#BelieveInSmall

Annual Report 2022

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Report
2022

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Gelsomina Vigliotti

Chair of the Board, EIB Vice-President

"As part of the EIB Group, the EU's financing arm, the EIF has committed more than €9bn to the European economy in pursuit of public policy goals, and made a significant contribution to strengthening our strategic autonomy in key industries in the course of 2022. This is a prerequisite to defend our security, freedom and way of life going forward."

Coming right after the pandemic, the war in Ukraine brought additional uncertainties impacting the economy, our businesses and people, creating many challenges which needed to be alleviated by public interventions, including the financing provided by the EIB Group.

While the extent of the consequences of the multitude of recent crises might not yet be fully known, the efficient implementation of European and national investment programmes will be fundamental in increasing confidence levels going forward. The EIB Group stands ready with its expertise and financing to support these actions which aim at stimulating employment, investing in education, skills and innovation, enhancing connectivity, boosting productivity, amplifying sustainability efforts and positive climate impact and improving competitiveness.

As part of the EIB Group, the EU's financing arm, the EIF has committed more than €9bn to the European economy in pursuit of public policy goals, and made a significant contribution to strengthening our strategic autonomy in key industries in the course of 2022. This is a prerequisite to defend our security, freedom and way of life going forward. By supporting small businesses, individuals, but also climate and infrastructure projects, the EIF ensures that important public policy objectives are attained.

At the same time, the EIF is undergoing its own transition towards a strong thematic orientation and is now well-placed to make an even greater contribution going forward. Through the close cooperation between the EIF and the EIB, we have been able to collectively deliver on our strategic objectives, most notably the recovery efforts in response to the economic shocks, but also the numerous thematic targets that have been identified in alignment with EU policy goals, in particular under the InvestEU mandate, namely competitiveness and growth, innovation and digitalisation, social impact, skills and human capital and sustainability and the green transformation. These are the goals that will guide our work going forward.

Looking ahead, faced with inflationary pressures, persistent supply chain disruptions, climate change and energy security concerns, the EIF's role becomes even more important in improving access to finance, including through new initiatives like REPowerEU and the ETCI.

Finally, I would like to thank all EIF partners and stakeholders in travelling the 2022 journey together with us and I am very much looking forward to continued fruitful collaboration in 2023. I am confident that the organisation has the expertise and competence to deliver in the pursuit of its strategic objectives and look forward to working with its new management team to realise our ambitions.

Marjut Falkstedt

Chief Executive

"The €97bn that will be mobilised through the EIF's 2022 activity will reach not only businesses that are struggling with the multitude of challenges and economic shocks that we are all facing, but also those innovative entrepreneurs, the champions that are shaping tomorrow. And it will serve to nurture the financing ecosystem in sectors and geographies where access to finance is lacking."

In a difficult year for the European economy, the EIF has made every effort to make crucial financial support more accessible for small businesses, individuals, and climate and infrastructure projects across the European continent.

The €97bn that will be mobilised through the EIF's 2022 activity will reach not only businesses that are struggling with the multitude of challenges and economic shocks that we are all facing, but also those innovative entrepreneurs, the champions that are shaping tomorrow. And it will serve to nurture the financing ecosystem in sectors and geographies where access to finance is lacking.

This would not have been possible without the steadfast dedication of Alain, my predecessor, Roger, and the hard-working team behind them, to whom I am very grateful. With its public policy orientation firmly in place, and another solid performance under its belt, the EIF can look ahead with optimism and execute its mandates in confidence.

Our mission in supporting businesses in their growth, in nurturing innovation in key sectors that contribute to Europe's strategic autonomy and competitiveness, in market-building, and in driving the transition to a greener, digital, and inclusive future is one that drives me with passion. And to be able to complement this with climate and infrastructure equity investments reinforces our role and expertise as an equity financier. It is both an honour and an opportunity to return to the EIF and lead it during these turbulent but exciting economic times. We are well-positioned, with in-house expertise, close policy alignment with the EU, the EIB and national capitals, and an extensive network of partners in the markets that ensure that our work has far-reaching impact.

Building on the work already done, the EIF must remain operationally sharp and agile in the face of increasing complexity, adapting to a changing world around us, constantly finding new ways to channel public resources effectively to where they are needed most, and attract private resources in the pursuit of our public policy goals, from innovation and digitalisation to social impact, competitiveness, growth, cohesion and of course, first and foremost, climate action and environmental sustainability. While diversity is already very much part of the EIF's strategy, allowing us to address access to finance across the various growth stages in the business lifecycle, gender lens investment aspects will help us in developing further sustainable solutions for the economy.

The intensity, breadth and depth of the EIF's activity in 2022 is our inspiration and benchmark going into 2023, and I am very much looking forward to working with the team and the Board of Directors to deliver on our goals and ultimately achieve real impact on the ground.

The year in numbers

€9.2bn
deployed by the EIF in 2022

€49.7bn
made available to SMEs in the real economy

€97.4bn
expected mobilised investment

SMEs supported:
337,000[1]

208
financial intermediaries

228
transactions

1 This figure does not correspond to the €9.18bn committed this year. It refers to SMEs that have received support through existing transactions as reported in the course of 2022.

Our Public Policy Goals

In our efforts to support EU priorities, we have centred our activity around newly defined Public Policy Goals. These goals consist of four key pillars and two transversal categories.

Competitiveness & Growth

€42.1bn

- Business growth and expansion
- Internationalisation and value chains
- Territorial development
- Financial ecosystem building

Innovation and Digitalisation

€23.5bn

- Life sciences and health
- Disruptive technologies
- Digital transformation
- New products, services, business models development and commercialisation

€97.4bn

expected mobilised investment

Sustainability & Green Transformation

€26.8bn

- Sustainable infrastructure, industries, products and services
- Renewable energy and energy efficiency
- Sustainable transport
- Sustainable food and environmental services

Social Impact, Skills & Human Capital

€5.04bn

- Inclusion, diversity and well-being
- Impact and social innovation
- Skills and education
- Culture and creativity

Climate action and environmental sustainability

Economic and social cohesion

What we do

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

Our objectives

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

Our stakeholders

The EIF works with many stakeholders – Member States, the European Commission (EC), a large network of banks, including national promotional institutions (NPIs), leasing and micro-finance providers, lending platforms, funds, private investors and our parent organisation, the European Investment Bank (EIB). Resources invested by the EIF include the EIF's own funds, as well as resources entrusted to us by the EIB and the European Union (EU), national and regional institutions, and other public bodies, or private capital.

What have we been doing this year?

Launch of InvestEU
The EU's new financing programme, InvestEU, was launched this year and has been the main driving force behind our work. With its thematic focus designed to strengthen European competitiveness and strategic autonomy in key sectors, its approach is entirely in line with the EIF's own public policy goals. InvestEU represented around 45% of our activity during 2022, building on the successful implementation of previous EU programmes while introducing a number of novelties, not least the first guarantee instrument dedicated exclusively to sustainability, a strong focus on female representation in the venture capital and private equity ecosystem, as well as climate and infrastructure funds, a dedicated mechanism to support scale-ups and IPOs, and a reinforced advisory support component.

Thematic priorities
We have also been pressing ahead with the thematic approach to our work, closely aligning our interventions to public policy objectives, notably the move to a green, digital, and more inclusive economy. With the public policy goals in place and the organisation's orientation firmly fixed in that direction, this has been very much reflected in this year's activity. From disruptive technologies to cleantech, digitalisation to culture, and from inclusive finance to energy efficiency, this has been a year that has seen the EIF become even more impact-driven in our operations. Indicatively, innovation & digitalisation represented 27% of our activity this year and sustainability & green transformation accounted for 30%.

Driving the recovery
This year saw the culmination of our efforts in deploying the European Guarantee Fund, through a series of equity and securitisation transactions. Overall, the response from the EIB Group to the economic fallout caused by the pandemic was greatly welcomed by the markets and stakeholders, re-confirming the added value of our financial instruments on the European markets, particularly during difficult times and always complementing national measures.

In order to ensure continuity in support for small businesses as they recover from the pandemic and are faced with a number of new challenges, from supply chain disruptions to the war in Ukraine and inflationary pressures, a lot of work has gone into setting up the platform that will allow EU Member States to connect resources from their Recovery & Resilience Facility allocations into the InvestEU programme. By agreeing the modalities of this blending for the Member State compartments, the capacity of InvestEU can be significantly enlarged and it becomes easier, simpler and more efficient for Member States to channel resources towards small businesses through the InvestEU instruments. On the back of these arrangements, a series of guarantee agreements are expected to be signed in early 2023. In parallel, a number of equity agreements have already been signed in the course of this year.

Did you know?

The imagery in this year's Annual Report has been developed using artificial intelligence, letting pictures tell a thousand words. Illustrator Alberto Seveso has made use of AI generated images, which featured in parts of the collage or used as a treatment on some of the photographic elements in the composition. AI-generated images are one-off creations, so we have very little control on the details that are generated. They are generated by prompting a software with a text string. Using the same text string twice will generate two similar but completely different images.

Inclusion & Cohesion
At the same time, the horizontal cohesion objective has remained an item of focus, with a series of new regional mandates taking shape, mainly through joint investment programmes in connection with the EIF-NPI Equity platform. Overall, 39% of our financing benefitted entities in cohesion regions of the EU. This has been flanked by a strong showing in the areas of social impact, human capital and inclusive finance, making our contribution to bridging inequalities also at the micro level. Meanwhile, on the equity side, our ecosystem building work has continued in less developed markets, with significant focus also on first-time teams.

Internal changes
And as the world around us keeps changing, the EIF wasn't going to be an exception. This year has seen a number of developments in-house. Most importantly, in our governance, with a changing of the guard at the very top. As of January 1st 2023, the EIF will have a new Chief Executive, Marjut Falkstedt, and a new Chair of the Board, EIB Vice-President Gelsomina Vigliotti. This is the first time that the organisation is led by two women. Meanwhile, total staff numbers continued to grow steadily, reaching 628 at year-end.

"With the simplification of processes, better data management and more importantly the digitalisation efforts, we have now doubled the number of investment compliance controls of equity transactions that a single officer can perform"

Jacobo Cominero, EIF

At the same time, important progress has been made on the digitalisation front, with the Digital Transformation Programme taking shape. The EIF's digitalisation is about the interface with our partners, smoothening out processes, modernising our core processes internally, but also about better data management in order to inform decision-making. 2021 saw the early conceptualisation of the EIF's digital transformation programme, while this year we tackled the programme's mobilisation, including the approval of the strategy by the Board in March, securing the €105m budget, recruitment and consultancy, internal (EIF and EIB) stakeholder engagement and the various processes and controls that will allow for the roll-out of the programme to begin early in 2023.

Mandates in Focus

The EIF's work and impact is made possible thanks to our partners who entrust us with the resources necessary to pursue public policy objectives through the design and deployment of financial instruments. At the moment, the EIF is servicing around 150 mandates, with some already in deployment for many years. 2022 was marked by a few mandates in particular:

InvestEU

The launch of the EU's new flagship InvestEU programme has definitely been the highlight of 2022 for the EIF. InvestEU combines the financial firepower previously scattered across 13 EU financial instruments and the European Fund for Strategic Investments into one instrument, with a single rule-set.

It is designed to focus investments on four groups of EU policy priorities namely sustainable infrastructure; research, innovation & digitalisation; SMEs; and social investment & skills. The EIF is implementing a range of products under InvestEU that address different sectors and markets, with the objective of providing more targeted support and delivering policy added value.

On the guarantee side, financial intermediaries are able to sign one single contract with EIF to support SMEs and other beneficiaries across various thematic areas, creating efficiencies and simplifying procedures. And on the equity side, the EIF is able to modulate the intensity of our support depending on the individual need and fit of any given proposal with InvestEU's policy objectives.

The programme includes a strong focus on fostering economic empowerment of women and increasing their participation in the fields of venture capital & private equity, introducing, for the first time, gender criteria which are met if a financial intermediary's management team is composed of at least one third female partners, or its senior investment team provides for at least 40% female representation, or at least 40% of female representation is provided in its investment committee.

Building on the success of pilot initiatives under the European Fund for Strategic Investments (EFSI), InvestEU will also focus on a number of key policy areas like education and skills, digitalisation and the blue economy, and will also include a focus on scale-ups and IPOs, supporting in particular businesses transitioning to public equity markets.

InvestEU is designed to allow for blending in with other instruments, such as the Recovery & Resilience Facility, but also for top-ups from other sectoral programmes from fields like media, digital, defence, blue economy, space and semiconductors, giving it the possibility to increase firepower and act as a catalyst for market-building purposes in specific sectors. A Member State compartment also allows for blending in national resources as well, to maximise synergies and boost support for key policy priority areas.

In relation to under-served sectors and markets, InvestEU foresees a strong market development and capacity-building dimension, offering advisory support to financial intermediaries in the identification of opportunities, awareness-raising, and in general increasing their capacity to offer financing to specific EU priority areas. One such initiative was the launch, in cooperation with the EIB Advisory Hub, of a web-tool that helps with assessing eligibility for the sustainability guarantee and impact indicators within the context of InvestEU's sustainability guarantee instrument, in an effort to facilitate the smooth operation of this new instrument and ensure the focus on investments in sustainability.

In total, the EIF plans to leverage €11bn of InvestEU resources to attract additional investments through guarantee and equity instruments, aiming to mobilise €145bn in investments for the benefit of European SMEs, small mid-caps and mid-caps, infrastructure projects, and individuals. In the course of 2022, the EIF committed €4.1bn through 101 transactions, representing close to 45% our total volumes for the year, with strong demand for the entire range of products available.

Overall, transactions have been signed across 23 Member States, including several multi-country deals, with portfolio guarantee transactions representing around €2.3bn, and equity investments just over €1.8bn. Around 43% of those commitments corresponded to the public policy goal of sustainability and the green transformation, while one third was aimed at the public policy goal of innovation and digitalisation.

Once fully deployed, these transactions are expected to mobilise investments that will create more than 166,000 jobs. On the equity front, the newly introduced gender criteria are bearing fruit: €500m have been invested into a total of 15 funds that complied with InvestEU gender criteria.

InvestEU - A new information point
for financial intermediaries

European Guarantee Fund
While the European Guarantee Fund's (EGF) deployment was concentrated mainly in 2021, this year saw the culmination of our efforts, mainly in the areas of equity and securitisation. In total, it is expected that the EGF will make available around €110bn for European businesses to help them in their post-pandemic recovery efforts.

June 2022 marked the end of the implementation period for the last product that was launched under EGF, namely the synthetic Asset Backed Securities (ABS). The EIB and EIF's joint efforts resulted in the full utilisation of the resources available. A total of just under €1.4bn was signed covering first loss pieces (junior tranches) for 15 operations, ten of which were signed in the last month of delivery. These 15 operations are spread across seven Members States: Germany, Spain, Italy, Greece, Poland, Bulgaria and the Netherlands.

The final picture for the ABS product shows a total of €15.3bn of expected investment mobilised, giving us a multiplier effect of more than 12x the amount invested.

The end of June 2022 also marked the end of the period for equity commitments to become unconditional and the EIF's efforts resulted in the utilisation of 114% of the amount envisaged for the product in the EGF Business Plan, an overachievement made possible by the extension of the signature period until February 2022.

Recovery & Resilience Facility and Regional Mandates
Building on the EGF's role in financing the recovery, a key tool is the EU's Recovery and Resilience Facility (RRF), which is aimed at mitigating the impact of the pandemic on the European economy. Its objective is to address the challenges and opportunities related to the green and digital transitions in the Member States as well as the overall competitiveness of local enterprises.

As part of their national Recovery and Resilience plans (RRPs), several Member States have foreseen the deployment of debt and equity instruments managed by the EIF. To date, the EIF has been designated as the implementing partner for equity instruments under the RRPs in Romania, Bulgaria and Cyprus, while a number of guarantee mandates are expected to be signed in early 2023.

The implementation of the EIF guarantee instruments under RRF will be organised through the InvestEU Member State compartment with the use of existing frameworks and products agreed for the InvestEU facility.

Apart from RRF resources, the EIF has continued to team up with local authorities, both national and regional, to create bespoke financial instruments, bringing together EIF expertise and local financial resources in pursuit of local and European policy objectives.

In recent years, German mandates have grown to one of the largest regional mandate families. The German Future Fund – EIF Growth Facility (GFF), a mandate of up to €3.5bn aimed at improving the availability of growth financing has, after its first full business year, by the end of 2022, made commitments into more than 20 growth funds for a total volume of around €850m.

Overall, the EIF's German equity mandates, which include GFF, the ERP-EIF Facility, the MDD Facilities, the LFA-EIF Facilities and the Corona Matching Facility, have made available more than €9bn for investments in small businesses and mid-caps in Germany, helping them to take ideas from the drawing board to the market and fuelling their growth ambition. This investment activity has a substantial spill-over effect on neighbouring countries and the European economy in general and so far has reached more than 4000 companies.

Risk Capital Resources
The Risk Capital Resources (RCR) mandate is central to the EIB Group's equity strategy. Throughout 2022 it has continued to play an instrumental role in expanding the EIF's activities, helping to bridge market gaps in SME finance, and contributing to the pursuit of public policy objectives, most notably sustainability and the green transformation.

As part of the review of the RCR mandate in 2021, the policy objectives of the mandate were updated to reflect the EU Climate Bank's ambitions. On this basis, the EIF will be reinforcing its focus on investments targeting sustainability and the green transformation.

RCR financing amounted to close to €1.2 bn this year representing 30% of the equity signed amount. Co-investing with other EIF resources, RCR is expected to generate more than €19bn of additional investment for the European economy.

The RCR mandate will be further strengthened with the addition, in 2023, of resources under the new ETCI and REPowerEU mandates, boosting EIF activity in the field of scale-up financing and energy respectively.

European Tech Champions Initiative
In February 2022, the EIB Group expressed its support for the pan-European Scale-up Initiative launched by EU Member States during a summit organised by the French Presidency of the European Council. This initiative has since been developed into the European Tech Champions Initiative (ETCI), which aims to provide financing for Europe's high-tech companies in their later-stage development. In such phases, investee companies typically seek to raise amounts of over €100m on the private markets, and a lack of European funds specialising in this segment makes it difficult for companies to pursue their plans or forces them to seek capital outside Europe. This is the market gap that ETCI aims to tackle.

By year-end, beside the EIB Group's €500m contribution, which includes €400m of RCR resources, the ETCI had secured commitments from Germany, France, Spain, Belgium and Italy during the initial subscription period, with formal signing expected in early 2023. The size of the fund is expected to reach €3.75bn at this first stage and to grow further with additional commitments in the future.

Competitiveness & Growth

As the pandemic's economic fallout has been followed by strong inflationary pressures, supply chain disruptions, the war in Ukraine and the subsequent energy crisis, we have worked closely with our partners and financial intermediaries on the ground to make sure that small businesses across the European continent are able to access the financing they need to overcome the challenges they are facing and keep their entrepreneurial projects on track.

In the course of 2022, investments in the growth and competitiveness of European businesses has constituted a major part of our efforts, representing around 43% of our activity in the form of mobilised investments.

We completed the delivery of the EGF and flanked it with further recovery efforts at both European and national level, including through tailored instruments at the local level.

In addition, we channelled growth finance in the direction of ambitious start-ups to make sure they are able to take the next step and scale their business despite the multitude of challenges they are facing.

Driving the recovery

The European Guarantee Fund was activated in 2021 in order to provide sufficient short-term liquidity for companies in participating Member States to weather the financial storm and continue along their growth trajectory. 2022 saw the last series of transactions, mainly in the area of securitisation and equity.

In Bulgaria, we signed a guarantee on a synthetic securitisation of SME and mid-cap loans originated by UniCredit Bulbank. This transaction is expected to provide more than €630m to Bulgarian SMEs suffering from the economic consequences of the pandemic and exposed to instability due to events in Ukraine. It is the first EIB Group synthetic securitisation in Bulgaria and the first securitisation with a UniCredit subsidiary in Central and Eastern Europe.

In Italy, we concluded with Banca Popolare di Sondrio (BPS), a synthetic securitisation operation on a portfolio of loans granted by BPS to corporate counterparties with a value of around €1bn. The operation enables BPS to cover working capital and fund investment needs of more than 2000 SMEs through low-interest loans.

Working with EIF shareholder UniCredit Group, three synthetic securitisation operations were concluded in Germany, Italy and Bulgaria that will mobilise a total of €5.6bn to support small businesses with their investment and working capital needs in the three countries.

We also concluded our first diversified debt fund investment in Ireland, providing flexible financing to Irish SMEs and entrepreneurs through a €70m investment in SME-focused direct lending fund Oak Corporate Credit DAC. The deal offers tailored and flexible debt capital solutions to lower mid-market companies across a diverse range of sectors, to help finance the scaling of their activities through investment and development expenditure, acquisitions, recapitalisations or to resolve legacy financing issues. This investment will contribute to supporting the economic recovery of Irish companies and drive growth, innovation and employment in Ireland.

In Poland we have joined forces with Bank Millennium to support working capital and liquidity needs, as well as to cover the investment constraints of Polish SMEs affected by the COVID-19 crisis. The guarantee provided by the EIB Group will generate new financing worth approximately PLN 4.2bn (€882bn) for Polish SMEs via a synthetic securitisation of a portfolio of SME loans. Apart from addressing working capital and liquidity needs, and the investment constraints that SMEs are facing the aftermath of the pandemic, the transaction will also help to further develop the securitisation and risk-sharing initiatives in Poland.

Deputy Chief Executive Roger Havenith at Websummit: An LP perspective on European venture

From recovery to resilience & competitiveness

Recovery efforts do not end with EGF however, and the EIF is continuing to extend support to financial intermediaries across Europe, responding to strong demand for both our debt and equity products.

In Greece, the EIF has been entrusted with the management of €400m of RRF investments to help Greek SMEs. The new support, which represents one of the first contributions to the InvestEU Member State compartment in Europe, is designed to help Greek SMEs obtain access to finance on favourable terms while incentivising investments in climate action and digital transition projects. Under this new mandate, the EIF will be extending support for investments in energy efficiency and renewable energy, investments boosting the competitiveness and growth of local enterprises, access to finance of research & innovation-intensive Greek businesses, and the uptake of digital technologies.

Beyond the RRF, other instruments have also been used to deliver much-needed financial support to small businesses.

In Malta, we renewed our partnership with Bank of Valletta. This new agreement will allow Bank of Valletta to provide an additional €28 million to Maltese SMEs on favourable terms and with long tenors over the next two years, to help them overcome the economic crisis caused by the COVID-19 pandemic. The favourable conditions on the loans are achieved thanks to a structured finance project defined as "risk transfer", implemented by combining funds managed at the national level with resources from the EU programme and EIB Group resources. This agreement is created in the form of an uncapped guarantee operation on a portfolio of new loans to be originated by the Bank of Valletta, using these funds to cover the first losses of the portfolio.

In the Baltics we signed a synthetic securitisation agreement to support at least €460m in new lending for AS Citadele banka that will help expand lending to local businesses in the region. The deal which combines EIF's investment and structuring expertise, will provide much needed capital relief for SMEs. The transaction demonstrates EIF's commitment to provide synthetic securitisation as an asset class to deliver capital relief in jurisdictions that traditionally have not enjoyed a strong presence in securitisation markets.

Did you know?

Of those start-ups that manage to launch and develop a product successfully, about 80% fail to see it through to full scale-up – McKinsey

In France, together with the Bourgogne Franche-Comté region, we have set up a €50m holding fund. This is the first such initiative using ESIF resources in the new programming period and will contribute towards European competitiveness by promoting innovation, smart economic transformation and regional ICT connectivity through the deployment of two financial instruments, namely a guarantee instrument aiming to leverage 8x the invested amount, and an equity instrument targeting SMEs with a high growth potential. In addition, Region Occitanie entrusted the EIF with the implementation of a €100m holding fund to respond to market needs, helping small businesses with their recovery and digitalisation efforts, competitiveness and growth ambitions.

Growth finance

An area of particular focus has been growth finance, that is tailored to ensure that young businesses in need of financing to realise their ambitions are able to secure it, be it through equity or debt instruments. Particularly with the inflationary pressures, supply chain disruptions and the energy crisis all weighing down on ambitious start-ups, we have made every effort to make sure that, through our partners, financing is available when the time comes to take that all-important next step in a business' development.

Long term financing through the traditional banking system is increasingly hard to obtain, particularly for lower-mid market companies who struggle to fund their growth. To fill this gap and market demand we have backed teams that provide flexible alternatives.

In Portugal, we invested €25m into Oxy Capital III, a fund managed by a seasoned and experienced team with a flexible approach to investment, combining equity, debt and hybrid instruments. The fund focusses on high-growth, export-oriented SMEs and small mid-caps helping them to compete on the international stage.

In Central and Eastern Europe (CEE region), we participated in the development of underserved market segments, committing €40m to AMC V, a hybrid debt-equity fund. AMC, which is managed by one of the most experienced teams in this sphere in the region, provides flexible financial solutions, mainly in the form of subordinated debt with structured equity upside, to lower mid-market companies with the aim of financing their growth projects.

Finally, we invested €40m, in Innova/7, a private equity fund focusing on the growth and scaling of lower to mid-market companies in Poland and across the CEE region that are active in sectors including business services, financial sector, consumer products and services, manufacturing, healthcare and retail. With this transaction we are helping the development of private equity market in CEE and backing one of the few private equity players active in the small mid-cap and mid-cap segments in the region.

> *"Growth is vital for European companies' survival in the long term. It is key for them to remain competitive while maintaining and creating new jobs. In the current climate, we need more fire power, financing opportunities and creative solutions to make this possible for them."*
>
> **Sarah Stein,**
> **EIF**

Juvinum:
weathering the storm

Location: *Stockholm, Sweden*
Financial Intermediary: *DBT*
SME: *Juvinum Food & Beverage AB*
Sector: *wholesale; food*
Number of employees: *4*
Financing purpose: *cashflow*
EU financing: *EGF*

“To put it mildly, it was a disaster,” says Carl-Viggo Östlund, co-owner of Juvinum, referring to the COVID-19 crisis that hit the hospitality sector in 2020. “Sales went down to almost zero for about 4-5 months, picked up a bit in the summer and then stopped again completely for 4-5 months. 2020 sales were less than half of a normal year, and 2021 was only marginally better.”

Juvinum, based in Stockholm, is a family-run business that Carl-Viggo and his wife Caroline acquired from her parents. The business is active in the wholesale of cooking wines, with clientele mainly in the Nordics and the UK. The cooking wine, from Extremadura, Spain, is produced by lowering the alcohol volume in a full-strength wine, but still keeping all the aromas, and then adding a bit of salt and pepper. A process that makes it a high-quality cooking product or condiment rather than a wine, which carries a much higher taxation. “This means huge savings for the HORECA sector (hotels, restaurants and catering)”, he adds, describing the niche area in which they operate.

The COVID-19 pandemic did the business no favours, as the HORECA industry - especially in the UK – was severely hit. “Normally we’d ship around 130 containers per year, but in 2020 we shipped only 58.” Today, partly as a COVID-19 effect, they are also experiencing great transport disruptions such as problems with finding containers, trucks, a lot of delays but also extra surcharges for various things and much higher transport costs in general.

“For the last two years, I’ve been working with two different liquidity plans,” explains Caroline. “Two different excel sheets, running parallel scenarios with different assumptions depending on the degree of difficulties we can expect to face. I only came back to one single sheet around two weeks ago, and now it’s the first time that it feels like we’re almost back to normal.”

In weathering the storm, Caroline and Carl-Viggo were clear that they didn’t want to lay off their two employees in the UK. They tried to adjust by keeping costs low and re-negotiating payment terms with suppliers and sought financial support in the form of a loan through DBT, guaranteed by the EIF under the pan-European Guarantee Fund. The loan gave the business the necessary cashflow to keep making their payments and make it to better days. “We’re now back to pre-pandemic levels. But we’re aware that things could turn at any moment. There’s always something. This is part of doing business. But we are still here,” Carl-Viggo says.

Innovation & Digitalisation

Getting a good idea out of the lab, off the drawing board and into the markets is one of the greatest challenges in business. Getting it to scale is yet another. With the steadfast support of our partners, we have been making every effort to channel financing in the direction of innovative entrepreneurs and small businesses at the earliest stages of their development, supporting disruptive technologies that will shape the digital world of tomorrow.

From artificial intelligence to space, industrial technologies to cybersecurity, this has been a year in which we have directed financial support towards sectors that will not only define our future, but also play a key role in Europe's strategic autonomy, supporting jobs, growth and constituting key chapters of tomorrow's economy.

At the same time, we've been reaching out to traditional businesses who are investing in the digitalisation of their business model, driving the digital transformation, and worked closely with several Member States to help build and nurture local risk capital ecosystems.

2022 has also seen the beginning of a renewed effort on scale-up financing, with the Tech Champions initiative being set up and gathering pace with a view to launching early next year, aiming to generate the large funds and ticket sizes that are needed so that bright ideas can not only be born in Europe, but grow, scale and flourish in Europe.

Innovation & disruptive technologies

This year has seen a strong focus not only on innovation in general, but also on a series of so-called enabling sectors. This entails support for specific sectors like life sciences, defence, space, industrial technologies and semiconductor technologies, that are able to contribute to European competitiveness, facilitating access to finance for enterprises, projects, initiatives and innovators operating in these fields.

Drawing from Europe's powerful academic and research base, innovative businesses have the potential to lead the change that we are seeing across society and the economy. The deep tech sector in particular showed resilience throughout the 2022 turmoil, with strong performance and a very promising outlook. Bridging the gap between ground-breaking research and promising start-ups is one of the EIF's main aims when investing in funds active in this early stage segment.

One such transaction is our €40m investment into the €165m German seed-stage fund Vsquared Ventures II, that invests in disruptive technology companies throughout Europe.

In the Netherlands, we invested €28m in FORWARD. one Fund II. The Fund will focus on early-stage hardware technology companies based mainly in the Netherlands, looking at industrial technology which is transforming the way that things are done in key industries, like quantum computing, biomanufacturing, and robotics for electric vehicles.

We also invested €45m supported in OTB Fund II, a €150m Polish early growth fund investing in B2B ICT companies with a strong deeptech angle in the CEE region. The fund focusses its investments on tech companies developing innovative scientific breakthroughs across four key sectors: enterprise artificial intelligence automation, space technology, fintech and cybersecurity, and climatech solutions.

In Austria, we invested €55m in Speedinvest IV, a fund focusing on deep tech, fintech, industrial tech, digital health, marketplaces and SaaS. The fund is managed by a team known to be one of the most founder-friendly and operationally-supportive seed stage VCs in Europe, and a reference player in Austria and the wider European early stage market. Our support ensures that SMEs active in sectors vital to the digital future of the European economy and society are given the financial means to fulfil their growth aspirations.

And in Finland, we backed Inventure VC IV with a €30m commitment. The fund focusses on B2B SaaS, fintech, deep tech, marketplaces, and consumer sector start-ups, supporting innovative entrepreneurs through their growth journey and helping them scale to the next level.

In the area of space technologies, we formalised institutional cooperation with France's Centre National d'Études Spatiales through the signature of a memorandum of understanding, with a view to exploring ways of supporting SMEs, mid-caps and projects with relevance for space activities. The memorandum of understanding, signed at Europe's Spaceport in French Guiana, follows the launch of the EU's CASSINI initiative, which aims to mobilise over €1bn and is intended to support the development and growth of start-ups in the fast-growing space sector, encouraging private investment.

"The deep tech breakthroughs of the next decade will shape our societies well into the next century. It is therefore essential for Europe to lead from the front in shaping these revolutionary technologies and their real-world applications."

David Dana, EIF

The initiative supports the diversification of players in the ecosystem by focusing on the development of disruptive technologies, implementing new partnership models and co-investing with the industry.

In the field of artificial intelligence, the EIB AI Co-Investment Facility, a €150m joint EIB/EIF equity instrument, aims at improving access to finance for AI companies and thus boost the EU's efforts to remain at the forefront of the technological revolution and to ensure competitiveness. In June, three co-investments were made in Coachhub, an AI-enabled B2B SaaS platform offering personalized coaching services, Everdrop, a consumer goods company focusing on sustainable and plastic free household cleaning products, and Convelio, a digital freight forwarder specialised in goods like art, antiques and luxury furniture.

