Bank Polski

Supplement dated 21 May 2012
to the Base Prospectus dated 20 April 2012

€3,000,000,000
Programme for the Issuance of Loan Participation Notes

to be issued by, but with limited recourse to,

PKO Finance AB (publ)

(incorporated with limited liability under the laws of the Kingdom of Sweden)

for the sole purpose of financing senior and subordinated loans to

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna

(incorporated as a joint stock company in the Republic of Poland)

This supplement (the "**Supplement**") constitutes a first supplement and must be read in conjunction with the Base Prospectus dated 20 April 2012 (the "**Base Prospectus**"), prepared by PKO Finance AB (publ) (the "**Issuer**") and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (the "**Borrower**" or the "**Bank**") with respect to the programme for the issuance of loan participation notes (the "**Notes**") referred to above (the "**Programme**").

Terms defined in the Base Prospectus have the same meaning when used in this Supplement. To the extent that there is any inconsistency between any statement in this Supplement and any other statement in or incorporated in the Base Prospectus, the statements in this Supplement will prevail.

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg to approve this document as a Supplement.

Each of the Issuer and the Borrower accepts responsibility for the information contained or incorporated by reference in this Supplement. To the best of their knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and contains no omission likely to affect its import.

Publication of the Quarterly Financial Statements of the Borrower

This Supplement has been prepared pursuant to Article 16.1 of the Prospectus Directive and Article 13 of the Luxembourg Law on prospectuses for securities dated 10 July 2005 (the "**Luxembourg Law**") in connection with the release by the Borrower on 14 May 2012 of its condensed interim consolidated financial statements for the three-month period ended 31 March 2012 (the "**Condensed Interim Consolidated Financial Statements**") and for the purposes of incorporating by reference the Condensed Interim Consolidated Financial Statements as set out below. A copy of the Condensed Interim Consolidated Financial Statements has been filed with the CSSF and is incorporated by reference into, and forms part of, this Supplement and, by virtue of this Supplement, is incorporated into, and forms part of, the Base Prospectus.

The following information is included on the pages of the Condensed Interim Consolidated Financial Statements:

(a)	Consolidated Income Statement	page 4
(b)	Consolidated Statement of Comprehensive Income	page 4
(c)	Consolidated Statement of Financial Position	page 5
(d)	Consolidated Statement of Changes in Equity	page 6
(e)	Consolidated Statement of Cash Flows	page 7
(f)	Notes to the Condensed Interim Consolidated Financial Statements	pages 8-43
(g)	Further Explanatory Data	pages 68-73

Any information not listed above but included in the document incorporated by reference is given for information purposes only. Each of the Borrower and the Issuer accepts responsibility as to the accuracy and completeness of any translations into English set out in any documents incorporated by reference in this Base Prospectus.

Significant and Material Change

Rating assigned by Standard & Poor's to the Borrower

On 8 May 2012, Standard & Poor's assigned the following ratings to the Borrower:

- long-term counterparty credit rating: "A-" with a stable outlook; and
- short-term counterparty credit rating of "A-2" with a stable outlook.

The following changes are therefore deemed to be introduced to the Base Prospectus:

(a) The last sentence of the first paragraph on page 21 of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

"Finally, on 8 May 2012, Standard & Poor's assigned its long-term "A-" rating with a stable outlook and short-term "A-2" rating with a stable outlook to the Bank. Unlike Moody's and Standard & Poor's, the long-term and financial strength ratings assigned by Fitch and Capital Intelligence are unsolicited."

(b) References to "Standard & Poor's" in the second paragraph on page 21 of the Base Prospectus shall be deemed to be removed.

(c) Section "Ratings" on pages 57-58 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

"Ratings

*The following section contains information regarding ratings assigned by Moody's, Fitch, Capital Intelligence and Standard and Poor's. Moody's, Fitch, Capital Intelligence and Standard and Poor's, all of which are established in the European Union, have been registered as credit rating agencies under Regulation (EU) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). The ratings of Moody's, Fitch, Capital Intelligence and Standard and Poor's exclusively reflect the opinions and evaluations of such credit rating agencies. Such ratings do not constitute any recommendations to invest and should not be regarded as grounds for any investment decisions regarding the purchase or sale of any financial instruments. The ratings may be subject to review, adjustment, suspension or downgrading by the relevant agencies.*

*The list of credit rating agencies registered under the CRA Regulation is published by European Securities and Markets Authority (the "**ESMA**") in accordance with Article 18(3) of the CRA Regulation and is updated within five working days of the adoption of a registration or certification decision. The European Commission republishes the list in the Official Journal of the European Union within 30 days of any update thereof. There may therefore be differences between the list published by ESMA and the list available in the Official Journal during that period. The up-to-date list of credit rating agencies registered under the CRA Regulation is available at the websites of the ESMA at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs.*

