EUROPEAN
INVESTMENT
FUND

ANNUAL REPORT 2015

SUPPORTING SMART, SUSTAINABLE AND INCLUSIVE GROWTH FOR SMEs

EIF ANNUAL REPORT 2015

Supporting smart, sustainable and inclusive economic growth for SMEs

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FOREWORD

CHAIRMAN OF THE BOARD OF DIRECTORS

In a year in which European economies showed signs of a more steady recovery after a prolonged period of turmoil, EIF considerably scaled up its activities and closed an exceptional year.

As part of the EIB Group, EIF demonstrated its commitment to providing a rapid response to calls from the European Commission and the EU Member States to implement a set of concrete initiatives to support a sustainable economic recovery. In this context, the launch of the European Fund for Strategic Investments (EFSI) by the European Commission and the EIB Group as part of President Juncker's wider Investment Plan for Europe has therefore been, and continues to be, of critical importance.

In the course of 2015, EIF's implementation of the EFSI's SME Window was particularly rapid. Significant added value materialised through EIF's increased capacity for the support of financing SMEs through an additional EUR 2.5bn in the resources mandated by the European Investment Bank to EIF for its equity activities, and the frontloading of existing guarantee instruments.

EIF's operational results speak for themselves: by doubling volumes compared to the previous year, EIF confirmed its position as the European Union's main provider of risk financing for small and medium-sized enterprises and mid-caps.

Overall, the large market demand and the quick uptake of EIF's financial instruments have underlined the ongoing need to address the difficulties faced by European SMEs in accessing finance across all sectors, such that maintaining the fast and efficient delivery under EFSI remains one of EIF's key priorities.

2015 saw a number of changes in the composition of the Board of Directors, notably the resignations of Pim van Ballekom, Daniel Calleja Crespo, Katarina Kaszasová and Maarten Verwey as Board members due to professional changes. On behalf of the Board, my thanks are extended for their valuable contributions with, at the same time, an acknowledgement and appreciation of the dedication and commitment shown by the members and alternate members of the Board. My appreciation goes also to Marjut Santoni who left her position as Deputy Chief Executive and assumed responsibilities as the EIB's Deputy Secretary General in September, and was later appointed as alternate member of the Board.

Further changes to EIF's governing bodies materialised through the admission of two new financial institutional shareholders: from Spain, Nuevo MicroBank, S.A.U., as well as the Slovenian promotional institution SID banka, d.d., Ljubljana.

2015 can be characterised as a year of change and fast-moving developments, and a period during which EIF's management and staff were required to be at their most resourceful, flexible, dynamic and dedicated, a challenge which they proved very capable of meeting.

DARIO SCANNAPIECO

FOREWORD
CHIEF EXECUTIVE

The year 2015 was a record year in a number of respects, witnessing significant increases in resources and mandates under EIF's management, a doubling of commitments across its activities compared to the previous year, and a particular spotlight on EIF's role on the European stage in connection with the Investment Plan for Europe and EIF's implementation of the SME Window of the European Fund for Strategic Investments (EFSI). Overall, EIF's activities supported access to finance for 110 000 businesses and helped sustain over 700 000 jobs.

In terms of equity activities, EIF has built an extensive network, accumulated substantive market expertise and established itself as a key public-private European venture and growth capital investor over the past two decades. In 2015, EIF committed a record EUR 2.2bn in 85 different funds, leveraging almost EUR 10bn in additional investments. It was a year in which EIF's recognised and respected presence in the market again played a strong catalytic role in attracting significant additional private sector funding to complement public resources. Whilst a sustainable European venture capital and private equity market remains to be achieved, indications that the sector is recovering have been encouraging.

Guarantee and microfinance commitments amounted to EUR 4.9bn, mobilising over EUR 17bn. With respect to the securitisation market, where developments have also been promising and in line with expectations, EIF will continue to play an active role in this market's further development. EIF has witnessed a growing market demand for social impact investing and access to finance for micro- and social enterprises. Complementing EIF's flagship mandates, the new EU Programme for Employment and Social Innovation provides a guarantee instrument which allows EIF's product offering to reinforce its support towards achieving not only smart and sustainable but also inclusive growth in Europe.

2015 also saw an intensification of EIF's partnership with Member States, not least through the launch of the new SME Initiative, which EIF considers as an important milestone and an instrument which will be further deployed in Europe in 2016.

Looking forward, EIF's focus will remain on the implementation of EFSI, preparing and launching the next phase, including new models for collaboration with National Promotional Institutions (NPIs), in line with the key strategic objectives presented in EIF's Corporate Operational Plan for the next three-year period. Cooperation with EIF shareholders is also of high importance, alongside EIF's undertaking to maximise its impact on the growth of SMEs and mid-caps through the delivery of mandates, whilst also sourcing new opportunities.

EIF therefore has an ambitious agenda for the year to come which, building on the considerable achievements in 2015, has required EIF to evolve and adapt rapidly to be well placed to address the full spectrum of upcoming opportunities.

EIF staff's efforts in meeting our objectives through dedication, professionalism and teamwork have been outstanding and I am confident that EIF's performance in 2015 has positioned us well to continue delivering relevant financial instruments and initiatives that best serve an economically viable development of the European SME sector.

PIER LUIGI GILIBERT

KEY FIGURES (AT 31.12.2015)

	2015	2014	2013	2012	2011
YEARLY SIGNATURES (IN EURm)					
Equity signatures	2 180	1 654	1 468	1 350	1 126
Equity catalysed amount	9 841	8 244	7 147	7 078	6 061
Guarantee signatures*	4 697	1 616	1 844	1 180	1 461
Guarantee catalysed amount	16 628	5 574	8 611	5 111	7 626
Microfinance signatures	86	51	54	40	67
Microfinance catalysed amount	421	135	201	139	140
TOTAL OUTSTANDINGS (IN EURm)					
Private equity assets under management	9 927	8 801	7 904	6 952	5 919
Guarantee exposure*	9 293	5 576	5 574	4 696	4 372
Microfinance	218	170	146	117	77
KEY FINANCIALS (IN EURm)					
Total assets	2 183	2 045	1 473	1 393	1 217
Subscribed capital	4 286	4 161	3 000	3 000	3 000
Operating profit	79	66	59	56	53
Net profit	97	84	47	31	(10)
AAA / AA callable capital (in %)**	94	94	97	97	97
KEY RATIOS (IN %)					
Return on average equity	5.5	5.9	4.2	3.1	none
Liquid assets/total assets	74.4	79.2	75.4	77.0	77.1
Shareholder's equity/assets	85.0	82.4	79.1	78.2	79.1

* Maximum liability
** As at 31.12.2015, 214 shares from the capital increase are still unallocated and are excluded from the calculation.

CHAPTER 1

THE EUROPEAN MARKET ENVIRONMENT IN 2015

SMEs have been severely affected by the economic crisis, but tangible signs of improvements regarding their financial situation and business expectations emerged in 2015 as the European economy continued its moderate recovery. The overall SME business climate improved; however, the investment growth expectations of SMEs remained subdued and the overall recovery is still fragile.

MACROECONOMIC AND STRUCTURAL SETTING

SMEs underpin the EU economy and contribute to job creation and economic growth. According to the latest European Commission (EC) Annual Report on SMEs (published in November 2015), 22.3m SMEs in the EU accounted for 99.8 percent of all non-financial enterprises and employed 90m people, accounting for two thirds of total employment.

Access to finance and the cost of finance are key concerns for SMEs, reflecting general market failures that have been amplified by the economic crisis. Consequently, as SMEs face weak demand and heightened uncertainty, they are confronted with a deterioration of the lending and risk-taking capacity of banks, their main source of external finance, notably due to tighter regulatory requirements and the banks' accumulation of non-performing loans.

However, according to the latest European Commission/ European Central Bank (ECB) Survey on the Access to Finance of Enterprises (published in December 2015) access to finance as an impediment to the business activity of SMEs has become less important than other factors (such as finding customers and the availability of skilled staff). Nevertheless, the same survey confirmed a mismatch between financing demand and supply for European SMEs. Furthermore, considerable national disparities persisted, especially with regard to Greece, with problems particularly concerning SMEs' access to finance. Moreover, the analysis found that, from the perspective of the SMEs, there is a lack of publicly supported financing instruments.

Borrowing costs remained low in Europe, mainly due to an easing of the monetary policy environment. However, the difference between interest rates of small loans (typically requested by SMEs) and large loans remained significant and even increased in some countries. This can be explained by the same market imperfections in the financing of smaller companies mentioned above.

Access to finance for SMEs can be improved through instruments that either enhance the lending capacity of banks or provide complementary sources of financing, such as credit guarantees, securitisation, microfinance and private equity (PE)/venture capital (VC) and other non-bank intermediated finance. A brief overview of the various market segments is given below. Further details on EIF's activities, aiming at improving access to finance in these areas, are provided in the following sections of this report.

PRIVATE EQUITY

Following the severe downturn of European PE activity in 2008/2009, investments and fundraising have continued to recover. The VC segment which is of particular importance for the financing of young innovative companies improved considerably. Nonetheless, activity levels were still far below their pre-crisis highs. Some of the remaining gaps were filled by business angels, thanks to their proximity to the market. Government agencies remained the largest investors in VC funds and so continued to support the recovery of the market.

In 2015, and for the third consecutive year, the exit markets remained remarkably strong. However, there were warnings of potential overheating and downward adjustments have already been observed for late-stage companies.

EIF'S IMPACT ASSESSMENT STUDIES

Impact assessment – that is, the assessment of the effects of EIF support – is an important topic and focus of the Fund's Research & Market Analysis team. A first study entitled "The Economic Impact of EU Guarantees on Credit to SMEs – Evidence from CESEE Countries" was jointly undertaken with the European Commission and published in July 2015 *(EIF Working Paper No. 29)*.

The analysis estimates the economic impact at the level of final beneficiaries of the EU SME Guarantee Facility (as part of the Multiannual Programme for Enterprises and Entrepreneurship) over the period 2005-12. The findings suggest that the EU SME Guarantee Facility had significant positive effects on beneficiary firms in Central, Eastern and South-Eastern European (CESEE) countries, especially with regard to employment and turnover.

The report uses a consistent and replicable research and evaluation methodology, which can also be used to assess other guarantee programmes in other countries and regions. A similar analysis of EIF's venture capital activities is underway and the first results should be published in 2016.

www.eif.org/news_centre/research/index.htm

SME GUARANTEES/SECURITISATION

Credit guarantees are widely used to alleviate market failures in SME financing. Despite recent improvements in the economic environment and an increase in new guarantee issuance, fiscal constraints were still limiting the ability of governments to provide public support for credit guarantees in several EU Member States. Therefore, financial and regulatory support at the European level can help improve the availability of guarantees.

SME securitisation can be a source of funding or regulatory capital relief, thus enhancing the ability of banks to lend to SMEs. The importance of securitisation – also in the context of the EU's plan to create a fully functioning Capital Markets Union (CMU) by the end of 2019 – was confirmed by the Ecofin Council at its meeting in early December 2015.

Despite the financial and economic crisis, and although the European securitisation market is still well below its pre-crisis levels with the total volume of new issuances remaining weak in 2015, the market performed relatively well and the SME segment exhibited low default rates. Various initiatives aim to remove current hurdles and to help the revival of high-quality SME securitisation. These include regulatory proposals to introduce simple, transparent, and standardised (STS) securitisation which should receive preferential regulatory treatment.

MICROFINANCE

Microfinance is generally associated with social and economic objectives, and it is an important financing source for job creation. The majority of European microfinance institutions (MFIs) target social impact, sustainable employment, and social and financial inclusion. However, the European microfinance market is still young and heterogeneous, especially with regard to the diversity of lending approaches.

Difficulties in access to finance were particularly acute for micro-enterprises and other microfinance target groups. According to the above-mentioned EC/ECB Survey, micro-enterprises cited access to finance as their most important problem more often than their larger peers. Microfinance can fill this financing gap, thereby serving both economic and social objectives and benefiting a wide range of target groups. European microfinance has shown remarkable growth over the past few years, which could, however, be undermined by reduced public support due to budget restrictions. This underlines the need for the support of microfinance at the European level.

A more in-depth analysis of European SME finance and its market segments is provided by EIF semi-annually in its Working Paper series "European Small Business Finance Outlook". EIF Working Papers are designed to make selected topics and research studies relating to EIF´s business available to a wider readership at: **www.eif.org/news_centre/research/index.htm.**

CHAPTER 2

EFSI – THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS

Europe's most important challenge in the aftermath of the global economic and financial crisis is to remedy the investment gap in innovation, to strengthen its global competitiveness and boost economic growth and job creation. SMEs are the tissue of the European economy and hence, their access to adequate funding requires collective and coordinated efforts at European level. The European Fund for Strategic Investments (EFSI) aims to mobilise this additional investment thereby stabilising Europe's path to recovery. With the financing of SMEs being at the centre of EIF's mission, EIF plays a key role in the deployment of EFSI.

EFSI is an initiative launched jointly by the European Commission and the European Investment Bank (EIB) Group to assist in overcoming the current investment gap in the EU by mobilising financing for strategic investments. It is one of the pillars of the Investment Plan for Europe (IPE or Investment Plan) which was launched by the EU in July 2015, alongside the implementation of regulatory and structural reforms to ensure an investment-friendly environment in Europe.

EFSI takes the form of contractual links between the EU and the EIB Group, consisting of a guarantee of the EU to the EIB (EUR 16bn) complemented by a capital contribution by the EIB (EUR 5bn). It is expected that through the deployment of the EUR 21bn of EFSI's funds, a total of EUR 315bn in investment in the European Union would be generated over the next years, as a result of crowding-in of further public and private sources of finance.

A dedicated governance structure is in place, steering the actions undertaken under EFSI, approving the use of the EU guarantee and more generally ensuring that a focus is maintained on the specific objectives to increase the volume of higher risk projects supported by the EIB Group and remove bottlenecks which may hinder investments in Europe.

EFSI has two components to support projects with wide sector eligibility: the SME Window implemented through EIF and the Infrastructure and Innovation Window deployed through the EIB. The financial instruments used for the purposes of the EFSI SME Window are mainly guarantees and equity investments.

EIF'S ACHIEVEMENTS *
EFSI SME WINDOW

Fuelling growth and employment opportunities and improving Europe's competitiveness

More than **81 200 ENTREPRISES** EXPECTED TO BENEFIT

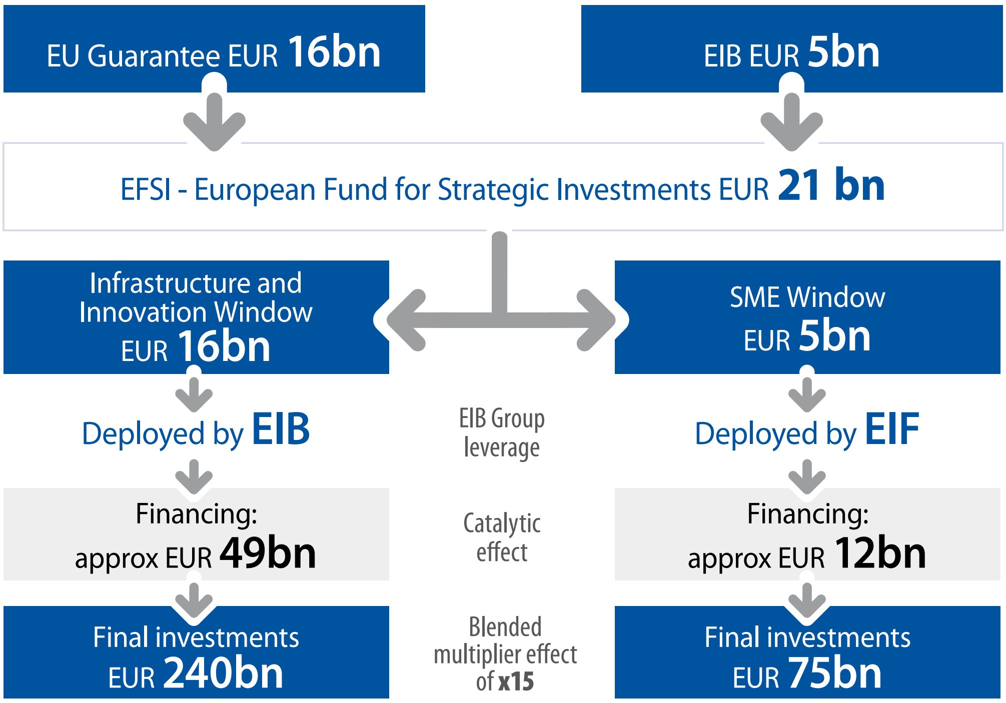
Signed **1.8 BILLION** IN COMMITMENTS

Expected to mobilise **25.1 BILLION** OF INVESTMENTS

Signed deals in **17 COUNTRIES** ACROSS THE EU

* Based on results in 2015

EFSI'S STRUCTURE AND COMPONENTS



The investment volume expected to be triggered under the EFSI SME Window by summer 2018 amounts to EUR 75bn. This entails an estimated fifteen-fold leverage, meaning that every EUR 1 guaranteed by EIF would generate EUR 15 of investment in the real economy, at the level of SMEs and mid-caps. Year-end 2015 results lend support to the accuracy of this initial prudent estimate.

In the first phase of implementation of the SME Window, the following steps were taken:

- EUR 1.3bn was made available to EIF through a guarantee from the EIB (itself backed by the EU guarantee) to allow EIF to deploy already starting from 2015 the whole investment capacity of the EU's flagship programmes for SMEs, InnovFin SME Guarantee Facility (InnovFin SMEG) and the COSME Loan Guarantee Facility (COSME LGF), both initially intended for gradual deployment over the period 2016-2020 (frontloading); and
- EUR 2.5bn was provided to EIF by the EIB, from its own contribution to EFSI, to increase the EIF-managed Risk Capital Resources (RCR) mandate for SME and mid-caps-oriented private equity and technology transfer investments.

These additional resources enabled EIF to deploy its support at a higher and faster rate than initially anticipated, and to increase its response to a very strong market demand. As of 31 December 2015, EIF had already committed EUR 1.8bn under EFSI which corresponds to 36 percent of the total SME Window resources. Taking into account transactions currently being considered for investment, EIF's existing and future volume of finance provided under EFSI as of end-2015, is estimated to reach 50 percent of the SME Window's EUR 75bn target.

Under InnovFin SMEG and COSME LGF, 39 guarantee and counter-guarantee transactions were approved in 2015, benefitting from EFSI support. EFSI specific commitments reached EUR 413m, corresponding to a guaranteed loan amount of EUR 6.3bn. The expected leveraged financing reached EUR10.5bn corresponding to an overall leverage ratio of initial EFSI capacity to expected investments and SME and mid-cap level of 1:15.

Under the RCR mandate, EIF increased investments in investment funds that target early to lower mid-market segments, including the provision of equity as well as hybrid debt/equity financing. By the end of 2015, EFSI specific commitments amounted to EUR 1.4bn in 45 funds. The resulting leveraged financing reached EUR 14.6bn which corresponds to a leverage ratio of nearly 1:11.

The next phase of EFSI entails the launch of additional new initiatives, among which the cooperation with EIF shareholders and National Promotional Institutions (NPIs) is a key priority. Notably, the EIF-NPI Equity Investment Platform will be launched in the first half 2016. The platform represents a flexible, non-binding governance framework which offers the possibility for NPIs to match the total budget of investments under the EFSI SME Window on a 1:1 basis. More generally, it is an opportunity for EIF and NPIs to establish a closer, more coordinated operational interaction.

HOW IS THE EFSI LEVERAGE CALCULATED?

The role of EFSI is to mobilise additional finance in specific sectors and areas. EFSI is estimated to reach a multiplier effect of 1:15 in real investment in the economy.

This is the result of an average calculation based on the initial risk bearing capacity deployed under EFSI:

- For every EUR 1 provided by EFSI through the guarantee from the EU budget or EIB financing, EIF would be in a position to deploy financial instruments mobilising about EUR 3 of financing;
- The EIB Group's and the EC's experience indicates that EUR 1 of financing made available through financial instruments generates EUR 5 in total investment at the level of the intended target recipients, SMEs and mid-caps.

By mobilising the resources at the level of the EIB Group, the EUR 5bn contribution under the SME Window will result in the deployment of approximately EUR 12bn of innovative financing to the market, which then, by crowding-in other economic actors on the various stages of the instrument delivery (Member States, financial intermediaries and other private and public investors), will achieve EUR 75bn of investments to the benefit of SMEs across Europe.

This 1:15 multiplier effect is a prudent average, based on historical experience from EU programmes and EIF.

CHAPTER 3
INSTITUTIONAL MANDATES

Institutional mandates are resources that EIF manages on behalf of third parties (for example the EIB and the EC) in addition to deploying its own funds. In 2015, milestones included the significant increase of the RCR mandate by the EIB on the equity side, and the launch of two new debt financing instruments: EaSI and the SME Initiative. The rollout of the existing COSME and InnovFin mandates was accelerated by the EFSI SME Window resources.

EIB MANDATES

EIF invests European Investment Bank (EIB) resources under two major institutional mandates: the Risk Capital Resources (RCR) instrument for equity investments and the EIB Group Risk Enhancement Mandate (EREM) for debt financing. These mandates reinforce the cooperation between EIF and the EIB, and their combined resources can maximise the funding impact for the benefit of SMEs and mid-caps.

EIB RISK CAPITAL RESOURCES

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

At the end of July 2015, RCR equity resources were increased by EUR 2.5bn (from EUR 7bn to EUR 9.5bn) under the EFSI SME Window. This should enable EIF to achieve around EUR 30bn of leveraged financing in SMEs and mid-caps (see Chapter 2 – EFSI).

Early stage (venture capital and technology transfer) investments under the RCR mandate support innovation in sectors that are prompting the emergence of the majority of start-ups and are the drivers of Europe's economic recovery. Such sectors include information and communications technology as well as life sciences, especially in areas such as pharmaceutical manufacturing, medical biotechnology, medical devices or agricultural chemicals. Growth and lower-mid-market activities have a more general focus and traditionally extend across a wide range of economic activities.

At the end of 2015, RCR's total outstanding volume amounted to EUR 6.7bn, committed directly in over 400 funds and mobilised over EUR 42bn of total investments. Against this background of strong market demand, EIF played an instrumental role in attracting participation from private sector players and institutional investors. Capitalising on its catalytic role and best practices, EIF aims to direct funding to enterprises which can generate significant added value in the European economy, but which would otherwise remain insufficiently financed by commercial banks alone.

2015 also marked the first full operational year of the Mezzanine Co-Investment Facility (MCIF). This EUR 100m hybrid debt-equity facility enabled EIF to co-invest in target companies alongside mezzanine funds. By year-end, commitments under MCIF totalled EUR 51.7m promoting a broader utilisation of co-investment solutions and addressing clearly identified fundraising shortfalls.

EIB GROUP RISK ENHANCEMENT MANDATE

The EIB Group Risk Enhancement Mandate (EREM) comprises different windows for the implementation of EIF's key instruments, including: ABS Credit Enhancement, with its primary focus on providing increased cover for mezzanine tranches, Social Impact Finance, which has increased the investment capacity of the Social Impact Accelerator (see page 19 – Equity activity), and Loan Funds – a new segment into which EIF entered in 2015. The rollout of these initiatives in 2015 seeks to broaden the long-term financing spectrum available to SMEs.

The EUR 1.95bn EREM ABS Credit Enhancement instrument equipped EIF with additional capacity to support mezzanine tranches of SME/small mid-caps-based securitisation transactions, including both synthetic and true sale transactions. This enabled EIF to stimulate the development of the SME securitisation market in Europe.

The EREM Loan Funds instrument, launched in April 2015, earmarked an initial EUR 175m for the first two years of the mandate. Its objective is to widen the availability of loan financing for SMEs and small mid-caps beyond traditional bank channels. The targeted loan funds are closed-end investment funds or other investment vehicles engaged in providing, directly or indirectly, alternative sources of mainly senior, non-distressed debt and/or hybrid debt/equity financing to SMEs and small mid-caps. EIF's commitments concerned both diversified loan funds, applying an investment approach close to bank lending, and selective loan funds managed like private equity. The strong pipeline built up during the ramp-up phase led to an increase of the available resources to EUR 725m (effective as of January 2016).

EC MANDATES

EIF's cooperation with the European Commission (EC) ensures that its financial instruments and mandates translate into concrete actions that feed into EU policy objectives in a direct and timely manner. The EC has regularly entrusted new mandates to EIF as a manager in addition to developing or extending existing programmes. EFSI represents the most significant new joint initiative of the EC and the EIB Group launched in 2015 see Chapter 2 – EFSI.

COSME – COMPETITIVENESS OF ENTERPRISES AND SMES

The Competitiveness of Enterprises and SMEs (COSME) programme was set up in 2014 by the EC (Directorate-General for Enterprise and Industry, now Internal Market, Industry, Entrepreneurship and SMEs, or DG Growth) to promote competitiveness and entrepreneurship in Europe, improve access to finance for European businesses and provide higher-risk SME loans and finance leases. A significant part of the COSME programme is dedicated to two EU financial instruments managed by EIF: the Loan Guarantee Facility (LGF) and the Equity Facility for Growth (EFG). These financial instruments run from 2014 to 2020, with an indicative aggregate budget of EUR 1.3bn.

In addition to the EU-28, the EU candidate countries Albania, FYROM, Montenegro, Serbia and Turkey, as well as Iceland are also eligible for COSME. Additional countries may join at a later stage. The Loan Guarantee Facility provides guarantees and counter-guarantees to selected financial intermediaries to help them grant loans and leases or issue guarantees to SMEs which they could not otherwise provide due to the high risks involved. Under the COSME guarantees, EIF provides free-of-charge capped guarantees to allow financial institutions to increase the range and volume of SME financing, especially in riskier segments. COSME includes the option of guarantees for the securitisation of SME debt finance portfolios, which enables financial intermediaries to generate new SME debt finance portfolios. In 2015, 24 LGF agreements were signed, representing a total volume of EUR 232m, of which 18 signatures with EFSI backing, reaching EUR 168.3m.

INNOVFIN – EU FINANCE FOR INNOVATORS

InnovFin – EU Finance for Innovators (InnovFin) is a joint EIB Group and EC (Directorate-General for Research and Innovation) initiative under Horizon 2020, the EU research programme for 2014-2020. InnovFin consists of a range of tailored products – from guarantees for financial intermediaries and direct loans to enterprises, to equity and advisory services – to support research and development projects in the EU-28 Member States and countries associated with Horizon 2020 (Norway, Albania, Bosnia and Herzegovina, Faroe Islands, FYROM, Iceland, Israel, Moldova, Montenegro, Serbia, Switzerland, Turkey and Ukraine). EIF has been entrusted by the EC to implement the InnovFin SME Guarantee (SMEG) financial product.

The InnovFin SMEG is a 50 percent uncapped guarantee or counter-guarantee that EIF provides to financial intermediaries, allowing them to provide debt financing on favourable terms to innovative SMEs and small mid-caps in EU Member States and associated countries. With the support of the EUR 1bn EC budget, EIF is expected to enter into guarantee agreements with financial intermediaries for a total amount of around EUR 5bn, which should result in approximately EUR 10bn of debt finance for innovative companies. This is expected to catalyse around EUR 14bn in investments.

