

# ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2000

## I. Information regarding concentration of commitments to single customers, capital groups and sectors of the economy

According to the Banking Law, effective 1 January 1998, the total exposure, including: credit lines, cash loans granted, bonds and securities purchased other than shares, extended guarantees, letters of credit as well as other amounts receivable from one or more capital and organisationally related entities which jointly share the business risk may not exceed 25% of the Bank's equity, which amounts to PLN 359,594 thousand.

As at 29 December 2000 the concentration limit, as described in Article 71, item 1 of the Banking Law, was exceeded in two cases. The first situation of that kind related to the interpretation received from the General Inspectorate of Banking Supervision ("GINB") by which Bank Śląski was obliged to include their deposits in other banks to secure credits provided by those banks granted to the BSK SA's client.

The second case when the limit was exceeded was caused by the merger of five clients of Bank Śląski which when combined caused the concentration ratio of the new entity to be slightly exceeded.

The Management Board informed GINB of these two cases and subsequently took appropriate steps to decrease the concentration limits. The BSK SA Management immediately took actions to decrease the credit commitments in order to decrease the concentration ratio.

According to the Banking Law, equity investments (including securities, shares and participation in investment funds) may not exceed 15% of equity for a single customer (or PLN 215,757 thousand). During the year ended 31 December 2000, the Bank did not exceed this limit.

The Bank's on-balance sheet exposure by sector of the economy, based on individual commitments exceeding PLN 500 thousand, is as follows:

Sector of economy (according to European Industry Classification)	Total commitment (on-balance sheet) in PLN 000's		Structure %	
	31.12.1999	31.12.2000	1999	2000
Agriculture, forestry and fishing	70,181	86,349	0.89	0.90
Coal mining	143,158	141,768	1.82	1.48
Other mining	4,500	147,168	0.06	1.53
Foodstuff and beverages	858,856	1,038,060	10.90	10.81
Textiles	42,049	35,389	0.53	0.37
Clothing and leather	65,251	74,129	0.83	0.77
Paper and cellulose	136,869	120,876	1.74	1.26
Publishing	24,031	28,375	0.31	0.30
Fuel industry	133,730	226,315	1.70	2.36
Chemicals	372,765	349,879	4.73	3.64
Rubber industry	76,464	89,244	0.97	0.93
Non-ferrous metals	57,103	120,530	0.72	1.26

Production of metals	650,301	650,278	8.25	6.77
Metal finished goods	176,655	228,170	2.24	2.38
Machinery	111,378	113,988	1.41	1.19
Electronics	121,028	153,941	1.54	1.60
Precision equipment	23,363	31,720	0.30	0.33
Motor vehicles and trailers	377,319	353,649	4.79	3.68
Furniture	46,311	73,796	0.60	0.77
Recycled goods	12,844	14,350	0.16	0.15
Energy	802,814	760,713	10.19	7.92
Water supply	3,358	18,173	0.04	0.19
Construction	469,593	368,341	5.96	3.84
Car trading and service and gas stations	270,516	305,104	3.43	3.18
Trade	1,046,941	1,518,015	13.29	15.81
Hotels and restaurants	11,090	21,580	0.14	0.22
Transport	176,787	143,157	2.24	1.49
Mail and telecommunication	406,689	395,937	5.16	4.12
Financial intermediary services	424,708	1,106,112	5.39	11.53
Administration and rental of equipment	33,546	469,816	0.06	4.89
Research and development	6,031	7,741	0.08	0.08
Other business activities	21,053	58,537	0.27	0.61
Administration and defence	599,642	227,764	7.61	2.37
Education	460	431	0.01	0.00
Health and social care	48,956	44,465	1.62	0.46
Other social and municipal services	501	5,738	0.01	0.06
Entertainment services	14,304	10,327	0.18	0.11
Other	37,787	60,418	0.47	0.64
<b>Total</b>	<b>7,878,932</b>	<b>9,600,343</b>	<b>100.00</b>	<b>100.00</b>

A credit risk assessment of each commitment is undertaken that results in its classification to specific risk categories and the level of provision created. An appropriate level of provisions is set against irregular loans. In order to counter credit risk, the Bank accepts collateral from borrowers as specified in the Bank's credit policy (i.e. collateral on the borrowers' accounts and property).

For the purpose of estimating specific provisions against irregular loans, only collateral is recognized as specified in Regulation No. 8/99 dated 22 December 1999 of the Banking Supervision Commission regarding the banking activity risk. At 31 December 2000, such collateral amounted to PLN 1,362,358 thousand compared to PLN 1,136,090 thousand at 31 December 1999.

As at 31 December 2000, the Bank issued 10,629 execution titles amounting to PLN 189,113 thousand.

## 2. Off-balance sheet financial instruments

Transactions with derivative financial instruments are carried out for speculative purposes and in order to hedge foreign exchange and interest rate risks. Additionally, the Bank offers these instruments to its clients.

