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REPORT FROM THE COMMISSION

**Annual Report from the Commission on the Guarantee Fund and its
Management in 2001**

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1. LEGAL BASES

Council Regulation (EC, Euratom) No 2728/94 of 31 October 1994 ("the Regulation") set up a Guarantee Fund for external operations in order to repay the Community's creditors in the event of default by beneficiaries of loans granted or guaranteed by the Community.

In accordance with Article 6 of the Regulation, the Commission entrusted financial management of the Fund to the European Investment Bank (EIB) under an Agreement signed between the Community and the EIB on 23 November 1994 in Brussels and on 25 November 1994 in Luxembourg (the "Agreement").

Under Article 8.2 of the Agreement, by 1 March each year the Bank must send the Commission a status report on the Fund and its management, the revenue and expenditure account and the financial statement for the Fund for the preceding year. An extract from the report covering 2001 is in Annex II.

In addition, Article 7 of the Regulation establishing the Fund requires the Commission to send the European Parliament, the Council and the Court of Auditors a report on the situation of the Fund and its management for each financial year by 31 March of the following year.

2. POSITION OF THE FUND AT 31.12.2001

At the close of the 2001 financial year, the Fund totalled EUR 1 775 228 997.43 (Annex II). This is the sum, since the Fund was established, of all:

budget payments to the Fund (EUR 2 031 879 500.00);

successive yearly net results (EUR 379 604 451.63), including commissions and interest received on late recoveries;

late repayments from non-member countries (EUR 568 217 579.44);

debts corresponding to the repayments not made to the EIB (EUR 805 405.80);

less: calls on the Fund's resources (EUR 468 662 140.15) and successive repayments to the budget of the surplus in the Fund (EUR 637 060 000.00).

After the EIB's remuneration is deducted, the Fund total at 31 December 2001 comes to EUR 1 774 423 951.63.

The total amount of the consolidated balance sheet (Annex III) is EUR 1 775 228 997.24, which breaks down principally into EUR 475 100 000.00 in deposits, EUR 25 491 970.66 on current account and EUR 1 244 130 504.71 in the securities portfolio

Article 3 of the Regulation establishing the Fund requires that the amount of the Fund has to reach an appropriate level (target amount) set at 9% of the total outstanding capital liabilities arising from each operation, plus unpaid interest due.

Outstanding lending and loan guarantee operations for non-member countries plus unpaid interest due totalled EUR 15 577.34 million at 31.12.2001, of which EUR 147.69 million was accounted for by interest due but not yet paid.

The ratio between the Fund's resources and outstanding capital liabilities within the meaning of the Regulation was 11.39%. Since this is higher than the target amount of 9%, there had to be a repayment from the Fund to the general budget of the Communities, as provided for in the third paragraph of Article 3 of the Regulation. The amount to be repaid to the budget came to EUR 372.46 million.

The following sections describe developments affecting the Fund's resources and liabilities in 2001.

3. PAYMENTS INTO THE FUND

3.1. Payments from the general budget in the course of the financial year

Article 1 of the Regulation of 25 May 1999 amending the Regulation establishing the Fund stipulates that the Fund is to be endowed by payments from the general budget equivalent to 9% of the capital value of loan and loan guarantee operations until the target amount is reached. This Article also lays down that the provisioning rate is to be raised to 10% for new operations if the Fund's resources fall below 75% of the target amount as a result of guarantees being activated to cover any default.

The legal bases for the provisioning arrangements are described in Annex I.

The Council Decision of 31 October 1994 concerning budgetary discipline authorised the entry in the general budget of a reserve for loan and loan guarantee operations. This item, which was allocated provisions of EUR 208 million in 2001, is used for endowing the Fund by transferring amounts into the budget item for payments into the Fund.

On these legal bases, four transfers totalling EUR 207 176 000 to endow the Guarantee Fund were adopted by the budgetary authority in 2001.

- Transfer 10/2001: EUR 169 151 000. This first transfer at the beginning of the year was for payments into the Fund in respect of the Council Decisions of 24 January 1994, 19 May 1998 and 22 December 1999 in accordance with the arrangements set out in the Annex to the Regulation establishing the Fund.
- Transfer 24/2001: EUR 20 250 000. This second transfer was for payments into the Fund in respect of loan operations adopted by the Council on 16 July 2001. The decisions covered by this transfer are given in Annex I.
- Transfer 49/2001: EUR 8 775 000. This third transfer was for payments into the Fund in respect of loan operations adopted by the Council on 6 December 2001. The decisions covered by this transfer are given in Annex I.
- Transfer 48/2001: EUR 9 000 000. This fourth transfer was for payments into the Fund in respect of loan operations adopted by the Council on 6 November 2001. The decision covered by this transfer is given in Annex I.

