



**Supplement dated 3 September 2010
to the Base Prospectus dated 23 April 2010**

€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 “**Second Supplement**”) constitutes a second supplement and must be read in conjunction with the Base Prospectus dated 23 April 2010 and the supplement to the Base Prospectus dated 20 May 2010 (together, the “**Base Prospectus**”), prepared by PKO Finance AB (publ) (the “**Issuer**”) and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (the “**Borrower**”, “**PKO BP**” or the “**Bank**”) with respect to the programme for the issuance of loan participation notes referred to above (the “**Programme**”).

Terms defined in the Base Prospectus have the same meaning when used in this Second Supplement. To the extent that there is any inconsistency between any statement in this Second Supplement and any other statement in or incorporated in the Base Prospectus, the statements in this Second Supplement will prevail.

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 (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg to approve this document as a Second Supplement.

Each of the Issuer and the Borrower accepts responsibility for the information contained or incorporated by reference in this Second 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 Semi-Annual Report of PKO BP

This Second 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 19 August 2010 of its condensed interim consolidated financial statements for the six-month period ended 30 June 2010 (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 Second Supplement and, by virtue of this Second Supplement, is incorporated in, and forms part of, the Base Prospectus.

The following information is included on the pages of the Condensed Interim Consolidated Financial Statements:

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|--|------------|
| (a) Consolidated Income Statement | page 4 |
| (b) Consolidated Statement of Comprehensive Income | page 4 |
| (c) Consolidated Statement of Financial Position | page 5 |
| (d) Consolidated Statement of Changes in Equity | page 6 |
| (e) Consolidated Cash flow Statement | page 7 |
| (f) Notes to the Condensed Interim Consolidated Financial Statements | pages 8-59 |

Any information not listed above but included in the document incorporated by reference is given for information purposes only. Each of the Borrower and the Issuer accepts responsibility as to the accuracy and completeness of any translations into English set out in any documents incorporated by reference in this Base Prospectus.

Significant and Material Change

- (a) The first paragraph on page 13 of the section entitled “The Group’s Operations in Ukraine Pose Significant Risks and Could Generate Further Losses” of the Base Prospectus shall be deemed to be deleted and replaced with the following paragraphs:

“As at the date of the Second Supplement, the Group owned 99.57% of the share capital in KREDOBANK, a bank operating in Ukraine. As at 30 June 2010, the value of KREDOBANK in the books of the Bank at cost less impairment was PLN 363.0 million. In light of the current economic situation in Ukraine, as at 30 June 2010 the impairment allowance in the Bank’s books with respect to the value of KREDOBANK was PLN 423.7 million. The total value of loans, including subordinated loans extended to KREDOBANK (included in the statement of financial position and off-balance sheet) was PLN 786.3 million. On 18 December 2009, an Extraordinary Meeting of the Shareholders of KREDOBANK adopted a resolution to increase the share capital of KREDOBANK by UAH 368.0 million (PLN 158.0 million at the mid exchange rate of the NBP, as at 30 June 2010) by way of a share issue, and such share capital increase was registered on 22 July 2010. The Bank acquired the shares of the new issue, with the total nominal value of PLN 148.9 million (at the mid exchange rate of the NBP, as at 21 July 2010).

The Bank has guaranteed the repayment of loans under certain agreements entered into by KREDOBANK as the lender. As at the date of the Second Supplement, the nominal value of the guarantee amounted to USD 37.7 million and such guarantee expires on 10 January 2012.”

- (b) The last paragraph on page 14 of the section entitled “The Group’s Operations in Ukraine Pose Significant Risks and Could Generate Further Losses” of the Base Prospectus shall be deemed to be deleted and replaced with the following paragraph:

“In the fourth quarter of 2009 and in the first quarter of 2010, the regulatory capital of KREDOBANK was increased by USD 35.0 million (PLN 99.8 million at the mid exchange rate of the NBP as at 31 December 2009) of subordinated loans extended by the Bank and by UAH 368.0 million (PLN 158.0 million at the mid exchange rate of the NBP as at 30 June 2010) of advanced payment for subscription of the share issue. The share capital increase was registered on 22 July 2010.”

