's substantial added value in the segment and its ability to enable more lending capacity for SMEs.

As part of EIF's objective to encourage the sustainable development of the securitisation market, in mid-2014 EIF and the EIB signed the EIB Group Risk Enhancement Mandate (EREM) framework agreement, which increases EIF's underwriting capacity for credit enhancement solutions for SMEs. The Asset-Backed Securities (ABS) Credit Enhancement in particular is one of EREM's debt products that builds on the complementarity of tools and activities offered at EIB Group level to support securitisation programmes for SMEs and midcaps. The ABS instrument allows EIF to shift towards mezzanine tranches with increased capacity, thus having a greater impact in terms of capital relief for the originating financial intermediaries and creating in turn extra capacity to lend to SMEs (see page 24).

CASE STUDY
LIFTING CRANES

LIFTRA
DENMARK

Lifting a piece of machinery from one location to another can be a challenge, particularly when it weighs several tons. Imagine exchanging major wind turbine components weighing more than 20 tons on a wind turbine 100 metres above ground level. This is Liftra's daily challenge.

Founded in Denmark in 2003, Liftra designs and manufactures tools and technology for heavy equipment handling and machinery servicing in the wind turbine industry. Liftra products are used by energy, services, logistics and production companies worldwide for a wide range of turbine brands and parts. The company employs 35 engineers at its Danish headquarters in Aalborg, where it originally began providing equipment for wind turbine manufacturers in Denmark and Germany. One of Liftra's key products is the self-hoisting crane, which was both designed and patented by the company. It can be used for exchanging major components, such as gearboxes or generators, on wind turbines.

In 2014 Liftra needed to partially finance a self-hoisting crane to operate primarily in its services business. It received a EUR 1m loan from Nordea Bank in Denmark, which helped to finance the first self-hoisting cranes and kick-start its now rapidly growing services business.

"We set up Liftra because we identified a gap in the market for a business that could engineer and manufacture good tools for the special lifting and transport tasks in the wind turbine industry. Our engagement with the EIF is quite new and it helped us raise our credit line by EUR 1m, which is money we needed to kick off a new services business with our special Liftra crane".

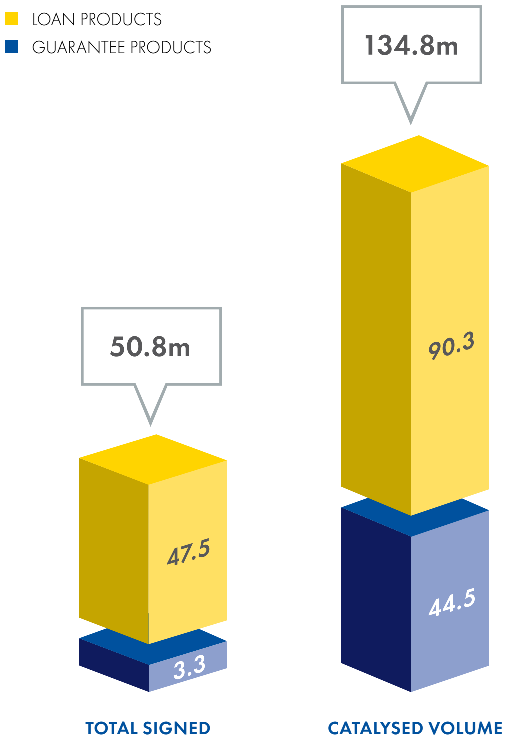
Jens Mortensen, CEO of LIFTRA

MICROFINANCE ACTIVITY

Microfinance can be the lifeline that brings young people, the unemployed, micro-entrepreneurs and the socially vulnerable – who often lack collateral and a verifiable credit history – onto the commercial market. It is considered to be one of the most efficient ways to offset market failures and encourage company creation and employment.

A total of 21 microfinance transactions were signed during the year, with commitments amounting to EUR 50.8m, which are expected to leverage EUR 134.8m of new micro-credits.

2014 MICROFINANCE SIGNATURES AND CATALYSED VOLUME – IN EURm



ADDRESSING FINANCIAL AND SOCIAL INCLUSION

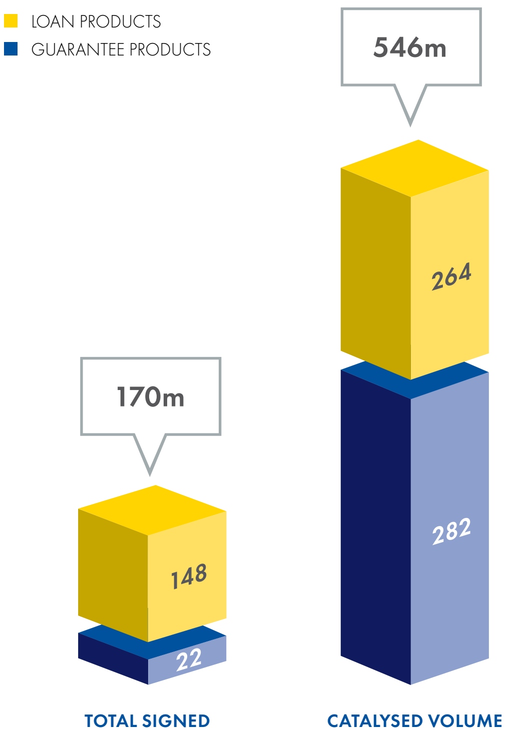
EIF has long understood the crucial importance of micro-enterprises for the European economy and has worked to design instruments that improve their access to finance. EIF's microfinance activity forms an essential part of its wider commitment to the EU 2020 strategy to promote inclusive growth.

This was demonstrated in 2014, as EIF continued to strengthen the infrastructure of the microfinance market by providing microfinance institutions with both funded and unfunded financial instruments under the EC and EIB Progress Microfinance Facility.

Since the launch of the facility in 2010, EIF has established itself as a key funding provider for many EU-based bank and non-bank microfinance institutions. In 2014 in particular, many new intermediaries under Progress Microfinance were non-bank institutions for which EIF was able to provide funded instruments. In parallel, having already deployed Progress Microfinance in 18 European countries, EIF expanded its reach to Croatia and Sweden.

This brings the overall microfinance portfolio since inception to a total outstanding amount of EUR 170m, which has catalysed EUR 546m deployed to support micro-entrepreneurs in the EU-28.

TOTAL OUTSTANDING MICROFINANCE SIGNATURES AND CATALYSED VOLUME SINCE INCEPTION, AT 31.12.2014 – IN EURm



In view of the success of the instrument, EIF is well on track towards reaching its long-term target of EUR 500m in new micro-credits under Progress Microfinance by 2020.

As the resources under Progress Microfinance are becoming fully utilised ahead of schedule, EIF and the EC negotiated Progress Microfinance's successor programme in 2014, which will be launched in the course of 2015 and run until 2020. The European Union Programme for Employment and Social Innovation (EaSI) will be supporting and encouraging access to finance for the benefit of microfinance institutions and micro-enterprises as well as social enterprises (see page 27).

In 2014, Progress Microfinance was granted the label of EU Microfinance Platform by the Luxembourg Fund Labelling Agency (LuxFLAG), an independent international labelling agency specifically focused on responsible investing. The agency aims to promote the raising of capital for responsible investing by awarding a recognisable label to eligible investment vehicles.

CASE STUDY
SOWING THE SEEDS OF SUCCESS

CLAUDY MACAU
ROMANIA

After losing their jobs in a mining company, Claudy (41) and his wife decided to return to their home village Poiana Mare to start a small farm. In November 2011 they took a EUR 5 000 loan from the Romanian microfinance provider Patria Credit, one of EIF's intermediaries funded through Progress Microfinance, to build a greenhouse. One month later they signed a contract to supply around 35 tonnes of vegetables that year to the biggest cash & carry retailer in Romania. They are already employing three temporary workers for two days a week.

Their eleven greenhouses currently contain 5 000 cucumbers, 3 000 green peppers, 7 000 tomatoes, 5 000 cabbages, 4 000 onions and other vegetables which, in addition to cash & carry sales, are also sold at markets in two nearby cities. After a bumper year in 2011, Claudy bought a high-capacity water pump and is hoping for many fruitful years to come.

"I have a very good relationship with Patria Credit. They were there for me at a critical time and I've got the money I needed. I feel very grateful for being able to build the five greenhouses thanks to this loan".

Claudy Macau, farmer

3. MANDATES

INSTITUTIONAL MANDATES

EIF manages resources on behalf of the EIB and the EC (which forms a crucial pillar of its activity), in addition to deploying its own funds. These mandates reinforce the cooperation between EIF, the EIB and the EC by blending resources to maximise the impact on the growth of SMEs and midcaps and by catalysing increased funding capacity for their benefit.

EIB MANDATES

Within the EIB Group, EIF's cooperation with the EIB is enhanced through the implementation of the EIB's mandates.

EIB RISK CAPITAL RESOURCES

To pursue its equity activities, EIF invests EIB resources under the EIB Risk Capital Resources (RCR) mandate.

RCR provides EUR 7bn to support technology and industrial innovation and targets early to lower mid-market funds that specifically focus on the enlarged Europe (EU-28, EU candidate, potential candidate and EFTA countries) and on SMEs and midcaps. RCR is the core pillar of EIF's equity activity and is a critical resource that enables EIF to pursue its core investment strategy in the venture capital and growth segments and consequently supports the stabilisation of the European private equity market. Under RCR, EIF co-finances with its own funds.

The RCR mandate has also opened the scope of EIF's activities to new segments and given EIF opportunities to reach additional final beneficiaries, such as midcaps, bridging market gaps which were not supported with existing instruments whilst complementing EIB's current midcaps product offering. RCR capacity is also successfully used to invest directly in vehicles and cornerstone structures.

One of the complementary tools under RCR launched at the end of 2014 is the Mezzanine Co-Investment Facility (MCIF). This EUR 100m programme enables EIF to co-invest in target companies alongside mezzanine funds supported under the debt-equity window of RCR. MCIF widens the spectrum and leverages the efficiency of EIF's risk finance support for SMEs and midcaps, thereby enhancing their access to finance.

At the end of 2014, RCR's outstanding volumes amounted to EUR 5.9bn, committed directly in 397 funds and mobilising over EUR 32.3bn of resources.

EIB GROUP RISK ENHANCEMENT MANDATE

The EIB Group Risk Enhancement Mandate (EREM) framework agreement was signed between the EIB and EIF in March 2014 as a response to the EU Council's call for an increase in EIF's credit enhancement capacity to support the impaired financing of European businesses. EREM is a mandate of up to EUR 4bn that will support additional guarantees, debt and equity instruments to be entered into by EIF over the next seven years and will be complemented by up to EUR 2bn of EIF resources.

The first instrument under EREM is the ABS Credit Enhancement, for which a total of EUR 1.95bn is earmarked to encourage further SME lending in the EU. This new instrument, which complements the EIB Group's current product range and existing securitisation activities, reflects the willingness of EIF and the EIB to achieve a greater impact and contribute to the revival of the SME securitisation markets across Europe.

Through the ABS Credit Enhancement instrument, EIF is better equipped to credit-enhance SME/small midcap-based securitisation transactions (both synthetic and true sale) involving larger amounts, with a primary focus on mezzanine tranches.

Moreover, securitisation activities under the ABS Credit Enhancement will in turn create extra capacity for supporting lending to SMEs and small midcaps, one of the main purposes of EREM.

A number of additional EREM windows include novel products to support social impact finance (for which a total of EUR 189m[2] was signed in 2014), investments in loan funds and lending to cooperative banks and smaller financial institutions. The majority will be gradually designed and implemented during 2015 and 2016.

EUROPEAN COMMISSION MANDATES

Cooperation with the EC is vital, particularly in terms of risk capacity and achieving policy objectives. This cooperation was further reinforced in 2014 through new mandates entrusted to EIF as manager by the EC, which all come under a Financial and Administrative Framework Agreement (FAFA). FAFA sets common provisions for the agreements relating to the financial instruments EIF manages on behalf of the EC.

A number of initiatives and programmes were started during 2014 as this year marked the beginning of the new Multiannual Financial Framework.

INNOVFIN – EU FINANCE FOR INNOVATORS

InnovFin – EU Finance for Innovators is a joint EIB Group (EIB and EIF) and EC (Directorate-General Research and Innovation) initiative under Horizon 2020, the new EU research programme for 2014-2020. InnovFin consists of a range of tailored products – from guarantees for financial intermediaries to direct loans to enterprises, to equity and advisory services – to support research and development projects, from the smallest to the largest, in the EU and countries associated with Horizon 2020.

It is expected that over the next seven years InnovFin products will make available more than EUR 24bn of combined amounts of finance for research and innovation by small, medium and large companies and the promoters of research infrastructure. EIF has been entrusted by the EC to implement two products under InnovFin:

- The InnovFin SME Guarantee, which is a partial uncapped guarantee or counter-guarantee on debt financing that EIF provides to financial intermediaries in order to improve access to finance for innovative SMEs and small midcaps. With the InnovFin SME Guarantee, financial intermediaries (banks and other lending institutions, guarantee schemes or debt funds) selected by EIF can provide debt financing on favourable terms to innovative SMEs and small midcaps in EU Member States and associated countries. Over the seven-year period and with the support of the EUR 1bn EC budget, EIF is expected to enter into guarantee agreements with financial intermediaries for a total amount of around EUR 5bn, which should result in approximately EUR 10bn of debt finance for innovative companies, which in turn will finance around EUR 14bn in investments.

  The InnovFin SME Guarantee builds on the success of the pilot Risk-Sharing Instrument (RSI) (see page 18). To date three transactions amounting to EUR 267m have been signed under InnovFin.

- InnovFin also has a component dedicated to equity, which is seen as a successor to the High Growth and Innovative SME Facility (GIF) window dedicated to early stage funds under the EC CIP programme and will be implemented in 2015 in conjunction with the COSME Equity Facility for Growth (EFG), which focuses on the expansion and growth stages.

[2] Of which EUR 180m came from the EIB and EUR 9m from EIF.

INSTITUTIONAL MANDATES

AT 31.12.2014 – IN EURm

		PRODUCT	YEAR SIGNED	END OF COMMITMENT PERIOD	TOTAL NOMINAL RESOURCE	TOTAL COMMITTED
EIB	Risk Capital Resources – RCR	Equity	2000	/	7 000	8 091
EIB	EIB Group Risk Enhancement Mandate - EREM	Multi	2014	2016*	773	205
EUROPEAN COMMISSION	Competitiveness and Innovation Framework Programme - CIP	Equity Guarantees	2007	2014	627 650	573 581
EUROPEAN COMMISSION	Competitiveness of Enterprises and SMEs – COSME	Equity Guarantees	2014	2020	660 660	0 42
EUROPEAN COMMISSION	Technology Transfer Pilot - TTP	Equity	2008	2013	2	1
EUROPEAN COMMISSION	EPPA	Senior Loans	2010	2014	4	3
EUROPEAN COMMISSION	Progress Microfinance	Equity Guarantees	2010	2016	180 24	157 22
EUROPEAN COMMISSION	Risk Sharing Instrument - RSI	Guarantees	2014	2020	270	254
EUROPEAN COMMISSION	InnovFin – EU Finance for Innovators	Guarantees Equity	2014 **	2020 2020	1 060	165
EUROPEAN COMMISSION	Erasmus+ Guarantee Facility	Guarantees	2014	2020	517	0

* possible extension in 2017   ** signature planned in early 2015

COMPETITIVENESS OF ENTERPRISES AND SMEs

The Competitiveness of Enterprises and SMEs (COSME) programme was set up by the EC (Directorate-General Enterprise and Industry, now Internal Market, Industry, Entrepreneurship and SMEs, or DG Growth) to promote competitiveness and entrepreneurship in Europe, improve access to finance for European businesses and provide higher-risk SME loans and finance leases. A significant part of the COSME programme is dedicated to EU financial instruments to be managed by EIF. COSME runs from 2014 to 2020, with a planned budget of EUR 1.3bn. Under the programme, EIF offers two different instruments to financial intermediaries:

- The Loan Guarantee Facility, through which EIF offers guarantees and counter-guarantees to selected guarantee institutions to help them grant loans and leases or issue guarantees to SMEs they would not otherwise support in view of the high risk involved. Under the COSME guarantees, EIF shares the risk with the financial intermediaries, allowing them to increase the range and volume of SME financing and type of transactions they can guarantee or finance directly. With the facility EIF also offers guarantees for the securitisation of SME debt finance portfolios, to enable financial intermediaries to generate new SME debt finance portfolios. To date, three transactions amounting to EUR 42m have been signed under the facility.

- The Equity Facility for Growth, which allows EIF to invest in funds that provide venture capital and mezzanine finance to expansion and growth stage SMEs, particularly those operating across borders. The idea is to focus on fund managers that operate on a commercial basis, to ensure that investments are focused on SMEs with the greatest growth potential.

The COSME mandate, encompassing both instruments, was signed in July 2014 with the EC Directorate-General Enterprise and Industry (now DG Growth). As was successfully achieved under its predecessor CIP, COSME will help hundreds of thousands of SMEs gain access to finance to develop their businesses locally and also across borders, thereby fostering growth and competitiveness.

ERASMUS+ GUARANTEE FACILITY

Higher education is an important driver of growth, as is recognised in the Europe 2020 strategy. Encouraging learning and student mobility within Europe is therefore a key priority for the EC.

In order to increase access to finance for mobile students pursuing their master's degree in a European country other than the one in which they reside or obtained their bachelor's degree, the Erasmus+ Guarantee Facility was signed with the EC Directorate-General Education and Culture in December 2014. Under the facility, EIF provides capped guarantees and counter-guarantees to financial intermediaries building up portfolios of new student loans. The Erasmus+ Guarantee Facility has a total size of EUR 517m for the 2014-2020 period and is expected to support up to EUR 3bn in loans to more than 200 000 master's students.

The aim of the Erasmus+ Guarantee Facility is to close the gap in the market as regards the availability of financing offered to mobile students who are likely to become the innovators and entrepreneurs of the future. It also expands EIF's range of financing tools and its capacity to support the growth and development of European entrepreneurship.

EMPLOYMENT AND SOCIAL INNOVATION

Employment and Social Innovation (EaSI) is a programme that EIF will manage on behalf of the EC (Directorate-General Employment Social Affairs and Inclusion), contributing to the implementation of the EU 2020 strategy by supporting employment, social protection and social inclusion objectives.

EaSI will be deployed through financial intermediaries and focuses on micro-entrepreneurs, vulnerable social groups, the self-employed and the unemployed, who are often excluded from the conventional credit market. The signature of the new mandate is scheduled for 2015. Under EaSI, EIF will offer microfinance institutions first-loss guarantees and counter-guarantees as well as funded instruments.

The programme also comprises a new social entrepreneurship component to provide finance to social businesses.

EaSI illustrates EIF's readiness to continue to mobilise and leverage public and private capital, consolidating its support for micro-credit in the Member States.

REGIONAL MANDATES

Participating in the economic growth of Europe's Member States and regions by achieving an efficient cross-border impact on small businesses and midcaps and designing financial solutions tailored to local needs are essential for EIF.

In this context, in 2014 EIF actively continued to work with counterparts at a number of regional and national levels and collaborated with local partners and national promotional institutions to reduce the financing gaps across Member States. EIF also continued to enhance its leveraging of public funds through the SME-focused funds of funds it manages and advises on behalf of third parties, including national and regional governments as well as private and strategic investors.

COLLABORATING WITH NATIONAL AND REGIONAL COUNTERPARTS

By complementing existing national SME support schemes, EIF helps to optimise the use of EU and national resources. Throughout 2014, EIF implemented dedicated facilities in partnership with national and financial institutions in various Member States and regions.

BALTIC INNOVATION FUND

The Baltic Innovation Fund (BIF) is a EUR 100m fund of funds established in 2012 in partnership with three national development finance agencies in Latvia, Estonia and Lithuania.

BIF attracted strong interest from new and existing management teams and the first investments were announced only two months after the start of the investment period in 2013.

To date, EIF has already selected four fund managers on behalf of BIF, committing EUR 80m to four funds. BIF's cornerstone investor role and the industry-creating effect of the funds it supports have attracted significant involvement of private investors, contributing on average twice the amount committed by BIF to funds. In 2014 one transaction was signed under BIF for a total of EUR 25m.

At the Baltic M&A and Private Equity Forum 2014, EIF granted an "Annual Achievement Award for Private Equity in the Baltics" to Swedbank Investment Management since, as co-investor in BIF's funds, it played a significant part in their success and its active contribution was crucial for the Baltic VC & PE industry.

CYPRUS ENTREPRENEURSHIP FUND

The Cyprus Entrepreneurship Fund (CYPEF) was established in 2014 by the Republic of Cyprus to support and strengthen entrepreneurship in the country by enhancing access to finance for SMEs.

CYPEF is an EIB Group initiative managed by EIF. The EUR 100m of capital made available by the Cypriot Government is to be matched by equal contributions from financial intermediaries selected by EIF, translating into EUR 200m of finance for the benefit of Cypriot SMEs.

CYPEF offers a funded risk-sharing loan product, provided to the selected financial intermediaries to on-lend on attractive terms to SMEs, sharing the underlying risk for each individual SME loan.

The first loan under CYPEF, amounting to EUR 30m, was signed in 2014.

DUTCH VENTURE INITIATIVE

The Dutch Venture Initiative (DVI) is a fund of funds that supports SMEs in the Netherlands by investing in funds focused on fast-growing innovative or high-tech businesses, which are fundamental to the growth of the Dutch economy. DVI held a EUR 150m first closing in

2013 and continued its fundraising efforts in 2014 with the entrance of Brabantse Ontwikkelingsmaatschappij (BOM) via its Innovation Fund Brabant.

To date, DVI has committed a total outstanding amount of EUR 102m to ten venture capital and growth equity funds in the Netherlands, leveraging EUR 277m of capital. By the end of 2014, DVI had already achieved two trade sales and one Nasdaq IPO in its underlying portfolio.

LFA-EIF FACILITY

The LfA-EIF facility is a EUR 150m fund of funds which invests in venture capital funds focused mainly on Bavaria-based, high-tech early and development stage companies. In addition, it co-invests with selected business angels in Bavaria under the European Angels Fund Germany initiative. The LfA-EIF facility covers all areas of technology (ICT, life sciences, energy-related, emerging and converging technologies), and EIF manages the facility on behalf of the LfA Förderbank Bayern (LfA).

