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**COMMISSION STAFF WORKING DOCUMENT**  
*Accompanying the document*

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE  
COUNCIL AND THE COURT OF AUDITORS**

**ON THE MANAGEMENT OF THE GUARANTEE FUND OF THE EUROPEAN  
FUND FOR STRATEGIC INVESTMENTS IN 2016**

{COM(2017) 326 final}

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## **1. INTRODUCTION**

This Staff Working Document (SWD) accompanies the Report on the Management of the European Fund for Strategic Investments Guarantee Fund (EFSI GF) in 2016. The SWD provides further information and tables on (2) operations managed by EIB and EIF (signatures and disbursed amounts, breakdown by sector and country), (3) financial statements and (4) asset management.

## **2. EFSI OPERATIONS SUPPORTED BY THE EU GUARANTEE**

This section provides a breakdown of the EFSI operations supported by the EU guarantee in terms of number of operations, investment volume (signature and investment mobilised) as well sector and country breakdown.

### **2.1 EIB OPERATIONS**

As of end-2016, EIB had signed 121 operations in 24 Member States. The total signatures amount to EUR 14.2 billion which is expected to mobilise investments of EUR 67.7 billion. More than half of the signed operations in terms of volume were in the energy (34%) and research sector (19%) followed by transport (15%) and the provision of financial support to SME's and small Mid-Cap companies (12%).

### **2.2 EIF OPERATIONS**

As of end-2016, the EIF signed 225 operations with 192 financial intermediaries in 27 Member States. The total EIF financing of EUR 7.1 billion is expected to mobilise investments of EUR 58.9 billion, of which EUR 39.7 billion private finance.

Of the 388,100 final recipients (SMEs, small mid-caps and mid-caps) which are estimated to eventually benefit from the above financing, 45,883 final recipients were already reached, thus supporting 432,357 jobs. The most important sectors in terms of amounts were research and development (67%) and information and communication technologies (21%).

## 2.3 BREAKDOWN OF EFSI OPERATIONS BY SECTOR AND COUNTRY

Table 1: Distribution of signed EFSI Infrastructure and Innovation Window ("IIW") and Small and Medium Enterprises Window ("SMEW") operations by sector (as defined in the EFSI regulation) at the end of 2016.

Objective and subcategory as per Article 9 of the EFSI Regulation	Signatures		
	IIW (EUR m)	SMEW (EUR m)	Total (EUR m)
research, development and innovation	2,670.39	4,743.28	7,413.67
development of the energy sector in accordance with the Energy Union priorities	4,762.74	-	4,762.74
development of transport infrastructures, and equipment and innovative technologies for transport	2,075.79	-	2,075.79
financial support through the EIF and the EIB to entities having up to 3 000 employees	1,733.61	493.92	2,227.53
development and deployment of information and communication technologies	1,373.75	1,487.39	2,861.14
environment and resource efficiency	1,053.95	-	1,053.95
human capital, culture and health	499.22	375.92	875.14
<b>Total</b>	<b>14,169.45</b>	<b>7,100.51</b>	<b>21,269.96</b>

Table 2: Distribution of signed EFSI IIW and SMEW operations by country at the end of 2016.

Country	Signatures		
	IIW (EUR m)	SMEW (EUR m)	Total (EUR m)
Austria	72.25	105.00	177.25
Belgium	701.37	147.07	848.44
Bulgaria	150.00	44.29	194.29
Croatia	50.00	16.16	66.16
Cyprus	-	5.00	5.00
Czech Republic	28.53	174.56	203.09
Denmark	201.02	95.92	296.94
Estonia	30.00	65.80	95.80
Finland	477.16	-	477.16
France	2,237.16	897.84	3,135.00
Germany	1,728.74	615.50	2,344.24
Greece	525.00	73.00	598.00
Hungary	9.25	12.83	22.08
Ireland	169.05	86.00	255.05
Italy	2,518.84	1,188.60	3,707.44
Latvia	-	7.00	7.00
Lithuania	193.21	6.00	199.21
Luxembourg	11.70	60.00	71.70
Malta	-	6.00	6.00
Netherlands	185.73	69.12	254.85
Poland	627.15	43.32	670.47
Portugal	423.83	240.00	663.83
Romania	18.50	25.00	43.50
Slovakia	432.83	23.50	456.33
Slovenia	-	8.10	8.10
Spain	1,507.59	282.99	1,790.58
Sweden	210.07	183.16	393.23
United Kingdom	1,548.67	473.54	2,022.21
Multi-country (SMEW)	-	2,145.21	2,145.21
<b>Total EU-Countries</b>	<b>14,057.65</b>	<b>7,100.51</b>	<b>21,158.16</b>
<b>No. of Countries</b>	<b>24</b>	<b>27</b>	<b>28</b>
Regional - EU countries	111.80	-	111.80
Non-EU	-	-	-
<b>Total</b>	<b>14,169.45</b>	<b>7,100.51</b>	<b>21,269.96</b>