EIF concluded 28 signatures under InnovFin SMEG in 2015, totalling EUR 1.6bn, of which 21 transactions were backed by EFSI for an aggregate amount of EUR 1.2bn signatures, corresponding to EUR 245m EFSI commitment.

THE SINGLE EU EQUITY FINANCIAL INSTRUMENT

The Single EU Equity Financial Instrument encompasses both the COSME Equity Facility for Growth (EFG) and the InnovFin SME Venture Capital instrument, which also includes the Business Angels ICT pilot. This facilitates research and innovation of European enterprises from the early to the expansion and growth stages. The instruments also support programmes that offer opportunities for investment in multi-stage financial intermediaries.

COSME EFG enables EIF to invest in funds that provide equity and mezzanine finance to expansion and growth stage SMEs, particularly those operating across borders. It targets fund managers which operate on a commercial basis and investments that are made in SMEs with high growth potential. The first five investments under the EFG facility were signed in the course of 2015 and resulted in EUR 55.6m of aggregate commitments.

Through the InnovFin SME Venture Capital instrument, EIF targets investments in venture capital and business angel funds that provide equity for early stage companies in pre-seed, seed, and start-up phases that may not yet have generated revenues from the sale of their product(s) or service(s). The initiative was launched under the Horizon 2020 framework and became operational in July 2015. It mobilises a total amount of more than EUR 1.7bn for enterprises located in EU Member States and countries associated with the Horizon 2020 programme. As of the end of 2015, EIF had signed four contracts for a total commitment amount of EUR 52.7m under the InnovFin SME Venture Capital instrument.

Further to this, additional EUR 30m were earmarked within the InnovFin SME Venture Capital Instrument for the InnovFin BA ICT window that would enable EIF to provide targeted support – through selected business angels funds or business angels co-investment funds – to enterprises in the information and communications (ICT) sector with a potential to internationalise. Under this pilot, priority is given to investments made in the Central and Eastern European region though beneficiaries in other countries may also be considered. As of December 2015, EIF has been assessing the first applications received.

ERASMUS+ GUARANTEE FACILITY – LOANS FOR INTERNATIONALLY MOBILE MASTER'S STUDENTS

Enhancing support to young individuals who may become future entrepreneurs was a new business area for EIF. The Erasmus+ Master Student Loan Guarantee Facility provided by the EC (Directorate-General for Education and Culture) was launched in spring 2015. It offers credit risk protection in the form of a capped guarantee or counter-guarantee to financial intermediaries that grant new loans to internationally mobile master's students.

The instrument's total budget of EUR 517m for the period 2014-2020 marks a major step towards achieving the 20 percent target for master's student mobility in Europe as it will support approximately 200 000 students in Europe and provide around EUR 3bn in financing. A free-of-charge capped guarantee of up to 15 years provides for student loans of up to EUR 12 000 (for a 1-year degree) and EUR 18 000 (for master's studies of more than one year). The Erasmus+ instrument also aims to support master's students in repaying their loans. The first agreements – for an amount of EUR 30m each – were concluded with Microbank in Spain (June 2015) and BPCE Group in France (December 2015).

EASI – EU PROGRAMME FOR EMPLOYMENT AND SOCIAL INNOVATION

The EU Programme for Employment and Social Innovation is a new flagship mandate signed by EIF with the EC Directorate for Employment and Social Affairs in June 2015. The financial instruments envisaged under the EaSI programme have an overall indicative envelope of EUR 193m for the period 2014-2020. The aim of the programme is to achieve sustainable employment, guaranteeing adequate and decent social protection and combating social exclusion and poverty in line with the objectives of the Europe 2020 strategy.

Based on EIF's strong performance in implementing the European Progress Microfinance Facility (EPMF), the new EaSI mandate is well aligned with EIF's mission to improve the availability of financial resources for disadvantaged groups of entrepreneurs and, in particular, to ensure access to finance to those who are often excluded from the commercial credit markets.

Out of the total available EaSI resources, an indicative EUR 96m was committed to the EaSI guarantee instrument. This capped guarantee or counter-guarantee covers microfinance loan portfolios of up to EUR 25 000, targeting micro-borrowers and social enterprises. Beneficiaries may include underprivileged groups such as the young, the unemployed or migrants who wish to set up their own businesses.

The EaSI initiative is in fact the first EU-level financial instrument dedicated to support social entrepreneurship. Guarantees for loans of up to EUR 500 000 under this window target enterprises whose primary objective is the achievement of measurable, positive social impact rather than having a pure profit-making purpose.

By the end of 2015, EIF had signed 11 transactions – of which 10 microfinance deals and one social entrepreneurship agreement – totalling EUR 27.2m with financial intermediaries in Italy, Ireland, France, the Netherlands, Poland, Romania, Spain and the United Kingdom.

In addition to the EU-28, the EaSI guarantee instrument also covers Albania, FYROM, Iceland, Montenegro, Serbia and Turkey. Other countries may join at a later stage.

INSTITUTIONAL MANDATES

	Amounts in EURm	PRODUCT	YEAR SIGNED	END OF COMMITMENT PERIOD	TOTAL NOMINAL RESOURCE	TOTAL COMMITTED
EIB	RCR - Risk Capital Reources	Equity	2000	/	9 500	9 033
EIB	EREM - Risk Enhancement Mandate	Multi	2014	2016*	1 813	557
EUROPEAN COMMISSION	EPMF - European Progress Microfinance	Loans	2010	2016	180	194
		Guarantees			24	22
	InnovFin – EU Finance for Innovators	Guarantees	2014	2020	1 060	376
		Equity			430	53
	Erasmus+ Master Loan Guarantee Facility	Guarantees	2014	2020	517	10
	COSME - Competitiveness of Enterprises and SMEs	Equity	2014	2020	660	56
		Guarantees			660	274
	EaSI - EU Programme for Employment and Social Innovation	Guarantees	2015	2020	60	27
		Senior Loans	**	2020	–	–

* possible extension in 2017   ** signature planned in 2016

CHAPTER 4
BUSINESS YEAR 2015

4.1. EQUITY ACTIVITY

EIF's equity activity reached unprecedented levels in 2015, greatly underpinning the efforts of EIF to promote growth and innovation and also contributing to a very efficient launch of EFSI. The strategy of EIF, as one of the most active and catalytic cornerstone investors in Europe focused on building a homogeneous European equity market that can effectively finance innovative and high-growth companies, which are the backbone of economic competitiveness.

Over the years, EIF has built a remarkable equity track record with European SMEs by funding both established and first-time teams. This was further strengthened in 2015. Sensitive to market conditions and the funding needs of SMEs, EIF's range of equity instruments operated in both the informal investment space, such as alongside business angels, and in the institutional investment space, supporting SMEs and mid-caps at every step of their development, from the seed and start-up phase through to the mid and later growth stages. Venture capital and private equity investments enabled EIF to remain the principal promoter of innovative SMEs with high growth potential and ensured access to finance throughout the entire corporate development life cycle.

In 2015, EIF invested a total of EUR 2.2bn of its own financial resources and capital entrusted by mandators and third parties in 85 funds managed by first-time and established teams across EU Member States and beyond. The total volume of mobilised investments, including EIF's share, was EUR 9.8bn, which underlines the substantial added value generated by EIF. At the end of 2015, EIF's total outstanding equity commitment stood at EUR 9.9bn, which, in its turn, leveraged EUR 48.6bn of total financing.

EIF'S IMPACT: EQUITY*

Leveraging on its catalytic role as a cornerstone investor to support innovators and entrepreneurs



Backed **30 VC FUNDS** In strategic technology segments

Allocated **1.2 BILLION** In lower-mid and mezzanine markets

Committed **180 MILLION** Nine tech transfer and intellectual property funds

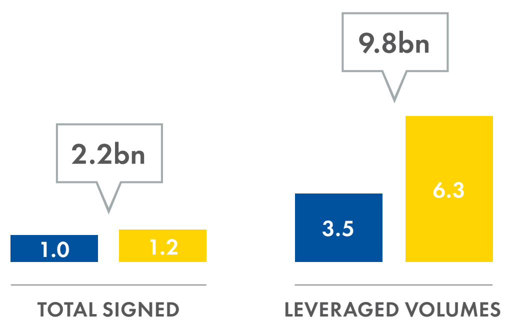
Cornerstoned **4 FUNDS** In the social impact investment market

Reached **1 873 BUSINESSES** At every stage of their development

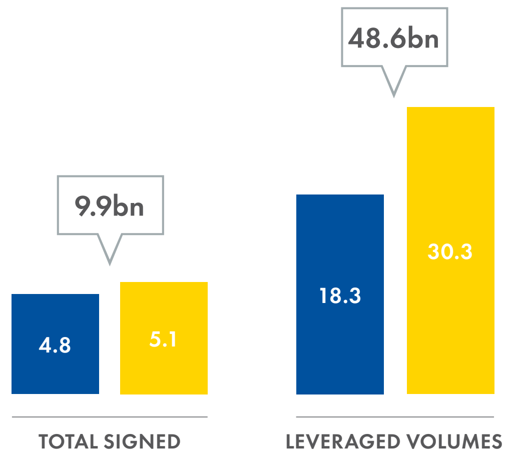
EFSI Increased by **2.5 BILLION** Risk Capital Resources (RCR) Mandate

* Based on results in 2015

2015 EQUITY SIGNATURES AND LEVERAGED VOLUMES
– In EURm (at 31.12.2015)



TOTAL OUTSTANDING EQUITY SIGNATURES AND LEVERAGED VOLUMES SINCE INCEPTION
– In EURm (at 31.12.2015)



GROWTH CAPITAL (MID-MARKET AND MEZZANINE)
EARLY STAGE CAPITAL (TECH TRANSFER AND VENTURE CAPITAL)

DEPLOYING EFSI RESOURCES FOR GROWTH AND INNOVATION

On the equity side, the first phase of the EFSI SME Window saw a EUR 2.5bn increase in the RCR mandate in 2015. This represented half of the total resources dedicated to the instruments under the SME Window in 2015 (see Chapter 2 – EFSI). By the end of EFSI's deployment period in July 2018, leveraged financing at SME and mid-cap level should reach EUR 30bn.

With this significant capacity boost and the enlarged scope to better meet market demands, EIF was able to back European venture capital and private equity funds with commitments worth over EUR 1.4bn of EFSI resources while maintaining its focus on selectivity and high-quality standards. Under EFSI, a total of 45 investments were made in funds providing capital for start-ups, SMEs and mid-caps benefiting from early-stage to growth capital.

By mobilising other investors, including funding from the private sector, this resulted in an overall expected financing volume of more than EUR 14.6bn under the equity component of EFSI.

NURTURING ENTREPRENEURSHIP

EIF reinforced its support for the "pre-institutional" investment space: the European Angels Fund (EAF) initiative was expanded to include the Netherlands and Ireland in September 2015. Backed by EIF, these new initiatives are expected to build a portfolio of around 20 experienced business angels to generate a strong and high-quality deal flow over an investment period of five years. Their respective financing of EUR 20m (EAF Ireland) and EUR 45m (EAF Netherlands) support investments in innovative SMEs in the seed, early and growth stages. EAF facilities had previously been set up in Germany (2011), and Spain and Austria (both in 2012). In 2015, EIF co-invested a total of EUR 22m with nine business angels across the different sub-funds. In 2016, EIF will be looking at further expanding this instrument in northern and southern Europe.

COMMERCIALISING RESEARCH RESULTS

In 2015, EIF committed EUR 180m in nine technology transfer and intellectual property investments, effectively reducing early-stage (pre-seed, seed and post-seed) funding gaps, and sustaining viable technology transfer structures while generating over time financial returns for investors. For example, in the life sciences sector where capital requirements are often greater, EIF acted as the cornerstone investor in the launch of a technology transfer and intellectual property fund that is associated with the Flemish Institute of Biotechnology.

Particular support was given to Turkey through the launch of the Technology Transfer Accelerator (TTA) Turkey Fund for which EIF acts as the trustee. This initiative – co-financed by the EU and the Republic of Turkey under the regional development component of the Instrument for Pre-Accession Assistance (IPA) funds – will help to build up the technology transfer market in Turkey, with a particular focus on spillovers to the less developed regions. The first TTA Turkey Fund reached a first closing at a size of EUR 30m with commitments by EIF on behalf of the Scientific and Research Council of Turkey (TUBITAK) and five additional investors in April 2015. The second TTA Fund, for an amount of EUR 20m, was launched in July 2015 and seeks to spread best practices.

Technology transfer transactions were also under negotiation in Spain, Ireland and Italy, and EIF is committed to continue scaling up its technology transfer activities in 2016.

MAKING BRANDS FLOURISH FROM THEIR EARLY STAGE

Private investors see EIF's engagement in a fund as proof of a sound concept. Several funds that achieved significant results and visibility in this segment benefited previously from EIF's strong catalytic support – and also technical advice when required. Hence EIF's role has been vital in fostering the development of this market with its cornerstone participation.

In an increasingly positive fundraising environment, EIF maintained its commitment to quality criteria in its investment selection process, being particularly attentive to its complementarity to the private sector and significantly scaled back its commitments in funds that showed sufficient traction to achieve their fundraising targets from private sector investors.

On the exit side, EIF observed an improving market environment evidenced by an increasing number of prosperous early-stage companies. Promising enterprises such as Beddit, ContactLab, Joe & the Juice, Supercell and YouMedical were able to flourish due to the timely funding obtained from private as well as public market actors, including EIF.

A particular priority for EIF in 2015 was building up the venture capital market segment for technology companies in their growth stage. Hence EIF was the cornerstone investor of a first selection of pan-European growth stage venture capital funds managed by teams located in France, Germany and the United Kingdom. EIF is determined to deploy further resources for creating a competitive growth venture capital market that is capable of funding Europe based global leaders in the technology markets.

Overall, in 2015 the highest concentration of venture capital activity was recorded predominantly in the digital economy area, and selectively in the field of life sciences. Core markets such as Finland, France, Germany and the United Kingdom, as well as established companies with reach into the US markets, accounted for a large portion of the revived investor interest in European venture capital. While the trend is expected to continue in 2016, selectivity will remain a key success factor: EIF will aim to further expand the geographical coverage of its investments and target teams with the credentials to become the next generation of brand names in their sector.

BRINGING THE SOCIAL INVESTMENT SPACE TO THE FORE

EIF dedicated substantial efforts to spreading its impact investing activities in geographical terms with commitments to fund managers in Spain and the Netherlands, while proactively building and developing new relationships in Central and Eastern Europe and some of the Nordic countries. EIF's cornerstone investment as well as its structuring and legal advice helped fund managers to develop their investment planning, bringing proposals up to institutional quality and making them investible for institutional investors.

The Social Impact Accelerator (SIA) is an EIF initiative launched in 2013 and aiming to address the growing need for enhancing the availability of and access to finance for social enterprises. It is a fund of funds seeking to create a portfolio of equity investments in social impact funds. The investing capacity of the SIA fund benefits from EUR 189m provided under the EREM Social Impact Finance Instrument.

SIA's final closing at the end of July 2015 at EUR 243m and with two additional investors – the Bulgarian Development Bank and the Finnish innovation fund Sitra – was certainly one of the year's major achievements.

As before, EIF continued to build a strong and well diversified SIA pipeline across Europe, ensuring the availability of a broad range of financing options, including debt or hybrid debt/equity instruments catering for market liquidity. EIF consolidated its market presence in advanced markets such as France, Germany, Italy and the United Kingdom.

HELPING COMPANIES TO REACH THE NEXT LEVEL OF GROWTH

EIF's overall healthy performance in the lower-mid and mezzanine markets responded to the strong demand generated by a stable upward trend in the business climate on the European private equity markets. Higher levels of available liquidity, a growing deal flow and heightened exit activity signalled a clear recovery in these segments. For the first time since the start of the financial crises, funds have been reaching, and some even exceeding, their fundraising targets.

EIF deal flow was abundant: EIF signed a total of EUR 1.2bn in 40 mid-market and mezzanine funds in 2015. This represents a nearly 30 percent increase compared to the previous year, mobilising EUR 6bn of resources and underlining EIF's catalytic role in maintaining a competitive European private equity market.

In the course of 2015, lower mid-market activities were further expanded towards private debt, enhancing the product offer to include investments into selective loan funds through the EIB EREM Loan Funds instrument.

Selective loan funds typically comprise between 10 and 30 underlying investments. Although a developing asset class, three transactions under selective loan funds for a total amount of EUR 80.4m were already signed and a healthy deal pipeline being created.

In addition to sustaining emerging teams in reaching their target fund size, EIF provided ongoing support for established fund managers. As in the previous year, its core mid-market products (equity, hybrid debt-equity and mezzanine for SMEs and mid-caps) proved to be highly successful in helping mature companies to fund organic and external growth and international expansion and to address shareholding reorganisation or restructuring.

Lower mid-market investments were also deployed through co-investments alongside mezzanine fund managers backed by EIF, helping them to access transactions that are in their investment scope but too large for their current fund size. In this context, EIF made nine investments totaling EUR 51.7m in 2015. EIF also committed EUR 58.7m in three private equity co-investment funds by the end of the year.

CASE STUDY

Company
K10 Apprenticeships Limited (UK)

Type of business
Social enterprise, apprenticeships in construction and other sectors

EIF financing
Social Impact Accelerator (SIA) fund of funds

K10 Apprenticeships Limited

Creating opportunities for young people

Social impact sits at the core of what K10 does. It is one of those companies that trigger an instant wow-effect considering its efforts in delivering truly positive change in communities throughout London (United Kingdom) – so far with excellent results.

On the one hand, 25 percent of all young people in London are unemployed, often lacking the skills or the knowledge for a meaningful career. On the other, an ageing workforce means there is an acute skills-gap within the construction industry, and a parallel need for young, qualified entrants.

Watch video:
https://www.youtube.com/watch?v=Yw6m7wveNJE

K10 effectively recognised this challenge. In response, it offers young, disadvantaged and unemployed people an apprenticeship that provides the experience necessary for sustainable full-time employment as well as a qualification they can use to further their careers. Alongside these technical skills, apprentices' social and emotional outcomes are also enhanced, leading to greater ambition and a sense of optimism about the future.

Furthermore, K10 seeks to make the construction industry more accessible to people who traditionally would not have worked there: 15 percent of K10 apprentices on site are women, 12 percent are ex-offenders and 10 percent have a disability. Ethnic minorities are also frequent among those who have managed to develop a rewarding career in construction with K10's help.

The company employs apprentices directly as an accredited Apprenticeship Training Agency, securing paid jobs with construction companies and developers across London. Apprenticeships include business administration, carpentry, plumbing, dry-lining, painting and electrical installation. K10 also manages to create opportunities that would otherwise not have existed.

Impact Ventures UK – a leading EIF-backed investment fund that specialises in providing growth capital to social enterprises – invested in K10 with a view to scaling the business so that it is both profitable and able to achieve the ambitious target of employing at least 100 apprentices each year which has been exceeded in each of the last three years.

www.k-10.co.uk

CASE STUDY

Company
Beddit Ltd (Finland)

Type of business
Technology, sleep tracker and mobile app

EIF financing
RCR mandate and own resources

Beddit smart sleep tracker

Making your bed a smart bed

Lasse Leppäkorpi was a national level triathlete in Finland, preparing for his best season – but he over-trained. During his lengthy recovery he wore a heart rate measuring belt which often proved to be rather uncomfortable. Later he went on studying biomedical engineering and experimented with the development of an office chair that would be able to measure blood pressure. Several projects followed thereafter, seeking to make the best use of technology for medical purposes in various areas.

Today Lasse Leppäkorpi is co-founder and CEO of Beddit, one of the most successful and fast-growing Finnish technology start-ups. The Beddit sleep tracker utilises cutting-edge technology to monitor sleep quality, heart rate and breathing without any disturbing wearable sensors.

The tracker is an ultra-thin sensor placed under the bed sheet, which transmits a detailed sleep analysis wirelessly to the smartphone. The smart alarm monitors sleep patterns and awakens you when the optimum duration of sleep is achieved. A simple and intuitive scale from 0 to 100 indicates the overall SleepScore™, and the application also provides suggestions on how to sleep better the next day.

Beddit works with any smartphone and in combination with some other applications it also allows you to combine sleep data with daytime information on health, fitness and well-being.

Beddit's data accuracy and patented sleep tracking methodology have been clinically validated and published in peer-reviewed scientific articles. After less than 3 years on the market, Beddit significantly surpassed its sales expectations towards the end of 2015.

"These guys are unbeatable in technology and innovation. Beddit made something very complex affordable for average people like you and me" said Ilkka Kivimäki, partner at Inventure, the early-stage venture capital fund that invested in Beddit with EIF's backing.

Beddit currently employs a team of 19 enthusiastic developers, scientists, marketers and designers in two offices, located in Helsinki (Finland) and the Silicon Valley (United States).

www.beddit.com

CASE STUDY

contactlab

Company
Contact Lab (Italy)

Type of business
Technology, digital marketing and direct customer engagement

EIF financing
RCR mandate and own resources

ContactLab

Invincible experts in digital marketing

ContactLab's impressive list of customers includes many of the most well-known brands in a variety of sectors from fashion to travel, computing to coffee, and banking to charity organisations. Massimo Fubini, founder, is proud of his achievement in building up an internationally competitive company from scratch, which today employs around 150 people and has offices in Milan, Paris, London, Madrid and Munich.

The beginnings of Contactlab date back to the 1990s, when Massimo was a university student. Being already familiar with IT technologies from a previous work experience, he grasped the opportunity that arose with the advent of digital's rapid expansion into marketing communications.

"I understood that it was something new, something I really liked, so I started my own web agency", recalls Massimo about the first steps of his stellar career as an entrepreneur.

As market trends were calling for more personalised digital marketing strategies, Contactlab was created in 1998 to offer web-based solutions for newsletter monitoring and other communication and contact strategies to enhance costumer engagement. While competition is fierce in the digital marketing services sector, ContactLab promises solutions that not only generate business results for the client but are attentive to enhancing the user experience at the recipient's end.

The investment by the EIF-backed venture capital fund, P101, played a significant role in Contactlab's growth. Beyond providing capital, P101 has been acting as a mentor: it helped to develop a strong corporate governance structure, formalising the management of human capital, financials and internal processes. Following P101's advice, experienced Board members were appointed to help Massimo gain significant insights and a broader vision of the market. A key outcome is ContactLab's recent orientation towards businesses in the fashion and luxury goods segment that was quick to embrace such innovative approaches.

"Becoming involved with ContactLab was an opportunity for us to stand side-by-side with a wonderful Italian organisation which offers unique technology and skills on the market" says Andrea Di Camillo, managing partner of P101.

www.contactlab.com

CASE STUDY

Company
Joe & the Juice (Denmark)

Type of business
Chain of juice bars

EIF financing
RCR mandate and own resources

Joe & the Juice

The juicer is not a machine

For those who think they are too busy to have their five fruits per day, a freshly squeezed juice may be the perfect solution. This is exactly what Joe & the Juice, a Danish chain of juice bars, offers: healthy fast food in a trendy and modern environment.

Kaspar Basse, a Danish entrepreneur, had long been interested in the health benefits of fresh juices when he noticed that the "juice bar" concept was gaining momentum around the world. Hence, in 2002, Kaspar and a university friend founded the first Joe & the Juice shop in Copenhagen (Denmark) responding to local fruit juice lovers' demand.

Joe & the Juice bars offer freshly squeezed juices and smoothies as well as coffee and sandwiches. In addition to the carefully prepared products, the founders also wanted to focus on offering each customer the impression of a trendy company, and a sense of belonging to a cool and energetic community. Their motto is to give every Joe & the Juice client the personal attention they deserve.

In order to ensure this, every single detail is thought of: before becoming a professional "friendly juicer", staff members must complete an all-encompassing in-house J&J Academy training that enables them to make fresh food and beverages in front of customers. Brand behaviour is also an important part of the course: for the ones still in doubt, a juicer is not a machine in this company.

The investment by the Valedo Partners Fund II AB, and the Swedish Bank Skandinaviska Enskilda Banken AB (SEB), as well as the Armada Mezzanine Fund III Ky - backed by EIF - has enabled an accelerated pace of Joe & the Juice's significant expansion since 2013. The Danish company currently employs over 400 people and has grown from 47 juice bars at the end of 2013 to close to 100 shops by end of 2015. The majority are located in the Nordic region, mostly in Denmark. The company is also expanding in the United Kingdom, Germany and most recently in the US. In addition to wholly-owned stores, Joe & the Juice has franchise agreements in France, Singapore, and Iceland. The plan is to double the number of shops by end of 2017.

www.joejuice.com

CASE STUDY

Company
JK Group (Italy)

Type of business
Ink production for digital printing

EIF financing
RCR mandate and own resources

JK Group

A breakthrough in colours

JK Group's story is the epitome of how an SME can become a world leader by consolidating its market presence and achieving significant international growth with the financial and technical help of an experienced team of investment managers.

The company is active through the Kiian Digital, J-Teck and Sawgrass Industrial brands in the development, production and distribution of inks used in digital printing mainly on fabrics, for example in the sportswear and promotional wear industry including the design and manufacturing of team uniforms. JK Group's inks are vastly deployed also in the soft signage sector for high quality printing on flexible polyester surfaces such as banners for visual communication.

Thanks to the experience of the Kiian brand, the Group has a long history of providing chemicals for traditional textile decoration methods also known as stencilling or screen printing. The business started in the 1940's in the Italian region of Como, Lombardy which had been a landmark for silk fabrics in Europe since the 18th century.

With the advent of digital printing in the late 1990s, Kiian pioneered in delivering inks adapted to the new technology. Recognising the promising potential of the industry, the EIF-backed Wisequity III investment fund, in partnership with the Alcedo III fund, acquired a majority stake in the company and subsequently restructured it to make Kiian both more profitable and ready for international expansion.

The new industrial site for digital inks built as part of this process is both environmentally-friendly and allows a three-fold increase in the production capacity in line with the company's growth targets. Kiian Digital also acquired two competitors in Italy (J-Teck) and in the US (Sawgrass Industrial), thus substantially increasing its competitiveness under the joint JK Group name before it was finally sold to a large, multinational industrial operator in late 2015 at an exit value of 6.4 times the invested capital. The company's offices are now located in Italy, China and the United States.

www.j-k-group.com

4.2. GUARANTEES AND SECURITISATION ACTIVITY

Supporting access to finance for SMEs and small mid-caps that face problems in obtaining debt finance is EIF's main objective. Through the rollout of EFSI and the launch of the SME Initiative EIF managed to more than double its guarantee volumes.

Overall, markets showed certain signs of recovery at macroeconomic level but a significant fragmentation persisted, including gaps in SME financing. Newly launched loan funds and marketplace lending platforms started to offer new sources of funding to corporates, whilst banks remained risk-averse and constrained by more stringent capital requirements. In this context, there continued to be high demand for EIF products that offered capital relief and credit loss protection.

EIF's guarantee activity ranged from issuing guarantees and counter-guarantees for start-up companies, to supporting innovative SMEs and small mid-caps under EC mandates, and implementing new loan fund products. EIF was also very active in the securitisation of SME portfolios and provided guarantees for senior and mezzanine tranches. Regional mandates enabled loan portfolio guarantees as well as risk sharing loans to be offered in a number of countries.

