

European Fund for Strategic Investments (EFSI)

2015/0009(COD) - 28/05/2018 - Follow-up document

In accordance with Regulation (EU) 2015/1017 of the European Parliament and of the Council on the European Strategic Investment Fund (EFSI), the Commission presented its annual report on the management of the EFSI Guarantee Fund during the previous calendar year (2017) including an assessment of the adequacy of the target amount, the level of the EFSI Guarantee Fund and the need to replenish it.

This annual report presents the financial situation of the Guarantee Fund at the end of the previous calendar year, the financial flows during the previous calendar year, as well as significant transactions and any relevant information relating to the financial accounts. It also contains information on financial management, performance and risk to which the Guarantee Fund was exposed at the end of the previous calendar year.

At the end of 2017, the EFSI Regulation was amended by Regulation (EU) 2017/2396 of the European Parliament and of the Council as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub.

The main aspects of the report cover the following points:

Financial situation of the Guarantee Fund: as at 31 December 2017, the net assets of the Guarantee Fund amounted to EUR 3 504 million as at 31 December 2017. As regards the financial performance for the year 2017, the Guarantee Fund ended the year with an economic result of **EUR 2.4 million**.

EFSI operations under the EU guarantee: the guarantee exposure of the EU in relation to disbursed outstanding EFSI operations by the EIB Group amounted to **EUR 10.128 million**, as at 31 December 2017, out of the legal commitment of EUR 16.000 million guaranteed by the EU.

In 2017, EFSI operations managed by the EIB under the Infrastructure and Innovation Window generated revenue of EUR 61.0 million for the EU. Of this amount, a receivable of the Commission from the EIB as at 31 December 2017 of EUR 31.9 million was recorded in the 2017 EU financial statements.

For the EFSI operations managed by the EIF under the SME Window, the EU incurred in 2017 an estimated amount of EUR 12.7 million in the form of EIF administrative fees. The amount is payable to the EIF on 30 June 2018.

Financial flows and significant budgetary transactions in 2017: a budgetary appropriation of EUR 2 641 million was committed in 2017 relating to the provisioning of the EFSI GF. A total amount of EUR 2 490 million was effectively paid into the EFSI GF during the year. Of this, the bulk came from payment appropriations of the general budget of the EU, while an amount of EUR 39.2 million was recovered from the EFSI Account (as assigned revenue) and an amount of EUR 0.4 million was transferred as additional appropriation at the end of the budgetary year.

External cash flows: an amount of EUR 2 490 million in payment appropriations was made available to the Fund for 2017. This amount was paid in to the EFSI GF gradually from April to December 2017. There were no guarantee calls from the Fund in 2017. A total amount of EUR 0.4 million was paid to EIB

for funding costs. It is presently foreseen in the EU budget that around **EUR 1 800 million** will be paid into the EFSI GF during the course of 2018 bringing its total assets to an expected level of EUR 5 308 million.

Key risk characteristics of the portfolio: at the end of December 2017, the investment portfolio was made predominantly of securities issued by Sovereigns (42.5% of market value) as well as by Sub-sovereigns, supranationals and agencies (SSA) (21.5% of market value) and covered bonds (25.5% of market value). The remainder was mainly allocated to unsecured bonds issued by corporates and financial institutions. About 18% of the portfolio was invested in liquid and highly-rated (AA/AAA) USD denominated investments.

The Fund delivered a year to date absolute performance of zero percent in 2017.

The adequacy of the target amount: the target amount of the EFSI GF was originally set by the EFSI Regulation at 50% of the total EU guarantee obligations. As of the entry into force of the EFSI 2.0 Amendment this target is set at 35% of the total EU guarantee obligations.

The risk assessment of the different products supported by the EU Guarantee shows that overall the Union budget would be **adequately shielded from potential calls** under the EU Guarantee with the target rate for provisioning the EFSI GF of 35%, taking into consideration recoveries, revenues and reflows from EIB operations.