



AECM

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Asociación Europea de Caucción Mutua
European Mutual Guarantee Association¹*

FLASH BULLETIN
N° 8 - AUGUST 2004

AECM MEMBERS' ANNUAL REPORTS 2003
A survey of the activity and performances

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As usual, you are invited to circulate this material to your key staff members and your network. Your comments will be welcome. Other members will be illustrated in a next edition.

AECM

ANNUAL REPORTS 2003

CESGAR : SPANISH CONFEDERATION OF MUTUAL GUARANTEE SOCIETIES Spain

Mission Statement

“Sociedades de Garantía Reciproca” are special finance societies providing a 100% guarantee to SMEs in view to supporting the credit risk on their bank loans and the technical risk inherent to their operations with a counterparty (State or contractor). They provide SMEs with financial advises (research of the best credit terms and financing sources, public subsidies, alternative investment plans...)

There are 22 Regional Companies qualified as financial institutions with a 20% mitigating effect regarding the equity requirements of partner banks.

CESGAR is their national federation with a role of representation, coordination, defence of collective interests, technical assistance.

Legal framework

- Law 1/1994 organises on a very extensive way the working of the INTEGRATED Spanish system, including the counter-guarantee and regulation of the network, but also the competencies, the shareholding and the activity of the front line societies.
- Royal Decree 2345/1996 regarding solvency requirements and accountancy rules.
- Regulations of 12 Feb. 1998 (bookkeeping, provisions) of 13 April 2000 (Solvency and mitigation), Circular 4/1991, 10/1998,

Operational background

- SMEs : as beneficiaries of the guarantee, they form the group of “full shareholders” of the SGR (in all, 69.010 SMEs holding a 55,9% share of the equity capital). This gives the mutual character of the network.
Their representative organisations (Associations, Chambers of Commerce) are also stakeholders.
- Other protecting shareholders (732 entities which, together are not allowed to hold more than 49% voting rights)
 - Credit Institutions can be “protecting shareholders” of SGR (12,8% of the equity capital) and are obviously the subjects of the guarantee protection. Amongst the group of financial guarantees (), Saving Banks are the number 1 partner (36% of all guarantees), followed by Private banks (22%) and cooperative credit banks (7%)
 - Regional Authorities : Autonomous Regions, Provincial Deputations... are “protecting shareholders” (27% of the equity capital). They can also be providers of “Technical provisions” which are counted in the equity.
- National Authorities
 - CERSA, the public counter-guarantor takes a special place in the consolidation of the network (44% of the SGR commitments benefit of the public counter-guarantee)
 - Ministry of Economy, Unit SME Policy. Special advantages are the exemption of VAT on the premium, tax on technical provisions
 - Bank of Spain, as supervisor of the societies under banking law

Facts about 2003.

- A new SGR was created in Catalonia (AVALIS, headquarters in Barcelona) while the oldest society, ISBA in the Balearic islands celebrated its 25th anniversary.
- R. Gonzalez Rosalia, CEGGAR president, underlined the attention paid to training actions (Customer relationship management...). A book was published on the "Spanish Counter-guarantee system".
- Dissemination seminars were organised (Entreprise creation, with European University of Madrid)
- A convention was signed with the Institute of Foreign Trade offering services for internationalisation of businesses.
- As a preparation to Basel 2, a common project of risk analysis and control was launched.

Activity 2003. (Figures in €1000)

Granted guarantees were in value €1.255.718 (that is also the lending amount). Corresponding figures in 2002 : 1.026.473 / 2001 : 949.664 ...

The outstanding amount of guarantees in portfolio was €2.829.271 (against 2.468 in 2002) for a total number of 70.445 beneficiaries . The counter-guarantee represents €1.241.732 (44% of the portfolio). Breakdowns :

- Sectoral : 37% services, 30% manufacturing, 16% building industry, 14% retail and wholesale, 3% primary sector.
- Purpose of the guarantee : 59% for investment credits, 24% for technical and performance guarantees....
- According to the duration : 61% for credits with a duration > 8 years / 20% associated with a duration 5 to 8 years / 10% associated with a duration 3 to 5 years...
- According to the amount : the average amount in the portfolio is €40.000. The average granted amount is higher but cannot be calculated out of the report data.
- According to the Company's size : 46% went to businesses with less than 10 employees / 32% for small companies (10 to 49) and 22% to medium sized businesses (50-250)
- As the SGR manage the whole risk of a credit operation (100%), the available collaterals are pledged in their favour. Out of the 2,8 billion commitments, 35% are "covered" by real assets (mortgage, machinery..). The remaining is either linked with personal guarantees or uncovered.

Total responsible own funds amounted to €337.861, shared into capital equity ((€163,4 million), reserves and provision funds. The gross leverage of the system is $2829 / 337,8 = 8,37$ x.

The year was profitable (profit before tax : €1.450 million / after tax : €706 million)

Staff number in the network : 432.

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CERSA : COMPANIA ESPAGNOLA DE REAFIANZAMIENTO – Spain

Mission Statement

CERSA is a key player in the general organisation of the Spanish Guarantee system. It is a corporate under state control, having the duty to counter-guarantee the SGR commitments by special percentages targeted on the type of operations according to state's priorities (from 0 to 30 and 70%). In the same time, CERSA gives an accompaniment to the development of the network and shares a responsibility in its soundness.

Legal framework

- Law 1/1994
- Royal Decree 1644/1997.

Background

- Spanish Public Authorities
 - As shareholders –directly (State : 68,32%) and indirectly (through ICO 23,81%)
 - As provider of the legal framework, including a status of bank supervision, exercised by the Bank of Spain.
 - As regulator of the general counter-guarantee (modulation of the counter-guarantee % according to State objectives, between 0 – 30 and 75%)
 - As special counter-guarantor (75% counter-guarantee for sectorial productivity investments by Ministry of Fisheries, 75% counter-guarantee for innovating operations by Ministry of Science and Technology)
- The network of 21 Mutual Guarantee Societies (Sociedades de Garantia Reciproca)
 - As shareholders of CERSA (+/- 4%)
 - As the beneficiaries of the counter-guarantee, provided by contracts periodically reviewed.
- EIF
 - As counter-guarantor of CERSA. (35%)

Facts about 2003.

- Despite the economic slow down, the activity of the Mutual Guarantee system raised by 21% in such a manner that the counter-guarantee volume reached €974 Millions (+ 13% against 2002)
- The Extraordinary Assembly of Oct. 29th allowed an increase of the capital by €12,2 Millions in order to adjust the equity with the prudential requirements and the development of the business.
- The preparation to the new Basel 2 legal framework was a main concern in 2003.