EIF's extended network of financial institutions includes commercial banks, promotional banks, leasing companies, private and public guarantee schemes and loan funds. Successful cooperation with these intermediaries can facilitate the rapid rollout of instruments, as illustrated by EIF's close collaboration with National Promotional Institutions (NPIs) which enabled the rapid rollout of the key EC mandates, COSME LGF and InnovFin SMEG.

EIF has focused on cross-selling and the complementarity between financial instruments under these EU programmes: several intermediaries signed both a COSME and an InnovFin agreement and were thus able to efficiently support a wide range of SMEs and small mid-caps. COSME guarantees also complemented EIF's microfinance offering in cases where micro-borrowers needed loan amounts above EUR 25 000.

EIF's close cooperation with the EIB, its majority shareholder, the EC and the Members States allowed for a smooth implementation of the SME Initiative in Spain and Malta. Joint EIB-EIF operations facilitated the closing of securitisation transactions for which originators could have encountered difficulties in attracting investors. EIF and NPIs also started working on a joint securitisation platform, which is expected to become operational in 2016. Furthermore, EIF saw an increasing demand for warehousing facilities for smaller financial institutions.

EIF'S IMPACT: GUARANTEES*

Sharing risk with financial institutions to help stimulate additional lending at favourable terms

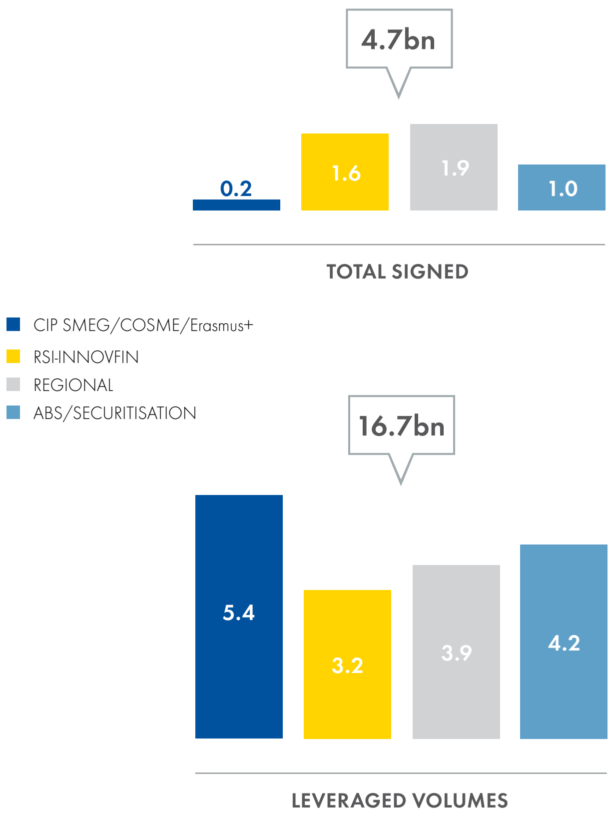
Helped sustain
450 000
JOBS AND EMPLOYMENT

Received	Mobilised	Signed	Targeted	Supported
3	**16.6 bn**	**95**	**4 000**	**90 000**
NEW MANDATES	**INVESTMENTS**	**AGREEMENTS**	**STUDENTS**	**ENTERPRISES**

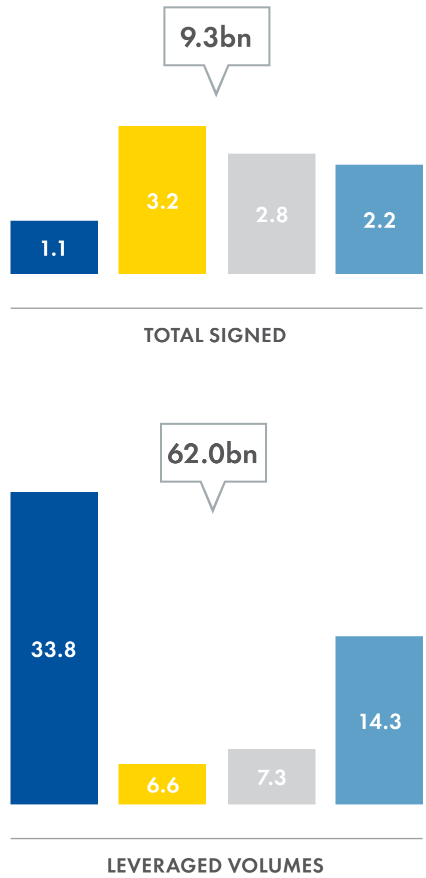
* Based on results in 2015

2015 was also characterised by the deployment of debt financing under the EFSI SME Window, contributing to a record year for signatures, which reached EUR 4.7bn, compared to EUR 1.6bn in 2014. Total commitments are expected to mobilise a financing volume of EUR 16.7bn. It is mainly due to the guarantees provided under some EC mandates – in particular by COSME – that such high leverage could be achieved. The mobilised volumes of finance underline EIF's important role in effectively multiplying public resources and mobilising financing at favourable conditions for SMEs.

2015 GUARANTEE AND SECURITISATION SIGNATURES AND LEVERAGED VOLUMES
– In EURm (at 31.12.2015)



TOTAL OUTSTANDING GUARANTEE AND SECURITISATION SIGNATURES AND LEVERAGED VOLUMES SINCE INCEPTION
– In EURm (at 31.12.2015)



ACHIEVING RECORD RESULTS UNDER THE EFSI SME WINDOW

2015 was characterised by the rapid implementation of the InnovFin and COSME guarantee programmes. With EFSI making funds available upfront to cover losses – instead of being spread across the entire programming period (2014-20) – EIF was able to almost double the initially planned volumes and effectively respond to the strong demand for finance under the two guarantee instruments (see also Chapter 2 – EFSI).

During 2015, within only six months from the adoption of the EFSI Regulation, EIF was able to sign EUR 1.4bn – of which EUR 413m EFSI resources – across 39 transactions under InnovFin SMEG and COSME LGF. 25 percent of those agreements were signed with NPIs, accounting for 45 percent of expected investment volumes mobilised.

SUPPORTING SMES, SMALL MID-CAPS AND STUDENTS

By the end of 2015, 95 agreements had been signed in 26 countries. A strong demand persisted from financial institutions for EIF's InnovFin guarantee, not least as a result of the fact that these instruments offer a capital relief. A total guarantee volume of EUR 1.6bn was committed to support innovative enterprises, resulting in a loan volume of over EUR 3.2bn. This amount exceeds the results achieved under the whole of its predecessor pilot programme, the Risk Sharing Instrument (RSI).

COSME LGF is provided free-of-charge and aims to support a large number of riskier SMEs. In 2015, 24 agreements in 16 countries were signed by allocating EUR 232m. It is expected that EUR 5.4bn of new loans will be mobilised.

Following the operational launch of the Erasmus+ Master Student Loan Guarantee in early June 2015 (see page 14 – Institutional mandates), the first contract was signed with MicroBank in Spain. A second signature took place at the beginning of December with BPCE Group in France. These two agreements are expected to cater for financial assistance to around 4 000 students.

BOOSTING SME LENDING THROUGH REGIONAL ACTIVITIES

The last agreements with existing counterparties under Joint European Resources for Micro and Medium Enterprises (JEREMIE, see page 39 - Regional mandates) were signed in 2015 in Bulgaria, Cyprus, France, Greece, Italy, Romania and Slovakia. Whereas for some mandates and transactions full absorption has already been achieved, for some others the relevant availability period was extended to 2016 in order to maximise absorption potential in line with relevant market developments.

A similar approach was also taken in Turkey, under the Greater Anatolia Guarantee Facility (GAGF) initiative, where certain amounts were reallocated between intermediaries to better reflect the relevant absorption capacity and maximise utilisation.

The last guarantee agreement under the Western Balkans programme was signed in 2015, ensuring full allocation of the facility. The funds available under the programme are being absorbed by the relevant intermediaries at a faster pace than originally envisaged.

LAUNCHING THE SME INITIATIVE IN SPAIN AND MALTA

Spain was the first country to take advantage of the new programme (see page 38 - Regional mandates), which offered uncapped portfolio guarantees to financial institutions through an open call for expressions of interest. With a contribution of EUR 800m from the European Structural Investment Fund (ESIF), the country made an important step towards an efficient and innovative use of structural funds, pioneering a unique instrument that combines ESIF with EU funds and both EIB and EIF capacity, and leverages a considerable amount of private funds for the benefit of SMEs.

Only a few months after the publication of the call for expressions of interest, the first guarantee transactions with six Spanish banks – Banco Santander, Banco Popular Español, Caixabank, Banco de Sabadell, Bankia and Bankinter – were signed, and the financial intermediaries started offering the product to SMEs in the market in October 2015. The agreements create the necessary conditions for providing a total of EUR 3.5bn of loans to over 25 000 SMEs in Spain over the next two years.

In Malta the SME Initiative was launched in July 2015 and guarantee agreements are expected to be signed in the first quarter of 2016. The contribution of EUR 15m from the country's ESIF funds aims to generate over EUR 60m of new finance for SMEs, thus acting as a catalyst for private investment and fostering job creation. EIF is in advanced discussions with other countries such as Bulgaria, Italy and Romania to launch further relevant SME programmes in 2016.

BRINGING EREM UP TO SPEED

The EIB Group Risk Enhancement Mandate (EREM) enabled EIF to increase its underwriting capacity on mezzanine tranches of SME ABSs. Thanks to EREM, the EIB Group was pivotal in a number of SME securitisation transactions. In 2015, a total volume of EUR 460m of guarantees to support mezzanine tranches was achieved. The transactions were carried out both for funding purposes and for the release of regulatory capital with the view to enabling the institutions to provide additional SME lending. Furthermore, transactions were executed in five different countries, namely Austria, France, Germany, Italy and Poland.

Loan Funds under EREM include diversified loan funds, targeting a large number of senior financings. Despite EIF being one of the first institutional investors to invest in this developing asset class, a strong deal pipeline has been created and one diversified loan fund commitment signed for EUR 50m.

BUILDING UP NEW SECURITISATION PORTFOLIOS

The combination of access to cheaper alternative forms of funding for financial institutions and regulatory uncertainties have been among the reasons behind relatively low securitisation activity levels over the past few years. 2015 indicates some renewed activity, although overall SME securitisation volumes were quite modest. Looking forward, the securitisation market could be affected further by the new regulatory initiatives such as Basel III and the proposed Securitisation Regulation under the Capital Market Union (CMU). This new Securitisation Regulation is seen as a positive step towards creating a uniform regime that will apply to all credit institutions, investment firms, insurance companies and fund managers. However, challenges remain which, if not addressed, could delay and potentially prevent a revitalisation of SME lending across the EU.

EIF has maintained a constructive dialogue with the various regulatory bodies as well as market participants throughout 2015, so as to ensure the consideration of its views on the SME market. EIF considers that the development of the SME securitisation market can potentially unblock the funding constraints still faced by a great number of SMEs across the EU.

EIF was active in the securitisation of SME portfolios through the provision of ABS guarantees and tranched cover guarantees for senior and mezzanine tranches. The transactions were structured for either funding and/or regulatory capital relief purposes. EIF demonstrated an increased market presence and risk capacity for securitisation transactions during 2015 that ultimately allowed originators to provide additional lending to SMEs. This is expected to continue and intensify during 2016.

EIF established a working group with NPIs aiming at promoting securitisation of SME loans (see page 47 – Latest developments and plans).

Warehousing facilities for SME portfolios were a growing field of activity for EIF as part of its securitisation operations. EIF provided guarantees on the senior funding to originators (typically a non-bank asset finance provider) for the purpose of building up a portfolio of SME loans/leases with a view to accessing the securitisation market at a later stage as an alternative source of financing. These facilities are of particular interest to smaller originators that may lack the initial critical mass to access capital markets.

An example of such transactions is the provision of a GBP 100m (EUR 140m) facility to Hitachi Capital UK by the British Business Bank's (BBB's) ENABLE Funding programme, to finance a portfolio of newly originated small business asset finance receivables and for which EIF provides a 50 percent guarantee on the senior part of that exposure. EIF intends to continue expanding its cooperation with NPIs in this area.

EIF's securitisation activity was particularly strong in 2015, with signatures of guarantees close to EUR 1bn. Activities were spread over eight countries, representing a significant geographical expansion compared to previous years. The leveraged volume of additional SME lending undertaken by the originators is expected to reach EUR 4.2bn.

SCALING UP THE COOPERATION WITH NPIS

Enhanced cooperation with NPIs and other key stakeholders is a priority for EIF. It ensures complementarity between regional or national schemes and EIF's overall product offering. It also enhances the capacity of NPIs to provide funding to enterprises which the commercial banking sector might not be willing to finance due to lack of collateral, limited business history or other risk considerations. Hence the cooperation offers yet another opportunity for filling a persistent market gap in the sustainable financing of SMEs.

CASE STUDY

Company
NetThings (United Kingdom)

Type of business
Technology, controlling energy consumption over the web

EU-supported guarantee
InnovFin SMEG, EFSI

NetThings

Controlling things over the Internet

Have you ever thought of starting the heating remotely so that it is already cosy and warm when you step inside your home? Or switching on the lights just before you reach your driveway? This is now all a matter of pressing a button on your mobile device. NetThings, an Edinburgh-based technology firm, has developed the first universal platform designed to simplify connecting and controlling devices over the Internet. Heating, water, electricity, security and many more included.

NetThings Energy Manager, for example, is an intelligent energy monitoring device which provides users with real-time, easy-to-interpret information about energy consumption levels. You can develop an energy consumption profile and receive alerts by texts or email when limits are reached. The next step is to simply control energy hungry devices by switching them off when not required. This can be done from your smart phone whether you are in the building or off-site.

Similarly, NetThings Click makes managing energy in small commercial buildings effortless and cost-effective. This is because the NetThings systems typically deliver a return on investment within 18 months by paying for itself from the savings made on energy bills. This is not only saving money but it is also an important contribution to environmental sustainability at an individual small business level.

Barclays, an EIF shareholder, provided an EU-guaranteed loan under the InnovFin instrument that targets innovative high growth companies as part of the Horizon 2020 programme. The funding enabled NetThings to trial its new energy management system, Click, with a major hospitality group which includes national chains of pubs, restaurants, hotels and coffee shops.

Click enables cost-effective management of large estates or small commercial outlets where energy consumption is high and has the potential to deliver tangible savings by eliminating waste. The loan agreement benefits from the additional support of the European Plan for Strategic Investments (EFSI) SME Window managed by EIF.

George McGhee, CEO of NetThings, said: **"As an early-stage company, it was hugely encouraging for us to secure the support of a major bank such as Barclays. The local team in Edinburgh demonstrated from the start that they fully understood our market proposition and recognised the potential of the business to achieve rapid growth."**

Initially targeted at the energy and building automation market, this technology is suitable for other sectors, including connected car, home medical, assisted living and security.

www.netthings.co.uk

CASE STUDY

Company
Stefanie Degle – DS Fusszentrum (Germany)

Type of business
Handcrafted physiological shoes

EU-supported guarantee
CIP SMEG

Stefanie Degle

A young entrepreneur – with both feet on the ground

Stefanie Degle firmly believes she has found the perfect job. She is pursuing her dream, having inherited the passion for hand-made footwear from her grandfather who was also a shoemaker. Although they never met, Stefanie feels she has the traits of craftsmanship in her blood.

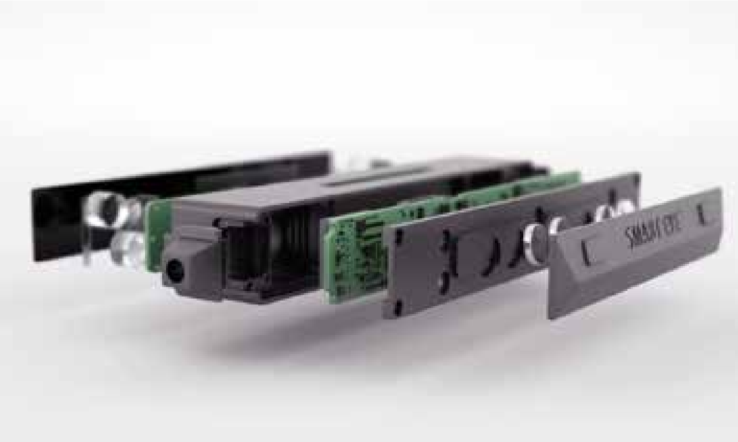
Following her apprenticeship and a master's degree obtained in 2013, Stefanie specialised in physiological shoes and started her own business in summer 2014. The shop featuring her initials – named the "DS Feet Centre" *(DS Fusszentrum)* – is located in her native town of Waldkraiburg in Bavaria, Germany, about sixty kilometres east of Munich.

The KfW Bank, an EIF shareholder, supported her already during the apprenticeship, therefore it was only natural that Stefanie grasped the opportunity of the Bank's "ERP Gründerkredit – StartGeld" programme to purchase the necessary equipment and become an entrepreneur. KfW's initiative is supported by an EU guarantee under EIF's Competitiveness and Innovation Framework Programme (CIP).

Her workshop is now well equipped with sewing, stitching and grinding machines as well as other tools that allow Stefanie to manufacture entirely tailor-made shoes or to offer repair services. Four to five pairs of shoes are produced in her atelier per week - ranging from slippers to boots.

"I need to take into account the individual needs of each of my client and offer a customised solution. A 2D scanner and a 3D footprint machine help me to analyse the walking pattern of my customer and take exact measurements for the required footwear. Ultimately, feet are to the human body what a foundation is to a house. If a house has problems in its foundation, consequences are seen up to the roof. The same goes for our feet: if they have problems, one feels it throughout the body and up along the spine" says Stefanie.

Currently, Stefanie works with her partner, also a footwear manufacturer, who has temporarily kept another job until the DS Feet Centre becomes fully operational. They are optimistic and confident this is soon going to happen.



CASE STUDY

Company
Smart Eye AB (Sweden)

Type of business
Technology, eye tracking

EU-supported guarantee
InnovFin SMEG

Smart Eye

Innovators at the forefront of eye tracking technology

How about your next car keeping an eye on you and triggering a warning if you are not paying attention to the road? This is not fiction but something rather probable thanks to innovative companies such as Smart Eye. The cars of tomorrow will detect the driver's seating position and align the dashboard visuals to the eye. They will know instantaneously where to direct the headlight beams by closely following the driver's eye movements at all times.

It is in Gothenburg, Sweden's second largest city and home to Smart Eye's headquarters, where Martin Kranz, CEO and his team of around 40 specialists are developing and selling the company's eye tracking technology. Their flagship product is the Smart Eye Pro, an eye tracker system which measures data about a person's eyelid opening, gaze direction and pupil size, head position and other variables in real time.

Smart Eye has also developed the AntiSleep, a compact camera system designed to continuously asses the alertness and attention of a driver. Smart Eye's technology and algorithms can deliver data to detect drowsiness, distraction and inattention, and in interaction with other systems, notify a sleep-deprived driver before his or her driving pattern becomes erratic. The device cannot yet keep you from falling asleep, but it can substantially lower the risk.

Smart Eye is continuously investing in one of the most vital parts of its value chain, namely research and development, to ensure its position at the forefront of eye tracking technology. Innovation is paramount to generating successful new eye tracking technology products and allowing the company to pursue its path as one of Sweden's fastest growing tech companies.

Almi Företagspartner, an EIF financial intermediary owned by the Swedish government and other public owners, granted Smart Eye an EU-guaranteed loan under the InnovFin SME Guarantee Facility (SMEG). The loan enabled Smart Eye to secure two key contracts with major manufacturers in Germany and hire additional staff to deliver its cutting-edge technology to customers.

Today Smart Eye has several hundred clients and its eye tracking technology is used in numerous market segments including the automotive and transport industry, aerospace and defense, IT and consumer electronics, and medical sectors around the world.

www.smarteye.se

CASE STUDY

Company
ORGA bouw (The Netherlands)

Type of business
Eco-friendly construction company

EU-supported guarantee
COSME SMEG

ORGA bouw

Harnessing nature's intelligent design

Termites are crafty little creatures. They manage to build air conditioned and ventilated nests through a network of tunnels with nothing more than compacted soil. A lotus grows in muddy swamps, yet it always stays clean and untainted. What are the mechanisms behind these simple examples of nature's intelligent design? We have managed to demystify a number of nature's secrets, but we still have lots to discover and learn.

Meet Patrick Schreven, founder of ORGA bouw in the Netherlands. Patrick has made a living from tackling man-made problems with nature's ready-made solutions. He is specialised in bio-based construction and he gets his inspiration from nature to build houses, residential farms, dental care offices and a day-care building firmly integrated in its natural environment. The building projects carried out by ORGA bouw are addressing important environmental challenges through utilising sustainable and natural materials and reducing the ecological impact to a minimum.

ORGA bouw was established in 2013 by Patrick, when Daan Bruggink, an influential Dutch eco-architect and founder of ORGA architect, was searching for ecological construction companies to carry out his bio-based architectural concepts. In Patrick he found an ideal partner to collaborate with. Now ORGA architect and bouw represent the perfect eco-friendly tandem and are rapidly becoming the seminal brands for sustainable architecture and building projects in the Netherlands.

Nature's own organic mechanisms inspire Patrick and Daan to explore and develop new building methods and forms. The company gives a lot of thought to materials used in buildings to enable them to be more easily re-used rather than recycled. As such they construct with better designed reusable components from the start, in order to reduce the amount of waste. It is through their persistent belief in sustainable resources as a base for innovative construction, and the application of the key principles of circular economy, that the company is now ranked ninth among the Netherland's 100 most innovative companies.

In 2013, Patrick Schreven turned to Qredits, a nation-wide operating microfinance institution in the Netherlands, for an EU-guaranteed loan backed by EIF under the EC's Programme for the Competitiveness of Enterprises and SMEs (COSME). The loan enabled Patrick to start his construction company, in the midst of the economic crisis. His goal was not only to build in an eco-friendly way, he also wanted to change the Dutch building industry. By using smart building methods he shows the possibilities of building "green" and still be affordable.

ORGA bouw wants to take its vision of eco-building a step further: that is why Patrick is frequently giving lectures and workshops, sharing his know-how and experiences. He's also continuously seeking ways to further innovate and as such he has partnered with manufacturers, universities and several technical colleges to research and develop sustainable and functional bio-based construction materials.

www.orga-bouw.nl

CASE STUDY

Student
Jorge Fernández (Spain)

EU-supported guarantee
Erasmus+ Master Student LGF

Internationally mobile students

Embarking on a journey of new opportunities

Jorge Fernández is a twenty-three-year-old Spanish graduate in biomedical engineering from the Carlos III University of Madrid. With a keen interest in pursuing Master's studies that would enable him to combine his interests in bioengineering and business, he found the perfect fit in the Imperial College London's course on Medical Device Design and Entrepreneurship.

On top of the academic knowledge that Jorge could perhaps also acquire partially in his home country, studying abroad and experiencing a different culture is an eye-opener for the Spanish young man.

"I encourage all young people to explore the valuable opportunities offered by student mobility programmes – even if this involves seeking financing from your local bank. The best investment you can make is in knowledge, and a year abroad will enhance not only your education but also your social skills. You simply become a more valuable asset to society", testifies Jorge.

Jorge received an EU-guaranteed loan from MicroBank, an EIF shareholder and the first financial intermediary to take advantage of the new Erasmus+ Master Student Loan Guarantee Facility (LGF) launched in 2015.

As part of his Master's course in London, Jorge will participate in the project of developing a medical instrument that might be commercialised if the initial work proves to be successful. The Erasmus+ loan also allows Jorge to be independent, without the need to rely on his parents support to pay the tuition and living expenses in the British capital.

He firmly believes that completing this Master's degree will improve his chances of finding a good job that fully suits his skills and qualifications. He might become an entrepreneur one day.

Watch video:
https://www.youtube.com/watch?v=DqPjY3iANvY

4.3. MICROFINANCE AND SOCIAL ENTREPRENEURSHIP ACTIVITY

EIF'S IMPACT: MICROFINANCE*

Promoting inclusive growth through access to finance for micro-borrowers and social enterprises

Supported **13 000** **MICROENTERPRISES**

Signed the first **11 EaSI** **TRANSACTIONS**

Expanded EPMF to **23** **COUNTRIES**

* Based on results in 2015

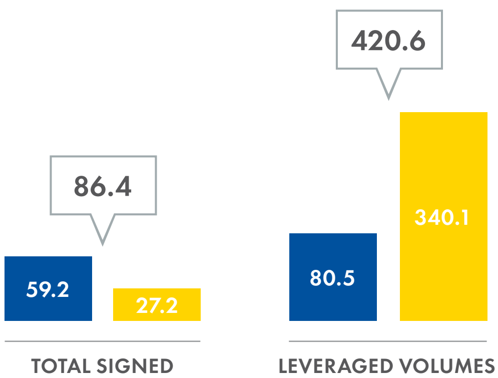
Sustainable employment, social inclusion and protection, and the need to support more vulnerable groups became ever more prominent throughout 2015. Boosting the development of the microfinance and social entrepreneurship market in Europe therefore remained a priority for EIF.

EIF's microfinance instruments continued to effectively tackle these challenges and promote smart, sustainable and inclusive growth in line with the Europe 2020 growth strategy. EIF supported micro-enterprises through capped free-of-charge guarantees and counter-guarantees as well as loans to microfinance institutions and other lenders. Both instruments were highly impactful in scaling up the European microcredit market over the past few years.

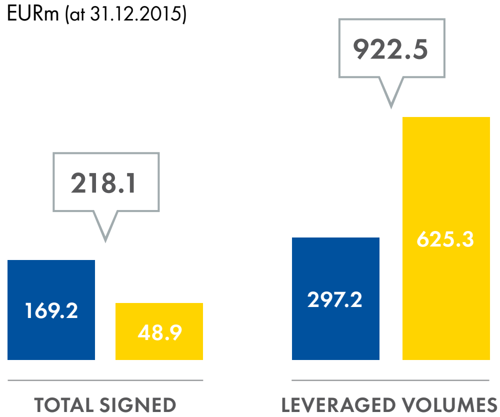
EIF continued with the signature and disbursement of loans granted to selected financial intermediaries for onward disbursement to micro-enterprises under the European Progress Microfinance Fund (EPMF-FCP). The last agreements under EPMF guarantees were signed in 2014, while EIF's lending activity under EPMF-FCP will continue until April 2016.

Since its launch in 2010, EPMF has mobilised almost EUR 400m of overall support to some 43 000 micro borrowers, many belonging to vulnerable groups with limited access to traditional funding channels. This represents solid progress in achieving the long-term financing target of EUR 500m in new micro-credits to 46 000 borrowers under EPMF by the end of the mandate in 2020. It also underlines how efficiently EIF promoted self-entrepreneurship as a viable route to social and financial inclusion.

