Guarantee Fund for external actions. Codification

2008/0117(CNS) - 05/08/2011 - Follow-up document

In accordance with Council Regulation No 480/2009 (codified version), the Commission presents a report on the Guarantee Fund for external actions ('the Fund') in and its management for 2010.

Position of the Fund at 31 December 2010: the position of the Fund is presented in accordance with International Financial Reporting Standards (IFRS) at the close of the 2010 financial year. The Fund totalled EUR 1 347 330 925.77.

The Fund's net assets (i.e. the Fund's net cash resources) at 31 December 2010 totalled **EUR 1 485 463 867.59**. This is the sum of the accounting value of the Fund, i.e. EUR 1 347 330 925.77, minus accrued EIB and audit fees of EUR 747 058.18, of which EUR 715 037.50 were management fees (2010 EIB remuneration) and the transfer from the budget of EUR 138.88 million, as established in 2010 for the 2011 budget.

Article 3 of the Regulation sets a target amount for the Fund of 9% of the total outstanding capital liabilities arising from each operation, plus any unpaid interest due.

Outstanding lending and loan guarantee operations for third countries plus accrued interest totalled EUR 19 395 882 340.31 at 31 December 2010, of which EUR 137 336 644.89 was accrued interest. The ratio between the Fund's net assets of EUR 1 485 463 867.59 and the outstanding capital liabilities referred to in the Regulation was 7.7%. Since this is lower than the target amount of 9% of the total guaranteed outstanding amount, a transfer has to be made from the general budget of the EU to the Fund, as provided for in Article 5 of the Regulation. The amount included in 2011 as provisioning in the draft budget for 2012 is EUR 260 170 000.00.

Pre-consolidated financial statement for the Fund at 31 December 2010: the total amount indicated in the pre-consolidated balance sheet is EUR 1 347 330 925.77.

Payments to or from the general budget in the course of the financial year

Provisioning of the Fund: on the basis of the outstanding guaranteed operations of EUR 16 360.73 million as of 31.12.2009, an amount of EUR 138.88 million, corresponding to the 2009 provisioning, was paid in one transaction from the budget to the Fund on 28 February 2011.

Investment: performance was achieved against the background of the financial crisis and a very low interest rate environment. Overall, market conditions in 2010 slightly improved compared to 2009, mainly due to the setting up of a rescue mechanism for euro area countries in difficulties and accompanying measures from the ECB which kept interest rates low and liquidity abundant. The portfolio underperformed its benchmark by 13.26 basis points. While the Fund's performance totalled 1.40 % during the first half of 2010, during the second half the performance deteriorated as the problems in Greece negatively impacted the Fund's holdings in bonds of other euro area Member States, mainly Ireland, Portugal, Spain, Italy and Belgium. The spread widening of these countries against the AAA euro area Member States contributed strongly to the observed performance of the Fund.

Interest income in 2010: interest income on cash and cash equivalents, on the Fund's current accounts and on securities totalled EUR 43 367 717.93, broken down as follows:

- **from deposits and current accounts**: EUR 1 359 361.52; this reflects the situation at 31 December 2010, including interest received on bank deposits of EUR 1 253 213.48 and changes in accrued interest of +EUR 91 363.69 in 2010. Current accounts raised EUR 14 784.35 from interest;

- **from securities**: EUR 40 351 233.09; this includes EUR 39 633 686.93 of interest on securities and changes in accrued interest of +EUR 1 396 474.35 at 31 December 2010. The interest on securities is generated by investments placed in the form of securities in accordance with the investment principles laid down in the Agreement giving the EIB the mandate to manage the Fund's liquid assets. Of this amount, an adjustment of -EUR 678 928.19 must be made from the securities entered in the course of the year as the difference between the entry price and the redemption value divided pro rata temporis over the remaining life of the securities held (corresponding to the spread of the premium or discount entered in the profit-and-loss account).

Recovery from defaulting debtors: the Fund has no amount to be recovered.

Liabilities: the Fund's liabilities correspond to all the financial commitments due by the Fund.

Default payments: the Fund was not called on for default payments in 2010.

EIB remuneration: the Bank's remuneration for 2010 was set at EUR 715 037.50 and was entered in the profit and-loss account and as accruals (liabilities) on the balance sheet.