CONSOLIDATED FINANCIAL STATEMENTS
of the Capital Group
as at 31 December 2000

INTRODUCTION TO CONSOLIDATED FINANCIAL STATEMENTS as at 31 December 2000

I. BASIC INFORMATION ON THE ISSUER THE CAPITAL GROUP OF BANK ŚLĄSKI SPÓŁKA AKCYJNA IN KATOWICE (THE GROUP) 40-086 KATOWICE, UL. SOKOLSKA 34

The Capital Group undertakes the following activities:

– opening and maintaining bank accounts;
– accepting savings deposits and term deposits;
– issuing and trading of own securities including certificates and bonds, performing issue, trading and financial services on behalf of third parties;
– granting and obtaining loans, acting as an agent and intermediary in process of granting loans;
– providing foreign exchange services;
– financial services supporting foreign trade operations;
– cash settlements services, bill of exchange operations, granting and accepting guarantees and other commitments;
– performing money collection services;
– concluding agreements on acquisition of payments on bank accounts and on the purchase of goods and services in Poland;
– effecting payments according to interbank agreements;
– financial and operational participation in international financial transactions;
– granting and receiving deposits in domestic and foreign banks;
– receiving deposits of objects, documents and securities as well as making deposit boxes available;
– custodian services;
– performing banking activities on behalf of other commercial banks;
– other cooperation with domestic, foreign and international banks and financial institutions;
– performing activities connected with privatisation of state companies on behalf of the Ministry of Privatisation and Restructurisation;
– managing State Treasury share portfolios;
– performing leasing, factoring, forfaiting, and underwriting services;
– performing brokerage activities, including maintaining security accounts, accepting orders for the purchase and redemption of trust fund units and investment funds as well as the purchase and buy-back of investment receipts;
– acting as an insurance agent and performing canvassing activities for Open Pension Funds;
– managing the activities of subsidiaries included in the Bank Śląski S.A. Capital Group, such as:
  – brokerage activities;
  – leasing and factoring services;
  – financial consulting and intermediary services;
  – establishment and management of pension funds;
  – financial agency, market research and analysis services;
  – construction services.

II. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Bank include figures for the year 2000 and comparable financial data for 1999.
The consolidated financial statements have been prepared on the basis of the separate financial statements of the parent company and its subsidiaries subject to consolidation.
The objective of the consolidation is to present the financial and property position of the BSK SA Capital Group.

The financial statements have been prepared in accordance with the Accounting Act dated 29 September 1994, Resolution 1/98 of the Banking Supervision Commission dated 3 June 1998 concerning the special accounting principles and preparation of additional information by banks, Resolution 2/98 of the Banking Supervision Commission of 3 June 1998 regarding preparation of consolidated financial statements by banks, the Ordinance of the Council of Ministers dated 22 December 1998 on detailed requirements for prospectuses, summaries of the prospectuses, information memoranda and summaries of information memoranda (Official Journal No. 163, position 1162), the BSK Capital Group accounting principles and recommendations of the General Inspectorate of Banking Supervision and the Securities and Stock Exchange Commission.

The financial statements for 1999, according to the Ordinance of the Council of Ministers dated 22 December 1998 on the type, form and timing for the submission of current and periodical information by issuers of securities admitted for public trading (item 53/2, Official Journal No. 163, position 1160) have been adjusted to conform with the financial statements presented for the first half of 2000.

III. ACCOUNTING PRINCIPLES

III.1. Consolidation methods

All subsidiaries that are primarily involved in financial services and in which the Bank has a 100% stake are consolidated, irrespective of meeting the conditions of Resolution No. 2/98 of the Banking Supervision Commission dated 3 June 1998 (article 3/1, point 3) concerning consolidated financial statement preparation for banks. Other subsidiaries and associates are subject to consolidation after having fulfilled the conditions defined in the above mentioned resolution.

Full consolidation method

The subsidiaries – Dom Maklerski Banku Śląskiego Spółka Akcyjna w Katowicach, BSK Leasing Spółka Akcyjna w Katowicach and Śląski Bank Hipoteczny Spółka Akcyjna have been consolidated by the full consolidation method.

Dom Maklerski Banku Śląskiego Spółka Akcyjna w Katowicach has been consolidated since its brokerage activities were removed from BSK SA as a separate single company. The resulting finacial statements present the financial position for both banking and brokerage activity.