2015 MICROFINANCE SIGNATURES AND LEVERAGED VOLUMES
– In EURm (at 31.12.2015)



TOTAL OUTSTANDING MICROFINANCE SIGNATURES AND LEVERAGED VOLUMES SINCE INCEPTION
– In EURm (at 31.12.2015)



LOAN PRODUCTS   GUARANTEE PRODUCTS

TAILORING MICROFINANCE SOLUTIONS TO DIVERSE MARKET NEEDS

With the EPMF guarantee resources fully committed ahead of schedule, activities in 2015 followed a two-pronged approach. On the one hand, EIF sought to maximise the utilisation of the funded instruments under EPMF FCP, concluding 13 funding agreements with an aggregate volume of EUR 59m.

EPMF FCP responded to the demand for senior loans from non-banks for long-term financing, particularly in local currency and at fixed and floating rates, and new intermediaries in Estonia and Latvia contributed to expanding EPMF FCP's geographical coverage of transactions from 20 to 23 countries across the EU.

With a view to the diversity of the EU market, EIF's funded microfinance instruments played an important role in effectively complementing guarantee products. While some countries continued to request loans, enterprises in other countries required risk coverage, underlining the very heterogeneous nature of the European microfinance market in which EIF operates.

On the other hand, EIF also announced the launch of a new guarantee instrument under the EU Programme for Employment and Social Innovation (EaSI, see page 14 – Institutional mandates). Given the success of EPMF, expectations for EaSI were high. With the first six guarantee transactions signed at the European Microfinance Day in October 2015, the initial results immediately confirmed the continued strong demand from the market and underlined EIF's instrumental role in creating an inclusive financial system in Europe. Within six months from the launch, 10 microfinance agreements were signed by which EIF committed EUR 23.7m in eight countries.

Three major factors triggered such a rapid deployment of the new EaSI guarantee facility. Firstly, EIF was able to capitalise on a large existing network of partner institutions (including non-banks such as NGOs and foundations with a social purpose) that had been previously involved in the implementation of the EPMF guarantee instrument. Secondly, new features of the EaSI guarantee allowed for additional risk-taking by financial intermediaries. These included an increased maximum guarantee rate and cap rate compared to EPMF. Thirdly, EaSI also expanded the geographical reach of EIF's microfinance instruments beyond the EU-28 to include candidate countries and members of the European Free Trade Association.

Persistent levels of high youth unemployment as well as the prospects of helping migrants through self-entrepreneurship and integration within the framework of social enterprises generated further interest in this instrument. Recognising the largely different financing needs of this segment, EIF adapted its toolkit to potentially meet a broader investor base. Thus the EaSI guarantee instrument has been given a broader scope to include also social enterprises. By the end of 2015, one guarantee agreement was concluded under this window in France with a commitment of EUR 3.5m.

The next stage of the EaSI initiative provides for a second set of funded instrument and capacity-building investments targeted at non-bank microfinance institutions from mid-2016 onwards.

HELPING INTERMEDIARIES BECOME VIABLE OPERATORS

The launch of EaSI stressed the need for micro-credits to be accompanied by business development services such as capacity building and monitoring. In this context, EIF promoted the use of the Code of Good Conduct for European Microfinance with a view to helping non-bank microfinance institutions become viable operators. Going forward, EIF will further strengthen the close cooperation with the main industry networks such as the European Microfinance Network and the Microfinance Centre. It will also seek new opportunities for cooperation that will help it to deploy scalable solutions throughout the social enterprise segment.

CASE STUDY

Company
Cretan Diet Plus (Belgium)

Type of business
Import and sale of Greek food products

EU-supported guarantee
EPMF

Cretan Diet Plus

Mediterranean tidbits at your doorstep

Cretan cuisine is renowned both in Greece and internationally for its unique ingredients and flavours. The cooking techniques are simple, but it is the variety of local products that distinguishes the dishes. What if these fresh and tasty products from Crete were delivered directly to your doorstep?

Konstantinos Kalpadakis always had an entrepreneurial vein. He was first a customs broker, and then he founded an export company dealing with solid waste. A decade later he created another company in the telecommunications field. However, this was exactly at the time when the economic and financial crises hit. Little by little, he was forced to give up on his telecommunications project. Yet, Konstantinos decided that his career would not stop there: he moved to Brussels and set up another goal for his life - starting a new business from scratch.

In Brussels, Greeks, as many other communities abroad, are keen on preserving their traditions including a rich food and cooking culture. Having been in contact with several Greeks living in Brussels, Konstantinos soon understood that there was demand, but that people did not have enough time to search for authentic Greek products – they would rather buy them online. This market assessment led Konstantinos to the idea of creating his own resale business of importing high quality Greek food at a competitive price.

Konstantinos set up Cretan Diet Plus, an online company selling Greek food products. Cretan Diet Plus' menu includes capers, rusks, herbs, olive oils, organic olives from Passos, honey, or the famous Tuna of Alonnisos.

For Konstantinos the quality seal is of major importance: **"If we are going to import fine Greek food and beverages, we need to do it well"**, claims the entrepreneur.

In 2015 Konstantinos needed extra financing that would help him to maintain imports and to keep the stocks full. After banks refused his loan request, he was advised to consult MicroStart, a microcredit company and an EIF financial intermediary under the European Progress Microfinance Facility (EPMF). The loan obtained allowed him to expand the delivery of Cretan Diet Plus products outside Belgium, including Luxembourg and the Netherlands.

Today, Cretan Diet Plus has over 350 online customers. Konstantinos was very grateful for the loan: **"MicroStart's support allowed me to continue building up my business and bring the famous Mediterranean diet – the taste of my homeland - closer to an increasingly diversified, international community of customers"**.

Konstantinos is now working on a business plan for new developments in Cretan Diet Plus, namely the opening of physical shops in the BeNeLux countries.

CASE STUDY

Company
Violeta Boldizsár I.I. (Romania)

Type of business
Bakery

EU-supported financing
EPMF

Hosman's Old Mill

Rising from the ashes

The central part of Romania has always been at the crossroads of cultures. In this setting, a German, a Hungarian, a Romanian and a Roma wanted to demonstrate that common traditions can prevail over prejudices related to ethnic origins. Today they are united by three things: they bought an old mill, set up a bakery and founded an association with a daring social project - to transform a poor village into a tourist attraction site.

The opportunity of bringing back hopefulness and offering new perspectives to Hosman arose in 2010 when the village's old mill was up for sale. Though significant restoration work was initially required, Violeta Boldizsár, the baker, is now able to enchant her customers with bread, cakes, pies and a local specialty, all based on traditional recipes preserved over generations. Her bakery is located on the premises of the old mill.

The bakery has an on-site shop, but products are also distributed to shops in Sibiu city and at weekly local fairs of traditional products. Individual orders are fulfilled as well with deliveries to events or family gatherings.

The mill is a tourist attraction on its own, but it also hosts events such as symphonic concerts, the "Day of the Mill", theatre performances or workshops that Violeta tirelessly organises in addition to her bakery work. The "Hosman Durabil" (Sustainable Hosman) association's project has therefore grown to be an exemplary undertaking admired throughout the country.

Vitas, a microfinance institution and an EIF financial intermediary in Romania, helped Violeta Boldizsár's bakery with three different loans at the various development stages. The first one contributed to repairing the oven and the furnace in the old mill. The second loan was used to purchase the raw materials needed to ensure a continuous production capacity and finance the distribution at eco- and traditional fairs. The third financing – supported by EIF under European Progress Microfinance Facility (EPMF) – enabled the renovation of the showroom where products can be exhibited and events held.

The next steps foresee the renovation of the barn that will be able to accommodate a movie theatre and host the Old Mill's own arts and crafts fair where other artisans from nearby villages could also present their talents and traditions to a larger audience.

www.moara-veche.ro

CHAPTER 5
NATIONAL AND REGIONAL MANDATES

These mandates create the basis for an efficient partnership with EU Member States as well as candidate countries for the pursuit of priorities at national or regional level. The cooperation takes the form of public-private partnerships aimed at attracting additional funding and maximising the market impact of public resources. Funds of funds managed by EIF tailor financial solutions to local needs.

In 2015, EIF remained committed to countering market fragmentation and helping Member States to achieve their strategic investment levels in line with the Europe 2020 growth and jobs strategy. Funds of funds continued to be a successful business model for addressing regional disparities. In this context, EIF's initiatives strengthened relationships with NPIs to deliver effective financing solutions for European SMEs.

PUBLIC-PRIVATE PARTNERSHIPS TO BOOST ENTREPRENEURSHIP

ESIF - EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

European Structural and Investment Funds (ESIF) are allocated from the EU budget to countries and regions to carry out seven-year economic and social development strategies. Managing Authorities (MAs) in each Member State oversee the allocation of ESIF resources, which are placed in a fund of funds and, as with other EIF instruments, made available to SMEs through selected financial intermediaries. Their objective is to leverage resources and maximise the impact of ESIF by attracting private investors' support to promote policy objectives.

In addition to the management of EUR 642.5m of legacy funds from the previous generation of structural fund mandates (the JEREMIE mandates – see below), EIF plans to deploy approximately EUR 750m of ESIF under the current programming period (2014-20) in cooperation with the Member States and regions. The second generation of ESIF financial instruments is expected to generate EUR 2.5bn of leveraged support for SMEs.

In 2015, new investment solutions were being created in partnerships with several national and regional authorities and a first funding agreement was signed in France's Languedoc-Roussillon region. The mandate, amounting to EUR 30m, covers loans, equity instruments and a capped guarantee for innovative SMEs.

In light of the positive results achieved deploying European Regional Development Fund (ERDF) resources through the JEREMIE initiative during the 2007-2013 programming period, the French region of Languedoc-Roussillon has entrusted EIF with the management and operation of a new EUR 15m fund of funds using its European Agricultural Fund for Rural Development (EAFRD) resources to support final beneficiaries in the agricultural sector. As a new area for EIF, it is envisaged that this initiative may lead to further business opportunities in the agricultural sector.

SMEI – THE NEW SME INITIATIVE

The SME Initiative is a joint EIB Group/EC financial instrument, which was launched to alleviate the financial constraints faced by European SMEs as national economies are slowly recovering from the recent economic turmoil. The programme combines different resources, including ESIF, the EU budget under Horizon 2020 and/or COSME as well as the EIB Group's own funds. EIF manages and implements the SME Initiative within the EIB Group.

Two different instruments define the operational framework of the SME Initiative: an uncapped portfolio guarantee facility, by which financial intermediaries are covered against the credit risk of newly originated SME loans, leases and guarantees; and a securitisation instrument.

So far, the SME Initiative has been successfully launched in Spain (January 2015) and Malta (July 2015) and negotiations in other countries are advancing (see page 47 - Latest developments and plans).

JEREMIE – JOINT EUROPEAN RESOURCES FOR MICRO TO MEDIUM ENTERPRISES

The JEREMIE instrument was set up in 2007 by the EC (Directorate-General for Regional and Urban Policy) and EIF to deploy part of the structural funds through regional and national MAs in new risk finance initiatives for SMEs. In this regard, JEREMIE is a predecessor to the current ESIF-backed programmes.

At the end of 2015, EIF managed 13 JEREMIE holding funds for a total of EUR 1.1bn, involving 50 financial intermediaries and resulting in 84 transactions. In the course of 2015, additional commitments were made to the holding funds in Romania (EUR 75m) and Slovakia (EUR 40m) with the implementation period of the financial instruments being extended into 2016.

Furthermore, given the revolving nature of financial instruments, several Member States and regions have entrusted the management of reflows from initial JEREMIE investments to EIF. Accordingly, EIF will redeploy these legacy funds in the respective markets through existing and new financial instruments targeting the support of SME access to finance.

STRUCTURAL FUNDS - JEREMIE HOLDING FUNDS

Amounts in EURm	PRODUCT	YEAR SIGNED	END OF COMMITMENT PERIOD	TOTAL NOMINAL RESOURCE	TOTAL COMMITTED
Greece	Multi	2008	2016	195	201.8
Romania	Multi	2008	2022*	225	218.9
Lithuania – SF	Equity	2009	2015	42	56.5
non-SF (post 2015)		*2013*	2024*	25	
Languedoc-R. (F)	Multi	2008	2024*	30	28.4
Campania (I)	Loans	2008	2016	90	86.1
Cyprus	Guarantees	2009	2016	20	19.3
Bulgaria - SF	Multi	2009	2025*	349	349.5
Sicily (I)	Loans	2009	2017	60**	36.3
Malta	Guarantees	2010	2017	12	10.8
PACA (F)	Guarantees	2011	2016	20	18.5
Sicily (I) ESF	Loans	2010	2016	15**	13.5
Calabria (I)	Loans	2011	2017	22	36.0
Extremadura (ES)	Loans	2012	2016	19	18.0
				1 124	1 093
Holding Fund Management Transferred ***					
Latvia	Multi	2008	2011	13	13
Lithuania	Loans / Guarantees	2009	2012	55	55
Slovakia	Multi	2008	2015	47	47
TOTAL				1 239	1 208

* End of Legacy
** Decrease in progress
*** Resources corresponding to the absorbed structural funds

FUND OF FUNDS AND OTHER INITIATIVES WITH NATIONAL AND REGIONAL COUNTERPARTS

Funds of funds represent another strand of dedicated initiatives through which EIF promotes regional business development and uses its expertise to create market impact. At the end of 2015 EIF was managing 22 different funds of funds with Member States and accession countries, providing a total of EUR 2.6bn in finance.

EIF IN THE BALTICS

The Baltic Innovation Fund (BIF) was established in 2012 in partnership with three national finance agencies in Estonia, Latvia and Lithuania. Its EUR 100m funding targets the expansion of the Baltic venture capital and private equity market. EIF selected four funds in which to invest and mobilised around twice the amount of its own commitment by attracting additional resources from private investors.

A strong market response triggered a EUR 30m increase in July 2015, enabling EIF to diversify its investments into one or two additional funds of different size and vintage.

At the Baltic M&A and Private Equity Forum 2015, EIF gave an "Annual Achievement Award for Private Equity and Venture Capital in the Baltics" to Livonia Partners for their fundraising efforts and their decision to choose Latvia as the jurisdiction for establishing their investment fund.

EIF IN GERMANY

EIF manages the European Recovery Programme (ERP) facility, which was mandated by the German Federal Ministry for Economic Affairs and Energy (BMWi) in 2004 with an initial financing of EUR 500m. Since then, this facility has gradually grown to EUR 1.7bn of managed assets by end-2015. These resources are dedicated to funding either German-based technology-focused SMEs in their early and expansion stages or international venture capital firms that are strongly focused on the German market. By the end of 2015, EIF had made commitments of EUR 140.8m in 9 venture capital funds and 4 business angels/non-institutional investors under this initiative. The pipeline is also expected to remain very strong thanks to the maturing of the German venture capital ecosystem.

The ERP mandate was expanded by adding the ERP-EIF Growth Co-Investment instrument that will be launched in 2016. Complementing the long-standing ERP-EIF instrument for early-stage SMEs and mid-caps, this new initiative will focus on growth-stage technology companies on their pathway to internationalisation and global industry leadership. The new facility enables EIF to enlarge its range of products and addresses an important market gap by providing additional resources for venture capital funds so that they can finance to the fullest possible extent the best performers in their portfolio. The first pilot agreement of EUR 500m will back innovative companies with their seat or business focus in Germany.

EIF IN LUXEMBOURG

The Luxembourg Future Fund (LFF) was launched by EIF and Société Nationale de Crédit et d'Investissement (SNCI) in April 2015. EIF contributed EUR 30m and SNCI provided EUR 120m, to be used for investments or co-investments in early and growth stage technology SMEs as well as in Luxembourgish venture capital funds over a five-year period.

LFF is designed to foster the diversification of strategic sectors in Luxembourg's economy and therefore looks to invest in ICT, clean-tech and other innovative technology companies. It comprises three sub-funds, which specifically target investments in venture capital funds, co-investments in venture capital funds and co-investments with business angels and family offices.

EIF IN THE NETHERLANDS

The Dutch Venture Initiative (DVI) is a fund of funds that aims to support SMEs in the Netherlands by investing in Dutch-focused investment funds with a clear innovative angle. DVI reached a final closing at EUR 202.5m in July 2015.

By the end of December 2015, DVI was fully invested, a positive development which led to the creation, in close conjunction with the Dutch Ministry of Economic Affairs, of a subsequent fund of funds initiative – DVI-2 – which is due to be launched at the beginning of 2016.

To date, DVI has committed a total amount of EUR 136.5 into 12 different venture capital and growth capital investment funds, leveraging over EUR 1bn of capital. In addition, DVI invested EUR 45m in the European Angels Fund (EAF) Netherlands, bringing the overall DVI commitments to EUR 181.5m. By the end of 2015, DVI had already achieved four trade sales and one initial public offering in its underlying portfolio.

EIF IN TURKEY

The Turkish Growth and Innovation Fund (TGIF) was launched in early October 2015. EIF, together with its long-standing partner the SMEs Development Organisation of Turkey (KOSGEB) and the Turkish Treasury, each contributed EUR 60m, allowing a first closing at EUR 180m. Furthermore, in August 2015, the Development Bank of Turkey (TSKB) confirmed an investment of EUR 20m. This initiative facilitates access to finance for innovative and fast-growing SMEs while consolidating Istanbul as a centre of finance.

The Technology Transfer Accelerator Fund (TTA Turkey) was launched in 2014 and is co-financed by the EU and Turkey's Ministry of Science, Industry and Technology (MoSIT) under the regional development component of the country's Instrument for Pre-Accession Assistance (IPA) funds. Managed by EIF, this initiative aims to commercialise applied research from universities and scale up the technology transfer market in Turkey, with a particular focus on spill-overs to the country's less developed regions.

The first fund under TTA Turkey was Diffusion Capital (DCP) and entailed a EUR 26.3m IPA commitment. It reached a final closing of EUR 30m in April 2015 involving five additional investors. The second fund – "Accelerating the Commercialisation of Technology" (ACT) – committed EUR 18.3m IPA financing and resulted in a final closing of EUR 22.54m in July 2015, with one additional investor.

The Greater Anatolia Guarantee Facility (GAGF) has been supporting SMEs in Turkey's emerging regions since late 2010. GAGF was designed to generate EUR 37.5m of micro-loans to micro-enterprises, and EUR 500m of loans to SMEs through a combination of long-term lending by the EIB and portfolio guarantees or counter-guarantees provided by EIF.

Based on the success of this facility, the budget was increased twice – at the end of 2012 and 2014 – with the aim of reaching EUR 112.5m of micro-loans and EUR 900m of loans by 2017. As of December 2015, more than 1 800 micro-enterprises and 8 600 SMEs benefited from GAGF. Overall, EIF's engagement has been instrumental in meeting the increasing market demand for debt financing in these regions.

EIF IN THE WESTERN BALKANS

The Western Balkans Enterprise Development and Innovation Facility (WB EDIF) promotes the emergence and growth of innovative and high-potential companies, as well as the creation of a sustainable venture capital market in the region. It consists of four pillars: the Guarantee Facility (GF), the Enterprise Innovation Fund (ENIF), the Technical Assistance Facility and the Enterprise Expansion Fund (ENEF). Of these, the GF is managed by EIF, with an initial funding of EUR 145m.

At the end of 2015 EIF was managing six operational guarantee agreements, which mobilised around EUR 118m of SME lending. In December 2015 EIF and the EC agreed to add a further EUR 17.5m to the GF and ensure continuity in the guarantee operations in the Western Balkans.

EIF also launched a new EUR 40m venture capital equity fund under ENIF in October 2015 to expand its investments into seed to early growth stage SMEs, particularly in sectors that have high potential for innovation and growth, such as ICT. A dedicated 'seed pocket' of this fund concentrates on pre-seed and seed companies, and is expected to reach around 45 to 50 enterprises.

WB EDIF is an outstanding example of the fruitful cooperation between EIF, the EIB and the EC Directorate-General for Enlargement (now NEAR), also involving other important players in the Western Balkans region such as the European Bank for Reconstruction and Development (EBRD) and the KfW Bankengruppe in Germany.

OTHER GLOBAL INITIATIVES

The Global Energy Efficiency and Renewable Energy Fund (GEEREF) is an innovative fund of funds which catalyses private sector capital into renewable energy and energy efficiency projects in Africa, Asia and Latin America. It was launched in 2006 by the EC and is managed by an investment committee of delegates representing its shareholders and industry experts. EIF's expertise in the field of equity fund of funds and the EIB's knowledge of the region made them the ideal leaders of this initiative.

At the end of May 2015 GEEREF reached its final closing at EUR 222m, combining EUR 110m of private capital and EUR 112m of public capital from the European Union, Germany and Norway.

GEEREF anchors private equity funds that invest in private sector projects which potentially accelerate the transfer, development, use and enforcement of environmentally sound technologies.

Through its involvement in GEEREF, EIF not only contributes to the global efforts for combating climate change but also ensures the dissemination of equity-related best practices in developing countries.

REGIONAL MANDATES

Amounts in EURm	PRODUCT	YEAR SIGNED	END OF COMMITMENT PERIOD	TOTAL NOMINAL RESOURCE	OF WHICH EIB GROUP / EC RESOURCES	TOTAL COMMITTED
ERP/Germany	Equity	2004	2020	1 700	850	1 373
LfA/Germany	Equity	2009	2019	150	75	106
EAF/Multi-Country **	Equity	2012	2020	118	30	21
GEREEF	Equity	2007	2019***	107		99
Western Balkan EDIF II	Guarantees	2015	2017	18		-
BIF/Baltics	Equity	2012	2016	130	52	80
DVI/Netherlands	Equity	2012	2018	203	68	182
PGFF/Poland	Equity	2013	2018	90	30	34
SIA/Multi-Country	Equity	2013	2018	243	239	82
CYPEF/Cyprus	Guarantees	2014	2017	100		30
IPA/Turkey	Guarantees	2010	2017	61		61
	Equity	2014	2017	51		45
LFF/Multi-Country	Equity	2015	2020	150	70	18
SME Initiative/Multi-country	Guarantees	2015	2016	815		451
Structural Funds (JEREMIE)	Multi	2007	2017***	1 124		1 128
Structural Funds (ESIF)	Multi	2015	2023	52		-

** Only EAF Spain, Austria, Netherlands, Ireland
*** Extension possible
**** Extension for structural funds. Legacy mandates up to 2025

CASE STUDY

Company
Medtech (France)

Type of business
Surgical technology, medical robotics

EU-supported EIF co-investment
JEREMIE Languedoc-Roussillon

Medtech

Innovating beyond the conventional limits of imagination

It has been long discussed whether robots will replace human labour at some point. As controversial as this topic may seem, undoubtedly some areas exist where intelligent technology should be credited for helping us achieve previously unimaginable levels of precision and accuracy. Brain and spine surgery are prominent examples that should better not be left to luck.

The ROSA™ robotic devices, developed by the French company Medtech, were designed to increase the safety and reliability of various neurological interventions and procedures without compromising established surgical protocols, but acting as a reliable surgical assistant.

Medtech was set up in 2002 by Bertin Nahum, an expert of robot-assisted solutions for surgery who worked at leading companies for many years before setting up his own enterprise. Today, he employs more than 40 people.

Medtech has become very successful in a short time: first it launched an orthopedic surgical robot named BRIGIT™. Following the sale of BRIGIT™'s patent portfolio, Medtech created ROSA™ Brain and more recently, ROSA™ Spine.

Watch video:
https://www.youtube.com/watch?v=oQUa8qEIVSs

In essence, the mission of Medtech is to "broaden the use of medical technology for the benefit of both patient and practitioner as Medtech strives for improved overall health and well-being", according to CEO Nahum.

ROSA™ Brain is like a GPS: ahead of the surgery, doctors can scan the patient' brain and plan the intervention in advance using the collected preoperative data. In addition, the precise positioning and handling of instruments aids the surgeon in carrying out the operation. The device has a number of unique features – such as a robotic arm with six degrees of freedom, an advanced haptic capability as well as a laser measurement system that makes the earlier use of invasive markers or a frame superfluous. Thus it enhances the comfort of both doctor and patient. ROSA™ Brain is most frequently used in curing diseases such as epilepsy, Parkinson's or tumours.

To support Medtech's further growth, SAS JEREMIE LR – a financial intermediary under the JEREMIE Languedoc Roussillon initiative – invested in the company, supporting among others the development of ROSA™ Spine, the brand new robot that is currently being introduced throughout Europe and the United States. The region of Languedoc-Roussillon was the first in European to set up the JEREMIE initiative that is managed by EIF co-financed equally by the Languedoc-Roussillon region's own resources as well as the European Regional Development Fund (ERDF).

www.medtech.fr

CASE STUDY

Company
GRIN (Italy)

Type of business
Eco-friendly gardening products

EU-supported EIF financing
JEREMIE Sicily ESF

GRIN

Mastering your urban vegetable garden

GRIN transforms the traditional concepts of gardening and agriculture into something achievable and fun also for the city dwellers. This innovative start-up produces and distributes eco-friendly tools and easy-to-manage equipment for people who are not willing to compromise on living a metropolitan life or growing their own fruits or vegetables - on the balcony or even the rooftop.

GRIN's founder, Salvatore Martorina, is a young Italian entrepreneur who decided to start his own business after completing a degree in biology. The idea was to promote the creation of small scale urban green spaces: GRIN's "do-it-yourself "approach transforms balconies and terraces into perfect miniature allotments where people can grow veggies or flowers at home. Achieving self-sustainability – or at least a more harmonious co-habitation of the individual with a green, ecological environment is at the core of Salvatore's business model.

GRIN's products range from custom-made flower arrangements, ornamental plants, herbs and vegetables growing from seeds to office supplies made of biodegradable materials. The company also provides pots and trendy accessories that appeal to the creativity of the urbanite gardener. All products are sold online through an e-platform as well as a growing physical network of resellers.

In 2014, GRIN received a start-up loan from EIF's financial intermediary Confeserfidi, funded at 50 percent by JEREMIE Sicily ESF resources. This funding helped Salvatore to finance the first raw materials and services needed to set-up the company, in particular the creation of the IT platform for the website, where all the green orders can be placed.

"Thanks to this support I was able to establish my company and support the cause of environmental consciousness and sustainability, which is very important to me", emphasised Salvatore.

www.grin-eco-gadget.it/it

CASE STUDY

Company
Anatolia City Mass Housing Construction Cooperative for the Disabled (Turkey)

Sector
Construction with a social purpose

EU-supported guarantee
GAGF

Homes for the disabled

Building a better life

Whether they are clearly visible or subtle, deep-rooted or just arising, social necessities in different shapes and dimensions are penetrating our societies. One of them is about how we can ensure that disabled individuals have a decent place to live, receiving the attention and care they require.

The Anatolia City Mass Housing Construction Cooperative for the Disabled is a pilot social project in Turkey that aims to address this problem. The Anatolian Association for Disabled People launched the initiative in 2008 in Kayseri, in an effort to prevent the disabled from living in the slums under poor and restrictive conditions.

Kayseri is among Turkey's most populous cities, and one of the leading centres of industry and trade in the Anatolian region. The cooperative's blocks of houses are located about 10 km from the city centre and are able to accommodate 1 000 people. The facilities were developed with attention to detail, respecting the specific needs of the disabled. Services such as healthcare, cleaning and education are also ensured on site. Currently, there are around 200 residents, with the number of inhabitants growing continuously as news about the project is spreading.

