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COVER NOTE

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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 2020**

{COM(2021) 427 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 2020. The SWD provides further information and tables on (2) operations under the IIW and SMEW (signatures and disbursed amounts, breakdown by sector and country), (3) financial statements, (4) provisioning of the EFSI GF and (5) 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) and a sector and country breakdown.

2.1 IIW OPERATIONS

As at 31 December 2020, 629 operations in all Member States were signed under the IIW. The total signatures amount to EUR 57.2 billion which is expected to mobilise investments of EUR 278.2 billion. Almost half of the signed operations in terms of volume were in the energy (24%) and research sectors (21%), followed by the provision of financial support to SMEs and small Mid-Cap companies (18%) and transport (16%).

2.2 SMEW OPERATIONS

As at 31 December 2020, 792 operations in all Member States were signed under the SMEW. The total financing of EUR 25.5 billion is expected to mobilise investments of EUR 201.3 billion. The most important sectors in terms of volume were research and development (66%) and digital (17%).

2.3 BREAKDOWN OF EFSI OPERATIONS BY SECTOR AND COUNTRY

Table 1: Distribution of signed EFSI IIW and SMEW operations by sector as at 31 December 2020 (EUR million).

| Objective and subcategory | Signed operations | | |
|----------------------------------------------------------------------------------------------------------|-------------------|------------------|------------------|
| | IIW | SMEW | Total |
| EFSI: research, development and innovation | 12,173.45 | 16,904.43 | 29,077.88 |
| EFSI: development of the energy sector in accordance with the Energy Union priorities | 13,999.98 | - | 13,999.98 |
| EFSI: development of transport infrastructures, and equipment and innovative technologies for transport | 9,298.77 | - | 9,298.77 |
| EFSI: financial support through the EIF and the EIB to entities having up to 3 000 employees | 10,287.85 | 2,463.30 | 12,751.15 |
| EFSI: development and deployment of information and communication technologies | 3,622.40 | 4,347.65 | 7,970.05 |
| EFSI: environment and resource efficiency | 4,189.10 | - | 4,189.10 |
| EFSI: human capital, culture and health | 2,288.74 | 1,830.07 | 4,118.81 |
| EFSI: Less-developed regions and transition regions | 534.75 | - | 534.75 |
| EFSI: sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider bioeconomy | 815.50 | - | 815.50 |
| Total | 57,210.54 | 25,545.45 | 82,755.99 |

Source: EFSI Operational Report provided by the EIB

Note: Objective and subcategory as defined in Art.9 of EFSI Regulation. Totals may not always add up exactly due to rounding.

Table 2: Distribution of signed EFSI IIW and SMEW operations by country as at 31 December 2020 (EUR million)

| Country | Signed operations | | |
|---------------------------------------|-------------------|------------------|------------------|
| | IIW | SMEW | Total |
| Austria | 1,404.92 | 299.34 | 1,704.26 |
| Belgium | 1,441.69 | 244.17 | 1,685.86 |
| Bulgaria | 365.18 | 290.05 | 655.23 |
| Croatia | 103.87 | 254.71 | 358.58 |
| Cyprus | 130.71 | 8.74 | 139.45 |
| Czech Republic | 152.04 | 728.94 | 880.98 |
| Denmark | 530.18 | 406.23 | 936.42 |
| Estonia | 128.49 | 50.33 | 178.82 |
| Finland | 1,552.49 | 195.09 | 1,747.58 |
| France | 10,523.88 | 2,998.06 | 13,521.94 |
| Germany | 6,701.15 | 1,198.22 | 7,899.37 |
| Greece | 2,306.99 | 502.46 | 2,809.44 |
| Hungary | 385.20 | 168.65 | 553.85 |
| Ireland | 682.79 | 330.99 | 1,013.78 |
| Italy | 8,042.77 | 3,460.40 | 11,503.17 |
| Latvia | 113.11 | 23.94 | 137.05 |
| Lithuania | 301.60 | 18.79 | 320.39 |
| Luxembourg | 56.02 | 92.44 | 148.47 |
| Malta | 33.00 | 7.11 | 40.11 |
| Netherlands | 2,277.10 | 661.38 | 2,938.48 |
| Poland | 2,878.00 | 251.42 | 3,129.42 |
| Portugal | 1,210.74 | 1,546.79 | 2,757.53 |
| Romania | 694.02 | 278.84 | 972.86 |
| Slovakia | 515.39 | 64.22 | 579.61 |
| Slovenia | 153.25 | 34.12 | 187.37 |
| Spain | 9,146.26 | 1,941.03 | 11,087.29 |
| Sweden | 2,844.51 | 405.67 | 3,250.19 |
| United Kingdom | 1,239.22 | 399.21 | 1,638.42 |
| Regional - EU countries | 1,190.99 | - | 1,190.99 |
| Multi-country (SMEW) | - | 8,450.45 | 8,450.45 |
| Total EU-Countries | 57,105.54 | 25,311.82 | 82,417.36 |
| No. of Countries | 28 | 28 | 28 |
| Non-EU/non-EFSI-IFE Operations (SMEW) | - | 233.63 | 233.63 |
| Non-EU (IIW) | 105.00 | - | 105.00 |
| Total | 57,210.54 | 25,545.45 | 82,755.99 |

