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(SWD)

Accompanying the document

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

ON THE GUARANTEE FUND AND ITS MANAGEMENT IN 2011

{COM(2012) 399 final}

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1. INTRODUCTION

According to the Article 7 of the guarantee fund regulation, the assets of the Guarantee Fund are managed by the EIB. The agreement signed between the Commission and the EIB defines the principles governing the management of assets.

Under Article 8(2) of the Agreement, by 1 March of each year the EIB has to send the Commission an annual status report on the Fund and the management thereof ('Statement of financial performance') and a financial statement for the Fund for the preceding year ('Statement of financial position of the Fund').

The 'Statement of financial performance' prepared by the EIB has been attached in the section 2 of the Commission staff working document. The 'Statement of financial position of the Fund' audited by an external auditor is included in section 3.

2. GUARANTEE FUND – MANAGEMENT REPORT AS AT 31 DECEMBER 2011

2.1. Development of the Fund in 2011

As at 31 December 2011 total assets (excluding accrued interest) of the Guarantee Fund (the "Fund") amounted to EUR 1,734.7[1] million against EUR 1,464.4 million at 31 December 2010, an increase of EUR 270.3 million.

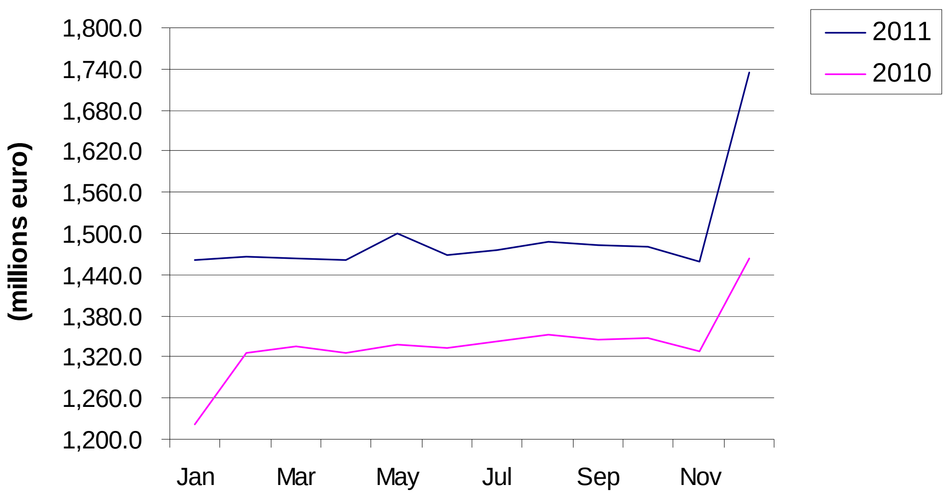


Fig.1: Development of total assets in 2011 and 2010

1 The balance of total assets includes a contribution receivable of EUR 260.2 million (contribution due in 2012 but recognised in December 2011) (2010: EUR 138.8 million). Since 2011 the accounting policy is that contributions are recognised or derecognised in the Fund's balance sheet at the date when they become due or owed according to articles 3, 4, 5 and 6 of the Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions whereas previously the recognition/derecognition was done on a cash-basis.

The increase of total assets in December 2011 mainly reflects the inclusion of a contribution receivable of EUR 260.2 million to be paid in early 2012.

The net operating result amounted to EUR 42.15 million at 31 December 2011 compared with EUR 42.52 million at 31 December 2010.

2.2. Situation of the Fund

2.2.1. Contributions paid in at 31 December 2011

The contributions paid into the Fund by the European Union budget increased by EUR 138.9 million, or 23.6% from EUR 588.2 million at 31 December 2010 to EUR 727.1 million at 31 December 2011.

This is explained by the movements shown in the following table:

Contributions paid in (in EUR)		Situation at 31/12/2010	Movements in 2011	Situation at 31/12/2011
Provisioning	+	2,990,775,162.91	138,880,000.00	3,129,655,162.91
Repayment of surplus	-	(1,775,870,000.00)	0.00	(1,775,870,000.00)
Activation of guarantee	-	(477,860,856.19)	0.00	(477,860,856.19)
Recovery of amounts guaranteed	+	576,705,008.19	0.00	576,705,008.19
Repayment of Funds (9%)	-	(725,521,526.79)	0.00	(725,521,526.79)
Balance		**588,227,788.12**	**138,880,000.00**	**727,107,788.12**

2.2.2. The Fund's holdings net of accrued interest at 31 December 2011

The Fund's holdings at 31 December 2011 excluding accrued interest and contributions receivable totalled

EUR 1,474.5 million as detailed below:

– EUR 299.6 million in the monetary portfolio (nominal value of interbank term deposits);

– EUR 1.3 million in the current accounts;

– EUR 1,173.6 million in the Available For Sale (AFS) (market value of fixed rate and floating rate bonds excluding accrued interest)

The Fund operates in one currency only, the Euro.

2.3. General and segmental analysis of the Fund

2.3.1. Liquidity analysis

The liquidity position of the Fund at 31 December 2011 is outlined in the table below (details can be found in section 4.8.1).

	less than 3 months	**1 year**	**1 to 10 years**	**maturity undefined**	**TOTAL**
Total Assets	**361,646,677.30**	**400,411,460.76**	**994,147,018.00**	**0.00**	**1,756,205,156.06**
Contributors resources and Liabilities in EUR					
Total contributors' resources	**0.00**	**0.00**	**0.00**	**1,755,434,096.22**	**1,755,434,096.22**
Total Liabilities	**771,059.84**	**0.00**	**0.00**	**0.00**	**771,059.84**

2.3.2. General analysis of the results of the Fund

Overall, during the reporting period 1 January 2011 to 31 December 2011 the Fund achieved EUR 42.15 million in net revenue. The following table outlines the net revenue earned in 2011 and compares it with that of 2010:

In EUR millions	**December 2011**		**December 2010**	
Interest income on cash & cash equivalents	4.12	9.8%	1.36	3.2%
Interest income on AFS assets	40.77	96.7%	40.35	94.9%
Net realised gain on sale of AFS assets	0.00	0.0%	1.58	3.7%
Income from securities lending activity	0.09	0.2%	0.08	0.2%
Net realised loss on sale of AFS assets	-1.94	-4.6%	0.00	0.0%
Commission and other charges	-0.89	-2.1%	-0.85	-2.0%
Total	**42.15**	**100.0%**	**42.52**	**100.0%**

2.3.3. Analysis by segment

2.3.3.1. Analysis of money market operations

Money-market investments (excluding accrued interest) amount to EUR 300.9 million at 31 December 2011, as compared to EUR 212.7 million a year before.

- Evolution of money-market rates in 2011

In light of sluggish growth in the Euro area and prospects of slow recovery ahead, the European Central Bank (ECB) decided to lower the reference rate in two consecutive steps, in November 2011 from 1.50% to 1.25% and in December 2011 from 1.25% to the current 1.00%. Market sentiment in 2011 was still affected by the problems of Euro-area peripheral countries, with particular attention to the details of a potential restructuring of the Greek sovereign debt. The EU and euro-area authorities took measures in order to stabilize the situation and inject liquidity and confidence into the market. In this respect, a new open market operation was launched by the ECB in December 2011, the 3-year LTRO, to provide liquidity to the financial system. The whole year 2011 was characterized by excess liquidity in the system which kept rates at low levels, with high volatility at regular intervals. EONIA kept trading with quite high volatility, despite liquidity conditions remaining ample (excess cash in the market).

Figure 2 shows the evolution of the one- and three-month Euribor during 2011.