The Bank has been assigned ratings by Fitch (on 18 December 1996 and maintained on 9 August 2010, and 4 August 2011, unsolicited), Moody's (on 14 January 2003, 24 February 2007 and 18 June 2009), Standard & Poor's (on 25 August 2004, in September 2010 and maintained on 10 May 2011, unsolicited; on 8 May 2012, solicited) and Capital Intelligence (on 30 November 2000, in December 2007, in January 2010 and on 30 May 2011, unsolicited) as set forth in the table below.

Category	Fitch	Moody's	Standard & Poor's	Capital Intelligence
Long-term assessment of liabilities and deposits (foreign currencies / domestic currency)		A2/A2 with a stable outlook(1)	A-(2)	A-(3)
Short-term assessment of liabilities and deposits (foreign currencies / domestic currency)		Prime- 1/Prime- 1 with a stable outlook(4)	A-2(5)	A2(6)
Support..	2(7)			1(8)
Financial strength		C-with a negative outlook(9)		BBB(10)
Prospect of maintaining the assessment...............				Stable(11)

Notes:

1) Liabilities rated A are considered upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 2 indicates a mid-range ranking of that generic rating category. Moody's rating outlook is an opinion regarding the likely direction of a rating over the medium term.

2) "A" rated liabilities are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. Ratings from 'AA' to 'CCC' may be modified by the addition of a "+" or "-" sign to show the relative standing within the major rating categories.

3) High credit quality. Strong capacity for timely fulfillment of financial obligations. Possesses many favorable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions. Capital Intelligence appends "+" and "-" signs to foreign and local currency long-term rating in the categories from "AA" to "C" to indicate that the strength of a particular entity is, respectively, slightly greater or less than that of similarly rated peers.

4) Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

5) A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

6) Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.

7) Bank Support Rating of "2" denotes a bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of "BBB-".

8) The likelihood of a bank receiving support in the event of difficulties is extremely high. The characteristics of a bank with this support rating may include strong government ownership and/or clear legal guarantees on the part of the state. The bank may also be of such importance to the national economy that state intervention is virtually assured. The ability and willingness of potential supporters to provide sufficient and timely support is extremely strong.

9) Banks rated "C" possess adequate intrinsic financial strength. Typically, these will be institutions with more limited but still valuable business franchises. These banks will display either acceptable financial fundamentals with a predictable and stable operating environment, or good financial fundamentals within a less predictable and stable operating environment. A "-" modifier is appended to distinguish those banks that fall in intermediate categories.

10) Basically sound overall; slight weaknesses in financial or other factors could be remedied fairly easily. May be limited by unstable operating environment. Capital Intelligence appends "+" and "-" signs to foreign and local currency long-term ratings in the categories from "AA" to "C" to indicate that the strength of a particular entity is, respectively, slightly greater or less than that of similarly rated peers.

11) Outlook – expectations of improvement, no change or deterioration in a bank or corporate rating over the 12 months following its publication are denoted "Positive", "Stable" or "Negative". The time horizon for a sovereign rating outlook is longer, at 12-24 months."

Execution of a letter of undertaking with the European Bank for Reconstruction and Development

On 26 April 2012 the Bank entered into a Letter of Undertaking with the European Bank for Reconstruction and Development.

(a) Section "*Proposed letter of undertaking with the European Bank for Reconstruction and Development (the "**EBRD**")*" on pages 62-63 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

*"Letter of undertaking with the European Bank for Reconstruction and Development (the "**EBRD**") relating to the Programme*

A portion of the Notes issued under the Programme may be acquired by the EBRD. In consideration of the EBRD's potential participation in the Programme, the Bank undertook, by signing a letter of undertaking dated 26 April 2012 (the "**Letter of Undertaking**"), to develop and grow, on a "best efforts" basis, the business of lending to micro, small and medium-sized enterprises meeting certain eligibility criteria. Pursuant to the Letter of Undertaking, such businesses have to: (i) employ no more than 249 full-time equivalent staff, including full-time management; (ii) have a maximum annual turnover of EUR 50 million or a maximum annual balance sheet total of EUR 43 million; (iii) be registered and located in the Republic of Poland; (iv) have majority private sector ownership and control; (v) obtain all necessary approvals, permits, etc.; and (vi) use the amounts from the loans for the purposes that will be specified in the Letter of Undertaking. The Letter of Undertaking imposes certain restrictions on the use of proceeds from such loans and provides that such proceeds shall not be used to finance, among others, investments in securities, financial institutions or any speculative investment activities.

