



2020

DIRECTOR'S REPORT
ON THE OPERATIONS OF THE KRUK GROUP

Table of contents

Letter from the President of the Management Board	6
MAIN ACHIEVEMENTS IN 2020.....	8
1 KRUK GROUP	10
1.1 KRUK's milestones	10
1.2 KRUK's business model.....	12
1.3 KRUK's relations with indebted persons	12
1.4 We are the most recognisable company in the industry	13
1.5 KRUK on the debt market.....	14
1.5.1 Purchased debts	14
1.5.2 Credit management services.....	15
1.5.3 Operating tools.....	15
1.6 Number and value of cases handled by the KRUK Group	17
2 GENERAL INFORMATION ABOUT THE KRUK GROUP AND KRUK S.A.	18
2.1 General information about the Parent.....	18
2.2 Structure.....	18
2.2.1 Description of the Group's structure.....	18
2.2.2 Changes in the Group's structure in 2020.....	21
2.2.3 Changes in the Group's significant management policies.....	21
2.2.4 Consolidated entities.....	21
2.2.5 Company branches	21
2.3 Share capital	21
2.3.1 Share capital structure	21
2.3.2 Changes in the share capital and conditional share capital	22
2.4 Dividend policy and income distributions to shareholders in other forms.....	22
2.4.1 Historical data on dividends and income distributions to shareholders in other forms.....	22
2.4.2 Policy concerning dividends and distribution of income to shareholders in other forms	24
2.5 Performance of Company shares on the Warsaw Stock Exchange.....	24
2.5.1 Share price.....	24
2.5.2 Stock liquidity	25
2.5.3 Ownership interests of open-end pension funds (OFE) in KRUK S.A.	25
2.6 Human capital.....	26
2.6.1 Qualified personnel	26
2.6.2 Incentive Scheme	27
2.6.3 Workforce at the KRUK Group.....	29
3 OVERVIEW OF 2020 OPERATIONS.....	31

3.1	KRUK Group's financial results and selected consolidated financial data	31
3.1.1	Purchased debt portfolios	32
3.1.2	Credit management services	33
3.1.3	Credit reference agency (ERIF BIG).....	33
3.1.4	Consumer loans (Novum and Wonga).....	33
3.2	Summary of results by business segment	34
3.3	KRUK Group results by geographical segment.....	36
3.4	Carrying amount of purchased debt portfolios.....	42
3.5	Group's investments.....	43
3.5.1	Investments in debt portfolios	43
3.5.2	Loans.....	43
3.5.3	Other capital expenditure	44
3.5.4	Equity investments within the Group.....	44
3.5.5	Sources of financing the investments	44
3.5.6	Assessment of the feasibility of investment plans	44
4	FINANCIAL REVIEW	45
4.1	Policies applied in the preparation of full-year consolidated financial statements.....	45
4.2	Analysis of the consolidated financial data	45
4.2.1	Revenue by product	45
4.2.2	Revenue by geographical markets	46
4.2.3	Structure of assets and liabilities in the consolidated statement of financial position	46
4.2.4	Financial results	47
4.2.5	Cash flows.....	47
4.2.6	Material off-balance sheet items by counterparty, subject matter and value	47
4.2.7	Key financial ratios.....	48
4.2.8	Debt ratios	49
4.3	Financial instruments	50
4.3.1	Use of financial instruments.....	50
4.3.2	Derivatives.....	50
4.3.3	Risks associated with the use of financial instruments	52
4.4	Events with a significant effect on the Group's operating and financial results.....	52
4.4.1	Significant events during the financial year	52
4.4.2	Non-recurring factors and events.....	52
4.4.3	Operations – COVID-19 and measures taken in connection with the pandemic.....	52
4.5	Securities in issue	53
4.5.1	<i>Company shares</i>	53

4.5.2	Company bonds	53
4.6	Assessment of financial resources management	55
4.6.1	Financial forecasts	55
4.6.2	Assessment of future financial condition	55
4.7	Agreements executed by companies of the KRUK Group	55
4.7.1	Agreements executed with non-Group companies	55
4.7.2	Intra-group agreements	55
4.7.3	Material related-party transactions executed on a non-arm's length basis	55
4.7.4	Borrowing agreements	56
4.7.5	Termination of credit facility and loan agreements	59
4.7.6	Loans, sureties and guarantees granted; borrowings, sureties and guarantees received.....	59
4.7.7	Loans received by the Company from subsidiaries	60
4.7.8	Consumer loans offered by the KRUK Group through Novum and Wonga.pl	60
4.7.9	Intra-company loans between subsidiaries.....	60
4.8	Guarantees	61
4.8.1	Guarantees obtained	61
4.8.2	Guarantees provided	61
4.8.3	Sureties	61
4.9	Significant events after December 31st 2020	62
5	BUSINESS ENVIRONMENT	63
5.1	Debt management market	63
5.2	Legal and regulatory environment	65
5.2.1	Changes in the laws and regulations applicable to the Group's business.....	70
6	DEVELOPMENT FOCUS	74
6.1	Development directions and prospects of the Group.....	74
6.1.1	Mission and vision	74
6.1.2	Strategic plan for 2019-2024	74
6.1.3	Implementation of the strategic plan in 2020.....	76
6.2	Major research and development achievements	77
7	RISK FACTORS AND THEIR MANAGEMENT.....	79
8	CORPORATE GOVERNANCE	86
8.1	Statement of compliance with corporate governance standards.....	86
8.1.1	Adopted code of corporate governance	86
8.1.2	Corporate governance standards which the Company elected not to comply with	86
8.2	Shareholding structure	87
8.2.1	Changes in major holdings of shares in the reporting period	88

8.2.2	Treasury shares.....	89
8.2.3	Holders of securities conferring special control powers	90
8.2.4	Limitations on the exercise of voting rights	90
8.2.5	Limitations on transfer of ownership of securities	90
8.2.6	Agreements which may give rise to changes in ownership interests held by the existing shareholders or bondholders	90
8.3	Governing bodies.....	90
8.3.1	Composition of the Management Board, changes therein and rules of appointment.....	91
8.3.2	Powers of the Management Board	92
8.3.3	Shares in the Company and in its related entities held by members of the Management Board and Supervisory Board	92
8.3.4	Remuneration, bonuses and employment contract terms of the Management Board members	95
8.4	Supervisory Board	98
8.4.1	Composition of the Supervisory Board, its changes and rules of appointment.....	98
8.4.2	Operation of the Supervisory Board.....	99
8.4.3	Shares in the Company and in its related entities held by members of the Supervisory Board	101
8.4.4	Remuneration, bonuses and employment contract terms of the Supervisory Board members	101
8.4.5	Supervisory Board Committees.....	102
8.5	Rules governing amendments to the Company's Articles of Association	111
8.6	Key features of internal control and risk management systems used in the process of preparation of financial statements and consolidated financial statements.....	111
8.7	Diversity policy	112
8.8	Material litigation, arbitration or administrative proceedings	112
9	ADDITIONAL INFORMATION.....	113
9.1	Investor Relations.....	113
9.2	Auditors	115
10	NON-FINANCIAL INFORMATION.....	116
11	Glossary of terms.....	156

Letter from the President of the Management Board

Dear Shareholders,

I would like to present the Directors' Report on the operations of the KRUK Group in 2020. It was a challenging year. The pandemic took the world by surprise, affecting people's professional and personal lives. Despite headwinds, our organisation ended the year with a profit of PLN 81m.

Never before in our over twenty-year history had we experienced such unsatisfactory performance against expected cash recoveries and such significant downward revaluations of future cash recoveries. At that challenging time, the KRUK Group demonstrated high resilience. Due to low debt and other factors our liquidity remained stable. As a result of cost savings, we managed to return to generating net profit in short time. 2020 was also a time when we continued and accelerated a number of earlier initiatives aimed at improving our operational performance and developing online tools. Those initiatives as well as considerable commitment of our employees, working mostly remotely, resulted in record collections of over PLN 1.8bn. The net profit of PLN 81m is a modest result, especially compared to the PLN 277m we posted in 2019, but given the extraordinary circumstances I consider it a sound figure. At the same time, we delivered a record cash EBITDA of PLN 1.2bn, up by 10% year on year. This is the effect of improvement recorded after the first lockdown in payments made by our clients under the portfolios purchased by the Group, and of the cost savings made in 2020.

In 2020, when in March the debt sale market practically froze and began to slowly reopen at the end of the third quarter, we invested PLN 456m in debt portfolios with a nominal value exceeding PLN 3.1bn. We purchased portfolios mainly in Poland and Romania, with smaller purchases in Spain and the Czech Republic. The best period in terms of debt purchases was the fourth quarter, when we practically doubled the spending made in the first three quarters of the year. The purchases we made in Poland gave us a nearly 40% market share, which is one of the best results in our history.

In 2020, we maintained very good access to financing. We had at our disposal credit facilities of up to PLN 1.87bn and at the end of 2020 the credit limit available for new investments was PLN 1bn. In these uncertain times, we issued one series of bonds with a total value of PLN 25m. We also redeemed bonds with a total value of over PLN 88m and maintained conservative debt levels – at the end of 2020, the ratios of net debt to cash EBITDA and net debt to equity were 1.7x and 1.0x, respectively.

Last year, we focused on projects and initiatives that improved the efficiency of our processes. As envisaged in our strategy, we developed online tools and products, which proved extremely important in the extraordinary year of 2020. Despite observable growing importance of digital channels in dealings with clients, traditional forms of contact still remain strong.

We also addressed the needs of local communities. For example, we made a donation to a hospital to support its medical staff in the fight against the COVID-19 pandemic.

In 2020, we were also faced with difficult decisions to temporarily cut salaries, freeze pay rises or abandon several marketing projects. However, the decisions were necessary to curb the potential adverse impact of the pandemic on KRUK's operations. The results prove that it was a good decision.

Last year was also marked by significant changes in the management of our organisation, including changes in the composition of the Management Board and appointment of CEO Poland. KRUK's Management Board was joined by Adam Łodygowski, in charge of debt portfolio valuation and IT, and by Piotr Kowalewski, in charge of the purchased debt business line, who replaced Agnieszka Kułton. In the light of the Group's strategy and the existing challenges, I consider the current composition of the Management Board to be complete and complementary, enabling KRUK to pursue further growth. The position of CEO Poland was taken by Tomasz

Ignaczak, the former CEO Romania. This will enable us, the Management Board of KRUK S.A., to manage a business present in seven European countries even more effectively.

I encourage you to read this Director's Report for 2020. Like many of us, I do believe that 2021 will be a better year – one which will see us stronger and even more consistent in the pursuit of our goals and dreams.

Respectfully yours,

Piotr Krupa



[102-14]

MAIN ACHIEVEMENTS IN 2020



Portfolio investments

PLN 456m

-42%.



Recoveries

PLN 1,834m

+3%



Net profit

PLN 81m

-71%



Cash EBITDA

PLN 1,236m

+10%



Net debt to equity

1.0

-

EUR

PLNm	2020	2019	change	2020	2019
Expenditure on debt portfolios	456	781	-42%	102	182
Gross recoveries	1,834	1,782	3%	410	414
Carrying amount of purchased portfolios	3,984	4,197	-5%	890	976
Gross estimated remaining collections (120 months)	7,943	7,563	5%	1,775	1,758
Total revenue*	1,138	1,251	-10%	254	291
Revenue from purchased portfolios	976	1,138	-14%	218	265
EBIT**	325	442	-26%	73	103
EBITDA***	379	484	-22%	85	113
Cash EBITDA****	1,236	1,127	10%	276	262
Net profit	81	277	-71%	18	64
Basic EPS (PLN)	4.28	14.61	-71%	0.96	3.40
Diluted EPS (PLN)	4.22	14.30	-71%	0.94	3.32
ROE*****	4%	14%	-	-	-
Net debt to equity	1.0	1.3	-	-	-
Net debt to cash EBITDA	1.7	2.3			

*Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income

** EBIT AND EBITDA DO NOT INCLUDE OTHER INCOME AND OTHER EXPENSES (UNALLOCATED) PRESENTED IN THE 2019 FINANCIAL STATEMENTS, IN THE AMOUNT OF PLN -2,369 THOUSAND (NOTE 4 TO THE CONSOLIDATED FINANCIAL STATEMENTS)

*** EBITDA = EBIT + depreciation and amortisation

**** Cash EBITDA = EBITDA - revenue from purchased portfolios + recoveries

***** ROE = (net profit)/(equity at end of period), net of share capital increase carried out in December 2019

Source: Company



Ethical Company of the Year

(title awarded in the 'Ethical Company' competition organised by the *Puls Biznesu* daily and PwC Legal Żelaznicki sp.k)



We are a member of
UN Global Compact



We are
a leading industry player
in Poland and Romania



We are the most
recognisable company
in the industry in Central Europe



PLN 95m
– share buyback
to distribute profits to
shareholders



New complementary
composition of
KRUK S.A. Management Board



More than
2.5m cases
handled in **the credit**
management business in 2020



105 million
cases
in **ERIF BIG**



4,260
valuated debt portfolios
in KRUK's history



Increased share of
online payments
(in Poland **25% of all payments**
in December 2020)



Development of
e-kruk



As much as
95% of settlements signed
online (in Spain)



Issue of bonds with a value of
PLN 25m,
Redemption of **PLN 88m** worth of
bonds



Over
154 thousand
loans advanced
in 2020



Lowest debt
among the largest listed
companies in the industry

1

1 KRUK GROUP

The KRUK Group is the leader of the debt management market in Central Europe. We started over 22 years ago as a small Polish business venture. Today, the Group comprises 24 companies related by capital offering a comprehensive range of modern, integrated services. We are present in Poland, Romania, Italy, Spain, the Czech Republic and Slovakia. We also have assets in Germany.

Our core business is the collection of debts purchased on our own account, but we also provide debt collection services to banks, telecommunication operators, insurers and other third parties.

The Group operates mainly on the markets of unsecured and secured debt to banks in Poland and Romania, as well as on the market of unsecured debt to banks in the Czech Republic, Slovakia, Germany, Italy, and Spain. We also purchase corporate debts. We provide credit management services to third parties in Poland, Romania, Spain and Italy. The following separate geographic markets are distinguished in KRUK's operations based on the revenue criterion: Polish market, Romanian market, Italian market and other markets (the Czech Republic, Slovakia, Germany, Spain).

The Group's operations in Poland and Romania also include granting consumer loans. Moreover, we operate a credit reference agency which collects and provides credit information.

Since 2011, KRUK S.A. shares have been listed on the Warsaw Stock Exchange, while the bonds issued by the Company are traded on the Catalyst bond market in Poland.

The KRUK Group employs over 3,000 specialists in all markets and cooperates with major local business partners, including international ones.

1.1 KRUK's milestones

2000	Launch of debt collection business
2001	Introduction of success-only fee model in credit management
	Beginnings of the debt portfolio market in Poland – decision to raise capital
	KRUK becomes a leader in credit management
2003	Enterprise Investors (PEF IV) invests USD 21m in KRUK
	Purchase of the first debt portfolio
2005	First debt securitisation in Poland, operations in Wałbrzych
	Decision to replicate the business model abroad

2007	Expansion into the Romanian market Innovative approach to indebted persons
2008	Implementation of a mass settlement strategy (amicable or court settlement) Changes in legal regulations – operations of Rejestr Dłużników ERIF (credit reference agency)
2010	Advertising in the media – a mass communication tool Growing supply of non-performing debt
2011	KRUK shares floated on the Warsaw Stock Exchange Entry into the Czech and Slovak markets
2014	Purchase of the first large mortgage-backed debt portfolio in Poland Entry into the German market Purchase of first debt portfolios in Germany
2015	Entry into, and purchase of the first debt portfolio on, the Italian market Entry into the Spanish market Purchase of the first debt portfolio in Spain
2016	Closing of the acquisition of a debt portfolio from P.R.E.S.C.O. Closing of a transaction pursued with the World Bank in Romania
2017	Execution of a EUR 250m revolving facility agreement with a syndicate of four banks to finance further growth in Europe Integration of the acquired Italian and Spanish companies within the KRUK Group completed
2018	Acquisition of Agecredit, a company operating on the Italian credit management market 20th anniversary of KRUK's operations
2019	Acquisition of Wonga.pl, an online consumer loan market operator
2020	Development of online tools, maintenance of process efficiency in remote work during the pandemic

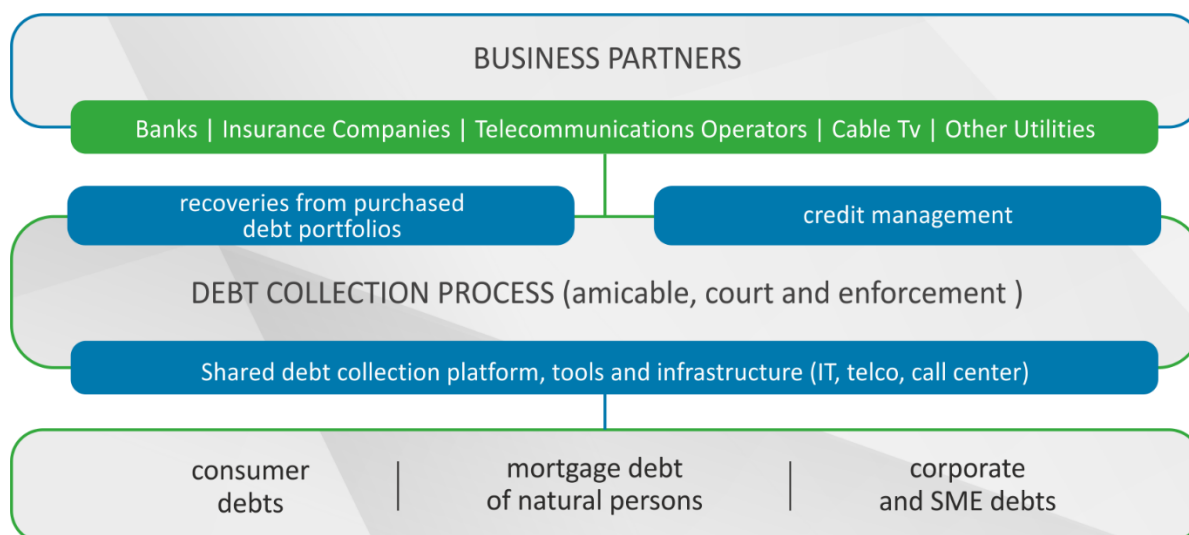
The Group's business model in the core business

The Group's principal business is the management of debt for institutional clients and for the Group's own account. The Group manages debt in three segments:

- consumer debts (retail, unsecured),
- mortgage debts (retail, secured),
- corporate debts (mortgage-backed and non-mortgage-backed).

We manage receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunications operators, cable TV operators, digital TV operators, and companies from the FMCG sector. As part of our retail and corporate debt business, we also manage receivables of SMEs. We focus our activities on the banking market, where our business is based on long-term relations with the key partners.

1.2 KRUK’s business model



Moreover, KRUK owns ERIF BIG – a credit reference agency operating in Poland, collecting and providing credit information. The KRUK Group also includes Wonga.pl, a company operating on the Polish open consumer loan market. Additionally, the Group offers loan products under the NOVUM brand, dedicated for our best clients who regularly pay or have paid off their debt to the Group in Poland and Romania.

1.3 KRUK’s relations with indebted persons

We treat our clients with respect

We treat our clients, indebted persons, with respect at every stage of debt collection process. We inform clients of their debts and the consequences of non-payment. We present possible solutions, but the responsibility for payment lies with the clients.

Communication with our clients

We use various channels of communication with clients: telephone, written communication (including via email), online or face-to-face. Clients may sign a settlement agreement or pay their debts also via e-KRUK or e-payments service. In our interactions with clients we comply with applicable ethical and legal standards and principles. We are constantly improving the quality of client service, for instance via client service quality surveys.

Process efficiency

Process efficiency is reviewed at each stage of the process and the optimum process is selected. Where the amicable debt collection process is ineffective, court proceedings are initiated, followed by enforcement proceedings. The initiation of court proceedings does not preclude entering into a settlement agreement – in such a situation a ‘hybrid’ process applies.

Educational initiatives

We engage in various projects aimed at educating clients about money and debt. In Poland, Romania, the Czech Republic and Slovakia we organise an annual educational event entitled 'The Day without Debts', encouraging people to pay off their debts.

1.4 We are the most recognisable company in the industry

Our strategy is supported through advertising campaigns in the media. In the past, the theme of indebtedness and solutions to the debt problem was featured in "Ojciec Mateusz", "Barwy Szczęścia", "M jak Miłość", "Na dobre i na złe", the most popular TV shows on Polish public TV, as part of the KRUK Group's idea placement campaign. Over the years, the growing popularity of our strategy has enhanced the KRUK brand awareness in Central Europe.

Among debt collection companies operating in Poland and Romania, KRUK is the undisputed leader in terms of brand recognition, As shown by the results of a survey* carried out in March 2020 by Norstat, a research institution. KRUK's brand awareness, measured by name recognition, reached 93% in Poland and 75% in Romania. * - Norstat survey based on CAWI methodology, conducted in Poland and Romania in March 2020

KRUK's prompted brand awareness vs competitors in the debt management sector

Poland		Romania	
Company		Company	
KRUK	93%	KRUK	75%
Competitor 1	57%	Competitor 1	63%
Competitor 2	37%	Competitor 2	44%
Competitor 3	35%	Competitor 3	29%
Competitor 4	30%	Competitor 4	15%
Competitor 5	24%	Competitor 5	13%

Source: Norstat internet panel survey carried out in Poland and Romania

KRUK's logo awareness vs competitors in the debt management sector

Poland		Romania	
Company		Company	
KRUK	85%	KRUK	76%
Competitor 1	52%	Competitor 1	43%
Competitor 2	35%	Competitor 2	23%
Competitor 3	29%	Competitor 3	16%
Competitor 4	20%	Competitor 4	15%
Competitor 5	14%	Competitor 5	14%

Source: Norstat internet panel survey carried out in Poland and Romania

1.5 KRUK on the debt market

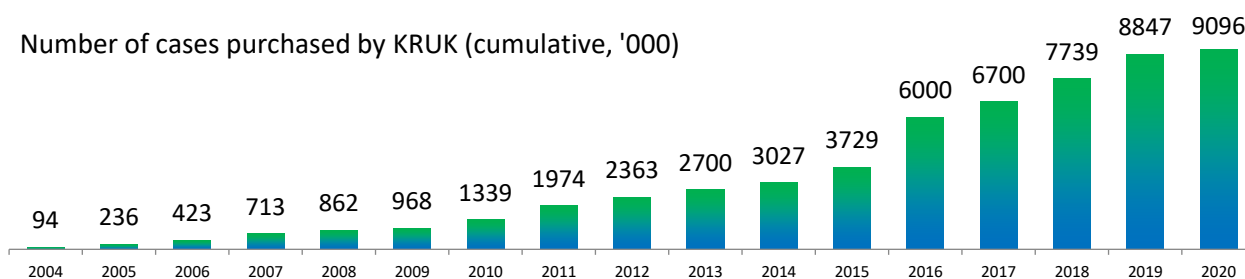
1.5.1 Purchased debts

From 2002 to the end of 2020, the KRUK Group purchased 1,144 debt portfolios with a total nominal value of approximately PLN 80bn. We purchased debt portfolios in seven countries: Poland, Romania, the Czech Republic, Slovakia, Germany, Italy, and Spain. In 2002-2020, we purchased over nine million cases.

Debt portfolio purchasing and servicing process

1. Auction to sell a debt portfolio	Banks regularly sell debt portfolios to improve their liquidity or to ensure compliance with regulatory requirements and the tax law.
2. Valuation of debt portfolios by KRUK	Our approach to valuation is based on 18 years experience in purchasing debt portfolios – over 1,100 portfolios purchased and over 4.2 thousand valuations carried out since start of the business
3. Winning an auction and purchase of a debt portfolio	The debt is purchased at a high discount, usually for 5%–25% of its nominal amount.
4. 4.a. Start of the amicable settlement process 4.b. Court and enforcement proceedings	Increased reach and recovery at above 2x of the purchase price.

Number of cases purchased by KRUK (cumulative, '000)



Valuation of unsecured retail debt portfolios is based on information about indebted persons, product information, and behavioural data about indebted persons. The unsecured retail debt valuation process employs advanced statistical tools and statistical data about indebted persons' behaviour accumulated since 2003.

As a rule, the first strategy deployed with respect to purchased unsecured retail debt portfolios is to seek an amicable agreement with the indebted person as to optimal debt repayment terms. Debts are also recovered through court and enforcement proceedings as well as a hybrid process. The tools used are described in greater detail in Section 1.5.3 *Operating Tools*.

1.5.2 Credit management services

We provide credit management services in an average of over 2.7 million cases per year. Many of the portfolios we manage are then sold. Debt management companies that are strong in this segment have the advantage of greater expertise in portfolio purchases. KRUK manages all types of debt (consumer, mortgage and corporate) at any stage of the debt collection process (amicable settlement, court proceedings). Participation in the credit management market helps us to better price and manage portfolios purchased for our own account.

- Portfolio of non-performing debt
-
- Tender for credit management services – selection of debt collection company
-
- Referral and submission of cases for collection with the use of KRUK tools
-
- KRUK collects debt for approximately three months
-
- Transfer of uncollected cases to the debt originator and launch of a new tender

1.5.3 Operating tools

Our unique know-how and understanding of the industry combined with collection activities selected on a case-by-case basis facilitate effective credit management and accurate planning of the collection process. Below are discussed the main tools supporting the debt recovery process.

Debt monitoring

Very early stage collections, with a strong focus on client's rehabilitation – the tool used in credit management services provided to third parties

Monitoring of amounts due from indebted persons is a prompt, early and effective response to payment irregularities and payment delays (even by a couple of days). The process is mainly based on the Contact Center technology. At this stage, the probability of reaching the client and talking to them is very high. At this stage we contact the client via phone, text messages, and personal dunning letters.

Amicable (out-of-court) collection process

The purpose of amicable (out-of-court) debt collection is to recover debt as quickly as possible in cooperation with the client, using the most effective tools for particular debt categories.

The first step in the amicable approach is to reach the client, establish contact and agree on the optimal debt repayment option, taking into account scoring models. The next step in the amicable process is usually the execution of a debt instalment agreement. The amicable process includes, but is not limited to, the use of the following:

- phone calls (and also chats, including chatbots and voicebots),
- letters, including e-mail,
- visits by field advisors – they contact clients when other communication methods fail.
- online tools – via the e-KRUK platform the clients may, *e.g.*, execute a settlement, pay their debt. On-line payment tools are also available (*e.g.* BLIK in Poland, direct debit in Spain).

Court and enforcement proceedings

The KRUK Group handles all aspects of court enforcement proceedings, from claim filing to enforcement by court bailiff or equivalent body. We also take active part in bankruptcy proceedings. Worth noting is that the initiation of court proceedings does not exclude the possibility of amicable repayment (hybrid process). The Kruk Group's activities as part of court and enforcement proceedings include, but are not limited to:

- handling court proceedings aimed at obtaining an enforcement order; in Poland, *inter alia*, ordinary, warrant-of-execution and separate proceedings, including in particular payment order, writ of payment, electronic proceedings by writ of payment, and a simplified procedure;
- legal representation of creditors in the course of insolvency and arrangement proceedings;
- handling the probate process, including in particular identification of the indebted person's heirs and initiating proceedings to secure enforcement order against an heir;
- enforcement of secured debt and debt in the SME sector;
- active monitoring of court proceedings;
- active cooperation with authorities conducting enforcement proceedings – conducting enforcement monitoring.

Hybrid process

The initiation by KRUK of legal proceedings does not exclude the possibility of repaying the debt. Efforts may still be made to amicably resolve the problem of the client's debt. Telephone calls, written communication (including via e-KRUK) and face-to-face contacts can be used at this stage.

Specialised services

As part of our services, we handle advanced and non-standard processes for various types of cases,

The separate bespoke process used with respect to mortgage-backed debts includes all collection tools available to the KRUK Group. It is dedicated to providing bespoke services and solutions that suit the type of case handled and the large size of debts secured by mortgage. The process is based on non-standard solutions and is aimed at effecting voluntary sale of the property. Our dedicated staff advise and support clients at each stage of the process. In managing mortgage-backed debts, we work with our partners offering property and financial agency services.

Each collection case is carefully analysed to determine the client's financial situation and verify the condition and quality of collateral. Then, depending on the findings, steps are taken to restore regular repayments or arrange credit restructuring (applicable to debts managed for third parties), sell the property in the free market or, as a last resort, organise an auction and sell the property as part of enforcement proceedings, or foreclose the property. Our optimal mortgage-backed debt management system ensures efficient debt collection.

ERIF Credit Information Agency

As part of its loss prevention services and to support debt management, the KRUK Group operates ERIF Biuro Informacji Gospodarczej (a credit reference agency), which collects both negative and positive consumer and corporate credit histories.

ERIF is one of the six business information agencies, but the only such agency in Poland to have its database reviewed quarterly by an independent auditor. Its consistent information policy ensures comparability, consistency and reliability of statistical data on the status and structure of the ERIF BIG database for all stakeholder groups in Poland.

The positive and negative credit information available from the ERIF BIG database allows the agency's clients to effectively support their own risk assessment processes. Business and consumer verification and monitoring services are important preventive measures facilitating prudent and responsible decision-making, helping active users to avoid unreliable entities.

The ERIF agency also provides tools that support debt collection and monitoring processes. The service of adding new negative entries in the database and sending notices of the entry is an effective tool to persuade businesses and consumers with delinquent accounts to pay their debts. A negative entry warning alone may serve as an effective payment reminder at an early collection stage. Using services offered by the agency mitigates the risk of an entity's liquidity and financial position deteriorating as a result of dealing with unreliable business partners or clients.

Consumer loans

The KRUK Group offers short-term cash loans in Poland (under the Wonga and Novum brands) and in Romania (under the Novum brand). The NOVUM product is dedicated to our best clients who regularly pay or have paid off their debt to the Group, while Wonga.pl is addressed to clients on the open market and offered primarily via the on-line channel.

1.6 Number and value of cases handled by the KRUK Group

As at the end of 2020, the KRUK Group handled 7.3m debt cases compared with 7.7m (purchased portfolios and credit management services) at the end of 2019. The decrease was due to the smaller number of cases purchased and managed for third parties. The nominal value of handled cases as at the end of 2020 was PLN 88.9bn, compared with PLN 85.6bn at the end of 2019. Despite the decrease in the number of cases handled, their total nominal value increased. A summary of the data relating to debt cases handled is set out below.

Table 1. Number and value of cases handled as at the end of 2020 and 2019

	Dec 31 2020	Dec 31 2019
Number of cases handled (millions)	7.3	7.7
of which: purchased portfolios	6.6	6.7
of which: credit management services	0.7	1.0
Nominal value of cases handled (PLNbn)	88.9	85.6
of which: purchased portfolios	78.4	72.3
of which: credit management services	10.5	13.3

Source: Company

2

2 GENERAL INFORMATION ABOUT THE KRUK GROUP AND KRUK S.A.

This section presents key information on about the KRUK Group, its structure, share capital and human resources.

2.1 General information about the Parent

Form of incorporation

The Parent of the KRUK Group is KRUK Spółka Akcyjna of Wrocław (the “Company”).

The Company was established in 1998 as KRUK Spółka z ograniczoną odpowiedzialnością. Pursuant to a resolution of the Extraordinary General Meeting of June 28th 2005, KRUK Sp. z o.o. (limited liability company) was transformed into KRUK S.A. (joint-stock company) and on September 7th 2005 the transformed company was entered in the National Court Register – Business Register by the District Court for Wrocław Fabryczna of Wrocław, 6th Commercial Division of the National Court Register, under No. KRS 0000240829.

On May 5th 2011, the Company shares and allotment certificates for ordinary bearer shares were introduced to stock-exchange trading on the main market of the Warsaw Stock Exchange, by way of ordinary procedure, pursuant to the WSE Management Board's Resolutions No. 586/2011 and No. 587/2011. [102-1] [102-3] [102-5]

Parent contact details

Name: **KRUK SPÓŁKA AKCYJNA**

Registered address: **Wołowska 8, 51-116 Wrocław, Poland**

Telephone: **+ 48 (71) 79 02 800**

Fax: **+48 (71) 79 02 867**

Corporate website: <http://pl.KRUK.eu/>

For the organisational chart of the KRUK Group, see Section 2.2.1. Description of the Group's structure.

2.2 Structure

2.2.1 Description of the Group's structure

The structure of the KRUK Group as at December 31st 2020 and KRUK S.A.'s ownership interests in the subsidiaries are presented below.

Figure 1. Structure of the KRUK Group



Source: Company

As at December 31st 2020, the Group comprised KRUK S.A. (the parent) and 23 subsidiaries and 2 entities controlled through personal links. The subsidiaries are presented below.

Table 2. KRUK S.A. subsidiaries

Subsidiary	Registered office	Principal business activity
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for litigation and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses
KRUK Romania S.r.l.	Bucharest	Management of debt portfolios purchased by the KRUK Group, credit management services
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Prokura NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies; all certificates issued by the fund are held by KRUK S.A.
Secapital Polska sp. z.o.o. w likwidacji (in liquidation)	Wrocław	Management of securitised debt
ERIF Business Solutions Sp. z o.o.	Wrocław	Financial and agency services and support for small and medium-sized enterprises
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans

KRUK Česká a Slovenská republika s.r.o.	Hradec Králové	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, and Bison NS FIZ funds
InvestCapital Ltd.	Malta	Investment in equity assets, including shares in KRUK Group companies
RoCapital IFN S.A.	Bucharest	Purchase and management of mortgage-backed portfolios and lending activities
KRUK Deutschland GmbH	Berlin	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Italia S.r.l.	Milan	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Italy and other European countries
ItaCapital S.r.l.	Milan	Investing in debt or debt-backed assets
KRUK Espana S.L.	Madrid	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Spain and other European countries, as well as debt trading
ProsperoCapital S.à r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies; all certificates issued by the fund are held by Presco Investments S.a r.l.
Presco Investments S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Elleffe Capital S.r.l.	La Spezia	Investing in debt or debt-backed assets
AgeCredit S.r.l.	Cesena	Credit management company operating in Italy
Bison NS FIZ (closed-end investment fund)	Wrocław	Fund based on professional risk assessment and credit management methodologies; all certificates issued by the fund are held by KRUK S.A.
Wonga.pl sp. z o.o.	Warsaw	Company operating in the consumer lending market
Entity controlled through personal links	Registered office	Principal business activity
Corbul S.r.l.	Bucharest	Detective activity
Gantoi, Furculita Si Asociatii S.p.a.r.l.	Bucharest	Law firm

Source: KRUK Group [102-2] [102-4] [102-6] [102-7]

By the date of authorisation of this report, the composition of the KRUK Group and the above information on the Group companies had not changed.

2.2.2 Changes in the Group's structure in 2020

On April 27th 2020, Secapital Polska Sp. z o.o. of Wrocław, wholly-owned by KRUK S.A., sold one share in InvestCapital LTD of San Ġwann, Malta, to ERIF Business Solution Sp. z o.o. of Wrocław. KRUK S.A. holds directly 100% of shares in ERIF Business Solutions Sp. z o.o. and – indirectly – in InvestCapital LTD.

On July 1st 2020, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. of Wrocław decided to dissolve the company through liquidation. Piotr Krupa, an existing member of the company's Management Board, was appointed its liquidator. On February 25th 2021, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. in liquidation passed resolutions on approval of the liquidation report and on completion of the liquidation.

No other changes occurred in the KRUK Group's structure after the end of the reporting period and before the issue of this report.

2.2.3 Changes in the Group's significant management policies

In 2020, there were no changes to any significant management policies of the Parent and its subsidiaries.

2.2.4 Consolidated entities

All KRUK Group companies are consolidated using the full method, except ProsperoCapital S.a.r.l., consolidated with the proportional method.

2.2.5 Company branches

The Company has no branches.

2.3 Share capital

2.3.1 Share capital structure

As at December 31st 2020 and the issue date of this report, the Company's share capital totalled PLN 18,971,811 and was divided into 18,971,811 shares with a par value of PLN 1 per share.

Table 3. The Company's share capital as at December 31st 2020

Series	Number of bearer shares
Series A	2,692,220
Series AA	11,366,600
Series B	1,250,000
Series C	491,520
Series D	1,100,000
Series E	843,876
Series F	227,595
Series G	1,000,000
TOTAL	18,971,811

Source: Company

As at the issue date of this report, the Company's share capital totalled PLN 19,011,045 and was divided into 19,011,045 shares with a par value of PLN 1 per share.

Table 4. The Company's share capital as at the issue date of this report

Series	Number of bearer shares
Series A	2,692,220
Series AA	11,366,600
Series B	1,250,000
Series C	491,520
Series D	1,100,000
Series E	843,876
Series F	266,829
Series G	1,000,000
TOTAL	19,011,045

Source: Company

2.3.2 Changes in the share capital and conditional share capital

After the reporting period, before the issue date of this report, the share capital was increased by PLN 39,234.00 in connection with the issue of 39,234 series F shares as part of a conditional capital increase. The shares were registered by the CSDP on January 27th 2021. The funds for the acquisition of the shares were received by the Company in November 2020, upon completion of subscription for the shares.

Date of registration of the shares with the CSDP	Number of new shares	Series	Basis for the increase	Share capital after the change (number of shares)	Details
January 27th 2021	39,234	Series F	Resolution No. 26/2014 of the Annual General Meeting of May 28th 2014	19,011,045	Issue as part of a conditional share capital increase

2.4 Dividend policy and income distributions to shareholders in other forms

2.4.1 Historical data on dividends and income distributions to shareholders in other forms

Information about the value of dividends and income distributions to shareholders in the form of share buyback for the last six financial years is presented in the table below.

Table 5. Historical information about dividend/income distribution through buyback of shares by KRUK S.A.

	in 2014*	in 2015	in 2016	in 2017	in 2018	in 2019**
Value of dividend paid/share buyback	PLN 25.9m	PLN 35.5m	PLN 37.5m	PLN 94.0m	PLN 94.7m	PLN 95.0m
Buyback price per share	N/A	N/A	N/A	N/A	N/A	PLN 350
Value of dividend paid per share	PLN 1.5	PLN 2.0	PLN 2.0	PLN 5.0	PLN 5.0	N/A
Dividend record day	July 1st 2015	July 8th 2016	June 29th 2017	April 25th 2018	July 2nd 2019	N/A
Dividend payment day	July 24th 2015	July 29th 2016	July 5th 2017	April 27th 2018	July 10th 2019	November 18th 2020

* No dividends were paid by the Company prior to 2014.

** KRUK S.A. share buyback as a form of income distribution to shareholders in respect of 2019

Source: Company

On August 31st 2020, in accordance with the Management Board's proposal regarding allocation of the Company's net profit for 2019 and the Supervisory Board's opinion on that proposal, the Annual General Meeting of KRUK S.A. resolved to allocate the Company's net profit for 2019, of PLN 386,517,227.92, as follows:

- PLN 95,050,000 to the Company's capital reserve set up to fund a buyback of Company shares. This amount includes PLN 200,000 to cover the cost of the buyback;
- PLN 291,467,227.92 to statutory reserve funds.

At the same time, the Annual General Meeting of KRUK S.A. authorised the Company's Management Board to buy up to 271,000 fully paid-up shares issued by the Company, on the terms and in accordance with the procedure set out in the relevant resolution, and to take all factual and legal steps necessary to buy back Company shares.

The shares could be tendered for sale until November 30th 2020, at a uniform price of PLN 350.00 per share.

On October 13th 2020, the Management Board passed a resolution to adopt the text of the invitation to tender Company shares for sale, addressed to the shareholders. The shares were bought back in accordance with the rules set out in Resolution No. 7/2020 of the Annual General Meeting. Tenders were accepted from October 19th 2020 to November 13th 2020. The tender offer settlement and share buyback date was November 18th 2020. The Company repurchased an aggregate number of 271,000 shares, with a par value of PLN 1.00 per share, at a price of PLN 350.00 per share and an aggregate price of PLN 94,850,000. The repurchased treasury shares represent 1.43% of the Company's share capital and 1.43% of total voting rights at the Company's General Meeting. The Company's own shares were acquired for cancellation through reduction of the Company's share capital. The cancellation will be effected pursuant to Art. 5.1 and 5.2 of the Company's Articles of Association and Art. 359.1 and Art. 359.2 of the Commercial Companies Code as voluntary cancellation. Before closing of the buyback transaction, the Company held no treasury shares.

In the reporting period and until the date of authorisation of this report for issue, the following resolutions were passed on dividend distributions to KRUK S.A.:

- by Novum Finance Sp. z o.o., to pay out PLN 0.83m,
- by ERIF BIG S.A., to pay out PLN 2.27m,
- by Raven, to pay out PLN 13.74m.

2.4.2 Policy concerning dividends and distribution of income to shareholders in other forms

The Company does not have any defined dividend policy at the moment, but does not rule out implementing one in future. The Management Board may propose payment of dividends or distribution of income in other forms in the future, but the decision in this respect will be made on a case by case basis with due regard to the Group's strategic plans, growth prospects, investment financing requirements, as well as its current debt level and overall financial standing.

In addition, after the reporting date, on March 17th 2021, the KRUK S.A. Management Board passed a resolution recommending that the Annual General Meeting approves dividend of PLN 8 per share. The dividend would be distributed from the Company's net profit earned in 2020, increased by amounts transferred from statutory reserve funds created from retained earnings. The recommendation took into account the current financial condition of the KRUK Group, future implementation of the strategy, as well as the Group's plans and growth prospects. The Management Board may propose distribution of dividends in the future, but in each case the final decision in this respect will be made with due regard to strategic plans, growth prospects, investment financing requirements, as well as the current debt level and overall financial position of the KRUK Group.

2.5 Performance of Company shares on the Warsaw Stock Exchange

2.5.1 Share price

In 2020, the stock market listing of KRUK shares decreased by 15.22%, compared with a 9.88% increase in the previous year. Our stock underperformed both the WIG and mWIG40 indices, which delivered rates of return of -1.40% and +1.75%, respectively.

On the last trading day in 2020, the Company's market capitalisation was PLN 2.7bn (compared with PLN 3.2bn at the end of the previous year). On December 31st 2020, KRUK ranked 39th in terms of market capitalisation on the WSE.

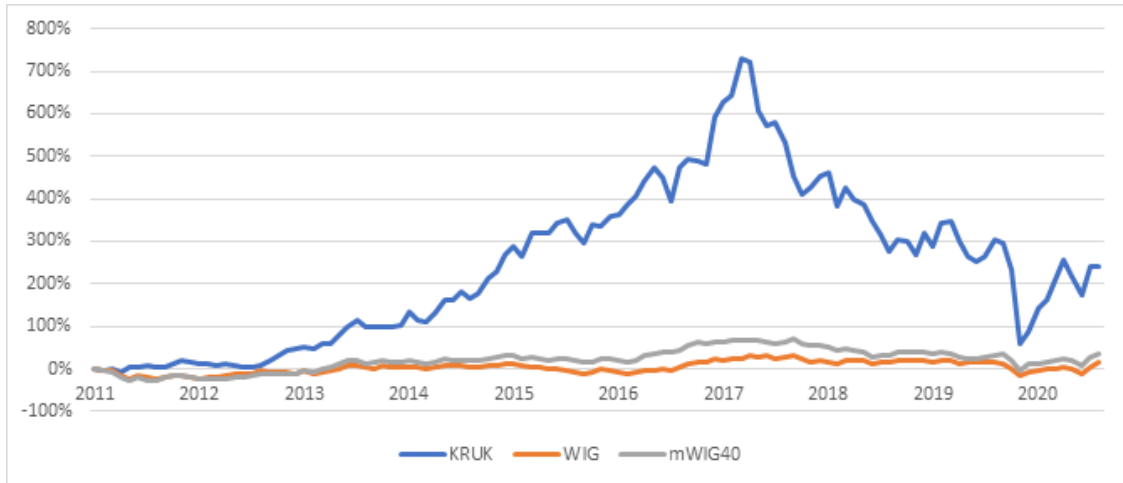
Rates of return on KRUK S.A. stock, WIG and mWIG40 in 2020 – at close

Date	KRUK	WIG	mWIG40
Rate of return	-15.22%	-1.40%	+1.75%

Source: GPW.pl

From the IPO on the Warsaw Stock Exchange in May 2011 to the end of 2020, the rate of return on KRUK shares was 246.26%. Over the same period, the all-cap WIG index rose by 15.59%, while the mid-cap mWIG40 index gained 35.94%.

