Annual Report 2017

Supporting smart, sustainable and inclusive growth for SMEs

EIF Annual Report 2017

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Dario Scannapieco

Chairman of the Board of Directors

"The EIB Group believes in the need to support SMEs in the economy and the EIF's contribution in this field is of great value. The rapid investment of resources under EFSI's SME Window this year shows both the huge demand for SME financing in Europe and the EIF's commitment to serve it. Furthermore, the EIF agreed to deliver extra resources on behalf of the EIB even after surpassing its EFSI SME Window investment targets. Although the global economy is making a stable recovery, the differences in borrowing costs between large loans and smaller loans remained pronounced in 2017, as did disparities in the availability of SME financing across Europe. In 2017, the EIF continued to identify financing gaps and work with financial intermediaries to improve not only SME access to finance but also the terms under which it is provided. It also worked to identify new sources of capital that can help SMEs to get access to much needed finance at affordable terms. In addition to mobilising public resources, the EIF - through its new institutional asset management initiative - has sought out private resources that would otherwise be invested outside the SME domain. The EIF is building on its extensive knowledge of SME markets and excellent relationships with the intermediaries and NPIs that operate within them, through initiatives such as the EIF-NPI Equity Platform. An additional dimension to the EIF's strong relationship with NPIs is illustrated by the new NPI shareholder the Czech-Moravian Guarantee and Development Bank. We were equally pleased to welcome The National Bank of Greece as shareholder in 2017. The successful implementation of the EFSI SME Window and other mandates requires – and is evidenced by - the ongoing commitment of many parties working together – the EIF, the European Commission, the EIB, NPIs and Member States and I look forward to seeing increased public support for SMEs thanks to this work."

Pier Luigi Gilibert

Chief Executive

"At the beginning of 2017, the EIF made several promises – to deploy even more European capital to SMEs. To ensure our core mandates supported the sectors, geographies and SMEs where they could have maximum impact. To identify new products and new partnerships throughout Europe and neighbouring countries to address financing gaps in the SME lifecycle. I'm pleased to say that, together with our partners, we kept our promises. We not only deployed increased resources under our core European Commission mandates, we exceeded our targets under the European Fund for Strategic Investments' (EFSI) SME Window. In 2017, the EIF contributed to financing 202,000 SMEs, signed 345 transactions and 18 new mandates. We also launched an interactive map locating the various investments. Recognising that relationships are important, and in order to strengthen our networks throughout Europe, we created a platform to engage with national promotional institutions (NPIs) and, through our new institutional asset management investment vehicle, we identified new sources of public and private capital to channel into the SME space. The EIF's work is by no means done. We believe European SMEs continue to lack the financing that allows them to grow into the next stage of their development and are therefore developing a focus on this financing gap. New technologies like Fintech are changing the way that SMEs can access financing, and we are following such developments closely, assessing the ways this rapid evolution can benefit SMEs. Together with the new EFSI 2 SME Window, new mandates and different financial products will be required. Based on the EIF's ability to offer agile and adapted responses to market demands, as demonstrated in this report, I am in no doubt about the EIF's capacity to deliver SME financing in a changing world. We look forward to building on the strength of complementarities within the EIB Group and working with our shareholders, business partners and staff to achieve this objective."

Financing SMES in 2017

The EIF helps small and medium-sized enterprises (SMEs) grow and prosper in Europe, improving the economy, promoting innovation and supporting employment.

We do this by enabling banks and funds (financial intermediaries) to better serve SMEs, by creating instruments to **attract private capital** *into the SME space and by kick-starting new SME financing markets and ecosystems.*

Over the last few years we have significantly grown our support – reaching new countries, new financial intermediaries and most of all, more SMEs.

In 2017 we **continued to expand***, but our focus has turned to deepening our networks and* **improving our product offering***. After all, identifying financing gaps and responding with the right tools is how we helped to revitalise SMEs in Europe in the first place.*

Did you know?

SMEs are responsible for two out of three jobs in Europe. The EIF's investments so far under the EU's European Fund for Strategic Investments (EFSI) SME Window (see box) alone are expected to benefit around 550,000 SMEs and mid-caps.

How does the EIF work?

The EIF uses resources from the European Investment Bank (EIB), the European Commission, (EC), EU Member States and regions or other third parties to provide risk financing to SMEs and small mid-caps. More specifically, we design and implement innovative financial instruments providing market-based finance which can be deployed to SMEs via our extensive network of financial intermediaries such as banks and equity funds. Our innovative financial instruments allow the right type of financing – be it debt, equity or microfinance - to reach the SMEs that need it, while also ensuring that we can generate more resources to be invested in SMEs. We are part of the EIB Group. Our shareholders are the EIB, the EU represented by the EC, and a wide range of public and private banks and financial institutions.

Highlights

We increased our footprint

More SMEs financed, more financial intermediaries reached, new activity in new countries, and a greater number of financial products tailored to specific SME needs.

Exceeded targets

We surpassed the EU's EFSI SME Window deployment target of EUR 82.5bn, several months ahead of the July 2018 deadline.

Doubled resources

We secured access to almost **double the volume of resources** we currently use for the SME financing initiatives we manage in innovation, competitiveness, social, and cultural and creative sectors under EFSI. Thanks to the innovative way in which we invest capital, our approved investments could translate into approximately EUR 51bn of financing to SMEs generating up to EUR 90bn of mobilised investments for SMEs.

What is EFSI?

The European Fund for Strategic Investments (EFSI) was launched in July 2015 as a joint initiative between the EU and the European Investment Bank (EIB) Group, of which the EIF is part. EFSI is the financial pillar of the EU's Investment Plan for Europe and has two components: the Infrastructure and Innovation Window managed by the EIB and the SME Window implemented by the EIF. The market demand for EFSI-backed financial instruments has allowed an increase of EFSI SME Window Resources in July 2016 by EUR 500m changing the SME Window objective from EUR 75bn to EUR 82.5bn of mobilised investments. In 2017, EFSI enhanced the capital available under the InnovFin, COSME, EaSI and CCS GF programmes by EUR 880m, 550m, 100m and 60m respectively – or EUR 1.6bn in total – through a permanent unfunded second loss piece.

From SMEs to mid-caps

We are helping SMEs transform into mid-cap businesses through the deployment of EUR 1.2bn to midcaps, SME funds and co-investments with the EIB. The new EIB-EIF SME Funds, MidCap Funds Facility and Co-Investment Facilities will remove some of the financing obstacles that prevent SMEs moving past the start-up phase and into growth and expansion. Take a look at our Growth and Competitiveness chapter for more information.

Cooperation across Europe

We deepened our cooperation with National Promotional Institutions (NPIs) in EU Member States by launching new equity investment programmes. These programmes bring together resources and relevant skills from the EIF and NPIs which allow us to better serve SMEs. For more information, see our Regional Investments chapter.

Venture Capital Fund-of-Funds

In cooperation with the EC, the **EIF has approved the six funds-of-funds that will make up the Pan-European Venture Capital Fund-of-Funds** programme, which is designed to bring more private investment into the European venture capital market. The Pan-European Venture Capital Fund-of-Funds programme aims to improve the supply of equity funding and reduce venture capital market fragmentation in Europe by attracting over EUR 1.6bn in private investments. These in turn are expected to trigger up to EUR 6.5bn of additional investment for innovation. This new initiative has a budget of EUR 410m from Horizon 2020, COSME, EFSI and the EIF.

Social Impact & Inclusive Finance

We successfully **allocated the resources** under the EIB Group Risk Enhancement Mandate (EREM) entrusted to us by the EIB since 2014, **into SMEs and vulnerable EU citizens**. Interested? See our Social Impact Investment and Inclusive Finance chapter.

Stronger together

We are **combining financing** from the European Structural Investment Funds (ESIF) together with other EU resources under the SME Initiative (SMEi), **allowing us to guarantee a much larger volume of loans to SMEs in Europe**. This programme has delivered concrete results in Spain, Malta, Finland, Romania and Bulgaria, and new agreements were signed in Italy. Turn to the Regional Investments chapter for more information.

What do we mean when we say mobilised investments?

The mobilised investments refer to the amount of EIF-managed resources against the total volume of financing that becomes available in the real economy as a result of our guarantee activities or equity investments. By the end of 2017, our investments under the EFSI SME Window were approaching 1:20, meaning that for every one euro invested, 20 euros were mobilised in the real economy.

What is the EREM Mandate?

The EIB Group Risk Enhancement Mandate (EREM) is used to underpin an array of financial instruments deployed by the EIF, including the ABS Credit Enhancement Initiative, which focuses on providing increased cover for mezzanine tranches of SME securitisation transactions, the Social Impact Accelerator Initiative, the Loan Funds Instrument, the SME Initiative and the Cooperative Banks and Smaller Institutions (CBSI) window rolled out in late 2016.

What is the RCR Mandate?

The Risk Capital Resources mandate, or RCR, is a mandate managed by the EIF on behalf of the EIB. It focuses on equity activity, such as early stage (venture capital and technology transfer) investments, growth and lower mid-market activities.

We celebrated a number of 'firsts'

Crowd-funding

We supported the European crowd-funding ecosystem with investments in the diversified debt funds of France-based lending platform Lendix. When SMEs turn to alternative sources of finance like crowd-funding it offers us the opportunity to identify funding gaps and to aid a new ecosystem's survival.

Integrating refugees

We participated in the EIF's **first pilot Payment-by-results transaction** - the KOTO Social Impact Bond - with Epiqus, a company working with the Finnish Ministry of Economic Affairs and Employment **to improve refugee integration** in the country. Payment-by-results vehicles offer an investment market in areas with limited public sector financing. Their prevention-based, as opposed to symptom-based, interventions save public costs and generate investor returns. For more information, see our Social Impact investment & Inclusive Finance chapter.

Co-investments

We are investing alongside fund managers through the new EIB-EIF Co-investment Facility. This vehicle allows us to co-invest through dedicated funds alongside our existing venture capital or private equity intermediaries, further supporting European fund managers' investments in SMEs and mid-caps. For more information, see our Growth and Competitiveness chapter.

Attracting new capital

In order to channel new sources of capital into SMEs, **the EIF has launched an investment vehicle to 'crowd in' institutional investors into the top-performing European private equity, venture capital and life sciences funds** in its portfolio. The EIF's Asset Management Umbrella Fund allows institutional investors to tailor their allocations to different compartments. It is targeting EUR 2bn in size over an investment period of three years, and welcomed its anchor investor, Italy's Cassa Forense, in December 2017.

Financing for agriculture

We are easing access to finance for farmers and SMEs in the agricultural sector with the introduction of the Agri Multi-Regional Guarantee Platform for Italy and the Agri Fund in Romania. Historically, agriculture in Europe has been grant-funded, but together with the EC and the EIB we are introducing financial instruments into the sector for a more sustainable and far-reaching financing solution. See our Regional Investments chapter for more information.

Defeating the crisis

Together with the EIB, we helped Piraeus Bank in Greece to carry out its **first covered bond issuance** since the financial crisis. This will lay the ground for further covered bond issues in Greece, reviving this important market.

New synthetic transactions

The EIF and the EIB carried out the first synthetic **securitisation transaction** in Spain, with BBVA Bank, providing a mezzanine tranche guarantee of around EUR 143m to BBVA on a EUR 3bn portfolio of European SME and small mid-cap loans. Synthetic securitisation frees up regulatory capital which can then be used for financing additional SMEs.

...and been recognised as leaders in our field

Our financing and support is behind half of Europe's Unicorn start-up businesses. That means we have backed 50% of the European SMEs that go onto be valued at over $1bn.

In 2017 our ROOF Leasing Austria securitisation transaction won the EMEA Finance Achievement Award 2016 for Transaction of the Year. It also happened to be our first public Asset-Backed Securities transaction in Austria, which will contribute to further opening up the securitisation market for financing SMEs in the country.

So what do the numbers look like?

We expect to help 550,000 SMEs under the EFSI SME Window alone. For every euro invested under EFSI almost 20 euros is being mobilised in the real economy – or EUR 90.2bn. This leverage is already an increase from 2016, when the ratio was one euro to 15 euros. What is more, we've already exceeded our EUR 82.5bn target for mobilised investments by 9%.

Together with our partners, the EIB and the EC, we generated EUR 12bn of financing in 37 countries for innovative businesses alone.

Under the COSME Loan Guarantee Facility, one of the EU's key instruments to support SMEs, we estimate that 275,000 SMEs have already been able to obtain finance needed to start up their operations, grow, or expand internationally since the product's launch in 2014. For every one euro made available by the EIF, more than 30 euros of SME financing is generated – making approximately EUR 26.1bn of financing available to SMEs under agreements signed up until the end of 2017.

What is securitisation?

Securitisation is a technique that allows banks to 'free up' regulatory capital or obtain funding, making more debt financing available to SMEs. In its basic form it works by pooling a bank's portfolio of assets (typically illiquid) into different slices, called tranches, each of which represents a different level of risk. These tranches are then sold to institutional investors, to whom the corresponding risk of the bank's portfolio is transferred. Supporting a functioning securitisation market in Europe is a key element of the EIF's strategy to improve SMEs' access to financing. The EIF provides guarantees to banks and financial institutions, allowing them to diversify their funding sources and to achieve economic and regulatory capital relief through credit transfer. In 2017, the EIF concluded EUR 1.4bn of securitisation transactions in Europe. Over the past few years the EIF has played a significant role in the recovery of Europe's securitisation market. In particular, the EIF's activity in the securitisation market has shifted towards transactions that allow financial institutions to release regulatory capital (transactions otherwise known as balance sheet securitisations, or synthetic securitisations), as this is a key area where the need for the EIF's intervention was felt to be more significant. The EIB Group has been a guarantor in 10 out of 12 of this type of SME securitisation transactions during the years 2014 and 2016. The EIF invests using its own resources or EIB, EC or state/regional resources.

And our operational performance?

Our 2017 signatures reached 97% of our original target of EUR 9,630m. However, our total leveraged volumes are not materially affected thanks to our venture capital transactions and the leverage from the COSME guarantee product.

Delivering stable earnings and ensuring a robust financial profile is essential if we are to service our guarantees and use our profits to increase outreach and policy impact. Our total revenues are up 16% year-on-year to EUR 256m, our operating income is up 13% year-to-date to EUR 127m, with a return on equity (ROE) of 5.7%.

We maintained our AAA /A-1+ credit rating which reflects our excellent ability to honour our financial commitments making us an attractive partner with whom to invest in transactions that support SMEs.

But we can't afford to become complacent

Disruptive technologies are changing the way that our banking and financing systems operate. We are embracing new virtual marketplaces, for example, by providing guarantees to support online lending platforms. Moreover, we believe in the value of Fintech for the real economy and are exploring ways to adapt our business model to stay relevant in this changing world.

New regulatory and policy environments will influence how we efficiently support SMEs. As financial instruments will be an essential component of the EU budget (Multi-Annual Financial Framework) after 2020, we are keen to participate in discussions shaping the next MFF beginning in 2018, together with the EIB.

In 2017, the EIF approved its environmental, social and corporate governance (ESG) principles; these include aiming to operate in as carbon-neutral manner as possible, promoting transparency and sound governance, and of course continuing to select investments that are likely to exert a positive social impact.

What are financial instruments and why does the EIF use them?

Financial instruments are the tools that the EIF uses to help SMEs, and they distinguish our service from grant-providing organisations. Financial instruments (equity, guarantees and securitisation) allow us to 'do more with less', as the mobilised financing they provide greatly exceeds the original investment. They are a way of 'crowding in' private capital to invest in SMEs alongside public resources, often resulting in ongoing private financing made available to the sector. Financial instruments allow us to make investment decisions that properly assess risk, improve the terms by which SMEs and mid-caps access finance, and respond dynamically to market demand. At the same time they provide incentives and create discipline for the beneficiaries. They have also proved to be robust and sustainable even at times of financial difficulty in the economy.

EIF in Numbers

16,600m€
Total Outstanding Guarantee Exposure.*

78.6%
Shareholders' total Equity / Total assets.

61.6%
Liquid Assets/ Total Assets.

5,905m€
Guarantee Signatures.*

EIF activity by product

2,489m€
Total Assets.

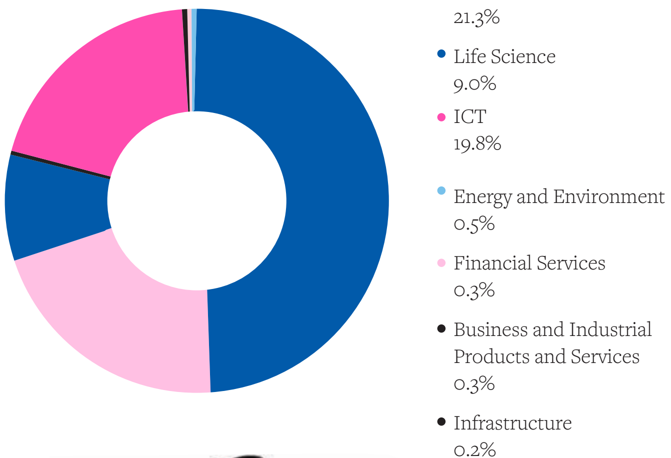
94%
AAA/AA Callable Capital.

* Maximum liability.

3,324m€
Equity Signatures.

18,995m€
Expected Leveraged Amount for Guarantee Signatures.

Sector focus of the EIF's Private Equity portifolio



14,390m€
Total Outstanding Private Equity Assets Under Management.

685m€
Expected Leveraged Amount for Microfinance Signatures.

15,727m€
Expected Leveraged Amount for Equity Signatures.

Innovation

Each time you pay for your groceries, visit a doctor or even book a flight you are most likely benefitting from innovative technologies. At the EIF, we recognise that **innovation is all around us***. It designs our apps, pioneers our drugs, improves our communication, oils the wheels of our financial systems – and that is just the tip of the iceberg.*

Innovation also plays a crucial role in the economy by catalysing the exchange of knowledge and technologies. This is where we step in. We have the resources to look past an innovative SME's lack of collateral and see its potential value. **We mobilise investments into innovative SMEs** *because they are the lifeblood of the economy as a whole.*

In 2017, the market take-up for the EC innovation programme InnovFin SME Guarantee (SMEG) soared, **reaching SMEs in 27 EU Member States** *and 10 Horizon 2020-associated countries. We are working hard to respond to overwhelming ongoing demand for innovative financing. The guarantee facility of this EC initiative alone will have helped around* **10,000 innovative companies** *by the end of 2017.*

Did you know?

The diffusion of innovation across Europe helps sustain the economy, productivity and employment. That is why to date, a subset of start-up and early-stage venture capital funds supported by the EIF will have financed more than 16,000 single patented innovations in Europe.

10,000

Innovative companies supported by InnovFin SMEG by the end of 2017.

70%

Active in high-innovation potential sectors.

30%

With a business history of under five years.

15%

Start-ups.

Debt Innovation

- Under InnovFin SMEG, 63 guarantee and counter-guarantee transactions were signed mainly with the support of EFSI, for a total of EUR 2.7bn expected to leverage EUR 5.3bn of financing to SMEs.

- The need for financing innovative businesses has been recognised under EFSI. In order to meet demand, the EFSI SME Window participation in our InnovFin guarantee facility has been enhanced by up to EUR 880m. As a result, the overall size of the facility will reach up to EUR 2bn, giving rise to around EUR 10bn of guarantees, which in turn is expected to generate up to EUR 20bn of loan financing for the benefit of innovative companies. It is expected to support EUR 28bn of investments.

- In 2017 the EIF began to offer guarantees for subordinated exposure and uncollateralised loans to innovative companies under its InnovFin SMEG product. Taking extra risk by guaranteeing junior debt and uncollateralised loans helps the EIF reach more innovative companies, particularly those whose value lies in their ideas, trademarks and patents rather than in tangible assets. The initiative has already received its first applications, and the EIF hopes that by recognising the intrinsic value of innovation, it will encourage European lenders to the sector to do the same.

- We signed our first subordinated loan transaction under InnovFin SMEG with Aegon Investment Management in the Netherlands. It will provide an uncapped 50% guarantee on a loan portfolio up to EUR 120m, for the benefit of Dutch SMEs and small mid-caps.

- In 2017, we signed our first agreements supporting innovative businesses in the Netherlands, Norway, Tunisia and Georgia. This means InnovFin SMEG is now available to SMEs and small mid-caps in 37 countries including 27 EU Member States.

- InnovFin SMEG has broadened its range of financial intermediaries to include alternative finance providers, such as debt funds and is exploring ways to widen the scope of the mandate to include crowd-funding platforms.

What is our innovation mandate?

InnovFin is a joint EIB Group and EC initiative resourced under Horizon 2020, the EU research programme for 2014-2020, and EFSI. The InnovFin SME Guarantee (SMEG) offers a 50% uncapped guarantee or counter-guarantee to financial intermediaries to allow them to provide debt financing on more favourable terms to innovative SMEs and small mid-caps. In 2017, we signed agreements for a guarantee amount of around EUR 2.7bn, enabling over EUR 5.6bn of new financing. Meanwhile, InnovFin Equity provides equity investments and co-investments to or alongside funds focusing on companies in their pre-seed, seed and start-up phases operating in innovative sectors covered by Horizon 2020, including life sciences, clean energy and high-tech.

Frusack
Prague,
Czech Republic

Innovators of reusable and biodegradable grocery bags

Financing purpose: increasing production capacity

EIF financing: InnovFin SMEG; EFSI

Sonnen
Wildpoldsried,
Bavaria Germany

Developers of a lithium-based solar energy storage system

Financing purpose:
working capital, sales expansion and product development

EIF financing:
COSME EFG
EFSI

Equity Space

- We successfully scaled up our business angel mandate, the European Angels Fund by adding Finland to the countries in which the EAF is operational. In fact, we've deployed more than 30 business angel deals in 2017, reaching SMEs in the early stages of growth throughout Europe. Business angels are often the first entry point for entrepreneurs to access capital and advice and a platform like the EAF allows business angels to connect to the venture capital community. Since inception we have supported 82 business angel individuals and funds.

- In 2017 the EIF backed 42 venture capital investments for a total volume of EUR 1.17bn. Four co-investments took this figure to EUR 1.28bn. This has made additional equity financing available to early-stage SMEs.

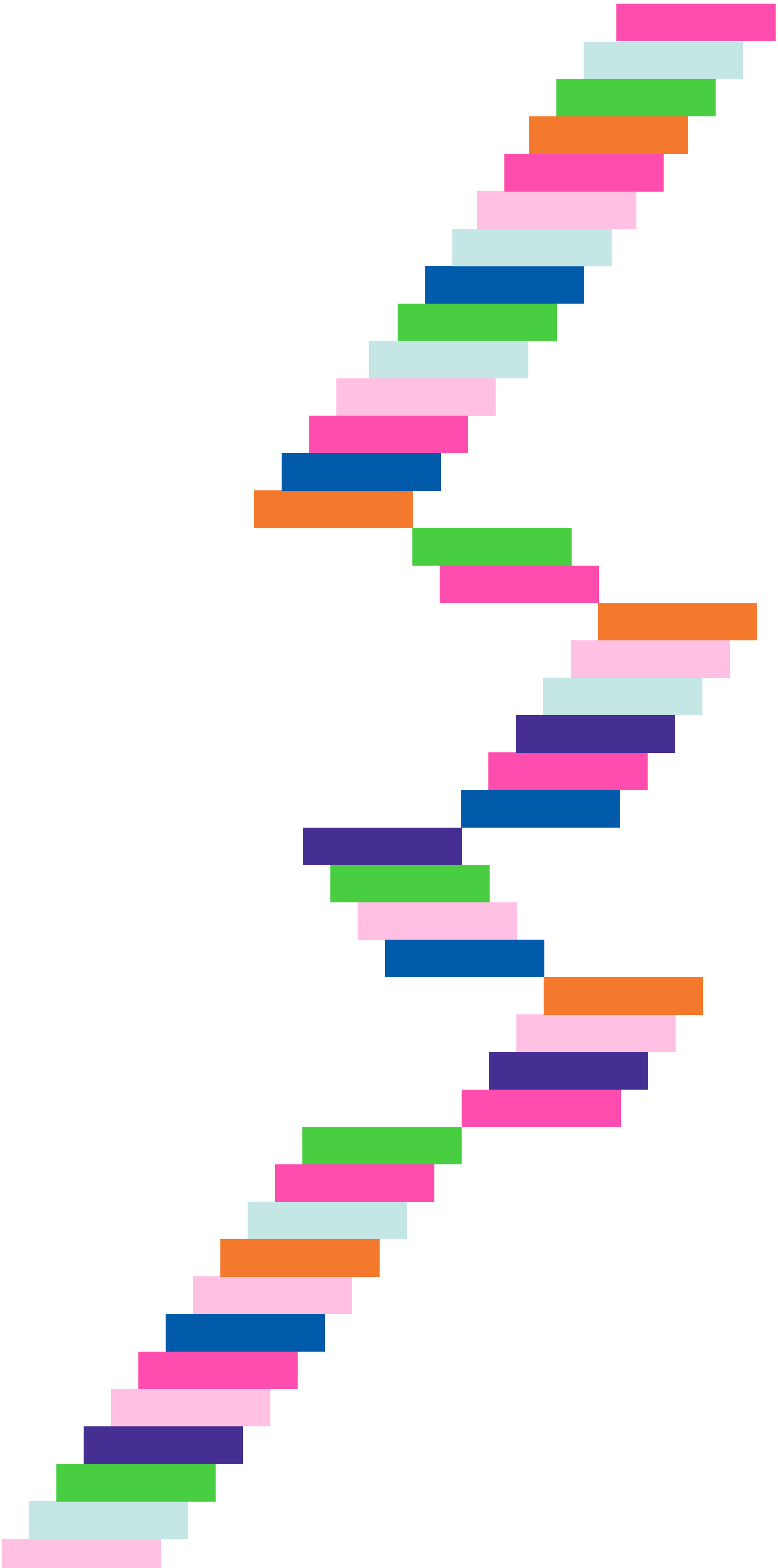
- We encouraged the flow of research and innovation into the European marketplace by supporting nine Technology Transfer transactions of EUR 221m. Technology transfer funds provide investment and guidance that enables universities and research institutions to commercialise their innovations. As with other areas such as venture capital, the EIF's investment in technology transfer funds will encourage private investors to look at the asset class.