- (c) The second paragraph on page 16 of the section entitled “Any Reduction in the Bank’s Credit Rating Could Increase Its Cost of Funding and Adversely Affects Its Interest Margins” of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

“On 18 June 2009, Moody’s Investor Services 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. Fitch assigned to the Bank a support rating of “2” on 18 December 1996, which denotes a bank for which there is a high probability of support from the State Treasury. This probability of support indicates a minimum long-term rating floor of “BBB-”. The support rating of “2” was maintained by Fitch on 9 August 2010. On 25 August 2004, Standard & Poor’s assigned to the Bank a long-term local currency liabilities rating of “BBBpi” and, in December 2007,

Capital Intelligence assigned to the Bank a long-term foreign currency liabilities rating of “A-” and a financial strength rating of “BBB+” and, in January 2010, increased the support rating from “2” to “1”. Unlike Moody’s, the long-term and financial strength ratings assigned by Fitch, Standard & Poor’s and Capital Intelligence are unsolicited. The Bank does not provide detailed information or schedule in-depth meetings with Standard & Poor’s, Fitch or Capital Intelligence and, therefore, these ratings are only based on an analysis of the Bank’s published financial information, as well as additional information in the public domain. As a result, the Bank cannot provide assurance that the long-term or financial strength ratings assigned by Fitch, Standard & Poor’s or Capital Intelligence will reflect the most current information regarding the Bank’s credit quality.”

- (d) The first two paragraphs on page 51 of the sub-section entitled “KREDOBANK S.A. – banking services in Ukraine” of the Base Prospectus shall be deemed to be deleted and replaced with the following two paragraphs:

“In August 2004, the Bank entered the Ukrainian banking market, attracted by its high growth potential and the low saturation of banking products and services. The Bank acquired an interest in KREDOBANK S.A., a bank registered and operating in Ukraine. Following purchases of shares from minority shareholders in 2005 and the European Bank for Reconstruction and Development in 2007, and as a result of share capital increases, the Bank, as at the date of the Second Supplement, owns 99.57% of the share capital of KREDOBANK.

KREDOBANK is a commercial bank providing standard banking services for both individual and corporate clients. As at 30 June 2010, KREDOBANK’s distribution network comprised of 16 branches and 138 outlets in 22 of the 24 regions of Ukraine and in the Autonomous Republic of Crimea. KREDOBANK’s scope of operations in Ukraine includes deposit taking, lending activity, servicing bank accounts, foreign exchange transactions and offering securities brokerage services. According to data published by the NBU, KREDOBANK’s market share (calculated as a percentage of the total net assets of the banking sector of Ukraine) was 0.57% as at 31 December 2009.”

- (e) The sixth and seventh paragraphs on page 52 of the sub-section entitled “KREDOBANK S.A. – banking services in Ukraine” of the Base Prospectus shall be deemed to be deleted and replaced with the following two paragraphs:

“In the fourth quarter of 2009 and in the first quarter of 2010, the regulatory capital of KREDOBANK was increased by USD 35.0 million of subordinated loans extended by the Bank (PLN 99.8 million at the mid exchange rate of the NBP as at 31 December 2009) and by UAH 368.0 million advanced payment for subscribing in KREDOBANK’s share issue (PLN 158.0 million at the mid exchange rate of the NBP as at 30 June 2010). The share capital increase was registered on 22 July 2010.

As at 30 June 2010, the total equity of KREDOBANK amounted to UAH 523 million (PLN 225 million) – ranking 63rd in the Ukrainian banking sector, based on the NBU’s data. KREDOBANK reported a net loss of UAH 130 million (PLN 50 million) for the six-month period ended 30 June 2010. The net loss was caused mainly by an increase in the net impairment allowance on loans granted by KREDOBANK. The loan portfolio (gross) of KREDOBANK was UAH 4,525 million (PLN 1,942 million). The loan coverage ratio (impairment allowances on loans and advances to customers to the gross loans and advances to customers) amounted to 27.53% which is above the Ukrainian banking sector average of 17.49% (based on NBU data). The coverage ratio of loans valued using the individual and portfolio method (total impairment allowances to the sum of receivables valued using the individual and portfolio method) was 35.3%. As of 30 June 2010, the total amounts due to customers of KREDOBANK amounted to UAH 3,360 million (PLN 1,442 million). KREDOBANK’s capital adequacy ratio was 22.12% as at 30 June 2010 and was higher than the NBU’s regulatory minimum of 10%.”

- (f) The following paragraph shall be deemed introduced after the second paragraph on page 53 of the sub-section entitled “KREDOBANK S.A. – banking services in Ukraine” of the Base Prospectus:

“In order to assist KREDOBANK to collect debts, the Bank extended a guarantee to KREDOBANK which secures the repayment of loans under certain loan agreements entered into by KREDOBANK as the lender. The nominal value of the guarantee amounts to USD 37.7 million and such guarantee expires on 10 January 2012.”