The Letter of Undertaking also provides that the Bank will endeavour to increase the size of the portfolio of the loans meeting the eligibility criteria by an amount at least equal to the aggregate principal amount of the Notes subscribed for by the EBRD during the period commencing on the first day of the quarter commencing prior to the date of the Letter of Undertaking and ending on 31 December 2014, and to grow such portfolio at the rate of 5 per cent. annually so increased for as long as the EBRD holds all or some of the Notes.

Furthermore, pursuant to the Letter of Undertaking, the Bank agreed, on a "best efforts" basis, to follow the EBRD's Environmental and Social Procedures for Corporate Lending referred to as Performance Requirement 2 (*Labour and Working Conditions)* in relation to, *inter alia*, the management of working relationships, working conditions, terms of employment, retrenchment and non-employee workers, as well as Performance Requirement 9 (*Financial Intermediaries*) in relation to, *inter alia*, environmental and social due diligence, stakeholder engagement and the requirements for subprojects; moreover, it undertook to provide the EBRD with annual reports on its compliance with such requirements.

The Letter of Undertaking requires the Bank to adhere, on a "best efforts" basis, to best practices in respect of foreign currency lending and the management of the Bank's loan portfolio.

Moreover and subject to the paragraph below, it is envisaged that the EBRD would only participate in an issuance of the Notes under the Programme with maturities of five or seven years.

Notwithstanding the foregoing, there is no obligation under the Letter of Undertaking for the EBRD to participate in the Programme and, accordingly, the EBRD may elect not to acquire any Notes issued under the Programme."

Update regarding the material proceedings described in the Base Prospectus

(a) The last sentence of the first paragraph of section "*Proceedings Related to Applying "Interchange" Fees for Transactions Made Using Visa and Europay/Eurocard/Mastercard Cards*" on page 67 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

"On 8 May 2012, the Antimonopoly Court suspended the proceedings until a binding judgment is issued in the pending proceedings before the General Court of the European Union, initiated by MasterCard, as mentioned above. The judgment is expected to be issued on 24 May 2012, however, the parties will have the right to appeal to the European Court of Justice."

(b) Section "*Request to conclude a settlement filed by a natural person*" on page 69 of the Base Prospectus shall be deemed to be supplemented with the following wording:

"On 20 April 2012 a court hearing was held before the District Court in Warsaw at which the first witnesses gave their testimonies. The next hearing was scheduled to take place on 30 October 2012."

Update regarding the implementation of the Payment Services Directive in Poland

(a) The risk factor "*The Bank May Fail to Comply with Provisions of the Payment Services Directive as They Are Not Implemented in Poland*" on page 26 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

"***The Bank May Fail to Comply with the Provisions of the Payment Services Directive***

On 25 October 2011, the Polish Act dated 19 August 2011 on payment services (the "**Polish Payment Services Act**") entered into force. The Polish Payment Services Act aims to implement in Poland Directive 2007/64/EC of the European Parliament and the Council of 13 November 2007 on payment services in the internal market, amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (the "**PSD**"). The PSD aims to establish, at the EC level, a modern and coherent legal framework for payment services, regardless of whether or not such services are compatible with the Eurozone single system, in order to maintain consumer choice and a level playing field for all payment systems. The deadline for the implementation by the Bank of most of the provisions of the Polish Payment Services Act is one year after its entry into force, i.e. 24 October 2012. Because certain provisions of the Polish Payment Services Act are unclear, the Bank's interpretation or implementation thereof may be different to the interpretation adopted by the regulators or courts. The Bank adopting a conservative approach with regard to such unclear provisions may generate increased costs; however, the Bank adopting a liberal interpretation of such unclear provisions may result in regulatory sanctions being imposed on the Bank. Either of those situations may, in turn, have an adverse effect on the Bank's business, financial condition and results of operations."

General

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is material in the context of the Programme since the publication of the Base Prospectus.

Copies of this Supplement and of the documents incorporated by reference into this Supplement can be obtained, free of charge, at the specified offices of Citibank, N.A., London Branch and Banque Internationale à Luxembourg, unless such documents have been modified or superseded. The Supplement as well as such documents which have been incorporated by reference into this Supplement will also be available to view on the website of the Luxembourg Stock Exchange (www.bourse.lu).

In accordance with Article 16.2 of the Prospectus Directive and Article 13 paragraph 2 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for the securities before the publication of this Supplement have the right, exercisable within a time limit of two working days after the publication of this Supplement, to withdraw their acceptances.