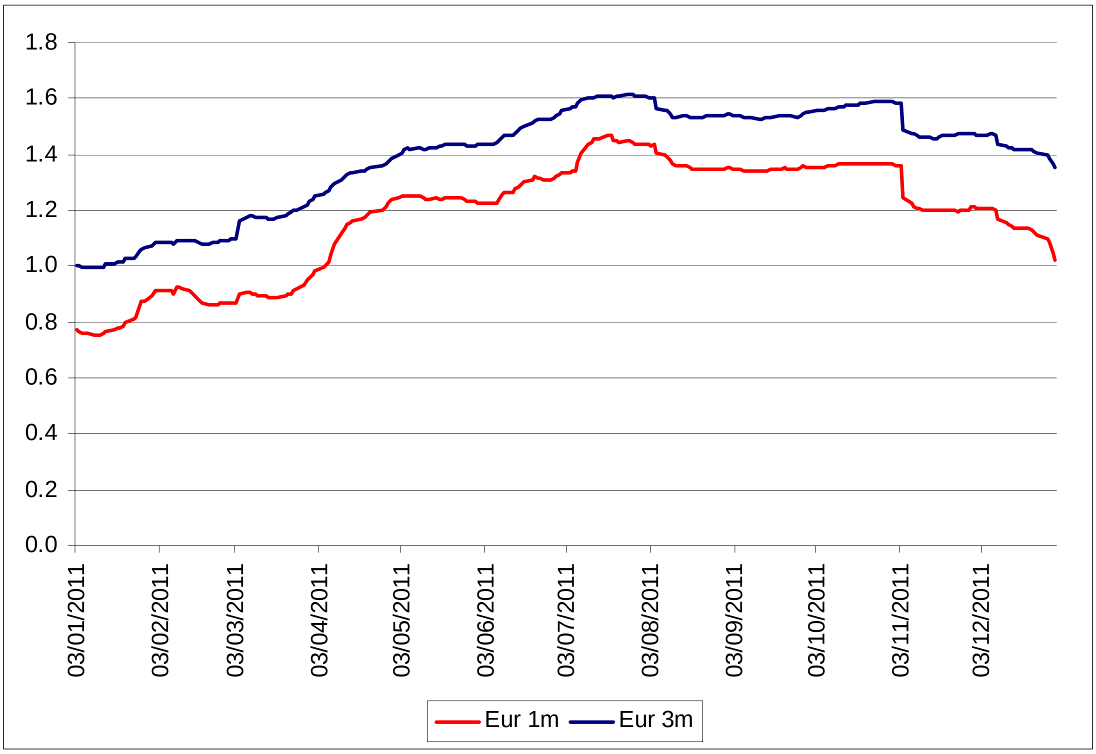


Fig. 2: Evolution of Money Market rates during 2011 (source Bloomberg)

- Profile of counterparties

In accordance with the agreement between the European Union and the EIB on the management of the Fund, all banks with which deposits are placed should have a minimum short-term credit rating of P-1 (Moody's or equivalent). The breakdown, including accrued interest, is as follows:

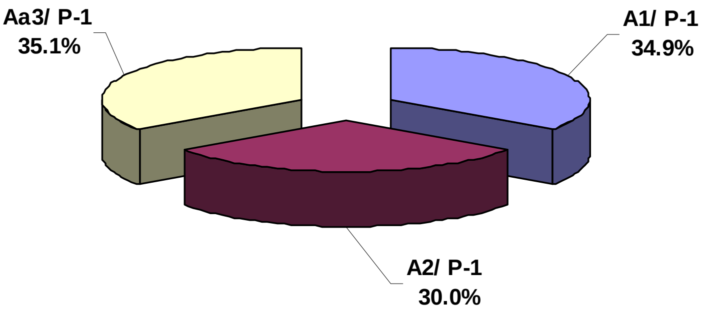


Fig. 3: Short term interbank investments by type of counterparty at 31 December 2011

- Geographical breakdown

As regards the diversification of counterparty location, the EIB is pursuing its objective of a better geographical distribution throughout the countries of the European Union by placing the short term deposits in a number of banks located in the main EU financial centers. This allows to search for better market conditions and to maintain the highest degree of competitiveness of the yield obtained.

2.3.3.2. Analysis of bond portfolio results

The bond portfolio, seen as a long-term investment portfolio, is made up of euro-denominated securities initially acquired with the intention of holding them until maturity. In the Fund's Financial Statements these securities are classified as Available For Sale (AFS) in line with the EC accounting rule 11. At 31 December 2011, the market value (excluding accrued interest) of fixed rate securities with a residual period to maturity of less than three months amounted to EUR 44.1 million, between 3 months and one year EUR 108.1 million and between one and 10 years EUR 817.9 million.

The starting value of the securities in this portfolio is the acquisition cost. The difference between the entry price and the redemption value is the premium/discount spread, which is divided *pro rata temporis* over the remaining life of each of the securities using the effective interest rate method as specified in the EC accounting rules.

At 31 December 2011, the nominal value of the investment bond portfolio (fixed and FRN) was EUR 1,212.3 million, against a clean market value of EUR 1,173.6 million.

The global (modified) duration of the bond portfolio decreased over 2011 to reach 1.81 years at the end of the year. As of 31 December 2011, the market value (excluding accrued interest) of the investment bond portfolio came to EUR 1,173.6 million (2010: EUR 1,116.7 million) compared with a book value (including premiums/discounts) of EUR 1,207.8 million (2010: EUR 1,118.6 million), which gives a unrealised fair value loss EUR -34.2 million (2010: EUR -1.9 million).

During 2011, the euro area 2- to 10-year yield curve spread flattened by 44 basis points to the level of 166 basis points. The movement occurred as a result of short-term yields declining by 69.7 basis points, whereas the long-term yields decreased by 114.1 basis points as shown in figure 4.

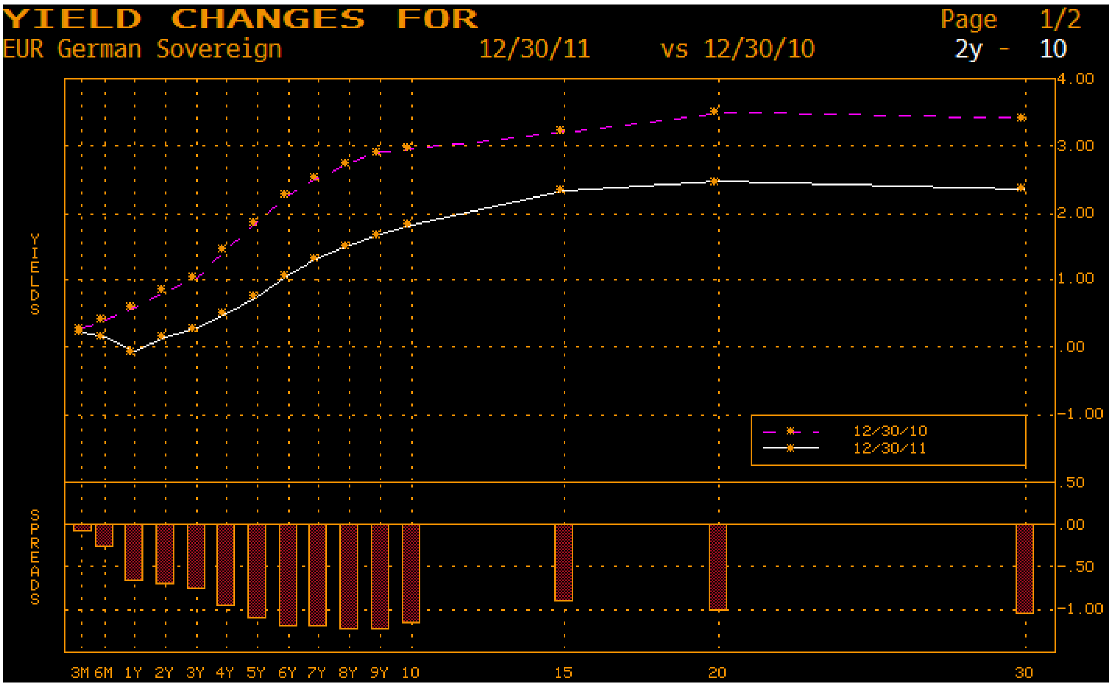
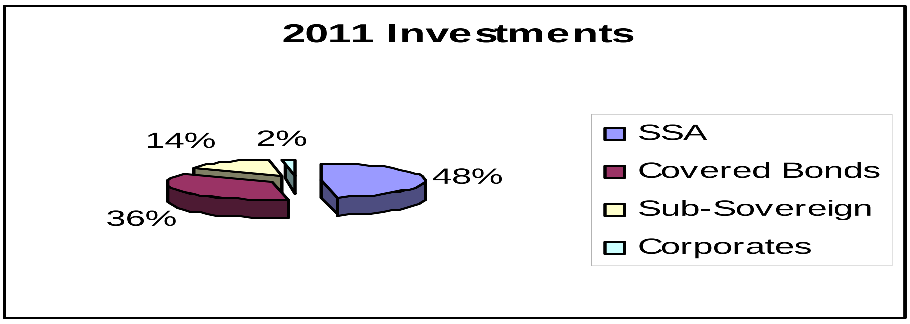