To date, a total outstanding amount of EUR 86m has been committed in venture capital funds in Germany, supporting 18 early stage technology funds. Based on the success of the facility, LfA and EIF committed another EUR 50m at the end of 2014, thus ensuring continued cooperation and strengthened support for the German venture capital market.

POLISH GROWTH FUND OF FUNDS

The Polish Growth Fund of Funds (PGFF) was launched in 2013 as an initiative designed to stimulate a greater level of equity investment in growth-focused enterprises in Poland and the Central and Eastern European region. PGFF's first closing reached EUR 90m of commitments and the target is to reach EUR 180m at final closing, when other investors will join the initiative.

To date, three investments have been made under PGFF for a total outstanding amount of EUR 33.5m, catalysing EUR 142m of resources in support of SMEs in the region.

Funds of funds have proved to be a very successful business model to develop both national and cross-regional equity activities, given their broad application and flexible portfolio mix (straight investments, co-investments and business angels' co-investment). For these reasons, EIF will continue to deploy them while the experience it has gained through existing funds of funds enables it to explore new possibilities and develop relationships with new mandators at national, regional and multi-regional level.

EIF also aims to support candidate countries engaged in EU accession negotiations and is actively involved in the development of the Western Balkans and in Turkey.

WESTERN BALKANS ENTERPRISE DEVELOPMENT AND INNOVATION FACILITY

The Western Balkans Enterprise Development and Innovation Facility (WB EDIF) is a novel and comprehensive set of complementary measures for improving access to finance for SMEs and helping economic development in the Western Balkans. The initiative promotes the emergence and growth of innovative and high-potential companies, as well as the creation of a sustainable regional venture capital market. The EUR 145m of capital made available under this facility by the EU, international financial institutions, beneficiaries and bilateral donors provides financing for SMEs in the region.

WB EDIF consists of four pillars:

- The Guarantee Facility, which is managed by EIF and provides first loss portfolio guarantees (FLPGs) on SME loans to financial intermediaries in the Western Balkans, thus allowing them to increase their lending to SMEs by covering part of the risk of such SME loans.

- The Enterprise Innovation Fund (ENIF), for which EIF selected a manager and which supports innovative SMEs in the Western Balkans from the early through to the later stages of their development by providing equity finance.

- The Technical Assistance Facility provided by the EIB, under which governments of beneficiary economies can obtain support for implementing policy reforms to create a favourable regulatory environment to benefit innovative and high-growth SMEs in the region.

- The Enterprise Expansion Fund (ENEF), which is managed and advised by the European Bank for Reconstruction and Development and supports established SMEs with good potential to grow in the Western Balkans by backing their further expansion.

WB EDIF is the most recent example of fruitful cooperation between EIF, the EIB and the EC Directorate-General Enlargement (now NEAR), but also with other important players in the Western Balkans region, including the European Bank for Reconstruction and Development and KfW.

Since its launch in 2013, EIF has signed five guarantee transactions under the Guarantee Facility for a total outstanding amount of EUR 17m, which catalysed EUR 71m. Other transactions are in the pipeline for 2015.

GREATER ANATOLIA GUARANTEE FACILITY

The Greater Anatolia Guarantee Facility (GAGF) stems from a partnership with the Republic of Turkey, the EC and major Turkish banks to provide tailor-made financial help to SMEs and micro-enterprises. GAGF's budget was increased twice because of successful absorption. GAGF blends EUR 61.4m of the Instrument for Pre-Accession Assistance funds co-financed by the European Union and the Republic of Turkey and EUR 450m of lending from the EIB to generate EUR 937.5m of lending to micro-enterprises and SMEs.

Under GAGF, EIF provides portfolio guarantees and the EIB provides loans for SMEs to four selected banks, which match the EIB's loans. EIF also provides a counter-guarantee to a guarantee institution to issue guarantees for micro-loans, which, thanks to the technical assistance provided under GAGF, is transforming its business model by adopting a portfolio guarantee system for the first time.

At end-2014, GAGF had provided approximately EUR 570m of resources to more than 7 000 SMEs in the 43 less developed regions of eastern Turkey, demonstrating the crucial role played by the facility in encouraging growth in the area.

REGIONAL MANDATES [3]
AT 31.12.2014 – IN EURm

	PRODUCT	YEAR SIGNED	END OF COMMITMENT PERIOD	TOTAL NOMINAL RESOURCE	OF WHICH EIB GROUP /EC RESOURCES	TOTAL COMMITTED
ERP/Germany*	Equity	2004	2015	1 000	500	946
NEOTEC/Spain	Equity	2006	2012	183	50	174
iVCi/Turkey	Equity	2007	2012	160	50	159
PVCi/Portugal	Equity	2007	2013	111	15	105
LfA/Germany	Equity	2009	2019	150	75	95
UKFTF/UK	Equity	2010	2014	257	128	223
MDD/Germany**	Equity	2012	2015	100		76
EAF/Multi-Country***	Equity	2012	2017	53	18	10
WB EDIF	Guarantees	2012	2015	22		17
BIF/Baltics	Equity	2012	2016	100	40	80
DVI/Netherlands	Equity	2012	2017	150	50	103
PGFF/Poland	Equity	2013	2018	90	30	34
SIA/Multi-Country	Equity	2013	2018	241	239	36
CYPEF/Cyprus	Guarantees	2014	2017	100		30
GAGF/Turkey	Guarantees	2010	2017	51		47
	Equity	2014	2017	31		26

* Including EAF Germany ** Not including RCR in MDD *** Only EAF Spain and Austria

[3] BIF: Baltic Innovation Fund; CYPEF: Cyprus Entrepreneurship Fund; DVI: Dutch Venture Initiative; EAF: European Angels Fund; ERP: ERP-EIF Dachfonds; GAGF: Greater Anatolia Guarantee Facility; iVCi: Istanbul Venture Capital Initiative; LfA: LfA-EIF Facility; MDD: Mezzanine Dachfonds für Deutschland; PGFF: Polish Growth Fund of Funds; PVCi: Portugal Venture Capital Initiative; SIA: Social Impact Accelerator; UK FTF: UK Future Technologies Fund; WB EDIF: Western Balkans Enterprise Development and Innovation Facility.

PUBLIC-PRIVATE PARTNERSHIPS TO BOOST ENTREPRENEURSHIP IN EUROPE AND ITS REGIONS

JOINT EUROPEAN RESOURCES FOR MICRO TO MEDIUM ENTERPRISES

One of the instruments that has defined EIF's regional development strategy since 2007 is the Joint European Resources for Micro to Medium Enterprises (JEREMIE), which was developed by the EC (Directorate-General for Regional and Urban Policy) and EIF. With JEREMIE, EU Member States have the opportunity through their national or regional managing authorities to use part of their Structural Funds to provide risk financing to SMEs, deployed via financial intermediaries through a Holding Fund acting as an umbrella fund. The idea is to encourage growth in the Member States with the help of revolving instruments rather than grants. The public-private partnerships developed by EIF under JEREMIE provide financial support and facilitate the creation of new entrepreneurship eco-systems in European regions, improving the overall innovation landscape and market competitiveness.

Seven years into the initiative, in countries such as Spain, Malta, Bulgaria and Romania the impact of the financial engineering instruments is visible. As the availability period of this first generation of Structural Funds ends in 2015, the main focus in the coming months will be on helping to boost absorption in the other Member States and regions.

To date, SMEs have received financing of nearly EUR 2bn, channelled from JEREMIE Holding Funds through 82 transactions, involving 49 financial intermediaries that are new EIF counterparts.

JEREMIE HOLDING FUNDS UNDER MANAGEMENT AND AMOUNTS COMMITTED
AT 31.12.2014 – IN EURm

	PRODUCT	YEAR SIGNED	END OF COMMITMENT PERIOD	TOTAL NOMINAL RESOURCE	TOTAL COMMITTED
Bulgaria	Multi	2009	2025**	349	349.8
Calabria (I)	Loans	2011	2015	45	42.0
Campania (I)	Loans	2008	2015	90	83.1
Cyprus	Guarantees	2009	2015	20	18.8
Extremadura (ES)	Loans	2012	2015	19	18.0
Greece	Multi	2008	2015	250*	178.5
Languedoc-Roussillon (F)	Multi	2008	2015	30	27.9
Lithuania – *Structural Funds*	Equity	2009	2015	42	56.5
non-Structural Funds (post 2015)		*2013*	2024**	25	
Malta	Guarantees	2010	2015	12	10.8
PACA (F)	Guarantees	2011	2015	20	18.5
Romania	Multi	2008	2022**	150	146.1
Sicily (I)	Loans	2009	2015	60	53.0
Sicily (I) ESF	Loans	2010	2015	15	13.5
Slovakia	Multi	2008	2015	100	92.2
SUB-TOTAL				1 227	1 109
Holding Fund management transferred ***					
Latvia	Multi	2008	2011	13	10
Lithuania	Loans / Guarantees	2009	2012	55	55
TOTAL				1 295	1 174

* Of which EUR 197m is actively managed
** End of legacy
*** Resources corresponding to the absorbed structural funds

EIF's expertise and strong legacy acquired from managing the current JEREMIE Holding Funds have resulted in demand for further financial engineering instruments from regions and Member States, both where EIF is Holding Fund manager but equally where EIF is not engaged with Structural Funds. Several Member States and regions are currently in detailed discussions with EIF for future local implementation.

2014 also marked the start of a new seven-year programming period for the European Union's Structural and Investment Funds (ESIF) and the establishment of the new financial instruments supported by ESIF for 2014-2020. ESIF instruments will give EIF the opportunity to play a crucial role in further improving market fragmentation, in ensuring high leverage effects and quick uptake by the SMEs and in helping Member States and regions achieve the strategic investment levels needed to implement the Europe 2020 strategy.

Over the coming years, EIF intends to capitalise on the experience gained from managing financial engineering instruments co-financed by Structural Funds and fund of funds managers. Following the successful support for national and regional markets through the 2007-2013 JEREMIE initiative, efforts will be focused on tailored equity, guarantee and microfinance solutions using new ESIF national and regional funding.

SME INITIATIVE

The EC and the EIB Group are working to develop an EU strategy to alleviate the financing constraints for SMEs, the focus being on options for reviving the structured credit markets to support SME lending in Member States.

The SME Initiative (SMEI) is seen as a way to develop joint risk-sharing financial instruments under the new Multiannual Framework by blending EU resources (COSME, Horizon 2020) and ESIF resources with the financing capacity of the EIB, EIF and national promotional banks, thus leveraging private sector and capital market investments in SMEs.

The SME Initiative is of high policy relevance on several levels. Firstly, it will have great impact and added value for Member States as it helps bridge the SME financing gap. Secondly, it encourages competitiveness and growth by supporting SMEs via financial intermediaries. Thirdly, banks will be required to pass the financial benefit on to the SMEs. The SMEI also blends the expertise of both EIF and the EIB, particularly through guarantee and ABS instruments, and builds on EIF's know-how and market knowledge gained through the management of Structural Funds and EU central mandates.

The first agreement will be signed with Spain in January 2015 and extensive discussions are being held with Malta, which demonstrated a strong interest in the initiative.

4. NEW OPERATIONS IN 2014

EQUITY SIGNATURES

AT 31.12.2014

DEAL NAME	RESOURCE	GEOGRAPHICAL FOCUS	COMMITMENT (IN EURm)
Innogest Capital II	CIP GIF	Italy	15.0
The Foundations 1.0	CIP GIF	Romania	5.0
Empower Fund	JEREMIE	Bulgaria	22.5
Limerock Venture Fund	JEREMIE	Slovakia	12.0
Black Peak Fund Coöperatief u.a.	JEREMIE	Bulgaria	16.7
Be Beteiligungen GmbH & Co. KG	RCR	Germany	20.0
Abingworth Bioventures VI	RCR/EIF own resources	Multi-country	2.3
Aheim Capital Fund II	RCR/EIF own resources	Germany	25.0
Business Angels EAF-Germany	RCR/EIF own resources	Germany	8.2
CRT Pioneer Fund	RCR/EIF own resources	United Kingdom	15.5
DN Capital GVC III	RCR/EIF own resources	Multi-country	5.0
EB 2007 Opportunities Fund	RCR/EIF own resources	Multi-country	4.5
Highland Europe Technology Growth Fund	RCR/EIF own resources	Multi-country	5.0
Innogest Capital II	RCR/EIF own resources	Italy	5.0
Keensight Fund IV (ex. R Capital IV)	RCR/EIF own resources	Multi-country	50.0
Miura Fund II	RCR/EIF own resources	Spain	30.0
Portobello Fund III	RCR/EIF own resources	Spain	10.0
Praesidian Capital Europe I	RCR/EIF own resources	Multi-country	10.0
Primary Capital Fund IV	RCR/EIF own resources	United Kingdom	42.6
RJD Private Equity Fund III	RCR/EIF own resources	United Kingdom	6.0
Seedcamp III	RCR/EIF own resources	Multi-country	15.0
The Foundations 1.0	RCR/EIF own resources	Romania	10.0
MML Capital Partners VI	RCR/EIF own resources	United Kingdom	60.0
Rutland Fund III	RCR/EIF own resources	United Kingdom	31.2
GEM BENELUX Fund III	RCR/EIF own resources	Multi-country	32.2
GEM Benelux Top-Up Fund III	RCR/EIF own resources	Multi-country	10.5
Mangrove IV	RCR/EIF own resources	Multi-country	35.0
Sovereign Capital Limited Partnership IV	RCR/EIF own resources	Multi-country	49.9
Acto Mezzanine II	RCR/EIF own resources	France	30.0
Espiga Capital Fund	RCR/EIF own resources	Spain	30.0
ProA Capital Iberian Buyout Fund II	RCR/EIF own resources	Multi-country	25.0
Advent Life Sciences Fund II	RCR/EIF own resources	Multi-country	50.3
Inflexion 2014 Buyout Fund	RCR/EIF own resources	Multi-country	37.7
Inflexion Partnership Capital Fund	RCR/EIF own resources	Multi-country	37.7
Life Sciences Partners V	RCR/EIF own resources	Multi-country	32.5
MVM Fund IV	RCR/EIF own resources	Multi-country	53.1
Verso Ventures II	RCR/EIF own resources	Nordic countries	20.0
Winch Capital III	RCR/EIF own resources	Multi-country	25.0
Atlantic Bridge III	RCR/EIF own resources	Multi-country	30.0
Frog Capital II	RCR/EIF own resources	Multi-country	30.0
OPV Early Stage Fund	RCR/EIF own resources	Multi-country	15.0
Ventech Capital F	RCR/EIF own resources	Multi-country	10.0
Silverfleet Capital II	RCR/EIF own resources	Multi-country	40.0
Armilar Venture Partners TT Fund (formerly ESV I-Start II)	RCR/EIF own resources	Portugal	15.0
Target Partners Fund III GmbH & Co. KG	RCR/EIF own resources	Germany	37.5
21 Investimenti III	RCR/EIF own resources	Italy	30.0
Capital-E II	RCR/EIF own resources	Multi-country	20.0
Van den Ende & Deitmers Crossmedia Fund II Coöperatief U.A.	RCR/EIF own resources	Multi-country	12.5
Ekkio Capital III	RCR/EIF own resources	France	20.0
eVentures Europe V	RCR/EIF own resources	Germany	40.0
Felix Capital Fund I	RCR/EIF own resources	Multi-country	32.0
Kurma Diagnostics	RCR/EIF own resources	France	15.0
Middle Market Fund V	RCR/EIF own resources	France	30.0
Sunstone Technology Ventures III	RCR/EIF own resources	Multi-country	5.0
The Fourth Alcuin Fund	RCR/EIF own resources	United Kingdom	39.5
Vendis Capital II	RCR/EIF own resources	Multi-country	30.0
Volta Ventures	RCR/EIF own resources	Multi-country	20.0
SUB-TOTAL			**1 367.1**

EQUITY SIGNATURES
AT 31.12.2014

FUNDS OF FUNDS ACTIVITY	RESOURCE	GEOGRAPHICAL FOCUS	COMMITMENT (IN EURm)
Karma Ventures	BIF	Multi-country	25.0
Life Sciences Partners V	DVI	Multi-country	15.0
Gilde Healthcare Services II	DVI	Multi-country	15.0
Van den Ende & Deitmers Crossmedia Fund II Coöperatief U.A.	DVI	Multi-country	20.0
Business Angels EAF-Austria	EAF	Austria	2.9
Business Angels EAF-Spain	EAF	Spain	3.8
Highland Europe Technology Growth Fund	ERP	Multi-country	5.0
DN Capital GVC III	ERP	Multi-country	5.0
EB 2007 Opportunities Fund	ERP	Multi-country	4.5
Mangrove IV	ERP	Multi-country	5.0
Business Angels EAF-Germany	ERP	Germany	8.2
Sunstone Technology Ventures III	ERP	Multi-country	5.0
Van den Ende & Deitmers Crossmedia Fund II Coöperatief U.A.	ERP	Multi-country	12.5
Diffusion Capital TT Fund	IPA	Turkey	26.3
Life Sciences Partners V	LfA	Multi-country	2.5
Ventech Capital Fund	LfA	Multi-country	5.0
Target Partners Fund III GmbH & Co. KG	LfA	Germany	2.5
Harbert European Growth Capital Fund	MDD	Multi-country	20.0
Praesidian Capital Europe I	MDD	Multi-country	10.
Be Beteiligungen GmbH & Co. KG	MDD	Germany	20.0
Equitin CEE Fund	PGFF	Multi-country	13.5
HCapital - ESID	PVCi	Portugal	10.0
Bridges Social Impact Bond Fund	SIA	United Kingdom	6.2
FCPR BAC Impact Investissements 3	SIA	France	10.0
Impact Ventures UK Fund	SIA	United Kingdom	9.4
Oltre Venture II	SIA	Italy	10.0
Abingworth Bioventures VI	UKFTF	Multi-country	4.6
Enterprise Expansion Fund	WB EDIF	Bosnia & Herzegovina	9.5
SUB-TOTAL			**286.4**
TOTAL SIGNED			**1 653.5**
TOTAL CATALYSED VOLUME			**8 243.5**

GUARANTEE SIGNATURES

AT 31.12.2014

DEAL NAME	RESOURCE	GEOGRAPHICAL FOCUS	COMMITMENT (IN EURm)
Belfius 2 - LGF	CIP SMEG	Belgium	5.9
Vaekstfonden (Loans) - QEQ	CIP SMEG	Denmark	12.7
KfW 2 - LGF	CIP SMEG	Germany	20.4
Caixa Capital Micro II - EQ	CIP SMEG	Spain	1.5
ProCredit Skopje - MC	CIP SMEG	FYROM	0.6
Raiffeisen Leasing Polska - MC	CIP SMEG	Poland	2.7
Raiffeisenbank Czech - LGF	CIP SMEG	Czech Republic	4.1
Ziraat Bankasi - MC	CIP SMEG	Turkey	15.6
HBOR - MC	CIP SMEG	Croatia	2.4
ATI Fidi Gar 2 - LGF	CIP SMEG	Italy	3.8
Ezbob	COSME-LGF	United Kingdom	2.8
LfA Förderbank Bayern	COSME-LGF	Germany	3.8
MicroBank	COSME-LGF	Spain	35.8
Bank of Cyprus	CYPEF	Cyprus	30.0
Creval Quadrivio SME	EIF own resources	Italy	80.0
GELDILUX	EIF own resources	Germany	75.0
PYMES Santander 9	EIF own resources	Spain	50.0
Popolare di Bari SME	EIF own resources	Italy	50.0
UniCredit Leasing - Locat 8	EIF own resources	Italy	90.0
ICCREA	EIF own resources	Italy	50.0
ICO	EIF own resources	Spain	150.0
PYMES Santander 10	EIF own resources	Spain	90.0
UniCredit Synthetic	EIF own resources	Italy	12.3
	EREM-ABS	Italy	24.9
Yapi	GAGF	Turkey	4.5
Bankinter	InnovFin SMEG	Spain	100.0
Vaekstfonden	InnovFin SMEG	Denmark	67.2
BPI	InnovFin SMEG	Portugal	100.0
BPS - FLPG	JEREMIE	France	0.9
ProCredit Bulgaria - FLPG	JEREMIE	Bulgaria	0.8
Raiffeisen Bank EAD - FLPG	JEREMIE	Bulgaria	1.3
UniCredit Bulbank AD - FLPG	JEREMIE	Bulgaria	7.0
United Bulgarian Bank - FLPG	JEREMIE	Bulgaria	2.9
EFG - FRSP	JEREMIE	Greece	5.0
National Bank of Greece - FRSP	JEREMIE	Greece	6.0
UniCredit Sicily FRSP SME	JEREMIE	Italy	22.8
Banca Transilvania - PRSL	JEREMIE	Romania	5.0
Banco Santander - PRSL	JEREMIE	Spain	8.6
BRD Romania - PRSL	JEREMIE	Romania	8.0
CEC Bank PRSL Romania	JEREMIE	Romania	5.0
FIB - PRSL	JEREMIE	Bulgaria	10.0
OTP Banka Slovensko - PRSL	JEREMIE	Slovakia	10.0
Piraeus Greece PRSL	JEREMIE	Greece	25.0
Procredit Romania - PRSL	JEREMIE	Romania	11.0
Sberbank - PRSL	JEREMIE	Slovakia	8.3
COBA	RSI	Germany	80.0
Credem	RSI	Italy	40.0
Deutsche Bank Italy	RSI	Italy	20.0
Deutsche Bank Spain	RSI	Spain	32.5
ICCREA	RSI	Italy	60.0
ILB	RSI	Germany	6.0
KfW	RSI	Germany	37.5
LfA Förderbank Bayern	RSI	Germany	10.5
Nordea Denmark	RSI	Denmark	70.0
UniCredit Umbrella - Bank Austria	RSI	Austria	5.0
UniCredit Umbrella - Bulgaria	RSI	Bulgaria	7.5
UniCredit Umbrella - Croatia	RSI	Croatia	3.5
UniCredit Umbrella - Hungary	RSI	Hungary	5.0
UniCredit Umbrella - Slovakia and Czech Republic	RSI	Multi-country	9.0
CKB Montenegro	WB EDIF GF	Montenegro	1.4
UniCredit Serbia	WB EDIF GF	Serbia	5.3
TOTAL SIGNED			**1 616.5**
TOTAL CATALYSED VOLUME			**5 574.3**

MICROFINANCE SIGNATURES
AT 31.12.2014

DEAL NAME	RESOURCE	GEOGRAPHICAL FOCUS	COMMITMENT (IN EURm)
ADIE - Association pour le Droit à l'Initiative Economique	Progress Microfinance	France	2.5
ALMI	Progress Microfinance	Sweden	0.4
Banca San Giorgio Quinto Valle Agno (BCC)	Progress Microfinance	Italy	2.0
Banco de Credito Social Cooperativo	Progress Microfinance	Spain	7.9
BPM - Banca Popolare di Milano	Progress Microfinance	Italy	5.3
Bradford Enterprise Agency Ltd	Progress Microfinance	United Kingdom	2.5
Bulbank	Progress Microfinance	Bulgaria	0.4
Caixa Central de Crédito Agrícola Mútuo	Progress Microfinance	Portugal	0.1
Cofiter	Progress Microfinance	Italy	0.3
Credal II	Progress Microfinance	Belgium	0.2
Fundacion Pinnae	Progress Microfinance	Spain	0.3
Inicjatywa Mikro SP. Z O. O.	Progress Microfinance	Poland	3.4
Key Fund Investments Limited	Progress Microfinance	United Kingdom	3.1
Libra Bank	Progress Microfinance	Romania	0.7
MicroStart S.c.r.l	Progress Microfinance	Belgium	0.5
Millenium bcp	Progress Microfinance	Portugal	9.0
SG Leasing d.o.o	Progress Microfinance	Croatia	7.0
TISE SA	Progress Microfinance	Poland	1.9
Ustoi	Progress Microfinance	Bulgaria	1.0
Vitas IFN	Progress Microfinance	Romania	2.0
Zagrebacka	Progress Microfinance	Croatia	0.4
TOTAL SIGNED			**50.8**
TOTAL CATALYSED VOLUME			**134.8**

5. LATEST DEVELOPMENTS AND PLANS

As access to finance remains a challenge for businesses to achieve growth, EIF's role as the leading provider of risk finance for SMEs and midcaps is set to intensify.

