

PKO Finance AB (publ)

Annual report

for the period January 1, 2011 -- December 31, 2011

(Corporate Identity Number 556693-7461)

Administration report

The Company is a wholly-owned subsidiary of Powszechna Kasa Oszczednosci Bank Polski Spólka Akcyjna ("PKO Bank").
The Company has no employees.

Operations

The Company's operations consist of the direct or indirect ownership and administration of securities and other financial activities that do not require a permit, including the granting of loans and other associated activities.

The financial year

During 2008, the Company entered into a "Programme for the Issuance of Loan Participating Notes" (the "Programme"). Under the Programme, the Company may issue bonds ("loan participation notes") in various series. The sole purpose of issuing each series will be to finance loans to the Parent Company. Under the terms and conditions of the Programme, the Company will pledge certain rights under the loans to the Parent Company for the benefit of the note holders.

In accordance with the Programme, loan participation notes with a nominal value of EUR 800,000,000 have been issued during 2010 and CHF 250,000,000 during the current year. The loan participation notes run with fixed interest and have been used used to finance loans to the Parent Company on, in principle, similar terms.

Starting from January 1, 2011 the Company has changed its reporting currency from SEK to EUR.

Corporate governance report

The Company has established routines in order to ensure the accuracy of the financial reports. These routines include the audit of the annual report by auditors elected by the Annual General Meeting.

In view of the Company's limited operations and low number of transactions, the Board of Directors considers the control system for the financial reports, as described above, to be satisfactory.

Expected future development

The future activities of the Company are linked to the development of the financial markets and the macroeconomic environment.

Proposed appropriation of profits

The following profits are at the disposal of the Annual General Meeting

Retained earnings	EUR	51 448
Net profit for the year	EUR	<u>94 833</u>
		146 281

The Board of Directors proposes that profits brought forward be appropriated as follows

To be carried forward	EUR	146 281
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For further information regarding the Company's financial position and results of operations, refer to the following income statement and balance sheet, with accompanying notes.

Income statement

Note 1

Amounts in EUR	2011	2010
Administration fee from Parent Company	170 000	60 000
Other external expenses	Note 3 -57 429	-53 311
Profit/loss before financial income and expenses	112 571	6 689
Interest income, long-term receivables from Parent Company	33 696 745	6 078 994
Interest expenses, bond loans	-33 678 754	-6 075 761
Exchange gains/losses, etc. - net	-1 358	-95
Profit/loss before tax	129 204	9 827
Tax expenses for the year	-34 371	-2 589
Net profit/loss for the year	94 833	7 238

Balance Sheet	Note 1		
Amounts in EUR		2011-12-31	2010-12-31
Assets			
<i>Financial non-current assets</i>			
Loan to Parent Company	Note 2	1 003 946 391	798 962 585
<i>Current assets</i>			
Receivable parent company		-	60 000
Taxes receivable		-	7
Prepaid expenses		14 323	13 852
Accrued interest income, parent company		9 353 223	5 890 981
Bank funds		<u>321 186</u>	<u>128 378</u>
		9 688 732	6 093 218
Total assets		1 013 635 123	805 055 803
Liabilities and equity			
Equity			
Note 5,6			
<i>Restricted equity</i>			
Share capital (5000 shares with quote value SEK 100)		55 474	55 474
<i>Unrestricted equity</i>			
Retained earnings		51 448	44 210
Net profit/loss for the year		<u>94 833</u>	<u>7 238</u>
Total non-restricted equity		146 281	51 448
Total equity		201 755	106 922
<i>Long-term liabilities</i>			
Bond loans	Note 4	1 004 025 784	799 039 430
<i>Current liabilities</i>			
Income tax liabilities		37 004	2 583
Accrued interest expenses		9 353 223	5 890 981
Other accrued expenses		<u>17 357</u>	<u>15 887</u>
Total current liabilities		9 407 584	5 909 451
Total liabilities		1 013 433 368	804 948 881
Total liabilities and equity		1 013 635 123	805 055 803
Pledged assets			
Loan to Parent Company		1 013 299 614	804 853 566
Contingent liabilities		None	None

Note 1 Accounting and valuation principles

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and the general advice and guidelines of the Swedish Accounting Standards Board, except for BFNAR 2008:1.

The Company's assets and liabilities have been reported at acquisition cost and nominal value, respectively, unless stated otherwise.

Reported income tax includes tax, which is to be paid or received, regarding the current year and adjustments regarding previous years' current tax. Tax assets/liabilities are estimates of amounts expected to be received/paid from the Tax Agency.

The loans receivable from the Parent Company and bond loans have been valued using the effective interest method. This means that the difference between discounted value (book value) and nominal value is amortized over the term of the loan and bond loan, respectively. These amortizations are included in the reported interest income/interest expenses which, thus reflect the respective loans' effective interest.

Receivables and liabilities in foreign currencies have been valued at the closing rate of exchange.

Note 2 Loan to parent company

The EUR 800,000,000 loan is due for payment on October 21, 2015 and the CHF 250,000,000 loan on July 7, 2016.

Note 3 Other external expenses

Other external expenses includes audit fees payable to PwC in an amount of EUR 11,698 (EUR 11,698).

Note 4 Bond loan

The EUR 800,000,000 loan is due for payment on October 21, 2015 and the CHF 250,000,000 loan on July 7, 2016.

Note 5 Equity

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Net profit/ loss for the year</i>	<i>Total equity</i>
Opening balance	55 474	44 210	7 238	106 922
Profit/loss brought forward		7 238	-7 238	0
Net profit/loss for the year	-		94 833	94 833
Total	55 474	51 448	94 833	201 755

Note 6 Group Parent Company

The Company is a wholly-owned subsidiary of Powszechna Kasa Oszczednosci Bank Polski Spólka Akcyjna ("PKO Bank"), Warsaw, Poland.

Stockholm, 28th of february 2012

Artur Osytek
Chairman

Magnus Sundström
Managing Director

Iwona Jankowska

Our audit report was presented on 28th of february 2012.
Öhrlings PricewaterhouseCoopers AB

Susanne Sundvall
Authorised Public Accountant