The first of the four annual transfers to the Fund was made in August, the second in November and the third and fourth in December 2001.

3.2. Interest from financial investment of the Fund's liquid assets

The Fund's liquid assets are invested in accordance with the management principles laid down in the Annex to the Community/EIB Agreement.

These principles state that during the Fund's first years of operation it will be treated as a money-market investment fund dealing solely in short-term instruments up to one year, as long as the total amount invested does not exceed ECU 300 million. As the amount of the Fund exceeded this ECU 300 million threshold in 1995, the Commission agreed with the EIB to amend the investment principles early in 1996.

The new management procedures are based in principle on a ratio of one third invested for one year and two thirds for a maximum of 10 years, although at least EUR 150 million has to be short-term investments. The average term of investments using the Fund's assets must not exceed five years.

The list of banks authorised to receive deposits is agreed by the Commission and the EIB. The original list has been revised several times in the light of the latest changes in bank ratings. Most of the banks are members of the euro clearing system. They all have a Moody's rating of at least A1 for long-term and P1 for short-term investments, and investments made with them are governed by rules to ensure a good spread and avoid the concentration of risk.

In 2001, interest on deposits, the Guarantee Fund current account and securities totalled EUR 74 075 440.41, broken down as follows:

- deposits: EUR 21 824 796.33. This represents the situation at 31 December 2001 including interest received on bank deposits (EUR 23 175 406.99) and changes in interest accrued (-EUR 1 350 610.66) in 2001. The interest accrued corresponds to interest which has not been received by the Fund at the end of the year but will be paid at the dates fixed for maturity of the investments. The interest accrued at 31 December 2001 (EUR 2 720 154.34) is reduced by the accrued interest entered in the accounts for 2000 but received in 2001 (EUR 4 070 765.00).
- current accounts: EUR 159 108.52, comprising interest recorded on the current account.
- securities portfolio: EUR 52 091 535.56. 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 task of managing the Fund's liquid assets. From this figure must, however, be subtracted the EUR 3 547 010.86 charged 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).

The interest received is entered in the results for the financial year.

3.3. Recovery from defaulting debtors

Any late repayments by defaulting countries on operations where the Fund has honoured the guarantee are paid into the Fund. The running total now comes to EUR 568 217 579.44 (see point 2.1 of Annex II).

4. THE FUND'S LIABILITIES

4.1. Default payments

The Fund's guarantee was called in on two occasions in 2001, involving a total of EUR 9 746 825.23 (see point 2.1 of Annex II).

4.2. EIB remuneration

Article 6 of the management agreement sets an annual commission of 0.125% calculated on the Fund's average monthly balances. The figure is to be reviewed at the end of any year in which the Fund's liquid assets reach ECU 300 million and no later than three years following the date of the first payment into the Fund, taking into account such things as the growth of the Fund's activities.

As the Fund had reached ECU 300 million at the end of 1995, the EIB's remuneration was reviewed. Taking into account the Bank's experience of the workload involved in its management, a supplementary agreement dated 17 September and 23 September 1996 to the Agreement reduced the annual payment to 0.05% of the Fund's assets; this rate was applied retrospectively to 31 December 1994.

For 2001 the Bank's remuneration was fixed at EUR 805.045,80, entered in the profit-and-loss account and as accruals (liabilities) on the balance sheet. This payment will be made to the EIB in the first half of 2002.

ANNEX I

Legal bases for payments to the Guarantee Fund from the general budget

The Annex to the Regulation, which concerns the arrangements for payments under the Guarantee Fund, stipulates that, for borrowing/lending operations or guarantees to financial bodies under a framework facility spread over several years and with a micro-economic and structural purpose, payments will be made in annual tranches calculated on the basis of the annual amounts indicated in the financial statement attached to the Commission proposal, adapted, where appropriate, in the light of the Council decision.

In the case of other borrowing/lending operations such as balance-of-payments loans to non-member countries, irrespective of whether they are made in one or more than one tranche, the amount to be paid into the Fund will be calculated on the basis of the total amount for the operation decided by the Council.

Four transfers were made under this procedure in 2001.

1. DECISIONS COVERED BY TRANSFER 10/2001

As part of the financial co-operation with the Mediterranean countries:

- Council Decision of 24 January 1994 for a three-year loan of ECU 115 million for Syria.
- Council Decision of 19 May 1998 granting a Community guarantee to the EIB against losses on loans for projects in the former Yugoslav Republic of Macedonia and amending Council Decision 97/256/EC of 14 April 1977 granting a Community guarantee to the EIB against losses on loans for projects outside the Community (Central and Eastern European countries, Mediterranean countries, Latin American and Asian countries and South Africa).
- Council Decision of 22 December 1999 granting a Community guarantee to the EIB against losses on loans for projects outside the Community (Central and Eastern Europe, Mediterranean countries, Latin America and Asia and the Republic of South Africa), which set an overall loan ceiling equivalent to EUR 18 410 million over a period of seven years, beginning on 1 February 2000 for Central and Eastern Europe, the Mediterranean countries, Latin America and Asia and on 1 July 2000 for the Republic of South Africa and ending for all regions on 31 January 2007.