BSK Leasing Spółka Akcyjna w Katowicach have been consolidated as a result of the type of activities carried out by this subsidiary. Similar to brokerage activity, leasing activity can be treated as supplementary to banking activity.

Śląski Bank Hipoteczny Spółka Akcyjna w Katowicach, which is wholly owned by Bank Śląski, despite having fulfilled the conditions allowing for the exclusion from consolidation, will be consolidated by the full method due to the significance of its activity for the parent entity.

Due to the fact that the holding company established its subsidiaries included in the consolidation, no goodwill on consolidation or capital provision on consolidation arises in the consolidated financial statements of the Group. However, adjustments for equity movements have been included.

In the application of the full consolidation method, all assets and liabilities, as well as all profit and loss statement items and off-balance sheet items have been added and summed, adjustments and consolidation eliminations have been made.

The following items have been excluded from the consolidated financial statements:
1. value of securities transferred between the parent company and subsidiaries included in consolidation;
2. mutual receivables and liabilities between the parent company and subsidiaries included in consolidation;
3. income and expenses from operations between entities subject to consolidation;
4. unrealized profits and losses from operations carried out between entities subject to consolidation;
5. operations regarding the transfer of contributions in kind by the holding company to its subsidiaries;
6. share capital of subsidiaries included in consolidation;
7. value at cost of shares of subsidiaries included in consolidation;
8. mutual securities operations between companies from the Capital Group;
9. undrawn credit lines granted and received and other off-balance sheet operations between; the parent company and subsidiaries included in consolidation.

Furthermore, adjustments were made for any accounting principles applied differently by subsidiaries and the holding company.
The details of these eliminations and consolidation adjustments are disclosed in note 7.3.

Equity consolidation method

In order to meet the requirements of the Accounting Act dated 29 September 1994 and Resolution No. 2/98 KNB of the Banking Supervision Commission dated 3 June 1998, the associated entity PTE NN S.A. has been consolidated by the equity method.

The value of shares in entities consolidated by the equity method is recognized based on the parent entity's share in the equity of the associate after consolidation adjustments, and is stated in the position "Shares and investments in subsidiary undertakings subject to equity consolidation method".

The stake of the parent company in the change in equity of PTE NN S.A. during the previous periods has been stated in "Undistributed profits for previous periods". However, the consolidated financial results reflect the parent entity's share in the current period net profit of the entity subject to the equity consolidation method.

III.2. Accounting principles applied for preparation of consolidated financial statements

The accounting records of entities subject to consolidation are maintained in accordance with general accounting principles for banks as defined by the Accounting Act dated 29 September 1994, Resolution No. 1/98 of the Banking Supervision Commission dated 3 June 1998, concerning specific accounting principles for banks and rules for preparing additional information, Resolution 2/98 of the Banking Supervision Commission of 3 June 1998 regarding preparation of consolidated financial statements by banks and the Ordinance of the Minister of Finance dated 15 June 2000 concerning specific accounting principles to be used and disclosures in the financial statements of entities conducting brokerage activities.

The assets and liabilities of the BSK Group are stated at purchase price or production cost which is not higher than market value in respect of revaluation adjustments. The revaluation of assets is performed with reference to the underlying principle of prudential judgement.

The valuation of specific assets and liabilities items is as follows:

Fixed assets

Tangible and intangible fixed assets are stated in the consolidated financial statements at their book value (purchase cost less depreciation). The depreciation of tangible and intangible fixed assets in the BSK Group is calculated on a straight line basis according to the principles and rates defined by the Corporate Income Tax Law dated 15 February 1992 (complete version in Official Journal No. 106/1993, item 482, with later amendments) for tax purposes, whereas for accounting purposes selected tangible and intangible fixed assets are depreciated in accordance with the rates and rules stated in the Accounting Act dated 29 September 1994 (Official Journal No. 121/1994, item 591, with later amendments).

Generally, the BSK Group applies depreciation rates for groups of assets. Individual depreciation rates within particular groups of assets are applied to leasehold investments as well as to computer software and copyrights. The cost of fixed assets is increased by any improvement, adaptation, modernisation, or reconstruction cost that increases its useful value.

