



**Annual
Report
2000**

**SLOVENE
EXPORT
CORPORATION**



Export
Insurance
and Finance
Corporation
of Slovenia, Inc.,
Ljubljana

Firm's name:

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In accordance with Arts. 16 and 18 of the Law on Export Insurance and Finance Corporation of Slovenia, Inc. (Official Gazette RS, Nos. 32/92, 37/95, 34/96, 31/97, and 99/99) and Art. 20 of the Articles of Association of Slovene Export Corporation, Inc., Ljubljana, the regulations applicable for banks shall also be applied for the Annual Statement of Accounts and Audit of Financial Statements of the Corporation. The Annual Report shall be adopted by the Shareholders' Meeting upon proposal of the Board of Directors. The assessment on the Annual Report shall be submitted by the Supervisory Board and the Corporation shall submit its performance report to the National Assembly of the Republic of Slovenia.

The Annual Report of SEC, Inc., Ljubljana for 2000, which is its eighth Annual Report since the establishment of the Corporation on 22 October 1992, includes the Business Report and Financial Statements of the Corporation with commentary for the financial year 2000 ended on 31 December 2000, as adopted on the 11th Regular Shareholders' Meeting. The Financial Statements were audited by the audit company PRICEWATERHOUSECOOPERS, d.d., which issued a positive report about it.

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Mission of the Slovene Export Corporation, Inc., Ljubljana

"SEC, the Slovene export credit agency, is a financial institution which provides insurance and financing of export transactions and performs other kinds of operations aimed at stimulating and promoting economic relations with foreign countries "- (second paragraph of Art. 2 of the Law on Export Insurance and Finance Corporation of Slovenia, Official Gazette of the RS, Nos. 32/92, 37/95, 34/96, 31/97 and 99/99).

Promotion of business operations of Slovene economy

- by providing quality, expeditious and internationally competitive services of credit insurance for Slovene companies at their operations on domestic and foreign markets;
- by creating economic safety through offering quality insurance covers under conditions, which enable companies to provide competitive offer and safe operations on existing and new markets;
- by financing operations, which enable Slovene companies to acquire and perform exports to and investments on foreign markets;
 - with financing conditions which, in addition to the offer of commercial banks, enable Slovene companies to make competitive operation on foreign markets;
 - by issuing high quality guarantees which supplement the offer of commercial banks and which provide the beneficiaries safety of operation with Slovene companies and enable Slovene companies to use to their advantage business opportunities on foreign and domestic markets;
- by advising, providing information and assistance with collection of debts and with other services, which are supplementing services of insurance and financing.

The conditions of insurance facilities, which SEC performs on account of the State, also consider interests of Slovene taxpayers. According to the capacities for such insurance companies are provided with an adequate economic safety and at the same time it is looked after that on the long-term the result of operation is at least at breakeven, whereby settled and non-recovered claims and costs of such insurance are covered by the paid premiums and fees. Thus, the support of the State for the operations of international trade of Slovene economy is provided for on the long term.

Principal activities

- insurance of short-term export and domestic credits against commercial risks
- financing of exports
- issuing of guarantees
- insurance of export credits against non-commercial risks
- insurance of investments abroad against non-commercial risks
- insurance of medium-term export credits against commercial risks
- insurance against exchange rate risks

Statement from the Board of Directors

In 2000, at turn of the millennium, the Slovene Export Corporation sustained the positive trends in its business development.

Business growth has been the main characteristic of the company over recent years. Last year, the Slovene Export Corporation already insured over 10 per cent of all Slovene exports, which is a large share, particularly in comparison to international norms.

The facilities offered by an export credit agency in the area of insurance of export credits and investments abroad, as well as export financing, are becoming more and more important in providing Slovene exporters with competitive conditions they need to maintain and strengthen their position on foreign markets.

Credit insurance, as the policy of sales promotion and at the same time the policy of business risk management, is becoming more and more important within the Slovene economy. So far the state and commercial insurance capacities still provide adequate comfort and possibilities to further develop business despite tendencies towards the regional concentration of risks.

Financing and re-financing of export credits intended for export and investment projects, is becoming an important SEC activity, providing competitive and long-term foreign currency sources. Furthermore, cooperation with an export credit agency makes it easier for Slovene commercial banks to compete on the ever more demanding domestic and foreign markets.

We are sure that our past results form a sound basis for the development of our business in the years to come. The strategy we have adopted, featuring further business growth as the main objective, remains up-to-date and is the foundation for the planning and performing of SEC business policy.

In 2001, adjusting our insurance and financing conditions to match those of the world's best institutions and the constant improvement of our services, together with the quality work of employees and top technical and information support, will all form the basis that will allow us to achieve the goals we share with our shareholders, the state, our employees and, of course, our future business partners.

Marjan Kramar
Chairman of the Board of Directors



Slovene Export Corporation - Basic Presentation

- Slovene Export Corporation, Inc., Ljubljana (SEC) is a Slovene export credit agency (ECA). It was established on 22nd of October 1992 as a special private-law financial institution for insurance and financing of exports, in accordance with the special Law on Export Insurance and Finance Corporation of Slovenia (Official Gazette RS, Nos. 32/92,37/95,34/96,31/97 and 99/99).
- The Corporation is registered at the Court Register of the District Court in Ljubljana by the Resolution No. SRG 8069/92 as of 27th of October 1992, under Registration No. 1/19966/00.
- The majority shareholder of the Corporation is the Republic of Slovenia (at the end of year 2000 its share amounted to 91,15 per cent). Other shareholders of SEC are banks, insurance companies, the Chamber of Commerce of the Republic of Slovenia, and numerous other Slovene companies (on 31st of December 2000 there were 83 shareholders of SEC).
- SEC is registered for a broad range of activities aimed at promotion of sales of goods and services and investments of Slovene companies abroad.

On its **own account**, SEC:

- insures companies against short-term commercial risks in export and in the domestic trade;
- finances international trade and investment transactions;
- issues guarantees for transactions of companies on foreign and domestic markets;
- provides credit rating information, consulting, assistance with collection of debts and performs other supplementary services.

On **account of the State**, SEC:

- insures export credits against non-commercial risks;
- insures investments against non-commercial risks;
- insures medium-term export credits against commercial risks;
- insures short-term export credits against commercial (non-marketable) risks in non-OECD countries
- insures against exchange rate risks;
- In addition, SEC (as the agent of the State) also performs technical and expert tasks relating to the State Interest Rate Equalization Programme (IREP) for export credits, as well as other activities according to special authorisations.

The principles on which SEC activities are based are, in particular, principles of security, liquidity and profitability. With respect to the standards of safe business operations, periodical and annual reports, and audits of financial statements, practically the same regulations apply for SEC as they do for banks. Banking operations of SEC are supervised by the Bank of Slovenia, whereas insurance operations are supervised by the Insurance Supervision Agency. Additionally, SEC is also under supervision of the Ministry of Finance.

"The Republic of Slovenia guarantees for the contractual obligations of the Corporation arising from issuing guarantees and insurance exceeding Corporation's capital. By special laws, the Republic of Slovenia guarantees for liabilities of the Corporation which exceed the Corporation's capital arising from raising of loans, issuing of guarantees abroad and issuing of securities" (Article 17 of the Law on SEC).

Raising loans with State guarantees is also regulated by the Guarantees of the Republic of Slovenia for Loans Hired for Export Financing Act (Official Gazette RS No. 20/98).

Operations on the Account of the State and the Role of the Exports Promotion Commission

The operations performed by SEC as the Slovene export credit agency (ECA) on account of the Republic of Slovenia are managed and accounted separately from the operations performed by SEC on its own account.

According to the Law on SEC, conditions for the facilities provided by SEC on State's account, and the insurance limits for transactions insured on account of the State in individual countries, require the approval of the inter-ministerial Exports Promotion Commission. Among other things, the Commission determines conditions and criteria relating to the State interest rate equalisation programmes for export credits and approves financial transactions exceeding 5 per cent of the capital of the Corporation, as well as insurance transactions and guarantees exceeding 10 per cent of the Corporation's capital.

Precautionary reserves, which represent an important insurance capacity of SEC for insurance against non-marketable risks, before settled indemnities burden the State budget's funds (the initial funds for these precautionary reserves were provided by the Republic of Slovenia according to the special law from the proceeds from privatised socially-owned companies), are formed out of insurance premiums and other income, which the Corporation makes by operation in the field of insurance and reinsurance against non-marketable risks (non-commercial risks, medium-term commercial risks, and other short-term commercial (non-marketable) risks). These reserves are used in particular to settle liabilities toward the insured and for covering losses arising from insurance transactions performed on account of the State. According to the Law on SEC, the Republic of Slovenia shall ensure funds for payment of claims arising from the insurance against non-marketable risks, should these claims not be settled from these reserves.

A similar status as the precautionary reserves have also special precautionary reserves for insurance against exchange rate risks, formed at the beginning of 1998.

SEC Facilities

Compared to other export credit agencies (ECAs) in other countries, SEC is a one-stop agency, i.e. an agency which offers their customers a wide and complete range of financial facilities of insurance, financing and issuing of guarantees, complemented by some additional services like information on credit rating of companies and risk rating of foreign markets, legal advice, assistance with collection of debts etc.

Besides, SEC is the only financial institution in Slovenia, which insures export credits against commercial as well as non-commercial risks, including exchange rate risks, and at the same time insures investments of Slovene companies abroad against non-commercial risks. Thereby, SEC is, from the insurance point of view, completely supporting the sales transactions of its clients. Beside insurance of export credits SEC at the same time, offers also the possibility of indirect or direct financing of these transactions in domestic or foreign currency and issuing of various guarantees. SEC does not only support its customers in entering into foreign markets. It also insures their domestic credits against short-term commercial risks, thus providing insurance cover for their total turnover. The same is true for SEC guarantees which are issued for foreign beneficiaries and also for business transactions on domestic market.

With its advisory and preventive function of insurance SEC helps Slovene companies when entering into their sales markets, recovers their claims at the occurrence of an insured event, and thereby insures them against the risks of non-payment or protracted default of domestic and foreign buyers, debtors or guarantors, irrespective if the reason for non-payment or protracted default was a commercial or non-commercial risk. SEC also helps them with collection of debts, provides credit rating and other business information, and other advice.

Export and domestic credit insurance and insurance of investments, through assignment of insurance rights to commercial banks, also makes bank and other loans necessary for business more readily available to exporters.

The development strategy of the insurance and financing of export system in the Republic of Slovenia and SEC strategic documents and development plans, discussed in 1997, 1998, and 1999 by the Supervisory Board of the Corporation, were adopted by the Government of the Republic of Slovenia already in 1999.

For the development of export insurance and finance system in the Republic of Slovenia the World Trade Organisation (WTO) rules, and the rules and/or agreements of the members of the International Union of Credit and Investment Insurers (the Berne Union) are undoubtedly very important. Although Slovenia is not yet its member, the same goes for the so called Consensus of the Organization for Economic Co-operation and Development (OECD), including the Knaepen package and the process of harmonization of premium rates, which are also accepted into the rules of European Union (EU), and other rules on export credits applicable, or to be applicable in future in the EU. Therefore SEC, that respects the OECD Agreement on Export Credits in its operations, worked closely with the Ministry of Economic Affairs also within the framework of the Working Group 26 (foreign relations) on approximation and negotiations regarding the membership of the Republic of Slovenia in the EU. SEC prepared the conformity analysis of its regulations, business policy, and Slovene legislation with the *acquis communautaire* - export credits, programme of harmonization, and proposal for negotiations on membership of the Republic of Slovenia in the EU. Thus the development strategy of SEC, which is already implemented in accordance with the decisions of the competent bodies, considers inter alia the necessities and possibilities of Slovene economy, the development of domestic financial sector, the present and future national legislation, international regulations in the field of export credits, modern practice and trends in the field of insurance and export financing, and preparations for Slovene membership in the EU.

On the basis of the above strategy SEC is intensively preparing for the complete harmonization of the export insurance and financing system with the rules which will be applicable for Slovenia (after an eventual transitional period) when it becomes a member of the EU. Within this framework SEC is preparing the way for some necessary changes of insurance and financing conditions (especially in the field of insurance of medium-term risks, trade in the common market, harmonization of the premium system and some other conditions of insurance cover, regulations regarding co-insurance, exchange of information within the EU, transformation of the present Interest Rate Equalization Programme (IREP), etc.