2. DECISIONS COVERED BY TRANSFER 24/2001

Council Decision of 16 July 2001 (2001/549/EC) providing macro-financial assistance. The amount of aid made available to the Federal Republic of Yugoslavia, in the form of loans, is EUR 225 million.

3. DECISION COVERED BY TRANSFER 49/2001

Council Decision of 6 November 2001 amending Decision 2000/24/EC so as to extend the Community guarantee granted to the EIB to cover loans for projects carried out in the Federal Republic of Yugoslavia. These loans are limited to an overall ceiling of EUR 350 million, of which EUR 150 million in 2001.

4. DECISION COVERED BY TRANSFER 48/2001

Council Decision of 6 November 2001 (2001/777/EC) granting a Community guarantee to the EIB against losses under a special lending action for selected environmental projects in the Baltic Sea basin of Russia under the Northern Dimension. This loan is limited to an overall ceiling of EUR 100 million.

ANNEX II

Guarantee Fund - Management report at 31 December 2001

1. DEVELOPMENT OF THE FUND IN 2001

- 1.1. As stated in point 2.2, the total holdings of the Fund stood at **EUR 1 744.7 million at 31 December 2001** as against EUR 1 410.1 million at 31 December 2000, an increase of EUR 334.6 million.

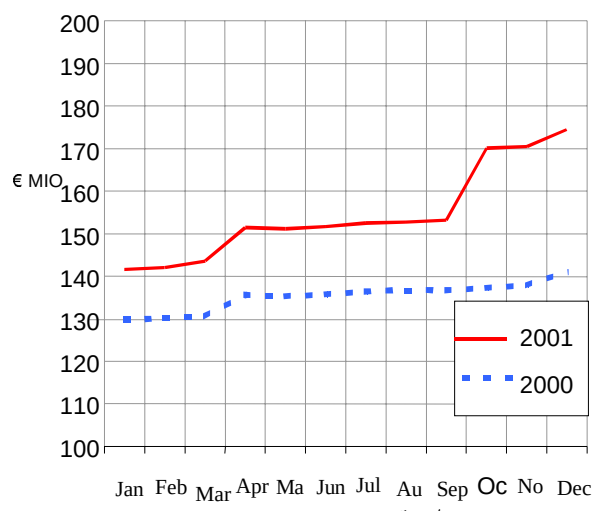


Fig.1 : Development of holdings in 2001

- 1.2. Total provisioning in 2001 amounted to EUR 207.2 million. On 29 August 2001, the Fund received EUR 3.8 million as a result, on the one hand, of the repayment to the Commission of the surplus of EUR 165.4 million at 31 December 2000 and, on the other, of an allocation to the Fund of EUR 169.2 million. The allocations on 27 December 2001 and 28 December 2001 of EUR 17.8 million and EUR 20.2 million respectively took the total provisioning for the year to EUR 207.2 million.
- 1.3. Income in each segment was proportional to the breakdown of assets allocated to the bond (2/3) and money-market (1/3) segments, as agreed between the EIB and the Commission. The operating result thus amounted to EUR 69.6 million at 31 December 2001, compared with EUR 57.4 million on 31 December 2000. Bond portfolio income (net of the premiums/discounts spread) came to EUR 48.5 million, representing some 69% of the revenue recorded at 31 December 2001. Monetary portfolio income stood at EUR 21.8 million, or 31% of the total result.

2. Position of the Fund

2.1. Resources at 31 December 2001

The Guarantee Fund balance increased by EUR 273 million, or more than 22%, from EUR 1 221 million at 31 December 2000 to EUR 1 494 million on 31 December 2001. This is due to the movements shown in the following table.

Resources		Situation at	Movements	Situation at
		31/12/2000	in 2001	31/12/2001
Provisioning	+	1 824 703 500.00	207 176 000.00	2 031 879 500.00
Repayment of surplus	-	471 700 000.00	165 360 000.00	637 060 000.00
Activation of guarantee	-	458 915 314.92	9 746 825.23	468 662 140.15
Recovery of amounts guaranteed	+	326 997 369.48	241 220 209.96	568 217 579.44
Balance		1 221 085 554.56	273 289 384.73	1 494 374 939.29

EUR 9.7 million was paid out from the Fund in 2001.

