Annual Report 2000

Nova Ljubljanska banka d.d., Ljubljana

ljubljanska banka

The Mission

of Nova Ljubljanska banka d.d., Ljubljana

CREATING NEW MODEL OF BANKING CULTURE

WITH

EXCELLENCE, TRUST AND TRADITION.

A painting is more than just canvas and frame.

Modern service providers today are assessed primarily by the efficiency of their organisation, a clearly defined business strategy, level of technological development, and their position and reputation on the market. Therefore, their actual market value reflects not only their financial position or book value, but also all the non-material forms of capital which enable banks to establish their firm competitive place in financial markets.

The rapid development of information technologies means that banks can now effectively develop their **technological capital** in the form of intellectual property, organisational and technical innovations and development of brands, all of which are important factors in shaping a competitive advantage.

The **comprehensive relationship** between Nova Ljubljanska banka **and its clients** - both individuals and corporates - is essential to maintaining its market position. Nova Ljubljanska banka's relationship has been built up over the long term by continually adjusting to clients' needs, and is reflected in the high level of trust and loyalty shown by our clients.

The strategy of public relations and corporate communications is aimed at further enhancing the Bank's **reputation** and credibility.

The Bank's identity reflects the long-term input of all of its employees: its **human capital** is, therefore, the direct expression of the value of our joint work.

Investing in know-how, implementing experience at work, nourishing the Bank's values and mission, and promoting creative work at all organisational levels - all of these are the ways which serve to build up our **corporate culture.**

This means that the bank is much more than the mere sum of the activities performed and the funds engaged. Its real value reflects all the potentials which represent the bank's corporate identity and which enable us to stand out among the multitude of competitors in the financial market.

ljubljanska banka

Nova Ljubljanska banka d.d., Ljubljana

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Financial Highlights

NLB GROUP

Table 1: Selected financial data for the NLB Group on the basis of consolidated audited financial statements prepared under the IAS

(Monetary figures in billions of tolars)	2000	1999	1998	1997	1996
Income Data (for the year)					
Profit before tax	**18.4**	16.6	14.8	11.5	6.6
Profit after tax	**11.8**	10.9	10.2	7.2	5.7
Minority interest	**2.0**	2.2	2.0	0.0	0.1
Net profit for the period	**9.8**	8.8	8.2	7.2	5.6
Balance Sheet Data (at year-end)					
Total assets	**1,146.4**	969.9	845.3	621.5	518.2
Loans to non-bank customers	**597.5**	483.8	370.9	227.4	177.6
Loans (including banks)	**688.2**	569.5	442.4	285.1	276.0
Investments & securities	**357.6**	318.2	320.4	265.5	189.0
Deposits from non-bank customers	**740.8**	626.4	553.2	364.6	267.4
Deposits (including banks)	**777.5**	658.7	588.0	394.4	300.6
Capital & reserves	**78.5**	65.8	55.1	47.6	36.5
Performance Measures					
Return on average total assets (including minority interests):					
- before tax	**1.7%**	1.8%	2.1%	2.1%	1.4%
- after tax	**1.1%**	1.2%	1.1%	1.3%	1.1%
Return on average equity					
- before tax	**25.5%**	27.4%	25.5%	28.6%	20.8%
- after tax	**13.6%**	14.5%	15.9%	17.0%	17.7%
Cost to income ratio	**59.4%**	62.9%	59.2%	60.3%	59.0%
Dividend per share (in tolars)	**296***	217	220	514	
Capital Ratios					
Capital & reserves to total assets	**6.8%**	6.7%	6.5%	7.7%	7.0%
Total capital ratio	**14.2%**	15.2%	15.4%	16.8%	16.1%

* Dividend per share will be proposed at the Annual Meeting in June 2001

Exchange Rate					
(Bank of Slovenia Midrate at year-end)					
EURO 1 = tolars	**211.5**	197.3	-	-	-
USD 1 = tolars	**227.4**	196.8	161.2	169.2	141.5

NOVA LJUBLJANSKA BANKA d.d.

Table 2: Selected financial data for Nova Ljubljanska banka d.d. on the basis of unconsolidated audited financial statements prepared under the IAS

(Monetary figures in billions of tolars)	2000	1999	1998	1997	1996
Income Data (for the year)					
Profit before tax	**11.3**	9.1	10.9	10.8	6.5
Net profit for the period	**6.3**	4.8	6.7	6.7	5.7
Balance Sheet Data (at year-end)					
Total assets	**893.5**	731.6	631.0	545.2	483.0
Loans to non-bank customers	**443.0**	353.8	267.8	189.4	160.5
Loans (including banks)	**543.5**	431.0	328.9	245.8	255.5
Investments & securities	**275.8**	240.8	250.7	254.9	187.9
Deposits from non-bank customers	**557.2**	459.3	402.1	331.6	266.7
Deposits (including banks)	**615.8**	503.8	443.4	362.0	298.3
Capital & reserves	**62.5**	54.4	48.0	43.1	32.9
Performance Measures					
Return on average total assets					
- before tax	**1.4%**	1.3%	1.9%	2.1%	1.4%
- after tax	**0.8%**	0.7%	1.1%	1.3%	1.3%
Return on average equity					
- before tax	**19.3%**	17.8%	23.2%	28.5%	23.0%
- after tax	**10.8%**	9.3%	14.7%	17.7%	20.2%
Cost to income ratio	**58.2%**	64.9%	60.6%	59.2%	57.3%
Capital Ratios					
Capital & reserves to total assets	**7.0%**	7.4%	7.6%	7.9%	6.8%
Total capital ratio	**12.0%**	12.6%	n.a.	n.a.	n.a.

OPERATING PERFORMANCE IN 2000

The NLB Group performed well in 2000. Business conditions were quite favorable and most business targets were surpassed. The growth of the Group's core business was well above the average of the banking sector in Slovenia, as were ROE and ROA.

The consolidated Group income for the year reached SIT 67.3 billion (SIT 54.6 billion in 1999), resulting in SIT 18.4 billion profit before tax and SIT 9.8 billion (approx. 46.3 million euros) net profit after tax. The earnings per share increased from SIT 1,273 in 1999 to SIT 1,424 in 2000. The return on average equity was 25.5 % before tax and 13.6 % after tax. A dividend of SIT 296.30 per share will be proposed at the shareholders' meeting in June 2001. This will be the fourth year in a row that NLB d.d. has declared dividends.

The consolidated assets of the NLB Group increased from SIT 969.9 billion in 1999 to SIT 1,146.4 billion (approx. 5.4 billion euros) at year-end 2000. The return on average total assets (incl. minority interests) was 1.7 % before tax and 1.1 % after tax. I should add that the consolidated Group assets do not include NLB d.d. minority stakes in two important regional banks, Dolenjska banka d.d. and Banka Celje d.d., nor in LHB Internationale Handelsbank, Frankfurt and Adria Bank AG, Vienna.

I am pleased to report that the increase in Group assets was largely due to growth in its core business, which was in excess of 20 %, accompanied by a comparable growth in deposits from the Group's non-bank customers - trends which I would expect to continue in 2001.

The Group's dominant position in Slovenia's banking sector remains unchallenged. While the NLB's market share (without local subsidiaries) increased from 27 % in 1999 to 28 % in 2000, the Group's overall share (based on the consolidated Group assets) reached 35.3 % (34.3 % in 1999).

Among other positive developments, I should highlight the continued progress of the Sigma Project - the expansion and modernization of the office and information technology platform which, as predicted, is proving to be a magnet for smaller Slovenian banks to seek alliances with the NLB Group. The bulk of the Sigma Project components should become fully operational in the course of 2001 and 2002.

PRIVATIZATION

A year ago I reported that there had been a definite, albeit slow, progress toward NLB privatization in 1999, and that a three-pronged plan was being initiated for 2000 (an issue of shares in the local market, an issue of GDRs and a transfer of 10 % of NLB shares to two local funds), with a view to reducing substantially the Government stake in NLB. Unfortunately, only the transfer of 10 % of NLB shares to two local funds was accomplished in May of 2000. By mid-year, a change of Government had occurred, followed by a general election in the Fall of 2000. The newly-elected Government took office towards the end of 2000 and made it known that it intends to pursue the privatization of NLB. As of the year's end, the details of the Government's plan and strategy have not yet emerged; there were strong indications, however, that its privatization activities would be accelerated.

AGENDA FOR 2001

My expectations at the outset of 2000 were that it would be a decisive year for the NLB Group as regards its privatization as well as a further substantial increase in its market share. For obvious reasons, only a part of the initial privatization plan could be carried out. Clearly, the unfinished agenda from 2000 must be carried over to 2001. The domestic macroeconomic environment in 2001 is likely to be comparable to that in 2000. There is a firm commitment from the Government that a responsible fiscal policy will continue (i.e. that the public sector deficit will not exceed 1 % of GDP). This should be conducive to reducing inflation, which in 2000, in large part on account of increased oil prices, reached 8.9 %. The external position of Slovenia is likely to strengthen, since by the year-end 2000 it became clear that the current account deficit was declining and that the terms of trade were no longer deteriorating. The growth of Slovenia's GDP in 2001 may well exceed 4 %, which would be higher than the European Union average and which would mean that, on a per capita purchasing power basis, the gap between the Slovenian and EU average GDP would be narrowed further.

I see two important sets of priorities for the NLB Group in 2001:

a) Continued efforts to strengthen the Group's profitability while increasing further its market share. These would include at least a partial Group consolidation (with initially some and, in later years, all of NLB's domestic subsidiaries integrating with the parent) and an expansion of the Group's foreign operations.

b) Resumption of the NLB privatization activities.

Given Slovenia's stable macroeconomic and political outlook, as well as the Group's inherent strength, I am confident that a successful business year lies before us.

Gregor Dolenc

Chairman of the Supervisory Board

Supervisory Board

GREGOR DOLENC,
M.Sc., Independent Financial Consultant, Washington (Chairman)

MARJAN CERAR,
M.Sc., Belinka, Ljubljana (Vice Chairman)

ZVONE IVANUŠIČ,
Slovenica, Ljubljana

METKA KARNER LUKAČ,
Savske elektrarne Ljubljana d.o.o., Medvode

MARJAN KRAMAR,
Slovene Export Company, Ljubljana

MOJMIR MRAK,
Prof. Dr., Faculty of Economics, University of Ljubljana

JANEZ OVEN,
Oven Set, Ljubljana

UROŠ SLAVINEC,
Helios, Domžale

JANEZ SUŠNIK,
Alpetour, Škofja Loka

BUSINESS ENVIRONMENT

Along favourable domestic activity, the business environment in 2000, in contrast to 1999, was increasingly defined by external instability. In 1999, strong domestic demand led to relatively high, 5.2%, growth of gross domestic product. In 2000, the 4.8% growth of GDP was achieved mainly thanks to the export component of demand. At the same time, inflation was higher than forecast, together with a relatively balanced income policy. Monetary policy was fairly restrictive. Lower receipts than had been expected from value added tax introduced in 1999 caused serious difficulties for fiscal policy. Two changes of government, together with parliamentary elections, further contributed to the uncertainty and volatility of the fiscal system and the entire economic policy.
Indirect financing of the economy with bank loans remains dominant in comparison with direct financing through the capital market. In 2000, total assets of banking system increased by 18%. 25 of the 26 operating banks in the bank sector had favourable results: ROE was 11.3%, and ROA 1.1%. The nominal bank interest rate increased between 1.1 and 1.6 percentage points, whereby the interest margin increased from 4.03% to 4.5%. The aggregate share index of the Ljubljana stock exchange remained unchanged, which is better than in the majority of world stock exchanges.
Although there was a slowing of industrial production in the first quarter of 2001, exports have remained dynamic. World economic growth will slow down in 2001, and Slovenia will have to replace any possible major slowdown in EU states with faster growth of trade with the countries of Southeast and Central Europe. If Slovenian companies and Slovenian bankers make use of this, positive results can be anticipated in 2001.

NLB AND THE NLB GROUP ACHIEVED EXCELLENT BUSINESS RESULTS IN 2000

NLB and the NLB Group achieved excellent results in 2000. Nova Ljubljanska banka d.d., Ljubljana, concluded the 2000 business year with a net profit after tax of almost 6.3 billion SIT. This is an increase of slightly less than 31.8% over the previous year. A net profit in excess of 9.8 billion SIT was achieved on the NLB Group level, or 11.9% more than in 1999.

HIGH GROWTH OF THE CONSOLIDATED BALANCE SHEET AND ADEQUATE CAPITALISATION

On the Group level, a consolidated balance sheet of 1,146.4 billion tolars was achieved. Lively loan activities most affected the growth of the balance, which greatly exceeded even our optimistic business plans. We achieved a particularly high dynamic of growth in the area of business with corporate clients. The absolute increase in loans was 89.2 billion tolars, a growth of 25.2 percent. The growth in foreign exchange loans to customers was particularly high, increasing overall by 30.7 billion tolars, or 52.5 percent.
The NLB d.d. - the parent bank - reached the balance sheet amount of SIT 893.5 billion at 2000 year-end, an increase of 176.5 billion tolars or 22.1 percent over 1999. The Bank successfully competed with foreign and domestic banks and other sources of funds in providing loans for financing the developmental projects of its domestic clients. The Bank provided the necessary sources of tolar and foreign exchange funds domestically by collecting deposits through a very extensive business network, and abroad by raising favourable long-term loans.
The capital of the Bank was increased in 2000 from profits held back from past and current business and capital revaluation. In order to strengthen the capital base and maintain the prescribed level of capital adequacy, NLB obtained additional capital by raising long-term subordinate loans on foreign financial markets. The slight oscillation in the Bank's capital adequacy ratio, from 12.6 % at the end of 1999 to 12 % at the

end of 2000, is a result of the dynamic lending activities and slower capital growth. On the NLB Group level the capital adequacy ratio was 14.2%, also a slight decrease from 15.2% achieved in 1999. We expect a moderate improvement in the parent bank's capital adequacy ratio following anticipated merger of some of the banks from the NLB Group with Nova Ljubljanska banka d.d. in 2001. The capital thus released should facilitate the Bank's dynamic growth in the coming period.

NLB AND THE NLB GROUP STRENGTHENED THEIR DOMESTIC MARKET SHARE IN 2000

Nova Ljubljanska banka d.d. made significant business gains on domestic and foreign markets in 2000. In favourable domestic business environment exceptional growth of lending to the economy was achieved, increasing the market share by an additional one percent. In connection with the implementation of reforms to bring Slovenia in line with states of the European Union, NLB d.d. and the NLB Group took active participation in the programs supporting the reform of the pension legislation and in the transfer of the system of domestic gyro payments from the national settlements agency to commercial banks.

In line with plans, NLB alone had thus already opened more than 1000 transaction accounts by the end of the year. We consider that by the completion of the transfer of accounts, internal trade in the Bank and in the NLB Group will amount to a good 60% of total gyro payments in the state. This creates new opportunities for our Bank for generation of non-interest income.

Together with the largest insurance company Zavarovalnica Triglav, Gorenjska banka and a series of the most prominent Slovenian companies, we founded Skupna d.d. - a pension fund management company.

NLB strengthened its funding sources by deepening and extending business with private customers, especially by introducing modern marketing approaches. At the same time, the Bank personalised business relations with private customers and businesses through a very wide business network provided on a personal basis. In the area of investment banking, NLB retained a leading role in 2000 and, at the same time, established conditions for further development in this area which is being strengthened as one of the key areas of business, together with increasing the role of the capital market in the future and corporate finance function. Some large projects realised in past years by the series of medium and small companies, for whose success the financing provided and organised by Nova Ljubljanska banka had been of vital importance, confirm the aforementioned guidelines of both the Bank and the NLB Group. They included, among other, the production modernisation projects like the one in Talum (large aluminium producer) and infrastructural projects like motorway construction, railway transport modernisation and, power generation and supply.

IN 2000, FOR THE FIRST TIME SINCE FINANCIAL REHABILITATION, THERE WAS AN INCREASE IN OUR BUSINESS PRESENCE ABROAD

Abroad, a significant breakthrough was achieved. The NLB Group increased its business network abroad by reappearing on the banking market of Southeast Europe. The NLB Group thus extended its presence to the markets of former Yugoslavia, primarily Macedonia and Bosnia & Herzegovina. The main purpose is to offer the services of Slovenian companies operating on these markets. In September 2000, a contract was signed between NLB d.d., LHB AG, Frankfurt and Tutunska banka a.d., Skopje on a strategic partnership and business cooperation, on the basis of which NLB bought an 18.5% share and LHB a 34.62% share in Tutunska banka. In December 2000, NLB, through its daughter bank, Banka Domžale d.d., Domžale, obtained a 51 percent share in Commercebank d.d., Sarajevo. The aforementioned is an important element in realising the NLB Group development strategy abroad.

INTERNATIONAL RECOGNITION FOR THE RESULTS ACHIEVED

These achievements have been recognised by a series of awards. For the fourth year in succession, NLB received the Euromoney Award for Excellence in Slovenia. At the same time, Central European magazine declared the Bank to be both the best domestic bank in Central Europe and the Slovenian bank of the decade. Similar awards and distinctions were received from Global Finance and The Banker magazines. The awards are simultaneously recognition and a responsibility. We are proud of them, but we are aware that the crucial gauge of our work today and in the future is above all customer confidence and satisfaction.

FUTURE DEVELOPMENT OF NLB AND THE NLB GROUP

The year 2000 was extremely important for further development. The NLB Group and NLB significantly strengthened their position and prepared for the competitive confrontations and challenges of the period ahead. We successfully continued in 2000 with an important strategic project (SIGMA). We set up a new information structure enabling the provision of modern services, and thus also the basic conditions for a significant reduction in business operating costs and a reallocation of human resources to more effective purpose.

A new development strategy was adopted for NLB and the Group for the period 2001-2005. In preparing it, we took into account the increasingly competitive banking environment in the European Union, especially following the introduction of a common currency. The main stress of further development is thus strengthening the size of the NLB Bank Group and improving the quality of its business, which is reflected in client satisfaction and indicators of efficiency and return on capital. The key aims of the NLB Group are therefore:

- **Growth and size.** The NLB Group should have achieved a consolidated balance sheet of 20 billion euro by the end of 2005, of which two fifths will be represented by clients abroad. In the Slovenian banking space, it will continue dynamic organic growth while forging links with specific major regional banks.
- **Consolidation of the Bank Group.** NLB will transform the banks of the NLB Bank Group into divisions over the next few years.
- **Universal bank.** NLB will continue performing activities in many fields of financial services, for a wide spectrum of clients, with the widest provision within the country and through a large number of different market paths.
- **Investment banking.** In line with the development of the capital market in Slovenia, the development of business finance and managing mutual and pension funds and managing client funds will be especially important in future years.
- **Private banking.** The aim of the NLB Bank Group is to fill this market niche as the first in Slovenia.

This will guide realisation of the Bank's vision. It is a vision that sees NLB as one of the leading, financially strongest and most competitive financial institutions, capable of providing private customers and companies with efficient and cost effective services and products throughout Central and Southeast Europe.

Thank you, partners, owners and employees of NLB and the NLB Group, for a successful business year in 2000.

Marko Voljč
President and Chief Executive Officer

Management Board

Boris Zakrajšek
Deputy President and Deputy CEO

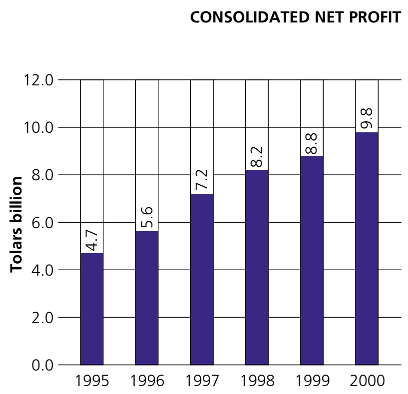
Marko Voljč
President and CEO

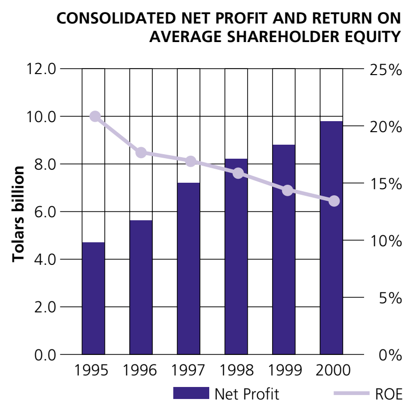
Alojz Jamnik
Deputy President and Deputy CEO

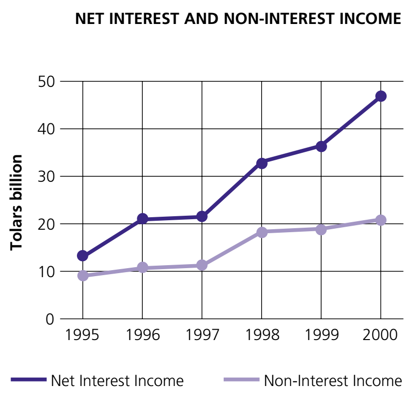
A bank with a mission is much more than the sum of its activities.

Nova Ljubljanska banka is continually consolidating its influence in the financial markets through its active and strategic role in all fields of social development. By implementing our business goals on the basis of tradition and trust, and by responsibly cultivating our business values, we are creating a new image of banking culture. As the largest Slovenian bank, we well understand the significance of our mission, and we know that the successful development of society as a whole also increases the reputation and value of the bank as a part of this society.

Financial Performance







The financial data presented are based on consolidated audited financial statements prepared according to the International Accounting Standards (IAS). Analysis refers to the NLB Group, unless stated otherwise.

CONSOLIDATED INCOME STATEMENT

EXCELLENT RESULTS ACHIEVED IN 2000

The Group[1] made a pre-tax profit of 18,375 million tolars in 2000, an increase of 1,801 million tolars, or 10.9 percent, over 1999. Net profit for the period, after tax and excluding the minority interest, reached 9,828 million tolars, up 11.9 percent. The Bank's net profit[2] was 6,281 million tolars, up 31.8 percent compared to the 1999 figure, thus representing a 64 percent share[3] in the Group's total after tax profit. The key factor contributing to the profit growth was a positive trend in the Group's core business, especially in the Bank's lending activity, as well as in non-banking service performance.

The structure of income remained fairly similar to that of previous years. Net interest income was again among the main income generators, although some other, non-interest items, such as gains from dealing in foreign currencies, continued to grow in importance.

GROWTH OF SHAREHOLDER EQUITY

The return on average shareholder equity (ROE), at 13.6 percent, was slightly lower than in 1999. ROE decreased mainly due to a higher growth of shareholder equity compared to net profit growth. Shareholder equity rose 12,749 million tolars net, or 19.4 percent. The equity increase is a result of both retained profits being up by 23 percent and reserves by 27.7 percent.

Earning per share was up by 19.9 percent to 723.5 tolars compared to 603.6 in the previous year. However, it should be noted that the profit available for distribution to shareholders is the Bank's net profit calculated under Slovenian Accounting Standards (SAS), amounting to 4,992.7 million tolars.

HIGHER DIVIDENDS PAYOUT

At the Bank's Annual Meeting held in June 2000 a dividend payment was declared amounting in total to 1.5 billion tolars, or 217.2 tolars per ordinary share, resulting in a 36 percent payout ratio[4] . The Bank's Board of Management intends to propose to the 2001 Annual Meeting dividends to the amount of 2.046 billion tolars, or 296.3 tolars per share, thus achieving a 41 percent payout ratio.