Performance of KRUK stock against WIG and mWIG40 from the Company's IPO on the WSE in May 2011 to the end of 2020

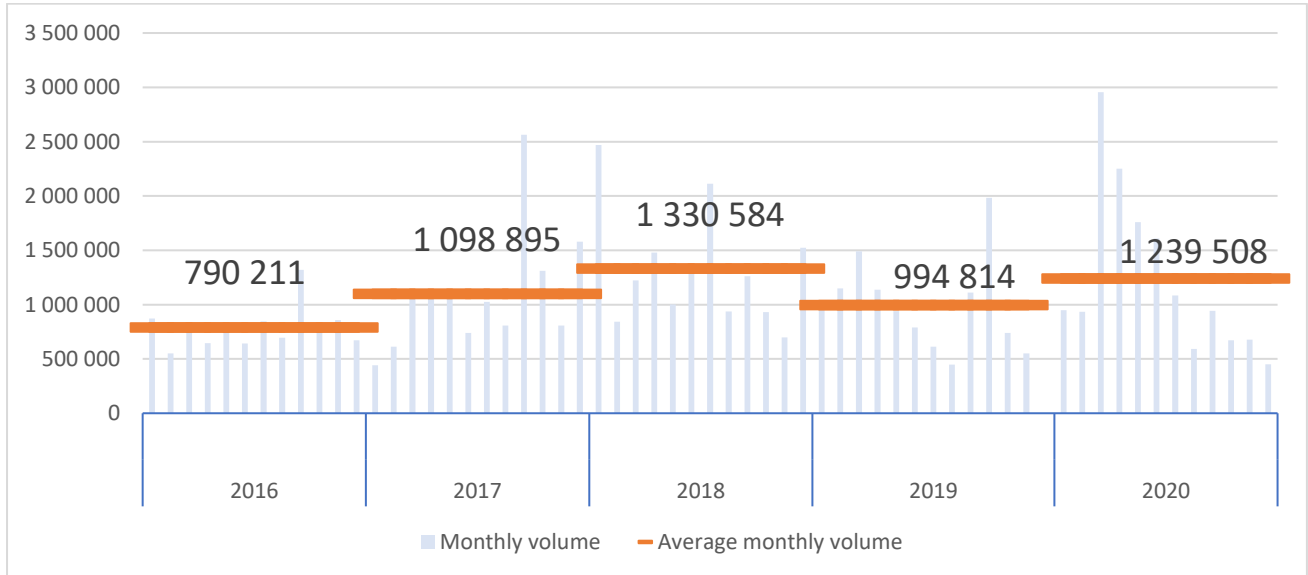


Source: in-house analysis, based on stooq.pl

2.5.2 Stock liquidity

The total volume of KRUK S.A. shares traded in 2020 was 14.8m, and the total value of trading reached PLN 1.6bn. To compare, the total volume of KRUK S.A. shares traded in 2018 was 12m, and the total value of trading was PLN 1.9bn. The average daily trading volume of KRUK shares in 2020 was 59 thousand shares, and the average daily trading value stood at PLN 6.5m. In 2020, KRUK was the 28th most liquid stock on the WSE (in terms of the total annual trading volume).

Monthly volume in individual months and the year's average monthly volume of trade in KRUK shares in 2016–2020



Source: in-house analysis based on www.gpw.pl

2.5.3 Ownership interests of open-end pension funds (OFE) in KRUK S.A.

KRUK S.A. is one of seven WSE-listed companies in which OFE's ownership interest exceeds 50%. As at the end of 2020, OFE's aggregate ownership interest in KRUK S.A. was 57%.

Ownership interests of individual OFE in the Company as at December 30th 2020:

Shareholder	Ownership interest	Number of votes
OFE Nationale-Nederlanden	13.66%	2,591,056
OFE PZU Żłota Jesień	9.39%	1,781,523
OFE Aviva Santander	8.97%	1,701,554
OFE Allianz Polska	5.31%	1,007,673
OFE MetLife	4.92%	933,238
OFE Generali	4.53%	859,481
OFE Aegon	4.10%	778,480
OFE AXA	3.64%	689,865
OFE PKO BP Bankowy	1.65%	312,290
OFE Pocztylion Arka	0.89%	169,674

Source: in-house analysis, based on stooq.pl

2.6 Human capital

2.6.1 Qualified personnel

One of the key success factors of the KRUK Group is its highly qualified and experienced management and specialist staff. The Group employs specialists with extensive debt management experience. The current composition of the Management Board of KRUK S.A. is presented in the table below.

Table 6. KRUK S.A. Management Board



Piotr Krupa

President of the Management Board – Chief Executive Officer (CEO)

Co-founder of the Company, CEO and President of its Management Board since 2003. Completed legal training in court and legal counsel training. Licensed detective.

His started his professional career in 1997 as a partner in Kuźnicki i Krupa s.c. A year later, he set up a legal publishing house KRUK, with a friend from college. Soon he noticed a promising market niche that became the foundation of his future business achievements. He changed the company's business profile and focused on debt management.

Today he is the CEO and shareholder of KRUK S.A., and the Kruk Group manages debts in Poland, Romania, the Czech Republic, Slovakia, Germany, Italy and Spain. His responsibilities include creating the Group's strategic vision and supervising key markets and business lines.



Michał Zasepa

[Member of the Management Board – Chief Financial Officer \(CFO\)](#)

Member of the KRUK S.A. Supervisory Board from 2005 to 2010. Member of the KRUK S.A. Management Board since 2010. His responsibilities at the KRUK Group include managing the Group's finances, financing, investor relations and supervision over businesses not related to debt collection.



Piotr Kowalewski

[Member of the Management Board – Chief Operating Officer \(COO\)](#)

With KRUK S.A. since 2004. Management Board member since May 29th 2020. His responsibilities include the retail unsecured debt recovery strategy and online business development.



Urszula Okarma

[Member of the Management Board – Chief Investment Officer \(CIO\)](#)

With KRUK S.A. since 2002. Management Board member since 2006. Her responsibilities include developing and implementing the Group's investment strategy, building and maintaining relationships with key business partners, and providing legal support.



Adam Łodygowski

[Member of the Management Board – Chief Data & Technology Officer \(CDTO\)](#)

With KRUK S.A. since August 2020. Management Board member since November 5th 2020. His responsibilities include valuation of debt portfolios in all markets, development and implementation of the strategy for the Group's digital transformation, effective IT support for the Group.

Source: Company

Members of the Company's Management Board and other key personnel of the Group are a strong team of over one hundred experts in such areas as credit management, finance, high-volume process management, debt portfolio valuation, legal support, sales, HR management, IT, marketing, and public relations. The stability of the Group's management team, manifest in low staff turnover, combined with extensive expertise developed over the years, are a source of major competitive advantage for the Group. More than 10% of the shares are held by Management Board members. The Company has not issued any employee shares.

2.6.2 Incentive Scheme

Incentive scheme for 2015–2019

The 2015–2019 incentive scheme was adopted by Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of May 28th 2014 (the 2015–2019 Incentive Scheme).

It is the second incentive scheme operated by the KRUK Group. Details of the 2015–2019 Incentive Scheme can be found in the Directors’ Report on the operations of the KRUK Group in 2019.

On August 31st 2020, the Annual General Meeting of KRUK S.A. passed Resolution No. 23/2020 to amend Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of Wrocław, dated May 28th 2014, on setting the rules of an incentive scheme for 2015–2019, conditional increase of the Company’s share capital and issue of subscription warrants with the Company existing shareholders’ pre-emptive rights waived in whole with respect to shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association. Under the resolution, the shareholders decided to extend the validity period of the subscription warrants, and thus the period in which the warrant holders may exercise their rights, until December 31st 2022. The General Meeting also resolved that Tranche 5 warrants may be granted in 2020 and 2021.

The table below presents successive tranches under the Incentive Scheme

Tranche	Number of subscription warrants acquired by members of KRUK S.A.’s Management Board	Number of subscription warrants acquired by other eligible persons	Number of warrants converted into series F shares	Number of warrants held by eligible persons, entitling them to subscribe for series F shares
Tranche 1 for 2015	20,000	86,435	82,574	23,861
Tranche 2 for 2016	50,480	91,467	95,461	46,486
Tranche 3 for 2017	54,344	85,853	55,035	85,162
Tranche 4 for 2018	89,768	115,528	33,759	171,537
Tranche 5 for 2019	91,596	120,390	0	211,986
TOTAL	306,188	499,673	266,829	539,032

Tranche 5

By resolution dated September 10th 2020, the Supervisory Board declared that the condition set forth in the Incentive Scheme for offering subscription warrants under Tranche 5 for 2019 had been satisfied. On September 14th 2020, the Management Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. On September 21st 2020, the Supervisory Board passed a resolution to approve the Management Board’s Resolution No. 158/2020 containing the list of Management Board members eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. On this basis, the Supervisory Board invited the Management Board members to acquire Tranche 5 subscription warrants under the 2015–2019 Incentive Scheme. On September 24th 2020, 91,596 subscription warrants were delivered to eligible Management Board members.

On October 13th 2020 and October 23rd 2020, the Company’s Management Board passed a resolution to determine the list of persons other than Management Board members who were eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. The Management Board decided to grant 120,390 subscription warrants to eligible persons other than Management Board members.

Subscription warrants outstanding under Tranche 5 and not yet granted to eligible persons under the relevant resolution may be granted to eligible persons until the end of 2021 in accordance with Section 2.2 (e) of the

Incentive Scheme, as adopted by Resolution No. 23/2020 of the Annual General Meeting of KRUK S.A. of August 31st 2020.

As at December 31st 2020 and the issue date of this report, members of the Parent's Management Board held no rights to KRUK S.A. shares other than those under the subscription warrants presented below.

Number of subscription warrants held by Management Board members as at December 31st 2020

Name and surname	Number of warrants held under Tranche 1 for 2015	Number of warrants held under Tranche 2 for 2016	Number of warrants held under Tranche 3 for 2017	Number of warrants held under Tranche 4 for 2018	Number of warrants held under Tranche 5 for 2019
Piotr Krupa	7,000	10,820	14,556	20,564	20,000
Piotr Kowalewski*	2,003	2,003	2,003	2,003	6,596
Urszula Okarma	3,250	9,915	9,947	17,301	16,250
Michał Zasępa	-	-	9,947	17,301	16,250
Agnieszka Kulton**	3,250	9,915	9,947	17,301	16,250
Iwona Słomska***	-	-	9,947	17,301	16,250

* Piotr Kowalewski had been covered by the Incentive Scheme for 2015–2019 as an eligible person other than a member of the Management Board until May 28th 2020. Since May 29th 2020, when he assumed the position of member of the KRUK S.A. Management Board, Piotr Kowalewski has become entitled to acquire Tranche 5 subscription warrants as an eligible person being a member of the Management Board.

** Agnieszka Kulton, listed among the Incentive Scheme participants who are members of the Management Board, had served as a member of the KRUK S.A. Management Board until May 28th 2020.

*** Iwona Słomska, listed among the Incentive Scheme participants who are members of the Management Board, had served as a member of the KRUK S.A. Management Board until July 31st 2020.

2.6.3 Workforce at the KRUK Group

The KRUK Group operates in seven countries and employs various specialists, including client service staff, such as telephone and field advisors, support staff (responsible for handling correspondence, etc.), and non-operational staff (e.g. analysts, IT specialists and developers). The year-on-year decrease in FTEs is mainly due to process improvements implemented and leaving vacant positions unfilled.

Table 7. KRUK Group's workforce (FTE*) in 2019-2020

	2020	2019
FTEs*	3,125.75	3,262.66

* FTE employment – the number reflected in the cost of salaries, calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.

Source: Company

Number of employees by type of employment contract and gender

Type of employment	Women	Man	Total
Internships	7	3	10
Contract of employment	1840	1153	2993
Cooperation agreement	51	33	84
Management service contract	8	12	20
Self-employment	1	0	1
TOTAL	1907	1201	3108

Number of employees employed for an indefinite period by type of employment contract and gender

Type of employment	Women	Man	Total
Contract of employment	1704	1038	2742
Cooperation agreement	51	33	84
TOTAL	1755	1071	2826

Number of employees by type of position (management and other) and gender

Type of employment	Women	Man	Total
Managers, directors, CEO	211	181	392
Other	1681	1007	2688
TOTAL	1892	1188	3080

[102-8]

For more information on human capital, see the 'Non-financial information' section.

3

3 OVERVIEW OF 2020 OPERATIONS

3.1 KRUK Group's financial results and selected consolidated financial data

Table 8. KRUK Group's financial results in 2019–2020

	Year ended Dec 31		
	2020	2019	Change
	(PLN '000, unless stated otherwise)		
Total revenue*	1,138,018	1,264,171	-10%
Operating profit (EBIT)	332,265	440,339	-25%
Net profit attributable to owners of the Parent	81,356	276,390	-71%
Cash flows from operating activities, including	743,516	208,642	256%
Debt purchases	-456,224	-780,998	-42%
Cash recoveries	1,833,874	1,782,443	3%
Cash flows from investing activities	-10,905	-136,978	-92%
Cash flows from financing activities	-737,333	-68,692	973%
Total net cash flows	-4,722	2,972	-259%
Total assets	4,643,031	4,839,914	-4%
Equity	2,043,771	1,958,426	4%
Return on equity (ROE)	4%	14%	-
Earnings per share (PLN)			
Basic	4.29	14.61	-71%
Diluted	4.22	14.30	-71%

*Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income. Source: Consolidated Financial Statements

Return on equity (ROE) = net profit for the period / total equity

In 2020, the Group's net profit was PLN 81m, having decreased by PLN 196m, or 71%, year on year. The KRUK Group's net profit in 2020 was materially affected by the coronavirus pandemic. For the first time in KRUK's

history, the net result after the first quarter of 2020 was negative at PLN - 62m, followed by a PLN 43m net profit in the second quarter (PLN 19m loss after the first half of the year), and a PLN 54m net profit in the third quarter of 2020 (PLN 34m net profit after the third quarter).

Revenue and revision of recovery projections

In 2020, the KRUK Group's revenue totalled PLN 1,138m, down 10% on 2019. Revenue from purchased debt portfolios was PLN 976m in 2020, down 14% on 2019. Revenue in the purchased debt segment fell as a consequence of lower than planned portfolio recoveries and a revision of recovery projections totalling PLN - 205m. The revision of recovery projections in the first half of the year (PLN -121m in the first and PLN -72m in the second quarter) was attributable to the coronavirus pandemic and its impact on the KRUK Group's countries of operation. In the third quarter, the revision of recovery projections loss amounted to PLN -10m and was attributable to weaker recoveries from secured portfolios. In the fourth quarter, the revision of recovery projections loss totalled PLN -2m and was an outcome of a revision of recovery projections gain on retail portfolios (PLN +44m) and a revision of recovery projections on secured portfolios (PLN -46m).

Operating expenses

Direct, indirect and administrative expenses amounted to PLN 766m and decreased by PLN 12m (1%) year on year. The expenses were lower than budgeted by PLN 52m (6%), or by PLN 77m (9%) if the impairment loss of PLN -25m on the Spanish company is not accounted for in 2020 expenses. The reduction of expenses was possible due to the savings plan implemented by the Group starting from the second quarter of 2020. The biggest savings were achieved in management costs (down 37% y/y), fleet, fuel and business travel expenses (down 52% y/y), employment costs including employee training (down 34% y/y), and advertising and marketing expenses (down 54% y/y). Some of the savings were of temporary nature (e.g. a three-month pay cut) and other consisted in postponing certain expenses, such as court fees.

Income tax

Income tax in 2020 amounted to PLN 123m, up by PLN 86m year on year. The largest part of the tax is deferred tax, amounting to PLN 97m. The main component of deferred tax is a deferred tax liability of PLN 100m, arising from expected income distributions by the Group's investment companies to KRUK S.A. over the next three years. The assumed income distributions were based on expected cash flows within the KRUK Group.

3.1.1 Purchased debt portfolios

Recoveries from purchased debt portfolios

The annual value of recoveries from purchased debt portfolios was the highest in the Group's history and amounted to PLN 1,834m, up by 3% year on year. In 2020, the Group recorded recoveries representing 93% of its overall Operational Target set in the 2020 budget (the Operational Target consists of a forecast set out in the 2020 budget (portfolio purchases until October 2019) and pre-purchase valuations of portfolios purchased from November 2019). April was the weakest month of 2020, with the Group's recoveries amounting only to 85% of the Operational Target, but then recoveries slowly rebounded in May and June (coming to 86% and 89%, respectively, of the Operational Target). In the third quarter, the Group's recoveries reached 90% of the Operational Target, while in the fourth quarter – as much as 97% (in December 2020 alone, the Group achieved 100% of the Operational Target).

For unsecured retail portfolios, the Group delivered 99% of the Operational Target for 2020, and 69% for secured retail and corporate portfolios. In the fourth quarter, the Operational Target delivery was 106% for unsecured retail portfolios and 65% for secured retail and corporate portfolios.

Recoveries in Poland and Romania account for the largest share of the KRUK Group's total recoveries and remained stable year on year (up by 1%). In 2020, the Group recorded a significant, 35% year-on-year increase in recoveries on the Italian market.

New portfolio purchases

In 2020, the Group invested PLN 456m in debt portfolios, i.e. 42% less than in 2019. The Group scaled down its investment activity over the period of material uncertainty triggered by the coronavirus pandemic and its consequences. Virtually all the markets where the KRUK Group operates have seen the supply of debt portfolios and the number of transactions fall due to the Covid-19 pandemic. Only at the end of the third quarter did banks and financial institutions resume debt auctions, suspended or cancelled in previous months due to the pandemic. In the fourth quarter of 2020, the KRUK Group invested PLN 344m in debt portfolios, representing 75% of its total portfolio investments in 2020.

3.1.2 Credit management services

Throughout 2020, the nominal value of debts outsourced to the Group for collection was PLN 9.8bn (compared with PLN 15.6bn in 2019). In 2020, banks were the Group's main business partners in the credit management segment. Undoubtedly, the results posted by the credit management business was affected by the pandemic and the situation on the banking market, including the fact that some of the banks' customers decided to exercise the right to temporarily suspend repayment of their debts (moratoria). Credit management revenue in 2020 decreased by 13% year on year, to PLN 57m. Revenue fell across all markets, with the decrease in the Romanian market (down by PLN 0.7m, or 5% y/y) being consequent upon a decline in revenue from handling the cases purchased by the Group in 2016 together with IFC, a member of the World Bank Group. Apart from the revenue from the above-mentioned joint investment, revenue from credit management services in Romania increased by PLN 1m, or 15%, year on year. In the second quarter of 2020, a partial impairment loss was recognised on the acquired Spanish company (Espand) of PLN -25m (non-cash component). The Group's presence in both market segments, i.e. purchased debt portfolios and credit management, is an important competitive advantage as it offers operational synergies and helps mitigate the risk related to debt portfolio purchases thanks to additional statistical information obtained from the credit management business.

3.1.3 Credit reference agency (ERIF BIG)

As at January 4th 2021, the ERIF database contained 105m cases (including 101.6m positive credit information reports), showing debts with a total nominal amount of more than PLN 52.9bn. To compare, at the end of 2019 the ERIF database contained 80m records (including 76.7m positive credit information records), covering debts with a total nominal amount of PLN 48.6bn. Over 12m credit reports from the ERIF BIG database were made available throughout 2020. In 2020, revenue derived by BIG ERIF from the provision of information services was PLN 9m, 14% less than in the previous year.

3.1.4 Consumer loans (Novum and Wonga)

In 2020, the KRUK Group entities advanced 154.6 thousand cash loans, compared to 151.2 thousand in 2019. The gross value of loans granted amounted to PLN 207m in 2020 (PLN 328m in 2019). Six thousand cash loans under the Novum brand were extended in Poland and Romania, with a total gross value of PLN 42m, while Wonga.pl advanced in Poland 148.6 thousand cash loans worth PLN 314.4m.

Given the COVID-19 pandemic and resulting uncertainties, as well as the temporary reduction – under the Act of March 8th 2020 on Special Solutions Related to Prevention, Counteracting and Combating of COVID-19, Other Infectious Diseases and Emergencies Caused by them and Certain Other Acts (Dz. U. 2020, item 568) – of a cap on non-interest costs of consumer loans, both Wonga and Novum temporarily reduced the sale of loan products, while introducing additional changes and restrictions to the creditworthiness assessment process. The cap was effective until March 8th 2021. On January 25th 2021, the temporary cap on non-interest costs was reintroduced and is effective until the end of June 2021.

The enacted legislative changes are undermining the profitability of products offered by Wonga and Novum. In September 2020 Wonga introduced interest income for loans advanced, having previously charged only commission fees on its products. At the same time, Wonga enjoys a strong brand recognition and has its own acquisition channels, marked by a low loss ratio and low lending costs (mainly the cost of data required for the credit analysis process, the lending process at Wonga being fully automated) compared with the broad consumer loan market.

Novum's revenue amounted to PLN 17m, up by 31% year on year, while Wonga's revenue reached PLN 78m at the end of 2020 and was 117% higher compared to 2019.

In connection with the decisions of the Office of Competition and Consumer Protection (UOKiK) published in January and February 2020 and the UOKiK's position on the straight-line method of reimbursement, the Company recognised a provision for the difference between the applied method of reimbursement and the straight-line reimbursement. Wonga is currently reimbursing early repayment fees charged since 2012, i.e. since the beginning of its operations. In December 2020, as part of the investigation concerning consumer loans repaid prior to contractual maturity between May 16th 2016 and November 3rd 2020, Wonga furnished UOKiK with information on, among other things, the method of accounting for early loan repayments. Wonga stays in touch with UOKiK on this topic.

3.2 Summary of results by business segment

The performance of each reportable segment is discussed below.

<i>(PLN '000)</i>	TOTAL 2020	TOTAL 2019
Total revenue*	1,138,018	1,264,171
Purchased debt portfolios	976,341	1,138,338
including a revision of recovery projections	-205,271	78,924
Credit management services	56,821	65,212
Other products	104,856	60,621
Direct and indirect costs	-605,894	-599,136
Purchased debt portfolios	-468,381	-477,676
Credit management services	-67,620	-66,488
Other products	-69,893	-54,973
Gross profit¹	532,124	665,035
Purchased debt portfolios	507,959	660,663
Credit management services	-10,799	-1,276

Other products	34,963	5,648
Administrative expenses	-159,926	-178,282
EBITDA ²	378,805	484,384

**Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income*

¹ *Gross profit = operating income - operating expenses.*

² *EBITDA = operating profit – depreciation and amortisation*

In 2020, the Group's gross profit was PLN 532m, down by PLN 133m, or 20%, year on year. The decrease in gross profit is mainly due to the decrease in revenue, with operating expenses remaining at a similar level (up by 1%).

Gross profit in the purchased debt segment fell by PLN 153m, or 23%, year on year. The decline in this segment resulted mainly from a portfolio revaluation loss. Costs in the purchased portfolio segment declined by PLN 9m y/y, or 2%, partly due to the savings plan implemented by the Group in connection with the coronavirus pandemic.

Gross profit in the credit management segment was negative and amounted to PLN -11m, down by PLN 10m year on year. This was primarily attributable to a partial goodwill impairment loss of PLN 25m on the acquired Spanish company (Espand, renamed as KRUK España), recognised in the first half of 2020. Due to the unsatisfactory performance against forecasts, the KRUK Group decided to recognise the partial goodwill impairment loss, taking into account the plans to improve the Spanish company's performance in the future. The company's results in the second half of 2020 matched the forecasts.

Gross profit in the Group's 'other activities' segment amounted to PLN 35m, up by PLN 29m compared to 2019. This was primarily due to an increase of PLN 29m in gross profit on Wonga loans. Wonga's gross profit in 2020 was PLN 23m. Gross profit on Wonga loans for the period from May to December 2020 compared to the corresponding period in 2019 (KRUK Group acquired Wonga in April 2019) was up by PLN 20m.

3.3 KRUK Group results by geographical segment

Results by geographical segment are discussed below (presentation).

(PLNm)	2020 2019								Head Office	Total		
	Poland		Romania		Italy		Other markets			2020	2019	
	2020	2019	2020	2019	2020	2019	2020	2019				
Expenditure on debt portfolios	346	338	48	254	0	99	63	90	N/A	456	781	
Recoveries	863	820	525	561	250	185	196	217	N/A	1,834	1,782	
Carrying amount of purchased debt portfolios (PLNbn)	1,9	1,9	0,9	1,0	0,7	0,8	0,5	0,5	N/A	4.0	4.2	
Revenue	622	602	315	400	117	172	84	91	N/A	1,138	1,264	
Purchased debt portfolios	498	516	299	385	107	160	73	77	N/A	976	1,138	
Credit management services	22	25	13	14	10	12	11	14	N/A	57	65	
Wonga	78	36							N/A	78	36	
Other activities	24	24	3	1	0	0	0	0	N/A	26	25	
EBITDA	293	308	221	294	-29	-7	-61	-38	-45	-73	379	484
Cash EBITDA	658	612	447	470	113	18	62	102	-45	-73	1,236	1,128

- Poland – overview of the market and the KRUK Group's operations

The nominal value of debt sold for collection by third parties in Poland in 2020 was PLN 8.6bn (2019: PLN 17.2bn, including a large transaction on the secondary market), with expenditures equalling PLN 346m (Group's estimates). Unsecured consumer debt portfolios, with an aggregate nominal amount of PLN 5.2bn (2019: PLN 12.3), accounted for the largest share of the total. Main sellers were entities from the banking sector. KRUK estimates that the average price of unsecured consumer debt, which is the asset most preferred by KRUK, was approximately 15% (2019: approximately 11%). KRUK's main competitors on the Polish market were foreign entities. The pandemic led to a significant reduction in the supply of debt portfolios in 2020. The share of KRUK's expenditure on the Polish market is estimated at 35%.

KRUK expects a higher supply of debt portfolios in 2021.

In connection with its adopted investment policy and decision to curtail investments due to COVID-19, the KRUK Group's expenditure on portfolio purchases in Poland reached PLN 346m, representing 76% of all funds invested by the Group in 2020. The nominal value of the purchased portfolios amounts to over PLN 2.5bn. 85% of the expenditure made in Poland was on unsecured retail portfolios.

Recoveries on the Polish market increased year on year by PLN 43m (5%). They accounted for 47% of the Group's total recoveries. Despite the difficult conditions created by the pandemic, the Group met the Operational Target for recoveries, set in the 2020 budget for the Polish retail portfolios. Total recoveries on both retail and secured portfolios in Poland came in below the Operational Target, with the deviation less

pronounced than the Group-wide percentage deviation, while recoveries on retail unsecured portfolios exceeded the Operational Target. As at the date of issue of this report, the KRUK Group was not aware of any new or proposed regulations related to COVID-19 that could affect the value of its debt portfolios. The regulations enacted earlier, discussed in the interim report for the six months ended June 30th 2020, still remained in force – their possible impact on recoveries is reflected in the accounting estimate already in the three months ended June 30th 2020.

Given the factors discussed above, the carrying amount of purchased debt portfolios as at the end of 2020 was PLN 1,876m, compared to PLN 1,884 as at the end of 2019. Polish portfolios accounted in total for 47% of the carrying amount of all debt portfolios held by the KRUK Group.

The Group's revenue on the Polish market increased year on year. The increase was achieved in the other activities segment and resulted from the growth in Wonga's revenue. The vast majority (80%) of revenue in Poland was generated in the purchased portfolios segment. Compared to 2019, revenue in this segment decreased by PLN 18m (4%), mainly due to higher than in 2019 revaluation losses on corporate debts. Revenue from credit management services on the Polish market amounted to PLN 22m, down 13% year on year.

EBITDA on the Polish market was PLN 293m, having fallen by 5% year on year due to lower-than-projected recoveries on secured portfolios and losses on portfolio revaluation. Concurrently, cash EBITDA reached PLN 658m and was 7% higher compared to 2019 as a result of a year-on-year increase in recoveries.

- **Tomasz Ignaczak, CEO, Poland**

I am satisfied with the performance of our Polish business, especially considering how demanding the year 2020 was. In each area of our operations we faced numerous challenges, both internal and external. I joined the Polish team in the second half of the year, and like in Romania, I'm proud of how quickly our organisation switched to remote work and how successful we were in handling the challenge.

Considering the several months' closure of the debt sale market and strong competition, I am satisfied with the level of our investments, and especially with the fact that we finalised the largest transaction on the Polish primary market in years. This helped us achieve a high market share of 38%. The reopening of the debt sale market is another good sign, making 2021 look promising in this respect.

2020 was also a difficult time for many of us, our business partners and clients. We keep a close watch on the market and the recoveries and respond as appropriate. The unsecured retail debt business did very well, particularly with respect to debts at the judicial collection and enforcement stages. This was an effect of our earlier major initiatives and process optimisations efforts. Even in such a volatile environment, we managed to maintain high effectiveness. Recoveries from corporate and mortgage debt portfolios were lower than expected, which was reflected in revaluation losses recognised on the portfolios. The introduction of the debt moratorium and the reduced lending activity of banks also resulted in decreased revenues from credit management services. Last year we saw an accelerated process evolution, which will contribute to even more efficient management of debt collection processes. When a few years ago we decided to develop online tools, we could not predict how quickly digital solutions would become an important channel. We saw clients' growing interest in such solutions, which was manifested in the size of settlements made online, mobile payments, and in the growing number of e-KRUK users.

In 2021, we will continue to work to improve operational efficiencies in every area of our business."

- **Romania – overview of the market and the KRUK Group's operations**

Recoveries from portfolios in Romania amounted to PLN 525m, down 6% year on year. They accounted for 29% of the Group's total recoveries. Recoveries in the Romanian market came in below the Operational Target, with

the deviation more pronounced than the Group-wide undershoot in percentage terms. The deterioration was due mainly to restrictions imposed in relation to enforcement against disability and old-age pensions as well as furlough benefits (paid by the state as a form of support for employees), effective from March 30th to July 15th. Recoveries started to improve in the third quarter of 2020, when they grew 15% on the second quarter. The growth from the third to the fourth quarter was 9%. In Romania, similarly to the Polish market, the coronavirus pandemic necessitated recognising revaluation losses on debt portfolios in the first six months of 2020, in the amount of PLN -40m. In the third quarter of 2020 a revaluation loss of PLN -13m was recognised as a result of deteriorated recoveries from secured portfolios and changes in foreign exchange rates. Given the improvement observed in the fourth quarter of the year, there was an expectation of further growth in recoveries. Accordingly, revaluation gains of PLN 33m on the Romanian portfolios were recognised in the fourth quarter of 2020. As at the issue date of this report, no material legislative changes related to COVID-19 were identified by the KRUK Group, likely to affect the value of the Group's debt portfolios. Total revenue in the Romanian market reached PLN 315m, having decreased by PLN 85m, or 21%, on 2019. A majority of revenue in the Romanian market is earned on purchased debt portfolios – its share in total revenue in the Romanian market in 2020 was 95%.

Given the factors discussed above, the carrying amount of purchased debt portfolios as at the end of 2020 was PLN 887m, down 11% year on year. Romanian portfolios account in total for 22% of the carrying amount of all debt portfolios held by the KRUK Group.

Revenue from credit management services exceeded PLN 13m, a 5% decline year on year.

EBITDA on the Romanian market was PLN 221m, down 25% year on year due to lower-than-expected recoveries and loss on portfolio revaluation. Following the deterioration in recoveries, cash EBITDA fell 5% year on year, to PLN 447m.

- **Cosmina Marinescu, CEO, Romania**

For KRUK Romania, 2020 was a year when we were more flexible than ever and successfully managed the uncertainties posed by the COVID-19 crisis. We were able to continue operations and deliver good results that exceeded expectations.

In the debt buying market, which was record low, we managed to maintain a strong presence. Focusing on the financial sector, we invested in almost half of the debt offered for sale on the open market in 2020.

The pandemic crisis and the difficult social and economic situation in Romania had an impact on recoveries from our purchased portfolios, which fell 5% year on year. We channelled our efforts into promptly switching to remote work and helping our clients by offering lower instalments or postponing payments until their financial situation improved. The biggest challenge with respect to recoveries was the several months' long limitation on recovery of debt from certain social groups.

Despite the crisis caused by the pandemic, the revenue earned by KRUK Romania on credit management services went up, making 2020 the second best year in our history. We started cooperation with new large partners and increased the scale of operations with the existing ones. We launched KRUKPay, the first Romanian online platform dedicated to outsourcing debt collection.

Remote work was what spurred us to hasten the implementation of automated systems and software for fast, reliable, secure and efficient remote equipment management, focusing on the digital adaptation of our e-KRUK platform.

While keeping an eye on potential changes in the legal environment, in 2021 we will take advantage of the opportunities created by the crisis to develop the IT&C area. We also expect to see further growth of our business, both in purchased debt portfolios and credit management services. We are focused on constant improvement

of the efficiency of our processes, which will allow us to deliver the best possible results with the new challenges in 2021.

- **Italy – overview of the market and the KRUK Group’s operations**

KRUK estimates that in 2020 the supply of retail, corporate and SME debt in the Italian market was close to that recorded in 2019 and amounted to PLN 64bn (with the expenditure of PLN 2.9bn), while the supply of unsecured retail portfolios amounted to PLN 29bn (PLN 66bn and PLN 30bn in 2019, respectively). We estimate that the expenditure on unsecured retail portfolios was PLN 1.9bn. The average price of retail portfolios was around 6%, compared to 9% in the previous year. Most of the portfolios were sold by the banking sector and the main buyers in the Italian market were local players.

Having scaled down its investment activity due to COVID-19, in 2020 the KRUK Group did not purchase any new debt portfolios in Italy.

Recoveries from debt portfolios in Italy amounted to PLN 250m, up 35% year on year. They accounted for 14% of the Group’s total recoveries. Recoveries in the Italian market came in below the Operational Target, with the deviation more pronounced than the Group-wide undershoot in percentage terms. Total revenue in Italy amounted to PLN 117m, having decreased by PLN 55m, or 32%, on 2019. In 2020, revenue from purchased debt portfolios accounted for 91% of total revenue in the Italian market. In 2020, the Group recognised total revaluation losses of PLN 96m on Italian portfolios, of which PLN -76m was recognised during the first six months of the year. This reflected mainly an anticipated deterioration in future recoveries due, among other factors, to the pandemic crisis, and in particular the speed and timing of recoveries enforced through courts. In addition, in the fourth quarter of 2020 the Group recognised a PLN 22m revaluation loss on Italian debt portfolios, which followed from a revision of assumptions concerning the court collection process and application of new curves reflecting the slower process timeline, with collections being made over longer periods. As at the date of issue of this report, the KRUK Group did not identify any material legislative changes attributable to the coronavirus pandemic that could affect the value of the Group’s debt portfolios.

Given the factors discussed above, the carrying amount of purchased debt portfolios as at the end of 2020 was PLN 734m, down 8% year on year. Italian portfolios accounted in total for 18% of the carrying amount of all debt portfolios held by the KRUK Group.

The business of credit management services (Agecredit) posted revenue of PLN 10m, down 17% year on year.

Due to lower-than-expected recoveries and revaluation losses, EBITDA for 2020 came in negative at PLN -29m, compared with PLN -7m for 2019. At the same time, thanks to a year-on-year increase in recoveries, cash EBITDA rose to PLN 113m, from PLN 18m in 2019.

- **Tomasz Kurr, CEO, Italy**

When summing up 2020 it is impossible not to mention the outbreak of the pandemic. The developments brought by the pandemic, as they later turned out, affected the global economy and social processes in an unprecedented way. Italy, as one of the first European countries severely hit by the pandemic, imposed a full lockdown. The situation was made all the more difficult by the lack of appropriate procedures to follow at that time. It all came as a surprise to us, as well as to other market participants. And even though we very quickly learned how to handle the new situation, smoothly switching to remote work and ensuring safe working conditions for our employees, the impact of the lockdown was felt practically in every business line. As it was difficult to estimate risk, we refrained from investing in new debt portfolios, and the debt sale market itself was not entirely open. We worked hard to improve our operational efficiency, which is already evident in the growing recoveries. We streamlined many processes improving our competitiveness in the future. The greatest challenge, following, among others, from courts operating a highly limited service, was posed by judicial collection and enforcement

processes – they still require more attention from us. Revenue from credit management services was lower than expected also as a result of limited supply from our business partners. In these uncertain times, with moratoria contributing to the uncertainty, we did not take on the expected number of cases to manage. Like in other countries, 2020 was marked by a major leap towards online services – unexpectedly, our offering of e-KRUK or e-payments services was readily welcomed by clients.

All this makes me more optimistic about 2021 – I expect that we will be making new investments and that the situation in judicial collection and enforcement processes will stabilise.

- **Other markets – overview of the markets and the KRUK Group’s operations**

Other markets include the Czech Republic, Slovakia, Germany and Spain. Recoveries in the ‘other markets’ segment amounted to PLN 196m and accounted for 11% of the Group’s total recoveries. In 2020, they were 10% lower than in 2019. The decline was mainly due to the COVID-19 spread in Spain which, along with Italy, was hit the worst by the pandemic. Revenues in this segment amounted to PLN 84m in 2020, down 7% year on year. Revenue from purchased debt portfolios fell by 6% year on year, to PLN 73m. In Spain, revenue from the credit management business was PLN 11m, down 17% year on year.

Given the pandemic crisis and impact of the severe social and economic lockdown measures, in Spain the KRUK Group recognised a revaluation loss of PLN 41m, with PLN 61m for the entire ‘other markets’ segment. The reason for the PLN 25m revaluation loss on the Spanish portfolios in the first quarter of 2020 was an anticipated pandemic-related deterioration in future recoveries. In the rest of 2020, revaluation losses were recognised primarily on corporate debt portfolios.

As at the issue date of this report, a prolongation of the prohibition on business bankruptcies in Spain until March 14th 2021 (originally imposed until the end of 2020) was identified by the KRUK Group as a material legislative change attributable to the coronavirus pandemic. The prolongation was imposed by Royal Decree-Law 34/2020 of November 17th on procedural and organisational measures to address COVID-19 in the administration of justice from November 19th. Under the Decree-Law, it is also possible to restructure debt repayment schedules under ongoing bankruptcy processes. The impact of the change was reflected by KRUK in its accounting estimate as at the end of the fourth quarter of 2020. As at the issue date of this report, the KRUK Group did not identify any material legislative changes attributable to the coronavirus pandemic in the German, Czech and Slovak markets that could affect the value of the Group’s debt portfolios.

EBITDA in the other markets was PLN -61m, down 60% year on year, mainly due to lower-than-planned recoveries and revaluation losses, as well as a partial impairment loss of PLN 25m recognised in the second quarter of 2020 on the acquired Spanish company (non-cash component). Cash EBITDA in the other markets came in at PLN 62m, having decreased 39% year on year due to lower recoveries.

At the end of the year, the carrying amount of debt portfolios in the ‘other markets’ segment was PLN 485m and represented 12% of the Group’s all debt portfolios.

- **Spain**

Our estimates show that the supply of retail, corporate and SME debts on the Spanish market amounted to PLN 18bn (with the expenditure of PLN 1.1bn), while the supply of unsecured retail debt portfolios, amounting to PLN 8bn, fell steeply compared with 2019 (nominal values: PLN 97bn and PLN 41bn, respectively). The average price of retail portfolios was around 11%, relative to 5% in the previous year. Most of the portfolios in the Spanish market were sold by the banking sector and other financial institutions.

In Spain, KRUK invested PLN 55m in 2020, acquiring debt portfolios with a nominal value of PLN 380m. In 2019, the values were PLN 44m and PLN 897m, respectively. We invested primarily in unsecured retail debt portfolios. KRUK's estimated share in the unsecured debt market was 7%.

- **Alina Giurgea, CEO, Spain**

Despite the turmoil caused by COVID-19, in 2020 we focused on consistent improvement of our operational processes, particularly through the development of online tools, such as the electronic signature, pay by link, online chat, direct debit, etc. We were able to switch to remote work very quickly, thus guaranteeing our business partners not only security and continuity of our operations, but also uninterrupted operational efficiency. During the year we saw numerous legislative changes, beginning with the state of alert declared on March 14th, including the general lockdown which lasted until June 21st. In addition, the government approved a plan of action, including loan moratoria, and amendments to laws on bankruptcy and financial assistance to corporations (ICO) and individuals (ERTE). In the first six months of 2020, the ban on free movement and the suspension of services by courts had a direct impact on our business, leading to a year-on-year decrease in recoveries. The decline was partially offset in the second half of the year. As regards investment, the market opened up after the summer. Competition from international players was strong, leading to evolution of prices, which – despite the overall market context – changed only slightly in comparison with 2019, depending on the portfolio profile. In my view, 2021 will depend on whether vaccinations are carried out successfully and quickly and whether they have a positive cascading effect on macroeconomic variables, particularly the unemployment rate. At the same time, the new wave of mergers in the banking sector, along with the expected gradual increase in the non-performing loan ratio, will undoubtedly present an opportunity for us to strengthen our market position.

- **Germany**

In 2020, we did not invest in new portfolios on this market. Debt portfolios purchased on the German market in previous years are handled by a local service provider.

- **Czech Republic and Slovakia**

According to our estimates, consumer debt portfolios sold in the Czech Republic and Slovakia in 2020 amounted to PLN 1.1bn (nominal value in known tenders), which is half the figure reported in 2019. The estimated expenditure made in the market was PLN 0.8bn. The average prices reached 19%. More than a half of the portfolios sold in the Czech Republic and Slovakia came from the banking sector. In 2020, KRUK invested more than PLN 8m in the Czech market, purchasing debt portfolios with a nominal value of over PLN 42m. In 2019, its investment in the Czech Republic and Slovakia reached almost PLN 46m. KRUK's share in the unsecured debt market in the Czech Republic was approximately 7%.

- **Jaroslava Palendalová, CEO – Czech Republic and Slovakia**

In the Czech Republic and Slovakia, 2020 started as usual, but both markets were halted by the pandemic. The governments of both countries took all the necessary steps to protect people's health and to maintain financial stability of people and businesses. The most important measure was the announcement of a loan moratorium applicable to financial institutions. In both countries, this significantly affected the number and value of tenders. Towards the end of June 2020, the Czech market began to revive after the temporary shutdown. The number of tenders was higher, but they had lower debt volumes and different characteristics. The Slovak market started to reopen in the third quarter of 2020. Both markets were characterised by more intense competition after the first wave of COVID-19, increased investor interest and sufficient amounts of cash. The need for digitalisation, driven by the pandemic, limited size of the markets and new regulations, compels us to constantly improve our

operational efficiency. We ceaselessly optimise our processes and look for other solutions to deliver simple and convenient service to our clients.