Source: EFSI Operational Report provided by the EIB

Note: Totals may not always add up exactly due to rounding.

3. EFSI GF FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

ASSETS

| | 31 December 2020 | 31 December 2019 |
|---------------------------------------------------------------------------------|----------------------|----------------------|
| | EUR | EUR |
| NON-CURRENT ASSETS | 5 580 091 191 | 5 151 007 135 |
| Available for sale financial assets | 5 580 091 191 | 5 151 007 135 |
| CURRENT ASSETS | 2 447 875 141 | 1 536 875 909 |
| Available for sale financial assets | 1 945 666 647 | 1 502 587 447 |
| Financial assets at fair value through surplus or deficit | 6 200 825 | 2 708 066 |
| Short-term deposits (>3 months and ≤ 1 year) incl. accrued negative interest | - | - |
| Receivables (i.e. bond lending fees) | 44 400 | 39 578 |
| Cash and cash equivalents | 495 963 269 | 31 540 818 |
| <i>Current accounts</i> | <i>468 387 939</i> | <i>5 083 651</i> |
| <i>Cash equivalents</i> | <i>27 770 760</i> | <i>26 462 735</i> |
| <i>Accrued interest on cash and cash equivalents</i> | <i>(195 430)</i> | <i>(5 568)</i> |
| TOTAL ASSETS | 8 027 966 332 | 6 687 883 044 |

NET ASSETS AND LIABILITIES

| | 31 December 2020 | 31 December 2019 |
|-----------------------------|----------------------|----------------------|
| | EUR | EUR |
| NET ASSETS | 8 027 834 210 | 6 687 770 451 |
| Contribution from EU Budget | 7 875 310 513 | 6 626 955 272 |
| Fair value reserve | 119 677 046 | 49 616 101 |
| Retained earnings | 11 199 078 | (10 512 413) |
| Economic result of the year | 21 647 573 | 21 711 491 |
| CURRENT LIABILITIES | 132 122 | 112 593 |

| | | |
|----------------------------------------------------------------|----------------------|----------------------|
| | | |
| Financial liabilities at fair value through surplus or deficit | - | - |
| Other payables | 132 122 | 112 593 |
| Accrued charges | - | - |
| | | |
| TOTAL NET ASSETS AND LIABILITIES | 8 027 966 332 | 6 687 883 044 |