Fixed assets and intangible assets leased under operating lease contracts are depreciated as follows:
- for accounting purposes – depreciation is charged against cost, adjusted for the residual value (i.e. the estimated market value at the end of period of lease agreement), in equal amounts during the lease term;
- for tax purposes – depreciation is charged based on an accelerated straight line basis in accordance with article 9, item 3 point 2 and 3 or a reducing balance method in accordance with article 9 items 7–11 of the Ordinance of the Ministry of Finance.

Construction in progress is comprised of the total costs incurred for incomplete construction, assembly or installations of new or improved fixed assets and is valued at purchase price or production cost.
Purchase price and production cost include all costs relating to this investment which were incurred from the beginning of investment to the balance sheet date or the day on which the asset was put in use, including non-deductible VAT, accrued interest, commissions and foreign currency exchange differences calculated on the balance sheet date.

In the period 1994 – 1999, the parent company took advantage of investment tax relief on capital expenditures.

The value of assets included as tax relief in the years 1994 – 1999 was as follows:

	PLN thousand
1994	32 814
1995	63 643
1996	62 348
1997	48 106
1998	19 040
1999	29 947
Total	**255 898**

The depreciation of assets subject to investment tax relief is settled over time to non tax-deductible costs and the depreciation rates applied are provided for in the depreciation schedule. These allowances are treated as timing differences for corporate income tax purposes as the recognition of income and costs are in different periods in accordance with the Accounting Act and tax regulations.

Depreciation of the assets subject to tax relief for the period from 1 January 2000 to 31 December 2000 amounted to PLN 25,561 thousand.

As at 31 December 2000, the cumulative balance to be amortizsed amounted to PLN 131,122 thousand and is included in the deferred tax provision as a timing difference.
In the period 1995 to 2000, every year the Bank deducted from taxable income 50% of the previous year's tax allowance (premium on the investment tax relief) as follows:

	PLN thousand
1995	16 407
1996	31 821
1997	31 174
1998	24 053
1999	9 522
2000	14 974
Total	**127 951**

The premium on investment tax relief is treated as a permanent difference decreasing taxable income.

Goodwill relates to the purchase of co-operative banks and is amortised over 5 years.

Assets repossessed in lieu of bad debts are recognizsed in the balance sheet at amounts equal to the value of the outstanding debt net of any specific provisions established for the difference between the outstanding debt and the asset's estimated market value.

Assets for sale represent fixed and current assets that were repossessed in lieu of receivables during the process of restructuring of corporate entities and vindication and are intended to be sold. These assets are recognizsed in the balance sheet at amounts equal to the value of the outstanding debt net of any specific provisions established for the difference between the outstanding debt and the asset's estimated market value. They are not subject to depreciation. The Group is obliged to sell them within a period of three years from the purchase/repossession date. After this period they are treated as assets utilised by the Group.

Loans and off-balance sheet commitments

Loans are presented in the balance sheet at nominal value together with interest receivable and net of specific provisions established to cover credit risk. The level of specific provisions is determined by the risk assessment in respect of each receivable and complies with the resolution No. 8/99 of the Banking Supervision Commission dated 22 December 1999 (the NBP Official Journal No. 26, item 43, with later amendments) on the principles of creating provisions for the risks related to the operations of banks.

The following minimum level of specific provisions for individual risk groups is established:

normal granted for individuals, (excluding mortgage loans)	1.0 %	
special mention	1.0 %	– (from 1 January 2001 1.5 %)
sub-standard	20.0 %	
doubtful	50.0 %	
lost	100.0 %	

Provisions are calculated after the offset of collateral listed in the Resolution No. 8/99 of the Banking Supervision Commission.

For better presentation and monitoring of the BSK Group's financial position, the process of creating and releasing specific provisions, with regard to their tax effect, was automated from 1 January 2000. This methodology caused an increase in turnover of income and expenses related to specific provision levels.

In 2000, the Bank established a methodology for calculating specific provisions which is consistent with international banking practices and is a result of the Bank's experience from the recent restructuring of their borrowers.

Subsidiaries and associated companies, included in the consolidation, adopted the same provisioning policies as the parent company.

In accordance with the above mentioned Resolution, the Bank has decreased the level of provisions in the normal and watch categories by an allocation of up to 25% of the balance of the general risk provision.

As at 31 December 2000, to cover the provision for normal and watch loans, PLN 23,433 thousand was allocated from the general risk provision.