Activity 2003.

- In the background of the 1.296 million of new guarantees granted by the MGS, CERSA organised the counter-guarantee of 312,9 millions, concerning 6.887 operations (average : 24,15%)

- Sectors targeted are : Services (34%), Industry (34%), Trade (20%), Construction (6%) and agriculture (7%).
- 62% of the guarantees benefit to micro-societies (<10 employees) , while 30% go to small companies (< 50 employees)
- 30% of the underlying loans have a maturity of more than 10 years.
- The average amount of a counter-guarantee is €45.500 per operation

The outstanding amount of counter-guarantees is €73.567.000, for a total number of 30.409 beneficiaries. The average rate of protection supplied to the mutual guarantee is 33%,1% It means 44,91% on financial guarantees and only 3% on technical (“performance”) guarantees. In the portfolio, 20,41% of the SMEs were established less than 3 years ago.

CERSA is endowed with on funds to the extend of €45,3 million + technical provisions as for 53,3 Millions. The management of the Capital Adequacy Ratio of the Company is to be very careful.

View on 2004.

Renewal of the EIF contract, with little changes.

Attention paid to the European Commission provisions for MAP 2006 – 2010.

Basel 2 outcome will also influence the CERSA strategic Plan 2006 – 2010.

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FEDERATION NATIONALE DES SOCAMA - France

Mission Statement

The SOCAMA MGS form a network of 32 cooperative societies founded on the principle of mutuality. They provide an exclusive guarantee to credits granted by the 21 regional Banques Populaires to small craftbusinesses and retailers.

Institutional environment :

- The Regional Banques Populaires of the French Federal Bank of Banques Populaires within a partnership that includes :
 - the distribution network of Socama guaranteed credits. This historic exclusive relation helps avoiding anti- selection of bad borrowers and allows most of the Socama to deliver a 100% guarantee within a limit of €100.000 per credit. In exchange, 80% of the Socama eligible loans granted by Banque Populaire include the guarantee in the proposed package.
 - The consolidation of both banks and MGS regarding the calculation of the equity required by the French banking law.
- The craft circles and specially the Craft Chambers, in which the 800 members of the Boards and Decision Committees are recruited.
- Socama does not benefit from any public support.

Facts about 2003.

- Signature of the EIF counter-guarantee contract for a new product : the Socama Express Loan without commitment of the borrower on his private havings
- Signature of Partnership agreements with Professional Federations : hairdressers, building industry, Tourism, Car repairing garages...
- Extension of a policy aiming to include retailers as Socama customers
- Harmonization of the working conditions of the 42 Socama as a result of a wave of mergers of the Regional Banques Populaires.

Data 2003

- 42 SOCAMA are active.
- They have delivered their guarantee to 24.853 files (24.491 in 2002) for a total amount of €64,9 Millions (542,2 Millions in 2002, + 4%). 14 SOCAMA are in progress, 25 are lagging behind.
The average amount of a guarantee is €2.733.
Sectoral breakdown : 37% building industry, 33% services. 24% food industry ; 6% retail.
Purpose of the credits: 67% growth and machinery renewal investments, 25% company transfert and transmission ; 8% business creation.

- The SOCAMA count 260.737 cooperative shareholders who own the totality of the equity.
- The responsible own funds amount to €7.209.000 against 67.625 000 in 2002 and 68.916 in 2001.
- The outstanding guarantee commitments amount to €1.517.733 (against 1.501.440 in 2002 and 1.445.030 in 2001).
- The leverage between own funds and portfolio is 22,46 x (highest European value).
- The SOCAMA are very heterogeneous in size : the largest are SOCAMA Ouest (Equity €5.542 / Outstanding €81.266) ; SOCAMA Nord (4.917 / 90.312), SOCAMA Lorraine (3.185 / 58.813). The smallest is SOCAMA Midi (258 / 5395).
- The defaulted outstanding is kept at a moderate level. The total stock of bad loans amount to €0.676 in 2003 against 54.996 in 2002 and €9.604 in 2001.
The rate of provisions covering risks is 80,14%, which provides a full protection of predictable losses.
During the year 2003, SOCAMA compensated the losses of beneficiary Banques Populaires by €10 Millions. This is equal to the 2002 figure and a bit less than the 2001 figure (12,3 Mio).
As such, the average loss rate is 0,8 % vis-à-vis a gross default rate of 3,7%

Prospects

- The Socama Fédération wishes to improving quality information, speed of decision, process harmonisation, commercial visibility of the schemes.
 - The implementation and good achievement of the EIF counter-guarantee facility is a must (objective of €237 millions achieved in 6 trimesters ending Dec 2004).
 - In view to developing their activity, the Socama will establish closer relations with Regional Authorities, in line with the French decentralisation of economic policies.
- § A strong focus will be put on Company transmission, which is a main concern in French SMEs.

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SIAGI - France

Mission Statement

Siagi is a professional limited company with variable shareholding, founded in 1966 by the French Chambers of Craft. It only practices the activity of a “loss sharing” guarantee with national banking networks for the benefit of investment loans aiming to business transfers, creation or company expansion.

Legal Framework

Law of 17 November 1943

Executive Law of 5 July 1966

Institutional Background

- 104 Craftchambers as direct shareholders (17% of the capital) and their national federation (83% of the capital)
- The French banking system (7 main private banking groups)
- Partnership with French Regional Councils and Sofaris (co-guarantee)

Facts about 2003.

- Economic conditions were rather poor ; interest rates stabilized at 4,93% (4,86%) on average for fix term loans with a maturity of > 2 years to small companies.
- Siagi is concerned with the Basel 2 issue, showing a Risk Asset Ratio of 8,81%. A reply is to modulate the average protection of guarantee in the loans without loosing the additionality of the system (in 10 years, the volume of guaranteed credits increased by 25% from €320 Mio to 400 Mio, while the risk share per loan was reduced from 48% to 33%)
- A new challenge is the “Law Dutreil” allowing a businessman to withdraw personal and private assets from the perimeter of havings on which a credit loss could be recovered by the lender.
- SIAGNOSTIC, a product of follow-up of the commitments launched in 2000, counts 3063 subscribers against 1751 in 2002.

Activity 2003

-Volume of credits supported by guarantees granted in 2003 : €76 million (6.500 credits), against in 2002 : €19.318.000 for 4.681 files, and in 2001, €32.000.000 and 5.250 files)

-Volume of guarantees issued in 2003 : €131.648.000 against €151,3 millions in 2002.

The average credit maturity was 6,8 years.

The average protection of the credits was 33%.

-Guarantees were issued to the benefit of 7 national large networks banks (4 main partners represent 82% of the activity).