On the life sciences front, we invested in more than €400m in 13 funds, spread across the EU from Italy to Spain, Germany, Benelux, France and the Nordics. More than half of these funds had gender relevant criteria with representation of female partners, which is an unprecedented achievement in that regard. At the same time, just under half of the funds were first time teams, bringing new strategies and impulses to the still largely underfunded European life sciences market, where we continue to act as a backbone of the ecosystem.

While we maintained our support for the historically stronger represented sectors of biotechnology and medtech, a number of new teams were brought to the market that operate in the digital health industry, including Sofinnova Digital Medicine, YZR Capital Fund I and XGen Venture Life Science Fund amongst others. Taking a differentiated approach to investors investing in the adjacent wellbeing sector, these fund managers typically have a background in life sciences, with highly relevant expertise spanning from the functioning of national healthcare systems, approval paths for reimbursements, and clinical validation of data, with all of these contributing to a specific value added brought to the underlying portfolio companies and eventually to society.

Supporting European Tech Champions

The European Tech Champions Initiative aims to provide financing for Europe's high-tech companies in their later-stage development, when the time comes to scale up their business from a start-up status to a more developed venture. In such phases, investee companies typically seek to raise amounts of over €100m on the private markets. A lack of European funds specialising in this segment makes it difficult for companies to pursue their plans or forces them to seek capital outside Europe.

The EIB Group has been mandated to manage the ETCI. In concrete terms, the EIF will act as advisor, manager and administrator of a multi-investor fund-of-funds structure which will invest, inter alia, in late-stage/growth private equity and venture capital funds run by asset management companies established and operating in Europe and investing scale-up financing mainly in European technology companies. By mobilising additional private investors alongside initial public commitments, the aim is to foster the growth phase of innovative European technology actors and further develop the European financing ecosystem.

Building on the commitments already secured, the aim is to achieve a total fund size of €3.75bn at this first stage. The size of the fund is expected to grow further with future commitments.

We also intensified our support of the European venture capital (VC) growth segment, highly dominated by non-European firms. This year, we have signed a €150m commitment into the first generation of EQT Growth, a truly pan-European growth-stage VC fund that has reached a final size above €2bn, making it the largest first-time growth VC fund to be raised in Europe.

Fernride: the driver-less technology forerunner in Germany

From research to commercialisation

One of the greatest challenges in the innovation space is getting a great idea out of the lab, off the drawing board, and into the marketplace. This transfer of technology into the business world, adding the commercial dimension to any undertaking, is often costly. This is why the EIF works with partners across Europe to make financing available to target this particular instance in the development of small businesses.

In Spain, a standardised NPI mandate with Institut Català de Finances (ICF) was set up in October for an amount of €45m. This mandate will support Fons d'Inversió en Tecnologia Avançada (FITA), a fund that will target technology transfer investments to support the commercialisation of scientific achievements and research linked to Catalonia. Commitments from private investors will also be sought, with a view to attracting the local investment community to technology transfer as an asset class in the longer term and achieving a target size of €55m.

In Italy, together with CDP Venture Capital we co-invested in Indaco Bio, a new venture capital fund specialising in financing technology transfer processes in the life sciences sector and dedicated to the development of new drugs and therapies. This investment is the first concluded since we signed a partnership with CDP Venture Capital in September 2021, via the Technology Transfer Fund, enabling joint investment of up to €260m to support fund managers focusing on tech start-ups who are bringing to market cutting-edge technologies conceived in universities labs and research centres of excellence.

Technology Transfer: what it is and how it works

Supporting the digital transformation

In line with the EU's Digital Agenda and the drive towards a digital future, the EIF has been using its arsenal of financial instruments to nourish the European digital tech scene on the one hand, and help traditional businesses digitalise their business models on the other. A series of investments were made in this direction in the course of 2022.

In particular, €130m were invested in Kreos VII, a German venture debt fund with a target size of around €1.2bn and exclusive focus on digital tech, and €40m into Verdane Edda III, a fund focusing on private equity growth investments in the ICT sector in the Nordics and Germany. Verdane Edda II has a target fund size of €750m and its focus is on software, digital consumer and sustainable society.

Turning to Italy, this time in the areas of digital and health, the EIF invested €50m into FSI II, which is focusing on growth transactions in the mid-market segment with a target fund size of €1.5bn.

In October 2022, the EIF sealed a €50m guarantee agreement with Erste Croatia that will help Croatian entrepreneurs to implement more sustainable, climate-friendly technologies and operating practices. It will also support innovation and digital transformation by enhancing access to finance for research and technologically driven companies.

Finally, we also completed our first InvestEU-backed transaction in Austria: a €90m guarantee amount signed with UniCredit Bank Austria will improve SME access to finance in two key areas: €50m dedicated to innovation and digitalisation, and €40m to support the green, environmentally-friendly and sustainable transformation of companies. Both will work towards achieving the EU objective of green and digital transitions across the continent.

"We look out for new light bulbs, new cars or a new internet every week. Finding and backing transformative entrepreneurs and technologies is our dedicated mission. Once committed to a partnership, we will do whatever it takes to help accelerate and scale your vision, unlocking all possibilities of the seemingly impossible."

Vsquared Ventures

Building local risk capital ecosystems

Apart from supporting innovators and businesses looking to digitalise their business models, an important part of the EIF's role is building up financing ecosystems. In particular, certain local equity financing ecosystems often need support from public resources to get going. Several EU Member States have chosen to dedicate resources, including RRF resources, to set up venture capital funds that will focus their investments on the digital, innovation and life sciences space.

The Cyprus Equity Fund is the first equity mandate signed between the EIF and the Republic of Cyprus. The mandate is structured as a direct award of €30m to the EIF, financed predominantly by the national Recovery and Resilience Plan of Cyprus and reflows from the JEREMIE programme of the 2007-2013 programming period. These resources will be invested into a generalist VC fund targeting innovative enterprises and start-ups in their (pre-) seed and early stages of development. This will be the first VC fund deployed in the country with the support of public resources. The selection of the underlying fund is currently underway, and signature is expected in Q1 2023.

RRF Bulgaria Equity is a €180m mandate financed by the Bulgarian Recovery and Resilience Facility. The Republic of Bulgaria entrusted the EIF with this mandate to provide equity financing for growth, innovation and investments in climate neutrality and digital transformation to the Bulgarian undertakings that have been most affected by the long-lasting negative economic impact of the COVID-19 crisis. The EIF-managed fund of funds will invest in country-focused or regional funds and facilities that will, in turn, support technology transfer projects, SMEs and mid-caps to foster innovation and the transition to the knowledge economy.

Together with the government of Romania, we launched a new fund-of-funds to support local businesses with access to equity finance leveraging EU resources. The Romania Recovery Equity Fund of Funds (REF), with an allocation of €400m, will invest into underlying funds which in turn will make financing available in the form of equity and quasi-equity for SMEs and mid-caps, including start-ups, companies in early, advanced growth and expansion stages, and infrastructure projects focused, among others, on renewable energy and energy efficiency.

Over in Ireland, the Irish Innovation Seed Fund (IISF) is the first joint initiative between the EIF, Enterprise Ireland and National Treasury Management Agency. It is a €60m equity investment programme set up under the NPI standardised programme, targeting funds in pre-seed and seed stages of development across several sectors including ICT, life sciences, social impact and climate. The aim is to sign up to 2-3 VC fund managers including new and emerging teams for the benefit of enhancing and widening the local Irish VC funding landscape.

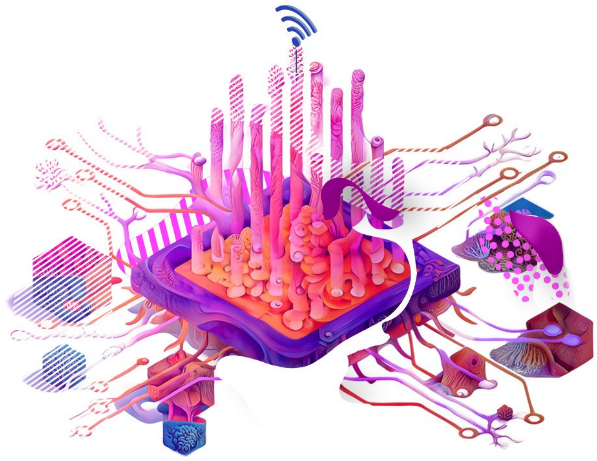
The collaboration with EIF shareholder SID Banka under the Slovene Equity Growth Investment Programme (SEGIP) was reinforced in March with a €98m top-up. The top-up, which will bring the aggregate size of the mandate to €220m, will address two new investment windows focusing on early-stage venture capital, and private equity for businesses with succession issues. The objective of these two new windows is to continue to develop Slovenia's equity investment market, which still has a lot of growth potential.

Work under the Asset Management Umbrella Fund (AMUF) and the Sustainable Development Umbrella Fund (SDUF) continued throughout the year, as we strive to crowd in more private capital to further develop the European venture capital and private equity ecosystem. This year we attracted more than €400m from private investors, including the likes of Alphabet International Ireland (Google) and Bristol Myers Squibb, as we move to add more corporate and institutional clients to the family of AMUF/SDUF investors.

Did you know?

In 2021, total funds raised by PE firms located in Europe increased by 7%, compared to the year before, to a new all-time high of €117.7bn – European Small Business Financial Outlook 2022

Qualinx: small size, low cost, low power, always on



Location: *Delft, Netherlands*
Financial Intermediary: *Forward.One*
SME: *Qualinx*
Sector: *semi-conductors*
Number of employees: *12*
Financing purpose: *product development*
EIF financing: *InvestEU; DFF*

With the explosion of the Internet-of-Things (IoT) and the rapid digitalisation of the world around us, semiconductor technology has been catapulted to the forefront of the EU's strategic objectives. It's a very complex, technical field, with a fairly limited pool of expertise in both Europe and globally. But its relevance to so many different aspects of our lives and economy has meant that public sector financing has been looking at this space with renewed interest.

"Our aim is quite simple: Low power, low cost, small size, always on," says Tom Trill, CEO of Qualinx. Qualinx, based in Delft in the Netherlands, specialises in tracking and connectivity solutions. So many applications around us use this technology, but the challenge is getting to lower power consumption, longer life, smaller size, and less environmental impact as well. And that's a nut that Qualinx is cracking.

As Tom explains, "There's global concern about the security of any asset, especially as it moves. Most tracking efforts of these assets are satellite-based: from ship to dock, warehouse and to the supermarket for example. But there are lots of break-points in the connectivity. To achieve universal connectivity, you need a multi-chip solution. Most tracking solutions have one chip for Bluetooth connectivity, another for satellites, another for radio etc. We offer a single-chip solution that is universally applicable. And we can deliver that in smaller size than any one of the others and at a lower power envelope and cost. Price, power, performance - all three metrics deliver equal value."

But developing these breakthrough solutions takes time, talent and significant financing. In 2022, the company received an equity investment from Forward.One, a Dutch venture capital firm backed by the EIF under the new InvestEU programme. "We're still a few months away from commercialisation and then real volumes, but we have the fundamental IP in place and we are aiming to double the size of our team to around 25, getting ready to move into the production phase."

Underlining the strategic importance of the company's work, Tom concludes that what the company is working on is a real game-changer: "This is essential technology for the European semi-conductor industry. We've broken a physics barrier that was established for over 40 years, and we have an IP position that's very unique."

Social Impact, Skills & Human Capital

As we transition rapidly towards a greener, digital economy, we need to make sure that it remains an inclusive economy. We need to make money care more. Achieving that goal involves the channelling of public resources in the direction of real social impact on the ground.

In 2022, for the EIF that has meant developing human capital, investing in helping people upgrade their skillsets to adapt to a changing world. It has meant reaching out and offering improved access to finance for the smallest actors of the economy who are always the worst hit in times of crisis - even more so in periods of prolonged economic turbulence and multiple economic shocks. It has also meant stepping up our efforts to tackle inequalities, by focusing for instance on disadvantaged communities and areas and promote the role of women in the venture capital and private equity spaces.

At the same time, it has meant a continuation of our support for the cultural and creative industries that play such a crucial role in our identity, culture and values, making financing more readily available and on better terms.

Finally, it has meant a series of investments in the social impact sphere, supporting impact funds and social entrepreneurs and all those business leaders who aim to do good as much as they intend to do well.

Adapting skillsets in a changing world

Skills, education and training are drivers of growth, competitiveness and social convergence. Insufficient financial resources constitute a major barrier to accessing education and training and this can lead to unequal opportunities in education and access to the labour market. For young people, access to education in many EU countries relies too heavily on parental social background and financial standing. For SMEs, investment in the up-skilling or re-skilling of their employees is often constrained due to barriers preventing access to finance. Moreover, a massive investment is needed to better respond to the economy's changing needs for skills. In particular, the shift towards a climate neutral Europe and the rapid digital transformation require new digital and green skills. Education providers and providers of services ancillary to education need financial support to adjust and keep up with the demand for skills transformation. In 2022, with the help of InvestEU, we have been active in trying to bridge these gaps, helping individuals adapt their skillset in a changing world.

In December, we committed €30m to Brighteye, a pan-European venture capital fund focused on education technologies. With a commitment in the fund, which has a target size of €100m, the EIF will contribute to enhancing access to capital for European entrepreneurs focused on the ed-tech sector through the support of an emerging manager developing a relevant pan-European investment strategy.

Another ed-tech initiative we supported in 2022 was Educapital II, which benefitted from a €25m investment. Educapital was founded in 2016 by two female partners with the aim of delivering resilient financial and social impact returns. It is Europe's first education technology impact fund, focused on early-stage European companies with a particular focus on France and a target fund size of €150m. Its aim is to address the lack of quality educational outcomes and the digital skillset gap in the EU-27, especially among marginalised segments of the population.

In Spain, a guarantee agreement signed with MicroBank will facilitate access to finance for individuals wishing to improve their skills and organisations active in the education sector. Under this agreement, the EIF will guarantee a portfolio of up to €65m for job training and skill-building with the goal of improving employability.

In Germany, Jacobs University Bremen will provide €45m worth of loans to students over the next four years. The repayment of such loans is linked to their future income. Repayment only kicks in once students are in employment with a pre-determined percentage of their income over a pre-defined period and depends on their career progress and the evolution of their salary. With EIF support, students will benefit from a reduction of the income sharing percentage, a reduction in the total amount to be repaid and a reduced repayment period.

Supporting the smallest actors of the economy

Micro-enterprises and social enterprises promote quality, sustainable employment and social inclusion by supporting entrepreneurship and job creation, in particular, for persons in vulnerable situations. Yet both segments continue to face difficulties in accessing finance due to the perceived high risk. Enhancing access to finance for microenterprises and social enterprises is fundamental to fostering an inclusive European social ecosystem. With the help of the EU's EaSI instrument and more recently InvestEU, we have been able to make important commitments to support microfinance providers across Europe. Typically, portfolio volumes are not as large as in other EIF business lines, as loans tend to be much smaller, but the impact in terms of benefit for the micro-entrepreneur is often quite significant.

Learning can change lives - Vania Costa

In September, the EIF and BT Microfinantare IFN (BT Mic) signed a guarantee transaction. The EIF will provide guarantee cover for microfinance operations amounting to RON 500m (€100m). With a 47% market share within the Romanian microfinance sector, BT Mic expects to provide around 7500 loans on the back of this transaction. Micro-borrowers are not required to provide any security or collateral other than personal guarantees and will benefit from a significant interest rate reduction.

Further north, we've supported Swedish fintech Froda, allowing SEK 500m (€45m) to be channelled to Swedish micro-entrepreneurs. Froda is one of Sweden's fastest-growing fintech companies, whose mission is to make loans and micro-loans easily accessible for micro- and small businesses on the best possible terms in a swift and unbureaucratic manner. Through the digitalisation of the entire application process, Froda has been able to help over 50,000 businesses to access funding. This agreement with Froda allows us to help finance Swedish entrepreneurs through innovative digital solutions, strengthening competitiveness, and boosting growth and jobs, supporting the smallest actors in the economy that struggle most in difficult times.

In the Czech Republic, we have teamed up with Česká spořitelna to enable local micro-businesses to unlock their potential. Our capped guarantee agreement will facilitate €20m in local currency for micro entrepreneurs who are unemployed or from vulnerable groups, giving them access to finance that they would not otherwise have. This transaction underlines the suitability of microfinance as a tool for economic growth and social inclusion.

Tailored support for the Roma community

Another highlight of 2022 is the signature of the guarantee agreement with REDI Economic Development (REDI) that will make close to €4.7m available to enhance access to finance for entrepreneurs operating in marginalised Roma communities in Romania, Bulgaria, Serbia and North Macedonia. REDI's main activity is offering risk-sharing debt products to banking and non-banking financial institutions, flanked by useful business development services. Through these products, these institutions will be in position to finance final recipients that are small businesses owned by Roma or active in Roma communities. This first transaction specifically aimed at this vulnerable social group shall provide financing for more than 300 small businesses and is projected to create at least 1000 jobs.

"It's been a long time coming, so we are both very glad and very proud to have put together the first microfinance investment vehicle with a specific focus on the Roma community"

Cristina Dumitrescu, EIF

Did you know?

The post-pandemic recovery period has proven to be a fertile ground for EU Fintechs, as funding in the segments of VC and PE growth financing boomed to a record volume of €11.47bn in 2021. Preliminary data suggest that 2022 funding volumes will match or exceed this number. – European Small Business Finance Outlook 2022

Nikoleta's Sweet Creations, microfinance in Greece

Wright Educational Solutions: green school education

Location: *Macau, Cluj-Napoca*
Financial Intermediary: *BT Mic*
SME: *Wright Educational Solutions*
Sector: *education*
Number of employees: *2*
Financing purpose: *green school project*
EIF financing: *Skills & Education Guarantee Pilot; EFSI*

“Kids are spending too much time on their screens. They miss out on interaction with other children, on savouring the outdoors and endless opportunities for discovery that nature provides. We’re giving them that chance to reconnect with each other and with nature, develop their social skills and enjoy learning through their natural environments,“ says Gyongyver Pillich-Wright, founder of Wright Educational Solutions.

Gyongyver is a qualified teacher trainer, specialised in neuro-language coaching. She runs a language school and a logistics for educational services business with partner Marc. The company, based in Macau, Romania, offers educational providers and organisations guidance on management, quality assurance, teacher-training and staff development.

“During the pandemic as kids were forced to stay home and trapped in virtual reality, parents were desperate for alternatives,” she says. “I‘ve always been interested in innovative approaches to teaching, so I began exploring the idea of using the natural world to improve learning, bring more joy and fun to education, and pull children away from their devices.”

In the summer of 2021, together with Marc, she launched a green schooling project, using an EU-guaranteed loan from BTMic and backed by the EIF under the EU’s Investment Plan for Europe.

The project offers children aged 6-10 all sorts of (afternoon or weekend) activities involving exploring local villages, forests and farms, adapted to their normal educational programme. “We’re practicing alternative methods to teach subjects such as mathematics, physical education and languages through green schooling. We get the children out in the woods and soon enough, the connection happens, letters and numbers emerge through games, hut constructions, tree counting… Suddenly learning becomes exciting.”

The children also learn arts and crafts, furniture painting, embroidery, woodcarving, beadwork, traditional cooking and cheese making from local artisans and craftswomen. “They get to understand that not everything comes from supermarkets.”

For Gyongyver, the rewarding result is what the kids create: “Building huts or insect hotels requires collaboration, problem-solving skills, creativity, decision-making, self-discipline, emotional understanding, all of which contribute towards their broader educational development.”

The project was interrupted for winter but Gyongyver can’t wait for summer to get going again so that she can continue exploring this new method of teaching. “I want to stimulate children’s imagination and desire to learn in a meaningful way.”

Promoting diversity

In 2022, a number of concrete steps were made in relation to the issue of diversity in the venture capital ecosystem. The EIF has developed a holistic strategy across four pillars:

Investments that favour diverse management teams. Through InvestEU, for the first time, there are defined criteria for gender diversity for financial intermediaries and the EIF aims to ensure that at least one in four equity investments will comply with gender criteria.

Advisory and capacity building work to boost support for female entrepreneurs and decision-makers. Most notably, in December we organised a very well-attended event entitled Empowering Equity, bringing together actors from across the VC spectrum to discuss female representation in this space and explore avenues for progress.

Strengthening research on this topic, with the objective of improving the availability of information for evidence-based policy interventions. In particular, this includes literature reviews and exploring gender-related questions in our regular venture capital and private equity surveys.

Fronting gender and diversity issues in our institutional relations, notably through ESG assessments with our intermediaries.

Leveraging on the InvestEU initiative, in the context the EIF-NPI Equity Platform, the EIF aims to join forces with NPIs to develop new equity investment partnerships promoting professional women in leadership and decision-making positions at financial intermediaries and portfolio companies. This initiative, entitled Gender-Smart Equity Investment Programme (GESIP), will focus on investments in equity, debt, climate and infrastructure funds (indirect investments, fund-of-funds model) to leverage EIF's existing expertise and processes.

The EIF envisages developing GESIP as a pan-EU initiative, with specific partnerships developed under it with individual NPIs for their respective countries or regions. It will build on the existing InvestEU gender smart initiative and, more broadly, on the EIF's holistic framework for gender smart investments in order to ensure a coherent approach towards the market, in line with the EIBG Gender Action Plan.

The initiative will constitute a strategic opportunity to develop into a key EU and EIBG policy area, to stimulate deal-flow generation for the benefit of InvestEU and other mandates, and to improve the delivery of our public policy goals.

Social impact - making money care more

The EIF provides strong support to intermediaries focusing their investment activities on achieving social impact. Entrepreneurs in this field seek to address mounting challenges to Europe's social cohesion through business models that generate tangible and measurable societal benefits coupled with sound economics.

We continued to support the social sector, backing innovative financial solutions that can help address today's societal challenges. In France we invested €11.3m in French pioneer of the European impact investing ecosystem, Citizen - Fonds de CIS, a venture capital fund focusing on Social Outcome Contracts (SOC) funding. SOC is an impact-focused financial instrument where investors finance upfront the working capital of a social sector organisation, which in turn deploys a particular social intervention benefiting from agreed payment of principal and premium by public sources provided pre-agreed social impact targets are met. Citizen will invest in impact companies and founders based in underprivileged urban area.

Did you know?

Almost 40% of VC and PE fund managers do set targets on gender diversity indicators for their respective firms; and approximately 1 in 4 do so at the portfolio company level too. - EIF VC & PE MM Survey

We also topped up our commitment (€20m portfolio volume) to Triodos Bank, an ethical bank that has been very active in the field of social entrepreneurship in multiple countries: the Netherlands, Belgium, France and Spain, all covered by the same guarantee agreement. Triodos mainly finances projects with a positive social and/or environmental impact and offers inhouse development tools to their clients for the assessment and optimisation of their impact, helping them to connect to industry peers, potential business partners and build a strong network.

In Denmark, we signed a guarantee agreement with long-term partner Merkur Andelskasse, a Danish cooperative Bank which promotes sustainable development and social responsibility by actively supporting SMEs and small mid-caps that create valuable solutions to societal problems. Merkur lends exclusively to projects/enterprises which core objective is to resolves society's failings. This transaction will make available around €21m to support financially underserved sectors including education and culture, environment, agriculture, social housing and services for vulnerable groups but also regions and rural areas in Denmark where finance is not always accessible.

At the same time, in an effort to broaden the scope of our partnerships and reach out to new types of financial intermediaries, we organised a workshop for philanthropic organisations in October. The workshop was an awareness-raising opportunity, particularly about the opportunities offered under the InvestEU programme, presenting the products, the application and assessment processes and examples of previous collaborations with foundations. By involving philanthropic foundations in the delivery of our support, we are hoping to extend our support to new beneficiary groups, particularly in the areas of climate and environmental sustainability, skills and education, culture and creativity or social impact and inclusion.

Backing the cultural & creative sectors

The cultural and creative sectors play a fundamental role in the continued development of society and are at the heart of the creative economy. Knowledge-intensive and based on individual creativity and talent, they generate considerable economic wealth.

More importantly, they are critical to a shared sense of European identity, culture and values. But at the same time, they struggle with access to finance. The intangible nature of the assets in question doesn't help when it comes to accessing banking finance, and neither does the very specific nature of many of the industries covered.

Addressing this market failure in the cultural and creative sectors has been the focus of a dedicated guarantee instrument during the previous budgetary period. With InvestEU, and on the back of the strong demand seen in the market, this facility will continue, while also adding an equity component.

Our first InvestEU signature in Croatia, a €50m wide-ranging guarantee agreement with Erste Bank Croatia, will support, among other priorities, companies active in the cultural and creative sectors.

At the same time, BPI France, CERSA (Spain) and UAB Orion Leasing (Lithuania) have all included a focus on the cultural and creative sectors in their respective multi-thematic guarantee agreements backed by InvestEU.

Did you know?

The average female representation in the investment team of VC and PE firms is approximately 14% and 12% respectively, while more than 50% of VC firms and 60% of PE firms report no female partners at all in their investment teams. – EIF VC & PE MM Survey

Empowering Equity: Experiences shared by female investors on funding, fundraising and investing

S&E Guarantee Pilot: Victoria Marmili

Location: *Malaga, Spain*
Financial Intermediary: *Student Finance*
Beneficiary: *Victoria Marmili*
Course: *Frontend developing*
Institution: *UpgradeHub Madrid*
EIF financing: *Skills & Education Guarantee Pilot; EFSI*

"With front-end developing, you have to be flexible, to think like the user, who is human, but also connect to the back-end which is code," says Victoria Marmili, an Italian national originally from Argentina but currently living in Malaga, Spain, where she has just made a career change, launching into the world of coding.

"I had learned some really simple coding in school and loved it, but when it came to choosing a career path, no other girls chose IT. So, if I wanted to study IT, I needed to accept that I wouldn't have any of my friends with me, and at that age, it was more important to have my girlfriends around me. So I ended up studying business administration. I enjoyed the maths, the statistics, the algebra, but I've always had this urge to go back to code," she explains.

Victoria recently followed her husband, who moved to Spain with his job, and took the opportunity to take a course in front-end developing. "I could have got a job in a shop or a restaurant, but instead I used the time to study and build on what I had learned. COVID also played a role. With all the restrictions, I had time to stop, think, change."

To finance these studies, Victoria turned to Student Finance, where she got financial support in the form of an ISA (income-sharing agreement) backed by the EIF under the EU's Investment Plan for Europe. "Without this, I wouldn't have been able to do it, quite honestly," she says. "I wouldn't have taken this risk otherwise and there really wasn't any alternative. Nobody else would have financed this kind of thing."

Three days before finishing the course, Victoria got a job in a consultancy, and she has since moved on, now working with Twenix. "There's huge demand for these skills," she adds, "and COVID really stressed the importance of the digital sphere, the web, the cloud for sales and business continuity."

Working in the field of technology, however, means that the learning never really ends. As technology advances, you always need to be learning about new programmes, new software, new ways of doing things. "This can be quite stressful. You need to manage your frustration really well," Victoria says. "It's a frustration that comes with not knowing and that will always accompany you. It's natural given the speed with which technology advances. You need to keep updating your skillset, to keep learning all the time."

Sustainability & Green Transformation

In the course of 2022, 30% of EIF financial support was targeted at the field of sustainability and the green transformation. At the same time, and in line with the EIB Group Climate Bank Roadmap ambition, 21% - around €2bn - was channelled in pursuit of the horizontal objectives of climate action and environmental sustainability. This is a reflection of our resolve to boost our support for a greener and cleaner environment.

The developments around us have only underlined the urgency of supporting the game-changers that are working on innovative solutions, helping us tackle climate change effectively and transition to a greener, more sustainable world, but also the ones investing in existing clean technologies, resource and energy efficiency. We have backed a multitude of specialised fund managers in sectors like agritech, the blue economy, circularity and sustainable mobility as we pursue our climate and environment objectives and the goals of the European Green Deal.

In parallel, we've been working also on helping traditional businesses and individuals to finance their climate investments and move to a more environmentally sustainable footing, and we have seen our work on infrastructure funds really take off, giving this relatively new business line a prominent position in our greening efforts.

Responding to the energy crisis

The war in Ukraine has catapulted energy security to the front of the agenda, adding a very compelling argument to the need for alternative energy sources and savings. Using a multitude of different instruments, we have continued to support small business active in areas like energy efficiency, storage, renewables and decarbonisation, ultimately fuelling the green transformation.

€30m were invested in the Klima Energy Transition Fund, a growth stage pan-European fund focused on innovations supporting the energy transition, primarily in Spain. It will target the development and deployment of energy efficiency, renewable energy and low carbon technologies. The EIF is an anchor investor for this first-time investment team composed of two partners with a relevant and successful investment track record gained mainly in Spain and Germany.

In Belgium, we backed Belgian VC investor Junction Growth Investors, committing €30m from the InvestEU programme and the Dutch Future Fund in the firm's first growth-equity fund, Junction Growth. The fund will be scaling and industrialising impact-driven companies developing software and hardware solutions that enable the energy transition, facilitating the shift towards more sustainable energy consumption and carbon-neutrality for many SMEs in the region.

Using InvestEU resources, we made a cornerstone investment in F2E Fund (Fonds de Financement de l'Efficacité Énergétique), a French diversified debt fund launched by Sienna Private Capital. F2E, with Greenfin label, will provide bespoke financing to SMEs focusing on the energy efficiency sector, such as energy performance, self-consumption, storage and low-carbon mobility, including green hydrogen production projects. Furthermore, the fund will support emerging market trends in climate change mitigation, such as the production of green hydrogen and decentralised energy storage through batteries. F2E is an impact fund pursuing an explicit sustainable investment strategy reflected by its Article 9 SFDR classification. The Manager anticipates that the fund will facilitate the avoidance of 665kT of CO2-equivalent over its lifetime. The EIF's commitment amounts to €30m.

We invested €25m in Contrarian Ventures Net Zero 2022. The Fund, based in Lithuania, will invest in impact driven companies developing sustainable energy technologies, smart mobility and building solutions that enable the green transition. With this commitment the EIF not only seeks to make more venture capital financing available to the energy tech sector, but also contributes to the establishment of a specialised EU VC ecosystem capable of providing expertise in addition to capital, and supporting energy ventures from early to late stage financing and across the European continent.

Did you know?

Rising energy costs & potential energy shortages have become the most survival-threatening problems for PE MM fund managers' portfolio companies.
- EIF Private Equity Mid-Market Survey 2022

The EIF also invested €100m in Pearl Infrastructure Capital II, a Luxembourg-based fund that will pursue a specialist strategy of investing in assets mainly dedicated to decentralised baseload renewable energy production and circular economy. As such, this represents EIF's first investment in a fund that has a core focus on construction and expansion of decentralised baseload renewable energy assets. This sector has gained an increased prominence for energy resilience in the current geopolitical context marked by the invasion in Ukraine.

In December we closed our first ever synthetic securitisation transaction of a portfolio of residential mortgages with Banco Santander, Spain's largest banking group. The transaction will facilitate the origination of around €143m of new green mortgages in Spain and will provide Santander with additional capacity to develop innovative green lending activities, support their customers' green transition, and contribute to net zero by 2050. In addition, under the transaction, we will provide protection on the upper mezzanine tranche, while reinsurers will be providing protection on the lower mezzanine tranche making it also the first time that we participate in an unfunded securitisation with other private investors, especially reinsurers.

REPowerEU

At the same time, the European Commission presented in May the REPowerEU Plan, its response to the hardships and global energy market disruption caused by Russia's invasion of Ukraine. The plan describes the double urgency to transform Europe's energy system: ending the EU's dependence on Russian fossil fuels, which are used as an economic and political weapon and cost European taxpayers nearly €100bn per year, and tackling the climate crisis.

The REPowerEU Plan estimates that the total investments needed to reduce the dependence on Russian fossil fuels to zero by 2030 would amount to €300bn, of which €210bn before the end of 2027. Under REPowerEU, the EIF will finance €3bn between 2023 and 2027 for additional intermediated equity investments in support of sustainable energy, energy efficiency, energy transition, and green innovation. This is expected to mobilise €45bn of additional investments to accelerate the green transition and reduce EU fossil fuel dependence.