Off-balance sheet commitments are stated at their nominal value. For granted off-balance sheet commitments under client risk, including irrevocable undrawn credit lines and the Bank's commitments arising on the rediscounting of bills of exchange and partial factoring, in accordance with regulation No. 8/99 of the Banking Supervision Commission dated 22 December 1999 regarding the conditions that should be applied to create provisions for the risk of the banks activities, the provisions are created and presented in the balance sheet as "Provisions".

For other receivables where collection has been assessed as doubtful, the Bank makes specific provisions against possible losses that may arise in respect of unpaid amounts.

Investments and debt securities

Shares classified as financial assets are stated at acquisition cost. When the current market value is lower than cost, the Bank creates a provision for the difference between cost and current market value or net realizable value. Shares repossessed in lieu of bad debts are stated at their market value decreased by provisions for any diminution their value.

Debt securities classified in the investment portfolio are recorded in the balance sheet at cost plus accrued interest or amortized discount less amortized premium and provisions against any permanent diminution in their value. Interest on the NBP bonds received by the Bank in order to lower the amount of obligatory reserve is calculated as a product of the face value of bonds and the consumer price index calculated quarterly.

Debt securities classified in the trading portfolio are recorded at cost plus accrued interest or amortized discount less amortized premium – but not higher than their actual net market value. In cases where the cost adjusted for accrued interest, discount and premium exceeds the actual net market value, the difference is recognized as a cost of financial operations.

Shares held in the investment portfolio are recorded in the balance sheet at cost less any provisions against any permanent diminution in their value.

Shares held in the trading portfolio are recorded in the balance sheet at cost – but not higher than their actual net market value. The difference is recognized as a cost of financial operations.

Any increase in the market value of securities held in the trading portfolio over the book value, as stated above, results in the increase in the book value to a level not higher than the purchase price.

Precious metals

Gold and coins, which are not recognized as current assets are recorded at cost – but at a value not higher than current quotations on international markets, with any difference being recognized as a cost of financial operations. In the case of a permanent increase of prices on international stock exchanges, the value of gold held is increased – but to a value not higher than cost, any difference is recognized as income on financial operations.

Foreign currencies

Assets and liabilities and off-balance sheet items denominated in foreign currencies are translated at the exchange rate announced by the President of the National Bank of Poland at the balance sheet date. Foreign exchange differences arising on the revaluation of foreign exchange positions are recognized in the profit and loss account within the net result on foreign exchange.

Financial instruments

Speculative financial instruments such as currency forwards are valued at their current value calculated by comparison of the forward exchange rate from the agreement with the forward exchange rate as at the revaluation date including the remaining period for the transaction to be realized. The net result of the valuation is recognized in the profit and loss account within the net result on foreign exchange. As at 31 December 2000 PLN 184.2 million presented in the foreign exchange result constitutes interest on foreign exchange swaps which are made in order to manage interest rate risk.

Realized/unrealized income and expense on open interest rate swaps and futures concluded for hedging interest rate risk are recognized in the profit and loss account in the same way as income and expense relating to the hedged assets and liabilities.

General risk provision

In accordance with the Banking Law Act dated 29 August 1997 (Official Journal No. 140, item 939), the holding company of the BSK Group created a provision for general banking risk resulting from the Bank's operations. The provision is charged as an expense in the profit and loss account. BSK Leasing S.A. creates a provision for losses on operating lease transactions.

Capital and reserve funds

Capital and reserve funds are presented at their nominal values.

Prepayments and accruals

Expenses are accounted for on an accrual basis in order to recognize them in the period in which they relate.

Retirement payments

According to the Employees Remuneration Regulations of BSK and the Labour Code, employees who have worked for a given number of years and reached a required age, are obliged to receive retirement bonuses. Based on actuarial calculations, the entities of the BSK Group have estimated future obligations for retirement payments as at 31 December 2000. Retirement payments due to employees are valued at the present value of future obligations due to seniority.
Future payments are discounted at 7% according to assumptions of the future estimated cash flows. As at 31 December 2000, BSK SA created a 100% provision for retirement payments. Retirement payments due to employees are presented as accruals. This was applied for the first time as at 31 December 2000. Estimated retirement payments relating to the previous years were charged against the undistributed profit of prior years.

Unused holiday costs

Unused holiday costs are accounted for on an accrual basis, and a provision for unused holidays is booked as an accrual. This policy was applied for the first time as at 31 December 2000. Estimated unused holiday costs of previous years were charged against undistributed profit of prior years.

