



Council of the
European Union

**Brussels, 31 May 2023
(OR. en)**

**10058/23
ADD 1**

**FIN 581
CADREFIN 73**

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	31 May 2023
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2023) 170 final
Subject:	Commission Staff Working Document accompanying the document "Report from the Commission to the European Parliament and the Council on the common provisioning fund in 2022"

Delegations will find attached document SWD(2023) 170 final.

Encl.: SWD(2023) 170 final



Brussels, 31.5.2023
SWD(2023) 170 final

COMMISSION STAFF WORKING DOCUMENT

Accompanying the document

**Report from the Commission to the European Parliament and the Council
on the common provisioning fund in 2022**

{COM(2023) 288 final}

Table of Contents

1.	INTRODUCTION	2
2.	EVOLUTION OF THE CPF PORTFOLIO IN 2022	2
3.	FINANCIAL STATEMENTS.....	3
3.1.	Assets of the CPF	3
3.2.	Balance sheet	3
3.3.	Asset structure and value of compartments	4
3.4.	Financial performance	5
3.5.	Statement of financial performance	5

1. INTRODUCTION

This staff working document (SWD) accompanies the annual report on the common provisioning fund (CPF) for 2022. It contains information on the evolution of the portfolio, including a complete list of CPF compartments at the end of 2022, as well as presents the financial statements of the fund.

2. EVOLUTION OF THE CPF PORTFOLIO IN 2022

CPF is the largest of the Commission managed portfolios with an asset value of EUR 14.39 billion at year-end. In 2022, the CPF received EUR 3.26 billion net contributions (2021: EUR 12.44 billion).

The CPF comprises several compartments, corresponding to provisions established by different EU legislative instruments. On 1 January 2022, the CPF was composed of four active compartments which contained funds: EFSI ⁽¹⁾, EFSD ⁽²⁾, GFEA ⁽³⁾ and InvestEU (EU compartment). In October 2022 several new compartments were opened, as envisaged under the various basic acts, bringing their total number up to 14.

The full list of compartments is presented in the table below. The non-active compartments will be activated at a later stage upon reception of corresponding first inflows.

Compartment	Activated by December 2022
EFSD	Yes
EFSD+	Yes
GFEA	Yes
EFSI	Yes
InvestEU	Yes
Post-2020 MFA	No
Exceptional MFA Ukraine	No
Post-2020 Euratom loans	No
Repurposed ELM loans Ukraine	No
InvestEU Guarantee Romania	No
InvestEU Guarantee Czech Republic	Yes
InvestEU Guarantee Finland	Yes
InvestEU Guarantee Greece	No
InvestEU Blending Operations	Yes

⁽¹⁾ European Fund for Strategic Investments

⁽²⁾ European Fund for Sustainable Development

⁽³⁾ Guarantee Fund for external actions (GFEA), holding the provisions for the external lending mandate (ELM), legacy (macro-financial assistance (MFA) and Euratom programmes

3. FINANCIAL STATEMENTS

3.1. Assets of the CPF

The net assets of the CPF stood at EUR 14.39 billion as at 31 December 2022. The main assets were bond securities, classified as fair value through surplus or deficit (EUR 14.06 billion) and cash and cash equivalents (EUR 0.33 billion). Including cash and cash equivalents, current assets stood at EUR 2.68 billion.

3.2. Balance sheet

ASSETS

	31 December 2022	31 December 2021
	EUR	EUR
NON-CURRENT ASSETS	11 717 670 068	9 165 352 836
Financial assets at fair value through surplus or deficit		
Securities	11 717 670 068	9 165 352 836
Derivatives	-	-
CURRENT ASSETS	2 677 872 627	3 141 276 916
Financial assets at fair value through surplus or deficit		
Securities	2 339 443 343	2 106 297 201
Derivatives	4 631 483	1 812 602
Receivables	533 198	363 467
Cash and cash equivalents	333 264 603	1 032 803 646
<i>Current accounts</i>	<i>325 572 456</i>	<i>1 008 293 189</i>
<i>Cash equivalents</i>	<i>7 312 957</i>	<i>24 958 876</i>
<i>Accrued interest on cash and cash equivalents</i>	<i>379 190</i>	<i>-448 419</i>
TOTAL ASSETS	14 395 542 695	12 306 629 752