EIF's risk-taking capacity, which was boosted through the 50% capital increase approved by EIF's shareholders in May 2014, is crucial in scaling up EIF support for SMEs and midcaps. Additionally, new and extended mandates under management will enable EIF to broaden its existing product offering.

The new EIB EREM mandate will contribute to the revitalisation of the SME and midcap markets and offer a new range of equity, credit enhancement and debt finance products over the next seven years.

At the same time, the new generation of EU financial instruments is also set to deliver smart, sustainable and inclusive growth, offering an ever broader range of financial instruments and programmes in support of European businesses.

These new mandates will reinforce the cooperation with the EIB and the EC by blending various resources to maximise the impact at SME level.

Increased collaboration with Member States will help address the needs of local SMEs in a targeted way, enabling the creation and implementation of specific and tailor-made financial instruments.

EIF will also continue to step up cooperation with its financial institution shareholders and further strengthen its relationship with national and regional promotional banks (some of which are EIF shareholders), which together share the common mission of enhancing access to finance for SMEs and midcaps. Through its existing regional presence, EIF has fostered long-standing business relations with many of the promotional banks and over the next few years intends to intensify those partnerships to collectively refine and deliver effective financing solutions for European SMEs and midcaps.

Finally, EIF will seek not only to maintain but also broaden its relationships with private institutional investors that have in the past provided a funding platform for EIF's SME securitisation guarantee activity, as well as a direct co-investment alongside EIF's guarantee on a number of transactions in which EIF has participated.

In November 2014, the EC announced the Juncker Plan, which sets the "strengthening of European competitiveness and the stimulation of investments for the purpose of job creation" as a priority. To make this plan happen, more effective financial instruments, including equity, loans and guarantees with high risk absorption capacity, will be needed. In this context, the EIB Group is expected to play a key role, and EIF stands ready to respond to this call for additional support to be delivered to SMEs and midcaps. A preliminary analysis of the plan suggests that the resources allocated should create an estimated multiplier effect of about 15 and enable EIF to greatly increase its investment and support in Europe's real economy.

6. GOVERNANCE

CAPITAL AND SHAREHOLDERS

AT 31.12.2014

EIF has an authorised capital of EUR 4 500m, divided into 4 500 shares of EUR 1m each, of which 4 161 have been issued as at end-2014. On 31 December 2014 the EIB held 63.7% of the issued shares, the European Union represented by the European Commission held 24.3% and 26 European banks and financial institutions held 12%.

COUNTRY	FINANCIAL INSTITUTIONS	N°. OF SHARES
Austria		**18**
	Austria Wirtschaftsservice Gesellschaft mbH (aws)	1
	Erste Group Bank AG	5
	Raiffeisen Bank International AG	7
	UniCredit Bank Austria AG	5
Bulgaria		**3**
	Bulgarian Development Bank A.D.	3
Croatia		**8**
	Croatian Bank for Reconstruction and Development (HBOR)	8
Denmark		**5**
	Vaekstfonden	5
France		**102**
	Bpifrance Participations	102
Germany		**151**
	KfW Bankengruppe	102
	Landeskreditbank Baden-Württemberg - Förderbank (L-Bank)	8
	LfA Förderbank Bayern	11
	NRW.BANK	20
	Sächsische Aufbaubank - Förderbank (SAB)	10
Hungary		**5**
	Hungarian Development Bank Ltd (MFB)	5
Italy		**85**
	Cassa Depositi e Prestiti S.p.A. (CDP)	50
	Intesa Sanpaolo S.p.A.	35
Luxembourg		**8**
	Banque et Caisse d'Epargne de l'Etat (BCEE)	8
Malta		**24**
	Bank of Valletta p.l.c.	24
Poland		**5**
	Bank Gospodarstwa Krajowego (BGK)	5
Portugal		**14**
	Banco BPI S.A.	14
Spain		**54**
	Agencia de Innovación y Desarrollo de Andalucía (IDEA)	4
	Banco Santander, S.A.	20
	Instituto de Crédito Oficial (ICO)	30
Turkey		**8**
	Industrial Development Bank of Turkey (TSKB)	8
United Kingdom		**10**
	Barclays Bank PLC	5
	Scottish Enterprise	5
TOTAL		**500**

Presented below in more detail are the changes associated with the capital increase, as well as a number of other events concerning EIF shareholders:

- Effective 28 May 2014, Caisse des dépôts et consignations sold and transferred its full shareholding of 30 shares to Bpifrance Participations.
- Effective 4 July 2014, IMI Investimenti S.p.A. sold and transferred its full shareholding of 15 shares to existing shareholder Intesa Sanpaolo S.p.A.
- On 15 July 2014, payments made in the main subscription period resulted in the issuance of 1 145 new shares. In a good display of shareholder support, of the 25 eligible FIs, 19 participated, alongside the EIB and EC.
- In addition to its subscription of 111 shares in 2014, 339 shares were allocated to the EC for subscription in the following three annual subscription periods from 2015-2017.
- 16 shares remained unallocated and were subsequently subscribed to by the EIB.
- In parallel, four shareholders increased their shareholdings beyond their 50% capital increase entitlement, through the acquisition of additional shares from the EIB:
- Sächsische Aufbaubank – Förderbank purchased two shares, effective 19 September 2014;
- Instituto de Crédito Oficial purchased 18 shares, effective 25 September 2014;
- NRW.BANK purchased five shares, effective 6 October 2014;
- Bpifrance Participations purchased 57 shares, effective 13 October 2014;
- Scottish Enterprise confirmed its intention to subscribe to an additional two shares in 2015.

EIF was also pleased to welcome two new financial institutions as members:
- Effective 2 September 2014, Banco Santander, S.A. was admitted as a new member as a result of purchasing 20 shares from the EIB.
- Effective 11 September 2014, Cassa Depositi e Prestiti S.p.A. was admitted as a new member as a result of purchasing 50 shares from the EIB.

Finally, as a means of further strengthening cooperation and communication with shareholders, a Corporate Relations team was established within the General Secretariat in 2014, with a strong focus on ensuring closer exchanges with our key external stakeholders, such as the financial institution shareholders, and on reinforcing EIF's presence in key SME networks and associations.

EIF MANAGEMENT
AT 31.12.2014

From left to right: Jobst NEUSS, Federico GALIZIA, Frédérique SCHEPENS, José GRINCHO, Maria LEANDER,

MANAGEMENT TEAM

Pier Luigi GILIBERT	Chief Executive
Marjut SANTONI	Deputy Chief Executive
Hubert COTTOGNI	Head of Mandate Management
Federico GALIZIA	Head of Risk and Portfolio Management
José GRINCHO	Head of Middle, Information and Back Office
John HOLLOWAY	Head of Equity Investments
Maria LEANDER	Secretary General and Head of Legal
Martine LEPERT	Head of Human Resources
Jobst NEUSS	Head of Compliance and Operational Risk
Frédérique SCHEPENS	Head of Finance
Alessandro TAPPI	Head of Guarantees, Securitisation and Microfinance

Pier Luigi GILIBERT, Marjut SANTONI, John HOLLOWAY, Martine LEPERT, Alessandro TAPPI, Hubert COTTOGNI.

BOARD OF DIRECTORS

AT 31.12.2014[4]

CHAIRMAN

Dario SCANNAPIECO	Vice-President of the European Investment Bank

MEMBERS

Daniel CALLEJA CRESPO	Director-General, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission, Belgium
Katarina KASZASOVÁ[5]	Director General of the State Reporting Section, Ministry of Finance, Slovak Republic
Pascal LAGARDE	Executive Director in charge of International Affairs, Strategy, Research and Development, Bpifrance, France
Alice TERRACOL	Head of Bilateral Relations and Financial Instruments Office, Treasury Directorate-General, Ministry of Economy and Finance, France
Pim VAN BALLEKOM	Vice-President of the European Investment Bank
Maarten VERWEY[6]	Deputy Director-General, Directorate-General Economic and Financial Affairs, European Commission, Belgium

ALTERNATES

Filipe CARTAXO	Managing Director, Banco BPI, Portugal
Martin HEIPERTZ[7]	Head of Division European Policy, Federal Ministry of Finance, Germany
Jean-Christophe LALOUX	Director General, Deputy Head of Operations, European Investment Bank
Nicholas MARTYN	Deputy Director-General, Directorate-General for Regional Policy, European Commission, Belgium
Alfonso QUEREJETA	Secretary General, European Investment Bank
Robert-Jan SMITS	Director-General, Directorate-General for Research and Innovation, European Commission, Belgium
Achilleas TZIMAS	Economist and Financial Expert, Directorate-General for Economic Policy, Ministry of Finance, Greece

AUDIT BOARD

AT 31.12.2014

CHAIRMAN

Vacant position as of 25.11.2014 (Charles BORG, CEO Bank of Valletta, Malta, was appointed by the General Meeting on 30.01.2015)

MEMBERS

Rudi DRIES	Deputy Head of Unit, Directorate-General IAS.B. European Commission, Brussels
Bettina JAKOBSEN	Assistant Auditor General – PSC Chair, Auditor General Office of Denmark, Copenhagen

ALTERNATE MEMBER

Gerard SMYTH	Assistant Secretary, Income and Capital Taxes Division Office of Revenue Commissioners, Dublin

[4] The proposal for the appointments of Katarina KASZASOVÁ and Martin HEIPERTZ was submitted to the General Meeting on 19 December 2014. According to EIF's Rules of Procedure, Members of the Board of Directors and their alternates may exercise their function of Board Member or alternate, as the case may be, in advance of the decision on appointment by the General Meeting.

[5] Following her nomination by the European Investment Bank, Katarina KASZASOVÁ was appointed by the General Meeting on 30 January 2015 to complete the remaining term of office of Franciscus GODTS, who resigned on 31 October 2014, in connection with his resignation from the EIB's Board of Directors, and following his departure from the Ministry of Finance in Belgium.

[6] Following his nomination by the European Commission, Maarten VERWEY was appointed by the General Meeting on 20 October 2014 to complete the remaining term of office of Gerassimos THOMAS, who resigned on 29 September 2014, in connection with a change of responsibilities within the European Commission.

[7] Following his nomination by the European Investment Bank, Martin HEIPERTZ was appointed by the General Meeting on 30 January 2015 to complete the remaining term of office of Katarina KASZASOVÁ, as alternate member.

AUDIT AND CONTROLS

EIF is characterised by a multi-layered control environment embedded in the EU institutional framework and aligned with the financial sector's principles and best practices.

EIF's first layer of control is exercised through internal processes and procedures developed and implemented by EIF's Executive Management by means of financial and operational controls designed to enable effective and efficient day-to-day operations, ensure reliable financial reporting and compliance with regulations and achieve EIF's objectives.

In this context, EIF's organisational chart sets out the competences, authorities and reporting lines within EIF, with a view to ensuring segregation of duties both on a horizontal level, through the interaction between front office and back office services, and on a vertical level through central control by EIF's Board of Directors of the decision-making process in relation to all business activities.

The second layer of control consists of independent risk and compliance functions whose opinion is requested for each transaction proposed to EIF's Board of Directors, as part of an integrated ex ante risk assessment and ex post risk monitoring under the responsibility of the Executive Management (see sections Legal, Risk and Portfolio Management and Compliance and Operational Risk).

EIF regularly produces an Internal Control Framework (ICF) report, which in particular includes a risk control matrix outlining the main residual operational risks to which EIF is exposed. Through the ICF, EIF's Executive Management is in a position to obtain the necessary comfort that the key risks related to EIF's business activities are properly identified, that control objectives are defined, that significant risks are mitigated and that the controls designed to achieve these objectives are in place and operating efficiently. The ICF forms the basis for the confirmation by the Chief Executive to the Audit Board that the main risks have been identified and mitigated.

The description of risks, control objectives and agreed improvements as described in the ICF is reviewed by Internal Audit, which, on the basis of the audits performed and the follow-up on agreed action plans, expresses an opinion on the effectiveness of EIF's internal control system, risk management and internal administration.

The third layer includes both internal and external audit, the activities of which are coordinated by the Audit Board.

The Audit Board, as an oversight body, conducts its activity in accordance with the standards of the audit profession and relies on both internal and external audit assurances in order to confirm annually that, to the best of its knowledge and judgement, the operations of EIF have been carried out in compliance with the Statutes and the Rules of Procedure, and that the financial statements give a true and fair view of the financial position of EIF as regards its assets and liabilities, and of the results of its operations for the financial year under review. This information is included in the annual report submitted by the Board of Directors to EIF's Annual General Meeting (AGM).

In order to discharge its duty in relation to the financial statements, the Audit Board may have recourse to external auditors, as provided for in the Rules of Procedure (Article 19). The audit of the financial statements of the Fund for the year ending 31 December 2014 was carried out by the external auditor, KPMG. While performing the audit of the annual accounts, KPMG undertakes to maintain its independence in accordance with the Code of Professional Ethics adopted in Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). KPMG performs its audits in accordance with the International Standards on Auditing (ISA) and is committed to inform EIF of any material weaknesses in the design or implementation of internal control over financial information that come to its attention during the audit of financial statements.

Internal Audit (which is outsourced to EIB Internal Audit) examines and evaluates the relevance, design and effectiveness of the internal control systems and procedures within EIF. To that end, a rolling three-year audit plan covering all key operational activities of EIF is implemented, on the basis of a risk-assessment methodology, in alignment with EIF's Internal Control Framework. The plan is discussed with EIF's Executive Management and external auditor prior to submission for approval to the Audit Board. Internal Audit examines all EIF's activities in order to provide reasonable assurance to the Executive Management that EIF is operating properly and efficiently and reports on its findings by means of agreed action plans or recommendations to improve control and working procedures. The Head of Internal

Audit reports annually on the execution of the internal audit programme to EIF's Executive Management, the Audit Board and the Chairman of the Board of Directors. Internal Audit adheres to the professional and ethical guidance issued by the Institute of Internal Auditors and the Information Systems Audit and Control Association, and is subject to a quality assurance and improvement programme that covers all aspects of the internal audit activity. Moreover, internal auditors shall comply with the internal policy statements governing their actions.

In addition to the maintenance of an internal control environment in line with the highest standards of the financial and banking sector, EIF is subject to periodical and sector-specific reviews by independent control bodies such as the European Court of Auditors (ECA), the Internal Audit Service of the European Commission and national or regional authorities entrusted with the task of monitoring the correct utilisation of the EU budget under the relevant rules and within their respective remits.

RISK AND PORTFOLIO MANAGEMENT

EIF follows a sustainable and consistent strategy to achieve its mission by means of a strong risk management culture that permeates all areas of EIF's business functions and processes with the objective of "maintaining value creating risk management and the AAA rating", which has been recently confirmed, with stable outlook, by Standard and Poor's, Moody's, Fitch and DBRS.

EIF is committed to maintaining a structured risk management framework as a set of integrated mechanisms, tools, policies, procedures, people and processes, including management oversight, in line with the Basel Capital Accord and relevant market practices, and to promoting the importance of continuous management of risks, and communicating a clear set of values, across the organisation, in relation to risks.

The implementation of adequate policies and procedures is aimed at comprehensively addressing financial and non-financial risks. EIF's acceptance of financial risks is set by the Board of Directors based on its strategy and corporate objectives (and considering the position of mandators, where relevant), while the management of the exposure to non-financial risk aims to prevent any financial loss and/or damage to EIF's reputation. In particular, EIF aims to control its risks by creating a well-diversified portfolio within the appropriate requirements and by establishing a sound system of limits.

EIF's Board of Directors approves internal risk management policies, while EIF's Executive Management is responsible for setting up and maintaining an adequate organisational framework, providing sufficient human and technical resources to support effective management of risks. This includes an independent risk management function which is actively involved in the elaboration of EIF's strategy and has direct reporting lines to the Executive Management and the Audit Board.

The Risk and Portfolio Management (RPM) function is concerned with the identification, assessment, consolidation, reporting, monitoring and mitigation of all existing and potential risks inherent in all activities, mandates, products and transactions. It also works to ensure that EIF's and its mandators' accepted levels of risk are adhered to. RPM bases its assessments on reasonable scenarios analysis, opinions and expert knowledge, advising EIF's services on all business activities and ensuring consistency through a formalised and documented internal rating/grading procedure.

Within such a commonly defined framework, RPM provides independent opinions on the risk profile of any activity, product and/or transaction EIF intends to pursue, by checking whether the operation is within the limits set under EIF's policies or, as the case may be, by the mandators.

In order to provide the Executive Management with a current and projected picture of EIF's portfolio, RPM has implemented a set of monitoring activities, at transaction and portfolio level, including an analysis of related risks and of relevant market trends, as adapted to the different EIF business lines.

The actions of RPM form part of the assurance process for the Audit Board and contribute to the overall risk management of the EIB Group.

COMPLIANCE AND OPERATIONAL RISK

The remit of EIF's Compliance and Operational Risk (COR) function includes the assessment of compliance risk and operational risk within EIF. In addition, COR is in charge of data protection issues in EIF and co-ordinates issues relating to corporate social responsibility within the applicable EIB Group policy framework.

The assessment of compliance risk at EIF addresses the potential reputation risk for EIF in its operations from the perspective of international rules, regulations and standards.

EIF follows the definition of compliance risk as set out in the paper on "Compliance and the compliance function in banks" issued by the Basel Committee on Banking Supervision in April 2005. On that basis, COR assesses institutional, transactional and conduct aspects of EIF's compliance risk.

With a view to avoiding potential reputational risk for EIF, the compliance risk assessment pays particular attention to the individual and structural integrity of EIF's counterparts (Know Your Customer).

EIF has strict requirements for the structuring of the transactions in which it invests where cross-border elements are present. Aligned with the EIB's policies, the EIF Policy on Offshore Financial Centres and Governance Transparency (OFC Policy) contains guidelines on the eligibility of jurisdictions, based on international and EU standards, mainly established by the Financial Action Task Force (FATF/GAFI as regards compliance with international standards in relation to the fight against money laundering and terrorist financing) and the OECD Global Forum (as regards internationally agreed tax standards). Consequently, EIF expects its counterparts to avoid the establishment of any structural element relevant to a transaction in which EIF has invested, in jurisdictions which are not found to be at least largely compliant with such standards or, where applicable, to relocate out of such jurisdictions.

In consideration of the increasing international efforts to fight tax evasion and tax avoidance, the compliance due diligence on structural integrity also focuses on the full transparency of cash flows and governance. In this context, the overall motivation of a proposed (including onshore) structure is probed with the aim of avoiding a situation in which there is a risk of EIF supporting harmful or artificial, essentially tax-driven set-ups.

At EIF, operational risk is defined, on the basis of EIF's Operational Risk Management Charter, as the risk of loss or reputational damage resulting from inadequate or failed internal processes, people and systems or from external events. While the management of operational risk is the primary responsibility of each function or service leader, the implementation of an integrated operational risk management framework forms part of the remit of COR.

In this context, a risk and control assessment methodology has been developed which comprises the identification and rating of the main operational risks for each process as well as the definition of risk-mitigation plans. The risk and control assessment is completed by a periodic collection and analysis of operational risk events.

In the course of 2014, specific attention was paid to the development of the international and EU sanctions against Russian individuals and economic operators. No EIF counterpart was found to be addressed directly by the sanctions, but majority shareholders of some of EIF's counterparts were concerned. In line with the policy framework applicable for the EIB Group, EIF assesses on a case-by-case basis the eligibility of EU affiliates of sanctioned entities in relation to EIF transactions.

LEGAL

EIF is supported by a strong in-house legal team whose remit, within its area of responsibility, is to pursue the strategic goals and protect and preserve the legal integrity of the Fund. This is achieved through the provision of legal advice based on the expertise and specialist knowledge of the team throughout the lifecycle of all EIF's transactional activities and in connection with institutional, strategic and policy-related matters, a dual objective which is reflected in the legal team's internal structure.

With regard to transactions, in line with increasing business volumes and the strategic goal of achieving performance gains through specialisation, from 2015 the transactions team will split into two divisions, one focused on debt transactions and the other on equity transactions. Legal's transaction teams work on all stages of deal implementation, including (i) structuring and product development, (ii) review of proposals to the Investment and Risk Committee and EIF's Board of Directors, (iii) contractual negotiations and (iv) active portfolio management, in each case in close collaboration with other EIF services. Legal's proactive approach to identifying and preventing legal risk is a key element in the development and structuring of transactions of varying complexity, as well as in the conception of new products and mandates. Following the conclusion of contracts, Legal provides support in the post-signature management of the existing EIF portfolio. It is also active in maintaining an up-to-date view of the EU legislation that is relevant across the scope of EIF's activities.