**Foreign currency transactions***in PLN 000's*

Instrument	Purchase		Sale	
	31.12.1999	31.12.2000	31.12.1999	31.12.2000
Forex spot	145 587	736 922	145 281	737 084
Forex forward	1 186 524	4 242 700	1 145 184	4 055 015
Forward – Foreign Currency Term Transaction (WTT)	7 978	7 997	7 842	8 122
Non-delivery Forward – (ZRK)	384 805	556 098	381 682	557 972

**Interest rate transactions**

Type of instrument	Nominal amount	
	31.12.1999	31.12.2000
Interest Rate Swaps	167 725	0

**Foreign currency transactions**

The nominal value of foreign exchange contracts is the amount of foreign currency purchased or sold under the contracts and does not represent the actual market or credit risk associated with these contracts. Credit risk is limited by entering into contracts only with approved counter parties within approved limits. Market risk is limited by closing open positions, establishing open position maturity limits and the current monitoring of open positions. Foreign exchange contracts are used for closing daily open foreign currency positions and for speculative purposes.

Foreign exchange swap transactions represent a combination of foreign exchange spot and forward transactions where currency is exchanged at a spot rate and, at the same time, the same currencies are subject to exchange at a forward rate on a specified day in the future.

**Spot foreign currency transactions**

Spot foreign currency transactions are agreements to exchange specific amounts of currency at a specified rate of exchange at the spot date when the settlement occurs usually two days after the trade date.

All spot transactions are made for trading purposes. As at 31 December 2000, the PLN and foreign currencies to be bought at spot rates amounted to PLN 736,922 thousand, and the PLN and foreign currencies to be sold amounted to PLN 737,084 thousand.

The forex spot leg of foreign exchange cross currency swaps is included as foreign currency spots. As at 31 December 2000, the PLN and foreign currencies to be bought at spot rates amounted to PLN 296,030 thousand and the PLN and foreign currencies to be sold amounted to PLN 296,450 thousand.

According to the accounting principles applied by the Bank, these transactions are marked to market. As at 31 December 2000, unrealized losses of PLN 244 thousand were recognized in the profit and loss account as part of the net result on foreign exchange.

**Foreign currency transactions – FORWARD**

Foreign currency forward transactions are agreements to exchange specific amounts of currency at a specified rate of exchange at a forward date when the settlement occurs later than the spot date.

Forex forward operations are speculative transactions (the forward leg of a swap transactions). All forward transactions mature before 9 May 2001. According to the accounting principles applied by the Bank, these transactions

are marked to market. As at 31 December 2000, unrealized gains of PLN 164,866 thousand were recognized in the profit and loss account as part of the net result on foreign exchange.

### Foreign currency term transactions

Foreign currency term transactions are foreign currency forward transactions offered by the Bank to its clients in order to hedge exchange rate risk associated with a client's future foreign currency payments. These transactions are settled through the delivery of basic instruments. All these transactions mature before 31 December 2002. According to the accounting principles applied by the Bank, these transactions are marked to market. As at 31 December 2000, unrealized gains of PLN 241 thousand were recognized in the profit and loss account as part of the net result on foreign exchange. As at 31 December 2000, collateral securing these transactions amounted to PLN 2,811 thousand.

### Non-delivery foreign currency forward (ZRK)

Non-delivery foreign currency forward operations are designed to secure exchange rate risk and are offered to clients in order to hedge exchange rate risk associated with a client's future foreign currency payments. Operations, presented in the Bank's ledger, mature before 29 August 2001. At maturity, only the difference between the value specified in the forward contract and the spot value is exchanged.

According to the accounting principles applied by the Bank, these transactions are marked to market. As at 31 December 2000, unrealized losses of PLN 1,485 thousand were recognized in the profit and loss account as part of the net result on foreign exchange.

### Interest swap transactions

Interest rate swap transactions are agreements in which the Bank agrees to exchange periodic interest rate payments in exchange for counter party interest payments that are calculated based on an agreed nominal amount. The nominal amount is the amount upon which interest rates are applied to determine the payment streams under the interest rate swap. Market risk associated with interest rate swap transactions relates solely to the interest rates applied. Credit risk is limited by entering into contracts only with approved counter parties within approved credit limits.

Due to an earlier loan repayment, whose interest rate risk was hedged by an IRS contract, the IRS contract was closed when the loan was repaid.

## 3. Information on other off-balance sheet commitments

As at 31 December 2000, liability commitments granted by the Bank amounted to PLN 3,372,257 thousand including:

- financial commitments of PLN 2,721,190 thousand which include open credit lines, unused facilities, as well as open or confirmed letters of credit;
- guarantees of PLN 651,067 thousand.

Specific provisions for off-balance sheet commitments of PLN 14,625 thousand were created.

