ADMINISTRATION REPORT

The Company is a wholly owned subsidiary of Powszechna Kasa Oszczednosci Bank Polski Spolka Akcyjna ("PKO Bank"). The Company has its registered offices in Stockholm.

Operations

The Company's operations consist of, direcly or indirectly, owning, managing and trading securities and conducting other non-licensed financial operations including lending and other activities compatible therewith.

In 2008, the Company entered into a "Programme for the issuance of Loan Participation Notes" (the "Programme"). Under the Programme, the Company may issue loan participation notes in various series. The sole purpose of issuing each series is to finance loans to the Parent Company. The Company charges certain rights under the loans to the Parent Company for the benefit of the note holders.

In accordance with the Programme, four tranches of Participaton Notes denominated in CHF and EUR have been issued during 2010- 2012. Additionally, a bond loan for the American market was issued during 2012 based on such documentation as required in the United States, in accordance with the Rule 144A of the US Securites Act.

All issued loans run with fixed interest and have been used to finance loans to the Parent Company on essentially the same 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).

The financial year

In January 2014, an additional loan has been issued in accordance with the above-mentioned programme, amounting to EUR 500,000,000. This loan is due for repayment in 2019.

The increase in net income compared to 2013 is related to the new loan issued to the Parent Company, which has been financed through the aforementioned bond issue.

The Company has not had any employees.

Effective from 1 January 2014, the Company applies RFR 2 for accounting purposes. For further information, refer to Note 1.

Multiyear review (KEUR)

	2014	2013	2012	2011
Interest income	95 750	85 714	50 856	33 697
Income before taxes	545	424	314	129
Equity	762	687	434	202
Balance sheet total	2 825 007	2 204 490	2 242 933	1 013 635

Risks and uncertainties

Market risk
The loans granted to the Parent Company, and which constitute the main assets of the Company, are financed in their entirety by bond loans in the same currencies and with the same interest and repayment terms. The interest rates on the loans granted to the Parent Company are fixed, as are the interest rates on the bond loans. All loans to the Parent Company are financed by bond loans in the same currency. All material cash and bank deposits are held in EUR, which is the presentation currency of the Company.

Liquidity risk
As mentioned above, the Company's interest payments on the bond loans and the interest payments from the Parent Company run concurrently (the interest payments on the loans to the Parent Company in fact occur shortly before the interest on the bond loans is due for payment). Consequently, the Company will always have access to funds in order to finance its interest payments. For further information, refer to Note 5.

Credit risk
PKO Bank SA is the Company's only debtor. The financial situation of PKO Bank SA is good (the S&P long-term rating is A- and Moody's long-term rating is A2), for which reason the credit risk of the Company is deemed to be low. The liquid funds of the Company are deposited with SEB, Sweden.

Corporate governance report

The Company has established routines in order to ensure the accuracy of the financial reporing which, amongst other procedures, include the audit of the Annual report by the auditors appointed by the AGM.

In view of the limited activities and low number of transactions, the Board of Directors considers the control system for the financial reporting, as described above, to be sufficient.

Expected future development

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

Significant events after the end of the financial year

No significant events have occured after the end of the financial year.

Proposed appropriation of profits

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

Retained earnings	EUR	378 045
Net profit for the year	EUR	328 571
Net profit for the year and retained earnings, total	EUR	706 616

The Board of Directors proposes that profits be appropriated as follows

To be distributed as dividends	EUR	262 857

The Board of Directors find the proposed dividend well-balanced, considering the Company's business objectives, scope, risks and ability to meet future obligations. Following the payment of the dividend, the Company will continue to have acceptable levels of liquidity and equity capitalisation. The proposed dividend can therefore be justified in relation to the requirements set out in the Swedish Companies Act Ch 17, Section 3, paragraphs 2-3.

