#BelieveInSmall

Annual Report 2020

Contents

Dario Scannapieco
Chairman of the Board of Directors

"Resourcefulness, adaptability and cooperation were essential to come up with the right tools to address market needs."

"There can be no doubt that European businesses have experienced a particularly difficult year in 2020. Public institutions across the EU have been called upon to respond with determination and resolve, making effective interventions to support the markets. Together with the European Commission, the EIB and the EIF swiftly coordinated a package of measures for struggling European businesses hit by the COVID-19 pandemic. The EUR 25bn Pan-European Guarantee Fund (EGF) was also promptly established, aiming to provide much-needed financial solutions for SMEs to address their capital requirements and to help them on their way to recovery. Resourcefulness, adaptability and cooperation were essential to come up with the right tools to address market needs.

In parallel, the EIF has not lost sight of its policy goals, supporting innovative entrepreneurs, micro-entrepreneurs, social enterprises and SMEs across the continent. At end 2020, delivering beyond its COP objectives, the EIF had committed EUR 12.9bn, which in turn is expected to generate EUR 66.8bn worth of financing for SMEs and small mid-caps. Such results could not have been achieved without the strong partnerships developed with our financial intermediaries on the ground, national promotional institutions, national and regional authorities, the European Commission and, of course, the EIB, with whom our close collaboration has continued, ranging from risk assessment work to climate action and the imminent capital increase. I am especially grateful to EIF colleagues who have risen to the challenge, showing flexibility and adaptability to ensure business continuity and deliver record volumes. This has also been a year in which we have welcomed four new shareholders that have joined the EIF's financial institutions shareholders group: IFD – Instituição Financeira de Desenvolvimento from Portugal; Bürgschaftsbank Baden-Württemberg from Germany; Strategic Banking Corporation of Ireland Designated Activity Company; and Invest-NL from the Netherlands.

All these partnerships will constitute the building blocks for our work going forward. 2021 will be a special year, with increased intensity as we rollout the EGF and at the same time move into the new EU budgetary period, boosting our financial support to the European business ecosystem and contributing in a meaningful manner to the green and digital transitions. The EIB Group Climate Bank Roadmap in particular will constitute a top priority as we head into the next decade determined to address the environmental emergency."

Alain Godard
Chief Executive

"It was vital to respond effectively and immediately, to show our continuing support and readiness to mobilise financing in one of the most challenging economic times for SMEs."

"2020 has been a very particular year for the EIF. As COVID-19 spread uncertainty and insecurity across Europe, I am proud of the way that the EIF managed to remain focussed on delivering tangible support to European businesses. We committed more resources than ever before (26% more than last year), deployed a series of immediate COVID-19 support measures and continued to support SMEs in their efforts to remain competitive. It was vital to respond effectively and immediately, to show our continuing support and readiness to mobilise financing in one of the most challenging economic times for SMEs.

This year also saw the conclusion of our EFSI efforts. EFSI was a very ambitious undertaking and an example of successful collaboration across public and private institutions that delivered concrete results. It has enabled the EIF to deploy our support at a faster pace and in greater volumes, materialising in the form of EUR 232bn of expected mobilised investments for almost 1.5 million European SMEs. We will take forward the lessons learned from EFSI as we launch into the implementation of the Pan-European Guarantee Fund and InvestEU programme next year.

Adapting to the new norms of virtual communication, in a year of social distancing, lockdowns and travel restrictions, the EIF has continued to channel public and private resources into key sectors of the European economy like life sciences, agribusiness, digitalisation, microfinance, social impact, and emerging sectors like artificial intelligence, blockchain technology, blue economy and space. At the same time, we have sought to contribute to building up the financing ecosystems across different geographic areas, focussing on underserved segments and sectors of the economy, and working through existing partners but also new financial intermediaries to achieve our policy objectives.

Looking ahead, the EIF will be concentrating its activities around more thematic objectives with clear policy impact, reaffirming our support for EU priorities and adaptability to market needs.

As this testing year ends, I feel that, as an organisation, we have shown resilience, endurance and dedication. And we are emerging from these challenging times more determined than ever to play our part in providing tangible, effective financing solutions that will support Europe's SMEs and entrepreneurs on the road to recovery."

The year in numbers

The year in numbers

2019

€10.2bn

Overall commitments

€58.9bn

Leveraged amount in support of European SMEs

317

Financial Intermediaries

382

Transactions

323,000

SMEs supported

One dot represents 1000 SMEs

2020

€12.9bn

Overall commitments

€66.8bn

Leveraged amount in support of European SMEs

342

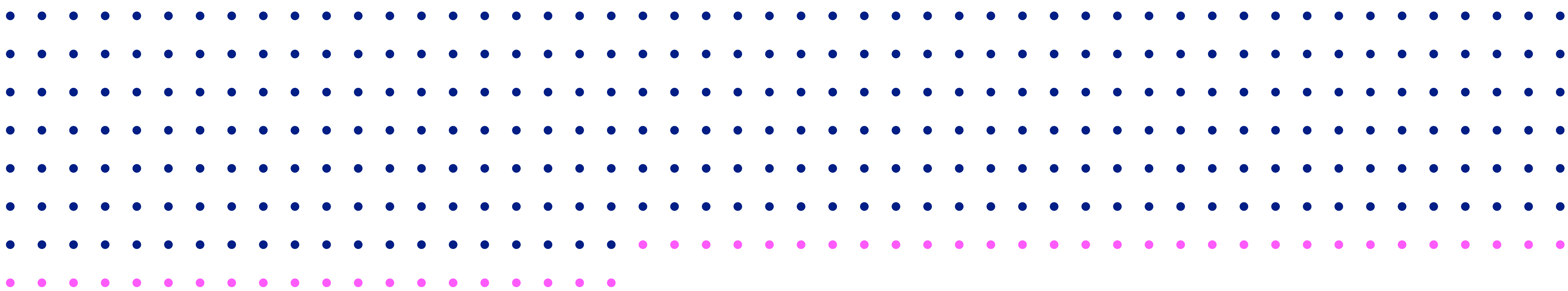
Financial Intermediaries

412

Transactions

370,000

SMEs supported



What we do

The EIF designs financial instruments that absorb some of the risk that banks, guarantee institutions, microfinance lenders and funds take when they finance small businesses. This encourages banks to lend, funds to invest and private investment to crowd in, to create a sustainable financing ecosystem for Europe's SMEs.

Our objectives

We believe in small – Europe's small businesses. This means working with other partners to deploy capital in areas that need it, from innovative businesses to farmers. It means identifying underserved areas, whether that be geographical or simply structural, like early-stage businesses. It means knowing our markets so well that one comparatively small commitment in a carefully selected bank or fund can generate millions of extra euros to small businesses.

Our stakeholders

The EIF works with many stakeholders - Member States, the European Commission (EC), a giant network of banks, including national promotional institutions (NPIs), funds and our parent, the EIB. Resources invested by the EIF come from our shareholders: the EIB and the EU, national and regional institutions, other public bodies, private capital and the EIF's own funds.

What have we been doing in 2020?

2020 has been a year like no other. The pandemic has brought about unprecedented levels of uncertainty, insecurity and isolation, as well as difficulties for millions of small businesses across the EU.

In response, the EIF has launched a series of new initiatives and adapted existing ones in order to generate as much support as possible in the form of better access to finance for European SMEs and mid-caps. These **COVID-19 response measures** have come over and above the normal course of business that has continued unabated. As a result, together with our partners, we have deployed 26% more funds compared to 2019, and generated financing opportunities for more than 370,000 SMEs.

- We have been taking concrete steps in adjusting our working methods and financing flows to adapt to the EIB Group's new Climate Bank Roadmap, as **climate action and environmental sustainability** take centre stage in our policy objectives. In parallel, we have also been supporting European businesses in their **digital transformation**, with a dedicated instrument.

- **Wrapping up EFSI**, the EU's ambitious financing initiative under the Investment Plan for Europe, through which the EIF deployed EUR 10.7bn to mobilise EUR 232bn for almost 1.5 million SMEs and entrepreneurs across the continent. EFSI has also been instrumental in developing various different financial instruments, ranging from capped and uncapped guarantees, to venture capital and private equity, securitisation and private credit.

- Branching out to **new frontiers**, we saw a number of promising new initiatives take shape during 2020. We have broadened our horizons, both by looking to the sky with our InnovFin Space pilot programme, as well as looking to our oceans with initiatives like Blue Invest and Portugal Blue. We have also been looking at scale-up financing and focussed on other critical areas like healthcare and life sciences.

- Our **focus on human capital** has been growing as well, as we launched, with the EC, a new pilot initiative focusing on skills and education, expanded our equity support for social impact, and used resources from the EaSI programme to reach out to ever-smaller microfinance institutions.

- Public resources have been travelling further, as **reflows** from financial instruments in Bulgaria, Romania and Greece have been re-invested in new instruments, ensuring that each recycled euro of public financing generates a new round of financing opportunities for European SMEs.

- **We've had a record year for securitisation**, deploying a total of just under EUR 4bn - a figure double that of previous years – contributing to revitalising the securitisation market, opening new geographies and ultimately generating up to EUR 9.3bn worth of new loans for European SMEs.

EIF In
2020

COVID-19 Response

The COVID-19 pandemic has severely impacted the global economic outlook, with unprecedented damage resulting from the lockdown measures. The European economy is expected to have contracted by more than 8% over the course of 2020. This slowdown in economic activity could have a devastating effect on European insolvencies, and the worst hit European countries are estimated to have experienced an increase in bankruptcies of up to 30% in 2020.

Similar to the nature of the crisis, public policy action at European and national level - including support by the EIB Group - in response to the COVID-19 pandemic has been unprecedented. Already at the onset of the pandemic, the EIB Group reacted rapidly to address the most urgent liquidity needs of European SMEs.

As part of the Group's reaction to the COVID-19 crisis, the EIF has partnered with its mandators (the EIB, the EC, national promotional institutions and EU Member States) to put in place relevant packages to help small businesses tackle the crisis.

Altogether, the COVID-19 crisis has had a strong impact on the EIF's business and the demand for EIF products. For both business lines, debt and equity, demand has sharply increased and - due to the magnitude of the economic shock - a swift response was and remains necessary.

Adapting to the circumstances

Naturally, this crisis has not left the EIF unaffected. We have had to rethink how we do business and how we behave as an organisation.

Initially, the EIF immediately applied business travel restrictions and compulsory teleworking for staff returning from COVID-19 affected areas, eventually moving to full teleworking when the offices closed in March. The EIF offices re-opened in September with strong social distancing and hygiene measures in place to ensure safety and compliance with national guidelines.

While these restrictions have thrown up a number of complications for our everyday work – particularly travel restrictions – business has proceeded largely unimpacted. The decision-making processes in particular have continued with the same regularity, as Board meetings shifted to video-conferencing.

On the contrary, the urgent need to design and deploy crisis-management instruments immediately has meant that, despite the challenges, EIF staff has been delivering high volumes of fit-for-purpose transactions at record speed.

“I’ve had to home school, so my seven-year-old son shares my desk. He does his homework and I make my calls and close my deals. We say we are co-working.”

David Dana
EIF

“Doing due diligence has been complicated because a fund is primarily a team of people and there is no better way to get to know someone than over dinner discussing football.”

Matteo Squilloni
EIF

Did you know?

Market uncertainty due to COVID-19 has made both buyers and sellers reluctant and exits in the European private equity market have plummeted in Q2/2020.

In total, 155 exits were completed, with an aggregate value of EUR 8.5bn, compared with 274 exits with an aggregate value of EUR 50.2bn in Q2/2019.

Garden Living: “Green makes you feel good”

Location	Espoo, Finland
Financial Intermediary	Finnvera
EIF financing	COSME LGF COVID-19 measures; EFSI
Financing purpose	cashflow
Number of employees	6 (+9 part-time)

“COVID-19 hit. We went into lockdown and everything stopped. When Horeca shut down, all our orders to Horeca stopped immediately. But bills had to be paid - for all the stock of products we had bought for the entire season. That’s the point where you urgently need more liquidity.”

Eva Wuite
Founder & Manager

Garden Living

“Green makes you feel good”

Our COVID-19 response

In response to the worsening economic climate, the EIF, in collaboration with the EIB, the EC, Member States and regions immediately mobilised resources on several fronts:

1. topping-up existing mandates
2. accelerating deployment of newly signed programmes
3. amending the terms of existing mandates
4. and launching new mandates and partnerships

EFSI re-allocations & added flexibility

Using EUR 1bn re-allocated from EFSI under the COSME LGF and InnovFin SMEG programmes, the EIF has been providing guarantees to financial intermediaries, aiming to unlock a total of EUR 8bn in available financing. This included a number of adaptations to both programmes to introduce more flexible terms and make financing more readily available for European businesses. Adaptations were also made to the EaSI and CCS programmes.

Concretely, these adaptations, apart from generating greater volumes of financing, also offered enhanced risk-sharing conditions and greater guarantee coverage for financial intermediaries, as well as improved repayment terms for SMEs. Ultimately, these efforts aim to offer support to working capital and liquidity needs in the short term.

The demand from financial intermediaries has been tremendous, far exceeding the budgetary envelope available, demonstrating the attractiveness of EIF support in times of high uncertainty.

RE-FIT: Recovery Equity Facility

Many companies in the EIF's equity portfolios are facing interruption in their access to equity resources. As a result, giving access to additional capital to a number of our funds should provide them with increased capacity to close investment rounds and continue to support firms in their portfolios.

With this in mind, the EIF and the EC launched specific COVID-19 support measures under the InnovFin Equity (IFE) mandate, including a new "Recovery Equity Facility for Innovative Technology Companies" (RE-FIT) dedicated to mitigating cash-burn effects on portfolio companies and strengthening their capital base in light of potential solvency issues. RE-FIT has dedicated EUR 100m (financed 100% by the EC out of the Horizon 2020 contribution) exclusively for topping-up our commitments in existing funds.

Securitisation support

The EIF supported the EIB in the deployment of EUR 2bn of EFSI resources in response to the COVID-19 outbreak via the asset-backed securities (ABS) purchasing programme. These efforts could generate up to EUR 10bn of new financing for the European economy. This initiative was designed to replicate in a short timeframe the successful deployment over the past few years of EIB EFSI funds via securitisation transactions structured and jointly originated by the EIF and the EIB.

As a first of its kind, in the Baltic states the EIF issued a guarantee to Luminor AS, to support new lending to companies based in Latvia, Lithuania and Estonia. This facility is meant to help mitigate the impact of COVID-19 on the local economies and represents a "capital deduction" synthetic securitisation where both the senior and the mezzanine tranches have been protected by the EIF. The guarantee structure can support at least EUR 657m of additional loans and leases to SMEs and mid-caps in all three Baltic countries.

The EIF also signed the first ever synthetic securitisation for capital relief purposes in Romania, guaranteeing mezzanine and senior tranches of a EUR 255m portfolio of Romanian SMEs, originated by Deutsche Leasing Romania. This will release regulatory capital and is expected to provide advantageous financing of more than EUR 400m to SMEs in the country, as part of the response to the COVID-19 crisis.

Thanks to an EIF securitisation agreement with ING, EUR 795m were committed in the Netherlands to support SMEs affected by COVID-19. This constitutes one of largest EIF securitisation transactions done to date, generating up to EUR 1.16bn in new loans to SMEs.

Also in the context of the COVID-19 relief measures, in November, the EIF signed its first synthetic securitisation for capital relief purposes in Slovakia. The transaction originated by Slovenská Sporiteľňa and supported by EFSI resources is expected to provide advantageous financing of close to EUR 250m to SMEs in Slovakia and will encourage the development of securitisation in the country.

Adjusting structural funds

At the same time, in relation to the European Structural and Investment Funds (ESIF) and regional mandates, the EU regulatory framework was amended to provide additional flexibility to respond to the current unprecedented situation.

The more flexible measures include the provision of working capital support on a stand-alone basis and without a new or updated business plan, the extension of support to undertakings in difficulty and the possibility of re-financing.

The EIF has been pursuing the implementation of these COVID-19 flexibility measures across seven ESIF mandates (EAFRD Portugal, EAFRD Romania, AGRI Italy Platform, ESIF Silesia, SMEi Italy, EAFRD Greece, and Competitiveness Romania) and the corresponding 25 Operational Agreements.

What is the ABS purchasing programme?

This programme is part of the EIB Group's package to fight the COVID-19 crisis. These measures, designed to alleviate liquidity and working capital constraints for SMEs and small mid-caps, include dedicated asset-backed securities (ABS) purchasing programmes to allow banks to transfer risk on portfolios of SME loans, mobilising EUR 10bn of support.

Batak Grill: COVID delivery services

Location	Zagreb, Croatia
Financial Intermediary	Erstebank
EIF financing	InnovFin SMEG COVID-19 measures; EFSI
Financing purpose	digitalisation
Number of employees	186

"Things were going very well but the pandemic forced us to rethink our business model. We decided to initiate a digitalisation revamp, set up a website and took the restaurant into the digital space...The funding helped us to implement all these changes and boost our online presence."

Isabella Paver
Finance Director

Batak Grill

COVID delivery services

German Corona Matching Facility

In Germany, the EIF teamed up with KfW and KfW Capital to launch the new Corona Matching Facility (CMF), as part of the German Federal Government's EUR 2bn assistance package for start-ups and small enterprises.

The CMF, a limited-term financing measure to bridge liquidity requirements during the COVID-19 crisis, supports VC funds targeting start-ups and young growth enterprises located in Germany and having a sustainable business model. The aim is to enable such companies to continue their growth despite the current period of hardship related to the COVID-19 crisis.

Managing part of this facility on behalf of the CMF, the EIF has been leveraging its existing partnerships in the market to ensure rapid deployment, committing EUR 328m in 14 funds to date.

Reinforcements in Ireland

In Ireland, the EIF boosted its existing counter-guarantee agreement with the Strategic Banking Corporation of Ireland (SBCI). The initial counter-guarantee agreement, dating from June 2019, was thus increased from EUR 192m to EUR 512m, to be allocated between five sub-intermediaries, with a possible sixth to be added soon, as part of a package of response measures to the COVID-19 outbreak.

Pan-European Guarantee Fund (EGF): sustained support

In the context of the COVID-19 pandemic, the EIB Group was asked to enhance its operations significantly in support of EU-based companies affected by the crisis. In response, the Pan-European Guarantee Fund (EGF) was established with contributions from the EIB Group and 21 EU Member States amounting to EUR 24.5bn.

The EGF provides guarantees to free up capital for national promotional banks, local banks and other financial intermediaries in order to make more financing available for SMEs, mid-caps and corporates.

In total, the EGF is expected to invest up to EUR 25bn in equity, debt fund and guarantee instruments for the benefit of SMEs and mid-caps, of which around half through the EIF. Deployment will begin in early 2021 and will continue through to the end of the year, constituting a significant surge in the EIF's activity and support for European businesses and the European economy. *(see also Looking Ahead chapter)*

InvestEU

Recovery efforts will also be boosted by the entry into force of the new EU budgetary period and in particular the InvestEU programme, which is designed to replace the multitude of existing financial instruments. With a guarantee capacity of around EUR 26bn, InvestEU is expected to generate EUR 372bn worth of support for European businesses, including in key sectors of strategic importance in the economy. (see *also Looking Ahead chapter)*

Innovation

2020 has been the year of remote working, distance learning and telecommunication technology. Advances in the deep tech, life sciences and healthcare sectors have accelerated and lockdowns have driven the expansion of digitalisation.

The EIF's commitment to championing innovation and backing companies that are inspiring and driving transformational change remains unwavering.

Strong market demand for guarantees for innovative SMEs continued throughout 2020, as our guarantee facilities extended to include digital technologies and support businesses in their digital transformation.

Building on our commitment to support policy sectors of strategic importance, we have made pioneering investments in the artificial intelligence, blockchain technology and space sectors and taken a bold stance in the life sciences sector, aiming to support Europe's innovative entrepreneurs as we transition to a greener, digital economy, while striving to maintain Europe's competitive position in the global arena.

Did you know?

1 million EU businesses are already selling goods and services via online platforms, and more than 50% of small and medium-sized enterprises selling through online marketplaces sell cross-border.

Driven by EFSI, KfW and RCR

Since early 2020, the EC and the EIF have made available additional resources through initiatives under the EFSI Equity and InnovFin Equity instruments to further support innovations and novel technologies that aim to sustain the technological sovereignty of the European economy.

KfW, through the new short-term German CMF mandate, as well as the ERP mandate from the German Federal Ministry for Economic Affairs and Energy (BMWi), has been the second largest provider of equity resources in support of innovation during 2020.

And the EIB's Risk Capital Resources (RCR) mandate, the EIF's largest long-term equity mandate, has also played a key role in supporting funds active in the fields of ICT, life sciences and agri-tech. *(see also Competitiveness & Growth chapter)*

With these initiatives, together with the EC, KfW, and the EIB, we have been stepping up efforts in areas of strategic relevance for the EU and Member States, including artificial intelligence (AI), blockchain (BT), space technologies and life sciences.

Artificial Intelligence & Blockchain Technology

The development of artificial intelligence/ blockchain technology (AI/BT) has been one of Europe's top priorities in the field of innovation in 2020. Europe is already home to a leading AI/BT research community and a hub for exciting start-ups specialised in this industry.

The InnovFin AI/BT pilot, launched in late 2019 has made it possible for the EIF to invest into venture capital funds whose strategies target AI/ BT activities, as well as co-invest alongside equity funds into these start-ups.

In the course of 2020, the EIF committed EUR 93m of the pilot programme in more than 10 equity agreements with venture capital funds. These efforts could generate up to EUR 1.3bn in financing for the sector. In particular, it will support early- and growth-stage companies active in the development of products and services including language and machine learning, automation, data/ analytics, B2B software, the Internet of Things (IoT), smart cities, Software as a Service (SaaS), cybersecurity, fintech, and BT including Distributed Ledger Technologies (DLT).

In November 2020, the signature of the AI Co-Investment Facility, a EUR 150m joint EIB/EIF equity instrument targeting companies in the field of artificial intelligence, was further evidence of the Group's commitment to fostering innovation.

With deployment beginning in 2021, the co-investment facility will allow the EIB Group to invest alongside funds backed by the EIF in companies active in the AI sector and in technologies that directly complement AI, such as blockchain, IoT and robotics.

Complementing the AI/BT pilot, this new facility is part of a larger initiative of the EIB Group and the EC to support the development of Europe's digital future and a leading European tech sector.

Did you know?

In 2020, 32% of our venture capital investments went to emerging sectors like disruptive technologies and blue economy.

Nethone: Honing the net

Location	Warsaw, Poland
Financial Intermediary	Innovation Nest
EIF financing	InnovFin Equity, EFSI
Financing purpose	R&D, product development
Number of employees	61

"Consider how much was spent by banks on physical security over decades: armed guards, vaults, alarms. The same volumes are now online, but how much are we investing in online security? It's not comparable to physical security!"

Hubert Rachwalski
CEO

Nethone

Honing the net

Launching into space

The InnovFin Space Equity Pilot is a EUR 100m pilot programme specifically dedicated to support the innovation and growth of European SMEs operating in both upstream and downstream space technologies. Launched in 2019 and backed by EFSI, the pilot programme is expected to be fully deployed by early 2021, investing in four venture capital funds, which support companies commercialising new products and services in the space sector, and in one co-investment.

Primo Space, an Italian early-stage tech investor, was the first fund selected by the EIF. It achieved first closing this year at EUR 58m, including a EUR 36m contribution from the EIF. Primo Space will invest at proof-of-concept, seed and other early-stage projects or companies with particular focus on technology transfer and will foster the commercialisation of breakthrough innovations in the space technologies in Italy and Europe.

This was followed by a second closing at EUR 144m achieved by UnternehmerTUM VC Fonds III, which included EUR 9m from the pilot programme. The fund will focus on companies in the early stages, including pre-seed, seed and series A, active in deep tech sectors encompassing mobility, enterprise software, and industrial technologies.

The third fund was Orbital Ventures (EUR 31m contribution from the EIF), a Luxembourg-based early-stage fund that focuses on both downstream (communications, cryptography, data storage and processing, geolocation, earth observation) and upstream (space hardware, materials, electronics, robotics, rockets, satellites) space technologies.

InnovFin resources also made it possible for us to sign a direct co-investment worth up to EUR 20m in ICEYE, a highly specialised Finnish company that develops its own synthetic-aperture radar (SAR) sensor technologies suitable for small satellites. Its imaging service that covers selected areas every few hours, both day and night, helps solve maritime, disaster management, insurance, finance, security and intelligence challenges.

An additional investment expected to be signed in early 2021 will mark the full deployment of the EUR 100m pilot programme, making a total of more than EUR 300m available for the new space industry.

Did you know?

Europe leads the world in public R&D spending and accounts for a quarter of global industrial R&D spending. Its educational system includes 31 of the world's top 100 science and engineering universities, as well as five of the world's leading research institutions.

Focussing on life sciences - SDUF

Access to innovation is increasingly needed to keep pace with new technologies in a broad range of industries and life sciences in particular. At the same time, the successful evolution of innovative businesses is very much dependent on the existence of a solid ecosystem where strategic relationships can be developed and pursued beyond mere investments.

The pandemic has put the spotlight back on the life sciences sector and investors have been looking more closely at it as a worthwhile niche.

In June, the EIF set up the Sustainable Development Umbrella Fund (SDUF), an umbrella structure combining investment themes with a higher strategic and policy orientation, and its first compartment, SDUF-Health.

The aim of SDUF-Health is to crowd-in resources from public and private investors - typically corporate investors - operating in the pharma and med-tech industry, and invest them into European life sciences venture capital funds whilst fostering stronger collaboration between these funds, investors, industry and entrepreneurs.

This is particularly important in Europe, where the fragmented life sciences ecosystem has often impeded collaboration between start-ups and corporates. SDUF-Health aims to contribute towards the development of a more integrated European life sciences ecosystem in the aftermath of COVID-19, creating greater resilience and readiness in the face of similar future health-related challenges.

The EC made an anchor commitment through EFSI to SDUF-Health, which reached first closing at EUR 75m in late December.

This enhanced collaboration and investment capacity is expected to boost Europe's life sciences ecosystem, support breakthrough technologies, ensure products and services are commercialised and scaled in Europe, and help attract talent and innovation from beyond our borders.

"The story of this year is life sciences. It is the life sciences sector that is going to get the world back on its feet."

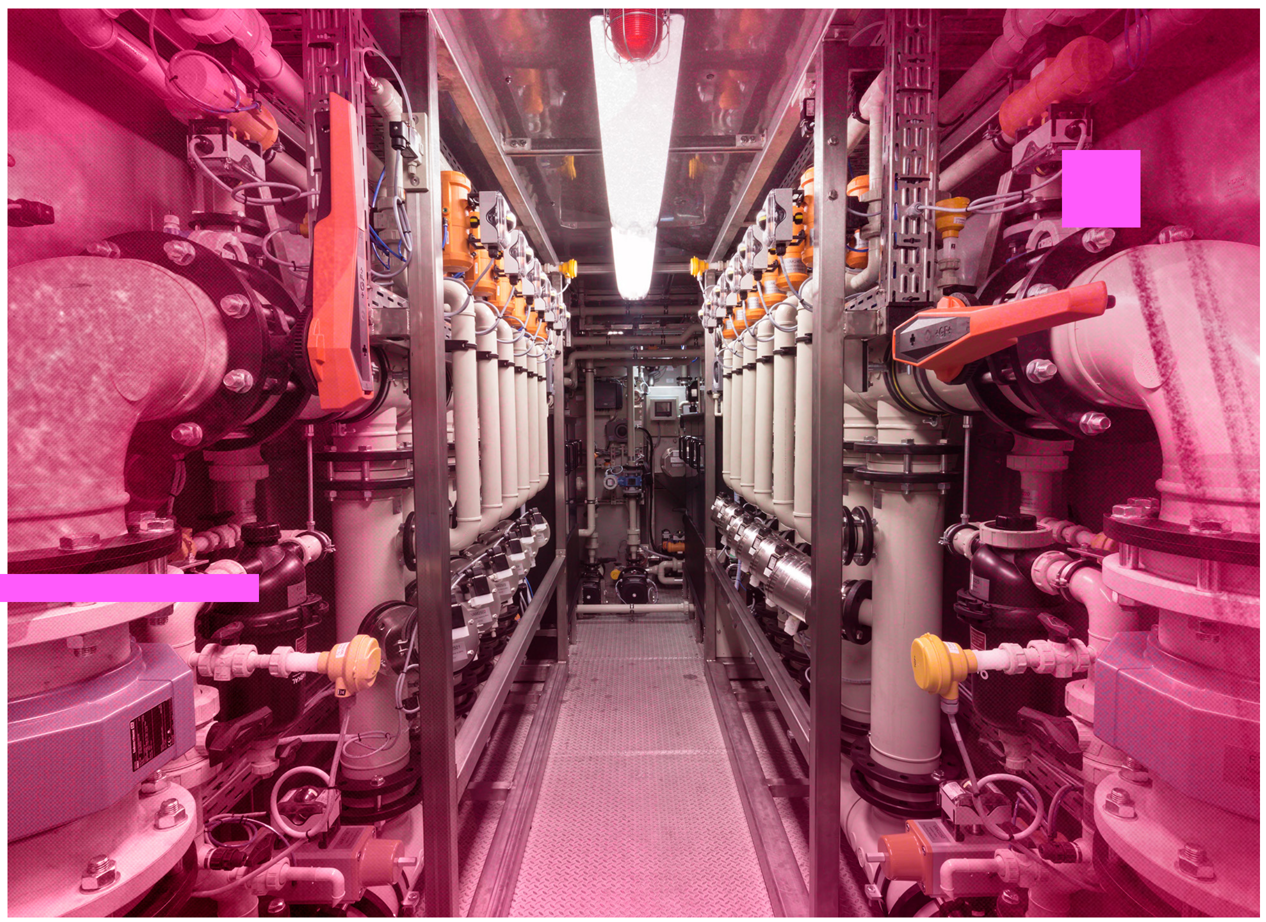
Piyush Unalkat
EIF

Apateq: Innovative wastewater treatment

Location	Luxembourg, Luxembourg
Financial Intermediary	BCEE
EIF financing	InnovFin SMEG, EFSI
Financing purpose	development of new installations; working capital
Number of employees	70

"The point is that we need to get away from the linear economy and target a circular economy. We need to use technology to be able to re-use the same water."

Bogdan Serban
CEO



Apateq

Innovative wastewater treatment

Uncapped guarantees - InnovFin SMEG

Strong market demand for uncapped guarantees for innovative SMEs and small mid-caps continued throughout 2020, the last year of the InnovFin SME Guarantee Facility (InnovFin SMEG), with a large number of new applications, requesting record-breaking volumes of support, substantially higher than the available budget. The demand above the instrument's capacity reached more than EUR 4bn.

As at end 2020, 257 guarantee agreements were signed, enabling over EUR 30bn of financing to around 27,800 innovative SMEs and small mid-caps across 42 countries. This included the first SME supported in Switzerland under this programme.

In 2020, InnovFin SMEG extended its focus to digital technologies and the digital transformation of enterprises, and also introduced COVID-19 support features, which have also been massively over-subscribed. In this respect, an amendment offer to all financial intermediaries brought these improved terms quickly into action, facilitating a rapid rollout of much-needed support.

2020 also saw the first transaction with a financial intermediary from the insurance sector under InnovFin SMEG, namely LähiTapiola in Finland. With diversification benefits for the group, its specialised lending entity employs their investment capacity for the benefit and support of innovative companies across Finland. The EIF expects the insurance sector to be of increasing importance in the financing of SMEs in the future.

Digitalisation support

As the EU transitions towards a digital and greener future, we have teamed up with the EC to offer support to companies that are specifically tackling the challenge of digitalisation. This has been achieved through a pilot initiative financed through the COSME LGF programme, but also by adding inclusion criteria to the InnovFin SMEG programme in order to include support for businesses undertaking digital transformation.

One of the landmark transactions under the COSME LGF Digitalisation Pilot signed in 2020 was with Bpifrance, the French national promotional institution, expected to unlock EUR 715m of affordable financing for French companies, opening new opportunities for them to increase their digital footprint and help with their digital transformation. Bpifrance's new guarantee product (France Num Loan Guarantee) has a strong focus on very small enterprises (maximum loan amount of EUR 50,000), a guarantee rate of 80% and no obligation on the SME to provide any additional hard collateral.

What is InnovFin SMEG?

This is the EIF's and the EU's largest guarantee scheme to support innovative SMEs and small mid-caps throughout Europe and Associated Countries (from Iceland to Israel, and Norway to Tunisia). Under InnovFin SMEG, the EIF is responsible for guaranteeing debt financing with preferential terms, giving innovation a new financial perspective. The EIF works with various types of financial intermediaries: commercial banks, national promotional institutions and alternative lenders, each supporting innovative companies in their space and lending activity.

Did you know?

Surveys are an invaluable tool that broaden our understanding of the environment we work in, shed light on industry trends and help us build our market intelligence. This year the EIF performed three surveys of fund managers specifically focussing on equity segments. The combined venture capital and mid-market surveys conducted represented the largest regular survey exercise ever performed amongst GPs in Europe.

Competitiveness & Growth

Throughout the year, we have supported European businesses in their growth strategies and helped strengthen their competitiveness.

EFSI in particular has demonstrated its effectiveness in responding to market needs, offering a diverse product range to reduce financing gaps.

We have continued to help the development of a pan-European market for alternative lending. The EFSI Private Credit Tailored for SMEs portfolio has now been fully deployed. In parallel, our synthetic securitisation product proved a valuable capital relief tool for intermediaries, expanding to new geographies where the market is less mature, and generating much-needed financing for small businesses.

We also strengthened our relationship with important market players in the venture capital and private equity space, including business angels, placed particular emphasis on growth-stage financing and expanded our private investor base through the Asset Management Umbrella Fund.

Risk Capital Resources (RCR)

The EIB Risk Capital Resources (RCR) mandate is the core pillar of the EIF's equity activity and is a critical resource that has enabled the EIF to pursue its equity strategy in the venture capital and growth segments for more than 15 years.

In 2020, more than EUR 850m have been committed to help European companies in the growth stage of their development. RCR resources also play a key role in unlocking and scaling-up regional funds-of-funds, the ESIF and NPI mandates and the European Angels Fund's compartments.

Through RCR's overall EUR 14bn of commitments into venture capital and private equity funds, we provide financial resources to market segments with prevalent market failures or sub-optimal investment situations. At the same time, the long-term goal is to develop market segments such that they become increasingly independent of public sector support.

RCR was the core pillar of the EIB Group's equity activity and support to the European economy through EFSI stemming from the first EUR 2.5bn tranche approved in 2015 and the additional EUR 1.5bn resources approved in 2018.
Two dedicated RCR windows were also deployed: the EFSI Future Stars Window and the ESIF Co-Investment Window.

As of December 2020, RCR's portfolio comprises 628 active signed funds, which include more than 50 unicorns and a number of realised and unrealised dragons, giving us unmatched know-how and insight into the market.

Did you know?

In a recent EIF study, we looked at the impact of venture capital on the exit strategy and innovation of EIF-backed start-ups. The study concludes that EIF VC-invested start-ups were about three times as likely to participate in an M&A deal or experience an IPO than their non-VC invested counterfactuals. We also found that EIF VC contributed to a doubling of the likelihood to patent. These findings are consistent with the theory that the presence of VC investors opens up additional exit channels that would not otherwise be available to the entrepreneur, and also that VC alleviates the financial constraints of young innovative businesses, allowing them to maintain high R&D expenditure and cover the costs of patenting.

EFSI - taking stock

The European Fund for Strategic Investments – EFSI – was launched in July 2015, and aimed to tackle the lack of confidence and investment, which resulted from the economic and financial crisis, facilitating access to finance across the European economy.

Five years down the line, EFSI can be considered a resounding success. In what was a first collaboration at this scale with not only the EC and the EIB, but also national promotional institutions and hundreds of financial institutions across the EU, the EIF has deployed EUR 10.75bn of EFSI resources to support around 1.5 million small businesses all over the EU through 817 transactions. In doing so, we generated more than EUR 230bn worth of financing for European SMEs and ambitious entrepreneurs.

EFSI has been particularly effective at crowding in private capital to serve public policy objectives, by achieving a multiplier effect of 21x for each euro committed by the EIF. Its impact has been most intense where it was needed the most: the top-10 countries ranked in terms of EFSI mobilised resources relative to GDP include Greece, Bulgaria, Portugal, Estonia, Czech Republic, Slovenia, Hungary and Croatia.

Overall, EFSI has been a very effective tool, testament to the significant added value of financial instruments in achieving policy objectives. We have deployed enormous amounts of resources with a high degree of flexibility, a lean governance structure and a very diverse toolkit ranging from private equity and venture capital to guarantees, loan funds and securitisation. Beyond financing, it has allowed the EIF to make an important contribution to developing certain markets and ecosystems, be it venture capital, disruptive technologies or the cultural and creative sectors, crowding in financing and strengthening Europe's competitiveness on the global stage.

It has enabled us to support riskier businesses that would otherwise struggle to get financing, less commercially-developed actors, first-timers and expand the use of financial instruments as a tool for policy-making across the EU.

Through EFSI's diverse product toolkit, we have been able to address specific financing needs in fields and sectors of high policy relevance such as innovation, competitiveness and scale-up financing, microfinance and social entrepreneurship, culture and creativity, digitalisation, social and environmental impact.

Looking ahead, it has also been an opportunity to develop and implement a number of pilot programmes in other areas of strategic importance to the EU: AI, BT, space, blue economy, skills and education, paving the way for the new generation of EU financial instruments and in particular InvestEU.

What is EFSI?

