



Bank Polski

**Supplement dated 27 May 2015
to the Base Prospectus dated 6 May 2015**

€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 the first supplement to and must be read in conjunction with the base prospectus dated 6 May 2015 (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.

An 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 13 May 2015 of its condensed interim consolidated financial statements for the three-month period ended 31 March 2015 (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 Condensed Interim Consolidated Financial Statements have not been subject to any review or audit procedures by the external auditor of the Borrower.

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 5
(c) Consolidated Statement of Financial Position	page 6
(d) Consolidated Statement of Changes in Equity	page 7
(e) Consolidated Statement of Cash Flows	page 8
(f) Notes to the Condensed Interim Consolidated Financial Statements	pages 9-52

The information incorporated by reference that is not included in the cross-reference list is considered to be additional information and is not required by the relevant schedules of the Prospectus Regulation. Each of the Borrower and the Issuer accepts responsibility as to the accuracy and completeness of any translations into English set out in the document incorporated by reference in this Base Prospectus.

Significant and Material Change

On 6 May 2015, the Bank announced that the Management Board had adopted a resolution regarding its recommendations to the annual general meeting of the Bank on the distribution of profit in the amount of PLN 3,079,471 thousand earned by the Bank in the period from 1 January 2014 to 31 December 2014 and unappropriated profit in the amount of PLN 132,793 thousand from previous years resulting from the merger of the Bank and Nordea Bank Polska S.A. in which it recommended that the total sum of the above-mentioned amounts, i.e. PLN 3,212,264 thousand, be designated for:

- 1) reserve capital – in the amount of PLN 1,900,000 thousand;
- 2) other reserves – in the amount of PLN 62,264 thousand; and
- 3) unappropriated capital – in the amount of PLN 1,250,000 thousand.

The decision on the recommended distribution of the profit for 2014 is consistent with the Bank's decision to follow the recommendation of the Polish Financial Supervision Authority (the "PFSA") to withhold the entire net profit earned by the Bank in the year 2014 until the PFSA determines the additional capital requirements of the Bank.

On the same day, the Supervisory Board approved the new "Principles for managing the capital adequacy and the internal capital of PKO Bank Polski SA and the PKO Bank Polski Capital Group", which include, inter alia, the dividend policy of the Bank.

Update regarding a Significant/Material Change statement in the Base Prospectus

In connection with the above-referenced events, the following amendment is deemed to be introduced to the Base Prospectus:

- (a) The paragraph titled "Significant/Material Change" on page 218 shall be deemed to be replaced with the following wording:

"3. There has been no material adverse change in the prospects of the Issuer since 31 December 2014, nor any significant change in the financial or trading position of the Issuer since 31 December 2014. There has been no material adverse change in the prospects of the Borrower and its subsidiaries since 31 December 2014, nor, except as disclosed in the First Supplement, has there been any significant change in the financial or trading position of the Borrower and its subsidiaries since 31 March 2015."

Updates relating to the ratings assigned to the Borrower

On 19 May 2015, the Management Board announced that Fitch had published information in which it stated that Fitch had downgraded the Bank's support rating to '5' from '2'.

The downgrade of the Bank's support rating reflects Fitch's view that the EU's Bank Recovery and Resolution Directive (BRRD) is now sufficiently progressed to provide a framework for insolvent banks that is likely to require senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

On 21 May 2015, the Management Board announced that Moody's had published a press release on www.moody.com (the "**Release**"), in which it had announced a change of the Bank's ratings as a result of completing the review of ratings assigned to banks in Poland. The review resulted from the adoption of new methodology issued by such agency on 16 March 2015.

According to the Release:

- (i) the deposit rating was maintained at the level A2/P -1;
- (ii) the debt rating was decreased from A2/(P)P-1 to A3/(P)P-2;
- (iii) the counterparty risk assessment was established at the level A2(cr)/P-1(cr);
- (iv) the rating outlook was raised from "negative" to "stable".

The outlook raising and maintaining of the Bank's ratings result from the supportive macroeconomic environment of Poland and relevant main indicators of the Bank, including the improvement of capital ratios, the improvement of asset portfolio quality, and maintaining good profitability.