### 3. EFSI GF FINANCIAL STATEMENTS

Balance sheet as at 31 December 2016

#### ASSETS

	<b>EUR</b>
<b>NON-CURRENT ASSETS</b>	<b>833,258,147</b>
Available for sale financial assets	833,258,147
<b>CURRENT ASSETS</b>	<b>186,696,779</b>
Available for sale financial assets	114,825,356
Financial assets at fair value through surplus or deficit	475,241
Short-term deposits (>3 months and ≤ 1 year)	45,000,000
<b>Cash and cash equivalents</b>	<b>26,396,182</b>
<i>Current accounts</i>	<i>1,395,113</i>
<i>Cash equivalents (call-deposits incl. accrued interest)</i>	<i>25,001,069</i>
<b>TOTAL</b>	<b>1,019,954,926</b>

#### NET ASSETS AND LIABILITIES

	<b>EUR</b>
<b>NET ASSETS</b>	<b>1,018,968,395</b>
Contribution from EU Budget	1,018,037,889
Fair value reserve	(3,388)
Retained earnings	-
Economic result of the year	933,894
<b>CURRENT LIABILITIES</b>	<b>986,531</b>
Financial liabilities at fair value through surplus or deficit	902,827
Other payables	83,704
<b>TOTAL</b>	<b>1,019,954,926</b>

Statement of financial performance for the year ended 31 December 2016

	<b>EUR</b>
<b>Revenue from operating activities</b>	<b>968,645</b>
Foreign exchange gains	968,645
<b>Expenses from operating activities</b>	<b>796,214</b>
Foreign exchange losses	681,319
Other expenses from operating activities	114,895
<i>Audit fees</i>	33,500
<i>IT cost</i>	42,379
<i>Custody and bank fees</i>	39,016
<b>RESULT FROM OPERATING ACTIVITIES</b>	<b>172,431</b>
<b>Financial revenue</b>	<b>1,666,328</b>
Interest revenue on:	329,309
<i>Cash and cash equivalents</i>	1,389
<i>Available for sale assets</i>	327,434
<i>Other interest revenue</i>	486
Realised gains on sale of AFS assets	861,762
Other financial income - fair value changes of derivatives	475,241
Miscellaneous income	16
<b>Financial expenses</b>	<b>904,865</b>
Interest expenses on cash and cash equivalents	2,039
Other financial expenses - fair value changes of derivatives	902,827
<b>FINANCIAL RESULT</b>	<b>761,463</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>933,894</b>

#### 4. ASSET MANAGEMENT

The following sections provide some further details on the (a) composition of the portfolio and (b) key risk characteristics of the portfolio.

