

QUARTERLY REPORT – PART III

Additional information on the operations of the KRUK Group

in the period from January 1st to September 30th 2021



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KEY ACHIEVEMENTS IN THE NINE MONTHS TO SEP 30TH 2021



Portfolio investments

PLN 933m

+728%



Recoveries

PLN 1,615m

+20%



Net profit

PLN 565m

+1,541%



Cash EBITDA

PLN 1,151m

+26%



Net interest-bearing
debt to equity

0.9

(vs 0.9)

	Sep 30 2021	Sep 30 2020	change	Sep 30 2021	Sep 30 2020
	(PLNm)	(PLNm)		(EURm)	(EURm)
Expenditure on debt portfolios	933	113	728%	205	25
Gross recoveries	1,615	1,346	20%	354	303
Carrying amount of purchased portfolios	4,535	3,777	20%	979	818
Estimated remaining collections (ERC)	8,946	6,801	32%	1,931	1,474
Total revenue ¹	1,341	809	66%	294	182
Revenue from purchased portfolios	1,208	674	79%	265	152
EBIT	707	207	241%	155	47
EBITDA ²	744	242	208%	163	54
Cash EBITDA ³	1,151	915	26%	252	206
Net profit	565	34	1,541%	124	8
Basic EPS (PLN EUR)	29.74	1.82	1,538%	6.52	0.41
Diluted EPS (PLN EUR)	29.33	1.79	1,535%	6.43	0.40
ROE ⁴	23%	2%	-	-	-
Interest-bearing net debt to equity ratio	0.9	0.9	-	-	-
Interest-bearing net debt to cash EBITDA ratio	1.5	1.6	-	-	-

¹Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income

²EBITDA = EBIT + depreciation and amortisation ³Cash EBITDA = EBITDA - revenue from purchased portfolios + purchased portfolio collections ⁴ROE = (net profit)/(equity at end of period)

Source: Company



Business Superbrand 2021

title awarded to KRUK S.A.



'Laur Cessio' award from the Association of Financial Companies in Poland

3rd place in the Investors'
Cessio category



Poland's Best Employer

title awarded to KRUK S.A.
15th place in the Forbes
ranking



26%

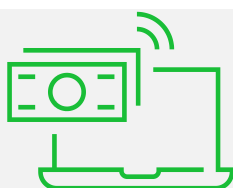
ROE
(LTM)



PLN 206m, i.e.
PLN 11 per share
dividend distribution in July
2021



PLN 8.9bn
Estimated remaining
collections (ERC)



Growing share of
online payments (in Poland
34% of out-of-court
recoveries in September
2021)



Development of
e-KRUK platform
(81% increase in the number
of users since September
2020)



Up to 96% of
settlement agreements
signed in paperless
form (in Spain)



Issue
of PLN 485m worth of
bonds
in the nine months to
September 30th 2021



126 million cases in
ERIF BIG database



175 thousand loans
advanced
in the nine months to
September 30th 2021

1 The Group's material achievements or failures in the reporting period, along with the most significant events related to those achievements or failures

1.1 KRUK's performance for the nine months ended September 30th 2021

Net profit and return on equity (ROE)

The amount posted by the KRUK Group in net profit for the nine months ended September 30th 2021 was PLN 565m, up PLN 531m year on year. In the three months to September 30th 2021 alone, net profit was PLN 170m, compared with PLN 54m in the corresponding quarter of 2020. The record-high net profit reported for the first nine months of 2021 was driven primarily by robust performance of the KRUK Group's purchased debt segment in almost every market where it operates. Its revenue totalled PLN 1.2bn, up PLN 534m year on year.

As at September 30th 2021, return on equity was 23%, compared with 2% the year before.

Revenue

In the first nine months of 2021, the KRUK Group generated PLN 1.3bn in revenue, up 69% year on year. Revenue from purchased debt portfolios amounted to PLN 1.2bn, up 79% year on year. The increase was driven by actual recoveries from debt portfolios coming in above the target and by an upward revaluation of the recovery projections of PLN 224m, relative to PLN -203m a year earlier. In the three months to September 30th 2021, the revaluation of recovery projections totalled PLN 89m. The deviations between actual and projected recoveries¹ in the first nine months of 2021 were PLN 271m, compared with PLN 160m in the corresponding period of 2020.

Costs of operations

In the nine months to September 30th 2021, costs of operations excluding depreciation and amortisation (direct and indirect costs, administrative expenses and other expenses) amounted to PLN 597m, having increased by PLN 29m (5%) year on year. The increase in costs was mainly attributable to a PLN 32m increase in court and debt enforcement fees on the corresponding period of 2020.

Purchased debt portfolios

Recoveries from purchased portfolios

In the first nine months of 2021, recoveries from purchased debt portfolios reached a record high of PLN 1,615m, up 20% year on year. Recoveries in the third quarter of 2021 amounted to PLN 550m, having increased 22% year on year and remaining largely flat quarter on quarter. The three months to September 30th 2021 was the third quarter in a row with recoveries in excess of PLN 0.5bn.

Recoveries from unsecured retail portfolios benefited from operational changes made in the consistent pursuit of the operational excellence strategy. A number of measures taken by the KRUK Group in 2020 and in the first nine months of 2021 have improved recovery rates across the court and out-of-court channels in each of the markets (e.g. through development of online tools, improvement of scoring and analytical models, working on effective negotiation methods, continuous process enhancement).

¹The deviations between actual and projected recoveries disclosed jointly with revenue decreases on early collections in collateralised cases and payments from original creditor

Amounts recovered in Poland and Romania accounted for the largest part of the KRUK Group's total recoveries (75%), i.e. their share remained stable year on year.

Table 1. Recoveries from purchased portfolios, by market

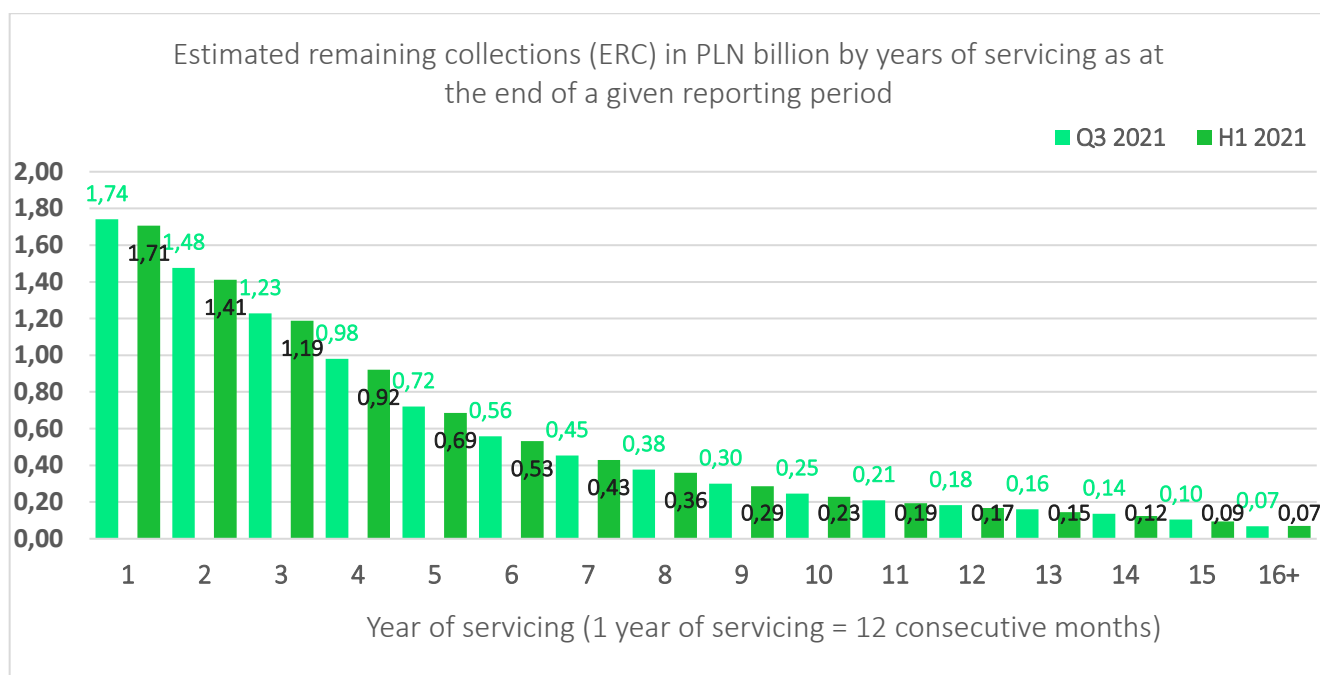
	Recoveries in Q1-Q3 2021 PLNm	Share in total recoveries	Recoveries in Q1-Q3 2020 PLNm	Share in total recoveries	Change y/y
Poland	783	49%	638	47%	23%
Romania	422	26%	382	28%	11%
Italy	226	14%	182	14%	24%
Spain	118	7%	79	6%	48%
Other markets	66	4%	65	5%	1%
KRUK Group	1,615	100%	1,346	100%	20%