[1] Pay attention to abbreviations of institution's name: the Group applies to NLB Group, which includes: NLB d.d., Banka Velenje, Skupina Banke Domžale, Koroška banka, Banka Zasavje, LB Leasing, LB Hipo, LB Maksima, Prospera plus, LBS Bank New York, Skupina LB InterFinanz.

[2] Pay attention to abbreviations of institution's name: the Bank applies to Nova Ljubljanska banka d.d., the parent bank.

[3] The Bank's share of 64 percent, in the Group's total net profit, despite pretty higher share in the core business volumes (75%), is a direct reflection of the implications of the balance sheet tax introduced in 1997. Slovenian banks are subject to a combination of the regular income corporate tax at a rate 25% and a levy on certain balance sheet items, in the first place investments into government bonds. Due mainly to a relatively high percentage of investments in government securities the Bank's effective tax burden reached 50 percent of the gross profit. The effective tax rates applicable to the rest of the banking industry, with exception of one another governmentally owned bank, were mostly between 25 and 35 percent.

[4] Dividend payout ratio is calculated as a share of dividend amount in the Bank's net profit.

RISE OF NET INTEREST INCOME

The main generators of interest earnings were customer loans and advances. The interest income from investments in securities remained a significant source of earnings in 2000. Net interest income was up by 28.1 percent compared to 1999. The net interest margin reached 4.5 percent, thus maintaining almost the same level as the 4.4 percent in the previous year. The growth of net interest income is a result of an improvement in both real and indexational parts of interest rate. The rise in business volume also contributed.

INCREASE OF NON-INTEREST INCOME

Net fees and commissions increased 12.3 percent in 2000, to 13,692 million tolars. Fee generating categories, such as fees from international payments, lending and guarantee business, as well as fees from the personal banking sector, including credit card operations, either surpassed or were comparable to the levels achieved in 1999.

Net losses from dealing securities, amounting to 1,150 million tolars (284 million a year earlier), were almost entirely due to a fall in the market value of securities held by the Bank in its trading portfolio. The securities, i.e. shares, held in this portfolio are normally acquired as support to Merger & Acquisition activities.

Despite the fall in total net dealing incomes, gains arising from dealing in foreign currencies reflected the positive and favourable trend of the FX margin in major in corporate segments. Income from non-lending activities, such as foreign exchange dealing, forward contracts, interest rate swaps, synthetic forward contracts and options trading, reached 2,431 million tolars, thus recording 164.8 percent growth.

IMPROVED COST TO INCOME RATIO

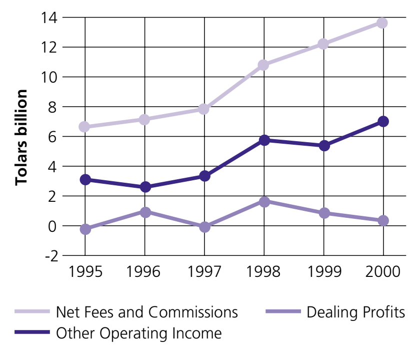
Total operating expenses rose by 16.2 percent to 39,944 million tolars. Employee costs, totalling to 20,174 million tolars, up by 15.1 percent, were the key factor contributing to the growth of total costs. It should be noted that the growth in costs was mainly driven up by inflation, which on a year to year basis was 8.9 percent. In real terms, the growth of costs was still well below the volume of business growth.

The second major category, other operating expenses (depreciation, taxes and other compulsory public revenues, membership fees, loss on disposal of property and equipment, goodwill and other) contributed 5,724 million tolars to costs. The major element was depreciation, with 16.8 percent growth.

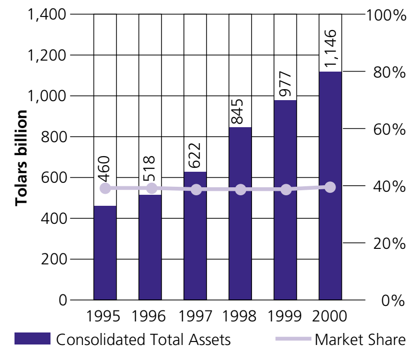
The major share of the cost incremental could be attributed to various development projects aimed at improving the Group's core capabilities and information management. Both expanding of the Group's business network and introducing new services and products required increased staff.

The Group's cost-to-income ratio improved from 62.9 percent to 59.4 percent as a result of a 23.1 percent growth of operating income, which was much higher than the increase of total operating costs which amounted to 16.2 percent. The Group's costs, as a percentage of the balance sheet, decreased from 3.54 percent in 1999 to 3.48 percent in 2000, while the Bank's costs as a percentage of the balance sheet decreased even further, from 3.22 percent in 1999 to 2.95 percent in 2000.

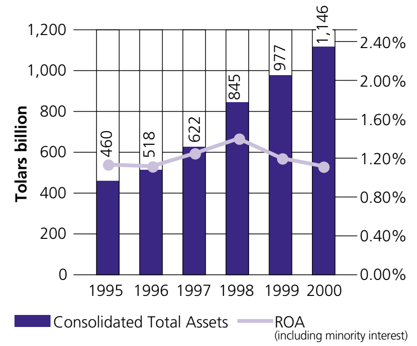
STRUCTURE OF NON-INTEREST INCOME

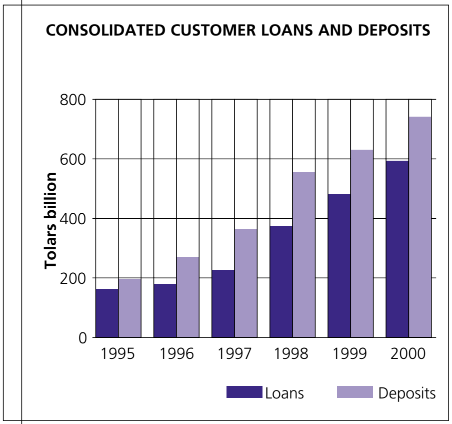


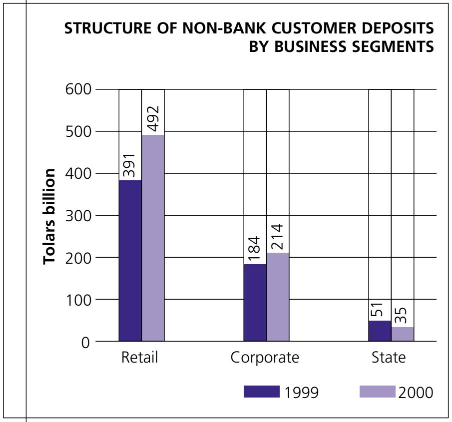
CONSOLIDATED BALANCE SHEET ASSETS AND ASSOCIATED MARKET SHARE

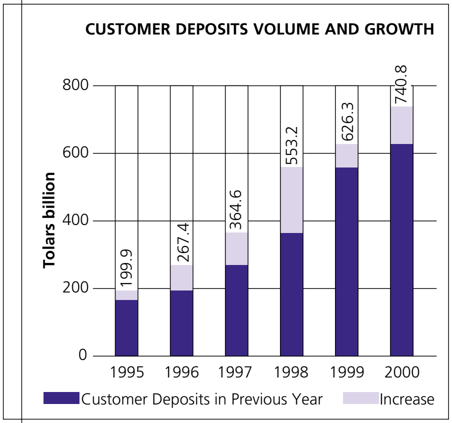


GROUP'S TOTAL ASSETS AND RETURN ON AVERAGE CONSOLIDATED ASSETS









CONSOLIDATED BALANCE SHEET

The Group's consolidated balance sheet amounted to 1,146.4 billion tolar at the 2000 year-end, up by 18.2 percent over 1999. In the same period, the Bank recorded a 22.1 percent increase in the balance sheet, amounting to 893.5 billion tolar. The main driving force behind the asset growth was positive development in the non-bank customer lending activity, which achieved 23.5 percent growth and successful core deposit generation.
Return on consolidated average assets was slightly down on 1999, achieving 1.12 percent by 2000 year-end.

SOURCES OF FUNDS

In 2000, non-bank customer deposits increased by a solid 18.3 percent and reached 740.8 billion tolars on December 31, 2000. The Bank's customer deposits increased 21.3 percent and represent 75 percent in the Group's total customer loans. The consolidated assets were therefore 65 percent financed with customer funds. The structure of non-bank customer deposits did not significantly change from the last year, where retail deposits contribute the biggest share, 66 percent. This category of customer funds increased by 26 percent.
Corporate deposits continued to grow in importance, holding 29 percent of total non-bank customer loans. Their volume reached 214.1 billion tolars, up by 16.5 percent. The role of state deposits has been decreasing in the recent years, thus dropping from 8 to 5 percent of total non-bank customer deposits.
Additional medium and long-term funding was secured by borrowing on the euro-markets. Long term funds, both syndicated and subordinated loans, were raised to support merger and acquisition activities and for strengthening their capital base. In addition, excellent relationships with many of the leading international banks, coupled with the Bank's high reputation as a trustworthy borrower and the investment grade credit ratings assigned to the Bank by the leading rating agencies, facilitated raising funds on the euro-markets.

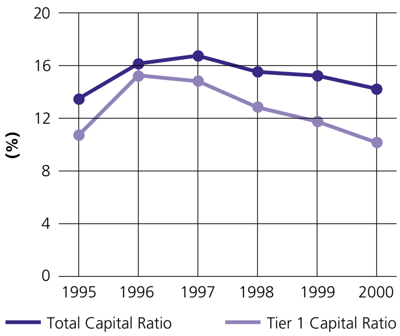
RATINGS AND BIS RATIOS

During the year, most agencies either affirmed or improved the ratings assigned to the Bank in previous years. The current long-term F/X credit ratings, which range from A- and BBB+, assigned by Thomson Financial BankWatch, Capital Intelligence and Fitch IBCA, respectively, to Baa2 and BBB-, assigned by Moody's and Standard & Poor's, respectively, place the Bank at the very top of the best rated banks in the Central and Eastern European region.

INTERNATIONAL RATINGS

Agency:	Long-Term:	Short-Term:	
Standard & Poor's	BBB-	A3	
FITCH IBCA	BBB+	F2	C (Individual)
Moody's	Baa2	Prime-2	D+ (Financial Strength)
Thomson Financial BankWatch	A-	LC-1	
Capital Intelligence	A-	A-2	

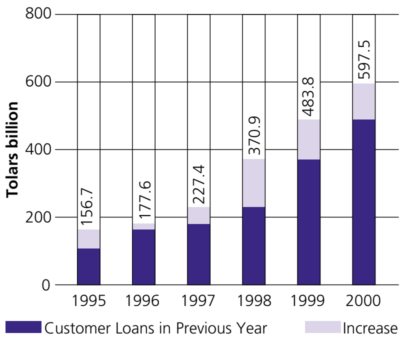
CAPITAL ADEQUACY AS BIS RATIOS



Capital adequacy remains strong and above BIS standards, although as anticipated, slightly below the level achieved in 1999. A slight decrease in the capital ratio is due both to a dynamic growth of lending to customers, and to a change in asset structure. As of December 31, 2000, the share of loans and advances to customers was 52.1% of the total assets (at 1999 year-end 49.8%). At the same time, the share of government securities in the asset portfolio that are zero risk weighted, have been decreasing.

Since these assets have been re-invested into loans and credits, the Group's total capital ratios decreased to 14.2 percent. Total risk-weighted volume increased by 33.2 percent, while the total Tier 1+2 Capital was up by 24.0 percent, due to a change in the assets portfolio. The Bank's total capital ratio slightly decreased to 12.0 percent, but still well above the Bank of Slovenia's prescribed capital ratio of 8.0 percent.

CONSOLIDATED CUSTOMER LOANS AND GROWTHS



APPLICATION OF FUNDS

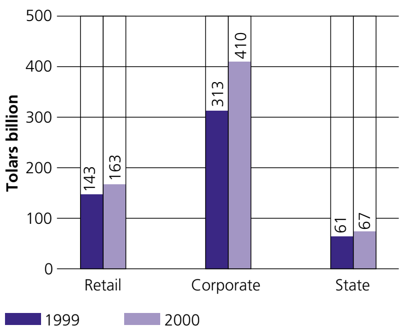
Strong increase in customer loans

Loans and advances to customers increased by 23.5 percent over 1999. Positive development in lending activity resulted in a 31.0 percent growth of loans to the corporate sector, which represented a 68.6 percent share of the total non-banking customer loan portfolio. In line with the past trend, loans and advances to private individuals rose by 14 percent.

At the same time, the Bank achieved a 25.2 percent increase in customer loans over 1999, consequently contributing 74 percent to the Group's total customer loans.

The segmental analysis shows a practically unchanged structure of loans to the main categories of borrowers. The growth of the corporate loans share from 60.6 to 64.0 percent was offset with a decrease in the shares of retail (share of 25.5 percent) and state loans (share of 10.5 percent).

VOLUME GROWTH OF CUSTOMER LOANS BY TYPE OF CUSTOMER



The goal of the Group's Risk Management is to sustain and continue stable performance and to maintain the highest asset quality. The Group achieves these goals by uniformed and constant ex ante and ex post assessment and monitoring of clients and by using the standard group risk management tools (migration matrices, diversification, Value at Risk, marking to future) as detailed in the Notes: Risk Management policies of the Group on page 54. Usage of mentioned tools improves asset quality, structural liquidity, performance ratios, enables early warning signals and minimises exposure of the Group to all types of risk.

The Bank and its subsidiaries conform to all Bank of Slovenia requirements, but subsidiaries must also comply with the standards of the Bank's internal credit risk system, as defined in contracts that have already been executed or are in process of execution. The Bank has therefore a centralised role in controlling the assumptions of different risks, and regarding data structure, methodologies adopted and reporting. The Bank, in cooperation with subsidiaries, also prepares credit and market risk policies, sets strategies and imposes limits within the decision making process.

GROUP CREDIT RISK MANAGEMENT

The Group reviews credit risks from three aspects: the specific component of risk for each counterpart, portfolio risk and country risk. Credit risk management includes constant analysis of the loan portfolio and providing credit analyses by considering adverse selection and client behaviour before and after execution of the contract (moral hazard).

The credit portfolio includes loans (to corporate, retail and public sectors), exposures to other banks and financial institutions, corporate bonds and other credit risk bank products, such as guaranties, derivative instruments etc. Its quality is analysed by classifying clients into five credit grades (A to E), A being the highest. The performing part (A and B) of the total Group portfolio represented 95.1% and remained unchanged from the previous year.

Migration matrices for the past 25 quarter years (from 1994 to 2000) show that the Bank's asset quality has been relatively stable, which explains the Bank's liquidity and other performances, such as ability to meet anticipated demand from both depositors and borrowers.

Table 3: Average credit rating migration matrix weighted with exposure (average in the period from 1995 to 2000)

From ↓ to →	Rating A	Rating B	Rating C	Rating D	Rating E	Total exp. (mio SIT)	Average rating
Rating A	**92.07%**	7.71%	0.15%	0.05%	0.02%	3,528,941	4.91757
Rating B	27.57%	**69.51%**	1.25%	1.51%	0.16%	1,172,754	4.22832
Rating C	0.13%	27.92%	**62.97%**	7.88%	1.10%	174,896	3.18088
Rating D	3.40%	15.95%	15.00%	**59.29%**	6.36%	121,376	2.50759
Rating E	0.08%	0.62%	0.41%	1.80%	**97.10%**	152,789	1.04774
New	64.97%	23.17%	4.84%	2.83%	4.19%	304,609	4.41913
Withdrawn	51.56%	8.98%	4.71%	3.60%	31.14%	178,737	3.46225

The table shows a variant of a migration matrix weighted with exposure, which also reflects the size of migrating exposure. The computation of average rating is enabled by means of assigning numerical codes to credit rating grades (A=5, B=4, C=3, D=2, E=1). The average rating indicates the credit quality of the Bank's clients, with particular rating grade after one year. Important conclusions are:
- The major migrations are from rating grade A to B and in the reverse.
- There is no significant migration between the groups of performing (A,B) and non-performing (C,D,E) credit exposures.
- The last two rows in the above table show that the credit quality of new clients is higher than the quality of clients who, for various reasons (mainly due to payoff of the loan, but also due to write-off) have been withdrawn from the portfolio.

The cumulative migration matrix on the previous page, as well as migration matrices computed for particular time periods and classes of clients, confirm the stability of rating migration patterns and thus the stability of the internal credit rating system. Despite differences among the credit qualities of different client classes and variations over time, the overall portfolio credit quality is moving in a positive direction. A comparison between different particular forms of migration matrices (big or small clients, industries etc.) also reflects healthy diversification of the loan portfolio.

All daughter banks accepted the same criteria for a client's credit grading, limits (by clients, by countries,etc.), quality of collateral, minimum level of provisions and data structure. The cover ratio (BCDE provisions)/(CDE asset portfolio) is higher than 85% in the Bank and in all Slovenian daughter banks, which is above the minimum required by the Bank of Slovenia. Foreign subsidiaries also have to follow these criteria.

Country risk is managed by using maximum risk levels for investments in different countries, including an emerging markets limit. Assessment of the risk level of a given country is achieved through a review of that country's major macroeconomic data, its political situation and the rating attributed by international specialised agencies.

The quality of portfolio remained high, with exposure to clients credit rated A and B reaching 95.1 percent of the total asset portfolio. The coverage of endangered, impaired or non-performing loans and other credit risk exposures towards clients rated C, D and E with specific provisions stood at 107.9 percent at 2000 year-end.

GROUP MARKET RISK MANAGEMENT

The basic market risks that the Group is facing are foreign exchange, interest rate, securities portfolio and liquidity risks. These risks are analysed and managed on three levels. First, business departments are responsible for managing market risks within their authority as determined by each bank's Board of Directors. Second, on the Bank level, the above risks are analysed and managed according to internal policies and Bank of Slovenia standards. Third, the market risks exposures of each bank and of the Group as a whole are controlled by the Risk Management Centre of the Bank.

FOREIGN EXCHANGE RISKS

Foreign exchange risks result from the Group's FX activities in the existing macro-economic environment (savings in foreign currencies, export financing, intervening in capital flows, borrowing abroad and financing corporate in domestic currency).

FX risk management calls for a daily revaluation of the Group's FX portfolio on the basis of the historical trend in market prices and their correlation over past years (Value at Risk methodology). The resulting distribution of profits and losses is used to determine possible losses in the value of the FX portfolio as a result of market changes. Assessed potential loss from foreign exchange risks on a Group level was fairly low, amounting to 160 million tolar (computed in accordance with the methodology described in Notes).

INTEREST RATE RISKS

The measurement of interest rate risk exposure quantifies the potential loss (in term of cash flow, P&L and equity market value) of a position resulting from adverse interest rates changes. In the Bank and Slovenian subsidiaries, gap methodology and duration is used, while foreign subsidiaries use their own models, creating different scenarios for interest rate movements. Assessed potential loss from interest rate risks on a Group level was at a comfortable level of 900 million tolar (computed in accordance with the methodology described in Notes).

STRUCTURAL LIQUIDITY

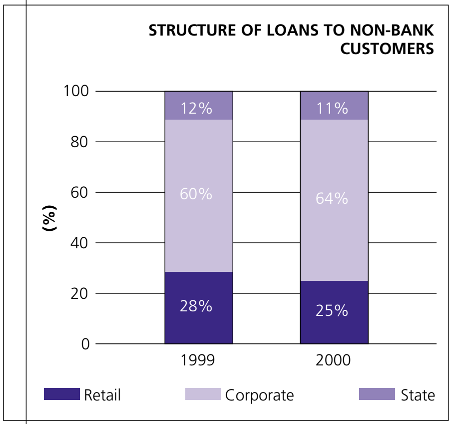
The Group's liquidity situation cannot be viewed solely from the liability side as a set of activities for meeting required cash outflows. So we are planning to implement the same methodology of measuring and determining structural liquidity on the Group level as that of the Bank. This includes different ratios (limits set by the Board of Directors of the Bank), such as liquid securities/total assets, asset quality structure, long term loans/total loans, loan disbursements/loan repayments and net liquid assets (difference between liquid assets and volatile liabilities).

SECURITIES PORTFOLIO

Measurement and management of market risks of the portfolio (FX risks, interest rate risks, etc.) are based on VaR (historical simulation; historical observation 250 and 100 days; level of confidence 99%) and duration methodologies, limits and stop loss system. Both macro and micro hedges of those risks are used. Assessed potential loss from market risks of the securities portfolio on a Group level was at a low 900 million tolar.

Client relationships are the basis of the Bank's market position.

In today's dynamic information society, the introduction of modern market ways is essential to achieving the goals of modern banking services. They are expected to provide reliable, effective and safe financial services, both to companies and to individuals. The electronic media are adapted for new, faster and technologically friendly business operations, while traditional financial services are being modernised to meet the requirements of development and market transformation. Thanks to its openness to customer needs, Nova Ljubljanska banka today enjoys a high level of trust and loyalty from its clients.



CORPORATE BANKING

The Group achieved excellent results in corporate banking in 2000. This resulted from a new business strategy and new work methods that were put in place a few years ago, and have since been constantly improved.

NEW APPROACH IN SERVICING CUSTOMERS

Decentralising management of small-to-medium corporate clients across the retail network, while keeping management of medium-to-large sized corporate clients and key accounts in central banking sectors, proved to be very fruitful, especially in 2000. Decentralisation was coupled with the Republic of Slovenia launching the transfer of payment transactions services from the state payment agency to commercial banks.
A new position, the account manager, introduced in previous years, has also paid off in higher satisfaction and a stronger business relationship with our customers. Today, every corporate client of the Bank is serviced by its own account manager or key account manager. Account managers, both in the retail network and in central corporate sectors, are backed up by teams of highly trained specialists for corporate services to meet all customer needs.

FOCUSING ON QUALITY AND SELLING SOLUTIONS

In 2000, the Group started paying special attention to small businesses tending to grow both in size and product line, because we believe that fostering small businesses is one of the catalysts for Slovenian economic development, and also for the Group's growth.
We improved our existing loan portfolio by offering special agreements with our corporate clients for more favourable financing of their buyers. We also continued selling our credit lines for small enterprises based on financing agreements with third, including institutional, parties.
Last but not least important, the Bank was successful in expanding its lending portfolio for its clients' large investment projects in domestic and foreign markets, especially in the field of telecommunications, highway, railway and airline infrastructure. In addition, the Bank played the role of banking partner in several Merger & Acquisition projects for our clients in South and East European markets.
The year 2000 can be described as a year of strong growth of the Bank's loan portfolio. Credit lines to the non-banking sector recorded a 25 percent growth, while loans to the corporate sector alone increased by 34 percent. The result of such expansion is a 1 percent increase of market share over 1999, which means 27 percent for the Bank, and 35 percent for the Group. On the other hand, deposit collections from corporate clients grew by 23 percent, while deposits of the whole non-banking sector recorded a 21 percent growth over 1999.

RETAIL BANKING

In 2000, the Group strengthened its leading market position in retail banking due to stable growth of traditional products, further development and promotion of modern distribution channels and constant attention to customer needs and satisfaction.

THE WIDEST BRANCH NETWORK WITH A PERSONAL BANKING APPROACH

The Group retail network consists of 202 branches spread all over Slovenia, while the Bank itself provides services for individuals, private entrepreneurs and small & medium sized business through 104 branches. The financial centres network strategy has been implemented through constant branch renovations and new openings. With the recent opening of the headquarters based main area branch, a new Slovenian banking standard in branch design, functionality and personal approach was established in the centre of the Slovenian capital.