- (g) The first paragraph on page 55 of the section entitled “Ratings” of the Base Prospectus shall be deemed to be deleted and replaced with the following paragraph:

“The Bank has been assigned ratings by Fitch (on 18 December 1996 and maintained on 9 August 2010, unsolicited), Moody’s Investor’s Service (on 14 January 2003, 24 February 2007 and 18 June 2009), Standard & Poor’s (on 25

August 2004, unsolicited) and Capital Intelligence (on 30 November 2000, in December 2007 and in January 2010, unsolicited) as set forth in the table below.”

- (h) The fourth paragraph on page 60 of the section entitled “Proceedings involving advertising campaign of “Max Lokata” term deposit” of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

“On 12 December 2008, following the completion of the antimonopoly proceedings, the President of the Antimonopoly Office found the advertising campaign of the “Max Lokata” term deposit to be a practice infringing mutual consumer rights. The advertisement allegedly misled customers by, *inter alia*, not providing information about the date from which interest accrued, failing to make further references to advertising materials which would identify the need to seek additional information on restrictions involving the aforementioned product, and by suggesting to the recipients within the advertising campaign that the offered product did not include any additional factors affecting its final form and content other than those included in advertisement. Furthermore, in its decision dated 12 December 2008, the President of the Antimonopoly Office ordered the Bank to cease these practices as of 25 February 2009 and imposed on the Bank a fine of approximately PLN 5.7 million. On 2 January 2009 the Bank appealed against this decision of the President of the Antimonopoly Office to the Antimonopoly Court. Subsequently, on 25 March 2009, the President of the Antimonopoly Office responded to the appeal to which the Bank replied on 22 April 2009. Hearings were held on 27 January and 24 February 2010. On 10 March 2010 the Antimonopoly Court dismissed the appeal of the Bank and upheld the decision of the President of the Antimonopoly Office. The Bank filed a motion for the formal delivery of the Antimonopoly Court’s judgment with its grounds and received such judgment on 19 April 2010. On 4 May 2010 the Bank appealed against the judgment, hence as at the date of the Second Supplement such judgment is not legally binding.”

- (i) The eighth paragraph on page 95 of the section entitled “Members of the Management Board” of the Base Prospectus shall be deemed to be deleted and replaced with the following paragraph:

“As at the date of the Second Supplement to the Base Prospectus, the Management Board consists of six members.”

- (j) The last row of the table on page 96 of the section entitled “Members of the Management Board” of the Base Prospectus shall be deemed deleted.
- (k) The second to fourth paragraphs on page 99 of the section entitled “Members of the Management Board” of the Base Prospectus shall be deemed to be deleted.
- (l) The ninth paragraph on page 101 of the section entitled “Members of the Supervisory Board” of the Base Prospectus shall be deemed to be deleted and replaced with the following paragraph:

“As at the date of the Second Supplement, the Supervisory Board consists of eight members.”

- (m) The table on page 102 of the section entitled “Members of the Supervisory Board” of the Base Prospectus shall be deemed to be amended by inserting the following final row:

Piotr Marczak	46	Member of the Supervisory Board	25 June 2010	20 May 2011
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- (n) The following paragraphs shall be deemed to be inserted after the third paragraph on page 105 of the section titled “Members of the Supervisory Board” of the Base Prospectus:

“*Piotr Marczak*

Since 1992 Piotr Marczak has worked in the Ministry of Finance, where he started in the Financial Policy, Analyses and Statistics Department. At present, Piotr Marczak holds the position of the Director of the Public Debt Department, and his main responsibilities include, *inter alia*, the preparation of the public debt management strategy in the public finance sector, participation in the management of the liquidity of the state budget, including foreign currency liquidity management. Piotr Marczak is the author of several dozen studies and articles on public debt and the treasury securities market in Poland. He was also a lecturer at the Lower Silesian School of Banking. Currently, Piotr Marczak is a member of the Supervisory Board of Polskie Koleje Linowe S.A. Previously Piotr Marczak was a member of the supervisory boards of, among others, Bank Gospodarstwa Krajowego, Huta Będzin S.A. and Huta Stalowa Wola S.A.

Piotr Marczak is a graduate of the Warsaw School of Economics (formerly the Main School of Planning and Statistics).

The business address of Piotr Marczak is: Ministerstwo Finansów, ul. Świętokrzyska 12, 00-916 Warsaw, Poland.”

General

Save as disclosed in this Second 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 publication of the Base Prospectus.

Copies of this Second Supplement and of the documents incorporated by reference into this Second Supplement can be obtained, free of charge, at the specified offices of Citibank, N.A., London Branch and Dexia Banque Internationale à Luxembourg, unless such documents have been modified or superseded. The Second Supplement as well as such documents which have been incorporated by reference into this Second Supplement will also be available to view 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 Second Supplement have the right, exercisable within a time limit of two working days after the publication of this Second Supplement, to withdraw their acceptances.