The Bank has granted off-balance sheet commitments for its associates and subsidiaries, which are presented in Note 7.1. As at 31 December 2000, the Bank had a balance of guarantee commitments received of PLN 114,957 thousand, including 81,345 thousand utilized as collateral offsetting specific provisions.

#### 4. Amounts due to the State Budget or local authorities arising from the acquisition of buildings and structures

As at 31 December 2000 the Bank had no such liabilities.

#### 5. Discontinued operations

During the period from 1 January 2000 to 31 December 2000, the Bank did not terminate any significant area of activity. The Bank foresees no such termination in 2001.

#### 6. Information on investment expenditures

Investment expenditures include all purchases of tangible and intangible assets during the year from 1 January 2000 to 31 December 2000. The BSK SA investment expenditures amounted to PLN 137,884 thousand, when the budgeted investment expenditures amounted to PLN 208,838 thousand.

The budgeted investment expenditure for 2001 amounts to PLN 166,280 thousand.

#### 7. Information on significant transactions with related parties

From 1 January to 31 December 2000, there were various transactions with the Bank's subsidiaries and parent company exceeding EURO 500 thousand.

##### Brokerage House of Bank Śląski S.A.

The Bank accepts short-term deposits (overnight and short-term) to be placed by its Brokerage House at market conditions. The Brokerage House also purchases and sells debt securities through the Bank.

During the year from 1 January to 31 December, 2000, there were four sales of treasury bills for PLN 6,092 thousand, four purchases of treasury bills for PLN 6,116 thousand, seven purchases of commercial bonds for PLN 8,984 thousand and seven sales for PLN 8,840 thousand.

The Brokerage House also purchases and sells commercial paper ("KWIT") through the Bank. In 2000, there were 73 sales of KWIT for the total of PLN 125,438 thousand and 72 purchases of KWIT for the total of PLN 118,884 thousand.

As at 31 July 2000, the Brokerage House overdraft limit matured. A subsequent overdraft facility has not been drawn.

##### BSK Leasing S.A.

The Bank has established a credit facility for BSK Leasing S.A. As at 31 December 2000, the unutilised limit amounted to PLN 14,168 thousand.

From 1 January 2000 to 31 December 2000, the Bank had credit agreements for PLN 268,903 thousand.

From 1 January 2000 to 31 December 2000 the Bank signed ten leasing agreements (including sub-leasing the Bank's headquarters building) with BSK Leasing S.A. for PLN 12,306 thousand including administration charges. According to the agreement between BSK Leasing S.A. and ING Lease, BSK Leasing S.A. refinanced some lease contracts with ING Lease for the amount of PLN 66 million.

Loans granted to BSK Leasing S.A. to fund individual lease contracts at 31 December 2000 amounted to PLN 268 million. The Bank assumes indirect credit risk related to these leases and holds a provision of PLN 16 million for estimated losses at 31 December 2000.

## ING BSK Asset Management S.A.

At 19 July 2000, there was an increase in the share capital of ING BSK Asset Management of PLN 1,000,000 which was funded by ING.

As a result, the Bank's share in the equity of ING BSK Asset Management S.A. decreased from 50.00% to 47.39%.

By an intermediary of ING BSK Asset Management the Bank owns shares in ING BSK Towarzystwo Funduszy Inwestycyjnych S.A. in Katowice.

The Bank maintains current and term accounts for the above-mentioned entity, accounts for investment funds managed by ING BSK Towarzystwo Funduszy Inwestycyjnych S.A. ("ING BSK TFI"), and acts as a distributor of investment units, Transfer Agent and custodian.

As at 31 December 2000, the Bank held units in following funds:

ING BSK TFI-ING Fundusz Akcji	PLN 7,000 thousand
ING BSK TFI-ING Otwarty Fundusz Inwestycyjny Gotówkowy	PLN 2,014 thousand
ING BSK TFI-ING Otwarty Fundusz Inwestycyjny Obligacji	PLN 2,014 thousand
ING BSK TFI-ING Fundusz Zrównoważony	PLN 5,000 thousand
ING BSK TFI SOFIBD	PLN 139,521 thousand

## Centrum Banku Śląskiego Sp. z o.o.

The Head Office of BSK, owned by BSK Centrum, was completed in 2000. Since the completion of the Head Office, the control of BSK Centrum has been equally divided between the shareholders of BSK Centrum. Due to this lack of control by BSK, the investment in BSK Centrum was reclassified from being a subsidiary to an associated investment.

From 1 January 2000 to 31 December 2000, the Bank continued all granted credit agreements to Centrum Banku Śląskiego Sp. z o.o. As at 31 December 2000, the value of these loans was PLN 228,352 thousand.