-Breakdowns :

- The goal of the operations : transfers : 67% / development 20% / creation : 19%
- Sectorial targets : mainly craftsmen (food –bakers, restaurants, hairdressers, garages, butchers, ...- building industry and small industries) + tradesmen – services (hairdressers, clothes, taxis...)
- Statutes : individual entrepreneurs (52%), limited liability cics (38%), corporations (2%)

-The portfolio of outstanding guarantees by 31.12.2003 amounted to €62.022.000 against 685 million in 2002.

-Siagi's own funds amount to €9.140.000. They are composed of equity (3.215), the available provisions (the Guarantee Fund : 40.535) and subordinated debts (15.390).
Corresponding total equity amount for 2002 was €7.676.000.

- Paid –up defaults amounted to €4.403.000 while recoveries were made to the extend of 1.394.
Respective figures for 2002 were 5,6 Million and €1,3 Million.

- The year ended up with :

- A profit in the P&L account
- An increase of + €3.848.000 in the “Guarantee Fund” which is an internal-external Provision Fund managed to offer a primary protection of the commitments

- Staff : 95 people (102 in 2002)

Views on the future

- Siagi will also develop a new product enabling the protection of an entrepreneur selling his business and financing the successor by spread out payments.
- Marketing efforts will be pursued through a network of 6 regional offices and 29 Chambers of Craft.

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VERBAND DER BÜRGSCHAFTSBANKEN - Germany

Mission Statement

The network of 24 Regional Bürgschaftsbanken + The Bürgschaftsbank for Social Economy (nation wide purpose) existing as private Limited Responsibility Societies forms the German Association of Guarantee Banks.

Bürgschaftsbanken are Financial institutes according to §1 KWG

- with shareholding of Saving Banks and Banks, SME Chambers and Organisations and Insurance Companies
- supporting credit (Bürgschaftsbanken) and equity (Beteiligungsgesellschaften) of SMEs and professionals
- benefiting from counter-guarantees from Federal and Regional States.

Facts about 2003.

- Dr Oesingman, President of the National Association of Professionals and Dr Strombeck, President of the Verband emphasize the bad economic climate in Germany, pointing out :
 - Recession (GDP rate : - 0,1% following a +0,2% and + 0,8% in 2002 and 2001)
 - The bad situation in the labour market (4,4 million people unemployed).
 - The record level of bankruptcies (39.700 in 2003 following a 37.620 in 2002, 32.390 in 2001 and 27.930 in 2000). The financial damage was estimated at €40,5 Million : 27,9 Million for the private sector and 12,6 for authorities)
 - The difficult access to finance for small business.
- The report stresses on the main reasons of the turn down : high labour cost (resulting from the tax and social security levels), a strong €(in an export driven economy) and a hesitant political will to take steps in the good direction.
- In the Bürgschaftsbanken network, the system “Bürgschaftsbanken ohne Bank” (BoB, allowing a investing business to address first the guarantee issue before turning to a financier) improved its performance.
- As from 1.1.2003, the ceiling of the guarantee was raised from €750.000 to €1.000.000.
- The application of “Venture Capital” (Beteiligungen) was clarified.
- Bürgschaftsbanken express the opinion that advise and accompaniment can give better chances to investment projects and some of them implemented special programmes.
- Bürgschaftsbank Hamburg celebrated its 50th anniversary ! Congratulations.

Data about guarantees in 2003.

Activity

- In 2003, Bürgschaftsbanken issued a number of 5.311 transactions, for a total amount of € 906.095.000. (respectively 5.350 and €23.068.000 in 2002)
Those figures correspond with credits amounting to €1,29 billion and investments estimated at of 3,5 billion.

- Breakdown among granted support is 4.900 transactions in Guarantees and 400 in participations.
- Guarantees were addressed to all sectors : craft (24,9%), trade (22%), industry (16,2%), services (21,4%) professionals (10,1%). The segment of professionals (health care, services to enterprises...) took up by 10% in number of transactions.
- Guarantees were channelled through a broad financial network : Saving banks (40,3%), Cooperative banks (28,4%), private banks (16,4%). The share of private banks is decreasing year after year.
- The purposes of supported loans were mainly :
 - start-ups : 2.508 operations corresponding to a guarantee volume of 304.760.
 - long term investments, from 5 to 10 years.

Outstanding

- The outstanding of guarantees at the end of the year 2003 amounted €5.040.719.000 including a number of 42.822 firms (respectively 5.112.670.000 and 42.880 SMEs in 2002). The portfolio is composed of 4,34 billion of financial guarantees and 0,7 billion of technical guarantees.
- The largest Bürgschaftsbanken were :
 - Baden-Württemberg (22,5% of the outstanding),
 - Nordrhein-Westfalen (10,9%) -
 - Sachsen , (8,5%).
- The leverage between Own Funds and Commitment portfolio is :
The multiplying effect of guarantees can be summarized as follow (in €1.000) :

Credit amount (1)	Guarantee amount (2)	Counter-guarantees (4)	Own Funds (5)	Multiplier (1) : (5) =	Multiplier (1) / (2/3 of 4)
7.100.000	5.040.000	3.380.000	280.000	26 x	34 x

Defaults

- Concerning defaults, there were 1.885 cases, amounting to €208.139 paid to banks by Bürgschaftsbanken. The rate of losses (P.D. in Basel jargon - Gross defaults / Outstanding guarantees) is 4,07 % (before intervention in counter-guarantees). Bürgschaftsbanken receive public counter-guarantees that amount 2/3 of their losses from the Federal and Regional State.
As main reasons of defaults, the annual report emphasizes : the cyclical down turn, regional or sectorial problems (turning to structural problems in the "new territories"), failures of customers / suppliers, but also managerial shortcomings and personal situations.

Own Funds

- All together, German Bürgschaftsbanken are endowed with own means that amount to . Main shareholders are banks, Chambers of Commerce, of Craft, and of Industry.

Prospects 2004.

- A GDP growth of 1,5% is expected. Stimulus is mainly to come from export.
- Bürgschaftsbanken believe in a strong support to access to finance, innovation and better capitalisation of businesses and they present their readiness to play their part.
- Bürgschaftsbanken are preparing themselves to the new Basel Framework : they are mainly concerned by improving the quality of their risk analysis. A rating system developed by their whole network (pooling data) and Creditreform (Credit rating Agency) is in a test phase.

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FINNVERA plc - Finland

Mission Statement

As state owned specialized financing company, Finnvera aims at promoting :

- export and internationalization of enterprises
- regional and industrial goals by offsetting deficiencies of the financial market, mainly regarding SMEs.