Another unique approach among Slovenian banks, started by the Bank some years ago, is in-store-banking outlets. Five such outlets are available to bring products and services, including financial advisory services, closer to customers, located in large shopping centres in Ljubljana, Maribor, Ptuj and Nova Gorica.

CONSTANT CORE BUSINESS GROWTH

Good results were recorded in selling traditional products aimed at increasing the volume and number of current accounts, saving accounts and term deposits. Despite the market maturity, the number of current accounts in the Group is still increasing (10 percent in 2000) due to product diversification, and has reached 600,000 accounts. A shift from short to long-term saving programs and deposits was recorded, and the stability of retail customer funds was thus improved.

Lending to individual customers focused on providing long-term home loans and mortgage loans. The majority of the total retail portfolio was personal loans (65 percent of the outstanding balance of the total retail portfolio), but the growth of home loans and mortgage loans in 2000, up 32 percent compared with 1999, indicates a shift in consumer behaviour, so our efforts have shifted in this direction. At the same time, the offer of customer loans was more diversified and services were provided at a higher level of quality.

In 2000, for the second consecutive year, the Bank had a significant role in the national lending plans sponsored by the Slovenian Government and by the National Housing Fund. The National Saving Scheme stimulates long-term savings at better-than-market rates that are partly subsidied by the National Housing Fund, to qualify for long-term borrowing for home financing.

According to market research, 53 percent of the Bank's individual customers are also credit card users. Despite the fact that the growth rate of new credit card issues slowed last year, new card business was acquired due to the change of the cheque cashing system and the introduction of POS terminals and the Maestro debit card instead. In 2000, the Group continued the policy of issuing co-branded credit cards and a new co-branded card was launched in cooperation with the major car producer Revoz (Renault).

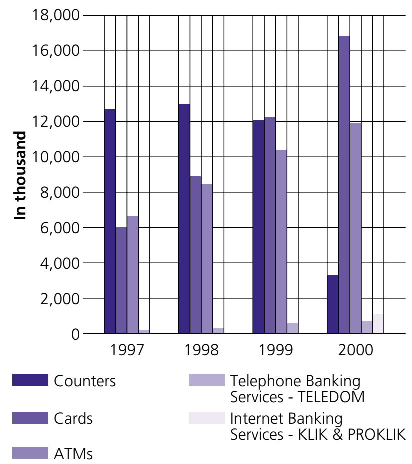
DEVELOPING AND PROMOTING THE USAGE OF MODERN DISTRIBUTION CHANNELS

The year 2000 witnessed further realisation of the already successful policy of providing a wide range of modern banking services to individual and corporate customers, all of them on a 24-hour basis. Most of these services were made available through large scale introduction of the latest banking technology and distribution channels, including:

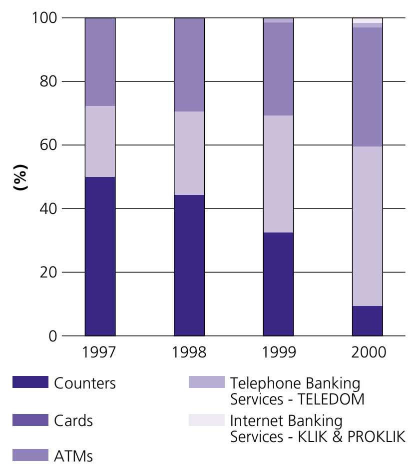
- 250 ATMs that are part of the national network of ATMs for both cash and non-cash transactions and enquiries. Most of them enable Eurocard and Visa withdrawals. In 2000, the Bank's customers made more than a third of all ATM related transactions and inquiries.
- Telephone banking service Teledom. The 54 thousand registered users are clear indicators of its popularity among the Bank's individual customers.
- The Group introduced the first mobile banking services in June 2000 with its WAP portal and current account balance messages.
- The Internet banking service Klik, applying the latest Crypto System Security. The system was made available to more than twenty thousand individual users by the 2000 yearend.
- Electronic banking system Proklik, which provides business electronic banking to individual entrepreneurs and corporates, exceeded two thousand users by the 2000 yearend. This service provided by the Group deserves special mention because of its strategic importance with respect to the reform of the state national payment system.

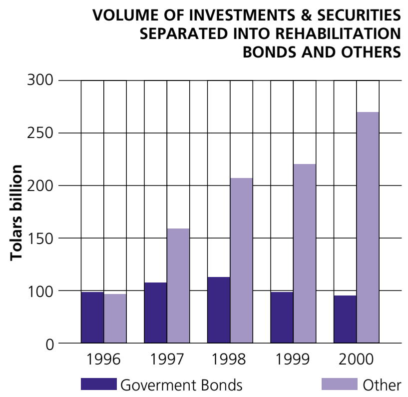
Marketing campaigns and price policy changes have stimulated the migration of transactions from branches to modern distribution channels, and so the Group holds a 62 percent market share in telephone banking and a 40 percent market share of Internet banking. We intend to increase these market shares further in the coming years.

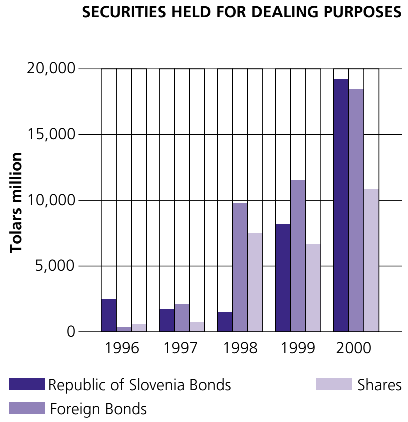
NUMBER OF FINANCIAL TRANSACTIONS



STRUCTURE OF FINANCIAL TRANSACTIONS







INVESTMENT BANKING ACTIVITY

The Bank and the banks forming the Group kept the leading position in providing investment banking services in Slovenia. The Bank's research and analytical capacities contribute significantly to building the Bank's competitive advantage in this area. By establishing and maintaining firm personal contacts with members of management boards of all analysed Slovenian companies, the Bank has a distinct competitive edge. It covers all major companies listed on the Ljubljana Stock Exchange (LjSE), and offers investment counselling to their management boards.
The volume of trading in securities on the LjSE official market increased by only 1.5 percent in 2000, reaching 269 billion tolar. With a turnover of 38.5 billion tolar, the Bank held a 7.1 percent market share.

BROKERAGE
The Bank trades in debt securities and equities issued by domestic and foreign issuers. Securities orders are executed directly, or through one of the Bank's 15 foreign partners, all of which are familiar names in the international market.
Trading in securities on the LjSE - free market amounted to 15.1 billion tolar in 2000. Trading in foreign securities topped USD 108 million. Trading in Republic of Slovenia Eurobonds represented 96 percent of the total volume.

CUSTODY SERVICES
Custody completes the investment banking services provided by the Bank. The total amount of assets under custody reached 39.7 billion tolar at 2000 year end. Of this, 34.1 billion tolar is related to foreign markets.

ASSET MANAGEMENT
Although not yet huge in volume, asset management is gradually growing in importance, and will definitely play one of the key roles in achieving the Bank's strategic objectives. In the past year, the Bank managed 96 accounts, while the total value of assets under management reached 2.1 billion tolar at the year-end.

STRATEGY
By the end of 2000, significant strategic directions and objectives in the field of investment banking had been prepared and accepted. In accordance with the Group's objective that the investment banking activity should provide a competitive advantage in the future, special emphasis has been given to the development of the asset management activity. This includes long-term saving products as pension and investment management as well as portfolio management, where the Group has started to gain in market share.

CORPORATE FINANCE

In 2000 the Bank continued to develop its advisory services, focused mainly on Mergers & Acquisitions related activities, as well as on privatisation of government owned companies. The Bank is concurrently strengthening its leading role in the development of the Slovenian primary market for securities. The efforts also included structuring and arranging the Bank's own debt issues - both public and private - and, in the capacity of agent, placement of corporate shares and debt instruments.
One of the most notable projects has included advising on the financial structure and arranging domestic and foreign financing for the leading national telecommunications company Telekom, totalling 65 million euro. Fee generating services provided by the Bank's corporate finance department also included the organisation of syndicated loans for some key clients to finance their development projects. Among other projects, the Bank acted as a lead manager and agent for the syndicated loans to DARS (the Government's agency for financing the national highway project), the aluminium

producer Talum, national railways Slovenske Železnice, and the leading brewery Pivovarna Laško.
Within the privatisation advisory services of government owned companies, the Bank team, together with Price Waterhouse Coopers, advised in defining the privatisation model of Telekom Slovenija. The corporate finance team will also coordinate the preparation of the Bank's privatisation process.

LIQUIDITY MANAGEMENT

The task of the Treasury Department is to ensure that the Group and the Bank meet all their liquidity obligations and that they comply with Bank of Slovenia regulations relating to domestic and FX provisions.

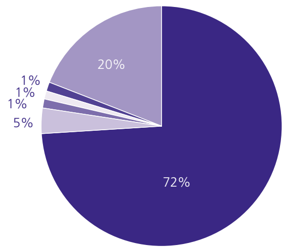
LIQUIDITY MANAGEMENT IMPROVEMENTS

Liquidity management significantly improved in 2000, mainly due to a more stable economic environment and improved money market instruments used by the Bank of Slovenia. Organisational changes in the Treasury Department also contributed, allowing improvements in the management of short-term liquidity in domestic and FX currency, and in liquidity exposure.
Short-term oscillations in supply and demand of domestic and FX currency were met efficiently, since we were able to get short-term funds in the interbank market and only seldom were funds acquired from the Bank of Slovenia. The structure of funds acquired on the interbank market was improved by an essentially increased share of more stable, long-term maturity funds.
In 2000, the Bank increased its treasury role and activity on the Group level, resulting in a closer and more efficient relationship in managing Group liquidity. For example, 50 percent of all liquid funds on the interbank market was transacted among Group member banks.
Treasury manages a significant portfolio of FX investment, amounting to 192 billion SIT at the 2000 year end. It should be emphasised that 45 percent of this investment is in certificates of deposit, in concurrence with existing monetary regulations. The FX portfolio, which represents 36 percent of all FX treasury investment, is primarily used to manage the FX liquidity of the Bank efficiently. It should also be mentioned that the Bank increased investment in foreign first grade securities with high yields, which improved the profitability of its portfolio.

SECURITIES TRADING AND TRADING WITH DERIVATIVES CONTINUED TO GROW

Securities trading and management of domestic and foreign debt securities continued to grow in 2000. The portfolio increased from 84 million euro in 1999 to 106 million euro, by 26 percent, with improvement in yields. The most traded debt securities were Government of Slovenia eurobonds. They were also very attractive for foreign investors.
The Bank maintained a very conservative approach to investing foreign debt securities in government, para-government and bank securities. These investments were made primarily in the high investment-rating grade.
Treasury was also very active and efficient in managing the domestic portfolio, consisting mainly of government bonds, part of which were sold in the secondary market as part of the Bank's business strategy.
The volume of trading increased in spot and forward markets. The Bank has a leading role in the development of derivatives, offering currency forwards and FX swaps. The Bank further improved the infrastructure in order to increase trade with derivatives, especially interest rate swaps and options.

STRUCTURE OF INTERNATIONAL PAYMENT TRANSACTIONS FOR THE BANK IN 2000



EMU currencies	72%
USD	20%
CHF	1%
GBP	1%
SIT	1%
Other	5%

INTERNATIONAL ACTIVITIES

The Group, and especially its parent bank, provide their financial services through a widespread international network consisting of a branch in Triest, subsidiaries in New York and Zurich and a trade investment in Sarajevo, affiliates in Frankfurt/Main and Vienna, and a capital investment in Skopje. Nine representative offices further strengthen our network.
Over the years, the Group has built up strong business relationships with multilateral financial institutions, including the World Bank Group, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank and other leading supranational organisations. We are a member of several national and international associations and organisations and also a founding member of the Mediterranean Bank Network. In 2000, the Bank started to cooperate in arranging credit facilities for Slovenian investors with the Council of Europe Development Bank, on a bank to bank basis, for construction of homes for the elderly.

INTERNATIONAL PAYMENTS ACHIEVED HIGH REAL GROWTH

The Group maintains its position as the most active financial institution in international operations, conducting one quarter of the Slovenian banking system's international payments through a correspondent relationship network of about 1,300 banks in 134 countries worldwide. The Bank maintains 99 nostro and 362 loro accounts with international financial institutions, headquartered in 34 countries.
In 2000, the Bank cleared orders to an aggregate value of 7.5 billion euro which is an almost 14 percent increase over the same period a year ago. Inward remittances were up by 8 percent and amounted to 4.1 billion euro, while outgoing payments totalled 3.4 billion euro, an increase of 21 percent. EMU currencies accounted for more than 72 percent, of which 49 percent of all payments were denominated in euro, an increase of 25 percent over 1999, and a further 20 percent of all settlements were executed in USD.

FOREIGN FUNDING AS SOURCES FOR LONG-TERM INVESTMENTS

At yearend 2000, total external borrowings amounted to 473 million euro, compared to euro 329 million in 1999, which included net new borrowings of 242 million euro, (1999 euro 144 million), during the year.
The main events included a 35 million euro subordinated loan arranged by KBC Bank NV and a 140 million euro syndicated loan arranged by Banca Commerciale Italiana, Credit Lyonnais, KBC and Westdeutsche Landesbank Girozentrale.

EXPANSION OF EXPORT FINANCE ACTIVITY

Slovenia's major trading partners were again the EU countries, although trade flows between Slovenia and the CEFTA countries, the Russian Federation and Croatia, Macedonia, Bosnia and Herzegovina and FR Yugoslavia continued to gain in importance in the past year. In addition, countries in the Middle East and Turkey are important target markets for the Slovenian export economy.
Trade-related services that were offered to support Slovenian exporters included various forms of buyers' credits, forfeiting, providing insurance for trade related business through confirming L/C's and L/G's, as well as arrangement of bank-to-bank loans and syndicated loans. Export-credit financing and insurance facilities were provided in co-operation with the Slovene Export Credit Insurance Agency (SID) in order to insure our projects. The Bank's share in the total amount of insurance provided by SID was the highest among all Slovenian banks.
In 2000 an important step was taken towards realising the strategy of expanding financing activity with the extension of loan facilities insured by SID, to commercial banks in Croatia, Bosnia and Herzegovina, Macedonia and the Russian Federation.
The Bank's aggregate volume of export finance transactions in emerging markets reached 58 million euro at the yearend, a 23.4 percent increase over the year before. Collaterised transactions, too, increased by 52.8 percent compared to 1999.

CREDIT RELATED COMMITMENTS

In the year 2000 the Group was successful in credit related commitments activity. Fees that are resulting from derivatives, letters of credit, commitments and guarantee business gained on importance as a source of non-interest income. By the end of 2000 the Group's total credit related commitments outstanding was 234.9 billion tolars, an increase of 18.7 percent over 1999. The major part of credit related commitments represented commitments to extend credit in amount of 132.5 billion tolars.
By the end of 2000, the Bank's foreign exchange guarantees outstanding reached 325 million euro, among which net newly issued guarantees rose by 97 percent to 150 million euro. Major transactions included a 14 million euro loan guarantee on behalf of financing the highway and power plant construction program.
The Group transferred, modified and reduced its foreign exchange risk exposure by means of short-term derivative financial instruments (forward exchange contracts, swaps, options and futures exchange contracts). A slight increase of foreign exchange derivatives to 32.5 billion tolars was mainly driven by growth of trading volume of forward exchange contracts and of swaps for purpose of hedging.

INFORMATION TECHNOLOGY ACTIVITIES

The integration of new software supporting retail and wholesale banking activities, as part of the Sigma project, was the Bank's primary objective in the IT area.
During 2000, further modernisation of the IT network and desktop infrastructure also took place, as well as building the security infrastructure for new distribution channels (Internet, WAP, SMS). The latter included a sophisticated firewall system and the Bank's own PKI certification authority. In addition, activities began towards establishing a backup centre for core computer systems. The major part of the necessary hardware was purchased, installed and successfully tested.
In the past year, the Bank began the process of standardisation of IT environments and launched a project for obtaining an ISO 9000 certificate. Activities included finalisation of the quality manual as well as training and preparation for the first internal quality audit. Substantial work and resources were devoted to preparing for a smooth integration of the IT systems of the three daughter banks that are scheduled to be acquired by the Bank in the first round of the Group's consolidation.

GROUP AND CAPITAL INVESTMENT MANAGEMENT

In 2000, the Group actively pursued capital investments through its subsidiaries. An important milestone was reached in implementing the strategy of growth through foreign acquisitions, through the purchase by LHB Bank, Frankfurt/Main, the Bank's German affiliate, of a 34.62% equity stake in the third largest Macedonian bank, Tutunska banka, Skopje. By signing a Strategic Partnership and Business Cooperation Agreement with Tutunska banka, the Bank secured the option to purchase an additional 18.50% voting stake for itself and thus enable the Macedonian bank's full financial consolidation within the Group.
Equally important was the acquisition of Commercebank d.d.,Sarajevo (Bosnia and Herzegovina) which took place in December 2000. The purchase of 51% of total voting shares was made by the Bank's Slovenian subsidiary Banka Domžale d.d. In addition to the above mentioned new acquisitions, the Bank has a wholly owned US subsidiary LBS Bank (New York), which was established in 1986 and is a member of the Federal Deposit Insurance Corporation.

Table 4: Other banking members of the Group included
(under IAS, as of December 31, 2000):

Bank	Bank's share in the voting capital (%)	Total assets (million tolars)	Ranking in Slovenia
Pomurska banka d.d., Murska Sobota	45.58	73,920	10
Banka Velenje d.d., Velenje	64.28	44,429	18
Koroška banka d.d., Slovenj Gradec	41.33	45,542	16
Banka Domžale d.d., Domžale	40.0	44,565	17
Banka Zasavje d.d., Trbovlje	40.0	29,972	20

In addition to rights obtained by the Bank through share ownership, its controlling position within the Group has been further strengthened by signing agreements on business cooperation and risk management with each of the above "daughter" banks. These agreements cover all the most important aspects of joint interest and relate not only to risk management and coordination of joint business activities, but also to coordinating strategies, sharing costs of development and introducing information technology and new products, as well as common standards with respect to internal audit, accounting policies and corporate identity.
Also in December 2000, the Bank of Slovenia permitted the Bank to acquire a controlling share exceeding 33% of total voting shares of Banka Celje, thus clearing the way for the later full acquisition and inclusion of the bank in the Group. As of 31 December 2000, the Group as a whole held a 35.10 percentage share in the share capital of Banka Celje, of which 14.72 percent was held by the Bank. Banka Celje is also a signatory of an agreement similar to that signed with the daughter banks.
Foreign affiliates included LHB Internationale Handelsbank AG, Frankfurt/M. in Germany and Adria Bank AG, Vienna in Austria. In 2000, the Bank's share in LHB Bank was increased from 46.3 percent to 49.99 percent, with other Slovenia based entities, not members of the Group, holding an additional 10 percent. At the same time, the Bank's share in the capital of Adria Bank increased from 22 to 28.7 percent.

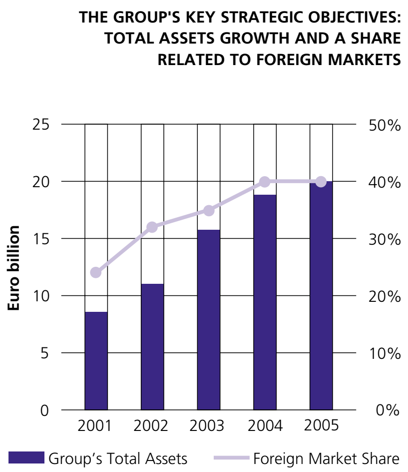
Table 5: The Bank's non-banking subsidiaries and affiliates included
(as of December 31, 2000)

Company	Main business activity	Note
LB InterFinanz AG, Zurich	trade finance, lending, capital investments	wholly owned by the Bank
LB InterFinanz s.r.o., Prague	factoring and forfeiting	wholly owned by LB InterFinanz AG
LBIS d.o.o.e.l., Skopje	leasing	wholly owned by LB InterFinanz AG
LB Factors d.d., Ljubljana	factoring	70% owned by LB InterFinanz AG

The bank's technological capital is one of its most important competitive advantages.

The bank's brands represent the most common and, for many clients, the only contact with the bank. As products affirming the reputation and values of the bank as a whole, our brands are the most direct expression of the bank's intellectual property and proof of its developmental orientation. User-friendly technologies, combined with the most modern banking operations - providing simple, fast and easy access to services - have placed Nova Ljubljanska banka in the leading position among Slovenian banks.

The Group's Developmental Objectives



The Group's developmental objectives for the period 2001 - 2005 have been prepared in consideration of the global banking trends in general and the trends in European banking in particular. Such an approach was necessary in view of the ongoing process of Slovenia's full accession to the European Union in the near future. However, the real basis for preparing the Group's development objectives was the domestic macroeconomic environment and an evaluation of the factors influencing the expected development of the Slovenian financial and banking system.

The main issue with regard to the Development Objectives will be continuation of the process of the Group's consolidation and financial strengthening that should be reflected in the volume of growth, quality improvement, raising the customer satisfaction index, as well as in better profitability and operating efficiency ratios.

The key strategic objectives for the period 2001 - 2005, arising from the management's vision to become an important player within the Central European market for financial services, could be summarized as follows:

1. **Growth and objectives.** The Bank's total assets on a consolidated basis should reach 20 billion euro by the end of 2005. The goal should be achieved through organic growth and by Mergers & Acquisition activities, on both domestic and foreign markets. It is expected that subsidiaries and affiliates based abroad would contribute a 40 percent share towards reaching this objective.
   The countries considered for extending the Bank's presence on foreign markets include Bosnia and Herzegovina, Macedonia, Croatia, Yugoslavia, Poland, Czech Republic, Austria, Italy, Germany, Russia and the USA.

2. **Integration of daughter banks into the Group's operations.** Full integration is expected to be completed by the end of 2005.

3. **Universal banking.** The Group will continue to implement the strategy of providing a complete range of financial products and services on both wholesale and retail bases. Non-traditional financial services, such as life and pension insurance, that are being offered in cooperation with insurance companies - bank assurance - will complement the range of traditional as well as modern banking products and services.

4. **Investment banking.** Investment banking should play one of the key roles in the process of enhancing the Group's competitive advantages in the future. Pension and investment fund management as well as portfolio management are expected to provide a significant contribution to building the Bank's non-interest earnings capacity, and thus neutralise the negative effects of the expected spread narrowing.

5. **Private banking.** The Group's and the Bank's intentions are to build a leading position in the country with regard to providing private banking financial services.

Although the aims are very ambitious, the Bank's management firmly believes that the set strategic goals are achievable by implementing appropriate strategies and by building proper infrastructure and efficiently managing the presently available and new financial, human and technological resources. The most important strategies will have to address the following issues:

Privatisation. The concept, supported both by the Government as the main shareholder and the Bank's management, envisages privatisation in a gradual manner, including share swaps, new issues on domestic and foreign markets and the sale of shares to both institutional investors and selected core investors.

Information technology renovation and business process reengineering. These endeavours, already underway, will be continued in the future with the final objective of building the up-to-date information technology needed for efficient provision of quality products and services to all segments of clients, in addition to facilitating business process automation.

Customer relationship management is expected to be a widely implemented approach throughout the Group and will be based on improved IT support.