The cooperative received a long-term loan from Denizbank, and benefited from an EU guarantee under the Greater Anatolia Guarantee Facility (GAGF) managed by EIF. An additional EU grant covered expenses related to the initiative's promotion among potential stakeholders and target groups.

The GAGF loan kicked in at the right time allowing the cooperative to complete the constructions works smoothly and without any delays.

Osman Kiliç, founder of **"Thanks to this loan opportunity, the cooperative could greatly enhance its capability to address an important social challenge. Disabled people are often marginalised or simply neglected, but I am confident that we are on the right track to counter such trends in our region."**

The cooperative will be looking to deploy additional financing at favourable conditions also for the project's continuation in the near future.

CASE STUDY

Company
DIVI Plastic (Serbia)

Type of business
Plastic disposable cups and packaging

EU-supported guarantee
WB EDIF

Divi Plastic

From Serbia to the world

The use of disposable plastic cups for beverages, or in the dairy industry as a form of packaging products such as yoghurt has picked up swiftly over the past couple of years. No doubt we all know what these look like, but have you ever asked yourself where they come from.

DIVI, a family business that has grown to become Serbia's leading plastic production and packaging company, is a secure bet in terms of the source. Established in 1991, DIVI operates on a production site of around 4 000 square meters, employs nearly 60 people and exports to the majority of EU countries as well as its Balkan neighbours.

Drinking cups for single use – such as at vending machines or water fountains, as well as plastic packaging for food, including ice-cream boxes, represent the more simple range of products and were the initial focus of DIVI's production strategy.

However, as demand on the market diversified into higher segments, DIVI started offering thermoforming cups that are now widely taken up by the milk produce sector. The range of cups sold by DIVI encompasses 23 different sizes and quality to best suit each customer's individual needs. Designing the cups is also possible with special machines that can manage printing jobs combining eight different colours at the same time.

Most recently, the company also started investing in a new product line that is composed of plastic products with a so-called shrink sleeve. This additional handle serves as an extra protection and is able to carry advertisement, thus being an interesting new feature offered to DIVI's customers. Remember the last time you held a hot coffee cup with an extra grip? That is exactly it.

To finance this expansion and increase DIVI's exports on top of meeting the local demand, UniCredit Bank Serbia JSC provided the company with an EU-guaranteed loan under the guarantee instrument of the Western Balkans Entreprise Development and Innovation Facility (WB EDIF).

"Our recent expansion is an important milestone. By increasing the production capacity, we wanted to ensure long-term competitiveness that will help us create employment opportunities and contribute to the overall economic development of our region", said Milanko Jovanović, General Manager of DIVI d.o.o.

www.divi-plastic.com

CHAPTER 6
LATEST DEVELOPMENTS AND PLANS

Following 2015 growth trends, EIF's overall transaction volumes are also expected to stay on an upward path as 2016 promises to be characterised by the continued deployment of EFSI, which will trigger the development of new products, allowing in particular an extended cooperation with NPIs.

The focus will remain on the implementation of the EFSI SME Window: EIF will continue to rapidly deliver on the existing mandates (including the RCR and the frontloading of the COSME LGF and the InnovFin SMEG) in response to sustained market demand. In parallel, the next phase will entail the launch of an equity platform, to be followed by a securitisation platform.

In this context, further strengthening cooperation and maintaining close communication with NPIs will remain high on EIF's agenda for the coming year, including efforts to increase the number of NPIs benefitting from EIF products and thus reinforcing the shared mission of enhancing access to finance for SMEs.

EIF's mandates will be further diversified to reach a wider range of SMEs, especially in underserved sectors that traditionally lack accessible and affordable means of financing. Under EREM a partial budget reallocation should help EIF to meet the strong demand from the loan funds market. Following the successful launch of the SME Initiative in Spain and Malta, EIF anticipates concluding the already advanced negotiations with Bulgaria, Finland, Italy and Romania.

EQUITY

The SME Window of EFSI provides another EUR 1bn for the deployment of new equity products that will be rolled out in the second half of 2016. The mandate is expected to have two components: a growth and multi-stage window of up to EUR 1bn funded by the EIB and fully backed by the EFSI Guarantee (including at least EUR 450m targeting COSME EFG type of beneficiaries); and an early-stage window with financing of up to EUR 1.2bn available through a combination of resources from the Horizon 2020 budget, the EFSI Guarantee and EIB funds. EIF would be the sole manager of this instrument and would co-invest a substantial amount of its own resources.

Within this window, the EIF-NPI Equity Investment Platform will be launched in early 2016. The Platform will provide a flexible, non-binding governance framework enabling NPIs to match the total budget for investment under the EFSI SME Window on a 1:1 basis. More generally, it is an opportunity for EIF and NPIs to establish a closer, more coordinated operational interaction.

GUARANTEES AND SECURITISATION

In the securitisation area, EIF continued to cooperate with other active market players. In 2016 EIF's objective will be to assess the possibility of implementing securitisation initiatives with NPIs, aiming to develop common criteria and standards, and jointly participate in SME transactions by coordinating and strengthening activities.

A first pilot transaction was closed with EIF shareholders KfW Bankengruppe and Cassa Depositi e Prestiti. This joint investment – the first of its kind – is a pilot for the enhanced cooperation between EIF and NPIs to nurture the real economy through capital market instruments. The first transaction, originated by Alba Leasing, one of Italy's top leasing companies, proved the validity of the concept; and EFSI support would extend the outreach and enable more SMEs to be supported.

In addition to the NPI equity platform, EIF is assessing the possibility of developing a NPI securitisation platform including the option to deploy EFSI funds for this purpose.

A new guarantee facility under InnovFin SMEG, covering mezzanine loans and provided to innovative SMEs and small mid-caps shall be developed using EFSI resources, expected to provide cover for a total loan volume of up to EUR 2bn.

The EaSI guarantee mandate will be supplemented by a funded product, which is to succeed the EPMF funded instruments. Senior and subordinated loans, equity and quasi-equity investments for capacity building of non-bank MFIs, i.e. microfinance and social entrepreneurship institutions, will be provided to finance micro-enterprises (loans up to EUR 25 000) and social enterprises (loans up to EUR 500 000). The facility is due to be launched before summer 2016.

To complement EIF's range of products, a further new EC mandate will become available under the 2014-2020 EU programming period in the first half of 2016. The Creative and Cultural Sector (CSS) loan guarantee facility will target a segment that is difficult for banks to assess and will provide a free-of-charge capped guarantee for financial institutions willing to lend to this sector with reduced collateral requirements.

CHAPTER 7
NEW OPERATIONS IN 2015

EQUITY SIGNATURES

DEAL NAME	RESOURCE	GEOGRAPHICAL FOCUS	COMMITMENT (IN EURm)	EFSI
Diorama Investments SICAR	COSME/EIF	Greece	20.0	
Artemid Senior Loan Fund	EREM loan fund/EIF	France	20.0	
Fondo Impresa Italia	EREM loan fund/EIF	Italy	20.0	
Beechbrook UK SME Credit Fund	EREM loan fund/EIF	United Kingdom	40.4	
Abraaj Turkey Fund I	RCR/EIF	Turkey	35.4	
21 Investimenti III	RCR/EIF	Italy	10.0	YES
Acto Mezzanine II	RCR/EIF	France	10.0	YES
FCDE II	RCR/EIF	France	40.0	YES
Odewald KMU II Fonds	RCR/EIF	Germany	40.0	YES
Finatem IV	RCR/EIF	Germany	50.0	YES
Nixen III	RCR/EIF	France	60.0	YES
Genesis Private Equity Fund III	RCR/EIF	Czech Republic	15.0	YES
Mayfair Equity Partners Fund I	RCR/EIF	Multi-country	61.6	YES
BlackFin Financial services Fund II	RCR/EIF	Multi-country	60.0	YES
Alcedo IV	RCR/EIF	Italy	50.0	YES
eEquity III	RCR/EIF	Sweden	29.0	YES
Livingbridge Enterprise II	RCR/EIF	United Kingdom	31.0	YES
Key Capital Partners VIII L.P.	RCR/EIF	United Kingdom	41.9	YES
Mayfair I Co-Investment Fund	RCR/EIF	United Kingdom	27.7	
Abénex V	RCR/EIF	France	60.0	YES
Abac Solutions (SCA) SICAR	RCR/EIF	Spain	60.0	YES
Initiative & Finance II	RCR/EIF	France	25.0	YES
Karmijn Kapitaal Fund II	RCR/EIF	Netherlands	20.0	YES
RiverRock Italian Hybrid Capital Fund	RCR/EIF	Italy	30.0	YES
Priveq investment V	RCR/EIF	Multi-Country	29.1	YES
Muzinich UK Private Debt	RCR/EIF	Multi-Country	59.3	YES
Livonia Partners Co-Investment Fund	RCR/EIF	Multi-country	10.0	
RJD III co-investment fund	RCR/EIF	United Kingdom	21.4	
Co-investment with Accession Mezzanine III	RCR-MCIF/EIF	Austria	5.1	
Co-investment with Harbert I	RCR-MCIF/EIF	United Kingdom	5.0	
Co-investment with Harbert I - MyOptique Group Ltd	RCR-MCIF/EIF	UK/Germany	15.0	
Co-investment with IFE III - City Suites	RCR-MCIF/EIF	France	7.2	
Co-investment with IFE III - Saint Jean Industry	RCR-MCIF/EIF	France	4.3	
Co-investment with Oquendo Mezzanine II - Centros Unico	RCR-MCIF/EIF	Spain	4.3	
Co-investment with Oquendo Mezzanine II - Terratest	RCR-MCIF/EIF	Spain	4.6	
Co-investment with Trocadéro Croissance & Transmission II - Bensimon	RCR-MCIF/EIF	France	5.0	
Co-investment with Trocadéro Croissance & Transmission II- Design	RCR-MCIF/EIF	France	1.2	
Panakes Fund I	COSME/InnovFin/EIF	Multi-country	20.0	
Bullnet Capital III	InnovFin/EIF	Spain	20.0	
Hedosophia Gamma	RCR/EIF	Multi-country	39.7	YES
Notion Capital III	RCR/EIF	Multi-country	39.5	YES
GP Bullhound Sidecar III	RCR/EIF	Multi-country	15.0	YES
Sofinnova Capital VIII	RCR/EIF	Multi-country	60.0	YES
Abingworth Pharma Co-development Fund	RCR/EIF	Multi-country	54.4	YES
HealthCap VII	RCR/EIF	Sweden	50.0	YES
Connect Ventures II	RCR/EIF	Multi-country	34.5	YES
Programma 101	RCR/EIF	Italy	20.0	YES
Open Ocean Fund IV	RCR/EIF	Multi-country	30.0	YES
Openfund II	JER	Greece	2.5	
Black Peak Fund Coöperatief u.a.	JER	Multi-country	5.0	
V-Bio Ventures Fund 1 ARKIV (formerly VIB Innovation Fund)	RCR/EIF	Belgium	30.0	YES
Quadrivium I	RCR/EIF	France	20.0	YES
Thuja Capital Healthcare Fund II	RCR/EIF	Multi-country	15.0	YES
BeAble Innvierte KETs Fund	RCR/EIF	Spain	15.0	YES
CapHorn 2. FPCI	COSME/InnovFin/EIF	Multi-country	30.0	

HPE Fund II	RCR/EIF	Multi-country	15.0	YES
RiverRock EOF II	RCR/EIF	Sweden	60.0	YES
SET Fund II	COSME/InnovFin/EIF	Multi-country	14.0	
EMH Digital Growth Fund GmbH & Co KG	RCR/EIF/COSME	Multi-country	20.0	YES
Henq III	RCR/EIF	Netherlands	7.5	YES
Lakestar II	RCR/EIF	Multi-country	25.0	YES
Highland Europe Technology Growth Fund II	RCR/EIF	Multi-country	30.0	YES
B-to-V Internet & Mobile Technologies	RCR/EIF	Multi-country	15.0	YES
Project A Ventures Fund II	RCR/EIF	Germany	20.0	YES
Partech Growth	RCR/EIF	Multi-country	32.5	YES
Paua Ventures Fund I	RCR/EIF	Multi-country	10.0	YES
Holtzbrinck Ventures Fund VI	RCR/EIF	Germany	17.5	YES
Paladin European Cyper Fund	RCR/EIF	Luxembourg	18.4	YES
Enterprise Innovation Fund (ENIF)	RCR/EIF	Multi-country	5.0	
EAF-Germany Boersch Cornelius	RCR/EIF	Germany	2.5	
EAF-Germany Hardt Thilo	RCR/EIF	Germany	0.3	
EAF-Germany Riesner	RCR/EIF	Germany	2.5	
EAF-Germany Kühnel	RCR/EIF	Germany	1.0	
SUB-TOTAL			**1 825.2**	

FUNDS OF FUNDS ACTIVITY	RESOURCE	GEOGRAPHICAL FOCUS	COMMITMENT (IN EURm)
Prime Ventures IV	DVI	Multi-country	10.0
PROfounders Capital II	UKFTF	Multi-country	27.8
ACT TTA Fund	IPA	France	18.3
Citizen Capital II	SIA	France	15.0
PhiTrust Partenaires II	SIA	France	10.0
BonVentures III GmbH & CO KG	SIA	Germany	10.0
EAF-Austria Altrichter Michael	EAF	Austria	2.0
EAF Spain Castells	EAF	Spain	2.0
EAF Spain Simon	EAF	Spain	3.0
EAF-Austria Siller	EAF	Austria	2.0
EAF-Austria Rohla	EAF	Austria	0.8
HPE Fund II	ERP	Multi-country	15.0
HPE Fund II	DVI	Multi-country	15.0
RiverRock EOF II	MDD	Sweden	40.0
Harbert European Growth Capital Fund	MDD	Multi-country	1.6
SET Fund II	DVI	Multi-country	6.0
EMH Digital Growth Fund GmbH & Co KG	ERP	Multi-country	17.5
EMH Digital Growth Fund GmbH & Co KG	LFA	Multi-country	2.5
Henq III	DVI	Netherlands	12.5
Lakestar II	ERP	Multi-country	25.0
Highland Europe Technology Growth Fund II	ERP	Multi-country	10.0
B-to-V Internet & Mobile Technologies	ERP	Multi-country	15.0
Project A Ventures Fund II	ERP	Germany	20.0
Partech Growth	ERP	Multi-country	7.5
Paua Ventures Fund I	ERP	Multi-country	10.0
Holtzbrinck Ventures Fund VI	ERP	Germany	15.0
Holtzbrinck Ventures Fund VI	LfA	Germany	2.5
Paladin European Cyper Fund	LFF	Luxembourg	18.4
Enterprise Innovation Fund (ENIF)	WB	Multi-country	14.1
EAF-Germany Boersch Cornelius	ERP	Germany	2.5
EAF-Germany Hardt Thilo	ERP	Germany	0.3
EAF-Germany Riesner	ERP	Germany	2.5
EAF-Germany Kühnel	ERP	Germany	0.5
EAF-Germany Kühnel	LFA	Germany	0.5
SUB-TOTAL			**354.8**
TOTAL SIGNED			**2 180.0**
TOTAL LEVERAGED VOLUMES			**9 841.5**

GUARANTEE SIGNATURES

DEAL NAME	RESOURCE	GEOGRAPHICAL FOCUS	COMMITMENT (IN EURm)	LEVERAGED VOLUMES	EFSI
Austria Wirtschaftsservice GmbH	COSME-LGF	Austria	7.3	170.0	
SOCAMA - COSME LGF (SMEG 2014)	COSME-LGF	France	31.5	900.0	
KfW - COSME LGF (SMEG 2014)	COSME-LGF	Germany	12.8	200.0	
France Active Garantie - COSME LGF (SMEG 2014)	COSME-LGF	France	8.3	110.0	
Libra Internet Bank	COSME-LGF	Romania	3.0	53.9	
CKB - COSME LGF (SMEG 2014)	COSME-LGF	Montenegro	1.1	30.0	
BGK - COSME LGF (SMEG 2014)	COSME-LGF	Poland	8.7	193.4	YES
GE Capital Equipement Finance - COSME LGF (SMEG 2014)	COSME-LGF	France	11.4	440.0	YES
Idea Bank - COSME LGF (SMEG 2014)	COSME-LGF	Poland	4.7	84.7	YES
CMZRB - COSME LGF (SMEG 2014)	COSME-LGF	Czech Republic	5.7	114.6	YES
CREDEM - COSME LGF (SMEG 2014)	COSME-LGF	Italy	13.8	550.0	YES
CIBANK - COSME LGF (SMEG 2014)	COSME-LGF	Bulgaria	4.1	102.3	YES
Qredits - COSME LGF (SMEG 2014)	COSME-LGF	Netherlands	1.6	25.0	YES
Sowalfin - COSME LGF (SMEG 2014)	COSME-LGF	Belgium	3.7	70.0	YES
Buergschaftsbanken - COSME LGF (SMEG 2014)	COSME-LGF	Germany	18.0	400.0	YES
KfW 2 - COSME LGF (SMEG 2014)	COSME-LGF	Germany	64.0	1000.0	YES
Flemish Participation Fund - COSME LGF (SMEG 2014)	COSME-LGF	Belgium	3.4	40.0	YES
iwoca - COSME LGF (SMEG 2014)	COSME-LGF	United Kingdom	1.4	56.8	YES
KredEx - COSME LGF (SMEG 2014)	COSME-LGF	Estonia	4.5	120.0	YES
RLPL - COSME LGF (SMEG 2014)	COSME-LGF	Poland	3.2	133.9	YES
SEF - COSME LGF (SMEG 2014)	COSME-LGF	Slovenia	8.1	180.0	YES
K&H - COSME LGF (SMEG 2014)	COSME-LGF	Hungary	2.4	96.3	YES
CDP Group - COSME LGF (SMEG 2014)	COSME-LGF	Italy	6.0	200.0	YES
Vaekstfonden - COSME LGF (SMEG 2014)	COSME-LGF	Denmark	3.6	36.2	YES
Alba 7 EREM SLA 2015	EIF OR ABS Cash	Italy	25.0	37.5	
ICLH Finance B.V.	EIF own resources	Netherlands	65.0	195.0	
ICLH Finance B.V. - OR 2015	EIF own resources	Netherlands	35.0	105.0	
Kennet Leasing Warehouse Facility	EIF own resources	United Kingdom	71.0	213.0	
Pelican SME N2 - Montepio - OR 2015	EIF own resources	Portugal	200.0	300.0	
Hitachi (British Business Bank) - OR 2015	EIF own resources	United Kingdom	70.8	186.2	
Nuevo Micro Bank - Erasmus+ SLGF	Erasmus	Spain	4.9	30.0	
BPCE - BP - Erasmus+ SLGF (2014)	Erasmus	France	4.9	30.0	
Alba 7 EREM SLA 2015	EREM ABS	Italy	100.0	150.0	
BNP Paribas - Tysme - EREM -2015	EREM ABS	France	51.2	500.0	
Unicredit Synthetic - EREM - 2015	EREM ABS	Italy	32.4	323.5	
Commerzbank DE - EREM 2015	EREM ABS	Germany	76.0	760.0	
Raiffeisen Leasing - SLA - EREM - 2015	EREM ABS	Poland	90.0	180.0	
Unicredit Synthetic - EREM - 2015 - 2	EREM ABS	Italy	43.7	436.7	
Alba 7 EREM SLA 2015	EREM ABS	Italy	25.0	37.5	
Bank Austria Synthetic - EREM - 2015	EREM ABS	Austria	42.0	252.0	
Robeco Bedrijfsleningen Fonds	EREM loan fund	Netherlands	50.0	480.0	
Kredi Garanti Fonu	GAGF	Turkey	9.0	60.0	
Halkbank - GAGF 2013	GAGF	Turkey	2.3	50.0	
Vakiflar Bankasi - GAGF2 2013	GAGF	Turkey	2.3	50.0	
Almi	InnovFin	Sweden	63.6	127.1	
Austria Wirtschaftsservice GmbH	InnovFin	Austria	48.0	96.0	
LHV Bank_IFSMEG_2104	InnovFin	Estonia	20.0	40.0	
Ceska Sporitelna IFSMEG 2015	InnovFin	Czech Republic	50.0	100.0	YES
Komercni Banka IFSMEG 2015	InnovFin	Czech Republic	75.0	150.0	YES
Anthilia IFSMEG 2014	InnovFin	Italy	25.0	50.0	
Bpifrance financement PI FEI IFSMEG 2015	InnovFin	France	160.0	320.0	YES
Bpifrance financement start-up IFSMEG 2015	InnovFin	France	40.0	100.0	YES
CREDEM	InnovFin	Italy	110.0	220.0	YES
ING Lux	InnovFin	Luxembourg	25.0	50.0	YES
Idea Bank	InnovFin	Poland	9.7	19.4	YES
Belfius IFSMEG 2015	InnovFin	Belgium	50.0	100.0	YES
Bank of Ireland IFSMEG 2015	InnovFin	Ireland	50.0	100.0	YES
DEUTSCHE BANK GERMANY - IFSMEG 2015	InnovFin	Germany	150.0	300.0	
Santander UK IFSMEG 2015	InnovFin	United Kingdom	69.0	138.0	YES
Burgschaftsbank InnovFin 2014	InnovFin	Germany	17.5	35.0	
BANIF - IFSMEG 2015	InnovFin	Portugal	10.0	20.0	YES
BIL - IFSMEG 2015	InnovFin	Luxembourg	30.0	60.0	YES
BPER - IFSMEG 2015	InnovFin	Italy	50.0	100.0	YES
Novo Banco_IFSMEG_2015	InnovFin	Portugal	100.0	200.0	YES

L-Bank InnovFin 2014	InnovFin	Germany	20.0	40.0	
Sowalfin IFSMEG 2015	InnovFin	Belgium	10.0	20.0	YES
BCP Millenium IFSMEG 2015	InnovFin	Portugal	100.0	200.0	YES
Barclays UK IFSMEG 2015	InnovFin	United Kingdom	68.1	136.1	YES
MCTAA - IFSMEG 2015	InnovFin	Italy	15.0	30.0	YES
Inveready IFSMEG 2015	InnovFin	Spain	3.3	6.6	YES
ING Belgium - IFSMEG 2015	InnovFin	Belgium	50.0	100.0	YES
CDP SACE IFSMEG 2015	InnovFin	Italy	150.0	300.0	YES
EFG - FRSP	JER FRSP	Greece	21.0	42.0	
Alpha Bank Greece - FRSP 2015	JER FRSP	Greece	9.8	19.5	
Créalia - FRSP	JER FRSP	France	0.5	1.0	
Unicredit Campania - FRSP	JER FRSP	Italy	5.0	11.2	
Bank of Cyprus increase	JER FRSP	Cyprus	0.5	1.0	
BANCA TRANSILVANIA - PRSL 2013	JER PRSL	Romania	13.0	26.0	
CEC Bank PRSL Romania	JER PRSL	Romania	12.0	24.0	
RAIFFEISEN ROMANIA - PRSL 2013	JER PRSL	Romania	25.0	50.0	
ProCredit - PRSL	JER PRSL	Bulgaria	3.5	7.0	
Allianz- PRSL	JER PRSL	Bulgaria	2.0	4.0	
Raiffeisen Bank EAD - PRSL	JER PRSL	Bulgaria	3.0	6.0	
UniCredit Bulbank AD - PRSL	JER PRSL	Bulgaria	3.0	6.0	
Procredit Romania - PRSL 2014	JER PRSL	Romania	7.5	15.0	
RAIFFEISEN ROMANIA - PRSL 2013	JER PRSL	Romania	17.4	34.9	
SZRB - PRSL 2015	JER PRSL	Slovakia	21.0	30.0	
OTP Banka Slovensko - PRSL 2015	JER PRSL	Slovakia	12.4	17.8	
Banco Popular_SMEi_Spain	SME initiative - Spain	Spain	450.0	900.0	
Bankia_SMEi_Spain	SME initiative - Spain	Spain	144.0	288.0	
La Caixa_SMEi_Spain	SME initiative - Spain	Spain	360.0	720.0	
Sabadell_SMEi_Spain	SME initiative - Spain	Spain	281.3	562.5	
Santander_SMEi_Spain	SME initiative - Spain	Spain	450.0	900.0	
Bankinter_SMEi_Spain	SME initiative - Spain	Spain	50.0	100.0	
RAIFFEISEN - WBGF 2013	WB Guarantee	Croatia	3.1	20.0	
TOTAL GUARANTEE TRANSACTIONS			**4 696.6**	**16 627.6**	
TOTAL LEVERAGED VOLUMES			**16 627.6**		

MICROFINANCE SIGNATURES

DEAL NAME	RESOURCES	GEOGRAPHICAL FOCUS	COMMITMENT (IN EURm)	LEVERAGED VOLUMES
Qredits EaSI	EaSI	Netherlands	4.0	50.0
ADIE EaSI	EaSI	France	4.4	55.0
Microfinance Ireland	EaSI	Ireland	1.9	12.5
Laboral Kutxa	EaSI	Spain	2.5	75.0
NEXTEBANK EASI	EaSI	Romania	2.3	23.2
Permicro EaSI	EaSI	Italy	2.2	20.0
Banco Popular - EaSI MF	EaSI	Spain	1.0	10.0
Fredericks Foundation	EaSI	United Kingdom	1.4	7.6
La Nef - EaSI MF	EaSI	France	1.2	10.5
La NEF EaSI SE	EaSI	France	3.5	33.0
Inicjatywa Mikro EaSI	EaSI	Poland	2.8	43.3
Carion	EPMF	Hungary	1.3	1.3
Sberbank d.d.	EPMF	Croatia	9.0	11.3
Libra Internet Bank S.A.	EPMF	Romania	4.9	9.8
Sberbank Slovensko. a.s.	EPMF	Slovakia	9.0	11.3
Mikrofond EAD	EPMF	Bulgaria	2.0	3.0
Bulgarian Development Bank (former Encouragement bank)	EPMF	Bulgaria	5.0	6.3
The Enterprise Fund	EPMF	United Kingdom	4.1	4.2
Maritza Invest	EPMF	Bulgaria	1.0	1.5
Permicro - 2015	EPMF	Italy	2.9	2.9
UniCredit Leasing - Estonia	EPMF	Estonia	3.0	4.5
UniCredit Leasing - Latvia	EPMF	Latvia	9.0	13.5
UniCredit Leasing - Lithuania	EPMF	Lithuania	6.0	9.0
Business & Enterprise Finance Ltd	EPMF	United Kingdom	2.1	2.1
TOTAL MICROFINANCE TRANSACTIONS			**86.4**	**420.6**
TOTAL LEVERAGED VOLUMES			**420.6**	

CHAPTER 8
GOVERNANCE

8.1. CAPITAL AND SHAREHOLDERS

EIF has an authorised capital of EUR 4 500m, divided into 4 500 shares of EUR 1m each, of which 4 286 have been issued as at end of 2015. On 31 December 2015 the European Investment Bank held 61.4% of the issued shares, the European Union represented by the European Commission held 26.5% and 28 banks and financial institutions held 12.1%.