Guaranteed amounts recovered from defaulting debtors in 2001 totalled EUR 241.2 million.

2.2. The Fund's assets at 31 December 2001

The Fund's assets at 31 December 2001 came to EUR 1 744.7 million, broken down as below. It should be remembered that the Fund operates in one currency only - the euro.

EUR 475.1 million in the monetary portfolio (interbank deposits)

EUR 25.5 million in the current account¹

EUR 1 244.1 million in the investment portfolio (fixed rate and floating rate securities) (see table in 3.1).

3. GENERAL AND SEGMENTAL ANALYSIS OF THE GUARANTEE FUND

3.1. Liquidity analysis

The portfolio is now characterised by a bolstered fixed-rate segment, as agreed between the EIB and the Commission in 2001. In the final quarter, the strategy of increasing the proportion invested in this segment was gradually implemented, with the duration of investment also being increased.

¹ Exceptional situation following the payment into the account at end-December 2001 of an amount of EUR 20 million pending reinvestment in monetary instruments and/or bonds.

At year's end, the fixed-rate segment thus accounted for almost two-thirds of bond investment, whereas the strategy pursued in previous years had set this share at around 50%. What is more, the term of maturity of this segment was almost 3.50 years, compared with a level previously maintained at between 2.20 and 2.50 years, with investments being spread over a curve of 0 to 10 years (in previous years, the maximum authorised term had been 5 years).

The Guarantee Fund's liquid assets were distributed as follows in 2001:

Segments	Fixed-rate investments			Variable-rate securities	TOTALS
	less than 3 months	3 months to 1 year	1 to 10 years		
Current accounts	25 491 970.66				25,491,970.66
Fixed-term deposits	384 700 000.00	90 400 000.00			475 100 000.00
Securities portfolio	0.00	108 328 246.02	775 660 592.64	360 141 666.05	1 244 130 504.71
TOTALS	410 191 970.66	198 728 246.02	775 660 592.64	360 141 666.05	1 744 722 475.37
%	23.51	11.39	44.46	20.64	100,00

3.2. General analysis of results

Overall, the Guarantee Fund produced EUR 69.6 million in net revenue, an overall average yield of 4.49 %² on average capital of EUR 1 529 million. The three-month Euribid reference rate stood at 4.14% over the same period, giving an overall positive spread of 35 basis points above the reference benchmark (cf. 3.3.1).

Investment income at 31 December 2001 was as follows:

January - December 2001 (EUR million)	
Interest on interbank deposits	21.8
Interest on securities	52.1
Interest on current account	0.2
Spread of premiums or discounts	-3.5
Commissions and financial charges	-1.0
Total	69.6

² The basis for calculating the overall yield is: act/360

3.3. Analysis by segment

3.3.1. Performance analysis of treasury operations

The average yield on money-market investments in 2001 stood at 4.45%, compared with a benchmark average yield of 4.14%.

The spread calculated this way is 31 basis points above the three-month Euribid variable reference rate³ for 2001, as against a spread of 13 basis points in 2000. This spread does not reflect the margin obtained at the beginning of operations, and this margin is not taken into consideration when calculating yield.

Period	Yield	Three-month Euribid Reference	Spread
January - December 2001	4.45%	4.14%	0.31%

Interbank investments in 2001 (January to December) produced EUR 21.8 million in interest on capital averaging EUR 480 million.

- Changes in yield and reference rates in 2001
- The table below shows the rates obtained for short-term money-market investments as compared with the three-month Euribid reference rate.

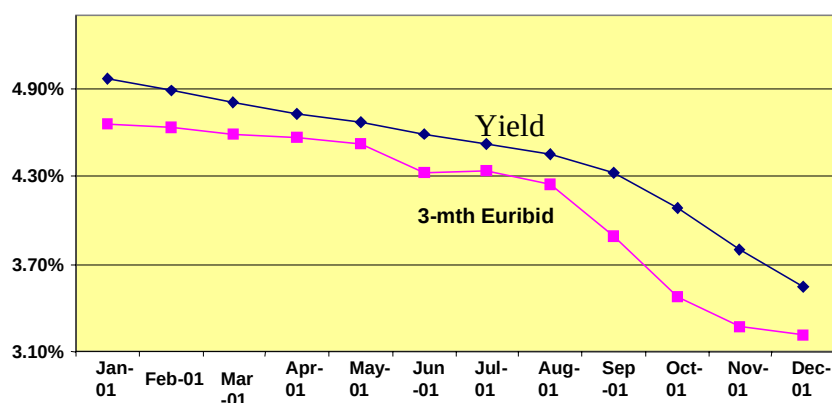


Fig. 2 : Yield in relation to the benchmark rate

In a context of falling short-term interest rates, the monetary portfolio broadly outperformed the benchmark, while in absolute terms the portfolio's yield followed the market trend and fell 1.42% in 2001. It should be borne in mind that the European Central Bank lowered its key

³ The treasury spread measures the difference between the actual interbank investment rate obtained and the benchmark variable, which is the three-month Euribid rate for that day.

interest rates by 150 basis points over the course of the year, from 4.75% to 3.25%, Considering that the reverse situation had occurred in 2000 (when key interest rates were increased from 3.00% to 4.75%), it is interesting to note the smooth development of the monetary segment, in both income and performance terms, over a two-year cycle. The cumulated average overall yield for 2000 and 2001 stood at 4.98%, with a spread of 17 basis points.