These provisions have been included in the deferred tax calculation.

Income and expense recognition

Interest costs/revenues include accrued interest receivable and payable at the balance sheet date. Interest overdue by more than 30 days and accrued interest on amounts classified as substandard, doubtful or lost are provided against suspended interest and disclosed as "Accruals and deferred income" in liabilities.
Unearned discounts on regular receivables are disclosed as deferred income and are recognized in the profit and loss account on an accrual basis. Unearned discounts on irregular receivables are disclosed in deferred income and are recognized in the profit and loss account on a cash basis.

In similar cases, the Bank amortizes other items of non-interest income and expense, general expenses and other items.

Fees and commissions represent revenues received from the customers for banking and brokerage services and are charged based on the Fees and Commissions Table of the Bank and based on specific agreements with the customers.

Fees for operating leases are recognized in the profit and loss account as follows:
a) handling charges are recorded at net invoice value issued according to appropriate leasing agreements. At the balance sheet date, these values are adjusted by differences due to discrepancies in invoice issuance periods and rental payment dates according to the leasing agreements;
b) initial fees and rental payments are recognized in the profit and loss account on an accrual basis, and as such income is recognized based on the effective interest rate and with respect to the valuation of rental payments according to periods resulting from the lease agreements.

Income from financial leases is recognized as follows:
a) initial fees are recognized in accordance with the invoices issued, based on the lease agreements,
b) lease payments are recognized as interest income on an accrual basis.

In the consolidated financial statements, initial payments for operational leases are presented as interest income.

Rental income (including initial fees on financial leases) is presented as other operating income in an amount offsetting the depreciation charge of the fixed assets under operational lease and as interest or commission income and foreign exchange result according to the funding expense.

Other operating costs and revenues include costs and revenues incurred/earned from other than the Group's activity and includes costs/revenues from the sale and liquidation of fixed assets, compensation and penalty costs.

The change in provisions for retirement bonuses (calculated using actuarial valuations) and unused holidays costs are presented in other operating income and other operating expenses respectively.

Net result

The net result of the Group is calculated based on Resolution No. 2/98 of the Banking Supervision Commission with reference to the underlying principles of prudence, valuation, matching and accrual accounting.
Income and expense are recognized and accounted for on an accrual basis.

Corporate income tax

Corporate income tax is calculated based on gross profit adjusted by accrued interest payable and receivable, non-tax deductible costs, and allowable deductions.

Corporate income tax payable is disclosed as a tax liability (at the current rate of tax in force of 34% at 31 December 1999 and 30% at 31 December 2000) and provisions for deferred tax relating to timing differences in the recognition of income and expenses between tax regulations and the Accounting Act.

As at 31 December 2000, negative deferred tax of PLN 120,341 thousand decreased tax for the year in the holding company and was booked as a prepayment. Additionally, PLN 5,207 thousand relates to an opening balance adjustment arising from accounting policy changes. Both amounts have been recorded as prepayments.
As at 31 December 2000, the Brokerage House of BSK SA recognized a deferred tax receivable of PLN 123.0 thousand, which represents an adjustment of the opening balance due to change in the adopted accounting principles, and a deferred tax liability of PLN 112.0 thousand.

In BSK Leasing SA, as at 31 December 2000, income tax liabilities amounted to PLN 209.0 thousand with an opening balance adjustment of PLN 1.0 thousand due to a change in the accounting policies, recorded as interperiod settlements.

Timing differences within the deferred tax calculation include all specific provisions created by the Group, which have not yet been treated as tax-deductible, but for which it is anticipated that they will be realized for tax purposes. The exception refers to provisions that in the future will not be treated as tax-deductible costs. Provisions for the permanent diminution in the value of securities are treated as a timing difference and included in the deferred tax calculation.

Corporate income tax has been calculated based on the gross profit of the parent company and its subsidiaries consolidated by the full consolidation method before consolidation adjustments as the entities do not form a tax group and corporate income tax is calculated separately by each entity of the BSK SA Capital Group.

III.3. Differences in accounting principles

BSK Leasing S.A. applies a different methodology for the revaluation of foreign receivables and liabilities.
In the first half of 2000, BSK Leasing S.A. did not differentiate between interest expense and foreign exchange expense. Thus, in the financial statements they are presented in interest expense.