INCOME STATEMENT

Amounts in EUR	Note 1,2	2014	2013
Administrative and commission revenues from the Parent Company		584 077	446 985
Other external expenses	Note 3	-105 003	-102 497
Operating income		***479 074***	***344 489***
Financial items			
Interest income, loans to Parent Company		95 750 212	85 713 568
Interest expenses, bond loans etc.		-95 649 421	-85 610 503
Net currency effects		-34 476	-23 201
Income before taxes		***545 389***	***424 353***
Transfer to tax allocation reserve		-130 614	-102 916
Current tax expense	Note 4	-86 204	-67 925
Net profit for the year		***328 571***	***253 512***

The comprehensive income of the Company is equal to net profit for the year.

BALANCE SHEET Note 1, 2

Amounts in EUR		31 Dec 2014	31 Dec 2013
Assets			
Financial fixed assets			
Loans granted to Parent Company	Note 5, 6	1 577 218 688	2 183 995 996
Current assets			
Loans granted to Parent Company	Note 5, 6	1 215 101 100	0
Receivables from Parent Company		1 626	843
Prepaid expenses		13 190	14 439
Accrued income, Parent Company	Note 7	31 492 672	19 326 014
Cash and cash equivalents		1 179 282	1 152 518
Total current assets		1 247 787 870	20 493 814
Total assets		**2 825 006 558**	**2 204 489 811**
Liabilities and equity			
Equity	Note 9		
Restricted equity			
Share capital (5 000 shares)		55 474	55 474
Non-restricted equity			
Retained earnings		378 045	378 045
Net profit for the year		328 571	253 512
Total non-restricted equity		706 616	631 557
Total equity		**762 090**	**687 031**
Untaxed reserves			
Tax allocation reserve		**227 343**	**102 916**
Liabilities			
Non-current liabilities			
Bond loans	Note 6,8	1 576 756 638	2 184 255 567
Current liabilities			
Bond loans		1 215 722 211	0
Accounts payable, Parent Company		0	843
Accounts payable, others		0	4 087
Current tax liability		90 808	148 418
Accrued interest expenses		31 431 716	19 267 994
Other current liabilities		0	2 449
Other accrued expenses		15 752	20 505
Total current liabilities		1 247 260 487	19 444 297
Total liabilities		**2 824 017 125**	**2 203 699 864**
Total liabilities and equity		**2 825 006 558**	**2 204 489 811**
Pledged assets			
Loans granted to Parent Company		2 823 751 504	2 203 263 992
Commitments		None	None

Cash-flow statement

Amounts in EUR	2014	2013
Operating activities		
Interest and other payments from Parent Company	85 152 456	84 815 072
Income taxes	-147 700	-35 805
Interst payments on bond loans	-84 568 814	-84 353 808
Payments to suppliers	-112 366	-105 059
Loan to Parent Company	-500 000 000	0
Cash flow from operating activites	**-499 676 424**	**320 400**
Investing activities	0	0
Financing activities		
Issue of bonds	500 000 000	0
Dividends	-254 867	0
Cash flow from financing activities	**499 745 133**	**0**
Cash flow for the period	**68 709**	**320 400**
Opening cash balance	1 152 518	866 197
Exchange gains/losses on cash and cash equivalents	-41 945	-34 079
Cash and cash equivalents at the end of the period	**1 179 282**	**1 152 518**

REPORT ON CHANGES IN EQUITY

	Share capital	*Retained earnings*	*Net profit/loss for the year*	*Total equity*
Amount 1 Jan 2013	55 474	146 281	231 764	433 519
Retained earnings		231 764	-231 764	0
Net profit for the period			253 512	253 512
Amount 31 Dec 2013	55 474	378 045	253 512	687 031
Amount 1 Jan 2014	55 474	378 045	253 512	687 031
Retained earnings		253 512	-253 512	0
Dividend (EUR 50.70 per share)		-253 512		-253 512
Net profit for the period			328 571	328 571
Amount 31 Dec 2014	55 474	378 045	328 571	762 090

The shares have no nominal value and have been fully paid up. The number of shares is unchanged since 1 January 2013.

NOTES

Note 1 Basis for the preparation of the report

The annual report is prepared in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Council's recommendation RFR 2; Reporting for legal entities. According to RFR 2, the Company is required to apply International Financial Reporting Standards (IFRS) as adopted by the European Union, to the extent that this is possible within the framework of the Annual Accounts Act (1995:1554) and the Securities Act (1967:531) and taking into account the connection between accounting and taxation. The recommendation indicates which exceptions and additions that are needed in relation to IFRS.