- Together with the EC and the Greek government, we created EquiFund in Greece, one of the largest country-focused fund-of-funds in Europe. Our investment portfolio will consist of EUR 260m spread over nine funds, combining ESIF and private sector investment aimed not only at providing Greek entrepreneurs with access to finance but also to create a vibrant and effective ecosystem for the future. It is expected that the EIB will be joining the cornerstone investors in EquiFund through EFSI.

> *"The investment definitely had a real impact in terms of job creation. Without it, the company would have been much smaller or most likely never even have taken off."*
>
> CHRISTOPH OSTERMANN, SONNEN

Creating a venture capital ecosystem

Venture capital is behind many of Europe's innovative SMEs but it requires a complex ecosystem to thrive. This is why some geographies have a dynamic venture capital scene and others have none. Many components make up a successful ecosystem: Venture capital investment flow attracts talented entrepreneurs which can give rise to serial entrepreneurs willing to re-invest their money, which creates demand for bigger funds able to growth-finance SMEs, an established exit ecosystem and the inflow of even more talent. The EIF has played a significant role in the growth of a venture capital market in Europe. By taking cornerstone investments in funds we catalyse further investments and 'crowd in' private investors thus nurturing the development of an ecosystem. Our engagement in the European equity (both venture capital and private equity) arena has evolved from around EUR 60m across 22 deals in the first year of EIF operations to around 146 transactions, reaching more than EUR 3.3bn in 2017. Today, due to such developments, the EIF has more than EUR 14bn of assets under management in its equity investments portfolio, just at a time when European venture capital is finally turning into a demanded and attractive asset class, generating exits and delivering healthy returns for investors. Above all, we see the venture capital industry strongly supporting innovative European entrepreneurs that are at the forefront of global disruption, primarily in technology (ICT) and life sciences, but also across various other sectors.



Growth & Competitiveness

Restoring Europe's growth and competitiveness is at the heart of European policy. It **is the core mission of the EFSI** *pillar of the Investment Plan for Europe along with innovation and social inclusion, and the common goal that unites our different mandates and diverse financial products. That's why every year, the EIF channels funds into a greater number of higher-risk operations, attracts more private investment and addresses wider market failures.*

The EC's growth and competitiveness programme COSME is the EIF's product with the largest number of beneficiary SMEs – benefitting more than 230,000 SMEs under its guarantee facility as of the third quarter, 2017.

But it is important to also diversify funding sources. **The EIF is developing alternatives** *to bank lending in Europe by taking cornerstone investments in debt funds that lend to SMEs. Our contributions to the private equity market as a means to fund growth are another way in which we do this.*

In 2017, we continued to reach a vast number of SMEs via the COSME loan guarantee facility (LGF). We also rolled out the COSME LGF facility in **27 countries**. *Welcome on board, Luxembourg and Bosnia and Herzegovina.*

COSME Achievements in 2017

- The rollout of the EC's COSME LGF facility has now surpassed a key milestone of benefitting 220,000 SMEs over its lifetime, and the number keeps growing by more than 30,000 SMEs every quarter.

- COSME has contributed significantly to some of the EIF's targets under EFSI: surpassing the leverage and expected mobilised volumes. Under COSME LGF, 35 new guarantee and counter-guarantee transactions were signed for a total of EUR 271m, mainly with the support of EFSI, expected to leverage EUR 5.9bn of investments at the level of SMEs.

- EFSI is enhancing the COSME LGF facility up to an amount of EUR 550m. As a result, the overall size of the facility will increase from EUR 0.9bn up to EUR 1.45bn, expecting to generate up to EUR 42bn of loan financing for the benefit of eligible SMEs.

- In 2017, we signed four COSME LGF transactions in Greece, committing a total of EUR 49.8m. This will in turn leverage EUR 417.5m of debt finance for the benefit of higher-risk SMEs in the country.

- The leverage in COSME LGF is the highest of all EIF financial products. For every euro committed, we expect EUR 31 generated thanks to the capped guarantee that we provide.

83

financial intermediaries signed up since inception of COSME in 27 countries.

237,396

SMEs supported as of September 2017.

1 to 30.5€

For every 1 one euro invested 30.5 euros are generated.

What is COSME?

COSME is the EU programme for the Competitiveness of Enterprises and SMEs, running from 2014 to 2020, with a budget of EUR 2.3bn. It facilitates access to finance for SMEs, supports internationalisation and access to markets, creates an environment favourable to competitiveness, and encourages an entrepreneurial culture. At least 60% of the programme is devoted to easing access to finance for SMEs in Europe, with two financial instruments: The COSME Loan Guarantee Facility, (COSME LGF), which supports guarantees and counter-guarantees to financial intermediaries to help them address the financing needs of SMEs that are perceived as risky, perhaps due to their start-up nature, their business model or their lack of collateral. The programme also invests through the COSME Equity Facility for Growth (COSME EFG) in equity funds that provide risk capital to SMEs mainly in the expansion and growth stages.

Parfums Godet
Paris,
France

Creators of handcrafted small-batch perfumes

Financing purpose:
start up the business by purchasing facilities and renovation work

EIF financing:
COSME LGF;
EFSI

Diversifying our funding sources

SMEs must have access to a range of financing options in order to grow. Investing in debt funds is a way that the EIF can help diversify sources of funding for SMEs – and support Europe's Capital Markets Union policy objectives of widening the availability of SME loan financing away from traditional bank channels.

Debt funds grew in popularity in Europe after the 2008/2009 financial crisis when capital requirements restricted bank lending. They are an alternative to bank financing and offer SMEs debt financing often based on their bespoke requirements.

We have created two products designed to catalyse private investment into Europe's growing debt funds market: Our Diversified Debt Funds product, which invests in debt funds with a high number of diversified facilities in their portfolios, and the Selective Loan Funds product, which targets debt funds with lower portfolio diversification but who take a more selective approach to investing.

Diversified Debt Funds

Diversified Debt Funds (DDF) are alternative finance providers that subscribe to a relatively high number of senior debt facilities extended to companies operating in EU Member States. DDFs provide an attractive alternative fixed income product for institutional investors, with an adequate risk profile benefiting from broad portfolio diversification. In only two and a half years of activity, we've received approvals for cornerstone investments into 16 debt funds, for a total volume of EUR 800m. On average, each of our funds had eleven investors by the end of their fundraising periods. The DDF strategy not only diversifies an SME's funding source, but provides additionality by mixing public and private sources and will drive the growth of a young but important asset class. This has resulted in an average mobilised finance multiple of 11.6x.

Selective Loan Funds

We also support funds that offer hybrid debt to SMEs through our Selective Loan Funds initiative, (SLF). The SLF strategy targets a relatively low number (20-30) of investments in mainly senior non-distressed debt, or hybrid debt and equity instruments to companies operating in EU Member States. The funds we invest in under SLF are often the SME's sole lender, and aim to take a more active role with the SME than a bank might. For example, tailoring a financial product specifically for the SME's needs. This one-to-one financial support is believed to be beneficial for the SME as it moves through its financing lifecycle. In 2017, the EIF invested EUR 90m into three selective loan funds across France and Italy and has approved a further EUR 110m for investments throughout the EU.

Investment in action

One of the diversified debt funds we backed was the IdInvest Industrial Assets Fund in France. They have just made their first EUR 4.2m investment into French aluminium parts supplier Aluminium MBF, enabling the SME to buy essential manufacturing equipment. IdInvest is targeting a close of up to EUR 300m.

Bioburger
Paris,
France

Founders of a 100% organic fast food chain

Financing purpose: staffing; product development; marketing

EIF financing: EREM

What about our equity investments?

A thriving growth financing ecosystem is essential if SMEs are to grow from start-ups into mid-cap businesses in Europe. Financing this trajectory and bridging this 'second equity' gap is the focus of two new facilities signed this year with the EIB; the EIB-EIF SME and MidCap Funds Facility, and the EIB-EIF Co-Investment Facility.

The EIF also dedicates a great number of resources to supporting SMEs through the EFSI Equity Window and the EC's COSME EFG. In 2017, we targeted geographies historically underserved by a private equity and growth financing ecosystem with investments in the Western Balkans region, including Croatia and Serbia.

New equity facilities

The EIB-EIF SME and MidCap Funds and the EIB-EIF Co-investment facilities invest in private equity, venture capital or other hybrid funds across Europe, prioritising investments in first-time teams and funds targeting under-developed regions. The Co-investment Facility will make equity or hybrid debt and equity investments in SMEs alongside funds with a focus on innovative mid-caps and SMEs. The vehicles were created by two service-level agreements signed with the EIB in August 2017 totalling EUR 1.2bn, and so far, the SME Funds and MidCap Funds Facilities have signed 12 deals, totalling EUR 248m of investment while the Co-Investment Facility has signed two deals totalling up to EUR 13m in investment.

Highlights

“This solved our cash flow problem. We were able to get financing within two weeks. Using traditional lending channels we would never have been able to get funding so fast.”

LOUIS FRACK,
BIOBURGER

“With this guarantee on the loan, I went from having no options to multiple financing offers.”

SONIA SOUZA,
PARFUMS GODET

- The EIB-EIF MidCap Funds Facility made its first investments – including a EUR 40m investment in Qualium Fund II, a fund focusing on growth transactions in the French mid-market segment with a target fund size of EUR 350m, and a EUR 100m in FSI Mid-Market Growth Equity Fund, focusing on growth transactions in the Italian mid-market segment, with a target fund size of EUR 1.5bn.

- We also took our first investments under the EIB-EIF Co-Investment Facility in French orthopaedic surgery instrument manufacturer In’Tech Medical. Our facility invested alongside fund manager Cabestan Capital 2.

- Under COSME and RCR, the EIF agreed to commit up to EUR 20m in Ascendant Buy-Out fund, a private equity fund focusing on opportunities in the Western Balkans. The EIF’s participation in Ascendant will generate a catalytic effect both for the fund itself - in attracting the attention of other local and international investors - but also for the development of the private equity ecosystem in the Western Balkans where SMEs are strongly underserved by both equity and debt providers.

- Together with funds from our InnovFin and COSME mandates we invested in Irish venture capital fund ACT V in order to continue building the Irish venture capital ecosystem. The agreement will allow ACT to finance around 30 high potential early and expansion stage companies in the information and communication technology sector in the coming decade.

Social Impact Investment & Inclusive Finance

Our world is changing. We are living through a time of mass migration, widening wealth inequality, unemployment, and a gulf between generations. At the EIF we believe that people are **at the heart of a healthy society**. *That's why, together with the EC and the EIB, we support micro and social enterprises, SMEs and intermediaries that go out of their way to generate a positive social impact.*

In this spirit, we also recognise that **the path to success is rockier for some than for others**. *Our inclusive finance and impact investing activity takes EC, EIB and EIF resources to offer microfinance and social entrepreneurship opportunities to entrepreneurs including the young, the unemployed and migrants.*

After all, Europe's economy can only be successful if it's inclusive.

Did you know?

Supporting social enterprises has become an important policy objective for the EU thanks to their ability to deliver a positive social impact in areas such as social inclusion and labour market integration. The EIF's targeted interventions strengthen EFSI's social focus and ability to deliver on EU 2020 goals for smart, sustainable and inclusive growth.

In 2017 we identified a growing number of private funds and wealthy individuals who wished to 'give back' to society. We responded by pioneering new ways to invest in social causes through early stage, incubator and accelerator instruments. We also recognised the need to build a social impact ecosystem by investing in existing and prospective financial intermediaries via our inclusive finance capacity-building instrument. This year was the first time we used our innovative 'Payment-by-results' social impact pilot instrument. These pioneering instruments will help fund more social enterprises, with greater efficiency.

What is Payment-by-results?

These instruments allow private investors to invest in social causes that have limited public sector financing available to them. In a typical PBR transaction, a local or national government will contract a social enterprise or social sector organisation to provide prevention-based intervention into a social cause. In the case of the KOTO investment, this means integrating refugees to avoid future problems associated with poor social integration in general, such as unemployment and health costs. The EIF provides the upfront financing to the social enterprise by investing alongside a private investor or other counterpart into a special purpose vehicle (SPV). If the project is successful the government avoids the future cost of symptom-based intervention and passes some of these savings to the social enterprise, which in turn passes it on to the investors in the SPV as a return, thus aligning the interests of the investor and the goals of the social enterprise. The long-term risk capital investments can take the form of equity, preferred equity, hybrid debt-equity instruments, other types of mezzanine financing, and debt.

Highlights

- We entered into Europe's largest ever Payment-by-results (PBR) transaction - which was also the EIF's first direct investment into a PBR deal. Under the EFSI SME Window equity product, we made a EUR 10m pilot investment in the KOTO Social Impact Bond, a PBR scheme working with the Finnish Ministry of Economic Affairs and Employment to improve refugee integration in Finland. PBR enables private investors to put their capital into the public sector, and then operates the project in such a way that it saves costs to the taxpayer and pays the investor a return. We expect to support more PBR transactions to follow this initial one.

- We approved our first ever co-investment with Spanish incubator Impact Equity under the EFSI Equity Window. This EUR 3m co-investment in a EUR 1.45m social impact fund focusing on seed and early-stage companies in Spain will create a signalling effect and contribute to the development of the nascent social enterprise sector in Spain.

- We invested in French social impact fund Impact Création, which stimulates economic activity in the suburbs of Paris by assisting in the start-up costs of franchise businesses expanding in the region. Impact Creation is now one of the funds in our Social Impact Accelerator.

- In 2017, the EIF committed EUR 20.9m to two transactions in Denmark and Italy under its Social Impact Accelerator (SIA). At the end of 2017, the SIA portfolio comprised 11 social impact funds focused on building successful social enterprises in six countries.

26,000

people supported through the EaSI programme.

428m€

committed to micro and social enterprises under EPMF, EaSI, SIA and EFSI.

1.7bn€

in mobilised financing under EPMF, EaSI, SIA and EFSI.

What is the EIF's SIA?

The Social Impact Accelerator (SIA) was launched in 2013 combining resources from the EIF, the EIB and external investors, including Crédit Coopératif, Deutsche Bank as well as the Finnish group SITRA and the Bulgarian Development Bank. SIA targets investments in social impact and entrepreneurship funds focused on building successful social enterprises. SIA is an EIF-own product which follows a different definition of social enterprise to that of EaSI, EMPF and EFSI. Through the SIA, the EIF is pioneering funding infrastructure for social investment funds in Europe, and also the establishment of standards for impact due diligence and impact metrics.

The Impact

Throughout the EU, 99% of all start-ups are micro or small enterprises, one third of which were launched by unemployed people. Moreover, microenterprises (firms with fewer than 10 employees and an annual turnover of no more than EUR 2m), make up 93% of all European businesses and account for 30% of total employment. Yet microenterprises have less access to bank loans and other external financing than other SME size classes. Across EPMF, more than 55,000 beneficiaries have been supported with more than EUR 500m; 36% of the entrepreneurs financed are female, but this figure is 50% amongst our top five financial intermediaries; 48% of entrepreneurs were previously unemployed, 18% of entrepreneurs have no formal education or only primary education; 6% of borrowers are below the age of 25.

"The coaching and support was extremely helpful. Both Microlux and my social worker helped me get through all the paperwork, explaining what I had to do and putting me in touch with people."

MR. HUSSEIN ALABDULLAH,
LUX CARS

93%
of EU's businesses are microenterprises.

1/3
are launched by unemployed people.

36%
of entrepreneurs financed are female.

Lux Cars
Sanem,
Luxembourg

Managers of purchasing, selling and renting used vehicles

Financing purpose: purchase of vehicles

EIF financing: EaSI Guarantee Financial Instrument; EFSI

Helioz GmbH
Vienna,
Austria

Inventors of a
sustainable solution
for waterborne diseases

Financing purpose:
business development;
increasing hardware production

EIF financing:
EaSI Guarantee Financial Instrument (Social Entrepreneurship)

Inclusive Finance at the EIF

Our Inclusive Finance activity helps ease the way for those that find it harder to integrate into society. A simple loan can sometimes be all it takes to kick-start a new business, a new start, a new life, and our microfinance intermediaries lead the way in making this happen.

- The EU's EaSI Guarantee Facility has been rapidly absorbed into the market covering 24 countries including 21 Member States despite only two years of activity. Under EaSI alone we expect to support more than 85,000 micro and social enterprises by the end of the programme in 2020.

- Our largest transaction in 2017 was EaSI's Social Entrepreneurship guarantee to Triodos Bank to originate a portfolio of EUR 65m of loans to eligible recipients in the Netherlands, Belgium, Spain and France.

- We also signed an agreement with the National Bank of Greece (NBG) to guarantee a EUR 40m loan portfolio targeting micro-borrowers. More than 3,400 micro-borrowers are expected to benefit from lower interest rates thanks to this guarantee.

- EFSI has already increased its participation in the EaSI Guarantee Facility up to an amount of EUR 100m in the form of a permanent unfunded second loss piece. As a result, the overall size of the facility will increase from EUR 96m up to EUR 196m, expecting to generate more than EUR 1.5bn of loan financing for the benefit of eligible micro-enterprises, micro-borrowers and social enterprises.

- We signed a loan guarantee agreement with Banca Popolare Etica in Italy under the social entrepreneurship strand of the EaSI Guarantee Facility, guaranteeing a EUR 50m portfolio of loans for social enterprises with a high-risk profile. Separately, Banca Popolare Etica has also signed a loan agreement under the Cooperative Banks and Smaller Institutions initiative – intended to widen the EIF's pool of eligible intermediaries to cooperative banks. The transaction is intended to support a portfolio that would target more than 160 SMEs in the social enterprise and entrepreneur sector.

- We are turning our attention towards our EaSI Capacity Building Investments Window after launching a call for Expressions of Interest at the end of 2016. We obtained first approval in July 2017 on our first deal with pan-European Investment Fund Helenos, while we expect a strong investment pipeline for 2018.

More about Inclusive Finance

We offer inclusive financing under the EU Programme for Employment and Social Innovation (EaSI), set up by the EC Directorate-General for Employment, Social Affairs and Inclusion in cooperation with the EIF. In short, the EaSI Microfinance and Social Entrepreneurship axis aims to promote employment and social inclusion in Europe in line with policy goals of the Europe 2020 strategy. The EIF is responsible for the deployment of two instruments under the programme - the EaSI Guarantee which has been active since 2015, and the EaSI Capacity Building Investments Window which was launched at the end of 2016. The EaSI Guarantee provides capped guarantees or counter-guarantees to portfolios of loans not exceeding EUR 25,000 in the fields of microfinance, and up to EUR 500,000 for social enterprises. Thanks to EFSI, additional resources have been made available to the EaSI Guarantee to continue serving micro and social enterprises, strengthening the social dimension of EFSI. The EaSI Capacity Building Investments Window will build up the capabilities of microcredit and social finance providers primarily through equity investments in selected intermediaries.

A look back

Prior to the EaSI programme, EU support for microfinance was provided under its predecessor, the European Progress Microfinance Facility, or EPMF. Since its launch in 2010, EPMF mobilised EUR 500m of loans supporting 55,000 micro-borrowers. EPMF was concluded successfully in April 2016.

Culture & Education

The EIF supports two programmes dedicated to the cultural, creative and educational sectors. Why? Because these rich and diverse fields form the backbone of our **cultural identity***, and act as valuable forces for social mobility and innovation.*

Yet all **art and education needs a support structure***. It is time to show European financial intermediaries that these are sectors worth lending to.*

The cultural and creative sectors account for at least 4.4% of EU's GDP and more than **12m jobs***, according to the Intergroup Cultural and Creative Industries in December 2017. However, they have for a long time been underserved by financial intermediaries mainly due to the intangible nature of their assets. Not any longer. The EC launched a guarantee facility in June 2016 dedicated to the* **Cultural and Creative Sectors** *(CCS) in cooperation with the EIF.*

In its first full year of activity, the CCS Guarantee Facility (CCS GF) has already exceeded its target for 2017. In fact, we are only just seeing the tip of the iceberg in terms of demand in this area. According to the EC, the funding gap for SMEs in this sector is estimated at up to EUR 4.8bn.

Why are culture and creativity important?

SMEs in these sectors often lack tangible assets against which to secure a loan. Their output is early-stage or prototype in nature. Many SMEs in the cultural and creative sectors operate in a niche market of a small size, creating a lack of critical mass. They have specific cash flow schemes and life cycles, and specific vehicles per project. Personal collateral is typically requested when providing finance to the cultural and creative sectors. There is a shortage of reliable data which limits funding possibilities. Few banks understand the specific nature and business model of SMEs in these sectors, hence the need to create more awareness and build capacity in this area.

Sectors covered by the CCS GF:

Some of these sectors are: Architecture, archives, libraries and museums, artistic crafts, audiovisual (including film, television, video games and multimedia), tangible and intangible cultural heritage, design, festivals, music, literature, performing arts, publishing, radio and visual arts.

Highlights

- We signed eight transactions across Europe for a total of EUR 37.5m in Spain, Romania, France, Italy, Belgium and Czech Republic. These transactions are expected to generate EUR 345m of leveraged financing.

- EFSI has already enhanced its participation in the CCS GF up to an amount of EUR 60m. As a result, the overall size of the facility will increase from EUR 121m to EUR 181m, expecting to generate more than EUR 1bn of loan financing for SMEs operating in the cultural and creative sectors.

- The CCS GF will also provide advice to financial intermediaries on how to assess and manage risks related to lending to SMEs in the cultural and creative sector. This capacity-building strand of the facility will enhance the capabilities of banks and funds to lend to SMEs.

What is the CCS GF?

The CCS GF was launched in June 2016 in the context of the EU's Creative Europe programme for the budgetary period 2014-2020. The CCS mandate is composed of two pillars: On the one hand offering portfolio guarantees and counter-guarantees to selected intermediaries for loans and leases to relevant entrepreneurs. On the other, offering an optional capacity-building programme to help financial intermediaries improve their understanding of the cultural and creative sectors.

Manufacturas Sonoras
Madrid, Spain

Founders of an independent recording studio

Financing purpose:
To purchase a mixing console.

EIF financing:
Cultural and Creative Sectors Guarantee Facility (CCS GF).

What about education?

We believe that higher education and free movement helps shape Europe's future entrepreneurs, society and economy for the better.

For many young people, the ballooning costs of higher education, combined with the financial pressures of living abroad is enough to put them off. But what if there was a loan available on pricing and terms that suited them?

In spring 2015 the EC launched the Erasmus+ Master Loan Guarantee Facility to improve access to finance for mobile students undertaking their Master's degree abroad. Like Boris Kuzmanov.

Boris dreamed of working in the field of energy, but the Bulgarian native was concerned by the cost of pursuing a European Masters which involved a year at the Polytechnic University of Catalunya, a second year in France, and then a six-month internship in an energy company.

Thanks to a loan from financial intermediary Microbank, backed by the EIF under the EU's Erasmus+ programme, the ambitious graduate could put aside the prohibitive upfront costs and repay under a long-term agreement that suited his plans. He currently lives in Barcelona and is enjoying the intense and demanding programme.

> *"It had a huge positive impact on my life."*
>
> BORIS KUZMANOV, STUDENT

How does it work?

The Erasmus+ instrument works by offering credit risk protection in the form of capped guarantees or counter-guarantees to financial intermediaries that grant financing to mobile Masters students.

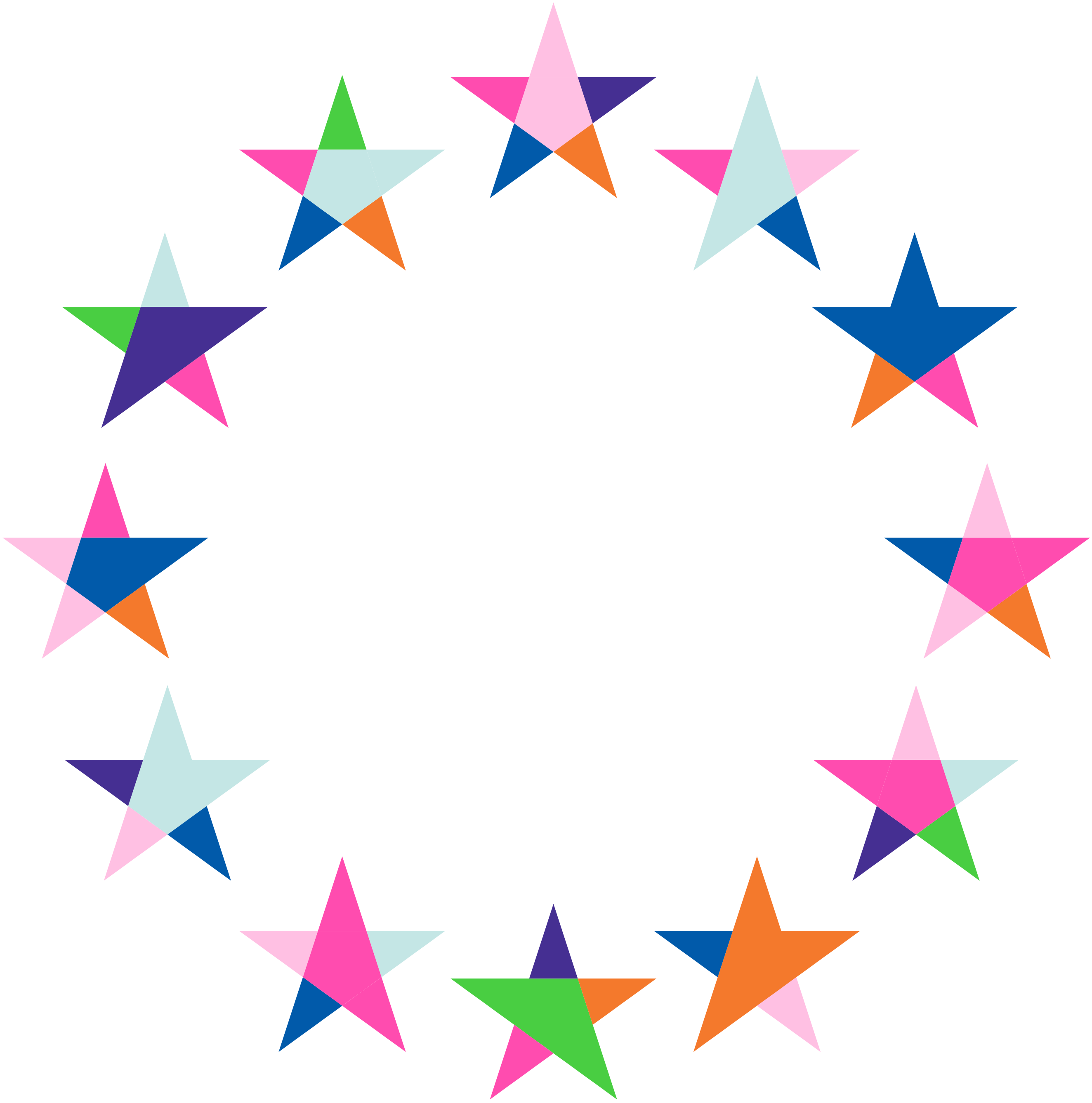
An interesting feature of this programme is its implementation via universities. A university can benefit directly from the EIF guarantee when providing financing to its students, bringing substantial benefits both to the universities and the students.