- Profile of counterparties

In accordance with the agreement between the Community and the EIB on the management of the Guarantee Fund, all the securities held have a minimum credit rating of A1.

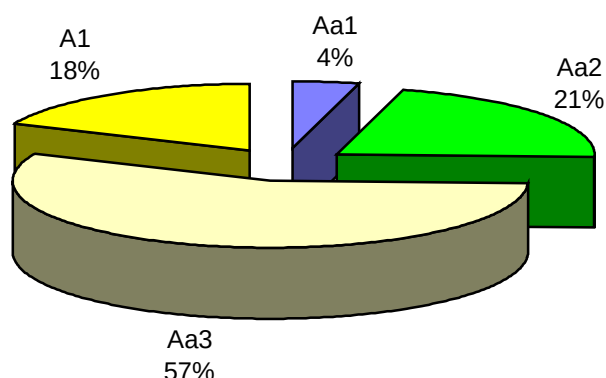


Fig. 3 : Breakdown of short-term deposits by type of counterparty at 31 December 2001. The EIB is pursuing its objective of a better geographical distribution throughout the countries of the European Union while at the same time maintaining the competitiveness of the yield obtained.

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 acquired with the intention of keeping them until maturity. At 31 December 2001, fixed-interest securities with a residual period to maturity of between three months and one year totalled EUR 108.3 million; other fixed-rate securities with a residual period to maturity of between 1 and 10 years amounted to EUR 775.7 million, while variable-rate securities stood at EUR 360.1 million.

The portfolio yielded revenue of EUR 48.5 million at 31 December 2001, which breaks down as follows:

Interest received	52 091 535.56
Premium / discount spread	<u>3 547 010.86</u>
	48 544 524.70

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.

At 31 December 2001, the nominal value of the investment portfolio was EUR 1 231.3 million, against a book value of EUR 1 244.1 million (including the premiums and discounts to be written off).

The book yield on the investment portfolio came to 4.61%⁴ at 31 December 2002, compared with 4.34% at 31 December 2000. In terms of a Salomon index reference benchmark for fixed-rate securities⁵ and the three-month Euribid for variable-rate securities, the overall spread is positive by 35 basis points compared with the aggregate benchmark of 4.26% (cf. Annex 2) This positive performance is largely explained by the general fall in interest rates in 2001. The majority of new investments were in securities with a maturity of 5 to 10 years, which translates into a significant lengthening of the portfolio's duration. It has to be borne in mind, however, that the benchmark yield reflects actual changes in rates, while the portfolio's yield reflects an average based on purchase prices.

German government bond rates in 2001 (source Bloomberg);

	31/12/2000	31/03/2001	30/06/2001	30/09/2001	31/12/2001
Bund 3y	4.47	4.21	4.34	3.67	3.90
Bund 5y	4.51	4.33	4.59	4.06	4.40
Bund 7y	4.73	4.53	4.91	4.46	4.80
Bund 10y	4.85	4.71	5.10	4.79	4.99

By way of information, at 31 December 2001 the market value of the investment portfolio came to EUR 1 248.8 million compared with a book value of EUR 1 244.1 million (including premiums/discounts), which gives an unrealised gain of EUR 4.70 million, compared with an unrealised loss of EUR 0.5 million and a book value of EUR 919.3 million at 31 December 2000.