The European Fund for Strategic Investments (EFSI) is a crucial source of financing for the EIF and SMEs in Europe. Set up in 2015 as part of the Investment Plan for Europe, EFSI addresses market-gaps in financing - whether in infrastructure, research, energy efficiency or risk finance for SMEs – and mobilises private investment into these areas. The EUR 10.75bn EFSI SME Window is implemented by the EIF on behalf of the EIB Group and deploys the resources of the EC, the EIB and the EIF to improve access to finance for SMEs and small mid-caps.

Clariness: Boosting clinical trials

Location	Hamburg, Germany
Financial Intermediary	Rocket Internet Capital Partners
EIF financing	RCR/own resources / ERP / EFSI sub-window 1
Financing purpose	product development / internationalisation
Number of employees	120

"Our aim is to bring more transparency into the clinical trials space, increasing awareness among patients, with public data and easy access. Clarity and openness, that's what our company is about."

Michael Stadler
CEO & co-founder

Clariness

Boosting clinical trials

Capped guarantees - COSME

Since its launch in 2014, COSME's success has exceeded expectations. Through products such as the Loan Guarantee Facility (LGF), where we take part of the risk away from financial intermediaries so that they can lend more, over EUR 2.6bn has been deployed throughout Europe and more than 1 million small businesses are expected to be able to access no less than EUR 60bn worth of financing that they may not have secured otherwise.

In 2020, the resources made available were vital as COVID-19 relief for hard-hit companies. This support was provided using additional EFSI resources and introducing greater flexibility in the LGF terms and conditions, ultimately helping businesses to withstand the first impact of the pandemic.

In addition, we expanded to new geographies not covered by the programme before: In Malta, we joined forces with Malta Development Bank to put in place a counter-guarantee that will offer businesses credit facilities worth more than EUR 100m helping to address market failures, and in Iceland, we extended a guarantee to a portfolio of up to EUR 20m worth of loans to Icelandic financial intermediary Byggðastofnun allowing more lending to fragile communities in the Icelandic countryside.

Growth-stage financing: ESCALAR

The European Scale-up Action for Risk capital (ESCALAR) pilot programme was launched by the EIF using EFSI resources to address the financing gap experienced by high growth European companies (scale-ups). The aim is to enable promising companies to scale up in Europe and help reinforce Europe's economic and technological sovereignty.

ESCALAR will provide up to EUR 300m aiming to increase the investment capacity of venture capital and private equity funds with an investment focus on scale-ups. This in turn is expected to trigger investments of up to EUR 1.2bn to support promising companies. By substantially increasing fund resources, ESCALAR's intention is to allow larger investment tickets and create greater capacity for making (follow-on) investments in scale-ups.

The initiative received a positive market reaction, with 89 applications received. The first commitment to a fund came in late 2020, in the form of a EUR 37.5m (SEK 376m) participation in eEquity IV, a digital growth equity investor in the Nordics, which will invest growth capital in disruptive European internet businesses. The investment strategy of eEquity focuses on e-commerce and internet retailing with global reach. The new fund aims to invest equity tickets of EUR 3-15m (SEK 30-150m) in up to 12 European SMEs.

What is COSME?

This is the EIF's biggest mandate in terms of the number of SMEs financed and the EU's programme to promote competitiveness. Under COSME, the EIF is responsible for guaranteeing loans (COSME Loan Guarantee Facility, or LGF) and for making equity investments (COSME Equity Facility for Growth, or EFG). The programme addresses the financing needs of SMEs that are perceived as risky, due to their start-up nature, their business model or their lack of collateral.

Did you know?

Only 0.5% of European start-ups are estimated to scale, suggesting the prevalence of limited financing opportunities for growth. In Europe, less than half of all venture capital goes to scale-ups compared to two-thirds in the US.

Engaging with private investors: AMUF

In order to further attract private investors into the financing of the European economy, and in particular into start-ups and growing SMEs, the EIF has developed a product offering relying on its deep and long-standing expertise in the field of private equity.

Despite the COVID-19 uncertainties, AMUF continued to enlarge its investor base in 2020. To overcome the challenges thrown up by the inability to meet with investors in person, we have built relationships with distributors with broad knowledge of this market that have enabled us to reach out to new investors.

In total, AMUF has welcomed six new investors in 2020 including Finanziaria Internazionale I FoFs, an Italian asset manager and a German mutual insurance company, whose participation gives a strong signal for further insurance companies to join AMUF.

This has brought the total AMUF assets under management to EUR 643m from 15 investors (seven countries) since its launch. It has invested so far in 48 private equity and venture capital funds in technology, life science, growth capital secondaries and private credit, with a unique ability to leverage private funds to finance sectors of policy relevance.

Confirming the very promising start, the underlying portfolio includes seven unicorns and already the two first successful exits: Inflazome (drug discovery) and Spacemaker (multimedia & design software).

What is AMUF?

The Asset Management Umbrella Fund offers institutional investors the opportunity to invest in the most promising venture capital, private equity and secondary funds in the EIF's portfolio. By channelling private investment into our best-performing funds, we are ensuring the sustainable, long-term supply of capital to SMEs.

Did you know?

Europe now counts 52 venture–backed high tech unicorns and 28 of them are supported by the EIF. This year, 17 were born and 34 raised more than EUR 6bn in total.

Record year for securitisation

This year, our activity in the field of securitisation reached a record total of just under EUR 4bn in commitments - a figure double that of previous years – contributing to revitalising the securitisation market, opening new geographies and ultimately aiming to generate up to EUR 9.3bn worth of new loans for European SMEs.

The EIF demonstrated the opportunity provided by synthetic securitisation to deliver capital relief products in jurisdictions that traditionally have not enjoyed a strong presence in securitisation markets. In particular, 2020 saw first-time synthetic securitisation transactions in Slovakia, Romania and the Baltic states, contributing also to the COVID-19 response efforts.

Strengthening the collaboration with BNP Paribas, the EIF and the EIB provided a mezzanine guarantee on a EUR 1.3bn portfolio of French SME and mid-cap loans. This EFSI-supported guarantee will release regulatory capital for BNP Paribas and will enable it to provide further lending of up to EUR 515m to SMEs and mid-caps in France. This is the first synthetic transaction signed in France under the new STS format that will allow BNP Paribas to retain only 10% of risk weight asset for the senior tranche.

In addition to other transactions signed in Germany and Austria, this demonstrates the growing demand for securitisation and confirms its role as an effective tool for managing capital and therefore freeing up capacity for new lending to SMEs and small-mid-caps. At the same time, it is extremely valuable for promoting the Capital Markets Union, and building know-how and experience in the markets, thus facilitating similar transactions in the future with the participation of other private market participants.

Offering new debt options: Diversified debt funds

In keeping with our commitment to boost the European market for alternative lending, the selection process for the EFSI Private Credit Tailored for SMEs programme has now been completed. This translates into a total commitment of EUR 713m in 19 private credit funds so far.

In line with our policy objectives (support to tailor-made financing for smaller companies; support for first-time managers; catalytic effect; pan-European coverage), we have continued to help the development of a pan-European market for the alternative lending industry. This was particularly evident in jurisdictions where diversified debt funds are a relatively new asset class like Poland, Ireland, Finland, Slovenia and Croatia.

With the COVID-19 situation, fund-raising has been a challenge for fund managers, especially first-timers. Still some first-time private credit funds supported by the EIF as cornerstone investor, such as Creditshelf and ODDO BHF Asset Management, did manage to reach their first closings during the lockdown period.

What is the EFSI Private Credit Tailored for SMEs Programme?

Launched in December 2018, this programme aims to attract new investors into the alternative debt asset class. Under the programme, the EIF will deploy a total of EUR 1bn of combined EFSI and EIF resources to diversified debt funds, through cash investment and, subject to investor demand, unfunded protection. Diversified debt funds are direct lending funds focusing on widening the availability of flexible senior financing with an investment strategy based on portfolio diversification.

Continued collaboration with Business Angels

Business Angel (BA) financing has remained an important source of early-stage funding for highly innovative companies throughout 2020. These private high-net-worth individuals provide a unique investment method, which goes far beyond cash. They do not just invest their own money; they also bring with them their own experience as successful entrepreneurs and prefer a closer, more personal relationship with their investees. They are vital actors of the venture capital ecosystem in crisis times, particularly since they often come in at the very early stages of a company's life when not much else is available in terms of financing.

Despite COVID-19, the European Angels Fund (EAF) continued its geographical expansion with the first signature of a BA under the EAF Pan-European and Italian compartments. To date, the EIF has committed around EUR 340m to 119 business angel investors, who have individually built up a portfolio of more than 800 SMEs under the EAF.

In addition, the EIF has signed a BA co-investment fund in Bulgaria under the InnovFin Equity programme, while in 2020 and for the first time in Greece, the EIF was entrusted with the management of JEREMIE legacy resources to further support Greek SMEs. The first instrument to be deployed is a unique one for the Greek market: a Business Angels' Co-Investment Equity Instrument. Through this initiative, the EIF is able to support a co-investment fund that will co-finance alongside existing, currently active angel investors (but also aim to mobilise potential new ones) to support nascent business ideas. The initial allocation to this Business Angels' Financial Instrument will amount to EUR 20m, fully funded out of the JEREMIE reflows.

Did you know?

True to our market-building objectives, in 2020 we committed 58% of investments in number to emerging managers in both the VC and mid-market segments.

Phenix: Ending waste together

Location	Paris, France
Financial Intermediary	ETF Partners
EIF financing	RCR/own resources; EFSI sub-window 1
Financing purpose	platform development, scaling; hiring developers
Number of employees	160

"The amount of food we throw away each year could feed millions of people. So much is wasted for nothing this is bad for our purse and bad for the planet. We want to change things and make a positive impact on society."

Jean Moreau
Co-founder & CEO

Phenix

Ending waste together

Society & Sustainability

Historically, the EIF has been very active in supporting initiatives that achieve social impact and contribute to sustainable development. This aspect of our work is growing and makes us particularly proud.

This has included cornerstone investments in intermediaries that are making a difference, focused on delivering positive societal impact and pursuing objectives aligned to the Sustainable Development Goals (SDGs).

With the new European Green Deal and the EIB Group's Climate Bank Roadmap, climate action and environmental sustainability is more than ever becoming a key priority for the EIF. We have been taking concrete steps throughout 2020 in adapting our processes and procedures to align with the principles and goals of the Paris Agreement and strengthen our commitment to a greener economy.

A big part of these efforts is also assessing and measuring our financial flows and, where possible, their impact. This year has seen important progress in this regard, expanding our impact methodology from social impact funds to include other purpose-driven actors.

We also intensified our focus on human capital as we launched the Skills & Education Guarantee Pilot initiative with the EC, to help individuals and businesses investing in Europe's most prized asset, its people, and improving their skillset to better deal with a changing world.

In parallel, we have mobilised additional EFSI resources to focus more on impact investing, on both the social and the environmental fronts. Additionally, we have expanded our toolkit under the EaSI programme to ramp up our support to social entrepreneurship and the inclusive finance ecosystem through capacity-building activities and broadening our outreach to include very small actors from the microfinance scene.

Support for the cultural and creative sectors - that generate so much more than just good business - has also continued unabated.

Focus on climate and sustainability

Adapting to a new norm and in particular re-orienting our work to address climate action and environmental sustainability, is picking up pace, as the various building blocks of this transition start to take shape. The first important step was taken this year with the approval of the EIB Group Climate Bank Roadmap. The Roadmap is an extraordinary milestone which will be guiding our activities over the coming five years as the EIB Group seeks to increase financing flows for climate action and environmental sustainability, support EUR 1tn of investments in these sectors by 2030 and align all our new financing activities with the principles and goals of the Paris Agreement as of 2021.

This will ensure that we support a Green Recovery from the COVID-19 crisis, that we fully back the European Green Deal, including just transition, and that our work contributes to the achievement of the SDGs.

Internal work streams are underway to ensure the successful rollout of the Climate Bank Roadmap. A significant part of the ongoing work so far has been dedicated to developing frameworks, criteria and thresholds to ensure the alignment with the principles and goals of both the Paris Agreement and the EU Taxonomy for sustainable investment.

As of 2021, the EIF will gradually start tracking green financing in its intermediated operations, in line with the EU Taxonomy principles as this develops over time. This is a dimension that will require strong commitment and cooperation from our intermediary partners. The EIF will ensure proportionality principles are kept in mind when tracking financing targeting SMEs.

Managing climate, environmental and social risks are a matter of good market practice. There is a risk that, as economic activities decarbonise, non-aligned assets will become stranded or that they are impacted by natural disasters worsened by climate change. This is a potential financial risk for the EIF's operations and can negatively impact the financial position of counterparties. In line with developing regulations and supervisory recommendations, the EIB Group has started to strengthen its capability to manage the financial risks from climate change by developing counterpart-level climate risk assessment models. In this regard, climate risk screening tools have been developed for the EIF's equity portfolio and will be further enhanced in 2021 for its debt and guarantee portfolio.

The EIF will continue to leverage its diverse toolkit to support the development of a much wider innovative, green and sustainable ecosystem, ranging from nurturing innovative green solutions to supporting businesses in their transition to a low carbon economy and ensuring that no one is left behind. Within the context of InvestEU and other initiatives, the EIF will look to support the transition to low carbon energy production; digitalisation and sustainable ICT; cleaner, safer and smarter mobility; energy efficiency in buildings and industrial sectors; circular economy, more resilient agriculture and enhanced bio-economy.

Did you know?

The EIF has been one of Europe's most active LPs in venture capital, investing EUR 622m in sustainability-focused funds since 2006 and helping these funds raise EUR 2.7bn.

Helioz (Austria) - Social enterprise with an innovative solution to prevent waterborne diseases

The importance of investing responsibly: UN PRI

In October, the EIF joined the list of signatories of the UN-sponsored Principles for Responsible Investment (PRI) for its equity finance activities and now sits on its Private Equity Advisory Board.

PRI is the leading global network for investors committed to integrating environmental, social, and governance (ESG) considerations into their investment practices. As a PRI signatory, the EIF will further enhance its ESG investment practices and processes, underlining our strong commitment to support the European Green Deal and the EU Climate Bank new level of ambition.

Furthermore, as of January 2020, the EIF is already implementing, within the due diligence of all new transactions, an ESG questionnaire, to better assess the intermediaries' practices related specifically to ESG matters.

Backing transparent disclosures

The EIF has expressed its support for the recommendations of the Financial Stability Board's Task force on Climate-related Financial Disclosures (TCFD). TCFD aims to promote transparency in investment and lending decisions in order to prevent potential systemic risks caused by climate change, to make markets more efficient and economies more stable and resilient.

Committing to change with the UNDP

The EIF also teamed up with the United Nations Development Programme (UNDP), signing a memorandum of understanding, which re-affirms our commitment to address the socio-economic consequences of the COVID-19 pandemic, respond to climate change and tackle inequalities.

The EIF and UNDP have agreed to explore cooperation opportunities in relation to the SDGs, risk management, socio-economic and environmental impact assessments, as well as the design and delivery of financial instruments to support inclusive, private sector-led, growth.

Building on successes: impact methodology

Leveraging on the experience gained through the Social Impact Accelerator (SIA) instrument, the EIF is seeking to widen the scope of application of its impact framework beyond social impact to include other purpose-driven funds. The impact measurement methodology is thus being systematically implemented wherever possible in other areas of impact financing, such as climate and environment.

Climate impact fund managers are required to "walk the talk" and set environmental objectives for each company in the portfolio through a number of key performance indicators such as reducing energy consumption for example. The extension of the EIF's impact methodology to these sectors and its wider adoption by the VC community is helping to set new standards for impact investment for fund managers and LPs alike.

Nikoleta's Sweet Creations: The sweet side of life

Location	Glykorizo, Arta, Greece
Financial Intermediary	Cooperative Bank of Epirus
EIF financing	EaSI Guarantee Financial Instrument; EFSI
Financing purpose	renovation & equipment
Number of employees	1

"They told me not to, but you know, I'm pretty stubborn…Both my husband and my father were reluctant in the beginning. They were afraid of the risk. But if you don't risk, you don't gain anything, right? Now they've both come round and are rubbing their eyes in disbelief."

Nikoleta Dala
Entrepreneur

Nikoleta's Sweet Creations

The sweet side of life

Impactful private credit investments

The EIF took a cornerstone investment of EUR 50m, using EFSI Private Credit resources, in Tikehau IM's first private credit fund fully dedicated to impact investment. Borrowers will be required to contribute actively and measurably to the fund's impact strategy of climate action, innovative growth and social inclusion. This will be achieved through attaching impact roadmaps to each loan: concrete measures on which borrowers will need to improve (e.g. job creation, reducing carbon emissions, waste reduction), triggering a reduction in interest rates.

The fund as a whole (target size EUR 350m) will focus on SDGs related to social, innovation and/or environmental impact.

Using EFSI Private Credit resources, the EIF made a cornerstone investment of EUR 50m in the first climate-focused diversified debt fund, Idinvest Sustainable Maritime Infrastructure (ISMI). At target size of EUR 300m, ISMI will be able to support at least 50 European businesses operating small/medium-sized vessels with new financing in support of the decarbonisation and ecological transition of their vessels, contributing to the transition of the maritime sector towards a carbon-neutral economy by 2050, an ambition announced in the European Green Deal.

The fund targets investments in (i) oceangoing and inland sustainable/fuel-efficient vessels, (ii) vessels supporting the development of offshore wind farms, and (iii) innovative port and inland infrastructure equipment.

Reducing energy consumption in Austria through securitisation

In December, the EIF signed its second synthetic securitisation transaction with Hypo Vorarlberg in only three years. With a EUR 56m mezzanine tranche on a EUR 330m SME loan portfolio, the transaction frees up regulatory capital for Hypo Vorarlberg, which will be re-invested into the construction of new highly energy efficient residential buildings. As a result, the transaction is beneficial for both the environment and local SMEs who will perform the construction of these innovative residential buildings.

First closing of Yotta Smart Industry fund

In line with the overall goals of the European Green Deal, the EIF made an investment of EUR 30m in the mid-market fund Yotta Smart Industry.

The fund reached first closing in 2020, raising just over EUR 100m that will be focusing on digital transformation and reduction of carbon emissions, while also integrating ESG in its investment strategy and monitoring through setting ESG performance targets in the portfolio companies.

Boosting the electric mobility market in Greece

The EIF closed a EUR 130m securitisation transaction with Olympic, the franchisee for AVIS in Greece, the proceeds of which will be employed to finance hybrid/electric vehicle leases. This is the largest non-banking securitisation ever implemented in Greece and the only one since 2010 to achieve investment grade rating by two major rating agencies.

By deploying EUR 93m resources alongside the EBRD's EUR 37m investment, the EIF was the cornerstone investor in a complex trade that achieves greening policy objectives, investment-grade rating and helps a non-bank lender in one of the most troubled capital markets in Europe, to issue bonds to international investors.

From accelerator to impact investing in Spain

Ship2B is an accelerator based in Barcelona specialising in seeding Spanish social enterprises with a focus on health, social and climate sectors with a technological angle. With an EIF investment of EUR 20m from EFSI resources, Ship2B Ventures II, a EUR 40m social impact investment fund, has grown out of the accelerator to target investments in social enterprises with a technology component and focusing on improving the lives of vulnerable populations, fighting climate change, providing quality education and reducing education inequalities. The EIF is proud to have supported Ship2B from its acceleration activity up to a social impact fund of institutional scale.

Did you know?

The EU blue economy generated a gross value added of EUR 218bn in 2018, a 15% increase compared to 2009, and a total turnover of EUR 750bn - a 12% increase on 2009.

Blue Invest: protecting the seas and oceans

In February 2020, the EC and the EIF launched the Blue Invest Fund, a EUR 75m equity investment initiative dedicated to the blue economy. Blue economy refers to all economic activities related to oceans, seas and coasts.

Managed by the EIF and backed by EFSI, this initiative is providing financing to underlying equity funds that strategically target and support the innovative blue economy. This sector can play an important role in the transformation to a carbon-neutral economy by 2050.

The blue economy sector ranges from companies in the marine environment to land-based businesses producing goods or services that contribute to the maritime economy. It harbours many promising early-stage ventures and companies that develop solutions for renewable energy, sustainable seafood, blue biotechnology, maritime IT and much more.

In total, three funds have been supported to date, with two more in the pipeline for early 2021, expected to generate, in total, at least EUR 230m in financing for the sector.

Hegyvidéki Ízlelő: Restaurant with a cause

Location	Budapest, Hungary
Financial Intermediary	Erste Bank
EIF financing	EaSI Guarantee Financial Instrument (Social Entrepreneurship)
Financing purpose	setting up the business, renovation, equipment
Number of employees	23

"Too many people with disabilities work in segregated workplaces, doing assembly line, repetitive work for minimum wage.
We want to break with this philosophy and show that disabled people are able and capable."

Noémi Ambrus Kiry
COO

Hegyvidéki Ízlelő

Restaurant
with a cause

Skills & Education Guarantee Pilot

Investments in skills contribute to growth, competitiveness and social convergence, while addressing the challenges linked to digital transformations and the transition to a carbon-neutral economy. For this reason, in collaboration with the EC, we launched a new pilot guarantee facility, backed by EFSI, to improve access to finance for individuals and organisations looking to invest in skills and education and help higher education providers with their offering of education and training programmes.

The Skills & Education Guarantee Pilot (S&E Pilot) was conceived to help get more people into the labour market and to respond to the European economy's changing needs. This initiative is particularly relevant in the difficult economic climate of the COVID-19 pandemic.

It will support companies and students, as well as providers of education, during and after the crisis, to ensure that Europe can develop and stay at the helm of global technological developments, drive its knowledge economy forward and accelerate its economic recovery.

The S&E Pilot provides an EU guarantee of up to EUR 50m backed by EFSI, making available more than EUR 200m for skills and education projects across Europe.

It offers financing for three types of beneficiaries: i) students and learners; ii) enterprises investing in the re-skilling of their employees; and iii) organisations offering/investing in education and training.

The first intermediary the EIF entered into an agreement with was Fundação José Neves in Portugal, offering shared income agreements - an innovative education financing product which mitigates the risk of over-indebtedness by payments being income linked and contingent - for students, learners and everyone who is interested in improving their skills through further education.

In total, 23 applications were received, exceeding the available budget, thus confirming the strong interest in the market for the support of education and training through financial instruments.

What are 'income sharing agreements'?

An Income Sharing Agreement (ISA) means that the financial intermediary pays the tuition fee (and potentially covers additional study-related expenses) to the student or directly to the university. In exchange, the student pays back a pre-agreed percentage of his or her income (usually around 15%), starting after graduation and only once the student has found a job and the related income has reached a pre-set minimum level, for either a fixed number of monthly payments or until the agreed amount to be repaid (a multiple of the paid out amount usually around 1.5 times with the support of an EIF guarantee) is reached. Each ISA is tailored to the type of degree, skills and expected income of the relevant student. After an agreed period of time, the obligation of the former student to pay a percentage of the salary expires. As the student is only liable to pay the agreed percentage when s/he has at least the minimum income, the former student can essentially not become bankrupt due to this type of financing.

Got skills? Level Up - A brief explainer of the EIF's Skills and Education guarantee initiative

Supporting social entrepreneurship

The Social Entrepreneurship window of the EaSI programme got off to a relatively slow start, with few specialised actors in the market and generalist actors unacquainted with the business models of social enterprises. Take-up has since picked up, however, and 2020 saw strong progress, with more and more mainstream financial institutions entering this space and offering critical mass to the initiative. This window supports a broad range of activities ranging from the classical work-integration social enterprises (WISEs), including integration of migrants and asylum seekers, to the many social enterprises set up to improve the environment.

In particular, we had the first EaSI social entrepreneurship guarantees in Portugal (Mbcp and Banco Montepio), expected to mobilise EUR 168m and EUR 140m respectively for Portuguese social businesses.

Impact investing under EFSI

The Impact Investing initiative, backed by EFSI, aims to promote an investment approach where social and environmental goals are intrinsic to the strategy of our financial intermediaries. Investments will target enterprises offering entrepreneurial solutions to societal issues and generating benefits to society alongside economic value creation.

Launched this year, a budget of EUR 50m had initially been foreseen for this area. However, in another sign that the market for impact investing has been growing, demand for this instrument tripled that figure, and by the end of 2020, the EIF had committed more than EUR 86m into six impact funds, with several others in the pipeline. The first fund to be supported under the EFSI Impact Investing initiative was Norrsken VC Fund (Sweden).

This initiative complements previous pilots in the social impact space that targeted different schemes such as funds linked to incubators and accelerators, or Payment-by-Results schemes.

> *"This is a growing trend across Europe: people want to put their money where they know it will be put to good use, to have impact, not just returns. It will take time, but the needs from clients are there, the demand is there and there are constantly new initiatives, new ideas that keep coming up. I think this market is poised for growth."*
>
> **Nicolas Blondeau**
> *Fund Manager at Helenos*

What do we mean by 'payment-by-results'?

Payment-by-Results (PbR) scheme in Finland

Epiqus Koto-SIB is a Social Impact Bond transaction signed in 2017, in which the EIF invested EUR 10m from EFSI. Its social objective is the integration of migrants and refugees into the Finnish labour market. Apart from its direct financial and social goal in promoting the employment and integration of refugees and migrants, the investment aimed at raising awareness of social impact bonds and encouraging intermediaries to expand into the SIB space.

By September 2020, 2,217 immigrants had participated in the experiment, of which 1,034 have found employment in the logistics, hospitality, cleaning, construction, financial administration, information technology and manufacturing industry sectors.

Tech for impact in Sweden

Some of the more inspirational initiatives involve successful entrepreneurs that channel resources into impact investing. One such case involves Niklas Adalberth, better known as the co-founder of Klarna – one of Europe's largest fintechs and unicorns.

In 2020, the EIF invested SEK 212m of EFSI resources (around EUR 20m) into NVC Fund 1, a SEK 1.1bn impact investing fund founded by Niklas that is focusing on impact-driven enterprises using digital technologies to address societal challenges.

This is the first fund of its kind at this scale in Sweden and is a great example of how a global tech-champion entrepreneur is using proceeds to invest in generating positive social impact.

Did you know?

56% of Europe's top 50 start-ups are founded by serial entrepreneurs.

To combat long-term social problems like unemployment or prisoner re-offending, governments increasingly invest in preventative measures, for example, education, training and mentoring support. However, these can require significant upfront investment, which entails both capital and the risk that the programme fails to deliver. A payment-by-results contract reduces this risk by setting out the desired results between the public body and the social services provider, ensuring that the provider is paid only if these results are obtained, for example, a percentage reduction in unemployment. The idea is to bring greater rigour and accountability to social interventions, but also to equip the public sector to venture into preventive measures tackling social challenges. A social impact bond takes this intervention one step further.

Koto SIB Finland - The first social impact bond scheme for migrants and refugees in Europe

Reaching smaller actors in microfinance

True to our mantra of 'believing in small', the EIF managed to extend support to very small intermediaries, namely AsCAR-RV (Romania) and LCCU (Lithuania), both very small credit unions servicing their respective markets of vulnerable entrepreneurs.

Under the EaSI GFI cover, AsCAR-RV expects to generate a loan portfolio of around EUR 9m and at least double the business loans portfolios of the intermediaries over the next five years.

Through these EaSI GFI transactions with the LCCU and AsCAR-RV and their respective intermediaries, the EIF has been able to support several small non-bank financial institutions, dedicated to increasing access to finance for micro-enterprises in rural and small urban areas.

This constitutes an innovative transaction structure that groups together several credit unions and thereby allows very small microfinance providers with a broad regional outreach and strong social mission to access the EaSI GFI.

EaSI Funded Instrument - first signatures

The EaSI Funded Instrument, with an overall size of EUR 200m - including contributions from the EC, the EIF and the EIB - aims at boosting the lending capacity of financial intermediaries that operate in the microfinance and social entrepreneurship finance space, through senior and subordinated loans.

This year saw the first three signatures under this instrument, in particular senior loans in favour of OBS in Serbia (EUR 10m), Agricover (EUR 7.3m) and FAER (EUR 2.1m) in Romania.

Did you know?

As of end 2020, more than 101,780 micro and social entrepreneurs in 30 countries had benefited from the EaSI programme.

Capacity-building investments

In parallel, during 2020 the EC substantially increased the available resources for the EaSI Capacity-Building envelope from EUR 26m to EUR 45m. This allowed us to reinforce efforts towards improving the capacity of financial intermediaries to better serve micro and social enterprises by supporting digitalisation projects or the opening of new branches closer to rural clients, for instance.

Non-financial support to microfinance

The EIF contributed to the revision and further development of the EU Code of Good Conduct for Microfinance Providers, sitting also on the Code Steering Group. In addition, EIF staff participated in EaSI Technical Assistance workshops and webinars, sharing technical expertise with micro and social finance providers in an effort to further build up the European inclusive finance ecosystem.

Movimento Film: Non Odiare

Location	Rome, Lazio
Financial Intermediary	CDP / Intesa San Paolo
EIF financing	Cultural & Creative Sectors Guarantee Facility, EFSI
Financing purpose	cashflow
Number of employees	1

"Cinema is such a powerful art. It can influence our behaviour and transform the way we see things and society...We are not pointing fingers, we just want to show people society's many contradictions to get them thinking. That's how influential films can be."

Mario Mazzarotto
Director

Movimento Film

Non Odiare

Strengthening the cultural and creative sectors

Responding to the particularities of financing in the cultural and creative sectors, our Cultural and Creative Sectors Guarantee Facility (CCS GF) has continued to expand its outreach. A total of 22 agreements have been signed to date, expected to generate no less than EUR 3.2bn in debt financing for the cultural and creative sectors. The 3,707 companies supported under this programme come from a range of sectors, with the lion's share (around 40%) in the audio-visual and multimedia world, followed by books and press (25%).

These efforts have been boosted by strong capacity-building activities aiming to better equip financial intermediaries to serve these sectors. So far, the activities undertaken show that intermediaries have expanded their interest beyond financing film to also supporting other sub-sectors like music, video games and fashion. They have also been keen to boost capacity through tailor-made support in the form of local market studies and support in their risk assessment and due diligence process.

In December 2020, the EIF signed an interesting multi-country transaction under CCS GF with a new intermediary located in Denmark, REinvent Finance (RF), that will also target the four other Nordic countries: Norway, Sweden, Finland and Iceland.

Thanks to CCS, RF will support Nordic film and TV series production companies and the worldwide distribution of Nordic audio-visual content while providing an alternative finance solution to traditional banks through three different products: i) bridge financing loans; ii) gap financing, by acquiring distribution rights (in the form of minimum guarantees); and iii) project/content development loans (new dedicated product).

What is CCS GF?

The Cultural and Creative Sectors Guarantee Facility (CCS GF) improves access to finance for creative SMEs by offering portfolio guarantees and counter-guarantees to financial intermediaries for loans and leases to entrepreneurs in the cultural and creative industries. It is the guarantee facility of the EU's Creative Europe programme, running from 2016 to 2020, and on top of guarantees, it also offers capacity-building support.

Artboost (Denmark) - Democratising art, a company supported under the CCS Guarantee Facility

Cohesion & Regional

In a year marked by closed borders, suspended economic activity across all countries and social dislocation hitting the EU at its core, we have remained engaged in supporting Europe's regions. Building on our close relationships with national and regional authorities, and also national promotional institutions, the EIF has continued to deliver financial solutions to local challenges across Europe.

We have remained fully committed to working towards economic and social cohesion across the EU and helping to ensure Europe's competitiveness on the global scene. In this context, we have supported entrepreneurs in all four corners of the continent, expanding our outreach to previously underserved regions and encouraging sustainable growth and employment throughout the EU.

We have signed new agreements with institutions in the Netherlands and Portugal, to bolster financing for SMEs, while existing programmes in Croatia, Greece and Malta have been performing well. Ensuring that public resources travel further, we have been carefully reinvesting the reflows generated by the JEREMIE instruments in Bulgaria, Greece and Romania to reinject resources back into the market, boosting much needed financial support in these regions.

In parallel, in France, Portugal, Italy, Greece and Romania we have helped farmers survive a difficult year through various agricultural mandates, while beyond EU borders, our work with our neighbours has continued: our Deep and Comprehensive Free Trade Area Initiative East Guarantee Facility and Western Balkans Enterprise Development & Innovation Facility have been mobilised to offer much-needed support to businesses affected by the COVID-19 pandemic.

Reflows: amplifying our impact

One of the advantages of financial instruments is the ability to use reflows. Public resources can be invested using financial instruments, maximising impact by crowding-in private resources and leveraging more funds. When equity investments are exited and loans repaid, those resources (reflows) become available again for new investments. 2020 saw significant reflow activity in several financial instruments, ensuring that each euro travelled further.

Bulgaria

The JEREMIE-Bulgaria instrument invested EUR 330m through two debt and three equity instruments, reaching around 9,000 Bulgarian SMEs. Accumulated reflows from the original JEREMIE-Bulgaria instrument have already exceeded EUR 200m - and there will be more to come.

In April 2020, using EUR 80m from these recycled resources, the Bulgarian government and the EIF agreed to boost support for small businesses, to help them weather the COVID-19 crisis. This took the form of a new guarantee facility providing working capital to local companies. For the first time, the facility will also guarantee factoring transactions. It will ultimately help Bulgarian SMEs and small mid-caps absorb liquidity shocks and declines in revenues and production volumes.

By end-2020, six transactions with Bulgarian banks had been signed, expected to generate, in total, up to EUR 800m of new financing.

This year also saw the first closing of a EUR 44m fund, LAUNCHub Fund II, in which the EIF is participating by combining EUR 12m from JEREMIE reflows with EUR 8m from the InnovFin Equity (IFE) mandate.

This is the first multi-country fund based in Sofia, the first such example of blended finance in Bulgaria, and the first time a fund in Bulgaria is backed by a majority of private limited partners.

"I think that the fact that the LAUNCHub team is successfully raising its second fund is proof that venture capital has become an asset class to be reckoned with to support innovation in Bulgaria. It is also a good indicator of how the Bulgarian VC/PE ecosystem has matured over the past few years."

Hristo Stoyanov
EIF

Greece

Signed in 2007, the JEREMIE instrument invested EUR 198.8m in more than 2,850 companies through its loans and equity products. JEREMIE has now returned more than 50% of the initially invested budget (from both equity and loans repayments).

These returns are being re-used to finance new instruments, targeting identified financial gaps in the market, with no burden on the public budget, creating, in reality, a virtuous circle supporting SMEs and the most dynamic part of entrepreneurship in the country – the VC ecosystem.

In particular, with an amount of up to EUR 20m, the reflows will support a Business Angels' Co-Investment Equity Instrument. Through this initiative, the EIF will support a co-investment fund that will mobilise angel investors, active and potential, to support early ideas and projects and mature them into concrete business opportunities.

Romania

Reflows from the JEREMIE-Romania instrument (which generated EUR 668m in support of 7,000 Romanian SMEs through both equity and debt instruments in the 2007-2013 budgetary period) have totalled EUR 150m to date. Using these funds, the EIF, in collaboration with the Romanian government, is deploying new equity and debt instruments to generate much-needed support for small businesses. For this purpose, the EIF's JEREMIE mandate has also been extended.

In particular, 2020 saw the first closing of a new VC fund, Catalyst II, in which the EIF is participating with EUR 7.5m from IFE and EUR 7.5m from reflows. Catalyst II, with a target size of EUR 40-50m, will focus on tech companies in the growth and expansion stage of their development.

At the same time, the EIF is also looking to make further commitments totalling EUR 40m in several other funds next year.

On the debt side, a new guarantee facility meant to support the internationalisation and diversification of the Romanian economy by improving access to finance for local SMEs has been developed this year and will be launched in 2021. The facility will also aim to help companies tackle financial shocks linked to the COVID-19 crisis, such as reduced revenues and liquidity shortages. An initial commitment of EUR 25m of reflows is envisaged, estimated to generate approximately EUR 125m in new financing.

Future Fund in the Netherlands

The Dutch Future Fund (DFF) is a new initiative launched by the EIF in close collaboration with the Dutch national promotional institution Invest-NL to offer fresh funding to innovative Dutch SMEs.

Both parties agreed to commit EUR 150m, making EUR 300m available to invest in venture and growth capital funds that have a strong commitment to innovative SMEs in the Netherlands. DFF aims to support the Dutch economy and contribute to preparing it for the future by focussing on areas such as digital innovation, artificial intelligence, life sciences and key enabling technologies; as well as thematic objectives such as energy transition, sustainability and the circular economy, all of which are priorities for Netherlands and the EIB Group. The initiative for the Netherlands also aims at supporting companies impacted by the ongoing COVID-19 pandemic.

It is expected that the EIF, as the manager of the programme, will be able to construct a balanced portfolio of 15 to 20 funds.

After Dutch Venture Initiative I (DVI-I) and DVI-II, DFF is the third equity fund-of-funds programme implemented by the EIF in the Netherlands.

Aerones: Using robotics to help the environment

Location	Riga, Latvia
Financial Intermediary	Change Ventures
EIF financing	Baltic Innovation Fund – BIF; InnovFin Equity; EFSI
Financing purpose	scaling the business
Number of employees	53

"We are building something completely different from the currently available solutions. The wind industry can provide energy for our children. If we can be a part of making renewable energy more accessible even by only 5 percent, that's already something valuable."

Dainis Kruze
Co-founder

Aerones

Using robotics to help the environment

Equifund in Greece

EquiFund is a EUR 449m risk capital fund-of-funds aiming to develop the equity market in Greece. It brings together funding from ESIF with a Greek contribution, the EIF, EFSI and other market-oriented investors. By the end of 2020, investments from the nine funds supported by Equifund had reached EUR 170m in 114 companies.

