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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 2017**

{COM(2018) 345 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 2017. 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-2017, EIB had signed 278 operations in 27 Member States. The total signatures amount to EUR 27.4 billion which is expected to mobilise investments of EUR 131.4 billion. Half of the signed operations in terms of volume were in the energy (28%) and research sector (22%), followed by the provision of financial support to SME's and small Mid-Cap companies (18%) and transport (14%).

### **2.2 EIF OPERATIONS**

As of end-2017, the EIF signed 328 operations with 305 financial intermediaries in 28 Member States. The total EIF financing of EUR 10.0 billion is expected to mobilise investments of EUR 75.9 billion. The most important sectors in terms of amounts were research and development (70%) and digital (17%).

## 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 at the end of 2017 (EUR million).

Objective and subcategory	Signed operations		
	IIW (EUR m)	SMEW (EUR m)	Total (EUR m)
EFSI: research, development and innovation	5,920.77	7,010.60	12,931.37
EFSI: development of the energy sector in accordance with the Energy Union priorities	7,630.78	-	7,630.78
EFSI: development of transport infrastructures, and equipment and innovative technologies for transport	3,793.56	-	3,793.56
EFSI: financial support through the EIF and the EIB to entities having up to 3 000 employees	5,036.17	732.40	5,768.57
EFSI: development and deployment of information and communication technologies	2,090.44	1,679.80	3,770.24
EFSI: environment and resource efficiency	2,041.16	-	2,041.16
EFSI: human capital, culture and health	899.42	575.60	1,475.02
<b>Total</b>	<b>27,412.30</b>	<b>9,998.40</b>	<b>37,410.70</b>

Note: Objective and subcategory as defined in Art.9 of EFSI Regulation.

Table 2: Distribution of signed EFSI IIW and SMEW operations by country at the end of 2017 (EUR million).

Country	Signed operations		
	IIW (EUR m)	SMEW (EUR m)	Total (EUR m)
Austria	406.58	116.00	522.58
Belgium	735.22	182.50	917.72
Bulgaria	281.00	67.90	348.90
Croatia	61.62	66.20	127.82
Cyprus	35.00	10.00	45.00
Czech Republic	94.90	346.80	441.70
Denmark	319.61	171.10	490.71
Estonia	40.99	35.90	76.89
Finland	820.65	32.50	853.15
France	4,867.88	1,456.20	6,324.08
Germany	2,923.13	631.00	3,554.13
Greece	1,402.99	227.70	1,630.69
Hungary	-	73.30	73.30
Ireland	247.27	134.30	381.57
Italy	4,391.26	1,708.00	6,099.26
Latvia	109.00	18.50	127.50
Lithuania	204.21	29.10	233.31
Luxembourg	13.70	63.00	76.70
Malta	5.00	6.00	11.00
Netherlands	405.08	125.00	530.08
Poland	1,752.45	56.00	1,808.45
Portugal	743.83	623.40	1,367.23
Romania	196.00	51.90	247.90
Slovakia	442.27	25.20	467.47
Slovenia	51.00	8.10	59.10
Spain	3,368.18	578.00	3,946.18
Sweden	1,259.45	160.10	1,419.55
United Kingdom	1,594.02	411.10	2,005.12
Multi-country (SMEW)	-	2,540.50	2,540.50
<b>Total EU-Countries</b>	<b>26,772.29</b>	<b>9,955.30</b>	<b>36,727.59</b>
<b>No. of Countries</b>	<b>27</b>	<b>28</b>	<b>28</b>
Regional - EU countries	640.01	-	640.01
Non-EU	-	43.10	43.10
<b>Total</b>	<b>27,412.30</b>	<b>9,998.40</b>	<b>37,410.70</b>

### 3. EFSI GF FINANCIAL STATEMENTS

#### BALANCE SHEET

##### ASSETS

	31 December 2017	31 December 2016
	EUR	EUR
<b>NON-CURRENT ASSETS</b>	<b>3 070 600 996</b>	<b>833 258 147</b>
Available for sale financial assets	3 070 600 996	833 258 147
<b>CURRENT ASSETS</b>	<b>433 762 404</b>	<b>186 696 779</b>
Available for sale financial assets	343 757 854	114 825 355
Financial assets at fair value through surplus or deficit	6 307 288	475 241
Short-term deposits (>3 months and ≤ 1 year) Including accrued negative interest	39 991 422	45 000 000
Receivables (bond lending fees)	8 456	-
<b>Cash and cash equivalents</b>	<b>43 697 384</b>	<b>26 396 182</b>
<i>Current accounts</i>	<i>18 683 831</i>	<i>1 395 113</i>
<i>Cash equivalents (call-deposits incl. accrued interest)</i>	<i>25 013 553</i>	<i>25 001 069</i>
<b>TOTAL ASSETS</b>	<b>3 504 363 400</b>	<b>1 019 954 926</b>

##### NET ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
	EUR	EUR
<b>NET ASSETS</b>	<b>3 504 263 077</b>	<b>1 018 968 395</b>
Contribution from EU Budget	3 507 682 256	1 018 037 889
Fair value reserve	(6 783 279)	(3 388)
Retained earnings	933 894	-
Economic result of the year	2 430 206	933 894
<b>CURRENT LIABILITIES</b>	<b>100 324</b>	<b>986 531</b>
Financial liabilities at fair value through surplus or deficit	-	902 827
Other payables	54 145	83 704
Accrued charges	46 179	-
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>3 504 363 400</b>	<b>1 019 954 926</b>