NET ASSETS AND LIABILITIES

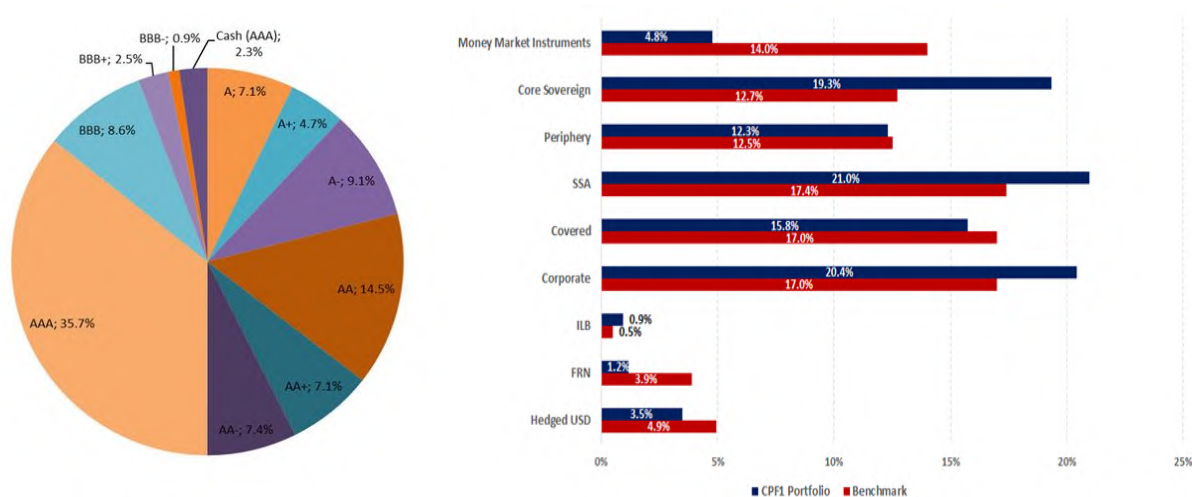
	31 December 2022	31 December 2021
	EUR	EUR
(A) NET ASSETS	14 395 085 726	12 306 420 400
Contribution from EU Budget	15 695 093 245	12 439 736 157
Retained earnings	-133 315 757	-
Economic result of the year	-1 166 691 762	-133 315 757

(B) CURRENT LIABILITIES	456 969	209 352
Financial liabilities at fair value through surplus or deficit		
Derivatives	-	-
Other payables	456 969	209 352
(A+B) TOTAL NET ASSETS AND LIABILITIES	14 395 542 695	12 306 629 752

3.3. Asset structure and value of compartments

Top (AAA) rated securities correspond to 35.7% of total assets. Cash and cash equivalents represent 2.3% of the total portfolio value. The average credit quality of CPF at the end of 2022 was A, while the average one year default probability was 0.04%. The sensitivity of the portfolio to interest rate changes was close to that of the benchmark; in particular, the so-called modified duration of the portfolio was 3.17, while the duration of the benchmark stood at 3.24 at the end of December 2022.

Figure 1 – Portfolio by rating (left) and portfolio vs benchmark split by asset class (right) – December 2022



As mentioned in the introduction, at the end of 2022 the CPF consisted of eight compartments. Each compartment holds a number of CPF units or shares in the CPF of a standard size. Changes in the market valuation of the CPF are reflected in the price of the units referred to as the Net Asset Valuation, reflecting the market valuation of the assets belonging to each compartment at the end of each month.

The movements and values are presented in the tables below. Net Asset Values (NAV) are in EUR.

Compartment as of 31.12.2022	Contributions less redemptions in EUR	Number of units	Market Value in EUR
EFSD	773 238 694	77 475	697 793 925
EFSD+	1 087 585 038	118 458	1 066 911 768
EFSI	9 341 006 538	939 733	8 463 863 835
GFEA	2 727 106 589	273 857	2 466 536 436
INVESTEU	1 717 040 841	183 347	1 651 342 769
INVESTEU - Czech R.	13 665 629	1 494	13 457 063
INVESTEU - Finland	17 689 916	1 934	17 419 930
INVESTEU - Blending	17 760 000	1 972	17 760 000
Total CPF	15 695 093 245	1 598 270	14 395 085 726

Annual performance NAV per unit	
31.12.2021	9 880.88028 €
31.12.2022	9 006.66861 €
since 31.12.2021:	-8.848%

3.4. Financial performance

The CPF ended the year with an economic result of EUR -1,166.7 million. This result needs to be viewed in the context of very difficult investment conditions in international bond markets, as described in detail in the CPF annual report.

The main driver for the 2022 result was the loss from the change in fair value of securities and interests on securities (EUR -1,155.2 million) which was reduced by EUR 39.3 million from net currency gains from holding USD-denominated assets to a net loss on securities of EUR 1,115.9 million. EUR 51.2 million losses (EUR -11.2 million from forwards and EUR -40.0 from cash) were related to hedging the currency risk of USD-denominated securities and are largely offset by currency and other gains from holding USD-denominated assets included in the security result above.

3.5. Statement of financial performance

	2022	2021
	EUR	EUR
Revenue from operating activities	14 649 672	3 377 874
Foreign exchange gains	14 649 672	3 377 874
Other revenue from operating activities	-	-
Expenses from operating activities	-54 630 184	-11 695 279
Foreign exchange losses	-54 618 184	-11 678 279
Other expenses from operating activities	-12 000-	-17 000
<i>Audit fees</i>	<i>-12 000</i>	<i>-17 000</i>

RESULT FROM OPERATING ACTIVITIES	-39 980 512	-8 317 405
Financial revenue	5 013 513	882 260
Interest revenue on:	1 127 985	2 306
<i>Cash and cash equivalents</i>	<i>1 127 985</i>	<i>2 306</i>
<i>Other interest revenue</i>	-	-
Other financial income - fair value changes of securities	-	-
Other financial income - fair value changes of derivatives	-	-
Security lending income	3 874 321	879 954
Settlement penalties received	11 207	-
Financial expenses	-1 131 724 763	-125 880 612
Interest expenses on cash and cash equivalents	-914 842	-4 563 034
Other financial expenses - fair value changes of securities	-1 115 878 645	-82 370 766
Other financial expenses - fair value changes of derivatives	-11 187 456	-37 204 835
Custody fees and other financial expenses	-3 743 820	-1 741 977
FINANCIAL RESULT	-1 126 711 250	-124 998 352
ECONOMIC RESULT OF THE YEAR	-1 166 691 762	-133 315 757