"Players of Change" tackling climate change

EcoG: integrated charging

Location: *Munich, Germany*
Financial Intermediary: *Ananda Impact Ventures*
SME: *EcoG*
Sector: *e-mobility*
Number of employees: *28*
Financing purpose: *growth*
EIF financing: *SIA, Corona Matching Facility*

"Electric vehicles (EV) on the road become greener the more integrated EV charging is with the grid," explains Joerg Heuer, CEO & co-founder of Munich-based EcoG, a company that provides 'EcoG universal core' for electric vehicle charger manufacturers to significantly reduce time and cost of charging station development, manufacturing and maintenance.

The technology can be used by the charging industry for remote device management, by charger operators to increase their services utilization and offer rewards for usage, or by fleet operators to manage charging dispatch. "It's about making charging more sustainable. It's not just about the cost of power, but the value of integration into the grid and making it profitable. If this isn't profitable, the green system won't be available."

As e-mobility grows all around us at a staggering pace, EcoG enables solutions that will squeeze out so much more from charging infrastructure than just refilling the car. "Mobility alone uses as much power as the complete electrical grid transfers today," explains Joerg, underlining the scale of things. "We try to provide better integration of charging, towards the grid and for daily use. If you want to make e-mobility sustainable, you need to integrate this into the system."

With six times as many EcoG-enabled charging stations as last year, the company is going from strength to strength, already exceeding 10% of market share according to the European Aternative Fuel Observatory, within two years of introducing the EcoG universal core to the market. In this rapid growth, and in pursuit of real impact, EcoG has been supported with an equity investment by EIF-backed Ananda Impact Ventures. "This partnership isn't all about technology, but also about being meaningful. We've been asking ourselves what is a sustainable way to move forward? We started to look at KPIs in terms of change to the carbon footprint that our technology brings to the market for example."

Eco- stands as much for ecological as it does for ecosystem, because that's what the company's about, and the -G is for enerGy. It's one of those company names that seem to perfectly capture the mission, as Joerg and his team seek to make the energy ecosystem of electric vehicles better, more integrated, more sustainable, and more valuable at the end of the day: "You need to be able to make good business with this. It needs to be profitable and make economic sense if this is to have an impact."

Climate & infrastructure funds

Green infrastructure projects are a catalyst for sustainable growth and development, promoting the transition towards a greener economy. From transport systems to power generation, soil decontamination or sustainable urban development. And from large offshore windfarms to the electric vehicle charging station in your neighbourhood. Infrastructure projects also tackle biodiversity and climate change adaptation, making a significant contribution to EIF's horizontal policy objective of climate action and environmental sustainability. Indeed, in 2022, the EIF's climate and infrastructure funds represented an investment of €625m with a 80% climate action and environmental sustainability content. A significant ramp up to €1bn is foreseen in 2023.

In 2022, we made a cornerstone investment of €75m in Eurazeo Transition Infrastructure Fund, a market player committed to climate change mitigation and decarbonisation. The Fund invests in transition infrastructure, including the energy transition, the digital transition, sustainable transport and circular economy.

We also committed €75m to the Eiffel Transition Infrastructure Fund, an innovative fund designed to provide equity bridge financing for renewable energy infrastructure assets in Europe. This equity bridge solution is particularly relevant for renewable energy developers and independent power producers with large pipelines of new projects in development but without the capital to finance them all in parallel. The transaction underlines the EIB Group's unwavering support for the European Green Deal and the plan to make the EU independent from Russian fossil fuels ahead of 2030.

Did you know?

In 2023, 22% of EIF's volumes will be devoted to climate action and environmental sustainability and 37% to sustainability and green transformation.

InvestEU Sustainability Guarantee

InvestEU has been conceived to flank and support broader EU policy objectives, with the European Green Deal figuring prominently among them. This means offering both equity investments into innovative businesses developing solutions that will help with environmental sustainability and tackling climate change but also a new guarantee product, the Sustainability Portfolio Guarantee, that enhances access to debt finance for SMEs, small mid-caps, natural persons and housing associations contributing to the green and sustainable transformation of the European economy.

This financing aims to support a transition to a climate-neutral European economy based on sustainable development, a reduction in dependence on fossil fuels, sustainable management of natural resources, food security and enhanced climate resilience, among other goals.

The instrument has been met with huge demand from the markets, far exceeding the available resources, underlining the appetite for these types of investments.

In Lithuania, the EIF and AB Mano Bankas entered into a €30m uncapped portfolio guarantee agreement focusing on two different policy goals: a €20m guarantee to support the sustainability and green economic transition, and an additional €10m guarantee to support SMEs that were negatively affected by the COVID-19 pandemic. The transaction is expected to mobilise €60m investments in the real economy.

Using a €100m guarantee, Intesa Sanpaolo will be supporting the investments and liquidity needs of innovative SMEs and small mid-caps in Italy and help with their digital and environmental transition. In particular, half the portfolio guarantees will be dedicated to sustainability and the green economic transition. Intesa Sanpaolo and the EIF estimate that these instruments will make it possible to mobilise investments in the real economy totalling €200m for new growth projects in Italian industry, focused on sustainability objectives.

The EIF and Banco Sabadell, one of the largest banking groups in Spain and a pioneer in offering SMEs innovative solutions such as venture debt financing, joined forces once more in 2022. This latest guarantee agreement will enable the Spanish bank to mobilise financing of up to €336m for SMEs. The funding will support start-ups via venture debt operations; high growth potential industrial companies with senior and mezzanine loans; and decarbonisation sector companies (renewable energy projects and sustainability companies) in products such as senior bridge loans and subordinated loans. This is one of EIF's first agreements in Spain under the InvestEU guarantee programme.

Did you know?

How does the EIF determine if a VC fund is green? The funds' focus on the green or blue economy is determined based on a comprehensive assessment and due diligence of their investment strategies and expected contribution to the EIF's public policy goals under sustainability and green transformation. Fund managers must incorporate within their fund documentation a climate and environmental investment target based on the EIB Group Climate Action and Environmental Sustainability (CA&ES) Guidelines. The CA&ES Guidelines are used as a basis for all EIF products and transactions when setting the expectations for the climate and environmental contribution of financial intermediaries' transactions at commitment level as well as for ex-post portfolio monitoring and reporting of the achievement of their contractual targets.

The EIF's impact methodology in climate impact

Where blue is actually green

The EIF has been very active in the blue economy space, supporting investors who are looking to make a difference in the field of economic activities related to oceans, seas and coasts, ranging from renewables to robotics, transport to tourism, biodiversity to biotechnology and everything in between. Our work was driven initially through a pilot scheme set up under EFSI, which will be continued under InvestEU, and more recently also through a bespoke programme jointly set up with the Portuguese government, called Portugal Blue.

Combining InvestEU resources with a joint investment from Portuguese NPI BPF, we invested €28m into Growth Blue Fund I, the only operator focusing on the lower mid-market blue economy in Iberia. The Fund, which has a target size of €50m, will invest predominantly in Portuguese SMEs across all sectors of the blue economy, in particular seafood, blue bio-economy and offshore energy, helping them with their growth strategies.

In parallel, and on the same topic of water, the EIF made its first investment into the water tech industry through its €30m commitment to PureTerra Ventures I, an early growth venture capital fund based out of the Netherlands and focusing on impact-driven companies developing disruptive technologies aimed at improving water usage, treatment, recycling, collection and conservation. Global demand for water not only exceeds its availability, but existing water resources are increasingly contaminated or wasted. According to research conducted at MIT, water stress is expected to affect 52% of the world's population by 2050.

Agriculture & agritech

The link between healthy people, healthy societies and a healthy planet has put sustainable food systems at the heart of the European Green Deal. We have been working closely with partners across Europe to finance the development of agritech solutions and also support farmers and SMEs in the agriculture sector.

In particular, we invested €39m in Zintinus Fund I, a venture capital fund focused on growth stage investments in sustainable food innovation across Europe, in particular alternative proteins, functional food, clean nutrition and food waste reduction.

In Germany, we contributed €25m in Green Generation Fund. Founded by two experienced female entrepreneurs, the fund targets innovators in the green, and food tech sectors. It aims to invest in companies that contribute to CO2 reduction and are active in areas including plant protein extraction and innovations in fermentation and cell cultivation as well as the reduction of shelf-life substances in the food industry, sustainable packaging, carbon capture solutions and green tech software.

In Ireland**,** following the successful implementation of the Future Growth Loan Scheme (FGLS, a counter-guarantee to the Irish NPI, SBCI) the Irish government decided to replicate this initiative by providing approximately €100m to the EIF for an uncapped counter-guarantee. This is a joint initiative with the EIB that will provide mezzanine and part of the senior coverage for the uncapped counter-guarantee. The final loan portfolio will support investments related to climate (30%) and the agricultural sector (40%).

Impact Investing: Making sustainability happen with the Yield Lab Europe

Accelerating the green transformation

The green transformation encompasses a broad range of other sectors, including sectors that are only barely emerging. In part, that's what the venture capital teams that we support are out to identify and foster. Many of the funds (including private equity funds) that we have supported are already making careful commitments to businesses that are turning ground-breaking research into future solutions as we transition to a cleaner, greener economy.

We supported the climate tech sector, one of the fastest-growing areas of European tech, by committing €50m into German climate tech VC fund World Fund. The fund which was ranked first in Europe for ESG by alternative assets data and insights provider Preqin earlier in 2022, invests in start-ups that have the potential to save at least 100m tonnes of CO2 equivalent per year and tackle one of the most pressing issue of our time. This is one of the largest investments the EIF has made into a first-time VC fund.

€40m were invested into Algebris Green Transition Fund, a private equity fund aiming at raising €300m that will be invested mainly in Italian companies focusing on the main sectors of green transition.

The Fund will invest, directly or indirectly, exclusively in companies that will contribute to one or more of the following UN Sustainable Development Goals: Clean Water and Sanitation, (ii) Affordable and Clean Energy, (iii) Industry, Innovation and Infrastructure, (iv) Sustainable Cities and Communities, Responsible Consumption and Production, and Climate Action.

The EIF also backed new fund initiatives and VC fund managers in the sustainable mobility field. One of them, Rethink Mobility, based in Munich, in which the EIF invested up to €20m, focuses on early-stage companies that contribute to the clean and digital future of mobility, including new technologies, products and services for vehicles, mobility, logistics and energy. The transport of people and goods has a global carbon impact of 8bn tonnes each year highlighting the importance of this sector as regards the green transition and European Green Deal.

Finally, 2022 marked the launch of the European GreenTech fund-of-funds, with a target size of €250m. Set up under the EIF's Sustainable Development Umbrella Fund (SDUF), its aim is to leverage private resources in support of companies offering entrepreneurial solutions to climate and environmental issues, in combination with delivering financial returns. The European Greentech fund-of-funds intends to invest in 10-15 VC funds and has already attracted investor interest from several parties.

Calyxia: biodegradable micro-capsules

Location: *Paris, France*
Financial Intermediary: *Astanor Ventures*
SME: *Calyxia*
Sector: *microplastics; sustainability*
Number of employees: *80+*
Financing purpose: *scaling up, commercialisation*
EIF financing: *EFSI sub-window 1, Blue Economy pilot*

"Microplastic pollution is a ticking time bomb. Microplastics don't degrade for hundreds of years - they accumulate, and we are producing two million more tonnes every year; 210 species of fish are already polluted; 90% of water is polluted. We will reach a point where this concentration is catastrophic for the environment, biodiversity and human health. That's why we need immediate action to identify the sources and eliminate them," says Jamie Walters, CEO and co-founder of Calyxia, a Paris-based company set out to do exactly that.

Today, microplastics are intentionally added to agriculture products to enhance crop yield, and to everyday products such as laundry detergents and shampoos, to achieve effects like long-lasting fragrance sensations. Microplastics are also generated by the deterioration of plastic materials used in automotive, electronics and sporting goods. As they resist degradation, these microplastics accumulate and destroy ecosystems and biodiversity. "80% of the microplastics in the ocean come from the degradation of these plastic materials," Jamie explains.

Calyxia has developed a unique technology to produce the world's first readily biodegradable and advanced performance microcapsules, to directly combat global microplastic pollution. With biodegradable microcapsules, farmers, for one, have a much more attractive option. "We work with top agrochemical companies that cover 80% of the global market, offering a regulation compliant and sustainable solution that preserves soil fertility and biodiversity at no extra cost to the farmer," he adds. Validated at an industrial scale, Calyxia's technology is here to stay. "With our technology and products, I think that within the next 20-30 years we can build an advanced and sustainable future. It will take lots of actors at different levels of the value chain, but the potential is there." EIF-backed venture capital firm Astanor Ventures agrees.

In 2021, Calyxia received an equity investment from Astanor Ventures that helped advance their impact agenda, make their first commercial product sales and scale up the product range. "We wanted to work with an impact investor with a strong track record and a reputation for supporting investors, to push our impact agenda. They helped provide exposure and communication opportunities and connected us to other investors and prospective customers. We often use them as a sounding board, to challenge ideas and get insight to adapt our strategy."

With future upside potential for food and nutrition, health and biotechnology, Jamie is confident about the impact of the business. With a proven impact in quelling marine pollution, this is good news for more than just the company and its investors.

Looking Ahead

Taking account of the challenges around us, our work will continue in the short-term with a plan to deploy around €13bn per year over the next two years.

Striving to remain sharp and agile in a constantly changing socio-economic geopolitical environment, we will be making every effort to help Europe's small businesses and mid-cap companies not only to get through the current inflation and energy crises but also to grow and form future European champions. At the same time we intend to support them as they navigate the green and digital transitions and help the EU to develop and preserve its strategic autonomy in different key areas and foster a more inclusive society.

The support to climate action and sustainability and the EIF's increased focus on impact via thematic and policy objectives will continue to be the main drivers of our work for the next few years. As ever, attracting private resources into the pursuit of these public policy objectives will remain key as we seek to amplify our impact.

InvestEU boost

Given the strong demand for InvestEU products, the EIF will continue to pursue initiatives to increase budgetary resources. This could include additional top-ups from central EU programmes, further contributions to the Member State compartment, additional contributions from non-EU Member States that will become associated to InvestEU, and other potential ad-hoc increases of the InvestEU budget.

REPowerEU initiative

The Commission's initiative to diversify our energy supplies, boost energy efficiency and saving, and accelerate clean energy production will take shape in the course of 2023, with the EIF managing €3bn worth of REPowerEU resources, aiming to mobilise €45bn in this direction.

ETCI initiative

The ETCI initiative is expected to be formally signed in early 2023. Fund-raising efforts are ongoing with the aim of raising €3.75bn for investments in the growth stage of tech champions.

Recovery & Resilience Facility

We will be working with many Member States to connect resources from their RRF allocations into the InvestEU Member State compartment, developing country-specific solutions to boost recovery efforts.

Supporting Ukraine

On the back of the successful deployment of the DCFTA mandate, the EIF is exploring, within an EIB Group context, how it could engage more actively in Ukraine, to contribute to helping Ukrainian businesses back on their feet.

2022 Transactions

Equity Signatures as at December 2022

Deal Name	Resource(s)	Team Location	EFSI SMEW	EFSI IIW	Commitment (€m)
Infrastructure					
Construction Energie Plus 2 SLP	EIF (PE) in IEU PP, IEU - Climate and Infrastructure - PP Infra, Infra Climate Funds	France	No	No	75,0
Eiffel Transition Infrastructure	EIF (PE) in IEU PP, IEU - Climate and Infrastructure - PP Infra, Infra Climate Funds	France	No	No	75,0
Eurazeo Transition Infrastructure Fund SLP	EIF (PE) in IEU PP, IEU - Climate and Infrastructure - PP Infra, Infra Climate Funds	France	No	No	75,0
Marguerite III	EIF (PE) in IEU PP, IEU - Climate and Infrastructure - PP Infra, Infra Climate Funds	Luxembourg	No	No	100,0
Mirova Energy Transition 5 SLP	EIF (PE) in IEU PP, IEU - Climate and Infrastructure - PP Infra, Infra Climate Funds	France	No	No	50,0
Pearl Infrastructure Capital II SCA, RAIF	EIF (PE) in IEU PP, IEU - Climate and Infrastructure - PP Infra	France	No	No	100,0
SC Climate Impact Fund III	EIF (PE) in IEU PP, IEU - Climate and Infrastructure - PP Infra, Infra Climate Funds	Spain	No	No	75,0
WATTS.green Renewable Energy Fund I	EIF (PE) in IEU PP, IEU - Climate and Infrastructure - PP Infra, Infra Climate Funds	Belgium	No	No	75,0
Infrastructure Total					625,0
Private Debt					
Alteralia III SCA SICAV-RAIF	EIF (PE) in IEU PP, IEU - CMU - PP	Spain	No	No	30,0
AMC V SCA RAIF	EIF (PE) in IEU PP, IEU - CMU - PP, RCR-IEU	Austria	No	No	40,0
Claret European Growth Opportunities Annex Fund I	EGF-Existing Funds Top-up Facility	United Kingdom	No	No	35,0
EMZ 10	EIF, RCR-PE	France	No	No	46,0
Kreos Capital VII	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR-PE	United Kingdom	No	No	130,0
Merito Private Debt	EGF-Selective Loan Funds Facility	Italy	No	No	30,0
Oquendo Senior Debt II SCA SICAV-RAIF	EGF-Selective Loan Funds Facility	Spain	No	No	50,0
Round2 Capital Partners II	BMWi-MDD-2, EIF, LfA GV-MDD-2, NRW-MDD-2, RCR21, SAB-MDD-2	Austria	No	No	24,8
Syntaxis New Europe Fund SCSp	JER-002 Additional funds	Poland	No	No	5,0
Private Debt Total					390,8
Private Equity					
Algebris Green Transition Fund SCSp	EIF, RCR-PE	Italy	No	No	40,0
Ambienta IV	EIF, RCR-PE	Italy	No	No	40,0
Andera Mid-Cap 5	EIF, RCR-PE	France	No	No	30,0
Capital A Fund IV CV	EIF, RCR21	Netherlands	No	No	40,0
CataCap III KS	EIF, RCR-PE	Denmark	No	No	39,7
Cipango I	EGF-Turnaround/Special Situation Funds	France	No	No	30,0
Consilium Private Equity Fund IV	EGF-Minimum & Target Fund size Facility	Italy	No	No	30,0
eEquity Growth V AB	EIF (PE) in IEU PP, IEU - CMU - PP, IEU - CMU - PP - escalar, IEU - Digital and CCS - PP, IEU - Digital and CCS - PP - escalar	Sweden	No	No	35,9
Extens E-Health Fund III SLP	EGF-Minimum & Target Fund size Facility	France	No	No	30,0
FnB Europe Fund II	EIF (PE) in IEU PP, IEU - Climate and Environmental Solutions - PP, IEU - CMU - PP, RCR-IEU	France	No	No	40,0
FSI II	EIF, RCR-PE	Italy	No	No	50,0
FSN Capital Compass I L.P.	EIF, RCR-PE	Norway	No	No	40,0
GRO Fund III K/S	EIF, RCR21	Denmark	No	No	40,0
Growth Blue Fund I	IEU - Blue Economy - LE - B, NPI BPF I - Portugal Blue	Portugal	No	No	28,0
Halder VII GmbH & Co. KG	EIF (PE) in IEU PP, IEU - CMU - PP, RCR-IEU	Germany	No	No	25,0
HCapital II FCR	EGF-Minimum & Target Fund size Facility	Portugal	No	No	12,5
Hivest II FCPI	EIF, RCR21	France	No	No	30,0
Innova/7 SCA SICAV-RAIF	EIF (PE) in IEU PP, IEU - CMU - PP, IEU - Digital and CCS - PP, RCR-IEU	Poland	No	No	40,0
Invera Private Equity Fund C.V.	EGF-Minimum & Target Fund size Facility	Croatia	No	No	0,8
KKA Value Fund II	EIF (PE) in IEU PP, IEU - CMU - PP, IEU - Digital and CCS - PP, RCR-IEU	Germany	No	No	30,0
Miura Expansion Fund I	EIF, RCR-PE	Spain	No	No	40,0
Miura Fund IV	EIF, RCR-PE	Spain	No	No	40,0
New Frontier Technology Investments Syndication SCSp	JER-009 Additional Fund	Hungary	No	No	5,1
Nordic Alpha Partners Fund II K/S	EIF (PE) in IEU PP, IEU - Climate and Environmental Solutions - PP, RCR-IEU	Denmark	No	No	40,0
Oxy Capital III	EIF (PE) in IEU PP, IEU - CMU - PP, NPI BPF II (FFI), RCR-IEU	Portugal	No	No	25,0
Parquest Capital III	EIF, RCR-PE	France	No	No	20,0
Portobello Capital Co-investment Fund SCA SICAV-RAIF	Asset Management Umbrella Fund - European Secondaries Compartment, EIF, RCR-PE	Spain	No	No	10,0
Raft Capital Baltic Equity Fund	Baltic Innovation Fund 2	Lithuania	No	No	15,0

Deal Name	Resource(s)	Team Location	EFSI SMEW	EFSI IIW	Commitment (€m)
Resource Eastern European Equity Partners III	EGF-Minimum & Target Fund size Facility	Poland	No	No	40,0
Ring Altitude Growth Capital II	EIF, RCR-PE	France	No	No	30,0
Saari II Ky	EIF (PE) in IEU PP, IEU - CMU - PP, RCR-IEU	Finland	No	No	17,5
SOL-Drei EuVECA GmbH & Co KG	EGF-Turnaround/Special Situation Funds	Austria	No	No	30,0
Verdane Edda III (E) AB	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR-PE	Sweden	No	No	40,0
Volpi Capital Investments III SCSp	EIF (PE) in IEU PP, IEU - CMU - PP, IEU - Digital and CCS - PP, RCR-IEU	United Kingdom	No	No	40,0
Xenon FIDEC	EIF (PE) in IEU PP, IEU - Climate and Environmental Solutions - PP, RCR-IEU	Luxembourg	No	No	30,0
Private Equity Total					1.074,5
Venture Capital					
415 Capital Fund II GmbH & Co. KG	EIF, ERP, RCR-VC	Germany	No	No	35,0
Acton Fund VI GmbH & Co. KG	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, LfA-EIF 3, RCR-VC	Germany	No	No	45,0
Atlantic Labs Co-Invest II GmbH & Co. KG	EIB-EIF Co-Inv Facility II - AI	Germany	No	No	7,4
Atlantic Labs V GmbH & Co. KG	EIF, ERP, RCR-VC	Germany	No	No	20,0
AVP IV	EIF (PE) in IEU PP, IEU - Digital and CCS - PP, RCR-IEU	Portugal	No	No	40,0
Bonsai Partners Fund II	EIF, RCR-VC	Spain	No	No	40,0
Brighteye Venture Capital	IEU - Digital and CCS - LE	France	No	No	30,0
CARMA Fund I Capital GmbH & Co. KG	EGF-Minimum & Target Fund size Facility, ERP	Germany	No	No	30,0
Cavalry Growth Opportunity Fund II GmbH & Co. KG	EIF (PE) in IEU PP, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, IEU - CMU - PP	Germany	No	No	20,0
Cavalry Ventures III GmbH & Co. KG	EIF, ERP, RCR-VC	Germany	No	No	40,0
Cherry Ventures Opportunities V GmbH & Co. KG	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR-VC	Germany	No	No	50,0
Citizen CIS Fund	IEU - Social Entrepreneurship and Impact Investing - LE	France	No	No	11,3
CMF-Lakestar	German CMF	Switzerland	No	No	2,0
CMF-Munich Venture Partners	German CMF	Germany	No	No	1,6
Co-investment with OTB Fund II - ClearSpace	Luxembourg Future Fund – Co-Investments	Switzerland	No	No	5,0
Co-investment with Rocket Internet Capital Partners - Convelio	EIB-EIF Co-Inv Facility II - AI	Germany	No	No	5,0
Co-investment with Telesystem - Northstar	Luxembourg Future Fund – Co-Investments	Canada	No	No	3,5
Contrarian Ventures Net Zero 2022	IEU - Climate and Environmental Solutions - LE	Lithuania	No	No	25,0
EAF-Germany	EIF-ERP in EAF Germany, ERP in EAF Germany, RCR13 in EAF Germany	Germany	No	No	9,9
Earlybird DWES Fund VII GmbH & Co. KG	EIF, ERP, LfA-EIF 3, RCR21	Germany	No	No	27,6
Educapital II	EIF (PE) in IEU PP, IEU - Social Entrepreneurship and Impact Investing - PP, RCR-IEU	France	No	No	25,0
Environmental Technologies Fund 4 LP	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR-VC	United Kingdom	No	No	35,0
EQT Growth (No.1) SCSp	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR21	Sweden	No	No	150,0
EQT Ventures III SCSp	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR-VC	Sweden	No	No	75,0
Fortino Capital Growth PE II	EIF (PE) in IEU PP, IEU - CMU - PP, RCR-IEU	Belgium	No	No	50,0
FORWARD.one Fund II Coöperatief UA	IEU - Semiconductors- LE - B, NPI Invest NL - DFF	Netherlands	No	No	27,5
Green Generation Fund GmbH & Co. KG	ERP, IEU - Climate and Environmental Solutions - LE	Germany	No	No	25,0
Hadean Capital II AS	SDUF – Health Compartment	Norway	No	No	10,0
HealthCap IX L.P.	EIF, RCR-VC	Sweden	No	No	40,0
HV Capital COIFacility 1 GmbH & Co. KG	EIB-EIF Co-Inv Facility II - AI, EIF, RCR-VC	Germany	No	No	26,7
Hventures Capital II AB	EIF, RCR-VC	Sweden	No	No	15,0
Indaco BIO	CDP-ITA Tech II, EGF-Minimum & Target Fund size Facility	Italy	No	No	55,0
Indico Opportunity Fund I	EGF-Existing Funds Top-up Facility, NPI BPF I - Portugal Tech	Portugal	No	No	17,5
Innovestor Life Science Fund Ky	EIF, RCR-VC, SDUF – Health Compartment	Finland	No	No	20,0
Inventure Fund IV Ky	EIF (PE) in IEU PP, IEU - Digital and CCS - PP, RCR-IEU	Finland	No	No	30,0
Junction Growth Investors Fund CommV	EIF (PE) in IEU PP, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, IEU - Climate and Environmental Solutions - PP, NPI Invest NL - DFF	Belgium	No	No	30,0
Keensight Spark I SLP	EIF, RCR-VC	France	No	No	20,0
Klima Energy Transition Fund, FCR	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR21	Spain	No	No	30,0
LSP Dementia Fund Coöperatieve U.A.	EGF-Minimum & Target Fund size Facility, ERP, NPI Invest NL - DFF	Netherlands	No	No	40,0
LV II Conopus AB	EIF (PE) in IEU PP, IEU - Digital and CCS - PP	Sweden	No	No	13,8
Newion Investments IV C.V.	EIF (PE) in IEU PP, IEU - Digital and CCS - PP, RCR-IEU	Netherlands	No	No	25,0
NVC Fund 2 (E) AB	EIF (PE) in IEU PP, IEU - Climate and Environmental Solutions - PP, RCR-IEU	Sweden	No	No	30,0
OTB Fund II Cooperatief U.A.	EIF (PE) in IEU PP, IEU - Digital and CCS - PP, IEU - Enabling Sectors - PP, RCR-IEU	Poland	No	No	45,0

Deal Name	Resource(s)	Team Location	EFSI SMEW	EFSI IIW	Commitment (€m)
Primo Digital	EGF-Minimum & Target Fund size Facility	Italy	No	No	25,0
Programma 103	EIF (PE) in IEU PP, IEU - Digital and CCS - PP, IEU - Digital Europe - PP - B, RCR-IEU	Italy	No	No	30,0
PureTerra Ventures I Cooperatief UA	EIF (PE) in IEU PP, IEU - Climate and Environmental Solutions - PP, NPI Invest NL - DFF, RCR-IEU	Netherlands	No	No	30,0
Rethink Mobility Fund I GmbH & Co. KG	EIF, ERP, LfA-EIF 3, RCR21	Germany	No	No	20,0
Sabadell Asabys Health Innovation Investments II, FCR	EIF (PE) in IEU PP, IEU - Enabling Sectors - PP, RCR-IEU	Spain	No	No	40,0
SHIFT Invest III Cooperatief U.A.	EIF, NPI Invest NL - DFF, RCR-VC	Netherlands	No	No	10,0
Shift4Good Fund I SLP	EIF (PE) in IEU PP, IEU - Climate and Environmental Solutions - PP, RCR-IEU	France	No	No	40,0
SHS VI Healthcare Investments GmbH & Co. KG	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR-VC	Germany	No	No	40,0
Sofinnova Digital Medicine	EIF (PE) in IEU PP, IEU - Enabling Sectors - PP, RCR-IEU, SDUF – Health Compartment	France	No	No	44,0
Specialist VC Primary and Secondary Fund II	Baltic Innovation Fund 2, EGF-Minimum & Target Fund size Facility	Estonia	No	No	18,5
Speedinvest IV EuVECA GmbH & Co. KG	EIF, ERP, LfA-EIF 3, RCR-VC	Austria	No	No	55,0
Speedinvest Opportunity I EuVECA GmbH & Co. KG	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR-VC	Austria	No	No	40,0
Usaldusfond Trind Ventures Fund II	IEU - Digital and CCS - LE	Estonia	No	No	20,0
UV T-Growth	EGF-Minimum & Target Fund size Facility	Italy	No	No	40,0
Vendep Capital Fund III Ky	EGF-Minimum & Target Fund size Facility	Finland	No	No	25,0
Volta Ventures II	EGF-Minimum & Target Fund size Facility	Belgium	No	No	22,7
Vsquared Ventures II GmbH & Co. KG	EIF (PE) in IEU PP, ERP, IEU - Enabling Sectors - PP, LfA-EIF 3	Germany	No	No	40,0
Vsquared Ventures Opportunities II GmbH & Co. KG	EIF (PE) in IEU PP, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, IEU - Enabling Sectors - PP, LfA-EIF 3	Germany	No	No	25,0
VVNP Fund II	EIF, RCR-VC	United Kingdom	No	No	37,0
WF World Fund I GmbH & Co. KG	ERP, IEU - Climate and Environmental Solutions - LE, LfA-EIF 3, NPI Invest NL - DFF	Germany	No	No	50,0
XAnge 4	EGF-Minimum & Target Fund size Facility, ERP	France	No	No	30,0
XGen Venture Life Science Fund	IEU - Enabling Sectors - LE, SDUF – Health Compartment	Italy	No	No	30,0
YZR Capital Fund I GmbH & Co. KG	EIF, ERP, LfA-EIF 3, RCR-VC, SDUF – Health Compartment	Germany	No	No	30,0
Zintinus Fund I GmbH & Co. KG	EIF, ERP in GFF-EIF Growth, GFF in GFF-EIF Growth, RCR-VC	Germany	No	No	39,0
Venture Capital Total					2.064,9
Equity total					4.155,2