Finnvera's action is complementary to the financial sector by being enabled to higher enterprise risks (loans + venture capital) and sharing risks (guarantees) with other financiers.

Framework :

- Laws regulating operations :
 - 443/1998 Act on State owned Specialized financing Companies
 - 445/ 1998 Act on Credits and Guarantees
 - 442/2001 : Export Credit Guarantee Act.

Operational background : main actors

- Ministry of Trade and Industry : State support consist of :
 - 100% ownership of Finnvera's equity (→ responsible for liabilities and commitments)
 - compensation for credit and guarantee losses, fixed on an annual base
 - interest rate subsidies for enterprises.

Ownership policy goals are set for efficiency, cost effectiveness, sufficient capital adequacy, and self sustainability in the long run.

- Co-operation with EU :
 - EIB is the major external funding provider (EIB loans to Finnvera in 2003 : €50 Mio)
 - Interest rate subsidies from EU structural funds under objective 1 and 2
 - EIF counter-guarantee (3 projects under Environmental loan portfolio – €3,2 Mio-, Growth and Employment -161,7M.- and MAP 2002 -81,6M.).

Facts about 2003.

- Finnish economy knew a slow growth rate (1,9%), earmarked by declining investments (except in housing construction), larger needs in working capital.
- Ownership arrangements were taken in Regional Venture Capital companies in April 2003. 1 100% owned venture Fund was established (Veraventure Cy).
- A new bill entitled Finnvera to grant loans to service enterprises of more than 9 people.
- The Brussels representation office was closed down. Contacts with the EU Commission and specialized financing institutions are handled y the Head Office in Helsinki.
- The Ministry of Trade and Industry commissioned an evaluation of Finnvera's activities.
- The revision of the information system Koris was pursued and a first phase will be put in use in Autumn 2004.
- The EIF extended its counter-guarantee until the end of 2005 (a portfolio of €281 Mio)
- An incentive wage system was introduced for trial use.

About Domestic market and guarantees

Finnvera proposes two main products to SMEs of the domestic market (founders and existing businesses) : loans and guarantees.

Financing granted, per year, per product

in €Mio	2003	2002	2001	2000	1999
Loans	363,7	352.1	332.0	318.6	285.3
Domestic + special guarantees	407,1	418.1	376.3	369.0	143.3
Total	770,8	770.2	708.3	688.5	528.6

Breakdowns :

- Rural trades 0,8% / Industry 63,2% / Tourism 6,7% / Services to business 15,2% / Trade and consumer's services 14,1%
- Micro-entreprises : (in number 81,2%/ in volume : 28%) / Other SMEs : (number 17,4% / volume 57%) / Large and others (number 1,4% / volume 15%)
- Number of files (loans and guarantees) : 8.500
- Number of jobs created : 9.700 (against 9.509 in 2002, 10.685 in 2001)

Portfolio's outstanding

in €Mio	2003	2002	2001
Loans	1290,9	1261,7	1.231,1
Domestic guarantees	692,6	626,2	549,0

The total number of clients was 25.401 (25.600 in 2002) , of which about 6.000 in guarantees. In the customer's portfolio, 20.626 were micro-companies.

Breakdown per sector (in volume) : Industry : 57,7% (of which metal wood based products, electrical and electronics...) / Services to business 20,5% / Tourism 8,9%...

Losses

If an enterprise ceases its operations (through bankruptcy or otherwise) and cannot repay its loans, the probable loss (i.e. the amount of the loan exceeding the value of collateral) is entered in the quarterly financial statement as a depreciation. After the realisation of the collateral the final loss calculation will be revised, if necessary.

The state compensate the loss on an annual base, on a % varying with the product and location of the business

In 2002, net losses on guarantees amounted to €7,063 (state participation 53,3%).

In 2003, gross losses on domestic guarantees and loans amounted to 29,4 million. After a state compensation of 52,6%, the Finnvera's own participation is 13.935. Assuming a comparable rate of losses in guarantees and loans, the net loss rate in outstanding is 0,70%. (1,12% for guarantes only in 2002)

Quality of portfolio : clients by risk classes in the outstanding.

	2003	%	2002	2001
A1 Cy very profitable, and remaining / Strong financial position	7,7	---	10,4	17,9
A2 Cy profitable, strong financial position assures continuity	71,9	3%	90,0	103,0
A3 Cy stable and profitable ; risks under control ; no visible threat	288,0	14	351,2	367,3
B1 Profitable (expanding / stable) limited tolerance against disturbance	590,4	28	512,7	454,3

B2 Variation in profitability / no clear trend/ weak possible disturbance	848,0	40	774,6	656,1
B3 Difficulties ; without measures, operations could end in a few years	268,8	13	224,2	197,7
C Cy at risk ; not always possible to save it, even with restructuring	43,0	2	48,4	50,4
TOTAL	2118	100	2011	1846

Risk management is updated annually.

Key figures (Finnvera's group, in €Mio)

	2003	2002	2001
Total Equity (€1000)	368.739	342.961	326.472
Capital Adequacy Ratio	15,83	14,6	15,3
Return on equity	7,1	4,8	8,2
Income expense ratio	2,7	2,6	2,9

Staff : 403 people, out of which 63% at the customer's interface (397 in 2002) / 16 regional offices.

Views on the future

- Economic expectations are slightly improving in 2004. A stable trend in business is forecast.
- Concerning Basel 2 the State is expected to assume direct liability for the guarantee programme to maintain a 0 risk weight on the loan portfolio protected by Finnvera.
- With EU enlargement, Finland will receive less regional policy aid. In Finnvera's products, the importance of non-gratuitous support, loans and guarantees will increase.

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**CESKOMORAVSKA ZARUCNI A ROZVOJOVA BANKA
CMZRB - Czech Republic**

Mission Statement

CMZRB is a specialised guarantee and development bank –with a full banking licence- created by State in partnership with private banks. It acts as a bank but achieves many development programmes on behalf of the Czech State (infrastructure, housing, SME promotion...)

Vis-à-vis SMEs, guarantees, loans and subsidies are available.

Legal framework :

- Articles of Association as a Joint Stock Cy of 28.01.1992
- Banking law.

Operational background : main actors

- The Czech State
 - As shareholder –Ministry of Industry and Trade : 24,25% / Ministry of Regional Development 24,35% / Ministry of Finance 23,83%)
 - As controller under the banking Law
 - As support provider (the Guarantee premium is partially paid by a State subsidy allocated to the entrepreneur)
 - Via the Business Development Agency
- Banks :
 - 3 banks are shareholders (27,67%) providing 85% of the guarantee transactions
 - other banks as guaranteed lenders
- Business circles
 - Economic Chamber (Congress, promotional meetings, The “Information Spots for entrepreneurs” providing information on Structural Funds)
 - 10 Consulting and Advisory Regional Offices
- Regions and Municipalities
 - CMZRB holds a 49% share in the Municipal Finance Company (Municipal infrastructure)
 - Closer contacts with regions in order to assess the needs in infrastructure.