In terms of institutional and corporate matters, Legal supports the implementation of good corporate governance, coordinates corporate initiatives (as was the case in the recent capital increase) and advises on contractual arrangements at institutional level. Legal aims to ensure that EIF conducts its activities in accordance with its Statutes, mission and values, applicable law and relevant contractual obligations. It further aims to ensure a smooth functioning of EIF's corporate bodies, under the coordination of the EIF's Secretary General. As a European Union body, a member of the EIB Group and a financial institution, institutional matters concerning EIF include a wide range of areas and at times necessitate cooperation with EIF's shareholders as well as specific and proactive attention to the development of EU policy, and legislative and governance frameworks.

In addition, Legal is called upon to advise on numerous structuring, corporate, governance and regulatory matters relating to third party mandates, including external structures (funds of funds) for which EIF acts as manager and/or adviser. In order to create the necessary interface between EIF's institutional role, its mandate management activity and transaction delivery, the activities of the transactions and the corporate and institutional teams are closely coordinated with the aim of providing seamless advice and expertise across EIF's business.

7. FINANCIAL STATEMENTS 2014

INDEPENDENT AUDITOR'S REPORT

To the Audit Board of the European Investment Fund
37B, avenue J.F. Kennedy
L-2968 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment by the Audit Board, we have audited the accompanying financial statements of the European Investment Fund (hereafter "the Fund"), which comprise the statement of financial position as at December 31, 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 52 to 99.

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the European Investment Fund as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Luxembourg, 11 March 2015
KPMG Luxembourg
Société Coopérative
Cabinet de révision agréé

Thierry Ravasio

STATEMENT BY THE AUDIT BOARD

The Audit Board, set up pursuant to article 22 of the Statutes of the European Investment Fund (EIF),

- acting in accordance with the customary standards of the audit profession,

- having designated KPMG Luxembourg, Société Coopérative cabinet de révision agréé as external auditor of the EIF pursuant to Art. 19 of the Rules of Procedure,

- having studied the financial statements, which comprise the statement of financial position as at December 31, 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 52 to 99 ("the Financial Statements") and such documents which it deemed necessary to examine in the discharge of its duties,

- having examined and discussed the report dated 11 March 2015 drawn up by KPMG Luxembourg, Société Coopérative cabinet de révision agréé,

- noting that this report gives an unqualified opinion on the Financial Statements of EIF for the financial year ending 31 December 2014,

- having examined and discussed reports and opinions issued by the EIF's Internal Audit, Risk Management and Compliance and Operational Risk functions,

- having received assurance from the Chief Executive in particular concerning the effectiveness of the internal control systems, risk management and internal administration,

considering Articles 17, 18 and 19 of the Rules of Procedure,

hereby confirms that to the best of its knowledge and judgement,

- the operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure;

- the Financial Statements give a true and fair view of the financial position of the Fund as regards its assets and liabilities, and of the results of its operations for the financial year under review.

Luxembourg, 11 March 2015

THE AUDIT BOARD

Charles Borg

Bettina Jakobsen

Rudi Dries

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014 (EXPRESSED IN EUR)

ASSETS	NOTES	31.12.2014	31.12.2013
Cash and cash equivalents	4.1	154 558 973	180 768 509
Investments:			
Debt securities and other fixed income securities	4.2	1 465 877 370	929 375 811
Shares and other variable income securities	4.3	314 965 227	269 994 854
		1 780 842 597	1 199 370 665
Other assets	4.4	104 450 346	87 103 058
Intangible assets	4.5	295 829	522 387
Equipment	4.6	2 579	3 060
Investment property	4.6	4 832 478	5 206 629
TOTAL ASSETS		**2 044 982 802**	**1 472 974 308**

LIABILITIES			
Financial liabilities			
Financial guarantees	5.1	12 902 616	20 309 374
Provisions for financial guarantees	5.2	145 853 322	177 087 198
Retirement benefit obligations	5.3	156 855 823	72 489 544
Other liabilities and provisions	5.4	44 719 892	38 308 051
TOTAL LIABILITIES		**360 331 653**	**308 194 167**

EQUITY			
Share capital	5.5		
Subscribed		4 161 000 000	3 000 000 000
Uncalled		(3 328 800 000)	(2 400 000 000)
		832 200 000	600 000 000
Share premium		364 695 201	152 185 703
Statutory reserve	5.6	172 679 724	153 696 287
Retained earnings	5.6	71 023 304	130 783 148
Fair value reserve	5.7	159 683 776	80 656 410
Profit for the financial year		84 369 144	47 458 593
TOTAL EQUITY		**1 684 651 149**	**1 164 780 141**
TOTAL EQUITY AND LIABILITIES		**2 044 982 802**	**1 472 974 308**

The notes on pages 56 to 99 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014 (EXPRESSED IN EUR)

	NOTES	31.12.2014	31.12.2013
Interest and similar income	7.1	28 962 783	30 610 141
Income from investments in shares and other variable income securities		9 053 343	5 934 306
Net gain from financial guarantee operations	7.2	44 944 302	19 830 975
Commission income	7.3	71 455 251	58 733 178
Net loss on financial operations	7.4	(30 874)	(471 086)
Other operating income	7.5	125 591	69 263
General administrative expenses	7.6		
Staff costs:			
- wages and salaries		(32 193 653)	(28 294 401)
- social security and contribution costs		(15 571 936)	(16 384 087)
		(47 765 589)	(44 678 488)
Other administrative expenses		(18 037 325)	(17 396 101)
		(65 802 914)	(62 074 589)
Depreciation and amortisation	4.5, 4.6	(649 640)	(577 454)
Impairment losses on available-for-sale investments	4.3	(3 688 698)	(4 596 141)
PROFIT FOR THE FINANCIAL YEAR		**84 369 144**	**47 458 593**

Other comprehensive income			
- Net change in fair value of available-for-sale financial assets		77 619 627	18 823 354
- Net change in fair value of available-for-sale financial assets transferred to profit/(loss)		1 407 739	1 472 610
- Re-measurement of defined benefit obligation not reclassified subsequently to profit/(loss)		(72 575 000)	14 047 000
		6 452 366	34 342 964
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**90 821 510**	**81 801 557**

The notes on pages 56 to 99 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014 (EXPRESSED IN EUR)

ATTRIBUTABLE TO EQUITY HOLDERS OF THE FUND

		SUBSCRIBED CAPITAL	CALLABLE CAPITAL	SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVE	RETAINED EARNINGS	FAIR VALUE RESERVE	PROFIT FOR THE FINANCIAL YEAR	TOTAL EQUITY
BALANCE AS AT 31.12.2012		3 000 000 000	(2 400 000 000)	**600 000 000**	**152 185 703**	**141 427 997**	**103 711 713**	**60 360 446**	**31 424 726**	**1 089 110 585**
TOTAL COMPREHENSIVE INCOME										
Profit for the financial year		0	0	0	0	0	0	0	47 458 593	**47 458 593**
Net change in fair value of available-for-sale portfolio	5.7	0	0	0	0	0	0	20 295 964	0	**20 295 964**
Re-measurement of defined benefit obligation	5.3	0	0	0	0	0	14 047 000	0	0	**14 047 000**
Transactions with owners										
Appropriation of profit inc. dividend	5.6	0	0	0	0	12 268 290	13 024 435	0	(31 424 726)	**(6 132 001)**
BALANCE AS AT 31.12.2013		3 000 000 000	(2 400 000 000)	**600 000 000**	**152 185 703**	**153 696 287**	**130 783 148**	**80 656 410**	**47 458 593**	**1 164 780 141**
TOTAL COMPREHENSIVE INCOME										
Profit for the financial year		0	0	0	0	0	0	0	84 369 144	**84 369 144**
Net change in fair value of available-for-sale portfolio	5.7	0	0	0	0	0	0	79 027 366	0	**79 027 366**
Re-measurement of defined benefit obligation	5.3	0	0	0	0	0	(72 575 000)	0	0	**(72 575 000)**
TRANSACTIONS WITH OWNERS										
Appropriation of profit including dividend	5.6	0	0	0	0	18 983 437	12 815 156	0	(47 458 593)	**(15 660 000)**
Share issue	5.5	1 161 000 000	(928 800 000)	232 200 000	212 509 498	0	0	0	0	**444 709 498**
BALANCE AS AT 31.12.2014		4 161 000 000	(3 328 800 000)	**832 200 000**	**364 695 201**	**172 679 724**	**71 023 304**	**159 683 776**	**84 369 144**	**1 684 651 149**

The notes on pages 56 to 99 are an integral part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014 (IN EUR)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	31.12.2014	31.12.2013
Profit for the financial year		84 405 598	47 458 593
Adjustments for:			
Depreciation and amortisation	4.5, 4.6	649 640	577 454
Impairment loss on shares and other variable income securities	4.3	3 652 244	4 596 141
Interest income on debt securities and other fixed income securities	7.1	(24 751 307)	(27 206 115)
Change in financial guarantees	5.1	(5 921 726)	(3 676 326)
Provision for financial guarantees	5.2	(13 607 330)	7 030 087
Provision for retirement benefit obligations		(338 356)	4 720 387
		44 088 763	33 500 221
Change in shares and other variable income securities	4.3	(7 860 084)	(13 285 719)
Financial guarantee calls paid	5.2	(16 053 718)	(5 311 389)
Change in other assets and liabilities	4.4, 5.4	1 194 695	693 030
		(22 719 107)	(17 904 078)
Net cash from operating activities		21 369 656	15 596 143
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of debt securities and other fixed income securities	4.2	(637 972 532)	(209 291 540)
Proceeds from sale or matured debt securities and other fixed income securities	4.2	141 540 082	185 778 891
Interest received on debt securities and other fixed income securities		20 403 798	29 686 656
Acquisition of intangible assets and property and equipment	4.5, 4.6	(48 450)	(338 325)
Net cash from investing activities		(476 077 102)	5 835 682
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividend paid		(15 660 000)	(6 132 001)
Capital increase		444 709 498	0
Cash flows used in financing activities		429 049 498	(6 132 001)
Cash and cash equivalents at the beginning of the year	4.1	180 768 509	165 504 411
Effect of exchange rate fluctuations on cash and cash equivalents		(551 588)	(35 726)
Net cash from			
Operating activities		21 369 656	15 596 143
Investing activities		(476 077 102)	5 835 682
Financing activities		429 049 498	(6 132 001)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4.1	154 558 973	180 768 509

The notes on pages 56 to 99 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

The EUROPEAN INVESTMENT FUND (hereafter the "Fund" or "the EIF") was incorporated on 14 June 1994, in Luxembourg, as an international financial institution. The address of its registered office is 37B, avenue J.F. Kennedy, L-2968 Luxembourg.

The task of the Fund shall be to contribute to the pursuit of the objectives of the European Union.
The Fund shall pursue this task through activities consisting of:

- The provision of guarantees as well as of other comparable instruments for loans and other financial obligations in whatever form is legally permissible,

- The acquisition, holding, managing and disposal of participations in any enterprise subject to the conditions laid down in paragraph 2 (i) of Article 12 of the EIF's Statutes ("the Statutes").

In addition, the Fund may engage in other activities connected with or resulting from these tasks as set out in Article 2 of the Statutes. The activities of the Fund may include borrowing operations.

The activities of the Fund shall be based on sound banking principles or other sound commercial principles and practices as applicable. Without prejudice to the provisions of Article 28, the said activities shall be pursued in close co-operation between the Fund and its founder members or between the Fund and its actual members at the relevant time, as the case may be.

The Fund operates as a partnership whose members are the European Investment Bank (hereafter the "EIB"), the European Union, represented by the European Commission (the "Commission"), and a group of financial institutions of Member States of the European Union and of a candidate country. The members of the Fund shall be liable for the obligations of the Fund only up to the amount of their share of the capital subscribed and not paid in.

The financial year of the Fund runs from 1 January to 31 December each year.

The EIB has a majority shareholding in the Fund. Consequently the Fund is included in the consolidated financial statements of the EIB Group. The consolidated financial statements are available at the registered office of the EIB at 98-100, boulevard Konrad Adenauer, L-2950 Luxembourg.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

2.1 Basis of preparation

2.1.1 Statement of compliance

The Fund's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), as endorsed by the European Union.

The Fund's financial statements have been authorised for issue by the Board of Directors on 11 March 2015.

2.1.2 Basis of measurement

The financial statements have been prepared on an historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets which are measured at fair value
- financial instruments held at fair value through profit or loss
- the defined benefit liability is recognised as the present value of expected future payments.
- Financial guarantees are measured at the higher of the amount initially recognised i.e. Net present value ("NPV") less, where appropriate cumulative amortisation and the provision amount in accordance with IAS 37.

2.1.3 Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment when applying the Fund's policies. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 2.3, 2.7 and 3.

Judgments and estimates are principally made in the following areas:

- Determination of fair values of equity investments;
- Impairment of available-for-sale equity and debt investments, as disclosed in notes 2.3.1 and 2.3.2;
- Determination of provisions and liabilities for financial guarantees;
- Actuaries' assumptions related to the measurement of pension liabilities and post-retirement benefits as described in note 5.3;
- Determination of control over investees as described in note 2.3.4;
- Determination and disclosures of unconsolidated structured entities and investment entities in which the Fund has an interest as described in note 6.

In respect of unconsolidated structured entities and investment entities in which the Fund has an interest, further disclosures are described in note 6.

2.1.4 Changes in accounting policies and presentation

The accounting policies adopted have been applied consistently with those used in the previous year. During the year, The Fund has adopted the following new IFRS:

- IFRS 10 which provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 – Consolidated and Separate financial statements and SIC 12 – Consolidation – Special Purposes Entities. The Fund has also adopted the amendments to IFRS 10 which provide an exemption from consolidation of subsidiaries under IFRS for entities which meet the definition of an investment entity;
- IFRS 11 which establishes principles for the financial reporting by parties to a joint arrangement and supersedes IAS 31 – Interests in Joint Ventures and SIC 13 – Jointly controlled entities – Non monetary Contributions by Ventures;
- IFRS 12 which establishes principles for disclosure of Interests in other entities such as unconsolidated structured entities. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Fund. They did however give rise to additional disclosures.

2.1.5 Foreign currency translation

The Euro (EUR) is the functional and presentation currency. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the profit or loss or within equity.

Non-monetary items are reported using the exchange rate at the date of the transaction (historical cost). Exchange differences on non-monetary financial assets are a component of the change in their fair value. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Monetary items, which include all other assets and liabilities expressed in a currency other than EUR are reported using the closing exchange rate prevailing at the reporting date of the financial statements, as issued by the European Central Bank. Exchange differences are recognised in the profit or loss in the year in which they arise.

Income and charges in foreign currencies are translated into EUR at the exchange rate prevailing at the date of the transaction.

2.2 Cash and cash equivalents

Cash and cash equivalents comprise short term, highly liquid securities and interest-earnings deposits with short maturities of three months or less from the date of acquisition.

2.3 Investments

2.3.1 Classification and Measurement

Classification
Except for investment in joint ventures (see note 2.3.4), the Fund classifies its investments in the Available-For-Sale category (hereafter "AFS"). The classification of the investments is determined at initial recognition.

Initial recognition and derecognition
Purchases and sales are initially recognised on trade date at fair value plus transaction costs. Fair value consideration is explained in the section below.

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the EIF has substantially transferred all risks and rewards of ownership.

Subsequent measurement
The financial assets are subsequently measured at fair value, and any changes in fair value are directly recognised in other comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss.

Impairment of financial assets
The EIF assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss – is removed from equity and recognised in the profit or loss. For equity securities, a significant and/or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

Impairment losses on equity instruments previously recognised in the profit or loss are not reversed through the profit or loss. In contrast, if in a subsequent year, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit or loss.

2.3.2 Shares and other variable income securities

Investments in private equity funds are included in "Shares and other variable income securities". They are acquired for a long term in the normal course of the Fund's activities.

Fair value measurement:

Private equity (PE) investments are classified as Available-For-Sale and measured at fair value through equity and disclosed in accordance with the fair value hierarchy required by IFRS 13 as described in note 3.5. Given the nature of PE, market prices are often not readily available and in the absence of these, valuation techniques (level 3 according to the fair value hierarchy) are applied.

For the valuation of PE the Fund further breaks down these valuation techniques into three categories as follows:

- Category A - funds that have adopted the fair value requirements of IAS 39 or International Private Equity and Venture Capital guidelines (IPEVC). The fair value is calculated by applying the aggregated Net Asset Value (NAV) method. This valuation method implicitly assumes that if the NAVs of underlying funds can be considered as equivalent to the fair value as determined under IAS 39, then the aggregation of the NAVs of all funds will itself be equivalent to the fair value as determined under IAS 39.
- Category B - funds that have adopted other valuation guidelines (such as the former 2001 European Venture Capital Association (EVCA) guidelines) or standards that can be considered as in line with IAS 39 from which an equivalent NAV can be calculated.
- Category C – funds that have not adopted the fair value requirements of IAS 39 or any other valuation guidelines complying with IAS 39. These investments are valued at cost less impairment.

Although it is assumed for category A and B that the NAV is a reliable estimation of the fair value and a specific review is performed, it must be stated that underlying investments have been estimated in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation and current market conditions, actual results in the future could differ from the fund manager's estimate of values and the difference may be material to the financial statements.

The fair value is determined by applying either the Fund's percentage ownership in the underlying vehicle to the net asset value reflected in the most recent report adjusted for cash flows or, where available, the precise share value at the same date, submitted by the respective fund manager. In order to bridge the interval between the last available NAV and the year-end reporting, a subsequent event review procedure is performed and if necessary the reported NAV is adjusted.

Impairment considerations:

Shares and other variable income securities are assessed for objective evidence of impairment. Impairment losses are only recognised if there is objective evidence of impairment as a result of one or more events that have occurred. On each official reporting date, the EIF analyses unrealised losses so as to determine whether they should be recognised as impairment losses in the profit or loss or as changes in the fair value reserve.

In addition the EIF defines quantitative thresholds for assessing what is significant and what is prolonged which allows the classification of the funds as follows:

- funds with no indication of impairment;
- funds with an indication of potential impairment which are reviewed for impairment by the Investment and Risk Committee;
- funds showing objective evidence of impairment

For impaired investments in category C the amount of impairment is calculated based on a matrix of fixed impairment percentages in tranches of 25 % depending on the operational and performance grading of the respective funds.

2.3.3 Debt securities and other fixed income securities

Securities held by the Fund are mainly quoted on an active market. Consequently, the fair value of financial instruments is based on bid prices at the statement of financial position date.

Premiums paid over the maturity value and discounts received in comparison to the maturity value of securities are recognised in profit or loss over the expected life of the instrument through the use of the effective interest rate method.

2.3.4 Interests in joint ventures and associates

The EIF complies with the conditions necessary to use the venture capital organisations and similar entities measurement exemption included in IFRS 11 and IAS 28 (11) and consequently decides not to use equity accounting in respect of any investments in joint ventures or associates: upon initial recognition, holdings in the joint ventures or associates are designated as at fair value through the profit or loss, and measured subsequently at fair value in accordance with IAS 39, with changes in fair value recognised in the profit or loss during the year of the change.

Joint ventures are contractual agreements whereby the EIF and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control (the venturers).

The shares acquired by the EIF for its own account or on behalf of its mandate providers typically represent investments in private equity or venture capital funds. According to industry practice, such investments are generally investments subscribed to by a number of investors, none of whom is in a position to individually influence the daily operations and the investment activity of such funds. As a consequence, any membership by an investor in a governing body of such a fund does not, in principle, entitle said investor to influence the day-to-day operations of the fund. In addition, individual investors in a private equity or a venture capital fund do not determine policies of a fund such as distribution policies on capital repayments or other distributions. Such decisions are typically taken by the management of a fund on the basis of the shareholders' agreement governing the rights and obligations of the management and all shareholders of the fund. The shareholders' agreement also generally prevents individual investors from bilaterally executing material transactions with the fund, interchanging managerial personnel or obtaining privileged access to essential technical information.

The EIF's investments, made for its own account or on behalf of its mandate providers, are executed in line with the aforementioned industry practice. In addition, the Fund is exposed to variability of returns from these investments. Therefore, in considering whether it has control, the Fund considers whether it manages key decisions that most significantly affect these investments' returns. As a result and according to IFRS 10, the Fund has concluded that it does not control those vehicles.

2.4 Guarantee operations

Financial guarantee contracts are contracts that require the EIF to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value plus transaction costs that are directly attributable to the issuance of the financial guarantees. At initial recognition the obligation to pay corresponds to the Net Present Value (NPV) of expected premium inflows. The EIF has developed a model to estimate the NPV. This calculation is performed at the starting date of each transaction.

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

- the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets;or
- the amount initially recognised i.e. NPV less, where appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

The EIF's amortisation of the amount initially recognised is in line with the risk profile of the transactions, namely a slow linear amortisation over the first two-thirds of the Weighted Average Life (WAL) of the transaction, followed by a linear amortisation down to a minimum floor calculated as a one-year expected loss. The transaction is totally amortised following full repayment of a securitisation tranche.

The best estimate of expenditure is determined in accordance with IAS 37. Financial guarantee provisions correspond to the cost of settling the obligation, which is the expected loss, estimated on the basis of all relevant factors and information existing at the statement of financial position date.

Any increase or decrease in the liability relating to financial guarantees other than the payment of guarantee calls is recognised in the profit or loss under "Net result from guarantee operations".

2.5 Other assets

Other assets include the funds designated to cover the pension liability, accrued commission income and debtors and are accounted for at amortised cost.

2.6 Intangible assets, Equipment and Investment property

2.6.1 Intangible assets

Intangible assets are composed of internally generated software and purchased software, and are accounted for at cost net of accumulated amortisation and impairment losses.

Direct costs associated with the development of software are capitalised provided that these costs are separately identifiable, the software provides a future benefit to the Fund and the cost can be reliably measured. Maintenance costs are recognised as expenses during the year in which they occur. However costs to develop additional functionalities are recognised as separate intangible assets. Intangible assets are reviewed for indicators of impairment at the date of the statement of financial position.

Intangible assets are amortised using the straight-line method over the following estimated useful lives:

Internally generated software	3 years
Purchased software	2 to 5 years

2.6.2 Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. Equipment is reviewed for indications of impairment at the date of the statement of financial position.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Fixtures and fittings	3 to 10 years
Office equipment	3 to 5 years
Computer equipment and vehicles	3 years

2.6.3 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and impairment losses and is reviewed for indications of impairment at the date of the statement of financial position.