In December 2017, an agreement was signed under the facility with the University of Cyprus – the second agreement with a university as a financial intermediary. In addition to the agreements with the Universities of Cyprus and Luxembourg, the facility is implemented through five financial intermediaries making more than EUR 160m available in student loans.

Boris Kuzmanov
Barcelona,
Spain

Financing purpose:
To pursue a Masters in Energy at the Polytechnic University of Catalunya.

EIF financing:
Erasmus+ Masters Loan Guarantee Facility.



Regional Investments

Every country is different. That's why we work closely with national and regional governments and institutions **to promote a balanced, sustainable financing model**. *Recently, we started to combine ESIF resources with EC programmes, the EIB and our own resources allowing for significant economies of scale across Europe and more money to SMEs.*

This year, we also prioritised a deeper relationship with National Promotional Institutions (NPIs), our **regional and national** *counterparties who, like us, pursue a public policy mission. Our EIF-NPI Equity Platform and our securitisation initiative ENSI helps identify the synergies in our work and ensure the maximum flow of funds to the SMEs.*

In 2017, the **EIF signed 18 national and regional mandates** *– including the first mandates dedicated exclusively to agriculture. Thanks to a pilot of financial instruments in agriculture in France in 2016, we have initiated platforms for lending to farmers and SMEs on favourable terms.*

For information on every mandate signed in the year, please see our Signed Transactions & Mandates section.

Highlights

- We built upon the success of the SMEi in Spain in 2016 with the full implementation of the SMEi in Romania and SMEi in Finland, both of which attracted a very high level of interest from a multitude of financial intermediaries. In Romania we signed uncapped guarantee agreements with eight financial intermediaries, expected to generate more than EUR 540m of financing for SMEs. In Finland, we signed six uncapped guarantee operations, expected to generate more than EUR 400m of financing to SMEs.

- Operations under the SMEi securitisation facility in Italy started in December 2017 following the signature of five securitisation agreements for a total amount of EUR 293m. Under the SMEi agreements, financial intermediaries will be able to securitise portfolios of existing debt instruments. In return, the selected financial intermediaries will be expected to originate an additional portfolio of new debt transactions to SMEs and small mid-caps.

- In agriculture we are leveraging off the success of our previous guarantee operations in France with new guarantees such as the Agri Multi-Regional Guarantee Platform for Italy and the Agri Fund in Romania, expected to generate aggregate portfolios of EUR 400m and EUR 125m respectively. These innovative financial instruments will use the European Agricultural Fund for Rural Development (EAFRD), EC, EIB and local resources to ease access to finance for farmers and SMEs involved in agricultural products.

- The EIF, in cooperation with the EIB and the EC, has expanded its geographical remit of regional mandates by launching a new dedicated guarantee facility for EU Eastern Neighbourhood countries – Ukraine, Moldova and Georgia – known as the DCFTA Guarantee Facility. The market response has been very positive and the EIB Group has signed guarantee agreements with seven commercial banks. The facility will guarantee about EUR 285m of loans to SMEs in the three countries over a period of two years.

What is the SME Initiative?

The SME Initiative (SMEi) combines European Structural Investment Funds (ESIF) with EIB, EU and EIF resources, allowing different levels of risk to be assumed across the capital structure and ultimately mobilising a much larger volume of loans to SMEs in Europe. This combination of funds promotes economies of scale and larger investments. Alongside ESIF, the SMEi is co-funded by the EU through COSME and/or Horizon 2020 resources as well as EIB Group resources. The SMEi is currently operational in Bulgaria, Italy, Finland, Malta, Romania and Spain. In the future, it may be extended to other EU Member States. Overall, close to EUR 1.3bn of ESIF resources are expected to leverage an aggregate EUR 8.6bn of new SME financing, generating EUR 12bn of new investment by over 70,000 SMEs. As of September 2017, almost 45,000 SMEs were supported for a total financing of above EUR 4bn.

4bn€
to support
45,000
small and medium-sized enterprises

Pukas Surf
San Sebastien,
Basque Country

Makers of high-performance surfboards and custom bikinis

Financing purpose:
hire expert staff; expand facilities.

EIF financing:
SMEi Spain and ESIF.

Fund-of-funds

What else can we do to bring together financing from different countries? A fund-of-funds, which is a fund investing in other funds, is one very effective way of doing this. In 2017, we continued to target countries and regions that have historically been under-nourished in SME financing:

- We raised the Central and Eastern European Fund of Funds, (CEFoF), a EUR 80m fund-of-funds focused on investments in the region and bringing together investors from Austria, Hungary, Slovenia, Slovakia, and the Czech Republic alongside the EIF.

- We also raised AlpGIP, a new fund-of-funds with a target size of EUR 70m, supporting growing SMEs and small mid-caps in the alpine region.

- This year, the EIF and the Government of Romania agreed to create the ESIF Regional Fund-of-Funds, allocating up to EUR 80m for growth equity instruments for SMEs. The initiative follows in the footsteps of the now-closed EUR 15m JEREMIE-financed equity fund, which counts the sale of smart watch VectorWatch to FitBit as one of its significant exits.

- We approved a EUR 30m commitment into our Czech ESIF Fund-of-Funds, a vehicle set up to address the gap in early-stage equity financing in the Czech Republic – and more commitments are in the pipeline.

"We as a company need to grow, because we want a better workplace, better product, better athletes, and we need to invest to achieve that."

ADUR LETAMENDIA,
PUKAS SURF

A closer look at EquiFund

Greece has one of the lowest levels of venture capital and private equity activity in the whole EU, according to the European Private Equity and Venture Capital Association. A combination of a small market size, lack of entrepreneurial interest and culture amongst the youth and barriers to doing business has historically concerned private institutional investors. But this is changing. The fund-of-funds EquiFund aims to transform this historical weakness by making commitments in professionally and independently-managed funds through all stages of investment of the equity value chain. The investment strategy includes three Windows: The Innovation Window (supporting both Technology Transfer and Acceleration), the Early Stage Window and the Growth Window. EquiFund was created with the original ESIF commitments of the Greek state and the EIF. It is expected that the EIB will be joining the cornerstone investors through EFSI. EquiFund will pave the way for unleashing the wealth creation, both social and economic, of young, talented human capital in Greece.

New partnerships in 2017

Our support programmes for SMEs benefit when we take local and regional specificities into account. Our EIF-NPI Equity Platform was launched in September 2016 to facilitate cooperation between the EIF and NPIs in the area of equity investments. The Platform now has a total of 37 NPIs from 24 countries across Europe as its members.

NPIs can choose the way in which they invest alongside the EIF, through models tailored for them or through a standardised approach. By working together we attract more funds, and, at the same time, make sure that NPIs get access to investments in their areas. Together we improve investments in the EU and overcome market fragmentation.

- We collaborated with Scottish Enterprises to raise the Scottish-European Growth Co-Investment Programme, a GBP 100m facility targeting co-investments in growing Scottish companies.

- We worked with SID Banka in Slovenia to raise the Slovene Equity Growth Investment Programme, a EUR 100m facility investing in Slovene companies through funds and co-investments.

- We raised Social Impact Italia, a new EUR 100m programme in collaboration with Italian NPI CDP focused on social investments in Italy. This programme is particularly innovative because it is a tailored, rather than standard product.

- We also took the first two investments under ITAtech, another tailored EIF-NPI mandate with CDP to support the technology transfer market in Italy. One with Vertis, a fund focused on industrial automation and robotics, and a second with Sofinnova-Telethon an Italian research centre in the field of rare and genetic diseases.

- The EIF and the EIB deployed the first Polish Zloty-denominated securitisation transaction in Poland with EFL Leasing under our securitisation initiative ENSI. By supporting this significant transaction in the Polish leasing market we are assisting the development of SMEs and growth in Poland.

What is ENSI?

ENSI is the EIF-NPIs Securitisation Initiative, a cooperation platform between the EIB Group and National Promotional Institutions (NPIs). The idea is to stimulate the availability of finance to SMEs in Europe by revitalising the SME securitisation market and catalysing resources from the private sector. This reflects the spirit of EFSI which aims to achieve a much wider outreach in support of SMEs. The ENSI cooperation started in early 2016. To date, 17 deals have been closed under this programme.

Our Impact & Looking Ahead

We achieved what we set out to do in 2017, which was to deliver on the ambitious objectives of EFSI in the context of the Investment Plan for Europe, to **consolidate our product offering and to deepen our networks** *of financial intermediaries.*

And, while the volumes we invest are important, we are also interested in the **real impact of our financial instruments** *on society and the economy.*

Our research team at the EIF has conducted a **series of studies** *based on state-of-the art quantitative methods and academic collaboration.*

The results show how credit guarantee schemes and equity investments implemented by the EIF not only improve access to finance for SMEs, but correlate with improved employment. What is more, these financial instruments **boost jobs at a faster rate than a grant or direct loan**.

Looking to 2018 and beyond, the EIF is in a strong position to channel new funds from EFSI 2 to SMEs and to engage with the EC on the next Multi-Annual Financial Framework (MFF). **We look forward** *to continuing to improve the financing environment for SMEs.*

What is our impact?

Our impact is important to us. As well as stimulating new loan portfolios and equity ecosystems, the EIF had a positive impact on European venture capital in the aftermath of the recent economic crisis. We estimate that a 1% increase in post-crisis EIF venture capital activity triggered a 1.4% increase in the investment volumes of other market players the year after.

Credit guarantees versus loans

Credit guarantee schemes correlate more positively with a boost in employment than a loan scheme. SMEs that received a loan as a result of a credit guarantee scheme (one of the EIF's most active financial instruments) increase the number of people they employ by 14-18% more than SMEs funded by other means, such as a grant or a direct loan.

Ecosystems are essential

Several key venture capital hubs in Europe originated 83% of Europe's venture capital investments. This shows how important ecosystems are to venture capital, and how the EIF adds to the value of its direct investments in venture capital by kick-starting ecosystems in new geographies.

Boosting employment

The average EIF-backed Venture Capital start-up doubles its number of employees and total assets within four years of investment.

Going public

152 EIF-backed start-ups went public in 20 different stock exchanges worldwide in the period 1998-2015. Among these, French start-ups have been the most prolific in terms of IPOs, followed by the UK. Half of all IPOs were in life sciences.

Patenting your innovation

Patents are an important signaller of value. Around 56% of venture capital-backed start-ups received their first investment after registering their patents. For every euro of venture capital financing flowing into EIF-backed start-ups, investees were able to create 2.74 euros of private value via patented innovation.

152

EIF-backed start-ups went public in 20 different stock exchanges worldwide in the period 1998-2015

Looking to 2018 and beyond

We will continue to deploy EFSI at full speed until July 2018.

We are committed to reaching the new total expected mobilised target of EUR 157.5bn for the SME Window under both EFSI and EFSI 2.

We are focusing on building the EC and the EIB's flagship products RCR, COSME, InnovFin and EaSI while enhancing the more recent ones like the CCS GF.

We will continue to support new market segments such as loan funds, crowd-funding and payment-by-results transactions.

We will continue to enhance cooperation with NPIs through our existing EIF-NPI Equity Platform and ENSI programme while exploring new means of working together.

Following last year's public consultation meeting as well as our ongoing discussions with key stakeholders, including the EC, visibility, transparency and marketing will take greater priority in 2018.

We will explore new business models such as Fintech, financing platforms and new technologies.

We intend to maintain our financial discipline and keep our AAA/A-1+ rating.

Investment vehicles like our Asset Management Umbrella Fund remain a strategic long-term priority for the EIF. By 'crowding in' institutional investors we are ensuring money that would otherwise have been invested elsewhere is now directed towards the SME space.

There are still some challenges ahead

Together with the EC and the EIB, we helped to increase the availability of financing for SMEs. However we have further to go. SMEs continue to perceive a lack of public support in access to external finance. The EIF needs to change this view. Start-ups nurtured by EIF-backed venture capital funds are still making their exits in the US and Asia – something that a better growth-financing ecosystem in Europe will change. Fintech and other technologies are lowering the barriers to entry for financing but bringing with them new challenges. We still need to support the development of financing systems in geographies that lack them and enhance the instruments we have. In 2018, we will focus on:

- Continuing to engage with the EC and the EIB on EFSI 2 to ensure that we can keep supporting SMEs in new and innovative ways that deliver on wider European policy goals.

- Seeking to provide input into the EU's post 2020 Multi-Annual Financial Framework in which financial instruments will be an essential component.

- Building on the successful deployment of our programmes under EFSI, and seek to reach our EFSI 2 targets possibly even before the deadline if the current pace of delivery can be sustained.

What is the post-2020 Multi-Annual Financial Framework?

The EU works on budget cycles called Multi-Annual Financial Frameworks (MFFs). The current seven-year cycle runs from 2014 to 2020, meaning that discussions on the structure of the MFF beginning 2021 will start in earnest from 2018. The MFF governs not only the funds available to us but the programmes that we deploy, which means that we want to participate actively in the discussions on MFF to provide key input relevant to the shaping of new instruments encouraging SME financing.

What is EFSI 2?

The second phase of EFSI will enter into force in January 2018. The additional objectives include sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider bioeconomy. There will also be enhanced additionality and transparency. EFSI 2 will have reinforced geographic coverage: more targeted technical assistance and combination of other sources of EU funding to support less-developed regions and transition regions. There will also be reinforcement of the European Investment Advisory Hub – targeted technical assistance and support on the establishment of investment platforms. There is a possibility under EFSI 2 to further increase the EFSI SME Window from EUR 10.5bn up to a maximum of EUR 13bn (EUR 4bn from the EIB and EUR 9bn from the EU) by transfer of a EUR 2.5bn budget from the EFSI Infrastructure and Innovation Window.

Signed Transactions & Mandates

The number and volume of transactions signed by the EIF in 2017 reflects our ongoing commitment to implementing financing for European SMEs. Over the past year, we have increased the volume of signatures in some areas - for example, equity signatures - whereas we have consolidated in others. We see this stability as a **sign of European financial intermediaries' growing** *capacity to finance SMEs, and a signal for us to continue to find new financing gaps to tackle.*

In 2017, the EIF signed transactions totalling EUR 9.3bn, compared with EUR 9.45bn in 2016, leveraging EUR 35.4bn of financing to support SMEs and midcaps in Europe.

Within this figure, **the volume of equity transactions increased** *from EUR 3.2bn in 2016 to EUR 3.3bn in 2017, leveraging EUR 15.7bn.*

The volume of guarantees committed to financial intermediaries decreased from EUR 6.2bn in 2016 to EUR 5.9bn. **Meanwhile**, *EUR 110m was signed for microfinance and social entrepreneurship in 2017, compared with EUR 121m in 2016.*

At the end of 2017, EUR 90.2bn was approved under the EFSI SME Window, which corresponds to 109% of the total SME Window target of EUR 82.5bn.

Read on to view each transaction in detail.

Equity Signatures as at December 2017

Deal Name	Resource	Geographic focus	Commitment (EURm)	EFSI
LMM				
BaltCap Growth Fund	BIF	Multi-country	20.0	
Vortex Capital Partners II Cöoperatief U.A.	DVI II	Multi-country	8.0	
Qualium Fund 2	EIB EIF SME & Midcap IIW/Own funds	France	40.0	
Miura Fund III	EIB EIF SME & Midcap IIW/Own funds	Spain	30.0	
Value 4 Capital Poland Plus	EFSI Sub-Window 1/PGFF/Own funds	Multi-country	35.0	YES
Arcadia Small Cap Fund II	EFSI Sub-Window 1/Own funds/Alpine Growth Investment Platform	Italy	30.0	YES
Alto Capital IV	EFSI Sub-Window 1/Own funds/Alpine Growth Investment Platform	Italy	40.0	YES
FnB Europe Fund S.L.P.	EFSI Sub-Window 1/Own funds	France	30.0	YES
MVI Fund I	EFSI Sub-Window 1/Own funds	Sweden	20.9	YES
Sentica V	EFSI Sub-Window 1/Own funds	Finland	22.5	YES
Med II	EFSI Sub-Window 1/Own funds	Multi-country	40.0	YES
Gradiente II	EFSI Sub-Window 1/Own funds	Italy	25.0	YES
Elvaston Capital Fund III	EFSI Sub-Window 1/Own funds	Multi-country	30.0	YES
Marondo Small-Cap Growth Fund I GmbH & Co. KG.	EFSI Sub-Window 1/Own funds	Multi-country	25.0	YES
Espira Fund I	EFSI Sub-Window 1/Own funds	Multi-country	3.7	YES
Capzanine 4 Private Debt	EREM Loan funds/Own funds	France	30.0	
Artemid Senior Loan Fund II	EREM Loan funds/Own funds	France	30.0	
Antares AZ1	EREM Loan funds/Own funds	Italy	30.0	
Beechbrook Private Debt Fund III	RCR/Own funds	Multi-country	10.0	
Oquendo Mezzanine III	RCR/Own funds	Multi-country	55.3	
Portobello Fund IV	RCR/Own funds	Spain	80.0	
Acto Mezz III	RCR/Own funds	France	50.0	
Hivest I	RCR/Own funds	France	20.0	
Parfi-1	RCR/Own funds	France	20.0	
Ekkio Capital IV	RCR/Own funds	France	25.0	
WestBridge SME Fund II	RCR/Own funds	United Kingdom	28.6	
CEECAT SEE Turkey Lending Platform	RCR/Own funds	Multi-country	40.0	
Parquest Capital II A FPCI	RCR/Own funds	Multi-country	55.0	
Axcel V	RCR/Own funds	Multi-country	60.0	
Litorina V AB	RCR/Own funds	Multi-country	58.7	
Accent Equity 2017	RCR/Own funds	Multi-country	25.6	
Dutch Mezzanine Fund II	RCR/Own funds	Netherlands	40.0	
GEM Benelux Fund IV	RCR/Own funds	Netherlands	40.8	
Ciclad 6	RCR/Own funds	France	40.0	
Folmer Equity Fund II	RCR/Own funds/COSME EFG	Finland	20.0	
Ascendant Buy Out Fund	RCR/Own funds/COSME EFG/CEFoF	Multi-country	20.0	
FSI Mid-Market Growth Equity Fund	RCR/Own funds/EIB EIF SME & Midcap IIW	Italy	100.0	
Innova/6	RCR/Own funds/EIB EIF SME & Midcap IIW	Multi-country	40.0	
Capidea Kapital III	RCR/Own funds/EIB EIF SME & Midcap IIW	Multi-country	29.6	
CataCap II	RCR/Own funds/EIB EIF SME & Midcap IIW	Denmark	40.3	
LTC III FPCI	RCR/Own funds/EIB EIF SME & Midcap IIW	France	40.0	
Elikonos 2 S.C.A. SICAR	RCR/Own funds/ESIF Greece	Greece	26.4	
EOS Hellenic Renaissance Fund	RCR/Own funds/ESIF Greece	Greece	35.1	
Harbert European Growth Capital Fund II	RCR/Own funds/MDD	Multi-country	60.0	
Accession Mezzanine Capital IV ScSp	RCR/Own funds/PGFF	Multi-country	55.0	
OxyCapital Mezzanine Fund	RCR/Own funds/PVCi	Portugal	3.0	
Sub-total LMM (excl. Co-inv.)			**1,608.6**	
Co-investments (LMM)				
Co-investment with Cipio Partners Fund VI & VII	EFSI Sub-Window 1/Own funds	Germany	6.6	YES
Co-investment with eEquity III	EFSI Sub-Window 1/Own funds	Multi-country	12.5	YES
Co-investment with HCapital - ESID	EFSI Sub-Window 1/Own funds	Portugal	3.4	YES
HPE Co-Investment Fund	RCR/Own funds/ERP	Germany	30.0	
Co-investment with Trocadero Croissance & Transmission II	RCR-MCIF/Own funds	France	3.0	
Co-investment with Beechbrook Private Debt Fund III	RCR-MCIF/Own funds	Multi-country	3.8	
Co-investment I with SouthBridge Europe Mezzanine - Arivia	RCR-MCIF/Own funds	Greece	4.5	

Co-investment with Oxy Capital Mezzanine Fund	RCR-MCIF/Own funds	Portugal	5.1	
Co-investment with Accession Mezzanine Capital IV	RCR-MCIF/Own funds	Poland	8.0	
Co-investment with IFE III	RCR-MCIF/Own funds	France	1.8	
Co-investment with Cabestan Capital 2	EIB EIF Co-Investment IIW	France	6.0	
Co-investment II with SouthBridge Europe Mezzanine - Katikies	EIB EIF Co-Investment IIW	Greece	7.3	
Sub-total Co-investments (LMM)			**92.0**	
Sub-Total LMM			**1,700.5**	
VC				
Seaya Ventures II FCR	RCR/Own funds	Multi-country	30.0	
Medicxi Growth I	RCR/Own funds	Multi-country	56.7	
Nauta Tech Invest IV FCR	RCR/Own funds	Multi-country	30.0	
Felix Capital Fund II LP	RCR/Own funds	Multi-country	18.5	
Balderton Capital VI	RCR/Own funds	Multi-country	60.3	
Evolution Technology Fund	RCR/Own funds	Multi-country	23.4	
GP Bullhound Fund IV SCSp	RCR/Own funds	Multi-country	30.0	
Finch Capital Fund II Cooperatief U.A.	RCR/Own funds/DVI II	Multi-country	30.0	
Innovation Industries Fund Cooperatief U.A.	RCR/Own funds/IFE Facility for Early Stage	Netherlands	25.0	YES
United Ventures Two	RCR/Own funds/IFE Facility for Early Stage	Italy	30.0	YES
BioDiscovery 5	RCR/Own funds/ERP	Multi-country	60.0	
Spintop Investment Partners III AB	RCR/Own funds/ESIF SVI	Sweden	20.1	
Luminar Ventures AB	RCR/Own funds/ESIF SVI	Sweden	20.0	
Marathon Venture Capital Mutual Fund	RCR/Own funds/ESIF Greece	Greece	21.5	
Venture Friends 400W Fund	RCR/Own funds/ESIF Greece	Greece	30.8	
Inventure Fund III Ky	RCR/Own funds/EIB EIF SME & Midcap IIW	Multi-country	40.0	
Holtzbrinck Ventures Fund VII GmbH & Co. geschlossene Investment KG	RCR/Own funds/ERP/LfA	Germany	35.0	
Atlantic Labs Growth I GmbH & Co. KG	ERP/Own funds/RCR	Germany	20.0	
Capnamic Ventures Fund II GmbH & Co. KG	ERP/Own funds/RCR	Multi-country	20.0	
b-to-v Growth I S.C.S., SICAR	ERP/Own funds/RCR	Germany	30.0	
Sunstone Progression Fund Alpha K/S	ERP/Own funds/RCR	Multi-country	20.2	
Fly Ventures Fund I GmbH & Co. KG	ERP/Own funds/RCR	Multi-country	15.0	
42CAP II GmbH & Co. KG	ERP/LfA/ IFE Facility for Early Stage	Multi-country	25.0	YES
BioMedInvest III LP	ERP/Own funds/RCR	Multi-country	31.9	
UnternehmerTUM VC Fonds II GmbH & Co. KG	ERP/LfA/Own funds/RCR	Germany	20.0	
Digital Growth Fund I GmbH & Co. KG	ERP/LfA /EIB EIF SME & Midcap IIW	Germany	40.0	
Wellington Partners Life Sciences V GmbH & Co. KG	ERP/LfA /Own funds/RCR/EIB EIF SME & Midcap IIW	Multi-country	60.0	
LSP Health Economics Fund 2 C.V.	ERP/DVI II/Own funds/RCR/EIB EIF SME & Midcap IIW	Multi-country	50.0	
Epiqus Kotouttaminen I Ky	EFSI Sub-Window 1/Own funds	Finland	10.0	YES
INN'VEST PME OCCITANIE EST	ESIF Languedoc Roussillon ERDF	France	15.0	
GapMinder Fund	ESIF Romania	Romania	22.0	
ACT V Venture Capital Fund	COSME EFG/IFE Facility for Early Stage/Own funds	Ireland	20.0	YES
BioGeneration Capital Fund III	DVI II/IFE	Netherlands	30.0	YES
Newion Investments III	DVI II/IFE Facility for Early Stage/EFSI Sub-Window 1/Own funds	Multi-country	25.0	YES
212 Regional Fund II S.C.S.	Turkish Growth and Innovation Fund	Turkey	20.0	
Elaia Delta	IFE Facility for Early Stage	Multi-country	30.0	YES
Innovation Nest II SCSp	IFE Facility for Early Stage	Multi-country	15.0	YES
Indico Capital I	IFE Facility for Early Stage	Portugal	25.0	YES
Usaldusfond Trind Ventures Fund I	IFE Facility for Early Stage	Multi-country	15.0	YES
MarketOne Capital	IFE Facility for Early Stage	Multi-country	15.0	YES
Food Tech Opportunity I FPCI	IFE Facility for Early Stage	Multi-country	25.0	
Oltre II SICAF EuVECA S.p.A.	NPI	Italy	7.5	
Sub-total VC (excl. Co-inv.)			**1,167.9**	
Co-investments (ITI)				
Project A Co-Invest I GmbH & Co. KG	RCR/Own funds/ERP	Germany	40.0	
e.ventures Co-Invest I GmbH & Co. KG	RCR/Own funds/ERP	Germany	60.0	
Co-Investment with RRE Leaders Fund - Spire Global	Luxembourg Future Fund Co-Investments	Multi-country	12.8	

