



Brussels, 8.4.2014
SWD(2014) 129 final

COMMISSION STAFF WORKING DOCUMENT

(SWD)

Accompanying the document

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

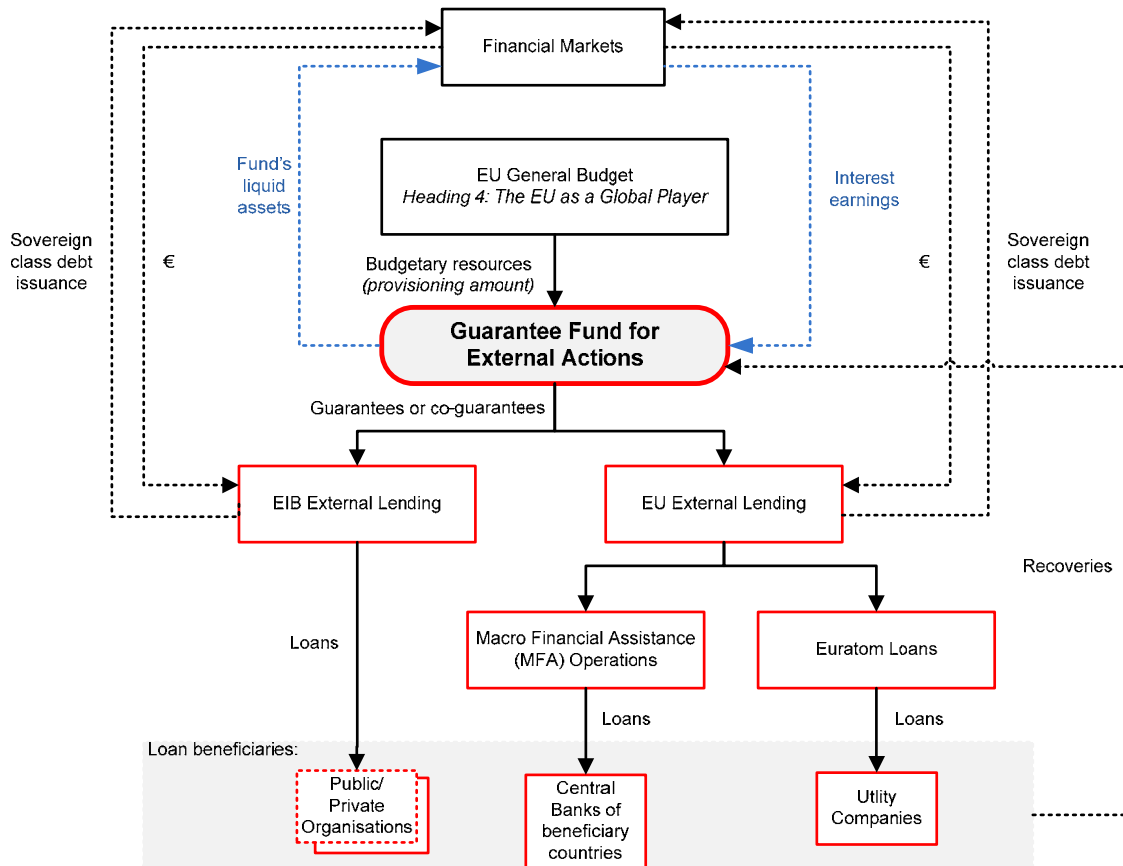
Comprehensive Report on the functioning of the Guarantee Fund