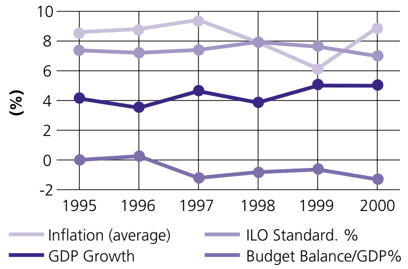
Electronic banking. The bank plans extended usage of electronic distribution channels, especially electronic and Internet banking, telephone banking and development of e-commerce.

Value creation and value based management. Projects already underway are aimed at introducing a new concept of management focused on value creation, better cost management and performance measurement that will take into consideration both financial and non-financial perspectives.

Economic Environment in Year 2000 and Prospects

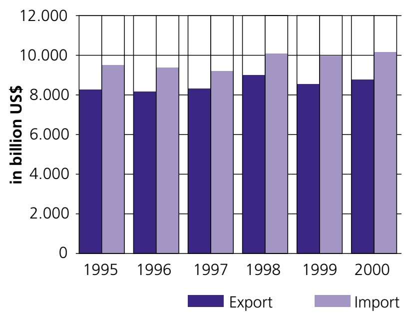
By Prof. Dr. Franjo Štiblar, Chief Economist of Nova Ljubljanska banka

MAIN MACROECONOMIC INDICATORS FOR SLOVENIA (AREA: 20,000 SQUARE KM; POPULATION: 2 MILLION; GDP: 20 BILLION USD)



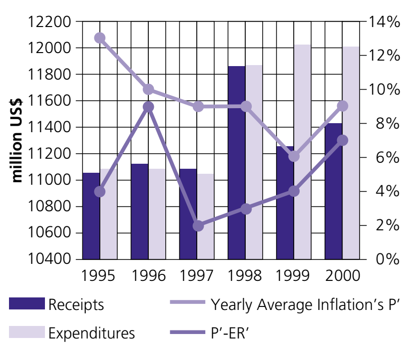
Sources: National Statistical Office; Bank of Slovenia.; Institute of Macroeconomic Analysis and Development.; EIPF

SLOVENIAN TRADE OF GOODS



Source: EIPF and Statistical Office of the Republic of Slovenia

CURRENT ACCOUNT



SOLID ECONOMY IN YEAR 2000

Since 1999, internal volatility in Slovenia has been increasingly replaced by stronger external volatility. While in 1999 the domestic component of final demand led to relatively strong 5% GDP growth, in 2000 export push became important and growth rate remained almost the same (5.2 percent growth in the last 9 months). For 2001, both domestic and foreign components of final demand are expected to have a more equilibrated impact on growth, with a slight deceleration of activity to 4.5 percent as a final outcome.

RECENT TRENDS

In 2000 growth was export led, with components of domestic final demand decelerating (personal consumption due to slower growth of displaceable income and higher indebtedness of population from the 1999 stampede, public expenditures due to restrictions towards the end of the year and investment due to a less stable domestic political climate). Industrial production, in physical terms, increased by 6.2 percent, construction decreased by 0.4 percent, tourist overnight accommodation increased by 11 percent (foreign by 24 percent, domestic stagnated), transportation of goods increased by 7.1 percent, while transport of people decreased by 10.2 percent. Employment increased by 1 percent, the number of unemployed declined by 8.5 percent to 104 thousand (unemployment rate with 12.0 percent was the lowest since 1992).

The current account deficit did not decline significantly in 2000, despite higher growth of exports due to worsening of terms of trade (by 5 percent, which caused around 1/3 of the achieved trade deficit) and continuing fast growth of commodity imports. Inclusion of reinvested profit of foreign investors will increase the preliminary figure for the deficit to 700 Million USD or 3.5 percent of GDP.

External debt increased by 940 million to an estimated 6,430 million USD in December 2000, which is over 2 billion USD more than foreign exchange reserves (increased by 255 million USD to 4,370 million USD. On the foreign exchange market, demand exceeded supply (only the second time in nine years of independence) by 430 million DEM.

Higher than expected inflation in 2000 (8.9 percent instead of a forecast 6.2 percent) was caused predominantly by external factors, the same which caused the country's terms of trade to worsen. Producer prices increased even more (9.2 percent on December to December basis) indicating slower than desired reduction of inflation in 2001.

Average wages grew by 2 percent in real terms, less than labour productivity and more than planned, especially in the latter part of the year.

Among economic policies in 2000, monetary policy was moderately restrictive (more successful in that attempt when the foreign exchange market was in excess demand). Among monetary aggregates, M0 increased by 4.8 percent, M1 by 7 percent, M2 by 11 percent and M3 (M2 plus all foreign exchange deposits) by 16.2 percent (last quarter to last quarter) the latter being within the targeted band of 12 - 18 percent (the plan for 2001 is 11 - 17 percent growth). The central bank adjusted its instruments by

the introduction of shorter-term securities (fine-tuning) and increase of its interest rates, which are gradually becoming an efficient instrument.
The central bank intervened twice on the foreign exchange market, first by accelerating and then slowing down the depreciation of domestic currency (regime of managed floating). Nominal depreciation of the tolar was 7.2 percent in relation to the euro (with 8.9 percent inflation at home) but with the US dollar appreciating, the effective depreciation of domestic currency was 3 percent.
Indirect financing of the economy through bank credit has remained dominant over direct financing through the capital market. In 2000, banking assets increased by 19 percent with the banking sector (25 banks operating) performing quite satisfactorily: ROE was 11.4 percent, and the share of operating costs in assets 3.4 percent. Nominal interest rates of the banking sector increased between 1.1 and 1.6 percentage points, with the average interest rate margin increasing slightly to 4.5 percent.

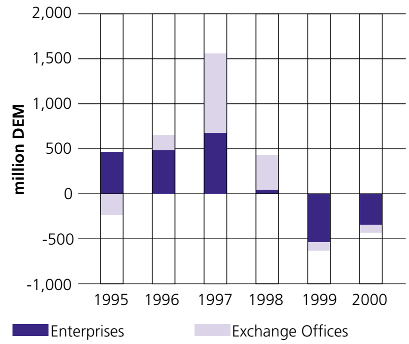
Table 6: Declared average interest rates of the banking sector (in percent)

	Active				Passive		
	Short Term		Long Term		Demand	Short term	Long term
	Enterp.	Popul.	Enterp.	Popul.			
Dec. 1998	12.3	10.4	13.7	12.4	1.0	8.0	10.5
Dec. 1999	15.2	13.1	17.2	14.8	1.0	10.1	13.4
Dec. 2000	16.3	14.6	18.4	16.3	1.0	11.5	15.0

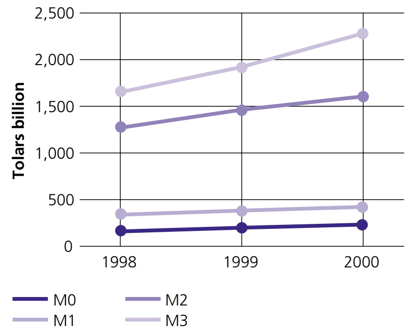
Source: Bank of Slovenia.

At the same time, market capitalization in LjSE increased by 23.4 percent, to achieve a 28 percent share in GDP. Turnover increased by only 1.3 percent to 5 percent of GDP, while the aggregate stock exchange index remained roughly unchanged (which is better than for most other stock exchanges).
Fiscal policy encountered serious problems due to smaller than expected receipts from newly introduced value added tax and excises. In addition, the change of government and regular parliamentary elections caused additional uncertainty and volatility in the fiscal system. In 2000, the general government deficit was 1.3 percent of GDP while for 2001 the forecast is 1.0 percent of GDP. Total public sector revenues accounted for 42.3 percent of GDP.
In September 2000, government debt increased by 1.8 percentage point to 26.4 percent of GDP while the share of total public debt in GDP was 35.2 percent at the end of 1999 and probably increased by a couple of points in 2000.
At the beginning of 2001, activity seemed to slow down (trends in industrial production, seasonal increase of unemployment) slightly but the climate remains optimistic (more than in all EU members and candidate countries) especially among producers, less among consumers. Inflation rates decreased significantly (0.1 percent in December, 0.4 percent in January). A social contract on wages has been achieved and the proposed budget for 2001 is going before the parliament (to be enacted by May 2001, meanwhile temporary financing is adopted) with a delay due to parliamentary elections in late October 2000 and the new government de facto taking over in December.

EXCESS SUPPLY IN FOREIGN EXCHANGE MARKET TURNOVER



MONETARY AGGREGATES AS MONTHLY AVERAGES



NATIONAL POLICY ASSUMPTIONS AND THE INTERNATIONAL ENVIRONMENT

NATIONAL POLICY ASSUMPTIONS

After parliamentary elections in October 2000, a new centre left coalition government lead by the Liberal Democrat Party and 2/3 support in Parliament obtained the strongest 4-year mandate in the 10-year Slovenian history.

Taking into account two crucial development factors (strengthening of competitiveness of the economy and efficacy of public administration and development of human capital), the Government priorities for 2001 are: increased macro-economic stability (with reforms), strengthening of human resources and competitiveness of the economy and public administration, preservation of the achieved level of social and ecological protection, more harmonious regional development, and intensification of the process of accession to the EU and NATO.

Major structural economic reforms as announced by the coalition agreement of the new government and the Budget Memorandum for 2001 deal with stimulation of domestic and foreign investment, flexibility of labour market, change in subsidies to enterprises and improvement of public administration.

The major goals and directions of government include welfare growth with improved competitiveness (restructuring of the enterprise sector, efficient financial system, reforming public administration, up-grading efficient infrastructure) and development of human capital (complete reform of labour policy). Restructuring of public finances is at an early stage (less burden on labour, redirection of public expenditures toward accumulation and investment in knowledge and technology, higher stability of public finances in view of the ageing population).

Major economic policy goals are continuation of dynamic growth, decreasing unemployment, declining inflation, a stop to the growing public deficit and structural reforms.

INTERNATIONAL ENVIRONMENT

In 2000, a positive external factor was higher growth of the world economy and, especially important for Slovenia, the EU economy (65 percent share in Slovenian exports, which is close to 60 percent of the country's GDP), CEFTA countries and ex-Yugoslav economies. Negative external factors included higher world oil prices, strong US dollar, higher inflation and increasing interest rates, altogether leading to a worsening of the terms of trade by 5 percent.

In 2001, EU growth is expected to slow down but the Balkan economies will continue the strong revival of activity. Terms of trade should improve (or at least not worsen) as oil prices are expected to stabilize, the US dollar to weaken, and inflation and interest rates to decline. It remains to be seen how relevant the "Bush factor" will be to these predictions.

Further approximation of legislation to the EU is on the parliamentary agenda, since the progress report by the EU Commission in Brussels in November is expected to be critical for selection of the first group of entrants to the EU among candidate countries.

POSITIVE ECONOMIC TRENDS

The 2001 prospects for the Slovenian economy remain moderately optimistic (4.5 percent GDP growth rate) with more stability and less growth compared to 2000 most probable. Exports (6.9 percent growth) remain the leading factor but domestic demand should revive slightly. Personal consumption (2.9 percent) and public consumption (4.4 percent) will grow a little faster, and fixed investment will retain last year's dynamics (4.0 percent) thus complementing potentially weaker export.

A part of the current account deficit is of a cyclical nature, the other part of a structural nature. Due to the latter, the current account deficit is expected to remain above 500 million USD and around 2 percent of GDP in the next couple of years, which is not good. The surplus in services will be unable to cover the deficit in trade of goods since shuttle tourism has declined severely, tax free shops are due to be closed, while the import of services will increase with growth of GDP (tourism abroad).

Further internationalisation of imported inflationary pressures will slow the decline in inflation in 2001 to an average rate of 7.8 percent (government forecast) which seems too high. The December to December rate would in that case be 6.3 percent, and nominal depreciation of the tolar against the euro on the level of 5 percent. Monetary (more successful when the foreign exchange market is short of foreign exchange) and price policy (potential measures as change of indexation clause and liberalisation of some controlled prices such as energy and telecommunications) should be the domestic instruments for reducing inflation.

The new social contract on wages achieved recently should retain their growth below productivity growth in 2001. Employment should increase and unemployment decline under such a scenario but both slower than desired. Employment is expected to grow by the usual 1 percent, and the unemployment rate to decline slightly.

M3 as a target of monetary policy is expected to grow between 11 percent and 17 percent, thus indicating further deepening of the financial sector. Interest rates and bank interest margins are expected to decline both in real and in nominal terms.

Limitations in managing public expenditures in 2001 stem from overdue liabilities from 2000, high growth of wages, increased interest payments and additional financing of extended programs (social transfers, agriculture reform, public administration and judiciary reform, financing of cultural institutions). In 2001, both revenues and expenditures will increase (the former through higher excise taxes. revenues from concessions and selling of state property). Budget revenues are planned at 1,150 billion tolar, expenditures at 2,000 billion tolar with a budget deficit of 1.08 percent of GDP and a public sector deficit of 0.98 percent (1.29 percent of GDP in 1999) of GDP.

Table 7: Forecast for Slovenia 2002-2006

Growth Rates	2002	2003	2004	2005	2006
GDP	4.5	4.75	5.0	5.5	6.0
Employment	1.0	1.1	1.6	2.1	2.1
Labour Productivity	3.5	3.7	3.4	3.4	3.9
Unemployment Rate	11.0				
Unemployment Rate (ILO)	7.0	6.9	6.4	5.6	5.4
Inflation (December/December)	5.0				
Inflation (Annual average)	5.2	4.2	3.7	3.3	2.8
Export of Goods and Services (in USD)	7.0	7.1	7.4	7.5	7.6
Import of Goods and Services (in USD)	6.2	6.6	6.7	7.0	7.1
Trade Balance (in mio USD)	-1100				
Current Account (in mio USD)	-565	-546	-514	-406	-280
Private Consumption	4.0	4.2	4.8	5.1	
Fixed Investment	5.5	6.0	6.5	6.7	6.7
SIT/USD	237				
Inflation - growth SIT/DEM (percentage points)	1.0	0.7	0.4	0.1	
Bank Assets Growth	15.0				

f = forecast

Sources: UMAR Projections. Bank of Slovenia. EIPF LINK Project

Structural reforms include privatisation and consolidation of banks, insurance companies and steel mills and will be presented in a program of privatisation of state property amended to the budget for 2001. Financial sector reforms include consolidation, increased capital adequacy and liberalisation of entry and privatisation.

Further restructuring of the enterprise sector includes privatisation of state-owned enterprises and support for crucial factors of success: technology, innovations, flexibility, organisation, competitiveness, entrepreneurship and financial support.

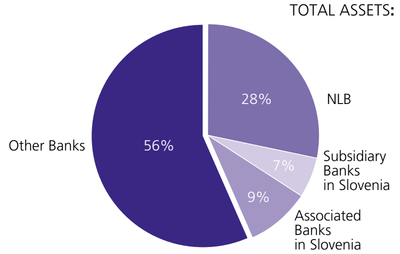
Other reforms include reform of public administration, protection of the environment, harmonisation among regions and measures supporting accession to the EU and NATO.

Indexation is expected for wages (based on expected rather than on past inflation), not for interest rates, which will be difficult to achieve.

According to longer term projections until 2006, Slovenia is gradually introducing a new post-transition development paradigm which includes the following qualitative changes: higher share of investment, external trade and FDI and increasing share of services in GDP (education, telecommunications, productive services and business services). The new approach should emphasise the social and environmental components of welfare.

The creative potentials of its employees are the Bank's most valuable capital.

The corporate culture of Nova Ljubljanska banka thrives on time-tested principles of work organisation, professionalism, know-how, experience and creative motivation. The working environments in the Bank have been designed to develop the creative potentials of each individual and to encourage teamwork. Nowadays, the response of large systems also depends on the effective use of modern information technology. Therefore, it is only through permanent staff education that we can meet the demand for high quality banking services.



Note: As at 31 December 2000
Source: Bank of Slovenia

STATUS & OWNERSHIP

NLB was established by legislative Act of the National Assembly of the Republic of Slovenia on 27 July 1994, commencing operations on 28 July 1994.
Nova Ljubljanska banka d.d., Ljubljana ("NLB) is a joint stock company in which the Republic of Slovenia holds 83.08 percent. In the first half of 2000 first steps of the Bank's privatisation process have been taken. Consequently, since May 2000, the Government of Slovenia's share of the Bank's share capital has been reduced from 92.3 percent to 83.1 percent as a result of a transfer to the Restitution fund and Pension fund Management. Due to a postponement in further implementation of program of the contemplated Bank's privatisation, no new shares issue took place in 2000.

POSITION IN SLOVENIA & INTERNATIONALLY

Nova Ljubljanska banka is the largest banking and financial services organisation in Slovenia. In the domestic banking sector NLB now accounts for more than a quarter of banking assets. However, the combined market share of NLB and its five subsidiaries, Slovenian banks, approximates 35 percent.
NLB's Investment Grade Ratings are among the highest in Central and Eastern Europe. For an overview of the ratings please refer to page 16.
The Financial Times magazine The Banker, ranks NLB the 269th largest among Top 500 European Banks (September, 2000 issue) and 657th largest among Top 1000 World Banks (July, 2000 issue) in terms of asset size.

ACTIVITIES

NLB is a universal bank with a full banking license. The Bank was established to perform banking and other financial services for which it is permitted under the licensed authority of the central bank, the Bank of Slovenia. The Bank may in accordance with existing regulations perform business operations both in Slovenia and abroad.
The activities of the Bank are as follows:

(a) Banking services:
- accepting deposits from natural persons and legal entities,
- granting loans,
- other banking services as permitted in the banking act;

(b) Financial services:
- granting credits, including consumer credits, mortgage (credits) and financing of commercial business,
- effecting payment transactions,
- issuing guarantees and other warranties,
- trading in foreign currencies, including currency exchange business,
- issuing and management of payment instruments,
- securities services pursuant to the law regulating the securities market,
- derivatives dealing,
- factoring,
- collection, analysis and forwarding of information on the credit worthiness of legal entities,
- intermediation in the sale of insurance policies pursuant to laws regulating the insurance business,
- intermediation in the loan and credit business,
- financial leasing,
- management of pension funds and investment trusts pursuant to all laws regulating pension funds and financial trusts,
- safe-keeping services;

(c) Activities auxiliary to banking:
- financial, tax and other business consultancy,
- real estate management,
- management of data processing,

- computer software consultancy, development and supply,
- activities related to databases,
- data (information) processing,
- safekeeping of valuables,
- education and training,
- transport of cash and other valuables,
- banking services development,
- providing technological solutions (know-how),
- trading in gold,
- legal consultancy,
- other business activities.

The Bank acts on its own account and on the account of others, both individuals and legal entities, unless regulations stipulate otherwise.

Since 1967, the Bank has been operating internationally. It has established a significant worldwide network of correspondent banking relationships, encompassing more than 1,280 international financial institutions headquartered in 134 countries.

The Bank's subsidiaries and associated companies also provide financial and other services such as financial leasing, factoring, financial consultancy and real estate management.

NETWORK & CAPITAL INVESTMENTS

The Bank operates a network of 16 area branches that includes 104 branches, and 9 representative offices located in Budapest, Frankfurt/Main, London, Milan, Moscow, New York, Paris, Prague and Skopje. NLB's employee base numbered 2,904 at yearend 2000.

NLB recently opened new banking units in Bled, Idrija, Ljubljana and in Postojna as well as a representative office in Skopje, Macedonia.

In Slovenia and abroad NLB has significant shareholdings in both banks and companies. For additional information please refer to the NLB Group chart on page 43. NLB has a 28.6% shareholding in Bankart, Ljubljana, a company that provides credit card & ATM support services to 23 Slovenian financial institutions. The Bank is one of the founding shareholders (50%) of Bančno zavarovalna družba, Ljubljana, a banking insurance company.

In June 2000, NLB and the largest Slovenia's insurance company, Zavarovalnica Triglav, jointly established a new pension insurance company, Skupna pokojninska družba d.d., Ljubljana. NLB has also acquired a significant capital shareholding in Tutunska banka a.d., Skopje. In August 2000, the Bank's subsidiary, Banka Domžale d.d. acquired a majority shareholding in Commercebank d.d., Sarajevo which has thus joined the NLB Group.

NETWORK OF AREA BRANCHES, SUBSIDIARY & ASSOCIATED BANKS IN SLOVENIA

COMMUNITY INVOLVEMENT

Major banks are always striving to become more than just passive financial institutions in their respective environments. They aim to pay a role in the lives of their communities realizing that the quality of life in their surroundings enriches the quality of their business as well.

At Nova Ljubljanska banka, we manifest our bond with society in many ways. We have helped countless individuals and institutions bring their projects to life, and we are active supporters of local cultural and artistic events. We also sponsor some of the most successful Slovenian athletes, and support major charity and humanitarian activities. We are actively involved in supporting selected community events as well as groups or individuals whose work either reflects our values or mirrors our commitment to excellence. Our support for the talent and hard work of sponsored individuals and institutions also highlights our vision for the new millennium.

SLOVENIA'S RED CROSS AWARD FOR THE DONOR OF THE YEAR 2000

HISTORICAL HIGHLIGHTS 1889 TO 2000

1862-1889 The first Slovenian City Savings Banks are established in Maribor (1862), Celje (1865) and in 1889 Mestna hranilnica ljubljanska (MHL) in Ljubljana, the latter being the predecessor of Nova Ljubljanska banka d.d.

1955 Komunalna banka Ljubljana is founded.

1965 During the period 1961 to 1965, Komunalna banka Ljubljana acquires several municipal banks, including MHL, i.e. the City Savings Bank, Ljubljana, secures a license to operate as a commercial bank and changes its name to Kreditna banka in hranilnica Ljubljana.

1967 Kreditna banka in hranilnica secures authorisation to commence international banking operations.

1968 Kreditna banka in hranilnica opens its first international representative office in Munich and establishes correspondent banking relationships with 30 international banks.

1970 Kreditna banka in hranilnica Ljubljana is renamed Ljubljanska banka Ljubljana and ranks in the 181st place in "The London Banker Top 300 Commercial Banks Ranking".

1978 Following new legislation, a Ljubljanska banka group is formed consisting of: Ljubljanska banka-Associated Bank, Ljubljana and 22 basic banks including former branches and 2 previously independent banks (Kreditna banka Maribor and Kreditna banka Koper).

1986 Ljubljanska banka-Associated Bank establishes a wholly-owned subsidiary, LBS Bank-New York, New York. This subsidiary is the first bank from Eastern Europe to secure a U.S. banking licence.

1989 Ljubljanska banka-Associated Bank becomes a 60% shareholder in a newly created financial subsidiary: Proteus Finanz AG, Zurich, Switzerland.

1990 All banks within the Ljubljanska banka system become joint stock companies. The Ljubljanska banka system comprises: Parent Bank - Ljubljanska banka d.d., Ljubljana (formerly Ljubljanska banka-Associated Bank, Ljubljana), 5 Subsidiaries and 14 Member Banks (formerly basic banks).

1991 Ljubljanska banka-Gospodarska banka, Ljubljana merges with Ljubljanska banka d.d. As a consequence of the merger, Ljubljanska banka d.d. acquires a significant network of domestic savings offices thereby enabling Ljubljanska banka d.d. to adopt a universal banking status.

1992 Due to new banking legislation the Ljubljanska banka system dissociates in mid 1992. Member banks continue to operate independently, however, certain business and equity relationships are still maintained with Ljubljanska banka d.d.