New portfolio purchases

Over the first nine months of 2021, the Group invested PLN 933m in debt portfolios, a more than eight-fold year-on-year increase in investments, as debt auctions, cancelled earlier in 2020 due to the pandemic, were resumed by banks and financial institutions in the third quarter of 2020. In the nine months to September 30th 2021, the Group invested mainly in retail portfolios. Most of the investments (49%) were made in Poland, but the Group also invested in Italy, Spain, Romania, the Czech Republic, and Slovakia. In the months ended September 30th 2021, the KRUK Group purchased debt portfolios with a total nominal value of PLN 5,146m, up 523% year on year.

Estimated remaining collections (ERC)

Estimated remaining collections from debt portfolios as at September 30th 2021 were PLN 8.9bn, up PLN 1bn, or 13%, on December 31st 2020, and up PLN 400m on June 30th 2021. The increase was driven, among other factors, by investments of PLN 933m in debt portfolios with a nominal value of PLN 5.1bn, made in the first nine months of 2021, and revaluation of recovery projections as at September 30th 2021, with a total discounted value of PLN 224m, including PLN 89m in the third quarter of 2021 alone. A detailed schedule of ERC from debt portfolios is presented in the charts below.



Credit management services

In the nine and three months ended September 30th 2021, revenue from credit management amounted to, respectively, PLN 45m (up 10% year on year) and PLN 15m (up 8% year on year).

Consumer loans (Novum and Wonga)

In the nine months to September 30th 2021, the KRUK Group companies advanced 175 thousand cash loans, compared with 102 thousand the year before. In that period, the principal amount of loans advanced was PLN 478m (first nine months of 2020: PLN 214m). The number of Novum cash loans advanced in Poland and Romania exceeded 5 thousand, with a principal amount of PLN 23m. As for Wonga.pl, it disbursed 170 thousand cash loans in Poland, with a net amount of PLN 455m.

Novum's revenue was more than PLN 16m, up 37% year on year, whereas Wonga's revenue was PLN 63m, up 8% on the first nine months of 2020. At the same time, Novum's revenue in the third quarter of 2021 alone reached PLN 6m (up 27%), while Wonga's revenue amounted to PLN 26m, an increase of 29%.

Credit reference (ERIF BIG)

In the nine months ended September 30th 2021, revenue from ERIF BIG's credit reference services came in at close to PLN 7m, down 6% year on year. Revenue from this business line in the third quarter of 2021 alone was PLN 2m, having stayed relatively unchanged on the year before and on the prior quarter. As at October 1st 2021, the ERIF database contained 126m cases (including 123m positive credit information reports), showing debts with a total nominal amount of more than PLN 56.2bn. To compare, at October 1st 2020 the database contained 99m records (including 95.5m positive credit information reports), showing debts with a total nominal amount of PLN 51.7bn. More than 9.27m reports from the ERIF BIG database were made available in the first nine months of 2021, with 3.22m reports made available in the third quarter alone.

1.2 KRUK Group's performance by geographical segment

Discussed below are the Group's results by geographical segment (presentation).

(PLN/m)	Poland		Romania		Italy		Spain		Other markets		Head Office		Total	
	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Expenditure on debt portfolios	461	73	118	34	204	0	131	0	19	5	N/A	N/A	933	113
Recoveries	783	638	422	382	226	182	118	79	66	65	N/A	N/A	1,615	1,346
Carrying amount of purchased debt portfolios (PLNbn)	2,1	1,7	0,9	0,9	0,9	0,7	0,5	0,3	0,1	0,1	N/A	N/A	4,5	3,8
Revenue	682	450	329	196	203	77	81	35	45	33	N/A	N/A	1,339	792
Purchased debt portfolios	581	359	316	185	196	70	70	28	45	33	N/A	N/A	1,208	674
Credit management services	18	17	10	9	7	8	11	8			N/A	N/A	45	41
Wonga	63	58									N/A	N/A	63	58
Other activities	20	17	3	2							N/A	N/A	23	19
EBITDA	442	209	244	128	77	-32	17	-43	22	11	-58	-31	744	242
Cash EBITDA	644	489	350	325	107	81	66	9	43	43	-58	-31	1,151	915

Poland

The KRUK Group's expenditure on portfolio purchases in Poland reached PLN 461m, representing 49% of all funds invested by the Group in the nine months ended September 30th 2021. The nominal value of the purchased portfolios is over PLN 2.7bn. In Poland, KRUK invested primarily in unsecured retail portfolios, as well as purchasing mortgage, corporate and SME debt portfolios.

In the nine months to September 30th 2021, recoveries on the Polish market reached PLN 783m, up 23% on the same period of 2020. In the third quarter of 2021 alone, they amounted to PLN 262m, up 23% year on year, accounting for 49% of the Group's total recoveries.

Compared with the first nine months of 2020, the Group's revenue on the Polish market went up by nearly PLN 232m, to PLN 682m. Revenue increased across all operating segments in Poland. Revenue from purchased debt portfolios was 62% higher than a year earlier, with the increase attributable primarily to a positive deviation between actual and project recoveries to an upward revaluation of recovery projections. The revaluation totalled PLN 96m, compared with a downward revision of PLN -44m in the nine months to September 30th 2020. In third quarter of 2021 alone, the upward revaluation of recovery projections was PLN 41m, compared with PLN 1m the year before.

Revenue from credit management services on the Polish market came to PLN 18m, up 7% on the first nine months of 2020.

EBITDA on the Polish market was booked at PLN 442m (PLN 417m excluding Wonga), up 111% year on year (up 110% excluding Wonga), mainly on account of the excess of actual recoveries from unsecured portfolios and upward revaluation of recovery projections. At the same time, cash EBITDA stood at PLN 619m (excluding Wonga), up 29% on the same period of the year before, mainly on higher year-on-year recoveries.

The carrying amount of purchased debt portfolios as at September 30th 2021 was PLN 2,143m, relative to PLN 1,688m the year before. Polish portfolios accounted in total for 47% of the carrying amount of all debt portfolios held by the KRUK Group.

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 full-year report, still remained in force – their possible impact on recoveries had been recognised in previous reporting periods. The KRUK Management Board consistently pursues the Group’s strategy, focused primarily on purchased debt portfolios, taking into account various scenarios.