##### 4.1 COMPOSITION OF THE PORTFOLIO

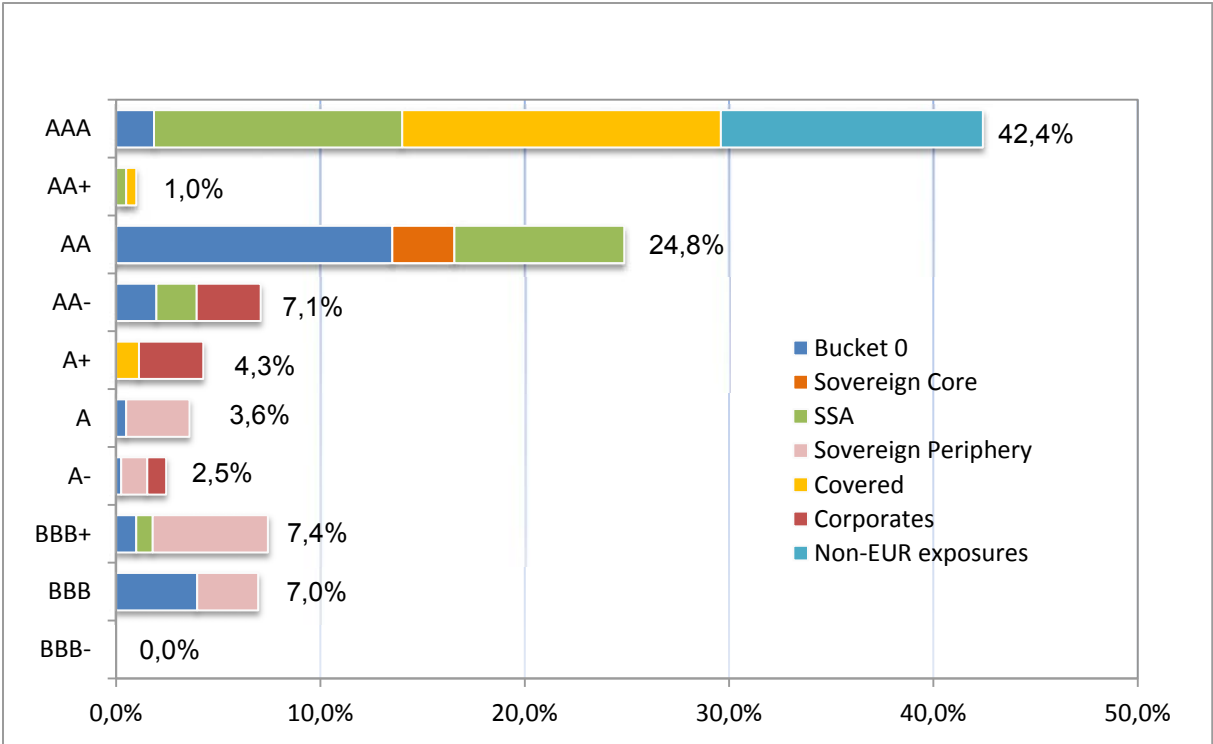
The EFSI GF portfolio at the year-end is well diversified in terms of asset classes and rating categories. In addition, it is diversified in non-euro denominated securities (USD) in the form of an allocation to US Treasuries. The currency risk is hedged.



As shown in Figure, over 40% of the market value of the portfolio is invested in AAA securities and only a minor percentage in the lower-rated assets. The AAA category includes for example securities issued by the US Government and covered bonds issued by several European financial institutions.

In terms of main asset classes, 42% of the portfolio is invested in Government securities, 23% in sub-sovereigns, supnationals and agencies (SSA) and 17% in covered bonds while only 7% in bonds issued by corporates and financial institutions (other than covered bonds).

Figure: Portfolio exposure by asset class and rating



(Note: The "Bucket 0" category includes all instruments with a maturity below 1 year. This includes also floating rate notes.)

## 4.2 KEY RISK CHARACTERISTICS OF THE PORTFOLIO

### Market Risk

Market risk is, inter alia, assessed by way of calculating the duration<sup>1</sup> of the portfolio.

At the end of December 2016, the portfolio had a duration of 3.5 years.

Stresses to the term structure, in particular a parallel yield curve shift of +100 bps, would have

<sup>1</sup> Duration figures refer to 'modified duration' which measures the price sensitivity of a bond to interest rate movements.

a theoretical impact on the P&L of -3.43% of the portfolio value.

Value-at-Risk (95% confidence level) for the month of December 2016 corresponded to 0.64% of the EFSI GF market value.

#### *Currency risk and hedging activities*

The first USD investments started on 13 December 2016 and are represented by US Treasuries given the liquidity and depth of this market. Such investments represented ca. 15% of the portfolio market value at the end of 2016. The currency risk of USD-denominated investments was hedged via forward contracts.

#### *Credit Risk*

The credit quality of the EFSI GF portfolio is high with an average rating of A, suggesting a low default probability.

#### *Liquidity characteristics of the portfolio*

About 23% of the portfolio consists of bonds, floating rate notes and short-term money market instruments which provide a further buffer for the portfolio.