1993 Ljubljanska banka d.d. enters a program of rehabilitation, initiated by the Government of the Republic of Slovenia and the Bank of Slovenia (Central Bank).

1994 On July 27, 1994, under the present charter, Nova Ljubljanska banka d.d., Ljubljana ("hereafter referred to as the "Bank" or "NLB") is established by Legislative Act of the National Assembly of the Republic of Slovenia. NLB assumes the majority of the assets, liabilities and operations of Ljubljanska banka d.d., Ljubljana with the exception of certain liabilities and guarantees of Ljubljanska banka incurred during the existence of the former Socialist Federal Republic of Yugoslavia.
NLB establishes a subsidiary for administration of investment funds, LB Maksima, Ljubljana. It also co-founds a joint stock company specialising in factoring, LB Factors, Ljubljana.

1995 E-Banka Maribor merges with NLB. The Bank established a new subsidiary, LB Consulting Praha, Prague that offers financial and commercial consulting, factoring and forfeiting services.

1996 NLB acquires LB-Posavska banka d.d., Krško.

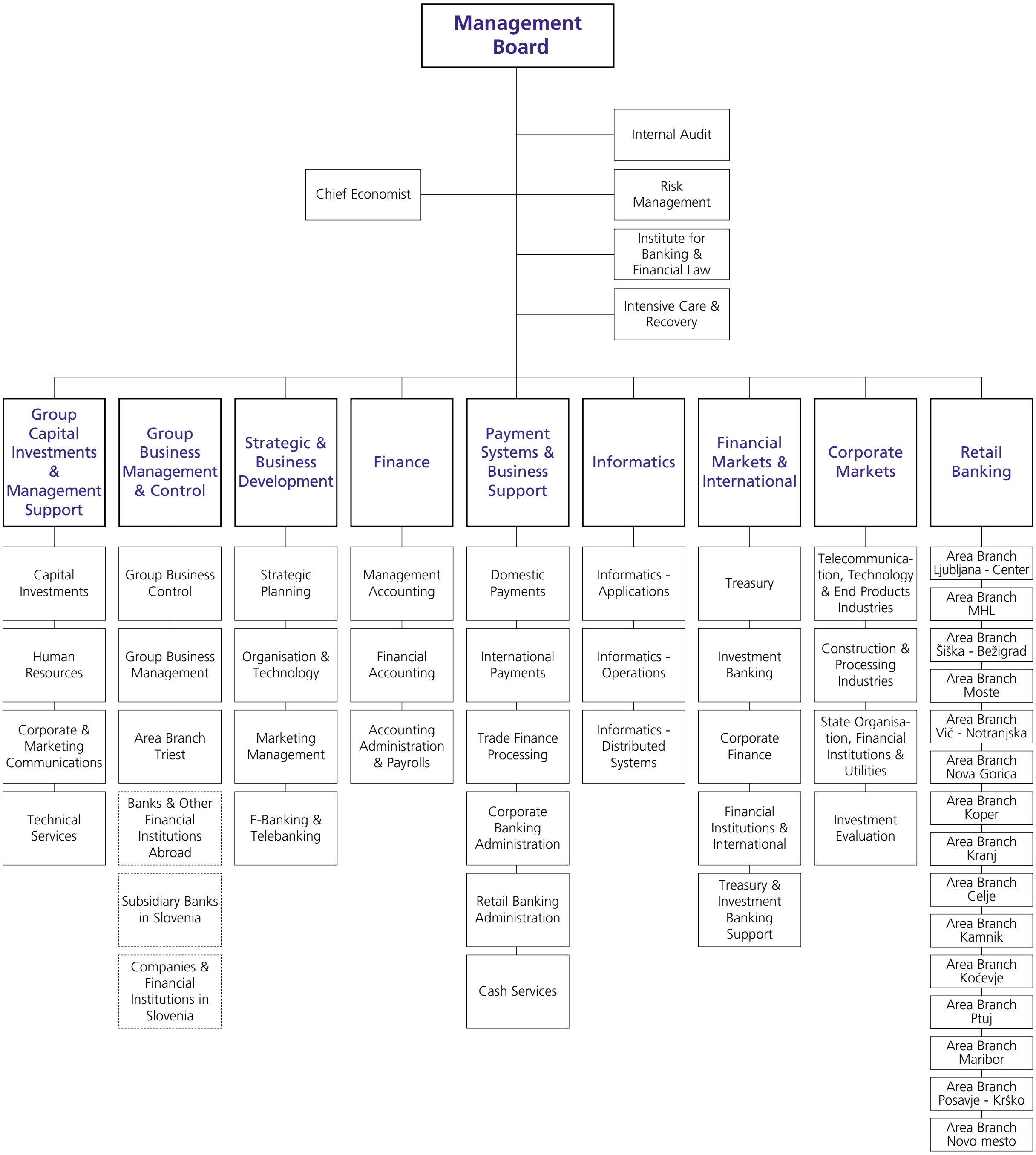
1997 The official ending of the rehabilitation of Nova Ljubljanska banka d.d. takes place on 16 July 1997. Concurrent with this event the new non-executive supervisory board and the new management board of NLB were appointed.
Standard & Poor's, FITCH IBCA, Moody's, Thomson Financial BankWatch and Capital Intelligence have each assigned to NLB Investment Grade Ratings that are among the highest ratings assigned to banks in Central and Eastern Europe.
NLB becomes a major shareholder (28.6%) in Bankart, Ljubljana, a processing center for credit cards and ATMs.
A renewed corporate visual identity of NLB is launched.

1998 In June 1998, NLB held its first Annual General Meeting since the successful conclusion of its rehabilitation. NLB declares and pays a dividend to its shareholders.

1999 NLB's branch in Italy moves from Milan to Triest.
The Bank signs strategic partnership and business co-operation agreements with Banka Celje and Dolenjska banka.
NLB introduces electronic banking service for corporate clients (Proklik NLB) and Internet banking for retail clients. In November 1999, Central European, the magazine of Euromoney Institutional Investor focused on Central Europe, nominates NLB as Slovenian Bank of the Decade.

2000 The international rating agencies Moody's and Capital Intelligence upgrade NLB's long-term foreign currency ratings, while Standard & Poor's and Thomson Financial BankWatch affirm their latest ratings of NLB.
NLB opens new banking units in Bled, Idrija and in Ljubljana as well as a representative office in Skopje, Macedonia.
Together with Slovenia's largest insurance company, NLB establishes a new pension insurance company, Skupna pokojninska družba d.d., Ljubljana. NLB acquires a significant capital shareholding in Tutunska banka a.d., Skopje. With a capital investment of one of NLB's daughter banks, Commercebank d.d., Sarajevo joins the NLB Group.
NLB receives Euromoney Annual Award for Excellence for the fourth consecutive year. The Financial Times magazine The Banker, selects NLB as Bank of the Year 2000 for Slovenia.

ORGANISATIONAL CHART OF NOVA LJUBLJANSKA BANKA



EXECUTIVE MANAGEMENT

MANAGEMENT BOARD
Marko Voljč, President & Chief Executive Officer
Boris Zakrajšek, Deputy President & Deputy CEO
Alojz Jamnik, Deputy President & Deputy CEO

Milan Marinič, Executive Director, Group Capital Investments & Management Support
Janez Maksimiljan Senčar, Executive Director, Group Business Management & Control
Nevenka Bremec, Executive Director, Strategic & Business Development
Milan Martin Cvikl, Executive Director, Finance
Danijel Omahen, Executive Director, Payment Systems & Business Support
Andrej Tavčar, Executive Director, Informatics
Andrej Hazabent, Executive Director, Financial Markets & International
Jože Gašper Filiplič, Executive Director, Corporate Markets
Tomaž Košir, Executive Director, Retail Banking

Ivan Potočnik, Senior Executive & General Manager, Intensive Care & Recovery

Franjo Štiblar, Prof. Dr., Chief Economist

SENIOR MANAGEMENT

Metka Türk, Chief Internal Auditor, Internal Audit
Anton Žunič, General Manager, Risk Management
Anton Ribnikar, Head of Institute for Banking & Financial Law

Group Capital Investments & Management Support Division

Marija Koritnik, General Manager, Capital Investments
Daša Zupan, General Manager, Human Resources
Savo Dinjaški, General Manager, Corporate & Marketing Communications
Jože Kostanjevec, General Manager, Technical Services

Group Business Management & Control Division

Maruša Kosovinc Dragonja, Assistant Executive Director & General Manager, Group Business Management

Pavel Kobler, General Manager, Group Business Control
Andrej Bratož, General Manager, Area Branch Triest

Strategic & Business Development Division

Katarina Knapič, General Manager, Strategic Planning
Dušan Gale, General Manager, Technology & Organisation and Director of Project SIGMA
Irena Čuk, General Manager, Marketing Management
Aljoša Žonta, General Manager, E-Banking & Telebanking

Finance Division

Ranko Nikolić, General Manager, Management Accounting
Vanja Jurjevič, General Manager, Financial Accounting
Polona Suhadolnik, General Manager, Accounts Administration & Payrolls

Payment Systems & Business Support Division

Irena Dolinar, General Manager, Domestic Payments
Helena Svoljšak, General Manager, International Payments
Alenka Trop, General Manager, Trade Finance Processing
Metka Košmerlj, General Manager, Corporate Banking Administration
Ana Bandelj, General Manager, Retail Banking Administration
Branko Pahor, General Manager, Cash Services

Division for Informatics

Andrej Razdrtič, General Manager, Informatics - Applications
Zvonko Sitar, General Manager, Informatics - Operations
Matjaž Pogačar, General Manager, Informatics - Distributed Systems

Financial Markets & International Division

Branko Kobal, General Manager, Treasury
Miro Medvešek, General Manager, Investment Banking
Zoran Bizjak, General Manager, Corporate Finance
Doroteja Žerjal, General Manager, Financial Institutions and International
Andreja Zajšek, General Manager, Treasury & Investment Banking Support

Corporate Markets Division

Marjana Konštantin, Assistant Executive Director

Tomaž Jezerc, General Manager, Telecommunication, Technology & End Products Industries
Matjaž Zaviršek, General Manager, Construction & Processing Industries
Marko Herzog, General Manager, State Organisation, Financial Institutions & Utilities
Bojan Slapnik, General Manager, Investment Evaluation

Retail Banking Division

Dragica Slatnar, General Manager, Area Branch Ljubljana - Center
Ljubica Stalowsky, General Manager, Area Branch Mestna hranilnica ljubljanska
Marija Triplat, General Manager, Area Branch Šiška - Bežigrad
Milena Hribar, General Manager, Area Branch Moste
Pavel Martinuč, General Manager, Area Branch Vič - Notranjska
Aljoša Uršič, General Manager, Area Branch Nova Gorica
Matjaž Jevnišek, General Manager, Area Branch Koper
Janko Gedrih, General Manager, Area Branch Kranj
Boris Završnik, General Manager, Area Branch Celje
Ivan Pirc, General Manager, Area Branch Kamnik
Marija Abramovič, General Manager, Area Branch Kočevje
Franc Visenjak, General Manager, Area Branch Ptuj
Borut Rataj, General Manager, Area Branch Maribor
Dr. **Dejan Avsec,** General Manager, Area Branch Posavje - Krško
Dušan Šuštar, General Manager, Area Branch Novo mesto

March 2001

NOVA LJUBLJANSKA BANKA GROUP

Nova Ljubljanska banka d.d. Ljubljana

Subsidiaries in Slovenia

- Banka Velenje d.d. Velenje — 64.3%
- Pomurska banka d.d. Murska Sobota — 45.6%
- Koroška banka d.d. Slovenj Gradec — 41.3%
- Banka Zasavje d.d. Trbovlje — 40.0%
- Banka Domžale d.d. Domžale — 40.0%
- LB Leasing d.o.o. Ljubljana — 100.0%
- LB Leasing Koper d.o.o. — *100.0%
- LB Leasing Maribor d.o.o. — *100.0%
- LB Maksima d.o.o. Ljubljana — 80.5%
- LB Hipo d.o.o. Ljubljana — 100.0%
- LB Propria d.o.o. Ljubljana — **100.0%
- Prospera plus d.o.o. Ljubljana — 100.0%
- LB Factors d.d. Ljubljana — 30.0% — ***70.0%

Associated Banks In Slovenia

- Banka Celje d.d. Celje — 16.1%
- Dolenjska banka d.d. Novo mesto — 12.7% *

Domestic Branches

- Area Branch Ljubljana - Center
- Area Branch MHL
- Area Branch Moste
- Area Branch Šiška - Bežigrad
- Area Branch Vič - Notranjska
- Area Branch Celje
- Area Branch Kranj
- Area Branch Kamnik
- Area Branch Kočevje
- Area Branch Koper
- Area Branch Maribor
- Area Branch Nova Gorica
- Area Branch Novo mesto
- Area Branch Posavje - Krško
- Area Branch Ptuj

Foreign Branch

- Area Branch Triest

Foreign Representative Offices

- Representative Office Budapest
- Representative Office Frankfurt/Main
- Representative Office London
- Representative Office Milan
- Representative Office Moscow
- Representative Office New York
- Representative Office Paris
- Representative Office Prague
- Representative Office Skopje

Foreign Subsidiaries

- LBS Bank - New York — 100.0%
- Commercebank d.d. Sarajevo — ****54.5% **
- LB InterFinanz AG Zurich — 100.0%
- LB InterFinanz Praha s.r.o. Prague — ***100.0%

Foreign Associated Banks

- LHB Internationale Handelsbank AG, Frankfurt/Main — 49.9%
- Adria Bank AG Vienna — 28.7%

Foreign Capital Investment

- Tutunska banka a.d. Skopje — 18.5%

%	NLB Shareholding (direct)
*%	Shareholding of LB Leasing
**%	Shareholding of LB Hipo
***%	Shareholding of LB InterFinanz
****%	Shareholding of Banka Domžale
*	Strategic partner not included in the Bank´s Consolidated Financial Statements for 2000
**	Treated as subsidiary from 2001 onwards

A clearly defined and coherently communicated corporate identity: the cornerstone of the Bank's reputation.

Corporate communication is of major importance in building the Bank's reputation, which to a large extent determines the credibility of the Bank and its investment attractiveness. Systematic and effective external communication, - comprising public relations, corporate image and product advertising, management of corporate visual identity, and sponsorship activities - is vital to strengthening the Bank's corporate image and its public recognition.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The management are responsible for preparing financial statements for each financial year that present fairly the state of affairs of the Bank and its subsidiaries as at the end of the financial year and of the profit or loss for that period.

The management confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2000. The management also confirm that applicable International Accounting Standards have been followed and that the financial statements have been prepared on the going concern basis.

The management are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Bank and its subsidiaries and to prevent and detect fraud and other irregularities.

Management Board

Alojz Jamnik	Boris Zakrajšek	Marko Voljč
Deputy President & Deputy CEO	Deputy President & Deputy CEO	President & Chief Executive Officer

KPMG

REPORT OF THE AUDITOR TO THE SHAREHOLDERS OF NOVA LJUBLJANSKA BANKA d.d., LJUBLJANA

We have audited the accompanying consolidated balance sheet of Nova Ljubljanska banka d.d. and its subsidiaries (the "Group") as of 31 December 2000 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

The 1999 consolidated financial statements were audited by another firm who issued an unqualified opinion dated 13 April 2000.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. 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 the directors, 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 consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2000, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards as promulgated by the International Accounting Standards Committee.

Ljubljana, 30 March 2001

KPMG SLOVENIJA d.o.o.,
management, consulting in revizija, Ljubljana

John Varsanyi
Partner

KPMG Slovenija d.o.o.
LJUBLJANA 1

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000 (In millions of tolars)

	Notes	2000	1999
Interest and similar income	4	**103,204**	75,336
Interest expense and similar charges	4	**(56,928)**	(39,206)
NET INTEREST INCOME		**46,276**	36,130
Fees and commissions income		**16,455**	14,162
Fees and commissions expense		**(2,763)**	(1,972)
NET FEES AND COMMISSIONS		**13,692**	12,190
Losses arising from dealing securities (net)		**(1,150)**	(284)
Gains arising from dealing in foreign currencies (net)		**2,431**	918
Foreign exchange (losses)/ gains (net)		**(968)**	307
Other operating income	5	**6,973**	5,360
OPERATING INCOME		**67,254**	54,621
Charge for bad and doubtful debts	6	**(8,986)**	(5,962)
Provisions for investments	7	**(478)**	2,222
General administrative expenses	8	**(34,220)**	(29,097)
Other operating expenses	9	**(5,724)**	(5,285)
PROFIT FROM OPERATIONS		**17,846**	16,499
Share of profits of associated companies	19	**529**	74
PROFIT BEFORE TAX		**18,375**	16,573
Tax	10	**(6,528)**	(5,640)
PROFIT AFTER TAX		**11,847**	10,933
Minority interest	34	**(2,019)**	(2,153)
NET PROFIT FOR THE PERIOD		**9,828**	8,780
Basic and diluted earnings per share (expressed in tolars per share)	11	**1,424**	1,273

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

Nova Ljubljanska banka d.d., Ljubljana

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2000 (In millions of tolars)

	Notes	2000	1999
ASSETS			
Cash and balances with the Central Bank	12	**40,320**	31,344
Treasury bills	13	**120,861**	99,758
Placements with, and loans to, other banks	14	**90,640**	85,684
Securities held for dealing purposes	15	**49,140**	26,781
Loans and advances to customers	16	**597,535**	483,771
Investment securities	17	**170,941**	178,273
Trade investments	18	**2,608**	6,038
Investments in associated companies	19	**14,033**	7,339
Other assets, including tax assets	20	**8,430**	8,609
Accrued income and deferred expenses	22	**4,328**	1,496
Property and equipment	23	**44,674**	38,934
Intangible assets	24	**2,909**	1,880
TOTAL ASSETS		**1,146,419**	**969,907**
LIABILITIES			
Deposits from banks	25	**36,704**	32,304
Borrowings from banks	26	**135,443**	105,793
Deposits from other customers	27	**740,813**	626,347
Borrowings from other customers	28	**57,743**	66,450
Debt securities	29	**17,057**	9,631
Other liabilities	30	**17,200**	12,060
Accruals and deferred income	31	**17,780**	14,187
Provisions for liabilities and charges	32	**11,929**	13,308
Subordinated liabilities	33	**14,295**	6,593
TOTAL LIABILITIES		**1,048,964**	**886,673**
Minority interests	34	**18,927**	17,455
SHAREHOLDERS' EQUITY			
Share capital	35	**13,800**	13,810
Retained profits		**38,938**	31,798
Reserves	36	**25,790**	20,171
TOTAL SHAREHOLDERS' EQUITY		**78,528**	**65,779**
TOTAL EQUITY AND LIABILITIES		**1,146,419**	**969,907**

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

The Management Board approved the financial statements and notes to the financial statements.

Alojz Jamnik	Boris Zakrajšek	Marko Voljč
Deputy President & Deputy CEO	Deputy President & Deputy CEO	President & Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2000 (In millions of tolars)

	Share Capital	Reserves	Retained Profits	Total Equity
Balance at 1 January 1999	13,810	14,974	26,360	55,144
Foreign exchange difference on opening net assets of subsidiaries and associates	-	934	180	1,114
Profit for the year	-	-	8,780	8,780
Dividend for 1998	-	-	(1,519)	(1,519)
Revaluation of:				
-property and equipment	-	2,333	-	2,333
-investments	-	326	-	326
Transfer to general banking reserve	-	1,400	(1,400)	-
Transfer to statutory reserve	-	500	(500)	-
Other	-	(296)	(103)	(399)
Balance at 31 December 1999	**13,810**	**20,171**	**31,798**	**65,779**
Balance at 1 January 2000	13,810	20,171	31,798	65,779
Foreign exchange difference on opening net assets of subsidiaries and associates	-	62	23	85
Profit for the year	-	-	9,828	9,828
Dividend for 1999	-	-	(1,491)	(1,491)
Revaluation of:				
- property and equipment	-	2,700	-	2,700
- investments	-	1,681	-	1,681
Transfer to general banking reserve	-	1,176	(1,176)	-
Purchase of own shares	(10)	-	(44)	(54)
Balance at 31 December 2000	**13,800**	**25,790**	**38,938**	**78,528**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000 (In millions of tolars)

	Notes	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and commission receipts		**81,990**	67,186
Interest and commission payments		**(33,966)**	(26,875)
Dividend receipts	5	**368**	194
Recoveries on loans previously written off		**1,557**	268
Cash payments to employees and suppliers		**(34,979)**	(29,729)
Dealing gains		**1,569**	794
Other income		**5,775**	4,720
Cash flows from operating profit before changes in operating assets and liabilities		**22,314**	16,558
Taxation paid		**(5,483)**	(5,672)
(Increase)/decrease in operating assets:			
Placements with, and loans to, other banks		**9,078**	(4,318)
Loans and advances to customers	16 (d)	**(89,113)**	(92,733)
Short-term securities		**(11,532)**	9,508
Other assets		**384**	684
Increase/(decrease) in operating liabilities:			
Deposits from banks		**1,723**	(4,233)
Deposits from other customers		**75,204**	46,824
Other liabilities		**3,268**	807
NET CASH FROM OPERATING ACTIVITIES		**5,843**	(32,575)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of non - dealing investments		**21,405**	32,483
Purchase of non - dealing investments		**(3,649)**	(15,444)
Proceeds from sales of property, equipment and intangibles		**601**	441
Purchase of property, equipment and intangibles		**(7,319)**	(7,588)
NET CASH FROM INVESTING ACTIVITIES		**11,038**	9,892
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in borrowings		**9,526**	23,272
Subordinated liabilities		**7,187**	4,865
Dividends paid		**(2,148)**	(1,911)
NET CASH FROM FINANCING ACTIVITIES		**14,565**	26,226
Effect of exchange rate changes on cash and cash equivalents		**15,723**	10,804
NET INCREASE IN CASH AND CASH EQUIVALENTS		**47,169**	14,347
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**206,289**	191,942
CASH AND CASH EQUIVALENTS AT END OF YEAR		**253,458**	206,289
Cash and cash equivalents comprise:			
Cash and balances with the Central Bank		**40,320**	31,344
Treasury bills maturing within 3 months		**99,708**	84,701
Placements with, and loans to, other banks maturing within 3 months		**73,072**	63,112
Investment securities maturing within 3 months		**84**	351
Securities held for dealing purposes maturing within 3 months		**40,274**	26,781
TOTAL		**253,458**	206,289

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

1. GENERAL INFORMATION

Nova Ljubljanska banka is incorporated in Slovenia as a share company providing universal banking services. It is 83% owned by the state. The address of its registered office is:
Nova Ljubljanska banka d.d., Ljubljana, Trg republike 2, Ljubljana.
The increase of the general price index for the year 2000 was 8.9% (1999: 8.0%). The exchange rate changed from 100.9 tolars to the Deutschemark at 31 December 1999 to 108.1 tolars to the Deutschemark at 31 December 2000, and from 196.8 tolars to the US dollar to 227.4 tolars to the US dollar.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of the financial statements are set out below:

a) Basis of presentation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with International Accounting Standards, as modified by the revaluation of certain long-term assets. In addition, certain trading assets and liabilities are stated at fair value.
For the purposes of these financial statements, the statutory financial statements of the Bank and its subsidiaries (together: "the Group") have been adjusted, where necessary, for the purpose of fair presentation in accordance with International Accounting Standards.