Romania

In the nine months to September 30th 2021, expenditure on portfolio purchases on the Romanian market reached PLN 118m, compared with PLN 34m a year earlier. KRUK invested in unsecured retail debt portfolios. Purchases made in Romania accounted for 13% of the Group’s total investments in the first nine months of 2021.

Recoveries from portfolios in Romania amounted to PLN 422m, up 10% year on year. They accounted for 26% of the Group’s total recoveries. Recoveries in the third quarter of 2021 reached PLN 136m, having decreased by 7% quarter on quarter and increased 4% year on year.

Total revenue from the Romanian market amounted to PLN 329m, up PLN 132m (67%) on the first nine months of 2020. The major part of revenue from the Romanian market (96%) was generated by the purchased debt segment. In the credit management business, revenue came in at approximately PLN 10m, having remained largely unchanged year on year. In the nine months to September 30th 2021, an upward revaluation of recovery projections of PLN 103m was booked, compared with a downward revision of PLN -41m the year before. In third quarter of 2021 alone, the revaluation was PLN 41m, compared with a negative figure of PLN -9m in the corresponding period of 2020.

EBITDA on the Romanian market came in at PLN 244m, up 91% on the corresponding period of the year before, driven by an excess of actual recoveries against projections and the upward revaluation of recovery projections. Cash EBITDA came in at PLN 350m, up 8% year on year.

The carrying amount of purchased debt portfolios as at September 30th 2021 was PLN 907m, up 3% year on year. Romanian portfolios accounted in total for 20% of the carrying amount of all debt portfolios held by the KRUK Group.

As at the date of issue of the full-year 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. In Romania, the number of COVID-19 cases rose steeply in October 2021, and KRUK is monitoring the situation on an ongoing basis.

Italy

In the nine months to September 30th 2021, after more than a year, the KRUK Group resumed investment in Italy, purchasing unsecured retail debt portfolios with a nominal value of PLN 1,209m for PLN 204m.

Recoveries from portfolios in Italy amounted to PLN 226m, compared with PLN 182m recovered a year earlier, which represents an increase of 24%. Recoveries in the third quarter of 2021 reached almost PLN 91m, having increased by 30% quarter on quarter. They accounted for 14% of the Group’s total recoveries.

Revenue generated in Italy was PLN 203m, compared with PLN 77m in the same period of 2020 (a 162% increase). Revenue from the purchased debt portfolio business accounted for 97% of total revenue, having increased to PLN 196m in the first nine months of 2021 vs PLN 70m the year before.

In the nine months ended September 30th 2021, the Group recognised a PLN 25m revaluation of recovery projections for Italian portfolios, compared with a downward revision of PLN -74m booked a year earlier. A major part of the revaluation was made in the third quarter of 2021, compared with PLN 1m in the same period of the previous year.

In the credit management business, revenue came in at close to PLN 7m, down 9% year on year.

In Italy, EBITDA was PLN 77m, up from an EBITDA loss of PLN -32m posted for the nine months to September 30th 2020. At the same time, on account of higher revenue and recoveries in the first nine months of 2021, cash EBITDA came in at PLN 107m, compared with PLN 81m the year before.

As at September 30th 2021, the carrying amount of purchased debt portfolios was PLN 915m, up 22% on September 30th 2020. Italian portfolios accounted in total for 20% of the carrying amount of all debt portfolios held by the KRUK Group.

As at the date of issue of this report, the KRUK Group did not identify any material legislative changes attributable to the COVID-19 pandemic that could affect the value of the Group's debt portfolios.

Spain

In the nine months ended September 30th 2021, the KRUK Group invested PLN 131m in retail portfolios with a nominal value of PLN 626m, compared with negligible investment in debt with a total nominal value of PLN 10m in the same period of the previous year.

Recoveries from portfolios in Spain amounted to PLN 118m, up 48% on the first nine months of 2020, accounting for 7% of the Group's total recoveries. At PLN 38m, recoveries in the third quarter of 2021, owing to a local seasonal effect on the Spanish market in August 2021, were down 14% quarter on quarter, but up 45% year on year.

In the nine months ended September 30th 2021, revenue in Spain came to PLN 81m, up more than 130% year on year. Revenue from purchased portfolios in the first nine months of the year was PLN 70m, an increase of 153% year on year. In the nine months to September 30th 2021, the KRUK Group recognised almost PLN 7m in downward revaluation of recovery projections for the Spanish market, compared with a negative figure of PLN -41m in the corresponding period of the previous year. A close to PLN 12m downward revaluation was recognised in the third quarter of 2021, representing both an upward revaluation for unsecured retail portfolios and a downward revaluation for corporate debt.

In Spain, revenue from the credit management business came to PLN 11m, up 47% year on year.

EBITDA posted on the Spanish market was PLN 17m, up from PLN -43m for the first nine months of 2020, driven mainly by higher revenue and recoveries from purchased debt portfolios. Cash EBITDA was booked at PLN 66m, having increased from nearly PLN 9m posted the year before largely on the back of a year-on-year growth in recoveries.

As at September 30th 2021, the carrying amount of debt portfolios in Spain was PLN 450m (up 34%), representing 10% of the Group's total debt portfolios.

In Spain, the prohibition on business bankruptcies remains in force until the end of 2021, which was reflected in the accounting estimate. As at the date of issue of this report, the KRUK Group did not

identify any material legislative changes attributable to the coronavirus pandemic in Spain that could affect the value of the Group's debt portfolios.

Key performance figures for Spain on a quarterly basis from Q1 2020:

(PLNm)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
EXPENDITURE ON DEBT PORTFOLIOS	0	0	0	55	0	82	49
RECOVERIES	29	24	26	31	36	44	38
PORTFOLIO CARRYING AMOUNT	370	343	336	366	358	421	450
REVENUE	-1	18	18	3	27	41	13
PURCHASED DEBT PORTFOLIOS	-4	16	15	-1	24	37	9
REVALUATION OF RECOVERY PROJECTIONS	-25	-12	-4	-19	1	4	-12
CREDIT MANAGEMENT SERVICES	3	2	3	4	3	4	4
EBITDA	-19	-22	-2	-37	6	21	-10
CASH EBITDA	14	-14	9	-5	18	29	19

Other markets (Czech Republic, Slovakia, Germany)

Investments in the Czech Republic and Slovakia amounted to nearly PLN 19m. In the nine months to September 30th 2020, the KRUK Group's investments in these markets amounted to PLN 5m.

Recoveries from the other markets segment amounted to PLN 66m, up 1% year on year, accounting for 4% of the Group's total recoveries.

In the nine months ended September 30th 2021, the segment's total revenue, representing solely revenue from purchased portfolios, was PLN 45m, up 37% on the corresponding period of 2020.

In the nine month ended September 30th 2021, the KRUK Group recognised almost PLN 8m in upward revaluation of recovery projections for the other markets, compared with a negative figure of PLN -3m in the same period of the previous year. In the third quarter of 2021, more than PLN 3m of upward revaluation of recovery projections was recognised, compared with less than PLN 0.5m a year earlier.

EBITDA posted on the other markets was PLN 22m, up from PLN 11m in the first nine months of 2020, driven mainly by higher revenue. Cash EBITDA on the other markets was PLN 43m, having remained largely unchanged year on year.

As at September 30th 2021, the carrying amount of debt portfolios in the other markets was PLN 120m, representing 3% of the Group's total debt portfolios.

As at the date of issue of this report, the KRUK Group did not identify any material legislative changes attributable to the coronavirus pandemic in Germany, the Czech Republic and Slovakia that could affect the value of the Group's debt portfolios.