In general SEC development strategy covers the following:

- adequate increase of volume and quality of SEC services in the field of its main and other activities, including some new activities, is put in the forefront of its development strategy as a condition for further dynamics and modalities of development of SEC;
- next objective is gradual withdrawal of the State from the field of insurance of marketable risks which can generally be insured on the private (re)insurance market; this will require a gradual transformation of SEC and establishment of a specialized credit insurance company with selected key domestic and foreign partners;

SEC operations on account of the State are already for a number of years transparently separated from operations on its own account; for its insurance operations SEC applies regulations from the Insurance Act, and for its other financial operations it applies regulations applicable for banks. The new Insurance Act adopted last year (Official Gazette of RS No. 13/00) determines, that the new credit insurance company will operate entirely according to this law, and in the given transitional period the rules of the new Insurance Act shall apply for the insurance operation of SEC mutatis mutandis.

- furthermore, the strategy is anticipating gradual privatisation of SEC, Inc., Ljubljana, which will, according to the decision of its shareholders, in the first phase begin by selling part of shares owned by the Republic of Slovenia, to key domestic partners, predominantly banks and insurance companies and/or to present shareholders and possible institutional investors;

According to recent modifications of the Law on SEC (Official Gazette of RS No. 99/99), the proceeds of SEC shares sold by the State will be used to increase the precautionary reserves (according to the Law on SEC and Agreement with the Ministry for Economic Affairs they represent long -term liabilities of SEC, Inc., Ljubljana, toward the State) for settling of claims arising from insurance against non-marketable risks performed by SEC on account of the State. Herewith SEC insurance capacities and possibilities will be increased.

- additionally and in accordance with the adopted strategy there are preparations going on for adoption of the new law on insurance and financing of international economic transactions in the Republic of Slovenia, which will replace the present Law on SEC and Law on Guarantees of the Republic of Slovenia for Loans Hired for Export Financing.
- on the basis of the said law a new agreement and/or adequate contract will be entered into between the competent ministry and SEC on performing insurance services on behalf and on account of the State and on Interest Rate Equalisation Programme management.

Highlights of SEC Business in 2000

- At the end of 2000 the paid-in share capital of SEC amounted to 9,323,540,000 SIT, i.e. 44.1 million EUR•). (It is divided into 932,354 shares of face value 10,000 SIT per share).
- At the end of the year the capital amounted to 16,668,213,000 SIT (78.8 million EUR).
- The audited book value of a share, as of 31 December 2000 was 17,877.56 SIT.
- SEC, Inc., ended the financial year 2000 with profit before tax in the amount of 188,523,000.00 SIT (919,000 EUR).
- Despite large investments in particular in development, personnel, training and information system, the Corporation has operated with a profit all years since its establishment. Apart from the principle of profitability, which is reflected in the planned positive financial results, SEC business policy also considered the principle of liquidity and security of operations as well as strengthening of its high credit rating. The level of long-term provisions which amounted to 3,468,653,000 SIT (16,400,000 EUR) as of 31 December 2000 reflects this concern for safe operations.
- The result of insurance for account of the State for the last year was positive again, since the premiums for this insurance (2.3 million EUR) exceeded the paid claims (490,000 EUR) for more than 1.8 million EUR,
 - therefore, the precautionary reserves for this insurance have increased last year and on 31 December 2000 amounted to 60.7 million EUR (in addition to that the special precautionary reserves for insurance against exchange rate risks amounted to 4.3 million EUR).

Table 1:
Basic information on SEC
(1996-2000)
(in EUR)

	1996	1997	1998	1999	2000
No. of shareholders	93	92	87	84	83
Share capital	48,215,000	49,125,000	49,350,000	47,251,000	44,082,000
Capital	60,539,000	67,562,000	73,677,000	76,442,000	78,807,000
Profit	493,000	581,000	736,000	633,000	919,000
Profit/share capital	1.0	1.2	1.5	1.3	2.1
No. of employees	33	39	42	47	50

* Note: Where not specifically indicated otherwise in the Annual Report, SIT equivalents in EUR are used for presentation of SIT operations in EUR, calculated for financial statements at the end of each calendar year in accordance with mean (final monthly) exchange rates of the Bank of Slovenia on the last day of each calendar year (the conversion rate of ECU to EUR being 1 :1). Thus the following ECU exchange rates have been used for expressing the data in EUR: 31.12.1996 :1 ECU =175.4113 SIT; 31.12.1997 :1 ECU =186.7334 SIT; 31.12.1998 :1 EUR =188.9271 SIT; 31.12.1999:1 EUR =197.3215 SIT; 31.12.2000:1 EUR =211.5062 SIT. For other operating data the values expressed in EUR have been calculated from the average monthly exchange rates of the Bank of Slovenia in individual calendar years (1996 :1 ECU =169.5098 SIT; 1997 :1 ECU =180.3985 SIT; 1998: 1 EUR =186.2659 SIT; 1999: 1 EUR =193.6253 SIT; 2000 : 1 EUR =205.0316 SIT). For data concerning the growth of operations and comparisons of operation volumes by individual years, as well as for calculation of various indices the operation results in SIT have been used, unless specifically indicated otherwise in the text.

In the last year SEC increased heavily the volume of its business in all of its main fields of activity.

- The total value of insurance transactions increased in the last year by 61 per cent, for the first time exceeding 1 billion EUR, and in the year 2000 amounted to 1,192 million EUR (which is according to the provisional data already more than 10 per cent of the whole Slovene export);
 - in the last year the volume of transactions on account of the State increased by almost 50 per cent and amounted to 821.4 million EUR,

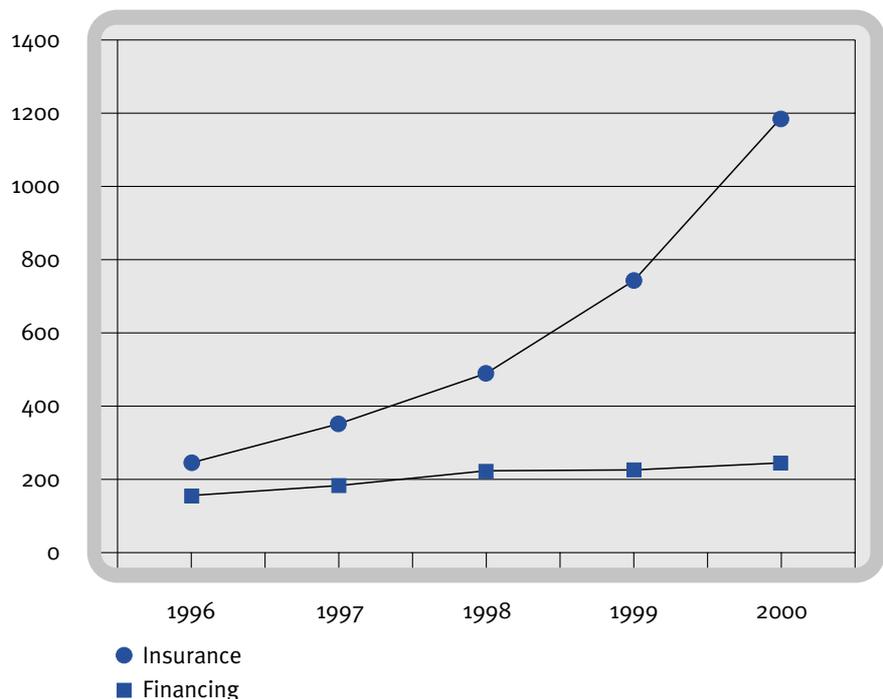
- the volume of transactions on own account increased by 60 per cent and amounted to 914 million EUR in the last year.

- The premiums for the insurance in whole have also increased and amounted to 5.6 million EUR, whereas the volume of all paid claims reduced (by 30 per cent and amounted to 1.8 million EUR). This reflects considerable reduction of claims from insurance on account of State (medium-term commercial risks) if compared with the year before, whereas claims from insurance against short-term commercial (marketable) risks on account of SEC, Inc., increased extensively (to 1.35 million EUR) in the last year. Nevertheless, the result of insurance on own account was again positive in the last year (the paid claims represented 40 per cent of premiums for this insurance).
- In addition SEC in the last year increased the volume of its operation also in the field of financing of export transactions and investments abroad and in the field of issuing guarantees.
 - In the last year SEC financed 1143 transactions of 420 companies, and the volume of refinancing of banks loans increased by 17 per cent if compared with the year before and in the year 2000 amounted to 249.6 million EUR.

Thus at the end of last year, SEC interest rates for refinancing of loans in domestic currency, considering the term of export credits, ranged between Basic Interest Rate (BIR) +2.5 - 5.25 per cent, while the final bank interest rates, paid by exporters, ranged between BIR +4.25 - 6.25 per cent.

In 2000 SEC continued with the implementation of the long-term programme of borrowing on the international financial market, which is performed with State guarantees. With these borrowings SEC now enables exporters to finance exports also in foreign currencies.

Figure 1:
Volume of SEC business
1996-2000
(in million EUR)



Insurance

With its insurance facilities and pro-active marketing approach SEC has managed in eight years of its existence to develop domestic market and demand of companies for credit insurance.

More and more often and to a greater extent Slovene companies use SEC facilities. Practically all major Slovene exporters give special place and importance to credit insurance among instruments for protection against non-payment risks as a risk management measure. This is the result of intensive structural changes in Slovene economy, which is successfully passing from transition. Risk management will become even more important in the future, when companies and their management will not only take care of production and sale, but also for adequate protection against risks. These are represented by a more and more frequent demand on domestic and foreign markets that sale on credit and/or deferred payment are performed under competitive conditions and also on open account without additional and expensive warranties for conforming performance of the debtors' obligations.

Slovene economy is quite developed (GDP according to purchasing power per capita represents approximately 70 per cent of the EU average), relatively small and very open, since its international trade of goods and services exceeds GDP for almost 20 per cent. The growth of Slovene economy (4.6 per cent - according to the latest data) was in the last year heavily stimulated with the favourable international trade cycle and foreign demand. These contributed to the fact that exports, together with the slightly better competitiveness of Slovene exporters, in year 2000 increased in real terms by 11 per cent, which was considerably more than imports. The total exports of Slovene economy in the last year according to the provisional official data amounted to 11,494 million EUR, out of which export of goods amounted to 9,467 million EUR. These favourable macroeconomic trends contributed to the fact that in the field of insurance SEC continued with the trend of growth from the previous years. However, the growth of volume of insurance transactions of SEC was considerably higher than the 4.4 per cent average economic growth in Slovenia in the last five years and the growth of exports.

- The total value of insurance transactions of SEC increased considerably in the last year (even more than in the year before last year), i.e. by 61 per cent and for the first time exceeded 1 billion of EUR, since
- in year 2000 the volume of insured transactions of SEC amounted to 244 billion SIT or 1,192 million EUR;
- so the volume of transactions insured by SEC is already more than 10 per cent of the whole Slovene export of goods and services in 2000 (12.6 per cent of export of goods), which is a good result also if compared with other ECAs in the world.

Thus the share of exports insured by SEC out of the total Slovene exports to individual foreign markets is also considerably more important. A considerable part of Slovene exports, especially to more risky markets, would most certainly not be realized without SEC insurance and/or the exporters could not provide for the competitive financing conditions for the sale of their products. Thus SEC plays a very important role in opening some of the markets for the Slovene economy and hereby contributes to a more favourable balance of payments effects (in 2000 the current account deficit, if compared with the year before, reduced to 3.2 per cent of GDP) and better employment in the country.

Table 2:
Insurance: business insured,
premiums, claims - values
(1996-2000)
(in million EUR)

	1996	1997	1998	1999	2000
Business insured	255.4	343.2	493.4	738.5	1,191.6
short-term transactions	243.6	321.4	423.9	719.4	1,154.3
medium-term transactions	11.7	21.7	69.5	19.1	37.3
Premiums	1.0	1.4	2.7	3.7	5.6
short-term transactions	0.7	1.2	1.8	2.8	4.8
medium-term transactions	0.3	0.2	0.9	0.8	0.8
Claims	0.09	0.3	0.6	2.5	1.8
short-term transactions	0.09	0.3	0.4	0.5	1.4
medium-term transactions	-	-	0.2	2.0	0.4
Recoveries	-	-	-	-	0.4
short-term transactions	-	-	-	-	0.1
medium-term transactions	-	-	-	-	0.3

The majority of all transactions insured in the last year were short-term. The value of insured medium-and long-term transactions began to increase again after the considerable decrease in the year before last year and has amounted to 37.3 million EUR if not taking into account issued offers for insurance. Regarding the fact that the most important foreign trade partners of Slovenia are EU Member States (65 per cent of export of goods) and other developed countries, members of OECD, the majority of insured exports were exports to these countries. Slovene exports to EU increased in real terms (mostly to France, than to Austria, Great Britain etc.), whereas in the last year the trend of decreasing of trade with the Counties of SE Europe - West Balkans stopped due to slow stabilisation of the situation (increase of exports in real terms by 14.5 per cent). There was a strong increase of export to B&H and Macedonia (and FRY), and Croatia remains the third most important Slovene export partner, after Germany and Italy. In the last year the market shares of Slovene economy in Russia, CEFTA counties and in some other counties also increased. According to figures of insured transactions the most important foreign trade partner of Slovenia is Germany, followed by Croatia, Italy, Austria, Poland, France, Czech Republic, Great Britain, B&H, Russia, USA, Slovakia and others.

