

Guarantee Fund for external actions

1993/1004(CNS) - 08/06/2009 - Follow-up document

In accordance with provisions set out in Council Regulation (EC, Euratom) No 2728/94 setting up a Guarantee Fund for external actions in order to repay the Community's creditors in the event of default by beneficiaries of loans granted or guaranteed by the Community, the Commission is required to send an annual audit report on the Fund's situation. This report is the Commission's annual report on the Guarantee Fund and its Management for 2008.

The Fund totalled EUR 1 091 447 384.92 at 31 December 2008. This is the sum, since the Fund was established, of all:

- budget payments to the Fund: EUR 2 799 914 500.00
- successive yearly net results: EUR 676 733 999.20
- recoveries of payments made by the Fund for defaults: EUR 576 705 008.19
- accrued EIB management and audit fees in 2008 corresponding to the payments to be made in 2009: EUR 689 972.32
- commission received on later recovery in 2002: EUR 5 090 662.91
- adjustment due to the application of IFRS for the valuation of the Fund's portfolio: EUR 11 565 625.28
- less class on the Fund's resources: EUR 477 860 856.19
- less successive repayments to the budget of the surplus in the Fund: - EUR 1 901 620 000.00
- less the repayment to the budget in 2005, accounting for 9% of outstanding operations as at 1 May 2004 granted to the ten new Member States: - EUR 260 940 124.72.

The total net balance sheet of the Fund (i.e. the Fund's net cash resources) at 31 December 2008 amounts to EUR 1 182 717 412.60. This is the sum of the financial position of the Fund EUR 1 091 447 384.92, minus accrued EIB and audit fees of EUR 689 972.32, of which EUR 658 322.32 in management fees (2008 EIB remuneration), and the transfer from the budget of EUR 91 960 000.00, as established in 2008 for the 2009 budget.

Article 3 of the amended Regulation requires the Fund to reach a target amount set at 9% of the total outstanding capital liabilities arising from each operation, plus any unpaid interest receivable. Thus, outstanding lending and loan guarantee operations for third countries plus accrued interest totalled EUR 14 183 712 378.94 at 31 December 2008, of which EUR 136 800 205.24 was accrued interest. The ratio between the Fund's resources of EUR 1 182 717 412.60 and outstanding capital liabilities within the meaning of the amended Regulation was 8.34%. Since this is lower than the target amount of 9% of the total guaranteed outstanding amount (EUR 1 276 530 000.00), a transfer from the general budget of the EU to the Fund has to be made. The amount to be included in 2009 as provisioning in the Preliminary Draft Budget of 2010 is EUR 93 810 000.00.

The total amount of the **pre-consolidated balance sheet is EUR 1 091 447 384.92.**

With regard to **interest from investment of the Fund's liquid assets**, in 2008, the portfolio achieved a total return of 6.42%.

Market conditions in 2008 were extremely difficult, as the financial crisis spread and affected all banks and started to impact on the real economy. The performance of the portfolio was inferior to the benchmark. At the end of 2008, this underperformance amounted to 77.56 basis points. Underperformance of the Fund was particularly significant from the middle of September after the collapse of Lehman

Brothers, and a substantial widening of yield spreads had a negative impact on securities not belonging to the basket of bonds underlying the Eurozone Sovereign Iboxx indexes. In particular, bonds issued by eastern European governments, in which the Fund portfolio has positions, suffered significant price drops in October and November. In December 2008 this underperformance was less severe due to the stabilisation of the market. In 2008, interest income on cash and cash equivalents, on the Fund current accounts and on securities totalled EUR 48 802 560.79

Recovery from defaulting debtors: penalty interest of USD 1 448 433.44 was recovered from Argentina on 12 December 2008. At 31.12.2008, the Fund has no amount called to be recovered.