Guarantee Signatures as at December 2022

Deal Name	Resource(s)	Team Location	EFSI SMEW	EFSI IIW	Commitment (€m)
Capped					
Banco Santander Totta SA - IEU - CDG	IEU - CCS - CG, IEU - Skills and Edu - CG	Portugal	No	No	14,0
Banque Populaire Alsace Lorraine Champagne - Region Grand-Est - FLPG	Région Grand-Est	France	No	No	8,0
Banque Populaire Aquitaine Centre Atlantique (BPACA) - Alter'NA	ESIF - EAFRD - Nouvelle Aquitaine	France	Yes	No	3,0
BpiFrance - IEU - CDG	IEU - CCS - CG, IEU - SME Comp - CG	France	No	No	26,0
Caisse d'Epargne Grand Est Europe - Region Grand-Est - FLPG	Région Grand-Est	France	No	No	8,0
CERSA - IEU - CCG	IEU - CCS - CG, IEU - Innov and Digit - CG, IEU - SME Comp - CG, IEU - SMEW Sustainability - CG	Spain	No	No	84,3
Credit Agricole - Alter'NA	ESIF - EAFRD - Nouvelle Aquitaine	France	Yes	No	5,0
Credit Agricole Alsace Vosges - Region Grand-Est - FLPG	Région Grand-Est	France	No	No	24,0
Denmark Green Investment Fund - IEU - CDG	IEU - SMEW Sustainability - CG	Denmark	No	No	5,2
EUROBANK SA - IEU - CDG	IEU - SME Comp - CG	Greece	No	No	15,0
Finnvera Plc. - IEU - CDG	IEU - Innov and Digit - CG, IEU - SMEW Sustainability - CG	Finland	No	No	10,2
Jacobs University Bremen - IEU - CDG	IEU - Skills and Edu - CG	Germany	No	No	9,0
Mediocredito Trentino-Alto Adige - IEU - CDG	IEU - CCS - CG, IEU - Innov and Digit - CG, IEU - SMEW Sustainability - CG	Italy	No	No	6,6
Nuevo Micro Bank - IEU - CDG	IEU - MicroFinance - CG, IEU - SME Comp - CG, IEU - SMEW Sustainability - CG, IEU - Social Entrepreneurship - CG	Spain	No	No	47,0
RIVA Y GARCIA GESTION - IEU - CDG	IEU - Innov and Digit - CG, IEU - SMEW Sustainability - CG	Spain	No	No	8,0
ST'ART - IEU - CDG	IEU - CCS - CG	Belgium	No	No	4,2
UAB Orion Leasing - IEU - CDG	IEU - CCS - CG, IEU - MicroFinance - CG, IEU - Skills and Edu - CG, IEU - SME Comp - CG, IEU - SMEW Sustainability - CG	Lithuania	No	No	3,5
United Bulgarian Bank - IEU - CDG	IEU - Innov and Digit - CG, IEU - SME Comp - CG, IEU - SMEW Sustainability - CG	Bulgaria	No	No	8,7
Capped Total					289,7
Private Debt					
Amundi Senior Impact Debt IV (ASID IV)	IEU - DDF	France	No	No	30,0
Anima Alternative 2	IEU - DDF	Italy	No	No	30,0
Eiffel Impact Direct Lending	IEU - DDF	France	No	No	30,0
Eurazeo Sustainable Maritime Infrastructure Fund	EFSI - PC Sub-window I (funded)	France	Yes	No	20,0
Fonds F2E	IEU - DDF	France	No	No	30,0
IB Deuda Impacto Espana Fund	IEU - DDF	Spain	No	No	30,0
Mount Private Debt Fund II	IEU - DDF	Poland	No	No	30,8
Oak Corporate Credit DAC	EGF-Senior Private Credit (funded)	Ireland	No	No	70,0
October SME V	IEU - DDF, NPI Invest NL - DACI	France	No	No	35,0
Rivage Climate Solutions Debt SLP	IEU - DDF	France	No	No	30,0
Private Debt Total					335,8
Regional					
Credit Agricole - FOSTER MP EAFRD	ESIF - MP-EAFRD	France	No	No	7,0
Caisse d'Epargne - ESIF - Bourgogne Franche-Comté	ESIF - Bourgogne (G&S)	France	No	No	18,0
Fundusz Gornoslaski (FGSA) - ESIF-Silesia PRSL	ESIF - Silesia Treasury and FI Interest, ESIF-Silesia	Poland	No	No	3,2
Regional Total					28,2
Securitisation					
Undisclosed	EGF	Greece	No	No	84,6
Banca Popolare di Sondrio Synthetic 2022 (Italy) - EGF ABS SLA	EGF	Italy	No	No	47,9
Bank Millennium - OR/EGF ABS SLA	EGF, EIF Own Risk	Poland	No	No	314,9
BBVA - VELA VI SME Synthetic 2022	EGF	Spain	No	No	54,0
Undisclosed	EIF Own Risk, EIB SLA	Spain	No	No	48,0
Banca Nazionale del Lavoro	EIF Fronted	Italy	No	No	86,8
Caixabank Synthetic 2022	EGF	Spain	No	No	112,5
Citadele Synthetic 2022	EIF Fronted, EIF Own Risk	Latvia	No	No	344,7
LBBW Synthetic 2022	EGF	Germany	No	No	160,3
Undisclosed	EGF	Greece	No	No	64,3
Undisclosed	EGF	Netherlands	No	No	74,2
Undisclosed	EFSI	Romania	No	Yes	26,6

Deal Name	Resource(s)	Team Location	EFSI SMEW	EFSI IIW	Commitment (€m)
Santander Consumer Bank S.A. Synthetic 2022	EIF Fronted, EIF Own Risk	Poland	No	No	241,5
Undisclosed	EIF Fronted, EIF Own Risk	Spain	No	No	104,8
Unicredit Bank 2022 (Germany)	EGF	Germany	No	No	146,2
Unicredit Bulbank Synthetic 2022	EGF	Bulgaria	No	No	90,0
UniCredit Consumer 2022	EIF Own Risk, EIB SLA	Italy	No	No	50,0
UniCredit Spa Synthetic 2022	EGF	Italy	No	No	128,0
Securitisation Total					2.179,4
Uncapped					
AB Mano Bankas - IEU - UDG	IEU - SME Comp - Solvency - UG, IEU - SMEW Sustainability - UG	Lithuania	No	No	30,0
Alba Leasing 2 - IFSMEG	InnovFin Enhancement (EFSI)	Italy	Yes	No	60,0
Almi AB - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Sweden	No	No	75,8
Alter5 Financial Technologies, S.L. - IEU - UDG	IEU - SIW Sustainability - EERE - UG	Spain	No	No	30,0
Bank Leumi - IFSMEG	InnovFin SMEG	Israel	No	No	46,6
BBVA - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Spain	No	No	200,0
BPCE - IEU - UDG	IEU - Innov and Digit - UG	France	No	No	100,0
BpiFrance - IEU - UDG	IEU - Innov and Digit - UG, IEU - SME Comp - Solvency - UG, IEU - SMEW Sustainability - UG	France	No	No	250,0
Caixa Bank - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Spain	No	No	150,0
Ceska sporitelna - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Czech Republic	No	No	40,0
Deutsche Bank Germany - IFSMEG (COVID)	InnovFin Enhancement (EFSI)	Germany	Yes	No	80,0
Erste & Steiermärkische Bank - IFSMEG (COVID)	InnovFin Enhancement (EFSI)	Croatia	Yes	No	44,4
Erste & Steiermärkische Bank d.d. - IEU - UDG	IEU - CCS - UG, IEU - Innov and Digit - UG, IEU - SIW Sustainability - EERE - UG, IEU - SMEW Sustainability - UG	Croatia	No	No	50,0
ING Belgium - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Belgium	No	No	150,0
Intesa Sanpaolo S.p.A. (Italy) - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Italy	No	No	100,0
Komercni Banka 2 - IFSMEG (COVID)	InnovFin Enhancement (EFSI)	Czech Republic	Yes	No	25,0
Merkur Cooperative Bank - IEU - UDG	IEU - SMEW Sustainability - UG	Denmark	No	No	15,0
Nordea Bank - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Finland	No	No	115,0
OP Osuuskunta (Finland) - IEU - UDG	IEU - Innov and Digit - UG, IEU - SIW Sustainability - EERE - UG, IEU - SME Comp - Solvency - UG, IEU - SMEW Sustainability - UG	Finland	No	No	148,7
OQUENDO CAPITAL - IEU - UDG	IEU - SME Comp - Solvency - UG	Spain	No	No	21,0
Raiffeisen Bank International AG - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Austria	No	No	35,0
SVC - IEU - UDG	IEU - Innov and Digit - UG, IEU - SME Comp - Solvency - UG, IEU - SMEW Sustainability - UG	Spain	No	No	101,0
Svensk Exportkredit - IFSMEG (COVID)	InnovFin Enhancement (EFSI)	Sweden	Yes	No	30,0
UniCredit Bank Austria - IEU - UDG	IEU - Innov and Digit - UG, IEU - SMEW Sustainability - UG	Austria	No	No	90,0
Unicredit Bank Austria - IFSMEG	InnovFin Enhancement (EFSI)	Austria	Yes	No	35,0
Vaekstfonden 2 - IFSMEG (COVID)	InnovFin Enhancement (EFSI)	Denmark	Yes	No	50,0
Uncapped Total					2.072,5
Guarantee Total					4.905,6

Inclusive Finance Signatures as at December 2022

Deal Name	Resource(s)	Team Location	EFSI SMEW	EFSI IIW	Commitment (€m)
Capped					
OMRO IFN SA - IEU - CDG	IEU - MicroFinance - CG	Romania	No	No	2,0
3Bank (former Opportunity Bank Serbia) - EaSI - MF	EaSI-GFI MF	Serbia	No	No	1,2
Adie - IEU - CDG	IEU - MicroFinance - CG	France	No	No	9,0
Almi AB - IEU - CDG	IEU - MicroFinance - CG	Sweden	No	No	7,9
BCR Social Finance IFN SA - IEU - CDG	IEU - MicroFinance - CG	Romania	No	No	4,0
BT Microfinantare IFN S.A. (BT Mic) - IEU - CDG	IEU - MicroFinance - CG	Romania	No	No	8,5
Ceska sporitelna - IEU - CDG	IEU - MicroFinance - CG	Czech Republic	No	No	2,2
CGM Finance Società Cooperativa Sociale Impresa Sociale - IEU - CDG	IEU - Social Entrepreneurship - CG	Italy	No	No	3,0
Colonya Caixa Pollenca 3 - EaSi MF	EaSI-GFI MF	Spain	No	No	0,8
Erste Bank 2 - EaSI - MF	EaSI-GFI MF	Austria	No	No	0,5
France Active Investment - IEU - CDG	IEU - Social Entrepreneurship - CG	France	No	No	5,0
Laboral Kutxa - EaSI - SE	EaSI-GFI SE	Spain	No	No	0,7
Microfinance Ireland - IEU - CDG	IEU - MicroFinance - CG	Ireland	No	No	3,2
Microlux - IEU - CDG	IEU - MicroFinance - CG	Luxembourg	No	No	1,0
microStart SC-ES - IEU - CDG	IEU - MicroFinance - CG	Belgium	No	No	3,0
Noviti Finance 2 - EaSi MF	EaSI-GFI MF	Lithuania	No	No	1,0
Patria Bank - IEU - CDG	IEU - MicroFinance - CG	Romania	No	No	7,0
Patria Credit 2 - EaSI - MF	EaSI-GFI MF	Romania	No	No	1,2
Patria Credit IFN SA - IEU - CDG	IEU - MicroFinance - CG	Romania	No	No	5,0
Qredits - IEU - CDG	IEU - MicroFinance - CG	Netherlands	No	No	12,0
Redi Economic Development S.A - EaSI - MF	EaSI-GFI MF	Luxembourg	No	No	1,0
Triodos 2 - EaSI - SE	EaSI-GFI SE	Netherlands	No	No	2,6
Triodos Bank - IEU - CDG	IEU - Social Entrepreneurship - CG	Netherlands	No	No	10,1
Vitas Institutie Financiara Nebancara SA - IEU - CDG	IEU - MicroFinance - CG	Romania	No	No	1,9
Capped Total					93,7
Loans					
Agro&Social Fund - EaSI Funded - MF	EaSI - Funded Product	Albania	No	No	1,0
Finora Capital - EasI Funded - MF	EaSI - Funded Product	Estonia	No	No	2,0
Fondi Besa - EaSI Funded - MF	EaSI - Funded Product	Albania	No	No	10,0
Froda AB - Easi Funded - MF	EaSI - Funded Product	Sweden	No	No	4,8
Hupoteeklaen 2 - EaSI Funded - MF	EaSI - Funded Product	Estonia	No	No	5,0
Maritza Invest - EaSI Funded - MF	EaSI - Funded Product	Bulgaria	No	No	2,0
OMRO - EaSi Funded - MF	EaSI - Funded Product	Romania	No	No	2,0
SIS Credit - EaSi Funded - MF	EaSI - Funded Product	Bulgaria	No	No	2,0
Loans Total					28,8
Inclusive Finance Total					122,5

Glossary

AMUF	Asset Management Umbrella Fund
B2B	Business to Business
CEE	Central and Eastern Europe
DCFTA	Deep & Comprehensive Free Trade Area Initiative East Guarantee Facility
EaSI	Employment and Social Innovation programme
EIBG	European Investment Bank Group
EFSI	European Fund for Strategic Investments
EGF	European Guarantee Fund
ERP	European Recovery Programme
ESG	Environmental, Social, and Governance
ETCI	European Tech Champions Initiative
FGLS	Future Growth Loan Scheme
GESIP	Gender-Smart Equity Investment Programme
GFF	German Future Fund
ICT	information and communications technology
IPO	Initial Public Offering
IISF	Irish Innovation Seed Fund
JEREMIE	Joint European Resources for Micro to Medium Enterprises
MM	Mid-Market
NPIs	National Promotional Institutions
PE	Private Equity
RCR	Risk Capital Resources
REF	Romania Recovery Equity Fund of Funds
RON	Romanian leu
RRF	Recovery and Resilience Facility
RRPs	Recovery and Resilience plans
SaaS	Software as a service
SDUF	Sustainable Development Umbrella Fund
SEGIP	Slovene Equity Growth Investment Programme
SEK	Swedish Krona
SOC	Social Outcome Contracts
VC	Venture Capital

Capital and Shareholders

(At 31.12.2022)

The EIF has an authorised capital of €7 370m, divided into 7,370 shares with a nominal value of €1m each. As at 31 December 2022, 7,300 shares were subscribed and the EIB held 59.4% (4,336) of the issued shares, the EU represented by the EC held 30% (2,190 shares) and 38 financial institutions held 10.6% (774 shares).

Country Financial Institutions	Numbers of Shares
Austria	21
UniCredit Bank Austria AG	8
Raiffeisen Bank International AG	7
Erste Group Bank AG	5
Austria Wirtschaftsservice Gesellschaft mbH (aws)	1
Bulgaria	5
Bulgarian Development Bank AD (BDB)	5
Croatia	13
Croatian Bank for Reconstruction and Development (HBOR)	13
Czech Republic	5
Národní rozvojová banka, a.s.	5
Denmark	8
Vækstfonden	8
France	175
Bpifrance Participations	167
BPCE	8
Germany	238
KfW Bankengruppe	167
NRW.BANK	20
LfA Förderbank Bayern	18
Landeskreditbank Baden-Württemberg - Förderbank (L-Bank)	13
Sächsische Aufbaubank - Förderbank (SAB)	10
ProCredit Holding AG & Co. KGaA	5
Bürgschaftsbank Baden-Württemberg GmbH	5

Greece	3
National Bank of Greece S.A. (NBG)	3
Hungary	5
MFB Hungarian Development Bank Private Limited Company	5
Ireland	10
Strategic Banking Corporation of Ireland Designated Activity Company (SBCI)	10
Italy	87
Cassa Depositi e Prestiti S.p.A. (CDP)	82
Intesa Sanpaolo S.p.A.	5
Luxembourg	13
Banque et Caisse d'Epargne de l'Etat, Luxembourg (BCEE)	13
Malta	24
Bank of Valletta p.l.c.	24
Poland	8
Bank Gospodarstwa Krajowego (BGK)	8
Portugal	15
Caixa Geral de Depósitos, S.A.	8
Banco Português de Fomento, S.A.	4
Banco BPI S.A.	3
Slovenia	25
SID banka, d.d., Ljubljana	25
Spain	91
Instituto de Crédito Oficial (ICO)	49
Banco Santander, S.A.	33
Nuevo Micro Bank, S.A.	5
Agencia de Innovación y Desarrollo de Andalucía (IDEA)	4
The Netherlands	5
Invest-NL N.V.	5
Türkiye	13
Industrial Development Bank of Turkey (TSKB)	8
Technology Development Foundation of Turkey (TTGV)	5
United Kingdom	10
Barclays Funds Investments Limited (BFIL)	5
Scottish Enterprise	5
Total	774

Board of Directors
(at 31.12.2022)

Chair
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Vice-President, European Investment Bank, Luxembourg

Members[3]
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Director of Directorate C, Investment, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission, Belgium

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Executive Director in charge of International Affairs, Strategy, Development and Research, Bpifrance Participations, France

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Markus SCHULTE
Principal Advisor for MFF, InvestEU and the relations with EIB and IFIs, Directorate-General for Economic and Financial Affairs, European Commission, Belgium

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Armands EBERHARDS
Deputy State Secretary, Ministry of Finance of the Republic of Latvia

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Financial Counsellor, Director of Unit for International Financial Affairs, Ministry of Finance, Finland

Mark SCICLUNA BARTOLI
Executive - Product Management and Development, Business Banking, Bank of Valletta, Malta

EIF Management
(at 31.12.2022)

Executive management
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Chief Executive

Roger HAVENITH
Deputy Chief Executive

Directors
Hubert COTTOGNI
Head of Mandate Management

Maria LEANDER[6]
Secretary General, Head of Legal

Rebecca LEHMANN
Head of Human and Resources Management

Jobst NEUSS
Chief Risk Officer, Head of Risk Management

Markus SCHILLO
Chief Operating Officer, Head of Operations and Information Management

Alessandro TAPPI
Chief Investment Officer, Head of Equity Investments and Guarantees

Audit Board[7]
(at 31.12.2022)

Chair
Jacek DOMINIK
General Counsel, Ministry of Finance, Poland

Members
Georgiana VAN ROMPUY
Assistant to the Director-General, Internal Audit Service, European Commission, Belgium

Sergio SIERRA
Head of Funding and Treasury, Instituto de Crédito Oficial, Spain

Alternate member
José Manuel PACHO SANCHEZ
Director-General for Corporate Resources, Instituto de Crédito Oficial, Spain

2. The Board of Directors elected Gelsomina VIGLIOTTI as Chair on 15 December 2022. She was appointed as member of the Board of Directors, to complete the term of office of Werner HOYER, by decision of the General Meeting dated 24 November 2022.
3. The appointment of a member to complete the remaining term of office of Marc DESCHEEMAECKER is pending, following his resignation from the Board of Directors, effective 15 November 2022, in connection with his resignation from the EIB's Board of Directors.
4. Werner HOYER was appointed as alternate member of the Board of Directors, to complete the term of office of Gelsomina VIGLIOTTI, by decision of the General Meeting dated 24 November 2022.
5. Alain GODARD's term of office ended on 31/12/22. On 1/1/23 Marjut FALKSTEDT took over as Chief Executive.
6. Maria LEANDER retired on 30/9/22 and was replaced by Nicolas PANAYOTOPOULOS as Secretary of the EIF as from 30/5/22.
7. By decision of the General Meeting dated 27 September 2022, the composition of the Audit Board was increased to six members, to be nominated by the shareholding groups with the following proportion: three members nominated by the EIB, two members nominated by the European Commission and one nominated by the financial institutions. Effective 12 January 2023, the General Meeting appointed Rossella LOCATELLI and Delphine REYMONDON as members of the Audit Board. The third member to be nominated by the EIB will be proposed for appointment in due course.

Audit & Controls

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

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

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

The second layer of control consists of independent risk and compliance functions, which implement an ex-ante risk assessment and reporting framework for each transaction proposed for approval, complemented by ex-post risk monitoring where relevant *(see sections on Risk Management and Legal Service)*.

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

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

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

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

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

In order to discharge its duty in relation to the financial statements, the Audit Board may have recourse to external auditors. The audit of the financial statements of the EIF for the year ending 31 December 2022 was carried out by KPMG Luxembourg, as external auditor.

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

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

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

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

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

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

Risk Management

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

In 2022, the economic consequences of the war in Ukraine and the ongoing inflation in Europe have reduced the global growth forecasts and increased the uncertainty about global economic recovery. Under this macro-economic scenario, EIF risk management maintains appropriate capital planning activities and robust risk policies and methodologies which kept EIF risk profile within the parameters set out in its risk appetite statement.

EIF risk management covers financial and non-financial risks. To apply effective risk management techniques and to maintain adequate capitalisation and a solid liquidity position, EIF Risk Management performs the ICAAP and the ILAAP which contribute to the Group documents, such as the Group ICAAP and ILAAP, the Group Risk Appetite Framework and the Group Capital Plan under the lead of the Group Chief Risk Officer.

During the year, EIF risk management has strengthened its processes, procedures and reinforced the resources allocated to the risk functions. Furthermore, contribution to Group alignment projects has advanced, considering an alignment when applicable while maintaining EIF specificities. Notably, EIF Risk Management has:

- strengthened the risk assessment of its operations and monitoring of its portfolio by enhancing its securitisation model;
- successfully finalised the implementation of the risk monitoring and risk reporting for new mandates such as EGF;
- contributed to Group Risk Management activities and data management projects (BCBS 239) as well as strengthened the cooperation on information security;
- improved key internal processes and resources including the risk assessment of new mandates;
- further developed the EIF Risk Appetite Framework and Risk Appetite Statement and enlarged the coverage of non-financial risk key indicators;
- increased the EIBG cooperation through intra-Group harmonisation and work on increasing the consistency of risk models and procedures, when necessary, with best banking and market practices;
- enhanced the environmental and social sustainability framework and its application to operations;
- enhanced its liquidity risk indicators and reviewed its contingency funding plan;
- improved the visibility of the impact of investments with the first contribution to the EIBG SDG report.

Compliance

Under the terms of its Compliance Charter, the Compliance function assesses - in line with best market practices and in line with the EIB Group's policy framework – the (i) institutional, (ii) transactional and (iii) ethical aspects of the EIF's compliance risk.

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

The EIF's compliance risk assessment strives to protect the institution, notably against risks that could have an adverse effect on its reputation.

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

Specific compliance risk assessments and applicable monitoring activities are established and performed for market abuse, conflicts of interest and conduct topics.

The Compliance Function provides training and raises awareness on compliance matters and implements the EIB Group Staff Code of Conduct and Whistleblowing Policy with a view to instilling a culture of integrity throughout the EIF. As such, an advisory and decision-making role on ethics and integrity issues is ensured through the provision of opinions and recommendations to support strict compliance with the principles and high standards of professional ethics and integrity.

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

Data protection

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

- giving regular training to staff and senior management;
- providing ongoing support to the EIF Services;
- keeping data protection procedures up to date;
- supporting the publication of relevant privacy statements and ensuring the regular update of the Records of Processing Activities (RoPA);
- implementing a tailor-made surveillance programme aimed at verifying EIF ongoing compliance with the data protection regulation;
- ensuring effective cooperation with the European Data Protection Supervisor.

Legal Service

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

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

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

In terms of institutional and corporate matters, the legal service supports the implementation of good corporate governance, coordinates and advises on contractual arrangements at institutional level. The legal service aims to ensure that the EIF conducts its activities in accordance with its Statutes, mission and values, applicable law and relevant contractual obligations. It further aims to ensure smooth functioning of the EIF's corporate bodies, under the coordination of the EIF's Secretary General.

As a European Union body, a member of the EIB Group and a financial institution, institutional matters concerning the EIF cover a wide range of areas and at times necessitate cooperation with the EIF's shareholders, as well as specific and proactive attention to the development of EU policy and legislative and governance frameworks.

In addition, the legal service is called upon to advise on numerous structuring, corporate, governance and regulatory matters relating to third party mandates, including external structures (funds-of-funds), for which the EIF acts as manager and/or adviser.

In order to create the necessary interface between the EIF's institutional role, its mandate management activity and transaction delivery, the activities of the transactions and the corporate and institutional teams are closely coordinated, with the aim of providing seamless advice and expertise across the EIF's business.

Contacts and References

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EIF also has offices in Athens, Bucharest, Istanbul, Madrid, Rome, Sofia.

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 2022 and any references to figures throughout the text apply to the same period unless otherwise stated. EIF's 2022 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 2021 and 30 September 2022.
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Financial Statements 2022

Financial Statements 2022

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

Report of the Réviseur d'Entreprises Agréé

Report on the audit of the financial statements

Opinion

We have audited the financial statements of European Investment Fund (hereafter "EIF"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

Key audit matters

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

Recognition of Commission income

Why the matter was considered to be one of the most significant in the audit?
Commission income, representing remuneration for management of mandates entrusted by mandators such as the European Commission or the Member States to EIF for the purpose of implementation of financial instruments on their behalf, is a significant component of the operating profit with EUR 203.2 million commission income recognized by EIF for the year ended 31 December 2022.

Under contractual arrangements, EIF is tasked with the deployment and the management of mandators' resources for extended periods of time, generally receiving consideration upfront within the first years after the setup of the mandates. EIF developed and implemented a deferred income mechanism for revenue recognition based on input method that considers the timing of cash inflows and the Stage of completion of these contracts. As at 31 December 2022, the aggregate amount that EIF expects to be entitled to over the contract life ("transaction price") allocated to the unsatisfied part of the performance obligation amounts to EUR 1 156.6 million out of which EUR 288.6 million has already been invoiced and deferred in contract liabilities. EIF expects to recognise such revenue over the remaining expected life of the mandates under management.

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

The key inputs and assumptions used by Management in its assessment of the revenue to be recognised are detailed in Note 2.14 further disclosures related to commission income are presented in Notes 4.4, 5.4 and 7.4 to the financial statements.

How our audit addressed the area of focus?
Our procedures over the recognition of commission income included, but were not limited to the following:

We obtained an understanding of Management's processes and controls for determining the transaction price that EIF expects to be entitled to over the contract life and of the timing of the satisfaction of the performance obligation. This included obtaining from Management the model preparation governance structure and protocols around their oversight of the cost assessment and corporate operational plan review process, as well as corroborating our understanding through inquiries with appropriate personnel of EIF.

We have identified key controls in the process, assessed the design adequacy and tested the operating effectiveness of some of the key controls. In addition, we obtained the ISAE 3402 report on EIF's internal controls, compared our understanding of identified key controls in the process, assessed adequacy of their design and implementation and inspected the conclusions reached based on the testing of operating effectiveness of those controls. We noted no observations nor exceptions in the report which allowed us to rely on controls over fee accruals calculation, invoicing and preparation, as well as annual review of deferred income models.

We compared the revenue recognition methodology to IFRS 15 requirements and to EIF's internal guidelines. We sought explanations on key judgement exercised by Management when applying the relevant standard and guidance, and we discussed and assessed their appropriateness and relevance.

For a selection of mandates, we reconciled the management fee structure in the models to the relevant contractual arrangements, assessed the assumptions made to derive the input parameters used in the deferred income models and the adequacy of their application, and reconciled the input parameters linked to past performance to annual operational reports issued to mandators.

For the selected mandates, we also evaluated the fee indicators expected to be triggered in the future according to the Corporate Operational Plan with particular focus on adequateness of constraints applied to the variable component of the transaction price by Management. We assessed whether Corporate Operation Plans are correctly and timely updated to reflect amendments to the contractual arrangements, if any, and the current market absorption of financial instruments deployed under those agreements.

For the selected mandates, we compared the cost assessment over their lifetime to the prior year assessment in order to identify and investigate any changes in revenue recognition pattern, and we recalculated the revenue to be recognized for the current financial year.

Valuation of Financial guarantees

Why the matter was considered to be one of the most significant in the audit?
The financial guarantee portfolio, for which an ongoing credit quality risk monitoring process has been set up to manage EIF's exposure, comprises both portfolio guarantees and structured financed transactions (together referred to as "G&S transactions"). As at 31 December 2022, the Fund's provisions for financial guarantees amount to EUR 13.1 million and financial guarantee assets amount to EUR 16.7 million. EIF's exposure at risk amounts to EUR 9 450.7 million as at 31 December 2022.

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

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

Any increase or decrease of the liability relating to financial guarantees, excluding the recognition of new financial guarantees, is recognised in the statement of comprehensive income under "Net result from financial guarantee operations".

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

The expected credit loss is recognised in the statement of comprehensive income under "Expected credit loss allowance".

EIF's Management has developed a set of tools to measure the credit exposure on G&S portfolio and to analyse and monitor portfolio guarantees and structured finance transactions using Exposure at Default and an internal rating system based on Expected Loss and Weighted Average Life.

IFRS 9 requires in particular the setup of a three-Stage model of impairment based on changes in credit quality since initial recognition that leads to change in expected credit loss (ECL) measurement. The ECL is measured on either a 12-months (12M) or Lifetime basis depending on the staging of the exposure.

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

Key inputs and assumptions used by Management in its assessment of the valuation of financial guarantees and related provisions are detailed in Note 2.4 and further disclosures are presented in Notes 3.4 and 5.1 to the financial statements.

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

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, the 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 KPMG specialists to review the internal rating model developed by EIF that reflects its assessment of the expected loss of the underlying portfolios of SME loans covered by guarantee agreements with financial intermediaries. KPMG specialists were also involved to review the three-Stage model for impairment and its impact in the expected credit loss measurement.

We have identified key controls in the process, assessed the design adequacy and tested the operating effectiveness of some of key controls. In addition, we have obtained the ISAE 3402 report on EIF's internal controls, compared our understanding of identified key controls in the process, assessed adequacy of their design and implementation and inspected the conclusions reached based on the testing of operating effectiveness of those controls. We did not note significant observations or exceptions in the report that would prevent us from relying on relevant controls over the valuation process of financial guarantees.

We have considered the impact of the Covid-19 recovery and the geopolitical uncertainty in our risk assessment and have designed our audit procedures accordingly.

We compared Management's valuation methodology to IFRS 9 and EIF's internal guidelines. We sought explanations from Management on key judgement exercised by Management when applying the relevant standard and guidance, and we 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's internal policy. We assessed whether internal ratings had been correctly and timely updated based on credit and market events. We further assessed additional assumptions made to derive the valuation such as the weighted average life, expected maturity date, tranche full profile of guarantee contracts and present value of guarantee fee income and cross-checked these assumptions with market data where applicable. On a sample basis, we reconciled guarantee calls paid during the year to payment demand notices from financial intermediaries.

We recalculated the provision for financial guarantees based on the expected credit loss three-Stage model for impairment.

Valuation of private equity investments

Why the matter was considered to be one of the most significant in the audit?
As at 31 December 2022, EIF's private equity investments amount to EUR 1 578.1 million. The Private Equity investments portfolio comprises mainly investment funds ("target funds") investing primarily directly or indirectly into unquoted small and medium sized enterprises. As discussed in Notes 2.3.3.1, 3.1.1.4, 3.2 and 4.3.1 to the financial statements, the fair value of EIF's investments in target funds is determined by calculating its share of net asset value (NAV) in each of the target funds, either on the basis of their reported unaudited NAVs calculated as at 31 December 2022 or by adjusting the last available unaudited NAV reported by the target fund ("the adjusted NAV method") as a proxy to fair value.

For the majority of target funds, the unaudited NAVs as at 31 December 2022 are not available. Consequently, the application of valuation techniques, assumptions and market impacts is necessary to determine the fair value of the portfolio of private equity investments held as at the year-end. The application of such valuation techniques involves the exercise of significant judgements by Management in relation to the choice of relevant inputs and assumptions used into the respective model in order to determine the NAVs as at 31 December 2022.

Due to the application of fair valuation techniques and use of unobservable inputs in the valuation model, we considered the valuation of private equity investments as a Key Audit Matter as at 31 December 2022. Auditing the fair value of these investments required a high degree of auditor judgment and increased effort, including the involvement of KPMG valuation specialists.

How our audit addressed the area of focus?
Our procedures over the valuation of private equity investments included, but were not limited to the following:

We obtained an understanding of Management's processes and controls for determining the valuation of private equity investments. This included discussing with Management the risk management activities, the valuation governance structure and protocols around their oversight of the valuation process, and corroborating our understanding by making inquiries with appropriate personnel of EIF.

We documented and assessed the design and implementation of the valuation processes and key controls in relation to private equity investments.

We have considered the impact of the Covid-19 recovery and the geopolitical uncertainty in our risk assessment and have designed our audit procedures accordingly.

We tested, on a sample basis, the mathematical accuracy of the net asset values, the date of receipt of the target funds' net asset values and assessed whether the valuation methodologies used were appropriate for the population of target funds not reporting their NAVs as at the year-end.

We compared key underlying financial data inputs used by EIF in their valuation to external sources such as relevant indices and financial information of comparable sectors. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report.

We evaluated Management's ability to estimate the fair value by comparing the investment funds audited net asset values to prior valuations to understand the reasons for any significant variances and determined whether they are indicative of bias and error in EIF's approach to valuations.

With the assistance of KPMG valuation specialists, we evaluated key inputs applied by EIF Management in the statistic model to derive the estimated NAVs for the last quarter. We tested the underlying source information of the assumptions by developing a range of independent estimates to compare those to the inputs used by Management.

We tested, on sample basis, Management's assumptions through independent analysis and comparison to external sources by inspecting industry reports for each relevant industry, where relevant, we evaluated the consistency of current valuations with expected industry performance and checked whether significant economic or industry events had been included.