Facts about 2003.

- GDP in constant prices has grown by almost 3% compared with 2002. The inflation rate was only 0,1%. As a consequence interest rates for bank loans were reduced to their historically lowest levels. Banks were further interested in the SME segment and the number of registered SMEs grew by 21,5% to 989.000 units.
- The bank contracted a EIF counter-guarantee of 50% for loans with a maturity of more than 3 years. CMZRB became the first institution from candidate countries joining the EU support programme.
- Other loans were granted by EIB through the Ministry of Agriculture to support water sector investments

- CMZRB arranged additional State funding for loans and guarantees (Ministry of Industry and Trade)
- Gradual steps to improving the flexibility of the bank and its cost-effectiveness resulted from new IT developments.

Activity 2003²

Number of staff : 258.

Number of regional branches : 5.

Out of a total of support by all types of products concerning 2.407 projects and €63 million, the guarantee accounted for 628 projects and €7.170.000. It is 7% more than in 2002. They were concerning the loan guarantee, the guarantee for bids and tenders and the reconstruction programme.

Table (at constant exchange rate 31.12.2003)

in €1.000	2003	2002	2001
Volume of guarantees	87.170	74.030	69.540
Number	499	520	484
Volume of underlying loans	139.320	130.550	124.120

The rate of rejected applications is +/- 10%.

Average guarantee amount : €194.730

Average loan protection : 59%

Breakdowns :

- Sectorial distribution : Manufacturing : 58% (mainly food and beverage) , building industry 10,9% ; retail 18% ; services 4,8%.
- According to the type of credit : working capital : 36% / investment : 58% / for bids : 6% / for leasing 0,3%

Outstanding guarantee amount in portfolio : €252.340.000 against 226.830.000 in 2002 and 196.340.000 in 2001. The file counts 2000 beneficiaries.

Responsible own funds :

in €1.000	2003	2002	2001
Volume of equity	122.620	113.080	96.490

The capacity of own funds to leverage guarantees cannot be calculated.

Capital Adequacy ratio: 23,3%.

The bank is very profitable (Profit before tax : €34,4 Million / after tax 20,9 million). RoE = 16,4.

Views on the future

- Commencement of a new EU structural funds cycle (instead of Phare funds) will very likely represent a challenge for the bank
- Flexibility in adopting progressive changes related to the organisation of SME support in accordance with the development trends in State budget and EU funding facilities.
- More intensive IT utilisation for the processing of guarantees and loans.

² 32,50 CZK = €1, by 31.12.2003

ANNUAL REPORTS 2003

HITELGARANCIA RT. - HONGRIE

Mission Statement

Hitelgarancia RT is a specialised guarantee agency having the purpose to improve SME's access to loan finance under control and impulsion of the Hungarian Ministries in charge with economic affairs.

Operational environment

- Hungarian Government,
 - As direct shareholder (50% to which the 14% held by the Hungarian Development Bank are to be added)
 - As supervisor of the scheme
 - As protector of the scheme, through mechanisms of premium subordination and counter-guarantee of losses.
- Financial circles
 - As shareholders (26 banks and 32 Regional Saving Banks holding 32% of the equity capital)
 - As distribution network of the guarantee, through partnership facility contracts.
- Professional circles
 - 10 SME federations hold 3,40% of the equity capital

Facts about 2003.

- 2003, 11th year of the company creation was a climax year despite a less buoyant economy.
- A new product "credit card" called "Széchenyi Card" was successfully launched : it represents a very flexible instrument used on a guaranteed current account for any working capital needs. It was very welcomed by small firms.
- The depreciation of the national currency gives an opposite outlook to figures expressed in Forint and in Euros. Data in HUF show a growing trend ; data in EUR indicate the other way round.

2003 data

- The activity was sharply growing : the number of guarantee deals went up from 6800 in 2001 and 8500 in 2002 to 13.200 in 2003. The recorded granted volume raised to 434 Mio (485 Mio at the 2002 prevailing HUF exchange rate) against €458 Mio in 2002 and 380 in 2001. Without taking into account the influence of the exchange rate, the growth reaches 6%³. Underlying the guarantee, the loan volume amounted to €575 Mio (593 Mio in 2002).

³ 1€= 235,9 HUF au 31.12.2003 contre 262,23 au 31.12.2002.

The average coverage rate is 75%.

- 70% of the application files number (56% in 2002) and 30% of the granted guarantee value (20% in 2002) are intended to micro-businesses (less than 9 employees). Inversely, 8% (14% en 2002) of the applications and 38% (47% en 2002) in value go to medium- sized businesses (> 50 employees).

The average guarantee amount per file is dropped from €84.700 à 76.300.

A large part of the success is due to the success of the « credit card guarantee» and to flexible and standardized procedures.

- Regarding the maturity, 63% of the operations concern short term credits (1 year and less) and 22% have a duration of 4 years and more. This is in line with the market demand and the financial needs of small Hungarian businesses.
- As for the sectorial breakdown, 36% of the guarantees go to the retail sector, 18% to farms and food industry and 14% to the building industry.
- As far as the total portfolio is concerned, the 2003 amount is €456.898.000 (against 502,5 Mio in 2002, with the same « exchange currency error». The number of customers in account is 15.900.
81% of the outstanding portfolio is qualified as « standard » or « watch ».
- Hitelgarancia's equity amounts to €79,19 Millions (83,4 Mio in 2002). It is composed of capital (20,4 Mio) and reserves (62,93 Mio).
The guarantee leverage reaches $456,9 / 79,2 = 5,77$, which is a very good performance.
- Loss payments amounted to €14,4 Mio regarding 273 transactions (15,2 Millions in 2002).
The probability of default rates calculated for 2 years is estimated at 2,67%.
€5 Moi were recovered on previous losses (3,4 Millions in 2002).
As a result, the rate of net losses calculated for 2 years is estimated at about 2%.

Prospects 2003

- The company aims at improving the quality of its management so as to improve its market performance.

ANNUAL REPORTS 2003

KredEx - Estonia

Mission Statement

KredEx is a self-sustaining Fund created for the benefit of public interest : competitiveness, more workplaces and export. It was founded on 26th February 2001, after uniting 3 Foundations with the aims of

- Providing loan guarantees for SMEs.
- Reducing the credit risks entailed in exporting
- Making it possible for people to build and renovate homes.