Depreciation is calculated on a straight-line basis over the following estimated useful life:
Buildings:

Buildings	30 years

2.6.4 Impairment of non-financial assets

The EIF assesses at each reporting date the carrying amounts of the non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If the carrying amount exceeds the estimated recoverable amount, impairment losses are recognised in the profit or loss.

2.7 Employee benefits

2.7.1 Post-employment benefits

Pension fund
EIF operates an unfunded pension plan of the defined benefit type, providing retirement benefits based on final salary. The cost of providing this benefit is calculated by the actuary using the projected unit credit cost method. The defined benefit liability is recognised as the present value of expected future payments.

Actuarial valuations involve making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. Due to the long-term nature of this pension scheme, such estimates are subject to significant uncertainty.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are debited or credited to equity in other comprehensive income in the period in which they arise.

The Fund's defined benefit scheme was initiated in March 2003 to replace the previous defined contribution scheme. The scheme is financed by contributions from staff and the Fund. These amounts are transferred to the EIB for management with the EIB's own assets and appear on the Fund's statement of financial position as an asset under the heading "Other assets".

The charge for the year, actuarial gains and losses, and the total defined benefit obligation are calculated annually by qualified external actuaries.

Optional supplementary provident scheme
The optional supplementary provident scheme is a defined contribution pension scheme, funded by voluntary staff contributions and employer contributions. It is accounted for on the basis of the contributions from staff and employer and the corresponding liability is recorded in "Other liabilities".

Health insurance scheme
The Fund has subscribed to a health insurance scheme with an insurance company for the benefit of staff at retirement age, financed by contributions from the Fund and its employees. The entitlement is of a defined benefit type and is based on the employee remaining in service up to retirement age and on the completion of a minimum service period. The expected costs of this benefit are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Health insurance liabilities are determined based on actuarial calculations, performed annually by qualified external actuaries.

2.7.2 Short-term employee benefits

Employee entitlements to short-term benefits are recognised when they accrue to employees. A provision is made for the estimated liability for any outstanding short-term benefit entitlement as a result of services rendered by employees up to the date of the statement of financial position.

2.7.3 Other long-term employee benefits

An accrual for other long-term employee benefit costs relating to the year is included in the profit or loss under the heading "Staff costs", resulting in a provision for the estimated liability at the date of the statement of financial position.

2.8 Other liabilities and provisions

Other liabilities are classified according to the substance of the contractual arrangements entered into. Trade payables are non-interest bearing liabilities and are stated at amortised cost.

Provisions are recognised when the Fund has a present obligation, legal or constructive, as a result of a past event, and it is probable that the Fund will be required to settle that obligation.

2.9 Interest and similar income

Interest income and similar income is recognised in the profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method based on the purchase price including direct transaction costs. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.10 Income from investment in shares and other variable income securities

Income from investment in shares and other variable income securities includes capital dividends and repayments which are recognised when the EIF's investment cost is fully reimbursed.

2.11 Net result from guarantee operations

Net result from guarantee operations includes:

- Guarantee premiums received;
- Interest income on the discounting of the expected premium inflows and any amortisation of the financial guarantees;
- Valuation changes triggered by ratings downgrades/upgrades;
- Changes in estimates of provisions for financial guarantees accounted for under IAS 37.

2.12 Commission income

This heading includes fees and commissions on mandates and advisory activities and excludes guarantee premiums. Fees and commissions are recognised on an accrual basis when the service foreseen under an agreement has been provided. Portfolio and management advisory and service fees are recognised based on the applicable service contracts, usually on a pro-rata basis. Asset management fees related to investment funds are recognised over the period in which the service is provided.

2.13 Leases

The leases entered into by the EIF as a lessee or a lessor are operating leases under which all the risks and benefits of ownership are effectively retained by the lessor.

Payments or receipts made under operating leases are recognised in the profit or loss in other administrative expenses or other operating income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.14 New standards and interpretations not yet adopted

The following IFRS and IFRIC interpretations applicable to the EIF were issued but are not yet effective. The Fund has chosen not to early adopt these standards and interpretations. The Fund plans to adopt them at the date of endorsement by the European Union.

- IFRS 9 – Financial instruments
  This standard is the first step in a three-part project by the IASB to replace IAS 39 financial instruments. This first part, dealing with the classification and measurement of financial assets, simplifies the recognition of financial assets by requiring such assets to be measured at either amortised cost or fair value, depending on certain criteria. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The date of the adoption of this standard by the Fund will also be dependent on the timing of the EU endorsement process.

The Fund is in the process of analysing the impact of this standard on its operations.

- IFRS 15 – Revenue from contracts with customers
  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This standard will replace existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 will be effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The date of the adoption of this standard by the Fund will also be dependent on the timing of the EU endorsement process.

The Fund is in the process of analysing the impact of this standard on its operations.

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction

This note presents information about the Fund's exposure to and its management and control of risks, specifically those associated with its financial instruments.

EUR

31.12.2014	LOANS AND RECEIVABLE	FAIR VALUE THROUGH PROFIT AND LOSS	AVAILABLE FOR SALE	FINANCIAL GUARANTEES	TOTAL
Cash and cash equivalents	154 558 973	0	0	0	154 558 973
Investments:					
Debt securities and other fixed income securities	0	0	1 465 877 370	0	1 465 877 370
Shares and other variable income securities	0	5 440 834	309 524 393	0	314 965 227
Total financial assets	154 558 973	5 440 834	1 775 401 763	0	1 935 401 570
Financial liabilities					
Financial guarantees	0	0	0	12 902 616	12 902 616
TOTAL FINANCIAL LIABILITIES	0	0	0	12 902 616	12 902 616

EUR

31.12.2013	LOANS AND RECEIVABLE	FAIR VALUE THROUGH PROFIT AND LOSS	AVAILABLE FOR SALE	FINANCIAL GUARANTEES	TOTAL
Cash and cash equivalents	180 768 509	0	0	0	180 768 509
Investments:					
Debt securities and other fixed income securities	0	0	929 375 811	0	929 375 811
Shares and other variable income securities	0	5 162 705	264 832 149	0	269 994 854
Total financial assets	180 768 509	5 162 705	1 194 207 960	0	1 380 139 174
Financial liabilities					
Financial guarantees	0	0	0	20 309 374	20 309 374
TOTAL FINANCIAL LIABILITIES	0	0	0	20 309 374	20 309 374

The following table provides information relating to the main financial assets and financial liabilities by categories of financial instruments for which the Fund is exposed to risks:

3.1.1 Types of risk

EIF is exposed to three primary categories of risk on its own resources, these are described in the following sections, first in general terms and then specifically by product line.

3.1.1.1 Credit Risk

Credit risk is the risk that another party will cause a financial loss to the EIF by failing to discharge an obligation.

Credit risk concerns EIF's Guarantee and Securitisation ("G&S") activity and treasury instruments such as fixed income securities and floating rate notes held in the AFS portfolio, commercial paper and deposits. There is a limited credit exposure for EIF Own Risk Private Equity ("PE") portfolio as investments in PE funds represent equity investments and related financing structures and are always made through an equity-like participation.

3.1.1.2 Liquidity Risk

Liquidity risk is the risk that the EIF will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

3.1.1.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Market risk - Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The EIF may invest in financial instruments denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Euro (EUR).

The table below shows the currency exposure (in EUR) of EIF's financial assets and financial liabilities.

EUR

At 31.12.2014	EUR	POUND STERLING	US DOLLARS	OTHER CURRENCIES	SUB TOTAL EXCEPT EUR	TOTAL
Cash and cash equivalents	151 928 759	1 373 774	359 594	896 846	2 630 214	154 558 973
Investments						
Debt securities and other fixed income securities	1 465 877 370	0	0	0	0	1 465 877 370
Shares and other variable income securities	220 945 131	62 317 167	8 335 654	23 367 275	94 020 096	314 965 227
Total assets	1 838 751 260	63 690 941	8 695 248	24 264 121	96 650 310	1 935 401 570
Financial liabilities						
Financial guarantees	7 278 664	4 341 114	0	1 282 838	5 623 952	12 902 616
Total liabilities	7 278 664	4 341 114	0	1 282 838	5 623 952	12 902 616
Foreign currencies in % of net assets		3.5%	0.5%	1.4%	5.4%	
Net commitments to private equity	375 174 330	94 680 343	9 377 316	24 474 492	128 532 151	503 706 481
Guarantees' exposure at risk	2 576 925 303	108 536 843	0	435 769 834	544 306 677	3 121 231 980
TOTAL OFF BALANCE SHEET	2 952 099 633	203 217 186	9 377 316	460 244 326	672 838 828	3 624 938 461

At 31.12.2013	EUR	POUND STERLING	US DOLLARS	OTHER CURRENCIES	SUB TOTAL EXCEPT EUR	EUR TOTAL
Cash and cash equivalents	176 183 826	3 762 698	323 714	498 271	4 584 683	180 768 509
Investments						
Debt securities and other fixed income securities	929 375 811	0	0	0	0	929 375 811
Shares and other variable income securities	199 532 326	50 854 431	8 610 405	10 997 692	70 462 528	269 994 854
Total assets	1 305 091 963	54 617 129	8 934 119	11 495 963	75 047 211	1 380 139 174
Financial liabilities						
Financial guarantees	10 217 612	8 747 024	0	1 344 738	10 091 762	20 309 374
Total liabilities	10 217 612	8 747 024	0	1 344 738	10 091 762	20 309 374
Foreign currencies in % of net assets		3.9%	0.8%	0.9%	5.6%	
Net commitments to private equity	361 154 081	67 969 056	8 362 205	24 738 047	101 069 308	462 223 390
Guarantees' exposure at risk	2 681 562 973	101 402 599	0	497 889 442	599 292 041	3 280 855 014
TOTAL OFF BALANCE SHEET	3 042 717 054	169 371 655	8 362 205	522 627 489	700 361 349	3 743 078 404

"Other assets" and "Other liabilities and provisions" are denominated in EUR (for more details please see note 4.4 and 5.4)

The Fund's exchange rate risk is kept at a low level (below 6% of net assets) through a policy of limiting its investment in non-euro denominated instruments. The Fund's capital is denominated in EUR and the majority of its assets and liabilities are in that currency.

Market risk – Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Market risk – Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Market risk factors specific to activities are disclosed in the respective sections below.

3.2 Private Equity

3.2.1 Risk Management Process

In the framework of EIF private equity (PE) business, the objective of risk management is to identify and measure the risk of its portfolio of PE assets, to monitor its evolution and consistency with the EIF's objectives and to propose corrective actions in case of divergence.

Risk management is an integral part of the management of EIF's investment activities.

3.2.1.1 Portfolio Design Process

Designing a portfolio consistent with the EIF's objectives and constraints is a key element of the EIF's investment activity. No liquid secondary market exists for investments in private equity funds. Therefore only marginal changes to the portfolio composition can be implemented after the portfolio has been built. At this stage Equity Risk and Portfolio Management division ("ERPM") ensures that the target portfolio is consistent with:

- The return objectives of the EIF;
- The tolerance for risk of the EIF;
- The liquidity needs of the EIF.

3.2.1.2 Investment Process

The investment process of the EIF is led by the Equity Investments ("EI") department. ERPM is involved in the investment process from its early stages. Following an initial screening of investment opportunities, ERPM is called to express its opinion on EI's request to proceed with a full due diligence. Subsequently ERPM reviews all the investment proposals prepared by EI and issues an Independent Opinion to the Chief Executive and Deputy Chief Executive on the merit of the proposed investment. All investment decisions are submitted to the Board of Directors for final approval. Since 15 December 2014, investment decisions are taken by the Board of Directors or under delegation from the Board of Directors to the Chief Executive.

3.2.1.3 Monitoring Process

Monitoring includes the valuation review of PE funds and the monitoring of the portfolio.

Valuation Review

This process is divided into several stages to achieve what is known as Valuation Adjustment:

- Reporting: collection of financial reports sent by the fund managers as a basis for valuation (typically on a quarterly basis).
- Valuations: assessment as to whether valuations done by the fund managers are in line with best market practice and applicable industry valuation guidelines. The monitoring aims to determine in good faith the fair value of the investments.
- Impairments of investments: the Investment and Risk Committee ("IRC") decides on the impairment of transactions.
- Classification of funds: depending on the outcome of the monitoring outlined above, funds are classified into three categories as described in note 2.3.2.

Portfolio Monitoring

Through portfolio monitoring ERPM assess the evolution of the portfolio composition relative to the return, risk and liquidity objectives of the EIF. The EIF has developed a set of tools to design, monitor and manage the portfolio of PE funds. This set of tools is based on an internal process and model, the Grading-based Economic Model ("GEM"), which allows the EIF to systematically and consistently assess and verify funds' operational quality, valuations and expected performances. This approach, supported by adequate Information Technology (IT) systems, improves the investment decision process and the management of the portfolio's financial risks.

The grades are defined as follows:

EXPECTED PERFORMANCE GRADE	
P - A	The fund's performance is expected to fall into the first quartile of the benchmark.
P - B	The fund's performance is expected to fall into the second quartile of the benchmark.
P - C	The fund's performance is expected to fall into the third quartile of the benchmark.
P - D	The fund's performance is expected to fall into the fourth quartile of the benchmark.

OPERATIONAL STATUS GRADE	
O - A	No adverse signals so far.
O - B	Some adverse signals, but not expected to have a material impact on the fund's valuation.
O - C	Adverse signals; without changes/improvements likely to lead to a material impact on the fund's valuation.
O - D	Critical events that had a material adverse impact on the fund's valuation.

3.2.2 Credit risk

Investments in PE funds represent equity investments and are always made through an equity-like participation. Even in the case where these are channelled through mezzanine loans, currently representing less than 1% of the portfolio, their risk profile is typically akin to an equity participation. Therefore the credit risk of EIF Own Risk PE portfolio, defined as the portfolio of PE assets held on EIF balance sheet, is deemed not significant.

3.2.3 *Liquidity risk*

PE Funds are generally structured as Limited Partnerships, where the Limited Partners, such as the EIF, commit a certain amount of capital to be called at the discretion of the fund manager, which is acting as General Partner. Such Limited Partnerships are generally structured as closed-end funds; therefore the discretion of the General Partner in deciding the timing of the capital calls is generally restricted by:

1. The contractual duration of the Limited Partnership, often being 10 to 12 years;
2. The investment period, often being defined as the first 5 years of the life of the Partnership. After the end of the investment period the General Partner cannot make new investments. Capital calls post investment period are generally made for follow-on investments in existing investee companies or to cover the fees and costs of the Limited Partnership.

Due to the discretion of General Partners in deciding the timing of the capital calls, the schedule of the future liquidity requirements of EIF Own Risk PE portfolio cannot be precisely defined. However, as a result of the typical Limited Partnership structure described above, the majority of the capital is generally called during the investment period. Conversely, capital reflows resulting from the disposal of the investee companies generally take place after the investment period. Having a portfolio of investments in PE Funds which is well diversified across a wide range of vintage years, such as for EIF Own Risk PE portfolio (see Chart 1), is an important component in the management of liquidity risk. Liquidity requirements resulting from capital calls of PE funds in the investment period can be matched by the stream of capital reflows generated by older PE funds in their divestment phase. The magnitude of this stream of reflows depends on the market conditions and the proportion of the portfolio that is in its divestment phase. It is also important to notice that, due to the inherent illiquid nature of the PE market, once a commitment has been signed it is difficult for a Limited Partner to sell its interest in a PE fund. Often the only way is by finding a buyer in the secondary market. This is usually only possible by offering to sell at a substantial discount to the fund's Net Asset Value ("NAV").

VINTAGE YEAR DIVERSIFICATION OF THE EIF OWN RISK PE PORTFOLIO

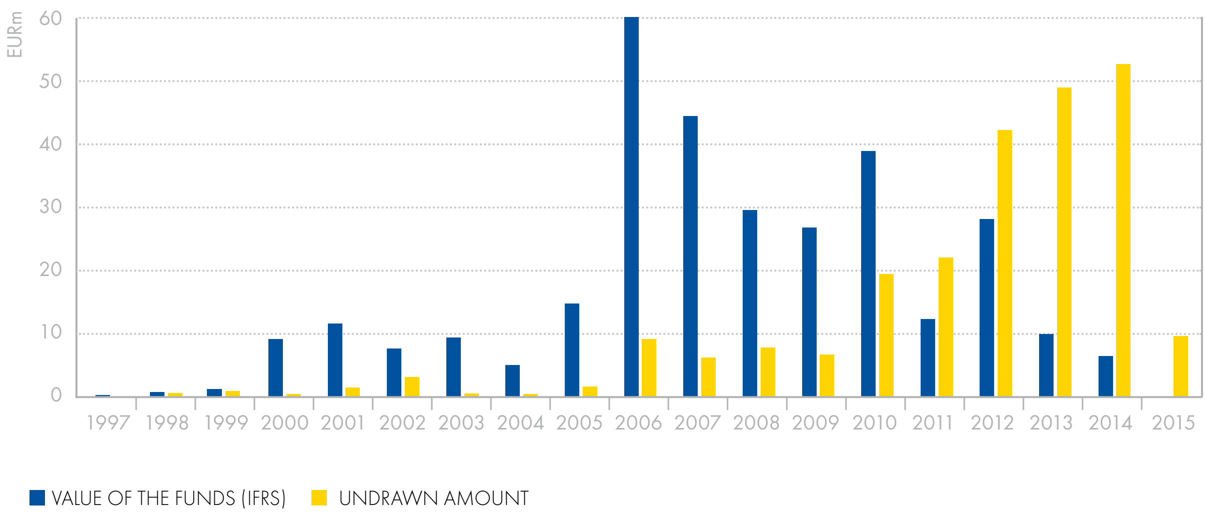


TABLE 1: UNDRAWN COMMITMENTS OF THE EIF OWN RISK PE PORTFOLIO; SPLIT BY TIME REMAINING TO THE END OF THE CONTRACTUAL LIFETIME* OF THE INVESTEE FUNDS

EUR

PRIVATE EQUITY	NOT MORE THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
As of 31.12.2014	20 072 051	1 375 256	13 369 955	195 087 022	229 904 284
As of 31.12.2013	3 738 578	1 145 365	10 595 876	182 242 753	197 722 572

*The duration of the contractual lifetime is generally 10 to 12 years starting from the inception of the fund. There is no obligation for a fund manager to call the full amount of capital committed by the investors.

TABLE 2: CAPITAL CALLS AND REFLOWS WHICH RESULTED FROM THE EIF OWN RISK PE PORTFOLIO

EURm

	CAPITAL CALLS	REFLOWS
2014	52.1	46.2
2013	39.5	32.1

Considering the expansion of the PE investment activity of the last few years, it is expected that the medium-term balance of capital calls and reflows will remain negative.

3.2.4 Market risk

The main types of market risk affecting the EIF PE portfolio are equity risk and foreign currency risk. Most funds in the portfolio make little or no use of leverage; therefore interest rate risk does not directly affect the EIF Own Risk PE portfolio.

3.2.4.1 Equity risk

Equity risk analysis requires an estimation of the sensitivity of the value of a stock towards a change in value in the overall market where this stock is traded. This can be done based on the Capital Asset Pricing Model. This model uses the beta, i.e. a measure of risk relative to the market, which is estimated by regressing returns of an asset against a public market index.

The specific characteristics of the PE asset class make it difficult to apply traditional approaches to equity risk analysis. While public market asset managers can use reliable statistical data to support their analysis, such data is lacking for PE and in particular for Venture Capital. The analysis of PE returns, volatility and correlations is limited by the relatively short time series of the publicly available data, which is not fully representative of the market, and the inherent lower transparency of the PE market in general. In particular, data does not fully capture the uncertainty of the asset class. Furthermore, as the Internal Rate of Return ("IRR"), the standard performance measure used for PE funds, is capital-weighted, while the performance measure of public market assets is traditionally time-weighted, it is not possible to analyse the correlation between PE and other asset classes without significant adjustments and therefore potentially large biases.

The EIF uses a beta derived from the betas of three listed PE indices, LPX Europe Price Index, LPX Venture Price Index and LPX Buyout Price Index, to estimate the sensitivity of the valuation of the EIF's PE investment to market prices. Regression has been carried out using the Dow Jones Euro Stoxx 50 over the last three years.

Using the most conservative beta from the three indices mentioned above and assuming market price movements of ±10 %, the final sensitivity (i.e beta x ±10 %) is applied to the net asset value to give an adjusted net asset value, which is then compared to the net paid in. EIF's PE investment value would be impacted as follows:

PUBLIC MARKET RISK: ALL PRIVATE EQUITY

EUR

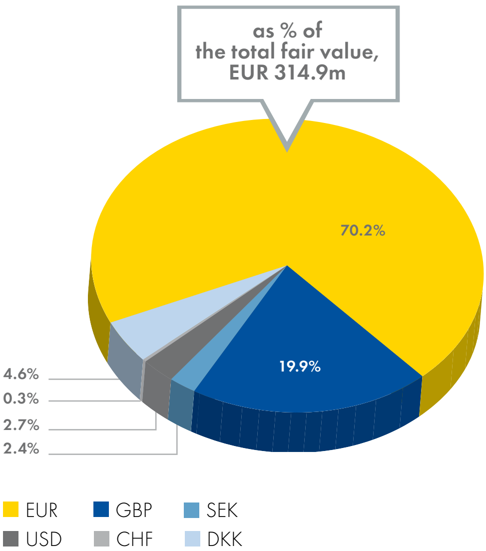
	+10% RETAINED BETA 0.7 FINAL SENSITIVITY: +7%			-10% RETAINED BETA 0.7 FINAL SENSITIVITY: -7%		
	Profit & loss account	Equity (Fair value reserve)	Total effect on equity	Profit & loss account	Equity (Fair value reserve)	Total effect on equity
31.12.2014	1 085 385	20 339 908	21 425 293	(3 191 506)	(18 233 788)	(21 425 293)

EUR

	+10% RETAINED BETA 0.8 FINAL SENSITIVITY: +8%			-10% RETAINED BETA 0.8 FINAL SENSITIVITY: -8%		
	Profit & loss account	Equity (Fair value reserve)	Total effect on equity	Profit & loss account	Equity (Fair value reserve)	Total effect on equity
31.12.2013	1 100 804	20 486 222	21 587 026	(8 325 243)	(13 261 783)	(21 587 026)

3.2.4.2 Foreign currency risk

The currency exposure of the EIF Own Risk PE portfolio, based on the currency denomination of the investee funds, can be broken down as follows:



For 2014, changes due to foreign exchange rates for shares and other variable income amount to EUR 3 450 297, of which EUR 3 405 080 has been posted to the fair value reserve (2013: respectively EUR 1 474 493 and EUR 1 275 693) and EUR 45 217 has been transferred to the Statement of comprehensive income following the recognition of impairment on the PE portfolio at year end (2013: EUR 198 801).