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2020

| | 2020 | 2019 |
|--------------------------------------------------------------|---------------------|---------------------|
| | EUR | EUR |
| Revenue from operating activities | 47 796 035 | 47 488 284 |
| Foreign exchange gains | 47 796 035 | 47 488 284 |
| Other revenue from operating activities | - | - |
| | | |
| Expenses from operating activities | (86 917 174) | (65 064 399) |
| Foreign exchange losses | (86 902 174) | (65 049 399) |
| | | |
| Other expenses from operating activities | (15 000) | (15 000) |
| <i>Audit fees</i> | <i>(15 000)</i> | <i>(15 000)</i> |
| | | |
| RESULT FROM OPERATING ACTIVITIES | (39 121 139) | (17 576 115) |
| | | |
| Financial revenue | 73 604 305 | 54 280 642 |
| Interest revenue on: | 17 681 020 | 18 842 645 |
| <i>Cash and cash equivalents</i> | <i>27 248</i> | <i>66 473</i> |
| <i>Available for sale assets</i> | <i>17 653 772</i> | <i>18 776 172</i> |
| <i>Other interest revenue</i> | - | - |
| | | |
| Realised gains on sale of AFS assets | 12 747 184 | 18 506 857 |
| | | |
| Other financial income - fair value changes of derivatives | 42 645 971 | 16 447 915 |
| | | |
| Security lending income | 530 130 | 483 225 |
| | | |
| Financial expenses | (12 835 593) | (14 993 036) |
| Interest expenses on cash and cash equivalents | (726 483) | (527 706) |
| | | |
| Realised losses on sale of AFS assets | (1 600 852) | (1 390 733) |
| | | |
| Other financial expenses - fair value changes of derivatives | (9 191 136) | (12 008 473) |
| | | |
| Custody fees and other financial expenses | (1 317 122) | (1 066 124) |
| | | |
| FINANCIAL RESULT | 60 768 712 | 39 287 606 |

| | | |
|------------------------------------|-------------------|-------------------|
| | | |
| ECONOMIC RESULT OF THE YEAR | 21 647 573 | 21 711 491 |

4. PROVISIONING OF THE EFSI GF

The Guarantee Fund is provisioned through:

- Contributions from the general Union budget; the budget allocated for EFSI contributions amounts to EUR 8 425 million;
- Revenues and any other payments received by the Union in accordance with the EFSI Agreement as well as revenues and repayments from financial instruments under the “Connecting Europe Facility” (Regulation (EU) No 1316/2013) and “2020 European Fund for Energy, Climate Change & Infrastructure” - Marguerite Fund (Regulation (EC) No 680/2007).
- Returns (interests) on guarantee fund resources invested in the financial markets;
- Amounts recovered from projects for which the EU Guarantee was called (i.e. defaulting debtors);

The Guarantee Fund, as part of the CPF compartment since January 2021, is provisioned progressively by 2022.

Table 3: Provisioning of the EFSI GF for the period 2015-2022 (EUR million)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------|------|------|------|------|------|------|------|------|
| Commitments | 1350 | 2110 | 2680 | 2069 | 357 | 301 | | |
| Payments (*) | | 1018 | 2490 | 2014 | 1166 | 1249 | 525 | 387 |

Note: From 2021 and onward data are provisional and do not include the expected assigned revenues.

(*) Including assigned revenues: EUR 6.3 million in 2016, EUR 39.2 million in 2017, EUR 59.0 million in 2018, EUR 163.1 million in 2019 and EUR 156.0 million in 2020.

5. ASSET MANAGEMENT

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

5.1 COMPOSITION OF THE PORTFOLIO

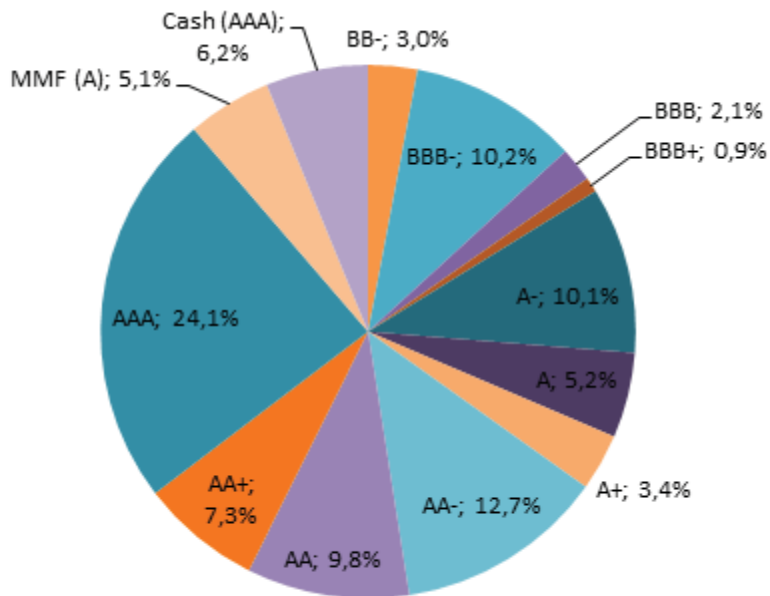
The year-end EFSI GF portfolio data show that it is well diversified in terms of asset classes and rating categories. In addition, there is also diversification in non-euro denominated securities (USD) in the form of an allocation to US Treasuries and other US issuers (e.g. Supranational, other Sovereigns or Agencies) and cash for about 6% of the portfolio. The currency risk is hedged.