In 2021, we will still be active in all the existing market segments, with particular focus on the banking sector. 2021 will see us work further on process optimisation and development of tools for online clients. We believe that we are well positioned for 2021 and the possible market revival. Our understanding of the situation and ability to adapt and continuously improve are our key advantages on the road to success.

3.4 Carrying amount of purchased debt portfolios

Table 9. Change in purchased debt portfolios in 2020

PLN '000

Carrying amount of investments in debt portfolios as at Jan 1 2019	4,077,718
Purchase of debt portfolios	780,998
Purchase price adjustment for discount	-
Cash recoveries	(1,782,443)
Increase/(decrease) in liabilities to indebted persons due to overpayments	4,988
Valuation of loyalty scheme*	4,456
Revenue from purchased debt portfolios (interest and revaluation)	1,138,338
Translation differences on debt portfolios	(27,234)
Carrying amount of investments in debt portfolios as at Dec 31 2019	4,196,821
Carrying amount of investments in debt portfolios as at Jan 1 2020	4,196,821
Purchase of debt portfolios	456,224
Purchase price adjustment for discount	(100)
Cash recoveries	(1,833,874)
Increase/(decrease) in liabilities to indebted persons due to overpayments	6,620
Valuation of loyalty scheme*	9,513
Revenue from purchased debt portfolios (interest and revaluation)	976,342
Carrying amount of foreclosed property	(15,864)
Carrying amount of property sold	18,914
Translation differences on debt portfolios	172,328
Carrying amount of investments in debt portfolios as at Dec 31 2020	3,984,080

Source: Consolidated Financial Statements

At the end of 2020, the carrying amount of purchased debt portfolios was PLN 3,984m, down by nearly 5% year on year. The decrease was mainly an effect of high revaluation losses, lower investments than in 2019, and high recoveries.

3.5 Group's investments

3.5.1 Investments in debt portfolios

In 2020, the KRUK Group invested in 78 debt portfolios with an aggregate nominal value of PLN 3.1bn. KRUK invested in bank and non-bank portfolios, comprising mainly unsecured consumer debt as well as secured and corporate debt. To compare, in 2019 KRUK purchased 153 debt portfolios with a total nominal value of PLN 8.3bn for PLN 781m.

In 2020, the Group purchased portfolios in Poland and three foreign markets: Romania, the Czech Republic, and Spain. The expenditure outside Poland amounted to PLN 110m (compared with PLN 443m in 2019). Summary data for debt portfolio purchases in 2019–2020 is presented below.

Table 10. Summary of debt portfolios purchased in 2020 and 2019

	2020	2019
Number of purchased debt portfolios	78	153
Nominal value of purchased debt portfolios (PLNm)	3,132	8,274
Expenditure on debt portfolios (PLNm)	456	781

Source: Company

KRUK made its largest investments in Poland (76% of the total). KRUK also made investments in Romania, Spain and the Czech Republic. Ultimately, KRUK intends to further diversify its investment portfolio, with Poland accounting for a major portion of total expenditure.

Table 11. Expenditure in 2020 and 2019 by country (PLNm)

Country	2020	2019
Poland	346	338
Romania	48	254
Czech Republic and Slovakia	8	46
Italy	0	99
Germany	0	0
Spain	55	44
Total	456	781

Source: Company

3.5.2 Loans

In 2020, the value of loans granted grew by PLN 10m year on year, to PLN 225m as at December 31st 2020. In 2020, the KRUK Group companies granted new loans of PLN 339m.

3.5.3 Other capital expenditure

In 2020, the main items of the Group's other capital expenditure were PLN 4.0m spent on new vehicles (including under finance lease contracts) and PLN 5.4m spent on plant and equipment. The Company also spent PLN 13.4m on software and software licences, including PLN 2m invested in development of proprietary software.

3.5.4 Equity investments within the Group

In 2020, KRUK S.A. increased or reduced the capital of its subsidiaries:

Table 12. Movements in share capital at the Group companies

Company	Action	Amount
InvestCapital Ltd.	Share capital increase	PLN 11.0m
InvestCapital Ltd.	Share capital reduction	PLN 220.6m
KRUK Deutschland GmbH	Share capital reduction	PLN 6.1m*
KRUK Espana S.L.	Capital injection	PLN 18.4m*
KRUK Italia S.r.l	Capital injection	PLN 7.2m*
AgeCredit S.r.l.	Capital injection	PLN 1.4m*

* Translated at the mid-exchange rate quoted by the NBP as at the date of share capital increase/reduction;

Source: Company

3.5.5 Sources of financing the investments

The KRUK Group's investments are financed with cash generated in the ordinary course of business, bank borrowings, and proceeds from the bond issues.

3.5.6 Assessment of the feasibility of investment plans

In the opinion of the Management Board, the Group's investment plans are not exposed to any material risks as at the date of approval of this report.

4

4 FINANCIAL REVIEW

4.1 Policies applied in the preparation of full-year consolidated financial statements

The Parent's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union (the "EU-IFRS").

The accounting policies were applied with respect to all the reporting periods presented in the consolidated financial statements, except for the change relating to reclassification of property and change in the presentation of items in the consolidated statement of financial position.

The policies applied to prepare the consolidated financial statements are described in the financial statements.

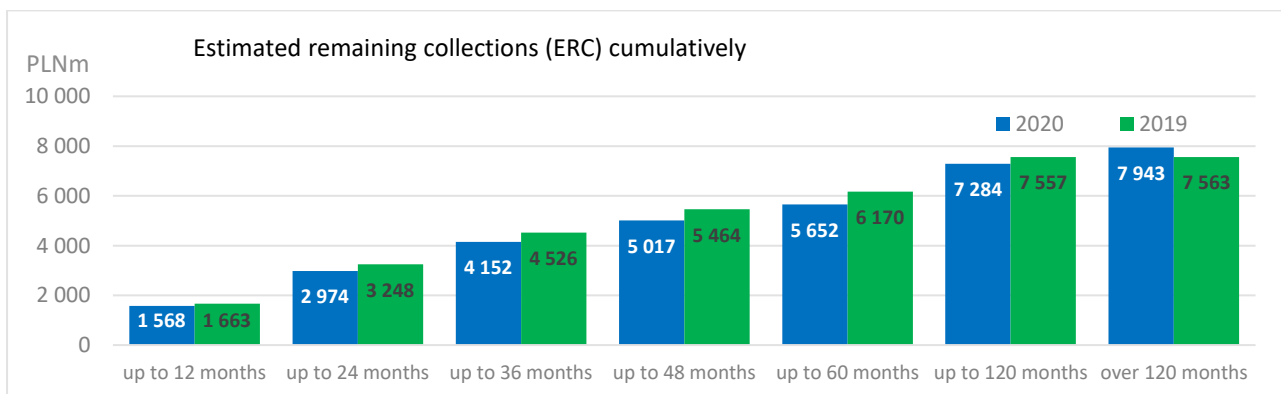
4.2 Analysis of the consolidated financial data

4.2.1 Revenue by product

The main sources of revenue for the KRUK Group are debt purchases and credit management services. Revenue from debt purchase comprises interest income and effects of debt portfolio revaluations, resulting primarily from change in estimates of expected cash inflows from a given portfolio. Revenue from credit management services includes primarily commissions for collection of debt managed by the Group. The Group also generates revenue on consumer loans, which it grants to persons indebted to the KRUK Group who have repaid or regularly repay their debts, as well as to persons who are new clients of the KRUK Group.

Gross rates of return estimated at the time of purchase on investments made in 2020 were 21%, compared with 24% in 2019 (gross IRR calculated as the internal rate of return on collections and expenditure). At the same time, the ratio of collections to expenditure was 2.4 in 2020 (2.2 in 2019).

Estimated remaining collections are expected to reach PLN 7,943m, up by 5% relative to the end of 2019. Depending on the markets and portfolio types, they may have terms of over 10 years.



Estimated remaining collections (ERC) as at December 31st 2019 and December 31st 2020

Source: Company

4.2.2 Revenue by geographical markets

The Group operates on seven geographical markets, divided into four reportable segments:

- Poland
- Romania
- Italy
- Other markets (the Czech Republic, Slovakia, Germany, Spain)

In the presentation of data by geographical areas, revenue is reported based on the location of debt collection offices.

4.2.3 Structure of assets and liabilities in the consolidated statement of financial position

The Group's total assets were PLN 4,643m, having decreased by 4% year on year.

Table 13. Structure of the Group's assets

PLN '000	Dec 31 2020	Dec 31 2019 restated	Change
Assets			
Cash and cash equivalents	145,552	150,274	-3%
Trade receivables	16,804	23,988	-30%
Investments	4,208,724	4,411,438	-5%
Other	271,951	254,214	7%
Total assets	4,643,031	4,839,914	-4%

Source: Company

The largest drop was reported for Investments and resulted from revaluation losses, the level of new investments, and amortisation of the debt portfolio. The level of investments in 2020, significantly lower than in 2019, was a consequence of the pandemic and contributed to a decrease in borrowings and other financial liabilities, which went down by PLN 484m year on year.

Table 14. Group's equity and liabilities as at Dec 31 2020

	Note	Dec 31 2020	Dec 31 2019 Restated	Change
Liabilities				
Trade and other payables	27	122,227	94,478	16%
Derivatives	24	11,257	-	100%
Hedging instruments	25	18,365	3,924	
Employee benefit obligations	26	42,860	39,343	8%
Income tax payable		5,223	6,673	-28%

Borrowings, debt securities and leases	23	2,222,176	2,705,727	-22%
Provisions	28	53,124	24,178	54%
Deferred tax liability	17	134,339	6,498	95%
Total liabilities		2,599,571	2,880,821	-11%
Equity				
Share capital	21	19,011	18,972	0%
Share premium		310,430	307,192	1%
Cash flow hedging reserve		(14,783)	78	101%
Translation reserve		81,360	(30,219)	137%
Other capital reserves		103,626	104,582	-1%
Retained earnings		1,544,128	1,557,821	-1%
Equity attributable to owners of the Parent		2,043,771	1,958,426	4%
Non-controlling interests		(311)	667	314%
Total equity		2,043,460	1,959,093	4%

Source: Company

4.2.4 Financial results

There are no material risks to the KRUK Group's current or future financial position. For a detailed discussion of the financial performance, see Section 4. OVERVIEW OF THE KRUK GROUP'S BUSINESS IN 2020.

4.2.5 Cash flows

The Group's financing and cash management policy is based on:

- financing debt purchases with internally generated funds, bank borrowings, bonds and other debt instruments;
- leasing property, plant and equipment and intangible assets or financing them with internally generated funds;
- financing other operations with internally generated funds.

The Group holds cash in PLN, EUR, RON and CZK.

The main sources of the Group's operating cash flows are related to changes in purchased debt portfolios, disclosed under 'Movements in purchased debt portfolios'.

As the Group recognises debt purchases under operating activities, its investing activities related to the purchase of debt portfolios and the related increase in the value at which the purchased debt portfolios are carried reduce net cash from operating activities.

4.2.6 Material off-balance sheet items by counterparty, subject matter and value

The KRUK Group did not have any material off-balance sheet items in 2020.

4.2.7 Key financial ratios

Profitability ratios

The table below presents the key profitability ratios of the KRUK Group.

Table 15. Profitability ratios

Profitability ratios	Year ended Dec 31	
	2020	2019
EBITDA margin	33%	38%
EBIT margin	29%	35%
Pre-tax margin	18%	25%
Net margin	7%	22%
Return on assets (ROA)	2%	6%
Return on equity (ROE)	4%	14%

Source: Company

Formulas used to calculate the ratios:

- EBITDA margin – operating profit for the period + depreciation/amortisation / total revenue
- EBIT margin – operating profit for the period / total revenue
- Pre-tax margin – profit before tax for the period / total revenue
- Net margin – net profit for the period / total revenue
- ROA – net profit for the period / total assets
- Return on equity (ROE) – net profit for the period / equity

The year-on-year decline in the 2020 profitability ratios was attributable to the following, partially offsetting factors:

- A year-on-year PLN 126m (10%) drop in revenue, mainly due to revaluation of recovery projections totalling PLN -205m, primarily as a result of the coronavirus pandemic;
- A year-on-year PLN 51m (3%) increase in recoveries from purchased debt portfolios. In 2020, recoveries from debt portfolios purchased by the Group amounted to PLN 1,834m and were the highest in the Group's history;
- Implementation of a savings plan to cut operating and administrative expenses, which helped reduce the expenses both relative to the budget and the level recorded in the previous year (by PLN 12m, or 1%);
- Recognition of a PLN -25m goodwill write-down at the acquired Spanish company;

- A year-on-year PLN 93m increase in deferred tax, mainly due to the provision recognised to account for income distributions from the Group's investment companies to KRUK S.A., expected in the coming years.

As the end of 2020, equity was 4% higher year on year.

The Group's assets fell 4% relative to the end of 2019. The largest decrease was seen in Investments (PLN 203m, or 5%), and was mainly attributable to reduced investment activity in the period of significant uncertainty caused by the coronavirus pandemic and its consequences, revaluation losses on and amortisation of debt portfolios owned by the Group.

4.2.8 Debt ratios

The table below presents the key debt ratios of the KRUK Group.

Table 16. Debt ratios

	Year ended Dec 31	
	2020	2019
Total debt ratio	56%	59%
Debt to equity ratio	126%	146%
Net debt to equity ratio	1.0x	1.3x
Net debt to cash EBITDA ratio	1.7x	2.3x
Current ratio	5.2x	11.0x
Quick ratio	5.2x	11.0x

Source: Company

Formulas used to calculate the ratios:

- Total debt ratio – total liabilities / total equity and liabilities
- Debt to equity ratio – total liabilities / total equity
- Net debt to equity ratio = (long-term and short-term liabilities under borrowings and other debt instruments – cash and cash equivalents) / total equity
- Net debt to cash EBITDA ratio = (long-term and short-term liabilities under borrowings and other debt instruments – cash and cash equivalents) / cash EBITDA
- Current ratio – total current assets / total current liabilities
- Quick ratio – (total current assets - inventories) / total current liabilities

The Group's objective is to maintain a solid capital base to ensure business growth, while maintaining the trust and confidence of investors, lenders, bondholders and other partners. In order to control the Group's exposure to financial debt, the Management Board of KRUK S.A. monitors the debt ratios on an ongoing basis.

In 2020, the ratios changed only slightly and, in the Management Board's opinion, remained at safe levels. For instance, debt ratios measured for the entire Group, specified in the Terms and Conditions of Bonds, were as

follows: the net debt to equity ratio stood at 1.0x (the maximum level is 3.0x for issues for which financial debt limits have been defined) and the net debt to cash EBITDA ratio was 1.7x (the maximum level is 4.0x).

The quick and current ratios are determined by the nature of assets from purchased debt portfolios which, although recognised as current assets, will be used in operating activity for more than 12 months.

4.3 Financial instruments

4.3.1 Use of financial instruments

The Group holds the following financial assets other than financial derivatives:

- financial assets measured at amortised cost (purchased debt portfolios – overdue debts purchased by the Group under debt assignment agreements for prices lower than the nominal value of the debt);
- loans and receivables (financial assets with determined or determinable payments, not listed on any active market);

The Group holds the following financial liabilities other than derivative instruments:

- borrowings,
- liabilities under debt securities,
- lease liabilities,
- trade and other payables.

4.3.2 Derivatives

In 2020, the Group could enter into derivative transactions under the following master agreements (as at December 31st 2020):

Agreement	Bank	Company	Agreement date	Transaction limit	Collateral and other security
Master agreement governing transaction execution and settlement	Santander Bank Polska S.A.	KRUK S.A. and InvestCapital Ltd.	Jun 13 2013	PLN 70,000,000	- power of attorney to debit KRUK S.A.'s accounts with the Bank - blank promissory note with promissory note declaration
Master agreement governing execution of financial market transactions	DNB Bank Polska S.A.	KRUK S.A.	Mar 8 2019		- notarised representation on submission to enforcement by KRUK S.A.
Master agreement governing execution of financial market transactions	DNB Bank Polska S.A.	InvestCapital Ltd.	Feb 28 2019	EUR 10,200,000	- guarantee (poręczenie) provided by KRUK S.A. - notarised representation on submission to enforcement by KRUK S.A.
Master agreement governing execution of forward currency transactions	ING Bank Śląski S.A.	KRUK S.A.	Aug 9 2018	EUR 15,000,000	- none

Master agreement governing execution of financial market transactions

mBank S.A.

KRUK S.A.

Feb 7 2019

PLN 5,000,000

- power of attorney to debit KRUK S.A.'s accounts with the Bank
- blank promissory note with promissory note declaration

In 2020, the Group companies did not enter into any new transactions hedging interest rate risk.

Open contracts of the KRUK Group companies as at December 31st 2020:

Bank	Company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 100,000,000.00	buy	3.06%	3.1% + 3M WIBOR	January 9th 2017 to June 4th 2021
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 90,000,000.00	buy	2.97%	3.0% + 3M WIBOR	January 13th 2017 to November 10th 2021
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 150,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to March 2nd 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 50,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to May 4th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 75,000,000.00	buy	1.67%	3M WIBOR	September 5th 2019 to October 18th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 30,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to November 27th 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to February 6th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 35,000,000.00	buy	1.6050%	3M WIBOR	September 4th 2019 to October 12th 2023
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 27th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 28th 2024

On February 5th 2020, InvestCapital Ltd. entered into a EUR/PLN FX forward transaction with a nominal value of PL 50m, maturing on March 5th 2020. The transaction hedged a planned cash flow. As at December 31st 2020, the Group did not have any open transactions of this type.

4.3.3 Risks associated with the use of financial instruments

When using financial instruments, the Group is exposed to credit risk, liquidity risk (debts) and market risk (currency, interest rates). For further information on the methods of managing the risks, see Section 8 *Material risk factors and their management*.

Below are presented assets with exposure to credit risk.

Table 17.1 Assets with credit risk exposure

PLN '000	Note	Dec 31 2020	Dec 31 2019
Investments in debt portfolios	15	3,984,080	4,196,821
Loans	15	224,644	214,617
Trade and other receivables	18	45,161	55,840
		4,253,885	4,467,278

Source: Company

4.4 Events with a significant effect on the Group's operating and financial results

4.4.1 Significant events during the financial year

Events and circumstances which had a significant effect on the operations of the Parent and its subsidiaries in the financial year 2020 are discussed in detail in other sections of this report. Such events include mainly the execution of material agreements in the course of business, as described in detail in *Agreements concluded by the KRUK Group*.

4.4.2 Non-recurring factors and events

Due to the COVID-19 pandemic, 2020 was a year like no other, presenting KRUK with unprecedented challenges. The pandemic and restrictions imposed in many markets led to temporary movement restrictions, including suspension of visits from field advisors, restrictions on operations (such as temporary suspension of enforcement against pensions in Romania or the introduction of a cap on non-interest costs of loans in Poland). They affected both the amount of recoveries and the level of portfolio revaluation losses.

4.4.3 Operations – COVID-19 and measures taken in connection with the pandemic

The coronavirus pandemic had an impact on many aspects of KRUK's operations. The key ones are presented below:

- We switched to remote working smoothly and fast; most of our employees can and continue to work from home.
- We took care of the employees' safety by adapting the rooms or providing the required sanitisers and disinfectants; we reduce the need for and frequency of face-to-face meetings.

- We temporarily suspended visits from field advisors, who resumed face-to-face meetings with clients in late May and early June while observing the sanitary regime.
- We further developed our existing online tools and accelerated the implementation of new ones (e-KRUK, e-payments, e-signature, online settlement, self-service process) to enable efficient process management and to enable our clients to pay their liabilities safely and comfortably, regardless of any movement restrictions.
- We reduced our lending activity and simultaneously implemented additional verification of clients applying for a loan. We reduced non-interest costs in compliance with legislative changes introduced in Poland.
- We temporarily lowered the remuneration of members of the management and supervisory boards and our employees.
- We suspended pay rises and fringe benefits, and curtailed recruitment of new staff.
- We used additional cost cutting measures, some of which consisted in postponing certain expenses, and some may be of a recurring nature.
- In Poland, Romania and Spain, we received subsidies to salaries and wages under governmental assistance plans.
- We followed a prudent investment policy, taking into account the additional risk related to the pandemic in our valuations.
- We factored in the probable impact of the pandemic on recoveries, accounting for the bulk of the PLN 205m negative revision of recovery projections in 2020.

The measures we took to support the operating process during the pandemic, the cost-cutting measures we applied, and also our long-standing policy of keeping the Group's debt at a relatively low level allowed us to maintain a stable financial and liquidity position in this economically challenging time.

4.5 Securities in issue

4.5.1 Company shares

For information on the Company shares, see Section 2.3.2. Changes in share capital and conditional share capital.

4.5.2 Company bonds

In 2020, the Company carried out one bond issue with a nominal value of PLN 25m. The retail bond issue was carried out as part of the Seventh Bond Programme. The issue price of each bond was equal to its nominal value of PLN 100.

Bond issues in 2020

Series	Nominal value	Issue date	Due date	Interest	Interest payment
AK1	PLN 25m	September 2020	September 2025	fixed 4.80%	every 3 months

Source: Company

Subsequent to the reporting date, under the same programme, the Company issued a second series of bonds with a nominal value of PLN 20m. The issue price of each bond was equal to its nominal value of PLN 100.

Bond issues between January 1st and March 25th 2021

Series	Nominal value	Issue date	Due date	Interest	Interest payment
AK2	PLN 20m	February 2021	February 2026	fixed 4.20%	every 3 months

Source: Company

The Prospectus for the Seventh Bond Programme, under which the Company may issue further series of bonds with a total amount of up to PLN 655m, expires in August 2021.

In addition, in July 2020 the Company's Management Board passed a resolution to establish the First Bond Issue Programme without a Prospectus, under which the Company may (for an indefinite period) issue unsecured bonds with a total nominal value of up to PLN 700m. In 2020, the Company did not issue any series of bonds under that Programme.

Redemption of bonds

In 2020, the Company redeemed debt securities with nominal value of PLN 88.4m, on the maturity dates set forth in the terms and conditions of the relevant series.

Bonds redeemed in 2020

Series	Due date	Number of bonds redeemed	Nominal value
U2+U3	December 2020	45,000	PLN 45m
W1	June 2020	133,599	PLN 13.4m
W2	November 2020	300,000	PLN 30m

Source: Company

Liabilities under bonds

As at December 31st 2020, liabilities under outstanding bonds were PLN 1,312m (at nominal value.)

Financial ratios monitored pursuant to the terms and conditions of the bond issue

As at December 31st 2020:

- Debt Ratio was 1.0x
- Net Debt to Cash EBITDA ratio was 1.7x

where:

- Cash EBITDA is defined in the Glossary of Terms
- Equity means the KRUK Group's equity;
- Debt Ratio means: Net Financial Debt to Equity;
- Net Financial Debt represents the KRUK Group's Financial Liabilities less the KRUK Group's cash;
- The Financial Covenants are defined in the Glossary

4.6 Assessment of financial resources management

4.6.1 Financial forecasts

On March 17th 2021, the Management Board adopted a resolution concerning KRUK Group's preliminary 2020 earnings estimates. Pursuant to the resolution, the preliminary estimated consolidated net profit of the KRUK Group for 2020 is PLN 81m, and its preliminary estimated cash EBITDA for 2020 is PLN 1,236m, up 10% on 2019. Both the estimated net profit and estimated cash EBITDA published in Current Report No. 6/2021 on March 17th 2021 are consistent with the final financial performance figures published in this report.

4.6.2 Assessment of future financial condition

The Group mitigates risks associated with management of financial resources through a continuous debt management process, which ensures an uninterrupted inflow of cash. The Group relies on external financing, but it monitors and ensures proper performance under its credit facility agreements and fulfilment of its other financial liabilities.

In the opinion of the Management Board, given the Group's current and projected financial position there are no significant risks related to its management of financial resources. The Company is able to control and service its debt and manages its financial resources in a prudent manner.

4.7 Agreements executed by companies of the KRUK Group

Material agreements

Below is presented an overview of agreements, annexes and transactions executed by the KRUK Group in 2020 which may be considered material to the Group's business.

4.7.1 Agreements executed with non-Group companies

Execution of debt assignment agreement in Spain

On December 30th 2020, InvestCapital Ltd. of Malta and a bank from the BNP PARIBAS Group concluded an agreement providing for the purchase by InvestCapital Ltd. of a portfolio of unsecured retail and SME debt with a total nominal value of approximately EUR 82m (PLN 372m at the mid exchange rate quoted by the National Bank of Poland for December 30th 2020).

Execution of debt assignment agreements in Poland

On December 21st 2020, PROKURA NS FIZ and Getin Noble Bank S.A. concluded an agreement providing for the purchase by Prokura NS FIZ from the Bank of portfolios of unsecured retail debts with an aggregate nominal value of PLN 839m.

4.7.2 Intra-group agreements

In 2020, KRUK S.A. did not execute any agreements with Group companies that could be considered material to the business of the KRUK Group.

4.7.3 Material related-party transactions executed on a non-arm's length basis

The KRUK Group has not executed any material related-party transactions on a non-arm's length basis.

4.7.4 Borrowing agreements

The table below presents all credit facilities granted to KRUK Group companies as well as collateral and other security for the loans as at December 31st 2020 (PLNm).

Bank	Borrower	Agreement date	Final repayment date	Facility	Limit as at the agreement date, as amended	Limit as at Dec 31 2020
Santander Bank Polska S.A.	KRUK S.A.	April 2011	Credit facility (PLN 85m): October 2025 Additional credit facility (PLN 55m): October 2023	Revolving credit facility	140	140
Getin Noble Bank S.A.	KRUK S.A.	March 2014	May 2024	Revolving credit facility	260	260
mBank S.A.	PROKURA NSFIZ	July 2015	July 2023	Revolving credit facility	140	140
Bank Pocztowy S.A.	KRUK S.A.	December 2018	December 2023	Revolving credit facility	50	50
ING Bank Śląski S.A.	PROKURA NS FIZ	December 2018	December 2024	Revolving credit facility	200	200
DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	Invest Capital LTD, KRUK Romania S.R.L., Prokura NS FIZ, KRUK España S.L.U.	July 2017	July 2024	revolving credit facility, syndicated credit facility	1,084.5	1,084.5
Total					1,874.5	1,874.5

Debt collateral in the Group:

Bank	Borrower	Collateral and other security	Value of collateral provided by the borrower as at December 31st 2020
Santander Bank Polska S.A.	KRUK S.A.	<ul style="list-style-type: none"> - registered pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - power of attorney over KRUK S.A.'s accounts - notarised declaration of KRUK S.A. on submission to enforcement 	321,000
Getin Noble Bank S.A.	KRUK S.A.	<ul style="list-style-type: none"> - pledge over KRUK S.A.'s ownership interest in a specified compartment of SeCapital Sarl - power of attorney over KRUK S.A.'s accounts - notarised declaration of KRUK S.A. on submission to enforcement 	342,376
mBank S.A.	PROKURA NSFIZ	<ul style="list-style-type: none"> - registered pledge over selected portfolios held by PROKURA NS FIZ - surety under civil law provided by KRUK S.A. - financial pledge over PROKURA NS FIZ's selected account - power of attorney over PROKURA NS FIZ's selected account - power of attorney over specified accounts of KRUK S.A. - notarised declaration of KRUK S.A. on submission to enforcement - notarised declaration of PROKURA NS FIZ on submission to enforcement 	159,103
Bank Pocztowy S.A.	KRUK S.A.	<ul style="list-style-type: none"> - financial pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - financial pledge over PROKURA NS FIZ's selected account - power of attorney over KRUK S.A.'s selected accounts - notarised declaration of KRUK S.A. on submission to enforcement 	126,224
ING Bank Śląski S.A.	PROKURA NS FIZ	<ul style="list-style-type: none"> - registered pledge over selected portfolios held by PROKURA NS FIZ - surety under civil law issued by KRUK S.A. - financial and registered pledge over PROKURA NS FIZ's selected account - financial pledge over PROKURA NS FIZ's selected account - power of attorney over KRUK S.A.'s selected account - power of attorney over PROKURA NSFIZ's selected account held with PeKaO S.A. - notarised declaration of KRUK S.A. on submission to enforcement - notarised declaration of PROKURA NS FIZ on submission to enforcement 	208,385

DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	Invest Capital LTD, Kruk Romania S.R.L., Prokura NS FIZ, Kruk España S.L.U.	- pledge over Borrowers' selected debt portfolios	1,384,493
		- pledge over selected bonds issued by ItaCapital S.r.l.	
		- pledge over Borrowers' selected bank accounts	
		- surety under civil law provided by Kruk S.A.	
		- surety under civil law issued by Kruk Romania S.r.l.	
		- surety under civil law issued by Kruk España S.L.U.	
		- notarised declaration of Kruk S.A. on submission to enforcement	
		- notarised declaration of PROKURA NS FIZ on submission to enforcement	
Total			2,541,581

On December 4th 2020, all liabilities under the non-revolving credit facility agreements between PROKURA NS FIZ, Kruk S.A. and Powszechna Kasa Oszczędności Bank Polski S.A., i.e. the agreement of June 20th 2016, under which the final repayment date was December 19th 2020, and the agreement of December 5th 2016, under which the final repayment date was June 4th 2021, were prepaid in full.

On December 31st 2020, all liabilities under the multi-purpose credit facility agreement executed on October 3rd 2014 between Kruk S.A. and BNP Paribas Bank Polska S.A., as amended, were repaid in full on the date set in the agreement.

In connection the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, concluded between InvestCapital LTD, Kruk Romania S.R.L., Prokura NS FIZ, Kruk España S.L.U. (the Borrowers) and Kruk S.A. (the Surety Provider), and DNB Bank ASA, ING Bank Śląski S.A., in order to secure liabilities under the agreement:

- On January 3rd 2020, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A. signed an agreement under Spanish law establishing a pledge over a debt portfolio purchased by InvestCapital LTD on the Spanish market.
- On February 14th 2020 InvestCapital Ltd and DNB Bank ASA signed an agreement under Romanian law to create a pledge over portfolios purchased by InvestCapital Ltd on the Romanian market.
- On April 16th 2020 InvestCapital Ltd and DNB Bank ASA signed an agreement under Romanian law to create a pledge over portfolios purchased by InvestCapital Ltd on the Romanian market.
- On May 18th 2020, InvestCapital Ltd and DNB Bank ASA signed an agreement under Romanian law to create a pledge over the borrower's bank account which receives recoveries from certain debt portfolios purchased by InvestCapital Ltd on the Romanian market.
- After the reporting date, on October 14th 2020 InvestCapital Ltd and DNB Bank ASA signed an agreement under Romanian law to create a pledge over portfolios purchased by InvestCapital Ltd on the Romanian market.
- After the reporting date, on January 7th 2021 InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A. signed an agreement under Spanish law establishing a pledge over a debt portfolio purchased by InvestCapital LTD on the Spanish market.

As at December 31st 2020, the total value of portfolios pledged as security under those agreements was PLN 332.95m.

4.7.5 Termination of credit facility and loan agreements

In 2020, the Group companies, except Novum Finance Sp. z o.o., RoCapital I.F.N and Wonga.pl Sp. z o.o., did not terminate any loan agreements with entities from outside the KRUK Group.

4.7.6 Loans, sureties and guarantees granted; borrowings, sureties and guarantees received

Loans advanced by KRUK S.A. to its subsidiaries

In 2020, KRUK S.A. granted its subsidiaries loans whose total amount translated into the Polish złoty is was PLN 52.72m. The loans were granted to the following companies:

Borrower	Purpose	Currency	Amount of loans granted in 2020 (PLNm)	Total amount of all liabilities under loans granted by KRUK S.A. as at December 31st 2020 (PLNm)
Wonga.pl Sp. z o.o.	financing of day-to-day operations	PLN	45.8	213.2
KRUK Romania S.r.l.	financing of investing activities	EUR	6.9	53
Secapital Polska sp. z o.o.	financing of day-to-day operations	PLN	0.02	0.15
			52.72	

The amounts of loans denominated in foreign currencies were translated into PLN at the mid-rates quoted by the National Bank of Poland for the loan dates. As at December 31st 2020, liabilities under loans denominated in foreign currencies were translated into PLN at the mid-rates quoted by the National Bank of Poland for December 31st 2020.

Source: Company

Loans advanced to KRUK Česká a Slovenská republika s.r.o.

In 2020, KRUK S.A. did not advance any loans to KRUK Česká a Slovenská republika s.r.o. of Hradec Králové (for operating or investing activities). The CZK-denominated loans were repaid in full in 2020. As at December 31st 2020, the outstanding liabilities of KRUK Česká a Slovenská republika s.r.o. towards KRUK S.A. under EUR-denominated loans stood at PLN 7m (translated into PLN at the mid-exchange rate quoted by the NBP for December 31st 2020). Interest of PLN 0 – accrued as at December 31st 2020 and paid.

Loans advanced to ERIF Business Solutions Sp. z o.o.

In 2020, ERIF Business Solutions Sp. z o.o. of Wrocław did not receive any loans from KRUK S.A. The total amount of all liabilities under loans granted by KRUK S.A. as at December 31st 2020 was PLN 0,172m.

Loans advanced to Novum Finance Sp. z o.o.

In 2020, Novum Finance Sp. z o.o. of Wrocław did not receive any loans from KRUK S.A. The total amount of all liabilities under loans granted by KRUK S.A. as at December 31st 2020 was PLN 31.2m.

The interest rates were set at 1M or 3M WIBOR (for PLN loans), 1M or 3M PRIBOR (for CZK loans), 1M or 3M EURIBOR (for EUR loans) plus margin.

The agreed maturities of the loans provided to finance day-to-day operations ranged from 350 days to one year, except the loans granted to:

- Novum Finance Sp. z o.o. – the loan is to be repaid in up to 3 years
- Wonga.pl Sp. z o.o. – the loan is to be repaid in up to 7 years.

The agreed maturities of the loans financing the companies' investing activities ranged from one to three years.

4.7.7 Loans received by the Company from subsidiaries

Borrowings from ERIF Biuro Informacji Gospodarczej S.A. of Warsaw

In 2020, KRUK S.A. did not receive any new loans from ERIF Biuro Informacji Gospodarczej S.A. of Warsaw. As at December 31st 2020, the Company's outstanding liabilities (principal and interest) towards ERIF BIG S.A. under the borrowings were PLN 7.1m.

Loan from KRUK Italia s.r.l. of Milan

The loan of PLN 15.6m (translated at the mid-rate quoted by the National Bank of Poland for the loan date) received from KRUK Italia s.r.l. of Milan in 2020 was used to finance the Company's day-to-day operations. The loan has been partly repaid, and as at December 31st 2020 the Company's outstanding liabilities towards KRUK Italia s.r.l. under loans were PLN 14.2m (translated at the mid-rate quoted by the National Bank of Poland for December 31st 2020).

4.7.8 Consumer loans offered by the KRUK Group through Novum and Wonga.pl

In 2020, the KRUK Group advanced 6 thousand NOVUM cash loans in Poland and Romania, for a total gross amount of PLN 42m. As part of the NOVUM business line, consumer loans of up to PLN 10,000 per loan were granted for periods from 3 to 30 months in Poland. In Romania, NOVUM granted consumer loans of up to RON 45,000 with a repayment term of up to 60 months.

In 2020, in Poland Wonga.pl Sp. z o.o. granted 148.6 thousand cash loans for a total amount of PLN 314.4m. As part of the Wonga business line, consumer loans of up to PLN 20,000 per loan are granted. Until the end of March 2020, loans were advanced for periods of up to 60 months, and currently the lending period is up to 48 months.

4.7.9 Intra-company loans between subsidiaries

Loans advanced by KRUK Towarzystwo Funduszy Inwestycyjnych S.A. to PROKURA NS FIZ fund

In 2020, KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław granted loans of PLN 18.0m to PROKURA NS FIZ of Wrocław to finance the fund's investing activities.

Loans advanced by RoCapital I.F.N. to KRUK Česká a Slovenská republika s.r.o.

In 2020, RoCapital I.F.N. of Bucharest did not advance any loans to KRUK Česká a Slovenská republika s.r.o. of Hradec Králové. As at December 31st 2020, the outstanding liabilities of KRUK Česká a Slovenská republika s.r.o. towards RoCapital I.F.N. under loans granted in 2018 stood at PLN 2.4m (translated into PLN at the mid-exchange rate quoted by the NBP for December 31st 2020).

4.8 Guarantees

4.8.1 Guarantees obtained

On December 18th 2020, Santander Bank Polska S.A. executed Annex 6 to the bank guarantee of December 17th 2014 provided to secure the payment of all liabilities towards DEVCO Sp. z o.o. under a contract for lease of a part of an office building signed by the Company and DEVCO Sp. z o.o. Under the annex, the guarantee was extended until December 30th 2021. The guarantee amount is EUR 291,076.65 and PLN 197,482.17. The guarantee is secured by a power of attorney over the Company's bank accounts held with Santander Bank Polska S.A.

Pursuant to the annex to the bank guarantee agreement, on December 16th 2020 the Company made a declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to the PLN equivalent of EUR 0.44m and up to PLN 0.3m.

4.8.2 Guarantees provided

Following the cancellation of shares in InvestCapital Ltd effected on August 29th 2019, on August 29th 2019 KRUK S.A. provided InvestCapital Ltd. with a corporate guarantee of up to PLN 30m. The guarantee expired on January 28th 2020. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who – in accordance with the Maltese Companies Act – had the right to challenge the cancellation of shares by January 28th 2020.

Following the cancellation of shares in InvestCapital Ltd effected on October 9th 2019, on October 9th 2019 KRUK S.A. provided InvestCapital Ltd. with a corporate guarantee of up to PLN 85m. The guarantee expired on February 12th 2020. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who – in accordance with the Maltese Companies Act – had the right to challenge the cancellation of shares by February 12th 2020.

Following the cancellation of shares in InvestCapital Ltd effected on November 20th 2019, on November 20th 2019 KRUK S.A. provided InvestCapital Ltd. with a corporate guarantee of up to PLN 40m. The guarantee expired on February 28th 2020. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who – in accordance with the Maltese Companies Act – had the right to challenge the cancellation of shares by February 28th 2020.

Following the cancellation of shares in InvestCapital Ltd effected on March 4th 2020, on March 4th 2020 KRUK S.A. provided InvestCapital Ltd. with a corporate guarantee of up to PLN 50m. The guarantee expired on June 12th 2020. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who – in accordance with the Maltese Companies Act – had the right to challenge the cancellation of shares by June 12th 2020.

Following the cancellation of shares in InvestCapital Ltd effected on March 30th 2020, on March 30th 2020 KRUK S.A. provided InvestCapital Ltd. with a corporate guarantee of up to PLN 200m. The guarantee expired on July 14th 2020. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who – in accordance with the Maltese Companies Act – had the right to challenge the cancellation of shares by July 14th 2020.

4.8.3 Sureties

In 2020, none of the KRUK Group companies issued any new sureties. For information on the existing sureties under credit facility agreements and master agreements enabling the Group to enter into transactions in

derivative instruments, see Section 4.14.3 *Borrowing agreements* and Section 5.3.2 *Derivatives*. Upon early and full repayment of all liabilities under the credit facilities with Powszechna Kasa Oszczędności Bank Polski S.A., in 2020 the surety under civil law provided to the bank by KRUK S.A. for liabilities of Prokura NSFIZ as the borrower under the aforementioned agreements expired.

4.9 Significant events after December 31st 2020

No significant events occurred after December 31st 2020.

5

5 BUSINESS ENVIRONMENT

5.1 Debt management market

The key segmentation criterion on the Group's debt management market is the ownership of debt. Considering the acquisition of legal title to debt, two segments can be distinguished:

- Management of purchased debt portfolios

Management of purchased debt portfolios is the principal area of the KRUK Group's activities. The Group has an extensive knowledge base, specialised methods of valuation, access to financing and appropriate transaction structures, which allow it to purchase debt portfolios on all home markets. The Group is prepared to invest in debts of all types: secured and unsecured consumer debts, including mortgage debts, as well as SME and corporate debts, but the preferred category are unsecured consumer debt portfolios.

- Credit management services

The KRUK Group manages receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunications operators, cable TV operators, digital TV operators, and companies from the FMCG sector. The Group focuses on the banking market and its business is based on long-term relations with the key accounts.

In 2020, the Group was contracted to manage debt portfolios with a nominal value of PLN 9.8bn (2019: PLN 15.6bn). The Group actively provides credit management services in Poland, Romania, Spain and Italy.

Based on the type of managed debt, the market can be divided into the following three segments:

- Unsecured retail debt market comprising non-performing, unsecured debts of consumers and small and medium-sized businesses to banks, insurers, service providers (such as telecommunications or cable TV operators), or housing cooperatives;
- Mortgage-backed retail debt market comprising non-performing debts of natural persons to banks under mortgage-backed debt loans and borrowings,
- Corporate debt market comprising debts of businesses, primarily resulting from outstanding financial liabilities towards banks (often collateralised), with significant unit nominal values;

The Group's primary markets in 2020 were the markets of unsecured and secured debt to banks in Poland and Romania, as well as unsecured debt to banks in the Czech Republic, Slovakia, Germany, Italy, and Spain. The KRUK Group also purchased corporate debt.

The situation in the debt management industry in the countries where the Group operates depends on the prevailing macroeconomic conditions. The factors which may affect the Group's financial performance include in particular the unemployment rate, average pay in the economy, household debt, GDP growth rate, investment growth rate, inflation rate, budget deficit, and the PLN exchange rate against other currencies. The macroeconomic environment has a two-fold effect on the Group's standing in each phase of the economic cycle.

The effect of the macroeconomic environment on the Group's condition in a period of fast economic growth:

- Growth in household incomes in real terms translates into consumers' greater willingness to spend and increased demand for credit, which leads to the subsequent increase in banks' lending activity;
- Increase in the lending activity translates into a rising overall debt level in the economy and, consequently, into more cases being processed on the non-performing debt management market;
- Growing incomes of the population result in a higher loan repayment rate, which improves recoveries from debt portfolios purchased by the Group and, in the subsequent periods, reduces the number of collection cases sold or outsourced to debt collection agencies, unless the effect is compensated by an increase in the overall debt level in the economy.

The effect of the macroeconomic environment on the Group's condition in a period of economic slowdown:

- Deteriorating loan repayment rates in the economy translate into a greater number of cases being processed on the non-performing debt management market; Increase in the number of outsourced credit management cases follows with a lag of several months, whereas an increase in the stream of debt coming up for sale follows the trend up to a few years later;
- Reduction of lending activity by banks translates into a lower number of new indebted persons in the banking sector;
- Growing unemployment rate and a decrease in people's incomes is followed by deteriorating loan repayment rates, and thus may adversely impact the recoverability of debt portfolios held by the Group;
- Any increase or decrease in the exchange rate of the currency in which debts are denominated and repaid in foreign markets may increase or decrease the amount of payments expressed in the Polish zloty or the fair value of debt portfolios denominated in foreign currencies.

Impact of COVID-19 - see Section 4.4.3 and 7.

An important market parameter which has a bearing on the supply of new debt portfolios and demand for credit management services provided by the Group is banks' interest in outsourcing these services to debt collection agencies. The level of such interest in a given period is reflected in the share of debt sold or outsourced for management to specialist service providers in the total volume of non-performing debts.

