

PKO Finance AB (publ)

Annual report

for the period January 1, 2012 - December 31, 2012

(Corporate Identity Number: 556693-7461)

ADMINISTRATION REPORT

The Company is a wholly-owned subsidiary of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ("PKO Bank").

The Company has no employees.

Operations

The Company's operations consist of the direct or indirect ownership, administration and trading 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 50,000,000 and CHF 500,000,000 have been issued during the current year. In addition, notes with a nominal value of USD 1,000,000,000 have been issued on the US market, based on documentation binding on the debt market in the United States in accordance with the Rule 144A of the US Securities Act.

The loan participation notes incur fixed interest and have been used to finance loans to the Parent Company on, in principle, similar terms.

The notes in USD and EUR are quoted on the Luxembourg Stock Exchange (LSE) and the notes in CHF are quoted on the Zürich Stock Exchange (SIX).

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	146 281
Net profit for the year	EUR	<u>231 764</u>
		378 045

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

To be carried forward	EUR	378 045
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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	2012	2011
Administration fee from Parent Company	354 645	170 000
Other external expenses	Note 3 -80 800	-57 429
Profit/loss before financial income and expenses	273 845	112 571
Interest income, long-term receivables from Parent Company	50 856 140	33 696 745
Interest expenses, LPN loans	-50 813 218	-33 678 754
Exchange gains/losses	-2 297	-1 358
Profit/loss before tax	314 470	129 204
Tax expenses for the year	-82 706	-34 371
Net profit/loss for the year	231 764	94 833

BALANCE SHEET

Note 1

Amounts in EUR		31 Dec 2012	31 Dec 2011
Assets			
<i>Financial non-current assets</i>			
Loan to Parent Company	Note 2	2 222 259 931	1 003 946 391
<i>Current assets</i>			
Receivable from Parent Company		858	-
Prepaid expenses		14 996	14 323
Accrued income, Parent Company		19 791 390	9 353 223
Bank funds		<u>866 197</u>	<u>321 186</u>
Total current assets		20 673 441	9 688 732
Total assets		2 242 933 372	1 013 635 123
Liabilities and equity			
Equity			
Note 5,6			
<i>Restricted equity</i>			
Share capital (5,000 shares with quote value SEK 100)		55 474	55 474
<i>Non-restricted equity</i>			
Retained earnings		146 281	51 448
Net profit/loss for the year		<u>231 764</u>	<u>94 833</u>
Total non-restricted equity		378 045	146 281
Total equity		433 519	201 755
<i>Non-current liabilities</i>			
LPN loans	Note 4	2 222 621 480	1 004 025 784
<i>Current liabilities</i>			
Accounts payable, Parent Company		858	-
Current tax liabilities		118 321	37 004
Accrued interest expenses		19 732 258	9 353 223
Other accrued expenses		<u>26 936</u>	<u>17 357</u>
Total current liabilities		19 878 373	9 407 584
Total liabilities		2 242 499 853	1 013 433 368
Total liabilities and equity		2 242 933 372	1 013 635 123
Pledged assets			
Loan to Parent Company		2 241 992 189	1 013 299 614
Contingent liabilities		None	None

CASH FLOW STATEMENT

Amounts in EUR	2012	2011
Operating activities		
Interest and other payments from Parent Company	44 683 079	30 801 621
Tax	-2 645	-
Interest payments on bond loan	-44 062 925	-30 547 526
Payments to suppliers	<u>-72 683</u>	<u>-60 340</u>
Cash flow from operating activities	544 826	193 755
Investing activities		
Loan to Parent Company	-1 236 695 000	-206 855 000
Financing activities		
Raising of LPN loan	1 236 695 000	206 855 000
Cash flow for the period	544 826	193 755
Cash and cash equivalents at the beginning of the period	321 186	128 378
Exchange gains/losses on cash and cash equivalents	<u>185</u>	<u>-947</u>
Cash and cash equivalents at the end of the period	866 197	321 186

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, with the exception of BFNAR 2008:1. The Company's reporting currency is the euro.

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 valued at the amounts which the Company expects to be received from/paid to the Tax Agency.

The loans receivable from the Parent Company and LPN loans have been valued using the effective interest method. This means that the difference between discounted value (book value) and nominal value is amortised over the term of the loan and bond loan, respectively. These amortisations 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 balance sheet date rate. The following rates have been applied:

1 SEK =	0.11606	EUR
1 CHF =	0.82799	EUR
1 PLN =	0.24517	EUR
1 USD =	0.75654	EUR

Note 2 Loan to Parent Company

<i>Loan</i>	<i>Granted</i>	<i>Due</i>
€ 800 000 000	2010-10-21	2015-10-21
CHF 250 000 000	2011-07-07	2016-07-07
€ 50 000 000	2012-07-25	2022-07-25
CHF 500 000 000	2012-09-21	2015-12-21
USD 1 000 000 000	2012-09-26	2022-09-26

Note 3 Other external expenses

Other external expenses includes audit fees payable to PwC amounting to € 12,767 (€ 11,698 in 2011).

Note 4 LPN loans

<i>Series</i>	<i>Issued</i>	<i>Due</i>
€ 800 000 000	2010-10-21	2015-10-21
CHF 250 000 000	2011-07-07	2016-07-07
€ 50 000 000	2012-07-25	2022-07-25
CHF 500 000 000	2012-09-21	2015-12-21
USD 1 000 000 000	2012-09-26	2022-09-26

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	51 448	94 833	201 755
Retained earnings		94 833	-94 833	0
Net profit/loss for the year	-		231 764	231 764
Total	55 474	146 281	231 764	433 519

Note 6 Group Parent Company

The Company is a wholly-owned subsidiary of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna ("PKO Bank"), Warsaw, Poland. Corporate Identity Number 525-000-77-38.

Stockholm, 2013-02-25

Artur Osytek
Chairman

Magnus Sundström
Managing Director

Iwona Jankowska

Our audit report was presented on 26th of February 2013.
Öhrlings PricewaterhouseCoopers AB

Susanne Sundvall
Authorised Public Accountant