{ COM(2014) 214 final }

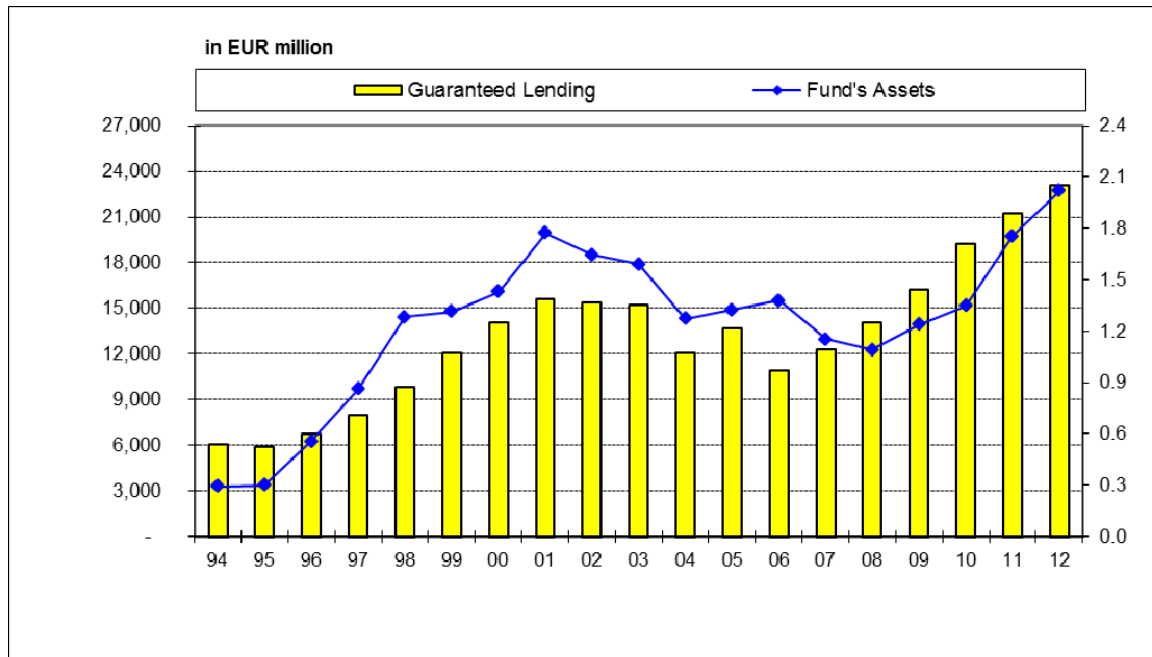
Table of Contents

1.	Chart of financial flows of the Fund	3
2.	Graph 1: Guaranteed Lending covered by the Fund and Fund's assets (end of year, in EUR billion)*	4
3.	Graph 2: Cover of defaults by Fund Resources and recoveries (in EUR million) 1994-2012	4
4.	Graph 3: Geographical distribution of EIB lending operations by group of countries covered by the Fund at 31 December 2012 (% of the total outstanding amount covered, EUR 23.099 billion)	5
5.	Graph 4: Risk profile of the loans covered by the fund in 2006, 2009 and 2013* [Moody's ratings]	5
6.	Table 1: Flows in and out of the Fund since 1994 (in EUR million).....	6
7.	Table 2: Use of the budget line during the financial framework 2007-2013 (in EUR million, current prices)	7
8.	Projections of Provisioning needs for 2014-2020 (in EUR million, current prices)*..	7