The Group's trading partners, both on the Polish and foreign markets, pursue a variety of debt management strategies. The Group is exposed to the risk that their interest in outsourcing debt collection or selling receivables will be reduced, resulting in an increase in the volume and value of debts collected by creditors using their own resources. Such lesser interest in outsourcing debt collection would suppress demand for external debt collection services, such as those rendered by the KRUK Group, and reduce the supply of debt portfolios available for purchase, thus adversely affecting the Group's revenue.

Competition in the debt purchase segment is typically less intense than in the credit management segment due to higher entry barriers to the market. These include: access to capital, expertise and experience in the valuation of debt portfolios, as well as the size of the operations enabling large-scale management of significant debt portfolios. Debt portfolios are purchased in auctions, where the primary award criterion is the price. The Group's key competitors in the debt purchase segment include trade investors (credit management companies), and financial investors (investment and hedge funds).

The credit management industry, where the KRUK Group operates, is highly competitive. Entities which provide credit management services to financial institutions compete primarily in terms of the scale of their operations, recovery rates (effectiveness), price, service standards, as well as personal data protection standards.

5.2 Legal and regulatory environment

KRUK S.A. was incorporated and operates under the laws of Poland. The Group also conducts activities on foreign markets. The foundation of continental Europe's legal systems, Polish law including, is the statute law. Significant number of laws and regulations governing issuance of and trade in securities, shareholders' rights, foreign investments, corporate activities and governance, trade and business activities, including consumer bankruptcy, as well as tax reliefs and benefits available to investment funds, have been and may be amended. In addition, these laws and regulations are subject to differing interpretations and there is an inherent probability in the legal and regulatory environment that they may be applied in an inconsistent manner by court and public administration bodies, which is further exacerbated by the fact that not all court judgments are published in official collections of judicial rulings. As a rule, court judgments, not regarded as an official source of law, are not binding in other cases, however, they do have certain influence on the practice of interpretation and application of the law. Therefore, no assurance can be given by the Company that its interpretation of Polish law or laws of other countries applicable to the Group's business will not be challenged, which may in turn result in fines or penalties being imposed on the Company or any of its subsidiaries, or the Company or the subsidiaries being required to change their policies. This may have an adverse effect on the Group's operations, financial condition and image.

The Group's operations comply with the applicable laws and regulations, including those on competition and consumer protection. Given the nature of the Group's operations, it is possible that the President of the Polish Office of Competition and Consumer Protection (UOKiK), or another competent consumer protection authority (particularly abroad), finds that the Group's activities infringe on collective consumer interests or that the Group applies abusive clauses in its contract templates. Also, there is a risk that the UOKiK President, or another competition protection authority, may bring abuse charges against entities holding a dominant market position. On concluding that such abuse exists, the UOKiK President, or another competition protection authority, may demand that the abuse of dominant position be discontinued, and impose a financial penalty.

Changes in legislation may also have a material effect on the Group's profitability or even limit the Company's or its subsidiaries' ability to provide certain services. In particular, the Group's operations may be affected by changes of laws and regulations in the following areas: pursuing claims in court and enforcement proceedings, operation of securitisation funds, terms and conditions of granting consumer loans, and terms and conditions of entering debtors in registers maintained by credit reference agencies.

The nature of the Group's operations involves extensive personal data processing as part of its everyday business. The Group processes personal data in compliance with the personal data protection legislation in force in the countries where it operates, including in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27th 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 96/46/EC (GDPR). However, the Company cannot assure that there will never occur a situation where despite the use of technical and organisational measures to protect personal data it processes the Group's legal obligations in this respect are breached, in particular by disclosing personal data to unauthorised persons.

Some areas of the Group's operations, in particular the activities of securitisation funds and investment companies managing such funds and management of securitised receivables of a securitisation fund, as well as the provision of detective services, are subject to special regulations. To conduct such activities, the Group companies are required to obtain authorisations or consents from public administration authorities (the PFSA in Poland) or have them entered in the register of regulated activities, and is subject to supervision by these authorities.

The laws and regulations underlying the tax systems in the countries in which the Group operates may change. Some of these laws and regulations are ambiguous and the practices and interpretations of tax authorities

frequently lack consistency and clarity. Due to differing tax law interpretations, the tax risk in Poland and the other countries where the Group is present is greater than in the legal systems on developed markets. No assurance can be given by the Company that tax authorities will not establish different tax interpretations, unfavourable to the Group, or that tax legislation will not change, which may have a material adverse effect on the Group's operations, financial condition or performance. Furthermore, as the Group operates in various jurisdictions, double-tax treaties also have an effect on its business.

Considering the legal environment, one should bear in mind the EU legislation, which governs various spheres of economic activity, in particular competition, financial services markets, consumer rights, fair business practices and terms of contracts with consumers, supervision of tax legislation applicable in member states, personal data protection, etc.

Since the Group is also present abroad, below is presented an overview of the legal and regulatory environment in the countries where it operates.

- **Romania**

In Romania, debt companies are subject to the registration requirement and are obliged to file reports with the National Consumer Protection Authority (ANPC). In December 2016, Kruk Romania was entered in the register maintained by ANPC. In addition, the entity that acquires mortgage secured receivables (RoCapital IFN S.A.) is regulated by the National Bank of Romania.

- **Czech Republic and Slovakia**

The National Bank of Slovakia issued a decision authorising the KRUK Group company operating in Slovakia to grant consumer loans as of December 2nd 2016. Obtaining that decision was also necessary for the company to be able to purchase debts under consumer loan agreements as this type of debt can only be purchased by entities licensed by the National Bank of Slovakia. In the Czech Republic, there are no specific requirements to be satisfied by KRUK to conduct its business in the country.

- **Germany**

The regulatory authority is Kammergericht Deutschland, which supervises credit management companies and their activities.

- **Italy**

In Italy, debt collection is subject to licensing. Questura is the authority competent to grant and revoke such licences. KRUK Italia holds the required licence. The institution with direct influence on debt collection and purchase activities is the Bank of Italy (Itacapital SPV is required to send periodic reports on its debt portfolio purchases to the Bank of Italy; the Bank may also demand formal explanations or carry out inspections). Also Autorita' Garante della Concorrenza e del Mercato (AGCM) is authorised to impose sanctions in the event of a breach of the Codice di Condotta law, laying down best practices to be followed in debt collection. The following institutions should also be mentioned: Garante della Privacy, authorised to impose sanctions in the event of a breach of personal data protection rules, and Guardia di Finanza, authorised to impose sanctions in the event of a breach of tax obligations.

- **Spain**

The Spanish legislation does not provide for the obligation to obtain a permit or licence to conduct debt management activities. No entity operating in Spain is obliged to meet any special requirements with respect to its assets, investments, accounting or regulatory reporting. Entities conducting financial or lending activities are subject to the supervision of the Spanish Central Bank and are required to comply with specific regulations

governing such activities; however, none of the KRUK Group companies conduct such activities. Consumer protection regulations apply. Competence for consumer protection is not centralised in a single authority at national level, but is distributed among supervision authorities with varying degree of responsibilities. Certain types of activities, such as those of a field consultant, are subject to strict regulation and require a special permit from the Ministry of Internal Affairs.

Securitisation funds and securitisation companies

Operations of the Group's securitisation funds (Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, Bison NS FIZ) are regulated. In Poland, securitisation funds operating as closed-end investment funds are subject to supervision by the Polish Financial Supervision Authority (PFSA), which has extensive powers and legal instruments to supervise them.

The PFSA's powers include: granting permits to manage securitised receivables of a securitisation fund by an entity other than an investment fund company; supervising entities that manage securitised receivables of a securitisation fund, including with regard to compliance of their securitised debt management activities with the law, the fund's articles of association, the agreement concluded with the investment fund company and the authorisation granted; and imposing penalties and applying other measures in the event of violation of the laws governing the operations of investment funds, including fines and withdrawal of the permit.

By the decision of May 8th 2012, the PFSA authorised KRUK Towarzystwo Funduszy Inwestycyjnych S.A. to conduct activities consisting in establishment and management of investment funds. On December 7th 2012, the management of the KRUK Group's securitisation funds was taken over by KRUK Towarzystwo Funduszy Inwestycyjnych S.A. In line with changes to the law in 2016, the KRUK Group securitisation funds obtained the status of alternative investment funds and KRUK TFI S.A. became the manager of alternative investment funds. These changes of status entail closer supervision by the PFSA and additional duties for the management company. Since April 1st 2015, KRUK S.A. has also managed the securitised debt of Prokura NS FIZ. The performance of such agreements is subject to the PFSA's oversight.

Additionally, irrespective of the PFSA's supervision, activities of the Group's securitisation funds must be conducted in compliance with a number of EU and Polish laws and regulations.

InvestCapital Ltd. of Malta was established in December 2013. The activities of securitisation entities in Malta are supervised activities governed by the provisions of the Securitisation Act (Chapter 484 of the Laws of Malta). Securitisation entities are supervised by Malta Financial Services Authority. In 2015, the company was brought to compliance with the requirements of the Maltese securitisation regime, which included obtaining the MSFA authorisation to conduct securitisation activities.

Outsourcing of debt collection by banks

In Poland, pursuant to the provisions of the Banking Law (consolidated text in Dz.U. of 2020, item 1896), banks are not required to request the PFSA's approval in order to transfer debt for collection by the Group. The terms and conditions on which debt collection may be outsourced by banks are defined in the Banking Law. In addition, the performance of debt collection outsourcing agreements by the Group companies is subject to supervision by the PFSA.

In the Czech Republic and Slovakia, banking outsourcing and outsourcing agreements between a bank and a third party or between banks are regulated: in the Czech Republic by Decree of the Czech National Bank, and in Slovakia by methodological guidelines of the Banking Supervision Department of the National Bank of Slovakia.

There are no specific regulations which would govern the outsourcing of debt collection/credit management services, so they are subject to general civil law in both the Czech Republic and Slovakia. However, the debt collection agencies in the Czech Republic and Slovakia, which are members of the Association of Debt Collection Agencies "ACA" (KRUK is a member of both), should operate in accordance with the ACA Code of Ethics, which is not a regulation in the legal sense of the word, but rather a recommendation.

Bank outsourcing in Romania is regulated by Regulation No. 5/2013 on prudential requirements for credit institutions. An outsourcing contract must be made in writing, and the Regulation specifies detailed requirements as to the elements such contracts must contain. The National Bank of Romania has control and supervisory functions. A service provider must seek a prior consent of the credit institution if it intends to use subcontractors.

In Germany, outsourcing of banking functions and activities (including redress and enforcement of collateral, as well as IT infrastructure) is subject to supervisory rules and requirements. If a bank intends to outsource services, it must ensure (in contract and in a centralised management system) that the service provider complies with the relevant regulations. Compliance is regularly checked by the supervisory authorities. As a general rule, supervisory authorities also have the right to inspect the service provider directly, but this happens rarely. In principle, the scope of the rules to be complied with depends on whether the outsourced functions and activities are 'significant' or 'insignificant'. The responsibility for such classification rests with the bank.

In Spain, there are no special regulations governing the outsourcing of banking functions or activities.

In Italy, there are no detailed rules or regulations for outsourcing by banks of debt collection/credit management functions.

Exchange of business information

On September 22nd 2016, amendments to the Articles of Association of Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A., including change of the company's name to ERIF Biuro Informacji Gospodarczej S.A., were registered.

The operations of ERIF BIG S.A. are governed by the Act on Access to Business Information and Exchange of Business Information of April 9th 2010 (consolidated text: Dz.U. of 2019, item 681). Legal and regulatory compliance of ERIF BIG's activities, which involve provision of credit reference agency services, is supervised by the minister competent for the economy.

On November 13th 2017, the Act Amending the Act on Access to Business Information and Exchange of Business Information of April 9th 2010 entered into force. The changes enable the company to offer new types of services, including intermediation in accessing information from public registers and analyses of creditworthiness of entrepreneurs/business entities. At the same time, the changes would entail imposition of certain additional duties on the company, for instance related to considering debtors' objections against entry of business information into the register.

Other authorities materially involved in oversight of the Group's operations

The Group companies operating in Poland are also supervised by other competent administrative authorities with respect to specific areas of their business, for instance by:

- The President of UOKiK – with respect to competition law and protection of collective interests of consumers;

- The President of the Personal Data Protection Office – with respect to processing and protection of personal data.
- The Financial Ombudsman – authorised to take action to protect customers of financial market participants.
- The Group companies operating on foreign markets are subject to supervision by competent authorities in the countries where they conduct their business:
- In the Czech Republic: The Czech Commercial Inspection Authority is competent for protection of consumers, including supervision of the debt recovery business; other relevant authorities include the body responsible for supervising compliance with personal data protection regulations and the “financial arbitrator” responsible for settling disputes between consumers and financial institutions on an out-of-court basis.
- In Slovakia: National Bank of Slovakia – the authority charged with the oversight of the consumer loan market and protection of consumers’ financial affairs; ‘trade inspection’ – consumer protection, including in the debt recovery market; there is also a body overseeing personal data protection;
- In Romania: The financial sector in Romania is governed by numerous regulations, covering the exercise of supervision over and control of operations conducted by banking and non-banking financial institutions. Non-banking financial institutions (IFNs) are subject to supervision by the National Bank of Romania (NBR). The NSC is the capital market regulator (see Section 6.2). ANPC is the supervision authority responsible for protection of consumer rights, maintaining a register in which any entity looking to launch debt collection operations must be entered.
- In Germany: Kammergericht Berlin is the authority overseeing the credit management sector and activities of credit management companies.
- In Italy: The Bank of Italy is the competent market regulator with respect to purchases of debt portfolios; ACGM is responsible for overseeing compliance with the principles set forth in Codice di Condotta; Questura is the licensing authority for entities looking to conduct debt collection activities; and Garante della Privacy is responsible for personal data protection;
- In Spain, there is the Spanish Personal Data Protection Agency.

Personal data protection

As part of their day-to-day operations the Group companies process large amounts of natural persons’ data, therefore personal data protection laws are particularly important in the Group's operations. Personal data may only be processed in the manner prescribed by law, i.e. in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27th 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 96/46/EC (“GDPR”), using technical and organisational measures to ensure the protection of the personal data processed, in particular against disclosure to unauthorised persons. In addition, data subjects should be provided with a range of information, including:

- the identity and contact details of the controller,
- the contact details of the Data Protection Officer,
- the purpose of and legal basis for the processing of personal data,
- the recipients or categories of recipients of personal data,
- an intention to transfer personal data to a third country,
- the period for which personal data will be stored, or if that is not possible, the criteria used to determine that period,

- the existence of the right to request access to, rectification or erasure of personal data or restriction of processing or the right to object to processing, as well as the right to data portability and the right to withdraw consent,
- the right to lodge a complaint with a supervisory authority concerning the processing of data,
- whether the provision of personal data is a statutory or a contractual requirement, or a requirement necessary to enter into a contract, as well as whether the data subject is obliged to provide personal data and of the possible consequences of failure to provide such data,
- the existence of automated decision-making, including profiling, as well as information about the logic involved, as well as the significance and the envisaged consequences of such processing for the data subject,
- if personal data is further processed for a purpose other than that for which the personal data was collected, information on that other purpose.

In the area of personal data protection, the proceedings conducted in Poland against various entities by the President of the Office for Personal Data Protection should be particularly taken into account. The ruling practice is emerging, and the analysis of court rulings helps identify matters that are important for the Group's business and ensure compliance of the Group's personal data processing processes with the GDPR.

Those activities of ERIF Biuro Informacji Gospodarczej S.A. which involve provision of credit information services are also governed by the Act on Access to Business Information. Furthermore, relevant provisions of the Banking Law concerning banking secrecy apply to the management of bank debts. In the case of securitised debt management, the professional secrecy provisions contained in the Act on Investment Funds should be taken into account.

5.2.1 Changes in the laws and regulations applicable to the Group's business

Due to the COVID-19 pandemic, much of the legislation in the countries where the Group companies operate focused on regulating pandemic-related issues, such as the rules for subsidising businesses, mitigating the negative effects of restrictions and bans, including mainly the ban on movement without a legitimate purpose, using sanitisers/disinfectants and applying safety measures in connection with COVID-19 and their monitoring, and supporting clients whose situation deteriorated due to the pandemic.

Below are described some of the changes in the laws and regulations applicable to the Group companies which took effect in 2020:

Poland

- With respect to the operations of the investment funds – the Regulation of the Minister of Finance, Funds and Regional Policy on the manner, mode and conditions of conducting operations by investment fund management companies, which obliges investment fund management companies to develop and implement a policy for maintaining and enhancing the knowledge and competencies of management and supervisory board members and to establish and implement a policy for assessing and verifying the fulfilment of knowledge and competence requirements applicable to management board members, and expands the scope of responsibility of the legal compliance supervision system to include supervision of compliance with the rules of conduct applicable to prevention of tax evasion.
- The Act Amending the Act on Special Measures to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Related Crisis Situations, and Certain Other Acts, as subsequently amended, the Act on Interest Subsidies for Bank Loans Advanced to Ensure Liquidity to Business Undertakings Affected by COVID-19 and Amending Certain Other Acts, providing for a new, lower amount of non-

interest costs for consumer loans, criminal liability for demanding twice the maximum loan costs or interest, as well as new obligations for lenders with respect to borrower verification prior to granting a loan, and regulating the issue of 'repayment holidays'. Auctions to sell residential units or properties with residential units during a state of epidemic emergency or a state of epidemic and 90 days thereafter was suspended. In addition, court work was reorganised (the procedure for hearing urgent cases was disapplied, hearings could be held online).

- The Act on Electronic Service of Correspondence defines the rules for exchange of correspondence between public entities (including courts and bailiffs) and other entities, including natural persons; the Act expands the scope of services provided electronically or enabling individuals or entrepreneurs to handle administrative matters without having to leave their homes or place of work; correspondence can be sent and collected from any location and the entire process is less time-consuming – no requirement to inform existing or potential correspondents about each change of place of residence.

Romania

- Government Decree No. 32/2020 to amend and supplement Government Extraordinary Decree No. 30/2020 to establish certain social protection measures in the context of the epidemiological situation determined by the spread of the SARS-CoV-2 coronavirus and to establish additional social protection measures – the decree provided for temporary suspension of seizing pensions and disability pensions in enforcement proceedings.
- Government Decree No. 37/2020, providing for the option to suspend, at the indebted person's request, the payment of loan instalments for a period of up to nine months, subject to fulfilment of the conditions set out in the decree, and to suspend enforcement procedures in progress.
- Act 196/2020, introducing the requirement to register enforcement orders with the National Register of Moveable Property (NRMP) for an additional fee.

Czech Republic

- The Act on Certain Loan Repayment Measures in Connection with the COVID-19 Pandemic (postponement of loan repayment), which provides that an indebted person may request postponement of loan instalment payments by three or six months subject to fulfilment of the conditions set out in the Act.
- Act on Certain Coronavirus Mitigation Measures No. 191/2020, as amended by Act No. 460/2020, which allows courts to disregard the expiry of statutory deadlines for procedural steps if it is related to the effects of the COVID-19 outbreak; facilitating filing for personal bankruptcy by indebted persons, prohibiting enforcement through sale of movable and immovable assets, and increasing the unseizable amount.
- The Consumer Credit Act, which provides for a reduction of contractual interest after the first 90 days of delay, both for new agreements (concluded after the entry into force of the Act) and old agreements (concluded before the entry into force of the Act), provided that the delay occurs after the entry into force of the Act and lasts longer than 90 days.
- Proposal for a revision of the civil-law and debt enforcement procedure providing for automatic discontinuation of unsuccessful enforcement proceedings lasting at least three years and introduction of the 'one debtor – one bailiff' principle.

Slovakia

- The Act on Certain Emergency Measures in View of the Spread of the Dangerous Contagious Human Disease COVID-19, on the Administration of Justice and on Amendment of Certain Acts, which allows a debtor to request postponement of enforcement proceedings based on an application submitted to

the bailiff together with a statement on deterioration of the debtor's financial condition due to COVID-19, and in particular adverse consequences for the debtor or the debtor's family.

- Act No. 67/2020 on Certain Emergency Financial Measures in View of the Spread of the Dangerous Contagious Human Disease COVID-19, which allows a debtor of NBS-licensed non-banking sector entities to request postponement of loan repayment for three months and a maximum extension for another three months, subject to fulfilment of the conditions set out in that Act.

Germany

In Germany, there were no significant changes in the legal environment in 2020.

Spain

- Act 3/2020 on Procedural and Organisational Measures to Combat COVID-19 in the Administration of Justice, introducing the following changes: in civil law – preferential rules of conducting bankruptcy proceedings for debtors of sole proprietors; in bankruptcy law – in the event of a repeated bankruptcy of a natural person, an outstanding debt can be forgiven if the debtor does not own any assets and it is impossible to set up a repayment plan; the possibility of relying on the *rebus sic stantibus* clause in the performance of contractual obligations, which will make it possible to take into account the circumstances prevailing on the day of performance of a contract.
- Royal Decree-Law 6/2020 approving urgent emergency measures to address the economic impact of COVID-19 and to protect public health, which provides for suspension of procedural time periods for all kinds of judicial decisions.
- Royal Decree-Law 8/2020 approving urgent measures to address the economic and social impact of COVID-19, which provides for a moratorium on mortgage loan repayment subject to fulfilment of the conditions set out in the law, and suspends the prescription and expiration of all rights.
- Royal Decree-Law 11/2020 approving urgent and supplementary measures to address the economic and social impact of COVID-19, which extends the moratorium on mortgage loan repayment to three months and introduces a three-month moratorium on loans for people in financial distress, including consumer credit.
- Royal Decree-Law 16/2020 on procedural and organisational measures to address COVID-19 in administration of justice starting from March 14th (with retroactive effect), introducing a prohibition on filing petitions for business bankruptcies until March 14th 2021 and permitting the restructuring of repayment plans in ongoing bankruptcy processes. The changes introduced by the Royal Decree-Law 5/2021 on March 13, 2021, i.e. the extension of the above solutions until December 31, 2021, after the initial analysis, do not significantly affect the projected revenues.
- Royal Decree-Law 34/2020, which suspended the obligation to file a bankruptcy petition and the processing of petitions filed by creditors. The changes introduced by the Royal Decree-Law 5/2021 on March 13, 2021, i.e. the extension of the above solutions until December 31, 2021, after the initial analysis, do not significantly affect the projected revenues.
- Draft amendments concerning measures to improve the efficiency of administration of justice, providing for an obligation to approach MASC (mediation proceedings before a special body) before judicial proceedings are initiated. In the absence of any response to an initial contract proposal or if a negotiation process ends without reaching an agreement, a lawsuit must be filed within three months. Furthermore, the draft envisages that judges will be allowed to issue oral rulings in cases involving up to EUR 15,000 (the current limit is EUR 2,000) and that powers of attorney can be granted by electronic means.

Italy

- Legislative Decree No. 152 adapting EU Regulation 655/2014 establishing a European Account Preservation Order procedure to facilitate cross-border debt recovery in civil and commercial matters, which provides for the possibility of swift seizure of funds held in bank accounts without prior notice also in other EU Member States, in ongoing proceedings concerning pecuniary claims in civil and commercial matters, subject to exclusions specified in the regulations.
- A UNIREC protocol according to which debt collection must be suspended if a client duly demonstrates (based on documents) that he or she is in distress due to the COVID-19 situation; field visits should be halted and priority should be given to telephone negotiations; digital payments should be the preferred method.
- The 'Cura Italia' decree providing for the suspension of court hearings, and allowing debtors to request the suspension of mortgage payments if they have met certain legal conditions relating to financial distress, loss of employment or loss of income from business activities.
- Law 176/2020 laying down provisions governing the performance of judicial activities during the emergency period, which provides for the possibility of communicating by electronic means in cases involving the issuance of instruments permitting enforcement.

EU law

A regulation that will be relevant to the Group companies' business in all home countries is the proposed Directive of the European Parliament and of the Council on credit servicers, credit purchasers and the recovery of collateral. Its provisions are intended to address the high volume of non-performing loans and to prevent their possible further accumulation, to facilitate the sale of non-performing loans by credit institutions to other operators on efficient, competitive and transparent secondary markets, and to provide regulations on the position of loan purchasers and credit servicers in relation to non-performing loans.

The Group has brought its operations into compliance with the above regulations. However, as at the date of this report, the regulations' overall effect on the Company's operations cannot be reliably quantified. [102-13]



6 DEVELOPMENT FOCUS

6.1 Development directions and prospects of the Group

6.1.1 Mission and vision

The Company's mission and long-term vision have been revised following a periodic review and as of 2021 they are as follows:

MISSION

We uphold the social and legal norms of debt repayment, always with respect for the people that we cooperate with.

VISION

VALUES-PEOPLE-LEAN

VALUES	No matter what we do, we stand up for our values.
PEOPLE	We want to attract people who share our values and believe that the need to progress goes on no matter the circumstances, even when we succeed.
LEAN	We believe in the ongoing improvement of our processes. We do not hesitate to call problems by their name and seek optimum solutions for their solving.

VALUES

RESPECT	Mutual respect is the foundation of our business. We treat everyone as we would like to be treated.
COOPERATION	Together we achieve more. We build partner relationships based on transparent rules. We call things by their name.
RESPONSIBILITY	Everyone is accountable for one's decisions, actions or negligence and their consequences.
DEVELOPMENT	We constantly grow. Our inner need to progress goes on under any circumstances, even when we achieve success.
SIMPLICITY	Simple is beautiful. We simplify our processes and eliminate waste. Done is better than perfect.

6.1.2 Strategic plan for 2019-2024

The KRUK Group continues to implement its strategy for 2019-2024, announced in December 2018. The main objective is to develop business by increasing the scale of operations and enhancing the efficiency of the KRUK Group's processes.

In accordance with the adopted strategic management policy, in 2020 a strategic review was carried out, which included an analysis of the Group's current condition.

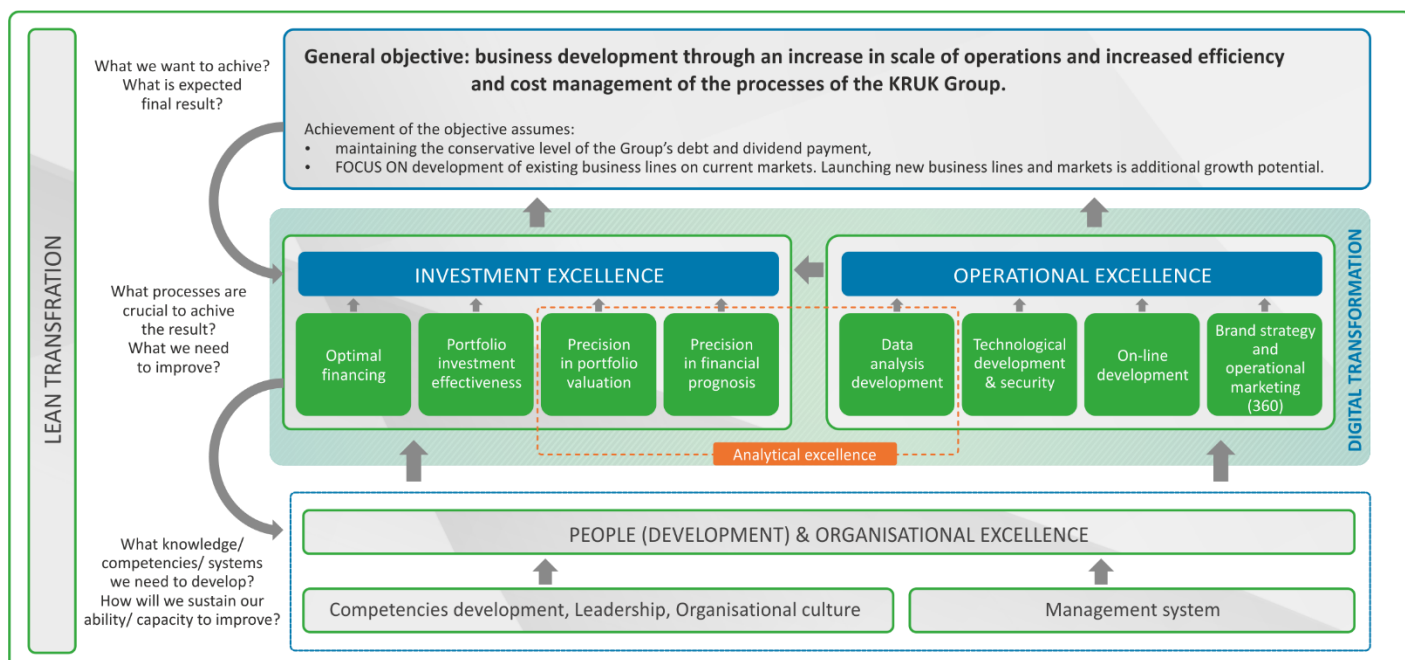
In view of the outbreak of the COVID-19 pandemic in 2020, we twice revised the assumptions behind the Group's strategic plan. Because a lot of data is missing and given the quality of economic forecasts, we opted for scenario planning based on two main axes of uncertainty: the duration and intensity of the pandemic and the economic situation. Based on this, we built scenarios representing different developments of our situation as an organisation. Then we selected two most likely scenarios and operationalised them into action plans. These plans were prepared for the key businesses in the KRUK Group's portfolio. Throughout 2020, we monitored on an ongoing basis all factors with the strongest impact on the debt collection industry and on the business model employed by the KRUK Group companies.

Due to the high intensity of changes in 2020, at the end of the year we performed a comprehensive review of the assumptions underlying the Group's long-term strategy. As a result of the review, the strategy was updated:

- we confirmed that it was appropriate to maintain our entire strategic orientation
- we decided to considerably intensify our efforts to support the development of online services
- we decided to add forecasting excellence to our set of objectives focused around investment excellence as one of the two strategic pillars
- as a result of changes at the Group Management Board level, the responsibility for digital transformation was assigned directly to the Management Board member responsible for this area in order to intensify and expand digital transformation activities.

We revised the visualisation of our strategy once again in order to be able to effectively communicate its assumptions across the organisation.

The visualisation and details of the Strategy for 2019-2024 is presented below:



The Group's strategy is focused on developing its existing business lines on the home markets. We estimate that more than 90% of the Company's profit will be derived from purchased portfolios, especially unsecured retail portfolios. In this area, we uphold the assumptions made at the time of designing our long-term

strategy. Launch of new business lines and entry into new geographical markets offer further growth potential, but unsecured retail debt is our priority. Furthermore, the strategy still provides for:

- maintaining a conservative level of the Group's debt (significantly below the current 4x net debt/cash EBITDA limit);
- annual assessment of the rationale for dividend payment or share buyback.
- The strategy continues to be based on two pillars:
- investment excellence, which involves optimal funding, an efficient the portfolio purchase process, accurate pre-purchase portfolio valuations and accurate forecasting of post-purchase portfolio performance
- operational excellence, which we will build primarily through development of business intelligence, technological development and security, development of online presence, brand strategy and operational marketing.

LEAN is the foundation for our development. LEAN is an enterprise management system based on the principles of minimising waste and continuous process improvement. We believe that working according to LEAN principles will give us a competitive advantage. The key element is people – their competencies and commitment. In KRUK, we always emphasise that our strength lies in teamwork. Attracting and developing the right talent continue to be the fundamental element of our strategy.

6.1.3 Implementation of the strategic plan in 2020

Below is presented a description of selected activities undertaken as part of the implementation of each strategic direction:

Investment excellence

- Securing funding sources that meet the adopted security, cost and availability criteria.
- Optimisation of the valuation process (for instance, shortening of the process through automation) and development of valuation methods (such as continued efforts to update valuation models for individual markets on the basis of expanding history).
- In view of the COVID-19 pandemic, the focus of scenario development was on designing valuation models that assumed higher risks and lower success rates in the event of adversities.
- To lower the probability of COVID-19 risks materialising, the Group's investment policy envisaged limited and highly selective investments in the highest quality assets.
- For further information on the investments made, see Section 4.2.6 of this Report.

Operational excellence

- Improvement in business analytics – decision-making models and other solutions using, among others, machine learning Cooperation between the Group's three main analytical centres aimed at improving the quality of all analytical processes underlying business decisions across all service and process execution levels.
- Technological advancement: a Board Member to assume responsibility for the design of a comprehensive long-term action plan supporting the Group's digital transformation; implementation of cloud-based solutions; digitalisation of paper-based processes, such as signing of settlements with clients electronically or implementation of an HCM system for electronic handling of HR

processes; implementation of the robotic technology in amicable debt collection and court proceedings, in partnership with trading partners (all companies); extensive process automation, e.g. automation of data flow in cooperation with bailiffs in Poland and Romania, optimisation of workday planning of field advisors in Italy and Spain, large-scale automation in the court process in Poland and Italy, roll-out of new payment methods for clients in Poland. The IT area uses an advanced distributed architecture based on containerisation and microservices. This approach allows to satisfy the diverse needs of the individual Group companies. Thanks to the system's modularity, business units can obtain the services that are critical to them (such as online payments) in the shortest possible time, without having to implement the entire e-KRUK platform, which is a time-consuming process.

- Online development: implementation of new digital tools at the KRUK Group companies. Today, the client service process in Poland, Spain, Romania, Italy and partly also in the Czech Republic can be executed online via e-KRUK. Electronic signature capabilities have been implemented in Poland and in some other locations and omnichannel access has been established. Electronic payment tools have been deployed across all markets (BLIK in Poland). We considerably increased the share of agreements originating in the electronic channel (issued or signed in the online channel). Depending on the country, the share of such agreements was also high, in Spain it reached as much as 95% in December. Spain also emerged as a leader in the use of e-signature. The importance of self-service (cost-free service) is also growing: in December 2020, 25% of settlements in Poland were concluded using this channel (without other tools). Automatic messaging (emails, text messages) was implemented as the beginning of the client service process to encourage clients to self-manage their cases online, where they can, for example, enter into a settlement or pay their debts. The share of online payments at the amicable settlement stage is steadily growing, having reached as much as 20% of all payments in Poland in 2020.
- As part of additional measures taken in connection with the COVID-19 restrictions, the operation of most areas across all companies and markets was moved online, including large structures requiring a robust technology base such as CC. Currently, out of concern for the safety of our employees, we continue to work online.

LEAN transformation / Committed and competent team

- Systemic development of managers' and employees' skills in using LEAN tools to optimise processes and teamwork, coaching programme for top managers, improvement of the LEAN management system.
- We focused on building problem-solving competencies, which are particularly relevant when confronted with major changes such as those that occurred 2020.

6.2 Major research and development achievements

In 2020, research and development work focused on:

- Statistical modelling of projected recoveries from the purchased debt portfolio: in an effort to improve the accuracy of operating targets for recoveries from retail portfolios, we are developing a large statistical model covering an extensive set of behavioural data (client behaviour when being serviced by KRUK), which are not available at the portfolio valuation stage, whereas recoveries forecast by the model are more likely to reflect the actual potential of managed debts than is the case at the stage of pre-purchase valuation.
- Improving Delfin (including Delfin mobile), an operating platform supporting the credit management process. The platform comprises a number of systems tailored to the Group's international expansion

(it offers flexibility and scalability), internal procedures, as well as to the needs of its clients. The platform is developed using internal resources and in collaboration with external suppliers;

- Improving business analysis capabilities (decision-making models and other business intelligence solutions; machine-learning).
- Process optimisation through automation and robotisation.
- Online services for clients, including improvement of the e-KRUK platform, online payments – discussed in more detail in Section *Implementation of the strategic plan in 2020*.

These efforts will be continued as part of the Group's Strategy for 2019–2024. Technological transformation is one of its key objectives.



7 RISK FACTORS AND THEIR MANAGEMENT

The risk management policies operated by the KRUK Group are designed to:

- identify and analyse the Group's risk exposures;
- define appropriate limits and procedures;
- control and monitor the risk level and suitability of the risk management tools.

The risk management policies in place at the Group are regularly reviewed to ensure that they reflect the market trends and developments at a given time, as well as changes within the Group. The Management Board is responsible for defining risk management procedures and overseeing their implementation.

Using such tools as training, management standards and procedures, the Group seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

The Management Board identifies the following important risk and risk management methods:

Risk	Description of risk/effects	Management method
Risk related to adverse effects of the Covid-19 pandemic on the economic condition and financial performance of the KRUK Group	The Company believes that the Covid-19 pandemic and its consequences in Poland and other countries where the KRUK Group operates will adversely affect the Group's economic condition and financial performance. Such adverse impacts are likely to be seen mainly in the amount of recoveries from purchased debt portfolios, which may come in lower than expected, potentially leading to revision of recovery projections on those debt portfolios. The epidemic may also adversely affect the performance of Wonga.pl and Novum, as well as the other business lines pursued by KRUK. The KRUK Group's operations are being continued on each market and within each business line, and the Group's liquidity position remains stable. However, at the time of preparation of the 2020 report, the Company is unable to predict the full scale of the adverse impact of the coronavirus spread and its effects on the Group's economic condition and financial performance.	Taking various scenarios into account, the KRUK Group intends to manage its operations in a way that would minimise any adverse effects on KRUK's assets and financial performance. The following measures have been taken to that end: the switchover to remote work (with 95% of the employees having opted to work from home during the pandemic period), reduction of investments in new portfolios, and cost saving initiatives in 2020. At the time of preparation of the 2020 report, the Company was unable to predict the full scale of the adverse impact of the coronavirus spread and its effects on the Group's economic condition and financial performance, due to the heightened uncertainty of estimates. However, seeking to forestall any unexpected impacts of COVID-19 on the valuation of its debt portfolios, the Group developed operational scenarios for various impacts of the pandemic on the level of its recoveries. The revision of recovery projections recognised on the portfolios throughout 2020 reflects the scenario of the pandemic's impact on debt recoveries that was most probable at the time of recognising the revision of recovery projections. If in the coming months recoveries turn out to be lower than assumed for the purposes of the valuation and a further revision of recovery projections is required to be recognised to reflect the pandemic impact, the Group is prepared and has plans to take further operational measures to ensure that its continued operations and liquidity position on each market remain stable. Also with respect to the valuation of consumer loan portfolios, the Group developed operational scenarios for various impacts of the pandemic on the level of repayments.

Risk of failure to meet the strategic objectives	<p>There is a risk that the Group will fail to achieve its objectives, which may be caused by various factors, including:</p> <ul style="list-style-type: none"> • market situation, business environment and competitors' activities; • lower availability of external financing; • incorrect valuation of investments, including debt portfolios purchased; • changes to legal regulations and their interpretation and actions of regulatory authorities; • unfavourable decisions of Company shareholders; • errors of persons responsible for the development and execution of the strategy; • events of force majeure. 	<p>The risk of failure to deliver the strategic objectives is managed primarily through:</p> <ul style="list-style-type: none"> • operationalisation of the long-term strategy into the annual plans of individual Group companies, specifying the objectives, methods of achieving them and necessary resources • regular monitoring of both the results (the extent to which the objectives have been achieved) and progress in the implementation of the planned activities at the level of the Group companies and the Management Board
	<p>The development of the business involves the need, in some cases, to incur significant financial expenditure. Where the measures taken are less profitable than expected or their objectives are achieved later than originally assumed, the expenditure may not be fully covered by the resulting revenue.</p>	<p>The Group also takes steps to prevent the risk of incorrect of its strategic objectives. In annual cycles, before budget for the following years is prepared, the Group carries out a strategic analysis, which involves review of opportunities and threats in the macroeconomic environment (e.g. political, legal, and economic factors) and the market environment as well as analysis of the organization's strengths and weaknesses. Results of the analysis are then used to either confirm or update the strategy.</p>
	<p>Delays in achieving the Group's strategic objectives within the assumed time frame or the occurrence of any of the above-described circumstances may have a material adverse effect on the Group's operations, financial condition or results. There can be no assurance that the Group will maintain or improve its historical results and therefore the Group's historical results should not be treated as indicative of its future performance.</p>	
Risk of error in estimating the value of acquired debt portfolios	<p>In the course of its operating activity, the KRUK Group purchases debt portfolios for its own account. If purchased debt portfolios do not generate expected cash flows over specified time horizons it may be necessary to make a downward revaluation of the portfolios. The risk is relatively higher on new markets, where the Group is yet to gain experience. An additional driver of the risk is potential fluctuations of foreign exchange rates, which may increase or decrease PLN income from foreign-currency portfolios (currency risk).</p>	<p>Based on its many years' experience, the Group has developed a system for analysing and assessing that risk. The key tools making up the system are as follows:</p> <ul style="list-style-type: none"> • Detailed analysis and estimation of the risk as at the date of purchasing a given debt portfolio, based on advanced economic and statistical tools (the results of the analysis and estimation are reflected in the price offered in the auction); • Quarterly revaluation of each debt portfolio held; • Purchasing various types of debt, with various degrees of difficulty and delinquency statuses.
		<p>Having acquired as many as 1,144 debt portfolios by the end of 2020 and having carried out over 4,200 debt portfolio valuations since the beginning of its operations, the KRUK Group has gained extensive experience in estimating the values of such portfolios. The information base it has compiled helps mitigate the risk of error in estimating the value of purchased debt portfolios.</p>
Risk of material decline in recoveries from purchased debt portfolios	<p>Purchase of debt for the Group's own account means that the Group assumes the risk of non-payment by debtors. This risk is particularly material if the amounts of individual debts in a purchased portfolio are high relative to the Group's equity or profit levels. Additional risk may be generated by the growing number of consumer bankruptcies. As at the date of this report, the KRUK Group holds no single</p>	<p>There are no individual cases managed by the Group repayments under which would represent a significant portion of total recoveries. Repayments in mass collection processes relate to a number of clients and are made independently. However, by monitoring the day-to-day repayment records, the Company is able to control the risk</p>

	debt whose non-payment could have a material adverse effect on its liquidity, but no assurance can be given that such a situation will not occur in the future.	related to a material decline in recoveries from debt portfolios.
Risk of increased costs of the Group's business	Financial results of the KRUK Group are affected by a number of cost factors over which the Group has no control or only limited control, including in particular cost of salaries, court costs, tax costs and prices of purchased debt. In the event that any increase in costs is not accompanied by a growth of the Group's revenue, there is a risk that the Group's financial condition might deteriorate.	<p>The Group's costs are capped in the budget approved by the Supervisory Board on an annual basis. Every manager is assigned a precisely defined share of total budgeted expenditure, corresponding to their remit. Significant costs in excess of the budget cap that will affect future economic benefits in each case require approval by the Management Board (if the budget is exceeded only within a specific remit) or by the Supervisory Board (if such additional costs result in exceeding the budget assumed for the entire KRUK Group).</p> <p>Additionally, both costs and the ratios of costs to recoveries are monitored by the KRUK Group's Management Board on an ongoing basis. Thus, it is possible to early identify factors that could lower efficiency and to take appropriate corrective actions.</p>
Operational risk related to the Group's business	<p>The Group is exposed to the risk of damage or loss for reasons attributable to its internal procedures, personnel, technologies or external circumstances. The main operational risks include incorrect or unreliable internal procedures; errors, omissions or illegal actions of employees or associates; problems with operating systems; disruption of operating activities (e.g. due to failure of software or IT and telecommunications hardware); damage to the Group's assets; external events and factors (including errors in registering economic events or amendments to legal regulations); fraud and embezzlement, attempts of the hacking attacks. The key systems used by the Group include the Delfin debt collection platform, the billing system, management information system, contact centre, and the e-KRUK on-line service.</p> <p>No assurance can be given that all or part of the IT system or IT equipment will not be affected by a failure making it difficult for the Group to conduct operations or achieve its strategic objectives. Security of the operational systems is also important to the Group in view of the need to ensure personal data protection. [102-11]</p>	The Group operates a quality assurance policy and specific procedures designed to manage and minimise its operating risk (e.g. procedures for reconciliation, documentation and monitoring of transactions, procedures for periodic assessment of operating risks, the requirement to report on operating losses and propose remedies, development and constant oversight of the applied IT technologies in line with the latest new technology trends).
Risk of changes in the external environment, particularly in the legal and macroeconomic environment	<p>The risk of changes in the external environment mainly includes changes in the legal but also macroeconomic and social environment (including low levels of financial literacy), changes in the banking and financial sectors, and the activities of competitors.</p> <p>The laws and regulations applicable to the Group's operations, particularly those governing debt collection, consumer bankruptcy, tax reliefs and privileges available to investment funds and consumer lending, have been and may be subject to amendments. No assurance can be given by the Company that unfavourable legislative amendments directly affecting the Group's debt collection business, or having an adverse impact on that area of the Group's business, will not be introduced in jurisdictions in which the Group operates or that the Group will not misinterpret a legal provision. As a</p>	<p>The Group has no control over changes in the legal environment, but it has developed and implemented a procedure for monitoring such changes. The Group prepares for any expected changes in advance by conducting a thorough analysis of their economic impact on the Group, preparing an implementation plan and making relevant changes to the business.</p> <p>Group companies are members of various organisations and associations, which gives them the opportunity to voice their opinion on proposals for internal or legislative changes and to exchange knowledge with other industry players.</p> <p>In order to reduce the risk of low financial literacy, the KRUK Group engages in initiatives aimed at raising financial literacy among the general public. These initiatives include publication of advice articles, running public awareness campaigns in the press and on the Internet, providing</p>

consequence, civil, administrative or criminal sanctions may be imposed on the Group, and the Group's practices may change. The Group may also be exposed to liability for damages, may incur unforeseen costs, including but not limited to costs of bringing the Group's operations in line with legal requirements, or may need to reorganise its structure.