The EquiFund fund managers have achieved three major exits in 2020 in which three companies have been successfully sold to larger businesses (two of which to global leaders in their sectors) on terms which secure additional investment and retain associated jobs in Greece. These exits have also resulted in returns to the investors, including the Greek state that is able to use these resources to re-invest in Greek SMEs in the future.

The exit of Think Silicon marked the biggest deep tech start-up exit ever in Greece based on publicly available data, while the exit of Instashop set a new record amount (EUR 360m) for a Greek start-up exit.

Contributing to a sustainable marine environment: Portugal Blue

In October, the EIF and Instituição Financeira de Desenvolvimento (IFD) launched Portugal Blue, a EUR 50m equity partnership to support Portuguese companies active in the area of blue economy.

With the EIF and IFD each contributing EUR 25m, this joint programme is expected to catalyse over EUR 75m worth of investments into up to two funds focused on blue economy with a climate impact and sustainable development objective.

This is the third equity partnership – following Portugal Tech and Portugal Growth – between the EIF and IFD under the EIF-NPI Equity Platform.

Encouraging growth in Croatia

Launched in 2019, the Croatian Growth Investment Programme (CROGIP) is a EUR 70m equity investment programme (topped-up to EUR 80m this year). Despite the restrictions, the EIF and HBOR have pressed ahead with deployment, making commitments to three private equity funds and one co-investment initiative, looking to unlock a total of up to EUR 205m for development and growth of SMEs and smaller mid-caps in Croatia.

Two of these investments were made into first-time teams: Adriatic Structured Equity Fund (EUR 25m), a private equity fund focusing on the lower mid-market; and Croatian Mezzanine Fund (EUR 21m), a mezzanine fund also focusing on the lower mid-market.

Energy efficiency in Malta

In line with the renewed focus on climate action, the Smart Finance for Smart Buildings instrument began deployment through the Energy Efficiency and Renewable Energy Malta (EERE Malta) fund-of-funds. In particular, two transactions were signed with Bank of Valletta and APS Bank that will generate EUR 54m of financing for both households and enterprises for energy efficiency- and renewable energy-related investments.

This new financing is expected to reach between 2000 and 3000 projects across the country.

EquiFund - Sustaining a thriving VC ecosystem in Greece

SME Initiative progressing

Building on its success and last year's top-ups, the SME Initiative has continued its deployment across six EU Member States, blending national resources (structural funds) with EU programmes like COSME and InnovFin. This year's highlights include:

- a top-up of EUR 7m in Malta – the second such top-up, expected to increase the total financing envelope for Maltese SMEs from EUR 90m to EUR 118m;
- signatures with five Finnish financial intermediaries, adding to the existing portfolio to make a total of EUR 770m available for Finnish businesses, especially allowing riskier and innovative businesses to receive preferential financing during the COVID-19 crisis; and
- the selection of two additional financial intermediaries in Italy, reconfirming the fruitful collaboration between the EIB Group, the EC and the Italian Ministry of Finance in support of SMEs affected by COVID-19 in the south of Italy.

"Developing regional mandates with new counterparts that we had never met before and could not visit became a challenge. On the other hand, today's technologies enabled smooth implementation of the existing mandates with all the investors' meetings shifting online."

Jurate Azelionyte
EIF

What is the SME Initiative?

The SME Initiative (SMEi) combines ESIF funds with EIB, EU and EIF resources, allowing different levels of risk to be assumed across the capital structure and ultimately mobilising a much larger volume of loans for SMEs in Europe. The combination of funds promotes economies of scale and larger investments. The SMEi is a joint financial instrument of the EC and the EIB Group (the EIB and the EIF), which aims to stimulate SME financing by providing partial risk cover for newly-originated or existing SME debt financing portfolios of originating financial institutions. Alongside ESIF, the SME Initiative is co-funded by the EU through COSME and Horizon 2020 resources as well as EIB resources. The SMEi is currently operational in Bulgaria, Italy, Finland, Malta, Romania and Spain. Overall, close to EUR 1.3bn of ESIF are expected to leverage an aggregate EUR 8.6bn of new SME financing, generating EUR 12bn of new investments for over 70,000 SMEs.

Did you know?

To help resolve the financing disparities between EU countries we have dedicated 42% of our mid-market investments in number to emerging geographies.

Fund Underwriting

In the context of the EIF-NPI Fund Underwriting Programme, the EIF transferred its first commitments in investment funds to participating NPIs after the funds invested in these NPIs' reference markets. This was a first concrete step toward linking the EIF's pan-European pipeline of investments with the investment objectives of our local partners in Europe to support SMEs and mid-caps that are of relevance for their economies.

DCFTA: helping our Eastern neighbours

Under the Deep and Comprehensive Free Trade Area (DCFTA) Initiative East Guarantee Facility, the EIB Group deploys a capped portfolio guarantee facility for the benefit of SMEs in Georgia, Moldova and Ukraine in line with the EU's Neighbourhood Policy.

As of September 2020, through seven financial intermediaries, the instrument has made available 1,871 loans for SMEs worth EUR 242m.

The guarantee facility offers reduced collateral requirements and/or lower financing costs.

In addition, the guarantee facility supports local currency lending with 68% of the entire portfolio of transactions being in local currencies, which is a very important feature in the region in question.

Based on the success of this first phase, and to provide continued support to the Eastern Neighbourhood countries in the context of the COVID-19 crisis, the EIB Group and the EC will be launching a second phase of the guarantee facility at the beginning of 2021 – with improved terms and coverage expanded to three more countries.

Western Balkans

As part of the "Team Europe COVID response" package designed for the Western Balkans by the EC, the EIF is about to establish a new capped portfolio guarantee facility for the benefit of SMEs in the six Western Balkans economies.

The facility will follow the well-tested toolbox of the guarantee facilities successfully deployed so far under the WB EDIF platform and will be more focused on the type of loans which are most needed by SMEs in the context of the COVID-19 crisis, while at the same time orienting investments towards alignment with the green agenda.

The facility is endowed by the EC with EUR 60m of Instrument for Pre-Accession Assistance (IPA) resources, which the EIF plans to leverage into around EUR 300m of loans for SMEs in the region. Deployment will begin in early 2021.

Meanwhile, as at 30 June 2020, the WB EDIF Guarantee Facility has created SME loan portfolios for an aggregate of EUR 490m - of which EUR 361m has been absorbed and the rest on its way – in support of 3,646 SMEs in the region.

What is the EIF-NPI Fund Underwriting Programme?

It is a programme which provides a novel channel for facilitating equity investment partnerships with NPIs and a way to help defragment the VC/PE markets in Europe. By creating a bridge between the EIF's pan-European investment community with a global outlook and Europe-based NPIs with local objectives, the programme also serves to advance EU objectives under the Capital Markets Union (CMU) action plan.

Aphea.Bio: Applied nature for better agriculture

Location	Ghent, East Flanders
Financial Intermediary	V-Bio Ventures
EIF financing	RCR/own resources – EFSI
Financing purpose	R&D, field-testing
Number of employees	23

"We all generate way too much waste. We need to think more in terms of the circular economy, to be more realistic about what we are asking for as consumers. And agriculture needs to be more sustainable. As a company, we're trying to introduce next generation bio-treatments that can help move towards more sustainable agriculture."

Isabel Vercauteren
CEO & co-founder

Aphea.Bio

Applied nature
for better agriculture

Agricultural mandates: recognising the strategic importance of agriculture

Through the EIF's financial instrument implementation, we have built a significant portfolio of investments across the agricultural value chain. 225,000 farmers and agri-businesses have benefited from this support. The large majority of this financing has come from central mandates, such as COSME and InnovFin, but national and regional mandates have become more and more important.

In most Member States, the detailed market testing which the EIF has carried out has fully warranted the need for financial instruments facilitating access to finance, particularly for riskier projects and for final recipients lacking sufficient collateral.

INAF

Last year we signed Initiative Nationale pour l'Agriculture Française (INAF), a new mandate to guarantee portfolios of new loans and leases to French farmers. INAF blends funds from the French government's Investment Plan 2018-22 with EFSI resources and is managed by the EIF on behalf of the French Ministry of Agriculture.

In less than a year, more than 800 farmers have already been supported on very competitive terms for an amount of EUR 200m.

FOSTER

FOSTER AGRI is a EUR 27m financial instrument dedicated to rural development in the south-western regions of France. Launched in 2015 it was set up to help improve access to finance to SMEs in the agricultural sector. Despite the pandemic, 2020 was an exceptional year for FOSTER AGRI with more than 620 farmers benefiting from support worth EUR 70m.

Alter'NA

As anticipated, the Alter'NA initiative has been enabling the transition to sustainable agriculture for many farmers. After just one year of implementation, EUR 45m were disbursed to about 250 farmers. Alongside mandate management and monitoring, the EIF has developed, in close collaboration with EIB Advisory Services, a digital platform aimed at disseminating the programme throughout the region and enabling potential final recipients (and financial intermediaries) to assess the eligibility of their investments.

Did you know?

Over the years, the EIF has built a significant portfolio of investments across the agricultural value chain. Financial instruments managed by the EIF have catalysed close to EUR 17bn worth of financing for the sector, benefiting more than 200,000 small businesses in agriculture and bio-economy.

Looking Ahead

As the European economy begins on the long path to recovery, particularly with the introduction of COVID-19 vaccination programmes and the loosening of restrictions, the EIF intends to leverage off its strong performance in 2020 to continue mobilising resources in support of SMEs across Europe, quickly, effectively and in record volumes.

This will be achieved primarily through the deployment of the EGF across participating Member States but also, in the short-term, through an expansion of our emergency COVID-19 measures to support European businesses most impacted by this difficult year. In parallel, we shall be building on two generations of very successful financial instruments deployed in cooperation with national and regional authorities, and using a multitude of new tools to intensify our investment activity in and on behalf of EU Member States.

We are all acutely aware that lifting out of the crisis also entails diving into a digital and green transition. Recovery efforts cannot jeopardise these strategic objectives. This will be reflected in the refocusing of the EIF's activity around thematic policy objectives that will support this transition. We also expect our efforts in aligning to the Paris Agreement to start taking shape.

On the horizon, we also have the InvestEU programme. Its design phase will be ramped up in 2021 on the back of the agreement on the EU Multi-annual Financial Framework, leveraging on the successful initiatives of the previous programming period.

Completing the spectrum of EIF investors, we expect to see an important expansion of our private fundraising initiatives as investor activity picks up again in a low-interest climate.

EGF: Responding to the emergency

The EIB Group launched the EGF as a complement to other actions undertaken at EU level in response to the crisis triggered by the COVID-19 pandemic.

The objective of the EGF is to respond to the economic impact of the COVID-19 pandemic by ensuring that companies in participating Member States have sufficient short-term liquidity available to weather the crisis, and are able to continue their growth and development in the medium to long-term by expanding the availability of risk capital.

Through the EGF, the EIF will deploy a number of guarantee, debt fund and equity products in cooperation with selected financial intermediaries for the benefit mainly of SMEs and small mid-caps but also mid-caps. In this effort, we will rely on our strong pan–European network of financial intermediaries who are already familiar with the advantages of such products and the relevant processes and requirements, in order to deploy quickly and effectively.

By pooling credit risk across all of the participating EU Member States – the first time this is happening at European level - the overall impact of the fund can be maximised whilst the average cost of the fund will be significantly reduced compared to national schemes.

The EIF will ramp up the implementation of the EGF initiative in 2021, which will be the year in which the majority of the deployment will be concentrated. The plan is to approve all commitments by the end of 2021, committing in total around EUR 12-13bn in support of European SMEs and mid-caps.

Investing out of the crisis - EIF at #CESUnveiled 2020

Deploying COVID-19 measures & regional mandates

During 2021, the EIF will primarily deploy national mandates signed in 2020, as well as legacy regional mandates (e.g. Western Balkans Guarantee Facility, Cyprus Entrepreneurship Fund (CYPEF), JEREMIE Romania), aimed at supporting SMEs affected by the COVID-19 crisis. In addition, the EIF will aim to sign new tailor-made initiatives - possibly combining them with the EGF.

The EIF will focus on the development of its regional activity through cooperation models with Member States and national promotional institutions. This will be achieved with the gradual introduction of country strategies to develop targeted interventions that optimise the EIF's additionality and respond to national priorities.

Focussing on Public Policy Goals

The EIF itself will be embarking on a journey of digital transformation while re-centring its activity around relevant thematics and Public Policy Goals (PPGs).

Our efforts in support of EU priorities will take the form of thematic interventions with clear policy targets. For the first time, the EIF's activity will be planned and monitored against the newly defined PPGs. These goals are closely aligned to the EIB's PPGs, enabling a Group-wide tracking of policy-based delivery. The focus on policy will be cascaded throughout the EIF from mandate acquisition strategy to deployment, reporting and monitoring.

The EIF PPG framework has been designed in alignment with that of the EIB and will be characterised by four key pillars:

- Competitiveness & Growth
- Innovation
- Social Impact, Skills & Human Capital
- Sustainability & Green Transformation

Additionally, two transversal categories will cut across these four pillars and capture their contribution to concrete PPGs:

- Climate Action and Environmental Sustainability
- Economic and Social Cohesion

Emphasising sustainability

A big part of our shift to focus more on thematic and policy priorities will be reflected in our efforts towards climate action and environmental sustainability. The ongoing work developing definitions, criteria and thresholds to ensure alignment with the Paris Agreement and EU Taxonomy for sustainable finance principles will continue and begin to bear fruit, including closer tracking of green financing and improved climate risk screening tools.

As of 2021, the EIB Group's Infrastructure and Climate funds activity will also be transferred from the EIB to the EIF. The EIF plans to make an important contribution to both EU and EIB Group climate targets by investing in infrastructure funds that target, amongst others, climate adaptation or mitigation, as well as environmental sustainability, in energy, transport, environment, digital connectivity, space and social infrastructure.

Overall, the EIF will contribute to the EIB Group's climate objectives and align its activities with the goals of the Paris Agreement. With InvestEU and dedicated mandates such as the Infra and Climate Funds, we expect to step up our efforts and gradually increase our target in terms of supporting climate action and environmental sustainability.

The EIF's ambition is to target 10% of our activity to the areas of climate and environment in 2021, excluding EGF activity.

InvestEU: next generation financial instruments

The EIF, together with the EIB, will be the key implementing partner of the EU's new financing programme, InvestEU, which will offer a EUR 26bn guarantee to its implementing partners.
The EIB Group will be managing 75% of its overall guarantee capacity.

Under InvestEU, the EIF expects to deploy the full suite of intermediated products relying on its pan-European reach, effective intermediary network and financial expertise, while increasing our focus on key EU policy priorities.

Our intention is to step up efforts in scaling support to innovation-driven enterprises, adoption of digital technologies, transition to green energy, increasing investments in energy efficiency by both industrial and residential sectors, investments in and adoption of clean transport solutions, while ensuring a fair and inclusive transition towards sustainability-linked models.

We will also use InvestEU to boost support to the cultural and creative sectors, education and skills, microfinance and social enterprises, as well as provide continuation finance for impact-focused businesses. InvestEU will also aim to increase financing for women-led and diverse funds and companies.

The EIF will aim to continue to contribute to ecosystem building in the area of disruptive technologies, such as space technologies, artificial intelligence, blockchain, cybersecurity and quantum computing and seek to build momentum towards clean-tech investments by supporting energy, agri-tech, food-tech and circular economy strategies.

Scaling further the EIF's support to life sciences will remain an important priority, given significant underfunding of this sector in Europe. Similarly, building digital ecosystems to level geographic discrepancies, as well as providing significant funding to enable scaling of digital champions, would be high on the EIF's agenda.

Such scaling is needed across other sectors and must be facilitated also by developing the access to capital markets. In that context, the EIF aims to support cross-over strategies necessary for scaling companies pre- and post-IPO. In concert, these efforts will make an important contribution to further building up the European equity ecosystem, across all stages, and making tangible progress on completing the capital markets union.

At the same time, given the reduced budgetary envelope for InvestEU, we will continue to explore possibilities for collaboration on other sectoral programmes, such as Horizon Europe, Connecting Europe Facility (CEF), Innovation Fund, Digital Europe and the Creative Europe MEDIA Programme, as well as some other smaller programmes covering maritime, space and social areas.

"With InvestEU, we are bringing together the multitude of interventions that we have today into a financing platform that is more focussed, a one-stop shop for businesses - everything under one roof, with a single set of rules for the market, fit for purpose, while addressing different policy objectives."

Tomasz Kozlowski
EIF

Boosting private fund-raising activity

The EIF wants to continue to attract private investment capital from institutional investors as a means to continue supporting its investment role in the European PE and VC markets and further EU policy objectives.

In September, the EIF Board approved the AMUF second generation, aimed at raising EUR 1.2bn to be invested into European PE & VC funds following its predecessor's investment strategy of focusing on growth capital, VC tech and VC life science. We plan to launch it in early 2021.

In parallel, the Sustainable Development Umbrella Fund (SDUF) was established by the EIF to accommodate investment solutions that have a pre-defined target return, but also a strategic or sustainability impact. Its goal is to offer easy access for private and public investors to selected thematic areas of high strategic relevance.

After the initial focus on life sciences (SDUF-Health), this instrument will turn to social impact, seeking to build a diversified portfolio of underlying funds targeting investments in the field of employment, social inclusion, housing, healthcare and education, pooling resources from public and private investors, both return-seeking investors and investors seeking to improve the capital efficiency of their philanthropic resources. Given this emphasis on business models aiming to address different societal challenges, it will naturally contribute to the achievement of multiple SDGs. Looking ahead, the SDUF is also exploring climate and clean-tech investments.

Capital increase

In view of these ambitious targets and the significant expected increase in the EIF's activity, discussions have begun among shareholders in relation to increasing the EIF's authorised capital. The intention is to approve an increase in share capital by more than 60%, to approximately EUR 7.4bn in early 2021. This development will put the EIF in a stronger position to roll-out its various initiatives in support of European SMEs, most notably InvestEU.

Breaking it down

Despite the challenging environment, the EIF significantly increased its activity both in numbers and in volumes of transactions committing a record EUR 12.9bn through 412 transactions in 2020, compared to EUR 10.2bn in 382 transactions in 2019.

Of the EUR 12.9bn, the EIF committed close to EUR 3.6bn in the form of equity investments, helping many first time and emerging managers to close their funds, and more than EUR 9.1bn in guarantees and securitisation for the benefit of European SMEs, often encouraging the expansion of these financial instruments to new regions and new markets. Inclusive finance also remained important to our strategy as over EUR 150m were committed to this segment.

Much emphasis was placed on helping Europe's SMEs survive the economic fallout of the COVID-19 pandemic and in sustaining European competitiveness through supporting the development of new technologies, with a growing emphasis on the digital and green transformations.

Equity Signatures as at December 2020

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
Private Equity			1.289,9		
ABAC SUSTAINABLE VALUE II FCR	EFSI - SMEW, OWN FUNDS	Spain	40,0	Yes	No
Abenex VI	OWN FUNDS, RCR	France	20,0	Yes	No
Aksia Capital V	OWN FUNDS, RCR	Italy	30,0	No	No
Alcedo V	AMUF - GC, OWN FUNDS, RCR	Italy	60,0	No	No
Argos Wityu Mid-Market VIII	OWN FUNDS, RCR	France	60,0	No	No
ASEF SCSp	EFSI - SMEW, OWN FUNDS, NPI SM - HBOR	Croatia	25,0	Yes	No
Avallon MBO Fund III SCA SICAV-RAIF	AMUF - GC, EFSI - SMEW, OWN FUNDS	Poland	30,0	Yes	No
Axcel VI K/S 2	AMUF - GC	Denmark	20,0	Yes	No
Beyond Capital Partners Fund II GmbH & Co. KG	COSME-EFG, OWN FUNDS, RCR	Germany	30,0	Yes	No
BlackPeak Southeast Europe Growth Equity Fund SCSp	COSME-EFG, OWN FUNDS, JER-009 BULGARIA	Bulgaria	32,0	No	No
Blue Sea Capital Fund II SCSp	EFSI - SMEW, OWN FUNDS	Croatia	25,0	Yes	No
Bluegem III SCSp	OWN FUNDS, RCR	United Kingdom	30,0	No	No
CMF-Cipio Partners	German CMF	Luxembourg	10,3	No	No
Crest II FCR	OWN FUNDS, NPI SM - IFD (Portugal Growth), RCR	Portugal	20,0	No	No
Development Capital Fund II	EFSI - SMEW, OWN FUNDS	Ireland	30,0	Yes	No
eEquity IV AB	ESCALAR	Sweden	37,1	Yes	No
Ergon Capital Partners V SCSp	AMUF - GC, OWN FUNDS, RCR	Belgium	44,0	No	No
Espiga Equity Fund II	COSME-EFG, OWN FUNDS, RCR	Spain	30,0	No	No
Evoco TSE III	OWN FUNDS, RCR	Switzerland	40,0	Yes	No
FSN Capital VI L.P.	AMUF - GC, OWN FUNDS, RCR	Norway	75,0	No	No
Genesis Growth Equity Fund I	EFSI - SMEW, OWN FUNDS	Czech Republic	3,8	Yes	No
HCapital II FCR	COSME-EFG, OWN FUNDS, NPI SM - IFD (Portugal Growth)	Portugal	25,0	No	No
KS Livonia Partners Fund II AIF	BIF 2	Estonia	20,0	No	No
Kurma Diagnostics II FPCI	IFE	France	20,0	Yes	No
MAGNUM CAPITAL III SCA SICAV-RAIF	OWN FUNDS, RCR	Spain	40,0	Yes	No
Melior Equity Partners II SCSp	EFSI - SMEW, OWN FUNDS	Ireland	30,0	Yes	No
Middle Market Fund VI	OWN FUNDS, RCR	France	30,0	No	No
MVI Fund II AB	OWN FUNDS, RCR	Sweden	30,3	Yes	No
Patrimonium Private Equity Fund SCSp	EFSI - SMEW, OWN FUNDS	Switzerland	40,0	Yes	No
Polaris Private Equity V	OWN FUNDS, RCR	Denmark	20,0	Yes	No
Prosperus Growth Fund	EFSI - SMEW, OWN FUNDS, NPI SM - HBOR	Croatia	25,0	Yes	No
Sandberg Investment Fund II SCSp	CEFoF, COSME-EFG, OWN FUNDS	Slovakia	30,0	No	No
Sarmis Capital Partners Fund I SCSp	COSME-EFG, OWN FUNDS, JER-002 ROMANIA	Romania	30,0	No	No
T2 Energy Transition Fund FPCI	OWN FUNDS, RCR	France	40,0	No	No
Taste of Italy 2	EFSI - SMEW, OWN FUNDS, RCR	Italy	35,0	Yes	No
TiLT Capital Fund 1	EFSI - SMEW, OWN FUNDS, RCR	France	40,0	Yes	No
Trilantic Europe VI	OWN FUNDS, RCR	United Kingdom	40,0	Yes	No
Vallis Sustainable Investments II	NPI SM - IFD (Portugal Growth)	Portugal	7,5	No	Yes
Verdane Edda II (E) AB	OWN FUNDS, RCR	Sweden	40,0	No	No
Xenon Small Cap SCA SICAV RAIF	OWN FUNDS, RCR	Italy	25,0	No	No
Yotta Smart Industry	OWN FUNDS, RCR	France	30,0	No	No

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
Venture Capital			1.811,6		
42CAP III GmbH & Co. KG	ERP in ERP-EIF FoF VC, IFE, LfA in LfA-EIF 3	Germany	20,0	Yes	No
Abingworth Bioventures 8 LP	AMUF - LS	United Kingdom	14,4	No	No
Alliance Venture Delta Fund AB	IFE	Norway	13,4	Yes	No
Almaz Capital Fund III SCSp	EFSI - SMEW, OWN FUNDS, IFE	Germany	35,8	Yes	No
Atlantic Food Labs Fund I GmbH & Co. KG	EFSI - SMEW, OWN FUNDS, ERP in ERP-EIF FoF VC, RCR	Germany	30,0	Yes	No
Atlantic Labs German Growth GmbH & Co. KG	OWN FUNDS, ERP in ERP-EIF Growth, RCR	Germany	50,0	No	No
Atomico V SCSp	OWN FUNDS, RCR	United Kingdom	20,2	Yes	No
BioDiscovery 6 FPCI	AMUF - LS, OWN FUNDS, ERP in ERP-EIF FoF VC, LfA in LfA-EIF 2, RCR	France	50,5	Yes	No
Biogeneration Capital Fund IV C.V.	AMUF - LS, DFF, OWN FUNDS, RCR	Netherlands	30,0	Yes	No
Blue Horizon Ventures I SCSP RAIF	EFSI - SMEW, OWN FUNDS	Switzerland	25,0	Yes	No
BSOCIAL IMPACT FUND, FESE	EFSI - SMEW, OWN FUNDS	Spain	20,0	Yes	No
Cherry Ventures Opportunities II GmbH & Co. KG	EFSI - SMEW, OWN FUNDS, ERP in ERP-EIF Growth	Germany	20,0	Yes	No
CMF-Ananda Impact Ventures	German CMF	Germany	7,3	No	No
CMF-BonVenture	German CMF	Germany	4,9	No	No
CMF-DN Capital	German CMF	United Kingdom	17,8	No	No
CMF-Earlybird 2012	German CMF	Germany	2,6	No	No
CMF-Earlybird DWES VI	German CMF	Germany	38,9	No	No
CMF-Earlybird Growth I	German CMF	Germany	60,5	No	No
CMF-Enern	German CMF	Czech Republic	1,3	No	No
CMF-Epidarex	German CMF	United Kingdom	1,4	No	No
CMF-FTTF	German CMF	Germany	4,5	No	No
CMF-HV Holtzbrinck Ventures	German CMF	Germany	151,0	No	No
CMF-Lakestar	German CMF	Switzerland	7,3	No	No
CMF-Munich Venture Partners	German CMF	Germany	9,0	No	No
CMF-Vesalius Biocapital	German CMF	Luxembourg	11,0	No	No
Co-investment I with OTB Fund Cooperatief U.A. - ICEYE Oy	IFE	Poland	0,0	No	No
Co-investment II with OTB Fund Cooperatief U.A. - ICEYE Oy	IFE	Poland	18,4	Yes	No
Co-investment with BioGeneration Capital Fund III - catalYm	EIB-EIF Co-investment (IIW)	Netherlands	5,4	No	Yes
Co-investment with Enterprise Innovation Fund - Agrivi	IFE, NPI SM - HBOR	Slovenia	2,8	Yes	No
Co-investment with Epidarex II - Mironid - Caldan	IFE, NPI SM – SE	United Kingdom	0,2	Yes	No
Co-investment with Forbion Capital Fund III - catalYm	EIB-EIF Co-investment (IIW)	Netherlands	9,3	No	Yes
Co-investment with Innovation Industries Fund Cooperatief U.A. - Microsure	IFE, NPI SM - PNB, NPI SM – Invest NL	Netherlands	2,0	Yes	No
Co-investment with Paladin European Cyber Fund - Cyberhedge (EUR)	LFF – Co-Inv	Luxembourg	0,3	No	No
Co-investment with Prime Ventures IV - Pagantis	LFF – Co-Inv	Spain	1,0	No	No
Cooperatieve Gilde Healthcare V UA	AMUF - LS	Netherlands	15,0	No	No
Creas Impacto F.E.S.E., S.A.	EFSI - SMEW, OWN FUNDS	Spain	5,0	Yes	No
Dawn Capital IV SCSp	AMUF - TVC, OWN FUNDS, ERP in ERP-EIF FoF VC, IFE, RCR	United Kingdom	48,1	No	No
Diffusion Capital Partners Fund II SCSp	TGIF	Turkey	10,0	No	No
DN Capital - Global Venture Capital V SCSp	AMUF - TVC, OWN FUNDS, ERP in ERP-EIF FoF VC, IFE, RCR	United Kingdom	45,0	Yes	No
EAF-Denmark	EAF - Denmark	Denmark	3,6	No	No
EAF-Finland	EAF - Finland	Finland	2,0	No	No
EAF-Germany	OWN FUNDS, ERP in ERP-EIF FoF VC, RCR	Germany	15,0	No	No
EAF-Netherlands	EAF - Netherlands	Netherlands	1,0	No	No
EAF-Spain II	EAF - Spain II	Spain	3,3	No	No
Eir Ventures I AB	IFE	Sweden	20,0	Yes	No
Enern Tech IV Sub-fund	EFSI - SMEW, OWN FUNDS, IFE	Czech Republic	20,0	Yes	No
Eutopia II	EFSI - SMEW, OWN FUNDS	France	15,0	Yes	No
F2 Capital Partners 2	IFE	Israel	2,3	No	No

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
Finch Capital Fund III Cooperatief UA	OWN FUNDS, IFE, RCR	Netherlands	20,0	Yes	No
Fly Ventures Fund II GmbH & Co. KG	ERP in ERP-EIF FoF VC, IFE	Germany	15,0	Yes	No
Forbion Growth Opportunities Fund I C.V.	OWN FUNDS, ERP in ERP-EIF FoF VC, RCR	Netherlands	35,0	Yes	No
Frontline Venture Fund III Limited Partnership	IFE	Ireland	25,0	Yes	No
Good Harvest Ventures I SCSp	EFSI - SMEW, OWN FUNDS	Belgium	20,0	Yes	No
GP Bullhound Fund V SCSp	EFSI - SMEW, OWN FUNDS, LFF – VC FoF, RCR	United Kingdom	50,0	No	No
Heartcore Capital Progression Fund Beta K/S	EFSI - SMEW, OWN FUNDS, ERP in ERP-EIF Growth	Denmark	20,1	Yes	No
henQ 4 Fund Cooperatief U.A.	DFF, OWN FUNDS, IFE, RCR	Netherlands	30,0	Yes	No
HV Holtzbrinck Ventures Fund VIII GmbH & Co. geschlossene Investment KG	AMUF - TVC, OWN FUNDS, ERP in ERP-EIF FoF VC, LfA in LfA-EIF 3, RCR	Germany	53,2	Yes	No
IST CUBE GmbH & Co. KG	OWN FUNDS, IFE, RCR	Austria	20,0	Yes	No
Jeito S.L.P.	OWN FUNDS, RCR	France	20,0	No	No
K FUND II FCRE	OWN FUNDS, RCR	Spain	15,0	Yes	No
Kibo Ventures Fund III, FCRE	OWN FUNDS, RCR	Spain	25,0	Yes	No
LAUNCHub Fund II Cooperatief U.A.	IFE, JER-009 BULGARIA	Bulgaria	20,0	Yes	No
Marathon Venture Capital Mutual Fund II	IFE	Greece	15,0	Yes	No
MGG Angel Ventures Co-investment Fund	IFE	Bulgaria	12,5	Yes	No
Nauta Tech Invest V, FCR	ERP in ERP-EIF FoF VC, IFE, LfA in LfA-EIF 3	Spain	17,5	Yes	No
Northzone IX L.P.	AMUF - TVC, OWN FUNDS, RCR	Norway	25,0	Yes	No
NVC Fund 1 AB	EFSI - SMEW, OWN FUNDS, IFE	Sweden	20,2	Yes	No
Oltre III	EFSI - SMEW, OWN FUNDS, NPI TM - SII	Italy	30,0	Yes	No
Open Ocean Fund 2020 Ky	OWN FUNDS, IFE, RCR	Finland	40,0	Yes	No
Orbital Ventures SCA SICAV-RAIF	IFE	Luxembourg	31,0	Yes	No
Paua Ventures Fonds 2 GmbH & Co. KG	ERP in ERP-EIF FoF VC, IFE	Germany	20,0	Yes	No
Primo Space Fund	IFE	Italy	6,0	Yes	No
Rubio Impact Fund II Coöperatie U.A.	DFF, EFSI - SMEW, OWN FUNDS	Netherlands	30,0	Yes	No
Samaipata II Capital, FCR	OWN FUNDS, RCR	Spain	20,0	Yes	No
Seaya Ventures III Fondo de Capital Riesgo, FCRE	EFSI - SMEW, OWN FUNDS	Spain	25,0	Yes	No
SHIFT Invest III Cooperatief U.A.	DFF, OWN FUNDS, RCR	Netherlands	22,5	No	No
Skylake Venture Fund I SCSp	IFE	Luxembourg	22,6	No	No
Sofinnova Industrial Biotechnology Fund 2	EFSI - SMEW, OWN FUNDS	France	30,0	Yes	No
Speedinvest III EuVECA GmbH & Co. KG	ERP in ERP-EIF FoF VC, IFE, LfA in LfA-EIF 2	Austria	25,0	Yes	No
TEV Ventures Vintage III GmbH & Co. KG	EFSI - SMEW, OWN FUNDS, ERP in ERP-EIF FoF VC	Germany	40,0	Yes	No
Thuja Capital Healthcare Fund III Cooperatief U.A.	DFF, IFE	Netherlands	30,0	Yes	No
University Bridge Fund II, L.P.	IFE	Ireland	20,0	Yes	No
UnternehmerTUM VC Fonds III GmbH & Co. KG	OWN FUNDS, ERP in ERP-EIF FoF VC, IFE, LfA in LfA-EIF 3, RCR	Germany	35,0	Yes	No
V-Bio Ventures Fund 2	IFE	Belgium	30,0	Yes	No
EAF-Ireland	EAF - Ireland	Ireland	2,5	No	No
EAF-Europe	EAF - Europe	Switzerland	2,0	No	No

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
Private Debt			488,5		
ActoMezz IV	AMUF - GC, OWN FUNDS, RCR	France	60,0	Yes	No
Beechbrook Private Debt Fund IV Junior	OWN FUNDS, MDD 2, RCR	United Kingdom	30,0	Yes	No
Beechbrook Private Debt Fund IV Senior	OWN FUNDS, MDD 2, RCR	United Kingdom	30,0	Yes	No
CAPZA 5 Flexequity, S.L.P.	AMUF - GC, OWN FUNDS, RCR	France	60,0	Yes	No
Croatian Mezzanine Debt Fund	EFSI - SMEW, OWN FUNDS, NPI SM - HBOR	Croatia	21,0	Yes	No
Dutch Mezzanine Fund III	EFSI - SMEW, OWN FUNDS	Netherlands	40,0	Yes	No
Equita Private Debt Fund II	EFSI - SMEW, OWN FUNDS	Italy	30,0	Yes	No
Harbert/Claret European Growth Capital Fund III	OWN FUNDS, MDD 2, RCR	United Kingdom	60,0	No	No
MML Growth Capital Partners Ireland Fund II LP	OWN FUNDS, RCR	Ireland	40,0	No	No
Nest Capital Fund III Ky	OWN FUNDS, RCR	Sweden	40,0	Yes	No
Oquendo IV- SCA-SICAV RAIF	EFSI - SMEW, OWN FUNDS	Spain	50,0	Yes	No
Resilience Partners Fund II	EFSI - SMEW, OWN FUNDS	Spain	27,5	Yes	No
Total amount			3.590,0		