Fig. 4: Euro area yield curve flattened during 2011 using German government benchmark bonds

(Source Bloomberg)

In accordance with the 2011 approved investment strategy and in compliance with the guidelines, a total nominal amount of EUR 279.5 million (excluding coupon payments) was invested in fixed and floating rate SSA[2] (48%) and sub-sovereign (14%) securities, covered bonds (36%) and corporate bonds (2%) within allowed maturities either on a switch basis or outright in the primary and secondary markets. All of the transactions were done with the objective of maximising the total return within the guidelines by taking into account the general macroeconomic environment and maintaining relatively conservative risk profile with respect to the relative country allocation versus the corresponding benchmark. The chart below outlines the total 2011 investments as well as the country diversification of the portfolio.



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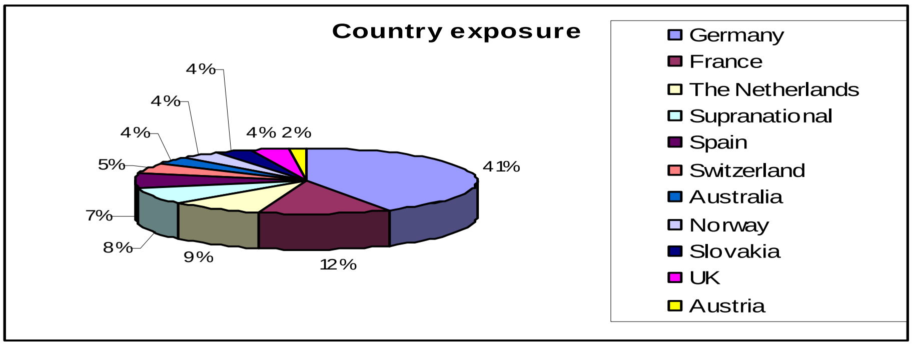
2 Sovereign Supra and Agency



As of 1 January 2011, a total nominal amount of EUR 152.5 million of redemptions on the long-term portfolio was scheduled for the year with EUR 137.5 million of fixed rate bonds and EUR 15 million of Floating Rate Notes.

Fitch is the only rating agency still attributing an AAA rating to the 2 covered bonds issued by Depfa ACS Bank, in which the GF-portfolio had an exposure of EUR 36 million. In February 2011, a partial sale was executed, reducing the existing position of the Depfa 4.375% 15/01/2015 by EUR 10.5 million. A realized gain of roughly EUR 0.522 million was reported for the life time of the investment (in addition to the coupon).

It is worth mentioning that floating rate notes issued by core Euro area entities continued to remain an attractive investment opportunity for the portfolio throughout 2011 given that they offered very good returns, for example German Pfandbriefe and Laender in a floating format traded at much higher spreads than their fixed coupon equivalents of comparable maturity. For that reason, most of the total investments executed during 2011 were effected in the floating format with EUR 152 million or 54 % versus EUR 127.5 million or 46% in fixed rate bonds. As regards the country diversification, Germany was favoured with EUR 102 million or 67 % compared to 33% of the remaining position (Australia 10%, France, Switzerland and the UK 20% and The Netherlands 30%).

The credit ratings of peripheral countries remained under pressure during 2011, so as for peripheral covered bonds. On 3rd August, S&P cut the AAA rating of five Spanish AYT Cedulas held in the GF portfolio for a total nominal amount of EUR 49 million. According to the guidelines, these Spanish covered bonds were no longer eligible and the relevant assets had to be replaced by other assets of adequate quality as they triggered a mandatory sale notification from risk management. In a difficult market environment and in order to avoid selling the positions at distressed prices, orders were left with only a few counterparties. As the market situation started to aggravate during the remaining summer period till December, no potential tradable market prices were available. However, by the end of December EUR 26 million were sold. The remaining position of EUR 23 million was sold smoothly at the beginning of 2012 when markets started to stabilize.

On 20 December, S&P lowered the rating of the two covered bond programmes of Westdeutsche Immobilienbank, following a downgrade of the issuer credit rating (ICR). The latter downgrade was based on its “weak” business position, “moderate” risk position, “average” funding, and hardly “adequate” liquidity, capital and earnings.

A mandatory sale notification was issued after the downgrade by S&P of Westdeutsche Immobilienbank's Mortgage and Public-Sector covered bonds from AAA to AA. As a consequence, the position of € 10 million held in the GF-portfolio was no longer eligible according to article 3.2.2.3

(2) of the relevant guidelines. The process of selling the bonds was executed smoothly at the beginning of 2012.

- Breakdown of the investment portfolio between fixed rate and variable rate securities (nominal value)

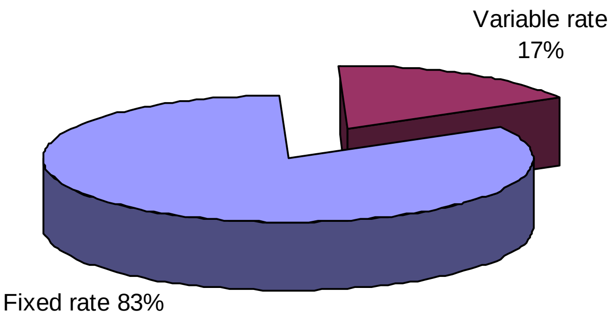


Fig. 6: Investment portfolio breakdown between fixed and variable rate securities at 31 December 2011.

- Redemption profile of investment portfolio (nominal value)

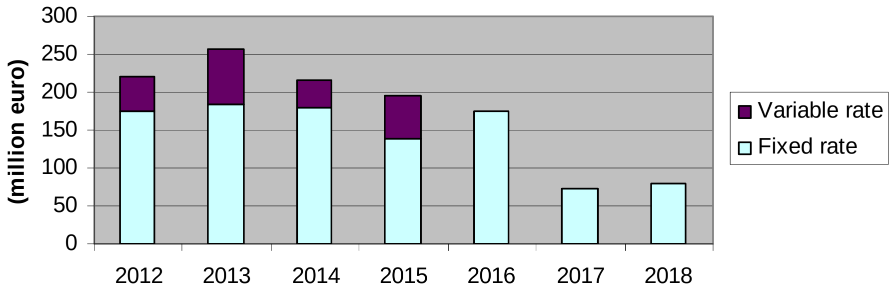


Fig.7: Investment portfolio: Redemption profile at 31 December 2011

The latest final maturity date for fixed rate securities is 4 July 2018.