Other information

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with the 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 Company'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 Management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report

of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Luxembourg,
28 March 2023

KPMG Audit S.à r.l.

Cabinet de révision agréé

M. TABART

Statement by the Audit Board

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

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

having designated KPMG Audit S.à r.l. cabinet de révision agréé as external auditor of the EIF pursuant to Art. 19 of the Rules of Procedure,

having studied the financial statements, which comprise the statement of financial position as at December 31, 2022 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 97 ("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 28 March 2023 drawn up by KPMG Audit S.à r.l. cabinet de révision agréé,

noting that this report gives an unqualified opinion on the Financial Statements of EIF for the financial year ending 31 December 2022,

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,
28 March 2023

The Audit Board

Jacek DOMINIK

Georgiana VAN ROMPUY

Sergio SIERRA

Rossella LOCATELLI

Delphine REYMONDON

Statement of financial position
as at 31 December 2022 (expressed in EUR)

Assets	Notes	31.12.2022	31.12.2021
Cash and cash equivalents	4.1	452 589 376	284 939 841
Financial instruments at Amortised Cost			
Debt investments	4.2		
of which Treasury portfolio	4.2.1	2 424 684 517	2 445 697 846
of which Microfinance Loans	4.2.2	13 120 079	3 887 992
		2 437 804 596	2 449 585 838
Financial instruments at Fair Value through Profit or Loss	4.3		
Private equity investments	4.3.1	1 578 087 650	1 539 717 710
Guaranteed funded operations	4.3.2		
of which EU funded operations		69 140 449	0
of which EU guarantee		3 682 364	0
		72 822 813	0
Debt investments	4.3.3	402 814 632	381 038 562
		2 053 725 095	1 920 756 272
Financial guarantees	5.1	16 667 219	32 688 191
Other assets	4.4	533 892 998	497 185 700
Intangible assets	4.5	1 070 985	1 219 017
Property and equipment	4.6	196 034	241 856
Total Assets		5 495 946 303	5 186 616 715
Liabilities			
Provisions for financial guarantees	5.1	13 050 312	11 413 583
Retirement benefit obligations	5.2	391 066 824	667 532 823
Financial liabilities at Amortised Cost	5.3	157 865 603	0
Other liabilities and provisions	5.4	565 071 154	533 621 144
Total liabilities		1 127 053 893	1 212 567 550
Equity			
Share capital	5.5		
Subscribed		7 300 000 000	7 300 000 000
Uncalled		(5 840 000 000)	(5 840 000 000)
		1 460 000 000	1 460 000 000
Share premium		1 098 490 750	1 098 490 750
Statutory reserve	5.6	562 871 476	450 000 000
Retained earnings	5.6		
of which result brought forward after allocation approved by AGM		1 096 504 049	660 059 655
of which the re-measurement of the defined benefit obligations		80 612 377	(258 858 622)
		1 177 116 426	401 201 033
Profit for the financial year		70 413 758	564 357 382
Total Equity		4 368 892 410	3 974 049 165
Total Equity and Liabilities		5 495 946 303	5 186 616 715

The notes on pages 15 to 97 are an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2022 (expressed in EUR)

	Notes	31.12.2022	31.12.2021
Interest and similar income	7.1	17 853 765	10 607 603
Net income from private equity investments	7.2	48 695 204	61 060 323
Net result from financial guarantee operations	7.3	70 039 692	74 446 590
Commission income	7.4	203 154 900	207 723 526
Net result on financial operations	7.5	(183 461)	12 929 162
Other operating income	7.6	32 250	27 000
General administrative expenses	7.7		
Staff costs:			
of which wages and salaries		(74 958 466)	(71 648 088)
of which social security and contribution costs		(76 442 872)	(88 057 116)
		(151 401 338)	(159 705 204)
Other administrative expenses		(56 387 165)	(56 612 662)
		(207 788 503)	(216 317 866)
Depreciation and amortisation	4.5, 4.6	(85 854)	(61 222)
Operating profit for the financial year		131 717 993	150 415 116
Net result from financial instruments at fair value through profit or loss			
of which private equity investments	4.3.1	(39 033 264)	414 955 991
of which financial guarantees	5.1	(10 663 349)	74 074
of which debt investments	4.3.3	(11 279 970)	(1 219 514)
		(60 976 583)	413 810 551
Net result from guaranteed operations at fair value through profit or loss			
of which EU funded operations	4.3.2	(3 682 364)	0
of which EU guarantee	4.3.2	3 682 364	0
		0	0
Expected credit loss allowance			
of which financial guarantees	5.1	(57 317)	58 170
of which debt investments	4.2	(270 335)	73 545
		(327 652)	131 715
Profit of the year generated by the change of the fair values		(61 304 235)	413 942 266
Net profit for the financial year		70 413 758	564 357 382
Other comprehensive income			
Re-measurement of defined benefit obligation not reclassified subsequently to profit/(loss)	5.2	339 470 999	210 246 000
Total comprehensive income for the financial year		409 884 757	774 603 382

The notes on pages 15 to 97 are an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2022 (expressed in EUR)

Attributable to equity holders of the Fund

		Subscribed Capital	Callable Capital	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Net profit for the financial year	Total Equity
Balance as at 31.12.2020		4 500 000 000	(3 600 000 000)	900 000 000	437 772 286	424 406 228	87 951 538	128 597 267	1 978 727 319
Total comprehensive income									
Net profit for the financial year		0	0	0	0	0	0	564 357 382	564 357 382
Re-measurement of the defined benefit obligation	5.2	0	0	0	0	0	210 246 000	0	210 246 000
Transactions with owners									
Appropriation of profit incl. dividend	5.6	0	0	0	0	25 593 772	103 003 495	(128 597 267)	0
Share issue	5.5	2 800 000 000	(2 240 000 000)	560 000 000	660 718 464	0	0	0	1 220 718 464
Balance as at 31.12.2021		7 300 000 000	(5 840 000 000)	1 460 000 000	1 098 490 750	450 000 000	401 201 033	564 357 382	3 974 049 165
Total comprehensive income									
Net profit for the financial year		0	0	0	0	0	0	70 413 758	70 413 758
Re-measurement of the defined benefit obligation	5.2	0	0	0	0	0	339 470 999	0	339 470 999
Transactions with owners									
Appropriation of profit incl. dividend	5.6	0	0	0	0	112 871 476	436 444 394	(564 357 382)	(15 041 512)
Share issue	5.5	0	0	0	0	0	0	0	0
Balance as at 31.12.2022		7 300 000 000	(5 840 000 000)	1 460 000 000	1 098 490 750	562 871 476	1 177 116 426	70 413 758	4 368 892 410

The notes on pages 15 to 97 are an integral part of these financial statements

Cash flow statement for the year ended 31 December 2022
(expressed in EUR)

Cash flows from operating activities	Notes	31.12.2022	31.12.2021
Profit for the financial year		70 413 758	564 357 382
Adjustments for:			
Depreciation and amortisation	4.5, 4.6	85 854	61 222
Net result from financial instruments at fair value through profit or loss	4.3	60 976 583	(413 810 551)
Expected credit loss allowance	4.2, 5.1	327 652	(131 715)
Interest income on debt investments	7.1	(11 948 295)	(8 684 195)
Net result on sale of private equity investments	7.5	249	0
Net result on sale of debt investments	7.5	1 005 933	83 438
Provision for financial guarantees	5.1	6 871 592	1 060 035
Provision for retirement benefit obligations		36 694 904	47 333 059
		164 428 230	190 268 675
Change in private equity investments	4.3.1	(77 403 452)	(142 304 977)
Change in guaranteed funded operations	4.3.2	(72 822 813)	0
Financial guarantee calls paid and recoveries received	7.3	65 442	(173 253)
Change in other assets and liabilities		21 052 808	77 050 307
		(129 108 015)	(65 427 923)
Net cash from operating activities		35 320 215	124 840 752
Cash flows from investing activities			
Acquisition of debt investments	4.2, 4.3.3	(508 185 668)	(1 658 583 406)
Proceeds from sale or matured debt investments	4.2, 4.3.3	486 605 406	364 969 365
Interest received on debt investments		10 977 491	5 438 633
Acquisition of intangible assets and property and equipment	4.5, 4.6	108 000	(653 145)
Net cash from investing activities		(10 494 771)	(1 288 828 553)
Cash flows used in financing activities			
Change in financial liabilities at amortised cost	5.3	157 865 603	0
Dividend paid	5.6	(15 041 512)	0
Capital increase	5.5	0	1 220 718 464
Net cash from financing activities		142 824 091	1 220 718 464
Cash and cash equivalents at the beginning of the year	4.1	284 939 841	228 209 178
Net cash from:			
Operating activities		35 320 215	124 840 752
Investing activities		(10 494 771)	(1 288 828 553)
Financing activities		142 824 091	1 220 718 464
Cash and cash equivalents at the end of the year	4.1	452 589 376	284 939 841

The notes on pages 15 to 97 are an integral part of these financial statements

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", the "EU"), and a group of financial institutions of Member States of the European Union and of a candidate country. The members of the Fund shall be liable for the obligations of the Fund only up to the amount of their share of the capital subscribed and not paid in.

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

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

02. Significant accounting policies and basis of preparation

2.1 Basis of preparation

2.1.1 Statement of compliance

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

The financial statements are presented in euro rounded to the nearest euro, unless otherwise indicated.

The Fund's financial statements have been authorised for issue by the Board of Directors on 28 March 2023.

2.1.2 Basis of measurement

The financial statements have been prepared on an historical cost basis except for the following material items in the statement of financial position as at 31 December 2022:

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

2.1.3 Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 2.3, 2.4, 2.8, 2.10, 2.14, 5.2, 5.4 and 6.

Judgements and estimates are principally made in the following areas:

- Determination of expected credit loss allowance of debt investments at amortised cost as disclosed in note 2.3.1 and 2.3.2;
- Determination of fair value of private equity investments as disclosed in notes 2.3.3.1 and 2.3.3.2;
- Determination of control or significant influence over investees as described in note 2.3.3.3;
- Determination of fair value of guaranteed funded operations as disclosed in note 2.3.4;
- Determination of fair value of the guarantee arising from the InvestEU Programme as disclosed in note 2.3.4;
- Determination of fair value of debt investments at fair value through profit or loss as disclosed in note 2.3.5;
- Determination of expected credit losses for financial guarantees as disclosed in note 2.4;
- Determination of contract liabilities and commission income as disclosed in notes 2.10 and 2.14;

Actuaries' assumptions related to the measurement of pension liabilities and post-retirement benefits as described in notes 2.8 and 5.2;

Determination of provision for risks and liabilities as described in note 5.4;

Determination and disclosures of unconsolidated structured entities and investment entities in which the Fund has an interest as described in note 6.

2.1.4 Changes in accounting policies and presentation

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

The Fund has reclassified consultancy costs from Staff costs – wages and salaries to Other administrative expenses in 2022. Comparative amounts have been restated accordingly in the statement of comprehensive income.

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 recognised either in the profit or loss or in equity.

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

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

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

2.2 Cash and cash equivalents

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

2.3 Financial assets

2.3.1 Classification and measurement

2.3.1.1 Initial recognition, measurement and de-recognition

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

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

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

2.3.1.2 Classification

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

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

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

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

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

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

All other financial assets are classified and measured at FVTPL.

Business model assessment

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

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

The EIF business model is to hold future cash flows.

SPPI criteria

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

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

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

2.3.1.3 Fair value measurement

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

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

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

2.3.1.4 Expected credit loss measurement

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

Expected credit loss is recognised for the treasury portfolio, the microfinance loans and the financial guarantees. For more details, see note 3.4.1.5.

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

2.3.2 Debt investments at amortised cost

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

As classified and measured at amortised cost, a 12 month or lifetime expected credit loss depending on the allocated staging is calculated and accounted for at each reporting date. See note 3.4.1.5.

2.3.3 Private equity investments at fair value through profit or loss

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

2.3.3.1 Fair value measurement of the Private equity investments

Private equity (PE) investments are measured at FVTPL and disclosed in accordance with the fair value hierarchy required by IFRS 13. Given the nature of PE, market prices are often not readily available and in the absence of these, valuation techniques (level 3 according to the fair value hierarchy) are applied.

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

Category A - funds that have adopted the fair value requirements of IFRS 9 or International Private Equity and Venture Capital guidelines (IPEV valuation guidelines). The fair value is calculated by applying the aggregated Net Asset Value (NAV) method. This valuation method implicitly assumes that if the NAVs of underlying funds can be considered as equivalent to the fair value as determined under IFRS 9, then the aggregation of the NAVs of all funds will itself be equivalent to the fair value as determined under IFRS 9.

Category B - funds that have adopted other valuation guidelines or standards that can be considered as in line with IFRS 9 from which an equivalent NAV can be calculated.

Category C – funds that have not adopted the fair value requirements of IFRS 9 or any other valuation guidelines complying with IFRS 9. These investments are further classified as:

Category C.1 – the valuation of investments under this sub-category is re-performed internally by Equity Investments & Guarantees department.

Category C.2 – investments under this sub-category are internally fair valued by analysing the information communicated by fund managers when providing the NAV on a quarterly basis.

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

The fair value is determined by applying either the Fund's percentage ownership in the underlying vehicle to the net asset value reflected in the most recent report, adjusted for cash flows or, where available, the precise share value at the same date, submitted by the respective fund manager.

EIF developed a valuation technique to estimate any adjustment on the fair value of the PE investments for the NAVs not reported by the fund managers at the reporting date of EIF's financial statements. In particular, EIF is considering the below elements to determine the fair value of the Private equity investments:

- Insight information collected from the markets;
- Comparison of the performance of the benchmarks, i.e. the MSCI benchmark, the LPX Venture Price index and the LPX Buyout Price index, with the performance of the portfolio by reviewing the correlation between the portfolios;
- Observable trends from the last quarter NAVs available at the reporting date;

Based on the three elements considered all together, EIF through its Portfolio Investment and Risk Committee for equity ("IRC-E") on performance is able to determine an adjustment rate, if any, to be applied on the portfolio to derive a best estimate.

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

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

2.3.3.3 Interests in joint ventures and associates

The EIF complies with the conditions necessary to use the venture capital organisations and similar entities measurement exemption included in IFRS 11 and IAS 28.1 and consequently decides not to use equity accounting in respect of any investments in joint ventures or associates: upon initial recognition, holdings in the joint ventures or associates are designated as at fair value through the profit or loss, and measured subsequently at fair value, with changes in fair value recognised in the profit or loss during the year of the change.

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

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

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

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

2.3.4 Guaranteed funded operations at fair value through profit or loss

Guaranteed funded operations at fair value through profit or loss include PE investments disbursed by the Fund on behalf of the European Union represented by the European Commission under the InvestEU Programme. The European Commission provides a guarantee to EIF to invest on the Guaranteed funded operations, such that all the risks and rewards ultimately belong to the European Commission. To finance the acquisition of the Guaranteed funded operations, the EIB provides a funding line to EIF.

The Guaranteed funded operations are composed of two elements that are recognised with separate accounting schemes and separate measurements:

- to recognise the funded operations such as private equity transactions acquired on behalf of the European Union represented by the European Commission, which comprises both the net paid in and the fair value adjustments reflecting the risk of the funded operations deployed;
- to recognise the effect of the guarantee arising from the InvestEU Guarantee Programme, which is recognised under the caption "Guaranteed funded operations" and measured at fair value through profit or loss. This reflects the terms and conditions of the coverage of the guarantee and the credit of the guarantor (i.e. the European Commission) in the form of a PE portfolio and a guarantee arising from the InvestEU Programme.

Guaranteed funded operations:

Guaranteed funded operations are initially recorded at cost (their net disbursed amounts) and are subsequently measured at FVTPL and disclosed in accordance with the fair value hierarchy required by IFRS 13. For additional details on the valuation technique, see note 2.3.3.1.

Guarantee arising from the InvestEU Programme:

The Fund benefits from a guarantee arising from the InvestEU Programme that originates from a guarantee granted by the European Union represented by the European Commission in the context of the InvestEU Programme.

This guarantee is measured at fair value through profit or loss.

2.3.5 Debt investments at fair value through profit or loss

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

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

2.4 Financial guarantee operations

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

Financial guarantees consist of a receiver leg and a payer leg. The financial guarantees are presented in the statement of financial position by offsetting the receiver leg with the payer leg. They are initially recognised at fair value plus transaction costs that are directly attributable to the issuance of the financial guarantees. At initial recognition, the obligation to pay corresponds to the Net Present Value (NPV) of expected premium inflows. The EIF has developed a model to estimate the NPV. This calculation is performed at the starting date of each transaction.

Subsequent to initial recognition, the payer leg of the financial guarantees is measured at the higher of:

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

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

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

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

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

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

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

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

2.5 Other assets

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

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

2.6 Intangible assets

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

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

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

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

2.7 Property and equipment

2.7.1 Property and equipment

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

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

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

2.7.2 Impairment of non-financial assets

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

2.8 Employee benefits

2.8.1 Post-employment benefits

Pension fund

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

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

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

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

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

Optional supplementary provident scheme

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

Health insurance scheme

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

2.8.2 Short-term employee benefits

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

2.8.3 Other long-term employee benefits

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

2.9 Financial liabilities at amortised cost

Financial liabilities at amortised cost correspond to the funding line provided by EIB under the InvestEU Programme in respect of certain Guaranteed funded operations, capacity building investment operations and guarantee operations as well as currency purchases in respect of exposures in non-EUR currency.

The funding line is used to finance the acquisition of Guaranteed funded operations (see note 2.3.4) as well as other assets giving rise to a receivable from the European Union represented by the European Commission (see note 2.5).

The outstanding principal is repaid on final maturity date at the latest and prepaid with the aggregate proceeds generated from operations deployed under the InvestEU Programme and the amounts called by the EIF on the EU Guarantee under InvestEU (see note 2.5).

Financial liabilities at amortised cost are initially recorded at cost and presented at amortised cost.

The cost of funding is repaid using amounts called by the EIF on the InvestEU Guarantee and is recorded under "Other assets" using the effective interest rate method.

2.10 Other liabilities and provisions

Other liabilities are classified according to the substance of the contractual arrangements entered into. Trade payables are non-interest bearing liabilities and are stated at amortised cost. They include contract liabilities that correspond to advance commission income that the Fund receives for services that will be performed in the future. As the service is delivered over time, it will be recognised as revenue on the income statement. For the description of revenue recognition, see note 2.14.

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

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

2.11 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.

2.12 Net income from Private equity investments

Net income from Private equity investments mainly includes capital dividends and repayments, which are recognised in the statement of comprehensive income when the EIF's investment cost is fully reimbursed.

2.13 Net result from financial guarantee operations

Net result from financial guarantee operations includes:

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

2.14 Commission income

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

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

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

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

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

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

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

Regarding the performance obligations satisfied over time, the EIF uses the "Input Method" to recognise income on the basis of its efforts or inputs to the satisfaction of these performance obligations and recognise over the time such fees. The resources consumed and costs incurred are deemed proportionate to the EIF's progress in satisfying the performance obligation, and hence the input method is a faithful depiction of the transfer of services.

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

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

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

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

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

Determination of the transaction price

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

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

The EIF estimates the transaction price through financial modelling based on expected deployment of the mandates and market absorption of their products having regards to its experience with similar financial instruments and on their actual performance compared to its corporate operational plan. Significant judgement is applied to those fee indicators that are considered to be outside of the EIF's control.

Determination of the timing of the satisfaction of performance obligation

In determining the Stage of completion of mandate management contracts, the EIF applies judgement in respect of the expected costs for the duration of these contracts, which serves as input in the deferred income models to determine the timing of the transaction price recognition in the commission income. The EIF has developed a cost assessment methodology that takes into account the expected costs at various Stages of lifecycle of the mandates based on the efforts needed. The transaction price is then allocated to each period on a constant cost/income ratio that is revised annually based on the actual performance of the mandate.

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

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

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2):

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies. Accounting policy information may be material because of its nature, even if the related amounts are immaterial; it is material if users of the financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023.

Definition of Accounting Estimates (Amendments to IAS 8):

The definition of a change in accounting estimates is replaced with a definition of accounting estimates, which are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

A change in accounting estimate that results from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023.

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:

31.12.2022	Amortised cost	Fair value through profit and loss	Financial guarantees	Total
Cash and cash equivalents	452 589 376	0	0	452 589 376
Financial instruments at Amortised Cost:				
Debt investments	2 437 804 596	0	0	2 437 804 596
Financial instruments at Fair Value through Profit and Loss:				
Private equity investments	0	1 578 087 650	0	1 578 087 650
Guaranteed funded operations:				
of which EU funded operations	0	69 140 449	0	69 140 449
of which EU guarantee	0	3 682 364	0	3 682 364
Debt investments	0	402 814 632	0	402 814 632
Financial guarantees	0	0	16 667 219	16 667 219
Total Financial Assets	2 890 393 972	2 053 725 095	16 667 219	4 960 786 286
Provisions for financial guarantees	0	0	13 050 312	13 050 312
Financial liabilities at Amortised Cost	157 865 603	0	0	157 865 603
Total Financial Liabilities	157 865 603	0	13 050 312	170 915 915

31.12.2021	Amortised cost	Fair value through profit and loss	Financial guarantees	Total
Cash and cash equivalents	284 939 841	0	0	284 939 841
Financial instruments at Amortised Cost:				
Debt investments	2 449 585 838	0	0	2 449 585 838
Financial instruments at Fair Value through Profit and Loss:				
Private equity investments	0	1 539 717 710	0	1 539 717 710
Guaranteed funded operations:				
of which EU funded operations	0	0	0	0
of which EU guarantee	0	0	0	0
Debt investments	0	381 038 562	0	381 038 562
Financial guarantees	0	0	32 688 191	32 688 191
Total Financial Assets	2 734 525 679	1 920 756 272	32 688 191	4 687 970 142
Provisions for financial guarantees	0	0	11 413 583	11 413 583
Financial liabilities at Amortised Cost	0	0	0	0
Total Financial Liabilities	0	0	11 413 583	11 413 583

3.1.1 Types of risk

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

3.1.1.1 Credit Risk

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

3.1.1.2 Liquidity Risk

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

3.1.1.3 Market Risk

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

Market risk - Currency risk

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

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

The Fund's currency risk is kept at a low level with 6.7% of net assets in 2022 (2021: 7.2%) through a policy of limiting its investment in non-euro denominated instruments. The Fund's capital is denominated in EUR and the majority of its assets and liabilities are in that currency.

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

At 31.12.2022 (in EUR)	EUR	Pound Sterling	US Dollars	Other currencies	Sub total except EUR	Total
Cash and cash equivalents	392 875 746	16 123 926	4 286 106	39 303 598	59 713 630	452 589 376
Financial instruments at Amortised Cost:						
Debt investments	2 437 804 596	0	0	0	0	2 437 804 596
Financial instruments at Fair Value through Profit and Loss:						
Private equity investments	1 344 307 880	85 144 542	112 000 383	36 634 845	233 779 770	1 578 087 650
Guaranteed funded operations:						
of which EU funded operations	69 140 449	0	0	0	0	69 140 449
of which EU guarantee	3 682 364	0	0	0	0	3 682 364
Debt investments	402 814 632	0	0	0	0	402 814 632
Financial guarantees	15 467 474	0	0	1 199 745	1 199 745	16 667 219
Total assets	4 666 093 141	101 268 468	116 286 489	77 138 188	294 693 145	4 960 786 286
Provisions for financial guarantees	11 065 775	353 088	0	1 631 449	1 984 537	13 050 312
Financial liabilities at Amortised Cost	157 865 603	0	0	0	0	157 865 603
Total liabilities	168 931 378	353 088	0	1 631 449	1 984 537	170 915 915
Foreign currencies in % of net assets		2.3%	2.7%	1.7%	6.7%	
Net commitments to private equity	1 563 101 834	32 739 860	84 359 148	49 261 350	166 360 358	1 729 462 192
Guarantees' Exposure at Risk	7 583 630 388	13 576 414	59 088 573	1 794 366 992	1 867 031 979	9 450 662 367
Total Off BS	9 146 732 222	46 316 274	143 447 721	1 843 628 342	2 033 392 337	11 180 124 559

At 31.12.2021 (in EUR)	EUR	Pound Sterling	US Dollars	Other currencies	Sub total except EUR	Total
Cash and cash equivalents	271 142 785	9 863 283	591 818	3 341 955	13 797 056	284 939 841
Financial instruments at Amortised Cost:						
Debt investments	2 449 585 838	0	0	0	0	2 449 585 838
Financial instruments at Fair Value through Profit and Loss:						
Private equity investments	1 269 043 982	107 445 929	122 973 776	40 254 023	270 673 728	1 539 717 710
Guaranteed funded operations:						
of which EU funded operations	0	0	0	0	0	0
of which EU guarantee	0	0	0	0	0	0
Debt investments	381 038 562	0	0	0	0	381 038 562
Financial guarantees	31 857 601	0	0	830 590	830 590	32 688 191
Total assets	4 402 668 768	117 309 212	123 565 594	44 426 568	285 301 374	4 687 970 142
Provisions for financial guarantees	9 983 624	10 366	0	1 419 593	1 429 959	11 413 583
Financial liabilities at Amortised Cost	0	0	0	0	0	0
Total liabilities	9 983 624	10 366	0	1 419 593	1 429 959	11 413 583
Foreign currencies in % of net assets		3.0%	3.1%	1.1%	7.2%	
Net commitments to private equity	1 555 608 339	45 164 330	86 777 770	51 315 278	183 257 378	1 738 865 717
Guarantees' Exposure at Risk	8 479 304 995	21 619 751	88 268 249	2 283 066 254	2 392 954 254	10 872 259 249
Total Off BS	10 034 913 334	66 784 081	175 046 019	2 334 381 532	2 576 211 632	12 611 124 966

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

Market risk – Interest rate risk

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

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

Market risk – Other price risk

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

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

3.1.1.4 Risk related to the COVID-19 crisis

On 11 March 2020, the World Health Organisation characterised Covid-19 as a pandemic. Responses to this virus from the various governments in Europe and from the various European bodies such as the European Commission or the European Central Bank have been implemented since and contributed to a stabilisation of performances over 2022.
The Management recognises that the effects of the pandemic on the financial markets and on the economy may continue to have a significant impact on the underlying SMEs supported by the Facility. As at 31 December 2022, the valuation of the financial instruments and the following disclosures reflects the economic conditions in existence at that date.

Private Equity investments

In addition to the established processes, EIF set-up a dedicated Investment & Risk Committee to monitor the potential impacts of the COVID-19 crisis on the Private Equity investments in term of cash flows and in term of performance on a quarterly basis. Please refer to note 2.3.3.1 for further details on the enhancement of the valuation process following the COVID-19 pandemic.

However, due to the diversification of the EIF PE portfolio in terms of vintage and sectors, EIF did not observe any significant negative impact as of 31 December 2022. Moreover, the investments supporting innovation were positively impacted after the market rebound in Q2 2020. As a result, the cash inflows and performance during 2022 were high.

Financial Guarantee

Regarding the Financial Guarantee portfolio, EIF monitored the portfolios through the established processes, which did not highlight a deterioration of the financial guarantees in term of credit risk as of 31 December 2022 and 2021. This was driven in part by the moratoria measures implemented at the level of the underlying assets by the various governments and financial institutions in Europe, mostly applied until end 2021, and by the gradual rebound in economic activity post-pandemic.

3.2 Private equity investments

3.2.1 Risk Management Process

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

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

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

3.2.1.1 Portfolio Design Process

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

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

3.2.1.2 Investment Process

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

3.2.1.3 Monitoring Process

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

Valuation Review

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

- Reporting: collection of financial reports sent by the fund managers as a basis for valuation (typically on a quarterly basis).
- Valuations: assessment as to whether valuations done by the fund managers are in line with best market practice and applicable industry valuation guidelines. The monitoring aims to determine in good faith the fair value of the investments.
- Classification of funds: depending on the outcome of the monitoring outlined above, funds are classified into three categories as described in note 2.3.3.1.

Portfolio Monitoring

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

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

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

The Risk Score cut-offs were defined following an extensive back-testing of past transactions at EIF (at the time of their appraisal).

The "-" associated to a P-Grade corresponds to a fund that belongs to the last quartile in term of Risk Score for the given P-Grade.

The'+' associated to a P-Grade corresponds to a fund that belongs to the first quartile in term of Risk Score for the given P-Grade.

A P-grade is kept standard (i.e. without "+" or "-") if the Risk Score of the fund belongs to the second or the third quartile in term of Risk Score for the given P-Grade.

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

Risk Scoring

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

The equity monitoring activity is overseen by the Portfolio Investment and Risk Committee for equity. This Committee covers the regular review of the equity portfolio, including changes in equity scores, fund-monitoring status, Watch List, Investment Compliance grades. It also oversees the developments on equity portfolio performance or the occurrence of an event of significance.

3.2.2 Credit Risk

Investments in PE funds are always made through an equity-like participation. Even in the case where these are channelled through mezzanine loans, currently representing less than 1% of the portfolio, their risk profile is typically akin to an equity participation. Therefore, the credit risk of the PE portfolio is deemed not significant.