During 2000, the Bank continued all derivative transactions with Centrum BSK SA as follows:

- Foreign Currency Forward Transactions – 1 transaction with maturity date 31 January 2001 for USD 45 thousand (PLN 199 thousand),
- Exchange rate risk hedging transactions – 1 transaction with maturity date 29 January 2001, for DEM 80 thousand (in PLN – 158 thousand).

## ING

The Bank has various inter-bank transactions with banks within the ING Barings Group, in particular ING Warsaw and ING Amsterdam. The volume of transactions is significant. Transactions concluded consist mainly of short-term PLN deposits and placements (from overnight to 3-month) as well as forex spot and forward transactions.

From 1 January 2000 to 31 December 2000, the Bank had a deposit contract with ING Amsterdam. This deposit in EURO for the period between 16 June 1998 and 21 October 2002 was EURO 45 million at a floating interest rate for which the actual interest rate is set every six months (i.e. on 23 April and 22 October).

The Bank continued a "General Leasing Agreement" concluded with ING Lease (Polska) Sp. z o.o., with an upper contract limit of PLN 48,000 thousand. The costs to fulfil the requirements of this agreement amounted to PLN 1,416 thousand in 2000.

## Powszechne Towarzystwo Emerytalne Nationale-Nederlanden S.A. (Nationale-Nederlanden Pension Fund)

On 16 May 2000, there was capital injection in PTE Nationale-Nederlanden S.A. for PLN 10,000 thousand. As at 31 December the Bank owned 20% of the outstanding shares of PTU Nationale-Nederlanden S.A. worth PLN 40,000 thousand.

The Bank continued a contract with PTU Nationale-Nederlanden S.A. for rendering intermediary services for approaching potential clients and offering pension services on behalf of PTU Nationale-Nederlanden S.A.

## FINPLUS Sp. z o.o.

As at 31 December 2000, the Bank owned 50% of the outstanding shares of Finplus Sp. z o.o. worth PLN 7,400 thousand. From 16 April 2000, both entities entered into a co-operation contract for granting revolving credit in the form of credit cards.

Finplus Sp. z o.o. has an overdraft of PLN 4,6181 thousand. In addition, at 25 September 2000, the Bank granted Finplus Sp. z o.o. a credit with a maturity date of 16 July 2001 and the balance of 2000 PLN 2,503 thousand at 31 December.

Apart from that, BSK SA granted guarantees that at 31 December 2000 amounted to PLN 285 thousand.

## eService – Centrum Elektronicznych Usług Płatniczych S.A.

The share capital of this company equals PLN 16,000 thousand. The Bank owns 50% of the outstanding shares of the company worth PLN 8,000 thousand.

The eService debt due to BSK as at 31 December 2000 amounted to PLN 2,518 thousand and related to a short-term credit granted on 19 December 2000, with an off-balance sheet exposure in the amount of PLN 92 thousand for a guarantee issued by BSK SA.

## Śląski Bank Hipoteczny S.A.

As at 20 December 2000, the Registry Court in Warsaw registered Śląski Bank Hipoteczny Spółka Akcyjna with the seat in Warsaw, plac Trzech Krzyży 10/14 St., with the number RHB 63312.

The company renders banking services as stated in the Act and the Company's Deed.

The share capital of this company equals PLN 50,000,000 thousand, and is divided into 1000 shares. The Bank owns 100% of the outstanding shares of this company.

## 7.1. Data for entities having a capital relationship with the Bank

*in PLN 000's*

Name of undertaking	Capital relationship	Holding of share capital as at 31.12.2000 (%)	The Bank's receivables		The Bank's payables	
			31.12.1999	31.12.2000	31.12.1999	31.12.2000
ING	parent company	54.98	171,475	1,101,189	538,444	218,429
BSK Leasing S.A.	subsidiary undertaking	100.00	236,850	268,903	16,339	32,465
Dom Maklerski BSK S.A.	subsidiary undertaking	100.00	0	276	59,387	37,065
Centrum BSK Sp. z o.o.	associated undertaking	60.00	138,214	228,352	19,879	21,266
Rafamet S.A.	associated undertaking	0	1,019	–	0	–
ING BSK Asset Management S.A.	associated undertaking	47.39	0	5	3	11
PTE NN S.A.	associated undertaking	20.00	0	0	0	33
Finplus Sp. z o.o.	associated undertaking	50.00	2,292	7,121	2	28
eService S.A.	associated undertaking	50.00	0	2,518	8,197	1,386
Śląski Bank Hipoteczny S.A.	subsidiary undertaking	100.00	–	0	–	50,000