The low level of financial literacy among the public may lead to misinterpretation of the law and widespread belief that debts do not need to be repaid. This may have a negative impact on the perception of activities conducted by professional debt management companies, which operate in accordance with the applicable laws and social norms, ultimately affecting debt recovery rates.

Changes in the macroeconomic environment have a direct impact on the Group's operations in terms of its debt purchasing capacity, the supply and quality of debt portfolios offered for sale, costs of the Group's operations, recovery rates, and lending activity.

Changes in the banking and financial sectors have a direct impact on the propensity of original creditors to sell debt and on the terms on which the Group purchases debt portfolios and raises debt finance, including through bond issues.

Competitor activity has a direct impact on the Group, from rivalry in the debt buying process, through the implemented debt collection processes, to perception of the industry through the lens of what competitors do.

various social groups with educational materials on home budget planning and ways of getting out of debt, and collaboration with various independent experts, social welfare institutions and centres and non-profit organisations.

The Group analyses macroeconomic conditions and changes in the banking and financial sectors on an ongoing basis. Having no direct control of the changing environment, the Group aligns its business model with the changing conditions. Thanks to the ongoing debt buying process, the Group has constant access to funding (recoveries from debt portfolios) and may purchase larger amounts of debt on more favourable terms when the macroeconomic landscape deteriorates. An improvement in macroeconomic conditions drives up recoveries.

The Group analyses its market position and competitor activity on an ongoing basis.

Credit risk

Credit risk is the risk of financial loss if a client or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is chiefly associated with purchased debts, receivables for the services provided by the Group and loans it advances. Factors with the strongest effect on the scale of the Group's credit exposure include in particular:

- investments in debt portfolios
- loans advanced,
- trade and other receivables.

Additional risk may be generated by the growing number of consumer bankruptcies.

The key tool used by the Group in order to mitigate credit risk is pursuing an appropriate credit policy vis à vis its clients, which includes, among other things:

- assessment of a client's creditworthiness prior to proposing a payment schedule and other terms of cooperation;
- regular monitoring of timely payment of debt;
- maintaining a diversified client base.

The KRUK Group analyses the risk attached to the debt portfolios it purchases using advanced tools of economic and statistical analysis and its long-standing experience in this respect. It purchases debts of various types, with different degrees of difficulty and delinquency statuses. Debt portfolio valuations are revised on a quarterly basis.

As at the date of this report, the KRUK Group holds no single debt whose non-payment could have a material adverse effect on its liquidity, but no assurance can be given that such a situation will not occur in the future.

Market risk (currency risk and interest rate risk)

Market risk is the risk of impact of changes in market prices, such as foreign exchange rates and interest rates on the Group's results or on the value of financial instruments held and investments made by the Group. The Group's exposure to currency risk results from foreign investments (both past and current) in portfolios denominated in foreign currencies. If there is no access to financing denominated in a given currency, such investment

The objective behind currency and interest rate risk management is to maintain and control the Group's exposure to market risk within assumed limits so as to:

- maintain a stable financial position in the long-term;
- mitigate the liquidity risk;
- reduce the impacts of market risk on profit or loss;

may partly be financed with debt contracted in a different currency, resulting in a mismatch between the currency of the proceeds from such investment and the currency of recoveries. This gives rise to a risk that the Group may incur additional costs related to currency conversion or the Group's liquidity may deteriorate due to adverse changes in foreign exchange rates. The Group is also exposed to the risk of deterioration in its financial results due to unhedged currency exposures (the risk of incurring foreign exchange losses).

The Group's debt is denominated in the zloty and euro (credit facilities and bonds), based on floating interest rates, and therefore the Group is exposed to interest rate risk. The Group has identified exposure to the risk of an increase in the WIBOR and EURIBOR interest rates. There is a risk that the Group may incur additional finance costs (higher debt service costs) as a result of an increase in interest rates, which in turn are driven by changing conditions on the financial markets.

- mitigate the risk of non-compliance with financial covenants under credit agreements and terms of the bond issues.

To this end, the Group follows and periodically reviews its foreign exchange risk and interest rate risk management policies. The Group uses financial instruments to hedge its interest rate risk and currency risk.

In the process of market risk management, the Group selects optimum financing sources for its planned investment projects, analyses macroeconomic trends and monitors changes in its key currency exchange and interest rates. The Group periodically identifies and monitors the value of unhedged positions exposed to changes in foreign exchange rates and interest rates, monitors the impact of these changes on the Group's profit or loss, and measures currency risk and interest rate risk. Under master agreements with banks, the Group may also enter into derivative contracts to hedge the currency and interest rate risk. The market risk management objectives are achieved through efforts implemented at the individual Group entities in Poland and abroad, with the efforts coordinated by the Company as the entity responsible for market risk identification and the methodology of its management.

Liquidity risk

Debt portfolio purchases involve making large one-off payments. To secure the necessary funding for its debt portfolio purchases, the Group relies on external financing in the form of bank borrowings or bonds. The KRUK Group uses and intends to use in the future bank loans, bonds and other debt instruments to finance purchases of debt portfolios. The Group also enters into lease arrangements to finance investments in property, plant and equipment. Any material deterioration in the Group's liquidity may result in the Group being unable to repay principal and interest or fulfil other obligations under the credit facility agreements it has concluded or under debt instruments in issue. If the Group fails to meet the terms of the loan agreements it has signed, the Group companies' debt under bank loans may be accelerated, in whole or in part, and in the event of failure to repay the debt financial institutions will be entitled to enforce their claims against the collateral created over the Group's assets. If the Group defaults under the terms and conditions of bonds it has issued, it may be obliged to redeem such bonds early.

The Group's liquidity risk management policy is designed to ensure that the Group's liquidity is sufficient to meet liabilities in a timely manner, without exposing the Group to a risk of loss or damage to its reputation.

Liquidity risk management tools used at the Group include:

- regular monitoring of cash needs and spending;
- flexible management of cash flows between the Group entities;
- conducting collection activities on an ongoing basis, ensuring continuous cash inflow;
- ensuring compliance with financial covenants under credit facility agreements and debt instrument issues;
- use of external sources of funding, in the form of bank borrowings or bonds.

Risk relating to large-scale personal data processing by the Group

The Group's business involves processing of personal data transferred to the Group by creditors who outsource credit management services or sell the debts to the Group. This means that in accordance with applicable laws the Group receives customer data, and no assurance can be given that the data is accurate. If incorrect data is transferred to the Company, there is a risk that it may relate to a person other than the actual debtor, which may lead to an increase in the number of complaints or grievances registered with the authority which supervises personal data processing. Although the Group has no control of whether the data provided by the assigning entity is correct, such a situation may result in the publication of negative opinions about the

The KRUK Group has developed procedures and implemented in its IT systems mechanisms designed to reduce the risk of unlawful processing of personal data. The Group collects personal data from legal sources only. We respect the applied by controllers of data stored in publicly available databases. The Group keeps records of all sources of the personal data it has obtained. Persons whose data has been received are immediately notified of the fact, and any information obligations towards such persons, laid down in the personal data protection regulations, are complied with. Any information of a potential error is verified and the data is corrected.

	Group and may adversely affect its image. This may happen even though the Group has procedures and tools in place to mitigate this risk.	
Risk of losing key employees	<p>People are one of the fundamental components of the Group's business. The loss of key employees may generate the risk of temporary disruption of the Group's operations, deterioration of the quality of its management, and adversely affect the pace of implementation of its strategic plans.</p>	<p>In order to mitigate the risk of losing key employees, the group of people and positions considered to be key to the continuity of the Group's business is regularly reviewed.</p> <p>The KRUK Group continuously engages in initiatives to advance professional development of its management staff and specialists in various areas of the business. The Group also strives to provide optimal working conditions and tools for all employees.</p> <p>In addition to the remuneration policy, the KRUK Group offers its employees a diversified system of non-financial benefits which include:</p> <ul style="list-style-type: none"> • internal and external training for employees at all companies, • programmes designed to develop employees' skills in human resources management (succession program in Romania), • funding for post-graduate studies and professional qualification courses at all companies, • specialist English courses, • regularly reviewed and expanded offer of medical care services, • sports cards for employees, • lunch vouchers in the Czech Republic, Italy and Spain, • a wide range of cafeteria services offered in Poland, Romania and the Czech Republic. <p>The offer of non-financial benefits available to Group employees is verified both internally (employee survey) and externally (market benchmark).</p> <p>Moreover, an incentive scheme for key management staff has been put in place to ensure employee retention.</p>
Risk related to related-party transactions	<p>The Company and the Subsidiaries have entered and will continue to enter into transactions as related parties. In the Company's opinion, all such transactions have been executed at arms' length. However, there can be no assurance that the transactions will not be challenged by tax authorities, which could result in higher tax liabilities of the Company and the Group.</p>	<p>Any significant transaction to be concluded with a related party within the Group is preceded by detailed analyses of its legal and tax aspects in order to minimise the risk involved.</p>
Reputational risk	<p>The nature of the KRUK Group's business exposes it to the risk of spreading untrue information about dealings with the KRUK Group or information that is detrimental to the Group's image. Negative publicity may undermine the Group's credibility in the eyes of its current or potential trading partners, and consequently may have a negative effect on its financial performance.</p> <p>As the leader of the debt management market, the KRUK Group is also exposed to the consequences of unethical conduct of other debt management companies which tend to be attributed to the entire industry, in particular the most recognisable operators on the market.</p>	<p>The Group makes every effort to build a positive image of the entire debt management industry and all of the KRUK Group companies. Therefore, the Group undertakes initiatives aimed at enhancing the positive image of its brand, including:</p> <ul style="list-style-type: none"> • information and media campaigns targeted at indebted individuals and companies, • projects connected with educational campaigns in Poland and abroad, including publication of various educational materials in the Internet, press, radio and television, • educational publications that promote its amicable settlement strategy in consumer and regional magazines and newspapers in: Poland,

The Group's business involves managing debt owed by natural persons. It should therefore be borne in mind that some of those persons are in difficult financial and personal circumstances, suffer from ill health or experience problems in their families or work. Among debtors that the KRUK Group deals with are people suffering from depression or undergoing psychiatric treatment. Some of them express an intention to commit suicide. All this gives rise to the risk of bad publicity around the operations of the KRUK Group.

Romania, the Czech Republic, Slovakia, Italy and Spain,

- press releases, consumer advice articles and individual statements and comments for the media,
- participation in charity projects aimed at supporting local communities, especially persons in need of assistance, e.g. by partnering the Business Run charity event,
- training courses for debtors on how to get out of debt and on managing the personal budget,
- cooperation with non-profit organisations promoting financial education among the public, including with the Association of Financial Companies in Poland (Związek Przedsiębiorstw Finansowych w Polsce),
- putting in place a procedure to minimise the risk of illegal processing of personal data and implementing mechanisms minimising such risk in IT systems,
- monitoring the media for information on the industry and the KRUK Group and responding appropriately when needed.

[102-15] [419-1]



8 CORPORATE GOVERNANCE

8.1 Statement of compliance with corporate governance standards

In connection with the adoption by the WSE Supervisory Board, by Resolution No. 26/1413/2015 of October 13th 2015, the Best Practice for WSE Listed Companies 2016, the KRUK Management Board adopted, by Resolution No. 1/2016, a statement of compliance with the Best Practice for WSE Listed Companies 2016. The scope of application by the Company of the corporate governance standards set forth in the document was also specified in EBI Report No. 1/2016, published by the Company on January 4th 2016.

The text of the statement, specifying the extent to which the Company intends to comply with the standards, is available on KRUK S.A.'s website, at: <https://pl.KRUK.eu/relacje-inwestorskie/o-spolce>.

8.1.1 Adopted code of corporate governance

In 2020, the Company applied the corporate governance standards described in the Best Practice for WSE Listed Companies 2016 (Corporate Governance Principles, the Code of Best Practice), which constitutes an appendix to the WSE Supervisory Board's Resolution No. 26/1413/2015 of October 13th 2015. The document is available on the Warsaw Stock Exchange website dedicated to corporate governance (<http://www.corp-gov.gpw.pl>).

8.1.2 Corporate governance standards which the Company elected not to comply with

As per the Management Board's statement, in 2016 the Company declared compliance with corporate governance standards set forth in the Best Practice for WSE Listed Companies 2016, save for the exceptions described below. This statement remains valid also for corporate governance standards complied with in 2020.

The Company elected not to comply with principle III.Z.3 of the Code of Best Practice 2016, whereby the independence criteria specified in the generally recognised International Standards for the Professional Practice of Internal Auditing apply to a person managing the internal audit function and to other people responsible for performance of the related tasks. The Management Board would like to note that the Company has a separate internal audit unit in its organisational structure. This unit is objective, independent and impartial, it reports directly to the President of the Management Board, and has the possibility to submit its reports directly to the audit committee, in accordance with principle III.Z.2. However, the principles of organisational independence developed by the Institute of Internal Auditors (USA), i.e. the principle of direct functional reporting to the Supervisory Board, does not apply to the person managing the internal audit function. In the opinion of the Management Board of KRUK S.A., transposition of the US legal regulations to Poland would cause dual responsibility of the person managing the internal audit function, which would be unfavourable to the Company.

The Company elected not to comply with the recommendation included in IV.R.2. of the Code of Best Practice 2016, whereby, if justified by the structure of shareholders or expectations of shareholders notified to the company, the company should enable its shareholders to participate in a general meeting using electronic

communication means, in particular using real-life broadcast of general meetings and real-time bilateral communication, where shareholders may take the floor during a general meeting from a location other than the general meeting and to exercise voting rights during a general meeting either in person or through a proxy. This recommendation applies to a situation where the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means. In the Management Board's opinion, KRUK S.A.'s free float is not significant enough to justify holding General Meetings using means of electronic communication. The Company's major shareholders are professional investors, both Polish and foreign, represented at General Meetings by proxies. As far as the Company is currently aware, the existing manner of conducting General Meetings is in line with its shareholders' expectations. At the same time, the Company has identified certain risks to the proper conduct of General Meetings, particularly legal risks, which in the Company's opinion would outweigh the potential benefit of a larger number of shareholders being able to participate.

For the same reasons, the Company elected not to comply with principle IV.Z.2, under which, if justified by the structure of shareholders, a company must ensure publicly available real-time broadcasts of general meetings.

Notwithstanding the declared non-compliance with principle IV.Z.2 and recommendation IV.R.2, in view of the pandemic situation in Poland and around the globe, when holding the Annual General Meeting on August 31st 2020, the Company offered the option to attend the General Meeting using electronic means of communication, enabling the shareholders to participate in real-time two-way communication and real-time transmission of the General Meeting.

8.2 Shareholding structure

Shareholders holding directly or indirectly major holdings of KRUK S.A. shares

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. as at January 1st 2020, based on shareholder notifications received by the Company.

Table 18. Major holdings of KRUK S.A. shares as at January 1st 2020

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE*	2,055,000	10.83
Piotr Krupa	1,886,666	9.94
Aviva OFE*	1,740,000	9.17
PZU OFE*	1,056,178	5.57

(*) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on June 25th 2019.

Source: Company

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at December 31st 2020

Table 19. Major holdings in KRUK S.A as at December 31st 2020

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE	2,457,398	12.95
PZU OFE*	1,856,437	9.79
Piotr Krupa	1,827,613	9.63
Aviva OFE*	1,788,000	9.42
Allianz OFE	1,009,299	5.32

(*) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on August 31st 2020.

Source: Company

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at March 25th 2021

Table 20. Major holdings of KRUK S.A shares as at the report issue date

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE	2,457,398	12.93
PZU OFE*	1,856,437	9.77
Piotr Krupa	1,827,613	9.61
Aviva OFE*	1,788,000	9.41
Allianz OFE	1,009,299	5.31

(*) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on August 31st 2020.

Source: Company

8.2.1 Changes in major holdings of shares in the reporting period

The following changes in major holdings of KRUK S.A. shares took place in 2020:

- On April 28th 2020, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, on April 27th 2020 Mr Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 30,000 shares in KRUK S.A. at the average price of PLN 79.95 per share.
- On September 17th 2020, the Company received a notification from Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. concerning acquisition of Company shares, reading as follows:

“Pursuant to Art. 87.1.2b of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. of 2009, No. 185, item 1439, as amended), we hereby notify you that following the acquisition of shares in KRUK S.A. (the “Company”) in transactions executed on the Warsaw Stock Exchange on September 9th 2020, the following funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.: Nationale-Nederlanden Otwarty Fundusz Emerytalny, Nationale- Nederlanden Dobrowolny Fundusz

Emerytalny, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2025, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2030, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2035, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2040, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2045, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2050, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2055, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2060, increased their aggregate shareholding in the Company by a number that increased the percentage of total voting rights held by them at the Company's General Meeting by 2%.

The table below presents the number of shares and voting rights held before and after the transaction.

TOTAL FUNDS	BEFORE number %	AFTER number %
Votes	2,395,066 12.62%	2,457,398 12.95%
share capital	2,395,066 12.62%	2,457,398 12.95%

- On November 6th 2020, the Company received a notification of transactions involving Company shares from Morgan Stanley & Co. International plc. The notification is attached to Current Report No. 40/2020 <https://pl.KRUK.eu/relacje-inwestorskie/raporty/raporty-biezace/raport-biezacy-nr-40-2020-informacja-o-transakcjach-na-akcjach-KRUK-s-a>
- On November 26th 2020, the Company received a notification of transactions involving Company shares from Morgan Stanley & Co. International plc. The notification is attached to Current Report No. 46/2020 <https://pl.KRUK.eu/relacje-inwestorskie/raporty/raporty-biezace/raport-biezacy-nr-46-2020-informacja-o-transakcjach-na-akcjach-KRUK-s-a>.
- On November 18th 2020, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR, to the effect that on November 16th 2020 Piotr Krupa had sold, outside a trading venue, 29,053 KRUK S.A. shares for the average price of PLN 350.00 per share in response to a share buy-back.
- On December 1st 2020, the Company received the following notification of acquisition of Company shares from Powszechne Towarzystwo Emerytalne Allianz Polska S.A., ul. Rodziny Hiszpańskich 1, 02-685 Warsaw:
 "Pursuant to Art. 69.1.2 and Art. 69.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, Powszechne Towarzystwo Emerytalne Allianz Polska S.A., the management company which manages open-end pension fund Allianz Polska Otwarty Fundusz Emerytalny ("OFE") and voluntary pension fund Allianz Polska Dobrowolny Fundusz Emerytalny ("DFE") announces that following a transaction in KRUK S.A. shares executed on November 27th 2020 the percentage of the share capital and total voting rights held in KRUK S.A., registered in OFE's and DFE's accounts, increased above 5%. Prior to the transaction, 849,116 shares, representing 4.48 % of KRUK S.A.'s share capital and conferring the right to 849,116 voting rights representing 4.48 % of total voting rights at KRUK S.A.'s General Meeting, were registered in OFE's and DFE's accounts. Following the transaction, the number of KRUK S.A. shares registered in OFE's and DFE's accounts increased to 1,009,299 shares, representing 5.32% of KRUK S.A.'s share capital and conferring the right to 1,009,299 voting rights, representing 5.32% of total voting rights at KRUK S.A.'s General Meeting."

8.2.2 Treasury shares

Treasury shares in the period June 1st 2018 – May 31st 2021

The Annual General Meeting of KRUK S.A. of April 18th 2018 passed a resolution authorising the Management Board to purchase the Company shares listed on the main market of the WSE, in the period from June 1st 2018 to May 31st 2021, with the proviso that the total par value of the shares so purchased may not exceed PLN 3,761,580, and the maximum amount to be spent by the Company on the buy-back may not exceed PLN 500m, including the share price and transaction costs. The price at which the Company may buy back its own shares may not be higher than PLN 250 or lower than PLN 1. The shares may not be bought back in block transactions. Shares acquired by the Company as part of the buy-back programme may be used to cancel the Company's own shares and reduce its share capital.

The Management Board may, depending on the Company's interests, finish the buy-back of shares before May 31st 2021 or before all funds intended to be spent on the buy-back programme are used up, or may altogether abandon the buy-back of shares in whole or in part.

The Company did not buy back any shares under that programme in 2020.

Share buy-back pursuant to Resolution No. 7/2020 of the Annual General Meeting of KRUK S.A. of August 31st 2020

The share buy-back pursuant to Resolution No. 7/2020 of the KRUK S.A. Annual General Meeting of August 31st 2020 is discussed in Section 3.4.1 *Historical data on dividends and income distributions to shareholders in other forms*

8.2.3 Holders of securities conferring special control powers

KRUK S.A. did not issue any securities conferring special control powers on its shareholders.

8.2.4 Limitations on the exercise of voting rights

KRUK S.A.'s Articles of Association do not provide for any limitations concerning the exercise of voting rights at the General Meeting.

8.2.5 Limitations on transfer of ownership of securities

The Company's Articles of Association do not provide for any limitations on transfer of ownership of KRUK securities.

8.2.6 Agreements which may give rise to changes in ownership interests held by the existing shareholders or bondholders

The Company is not aware of any agreements which, in the future, could give rise to changes in ownership interests held by existing shareholders and bondholders.

8.3 Governing bodies

[102-18]

Management Board

8.3.1 Composition of the Management Board, changes therein and rules of appointment

The Management Board is the Company's management body. In the period from January 1st 2020 to December 31st 2020, the composition of the Company's Management Board changed as follows during the financial year:

Until May 28th 2020, the Management Board had consisted of:

- **Piotr Krupa** President of the Management Board
- **Agnieszka Kulton** Member of the Management Board
- **Urszula Okarma** Member of the Management Board
- **Iwona Słomska** Member of the Management Board
- **Michał Zasępa** Member of the Management Board

Following Agnieszka Kulton's resignation as Member of the Management Board with effect as of May 28th 2020, on May 29th 2020 the Supervisory Board appointed Piotr Kowalewski as a new Member of the Management Board of KRUK S.A.

Accordingly, from May 29th 2020 to July 31st 2020, the composition of the Management Board of KRUK S.A. was as follows:

- **Piotr Krupa** President of the Management Board
- **Piotr Kowalewski** Member of the Management Board
- **Urszula Okarma** Member of the Management Board
- **Iwona Słomska** Member of the Management Board
- **Michał Zasępa** Member of the Management Board

Following Iwona Słomska's resignation as member of the Management Board with effect from July 31st 2020, between August 1st 2020 and November 5th 2020, the composition of the KRUK S.A. Management Board was as follows:

- **Piotr Krupa** President of the Management Board
- **Piotr Kowalewski** Member of the Management Board
- **Urszula Okarma** Member of the Management Board
- **Michał Zasępa** Member of the Management Board

By a resolution of November 5th 2020, the Supervisory Board of KRUK S.A. appointed Adam Łodygowski as member of the KRUK S.A. Management Board with effect from November 6th 2020.

Hence, from November 6th 2020 to the date of issue of this Report, the composition of the Management Board is as follows:

- **Piotr Krupa** President of the Management Board
- **Piotr Kowalewski** Member of the Management Board
- **Adam Łodygowski** Member of the Management Board
- **Urszula Okarma** Member of the Management Board
- **Michał Zasępa** Member of the Management Board

Rules governing appointment and removal of members of the Management Board and their powers are set forth in the Company's Articles of Association. Pursuant to Articles 7.1 and 7.2, the Management Board is composed of three to eight members, and the number of members is defined each time by the Supervisory Board upon request by the President of the Management Board.

The President of the Management Board is appointed and removed by the Supervisory Board. The other members of the Management Board are also appointed and removed by the Supervisory Board, following a request by the President of the Management Board.

Members of the Management Board are appointed for a joint three-year term of office.

The mandate of a member of the Management Board expires on or before the date of the General Meeting approving the financial statements for the last full financial year in which the member held the office.

8.3.2 Powers of the Management Board

The Management Board, led by the President, manages the Company's business and assets, and represents the Company before courts, government authorities and third parties. Pursuant to Article 8.1 of the Articles of Association, the Management Board makes decisions on any matters not reserved for the exclusive competence of the Supervisory Board or the General Meeting under the Articles of Association or applicable laws. The President of the Management Board is solely authorised to decide on the establishment and liquidation of any organisational units at the Company.

Resolutions of the Management Board are passed with a simple majority of votes. In the case of a voting tie, the President of the Management Board has the casting vote.

A declaration of will on behalf of the Company may be made by: (i) two members of the Management Board acting jointly; (ii) a Management Board member acting jointly with a commercial proxy; or (iii) an attorney authorised to perform certain types of activities, acting on their own under a written power of attorney granted by the Company. Apart from those mentioned above, the Company's Articles of Association do not provide for any additional powers for the management personnel, such as the power to decide on issue or repurchase of shares.

By Resolution No. 20/2018 of the Annual General Meeting of KRUK S.A. of Wrocław, held on April 18th 2018, the General Meeting authorised the Management Board to purchase the Company's own shares listed on the main market of the WSE, i.e. the official stock exchange market, in accordance with the procedure and on the terms provided for in the resolution.

By Resolution No. 7/2020 dated August 31st 2020, the Annual General Meeting authorised the Company's Management Board to buy back and subsequently cancel up to 271,000 (two hundred and seventy-one thousand) shares issued by the Company, on the terms and in accordance with the procedure set out in the Resolution, and to take any factual and legal steps necessary to buy back Company shares and implement the Resolution.

8.3.3 Shares in the Company and in its related entities held by members of the Management Board and Supervisory Board

The table below presents Company shares or rights to Company shares held by Management and Supervisory Board members as at January 1st 2020.

Table 221. KRUK S.A. shares held by management and supervisory personnel as at January 1st 2020

Name and surname	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	CEO and President of the Management Board	1,886,666	1,886,666
Agnieszka Kulton	Member of the Management Board	45,000	45,000

Urszula Okarma	Member of the Management Board	107,001	107,001
Iwona Słomska	Member of the Management Board	39,348	39,348
Michał Zasępa	Member of the Management Board	26,356	26,356
Tomasz Bieske	Member of the Supervisory Board	745	745

Source: Company

Apart from the changes in the number of shares held by Piotr Krupa, President of the Management Board, described in the Shareholding structure section, in the period from January 1st 2020 to the date of issue of this Report there were also changes in the holdings of Company shares held by Michał Zasępa, Piotr Kowalewski, Urszula Okarma and Tomasz Bieske, as described below.

On June 8th 2020, the Company received a notification from Michał Zasępa, given under Article 19 of the MAR, to the effect that on June 5th 2020 Michał Zasępa had sold, in ordinary session trades on the Warsaw Stock Exchange, 6,356 shares in KRUK S.A. for the average price of PLN 119.34 per share.

On December 18th 2020, the Company received a notification from Michał Zasępa, given under Article 19 of the MAR, to the effect that on December 16th 2020 Michał Zasępa had sold, outside a trading venue, 313 shares in KRUK S.A. at the average price of PLN 350.00 per share.

On December 18th 2020, the Company received a notification from Piotr Kowalewski, given under Article 19 of the MAR, to the effect that on December 16th 2020 Piotr Kowalewski had sold, outside a trading venue, 125 shares in KRUK S.A. at the average price of PLN 350.00 per share.

On December 18th 2020, the Company received a notification from Urszula Okarma, given under Article 19 of the MAR, to the effect that on December 16th 2020 Urszula Okarma had sold, outside a trading venue, 1,676 shares in KRUK S.A. at the average price of PLN 350.00 per share.

On December 18th 2020, the Company received a notification from Tomasz Bieske, given under Article 19 of the MAR, to the effect that on December 16th 2020 Tomasz Bieske had sold, outside a trading venue, 12 shares in KRUK S.A. at the average price of PLN 350.00 per share.

Table 22.3 KRUK S.A. shares held by management and supervisory personnel as at December 31st 2020

Name and surname	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,827,613	1,827,613
Piotr Kowalewski	Member of the Management Board	7,875	7,875
Urszula Okarma	Member of the Management Board	105,325	105,325
Adam Łodygowski	Member of the Management Board	-	-
Michał Zasępa	Member of the Management Board	19,687	19,687
Tomasz Bieske	Member of the Supervisory Board	733	733

Source: Company

List of notifications received from the management and supervisory personnel in 2020.

Piotr Krupa – summary of notifications in 2020

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
April 28th 2020	April 27th 2020	30,000	Sale	PLN 79.95	WSE
November 18th 2020	November 16th 2020	29,053	Sale	PLN 350.00	Outside a trading venue

Michał Zasępa – summary of notifications in 2020

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
June 8th 2020	June 5th 2020	6,356	Sale	PLN 119.34	WSE
November 18th 2020	November 16th 2020	313	Sale	PLN 350.00	Outside a trading venue

Urszula Okarma – summary of notifications in 2020

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
November 18th 2020	November 16th 2020	1,676	Sale	PLN 350.00	Outside a trading venue

Piotr Kowalewski – summary of notifications in 2020

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
November 18th 2020	November 16th 2020	125	Sale	PLN 350.00	Outside a trading venue

Tomasz Bieske – summary of notifications in 2020

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
November 18th 2020	November 16th 2020	12	Sale	PLN 350.00	Outside a trading venue

Members of the management or supervisory bodies holding Company shares or rights to Company shares as at the report issue date

Table 23. KRUK S.A. shares held by management and supervisory personnel as at the report issue date

Name and surname	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,827,613	1,827,613
Piotr Kowalewski	Member of the Management Board	7,875	7,875
Urszula Okarma	Member of the Management Board	105,325	105,325
Adam Łodygowski	Member of the Management Board	-	-
Michał Zasępa	Member of the Management Board	19,687	19,687
Tomasz Bieske	Member of the Supervisory Board	733	733

Source: Company

8.3.4 Remuneration, bonuses and employment contract terms of the Management Board members

On August 31st 2020, acting pursuant to Article 90d.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, the Annual General Meeting of KRUK S.A. adopted the Remuneration Policy for Management Board and Supervisory Board Members of KRUK S.A. of Wrocław (the "Remuneration Policy"). The Remuneration Policy sets out the rules of remuneration for Management and Supervisory Board Members. Any amendment to the rules of remuneration for Management Board or Supervisory Board Members requires the Policy to be amended and must be approved by the General Meeting prior to taking effect.

The Remuneration Policy is the principal document governing the remuneration rules applying to KRUK S.A. Management Board and Supervisory Board Members, and it applies to them regardless of their form of employment. In accordance with the Remuneration Policy, remuneration is determined on the basis of the function performed as well as the business scale, complexity of corporate design and operational complexity of the Company.

Remuneration of Management Board Members, in accordance with Article 5 of the Remuneration Policy, comprises fixed and variable components. Section 7 of the Remuneration Policy envisages the option to provide monetary and non-monetary benefits to Management Board Members, such as accident insurance, participation in employee benefit schemes, private use of company cars, cost of apartment rentals for Management Board Members residing outside the Company's home municipality, participation in Employee Capital Plans ("PPK").

In accordance with the provisions of the Remuneration Policy and Article 7.8 of the Company's Articles of Association, the remuneration principles applying to Management Board Members and the salary of the

President of the Management Board are decided by the Supervisory Board. The amounts of remuneration of the individual Management Board members other than the President are determined by the Supervisory Board, based on proposals submitted by the President of the Management Board and in line with the remuneration rules defined by the Supervisory Board.

In accordance with the Remuneration Policy and the management contracts that have been in force since January 1st 2017, the Management Board members are entitled to monthly remuneration in the amounts specified in their contracts. Irrespective of their remuneration, they may receive discretionary bonuses. The decision on the award and amounts of discretionary bonuses rests with the Supervisory Board. In accordance with Section 9 of the Remuneration Policy, Management Board Members may receive a variable remuneration component in the form of subscription warrants as part of the incentive scheme in place at the Company.

The terms of the management contracts correspond to the terms of mandates of the Management Board members: they expire with the expiry of a given mandate, including as a result of removal or resignation from office of the Management Board member. Furthermore, a management contract may be terminated by its parties on six months' notice, or on three months' notice, without compensation, in the event of liquidation or dissolution of the Company, long sick absence of the Manager, or other kind of inability to perform his or her duties in the period covered by the contract. Management contracts may also be terminated by its parties without notice and compensation, with immediate effect, in circumstances indicated in the contracts.

In accordance with the executed contracts, in the event of termination or rescission of a contract by the Company, unless termination takes place in circumstances where the contract may be terminated with immediate effect, without notice or compensation and except where a Management Board member is removed for reasons attributable to that member, the Management Board member is entitled to additional remuneration.

The contracts executed with the Management Board members contain provisions prohibiting the members from engaging in, participating or taking an interest in any commercial or business activities without notifying the Supervisory Board (in the case of the President of the Management Board) or without the President of the Management Board's written consent (in the case of other Management Board members), as well as non-compete clauses effective during the contract term and for 2 (two) years from the day on which a given person ceases to be a member of the Management Board of KRUK S.A. The contracts with the Management Board members provided for relevant compensation in respect of the prohibitions. The compensation is payable in monthly instalments for 24 months from the contract termination date, and will amount to 80% of the person's remuneration over the first 12 months, and 60% over the next 12 months.

Furthermore, the contracts concluded with the Management Board members impose contractual penalties in the amounts specified therein for violation of the non-compete provisions.

Due to the spread of the COVID-19 pandemic which restricts the Company's revenue-generating potential, on May 28th 2020 Management Board Members signed agreements reducing their contractual salaries by 25% in the period from May 1st to July 31st 2020.

The tables below present the amounts of remuneration and additional benefits received by the Management Board members (who were in office in 2019) from the Company and its subsidiaries for 2020 and 2019.

Table 24. Remuneration of the Management Board members in 2020

Name and surname	Remuneration from the Company	Additional benefits* received from the Company	PPK – contribution funded by the Company**	Remuneration from the subsidiaries	Additional benefits* received from the subsidiaries
	(PLN '000)			(PLN '000)	
Piotr Krupa	2,250.00	6.29		-	-
Piotr Kowalewski	336.52	3.62	5.10	-	-
Urszula Okarma	720.00	5.12		-	-
Adam Łodygowski	117.33	0.49	1.77	-	-
Michał Zasępa	720.00	69.47	11.84		
Agnieszka Kulton	1,046.71	2.53			
Iwona Słomska	1,040.00	2.94		-	-

* Additional benefits include medical care, rent allowance, Christmas gifts, and company cars.

** benefit in the form of a PPK contribution part funded by the employer, which constitutes income for a management board member

Source: Company

Table 425. Remuneration of the Management Board members in 2019

Name and surname	Remuneration from the Company	Additional benefits* received from the Company	Remuneration from the subsidiaries	Additional benefits* received from the subsidiaries
	(PLN '000)			(PLN '000)
Piotr Krupa	2,400	6.23	-	-
Agnieszka Kulton	768	6.23	-	-
Urszula Okarma	768	5.11	-	-
Iwona Słomska	768	5.11	-	-
Michał Zasępa	768	68.50	-	-

* Additional benefits include medical care, rent allowance, Christmas gifts, and company cars.

Source: Company

The total amount of gross remuneration and additional benefits for 2020 paid by the Company and its subsidiaries to the Management Board members specified above was PLN 6,231 thousand, PLN 90.46 thousand, and PLN 18.71 thousand under the PPK. In 2019, the respective amounts were PLN 5,472 thousand and PLN 91.33 thousand. In 2019, Michał Zasępa earned a total of PLN 2.09 thousand in employee savings plan contributions (PPK).

Additional benefits received from the Company for 2020 do not include bonuses and awards for the Management Board members for 2020.

Moreover, as part of the 2015–2019 Incentive Scheme, members of the Management Board were offered Subscription Warrants for 2019 in the number specified in the Management Board's Resolution of September 14th 2020 and Supervisory Board's Resolution of September 21st 2020, subject to fulfilment of certain conditions specified in the General Meeting's Resolution No. 26/2014 of May 28th 2014.

In line with the 2015–2019 Scheme, the number of Subscription Warrants to be granted to Management Board members in each year of the Plan may not exceed 50% of the total number of Subscription Warrants offered for subscription by Eligible Persons as part of a given Tranche.

For detailed information on the incentive scheme operated by the Company and the number of warrants granted to Management Board Members thereunder, see the “Incentive Scheme” Section.

8.4 Supervisory Board

8.4.1 Composition of the Supervisory Board, its changes and rules of appointment

The Supervisory Board shall consist of five or seven members. The number of Supervisory Board members is each time determined by the General Meeting. Members of the Supervisory Board are appointed for a joint term of office of three years. As at the date of authorisation of this report, the Company's Supervisory Board is composed of seven members.

The Supervisory Board is appointed and removed by the General Meeting, with the proviso that if Mr Piotr Krupa holds shares in the Company representing 8% or more of the total vote at its General Meeting, he has the right to appoint and remove:

- one member of a five-member Supervisory Board, including the Deputy Chairman of the Supervisory Board;
- two members of a seven-member Supervisory Board, including the Deputy Chairman of the Supervisory Board.

Mr Piotr Krupa's rights to appoint and remove members of the Supervisory Board are exercised by delivery to the Company of a written statement on the appointment or removal of a Supervisory Board member.

In 2020, the KRUK Supervisory Board was composed of the following seven members:

Table 26. Composition of the KRUK Supervisory Board in 2020

Name and surname	Position
Piotr Stępiak	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Mateusz Melich	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

By the date of authorisation of this report, there had been no changes in the composition of the Supervisory Board.

Table 27. Gender diversity on the Management Board of KRUK S.A. in 2020

Women	20%	1
Men	80%	4

Source: Company

Table 28. Gender diversity on the Supervisory Board of KRUK S.A. in 2020

Women	29%	2
Men	71%	5

Source: Company [102-22] [102-23]

8.4.2 Operation of the Supervisory Board

The Supervisory Board exercises supervision over each area of the Company's operations. Powers of the Supervisory Board, in addition to those defined in the Commercial Companies Code, include in particular:

- Assessing the financial statements and the Directors' Report on the Company's operations for the previous financial year in terms of their consistency with the accounting books, relevant documents and with the facts, and assessing the Management Board's recommendations concerning distribution of profit or coverage of loss;
- Submitting to the General Meeting an annual written report on the results of the assessment referred to above;
- Appointing and removing the President of the Management Board;
- Appointing and removing members of the Management Board (including Vice-Presidents);
- Suspending members of the Management Board and delegating members of the Supervisory Board to temporarily carry out the duties of Management Board members unable to perform their duties;
- Defining, at the request of the President of the Management Board, the rules and amount of remuneration for the Management Board members;
- Defining the amount of remuneration for the President of the Management Board;
- Approving the Company's annual financial plans (budgets) and strategic economic plans;
- Granting consent for the Company to contract loans or issue bonds, other than loans or bonds provided for in the budget, in excess of a cumulative annual amount equal to 10% of the Company's equity, with the exception of loans received from the other companies of the KRUK Group;
- Granting consent to provide security and surety over or encumber the Company's assets otherwise than as provided for in the budget, in excess of a cumulative amount equal to 10% of the Company's equity annually, unless parties to the transaction are only companies of the KRUK Group. Creating security or surety for loans and bonds provided for in the budget or for which the Supervisory Board has already given its consent does not require the Supervisory Board's consent;
- Granting consent for the Company to assume liabilities in a single transaction or a series of related transactions with a total value exceeding 5% of the Company's equity in a given financial year, not provided for in the budget and not arising in the ordinary course of the Company's business;

- Granting consent for the Company to acquire or subscribe for shares in other commercial companies and to join other businesses that are not members of the KRUK Group;
- Granting consent for the acquisition or disposal of the Company's assets with a value exceeding 15% of the Company's net book value as determined on the basis of the last audited financial statements, other than an acquisition or disposal provided for in the budget, except for any acquisition or disposal of assets from or to members of the KRUK Group;
- Granting consent to the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks, unless only members of the KRUK Group are parties to the transaction;
- Granting consent to the Company or any of its subsidiaries to engage advisers and other third-party individuals as consultants, lawyers or agents if the resulting total annual cost to the Company, not provided for in the budget, would exceed PLN 500,000;
- Approving the rules of management stock option plans;
- Selecting an auditor to audit the Company's full-year financial statements, referred to in Art. 395 of the Commercial Companies Code, in accordance with the Polish and international accounting standards;
- Granting consent to the execution of or amendment to agreements concluded between the Company or any its subsidiaries with the Management or Supervisory Board members;
- Granting consent to making any gratuitous disposals or commitments by the Company or a subsidiary of the Company within the scope of the Company's business for an amount exceeding PLN 1m in one financial year, unless only members of the KRUK Group are parties to the transaction;
- Granting consent to making any gratuitous disposals or commitments by the Company or a subsidiary of the Company outside the scope of the Company's business for an amount exceeding PLN 200,000 in one financial year, unless only members of the KRUK Group are parties to the transaction;
- Granting consent to the purchase or disposal of property, perpetual usufruct rights or interests in property (excluding property purchased or sold as part of debt management processes) by the Company if the VAT-exclusive purchase price or the VAT-exclusive sale price is PLN 5,000,000 or more;

Supervisory Board meetings are convened by the Chairperson or, if absent, by the Deputy Chairperson of the Supervisory Board. Detailed rules for holding meetings are defined in the Rules of Procedure for the Supervisory Board.

Supervisory Board resolutions are passed with an absolute majority of votes of the Supervisory Board members present at the meeting. In the event of a voting tie, the Chairperson has the casting vote. For a resolution of the Supervisory Board to be valid, all members of the Supervisory Board must be invited to the meeting and at least half of them must be present at the meeting.

Supervisory Board members may vote on a resolution of the Supervisory Board in writing through another member of the Supervisory Board. Matters placed on the agenda during the meeting of the Supervisory Board may not be voted on in writing. Subject to the provisions of the Commercial Companies Code, the Supervisory Board may vote on resolutions by way of any of the following procedures: (a) written ballot, (b) using means of distance communication only, or (c) the mixed procedure, i.e. when some members of the Supervisory Board attend a Supervisory Board meeting in person and at least one member of the Supervisory Board participates in the meeting using means of distance communication, provided that all Supervisory Board members have been notified of the contents of the draft resolution.