As shown in Figure 1, over 24% 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 financial institutions.

The share of bonds complying with environmental, social and governance criteria was 9.5% at the end of 2020, compared with 6.9% at the end of 2019.

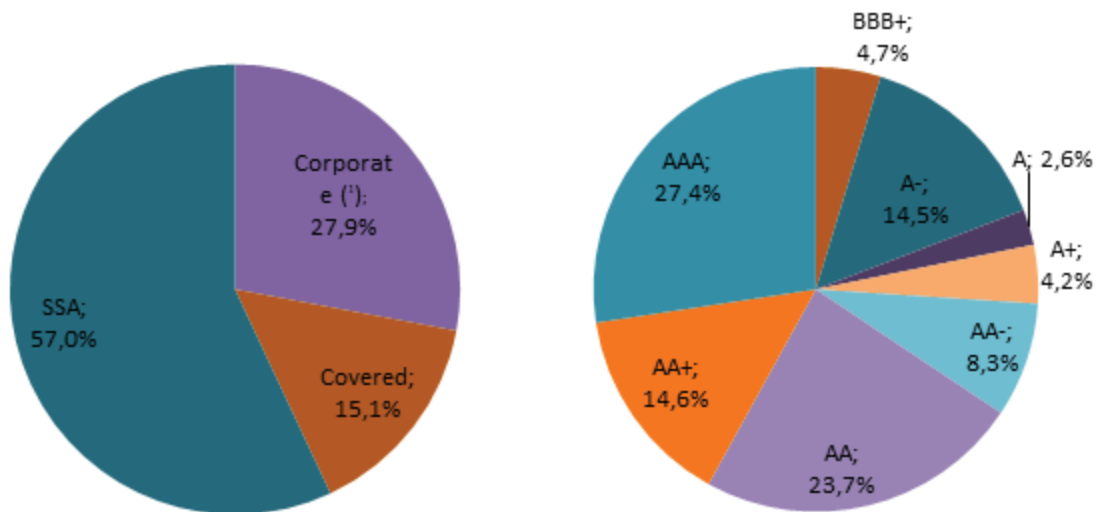
Figure 2 shows the distribution of the ESG instruments per asset class and rating.

FIGURE 1: PORTFOLIO EXPOSURE BY RATING AS AT 31 DECEMBER 2020



Source: European Commission services

FIGURE 2: ESG INSTRUMENTS PER ASSET CLASS AND RATING (%)



Source: European Commission services

⁽¹⁾ Corporate: unsecured bonds issued by financial and non-financial corporations.

5.2 KEY RISK CHARACTERISTICS OF THE PORTFOLIO

Market Risk

Market risk is, inter alia, assessed by way of calculating the duration¹ of the portfolio. As at 31 December 2020, the portfolio had a duration of 3.19 years.

Currency risk and hedging activities

USD investments represented 5.7% of the portfolio market value as at 31 December 2020. 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 rating² of BBB+, suggesting a low default probability (0.12% on a 1-year basis).

Liquidity characteristics of the portfolio

About 33% 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.

¹ The duration figure refers to 'modified duration' which measures the price sensitivity of a bond to interest rate movements.

² The average rating is calculated on the basis of portfolio's average 1-year default probability.