Guarantee Signatures as at December 2020

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
Austria Wirtschaftsservice (AWS) - CCS GF	CCS GF	Austria	3,5	Yes	No
Banco Comercial Portugues (BCP) - CCS GF	CCS GF	Portugal	25,2	Yes	No
Cassa Depositi e Prestiti (CDP) - CCS GF	CCS GF	Italy	8,4	Yes	No
CERSA - CCS GF (COVID)	CCS GF	Spain	27,9	Yes	No
Credito Emiliano – CCS GF	CCS GF	Italy	14,0	Yes	No
Finora Capital - CCS	CCS GF	Estonia	1,1	Yes	No
IFCIC - CCS GF - CG	CCS GF	France	1,8	Yes	No
IFCIC - CCS GF - DG (COVID)	CCS GF	France	15,8	Yes	No
Raiffeisenbank EAD – CCS GF	CCS GF	Bulgaria	1,8	Yes	No
REinvent Finance – CCS GF	CCS GF	Denmark	6,5	Yes	No
UniCredit Bank Romania - CCS	CCS GF	Romania	7,2	No	No
Wallimage Enterprises – CCS GF	CCS GF	Belgium	2,8	Yes	No
Agrar-Vallalkozasi Hitelgarancia Alapitvany (AVHGA) - COSME - LGF (COVID)	COSME-LGF	Hungary	4,3	Yes	No
Alpha Bank Greece - COSME - LGF	COSME-LGF	Greece	22,0	Yes	No
Altum - COSME - LGF (COVID)	COSME-LGF	Latvia	2,4	Yes	No
Austria Wirtschaftsservice 2 (AWS) - COSME - LGF (COVID)	COSME-LGF	Austria	5,7	Yes	No
Banca Transilvania - COSME -LGF (COVID)	COSME-LGF	Romania	10,7	Yes	No
Bank Gospodarstwa Krajowego (BGK) - COSME - LGF (COVID)	COSME-LGF	Poland	51,6	Yes	No
BCC Lease 2 - COSME - LGF (COVID)	COSME-LGF	Italy	1,6	Yes	No
BdM-MCC - Fondo centrale di Garanzia 2 - COSME - LGF (COVID)	COSME-LGF	Italy	50,0	Yes	No
BEEQUIP B.V. - COSME LGF (COVID)	COSME-LGF	Netherlands	3,8	Yes	No
BPCE - Caisse d'Epargne – COSME LGF (COVID)	COSME-LGF	France	25,0	Yes	No
Bpifrance Financement - COSME LGF (digit)	COSME-LGF	France	40,0	Yes	No
Byggoastofnun – COSME LGF	COSME-LGF	Iceland	2,0	No	No
Caixa Geral de Depósitos (CGD) - COSME LGF (digit- COVID)	COSME-LGF	Portugal	27,6	Yes	No
Cassa Depositi e Prestiti 2 (CDP) Investment platform - COSME - LGF (COVID)	COSME-LGF	Italy	49,9	Yes	No
CEC Bank - COSME - LGF (COVID)	COSME-LGF	Romania	3,1	Yes	No
CERSA 2 - COSME - LGF - (digit-COVID)	COSME-LGF	Spain	73,0	Yes	No
Ceskoslovenská obchodná banka (CSOB SK) - COSME - LGF (COVID)	COSME-LGF	Slovakia	7,9	Yes	No
CMZRB - Ceskomoravska zarucni a rozvojova banka 2 - COSME - LGF (digit)	COSME-LGF	Czech Republic	19,4	Yes	No
Credem 2 - COSME - LGF (COVID)	COSME-LGF	Italy	24,8	Yes	No
Crnogorska Komercijalna Banka (CKB) - COSME - LGF	COSME-LGF	Montenegro	0,8	No	No
Deutsche Leasing Umbrella - Austria - COSME LFG	COSME-LGF	Austria	1,0	Yes	No
Deutsche Leasing Umbrella - Bulgaria - COSME LGF	COSME-LGF	Bulgaria	0,5	Yes	No
Deutsche Leasing Umbrella - Czech Republic - COSME LFG	COSME-LGF	Czech Republic	1,0	Yes	No
Deutsche Leasing Umbrella - France- COSME LFG	COSME-LGF	France	1,1	Yes	No
Deutsche Leasing Umbrella - Hungary - COSME LGF	COSME-LGF	Hungary	1,6	Yes	No
Deutsche Leasing Umbrella - Netherlands - COSME LFG	COSME-LGF	Netherlands	0,8	Yes	No
Deutsche Leasing Umbrella - Poland - COSME LFG	COSME-LGF	Poland	0,8	Yes	No
Deutsche Leasing Umbrella - Slovakia - COSME LFG	COSME-LGF	Slovakia	0,5	Yes	No
Deutsche Leasing Umbrella - Spain - COSME LFG	COSME-LGF	Spain	0,7	Yes	No
Deutsche Leasing Umbrella (CE) – COSME LGF	COSME-LGF	Bulgaria	3,4	Yes	No
DSK Bank EAD – COSME (COVID)	COSME-LGF	Bulgaria	5,2	Yes	No
Erste Bank Novi Sad (Serbia) - COSME - LGF	COSME-LGF	Serbia	0,5	No	No
Eurobank - COSME - LGF (COVID)	COSME-LGF	Greece	25,0	Yes	No
Eurobank Bulgaria AD - COSME - LGF	COSME-LGF	Bulgaria	3,2	Yes	No
Federation Nationale des SOCAMA 3 - COSME LGF (COVID)	COSME-LGF	France	49,9	Yes	No
Finnvera Oyj - COSME - LGF (COVID)	COSME-LGF	Finland	50,0	Yes	No
France Active Garantie 2 - COSME LGF	COSME-LGF	France	15,3	Yes	No
France Active Garantie 4 - COSME LGF	COSME-LGF	France	5,0	Yes	No
Home Building Finance Ireland (HBFI) – COSME LGF	COSME-LGF	Ireland	4,8	Yes	No
K&H - COSME - LGF (COVID)	COSME-LGF	Hungary	2,0	Yes	No
Komercni Banka - COSME - LGF (COVID)	COSME-LGF	Czech Republic	25,6	Yes	No
Kredi Garanti Fonu - COSME LGF	COSME-LGF	Turkey	21,6	No	No
Kreditanstalt fur Wiederaufbau (KfW) 3 - COSME	COSME-LGF	Germany	36,0	Yes	No
Malta Development Bank – COSME	COSME-LGF	Malta	5,3	Yes	No
MONETA Money Bank - COSME - LGF (COVID)	COSME-LGF	Czech Republic	4,1	Yes	No
Mutualité de Cautionnement (ex-MCAC) - COSME - LGF (COVID)	COSME-LGF	Luxembourg	1,3	Yes	No
National Bank of Greece - COSME - LGF (COVID)	COSME-LGF	Greece	24,0	Yes	No
Nuevo Micro Bank 2 (MicroBank) - COSME - LGF (COVID)	COSME-LGF	Spain	58,5	Yes	No
Pekao - COSME - LGF (COVID)	COSME-LGF	Poland	2,5	Yes	No
Piraeus Bank - COSME - LGF (COVID)	COSME-LGF	Greece	24,9	Yes	No
PKO Leasing - COSME LGF (COVID)	COSME-LGF	Poland	24,1	Yes	No
PMV/z-Leningen – COSME – LGF (COVID)	COSME-LGF	Belgium	15,0	Yes	No
Privredna Banka Zagreb (PBZ) - COSME - LGF (COVID)	COSME-LGF	Croatia	0,6	Yes	No
Qredits 2 - COSME - LGF (COVID)	COSME-LGF	Netherlands	18,0	Yes	No
Raiffeisen Bank Bosnia and Herzegovina - COSME - LGF	COSME-LGF	Bosnia and Herzegovina	1,0	No	No
Raiffeisen Bank Bulgaria - COSME - LGF (COVID)	COSME-LGF	Bulgaria	12,4	Yes	No
Raiffeisen Bank Romania - COSME - LGF (COVID)	COSME-LGF	Romania	9,4	Yes	No
Raiffeisen banka a.d. – COSME LGF (digit)	COSME-LGF	Serbia	3,4	No	No
Raiffeisen Leasing Bulgaria - COSME - LGF	COSME-LGF	Bulgaria	1,4	Yes	No
SIAGI - COSME - LGF (COVID)	COSME-LGF	France	18,4	Yes	No
Sihtasutus KredEx 2 - COSME LGF (COVID)	COSME-LGF	Estonia	23,0	Yes	No
Sowalfin 2 - COSME - LGF (COVID)	COSME-LGF	Belgium	16,9	Yes	No
UniCredit Bank Serbia - COSME - LGF	COSME-LGF	Serbia	6,3	No	No
UniCredit Bulbank - COSME - LGF (COVID)	COSME-LGF	Bulgaria	15,3	Yes	No
United Bulgarian Bank 2 - COSME - LGF (digit-COVID)	COSME-LGF	Bulgaria	30,4	Yes	No
Vaekstfonden 2 - COSME - LGF (COVID)	COSME-LGF	Denmark	4,0	Yes	No
Banca Agricola Popolare di Ragusa (BAPR) - SME Initiative Italy	COSME-LGF, OWN FUNDS, SME Initiative - Italy	Italy	98,5	No	No
Monte dei Paschi di Siena (MPS) - SMEi Italy	COSME-LGF, OWN FUNDS, SME Initiative - Italy	Italy	76,2	No	No
Raiffeisen Bank Aval - DCFTA East	DCFTA East GF	Ukraine	6,5	No	No
ALFI PD Alternative Investment Fund	EFSI - Private Credit	Slovenia	30,0	Yes	No
Alternative Direct Leasing Fund	EFSI - Private Credit	Spain	50,0	Yes	No
CVI CEE Fund	EFSI - Private Credit	Poland	40,0	Yes	No
Idinvest Sustainable Maritime Infrastructure Fund	EFSI - Private Credit	France	50,0	Yes	No
Kepler Cheuvreux IFE Real Economy I	EFSI - Private Credit	France	30,0	Yes	No
ODDO BHF PRIVATE DEBT RAIF SCA – increased commitment	EFSI - Private Credit	Germany	50,0	Yes	No
PMI Italia II Fund	EFSI - Private Credit	Italy	10,0	Yes	No
Spanish Direct Leasing Fund II	EFSI - Private Credit	Spain	30,0	Yes	No
Tikehau Impact Lending SCA RAIF	EFSI - Private Credit	France	50,0	Yes	No
Vauraus SME Loan Fund I Ky	EFSI - Private Credit	Finland	27,5	Yes	No
Ver Capital Credit Partners SMEs VII SA SICAV SIF	EFSI - Private Credit	Italy	10,0	Yes	No
Banco BPM RegCap 2020 - SLA Fronted (COVID)	EIB SLA	Italy	76,6	No	Yes
BBVA - Vela SME 2020-1 - SLA Fronted (COVID)	EIB SLA	Spain	87,1	No	Yes
BNP Synthetic Proxima 2 - 2020 - SLA Fronted (COVID)	EIB SLA	France	103,1	No	Yes
COCO Finance III-4 - SLA Fronted (COVID)	EIB SLA	Germany	131,3	No	Yes
Hypo Vorarlberg Synthetic 2020-1- SLA Fronted (COVID)	EIB SLA	Austria	56,1	No	Yes
Intesa Sanpaolo RegCap 2020 - SLA Fronted (COVID)	EIB SLA	Italy	89,6	No	Yes
Landesbank Baden-Württemberg (LBBW) Synthetic 2020-1 SLA Fronted (COVID)	EIB SLA	Germany	95,0	No	Yes
Sabadell SME Synthetic 2020 - SLA Fronted (COVID)	EIB SLA	Spain	96,0	No	Yes
Slovenska Sporitelna Synthetic - SLA Fronted (COVID)	EIB SLA	Slovakia	48,3	No	Yes
BTV Synthetic 2020 (Austria) - OR/SLA Fronted (COVID)	EIB SLA, OWN FUNDS	Austria	130,5	No	Yes
Deutsche Leasing Synthetic 2020-1 - OR - SLA Fronted (COVID)	EIB SLA, OWN FUNDS	Romania	255,0	No	Yes
ING Synthetic 2020-1 - OR/SLA Fronted (COVID)	EIB SLA, OWN FUNDS	Netherlands	795,3	No	Yes
Luminor Synthetic 2020 - OR/SLA Fronted (COVID)	EIB SLA, OWN FUNDS	Estonia	432,8	No	Yes
Montepio SME Synthetic 2020 - OR/SLA Fronted (COVID)	EIB SLA, OWN FUNDS	Portugal	387,8	No	Yes
Santander Leasing Synthetic 2020-1 - OR/SLA Fronted (COVID)	EIB SLA, OWN FUNDS	Poland	445,5	No	Yes
Voba Synthetic 2019 - OR/SLA Fronted (COVID)	EIB SLA, OWN FUNDS	Italy	91,9	No	Yes

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
APS Bank - ESIF EERE Malta	ESIF - EERE Malta	Malta	5,0	No	No
Bank of Valletta - ESIF EERE Malta	ESIF - EERE Malta	Malta	10,8	No	No
Caisse d'Epargne - FOSTER-Languedoc Roussillon ERDF	ESIF - FOSTER-LR ERDF (SF02)	France	3,1	No	No
Cooperative Bank of Karditsa - ESIF Greece EAFRD	ESIF EAFRD Greece	Greece	2,0	No	No
Cooperative Bank of Thessaly - ESIF Greece EAFRD	ESIF EAFRD Greece	Greece	4,0	No	No
Eurobank - ESIF Greece EAFRD	ESIF EAFRD Greece	Greece	26,4	Yes	No
National Bank of Greece - ESIF Greece EAFRD	ESIF EAFRD Greece	Greece	14,0	Yes	No
Pancretan Cooperative Bank - ESIF Greece EAFRD	ESIF EAFRD Greece	Greece	1,0	No	No
Piraeus Bank - ESIF Greece EAFRD	ESIF EAFRD Greece	Greece	40,0	No	No
ProCredit Bank Bulgaria - ESIF Greece EAFRD	ESIF EAFRD Greece	Bulgaria	4,0	No	No
Banco BPI - Agri Portugal	ESIF EAFRD Portugal	Portugal	10,0	No	No
Banco Santander Totta - Agri Portugal	ESIF EAFRD Portugal	Portugal	7,3	No	No
Caixa Central de Credito Agricola Mutuo - Agri portugal	ESIF EAFRD Portugal	Portugal	11,9	No	No
Caixa Geral de Depósitos - Agri Portugal	ESIF EAFRD Portugal	Portugal	10,0	No	No
Fundusz Gornoslaski (FGSA) - ESIF-Silesia PRSL	ESIF-Silesia	Poland	5,0	No	No
TISE - ESIF-Silesia PRSL	ESIF-Silesia	Poland	4,9	No	No
Attica Bank - ESIF ERDF Greece	Guarantee Fund for Greece	Greece	14,0	No	No
Eurobank - ESIF ERDF Greece	Guarantee Fund for Greece	Greece	40,0	No	No
National Bank of Greece - ESIF ERDF Greece	Guarantee Fund for Greece	Greece	30,0	No	No
Piraeus Bank - ESIF ERDF Greece	Guarantee Fund for Greece	Greece	40,0	No	No
ProCredit Bank EAD - ESIF ERDF Greece	Guarantee Fund for Greece	Bulgaria	14,0	No	No
ABN AMRO - IFSMEG (COVID)	InnovFin SMEG	Netherlands	105,0	Yes	No
Aegon Investment Management - IFSMEG (COVID)	InnovFin SMEG	Netherlands	60,0	Yes	No
Alba Leasing 2 - IFSMEG	InnovFin SMEG	Italy	20,0	Yes	No
Audacia - IFSMEG	InnovFin SMEG	France	25,0	Yes	No
Austria Wirtschaftsservice (AWS) - IFSMEG (COVID)	InnovFin SMEG	Austria	55,0	Yes	No
Banca Cassa di Risparmio di Savigliano - IFSMEG (COVID)	InnovFin SMEG	Italy	7,0	Yes	No
Banca di Cividale - IFSMEG	InnovFin SMEG	Italy	10,0	Yes	No
Banca Sella - IFSMEG (COVID)	InnovFin SMEG	Italy	45,0	Yes	No
Banca Valsabbina 2 - IFSMEG (COVID)	InnovFin SMEG	Italy	62,5	Yes	No
Banco BPI 2 - IFSMEG (COVID)	InnovFin SMEG	Portugal	85,0	Yes	No
Banco BPM 2 - IFSMEG	InnovFin SMEG	Italy	95,0	Yes	No
Banco Comercial Portugues 2 (BCP) - IFSMEG (COVID)	InnovFin SMEG	Portugal	130,0	Yes	No
Banco di Desio e della Brianza - IFSMEG (COVID)	InnovFin SMEG	Italy	40,0	Yes	No
Banco Santander - IFSMEG (COVID)	InnovFin SMEG	Spain	60,0	Yes	No
Bank Leumi - IFSMEG	InnovFin SMEG	Israel	44,2	No	No
Bank Lviv - IFSMEG	InnovFin SMEG	Ukraine	10,0	No	No
Bank Nordik - IFSMEG	InnovFin SMEG	Faroe Islands	20,2	No	No
Bank of Georgia - IFSMEG	InnovFin SMEG	Georgia	90,0	No	No
BANKIA - IFSMEG (COVID)	InnovFin SMEG	Spain	60,0	Yes	No
Banque Wormser Freres - IFSMEG (COVID)	InnovFin SMEG	France	16,0	Yes	No
BCC Cambiano Umbrella 2 - Banca Cambiano - IFSMEG	InnovFin SMEG	Italy	10,0	Yes	No
BCC Cambiano Umbrella 2 - BCC Pisa e Fornacette - IFSMEG	InnovFin SMEG	Italy	5,0	Yes	No
BCC Cambiano Umbrella 2 - Cabel Leasing - IFSMEG	InnovFin SMEG	Italy	3,0	Yes	No
BGL BNP Paribas 2 - IFSMEG (COVID)	InnovFin SMEG	Luxembourg	9,6	Yes	No
Bpifrance financement PI FEI 4 - IFSMEG	InnovFin SMEG	France	150,0	Yes	No
Bpifrance financement start-up 4 - IFSMEG (COVID)	InnovFin SMEG	France	100,0	Yes	No
Caixa Geral de Depósitos (CGD) - IFSMEG (COVID)	InnovFin SMEG	Portugal	85,0	Yes	No
Cassa di Risparmio di Bolzano - IFSMEG	InnovFin SMEG	Italy	22,5	Yes	No
CERSA 2 - IFSMEG (COVID)	InnovFin SMEG	Spain	60,0	Yes	No
Credit Agricole Italia 2 (Cariparma Group) - IFSMEG	InnovFin SMEG	Italy	15,0	Yes	No
Creval 3 - IFSMEG (COVID)	InnovFin SMEG	Italy	70,0	Yes	No
CSOB - IFSMEG (COVID)	InnovFin SMEG	Czech Republic	16,0	Yes	No
Deutsche Bank Germany - IFSMEG (COVID)	InnovFin SMEG	Germany	110,0	Yes	No

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
DSK Bank - IFSMEG (COVID)	InnovFin SMEG	Bulgaria	4,0	Yes	No
EKF Danmarks Eksportkredit - IFSMEG	InnovFin SMEG	Denmark	17,0	Yes	No
Entrepreneur Venture - IFSMEG (COVID)	InnovFin SMEG	France	36,0	Yes	No
Erste & Steiermärkische Bank - IFSMEG (COVID)	InnovFin SMEG	Croatia	75,0	Yes	No
Erste & Steiermarkische Bank Umbrella - Sparkasse Bank Bosnia & Herzegovina - IFSMEG	InnovFin SMEG	Bosnia and Herzegovina	10,0	No	No
Erste & Steiermarkische Bank Umbrella - Sparkasse North Macedonia - IFSMEG	InnovFin SMEG	North Macedonia	5,0	No	No
Erste & Steiermarkische Bank Umbrella (CE) - IFSMEG	InnovFin SMEG	Croatia	15,0	No	No
Financiere Arbevel - IFSMEG	InnovFin SMEG	France	25,0	Yes	No
GEDESCO Finance - IFSMEG	InnovFin SMEG	Spain	25,0	Yes	No
Intesa Sanpaolo - (ex Mediocredito Italiano) - IFSMEG (COVID)	InnovFin SMEG	Italy	60,0	Yes	No
Invest-NL - IFSMEG (COVID)	InnovFin SMEG	Netherlands	48,2	Yes	No
K&H - IFSMEG (COVID)	InnovFin SMEG	Hungary	1,8	Yes	No
Komercni Banka 2 - IFSMEG (COVID)	InnovFin SMEG	Czech Republic	58,8	Yes	No
LfA Förderbank Bayern - IFSMEG (COVID)	InnovFin SMEG	Germany	60,0	Yes	No
Mediocredito Trentino-Alto Adige 3 (MCTAA) - IFSMEG (COVID)	InnovFin SMEG	Italy	32,0	Yes	No
Mobiasbanca - IFSMEG	InnovFin SMEG	Moldova, Republic of	11,0	No	No
Nordea - IFSMEG (COVID)	InnovFin SMEG	Finland	98,0	Yes	No
OP Corporate Bank - IFSMEG (COVID)	InnovFin SMEG	Finland	60,0	Yes	No
Participatiefonds Vlaanderen (PMV) - IFSMEG (COVID)	InnovFin SMEG	Belgium	60,0	Yes	No
PKO Leasing 2 - IFSMEG (COVID)	InnovFin SMEG	Poland	34,5	Yes	No
ProCredit - Bulgaria & Greece - IFSMEG (COVID)	InnovFin SMEG	Bulgaria	48,0	Yes	No
ProCredit - Romania - IFSMEG (COVID)	InnovFin SMEG	Romania	32,0	Yes	No
Raiffeisen Bank Bulgaria - IFSMEG (COVID)	InnovFin SMEG	Bulgaria	14,4	Yes	No
Raiffeisenbank Czech Republic - IFSMEG (COVID)	InnovFin SMEG	Czech Republic	19,0	Yes	No
Raise IDF - IFSMEG	InnovFin SMEG	France	5,0	Yes	No
Sabadell Venture Capital – IFSMEG (COVID)	InnovFin SMEG	Spain	40,0	Yes	No
Sowalfin 2- IFSMEG (COVID)	InnovFin SMEG	Belgium	14,2	Yes	No
Strategic Banking Corporation of Ireland (SBCI) - IFSMEG (COVID)	InnovFin SMEG	Ireland	60,0	Yes	No
Svensk Exportkredit - IFSMEG (COVID)	InnovFin SMEG	Sweden	80,0	Yes	No
Sydbank - IFSMEG	InnovFin SMEG	Denmark	25,0	Yes	No
TBC Bank - IFSMEG	InnovFin SMEG	Georgia	7,5	No	No
Tenax - IFSMEG	InnovFin SMEG	United Kingdom	0,1	Yes	No
Trea 2 - IFSMEG (COVID)	InnovFin SMEG	Spain	45,0	Yes	No
Vaekstfonden 2 - IFSMEG (COVID)	InnovFin SMEG	Denmark	92,3	Yes	No
Strategic Banking Corporation of Ireland (SBCI) Future Growth Loan Scheme	Irish SMEs	Ireland	320,0	No	No
DSK Bank - Jeremie BG FLPG (COVID)	JER-009 BULGARIA	Bulgaria	15,0	No	No
Eurobank Bulgaria AD - Jeremie BG FLPG (COVID)	JER-009 BULGARIA	Bulgaria	15,0	No	No
ProCredit Bank– JER BG Documentary Finance (COVID)	JER-009 BULGARIA	Bulgaria	25,0	No	No
Raiffeisenbank EAD - Jeremie BG FLPG (COVID)	JER-009 BULGARIA	Bulgaria	15,0	No	No
UniCredit Bulbank – JER BG Documentary Finance (COVID)	JER-009 BULGARIA	Bulgaria	20,0	No	No
United Bulgarian Bank – JER BG Documentary Finance (COVID)	JER-009 BULGARIA	Bulgaria	15,0	No	No
Alba 11 - OR/SLA (COVID)	OWN FUNDS	Italy	50,0	No	Yes
KMU Portfolio Germany - OR	OWN FUNDS	Germany	50,0	No	No
Olympic Green Funding - OR	OWN FUNDS	Greece	93,0	No	No
Santander Consumer Portugal 2020 - OR/SLA (COVID)	OWN FUNDS	Portugal	97,6	No	Yes
Santander Magdalena 4 SME Funded Synthetic 2020 - OR/SLA (COVID)	OWN FUNDS	Spain	5,0	No	Yes
BT Microfinantare IFN - S&E GP	Skills and Education Guarantee Pilot	Romania	1,8	Yes	No
MicroBank Spain – S&E	Skills and Education Guarantee Pilot	Spain	8,3	Yes	No
Aktia - SMEi Finland	SME Initiative - Finland	Finland	25,0	No	No

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
OMA Savings Bank - SMEi Finland	SME Initiative - Finland	Finland	37,5	No	No
OP OSUUSKUNTA 2 (OP Cooperative Bank) - SMEi Finland	SME Initiative - Finland	Finland	60,0	No	No
POP Bank - SMEi Finland	SME Initiative - Finland	Finland	12,5	No	No
Savings Banks Group (Saastopankki) - SMEi Finland	SME Initiative - Finland	Finland	40,0	No	No
Intesa Sanpaolo Banka BiH- WB EDIF Youth	WB EDIF GF Youth	Bosnia and Herzegovina	1,0	No	No
ProCredit Bank Albania - WB EDIF Youth	WB EDIF GF Youth	Albania	1,4	No	No
ProCredit Bank Kosovo - WB EDIF Youth	WB EDIF GF Youth	Kosovo	3,4	No	No
Raiffeisen Bank Kosovo - WB EDIF Youth	WB EDIF GF Youth	Kosovo	1,9	No	No
Raiffeisen Bank SH.A Albania - WB EDIF Youth	WB EDIF GF Youth	Albania	3,0	No	No
Total amount			9.126,2		

Inclusive Finance Signatures as at December 2020

Deal Name	Resource	Team location	Commitment (EURm)	EFSI SMEW	EFSI SMEWII
Agricover - EaSI Funded MF	EaSI - Funded	Romania	7,2	No	No
FAER - EaSI Funded MF	EaSI - Funded	Romania	2,1	No	No
Opportunity Bank Serbia (OBS) - EaSI Funded MF	EaSI - Funded	Serbia	10,0	No	No
Lithuanian Central Credit Union (LCCU) - EaSI CBI	EaSi CBI	Lithuania	2,0	No	No
Qredits - Easi CBI - MF	EaSi CBI	Netherlands	5,0	No	No
Vitas - Easi CBI - MF	EaSi CBI	Romania	1,9	No	No
Alpha Bank Greece - EaSI MF	EaSI GFI	Greece	3,6	Yes	No
Aros Kapital - EaSI MF	EaSI GFI	Sweden	1,5	Yes	No
Attica Bank – EaSI MF	EaSI GFI	Greece	1,2	Yes	No
Banca Intesa ad Beograd - EaSI MF	EaSI GFI	Serbia	2,4	No	No
Banco Comercial Portugues (BCP) - EaSI SE	EaSI GFI	Portugal	9,6	Yes	No
BT Microfinantare IFN - EaSI MF	EaSI GFI	Romania	5,8	Yes	No
Colonya Caixa Pollenca 2 - EaSI MF	EaSI GFI	Spain	0,9	Yes	No
Coop57 SCCL - EaSi SE	EaSI GFI	Spain	4,0	Yes	No
Cooperative Bank of Chania - EaSI MF	EaSI GFI	Greece	0,9	Yes	No
Cooperative Bank of Karditsa 2 – EaSI MF	EaSI GFI	Greece	1,4	Yes	No
Crnogorska Komercijalna Banka (CKB) - EaSI - MF	EaSI GFI	Montenegro	1,2	No	No
Faktoro - EaSI MF	EaSI GFI	Lithuania	0,6	Yes	No
FED Invest - EaSI - MF	EaSI GFI	Albania	1,8	No	No
FIN Yritysrahoitus Oy - EaSI MF	EaSI GFI	Finland	1,3	Yes	No
France Active Investissement 2 – EaSI – SE	EaSI GFI	France	5,3	Yes	No
Gruppo Cooperativo CGM Finance - EaSI SE	EaSI GFI	Italy	1,2	Yes	No
Initiative France 2 - EaSI - MF	EaSI GFI	France	0,8	Yes	No
Investiciono-Razvojini Fond Crne Gore (IRFCG) EaSI-MF	EaSI GFI	Montenegro	0,4	No	No
Komercni Banka 2 - EaSi MF	EaSI GFI	Czech Republic	5,7	Yes	No
Laboral Kutxa 2 - EaSI - MF	EaSI GFI	Spain	3,0	Yes	No
Lithuanian Central Credit Union (LCCU) - EaSI MF	EaSI GFI	Lithuania	1,2	Yes	No
Microbank - EaSI SE	EaSI GFI	Spain	12,0	Yes	No
Moneta Money Bank - EaSI MF	EaSI GFI	Czech Republic	6,8	Yes	No
Montepio EaSI SE	EaSI GFI	Portugal	12,0	Yes	No
Nordic Finance Business Partner AB - EASI MF	EaSI GFI	Sweden	1,5	Yes	No
Noviti Finance- EaSI MF	EaSI GFI	Lithuania	0,8	Yes	No
OMRO - EaSI MF	EaSI GFI	Romania	1,4	Yes	No
Oportunitas - EaSI MF	EaSI GFI	Spain	0,4	Yes	No
Patria Bank 2 - EaSI MF	EaSI GFI	Romania	5,8	Yes	No
Patria credit - Easi MF	EaSI GFI	Romania	2,6	Yes	No
Pekao WC Loan - EaSi - MF	EaSI GFI	Poland	2,8	Yes	No
Raiffeisen Bank Romania - EaSi MF	EaSI GFI	Romania	9,3	Yes	No
Silk Road Bank Skopje - EaSI MF	EaSI GFI	North Macedonia	0,7	No	No
Triodos - EaSI - SE	EaSI GFI	Netherlands	5,7	Yes	No
UniCredit Umbrella - UniCredit Bank Romania- EaSI MF	EaSI GFI	Romania	1,3	Yes	No
UniCredit Umbrella - UniCredit Bank Serbia - EaSI MF	EaSI GFI	Serbia	1,9	No	No
Unicredit Umbrella - Unicredit SpA (CE) - EaSI MF	EaSI GFI	Italy	0,6	No	No
UniCredit Umbrella - Zagrebacka Banka - EaSI MF	EaSI GFI	Croatia	1,3	Yes	No
UTCAR-West - EaSI MF	EaSI GFI	Romania	0,8	Yes	No
Vojvodjanska banka a.d. Novi Sad - EaSI MF	EaSI GFI	Serbia	2,0	No	No
Total amount			151,9		

Capital and Shareholders

(At 31.12.2020)

The EIF has an authorised capital of EUR 4,500m, divided into 4,500 shares, all issued and fully subscribed, with a nominal value of EUR 1m each.

On 31 December 2020, the EIB held 58.8% (2,647) of the issued shares, the EU represented by the EC held 29.7% (1,337 shares) and 38 financial institutions held 11.5% (516 shares).

The EIF was pleased to welcome four financial institutions as new members in 2020:

- IFD – Instituição Financeira de Desenvolvimento S.A. acquired one share, effective 13 February 2020. Effective 3 November 2020, IFD was merged with and incorporated into Banco Português de Fomento, S.A. (BPF), with BPF succeeding IFD as EIF shareholder.
- Bürgschaftsbank Baden-Württemberg GmbH acquired three shares, effective 6 March 2020.
- Strategic Banking Corporation of Ireland Designated Activity Company acquired eight shares, effective 5 November 2020.
- Invest-NL N.V. acquired five shares, effective 8 December 2020.

Furthermore, as concerns shareholder movements, the existing EIF shareholder Intesa Sanpaolo S.p.A. transferred the ownership of thirty shares back to the EIB effective 1 January 2020, resulting in its current shareholding of five shares.

Country Financial Institutions	Numbers of shares
Austria	**18**
Raiffeisen Bank International AG	7
Erste Group Bank AG	5
UniCredit Bank Austria AG	5
Austria Wirtschaftsservice Gesellschaft mbH (aws)	1
Bulgaria	**3**
Bulgarian Development Bank AD (BDB)	3
Croatia	**8**
Croatian Bank for Reconstruction and Development (HBOR)	8
Czech Republic	**3**
Czech-Moravian Guarantee and Development Bank (ČMZRB)	3
Denmark	**5**
Vækstfonden	5
France	**107**
Bpifrance Participations	102
BPCE	5
Germany	**157**
KfW Bankengruppe	102
NRW.BANK	20
LfA Förderbank Bayern	11
Sächsische Aufbaubank - Förderbank (SAB)	10
Landeskreditbank Baden-Württemberg Förderbank (L-Bank)	8
ProCredit Holding AG & Co. KGaA	3
Bürgschaftsbank Baden-Württemberg GmbH	3
Greece	**3**
National Bank of Greece S.A. (NBG)	3
Hungary	**5**
MFB Hungarian Development Bank Private Limited Company	5
Italy	**55**
Cassa Depositi e Prestiti S.p.A. (CDP)	50
Intesa Sanpaolo S.p.A.	5
Ireland	**8**
Strategic Banking Corporation of Ireland Designated Activity Company (SBCI)	8
Luxembourg	**8**
Banque et Caisse d'Epargne de l'Etat Luxembourg (BCEE)	8
Malta	**24**
Bank of Valletta p.l.c.	24
Poland	**5**
Bank Gospodarstwa Krajowego (BGK)	5
Portugal	**9**
Caixa Geral de Depósitos S.A.	5
Banco BPI S.A.	3
Banco Português de Fomento, S.A.	1
Slovenia	**15**
SID banka, d.d., Ljubljana	15
Spain	**57**
Instituto de Crédito Oficial (ICO)	30
Banco Santander, S.A.	20
Agencia de Innovación y Desarrollo de Andalucía (IDEA)	4
Nuevo MicroBank, S.A.U.	3
The Netherlands	**5**
Invest-NL N.V.	5
Turkey	**11**
Industrial Development Bank of Turkey (TSKB)	8
Technology Development Foundation of Turkey (TTGV)	3
United Kingdom	**10**
Barclays Funds Investments Limited (BFIL)	5
Scottish Enterprise	5
Total	**516**

Board of Directors

(At 31.12.2020)

Chairman

Dario SCANNAPIECO
Vice-President, European Investment Bank, Luxembourg.

Members

Carla DÍAZ ÁLVAREZ DE TOLEDO
Deputy Director General for European Economic and Financial Affairs General Secretariat of the Treasury and International Financing, Ministry of Economy and Business, Spain.

Marc DESCHEEMAECKER
Chairman of the boards of Brussels Airport Company and of De Lijn, Belgium.

Ambroise FAYOLLE
Vice-President, European Investment Bank, Luxembourg.

Kristin SCHREIBER
Director for SME Policy and the COSME Programme, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (GROW), European Commission, Belgium.

Markus SCHULTE[1]
Principal Adviser, Directorate-General for Economic and Financial Affairs (ECFIN), European Commission, Belgium.

Eva WITT
Senior Vice President, Head of Customised Finance & Public Clients in Germany, KfW, Germany.

Alternates[2]

Armands EBERHARDS
Deputy State Secretary, Ministry of Finance, Latvia.

Eila KREIVI
Director and Head of the Capital Markets Department, European Investment Bank, Luxembourg.

Jean-Christophe LALOUX
Director General, Head of Operations, European Investment Bank, Luxembourg.

Jean-David MALO
Director, Open Innovation and Open Science, Directorate-General for Research and Innovation, European Commission, Belgium.

Marinela PETROVA
Deputy Minister of Finance, Ministry of Finance, Bulgaria.

Mark SCICLUNA BARTOLI
Executive, EU & Institutional Affairs, Bank of Valletta, Malta.

EIF Management

Executive management

Alain Godard
Chief Executive.

Roger HAVENITH
Deputy Chief Executive.

Directors

Maria LEANDER
Secretary General.

Hubert COTTOGNI
Head of Mandate Management.

Jobst NEUSS
Chief Risk Officer.

Alessandro TAPPI
Chief Investment Officer.

Martine LEPERT
Head of Human and Resources Management.

Markus SCHILLO
Chief Operating Officer.

Audit Board

Chair

Georgiana VAN ROMPUY
Internal Auditor, Internal Audit Service of the European Commission, Belgium.

Members

Jacek DOMINIK
General Counsel, Ministry of Finance, Poland.

Sergio SIERRA[3]
Head of Funding and Treasury, Instituto de Crédito Oficial (ICO), Spain.

Alternate member

José Manuel PACHO SANCHEZ
Director-General for Corporate Resources, ICO, Spain.

1. Following his nomination by the European Commission, Markus SCHULTE was appointed by the General Meeting, effective 16 June 2020, to complete the remaining term of office of Kerstin JORNA, following her resignation from the Board of Directors, in connection with her change of responsibilities within the European Commission and appointment as Director General of the Directorate-General Internal Market, Industry, Entrepreneurship and SMEs.
2. Erik VON BRESKA, appointed by the Annual General Meeting on 22 April 2020, resigned from the Board of Directors, effective 16 August 2020, in connection with his change of responsibilities within the European Commission and appointment as Director of the Recovery and Resilience Task Force.
Following his nomination by the European Commission in December 2020, Nicola DE MICHELIS, Director in Directorate G, Smart and Sustainable Growth and Programme Implementation IV, Directorate-General for Regional and Urban Policy, was appointed by the General Meeting, effective 15 January 2021, to complete the remaining term of office of Erik VON BRESKA.
3. Following his nomination by the Financial Institutions shareholders, Sergio SIERRA was appointed by the General Meeting, effective 24 November 2020, to complete the remaining term of office of Ignacio VICENTE, following his resignation from the Audit Board, in connection with his departure from ICO.

Audit & Controls

The 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.

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

In this context, the EIF's procedural and organisational framework sets out the competences, authorities and reporting lines within the EIF, with a view to ensuring segregation of duties both horizontally, through the interaction between front office, middle office and back office services and vertically, through central control by the 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 which implement an ex-ante risk assessment and reporting framework for each transaction proposed for approval, complemented by ex-post risk monitoring where relevant *(see sections on Risk Management and Legal Service)*.

The EIF maintains an Internal Control Framework (ICF) and produces an ICF report annually. The ICF relies in particular on a risk control matrix outlining the main risks to which the EIF is exposed. Through the ICF, the Executive Management is in a position to obtain the necessary comfort that key risks related to the 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 are operating effectively.

Each year the ICF is complemented with an independent opinion from an external audit firm on the design and effectiveness of the key controls of the mandate-related processes throughout the year, in line with the internationally recognised ISAE-3402 standard (type 2 report).

The ICF and the ISAE-3402 reports form the basis for the confirmation by the Chief Executive to the Audit Board that the main risks have been identified and mitigated throughout the reporting period.

The risks, control objectives and agreed improvements described in the ICF are reviewed by Internal Audit, which, on the basis of the audits and the follow-up on agreed action plans performed, expresses an opinion on the achievement of the control objectives in the audited areas and on the design and effectiveness of the related internal controls.

The third layer includes both internal and external audit activities that are coordinated by the Audit Board. The Audit Board, as an oversight and controlling 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 the 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 the 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 the EIF's Annual General Meeting.

In order to discharge its duty in relation to the financial statements, the Audit Board may have recourse to external auditors.
The audit of the financial statements of the EIF for the year ending 31 December 2020 was carried out by KPMG Luxembourg, as external auditor.

KPMG performs its audits in accordance with the International Standards on Auditing (ISA) and is committed to informing the EIF Executive Management and the Audit Board of any material weaknesses in the design or implementation of internal controls over financial information that come to its attention during the audit of the financial statements. While performing the audit of the annual accounts, KPMG is acting independently, fulfilling the duty imposed on it by the Code of Professional Ethics adopted in Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF).

Internal Audit (which is outsourced to EIB Internal Audit) examines and evaluates, on an independent and objective basis, the relevance, design and effectiveness of the internal control systems and procedures within the EIF.

To that end, a yearly audit plan covering all key processes of the EIF, including those to be assessed at EIB Group level, is established, on the basis of a risk-assessment methodology, in alignment with the ICF. The plan is discussed with the Executive Management and the external auditor prior to being submitted to the Audit Board for approval.

In line with the Internal Audit Charter, Internal Audit examines the EIF's activities in order to support the Executive Management's statement on the design and effectiveness of internal controls, risk management and administration. Internal Audit reports on its findings by means of recommendations and agreed action plans to improve the EIF's control and working procedures.