- The growth of transaction volume in the field of insurance reflected also in premium income, which increased by more than 50 per cent, if compared with the year before, and in the last year already exceeded 5.6 million EUR.

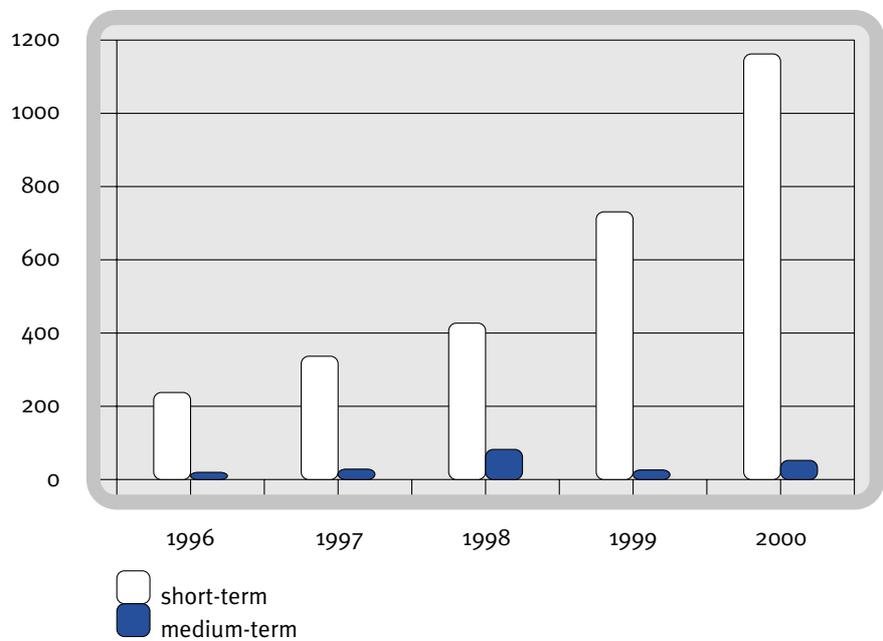
This growth considerably exceeds the growth of paid insurance premiums in Slovenia. The share of SEC in all premiums for credit insurance in the country (in general the results of credit insurance in Slovenia were worse than two years ago) in the last year increased to 22 per cent, but today SEC business involves only export and domestic credit insurance, where SEC has by far the largest market share among all insurance companies. The business of SEC, however, does not involve consumer and other credits.

- The volume of all paid claims in 2000, if compared with the year before, decreased by approximately 30 per cent. Last year they amounted to 1.8 million EUR (result premiums/claims - 31.5 per cent). The share of SEC in all paid claims of credit insurance in Slovenia was last year more than two times smaller than in premiums, and it amounted to 9.4 per cent.

This rather favourable insurance-technical result is a consequence of quite lower (five times) value of paid claims for medium-term insurance on account of the State (for this insurance there were two claims paid last year in the amount of 419,000 EUR), with regard to the first serious claims paid by SEC for insurance against medium-term

commercial risks in 1999, whereas the paid claims for insurance of short-term transactions increased quite significantly (2.5 times) in the last year. In the recent years a more and more important role when assessing the overall results of SEC operation is gained also by recoveries - the amounts, which the insurer or the insured are able to collect from the debtor after the payment of a claim. This procedure may last also for a longer period, at least in insurance of medium-term transactions and non-commercial risks on account of the State, and therefore, these risks may be levelled also on a rather longer period.

Figure 2:
Insurance - business
insured
1996-2000
(in million EUR)



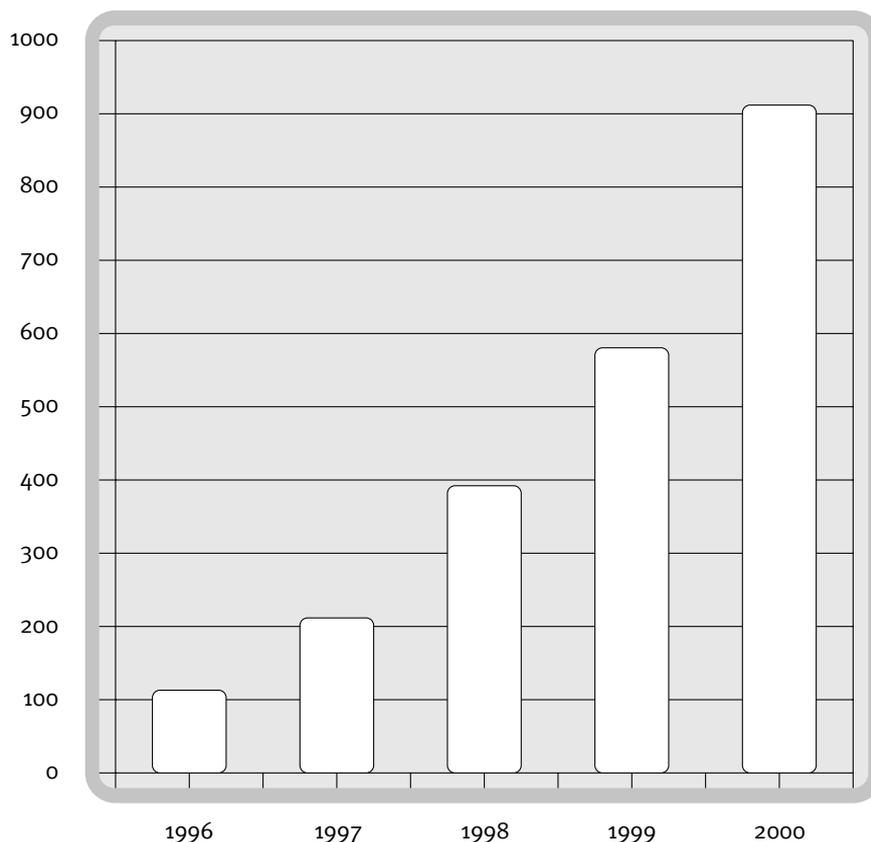
Insurance against Short-Term Commercial Risks

Insurance of short-term credits to private buyers (as a rule up to 180 days) against commercial risks, is a basic facility of SEC offered to Slovene companies, which sell abroad or at home on open account, and have, as a rule, insured all their credits (whole turnover) with revolving contracts at SEC. In this field SEC is the leading Slovene Insurer.

In the field of insurance against short-term commercial risks the volume of operations also increased last year, and new customers were won (an overall number of these insurance contracts increased by almost 40 per cent in the last year), at insurance of export credits as well as, in the last year in particular, also of domestic credits (receivables).

- The value of transactions of insurance against short-term commercial (marketable) risks, which are insured on own account, increased in the last year, if compared with the year before, by 60 per cent, and amounted to 187.4 billion SIT (914 million EUR), and the volume of operation in the last year increased (by six times) in particular in the field of insurance of domestic credits (receivables).

Figure 3:
Short-term commercial risks - business insured 1996-2000 (in million EUR)



Slovene foreign trade is very diverse - according to products and sectors of economy as well as according to partnership relations, although the majority of export is to developed EU Member States (in particular to some neighbouring ones) and other neighbouring countries, and minority also to the countries of SE, E and Central Europe. The majority of the insureds (policy holders) which have all their sales insured with this insurance instrument with SEC are from paper industry followed by companies of chemicals and pharmaceuticals, household appliances, machines, textile, metal, timber and electric industry. Practically all important big Slovene exporters are insured with SEC. In addition, the insureds of SEC are also numerous medium and small companies, which are given the same treatment by SEC as big ones.

In addition, according to the special Medium and Small Size Companies Programme (MSSCP) the Corporation provided for easier access to insurance and financing of export by small and medium size companies also in the year 2000, and thereby enabled the favourable business environment with the emphasis on the simplification of operation, which is driven by the needs and abilities of small and medium size companies also to this segment of economy. Within this facility the commercial banks play a special role by providing the so-called group policies.

Slovene companies are becoming more and more aware of the need for financing of their export and sales, advantages of export credit insurance and the advantage of this insurance compared to other instruments dealing with protection against risks of non-payment in their operation on foreign as well as domestic market. Namely, credit insurance is a safe, price-competitive and relatively non-complicated instrument of protection against risks of non-payment, which enables companies to sell on the open account and without additional warranties, which would otherwise have to be provided by their buyers. Slovene companies are also more and more aware, that non-payment and insolvency risks exist also on the markets in developed countries and that these risks, if a company is not protected against them, may seriously jeopardize the profitability of their operation and even their existence. The increased volume of this type of insurance is also the result of SEC intensive marketing activities and increased interest of commercial banks in additional forms of security when financing their clients.

- SEC exposure against the risks of short term commercial insurance increased significantly in the last year and on December 31, 2000 amounted to 81.2 billion SIT, i.e. 384 million EUR. The highest exposure was toward buyers from Germany, Croatia, Italy, Slovenia, Austria, Great Britain, France and Poland. SEC insured exports against short-term commercial risks to 68 countries.

Table 3:
Insurance: operations
of SEC on account of SEC
Inc. 1996-2000
(in million EUR)

Short-term commercial risk	1996	1997	1998	1999	2000
business insured	119.1	216.6	389.7	571.9	914.0
exposure (31.12.)	52.1	92.3	141.9	255.3	384.0
premiums	0.4	0.8	1.4	2.2	3.3
claims paid	0.09	0.3	0.4	0.5	1.3
no. of claims	4	4	13	28	66
recoveries	-	-	0.1	0.08	0.08

- The growth of insurance volume reflected also in approximately equal growth of premiums paid for this insurance. Namely, invoiced premiums in the last year increased by 61 per cent if compared with the previous year and amounted to 672.4 million SIT (3.3 million EUR).

- Claims paid for this insurance increased by 2.6 times if compared with the previous year (similar, but lower "growth" is evident also for the claims in process and potential claims which to a certain extent shall be evident in the business results for the following years). In year 2000, 66 claims (two years ago 28) arising from the insurance against short-term commercial risks were paid in total amount of 262.2 million SIT, i.e. 1.3 million EUR. There were 18 claims in Italy, 14 in Germany, 11 in Poland, 6 in Croatia, 4 in Great Britain and Austria, 2 in Slovenia, Slovakia and Hungary and 1 in USA, Czech Republic and Sweden.
- Business result for this insurance (measured with the ratio between premiums and claims, recoveries not taken into account) in year 2000, if compared with the previous year, aggravated from 4.4 to 2.6 (claims paid represented almost 40 per cent of premiums for this insurance, invoiced in that year), but the positive result of this insurance in year 2000 increased by approximately 300,000 EUR, if measured in nominal amount.
- The volume of recoveries in year 2000 arising from insurance against short-term commercial risks remained practically on the same level as in year 1999. In the last year, there were 9 recoveries of paid claims in the total amount 79,000 EUR (3 claims in Austria and Great Britain, respectively, 2 in Germany and 1 in Sweden).

Also in year 2000 SEC portfolio of short-term commercial (marketable) risks was reinsured by first class foreign and domestic reinsures.

New - Electronic on-line Business SEC-NET

E-business (B2B and B2C) is not only the future which will certainly gain in importance also in Slovene economy, it is also already the present which brings major changes also in the field of credit insurance and other operations of export-credit agencies. The roles and meaning of various participants of business transactions are changing, financial products are also adapting to the changed situation due to the development of E-business in the world. Communication between customers and offer of services by the companies for insurance and for financing of business transactions are experiencing changes. Providers of financial facilities and some insurers in the world are beginning, as the answer to the contemporary challenges which are brought by E-commerce, to offer new products and/or they are beginning to break the existing products to pieces and also separately offer risk management, insurance covers, credit rating and other information, and other additional services such as invoicing and collection of debts. Their offer, marketing of services, collection and processing of data is made easier by internet and contemporary tools; in addition their costs of operation are lower, response time is shorter and they are able to offer higher quality services which are adjusted to the needs of customers.