Legal framework

- Decree 555-k of 29.06.2000
- Decree N° 355 of June 27th 2001 concerning the permission to grant state aid
- Enterprise Support and State Guarantee for Loans Act of 28.01.2003.
- Supervisory Ministry : Economic Affairs and Communications.

Facts about 2003 regarding SME loan guarantees.

- The law of Jan 28th 2003 clearly established the Estonian State's role as guarantor of the guarantees provided by KredEx. However, the self-sustainability principle is the guiding principle for KredEx management.
- The Supervisory Board reviewed the regulation of financial assets and internal control (new Department was created) and the principles of establishment of technical provisions
- The strategy 2003 – 2006 was discussed, with the setting of specific targets
- IT systems were completed in a outsourced service. Worth noting that the result of the three divisions are individually accounted and disclosed.
- Procedures, general terms and conditions of guarantee products, risk assessments were improved. Much attention was paid to training (staff 27 people instead of 22 in 2002)
- A State operational audit on SME loans guarantees was carried out.
- Emphasis was laid on marketing and communication.

So, the year 2003 was a year of reinforcement of the management and of technical progress.

About Domestic guarantees (15,64 EEK = 1€)

163 guarantee contracts were signed in the year out of 233 application and 192 approved guarantees (rate of refusal : +/- 15% out of the applications submitted)

Volume of guarantees in 2003, only regarding the SME loans sector : €10.294.000 (against 13.269.000 in 2002). Supported underlying loans amounted to 21,1 million.

The actual rate of guarantees is 49%, though the maximum allowed rate is 75%.

The average guarantee per loan is €61.100.

Breakdowns :

- Per type of loan : investment credit (100 transactions for 59% of the volume) ; working capital loans (63 transactions / 41%)
- Per sector : production companies received 64% of the guarantee production (of which 19% in wood processing and 14% in food industry) / Wholesale and retail (15%), Hotels and restaurants (6%)...
- According to size, 57% of the transaction number (93 contracts) went to micro businesses / 31% (50 transactions) to small and 12% (20 transactions) to medium-sized companies.

Losses : no losses were paid out in 2003 in the domestic loan guarantee.

However, the risk provision fund was increased by €722.000 to reach a total amount of €895.000.

A smoothing reserve was created on guarantee payments (equalization provision). A reserve to cover potential losses from the existing guarantee liability was established. It accounts for a amount comprised between 1 and 5% of the outstanding portfolio : 87% of the fee is transferred to the equalization provision

-Outstanding SME guarantees portfolio by 31.12.2003 amounted €23.586.000 (Respective figure for 2002 was €19.397.000).

The total commitments of KredEx for SME loans, housing programmes and export was €64,5 million.

-KredEx' equity amounted to €1.640.000 (against 21.046.000 in 2002), including long term provisions for risk. The year was profitable. A public subsidy of €16.500 was used to cover overheads partially.

From a total equity of €20 million, about 5 million are specially dedicated to the business line "SME loan guarantee" . This allows to calculate a approximative leverage of equity to outstanding portfolio at $(23,6 / 5,0) = 4,72$. It is a good performance

Views on the future

- In the year 2004, KredEx has a commercial objective of €12,5 million guarantees.
- It is planned to create and start providing a bank guarantee warranty product.
- It is planned to present an application to EIF aiming to get a counter-guarantee.
- Emphasis is continually set on relationship-, event- and direct marketing activities. An opinion poll among entrepreneurs will be carried out.

ANNUAL REPORTS 2003

SPGM and MGS – Portugal

Mission statement

The Mutual Counter-guarantee Fund (FCCM), SPGM and three MGS form an integrated network of SME loans guarantee providers based on a strong national consensus, the co-operation of State (IAPMEI), banks and a SME mutualist approach.

MGS are the front office where the application is analysed and the guarantee delivered. More vicinity with borrowers will allow them to target a wider range of businesses.

SPGM is the (quasi-) holding company, back office, in charge of the management of the accounting, reporting systems, a service supplier, the strategic headquarter and the manager of counter-guarantee contracts.

FCCM shares risks by 50%, raises the sustainability and creditworthiness of the network.

After a 10 years existence as a pilot system, the construction reaches its full maturity and pursues objectives of vicinity, cultural identity and financial support of SMEs.

Legal background

- Establishment act of Sept. 21th 1994 (PEDIP 2) (Cy launch Feb. 1995)
- Legislation of July 1998 for the creation of MGS.

Environment

- The Portuguese State (represented mainly by IAPMEI and IFT –tourism promotion agency)
 - As shareholder of SPGM and MGS, tending to become a minority partner by selling its shares to new mutualist SME participants – 39,90 % of SPGM equity)
 - As protection provider, by the endowment of the Counter-Guarantee Fund with sufficient means
 - As regulator, by the legal framework in which the system is embedded.
- Banks
 - As shareholders
 - As contractors of general guarantee facility contracts and providers of guarantee applications.
- Beneficiary SMEs
 - As shareholders, with the commitment to have the majority of equity within the next 3 years. This gives the mutual character of the Portuguese system
 - As beneficiaries of the guarantee delivered by the MGS
- EIF as a participant in the risks of the Counter-guarantee (FCGM).

Facts about 2003

- Portuguese GDP knew a negative rate (-0,8% against +0,5 in the Euro zone) Investments were reduced for the second consecutive year (-5,2% in 2002 ; -9% in 2003) while the deficit of the public budget reached 2,9%, and the inflation rate 3,4%.
- 2003 was a crucial year in the development of the Portuguese guarantee system. Three MGS (Lisgarante-Lisbon , Norgarante Porto and Garval – Santarem) started their operational activity as direct guarantee providers instead of SPGM. A part of SPGM guarantee portfolio was transferred to the MGS.
- A large marketing campaign took place to boost the activity of the MGS.
- SPGM stated implementing a new central information system functioning for the whole MGS network.

Activity 2003.

- 621 new guarantees were granted, representing a total amount of €65.814.000. On average, the guarantee covers a 55% of the underlying loans. The percentage is slightly rising.
 - The guarantee average was €105.960 against 135.400 in 2002 and 181.500 in 2001. Year after year, the average is declining, as the expression of a policy tending to address smaller companies.
 - The outstanding volume reached €126.461.000. This represents a growth rate of 30% in comparison with the 2002 portfolio (99.663).
- 900 companies are beneficiaries of the guarantee.
- The guarantee benefits mainly to the industrial sector, but a larger diversification of risks is underway, with the enlargement of the customer's base.
 - The own Funds of the system are : SPGM (10.745) + Norgarante (3844) + Lisgarante (3782) + Garval (2737) = 21.108.
- The leverage of the equity according to outstanding is now 6 times.
- SPGM is beneficiary (result before tax of 842.000, on which a tax rate of 35% was applied.
 - Level of employment : 17 people at SPGM + 13 in the MGS.