The Head of Internal Audit reports regularly on the execution of the internal audit programme to the 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 regular quality assurance and improvement programme that covers all aspects of the internal audit activity. Moreover, Internal Audit 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, the EIF is subject to periodic reviews by independent control bodies such as the European Court of Auditors (ECA), the Internal Audit Service of the EC and national or regional authorities entrusted with the task of monitoring the correct utilisation of funds under the relevant rules and within their respective remits.

Risk Management

The EIF's mission is supported through a robust and coherent approach to risk management which seeks to ensure the highest quality standards for its operations and the best corporate rating from the major rating agencies.

Risk Management is based on the so-called "three-lines-of-defence" model, which permeates all areas of the EIF's business functions and processes. These are first line – front office; second line – independent risk management and compliance; and third line – internal and external audit.

In 2020, the COVID-19 pandemic has severely affected the global economic outlook and the economic damage resulting from the lockdown measures is unprecedented. The continuous high level of growth of the EIF's transaction volumes in the light of the pandemic considerably challenged the capital and limit management in place with the purpose of ensuring the EIF's capital sustainability in line with the applicable Group policies. Risk Management has further reinforced its efforts in the ex-ante analysis of transactions, as well as ex-post monitoring and reporting. Moreover, stress-testing activity has been further developed in order to adequately assess the expected impact of the COVID 19 crisis at individual and Group level. Once again, the EIF underwent its annual ICAAP and ILAAP, which contributed to the relevant Group capital and liquidity management processes.

During 2020, the alignment between the EIF and the EIB on Group risk management was further intensified with the establishment of the new Group Chief Risk Officer in September within the EIB. Joint projects between the EIB and the EIF advanced further, in particular on compliance with Best Banking Practices (BBP) and, more specifically, the data aggregation standards under BCBS 239. In this context, the EIF rolled out the Best Market Practices framework and the relevant process to identify and monitor Best Practices compliance.

Compliance

The EIF's compliance risk assessment strives to protect the institution notably against risks that could have an adverse effect on its reputation. Under the terms of its Compliance Charter, the Compliance team assesses - in line with best market practices and in line with the EIB Group's policy framework – the (i) institutional, (ii) transactional and (iii) ethical aspects of the EIF's compliance risk.

The principles of permanence and independence are included in the EIF Compliance Charter and materialise through the unrestricted direct access of the Chief Compliance Officer to the Chief Executive, the Deputy Chief Executive, the Board of Directors and the Audit Board.

The compliance risk assessment in the transactional area follows a risk-based approach and is reflected in the independent compliance opinion provided to the EIF decision-making bodies. It is implemented through compliance risk scorings provided in the compliance opinions, in particular on the risk of the EIF being involved (or used) in (i) money laundering and terrorism financing cases and (ii) tax avoidance schemes.

In 2020 EIF's transaction volumes increased again, not least in the light of the EU-wide efforts to mitigate the economic fallout of the pandemic. EIF Compliance was reinforced with a view to maintain its standards of quality in the identification and assessment of the risks associated to transactions. As such, the ***COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses*** published in May 2020 by the Financial Action Task Force were integrated into the EIF processes and controls.

In line with applicable best banking practices, the EIF continues to pursue a number of compliance initiatives across the EIB Group for the purpose of establishing a modern and robust governance framework for risk consolidation, taking into account the interests and specificities of the EIB, the EIF and at Group level.

Data protection

In order to ensure compliance with the data protection regulation for EU institutions and bodies (Regulation EU 2018/1725), the Data Protection Officer (DPO) took a number of initiatives, including but not limited to:

* giving regular training to staff and senior management;
* providing ongoing support to the EIF Services;
* issuing new procedures concerning data protection impact assessment, data breach notification and the exercise of data subjects' rights;
* supporting the publication of relevant privacy statements and the regular update of the Records of Processing Activities (RoPA);
* carrying out a tailor-made surveillance programme aimed at verifying EIF ongoing compliance with the data protection regulation;
* promoting the adoption of the "EIB Group Personal Data Protection Policy" and the "Data Protection Rules Implementing Regulation (EU) 2018/1725";
* ensuring effective cooperation with the European Data Protection Supervisor.

Legal Service

The 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 the EIF's transactional activities and in connection with institutional, strategic and policy-related matters, objectives that are reflected in the legal team's internal structure.

With regard to transactions, in order to address increasing business volumes and the strategic goal of achieving performance gains through specialisation, the transactions team is split into two divisions, one focused on debt transactions and the other on equity transactions.

The Legal Service's transaction teams work on all stages of transaction implementation, including (i) structuring and product development, (ii) review of proposals to the Investment and Risk Committee and the EIF's Board of Directors, (iii) contractual negotiations and (iv) active portfolio management, in each case in close collaboration with other EIF services.

In terms of institutional and corporate matters, the legal service supports the implementation of good corporate governance, coordinates and advises on contractual arrangements at institutional level. The legal service aims to ensure that the EIF conducts its activities in accordance with its Statutes, mission and values, applicable law and relevant contractual obligations.

It further aims to ensure smooth functioning of the 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 the EIF cover a wide range of areas and at times necessitate cooperation with the EIF's shareholders, as well as specific and proactive attention to the development of EU policy and legislative and governance frameworks.

In addition, the legal service 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 the EIF acts as manager and/or adviser. In order to create the necessary interface between the 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 the EIF's business.

Contacts and References

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Europe Direct is a service to help you find answers to your questions about the European Union.

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Additional information is also available on the internet: **http://europa.eu**

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Financial Statements 2020

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European Investment Fund
37B, avenue J.F. Kennedy
L-2968 Luxembourg

Report of the Réviseur d'Entreprises Agréé

Report on the audit of the financial statements

Opinion

We have audited the financial statements of European Investment Fund (hereafter "the Fund"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 14 to 85.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "Réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, we determined there were two key audit matters as follows:

Recognition of commission income

Why the matter was considered to be one of the most significant in the audit?

Commission income, representing remuneration for management of mandates entrusted by mandators such as the European Commission or the Member States to EIF for the purpose of implementation of financial instruments on their behalf, is a significant component of the operating profit with EUR 167 million of commission income recognized by EIF for the year ended 31 December 2020.

Under contractual agreements, EIF is tasked with deployment and management of mandators' resources for extended periods of time, generally receiving consideration upfront within the first years after the setup of the mandates. EIF developed and implemented a deferred income mechanism for revenue recognition based on input method to consider the timing of cash inflows and stage of completion of these contracts led.

As at 31 December 2020, the aggregate amount which EIF expects to be entitled to over the contract life ("transaction price") allocated to the unsatisfied part of the performance obligation amounts to EUR 874.3 million of which EUR 276.5 million has already been invoiced and deferred in contract liabilities. The Fund expects to recognise such revenue over the remaining expected life of the mandates under management.

Deferred income models for revenue recognition are complex and specific to each mandate and the recognition criteria under IFRS 15 involve significant judgments and estimates to be applied by Management in its assessment of revenue to be recognized in the relevant period. Inappropriate judgments made in relation to the methodology and inputs used or the assumptions taken may have a material impact on the amount of commission income to be recognized in the statement of comprehensive income.

The key inputs and assumptions used by Management in its assessment of the revenue to be recognised are detailed in Note 2.13 as well further disclosures are presented in Notes 4.4, 5.3 and 7.3 to the financial statements.

How our audit addressed the area of focus?

Our procedures over the commission income included, but were not limited to:

- We obtained an understanding of management's processes and controls for determining the transaction price that EIF expects to be entitled to over the contract life and of the timing of the satisfaction of performance obligation.
  This included discussing with Management the model preparation governance structure and protocols around their oversight of the cost assessment and corporate operational plan review process and corroborating our understanding by attending meetings with appropriate personnel of EIF.
- We have identified key controls in the process, assessed the design adequacy and tested the operating effectiveness of some of key controls. In addition, we obtained the ISAE 3402 report on EIF's internal controls, compared our understanding of identified key controls in the process and inspected the conclusions reached based on the testing of operating effectiveness of those controls and noted no observations or exceptions in the report which allow us to rely on controls over fee accruals calculation, invoicing and preparation and annual review of deferred income models.
- We compared the revenue recognition methodology to IFRS 15 and EIF's internal guidelines. We sought explanations from Management where there are judgments applied in their application of the guidelines, discussed and assessed their appropriateness and relevance.
- For a selection of mandates, we reconciled the management fees structure in the models to relevant contractual arrangements, assessed the assumptions made to derive the input parameters used in the deferred income models and adequateness of their application, reconciled the input parameters linked to past performance to annual operational reports issued to mandators.
- For the selected mandates, we evaluated the fee indicators expected to be triggered in the future according to the Corporate Operational Plan with particular focus on adequateness of constraints applied to the variable component of the transaction price by the Management.
  We assessed that Corporate Operation Plans are correctly and timely updated to reflect amendments to the contractual arrangements, if any, and the current market absorption of financial instruments deployed under those agreements.
- For the selected mandates, we compared the cost assessment over their lifetime to the prior year assessment in order to identify and investigate changes in revenue recognition pattern and recalculated the revenue to be recognized for the current financial year.

Valuation of Financial guarantees

Why the matter was considered to be one of the most significant in the audit?

Financial guarantee portfolio, for which an ongoing credit quality risk monitoring process has been set up to manage the EIF's exposure, comprises both portfolio guarantees and structured financed transactions (together referred to as "G&S transactions"). As at 31 December 2020, EIF's financial guarantees provisions amount to EUR 11.9 million and financial guarantee assets to EUR 33.9 million.

Nevertheless, EIF's exposure at risk amounts to EUR 5,528 million as at 31 December 2020.

Under IFRS 9, at initial recognition, financial guarantees are recognised at fair value plus transaction costs that are directly attributable to issuance of the financial guarantees.

The receiver leg of the financial guarantees is measured at fair value by discounting future cash flows and the payer leg of the financial guarantees is subsequently measured at the higher of the amount of the loss allowance determined in accordance with IFRS 9 or the amount initially recognised i.e. NPV of expected premium inflows less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15.

Any increase or decrease in the liability relating to financial guarantees, apart from the recognition of new financial guarantees, is recognised in the

profit or loss under "Net result from financial guarantee operations".
Any increase or decrease in the fair value of the receiver leg of the financial guarantees is recognised in the profit or loss under "Net result from financial instruments at fair value through profit or loss".
The expected credit loss is recognised in the profit or loss under "Expected credit loss allowance".
Management of EIF has developed a set of tools to measure the credit exposure on G&S portfolio and to analyse and monitor portfolio guarantees and structured finance transactions using Exposure at Default and an internal rating system based on Expected Loss and Weighted Average Life.
IFRS 9 requires in particular the setup of a three-stage model for impairment based on changes in credit quality since initial recognition that leads to change in expected credit loss (ECL) measurement. The Expected Credit Loss is measured on either a 12-months (12M) or Lifetime basis depending on the staging of the exposure.
EIF assigns an internal rating based on quantitative parameters and qualitative aspects to each G&S transaction to estimate the credit quality in accordance with an expected loss concept. Significant judgments and estimates are thus required to be applied by Management in the assessment and measurement of the financial guarantees and related provisions, especially in cases where there are differences between the rating levels assigned to these transactions among external rating agencies and EIF's internal rating, or where the G&S transactions are not externally rated at all. Inappropriate judgments made in relation to the methodology and inputs used or the assumptions taken may have a material impact on the valuation of the financial guarantees portfolio.
The key inputs and assumptions used by management in its assessment of the valuation of financial guarantee and related provisions are detailed in Note 2.4 as well further disclosures are presented in Notes 3.3 and 5.1 to the financial statements.

How our audit addressed the area of focus?
Our procedures over the valuation of the Financial Guarantees included, but were not limited to:

- We obtained an understanding of management's processes and controls for determining the valuation of financial guarantees. This included discussing with Management the risk management activities, valuation governance structure and protocols around their oversight of the valuation process and corroborating our understanding by attending meetings with appropriate personnel of EIF. We also involved specialists to review the Internal Rating Model developed by EIF that reflects its assessment of the expected loss of the underlying portfolios of SME loans covered by guarantee agreements with financial intermediaries. The experts were also involved to review the three-stage model for impairment and its impact in the expected credit loss measurement.
- We have identified key controls in the process, assessed the design adequacy and tested the operating effectiveness of some of key controls. In addition, we have obtained the ISAE 3402 report on EIF's internal controls, compared our understanding of identified key controls in the process, assessed adequacy of their design and implementation and inspected the conclusions reached based on the testing of operating effectiveness of those controls. We did not note significant observations or exceptions in the report that would prevent us to rely on relevant controls over the financial guarantees process.
- We compared management's valuation methodology to IFRS 9 and EIF's internal guidelines. We sought explanations from management where there are judgments applied in their application of the guidelines, discussed and assessed their appropriateness and relevance.
- We have considered the impact of COVID-19 throughout the procedures performed on the valuation of financial guarantees, by challenging whether the valuation methodologies and assumptions used remained appropriate, with reference to the COVID-19 impact assessment disclosed in the financial statements.
- On a sample basis, we assessed the assumptions made to derive the input parameters used in the Internal Rating Model and adequateness of their application, reconciled the input parameters described in the model documentation, and evaluated the assignment of the internal rating. For externally rated G&S transactions we compared the internal rating to ratings assigned by such agencies and checked that it was in line with EIF policy (second worst).
We assessed that internal ratings are correctly and timely updated based on market events.
We further assessed additional assumptions made to derive the valuation such as the weighted average life, expected maturity date, tranche full profile of guarantee contracts and present value of guarantee fee income and cross-checked these assumptions with market data where applicable.
On a sample basis, we reconciled guarantee calls paid during the year to payment demand notices from financial intermediaries.
- We recalculated the provision for financial guarantees based on the expected credit loss three-stage model for impairment.

Other information

The Management is responsible for the other information. The other information comprises the information stated in the annual report and the statement by the Audit Board but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the financial statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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.
In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Responsibilities of the réviseur d'entreprises agréé for the audit of the financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with the the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Luxembourg,
March 10, 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

M. Tabart

Statement by the Audit board

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

- 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, 2020 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 15 to 85 ("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 10 March 2021 drawn up by KPMG Luxembourg, Société coopérative cabinet de révision agréé,
- nothing that this report gives an unqualified opinion on the Financial Statements of EIF for the financial year ending 31 December 2020,
- 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,
March 10, 2021

The Audit Board

Georgiana Van Rompuy

Sergio Sierra

Jacek Dominik

European Investment Fund

Statement of financial position as at 31 December 2020 (expressed in EUR)

Assets	Notes	31.12.2020	31.12.2019
Cash and cash equivalents	4.1	228 209 178	241 576 989
Financial instruments at Amortised Cost:			
Debt investments	4.2		
of which Treasury portfolio	4.2.1	1 206 789 028	1 237 899 381
of which Microfinance Loans	4.2.2	5 234 233	6 167 015
		1 212 023 261	1 244 066 396
Financial instruments at Fair Value through Profit or Loss:	4.3		
Private equity investments	4.3.1	982 456 742	776 176 179
Debt investments	4.3.2	322 970 943	252 106 004
		1 305 427 685	1 028 282 183
Financial guarantees	5.1	33 923 129	26 638 964
Other assets	4.4	475 565 152	424 339 525
Intangible assets	4.5	581 272	0
Property and equipment	4.6	287 678	333 672
Total Assets		3 256 017 355	2 965 237 729
Liabilities			
Provisions for financial guarantees	5.1	11 893 983	11 697 223
Retirement benefit obligations	5.2	803 642 823	599 116 823
Other liabilities and provisions	5.3	461 753 230	364 352 631
Total liabilities		1 277 290 036	975 166 677
Equity			
Share capital	5.4		
Subscribed		4 500 000 000	4 500 000 000
Uncalled		(3 600 000 000)	(3 600 000 000)
		900 000 000	900 000 000
Share premium		437 772 286	437 772 286
Statutory reserve	5.5	424 406 228	389 272 605
Retained earnings	5.5		
of which result brought forward after allocation approved by AGM		557 056 160	416 521 661
of which the re-measurement of the defined benefit obligations		(469 104 622)	(329 163 622)
		87 951 538	87 358 039
Profit for the financial year		128 597 267	175 668 122
Total Equity		1 978 727 319	1 990 071 052
Total Equity and Liabilities		3 256 017 355	2 965 237 729

The notes on pages 15 to 85 are an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2020 (expressed in EUR)

	Notes	31.12.2020	31.12.2019
Interest and similar income	7.1	14 841 550	19 305 892
Income from private equity investments		17 433 906	21 617 105
Net result from financial guarantee operations	7.2	69 689 507	55 285 358
Commission income	7.3	167 000 375	160 460 702
Net result on financial operations	7.4	(9 789 975)	1 408 708
Other operating income	7.5	27 000	187 296
General administrative expenses	7.6		
Staff costs:			
of which wages and salaries		(74 848 382)	(68 562 161)
of which social security and contribution costs		(75 143 111)	(55 766 542)
		(149 991 493)	(124 328 703)
Other administrative expenses		(33 759 233)	(36 690 961)
		(183 750 726)	(161 019 664)
Depreciation and amortisation	4.5, 4.6	(57 597)	(46 303)
Operating profit for the financial year		75 394 040	97 199 094
Net result from financial instruments at fair value through profit or loss			
of which private equity investments	4.3.1	52 960 172	57 698 350
of which financial guarantees	5.1	(591 997)	19 066 934
of which debt investments	4.3.2	384 423	304 124
		52 752 598	77 069 408
Expected credit loss allowance			
of which financial guarantees	5.1	529 263	1 341 198
of which debt investments	4.2	(78 634)	58 422
		450 629	1 399 620
Profit of the year generated by the change of the fair values		53 203 227	78 469 028
Net profit for the financial year		128 597 267	175 668 122
Other comprehensive income			
Re-measurement of defined benefit obligation not reclassified subsequently to profit/(loss)	5.2	(139 941 000)	(166 156 000)
Total comprehensive income for the financial year		(11 343 773)	9 512 122

The notes on pages 15 to 85 are an integral part of these financial statements

Statement of changes in equity for the year ended 31 December 2020 (expressed in EUR)

Attributable to equity holders of the Fund

		Subscribed Capital	Callable Capital	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Net profit for the financial year	Total Equity
Balance as at 31.12.2018		4500000000	(3600000000)	900 000 000	437 772 286	338 248 314	187 449 105	127 560 724	1 991 030 429
Total comprehensive income									
Net profit for the financial year		0	0	0	0	0	0	175 668 122	175 668 122
Re-measurement of the defined benefit obligation	5.2	0	0	0	0	0	(166 156 000)	0	(166 156 000)
Transactions with owners									
Appropriation of profit inc. dividend	5.5	0	0	0	0	51 024 291	66 064 934	(127 560 724)	(10 471 499)
Balance as at 31.12.2019		4500000000	(3600000000)	900 000 000	437 772 286	389 272 605	87 358 039	175 668 122	1 990 071 052
Total comprehensive income									
Net profit for the financial year		0	0	0	0	0	0	128 597 267	128 597 267
Re-measurement of the defined benefit obligation	5.2	0	0	0	0	0	(139 941 000)	0	(139 941 000)
Transactions with owners									
Appropriation of profit inc. dividend	5.5	0	0	0	0	35 133 623	140 534 499	(175 668 122)	0
Balance as at 31.12.2020		4500000000	(3600000000)	900 000 000	437 772 286	424 406 228	87 951 538	128 597 267	1 978 727 319

The notes on pages 15 to 85 are an integral part of these financial statements

Cash Flow Statement for the year ended 31 December 2020 (expressed in EUR)

Cash flows from operating activities	Notes	31.12.2020	31.12.2019
Profit for the financial year		128 597 267	175 668 122
Adjustments for:			
Depreciation and amortisation	4.5, 4.6	57 597	46 303
Net result from financial instruments at fair value through profit or loss	4.3	(52 752 598)	(77 069 408)
Expected credit loss allowance	4.2, 5.1	(450 629)	(1 399 620)
Interest income on debt investments	7.1	(10 988 223)	(13 385 934)
Net result on sale of private equity investments	7.4	(99 365)	2 681 258
Net result on sale of debt investments	7.4	(110 958)	0
Provision for financial guarantees	5.1	(7 175 463)	5 703 204
Provision for retirement benefit obligations		41 965 896	29 147 417
		99 043 524	121 391 342
Change in private equity investments	4.3.1	(153 221 026)	(151 002 071)
Financial guarantee calls paid and recoveries received	7.2	25 324	(284 183)
Change in other assets and liabilities		68 794 076	10 059 218
		(84 401 626)	(141 227 036)
Net cash from operating activities		14 641 898	(19 835 694)
Cash flows from investing activities			
Acquisition of debt investments	4.2, 4.3.2	(471 827 005)	(440 122 549)
Proceeds from sale or matured debt investments	4.2, 4.3.2	431 027 513	386 343 753
Interest received on debt investments		13 382 658	15 951 447
Acquisition of intangible assets and property and equipment	4.5, 4.6	(592 875)	0
Net cash from investing activities		(28 009 709)	(37 827 349)
Cash flows used in financing activities			
Dividend paid	5.5	0	(10 471 499)
Net cash from financing activities		0	(10 471 499)
Cash and cash equivalents at the beginning of the year	4.1	241 576 989	309 711 531
Net cash from			
Operating activities		14 641 898	(19 835 694)
Investing activities		(28 009 709)	(37 827 349)
Financing activities		0	(10 471 499)
Cash and cash equivalents at the end of the year	4.1	228 209 178	241 576 989

The notes on pages 15 to 85 are an integral part of these financial statements

01. 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.

02. 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, and on a going concern basis.

The Fund's financial statements have been authorised for issue by the Board of Directors on 10 March 2021.

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 as at 31 December 2020:

- Private equity investments which are measured at fair value through profit or loss (hereafter "FVTPL");
- Debt investments which are measured at fair value through profit or loss;
- Expected credit loss on the financial assets and financial liabilities measured at amortised cost (hereafter "AC");
- The defined benefit liability is recognised as the present value of expected future payments;
- The payer leg of the financial guarantees is measured at the higher of the amount initially recognised less amortisation (when appropriate) under IFRS 15 and the loss allowance determined in accordance with IFRS 9. The receiver leg is measured at fair value through profit or loss by discounting the future cash flows according to IFRS 9.

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 judgement when applying the Fund's policies. Use of available information and application of judgement 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 2.3, 2.4, 2.8, 2.9, 2.13, 3, 5.2 and 6.

Judgements and estimates are principally made in the following areas:

- Determination of expected credit loss allowance of debt investments at amortised cost as disclosed in note 2.3.1 and 2.3.2;
- Determination of fair value of private equity investments as disclosed in notes 2.3.3.1 and 2.3.3.2;
- Determination of control over investees as described in note 2.3.3.3;
- Determination of fair value of debt investments at fair value through profit or loss as disclosed in note 2.3.4;
- Determination of expected credit losses for financial guarantees as disclosed in note 2.4;
- Determination of contract liabilities and commission income as disclosed in notes 2.9 and 2.13;
- Actuaries' assumptions related to the measurement of pension liabilities and post-retirement benefits as described in note 5.2;
- Determination and disclosures of unconsolidated structured entities and investment entities in which the Fund has an interest as described in note 6.

2.1.4 Changes in accounting policies and presentation

The accounting policies adopted have been applied consistently with those us ed in the previous year.

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 in 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-earning deposits with short maturities of three months or less from the date of acquisition, which are measured at amortised cost. No expected credit loss allowance is recognised for cash and cash equivalents as they are considered to have low credit risk.

2.3 Financial assets

2.3.1 Classification and measurement

2.3.1.1. Initial recognition, measurement and de-recognition

All EIF financial assets composed of debt investments at amortised cost, private equity investments at fair value through profit or loss, and debt investments at fair value through profit or loss, are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue where applicable. The subsequent measurement is dependent on the classification.

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

All financial assets are de-recognised when the contractual cash flows from such financial assets have expired or when EIF has substantially transferred the control of such assets.

2.3.1.2 Classification

On initial recognition, a financial asset is classified and measured at amortised cost, fair value through other comprehensive income (hereafter "FVOCI") or at fair value through profit or loss. Under IFRS 9, classification starts with determining whether the financial asset shall be considered as a debt instrument or an equity instrument.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to deliver cash or other financial assets, that evidence a residual interest in the issuer's net assets and that do not give the holder the right to put the instrument back to the issuer for cash or another financial asset or that is automatically put back to the issuer on occurrence of an uncertain future event.

Classification and subsequent measurement of debt instruments depend on:

- The EIF's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

A debt instrument is classified at AC if it meets both the following conditions and is not designated at FVTPL at initial recognition:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI criteria) on the principal amount outstanding.

A debt instrument is classified at FVOCI only if it meets both the following conditions and is not designated at FVTPL at initial recognition:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are fulfilling the SPPI criteria.

The above requirements should be applied to an entire financial asset, even if it contains an embedded derivative.

On initial recognition of an equity instrument that is not held for trading, the Fund may irrevocably elect to present subsequent changes in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified and measured at FVTPL.

Business model assessment

The Fund makes an assessment of the objective of a business model in which a debt instrument is held at a portfolio level because this best reflects the way the business is managed and information provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management´s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the stated objective for managing the financial assets is achieved and how cash flows are realised.

The EIF business model is to hold future cash flows.

SPPI criteria

For the purpose of this assessment, "principal" is defined as the fair value of the debt instrument on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The information considered includes:

- Contingent events that would change the amount and timing of cash flows;
- Performance participation features;
- Prepayment terms;
- Terms that limit the Fund`s claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

2.3.1.3 Fair value measurement

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 hereafter.

For financial instruments that trade infrequently and have limited price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

2.3.1.4 Expected credit loss measurement

The Fund assesses on a forward-looking basis the expected credit loss associated with its financial assets that are not measured at FVTPL. In the statement of financial position, the expected credit loss allowance is netted against the gross amounts.

Expected credit loss is recognised for the treasury portfolio, the microfinance loans and the financial guarantees. For more details, see note 3.3.1.5.

No expected credit loss allowance is recognised for cash and cash equivalents and other assets as they are considered to have low credit risk.

2.3.2 Debt investments at amortised cost

Debt investments at amortised cost are composed of the treasury portfolio and microfinance loans. They are held by the Fund with the intention to collect contractual cash flows and classified at amortised cost. As part of the Fund's business model, disposals of these debt investments at amortised cost are considered to be infrequent or insignificant in volume.

As classified and measured at amortised cost, a 12 month or lifetime expected credit loss depending on the allocated staging is calculated and accounted for at each reporting date. See note 3.3.1.5.

2.3.3 Private equity investments at fair value through profit or loss

Private equity investments (hereafter "PE") at fair value through profit or loss include private equity investment funds and the EIF's exposure in the European Fund for Strategic Investments SME window through sub-window 1 of the private credit tailored for SMEs product and its senior tranche exposure through sub-window 2 of the equity product.

2.3.3.1 Fair value measurement of the Private equity investments

Private equity (PE) investments are measured at FVTPL and disclosed in accordance with the fair value hierarchy required by IFRS 13. 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 IFRS 9 or International Private Equity and Venture Capital guidelines (IPEV valuation guidelines). 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 IFRS 9, then the aggregation of the NAVs of all funds will itself be equivalent to the fair value as determined under IFRS 9.
- Category B - funds that have adopted other valuation guidelines or standards that can be considered as in line with IFRS 9 from which an equivalent NAV can be calculated.
- Category C – funds that have not adopted the fair value requirements of IFRS 9 or any other valuation guidelines complying with IFRS 9. These investments are further classified as:
  - Category C.1 – the valuation of investments under this sub-category is re-performed internally by either Equity Investments & Guarantees department or Data Validation and Input division, depending on the service in charge of the funds.
  - Category C.2 – investments under this sub-category are internally fair valued by analysing the information communicated by fund managers when providing the NAV on a quarterly basis.

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. Due to the inherent uncertainty of valuations, and current market conditions, actual results in the future could differ from the fund managers' estimates of values and such differences 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.

2.3.3.2 Fair value measurement of the EIF's senior tranche exposure

Given the nature of EIF's exposure in the European Fund for Strategic Investments SME window through sub-window 1 of the private credit tailored for SMEs product and its senior tranche exposure through sub-window 2 of the equity product, valuation technique (level 3) according to the fair value hierarchy are applied. The net paid in represents the drawdowns paid net of any capital repayments. The fair value is composed of unrealised gains arising on EIF share of the waterfalls, if any, and the 2.5% of internal rate return expected on the underlying portfolio calculated in arears. At each reporting date, the internal rate return is reviewed and adjusted according to the performance of the underlying investments. Finally, the carrying amount of EIF's senior tranche exposure may be adjusted by an expected loss in case the junior tranche owned by a third party is fully utilised to cover future losses.

2.3.3.3 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 28.1 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, 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.

Associates are entities in which EIF has significant influence, but not control or joint control, over the financial and operating policies.

2.3.4 Debt investments at fair value through profit or loss

These financial assets consist of Asset-Backed Securities with SME loans in the underlying portfolios, which take the form of notes issued by Special Purpose Vehicles ("SPV") or financial institutions.

At the reporting date, the whole portfolio does not pass the SPPI test and is thus classified and measured at FVTPL.

2.4 Financial 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 consist of a receiver leg and a payer leg. The financial guarantees are presented in the statement of financial position by offsetting the receiver leg with the payer leg. They 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, the payer leg of the financial guarantees is measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; or
- the amount initially recognised i.e. NPV less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15 Revenue from contracts with customers.

The receiver leg is then measured at fair value through profit or loss by discounting the future cash flows according to IFRS 9.

The EIF's amortisation of the amount initially recognised is in line with the risk profile of the transactions. The transaction is fully amortised following full repayment of a securitisation tranche.

In the event that the measurement of a financial guarantee contract results in a net asset position, then the operation is presented in the statement of financial position under "Financial guarantees".

In the event that this results in a net liability, then the guarantee is presented in the statement of financial position under "Provisions for financial guarantees".

Any increase or decrease in the fair value of financial guarantees is recognised in the profit or loss under "Net result from financial instruments at fair value through profit or loss".

Other increases or decreases, such as amortisation of the payer leg but not including the recognition of new financial guarantees, are recognised in the profit or loss under "Net result from financial guarantee operations".

The expected credit loss is recognised in the profit or loss under "Expected credit loss allowance".

2.5 Other assets

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

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Fund performs services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.6 Intangible assets

Intangible assets include the development costs of software that are capitalised under specific conditions such as identifiable expenses or existence of a future benefit for the Fund.

Intangible assets are valued at cost less accumulated amortisation and any accumulated impairment losses.

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

Purchased software:	2 to 5 years
Internally generated software:	3 years

2.7 Property and Equipment

2.7.1 Property and 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
Buildings:	30 years

2.7.2 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.

2.8 Employee benefits

2.8.1 Post-employment benefits

Pension fund

The 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.

2.8.2 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.

2.8.3 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.

2.9 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. They include contract liabilities that correspond to advance commission income that the Fund receives for services that will be performed in the future. As the service is delivered over time, it will be recognised as revenue on the income statement. For the description of revenue recognition, see note 2.13.

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.

All financial liabilities are de-recognised when such liabilities are extinguished and the contractual cash flows from such financial liabilities have expired.

2.10 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.

2.11 Income from Private equity investments

Income from Private equity investments includes capital dividends and repayments, which are recognised when the EIF's investment cost is fully reimbursed.

2.12 Net result from financial guarantee operations

Net result from financial guarantee operations includes:

- Amortisation of the payer leg of the financial guarantees;
- Intermediation and risk cover fees, including for risk-sharing mandates;
- Net guarantee calls.

2.13 Commission income

This heading includes fees and commissions on active mandates and advisory activities but excludes guarantee premiums.

A mandate is a delegation agreement (hereafter "agreement") signed between the EIF and a Mandator under which the EIF is designated responsibility for the implementation of a desired programme designed in order to support small and medium-sized businesses access finance, in return for which it is entitled to receive management fees and commissions.

The EIF receives remuneration from mandate management and advisory activities under an agreement with a set of clearly defined service requirements.

Commission income is recognised when control of the services is transferred at an amount that reflects the consideration that the EIF expects to be entitled to in exchange for these services in accordance with IFRS 15.

Fees and commissions are recognised on an accruals basis when the service foreseen under an agreement has been provided. 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.

The EIF considers services promised under agreements to be a series of distinct services that are satisfied over time (continuous service) and the same methodology is used to measure progress. Given the service criteria to be met, the EIF accounts for all of the services that make up the series as a single performance obligation.

The amount of commission income received is fixed or variable, based on certain criteria depending on different variable components such as percentage of the EU contribution committed or linked to this single performance obligation. If the consideration includes a variable amount, the EIF estimates the amount of consideration to which it will be entitled to in exchange for transferring the services to the customer.

Regarding the performance obligations satisfied over time, the EIF uses the "Input Method" to recognise income on the basis of its efforts or inputs to the satisfaction of these performance obligations and recognise over the time such fees.

Part of the management fees earned by the EIF can be seen as incentive or performance fees. They usually relate to the deployment of the mandate rather than on returns or profits resulting from the investments.

However, maximum amounts, or "caps" on management fees are applicable to certain mandates managed by the EIF. Where this applies, management fees will likely cease to be received before the end of the mandate, which is typically in 15 to 25 years, and will be paid over a limited timeframe such as in the first few years of the mandate, and which are therefore not correlated with the services performed and costs incurred by the EIF.

The EIF uses a deferred income policy (further referred to as "contract liabilities mechanism") to address the issue of misalignment in cost of managing the mandates as incurred by EIF and the revenue recognised due to the administrative and performance fees cap issue that is further compounded by billing indicators being concentrated during the availability periods of the mandates.

The contract liabilities mechanism is based on the total costs to be incurred by the EIF in relation to the mandate using ex-ante financial models for all new mandates as part of their approval process. The three main drivers of the ex-ante model are actual data in terms of: (i) number of transactions, (ii) mandate size, and (iii) duration of the mandate together with the total income to be recognised each year to ensure cost coverage or at least to meet the expected cost/income ratio determined as part of the mandate approval process. This deferral policy ensures sustainable operations and revenue recognition based on percentage of completion of the contract.

The EIF takes into account the fee structure of all relevant mandates and exercises its judgement concerning revenue recognition as follows:

- Determination of the transaction price
  For mandates in scope of the contract liabilities mechanism where the management fees are capped in their respective contracts and contain a significant portion of variable consideration, management's judgement is required to derive the amount which the EIF expects to be entitled to over the contract life (the "transaction price"), particularly in respect of the uncertainty related to performance fees.

  These fees are only included in the transaction price to the extent that it is highly probable that their inclusion will not result in a significant reversal in the future when the uncertainty has been subsequently resolved.

  The EIF estimates the transaction price through financial modelling based on expected deployment of the mandates and market absorption of their products having regards to its experience with similar financial instruments and on their actual performance compared to its corporate operational plan. Significant judgement is applied to those fee indicators that are considered to be outside of the EIF's control.
- Determination of the timing of the satisfaction of performance obligation
  In determining the stage of completion of mandate management contracts, the EIF applies judgement in respect of the expected costs for the duration of these contracts, which serves as input in the deferred income models to determine the timing of the transaction price recognition in the commission income. The EIF has developed a cost assessment methodology that takes into account the expected costs at various stages of lifecycle of the mandates based on the efforts needed. The transaction price is then allocated to each period on a constant cost/income ratio that is revised annually based on the actual performance of the mandate.

2.14 New standards and interpretations not yet adopted or not yet effective

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.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform:

Interest rate benchmarks such as interbank offered rates (IBORs) play an important role in global financial markets. Market developments have undermined the reliability of some existing benchmarks. In this context, the Financial Stability Board has published a report setting out recommendations to reform some major benchmarks and replace them by alternative, nearly risk-fee rates. The Fund has carried out further analysis on the potential impacts of the benchmark reforms on its financial instruments. Regarding its debt instruments, EIF has concluded that the traditional financial guarantees would not be affected by the benchmark reform as the guarantee fee percentage is not determined with the use of benchmarks. Regarding cash ABS investments, the pricing of any transaction is determined by the issuer and disclosed accordingly in the prospectus. Regarding its activity as third party asset manager, it has been agreed with the European Union represented by the European Commission that there will be no need to amend the existing Asset Management Guidelines (AMGs) as the benchmarks are not part of the AMGs and have always been agreed between the European Commission and EIF outside of AMGs.

The Fund is currently assessing the potential future impact of isolated cases linked to the securitisation activity.

03. 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.

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:

31.12.2020	Amortised cost	Fair value through profit and loss	Financial guarantees	Total
Cash and cash equivalents	228 209 178	0	0	228 209 178
Financial instruments at Amortised Cost:				
Debt investments	1 212 023 261	0	0	1 212 023 261
Financial instruments at Fair Value through Profit and Loss:				
Private equity investments	0	982 456 742	0	982 456 742
Debt investments	0	322 970 943	0	322 970 943
Financial guarantees	0	0	33 923 129	33 923 129
Total Financial Assets	1 440 232 439	1 305 427 685	33 923 129	2 779 583 253
Provisions for financial guarantees	0	0	11 893 983	11 893 983
Total Financial Liabilities	0	0	11 893 983	11 893 983

31.12.2019	Amortised cost	Fair value through profit and loss	Financial guarantees	Total
Cash and cash equivalents	241 576 989	0	0	241 576 989
Financial instruments at Amortised Cost:				
Debt investments	1 244 066 396	0	0	1 244 066 396
Financial instruments at Fair Value through Profit and Loss:				
Private equity investments	0	776 176 179	0	776 176 179
Debt investments	0	252 106 004	0	252 106 004
Financial guarantees	0	0	26 638 964	26 638 964
Total Financial Assets	1 485 643 385	1 028 282 183	26 638 964	2 540 564 532
Provisions for financial guarantees	0	0	11 697 223	11 697 223
Total Financial Liabilities	0	0	11 697 223	11 697 223

3.1.1 Types of risk

The 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 concerns the EIF's Guarantee and Securitisation ("G&S") activity, treasury instruments such as fixed income securities and floating rate notes held in the treasury portfolio, commercial paper, deposits, microfinance loans and debt investments at fair value through profit or loss. There is a limited credit exposure for the EIF Private Equity 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 difficulties 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 Fund's currency risk is kept at a low level with 9.8% of net assets in 2020 (2019: 8.8%) 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.