The adjustment of debt rating results from the fact that Moody's took into account a lower probability of obtaining state support for the Bank if the Bank ceases to repay its liabilities. In Moody's assessment, Poland, as an EU member state, will implement the European Union Bank Recovery and Resolution Directive (BRRD) which results in, in the agency's opinion, a necessity to change the probability of state support being provided to the Bank from very high to moderate.

The following change is therefore deemed to be introduced to the Base Prospectus:

- (a) The second paragraph of the "*Any Reduction in the Bank's Credit Rating Could Increase Its Cost of Funding and Adversely Affect Its Interest Margins*" risk factor on page 17 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

"On 18 June 2009, Moody's downgraded the Bank's long-term local currency deposit rating from "Aa2" to "A2" with a stable outlook and its financial strength rating from "C" to "C- " with a negative outlook. On 17 September 2012, Moody's changed its outlook on the Bank's long-term debt and deposit ratings from stable to negative. On 21 June 2013, after the Bank published information on concluding an agreement for the purchase of shares in entities of the Nordea Group, Moody's confirmed the long and short-term bank deposit ratings of the Bank as A2 and Prime-1 respectively, and its standalone bank financial strength rating (BFSR) as C- (equivalent to a baa2 baseline credit assessment (BCA)). On 21 May 2015, Moody's changed the Bank's ratings as a result of completing a review of ratings assigned to banks in Poland. The Bank's long and short-term deposit rating was maintained at the level A2/P -1, the debt rating was decreased from A2/(P)P-1 to A3/(P)P-2, the counterparty risk assessment was established at the level A2(cr)/P-1(cr) and the rating outlook was raised from "negative" to "stable"."

- (b) The fifth paragraph of the "*Any Reduction in the Bank's Credit Rating Could Increase Its Cost of Funding and Adversely Affect Its Interest Margins*" risk factor on page 18 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

“Fitch assigned to the Bank a support rating of “5” on 19 May 2015. The downgrade of the Bank’s support rating from “2” (assigned and maintained since 18 December 1996) to “5” reflects Fitch’s view that the EU’s Bank Recovery and Resolution Directive is sufficiently progressed to provide a framework for insolvent banks that is likely to require senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.”

- (c) Section “Ratings” on page 67 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 and Standard and Poor’s., all of which are established in the European Union and 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 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 the 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 the 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 – maintained on 9 August 2010, 4 August 2011, 2 August 2012, 6 August 2013, 26 March 2014, 26 November 2014; and on 19 May 2015), Moody’s (on 14 January 2003, 24 February 2007, 18 June 2009 and 17 September 2012, 21 June 2013 and on 21 May 2015), Standard & Poor’s (on 25 August 2004, in September 2010 – maintained on 10 May 2011 and 13 December, unsolicited; on 8 May 2012, solicited and maintained on 14 June 2013, 20 September 2013 and 29 April 2014) as set forth in the table below.

Category	Fitch	Moody’s	Standard & Poor’s
Long-term assessment of liabilities and deposits (foreign currencies/domestic currency)			A- ⁽⁷⁾
Short-term assessment of liabilities and deposits (foreign currencies/domestic currency)			A-2 ⁽⁸⁾
Long-term deposit rating		A2 ⁽²⁾	
Short-term deposit rating		P – 1 ⁽³⁾	
Long-term debt rating		A3	
Short-term debt-rating		(P)P-2 ⁽⁴⁾	
Long-term counterparty risk assessment.....		A2(cr) ⁽⁵⁾	
Short-term counterparty risk assessment		P-1(cr) ⁽⁶⁾	
Support.....	5 ⁽¹⁾		
Outlook.....		Stable	Negative

Notes:

¹ A Bank Support Rating of “5” denotes a bank for which there is a possibility of external support, but that such support cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than ‘B-’ and in many cases, no floor at all.

² 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. A Moody’s rating outlook is an opinion regarding the likely direction of a rating over the medium term.

³ Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

⁴ Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

⁵ Issuers assessed Aa(cr) are judged to be of high quality and are subject to a very low risk of defaulting on certain senior operating obligations and other contractual commitments.