Effective from 1 January 2014, the Company applies RFR 2. The transition has not had any material impact on the financial reports of the Company for 2014 or 2013. The profit for 2013 and the balance sheet as at 31 December 2013 correspond to what would have been reported had the previously used principles been applied.

The annual report is based on the going concern assumption for the foreseeable future.

The functional currency is EUR, which also is the presentation currency.

Note 2 Important accounting principles.

None of the standards, changes and interpretations that entered into force for financial years beginning on or after 1 January 2014 have had any material impact on the financial reports. None of the IFRS or IFRIC interpretations that have not yet entered into force are expected to have any material impact on the Company.

The Company is considered to consist of one single business segment.

Foreign currency

Transactions in currencies other than EUR have been valued at the prevailing exchange rate on the transaction date. All assets and liabilities denominated in currencies other than EUR have, as of the reporting date, been valued using the prevailing exchange rate on the reporting date according to Oanda.
The following rates have been applied :

	31 Dec 2014	31 Dec 2013
	EUR	EUR
1 SEK =	0,10527	0,11199
1 CHF =	0,83132	0,81573
1 PLN =	0,23224	0,2409
1 USD =	0,82262	0,72633

Reporting of income and expenses

Interest income and expenses are reported in accordance with the effective interest method.
Other income is reported at the time of earning and to the extent it is probable that the future economic benefits will accrue to the Company, and that the income can be reliably estimated.

Valuation of assets and liabilites

Assets and liabilites are reported at acquision cost and nominal value, respectively, unless otherwise stated.

The loans granted to the Parent Company and the bond loans have been reported in accordance with the effective interest method, entailing that the difference between discounted (recorded) values and the nominal values of the Parent Company loan and the bond loan are amortised over the term of the respective loans. These amortisations are included in reported interest income/expenses which, for this reason, reflect the effective interest of the respective loans.

In the event that there are objective grounds to believe that an asset has decreased in value, the value of the asset is impaired accordingly.

Income tax

Reported income taxes include taxes that are to be paid or received relating to the reported period and adjustments regarding earlier periods. Tax assets/liabilities are valued at the amounts, that, in the opinion of the Company, are expected to be paid to or received from the Tax Agency. Taxable income can differ from income before taxes as reported in the income statement as this income excludes revenues and expenses that are taxable or deductible in other periods, and it also excludes revenues and expenses that are in no way taxable or deductible.

In accordance with RFR2, no deferred tax liability relating to the Company's untaxed reserves is reported.

Share capital

Reported share capital corresponds to the total nominal value of the registered shares of the Company.

Estimation of fair value

The fair values of the loans granted to the Parent Company and of the bond loans have been calculated based on listed value on the Luxembourg and Zurich stock exchanges according to Bloomberg as at the report date.

For other assets and liabilities, it is the opinion of the Company that the reported values constitute the best possible estimate of the fair values, since these assets and liabilities are short-term and have high liquidity.

Estimations and assumptions

In preparing the report, the Company has made estimates and assumptions. The accounting estimates arising from these will, by definition, seldom correspond to the actual outcome.
No estimations and assumptions which could result in material adjustments in reported values in the next reporting period were made during 2014.

Note 3 Other external expenses

	2014	2013
Audit fees, PWC	7 440	13 654
Other fees, PWC	-	1 120
Remuneration to directors	14 919	7 538
Expenses, Group companies	18 378	9 143
Administrative fees	57 673	66 091
Other external fees	4 885	2 395
Bank fees	1 708	2 556
Total other external expenses	105 003	102 497

The Board of Directors receive remuneration in accordance with resolutions of the Annual General Meeting.
The remuneration paid to the Board of Directors in 2014 amounted to 14,730 and in 2013 to 7,190.
As was the case in 2013, there Board of Directors is comprised of two men and one woman.