b) Consolidation

Subsidiary undertakings, which are those companies in which the Bank, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Bank and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank. Separate disclosure is made of minority interests.
A listing of the Bank's subsidiaries is set out in Note 42.

c) Associated undertakings

Investments in associated undertakings are accounted for using the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recorded for long-term impairment in value.
Equity accounting involves recognising in the income statement the Group's share of the associates' profit or loss for the year. The Group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition.
In respect of associates, both negative goodwill and goodwill are included in the carrying amount of investment in an associate over a period of five years.
A listing of the Group's principal associated undertakings is shown in Note 19.

d) Goodwill and Negative Goodwill

On acquisition of a subsidiary the Bank calculates the difference between the fair value of the assets and liabilities acquired and the fair value of the consideration given. Where the consideration given exceeds the net assets acquired, goodwill arises; this is amortised to the income statement over its estimated useful life of five years. The carrying value of goodwill is reviewed annually and written down for permanent impairment where considered necessary.
Where the net assets acquired exceeds the consideration given, negative goodwill arises; this is treated as a liability and amortised to the income statement over a period of five years. However in the case of significant acquisitions made by the Group to expand its product or geographical market coverage, such negative goodwill is amortised to the income statement over a period of not exceeding eight years.

e) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into tolars at the mid-market exchange rate as at the last day of the accounting period, and are included in the income statement as net foreign exchange gains or losses. Gains and losses resulting from the translation of the opening net assets of foreign subsidiaries and associated companies are taken directly to reserves.
Income and expenditure arising in foreign currencies are translated at the official rates of exchange as at the transaction date.
Gains and losses resulting from foreign currency purchases and sales for trading purposes are included in the income statement as net gains or losses from dealing in foreign currencies.

f) Interest and discount income and expense

Interest income and expense are recognised on an accruals basis. Recognition of interest income ceases when the payment of interest or principal is in doubt. Any interest previously accrued but not received on a loan placed on a non-accrual basis is reversed. Loans are returned to the accrual basis only when doubt about recoverability is removed and when the outstanding arrears of interest and principal are received. Interest income includes coupons earned on fixed income investment securities and accrued discounts on discounted securities.

g) Fees and commission income

Fees and commissions consist mainly of fees received from payments and from the managing of funds on behalf of legal entities and citizens, together with commissions from loans and guarantees.
Fees receivable that represent a return for services provided are credited to income when the related service is performed. Certain front-end fees relating to loans and advances are, subject to yield criteria, credited to income over the life of the applicable loan.

h) Investments

Investments are held for both dealing and investment purposes.
Dealing investments are included in the balance sheet at year-end market values. All gains and losses realised and unrealised from trading in dealing securities are reported in the income statement. Interest earned while holding dealing securities are reported as interest income. Dividends received are included separately under other operating income.
Investment securities include debt and equity securities which management intends to hold until maturity and are stated at the lower of cost and market value as adjusted for the amortisation of premiums or discounts on purchases over the period to maturity. The valuation of unlisted investments is based on a realistic estimate of net worth made by the Bank's management. Interest earned on investment securities is reported as interest income. Dividends received are included separately under other operating income.
Trade investments are treated at cost less any amount provided for.

i) Loans and advances

Loans and advances are stated in the balance sheet at the amount of principal outstanding, less any provision for unrecoverable amounts.

j) Provisions for loan impairment

A specific credit risk provision for loan impairment is established on those loans that have been individually reviewed and specifically identified by management as doubtful. A general provision for loan impairment is established on those existing losses that, although not yet specifically identified, are known from experience to be present in the lending portfolio as at balance sheet date. In determining the level of the provisions required, management considers numerous factors, including (but not limited to) domestic economic conditions, the composition of the loan portfolio, and prior bad debt experience.

k) Accounting for leases - where a group company is the lessee

Leases entered into by the Group are all operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.
When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

l) Accounting for leases - where a group company is the lessor

When assets are sold under a finance lease the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Income from finance leasing transactions is apportioned systematically over the primary lease period, reflecting a constant periodic return on the lessor's net investment outstanding.

m) Derivative financial instruments

Derivative financial instruments, including forward and futures exchange contracts, swaps and options, are marked to market. All derivatives are carried at their fair value in assets when favourable to the Bank, and in liabilities when unfavourable to the Bank. Fair values are obtained from quoted market prices.
Gains and losses on trading derivative instruments, together with any associated hedging thereof used in dealing activities, are included in net losses / gains arising from dealing in foreign currencies as they arise. Gains and losses on other derivative financial instruments used for hedging purposes are deferred and recognised as income or expense on the same basis as the corresponding expense or income on the hedged position.
The Bank's criteria for a derivative instrument to be classified as a hedge include:
- the transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being hedged;
- there is adequate evidence of the intent to hedge at the outset of the transaction.

n) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

o) Sale and repurchase agreements

Securities sold under sale and repurchase agreements (repos) are retained in the financial statements, and the counterparty liability being included in deposits from banks or customers as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreements.

p) Property and equipment

All property and equipment is initially recorded at cost. The carrying value of property and equipment is subsequently revalued annually to the approximate market value. The effects of revaluation of property and equipment are credited to the revaluation reserve in shareholders' equity.

Depreciation is provided on a straight-line basis at rates designed to write off cost or valuation of buildings and equipment over their estimated useful lives. The following are approximations of the annual rates used:

	2000 **%**	**1999** **%**
Buildings	2 - 10	2 - 10
Leasehold improvements	20	20
Computers	20 - 50	20 - 50
Furniture and equipment	10 - 33.3	10 - 33.3
Motor vehicles	20 - 40	20 - 40

Assets in the course of transfer or construction are not depreciated until they are brought into use.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Maintenance and repairs are charged to the income statement when the expenditure is incurred and renewals capitalised.

q) Intangible assets

Intangible assets that relate solely to software licences are stated at cost, less accumulated amortisation.

Amortisation is provided on a straight-line basis at rates designed to write off cost of software over their estimated useful lives. The current system software is amortised over a period of ten years and other software over a period of five years, with the exception of the new information technology system, which will be amortised over a period of seven years.

Assets in the course of transfer or construction/implementation are not amortised until they are brought into use.

r) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition including: cash and balances with central bank, treasury bills, placement with and loans to other banks and investment and dealing securities.

s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

t) Taxation

Slovenian corporation tax is provided for on taxable profits at the rate of 25%. Foreign taxes are provided for in accordance with local tax laws and accounting principles.

In 2000 the Slovenian balance sheet tax is calculated as a 3% levy on certain balance sheet items. According to Slovenian legislation the maximum balance sheet tax is limited to 50% of pre-tax profit. Where the 3% levy exceeds 50% of profits, the lower tax charge is payable.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates currently enforced are used to determine deferred income tax.

u) Managed funds
The Bank manages a significant amount of assets on behalf of legal entities and individuals. A fee is charged for this service. These assets are not shown in the Bank's balance sheet, however details of the funds under management are given in Note 40.

v) Pensions
The Bank and most of its subsidiaries contribute to the State Pension Schemes (8.85% on gross salaries) and do not have any separate pension scheme arrangements. Those subsidiaries which do have a separate pension scheme are not material to the Group.

3. RISK MANAGEMENT POLICIES OF THE GROUP

a) Group Risk Management
The strategy of the risk management system in the Group is to maintain stable performance in the future. The Risk Management Department has an independent and centralised role in controlling risks.
The Bank prepares credit and market risks policies and strategies working closely with its subsidiaries. The Bank therefore has a centralised role over controlling the different risks regarding the data structure, methodologies adopted, reporting, and the limits placed within the decision-making process.
The Group has an internal risk management model. The most important roles of the model are to decrease information asymmetry (between the Bank and its environment), and orient the process towards estimating the future ("marked to future") and not only the present. The most important tools and methods used by the internal risk management model are: diversification, internal credit grading system standard (for corporates, banks, countries etc.), migration matrices with internal credit rating system, collaterals, Value-at-Risk (VaR), internal cover ratio provisions/bad debts, etc. The use of risk management tools has a great impact on asset quality, structural liquidity, performance ratios, early warning signals and they minimise the Group's exposure to all types of risks.

b) Credit Risk Management
The Group's Risk Management Department is responsible for assessing credit risk for the Group as a whole. Credit risk has three aspects: specific risk for each counterparty, portfolio risk and country risk.
The main goal of Group risk management is to maintain the highest possible asset quality. Asset quality ratios are consequently mentioned in all other Group risk management policies and measures. In structural liquidity policy, asset liquidity is defined as a key factor. Cash inflow from the maturity of existing assets is the first source of liquid funds.
The credit portfolio includes loans (to corporates, retail and the public sector), exposures to other banks and financial institutions, and corporate bonds and other banking products (such as guarantees, derivative instruments, etc).
The Group complies with all Central Bank risk management requirements, but it is more important to comply with the standards of the Group's internal credit risk system, which is oriented towards *ex ante* credit risk assessment. Migration matrices for previous years show that the assets qualities of the Group are relatively stable.
The Group's loan portfolio breakdown by industries reflects its diversification.
Country risk is managed using maximum risk levels for investments in different countries, including emerging market limits. Assessment of the risk level of a given country is carried out by reviewing the country's major macroeconomic data, its political situation and the rating attributed by major international specialised companies.

c) Foreign Exchange Risks
The foreign exchange exposure can be seen as the result of the macroeconomic environment and the Group's dominant role in the market (savings in foreign currencies, export financing, intervening in capital flows, borrowing abroad and financing corporate in domestic currency). Open foreign exchange positions (primarily EUR, USD, AUD, SEK, CHF) represent a constant source of foreign exchange risk.
In 1997 the Bank started monitoring foreign exchange risks using Value-at-Risk (VaR) methodology, observing the Basle Committee amendment criteria for internal approach to measuring foreign exchange exposure capital requirement. After an assessment of technology and methods it was decided to implement a VaR model based on correlation matrices. The approach provides for a daily revaluation of the Bank's foreign exchange portfolio on the basis of the historical trend in market prices and their correlation over the past year. The resulting distribution of profits and losses is used to determine the possible losses in the value of the foreign exchange portfolio as a result of market changes. VaR methodology is therefore one of the most important tools in an active management of open positions.
The foreign exchange risk measurement model has following characteristics (VaR parameters):
- VaR is calculated daily, based on the end of the previous working day's exposure (whole trading and banking book);
- the holding period is 10 days;
- the period of observation is 250 working days;
- the level of confidence is 99%;
- the historical series is updated daily.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

d) Interest Rate Risks

The measurement of interest rate risk exposure is based on the following:
- within the gap analysis, assets, liabilities, and off-balance sheet instruments are categorised by interest rate sensitivity according to their maturities and/or repricing characteristics; consequently, data is sorted according to contractually conditioned parameters, i.e. type of interest rate (fixed vs. variable), rate index, or currencies;
- an assessment of interest rate exposure based on the specific characteristics of different interest rates prevailing in different balance sheet segments;
- duration of the bond portfolio.

Balance sheet segments are defined as follows:
- Segment 1: The Bank has a relatively strong ability to control the movements of interest rates for domestic currency assets and liabilities, in accordance with the internal paper on interest rates. The interest rate risk of that segment is therefore relatively low.
- Segment 2: These items are sensitive to foreign interest rate movements (mainly Euribor and USD Libor). Changes are difficult to predict but transparent. The interest rate risk of that segment is the highest in relative terms.
- Segment 3: This segment includes long-term government bonds, certificates of deposit of the Central Bank and other domestic securities. The interest rate risk of this segment is very specific, difficult to predict and also difficult to quantify. To some extent government bonds and certificates of deposit can be used as a hedge for the interest rate risk of the above two segments.

e) Structural Liquidity

The Group's liquidity situation cannot be viewed solely from the liability side as a set of activities for meeting required cash outflows, but also as the availability of liquid assets at a fair price that at all times assures immediate fulfilment of matured financial obligations towards its clients. At the operational level it reflects ability either to liquidate positions or to acquire additional financing sources at the appropriate price. With respect to solvency, the liquidity risk does not necessarily relate directly to financial loss or write-offs but is mostly a consequence of unbalanced cash flows.

f) Securities Portfolio

At the level of the Group, the major part of the portfolio consists of domestic (Government, banks) and foreign bonds, eurobonds and the Central Bank's certificates of deposit. Bond investments abroad are limited to investment grade countries.
The measurement and management of market risks of the portfolio are based on VaR and duration methodologies, limits and a stop-loss system. Both macro and micro hedges of those risks are used.

4. INTEREST INCOME/EXPENSE

Interest relates to the following types of borrower and depositor:

	2000		1999	
	Income	**Expense**	**Income**	**Expense**
Enterprises	**40,813**	**10,710**	27,214	7,899
Government departments and agencies	**29,197**	**7,079**	24,279	5,715
Banks	**10,042**	**8,937**	7,867	6,264
Citizens	**21,582**	**24,352**	14,799	14,575
Financial organisations	**1,570**	**5,850**	1,177	4,753
TOTAL	**103,204**	**56,928**	75,336	39,206

Interest relates to the following types of assets and liabilities:

	2000	**1999**
INTEREST INCOME		
Deposits with the Central Bank	**249**	233
Dealing securities	**2,477**	2,318
Treasury bills	**4,837**	3,855
Loans and advances to other banks	**4,457**	3,391
Loans and advances to customers	**69,032**	46,122
Investment securities	**21,950**	19,117
Other assets	**202**	300
TOTAL	**103,204**	75,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

	2000	1999
INTEREST EXPENSE		
Deposits from banks	**1,743**	1,096
Borrowings from banks	**7,014**	4,993
Deposits from other customers	**44,721**	30,637
Borrowings from other customers	**1,222**	884
Debt securities	**1,698**	993
Other liabilities	**530**	603
TOTAL	**56,928**	**39,206**

5. OTHER OPERATING INCOME

	2000	1999
Income from non-banking services	**3,105**	2,312
Rent receivable	**978**	902
Dividends	**368**	194
Negative goodwill	**1,526**	1,237
Provisions released	**9**	92
Other	**987**	623
TOTAL	**6,973**	**5,360**

6. CHARGE FOR BAD AND DOUBTFUL DEBTS (NET)

	Notes	2000	1999
Charge for/(Write back of) bad and doubtful debts from:			
- loans and advances to other banks	14 (d)	**311**	702
- loans and advances to customers	16 (e)	**11,537**	4,395
- other assets	20 (b)	**269**	(124)
- contingent liabilities and commitments	39 (d)	**(1,594)**	1,182
Write-offs		**20**	75
Recoveries on loans previously written off		**(1,557)**	(268)
TOTAL		**8,986**	**5,962**

7. PROVISIONS FOR INVESTMENTS

	Notes	2000	1999
Investment securities	17 (b)	**(113)**	(1,596)
Trade investments	18 (b)	**591**	(626)
TOTAL		**478**	**(2,222)**

8. GENERAL ADMINISTRATIVE EXPENSES

	2000	1999
Employee costs		
- gross salaries	**15,195**	13,203
- social security costs	**3,311**	2,858
- other employee costs	**1,668**	1,473
Other general administrative expenses		
- cost of materials	**4,371**	3,734
- cost of services	**9,675**	7,829
TOTAL	**34,220**	**29,097**

The number of persons employed by the Group as at 31 December 2000 was: 4,271 (1999: 4,077).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

9. OTHER OPERATING EXPENSES

	2000	1999
Depreciation (see Notes 23 and 24)	4,295	3,678
Taxes and other compulsory public revenues	90	798
Membership fees	217	198
Loss on disposal of property and equipment	56	23
Goodwill	165	114
Other	901	474
TOTAL	5,724	5,285

10. TAX

	2000	1999
Slovenian tax on profit	4,583	3,888
Other taxes on profit	73	4
Balance sheet tax	1,732	1,611
Deferred tax	81	121
Share of tax of associates (see Note 19)	59	16
TOTAL	6,528	5,640
PROFIT BEFORE TAX	18,375	16,573
Revaluation taken into income statement for statutory accounts purposes	(2,780)	(1,956)
Income not assessable for tax purpose	(3,023)	(4,299)
Expenses not deductible for tax purpose	7,325	5,538
Income which increase taxable basis	1,418	1,510
Tax allowance	(2,997)	(2,279)
TAXABLE PROFIT	18,318	15,087
Income tax expense	4,796	4,029
Average income tax rate	26.18%	26.71%
Balance sheet tax	1,732	1,611
TOTAL TAX	6,528	5,640

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue.

	2000	1999
Net profit attributable to shareholders	9,828	8,780
Number of ordinary shares (millions)	6.9	6.9
Basic and diluted earnings per share (expressed in tolars per share)	1,424	1,273

Subordinated loans and debt securities in issue have no future conversion rights and consequently there are no dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

12. CASH AND BALANCES WITH CENTRAL BANK

	2000		1999	
	Tolars	Foreign Currency	Tolars	Foreign Currency
Cash	7,708	5,257	5,994	3,018
Balances with Central Bank	27,333	22	22,273	59
	35,041	**5,279**	28,267	3,077
TOTAL	**40,320**		31,344	

The Bank is required to maintain an obligatory reserve with the Bank of Slovenia, relative to the volume and structure of its customer deposits. The current requirement of the Bank of Slovenia regarding the calculation of the amount to be held as obligatory reserve is as follows:

- 12 % of sight deposits and time deposits up to 30 days
- 6 % of time deposits from 31 to 90 days
- 2 % of time deposits from 91 to 180 days
- 1 % of time deposits from 181 days and up to one year.

13. TREASURY BILLS

	2000	1999
In foreign currency		
- Treasury bills of the Bank of Slovenia	**120,590**	99,073
In tolars		
- Treasury bills of the Bank of Slovenia	**271**	685
TOTAL	**120,861**	99,758

14. PLACEMENTS WITH, AND LOANS TO, OTHER BANKS

a) Analysis by type of loan

	2000	1999
Repayable on demand		
- in foreign currency	**5,318**	3,645
Other short-term		
- in tolars	**6,070**	5,365
- in tolars with foreign currency clause	**43**	65
- in foreign currency	**75,561**	73,282
Long-term		
- in tolars	**76**	84
- in tolars with foreign currency clause	**429**	385
- in foreign currency	**7,294**	7,445
	94,791	90,271
Provisions - specific	**(2,648)**	(3,404)
- general	**(1,503)**	(1,183)
TOTAL	**90,640**	85,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

b) Geographical analysis

	2000	1999
Slovenia	**18,441**	17,892
OECD countries	**68,840**	63,514
Other countries	**3,359**	4,278
TOTAL	**90,640**	**85,684**

c) Maturity analysis

	2000	1999
Repayable on demand	**4,865**	3,645
Due within one month	**62,871**	51,141
Due between one and three months	**5,336**	8,326
Due between three months and one year	**10,406**	15,425
Due between one and five years	**6,058**	6,014
Due in more than five years	**1,104**	1,133
TOTAL	**90,640**	**85,684**

d) Movements in provisions

	2000		1999	
	Specific	General	Specific	General
Balance at 1 January	**3,404**	**1,183**	2,936	982
Exchange difference on opening balance in subsidiaries	**73**	**71**	252	118
Provisions (see Note 6)	**62**	**249**	619	83
Write-offs	**(891)**	-	(403)	-
Balance at 31 December	**2,648**	**1,503**	3,404	1,183

15. SECURITIES HELD FOR DEALING PURPOSES

	2000	1999
Bonds		
- Republic of Slovenia	**19,374**	8,250
- Other	**18,555**	11,491
Shares	**10,901**	6,782
Other bills and securities	**310**	258
TOTAL	**49,140**	**26,781**

Because of the intended sale, in 2000 the Bank transferred government rehabilitation bonds amounting to tolars 8,094 million from investment securities to market securities (see Note 17a).
Management consider that the fair value of the securities, which are not listed, is not less than the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

16. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis by type of customer

	2000		1999	
	Short-term	**Long-term**	**Short-term**	**Long-term**
In tolars				
- citizens	**75,183**	**85,653**	62,684	77,544
- enterprises	**137,396**	**101,999**	97,986	88,734
- Government departments and agencies	**14,054**	**32,457**	10,120	28,555
- financial organisations	**6,113**	**79**	5,692	112
In tolars with foreign currency clause				
- citizens	**633**	**1,377**	896	1,690
- enterprises	**9,369**	**16,261**	9,399	12,399
- Government departments and agencies	**146**	**585**	134	661
- financial organisations	**27**	**41**	94	63
In foreign currency				
- citizens	**17**	**32**	105	-
- enterprises	**70,443**	**66,427**	51,907	40,807
- Government departments and agencies	**4,447**	**15,744**	3,753	17,282
- financial organisations	**1,374**	**372**	1,939	3,888
	319,202	**321,027**	244,709	271,735
Provisions - specific	**(25,634)**	**(9,789)**	(18,189)	(9,002)
- general	**(3,726)**	**(3,545)**	(3,117)	(2,365)
	289,842	**307,693**	223,403	260,368
TOTAL	**597,535**		483,771	

b) Analysis by sector

	2000	**1999**
Manufacturing	**115,406**	90,938
Electricity, gas and water	**37,979**	42,063
Ministries	**51,436**	46,896
Citizens	**163,097**	142,919
Services	**70,469**	51,148
Commerce and finance	**91,093**	70,044
Transport, storage and communication	**56,119**	30,032
Agriculture, forestry and fishing	**5,051**	5,572
Construction	**15,241**	11,128
Miscellaneous	**34,338**	25,704
	640,229	516,444
Provisions	**(42,694)**	(32,673)
TOTAL	**597,535**	483,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

c) Analysis by type of advance

	2000	1999
Loans	**582,458**	468,548
Overdrafts	**27,842**	19,877
Credit cards	**6,291**	5,119
Finance lease receivables	**20,288**	16,840
Discounted bills	**744**	3,778
Called guarantees	**2,606**	2,282
	640,229	**516,444**
Provisions	(42,694)	(32,673)
TOTAL	**597,535**	**483,771**

d) Analysis of movements

	2000		1999	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Balance at 1 January	**223,403**	**260,368**	180,121	190,775
Exchange difference on opening balance in subsidiaries	**1,748**	**2,412**	2,557	1,550
Increase				
- Loans made	**517,152**	**158,430**	358,694	182,890
- Interest added to principal	**4,069**	**17,014**	1,991	9,214
- Exchange differences	**3,596**	**7,355**	3,037	6,247
Decrease				
- Repayments	**(556,502)**	**(29,967)**	(423,197)	(25,654)
- Write-offs	**(6)**	-	(59)	-
Current portion of long-term loans	**106,051**	**(106,051)**	102,845	(102,845)
Provisions	**(9,668)**	**(1,869)**	(2,586)	(1,809)
Balance at 31 December	**289,843**	**307,692**	223,403	260,368

e) Movements in provisions

	2000		1999	
	Specific	**General**	**Specific**	**General**
Balance at 1 January	**27,191**	**5,482**	24,348	4,973
Exchange difference on opening balance in subsidiaries	**106**	**283**	-	83
Provisions (see Note 6)	**10,031**	**1,506**	3,969	426
Write-offs	**(1,905)**	-	(1,126)	-
Balance at 31 December	**35,423**	**7,271**	27,191	5,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

f) Finance leases

The loans and advances to customers include finance lease receivables:

	2000	1999
Gross investment in finance leases:		
Not later than 1 year	**7,314**	6,012
Later than 1 year and not later than 5 years	**10,937**	10,509
Later than 5 years	**2,037**	319
	20,288	**16,840**
Unearned future finance income on finance leases	**(3,217)**	(3,172)
Net investment in finance leases	**17,071**	**13,668**
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	**6,963**	4,573
Later than 1 year and not later than 5 years	**8,071**	8,459
Later than 5 years	**2,037**	636
	17,071	**13,668**