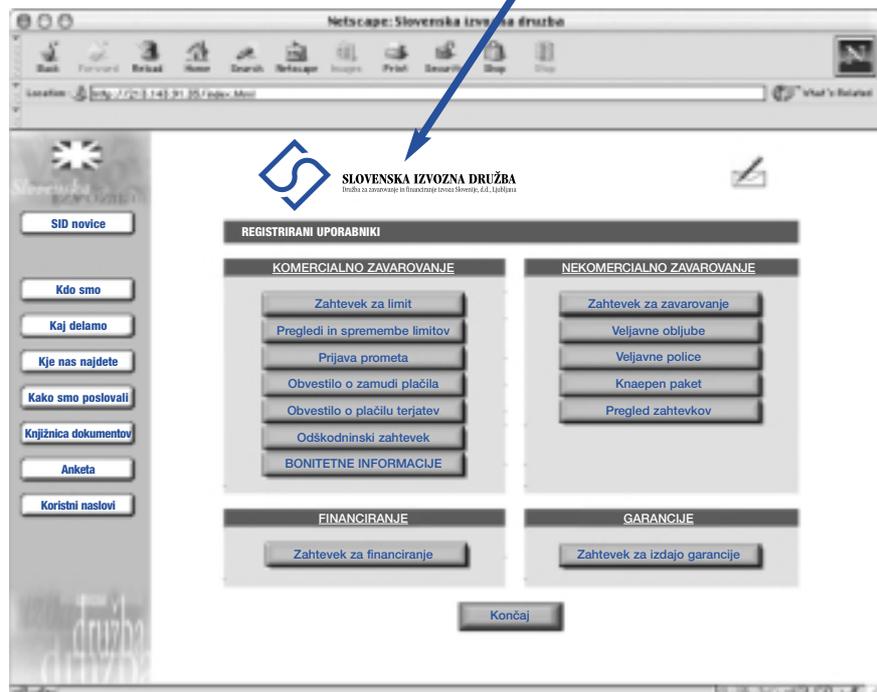
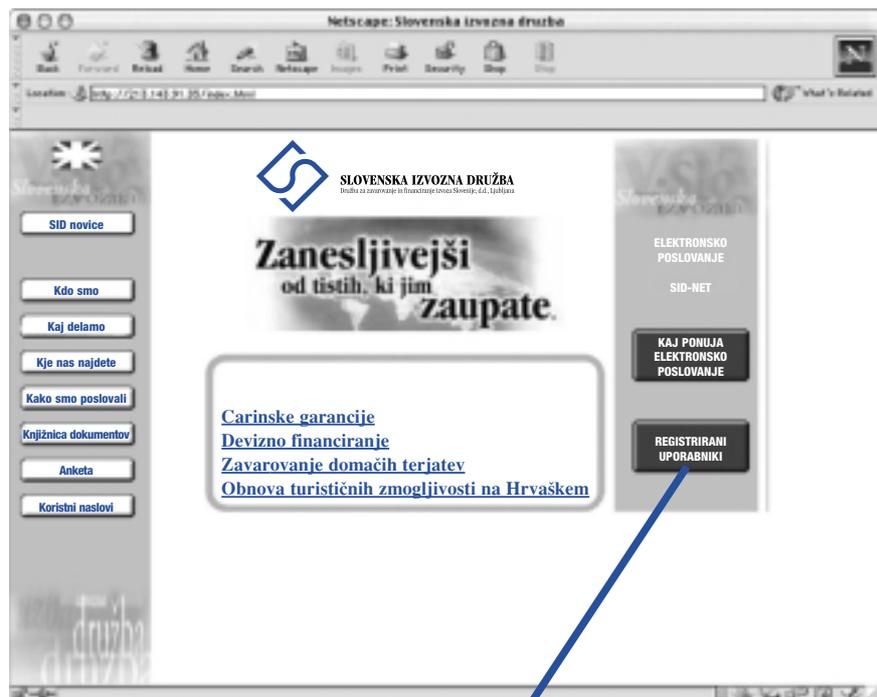
To challenges, which are put before export credit agencies with the development of E-business, SEC answered with the development of SEC-NET, through which companies will be able to perform internet E-business. In that way their on-line access to SEC facilities will be over portal and thereby safe, fast and effective.

To the customers, registered users with user name and password, the E-business with SEC (primarily in the field of short-term commercial insurance), will represent a new distribution channel, which will give them a possibility of fast:

- acquisition of credit rating information on buyers, debtors and guarantors from the numerous databases which will also be up-graded with the analytical work of SEC credit rating department;
- information will also be up-graded with the approved credit limits of buyers,
- furthermore, with insurance cover conditions and description and explanation of individual SEC facilities;
- thereby, the response time of the companies shall shorten, since they will receive answers to their questions and demands faster;
- their operation will be performed faster and with less costs;
- in addition, keeping of documents will be much easier since over SEC-NET the companies will have daily excess and insight to their operation with SEC in all phases (e.g. insurance application, offer and entering into insurance contract, declaration of exports, payment of premiums, monitoring of risk, handling with and liquidation of claims, collection of debts, recoveries, etc.);
- and thereby also their complete risk management;
- still, personal contacts with the insurer will not lose on importance.

The companies - customers of SEC - will in this way have access to facilities under the same conditions as they are offered by other developed export credit agencies in the world.

SEC-NET
www.sid.si



Insurance against Non-Commercial Risks, Medium-Term Commercial, and other Non-Marketable Risks

The volume of operations of SEC in the field of insurance against non-commercial and medium-term commercial and other non-marketable risks, which SEC insures on account of the State, further increased in 2000, and

- amounted to 821.4 million EUR, which represents almost 50 per cent growth if compared with the volume of export insurance on account of the State in 1999 (this means that in the previous year SEC insured on account of the State already more than 7 per cent of total Slovene exports).

Last year 81 new policies and 52 new insurance contracts were entered into by SEC for this insurance. At the end of last year, 289 insurance contracts were closed against non-commercial risks; in addition export transactions were insured against non-commercial and medium-term commercial risks also with 100 insurance policies, issued for the cover of individual transactions, 89 of which were medium-term.

The growth of SEC volume of insurance on account of the State is the result of SEC marketing approach toward companies and banks at insurance of their whole turnover, where short-term export credits are insured against both commercial and non-commercial risks, and better informing of exporters about SEC facilities. In some cases the reason was the improvement of risk ratings of some markets, which were traditionally interesting for Slovene economy. At the same time the increase of SEC operations volume in the field of insurance on account of the State is partly also the result of growth of volume of refinancing export credits since credits, which are refinanced by SEC, has to be - as a rule - also insured with SEC at least against non-commercial risks. The growth of the whole volume of insurance on account of the State is primarily due to major growth of short-term transactions insurance, which in the last year represented 95 per cent of all insured transactions on account of the State, and they amounted to 784 million EUR.

In the last year, the volume of short-term export credits insurance against commercial (non-marketable) risks increased also in particular in some risky countries, non-members of OECD, and amounted to 92.7 million EUR (the growth by more than 3 times if compared with the volume of these insurance transactions in 1999). In the last year export transactions to the following countries were insured according to this scheme: Croatia, Belarus, Bulgaria, B&H, Macedonia, Iran, Kazakhstan, Russian federation, Ukraine, Algeria, Syria, Slovakia and Romania. Exposure against these risks amounted already to 36.7 million EUR as of December 31, 2000, which is 2.2 times more if compared to the year before.

Medium-term export transactions did not significantly contributed to the growth of SEC insured export on account of the State, since the value of 47 new credit insurance contracts against medium-term risks amounted to only 19 million EUR, despite 47 per cent growth, if compared with the year 1999. This value is still 3.5 times lower if compared with the year 1998. The volume of medium-term insurance reflects the structure of Slovene economy, where there are fewer exporters of capital goods, and the consequences of Russian crisis are also felt, which contributed to the fact that growth of this insurance was lower than potential. The preparation of these transactions is also demanding and time-consuming, and the insurance conditions quite restrictive. In the last year, medium-term export transactions were insured against commercial as well as against non-commercial risks in Croatia, B&H, Italy, Russia, and Macedonia. In addition to the said transactions, there were 29 issued offers for insurance in the last year for insurance against medium-term commercial risks; the value of these offers amounted to 24.8 million EUR as of December 31, 2000. Slovene exporters show interest for this insurance in particular for certain markets in Central, Eastern and South-Eastern Europe.

With approximately the same level of direct input investments to Slovenia, the value of which is still far away from wishes and potentials, the Slovene companies in the last years more intensively invested abroad, in particular to the countries of SE and Central Europe, i.e. to Croatia, B&H, Macedonia, Poland, Slovakia and Poland. This growth of investment activity by Slovene companies abroad was not reflected in the further growth of insurance of these investments against non-commercial risks. Evidently, the Slovene investors are, to a certain extent, underestimating political risks on these markets and/or are not insured against these risks. They see premiums for this insurance as cost, which they are not prepared to pay. This is also reflected in the under-insurance of insured investments and non-insurance of additional investments to extended project companies and reinvestment of profit in so called reserved insured sums.

Beside credits for export of goods and services, SEC in the year 2000 insured against non-commercial risks only four investments of Slovene companies abroad (two in B&H and one in Belarus and Germany, respectively) in the total value of 5.6 million EUR (52 per cent less than in previous year). In addition, SEC in year 2000 issued also two policies for insurance against non-commercial risks of unfair calling of issued guarantees.

- Results of SEC insurance on account of the State was after 1999, which was the only exception of positive results so far, in the last year again positive (premiums of insurance on account of the State exceeded paid claims for 1.8 million EUR).
 - In 2000, due to growth of insurance volume, all premiums on account of the State increased by 55 per cent and amounted to more than 2.3 million EUR, out of which premiums for medium- and long-term insurance amounted to 770,000 EUR and premiums for short-term insurance amounted to 1.6 million EUR.
 - Paid claims for insurance on account of the State decreased in the last year and amounted to 494,000 EUR.

In the year 2000 SEC paid two claims (both in B&H) from insurance against medium-term commercial risks, but the value of these claims, which amounted to 419,000 EUR, was 4 times smaller than in the year before. Due to the number and total amount of claims in process (approximately 400,000 EUR; in Croatia and B&H) and in particular potential claims on the territory of Belarus, Russia, Ukraine, Macedonia, Romania, Kazakhstan, Iran, Bulgaria and B&H the increase of amount of paid claims from insurance on account of the State is to be expected in the next year.

- Positive result of SEC insurance on account of the State influenced the increase of precautionary reserves for this insurance, which in the last year increased and on December 31, 2000 amounted to 60.7 million EUR (special precautionary reserves for insurance against exchange rate risks amounted to 4.3 million EUR).
- Also in the last year SEC insured transactions on account of the State in more than 60 countries. Due to considerable growth of insured export and due to long-term nature of these transactions, also the exposure of SEC from insurance on account of the State, if compared with the end of 1999, increased.

Exposure of SEC against non-commercial and medium-term commercial risks and short-term commercial (non-marketable) risks in the countries outside OECD on December 31, 2000, including given offers, amounted to 84.7 billion SIT (400.4 million EUR). Without given offers for this insurance the exposure of SEC against all these risks amounted to 355 million EUR, which is by 39 per cent more than at the end of 1999.

Regional structure of insurance against non-commercial and other non-marketable risks is still relatively favourable for SEC and for the State, in spite of the fact that this worsened in the previous years and thus more and more resembled the structure of exposure of other export credit agencies, since the exposure in the countries with the higher risk rate (group D and E) at the end of 2000 represented 31,8 per cent of the overall SEC exposure against these risks (in geographical concentration of risk given offers are not taken in to account). In addition, the concentration of risks with respect to individual countries is also still relatively favourable for SEC. Beside Germany, which on December 31, 2000 represented 19.8 per cent of SEC overall exposure against non-commercial and other non-marketable risks, and Italy (11.8 per cent), this share is already for the next OECD country - Austria - only 5.2 per cent, and the bigger share than Austria have only three non-OECD countries, namely Croatia (13.3 per cent), Russia (7 per cent) and B&H (5.5 per cent).