The Mutual Counter-guarantee Fund

- is very well capitalised and prepared to face a growth of the activities. It covers commitments by 51,7 millions.
- has signed a counter-guarantee agreement with EIF.

Prospects for 2004.

- Continuation of the marketing campaign and consolidation of the MGS core business by taking over most of the back-office functions into SPGM perimeter..
- Celebration of the 10th anniversary of the company's creation and co-organisation of the AECM Seminar
- Support to the creation of a 4th MGS dedicated to guarantee in the agricultural sector.

ANNUAL REPORTS 2003

**TESKOMB : THE UNION OF CREDIT AND GUARANTEE COOPERATIVES FOR
TRADESMEN AND CRAFTSMEN – Turkey**

Mission Statement

TESKOMB was established in 1970 to bring together local credit guarantee cooperatives active throughout Turkey. It is an umbrella organisation of

- coordination and strategic center of the network (Information desk established at the end of 2003)
- an interface with State,
- a training and information provider,
- a controller of the sustainability of the network (19 experts in the inspection-audit department)

The 910 local cooperatives assist tradesmen and craftsmen in obtaining professional credits through local cooperatives founded since 1951.

Legal framework

- Law n° 1163 on Cooperatives
- Charter of Good Conduct.

Background

- The network composed of
 - 32 Regional Unions
 - § assisting the cooperatives to making use of the fund on the most appropriate manner
 - § coordinating their activities
 - § helping them to marketing their products
 - 910 Credit and Guarantee Cooperatives, inherited from the “traditional Guilds”
 - § They assess the financial need of their members for the year to come
 - § They distribute the credits that have be made available from Halkbank’s resources
 - § They deliver a guarantee to Halkbank in favour of their borrowers
 - On the bottom line : 1,1 million Tradesmen and Craftsmen
 - § As shareholders of the Local Cooperatives in the number of 1,1 million. In this sense, TESKOMB is a mutual scheme.
 - § Tradesmen and Craftsmen make up 98,8% of all Turkish Entreprises ; 37% of the production ; 46% of the total employment ; 8% of the export value.
- Halkbank
 - As a “Banque Populaire – Volksbank”, Halkbank is a public financial institution which provides small business with loans that are cheaper and easier to get than in other banks. After having assessed the needs of the local businesses and having matched this estimation with the Halkbank’s available funding, the Local Cooperatives distribute the credits which could be allocated to each of them and they provide Halkbank with their guarantee.
 - Financial relations are envisaged with other banking partners.

Facts about 2003.

- After a deep financial crisis of 2000 which brought inflation and interest rates to unaffordable levels for a stable economic life and for the achievement of investment programmes, there was a slow recovery in 2003. Better conditions –however still below standards- gave rise to the creation of 400.000 new jobs.
- The share of credit given to SMEs is below 4% of the total financial intermediation...
- TESKOMB renewed leading team started re-considering the role of the network. Stronger relations were established with AECM. Books and studies were published ; a seminar was organised on “The SMEs in the EU integration process”.

Activity 2003.

In 2003, the volume of guarantees granted reached €92.715.000, instead of 31.280.000 in 2002.

All went to micro crafts- and trade- businesses

The outstanding guarantee jumped from 101.280.000 in 2002 –one of the lowest levels ever- to 492.millions at the end of 2003. They were devoted to almost 400.000 beneficiaries.

Funding the commitments, there were own funds by 57,2 millions, against 37.834.000 the year before.

Paid defaults could be reduced to 23.212.000, which is a rate of 4,7%, considerably less than in 2002.

View on 2004.

- TESKOMB is concerned with the process of adhesion of Turkey to the EU. As a responsible body in the financial flows to SME, it wants to reach EU standards as soon as possible. Its action is carried out towards its network but also towards craftsmen and tradesmen.
- Training is a priority.

ANNUAL REPORTS 2003

KREDI GARANTI FONU - KGF Turkey

Mission Statement

KGF is a specialised guarantee society easing the access to credit of short / long term for Turkish SMEs

Framework :

- Laws regulating operations : private law

Operational background : main actors

- SMEs represented in the shareholding by the Confederation of Tradesmen and Craftsmen(TESK), the Union of Chambers of Commerce and Industry (TOBB), the Foundation of Small and medium businesses (TOSYÖV) and the Foundation for the Promotion of Vocational Training and small industry (MEKSA)
-
- Banks :
 - Halkbank as shareholder
 - Halkbank and 5 other banks as providers of guaranteed credits
- State Agencies of SME promotion
 - KOSGEB, as Public Organisation for Promotion of SMEs
- Turkish State
 - Turkish State supports KGF with tax relieves (corporate tax ,VAT and stamp duty) and a 50% counter-guarantee of losses for incentive credits)

Facts about 2003.

- Turkish economical recovery influenced the activity of KGF in a positive sense, a very welcome signal after the 2001 crisis.
- State extended an exemption from VAT and stamp duty for KGF's activities
- Three more banks joined the KGF financial partners network

Activity 2003⁴

The difference in exchange rate TL / EUR is to be considered in the 2003 / 2002 comparison.

Guarantees granted, per year : an increase of 85% in 2003 !

in €1.000	2003	2002	2001
Volume of guarantees	8.400	3.400	2.600
Number	172	93	54
Volume of underlying loans	11.400	4.500	3.600

⁴ 1€31.12.2003 = 1.7045.072 TL // in 2002 : 1.703.477.

Average guarantee amount : €19.000

Average loan protection : 74%

Breakdowns :

- Sectorial distribution : Manufacturing : 88% (mainly food and beverage , Clothes and weaving , Machine production, plastics) / Services 8% / Mining 4%.
 - Existing firms in amount 86% - in number 83% / start-ups : in amount 14% in number 17%.
 - In maturity : > 2 years in amount :39% - in number : 30% / 1-2 years in amount : 32% - in number : 44% / <1 year : in amount 29% - in number : 26%.
 - According to the Cy size : >10 people : in number : small : 45% / micro 41% and medium 14 %
 - According to the type of credit : working capital : 52% / investment : 35% / technical and performance guarantees : 13%
- Working capital loan is the main use of the guaranteed credits ; it serves to the purchase of raw materials (38%), to export financing (34%) and to liquidity needs (28%)

Outstanding guarantee amount in portfolio : 19.704 million against 10.035 million in 2002.

Defaults : In 2003, €31.000 were paid for 10 defaulted credits. It represents a decrease of 53% in comparison with 2002.