The allowance for unrecoverable finance lease receivables included in the provision for loan losses amounted to tolars 487 million (1999: 211 million).

g) Guaranteed loans

Loans which are guaranteed by the Republic of Slovenia or non Group Slovenian banks and have not been specifically provided against are as follows:

	2000	1999
Republic of Slovenia guarantees	**88,973**	78,740
Other banks' guarantees	**5,357**	3,745
TOTAL	**94,330**	**82,485**

h) Non-accrual loans and interest in suspense

The aggregate amount included in the balance sheet at 31 December 2000 for loans on which interest is not being accrued was tolars 42,045 million (1999: 31,029 million). Total specific provisions were tolars 35,423 million (1999: 27,191 million).
Suspended interest at 31 December 2000 was tolars 2,800 million (1999: 2,655 million).
Loans and advances are further analysed in the following notes: Currency risk Note 43, Liquidity risk Note 44, Interest rate risk Note 45, Fair value information Note 37 and Related party transactions Note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

17. INVESTMENT SECURITIES

a) Analysis by type of security

	2000		1999	
	Short-term	Long-term	Short-term	Long-term
In foreign currency				
- Bonds of the Republic of Slovenia	471	5,223	530	5,837
- Bonds of the Republic of Croatia	-	7	-	6
- Bonds of the Republic of Macedonia	-	1,363	-	1,073
- Bonds of the Republic of Bosnia and Herzegovina	-	571	-	532
- Other securities	337	15,859	282	13,893
In tolars				
- Bonds of the Republic of Slovenia				
- rehabilitation bonds	9,832	78,907	9,016	88,865
- bonds for paid foreign currency deposits	-	21,433	-	20,329
- bonds for unpaid foreign currency deposits	3,460	20,730	3,279	22,513
- Other securities	1,272	1,648	386	1,651
In tolars with foreign currency clause				
- Bonds of the Republic of Slovenia for unpaid foreign currency deposits	-	6,419	-	6,392
- Bonds of the Jesenice Steel Works, Slovenia	-	3,344	-	3,624
- Other securities	-	1,349	22	1,451
TOTAL	15,372	156,853	13,515	166,166
Provisions	-	(1,284)	-	(1,408)
	15,372	155,569	13,515	164,758
TOTAL	170,941		178,273	

a) Analysis by type of security (continued)

The bonds of the Republic of Slovenia in foreign currency were obtained as a result of the contracts of the Republic of Slovenia concerning the New Financial Agreement (NFA) during 1996. These eurobonds are listed on the Stock Exchange in Luxembourg and are due to mature on 27 December 2006. They were issued with a call option and interest is paid twice a year.
The bonds of Republic of Macedonia amounting to tolars 1,363 million are due to mature on 3 January 2012 and are similar to the eurobonds issued by the Republic of Slovenia. The bonds of the Republic of Bosnia and Herzegovina amounting to tolars 571 million mature in 2017 and pay interest of 2% twice a year.
Other securities in foreign currency relate principally to US Government and Agency bills.
At 31 December 2000 the Bank held tolars 88,739 million of bonds of the Republic of Slovenia (rehabilitation bonds). The bonds are divided among 16 different series with maturities ranging from 2001 to 2010. These bonds receive revaluation interest based on the revaluation index and real interest at rates of between 4.5% and 6.5% depending on maturity. Certain series of these bonds allow the holder to elect to receive revaluation interest based on the movement of the Deutschemark against the tolar rather than the revaluation index. Such elections have to be made by 15 October of the preceding year. The Bank did not make any such elections for 2001. In 2000 the Bank opted for a further sale of these bonds amounting to tolars 8,094 million and so transferred them from investment portfolio to the trading portfolio.
The bonds of the Republic of Slovenia totalling tolars 21,433 million represent amounts taken over by the Republic of Slovenia under the law on the settlement of liabilities from paid foreign currency deposits. In 1996 the Republic of Slovenia issued the bonds with a maturity of 20 years and revaluation interest of 90% of the general price index and a real interest rate of 3% per annum.
The bonds of the Republic of Slovenia totalling tolars 30,609 million represent amounts taken over by the Republic of Slovenia under the law on the settlement of liabilities from unpaid foreign currency deposits. The bonds amounting to tolars 24,190 million are denominated in tolars with a real interest rate of 4.5% per annum and mature in 2007. Other bonds amounting to tolars 6,419 million are denominated in Deutschemarks with a real interest rate of 8% per annum and mature in 2022.
The bonds of the Jesenice steel works were issued as part of the rehabilitation of the steel works and are guaranteed by the Republic of Slovenia. Banks in the Group received the bonds in lieu of loans and advances made to local steel enterprises. The bonds are denominated in Deutschemarks and will be repaid in tolars on the maturity date of 18 November 2022. Interest is calculated quarterly at the rate of 8% per annum beginning on 1 January 1993.
Management consider that the fair value of all unlisted securities is not less than the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

b) Movements in provisions

	2000	1999
Balance at 1 January	**1,408**	3,004
Provisions (see Note 7)	**(113)**	(1,596)
Write-offs	**(11)**	-
Balance at 31 December	**1,284**	**1,408**

18. TRADE INVESTMENTS

a) Analysis by type of investment

	2000	1999
In tolars		
- Banks	**1**	3,681
- Financial organisations	**364**	317
- Investment funds	**2,035**	2,566
- Enterprises	**156**	150
In foreign currency		
- Banks	**1,491**	286
- Financial organisations	**461**	396
	4,508	**7,396**
Provisions	**(1,900)**	(1,358)
TOTAL	**2,608**	**6,038**

The investment funds represent the holding of LB Maksima and Pomurska družba za upravljanje that the fund manager is legally required to maintain.
In 2000 the Group increased its capital share in Banka Celje, raising the Bank's direct capital investment to 14.7% and the Group capital investment to 24.8%. On this basis Banka Celje has been treated as an associated company.
At the end of 1999 the Group and Dolenjska banka signed an agreement on strategic partnership and business cooperation. At the end of 2000 the Bank's direct capital investment in Dolenjska banka amounted to 12.7%, while the Group capital investment was 14.3%. Because the two banks intend to cooperate closely in the future and unify their operating standards in various fields in accordance with the aforementioned agreement, the Bank has an important influence in Dolenjska banka and is therefore treated as an associated company.
The management considers that the fair value of trade investments is not less than the carrying value, except where provision has been made for any permanent diminution in value.

b) Movements in provisions

	2000	1999
Balance at 1 January	**1,358**	1,984
Provisions (see Note 7)	**591**	(626)
Write-offs	**(49)**	-
Balance at 31 December	**1,900**	**1,358**

19. INVESTMENTS IN ASSOCIATED COMPANIES

	2000	1999
In tolars		
- Banks	**4,709**	-
- Financial organisations	**396**	125
- Enterprises	**429**	370
In foreign currency		
- Banks	**8,499**	6,844
TOTAL	**14,033**	**7,339**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

The principal associated companies are:

Name	Nature of Business	Country of Incorporation	Voting Power Held
LHB Internationale Handelsbank AG, Frankfurt/M	Banking	Germany	49%
Adria Bank A.G., Vienna	Banking	Austria	29%
Dolenjska banka d.d., Novo Mesto	Banking	Slovenia	14%
Banka Celje d.d., Celje	Banking	Slovenia	25%
Skupna pokojninska družba d.d., Ljubljana	Insurance	Slovenia	39%
Bankart d.o.o., Ljubljana	Card Processing	Slovenia	32%
Zavarovalnica Concordia d.d., Ljubljana	Insurance	Slovenia	23%

As stated in Note 18, the capital investments in Banka Celje and Dolenjska banka in 2000 are dealt with as investments in an associated company.
In 2000 the Bank also increased its capital share in LHB Internationale Handelsbank and Adria Bank, and together with the insurance company Zavarovalnica Triglav and other companies it founded the Skupna pokojninska družba to provide pension savings in accordance with the new pension legislation.

The investments in associated companies comprise:

	2000	**1999**
Shares	11,614	5,805
Debentures	135	126
Share of profits	2,284	1,408
TOTAL	**14,033**	**7,339**

The movements on investments in associated companies comprise:

	2000	**1999**
Balance at 1 January	7,339	7,292
Exchange difference on opening balance	129	61
Revaluation during the year	408	277
Dividends received	(230)	(244)
Transfer from trade to associates	4,553	-
Additions	1,074	62
Share of profits before tax	529	74
Share of tax	(59)	(16)
Movement on reserves	290	(102)
Transfer from associates to subsidiaries	-	(65)
Balance at 31 December	**14,033**	**7,339**

The management considers that the fair value of the investments in associated companies is not less than the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

20. OTHER ASSETS, INCLUDING TAX ASSETS

a) Analysis by type of asset

	2000	1999
Accrued interest due	3,556	2,575
Debtors	1,264	1,981
Fees and commissions due	503	423
Prepayments	504	551
Items in the course of collection	186	297
Stocks	1,316	1,322
Claim for taxes and other dues	779	721
Deferred tax assets (see Note 21)	531	664
Other items	1,264	1,350
	9,903	9,884
Provisions	(1,473)	(1,275)
TOTAL	8,430	8,609

b) Movements in provisions

	2000	1999
Balance at 1 January	1,275	1,644
Provisions (see Note 6)	269	(124)
Write-offs	(71)	(245)
Balance at 31 December	1,473	1,275

21. DEFERRED INCOME TAXES

The components of the net deferred tax assets at 31 December 2000 and 1999 are as follows:

	2000	1999
Deferred tax assets:		
Difference between financial statements and tax basis for bad debt deduction	252	370
Unrealised loss on available-for-sale securities	36	207
Nonaccrual interest	28	8
Capitalised interest on real property	111	96
Write-down of real estate	9	8
Related party interest adjustment	54	-
Net operating loss carry forward	55	-
Severance pay	17	-
Total deferred tax assets	562	689
Deferred tax liabilities:		
Basis difference of property and equipment	(11)	(11)
Valuation allowance	(23)	(20)
Other	3	6
Total deferred tax liabilities	(31)	(25)
Net deferred tax assets	531	664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

22. ACCRUED INCOME AND DEFERRED EXPENSES

	2000	1999
Accrued interest not yet due	**9,316**	7,363
Accrued income from derivatives	**128**	72
Deferred expenses	**488**	476
Goodwill	**243**	358
Negative goodwill	**(5,847)**	(6,773)
TOTAL	**4,328**	**1,496**

Goodwill arises on the acquisition of the 40% minority holding in LB InterFinanz, Zurich in 1997 and on the acquisition of 70% of shareholding of LB Factors in 1999.
Negative goodwill arises on the acquisition of a number of other Slovenian banks. In 1997 Banka Velenje's status changed from that of a trade investment to a subsidiary, giving rise to negative goodwill totaling a net amount of tolars 1,305 million, to be amortised over a period of eight years. As at 1 January 1998, the status of four more banks changed to subsidiary, giving rise to an additional tolars 7,550 million, which will also be amortised over a period of eight years.

Movement on goodwill/negative goodwill account:

	Goodwill	Negative Goodwill
Cost		
- at 1 January 2000	**571**	9,515
- additions	-	322
- at 31 December 2000	**571**	**9,837**
Amortisation		
- at 1 January 2000	**214**	2,742
- amortisation charge for the year	**114**	1,248
- at 31 December 2000	**328**	**3,990**
Carrying amount	**243**	**5,847**

23. PROPERTY AND EQUIPMENT

	Land & Buildings	Lease-hold Improve-ments	Computers	Furniture & Equipment	Motor Vehicles	Assets in Course of Transfer or Construction/ Implementation	Total
Cost or valuation							
- at 1 January 2000	45,909	914	14,575	9,083	1,064	479	72,024
- exchange difference on opening balance in subsidiaries	350	-	22	31	4	-	407
- revaluation	3,748	76	1,302	803	95	49	6,073
- additions	1,600	12	2,793	1,382	540	749	7,076
- disposals	(442)	(3)	(1,816)	(576)	(198)	(74)	(3,109)
- at 31 December 2000	**51,165**	**999**	**16,876**	**10,723**	**1,505**	**1,203**	**82,471**
Depreciation							
- at 1 January 2000	14,847	543	11,213	5,849	638	-	33,090
- exchange difference on opening balance in subsidiaries	22	-	13	18	3	-	56
- revaluation	1,293	55	1,071	581	64	-	3,064
- eliminations and disposals	(77)	(54)	(1,792)	(419)	(157)	-	(2,499)
- charge for year	967	140	1,729	1,029	221	-	4,086
- at 31 December 2000	**17,052**	**684**	**12,234**	**7,058**	**769**	**-**	**37,797**
Net carrying value							
- at 31 December 2000	**34,113**	**315**	**4,642**	**3,665**	**736**	**1,203**	**44,674**
- at 1 January 2000	**31,062**	**371**	**3,362**	**3,234**	**426**	**479**	**38,934**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

24. INTANGIBLE ASSETS

	Software Licences	Assets in Course of Transfer or Construction/ Implementation	Total
Cost or valuation			
- at 1 January 2000	784	1,299	2,083
- additions	641	588	1,229
- disposals	(15)	-	(15)
- at 31 December 2000	**1,410**	**1,887**	**3,297**
Depreciation			
- at 1 January 2000	203	-	203
- eliminations and disposals	(24)	-	(24)
- charge for year	209	-	209
- at 31 December 2000	**388**	**-**	**388**
Net carrying value			
- at 31 December 2000	**1,022**	**1,887**	**2,909**
- at 1 January 2000	**581**	**1,299**	**1,880**

25. DEPOSITS FROM BANKS

	2000		1999	
	Short-term	Long-term	Short-term	Long-term
On demand				
- in tolars	387	-	203	-
- in foreign currency	4,782	-	4,900	-
Other				
- in tolars	8,550	21	4,715	-
- in foreign currency	22,963	1	22,486	-
Current portion of long-term deposits	12	(12)	-	-
	36,694	**10**	32,304	-
TOTAL	**36,704**		32,304	

26. BORROWINGS FROM BANKS

a) Analysis by type of borrowing

	2000		1999	
	Short-term	Long-term	Short-term	Long-term
In tolars				
- Central Bank	1,233	61	12,662	88
- other banks	17,825	103	9,735	198
In tolars with foreign currency clause				
- other banks	389	467	687	2,628
In foreign currency				
- IBRD	-	1,362	-	2,886
- NBY	6,293	-	5,446	-
- commercial banks	17,035	90,675	14,111	57,352
Current portion of long-term borrowings	22,396	(22,396)	19,611	(19,611)
	65,171	**70,272**	62,252	43,541
TOTAL	**135,443**		105,793	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

b) Maturity analysis

	2000	1999
Due within one year	**65,171**	62,252
Due between one and two years	**18,480**	13,315
Due between two and five years	**43,118**	25,446
Due in more than five years	**8,674**	4,780
TOTAL	**135,443**	105,793

27. DEPOSITS FROM OTHER CUSTOMERS

	2000		1999	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Demand deposits				
- enterprises				
- in tolars	**54,047**	-	48,724	-
- in foreign currency	**24,267**	-	14,359	-
- Government departements and agencies				
- in tolars	**8,678**	-	10,358	-
- in foreign currency	**245**	-	199	-
- citizens				
- in tolars	**100,820**	-	81,343	-
- in foreign currency	**86,075**	-	79,091	-
- financial organisations				
- in tolars	**1,284**	-	1,289	-
- in foreign currency	**1,086**	-	522	-
Time deposits				
- enterprises				
- in tolars	**64,504**	**19,144**	62,136	17,028
- in tolars with foreign currency clause	**697**	**533**	334	274
- in foreign currency	**15,199**	**33**	3,544	-
- Government departements and agencies				
- in tolars	**17,939**	**7,924**	33,565	7,098
- in tolars with foreign currency clause	**2**	**57**	16	107
- in foreign currency	**105**	-	-	-
- citizens				
- in tolars	**142,485**	**38,729**	103,901	37,274
- in tolars with foreign currency clause	**419**	**515**	342	1,158
- in foreign currency	**92,408**	**30,336**	72,162	15,922
- financial organisations				
- in tolars	**9,154**	**21,335**	8,005	24,380
- in tolars with foreign currency clause	**66**	**2,727**	123	3,093
Current portion of long-term deposits	**81,232**	**(81,232)**	71,634	(71,634)
	700,712	**40,101**	591,647	34,700
TOTAL	**740,813**		626,347	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

28. BORROWINGS FROM OTHER CUSTOMERS

a) Analysis by type of customer

	2000		1999	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Republic of Slovenia				
- in foreign currency	-	38,928	-	45,904
Financial organisations				
- in tolars	3,703	3,234	2,345	3,749
- in foreign currency	8,413	3,312	9,615	4,761
Enterprises				
- in tolars	-	-	-	5
- in tolars with foreign currency clause	-	124	-	71
- in foreign currency	29	-	-	-
Current portion of long-term borrowings	8,088	(8,088)	8,310	(8,310)
	20,233	**37,510**	20,270	46,180
TOTAL	**57,743**		66,450	

b) Maturity analysis

	2000	**1999**
Due within one year	20,233	20,270
Due between one and two years	8,143	9,748
Due between two and five years	19,000	19,490
Due in more than five years	10,367	16,942
TOTAL	**57,743**	66,450

29. DEBT SECURITIES

a) Analysis by type of liability

	2000	**1999**
Debt securities		
- in tolars	10,660	6,524
- in tolars with foreign currency clause	5,802	2,203
- in foreign currency	595	904
TOTAL	**17,057**	9,631

b) Maturity analysis

	2000	**1999**
Due within one year	2,609	3,524
Due between one and five years	14,448	6,107
TOTAL	**17,057**	9,631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

30. OTHER LIABILITIES

	2000	1999
Accrued interest due	1,197	884
Fees and commissions due	286	207
Accrued salaries	1,228	1,060
Payments received in advance	331	334
Taxes payable	1,785	832
Items in the course of payment	3,263	2,395
Net liabilities for funds managed on behalf of third parties	81	59
Liabilities to traders for credit cards	3,313	1,659
Suppliers	2,705	1,681
Net liability for forward foreign exchange agreements	919	1,134
Other liabilities	2,092	1,815
TOTAL	**17,200**	12,060

31. ACCRUALS AND DEFERRED INCOME

	2000	1999
Accrued interest not yet due	12,440	9,014
Deferred income	4,609	4,637
Other accrued expenses	617	337
Accrued expense from derivatives	114	199
TOTAL	**17,780**	14,187

32. PROVISIONS FOR LIABILITIES AND CHARGES

	2000	1999
Provisions for contingent liabilities (see Note 39)	11,229	12,823
Provisions in respect of premature debt repayments	110	110
Other provisions	590	375
TOTAL	**11,929**	13,308

a) Provisions in respect of premature debt repayments

Following the conclusion of negotiations and discussions regarding NFA (New Financial Agreement) obligations, provisions which the Bank had previously raised regarding unconfirmed qualified transactions under NFA (premature debt repayments) have been utilised. The Bank has now fully covered and provided for all of the risks regarding these NFA dealings. The remaining amount of tolars 110 million represents a full provision in respect of one transaction yet to be finalised.

b) Other provisions

Movements in other provisions were as follows:

	2000	1999
Balance at 1 January	375	531
Provisions	253	38
Costs incurred	(29)	(194)
Provisions released	(9)	-
Balance at 31 December	**590**	**375**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

33. SUBORDINATED LIABILITIES

	Due	Interest rate	2000	1999
1. Subordinated loans				
Banks:				
EURO 25m floating rate loan	2006	EURIBOR+2.5%	5,288	4,933
EURO 35m floating rate loan	2007	EURIBOR+2.3%	7,403	-
Enterprises:				
SIT 30m floating rate deposits	2000	GPI+10%	-	30
SIT 50m floating rate deposits	2000	GPI+7%	-	50
SIT 60m floating rate deposits	2000	FCC+10%	-	60
SIT 80m floating rate deposits	2001	GPI+10%	80	80
SIT 400m floating rate deposits	2005	GPI+6%	400	400
			13,171	5,553
2. Subordinated notes				
DEM 1.4m fix rate bonds	2001	12%	151	141
DEM 9m fix rate bonds	2004	7.5%	973	899
			1,124	1,040
TOTAL			**14,295**	6,593

* GPI - general price index
FCC - foreign currency clause (DEM)

34. MINORITY INTERESTS

	2000	1999
Balance at 1 January	**17,455**	15,528
Share of profits	**2,019**	2,153
Share of transfers to revaluation reserve	**398**	364
Dividends paid	**(657)**	(403)
Net decrease in minority interest	**(154)**	(96)
Decrease in reserves	**(134)**	(91)
Balance at 31 December	**18,927**	17,455

35. SHARE CAPITAL

	Capital
Balance at 1 January 2000	13,810
Own shares	(10)
Balance at 31 December 2000	13,800

At 31 December 2000 there were 137 entities having the status of Bank shareholders. With a holding of 5,736,919 shares, being 83.1% of the share capital, the State remained the majority shareholder of the Bank.
As at 31 December 2000 the capital was represented by 6,905,121 ordinary shares, each with a nominal value of tolars 2,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

36. RESERVES

	Statutory Reserve	Revaluation Reserve	General Banking Reserve	Total
Balance at 1 January 2000	1,881	16,890	1,400	20,171
Foreign exchange profit on opening net assets of subsidiaries and associates	-	62	-	62
Revaluation adjustments				
- property and equipment	-	2,700	-	2,700
- investments	-	1,681	-	1,681
Transfer from retained profit	-	-	1,176	1,176
Balance at 31 December 2000	1,881	21,333	2,576	25,790

Reserves and retained earnings amounting to tolars 53,815 million are not available for distribution to shareholders, in accordance with Slovenian legislation.
Dividends are accounted for in the period in which they were declared. A dividend of tolars 217 per share was declared at the Bank's Annual General Meeting in June 2000.
The Bank has a non-distributable statutory reserve totalling tolars 1,881 million, which represents 10% of the nominal share capital of the Bank amounting to tolars 1,381 million, and appropriation for future purchase of own shares totalling tolars 500 million.
In 2000 the Bank has made an appropriation to a general banking reserve for unforeseeable risks and future losses amounting to tolars 1,176 million.

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The principals used in establishing the fair value of financial assets and liabilities of the company are as follows:

Placements with, and loans to, other banks

Due from other banks includes placements and items in the course of collection at approximately their fair values. It also includes loans and advances to other banks.

Loans to other customers

Loans and advances are net of specific and general provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received.

Investment securities

Fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or in some cases by reference to the net tangible asset backing of the investee. The fair value of investment securities are approximately 7% higher than the carrying value.

Due to other banks, other deposits, due to customers and other borrowed funds

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for debts with similar remaining maturity.