Figure 4:
SEC exposure - insurance
on account of the State
31.12.2000

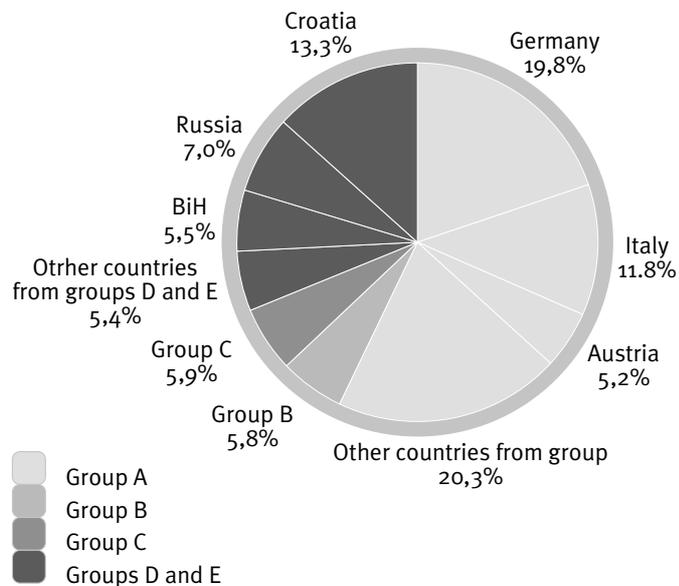


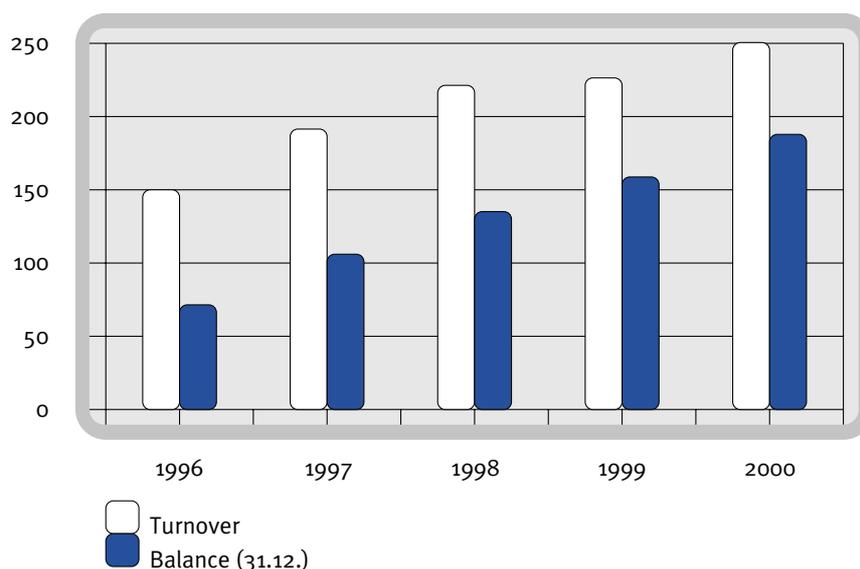
Table 4:
Insurance: SEC operation
on account of State
1996-2000
(in million EUR)

	1996	1997	1998	1999	2000
Non-commercial risks					
business insured	255.4	343.2	493.4	554.4	821.4
exposure (31.12.)	97.9	143.7	196.5	256.0	355.0
no. of new contacts	90	38	50	89	52
no. of new policies	41	40	65	82	81
total no. of contacts	155	219	272	309	289
total no. of policies with regard to exposure	37	45	70	90	100
premiums	0.6	0.4	1.3	1.5	2.3
paid claims	/	/	0.2	/	0.5
no. of claims	/	/	1	/	7
recoveries	/	/	/	/	0.3
no. of exporters according to policies	26	21	31	47	39
offers - value (31.12.)	/	8.4	17.4	49.6	45.3
offers - number (31.12.)	/	12	14	49	7
Medium-term commercial risks					
business insured	3.7	17.2	66.6	12.9	19.0
exposure (31.12.)	3.2	19.8	35.0	33.2	33.9
no. of contacts	8	16	27	40	47
no. of exporters	8	13	18	21	23
premiums	0.1	0.1	0.9	0.6	0.6
claims paid	/	/	/	2.0	0.4
no. of claims	/	/	/	2	2
offers - value (31.12.)	/	26.4	8.2	32.5	24.8
offers - number (31.12.)	/	17	8	40	5
Short term commercial (non-marketable) risks					
business insured			8.9	29.3	92.7
exposure (31.12.)			3.2	17.0	36.7
no. of contracts			31	44	43
no. of exporters			37	83	45
claims			/	/	0.07
no. of claims			/	/	3

* Note.: Premiums and claims for insurance against non-commercial risks also include invoiced premiums and claims for insurance against medium-term commercial and short term commercial (non-marketable) risks.

Financing

Figure 5:
Financing
1996 - 2000
(in million EUR)



In 2000, financing of export transactions in domestic currency, and from the last year onwards also in foreign currencies, was again one of the main SEC activities. This financing of export transactions was, due to greater multiplicative effect, larger use of commercial banks' funds for export financing transactions, and as for now still limited funds of SEC, mostly in the form of indirect financing of exports through refinancing of banks' export loans. SEC ensured favourable funds to banks for supplier credits, granted to Slovene exporters, and also buyer credits, granted to foreign buyers of Slovene goods and services, foreign investors, or their banks, and thereby significantly increasing the financing capacities of commercial banks for financing of exports and investments abroad. Financing of export transactions, like insurance, also covers all phases of export: pre-shipment and post-shipment financing.

In year 2000 SEC continued with borrowing on foreign financial markets, with the purpose to offer to exporters and/or their commercial banks as favourable long-term sources of financing exports in foreign currencies, export preparations and investments abroad as possible. Thus, on international market of syndicated loans SEC in year 2000 acquired long-term loan in the amount of 40 million EUR, for which guarantee was given by the Republic of Slovenia.

Table 5:
Financing
1996-2000
(in million EUR)

	1996	1997	1998	1999	2000
volume of financing	149.2	187.8	220.2	225.2	249.6
balance (31.12.) of financing	74.3	103.3	134.8	157.3	187.1
no. of exporters	237	297	322	343	420
no. of banks	30	27	27	23	22
no. of contracts	699	783	968	1.043	1143

In the field of refinancing export credits, last year SEC actively co-operated with 22 banks and 420 exporters (77 more than in the year before). This increase was largely due to competitive export financing conditions.

- Compared to 1999, when the volume of refinancing export transactions and investments amounted to 43.6 billion SIT (225.2 million EUR), the volume of refinancing in the last year increased by 17 per cent, and
- in the year 2000 amounted to 51.2 billion SIT (249.6 million EUR)
- which, according to estimations represents 2 per cent of total Slovene exports of goods and services in the last year.

Thus, the growth of SEC refinancing volume in the last year was more than 2-times larger than real growth of all loans to Slovene economic sector (6.6 per cent; only one third of these loans in Slovene economy is represented by Tolar funds), and the percentage of SEC financing in all loans given to Slovene economy in the last year was almost 7 per cent.

The value of transactions refinanced by SEC - under the presumption of an average 50 per cent refinancing rate, paid advances, and average percentage of loans from bank funds in export business - means, that SEC, by financing of exports, which were mostly also insured with SEC, supported approximately half a billion EUR of exports, i.e. approximately 4.4 per cent of the total exports.

Due to a present structure of Slovene economy a large part of these refinancing transactions last year still represented short-term refinancing. The growth of all loans to Slovene economy in the last year is to be attributed to the growth of short-term loans (12 per cent growth, and short-term loans represented almost 60 per cent of all loans), which was influenced by the increased demand for liquidity loans due to stricter legal conditions and also by more restrictive budgetary policy and exchange rate growth, which in a short-term worsened borrowing conditions abroad. In 2000 especially refinancing export transactions with term from 6 to 12 months increased since the majority of new granted export credits referred to such term. In the whole structure of refinancing export credit as of 31 December 2000 compared to the end of 1999 the refinancing of exports of the first priority (export of capital goods, equipment and investment works) showed an increase of 55 per cent, i.e. 28 per cent of SEC total refinancing. In the last year the companies, especially those larger and with better credit rating, raised longer-term loans abroad even more and also took advantage of A rating of Slovenia, due to more favourable borrowing conditions abroad and also due to prescribed restrictions of domestic banks for financing of an individual loan taker.

Table 6:
Refinancing:
1998-2000

	1998		1999		2000		Index 00/99 (for SIT)
	bil. SIT	mio EUR	bil. SIT	mio EUR	bil. SIT	mio EUR	
long-term	4.6	24.6	1.7	8.5	3.4	16.6	206
short-term	36.4	195.5	42.0	216	47.8	233	114
total	41.0	220.1	43.6	225	51.2	249.6	117

- An increased demand for refinancing of export credits is reflected also in the number of transactions. Last year SEC approved 1143 applications for refinancing which, compared to 1043 realized applications of the year before, represents an increase of almost 10 per cent. Of all applications received, 99 per cent were realized.

The SEC interest rate policy aimed among others, to decrease the costs of exporters who took bank loans. After years of gradual reduction, the inflation rate in Slovenia in the last year increased again (to more than 8 per cent). This was due to, in particular, price increase of petroleum and some other products and due to introduction of Value Added Tax (VAT). Higher inflation rate affected, over revalorization of interest

rate - BIR (average BIR of 6.27 p.a. in 1999 increased to BIR of 9.05 p.a in last year) also the increase of nominal active interest rates in Slovene economy (average interest rate for short-term bank loans for current operation amounted to 15.8 per cent in the last year, and for long-term loans for assets in December last year to 18.4 per cent). Real interest rates also increased a bit (from average 5.7 per cent for short-term loans in 1999 to 6.2 per cent in the last year; in addition profit margin of banks for short-term loans also increased in the last year).

- As a rule, during the term of credit, the interest rates in real terms for export credits refinanced by SEC remained unchanged. Also during last year SEC currently adapted to the situation on the domestic monetary market, so that SEC interest rates, with regard to term of loans in domestic currency at the end of last year amounted to Basic Interest Rate (BIR) +2.5 - 5.25 per cent. Herewith the bank caps, i.e. the highest permitted banks' interest rate, for the total amount of export credits were conditioned by SEC, and at the end of the year they amounted to BIR +4.25 - 6.25 per cent, regardless of borrowers' credit ratings. In the field of crediting in foreign currency SEC also limited the caps for final users, shown over the half-yearly EURIBOR. Thus, addition over EURIBOR amounted, depending to the term of loan, from 1.95 to 2.75 per cent p.a

Guarantees

With regard to the importance which issuing of guarantees or confirmation of guarantees of commercial banks have for Slovene companies, especially for equipment manufacturers and investment project contractors abroad and at home, SEC has supplemented its offer for Slovene companies in the field of insurance and financing and in enabling Slovene companies to acquire business transactions by issuing guarantees. For domestic and foreign beneficiaries these guarantees represent first-class and quality instrument of protections against risks of non-performance of various obligations of debtors (persons ordering issue of guarantees) from various basic contracts. In providing guarantees, SEC gives priority to those export transactions which were also financed and insured by SEC. Guarantees, issued on request, may also be insured at SEC against non-commercial risks of misuse and unfair calling.

With this facility - issuing of guarantees and counter-guarantees - where SEC pays special attention to specific needs of customers and to shortening of response time to demands of persons placing orders, SEC reduces costs for Slovene companies and makes them more competitive, especially in foreign markets. SEC also strives for reduction of the costs of issuing of guarantees, and for better acceptance of directly issued SEC guarantees abroad. Especially in those markets where SEC, as a relatively young institution, is not known or not sufficiently known, SEC also makes use of fronting, thereby enabling Slovene exporters to make use of this facility and to possible faster realisation of transactions.

- In the last year the value of guarantees issued by SEC increased by almost 30 per cent; these were primarily issued for obligations of producers of machine and other equipment.

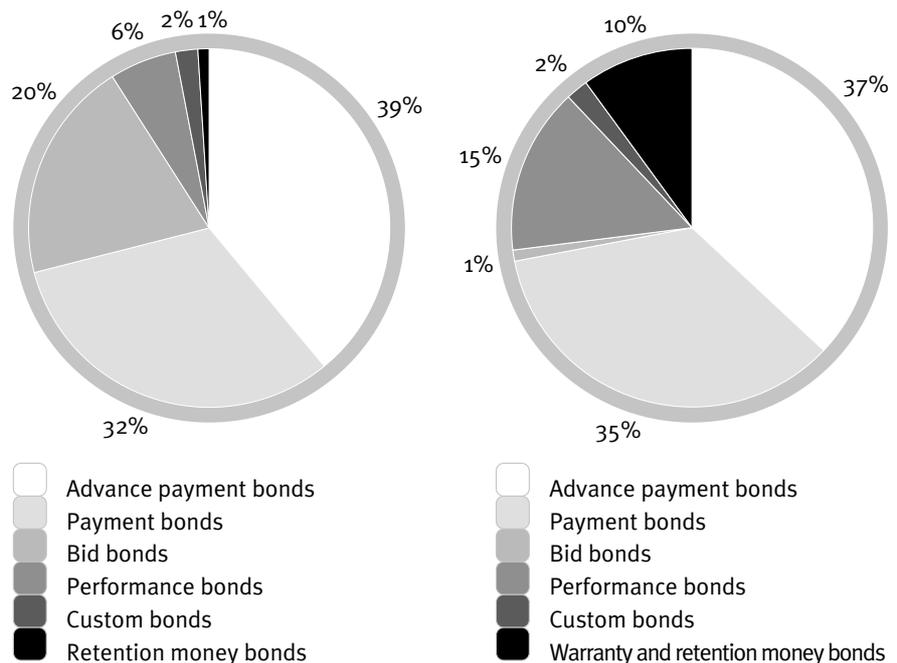
Last year, SEC issued guarantees to beneficiaries in 19 countries. Most of them were from USA (30 per cent), from Germany (16 per cent), Canada (16 per cent), Italy (2 per cent), Costa Rica (2 per cent), followed by Austria, Belgium, B&H, Denmark, Egypt, Estonia, Finland, Croatia, Hungary, Macedonia, the Netherlands, Poland, and Turkey.