A sensitivity analysis is performed for all currencies representing more than 5 % of the total exposure to assess the impact of currency movements. Only GBP falls into this category and the P&L impact of an increase / decrease of 15 % vs. the Euro has been simulated below:

FOREIGN EXCHANGE RATE RISK IN EUR

	GBP INCREASE OF 15% VS. EUR	GBP DECREASE OF 15% VS. EUR
	Impact in EUR	Impact in EUR
31.12.2014	10 997 147	(8 128 326)
31.12.2013	9 044 340	(7 028 769)

It should be noted however, that these impacts are measured at the fund level. They do not take into account indirect potential effects on the underlying portfolio companies' value which could have a different currency exposure than the fund (e.g.: a fund denominated in GBP might invest in a company based in Germany or deriving most of its income in EUR).

3.2.5 Idiosyncratic risks

Idiosyncratic or non-systematic risk is a risk unique to a certain asset. This is a type of risk that can typically be managed via portfolio diversification. In the case of the EIF Own Risk PE portfolio the main types of idiosyncratic risks identified are strategy risk, geographic risk, fund risk, sector risk and technology risk.

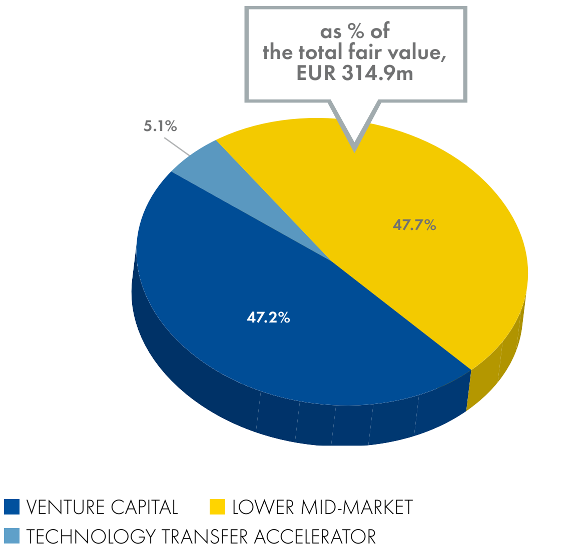
3.2.5.1 Strategy risk

Strategy risk is defined as the risk resulting from over/under weighting a specific investment strategy. The PE funds in the EIF portfolio can be generally grouped into three main investment strategies:

- Technology Transfer Accelerator ("TTA"): such definition covers strategies targeting investments at Seed and Pre-Seed stages directed at the commercialisation of new technologies developed by universities and research centres;
- Venture Capital: such definition covers strategies targeting venture capital investments ranging between the Early and Late stage;
- Lower Mid-Market: such definition covers strategies targeting Equity and Mezzanine investments at Growth and Buyout stages and targeting Small and Medium size Enterprises ("SMEs").

The three strategies follow different dynamics and involve different risk and return profiles. The EIF portfolio currently has a balanced exposure to Venture Capital and Lower Mid-Market funds, with a small exposure to TTA funds.

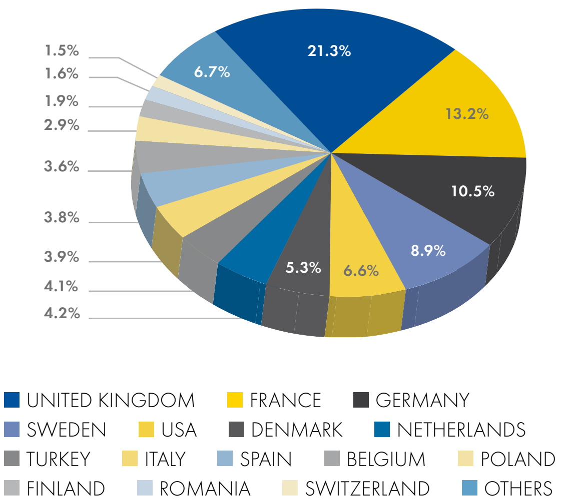
EIF OWN RISK PE PORTFOLIO:
FAIR VALUE SPLIT BY INVESTMENT STRATEGY



3.2.5.2 Geographic risk

Geographic risk is defined as the risk resulting from under/over weighting a specific country or region. The geographic scope of the EIF PE investment activity is currently focused on Europe, with limited outside exposure. The resulting geographic exposure of the EIF Own Risk PE portfolio is shown below:

EIF OWN RISK PORTFOLIO:
SPLIT OF INVESTEE COMPANIES BY COUNTRY OF DOMICILIATION



3.2.5.3 *Fund risk*

Fund risk refers to the risk of over/under performance due to factors linked to a specific PE fund in a portfolio (e.g.: the departure of a key executive from the management team of a fund). As shown below the EIF Own Risk PE portfolio is well diversified across a large number of funds. The largest fund in the EIF's portfolio represents 2.6% of the portfolio fair value (2013: 2.9%) and the largest 10 funds represent in aggregate 19.8% (2013: 21.6%).

3.2.5.4 *Sector risk*

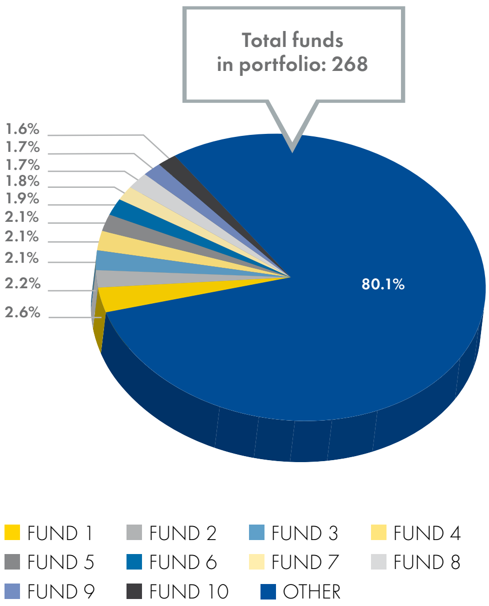
Sector risk is defined as the risk resulting from under/over weighting a specific sector. The largest sector exposure (excluding Generalist) of the EIF Own Risk PE portfolio is to the Information Technology and Life science sectors. Such exposure is by design and is the result of the portfolio allocation to Venture Capital funds.

3.2.5.5 *Technology risk*

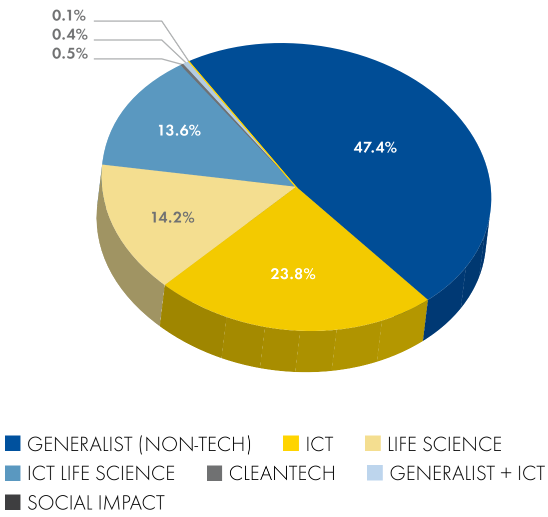
PE funds investing in Venture Capital and Technology Transfer are significantly affected by technology risk, defined as the risk of successfully developing and commercialising a new technology. The earlier he stage of investment is, the higher the technology risk is. Due to its often binary nature, technology risk is difficult to model but can be effectively managed through adequate diversification.

Regarding the technology risk; the fair value of the 10 largest technology investee companies (based on the last available report) amounted to EUR 34.8m (2013: 25.2m) and represented 11.6% of the fair value of the EIF's portfolio (2013: 9.5%).

EIF OWN RISK PE PORTFOLIO:
LARGEST PE FUNDS IN PORTFOLIO



EIF OWN RISK PORTFOLIO:
FAIR VALUE SPLIT BY SECTOR FOCUS OF INVESTEE FUNDS



3.3 Portfolio Guarantees and Securitisation

3.3.1 Introduction

EIF has developed a set of tools for its portfolio guarantee and structured (G&S) business to analyse and monitor finance transactions in line with common market practices. The risk management activity can be split into two parts: an initial risk assessment and ongoing risk monitoring.

3.3.1.1 Initial risk assessment

In the context of the independent opinion process, the Credit Risk and Portfolio Management division (CRPM) reviews the investment proposal provided by the Transaction and Relationship Management (TRM) department in accordance with EIF's internal rules and procedures. This review includes a detailed analysis of the risks related to the new G&S transaction, the methodologies applied and EIF's internal rating initially proposed by TRM. A transaction is only eligible if, at the time the EIF enters into the transaction, the assigned internal rating is in the range of iAaa-iB1 (iAaa and iB1 are mapped to Moody's Aaa and B1, respectively).

The EIF assigns an internal rating to each new transaction to estimate the credit quality based on an expected loss concept. EIF's internal rating is based on quantitative parameters and qualitative aspects. The following quantitative factors are examples of variables having an impact on the determination of EIF's internal rating: weighted average rating of the underlying portfolio and volatility of the default rates distribution, weighted average life of transaction, possible loan portfolio performance triggers, available credit enhancement, timing of defaults, expected recovery rates and its volatility, and level of diversification in the underlying pool of assets. The credit risk estimation also takes into account various qualitative factors, such as: reliability and completeness of the available data, size, quality and time horizon of the statistical samples, discontinuity in the origination criteria and servicing procedures, macro-economic effects.

The majority of EIF's financial guarantees are typically rated by at least one external rating agency. In case there are differences in the rating levels among external rating agencies and EIF's internal rating, the EIF applies a retained rating approach defining how the rating to calculate the value of the financial guarantee is selected amongst any available external rating(s) and the assigned EIF's internal rating. To allocate capital for an own risk guarantee tranche, EIF's internal rating is disregarded from the retained rating rule and only used when the tranche is not rated at least by one external rating agency. Valuation and capital charge are functions of the expected loss, i.e. they are risk-adjusted and consequently vary according to the assigned rating.

EIF's conservative capital allocation rules have already incorporated Bank for International Settlements (BIS) methodologies for several years. The EIF, having the status of a Multilateral Development Bank, does not report to the national supervisor, "Commission de Surveillance du Secteur Financier" (CSSF), but has adopted rules which are in line with the BIS framework. The implementation of the Ratings Based Approach (RBA) for EIF's G&S exposures has been carried out with the technical assistance of the CSSF and in close cooperation with the EIB.

3.3.1.2 On-going risk monitoring

The performance of a transaction is reviewed regularly – at least on a quarterly basis – and assessed based on EIF's surveillance triggers which take into account elements such as the level of cumulative defaults, the credit enhancement, the provisioning amount and any rating actions by external rating agencies.

In case of breach of such triggers and depending on the magnitude and expected consequence(s) of such a breach, a transaction can either change its status (e.g. Under Review, Positive or Negative Outlook) or a model re-run is initiated to reassess EIF's internal rating. Dedicated professionals within CRPM submit proposals to the Investment Risk Committee (IRC) to flag transactions as Under Review, Positive or Negative Outlook and/or to initiate an EIF's model re-run. Permission to carry out the EIF's rating model re-run may also be requested from the IRC before an EIF's trigger is breached (upon request by TRM or RPM-CRPM) when other circumstances suggest that the EIF's internal rating may already be affected.

The EIF systematically puts Under Review any transaction with an internal rating below iBa2 level. Transactions flagged Under Review, Negative Outlook or Positive Outlook are closely scrutinised for a possible breach of EIF's surveillance trigger as they have the potential to trigger a model re-run and an internal rating action proposal, which in turn could impact the expected loss. EIF's guarantees with the status Defaulted are fully provisioned as a loss of 100% is expected or the underlying portfolio is only composed of defaulted and restructured assets and the loss is hence primarily driven by uncertain recoveries.

The following table provides an overview about the status of the EIF's own risk guarantee transactions in terms of Exposure at Risk:

EUR

TRANSACTION STATUS	31.12.2014		31.12.2013	
Defaulted	108 953 111	3.5%	49 558 648	1.5%
Negative outlook	82 734 515	2.7%	375 842 610	11.5%
Under review	223 431 848	7.2%	197 026 616	6.0%
Performing	2 706 112 506	86.7%	2 658 427 140	81.0%
Positive outlook	0	0%	0	0%
TOTAL EXPOSURE AT RISK	3 121 231 980	100%	3 280 855 014	100%

To monitor the EIF's surveillance triggers correctly, the surveillance activity includes the following tasks:

- checking compliance of the counterparties with any relevant contractual covenants and triggers,
- assessing the expected evolution of an operation's performance compared to estimates set prior to its signature (e.g. actual cumulative default rate is compared to a given predetermined threshold level or default base case scenario),
- assessing whether the level of capital allocation and provisions made for each operation are adequate,
- following up on any external rating agencies' actions that might indicate a substantial change in the performance of the underlying portfolio,
- monitoring any other element of concern which calls for additional scrutiny (e.g. negative news regarding the servicer or originator).

The monitoring activities also include the analysis of the G&S portfolio as a whole (Portfolio Review).

The restructuring activity is carried out by dedicated professionals within CRPM. CRPM is in charge of proposing, during the IRC, the assignment of a Work Out Committee status (WOC) to a transaction, whenever there is a high likelihood that a loss may arise for the EIF and that specific actions may be taken to avoid or minimise such loss - typically for underperforming deals. The assignment of a WOC status can be also proposed by TRM or decided by the IRC Chairman during the IRC meeting.

For the purpose of handling WOC status transactions, CRPM may request the assistance of professionals from TRM, Legal or Compliance. The IRC Chairman may also specifically designate such persons. CRPM coordinates the actions on WOC status transactions and shall inform the IRC regularly on developments in relation to such transactions.

The overall goal of a dedicated management of WOC status transactions is to minimise the loss which may arise from the deterioration of the performance of such transactions.

3.3.2 Credit risk

The maximum principal exposure to credit risk (not including possible guarantee calls on interest shortfalls or foreign currency fluctuations) corresponds to the exposure at risk as of 31 December 2014 of EUR 3 121.2m (2013: EUR 3 280.9m).

The credit risk is managed by risk management policies covered by the statutes and EIF Credit Risk Policy Guidelines.

The statutes of the EIF limit own risk guarantees to three times the subscribed capital, which amounted to EUR 4 161m at end 2014. Hence, the EUR 3 121.2m exposure at risk at end 2014 was below the statutory limit of EUR 12 483m.

The EIF Credit Risk Policy Guidelines ensure that the EIF continues to develop a diversified G&S portfolio with regard to credit quality, geographic coverage, concentration risk, obligor exposure, industry sector diversification and counterparty risk.

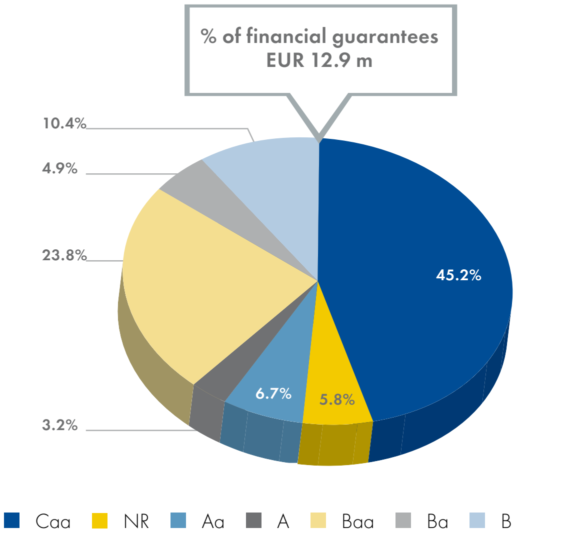
The credit risk is tracked from the outset on a deal-by deal basis by adopting a different model analysis depending on the granularity and homogeneity of the underlying portfolio.

3.3.2.1 *Geographic Coverage*

As of 31 December 2014, the EIF's financial guarantees were spread over 18 countries (2013: 16 countries).

The table below shows the geographic distribution of the EIF's financial guarantees (EUR 12.9m as of 31 December 2014) showing that the largest weight is to the United Kingdom (33.7%), followed by Spain (13.9%), Portugal (13%), and Italy (8.7%):

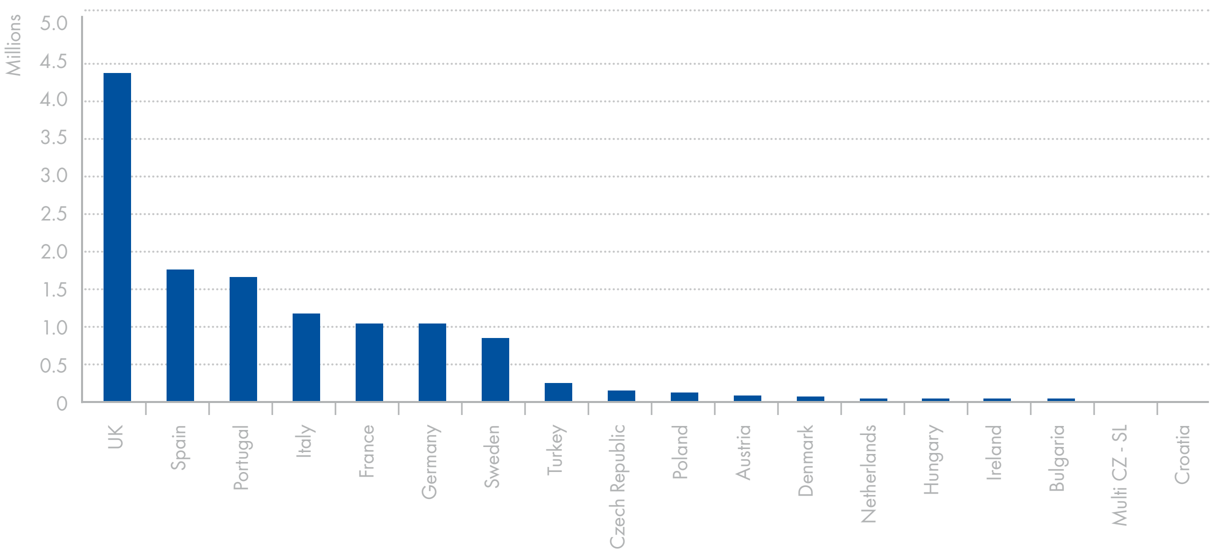
The below table shows the split of the financial guarantees in terms of credit quality (based on the EIF's retained rating approach) as of 31 December 2014:



3.3.2.2 *Concentration risk*

To limit the concentration risk in the portfolio, the EIF has internal limits based on capital allocation at both individual transaction and originator level (maximum aggregate exposures for originators and originator groups). Furthermore, the EIF has introduced transaction, originator group and country limits. Transaction limits define maximum possible exposure dependent on underlying

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (EXPRESSED IN EUR)



rating and Weighted Average Life ("WAL"). Originator group limits constrain the exposure per originator group by considering the group rating. Country limits control the maximum exposure of the G&S portfolio (absolute and relative amounts), taking into account the country rating. Concentration risk on a deal-by-deal basis is also limited because of the granular nature of the EIF's transactions; typically the underlying portfolios are highly diversified in terms of single obligor concentration, industry sectors and regional diversification.

3.3.2.3 *Industry sector exposures*

The industry sector exposures are analysed on a deal-by-deal basis through their impact on the ratings assigned by the EIF to each transaction/tranche. For instance, depending on the financial model used to analyse the transaction, industry exposures can be reflected in implicit correlation or can be indirectly captured based on assumption of default rate volatility, as a key model input variable. Consideration of sector exposures also forms part of the EIF's overall portfolio analysis.

3.3.2.4 *Counterparty risk*

Counterparty risk in the own resources portfolio is mitigated by the quality of the EIF counterparties, which are usually major market players, and by rating triggers on the counterparty which require, in case of breach, actions such as substitution of the counterparty or collateralisation of its obligation. Stress-test scenarios for the portfolio of G&S, including extreme case assumptions, are regularly carried out to determine the ability of the capital base to sustain adverse shocks.

3.3.3 Liquidity risk

The nature of the EIF's G&S business implies in general a low level of liquidity risk. Furthermore, the EIF's treasury guidelines (see section 3.4) ensure a high degree of liquidity to cover potential guarantee calls arising from the G&S activity.

The following table shows an analysis of the financial guarantees (EUR 12.9m as of 31 December 2014) split by the expected maturity dates of the transactions to which they are related:

EUR

EXPECTED MATURITY OF GUARANTEE

FINANCIAL LIABILITY	NOT MORE THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
As of 31.12.2014	1 003	8 172 669	2 471 810	2 257 134	**12 902 616**
As of 31.12.2013	833 329	758 208	15 142 237	3 575 600	**20 309 374**

3.3.4 Market risk

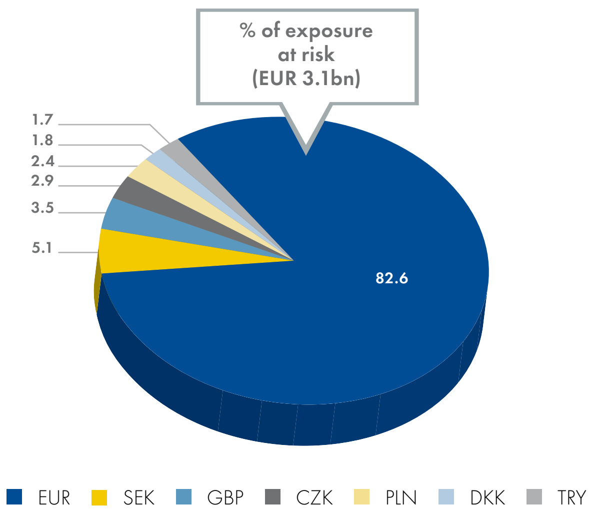
3.3.4.1 *Market risk: Interest rate risk*

The value of guarantee transactions is not subject to fluctuations with interest rates as long as a transaction is performing. However, transactions for which the EIF is being called on interest are typically generating exposure to short term interest rates through the coupon definition of the guaranteed tranche.