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

At 31.12.2020 (in EUR)	EUR	Pound Sterling	US Dollars	Other currencies	Sub total except EUR	Total
Cash and cash equivalents	217 748 094	6 611 587	2 674 394	1 175 103	10 461 084	228 209 178
Financial instruments at Amortised Cost:						
Debt investments	1 212 023 261	0	0	0	0	1 212 023 261
Financial instruments at Fair Value through Profit and Loss:						
Private equity investments	798 295 836	80 150 944	73 172 763	30 837 199	184 160 906	982 456 742
Debt investments	322 970 943	0	0	0	0	322 970 943
Financial guarantees	32 804 593	38 628	181 322	898 586	1 118 536	33 923 129
Total assets	2 583 842 727	86 801 159	76 028 479	32 910 888	195 740 526	2 779 583 253
Provisions for financial guarantees	11 164 032	0	0	729 951	729 951	11 893 983
Total liabilities	11 164 032	0	0	729 951	729 951	11 893 983
Foreign currencies in % of net assets		4.4%	3.8%	1.6%	9.8%	
Net commitments to private equity	1 302 332 208	59 347 492	89 245 760	54 850 023	203 443 275	1 505 775 483
Guarantees' Exposure at Risk	3 520 822 435	11 846 960	31 484 174	1 963 735 494	2 007 066 628	5 527 889 063
Total Off BS	4 823 154 643	71 194 452	120 729 934	2 018 585 517	2 210 509 903	7 033 664 546

At 31.12.2019 (in EUR)	EUR	Pound Sterling	US Dollars	Other currencies	Sub total except EUR	Total
Cash and cash equivalents	228 582 016	2 648 763	6 064 507	4 281 703	12 994 973	241 576 989
Financial instruments at Amortised Cost:						
Debt investments	1 244 066 396	0	0	0	0	1 244 066 396
Financial instruments at Fair Value through Profit and Loss:						
Private equity investments	616 392 910	79 710 436	54 987 305	25 085 528	159 783 269	776 176 179
Debt investments	252 106 004	0	0	0	0	252 106 004
Financial guarantees	24 299 058	555 960	123 013	1 660 933	2 339 906	26 638 964
Total assets	2 365 446 384	82 915 159	61 174 825	31 028 164	175 118 148	2 540 564 532
Provisions for financial guarantees	11 672 428	0	0	24 795	24 795	11 697 223
Total liabilities	11 672 428	0	0	24 795	24 795	11 697 223
Foreign currencies in % of net assets		4.2%	3.1%	1.6%	8.8%	
Net commitments to private equity	1 036 793 174	72 907 144	83 427 284	38 259 401	194 593 829	1 231 387 003
Guarantees' Exposure at Risk	8 041 607 534	117 390 604	168 381 526	2 396 646 083	2 682 418 213	10 724 025 747
Total Off BS	9 078 400 708	190 297 748	251 808 810	2 434 905 484	2 877 012 042	11 955 412 750

"Other assets" and "Other liabilities and provisions" are denominated in EUR (for more details please see note 4.4 and 5.3).

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 – Interest rate risk factors specific to activities are disclosed in the respective sections below.

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 – Other price risk factors specific to activities are disclosed in the respective sections below.

3.1.1.4 Risk related to the COVID-19 crisis

On 11 March 2020, the World Health Organisation characterised Covid-19 as a pandemic. Responses to this virus from the various Governments in Europe and from the various European bodies such as the European Commission or the European Central Bank have been announced. The Management recognises that the effects of the pandemic on the financial markets and on the economy may have a significant impact on the underlying SMEs supported by the EIF. As at 31 December 2020, the valuation of the financial instruments and the following disclosures reflects the economic conditions in existence at that date.

Private Equity investments

In addition to the established processes, EIF set-up a dedicated Investment & Risk Committee to monitor the potential impact of the COVID-19 crisis on the Private Equity investments in term of cash flows and in term of performance on a quarterly basis.

In light of the diversification of the EIF PE portfolio in terms of vintage and sectors, EIF did not observe any significant impact as of 31 December 2020.

Financial Guarantee

Regarding the Financial Guarantee portfolio, EIF monitored the portfolios through the established processes, which did not highlight a deterioration of the financial guarantees in term of credit risk as of 31 December 2020.

Treasury portfolio

Due to the high quality of the treasury portfolio in term of credit risk, the amount of expected credit loss allowance did not change significantly between 2019 and 2020.

3.2 Private equity investments

3.2.1 Risk Management Process

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

Such investments include private equity investment funds and the EIF's exposure in the European Fund for Strategic Investments SME window through sub-window 1 of the private credit tailored for SMEs product and its senior tranche exposure through sub-window 2 of the equity product.

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 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 Risk Management department ("RM") 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 & Guarantees ("EIG") department. RM is involved in the investment process from its early stages. Following an initial screening of investment opportunities, RM is called to express its opinion on EIG's request to proceed with a full due diligence. Subsequently RM reviews all the investment proposals prepared by EIG 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. 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.
- Classification of funds: depending on the outcome of the monitoring outlined above, funds are classified into three categories as described in note 2.3.3.1.

Portfolio Monitoring

Through portfolio monitoring, RM 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 Equity Scoring combines the expected relative return of a transaction (i.e. the P (performance)-grade) with its risk score (expressed in %). For each P-grade, three levels of risk are defined ("-" , " " and "+").

Therefore, it leads to 12 different grading classes (A+,A,A-,B+,B,B-,C+,C,C-,D+,D,D-).

The Risk Score cut-offs were defined following an extensive back-testing of past transactions at EIF (at the time of their appraisal).
The "-" associated to a P-Grade corresponds to a fund that belongs to the last quartile in term of Risk Score for the given P-Grade.
The "+" associated to a P-Grade corresponds to a fund that belongs to the first quartile in term of Risk Score for the given P-Grade.
A P-grade is kept standard (i.e. without "+" or "-") if the Risk Score of the fund belongs to the second or the third quartile in term of Risk Score for the given P-Grade.

The cut-offs of the Risk Score within a same P-Grade are defined in the below table:

Risk Scoring

P-Grade (Exp. Perf)				
	A	<78%	78-88%	>88%
		A-	A	A+
	B	<73%	73-82%	>82%
		B-	B	B+
	C	<61%	<61-70%	>70%
		C-	C	C+
	D	<47%	47-54%	>54%
		D-	D	D-

3.2.2 Credit risk

Investments in PE funds 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 the PE portfolio 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 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 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”).

Chart 1: Vintage Year Diversification of the EIF PE Portfolio as of 31.12.2020

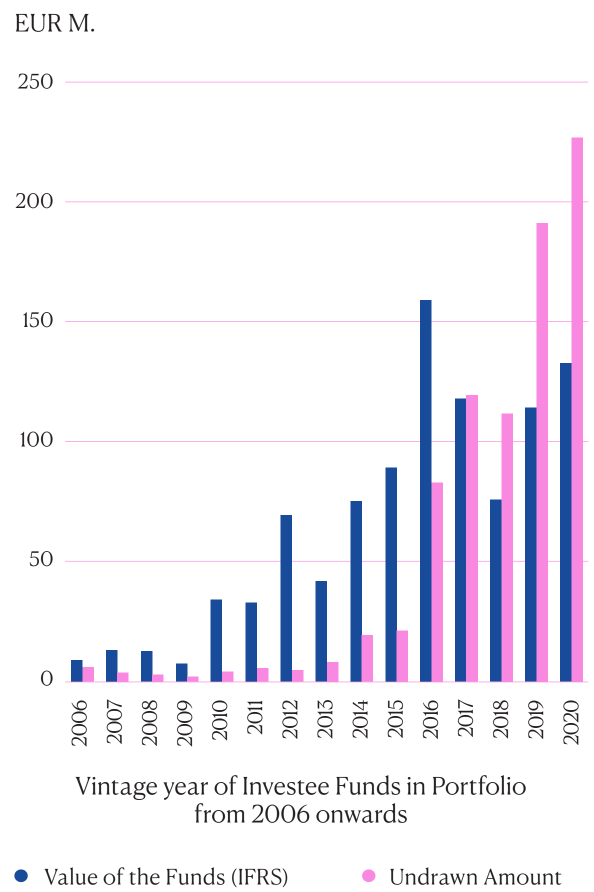


Chart 1: Vintage Year Diversification of the EIF PE Portfolio as of 31.12.2019

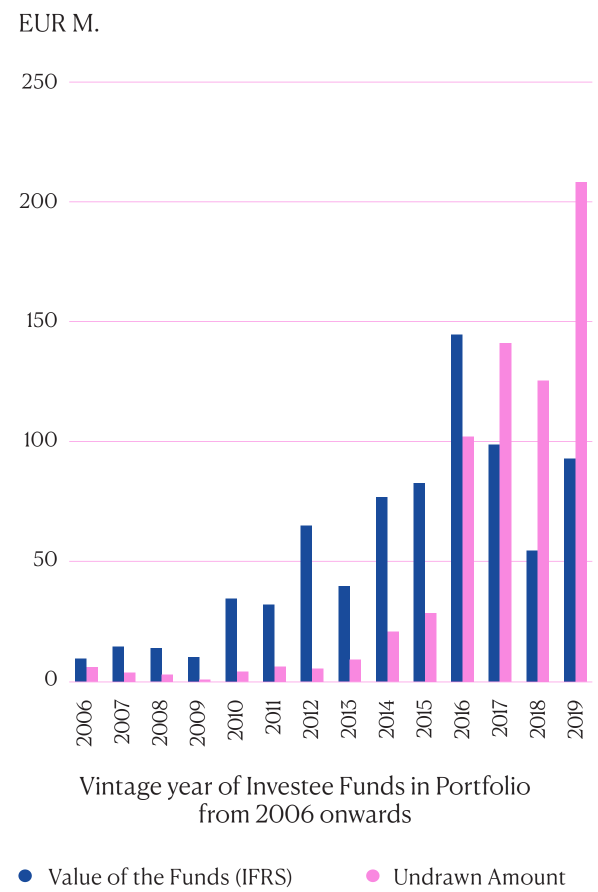


Table 1: Undrawn commitments of the EIF PE portfolio, split by time remaining to the end of the contractual lifetime* of the investee funds

EUR

Private Equity	Not more than 3 months	Three months to one year	One year to 5 years	More than 5 years	Total
As of 31.12.2020	11 754 659	5 932 029	69 531 823	720 953 745	808 172 256
As of 31.12.2019	8 019 572	4 986 628	63 040 334	599 536 259	675 582 793

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 net of reflows, which resulted from the EIF PE portfolio

EUR M.	Net Capital Calls	Net Capital Calls in relation to EFSI - SW2	Net Capital Calls in relation to EFSI - Private Credit	Total Net Capital Calls
2020	43.4	39.3	79.7	162.4
2019	125.8	33.7	0.0	159.5

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 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:

31.12.2020

Public market risk: All Private Equity	
+10%	-10%
Retained Beta 0.96	
Final Sensitivity: +9.6%	Final Sensitivity: -9.6%
Profit or loss account	Profit or loss account
(EUR)	(EUR)
73 346 375	(73 346 375)

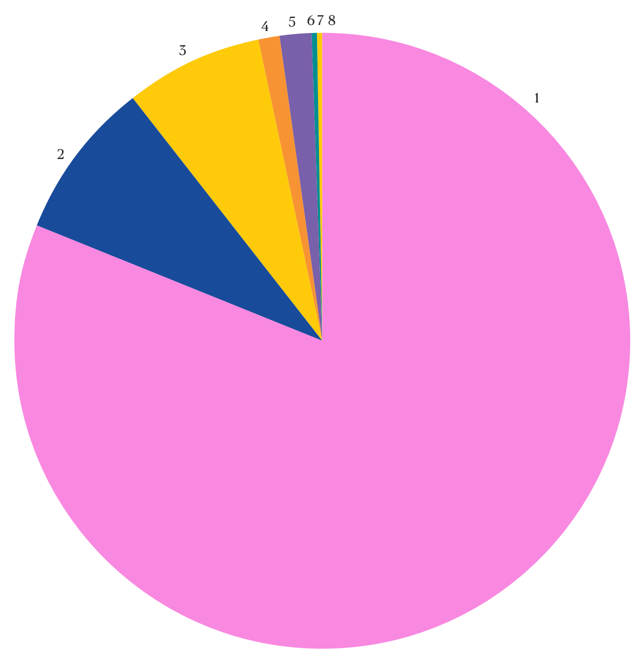
31.12.2019

Public market risk: All Private Equity	
+10%	-10%
Retained Beta 0.744	
Final Sensitivity: +7.44%	Final Sensitivity: -7.44%
Profit or loss account	Profit or loss account
(EUR)	(EUR)
50 501 197	(50 501 197)

3.2.4.2 Foreign currency risk

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

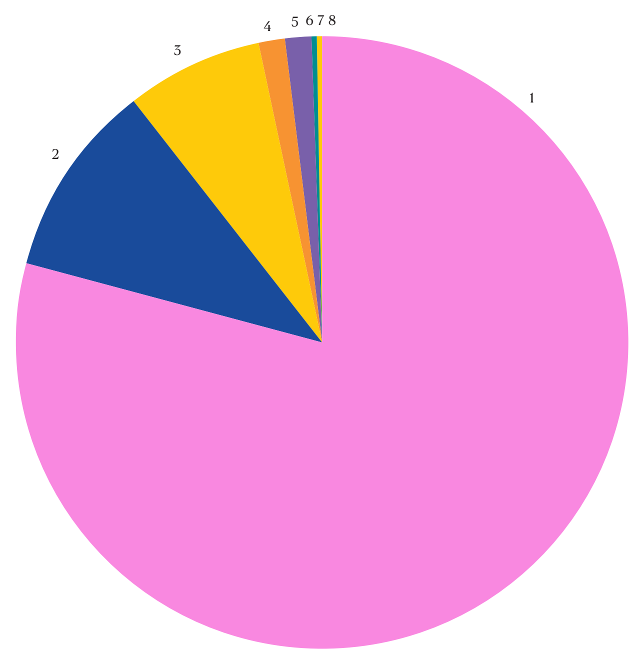
As of 31.12.2020



1. EUR 81.3%
2. GBP 8.2%
3. USD 7.4%
4. DKK 1.1%
5. SEK 1.7%
6. NOK 0.2%
7. CHF 0.1%
8. HUF 0.0%

(as % of the total fair value, EUR 982.5m)

As of 31.12.2019



1. EUR 79.4%
2. GBP 10.3%
3. USD 7.1%
4. DKK 1.5%
5. SEK 1.4%
6. NOK 0.2%
7. CHF 0.2%
8. HUF 0.0%

(as % of the total fair value, EUR 776.2m)

For 2020, changes due to foreign exchange rates for private equity investments amount to EUR (8 909 476) (2019: EUR 3 618 986), which has been recognised in the Statement of Comprehensive Income.

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

31.12.2020

Foreign exchange rate risk	
GBP increase of 15% vs. EUR	GBP decrease of 15% vs. EUR
Profit or loss account	Profit or loss account
(EUR)	(EUR)
12 022 642	(12 022 642)

31.12.2019

Foreign exchange rate risk	
GBP increase of 15% vs. EUR	GBP decrease of 15% vs. EUR
Profit or loss account	Profit or loss account
(EUR)	(EUR)
11 956 565	(11 956 565)

31.12.2020

Foreign exchange rate risk	
USD increase of 15% vs. EUR	USD decrease of 15% vs. EUR
Profit or loss account	Profit or loss account
(EUR)	(EUR)
10 975 914	(10 975 914)

31.12.2019

Foreign exchange rate risk	
USD increase of 15% vs. EUR	USD decrease of 15% vs. EUR
Profit or loss account	Profit or loss account
(EUR)	(EUR)
8 248 096	(8 248 096)

These impacts are measured only at investee fund level. They do not take into account indirect potential impacts on the value of underlying portfolio companies, which could have a different currency exposure than the investee 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 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

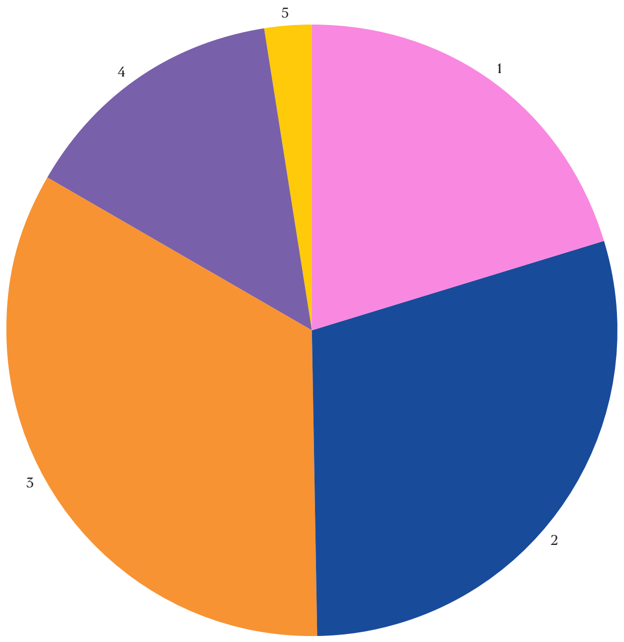
Strategy risk is defined as the risk resulting from over/under-weighting a specific investment strategy. The PE funds in the EIF portfolio can be generally grouped into five main investment strategies:

1. Venture Capital: such definition covers strategies targeting venture capital investments ranging between the Early and Late stage;
2. Private equity: such definition covers strategies targeting Equity and Mezzanine investments at Growth and Buyout stages and targeting Small and Medium size Enterprises ("SMEs");
3. Private Debt: such definition covers strategies targeting direct investments in senior or uni-tranche (secured or unsecured) loans/bonds or in subordinated securities, quasi-equity and hybrid debt instruments;
4. Infrastructure: such definition covers strategies targeting committing equity capital toward tangible, physical assets, whether existing or development phase that are expected to exhibit stable, predictable cash flows over a long-term investment horizon;
5. Generalist: such definition covers strategies of one or more above categories, usually via dedicated fund-of-funds vehicle.

03. Financial Risk Management

The five strategies follow different dynamics, and involve different risk and return profiles. The EIF portfolio currently has a balanced exposure to Venture Capital and Private Equity, with a smaller exposure to Private Debt, Infrastructure and Generalist funds.

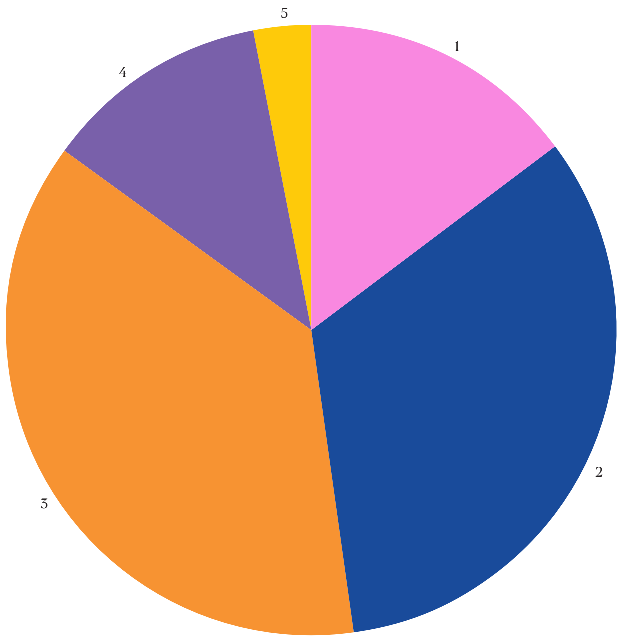
EIF Own Risk Portfolio: Fair Value Split by Investment Strategy as of 31.12.2020



1. Private Debt 20.5%
2. Private Equity 29.3%
3. Venture Capital 33.7%
4. Infrastructure 14.0%
5. Generalist 2.5%

(as % of the total fair value, EUR 982.5m)

EIF Own Risk PE Portfolio: Fair Value Split by Investment Strategy as of 31.12.2019



1. Private Debt 14.8%
2. Private Equity 33.1%
3. Venture Capital 37.3%
4. Infrastructure 11.8%
5. Generalist 3.0%

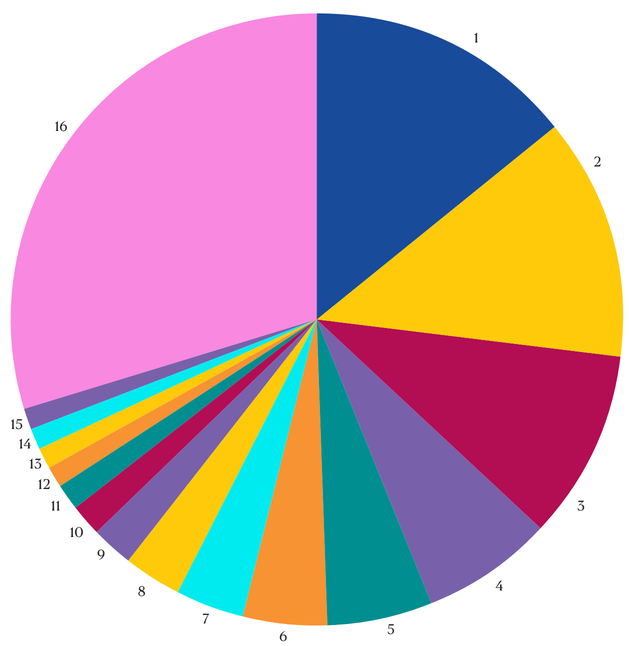
(as % of the total fair value, EUR 776.2m)

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 principally focused on Europe, with limited outside exposure. The resulting geographic exposure of the EIF PE portfolio is shown below:

EIF Own Risk Portfolio: Split of Investee Companies by Country of Domiciliation as of 31.12.2020

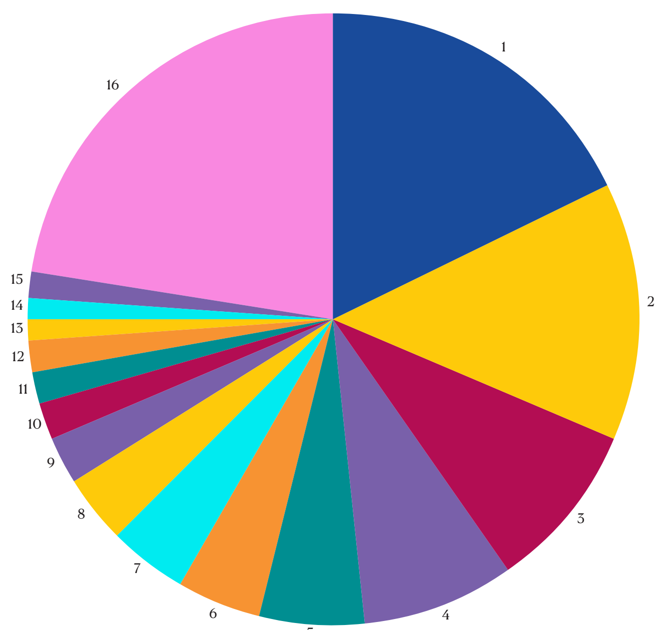
(Based on the valuation reported in the latest available report by the investee funds)



1. United Kingdom 14.3%
2. France 12.9%
3. United States 9.9%
4. Germany 7.0%
5. Spain 5.4%
6. Sweden 4.4%
7. Netherlands 3.8%
8. Italy 3.1%
9. Belgium 2.2%
10. Denmark 1.7%
11. Finland 1.2%
12. Norway 1.2%
13. Poland 1.2%
14. Luxembourg 1.1%
15. Switzerland 1.1%
16. Others 29.5%

EIF Own Risk Portfolio: Split of Investee Companies by Country of Domiciliation as of 31.12.2019

(Based on the valuation reported in the latest available report by the investee funds)



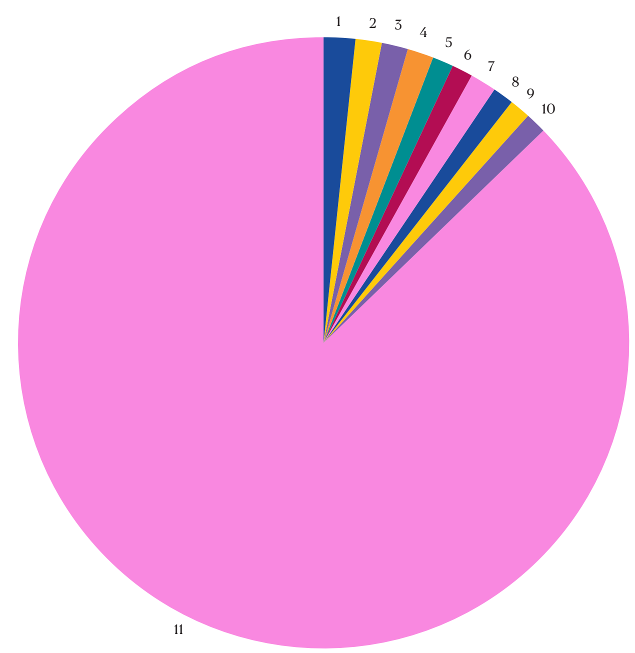
1. United Kingdom 17.9%
2. France 13.9%
3. United States 8.9%
4. Germany 8.1%
5. Spain 5.5%
6. Sweden 4.5%
7. Netherlands 4.1%
8. Italy 3.6%
9. Belgium 2.6%
10. Denmark 1.8%
11. Cayman Islands 1.7%
12. Switzerland 1.6%
13. Poland 1.2%
14. Ireland 1.2%
15. Finland 1.2%
16. Others 22.5%

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 PE portfolio is well diversified across a large number of funds. The largest fund in the EIF's portfolio represents 1.7% of the portfolio fair value (2019: 2.0%) and the largest 10 funds represent in aggregate 12.9% (2019: 14.5%).

EIF Own Risk PE Portfolio: Largest PE Funds in Portfolio as of 31.12.2020

(Total funds in portfolio = 720)

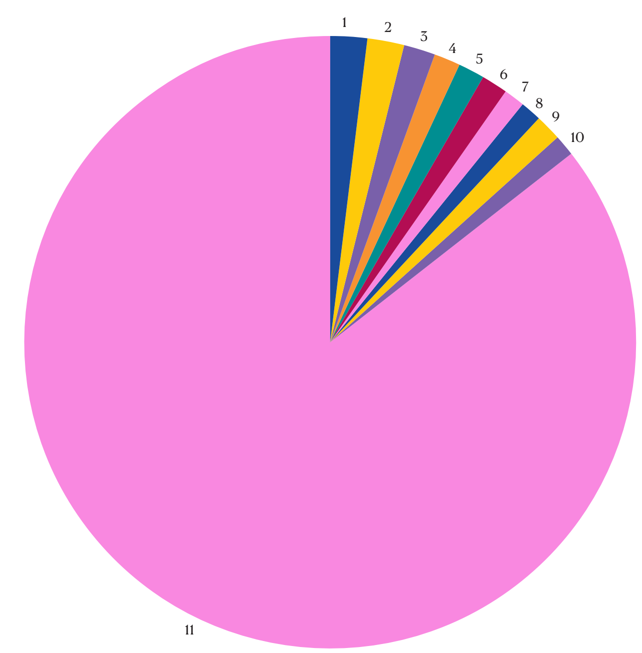


1. Fund 1 - 1.7%
2. Fund 2 - 1.5%
3. Fund 3 - 1.4%
4. Fund 4 - 1.3%
5. Fund 5 - 1.2%
6. Fund 6 - 1.2%
7. Fund 7 - 1.2%
8. Fund 8 - 1.1%
9. Fund 9 - 1.1%
10. Fund 10 - 1.1%
11. Other - 87.2%

(as % of the total fair value, EUR 982.5m)

EIF Own Risk PE Portfolio: Largest PE Funds in Portfolio as of 31.12.2019

(Total funds in portfolio = 649)



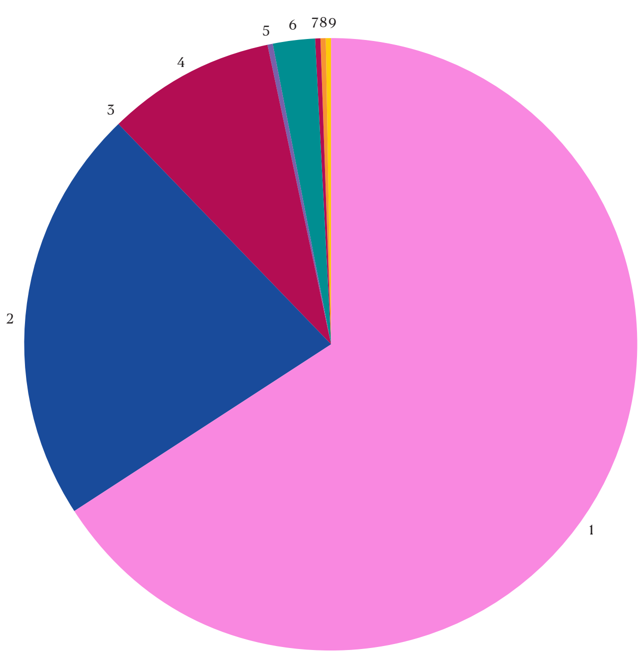
1. Fund 1 - 2.1%
2. Fund 2 - 1.9%
3. Fund 3 - 1.6%
4. Fund 4 - 1.6%
5. Fund 5 - 1.4%
6. Fund 6 - 1.2%
7. Fund 7 - 1.2%
8. Fund 8 - 1.2%
9. Fund 9 - 1.2%
10. Fund 10 - 1.1%
11. Other - 85.5%

(as % of the total fair value, EUR 776.2m)

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 PE portfolio is to the Information and Communication Technologies and Life Science sectors. Such exposure is by design and is the result of the portfolio allocation to private equity funds.

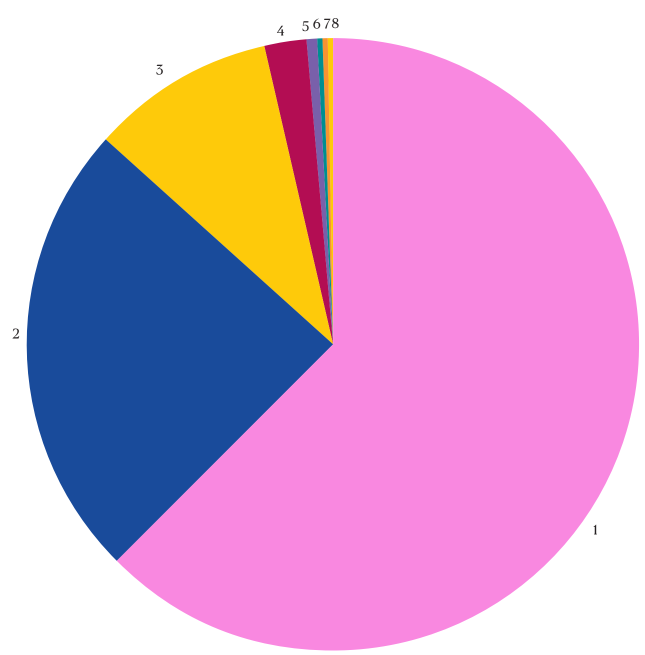
EIF Own Risk Portfolio: Fair Value Split by Sector Focus of Investee Funds as 31.12.2020



1. Generalist 65.2%
2. ICT 22.6%
3. Cleantech /Manufacturing 0.1%
4. Life Science 8.8%
5. Energy and Environment 0.3%
6. Infrastructure 2.4%
7. Financial Services 0.3%
8. Business and Industrial Products and Services 0.2%
9. Consumer Products, Services and Retail 0.1%
10. Energy Efficiency 0.0%
11. Agricultural, Chemicals and Materials 0.0%

(as % of the total fair value, EUR 982.5m)

EIF Own Risk Portfolio: Fair Value Split by Sector Focus of Investee Funds as 31.12.2019



1. Generalist 62.5%
2. ICT 24.2%
3. Cleantech /Manufacturing 0.1%
4. Life Science 9.7%
5. Energy and Environment 0.3%
6. Infrastructure 2.4%
7. Financial Services 0.5%
8. Business and Industrial Products and Services 0.2%
9. Consumer Products, Services and Retail 0.1%
10. Agricultural, Chemicals and Materials 0.0%

(as % of the total fair value, EUR 776.2m)

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 the 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 61.1m (2019: EUR 47.5m) and represented 6.2% of the fair value of the EIF PE portfolio (2019: 6.1%).

3.3 Portfolio Guarantees and Securitisation ("G&S")

3.3.1 Introduction

The EIF has developed a set of tools for its G&S business to measure credit risk and to analyse and monitor portfolio guarantees and structured finance transactions in line with common market practices.

Assets arising from financial guarantees are included within Financial guarantees. Liabilities arising from financial guarantees are included within Provisions for financial guarantees.

3.3.1.1 Credit risk measurement

The estimation of credit exposure on the G&S portfolio is complex and requires the use of models in which not all input parameters may be observable in the market. In particular, there is a reliance on the estimations for the underlying portfolio of the likelihood of different levels of defaults occurring, the timing of defaults, and their associated losses, which often depend strongly on the correlation between obligors. The exposure can vary with changes in market conditions, expected cash flows and the passage of time. The EIF measures credit risk on the G&S portfolio using Exposure at Default ("EAD") and an internal rating system based on Expected Loss ("EL") and Weighted Average Life ("WAL").

3.3.1.2 Credit risk grading

EIF uses an internal rating system that reflects its assessment of the Expected Loss of an individual its exposure over the WAL of that exposure. In each case both the EL and WAL are calculated using a probability weighted average of the outcomes of large number of scenarios. Where the internal rating is particularly sensitive to model inputs an override may be applied to cap the rating to ensure the assigned internal rating is robust to small perturbations of the assumptions.

The internal rating models are tailored to each specific transaction with two primary models in use. The principal determinant of which model is used is the granularity of the obligor exposures in the underlying portfolio which then determines whether the EIF considers that reliable estimates of performance can be achieved through a consideration of the characteristics of the aggregated portfolio or whether idiosyncratic risk can play a significant part in the attribution of losses to the EIF exposure.

EIF Risk Management has developed detailed guidelines on the derivation of inputs to the internal models based on transaction experience and benchmarking to industry/literature practises, however, there remains reliance on the use of expert judgement given the range of counterparties, products, structures and jurisdictions that the policy objectives of the EIF can trigger.

The EIF applies a rating scale ranging from iAaa, for the highest investment grade exposures, down to iCaa3, for the weakest non-defaulted positions, and iCa which is considered as an internal default event under internal procedures. The EIF scale is calibrated with the intention of mapping directly to the equivalent expected loss rating of Moody's. The risk management activity can be split into two parts: an initial risk assessment and ongoing risk monitoring.

3.3.1.3 Initial risk assessment

In the context of the independent opinion process, RM reviews the investment proposal provided by EIG in accordance with the 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 the EIF's internal rating initially proposed by EIG. A transaction is only eligible for investment if, at the time the EIF enters into the transaction, the assigned internal rating is in the range of iAaa-iB2 (iAaa and iB2 are mapped to Moody's Aaa and B2, respectively).

The EIF assigns an internal rating to each new transaction to estimate the credit quality based on an expected loss concept. The EIF's internal rating is based on quantitative and qualitative analyses. The following quantitative factors are examples of variables having an impact on the determination of the 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.

To allocate capital for an EIF guaranteed tranche, EIF computes the economic capital allocation rates based on its internal guidelines, which follow a conservative approach that define a minimum level of capital that needs to be allocated to EIF investments and operations to target a 1-year 99.99% level of confidence that investment/operational losses can be absorbed. The rating used to calculate the economic capital allocation is the EIF internal rating.

3.3.1.4 Ongoing risk monitoring

The performance of a transaction is reviewed regularly – at least on a quarterly basis. Information on the amortisation of the portfolio, realised default levels, recovery rates etc. is gathered for each transaction based on monthly or quarterly external reports. This information is then used to feed the point-in-time credit risk model every quarter, to generate expected losses (for guarantee transactions) and fair value assessments (for cash investments in ABS transactions) used for the IFRS 9 reporting. In addition, the through the cycle model for EIF's Internal Rating is run on trigger breach basis, as detailed below. This latter model review leads to a revision of the risk assumptions for the EIF internal rating going forward, as well as for the point-in-time credit risk model going forward.

EIF's surveillance triggers take into account elements such as the level of cumulative defaults, the credit enhancement and any rating actions by external rating agencies, if applicable.

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. Officers within RM submit proposals to the relevant Investment Risk Committee ("IRC") to flag transactions as Under Review, Positive or Negative Outlook and/or to initiate an EIF 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 EIG or RM) when other circumstances suggest that the EIF's internal rating may already be affected.

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.

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

Transaction status		31.12.2020
	EUR	%
Defaulted	17 467 720	0.3%
Under review	885 658 686	16.0%
Performing	4 535 102 395	82.1%
Positive outlook	89 660 262	1.6%
Total Exposure at Risk	5 527 889 063	100.0%
		31.12.2019
	EUR	%
Defaulted	11 354 998	0.1%
Under review	74 513 973	1.1%
Performing	10 501 981 433	97.5%
Positive outlook	136 175 343	1.3%
Total Exposure at Risk	10 724 025 747	100.0%

During the year, EIB issued a counter-guarantee in favour of the EIF in order to provide coverage on a certain portion of the credit risk associated with the EIF Senior Tranche of one financial guarantee portfolio and cover any corresponding losses suffered by the EIF during the guarantee period. As at December 31, 2020, the exposure transferred from the EIF to EIB in relation to this counter-guarantee amounts to EUR 6 958.1m. The total exposure at risk in the table above is reflective of this transfer. This is considered a temporary measure aimed at providing a bridge to the planned EIF capital increase and is expected to terminate once the corresponding share capital have been fully paid-in (see note 5.4), or on 31 December 2022 at the latest.