Lakestar II LP co-investment in Crosslend GmbH	Luxembourg Future Fund Co-Investments	Luxembourg	1.0	
Sub-total Co-investments (ITI)			**113.8**	
Sub-total VC			**1,281.6**	
TT				
Advent France Biotechnology Seed Fund I	IFE Facility for Early Stage	France	20.0	YES
SINTEF Venture V	IFE Facility for Early Stage	Norway	25.0	
Vertis Venture 3 Technology Transfer	IFE Facility for Early Stage/NPI	Italy	40.0	YES
ACT Fund Cooperatief UA	IPA003 - TTA Turkey	Turkey	5.0	
Metavallon Fund	RCR/Own funds/ESIF Greece	Greece	26.9	
UniFund AKES	RCR/Own funds/ESIF Greece	Greece	26.9	
Sofinnova Telethon SCA	RCR/Own funds/IFE Facility for Early Stage/NPI ITA Tech	Italy	50.0	YES
Kjeller Horisont AS	IFE Facility for Early Stage	Norway	20.0	
Diffusion Capital Fund Coöperatief U.A.	IPA003 - TTA Turkey	Turkey	6.7	
Sub-total TT			**220.5**	
SIA				
Den Sociale Kapitalfond Invest I K/S	SIA	Multi-country	13.4	
Sub-total SIA			**13.4**	
BA				
EAF-Austria Hauser	European Angels Fund S.C.A. SICAR - AWS	Austria	1.5	
EAF-Austria Moschner	European Angels Fund S.C.A. SICAR - AWS	Austria	2,0	
EAF-Austria Rohla	European Angels Fund S.C.A. SICAR - AWS	Austria	1,2	
EAF-Denmark Skov	European Angels Fund S.C.A. SICAR Denmark	Denmark	3,1	
EAF-Denmark Holledig	European Angels Fund S.C.A. SICAR Denmark	Denmark	4.0	
EAF-Denmark Rasmussen	European Angels Fund S.C.A. SICAR Denmark	Denmark	1.5	
EAF-Denmark Jensen	European Angels Fund S.C.A. SICAR - Denmark	Denmark	1.3	
EAF-Ireland Clibborn	European Angels Fund S.C.A. SICAR Ireland	Ireland	0.4	
EAF-Ireland Healy	European Angels Fund S.C.A. SICAR Ireland	Ireland	2.5	
EAF-Ireland Clune	European Angels Fund S.C.A. SICAR Ireland	Ireland	0.5	
EAF-Ireland Tattan	European Angels Fund S.C.A. SICAR Ireland	Ireland	2.5	
EAF-Ireland Collins	European Angels Fund S.C.A. SICAR Ireland	Ireland	2.5	
EAF-Ireland Byrne	European Angels Fund S.C.A. SICAR Ireland	Ireland	1.5	
EAF-Netherlands van Ierschot	European Angels Fund S.C.A. SICAR EAF Netherlands	Netherlands	0.5	
EAF-Netherlands Van Koeveringe	European Angels Fund S.C.A. SICAR EAF Netherlands	Netherlands	5.0	
EAF-Netherlands Samsom	European Angels Fund S.C.A. SICAR EAF Netherlands	Netherlands	3.0	
EAF-Netherlands Oonk	European Angels Fund S.C.A. SICAR EAF Netherlands	Netherlands	3.0	
EAF-Netherlands Ton Tuijten	European Angels Fund S.C.A. SICAR EAF Netherlands	Netherlands	2.0	
EAF-Netherlands Haspels	European Angels Fund S.C.A. SICAR EAF Netherlands	Multi-country	1.5	
EAF-Spain Llorente	European Angels Fund S.C.A. SICAR Fondo Isabel la Católica	Spain	0.5	
OXO CEE Angel Fund	IFE Facility for Early Stage	Multi-country	20.0	YES
EAF-Germany Fassauer	ERP/Own funds/RCR	Germany	1.5	
EAF-Germany Raufer	LfA/Own funds/RCR	Germany	3.0	
EAF-Germany Scheuch	ERP/Own funds/RCR	Germany	5.0	
EAF-Germany Bode	ERP/Own funds/RCR	Germany	0.5	
EAF-Germany Kirsch	ERP/Own funds/RCR	Germany	3.0	
EAF-Germany Rabus	ERP/Own funds/RCR	Germany	3.0	
EAF-Germany Regge	ERP/Own funds/RCR	Germany	5.0	
EAF-Germany Wendeln	RCR/Own funds/ERP/LfA	Germany	5.0	
EAF-Germany Berendsen	RCR/Own funds/ERP/LfA	Germany	2.0	
EAF-Germany Berger	RCR/Own funds/ERP/LfA	Germany	5.0	
United Angels Co-investment Fund I Limited Partnership	RCR/Own funds/Estonia ESIF Mandate	Estonia	15.0	
Sub-total BA			**108.0**	
Sub-total ITI			**1,623.6**	
Total committed amount			**3,324.1**	
Total leveraged volumes			**15,726.7**	
Total mobilised volumes			**34,598.6**	

Guarantee Signatures as at December 2017

Deal Name	Resource	Geographic focus	Commitment (EURm)	EFSI
CERSA - CCS GF	CCS GF	Spain	6.30	
Libra Internet Bank - CCS GF	CCS GF	Romania	0.58	
Start SA - CCS GF	CCS GF	Belgium	1.75	YES
IFCIC - CCS GF - DG	CCS GF	France	7.00	
IFCIC - CCS GF - CG	CCS GF	France	6.30	
Participatie Maatschappij Vlaanderen (PMV) - CCS GF	CCS GF	Belgium	2.63	YES
Komercni Banka - CCS GF	CCS GF	Czech Republic	1.78	YES
Cassa Depositi e Prestiti (CDP) - CCS GF	CCS GF	Italy	11.20	YES
France Active Garantie - COSME - LGF	COSME-LGF	France	3.75	
Bank Gospodarstwa Krajowego - COSME - LGF	COSME-LGF	Poland	8.41	YES
CIBANK - COSME - LGF	COSME-LGF	Bulgaria	5.11	YES
Qredits - COSME - LGF	COSME-LGF	Netherlands	0.85	YES
K&H - COSME - LGF	COSME-LGF	Hungary	2.02	YES
Participatiefonds Vlaanderen (FPF) - COSME - LGF	COSME-LGF	Belgium	4.09	YES
CERSA - COSME - LGF	COSME-LGF	Spain	29.75	YES
Baltics Bank Umbrella - Swedbank Latvia - COSME - LGF	COSME-LGF	Latvia	1.30	YES
Baltics Bank Umbrella - Swedbank Estonia - COSME - LGF	COSME-LGF	Estonia	1.40	YES
Baltics Bank Umbrella - Swedbank Lithuania - COSME - LGF	COSME-LGF	Lithuania	0.50	YES
National Bank of Greece - COSME - LGF	COSME-LGF	Greece	15.00	YES
Strategic Banking Corporation of Ireland (SBCI) - COSME - LGF	COSME-LGF	Ireland	18.75	YES
Vaekstfonden 2 (agri) - COSME - LGF	COSME-LGF	Denmark	1.34	YES
Eurobank - COSME - LGF	COSME-LGF	Greece	7.80	YES
Raiffeisen Bank Bulgaria - COSME - LGF	COSME-LGF	Bulgaria	6.00	YES
Banca Intesa ad Beograd - COSME - LGF	COSME-LGF	Serbia	3.00	
BdM-MCC - Fondo centrale di Garanzia 2 - COSME - LGF	COSME-LGF	Italy	72.00	YES
Erste Bank Hungary - COSME - LGF	COSME-LGF	Hungary	4.09	YES
Piraeus Bank - COSME - LGF	COSME-LGF	Greece	17.00	YES
Alpha Bank - COSME - LGF	COSME-LGF	Greece	10.00	YES
Raiffeisen Bank Romania - COSME - LGF	COSME-LGF	Romania	7.06	YES
SIA UniCredit Leasing Latvia - COSME - LGF	COSME-LGF	Lithuania	1.00	YES
Credem 2 - COSME - LGF	COSME-LGF	Italy	14.00	YES
Austria Wirtschaftsservice 2 - COSME - LGF	COSME-LGF	Austria	3.49	YES
UniCredit Bank Serbia - COSME - LGF	COSME-LGF	Serbia	3.00	
Mutualité de Cautionnement et d'Aide aux Commerçants (MCAC) - COSME - LGF	COSME-LGF	Luxembourg	0,.13	YES
Erste Bank Serbia - COSME - LGF	COSME-LGF	Serbia	0.75	
GARANTIQA Creditguarantee - COSME - LGF	COSME-LGF	Hungary	10.44	YES
Altum - COSME - LGF	COSME-LGF	Latvia	0.60	YES
Halkbank Serbia- COSME - LGF	COSME-LGF	Serbia	1.50	
Belfius – COSME - LGF	COSME-LGF	Belgium	4.46	
ProCredit Bank Bosnia and Herzegovina - COSME - LGF	COSME-LGF	Bosnia and Herzegovina	0.90	
MicroBank 2 - COSME - LGF	COSME-LGF	Spain	5.18	YES
POLFUND - COSME - LGF	COSME-LGF	Poland	1.50	YES
LfA Förderbank Bayern 2 - COSME - LGF	COSME-LGF	Germany	5.10	YES
Ancoria Bank Ltd - CYPEF - PRSL	CYPEF	Cyprus	10.00	
ProCredit Holding Moldova - DCFTA East	DCFTA East GF	Moldova, Republic of	4.88	
ProCredit Holding Georgia - DCFTA East	DCFTA East GF	Georgia	2.44	
ProCredit Holding Ukraine - DCFTA East	DCFTA East GF	Ukraine	10.50	
Ukrgasbank JSC - DCFTA East	DCFTA East GF	Ukraine	8.75	
TBC Bank - DCFTA East	DCFTA East GF	Georgia	2.44	
Raiffeisen Bank Aval - DCFTA East	DCFTA East GF	Ukraine	12.00	
Oschadbank JSC - DCFTA East	DCFTA East GF	Ukraine	8.75	
University of Cyprus - Erasmus+ SLGF	ERASMUS - GF	Cyprus	0.65	
Hypo Voralberg Synthetic - SLA fronted	EIB SLA/Own funds	Austria	326.27	
VELA SME (BBVA) - OR	EIB SLA	Spain	143.11	
CACIB - SLA fronted	EIB SLA	France	138.00	
BNP Paribas - SLA fronted	EIB SLA	France	105.40	
Lendix SME Loan Fund II - EREM Loan Funds	EREM Loan Funds/Own funds	Multi-Country	18.50	
Fondo di Credito Diversificato per le PMI (Italy)	EREM Loan Funds/Own funds	Italy	50.00	

Schroders SME Lending Notes I - EREM Loan Funds	EREM Loan Funds/Own funds	Multi-Country	60.00	
Arcos Senior Credit Debt Fund - EREM Loan Funds	EREM Loan Funds/Own funds	Multi-Country	42.00	
Lendix SME Loan Fund III - EREM Loan Funds	EREM Loan Funds/Own funds	Multi-Country	30.00	
Tikehau Diversified Fund - EREM Loan Funds	EREM Loan Funds/Own funds	Multi-Country	60.00	
Fund for Italian SMEs - EREM Loan funds	EREM Loan Funds/Own funds	Italy	40.00	
Pekao - ESIF-Silesia PRSL	ESIF Silesia	Poland	41.10	
Fundusz Gornoslaski (FGSA) - ESIF-Silesia PRSL	ESIF Silesia	Poland	26.31	
ProCredit Bank Romania - ESIF Competitiveness RO	ESIF Comp. FoF Romania	Romania	15.15	
Créalia/Synersud - FOSTER-Langedoc Roussillon ERDF	FOSTER-Languedoc Roussillon ERDF	France	2.00	
Caisse d'Epargne - FOSTER-Languedoc Roussillon ERDF	FOSTER-Languedoc Roussillon ERDF	France	7.50	
Caisse d'Epargne - FOSTER-Midi-Pyrenees ERDF	FOSTER-Midi Pyrenees ERDF	France	19.99	
Banque Populaire Occitane - FOSTER-Midi-Pyrenees ERDF	FOSTER-Midi Pyrenees ERDF	France	16.01	
Banque Populaire Occitane - FOSTER MP EAFRD	FOSTER-Midi Pyrenees EARDF	France	10.80	
Komercni Banka 2 - IFSMEG	InnovFin SMEG	Czech Republic	145.00	
TBC Bank - IFSMEG	InnovFin SMEG	Georgia	10.00	
Vaekstfonden 2 – IFSMEG	InnovFin SMEG	Denmark	73.90	
Aegon Investment Management - IFSMEG	InnovFin SMEG	Netherlands	60.00	YES
Silk Road Bank - IFSMEG	InnovFin SMEG	Macedonia, the Former Yugoslav Republic of	5.00	
CREVAL 2 - IFSMEG	InnovFin SMEG	Italy	20.00	YES
SBCI - IFSMEG	InnovFin SMEG	Ireland	40.00	YES
Komercni Banka - IFSMEG	InnovFin SMEG	Czech Republic	5.00	YES
ProCredit Umbrella - Romania - IFSMEG	InnovFin SMEG	Romania	20.00	
ProCredit Umbrella - Bosnia and Herzegovina - IFSMEG	InnovFin SMEG	Bosnia and Herzegovina	20.00	
ProCredit Umbrella - Albania - IFSMEG	InnovFin SMEG	Albania	5.00	
ProCredit Umbrella - ProCredit Holding - IFSMEG	InnovFin SMEG	Multi-Country and SPV	30.00	
ProCredit Umbrella - FYROM - IFSMEG	InnovFin SMEG	Macedonia, the Former Yugoslav Republic of	10.00	
ProCredit Umbrella - Serbia - IFSMEG	InnovFin SMEG	Serbia	50.00	
ProCredit Umbrella - Bulgaria & Greece - IFSMEG	InnovFin SMEG	Bulgaria	30.00	YES
ProCredit Umbrella - Moldova - IFSMEG	InnovFin SMEG	Moldova, Republic of	5.00	
Alba Leasing - IFSMEG	InnovFin SMEG	Italy	60.00	YES
Arion Bank - IFSMEG	InnovFin SMEG	Iceland	43.50	
ProCredit Umbrella - Ukraine - IFSMEG	InnovFin SMEG	Ukraine	30.00	
KBC Bank - IFSMEG	InnovFin SMEG	Belgium	100.00	YES
Siauliu Bankas - IFSMEG	InnovFin SMEG	Lithuania	20.00	YES
SIA UniCredit Leasing - IFSMEG	InnovFin SMEG	Multi-Country and SPV	9.00	YES
Altum - IFSMEG	InnovFin SMEG	Latvia	9.00	YES
BGL BNP Paribas - IFSMEG	InnovFin SMEG	Luxembourg	15.00	YES
Inveready Venture Finance II - IFSMEG	InnovFin SMEG	Spain	9.50	YES
ProCredit Umbrella - Georgia - IFSMEG	InnovFin SMEG	Georgia	30.00	
British Business Bank (BBB) 2 - IFSMEG	InnovFin SMEG	United Kingdom	10.80	YES
Mobiasbanca - IFSMEG	InnovFin SMEG	Moldova, Republic of	20.25	
ConfidiSystema! - IFSMEG	InnovFin SMEG	Italy	10.00	YES
Innovation Norway - IFSMEG - DG	InnovFin SMEG	Norway	50.01	
Innovation Norway - IFSMEG - CG	InnovFin SMEG	Norway	16.67	
DSK Bank - IFSMEG	InnovFin SMEG	Bulgaria	7.50	YES
Novo Banco 2 – IFSMEG	InnovFin SMEG	Portugal	130.00	
Piraeus Bank - IFSMEG	InnovFin SMEG	Greece	50.00	YES
Alpha Bank - IFSMEG	InnovFin SMEG	Greece	50.00	YES
CSOB - IFSMEG	InnovFin SMEG	Czech Republic	25.00	YES
Banco BPI 2 – IFSMEG	InnovFin SMEG	Portugal	100.00	
Credit du Nord - IFSMEG	InnovFin SMEG	France	50.00	YES
Eiffel Investment Group - IFSMEG	InnovFin SMEG	France	25.00	YES
Credem 2 - IFSMEG	InnovFin SMEG	Italy	100.00	YES
Banca Popolare Pugliese - IFSMEG	InnovFin SMEG	Italy	40.00	YES
Erste Bank Croatia - IFSMEG	InnovFin SMEG	Croatia	50.00	YES
BPER 2 - IFSMEG	InnovFin SMEG	Italy	50.00	YES
Banca Valsabbina - IFSMEG	InnovFin SMEG	Italy	25.00	YES

Guarantee Signatures as at December 2017

Bank of Cyprus - InnoFin	InnovFin SMEG	Cyprus	5.00	YES
Caixa Bank - IFSMEG	InnovFin SMEG	Spain	125.00	YES
ProCredit Umbrella - Germany - IFSMEG	InnovFin SMEG	Germany	20.00	YES
Bpifrance financement PI FEI 3 - IFSMEG	InnovFin SMEG	France	200.00	YES
Bpifrance financement start-up 3 - IFSMEG	InnovFin SMEG	France	100.00	YES
Millennium BCP 2 - IFSMEG	InnovFin SMEG	Portugal	50.00	YES
Banca Intensa ad Beograd - IFSMEG	InnovFin SMEG	Serbia	50.00	
MCTAA 2 - IFSMEG	InnovFin SMEG	Italy	30.00	YES
Cordiant - IFSMEG	InnovFin SMEG	Multi-Country and SPV	25.00	
Novo Banco 3 - IFSMEG	InnovFin SMEG	Portugal	75.00	YES
Trea - IFSMEG	InnovFin SMEG	Spain	20.00	YES
Banca Comerciala Romana Chisinau (BCRC) - IFSMEG	InnovFin SMEG	Moldova, Republic of	5.00	
AMEN Bank - IFSMEG	InnovFin SMEG	Tunisia	30.19	
Erste Bank Hungary - IFSMEG	InnovFin SMEG	Hungary	33.50	YES
Banca Credito Popolare Torre del Greco - IFSMEG	InnovFin SMEG	Italy	20.00	YES
CERSA 2 - IFSMEG	InnovFin SMEG	Spain	80.00	YES
Alandsbanken ABP - IFSMEG	InnovFin SMEG	Multi-Country and SPV	10.00	YES
LIXXBAIL - IFSMEG	InnovFin SMEG	France	100.00	YES
Savia Financiacion - IFSMEG	InnovFin SMEG	Spain	15.00	YES
Shire Leasing (BBB Enable Programme) - OR	Own funds	United Kingdom	21.65	
Voba 6 - OR	Own funds	Italy	44.60	
KMU Portfolio Germany - OR	Own funds	Germany	65.90	
Alba 9 warehouse - OR	Own funds	Italy	50.00	
abc SME Lease Germany - OR	Own funds	Germany	98.00	
Piraeus CB - OR/SLA	Own funds	Greece	50.00	
EFL Leasing Poland - OR - SLA	Own funds	Poland	174.80	
Alba 9 - OR - SLA	Own funds	Italy	145.80	
Bankia 2 - SMEi Spain	SME Initiative - Spain and ESIF	Spain	60.10	
La Caixa - SMEi Spain	SME Initiative - Spain and ESIF	Spain	37.39	
OP Corporate Bank - SMEi Finland	SME Initiative - Finland and ESIF	Finland	75.00	
Alandsbanken - SMEi Finland	SME Initiative - Finland and ESIF	Finland	10.00	
OMA SP - SMEi Finland	SME Initiative - Finland and ESIF	Finland	25.00	
Nordea Bank - SMEi Finland	SME Initiative - Finland and ESIF	Finland	75.00	
Savings Banks Group (Saastopankki) - SMEi Finland	SME Initiative - Finland and ESIF	Finland	12.00	
Aktia - SMEi Finland	SME Initiative - Finland and ESIF	Finland	13.00	
UBI Banca- SMEI Italy	SME Initiative - Italy and ESIF	Italy	37.05	
Banca di Credito Popolare Torre del Greco - SMEi Italy	SME Initiative - Italy and ESIF	Italy	78.52	
Unicredit - SMEi Italy	SME Initiative - Italy and ESIF	Italy	51.18	
Banco Di Napoli - SMEi Italy	SME Initiative - Italy and ESIF	Italy	30.47	
Banca Popolare di Bari - SMEi Italy	SME Initiative - Italy and ESIF	Italy	96.22	
Raiffeisen Bank - (RON) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	180.00	
Raiffeisen Bank - (EUR) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	24.00	
Banca Comerciala Romana - (EUR) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	12.00	
Banca Comerciala Romana - (RON) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	48.00	
Procredit Bank - (RON) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	24.00	
Libra Bank - (EUR) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	3.00	
Libra Bank - (RON) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	26.69	
ING - (RON) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	19.50	
ING - (EUR) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	10.50	
Bancpost - (EUR) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	9.60	
Bancpost - (RON) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	38.40	
Banca Transilvania - (RON) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	42.41	
Banca Transilvania - (EUR) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	16.68	
BRD - (RON) - SMEi Romania	SME Initiative - Romania and ESIF	Romania	18.48	

Total committed amount	**5,905.1**
Total leveraged volumes	**18,995.5**
Total mobilised volumes	**30,831.7**

Inclusive Finance Signatures as at December 2017

Deal Name	Resource	Geographic focus	Commitment (EURm)	EFSI
FED Invest - EaSI - MF	EaSI GFI	Albania	1.2	
Microlux - EaSI - MF	EaSI GFI	Luxembourg	0.4	YES
Pekao Investment Loan - EaSi - MF	EaSI GFI	Poland	0.4	YES
Pekao WC Loan - EaSi - MF	EaSI GFI	Poland	0.7	YES
Banca Popolare Etica - EaSI - SE	EaSI GFI	Italy	3.2	
Slovenska Sporitelna - EaSI - MF	EaSI GFI	Slovakia	1.7	YES
National Bank of Greece - EaSI - MF	EaSI GFI	Greece	4.9	YES
Merkur - EaSI - SE	EaSI GFI	Denmark	3.2	
NOA - EaSI - MF	EaSI GFI	Albania	0.2	
Ceska Sporitelna 2 - EaSI - MF	EaSI GFI	Czech Republic	4.0	YES
SIFA France - EaSI - SE	EaSI GFI	France	2.4	
Cooperfidi DG - EaSI - SE	EaSI GFI	Italy	2.1	YES
Cooperfidi CG - EaSI - SE	EaSI GFI	Italy	1.2	YES
Swedbank Leasing Latvia - Umbrella - EaSI - MF	EaSI GFI	Latvia	0.7	YES
Swedbank Bank Estonia - Umbrella - EaSI - MF	EaSI GFI	Estonia	1.0	YES
Swedbank Bank Lithuania - Umbrella - EaSI - MF	EaSI GFI	Lithuania	0.9	YES
Swedbank Leasing Estonia - Umbrella - EaSI - MF	EaSI GFI	Estonia	0.7	YES
Swedbank Bank Latvia - Umbrella - EaSI - MF	EaSI GFI	Latvia	0.7	YES
Swedbank Leasing Lithuania - Umbrella - EaSI - MF	EaSI GFI	Lithuania	0.9	YES
Triodos - EaSI - SE	EaSI GFI	Multi-Country and SPV	8.3	
Microfinance Ireland 2 - EaSI - MF	EaSI GFI	Ireland	4.5	YES
ADIE 2- EaSI - MF	EaSI GFI	France	2.4	YES
Idea Bank - EREM CBSI	EREM-CBSI/Own funds	Romania	7.5	
Banca Popolare Etica - EREM-CBSI	EREM-CBSI/Own funds	Italy	12.5	
LHV - EREM-CBSI	EREM-CBSI/Own funds	Estonia	12.5	
Libra Bank - EREM-CBSI	EREM-CBSI/Own funds	Romania	5.0	
Cofiter - EREM-CBSI	EREM-CBSI/Own funds	Italy	3.0	
Confeserfidi - EREM-CBSI	EREM-CBSI/Own funds	Italy	3.0	
Marginalen - EREM-CBSI	EREM-CBSI/Own funds	Sweden	12.5	
Krediidipank - EREM-CBSI	EREM-CBSI/Own funds	Estonia	8.0	
Total committed amount			**109.7**	
Total leveraged volumes			**684.5**	
Total mobilised volumes			**974.1**	

New mandates signed in 2017

Regional	EIB/EC	NPI
ESIF - Czech Republic (EUR 50m)	EIB/EIF ABS Mezz SLA (N/A)	Scottish Enterprise (EUR 60m)
FOSTER - Midi Pyrénées ERDF (EUR 43m)	EIB-EIF SME Mid-Cap (IIW) (EUR 1,000m)	Netherlands Investment Agency (EUR 100m)
ESIF - Ile de la Réunion (EUR 50m)	EIB-EIF Co-Investment Facility (IIW) (EUR 200m)	NPI TM - Impact IT (EUR 50m)
FOSTER - Languedoc Roussillon ERDF increase (EUR 6m)		SID Banka (EUR 50m)
EAF Finland (EUR 30m)		
FOSTER - Midi Pyrénées EAFRD (EUR 12m)		
ESIF Regional FoF Romania (EUR 94m)		
WB EDIF GF Serbia (EUR 20m)		
Agri Multi-Regional Guarantee platform for Italy (EUR 56m)		
Alpine Growth Investment Platform (EUR 40m)		
Central Europe FoF (EUR 100m)		
EUR 501m	**EUR 1.7 - 2.2bn**	**EUR 260m**

Capital & Shareholders

(At 31.12.2017)

The EIF has an authorised capital of EUR 4,500m, divided into 4,500 shares, all issued and fully subscribed, with a nominal value of EUR 1m each. On 31 December 2017, the EIB held 58.5% of the issued shares, the EU represented by the EC held 29.7% and 32 financial institutions held 11.8%.