8.4.3 Shares in the Company and in its related entities held by members of the Supervisory Board
 For information on shares in the Company and in its related entities held by members of the Supervisory Board, see Section 5.3.1.3 – *Shares in the Company and in its related entities held by the Management and Supervisory Board members*.

8.4.4 Remuneration, bonuses and employment contract terms of the Supervisory Board members
 The remuneration principles applying to Supervisory Board Members are set out in the Remuneration Policy for Management Board and Supervisory Board Members of KRUK S.A. of Wrocław (the “Remuneration Policy”), adopted by the Annual General Meeting of KRUK S.A. on August 31st 2020, in accordance with Article 90d.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies.

The Remuneration Policy is the principal document governing the remuneration rules applying to KRUK S.A. Management Board and Supervisory Board Members, and it applies to them regardless of their form of employment.

Pursuant to Art. 12.5 of the Company’s Articles of Association, the Supervisory Board members receive remuneration for their services, unless the body or entities entitled to appoint them resolve otherwise.

The amount of remuneration payable to the members of the Supervisory Board is determined by virtue of a resolution of the General Meeting. In accordance with the Remuneration Policy, the remuneration for Supervisory Board Members is not split into variable and fixed components. Furthermore, the remuneration for Supervisory Board Members is not determined in the form of options or other derivatives or any other variable components, and it is not linked to KRUK S.A.’s performance.

In accordance with the Remuneration Policy, the remuneration of Supervisory Board members covers their service on the Supervisory Boards of the KRUK Group companies.

Members of the Supervisory Board, in accordance with Section 12 of the Remuneration Policy, are eligible for participation in the PPK.

In view of the epidemic situation in Poland and globally as well as its adverse consequences in Poland and other countries where the Company operates, which include reduced revenue-generating potential within the KRUK Group, on April 22nd 2020 Members of the KRUK S.A. Supervisory Board submitted declarations to the Company, relinquishing 25% of their remuneration for the period from May 1st to July 31st 2020.

The table below presents the amounts of remuneration received by the Supervisory Board members from the Company for 2020 and 2019.

Table 29. Remuneration of the Supervisory Board members

Surname, first name	Remuneration from the Company	Remuneration from the Company
	in 2019	in 2020
	(PLN '000)	(PLN '000)
Katarzyna Beuch	108.25	109.18
Tomasz Bieske	108.25	109.18
Krzysztof Kawalec	108.25	109.18

Piotr Stępnia	216.50	218.35
Mateusz Melich	60.17	109.18
Ewa Radkowska-Świętoń	60.17	109.18
Piotr Szczepiórkowski	60.17	109.18

Source: Company

In 2020, the Company paid the Supervisory Board members remuneration in the total amount of PLN 873 thousand and additional benefits totalling PLN 11.54 thousand. Additionally, Piotr Szczepiórkowski and Mateusz Melich earned a total of PLN 3.35 thousand in employee savings plan contributions. In 2019, Piotr Szczepiórkowski and Mateusz Melich earned a total of PLN 0.6 thousand in employee savings plan contributions. Moreover, member of the Supervisory Board Krzysztof Kawalec received PLN 24 thousand in remuneration from the subsidiary Kruk TFI S.A. for his service on the Supervisory Board of Kruk TFI S.A.

As at the date of this Report, there were no contingent or deferred benefits payable to members of the Supervisory Board by the Company or the subsidiaries.

As at the date of this Report, there were no contracts executed by the Supervisory Board members with the Company or its subsidiaries that would provide for post-termination benefits.

As at the date of this Report, the Company does not have any liabilities arising from pensions or similar benefits to former members of management or supervisory bodies or former members of administrative bodies, or any liabilities incurred in connection with such pensions.

8.4.5 Supervisory Board Committees

Pursuant to the Rules of Procedure for the Supervisory Board, the following committees operate within the KRUK S.A. Supervisory Board:

- Audit Committee,
- Remuneration and Appointments Committee,
- Finance and Budget Committee.

Members of the committees are appointed by the Supervisory Board from among its members.

Audit Committee

The Supervisory Board appoints members of the Audit Committee from among its members.

In the period January 1st–December 31st 2020, the Audit Committee was composed of:

- Katarzyna Beuch – Chairperson of the Audit Committee,
- Ewa Radkowska-Świętoń – Member of the Audit Committee,
- Piotr Stępnia – Member of the Audit Committee,
- Piotr Szczepiórkowski – Member of the Audit Committee.

By the date of issue of this report, the composition of the Audit Committee did not change.

Pursuant to the Rules of Procedure for the Supervisory Board, the Audit Committee consists of at least three members. The majority of the Audit Committee members, including its chairperson, should be independent members of the Supervisory Board. The Audit Committee should include at least one member with knowledge

and skills in accounting or auditing. Members of the Audit Committee should have the knowledge of and skills relevant for the industry in which the Company operates.

All members of the Audit Committee meet the criteria of independence within the meaning of the Act on Statutory Auditors, Audit Firms and Public Oversight. Ms Katarzyna Beuch, who chairs the Audit Committee, and members of the Committee, Ms Ewa Radkowska-Świętoń and Mr Piotr Szczepiórkowski, also meet the independence criteria within the meaning of Best Practice for WSE Listed Companies 2016, as such criteria are specified in Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. All members of the Audit Committee have knowledge and skills in accounting or auditing Ms Katarzyna Beuch, Chairperson of the Committee, and Mr Piotr Stępnia, Member of the Committee, possessed expertise and skills relevant to the industry in which the Company operates, which they gathered by way of education or professional experience.

Ms Katarzyna Beuch graduated from the Faculty of Management and Computer Science of the Wrocław University of Economics. She also completed a postgraduate USAID programme on asset and liability management and banking risk at the Warsaw Institute of Banking. She started her professional career in 1992 at the Assets and Liabilities Management Department of Bank Zachodni S.A. of Wrocław. In 1996–2006, she worked at the Audit Department of Ernst & Young Audit sp. z o.o., where she was responsible for auditing financial statements, due diligence projects and accountancy consulting at financial institutions, such as banks, leasing and insurance companies, pension and investment funds, and non-financial enterprises. From 2006 to 2012, she served as a member of the Management Board and CFO at Getin Holding S.A. She was Head of the Accounting Department at Santander Consumer Bank. In 2016–2018, she held the position of Chief Executive Officer for Controlling and Economic Analyses at KGHM Polska Miedź S.A. She obtained ACCA qualification since 2000 (followed by FCCA in 2005). She is the author of publications on the application of International Financial Reporting Standards. She has sat on the Supervisory Board of KRUK S.A. since 2013.

Ewa Radkowska-Świętoń holds a degree in Finance and Banking from the Warsaw School of Economics. She began her professional career in 1995 at the Capital Transactions Centre of Bank Handlowy. In 1996–2006, she worked for ING Investment Management Polska S.A. (currently NN Investment Partners TFI S.A.) as an analyst, portfolio manager, fund manager, and acting Investment Director. She then served as fund manager at Aviva Investors Polska S.A. In 2008-2017, she was Member of the Management Board and then Vice President of Nationale Nederlanden PTE S.A.; also held the position of Investment Director. From September 2017 to January 2019, she served as President of the Management Board of Skarbiec TFI S.A. and as Vice President and then President of the Management Board of Skarbiec Holding S.A. He is certified by CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager).

Mr Piotr Stępnia graduated from Guelph University, Canada as BA (majoring in Economics and in Management); Economics, Management; ESC Rouen, France; Purdue University, U.S., as EMBA and Purdue University, U.S., as MSM. Since 2008 he has served as member of the Supervisory Board of KRUK S.A. He has extensive professional experience: in 2001–2004 he was Vice President of LUKAS Bank, where he was responsible for retail banking; in 2005–2008 he served as President of the Management Board of Getin Holding S.A., in charge of analysis, financial auditing of investment projects and supervision over portfolio companies consolidated within the group. Since 2011, member of the KRUK S.A. Audit Committee. Since 2014, member of the Audit Committee of Nest Bank S.A. Since 2015, member of the Audit Committee of Magellan S.A. Since 2015, member of the Audit Committee of Skarbiec Holding S.A. Since 2017, Chairman of the Audit Committee of Skarbiec TFI S.A., Chairman of the Audit Committee of Grupa Kęty S.A., Chairman of the Audit Committee of ATM Grupa S.A., Chairman of the Audit Committee of Asseco Business Solutions S.A.

Mr Piotr Szczepiórkowski is an expert in pension systems, asset management and capital markets. He holds an investment adviser licence (No. 136); also member of the Polish Association of Actuaries and CFA Society Poland (CFA Charterholder). Graduate of the Faculty of Chemical and Process Engineering of the Warsaw University of Technology (1985), he worked in the Ministry of Finance (Department of Financial Institutions) and Bank Gospodarstwa Krajowego (Treasury Department). For many years (1993-2016) he worked for the Commercial Union Polska Group (now Aviva Polska), first in the Finance Department of Towarzystwo Ubezpieczeń na Życie as an accountant, Deputy Finance Director, Deputy Investment Director, and then at Commercial Union PTE as Chief Investment Officer and Vice President of the Management Board. Since 2001, President of the Management Board of PTE. Member of the Audit Committee of the Chamber of Commerce of Pension Funds (IGTE). In 2008–2016, Vice President of the Management Board of Aviva Towarzystwo Ubezpieczeń na Życie. During his professional career he has passed all 14 exams under a training programme to achieve the ACCA qualification, completed Executive Management Development courses organised by CEDEP (Fontainebleau), Columbia University and Wharton School of Business. At present, he serves on supervisory boards of the following WSE-listed companies: FM Forte S.A., Ipopema Securities S.A., Octava S.A., Decora S.A., as well as a member of the Supervisory Board and Chair of the Audit Committee at Ipopema TFI S.A.

The Audit Committee's responsibilities include in particular:

1. monitoring of:
 - financial reporting processes;
 - effectiveness of internal control systems and risk management systems as well as of internal audit, including financial reporting;
 - performance of financial audit, in particular an audit conducted by the audit firm, taking into account all recommendations and findings of the Audit Oversight Commission resulting from audits carried out at the audit firm;
2. controlling and monitoring of the independence of the qualified auditor and the audit firm, in particular when the audit firm provides services other than the audit of financial statements;
3. informing the Supervisory Board about the results of the audit and explaining how the audit has contributed to the integrity of financial reporting in a public-interest entity, and what was the role of the Audit Committee in the audit process;
4. assessing the independence of the qualified auditor and giving consent to the auditor's provision of permitted non-audit services to a public-interest entity;
5. developing a policy for selecting an audit firm to conduct the audit;
6. developing a policy for providing permitted non-audit services by the audit firm carrying out the audit, entities related to the audit firm or a member of the audit firm's network;
7. determining the procedure for selecting an audit firm by a public-interest entity;
8. presenting to the Supervisory Board the recommendation referred to in Art. 16.2 of Regulation No. 537/2014, in accordance with the policies referred to in items 5 and 6 above;
9. submitting recommendations aimed at ensuring the integrity of the financial reporting process in a public-interest entity.

Apart from statutory duties, in 2020 the Audit Committee dealt in particular with:

- analysis of the results of the audit of the 2019 full-year report and setting the rules for audit of the financial statements for 2020;
- discussing a supplementary report for the Audit Committee for 2019;
- analysis of the results of review of the interim financial statements;

- analysis and evaluation of the Company's internal control and internal audit system, including a summary of internal audit findings from 2019, analysing the extent to which internal audit recommendations had been implemented and setting an audit plan for 2020;
- review and analysis of risk maps;
- analysis of the Company's Assessment Report, including an assessment of its risk management, compliance, information security and internal audit systems in 2019;
- discussion of compliance area's objectives at the KRUK Group;
- analysis of the current portfolio valuation policy/methodology for accounting purposes, including information on possible changes made to the methodologies in 2018–2019;
- discussion of portfolio revaluation at the end of 2019 and the valuation methodology;
- pre-authorisation of non-audit services for 2020 and approval of the non-audit service report for 2019;
- analysis of how the Company Management handled operational incidents and events;
- analysis of the impact of the judgment of the ECJ of September 11th 2019 (consumer's entitlement to a reduction of the total cost of credit in the event of early repayment of the credit includes all non-interest costs imposed on the consumer) on the results of Wonga.pl and on the consolidated financial statements;
- discussion of the Dynamics 365 ERP implementation project;
- analysis and discussion of the impact of COVID-19 on financial statements;
- discussion of the impact of significant exchange rate fluctuations in the context of the FX hedging policy in place;
- discussion of the group's debt valuation policy for reporting purposes,
- discussion of the process of cash recovery checks;
- update of the auditor selection policy pursuant to an amendment of Article 134 of the Auditors Act;
- analysis and discussion of tax issues, including the effective tax rate, tax burdens, MDR schemes, changes in tax legislation.

In accordance with KRUK S.A.'s policy and procedure for the acquisition of non-audit services, the independence of the services permitted by the auditor, performed for the benefit of all KRUK Group members, is monitored and evaluated. In 2020, the cost of such services was PLN 433 thousand. All of the services were pre-approved by the Audit Committee, in accordance with the relevant proposal submitted to the Committee.

Members of the Audit Committee performed their duties during the Committee's meetings and the Supervisory Board's meetings. Four Committee meetings were held in 2020, of which three used means of distance communication. The meetings were attended by all Committee members. In addition, the members of the Audit Committee met in the form of teleconferences and at additional meetings organized to discuss the issue in detail.

Remuneration and Appointments Committee

The Supervisory Board appoints members of the Remuneration and Appointments Committee from among its members.

In the period January 1st–December 31st 2020, the Remuneration and Appointments Committee was composed of:

- Tomasz Bieske – Chairman of the Remuneration and Appointments Committee
- Mateusz Melich – Member of the Remuneration and Appointments Committee
- Piotr Szczepiórkowski – Member of the Remuneration and Appointments Committee

As at the issue date of this report, the composition of the Remuneration and Appointments Committee did not change.

The Remuneration and Appointments Committee is composed of at least three members, including at least one member with knowledge and experience in the area of remuneration policy. The majority of the Remuneration and Appointments Committee members should be independent members of the Supervisory Board.

All Members of the Remuneration and Appointments Committee meet the criteria of independence within the meaning of the Act on Statutory Auditors, Audit Firms and Public Oversight. In addition, two members of the Remuneration and Appointments Committee: Ms Katarzyna Beuch, who chairs the Audit Committee, and Mr Arkadiusz Jastrzębski, member of the Committee, also meet the independence criteria within the meaning of Best Practice for WSE Listed Companies 2016, as such criteria are specified in Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.

The Remuneration and Appointments Committee's responsibilities include in particular:

- Planning of the remuneration policy for the Management Board members;
- Alignment of the Management Board members' remuneration with the Company's long-term interests and its financial performance;
- Recommendation of candidates to the Management Board to the Supervisory Board;
- Periodic assessment of the structure, number of members, composition and performance of the Management Board, and, where needed, recommendation of changes in this respect to the Supervisory Board, and submission of a periodic assessment of the skills, knowledge and experience of the individual Management Board members to the Supervisory Board.

In 2020, the Committee was mainly engaged in work on a draft Remuneration Policy proposed by the Company. To this end, members of the Committee held meetings and conference calls with the Company's Management Board and a legal advisor. Afterwards, they presented their position to all members of the Supervisory Board. In addition, the Committee issued opinions on the Management Board's proposals regarding allotment of subscription warrants to Management Board members under the 2015–2019 Management Stock Option Plan.

Matters within the remit of the Remuneration and Appointments Committee were discussed during the Committee's meetings, teleconferences and Supervisory Board meetings, also held through means of remote communication.

Finance and Budget Committee

The Supervisory Board appoints members of the Finance and Budget Committee from among its members.

In the period January 1st–December 31st 2020, the Finance and Budget Committee was composed of:

- Mateusz Melich – Chairman of the Finance and Budget Committee
- Katarzyna Beuch – Member of the Finance and Budget Committee
- Tomasz Bieske – Member of the Finance and Budget Committee
- Krzysztof Kawalec – Member of the Finance and Budget Committee
- Ewa Radkowska-Świętoń – Member of the Finance and Budget Committee.

By the issue date of this report, the composition of the Finance and Budget Committee did not change.

The Finance and Budget Committee's responsibilities include in particular:

- Drafting budget resolutions, issuing opinions and assessing draft resolutions of the Supervisory Board on matters related to the Company's finances,
- Supporting the oversight of the performance of the Company's budget;
- Ongoing analysis of the Company's financial performance and condition,
- Matters related to the operation of the Company's cash, credit and tax systems, as well as its financial plans, budgets and property insurance contracts.
- In 2020, the Finance and Budget Committee focused primarily on matters related to the Company's and the Group's budgets, as well as financial matters related to the Company's operations. Matters within the remit of the Finance and Budget Committee were discussed during the Committee's meetings and Supervisory Board meetings using means of remote communication. The Committee also held consultations in the form of conference calls. All members of the Committee were involved in its work, attending meetings and conference calls.

Policy and procedure for appointment of the auditor of financial statements of the KRUK Group, and Policy for the provision of non-audit services by an auditing firm

The Company operates policies and procedures outlined in the following documents: Policy for appointment of the auditor of financial statements of the KRUK Group, Procedure for appointment of the auditor of financial statements of the KRUK Group, and Policy and procedure for procurement of non-audit services, governing the provision of permitted non-audit services by an auditing firm carrying out the audit, entities related to the auditing firm and a member of the auditing firm's network.

All these documents were drafted with the support of Audit Committee members and adopted by way of Management Board resolutions, following their approval by the Supervisory Board.

Key points of the Policy for appointment of the auditor of financial statements of the KRUK Group:

- The auditor of the financial statements is selected by the Supervisory Board acting upon recommendations from the Audit Committee. Appointment of an auditor by the Group companies also requires approval from the Audit Committee.
- The selection process is independent and does not exclude any qualified auditors and auditing firms qualified to audit financial statements from participating in the tender procedure.
- Evaluation criteria for audit proposals are to be transparent, and the scope of information about each company covered by a request for proposals must be sufficient to reliably assess the amount of work required to be performed by the firm of auditors.

The following must be taken into account by the Audit Committee and the Supervisory Board when, respectively, preparing recommendations for the Supervisory Board and selecting an auditor:

- the Auditor's fulfilment of the independence criteria with respect to all Group members whose financial statements are to be audited and reviewed
- the ability to provide a full range of services (statutory audit, review of the consolidation package and review of the financial statements of Group companies in Poland and abroad)

- the ability to perform the audit on the dates specified by the Parent
- experience in the auditing of international groups (experience in partnering with foreign auditors)
- experience in the auditing of securitisation funds
- experience in the auditing of public-interest entities
- experience in the auditing of companies operating in the same industry as the KRUK Group
- professional qualifications and experience of the auditor and other persons directly involved in the audit
- the price proposed for the audit
- reputation of the entity qualified to perform the audit

The auditor is selected for a period not shorter than two years and not longer than ten years, provided that the uninterrupted audit engagement may not be longer than five years. The term of the first agreement with the auditor is no less than two years, with an option to extend it for another period of at least two years. Upon expiry of the maximum period of cooperation, neither the auditor nor any member of its network may engage in the auditing of the financial statements for another four years. In special circumstances, if a KRUK Group company is unable to change its auditor, the Audit Committee may, despite the expiry of the maximum period of cooperation, give its consent to extending the period of cooperation with the existing auditor. Cooperation with the newly appointed auditing firm begins with a review of the interim financial statements and ends with the issuance of an audit opinion on the full-year financial statements.

The key assumption underlying the Policy for procurement of non-audit services from the auditor is to ensure that the independence of the Group's auditor is not affected by any actual or potential conflict of interest, business relationship or any other direct or indirect relationship between the Group companies and the auditing firm, audit team members and members of the auditing firm's network. The KRUK Group does not engage the Group's auditor in the procurement of non-audit services if there is a risk of self-control, self-interest, promotion of a Group company's interests, familiarity or intimidation caused by a financial, personal, business, employment or other relationship between a Group member and the auditor, the auditing firm or a member of the auditing firm's network, as a result of which an objective, reasonable and informed third party would conclude that the auditor's or auditing firm's independence is compromised.

The Policy contains a list of permitted non-audit services that may be performed by the existing auditor, as well as a list of prohibited services.

Once the Audit Committee's approval has been received, the KRUK Group may cooperate with the auditor in the provision of other services, listed below, to the extent not related to the Company's tax policy:

- services performed in connection with the prospectus of an audited entity, carried out in accordance with the national standard for related services and consisting in carrying out agreed procedures:
 - conducting due diligence procedures with respect to the entity's economic and financial standing;
 - issuing comfort letters;
- assurance services with regard to pro forma financial information, profit forecasts or estimates, included in the prospectus of the audited entity;
- audit of historical financial information to be included in the prospectus, as referred to in Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
- verification of consolidation packages;
- confirmation of compliance with covenants under credit facility agreements based on the analysis of financial information sourced from the financial statements audited by the auditing firm;

- assurance services with regard to reporting on corporate governance, risk management and corporate social responsibility;
- services consisting in the assessment of compliance of information disclosed by financial institutions and investment firms with the disclosure requirements concerning capital adequacy and variable remuneration components;
- assurance concerning financial statements or other financial information for regulatory authorities, the supervisory board or other supervisory body of the company or its owners, going beyond the scope of a statutory audit and designed to assist those authorities and bodies in fulfilling their statutory duties.

The following circumstances are taken by the Audit Committee into account when approving non-audit services:

- the Committee considers whether these services have a material effect on the audited financial statements;
- it ensures that the estimation of the effect on the audited financial statements is documented; and
- it considers whether the services do not affect the auditor's independence.

In connection with non-audit services provided by the auditor, the Audit Committee assessed the independence of the auditing firm and approved the provision of those services. In line with the above Policy, in 2020 non-audit services provided by the auditor and approved by the Audit Committee related to:

- verification of consolidation packages;
- confirmation of the correctness of calculated ratios and the valuation of Maltese assets for the purposes of a syndicated credit facility agreement,
- confirmation of the correctness of the database operated by ERIF BIG S.A., a subsidiary.

Information on the remuneration of the statutory auditor or the entity authorized to audit financial statements is presented in Note 32 to the financial statements.

Appointment of the auditor

On February 3rd 2020, by Resolution No. 2/2020, the Company's Supervisory Board, acting upon the Audit Committee's recommendation, appointed KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa of Warsaw, entered in the list of qualified auditors of financial statements under Reg. No. 3546, as the auditor to audit the separate financial statements of KRUK S.A. and the consolidated financial statements of the KRUK Group for the financial years 2020–2021.

In the process of selecting the auditor to audit the financial statements for the financial years 2020–2021, the Audit Committee and the Company complied with the regulations, and the Audit Committee's recommendation concerning the appointment of an auditing firm was prepared based on the Company's selection procedure consistent with the applicable criteria.

General Meeting

Rules governing the convening and the operation of the General Meeting as well as its powers are set out in the Commercial Companies Code and in the Company's Articles of Association.

The General Meeting may be held as an annual or extraordinary meeting. The Annual General Meeting is each time convened by the Company's Management Board within six months after the end of each financial year, and its agenda includes:

- Consideration and approval of the Directors' s report on the Company's operations and financial statements for the previous financial year;
- Adopting a resolution on the distribution of profit or coverage of loss;

- Granting discharge to the members of the Company's governing bodies in respect of performance of their duties.

An Extraordinary General Meeting is convened by the Management Board on its own initiative or at the request of shareholders representing at least a half of the share capital or a half of total voting rights in the Company, by the Supervisory Board if it considers it appropriate, or by shareholders authorised by the registry court pursuant to Art. 400.3 of the Commercial Companies Code.

Shareholders representing at least one-twentieth of the share capital may request that an Extraordinary General Meeting be convened and that certain matters be placed on its agenda. The request should be submitted to the Management Board in writing or in electronic form. The Extraordinary General Meeting should be convened within two weeks of the Management Board's receipt of the request.

A shareholder or shareholders representing at least one-twentieth of the share capital may request that certain matters be placed on the agenda of the next General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the meeting.

A shareholder or shareholders representing at least one-twentieth of the share capital may, before the date of the General Meeting, submit to the Company draft resolutions regarding matters included or intended to be included on the agenda of the General Meeting. During the General Meeting each shareholder may submit draft resolutions regarding matters placed on the agenda.

The General Meeting is convened by posting the GM notice on the Company's website and in the manner specified for publishing current information in accordance with the Act of July 29th 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. The notice should be published at least 26 days before the date of the General Meeting.

Each share confers the right to one vote at the General Meeting. The General Meeting is valid regardless of the number of shares represented at the Meeting, unless the provisions of the Commercial Companies Code provide otherwise.

Resolutions of the General Meeting are adopted by an absolute majority of votes unless applicable laws or the Articles of Association provide otherwise.

The powers and responsibilities of the General Meeting shall include:

- Consideration and approval of the Directors' s report on the Company's operations and financial statements for the previous financial year;
- Distribution of profit or coverage of loss;
- Granting discharge to members of the Management and Supervisory Boards in respect of their duties;
- Decisions concerning claims for redress of damage caused upon formation of the Company or when managing or supervising the Company;
- Sale or lease of, or creation of limited property rights in, the Company's business or of its organised part;
- Amendments to the Company's Articles of Association;
- Increase or reduction of the share capital;
- Merger, transformation and demerger of the Company;
- Dissolving the Company and opening liquidation proceedings with respect to the Company;
- Adopting the Rules of Procedure for the General Meeting and for the Supervisory Board;
- Consideration and resolution of proposals put forward by the Supervisory Board;
- Other matters reserved for the General Meeting under the Articles of Association or applicable laws.

The validity of resolutions of the General Meeting regarding a significant change in the Company's business profile does not require that the shares held by shareholders who oppose such change be bought back if such resolutions are adopted by the majority of two thirds of votes in the presence of persons representing at least a half of the share capital.

In addition to the matters provided for in Art. 395.2 of the Commercial Companies Code, the Annual General Meeting held at the Company's registered office on August 31st 2020 discussed amendments to the Company's 2015–2019 Management Stock Option Plan (for details, see the "Incentive Scheme" Section). Moreover, acting pursuant to Art. 90d.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, the General Meeting adopted the Remuneration Policy for Management Board and Supervisory Board Members of KRUK S.A.

When making a decision to allocate the profit earned by the Company in 2019, the General Meeting passed a resolution on allocating the Company's net profit and authorising the Management Board to buy back the Company's own shares for cancellation, and creating a capital reserve to fund the share buyback (for details, see the "Treasury Shares" Section).

8.5 Rules governing amendments to the Company's Articles of Association

The rules governing the introduction of amendments to the Company's Articles of Association are stipulated in the Commercial Companies Code. Pursuant to Art. 430 of the Code, any amendment to the Company's Articles of Association requires a relevant resolution by the General Meeting and must be entered in the relevant court register. In accordance with Art. 415 of the Commercial Companies Code, a resolution by the General Meeting concerning amendments to the Company's Articles of Association requires a majority of three quarters of votes.

The Company's Articles of Association do not include any provisions relating to their amendment which would stipulate in this respect any other rules than those defined in the Commercial Companies Code.

8.6 Key features of internal control and risk management systems used in the process of preparation of financial statements and consolidated financial statements

The Company has in place a suitable and effective internal control system, which ensures safe operations in compliance with applicable laws, adopted strategy and internal procedures.

The internal control system is comprised of:

- Operational risk management system
- Investment and credit risk management system
- Compliance system (oversight of compliance with applicable laws and regulations)
- Information security system
- Internal audit system

The internal control system is designed to support decision-making processes by ensuring operational efficiency, reliability of financial reporting, and compliance with applicable laws and regulations as well as internal policies.

8.7 Diversity policy

The Company and the Group have in place a Diversity Policy document, adopted by a resolution of the Company's Management Board on December 8th 2015. The aim of the adopted diversity Policy is to support a diverse, multi-cultural workplace by ensuring equal access to the organisation, guaranteeing equal opportunities for promotion and professional development for each employee regardless of their gender, age, disability, health condition, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle or any other criterion that could cause an individual to be treated less favourably than others. The KRUK Group is a signatory the Diversity Charter and implements its principles regarding diversity management and equal treatment within the organisation. Under the Policy, each employee is obliged to respect other employees' right to privacy, must not interfere with their personal affairs, and must accept any existing differences.

8.8 Material litigation, arbitration or administrative proceedings

No material court, arbitration or administrative proceedings are pending against KRUK S.A or its subsidiaries in relation to their liabilities or claims.

9

9 ADDITIONAL INFORMATION

9.1 Investor Relations

The Company's activities and initiatives in the Investor Relations area are targeted at:

- Polish institutional and retail equity and bond investors,
- foreign institutional equity investors,
- brokerage house and investment bank analysts, and
- financial journalists.

What matters most for KRUK in its communication with the market is to provide it with fair, consistent and timely information on all material aspects of the KRUK Group's business, including the impact of external factors on its operations.

The key themes of the Company's 2020 market communication included:

- Communication of the Company's financial results for 2019, three months ended March 31st 2020, six months ended June 30th 2020 as well as three and nine months ended September 30th 2020;
- Quarterly information on the Group's investments and recoveries
- Sharing the 2019 profit with shareholders through a share buyback;
- Impact of the COVID-19 pandemic on the Group's business and performance;
- Seventh public bond issue programme;
- Further expansion into the new markets – Italy and Spain.

Due to the spread of the Covid-19 pandemic, the vast majority of meetings and conferences were held using remote communication tools. Some of the previously planned industry events were either cancelled or rescheduled. For safety reasons, last year KRUK decided against organising the Investor Day, and since the second quarter of 2020 the earnings conferences have been held remotely. For more information on key Investor Relations activities in 2020, see the table below.

Key Investor Relations activities in 2020

	Number of traditional investor conferences	Number of virtual investor conferences	Number of conferences organised by KRUK
Poland	2	5	4
Foreign markets	1	4	4

Source: in-house analysis.

Polish institutional stock and bond investors

- Four conferences organised following release of earnings reports for 2019, Q1 2020, H1 2020 and Q1–Q3 2020
- Participation in the TRIGON Investor Day 2020 conference in Warsaw in January 2020;
- Participation in the Santander 2020 CEE Outlook Conference in Warsaw in January 2020;
- Participation in the PKO BP Virtual Investor’s Days: CEE Financials virtual conference in September 2020;
- Participation in the virtual Pekao BM Emerging Europe Investment Conference in September 2020;
- Participation in the virtual mBank European Financials Conference in October 2020;
- Participation in the virtual SANTANDER 2020 Annual Financial Sector Conference in November 2020;
- Participation in the TRIGON Investor Week virtual conference in November 2020;
- Mailing to investors on key developments and events at the Group;
- Running an investor relations subpage at <https://en.kruk.eu/investor-relations>;
- Continuous dialogue with investors.

Polish retail equity and bond investors

- Maintaining a corporate profile on the StockWatch website featuring latest information on the Company
- Running an investor relations subpage at <https://en.kruk.eu/investor-relations>;
- Chats with retail investors
- Newsletter distributed among registered investors on key developments and events at the Group;
- Continuous dialogue with investors.

Foreign institutional investors.

- Four conferences organised following release of earnings reports for 2019, Q1 2020, H1 2020 and Q1–Q3 2020;
- Participation in the J.P.Morgan CEEMEA Opportunities 2020 conference in London in January 2020;
- Participation in the Wood EME Financials & Real Estate, First Hand Accounts virtual conference in June 2020;
- Participation in the Citi NPL Event 2020 virtual conference in October 2020;
- Participation in the ERSTE The finest CEElection 2020 virtual conference in October 2020;
- Participation in the WOOD’s Winter in Prague 2020 virtual conference in December 2020;
- Mailing to investors on key developments and events at the Company;
- Running an investor relations subpage at <https://en.kruk.eu/investor-relations>;
- Continuous dialogue with investors.

Brokerage house and investment bank analysts

- Four conferences organised following release of earnings reports for 2019, Q1 2020, H1 2020 and Q1–Q3 2020
- Mailing to investors on key developments and events at the Company;

Continuous dialogue with equity analysts

Recommendations on KRUK shares issued by brokerage houses are published by the Company at <https://en.kruk.eu/investor-relations/reports/analytical-reports>.

The table below presents brokerage houses covering the Company stock.

Research coverage

Company	Analyst	Contact details
BDM	Michał Fidelus	michal.fidelus@bdm.pl
DM Erste Group	Michał Pilch	michal.pilch@erstegroup.com
DM Ipopema	Łukasz Jańczak	lukasz.janczak@ipopema.pl
DM mBank	Michał Konarski	michal.konarski@mdm.pl
DM PKO BP	Jaromir Szortyka	jaromir.szortyka@pkobp.pl
Santander BM	Kamil Stolarski	kamil.stolarski@santander.pl
DM Trigon	Grzegorz Kujawski	grzegorz.kujawski@trigon.pl
Wood & Co.	Marta Jeżewska-Wasilewska	marta.jezewska-wasilewska@wood.com

Source: in-house analysis.

Financial journalists

- Four conferences organised following release of earnings reports for 2019, Q1 2020, H1 2020 and Q1–Q3 2020
- Press releases concerning key corporate events
- Interviews and comments by Company representatives in financial media (such as Parkiet, Puls Biznesu, Forbes, Stockwatch or Biznes24 tv);
- Maintaining the Company's profile on Stockwatch;
- Running an investor relations subpage at <https://en.kruk.eu/investor-relations>.
- All press releases were published at <https://en.kruk.eu/investor-relations/news>, while periodic reports, including the Directors' Report for 2020, were published at <https://en.kruk.eu/investor-relations/reports/interim-reports>.
- Telephone numbers, email address and the Investor Relations Area contact form are available to market participants at <https://en.kruk.eu/investor-relations/contact>.

9.2 Auditors

By resolution of February 3rd 2020, the Company's Supervisory Board appointed an auditor to audit the financial statements of KRUK S.A. and the consolidated financial statements of the KRUK Group for the financial years 2020–2021. On July 10th 2020, the Company signed an agreement for the audit of the separate and consolidated financial statements for the periods ended December 31st 2020 and December 31st 2021 and review of the interim separate financial statements and interim consolidated financial statements for the six months ended June 30th 2020 and 2021 with KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa of Warsaw, entered in the list of qualified auditors of financial statements under Reg. No. 3546. The fee for the audit of the financial statements was set at PLN 1,454 thousand (2019: PLN 1,496 thousand); for other assurance services, including review of the financial statements – at PLN 808 thousand (2018: PLN 481 thousand). The separate and consolidated financial statements for 2019 were audited by KPMG Audyt Sp. z o.o.

10

10 NON-FINANCIAL INFORMATION

KRUK Group's non-financial statement for 2020

The non-financial information for 2020 has been presented in the form of a statement and compiled in accordance with the international CSR and sustainability reporting standard, GRI Standards (GRI) core option, plus selected additional disclosures. In previous years, such information was presented based on the previously developed GRI-G4 guidelines, which were replaced with the GRI Standards. Nevertheless, the presented information can be referred to the non-financial information included in the statements issued in previous years. [102-55] [102-54]

The annual non-financial statement includes data concerning the KRUK Group for the period January 1st–December 31st 2020, and is an integral part of the Directors' Report on the operations of the KRUK Group in 2020. [102-50]

The KRUK Group has issued its non-financial statement on an annual basis since 2017. The 2019 non-financial information was issued together with the KRUK Group's 2019 annual report on March 5th 2020. [102-49][102-48][102-51] [102-52]

Contact person for matters relating to the report:

- Agnieszka Salach, PR Manager, press officer, email: agnieszka.salach@kruksa.pl;
- Karol Płotek, analyst at the Corporate Supervision Department, email: karol.plotek@kruksa.pl

[102-53]

The KRUK Group did not seek external assurance of the non-financial information presented in this non-financial statement. [102-56]

Corporate Social Responsibility and Sustainable Development at the KRUK Group

Material aspects and indicators were again identified during the most recent validation workshop with the KRUK S.A. Management Board. They demonstrate the KRUK Group's commitment to the three core areas of responsibility, i.e.: economic, social (including responsibility for building a friendly workplace for employees, ensuring ethical, long-term cooperation with business partners, support for clients and local communities) and environmental. The selected aspects and indicators presented in this report address those areas.

Corporate Social Responsibility at the KRUK Group

All CSR activities are implemented in keeping with the KRUK Group's corporate governance rules. The following table shows the three pillars of our CSR and sustainability initiatives.

Our	Why is this important to us?
responsibility	

Economic responsibility	<p>Our goal is to support the economy by helping restore financial liquidity on the market. We wish to present to consumers, in an accurate and open manner, the problem of debt, which we recover in accordance with the applicable laws and our best practices, and with respect for our clients.</p> <p>The Group is also involved in cooperation with organisations and associations that voice the opinions of business and are committed to sustainable and ethical economic growth.</p>	
Workplace and employees	<p>The foundation of every business, including the KRUK Group, are its employees, which is why we care about their development, while respecting their rights and values. We respect social diversity in the workplace and adhere to the Declaration of Human Rights.</p> <p>Partnership, cooperation and freedom of expression are among the key hallmarks of our organisation. They also define our corporate culture.</p>	
Social responsibility	Local communities	<p>Ethics and compliance with legal rules and social norms underpin our activities, which we address in particular to our clients (indebted persons) and the general public. The social norm requiring that liabilities incurred must be settled is among the most important elements of our business strategy. In the long run, the costs of defaulted debt are borne by all consumers. Hence our numerous educational initiatives targeted both at indebted people and members of the public, designed to bring home to them the sometimes complicated parts of the debt collection process. They are also intended to make our clients aware of their liability for debts and the consequences of being in default with payment. We are also involved in social development, supporting local initiatives and charity drives, because we believe that such actions help face up to the emerging civilisation challenges that concern us all.</p>
Environmental responsibility	<p>Although our business consists in providing services, we make sure to protect the environment and act in line with the zero-waste principles. In addition, with the help of our financial education initiatives, we seek to raise public awareness of excessive consumerism and show that curbing it can produce a positive impact both on the environment and personal finances.</p>	

In the areas of responsibility listed above, the KRUK Group’s CSR activities also support the implementation of the following Sustainable Development Goals:

- SDG 3 ‘Good health and well-being’ – for instance by promoting physical and mental health among employees and their families, promoting physical activity among employees, offering clients support from the Psychological Support Centre.
- SDG 4 ‘Quality education’ – we run educational projects for our clients and the general public, we engage in NGOs’ educational projects for children and teenagers related to managing the household budget, and educational initiatives to show the impact of excessive consumerism on environmental protection.

- SDG 5 ‘Gender equality’ – we are a signatory of the Diversity Charter, we improve our solutions to encourage equal treatment and diversity in the workplace, e.g. we make sure there is no gender gap in salaries and wages.
- SDG 8 ‘Decent work and economic growth’ – we respect employee rights, promote a safe working environment, strive to increase the efficiency of using natural resources in business and to achieve higher economic productivity through diversification, technological modernisation and launching innovative solutions.
- SDG 11 ‘Sustainable cities and communities’ – we engage in community outreach initiatives and charity drives.
- SDG 12 ‘Responsible consumption and production’ – we run educational projects to explain the indirect impacts people and consumerism have on climate change mitigation and adaptation.
- SDG 17 ‘Partnerships for the goals’ – we take steps to integrate and bring together people from diverse backgrounds to work towards effective implementation of the Sustainable Development Goals, including through our membership of various organisations and associations.



Material aspects

For the purpose of presenting the non-financial information, during internal meetings with the Management Board and managers of the Group companies, and based on information collected through dialogue with its stakeholders, the KRUK Group selected key aspects of the three areas of corporate social responsibility referred to above.

Material aspects of the three CSR pillars:

Economic responsibility:

- Economic performance
- Market presence
- Indirect economic impacts
- Procurement practices

Social responsibility:

- Employment
- Occupational health and safety
- Training and education
- Diversity and equal opportunities
- Non-discrimination
- Human rights grievance mechanisms
- Anti-corruption
- Compliance with regulations
- Product and service labelling
- Marketing communications
- Compliance with regulations concerning marketing communications

Environmental responsibility:

- Materials
- Energy consumption
- Emissions. [102-46][102-47] [103-2] [102-44]

Values of the KRUK Group in the context of identified areas of responsibility

When selecting individual areas of responsibility as well as material aspects and indicators, the key role was played by the mission, vision and values that guide the KRUK Group in its day-to-day operations.

As the world around us keeps changing, we actively participate in those changes and take into account new factors and trends. This allows us to develop as a business. Therefore, in 2020 the Management Board reviewed the KRUK Group's mission, vision and values. The KRUK Group values are: respect, cooperation, accountability, development and simplicity.

RESPECT

Mutual respect is the cornerstone of our business. We treat everyone the way we want to be treated.

COOPERATION

Together we can achieve more. We build relationships based on partnership and clear rules. We call a spade a spade.

ACCOUNTABILITY

Everyone is responsible for their decisions, actions or omissions and their consequences.

DEVELOPMENT

We are committed to continuous improvement. We have an incessant inner drive to progress, even when we succeed.

SIMPLICITY

Simple is beautiful. We simplify our processes and eliminate waste. Getting things done is more important than striving for perfection.

The rules, instructions and procedures of conduct are accessible to each Group employee via our IT systems. In addition, out of respect for those values, the Compliance Area has, since 2016, supported all departments and teams across the Group in interpreting the law and implementing changes into the Group's processes or services so they comply with the principles of ethics and legal regulations. Since 2018, the Compliance Committee has been responsible for comprehensive risk assessment of new products and processes or changes to existing ones.

The organisational culture across the Group is robust and clearly defined, and elicits strong identification with the organisation. It is shared by all employees regardless of the position held or country of operation.

The current organisation culture at KRUK S.A. is expressed mainly through:



PARTNERSHIP
(small power distance)



COOPERATION
(formerly: femininity)



FREEDOM OF EXPRESSION (little
formalism)

In practice, this means that our employees:

- are able to build partnership-based relations regardless of their job title or position at the company, which creates room for open discussions, trust and efficient cooperation between them;
- like cooperating and supporting one another: team's result is as important as individual success;
- value friendly working atmosphere;
- respect the emotions and opinions of others – they allow free expression of emotions and opinions, approach them with understanding, and foster interpersonal relations.
- All this also supports the development of the KRUK Group's corporate social responsibility. These values are adhered to by all KRUK Group companies.