- Profile of issuers

All the securities held in the portfolio are in line with the management guidelines and meet the following criteria for:

– Securities issued by Member States: minimum rating Baa3

– Securities issued by a Supranational, other States or Public Company: minimum rating Aa2

– Covered Bonds: rating Aaa

– Securities issued by Banks and Corporates: minimum rating Aa2

The profile of issuers at 31 December 2011 is as follows:

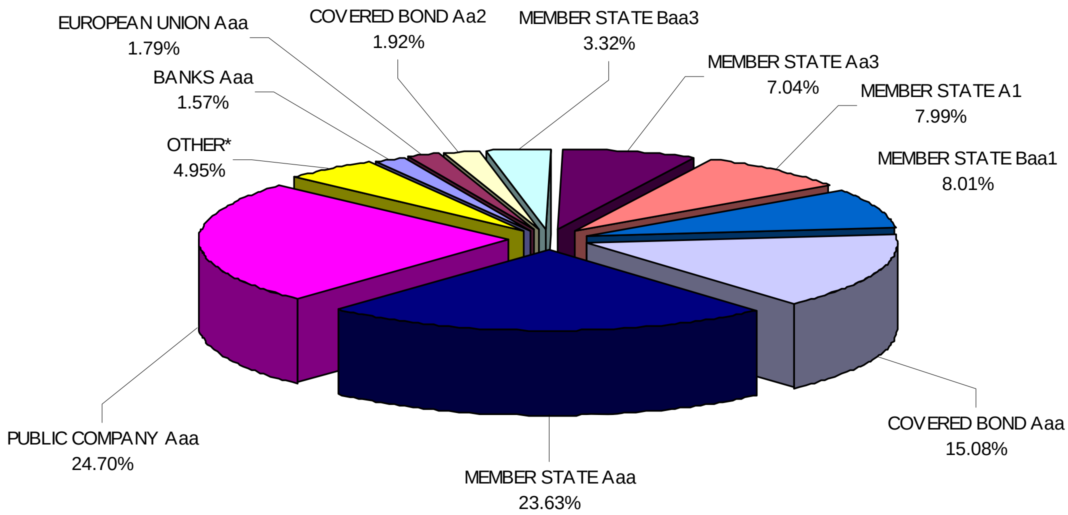


Fig. 8: Investment portfolio: Profile of issuers at 31 December 2011

2.4. Benchmarking, performance and interest rate risk analysis

2.4.1. Benchmarking

The performance of the Fund is monitored on a marked-to-market (MTM) basis against a composite index. This index is the result of the combination of the following sub-indices:

- Euribid 1M for money-market operations
- Euribid 3M for floating rate notes and fixed rate bond with less than one year to maturity
- IBOXX EUR Sovereign indices for fixed rate bonds issued by sovereign (or similar) issuers, split by maturity buckets
- IBOXX EUR Collateralized Covered indices for fixed rate bonds issued by corporate (or similar) issuers, split by maturity buckets

Index weightings are based on portfolio composition and are reviewed:

- at each end-month day: the dates which define the time buckets (up to 1y, from 1y to 3y, from 3y o 5y, from 5y to 7y and from 7y to 10y) are updated. As a consequence, the shifts between buckets due to the aging of existing positions are accounted only once per month at end-month, following the same procedure underlying the managing of the IBOXX's indexes;

- during the month, whenever a change higher then ±5% in one of the asset-classes (respect to the last benchmark's adjustment) is observed. This change can be the result of:

  - the impact of a contribution from the European Commission to the portfolio (external cash flows from the European Commission);
  - the impact of a withdrawal from the portfolio to the European Commission (external cash flows to the European Commission);
  - the impact of a transaction settled (sales and purchases);
  - the impact of a redemption;
  - the sum of the impacts of previous events accumulated from the last benchmark's adjustment, taking also into consideration the changes in the clean values of the positions.

Bucket (years)	**Performance Benchmark Sector**	**Instrument**	**Percentage of Total portfolio as of 31/12/2011**
0-1	1 m	Money Market	22.1%
	3 m	FRN and Fixed Rate Bonds	18.6%
1-3	sovereign	Fixed Rate Bonds	23.3%
	covered bonds		2.5%
3-5	sovereign		15.0%
	covered bonds		4.5%
5-7	sovereign		10.0%
	covered bonds		1.3%
7-10	sovereign		2.7%
	covered bonds		0.0%
Total			100%

2.4.2. Performance

The performance of the Fund portfolio was monitored on a marked-to-market basis. During 2011, the portfolio delivered a 0.72% MTM yearly return, underperforming its benchmark by 138.85 bps.

	Portfolio			Out-performance	
	Market Value (including accrued interest)	Monthly return (absolute return in %)	YTD return (absolute return in %)	Monthly Excess Return compared to benchmark (in %)	YTD Excess Return (in %)
31/01/2011	1,345,738,337	-0.1598	-0.1598	0.1394	0.1394
28/02/2011	1,488,234,005	0.2687	0.1084	0.1127	0.2521
31/03/2011	1,484,259,410	-0.2671	-0.1590	-0.0332	0.2182
30/04/2011	1,482,154,433	-0.1420	-0.3007	-0.3095	-0.0904
31/05/2011	1,491,407,462	0.6244	0.3219	0.1378	0.0466
30/06/2011	1,488,950,915	-0.1647	0.1566	-0.1958	-0.1498
31/07/2011	1,491,569,004	0.1758	0.3327	0.1114	-0.0384
31/08/2011	1,507,271,529	1.0528	1.3890	-0.1424	-0.1817
30/09/2011	1,503,336,151	-0.2611	1.1243	-0.4329	-0.6209
31/10/2011	1,498,900,755	-0.2950	0.8259	0.0382	-0.5802
30/11/2011	1,480,504,553	-1.1776	-0.3614	-0.4085	-0.9875
31/12/2011	1,496,510,249	1.0811	0.7157	-0.3878	-1.3885

During Q1-2011, the money market rates increased and the 3 month EURIBOR stood at 1.239% as of 31/03/2011, compared to 1.006% as of 31/12/2010. During the same period European bond yields remained volatile. Two different evolutions of credit spread risk of bonds issued by peripheral sovereign European countries compared to German Bunds could be observed in Q1-2011: the credit spreads for bonds issued by Portugal, Ireland and Greece continued to increase whereas the credit spreads for bonds issued by Spain and Italy decreased.

During Q2-2011, the exposure in bonds issued or guaranteed by Greece, Ireland and Portugal was the main driver of the negative GF-portfolio excess return. The GF portfolio delivered a positive return of 0.316% for Q2-2011. Bond issued or guaranteed by Germany, France and the Netherlands as well as bonds issued by DEPFA outperformed their benchmark.

During Q3-2011, the exposure in bonds issued or guaranteed by Greece, Italy and Portugal was the main driver of the negative GF-portfolio excess return. The GF portfolio delivered a positive return of 0.966% for Q3-2011. After the downgrade of the Republic of Portugal by Moody's on 06/07/2011, government Bonds issued by Portugal were no longer included in the IBOXX sovereign indexes from beginning of August.

During Q4-2011, the exposure in bonds issued or guaranteed by Greece, Italy and Portugal was the main driver of the negative GF-portfolio excess return. The GF portfolio delivered a negative return of 0.404% for Q4-2011.

2.4.3. Interest rate risk

The interest rate risk sensitivity of the MTM value of the portfolio mainly stems from its fixed rate exposure. A 1bp increase of interest rates reduces the value of the portfolio by EUR 272,711.00, of which EUR 266,275.00 is related to the fixed rate bond exposure. The global modified duration of the fund decreased during 2011 and stood at 1.81 years as of 31 December 2011, compared to 2.36 years as of 31 December 2010.

GF Sub- Portfolios	Market Value (excluding accrued interest)	Modified Duration (Years)	Interest Rate Exposure (+/-1bp)
Floating Rate Notes	203,463,660	0.17	-/+ 3,654
Fixed Rate Bonds	970,145,310	2.67	-/+ 266,275
Money Market Instruments	299,654,827	0.09	-/+ 2,782
Cash account	1,362,766 [(3)]		
Total GF	1,474,626,563	1.81	-/+ 272,711

3 The EUR 1.36 million "cash account" balance reported in this table does not include any payments relating to commissions, fees and other payments not strictly depending on the positions in the portfolio. This explains why it does not match the EUR 1.34 million total balance of the "current account" balance reported in section 2.2. The "cash account" balance is however reset at the beginning of each year to match the total balance of the current accounts.