1. CHART OF FINANCIAL FLOWS OF THE FUND

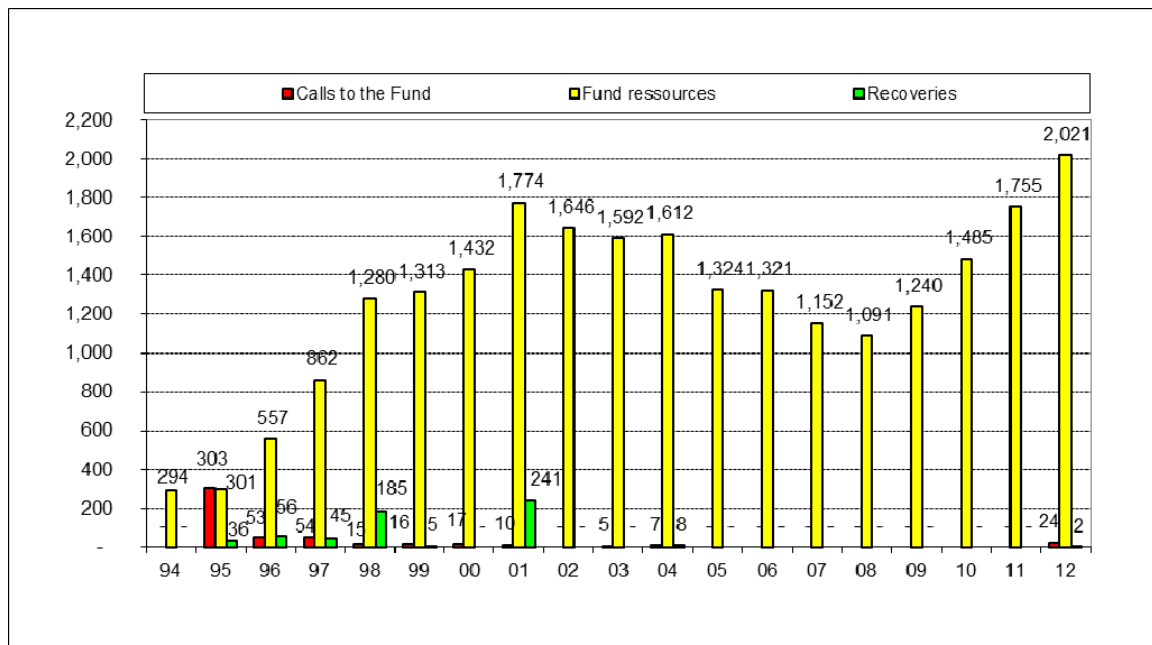


2. GRAPH 1: GUARANTEED LENDING COVERED BY THE FUND AND FUND'S ASSETS (END OF YEAR, IN EUR BILLION)*

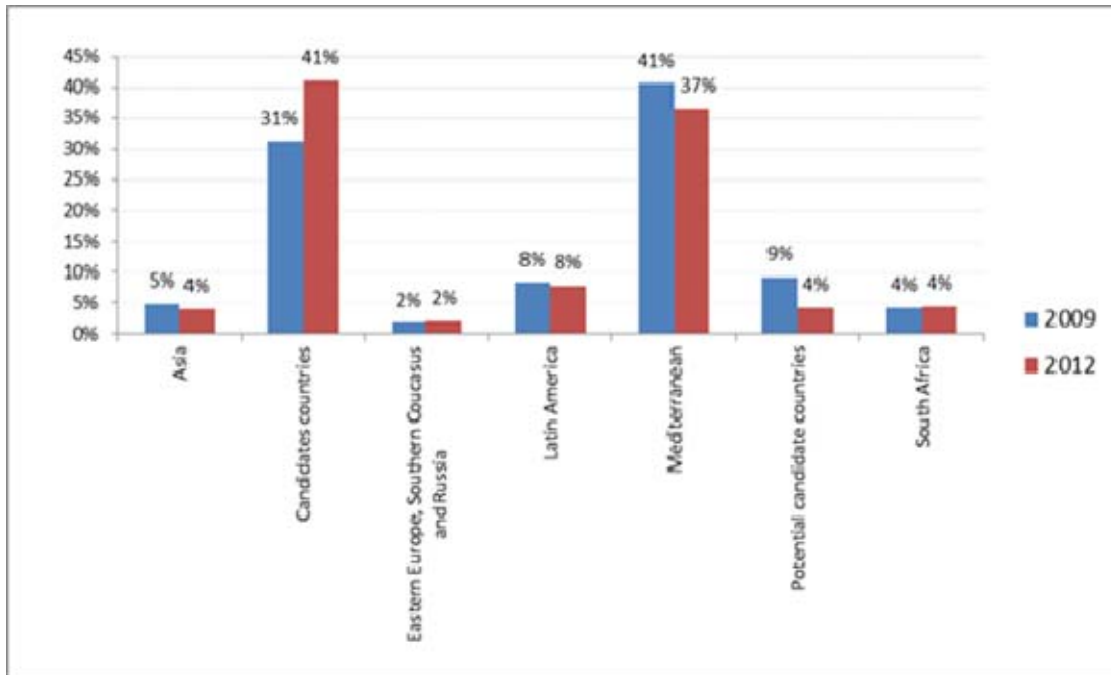


* (Fund's Assets - y axis on the right side of the graph, Guaranteed Lending - y axis on the left side of the graph)

