

Guarantee Fund for external actions

1993/1004(CNS) - 10/07/2006 - Follow-up document

This document forms an Annex to the Commission's 2005 Annual Report on the Guarantee Fund and its Management. In line with Regulation 2728/94/EC different rules apply depending on the Fund in question. In the case of EIB loans, for example, provisioning for the Fund takes place at the beginning of each year and is based on forecasts provided by the EIB of total loans to be signed in the respective year. The difference between forecast and realisation is balanced at the end of each year when the Fund is aligned to its target amount. Euratom loans, on the other hand, are calculated on a forecast basis and are fully provided for at the time of the loan's signature at the latest. In the case of macro-financial assistance loans, provisioning takes place as soon as the Council has adopted a Decision to grant macro-financial assistance, for the maximum amount decided by the Council. In 2005 one transfer was made to the Guarantee Fund from the guarantee reserve, totalling EUR 140 110 000 million.

In summary, the Report makes the following findings:

- The total market value of the Fund's holdings (excluding accrued interest) stood at EUR 1 299.5 million on 31 December 2005. This compares to EUR 1 586 million the previous year. A decrease of EUR 286.5 million.
- On 31 December 2004 the Fund had a surplus totalling EUR 187.13 million. Total provisioning on 31 December 2005 amounted to EUR 140.11 million.
- In July 2005 the net amount of EUR 47.02 million (from the surplus) was paid from the Fund's assets to the Community budget.
- In January 2005, and in order to take account of EU expansion in May 2004, the Fund paid a further EUR 338 831 402.07 million to the Commission.
- The Fund's capital decreased in 2005 by 33.9%. At the end of 2004 the Fund's capital stood at EUR 1 139 1 million. At the end of 2005, however, the Fund's capital totalled EUR 753.2 million – a difference of EUR 385.9 million.
- The Fund's holdings at the end of 2005 totalled EUR 1 299.5 million broken down as follows: EUR 313.5 million in the monetary portfolio (Interbank term deposits); EUR 1.6 million in current accounts; and EUR 984.4 million in the "Available For Sale" investment portfolio.
- Overall the Guarantee Fund produced EUR 50.7 million in net revenue, an overall average yield of 3.96% on average capital of EUR 1 262 million.
- At the end of December 2005, the nominal value of the investment portfolio was EUR 930.86 million compared to a market value of EUR 984.4 million.
- The global duration of the portfolio decreased to 3.32 years compared to 3.55 years as of end 2004.
- At the beginning of 2005 a total of EUR 125.51 million in reimbursements (nominal value) on the securities portfolio were scheduled for the year. That has been split as follows: EUR 105.80 million for the fixed rate and EUR 19.71 million for the variable rate.

- There was a sale of the a fixed coupon bond position of EUR 10.0 million due to a downgrade from AAA to Aa2 by Moody's and a sale of EUR 600 000 in order to avoid exceeding the 10% of the total amount required according to article 3.2.3.2 of the investment guidelines agreed between the EIB and the Commission.

On a final point, the Report points out that the Guarantee Funds' financial statements (which can be found in Annex to the Report) have been prepared, for the first time, in accordance with International Financial Reporting Standards (IFRS) and the accounting rules by the European Commission. The financial statements are presented in Euros.