In 2000 SEC issued mostly advance payment bonds (39 per cent of all guarantees issued by SEC), followed by payment bonds (32 per cent); there were more bid bonds issued than in previous year (these represented 20 per cent of all issued guarantees), followed by performance bonds (the volume of these guarantees was 2 times larger than in previous year and amounted to 6 per cent of all issued guarantees), then by customs guarantees and warranty bonds and retention money guarantees.

Figure 6:
Issued guarantees (type of
guarantees - percentage)

Left:
Value of issued guarantees -
2000

Right:
Outstanding commitments
31.12.2000



At the end of 2000, the structure of outstanding guarantees was, with respect to the balance of issued guarantees, as follows: advance payment bonds (37 per cent), payment bonds (35 per cent) performance bonds (15 per cent), warranty and retention money guarantees (10 per cent), followed by customs guarantees and bid bonds

SEC was largely successful at insuring all its potential liabilities arising from issued guarantees. The majority of issued guarantees are secured by mortgages, deposits, guarantees of parent and other companies, counter-guarantees of financial institutions, Slovene Development Corporation, various suretyships, and other instruments for security of payments.

In 2000 one advance payment bond was honoured, issued in the same year. The liability arising from this bond was recovered and paid in whole.

In the period of SEC operation until 2000, eleven guarantees were honoured in total amount of 365 million SIT. Of the said amounts of honoured guarantees, 309,6 million SIT were recovered by the end of 2000.

Other Activities

Co-operation with Governmental and other Authorities

In performing its services and other activities SEC co-operated closely with numerous governmental and other institutions at home and abroad.

System of Insurance and Financing

Co-operation with governmental authorities is in particular important in the field of implementation of adopted development strategy of the system of insurance and financing of exports in Slovenia.

- Within this framework there was a creative co-operation of SEC, in particular in drafting new Insurance Act and also within Slovene Insurance Association, where SEC made numerous remarks and suggestions with respect to the draft and proposal of this law.
- SEC has brought into line its current operation with the rules of new Insurance Act. In accordance with the adopted development strategy SEC is also preparing to set up a specialised credit insurance company, which will be set up after the end of the given transitional period according to this law, and it will operate according to provisions of the new Insurance Act.
- According to recent modifications of Law on SEC the Corporation prepared the basics of the privatisation programme of SEC, with which the majority owner would ensure funds for in this law anticipated increase of the precautionary reserves for insurance, which SEC is performing on account of the State.
- With the competent governmental authorities SEC also worked on the drafting of the new law on insurance and financing of international economic transactions, which will regulate the operation of authorised export credit agency, performing the State account business.

State Budget

The operation of SEC and its plans were discussed several times by the Government of the Republic of Slovenia and competent committees and by other bodies of National Assembly and National Council. In particular, SEC intensively worked on preparations for adoption of State budget for the year 2001 and 2002 and other budgetary documents. The following is determined for the year 2001:

- for the upper limit of insurance on account of the State the sum 210 billion of SIT (approx. 960 million EUR) and for export transactions insured against exchange rate risks the upper limit of 140 billion SIT (approx. 650 million EUR);
- for the guarantees of State for SEC obligations deriving from borrowings abroad (principal amount) the sum of 18 billion SIT (approx. 84 million EUR).

In the last year SEC co-operated with various governmental authorities, in particular with the Ministry for Finance, when implementing Guarantees of the Republic of Slovenia for Loans Hired for Export Financing Act (OG RS No. 20/98). This enabled SEC to acquire favourable funds for financing of exports and it successfully introduced SEC to international financial markets. Within this framework SEC also co-operated in drafting regulations, which dealt with procedures for borrowing and issuing of State guarantees. With respect to borrowings abroad SEC also co-operated with the Bank of Slovenia. Raising loans and later on also issuing of debt securities on international financial markets will enable SEC, in particular in the future, to increase the volume of financing of Slovene exports, also direct financing and financing of exports in foreign currencies.

Other

- SEC co-operates quite closely with the Bank of Slovenia. Some time ago Bank of Slovenia adopted methodology and guidelines, which gave guarantees and other insurance instruments of SEC the status of first-class instruments of insurance at classification of active balance and off-balance sheet items of banks. Thereby these instruments became even more attractive insurance instruments for Slovene banks, which are more and more in demand by banks when granting loans to exporters and for which banks need not to build up provisions. Additionally, Bank of Slovenia amended its Decree on additional conditions for granting loans abroad. With these amendments SEC is now able to grant financial loan to a foreign person. Bank of Slovenia also amended its Decree on introduction of deposit for financial loans and deposits taken abroad - and SEC has now possibility to raise loans for financing foreign persons without being obliged to pay in Tolar deposits. Additionally, with the Decree on conditions for entering into loan agreements in foreign currency, SEC is able to refinance banks' export credits also in foreign currency.
- SEC as a Slovene export credit agency is performing certain transactions of insurance on account of the State. For these operations, the key factor is a mechanism for providing necessary liquidity if potential claims of insurance against non-commercial risks, medium-term commercial and other (non-marketable) risks, which SEC is insuring on account of the State, occur. Therefore, special emphasis should be given to the Contract on precautionary reserves, concluded between SEC and Ministry for Economic Affairs. With this contract the mechanism of building up and planning of precautionary reserves for the settlement of potential claims from the insurance against the said risks and the technique for paying claims, is defined. Similar contract was concluded at the end of 1996 also for special precautionary reserves for insurance against exchange rate risks.
- On the basis of the law on Use of Funds, Acquired From the Proceeds on the Basis of the Ownership Transformation Act, there were 1,255,024,387 SIT designed for the precautionary reserves for insurance against non-commercial risks, medium-term commercial and other non-marketable risks. On this issue SEC also reported to the National Assembly Commission for the Supervision of Privatisation and Ownership Transformation.
- Apart from co-operation with various economic ministries and offices, SEC also closely co-operated with the Ministry for Foreign Affairs and diplomatic-consular representatives, in particular in those countries, where exposure of SEC is higher. Regular exchange of information on individual markets involved, in addition to governmental authorities, also other institutions. SEC provided to Ministry for Economic Affairs and other ministries regular information on its operation and business policy, as well as proposals for the development of international economic co-operation (e.g. Stability pact for SE Europe, co-operation with OECD and participation of Slovenia in so called Consensus of the OECD and in the Group of export credit and credit guarantees of the OECD Trade Commission, etc.), on visits of state delegations, and on foreign trade and other legislation, which affects promotions of exports. Within the framework of financing of output investments and within the financing of marketing and similar activities of Slovene companies on foreign markets, SEC also successfully co-operated with the Trade and Investment Promotion Office.

In the last year SEC also intensively co-operated with the Slovene Chamber of Commerce, in particular at their activities toward exporters and regularly presented the possibilities of SEC support to Slovene companies on foreign markets. Representative of the Chamber is also member of the Exports Promotion Commission. Thereby, direct representation of interests of the economy in implementation of the State export insurance and finance policy (through SEC and the mentioned Commission), is ensured.

- As its member, SEC was also active within Slovene insurance and banking associations, respectively. Additionally, it co-operated also with the Craftsman Chamber of Slovenia and other insurance companies.

International Co-operation

Last year, on the 57th Regular Annual Meeting in Amsterdam, the Netherlands (on 18 October 2000) and after the two years of observer status, SEC was elected full member of the International Union of Credit and Investment Insurers (the Berne Union).

The Berne Union is endeavouring to bring into force the principles of sound insurance operation and discipline in agreed rules on export credit and investment insurance. With this objective the export credit agencies within the Berne Union regularly exchange information on their operations and insurance policy, individual markets, their experiences with debtors and guarantors, and underwriting - technical issues regarding insurance and are mutually co-operating also in other areas.

SEC membership in this exclusive and respected club of insurers is the sign of recognition for its successful development and high quality of its services. SEC has already managed to integrate fully in the activities of the Berne Union and co-operates closely with its members and the Secretariat; SEC wants to actively co-operate in the work of the Berne Union and to fulfil all its obligations arising from the membership and understandings of the Berne Union.

Apart from its membership in the Berne Union, SEC still co-operates on the regular meetings of the Secretary General of Berne Union with the new-established export credit agencies (ECA) from Middle and Eastern Europe; in addition SEC co-operates with these ECAs also on bilateral level. Among these agencies (with some of them SEC has also entered into a co-operation agreement - see table), SEC intensively co-operated with Slovak and Croatian agency (EXIM-SK in HBOR). Apart from co-operation with IBF B&H at insurance of Slovene export to Bosnia, SEC also co-operated with Bosnian IGA, which SEC has helped, at introduction of services of insurance against commercial risks of short-term export credits, in particular with education in the fields of sales and marketing. Apart from the close co-operation with Macedonian agency (MBPR) on the basis of the concluded framework co-operation agreement, SEC in the last year also concluded a special agreement with MBPR on co-operation and exchange of experience in the field of insurance of short-term export credits against commercial risks.

SEC had close bilateral contacts, exchanged information, and co-operated frequently with other export credit agencies, especially with members of the Berne Union. Most intensive co-operation was with German Hermes, with whom SEC closed the co-insurance and reinsurance agreements, as well as the agreement on fronting of guarantees. Similar insurance, financing and co-operation agreements SEC also has with the Austrian agency ÖKB, British ECGD, Dutch NCM, US-EXIM, Swedish EKN and others. Last year, SEC closed co-operation agreements also with Israeli and Turkish agency (IFTRIC, Turk EXIM). The said agreements enable co-operation between insurers and/or export credit agencies (one-stop shop arrangements), accelerate exchange of information and also open possibilities for efficient mutual operation of Slovene and foreign companies and banks in third markets, which may be financed from more sources, which ECAs from various countries may support with their instruments.

Apart from obligatory proportional reinsurance (Quota Share Treaty) of its portfolio of short-term commercial (marketable) risks, which SEC insures on its own account and which is reinsured on private market at major and first-rate reinsurers, SEC has already concluded many other agreements with other ECAs. Framework co-operation agreements, mutual and parallel insurance agreements, agreements on facultative reinsurance, fronting of guarantees and co-financing of projects; all these agreements may offer to Slovene economy the possibilities of successful operation with foreign companies in third markets. With its instruments SEC may effectively link with other

financial institutions, which also offer to these companies sources for the financing of various projects and are also offering them cover against commercial and non-commercial risks.

Table 7:
List of agreements concluded between SEC, Inc., Ljubljana and foreign export credit agencies and other international financial institutions

Countries	ECA / MFI	Type of agreements	Signed
	EBRD	Framework Co-operation Agreement	8 th May 1996
Belgium	OND	Mutual Insurance Agreement Parallel Insurance Agreement	Ljubljana, 20 th Dec., 1996
United Kingdom	ECGD	Co-operation Agreement	London, 26 th Feb., 1998
Austria	ÖKB	Co-operation Agreement Mutual Insurance Agreement Framework Reinsurance Agreement	Vienna, 10 th June, 1998
Russia	Ros-EXIM EXIMGARANT	Co-operation Agreement Memorandum of Understanding	Ljubljana, 8 th July, 1998 Ljubljana, 23 rd July, 1998
Germany	Hermes	Mutual Insurance Agreement Fronting of Guarantees Agreement	Hamburg, 10 th Sept., 1998
B&H	IBF	Mutual Co-operation Agreement	Ljubljana, 26 th Jan., 1999
Sweden	EKN	Mutual Insurance Agreement	Ljubljana/Stockholm, 23 rd April, 1999
USA	US-EXIM	Memorandum of Understanding	Ljubljana, 21 st June, 1999
the Netherlands	NCM	Reinsurance Agreement	Ljubljana, 22 nd June, 1999
Croatia	HBOR	Co-operation Agreement	Ljubljana, 14 th July, 1999
Macedonia	MBPR	Co-operation Agreement Short-term commercial risks Agreement	Skopje, 20 th July, 1999 Skopje, 1 st Feb., 2001
Republic of Korea	KEIC	Co-operation Agreement	Istanbul, 13 th Oct., 1999
Bulgaria	BAEZ	Co-operation Agreement	Ljubljana, 28 th Oct., 1999
Israel	IFTRIC	Co-operation Agreement	Tel Aviv, 7 th March, 2000
Turkey	Turk-EXIM	Co-operation Agreement	Amsterdam, 20 th Oct., 2000
Italia	SACE	Reinsurance Agreement	Madrid, 28 th March, 2001

Entering into co-operation agreement with Slovak and Egypt agency (EXIMBANKA-SR in ECGE) is in preparation.