3. STATEMENT OF FINANCIAL POSITION OF THE FUND AS AT 31 DECEMBER 2011

The financial statements for the Fund have been prepared by the EIB in accordance with International Financial Reporting Standards (IFRS) and the accounting rules adopted by the European Commission, in particular 'Accounting rule 11 — Financial assets and liabilities', dated September 2004[4]. These financial statements are presented in euro. This is the financial statement for the Fund's assets managed by the EIB. The annual accounts of the Guarantee Fund for the year ending on 31 December 2011 have been audited and certified by an independent auditor.

3.1. Economic Outturn Account for the year ended 31 December 2011

	Notes	**From 01.01.2011 to 31.12.2011 EUR**	**From 01.01.2010 to 31.12.2010 EUR**
Financial operations revenues	8		
Interest income		44,890,043.09	41,710,594.61
Interest income on cash and cash equivalents		4,118,369.38	1,359,361.52
Interest income on Available For Sale Portfolio		40,771,673.71	40,351,233.09
Net realised gain on sale of Available For Sale Portfolio		0.00	1,576,548.78
Income from securities lending activity		86,225.62	80,574.54
Financial operations expenses	9		
Net realised loss on sale of Available For Sale Portfolio		(1,940,019.61)	0.00
Other financial charges		(883,448.14)	(850,345.40)
Thereof: Management fees		*(739,809.98)*	*(715,037.50)*
ECONOMIC RESULT OF THE YEAR		**42,152,800.96**	**42,517,372.52**

The accompanying notes form an integral part of these financial statements.

[4] This is based on revised standards IAS 32 and 39, as issued by the IASB on 18 December 2003, and, consequently, does not integrate the provisions set out in the version of IAS 39 endorsed by the European Commission on 19 November 2004.

3.2. Balance Sheet as at 31 December 2011

ASSETS	Notes	31.12.2011 EUR	31.12.2010 EUR
CURRENT ASSETS			
Short-term Investments	4		
Available For Sale Portfolio - cost		1,206,885,759.50	1,134,968,726.10
Available For Sale Portfolio – actuarial difference		913,066.98	(1,355,359.96)
Available For Sale Portfolio – adjustment to fair value		(34,189,857.13)	(1,888,129.14)
Available For Sale Portfolio – accrued interest		20,943,684.79	21,594,414.66
Total Short-term Investments		**1,194,552,654.14**	**1,153,319,651.66**
Short-term receivables			
Contributions receivable		260,170,000.00	138,880,000.00
Total Short-term receivables		**260,170,000.00**	**138,880,000.00**
Cash and Cash Equivalents	5		
Current accounts		1,340,446.23	1,426,322.04
Short-term deposits – nominal		299,600,000.00	123,637,000.00
Accrued interest on short-term deposits		542,055.69	155,055.48
Other cash equivalents – cost		-	68,708,475.06
Accrued interest on other cash equivalents		-	84,421.53
Total Cash and Cash equivalents		**301,482,501.92**	**194,011,274.11**
Total Current Assets		**1,756,205,156.06**	**1,486,210,925.77**
TOTAL ASSETS		**1,756,205,156.06**	**1,486,210,925.77**

CONTRIBUTORS’ RESOURCES AND LIABILITIES	Note	31.12.2011 EUR	31.12.2010 EUR
A. CONTRIBUTORS’ RESOURCES			
Contributions	6		
Contributions paid in		727,107,788.12	588,227,788.12
Contributions allocated but not yet paid in		260,170,000.00	138,880,000.00
Reserves			
Available for sale reserve - First Time Application		(7,630.95)	42,963.53
Available for sale reserve		(34,189,857.13)	(1,888,129.14)
Accumulated surplus			
Results brought forward		760,201,245.08	717,683,872.56

Economic result of the year		42,152,800.96	42,517,372.52
Total Contributors' resources		**1,755,434,346.08**	**1,485,463,867.59**
B. CURRENT LIABILITIES	7		
Accounts Payable			
Others		770,809.98	747,058.18
Total Current Liabilities		**770,809.98**	**747,058.18**
TOTAL CONTRIBUTORS' RESOURCES AND LIABILITIES		**1,756,205,156.06**	**1,486,210,925.77**

The accompanying notes form an integral part of these financial statements

3.3. Statement of changes in contributors’ resources for the year ended 31 December 2011 (in EUR)

	Contributions	Reserves		Accumulated Surplus	Economic Result of the year	Total contributors’ resources
		First Time Application - Available For Sale reserve	Available For Sale reserve			
Balance as at 01.01.2010	**588,227,788.12**	**152,812.75**	**27,525,747.60**	**676,733,999.20**	**40,949,873.36**	**1,333,590,221.03**
Contributions received from the European Commission allocated but not yet paid	138,880,000.00	0.00	0.00	0.00	0.00	**138,880,000.00**
Change of First Time Application - Available For Sale reserve	0.00	(109,849.22)	0.00	0.00	0.00	**(109,849.22)**
Change of Available For Sale reserve	0.00	0.00	(29,413,876.74)	0.00	0.00	**(29,413,876.74)**
Allocation of the Economic result of the year 2009	0.00	0.00	0.00	40,949,873.36	(40,949,873.36)	**0.00**
Economic result of the year 2010	0.00	0.00	0.00	0.00	42,517,372.52	**42,517,372.52**
Balance as at 31.12.2010	**727,107,788.12**	**42,963.53**	**(1,888,129.14)**	**717,683,872.56**	**42,517,372.52**	**1,485,463,867.59**
Contributions received from the European Commission allocated but not yet paid	260,170,000.00	0.00	0.00	0.00	0.00	**260,170,00.00**
Change of First Time Application - Available For Sale reserve	0.00	(50,594.48)	0.00	0.00	0.00	**(50,594.48)**
Change of Available For Sale reserve	0.00	0.00	(32,301,727.99)	0.00	0.00	**(32,301,727.99)**
Allocation of the Economic result of the year 2010	0.00	0.00	0.00	42,517,372.52	(42,517,372.52)	**0.00**
Economic result of the year 2011	0.00	0.00	0.00	0.00	**42,152,800.96**	**42,152,800.96**
Balance as at 31.12.2011	**987,277,788.12**	**(7,630.95)**	**(34,189,857.13)**	**760,201,245.08**	**42,152,800.96**	**1,755,434,346.08**

The accompanying notes form an integral part of these financial statements.

3.4. Cash Flow statement for the year ended 31 December 2011

	From 01.01.2011 to 31.12.2011 EUR	From 01.01.2010 to 31.12.2010 EUR
Investing activities		
Interest received on cash and cash equivalents	3,815,079.42	1,267,997.83
Management fee paid during the year	(715,037.50)	(687,539.60)
Bank charges / audit fees paid during the year	(143,947.54)	(134,908.90)
Purchase of investments - Available For Sale portfolio	(278,687,734.50)	(281,808,073.50)
Proceeds of investments - Available For Sale portfolio	202,080,739.78	150,672,110.00
Interest received - Available For Sale portfolio	41,853,323.85	39,633,686.93
Income from securities lending activity	86,225.62	85,822.31
Net Cash Flows from investing activities	*(31,711,350.87)*	*(90,970,904.93)*
Financing activities		
Contributions received from the European Commission	138,880,000	93,810,000.00
Net Cash Flows from financing activities	***138,880,000***	***93,810,000.00***
Net increase in cash and cash equivalents	107,168,649.13	2,839,095.07
Cash and cash equivalents at beginning of financial year	***193,771,797.10***	*190,932,702.03*
Cash and cash equivalents at the end of financial year	***300,940,446.23***	***193,771,797.10***

Cash and cash equivalents are composed of (excluding accrued interest):		
Current accounts	1,340,446.23	1,426,322.04
Short-term deposits	299,600,000.00	123,637,000.00
Other cash equivalents	0.00	68,708,475.06
Total cash and cash equivalents	**300,940,446.23**	**193,771,797.10**

The accompanying notes form an integral part of these financial statements.