1.3 Financial and liquidity position

The Group's financial and liquidity position remained stable as at the end of the reporting period and the date of issue of this report.

As at September 30th 2021, the KRUK Group's cash and cash equivalents amounted to PLN 177m, down by PLN 351m on June 30th 2021 and down by PLN 89m on September 30th 2020. As at September 30th 2021, the Company had undrawn lines of credit of PLN 1,085m. As at September 30th 2021, the carrying amount of the Group's investments in debt portfolios accounted for 86% of its assets. The Group's equity accounted for 46% of its financing sources.

The KRUK Group's liquidity risk is managed by pursuing the following objectives:

- to protect the KRUK Group against the loss of ability to pay its liabilities,
- to secure funds to finance the Group's day-to-day operations and growth,
- to effectively manage the available financing sources.

As at September 30th 2021, defined financial ratios were as follows:

0.9x – Net Debt / Equity Ratio

1.5x – Net Debt / Cash EBITDA Ratio;

where:

Net Debt represents the KRUK Group's Financial Liabilities less the KRUK Group's cash;

Financial Liabilities means 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.

Equity means the KRUK Group's equity;

Cash EBITDA represents 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 advanced, 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.

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

In the third quarter of 2021, the ratios changed negligibly and, in the Management Board's opinion, remained at safe levels. For instance, the 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 0.9x (the maximum level being 3.0x in the case of issues for which financial debt limits have been defined), and the net debt to cash EBITDA ratio was 1.5x (the maximum level being 4.0x).

The liquidity ratios are determined by the nature of assets under purchased debt portfolios, which are presented as current assets, and will be used as part of operating activities for a period longer than 12 months.

1.4 Related-party transactions concluded by KRUK S.A.

In the period January 1st–September 30th 2021, the Parent executed related-party transactions. For details, see the condensed interim separate financial statements for the period January 1st–September 30th 2021, section 11. *Related-party transactions*

All transactions in the first nine months of 2021 between the Group companies were executed at arm's length.

1.5 Sureties for repayment of loans and guarantees issued by KRUK S.A. or its subsidiary

In the reporting period, KRUK S.A. and the Group companies issued sureties for repayment of loans and guarantees. For details, see the condensed interim separate financial statements for the period January 1st–September 30th 2021, section 16. *Information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year*

1.6 Significant agreements executed by companies of the KRUK Group

On September 24th 2021, the Company and subsidiaries thereof (the "Borrowers") executed an amendment (the "Amendment") to the revolving multi-currency credit facility agreement entered into with a syndicate of banks, currently comprising DNB Bank ASA of Oslo, Norway, ING Bank Śląski S.A. of Katowice, Santander Bank Polska S.A. of Warsaw, and PKO BP S.A. of Warsaw (the "Lenders"). Under the Amendment, the facility limit was increased to EUR 273m and the availability period of the facility was extended by another 12 months, i.e. until July 2026. Prior to signing the Amendment, the amount of credit available under the facility was EUR 235m. No other terms of the Credit Facility agreement have been materially amended. Following the execution of the Amendment, the amount of the surety provided by the Company and of its declaration of voluntary submission to enforcement will amount to EUR 447m each.

On October 27th 2021, the Company was notified that the Management Board of one of the largest banks in Poland (the "Bank") had decided to execute a debt assignment agreement with PROKURA NS

FIZ, a subsidiary of the Company, whereby the Bank would sell thereto an unsecured retail debt portfolio with a nominal value of approximately PLN 543m and an unsecured SME debt portfolio with a nominal value of approximately PLN 730m.

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

The coronavirus pandemic has had an impact on many aspects of the KRUK Group's operations. The key aspects in the nine months ended September 30th 2021 are discussed below:

- Most of our employees can and continue to work from home. In 2020, we smoothly and swiftly switched to remote working;
- We took care of the employees' safety by adapting the rooms or providing the required sanitisers and disinfectants; we reduced the need for and frequency of face-to-face meetings.
- The field advisors did meet with clients observing the applicable sanitary requirements.
- We keep developing our existing online tools (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 restrictions on the free movement. In the nine months ended September 30th 2021, the share of online payments in all payments, at the amicable settlement stage, grew to 34% in Poland and 50% in Spain. Also, an increase was also recorded in the share of settlement agreements signed in paperless form. In September 2021, the highest shares of such agreements were reported in Spain (96%) and Poland (83%). KRUK's clients are able to manage their debt (including by entering into an online settlement) through the e-KRUK platform in Poland, Romania and Italy, the total number of e-KRUK users having increased by 81% relative to September 2020.

2 Assessment of financial resources management

2.1 Financial forecasts

KRUK S.A. does not issue any performance forecasts.

2.2 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 partly 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.

3 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.

In the period from January 1st to September 30th 2021, there were no material changes to the risk management approach, therefore the Management Board of KRUK S.A. identified the same risks as those specified in the full-year Directors' Report on the Group operations in 2020, in: 7 Significant risk factors and their management. The report is available at https://pl.kruk.eu/media/article/file/szdgrupakruk2020_fin.pdf; or in html format https://pl.kruk.eu/media/article/file/sprawozdanie_zarzadu_z_dzialalnosci_grupy_2020_podpisane.zip

4 Shareholders

4.1 Shareholding structure

The table below lists the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at September 8th 2021, i.e. the date of the prior periodic report, and September 30th 2021.

Table 2. Shareholders with major holdings

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE	2,763,000	14.53
Piotr Krupa	1,827,613	9.61
Aviva OFE*	1,726,000	9.08
PZU OFE*	1,650,000	8.68
Allianz OFE	1,007,672	5.30
Aegon OFE	959,254	5.05

() 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 16th 2021. Source: Company*

On October 5th 2021, KRUK S.A. received a decision by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, to register, as of October 1st 2021, a PLN 271,000 decrease in the Company's share capital effected by way of a buyback of 271,000 Series A Company shares with a par value of PLN 1 per share (Share Buyback) and amendments to the Articles of Association. The Share Buyback had been carried out in accordance with the rules defined in Resolution 7 of the Company's Annual General Meeting of August 31st 2020 on allocation of KRUK S.A.'s net profit for 2019, authorising the Management Board to buy back Company shares for cancellation, and creation of a capital reserve to fund the share buyback. The cancelled shares conferred 271,000 voting rights at the General Meeting. As at the date of this Report, KRUK S.A.'s share capital

amounts to PLN 18,744,045 and is divided into 18,744,045 shares, conferring 18,744,045 voting rights at the General Meeting of KRUK S.A.

On October 7th 2021, KRUK S.A. was notified by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., with its registered address at ul. Topiel 12, 00-342 Warsaw, Poland, that the funds managed by it had increased their total holdings of shares in the Company by 2% of total voting rights at the Company's General Meeting, with the notice 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 registration of a share capital reduction at Kruk S.A. (the "Company"), on which the Company reposted in Current Report No. 41/2021 on October 5th 2021, 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, Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro 2065 increased their aggregate holding of Company shares by 2% of total voting rights held by them at the Company's General Meeting above 2%.

The table below presents the number of shares and voting rights held before and after the share capital reduction was registered.

Number of shares and voting rights held before and after registration of the share capital reduction:

ALL FUNDS	BEFORE	AFTER		
	number	%	Number	%
Voting rights	2,802,261	14.74%	2,802,261	14.95%
Share capital	2,802,261	14.74%	2,802,261	14.95%

The table below lists the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at the date of filing this periodic report, i.e. November 3rd 2021.