## STATEMENT OF FINANCIAL PERFORMANCE

	<b>2017</b>	<b>2016</b>
	EUR	EUR
<b>Revenue from operating activities</b>	<b>22 721 597</b>	<b>968 645</b>
Foreign exchange gains	22 721 597	968 645
<b>Expenses from operating activities</b>	<b>(60 846 316)</b>	<b>(757 198)</b>
Foreign exchange losses	(60 742 759)	(681 319)
Other expenses from operating activities	(103 557)	(75 879)
<i>Audit fees</i>	(15 000)	(33 500)
<i>IT cost</i>	(88 557)	(42 379)
<b>RESULT FROM OPERATING ACTIVITIES</b>	<b>(38 124 719)</b>	<b>211 447</b>
<b>Financial revenue</b>	<b>51 393 189</b>	<b>1 666 328</b>
Interest revenue on:	6 435 843	329 309
<i>Cash and cash equivalents</i>	53 004	1 389
<i>Available for sale assets</i>	6 382 100	327 434
<i>Other interest revenue</i>	739	486
Realised gains on sale of AFS assets	4 135 733	861 762
Other financial income - fair value changes of derivatives	40 754 819	475 241
Bond lending income	66 794	-
Miscellaneous income	-	16
<b>Financial expenses</b>	<b>(10 838 265)</b>	<b>(943 881)</b>
Interest expenses on cash and cash equivalents	(63 603)	(2 039)
Realised losses on sale of AFS assets	(386 120)	-
Other financial expenses - fair value changes of derivatives	(10 139 884)	(902 827)
Custody fees and other financial expenses	(248 658)	(39 015)
<b>FINANCIAL RESULT</b>	<b>40 554 924</b>	<b>722 447</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>2 430 206</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.

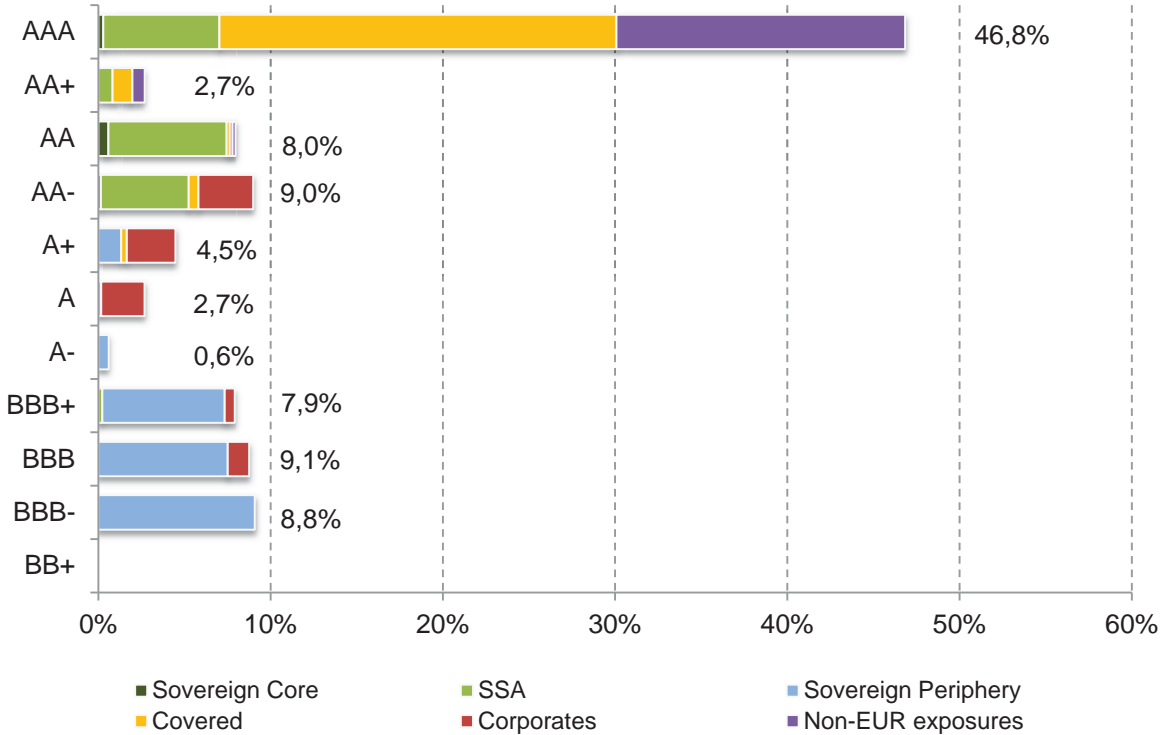
#### 4.1 COMPOSITION OF THE PORTFOLIO

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 and other issuers (e.g. Supranational, other Sovereigns or Agencies) issuing in USD (about 18% of the portfolio). The currency risk is hedged.

As shown in the Figure, over 46.8% of the market value of the portfolio is invested in AAA securities and the rest is well distributed across the whole spectrum of the investment-grade scale. The AAA category includes for example securities issued by the US Government and covered bonds issued by several financial institutions.

In terms of main asset classes, 42.5% of the portfolio is invested in Government securities, 21.5% in sub-sovereigns, supra-nationals and agencies (SSA) and 25.5% in covered bonds while only 10.5% in bonds issued by corporates and financial institutions (other than covered bonds).

**FIGURE: PORTFOLIO EXPOSURE BY ASSET CLASS AND RATING**





## 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 2017, the portfolio had a duration of 3.47 years.

### *Currency risk and hedging activities*

USD investments represented 18% of the portfolio market value at the end of 2017. 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 (0.07% at 1-year).

### *Liquidity characteristics of the portfolio*

About 16% of the portfolio consists of bonds with a maturity below 1-year, floating rate notes and short-term money market instruments which provide a further liquidity buffer for the portfolio.

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