⁶ Issuers assessed Prime-1(cr) have a superior ability to honour short-term operating obligations.

⁷ "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.

⁸ 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.

Moreover, on 20 June 2012, Standard and Poor's granted a solicited rating of "A-" to the Programme and the rating was sustained on 20 January 2014, while on 3 September 2012 it granted a solicited rating at the same level to the CHF 500 million notes issued by the Issuer under the Programme (see "*Material Contracts – Material Issues of Debt Securities – Programme for the issuance of PKO Finance notes with a value of up to EUR 3,000,000,000 to finance senior and subordinated loans extended by PKO Finance to the Bank*"). On 4 September 2012, such notes were assigned an A2 rating by Moody's and this rating was sustained on 22 January 2014. On 21 May 2015, such notes were assigned an A3 rating by Moody's.

- (d) *The following sentence shall be deemed to be added to the third paragraph of the section titled "Programme for the issuance of PKO Finance notes with a value of up to EUR 3,000,000,000 to finance senior and subordinated loans extended by PKO Finance to the Bank (the "Programme")" on page 73 of the Base Prospectus:*

The first series of Notes under the Programme has a rating of "A3" by Moody's.

- (e) *The following sentence shall be deemed to be added the fourth paragraph of the section titled "Programme for the issuance of PKO Finance notes with a value of up to EUR 3,000,000,000 to finance senior and subordinated loans extended by PKO Finance to the Bank (the "Programme")" on page 74 of the Base Prospectus:*

The second series of Notes under the Programme has a rating of "A3" by Moody's.

- (f) *The following sentence shall be deemed to be added to the fifth paragraph of the section titled "Programme for the issuance of PKO Finance notes with a value of up to EUR 3,000,000,000 to finance senior and subordinated loans extended by PKO Finance to the Bank (the "Programme")" on page 74 of the Base Prospectus:*

In September 2012, such notes were assigned "A-" by Standard & Poor's. The third series of Notes under the Programme has a rating of "A3" by Moody's.

- (g) *The following sentence shall be deemed to be added between the fourth and the fifth sentences of the of the sixth paragraph of the section titled "Programme for the issuance of PKO Finance notes with a value of up to EUR 3,000,000,000 to finance senior and subordinated loans extended by PKO Finance to the Bank (the "Programme")" on page 74 of the Base Prospectus:*

On 21 May 2015, notes were assigned a rating of "A3" by Moody's.

- (h) *The following sentence shall be deemed to be added between the fourth and the fifth sentences of the seventh paragraph of the section titled "Programme for the issuance of PKO Finance notes with a value of up to EUR 3,000,000,000 to finance senior and subordinated loans extended by PKO Finance to the Bank (the "Programme")" on page 74 of the Base Prospectus:*

On 21 May 2015, notes were assigned a rating of "A3" by Moody's.

- (i) *The following sentence shall be deemed to be added between the first and the second sentences of the the twelfth paragraph of the section titled "Programme for the issuance of PKO Finance notes with a value of up to EUR 3,000,000,000 to finance senior and subordinated loans extended by PKO Finance to the Bank (the "Programme")" on page 74 of the Base Prospectus:*

On 21 May 2015, Moody's assigned a rating for the Programme at the level of "A3", a long-term debt rating at the level of "A3" and a short-term debt rating at the level of (P)P2.

- (j) *The following sentence shall be deemed to be added to the the third paragraph of the section titled “Issuance of USD 1 billion of 4.630% notes due September 2022” on page 75 of the Base Prospectus:*

On 21 May 2015, Moody’s rated the USD Notes “A3”.

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 date of the publication of the Base Prospectus.

Copies of this Supplement and of the document incorporated by reference into this Supplement can be obtained, free of charge, at specified offices of Citibank, N.A., London Branch and Banque Internationale à Luxembourg, unless such document has been modified or superseded. The Supplement, as well as such document which has been incorporated by reference into this Supplement, will also be available for viewing 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, i.e. 29 May 2015, to withdraw from agreements to purchase or subscribe therefor.