

PKO Finance AB (publ)

Annual report

for the period January 1, 2010 -- December 31, 2010

(Org. nr. 556693-7461)

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 noteholders.

In accordance with the Programme Participation Notes with a nominal value of € 800 000 000 have been issued during the year. The Participation Notes run with fixed interest and should be repaid in 2015. This borrowing has been used to finance a loan to the parent company on basically the same terms.

Expected future development

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

The profit of the year	SEK	<u>462 421</u>
		462 421

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

Carried forward	SEK	<u>462 421</u>
		462 421

For further information please refer to the accompanying profit and loss statement, balance sheet and notes.

Profit and loss statement

Note 1

Amounts in SEK	2010	2009
Administration fee from parent company	539 572	570 521
Other expenses	Note 4 -479 416	-336 749
Income before financial items	60 156	233 772
Interest income long term loan to parent company	54 667 603	-
Interest expenses LPN-borrowing	-54 638 532	-
Curr. Exch. Losses etc.	-704	-23 485
Income before taxes	88 523	210 287
Current taxes	-23 282	-55 310
Net income	65 241	154 977

Balance sheet

Note 1

Amounts in SEK		2010-12-31	2009-12-31
Assets			
<i>Financial fixed assets</i>			
Loan to parent company	Note 2	7 184 966 661	-
<i>Current assets</i>			
Receivable parent company	Note 3	539 572	-
Taxes receivable		64	64
Prepaid expenses		124 851	125 000
Accrued interest income, parent company		52 976 825	-
Bank funds		1 155 478	902 426
Total assets		7 239 763 451	1 027 490
Liabilities and equity			
Equity			
Note 6,7			
<i>Restricted equity</i>			
Share capital (5000 shares with quote value 100 kr)		500 000	500 000
<i>Unrestricted equity</i>			
Retained earnings		397 180	242 203
Current profit		<u>65 241</u>	<u>154 977</u>
Total unrestricted equity		462 421	397 180
Total equity		962 421	897 180
<i>Long-term liabilities</i>			
LPN-loan	Note 5	7 185 657 723	-
<i>Short term liabilities</i>			
Current tax liability		23 282	55 310
Accrued interest expense		52 976 825	-
Other accrued expenses		<u>143 200</u>	<u>75 000</u>
Total short-term liabilities		53 143 307	130 310
Total liabilities		7 238 801 030	130 310
Total liabilities and equity		7 239 763 451	1 027 490
Pledged assets			
Loan to parent company		7 247 272 825	-
Commitments			
		None	None

Note 1 Accounting and valuation principles

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

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.

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 whole amount is repayable October 21, 2015.

Note 3 Receivable parent company

This amount as of 2010-12-31 was paid to the company on January 28, 2011 .

Note 4 Other costs

Includes audit fee to PwC with SEK 75,000 (75,000)

Note 5 LPN-loan

The whole amount is repayable on October 21, 2015.

Note 6 Equity

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Current earnings</i>	<i>Total equity</i>
Opening balance	500 000	242 203	154 977	897 180
Profit carried forward		154 977	-154 977	0
Current income	-		65 241	65 241
Total	500 000	397 180	65 241	962 421

Not 7 Parent company

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

Stockholm

Magnus Sundström
Managing Director

Artur Osytek
Chairman

Iwona Jankowska

Our audit report was issued 2011-
Öhrlings PricewaterhouseCoopers AB

Susanne Sundvall
Authorized auditor