COUNTRY	FINANCIAL INSTITUTIONS	N°. OF SHARES
Austria		**18**
	Austria Wirtschaftsservice Gesellschaft mbH (aws)	1
	Erste Group Bank AG	5
	Raiffeisen Bank International AG	7
	UniCredit Bank Austria AG	5
Bulgaria		**3**
	Bulgarian Development Bank A.D.	3
Croatia		**8**
	Croatian Bank for Reconstruction and Development (HBOR)	8
Denmark		**5**
	Vaekstfonden	5
France		**102**
	Bpifrance Participations	102
Germany		**151**
	KfW Bankengruppe	102
	Landeskreditbank Baden-Württemberg - Förderbank (L-Bank)	8
	LfA Förderbank Bayern	11
	NRW.BANK	20
	Sächsische Aufbaubank - Förderbank (SAB)	10
Hungary		**5**
	Hungarian Development Bank Ltd (MFB)	5
Italy		**85**
	Cassa Depositi e Prestiti S.p.A. (CDP)	50
	Intesa Sanpaolo S.p.A.	35
Luxembourg		**8**
	Banque et Caisse d'Epargne de l'Etat Luxembourg (BCEE)	8
Malta		**24**
	Bank of Valletta p.l.c.	24
Poland		**5**
	Bank Gospodarstwa Krajowego (BGK)	5
Portugal		**14**
	Banco BPI S.A.	14
Slovenia		**15**
	SID banka, d.d., Ljubljana	15
Spain		**57**
	Agencia de Innovación y Desarrollo de Andalucía (IDEA)	4
	Banco Santander, S.A.	20
	Instituto de Crédito Oficial (ICO)	30
	Nuevo MicroBank, S.A.U.	3
Turkey		**8**
	Industrial Development Bank of Turkey (TSKB)	8
United Kingdom		**10**
	Barclays Bank PLC	5
	Scottish Enterprise	5
TOTAL		**518**

EIF was pleased to welcome two new financial institutions as members:
- Nuevo MicroBank, S.A.U. of Spain acquired three shares, effective 6 July 2015.
- SID banka, d.d., Ljubljana of Slovenia purchased 15 shares, effective 7 September 2015.

In addition to its already existing subscription of 1011 shares, the EC acquired 125 additional shares, effective 15 July 2015.

THE GOVERNANCE OF THE EUROPEAN INVESTMENT FUND

EIF's institutional organisation and strong corporate governance are key to the successful delivery of its objectives. Its tripartite shareholding structure positions EIF uniquely among other EU and international financial institutions.

A new brochure entitled "The Governance of the European Investment Fund" was released in December 2015. It provides an overview of EIF's governing bodies as well as the decision-making processes regarding its activities.

www.eif.org/news_centre/publications/governance.htm?lang=-en

8.2. BOARD OF DIRECTORS

CHAIRMAN

Dario SCANNAPIECO	Vice-President of the European Investment Bank

MEMBERS

Benjamin ANGEL[1]	Director, Directorate L, Finance, coordination with EIB Group, EBRD and IFIs, Directorate-General for Economic and Financial Affairs, European Commission
Pierre DELSAUX[2]	Deputy Director-General, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission
Ambroise FAYOLLE[3]	Vice-President, European Investment Bank
Katarina KASZASOVÁ[4]	Former Director General of the State Reporting Section, Ministry of Finance, Slovak Republic
Pascal LAGARDE	Executive Director in charge of International Affairs, Strategy, Research and Development, Bpifrance, France
Alice TERRACOL	Head of Bilateral Relations and Financial Instruments Office, Treasury Directorate-General, Ministry of Economy and Finance, France

ALTERNATES

Filipe CARTAXO	Managing Director, Banco BPI, Portugal
Martin HEIPERTZ[5]	Head of Division European Policy, Federal Ministry of Finance, Germany
Jean-Christophe LALOUX	Director General, Head of Operations, European Investment Bank
Nicholas MARTYN	Deputy Director-General, Directorate-General for Regional Policy, European Commission
Marjut SANTONI[6]	Deputy Secretary General, European Investment Bank
Robert-Jan SMITS	Director-General, Directorate-General for Research and Innovation, European Commission
Achilleas TZIMAS	Economist and Financial Expert, Directorate-General for Economic Policy, Ministry of Finance, Greece

[1] Following his nomination by the European Commission, Benjamin ANGEL was appointed by the General Meeting on 8 January 2016 to complete the remaining term of office of Maarten VERWEY, who resigned on 10 December 2015, in connection with a change of responsibilities within the European Commission.

[2] Following his nomination by the European Commission, Pierre DELSAUX was appointed by the General Meeting on 20 August 2015 to complete the remaining term of office of Daniel CALLEJA CRESPO, who resigned on 10 July 2015, in connection with a change of responsibilities within the European Commission.

[3] Following his nomination by the European Investment Bank, Ambroise FAYOLLE was appointed by the General Meeting on 28 September 2015 to complete the remaining term of office of Pim VAN BALLEKOM, who resigned on 31 August 2015, in connection with a change of responsibilities within the European Investment Bank.

[4] Katarina KASZASOVÁ resigned with effect 1 December 2015, in connection with her appointment as Head of the Governing Bodies Secretariat, European Investment Bank. No appointment to complete the remaining term of office.

[5] Following his nomination by the European Investment Bank, Martin HEIPERTZ was appointed by the General Meeting on 30 January 2015 to complete the remaining term of office of Katarina KASZASOVÁ, in connection with her appointment as full member on the same date.

[6] Following her nomination by the European Investment Bank, Marjut SANTONI was appointed by the General Meeting on 28 September 2015, effective 1 December 2015, to complete the remaining term of office of Alfonso QUEREJETA, whose resignation took effect on 30 November 2015, in connection with his retirement from the European Investment Bank.

8.3. AUDIT BOARD

CHAIRMAN

Charles BORG[7]	Chief Executive Officer, Bank of Valletta PLC, Malta

MEMBERS

Rudi DRIES[8]	Deputy Head of Unit, Directorate-General IAS.B. European Commission, Belgium
Jacek DOMINIK[9]	Undersecretary of State, Ministry of Finance, Poland

ALTERNATE MEMBER

Gerard SMYTH	Former Secretary and Director of Audit Office, Comptroller and Auditor General, Ireland

[7] Following the nomination by the financial institutions, Charles BORG was appointed by the General Meeting on 30 January 2015 to complete the remaining term of office of Branimir BERKOVIC, who resigned at the end of 2014, in connection with his nomination to another financial entity.

[8] Rudi DRIES was reappointed by the General Meeting on 20 April 2015 as a member of the Audit Board until the Annual General Meeting to be convened to approve the 2017 financial accounts.

[9] Following his nomination by the EIB, Jacek DOMINIK was appointed by the General Meeting on 26 October 2015 to complete the remaining term of office of Bettina JAKOBSEN, following her resignation in May 2015, in connection with her appointment as Member of the European Court of Auditors (ECA).

8.4. EIF MANAGEMENT

From left to right: Jobst NEUSS, Martine LEPERT, José GRINCHO, Maria LEANDER,

Jobst NEUSS
Head of Risk Management

Martine LEPERT
Head of Human Resources

José GRINCHO
Head of Middle, Information and Back Office

Maria LEANDER
Secretary General and Head of Legal

Pier Luigi GILIBERT, Frédérique SCHEPENS, Alessandro TAPPI, John HOLLOWAY, Hubert COTTOGNI

Pier Luigi GILIBERT
Chief Executive

Frédérique SCHEPENS
Head of Finance

Alessandro TAPPI
Head of Guarantees, Securitisation and Microfinance

John HOLLOWAY
Head of Equity Investments

Hubert COTTOGNI
Head of Mandate Management

8.5. AUDIT AND CONTROLS

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

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

In this context, EIF's organisational chart sets out the competences, authorities and reporting lines within EIF, with a view to ensuring segregation of duties both on a horizontal level, through the interaction between front office and back office services, and on a vertical level through central control by 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 whose opinion is requested for each transaction proposed to the Board of Directors, as part of an integrated ex ante risk assessment and ex post risk monitoring under the responsibility of the Executive Management (see sections Legal and Risk Management).

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

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

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

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 Fund for the year ending 31 December 2015 was carried out by the external auditor, KPMG. While performing the audit of the annual accounts, KPMG undertakes to maintain its independence in accordance with the Code of Professional Ethics adopted in Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). KPMG performs its audits in accordance with the International Standards on Auditing (ISA) and is committed to inform EIF of any material weaknesses in the design or implementation of internal control over financial information that come to its attention during the audit of financial statements.

Internal Audit (which is outsourced to EIB Internal Audit) examines and evaluates the relevance, design and effectiveness of the internal control systems and procedures within EIF. To that end, a rolling three-year audit plan covering all key operational activities of EIF is implemented, on the basis of a risk-assessment methodology, in alignment with the ICF. The plan is discussed with the Executive Management and external auditor prior to submission for approval to the Audit

Board. Internal Audit examines all EIF's activities in order to provide reasonable assurance to the Executive Management that EIF is operating properly and efficiently and reports on its findings by means of agreed action plans or recommendations to improve control and working procedures.

The Head of Internal Audit reports annually on the execution of the internal audit programme to 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 quality assurance and improvement programme that covers all aspects of the internal audit activity. Moreover, internal auditors shall comply with the internal policy statements governing their actions.

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

8.6. RISK MANAGEMENT

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.

As of 1 May 2015, the compliance and operational risk assessment functions were integrated into the Risk Management department and a new Corporate Risk division was created. This reorganisation aimed at addressing the rapid developments in the field of EIF's operations and at considering its specific business focus as well as its position as an International Financial Institution and risk finance provider to European SMEs. More specifically, it allowed for a comprehensive view on risk management through a thorough assessment of financial and non-financial risks in a business environment where non-financial, in particular reputational, risk has gained significant importance and become more inter-linked with the risks related to the financial positions of the organisation.

COMPLIANCE

EIF's compliance risk assessment strives to protect the institution against risks which 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) conduct aspects of EIF's compliance risk.

Ensuring the independence of the compliance risk assessment, as a matter of best practice, is a key requirement for any financial institution. In EIF, the principle of independence is included in the EIF Compliance Charter and it materialises through the direct access of the compliance team to the Chief Executive, the Deputy Chief Executive, the Board of Directors and the Audit Board.

With the adoption of the OECD Action Plan on Base Erosion and Profit Shifting (BEPS) by the G20 in October 2015, and of various policy initiatives and actions launched at EU level, the fight against tax evasion and tax avoidance has become a prominent goal. EIF is committed to contribute to the efforts of the International Community in this regard and hence its compliance risk assessment of counterparty structures was enhanced.

CORPORATE AND TRANSACTIONAL RISK MANAGEMENT

The newly established Corporate Risk Management division dedicates its attention to overall corporate risks, including, in particular, operational risk, a newly created focus on mandate risk management and treasury risk. It also takes care of EIF's obligations within the EIB Group's risk reporting and matters relating to Corporate Social Responsibility (CSR).

The Credit Risk Management and Equity Risk Management divisions assess and monitor the financial risks related to EIF guarantee and equity transactions, respectively. In this context, for each transaction an independent risk opinion is issued, which evaluates and rates the financial risk of such transaction and identifies risk mitigants. These risks are monitored on a quarterly basis.

8.7. LEGAL

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

With regard to transactions, in line with increasing business volumes and the strategic goal of achieving performance gains through specialisation, in 2015 the transactions team was split into two divisions, one focused on debt transactions and the other on equity transactions.

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

Legal's proactive approach to identifying and preventing legal risk is a key element in the development and structuring of transactions of varying complexity, as well as in the conception of new products and mandates. Following the conclusion of contracts, Legal provides support in the post-signature management of the existing EIF portfolio. It is also active in maintaining an up-to-date view of the EU legislation that is relevant across the scope of EIF's activities.

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

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

CHAPTER 9
FINANCIAL STATEMENTS 2015

INDEPENDENT AUDITOR'S REPORT

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment by the Audit Board, we have audited the accompanying financial statements of the European Investment Fund (hereafter "the Fund"), which comprise the statement of financial position as at December 31, 2015 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 68 to 115.

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

RESPONSIBILITY OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the European Investment Fund as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Luxembourg, 9 March 2016
KPMG Luxembourg
Société Coopérative
Cabinet de révision agréé

Thierry Ravasio

STATEMENT BY THE AUDIT BOARD

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

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

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

- having studied the financial statements, which comprise the statement of financial position as at December 31, 2015 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 68 to 115 ("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 9 March 2016 drawn up by KPMG Luxembourg, Société Coopérative cabinet de révision agréé,

- noting that this report gives an unqualified opinion on the Financial Statements of EIF for the financial year ending 31 December 2015,

- 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, 9 March 2016

THE AUDIT BOARD

Charles Borg | Jacek Dominik | Rudi Dries

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015 (EXPRESSED IN EUR)

ASSETS	NOTES	31.12.2015	31.12.2014
Cash and cash equivalents	4.1	227 289 731	154 558 973
Available-For-Sale portfolio:			
Debt securities and other fixed income securities	4.2	1 397 108 893	1 465 877 370
Shares and other variable income securities	4.3	345 730 480	314 965 227
		1 742 839 373	1 780 842 597
Loans and receivables	4.4	50 186 759	0
Non-current assets held for sale	4.5	4 458 328	0
Other assets	4.6	157 601 636	104 450 346
Intangible assets	4.7	194 835	295 829
Equipment	4.8	2 097	2 579
Investment property	4.8	0	4 832 478
TOTAL ASSETS		**2 182 572 759**	**2 044 982 802**

LIABILITIES			
Financial liabilities			
Financial guarantees	5.1	13 954 718	12 902 616
Provisions for financial guarantees	5.2	81 571 994	145 853 322
Retirement benefit obligations	5.3	152 195 823	156 855 823
Other liabilities and provisions	5.4	80 591 476	44 719 892
TOTAL LIABILITIES		**328 314 011**	**360 331 653**

EQUITY			
Share capital	5.5		
Subscribed		4 286 000 000	4 161 000 000
Uncalled		(3 428 800 000)	(3 328 800 000)
		857 200 000	832 200 000
Share premium		389 670 117	364 695 201
Statutory reserve	5.6	206 427 382	172 679 724
Retained earnings	5.6	129 496 638	71 023 304
Fair value reserve	5.7	174 104 822	159 683 776
Profit for the financial year		97 359 789	84 369 144
TOTAL EQUITY		**1 854 258 748**	**1 684 651 149**
TOTAL EQUITY AND LIABILITIES		**2 182 572 759**	**2 044 982 802**

The notes on pages 68 to 115 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015 (EXPRESSED IN EUR)

	NOTES	31.12.2015	31.12.2014
Interest and similar income	7.1	25 648 769	28 962 783
Income from investments in shares and other variable income securities		13 164 054	9 053 343
Net gain from financial guarantee operations	7.2	49 560 750	44 944 302
Commission income	7.3	103 136 454	71 455 251
Net gain/(loss) on financial operations	7.4	9 474 214	(30 874)
Net result from financial instruments at fair value through profit or loss	4.3	2 743 378	278 128
Other operating income	7.5	437 378	125 591
General administrative expenses	7.6		
Staff costs:			
- wages and salaries		(38 269 174)	(32 193 653)
- social security and contribution costs		(29 828 904)	(15 571 936)
		(68 098 078)	**(47 765 589)**
Other administrative expenses		(25 321 728)	(18 037 325)
		(93 419 806)	**(65 802 914)**
Depreciation and amortisation	4.7, 4.8	(546 678)	(649 640)
Impairment losses on available-for-sale investments	4.3	(2 788 608)	(3 966 826)
Impairment losses on loans and receivables	4.4	(10 050 116)	0
PROFIT FOR THE FINANCIAL YEAR		**97 359 789**	**84 369 144**
Other comprehensive income			
- Net change in fair value of available-for-sale financial assets		25 909 772	77 619 627
- Net change in fair value of available-for-sale financial assets transferred to profit/(loss)		(11 488 726)	1 407 739
- Re-measurement of defined benefit obligation not reclassified subsequently to profit/(loss)		28 938 000	(72 575 000)
		43 359 046	6 452 366
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**140 718 835**	**90 821 510**

The notes on pages 68 to 115 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015 (EXPRESSED IN EUR)

ATTRIBUTABLE TO EQUITY HOLDERS OF THE FUND

		SUBSCRIBED CAPITAL	CALLABLE CAPITAL	SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVE	RETAINED EARNINGS	FAIR VALUE RESERVE	PROFIT/(LOSS) FOR THE FINANCIAL YEAR	TOTAL EQUITY
BALANCE AS AT 31.12.2013		3 000 000 000	(2 400 000 000)	**600 000 000**	**152 185 703**	**153 696 287**	**130 783 148**	**80 656 410**	**47 458 593**	**1 164 780 141**
TOTAL COMPREHENSIVE INCOME										
Profit/(loss) for the financial year		0	0	0	0	0	0	0	84 369 144	**84 369 144**
Net change in fair value of available-for-sale portfolio	5.7	0	0	0	0	0	0	79 027 366	0	**79 027 366**
Re-measurement of defined benefit obligation	2.1.4, 5.3	0	0	0	0	0	(72 575 000)	0	0	**(72 575 000)**
TRANSACTIONS WITH OWNERS										
Appropriation of profit inc. dividend	5.6	0	0	0	0	18 983 437	12 815 156	0	(47 458 593)	**(15 660 000)**
Share issue	5.5	1 161 000 000	(928 800 000)	232 200 000	212 509 498	0	0	0	0	**444 709 498**
BALANCE AS AT 31.12.2014		4 161 000 000	(3 328 800 000)	**832 200 000**	**364 695 201**	**172 679 724**	**71 023 304**	**159 683 776**	**84 369 144**	**1 684 651 149**
TOTAL COMPREHENSIVE INCOME										
Profit/(loss) for the financial year		0	0	0	0	0	0	0	97 359 789	**97 359 789**
Net change in fair value of available-for-sale portfolio	5.7	0	0	0	0	0	0	14 421 046	0	**14 421 046**
Re-measurement of defined benefit obligation	2.1.4, 5.3	0	0	0	0	0	28 938 000	0	0	**28 938 000**
TRANSACTIONS WITH OWNERS										
Appropriation of profit inc. dividend	5.6	0	0	0	0	33 747 658	29 535 334	0	(84 369 144)	**(21 086 152)**
Share issue	5.5	125 000 000	(100 000 000)	25 000 000	24 974 916	0	0	0	0	**49 974 916**
BALANCE AS AT 31.12.2015		4 286 000 000	(3 428 800 000)	**857 200 000**	**389 670 117**	**206 427 382**	**129 496 638**	**174 104 822**	**97 359 789**	**1 854 258 748**

The notes on pages 68 to 115 are an integral part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015 (IN EUR)

CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	31.12.2015	31.12.2014
Profit for the financial year		97 359 789	84 405 598
Adjustments for:			
Depreciation and amortisation	4.7, 4.8	546 678	649 640
Net result from financial instruments at fair value through profit or loss	4.3	(2 743 378)	(278 128)
Impairment loss on shares and other variable income securities	4.3	2 788 608	3 930 372
Interest income on debt securities and other fixed income securities	7.1	(21 613 721)	(24 751 307)
Impairment loss on loans and receivables	4.4	10 050 116	0
Interest income on loans and receivables	7.1	(295 466)	0
Change in financial guarantees	5.1	1 621 731	(5 921 726)
Net result on sale of shares and other variable income securities	7.4	(9 388 799)	0
Provision for financial guarantees	5.2	(28 766 934)	(13 607 330)
Provision for retirement benefit obligations	5.3	10 240 725	(338 356)
		59 799 349	44 088 763
Change in shares and other variable income securities	4.3	(7 566 483)	(7 860 084)
Financial guarantee calls paid	5.1, 5.2	(36 084 023)	(16 053 718)
Change in other assets and liabilities	4.6, 5.4	3 069 247	1 194 695
		(40 581 259)	(22 719 107)
Net cash from operating activities		**19 218 090**	**21 369 656**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of debt securities and other fixed income securities	4.2	(91 959 338)	(637 972 532)
Proceeds from sale or matured debt securities and other fixed income securities	4.2	138 779 254	141 540 082
Interest received on debt securities and other fixed income securities		37 430 015	20 403 798
Acquisition of loans and receivables	4.4	(60 214 292)	0
Interest received on loans and receivables	4.4	246 175	0
Acquisition of intangible assets and property and equipment	4.7, 4.8	(71 052)	(48 450)
Net cash from investing activities		**24 210 762**	**(476 077 102)**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividend paid		(21 086 152)	(15 660 000)
Capital increase		49 974 916	444 709 498
Cash flows used in financing activities		**28 888 764**	**429 049 498**
Cash and cash equivalents at the beginning of the year	4.1	154 558 973	180 768 509
Effect of exchange rate fluctuations on cash and cash equivalents		413 142	(551 588)
Net cash from			
Operating activities		19 218 090	21 369 656
Investing activities		24 210 762	(476 077 102)
Financing activities		28 888 764	429 049 498
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**227 289 731**	**154 558 973**

The notes on pages 68 to 115 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

2.1 Basis of preparation

2.1.1 Statement of compliance

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

The Fund's financial statements have been authorised for issue by the Board of Directors on 9 March 2016.

2.1.2 Basis of measurement

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

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

2.1.3 Use of estimates and judgments

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

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

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

Judgments and estimates are principally made in the following areas:

- Determination of fair values of equity investments;
- Impairment of available-for-sale equity and debt investments, as disclosed in notes 2.3.1 and 2.3.2;
- Impairment of loans and receivables, as disclosed in note 2.4;
- Determination of provisions and liabilities for financial guarantees;
- Actuaries' assumptions related to the measurement of pension liabilities and post-retirement benefits as described in note 5.3;
- Determination of control over investees as described in note 2.3.4;
- Determination and disclosures of unconsolidated structured entities and investment entities in which the Fund has an interest as described in note 6.

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

2.1.4 Changes in accounting policies and presentation

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

2.1.5 Foreign currency translation

The Euro (EUR) is the functional and presentation currency.

Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the profit or loss or within equity.

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

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

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

2.2 Cash and cash equivalents

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

2.3 Available-For-Sale portfolio

2.3.1 Classification and Measurement

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

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

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

Subsequent measurement

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

Impairment of financial assets

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

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

2.3.2 Shares and other variable income securities

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

a) Fair value measurement:

Private equity (PE) investments are classified as Available-For-Sale and measured at fair value through equity and disclosed in accordance with the fair value hierarchy required by IFRS 13 as described in note 3.6. Given the nature of PE, market prices are often not readily available and in the absence of these, valuation techniques (level 3 according to the fair value hierarchy) are applied.

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

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

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

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

b) Impairment considerations:

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

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

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

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

2.3.3 Debt securities and other fixed income securities

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

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

2.3.4 Interests in joint ventures and associates

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

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

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

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

2.4 Loans and receivables

Classification
These investments 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. They are classified in the "Loans and Receivables" category (hereafter "L&R"). The classification is determined at initial recognition.

Initial recognition and derecognition
Purchases and sales are initially recognised on trade date at fair value plus transaction costs. Fair value corresponds to the consideration paid.

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

Subsequent measurement
The investments are subsequently measured at amortised cost, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Impairment
EIF assesses at each statement of financial position date whether there is any objective evidence of impairment. Impairment losses are recognised only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through the profit or loss.

2.5 Guarantee operations

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

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

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

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

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

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

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

2.6 Other assets

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

2.7 Intangible assets, Equipment and Investment property

2.7.1 Intangible assets

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

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

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

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

2.7.2 Equipment

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

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

Fixtures and Fittings:	3 to 10 years
Office Equipment:	3 to 5 years
Computer Equipment and Vehicles:	3 years

2.7.3 Investment property

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

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

Buildings:	30 years

2.7.4 Non-current assets held for sale

Non-current assets classified as held for sale include assets reclassified from investment property for which the sale is highly probable and the asset is available for immediate sale in its current condition. They are classified as held for sale as their carrying amount will be recovered through a sale transaction rather than through continuing use and are measured at the lower of carrying amount and fair value less costs to sell.

2.7.5 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.

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

2.10 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 investment in shares and other variable income securities

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

2.12 Net result from guarantee operations

Net result from guarantee operations includes:

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

2.13 Commission income

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

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

2.14 Leases

The leases entered into by the EIF as a lessee or a lessor are operating leases under which all the risks and benefits of ownership are effectively retained by the lessor. Payments or receipts made under operating leases are recognised in the profit or loss in other administrative expenses or other operating income on a straight-line basis over the period of the lease.

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

2.15 New standards and interpretations not yet adopted

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

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

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

- IFRS 15 – Revenue from contracts with customers:
  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This standard will replace existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 will be effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The date of the adoption of this standard by the Fund will also be dependent on the timing of the EU endorsement process.

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

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction

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

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:

EUR

31.12.2015	LOANS AND RECEIVABLE	FAIR VALUE THROUGH PROFIT AND LOSS	AVAILABLE FOR SALE	FINANCIAL GUARANTEES	TOTAL
Cash and cash equivalents	227 289 731	0	0	0	227 289 731
Available-For-Sale portfolio:					
Debt securities and other fixed income securities	0	0	1 397 108 893	0	1 397 108 893
Shares and other variable income securities	0	7 517 545	338 212 935	0	345 730 480
Loans and receivables	50 186 759	0	0	0	50 186 759
Total Financial Assets	277 476 490	7 517 545	1 735 321 828	0	2 020 315 863
Financial liabilities					
Financial guarantees	0	0	0	13 954 718	13 954 718
TOTAL FINANCIAL LIABILITIES	0	0	0	13 954 718	13 954 718

EUR

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

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

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

3.1.1.2 Liquidity Risk

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

3.1.1.3 Market Risk

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

Market risk - Currency risk

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

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

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

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

EUR

At 31.12.2015	EUR	POUND STERLING	US DOLLARS	OTHER CURRENCIES	SUB TOTAL EXCEPT EUR	TOTAL
Cash and cash equivalents	222 805 469	4 134 963	189 812	159 487	4 484 262	227 289 731
Available-For-Sale portfolio:						
Debt securities and other fixed income securities	1 397 108 893	0	0	0	0	1 397 108 893
Shares and other variable income securities	242 429 995	67 351 930	8 560 670	27 387 885	103 300 485	345 730 480
Loans and receivables	50 186 758	0	0	1	1	50 186 759
Total assets	1 912 531 115	71 486 893	8 750 482	27 547 373	107 784 748	2 020 315 863
Financial liabilities						
Financial guarantees	8 774 022	4 267 741	0	912 955	5 180 696	13 954 718
Total liabilities	8 774 022	4 267 741	0	912 955	5 180 696	13 954 718
Foreign currencies in % of net assets		4.0%	0.5%	1.6%	6.1%	
Net commitments to private equity	387 445 806	99 747 452	14 741 226	24 778 650	139 267 328	526 713 134
Guarantees' exposure at risk	2 928 890 036	307 053 030	0	274 923 870	581 976 900	3 510 866 936
TOTAL OFF BALANCE SHEET	3 316 335 842	406 800 482	14 741 226	299 702 520	721 244 228	4 037 580 070

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

"Other assets" and "Other liabilities and provisions" are denominated in EUR (for more details please see note 4.6 and 5.4).

