

Guarantee Fund for external actions. Codification

2008/0117(CNS) - 16/07/2015 - Follow-up document

In accordance with the requirements of Council Regulation (EC, Euratom) No 480/2009, the Commission submits to Council and Parliament a report on the **situation of the Guarantee Fund and its management for 2014**. The Fund was established in order to repay the Union's creditors in the event of default by beneficiaries of loans granted or guaranteed by the European Union. The Commission entrusted the financial management of the Fund to the European Investment Bank (EIB).

Financial position of the Fund at 31 December 2014: the financial position of the Fund is the sum of all the financial flows since the setting up of the Fund in 1994. The Fund totalled **EUR 2 137 753 047.57**.

The accounting value of the Fund **increased by about EUR 133 million in 2014**. This is explained by the following factors:

Increasing:

- the contribution from the budget (provisioning amount) of EUR 144.4 million to adjust the Fund to the 9% target amount;
- the net revenues on financial operations amounted to EUR 30 million
- the portfolio valuation increase by EUR 19 million due to the mark to market adjustment of its value.

Decreasing:

- intervention of the Fund to cover defaulted payments by Syria for a total amount of EUR 60 million thereof 22 million are still to be paid as at 31 December 2014 (other accounts payable).

Significant transactions: the report notes that since November 2011, the EIB is facing **arrears on Syrian sovereign loans**. As a consequence, and in line with the guarantee agreement between the EU and the EIB, the EIB has made 21 calls on the EU Guarantee Fund up to 31 December 2014 for a total amount of EUR 165 million.

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. To adjust the Fund to the 9% of the total outstanding capital liabilities, **an amount of EUR 144.4 million was entered in the 2015 budget for the provisioning of the Fund**.

At 31.12.2013, the target amount was EUR 2 124.8 million corresponding to the 9% of the total outstanding guaranteed operations (EUR 23 609 million). The difference between the target amount and the net assets of the Fund of EUR 1 980.4 million at 31.12.2013 was equal to EUR 144.4 million.

This amount was requested for the provisioning of the Fund in 2015 and was **approved by the Council and the European Parliament as part of the approval of the 2015 budget in November 2014**. It was subsequently recognised as a receivable of the Fund from the budget.

In February 2014 an amount of **EUR 58.43 million** was transferred from the budget to the Fund corresponding to the provisioning amount for 2014

Interest from the investment of the Fund's liquid assets

-Investment policy: 20 % of the Fund must be invested in short-term investments (up to one year). These investments include variable-rate securities, irrespective of their maturity dates, and fixed-rate securities with a maximum of one year remaining to maturity, irrespective of their initial maturity period. To maintain a balance between the various instruments providing the required liquidity, a minimum of EUR 100 million is kept in money market instruments, particularly bank deposits.

The list of banks authorised to receive deposits, proposed by the EIB, is regularly revised in the light of the changes in bank ratings. All banks have a Moody's rating of at least P1 for short-term investments or an equivalent Standard & Poor's or Fitch rating.

- Performance: the Fund delivered an absolute return of **+2.55%** during 2014, overperforming its benchmark by an excess return of 0.19%.

- Interest: in 2014, interest income on cash and cash equivalents, on securities and accrued income on subrogated loans totalled **EUR 35 209 330**.

Revenues and expenses from operating activities: the result from operating activities amounted to EUR -1 253 614, which include the EIB management fees for EUR 844 873, other operating expenses for EUR 170 678, the external audit fees for EUR 39 500, unrealised exchange gain on subrogated Loans for EUR 263 355 and accrued EIB recovery fees for EUR 461 918.