The EIF was pleased to welcome three new financial institutions as members:

- Czech-Moravian Guarantee and Development Bank (CMZRB) acquired three shares, effective 15 February 2017.

- National Bank of Greece S.A. (NBG) acquired three shares, effective 12 October 2017.

- Barclays Funds Investments Limited (BFIL) acquired five shares through the transfer and sale of shares held by Barclays Bank PLC, effective 30 November 2017.

In the context of the fourth annual subscription period of the capital increase, and effective 7 July 2017, the EC, representing the EU, acquired 105 new shares, adding to its existing subscription of 1232 shares, whilst, effective 1 November 2017, the EIB acquired the 13 additional shares which had remained non-allocated.

Country Financial Institutions numbers 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 AD	3
Croatia	**8**
Croatian Bank for Reconstruction and Development (HBOR)	8
Czech Republic	**3**
Czech-Moravian Guarantee and Development Bank (ČMZRB)	3
Denmark	**5**
Vækstfonden	5
France	**107**
BPCE	5
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

Greece	3
National Bank of Greece S.A. (NBG)	3

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	11
Industrial Development Bank of Turkey (TSKB)	8
Technology Development Foundation of Turkey (TTGV)	3

United Kingdom	10
Barclays Funds Investments Limited (BFIL)	5
Scottish Enterprise	5

Total	532

Board of Directors

(AT 31.12.2017)

Chairman

Dario SCANNAPIECO
Vice-President, European Investment Bank.

Members

Benjamin ANGEL
Director, Treasury and Financial Operations, Directorate-General for Economic and Financial Affairs, European Commission.

Pierre DELSAUX
Deputy Director-General, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission.

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

Ambroise FAYOLLE
Vice-President, European Investment Bank

Emmanuel MASSE
Assistant Secretary, Macroeconomic and European Affairs Department, Directorate-General of the Treasury, Ministry of Economy and Finance, France.

Harriet WIRTH
Senior Vice President, Head of Product Management Mittelstandsbank, KfW Group, Germany.

Alternates*

Filipe CARTAXO
Managing Director, Banco BPI, Portugal.

Martin HEIPERTZ
Head of Division European Policy, Federal Ministry of Finance, Germany.

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

Marc LEMAÎTRE **
Director-General, Directorate-General for Regional and Urban Policy, European Commission.

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

Marjut SANTONI
Deputy Secretary General, European Investment Bank.

EIF Management

Pier Luigi GILIBERT
Chief Executive.

Roger HAVENITH
Deputy Chief Executive.

Maria LEANDER
Secretary General.

Hubert COTTOGNI
Head of Mandate Management.

John HOLLOWAY
Head of Equity Investments.

Jobst NEUSS
Head of Risk Management

Alessandro TAPPI
Head of Guarantees, Securitisation and Inclusive Finance

Martine LEPERT
Head of Human and Resource Management.

Jose GRINCHO
Head of Middle, Information & Back Office.

Roberto Garcia PIRIZ
Head of Compliance.

* The nomination of a fourth alternate member by the European Investment Bank is pending.

** Following his nomination by the European Commission, Marc LEMAÎTRE was appointed by the General Meeting on 23 February 2017 to complete the remaining term of office of Nicholas MARTYN, who resigned on 1 February 2017, in connection with his retirement from the European Commission.

*** Following his nomination by the European Commission, Jean-David MALO was appointed by the General Meeting on 3 August 2017 to complete the remaining term of office of Robert-Jan SMITS, who resigned on 12 July 2017.

Audit Board

Chairman

Rudi DRIES
Senior Expert – Methodology Team Leader, Directorate-General Internal Audit Service, European Commission, Belgium.

Members

Paolo Enrico PERNICE
Chief Financial Officer Intesa Sanpaolo Bank Luxembourg.

Jacek DOMINIK
General Counselor, Ministry of Finance, Poland.

Alternate member

Laurentiu OLTEANU
Internal Auditor, Directorate-General Internal Audit Service, European Commission, Belgium.

Audit & Controls

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

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

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

The EIF maintains an Internal Control Framework (ICF) and produces an ICF report annually. The ICF relies in particular on a risk control matrix outlining the main operational risks to which the EIF is exposed. Through the ICF, the Executive Management is in a position to obtain the necessary comfort that key risks related to the EIF's business activities are properly identified, that control objectives are defined, that significant risks are mitigated and that the controls designed to achieve these objectives are in place and are operating efficiently.

As at 31 December 2016, the ICF was complemented with an independent opinion from Deloitte on the design of mandate-related processes, in line with the internationally recognised ISAE-3402 standard (type 1 report). In 2017, the remit of this independent assessment of the EIF's mandate-related key controls was extended to include an opinion on the effectiveness of these controls over 12 months based on the testing of statistically representative samples (type 2 report).

The ICF and the ISAE-3402 report forms the basis for the confirmation by the Chief Executive to the Audit Board that the main risks have been identified and mitigated.

The risks, control objectives and agreed improvements described in the ICF are reviewed by Internal Audit, which, on the basis of the audits and the follow-up on agreed action plans performed, expresses an opinion on the effectiveness of the 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 the EIF have been carried out in compliance with the Statutes and the Rules of Procedure, and that the financial statements give a true and fair view of the financial position of the EIF as regards its assets and liabilities, and of the results of its operations for the financial year under review. This information is included in the annual report submitted by the Board of Directors to the EIF's Annual General Meeting.

In order to discharge its duty in relation to the financial statements, the Audit Board may have recourse to external auditors. The audit of the financial statements of the EIF for the year ending 31 December 2017 was carried out by KPMG, as external auditor.

KPMG performs its audits in accordance with the International Standards on Auditing (ISA) and is committed to inform the EIF Executive Management and the Audit Board 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. While performing the audit of the annual accounts, KPMG is acting independently, mirroring the duty imposed on it by the Code of Professional Ethics adopted in Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF).

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

To that end, a rolling three-year audit plan covering all key operational activities of the EIF is established, 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 the EIF's activities in order to provide reasonable assurance to the Executive Management that the EIF is operating properly and efficiently and reports on its findings by means of recommendations and agreed action plans to improve the EIF's control and working procedures.

The Head of Internal Audit reports regularly on the execution of the internal audit programme to the Executive Management, the Audit Board and the Chairman of the Board of Directors. Internal Audit adheres to the professional and ethical guidance issued by the Institute of Internal Auditors and the Information Systems Audit and Control Association, and is subject to a regular quality assurance and improvement programme that covers all aspects of the internal audit activity. Moreover, internal 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, the EIF is subject to periodical reviews by independent control bodies such as the European Court of Auditors (ECA), the Internal Audit Service of the EC and national or regional authorities entrusted with the task of monitoring the correct utilisation of funds under the relevant rules and within their respective remits.

Risk Management

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

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

Accordingly, in 2017 the EIF continued to strengthen its Risk Management department in the three core areas of its activity, including financial risk, corporate risk and compliance.

This enhanced structure aims to address the rapid developments in the field of the EIF's operations and at considering its specific business focus as well as its position as international financial institution, multilateral development bank and risk finance provider to European SMEs.

More specifically, it allows 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

The 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 the 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 the EIF, the principle of independence is included in the EIF Compliance Charter and it materialises through the unrestricted direct access of the Head of Compliance 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. The EIF is committed to contribute to the efforts of the International Community in this regard and hence its compliance risk assessment of counterparty structures and cash flows was enhanced.

The EIF reinforced its compliance risk control framework through additional controls focusing on the structure of the proposed operations.

Corporate and operations risk management

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

The Operations Risk Management division assesses and monitors the financial risks related to all the EIF operations.

In this context, for each operation an independent risk opinion is issued, which evaluates and rates the financial risk of such operation and identifies risk mitigating factors.

Financial and non-financial risks in the EIF operations are subject to a risk surveillance process.

Legal Service

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

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

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

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

It further aims to ensure a smooth functioning of the EIF's corporate bodies, under the coordination of the EIF's Secretary General. As an EU body, a member of the EIB Group and a financial institution, institutional matters concerning the EIF include a wide range of areas and at times necessitate cooperation with the EIF's shareholders as well as specific and proactive attention to the development of EU policy, and legislative and governance frameworks.

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

Financial Statements 2017

Supporting smart, sustainable and inclusive growth for SMEs

EIF Financial Statements 2017

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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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the European Investment Fund (hereafter "the Fund"), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 15 to 72.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Valuation of Private Equity investments

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

Shares and other variable income securities comprise mainly investments in private equity funds. EIF's private equity investments, for which no quoted markets prices are available, amount to EUR 466.3 million as at 31 December 2017, representing 23.8% of total net assets.

Management of EIF classifies its private equity investments in the Available-for-Sale category. Fair value changes are recognized in other comprehensive income unless there is evidence of impairment for which the decline in the investment fair value is recognized in the profit or loss.

As these private equity investments are illiquid by nature, significant judgments and estimates are required to be applied by Management in its assessment of their fair value. Inappropriate judgments made in relation to the methodology and inputs used or the assumptions taken may have a material impact on the valuation of the private equity portfolio. Management has based its valuation of the private equity investments on the International Private Equity and Venture Capital Valuations (IPEV) guidelines or, when not applicable, other valuation guidelines complying with IAS 39.

The key inputs and assumptions used by management in its assessment of the fair value and impairment of those private equity investments are detailed in Note 2.3.2 relating to the accounting policy as well further disclosures are presented in Note 3.2 relating to the EIF's risk management monitoring and Note 4.3 to the financial statements relating to the movements occurred during the year under audit.

How our audit addressed the area of focus?

Our procedures over the valuation of the private equity investments included, but were not limited to:

We obtained an understanding of management's processes and controls for determining the fair valuation of investments in private equity funds. This included discussing with management the valuation governance structure and protocols around their oversight of the valuation process and corroborating our understanding by attending the Investment & Risk Committee meeting related to the annual impairment tests.

We have identified key controls in the process, assessed the design adequacy and tested the operating effectiveness of some these controls. In addition, we obtained the ISAE 3402 report on EIF's internal controls, compared our understanding of identified key controls in the process and inspected the conclusions reached based on the testing of operating effectiveness of those controls and noted no observations or exceptions in the report which allow us to rely on controls over valuation and impairment of private equity investments.

We compared management's valuation methodology to IFRS and the IPEV guidelines. We sought explanations from management where there are judgments applied in their application of the guidelines, discussed and assessed their appropriateness. This implied assessing EIF's annual back-testing exercise on the accuracy of estimated fair values of private equity funds valuation during the year and the prior year fair values, to further assess the reasonableness of the current year valuation assumptions used by management in performing the valuation estimate and the impairment assessment.

On a sample basis, we reconciled the latest available Net Asset Value ("NAV") statements provided by private equity fund managers to the value adjustment file prepared by the Equity Transaction & Portfolio Services division of the Middle, Information & Back Offices department and we recalculated the mathematical accuracy of the unrealised results on the revaluation of investments on a sample basis.

We inspected the correct classification of investments under the impairment decision matrix. We discussed with management and inspected the minutes of the Investment & Risk Committee (IRC) meetings and evaluated the rationale for private equity funds with presumption of impairment which were not impaired.

Valuation of Financial guarantee liabilities and related provisions

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

Financial guarantee portfolio, for which an extensive ongoing credit quality risk monitoring process has been set up to manage the EIF's exposure, comprises both portfolio guarantees and structured financed transactions (together referred to as "G&S transactions)". EIF's financial guarantees liabilities and related provisions amount to EUR 23.5 million and 15.4 million respectively as at 31 December 2017, representing 2.0% of total net assets. Nevertheless EIF's exposure at risk amounts to EUR 6 712.5 million as at 31 December 2017.

At initial recognition, financial guarantees are recognised at fair value plus transaction costs that are directly attributable to issuance of the financial guarantees. Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with IAS 37 and net present value of expected premium inflows amortised, where appropriate, in accordance with IAS 18. 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 financial guarantees operations".

EIF assigns an internal rating based on quantitative parameters and qualitative aspects to each G&S transaction to estimate the credit quality in accordance with an expected loss concept. Significant judgments and estimates are thus required to be applied by Management in the assessment and measurement of the financial guarantees liabilities and related provisions, especially in cases where there are differences between the rating levels assigned to these transactions among external rating agencies and EIF's internal rating, or where the G&S transactions are not externally rated. Inappropriate judgments made in relation to the methodology and inputs used or the assumptions taken may have a material impact on the valuation of the financial guarantees portfolio.

The key inputs and assumptions used by management in its assessment of the valuation of financial guarantee liabilities and related provisions are detailed in Note 2.5 relating to the accounting policy as well further disclosures are presented in Notes 3.3 relating to the EIF's risk management monitoring, 5.1 and 5.2 to the financial statements relating to the movements occurred during the year under audit.

How our audit addressed the area of focus?

Our procedures over the valuation of the Financial Guarantees included, but were not limited to:

We obtained an understanding of management's processes and controls for determining the valuation of financial guarantees. This included discussing with Management the risk management activities, valuation governance structure and protocols around their oversight of the valuation process and corroborating our understanding by attending meetings with appropriate personnel of EIF. We also involved experts to review the Internal Rating Model developed by EIF to derive the credit worthiness of the underlying portfolios of SME loans covered by guarantee agreements with financial intermediaries.

We have identified key controls in the process, assessed the design adequacy and tested the operating effectiveness of some these controls. In addition, we have obtained the ISAE 3402 report on EIF's internal controls, compared our understanding of identified key controls in the process, assessed adequacy of their design and implementation and inspected the conclusions reached based on the testing of operating effectiveness of those controls. Since no observations or exceptions were noted in the report, we relied on controls over the financial guarantees process.

We compared management's valuation methodology to IFRS and EIF's internal guidelines. We sought explanations from management where there are judgments applied in their application of the guidelines, discussed and assessed their appropriateness and relevance.

On a sample basis, we assessed the assumptions made to derive the input parameters used in the Internal Rating Model and adequateness of their application, reconciled the input parameters described in the model documentation, and evaluated the assignment of the internal rating. For externally rated G&S transactions we compared the internal rating to ratings assigned by such agencies and checked that it was in line with EIF policy (second worst). We ensured that internal ratings are correctly and timely updated based on market events. We further assessed additional assumptions made to derive the valuation such as the weighted average life, expected maturity date, tranche full profile of guarantee contracts and present value of guarantee fee income and cross-checked these assumptions with market data where applicable. On a sample basis, we reconciled guarantee calls paid during the year to payment demand notices from financial intermediaries.

We also inspected the correct classification of financial guarantees under either financial liabilities or provisions for financial guarantees according to EIF's accounting policy.

We recalculated the provision for financial guarantees based on Moody's expected loss table.

Other information

The Management is responsible for the other information. The other information comprises the information stated in the annual report and the statement by the Audit Board but does not include the financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Luxembourg,
March 14, 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

M. Tabart

Statement by the Audit board

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

- Acting in accordance with the customary standards of the audit profession,
- Having designated KPMG Luxembourg, Société coopérative cabinet de révision agréé as external auditor of the ElF 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, 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 15 to 72 ("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 14 March 2018 drawn up by KPMG Luxembourg, Société coopérative cabinet de révision agréé,
- Noting that this report gives an unqualified opinion on the Financial Statements of ElF for the financial year ending 31 December 2017,
- Having examined and discussed reports and opinions issued by the EIF's Internal Audit, Risk Management and Compliance and Operational Risk functions,
- Having received assurance from the Chief Executive in particular concerning the effectiveness of the internal control systems, risk management and internal administration,

Considering Articles 17, 18 and 19 of the Rules of Procedure, hereby confirms that to the best of its knowledge and judgement,

- The operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure;
- The Financial Statements give a true and fair view of the financial position of the Fund as regards its assets and liabilities, and of the results of its operations for the financial year under review.

Luxembourg,
March 14, 2018

The Audit Board

Paolo Enrico Pernice | Jacek Dominik | Rudi Dries

European Investment Fund

Statement of Financial Position
as at 31 December 2017 (expressed in EUR)

Assets	Notes	31.12.2017	31.12.2016
Cash and cash equivalents	4.1	284 069 067	218 121 040
Available-For-Sale portfolio:			
Debt securities and other fixed income securities	4.2	1 249 000 432	1 285 902 716
Shares and other variable income securities	4.3	466 276 605	386 875 259
		1 715 277 037	**1 672 777 975**
Loans and receivables	4.4	210 732 962	178 677 543
Other assets	4.5	278 810 428	231 344 490
Intangible assets	4.6	12 264	49 911
Property and equipment	4.7	426 278	472 580
Total Assets		**2 489 328 036**	**2 301 443 539**
Liabilities			
Financial liabilities			
Financial guarantees	5.1	23 490 130	16 302 264
Provisions for financial guarantees	5.2	15 350 767	28 809 133
Retirement benefit obligations	5.3	357 314 823	280 351 823
Other liabilities and provisions	5.4	135 649 138	97 378 011
Total Liabilities		**531 804 858**	**422 841 231**
Equity			
Share capital	5.5		
Subscribed		4 500 000 000	4 382 000 000
Uncalled		(3 600 000 000)	(3 505 600 000)
		900 000 000	**876 400 000**
Share premium		437 772 286	411 457 574
Statutory reserve	5.6	294 199 970	245 371 298
Retained earnings	5.6	69 160 043	60 424 137
Fair value reserve	5.7	146 270 019	162 877 620
Profit for the financial year		110 120 860	122 071 679
Total Equity		**1 957 523 178**	**1 878 602 308**
Total Equity and Liabilities		**2 489 328 036**	**2 301 443 539**

The notes on pages 15 to 72 are an integral part of these financial statements

Statement of Comprehensive Income for the year ended 31 December 2017 (expressed in EUR)

	Notes	31.12.2017	31.12.2016
Interest and similar income	7.1	22 939 597	25 612 606
Income from investments in shares and other variable income securities		28 420 349	23 248 430
Net result from financial guarantee operations	7.2	48 619 176	46 694 622
Commission income	7.3	152 619 847	138 901 512
Net result on financial operations	7.4	10 200 235	1 841 171
Net result from financial instruments at fair value through profit or loss	4.3	642 430	116 123
Other operating income	7.5	34 852	3 254 832
General administrative expenses	7.6		
Staff costs:			
- wages and salaries		(58 273 988)	(47 012 680)
- social security and contribution costs		(48 061 352)	(34 235 959)
		(106 335 340)	(81 248 639)
- Other administrative expenses		(43 907 643)	(31 070 022)
		(150 242 983)	(112 318 661)
Depreciation and amortisation	4.6, 4.7	(83 949)	(205 093)
Impairment losses on available -for-sale investments	4.3	(3 028 694)	(5 073 863)
Profit for the financial year		**110 120 860**	**122 071 679**
Other comprehensive income			
- Net change in fair value of available-for-sale financial assets		(3 402 237)	(12 037459)
- Net change in fair value of available-for-sale financial assets transferred to profit/(loss)		(13 205 364)	810 257
- Re-measurement of defined benefit obligation not reclassified subsequently to profit/(loss)		(39 523 000)	(103 148 832)
		(56 130 601)	(114 376 034)
Total comprehensive income for the financial year		**53 990 259**	**7 695 645**

The notes on pages 15 to 72 are an integral part of these financial statements

Statement of Changes in Equity for the year ended 31 December 2017 (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 31.12.2015		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
Total comprehensive income										
Profit/(loss) for the financial year		0	0	0	0	0	0	0	122 071 679	122 071 679
Net change in fair value of available-for-sale portfolio	5.7	0	0	0	0	0	0	(11 227 202)	0	(11 227 202)
Re-measurement of defined benefit obligation	5.3	0	0	0	0	0	(103 148 832)	0	0	(103 148 832)
Transactions with owners										
Appropriation of profit inc. dividend	5.6	0	0	0	0	38 943 916	34 076 331	0	(97 359 789)	(24 339 542)
Share issue	5.5	96 000 000	(76 800 000)	19 200 000	21 787 457	0	0	0	0	40 987 457
Balance as at 31.12.2016		4 382 000 000	(3 505 600 000)	876 400 000	411 457 574	245 371 298	60 424 137	162 877 620	122 071 679	1 878 602 308
Total comprehensive income										
Profit/(loss) for the financial year		0	0	0	0	0	0	0	110 120 860	110 120 860
Net change in fair value of available-for-sale portfolio	5.7	0	0	0	0	0	0	(16 607 601)	0	(16 607 601)
Re-measurement of defined benefit obligation	5.3	0	0	0	0	0	(39 523 000)	0	0	(39 523 000)
Transactions with owners										
Appropriation of profit inc. dividend	5.6	0	0	0	0	48 828 672	48 258 906	0	(122 071 679)	(24 984 101)
Share issue	5.5	118 000 000	(94 400 000)	23 600 000	26 314 712	0	0	0	0	49 914 712
Balance as at 31.12.2017		**4 500 000 000**	**(3 600 000 000)**	**900 000 000**	**437 772 286**	**294 199 970**	**69 160 043**	**146 270 019**	**110 120 860**	**1 957 523 178**

The notes on pages 15 to 72 are an integral part of these financial statements

Cash Flow Statement for the year ended 31 December 2017 (expressed in EUR)

Cash flows from operating activities	Notes	31.12.2017	31.12.2016
Profit for the financial year		110 120 860	122 071 679
Adjustments for:			
Depreciation and amortisation	4.6, 4.7	83 949	205 094
Net result from financial instruments at fair value through profit or loss	4.3	(642 430)	(116 123)
Net results from sale of non-current assets	7.5	0	(2 872 325)
Impairment loss on shares and other variable income securities	4.3	3 028 694	5 073 863
Interest income on debt securities and other fixed income securities	7.1	(17 398 729)	(19 732 148)
Interest income on loans and receivables	7.1	(1 456 509)	(1 416 987)
Change in financial guarantees	5.1	7 187 866	2 347 545
Net result on sale of shares and other variable income securities	7.4	(4 263 618)	0
Net result on sale of debt securities and other fixed income securities	7.4	(9 322 146)	0
Provision for financial guarantees	5.2	(13 458 366)	(16 771 995)
Provision for retirement benefit obligations 712	8 466 870	25 282	
		99 162 283	97 255 473
Change in shares and other variable income securities	4.3	(70 365 109)	(58 942 051)
Financial guarantee calls paid	5.2	0	(35 990 866)
Change in other assets and liabilities	4.5, 5.4	2 962 478	(40 416 021)
		(67 402 631)	(135 348 938)
Net cash from operating activities		**31 759 652**	**(38 093 465)**

The notes on pages 15 to 72 are an integral part of these financial statements

Cash Flow Statement for the year ended 31 December 2017 (expressed in EUR)

Cash flows from investing activities	Notes	31.12.2017	31.12.2016
Acquisition of debt securities and other fixed income securities	4.2	(267 505 840)	(17 758 851)
Proceeds from sale or matured debt securities and other fixed income securities	4.2, 7.4	285 863 665	122 497 918
Interest received on debt securities and other fixed income securities		21 498 849	27 811 590
Acquisition of loans and receivables	4.4	(111 014 708)	(138 700 000)
Disposal of loans and receivables	4.4	79 113 382	10 267 199
Interest received on loans and receivables		1 302 416	1 359 003
Proceeds from sale of non-current assets	7.5	0	6 800 000
Net cash from operating activities		**9 257 764**	**12 276 859**

Cash flows used in financing activities	Notes	31.12.2017	31.12.2016
Dividend paid	5.6	(24 984 101)	(24 339 542)
Capital increase	5.5	49 914 712	40 987 457
Cash flows used in financing activities		**24 930 611**	**16 647 915**
Cash and cash equivalents at the beginning of the year		218 121 040	227 289 731
Net cash from:			
- Operating activities		31 759 652	(38 093 465)
- Investing activities		9 257 764	12 276 859
- Financing activities		24 930 611	16 647 915
Cash and cash equivalents at the end of the year		**284 069 067**	**218 121 040**

The notes on pages 15 to 72 are an integral part of these financial statements

Notes to the financial statements for the year ended 31 December 2017 (expressed in EUR)

01. General

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

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

- The provision of guarantees as well as of other comparable instruments for loans and other financial obligations in whatever form is legally permissible,
- The acquisition, holding, managing and disposal of participations in any enterprise subject to the conditions laid down in paragraph 2 (i) of Article 12 of the EIF's Statutes ("the Statutes").

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

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

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

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

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

02. Significant accounting policies and basis of preparation

2.1 Basis of preparation

2.1.1 Statement of compliance

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

The Fund's financial statements have been authorised for issue by the Board of Directors on 14 March 2018.

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, 2.8 and 3.

Judgments and estimates are principally made in the following areas:

- Determination of fair value of equity investments as disclosed in note 2.3.2;
- 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.

Regarding the EIF's exposure to the United Kingdom, the EIF is monitoring the developments of the political situation in the United Kingdom, specifically the notification of the UK's decision to withdraw from the EU on 29 March 2017. In this context, it has been assessed that these events have not materially affected the financial position and performance of the Fund as at 31 December 2017. The Fund will continue to monitor the evolution of the situation and the possible impact on its financial statements as necessary.

2.1.4 Changes in accounting policies and presentation

The accounting policies adopted have been applied consistently with those used in the previous year apart from the change in methodology for calculation of guarantee exposure at risk as described below.

During 2017, the calculation of the transaction's actual commitment was adapted to accurately reflect EIF's exposure at risk. The transaction's commitment has no longer been calculated based on the Maximum Portfolio Volume (MPV) but on the Agreed Portfolio Volume (AgPV) for those transactions to which no extension letter has been granted given that EIF has full discretion for approval of an extension requested by a financial intermediary. Consequently, the total exposure at risk for the year ended 31 December 2016 was restated from EUR 5 958 726 408 to EUR 5 151 881 699 to reflect the exposure at risk based on AgPV.