- Market value compared to book value in 2001

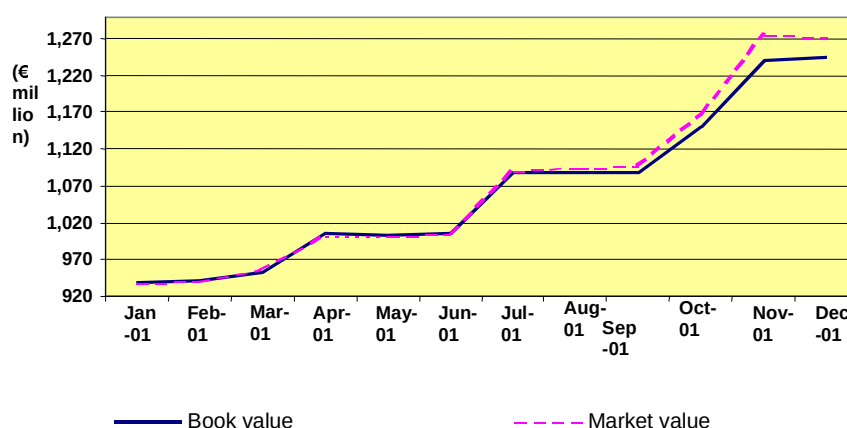


Fig. 5: Market value compared to book value in 2001

⁴ The basis for calculating the yield of the investment portfolio is: act/365

⁵ This benchmark will be adjusted once the new strategy has been officially adopted by the EIB and the Commission in order to reflect the longer duration and the possibility of investing up to a maturity of 10 years.

- Breakdown of the portfolio between fixed-rate and variable-rate securities

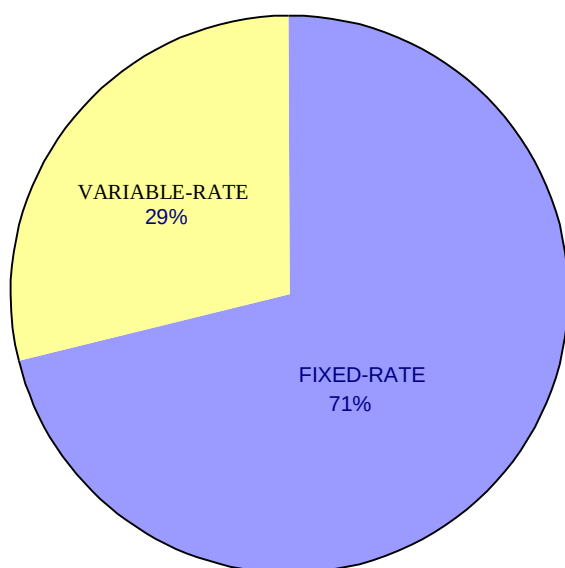


Fig. 6: Breakdown of the investment portfolio between fixed-rate and variable-rate securities at 31 December 2001

- Redemption profile of investment portfolio:

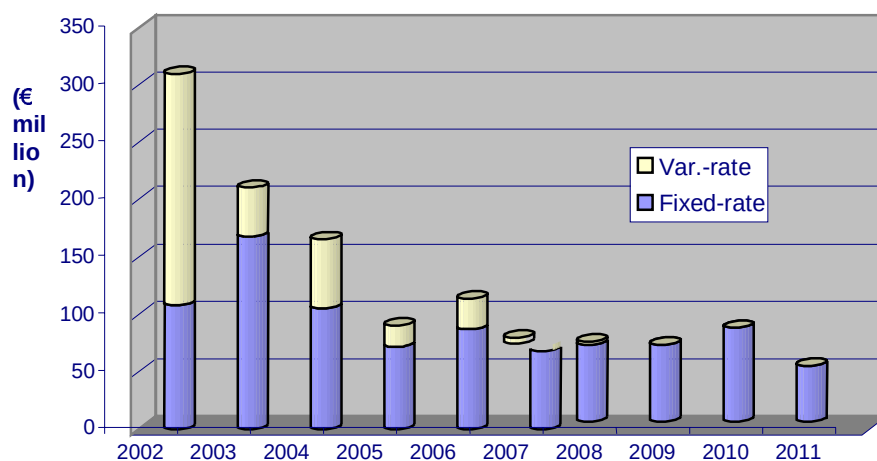


Fig. 7: Investment portfolio: Redemption profile at 31 December 2001

- The latest final maturity date for fixed-rate securities is 18 May 2011.
- Profile of issuers

All the securities held meet the following criteria:

- either they are issued by States in or by institutions guaranteed by the European Union, the G10 or supranational bodies;

- or they are issued by another sovereign State with a rating of at least AA3;
- or they are issued by another issuer with a rating of AAA.

The profile of issuers was as follows at 31 December 2001:

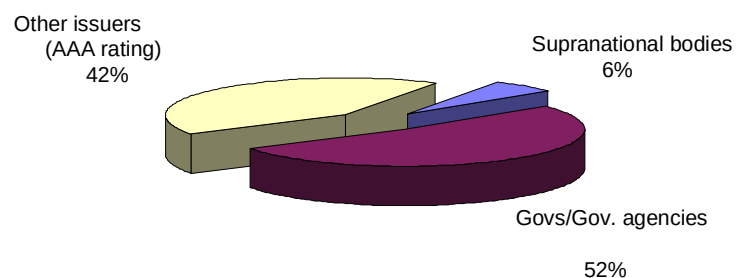


Fig.8: Investment portfolio: Profile of issuers at 31 December 2001

PERFORMANCE OF THE GUARANTEE FUND'S BOND INVESTMENT PORTFOLIO

	<i>Starting value</i> Average capital <i>in euros</i>	<i>Percentage</i> <i>Variable-rate</i>	<i>Percentage</i> <i>Fixed-rate</i>	<i>Portfolio</i> yield <i>a/365</i>	<i>YTM Salomon*</i> benchmark <i>a/365</i>	<i>Libid 3-mth</i> <i>benchmark</i> <i>en a/365</i>	<i>Aggregate</i> <i>benchmark</i>	<i>Spread</i> <i>in bp</i>
Annual 2000	900 051 060	45.4%	54.6%	4.34%	4.96%	4.32%	4.67%	-33
January	936 404 811	42.4%	57.6%	4.78%	4.65%	4.72%	4.68%	9
February	948 782 538	42.5%	57.5%	4.74%	4.57%	4.70%	4.63%	11
March	954 514 929	42.3%	57.7%	4.68%	4.54%	4.65%	4.59%	9
April	981 395 916	41.1%	58.9%	4.72%	4.40%	4.62%	4.49%	23
May	1 014 174 754	39.8%	60.2%	4.65%	4.78%	4.58%	4.70%	-5
June	1 014 434 485	39.8%	60.2%	4.70%	4.62%	4.40%	4.53%	17
July	1 066 160 519	42.3%	57.7%	4.66%	4.51%	4.40%	4.46%	20
August	1 098 122 330	41.1%	58.9%	4.58%	4.35%	4.30%	4.33%	25
September	1 098 247 882	40.4%	59.6%	4.61%	4.09%	3.94%	4.03%	58
October	1 104 334 630	40.2%	59.8%	4.51%	3.81%	3.53%	3.69%	82
November	1 188 723 688	37.3%	62.7%	4.35%	3.48%	3.33%	3.42%	92
December	1 248 491 404	32.4%	67.6%	4.38%	3.68%	3.26%	3.55%	83
Annual 2001	1 055 173 356	39.9%	60.1%	4.61%	4.29%	4.20%	4.26%	35

* Salomon index =

EGBI 1-3 yrs	45.0%
EGBI 3-5 yrs	45.0%
3 M eurodeposit	10.0%

POSITION OF THE GUARANTEE FUND AT 31 DECEMBER 2001

ASSETS		31/12/2001
<u>Claims on credit institutions</u>		
CURRENT ACCOUNT		25.491.970,66
Fixed-term deposits (Note A)		475.100.000,00
		<u>500.591.970,66</u>
<u>Portfolio</u>		
INVESTMENT PORTFOLIO (Note B)		1.244.130.504,71
		<u>1.244.130.504,71</u>
<u>Other assets</u>		
ACCRUALS (Note C)		30.506.522,06
		<u>30.506.522,06</u>
TOTAL		<u>1.775.228.997,43</u>

LIABILITIES		31/12/2001
<u>Guarantee Fund</u>		
GUARANTEE FUND		1.494.374.939,29
		<u>1.494.374.939,29</u>
<u>Other liability</u>		
ACCRUALS (Note D)		805.045,80
		<u>805.045,80</u>
<u>Result</u>		
RESULT CARRIED FORWARD		210.473.626,02
RESULT FOR 2001		69.575.386,32
		<u>280.049.012,34</u>
TOTAL		<u>1.775.228.997,43</u>

PROFIT AND LOSS AT		31/12/2001
1. Interest on securities		52.091.535,56
Interest on investments		21.824.796,33
Interest on current account		159.108,52
2. Premiums/discounts spread (Note E)		-3.547.010,86
Commissions		-805.045,80
Financial charges		-147.997,43
RESULT		<u>69.575.386,32</u>

SUSPENSE ACCOUNTS AT		31/12/2001
INVESTMENT PORTFOLIO		
Purchase of securities		0,00