[102-16]

Material stakeholders

The KRUK Group's stakeholders include:

1. internal stakeholders, i.e.:
2. employees of all KRUK Group companies, including their management staff and directors;
3. external stakeholders, i.e.:
 - clients (generally consumers, including indebted people, who use the services offered by the KRUK Group companies),
 - SMEs (indebted companies),
 - business partners (large corporations and institutions providing services to mass-market clients, such as banks, loan providers, insurance companies, leasing and factoring companies, telecoms),
 - regulators,
 - industry associations,

¹ Cultural dimensions according to Geert Hofstede

- NGOs,
- shareholders,
- suppliers,
- competitors,
- financial institutions,
- social organisations,
- market regulators,
- the media. [103-1]

The materiality of stakeholder groups was verified based on:

- internal analysis of the groups and communities where the KRUK Group departments and divisions operate,
- public surveys conducted at least once a year,
- individual client satisfaction surveys carried out on an ongoing basis,
- trading partner satisfaction surveys carried out once a year. [102-40]

Key stakeholders in the KRUK Group dialogue

Stakeholder	Form of dialogue	Frequency
Regulators and industry associations	Participation in issuing opinions on new regulations and acts of law (in working groups appointed when and as needed).	Ongoing
Competitors	Participation in discussions on how to improve the image of the entire debt management industry in Poland (in a working group set up by the Association of Financial Companies in Poland); Partnership with credit reference agencies, including non-banking loan companies. Participation in industry conferences in countries where the KRUK Group operates.	Ongoing
Non-profit organisations	Participation in financial education events and various charitable and philanthropic initiatives.	As needed
General public	Public surveys regarding financial literacy, budget planning, financial behaviour, attitudes to debt and saving, knowledge of finance, lending, debt repayment, and commercial/credit information.	At least once a year
	Workshops and training	As needed
	Press materials, awareness campaigns in the press, internet, radio and TV.	As planned in communication and marketing strategies of individual companies.
Trading partners	Trading partner satisfaction surveys	Once a year
Clients/consumers – including indebted people, borrowers, and persons verifying their	Client satisfaction surveys	Ongoing
	The e-KRUK.pl platform and websites of individual KRUK Group companies.	Ongoing

data in BIG (KRUK's credit reference agency)	Face-to-face and telephone conversations with KRUK advisors, and consultations through chat bots.	Ongoing
Suppliers	Face-to-face meetings, phone calls, e-mails	As needed
Medical staff	Directly or through firms providing aid and support to medical staff fighting the pandemic.	Meant as one-time support during the pandemic.
Employees	KRUK S.A. has in place the Employee Suggestion Scheme for employees to propose their ideas, e.g. for making improvements in the workplace.	Ongoing
	The Employee Forum, with the members elected by the Group employees in a secret ballot from among proposed candidates.	Four meetings in calendar year
	Employee surveys, including surveys on employee well-being and satisfaction with remote work during the COVID-19 pandemic.	As needed – at least once a month during the pandemic.
	Internal communication, including in-house competitions, invitation to various employee initiatives. Communication building environmental awareness	As needed
	Whistleblowing, i.e. the procedure for reporting irregularities using an anonymous form; at Wonga, they can be reported by email, traditional mail or paper forms left in special boxes located at the company's office; at KRUK S.A., the whistleblowing form is available at https://en.kruk.eu/report-abuse , and also on the websites of individual companies providing debt management services in countries where the KRUK Group operates.	As needed
	'What's new' at Wonga – a monthly meeting for all employees to discuss recent company highlights.	Once a month
	Whistleblowing to the Consultation and Mediation Team	As needed
	In-house events for employees	At least once a year
Employees	Employee Support Programme at KRUK S.A. and the KRUK Group's Polish companies, for people who need psychological support with full confidentiality guaranteed.	As needed by employee
	Direct meetings with management staff	As needed
Employees	Social benefits offered at the KRUK Group companies to help employees in difficulties while maintaining full confidentiality.	As needed

Source: the KRUK Group

It should be noted that in addition to the groups of external stakeholders identified in previous years, in 2020 medical staff also became our stakeholders as the KRUK Group engaged in local initiatives to counteract the pandemic. [102-42] [102-43] [102-44]

THE KRUK GROUP'S ECONOMIC RESPONSIBILITY

The KRUK Group's economic responsibility involves efforts to support the country's economy by recovering cash and reintroducing it into the economic system. On the one hand, the Group offers indebted clients an option to repay their debts in instalments and thus get 'back to business' without financial burdens. On the other hand, it helps institutions and companies to enhance their liquidity and minimise payment bottlenecks. The Group's economic responsibility also manifests itself through initiatives that play a significant role in building financial awareness and payment morality within the society at large.

The KRUK Group's business is heavily influenced by the regulatory and legal environment. That is why KRUK is an active member of industry associations which represent the business community, including interests of the financial sector, vis-à-vis legislators, the administration and the public both in Poland and the European Union, to ensure balanced growth of its business. The KRUK Group supports sustainable economic growth in keeping with the law, ethical standards, and social norms, which call for repayment of one's financial liabilities invoking the principle of payment morality.

Ethics at the KRUK Group

Both KRUK S.A. and other KRUK Group companies attach great weight to legal compliance and adherence to social norms. At KRUK S.A., the code of ethics is based on Best Practices of the Association of Financial Companies in Poland, which are cascaded across the Group and apply also to other Group companies. KRUK S.A. and ERIF BIG S.A. undergo an annual ethics audit, carried out by the Association of Financial Companies in Poland (ZPF). Certificates confirming that a company successfully passed the ethics audit are issued by ZPF for the previous calendar year at the end of the first quarter of the current year. In 2020, both KRUK S.A. and ERIF BIG S.A. were again certified for compliance in the previous year with the standards and principles of ethics.

The consolidated text of Best Practices of the Association of Financial Companies in Poland is published on the websites of KRUK S.A. and ERIF BIG S.A., and is available (in Polish) at:

https://pl.KRUK.eu/media/file/file/zpf_zasady_dobrych_praktyk_092020.pdf

In addition, Wonga has an internal Code of Ethics in place outlining the principles of ethical conduct.

In 2020, KRUK S.A. successfully completed a verification process to check the Company's ethical practices in the 'Ethical Company' contest organised by the Puls Biznesu daily and PwC Legal Żelaznicki sp.k. Thus, in 2020 KRUK S.A. was awarded the 'Ethical Company 2019' title for the third year running and joined the prestigious group of 'Super Ethical Companies'. The Company may use that title for three consecutive years. Wonga, a member of the KRUK Group, was also among winners of the 'Ethical Company 2019' competition. The title is awarded for the previous year.

Importantly, companies taking part in the 'Ethical Company' competition must satisfy very strict criteria for ethical conduct both vis-à-vis their clients as well as their employees and business partners.

At the KRUK Group, the code of ethics is also based on social norms as well as internal regulations, instructions and procedures, which are derived inter alia from the Universal Declaration of Human Rights, meant to protect human dignity and to ensure fair treatment of every person regardless of their sex, language, race, religion, political views or nationality. The principles of ethics underly both interactions between the KRUK Group employees and their relationships with clients, business partners, suppliers, shareholders and other stakeholders.

All those principles and regulations are binding on each of the Group's employees, regardless of their type of employment and position, and are communicated to each employee during induction and on-the-job training, also via the e-learning platform.

We care about core values and ethics

At the KRUK Group, we adhere to ethical principles and core values. In keeping with the KRUK Group's vision, we always stick to our values whatever we do. The Compliance Area supports all departments and teams across the KRUK Group in interpreting the law and implementing changes in processes or services so that they comply with the principles of ethics and legal regulations. The Group also has a Risk Monitoring Committee in place, which supports the Management Board and Supervisory Board (Audit Committee) in ensuring a robust risk management process.

The following internal documents govern adherence to the KRUK Group's core values and principles of ethics and ensure compliance:

Compliance Risk Management Policy – effective as of 2019, defines the key rules for analysing, assessing, testing, mitigating and monitoring the compliance risk at KRUK S.A. It also defines the scope of powers and responsibilities of the companies' organisational units in relation to the Compliance Area. Instructions issued under the Compliance Risk Management Policy are its implementing regulations.

Risk Management System Policy – effective as of February 2021, it sets out the rules and scope of responsibilities for non-financial risks management. The policy addresses the processes under which operational risks are managed, the organisational units forming the second line of defence, and the internal audit unit. The policy is applied as part of risk management to enhance security of the Group's operations.

Internal Mediation Policy – fosters positive relations between employees, prevents conflicts, workplace bullying and discrimination. Each employee may submit a request to the Consultation and Mediation Team to initiate proceedings in his or her case. The Group may also act on its own initiative. The policy version applied in 2020 was the Internal Mediation Policy as amended in 2018, which extended the protection for employees also in the area of discriminatory behaviour, including harassment and sexual harassment.

Rules of Procedure of the Compliance Committee – govern the operation of the collective body responsible for providing collective risk opinions on any significant changes or new products or processes. The Compliance Committee operated until November 30th 2020, and the document was then replaced by the Rules of Procedure of the Risk Monitoring Committee.

Rules of Procedure of the Risk Monitoring Committee – operating as of December 1st 2020, the Risk Monitoring Committee is a collective body whose primary role is to provide opinions in order to monitor the level of financial and non-financial risks in the Group's operations, aimed at mitigating or removing the consequences of any materialised risks and incidents, and also to support the Management Board and Supervisory Board (Audit Committee) in ensuring a robust risk management process.

Compliance Recommendations Manual – governs the issuing of compliance and business practice recommendations by the Compliance Area for the KRUK Group's organisational units.

Regulatory Inspections and Criminal Proceedings Manual – governs the conduct of KRUK S.A.'s employees in case of inspections by regulatory bodies (Office of Competition and Consumer Protection, Polish Financial Supervision Authority, Personal Data Protection Office), assigning specific powers to the company's authorised representatives and defining tasks for individual employees to ensure that inspections are carried out smoothly and in compliance with law.

Management of Changes in Law and Regulatory Guidelines Manual – describes the process of monitoring, announcing and implementing changes in law, regulatory pronouncements, official interpretative rulings and the resulting amendments to rules and regulations by the Compliance Area.

Compliance Monitoring Manual – introduced in 2019, it governs the monitoring and testing of compliance of KRUK S.A.'s processes with law, regulatory guidelines and official interpretative rulings. Based on the Manual, inspections of the processes or their components have been carried out since 2019, as per the annual audit plan.

Conflicts of Interest Management Policy – describes the rules of disclosure of conflicts of interest identified at the Company, as well as appropriate measures to protect the Company against their potential consequences. The Company's employees and members of its statutory bodies are obliged to report any conflicts of interest. In this context, the Compliance Area performs an administrative function (registering the reported conflicts of interest) and plays an advisory role (providing guidance on how to manage the disclosed conflicts of interest).

The Conflicts of Interest Management Policy includes the Gift Policy, which governs the acceptance and reporting of gifts by the Company employees and members of its statutory bodies. The Policy also sets the limits for accepting personal gains or offering such gains to a third party.

Compliance Risk Maps Manual – issued in 2020 and effective since then, it helps Company employees understand compliance risk mapping and the risk controls embedded in the processes they own or are involved in.

'Compass' Compliance Management Policy at Wonga.pl sp. z o.o. – Wonga has mechanisms in place to address the risk of non-compliance with the principles of ethics. The underlying principle of Wonga's compliance culture is that every employee should be guided by the highest ethical standards in performing their duties. The key elements of the Compass policy are preventing, detecting and responding adequately to any form of non-compliance with laws, internal regulations or generally accepted ethical standards.

2020 saw a number of regulatory changes, many of them related to the unprecedented situation caused by the COVID-19 pandemic. The most significant ones are discussed in more detail in Section 6.2 of the Directors' Report on the KRUK Group's operations. The Compliance Area monitors changes in law, regulatory pronouncements, and court rulings on an ongoing basis, while consulting the implementation of resulting changes into the Company's processes and products.

In addition, KRUK S.A. has kept an eye on the activities of both general and sector-specific regulators of the financial services market, as described in more detail in Section 6.1 of the Directors' Report on the KRUK Group's operations.

As a company listed on the Warsaw Stock Exchange, KRUK S.A. also complies with the Code of Best Practice for WSE Listed Companies. [102-16]

Economic performance

KRUK Group's economic performance for 2019–2020, in PLNm

PLNm	2019	2020
Revenue	1,273	1,158
Operating expenses	-833	-826

Salaries, wages and employee benefits	-357	-342
Payments to providers of capital*	-210	-99
Payments to government	-37	-22
Community investments**	-	-
Economic value retained	193	211

Source: KRUK Group

* Instead of dividend payment in 2020, KRUK's shareholders opted for a share buyback of 271 thousand shares at the price of PLN350 per share.

** Starting from 2021, the Group plans to publish more detailed disclosures on its community investments.

[G4-EC1]

Market presence

The parent of the KRUK Group is KRUK S.A., a company operating in Poland. The core values, growth strategy and basic operating principles adopted by KRUK S.A. apply also to the Group companies operating in countries where it has established a presence.

Due to cultural differences, for instance in the approach to debt by the societies of different countries, the portfolios of products and services may differ slightly as they must be adapted to the local laws and regulations applicable in the specific markets. Most employees on the local markets (including foreign ones) are nationals of the given country.

Indirect economic impacts

The indirect economic impact of the KRUK Group comprises several aspects, as discussed below:

Membership of organisations and associations

The KRUK Group companies attach great weight to their role as responsible members of their respective communities.

KRUK S.A., as the Group's parent, is a member of a number of associations (including the Association of Financial Companies in Poland and the 'Lewiatan' Polish Confederation of Private Employers) and therefore actively participates in consulting new regulations and acts of law which have bearing on, among other things, the development of the debt management and credit reference business, the loan sector, or the protection of consumer rights. It also supports the efforts of these institutions to propagate the principles of ethics and raise social awareness in that area.

In addition, the involvement of independent experts from these organisations and their influence on public awareness and education contributes to building a positive image of the Group's business sectors, highlighting the important role played by debt management companies, credit reference agencies and loan companies in the economy.

KRUK Group companies are also members of the following organisations:

- 'Lewiatan' Polish Confederation of Private Employers – PKPP Lewiatan (KRUK S.A. and ERIF BIG S.A.),
- Association of Financial Companies in Poland (ZPF) (KRUK S.A., ERIF BIG S.A. and Wonga Sp. z o.o.),
- ACA International (KRUK Ceska a Slovenska Republika S.R.O.),
- Asociácia Slovenských Inkasných Spoločností (KRUK Ceska a Slovenska Republika S.R.O.),
- Asociace Inkasních Agentur (KRUK Ceska a Slovenska Republika S.R.O.),

- Asociația De Management Al Creantelor Comerciale (KRUK Romania S.R.L.),
- Bundesverband Deutscher Inkasso-Unternehmen (KRUK Deutschland GmbH),
- Bundesverband Credit Management (KRUK Deutschland GmbH),
- Bundesvereinigung Kreditkauf Und Servicing (KRUK Deutschland GmbH),
- Polish Association of Listed Companies (KRUK S.A.),
- United Nations Global Compact (KRUK S.A.),
- ACCIS (ERIF BIG S.A.),
- Financial Development Market Foundation (ERIF BIG S.A.). [102-13]

KRUK Group as an employer operating across several markets

As a leader of the debt management market in Central Europe, the KRUK Group contributes to job creation both in Poland and in other countries where it operates. As at the end of 2020, the KRUK Group's total headcount was 3,108. As a business operator, the Group contributes all obligatory and legal charges, including taxes, to the budgets of the countries where it operates.

Employer branding

Employees are at the core of the KRUK Group companies. Our personnel includes specialists in the fields of debt management, IT, data analytics, finance, debt portfolio valuation, or high-volume portfolio management, in addition to numerous other experts and managers.

Amid the persisting COVID-19 pandemic:

- Recruitment was kept to a minimum, with a focus mainly on key vacancies filled to ensure business continuity;
- From March 2020, most of our recruitment processes were held online, including meetings with candidates, knowledge tests, as well as Assessment / Development Center sessions (a hybrid approach was applied to minimise face-to-face contact);
- In Romania, internal promotions were up 10 percentage points, from 19% to 29%;
- We used the opportunity to present our companies at trade fairs at the University of Hradec Králové, in Genoa and LaSpezia;
- In Spain, the KRUK.es career website made its way to local job portals;
- We strengthened our social media presence to promote KRUK as an attractive employer (in particular on Facebook and LinkedIn).

We help restore the financial liquidity of enterprises

At the KRUK Group, we make indebted people aware of their liability for incurred debt and of the consequences of default. Repayment of debt in instalments or through enforcement offers them a chance to regain unrestricted access to products and services offered on the market. On the other hand, the Group assists companies and institutions in maintaining and managing their financial liquidity. Therefore, the Group's strategy contributes – both directly and indirectly – to injecting cash back into the economy, thus supporting economic growth and sustainable development.

Accessibility of services and products

As a business operator, we care about the quality of our services and client care standards. Therefore, they are continually enhanced as part of our CSR efforts, based on client satisfaction surveys, public opinion research, as well as market needs and trends.

We are aware of how difficult it is for KRUK Group clients to understand and interpret legal regulations or correspondence written in specialist language. That is why for some time now we have used plain and straightforward language to help our clients understand the content of documents and messages. Our correspondence is written in simple language (either Polish or local) to make sure that every person, regardless of their educational background or age, is able to understand it.

To facilitate contact with clients, we have deployed state-of-the-art online communication tools across the KRUK Group for easier access enabling our clients to individually manage their debts on the e-KRUK platform, download reports from the ERIF credit reference agency or take out a loan from Wonga.

In 2020, digital solutions played a key role in the context of the COVID-19 pandemic, making it possible for every client to manage their debts online, using a free account, without having to leave home. This has clearly demonstrated the importance of expanding the range of communication channels and remote methods of contact with our clients, not only by email and telephone, but also through IT systems, chatbots and other modern technologies safe for our clients and secure for their data.

During the first months of the pandemic, KRUK also ran the #zostanwdomu (#stayathome) information campaign addressed mainly to senior citizens. The aim was to show them an option to contact the Company remotely. Similar campaigns were also held by the Group companies operating in other countries.

In 2020, we noticed a strong increase as regards clients' interest in and use of digital forms of contact with KRUK.

In November 2020, in order to further enhance our services, KRUK S.A. introduced biometric signatures, allowing the Company's field advisors to enter into settlement agreements and annexes with no need for the clients to sign them in paper form.

With such digital solutions in place, we adhere to all the pandemic-related sanitary recommendations limiting direct contact with clients. At the same time, such tools offer a number of advantages, such as:



Commitment to the local community

The KRUK Group companies are willing to take part in or independently undertake activities which have an impact on society. Among of the objectives of such activities are:

- Improvement of financial education of the public through initiatives, educational materials and media coverage concerning financial issues,
- Raising awareness to support economic development and helping indebted persons to return to a life without the burden of overdue debt,
- education on excessive consumption and its impact on the environment and also on the household budget,
- helping those most in need to improve their health condition.

The areas of KRUK Group companies' involvement in sponsorship activities are defined in detail in the KRUK Group's Charitable Sponsorship Policy, which was updated in 2020.

For more information about the KRUK Group's community involvement activities and Charitable Sponsorship Policy, see the section of this statement entitled "Social Responsibility and Community Outreach".

The Group's operations and the strength of its brand

Brand trust plays a major role in working with clients, business partners, suppliers and other stakeholder groups. That is why efforts to build brand trust are very important.

The KRUK brand is the most recognisable brand among debt collection companies in Poland and Romania, as shown by a survey conducted in 2020 by the research institution Norstat among indebted persons in Poland and Romania. Prompted awareness of the KRUK brand, measured by name recognition, was 93% in Poland and 75% in Romania.

In 2020, in the category of best brands of debt collection companies, KRUK S.A. won the first place and was awarded the title of "Top Brand 2020" in the independent "Press Ranking". This award confirms that we are one of the most media-savvy brands in Poland, thanks to our experts' statements and appearances in various media.

Regulatory security

KRUK S.A. has in place a process for monitoring, announcement and implementation of changes in legislation, regulatory positions and case law. Application of this process significantly enhances the legal security of the organisation and contributes to the achievement of the internal control system's objective, which is to ensure that the organisation operates in accordance with applicable laws, regulatory recommendations, internal regulations and market standards. The process is handled by the Compliance Area, which also gives its opinions on changes to the companies' processes and products and monitors their implementation.

The Company had a Compliance Committee whose responsibilities included issuing an aggregate risk opinion for each significant product or process change or for a new product prior to its inception. To this end the Committee covers all key risk areas: legal, regulatory, tax, economic, corporate governance, information security, personal data security, operational, business continuity and image risks;

Since December 1st 2020, the KRUK Group has had in place a Risk Monitoring Committee, which operates in particular by issuing opinions to monitor the level of financial and non-financial risks in the Group's operations, aimed at mitigating or removing the consequences of materialised risks and incidents, to support the Management Board and Supervisory Board (Audit Committee) in ensuring an effective risk management process.

In order to manage the non-financial risks at KRUK S.A., a comprehensive risk map was also created in 2019. The map reflects the current level of specific risks, as well as safeguarding mechanisms. In 2020, the Compliance Area commenced an audit of processes and controls for the area of debt enforcement from unsecured debt portfolios. The audit will be continued in 2021.

In order to continuously raise compliance awareness among the Company's employees and thus improve the Company's legal security, training courses are delivered in areas that need them most.

Supply chain and procurement procedures at the KRUK Group

At the KRUK Group, we care about the quality of our cooperation with suppliers, but we also work with those who, like our Group, acknowledge their business and social responsibility. This is why the Group has in place a Procurement Policy and a Procurement Policy Implementation Instruction, which define the rules applicable to the entire procurement process. The documents provide information on such matters as how to choose the best suppliers or maintain the best price/quality relationship for purchased goods and services.

The principles that guide the Group's procurement procedures are as follows:

- maintaining business confidentiality,
- cooperative attitude and clear communication,
- preventing any forms of corruption,
- equal treatment,
- avoiding conflicts of interest.

Additional regulations that apply during the procurement process are also laid down in the Misconduct Prevention Policy, the Conflicts of Interest Management Policy and the Gift Policy. Suppliers participating in our procurement processes held in Poland are made familiar with the Standards of Ethical Conduct for Suppliers in Relations with Employees of the KRUK Group companies. The Standards define our values and apply to all existing and prospective suppliers. They must also be observed in relations with employees.

In Poland, in procurement procedures where the transaction value exceeds PLN 100 thousand, each supplier is obliged to complete a CSR survey. Based on the survey, suppliers are evaluated in terms of their environmental, social and economic ethics. In this way we verify whether our key suppliers comply with ethical principles and standards. The survey contains questions about the supplier's best CSR practices with respect to:

- local communities,
- employees and the workplace,
- market and customers,
- natural environment.

In 2020, the KRUK Group conducted 266 procurement procedures, of which:

- as many as 67 were put on hold due to the rapidly changing environment as well as the spread of the coronavirus pandemic – we discontinued the supplier selection and procurement process,
- 159 of the procedures resulted in the selection of a supplier and conclusion of a contract.

In 2020, the CSR survey was completed by 81% of the suppliers. To compare, in 2019 the CSR survey was completed by 65% of all suppliers taking part in the procurement processes.

In the CSR survey, suppliers responded, among others, that they:

- engage in dialogue with the local communities and in charitable activities, organise internship programmes;
- employ staff in a transparent manner and in compliance with applicable laws, take care of their health and safety, respect their dignity, engage in dialogue with the employees, are open to their initiatives, and present them with training and educational opportunities.

Country	Total number of suppliers	Percentage share of foreign suppliers in the local market	Total number of suppliers	Percentage share of foreign suppliers in the local market
	2019	2019	2020	2020
Poland	1,145	4%	219	6%
Romania	653	7%	806	4%
Czech Republic	693	42%	686	48%
Slovakia	26	27%	14	14%
Spain	263	10%	219	8%
Italy	1,074	5%	1,081	6%

In each country where the KRUK Group operates, the KRUK Group companies choose mostly local and domestic suppliers. In Poland, local suppliers account for 94% of all the suppliers we work with at home.

2020 saw a decline in the total number of suppliers due to, among other things, the pandemic situation – COVID-19 not only led to a significant shortening of the supply chains, but also to a reduction in the number of orders for goods and services in some procurement categories as a result of the movement restrictions and security measures introduced, e.g. due to curtailment of business travel, external training and conferences.

KRUK Group procurement process chart

The steps taken when establishing cooperation with external suppliers of services and goods at the KRUK Group are as follows:

- the supplier of goods or services is selected in a procurement procedure based on pre-defined specifications, criteria and necessary requirements, a request for proposals, comparison and evaluation of bids, negotiations, selection of the best bid and qualification of the recommended supplier,
- the purchase order is approved in keeping with the approval processes for expenditure provided for in the budget,
- a contract or order is signed,
- the contract is performed or the order is sent to the supplier,
- the delivery is received,
- the invoice is received,
- payment is approved,
- payment is made,
- an annual assessment of our key suppliers is made.

Our suppliers are selected:

- based on competitive bids,
- in single-source procurement processes,
- based on contract renegotiation,
- under framework contracts.

The basis for building credibility and trust in relations with our suppliers is zero tolerance for any form of misconduct, including corruption. This is why anti-corruption clauses are included in our contracts with suppliers. [204-1] [102-9] [308-1]

CORPORATE SOCIAL RESPONSIBILITY

Workplace

The foundation of each of the KRUK Group companies are its employees. That is why we are committed to building a safe, friendly workplace where they can grow and derive satisfaction from their own development and from their contribution to the growth of the companies. Considering the Universal Declaration of Human Rights, as well as our corporate culture and values, we strive to create a comfortable working environment for our employees by listening to their needs and asking for feedback.

Employment

The outbreak of the coronavirus pandemic made 2020 an exceptional year in every way. Ensuring stable employment conditions has been and is a priority for the Group. Thanks to the IT solutions we already had put in place, were able to react quickly and switch, in most cases, to the remote working mode out of concern for the health and safety of our employees.

Total number and rate of new hires during the reporting period by age group and gender

Gender	New hires in age group ≤ 30		Employment rate in age group ≤ 30		New hires in age group ≥ 50		Employment rate in age group ≤ 50		New hires in age group 30 - 50		Employment rate in age group 30 - 50		TOTAL	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Woman	57	140	0,05	0,05	2	8	0	0	45	157	0,11	0,05	104	305
Man	56	89	0,03	0,03	4	4	0	0	43	84	0,09	0,03	103	177
TOTAL	113	229	0,08	0,08	6	12	0	0	88	241	0,2	0,08	207	482

Total number and rate of employee turnover during the reporting period by age group and gender:

Gender	Number of departures in age group ≤ 30		Employee turnover in age group ≤ 30		Number of departures in age group ≥ 50		Employee turnover in age group ≤ 50		Number of departures in age group 30 - 50		Employee turnover in age group 30 - 50		TOTAL	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Woman	72	121	0,02	0,04	2	22	0,0	0,007	82	334	0,05	0,11	104	477
Man	48	104	0,01	0,03	4	15	0,0	0,005	53	171	0,02	0,06	103	290
TOTAL	120	225	0,04	0,07	6	37	0	0,012	135	505	0,07	0,16	207	767

Source: KRUK Group [401-1]

Employee remuneration

In 2020, as in previous years, the pay rules did not change. All pay rules are described in the HR and Payroll Policies which are in place at each of the KRUK Group companies. The Policies apply to all employees regardless of their gender, age, nationality or other differences.

The salaries of women and men in the same positions are comparable, and differences, if any, may result from a different scope of work or length of service. In the departments where the pay is significantly higher (such as the IT department), the majority of employees are men, while women are in majority in the Group's administrative units and the call centre.

Between May 1st and July 31st 2020, KRUK S.A. took advantage of the government’s assistance programme (the anti-crisis shield). After consultation with and with the consent of the Staff Forum, the following changes were introduced for three months:

- Management Board and Supervisory Board – 25% remuneration cut,
- Senior managers (directors, managers) – 20% FTE and remuneration cut,
- Other employees – FTE reduced by three hours per week (7.5%) and remuneration cut by 7.5%.

With these changes it was possible to maintain the efficiency of key business processes. Temporarily, for the period from May to July 2020, the employment level (number of FTEs) was reduced.

At the same time, thanks to the solutions offered under the anti-crisis shield, the employment level understood as the headcount was maintained.

Due to the COVID-19 pandemic and the Group’s efforts to maintain stable employment in particular Companies, some benefits, such as MyBenefit cafeteria top-ups and Multisport fitness card subsidies, were temporarily suspended due to the closure of gyms and fitness clubs. Pay increases were also halted. However, both the cafeteria top-ups and the pay increase process were resumed in October 2020.

Ratio of standard entry level salary by gender to minimum pay

KRUK Group	2019	2020
Women	207%	202%
Men	250%	242%

Source: KRUK Group.

[202-1]

The Diversity Charter

KRUK S.A. has been a signatory to the Diversity Charter since 2013, and the Romanian company – since 2018. It is an international initiative promoted by the European Commission and implemented by such EU countries as: Poland, Romania, Germany, Spain, Italy, Luxembourg, France, Austria, Sweden, Belgium, Ireland, Estonia. An organisation which adopts the Diversity Charter strives to promote social cohesion and equality. Since all such initiatives are recognised and cascaded to the other companies within the KRUK Group, these rules apply across the Group. The provisions of the Diversity Charter are also promoted at the companies based in countries that are not yet party to this initiative.

The fundamental principle of the Charter is non-discrimination in the workplace and recognising and promoting diversity in all areas of activity. The Group is ready to engage all its employees, business partners and social stakeholders in those activities. All KRUK Group companies comply with the Diversity Charter in their operations, in recruitment and other processes. The declaration of participation was repeated and a standard participant questionnaire was submitted in 2020.

Diversity policy at the KRUK Group

KRUK S.A. has constantly in place a Diversity Policy document, adopted by a resolution of the Company’s Management Board on December 8th 2015. The aim the adopted Diversity Policy is to support a diverse, multi-cultural workplace by guaranteeing equal opportunities for promotion and professional development for each employee regardless of their gender, age, disability, health condition, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle or any other criterion that could cause an individual to be treated less favourably than others.

Under the Policy, each employee is obliged to respect other employees' right to privacy, must not interfere with their personal affairs, and must accept any existing differences.

Implementation of the Diversity Policy by an organisation means that the organisation acknowledges differences between people and is aware of their fundamental importance to its own success. It is an important element of our business strategy, which facilitates international growth and enhances our innovativeness and competitiveness.

The policy enables the Group to unlock the potential of all its employees and helps prevent any forms of discrimination or bullying in the workplace.

KRUK S.A. operates an *Internal Mediation Policy* to prevent discrimination or bullying in the workplace. Training on recognising and preventing workplace harassment is mandatory for every employee.

Equal opportunities

Ensuring equal opportunities at the KRUK Group starts with the commencement of the recruitment process – equal treatment of candidates is also embedded in the recruitment process standards. Candidates for employment at the Group are given equal treatment during the recruitment process as the Group has in place standards that govern recruitment and creation of teams that are diverse in terms of gender, age, experience, lifestyle, etc.

The Group has career and development paths, which are regularly reviewed and updated. The KRUK Group companies have set up promotion paths and salary scales applicable to each employee within a given area. Employees also have equal access to knowledge and qualification improvement opportunities in the form of an open range of training experience with equal participation rules for all employees in individual posts. The Group attaches particular importance to enabling its employees to maintain a work-life balance by ensuring transparent work-time settlement rules and facilitating return to work after maternity leave.

We operate in a number of countries, therefore we adjust the working style and expectations regarding business relations to the rules applicable in foreign markets. We also follow the suggestions of our foreign employees. For this reason, we respect the festivities and bank holidays celebrated in their respective countries. In addition, all employees are informed monthly of the days off of their foreign colleagues celebrating local public holidays. [102-12] [102-13]

Composition of governance bodies and breakdown of employees according to gender, age group, minority group membership, and other diversity indicators Data for 2019–2020.

Percentage of individuals in the organisation's supervisory bodies in each of the following diversity categories: gender; age group: under 30 years old, 30 to 50 years old, over 50 years old.

Gender	Number of persons on supervisory bodies in the age group ≤ 30	Percentage of persons on supervisory bodies in the age group ≤ 30	Number of persons on supervisory bodies in the age group ≥ 50	Percentage of persons on supervisory bodies in the age group ≥ 50	Number of persons on supervisory bodies in the age group 30-50	Percentage of persons on supervisory bodies in the age group 30-50	Total
2019							
Women	0	0%	2	6%	16	44%	18
Men	0	0%	3	8%	15	42%	18
Total	0	0%	5	14%	31	86%	36
2020							
Women	0	0%	2	9%	5	23%	7

Men	0	0%	3	14%	12	55%	15
Total	0	0%	5	23%	17	77%	22

Percentage of employees per employee category in each of the following diversity categories: gender; age group: under 30 years old, 30 to 50 years old, over 50 years old

Gender	Number of employees in the age group ≤ 30	Percentage of employees in the age group ≤ 30	Number of employees in the age group ≥ 50	Percentage of employees in the age group ≥ 50	Number of employees in the age group 30-50	Percentage of employees in the age group 30-50	Total
2019							
Women	574	17%	79	2%	1,377	41%	2030
Men	311	9%	141	4%	910	27%	1,362
Total	885	26%	220	6%	2,287	67%	3,392
2020							
Women	452	15%	94	3%	1,326	43%	1,872
Men	229	7%	149	5%	815	27%	1,193
Total	681	22%	243	8%	2,142	70%	3,066

Source: KRUK Group
[405-1]

Development and education of employees

Individual competence development of each member of our team contributes to the development of the entire organisation. This is why we focus on continuous advancement of the skills and qualifications of our employees. It is an important investment aimed at building an innovative team that works with passion. Our employees may participate in a wide range of training courses delivered by internal and external trainers. The courses differ depending on the length of service and the needs related to the duties of a given person.

Due to the COVID-19 pandemic and the imposed restrictions, some training courses had to be cancelled and currently there is less training than in previous years.

We are working on modifying the training process so that it can be performed online.

Average hours of training per employee in 2020, by gender

Gender	Percentage of persons	Hours/person
Women	51%	7h/person
Men	49%	10h/person

Organisation of training and participation of employees at KRUK Group companies

Type of training in 2020	Number of training courses	Number of persons trained				
		Total	Women	Men		
Face-to-face training	431	3,498	1,719	49%	1,779	51%
E-learning training	227	6,607	3,073	47%	3,534	53%

Average number of training courses per person

Data for 2020	Women	Men	Total
Face-to-face training	0.8	2.0	1.3
E-learning training	1.7	1.8	1.7

[404-1]

Our employees can participate in specialist and managerial training, and each newly recruited person completes a full cycle of induction training. This principle applies across the KRUK Group.

We also operate a management skills development programme to support the professional advancement of our management staff. In 2019, we implemented a manager induction programme for new hires in managerial positions. The programme is aimed at employees who have been tasked with managing people for the first time. Its aim is to help develop management skills needed to manage a team. It is an individual support programme involving an internal trainer, the line manager and a HRBP, delivered during the first 100 days of work in a managerial position. As part of the induction programme, the manager and the trainer meet regularly every ten days to discuss key issues in staff management and to set tasks and discuss the results of their performance. After the launch of the programme in 2019, three managers took part in it. In 2020, seven managers completed the programme, and eleven managers started the programme and continue to participate.

Since 2016, we have been successfully developing a range of training options available on the e-learning platform, which allows employees to quickly improve their competencies. It hosts mainly courses in the field of law, data security and protection, ethical principles and good practices in the industry, as well as product training, and courses related to projects implemented in the organisation. The e-learning platform also offers courses for management staff, combined with traditional training. In 2020, due to the pandemic, the KRUK Group employees were mostly given e-learning training.

Since 2019, Wonga.pl has been running a management skills development programme called the Manager Academy, which is implemented in three groups. Two groups comprise senior managers, and the third group comprises lower-level managers as well as project and product managers. The first stage of this programme was completed at the end of the first quarter of 2020, still before the lockdown. In total, the programme comprised 12 training days, including training in managerial skills (10 days) as well as building self-awareness and improving communication skills as part of Insights Discovery workshops (2 days).

Benefits at the KRUK Group

The KRUK Group cares about the health and safety of its employees. In addition to a regular monthly salary, it also offers other benefits to increase employee engagement and create a friendly working environment.

KRUK Group employees may:

- use the Company Social Benefits Fund, including in the form of non-cash financial assistance, non-repayable allowances for persons in particularly difficult life situations, or holiday allowances;
- participate in programmes aimed at developing staff's people management potential (a succession programme in Romania);
- receive funding for post-graduate programmes and professional qualifications in all companies;
- use sports membership cards, providing access to sports and leisure activities, on attractive terms;

- use benefits available under cafeteria plans in Poland, Romania and the Czech Republic;
- receive partial funding for the purchase of eyeglasses upon presentation of a doctor's certificate (the companies in Poland);
- participate in internal and external training courses financed by the Group, provided to enhance the professional skills and qualifications of our employees (in all countries);
- use medical care services for themselves and their families (available in Poland, Romania, Italy and Spain);
- receive group life insurance coverage (the companies in Poland);
- access a library for employees in Poland, with new books added to the collection every year;
- option to purchase used equipment, such as computers, mobile phones, etc.;
- receive funding for team-building events;
- use flexible work options, including remote work. Under the available options, an employee may:
- start work between 6 am and 11 am and finish it after having worked the number of hours specified in their employment contracts;
- work out of office occasionally, in accordance with internally agreed rules and conditions.

Also, all Wonga employees may use the benefits in place at the company regardless of the number of their scheduled working hours or status. Access to certain benefits requires a grace period of one to three months from the date of hire. Wonga provides the following employee benefits:

- reimbursement of public transportation fares;
- development and job training, foreign language courses;
- access to the Company Social Benefits Fund (non-repayable assistance);
- assistance with the cost of prescription eyeglasses upon presentation of a relevant certificate from an ophthalmologist;
- option to purchase used equipment, such as computers, mobile phones, etc.

The COVID-19 pandemic and job security

In addition to the standard measures introduced following the announcement of the coronavirus outbreak in 2020, from March onwards, exceptional measures were also introduced at all KRUK Group companies to minimise the risk of COVID-19 infection and maintain employment. Each company tailored those measures to the conditions prevailing in the country in which it operates, first of all by following the guidelines of health and sanitation services. In all locations, the vast majority of employees switched to remote working.

Measures taken in connection with the pandemic

Poland:

- The number of staff staying in the office has been minimised. The continuity of processes and tasks has been maintained by means of IT solutions. Based on the so-called 'Covid Law', between March and December 2020 approximately 95% of employees worked from home.
- Support for employees working from home: the managers and employees were provided with a series of guidance articles entitled 'Working Remotely in a Nutshell'.
- All precautions were taken and protective measures applied, as required by sanitary authorities, with respect to employees whose duties necessitated their presence in the office. The office space was rearranged and the employees were advised on new procedures to be followed when staying in the office.
- Psychological support for employees. The Psychological Support Centre operating at the KRUK Group since 2016 proved to be particularly helpful during the pandemic. It was established with a view to

providing professional support to indebted people who needed psychological support, but also to provide advice to the Group's employees. The Centre operates as a toll-free, anonymous helpline available to all the KRUK Group's Polish employees and their relatives. During the pandemic, employees were repeatedly informed of the possibility to:

1. receive individual psychological support,
2. participate in open support groups.

In view of the new challenges associated with working from home, the Group has also provided employees with an opportunity to receive support from an internal coach.

Employee sentiment barometer

Given the prolonged remote work from a home office, the KRUK Group conducted regular surveys to measure employee sentiments. The PULSE Check survey was sent to staff on a weekly basis,

the returned feedback showing the employee sentiments and helping identify their needs during the pandemic. First of all, the survey results revealed positive attitudes towards working from home, with approximately 80% of the respondents satisfied with this form of working. They also showed employees' expectations that a hybrid work model would be available even after the pandemic. This suggestion was taken into account and work began to develop a new work model, naturally within the existing legal framework.

Spain:

- Reduced staff presence in the office – all employees were working from home, as permitted under the government's ERTE programme discussed below.
- Between April 1st and April 15th 2020, the so-called 'summer working time pattern – intensive working hours' was implemented (for 13 weeks a year, employees in Spain work 36 hours a week instead of 40, which is guaranteed in collective bargaining agreements). The summer working time pattern is usually applied in July and August, but due to the coronavirus pandemic it was applied earlier last year.
- Support for employees working from home – employees were provided with regular guidance on how to come to terms with their new job reality, and managers were advised how to organise remote work within their teams.
- Deployment of solutions provided for in the government's ERTE (Expediente temporal de regulación de empleo) programme – temporary regulations allowing suspension of employment or reduction of working time with a pro rata pay reduction, depending on the time actually worked. The programme was in force from April 20th until the end of June 2020. As a result:
 - Some employees were temporarily suspended;
 - Some employees worked reduced hours.

Romania:

- Reduced staff presence in the office – all staff working from home.
- Support for employees working from home – preparation and delivery of training on: How to manage remote work and your team. Additionally, regular guidance sent to employees on how to come to terms with the new reality of working from home.
- Psychological support for employees.
- Short videos on stress management were prepared by coaches and made available to employees in Romania.
- Employees were also regularly advised on sanitary measures aimed at preventing a COVID-19 infection and on the procedure to be followed by an employee developing symptoms of a suspected infection or by an employee who had been in contact with an infected person.

Italy:

- Reduced staff presence in the office – starting from March 24th, all staff worked from home.
- Remote contact with local trade union representatives.
- Liaising with local job centres.
- Ensuring operation in compliance with legal regulations (60 new decrees enacted within a month).
- Supporting employees through clear, lucid and effective communication. Guaranteeing support to every employee and manager.
- Precautions were taken and protective measures applied, as required by sanitary authorities, with respect to employees whose duties necessitated their presence in the office.

Czech Republic:

- Reduced employee presence in the office – nearly all employees switched to working from home,
- Support for employees – regular sending of advice and information on how to come to terms with the new situation of remote working,
- Informing employees on coronavirus precautions,
- Cafeteria system top-ups suspended between April and June 2020. [401-2]
- The Group respects all regulations applying to parent rights in every country where it operates.

Employees who took maternity/paternity leave in 2020

Total number of employees who were entitled to maternity/paternity leave, by gender			
Women	46	Men	6

Total number of employees who took maternity/paternity leave, by gender			
Women	48	Men	8

Total number of employees who returned to work after taking maternity/paternity leave, by gender			
Women	33	Men	5

Total number of employees who returned to work after taking maternity/paternity leave and remained employed at KRUK for twelve months after returning to work, by gender			
Women	21	Men	7

Metrics relating to employees returning to work and remaining employed after taking maternity/paternity leave, by gender (%)			
Return rate for female employees	68.75%	Return rate for male employees	62.50%
Retention rate for female employees	43.75%	Retention rate for male employees	87.50%

[401-3]

Occupational Health and Safety

Ensuring safe and healthy working conditions for employees is of paramount importance for the KRUK Group. The majority of our employees perform office work, but there is also a group of employees (field advisors) who work outside the office.

The KRUK Group has assembled an Occupational Health and Safety Team as a body responsible for monitoring and providing advice and opinion on matters relating to occupational health safety. Also, Occupational Health and Safety Committees have been established, who work with the Occupational Health and Safety Team. They comprise employee representatives, employer representatives and an occupational physician. During meetings held every three months, the Committees raise important issues related to occupational safety, provide support in formulating proposals to improve working conditions and assist in meeting OHS requirements.

There are formal OHS Committees at KRUK and RAVEN, established pursuant to the labour law requirements applicable to companies with headcounts in excess of 250. All the other Group companies are monitored.

Types of accidents and injuries reported by the KRUK Group in 2019	Types of accidents and injuries reported by the KRUK Group in 2020
<ul style="list-style-type: none"> road traffic accident: 11 fall on flat surface: 2 fall on stairs: 2 dog bite: 2 hand burn: 1 	<ul style="list-style-type: none"> road traffic accident: 1 fall on flat surface: 5 fall on stairs: 2 struck against piece of equipment: 2 (1 accident during remote work and 1 in the office) dog bite: 2
Total number of accidents: 18, of which:	Total number of accidents reported at the KRUK Group in 2020: 12, of which:
<ul style="list-style-type: none"> men: 6 women: 12 	<ul style="list-style-type: none"> men: 4 women: 8
Accident rates (all accidents at work in 2019):	Accident rates (all accidents at work in 2020 – as at December 31st 2020)*:
a) severity rate:	a) severity rate:
<ul style="list-style-type: none"> men: 6.5 women: 36.08 	<ul style="list-style-type: none"> men: 60.75 women: 26.62
b) frequency rate:	b) frequency rate:
<ul style="list-style-type: none"> women: 7.97 men: 3.95 	<ul style="list-style-type: none"> men: 2.76 women: 5.62
Occupational disease rate: 0	Occupational disease rate: 0
Lost day rate (i.e. number of calendar days from the date of receiving sickness leave):	Lost day rate (i.e. number of calendar days from the date of receiving sickness leave):
<ul style="list-style-type: none"> women: 433 men: 39 	<ul style="list-style-type: none"> men: 243 women: 213
Number of fatal accidents: 0	Number of fatal accidents: 0

Source: the KRUK Group

The rules for recording and reporting accidents are set out in the Accident Investigation Procedure I-EOS-PL-10, dated October 16th 2020. There are also Task Instructions and Job Instructions in place, describing safe ways of performing various job tasks.