3.2.3 Liquidity Risk

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

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

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

Chart 1: Vintage Year Diversification of the EIF PE Portfolio as of 31.12.2022

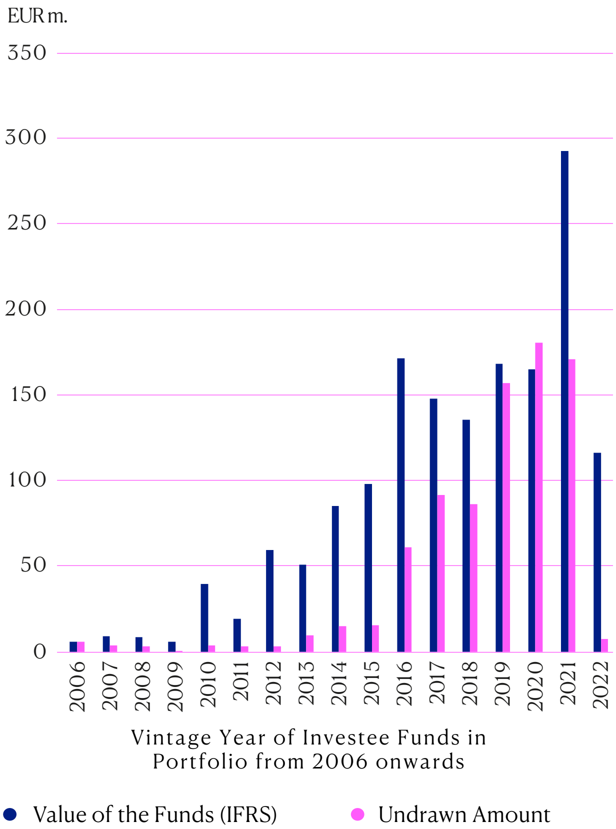


Chart 2: Vintage Year Diversification of the EIF PE Portfolio as of 31.12.2021

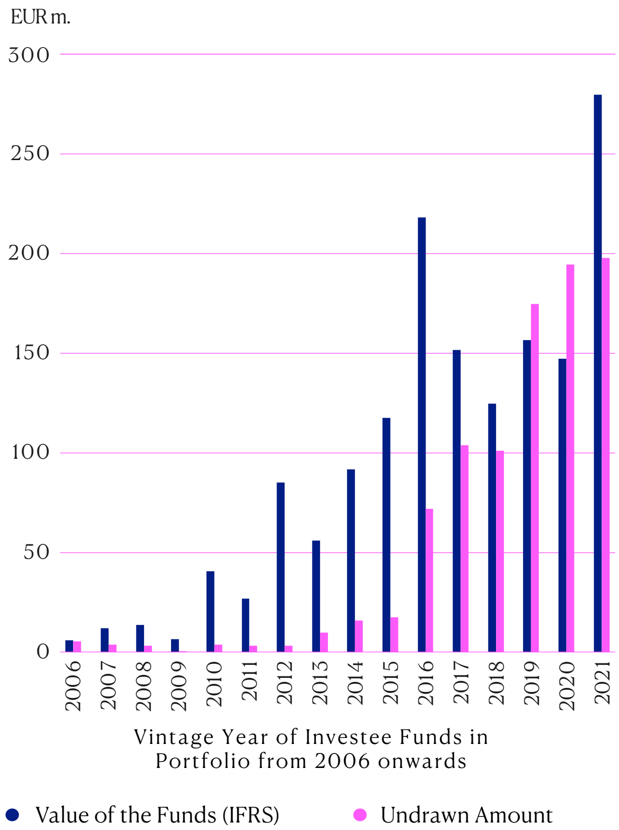


Table 1: Undrawn commitments of the EIF PE portfolio, split by time remaining to the end of the contractual lifetime* of the investee funds

EUR

Private Equity	Not more than 3 months	Three months to one year	One year to 5 years	More than 5 years	Total
AS OF 31.12.2022	23 349 111	9 025 179	73 050 679	711 452 368	816 877 337
AS OF 31.12.2021	15 821 581	10 417 277	79 502 600	808 142 731	913 884 189

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

Table 2: Capital calls net of reflows, which resulted from the EIF PE portfolio

EUR millions	Net Capital Calls	Net Capital Calls in relation to EFSI - SW2	Net Capital Calls in relation to EFSI - Private Credit	Total Net Capital Calls
2022	-14.1	30.2	60.5	76.6
2021	-45.8	66.6	111.0	131.8

3.2.4 Market Risk

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

3.2.4.1 Equity risk

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

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

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

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

31.12.2022

Public market risk: All Private Equity	
+10%	-10%
Retained Beta 1.049	
Final Sensitivity: +10.49%	Final Sensitivity: -10.49%
Profit or loss account	Profit or loss account
(EUR)	(EUR)
103 232 293	(103 232 293)

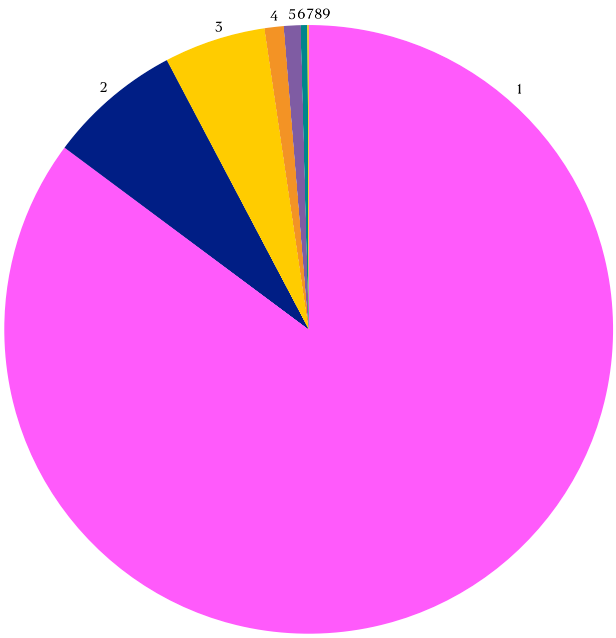
31.12.2021

Public market risk: All Private Equity	
+10%	-10%
Retained Beta 0.97	
Final Sensitivity: +9.7%	Final Sensitivity: -9.7%
Profit or loss account	Profit or loss account
(EUR)	(EUR)
101 702 789	(101 702 789)

3.2.4.2 Foreign currency risk

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

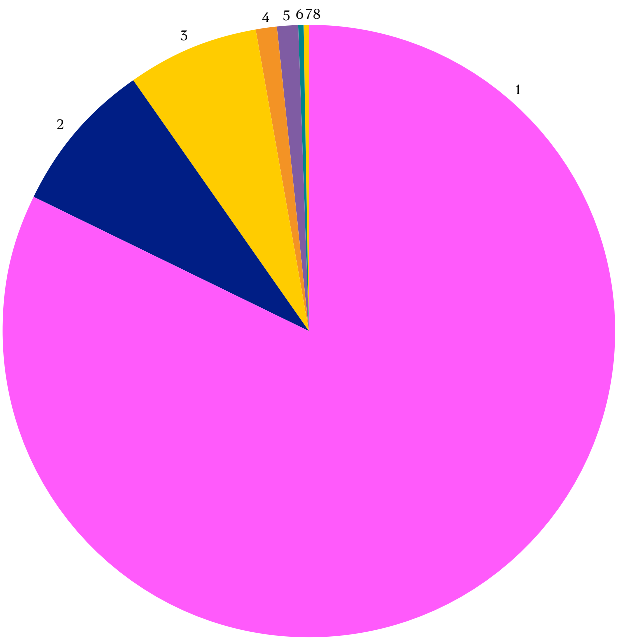
As of 31.12.2022



1. EUR 85.1%
2. USD 7.1%
3. GBP 5.4%
4. SEK 1.0%
5. DKK 0.9%
6. NOK 0.4%
7. CHF 0.1%
8. PNL 0.0%
9. HUF 0.0%

(as % of the total fair value, EUR 1 578.1m)

As of 31.12.2021



1. EUR 82.3%
2. USD 8.0%
3. GBP 7.0%
4. SEK 1.3%
5. DKK 1.1%
6. NOK 0.2%
7. CHF 0.1%
8. HUF 0.0%

(as % of the total fair value, EUR 1 539.7m)

For 2022, changes due to foreign exchange rates for private equity investments amount to EUR 1 003 368 (2021: EUR 11 485 090), which has been recognised in the statement of comprehensive income.

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

31.12.2022

Foreign exchange rate risk

GBP increase of 15% vs. EUR	GBP decrease of 15% vs. EUR
Profit or loss account	Profit or loss account
(EUR)	(EUR)
12 771 681	(12 771 681)

31.12.2021

Foreign exchange rate risk

GBP increase of 15% vs. EUR	GBP decrease of 15% vs. EUR
Profit or loss account	Profit or loss account
(EUR)	(EUR)
16 116 889	(16 116 889)

31.12.2022

Foreign exchange rate risk

USD increase of 15% vs. EUR	USD decrease of 15% vs. EUR
Profit or loss account	Profit or loss account
(EUR)	(EUR)
16 800 057	(16 800 057)

31.12.2021

Foreign exchange rate risk

USD increase of 15% vs. EUR	USD decrease of 15% vs. EUR
Profit or loss account	Profit or loss account
(EUR)	(EUR)
18 446 066	(18 446 066)

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

3.2.5 Idiosyncratic risks

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

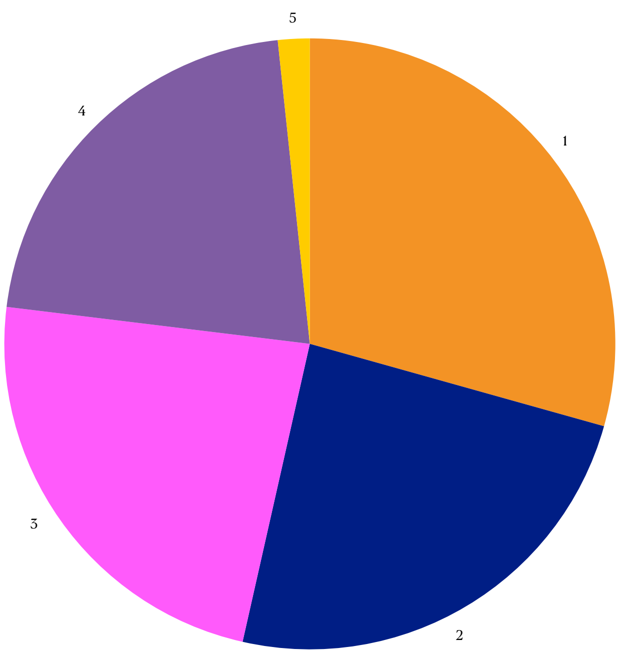
3.2.5.1 Strategy risk

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

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

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

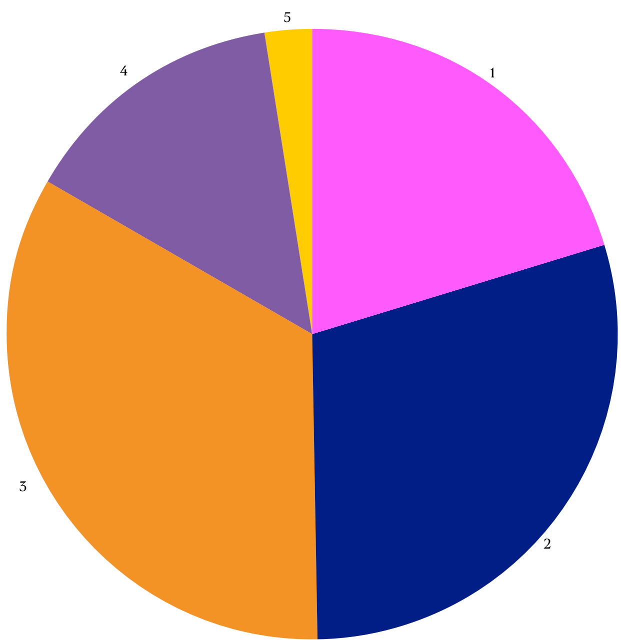
EIF Own Risk PE Portfolio: Fair Value Split by Investment Strategy as of 31.12.2022



1. Venture Capital 29.3%
2. Private Equity 24.2%
3. Private Debt 23.4%
4. Infrastructure 21.4%
5. Generalist 1.7%

(as % of the total fair value, EUR 1 578.1m)

EIF Own Risk PE Portfolio: Fair Value Split by Investment Strategy as of 31.12.2021



1. Private Debt 33.2%
2. Private Equity 24.5%
3. Venture Capital 21.7%
4. Infrastructure 18.8%
5. Generalist 1.8%

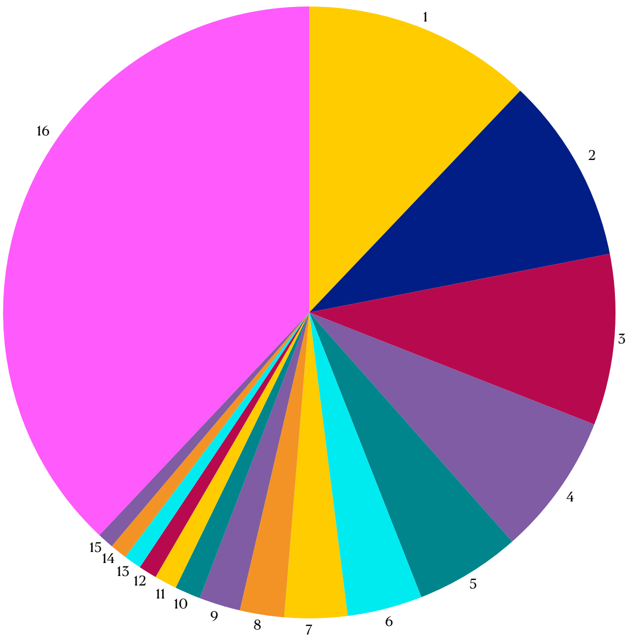
(as % of the total fair value, EUR 1 539.7m)

3.2.5.2 Geographic risk

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

EIF Own Risk Portfolio: Split of Investee Companies by Country of Domiciliation as of 31.12.2022

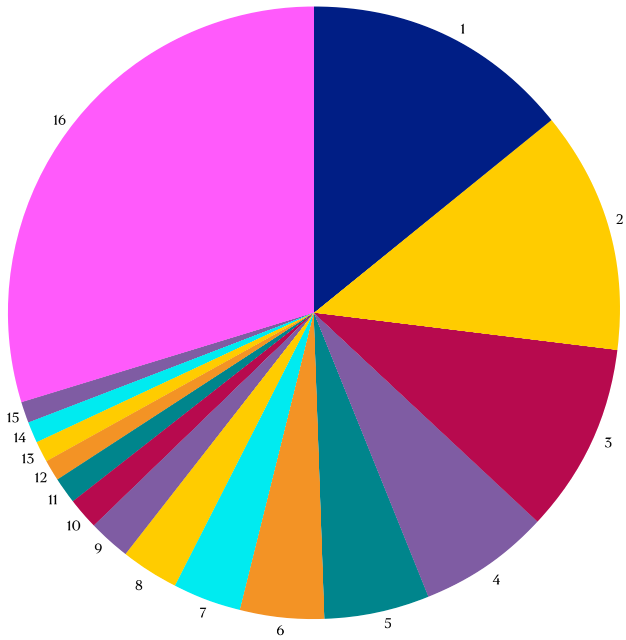
(Based on the valuation reported in the latest available report by the investee funds)



1. France 12.1%
2. United Kingdom 9.8%
3. United States 9.9%
4. Germany 7.5%
5. Spain 5.6%
6. Netherlands 4.0%
7. Italy 3.3%
8. Sweden 2.3%
9. Belgium 2.2%
10. Denmark 1.4%
11. Switzerland 1.2%
12. Finland 1.0%
13. Norway 0.9%
14. Luxembourg 0.9%
15. Ireland 0.9%
16. Others 37.9%

EIF Own Risk Portfolio: Split of Investee Companies by Country of Domiciliation as of 31.12.2021

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



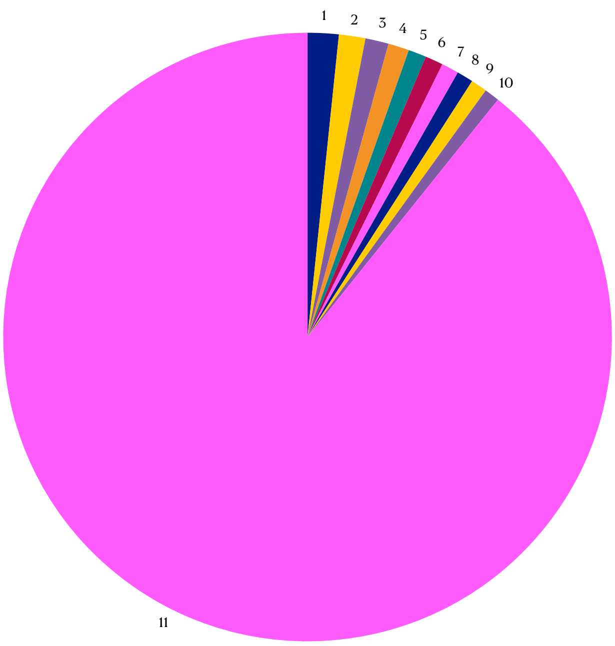
1. United Kingdom 12.8%
2. France 11.7%
3. United States 9.3%
4. Germany 7.8%
5. Spain 4.9%
6. Sweden 4.0%
7. Netherlands 3.6%
8. Italy 2.9%
9. Belgium 1.9%
10. Finland 1.7%
11. Denmark 1.6%
12. Luxembourg 1.3%
13. Switzerland 1.1%
14. Norway 1.0%
15. Ireland 1.0%
16. Others 33.4%

3.2.5.3 Fund risk

Fund risk refers to the risk of over/under-performance due to factors linked to a specific PE fund in a portfolio (e.g.: the departure of a key executive from the management team of a fund). As shown below, the EIF PE portfolio is well diversified across a large number of funds. The largest fund in the EIF's portfolio represents 1.6% of the portfolio fair value (2021: 1.4%) and the largest 10 funds represent in aggregate 10.8% (2021: 11.6%).

EIF Own Risk PE Portfolio: Largest PE Funds in Portfolio as of 31.12.2022

(Total funds in portfolio = 842)

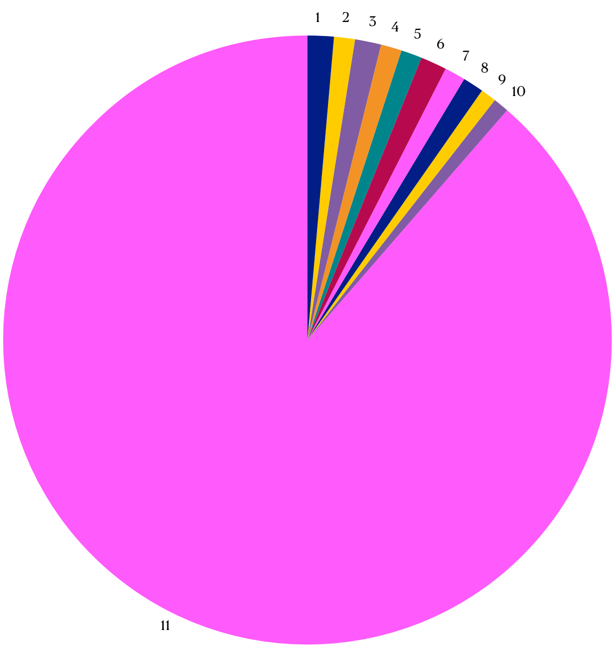


1. Fund 1 - 1.6%
2. Fund 2 - 1.4%
3. Fund 3 - 1.2%
4. Fund 4 - 1.1%
5. Fund 5 - 1.0%
6. Fund 6 - 1.0%
7. Fund 7 - 0.9%
8. Fund 8 - 0.9%
9. Fund 9 - 0.9%
10. Fund 10 - 0.8%
11. Other - 89.2%

(as % of the total fair value, EUR 1 578.1m)

EIF Own Risk PE Portfolio: Largest PE Funds in Portfolio as of 31.12.2021

(Total funds in portfolio = 780)



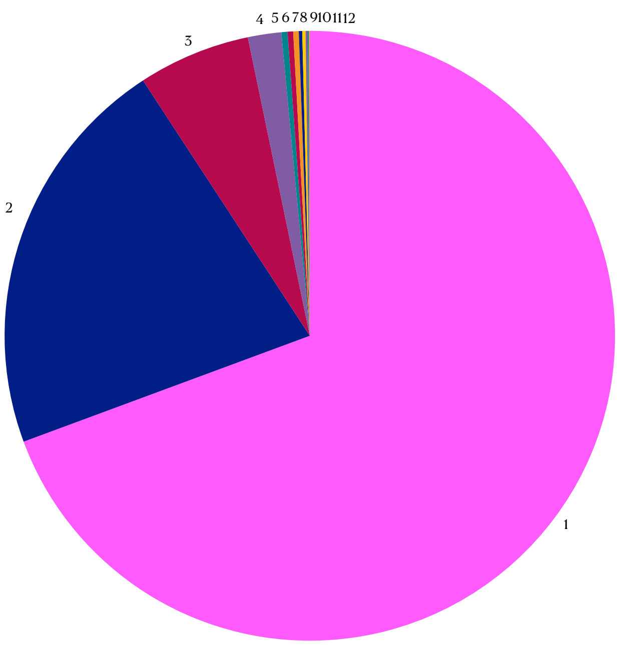
1. Fund 1 - 1.4%
2. Fund 2 - 1.3%
3. Fund 3 - 1.2%
4. Fund 4 - 1.2%
5. Fund 5 - 1.2%
6. Fund 6 - 1.2%
7. Fund 7 - 1.2%
8. Fund 8 - 1.1%
9. Fund 9 - 0.9%
10. Fund 10 - 0.9%
11. Other - 88.4%

(as % of the total fair value, EUR 1 539.7m)

3.2.5.4 Sector risk

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

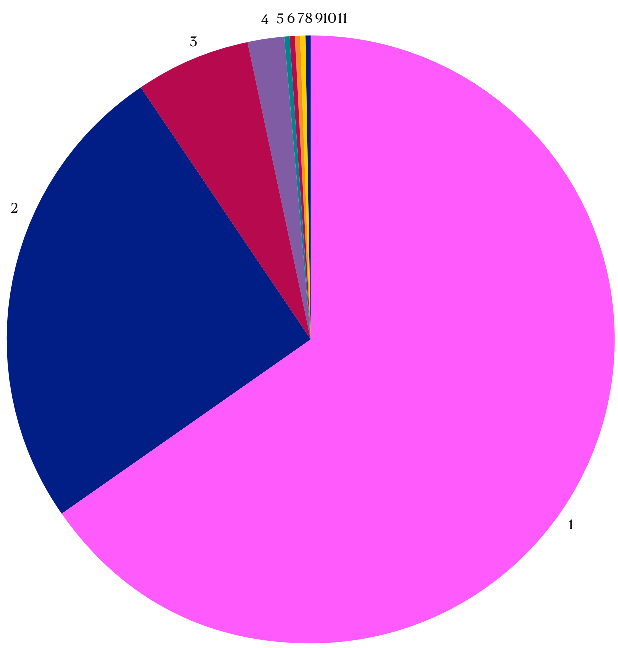
EIF Own Risk Portfolio: Fair Value Split by Sector Focus of Investee Funds as 31.12.2022



1. Generalist 69.4%
2. ICT 21.4%
3. Life Science 5.9%
4. Infrastructure 1.8%
5. Financial Services 0.3%
6. Energy and Environment 0.3%
7. Consumer Products, Services and Retail 0.3%
8. Business and Industrial Products and Services 0.2%
9. Cleantech /Manufacturing 0.2%
10. Energy Efficiency 0.1%
11. Agricultural, Chemicals and Materials 0.1%
12. Renewable Energy 0.0%

(as % of the total fair value, EUR 1 539.7m)

EIF Own Risk Portfolio: Fair Value Split by Sector Focus of Investee Funds as 31.12.2021



1. Generalist 65.5%
2. ICT 25.1%
3. Life Science 6.1%
4. Infrastructure 2.0%
5. Financial Services 0.3%
6. Energy and Environment 0.3%
7. Consumer Products, Services and Retail 0.2%
8. Cleantech /Manufacturing 0.2%
9. Business and Industrial Products and Services 0.2%
10. Energy Efficiency 0.1%
11. Agricultural, Chemicals and Materials 0.0%

(as % of the total fair value, EUR 1 539.7m)

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 95.0m (2021: EUR 107.1m) and represented 6.0% of the fair value of the EIF PE portfolio (2021: 7.0%).

3.3 Guaranteed funded operations

3.3.1 Introduction

Guaranteed funded operations include PE investments disbursed by the Fund on behalf of the European Union represented by the European Commission under the InvestEU Programme and that are guaranteed by the European Union represented by the European Commission under the InvestEU Regulation.

The financial asset is funded via the funding line provided by EIB under the InvestEU Programme. For more details, see note 3.6.

The financial asset is composed of guaranteed funded operations, which are initially recorded at cost and subsequently measured at FVTPL, and a guarantee arising from the InvestEU Programme in order to neutralise the fair value fluctuations in respect of the guaranteed funded operations.

3.3.2 Credit risk

EIF is protected by the InvestEU budgetary guarantee from the European Union represented by the European Commission whenever cash is deployed in relation to underlying transactions.

EIF is exposed to the counterparty risk that the European Union represented by the European Commission would default, which considering the strong capacity of the European Union represented by the European Commission to meet its obligations being AAA rated, is approximated to nil. In addition, it shall be reminded that the European Union represented by the European Commission, a body with a legal personality recognised by its Member States, guarantees irrevocably, unconditionally and on a demand as a primary obligor and not merely as surety to EIF, among other things, the full and punctual of funded operations call amounts.

3.3.3 Liquidity risk

EIF signed a Funding Agreement with EIB to receive the necessary funding in the context of InvestEU transactions. EIB shall provide the liquidity to EIF at any time, in EUR. EIF is protected by the InvestEU budgetary guarantee from the European Union represented by the European Commission.

3.3.4 Market risk

Market risk – Currency risk

Underlying InvestEU deals may be in EUR and non-EUR. Any realised foreign exchange loss suffered by EIF shall be reimbursed by the European Union represented by the European Commission, meaning that there is ultimately no currency risk for EIF.

Market risk – interest rate risk

The value of Guaranteed funded operations is not subject to interest rate, meaning that there is ultimately no interest rate risk for EIF.

Market risk – valuation risk

Valuation risk is the risk that EIF suffers a loss when trading the asset due to a difference between the accounting value and the price effectively obtained in the trade. Considering the fact that EIF is protected by the InvestEU budgetary guarantee from the European Union represented by the European Commission, there is ultimately no valuation risk for EIF.

3.4 Portfolio Guarantees and Securitisation (“G&S”)

3.4.1 Introduction

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

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

3.4.1.1 Credit risk measurement

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

3.4.1.2 Credit risk grading

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

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

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

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

3.4.1.3 Initial risk assessment

In the context of the independent opinion process, RM reviews the investment proposal provided by EIG in accordance with the EIF's internal rules and procedures. This review includes a detailed analysis of the risks related to the new G&S transaction, as well as the independent calculation of the relevant risk parameters (internal rating, PD, RR, EL, etc. as appropriate) following the EIF's internal methodologies. A transaction is only eligible for investment if, at the time the EIF enters into the transaction, the assigned internal rating is in the range of iAaa-iB2 (iAaa and iB2 are mapped to Moody's Aaa and B2, respectively).

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

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

3.4.1.4 Ongoing risk monitoring

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

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

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

Transactions flagged Under Review, Negative Outlook or Positive Outlook are closely scrutinised for a possible breach of EIF's surveillance triggers, as they have the potential to trigger a model re-run and an internal rating action proposal, which in turn could impact the expected loss.

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

Transaction status	31.12.2022	
	EUR	%
Defaulted	9 685 489	0.1%
Under review	739 699 233	7.8%
Performing	8 569 838 396	90.7%
Positive outlook	131 439 249	1.4%
Total Exposure at Risk	9 450 662 367	100.0%

	31.12.2021	
	EUR	%
Defaulted	9 685 489	0.1%
Under review	690 596 142	6.4%
Performing	10 008 332 765	92.0%
Positive outlook	163 644 853	1.5%
Total Exposure at Risk	10 872 259 249	100.0%

The surveillance activity includes the following tasks:

- checking compliance of the counterparties with any relevant contractual covenants and triggers,
- assessing the evolution of an operation's performance compared to estimates set prior to its signature (e.g. actual cumulative default rate is compared to a given predetermined threshold level or default base case scenario),
- following up on any external rating agencies' actions (if applicable) 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),
- presenting potential status changes or rating actions to the relevant IRC, if necessary,
- assessing the staging and the expected credit loss for financial guarantee transactions,
- assessing the expected credit loss and the fair value for ABS investments in line with IFRS 9.

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

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

3.4.1.5 Expected credit loss measurement

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

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

3.4.1.5.1 SICR – Stage 2 exposures

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

ID	Re-staging attribute
1	Re-classification as an Early Warning Signal (EWS) transaction with Red or Amber outlook
2	Watch-listing
3	For guarantees only: guarantee fee payment delinquency > 30 days past due
4	For non-investment grade exposures: 3 notch or higher internal rating downgrade compared to the initial internal rating assigned and the current rating is below iBaa3

EWS transaction with Red or Amber outlook: specific triggers that relate to underperformance (short of a default event) belonging to one of the following categories:

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

Examples of EWS events include but are not limited to:

- Creation of a Stage 3 provision;
- Internal rating downgrade of two or more notches (compared to initial rating) to iBa3 or below, or downgrade of one or more notches (compared to initial rating) to iB1 or below;
- Negative credit enhancement of securitisation exposure;
- Servicer/originator affected by a recovery plan/ corrective measures or bankruptcy;
- Activation of a back-up servicer.

Watch-listing: the following criteria are used for Watch-listing:

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

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

3.4.1.5.2 Non Performing Exposures – Stage 3 exposures

Transition to Stage 3 is governed by the classification as a Non Performing Exposure ("NPE").

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

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

Examples of NPE criteria include but are not limited to:

- Counterparty is overdue more than 90 calendar days on any material credit obligation;
- Impairment is made (cash positions);
- Internal rating downgrade to iCa or below;
- External rating downgraded to default status;
- Restructuring of obligation to avoid a default;
- In relation to a cash investment, EIF accelerates all or part of its investment following a contractual event of default;
- In relation to a guarantee, EIB/EIF purchases (part of) a tranche from the beneficiary in lieu of a future guarantee payment;
- Breach of material financial covenant(s) remaining unresolved (or not waived) for more than 12 months;
- In relation to a Diversified Payment Rights (DPR) transaction, the Counterparty refers to the bank providing second recourse for the ABS notes. In such case, the Counterparty has sought or has been placed in pre-insolvency/restructuring proceedings, insolvency, administration, receivership, bankruptcy or similar protection. In addition, for banks, this condition occurs when a recovery plan was activated, the bank is under resolution or is required to "bail-in" other creditors;
- In relation to a DPR transaction, where the counterparty is a regulated entity, a permanent and full revocation of authorisation to perform regulated activities by the national regulator;
- Other triggers as assessed on an individual basis by risk analysts.

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

3.4.1.5.3 Measuring ECL

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

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

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

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

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

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

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

3.4.1.5.4 Forward-looking information

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

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

- Macro-economic projection based on GDP – provided by the Economics department of the European Investment Bank on a quarterly basis;
- Risk-free interest rate forward curve – updated from Bloomberg on a monthly basis.

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

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

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

3.4.2 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 2022 of EUR 9 450.7m (2021: EUR 10 872.3m).

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

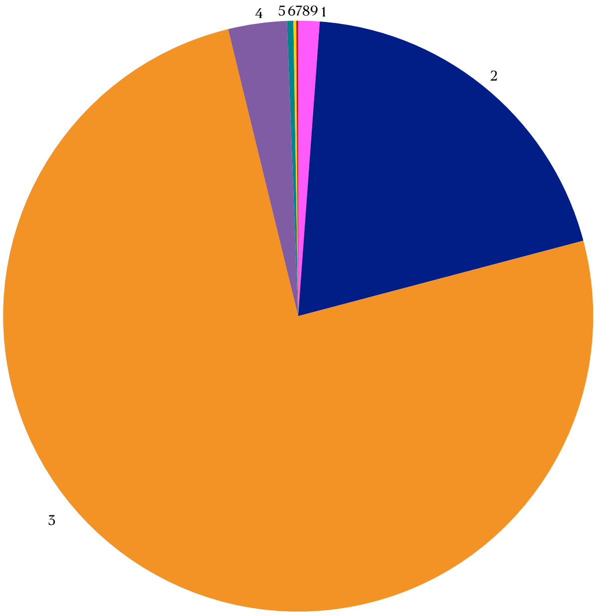
The statutes of the EIF limit guarantee operations to five times the subscribed capital, as per amendment approved by the Board of Directors (2021: five times). This amounted to EUR 7 300m at year-end 2022 (2021: EUR 7 300m). Hence, the EUR 9 450.7m Exposure at Risk at year-end 2022 (2021: EUR 10 872.3m), together with the funded exposure of EUR 402.8m in respect of ABS investments (2021: EUR 381.0m) was below the statutory limit of EUR 36 500m (2021: EUR 36 500m).

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 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.