At the 15th Regular General Assembly, held from 24 to 27 May 1998 in Vancouver, Canada, SEC acquired the status of observer in the Pan American Surety Association (PASA). Especially in the field of issuing guarantees, SEC has already participated in the work of PASA and made first contacts with members of this international organisation.

SEC co-operated also with other international governmental organizations (e.g. OECD and UNCTAD) and international financial institutions. It exchanged regular information with EBRD, with which SEC signed a co-operation agreement, and which provided SEC with technical assistance in the past, especially with projects in countries, recipients of EBRD support. SEC also exchanged experience with respect of investment insurance with MIGA, and was also agreeing with MIGA on possibilities and entering into co-insurance and reinsurance arrangement; on reinsurance of investments SEC was also in discussion with some private reinsurers.

SEC representatives actively participated at numerous international conferences, seminars, and workshops, especially on foreign trade, financing and insurance of export credits and investments.

Credit Rating and Other Information

Insurance of export credits and investments abroad, issuing of guarantees and financing - considering the fact that transactions supported by SEC involve risks already according to the definition - require appropriate databases, country risk ratings, and credit ratings of buyers, debtors and guarantors in order to assure successful operation of export credit agencies.

Therefore, in the year 2000 SEC continued to develop its own credit rating department which uses information system (IS) built by SEC and already existing and up-dated internal databases, and data and analyses of domestic and foreign institutions, as well as information on foreign markets, paid and potential claims, and buyers and guarantors, which are exchanged also among the members of the Berne Union.

In assessing country risks of foreign markets, SEC works closely with the Centre for International Co-operation and Development, which provides SEC with the basic country-risk reports for individual markets. SEC internal credit rating department prepares credit rating reports and information on domestic and foreign companies and banks. In accordance with the adopted methodology, the credit rating department also in the last year currently up-dated the lists of acceptable banks and their internal limits in individual countries, and prepared company analyses with proposals for their credit rating and limits for the purpose of issuing guarantees and some forms of insurance. With the development of its own credit rating department, SEC began to provide these information also for other domestic and foreign financial institutions; these were especially interested in information on individual markets, companies, and banks in Slovenia and in those countries of SE, E, and Central Europe, where Slovene industry has more experience, and for which SEC can provide specific information and has more experience.

In addition to country risk ratings and information on individual markets the customers and other external users may order the following information with the SEC credit rating department:

- credit rating information on Slovene companies,
- credit rating information on Slovene banks,
- credit rating information on foreign banks, in particular in SE, Central, and E Europe,
- credit rating information on foreign companies, in particular in SE, Central, and E Europe.

The services of SEC credit rating department will also be the basis for the Corporation's transfer to E-business, planned for the year 2001, when registered users will have access to credit rating information also on-line through the SEC-Net.

With the on-line offer of SEC facilities the credit rating department developed the system of databases with credit ratings of domestic companies and companies from those countries, which represent important export markets for Slovene economy. The project demanded establishment of an optimal database and connections, which are additionally supported with the analytical work of the credit rating department. Therefore, over the SEC-Net users will have the possibility of fast and safe access to quality and up-dated databases. This will, together with the use of appropriate software, enable more efficient operation, faster decision-making process within the companies and decisions of the insurers on insuring risks, determining underwriting conditions, and also on monitoring risks.

Information System

Information system and adequate databases and existing connections with other institutions represent necessary tool for effective implementation of business activities of the Corporation, control of operations and planing. SEC continued with the development of integrated information system, which SEC began to systematically build in 1996.

Major guidelines of information system development were in the filed of introducing electronic connections with business partners, in establishing of an independent system and control mechanisms built into the operations of the Corporation.

On the technical level, we continued with the purchase of quality professional equipment. Each employee has its own personal computer with unified net- and software.

A great emphasis was given to education of employees, since well-educated staff is the best guarantee for optimum acquisition of data and information from information system.

Personnel

In accordance with the planned employment the number of employees of SEC in the year 2000 increased from 47 to 50. 62 per cent of all employees have university degree, and 64 per cent of all employees are younger than 40 years.

The rapid growth of the volume of operation, development of existing and introduction of new facilities were supported with the adequate human resources policy, which based on the acquisition of new employees with adequate professional skills and on the education of existing employees. Human resources management is given a high priority in SEC, with regard to the growth of volume of operation and fulfilment of expectations of customers with respect to the qualifications of employees and their ability to offer adequate counselling and quality service, which help customers at their operation on demanding markets.

Also in 2000 SEC continued with activities, which contributed to the acquisitions and transfer of knowledge and qualifications of employees, to better organisational efficiency and greater involvement of employees in planing and decision-making.

Similarly, as in all previous years, SEC gave, due to the needed knowledge in the field of financing and insurance of economic transactions, special attention to the acquisition and transfer of knowledge, which is needed on individual expert fields (insurance, financing, financial analysis, treasury, legal services, information technology and accounting). This was done in various forms of internal education and participation on seminars, workshops, conferences, postgraduate studies and similar, at home and abroad. In addition, employees participated in various forms of education, where general knowledge was being acquired (foreign languages, business and sales communications) and have also upgraded their technical knowledge and skills (computer science, management, target-planing, time-management and similar.)

Figure 7

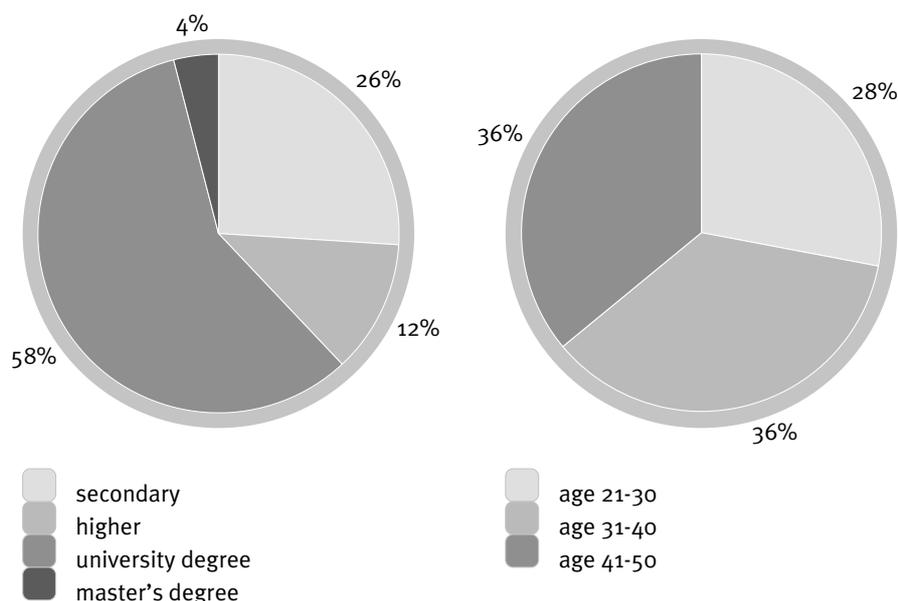
Left:

SID - structure of employees (education) - 31 Dec. 2000

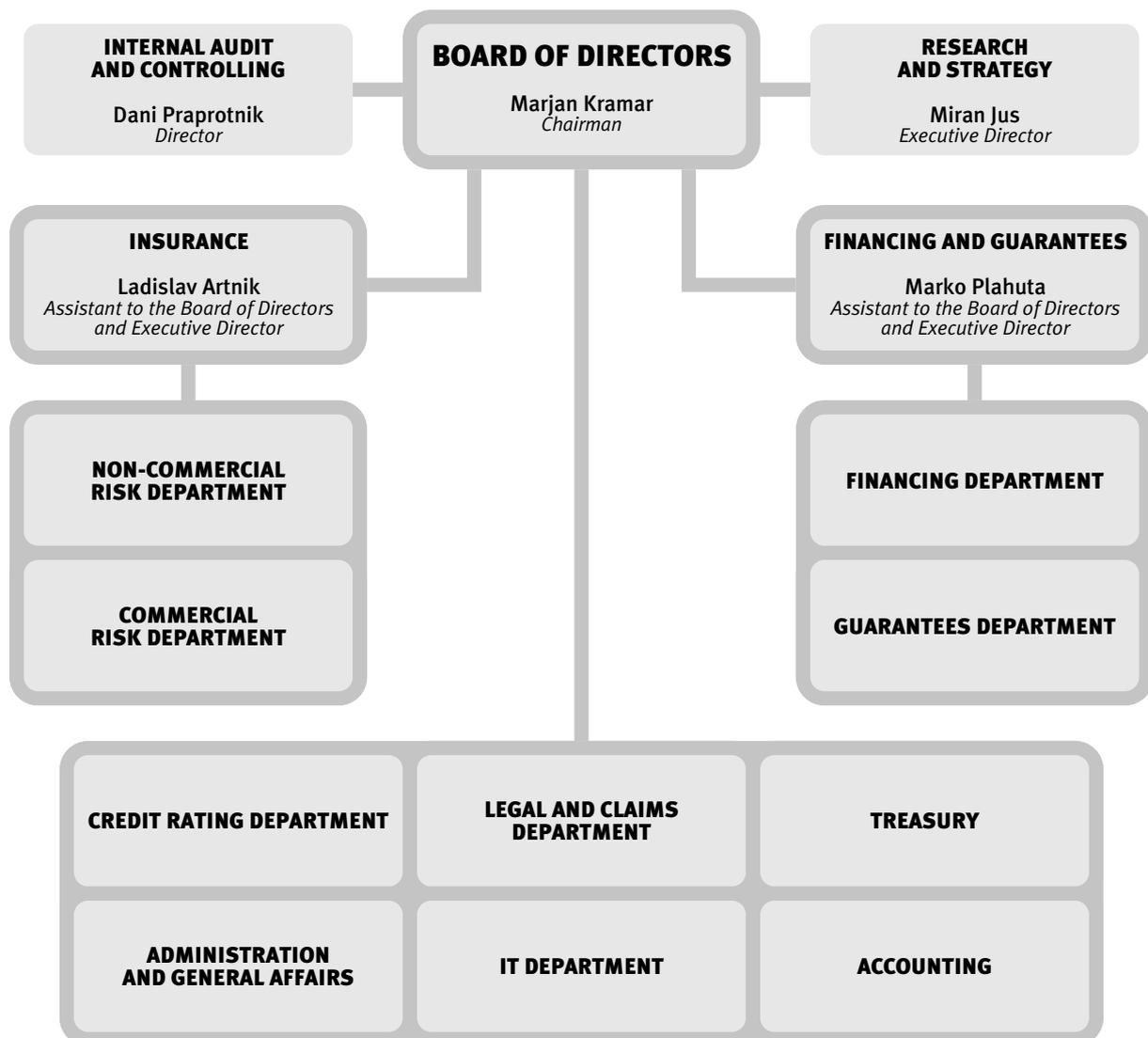
Figure 8

Right:

SID - structure of employees (age) - 31 Dec. 2000



Organisational Structure



General Assembly

Simon Oblak, M. Sc. - Chairman
Deputy General Manager of LEK d.d., Ljubljana

Ludvik Hribar - Deputy Chairman
General Manager of RUDIS, d.d.

Executive Management

Marjan Kramar - President

Supervisory Board

1. Vojka Ravbar, M. Sc. - Chairwoman
2. Branko Šušterič, M. Sc. - Deputy Chairman
3. Milojka Kolar
4. Janez Lotrič
5. Dr. Mojmir Mrak
6. Dr. Boris Šuštar
7. Janez Vuk

Exports Promotion Commission

1. Renata Vitez, Chairwoman
State Secretary, Ministry of Economic Affairs
2. Dr. Mojmir Mrak
Senior Lecturer, Faculty of Economy
3. Stanka Zadavec
State Undersecretary, Ministry of Finance
4. Alfred Killer
State Undersecretary, Ministry of Foreign Affairs
5. Janez Košak, M. Sc.
Vice-Governor, Bank of Slovenia
6. Marta Kos
Vice-President, Chamber of Economy of Slovenia

Financial Statements and Notes to the Financial Statements

Introduction

Business operations of SEC, Inc., Ljubljana for 2000, as described in the financial part of this Annual Report, are reflected in the Balance Sheet, profit and loss statement and funds flow statement for the same period.

The financial statements are prepared in accordance with Slovene Standards under consideration of international accounting standards.