## Off-balance sheet commitments and contingencies:

Name of undertaking	Capital relationship	Holding of share capital as at 31.12.2000 (%)	in PLN 000's	
			Commitments granted by the Bank	
			31.12.1999	31.12.2000
ING	parent company	54.98	343,077	1,060,476
BSK Leasing S.A.	subsidiary undertaking	100.00	65,753	14,168
Dom Maklerski BSK SA	subsidiary undertaking	100.00	50,000	–
Centrum BSK Sp. z o.o.	associated undertaking	60.00	149,583	44,710
ING BSK Asset Management S.A.	associated undertaking	47.39	0	0
Rafamet SA	associated undertaking	0	–	–
PTE NN S.A.	associated undertaking	20.00	0	0
Finplus Sp. z o.o.	associated undertaking	50.00	5,708	285
eService S.A.	associated undertaking	50.00	0	92
Śląski Bank Hipoteczny S.A.	subsidiary undertaking	100.00	–	0

## 8. Information on average employment

As at 31 December 2000, the Bank had a total of 7,265 employees with 7,169.7 full-time equivalent employees. The comparative figures for 1999 were: 6,964 employees and 6,871.4 full time equivalent employees. The average number of employees during the year was 7,105 as at 31 December 2000 compared to 6,941 as at 31 December 1999.

## 9. Remuneration, including bonuses from retained profit of the Management Board and the Supervisory Board of the Bank

Gross remuneration paid to the members of the Management Board and the Supervisory Board of the Bank amounted to (in PLN million):

	as at 31.12.2000	as at 31.12.1999
Remuneration		
Board of Directors	6,398	7,663
Supervisory Board	1,098	935

According to Regulation No. 161/99 of the President of the Bank dated 28 October 1999, employees representing the Bank in supervisory bodies of corporate entities do not receive any additional remuneration for their functions. They are entitled only to the salary defined by their contracts and per diems. Any additional remuneration is to be decided by the President of the Board of Directors.

Members of the Board of Directors do not receive any additional remuneration for functions performed in the supervisory bodies of entities of which the Bank is a shareholder.

In 2000, selected employees of the Bank participated in the ING Group's global stock option plan, whereby options are granted to purchase the ING shares. These options expire between 5 and 10 years.

## 10. Loans and guarantees granted to the employees, members of the Board of Directors and the Supervisory Board of the Bank

Employees of the Bank are granted credit facilities at the same conditions as other customers of the Bank (no preferential loans to employees are available). Employee loans are reported in amounts due from customers and amount to PLN 41,301 thousand.



The extension and monitoring of loans and guarantees for members of the Board of Directors is governed by a Regulation of the President of the Bank.

The financial statements as at 31 December 2000, include information about loans and guarantees to the management of the Bank (as meant by article 79 of the Banking Law) for PLN 6,942 thousand.

On 4 October 2000 the Board of Directors introduced a new Bylaw for the Social Fund, regarding different types of social contributions for the Bank's employees.

The Bank's employees can be granted modernization loans, loans for the purchase of immovables, housing extension loans, loans for the modification of housing for handicapped persons, house construction loans, and contributions for housing deposits. These loans bear interest from 1 – 4% per year depending on the repayment period. As at 31 December 2000 the loans granted from the Social Fund amounted to PLN 9,495 thousand.

## 11. Shares of the Bank held by the members of the Board of Directors and the Supervisory Board

As at 31 December 2000 the following members of the Board of Directors and the Supervisory Board of the Bank held shares of the Bank:

### The Supervisory Board

Name	Function	Number of shares	Face value in PLN
Jerzy Rokita	Secretary of the Supervisory Board of the Bank	3	30
Brunon Bartkiewicz	Member of the Supervisory Board of the Bank	1,492	14,920
Kazimierz Zarzycki	Member of the Supervisory Board of the Bank	492	4,920

### The Board of Directors

Marian Czakański	President of the Board of Directors	3	30
Jacek Bartkiewicz	Vice-President of the Board of Directors	100	1,000

The other members of the Board of Directors and the Supervisory Board did not hold shares of the Bank. During 2000, there were no changes to the quantity of shares held by the members of the Board of Directors and the Supervisory Board.

## 12. Changes in the Board of Directors in 2000

On 9 June 2000, the Supervisory Board of the Bank recalled Brunon Bartkiewicz from the post of President of the Board of Directors of the Bank and appointed Marian Czakański President of the Board of Directors.

The Banking Supervision Commission agreed to appoint Marian Czakański President of the Board of Directors on 20 July 2000 per Regulation No. 67/KNB/2000 dated 20 July 2000.

The changes in the Board of Directors in the first half of 2000 were as follows:

- On 1 May 2000 Mr. Frederik van Etten was appointed Vice-President of the Board of Directors of BSK SA (Supervisory Board Resolution No 8/2/2000 of 28 April 2000),
- On 1 May 2000 Mr. Grzegorz Cywiński was appointed Vice-President of the Board of Directors (Supervisory Board Resolution No 9/2/2000 of 28 April 2000),

Since 20 July 2000 the composition of the Board of Directors has been as follows:

Marian Czakański	President of the Board of Directors
Frederik van Etten	I Vice-President of the Board of Directors
Jacek Bartkiewicz	Vice-President of the Board of Directors
Krzysztof Brejda	Vice-President of the Board of Directors
Grzegorz Cywiński	Vice-President of the Board of Directors
Edward Foppema	Vice-President of the Board of Directors

### 13. Previous years changes included in the financial statement

The financial statement for the year ended 31 December 2000 include retirement and unused holiday provisions. As at 1 January 2000, PLN 13,390 thousand of retirement and unused holiday provision was calculated as an adjustment to the opening balance and charged against accumulated profit due to a change in accounting policy. Changes to the provision in 2000 were charged against the profit and loss accounts.