Market risk – Interest rate risk

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

Market risk – Other price risk

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

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

3.2 Private Equity ("PE")

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 of PE assets, to monitor its evolution and consistency with the EIF's objectives and to propose corrective actions in case of divergence.

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

3.2.1.1 Portfolio Design Process

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

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

3.2.1.2 Investment Process

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

3.2.1.3 Monitoring Process

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

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

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

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

The grades are defined as follows:

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

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

3.2.2 Credit risk

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

3.2.3 *Liquidity risk*

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

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

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

VINTAGE YEAR DIVERSIFICATION OF THE EIF OWN RISK PE PORTFOLIO

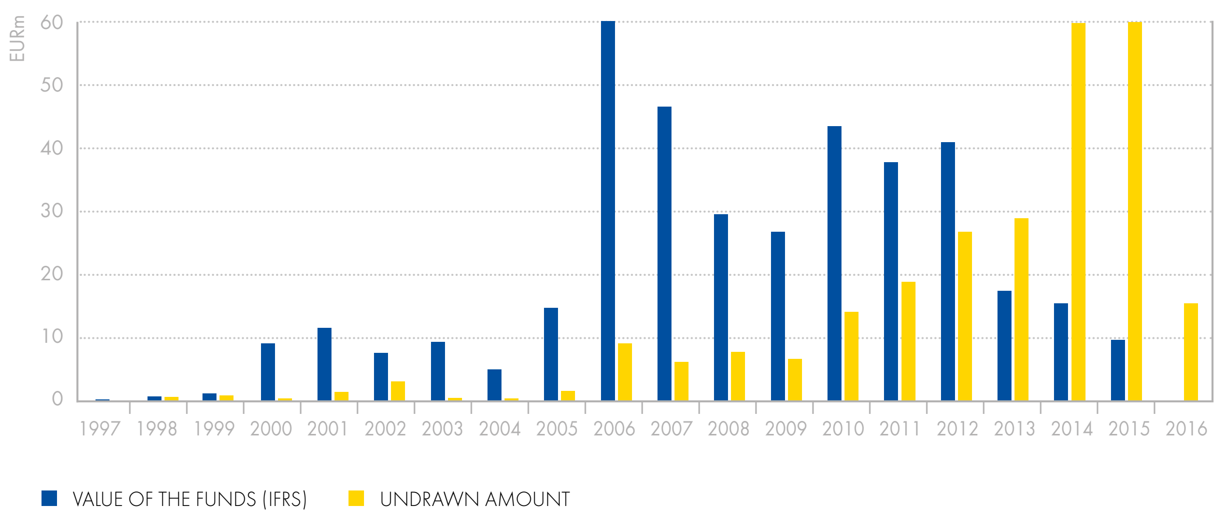


TABLE 1: UNDRAWN COMMITMENTS OF THE EIF OWN RISK PE PORTFOLIO; SPLIT BY TIME REMAINING TO THE END OF THE CONTRACTUAL LIFETIME* OF THE INVESTEE FUNDS

EUR

PRIVATE EQUITY	NOT MORE THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
As of 31.12.2015	3 077 671	815 510	16 558 759	243 413 322	263 865 262
As of 31.12.2014	20 072 051	1 375 256	13 369 955	195 087 022	229 904 284

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

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

EURm

	CAPITAL CALLS	REFLOWS
2015	65.7	80.1
2014	52.1	46.2

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

3.2.4 Market risk

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

3.2.4.1 Equity risk

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

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

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

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

PUBLIC MARKET RISK: ALL PRIVATE EQUITY

EUR

	+10% RETAINED BETA 0.7 FINAL SENSITIVITY: +7%			-10% RETAINED BETA 0.7 FINAL SENSITIVITY: -7%		
	Profit & loss account	Equity (Fair value reserve)	Total effect on equity	Profit & loss account	Equity (Fair value reserve)	Total effect on equity
31.12.2015	868 676	22 843 088	23 711 764	(3 950 856)	(19 760 908)	(23 711 764)

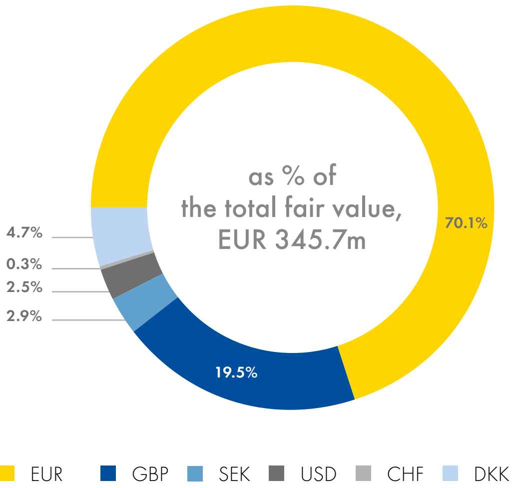
EUR

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

3.2.4.2 *Foreign currency risk*

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

FOREIGN CURRENCY RISK



For 2015, changes due to foreign exchange rates for shares and other variable income amount to EUR 3 042 404, of which EUR 2 866 159 has been posted to the fair value reserve (2014: respectively EUR 3 450 297 and EUR 3 405 080) and EUR 176 245 has been transferred to the Statement of comprehensive income following the recognition of impairment on the PE portfolio at year end (2014: EUR 45 217).

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

FOREIGN EXCHANGE RATE RISK IN EUR

	GBP INCREASE OF 15% VS. EUR	GBP DECREASE OF 15% VS. EUR
	Impact in EUR	Impact in EUR
31.12.2015	10 085 847	(10 085 847)
31.12.2014	10 997 147	(8 128 326)

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

3.2.5 Idiosyncratic risks

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

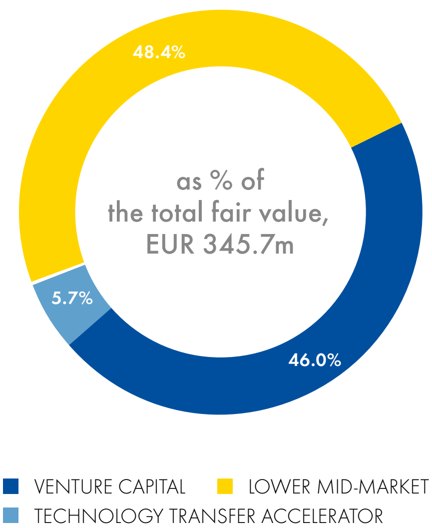
3.2.5.1 Strategy risk

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

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

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

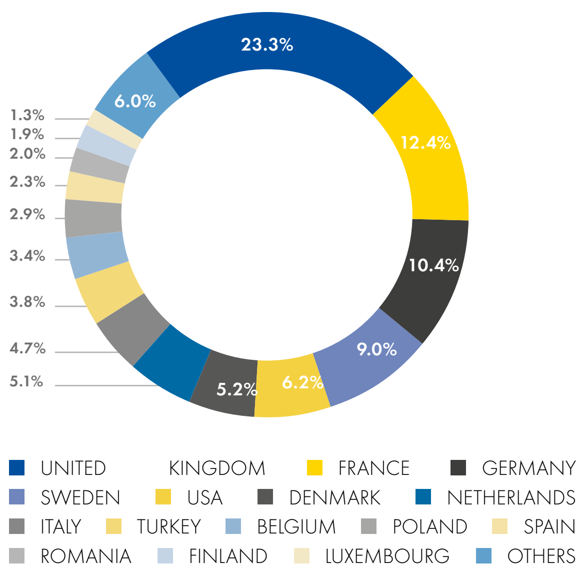
EIF OWN RISK PE PORTFOLIO:
FAIR VALUE SPLIT BY INVESTMENT STRATEGY



3.2.5.2 Geographic risk

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

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



3.2.5.3 Fund risk

Fund risk refers to the risk of over / under performance due to factors linked to a specific PE fund in a portfolio (e.g.: the departure of a key executive from the management team of a fund). As shown below the EIF Own Risk PE portfolio is well diversified across a large number of funds. The largest fund in the EIF's portfolio represents 2.7% of the portfolio fair value (2014: 2.6%) and the largest 10 funds represent in aggregate 19.4% (2014: 19.8%).

3.2.5.4 Sector risk

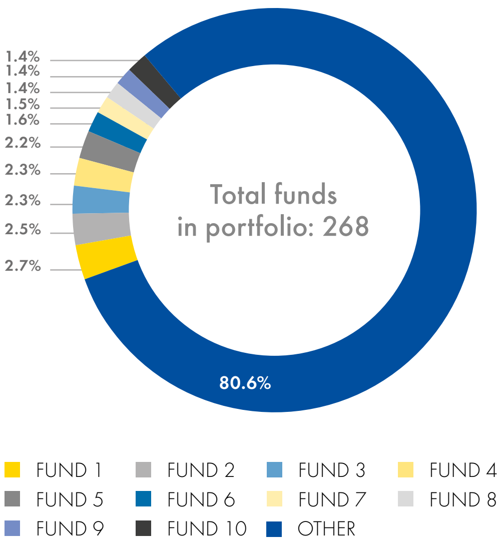
Sector risk is defined as the risk resulting from under/over weighting a specific sector. The largest sector exposure (excluding Generalist) of the EIF Own Risk PE portfolio is to the Information Technology and Life science sectors. Such exposure is by design and is the result of the portfolio allocation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

3.2.5.5 Technology risk

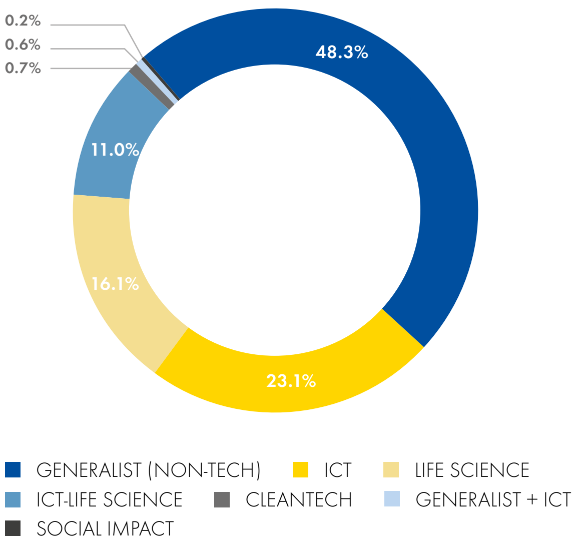
PE funds investing in Venture Capital and Technology Transfer are significantly affected by technology risk, defined as the risk of successfully developing and commercialising a new technology. The earlier the stage of investment is, the higher the technology risk is. Due to its often binary nature, 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 46.1m (2014: 34.8m) and represented 13.7% of the fair value of the EIF's portfolio (2014: 11.6%).

EIF OWN RISK PE PORTFOLIO:
LARGEST PE FUNDS IN PORTFOLIO



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



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

3.3.1 Introduction

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

3.3.1.1 Initial risk assessment

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

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

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

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

3.3.1.2 On-going risk monitoring

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

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

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

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

EUR

TRANSACTION STATUS	31.12.2015		31.12.2014	
Defaulted	48 289 810	1.4%	108 953 111	3.5%
Negative outlook	0	0.0%	82 734 515	2.7%
Under review	228 195 761	6.5%	223 431 848	7.2%
Performing	3 234 381 365	92.2%	2 706 112 506	86.7%
Positive outlook	0	0.0%	0	0%
TOTAL EXPOSURE AT RISK	3 510 866 936	100.0%	3 121 231 980	100%

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

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

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

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

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

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

3.3.2 Credit risk

The maximum principal exposure to credit risk (not including possible guarantee calls on interest shortfalls or foreign currency fluctuations) corresponds to the exposure at risk as of 31 December 2015 of EUR 3 510.9 m (2014: EUR 3 121.2 m).

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 own risk guarantees to three times the subscribed capital, which amounted to EUR 4 286 m at end 2015. Hence, the EUR 3 510.9 m exposure at risk at end 2015 was below the statutory limit of EUR 12 858 m.

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

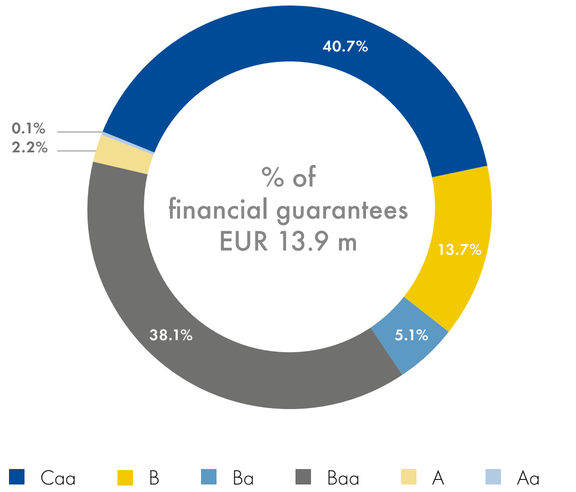
The credit risk is tracked from the outset on a deal-by deal basis by adopting a different model analysis depending on the granularity and homogeneity of the underlying portfolio.

3.3.2.1 Geographic Coverage

As of 31 December 2015, the EIF's financial guarantees were spread over 22 countries (2014: 18 countries).

The table below shows the geographic distribution of the EIF's financial guarantees (EUR 14 m as of 31 December 2015) showing that the largest weight is to the United Kingdom (30.6%), followed by Portugal (20.4%), Spain (13.3%),and Italy (10.7%):

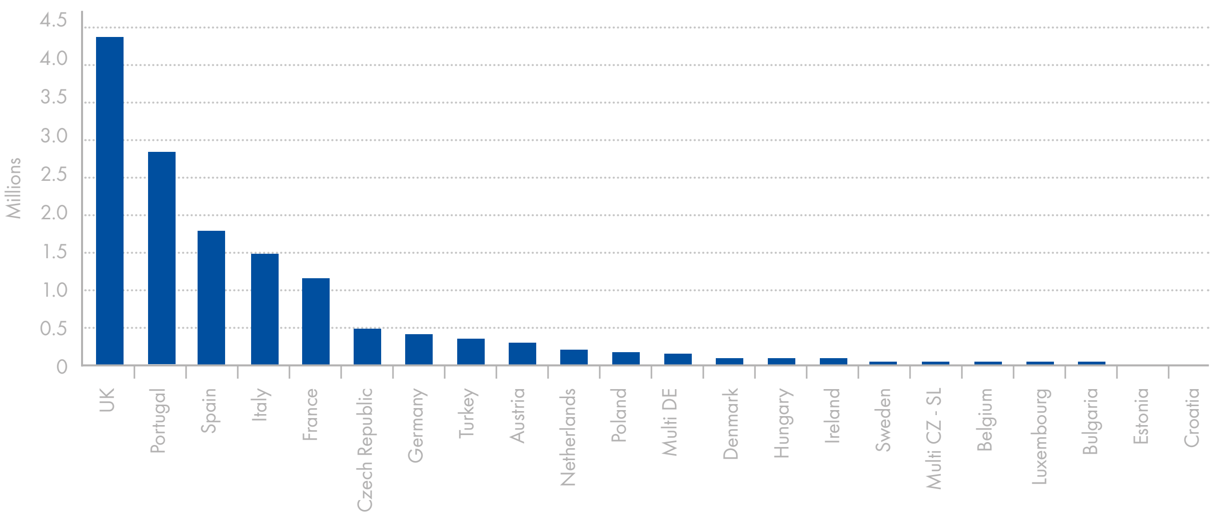
The below table shows the split of the financial guarantees in terms of credit quality (based on the EIF's retained rating approach) as of 31 December 2015:



3.3.2.2 Concentration risk

To limit the concentration risk in the portfolio, the EIF has internal limits based on capital allocation at both individual transaction and originator level (maximum

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



aggregate exposures for originators and originator groups). Furthermore, the EIF has introduced transaction and originator group. 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.

3.3.2.3 *Industry sector exposures*

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

3.3.2.4 *Counterparty risk*

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

3.3.3 Liquidity risk

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

The following table shows an analysis of the financial guarantees (EUR 14 m as of 31 December 2015) split by the expected maturity dates of the transactions to which they are related:

EUR

EXPECTED MATURITY OF GUARANTEE

FINANCIAL LIABILITY	NOT MORE THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
As of 31.12.2015	6 571	1 993 713	646 854	11 307 580	13 954 718
As of 31.12.2014	1 003	8 172 669	2 471 810	2 257 134	12 902 616

3.3.4 Market risk

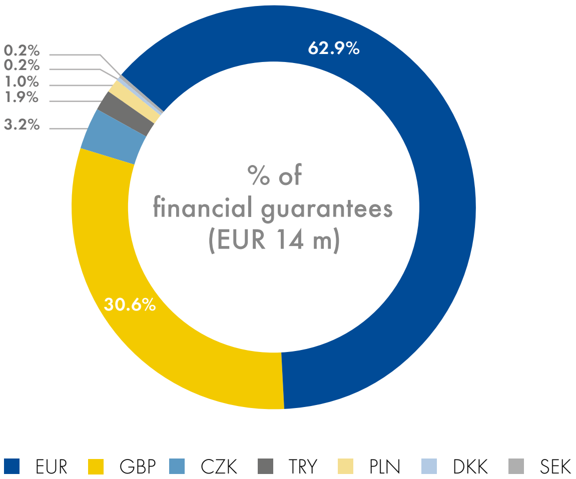
3.3.4.1 *Market risk: Interest rate risk*

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 measured as financial guarantees (EUR 14 m as of 31 December 2015) is as follows:

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



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

in EUR

Currency	Financial liability	Impact increase	Impact decrease
GBP	4 267 741	(556 662)	753 131
CZK	452 103	(58 970)	79 783
TRY	267 479	(34 889)	47 202
PLN	136 307	(17 779)	24 054
DKK	28 900	(3 770)	5 100
SEK	28 163	(3 673)	4 970

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

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

3.4 Debt securities and other fixed income securities

3.4.1 Introduction

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

Additionally, the Asset & Liquidity Committee ("ALC") analyse liquidity issues of strategic relevance with the objective of maintaining the balance between risk and return objectives. The ALC advise on the management of the EIF Treasury Portfolio entrusted to the EIB for management, and the EIF Discretionary Portfolio, approved by the Board of Directors in December 2015 and managed by EIF.

3.4.2 Portfolio overview

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

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

The EIF does not borrow funds.

EUR

	31.12.2015	31.12.2014
Current accounts	138 400 478	100 956 423
Money market instruments and short term securities	88 889 253	53 602 550
Available for sale portfolio	1 397 108 893	1 465 877 370
TOTAL TREASURY PORTFOLIO	1 624 398 624	1 620 436 343

3.4.3 Credit risk

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

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

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

EUR

	MAXIMUM EXPOSURE 2015	MAXIMUM EXPOSURE 2014
Cash and cash equivalents	227 289 731	154 558 973
Debt securities and other fixed income securities	1 397 108 893	1 465 877 370
TOTAL CREDIT RISK EXPOSURE	1 624 398 624	1 620 436 343

The following table outlines the credit quality of the Fund's debt securities and other fixed income securities as of 31 December 2015 and 2014, based on external ratings.

AFS - DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES	31.12.2015		31.12.2014	
MINIMUM ISSUE RATING	FAIR VALUE IN EUR	%	FAIR VALUE IN EUR	%
Aaa	316 626 728	22.65%	347 192 150	23.68%
Aa1	97 229 482	6.96%	96 261 282	6.57%
Aa2	184 243 919	13.19%	210 295 063	14.35%
Aa3	113 751 054	8.14%	82 240 319	5.61%
A1	189 256 752	13.55%	108 350 274	7.39%
A2	186 768 524	13.37%	223 938 754	15.28%
A3	66 217 946	4.74%	122 701 420	8.37%
Baa1	74 567 449	5.34%	36 056 095	2.46%
Baa2	126 967 527	9.09%	196 260 295	13.39%
Baa3	0	0.00%	0	0.00%
Ba1	22 106 481	1.58%	22 365 992	1.53%
Ba3	0	0.00%	0	0.00%
Unrated	19 373 031	1.39%	20 215 726	1.38%
TOTAL	1 397 108 893	100.00%	1 465 877 370	100.00%

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

EUR

FAIR VALUE	31.12.2015	31.12.2014
EU sovereigns		
Italy	126 967 529	143 264 860
Ireland	17 103 725	82 876 529
Austria	68 106 431	69 526 387
Spain	52 610 310	52 995 434
Slovakia	49 768 323	50 366 909
European Union	45 276 742	45 594 764
Poland	34 226 653	34 898 188
Germany	34 178 812	34 533 897
France	25 656 510	25 791 248
Portugal	22 106 481	22 365 992
Greece	19 373 031	20 215 726
Luxembourg	17 304 737	17 373 722
Lithuania	14 887 567	15 288 888
Czech Republic	11 459 872	11 874 449
Slovenia	11 115 823	11 235 344
	550 142 546	638 202 337
Corporate bonds and non EU sovereign	846 966 347	827 675 033
TOTAL	1 397 108 893	1 465 877 370

As of 31 December 2015, the EIF's AFS debt securities portfolio was spread over 28 countries. The greatest individual country exposures were Germany, France, Italy, the Netherlands and Austria, which jointly accounted for 48 % of total nominal value.

3.4.4 Liquidity risk

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

The treasury funds are available and sufficient to meet the Fund's liquidity needs and the treasury guidelines are designed to ensure funds are available when needed. The guidelines also prescribe the order in which investments would be utilised to meet exceptional liquidity requirements, starting with cash, highly liquid money market instruments, then the regular maturities of longer investments as well as the option to sell securities or use them as collateral to generate liquidity if appropriate.

3.4.5 Market risk – interest rate risk

In nominal terms approximately 84.04 % of all assets held have a duration of 5 years or less (2014: 66.44 %).

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

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

EUR

AT 31.12.2015	FIXED RATE				TOTAL
	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	
Cash and cash equivalents	227 289 731	0	0	0	227 289 731
AFS - Debt securities and other fixed income securities	10 365 514	103 890 242	1 021 020 620	261 832 517	1 397 108 893
TOTAL	237 655 245	103 890 242	1 021 020 620	261 832 517	1 624 398 624
Percentage	14.6%	6.5%	62.8%	16.1%	100.0%

EUR

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

The average yield at cost of the Operational Portfolio was -0.2 % at 31 December 2015 (2014: 0.0 %). The average yield at cost on the AFS securities portfolio in EUR was 1.5 % at 31 December 2015 (2014: 1.7 %).

Sensitivity of earnings

The sensitivity of earnings is an estimate of the change over the next 12 months in the earnings of the EIF treasury portfolio managed by the EIB if all interest rate curves rise by one percentage point or fall by one percentage point. The sensitivity measure is computed by taking into consideration the coupon repricings of all the positions present in the EIF treasury portfolio on a deal by deal basis. Each fixed rate asset is assumed to be reinvested at maturity in a new asset with the same residual life as the previous one as of 31 December 2014. For the positions in place as of 31 December 2015, the earnings of the EIF treasury portfolio would increase by EUR 0.4m (2014: EUR 1.0m) 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 2015, the Value at Risk of the EIF treasury portfolio was EUR 7.0 m (EUR 1.4 m in 2014). 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.

3.5 Fair value of financial assets and financial liabilities

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.

On 30 January 2015 and by written procedure, the General Meeting of Shareholders had approved the implementation of direct investments in SME-focused asset-backed securities ("ABS Investments"). The ABS Investments would 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.

According to the decision taken by the Shareholders, ABS Investments with EIF's own resources decided to allocate a maximum amount of EUR 200m with an individual ABS Investment limited to EUR 50m.

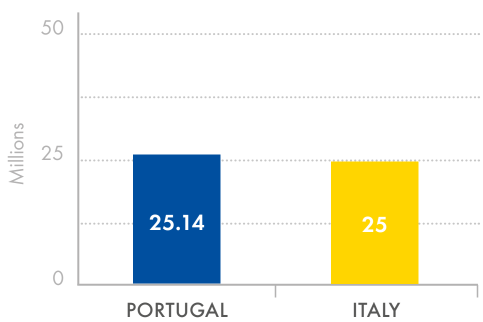
3.5.1 Risk assessment and on-going risk monitoring

EIF's loans and receivables 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).

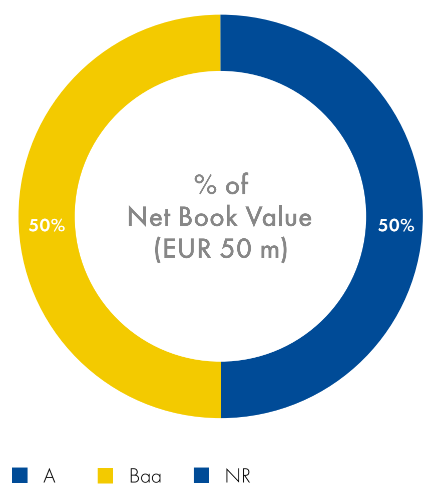
TRANSACTION STATUS	31.12.2015		31.12.2014	
	EUR	%	EUR	%
Negative outlook	10 073 874	17%	0	0%
Performing	50 137 468	83%	0	0%
TOTAL EXPOSURE AT RISK	60 211 342	100%	0	0%

3.5.2 Credit risk

Loans and receivables are exposed to credit risk by way of downgrade and default risk. EIF manages this risk 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).



As at December 31, 2015, one transaction with negative outlook was fully impaired. Additional details are given in note 4.4.



3.5.3 Liquidity risk

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

3.5.4 Market Risk

3.5.4.1. Market risk - Interest rate risk

Loans and receivables are debt securities with either a variable interest rate plus a quoted spread or that pay a fixed coupon. Floating rate securities carry little interest rate risk as its duration is close to zero, 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 loans and receivables portfolio based on repricing dates as follows:

EUR

31.12.2015	NOT MORE THAN 3 MONTHS	3 MONTHS TO 1 YEAR	TOTAL
Loans and receivables	25 137 468	25 049 291	50 186 759
TOTAL	25 137 468	25 049 291	50 186 759

3.5.4.2. Market risk - Currency risk

EIF's loans and receivables are invested in EUR and in DKK. As at 31 December 2015, the investment in DKK is fully impaired, thus EIF is not exposed to foreign exchange risk.

3.6 Fair value of financial assets and financial liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the EIF measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 2.3.2.

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

PE is an appraised asset class, valued not by the consensus of many market players in an active and efficient market but by a few experts, normally the fund managers who value each investment based on their views of the investment's earnings potential and/or comparisons with other investments and in accordance with customary industry valuation guidelines.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

EUR

AT 31.12.2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Debt securities and other fixed income securities				
Financial investments - AFS	1 377 735 862	19 373 031	0	1 397 108 893
Shares and other variable income securities				
Financial investments - AFS	0	0	338 212 935	338 212 935
Financial assets designated at fair value through P&L	0	0	7 517 545	7 517 545
Loans and receivables	0	0	50 186 759	50 186 759
	1 377 735 862	19 373 031	395 917 239	1 793 026 132

EUR

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

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

Details of the movements of financial assets in 2015 are given in notes 4.2, 4.3 and 4.4.

There was no transfer of financial assets between Level 1 and Level 3 in 2015 or 2014.

4 DETAILED DISCLOSURES RELATING TO ASSET HEADINGS

4.1 Cash and cash equivalents

The effective interest rate on short-term bank deposits is -0.16 % (2014: 0.03 %). These deposits have an average remaining maturity of 5 days (2014: 13 days).