The analysis of the reasons of default emphasizes : lack of skills, lack of working capital , marketing problems.

Responsible own funds :

in €1.000	2003	2002	2001
Volume of equity	5.495	4.778	4.357

In that way, the leverage of own funds reaches $19.704 / 5495 = 3,58$ x.

The company is profitable.

Views on the future

- Economic expectations are improving in 2004. A more stable trend in business is forecast.
- The co-operation with several new partner banks will gain momentum.

ANNUAL REPORTS 2002

FEDERCONFIDI - Italie

Mission Statement.

- The mutual guarantees network of FEDERCONFIDI –of which the reference entrepreneurial organisation is Confindustria- aims to support the access to credit for the benefit of SMEs active in the manufacturing sector.

Operational environment

- “Federconfidi servizi” is the national umbrella of the network with a role of representative organisation. They are the lobby organisation vis-à-vis public authorities, the spokesman to AECM, a center of strategic coordination and impetus.

- 45.738 SMEs (+5,4% in comparison with 2002 – 842.000 workplaces) are partners of the 81 regional mutual guarantee societies (85 in 1001) in a capacity of shareholders, members of the Board and decision Committees and beneficiaries of the guarantee.

In the network, 45 Confidis are constituted in the form of a consortium and 36 are limited liability cooperatives. A consorzium is a union of entrepreneurs which, instead of paying a fixed share of capital, commit to pay a determined amount of money in case at first request and as a expression of their solidarity (this commitment is called cofidejussione).

The personal involvement of entrepreneurs in the companies’ life allows the societies to work with a minimum of staff (339 employees). Another keynote feature is that the decision, taken by entrepreneurs, involves a dominant opinion of personal and qualitative data above the usual financial criteria (17 confidis with a deliberating organ only with entrepreneurs and 59 with a majority of them).

Amongst the network members, there are 5 regional organisations (Lombardia, Liguria, Emilia-Romagna, Marche and Lazio) which are holded by Provincial Confidis. They have a role of consolidation and contribute to a main portion in the long term guarantee distribution.

Confidis, whatever their form, provide a service of guarantee (fee rate is from 0,4 to 1% annually calculated on the credit amount) and financial consultancy.

One of the additionality elements is the effect of reducing the bank’s interest rate supplied to the borrower. However, a consequence of the financial trend of debiting rates is to reduce the spread between “Confidi’s rate”(5,58%) and “normal rate” (5,66%).

- Banks are partners of Confidis mainly as protected lenders : 283 banks work with Confidi through a General Facility. 46 confidis associate banks in their Decision Committees with minority representation
- Some confidis have a recourse on a system of counter-guarantees which is serviced by Medio Credito Centrale (Loi 662/96 et 266/97). To a certain extend, they receive as well the support

of regions participating in the formation of the “risk funds” (provisions for risks without status of share capital and thus without voting rights).

Three Regional Confidis have a counter-guarantee agreement with EIF.

- State has now provided a regulatory framework for confidis (D.I. 30th September 2003 n 269, followed by Law n 326 of November 24th 2003)

Facts about 2002 and 2003

- Italy is experiencing a slow recovery characterized by limited productivity growth and weak investments in R&D.
- A rising number of firms complain that access to bank credit (their main source of financing) is being more difficult and that banks restrain their offer to short term loans. On the contrary, banks underline that non-utilized margins on issued credits remain broad and that there is a slowing down demand of credit.
- The confidi network is evolving slowly in size and in professionalism :
 - 5 Confidis merged into a new entity ; 2 others were absorbed
 - the number of employees grew
 - more confidis improved their decision, follow-up and default processes., but only 41 confidis implement
 - Only 27 Confidis receive a certification of their financial statements.
- Croissance des crédits garantis (court terme ; + 8,5% ; moyen terme 22,7%)

Key data 2002

- The responsible own funds amounted to 665.760.000. They are composed of :
 - capital equity : €29.400.000 (against 18.360.000 in 2002).
 - personal moral commitments given by entrepreneurs : €14.990.000 (against €10.330.000 in 2002)
 - Available Risk Funds : €21.220.000 (against €383.370.000), provided by :
 - § Communities, State, EU : 44,3%
 - § Associated businesses : 36,8%
 - § Chambers of Commerce : 10,2% (Milan)

Own Funds are increasing strongly (+8,7% versus 2001) and they take more and more the form of monetary funds rather than a moral commitment (fidejussione)

- In all 283 different banks co-operate with Confidis. The principle of risk sharing is 50/50% of the risk. The facility contract signed between the confide and the bank provisions the maximum amount of guarantees which can be granted in relation with the Risk Funds. The most common value of the ceiling is a multiplier of 10 x the Risk Funds. 844 guarantee facilities are in force with partner banks (against 834 in 2001 and 778 in 2000)
- During 2002, a total of €3.280 million credits benefiting of the Confidi guarantee have been granted, out of which €1.400 million at medium-long term. This is 26.300 transactions (2002 : €3.154.834.060).
- Outstanding guarantee portfolio by 31.12.2002 : €2.589.030.000 (against €2.212.432.050 at the end of 2001) :
 - Short term : €1,073 Billion
 - Medium term : €1,515 billion.Beneficiary sectors represented in the outstanding are : mechanical industry (34,5%), building industry (15,2%), food industry (5,5%), textile (4,7%)
- Insolvency of borrowers :

- The quality of the portfolio deteriorated in 2002.
- A total of 20,1 million was declared insolvent in 2002.
- In 2002, defaults represent 0,78% of the outstanding guarantee commitments / or 4,76% of the risk funds.

According to data of the National Bank of Italy, the average rate of default in the banking system is 4,5% of the loans (4,7% in 2001). On average, Confidi perform better than the market.

Regional Confidi perform better than local entities.

Strategic issues and overview of the future.

- Referring to the new Italian supervisory law for Confidis and to Basel 2 Accord, the network is said, to the opinion of Federconfidi Servizi, to face main challenges.
Confidis are called to perform some critical functions :
 - To select creditworthy firms in their membership
 - To overcome current asymmetry of information
 - To monitor firm's performance much more and to put pressure on them for a transparent management information system and for early corrective actions, when needed.
 - To provide SMEs with a wider range of financial guarantees and financial advisory services.
- Considering this new environment, Federconfidi Servizi deploras the heterogeneity of the network and the variety of sizes (3 confidis with > 2000 members and 22 with < 200 affiliated businesses / 27 confidis with more than € million equity base but 8 under €500.000) .
- The National umbrella stresses on the necessity of a larger size, better financial services, more risk sensitive analysis and follow-up. In the background, Basel 2 is a powerful driver for improvement.