### 14. Post balance sheet events

Following the changes included in Regulation No. 8/99, of the Banking Supervision Commission dated 22 December 1999 regarding additional provisions arising from banking activity, as of 1 January 2001 the level of provisions for regular and watch loans will be increased to 1.5% (current 1%).

As of 1 January 2001, the Regulations of article 4 point 2 and 3 of Resolution No. 8/98 of the Banking Supervision Commission dated 5 August 1998 became effective. These new regulations refer to Brokerage Houses, investment funds and leasing companies. The new regulations will cause a decrease in the Bank's own equity, as calculated for the capital adequacy ratio, of PLN 26,000 thousand.

As of 31 March 2001, Resolution No. 2/2000 of the Banking Supervision Commission dated 8 November 2000, relating to acceptable levels of foreign currency risk in banks, became effective. According to this regulation, the Bank is allowed to keep its foreign currency position open on the condition that it has a surplus of its own funds over a required level, which is dependent on the capital adequacy ratio and the total risk-weighted assets and off-balance sheet liabilities.

On 7 March 2001, the Banking Supervision Commission agreed that ING Bank N.V. may purchase shares of Bank Śląski, which, including the shares currently owned by ING Bank N.V., will give them over 75% of the voting rights at the Shareholders' Meeting.

On 8 March 2001, the Bank's Board of Directors provided the Warsaw Stock Exchange ("GPW") with information that ING Bank N.V. was planning to announce a tender, via the Brokerage House of ING Baring Securities (Poland) S.A., for a subscription for BSK SA shares at PLN 265 per share. As a result of this tender, ING Bank N.V. intends to own 9,260,000 shares or 100% of the voting rights at the Shareholders' Meeting.

On 23 March 2001, Bank Śląski S.A. sold its shares in an associated company, ING BSK Asset Management S.A., to the Bank's parent company, ING BANK N.V. in Netherlands.

The proceedings received by the Bank on the sale of the shares were PLN 9,107,840 which approximated the net book value of the investment as at 31 December 2000.

In accordance with the agreement concluded on 26 March 2001, Bank Śląski S.A. sold its shares in Centrum Elektronicznych Usług Płatniczych eService S.A. The transaction involved the sale of 80,000 ordina-

ry shares with a value of PLN 100 per share, for a total amount of PLN 8,000,000, which represented 50% of the company's equity.

The shares were acquired by PKO BP S.A., which is not related to BSK SA. The purchase price of PLN 7,500,000 approximated the net book value of the investment as at 31 December 2000.

The minority shareholders of Bank Śląski Katowice S.A. presented on 14 March 2001 an application for an Extraordinary Shareholders' Meeting, with the agenda including election of the Supervisory Board members – a vote held in separate groups, and appointing of an expert (a special auditor) to examine specific issues, according to the Act on Public Trading of Securities.

Taking into account the application of the shareholders who represent more than 10% of the Bank's equity, the Management Board convened on 25 April 2001 the Extraordinary Shareholders Meeting of BSK SA.

## 15. Changes in accounting policies in 2000

### 15.1

As at 31 December 2000, the Bank created a provision for retirement and unused holidays the first time as follows:

#### Retirement

The retirement provision, less deferred tax, relating to previous periods amounted to PLN 5,073 thousand and was recorded in retained earnings.

In 2000, the change in the provision was presented as other operating costs in the amount of PLN 633 thousand.

#### Unused holiday

The prior year obligation for unused holidays adjusted for deferred tax amounted to PLN 8,317 thousand. The amount was presented in retained earnings. In 2000, the change in the provision was presented as other operating revenues in the amount of PLN 5,169 thousand.

### 15.2

In 2000, the Bank used two types of amortization for selected tangible and intangible assets as follows:

- depreciation rates used for financial accounting purposes, and
- tax depreciation rates based on tax regulations

based upon the article 8 of the Accounting Act the entity may, to improve presentation, change accounting policies. Therefore, the Bank started to use two types of amortization. These amortization rates will be monitored on an ongoing basis and may result in further changes in depreciation charges in accordance with article 32, passage 33 of the Accounting Act.

As a result of this change, the depreciation charge for accounting purposes decreased by PLN 9,859 thousand in 2000.