4. NOTES TO THE FINANCIAL STATEMENTS

4.1. General disclosures

The rules and principles for the management of the Guarantee Fund (the “Fund”) are laid out in the Convention between the European Commission (the “Commission”) and the European Investment Bank (the “EIB”) dated 25 November 1994 and the subsequent amendments dated 17/23 September 1996, 8 May 2002, 25 February 2008, 20 October 2010 and 9 November 2010.

The main principles of the Fund, as extracted directly from the Convention, are as follows:

– The Fund will operate in one single currency being Euro (EUR). It will exclusively invest in this currency in order to avoid any exchange rate risk.

– Management of the Fund will be based upon the traditional rules of prudence adhered to for financial activities. It will have to pay particular attention to reducing the risks and to ensuring that the managed assets have a sufficient degree of liquidity and transferability, taking into account the commitments to which the Fund will have.

The EIB’s management has authorized the financial statements for issue on 30 March 2012.

4.2. Significant accounting policies

4.2.1. Basis of preparation

The Fund’s financial statements have been prepared in accordance with the accounting rules adopted by the Accounting Officer of the European Commission, in particular “Accounting rule 11 – Financial assets and liabilities”[5], dated December 2004 and updated in October 2006 and December 2009.

4.3. Significant accounting and judgments and estimates

The preparation of financial statements in conformity with the accounting rules adopted by the Accounting Officer of the European Commission requires the use of certain critical accounting estimates. It also requires EIB Management to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed hereafter.

The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation

[5] This is based on the revised standards IAS 32 and 39 as issued by the IASB on 18 December 2003 and consequently, does not integrate the carved out provisions as set out in the version of IAS 39 endorsed by the European Commission on 19 November 2004.

techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment losses on financial instruments

The Fund reviews its financial instruments at each reporting date to assess whether an allowance for impairment should be recorded in the economic outturn account. In particular, judgment by EIB Management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

4.4. Summary of significant accounting policies

4.4.1. Changes in accounting policies

For its financial statements 2011 the Fund has changed its accounting policy for contributions. According to the previous accounting policy applied up to 31 December 2010, contributions were recognised or derecognised in the Fund's balance sheet at the date payments from or to the European Commissions were received or made. Under the new accounting policy applied since 1 January 2011, contributions are recognised or derecognised in the Fund's balance sheet at the date when they become due or owed according to articles 3, 4, 5 and 6 of the Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions.

The accounting policy change has been retrospectively applied and comparative information has been adjusted accordingly. The accounting policy change results in the following adjustments to the balance sheet:

- Increase in current assets - contributions receivable by EUR 260,170,000 (Comparative figures 2010: an increase of EUR 138,880,000)

- Increase in contributions allocated but not yet paid in by EUR 260,170,000 (comparative figures 2010: increase by EUR 138,880,000).

4.4.2. Foreign currency translation

The Fund uses the Euro (EUR) for presenting its financial statements, which is also the functional currency.

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than Euro are translated into Euro at the exchange rate prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the economic outturn account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences on non-monetary assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the economic outturn account or within the reserves.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the economic outturn account.

The elements of the economic outturn account are translated into Euro on the basis of the exchange rates prevailing at the end of each month.

4.5. Cash and cash equivalents

The Fund defines cash and cash equivalents as current accounts, short-term deposits with original maturities of three months or less and bills maturing within 3 months of issue.

4.5.1. Short-term investments

The bond portfolio, seen as a short-term investment portfolio, is made up of euro-denominated securities. These securities are classified as Available For Sale (AFS) according to the accounting rules adopted by the Accounting Officer of the European Commission and consequently, are carried out at their fair value through contributors' resources. Unrealised gains or losses are reported in reserves until such security is sold, collected or otherwise disposed of, or until such security is determined to be impaired. Impairment losses identified are recognised in the economic outturn account for the year.

On disposal of an available for sale security, the accumulated unrealised gain or loss included in contributors' resources is transferred to the economic outturn account for the year. Interest income on available-for-sale securities is included in "interest income".

The determination of fair values of available for sale investments is generally based on quoted market rates in active markets.

These securities are initially measured at their acquisition cost, being their fair value at this moment. The difference between the entry price and the redemption value, i.e. the premium/discount spread, is amortised over the remaining life of each of the securities using the effective interest rate method as specified under Accounting Rule 11.

Securities are considered impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the security (a "loss event") and that loss event has an impact on the estimated future cash flows of the security that can be reliably estimated.

Evidence of impairment is mainly about significant financial difficulties of the issuer, a breach of contract, a restructuring of the debt of the issuer, a high probability of bankruptcy, etc. It is important to stress that the disappearance of an active market because the entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, in itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a financial asset below its cost or amortised cost is not necessarily evidence of impairment.

If in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the economic outturn account, the impairment loss shall be reversed, with the amount of the reversal recognised in the economic outturn account.

4.5.2. Contributions

Contributions to be received[6] from the general budget of the European Union, or to be paid back to the general budget of the European Union are recognised in the balance sheet on the date when they become due or owed according to articles 3, 4, 5 and 6 of the Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (codified version). When it related to article 3, 5 and 6 the contributions to be paid or received, based on the year end n-1 difference between the target amount and the value of the Fund’s net assets, are calculated and recorded at the beginning of the year n. When article 4 applies, the contribution to be paid back is calculated and recorded at the date of accession of the new Member State to the European Union.

4.6. Securities Lending Activity

In April 2008 the Fund entered into an automatic securities lending program with Euroclear Bank SA/NV to lend assets from its Available for Sale bond portfolio. Within this securities lending program all bonds from the Available for Sale portfolio are eligible to be lent out.

Securities lent within the automatic securities lending program are not derecognized from the Fund’s balance sheet as the control of the contractual rights that comprises these securities is still held by the Fund itself.

Income from securities lending activity is recorded in the economic outturn account on an accrual basis.

4.7. Taxation

The Protocol on the Privileges and Immunities of the European Union, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

4.8. Financial Risk Management

4.8.1. Interest Rate and Liquidity Risks

Interest rate risk position

Theoretically, hedging instruments could be used to manage the interest rate (market) risk. However as agreed between the Commission and the EIB, no significant risk is currently taken and therefore hedging is not performed.

As the transactions and operations are only denominated in Euro, no other hedging is required.

6 [1] The interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management adopted on 17 May 2006 sets the multiannual financial framework of the European Union for the period 2007 to 2013.

The distribution of the Fund's holdings at 31 December 2011 (excluding accrued interest) is detailed in the table below:

Segments	**Fixed rate investments**			**Floating rate bonds EUR**	**TOTAL EUR**
	Less than 3 months EUR	**3 months to 1 year EUR**	**1 to 10 years EUR**		
Current accounts	1,340,446.23	0.00	0.00	0.00	1,340,446.23
Short term deposits - nominal	299,600,000.00	0.00	0.00	0.00	299,600,000.00
AFS portfolio - at fair value	44,136,700.00	108,102,864.50	817,905,744.85	203,463,660.00	1,173,608,969.35
TOTAL	**345,077,146.23**	**108,102,864.50**	**817,905,744.85**	**203,463,660.00**	**1,474,549,415.58**
Percentage	**23.40%**	**7.33%**	**55.47%**	**13.80%**	**100.00%**

At 31 December 2011, for the Cash and Cash equivalents (fixed term deposits), the interest rate range is between 0.94% and 1.68% (2010: between 0.85% and 1.21%)

For the Available For Sale (AFS) securities portfolio, the effective interest rate range is between 1.42% and 5.88% (2010: between 1.08% and 5.88%).