Table 3. Shareholders with major holdings

Shareholder	Number of shares/voting rights	Ownership interest (%)
NN PTE	2 802 261***	14,95***
Piotr Krupa	1,827,613	9,75**
Aviva OFE	1 726 000*	9,21**
PZU OFE	1 650 000*	8,80**
Allianz OFE	1 007 672*	5,38**
Aegon OFE	959,254	5,12**

() 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 16th 2021.*

(**) Data as at October 5th 2021, including cancellation of treasury shares (see Current Report No. 41/2021 for details)

(***) Data as at October 7th 2021, including a notified increase in the shareholding (see Current Report No. 42/2021 for details) Source: Company

4.2 Treasury shares

On June 16th 2021, the Annual General Meeting of KRUK S.A. passed a resolution to cancel treasury shares bought back by the Company. The General Meeting resolved to voluntarily cancel 271,000 book-entry ordinary bearer shares in the Company, with a par value of PLN 1.00 per share and the total par value of PLN 271,000.00, assigned ISIN code PLKRK0000010 by the Central Securities Depository of Poland, which the Company had bought as part of a buy-back of shares for cancellation on the basis of Resolution No. 7/2020 of KRUK S.A.'s Annual General Meeting of August 31st 2020 concerning allocation of KRUK S.A.'s net profit, authorising the Management Board to buy back Company shares for cancellation, and creation of a capital reserve to finance the share buy-back, as well as the Management Board Resolution No. 187/2020 of October 13th 2020 concerning invitation to KRUK S.A. shareholders to tender shares. Following a resolution of the Annual General Meeting of KRUK S.A. of June 16th 2021 to cancel shares bought back by the Company, the Annual General Meeting of KRUK S.A. resolved to reduce the Company's share capital by PLN 271,000.00, i.e. from PLN 19,011,045.00 to PLN 18,740,045.00, through voluntary cancellation of 271,000 shares in KRUK S.A. with a par value of PLN 1 per share, having book-entry form and assigned ISIN code PLKRK0000010, by way of amendments to the Company's Articles of Association. On October 1st 2021, i.e. subsequent to the reporting date, the competent registry court registered the reduction in the share capital, and the Central Securities Depository of Poland decided to deregister 271,000 bearer shares in KRUK S.A. from the securities depository.

4.3 Management or supervisory board members holding shares or rights to shares

The table below presents the holdings of Company shares or rights to Company shares by members of KRUK S.A.'s management and supervisory personnel as at the date of filing its previous periodic report, i.e. September 8th 2021, as at September 30th 2021 and as at the date of filing this periodic report.

Table 4. KRUK S.A. shares held by management and supervisory personnel

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
Adam Łodygowski	Member of the Management Board	-	-
Urszula Okarma	Member of the Management Board	105,325	105,325

Michał Zasepa	Member of the Management Board	19,687	19,687
Tomasz Bieske	Member of the Supervisory Board	1133	1133

Source: Company

4.4 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. For details of the 2015–2019 Incentive Scheme, refer to 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.

Table 5. Tranches under the Incentive Scheme

Tranche	Number of subscription warrants acquired by members of KRUK'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	124,588	129,487	0	254,075
TOTAL	339,180	508,770	266,829	581,121

Subscription warrants outstanding under Tranche 5 and not yet granted to eligible persons under the Management Board's resolutions of October 13th 2020 and October 23rd 2020 might 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.

Having regard to the foregoing, on June 2nd 2021, the Management Board passed a resolution determining the second list of Management Board members eligible to acquire Tranche 5 subscription warrants for 2019 under the 2015–2019 Incentive Scheme. The resolution was approved by a resolution of the Supervisory Board of June 4th 2021, and on the basis of the resolution, 32,992 additional subscription warrants were allotted to the Management Board members.

On June 22nd 2021, the Company's Management Board passed a resolution to determine the third 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. Under the resolution, 9,097 Subscription warrants were allotted to the eligible persons.

As at September 30th 2021 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.

Table 6. Number of subscription warrants held by present and former Management Board members as at September 30th 2021

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	31,002
Piotr Kowalewski*	2,003	2,003	2,003	2,003	14,126
Adam Łodygowski**	-	-	-	-	-
Urszula Okarma	3,250	9,915	9,947	17,301	23,480
Michał Zasepa	-	-	9,947	17,301	23,480
Agnieszka Kułton***	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.

**Adam Łodygowski became a member of the Management Board of KRUK S.A. on November 6th 2020.

*** Agnieszka Kułton, 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.

Incentive scheme for 2021–2024

On June 16th 2021, the Annual General Meeting of KRUK S.A. passed a resolution on setting the rules of an incentive scheme for 2021–2024, conditional increase in the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights disapplied in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association.

For the purposes of the 2021–2024 Incentive Scheme, the General Meeting approved a conditional increase of the Company's share capital by up to PLN 950,550.00, through an issue of up to 950,550 Series H ordinary bearer shares.

Under the 2021–2024 Incentive Scheme, eligible persons will have the right to acquire Series H Company shares on preferential terms set forth in the resolution. Eligible persons are members of the Management Board, including the President of the Management Board, and the Company's employees, as well as members of the management boards and employees of the KRUK Group companies.

Holders of subscription warrants will be entitled to exercise their rights to subscribe for Series H shares at the issue price equal to the turnover-weighted average closing price of Company shares on the Warsaw Stock Exchange from May 15th 2021 to June 15th 2021. Holders of subscription warrants will be entitled to exercise their rights to subscribe for series H shares attached to the subscription warrants not earlier than 24 months after the date on which they acquired the subscription warrants (lock-up for subscription of series H shares by holders of subscription warrants) and not later than on December 31st 2028.

The warrants will be issued in two pools: the basic pool (760,440 subscription warrants) and additional pool (190,110 subscription warrants).

Subscription warrants of the basic pool will be issued in four tranches, one for each of the following years of the reference period, i.e. for the financial years 2021–2024.

Subscription warrants of the additional pool will be issued as a single tranche – Tranche 5, and will be offered in 2025 for 2021–2024.

Subscription warrants of the basic pool for a given financial year will be granted to eligible persons on condition that EPS (calculated on the basis of the Group's consolidated financial statements) increases by no less than 15.00%.

Subscription warrants of the additional pool will be granted on condition that the rate of return on the shares (taking into account profit distributions to shareholders in the form of dividends) increases, at the end of the 2021–2024 Incentive Scheme, by a predetermined amount relative to the issue price.

The subscription warrants are issued free of charge, may be inherited, but may not be encumbered and are not transferable.

In accordance with the terms of the Scheme, the number of warrants to be allotted and offered to the Management Board Members throughout the term of the Stock Option Plan shall be 40% of all warrants.

Acting pursuant to the Scheme, by way of a resolution of July 5th 2021 the Supervisory Board determined the list of persons eligible to participate in the scheme, being members of the Company's Management Board. By way of a resolution of July 15th 2021, the Company's Management Board determined the list of persons who are not members of the Management Board and are eligible to participate in the 2021–2024 Incentive Scheme.

4.5 Dividends paid (or declared)

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.

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. By a resolution of March 24th 2021, the Company's Management Board recommended that the General Meeting allocate the Company's net profit for 2020 of PLN 81,355,730.59 (eighty-one million, three hundred and fifty-five thousand, seven hundred and thirty, 59/100) in full to dividend payment of PLN 8.00 per share. The recommendation was endorsed by the Company's Supervisory Board on March 24th 2021.