Unrealized foreign exchange differences of the previous periods, resulting from the valuation of loans denominated in foreign currencies financing operational leases and disclosed in interperiod settlements have been eliminated in the consolidated financial statements of the Group.

Unrealized foreign exchange differences relating to the current year and resulting from valuation of financing operational lease loans denominated in foreign currency are presented as deferred income. In the Group's consolidated financial statement no realized/unrealized foreign exchange differences influencing profit of the Group are disclosed, as the Group has no open foreign currency positions.

Unrealized foreign exchange differences from the valuation of financial lease receivables after being offset by foreign exchange differences on the valuation of loans denominated in foreign currencies financing financial leases are disclosed in deferred income, and are subject to elimination in the consolidated financial statements.

IV. THE STRUCTURE OF THE CAPITAL GROUP OF BANK ŚLĄSKI S.A. IN KATOWICE

IV.1. The list of subsidiaries and associates included in the Group consolidation

Name of entity (with indication of legal form)	Dom Maklerski Banku Śląskiego Spółka Akcyjna	BSK Leasing Spółka Akcyjna	Śląski Bank Hipoteczny Spółka Akcyjna	Powszechne Towarzystwo Emerytalne Nationale-Nederlanden S.A.
Location	Katowice	Katowice	Warszawa	Warszawa
Main type of operations (according to EKD)	brokerage services	leasing and factoring services	banking services	establishing and managing of OFE
Value of shares (participations) in balance sheet (PLN thousand)	26 000	0	50 000	40 000
Percentage of share capital owned	100%	100%	100%	20%
Share in total no. of votes at general shareholders' meeting	100%	100%	100%	20%
Relationship	subsidiary	subsidiary	subsidiary	associated company
Consolidation method	consolidation	consolidation	consolidation	consolidated on equity basis
Date of taking full control in subsidiary/associated company by holding entity	20.01.1997	23.04.1996	20.12.2000	16.11.1998

IV.2. List of subsidiaries and associates included in the Group excluded from consolidation

in PLN thousand

Name of entity entity (with indication of legal form)	Centrum BSK Sp. z o.o.	ING BSK Asset Management S.A.	FINPLUS Sp. z o.o.	eService Centrum Elektronicznych Usług Płatniczych S.A.
Location	Katowice	Warszawa	Warszawa	Warszawa
Type of operations	management of building construction, rendering services, and organisation of conferences and training	financial advisory and custody services	financial intermediary	canvassing of payments
Relationship	associated company	associated company	associated company	associated company
Date of taking full control in subsidiary by holding company	14.01.1998	29.02.1996	16.04.1999	01.08.1999
Value of shares (participation) at cost	55 075	9 108	7 400	8 000
Adjustments	–	975	2 220	500
Value of shares (participation) in balance sheet	55 075	8 133	5 180	7 500

Percentage of share capital owned	60.00%	47.00%	50.00%	50.00%
Share in total no. of votes at general meeting	50.00%	47.00%	50.00%	50.00%
Equity including:	91 879	20 216	14 800	16 000
share capital	91 791	19 216	14 800	16 000
reserve capital	88	1 000	–	–
Value of shares not paid by the Bank	–	–	–	–
Other capitals including:	1 867	-2 172	-21 375	-10 400
retained profit (loss)	-1 235	-2 226	-6 434	-23
profit (loss) of current year	3 102	54	-14 941	-10 377
Liabilities including:	290 922	1 428	17 953	5 070
long-term liabilities	279 922	–	–	–
Receivables including	3 422	2 483	436	2 811
long-term receivables	–	350	–	–
Total assets	384 695	20 089	11 570	12 556
Revenue on sales	15 414	9 355	634	1 064
Unpaid contribution to share capital	–	–	–	–
Received or paid current period dividends	–	–	–	–

The figures presented in the financial statements of subsidiaries and associates excluded from consolidation are immaterial in relation to the financial statements of the holding company and are as follows:

Name of entity (with indication of legal form)	Total assets and liabilities as at 31 December 2000		Revenue on sales for period 1 January – 31 December 2000	
	Value in PLN'000	% of BSK	Value in PLN'000	% of BSK
Centrum Banku Śląskiego Sp. z o.o.	384 695	2.02	15 414	0.68
ING BSK Asset Management S.A.	20 089	0.11	9 355	0.41
FINPLUS Sp. z o.o.	11 570	0.06	634	0.03
eService Centrum Elektronicznych Usług Płatniczych S.A.	12 556	0.07	1 064	0.05
Total of non-consolidated entities	**428 910**	**2.25**	**26 467**	**1.17**
Dom Maklerski BSK SA	106 063	X	25 993	X
BSK Leasing S.A.	595 419	X	167 917	X