The distribution of the Fund's holdings at 31 December 2010 (excluding accrued interest) is detailed in the table below:

Segments	Fixed rate investments			Floating rate bonds EUR	TOTAL EUR
	Less than 3 months EUR	**3 months to 1 year EUR**	**1 to 10 years EUR**		
Current accounts	1,426,322.04	0.00	0.00	0.00	1,426,322.04
Short term deposits - nominal	123,637,000.00	0.00	0.00	0.00	123,637,000.00
Other cash equivalents-at cost	68,708,475.06	0.00	0.00	0.00	68,708,475.06
AFS portfolio - at fair value	39,030,366.00	114,224,420.00	897,381,041.00	81,089,410.00	1,131,725,237.00
TOTAL	**232,802,163.10**	**114,224,420.00**	**897,381,041.00**	**81,089,410.00**	**1,325,497,034.10**
Percentage	**17.56%**	**8.62%**	**67.70%**	**6.12%**	**100.00%**

Liquidity position

The table below provides an analysis of assets, liabilities and contributors' resources into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates. Therefore, in the case of liabilities the earliest possible repayment date is shown, while for assets it is the latest possible repayment date.

Those assets and liabilities that do not have a contractual maturity date are grouped together in the "Maturity undefined" category.

The liquidity position is as shown below as at 31 December 2011:

Maturity	less than 3 months	3 months to 1 year	1 to 10 years	maturity undefined	TOTAL
Assets in EUR					
Contributions Receivable	0.00	260,170,000.00	0.00	0.00	260,170,000.00
Current accounts	1,340,446.23	0.00	0.00	0.00	1,340,446.23
Short term deposits	300,142,055.69	0.00	0.00	0.00	300,142,055.69
Of which: accrued interest	*542,055.69*	*0.00*	*0.00*	*0.00*	*542,055.69*
Short-term Investments	60,164,175.38	140,241,460.76	994,147,018.00	0.00	1,194,552,654.14
of which: accrued interest	*1,480,925.38*	*2,340,296.26*	*17,122,463.15*	*0.00*	*20,943,684.79*
Total	**361,646,677.30**	**400,411,460.76**	**994,147,018.00**	**0.00**	**1,756,205,156.06**
Contributors resources and Liabilities in EUR					
Contributors' resources	0.00	0.00	0.00	1,755,434,346.08	1,755,434,346.08
Accounts Payable	770,809.98	0.00	0.00	0.00	770,809.98
Total	**771,059.84**	**0.00**	**0.00**	**1,755,434,096.22**	**1,756,205,156.06**

The liquidity position is as shown below as at 31 December 2010:

Maturity	less than 3 months	3 months to 1 year	1 to 10 years	maturity undefined	TOTAL
Assets in EUR					
Contributions Receivable	0.00	138,880,000.00	0.00	0.00	138,880,000.00
Current accounts	1,426,322.04	0.00	0.00	0.00	1,426,322.04
Short term deposits	123,792,055.48	0.00	0.00	0.00	123,792,055.48
of which: accrued interest	*155,055.48*	*0.00*	*0.00*	*0.00*	*155,055.48*
Other cash equivalents	68,792,896.59	0.00	0.00	0.00	68,792,896.59
of which: accrued interest	*84,421.53*	*0.00*	*0.00*	*0.00*	*84,421.53*
Short-term Investments	39,819,241.34	131,006,760.80	982,493,649.52	0.00	1,153,319,651.66
of which: accrued interest	*788,875.34*	*20,805,539.32*	*0.00*	*0.00*	*21,594,414.66*
Total	**233,830,515.45**	**269,886,760.80**	**982,493,649.52**	**0.00**	**1,486,210,925.77**
Contributors' resources and Liabilities in EUR					
Contributors' resources	0.00	0.00	0.00	1,346,583,867.59	1,346,583,867.59
Accounts Payable	747,058.18	0.00	0.00	0.00	747,058.18
Total	**747,058.18**	**0.00**	**0.00**	**1,346,583,867.59**	**1,486,210,925.77**

4.9. Credit Risk

Fixed Term Deposits - Profile of counterparties

In accordance with the agreement between the Community and the EIB on the management of the Fund, all interbank investments should have a minimum issuer short term rating from Moody's or equivalent of P-1. The following table shows the ratings of the interbank investments as at 31 December 2011 (including accrued interest).

Long term rating	**Short term rating**	**31.12.2011 EUR**		**31.12.2010 EUR**	
Aa2	P-1	0.00	0.00%	3,402,247.78	2.75%
Aa3	P-1	105,301,708.66	35.08%	58,608,907.72	47.34%
A1	P-1	104,714,444.50	34.89%	61,780,899.98	49.91%
A2	P-1	90,125,902.53	30.03%	0.00	0.00%
Total		**300,142,055.69**	**100.00%**	**123,792,055.48**	**100.00 %**

Other cash equivalents – profile of counterparties

As at 31 December 2011, the Fund had no investments in short term discount papers. For the same period the previous year the Fund had invested in 4 short term discount papers. The issuer profile, (including accrued interest) is as follows:

Long term rating	**Short term rating**	**31.12.2011 EUR**		**31.12.2010 EUR**	
Aa2	P-1	0.00	0.00%	14,974,290.59	21.77%
Aa3	P-1	0.00	0.00%	53,818,606.00	78.23%
Total		**0.00**	**0.00%**	**68,792,896.59**	**100.00 %**

Available for Sale portfolio - Profile of issuers

All the securities held in the portfolio are in line with the revised management guidelines and meet the following criteria for:

– Securities issued or guaranteed by Member States[7]: minimum rating Baa3

– Securities issued by a Supranational, other States or Public Company: minimum rating Aa2

– Covered Bonds: rating Aaa

[7] Member States securities (including securities guaranteed by Member States) may be kept in an event of downgrade below the minimum requirements. This applies also to cases where the rating downgrade would trigger a lower limit.

– Securities issued by Banks and Corporates: minimum rating Aa2

As at 31 December 2011 and 31 December 2010 the profile of the available for sale portfolio by issuers and the market value (excluding accrued interest) are as follows:

Issuer	**31.12.2011 EUR**		**31.12.2010 EUR**	
BANKS Aaa	18,426,955.90	1.57%	18,425,020.00	1.63%
BANKS Aa2	4,914,850.00	0.42%		
EUROPEAN UNION Aaa	21,041,064.90	1.79%		
MEMBER STATE Aaa	277,327,355.10	23.63%	314,269,578.00	27.77%
MEMBER STATE Aa1	15,412,783.50	1.31%	101,983,335.00	9.01%
MEMBER STATE Aa2	0.00	0.00%	76,806,315.00	6.79%
MEMBER STATE Aa3	82,648,318.75	7.04%		
MEMBER STATE A1	93,757,402.70	7.99%	92,398,760.00	8.16%
MEMBER STATE A2	3,980,600.00	0.34%	71,826,480.00	6.35%
MEMBER STATE Baa1	94,041,144.00	8.01%	25,256,160.00	2.23%
MEMBER STATE Baa3	38,942,757.20	3.32%	74,576,694.00	6.59%
MEMBER STATE Caa2	15,259,823.10	1.30%		
PUBLIC COMPANY Aaa	289,912,245.90	24.70%	185,788,890.00	16.42%
CORPORATE Aa1	0.00	0.00%	4,999,200.00	0.44%
COVERED BOND Aaa	176,942,999.50	15.08%	165,394,805.00	14.61%
COVERED BOND Aa2*)	22,527,620.00	1.92%		
COVERED BOND A2 *)	6,411,070.40	0.55%		
SUPRANATIONAL Aaa	12,061,978.40	1.03%		
Total	**1,173,608,969.35**	**100.00%**	**1,131,725,237.00**	**100.00%**

*) The covered bonds rated Aa2 and A2 as at 31 December 2011 had the external rating Aaa at acquisition, in line with the revised management guidelines. They were subsequently downgraded in 2011 to Aa2 and A2 respectively and finally sold in February 2012.