Intangible asset depreciation rates are as follows:

Position	Depreciation rates	
	1999	2000
1. Computers with basic applications	30%	20%
2. Routers – other IT equipment	30%	20%
3. Licenses (selected positions)	50% or 33%	20%

The methodology of recording interest accruals from bonds, issued in accordance with Resolution No. 36/28/PPK/1999 of the Management of the NBP regarding the NBP bonds issuance as a result of the decrease in the obligatory reserve. Interest is accrued based on estimated annual inflation level rate, adjusted by the monthly rates each quarter.

### 15.3

The presentation of the deferred tax provision was changed to be stated at its net value, whereas last year the provision was stated at its gross value.

### 15.4

On 1 January 2000 to ensure better presentation of the Bank's financial position and to monitor the changes, the financial-accounting applications were introduced providing the ability to automate the process of specific provision creation and dissolving including tax requirements. The accepted methodology caused both the technical costs and revenues increase referring to the provisions' level update.

On the other hand when average prices are used to value short-term trade securities of the same type this does not significantly influence the profit and loss accounts.

## 16. Changes in financial statements preparation

The financial statements for the year ended 31 December 2000 were prepared in accordance with the Ministry Council Resolution dated 22 December 1998 regarding conditions that should be met by prospectus, prospectus extracts, information memorandum and extracts from memorandum (Official Journal No. 163, item 1162) and according to the accounting principles applied by BSK SA, and recommendations of the General Inspectorate of Banking Supervision and the Securities and Exchange Commission.

The financial statements include:

a) Balance sheet

In the Notes to Financial Statements, blocked deposits accounts are presented separately, whereas previously they were classified by term to maturity.

b) Profit and loss statement

c) Changes in own equity

d) Cash flow statement

## 17. Differences between the data presented in the financial report and reports previously prepared

Differences between the quarterly report for the fourth quarter of 2000 in comparison with the data presented in the financial report for the year ended 31 December 2000 are insignificant and do not materially affect the result and financial position of the Bank.

## 18. Sources of funding and use of funds by major geographic region of the country

Sources of funding (due to customers and the State Budget):

in PLN 000's

Province	31.12.1999	31.12.2000
dolnośląskie	234,392	387,830
kujawsko-pomorskie	37,877	61,564
lubuskie	7,208	32,241
łódzkie	99,858	245,730
małopolskie	524,753	854,178
mazowieckie	933,400	1,581,983
opolskie	573,587	736,757
podkarpackie	81,663	65,913
podlaskie	30,100	69,107
pomorskie	34,440	255,136
śląskie	7,033,866	8,406,955
świętokrzyskie	341,286	463,395
warmińsko-mazurskie	12,630	40,704
wielkopolskie	267,737	382,588
zachodniopomorskie	39,955	86,380
<b>Total</b>	<b>10,252,752</b>	<b>13,620,461</b>

Utilization of funds (due from customers and the State Budget – gross loans and receivables from debt securities eligible for refinancing with the NBP):

in PLN 000's

Province	31.12.1999	31.12.2000
dolnośląskie	73,572	109,594
kujawsko-pomorskie	26,751	33,155
lubuskie	7,338	37,915
łódzkie	29,614	98,241
małopolskie	698,650	807,050
mazowieckie	1,509,074	1,597,263
opolskie	819,087	1,010,736
podkarpackie	79,686	39,191
podlaskie	56,846	63,911
pomorskie	91,981	232,319
śląskie*	5,333,449	6,563,699
świętokrzyskie	72,935	121,167
warmińsko-mazurskie	19,855	37,515
wielkopolskie	665,692	610,328
zachodniopomorskie	13,496	238,852
<b>Total</b>	<b>9,498,026</b>	<b>11,600,936</b>

\* The Śląskie province includes PLN 1,399 thousand that relates to loans to individuals recorded in the Head Office.

## 19. Valuation of securities that are not quoted on the Stock Exchange or OTC market

For valuation purposes, the Bank utilised the following methods:

