

**PKO Finance AB (publ)**

**Annual report**

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

(Org. nr. 556693-7461)

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## Management report

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

### *Business*

The company will directly or indirectly, own and administer securities and engage in other financial activities that do not require a permit including granting of loans and other activities related thereto.

### *The financial year*

The company has entered into a Programme for the issuance of Loan Participating Notes (the "Programme"). Under the Programme, the company may from time to time issue loan participation notes in series. The sole purpose of issuing each series will be to finance loans to the parent company. The company will charge certain rights under the loans to the parent company for the benefit of the note holders.

In accordance with the Programme Participation Notes with a nominal value of € 800 000 000 have been issued during 2010 and CHF 250 000 000 during this year. The Participation Notes run with fixed interest and have been used to finance loans to the parent company on basically the same 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 secure the accuracy of the financial reports which among other procedures include the audit of the Annual report by the elected auditors.

In view of the limited activities and low number of transactions the Board of Directors considers the control system described above to be appropriate.

### *Future activities of the company*

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

### **Proposal for appropriation of profits**

The following profit is to be appropriated by the annual general meeting of shareholders

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

The Board of Directors proposes that the profit is appropriated as follows

To be carried forward	EUR	146 281
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For further information please refer to the accompanying profit and loss statement, balance sheet and notes.

**Profit and loss statement**

Note 1

Amounts in EUR	2011	2010
Administration fee from parent company	170 000	60 000
Other expenses	Note 3 -57 429	-53 311
<b>Income before financial items</b>	<b>112 571</b>	<b>6 689</b>
Interest income long term loan to parent company	33 696 745	6 078 994
Interest expenses LPN-borrowing	-33 678 754	-6 075 761
Curr. Exch. Losses etc.	-1 358	-95
<b>Income before taxes</b>	<b>129 204</b>	<b>9 827</b>
Current taxes	-34 371	-2 589
<b>Net income</b>	<b>94 833</b>	<b>7 238</b>



**Balance sheet**

Note 1

Amounts in EUR		2011-12-31	2010-12-31
<b>Assets</b>			
<i>Financial fixed 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
<b>Total assets</b>		<b>1 013 635 123</b>	<b>805 055 803</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
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
Current profit		<u>94 833</u>	<u>7 238</u>
Total unrestricted equity		146 281	51 448
<b>Total equity</b>		<b>201 755</b>	<b>106 922</b>
<i>Long-term liabilities</i>			
LPN-loan	Note 4	1 004 025 784	799 039 430
<i>Short term liabilities</i>			
Current tax liability		37 004	2 583
Accrued interest expense		9 353 223	5 890 981
Other accrued expenses		<u>17 357</u>	<u>15 887</u>
Total short-term liabilities		9 407 584	5 909 451
<b>Total liabilities</b>		<b>1 013 433 368</b>	<b>804 948 881</b>
<b>Total liabilities and equity</b>		<b>1 013 635 123</b>	<b>805 055 803</b>
<b>Pledged assets</b>			
Loan to parent company		1 013 299 614	804 853 566
<b>Commitments</b>		None	None

### Note 1 Accounting and valuation principles

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

Assets and liabilities are valued at cost and nominal value respectively, if nothing else is stated.

Current income taxes includes taxes payable or receivable relating to current year and adjustments regarding current taxes in previous years. Tax receivables/payables are estimates of amounts expected to be received/paid from the tax office.

The long-term loan and long-term borrowing 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 borrowing respectively. These amortizations are included in the interest income and interest expense that consequently are shown on an effective interest basis.

Assets and liabilities denominated in foreign currencies have been valued at current rate.

### Note 2 Loan to parent company

The € 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 costs

Includes audit fee to PwC with € 11 698 (€ 11 698)

### Note 4 LPN-loan

The € 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>Current earnings</i>	<i>Total equity</i>
Opening balance	55 474	44 210	7 238	106 922
Profit carried forward		7 238	-7 238	0
Current income	-		94 833	94 833
Total	55 474	51 448	94 833	201 755

**Not 6 Parent company**

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

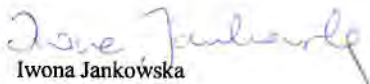
Stockholm



Artur Osytek  
Chairman



Magnus Sundström  
Managing Director



Iwona Jankowska

Our audit report was issued 2012-  
Öhrlings PricewaterhouseCoopers AB

Susanne Sundvall  
Authorized auditor