The surveillance activity includes the following tasks:

- checking compliance of the counterparties with any relevant contractual covenants and triggers,
- assessing the 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),
- following up on any external rating agencies' actions (if necessary) 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),
- proposing potential status changes or rating actions to the relevant IRC, if necessary,
- assessing the staging and the expected credit loss for financial guarantee transactions,
- assessing the expected credit loss and the fair value for ABS investments in line with IFRS 9.

The restructuring activity is carried out by professionals within RM. RM is in charge of proposing, during the IRC, the assignment of a Work Out Case 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 EIG or decided by the IRC Chairman during the IRC meeting.

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.

3.3.1.5 Expected credit loss measurement

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition that leads to change in expected credit loss ("ECL") measurement as summarised below:

- Stage 1: not credit impaired on initial recognition – measured using 12-month (12M) ECL;
- Stage 2: a significant increase in credit risk ("SICR") since initial recognition but not credit-impaired – measured using lifetime ECL;
- Stage 3: instrument is credit-impaired – measured using lifetime ECL.

3.3.1.5.1 SICR – Stage 2 exposures

The following re-staging attributes are used to determine whether an SICR, and hence a transition from stage 1 to stage 2, has occurred and described in further detail thereafter:

ID	Re-staging attribute
1	Re-classification as a Special High Risk (SHR) transaction
2	Higher of Watch-listing and Unit-logarithm criterion
3	For guarantees only: guarantee fee payment delinquency > 30 days past due
4	For non-investment grade exposures: 3 notch or higher internal rating downgrade compared to the initial internal rating assigned and the current rating is below iBaa3

SHR transaction: specific triggers that relate to underperformance (short of a default event) belonging to one of the following categories:

1. Accounting
2. Rating action
3. Event resolution
4. Business continuity
5. Contagion

Examples of SHR events include but are not limited to:

- Creation of a specific provision;
- Internal rating downgrade to iBa3;
- Negative credit enhancement of securitisation exposure;
- Deferral of interest (non-senior securitisation);
- Servicer/originator affected by a recovery plan/ corrective measures or bankruptcy;
- Activation of a back-up servicer.

Watch-listing criterion: if EIF places any watch-listed exposure under negative implications. The following criteria are used for Watch-listing:

Initial Expected Loss	Current Expected Loss	Additional Criteria to be met	Removal from Watch-list
Is 2% or lower	Is higher than 2%	None	Expected loss reduces below 2%
Is higher than 2% and less than 3%	Is higher than or equal to 3%	"Material credit event" diagnosed	Either condition is no longer satisfied.
Is higher than 3% and less than 5%	Is higher than or equal to 5%		
Is higher than 5% and less than 7%	Is higher than or equal to 7%		
Is higher than 7% and less than 10%	Is higher than or equal to 10%		
Is higher than 10% and less than 15%	Is higher than or equal to 15%		
Is higher than 15% and less than 20%	Is higher than or equal to 20%		
Is higher than 20% and less than 25%	Is higher than or equal to 25%		
Is higher than 25%	Is higher than 25%	None	Expected loss reduces below 25%

Unit-logarithm criterion: this criterion is met when the natural logarithm of the current exposure PD (multiplied by 100) is (i) positive and (ii) increased by one or more since initial recognition. Practically this equates to an increase in the PD by a factor of 2.72 and the current exposure being non-investment grade.

Whenever the SICR event no longer applies an exposure can return from Stage 2 to Stage 1.

3.3.1.5.2 Internal default events – Stage 3 exposures

Transition to stage 3 is governed by the occurrence of an internal default event ("IDE").

IDE transaction: specific triggers that relate to underperformance (short of a default event) belonging to one of the following categories:

1. Cash flow
2. Accounting
3. Rating action
4. Event resolution
5. Business continuity
6. Contagion

EIF considers a transaction to be in default when:

- Counterparty is overdue more than 90 calendar days on any material credit obligation;
- Payment under the guarantee is triggered;
- Impairment is made (cash positions);
- Internal rating downgrade to iCa;
- External rating downgraded to default status;
- Restructuring of obligation to avoid a default;
- EIF sells the credit obligation at a material credit-related economic loss;
- In relation to a Diversified Payment Rights (DPR) transaction, the Counterparty refers to the bank providing second recourse for the ABS notes. In such case, the Counterparty has sought or has been placed in bankruptcy or similar protection. For banks, this also occurs on a case by case basis when a bank is placed under administration or similar protection by the central bank or other national supervisory authority for financial institutions. In addition, for banks, this condition occurs when the bank is under resolution or required to "bail-in" depositors and/or other creditors;

- In relation to a DPR transaction, where the counterparty is a regulated entity, a permanent and full revocation of authorisation to perform regulated activities by the national regulator, when it is due to a distressed situation of the counterparty and not related to an operational or structural change;
- Other triggers as assessed on an individual basis by risk analysts.

Lifetime ECLs are the ECLs that result from all possible IDE over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which EIF is exposed to credit risk. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1" financial instruments. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2" financial instruments. Financial instruments for which a lifetime ECL is recognised and which are credit-impaired are referred to as "Stage 3" financial instruments. Stage 3 exposures can return to Stage 2 or Stage 1 once no IDE event remains applicable.

3.3.1.5.3 Measuring ECL

The Expected Credit Loss is measured on either a 12M or lifetime basis depending on the staging of the exposure in question determined in accordance with the procedure above.

The G&S portfolio consists predominantly of securitisation exposures with an underlying asset pool of a highly diversified nature in which the EIF position is initially protected by a layer of credit enhancement in the form of subordination or over-collateralisation that provides a buffer to cover some multiple of the expected losses on the portfolio.

Since, under the base case assumptions it would be expected that the ECL 12M and lifetime would generally be zero, for Stage 1 and Stage 2 exposures, EIF calculates the ECL by applying a probability weighted scenario analysis to the performance of these exposures. As losses are often not applied directly as write-downs, or may only be applied sometime after the corresponding assets have defaulted, EIF further calculates ECL values based on a discounted measure of the under-collateralisation of the exposure with a positive ECL being registered if the EIF exposure becomes uncollateralised at any point over the measurement horizon (12M or lifetime).

The cash flow model for ECL calculation is tailored to each specific transaction, projects exposures and cash flows forwards for the transaction lifetime, and is updated on a quarterly basis to reflect current transaction conditions and forward-looking information. Data on current transaction conditions is updated based on information provided in servicer reports and any other information available to EIF from time to time. Fields that can be updated based on servicer reports typically include *inter alia*:

- Outstanding tranche balances;
- Outstanding asset balances: bank and reserve accounts, performing collateral, delinquent collateral (30+, 60+ 90+), defaulted balance;
- Cumulative default and loss rates;
- Status of performance triggers;
- Prepayment rates.

Where model input fields related to current transaction conditions cannot be updated based on reported information directly, values are re-normalised from quarter-to-quarter based on the passage of time. This procedure may be applied to portfolio amortisation assumptions in the absence of granular information. Assumptions related to future performance, particularly asset pool mean cumulative default rate and prepayment rates, blend initial assumptions and actual performance, giving greater weight to actual performance as seasoning increases. The cumulative default rate assumption is also influenced by the forward-looking information.

The ECL values are taken directly from the model implying the Exposure at Default ("EaD"), Probability of Default ("PD") and Loss Given Default ("LGD") of each exposure are aggregated in a complex scenario dependent manner.

3.3.1.5.4 Forward-looking information

In addition to reproducing the current transaction conditions, the ECL and determination of a SICR is based on projections, which incorporate certain forward-looking information, which are updated on a quarterly basis.

The following forward-looking information is included in the model:

- Macro-economic projection based on GDP – provided by the Economics department of the European Investment Bank on a quarterly basis;

- Risk-free interest rate forward curve – updated from Bloomberg on a monthly basis.

GDP projections are provided for EU countries. The EIF also uses a further curve to cater for the limited non-European exposure. The projection most relevant to the exposure jurisdiction is used to determine an adjustment to the mean cumulative default curve based on historical data. Where more than one region is relevant to a transaction the overall adjustment is calculated by weighting the adjustment of each regional share.

The risk-free rate impacts the model through a change on both cash flows due under the structure to which EIF is exposed, since assets and/or liabilities incorporate floating rate instruments, and through the discounting in the ECL calculation.

Sensitivity Analysis: of these parameters the GDP is the most significant assumption affecting the ECL allowance due to the direct impact on the performance of the underlying companies.

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 2020 of EUR 5 527.9m (2019: EUR 10 724.0m).

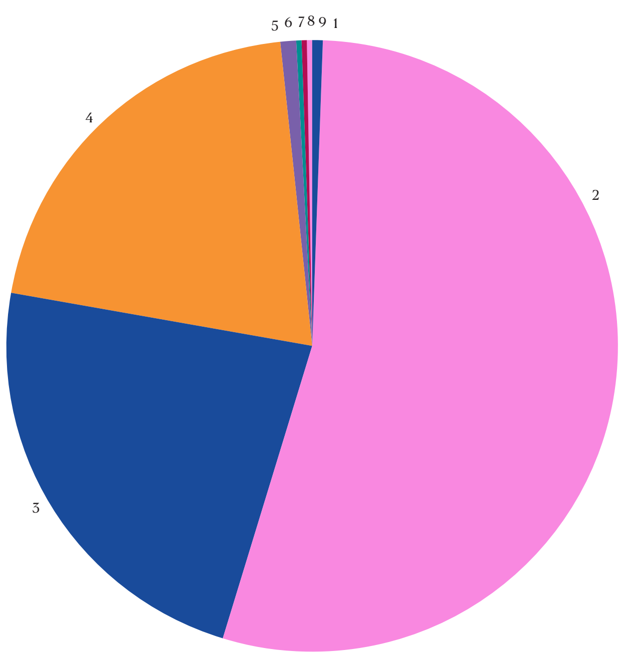
The credit risk is managed by risk management policies covered by the statutes and the EIF Credit Risk Policy Guidelines.

The statutes of the EIF limit guarantee operations to three times the subscribed capital, which amounted to EUR 4 500m at year-end 2020 (2019: EUR 4 500m). Hence, the EUR 5 527.9m Exposure at Risk at year-end 2020 (2019: EUR 10 724.0m), together with the funded exposure of EUR 323.0m in respect of ABS investments (2019: EUR 252.1m) was below the statutory limit of EUR 13 500m (2019: EUR 13 500m).

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.

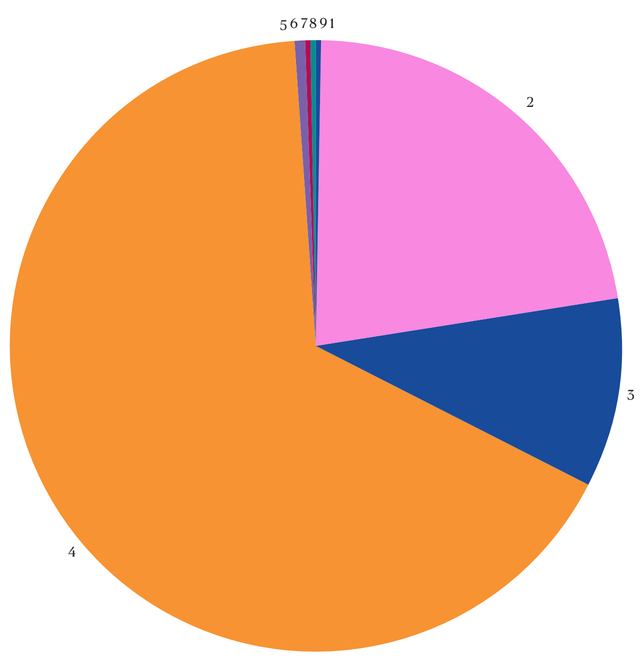
The below tables show the split of the financial guarantees in terms of credit quality using Exposure at Risk (based on the EIF's Internal Rating approach):

% of Exposure at Risk as of 31.12.2020 (EUR 5 527.9m)



1. Aaa 0.8%
2. Aa 54.1%
3. A 23.0%
4. Baa 20.5%
5. Ba 1.0%
6. B 0.3%
7. Caa 0.1%
8. Ca 0.0%
9. C 0.2%

% of Exposure at Risk as of 31.12.2019 (EUR 10 724.0m)



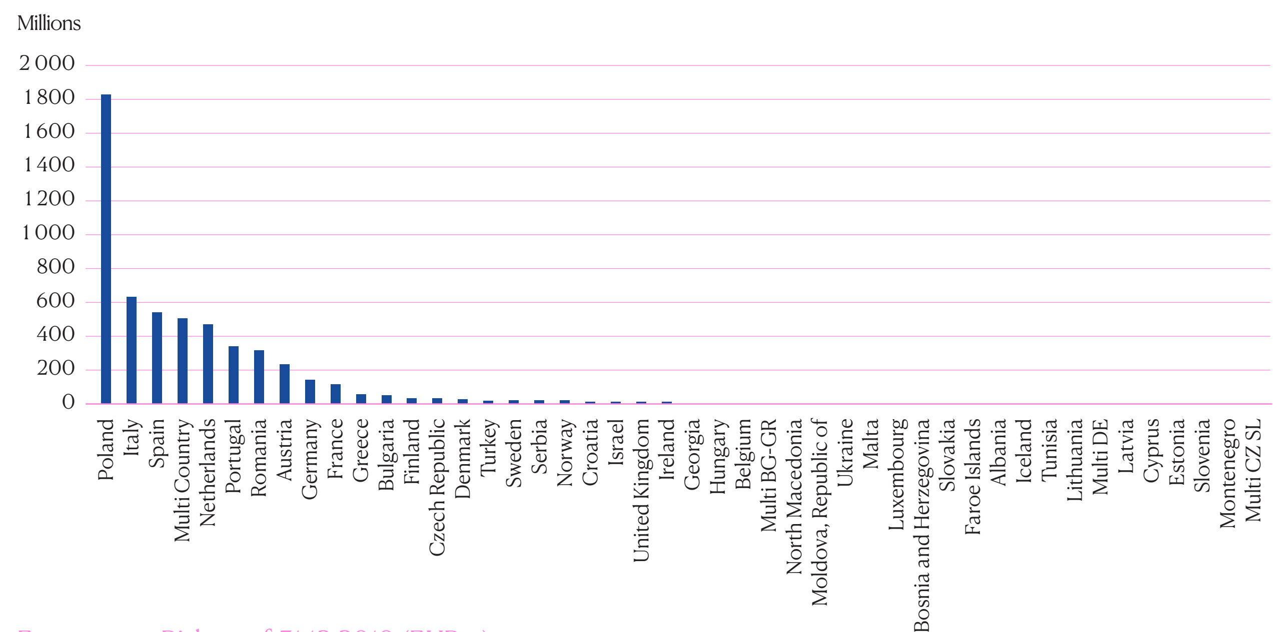
1. Aaa 0.5%
2. Aa 22.2%
3. A 10.1%
4. Baa 66.3%
5. Ba 0.6%
6. B 0.2%
7. Caa 0.1%
8. Ca 0.0%
9. C 0.1%

Geographic Coverage

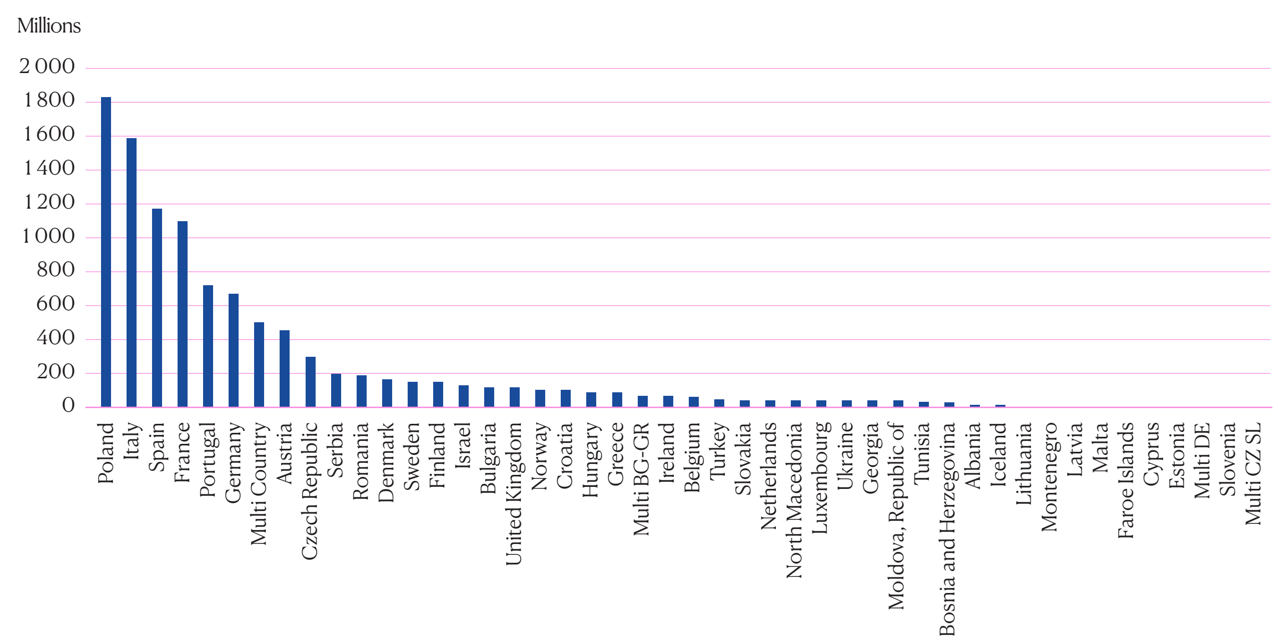
As of 31 December 2020, the EIF's financial guarantees were spread over 43 countries (2019: 42 countries).

The tables below show the geographic distribution of the EIF's financial guarantees for Exposure at Risk (EUR 5 527.9m as of 31 December 2020 and EUR 10 724.0m as of 31 December 2019) showing that the largest weight is to Poland with 33.0% (2019: 17.0%), followed by Italy with 11.4% (2019: 14.8%) and Spain with 9.8% (2019: 10.9%):

Exposure at Risk as of 31.12.2020 (EURm)



Exposure at Risk as of 31.12.2019 (EURm)



3.3.2.1 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 and originator group exposure limits. Transaction limits define maximum possible exposure dependent on underlying rating and Weighted Average Life ("WAL"). Originator group limits constrain the exposure per originator group by considering the group 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.

3.3.2.2 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.

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. Another key mitigant of the counterparty risk is the general use of structures with a true sale of assets (for the cash flow transactions). Additionally, interruption of servicing is alleviated by the set-up of a back-up servicer agreement in securitisation deals.

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 note 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 Exposure at Risk for financial guarantees split by the expected maturity dates of the transactions to which they are related:

	Expected maturity of guarantee			
Exposure at Risk (EUR)	3 months to 1 year	1 year to 5 years	More than 5 years	Total
As of 31.12.2020	227 048 112	3 498 546 861	1 802 294 090	5 527 889 063
As of 31.12.2019	34 770 525	1 570 486 676	9 118 768 546	10 724 025 747

3.3.4 Market risk

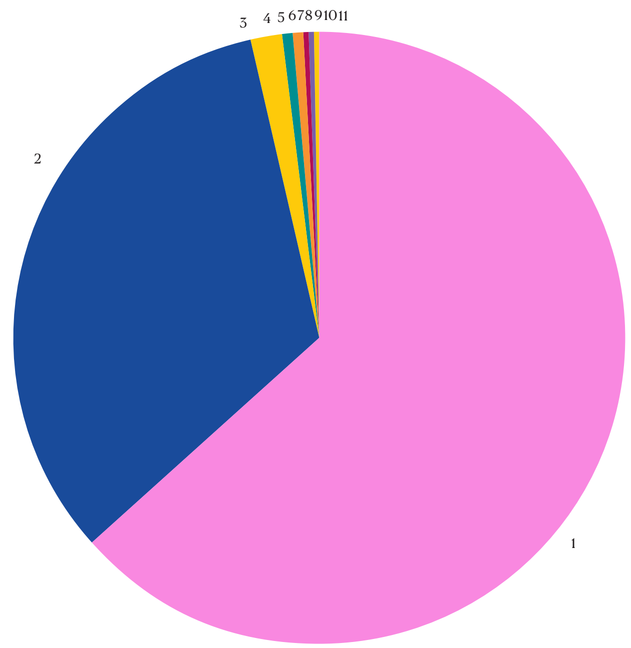
3.3.4.1 Market risk: Interest rate risk

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

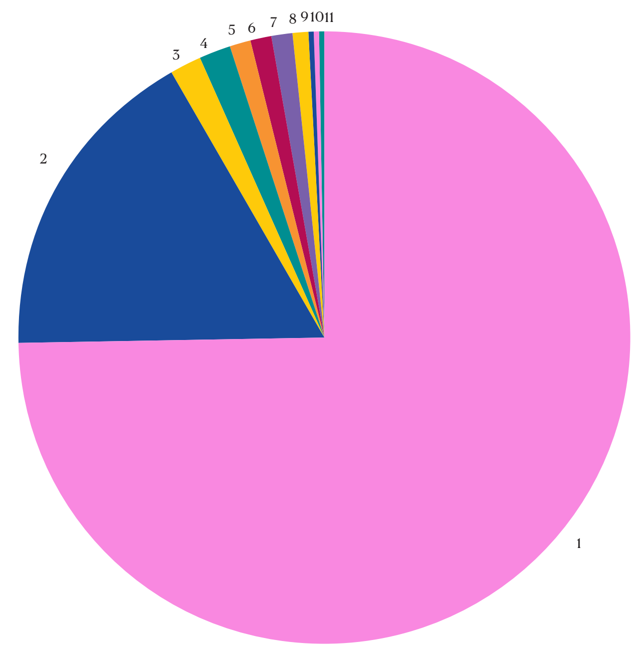
The split by currency for the EIF guarantees using Exposure at Risk is as follows:

% Exposure at Risk as of 31.12.2020 (EUR 5 527.9m)



1. EUR 63.6%
2. PLN 33.0%
3. RON 1.5%
4. USD 0.6%
5. DKK 0.5%
6. NOK 0.3%
7. GBP 0.2%
8. SEK 0.2%
9. CZK 0.1%
10. TND 0.0%
11. HUF 0.0%

% Exposure at Risk as of 31.12.2019 (EUR 10 724.0m)



1. EUR 74.9%
2. PLN 17.0%
3. DKK 1.7%
4. USD 1.6%
5. GBP 1.1%
6. SEK 1.1%
7. NOK 1.0%
8. RON 0.8%
9. TND 0.3%
10. CZK 0.3%
11. HUF 0.2%

The following table shows the impact on the financial guarantees position regarding a 15% increase/decrease in the currency rate for currencies representing more than 5% of the total exposure:

31.12.2020

Currency	Exposure at Risk (EUR)	Impact increase	Impact decrease
PLN	1 821 826 788	(237 629 581)	321 498 845

31.12.2019

Currency	Exposure at Risk (EUR)	Impact increase	Impact decrease
PLN	1 820 450 453	(237 450 059)	321 255 962

The 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

EIF's G&S transactions are not sensitive to price risk.

3.4 Debt investments

Debt investments are classified either at amortised cost, which corresponds to the treasury portfolio and the microfinance loans detailed in sections 3.4.1 and 3.4.2 respectively, or at fair value through profit or loss, which corresponds to the ABS Investments detailed in section 3.4.3.

For debt investments at amortised cost, the expected credit loss allowance is measured using the inputs, assumptions and techniques described below.

Lifetime ECL measurement applies to stage 2 and stage 3 assets, while 12-month ECL measurement applies to stage 1 assets.

The expected credit losses were calculated based on the following variables:

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

The probability of default represents the likelihood of a counterpart defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

Ratings are the primary input in the determination of the term structure of probability of default for exposures. The EIF collects performance and default information about its credit risk exposures. The collected data are segmented by type of industry and by type of region. Different industries and regions reacting in a homogenous manner to credit cycles are analysed together.

The EIF employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The loss given default represents the EIF's expectation of the ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default. Loss given default can be also defined as "1 - Recovery Rate". LGD estimates are determined mainly by geography and by type of counterparty, with five main exposure classes: Sovereigns, Public Institutions, Financial Institutions, Corporate and Project Finance. LGD values can be further adjusted based on the product and contract specific features of the exposure.

The EIF incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of expected credit losses.

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

- the definition of an economically reasonable link function between the credit cycle, and
- a set of three macro-economic scenarios (one baseline and two symmetrical ones) with each of them attributed a certain realisation probability and with GDP growth rate as a variable.

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

3.4.1 Treasury portfolio

3.4.1.1 Introduction

Treasury management of the long-term treasury portfolio has been outsourced to the EIB under a treasury management agreement mandating 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, relevant market events and to discuss any adjustment to be approved by the EIF in relation to the annual investment strategy.

Additionally, the Asset & Liquidity Committee ("ALC") analyse liquidity issues of strategic relevance with the objective of maintaining the balance between risk and return objectives. As part of its responsibilities, the ALC advise on the management of the EIF Treasury Portfolio entrusted to the EIB for management.

3.4.1.2. Portfolio overview

The cash and cash equivalents and the treasury portfolio are broken down as follows:

	31.12.2020 EUR	31.12.2019 EUR
Current accounts	150 196 170	182 704 083
Money market instruments and short-term securities	78 013 008	58 872 906
Long-term bank deposits	15 002 625	0
Long-term portfolio	1 191 786 403	1 237 899 381
Total Cash and cash equivalents and Treasury portfolio	1 434 998 206	1 479 476 370

The EIF does not borrow funds.

3.4.1.3 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 by selecting sound counterparties and issuers with a minimum rating at the outset set above investment grade. The EIF considers that the credit risk on treasury portfolio has not increased significantly since initial recognition due to the inherent low credit risk.

Consequently, the loss allowances relating to treasury assets measured at amortised cost are determined at an amount equal to 12-month ECL.

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 2020, all investments in the treasury portfolio are made in EUR (2019: EUR and USD).

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

	2020 EUR	2019 EUR
Cash and cash equivalents	228 209 178	241 576 989
Treasury portfolio	1 206 789 028	1 237 899 381
Total Credit Risk Exposure	1 434 998 206	1 479 476 370

Cash and cash equivalents include current accounts and money market instruments and short term securities. According to the EIF Liquidity Bank Credit Risk Eligibility Guidelines, they are made with financial institutions having a minimum rating of BBB/Baa2/BBB and F2/P-2/A-2 by Moody's, S&P and Fitch as applicable.

The long-term deposits are placed using the same guidelines with financial institutions having a minimum rating of BBB/Baa2/BBB and F2/P-2/A-2 by Moody's, S&P and Fitch as applicable.

The following tables outline the credit quality of the Fund's Long-term portfolio (i.e. not including Long-term bank deposits) as of 31 December 2020 and 2019, based on external ratings and ECL:

Credit Risk Exposures by external rating
(Based on gross carrying amount)

2020

(in EUR)	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Long term portfolio				
Aaa	247 220 617	0	0	247 220 617
Aa1	20 331 205	0	0	20 331 205
Aa2	157 439 412	0	0	157 439 412
Aa3	80 428 408	0	0	80 428 408
A1	111 593 761	0	0	111 593 761
A2	185 838 963	0	0	185 838 963
A3	245 896 664	0	0	245 896 664
Baa1	72 234 946	0	0	72 234 946
Baa2	48 225 793	0	0	48 225 793
Baa3	22 820 480	0	0	22 820 480
Loss allowance	(243 845)	0	0	(243 845)
Carrying amount at 31 December 2020	1 191 786 403	0	0	1 191 786 403

Credit Risk Exposures by external rating
(Based on gross carrying amount)

2019

(in EUR)	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Long term portfolio				
Aaa	310 359 017	0	0	310 359 017
Aa1	47 868 629	0	0	47 868 629
Aa2	134 173 492	0	0	134 173 492
Aa3	158 844 459	0	0	158 844 459
A1	81 326 161	0	0	81 326 161
A2	137 995 490	0	0	137 995 490
A3	232 486 190	0	0	232 486 190
Baa1	54 103 364	0	0	54 103 364
Baa3	80 904 835	0	0	80 904 835
Loss allowance	(162 256)	0	0	(162 256)
Carrying amount at 31 December 2019	1 237 899 381	0	0	1 237 899 381

A breakdown of the credit risk exposure per country is given in the table below with a distinction between bonds issued by EU sovereigns and bonds issued by corporate entities and non-EU sovereigns.

	31.12.2020	31.12.2019
EU sovereigns		
Austria	10 207 150	25 406 721
European Union	5 000 475	15 063 218
France	18 012 897	18 004 623
Germany	19 317 563	28 374 239
Hungary	10 547 074	0
Italy	22 820 480	80 904 835
Lithuania	16 992 693	6 072 753
Luxembourg	0	5 110 851
Poland	40 956 410	36 688 957
Republic of Latvia	14 984 732	0
Slovakia	7 978 070	5 126 938
Slovenia	14 929 511	5 191 515
Spain	41 159 566	51 360 064
Total EU sovereigns	222 906 621	277 304 714
Corporate bonds and non-EU sovereign		
Australia	60 533 590	60 566 405
Austria	21 948 183	13 458 061
Belgium	33 330 692	33 318 065
Canada	50 038 140	50 005 867
Denmark	17 017 330	13 018 741
European Union	0	12 243 101
Finland	18 476 385	18 465 345
France	109 174 896	148 802 116
Germany	113 034 278	113 816 750
Ireland	2 484 381	5 071 229
Italy	4 986 886	7 991 723
Japan	44 232 561	40 792 286
Luxembourg	7 506 230	0
Netherlands	49 089 636	84 942 129
Norway	29 594 473	42 789 746
Philippines	10 005 604	10 002 891
Poland	8 821 281	8 821 787
Republic of Korea	25 159 798	5 000 134
Spain	106 666 330	73 100 359
Sweden	36 253 629	39 277 215
Switzerland	45 657 428	55 718 199
United Kingdom	70 206 162	54 917 725
United States	65 412 439	68 474 793
Venezuela	39 249 450	0
Total Corporate bonds and non-EU sovereign	968 879 782	960 594 667
Total	1 191 786 403	1 237 899 381

As of 31 December 2020, the EIF long-term treasury portfolio was spread over 28 countries (2019: 25 countries). The highest individual country exposures were Spain, Germany, France, United Kingdom and United States, which jointly represented 46% of total nominal value (2019: the same countries represented 49% of the long-term treasury portfolio).

As of 31 December 2020, the exposure to Venezuela was only composed of bonds issued by the Development Bank of Latin America and the exposure to Republic of Korea was composed of bonds issued by non-EU Sovereigns institutions for a total amount of EUR 22 159 798 and composed of one bond issued by a Financial Institution for a total amount of EUR 3 000 000.

3.4.1.4 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.

3.4.1.5 Market risk – interest rate risk

In nominal terms, 83.9% of all assets held have a duration of 5 years or less (2019: 88.7%).

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 at the time they reprice or mature:

At 31.12.2020 (in EUR)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Fixed rate					
Cash and cash equivalents	228 209 178	0	0	0	228 209 178
Treasury portfolio	29 497 496	246 258 629	645 215 852	230 963 573	1 151 935 550
Floating rate					
Treasury portfolio	0	5 002 398	49 851 080	0	54 853 478
Total	257 706 674	251 261 027	695 066 932	230 963 573	1 434 998 206
Percentage	18.0%	17.5%	48.4%	16.1%	100.0%

At 31.12.2019 (in EUR)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Fixed rate					
Cash and cash equivalents	241 576 989	0	0	0	241 576 989
Treasury portfolio	73 443 598	250 177 369	705 036 902	166 848 537	1 195 506 406
Floating rate					
Treasury portfolio	0	0	42 392 975	0	42 392 975
Total	315 020 587	250 177 369	747 429 877	166 848 537	1 479 476 370
Percentage	21.3%	16.9%	50.5%	11.3%	100.0%

The average yield at cost on the securities portfolio in EUR was 0.45% for 2020 (2019: 0.89%).

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 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 re-pricings 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 2020. For the positions in place as of 31 December 2020, the earnings of the EIF treasury portfolio would increase by EUR 1.3m (2019: EUR 1.2m) 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 2020, the Value at Risk of the EIF treasury portfolio was EUR 0.82m (2019: EUR 1.05 m). It was computed on the basis of the RiskMetrics VaR methodology, using a confidence level of 99.0 % 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 1.0 %. 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.

3.4.2 Microfinance Loans

The microfinance loans portfolio is made up of 15 transactions (2019: 15 transactions). All deals are in EUR and they are maturing between 2022 and 2028.

As the total amount of the portfolio is non material, a detailed risk management analysis was not performed.

3.4.3 ABS investments

Securitisation backed by SME financing is an asset class in which EIF has accumulated considerable and widely-recognised experience as part of its core guarantee and securitisation activity. It has, however, been observed that third party investors are not always available for the subscription of guaranteed notes, due to specific tranche features or to the sum of the EIF guarantee fee and the cash investor's return exceeding the tranche market return. EIF therefore envisaged filling the gap through a new product consisting in direct investments in asset-backed securities issued out of securitisations focusing on SME assets ("ABS Investments") within a limited scope and as an ancillary activity to the core EIF guarantee business.

The Board of Directors approved that EIF invest directly in asset-backed securities issued out of securitisations focusing on SME assets ("Direct Investments"), using EIF's own resources, initially up to EUR 200m on 17 November 2014 and a further EUR 300m on 30 January 2017, for a total of EUR 500m. The ABS Investments target:

- Mainly mezzanine classes of SME securitisations originated by financial intermediaries (i) for which there is a limited purposes and/or (ii) as a way to maximise the funding obtained from their securitisation transactions, in situations where there is limited or no third party investors' demand for EIF guaranteed notes;
- Residually and with EIF's own resources only, senior classes of SME focused securitisations (i) for which there is limited or no third party investors' demand for EIF guaranteed notes and (ii) which require a moderate direct investment.

In October 2017, the General Meeting of Shareholders also approved covered bond investments backed by SMEs or residential mortgage assets within the existing envelope for ABS Investments. The General Meeting of Shareholders determined that the maximum amount for any individual ABS or covered bond investment with EIF own resources shall in any event be limited to EUR 50m.

3.4.3.1 Risk assessment and on-going risk monitoring

The EIF's ABS Investments follow the same independent opinion process and on-going risk monitoring as the transactions under EIF's portfolio guarantee and structured business (see note 3.3.1).

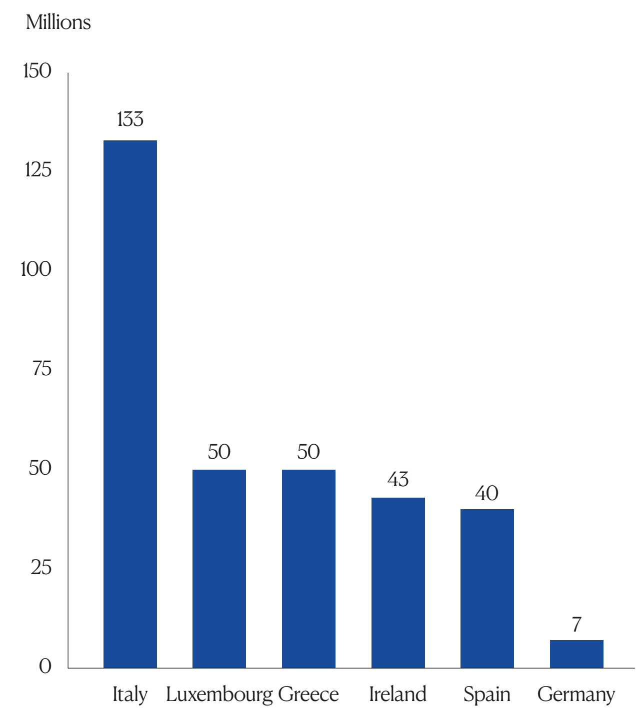
Transaction status	31.12.2020		31.12.2019	
	EUR	%	EUR	%
Performing	322 970 943	100%	211 125 558	84%
Positive outlook	0	0%	40 980 446	16%
Total Exposure at Risk	322 970 943	100%	252 106 004	100%

3.4.3.2 Credit Risk

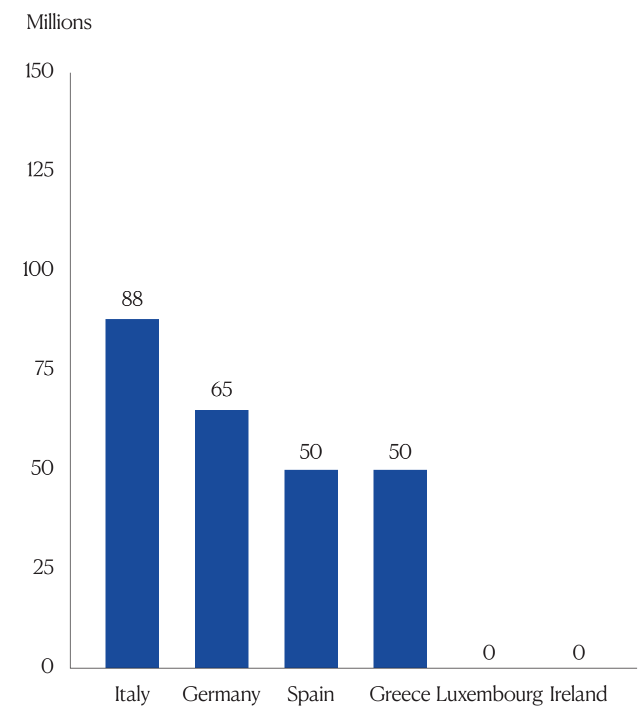
ABS Investments are exposed to credit risk by way of rating downgrade and default risk. EIF manages these risks by adhering to risk management policies laid out in its statutes, EIF Credit Risk Policy Guidelines and internal concentration limits (see note 3.3.2).