Position of the Guarantee Fund at 31 December 2001										
Amounts in €	Transfers	Interest	Late repayments	Credits	Calls	EIB, misc.	Repaid to budget	Debits	Annual balance	Cumulative (*) defaults
	a	b	(**) c	d=(a+b+c)	e	f	g	h=(e+f+g)	i=(d-h)	j=(e-c)
Credits 1994 Debits 1994 Balance at 31.12.94	293.720.000	478.331	0	294.198.331	0	2.699		2.699	294.195.633	
Credits 1995 Debits 1995 Balance at 31.12.95	250.750.000	23.539.828	35.630.568	309.920.396	303.072.581	195.618		303.268.198	6.652.197	267.760.010
Credits 1996 Debits 1996 Balance at 31.12.96	235.390.000	19.842.550	55.715.204	310.947.754	52.540.497	1.849.279		54.389.775	256.557.979	271.154.609
Credits 1997 Debits 1997 Balance at 31.12.97	286.095.000	34.506.566	45.033.282	365.634.849	54.290.854	6.962.746		61.253.600	304.381.249	291.337.822
Credits 1998 Debits 1998 Balance at 31.12.98	272.389.000	50.185.883	185.299.547	507.874.430	15.407.951	7.592.489	66.000.000	89.000.440	418.873.990	134.300.629
Credits 1999 Debits 1999 Balance at 31.12.99	300.069.000	48.562.535	5.318.632	353.950.167	16.247.803	7.431.441	297.800.000	321.479.244	32.470.923	145.229.800
Credits 2000 Debits 2000 Balance at 31.12.2000	186.290.500	62.692.917,51	135	248.983.553	17.355.629	6.105.759	107.900.000	131.361.389	117.622.164	162.585.294
Credits 2001 Debits 2001 Balance at 31.12.2001	207.176.000	74.075.440	241.220.210	522.471.650	9.746.825	3.695.008	165.360.000	178.801.834	343.669.817	
Cumulative total	2.031.879.500	313.884.050	568.217.579	2.913.981.129	468.662.140	33.835.038	637.060.000	1.139.557.178	1.774.423.952	

(*) Actual cumulative amount of defaults at the end of each year.

(**) The amount of the reimbursements is made up of the amount of calls on the Fund plus the amount of default interest received on late reimbursements.

ANNEX III

Consolidated financial balance sheet of the Guarantee Fund at 31 December 2001

The consolidated financial balance sheet at 31 December 2001 is provided to supplement the position of the Guarantee Fund as set out in Annex II.

The position of the Fund and the consolidated balance sheet display a striking degree of symmetry in accounting terms, in that the receivables have been recovered from the recipients of loans granted or guaranteed by the Community. These comprise, on the one hand, non-member countries' arrears on the payment of the principal and interest due at maturity and, on the other, default interest covered by guarantee payments from the Fund and default interest accrued but not received at 31 December 2001.

CONSOLIDATED FINANCIAL BALANCE SHEET OF THE GUARANTEE FUND AT 31 DECEMBER 2001

ASSETS			LIABILITIES		
	31 December 2001	31 December 2000		31 December 2001	31 December 2000
Current account	25 491 970.66	1 864 299.31	Guarantee Fund		
Fixed-term deposits	475 100 000.00	489 000 000.00	Payments from the budget (2)	1 022 359 500.00	1 187 643 500.00
Portfolio			- surplus to be paid to the budget	372 460 000.00	165 390 000.00
Investment portfolio	1 244 130 504.71	919 302 277.87	Default interest incurred but not received	0.00	50 496 420.98
Receivables from recipients of loans granted or guaranteed by the Community				<u>1 394 819 500.00</u>	<u>1 403 499 920.98</u>
Arrears covered by the Fund (1)	0.00	164 598 428.11	Other liabilities		
Default interest incurred but not received	0.00	50 496 420.98	Accruals	805 045.80	689 783.78
Other receivables			Result		
Accruals	30 506 522.06	22 082 387.18	Result carried over	250 041 413.12	185 761 769.79
			Result for financial year	<u>129 563 038.51</u>	57 392 338.90
TOTAL ASSETS	1 775 228 997.43	1 647 343 813.45	TOTAL LIABILITIES	1 775 228 997.43	1 647 343 813.45

PROFIT AND LOSS AT 31/12/2001

INCOME			COSTS		
	31 December 2001	31 December 2000		31 December 2001	31 December 2000
Interest on securities	52 091 535.56	43 573 845.83	Premiums/discounts spread	3 547 010.86	4 521 285.47
Appreciation on transfer of investment securities	0.00	0.00	Commissions	805 045.80	689 783.78
Interest on investments	21 824 796.33	18 996 521.08	Financial charges	147 997.43	124 900.74
Interest on current account	159.108,52	157 806.60	TOTAL COSTS (B)	<u>4 500 054.09</u>	<u>5 335 969.99</u>
Default interest received on late recoveries (3)	59 987 652.19	135.38			
TOTAL INCOME (A)	134 063 092.60	62 728 308.89	NET RESULT (A – B)	<u>129 563 038.51</u>	57 392 338.90

(1) Capital, interest, default interest covered by payments from the Fund.

(2) Reduced by EUR 637.1 million (the overall surplus repaid to the statement of revenue in the budget of the European Communities in accordance with Article 3 of Regulation No 2728/94 establishing the Guarantee Fund).

(3) Share of interest, FRY, received in 2001 out of a total of € 99 555 439.29 received on late recoveries that gave rise to calls and were posted in the accounts in previous financial years.