These documents are applicable to all Polish companies of the KRUK Group. [403-9]

Employees with high incidence or high risk of diseases related to their occupation

In 2016–2020 the employees did not report any occupational diseases. There were no reports of serious or fatal accidents at work. [403-10] [403-9] [403-5]

Non-discrimination

To prevent adverse behaviours at the workplace, such as bullying or discrimination, KRUK S.A. has in place an Internal Mediation Policy.

The document contains detailed information on the rights of employees who experience a conflict or what they consider to be workplace bullying or discrimination, or who witnessed such behaviours. It also defines the remit of the Consultation and Mediation Team, which is appointed to deal with reported cases of discriminatory behaviours.

Each employee may lodge a grievance:

- orally to one of the Consultation and Mediation Team members;
- in writing, via the anonymous mailbox.

In 2020, KRUK S.A. received a total of seven grievances, of which six cases were closed in 2020. No bullying or discriminatory behaviour was confirmed in any of the cases. In three cases, the cause was an aggravated employee conflict. The Consultation and Mediation Team made appropriate recommendations in this regard, aimed at alleviating the conflict.

In other Group companies, special forms are made available to employees for reporting any discriminatory behaviours, instances of workplace bullying and other misconduct (i.e. for the purpose of whistleblowing). They conform to internal regulations in place at KRUK S.A. and are additionally adjusted for compliance with local laws. The regulations give clear guidance as to procedures to be followed in the event of bullying or discrimination.

At Wonga, there is an Internal Anti-Bullying Policy, which is a set of guidelines for reporting workplace bullying incidents, as well as the Code of Ethics, in which the company objects to any form of workplace discrimination and discrimination in relations with its clients. In common with the other KRUK Group companies, Wonga did not have to take any remedial measures in 2020 as no cases of discrimination were reported that year, as in the year before.

Its Whistleblowing Procedure sets out rules for reporting events that are against the law, internal regulations or ethical standards. The document also establishes anti-retaliation practices. Every employee at Wonga may use mailboxes available in the public staff area for reporting workplace discrimination incidents to put those practices in action.

KRUK S.A. also operates an Employee Support Programme, set up to assist employees in difficult situations. It allows employees to receive specialist psychological support on an anonymous basis. This solution is particularly useful if an employee has experienced behaviours covered by the Internal Mediation Policy. Additionally, there is stress management training available to all Group employees.

Human rights grievance mechanisms

With regard to protecting the employees of KRUK S.A., the Internal Mediation Policy has been put in place to protect human dignity and rights, personal rights in particular, by preventing incidents at the workplace. A report of a conflict, discrimination or bullying incident triggers an enquiry that takes up to five (5) working days. The Internal Mediation Policy describes in detail the procedures for dealing with any reported incidents. Amicable resolution of conflicts is always recommended, whenever possible. In addition, obligatory anti-bullying training is prepared for employees, aimed, among other things, at educating them on workplace bullying, ways to prevent it and anti-bullying mechanisms in place at the company.

With regard to protecting the KRUK Group's clients who are mainly indebted persons, there is an extensive complaints handling process in place, compliant with the applicable legal standards. Complaints of a complex nature involving important legal issues, as well as interventions by the Polish Financial Ombudsman and the Consumer Ombudsmen, are reviewed with the Compliance Area.

Anonymous reporting of any violations of law directly to the Company's Management Board or, in the case of violations committed by the Management Board, to the Supervisory Board is also possible at KRUK S.A.

The same complaints handling process applies at all KRUK Group companies.

KRUK S.A. and KRUK Italia have also established an employee forum to consider various initiatives proposed by employees and any grievances concerning employment or working conditions. Apart from the employee forum, there are no other collective bargaining agreements at the Group and any irregularities or grievances can be reported through the aforementioned whistleblowing channels. [418-1] [102-41] [406-1]

Anti-corruption

Since 2017, the KRUK Group companies have had an Abuse Prevention Policy and an Anti-Corruption Manual for dealing with any actual or suspected instances of corruption.

In 2019, the Whistleblowing and Whistleblower Protection Policy was adopted. A dedicated form, available at <https://en.kruk.eu/report-abuse>, allows employees to directly inform a Supervisory Board member, a Management Board member or the Security and Operational Risk Management Department of any suspected misconduct, dishonesty or wrongdoing.

Anyone at the Company and any third party (such as business partners or clients) who notices any irregularities can report them anonymously using a dedicated form available from <https://en.kruk.eu/report-abuse>.

Every policy is communicated to employees via internal communication channels. This was also the case with the document concerned.

No substantiated corruption cases were recorded at the KRUK Group in 2020.

[418-1] [205-1][102-17][205-2] [205-3]

KRUK Group's clients and local communities

Data security

The KRUK Group's operations involve contacts with clients, i.e. consumers, including indebted individuals and borrowers. As regards the former, we receive their personal data from our business partners under relevant receivables assignment or cooperation agreements, in line with applicable legal provisions. Moreover, ERIF BIG

S.A. maintains a database of consumers and businesses. Their data is provided by creditors in accordance with the Act on Disclosure of Commercial Information and Exchange of Commercial Data. Therefore, data processing is of particular importance to all our employees, especially those working directly with personal data. Each employee is required to undergo training in information and personal data security and in protection and circulation of inside information at the KRUK Group, which includes price-sensitive information related to the listing of KRUK S.A. shares on the Warsaw Stock Exchange. The training covers confidentiality of inside information and restricted periods in which disclosure of any inside information is strictly prohibited.

Additionally, every employee is given training in procedures to prevent money laundering and terrorist financing. This is to counteract any activities which would violate the law or applicable rules.

The KRUK Group's anti-corruption measures are also covered by the Gift Policy.

In 2019, 16 complaints were submitted to the President of the Personal Data Protection Office concerning KRUK Group companies (ERIF BIG S.A. – two complaints, KRUK S.A. – 11 complaints, Prokura NSFIZ – three complaints). Explanations were provided in all these cases. Having analysed the complaints, we believe they will be dismissed.

In 2020, 17 complaints against the KRUK Group were submitted to the President of the Personal Data Protection Office. Explanations were provided in all these cases.

At KRUK Group companies, including those based abroad, all documents, procedures and measures applied were checked for compliance with the requirements of the Personal Data Protection Regulation (GDPR), and necessary changes were implemented.

All our Polish and foreign subsidiaries have appointed data protection officers, who have received relevant training.

Personal data protection is a priority for us. However, debt cases received by the Group for servicing sometimes include incorrect or outdated personal data or address details. All personal data requests and complaints are thoroughly analysed by KRUK S.A. to determine whether the submitting party's claim is valid and can be satisfied. The whole process is overseen by the Data Protection Officer.

In 2020, KRUK S.A. recorded 693 personal data submissions, 167 (or 24%) of which were found to be fully or partially justified.

In 2019, KRUK S.A. recorded 1,247 personal data submissions, 109 (or 8.7%) of which were found to be fully or partially justified.

At the other KRUK Group companies, 1,224 personal data submissions were received in 2020, of which 319 (or 26%) were considered fully or partially justified.

At the other KRUK Group companies, 1,597 personal data submissions were received in 2019, of which 539 (or 33%) were considered fully or partially justified.

All justified complaints were acknowledged and any damage suffered by the clients was remedied as agreed with them on a case-by-case basis.

Both at KRUK S.A. and across the KRUK Group, we adjust our procedures and services so as to ensure their highest quality. Therefore, we strive to minimise data security risks.

Financial education of people

As already mentioned above, an important thing is to collaborate with independent organisations and associations with a view to promoting financial awareness, ethical conduct and understanding of the nature of business such as the KRUK Group's. The level of general financial literacy among Poles is not very high, as shown by numerous public surveys, e.g. 'The Level of Polish People's Financial Literacy – 2020' (CBM Indicator, conducted in February 2020) or the 'Financial Knowledge of Poles' (ABR SESTA, conducted in October 2019). The 'Financial Knowledge of Poles' survey evaluating, inter alia, the actual level of Polish people's financial literacy, showed that 40% of respondents had insufficient knowledge in that field and 35% merely satisfactory. Poor understanding of financial matters may have various adverse economic consequences, particularly nowadays, with the ever-growing sophistication of the world's economic reality. Many people have only rudimentary knowledge of economics and little knowledge of their own rights and obligations. Therefore, the KRUK Group undertakes a number of educational initiatives aimed at raising the public's financial awareness and literacy.

One of them is '*The Day Without Debts*' event organised annually in Poland and Romania on November 17th, and in the Czech Republic and Slovakia on November 15th. The initiative has already become a fixture among cyclic events. used also by other companies as an opportunity to draw the public's attention to financial issues. Its major objective is to raise financial awareness of the public at large and to motivate indebted people to actively deal with their problem. In 2020, the '*The Day Without Debts*' was an occasion for KRUK S.A. to promote among its clients the '*Live Debt-Free*' online course developed in 2018, providing tips on how to get out of debt. Such initiatives help motivate clients to repay their outstanding debts. We also promoted online debt servicing tools available to our clients across all markets.

The findings of public surveys concerning attitudes towards debt and emotions associated with indebtedness served as a pretext for contacting journalists, asking them to focus on the broad subject of debt along with the accompanying social and psychological issues. In 2020, KRUK S.A. commissioned a survey with Maison&Partners entitled the '*Portrait of Indebted Poles During the COVID-19 Pandemic*'. The purpose of the survey was to track changes in the groups of indebted people identified in the first survey of this kind, conducted in 2015. Our intention was to use the survey to draw the media's and the general public's attention to how the prevailing crisis is affecting the household budget management and financial behaviours of Poles.

Journalists are among the Group's external stakeholders playing a significant role in promoting financial education. According to various public surveys, mass media are still the main source of financial knowledge for many people. That is why in 2020 debt management companies of the Association of Financial Companies in Poland continued their joint project '*Debt Collection? Everything Clear!*', run within a working group of the Association. The primary purpose of the project is to educate the public on the frequently changing legal regulations applicable to debt recovery in Poland and their own rights in the process. The working group produce press articles and broadcasts devoted to financial and legal issues, including debt management in Poland. Representatives of the Association of Financial Companies in Poland, as an independent organisation, also speak in the media about the impact of payment bottlenecks, for instance on the development of the economy. As one of the project members, the Group contributes to building a positive image of the industry. We are aware of the importance of guidance on the changing legal regulations governing the operations like ours. The Association of Financial Companies in Poland, acting on behalf of the companies engaged in the project and in close cooperation with them, prepares educational press materials. The project website can be found at: <http://wjs.zpf.pl/>.

KRUK Romania and Junior Achievement Romania prepared, in collaboration, two textbooks on economics for teachers and students, entitled '*Personal Finance and Financial Services*' and '*Smart Loans*'. Additionally, in Romania, we continued a programme aimed at supporting social and professional integration, run in association

with a non-governmental organisation – the Social Incubator. As part of this cooperation, KRUK supported a number of educational initiatives aimed at activating young people and enhancing their economic, self-development and professional skills. 64 people from Vaslui participated in the project.

Also in Romania, KRUK is one of the partners of the ‘Hope and Homes for Children’ organisation, which supports children in institutional care, preparing them for independent life. As regards financial advice, KRUK’s employees engage in financial education initiatives for young people from the organisation.

Wonga continued to develop its Kapitalni.org platform intended to provide real and measurable financial education, influencing consumer behaviours and attitudes. Wonga encourages its clients to learn finance by offering them certain benefits. For completion of one of the financial education paths or 10 courses, Wonga pays a client PLN 10. Pre.Kapitalni, an educational role-playing game, was launched on the platform in 2019, enabling players to tackle everyday financial problems in a safe, virtual world. It is the first game of this type on the Polish market. The Kapitalni.org platform is designed to constantly expand the financial knowledge of those who use it, promote simple but effective education, and raise awareness of the importance of financial knowledge and decisions made on its basis. The platform was created in cooperation with partners, including the Group companies: KRUK S.A. and ERIF BIG S.A. The project’s honorary partner is the Association of Financial Companies in Poland.

Charity and sponsorship

2020 necessitated changes in the Group’s approach to CSR and the related action plans. Some initiatives were cancelled, some changed their form. Various industries have strongly engaged in corporate social responsibility efforts during the pandemic. Yet, particularly important were initiatives aimed at protecting the health and safety of employees and clients. Our investments in state-of-the-art technologies enabled the KRUK Group to smoothly switch to remote working mode, thus minimising the risk of a coronavirus infection. From mid-March 2020, approximately 95% of the Group’s employees worked from home. As for employees whose processes required physical presence in the office, they were provided with safe working conditions, as recommended by the sanitary authorities.

In 2020, KRUK S.A. engaged in a local campaign *#graMYdlakOSZAROWEJ*, having donated PLN 200 thousand to purchase protective equipment for medical staff of the J. Gromkowski Provincial Specialist Hospital in Wrocław. In Italy, during the Christmas season, KRUK Italia and Agecredit donated traditional panettone cakes as Christmas gifts for doctors, nurses and volunteers at the La Spezia & Sarzana Hospital to thank them for their efforts in the fight against COVID-19. They were purchased from Fondazione Vite Vere Down Dadi – Onlus, a non-profit organisation supporting families and children with Down syndrome.

Moreover, the Company took part in the Business Run charity event in Wrocław. Due to the pandemic, this time the event had the form of individual runs with the use of a dedicated mobile application. Some 30 KRUK S.A. teams of five took part in the 2020 Business Run event, and the Company donated funds to support those under the care of the Everest Foundation. The run was not only a charity event, but also a unique opportunity to integrate employees who wanted to actively spend time during the epidemic.

The health of both the Group’s employees and clients was of utmost importance. Therefore, both employees and clients needing psychological help could use the Psychological Support Centre operated at the KRUK Group’s Polish companies. Our clients incur debts for various reasons, which include unforeseen predicaments. When they need psychological support, they receive it through us, because we collaborate with a non-profit organisation providing advice and assistance to indebted people struggling with depression or reporting suicidal thoughts. The Company has established internal procedures to deal with situations where a client reports a

threat to their health or life. Our motivation is to take care of our clients who deal with various hardships, including those related to financial problems. Similar help is available to the Group employees in need of professional psychological support. This form of assistance also helps build trust in the Company.

In view of the pandemic, many of the Group's initiatives were addressed to people whose financial situation adversely affected their household budgets. Consequently, as part of its Christmas campaign, our Spanish company donated EUR 3,000 to the Federación Española de Banco de Alimentos (Federation of Spanish Food Banks) to help those left destitute. Moreover, Christmas presents were donated to a charitable community canteen located in one of the poorest neighbourhoods of Madrid.

During the CMS Credit Congress, one of the major industry events in Spain, we decided to donate the money originally intended to organise an official breakfast for our business partners to help children with leukaemia. This initiative was very warmly welcomed by our partners.

Good Practices mentioned in 2020 Responsible Business Report

In 2020, KRUK and Wonga were among the 214 companies whose initiatives were recognised by the Responsible Business Forum as good CSR practices. The initiatives submitted by KRUK were designed to support the UN Sustainable Development Goals, including SDG 3 'Good health and well-being', SDG 4 'Quality education', and SDG 12 'Responsible consumption and production'. The 'Responsible business in Poland 2019. Good practices' report is available from: <http://odpowiedzialnybiznes.pl/publikacje/raport-2019/>

In 2020, KRUK S.A. ran a number of initiatives submitted for inclusion in the 'Responsible business in Poland 2020. Good practices' report:

- *Ecological Debt Day 2020* – an initiative intended to draw the public's attention to how excessive consumption affects both personal pocketbooks and the natural environment. KRUK carried out another public survey relating to climate change and the pandemic's effect on reduced consumption. As calculated by the Global Footprint Network, in 2020 the Ecological Debt Day fell on August 8th, which means a longer period of time before the human population overshoot the sustainable amount of the Earth's resources. In the context of the pandemic, which forced consumers to give up on a lot of expenses, including holiday travel and non-essential purchases, the Earth gained some breathing space, while consumers cut their spending and were able to save money. The survey findings announced by the Company revealed that reduced consumer spending delivered both economic and environmental benefits. They showed that even minor changes in our consumption habits can effect major changes benefitting the whole planet. They also benefit individuals who, by curbing their consumeristic approach, can regain control over their finances and take care of the environment. Through such initiatives, the Company highlights the growing environmental and economic awareness of the general public and the KRUK Group's employees, while drawing attention to the issue of excessive consumerism.
- *Day without Debts 2020* – an initiative of the KRUK Group held in 2020 for the 12th time. In 2020, *Day without Debts* was also held in the Czech Republic, Slovakia, Romania. The event is intended to draw the attention of the general public, not just indebted individuals, to the issues of household budget, its planning and dealing with debt. The goal is to raise financial awareness and motivate people who are in debt to actively deal with the problem. In 2020, together with the Maison&Partners research house, KRUK S.A. conducted a second 'Portrait of Indebted Poles During the COVID-19 Pandemic' survey, showing how the behaviour of indebted persons had changed over the past five years. The study received wide media coverage, also thanks to other partnering firms.

- *'Live Debt-Free'* online course – a free tool available both to people in debt and those seeking to improve their financial management skills, designed in cooperation with Tomasz Jaroszek, a financial blogger. The most frequent causes of debt include: a lack of money, job loss, overestimation of one's financial capacities, inability to control one's spending, but also inadequate financial literacy. In 2020, due to the pandemic, some people may have become financially distressed and forced to incur debt for the first time in their lives, which is why promoting the course was so important. As part of the *Day without Debts* promotional campaign, the first 40 clients were offered a shopping voucher for completing the course.
- Employee Support Programme – an initiative designed to support employees going through various personal challenges, also those resulting from involvement in individual talks about financial problems of the Company's clients. It covers professional psychological support from a non-profit organisation, which has partnered with the Company to anonymously provide assistance to employees who may express such a need. Amid the raging coronavirus pandemic, this form of employee support has become even more sought after.
- *#graMYdlaKoszarowej* charity drive – given the lack of sufficient protective equipment for hospital staff during the first months after the pandemic's outbreak, KRUK S.A. became involved in a local healthcare support initiative *#graMYdlaKoszarowej*. It donated PLN 200 thousand to purchase protective equipment for medical staff of the J. Gromkowski Provincial Specialist Hospital in Wrocław. The purpose of the initiative was to support medical staff of the infectious diseases hospital in Wrocław, where KRUK S.A. is headquartered. The financial donation supporting efforts to combat the pandemic by helping pay for the medical staff's protective equipment was intended both to benefit the local community and to protect the health of the Company's own employees.
- Helping children at risk of digital exclusion – during the coronavirus pandemic, many schools switched to virtual learning. To support children who, having no computers/laptops or Internet access, were at risk of digital exclusion and were unable to attend virtual classes, at the request of several schools the Company donated its own retired laptops, tablets and phones. The equipment was still in good working order and fit for use, so – following some improvements – it was donated to children who needed support during remote schooling. In accordance with the 'zero waste' initiative and the 3R (reduce, reuse, recycle) principle, equipment that was still operational was donated for reuse. With the initiative, the Company again demonstrated its commitment to environmental protection and community support. Its additional benefit was in preventing social inequalities – in this case by preventing the exclusion of some children from online learning.
- Psychological Support Centre for Clients – established in 2016, the centre provides free support to KRUK S.A. clients (indebted individuals) who, in addition to financial problems, express a need for professional psychological help. As many as 96% of the Poles covered by the survey were found to believe that debts could aggravate other problems in life, such as family tensions, a feeling of helplessness, dejection, etc.* Sometimes getting in debt is accompanied by unforeseen predicaments, which may also affect one's mood or cause depression. The Psychological Support Center helps the Company's clients who express such a need.
**Data gathered through the 'Poles' Attitudes Towards Debt' survey commissioned by KRUK S.A. and conducted by IQS, a research agency in 2019 on a representative sample of 1,000 Poles aged 18+ using the CAWI method.*
- Help for the Children's Home in Świebodzin – as part of KRUK's CSR activities, on the initiative of its employees 40 single bed frames were donated and new mattresses were purchased for the wards of the Children's Home in Świebodzin. These gifts were a small contribution from KRUK S.A. to improving the standard of living at the Children's Home in Świebodzin.
- *'Dreams guaranteed to come true'* Bonus Scheme. – run since 2013 for the KRUK Group's clients in Poland, the scheme is designed to motivate them to make regular and timely repayments of their

instalment-based debt. By joining the scheme, clients receive bonus points for each timely repayment, which can be exchanged for attractive prizes chosen from a current catalogue.

The general rule of rewarding timely repayments is that 1 bonus point is granted for 1 PLN of debt repaid. As at December 30th 2020, over 40,000 clients (55% women and 45% men) had joined the KRUK Bonus Scheme.

The average monthly number of new clients who want to join in is 1,200. Since 2013, the Company has shipped more than 85,000 prizes to its clients.

Complementing the KRUK Group's charity agenda is the social sensitivity of its employees, manifest in their individual volunteering engagements, i.e. promotion of convalescent plasma donation for their closed ones suffering from COVID-19, remote involvement in various grassroots initiatives such as 'Noble Gift; in Poland, or engagement with non-profit organisations in each country where the Group operates. As part of such activities, employees join forces to help others.

Charitable sponsorship policy at the KRUK Group

The charitable sponsorship policy is in place at all KRUK Group companies. In accordance with this policy, the Group supports:

- events involving amateur physical activity which aim to provide financial or in-kind assistance for the most needy,
- projects implemented by public benefit institutions or associations aimed at supporting those most in need,
- organisations that support financial education and psychological or legal assistance to people struggling with financial or personal difficulties,
- CSR initiatives that seek to strengthen the processes of civic development, equality and tolerance,

CSR and educational initiatives aimed at preserving the common good, i.e. the natural environment, which refer, among other things, to excessive consumerism associated with overspending.

When engaging in such initiatives, the Group prefers to form collaborative ties with officially recognised or registered non-profit organisations. In relevant situations, the Group may also partner with charity organisations in which its employees are active.

Importantly, the Group does not provide financial support for research projects, expeditions or travel, and to organisations or teams involved in professional sports. It also avoids projects that involve sponsorship of public officials, persons holding public offices and political organisations.

Service quality and client service standards

Each client is approached individually, with due respect and understanding. We take care to carefully listen to our clients' stories so as to understand their situation. For several years now, we have conducted client satisfaction surveys. We thoroughly analyse all the opinions and suggestions our clients have shared with us.

The KRUK Group has surveyed client satisfaction with the support of an external firm since 2015. The indicators we use are the NPS (Net Promoter Score) and CES (Customer Effort Score), which measure how much effort the client put in the amical settlement and arrangements monitoring process, and how they rate the conversation with a call centre advisor or meeting with a field advisor. Last year, we also collected feedback from clients on their live chat experience with an advisor via a dedicated online survey.

In the NPS surveys, clients were asked to rate a given aspect from 0 to 10, and on this basis were divided into three groups: detractors (who gave scores between 0 and 6), neutrals (scores of 7–8), and promoters (9–10). In order to calculate the NPS, the number of respondents in those groups was translated into a percentage, and then the percentage of detractors was deducted from the percentage of promoters. The NPS could range between -100 and +100, where +100 meant the highest ratings.

In 2020, in our surveys conducted in Poland to evaluate the quality of contact with a call centre advisor, meeting with a field advisor and the arrangements monitoring process, we changed the NPS to a new indicator – relationship satisfaction rating. In the survey, respondents rate the relationship on a scale of 1 to 6, where 6 means they are very satisfied and 1 – that they are very dissatisfied with its quality.

Another novelty we launched in Poland last year was a dedicated CES questionnaire for the amicable settlement process via the e-KRUK.pl platform. In the survey, respondents rate the ease of reaching a settlement on a scale of 1 to 5, where 5 means very easy and 1 means very difficult. The findings give us an insight into the client's perspective on the online settlement process, while allowing us to identify difficulties they encounter in the process.

In 2020, we made email surveys a permanent part of our client feedback process.

KRUK Group client satisfaction levels during the coronavirus pandemic

Between the first and second quarters of 2020, for the duration of the state of epidemic emergency and immediately afterwards, client satisfaction was gauged via email – through a CES questionnaire following an online settlement process via the e-KRUK platform, and NPS measurement after the live chat experience with an advisor. In the third quarter, we returned to standard methods of gauging KRUK clients' satisfaction with the service.

In 2020, our basic telephone and email surveys carried out in Poland covered nearly 1,691 clients (indebted persons).

As for the survey evaluating the live chat experience and the CES questionnaire focused on the settlement process via the e-KRUK.pl platform, the respective numbers of respondents were over 5,500 (over 2,000 more than in 2019) and nearly 4,500.

Analysis of the responses has yielded the following results for 2020:

- Satisfaction rating for the interaction with a field advisor: 93 – average score of 5.8/6 (vs NPS of 95 in 2019),
- Satisfaction rating for the interaction with a call centre advisor: 88 – average score of 5.6/6 (vs NPS of 90 in 2019),
- NPS for the interaction with an advisor via live chat: 65 (2019: 71),
- CES for the amicable settlement process: 4.55/5 (2019: 4.85/5),
- CES for the amicable settlement process via e-KRUK.pl: 4.40/5,
- Satisfaction rating for the interaction with KRUK in the arrangements monitoring process: 84 – average score of 5.4/6

In 2020, at KRUK Romania, as in Poland, the NPS measurement was suspended in the second quarter for the duration of the state of epidemic emergency and immediately afterwards.

Less than a thousand clients served by KRUK in Romania took part in NPS survey conducted in the first quarter of 2020.

Analysis of the responses showed that KRUK Romania SRL had the following NPS:

- interaction with field advisors: 86 (2019: 97),
- interaction with call centre advisors: 64 (2019: 86),
- amicable settlement process: 79 (2019: 85),
- monitoring of arrangements: 98 (2019: 80).

Further analyses were undertaken to assess the impact of the pandemic on KRUK's clients. Additionally, the online channel was promoted and assessed for effectiveness. We kept monitoring the fast changing situation of the indebted, including the pandemic's impact on their ability to repay debts.

We consistently strive to be associated by clients with professional help and high quality service. We are committed to fostering a positive image of KRUK among indebted individuals.

KRUK S.A. has in place a Client Service Quality Policy and Client Service Standards developed on its basis, comprising key guidelines referred to as KRUK's general standards.

The Quality Standards are a guarantee of uniform and consistent service across all communication channels, and a way of building a consistent corporate image among our clients. The Client Service Quality Policy itself is made up of twelve slogans, which are the determinant and direction of the way KRUK serves indebted persons. In 2020, a cyclical survey of the Client Service Quality Policy was launched for the first time in Poland to find out how closely client experience matches the document's slogans. A total of nearly 3,000 respondents took part in the Client Service Quality Policy survey, and the overall score obtained for all slogans was very high – 87%, suggesting they were largely consistent with the respondents' experience of service received from KRUK.

Marketing and PR communications of KRUK S.A. and their compliance with regulations

For many years, KRUK has been making every effort to ensure that marketing and PR messages broadcast in the media are fair, ethical, and compliant with the law and social norms. Our advertising messages are important elements of communication with the public, including indebted people.

In our marketing communications, we act within the legal and regulatory standards, as evidenced by the lack of any fines and instances of non-compliance with any laws or regulations that apply to the provision and use of our services. [417-3] [417-2]

Environmental responsibility


All companies of the KRUK Group are providers of services. Things required for their provision include the Earth's natural resources, such as energy, water, fuels and other materials derived from nature. Therefore, our aim is to support the advancement and dissemination of environmentally friendly technologies to reduce the consumption of such resources. For example, by going digital we have reduced the use of paper. While raising financial literacy, we also seek to raise public awareness of the impact of excessive consumerism not only on personal finances, but also on the environment.

2020 was exceptional in many ways, showing that not only businesses but also individuals are able to reduce their consumption of resources. Between July 31st and August 30th 2020, KRUK S.A., in association with the Ariadna panel, conducted a survey of *'Changes in Poles' consumption patterns during COVID-19'* on a representative sample of 1,081 respondents aged 18+ using the CAWI method. It found that almost every second Pole believed the pandemic had had a positive effect on the environment. One in five respondents was of the opposite opinion and one in three had no opinion on the subject. We reported the survey findings on the occasion of the *'Ecological Debt Day'*, which for another year in a row was an opportunity to educate the public

on how excessive consumerism affects personal finances and the environment. Therefore, it was also an opportunity to educate Poles in financial matters.

The survey also showed that during the epidemic Poles were shopping less, with more money left in their wallets.

In 2020, we continued the 'Let's Pay Back Our Debt to the Earth' campaign by showing that reduced consumption of resources, including our household budget resources, may allow us pay off our liabilities and get out of debt, with an added benefit of helping protect the environment. Below are graphics with the selected survey findings.



22 sierpnia 2020

Dzień Długu Ekologicznego


Tego dnia na całym świecie zużyliśmy zasoby Ziemi zdolne do zregenerowania się w ciągu bieżącego roku. Od teraz żyjemy na koszt naszej planety, która wciąż nie nadąża z odnawianiem swoich zasobów. Dzień Długu Ekologicznego 2020 jest o miesiąc później niż w 2019 roku.

Zmiany podejścia Polaków do zarządzania swoimi finansami w dobie COVID-19

29% rezygnuje ze zbędnych wydatków	16% stara się więcej oszczędzać
7% planuje, za które zobowiązania zapłacić w pierwszej kolejności	7% kupuje mniej
3% kupuje więcej	38% nie zmieniło planów zakupowych

SPŁAĆMY DŁUG WOBEC ZIEMI | Nadmierna konsumpcja zwiększa dług ekologiczny – od tego ile i co kupujesz, zależy los naszej planety

Źródło: Infografika powstała na podstawie wyników badania „Zmiany postaw konsumpcyjnych Polaków w dobie COVID-19” przeprowadzonego 31.07-03.08.2020 roku na panelu Ariadna na zlecenie Grup KRUK. Zostało ono przeprowadzone na reprezentatywnej próbie osób powyżej 18 roku życia, tj. N=1081. Metoda: CAWI.




22 sierpnia 2020

Dzień Długu Ekologicznego

Tego dnia na całym świecie zużyliśmy zasoby Ziemi zdolne do zregenerowania się w ciągu bieżącego roku. Od teraz żyjemy na koszt naszej planety, która wciąż nie nadąża z odnawianiem swoich zasobów. Dzień Długu Ekologicznego 2020 jest o miesiąc później niż w 2019 roku.

Czy ograniczenia związane z COVID-19 mają korzystny wpływ na środowisko naturalne?

Tak 48%	Nie 20%	Trudno powiedzieć 32%
----------------	----------------	------------------------------

Dlaczego zdaniem 48% Polaków pandemia pozytywnie wpływa na środowisko naturalne?

73% ograniczyliśmy podróże	62% pracujemy zdalnie	49% spędzamy mniej czasu w galeriach handlowych
37% dokładniej planujemy zakupy spożywcze	34% kupujemy mniej ubrań, obuwia i elektroniki	27% rozważniej decydujemy się na zakup dóbr trwałych

SPŁAĆMY DŁUG WOBEC ZIEMI | Nadmierna konsumpcja zwiększa dług ekologiczny – od tego ile i co kupujesz, zależy los naszej planety

Źródło: Infografika powstała na podstawie wyników badania „Zmiany postaw konsumpcyjnych Polaków w dobie COVID-19” przeprowadzonego 31.07-03.08.2020 roku na panelu Ariadna na zlecenie Grup KRUK. Zostało ono przeprowadzone na reprezentatywnej próbie osób powyżej 18 roku życia, tj. N=1081. Metoda: CAWI.



The survey also showed that the COVID-19 pandemic somewhat bucked the trend of overconsumption with the consumption of resources visibly down, as evident in business. At the KRUK Group, the switch to home office work led to a drop in CO₂ emissions resulting from the abandonment of business travel during the lockdown, as well as an overall improvement of the other environmental indicators covered by our non-financial report.

The KRUK Group monitors energy consumption, paper usage and emissions generated by its fleet of vehicles, used for instance by field advisors. As the Group also relies on the supply of various necessary materials, including paper, office supplies, IT equipment, etc., it contributes to CO₂ emissions into the atmosphere. Despite the transition to a largely electronic form of contact with the Group's clients, traditional mail correspondence is still retained, so we monitor paper usage. The Group seeks to reduce it, taking into account legal regulations, procedures, as well as client needs and technological changes. The Group's employees, in accordance with the applicable internal instruction, exchange documents electronically. Additionally, to support communication with clients (including indebted persons), the e-KRUK online platform was launched in 2017. This electronic solution reduces the amount of traditional, paper-based correspondence. Online services dedicated to clients are available at all KRUK Group companies, including Wonga and ERIF BIG S.A.

In 2020, the KRUK Group implemented a number of solutions designed to reduce paper consumption, such as the electronic document workflow and online settlement process. Based on the example of a system launched at KRUK S.A. in November 2020 to enable clients to sign documents with secure biometric signatures, we analysed achievable savings in paper consumption.

A total of 2,794 A4 paper sheets were saved during the first month of using the solution. Given the number of similar documents in 2019, we would be able to save 262,000 paper sheets, or 22 mature deciduous trees, simply by allowing the use of biometric signatures. Based on such figures, assuming they are similar year on year, the trees we will save would be able to absorb 165 tonnes of CO₂ in 10 years.

Raw materials and consumables used

In 2020, the KRUK Group's paper consumption as well as the amount of waste paper fell relative to 2019.

Consumption of paper in 2019: 222.15 tonnes | Consumption of paper in 2020: 125.93 tonnes.

In 2020, paper consumption dropped by as much as 43% compared with 2019.

Disposal of waste paper in 2019: 38.68 tonnes | Disposal of waste paper in 2020: 31.32 tonnes.

The amount of waste paper disposed of in 2020 was down 23% relative to 2019.

In 2020, the weight of both paper used and waste paper disposed of fell at the Group. **[301-1]**

Energy consumption

In 2020, the total consumption of energy from non-renewable resources and electricity decreased. Total electricity consumption fell to 5,199.80 MWh, as our consumption of natural gas is decreasing. Energy consumption from non-renewable sources is also decreasing, as our total CO₂ emissions dropped by 8,454.92 tonnes.

Total consumption of electricity

Annual consumption	2019	2020
TOTAL CONSUMPTION OF ELECTRICITY [MWh]	5,199.80*	3,909.95*
Total consumption of energy from non-renewable sources [MWh]	17,431.13	11,706.79

including gasoline [MWh]	1,503.59	2,273.70
including diesel oil [MWh]	12,234.98	6,907.88
including natural gas [MWh]	3,692.56	2,525.22
Gasoline [m ³]	162.00	244.97
Diesel oil [m ³]	1,251.52	706.61
Natural gas [m ³]	413.79	288.05

* Including Wonga

Source: the Company [302-1] [302-4]

Emissions

In 2020, the use of business cars was largely limited, due mainly to the epidemic restrictions, but also to ensure the safety of KRUK Group employees and clients. The table below also presents CO₂ emissions by the vehicle fleet.

Total CO₂ emissions

Annual CO ₂ emissions at the KRUK Group	2019	2020
CO ₂ emissions from electricity purchased for the building's needs [tonnes]	3,975.57 tCO ₂ e	3,041.16 tCO ₂ e*
CO ₂ emissions related to transport and fuel combustion in the engines of company vehicles [tonnes]	4,479.35 tCO ₂ e	2,983.78 tCO ₂ e
Total CO ₂ emissions at the organisation	8,454.92 tCO ₂ e	6,024.94 tCO ₂ e

*Including Wonga

Source: KRUK Group [305-1][305-2]

In 2020, as in previous reporting years, no penalties for non-compliance with environmental laws and regulations were imposed on the KRUK Group. [307-1]

GRI Index

Indicator	Description of the indicator (full version, including graphics, available on the KRUK S.A. website)	Page
102-14	Statement from the President the Management Board on the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	
102-15	Description of key impacts, opportunities, risks	
102-1	Name of the organisation	
102-2	Primary brands, products, and services	
102-3	Location the organisation's headquarters	
102-4	Number of countries where the organisation operates, and names of these countries	
102-5	Nature of ownership and legal form	
102-6	Markets served, including geographic breakdown, sectors served, and types of clients and beneficiaries	
102-7	Scale of the organisation	

102-8	Total number of employees by employment type, employment contract and region, broken down by gender
102-41	Percentage of employees covered by collective bargaining agreements
102-9	Description of the supply chain
102-10	Significant changes in the reporting period regarding the size, structure, ownership form or value chain
102-11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation
102-12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses
102-13	Membership of associations
102-46	Process of defining the report content
102-47	Identified material topics
103-1	Explanation of the material topic and its boundary
103-2	Management approach to material topics
102-49	Effect of any restatements of information provided in previous reports
102-48	Effect of any restatements of information provided in previous reports, and the reasons for such restatements and their effect
102-40	List of stakeholder groups engaged by the organisation
102-42	The basis for identification and selection of stakeholders with whom the Group engages
102-43	The Group's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group
102-44	Key topics and concerns that have been raised through stakeholder engagement and how the Group has responded
102-50	Reporting period
102-51	Date of most recent previous report (if any)
102-52	Reporting cycle
102-53	Contact person
102-54	Claim made by the organisation if it has prepared a report in accordance with the GRI Standards in the core or comprehensive version
102-55	GRI content index
102-56	Policy and current practice for external assurance of the report
102-18	Governance structure of the organisation, including committees of the highest governance body
102-22, 102-23	Number and gender of members of the highest management and supervisory body
102-16	Values, principles, standards, and norms of behaviour
102-17	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity
201-1	Direct economic value generated and distributed

202-1	Ratio of the entry level wage by gender at significant locations of operation to the minimum wage
204-1	Percentage of the procurement budget of significant locations of operation spent on local suppliers
308-1	New suppliers that were screened using environmental criteria
301-1	Used materials and (or) raw materials by mass or volume
302-1,	Energy consumption within the organisation
302-4	Reduction of energy consumption
307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
305-1	Direct greenhouse gas emissions
305-2	Indirect greenhouse gas emissions
401-1	Total number and rate of new employee hires and employee turnover by age group, gender, and region
401-2	Additional benefits (benefits) provided to full-time employees
401-3	Parental leave
403-9	Work-related injury rate
403-10	Occupational disease rate
403-5	Occupational safety education of employees
404-2	Programs for upgrading employee skills
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity
405-2	Ratio of basic salary and remuneration of women to men for each employee category
404-1	Average hours of training per year per employee by employee category
406-1	Total number of incidents of discrimination
418-1	Total number of substantiated complaints received concerning breaches of customer privacy and loss of data
205-1	Operations assessed for risks related to corruption
205-2	Training for employees and managers about anti-corruption policies and procedures
205-3	Confirmed incidents of corruption and actions taken
419-1	Non-compliance with laws and regulations in the social and economic area
Own indicator	Results of surveys measuring customer satisfaction
417-3	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications
417-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling

[102-55]

11 Glossary of terms

Auditor	KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa of Warsaw
CAGR	Compound Annual Growth Rate
Catalyst	Bond market operated by the Warsaw Stock Exchange
CZK	Czech koruna
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation
Cash EBITDA	Profit/(loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt, less revenue from purchased debt and revaluation gains on assets other than purchased debt and consumer loans, if their total amount in the last 12 months exceeds PLN 5m. Cash EBITDA is computed for the KRUK Group for the last 12 months.
EPS	Earnings per share
ERIF BIG, ERIF	ERIF Biuro Informacji Gospodarczej S.A.
EUR	Euro
FMCG	Fast Moving Consumer Goods
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
The Group, the KRUK Group	The Company as the Parent along with its subsidiaries and Non-Standard Securitisation Closed-End Investment Funds
ItaCapital	ItaCapital S.r.l of Milan, Italy
Kancelaria Prawna RAVEN	Kancelaria Prawna RAVEN P. Krupa spółka komandytowa of Wrocław
CSDP	Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)
PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KRS	Polish National Court Register (Krajowy Rejestr Sądowy)
KRUK Česká a Slovenská republika	KRUK Česká a Slovenská republika s.r.o. of Hradec Králové
KRUK España	KRUK España S.L. of Madrid, Spain
KRUK Italia	KRUK Italia S.r.l of Milan, Italy
KRUK ROMANIA	KRUK Romania s.r.l of Bucharest, Romania
KRUK TFI	KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław
IAS	International Accounting Standards as endorsed by the European Union
IFRS	International Financial Reporting Standards endorsed by the European Union, including International Accounting Standards, International Financial Reporting Standards and related Interpretations endorsed by the European Union
NBP	National Bank of Poland
Non-Standard Securitisation Closed-End Investment Funds	Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, BISON NS FIZ

GDP	Gross Domestic Product
PLN	Polish złoty
UOKiK President	President of the Office of Competition and Consumer Protection
2015-2019 Scheme	An incentive scheme for 2015–2019 implemented by the Company for the Management Board members, selected employees of the Company and selected members of the management boards and employees of the subsidiaries, under which up to 847,950 registered subscription warrants will be issued, conferring the right to subscribe for a total of 847,950 ordinary bearer shares issued as part of a conditional share capital increase.
Prokura NS FIZ	Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Prokura Non-standard securitisation closed-end investment fund)
Total revenues	Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income
Supervisory Board	The Company's Supervisory Board
ROE	Return on Equity, computed as the ratio of consolidated net profit to equity as at the end of period
RON	Romanian leu
Regulation on current and periodic information	The Polish Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. of 2009, No. 209, item 1744, as amended)
SeCapital Luksemburg	SeCapital S.à.r.l. (Luxembourg)
SeCapital Polska w likwidacji (in liquidation)	SeCapital Polska Sp. z o.o. w likwidacji (in liquidation) of Warsaw
Consolidated financial statements	The Group's consolidated financial statements for the reporting period ended December 31st 2020, prepared in accordance with the IFRS
Company KRUK Issuer	KRUK S.A. of Wrocław
Subsidiaries	The Company's subsidiaries, as defined in the Polish Accounting Act, and Kancelaria Prawna RAVEN
Articles of Association	The Company's Articles of Association
UOKiK	The Polish Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
USD	US dollar
General Meeting	General Meeting
Wonga	Wonga.pl Sp. z o.o. of Warsaw
Management Board	The Management Board of KRUK S.A.

Financial liabilities

Total financial liabilities under:

- bonds or other similar debt securities; or
- non-bank borrowings; or
- bank borrowings; or
- finance leases; or
- promissory notes issued by way of security for liabilities of non-KRUK Group entities; or
- guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- accession to debt owed by non-KRUK Group entities under bank non-bank borrowings, finance leases, bonds or other similar debt securities; or
- assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- concluded derivative transactions.

The Directors' Report on the operations of the KRUK Group in 2020 is presented by the Company's Management Board, consisting of the following members:

Piotr Krupa

CEO and President of the Management Board

Urszula Okarma

Member of the Management Board

Piotr Kowalewski

Member of the Management Board

Adam Łodygowski

Member of the Management Board

Michał Zasepa

Member of the Management Board

Wrocław, March 25th 2021