3. GRAPH 2: COVER OF DEFAULTS BY FUND RESOURCES AND RECOVERIES (IN EUR MILLION) 1994-2012



4. GRAPH 3: GEOGRAPHICAL DISTRIBUTION OF EIB LENDING OPERATIONS BY GROUP OF COUNTRIES COVERED BY THE FUND AT 31 DECEMBER 2012 (% OF THE TOTAL OUTSTANDING AMOUNT COVERED, EUR 23.099 BILLION)



Details of countries belonging to each geographical region (at 31.12.2012):

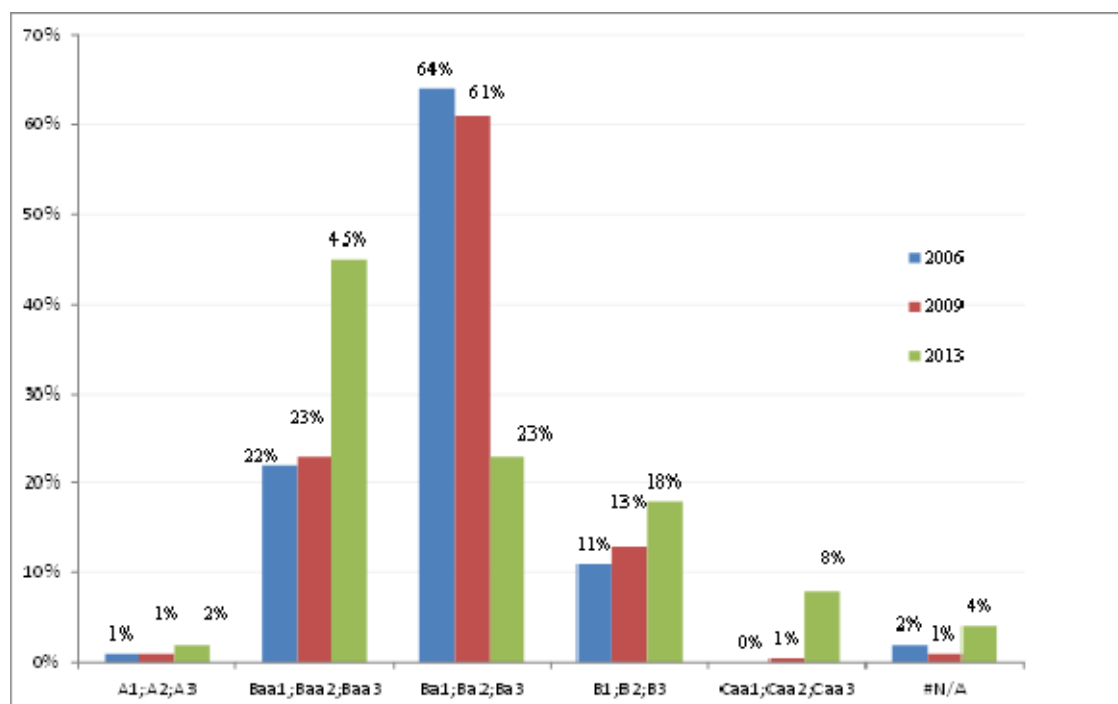
Asia:	Afghanistan, Bangladesh, Bhutan, Brunei, Cambodia, China, India, Indonesia, Iraq, South Korea, Laos, Maldives, Mongolia, Nepal, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam, Yemen, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan;
Candidate Countries:	Turkey, The former Yugoslav Republic of Macedonia;
Eastern Europe, southern Caucasus and Russia:	Republic of Moldova, Ukraine, Belarus, Armenia, Azerbaijan, Georgia, Russia,;
Latin America:	Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela;
Mediterranean:	Algeria, Egypt, The West Bank and the Gaza Strip, Israel, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia;
Potential candidate countries:	Albania, Bosnia and Herzegovina, Montenegro, Serbia, Kosovo* ¹ ;
South Africa:	South Africa

¹ This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence."