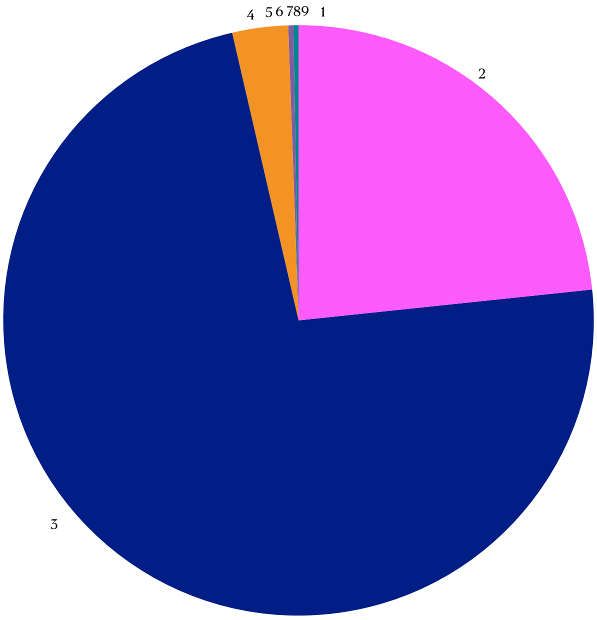
The below tables show the split of the financial guarantees in terms of credit quality using Exposure at Risk (based on the EIF's Internal Rating approach):

% of Exposure at Risk as of 31.12.2022
(EUR 9 450.7m)



1. Aaa 1.2%
2. Aa 19.7%
3. A 75.2%
4. Baa 3.2%
5. Ba 0.4%
6. B 0.2%
7. Caa 0.0%
8. Ca 0.0%
9. C 0.1%

% of Exposure at Risk as of 31.12.2021
(EUR 10 872.3m)



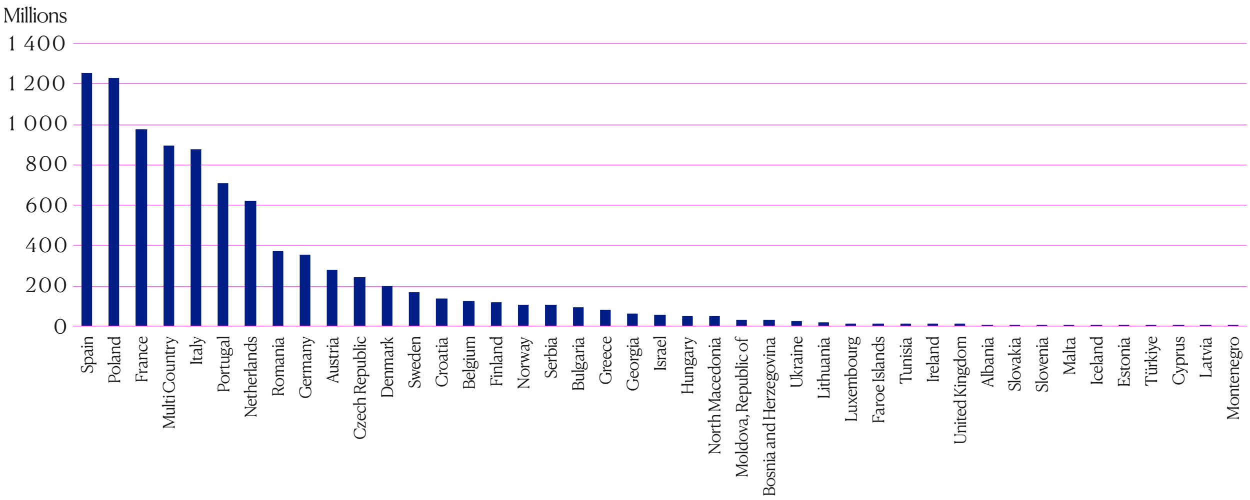
1. Aaa 0.1%
2. Aa 23.3%
3. A 73.0%
4. Baa 3.1%
5. Ba 0.3%
6. B 0.1%
7. Caa 0.0%
8. Ca 0.0%
9. C 0.1%

3.4.2.1 Geographic Coverage

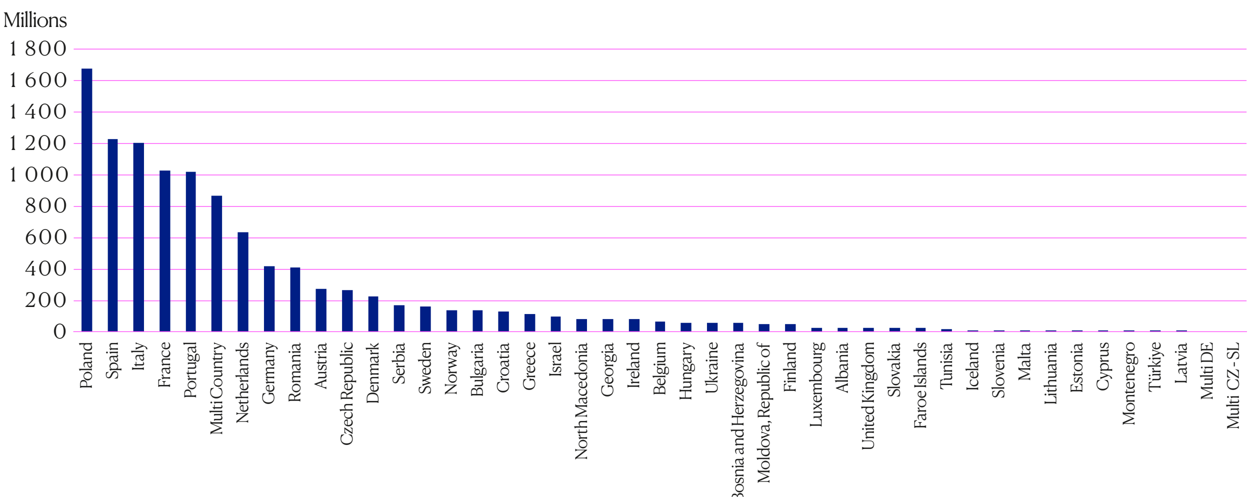
As of 31 December 2022, the EIF's financial guarantees were spread over 40 countries (2021: 42 countries).

The tables below show the geographic distribution of the EIF's financial guarantees for Exposure at Risk (EUR 9 450.7m as of 31 December 2022 and EUR 10 872.3m as of 31 December 2021) showing that the largest weight is to Spain with 13.2% (2021: Poland 15.4%), followed by Poland with 12.9% (2021: Spain 11.2%), and France with 10.3% (2021: Italy 11.1%).

Exposure at Risk as of 31.12.2022 (EURm)



Exposure at Risk as of 31.12.2021 (EURm)



3.4.2.2 Concentration risk

To limit the concentration risk in the portfolio, the EIF has internal limits based on maximum exposure and capital allocation both at individual transaction and originator level. Transaction limits define maximum possible exposure dependent on underlying rating and Weighted Average Life ("WAL"). Originator group limits constrain the exposure within the same country 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.

3.4.2.3 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.

3.4.2.4 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.

3.4.3 Liquidity risk

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

The following table shows an analysis of the Exposure at Risk for financial guarantees split by the expected maturity dates of the transactions to which they are related:

	Expected maturity of guarantee			
Exposure at Risk (EUR)	3 months to 1 year	1 year to 5 years	More than 5 years	Total
As of 31.12.2022	502 961 666	2 294 581 096	6 653 119 605	9 450 662 367
As of 31.12.2021	459 049 373	2 818 509 610	7 594 700 266	10 872 259 249

3.4.4 Market risk

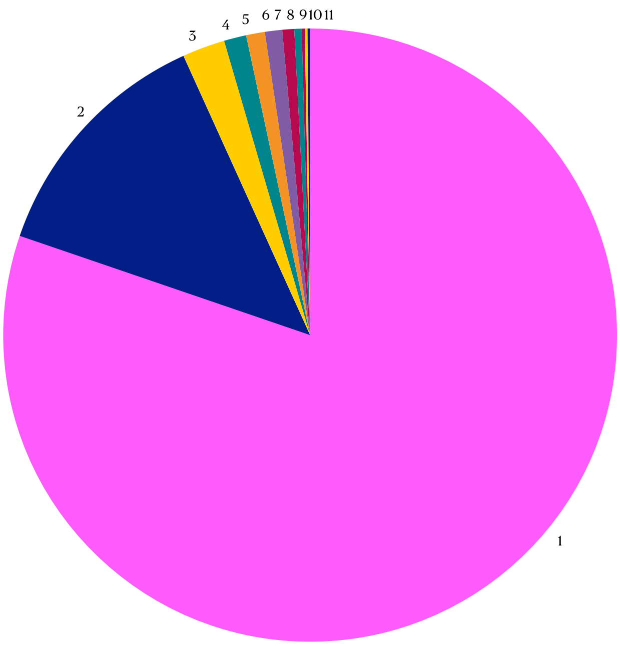
3.4.4.1 Market risk: Interest rate risk

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.

3.4.4.2 Market risk: Foreign currency risk

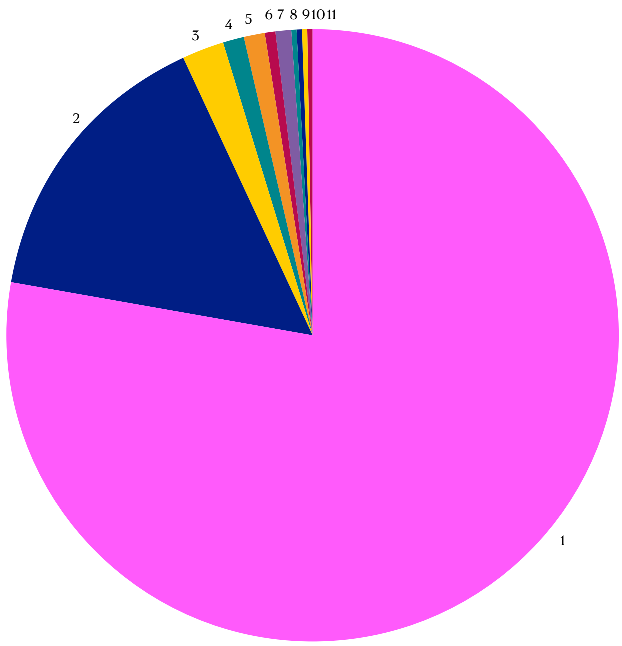
The split by currency for the EIF guarantees using Exposure at Risk is as follows:

% Exposure at Risk as of 31.12.2022 (EUR 9 450.7m)



1. EUR 80.2%
2. PLN 13.0%
3. DKK 2.3%
4. NOK 1.2%
5. SEK 1.0%
6. RON 0.9%
7. USD 0.6%
8. CZK 0.4%
9. TND 0.2%
10. GBP 0.1%
11. HUF 0.1%

% Exposure at Risk as of 31.12.2021 (EUR 10 872.3m)



1. EUR 77.8%
2. PLN 15.4%
3. DKK 2.2%
4. NOK 1.2%
5. SEK 0.9%
6. USD 0.8%
7. RON 0.8%
8. CZK 0.3%
9. GBP 0.2%
10. HUF 0.2%
11. TND 0.2%

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

31.12.2022

Currency	Exposure at Risk (EUR)	Impact increase	Impact decrease
PLN	1 227 056 789	(160 050 886)	216 539 433

31.12.2021

Currency	Exposure at Risk (EUR)	Impact increase	Impact decrease
PLN	1 670 059 259	(217 833 816)	294 716 340

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

3.4.4.3 Market risk: Other price risk

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

3.5 Debt investments

Debt investments are classified either at amortised cost, which corresponds to the treasury portfolio and the microfinance loans detailed in sections 3.5.1 and 3.5.2 respectively, or at fair value through profit or loss, which corresponds to the ABS Investments detailed in section 3.5.3.

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

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

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

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

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

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

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

The loss given default represents the EIF's expectation of the ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default. Loss given default can be also defined as "1 - Recovery Rate". LGD estimates are determined mainly by geography and by type of counterparty, with five main exposure classes: Sovereigns, Public

Institutions, Financial Institutions, Corporate and Project Finance. LGD values can be further adjusted based on the product and contract specific features of the exposure.

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

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

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

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

3.5.1 Treasury portfolio

3.5.1.1 Introduction

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

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

3.5.1.2 Portfolio overview

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

	31.12.2022 EUR	31.12.2021 EUR
Current accounts	325 872 951	234 974 564
Money market instruments and short-term securities	126 716 425	49 965 277
Long-term bank deposits	98 164 140	147 948 339
Long-term portfolio	2 326 520 377	2 297 749 507
Total Cash and cash equivalents and Treasury portfolio	2 877 273 893	2 730 637 687

3.5.1.3 Credit Risk

The Fund is mainly exposed to credit risk relating to its assets held in the treasury portfolio. However, the EIF adheres to conservative credit investment guidelines and internal limits by selecting sound counterparties and issuers with a minimum rating at the outset set above investment grade. The EIF considers that the credit risk on treasury portfolio has not increased significantly since initial recognition due to the inherent low credit risk.

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

For each portfolio, the eligibility criteria for counterparties are fixed according to their nature, to their credit quality (as measured by their external credit ratings) and to their own funds.

As at 31 December 2022, all investments in the treasury portfolio are made in EUR (2021: EUR).

The following table shows the maximum exposure to credit risk:

	2022 EUR	2021 EUR
Cash and cash equivalents	452 589 376	284 939 841
Treasury portfolio	2 424 684 517	2 445 697 846
Total Credit Risk Exposure	2 877 273 893	2 730 637 687

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

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

The following tables outline the credit quality of the Fund's Long-term portfolio (not including long-term bank deposits) as of 31 December 2022 and 2021, based on external ratings and ECL:

Credit Risk Exposures by external rating

(Based on gross carrying amount)

	2022			
(in EUR)	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Long-term portfolio				
Aaa	407 308 754	0	0	407 308 754
Aa1	34 746 006	0	0	34 746 006
Aa2	263 464 846	0	0	263 464 846
Aa3	207 710 721	0	0	207 710 721
A1	75 929 639	0	0	75 929 639
A2	310 789 570	0	0	310 789 570
A3	361 711 073	0	0	361 711 073
Baa1	284 432 045	0	0	284 432 045
Baa2	365 780 507	0	0	365 780 507
Baa3	15 090 452	0	0	15 090 452
Loss allowance	(443 236)	0	0	(443 236)
Carrying amount at 31 December 2022	2 326 520 377	0	0	2 326 520 377

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

(in EUR)	2021 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Long-term portfolio				
Aaa	372 975 715	0	0	372 975 715
Aa1	16 028 406	0	0	16 028 406
Aa2	230 536 704	0	0	230 536 704
Aa3	121 678 791	0	0	121 678 791
A1	148 731 347	0	0	148 731 347
A2	336 832 209	0	0	336 832 209
A3	407 421 928	0	0	407 421 928
Baa1	256 246 506	0	0	256 246 506
Baa2	407 474 354	0	0	407 474 354
Baa3	0	0	0	0
Loss allowance	(176 453)	0	0	(176 453)
Carrying amount at 31 December 2021	2 297 749 507	0	0	2 297 749 507

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

	31.12.2022	31.12.2021
EU sovereigns		
Belgium	10 030 775	0
Bulgaria	40 679 417	41 237 922
European Union	5 006 303	5 003 608
France	59 881 275	28 181 036
Germany	19 138 901	9 000 740
Hungary	16 631 102	16 784 352
Italy	29 762 033	0
Lithuania	31 202 302	23 250 531
Poland	61 782 627	62 472 034
Portugal	47 097 761	47 168 681
Republic of Latvia	19 983 978	14 997 282
Slovakia	7 993 910	7 985 990
Slovenia	39 381 456	39 446 208
Spain	50 531 236	41 038 259
Total EU sovereigns	439 103 076	336 566 643

	31.12.2022	31.12.2021
Corporate bonds and non-EU sovereign		
Australia	43 062 540	63 658 601
Austria	59 109 799	51 076 341
Belgium	23 993 905	34 039 427
Canada	73 133 168	59 052 021
Chile	50 967 119	51 389 280
Côte d'Ivoire	5 993 193	0
Denmark	40 061 186	40 113 091
Estonia	3 701 767	3 733 175
Finland	22 739 888	18 497 567
France	254 375 846	277 092 660
Germany	171 192 108	179 078 801
Greece	0	2 834 314
Iceland	49 649 651	44 773 096
Ireland	20 486 633	20 491 404
Italy	28 786 031	33 899 239
Japan	119 056 983	121 766 435
Lithuania	3 367 665	3 418 570
Luxembourg	3 006 085	7 500 667
Mexico	18 198 785	18 240 241
Netherlands	35 505 267	48 735 604
New Zealand	2 227 197	2 248 845
Norway	55 779 560	40 038 363
Philippines	10 010 981	10 008 308
Republic of Korea	77 493 146	67 501 342
Singapore	12 413 726	12 417 318
Spain	199 997 610	205 191 358
Sweden	37 797 385	49 056 852
Switzerland	36 046 308	41 072 214
United Kingdom	155 541 351	177 084 202
United States	204 826 180	207 451 330
Venezuela	68 896 238	69 722 198
Total Corporate bonds and non-EU sovereign	1 887 417 301	1 961 182 864
Total	2 326 520 377	2 297 749 507

As of 31 December 2022, the EIF long-term treasury portfolio was spread over 37 countries (2021: 37 countries). The highest individual country exposures were France, Spain, United States, Germany, and United Kingdom, which jointly represented 48% of total nominal value (2021: the same countries represented 49% of the long-term treasury portfolio).

As of 31 December 2022, the exposure to Republic of Korea, as country of risk, was composed of 2 bonds issued by government owned entities, 6 covered bonds issued by financial institutions, in Venezuela, 3 bonds issued by a Venezuelan-based Supranational, in Chile, 3 sovereign bonds, and in Ivory Coast 1 bond issued by a Supranational based in Ivory Coast.

3.5.1.4 Liquidity risk

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

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

3.5.1.5 Market risk – interest rate risk

In nominal terms, 74.2% of all assets held have a duration of 5 years or less (2021: 64.4%).

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

The following table illustrates the Fund's exposure to interest rate risk at the time they reprice or mature:

At 31.12.2022 (in EUR)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Fixed rate					
Cash and cash equivalents	452 589 376	0	0	0	452 589 376
Treasury portfolio	38 660 979	263 499 657	1 356 092 297	741 191 983	2 399 444 916
Floating rate					
Treasury portfolio	0	0	25 239 601	0	25 239 601
Total	491 250 355	263 499 657	1 381 331 898	741 191 983	2 877 273 893
Percentage	17.1%	9.2%	47.9%	25.8%	100.0%

At 31.12.2021 (in EUR)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Fixed rate					
Cash and cash equivalents	284 939 841	0	0	0	284 939 841
Treasury portfolio	57 488 492	307 804 639	1 064 552 310	973 116 453	2 402 961 894
Floating rate					
Treasury portfolio	7 500 667	10 002 770	25 232 515	0	42 735 952
Total	349 929 000	317 807 409	1 089 784 825	973 116 453	2 730 637 687
Percentage	12.8%	11.7%	39.9%	35.6%	100.0%

The average yield at cost on the securities portfolio in EUR was 0.36% for 2022 (2021: 0.23%).

Sensitivity of earnings

The sensitivity of earnings is an estimate of the change over the next 12 months in the earnings of the EIF treasury portfolio if all interest rates rise by one percentage point or fall by one percentage point. The sensitivity measure is computed by taking into consideration the coupon re-pricings of all the positions present in the EIF treasury portfolio on a deal-by-deal basis. Each fixed rate asset is assumed to be reinvested at maturity in a new asset with the same residual life as the previous one as of 31 December 2022. For the positions in place as of 31 December 2022, the earnings of the EIF treasury portfolio would increase by EUR 1.1m (2021: EUR 1.6m) 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 2022, the Value at Risk of the EIF treasury portfolio was EUR 11.1m (2021: EUR 6.1m). 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.

3.5.2 Microfinance Loans

The microfinance loans portfolio is made up of 13 transactions (2021: 13 transactions). All deals are in EUR and they are maturing between 2022 and 2028.

The Fund also invested in a mezzanine-loan facility agreement in relation to the European Union Programme for Employment and Social Innovation (EaSI). The deal is in EUR and is maturing in 2031.

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

3.5.3 ABS Investments

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

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

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

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

3.5.3.1 Risk assessment and on-going risk monitoring

The EIF's ABS Investments follow the same independent opinion process and on-going risk monitoring as the transactions under EIF's portfolio guarantee and structured business (see note 3.4.1).

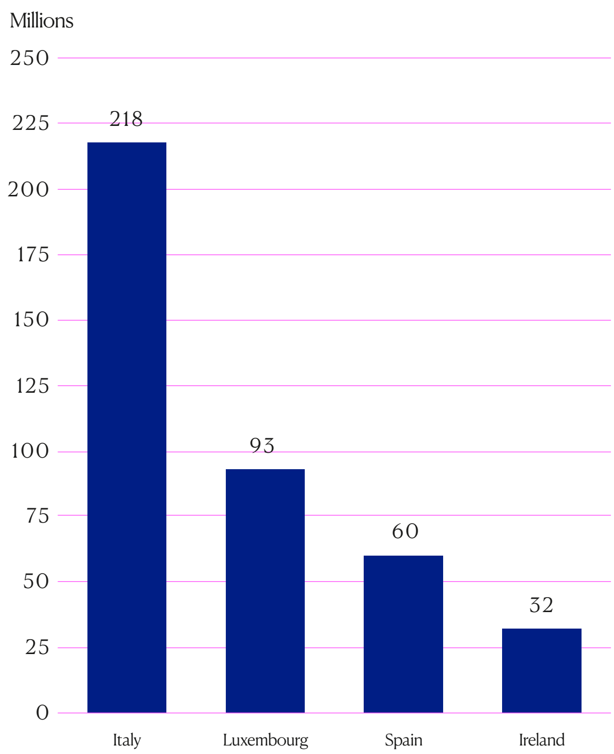
Transaction status	31.12.2022		31.12.2021	
	EUR	%	EUR	%
Under review	14 662 643	3.6%	0	0.0%
Performing	364 358 554	90.5%	381 038 562	100.0%
Positive outlook	23 793 435	5.9%	0	0.0%
Total Exposure at Risk	402 814 632	100.0%	381 038 562	100.0%

3.5.3.2 Credit Risk

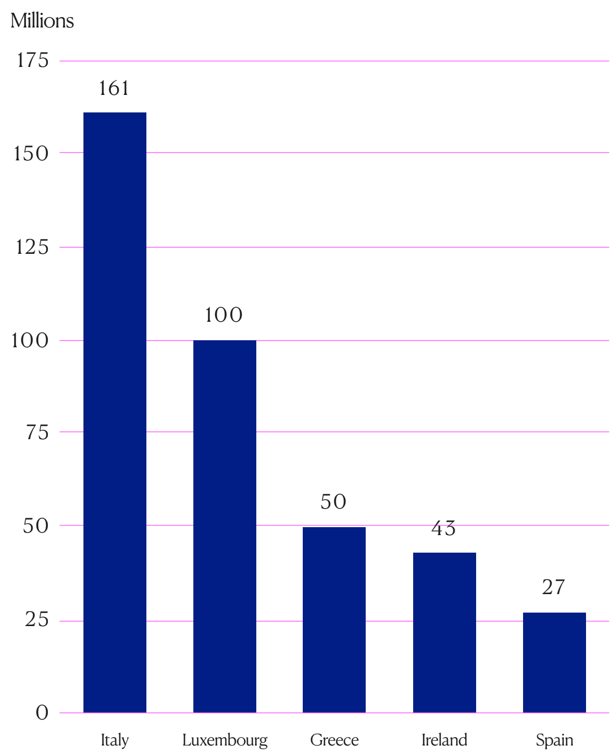
ABS Investments are exposed to credit risk by way of rating downgrade and default risk. EIF manages these risks by adhering to risk management policies laid out in its statutes, EIF Credit Risk Policy Guidelines and internal concentration limits (see note 3.4.2).

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

Fair Value as of 31.12.2022 (EUR)

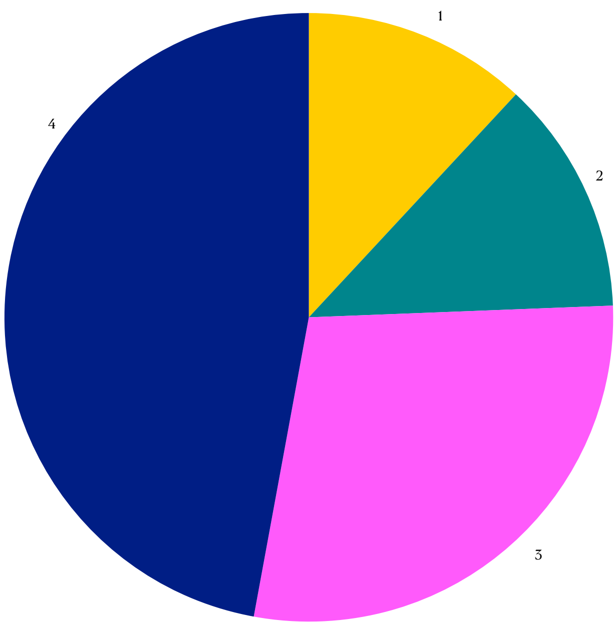


Fair Value as of 31.12.2021 (EUR)



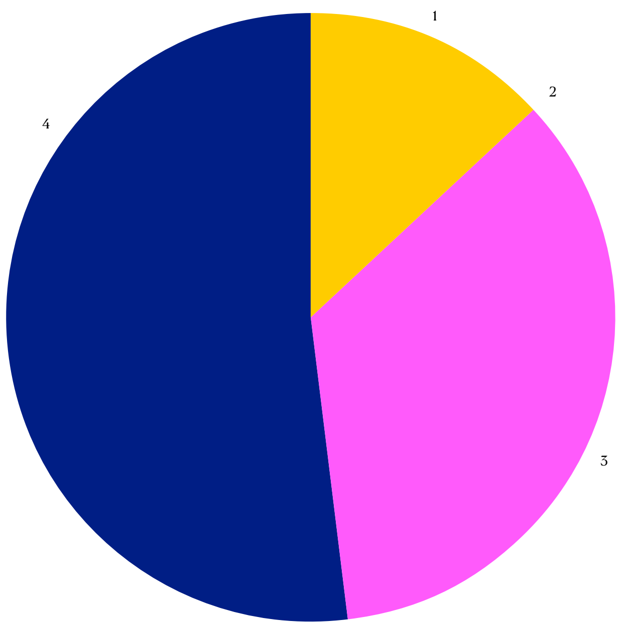
A breakdown of the portfolio per rating is given in the tables below:

% of Fair Value as of 31.12.2022
(EUR 402.8m)



1. Aaa 11.9%
2. Aa 12.5%
3. A 28.5%
4. B 47.1%

% of Fair Value as of 31.12.2021
(EUR 381.0m)



1. Aaa 13.1%
2. Aa 0.0%
3. A 35.1%
4. B 51.8%

3.5.3.3 Liquidity risk

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

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

EUR

	3 months to 1 year	1 year to 5 years	More than 5 years	Total
As of 31.12.2022	26 251 695	246 352 185	130 210 752	402 814 632
As of 31.12.2021	90 175 414	267 720 330	23 142 818	381 038 562

3.5.3.4 Market risk

3.5.3.4.1 Market risk – interest rate risk

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

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

EUR 31.12.2022

	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Fixed rate	87 486	0	76 500 680	0	76 588 166
Floating rate	750 717	26 182 644	169 446 624	129 846 481	326 226 466
Total	838 203	26 182 644	245 947 304	129 846 481	402 814 632

EUR 31.12.2021

	Not more than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Fixed rate	93 560	0	92 397 889	0	92 491 449
Floating rate	235 818	90 022 258	175 146 219	23 142 818	288 547 113
Total	329 378	90 022 258	267 544 108	23 142 818	381 038 562

3.5.3.4.2 Market risk: Foreign currency risk

As at 31 December 2022 EIF's transactions are invested in EUR only (2021: EUR only).

3.6 Financial liabilities at amortised cost

3.6.1 Introduction

The financial liabilities at amortised cost correspond to the funding provided by EIB in order to provide the required liquidity to EIF to finance operations recognised under Guaranteed funded operations in the context of the InvestEU Programme (see note 3.3) as well as currency purchases in respect of exposures in non-EUR currency.

3.6.2 Credit risk

EIF is protected by the InvestEU budgetary guarantee from the European Union represented by the European Commission whenever funding is provided in relation to underlying transactions.

EIF is exposed to the counterparty risk that the European Union represented by the European Commission would default, which considering the strong capacity of the European Union represented by the European Commission to meet its obligations being AAA rated, is approximated to nil.

3.6.3 Liquidity risk

EIF signed a Funding Agreement with EIB to receive the necessary funding in the context of InvestEU transactions. EIB shall provide the liquidity to EIF at any time, in EUR.

The following table shows an analysis of the funding line split by the expected maturity dates:

Funding line (in EUR)	Less than 3 months	More than 5 years	Total
As of 31.12.2022	125 640	157 739 963	157 865 603
As of 31.12.2021	0	0	0

EIF is protected by the InvestEU budgetary guarantee from the European Union represented by the European Commission in order to reimburse the funding provided by EIB (capital and interest), meaning that there is no liquidity risk for EIF.

3.7 Fair value of financial assets and financial liabilities

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

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 2.3 in relation to private equity investments.

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

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

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

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

At 31.12.2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Financial assets				
Financial instruments at Fair Value through Profit and Loss:				
Private equity investments	0	0	1 578 087 650	1 578 087 650
Guaranteed funded operations:				
of which EU funded operations	0	0	69 140 449	69 140 449
of which EU guarantee	0	0	3 682 364	3 682 364
Debt investments	0	402 814 632	0	402 814 632
	0	402 814 632	1 650 910 463	2 053 725 095

At 31.12.2021	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Financial assets				
Financial instruments at Fair Value through Profit and Loss:				
Private equity investments	0	0	1 539 717 710	1 539 717 710
Guaranteed funded operations:				
of which EU funded operations	0	0	0	0
of which EU guarantee	0	0	0	0
Debt investments	0	381 038 562	0	381 038 562
	0	381 038 562	1 539 717 710	1 920 756 272

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

Details of the movements of financial assets at fair value through profit or loss are given in note 4.3.

There was no transfer of financial assets between Level 1 and Level 3 in 2022 or 2021.

04. Detailed disclosures relating to asset headings

4.1 Cash and cash equivalents

Cash and cash equivalents is analysed as follows:

	31.12.2022 EUR	31.12.2021 EUR
Current accounts	325 872 951	234 974 564
Money-market instruments	126 716 425	49 965 277
	452 589 376	284 939 841

As at 31 December 2022, the current accounts and money-market instruments included EUR 57 278 573 and EUR 26 421 652 respectively in relation to the InvestEU Programme (2021: EUR 0 and EUR 0 respectively).

The effective interest rate on short-term bank deposits is 3.60% (2021: not applicable). These deposits have an average remaining maturity of 27 days (2021: not applicable).

4.2 Financial instruments at amortised cost

Financial instruments at amortised cost are made up of the treasury portfolio and long-term bank deposits for EUR 2 424 684 517 (2021: EUR 2 445 697 846) and microfinance loans for EUR 13 120 079 (2021: EUR 3 887 992).

4.2.1 Treasury portfolio and long-term bank deposits

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

	31.12.2022 EUR	31.12.2021 EUR
Treasury portfolio	2 415 806 368	2 437 269 259
Accrued interest on treasury portfolio	8 878 149	8 428 587
	2 424 684 517	2 445 697 846

As at 31 December 2022, bank deposits between 3 months and 1 year amount to EUR 97 925 363. The callable deposits have an average 100-day notice period.

As at 31 December 2021, bank deposits between 3 months and 1 year amounted to EUR 147 982 528). The effective interest rate on long-term bank deposits was -0.47%. The deposits had an average remaining maturity of 54 days.

Movement in treasury portfolio can be analysed as follows:

	31.12.2022 EUR	31.12.2021 EUR
Carrying amount at 1 January	2 445 697 846	1 206 789 028
Additions	376 716 858	1 560 133 272
Disposals/matured	(397 912 966)	(324 763 574)
Expected credit loss allowance	(266 783)	67 392
Accrued interest	449 562	3 471 728
Carrying amount at 31 December	2 424 684 517	2 445 697 846

As of 31 December 2022, the expected credit loss allowance amounts to EUR 443 236 (2021: EUR 176 453).

As of 31 December 2022, the treasury portfolio is only composed of investments classified under Stage 1 of the ECL model (2021: only Stage 1).

The fair value of the treasury portfolio and long-term bank deposits as of 31 December 2022 amounts to EUR 2 157 693 205 (2021: EUR 2 439 309 214).

As of 31 December 2022, EUR 2 092 549 274 is classified as Level 1 and EUR 65 143 931 is classified as Level 2 in the Fair Value hierarchy (2021: EUR 2 411 823 133 and EUR 27 486 081 respectively).

4.2.2 Microfinance Loans

The loan portfolio includes microfinance loans.

	31.12.2022 EUR	31.12.2021 EUR
Loan portfolio	13 102 389	3 882 718
Accrued interest on loan portfolio	17 690	5 274
	13 120 079	3 887 992

Movement in loan portfolio can be analysed as follows:

	2022 EUR	2021 EUR
Carrying amount at 1 January	3 887 992	5 234 233
Additions	10 684 038	814 774
Disposals/matured	(1 460 815)	(2 165 202)
Expected credit loss allowance	(3 552)	6 153
Accrued interest	12 416	(1 966)
Carrying amount at 31 December	13 120 079	3 887 992

The disbursed microfinance loan portfolio is composed of investments classified under Stage 1 of the ECL model as of 31 December 2022 and 2021.

At the year-end, the undisbursed microfinance loans amount to EUR 13 056 391 (2021: EUR 23 000 000), classified under Stage 1 of the ECL model.

As of 31 December 2022, the expected credit loss allowance amounts to EUR 4 532 (2021: EUR 980).

The fair value of the microfinance loans as of 31 December 2022 amounts to EUR 14 675 788 (2021: EUR 3 887 046).