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

2.3.2.1 Investments in private equity funds

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.

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.

2.3.2.2 Investments other than in private equity funds

Investments other than in private equity funds classified in “Shares and other variable income securities” are composed of the EIF’s senior tranche exposure into the European Fund for Strategic Investments through the sub window 2 of the equity product.

a) Fair value measurement

Investments other than in private equity funds 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 EIF’s senior tranche exposure, valuation techniques (level 3) according to the fair value hierarchy are applied. The fair value is composed of the net paid in representing the drawdowns paid net of any repayment and of the 2.5% of internal rate return expected on the underlying portfolio calculated in arear. At each reporting date, the internal rate return is reviewed and adjusted according to the performance of the underlying investments.

b) Impairment considerations

The sub window 2 of the equity product shall be considered as securitisation transaction into which there is a junior risk taker and two senior risk takers. As such, impairment losses are only recognised if there is objective evidence of impairment as a result of one or more events that have occurred and if the junior tranche is fully impaired. On each official reporting date and considering the junior tranche, the EIF analyses first unrealised losses at the level of the underlying investments with the approach of compensating such unrealised losses with unrealised gains so as to determine whether they should be recognised as impairment losses in the profit or loss.

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

The loans and receivables (hereafter "L&R") consist mainly 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. Loans and receivables also include long-term bank deposits with maturities between three months and one year. 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 Financial guarantee operations

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

Financial guarantees 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 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 financial guarantee operations".

2.6 Other assets

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

2.7 Intangible assets, Property and Equipment

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 Property and Equipment

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

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

Fixtures and Fittings:	3 to 10 years
Office Equipment:	3 to 5 years
Computer Equipment and Vehicles:	3 years
Buildings:	30 years

2.7.3 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.

2.7.4 Impairment of non-financial assets

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

2.8 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 sets out requirements on the classification and measurement of financial instruments, a new credit loss model for calculating impairment on financial asset, and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 also tackles hedge accounting but this is not applicable to EIF. The standard is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at Amortised Cost (AC), Fair Value through OCI (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, Loans and Receivables (L&R) and Available For Sale (AFS).

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking Expected Credit Loss (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted analysis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI. Under IFRS 9, loss allowances will be measured on either 12-month ECLs (that result from possible default events within the 12 months after the reporting date) or lifetime ECLs (that result from all possible default events over the expected life of a financial instrument, following a significant increase in the credit risk of a financial asset).

The impact of IFRS 9 will lead to the following key changes:

- **Debt securities and other fixed income securities**

Under IAS 39, debt securities and other fixed income securities were classified as AFS and measured at FVOCI.

Under IFRS 9, debt securities and other fixed income securities will pass the Solely Payments of Principal and Interest (SPPI) test and the Business Model envisaged is Hold To Collect (HTC). They will consequently be measured at AC.

In addition, debt securities and other fixed income securities will be subject to impairment on either 12-month ECLs or lifetime ECLs, meaning that their carrying amount will be adjusted by any expected credit loss allowance on a forward-looking basis.

As of 1 January 2018, the reversal of the fair value reserve against debt securities and other fixed income securities will amount to EUR 30 913 788, which is the amount of fair value reserve at 31.12.2017. In addition, based on the Fund's assessment, changes to the impairment model are not expected to have a material effect on the debt securities and other fixed income securities due to their high credit quality. Accordingly, the ECLs are not expected to be significant.

- **Shares and other variable income securities:**

Under IAS 39, shares and other variable income securities were classified as AFS and measured at FVOCI.

Shares and other variable income securities provide puttable features where there is an option for the Fund to put the rights inherent to that instrument back to the issuer for cash or another financial instrument. Under IFRS 9, puttable instruments cannot opt for classification at FVOCI. As a consequence, shares and other variable income securities will be measured at FVTPL and the recognition of potential impairment losses will not be relevant anymore.

As of 1 January 2018, the reversal of the fair value reserve against shares and other variable income securities will amount to EUR 114 045 427, which is the amount of fair value reserve at 31.12.2017. In addition, the Fund will reverse accumulated impairment losses recognised in retained earnings for EUR 65 621 467 against shares and other variable income securities.

- **Loans and receivables:**
Under IAS 39, asset-backed securities were classified as L&R and measured at amortised cost.
Under IFRS 9, asset-backed securities will not pass the SPPI test because the Fund does not have sufficient information to fully analyse the contractual cash flows and consequently will be measured at FVTPL.
Loans and receivables will not be subject to impairment.
The financial impact following the adoption of IFRS 9 is not yet quantifiable.

- **Financial guarantees:**
Under IAS 39, financial guarantees were initially measured at fair value (plus transaction costs). Subsequent to initial recognition, financial guarantees were 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.
IFRS 9 largely retains the requirements of IAS 39 for the classification of financial liabilities. However, the implementation of IFRS 9 impacts the measurement of financial guarantees.
Under IFRS 9, the initial measurement will be at fair value (plus transaction costs). For subsequent measurement, financial guarantees will be measured at the higher of the amount initially recognised less amortisation (when appropriate) under IFRS 15 and the loss allowance determined in accordance with IFRS 9.
Financial Guarantees will be subject to impairment and related ECL calculation, which will be based on forward looking point in time Probabilities of Default and staging.
Given that the Fund is currently developing an appropriate ECL model, the financial impact of any ECL following the adoption of IFRS 9 is not yet quantifiable.

- **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.

IFRS 15 introduces a single, principal based five-step model that applies to contracts with customers and which determines when to recognise revenue and at what amount; and two approaches to recognising revenue: over time, to reflect the entity's performance, or, at a point in time, when control of the service is transferred to the customer.

The impact of the amendments will lead to the following changes:

- **Financial guarantee operations:**
The initial measurement will be at fair value (plus transaction costs), corresponding to the cumulative amount of income recorded as per IFRS 15. For subsequent measurement, financial guarantees will be measured at the higher of the amount initially recognised less amortisation (when appropriate) under IFRS 15 and the loss allowance determined in accordance with IFRS 9.
The new 5-step approach under IFRS 15 will mainly impact the determination of the transaction price, as well as its allocation to the performance obligations.
The financial impact on financial guarantee operations is currently being assessed jointly with IFRS 9 for the purpose of preparing the IFRS financial opening balances.

- **Commission income:**
  EIF uses the input method of revenue recognition for all mandates on the basis of the costs incurred towards the provision of services.

  For management and administration fees, EIF already applies the deferred income approach on mandates under its management where appropriate. EIF will continue to ensure that revenue and costs are aligned by reference to future expected administrative work as per the requirements of IFRS 15. This may result in an increased scope of deferred income and the financial impact is currently being analysed.

  Start-up fees are generally recognised upfront, as the income is covering for the costs incurred in the context of the negotiations of a mandate. EIF does not expect any significant deviation from the current approach following adoption of IFRS 15.

  For incentive fees, EIF will review all performance indicators to ensure that any part of these fees that is based on the lowest triggers and performance fee indicators, which are attainable with high probability, should be recognised or deferred as appropriate. The financial impact is currently being analysed. As there is always an element of uncertainty and judgement, EIF will apply its expertise and knowledge of the market in order not to defer those fees that may be attainable but are however subject to uncertainty.

  The adoption of IFRS 15 would also have an impact on the financing component as some commission income is received upfront and deferred over the life of the mandates. On the basis of the most recent data, EIF concluded that the impact of time value of money is not material given that the discount rate reflects the credit risk of the EU institutions and sovereign states. This calculation will be reviewed annually to ensure that underlying assumptions remains valid and reflect current variables.

03. Financial Risk Management

3.1 Introduction

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

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

31.12.2017	Loans and Receivable	Fair value through profit and loss	Available for sale	Financial guarantees	Total
Cash and cash equivalents	284 069 067	0	0	0	284 069 067
Available-For-Sale portfolio:					
Debt securities and other fixed income securities	*0*	*0*	*1 249 000 432*	*0*	*1 249 000 432*
Shares and other variable income securities	*0*	*6 942 765*	*459 333 840*	*0*	*466 276 605*
Loans and receivables	210 732 962	0	0	0	210 732 962
Total Financial Assets	**494 802 029**	**6 942 765**	**1 708 334 272**	**0**	**2 210 079 066**
Financial liabilities					
Financial guarantees	*0*	*0*	*0*	*23 490 130*	*23 490 130*
Total Financial Liabilities	**0**	**0**	**0**	**23 490 130**	**23 490 130**

31.12.2016	Loans and Receivable	Fair value through profit and loss	Available for sale	Financial guarantees	Total
Cash and cash equivalents	218 121 040	0	0	0	218 121 040
Available-For-Sale portfolio:					
Debt securities and other fixed income securities	*0*	*0*	*1 285 902 716*	*0*	*1 285 902 716*
Shares and other variable income securities	*0*	*6 300 335*	*380 574 924*	*0*	*386 875 259*
Loans and receivables	178 677 543	0	0	0	178 677 543
Total Financial Assets	**396 798 583**	**6 300 335**	**1 666 477 640**	**0**	**2 069 576 558**
Financial liabilities					
Financial guarantees	0	0	0	16 302 264	16 302 264
Total Financial Liabilities	**0**	**0**	**0**	**16 302 264**	**16 302 264**

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 7% 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 on the next page shows the currency exposure (in EUR) of EIF's financial assets and financial liabilities.

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

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

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

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

At 31.12.2017 In EUR	EUR	Pound Sterling	US Dollar	Other currencies	Sub total except EUR	Total
Cash and cash equivalents	265 575 000	2 696 528	15 650 861	146 678	18 494 067	**284 069 067**
Available-For-Sale portfolio:						
Debt securities and other fixed income securities	*1 249 000 432*	*0*	*0*	*0*	*0*	*1 249 000 432*
Shares and other variable income securities	*357 004 775*	*66 573 641*	*17 858 468*	*24 839 721*	*109 271 830*	*466 276 605*
Loans and receivables	202 288 928	0	8 444 034	0	8 444 034	**210 732 962**
Total Assets	2 073 869 135	69 270 169	41 953 363	24 986 399	136 209 931	**2 210 079 066**
Financial liabilities *Financial guarantees*	19 721 226	2 483 351	224 915	1 060 638	3 768 904	**23 490 130**
Total Financial Liabilities	19 721 226	2 483 351	224 915	1 060 638	3 768 904	**23 490 130**
Foreign currencies in % of net assets		*3.4%*	*2.1%*	*1.2%*	*6.8%*	
Net commitments to private equity	596 621 463	86 844 506	56 281 601	28 544 310	171 670 417	**768 291 880**
Guarantees' exposure at risk	5 800 800 806	316 617 115	0	595 067 900	911 685 015	**6 712 485 821**
Total OFF BS	**6 397 422 269**	**403 461 621**	**56 281 601**	**623 612 210**	**1 083 355 432**	**7 480 777 701**

At 31.12.2016 In EUR	EUR	Pound Sterling	US Dollar	Other currencies	Sub total except EUR	Total
Cash and cash equivalents	204 950 716	1 675 989	11 285 427	208 908	13 170 324	**218 121 040**
Available-For-Sale portfolio:						
- Debt securities and other fixed income securities	*1 285 902 716*	*0*	*0*	*0*	*0*	*1 285 902 716*
- Shares and other variable income securities	*283 131 216*	*62 311 067*	*12 677 998*	*28 754 978*	*103 744 043*	*386 875 259*
Loans and receivables	178 677 543	0	0	0	0	**178 677 543**
Total Assets	1 952 662 191	63 987 056	23 963 425	28 963 886	116 914 367	**2 069 576 558**
Financial liabilities *Financial guarantees*	*12 588 565*	*2 129 327*	*0*	*1 584 372*	*3 713 699*	*16 302 264*
Total Liabilities	12 588 565	2 129 327	0	1 584 372	3 713 699	**16 302 264**
Foreign currencies in % of net assets		3.3%	1.3%	1.5%	6.0%	
Net commitments to private equity	494 039 296	96 999 407	41 521 097	23 729 805	162 250 309	**656 289 605**
Guarantees' exposure at risk (restated*)	4 470 845 610	318 211 995	0	362 824 094	681 036 089	**5 151 881 699**
Total OFF BS	**4 964 884 906**	**415 211 402**	**41 521 097**	**386 553 899**	**843 286 398**	**5 808 171 304**

*refer to Note 2.1.4

"Other assets" and "Other liabilities and provisions" are denominated in EUR (for more details please see note 4.5 and 5.4).

3.2 Shares and other variable income securities

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.

Shares and other variable income securities include the EIF's senior tranche exposure into the European Fund for Strategic Investments through the sub window 2 of the equity product.

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

3.2.1.1 Portfolio Design Process

Designing a portfolio consistent with the EIF's objectives and constraints is a key element of the EIF's investment activity. No liquid 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 Operations Risk Management division ("ORM") 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. ORM is involved in the investment process from its early stages. Following an initial screening of investment opportunities, ORM is called to express its opinion on EI's request to proceed with a full due diligence. Subsequently ORM 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 ORM 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 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").

Chart 1: Vintage Year Diversification of the EIF Own Risk PE Portfolio

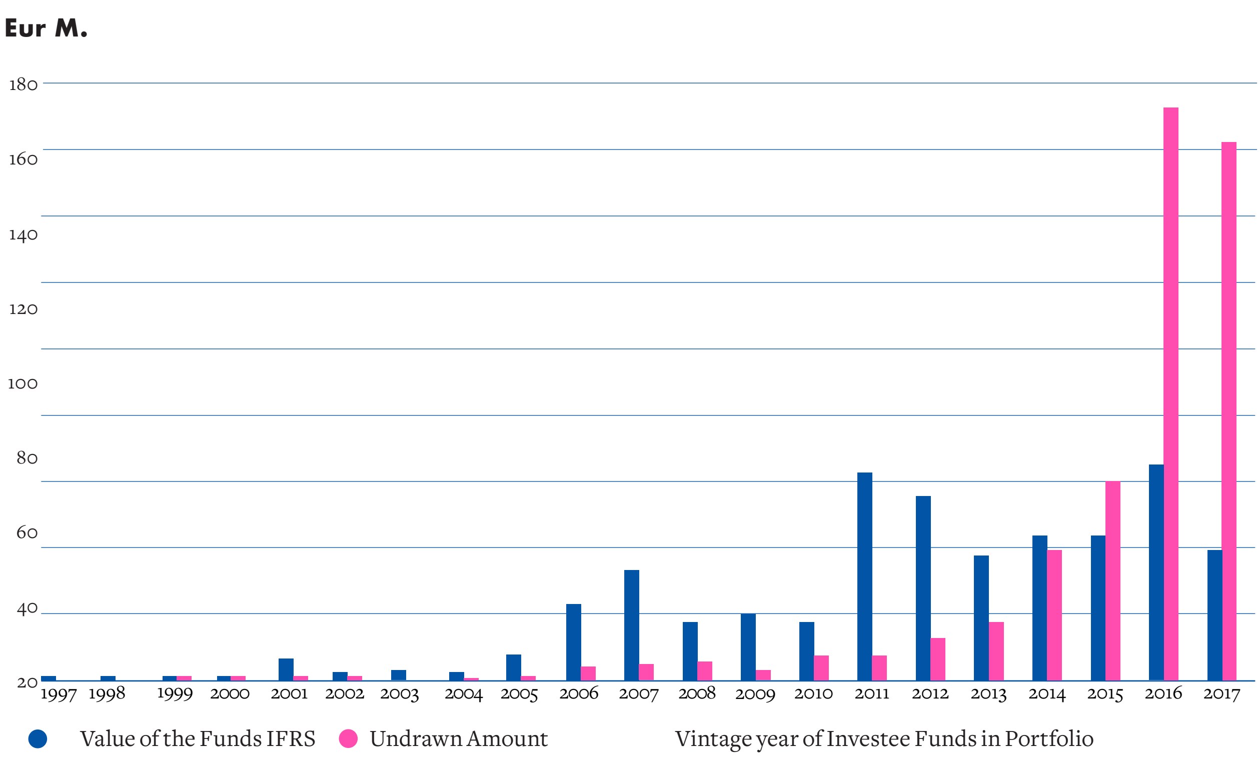


Table 1: Undrawn commitments of the EIF Own Risk PE portfolio; split by time remaining to the end of the contractual lifetime* of the investee funds

Private Equity	Not more than 3 months	Three months to one year	One year to 5 years	More than 5 years	Total
As of 31.12.2017	4 539 964	10 046 269	38 539 145	**461 651 171**	**514 776 549**
As of 31.12.2016	1 927 250	2 227 050	19 103 227	377 389 487	400 647 014

*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

EUR M.	Capital Calls	Reflows
2017	135.6	57.1
2016	106.7	48.3

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:

31.12.2017
Public market risk: All private Equity

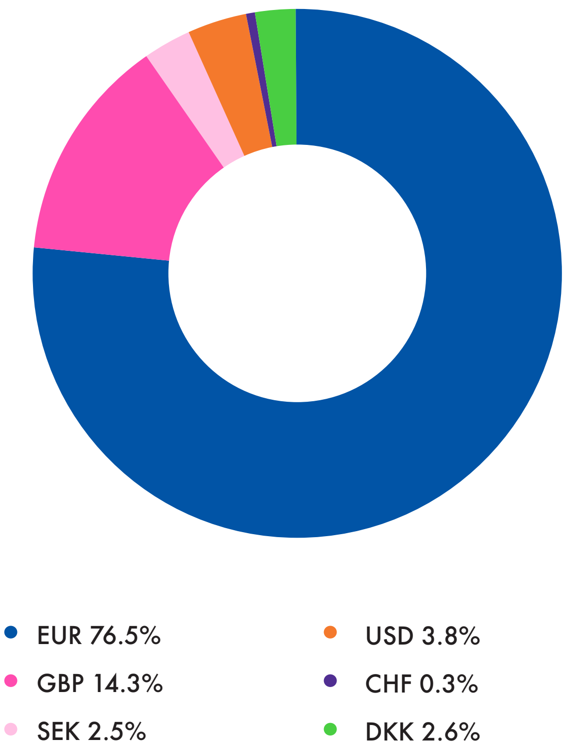
+10%			**-10%**		
Retained Beta 1.088			**Retained Beta 1.088**		
Final Sensitivity: +10.88%			**Final Sensitivity: -10.88%**		
Profit & loss account	Equity (Fair value reserve)	Total effect on equity	Profit & loss account	Equity (Fair value reserve)	Total effect on equity
1 978 744	41 111 510	43 090 254	(1 472 568)	(41 617 686)	(43 090 254)

31.12.2016
Public market risk: All private Equity

+10%			**-10%**		
Retained Beta 0.9			**Retained Beta 0.9**		
Final Sensitivity: +9%			**Final Sensitivity: -9%**		
Profit & loss account	Equity (Fair value reserve)	Total effect on equity	Profit & loss account	Equity (Fair value reserve)	Total effect on equity
1 966 467	29 702 861	31 669 328	(2 258 206)	(29 441 122)	(31 699 328)

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:



As % of the total fair value, EUR 466.3m

For 2017, changes due to foreign exchange rates for shares and other variable income amount to EUR (3 057 521), of which EUR (2 744 954) has been posted to the fair value reserve (2016: respectively EUR (6 460 904) and EUR (6 455 463)) and EUR (312 567) has been transferred to the Statement of comprehensive income following the recognition of impairment on the PE portfolio at year end (2016: EUR (5 440)).

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 impact of an increase / decrease of 15 % vs. the Euro has been simulated below:

31.12.2017
Foreign exchange rate risk

GBP increase of 15% vs. EUR			GBP decrease of 15% vs. EUR		
Profit & loss account	Equity (Fair value reserve)	Total effect on equity	Profit & loss account	Equity (Fair value reserve)	Total effect on equity
222 116	9 763 930	9 986 046	(222 116)	(9 763 930)	(9 986 046)

31.12.2016
Foreign exchange rate risk

GBP increase of 15% vs. EUR			GBP decrease of 15% vs. EUR		
Profit & loss account	Equity (Fair value reserve)	Total effect on equity	Profit & loss account	Equity (Fair value reserve)	Total effect on equity
222 632	9 124 028	9 346 660	(222 632)	(9 124 028)	(9 346 660)

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:

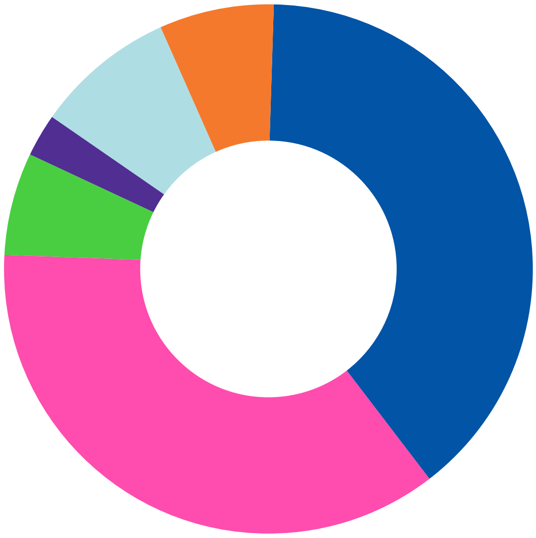
1. Technology Transfer Accelerator ("TTA"): such definition covers strategies targeting investments at Seed and Pre-Seed stages directed at the commercialisation of new technologies developed by universities and research centres;
2. Venture Capital: such definition covers strategies targeting venture capital investments ranging between the Early and Late stage;
3. 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.

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:

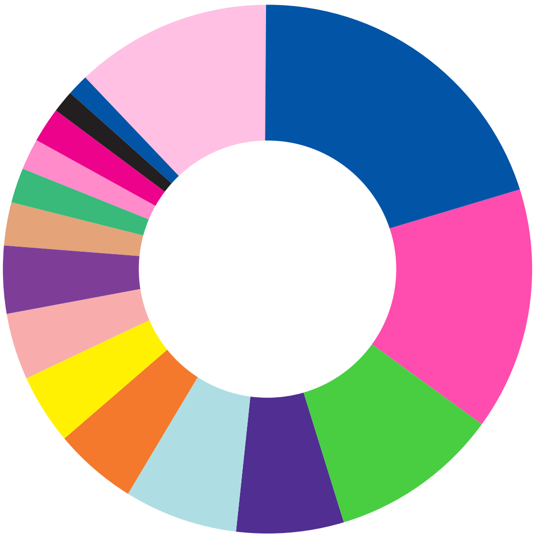
EIF Own Risk PE Portfolio: Fair Value Split by Investment Strategy



- Midmarket 39.3%
- Venture 36.6%
- Private Debt 6.3%
- Infrastructure 2.6%
- TTA 8.6%
- Other 6.6%

As % of the total fair value, EUR 466.3m

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



- United Kingdom 20.1%
- France 14.8%
- Germany 10.0%
- Sweden 6.9%
- USA 6.9%
- Denmark 5.1%
- Netherlands 4.3%
- Italy 4.2%
- Belgium 4.0%
- Turkey 2.7%
- Poland 2.2%
- Romania 2.0%
- Spain 2.0%
- Finland 1.6%
- Luxembourg 1.2%
- Others 11.8%

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

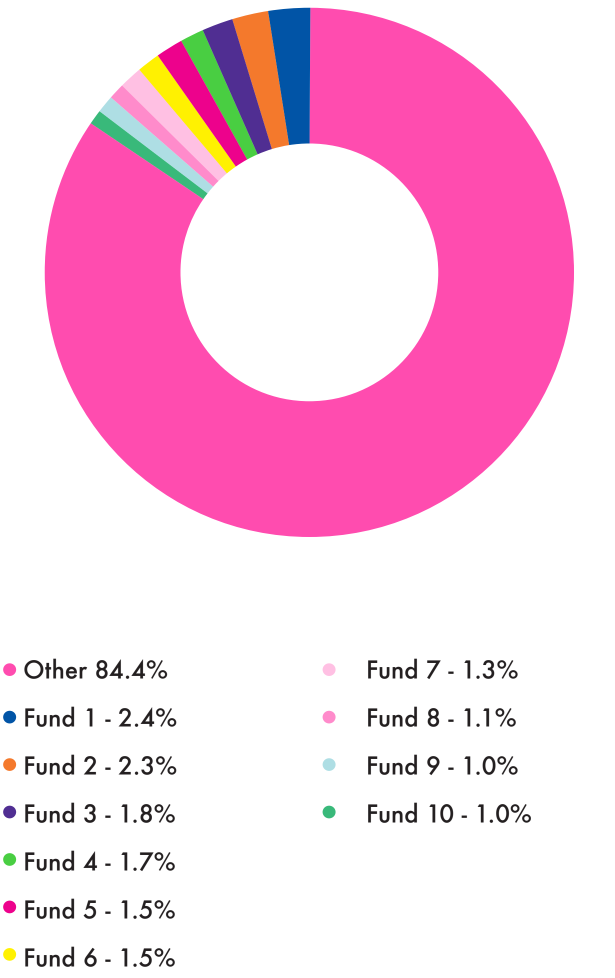
3.2.5.3 Fund risk

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 2.4% of the portfolio fair value (2016: 2.8%) and the largest 10 funds represent in aggregate 15.6% (2016: 18.8%).