Debt securities

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a yield curve appropriate for the remaining term to maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

38. CAPITAL RATIOS

	Balance Sheet/ Nominal Amount		Risk Weighted Amount	
	2000	1999	2000	1999
Balance sheet assets (net of provisions)				
Due from banks	130,959	117,028	21,116	20,796
Loans and advances to customers	597,535	483,771	449,472	350,757
Dealing and investment securities	340,942	304,812	53,927	38,652
Property and equipment	44,674	38,934	44,674	38,934
Other assets	32,308	25,362	17,768	14,150
Off-balance sheet positions				
Credit related commitments	234,857	194,349	145,467	97,833
Foreign exchange contracts	32,455	30,855	649	617
Foreign exchange risks weighted items			15,060	-
Total risk-weighted assets			748,133	561,739

BIS Capital Ratios	Capital		BIS %	
	2000	1999	2000	1999
Tier 1 capital	76,122	66,344	10.2	11.8
Tier 1 + Tier 2 capital	105,941	85,208	14.2	15.2

The capital adequacy ratios are calculated in accordance with Bank of International Settlements guidelines. These guidelines are intended to apply to major international banks based in OECD countries. In order to make comparisons with other major banks, Slovenia has been treated as a member of OECD. The principal effect of this is to apply counterparty risk weights of 0% to Slovenian government debt and 20% to debts of other Slovenian banks.

39. CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal proceedings. There are no significant legal proceedings outstanding.

b) Capital commitments. At 31 December 2000 the Bank had capital commitments of tolars 987 million in respect of the implementation of new information technology system.

c) Credit related commitments. Documentary (and standby) letter of credit constitutes a definite undertaking of the issuing bank, provided that the stipulated documents are presented to the nominated or the issuing bank and that the terms and conditions of the credit are complied with:
- if the credit provides for sight payment - to pay at sight
- if the credit provides for deferred payment - to pay on the maturity date determinable in accordance with the stipulations of the credit.

Such undertakings can be issued also for the credits received in the form of confirmation. It is usually done at the request or authorisation of the opening bank and constitutes a definite undertaking of the confirming bank, in addition to that of the issuing bank.

Foreign exchange derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange risks. Foreign exchange exposure associated with derivatives are normally offset by entering into counterbalancing positions, thereby minimising the foreign exchange risk and cash amounts required to liquidate the contracts. The Group maintains strict control limits on net open positions, i.e. the difference between purchase and sale contracts, by both currency and term. Unless otherwise indicated, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed by collateral (initial margin or good faith deposits) or as part of the overall borrowing limits granted to customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

c) Credit related commitments (continued)

The following table indicates the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers.

	2000	1999
Foreign currency guarantees		
- Short-term	**13,941**	7,472
- Long-term	**59,995**	59,192
Tolar guarantees		
- Short-term	**10,785**	11,291
- Long-term	**25,063**	20,656
Foreign exchange letters of credit		
- Short-term	**3,848**	5,542
Commitments to extend credit	**132,454**	103,019
	246,086	207,172
Provisions (see Note 32)	**(11,229)**	(12,823)
TOTAL	**234,857**	194,349

	2000	1999
Short-term derivative financial instruments		
Forward exchange contracts		
- Hedging	**8,165**	14,037
- Trading	**8,024**	2,069
Swaps		
- Hedging	**13,776**	6,856
Options		
- Trading	**500**	-
Futures exchange contracts		
- Hedging	**1,990**	7,893
TOTAL	**32,455**	30,855

Guarantees which are counter-guaranteed by the state or non-Group Slovenian banks have not been specifically provided against and amount to tolars 9,773 million (1999: 13,477 million).

d) Movements in provisions

	2000		1999	
	Specific	General	Specific	General
Balance at 1 January	**11,348**	**1,475**	10,258	1,383
Provisions (see Note 6)	**(1,899)**	**305**	1,090	92
Balance at 31 December	**9,449**	**1,780**	11,348	1,475

e) Assets pledged

Assets are pledged mainly as collateral for deposits and borrowings.

	Asset		Related Liability	
	2000	1999	2000	1999
Treasury bills	-	11,765	-	11,717
Investment securities	**9,638**	697	**8,683**	688
Leasing claims	**2,706**	1,456	**2,016**	1,228
Building	**2,584**	2,878	**2,393**	2,691
TOTAL	**14,928**	16,796	**13,092**	16,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

f) Operating lease commitments

Where a group company is the lessee the future minimum lease payments under non cancellable building operating leases are as follows:

	2000	1999
Not later than one year	428	409
Later than one year and not later than five years	1,731	1,440
Later than five years	508	68
TOTAL	2,667	1,917

40. FUNDS MANAGED ON BEHALF OF THIRD PARTIES

The Group manages assets totalling tolars 69,414 million (1999: 49,105 million) on behalf of third parties. Managed funds' assets are accounted for separately from those of the Group. Income and expenses of these funds are for the account of the respective fund and no liability falls on the Group in connection with these transactions. The Group is compensated for its services by fees chargeable to the funds.

41. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and conditions and at market rates. The volumes of related party transactions, outstanding balances at the year end, are as follows:

	2000	1999
Loans and advances		
- Directors	353	326
- Associated companies	17,169	12,067
TOTAL	17,522	12,393
Borrowings and deposits		
- Associated companies	19,275	5,404
TOTAL	19,275	5,404

42. SUBSIDIARIES

The subsidiaries are:

			Percentage Interest	
Name	Nature of Business	Country of Incorporation	Ownership Interest	Voting Power Held
Banka Velenje d.d., Velenje	Banking	Slovenia	68 %	68 %
Fit d.o.o., Velenje	Finance	Slovenia	100 %	100 %
Pomurska banka d.d., Murska Sobota	Banking	Slovenia	50 %	50 %
Pomurska DZU d.d., Murska Sobota	Investment management	Slovenia	100 %	100 %
Feniks d.o.o., Murska Sobota	Finance	Slovenia	100 %	100 %
Banka Domžale d.d., Domžale	Banking	Slovenia	40 %	40 %
FIN-DO d.o.o., Domžale	Finance	Slovenia	100 %	100 %
Koroška banka d.d., Slovenj Gradec	Banking	Slovenia	41 %	42 %
Banka Zasavje d.d., Trbovlje	Banking	Slovenia	40 %	40 %
LBS Bank - New York	Banking	USA	100 %	100 %
12 East 52nd Street Realty, Inc., New York	Property	USA	100 %	100 %
Groton Property, Inc., New York	Property	USA	100 %	100 %
LB Leasing d.o.o., Ljubljana	Finance	Slovenia	100 %	100 %
LB Leasing d.o.o., Koper	Finance	Slovenia	100 %	100 %
LB Leasing d.o.o., Maribor	Finance	Slovenia	100 %	100 %
Optima Leasing d.d., Ljubljana	Finance	Slovenia	100 %	100 %
LB InterFinanz AG, Zurich	Finance	Switzerland	100 %	100 %
LB InterFinanz s.r.o., Praga	Finance	Czech republic	100 %	100 %
LB InterFinanz s.r.l., Gorizia	Finance	Italy	51 %	51 %
LBIS d.o.o., Skopje	Finance	Macedonia	100 %	100 %
LB Factors d.d., Ljubljana	Finance	Slovenia	100 %	100 %
LB Maksima d.o.o, Ljubljana	Investment management	Slovenia	81 %	91 %
LB HIPO d.o.o., Ljubljana	Property	Slovenia	100 %	100 %
LB Propria d.o.o., Ljubljana	Property	Slovenia	100 %	100 %
LB Trading d.o.o., Ljubljana	Trading	Slovenia	100 %	100 %
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Slovenia	100 %	100 %

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

43. CURRENCY RISK

The amount of consolidated assets and liabilities denominated in tolars and in foreign currency as at 31 December 2000 is analysed below:

	Tolars	USD	EUR	Other	Total
ASSETS					
Cash and balances with the Central Bank	35,041	981	3,499	799	40,320
Treasury bills	271	2,745	117,845	-	120,861
Placements with, and loans to, other banks	5,994	31,599	45,612	7,435	90,640
Securities held for dealing purposes	21,038	10,153	17,949	-	49,140
Loans and advances to customers	424,620	36,212	133,772	2,931	597,535
Investment securities	136,776	20,086	14,079	-	170,941
Trade investments	1,191	318	832	267	2,608
Investments in associated companies	5,534	-	8,499	-	14,033
Other assets, including tax assets	6,897	1,050	386	97	8,430
Accrued income and deferred expenses	(630)	1,988	2,744	226	4,328
Property and equipment	42,112	2,508	33	21	44,674
Intangible assets	2,895	-	13	1	2,909
TOTAL ASSETS	681,739	107,640	345,263	11,777	1,146,419
LIABILITIES					
Deposits from banks	8,958	3,710	23,408	628	36,704
Borrowings from banks	19,222	14,457	96,857	4,907	135,443
Deposits from other customers	486,043	51,147	194,989	8,634	740,813
Borrowings from other customers	6,937	42,774	7,948	84	57,743
Debt securities	10,660	291	6,051	55	17,057
Other liabilities	12,117	2,423	2,233	427	17,200
Accruals and deferred income	12,101	919	4,630	130	17,780
Provisions for liabilities and charges	5,876	1,616	2,186	2,251	11,929
Subordinated liabilities	480	-	13,815	-	14,295
Minority interests	18,927	-	-	-	18,927
Share capital	13,800	-	-	-	13,800
Retained profits	35,655	838	1,822	663	38,978
Reserves	25,750	-	-	-	25,750
TOTAL LIABILITIES	656,526	118,175	353,939	17,779	1,146,419
NET BALANCE SHEET POSITION	25,213	(10,535)	(8,676)	(6,002)	-
As at 31 December 1999					
TOTAL ASSETS	590,519	114,696	243,634	21,058	969,907
TOTAL LIABILITIES	582,565	112,803	252,380	22,159	969,907
NET BALANCE SHEET POSITION	7,954	1,893	(8,746)	(1,101)	-

Note: EUR relates to EURO - zone currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

44. LIQUIDITY RISK

The amount of consolidated assets and liabilities analysed over the remaining period at 31 December 2000 to the contractual maturity date is as follows:

	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No Maturity	Total
ASSETS							
Cash and balances with the Central Bank	40,320	-	-	-	-	-	40,320
Treasury bills	32,199	67,509	21,153	-	-	-	120,861
Placements with, and loans to, other banks	67,736	5,336	10,406	6,058	1,104	-	90,640
Securities held for dealing purposes	39,127	1,147	8,866	-	-	-	49,140
Loans and advances to customers	39,403	62,328	188,111	228,151	79,542	-	597,535
Investment securities	-	84	15,288	43,932	111,637	-	170,941
Trade investments	-	-	-	-	-	2,608	2,608
Investments in associated companies	-	-	-	-	-	14,033	14,033
Other assets, including tax assets	4,627	343	1,345	1,275	840	-	8,430
Accrued income and deferred expenses	1,875	1,778	4,865	(4,190)	-	-	4,328
Property and equipment	-	-	-	7,898	-	36,776	44,674
Intangible assets	-	-	-	2,177	-	732	2,909
TOTAL ASSETS	225,287	138,525	250,034	285,301	193,123	54,149	1,146,419
LIABILITIES							
Deposits from banks	27,211	8,967	516	10	-	-	36,704
Borrowings from banks	31,114	7,755	26,302	61,598	8,674	-	135,443
Deposits from other customers	376,130	110,003	214,579	38,443	1,658	-	740,813
Borrowings from other customers	5,126	6,098	9,009	27,143	10,367	-	57,743
Debt securities	595	1,133	881	14,448	-	-	17,057
Other liabilities	14,186	307	1,764	943	-	-	17,200
Accruals and deferred income	3,509	2,471	8,717	2,872	211	-	17,780
Provisions for liabilities and charges	54	126	1,060	10,341	348	-	11,929
Subordinated liabilities	-	15	65	1,525	12,690	-	14,295
TOTAL LIABILITIES	457,925	136,875	262,893	157,323	33,948	-	1,048,964
NET LIQUIDITY GAP	(232,638)	1,650	(12,859)	127,978	159,175	54,149	97,455
As at 31 December 1999							
TOTAL ASSETS	194,860	111,994	180,135	272,216	164,537	46,165	969,907
TOTAL LIABILITIES	414,920	116,250	208,012	119,574	27,917	-	886,673
NET LIQUIDITY GAP	(220,060)	(4,256)	(27,877)	152,642	136,620	46,165	83,234

The previous table analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.
The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.
The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

45. INTEREST RATE RISK

The period of notice required to change interest rates at 31 December 2000 is set out below:

	TOTAL	Non Interest Bearing	Interest Bearing	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	Over 1 year
ASSETS							
Cash and balances with the Central Bank	40,320	13,550	26,770	26,770	-	-	-
Treasury bills	120,861	-	120,861	32,199	67,509	21,153	-
Placements with, and loans to, other banks	90,640	1,888	88,752	67,736	5,336	10,406	5,274
Securities held for dealing purposes	49,140	10,901	38,239	28,226	1,147	8,866	-
Loans and advances to customers	597,535	6,412	591,123	310,770	44,713	119,645	115,995
Investment securities	170,941	1,035	169,906	-	84	15,288	154,534
Trade investments	2,608	2,608	-	-	-	-	-
Investments in associated companies	14,033	14,033	-	-	-	-	-
Other assets, including tax assets	8,430	8,430	-	-	-	-	-
Accrued income and deferred expenses	4,328	4,328	-	-	-	-	-
Property and equipment	44,674	44,674	-	-	-	-	-
Intangible assets	2,909	2,909	-	-	-	-	-
TOTAL ASSETS	1,146,419	110,768	1,035,651	465,701	118,789	175,358	275,803
LIABILITIES							
Deposits from banks	36,704	8,962	27,742	23,586	3,630	516	10
Borrowings from banks	135,443	-	135,443	31,114	7,755	26,302	70,272
Deposits from other customers	740,813	1,224	739,589	436,162	134,037	147,657	21,733
Borrowings from other customers	57,743	-	57,743	6,458	5,869	42,267	3,149
Debt securities	17,057	-	17,057	595	1,133	881	14,448
Other liabilities	17,200	17,200	-	-	-	-	-
Accruals and deferred income	17,780	17,780	-	-	-	-	-
Provisions for liabilities and charges	11,929	11,929	-	-	-	-	-
Subordinated liabilities	14,295	-	14,295	-	415	12,755	1,125
TOTAL LIABILITIES	1,048,964	57,095	991,869	497,915	152,839	230,378	110,737
ON BALANCE SHEET INTEREST SENSITIVITY GAP				(32,214)	(34,050)	(55,020)	165,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

45. INTEREST RATE RISK (CONTINUED)

The period of notice required to change interest rates at 31 December 1999 is set out below:

	TOTAL	Non Interest Bearing	Interest Bearing	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	Over 1 year
ASSETS							
Cash and balances with the Central Bank	31,344	8,876	22,468	22,468	-	-	-
Treasury bills	99,758	-	99,758	36,484	48,239	15,035	-
Placements with, and loans to, other banks	85,684	363	85,321	59,130	7,987	14,202	4,002
Securities held for dealing purposes	26,781	6,782	19,999	19,999	-	-	-
Loans and advances to customers	483,771	1,769	482,002	152,755	64,877	130,984	133,386
Investment securities	178,273	792	177,481	120	1,144	13,495	162,722
Trade investments	6,038	6,038	-	-	-	-	-
Investments in associated companies	7,339	7,339	-	-	-	-	-
Other assets, including tax assets	8,609	8,609	-	-	-	-	-
Accrued income and deferred expenses	1,496	1,496	-	-	-	-	-
Property and equipment	38,934	38,934	-	-	-	-	-
Intangible assets	1,880	1,880	-	-	-	-	-
TOTAL ASSETS	969,907	82,878	887,029	290,956	122,247	173,716	300,110
LIABILITIES							
Deposits from banks	32,304	994	31,310	25,177	6,133	-	-
Borrowings from banks	105,793	-	105,793	42,730	23,725	26,686	12,652
Deposits from other customers	626,347	1,321	625,026	336,230	91,940	162,156	34,700
Borrowings from other customers	66,450	-	66,450	19,728	17,149	24,685	4,888
Debt securities	9,631	-	9,631	1,150	541	2,044	5,896
Other liabilities	12,060	12,060	-	-	-	-	-
Accruals and deferred income	14,187	14,187	-	-	-	-	-
Provisions for liabilities and charges	13,308	13,308	-	-	-	-	-
Subordinated liabilities	6,593	-	6,593	-	400	5,074	1,119
TOTAL LIABILITIES	886,673	41,870	844,803	425,015	139,888	220,645	59,255
ON BALANCE SHEET INTEREST SENSITIVITY GAP				(134,059)	(17,641)	(46,929)	240,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

45. INTEREST RATE RISK (CONTINUED)

The previous tables summarise the Group's exposure to interest rate risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The effective interest rates for monetary financial instruments are as follows:

	2000 %	1999 %
ASSETS		
Cash and balances with the Central Bank	0.69	0.74
Treasury bills	4.38	3.75
Placements with, and loans to, other banks	5.06	4.31
Securities held for dealing purposes	6.53	10.10
Loans and advances to customers	12.77	10.79
Investment securities	12.57	10.48
Other assets, including tax assets	2.37	3.43
TOTAL ASSETS	9.75	8.27
LIABILITIES		
Deposits from banks	5.05	3.27
Borrowings from banks	5.82	5.62
Deposits from other customers	6.54	5.20
Borrowings from other customers	1.97	1.39
Debt securities	12.72	10.12
Other liabilities	3.62	5.40
TOTAL LIABILITIES	5.38	4.30

46. SEGMENTAL ANALYSIS

Year ended 31 December 2000

	Private Banking	Corporate Banking	Financial Markets	Other (unallocated)	Group
Operating income	39,630	60,968	24,029	2,318	126,945
SEGMENT RESULT	7,096	10,161	(924)	1,513	17,846
Share of profits of associated companies					529
PROFIT BEFORE TAX					18,375
Tax					(6,528)
PROFIT AFTER TAX					11,847
Minority interest					(2,019)
NET PROFIT FOR THE PERIOD					9,828
Segment assets	243,399	546,793	330,596	25,631	1,146,419
Segment liabilities	532,100	319,116	197,519	229	1,048,964
Capital expenditure	3,829	3,555	806	115	8,305
Depreciation	(1,980)	(1,838)	(417)	(60)	(4,295)
Amortisation	627	583	132	19	1,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In millions of tolars)

46. SEGMENTAL ANALYSIS (CONTINUED)

Year ended 31 December 1999

	Private Banking	Corporate Banking	Financial Markets	Other (unallocated)	Group
Operating income	31,422	45,786	18,563	5	95,779
SEGMENT RESULT	7,379	7,708	1,031	381	16,499
Share of profits of associated companies					74
PROFIT BEFORE TAX					16,573
Tax					5,640
PROFIT AFTER TAX					10,933
Minority interest					2,153
NET PROFIT FOR THE PERIOD					8,780
Segment assets	214,793	423,330	321,541	17,016	976,680
Segment liabilities	407,119	268,562	210,505	24,715	910,901
Capital expenditure	3,498	3,248	736	106	7,588
Depreciation	(1,640)	(1,522)	(345)	(50)	(3,557)
Amortisation	518	481	109	16	1,124

The Group is organised into three main business segments:
- **Private banking,** including: loans to and deposits from private individuals, balances on their current accounts, credit and payment cards etc.
- **Corporate business,** including: commercial loans given to business companies and state owned entities ("public sector"), deposits received from them, giro accounts etc.
- **Financial markets,** including: relations with banks and other financial institutions, treasury activities, investment banking.

Other operations of the Group comprise capital investments, institutional finance and providing computer services, none of which constitutes a separately reportable segment.
Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet and excluding items such as taxation and borrowings.

Geographical segments
No individual country, apart from Slovenia, accounts for greater than 10% of the Group's total assets, total liabilities, credit commitments, operating income and capital expenditure.

INCOME STATEMENT FOR YEAR ENDED 31 DECEMBER 2000 (PARENT BANK) (In millions of tolars)

	Year Ended 31.12.2000	Year Ended 31.12.1999
Interest and similar income	76,902	54,187
Interest expense and similar charges	(44,679)	(30,033)
NET INTEREST INCOME	**32,223**	24,154
Fees and commissions income	12,015	10,275
Fees and commissions expense	(2,509)	(1,709)
NET FEES AND COMMISSIONS	**9,506**	8,566
(Losses)/Gains arising from dealing securities (net)	(602)	(531)
Gains/(Losses) arising from dealing in foreign currencies (net)	1,510	495
Foreign exchange losses (net)	(1,570)	(290)
Other operating income	4,290	3,838
OPERATING INCOME	**45,357**	36,232
Charge for bad and doubtful debts	(6,732)	(5,039)
Decrease in provisions for investments	(939)	1,436
General administrative expenses	(23,146)	(20,275)
Other operating expenses	(3,239)	(3,266)
PROFIT BEFORE TAX	**11,301**	9,088
Tax	(5,020)	(4,324)
NET PROFIT FOR THE PERIOD	**6,281**	4,764

BALANCE SHEET AS AT 31 DECEMBER 2000 (PARENT BANK) (In millions of tolars)

	31.12.2000	31.12.1999
ASSETS		
Cash and balances with central bank	32,458	25,325
Treasury bills	87,042	67,799
Placements with, and loans to, other banks	100,439	77,179
Securities held for dealing purposes	44,524	22,111
Loans and advances to customers	443,026	353,796
Investment securities	122,545	131,552
Trade investments	1,040	2,673
Investments in associated companies	9,350	5,598
Investments in subsidiaries	11,302	11,063
Other assets	4,304	3,922
Accrued income and deferred expenses	7,975	5,436
Property and equipment	27,112	23,610
Intangible assets	2,367	1,486
TOTAL ASSETS	893,484	731,550
LIABILITIES		
Deposits from banks	58,608	44,430
Borrowings from banks	105,291	77,326
Deposits from other customers	557,217	459,338
Borrowings from other customers	46,891	54,780
Debt securities	15,780	8,157
Other liabilities	13,370	8,740
Accruals and deferred income	10,996	8,314
Provisions for liabilities and charges	10,159	11,084
Subordinated liabilities	12,690	4,933
TOTAL LIABILITIES	831,002	677,102
SHAREHOLDERS' EQUITY		
Share capital	13,800	13,810
Retained profits	25,333	21,723
Reserves	23,349	18,915
TOTAL SHAREHOLDERS' EQUITY	62,482	54,448
TOTAL EQUITY AND LIABILITIES	893,484	731,550

Directory

March 2001

DIRECTORY OF NETWORK AND INVESTMENTS IN SLOVENIA

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Area Branch Ljubljana - Center
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Dragica Slatnar, General Manager
Branches: 4

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Branches: 14

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Boris Završnik, General Manager
Branches: 4

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Ivan Pirc, General Manager
Branches: 3

Nova Ljubljanska banka d.d.
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Telefax:+386 7/ 332 5529
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Dr. Dejan Avsec, General Manager
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Franc Visenjak, General Manager
Branches: 4

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Telefax:+386 3/ 586 9491
Rafko Berločnik, President

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Telefax:+386 2/ 515 4272
Viktor Šbül, President

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Telefax:+386 2/ 884 2382
Božo Štor, President

Banka Zasavje d.d., Trbovlje,
bančna skupina Nove Ljubljanske banke
Trg revolucije 25 c, 1420 Trbovlje
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Zdenko Fritz, President

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Telefax:+386 1/ 721 6821
Andrej Flis, President

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Telefax:+386 1/ 586 2940
Dalibor Salobir, Managing Director

LB Leasing Koper d.o.o., Koper
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LB Leasing Maribor d.o.o., Maribor
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Franci Borsan, President, CEO

DIRECTORY OF INTERNATIONAL NETWORK AND INVESTMENTS

Foreign Branch

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March 2001

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from 1 February 2001

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Gregor Dolenc
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http://www.nlb.si/NLB_Annual_Report_2000.pdf

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