4.3 Financial instruments at fair value through profit or loss

4.3.1 Private equity investments

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

	2022 EUR	2021 EUR
Investment at cost at 1 January	888 842 618	751 907 855
Disbursements	113 699 796	122 625 434
Disbursements in relation to EFSI EP - SW2	65 159 914	82 213 992
Disbursements in relation to EFSI - Private Credit	76 327 674	122 660 024
Capital repayments	(127 826 022)	(168 405 772)
Capital repayments in relation to EFSI EP - SW2	(34 956 235)	(15 648 175)
Capital repayments in relation to EFSI - Private Credit	(15 869 135)	(11 687 884)
Terminated deals	(1 556 571)	(937 732)
Fund underwriting - cost de-recognition	(470 218)	0
Secondary sale transactions - cost de-recognition	(250)	0
Foreign exchange	636 279	6 114 876
Investment at cost at 31 December	963 987 850	888 842 618
Fair value adjustment and foreign exchange adjustment at 1 January	650 875 092	230 548 887
Adjustments to fair value during the financial year:		
Changes in fair value through profit or loss	(51 076 338)	319 645 259
Increase in fair value in relation to EFSI EP - SW2	18 708 996	78 585 597
Increase in fair value in relation to EFSI - Private Credit	(6 665 923)	16 725 135
Terminated transactions - cumulated fair value adjustments until de-recognition	1 516 738	0
Fund underwriting - cumulated fair value adjustments until de-recognition	374 146	0
Foreign exchange	367 089	5 370 214
Value adjustment and foreign exchange adjustment at 31 December	614 099 800	650 875 092
Carrying amount at 31 December	1 578 087 650	1 539 717 710

As of 31 December 2022 and 2021, the private equity investments are all classified under level 3 of the fair value hierarchy. As highlighted in the accounting policy (note 2.3.3.1) and following the usage of the methodology to derive an estimated fair value of the private equity portfolio, the impact amounts to EUR (7 602 880) (2021: EUR 114 200 180).

The fair value as of 31 December 2022 includes an amount of EUR 3 066 061 (2021: EUR 3 594 683) related to investment in joint ventures.

4.3.2 Guaranteed funded operations

Guaranteed funded operations at fair value through profit or loss are analysed as follows:

	2022 EUR	2021 EUR
Investment at cost at 1 January	0	0
Disbursements	72 822 813	0
Investment at cost at 31 December	72 822 813	0
Fair value adjustment at 1 January	0	0
Adjustments to fair value during the financial year:		
Changes in fair value through profit or loss	(3 682 364)	0
Value adjustment at 31 December	(3 682 364)	0
Guarantee adjustment at 1 January	0	0
Adjustments to fair value during the financial year:		
Changes in fair value through profit or loss	3 682 364	0
Guarantee adjustment at 31 December	3 682 364	0
Carrying amount at 31 December	72 822 813	0

As of 31 December 2022 and 2021, the Guaranteed funded operations are all classified under level 3 of the fair value hierarchy. As highlighted in the accounting policy (note 2.3.3.1) and following the usage of the methodology to derive an estimated fair value of the Guaranteed funded operations, the impact amounts to EUR (3 682 364) (2021: EUR 0).

The value of the guarantee arising from the InvestEU Programme changes in response to the change in the fair value of Guaranteed funded operations.

As of 31 December 2022 and 2021, the Guaranteed funded operations amount to EUR 72 822 813 (2021: EUR 0), for which the Fund has a funding line provided by EIB under the InvestEU Programme. For more details, see note 5.3. Ultimately, all the risks and rewards belong to the European Commission via the guarantee provided to EIF. Therefore, EIF is not exposed to any risk linked to the underlying Guaranteed funded operations and solely to residual counterparty risk from the European Commission.

4.3.3 Debt investments

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

	31.12.2022 EUR	31.12.2021 EUR
Debt portfolio	401 976 428	380 709 184
Accrued interest on debt portfolio	838 204	329 378
	402 814 632	381 038 562

	2022 EUR	2021 EUR
Carrying amount at 1 January	381 038 562	322 970 943
Additions	120 784 772	96 400 000
Disposals/matured	(88 237 558)	(36 888 667)
Change in fair value	(11 279 970)	(1 219 514)
Accrued interest	508 826	(224 200)
Carrying amount at 31 December	402 814 632	381 038 562

Movement in debt investments can be analysed as follows:

As at 31 December 2022, the total debt investments at cost amount to EUR 413 700 165 (2021: EUR 381 152 951) and the accumulated change in fair value on debt investments amounts to EUR (11 723 737) (2021: EUR (443 767)).

4.4 Other assets

Other assets are made up of the following:

	31.12.2022 EUR	31.12.2021 EUR
Accounts receivable relating to pensions managed by the EIB	290 979 041	260 747 748
Accrued commission & other income	195 127 513	195 843 525
Receivables from financial guarantees	18 449 872	20 482 246
Receivables from earn-out agreements	1 200	0
Other debtors	29 335 372	20 112 181
	533 892 998	497 185 700

Following the introduction of a defined benefit pension scheme in 2003 (see note 2.8), contributions from staff and the Fund are set aside to cover future obligations. The assets of the scheme are transferred to the EIB for management on behalf of the Fund. See also note 5.2.

The following table discloses the ageing of other assets:

	Neither past due nor impaired	Past due but not impaired			
		0-6 months	6-12 months	>12 months	Total
	EUR	EUR	EUR	EUR	EUR
2022	533 796 963	0	0	96 035	533 892 998
2021	497 048 342	0	0	137 358	497 185 700

4.5 Intangible assets

	Internally Generated Software EUR	Purchased Software EUR	Total EUR
Cost	5 653 320	844 453	6 497 773
Accumulated amortisation	(5 653 320)	(263 181)	(5 916 501)
Carrying amount at 01.01.2021	0	581 272	581 272
Opening carrying amount	0	581 272	581 272
Additions	0	653 145	653 145
Amortisation charge	0	(15 400)	(15 400)
Carrying amount at 31.12.2021	0	1 219 017	1 219 017
Cost	5 653 320	1 497 598	7 150 918
Accumulated amortisation	(5 653 320)	(278 581)	(5 931 901)
Carrying amount at 01.01.2022	0	1 219 017	1 219 017
Opening carrying amount	0	1 219 017	1 219 017
Additions	0	(108 000)	(108 000)
Amortisation charge	0	(40 032)	(40 032)
Carrying amount at 31.12.2022	0	1 070 985	1 070 985
31.12.2022			
Cost	5 653 320	1 389 598	7 042 918
Accumulated amortisation	(5 653 320)	(318 613)	(5 971 933)
Carrying amount at 31.12.2022	0	1 070 985	1 070 985

There were no indications of impairment of intangible assets in either 2022 or 2021.

4.6 Property and equipment

	Other properties EUR	Office Equipment EUR	Computer Equipment EUR	Total Equipment EUR
Cost	530 652	202 401	818 355	1 020 756
Accumulated depreciation	(242 974)	(202 401)	(818 355)	(1 020 756)
Carrying amount at 01.01.2021	287 678	0	0	0
Opening carrying amount	287 678	0	0	0
Depreciation charge	(45 822)	0	0	0
Carrying amount at 31.12.2021	241 856	0	0	0
Cost	530 652	202 401	818 355	1 020 756
Accumulated depreciation	(288 796)	(202 401)	(818 355)	(1 020 756)
Carrying amount at 01.01.2022	241 856	0	0	0
Opening carrying amount	241 856	0	0	0
Depreciation charge	(45 822)	0	0	0
Carrying amount 31.12.2022	196 034	0	0	0
31.12.2022				
Cost	530 652	202 401	818 355	1 020 756
Accumulated depreciation	(334 618)	(202 401)	(818 355)	(1 020 756)
Carrying amount	196 034	0	0	0

There were no indications of impairment of equipment or investment property in either 2022 or 2021.

05. Detailed disclosures relating to liabilities and equity headings

5.1 Financial guarantees

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

	31.12.2022 EUR	31.12.2021 EUR
Financial guarantees	(16 667 219)	(32 688 191)
Provisions for financial guarantees	13 050 312	11 413 583
	(3 616 907)	(21 274 608)

Movement in financial guarantees can be analysed as follows:

2022 - in EUR	Stage 1	Stage 2	Stage 3	Foreign exchange	Total
Financial guarantees as at 1 January	(30 769 380)	33 763	9 274 536	186 473	(21 274 608)
Amortisation of the payer leg	(68 694 859)	(47 712)	(57 317)		(68 799 888)
Adjustment of the receiver leg	87 032 916	49 181	57 317		87 139 414
Expected credit loss allowance	0	0	57 317		57 317
Amortisation of financial guarantees de-recognised due to termination	(761 262)	0	0		(761 262)
Foreign exchange impact				22 120	22 120
Financial guarantees as at 31 December	(13 192 585)	35 232	9 331 853	208 593	(3 616 907)

2021 - in EUR	Stage 1	Stage 2	Stage 3	Foreign exchange	Total
Financial guarantees as at 1 January	(31 974 771)	(14 787)	9 763 800	196 612	(22 029 146)
Amortisation of the payer leg	(72 728 156)	(53 199)	(506 356)		(73 287 711)
Adjustment of the receiver leg	75 252 811	114 127	64 339		75 431 277
Expected credit loss allowance	0	(11 911)	(46 259)		(58 170)
Amortisation of financial guarantees de-recognised due to termination	(1 319 264)	(467)	(988)		(1 320 719)
Foreign exchange impact				(10 139)	(10 139)
Financial guarantees as at 31 December	(30 769 380)	33 763	9 274 536	186 473	(21 274 608)

During the year 2022, there was no transfer of financial guarantees between Stages (2021: none).

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

The change in the fair value of the receiver leg of financial guarantees amounts to EUR (10 663 349) (2021: EUR 74 074).

As of 31 December 2022, the receiver leg and the payer leg offset for a total amount of EUR (3 616 907) (2021: EUR (21 274 608)) as follows:

	Receiver leg	Payer leg	Total
31.12.2022	EUR	EUR	EUR
Financial guarantees	(175 822 837)	159 155 618	(16 667 219)
Provisions for financial guarantees	(30 070 707)	43 121 019	13 050 312
	(205 893 544)	202 276 637	(3 616 907)
31.12.2021			
Financial guarantees	(234 826 078)	202 137 887	(32 688 191)
Provisions for financial guarantees	(24 284 817)	35 698 400	11 413 583
	(259 110 895)	237 836 287	(21 274 608)

5.2 Retirement benefit obligations

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

Retirement benefit obligations	31.12.2022 EUR	31.12.2021 EUR
Pension scheme	346 922 824	598 423 823
Health insurance scheme	44 144 000	69 109 000
	391 066 824	667 532 823

Commitments in respect of retirement benefits as of 31 December 2022 have been valued by an independent actuary. The calculations are based on the following main assumptions:

Principal Assumptions	2022	2021
Discount rate for obligations	3.88%	1.35%
Rate of future compensation increases	3.30%	3.50%
Rate of pension increases	2.30%	1.75%
Actuarial tables	ICSLT	ICSLT

The discount rate is based on the IBOXX index extrapolated at the average duration of EIF post-retirement obligations (approximately 25.5 years) using an estimated slope determined with ECB EURO Spot yield curve.

Regarding the inflation and indexation of pensions, the long-term consensus forecast of inflation in the Eurozone remained the basis. The rate of adjustments of pensions for the year was 2.3% (2021: 1.75%).

The combined average impact of the increase in the cost of living and career progression is 3.3% (2021: 3.5%).

The defined benefit obligation for pensions as valued in the independent actuary report dated 27 January 2023 amounts to EUR 346 922 824 (2021: EUR 598 423 823). As of December 2022 the Fund allocated EUR 202 116 981 (2021: EUR 178 035 333) to pension assets.

Amounts recognised in comprehensive income as at 31.12.2022	EIF Pension	Health Insurance	Total 2022
	EUR	EUR	EUR
Current net service cost	40 179 000	7 023 000	47 202 000
Special termination benefits	0	0	0
Net interest cost	8 075 000	933 000	9 008 000
Net benefit expense recognised in profit or loss	48 254 000	7 956 000	56 210 000
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	16 885 000	4 377 000	21 262 000
Gain due to assumption changes	(322 312 999)	(38 420 000)	(360 732 999)
Defined benefit obligation recognised in other comprehensive income	(305 427 999)	(34 043 000)	(339 470 999)
Total	(257 173 999)	(26 087 000)	(283 260 999)

Amounts recognised in comprehensive income as at 31.12.2021	EIF Pension	Health Insurance	Total 2021
	EUR	EUR	EUR
Current net service cost	49 882 000	13 755 000	63 637 000
Special termination benefits	70 000	0	70 000
Net interest cost	5 331 000	691 000	6 022 000
Net benefit expense recognised in profit or loss	55 283 000	14 446 000	69 729 000
Re-measurement on the defined benefit obligation:			
Experience loss/(gain)	5 063 000	4 693 000	9 756 000
Gain due to assumption changes	(177 848 000)	(42 154 000)	(220 002 000)
Defined benefit obligation recognised in other comprehensive income	(172 785 000)	(37 461 000)	(210 246 000)
Total	(117 502 000)	(23 015 000)	(140 517 000)

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

Changes in Defined Benefit Obligation as at 31.12.2022	EIF Pension	Health insurance	Total 2022
	EUR	EUR	EUR
Defined benefit obligation, Beginning of year	598 423 823	69 109 000	667 532 823
Net service cost	40 179 000	7 023 000	47 202 000
Net interest cost	8 075 000	933 000	9 008 000
Employee contributions	6 202 000	1 157 000	7 359 000
Benefits paid	(529 000)	(35 000)	(564 000)
Special termination benefits	0	0	0
Experience loss/(gain)	16 885 000	4 377 000	21 262 000
Gain due to assumption changes	(322 312 999)	(38 420 000)	(360 732 999)
Defined benefit obligation, End of year	346 922 824	44 144 000	391 066 824

Changes in Defined Benefit Obligation as at 31.12.2021	EIF Pension	Health Insurance	Total 2021
	EUR	EUR	EUR
Defined benefit obligation, Beginning of year	711 505 823	92 137 000	803 642 823
Net service cost	49 882 000	13 755 000	63 637 000
Net interest cost	5 331 000	691 000	6 022 000
Employee contributions	5 803 000	8 000	5 811 000
Benefits paid	(1 383 000)	(21 000)	(1 404 000)
Special termination benefits	70 000	0	70 000
Experience loss/(gain)	5 063 000	4 693 000	9 756 000
Gain due to assumption changes	(177 848 000)	(42 154 000)	(220 002 000)
Defined benefit obligation, End of year	598 423 823	69 109 000	667 532 823

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 2022		Effect on the defined benefit obligation	
		EIF Pension	Health Insurance
Discount rate	0.5% increase	-12%	-14%
Discount rate	0.5% decrease	14%	17%
Life expectancy	1 year increase	3%	4%
Life expectancy	1 year decrease	-3%	-4%
Inflation	1% increase	15%	
Inflation	1% decrease	-12%	
Salary rate	1% increase	8%	
Salary rate	1% decrease	-7%	
Medical cost	1% increase		42%
Medical cost	1% decrease		-30%

31 December 2021		Effect on the defined benefit obligation	
		EIF Pension	Health Insurance
Discount rate	0.5% increase	-14%	-14%
Discount rate	0.5% decrease	17%	20%
Life expectancy	1 year increase	3%	5%
Life expectancy	1 year decrease	-3%	-5%
Inflation	1% increase	27%	
Inflation	1% decrease	-20%	
Salary rate	1% increase	8%	
Salary rate	1% decrease	-7%	
Medical cost	1% increase		51%
Medical cost	1% decrease		-33%

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 2022	EIF Pension	Health Insurance
	years	years
Duration of active members	27.6	33.3
Duration of deferred members*	27.7	24,8
Duration of retired members	14.8	17.6

Life expectancy at age 60 for a Male using ICSLT (year 2022) mortality tables: 27.1 years

Life expectancy at age 60 for a Female using ICSLT (year 2022) mortality tables: 29.6 years

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

31 December 2021	EIF Pension	Health Insurance
	years	years
Duration of active members	32.9	36.5
Duration of deferred members*	31.3	28.3
Duration of retired members	18.9	22

Life expectancy at age 60 for a Male using ICSLT (year 2021) mortality tables: 26.9 years

Life expectancy at age 60 for a Female using ICSLT (year 2021) mortality tables: 29.4 years

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

5.3 Financial liabilities at Amortised Cost

Financial liabilities at amortised cost are analysed as follows:

	31.12.2022 EUR	31.12.2021 EUR
Financial liabilities at amortised cost	157 739 963	0
Accrued interest on Financial liabilities at amortised cost	125 640	0
	157 865 603	0

As at 31 December 2022, the funding line provided by EIB under the InvestEU Programme amounts to EUR 157 865 603 (2021: EUR 0), which was used, amongst other things, to finance guaranteed funded operations amounting to EUR 72 822 813 (2021: EUR 0).

5.4 Other liabilities and provisions

Other liabilities and provisions are analysed as follows:

	31.12.2022 EUR	31.12.2021 EUR
Related parties payables	56 737 301	27 879 849
Employee benefit payables	123 470 446	118 028 319
Trade creditors	360 752 163	352 758 323
Provision for risks and liabilities	24 111 244	34 954 653
	565 071 154	533 621 144

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

Trade creditors include EUR 288 553 038 of contract liabilities (2021: EUR 286 005 448). Contract liabilities represent accumulated income to be amortised over the expected life of the mandates under management.

In 2022, provision for risks and charges include the use of provision for EUR 7.4m following a reimbursement of management fees previously received in relation to a mandate agreement. As at 31 December 2022, an additional EUR 5.8m was also reversed under another mandate agreement, following the EIF Management assessment that EIF will not have to reimburse in full management fees previously received.

Movements in contract liabilities are as follows:

	31.12.2022 EUR	31.12.2021 EUR
Contract liabilities at 1 January	286 005 448	276 548 681
Additions	105 706 140	70 056 301
Transfer to profit or loss	(95 772 142)	(79 799 534)
Transfer (from)/to provision	(7 386 408)	19 200 000
Contract liabilities at 31 December	288 553 038	286 005 448

Additions represent management fees invoiced during the year on existing mandates and new mandates signed during the year, which were not recognised in the profit or loss because of the deferral mechanism.

As at 31 December 2022, the aggregate amount of the transaction price allocated to the unsatisfied part of the performance obligation amounts to EUR 1 156 585 387 (2021: EUR 746 744 665) of which EUR 288 553 038 (2021: EUR 286 005 448) has already been invoiced and deferred in contract liabilities. The Fund expects to recognise such revenue over the remaining expected life of the mandates under management.

5.5 Share capital

The authorised capital amounts to EUR 7 370 000 000 (2021: EUR 7 370 000 000), of which EUR 70 000 000 is not yet subscribed (2021: EUR 70 000 000). The authorised and subscribed capital amounts to EUR 7 300 000 000 ((2021: EUR 7 300 000 000), divided into 7 300 shares ((2021: 7 300 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 12 February 2021, the General Meeting of Shareholders approved an increase of the Fund's subscribed share capital from EUR 4 500 000 000 to EUR 7 370 000 000, resulting in a total of 7 370 authorised shares of a nominal value of EUR 1 000 000. In 2021, the capital increase of EUR 2 870 000 000 was effected by issuing 2 870 shares of a nominal value of EUR 1 000 000 each. 1 689 shares were acquired by the EIB, 853 shares were acquired by the European Union represented by the European Commission and EUR 258 shares were acquired by other Financial Institutions. Following the end of the capital increase on 30 September 2021, 70 shares are not yet allocated as of 31 December 2022 (2021: 70 shares).

As at 31 December 2022, the authorised and subscribed share capital of EUR 7 300 000 000 (2021: EUR 7 300 000 000) representing 7 300 shares (2021: 7 300 shares) is called and paid in for an amount of EUR 1 460 000 000 (2021: EUR 1 460 000 000) representing 20 % of the authorised and subscribed share capital.

The subscribed share capital is detailed as follows:

	31.12.2022 EUR	31.12.2021 EUR
Subscribed and paid in (20%)	1 460 000 000	1 460 000 000
Subscribed but not yet called (80%)	5 840 000 000	5 840 000 000
	7 300 000 000	7 300 000 000

	31.12.2022 EUR	31.12.2021 EUR
European Investment Bank	4 336	4 336
European Commission	2 190	2 190
Financial Institutions	774	774
	7 300	7 300

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 14 082 752 is required to be appropriated in 2023 with respect to the financial year ended 31 December 2022.

A dividend of EUR 15 041 512 was distributed following the approval of the General Meeting of Shareholders on 7 April 2022 (2021: no dividend). Dividends are distributed in line with Article 27 of the Fund's Statutes.

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

For guarantee operations and ABS investments, commitments are limited to three times the amount of subscribed capital.

Private equity net commitments may not exceed 50% of equity, excluding the fair value reserve as per decision of the Annual General Meeting.

5.7 Capital risk management

EIF is not subject to prudential supervision neither subject to externally imposed capital requirements on a standalone basis. Nevertheless, EIF contributes to the EIB Group adherence with the EU banking directives and best banking practice, such as the Capital Requirements Regulation (CRR), by providing EIF data for the computation of the EIB Group regulatory capital requirements performed by the Bank.

To manage EIF capital position, EIF calculates its economic capital requirements and conducts stress tests, as determined by the EIB Group Stress Testing Framework for its relevant parts, to assess the sensitivity of its economic capital.

EIF has implemented sound risk management policies and procedures to manage its capital sustainability. EIF has defined a set of risk capital metrics, which are included in EIF Risk Appetite Framework and monitored on a frequently basis, allowing EIF to deploy its business plan within its risk appetite.

On an annual basis, EIF performs an Internal Capital Adequacy Assessment Process (ICAAP) assessing its economic capital adequacy under stress scenarios with a forward-looking perspective. EIF ICAAP is included in the EIB Group ICAAP.

06. Interest in unconsolidated structured entities and in investment entities

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

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

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

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

Type of structured entity	Nature and purpose	Interest held by the Fund
Limited Partnership in relation to PE operations (see section 6.1)	Acquisition, holding, managing and disposal of participations in any enterprise subject to the conditions laid down in paragraph 2 (i) of Article 12 of the EIF Statutes	• Investments in shares issued by the Limited Partnership • Capital and revenues repayments
Special Purpose Vehicles ("SPV") in relation to financial guarantee operations (see section 6.2)	Provision of guarantees as well as of other comparable instruments for loans and other financial obligations in whatever form	Fees for financial guarantee servicing
Special Purpose Vehicles ("SPV") in relation to ABS investments (see section 6.3)	Acquisition of ABS investments	Interest income from ABS investments
Mandates in relation to management of facilities by the Fund on behalf of a mandator (see section 6.4 and section 6.5)	To deploy the resources allocated to the mandate by any Managing Authority and according to each individual agreement and to the EIF expertise	Fees for mandates servicing

Below is a description of the Fund's involvement in unconsolidated structured entities by type. The Fund concluded that it does not control and therefore should not consolidate any entity described in sections 6.1, 6.2, 6.3, 6.4 and 6.5, as the Fund does not have power over the relevant activities of the entities.

6.1 Interest in structured entities in relation to private equity operations

Operations are typically structured as follows:

An investment fund is setup with a General Partner (hereafter "GP") and with a number of Limited Partners (hereafter "LPs"), who form together the Limited Partnership. In addition, the Limited Partnership Agreement discloses the investment strategy foreseen within the entity and agreed between the GP and the LPs;

When financing is brought by the LPs, full authority and power is given to the GP, which could delegate the investment part to an investment manager;

The use of voting rights by the LPs is often foreseen to revoke the GP either with a cause or without cause. Even if an investment board within the entity is setup, such an investment board has a consultative role only and is not therefore one of the decision-making bodies of the Limited Partnership.

The Fund is a LP, it does not act as a GP and is from time to time a member of the consultative investment board. The Fund's interest typically ranges from 0.1% to 50%.

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

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

6.2 Interest in structured entities in relation to financial guarantee operations

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

In the context of a bilateral guarantee

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

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

In the context of an embedded guarantee

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

Maximum loss exposure from guarantee operations structured entities is limited to the total Exposure at Risk as disclosed in note 3.4.

As at December 31, 2022, the Fund is exposed to 65 bilateral guarantees (2021: 70) and to 1 embedded guarantees (2021: 1), which represent respectively EUR 9 441m (2021: EUR 10 863m) and EUR 10m (2021: EUR 10m) of the EIF's guarantees in terms of Exposure at Risk.

For more quantitative details on the guarantee portfolio, please refer to note 3.4.

6.3 Interest in structured entities in relation to ABS investments

When the Fund enters into a securitisation backed by SME financing, the Fund could be exposed to a SPV, which may be established to issue the ABS investment. In such operations, the Fund will make a direct investment in the ABS issued out by the SPV.

As at December 31, 2022, the Fund invested in 14 ABS investments issued by SPVs (2021: 11) for a total amount of EUR 402.8m, which are classified into the caption "Debt investments at fair value through profit or loss" (2021: EUR 381.0m).

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 notes 8.1 and 8.2, respectively) and other third parties (public and private entities) depending on the nature of the investment but also in relation to the Fund's expertise and in compliance with its Statutes. When the Fund manages a facility on behalf of a mandator, the management will be performed by the Fund either through a trusteeship or partnership depending on the requirements of the mandator, which have been classified as follows:

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

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

Mandator	Nature and purpose of the structured entity	Interest held by the Fund	Resources[1]	Committed transactions[2]
Services offered in the context of financial guarantee operations				
European Investment Bank	On behalf of the mandator and according to the Fund's expertise: • To originate financial guarantee transactions; • To monitor the financial guarantee transactions; • To report to the mandator accordingly.	Management fees for servicing	14 470 834 154	12 258 602 185
European Commission			7 355 365 777	6 662 826 286
Other third parties			2 832 398 110	2 004 128 875
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	14 752 468 666	19 116 311 231
European Commission			5 419 186 333	4 946 727 769
Other third parties			9 424 377 942	5 104 326 636
Services offered in the context of microfinance operations				
European Investment Bank	On behalf of the mandator and according to the Fund's expertise: • To originate microfinance transactions; • To monitor microfinance transactions; • To report to the mandator accordingly.	Management fees for servicing	185 535 000	121 125 000
European Commission			45 000 000	40 761 535
Services offered in the context of multi-products structured entities				
European Investment Bank	On behalf of the mandator and according to the Fund's expertise: • To originate multi products transactions; • To monitor the multi products transactions; • To report to the mandator accordingly.	Management fees for servicing	13 331 000 000	10 579 410 526
European Commission			10 050 611 367	1 642 111 177
Other third parties			1 264 851 605	1 262 916 815

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

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

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

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

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

Mandator	Country	Nature and purpose of the structured entity	Interest held by the Fund	Resources[1]	Committed transactions[2]
European Investment Bank	Multicountry with a focus on European Microfinance	On behalf of the mandator and according to the Fund's expertise: · To act as investment adviser and to propose private equity transaction for the approval of governing bodies of the fund of funds; · To originate private equity transactions; · To monitor the private equity transactions; · To report to the mandator accordingly.	Management fees for servicing	110 000 000	72 130 078
European Commission	Multicountry with a focus on Global Energy Efficiency and Renewable Energy Fund			404 679 409	239 782 448
Other third parties	Portugal			111 330 000	76 000 000
	Spain			183 000 000	166 088 389
	The Netherlands			402 500 000	387 000 000
	The United Kingdom			225 496 939	226 569 823
	Türkiye			360 000 000	345 702 946
	Multi-country			1 372 055 255	1 021 231 161

(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 2022, total assets under management defined as the initial resources and contributions allocated to each mandate amounts to EUR 82.30 billion (2021: EUR 71.67 billion).

07. Detailed disclosures related to the statement of comprehensive income

7.1 Interest and similar income

Interest and similar income comprises:

	31.12.2022 EUR	31.12.2021 EUR
Interest income on debt investments	11 948 295	8 684 195
Interest (expense)/income on money-market instruments	382 677	(329 041)
Interest expense on bank current accounts	(428 382)	(2 195 807)
Other interest income	5 951 175	4 448 256
	17 853 765	10 607 603

Interest income on debt investments includes discounts of EUR 838 686 (2021: EUR 488 304) and premiums of EUR (10 929 541) (2021: EUR (9 681 763)).

7.2 Net income from private equity investments

Net income from private equity investments comprises:

	31.12.2022 EUR	31.12.2021 EUR
Dividend income	48 721 870	62 014 002
Other net income	(26 666)	(953 679)
	48 695 204	61 060 323

7.3 Net result from financial guarantee operations

Net result from guarantee operations comprises:

	31.12.2022 EUR	31.12.2021 EUR
Amortisation of the payer leg	69 561 150	74 608 430
Intermediation and risk cover fees	413 100	11 413
Guarantee calls net of recoveries	65 442	(173 253)
	70 039 692	74 446 590

7.4 Commission income

Commission income comprises:

	31.12.2022 EUR	31.12.2021 EUR
Commissions on EIB mandates	53 022 432	64 988 351
Commissions on EC mandates	55 645 091	52 165 878
Commissions on Regional and Funds of Funds mandates	94 461 377	90 240 665
Other commissions	26 000	328 632
	203 154 900	207 723 526

Commission income includes EUR 95 772 142 (2021: EUR 79 799 534), which was previously recognised in contract liabilities. See note 5.4.

7.5 Net result on financial operations

Net result on financial operations comprises:

	31.12.2022 EUR	31.12.2021 EUR
Realised gain/(loss) on debt investments at amortised cost	(1 005 933)	(83 438)
Realised gain on private equity investments	(249)	0
Gains/ (losses) arising from transactions or cash positions in foreign currencies	822 721	13 012 600
	(183 461)	12 929 162

7.6 Other operating income

Other operating income includes mainly attendance fees and commitment fees.

7.7 General administrative expenses

The number of persons employed at the year-end (no EIF secondee to EIB (2021: 1)) is as follows:

	31.12.2022	31.12.2021
Chief Executive/Deputy Chief Executive	2	2
Employees	628	597
	630	599

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

Key management compensation for the period is disclosed as follows:

	31.12.2022	31.12.2021
Short-term benefits(1)	2 927 875	2 765 049
Post-employment benefits(2)	460 697	448 707
	3 388 572	3 213 756

(1.) Short-term employee benefits comprise salaries and allowances, performance awards and social security contributions of key management personnel

(2.) Post-employment benefits comprise pensions and expenses for post-employment health insurance paid to key management personnel

Other administrative expenses include contributions under the service level agreement with the EIB for the use of office space amounting to EUR 12 526 809 (2021: EUR 10 487 523).

08. Related party transactions

EIB is the majority owner of the Fund with 59.4% (2021: 59.4%) of the subscribed shares. The remaining percentage is held by the European Commission 30.0% (2021: 30.0%) and the Financial Institutions 10.6% (2021: 10.6%).

Information relating to general administrative expenses and key management is disclosed in the note 7.7.

8.1 European Investment Bank

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

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

	31.12.2022 EUR	31.12.2021 EUR
Assets		
Other assets	353 341 427	335 342 702
Liabilities and equity		
Financial liabilities at amortised cost	157 865 603	0
Other liabilities and provisions	58 867 862	24 570 171
Share capital (subscribed and paid-in)	867 200 000	867 200 000
Income		
Commission income	53 022 432	64 988 351
Interest income on pensions	5 951 176	4 448 257
Expenses		
General administrative expenses	25 433 041	19 937 547
Interest and similar income	294 429	0

The Fund benefits from a funding line provided by EIB under the InvestEU Programme of up to EUR 7 600 000 000 and EUR 600 000 000 in respect of guaranteed funded operations and guaranteed unfunded operations respectively.

8.2 European Commission

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

	31.12.2021 EUR	31.12.2020 EUR
Assets		
Cash and cash equivalents	83 700 225	0
Guaranteed funded operations:		
of which EU funded operations	69 140 449	0
of which EU guarantee	3 682 364	0
Other assets	42 338 966	75 251 756
Liabilities and equity		
Other liabilities and provisions	143 009 660	148 301 096
Share capital (subscribed and paid-in)	438 000 000	438 000 000
Income		
Commission income	55 645 091	52 165 878
Interest income on pensions	294 429	0

The Fund benefits from a guarantee from the European Union represented by the European Commission under the InvestEU Programme that amounts to up to EUR 10 516 000 000.

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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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 2022 and any references to figures throughout the text apply to the same period unless otherwise stated. EIF's 2022 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 2021 and 30 September 2022.
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