5. GRAPH 4: RISK PROFILE OF THE LOANS COVERED BY THE FUND IN 2006, 2009 AND 2013* [MOODY'S RATINGS]

Credit exposure of the portfolio of loans	2006	2009	2013
Investment grade %	23	24	47
Non investment grade %	75	74	49
Unrated %	2	2	4
Total	100	100	100

* Data at the end of October 2013



Moody's Rating Scale

Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

6. TABLE 1: FLOWS IN AND OUT OF THE FUND SINCE 1994 (IN EUR MILLION)

Year	Transfer from Union Budget	Interests + gains on assets sold	Recoveries (including penalties interests)	Impact of Fair value adjustment (IFRS) ¹	Financial flows to the Fund	Calls	EIB commission and other charges	Amount back to Union budget from the Fund	Financial flows from the Fund	Financial flows for the year	Fund's net assets ²	Amount to be recovered from defaults ³
	a	b	c	d	e=(a+b+c+d)	f	g	h	i=(f+g+h)	j=(e+i)		
1994	294	0			294		0		0	294	294	
1995	251	24	36		311	-303	0		-303	7	301	-268
1996	235	20	56		311	-53	-2		-54	257	557	-271
1997	286	35	45		366	-54	-7		-61	304	862	-291
1998	272	50	185		508	-15	-8	-66	-89	419	1,281	-134
1999	300	49	5		354	-16	-7	-298	-321	32	1,313	-145
2000	186	63	0		249	-17	-5	-108	-131	118	1,432	-163
2001	207	74	241		522	-10	-5	-165	-180	343	1,774	
2002	167	81			247		-4	-372	-376	-129	1,646	
2003	152	67			219	-5	-4	-263	-272	-53	1,592	-5
2004	182	62	7		251	-4	-4	-223	-231	20	1,612	-2
2005	140	54		47	242		-4	-526	-530	-288	1,324	-1
2006	128	55		-32	151		-3	-93	-96	55	1,379	
2007	0	55		-19	36		-2	-261	-263	-227	1,152	
2008	0	49	1	15	65		-1	-126	-127	-61	1,091	
2009	92	42		16	150		-1		-1	149	1,240	
2010	94	43		-30	108		-1		-1	107	1,347	
2011	139	45		-32	152		-1		-1	151	1,498	
2012	260	48	2	88	398	-24	-1		-25	373	1,871	40
total	3,385	914	579	54	4,932	-502	-58	-2,501	-3,061	1,871		

¹ First time application of IFRS standards in 2005. Portfolio valued at "Mark-to-Market".

² Fund's net assets (EIB commission and other charges deducted)

³ Amount to be recovered from defaults = capital + interest + penalty interest for late payment.

7. TABLE 2: USE OF THE BUDGET LINE DURING THE FINANCIAL FRAMEWORK 2007-2013 (IN EUR MILLION, CURRENT PRICES)

Year	Amounts foreseen in the multiannual financial framework 2007-2013.	Transfers from the Budget to the Fund or surplus (-), transfers from the Fund to the Budget	Used percentage	Accumulated amount used for the provisioning of the fund
2007	200	0.00	0%	0.00
2008	200	-125.75	0%	-125.75
2009	200	91.96	46%	-33.79
2010	200	93.81	47%	60.02
2011	200	138.88	69%	198.90
2012	200	260.17	130%	459.07
2013	200	155.66	78%	614.73
Total	1,400	615	44%	

8. PROJECTIONS OF PROVISIONING NEEDS FOR 2014-2020 (IN EUR MILLION, CURRENT PRICES)*

2014	2015	2016	2017	2018	2019	2020	Total
58.482	239.759	273.164	199.039	178.055	159.750	84.820	1,193.069

* The final audited figure inserted in the 2014 budget is EUR 58.432 million. The projections for the remaining years are based on the Commission proposal for a decision of the European Parliament and of the Council on granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union [COM(2013) 293 of 23.5.2013]. The total provisioning ceiling that appears in the above table takes into consideration only the fixed ceiling (EUR 25 billion) of the mandate.

Following subsequent negotiations between the Council, the European Parliament and the Commission, it was agreed on 17 December 2013 to increase the *fixed* ceiling of the EU Guarantee to the EIB by 2 billion to a maximum amount of EUR 27 billion. The agreement also foresees an additional amount of EUR 110 million for provisioning the Guarantee fund for external actions. This agreement will need to be formally approved by the Council and European Parliament during 2014.