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# 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.

# 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.

## 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%).

## 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%).

## 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.



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



# EFSI GF FINANCIAL STATEMENTS

Balance sheet as at 31 December 2016

ASSETS

|  |  |
| --- | --- |
|  | **EUR** |
| **NON-CURRENT ASSETS** | **833,258,147** |
|  |  |
| Available for sale financial assets | 833,258,147 |
|  |  |
| **CURRENT ASSETS** | **186,696,779** |
|  |  |
| 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 |
|  |  |
| **Cash and cash equivalents** | 26,396,182 |
| *Current accounts* | *1,395,113* |
| *Cash equivalents (call-deposits incl. accrued interest)* | *25,001,069* |
|  |  |
| **TOTAL** | **1,019,954,926** |

NET ASSETS AND LIABILITIES

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

Statement of financial performance for the year ended 31 December 2016

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

# ASSET MANAGEMENT

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

## 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, supranationals 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.)

## KEY RISK CHARACTERISTICS OF THE PORTFOLIO

*Market Risk*

Market risk is, inter alia, assessed by way of calculating the duration[[1]](#footnote-2) 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 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.

1. Duration figures refer to 'modified duration' which measures the price sensitivity of a bond to interest rate movements. [↑](#footnote-ref-2)