No	Name of undertaking	Valuation method
1	Międzynarodowa Szkoła Bankowości i Finansów Sp. z o.o. Katowice	book value
2	Giełda Papierów Wartościowych SA w Warszawie	book value
3	Górnoląskie Towarzystwo Lotnicze SA Katowice	book value
4	Krajowa Izba Rozliczeniowa SA Warszawa	book value
5	Huta Lucchini Sp. z o.o. Warszawa	book value
6	Zakłady Aparatury Chemicznej APC "Metalchem" SA Opole	book value
7	Walcownia Rur "Jedność" Sp. z o.o. Siemianowice Śl.	book value
8	Zakopiańska Spółdzielnia Mieszkaniowa Zakopane	at purchase price
9	Society for Worldwide Interbank Financial Telecommunication SWIFT SC Belgium	equivalent of BEF amount of purchase price
10	Huta "Batory" SA Chorzów	book value with consideration of financial situation
11	Huta "Jedność" SA Siemianowice	book value
12	Zakłady Przemysłu Lniarskiego "Len" SA Kamienna Góra	book value
13	ING BSK Asset Management S.A. Warszawa	book value
14	Centralna Tabela Ofert CeTo SA Warszawa	book value
15	BSK Leasing S.A. Katowice	book value
16	Środkowoeuropejskie Centrum Ratingu i Analiz SA Warszawa	book value
17	Dom Maklerski Banku Śląskiego S.A. Katowice	book value
18	Zakłady Wyrobów Obiciowych "Koch-Vera" SA	the firm is under bankruptcy proceedings and therefore is not valued
19	Legnicka Specjalna Strefa Ekonomiczna SA	book value
20	Huta "Łaziska" SA Łaziska	book value
21	Centrum Banku Śląskiego Sp. z o.o.	entity under investment process, not valued
22	Huta Gliwice SA	book value
23	Biuro Informacji Kredytowej	entity under investment process, not valued
24	Fabryka Obuwia "Butbędzin" SA	book value
25	Powszechne Towarzystwo Emerytalne NN S.A.	entity under investment process, not valued
26	eService – Centrum Elektronicznych Usług Płatniczych S.A.	book value including permanent diminution in value
27	FINPLUS Sp. z o.o.	book value including permanent diminution in value
28	Stocznia Gdynia S.A.	book value
29	Centrum Zaufania i Certifikacji "Contrast" SA, Warszawa	entity under investment process, not valued
30	Śląski Bank Hipoteczny S.A.	entity under investment process, not valued; newly created entity, has not started operating activity yet

## 20. Write-offs in respect of non-performing receivables

in PLN 000's

Reason for write-off	Written off against provision		Written off against operating expense	
	31.12.1999	31.12.2000	31.12.1999	31.12.2000
Bank conciliatory proceeding	—	—	—	—
Compound proceeding	—	362	68	—
Vindication	391	4,849	—	—
Civil law conciliation and release from debt	—	—	—	—
Bankruptcy	1,526	100	—	—
Sale of receivables	548	—	—	4,714
Other	4,188	6,620	—	82
<b>Total</b>	<b>6,653</b>	<b>11,931</b>	<b>68</b>	<b>4,796</b>

According to current regulations and the Bank's policy, specific provisions are created for the principal amounts of receivables. Vindication expenditures are recognized as expenses in the profit and loss account.

## 21. General risk provision

The Bank created a general risk provision of PLN 135,800 thousand as at 31 December 2000, and as at 31 December 1999 the general risk provision amounted to PLN 62,000 thousand.

## 22. Foreign currency position

In order to reduce currency risk, the Bank applied limits imposed by Resolution No. 11/98 of the Banking Supervision Commission dated 14 October 1998 concerning the establishment of limits of acceptable currency risk in banking activity.

With respect to single foreign currencies, individual open foreign currency positions did not exceed:

- 15% of the Bank's equity in respect of convertible foreign currencies and
- 2% of the Bank's equity in respect of non-convertible foreign currencies.

The total convertible foreign currency position amounted to PLN 37,406.77 thousand or 2.6% of the Bank's equity. This ratio is lower than the 30% limit imposed by the Banking Supervision Commission in Resolution No. 11/98.

The main currency positions were as follows:

in PLN 000's

Currency	Assets and off-balance sheet balances		Liabilities and off-balance sheet balances		Long (+) Short (-) position	
	31.12.1999	31.12.2000	31.12.1999	31.12.2000	31.12.1999	31.12.2000
USD	2,940,360	5,732,176	2,948,666	5,738,386		-6,210
EURO	3,560,558	4,423,695	3,617,266	4,452,209		-28,514
Other	216,695	437,636	220,715	435,557	2,079	
<b>Total</b>	<b>6,717,613</b>	<b>10,593,507</b>	<b>6,786,647</b>	<b>10,626,152</b>	<b>2,079</b>	<b>-34,724</b>

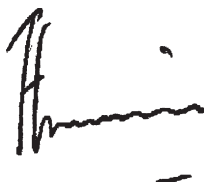


Signatures of Bank Śląski S.A. Management Board Members

Marian Czakański  
President



Frederik van Etten  
I Vice-President



Jacek Bartkiewicz  
Vice-President



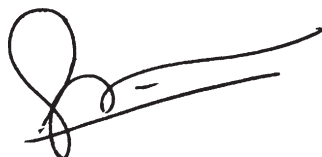
Krzysztof Brejda  
Vice-President



Grzegorz Cywiński  
Vice-President



Edward Foppema  
Vice-President



Signature of the person responsible for book-keeping  
and Financial Division:

Eugenia Sikora  
Director of the Bank  
Director of the Accounting, Analysis and Reporting Department  
Chief Accountant