3.2.5.4 Sector risk

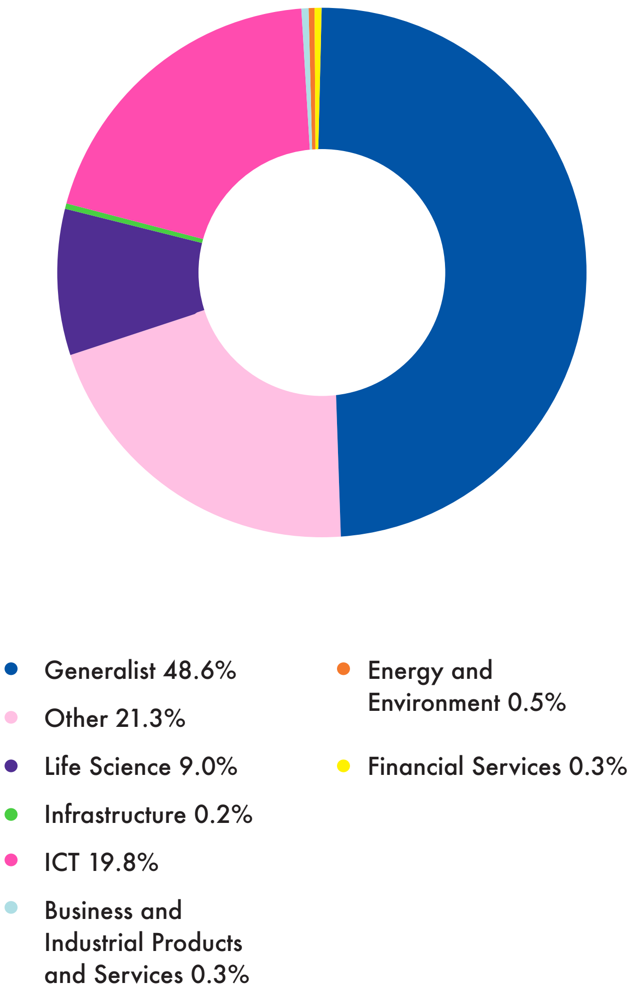
Sector risk is defined as the risk resulting from under/over weighting a specific sector. The largest sector exposure (excluding Generalist) of the EIF Own Risk PE portfolio is to the Information and Communication Technologies and Life science sectors. Such exposure is by design and is the result of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

EIF Own Risk PE Portfolio: Largest PE Funds in Portfolio*



* Total funds in portfolio=512
As % of the total fair value, EUR 466.3m

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



As % of the total fair value, EUR 466.3m

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 26.7m (2016: 39.5m) and represented 5.7% of the fair value of the EIF's portfolio (2016: 10.2%).

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 guarantees 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 Operations Risk Management division ("ORM") reviews the investment proposal provided by the Guarantees, Securitisations and Microfinance ("GS&M") 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 GS&M. 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-iB2 (iAaa and iB2 are mapped to Moody's Aaa and B2, respectively).

The EIF assigns an internal rating to each new transaction to estimate the credit quality based on an expected loss concept. 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 computes the economic capital allocation rates based on its internal guidelines, which follow a conservative approach that define a minimum level of capital that needs to be allocated to EIF investments and operations to ensure a 1-year 99.99% level of confidence that investment/operational losses can be absorbed. The rating used to calculate the economic capital allocation is the EIF internal rating. Valuation and capital charge are functions of the expected loss, i.e. they are risk-adjusted and consequently vary according to the assigned rating.

3.3.1.2 Ongoing 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, if applicable.

In case of breach of such triggers and depending on the magnitude and expected consequence(s) of such a breach, a transaction can either change its status (e.g. Under Review, Positive or Negative Outlook) or a model re-run is initiated to reassess EIF's internal rating. Dedicated professionals within ORM submit proposals to the relevant Investment Risk Committee ("IRC") to flag transactions as Under Review, Positive or Negative Outlook and/or to initiate an EIF'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 GSM or ORM-CRM) 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:

Transaction status in EUR	31.12.2017 EUR	%	31.12.2016 (restated*) EUR	%
Defaulted	10 121 907	0.2%	16 266 331	0.3%
Negative outlook	14 411 760	0.2%	0	0.0%
Under review	23 921 442	0.4%	65 584 972	1.1%
Performing	6 519 704 123	97.0%	5 070 030 396	98.6%
Positive outlook	144 326 590	2.2%	0	0.0%
Total Exposure at risk	**6 712 485 821**	100.0%	**5 151 881 699**	100.0%

* see note 2.1.4

The surveillance activity includes the following tasks:

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

The restructuring activity is carried out by dedicated professionals within ORM. ORM 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 GS&M or decided by the IRC Chairman during the IRC meeting.

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

3.3.2 Credit risk

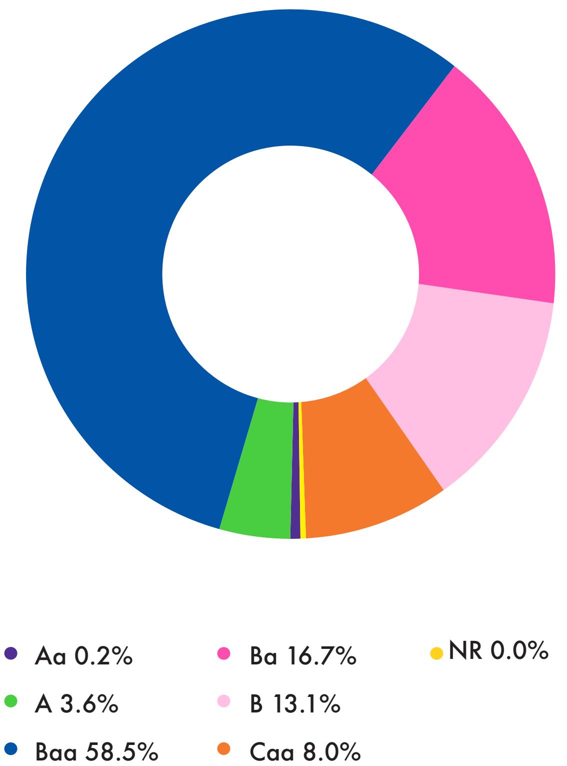
The maximum principal exposure to credit risk (not including possible guarantee calls on interest shortfalls or foreign currency fluctuations) corresponds to the exposure at risk as of 31 December 2017 of EUR 6 712.5 m (2016 Restated: EUR 5 151.9 m).

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 500m at end 2017. Hence, the EUR 6 712.5 m exposure at risk at end 2017 was below the statutory limit of EUR 13 500.0 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.

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 2017:

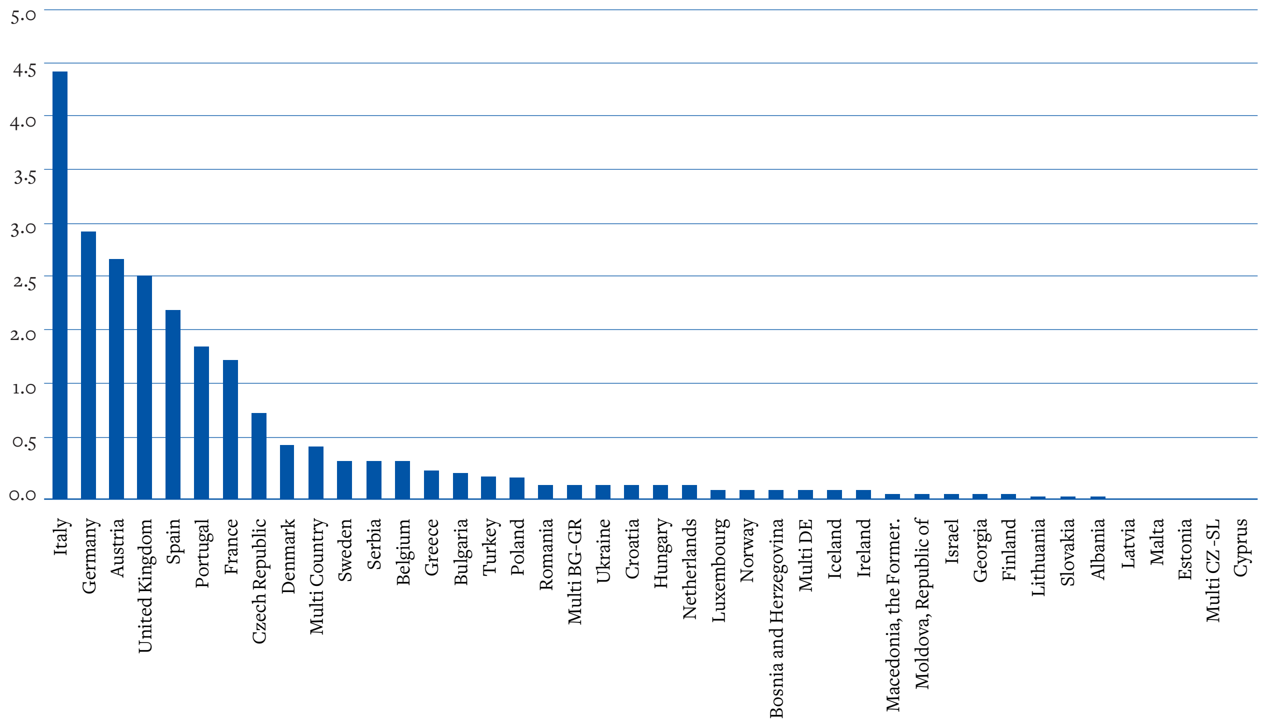


% of financial guarantees (EUR 23.5m)

3.3.2.1 Geographic Coverage

As of 31 December 2017, the EIF's financial guarantees were spread over 39 countries (2016: 38 countries).

The table below shows the geographic distribution of the EIF's financial guarantees (EUR 23.5m as of 31 December 2017) showing that the largest weight is to Italy (18.8%), followed by Germany (12.3%), and Austria (11.3%):



3.3.2.2 Concentration risk

To limit the concentration risk in the portfolio, the EIF has internal limits based on capital allocation at both individual transaction and originator level (maximum aggregate exposures for originators and originator groups). Furthermore, the EIF has introduced transaction and originator group exposure limits. Transaction limits define maximum possible exposure dependent on underlying rating and Weighted Average Life ("WAL"). Originator group limits constrain the exposure per originator group by considering the group rating. Concentration risk on a deal-by-deal basis is also limited because of the granular nature of the EIF's transactions; typically the underlying portfolios are highly diversified in terms of single obligor concentration, industry sectors and regional diversification.

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

3.3.3 Liquidity risk

The nature of the EIF's G&S business implies in general a low level of liquidity risk. Furthermore, the EIF's treasury guidelines (see 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 23.5m as of 31 December 2017) split by the expected maturity dates of the transactions to which they are related:

Expected maturity of guarantee

Financial liability (EUR)	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
As of 31.12.2017	1 871 455	7 148	1 247 521	20 364 006	**23 490 130**
As of 31.12.2016	136	1 111 870	4 238 653	10 951 605	**16 302 264**

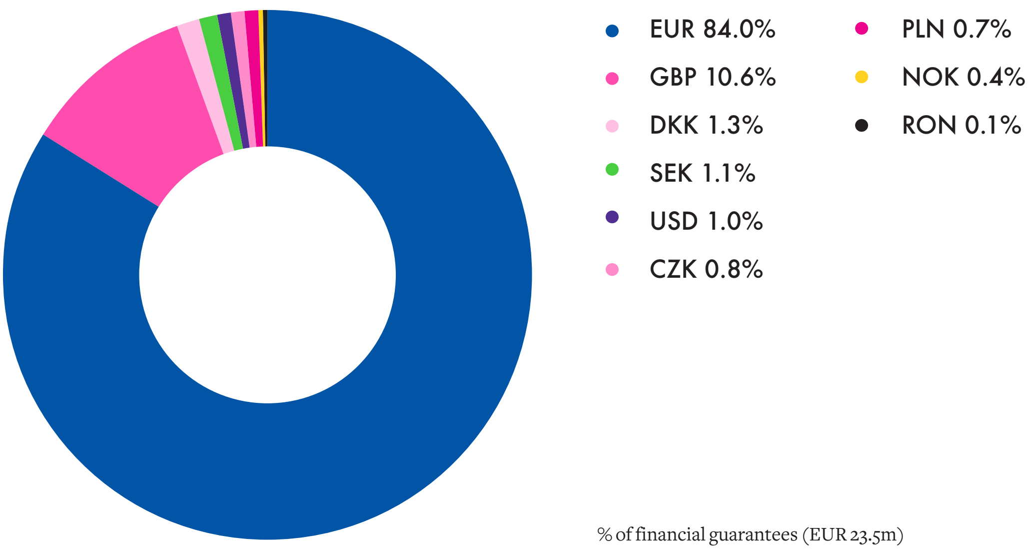
3.1.1 Market risk

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 23.5m as of 31 December 2017) is as follows:



% of financial guarantees (EUR 23.5m)

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

Currency	Financial liability (EUR)	Impact increase	Impact decrease
GBP	2 483 351	(323 915)	438 238
DKK	307 753	(40 142)	54 309
SEK	250 099	(32 622)	44 135
USD	224 915	(29 337)	39 691
CZK	196 245	(25 597)	34 632
PLN	174 464	(22 756)	30 788
NOK	100 747	(13 141)	17 779
RON	31 329	(4 086)	5 529

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

3.3.4.3 Market risk: Other price risk

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

3.4 Debt 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 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. As part of its responsibilities, the ALC advise on the management of the EIF Treasury Portfolio entrusted to the EIB for management.

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).

In EUR	31.12.2017	31.12.2016
Current accounts	169 275 230	166 703 135
Money market instruments and short term securities	114 793 837	51 417 905
Available for sale portfolio	1 249 000 432	1 285 902 716
Total Treasury portfolio	**1 533 069 499**	**1 504 023 756**

Long-term bank deposits amounting to EUR 8.4m (2016: EUR 0) are included under Loans and receivables. The EIF does not borrow funds.

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 2017 and 2016, all investments in the available for sale portfolio are made in EUR.

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

In EUR	Maximum exposure 2017	Maximum exposure 2016
Cash and cash equivalents	284 069 067	218 121 040
Debt securities and other fixed income securities	1 249 000432	1 285 902 716
Total Credit Risk Exposure	**1 533 069 499**	**1 504 023 756**

The following table outlines the credit quality of the Fund's debt securities and other fixed income securities as of 31 December 2017 and 2016, based on external ratings.

AFS - Debt securities and other fixed income securities	31.12.2017		31.12.2016	
Minimum Issue Rating	**Fair Value in Eur**	**In percentage**	**Fair Value in Eur**	**In percentage**
Aaa	250 436 819	20.04%	304 513 914	23.68%
Aa1	71 620 374	5.73%	96 699 310	7.52%
Aa2	115 480 622	9.25%	156 845 109	12.20%
Aa3	96 891 436	7.76%	120 521 257	9.37%
A1	157 699 815	12.63%	166 301 973	12.93%
A2	191 558 898	15.33%	168 650 797	13.12%
A3	163 770 221	13.11%	76 341 666	5.94%
Baa1	48 799 435	3.91%	52 881 254	4.11%
Baa2	120 161 209	9.62%	102 097 854	7.94%
Baa3	11 811 602	0.95%	0	0.00%
Ba1	10 452 816	0.84%	21 313 592	1.66%
Unrated	10 317 185	0.83%	19 735 990	1.53%
Total	**1 249 000 432**	**100.00%**	**1 285 902 716**	**100.00%**

A breakdown of the EU sovereign bond exposure is given in the table below, (including EU bonds of EU sovereigns)

Fair value	31.12.2017	31.12.2016
EU sovereigns		
Italy	103 151 086	102 097 854
Ireland	15 742 699	16 499 637
Austria	37 857 723	67 640 498
Spain	35 617 203	41 941 675
Slovakia	25 211 249	48 741 567
European Union (Other)	21 165 594	45 292 873
Poland	32 182 673	33 270 740
Germany	33 228 407	34 002 983
France	25 148 501	46 411 753
Portugal	10 452 816	21 313 592
Greece	10 317 185	19 735 990
Luxembourg	5 554 625	17 240 473
Lithuania	13 629 729	14 269 963
Czech Republic	10 497 782	11 020 671
Slovenia	5 650 342	5 825 307
	385 407 614	525 305 576
Corporate bonds and non EU sovereign	863 592 818	760 597 140
Total	**1 249 000 432**	**1 285 902716**

As of 31 December 2017, the EIF's AFS debt securities portfolio was spread over 27 countries. The greatest individual country exposures were France, Germany, the Netherlands, Italy and the United States, which jointly accounted for 50% 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 100% of all assets held have a duration of 5 years or less, (2016: 94.8 %).

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:

At 31.12.2017 (EUR)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Fixed rate					
- Cash and cash equivalents	*284 069 067*	*0*	*0*	*0*	*284 069 067*
- AFS - Debt securities and other fixed income securities	*43 946 769*	*138 894 012*	*1 018 386 062*	*0*	*1 201 226 843*
Floating rate					
- AFS - Debt securities and other fixed income securities	*0*	*0*	*47 773 589*	*0*	*47 773 589*
Total	328 015 836	138 894 012	1 066 159 651	0	1 533 069 499
Percentage	21.4%	9.2%	69.4%	0.0%	100%

At 31.12.2016 (EUR)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Fixed rate					
- Cash and cash equivalents	*218 121 040*	*0*	*0*	*0*	*218 121 040*
- AFS - Debt securities and other fixed income securities	*41 184 530*	*129 918 504*	*1 010 337 036*	*104 462 646*	*1 285 902 715*
Floating rate					
- AFS - Debt securities and other fixed income securities	*0*	*0*	*0*	*0*	*0*
Total	259 305 570	129 918 504	1 010 337 036	104 462 646	1 504 023 755
Percentage	17.2%	8.7%	67.2%	6.9%	100.0%

The average yield at cost on the AFS securities portfolio in EUR was 1.33 % for 2017 (2016: 1.6 %).

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 2016. For the positions in place as of 31 December 2017, the earnings of the EIF treasury portfolio would increase by EUR 1.03m (2016: EUR 0.7m) 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 2017, the Value at Risk of the EIF treasury portfolio was EUR 0.5m (EUR 1.1 m in 2016). 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 Loans and receivables

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, the General Meeting of Shareholders had approved the implementation of direct investments in SME-focused asset-back securities ("ABS Investments"). The ABS Investments target:

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

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 50m. At 31 December 2017, loans and receivables also include long-term bank deposits.

3.5.1. Risk assessment and on-going risk monitoring

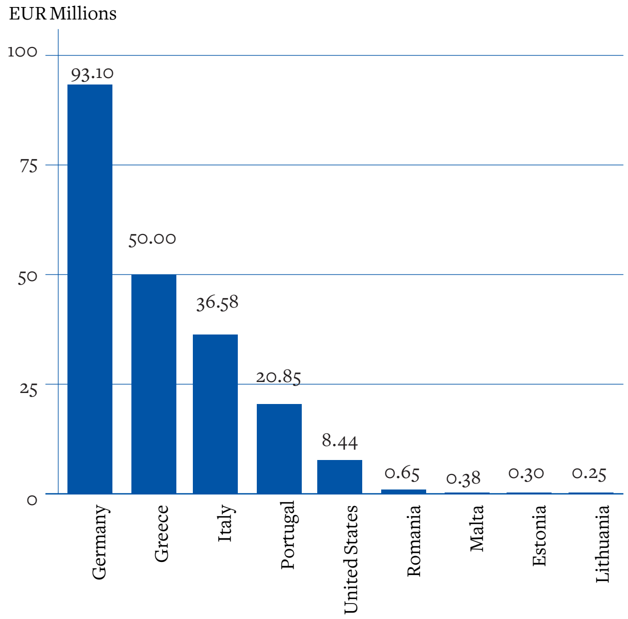
EIF's loans and receivables follow the same independent opinion process and on-going risk monitoring as the transactions under EIF's portfolio guarantee and structured business (see note 3.3.1).

Transaction status In EUR	31.12.2017	%	31.12.2016	%
Performing	174 627 968	83%	178 677 542	100%
Positive outlook	36 104 994	17%	0	0%
Total Exposure at risk	**210 732 962**	**100%**	**178 667 542**	**100%**

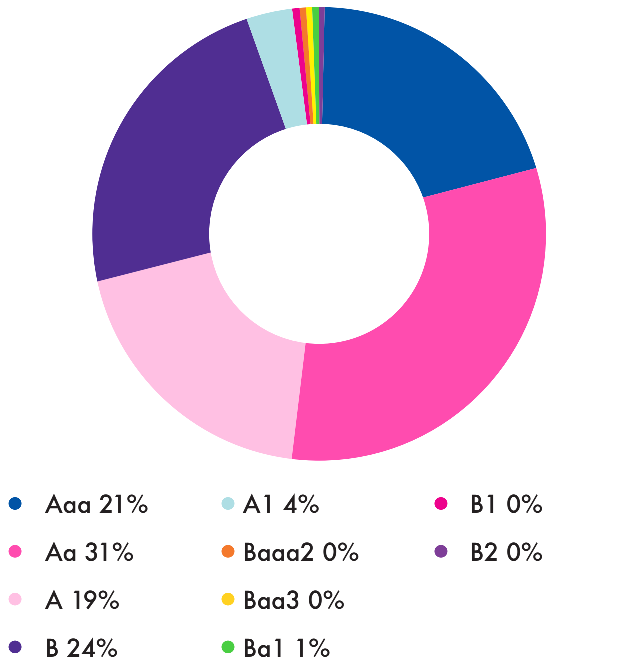
3.5.2 Credit Risk

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

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



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



% of Net Book Value EUR 210.7m

3.5.3 Liquidity risk

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

The following table shows an analysis of the loans and receivables portfolio (EUR 210.5m as of 31 December 2017) split by the expected maturity dates of the transactions to which they are related:

Net Book Value (EUR)
Expected maturity of loans and receivables

	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
As of 31.12.2017	0	8 444 034	199 479 302	2 809 625	210 732 962
As of 31.12.2016	0	0	178 677 543	0	178 677 543

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 a fixed coupon. Floating rate securities carry little interest rate risk as its duration is usually close to zero (it converges to zero as reset date approaches), meaning that its price has very low sensitivity to changes in interest rates.

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

Net Book Value (EUR) 31.12.2017

	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Fixed rate	0	8 653 659	92 522 698	2 600 000	103 776 357
Floating rate	10 793 840	96 162 765	0	0	106 956 605
Total	**10 793 840**	**104 816 424**	**92 522 698**	**2 600 000**	**210 732 962**

Net Book Value (EUR) 31.12.2016

	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Fixed rate	0		48 700 000	0	48 700 000
Floating rate	25 111 139	104 866 403	0	0	129 977 542
Total	**25 111 139**	**104 866 403**	**48 700 000**	**0**	**178 677 542**

3.5.4.2 Market risk - Foreign currency risk

As at 31 December 2017 EIF's loans and receivables are invested in EUR, in DKK and in USD.

As the loans and receivables in DKK are fully impaired, EIF is not exposed to foreign exchange risk in DKK.

For the loans and receivables in USD, the exposure to foreign exchange risk in USD is limited considering that the total amounts to EUR 8.4 million and the remaining maturity date is less than 4 months.

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.

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:

At 31.12.2017 In EUR	**Level 1**	**Level 2**	**level 3**	**Total**
Financial assets				
Debt securities and other fixed income securities				
-Financial investments - AFS	*1 238 683 247*	*10 317 185*	*0*	*1 249 000 432*
Shares and other variable income securities				
-Financial investments - AFS	*0*	*0*	*459 333 840*	*459 333 840*
-Financial assets designated at fair value through P&L	*0*	*0*	*6 942 765*	*6 942 765*
	1 238 638 247	**10 317 185**	**466 276 605**	**1 715 277 037**

At 31.12.2016 In EUR	**Level 1**	**Level 2**	**level 3**	**Total**
Financial assets				
Debt securities and other fixed income securities				
-Financial investments - AFS	*1 266 166 726*	*19 735 990*	*0*	*1 289 902 716*
Shares and other variable income securities				
-Financial investments - AFS	*0*	*0*	*380 574 924*	*380 574 924*
-Financial assets designated at fair value through P&L	*0*	*0*	*6 300 335*	*6 300 335*
	1 266 166 726	**19 735 990**	**386 875 259**	**1 672 777 976**

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 2017 are given in notes 4.2 and 4.3.

There was no transfer of financial assets between Level 1 and Level 3 in 2017 or 2016.

04. Detailed disclosures relating to asset headings

4.1 Cash and cash equivalents

The effective interest rate on short-term bank deposits is 0.32 % (2016: 0.95 %).

These deposits have an average remaining maturity of 34 days (2016: 19 days).

In EUR	31.12.2017	31.12.2016
Current accounts	169 275 230	166 703 135
Money market instruments	114 793 837	51 417 905
	284 069 067	**218 121 040**

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.

In EUR	31.12.2017	31.12.2016
Available-for-Sale portfolio	1 235 846 764	1 269 985 339
Accrued interest on Available-for-Sale portfolio	13 153 668	15 917 377
	1249 000 432	**1285 902 716**

Movement in debt securities and other fixed income securities:

In EUR	31.12.2017	31.12.2016
Carrying amount at 1 January	1285 902 716	1397 108 893
Additions	267 505 840	17 758 851
Disposals/ matured	(276 541 519)	(122 497 918)
Effective interest rate adjustment	(4 100 120)	(8 079 440)
Change in Fair value reserve	(23 766 485)	1 612 330
Carrying amount at 31 December	**1249 000 432**	**1 285 902 716**

In 2017, the variation in the debt securities and other fixed income securities portfolio was mainly driven by the decision of EIF to dispose of a portion of its portfolio. In that context, a total of EUR 94.0 million was disposed of and a realised gain of EUR 9.3 million was recognised. The sales proceeds amounted to EUR 102.4 million and was used to reinvest in debt securities and other fixed income securities portfolio and term deposits.

The total fair value reserve recognised in equity at the end of 2017 and attributable to debt securities and other fixed income securities is EUR 30 913 788 (2016: EUR 54 680 273).

No impairment was recorded on the portfolio in either 2017 or 2016.