Śląski Bank Hipoteczny S.A.	50 000	X	0	X
PTE Nationale-Nederlanden S.A.	107 061	X	118 821	X
Total of subsidiaries and associated companies	**858 543**	**4.51**	**312 731**	**13.84**
Bank Śląski S.A.	**19 051 067**	**X**	**2 259 056**	**X**

As presented above, the conditions required for the exclusion of the above mentioned entities from consolidation have been met in accordance with the Accounting Act and the Banking Supervision Commission Resolution No. 2/98 dated 3 June 1998 on detailed principles of preparing of consolidated financial statements by banks, and the Ordinance of the Ministry of Finance on the requirements for entities that are issuers of listed securities or are issuers of securities that are applying to be listed, dated 19 November 1999, namely:

- the total asset value of each of the consolidated subsidiary or associated companies does not exceed 5% of the total asset value of the parent company;
- revenues of each of the consolidated subsidiary or associated companies does not exceed 5% of the revenues of the parent company;
- the total asset value does not exceed 20% of the total asset value of the parent company;
- total revenues do not exceed 20% of the interest income of the parent company.

IV. 3. Information on the effects of changes in the composition of the Capital Group of Bank Śląski S.A.

SHARES (PARTICIPATION) IN SUBSIDIARIES AND ASSOCIATES (investment portfolio) in PLN thousand

Name of entity (with indication of legal form)	Character of capital relation		Value of shares (participation) as at balance sheet		Percentage of share capital owned		Share in total no. of votes at general meeting	
	31.12.1999	31.12.2000	31.12.1999	31.12.2000	31.12.1999	31.12.2000	31.12.1999	31.12.2000
ING BSK Asset Management S.A.	associated company	associated company	8 194	8 133	50.00%	47.39%	50.00%	47.39%
FINPLUS Sp. z o.o.	associated company	associated company	2 400	7 400	50.00%	50.00%	50.00%	50.00%
Dom Maklerski Banku Śląskiego S.A.	subsidiary	subsidiary	26 000	26 000	100.00%	100.00%	100.00%	100.00%
PTE Nationale-Nederlanden S.A.	associated company	associated company	30 000	40 000	20.00%	20.00%	20.00%	20.00%
eService Centrum Elektronicznych Usług Płatniczych S.A.	associated company	associated company	8 000	7 500	50.00%	50.00%	–	50.00%

BSK Leasing S.A.	subsidiary	subsidiary	1 500	–	100.00%	100.00%	100.00%	100.00%
Śląski Bank Hipoteczny S.A.	–	subsidiary	–	50 000	–	100.00%	–	100.00%
BSK Konsulting	subsidiary	–	–	–	100.00%	–	100.00%	–
Rafamet S.A.	associated company	–	1 771	–	38.00%	–	38.00%	–
Centrum Banku Śląskiego Sp. z o.o.	subsidiary	associated company	55 075	55 075	60.00%	60.00%	60.00%	50.00%

Powszechne Towarzystwo Emerytalne Nationale-Nederlanden S.A.

As at 31 December 2000 BSK SA the value of shares in the balance sheet amounts to PLN 40,000 thousand, or 20 % of the PTE NN equity.

FINPLUS Sp. z o.o.

As at 31 December 2000, BSK SA owns shares worth PLN 7,400 thousand representing 50% of the company's capital.

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 over BSK Centrum has been divided equally between the shareholders of BSK Centrum. Due to this decrease in control by BSK, the investment in BSK Centrum has been reclassified from being a subsidiary to an associated investment.

Rafamet S.A.

Bank Śląski S.A. no longer owns any Rafamet S.A. shares as a result of a series of transactions effected on 29 September 2000, in which the Bank sold 537,140 Rafamet S.A. shares representing 37.31% of the votes at the General Meeting of Shareholders, and 2,860 shares in CETO transactions of Rafamet S.A. representing 0.28% of the voting rights at the General Meeting of Shareholders.
These sales of shares resulted in a gain of PLN 6,477,003.50.