		EUR
	31.12.2015	31.12.2014
Current accounts	138 400 478	100 956 423
Money market instruments	88 889 253	53 602 550
	227 289 731	154 558 973

4.2 Debt securities and other fixed income securities

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

		EUR
	31.12.2015	31.12.2014
Available-for-Sale portfolio	1 379 894 469	1 446 197 964
Accrued interest on Available-for-Sale portfolio	17 214 424	19 679 406
	1 397 108 893	1 465 877 370

Movement in debt securities and other fixed income securities:		EUR
	2015	2014
CARRYING AMOUNT AT 1 JANUARY	1 465 877 370	929 375 811
Additions	91 959 338	637 972 532
Disposals/ matured	(138 779 254)	(141 540 082)
Effective interest rate adjustment	(13 351 312)	(5 238)
Change in Fair value reserve	(8 597 249)	40 074 347
CARRYING AMOUNT AT 31 DECEMBER	1 397 108 893	1 465 877 370

The total fair value reserve recognised in equity at the end of 2015 and attributable to debt securities and other fixed income securities is EUR 53 067 944 (2014: EUR 61 665 192). No impairment was recorded on the portfolio in either 2015 or 2014.

4.3 Shares and other variable income securities

Shares and other variable income securities are analysed as follows:

EUR

	2015	2015 OF WHICH LEVEL 3
Investment at cost at 1 January	277 599 357	276 421 506
Disbursements	65 665 832	65 665 832
Capital repayments	(50 869 007)	(50 869 007)
Terminated deals	(7 230 342)	(6 052 491)
Transferred to other assets due to earn out transactions	(5 240)	(5 240)
Transferred to other assets due to secondary sale transactions	(21 946 832)	(21 946 832)
INVESTMENT AT COST AT 31 DECEMBER	263 213 768	263 213 768
Fair value adjustment and foreign exchange adjustment at 1 January	37 365 870	38 522 832
Adjustments to fair value reserve during the financial year		
- Increase in fair value for non impaired funds	32 317 189	32 317 189
- Increase in fair value for funds previously impaired	2 189 831	2 189 831
- Transfer of fair value reserve due to 2015 events		
- for funds newly impaired	1 116 661	1 116 661
- for funds terminated	(79 440)	(79 440)
- for funds earned out	(1 296 967)	(318 475)
- for funds included in a secondary sale transaction	(11 228 979)	(11 228 979)
	23 018 295	23 996 787
Terminated transactions - cumulated impairment losses until derecognition	8 258 848	6 123 394
Secondary sale transactions - cumulated impairment losses until derecognition	13 918 929	13 918 929
Impairment losses	(2 788 608)	(2 788 608)
Changes in fair value through profit or loss	2 743 378	2 743 378
VALUE ADJUSTMENT AND FOREIGN EXCHANGE ADJUSTMENT AT 31 DECEMBER	82 516 712	82 516 712
CARRYING AMOUNT AT 31 DECEMBER	345 730 480	345 730 480

	2014	EUR 2014 OF WHICH LEVEL 3
Investment at cost at 1 January	271 723 471	269 287 146
Disbursements	52 069 819	52 069 819
Capital repayments	(42 315 088)	(41 056 614)
Terminated deals	(1 894 637)	(1 894 637)
Transferred to other assets due to earn out transactions	(1 984 208)	(1 984 208)
INVESTMENT AT COST AT 31 DECEMBER	277 599 357	276 421 506
Fair value adjustment and foreign exchange adjustment at 1 January	(1 728 617)	(178 783)
Adjustements to fair value reserve during the financial year		
- Increase in fair value for non impaired funds	34 768 892	34 376 020
- Increase in fair value for funds previously impaired	2 851 056	2 851 056
- Transfer of fair value reserve due to 2015 events		
- for funds newly impaired	1 407 739	1 407 739
- for fund terminated	(74 666)	(74 666)
	38 953 021	38 560 149
Terminated transactions - cumulated impairment losses until derecognition	1 920 259	1 920 259
Earn out transactions - cumulated impairment losses until derecognition	1 983 652	1 983 652
Impairment losses	(4 040 573)	(4 040 573)
Changes in fair value through profit or loss	278 128	278 128
VALUE ADJUSTMENT AND FOREIGN EXCHANGE ADJUSTMENT AT 31 DECEMBER	37 365 870	38 522 832
CARRYING AMOUNT AT 31 DECEMBER	**314 965 227**	**314 944 338**

In 2015, earn-out agreements were signed for the disposal of 2 transactions (2014: 2 transactions). Consequently the net book value of these transactions was transferred out of the shares and other variable income securities and booked as receivables in other assets. Additional losses of EUR 0 were booked as impairment upon transfer (2014: EUR 0).

Investments belonging to Category C, which are valued at cost less impairment in the absence of additional compliant data at reporting date have zero value at the end of 2015 (2014: EUR 5 440 834).

The fair value as of 31 December 2015 includes an amount of EUR 2 866 159 (2014: EUR 3 405 080) related to investment in joint ventures.

4.4 Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

EUR

	31.12.2015	31.12.2014
Loans and Receivables portfolio	50 137 468	0
Accrued interest on Loans and Receivables portfolio	49 291	0
	50 186 759	0

Movement in loans and receivables:

EUR

	2015	2014
Investment at cost at 1 January	0	0
Additions	60 214 292	0
Accrued interest on Loans and Receivables portfolio	49 291	0
Effective interest rate adjustment	(2 949)	0
Impairment	(10 050 116)	0
Foreign exchange impact	(23 759)	0
INVESTMENT AT COST AT 31 DECEMBER	50 186 759	0

Pursuant to the payment of a guarantee call amounting to EUR 35m in relation with one credit institution included in the transaction ScandiNotes and the utilisation of the provision for financial guarantee, the EIF decided to substitute its remaining exposure to that credit institution by subscribing to a contingent convertible bond issued for a total amount of DKK 75m. Despite the issuance of such bond, the financial situation of the bank did not improve and as at 31 December 2015 after having made its impairment review, the EIF decided to fully impair its exposure.

4.5 Non-current assets held for sale

The assets concerned related to a building that is held for sale at a carrying value of EUR 4 458 328 which is lower than the fair value less cost to sell.

On 27 January 2016, such building was sold for a sale price amounting to EUR 6.8m resulting in a net realised gain of EUR 2.4m.

4.6 Other assets

Other assets are made up of the following:

EUR

	31.12.2015	31.12.2014
Accounts receivable relating to pensions managed by the EIB	95 014 178	77 738 666
Advanced payments	1 547	274 974
Accrued commission & other income	47 480 776	20 495 389
Fees receivable on financial guarantees	4 149 003	2 895 979
Receivables from secondary sales transactions	5 649 641	0
Receivables from earn-out agreements	662 037	608 908
Other debtors	4 644 454	2 436 430
	157 601 636	104 450 346

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

As shown in notes 4.3 and 7.4, EIF disposed of 15 funds in a secondary sale transaction. In accordance with the sale agreement, a portion of the sale price is deferred and an amount of EUR 5.6 million is therefore recognised as receivable.

The following table discloses the ageing of other assets:

EUR

			PAST DUE BUT NOT IMPAIRED		
	TOTAL	NEITHER PAST DUE NOR IMPAIRED	0-6 MONTHS	6-12 MONTHS	> 12 MONTHS
2015	157 601 636	157 559 006	6 633	1 126	34 871
2014	104 450 346	104 409 080	1 619	1 973	37 674

4.7 Intangible assets

EUR

	INTERNALLY GENERATED SOFTWARE	PURCHASED SOFTWARE	TOTAL
Cost	5 533 818	251 578	5 785 396
Accumulated amortisation	(5 011 431)	(251 578)	(5 263 009)
Carrying amount at 01.01.2014	522 387	0	522 387
Opening carrying amount	522 387	0	522 387
Additions	48 450	0	48 450
Amortisation charge	(275 008)	0	(275 008)
Carrying amount at 31.12.2014	295 829	0	295 829
Cost	5 582 268	251 578	5 833 846
Accumulated amortisation	(5 286 439)	(251 578)	(5 538 017)
Carrying amount at 01.01.2015	295 829	0	295 829
Opening carrying amount	295 829	0	295 829
Additions	71 052	0	71 052
Amortisation charge	(172 046)	0	(172 046)
Carrying amount at 31.12.2015	194 835	0	194 835
31.12.2015			
Cost	5 653 320	251 578	5 904 898
Accumulated amortisation	(5 458 485)	(251 578)	(5 710 063)
Carrying amount	194 835	0	194 835

There were no indications of impairment of intangible assets in either 2015 or 2014.

4.8 Equipment and investment property

EUR

	INVESTMENT PROPERTY	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	TOTAL EQUIPMENT
Cost	7 139 812	202 401	818 355	1 020 756
Accumulated depreciation	(1 933 183)	(199 341)	(818 355)	(1 017 696)
Carrying amount at 01.01.2014	5 206 629	3 060	0	3 060
Opening carrying amount	5 206 629	3 060	0	3 060
Depreciation charge	(374 151)	(481)	0	(481)
Carrying amount at 31.12.2014	4 832 478	2 579	0	2 579
Cost	7 139 812	202 401	818 355	1 020 756
Accumulated depreciation	(2 307 334)	(199 822)	(818 355)	(1 018 177)
Carrying amount at 01.01.2015	4 832 478	2 579	0	2 579
Opening carrying amount	4 832 478	2 579	0	2 579
Depreciation charge	(374 150)	(482)	0	(482)
Transfer to non-current assets held for sale	(4 458 328)	0	0	0
Carrying amount 31.12.2015	0	2 097	0	2 097
31.12.2015				
Cost	0	202 401	818 355	1 020 756
Accumulated depreciation	0	(200 304)	(818 355)	(1 018 659)
Carrying amount	0	2 097	0	2 097

There were no indications of impairment of equipment or investment property in either 2015 or 2014.
For additional details on the transfer of investment property to non-current assets held for sale, please refer to note 4.5.

5. DETAILED DISCLOSURES RELATING TO LIABILITIES AND EQUITY HEADINGS

5.1 Financial liabilities

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

EUR

	2015	2014
Balance at the beginning of the financial year	12 902 616	20 309 374
Guarantee calls	(569 629)	0
Net increase/decrease in financial guarantees	715 499	(1 708 720)
Remeasurement of the liability due to rating changes	906 232	(4 213 006)
Transfer to provision for guarantees	0	(1 485 032)
BALANCE AT THE END OF THE FINANCIAL YEAR	13 954 718	12 902 616

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

5.2 Provisions for financial guarantees

EUR

	2015	2014
Balance at 1 January	145 853 322	177 087 198
Transfer from financial guarantees	0	1 485 032
Additions	100 143	9 982 150
Utilised	(35 514 394)	(16 053 718)
Release of provision	(28 867 077)	(26 647 340)
BALANCE AT 31 DECEMBER	81 571 994	145 853 322

The total movement of provisions for financial guarantees for 2015 includes guarantee calls of EUR 35.5m as well as a release of provision of EUR 20m on ScandiNotes.

5.3 Retirement benefit obligations

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

EUR

RETIREMENT BENEFIT OBLIGATIONS	31.12.2015	31.12.2014
Pension scheme	133 253 823	135 969 786
Health insurance scheme	18 942 000	20 886 037
	152 195 823	156 855 823

Commitments in respect of retirement benefits as of 31 December, 2015 have been valued by an independent actuary. The calculations are based on the following main assumptions:

PRINCIPAL ASSUMPTIONS	2015	2014
Discount rate for obligations	3.91%	3.14%
Rate of future compensation increases	4.50%	4.50%
Rate of pension increases	2.00%	2%
Actuarial tables	ICSLT	ICSLT

The discount rate is based on internal assumptions and on a market observable index, which are the iBoxx EUR Corporates AA 7-10 years index and the iBoxx EUR Corporates AA 10 years+ index. The first index is a composite of 8 financial bonds and 19 non-financial bonds (2014: 10 financials, 14 non-financial) and the second index is a composite of 7 financial bonds and 21 non-financial bonds (2014: 4 financials, 18 non-financial). As at December 2015, the indexes amounted respectively to 1.39% and 2.03% (2014: 0.91% and 1.49%).

The defined benefit obligation for pensions as valued in the independent actuary report dated February 2016 amounts to EUR 133 253 823 (2014: EUR 135 969 786). As of December 2015 the Fund allocated EUR 73 763 575 (2014: EUR 60 768 406) to pension assets.

EUR

AMOUNTS RECOGNISED IN COMPREHENSIVE INCOME AS AT 31.12.2015	EIF PENSION	HEALTH INSURANCE	TOTAL 2015
Current net service cost	10 795 000	3 252 000	14 047 000
Net interest cost	4 477 000	706 000	5 183 000
Net benefit expense recognised in profit or loss	15 272 000	3 958 000	19 230 000
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	10 120 000	(1 326 000)	8 794 000
Loss due to assumption changes	(33 181 000)	(4 551 000)	(37 732 000)
Defined benefit obligation recognised in other comprehensive income	(23 061 000)	(5 877 000)	(28 938 000)
TOTAL	(7 789 000)	(1 919 000)	(9 708 000)

EUR

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

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

EUR

CHANGES IN DEFINED BENEFIT OBLIGATION AS AT 31.12.2015	EIF PENSION	HEALTH INSURANCE	TOTAL 2015
Defined benefit obligation, Beginning of year	135 971 823	20 884 000	156 855 823
Net service cost	10 795 000	3 252 000	14 047 000
Net interest cost	4 477 000	706 000	5 183 000
Employee contributions	2 630 000	0	2 630 000
Benefits Paid	2 441 000	(23 000)	2 418 000
Experience Loss/ (gain)	10 120 000	(1 326 000)	8 794 000
Loss due to assumption changes	(33 181 000)	(4 551 000)	(37 732 000)
DEFINED BENEFIT OBLIGATION, END OF YEAR	133 253 823	18 942 000	152 195 823

EUR

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

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

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

31 DECEMBER 2015		EFFECT ON THE DEFINED BENEFIT OBLIGATION	
		EIF PENSION	HEALTH INSURANCE
Discount rate	1% increase	-24%	-27%
Discount rate	1% decrease	34%	40%
Life expectancy	1 year increase	3%	4%
Life expectancy	1 year decrease	-3%	-5%
Inflation	1% increase	19%	
Inflation	1% decrease	-15%	
Salary rate	1% increase	14%	
Salary rate	1% decrease	-12%	
Medical cost	1% increase		40%
Medical cost	1% decrease		-28%

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

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 2015	EIF PENSION	HEALTH INSURANCE
	YEARS	YEARS
Duration of active members	29.4	33.9
Duration of deferred members*	31.9	-
Duration of retired members	14.2	21.4

Life expectancy at age 60 for a Male using ICSLT (year 2015) mortality tables: 24.9 years
Life expectancy at age 60 for a Female using ICSLT (year 2015) mortality tables: 26.6 years

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

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

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

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

5.4 Other liabilities and provisions

EUR

	31.12.2015	31.12.2014
Related parties payables	27 400 895	7 194 055
Employee benefit payables	39 224 717	32 479 557
Trade creditors	13 965 864	5 046 280
	80 591 476	44 719 892

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

5.5 Share capital

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

On 27 May 2014, the Extraordinary General Meeting of Shareholders decided EIF's capital increase from EUR 3 000 000 000 to EUR 4 500 000 000, resulting in a total of 4 500 authorised shares of a nominal value of EUR 1 000 000 each.

In July 2014, the first capital increase subscription period was processed resulting in an increase of EUR 1 161 000 000 by issuing 1 161 authorised shares of a nominal value of EUR 1 000 000 each.

In July 2015, a second capital increase subscription period was processed resulting in an increase of EUR 125 000 000 by issuing 125 authorised shares of a nominal value of EUR 1 000 000 each and fully reserved by the European Union represented by the European Commission.

214 shares are not yet issued, having been allocated to the European Union for subsequent subscription from 2016 to 2017.

As at 31 December 2015, the authorised and subscribed share capital of EUR 4 286 000 000 representing 4 286 shares is called and paid in for an amount of EUR 857 200 000 representing 20 % of the authorised and subscribed share capital.

The subscribed share capital is detailed as follows:

EUR

	31.12.2015	31.12.2014
Subscribed and paid in (20%)	857 200 000	832 200 000
Subscribed but not yet called (80%)	3 428 800 000	3 328 800 000
	4 286 000 000	4 161 000 000

The capital is subscribed as follows :

Number of shares

	31.12.2015	31.12.2014
European Investment Bank	2 632	2 650
European Commission	1 136	1 011
Financial institutions	518	500
	4 286	4 161

5.6 Statutory reserve and retained earnings

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

A minimum amount of EUR 19 471 958 is required to be appropriated in 2016 with respect to the financial year ended 31 December, 2015.

The General Meeting of Shareholders of 20 April 2015 approved the distribution of a dividend amounting to EUR 21 086 152 (2014: EUR 15 660 000). Dividends are distributed in line with Article 27 of the Fund's Statutes. Under the terms of Article 26 of its Statutes, the Fund defines commitment ceilings in relation to its capital as follows:

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

5.7 Fair value reserve

The fair value reserve includes the following:

EUR

	31.12.2015	31.12.2014
Fair value reserve on debt securities and other fixed income securities	53 067 943	61 665 192
Fair value reserve on shares and other variable income securities	121 036 879	98 018 584
	174 104 822	159 683 776

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

6. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES AND IN INVESTMENT ENTITIES

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

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

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

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

TYPE OF STRUCTURED ENTITY	NATURE AND PURPOSE	INTEREST HELD BY THE FUND
Limited Partnership in relation to PE operations (see section 6.1)	Acquisition, holding, managing and disposal of participations in any enterprise subject to the conditions laid down in paragraph 2 (i) of Article 12 of the EIF Statutes	■ Investments in shares issued by the Limited Partnership ■ Capital and revenues repayments
Special Purpose Vehicles ("SPV") in relation to financial guarantee operations (see section 6.2)	Provision of guarantees as well as of other comparable instruments for loans and other financial obligations in whatever form	■ Fees for financial guarantee servicing
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 revocate the GP either with a cause or without cause. Even if an investment board within the entity is setup, it should be noted that such an investment board has a consultative role only and is not therefore one of the decision-making bodies of the Limited Partnership.

The Fund is an LP, it does not act as a GP and is from time to time a member of the consultative investment board. As at 31 December 2015, the Fund's interest ranged from 0.1% to 50%.

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

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

6.2 Interest in structured entities in relation to financial guarantee operations

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

- In the context of a bilateral guarantee

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

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

- In the context of an embedded guarantee

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

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

As at December 31, 2015, the Fund is exposed to 55 bilateral guarantees (2014: 58 transactions) and to 9 embedded guarantees (2014: 12 transactions), which represent respectively EUR 3 321 m and EUR 189 m of EIF's guarantees in terms of exposure at risk (2014: respectively EUR 2 742 m and EUR 379 m).

In addition, 9 bilateral guarantees and 4 embedded guarantees were classified into the caption "Provisions for financial guarantee" (2014: respectively 14 and 5) and represent respectively EUR 41 m and EUR 40 m of the total amount of provisions for EIF's guarantees (2014: respectively EUR 49 m and EUR 97 m).

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 an 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, 2015, the Fund invested in 2 ABS investments issued by SPVs for a total amount of EUR 50.1m, which are classified into the caption "Loans and receivables".

For more quantitative details on ABS investments, please refer to note 3.5.

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 mandatory, which have been classified as follows:

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

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

MANDATOR	NATURE AND PURPOSE OF THE STRUCTURED ENTITY	INTEREST HELD BY THE FUND	RESOURCES [10]	COMMITTED TRANSACTIONS [11]
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	1 466 000 000	376 777 962
European Commission			2 076 415 814	1 892 411 724
Other third parties			930 000 000	481 165 000
Services offered in the context of private equity operations				
European Investment Bank	On behalf of the mandator and according to the Fund's expertise: - To originate private equity transactions; - To monitor the private equity transactions; - To report to the mandator accordingly.	Management fees for servicing	10 090 000 000	9 419 003 518
European Commission			1 164 462 787	908 525 692
Other third parties			1 311 800 000	998 196 224
Services offered in the context of microfinance operations				
European Commission	On behalf of the mandator and according to the Fund's expertise: - To originate microfinance transactions; - To monitor the private equity transactions; - To report to the mandator accordingly.	Management fees for servicing	4 000 000	2 749 887
Other third parties			61 407 895	60 750 000
Services offered in the context of multi products structured entities				
Other third party	On behalf of the mandator and according to the Fund's expertise: - To originate multi products transactions; - To monitor the multi products transactions; - To report to the mandator accordingly.	Management fees for servicing	1 160 729 902	1 128 192 624

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

11 "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 mandatory, the EIF could establish a legal entity from which the EIF will act as an integrated operational platform for SME finance, deploying resources mandated for management by its related parties and other third parties.

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

<table>
<tr><th>MANDATOR</th><th>COUNTRY</th><th>NATURE AND PURPOSE OF THE STRUCTURED ENTITY</th><th>INTEREST HELD BY THE FUND</th><th>RESOURCES [12]</th><th>COMMITTED TRANSACTIONS [13]</th></tr>
<tr><td>European Investment Bank and European Commission</td><td>Multicountry with a focus on European Microfinance</td><td rowspan="9">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.</td><td rowspan="9">Management fees for servicing</td><td>180 000 000</td><td>194 269 421</td></tr>
<tr><td>European Commission</td><td>Multicountry with a focus on Global Energy Efficiency and Renewable Energy Fund</td><td>127 370 735</td><td>98 970 134</td></tr>
<tr><td rowspan="7">Other third parties</td><td>Turkey</td><td>160 000 000</td><td>164 839 359</td></tr>
<tr><td>Portugal</td><td>111 330 000</td><td>105 000 000</td></tr>
<tr><td>Spain</td><td>183 000 000</td><td>174 288 389</td></tr>
<tr><td>The United Kingdom</td><td>272 498 120</td><td>261 809 386</td></tr>
<tr><td>The Netherlands</td><td>202 500 000</td><td>181 500 000</td></tr>
<tr><td>Multi country with a focus on European Angels</td><td>267 500 000</td><td>39 470 533</td></tr>
</table>

12 Resources" means the amount of contribution already paid by the mandator to the Fund or the amount committed to be paid by the mandator.
13 "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 2015, total assets under management defined as the initial resources and contributions allocated to each mandate amounts to EUR 18.26 billion (2014: EUR 14.17 billion).

7. DETAILED DISCLOSURES RELATED TO THE STATEMENT OF COMPREHENSIVE INCOME

7.1 Interest and similar income

Interest and similar income comprises:

EUR

	2015	2014
Interest income on debt securities and other fixed income securities	21 613 721	24 751 307
Interest income on loans and receivables	295 466	0
Interest income on money market instruments	(275 873)	212 286
Interest income on bank current accounts	547 471	511 882
Other interest income	3 467 984	3 487 308
	25 648 769	28 962 783

Interest income on debt securities include discounts of EUR 643 082 (2014: EUR 884 405) and premiums amount to EUR (11 414 019) (2014: EUR (5 327 896)).

7.2 Net result from guarantee operations

Net result from guarantee operations comprises:

EUR

	2015	2014
Net income from financial guarantees contracts	18 901 969	27 153 895
Provision for guarantees under IAS 37	(100 143)	(9 982 150)
Release of provision	28 867 077	26 647 340
Guarantee Call net of recoveries	1 891 847	1 125 217
	49 560 750	44 944 302

7.3 Commission income

Commission income is detailed as follows:

EUR

	2015	2014
Commissions on EIB mandates	27 810 619	23 684 769
Commissions on EC mandates	43 538 966	19 966 840
Commissions on Regional and Funds of Funds mandates	31 536 750	27 364 198
Other commissions	250 119	439 444
	103 136 454	71 455 251

Increase of commission income from the mandates managed by the EIF on behalf of the European Commission is mainly due to the signature of new mandates generating a start-up fee and due to the deployment of the mandates, which were signed in 2014 in the context of the 2014-2020 programming period budgeted by the European Commission.

7.4 Net gain/(loss) on financial operations

Net gain/(loss) on financial operations includes EUR 9 388 799 of realised gains on the disposal of shares and other variable income securities, including the result of the secondary sale transactions. Additional details of the movements of the secondary sale transactions are given in note 4.3 and additional details on the remaining amount to be received from the buyer in note 4.6.

Net gain/(loss) on financial operations also includes unrealised results arising from transactions or cash positions denominated in currency.

7.5 Other operating income

Other operating income includes mainly rent from leased office space. Income relating to these operating leases amount to EUR 418 090 (2014: EUR 29 988).

7.6 General administrative expenses

Wages and salaries include expenses of EUR 612 119 (2014: EUR 1 674 402) incurred in relation to staff seconded from the EIB.

The number of persons, including 3 EIB secondees (2014: 3 EIB secondees), employed at the year-end is as follows:

EUR

	2015	2014
Chief Executive/Deputy Chief Executive	2	2
Employees	370	278
	372	280

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

Key management compensation for the period is disclosed as follows:

EUR

	2015	2014
Short-term benefits[12]	2 922 978	3 102 588
Post employment benefits[13]	438 942	478 474
	3 361 920	3 581 062

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

Other administrative expenses include rents for office space leased. Expenses relating to these operating leases amount to EUR 7 599 713 (2014: EUR 5 254 024).

EUR

	LESS THAN 1 YEAR	1 TO 5 YEARS	TOTAL
2015	2 114 132	0	2 114 132
2014	1 530 925	46 907	1 577 832

8. RELATED PARTY TRANSACTIONS

EIB is the majority owner of the Fund with 61.4% (2014: 63.7%) of the issued shares. The remaining percentage is held by the European Union represented by the European Commission 26.5% (2014: 24.3%) and the Financial Institutions 12.1% (2014: 12.0%). Information relating to general administrative expenses and key management is disclosed in the note 7.6.

8.1 European Investment Bank

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

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

		EUR
	31.12.2015	31.12.2014
ASSETS		
Other assets	110 750 394	87 256 187
LIABILITIES AND EQUITY		
Other liabilities and provisions	27 205 943	6 665 796
Share capital	526 400 000	530 000 000
INCOME		
Commission income	27 810 619	23 684 769
Interest income	3 467 985	3 487 308
EXPENSES		
General administrative expenses	12 326 203	12 372 626

8.2 European Commission

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

		EUR
	31.12.2015	31.12.2014
ASSETS		
Other assets	26 290 148	7 011 170
LIABILITIES AND EQUITY		
Other liabilities and provisions	6 810 773	1 509 000
Share capital	227 200 000	202 200 000
INCOME		
Commission income	43 538 966	19 966 840
Other income	5 331	0
EXPENSES		
General administrative expenses	0	60 061

9. TAXATION

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

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Disclaimer:
Numbers in the EIF Annual Report 2015 are correct as at 31 December 2015 and any references to figures throughout the text apply to the same period unless otherwise stated.

EIF's 2015 figures related to SME outreach and employment including the estimated numbers on sustained jobs and employment are indicative only and are based on reports received from financial intermediaries between 30 September 2014 and 30 September 2015. EIF assumes no liability for the accuracy thereof.

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