A breakdown of the portfolio by country exposure is given in the tables below:

Fair Value as of 31.12.2020 (EUR)

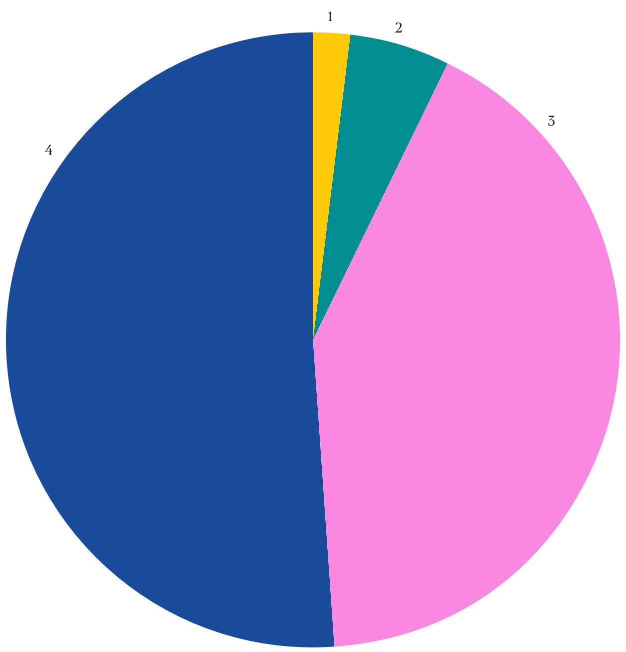


Fair Value as of 31.12.2019 (EUR)



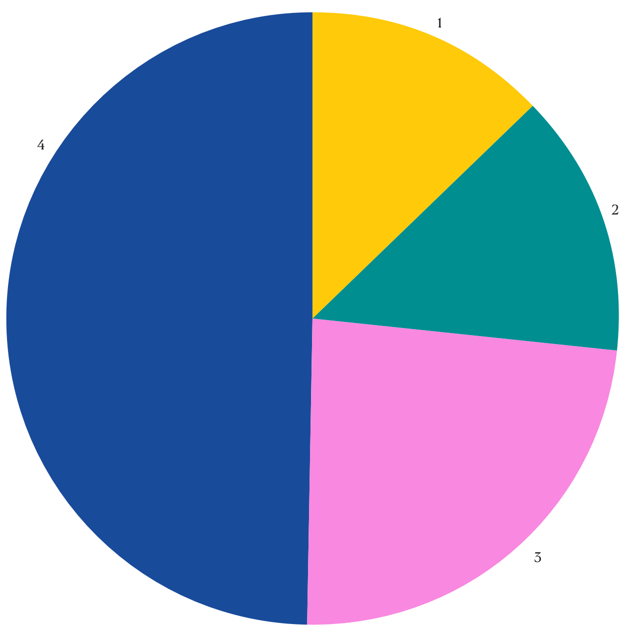
A breakdown of the portfolio per rating is given in the tables below:

% of Fair Value as of 31.12.2020 (EUR 323.0m)



1. Aaa 2.0%
2. Aa 5.4%
3. A 41.7%
4. B 50.9%

% of Fair Value as of 31.12.2019 (EUR 252.1m)



1. Aaa 12.8%
2. Aa 13.9%
3. A 23.7%
4. B 49.6%

3.4.3.3. Liquidity risk

EIF invests in ABS Investments listed on a regulated exchange but without an active and liquid secondary market, implying a potential liquidity risk in case of settlement before maturity. Nevertheless, liquidity risk is limited for these investments as EIF intends to hold them until redemption.

The following table shows an analysis of the ABS portfolio split by the expected maturity dates of the transactions to which they are related:

EUR

	3 months to 1 year	1 year to 5 years	More than 5 years	Total
As of 31.12.2020	6 542 079	200 936 323	115 492 541	322 970 943
As of 31.12.2019	40 980 445	135 948 940	75 176 619	252 106 004

3.4.3.4 Market risk

3.4.3.4.1. Market risk - Interest rate risk

ABS Investments are debt securities with either a variable interest rate plus a quoted spread or a fixed coupon. Floating rate securities carry little interest rate risk as its duration is usually close to zero (it converges to zero as reset date approaches), meaning that its price has very low sensitivity to changes in interest rates.

The following table illustrates the Fund's exposure to interest rate risk through the portfolio based on its repricing dates:

EUR 31.12.2020

	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Fixed rate	90 145	6 542 079	42 999 869	50 256 422	99 888 515
Floating rate	463 433	0	157 479 234	65 139 761	223 082 428
Total	553 578	6 542 079	200 479 103	115 396 183	322 970 943

EUR 31.12.2019

	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Fixed rate	231	40 980 445	23 564 506	0	64 545 182
Floating rate	147 603	0	112 329 306	75 083 913	187 560 822
Total	147 834	40 980 445	135 893 812	75 083 913	252 106 004

3.4.3.4.2 Market risk - Foreign currency risk

As at 31 December 2020 EIF's transactions are invested in EUR only (2019: EUR only).

3.4.4 Other

On 16 September 2019, the EIF entered into a mezzanine loan facility agreement in relation to the European Union Programme for Employment and Social Innovation (EaSI). As at 31 December 2020 and 2019, the EIF has a commitment of EUR 23 million with no loan disbursed.

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. in relation to private equity investments.

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.

The fair value hierarchy reflects the significance of the inputs used in making the measurements. These levels differ from the category classification mentioned under 2.3.3.1:

- 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 solely through 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:

At 31.12.2020	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Financial assets				
Financial instruments at Fair Value through Profit and Loss:				
Private equity investments	0	0	982 456 742	982 456 742
Debt investments	0	322 970 943	0	322 970 943
	0	322 970 943	982 456 742	1 305 427 685

At 31.12.2019	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Financial assets				
Financial instruments at Fair Value through Profit and Loss:				
Private equity investments	0	0	776 176 179	776 176 179
Debt investments	0	252 106 004	0	252 106 004
	0	252 106 004	776 176 179	1 028 282 183

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 at fair value through profit or loss are given in note 4.3.
There was no transfer of financial assets between Level 1 and Level 3 in 2020 or 2019.

04. Detailed disclosures relating to asset headings

4.1 Cash and cash equivalents

The effective interest rate on short-term bank deposits is N/A (2019: 1.90%). These deposits have an average remaining maturity of N/A days (2019: 14 days).

	31.12.2020	31.12.2019
	EUR	EUR
Current accounts	150 196 170	182 704 083
Money market instruments	78 013 008	58 872 906
	228 209 178	241 576 989

4.2 Financial instruments at amortised cost

Financial instruments at amortised cost are made up of the treasury portfolio and long-term deposits for EUR 1 206 789 028 (2019: EUR 1 237 899 381) and microfinance loans for EUR 5 234 233 (2019: EUR 6 167 015).

4.2.1 Treasury portfolio and long term deposits

The treasury portfolio includes long-term debt instruments i.e. long-term bank deposits, bonds, notes and other obligations.

	31.12.2020	31.12.2019
	EUR	EUR
Treasury portfolio	1 201 832 169	1 230 144 946
Accrued interest on treasury portfolio	4 956 859	7 754 435
	1 206 789 028	1 237 899 381

As at 31 December 2020, long-term bank deposits amount to EUR 15 000 000 (2019: EUR 0). The effective interest rate on long-term bank deposits is 0.05% (2019: N/A). These deposits had an average remaining maturity of 57 days (2019: N/A).

Movement in treasury portfolio can be analysed as follows:

	31.12.2020	31.12.2019
	EUR	EUR
Carrying amount at 1 January	1 237 899 381	1 239 394 177
Additions	322 861 621	322 466 177
Disposals / matured	(351 092 809)	(321 492 691)
Expected credit loss allowance	(81 589)	25 052
Accrued interest	(2 797 576)	(2 493 334)
Carrying amount at 31 December	1 206 789 028	1 237 899 381

As of 31 December 2020, the expected credit loss allowance amounts to EUR 243 845 (2019: EUR 162 256).

As of 31 December 2020, the treasury portfolio is only composed of investments classified under Stage 1 of the ECL model (2019: only stage 1).

The fair value of the treasury portfolio and long-term deposits as of 31 December 2020 amounts to EUR 1 223 207 568 (2019: EUR 1 251 368 591). As of 31 December 2020, EUR 1 194 907 175 is classified as Level 1 and EUR 28 300 393 is classified as Level 2 in the Fair Value hierarchy (2019: EUR 1 213 066 442 and EUR 38 302 149 respectively).

4.2.2 Microfinance Loans

The loan portfolio includes microfinance loans.

	31.12.2020	31.12.2019
	EUR	EUR
Loan portfolio	5 226 993	6 157 172
Accrued interest on loan portfolio	7 240	9 843
	5 234 233	6 167 015

Movement in loan portfolio can be analysed as follows:

	2020	2019
	EUR	EUR
Carrying amount at 1 January	6 167 015	4 804 971
Additions	965 384	2 762 122
Disposals / matured	(1 898 518)	(1 433 432)
Expected credit loss allowance	2 955	33 370
Accrued interest	(2 603)	(16)
Carrying amount at 31 December	5 234 233	6 167 015

The disbursed microfinance loan portfolio is composed of investments classified under Stage 1 of the ECL model as of 31 December 2020 and 2019.

At the year-end, there is no undisbursed microfinance loan (2019: nil).

As of 31 December 2020, the expected credit loss allowance amounts to EUR 7 133 (2019: EUR 10 088).

The fair value of the microfinance loans as of 31 December 2020 amounts to EUR 5 229 117 (2019: EUR 6 122 628).

4.3 Financial instruments at fair value through profit or loss

4.3.1 Private equity investments

Private equity investments at fair value through profit or loss are analysed as follows:

	2020 EUR	2019 EUR
Investment at cost at 1 January	595 720 771	457 421 611
Disbursements	114 123 481	191 930 529
Net disbursements in relation to EFSI EP - SW2	39 345 538	33 709 928
Net disbursements in relation to EFSI - Private Credit	79 699 623	0
Capital repayments	(70 727 617)	(66 114 298)
Terminated deals	(18 835)	(1 004 849)
Secondary sale transactions - cost de-recognition	0	(17 671 439)
Fund underwriting - cost de-recognition	(123 322)	0
Foreign exchange	(6 111 784)	(2 550 711)
Investment at cost at 31 December	751 907 855	595 720 771
Fair value adjustment and foreign exchange adjustment at 1 January	180 455 408	112 735 405
Adjustments to fair value during the financial year:		
Changes in fair value through profit or loss	50 993 400	55 228 749
Increase in fair value in relation to EFSI EP - SW2	1 826 296	2 469 601
Increase in fair value in relation to EFSI - Private Credit	140 476	0
Terminated transactions - cumulated fair value adjustments until de-recognition	(59 949)	1 005 135
Secondary sale transactions - cumulated fair value adjustments until de-recognition	0	2 846 821
Fund underwriting - cumulated fair value adjustments until de-recognition	(9 052)	0
Foreign exchange	(2 797 692)	6 169 697
Value adjustment and foreign exchange adjustment at 31 December	230 548 887	180 455 408
Carrying amount at 31 December	982 456 742	776 176 179

As of 31 December 2020 and 2019, the private equity investments are all classified under level 3 of the fair value hierarchy.

In 2020, 2 transactions were completed under the Fund underwriting activity. This activity involves the transfer of economic interest in a part of the Fund's private equity investments to another entity or entities managed by the Fund. An amount of EUR 231,726 was received following the transfer and resulted in a profit of EUR 99,365. See note 7.4.

During 2019, a secondary sale transaction for 11 funds was entered into and completed.

The fair value as of 31 December 2020 includes an amount of EUR 5 450 604 (2019: EUR 5 196 892) related to investment in joint ventures.

04. Detailed disclosures relating to asset headings

4.3.2 Debt investments

Debt investments at Fair Value through Profit or Loss include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

	31.12.2020 EUR	31.12.2019 EUR
Debt portfolio	322 417 365	251 958 170
Accrued interest on debt portfolio	553 578	147 834
	322 970 943	252 106 004

Movement in debt investments can be analysed as follows:

	2020 EUR	2019 EUR
Carrying amount at 1 January	252 106 004	200 397 423
Additions	148 000 000	114 894 250
Disposals/matured	(77 925 228)	(66 491 261)
Change in fair value	384 423	3 377 755
Accrued interest	405 744	(72 163)
Carrying amount at 31 December	322 970 943	252 106 004

As at 31 December 2020, the total debt investments at cost amount to EUR 321 641 618 (2019: EUR 251 566 846) and the accumulated change in fair value on debt investments amounts to EUR 775 747 (2019: EUR 391 324).

In 2019, the change in fair value of EUR 3 377 755 includes EUR 3 073 631 relating to the termination of a debt investment.

4.4 Other assets

Other assets are made up of the following:

	31.12.2020 EUR	31.12.2019 EUR
Accounts receivable relating to pensions managed by the EIB	224 758 463	192 407 367
Accrued commission & other income	222 599 131	187 019 808
Receivables from financial guarantees	17 553 213	28 289 691
Receivables from earn-out agreements	58 524	61 842
Other debtors	10 595 821	7 140 343
Contract assets	0	9 420 474
	475 565 152	424 339 525

Following the introduction of a defined benefit pension scheme in 2003 (see note 2.8), 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 5.2.

Contract assets represent the value of fees which EIF is ordinarily entitled to receive for the provision of services as part of the deployment of certain mandates but are conditional to certain events such as the receipt of additional contributions in these mandates.

The following table discloses the ageing of other assets:

	Total	Neither past due nor impaired	Past due but not impaired		
			0-6 months	6-12 months	>12 months
	EUR	EUR	EUR	EUR	EUR
2020	475 565 152	475 466 494	2 596	3 572	92 490
2019	424 339 525	424 198 371	11 903	6 198	123 053

4.5 Intangible assets

	Internally Generated Software	Purchased Software	Total
	EUR	EUR	EUR
Cost	5 653 320	251 578	5 904 898
Accumulated amortisation	(5 653 320)	(251 578)	(5 904 898)
Carrying amount at 01.01.2019	0	0	0
Opening carrying amount	0	0	0
Additions	0	0	0
Amortisation charge	0	0	0
Carrying amount at 31.12.2019	0	0	0
Cost	5 653 320	251 578	5 904 898
Accumulated amortisation	(5 653 320)	(251 578)	(5 904 898)
Carrying amount at 01.01.2020	0	0	0
Opening carrying amount	0	0	0
Additions	0	592 875	592 875
Amortisation charge	0	(11 603)	(11 603)
Carrying amount at 31.12.2020	0	581 272	581 272
31.12.2020			
Cost	5 653 320	844 453	6 497 773
Accumulated amortisation	(5 653 320)	(263 181)	(5 916 501)
Carrying amount at 31.12.2020	0	581 272	581 272

There were no indications of impairment of intangible assets in 2020.

4.6 Property and Equipment

	Other properties	Office Equipment	Computer Equipment	Total Equipment
	EUR	EUR	EUR	EUR
Cost	530 652	202 401	818 355	1 020 756
Accumulated depreciation	(151 331)	(201 747)	(818 355)	(1 020 102)
Carrying amount at 01.01.2019	379 321	654	0	654
Opening carrying amount	379 321	654	0	654
Depreciation charge	(45 822)	(481)	0	(481)
Carrying amount at 31.12.2019	333 499	173	0	173
Cost	530 652	202 401	818 355	1 020 756
Accumulated depreciation	(197 153)	(202 228)	(818 355)	(1 020 583)
Carrying amount at 01.01.2020	333 499	173	0	173
Opening carrying amount	333 499	173	0	173
Depreciation charge	(45 821)	(173)	0	(173)
Carrying amount 31.12.2020	287 678	0	0	0
31.12.2020				
Cost	530 652	202 401	818 355	1 020 756
Accumulated depreciation	(242 974)	(202 401)	(818 355)	(1 020 756)
Carrying amount	287 678	0	0	0

There were no indications of impairment of equipment or investment property in either 2020 or 2019.

05. Detailed disclosures relating to liabilities and equity headings

5.1 Financial guarantees

Financial guarantees, depending on whether the measurement of a financial guarantee contract results in a net asset or net liability position (see note 2.4), are presented as follows:

	31.12.2020	31.12.2019
	EUR	EUR
Financial guarantees	(33 923 129)	(26 638 964)
Provisions for financial guarantees	11 893 983	11 697 223
	(22 029 146)	(14 941 741)

Movement in financial guarantees can be analysed as follows:

2020	Stage 1	Stage 2	Stage 3	Foreign exchange	Total
Financial guarantees as at 1 January	(24 887 838)	(107 544)	9 984 460	69 181	(14 941 741)
Transfer from Stage 1 to Stage 2	0	0	0		0
Transfer from Stage 2 to Stage 3	0	(309 390)	309 390		0
Transfer from Stage 3 to Stage 2	0	14 486	(14 486)		0
Amortisation of the payer leg	(65 042 229)	(72 381)	(85 085)		(65 199 695)
Adjustment of the receiver leg	62 424 117	539 595	71 769		63 035 481
Expected credit loss allowance	0	(27 122)	(502 141)		(529 263)
Amortisation of financial guarantees de-recognised due to termination	(4 468 821)	(52 431)	(107)		(4 521 359)
Foreign exchange impact				127 431	127 431
Financial guarantees as at 31 December	(31 974 771)	(14 787)	9 763 800	196 612	(22 029 146)

2019	Stage 1	Stage 2	Stage 3	Foreign exchange	Total
Financial guarantees as at 1 January	(11 475 880)	1 379 619	10 175 302	(31 671)	47 370
Transfer from Stage 1 to Stage 2	78 540	(78 540)	0		0
Transfer from Stage 2 to Stage 3	0	(255 774)	255 774		0
Transfer from Stage 3 to Stage 2	0	0	0		0
Amortisation of the payer leg	(51 174 586)	(340 822)	(882 966)		(52 398 374)
Adjustment of the receiver leg	40 698 479	83 100	1 032 249		41 813 828
Expected credit loss allowance	0	(895 127)	(446 071)		(1 341 198)
Amortisation of financial guarantees de-recognised due to termination	(3 014 391)	0	(149 828)		(3 164 219)
Foreign exchange impact				100 852	100 852
Financial guarantees as at 31 December	(24 887 838)	(107 544)	9 984 460	69 181	(14 941 741)

During the year 2020, no financial guarantees were transferred from Stage 1 to Stage 2 (2019: two), an additional two financial guarantees were transferred from Stage 2 to Stage 3 (2019: two) and one financial guarantee was transferred from Stage 3 to Stage 2 (2019: none).

The adjustment of the receiver leg corresponds to guarantee fees received and accrued during the year and value adjustments due to changes in credit ratings.

The change in the fair value of the receiver leg of financial guarantees amounts to EUR (591 997) (2019: EUR 19 066 934).

As of 31 December 2020, the receiver leg and the payer leg offset for a total amount of EUR (22 029 146) (2019: EUR (14 941 741)) as follows:

	Receiver leg	Payer leg	Total
31.12.2020	EUR	EUR	EUR
Financial guarantees	(301 597 452)	267 674 323	(33 923 129)
Provisions for financial guarantees	(32 275 674)	44 169 657	11 893 983
	(333 873 126)	311 843 980	(22 029 146)
31.12.2019			
Financial guarantees	(294 034 115)	(267 395 151)	(26 638 964)
Provisions for financial guarantees	(15 356 979)	(27 054 202)	11 697 223
	(309 391 094)	(294 449 353)	(14 941 741)

5.2 Retirement benefit obligations

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

Retirement benefit obligations	31.12.2020 EUR	31.12.2019 EUR
Pension scheme	711 505 823	525 431 823
Health insurance scheme	92 137 000	73 685 000
	803 642 823	599 116 823

Commitments in respect of retirement benefits as of 31 December, 2020 have been valued by an independent actuary. The calculations are based on the following main assumptions:

Principal Assumptions	2020	2019
Discount rate for obligations	0.75%	1.30%
Rate of future compensation increases	3.50%	3.50%
Rate of pension increases	1.75%	1.75%
Actuarial tables	ICSLT	ICSLT

The discount rate is based on the IBOXX index extrapolated at the average duration of EIF post-retirement obligations (approximately 24.4 years) using an estimated slope determined with ECB EURO Spot yield curve.

Regarding the inflation and indexation of pensions, the long-term consensus forecast of inflation in the Eurozone remained the basis. However, as ECB aims at inflation rates of below, but close to 2% over the medium-term, a 1.75% rate was retained.

In the current low growth macroeconomic situation, compensation increases in the European institutions and in the financial sector are likely to remain subdued. In this respect a 3.5% assumption was retained.

The defined benefit obligation for pensions as valued in the independent actuary report dated 29 January 2021 amounts to EUR 711 505 823 (2019: EUR 525 431 823). As of December 2020 the Fund allocated EUR 153 851 485 (2019: EUR 133 810 739) to pension assets.

Amounts recognised in comprehensive income as at 31.12.2020	EIF Pension	Health Insurance	Total 2020
	EUR	EUR	EUR
Current net service cost	37 163 000	11 407 000	48 570 000
Special termination benefits	0	0	0
Net interest cost	6 850 000	958 000	7 808 000
Net benefit expense recognised in profit or loss	44 013 000	12 365 000	56 378 000
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	19 479 000	(11 281 000)	8 198 000
Loss due to assumption changes	114 366 000	17 377 000	131 743 000
Defined benefit obligation recognised in other comprehensive income	133 845 000	6 096 000	139 941 000
Total	177 858 000	18 461 000	196 319 000

Amounts recognised in comprehensive income as at 31.12.2019	EIF Pension	Health Insurance	Total 2019
	EUR	EUR	EUR
Current net service cost	24 048 000	7 103 000	31 151 000
Special termination benefits	50 000	0	50 000
Net interest cost	7 487 000	962 000	8 449 000
Net benefit expense recognised in profit or loss	31 585 000	8 065 000	39 650 000
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	1 420 000	(1 309 000)	111 000
Loss due to assumption changes	143 230 000	22 815 000	166 045 000
Defined benefit obligation recognised in other comprehensive income	144 650 000	21 506 000	166 156 000
Total	176 235 000	29 571 000	205 806 000

05. Detailed disclosures relating to liabilities and equity headings

The movements in the DBO rounded to the nearest EUR 1 000 are as follows:

Changes in Defined Benefit Obligation as at 31.12.2020	EIF Pension	Health insurance	Total 2020
	EUR	EUR	EUR
Defined benefit obligation, Beginning of year	525 431 823	73 685 000	599 116 823
Net service cost	37 163 000	11 407 000	48 570 000
Net interest cost	6 850 000	958 000	7 808 000
Employee contributions	5 305 000	8 000	5 313 000
Benefits paid	2 911 000	(17 000)	2 894 000
Experience loss/(gain)	19 479 000	(11 281 000)	8 198 000
Loss due to assumption changes	114 366 000	17 377 000	131 743 000
Defined benefit obligation, End of year	711 505 823	92 137 000	803 642 823

Changes in Defined Benefit Obligation as at 31.12.2019	EIF Pension	Health Insurance	Total 2019
	EUR	EUR	EUR
Defined benefit obligation, Beginning of year	342 571 823	44 121 000	386 692 823
Net service cost	24 048 000	7 103 000	31 151 000
Net interest cost	7 487 000	962 000	8 449 000
Employee contributions	4 848 000	8 000	4 856 000
Benefits Paid	1 777 000	(15 000)	1 762 000
Special termination benefits	50 000	0	50 000
Experience Loss/ (gain)	1 420 000	(1 309 000)	111 000
Loss due to assumption changes	143 230 000	22 815 000	166 045 000
Defined benefit obligation, End of year	525 431 823	73 685 000	599 116 823

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

31 December 2020		Effect on the defined benefit obligation	
		EIF Pension	Health Insurance
Discount rate	0.5% increase	-14%	-17%
Discount rate	0.5% decrease	18%	21%
Life expectancy	1 year increase	4%	6%
Life expectancy	1 year decrease	-3%	-5%
Inflation	1% increase	25%	
Inflation	1% decrease	-19%	
Salary rate	1% increase	11%	
Salary rate	1% decrease	-9%	
Medical cost	1% increase		51%
Medical cost	1% decrease		-34%

31 December 2019		Effect on the defined benefit obligation	
		EIF Pension	Health Insurance
Discount rate	0.5% increase	-14%	-16%
Discount rate	0.5% decrease	17%	20%
Life expectancy	1 year increase	3%	5%
Life expectancy	1 year decrease	-3%	-5%
Inflation	1% increase	24%	
Inflation	1% decrease	-18%	
Salary rate	1% increase	11%	
Salary rate	1% decrease	-9%	
Medical cost	1% increase		44%
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 2020	EIF Pension	Health Insurance
	years	years
Duration of active members	32.9	38.6
Duration of deferred members*	30.2	29.1
Duration of retired members	19.6	25.9

Life expectancy at age 60 for a Male using ICSLT (year 2020) mortality tables: 26.8 years

Life expectancy at age 60 for a Female using ICSLT (year 2020) mortality tables: 29.3 years

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

31 December 2019	EIF Pension	Health Insurance
	years	years
Duration of active members	31.0	36.1
Duration of deferred members*	28.8	13.6
Duration of retired members	18.1	21.0

Life expectancy at age 60 for a Male using ICSLT (year 2019) mortality tables: 26.7 years

Life expectancy at age 60 for a Female using ICSLT (year 2019) mortality tables: 29.2 years

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

5.3 Other liabilities and provisions

	31.12.2020 EUR	31.12.2019 EUR
Related parties payables	32 094 310	28 016 810
Employee benefit payables	103 227 176	87 611 243
Trade creditors	326 431 744	248 724 578
	461 753 230	364 352 631

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

Trade creditors include EUR 276 548 681 of contract liabilities (2019: EUR 192 271 903). Contract liabilities represent accumulated income to be amortised over the expected life of the mandates under management.

Movements in contract liabilities are as follows:

	31.12.2020 EUR	31.12.2019 EUR
Contract liabilities at 1 January	192 271 903	162 794 275
Additions	143 661 987	75 388 915
Transfer to profit or loss	(59 385 209)	(45 911 287)
Contract liabilities at 31 December	276 548 681	192 271 903

Additions represent management fees invoiced during the year on existing mandates and new mandates signed during the year, which were not recognised in the profit or loss because of the deferral mechanism.

As at 31 December 2020, the aggregate amount of the transaction price allocated to the unsatisfied part of the performance obligation amounts to EUR 874 283 411 (2019: EUR 436 413 101) of which EUR 276 548 681 (2019: EUR 192 271 903) has already been invoiced and deferred in contract liabilities. The Fund expects to recognise such revenue over the remaining expected life of the mandates under management.

5.4 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.

As at 31 December 2020, the authorised and subscribed share capital of EUR 4 500 000 000 representing 4 500 shares is called and paid in for an amount of EUR 900 000 000 representing 20% of the authorised and subscribed share capital.

The subscribed share capital is detailed as follows:

	31.12.2020 EUR	31.12.2019 EUR
Subscribed and paid in (20%)	900 000 000	900 000 000
Subscribed but not yet called (80%)	3 600 000 000	3 600 000 000
	4 500 000 000	4 500 000 000

The capital is subscribed as follows:

	31.12.2020 EUR	31.12.2019 EUR
European Investment Bank	2 647	2 634
European Commission	1 337	1 337
Financial Institutions	516	529
	4 500	4 500

The EIF's authorised capital shall be increased by EUR 2.87bn to EUR 7.37bn through the issuance of 2 870 new shares. Each new share will have a nominal value of EUR 1 000 000. All shares, whether existing or newly issued, shall be of equal value and carry equal rights in all respects.

The issuance of the new shares shall occur through a single subscription round with subscription possible in a single subscription period as further detailed below. In line with Article 5 of the EIF Statutes, each shareholder of the EIF shall be entitled to subscribe to a fraction of the increase corresponding to the ratio, which existed between the shares subscribed by that member and the overall number of EIF shares subscribed, before the capital increase.

Each newly authorised share which is subscribed shall be paid-in as to 20% of its nominal value. The remaining 80% can be called upon decision of the EIF General Meeting, under the conditions set forth in Article 7(3) of the EIF Statutes, as is the case for the existing share capital. The subscription price for any newly authorised shares which are subscribed in this capital increase shall be EUR 435 970.88 corresponding to a new calculation based on the RSPU (Replacement Share Purchase Undertaking) formula performed on the basis of financial data of the EIF as of 30 September 2020 as reviewed by external auditors and including the paid-in portion of newly issued shares. The newly authorised shares will be available for subscription during a single subscription period starting on 15 February 2021 and ending on 30 September 2021, following the approval of the capital increase by the EIF General Meeting on 12 February 2021.

On 19 February 2021, EIB being the majority shareholder of EIF confirmed its commitment to subscribe to its pro-rata share of 1 689 shares for an amount of approximatively EUR 736 million.

5.5 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 25 719 453 is required to be appropriated in 2021 with respect to the financial year ended 31 December 2020.

No dividend was distributed following the approval of the General Meeting of Shareholders on 22 April 2020 (2019: distribution of EUR 10 471 499). 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 and ABS investments, 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.

06. Interest in unconsolidated structured entities and in investment entities

The EIF has interests 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 interests 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
Special Purpose Vehicles ("SPV") in relation to ABS investments (see section 6.3)	Acquisition of ABS investments	• Interest income from ABS investments
Mandates in relation to management of facilities by the Fund on behalf of a mandator (see section 6.4 and section 6.5)	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, 6.4 and 6.5 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 revoke the GP either with a cause or without cause. Even if an investment board within the entity is setup, 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. The Fund's interest typically ranges 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, a 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, a 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, 2020, the Fund is exposed to 82 bilateral guarantees (2019: 81) and to 2 embedded guarantees (2019: 3), which represent respectively EUR 5 516m (2019: EUR 10 704m) and EUR 12m (2019: EUR 20m) of the EIF's guarantees in terms of Exposure at Risk.

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

6.3 Interest in structured entities in relation to ABS investments

When the Fund enters into a securitisation backed by SME financing, the Fund could be exposed to a SPV, which may be established to issue the ABS investment. In such operations, the Fund will make a direct investment in the ABS issued out by the SPV.

As at December 31, 2020, the Fund invested in 11 ABS investments issued by SPVs (2019: 9) for a total amount of EUR 323.0m, which are classified into the caption "Debt investments at fair value through profit or loss" (2019: EUR 252.1m).

For more quantitative details on ABS investments, please refer to note 3.4.

6.4 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 mandator, which have been classified as follows:

- The EIB, which means EIB resources 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[1]	Committed transactions[2]
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	843 988 000	159 282 488
European Commission			7 384 896 873	6 496 663 935
Other third parties			2 690 959 263	1 947 758 320
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	13 368 560 000	16 450 809 053
European Commission			5 449 420 989	4 436 730 015
Other third parties			5 683 313 041	3 634 650 647
Services offered in the context of microfinance operations				
European Investment Bank	On behalf of the mandator and according to the Fund's expertise: - To originate microfinance transactions; - To monitor microfinance transactions; - To report to the mandator accordingly.	Management fees for servicing	185 535 000	125 400 000
European Commission			45 000 000	21 450 468
Services offered in the context of multi-products structured entities				
European Investment Bank	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	13 331 000 000	0
European Commission		Management fees for servicing	157 666 328	0
Other third parties		Management fees for servicing	1 138 641 605	0

(1) "Resources" means the net amount of the contribution already paid by the mandator to the Fund or the amount committed to be paid by the mandator.
(2) "Committed transactions" corresponds to the transactions committed by the Fund for the purpose of managing the mandate on behalf of the mandator.

6.5 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 mandator, 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[1]	Committed transactions[2]
European Investment Bank	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 private equity transaction for the approval of governing bodies of the fund of funds; - To originate private equity transactions; - To monitor the private equity transactions; - To report to the mandator accordingly.	Management fees for servicing	210 000 000	18 843 165
European Commission	Multicountry with a focus on Global Energy Efficiency and Renewable Energy Fund			484 679 409	188 021 504
Other third parties	Portugal			111 330 000	102 319 018
	Spain			183 000 000	166 088 389
	The Netherlands			402 500 000	387 000 000
	The United Kingdom			222 461 989	221 566 350
	Turkey			360 000 000	333 150 593
	Multi-country			1 158 646 785	827 629 452

(1) "Resources" means the net amount of contribution already paid by the mandator to the Fund or the amount committed to be paid by the mandator.
(2) "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 2020, total assets under management defined as the initial resources and contributions allocated to each mandate amounts to EUR 53.41 billion (2019: EUR 34.96 billion).

07. Detailed disclosures related to the statement of comprehensive income

7.1 Interest and similar income

Interest and similar income comprises:

	31.12.2020 EUR	31.12.2019 EUR
Interest income on debt investments	10 988 223	13 385 934
Interest income on money market instruments	2 218	306 277
Interest (expense)/income on bank current accounts	(1 068 665)	330 868
Other interest income	4 919 774	5 282 813
	14 841 550	19 305 892

Interest income on debt investments includes discounts of EUR 480 027 (2019: EUR 529 592) and premiums amount to EUR (4 727 370) (2019: EUR (4 898 163)).

7.2 Net result from financial guarantee operations

Net result from guarantee operations comprises:

	31.12.2020 EUR	31.12.2019 EUR
Amortisation of the payer leg	69 792 682	55 562 593
Intermediation and risk cover fees	(128 499)	6 948
Guarantee calls net of recoveries	25 324	(284 183)
	69 689 507	55 285 358

7.3 Commission income

Commission income is detailed as follows:

	31.12.2020 EUR	31.12.2019 EUR
Commissions on EIB mandates	56 309 820	66 499 888
Commissions on EC mandates	55 737 634	37 196 662
Commissions on Regional and Funds of Funds mandates	54 687 549	56 722 558
Other commissions	265 372	41 594
	167 000 375	160 460 702

Commission income include EUR 59 385 209 (2019: EUR 45 911 287), which was previously recognised in contract liabilities. See note 5.3.

7.4 Net result on financial operations

Net result on financial operations includes:

- EUR 110 958 of realised gains on debt investments at amortised cost ((2019: EUR 0). See note 4.2.1.
- EUR 99 365 of realised gains in the context of the Fund underwriting activity (2019: realised losses of EUR (2 681 258) on the disposal of private equity investments following the completion of a Sale and Purchase Agreement). Additional details of these transactions are given in note 4.3, and
- unrealised results arising from transactions or cash positions denominated in currency for a total of EUR (10 000 298) (2019: EUR 4 089 966).

7.5 Other operating income

Other operating income includes mainly attendance fees and commitment fees.

7.6 General administrative expenses

The number of persons employed at the year-end, including 1 EIF secondee to EIB (2019: 1), is as follows:

	31.12.2020	31.12.2019
Chief Executive/Deputy Chief Executive	2	2
Employees	551	526
	553	528

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

Key management compensation for the period is disclosed as follows:

	31.12.2020	31.12.2019
Short-term benefits (1)	2 800 614	2 753 428
Post employment benefits (2)	449 630	433 119
	3 250 244	3 186 547

(1) Short-term employee benefits comprise salaries and allowances, performance awards and social security contributions of key management personnel
(2) Post employment benefits comprise pensions and expenses for post employment health insurance paid to key management personnel

Other administrative expenses include contributions under the service level agreement with the EIB for the use of office space amounting to EUR 9 625 043 (2019: EUR 12 580 748).

08. Related party transactions

EIB is the majority owner of the Fund with 58.8% (2019: 58.5%) of the shares. The remaining percentage is held by the European Commission 29.7% (2019: 29.7%) and the Financial Institutions 11.5% (2019: 11.8%).

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 activities 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:

	31.12.2020 EUR	31.12.2019 EUR
Assets		
Other assets	291 385 706	257 473 500
Liabilities and equity		
Other liabilities and provisions	9 771 302	7 636 781
Share capital (subscribed and paid-in)	529 400 000	526 800 000
Income		
Commission income	56 466 551	66 499 887
Interest income on pensions	4 919 774	5 282 813
Expenses		
General administrative expenses	19 126 522	19 362 011

8.2 European Commission

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

	31.12.2020 EUR	31.12.2019 EUR
Assets		
Other assets	130 318 060	66 256 395
Liabilities and equity		
Other liabilities and provisions	148 757 915	88 069 202
Share capital (subscribed and paid-in)	267 400 000	267 400 000
Income		
Commission income	55 737 634	37 196 662

09. Taxation

The Protocol on the Privileges and Immunities of the European Union, appended to the Treaty on the Functioning of the European Union, applies to the Fund, which means that the assets, revenues and other property of the Fund are exempt from all direct and indirect taxes.

10. Post balance sheet events

There have been no material events after the balance sheet date that would require adjustment of, or disclosure in, the financial statements as at 31 December 2020 apart from the share capital increase disclosed in note 5.4.

Contacts and References

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Freephone: 00 800 67 89 10 11

Additional information is also available on the internet: **http://europa.eu**

Disclaimer

Numbers in the EIF Annual Report are correct as at 31 December 2020 and any references to figures throughout the text apply to the same period unless otherwise stated.
EIF's 2020 figures related to SME outreach and employment including the estimated numbers and sustained jobs are indicative only and are based on reports received from financial intermediaries between 1 October 2019 and 30 September 2020.
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