BSK Konsulting Sp. z o.o.

BSK Konsulting owned by BSK Leasing S.A. since 14 June 1999, was as at 31 December 2000, subject to liquidation.
The decision on liquidation of the company was taken at the Extraordinary Meeting of Shareholders of BSK Leasing S.A. in July 1999. To date, the company has not been deleted from the Trade Register.

Śląski Bank Hipoteczny Spółka Akcyjna

On 20 December 2000 the Warsaw District Court, XVI Commercial Register Department registered under the number RHB 63312 a joint-stock company named Śląski Bank Hipoteczny Spółka Akcyjna, seated in Warsaw, plac Trzech Krzyży 10/14.

The company's activity is providing banking services as defined by law and the company's statutes.
The company's equity amounts to PLN 50,000,000 and is divided into 1,000 shares, of which Bank Śląski S.A. owns 100%.

V. PRIOR PERIOD AUDITOR'S OPINION

The financial statements of the Bank for the year ended 31 December 1999 have been audited by KPMG Polska Audyt Sp. z o.o. and received an unqualified opinion.

VI. DISCLOSURE OF SIGNIFICANT DIFFERENCES BETWEEN ADOPTED ACCOUNTING STANDARDS AND INTERNATIONAL ACCOUNTING STANDARDS

The differences between values of net assets and net profit between the PAS consolidated financial statement and those if they were prepared according to the International Accounting Standards (IAS) are as follows:

	31.12.2000	31.12.1999
Net asset value according to PAS	**1 649 017**	**1 578 823**
(2) Adjustment of interest on non-performing loans	11 496	10 395
(1) Reclassification of general risk reserve from equity to due from customers	-129 758	-129 758
(5) Adjustment of deferred income tax	-3 219	-3 119
Net asset value according to IAS	**1 527 536**	**1 456 341**

	31.12.2000	31.12.1999
Net profit according to PAS	**150 940**	**205 597**
(2) Adjustment of interest on non-performing loans	1 101	10 395
(3) Adjustment of prior years net profit allocation to Bank Social Fund	-3 000	-3 000
(4) Adjustment of prior years net profit allocation to donation to Bank Śląski Fund	-3 000	-3 000
(5) Adjustment of deferred income tax	-100	-3 119
Net profit according to IAS	**145 941**	**206 873**

The BSK SA Capital Group prepares financial statements in accordance with the Polish Accounting Standards (PAS). The primary differences between the principles on which these financial statement are based and the International Accounting Standards (IAS) are as follows:

(1) according to the Polish Accounting Standards, the profit and loss charges for the general risk fund, made before 1 January 1998, have been included in the Bank's reserve capital. To comply with IAS, the amount should decrease the amount of due from customers and the State Budget;

(2) according to the Polish Accounting Standards, interest accrued on irregular loans is booked to suspended interest as a liability in the balance sheet and only recognized in profit and loss statement on a cash basis when the interest is received. According to IAS, accrued interest on irregular loans received by the Bank by the date of signing financial statements should be recognized in the profit and loss account at the year-end;

(3), (4) according to the Polish Accounting Standards, the Bank has allocated part of the net profit to the Bank's Social Fund and donated it to the Bank's Charity Fund. According to IAS, these allocations should be recognized as an expense in the following year's profit and loss account;

(5) deferred tax adjustments relate to the above mentioned interest adjustments;

(6) according to the Polish Accounting Standards, investments in subsidiaries are valued at cost less a provision for any permanent diminution in value. According to IAS, material investments in subsidiaries held in the

investment portfolio should be consolidated using the full consolidation method. This difference has not been calculated;

(7) according to the Polish Accounting Standards, investments in subsidiaries allocated for investment are valued at cost less a provision for any permanent diminution in value. According to IAS, material investments in subsidiaries, which do not meet consolidation criteria, are disclosed using the equity method of accounting less any provisions for permanent diminution in value. This difference has not been calculated;

(8) according to the Polish Accounting Standards, debt and equity securities are disclosed at the lower of cost or the current market value. According to IAS, treasury debt securities and shares listed on stock exchanges are disclosed at the balance sheet date at their market value;

(9) according to Polish Accounting Standards, accrued interest from non-performing loans are recognized as suspended interest. According to IAS, this interest is treated as an interest provision. However, this difference does not influence the net asset value and net financial result.