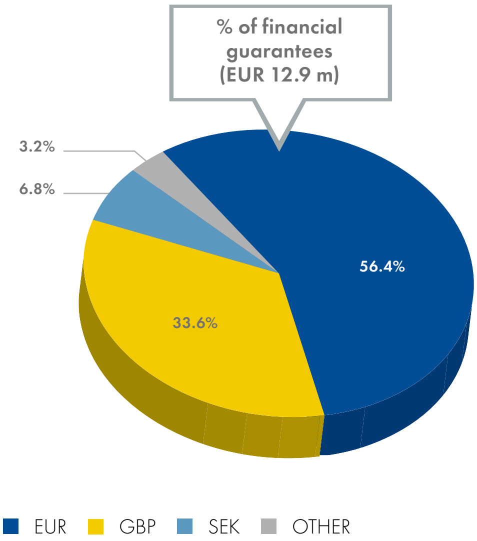
3.3.4.2 *Market risk: Foreign currency risk*

As of 31 December 2014, 82.6% of the EIF guarantees are in EUR (2013: 87%) with small exposures of the G&S portfolio in SEK (5.1%), GBP (3.5%), CZK (2.9%), PLN (2.4%), DKK (1.8%) and TRY (1.7%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (EXPRESSED IN EUR)



The split by currency for the EIF guarantees measured as financial guarantees (EUR 12.9m as of 31 December 2014) is as follows:



The following table shows the impact on the financial guarantees position regarding a 15% increase / decrease in the currency rate:

EUR

CURRENCY	FINANCIAL LIABILITY	IMPACT INCREASE	IMPACT DECREASE
GBP	4 341 114	(566 232)	766 079
SEK	872 954	(113 864)	154 051

EIF is monitoring its non-euro financial guarantees and performs regular stress tests with regard to currency risk.

3.3.4.3 Market risk: Other price risk

As the EIF's G&S transactions are not actively traded on public markets, direct sensitivity to price risk is not a consideration.

3.4 Treasury

3.4.1 Introduction

Treasury management has been outsourced to the EIB under a treasury management agreement mandating the responsible the EIB services to perform selection, execution, settlement and monitoring of transactions. Management follows treasury guidelines annexed to the agreement which define the EIF's intention to hold the treasury portfolio to maturity, reflect the investment strategy, and mirror closely the relevant sections of the EIB's own treasury guidelines. Quarterly meetings between the EIB and the EIF take place to review the performance of the treasury portfolio and relevant market events.

3.4.2 Portfolio overview

The treasury portfolio is broken down into the following separate sub-portfolios:

- current accounts;
- money market instruments and short term securities;
- available for sale portfolio (made up of long-term debt instruments, floating rate and fixed rate instruments).

EIF does not borrow funds.

EUR

	31.12.2014	31.12.2013
Current accounts	100 956 423	76 211 056
Money market instruments and short term securities	53 602 550	104 557 453
Available for sale portfolio	1 465 877 370	929 375 811
TOTAL TREASURY PORTFOLIO	1 620 436 343	1 110 144 320

3.4.3 Credit risk

The Fund is exposed to credit risk relating to its assets held in the treasury portfolio. However, the EIF adheres to conservative credit investment guidelines and internal limits. For each portfolio, the eligibility criteria for counterparties are fixed according to their nature, to their credit quality (as measured by their external credit ratings) and to their own funds.

As at 31 December 2014 and 2013, all investments in the available for sale portfolio are made in EUR.

The following table shows the maximum exposure to credit risk for treasury:

EUR

	MAXIMUM EXPOSURE 2014	MAXIMUM EXPOSURE 2013
Cash and cash equivalents	154 558 973	180 768 509
Debt securities and other fixed income securities	1 465 877 370	929 375 811
TOTAL CREDIT RISK EXPOSURE	1 620 436 343	1 110 144 320

The following table outlines the credit quality of the Fund's debt securities and other fixed income securities as of 31 December 2014 and 2013, based on external ratings.

AFS - DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES	31.12.2014		31.12.2013	
MINIMUM ISSUE RATING	FAIR VALUE IN EUR	%	FAIR VALUE IN EUR	%
Aaa	347 192 150	23.68%	248 214 523	26.70%
Aa1	96 261 282	6.57%	128 463 150	13.82%
Aa2	210 295 063	14.35%	41 022 571	4.41%
Aa3	82 240 319	5.61%	40 410 881	4.35%
A1	108 350 274	7.39%	46 711 435	5.03%
A2	223 938 754	15.28%	44 026 304	4.74%
A3	122 701 420	8.37%	53 496 114	5.76%
Baa1	36 056 095	2.46%	93 923 170	10.11%
Baa2	196 260 295	13.39%	105 685 756	11.37%
Baa3	0	0%	56 118 031	6.04%
Ba1	22 365 992	1.53%	10 542 085	1.13%
Ba3	0	0%	30 746 039	3.31%
Unrated	20 215 726	1.38%	30 015 752	3.23%
TOTAL	1 465 877 370	100%	929 375 811	100%

A breakdown of the EU sovereign bond exposure is given in the table below.

EUR

FAIR VALUE	31.12.2014	31.12.2013
EU sovereigns		
Italy	143 264 860	93 145 354
Ireland	82 876 529	94 030 364
Austria	69 526 387	54 551 445
Spain	52 995 434	41 441 583
Slovakia	50 366 909	24 272 155
European Union	45 594 764	55 718 568
Poland	34 898 188	11 611 953
Germany	34 533 897	37 855 759
France	25 791 248	51 257 803
Portugal	22 365 992	30 746 039
Greece	20 215 726	30 015 752
Luxembourg	17 373 722	16 062 850
Lithuania	15 288 888	0
Czech Republic	11 874 449	5 216 060
Slovenia	11 235 344	10 434 890
Netherlands	0	70 528 450
	638 202 337	626 889 025
Corporate bonds and non EU sovereign	827 675 033	302 486 786
TOTAL	1 465 877 370	929 375 811

As of 31 December 2014, the EIF's debt securities portfolio was spread over 26 countries. The greatest individual country exposures were Germany, France, Italy, The Netherlands and Ireland, which jointly accounted for 49% of total nominal value.

3.4.4 Liquidity risk

The treasury is managed in such a way as to protect the value of the paid-in capital, ensure an adequate level of liquidity to meet possible guarantee calls, PE undrawn commitments, administrative expenditure and earn a reasonable return on assets invested with due regard to the minimisation of risk.

The treasury funds are available and sufficient to meet the Fund's liquidity needs and the treasury guidelines are designed to ensure funds are available when needed.

The guidelines also prescribe the order in which investments would be utilised to meet exceptional liquidity requirements, starting with cash, highly liquid money market instruments, then the regular maturities of longer investments as well as the option to sell securities or use them as collateral to generate liquidity if appropriate.

3.4.5 Market risk – interest rate risk

In nominal terms approximately 66.44% of all assets held have a duration of 5 years or less, (2013: 68.6%).

Speculative operations are not authorised. Investment decisions are based on the interest rates available in the market at the time of investment.

The following table illustrates the Fund's exposure to interest rate risk (figures are presented at fair value) at the time they reprice or mature:

EUR

AT 31.12.2014	FIXED RATE				VARIABLE RATE	TOTAL
	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS		
Cash and cash equivalents	154 558 973	0	0	0	0	154 558 973
AFS - Debt securities and other fixed income securities	83 107 176	60 496 225	778 378 305	543 895 664	0	1 465 877 370
TOTAL	237 666 149	60 496 225	778 378 305	543 895 664	0	1 620 436 343
Percentage	14.7%	3.8%	48%	33.6%	0%	100%

EUR

AT 31.12.2013	FIXED RATE				VARIABLE RATE	TOTAL
	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS		
Cash and cash equivalents	180 768 509	0	0	0	0	180 768 509
AFS - Debt securities and other fixed income securities	33 134 653	106 566 005	423 701 556	361 969 147	4 004 450	929 375 811
TOTAL	213 903 162	106 566 005	423 701 556	361 969 147	4 004 450	1 110 144 320
Percentage	19.3%	9.6%	38.2%	32.6%	0.4%	100%

The average yield at cost of the Operational Portfolio was 0% for 2014 (2013: 0.14%). The average yield at cost on the AFS securities portfolio in EUR was 1.7% for 2014 (2013: 2.74%).

Sensitivity of earnings

The sensitivity of earnings is an estimate of the change over the next 12 months in the earnings of the EIF treasury portfolio managed by the EIB if all interest rate curves rise by one percentage point or fall by one percentage point. The sensitivity measure is computed by taking into consideration the coupon repricings of all the positions present in the EIF treasury portfolio on a deal by deal basis. Each fixed rate asset is assumed to be reinvested at maturity in a new asset with the same residual life as the previous one as of 31 December 2013. For the positions in place as of 31 December 2014, the earnings of the EIF treasury portfolio would increase by EUR 1.0m (2013: EUR 1.1m) if interest rates rose by one percentage point and decrease by the same amount if interest rates fell by one percentage point.

Value at Risk

As of 31 December 2014, the Value at Risk of the EIF treasury portfolio was EUR 1.4m (EUR 1.9m in 2013). It was computed on the basis of the RiskMetrics VaR methodology, using a confidence level of 99% and a 1-day time horizon. This means that the VaR figure represents the maximum loss over a one-day horizon such that the probability that the actual loss will be larger is 1%. Given the nature of the EIF treasury positions, the choice of the RiskMetrics methodology is deemed appropriate to measure their exposure to interest rate risk.

3.5 Fair value of financial assets and financial liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the EIF measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 2.3.2.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. PE is an appraised asset class, valued not by the consensus of many market players in an active and efficient market but by a few experts, normally the fund managers who value each investment based on their views of the investment's earnings potential and/or comparisons with other investments and in accordance with customary industry valuation guidelines.

For loans and receivables as well as other liabilities, the carrying values approximate fair values.

The fair value hierarchy reflects the significance of the inputs used in making the measurements. These levels differ from the category classification mentioned under 2.3.2a:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

EUR

AT 31.12.2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Debt securities and other fixed income securities				
Financial investments - AFS	1 445 661 645	20 215 726	0	1 465 877 370
Shares and other variable income securities				
Financial investments - AFS	20 888	0	309 503 505	309 524 393
Financial assets designated at fair value through P&L	0	0	5 440 834	5 440 834
	1 445 682 533	20 215 726	314 944 339	1 780 842 597

EUR

AT 31.12.2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Debt securities and other fixed income securities				
Financial investments - AFS	899 360 059	30 015 752	0	929 375 811
Shares and other variable income securities				
Financial investments - AFS	886 490	0	263 945 659	264 832 149
Financial assets designated at fair value through P&L	0	0	5 162 705	5 162 705
	900 246 549	30 015 752	269 108 364	1 199 370 665

The Fund's policy is to recognise the transfers between Levels as of the date of the event or change in circumstances that caused the transfer.

Details of the movements of financial assets in 2014 are given in notes 4.2 and 4.3.

There was no transfer of financial assets between Level 1 and Level 3 in 2014 or 2013.

4. DETAILED DISCLOSURES RELATING TO ASSET HEADINGS

4.1 Cash and cash equivalents

The effective interest rate on short-term bank deposits is 0.03% (2013: 0.14%). These deposits have an average remaining maturity of 13 days (2013: 27 days).

EUR

	31.12.2014	31.12.2013
Current accounts	100 956 423	76 211 056
Money market instruments and short term securities	53 602 550	84 559 434
Short-term securities	0	19 998 019
	154 558 973	180 768 509

4.2 Debt securities and other fixed income securities

The Fund's portfolio includes long-term debt instruments i.e. bonds, notes and other obligations.

EUR

	31.12.2014	31.12.2013
Available-for-Sale portfolio	1 446 197 964	914 049 152
Accrued interests	19 679 406	15 326 659
	1 465 877 370	929 375 811

Movement in debt securities and other fixed income securities: EUR

	2014	2013
FAIR VALUE AT 1 JANUARY	929 375 811	907 055 554
Additions	637 972 532	209 291 540
Disposals/ matured	(141 540 082)	(185 778 891)
Effective interest rate adjustment	(5 238)	(2 480 541)
Change in Fair value reserve	40 074 347	1 288 149
FAIR VALUE AT 31 DECEMBER	1 465 877 370	929 375 811

The total fair value reserve recognised in equity at the end of 2014 and attributable to debt securities and other fixed income securities is EUR 61 665 192 (2013: EUR 21 590 846).

No impairment was recorded on the portfolio in either 2014 or 2013.

4.3 Shares and other variable income securities

Shares and other variable income securities are analysed as follows:

EUR

	2014	2014 OF WHICH LEVEL 3
Investment at cost at 1 January	271 723 471	269 287 146
Disbursements	52 069 819	52 069 819
Capital repayments	(42 315 088)	(41 056 614)
Terminated deals	(1 894 637)	(1 894 637)
Transferred to other assets	(1 984 208)	(1 984 208)
INVESTMENT AT COST AT 31 DECEMBER	277 599 357	276 421 506
Fair value adjustment and foreign exchange adjustment at 1 January	(1 728 617)	(178 783)
Terminated deals	1 845 840	1 845 840
Transferred to other assets	1 983 701	1 983 701
Adjustments to Fair value reserve		
- changes in the value of investments	35 622 310	35 229 439
- foreign exchange impact on investments	3 405 080	3 405 080
Adjustment to P&L		
- changes in the value of investments	278 128	278 128
Impairment		
- impairment value	(4 085 790)	(4 085 790)
- foreign exchange impact	45 217	45 217
VALUE ADJUSTMENT AND FOREIGN EXCHANGE ADJUSTMENT AT 31 DECEMBER	37 365 869	38 522 832
	314 965 227	314 944 338

EUR

	2013	2013 OF WHICH LEVEL 3
Investment at cost at 1 January	262 651 266	259 683 047
Disbursements	39 532 697	39 532 697
Capital repayments	(26 211 252)	(25 679 358)
Transferred to other assets	(4 249 240)	(4 249 240)
INVESTMENT AT COST AT 31 DECEMBER	271 723 471	269 287 146
Fair value adjustment and foreign exchange adjustment at 1 January	(19 643 613)	(17 783 507)
Transferred to other assets	3 471 053	3 471 053
Adjustments to Fair value reserve		
- changes in the value of investments	20 088 905	19 778 634
- foreign exchange impact on investments	(1 275 693)	(1 275 693)
Impairment	(4 369 269)	(4 369 269)
VALUE ADJUSTMENT AND FOREIGN EXCHANGE ADJUSTMENT AT 31 DECEMBER	(1 728 617)	(178 783)
	269 994 854	269 108 364

In 2014 earn-out agreements were signed for the disposal of 2 transactions (2013: 4 transactions). Consequently the net book value of these transactions was transferred out of the shares and other variable income securities and booked as receivables in other assets. Additional losses of EUR 507 were booked as impairment upon transfer (2013: EUR 226 872).

Investments belonging to Category C, which are valued at cost less impairment in the absence of additional compliant data at reporting date have zero value at the end of 2014 (2013: EUR 0).

The fair value as of 31 December 2014 includes an amount of EUR 5 440 834 (2013: EUR 5 162 705) related to investment in joint ventures.

4.4 Other assets

Other assets are made up of the following:

EUR

	31.12.2014	31.12.2013
Accounts receivable relating to pensions managed by the EIB	77 738 666	61 976 423
Advanced payments	274 974	457 496
Accrued commission & other income	20 495 389	19 860 968
Fees receivable on financial guarantees	2 895 979	3 270 062
Receivables from earn-out agreements	608 908	619 113
Other debtors	2 436 430	918 996
	104 450 346	87 103 058

Following the introduction of a defined benefit pension scheme in 2003 (see note 2.7), contributions from staff and the Fund are set aside to cover future obligations. The assets of the scheme are transferred to the EIB for management on behalf of the Fund. See also note 5.3.

The following table discloses the ageing of other assets:

EUR

			PAST DUE BUT NOT IMPAIRED		
	TOTAL	NEITHER PAST DUE NOR IMPAIRED	0-6 MONTHS	6-12 MONTHS	> 12 MONTHS
2014	104 450 346	104 409 080	1 619	1 973	37 674
2013	87 103 058	86 966 713	0	119 140	17 205

4.5 Intangible assets

EUR

	INTERNALLY GENERATED SOFTWARE	PURCHASED SOFTWARE	TOTAL
Cost	5 195 493	251 578	5 447 071
Accumulated amortisation	(4 820 110)	(251 578)	(5 071 688)
Carrying amount at 01.01.2013	375 383	0	375 383
Opening net book amount	375 383	0	375 383
Additions	338 325	0	338 325
Amortisation charge	(191 321)	0	(191 321)
Carrying amount at 31.12.2013	522 387	0	522 387
Cost	5 533 818	251 578	5 785 396
Accumulated amortisation	(5 011 431)	(251 578)	(5 263 009)
Carrying amount at 01.01.2014	522 387	0	522 387
Opening net book amount	522 387	0	522 387
Additions	48 450	0	48 450
Amortisation charge	(275 008)	0	(275 008)
Carrying amount at 31.12.2014	295 829	0	295 829

EUR

31.12.2014	INTERNALLY GENERATED SOFTWARE	PURCHASED SOFTWARE	TOTAL
Cost	5 582 268	251 578	5 833 846
Accumulated amortisation	(5 286 439)	(251 578)	(5 538 017)
Carrying amount	295 829	0	295 829

There were no indications of impairment of intangible assets in either 2014 or 2013.

4.6 Equipment and investment property

EUR

	INVESTMENT PROPERTY	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	TOTAL EQUIPMENT
Cost	7 139 812	202 401	818 355	1 020 756
Accumulated depreciation	(1 559 033)	(187 358)	(818 355)	(1 005 713)
Net book amount at 01.01.2013	5 580 779	15 043	0	15 043
Opening net book amount	5 580 779	15 043	0	15 043
Depreciation charge	(374 150)	(11 983)	0	(11 983)
Net book amount at 31.12.2013	5 206 629	3 060	0	3 060
Cost	7 139 812	202 401	818 355	1 020 756
Accumulated depreciation	(1 933 183)	(199 341)	(818 355)	(1 017 696)
Net book amount at 01.01.2014	5 206 629	3 060	0	3 060
Opening net book amount	5 206 629	3 060	0	3 060
Depreciation charge	(374 151)	(481)	0	(481)
Net book amount at 31.12.2014	4 832 478	2 579	0	2 579
31.12.2014				
Cost	7 139 812	202 401	818 355	1 020 756
Accumulated depreciation	(2 307 334)	(199 822)	(818 355)	(1 018 177)
Net book amount	4 832 478	2 579	0	2 579

There were no indications of impairment of equipment or investment property in either 2014 or 2013.

The fair value of the investment property is EUR 8.1m as measured by an external expert in its report dated 5 October 2012. According to the Royal Institution of Chartered Surveyors ("RICS") valuation standards and to the generally accepted standard income approach and valuation methodology, the external expert made several specific assumptions and used comparable recent market transactions made on an arm's length basis to measure the fair value, which would not significantly change since the measurement made by the external expert.

5. DETAILED DISCLOSURES RELATING TO LIABILITIES AND EQUITY HEADINGS

5.1 Financial liabilities

The movements relating to financial guarantees payables are set out below:

EUR

	2014	2013
Balance at the beginning of the financial year	20 309 374	24 361 298
Net increase/decrease in Financial Guarantees	(1 708 720)	(4 577 148)
Remeasurement of the liability due to rating changes	(4 213 006)	900 822
Transfer to provision for guarantees	(1 485 032)	(375 598)
BALANCE AT THE END OF THE FINANCIAL YEAR	12 902 616	20 309 374

When a guarantee operation measured under IAS 39 is derecognised and treated under IAS 37, its value previously recorded under financial guarantees is transferred to the heading Provisions for financial guarantees.

5.2 Provisions for financial guarantees

EUR

	2014	2013
Balance at 1 January	177 087 198	174 992 902
Transfer from financial guarantees	1 485 032	375 598
Additions	9 982 150	22 140 304
Utilised	(16 053 718)	(5 311 389)
Release of provision	(26 647 340)	(15 110 217)
BALANCE AT 31 DECEMBER	145 853 322	177 087 198

5.3 Retirement benefit obligations

The retirement benefit obligation comprises the pension scheme and the health insurance scheme as follows:

EUR

RETIREMENT BENEFIT OBLIGATIONS	31.12.2014	31.12.2013
Pension scheme	135 969 786	65 007 083
Health insurance scheme	20 886 037	7 482 461
	156 855 823	72 489 544

Commitments in respect of retirement benefits as of 31 December, 2014 have been valued by an independent actuary. The calculations are based on the following main assumptions:

PRINCIPAL ASSUMPTIONS	2014	2013
Discount rate for obligations	3.14%	5.10%
Rate of future compensation increases	4.50%	4.50%
Rate of pension increases	2%	2%
Actuarial tables	ICSLT	ICSLT

The discount rate is based on internal assumptions and on a market observable index, which are the iBoxx EUR Corporates AA 7-10 years index and the iBoxx EUR Corporates AA 10 years+ index. The first index is a composite of 10 financial bonds and 14 non-financial bonds (2013: 15 financials, 15 non-financial) and the second index is a composite of 4 financial bonds and 18 non-financial bonds (2013: 4 financials, 7 non-financial). As at December 2014, the indexes amounted respectively to 0.91% and 1.49% (2013: 2.50% and 3.17%).

The defined benefit obligation for pensions as valued in the independent actuary report dated February 2015 amounts to EUR 135 969 786 (2013: EUR 65 007 082). As of December 2014 the Fund allocated EUR 60 768 406 (2013: EUR 49 586 442) to pension assets.