Note 4 Reconciliation of effective tax

	2014	2014	2013	2013
	(%)		(%)	
Income before tax but after appropriations		414 775		321 437
Tax according to current tax rate	22,00%	91 251	22,00%	70 716
Non-decuctible expenses		148		110
Non-taxable income		-744		
Flat-rate interest on tax allocation reserve		333		
Tax relating to earlier years		49		
Currency effects		-4 833		-2 901
Reported effective tax	20,78%	86 204	21,13%	67 925

Note 5 Loans granted to Parent Company

Loan	*Issued*	*Due for repayment*
€ 800 000 000	21 Oct 2010	21 Oct 2015
CHF 250 000 000	7 Jul 2011	7 Jul 2016
€ 50 000 000	25 Jul 2012	25 Jul 2022
CHF 500 000 000	21 Sept 201	21 Dec 2015
USD 1 000 000 000	26 Sept 2012	26 Sept 2022
€ 500 000 000	23 Jan 2014	23 Jan 2019

Note 6 Financial assets and liabilities - information according to IFRS 7

Information on fair values

	31 Dec 2014 Reported value	31 Dec 2014 Fair value	31 Dec 2013 Reported value	31 Dec 2013 Fair value
Loans granted to Parent Company	2 823 751 504	2 895 592 443	2 203 263 991	2 239 202 279
Accrued income, Parent Company	60 956	60 956	58 019	58 019
Cash and cash equivalents	1 179 281	1 179 281	1 152 518	1 152 518
Bond loans	2 823 910 565	2 895 592 443	2 203 523 561	2 239 202 279

Book values are reasonable approximations of fair value in cases above, where no real values are reported for financial instruments since their terms are short. The information above that relates to Loans and Bond Loans belongs to level 1 in the fair-value hierarchy and have been valued to the latest market value noted on the Luxembourg and Zurich stock exchanges. The Loans are valued at the same value since the Parent Company loans are pledged as security for the bond loans.

Structure of maturity for financial debts

	Book value 31 Dec 2014	Maturities up to one year	Maturities between one and five years	Maturities over five years
Loans to the Parent Company	2 792 319 788	1 302 536 667	900 143 948	883 217 237
Bond loans	2 792 478 849	1 215 660 000	900 143 948	883 217 237

	Book value 31 Dec 2013	Maturities up to one year	Maturities between one and five years	Maturities over five years
Loan to the Parent Company	2 183 995 996	0	1 599 048 427	873 501 096
Bond loans	2 184 255 567	0	1 599 048 427	873 501 096

The amount relate to contractual non-discounted payments.

For further information concerning risks related to financial instruments please refer to the administration report under "Risks and Uncertainties".

Note 7 Accrued income, Parent Company

	31 Dec 2014	31 Dec 2013
Accrued interest income	31 431 716	19 267 996
Accrued administrative fee income	60 956	58 019
Total accrued income, Parent Company	31 492 672	19 326 015

Note 8 Bond loans

Loan	*Issued*	*Maturity*	*Interest payment*
€ 800 000 000	21 Oct 2010	21 Oct 2015	Annually
CHF 250 000 000	7 Jul 2011	7 Jul 2016	Annually
€ 50 000 000	25 Jul 2012	25 Jul 2022	Annually
CHF 500 000 000	21 Sept 201	21 Dec 2015	Annually
USD 1 000 000 000	26 Sept 2012	26 Sept 2022	Semi-annually
€ 500 000 000	23 Jan 2014	23 Jan 2019	Annually

Note 9 Parent Company

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

Note 10 Related party transactions

	2014	2013
Balance sheet items		
Loans, Parent Company	2 792 319 788	2 183 995 996
Accrued income, Parent Company	31 492 672	19 326 014
Income statement items		
Interest income, Parent Company	95 750 212	85 713 568
Administrative and commission revenues from the Parent Company	584 077	446 985
Remuneration to other Group companies	18 378	9 143

Stockholm, 27 February 2015

Artur Osytek
Chairman

Magnus Sundström
Managing Director

Iwona Jankowska
Board Member

Our audit report was issued on _______________ 2015.
Öhrlings PricewaterhouseCoopers AB

Sussanne Sundvall
Authorised Public Accountant