4.3 Shares and other variable income securities

Shares and other variable income securities are analysed as follows:

In EUR	2017	2017 of which level 3
Investment at cost at 1 January	316 605 732	316 605 732
Disbursements	126 737 785	126 737 785
Net disbursements in relation to EFSI EP - SW2	8 855 973	8 855 973
Capital repayments	(57 114 726)	(57 114 726)
Terminated deals	(2 231 032)	(2 231 032)
Transferred to other assets due to earn out transactions	(1 114 049)	(1 114 049)
Transferred to other assets due to secondary sale transactions	(7 416 505)	(7 416 505)
Investment at cost at 31 December	**384 323 178**	**384 323 178**
Fair value adjustment and foreign exchange adjustment at 1 January	**70 269 527**	**70 269 527**
Adjustments to fair value reserve during the financial year		
Increase in fair value for non impaired funds	*9 658 329*	*9 658 329*
Increase in fair value for funds previously impaired	*1 218 134*	*1 218 134*
Transfer of fair value reserve due to 2017 events		
- for funds newly impaired	*2 071 021*	*2 071 021*
- for funds newly terminated	*(1 646 059)*	*(1 646 059)*
- for funds included in a secondary sale transaction	*(4 308 179)*	*(4 308 179)*
Increase in fair value in relation to EFSI EP SW2	*165 638*	*165 638*
	7 158 884	**7 158 884**
Terminated transactions - cumulated impairment losses until derecognition	3 620 079	3 620 079
Secondary sale transactions - cumulated impairment losses until derecognition	2 177 242	2 177 242
Earn out transactions - cumulated impairment losses	1 113 959	1 113 959
Impairment losses	(3 028 694)	(3 028 694)
Changes in fair value through profit or loss	642 430	642 430
Value adjustment and foreign exchange adjustment at 31 December	81 953 427	81 953 427
Carrying amount at 31 December	**466 276 605**	**466 276 605**

In EUR	2016	2016 of which level 3
Investment at cost at 1 January	263 213 768	263 213 768
Disbursements	101 388 039	101 388 039
Net disbursements in relation to EFSI EP - SW2	5 334 804	5 334 804
Capital repayments	(48 270 416)	(48 270 416)
Terminated deals	(3 784 536)	(3 784 536)
Transferred to other assets due to earn out transactions	(1 275 927)	(1 275 927)
Transferred to other assets due to secondary sale transactions		
Investment at cost at 31 December	**316 605 732**	**316 605 732**
Fair value adjustment and foreign exchange adjustment at 1 January	**82 516 712**	**82 516 712**
Adjustments to fair value reserve during the financial year		
Decrease in fair value for non impaired funds	*(11 734 379)*	*(11 734 379)*
Decrease in fair value for funds previously impaired	*(1 924 596)*	*(1 924 596)*
Transfer of fair value reserve due to 2016 events		
- for funds newly impaired	*1 343 080*	*1 343 080*
- for funds terminated	*(518 205)*	*(518 205)*
- for funds earned out	*(14 618)*	*(14 618)*
Increase in fair value in relation to EFSI EP SW2	*9 186*	*9 186*
	(12 839 532)	**(12 839 532)**
Terminated transactions - cumulated impairment losses until derecognition	4 288 777	4 288 777
Earn out transactions - cumulated impairment losses	1 261 310	1 261 310
Impairment losses	(5 073 863)	(5 073 863)
Changes in fair value through profit or loss	116 123	116 123
Value adjustment and foreign exchange adjustment at 31 December	70 269 527	70 269 527
Carrying amount at 31 December	**386 875 259**	**386 875 259**

In 2017, EIF disposed of 7 funds in a secondary sale transaction. In accordance with the sale agreement, a portion of the sale price was deferred and an amount of EUR 9.6 million was recognised as receivable, of which EUR 2.8 million is still to be received as at 31 December 2017 (2016: EUR 3.4 million in relation to the previous secondary sale transaction in 2015).

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 2017 (2016: EUR 0). The fair value as of 31 December 2017 includes an amount of EUR 6 942 765 (2016: EUR 6 300 335) 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.

In EUR	31.12.2017	31.12.2016
Loans and Receivables portfolio	202 080 813	178 543 941
Accrued interest on Loans and Receivables portfolio	208 115	133 602
Long-term bank deposits	8 338 197	0
Accrued interest on long-term bank deposits	105 837	0
	210 732 962	178 677 543

Movement in loans and receivables

In EUR	2017	2016
Investment at amortised cost at 1 January	178 677 543	50 186 759
Additions		
- in Loans and Receivables portfolio	*102 676 511*	*138 700 000*
- in Long-term bank deposits	*8 338 197*	*0*
	111 014 708	138 700 000
Disposals/matured		
- in Loans and Receivables portfolio	*(79 113 382)*	*(10 267 199)*
Accrued interest		
- on Loans and Receivables portfolio	*74 513*	*84 310*
- on Long-term bank deposits	*105 837*	*0*
	180 350	**84 310**
Effective interest rate adjustment	(26 257)	(26 327)
Investment at amortised cost at 31 December	210 732 962	178 677 543

4.5 Other assets

Other assets are made up of the following:

In EUR	31.12.2017	31.12.2016
Accounts receivable relating to pensions managed by the EIB	135 922 908	117 902 112
Accrued commission & other income	121 172 066	97 432 571
Fees receivable on financial guarantees	13 453 361	7 336 259
Receivables from secondary sales transactions	2 842 553	3 377 576
Receivables from earn-out agreements	557 696	575 022
Other debtors	4 861 844	4 720 950
	278 810 428	**231 344 490**

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.

In 2017, EIF disposed of 7 funds in a secondary sale transaction. In accordance with the sale agreement, a portion of the sale price was deferred and an amount of EUR 9.6 million was recognised as receivable, of which EUR 2.8 million is still to be received as at 31 December 2017 (2016: EUR 3.4 million in relation to the previous secondary sale transaction in 2015).

The following table discloses the ageing of other assets:

			Past due but not impaired		
In EUR	**Total**	**Neither past due nor impaired**	**0-6 months**	**6-12 months**	**> 12 months**
2017	278 810 428	278 751 286	1 086	1 137	56 919
2016	231 344 490	231 323 727	2 942	0	17 821

4.6 Intangible assets

In EUR	Internally Generated Software	Purchased Software	Total
Cost	5 653 320	251 578	**5 904 898**
Accumulated amortisation	(5 458 485)	(251 578)	**(5 710 063)**
Carrying amount at 01.01.2016	**194 835**	**0**	**194 835**
Opening carrying amount	194 835	0	**194 835**
Amortisation charge	(144 924)	0	**(144 924)**
Carrying amount at 31.12.2016	**49 911**	**0**	**49 911**
Cost	5 653 320	251 578	**5 904 898**
Accumulated amortisation	(5 603 409)	(251 578)	**(5 854 987)**
Carrying amount at 01.01.2017	**49 911**	**0**	**49 911**
Opening carrying amount	49 911	0	**49 911**
Amortisation charge	(37 647)	0	**(37 647)**
Carrying amount at 31.12.2017	**12 264**	**0**	**12 264**
31.12.2017			
Cost	5 653 320	251 578	**5 904 898**
Accumulated amortisation	(5 641 056)	(251 578)	**(5 892 634)**
Carrying amount	**12 264**	**0**	**12 264**

There were no indications of impairment of intangible assets in either 2017 or 2016.

4.7 Property and Equipment

In EUR	Investment property	Other properties	Office Equipment	Computer Equipment	Total Equipment
Cost	2 681 484	0	202 401	818 355	1 020 756
Accumulated depreciation	(2 681 484)	0	(200 304)	(818 355)	(1 018 659)
Carrying amount at 01.01.2016	**0**	**0**	**2 097**	**0**	**2 097**
Opening carrying amount	0	0	2 097	0	2 097
Depreciation charge	0	(59 688)	(481)	0	(481)
Transfer from non-current assets held for sale	0	530 652	0	0	0
Carrying amount at 31.12.2016	**0**	**470 964**	**1 616**	**0**	**1 616**
Cost	0	530 652	202 401	818 355	1 020 756
Accumulated depreciation	0	(59 688)	(200 785)	(818 355)	(1 019 140)
Carrying amount at 01.01.2017	**0**	**470 964**	**1 616**	**0**	**1 616**
Opening carrying amount	0	470 964	1 616	0	1 616
Depreciation charge	0	(45 821)	(481)	0	(481)
Carrying amount 31.12.2017	**0**	**425 143**	**1 135**	**0**	**1 135**
31.12.2017					
Cost	0	530 652	202 401	818 355	1 020 756
Accumulated depreciation	0	(105 509)	(201 266)	(818 355)	(1 019 621)
Carrying amount	**0**	**425 143**	**1 135**	**0**	**1 135**

There were no indications of impairment of equipment or investment property in either 2017 or 2016.

On 27 January 2016, the investment property was sold (see note 7.5). However the Fund decided to retain parking slots for its employees which were previously included within non current assets held for sale. As these do not generate any rental income for EIF, they can no longer be considered as an investment property. Therefore, they are now disclosed in other properties.

05. Detailed disclosures relating to liabilities and equity headings

5.1 Financial liabilities

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

In EUR	2017	2016
Balance at the beginning of the financial year	16 302 264	13 954 718
Net increase in financial guarantees	8 738 448	4 250 276
Remeasurement of the liability due to rating changes	(1 550 582)	(1 902 730)
Balance at the end of the financial year	**23 490 130**	**16 302 264**

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

In EUR	2017	2016
Balance at 1 January	28 809 133	81 571 994
Additions	3 400 000	0
Utilised	0	(35 990 866)
Release of provision	(16 858 366)	(16 771 995)
Balance at 31 December	**15 350 767**	**28 809 133**

5.3 Retirement benefit obligations

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

Retirement benefit obligations In EUR	31.12.2017	31.12.2016
Pension scheme	300 372 823	228 884 389
Health insurance scheme	56 942 000	51 467 434
	357 314 823	280 351 823

Commitments in respect of retirement benefits as of 31 December, 2017 have been valued by an independent actuary.

The calculations are based on the following main assumptions:

Principal Assumptions	2017	2016
Discount rate for obligations	2.09%	1.95%
Rate of future compensation increases	3.50%	3.50%
Rate of pension increases	1.75%	1.75%
Actuarial tables	ICSLT	ICSLT

As at 2016, the Fund decided to review the principal assumptions used to calculate the defined benefit obligation of the pension and of the health insurance as disclosed in the above table.

Regarding the discount rate, IBOXX Corporate AA with the longest available duration remained the yield basis. However, considering that the number of underlying corporate bonds of IBOXX Corporate AA 10+ keeps on decreasing, only the index IBOXX Corporate AA 7-10 is retained. For the extrapolation of the discount rate, considering that the long duration of the Fund liabilities (around 20 years), a readily available and robust reference long term curve was required to derive a 20 year discount rate. For this purpose, the Fund retained the ECB EURO Spot yield curve.

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

Regarding the salary increase and in the context of a low growth macroeconomic scenario, compensation increases in the European institutions and in the financial sector are likely to remain subdued. In this respect a 3.5% assumption was retained.

Changes in the principle assumptions were reviewed by external advisory company, who concluded that those changes were consistent with the different observations and market practices and led to a more accurate assessment of the pension obligation. The financial impact of these changes amounted to EUR 28m.

In 2017, the assumptions described above were applied consistently. In addition, at the end of 2017 a periodic update of secondary actuarial demographic parameters was performed and the related actuarial gains and losses were accounted for in “Change in demographic assumptions”.

The defined benefit obligation for pensions as valued in the independent actuary report dated 31 January 2018 amounts to EUR 300 372 823 (2016: EUR 228 884 389). As of December 2017 the Fund allocated EUR 99 800 122 (2016: EUR 89 106 999) to pension assets.

Amounts recognised in comprehensive income as at 31.12.2017 In EUR	EIF Pension	Health Insurance	Total 2017
Current net service cost	20 751 000	8 399 000	29 150 000
Special termination benefits	74 000	0	74 000
Net interest cost	4 652 000	1 085 000	5 737 000
Net benefit expense recognised in profit or loss	**25 477 000**	**9 484 000**	**34 961 000**
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	24 013 000	(1 683 000)	22 330 000
Loss due to assumption changes	19 453 000	(2 260 000)	17 193 000
Defined benefit obligation recognised in other comprehensive income	43 466 000	(3 943 000)	39 523 000
Total	**68 943 000**	**5 541 000**	**74 484 000**

Amounts recognised in comprehensive income as at 31.12.2016 In EUR	EIF Pension	Health Insurance	Total 2016
Current net service cost	10 863 000	2 895 000	13 758 000
Special termination benefits	544 000	0	544 000
Net interest cost	5 451 000	797 000	6 248 000
Net benefit expense recognised in profit or loss	**16 858 000**	**3 692 000**	**20 550 000**
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	(3 163 000)	661 000	(2 502 000)
Special termination benefits	544 000	0	544 000
Loss due to assumption changes	77 284 000	28 180 000	105 464 000
Defined benefit obligation recognised in other comprehensive income	74 665 000	28 841 000	103 506 000
Total	**91 523 000**	**32 533 000**	**124 056 000**

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

Changes in Defined Benefit Obligation as at 31.12.2017 In EUR	**EIF Pension**	**Health Insurance**	**Total 2017**
Defined benefit obligation, Beginning of year	228 906 823	51 445 000	280 351 823
Net service cost	20 751 000	8 399 000	29 150 000
Net interest cost	4 652 000	1 085 000	5 737 000
Employee contributions	3 937 000	8 000	3 945 000
Benefits Paid	(1 414 000)	(52 000)	(1 466 000)
Special termination benefits	74 000	0	74 000
Experience Loss/ (gain)	24 013 000	(1 683 000)	22 330 000
Loss due to assumption changes	19 453 000	(2 260 000)	17 193 000
Defined benefit obligation, End of year	**300 372 823**	**56 942 000**	**357 314 823**

Changes in Defined Benefit Obligation as at 31.12.2016 In EUR	**EIF Pension**	**Health Insurance**	**Total 2016**
Defined benefit obligation, Beginning of year	133 253 823	18 942 000	152 195 823
Net service cost	10 863 000	2 895 000	13 758 000
Net interest cost	5 451 000	797 000	6 248 000
Employee contributions	3 238 000	7 000	3 245 000
Benefits Paid	1 436 000	(37 000)	1 399 000
Special termination benefits	544 000	0	544 000
Experience Loss/ (gain)	(3 163 000)	661 000	(2 502 000)
Loss due to assumption changes	77 284 000	28 180 000	105 464 000
Defined benefit obligation, End of year	**228 906 823**	**51 445 000**	**280 351 823**

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

31 December 2017		*Effect on the defined benefit obligation*	
		EIF Pension	**Health Insurance**
Discount rate	1% increase	-25%	-29%
Discount rate	1% decrease	36%	44%
Life expectancy	1 year increase	4%	6%
Life expectancy	1 year decrease	-4%	-6%
Inflation	1% increase	22%	
Inflation	1% decrease	-17%	
Salary rate	1% increase	12%	
Salary rate	1% decrease	-10%	
Medical cost	1% increase		42%
Medical cost	1% decrease		-29%

31 December 2016		*Effect on the defined benefit obligation*	
		EIF Pension	**Health Insurance**
Discount rate	1% increase	-26%	-30%
Discount rate	1% decrease	38%	45%
Life expectancy	1 year increase	4%	6%
Life expectancy	1 year decrease	-4%	-6%
Inflation	1% increase	21%	
Inflation	1% decrease	-16%	
Salary rate	1% increase	14%	
Salary rate	1% decrease	-11%	
Medical cost	1% increase		43%
Medical cost	1% decrease		-29%

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 2017	EIF Pension	Health Insurance
Duration of active members	30.1	36.1
Duration of deferred members*	35.3	N/A
Duration of retired members	16.6	20.7

Life expectancy at age 60 for a Male using ICSLT (year 2017) mortality tables: 25.1 years
Life expectancy at age 60 for a Female using ICSLT (year 2017) mortality tables: 26.8 years

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

31 December 2016	EIF Pension	Health Insurance
Duration of active members	31.1	36.6
Duration of deferred members*	33.1	N/A
Duration of retired members	15.4	22.7

Life expectancy at age 60 for a Male using ICSLT (year 2016) mortality tables: 25 years
Life expectancy at age 60 for a Female using ICSLT (year 2016) mortality tables: 26.7 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

In EUR	31.12.2017	31.12.2016
Related parties payables	14 446 375	8 162 268
Employee benefit payables	62 340 416	51 363 191
Trade creditors	58 862 347	37 852 552
	135 649 138	**97 378 011**

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.

In July 2016, a third capital increase subscription period was processed resulting in an increase of EUR 96 000 000 by issuing 96 authorised shares of a nominal value of EUR 1 000 000 each and fully reserved by the European Union represented by the European Commission.

In July 2017, a fourth capital increase subscription period was processed resulting in an increase of EUR 105 000 000 by issuing 105 authorised shares of a nominal value of EUR 1 000 000 each and fully reserved by the European Union represented by the European Commission.

In November 2017, the remaining 13 non-allocated shares were issued at a nominal value of EUR 1 000 000 and were acquired by the EIB, resulting in an increase of EUR 13 000 000 of the share capital.

As at 31 December 2017, the authorised and subscribed share capital of EUR 4 500 000 000 representing 4 500 shares is called and paid in for an amount of EUR 900 000 000 representing 20 % of the authorised and subscribed share capital. The subscribed share capital is detailed as follows:

In EUR	**31.12.2017**	**31.12.2016**
Subscribed and paid in (20%)	900 000 000	876 400 000
Subscribed but not yet called (80%)	3 600 000 000	3 505 600 000
	4 500 000 000	4 382 000 000

The capital is subscribed as follows:

	31.12.2017 Number of shares	**31.12.2016 Number of shares**
European Investment Bank	2 631	2 624
European Commission	1 337	1 232
Financial Institutions	532	526
	4 500	4 382

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 22 024 172 is required to be appropriated in 2018 with respect to the financial year ended 31 December, 2017.

A dividend of EUR 24 984 101 (2016: EUR 24 339 542) was distributed following the approval of the General Meeting of Shareholders on 3 April 2017. 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:

In EUR	31.12.2017	31.12.2016
Fair value reserve on debt securities and other fixed income securities	30 913 788	54 680 273
Fair value reserve on shares and other variable income securities	115 356 231	108 197 347
	146 270 019	**162 877 620**

The fair value reserve contains fair value changes related to EIF treasury, private equity portfolios and exposure to EFSI sub-window 2.

06. 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. The Fund's interest typically ranges from 0.1% to 50%.

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

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

6.2 Interest in structured entities in relation to financial guarantee operations

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

- **In the context of a bilateral guarantee**

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

In the context of such transactions, 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, 2017, the Fund is exposed to 64 bilateral guarantees (2016: 63 transactions) and to 3 embedded guarantees (2016: 6 transactions), which represent respectively EUR 6 656 m and EUR 56 m of EIF's guarantees in terms of exposure at risk (2016 restated: respectively EUR 5 054 m and EUR 98 m).

In addition, 2 bilateral guarantees and 2 embedded guarantees were classified into the caption "Provisions for financial guarantee" (2016: respectively 1 and 4) and represent respectively EUR 1 m and EUR 15 m of the total amount of provisions for EIF's guarantees (2016: respectively EUR 1 m and EUR 28 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, 2017, the Fund invested in 9 ABS investments issued by SPVs (2016: 7) for a total amount of EUR 199.6m, which are classified into the caption "Loans and receivables" (2016: 178.7m).

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	Committed transactions
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	985 118 000	785 933 827
European Commission			2 843 618 523	3 533 438 635
Other third parties			1 603 012 230	1 290 246 861
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	11 623 160 000	13 543 400 332
European Commission			2 879 386 688	1 543 442 837
Other third parties			3 142 203 903	1 707 011 551
Services offered in the context of microfinance operations				
European Investment Bank	On behalf of the mandator and according to the Fund's expertise: - To originate microfinance transactions; - To monitor the private equity transactions; - To report to the mandator accordingly.	Management fees for servicing	185 535 000	133 475 000
European Commission			4 000 000	1 999 887
Other third parties			60 875 633	53 725 573
Services offered in the context of multi-products structured entities				
European Commission	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	114 514 247	0
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	1 412 057 000	1 165 899 643

(1) "Resources" means the net amount of the contribution already paid by the mandator to the Fund or the amount committed to be paid by the mandator.

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

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

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

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

Mandator	Country	Nature and purpose of the structured entity	Interest held by the Fund	Resources	Committed transactions
European Investment Bank	Multicountry with a focus on European Microfinance	On behalf of the mandator and according to the Fund's expertise: - To act as investment adviser and to propose private equity transaction for the approval of governing bodies of the fund of funds; - To originate private equity transactions; - To monitor the private equity transactions; - To report to the mandator accordingly	Management fees for servicing	180 000 000	163 780 140
European Commission	Multicountry with a focus on Global Energy Efficiency and Renewable Energy Fund			323 124 863	243 967 999
Other third parties	Portugal			111 330 000	102 319 018
	Spain			183 000 000	174 288 389
	The Netherlands			402 500 000	273 500 000
	The United Kingdom			225 420 697	223 670 990
	Turkey			360 000 000	231 009 802
	Multi-country			488 114 035	117 011 076

(1)"Resources" means the net amount of contribution already paid by the mandator to the Fund or the amount committed to be paid by the mandator.

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

As at 31 December 2017, total assets under management defined as the initial resources and contributions allocated to each mandate amounts to EUR 24.85 billion (2016: EUR 22.09 billion).

07. Detailed disclosures related to the statement of comprehensive income

7.1 Interest and similar income

Interest and similar income comprises:

In EUR	2017	2016
Interest income on debt securities and other fixed income securities	17 398 729	19 732 148
Interest income on loans and receivables	1 456 509	1 416 987
Interest income on money market instruments	153 465	(15 802)
Interest income on bank current accounts	449 063	545 487
Other interest income	3 481 831	3 933 786
	22 939 597	**25 612 606**

Interest income on debt securities include discounts of EUR 508 291 (2016: EUR 525 590) and premiums amount to EUR (9 134 283) (2016: EUR (11 135 301)).

7.2 Net result from financial guarantee operations

Net result from guarantee operations comprises:

In EUR	2017	2016
Net income from financial guarantees contracts	34 691 510	28 135 730
Provision for guarantees under IAS 37	(3 400 000)	0
Release of provision	16 858 366	16 771 995
Guarantee Call net of recoveries	469 300	1 786 897
	48 619 176	**46 694 622**

7.3 Commission income

Commission income is detailed as follows:

In EUR	2017	2016
Commissions on EIB mandates	45 210 867	40 394 171
Commissions on EC mandates	54 876 228	57 552 182
Commissions on Regional and Funds of Funds mandates	52 341 402	39 831 599
Other commissions	191 350	1 123 560
	152 619 847	**138 901 512**

EUR 5 439 102 was reclassified from Commissions on EC mandates to Commissions on Regional and Funds of Funds mandates in relation to 2016 to reflect the appropriate nature of these balances.

7.4 Net result on financial operations

Net result on financial operations includes EUR 9 322 146 (2016: EUR 0) of realised gain on debt securities and other fixed income securities. See note 4.2.

Net result on financial operations comprises EUR 4 263 618 (2016: EUR 0) of realised gains on the disposal of shares and other variable income securities following the completion of a Sale Purchase Agreement. Additional details of the secondary sale transaction are given in note 4.3 and additional details on the remaining amount to be received from the buyer on note 4.5.

Net result on financial operations amounting to EUR (3 385 529) (2016: EUR 1 841 171) also includes unrealised results arising from transactions or cash positions denominated in currency.

7.5 Other operating income

Other operating income includes mainly attendance fees and commitment fees. In 2016 it also included rent from leased office space.

In addition, on 27 January 2016, the EIF sold a building which was held for sale at a carrying value of EUR 4.5m which was lower than the fair value less cost to sell. The building was sold for a sale price amounting to EUR 6.8m resulting in a net realised gain of EUR 2.4m.

7.6 General administrative expenses

Wages and salaries include expenses of EUR 1 528 328 (2016: EUR 571 009) incurred in relation to the 3 EIB secondees (2016: 3 EIB secondees)

The number of persons employed at the year-end, including 1 EIF secondee to EIB (2016: 0), is as follows:

	2017	2016
Chief Executive/Deputy Chief Executive	2	2
Employees	477	419
	479	**421**

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:

In EUR	2017	2016
Short-term benefits*	3 119 785	2 936 061
Post employment benefits**	454 404	451 280
	3 574 189	**3 387 341**

* Short-term employee benefits comprise salaries and allowances, bonuses and social security contributions of key management personnel

** 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 amounting to EUR 11 080 300 (2016: EUR 9 031 664).

08. Related party transactions

EIB is the majority owner of the Fund with 58.5% (2016: 59.9%) of the shares. The remaining percentage is held by the European Union represented by the European Commission 29.7% (2016: 28.1%) and the Financial Institutions 11.8% (2016: 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 EIF 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:

In EUR	31.12.2017	31.12.2016
Assets		
Other assets	164 700 990	145 693 020
Liabilities and equity		
Other liabilities and provisions	7 940 882	6 498 177
Share capital (subscribed and paid-in)	526 200 000	524 800 000
Income		
Commission income	45 210 867	40 394 171
Interest income on pensions	3 481 832	3 933 786
Expenses		
General administrative expenses	21 845 855	19 914 471

8.2 European Commission

Related party transactions with the European Union represented by the European Commission concern mainly the management by the Fund of private equity and guarantee activities as described in the note 6.

The amounts included in the financial statements and relating to the European Union represented by the European Commission are disclosed as follows.

In EUR	31.12.2017	31.12.2016
Assets		
Other assets	67 342 091	57 775 010
Liabilities and equity		
Other liabilities and provisions	37 876 880	31 889 332
Share capital (subscribed and paid-in)	267 400 000	246 400 000
Income		
Commission income	54 876 228	57 552 182

EUR 5 125 000 and EUR 5 439 102 which related to Regional and Funds of Funds mandates were reclassified from Other assets and from Commission income respectively for 2016.

09. Taxation

The Protocol on the Privileges and Immunities of the European Union, appended to the Treaty on the Functioning of the European Union, applies to the Fund, which means that the assets, revenues and other property of the Fund are exempt from all direct and indirect taxes.

Contacts and References

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

Freephone: 00 800 67 89 10 11

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

Disclaimer

Numbers in the EIF Annual Report are correct as at 31 December 2017 and any references to figures throughout the text apply to the same period unless otherwise stated. EIF's 2017 figures related to SME outreach and employment including the estimated numbers and sustained jobs are indicative only and are based on reports received from financial intermediaries between 1 October 2016 and 30 September 2017.
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Snow E11 Lime 350gm²

Content paper
Fedrigoni
Arco Set 80gm²

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