On May 5th 2021, the Company's Management Board passed a resolution to amend the recommendation to the Company's Annual General Meeting raising the dividend amount from PLN 8.00 to PLN 11.00 per share. The profit distribution would cover 18,740,045 shares. Excluded from the dividend payment would be 271,000 treasury shares bought back by the Company pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. 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. On May 6th 2021, the Company's Supervisory Board passed a resolution in which it assessed the Management Board's proposal to amend its earlier recommendation regarding allocation of the Company's net profit for 2020 to dividend payment. The Supervisory Board gave a favourable assessment of the proposal.

By a resolution of June 16th 2021, the Annual General Meeting of KRUK S.A. resolved to allocate the Company's entire net profit for 2020, of PLN 81,355,730.59 (eighty-one million, three hundred and fifty-five thousand, seven hundred and thirty złoty, 59/100), to payment of dividend to the Company's shareholders. The dividend of PLN 11.00 per share was distributed from the Company's net profit for 2020, of PLN 81,355,730.59, increased by the amount of PLN 124,784,764.41 transferred from statutory reserve funds created out of the Company's earnings. The profit distribution covered 18,740,045 shares. Excluded from the dividend payment were 271,000 treasury shares bought back by the Company pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. The dividend was paid on July 2nd 2021.

The Management Board's recommendation and the resolution concerning the dividend payment and defining the dividend amount took into account the current financial condition of the KRUK Group, further implementation of its 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.

4.6 Performance of Company shares on the Warsaw Stock Exchange

4.6.1 Share price

Over the third quarter of 2021, the KRUK share price on the stock exchange rose by 137.99%, to PLN 324.60 per share. Our stock outperformed in relation to the WIG and mWIG40 indices, which reached rates of return of +23.35% and +32.17%, respectively.

On the last trading day in the third quarter of 2021, the Company's market capitalisation was PLN 6.2bn (compared with PLN 2.5bn at the end of the third quarter of the previous year). On September 30th 2021, KRUK ranked 24th in terms of market capitalisation on the WSE.

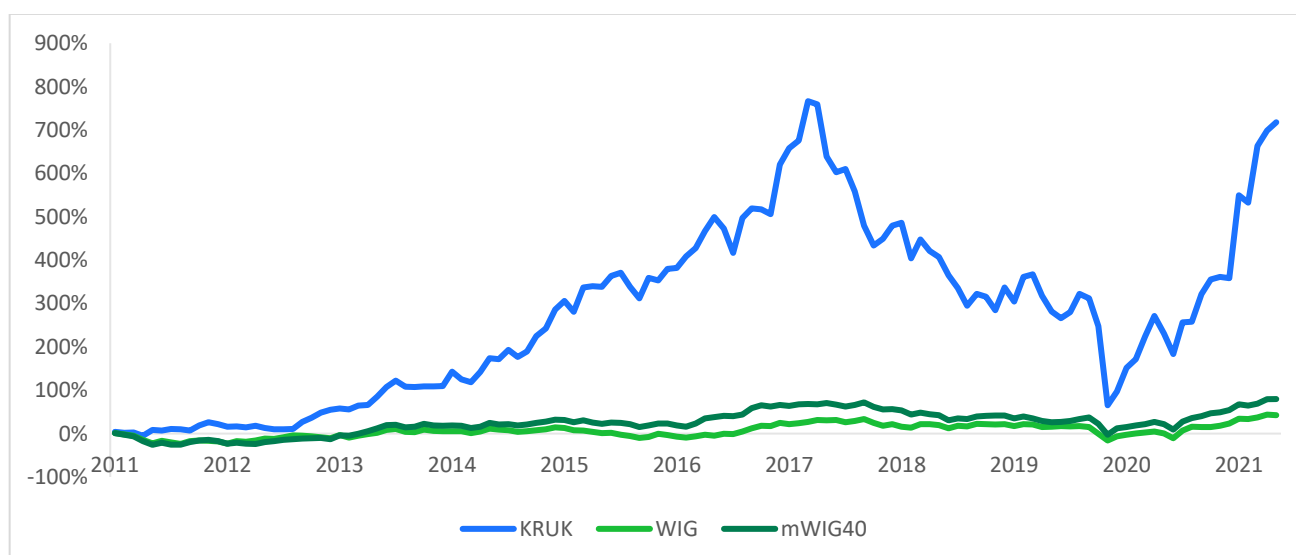
Table 7. Rates of return on KRUK S.A. stock, WIG and mWIG40 in the nine months to September 30th 2021 – at closing prices

Date	KRUK	WIG	mWIG40
Rate of return	137.99%	23.35%	32.17%

Source: GPW.pl

From the IPO on the Warsaw Stock Exchange in May 2011 to the end of the third quarter of 2021, the rate of return on KRUK shares was 692%. Over the same period, the all-cap WIG index rose by 43%, While the mid-cap mWIG40 index gained 80%.

Performance of KRUK stock against WIG and mWIG40 from the Company's IPO on the WSE in May 2011 to September 30th 2021



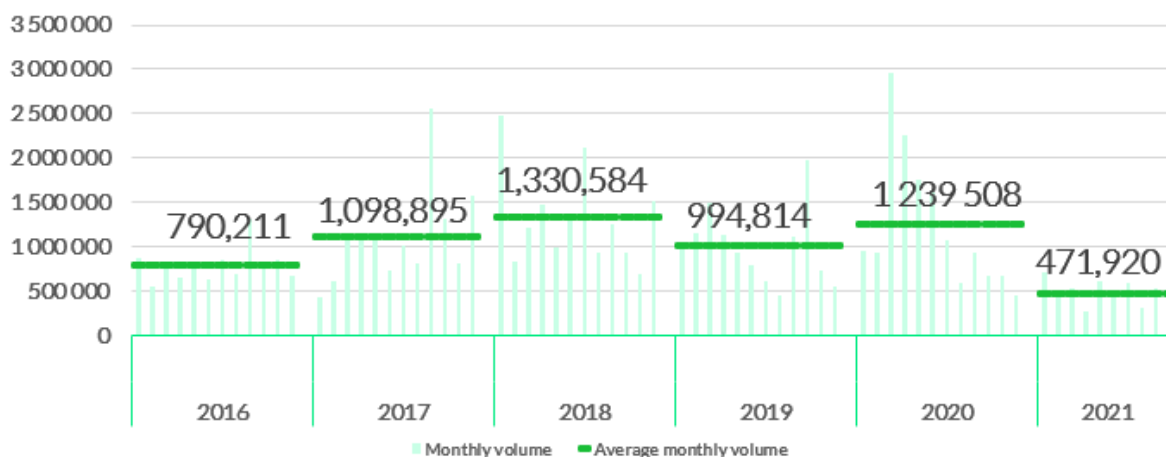
Source: in-house analysis, based on stooq.pl

4.6.2 Stock liquidity

In the first nine months of 2021, the total volume of KRUK S.A. shares traded was 4.5m, and the total value of trading reached PLN 1.1bn. To compare, in the corresponding period of 2020 the total volume of KRUK S.A. shares traded was 10.5m, and the total value of trading was PLN 1bn. The average daily trading volume of KRUK shares in the nine months ended September 30th 2021 was 24 thousand shares, and the average daily trading value stood at PLN 5.6m. KRUK was the 25th 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 trading in KRUK shares in 2016 – September 30th 2021

KRUK as the 25th most liquid stock on the WSE



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

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

KRUK S.A. is one of the WSE-listed companies in which OFE's ownership interest exceeds 50%. OFE's aggregate ownership interest in KRUK S.A. as at October 1st 2021, i.e. following cancellation of a portion of the share capital, was 59%.