The following table shows the exposure against EU sovereign risk per underlying country:

At 31.12.2011	Purchase price	Value at final maturity	Book Value*
EU sovereigns			
Austria	60,390,220.00	59,100,000.00	60,680,137.40
Belgium	35,146,520.00	35,500,000.00	36,453,848.40
Czech Republic	10,420,000.00	10,000,000.00	10,447,342.00
Denmark	6,497,790.00	6,500,000.00	6,568,025.10
France	217,308,690.00	219,000,000.00	227,077,017.80
Germany	181,716,564.50	184,000,000.00	196,111,663.30
Greece	51,285,415.00	50,700,000.00	15,259,823.10
Ireland	87,368,380.00	88,000,000.00	76,736,970.00
Italy	71,146,535.00	72,500,000.00	67,146,952.70
Luxembourg	1,986,040.00	2,000,000.00	2,057,078.40
Lithuania	17,622,600.00	18,000,000.00	17,304,174.00
Netherlands	70,812,080.00	70,000,000.00	71,793,257.40
Poland	3,716,000.00	4,000,000.00	3,980,600.00
Portugal	45,573,480.00	46,000,000.00	38,942,757.20
Slovakia	26,617,750.00	26,500,000.00	26,610,450.00
Slovenia	4,996,050.00	5,000,000.00	5,009,500.00
Spain	73,033,590.00	72,950,000.00	72,200,976.75
Sweden	4,996,050.00	5,000,000.00	5,009,500.00
Total EU sovereigns	**965,637,704.50**	**969,750,000.00**	**934,380,573.55**
Other sovereign or corporate bonds	241,248,055.00	242,500,000.00	239.228.395.80
TOTAL	**1,206,885,759,50**	**1,212,250,000.00**	**1,173,608,969,35**

* The book value represents the clean market value of the assets

The Fund did not participate in any private sector initiative for Greece and therefore no impairment was recorded on its Greek sovereign and sovereign guaranteed exposure.

The following table shows the exposure against EU sovereign risk per underlying country:

At 31.12.2010	Purchase price	Value at final maturity	Book Value*
EU sovereigns			
Austria	85,084,110.00	83,200,000.00	85,940,235.00
Belgium	27,377,950.00	28,000,000.00	28,709,210.00
Czech Republic	10,420,000.00	10,000,000.00	10,447,342.00
Denmark	6,497,790.00	6,500,000.00	6,568,025.10
France	202,667,890.00	204,000,000.00	212,950,185.00
Finland	4,826,360.00	4,400,000.00	4,430,228.00
Germany	126,896,370.00	129,000,000.00	137,944,980.00
Greece	74,642,315.00	73,700,000.00	64,662,894.00
Hungary	10,390,000.00	10,000,000.00	9,913,800.00
Ireland	92,348,880.00	93,000,000.00	80,516,300.00
Italy	76,404,035.00	77,500,000.00	76,806,315.00
Lithuania	17,622,600.00	18,000,000.00	17,565,860.00
Netherlands	45,850,980.00	45,000,000.00	47,122,520.00
Poland	3,716,000.00	4,000,000.00	3,999,680.00
Portugal	65,516,931.10	66,000,000.00	64,496,560.00
Slovakia	16,661,450.00	16,500,000.00	17,318,550.00
Spain	75,276,690.00	74,950,000.00	73,274,125.00
Sweden	4,996,050.00	5,000,000.00	5,102,200.00
Total EU sovereigns	**947,196,401.10**	**948,750,000.00**	**947,905,262.00**
Other sovereign or corporate bonds	187,772,325.00	188,000,000.00	183,819,825.00
TOTAL	**1,134,968,726.10**	**1,136,750,000.00**	**1,131,725,087.00**

*) The book value represents the clean market value of assets.

4.10. Short-term Investments – Available For Sale portfolio

The following tables show the movements of the Available For Sale portfolio:

	EUR
Balance as at 1 January 2010	**1,049,413,319.19**
Acquisitions	281,808,073.50
Disposals and withdrawals (original acquisition cost)	(151,625,462.90)
Change in carrying amount - actuarial difference	1,741,124.26
Change in accrued interest	1,396,474.35
Change in fair value	(29,413,876.74)
Balance as amount at 31 December 2010	**1,153,319,651.66**

	EUR
Balance as amount at 1 January 2011	**1,153,319,651.66**
Acquisitions	278,687,734.50
Disposals and withdrawals (original acquisition cost)	(206,770,701.10)
Change in carrying amount - actuarial difference	2,268,426.94
Change in accrued interest	(650,729.86)
Change in fair value	(32,301,728.00)
Balance as amount at 31 December 2011	**1,194,552,654.14**

At 31 December 2011, the nominal value of the investment portfolio was EUR 1,212.3 million (2010: EUR 1,136.7 million), against a market value of EUR 1,173.6 million (2010: EUR 1,131.7 million), excluding accrued interest.

Accrued interest at 31 December 2011 amounting to EUR 20,943,684.79 (2010: EUR 21,594,414.66) is split between:

- Fixed rate notes EUR 20,548,372.11 (2010 EUR: 21,512,925.38)
- Floating rate notes EUR 395,312.68 (2010: EUR: 81,489.28)

As at 31 December 2011 the market value of securities lent within the automatic security lending agreement with Euroclear (excluding accrued interest) amounts to EUR 21,801,851.66 (2010: EUR 5,200,562.41).

4.11. Cash and Cash Equivalents

The following table shows the split of cash and cash equivalents (including accrued interest):

Description	31.12.2011 EUR	31.12.2010 EUR
Current Accounts	1,340,446.23	1,426,322.04
Short term deposits	300,142,055.69	123,792,055.48
Other cash equivalents – bills maturing within 3 months of issue	0.00	68,792,896.59
Total	**301,482,501.92**	**194,011,274.11**

4.12. Contributions

Contributions are increased by contributions from the general budget of the European Union and by the recovery of previous interventions made by the Fund with regard to defaulted guaranteed loans. Contributions are either decreased by repayments to the general budget of the European Union or by interventions the Fund is paying with regard to defaulted guaranteed loans. Contributions to/from the budget of the European Union are recognised in the balance sheet on the date when they become due or owed according to articles 3, 4, 5 and 6 of the Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions.

The contribution allocated but not yet paid in as at 31 December 2010 amounting to EUR 138,880,000 was paid in cash during the reporting period. In 2011, the fund received further contributions amounting to EUR 260,170,000.00 but not yet paid in as at 31 December 2011.

4.13. Current Liabilities

Description	31.12.2011 EUR	31.12.2010 EUR
Accounts Payable		
Management Fees	739,809.98	715,037.50
Audit Fees	31,000	30,399.00
Custodian Fees	0.00	1,621.68
Total	**770,809.98**	**747,058.18**

Management fees are payable to the EIB on an annual basis. The management fees are calculated as a percentage per annum of the average of the Fund’s assets. This percentage is based upon a declining rate dependent on the Fund’s assets.

4.14. Financial operations revenues

Description	From 01.01.2011 to 31.12.2011 EUR	From 01.01.2010 to 31.12.2010 EUR
Total amount, thereof:	**44,976,268.71**	**43,367,717.93**
Interest income, thereof:	44,890,043.09	41,710,594.61
Interest income on cash and cash equivalents	4,118,369.38	1,359,361.52
Interest income on Available For Sale Portfolio	40,771,673.71	40,351,233.09
Other financial income, thereof:	86,225.62	1,657,123.32
Net realised gain on sale of Available For Sale Portfolio	*0.00*	*1,576,548.78*
Income from securities lending activity	86,225.62	80,574.54

4.15. Financial operations expenses

Description	From 01.01.2011 to 31.12.2011 EUR	From 01.01.2010 to 31.12.2010 EUR
Total amount, thereof:	**(2,823,467.75)**	**(850,345.40)**
Net realised loss on sale of Available For Sale Portfolio	(1,940,019.61)	0.00
Management fees	(739,809.98)	(715,037.50)
Bank fees	(111,527.16)	(103,830.90)
Audit fees	(32,111.00)	(31,477.00)

4.16. Subsequent events

There have been no material post-balance sheet events, which would require disclosure or adjustment to the 31 December 2011 financial statements.