EUR

AMOUNTS RECOGNISED IN COMPREHENSIVE INCOME AS AT 31.12.2014	EIF PENSION	HEALTH INSURANCE	TOTAL 2014
Current net service cost	4 316 823	1 147 000	5 463 823
Net interest cost	3 315 000	382 000	3 697 000
Net benefit expense recognised in profit or loss	7 631 823	1 529 000	9 160 823
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	1 690 000	564 000	2 254 000
Loss due to assumption changes	59 002 000	11 319 000	70 321 000
Defined benefit obligation recognised in other comprehensive income	60 692 000	11 883 000	72 575 000
TOTAL	68 323 823	13 412 000	81 735 823

EUR

AMOUNTS RECOGNISED IN COMPREHENSIVE INCOME AS AT 31.12.2013	EIF PENSION	HEALTH INSURANCE	TOTAL 2013
Current net service cost	5 612 000	1 183 000	6 795 000
Net interest cost	2 903 000	298 000	3 201 000
Net benefit expense recognised in profit or loss	8 515 000	1 481 000	9 996 000
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	4 417 000	(54 000)	4 363 000
Gain due to assumption changes	(17 423 000)	(987 000)	(18 410 000)
Defined benefit obligation recognised in other comprehensive income	(13 006 000)	(1 041 000)	(14 047 000)
TOTAL	(4 491 000)	440 000	(4 051 000)

CHANGES IN DEFINED BENEFIT OBLIGATION AS AT 31.12.2014	EIF PENSION	HEALTH INSURANCE	EUR TOTAL 2014
Defined benefit obligation, Beginning of year	65 007 000	7 482 000	72 489 000
Net service cost	4 316 823	1 147 000	5 463 823
Net interest cost	3 315 000	382 000	3 697 000
Employee contributions	2 196 000	0	2 196 000
Benefits Paid	445 000	(10 000)	435 000
Experience Loss/ (gain)	1 690 000	564 000	2 254 000
Loss due to assumption changes	59 002 000	11 319 000	70 321 000
DEFINED BENEFIT OBLIGATION, END OF YEAR	135 971 823	20 884 000	156 855 823

CHANGES IN DEFINED BENEFIT OBLIGATION AS AT 31.12.2013	EIF PENSION	HEALTH INSURANCE	EUR TOTAL 2013
Defined benefit obligation, Beginning of year	68 640 000	7 044 000	75 684 000
Net service cost	5 612 000	1 183 000	6 795 000
Net interest cost	2 903 000	298 000	3 201 000
Employee contributions	2 158 000	0	2 158 000
Benefits Paid	(1 300 000)	(2 000)	(1 302 000)
Experience Loss/ (gain)	4 417 000	(54 000)	4 363 000
Gain due to assumption changes	(17 423 000)	(987 000)	(18 410 000)
DEFINED BENEFIT OBLIGATION, END OF YEAR	65 007 000	7 482 000	72 489 000

The Defined Benefit Obligation (DBO) at the end of the year is calculated using the DBO at the beginning of the year, plus net service cost, plus net interest cost, plus employee contributions, plus net benefits paid, plus liability due to experience, plus/ less result due to assumption changes.

The sensitivity of the DBO to possible changes at the reporting date to key actuarial assumptions, holding other assumptions constant, is shown below:

The movements in the "Retirement benefit obligations" rounded to the nearest EUR 1 000 are as follows:

31 DECEMBER 2014		EFFECT ON THE DEFINED BENEFIT OBLIGATION	
		EIF PENSION	HEALTH INSURANCE
Discount rate	1% increase	-25%	-28%
Discount rate	1% decrease	35%	41%
Life expectancy	1 year increase	3%	5%
Life expectancy	1 year decrease	-3%	-5%
Inflation	1% increase	34%	
Inflation	1% decrease	-25%	
Salary rate	1% increase	33%	
Salary rate	1% decrease	-24%	
Medical cost	1% increase		42%
Medical cost	1% decrease		-30%

31 DECEMBER 2013		EFFECT ON THE DEFINED BENEFIT OBLIGATION	
		EIF PENSION	HEALTH INSURANCE
Discount rate	1% increase	-23%	-27%
Discount rate	1% decrease	32%	36%
Life expectancy	1 year increase	2%	4%
Life expectancy	1 year decrease	-3%	-5%
Inflation	1% increase	32%	
Inflation	1% decrease	-23%	
Salary rate	1% increase	31%	
Salary rate	1% decrease	-23%	
Medical cost	1% increase		40%
Medical cost	1% decrease		-30%

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the DBO at the reporting date were as follows:

31 DECEMBER 2014	EIF PENSION	HEALTH INSURANCE
	YEARS	YEARS
Duration of active members	30.2	34.6
Duration of deferred members*	33.5	-
Duration of retired members	15.4	18.7

Life expectancy at age 60 for a Male using ICSLT (year 2014) mortality tables: 24.8 years
Life expectancy at age 60 for a Female using ICSLT (year 2014) mortality tables: 26.6 years

* Staff members who have left the Fund before retirement age and have a right to a deferred pension.

31 DECEMBER 2013	EIF PENSION	HEALTH INSURANCE
	YEARS	YEARS
Duration of active members	29.1	36.7
Duration of deferred members*	33.7	-
Duration of retired members	13.8	17.9

Life expectancy at age 60 for a Male using ICSLT (year 2013) mortality tables: 25.2 years
Life expectancy at age 60 for a Female using ICSLT (year 2013) mortality tables: 27.4 years

* Staff members who have left the Fund before retirement age and have a right to a deferred pension.

5.4 Other liabilities and providing

	31.12.2014	31.12.2013
		EUR
Related parties payables	7 194 055	9 029 398
Employee benefit payables	32 479 557	26 013 436
Trade creditors	5 046 280	3 265 217
	44 719 892	38 308 051

Employee benefit payables mostly include staff-related costs such as the bonus, the optional supplementary provident scheme (OSPS) and the severance grant.

5.5 Share capital

The authorised capital amounts to EUR 4.5 billion, divided into 4 500 shares with a nominal value of EUR 1 000 000 each. The shares confer rights of ownership of the assets of the Fund as described in Article 8 of its Statutes. Shareholders are entitled to any distribution of net profits, which is limited by the requirements of the statutory reserve.

On 27 May 2014, the Extraordinary General Meeting of Shareholders decided an increase of the Fund's subscribed share capital from EUR 3 000 000 000 to EUR 4 161 000 000 by issuing 1 161 additional shares with a nominal value of EUR 1 000 000.

The authorised and subscribed share capital of EUR 4 161 000 000 representing 4 161 shares is called and paid in for an amount of EUR 832 200 000 representing 20 % of the authorised and subscribed share capital.

Further payments of the subscribed but not paid in capital require the approval of the General Meeting of Shareholders.

The subscribed share capital is detailed as follows:

	31.12.2014	31.12.2013
		EUR
Subscribed and paid in (20%)	832 200 000	600 000 000
Subscribed but not yet called (80%)	3 328 800 000	2 400 000 000
	4 161 000 000	3 000 000 000

The capital is subscribed as follows :

	31.12.2014	31.12.2013
		Number of shares
European Investment Bank	2 650	1 863
European Commission	1 011	900
Financial institutions	500	237
	4 161	3 000

5.6 Statutory reserve and retained earnings

Under the terms of Article 27 of its Statutes, the Fund is required to appropriate to a statutory reserve at least 20 % of its annual net profit until the aggregate reserve amounts to 10 % of subscribed capital. Such reserve is not available for distribution.

A minimum amount of EUR 16 873 829 is required to be appropriated in 2015 with respect to the financial year ended 31 December, 2014.

The General Meeting of Shareholders of 14 April 2014 approved the distribution of a dividend amounting to EUR 15 660 000 (2013: EUR 6 132 001). Dividends are distributed in line with Article 27 of the Fund's Statutes.

Under the terms of Article 26 of its Statutes, the Fund defines commitment ceilings in relation to its capital as follows:

- For guarantee operations commitments are limited to three times the amount of subscribed capital.
- Private equity net commitments may not exceed 50% of equity, excluding the fair value reserve as per decision of the Annual General Meeting.

5.7 Fair value reserve

The fair value reserve includes the following:

	31.12.2014	31.12.2013
		EUR
Fair value reserve on debt securities and other fixed income securities	61 665 192	21 590 846
Fair value reserve on shares and other variable income securities	98 018 584	59 065 564
	159 683 776	80 656 410

The fair value reserve contains fair value changes related to EIF treasury and private equity portfolios.

6. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES AND IN INVESTMENT ENTITIES

The EIF has interest in entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Fund has interest in unconsolidated structured entities as described below.

Structured entities are used either to meet statutory obligations or to provide mandators with access to EIF expertise in relation to its primary activities. Structured entities or investment entities may be established as corporations, trusts or partnerships. Structured entities or investment entities generally:

- subscribe to equity issued by SMEs in the context of Private Equity transactions; or
- issue debt securities guaranteed either directly by the Fund or by a structured entity managed by the EIF on behalf of a mandator.

The table below describes the types of structured entities in which the EIF concluded that the Fund has an interest and no control:

TYPE OF STRUCTURED ENTITY	NATURE AND PURPOSE	INTEREST HELD BY THE FUND
Limited Partnership in relation to PE operations (see section 6.1)	Acquisition, holding, managing and disposal of participations in any enterprise subject to the conditions laid down in paragraph 2 (i) of Article 12 of the EIF Statutes	■ Investments in shares issued by the Limited Partnership ■ Capital and revenues repayments
Special Purpose Vehicles ("SPV") in relation to financial guarantee operations (see section 6.2)	Provision of guarantees as well as of other comparable instruments for loans and other financial obligations in whatever form	■ Fees for financial guarantee servicing
Mandates in relation to management of facilities by the Fund on behalf of a mandator (see section 6.3 and section 6.4)	To deploy the resources allocated to the mandate by any Managing Authority and according to each individual agreement and to the EIF expertise	■ Fees for mandates servicing

Below is a description of the Fund's involvement in unconsolidated structured entities by type. The Fund concluded that it does not control and therefore should not consolidate any entity described in sections 6.1, 6.2, 6.3 and 6.4 as the Fund does not have power over the relevant activities of the entities.

6.1 Interest in structured entities in relation to Private Equity operations

Operations are typically structured as follows:

- An investment fund is setup with a General Partner (hereafter "GP") and with a number of Limited Partners (hereafter "LPs"), who form together the Limited Partnership. In addition, the Limited Partnership Agreement discloses the investment strategy foreseen within the entity and agreed between the GP and the LPs;
- When financing is brought by the LPs, full authority and power is given to the GP, which could delegate the investment part to an investment manager;
- The use of voting rights by the LPs is often foreseen to revocate the GP either with a cause or without cause. Even if an investment board within the entity is setup, it should be noted that such an investment board has a consultative role only and is not therefore one of the decision-making bodies of the Limited Partnership.

The Fund is an LP, it does not act as a GP and is from time to time a member of the consultative investment board. As at 31 December 2014, the Fund's interest ranged from 0.1% to 50%.

Maximum loss exposure from PE structured entities is limited to the amount of committed investment as disclosed in note 3.2.

For more quantitative details on PE operations, please refer to note 3.2.

6.2 Interest in structured entities in relation to financial guarantee operations

When the Fund enters into a securitisation transaction in the context of its activity of financial guarantee provided to the European financial institutions, the Fund could be exposed to a special purpose vehicle (hereafter "SPV") as follows:

- In the context of a bilateral guarantee

Under this type of financial guarantee, even if the Fund provides a bilateral guarantee for the benefit of the holder of the mezzanine/senior notes, the Fund is not a direct party to the securitisation transactions agreement to benefit from the operation. The Fund enters into a financial guarantee agreement directly with the beneficiary, which is typically the beneficiary of the securitisation transaction agreement. Through the financial guarantee agreement, the Fund has no negotiating power and no voting rights within the structure and the role of the Fund is to guarantee one of the tranches of a more global transaction.

In the context of such transactions, an SPV could be established to initially purchase a pool of receivables from the originator and to issue consequently several classes of notes, which will be guaranteed. On the other hand, if no SPV is established, the originator will issue the notes and will retain the pool of receivables.

- In the context of an embedded guarantee

Under this type of operation and contrary to a bilateral guarantee, an SPV shall be established to issue the notes and to be the owner of the pool of receivables. In such operations, the Fund, as guarantor, will be part of the structure of the transaction and will be part of the agreement without having any control over the SPV.

Maximum loss exposure from guarantee operations structured entities is limited to the total exposure at risk as disclosed in note 3.3.

As at December 31, 2014, the Fund is exposed to 58 bilateral guarantees (2013: 63 transactions) and to 12 embedded guarantees (2013: 18 transactions), which represent respectively EUR 2 742m and EUR 379m of EIF's guarantees in terms of exposure at risk (2013: respectively EUR 2 635m and EUR 646m).

In addition, 14 bilateral guarantees and 5 embedded guarantees were classified into the caption "Provisions for financial guarantee" and represent respectively EUR 49m and EUR 97m of the total amount of provisions for EIF's guarantees (2013: respectively EUR 65m and EUR 112m).

For more quantitative details on the guarantee portfolio, please refer to note 3.3.

6.3 Interest in structured entities in relation to management of facilities by the Fund on behalf of a mandator

The Fund acts as an integrated operational platform for SME finance, deploying resources mandated for management by its related parties (EIB and EC see note 8.1 and 8.2, respectively) and other third parties (public and private entities) depending on the nature of the investment but also in relation to the Fund's expertise and in compliance with its Statutes. When the Fund manages a facility on behalf of a mandator, the management will be performed by the Fund either through a trusteeship or partnership depending on the requirements of the mandatory, which have been classified as follows:

- The EIB, which means EIB resources is managed by the Fund according to a defined scope;
- The European Commission, which means European Commission contributions managed by the Fund according to the financial regulation and to dedicated agreements;
- Other third parties: the Fund has sought to further enhance its market impact by establishing joint investment facilities with public and private entities through trust accounts and country, multi-country or sector-specific funds-of-funds.

The EIF is entrusted with the management of the funds, operating under clear rules defined in an agreement, investing in entities whose maximum risk is defined in the agreement and performing the treasury asset management under guidelines defined in the agreement. The Fund is remunerated for its services through management fees (or on a cost recovery basis for some mandates) which are defined upfront in the agreement. In that context, the Fund classifies the mandates as follows and according to the nature of financial instruments foreseen under each individual agreement:

MANDATOR	NATURE AND PURPOSE OF THE STRUCTURED ENTITY	INTEREST HELD BY THE FUND	RESOURCES [8]	COMMITTED TRANSACTIONS [9]
Services offered in the context of financial guarantee operations				
European Investment Bank	On behalf of the mandator and according to the Fund's expertise: - To originate financial guarantee transactions; - To monitor the financial guarantee transactions; - To report to the mandator accordingly.	Management fees for servicing	593 000 000	24 879 541
European Commission			1 686 258 332	1 491 564 213
Other third parties			100 000 000	30 000 000
Services offered in the context of private equity operations				
European Investment Bank	On behalf of the mandator and according to the Fund's expertise: - To originate private equity transactions; - To monitor the private equity transactions; To report to the mandator accordingly.	Management fees for servicing	7 421 000 000	8 307 166 435
European Commission			992 833 050	842 351 634
Other third parties			895 500 000	735 965 990
Services offered in the context of microfinance operations				
European Commission	On behalf of the mandator and according to the Fund's expertise: - To originate microfinance transactions; - To monitor the private equity transactions; - To report to the mandator accordingly.	Management fees for servicing	4 000 000	3 416 834
Other third parties			51 157 895	47 250 000
Services offered in the context of multi products structured entities				
Other third party	On behalf of the mandator and according to the Fund's expertise: - To originate multi products transactions; - To monitor the multi products transactions; - To report to the mandator accordingly.	Management fees for servicing	1 227 031 284	1 108 603 848

[8] "Resources" means the amount of the contribution already paid by the mandator to the Fund or the amount committed to be paid by the mandator.

[9] "Committed transactions" corresponds to the transactions committed by the Fund for the purpose of managing the mandate on behalf of the mandator.

6.4 Interest in investment entities in relation to management of facilities by the Fund on behalf of a mandator

Under certain circumstances and depending on the requirements of a mandatory, the EIF could establish a legal entity from which the EIF will act as an integrated operational platform for SME finance, deploying resources mandated for management by its related parties and other third parties.

The EIF is entrusted with the management of the funds, operating under clear rules defined in an agreement, investing in entities whose maximum risk is defined in the agreement and performing the treasury asset management under guidelines defined in the agreement. The Fund is remunerated for its services through management fees (or on a cost recovery basis for some mandates) which are defined upfront in the agreement. In that context, the Fund classifies the mandates as follows and according to the nature of financial instruments foreseen under each individual agreement:

MANDATOR	COUNTRY	NATURE AND PURPOSE OF THE STRUCTURED ENTITY	INTEREST HELD BY THE FUND	RESOURCES [10]	COMMITTED TRANSACTIONS [11]
European Investment Bank and European Commission	Multicountry with a focus on European Microfinance	On behalf of the mandator and according to the Fund's expertise: - To act as investment adviser and to propose transactions in the context of the investment strategy for the approval of governing bodies of the fund of funds; - To originate transactions approved by the governing bodies; - To report to the mandator accordingly.	Management fees for servicing	180 000 000	156 988 201
European Commission	Multicountry with a focus on Global Energy Efficiency and Renewable Energy Fund			107 117 600	66 186 154
Other third parties	Turkey			160 000 000	158 672 727
	Portugal			111 330 000	105 000 000
	Spain			183 000 000	174 288 389
	The United Kingdom			256 772 362	222 535 663
	The Netherlands			150 000 000	103 000 000
	Multi country with a focus on European Angels			52 500 000	10 300 000

10 "Resources" means the amount of contribution already paid by the mandator to the Fund or the amount committed to be paid by the mandator.

11 "Committed transactions" corresponds to the transactions committed by the Fund for the purpose of managing the mandate on behalf of the mandator.

As at 31 December 2014, total assets under management defined as the initial resources and contributions allocated to each mandate amounts to EUR 14.17bn (2013: EUR 11.1bn).

7. DETAILED DISCLOSURES RELATED TO THE STATEMENT OF COMPREHENSIVE INCOME

7.1 Interest and similar income

Interest and similar income comprises:

EUR

	2014	2013
Interest income on debt securities and other fixed income securities	24 751 307	27 206 115
Interest income on money market instruments	212 286	52 088
Interest income on bank current accounts	511 882	599 200
Other interest income	3 487 308	2 752 738
	28 962 783	30 610 141

Interest income on debt securities include discounts of EUR 884 405 (2013: EUR 1 245 595) and premiums amount to EUR (5 327 896) (2013: EUR (3 545 442)).

7.2 Net result from guarantee operations

Net result from guarantee operations comprises:

EUR

	2014	2013
Net income from financial guarantees contracts	27 153 895	27 350 771
Provision for guarantees under IAS 37	(8 856 933)	(22 630 013)
Release of provision	26 647 340	15 110 217
	44 944 302	19 830 975

7.3 Commission income

Commission income is detailed as follows:

EUR

	2014	2013
Commissions on EIB mandates	23 684 769	16 070 195
Commissions on EC mandates	19 966 840	17 445 245
Commissions on Regional and Funds of Funds mandates	27 364 198	24 552 236
Other commissions	439 444	665 502
	71 455 251	58 733 178

7.4 Net loss on financial operations

Net loss on financial operations is mainly composed of unrealised results arising from transactions or cash positions denominated in currency.

7.5 Other operating income

Other operating income includes rent from leased office space. Income relating to these operating leases amount to EUR 29 988 (2013: EUR 65 263).

7.6 General administrative expenses

Wages and salaries include expenses of EUR 1 674 402 (2013: EUR 1 954 315) incurred in relation to staff seconded from the EIB.

The number of persons, including 3 EIB secondees (2013: 4 EIB secondees), employed at the year-end is as follows:

EUR

	2014	2013
Chief Executive/Deputy Chief Executive	2	2
Employees	278	237
	280	239

The Fund has identified members of the Board of Directors, members of the Audit Board and members of the EIF Management as key management personnel.

Key management compensation for the period is disclosed as follows:

EUR

	2014	2013
Short-term benefits[12]	3 102 588	2 370 486
Post employment benefits[13]	478 474	429 505
	3 581 062	2 799 990

[12] Short-term employee benefits comprise salaries and allowances, bonuses and social security contributions of key management personnel
[13] Post employment benefits comprise pensions and expenses for post employment health insurance paid to key management personnel

Other administrative expenses include rents for office space leased. Expenses relating to these operating leases amount to EUR 5 254 024 (2013: EUR 3 607 954).

EUR

	LESS THAN 1 YEAR	1 TO 5 YEARS	TOTAL
2014	1 530 925	46 907	1 577 832
2013	1 184 502	49 145	1 233 647

8. RELATED PARTIES TRANSACTIONS

EIB is the majority owner of the Fund with 63.7% (2013: 62.1%) of the shares. The remaining percentage is held by the European Commission 24.3% (2013: 30%) and the Financial Institutions 12% (2013: 7.9%).
Information relating to general administrative expenses and key management is disclosed in the note 7.6.

8.1 European Investment Bank

Related party transactions with the EIB concern mainly the management by the Fund of the PE activity as described in note 6. In addition and according to the service level agreement between the EIF and the EIB, the EIB manages the EIF treasury, IT, the pension fund and other services on behalf of the EIF. Related expenses are taken into account in the general administrative expenses.

The amounts included in the financial statements and relating to the EIB are disclosed as follows:

		EUR
	31.12.2014	31.12.2013
ASSETS		
Other assets	87 256 187	67 943 786
LIABILITIES AND EQUITY		
Other liabilities and provisions	6 665 796	9 514 979
Share capital	530 000 000	372 600 000
INCOME		
Commission income	23 684 769	16 320 195
Interest income	3 487 308	2 752 738
Other income	0	38 036
EXPENSES		
General administrative expenses	12 372 626	10 890 134

8.2 European Commission

Related party transactions with the European Commission concern mainly the management by the Fund of private equity and guarantee activities as described in the notes 6. The amounts included in the financial statements and relating to the Commission of the European Communities are disclosed as follows:

EUR

	31.12.2014	31.12.2013
ASSETS		
Other assets	7 011 170	9 816 515
LIABILITIES AND EQUITY		
Other liabilities and provisions	1 509 000	16 051
Share capital	202 200 000	180 000 000
INCOME		
Commission income	19 966 840	17 445 245
EXPENSES		
General administrative expenses	60 061	171 776

9. TAXATION

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 29 October 2004 establishing a Constitution for Europe, applies to the Fund, which means that the assets, revenues and other property of the Fund are exempt from all direct and indirect taxes.

8. CONTACTS AND REFERENCES

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Management team picture by: Blitz agency s.à r.l., Luxembourg

ISBN 978-92-861-2190-6
ISSN 1725-5392
DOI 10.2868/055995

Printed by Imprimerie Centrale on Condat Silk paper using vegetable oil-based inks. Certified in accordance with Forest Stewardship Council (FSC) rules, the paper consists of 100% virgin fibre (of which at least 50% from well-managed forests).

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