Within the framework of the notes to the financial statements, let us specially mention the operations of the Corporation for that part of transactions, which are performed on account of the Republic of Slovenia. State guarantees for insurance transactions against non-commercial risks require special treatment when preparing financial statements since the financial result of the said transactions for the rest of the company shall remain neutral.

Following, there are financial statements of the Corporation (Balance Sheet, Profit and Loss Statement, and Funds Flow Statement) for the financial year 2000 and notes to the most important balance items.

**1. Balance sheet
as at
31 December 2000**
(in thousands of tolar)

Assets

	2000	1999
Cash	8,495	2,247
Loans to banks	39,223,933	31,143,549
Loans to other customers	420,009	25,126
Investment securities	-	209,267
Dealing securities	63,499	49,133
Intangible fixed assets	-	105
Tangible fixed assets	644,745	613,697
Other assets	813,895	356,607
Deferred expenses and accrued revenues	83,284	99,995
Total assets	41,257,860	32,499,726
Off balance sheet records	4,554,495	3,565,203

Liabilities and capital

Liabilities	2000	1999
Due to banks	6,158,960	3,240,000
Due to customers	916,643	103,339
Long-term liabilities due to Ministry of Economy	13,742,095	11,084,733
Other liabilities	291,808	364,567
Accrued expenses and deferred revenues	11,488	10,368
Provisions for commitments and charges	2,061,379	1,696,616
Insurance technical provisions	1,407,274	830,423
	24,589,647	17,330,046
Total shareholders' funds	2000	1999
Ordinary shares	9,323,540	9,323,540
Share premium	918,825	918,825
Reserves	1,031,291	906,476
Capital revaluation adjustments	5,246,125	3,896,024
Net profit for the year	148,432	124,815
	16,668,213	15,169,680
Total shareholders' funds and liabilities	41,257,860	32,499,726
Off balance sheet records	4,554,495	3,565,203

Commentary to some important items of balance sheet

(in thousands of Tolars)

Loans to banks and savings banks

Analysis by maturity:

Loans:	2000	1999
• short-term	33,900,708	26,973,539
• long-term	5,305,508	4,322,926
Provisions	(129,283)	(212,916)
	39,076,933	31,083,549

Restricted deposits:	2000	1999
• short-term	147,000	60,000
	147,000	60,000

Total	39,223,933	31,143,549
--------------	-------------------	-------------------

Loans and restricted deposits have been given to Slovenian banks for refinancing of export credits, granted to companies for purposes and by priorities as laid down in SEC business policy for individual financial years.

As a rule, the rate of refinancing to domestic banks which granted export credits, is 50 percent; exceptionally it is up to 90 percent for export credits of first priority, and up to 70 percent for export credits of second priority. Credits granted by a domestic bank to a foreign bank for refinancing of imports of Slovenian goods can be refinanced up to 90 percent.

The company borrowed EUR 30 millions from KfW, RZB and Sumitomo Bank to cover the needs of financing its foreign buyers, to prepare for the export of Slovenian exporters and to finance Slovenian investments abroad.

The amount of SIT 1,513,320 thousands of long-term loans, due in 2001 (1999: SIT 1,513,320 thousands), has been transferred to short-term loans to banks.

Specific provisions for impairment refer to short-term loans granted to Komerzialna banka Triglav d.d., Ljubljana in bankruptcy. The provisions were built-up in the amount of 100 percent of the claim.

Liabilities due to other customers

(in thousands of Tolars)

Long-term liabilities for funds received for precautionary reserves

a) Long-term liabilities due to RS Ministry of Economy regarding funds received for precautionary reserves refers to:

	2000	1999
General precautionary reserves	12,828,704	10,247,156
Specific precautionary reserves	913,391	837,577
Total	13,742,095	11,084,733

SEC long-term liabilities due to Republic of Slovenia arise from two agreements entered into between SEC and the Ministry of Economic Relations and Development of the Republic of Slovenia, i.e.:

- precautionary reserves - agreement on use, building up, and repayment of precautionary reserves funds of 27 August 1996, and
- special precautionary reserves - agreement on use, building-up and repayment of special precautionary reserves of 18 December 1997.

Precautionary reserves are intended for covering claims arising from insurance against non-commercial and medium-term and short-term (non-marketable) commercial risks, performed by SEC on account of the State. The Republic of Slovenia provided the initial funds of the said reserves.

Special precautionary reserves are intended for covering claims arising from insurance against exchange risks on account of the State.

Precautionary reserves have the character of long-term liabilities by SEC towards the Republic of Slovenia. The repayment term, increased by the interest rate in the amount of BIR, is 10 years with the option of extension. Liabilities for precautionary reserves are increased by transfers of the Ministry of Economic Relations and Development into safety reserves as well as by the surplus of premiums over expenses and they are decreased by claims paid-out, referring to these kinds of insurance.

The surplus of premiums over expenses which represents the increase of liabilities regarding precautionary reserves toward the State is the result of the difference between income and expenses of transactions managed by SID on account of the State, and is calculated monthly. Income is represented by received premiums and real interest income. Expenses represent direct costs connected with the insurance on account of the State, and indirect costs, as provided by the agreement with the Ministry of Economic Relations and Development. In accordance with Annex no. 2 to the Agreement (of 8 Oct. 1997), indirect costs are distributed by a distributive formula. The formula is calculated in accordance with the number of employees who directly and indirectly work for this field with regard to all employees of SEC. The formula is changed twice annually and is confirmed by the Export Promotion Commission. The surplus of premiums over expenses decreases the received premiums income of SEC.

b) Movements on the precautionary reserves were as follows:

	2000	1999
Balance on 1 January	11,084,733	8,756,531
Claims paid	(100,056)	(403,863)
Reverse claims paid	61,397	-
Money received from the Ministry of Economy	1,255,025	1,924,634
Interest income (revaluation adjustments)	1,066,799	596,913
Surplus of premiums over costs	374,197	210,518
Balance on 31 December	13,742,095	11,084,733

c) Surplus of premiums over expenses, which represents the difference between revenues and expenses for transactions managed by SEC on account of the State, is added to precautionary reserves:

Income	2000	1999
Premiums received for investment insurance	20,758	5,872
Premiums received for short-term commercial ins. outside OECD	2,673	459
Premiums received for medium-term non commercial risks	11,176	38,529
Premiums received for medium-term commercial risks	121,557	104,640
Premiums received for non-commercial risks	337,531	132,256
Revenues from processing commission	4,173	10,246
Revenues from precautionary reserve investment interest	123,457	97,780
Revenues from revaluation result	4,953	2,873
Claims handling expenses	(1,540)	-
Other revenues	14	4
	624,752	392,659

Expenses	2000	1999
Operating expenses:		
• Salaries	(113,853)	(97,344)
• Other labour costs	(18,184)	(15,021)
• Material	(31,077)	(7,193)
• Services	(67,157)	(45,621)
• Depreciation	(20,278)	(16,952)
Other expenses	(6)	(10)
	(250,555)	(182,141)
Surplus of premiums over costs	374,197	210,518

In accordance with SEC business policy, precautionary reserves funds are invested into short-term financial investments (refinanced loans). Income from investments increase (through surplus of premiums over expenses) liabilities for precautionary reserves.

Provisions for commitments and charges

(in thousands of Tolars)

	2000	1999
Provisions against potential losses on guarantees	1,654,340	1,487,162
Specific provisions for general credit exposure	407,039	209,454
Total	2,061,379	1,696,616

a) Provisions for commitments and charges refer to specific provisions against potential losses resulting from issued guarantees. The movements on these long-term provisions were as follows:

	Notes	2000	1999
Balance at 1 January		1,487,162	1,324,368
Additional provisions	30	1,389,731	1,423,000
Reversal of provisions	31	(1,222,553)	(1,260,206)
Balance at 31 December		1,654,340	1,487,162

b) In accordance with the decision of the Bank of Slovenia, specific provisions for credit risk on performing loans and guarantees shall be formed in the amount of 1 percent of all such exposure, with exception of receivables towards the Republic of Slovenia and the Bank of Slovenia. In 2000 it was made additional provision in amount of SIT 197.585 thousands caused by increase of receivables classified in credit rating group A.

Insurance technical provisions

(in thousands of Tolars)

Insurance technical provisions, the amount of which has been approved by the appointed actuary, are made for covering of credit insurance risks and comprise:

	2000	1999
Provision for unearned premiums net	13,409	3,563
Claims outstanding net	1,382,943	818,901
Provision for premium bonuses and discounts net	10,922	7,959
Total	1,407,274	830,423

For 2000 (the same in 1999) SEC has entered into quota reinsurance treaties and the shares of reinsurance are expressed accordingly.

Contingent liabilities

(in thousands of Tolars)

Contingent liabilities refer to service guarantees issued in foreign currencies:

	2000	1999
Short-term guarantees	1,814,750	593,645
Long-term guarantees	2,739,745	2,971,558
Total	4,554,495	3,565,203

Provisions in amount of SIT 1,654,340 thousands at 31 December 2000 (1999: SIT 1,487,162 thousands) relate to specific credit and country risks.

2. Income statement for the year ended 31 December 2000

(in thousands of Tolars)

	2000	1999
Interest income	1,040,102	815,181
Interest expense	(228,883)	(189,802)
Net interest income	811,219	625,379
Commission income	156,429	137,335
Commission expense	(49,852)	(24,338)
Net commission income	106,577	112,997
Net income from insurance premiums	481,531	306,090
Revaluation result and other operating income	628,859	187,164
General administrative expenses	(602,827)	(426,292)
Depreciation	(59,392)	(50,847)
Other operating expenses	(94,583)	(33,239)
Write-offs and provisions for bad and doubtful debts	(229,196)	(308)
Recovered write-offs	31	10,012
Provisions for commitments and charges	(2,164,167)	(1,886,704)
Recovered provisions	1,309,804	1,311,717
Profit from operations	187,856	155,969
Extraordinary net profit	667	5,207
Profit before tax	188,523	161,176
Income tax expense	(40,091)	(36,361)
Net profit for the year	148,432	124,815

Net interest revenues

(in thousands of Tolars)

	2000		1999	
	Income	Expenses	Income	Expenses
Investment and dealing securities	19,000	-	22,901	-
Deposits and short-term loans	707,347	(214,603)	506,518	(186,171)
Long-term loans	312,646	(14,194)	285,373	(3,182)
Other	1,109	(86)	389	(449)
	1,040,102	(228,883)	815,181	(189,802)
Total	811,219		625,379	

3. Funds Flow Statement for 2001

(in thousands of Tolars)

Inflows	2000	1999
Opening cash balance	2,447	425
Capital inflows (net increases)		
Reserves	124,815	139,108
Provisions for commitments and charges	213,764	271,595
Insurance technical provisions	502,943	210,461
Capital revaluation adjustments	-	11,683
Net profit for the year	23,617	(14,293)
Total capital inflows	865,139	618,554
Other funds inflows (net increase)		
Due to banks	2,630,600	(300,578)
Due to customers	804,107	35,309
Long-term liabilities due to Ministry of Economy	1,670,821	1,636,436
Other liabilities	(105,206)	(101,594)
Accrued expenses and deferred income	197	3,682
Total other funds inflows	5,000,519	1,273,255
Total inflow of funds	5,868,105	1,892,234
Outflows		
	2000	1999
Capital outflows (net increase)		
Intangible fixed assets	(114)	(199)
Tangible fixed assets	(23,571)	(37,294)
Total capital outflows	(23,685)	(37,493)
Other funds inflows (net increase)		
Loans to banks	5,308,608	1,767,653
Loans to other customers	392,647	17,613
Investment securities	(227,892)	(7,225)
Dealing securities	9,993	28,791
Other assets	425,550	26,168
Deferred expenses and accrued revenues	(25,611)	94,480
Total other funds outflows	5,883,295	1,927,480
Closing balance of cash	8,495	2,247

Auditors' Report

To the Shareholders
of Slovenska izvozna
družba, d.d.,
Ljubljana

We have audited the accompanying balance sheet of Slovenska izvozna družba, d.d., Ljubljana as at 31 December 2000 and the related profit and loss statement and funds flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

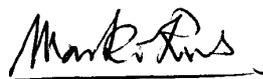
In our opinion, the financial statements present fairly in all material respects the financial position of SLOVENSKA IZVOZNA DRUŽBA, d.d., Ljubljana as at 31 December 2000 and of the results of its operations and its funds flow statement for the year then ended in accordance with Slovene Accounting Standards.

Ljubljana, 4 March 2001

PricewaterhouseCoopers d.d.



Tamara Jerman
Certified auditor



Marko Rus
Director

Arsenal Design
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D: Aleš Strajnar
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