Table 8. Ownership interests of individual OFE in the Company:

Shareholder	Ownership interest (%)	Number of votes
OFE Nationale-Nederlanden	14.95	2,802,261
OFE Aviva Santander	9.21	1,726,000
OFE PZU Żłota Jesień	8.80	1,650,000
OFE Allianz Polska	5.38	1,007,672
OFE Aegon	5.04	944,254
OFE MetLife	4.96	930,000
OFE Generali	4.60	862,000
OFE UNIQA	3.68	689,865
OFE PKO BP Bankowy	1.67	312,290
OFE Pocztylion Arka	0.91	169,674

Source: in-house analysis, based on stooq.pl as at October 1st 2021

5 Company bonds

5.1 Issue of bonds

In the nine months ended September 30th 2021, the Company carried out three issues of bonds with an aggregate nominal value of PLN 155m under the prospectus-based Seventh Bond Issue Programme, addressed to retail investors. The issue price of each bond was equal to its nominal value of PLN 100.

Moreover, as part of the First Bond Issue Programme without a prospectus, the Company issued bonds with a total nominal value of PLN 330m. The offering was addressed to qualified institutional investors and the issue price of each bond was equal to its nominal value of PLN 1,000.

Table 9. Bond issues in Q1–Q3 2021

Series	Nominal value	Issue date	Due date	Interest	Interest payment
AK2	PLN 20m	February 2021	February 2026	fixed 4.20%	every 3 months
AK3	PLN 70m	June 2021	June 2026	fixed 4.00%	every 3 months
AL1	PLN 330m	June 2021	June 2027	3M WIBOR + 3.70%	every 3 months
AK4	PLN 65m	July 2021	July 2026	fixed 4.00%	every 3 months

Source: Company

On September 3rd 2021, the Polish Financial Supervision Authority approved the Base Prospectus for the 8th Bond Issue Programme with a nominal value of up to PLN 700m. The Programme will expire 12 months after the date of approval of the Prospectus.

Moreover, under the First Bond Issue Programme without a prospectus, which is dedicated to qualified investors, the Company may issue further series of bonds with a total nominal value of up to PLN 370m.

5.2 Redemption of bonds

In the nine months ended September 30th 2021, the Company redeemed debt securities with an aggregate nominal value of PLN 400m, on the maturity dates set forth in the terms and conditions of the relevant series.

Table 10. Bonds redeemed by the Company in Q1–Q3 2021

Series	Due date	Number of bonds redeemed	Nominal value
AB1	March 2021	650,000	PLN 65m
AB2	May 2021	1,350,000	PLN 135m
Z1	June 2021	100,000	PLN 100m
AB3	June 2021	650,000	PLN 65m
AB4	September 2021	350,000	PLN 35m

Source: Company

5.3 Liabilities under bonds

As at September 30th 2021, the nominal value of outstanding bonds issued by the Company was PLN 1,398m.

Financial ratios monitored pursuant to the terms and conditions of the bonds

As at September 30th 2021:

- **Debt Ratio** stood at 0.9x
- **Net Debt to Cash EBITDA ratio** was 1.5x

where:

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

6 Governing bodies

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

The Management Board is the Company's management body. The composition of the Management Board of KRUK S.A. did not change in the reporting period, as on March 25th 2021 the Company's Supervisory Board passed resolutions, effective from March 25th 2021, reappointing all the Company's Management Board for a new joint three-year term.

Hence, from January 1st 2021 to the date of issue of this report, the composition of the Management Board was as follows:

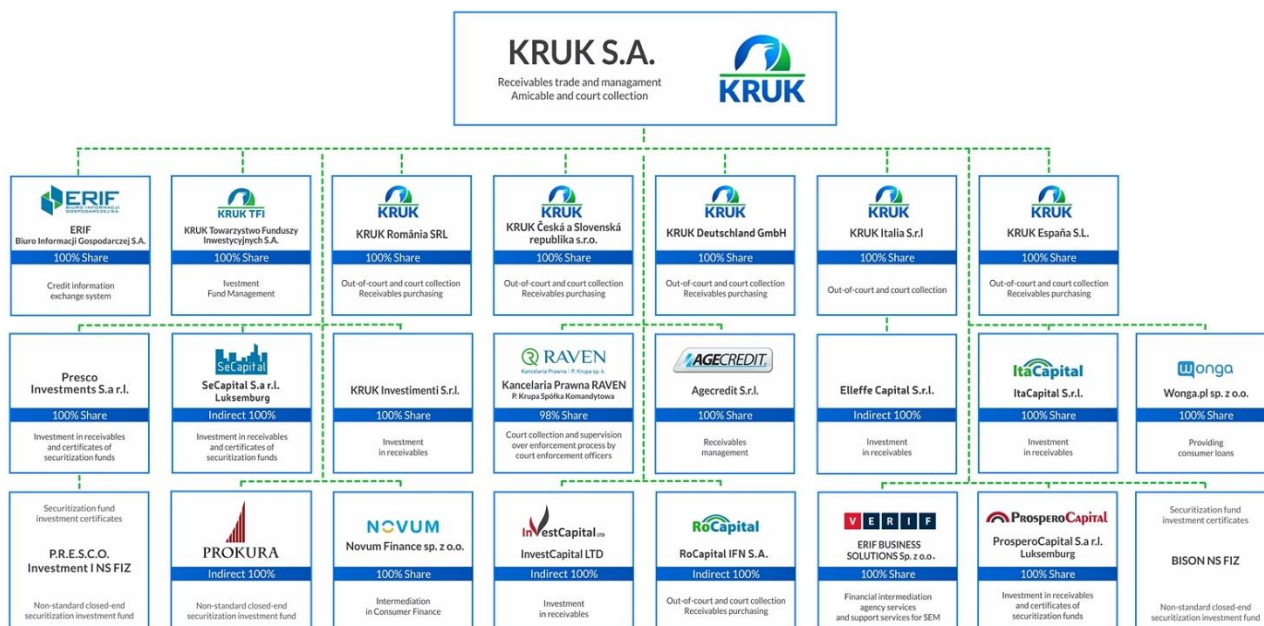
- | | |
|--------------------|-----------------------------------|
| • Piotr Krupa | President of the Management Board |
| • Piotr Kowalewski | Member of the Management Board |
| • Adam Łodygowski | Member of the Management Board |
| • Urszula Okarma | Member of the Management Board |
| • Michał Zasępa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

6.2 Changes in the KRUK Group's structure

Following the liquidation proceedings concerning Secapital Polska Sp. z o.o. of Wrocław, initiated on July 1st 2020, on March 9th 2021, the registry court issued a decision to delete Secapital Polska Sp. z o.o. in liquidation from the business register.

On April 29th 2021, the articles of association of KRUK INVESTIMENTI S.R.L. of Milan were executed. On May 6th 2021, the company was entered in the Business Register. The principal business activity of the company involves investment in debt portfolios. KRUK S.A. holds 100% of shares in the company.

The KRUK Group structure as at September 30th 2021:



On September 9th 2021, the Articles of Association of Zielony Areat sp. z o.o. of Wrocław were executed. On October 4th 2021, the company was entered in the Business Register. Its principal business activities are buying and selling of own real estate, including farmland.

The KRUK Group structure as at October 4th 2021 and the issue date of this Report:



7 Material court, arbitration or administrative proceedings

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

8 Non-financial information

In the third quarter of 2021, the KRUK Group's non-financial activities focused primarily on maintaining a continuing dialogue with various stakeholders, including educating the public, enhancing digital tools tailored to many different user categories using various models, including behavioural economics, building good relations with non-profit organisations to professionally target support to the needy, ensuring environmental protection, safety and security, and setting new high standards for remote work, which is a work arrangement covering 90% of our employees. All of the KRUK Group companies from across its operating markets, i.e. Romania, Slovakia, Czech Republic, Italy, Spain, and Poland, were involved in these activities.

In light of the ongoing regulatory changes in the European Union, entailing new responsibilities for the organisation, KRUK S.A. established the position of ESG Strategy Manager as of October 1st 2021. In 2022, a long-term ESG strategy will be prepared for the Group, which will form part of its business strategy.

Social responsibility

In the nine months to September 30th 2021, the KRUK Group carried out the following initiatives to support the Third and Tenth Sustainable Development Goals:

- KRUK Italia and AgeCredit were involved in supporting an association for disabled persons, mainly persons with the Down syndrome, through participation in the DADI Hearts programme. The programme helps the disabled develop their social skills and be independent in both private life and at work. The partnership is to continue for a period of three years.
- For several years now, KRUK S.A. has worked closely with the Psychological Support Centre, offering counselling to indebted persons who are clients of the Company.

In the nine months to September 30th 2021, the KRUK Group carried out the following educational initiatives to support the Fourth Sustainable Development Goal:

- All the KRUK Group companies were engaged in, mostly online, educational campaigns to raise customer and general public awareness in the area of personal finance management in the geographies where the Group operates.
- The third quarter of 2021 saw preparations in Poland, the Czech Republic, Slovakia and Romania for the 'Date without Debts', a recurring annual event initiated by KRUK S.A. to be celebrated on November 17th in Poland and Romania, and on November 15th in the Czech Republic and Slovakia. It is intended to encourage all people, including indebted persons, to review their home budgets and talk about their financial problems with friends and family.
- In September 2021, KRUK S.A. launched an omnichannel campaign in Poland to encourage Poles to talk about their debts. The campaign has been run both online and on various TV channels. It is also aimed at supporting the Company's rebranding efforts. The campaign will continue until the end of 2021.
- KRUK Romania decided to enter into a long-term partnership with the non-governmental Romanian Business Leaders foundation and thus joined the MERITO project, which dates back to the Romanian Business Leaders Summit of 2015. The idea behind is to offer the business community's support to teachers by promoting best teaching practices and premium education across the schooling system. In recognition of their contribution to restoring the social prestige of the teaching profession, the most dedicated and passionate educators are given awards at the annual Merito Gala.

- As part of its financial education initiatives, KRUK S.A. continues to participate in the 'Debt Collection? Everything Clear!' educational campaign, addressing subjects and issues related to debt, in order to give people an insight into the legal basis and operating methods of professional debt collection companies. The key target audience of the campaign also includes business partners, media and entrepreneurs.

Safe and healthy workplace

- As in the prior quarter, more than 90% of the workforce at most of the KRUK Group companies continued to work from home in the third quarter of 2021. Employees who must be physically present to perform their responsibilities or who did not have the conditions at home for working remotely were allowed to work from KRUK offices provided they complied with all pandemic-related recommendations and restrictions in place.
- Preparations are also under way to implement a new work model, in accordance with the requirements and regulations applicable in the country concerned.
- As part the corporate culture it wishes to foster and in response to homeworking challenges and employee expectations, the KRUK Group has been applying and testing various models to build and enhance employee engagement and integration, including through gamification and deploying a brand new on-boarding system.
- In order to contribute to the well-being and mental health of its employees, KRUK S.A. has arranged for them counselling services of the Psychological Support Centre.
- In pursuit of the Fifth Sustainable Development Goal, the KRUK Group ran a communication campaign at its Spanish subsidiary to promote diversity and gender equality at the workplace.

Environmental responsibility

- KRUK continues work to streamline and optimise its workflows to cut down paper waste generation. In the third quarter of 2021, KRUK Romania began to deploy a biometric signature technology among field consultants in Romania, which will eventually reduce the quantity of hard-copy documents used at the subsidiary.
- Following optimisation of its office space, the Czech subsidiary of the KRUK Group donated some of its furniture and electronic equipment to local schools in line with circular economy principles.
- KRUK S.A. commissioned a dedicated survey for the Earth Overshoot Day to draw media and public attention to excessive consumption trends. According to the survey 'Economic and environmental attitudes vs. consumerism among Poles', which was conducted by the Ariadna Poland's Research Panel on behalf of KRUK S.A., the percentage of people who realize how soon we will run out of Earth's resources if we keep up our current lifestyles rose only slightly in 2021 relative to 2019.
- KRUK Italia participated in a plastic waste collection initiative organised by Plastic Free Onlus. On the second day of the Italy-wide event, KRUK volunteers helped collect plastic waste in La Spezia, the Cinque Terre region.

All of the above activities were carried out to support delivery of the Twelfth and Thirteenth Sustainable Development Goals.

Awards and distinctions

In third quarter of 2021, KRUK S.A. was recognised in the 'Laur Cessio' competition held by the Association of Financial Companies in Poland. The Company was awarded:

- 3rd place in the Investors' Cessio category,
- 3rd place in the Outsourcing (Credit Management) Cessio category.

Nominees for ‘Laur Cession’ awards are evaluated and selected by finance industry experts. In 2021, a total of 52 institutions were nominated in the five Cessio categories, of which 15 received ‘Laur Cessio’ awards.

9 Additional information

On October 19th 2021, the European Parliament resolved to adopt the proposed Directive of the European Parliament and of the Council on credit servicers, credit purchasers and the recovery of collateral. The purpose of the Directive is to regulate debt sales by credit institutions, the servicing of purchased debt, and other credit servicing activities. It is also intended to accelerate the development of secondary markets for non-performing loans in the EU, while ensuring enhanced protection of borrowers, in particular those who are consumers. The Directive is aimed at reducing the volumes of non-performing loans and preventing excessive accumulation of NPLs in the future. It will apply to non-performing loan agreements executed by EU-based credit institutions. The Directive does not affect any civil-law principles governing assignment or transfer of creditor’s rights or claims or loan agreements as such.

10 Glossary of terms

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.
Articles of Association	The Company’s Articles of Association
Auditor	KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. of Warsaw
CAGR	Compound Annual Growth Rate
Cash EBITDA	represents 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 advanced, 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.
Catalyst	Bond market operated by the Warsaw Stock Exchange
Company KRUK Issuer	KRUK S.A. of Wrocław
Consolidated financial statements	The Group’s consolidated financial statements for the reporting period ended September 30th 2021, prepared in accordance with the IFRS
CSDP	Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)
CZK	Czech koruna
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation

EPS	Earnings per share
ERIF BIG, ERIF	ERIF Biuro Informacji Gospodarczej S.A.
EUR	Euro
Financial Liabilities	Total financial liabilities under: <ul style="list-style-type: none"> • 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.
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
General Meeting	General Meeting
Wonga	Wonga.pl Sp. z o.o. of Warsaw
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
ItaCapital	ItaCapital S.r.l of Milan, Italy
Kancelaria Prawna RAVEN	Kancelaria Prawna RAVEN P. Krupa Spółka komandytowa of Wrocław
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
Management Board	The Management Board of KRUK S.A.
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
PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
PLN	Polish złoty

Prokura NS FIZ	Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Prokura Non-standard securitisation closed-end investment fund)
Total revenue	Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income
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)
ROE	Return on Equity, computed as the ratio of consolidated net profit to equity as at the end of period
RON	Romanian leu
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
Subsidiaries	The Company's subsidiaries, as defined in the Polish Accounting Act, and Kancelaria Prawna RAVEN
Supervisory Board	The Company's Supervisory Board
The Group, the KRUK Group	The Company as the Parent along with its subsidiaries and Non-Standard Securitisation Closed-End Investment Funds
UOKiK	The Polish Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
UOKiK President	President of the Office of Competition and Consumer Protection
USD	US dollar
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)

Wrocław, November 3rd 2021