



## **FINANCIAL HIGHLIGHTS OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the period from January 1st 2022  
to March 31st 2022

## Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
<b>For the period</b>				
Revenue	544,851	383,070	117,243	83,784
Operating profit	305,706	181,193	65,783	39,630
Profit before tax	265,378	151,316	57,105	33,095
Net profit attributable to owners of the Parent	243,933	127,355	52,490	27,855
Net cash from operating activities	117,105	196,676	25,199	43,017
Purchase of debt portfolios at prices as per agreement	(262,014)	(159,342)	(56,381)	(34,851)
Cash recoveries	622,507	511,728	133,953	111,924
Net cash from investing activities	(6,214)	(3,000)	(1,337)	(656)
Net cash from financing activities	10,781	(169,289)	2,320	(37,026)
Net change in cash	121,672	24,387	26,182	5,334
Diluted earnings per share (PLN/EUR)	12.40	6.54	2.67	1.43
Average number of shares ('000)	19,013	19,011	19,013	19,011
Earnings per share (PLN/EUR)	12.83	6.70	2.76	1.47
<b>As at</b>	<b>Mar 31 2022 unaudited</b>	<b>Dec 31 2021</b>	<b>Mar 31 2022 unaudited</b>	<b>Dec 31 2021</b>
Total assets	6,232,395	5,909,400	1,339,580	1,284,820
Non-current liabilities	2,634,154	2,467,139	566,180	536,405
Current liabilities	717,298	842,034	154,175	183,075
Equity	2,880,943	2,600,227	619,225	565,340
Share capital	19,013	19,013	4,087	4,134
Book value per ordinary share (PLN/EUR)	151.52	136.76	32.57	29.73

### The financial highlights have been translated into the euro as follows:

Items of or related to the statement of profit or loss and the statement of cash flows have been translated using the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period; the exchange rates thus calculated are:

<b>for the reporting period</b>	<b>4.6472</b>
<b>for the comparative period</b>	<b>4.5721</b>

Items of or related to the statement of financial position have been translated using the mid rate quoted by the National Bank of Poland for the end of the reporting period; the exchange rates thus calculated are:

<b>at the end of the reporting period</b>	<b>4.6525</b>
<b>at end of the comparative period</b>	<b>4.5994</b>



# **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the period January 1st–  
March 31st 2022

## Table of contents

<b>I. CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>	<b>5</b>
<b>II. CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....</b>	<b>6</b>
<b>III. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....</b>	<b>7</b>
<b>IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>8</b>
<b>V. CONSOLIDATED STATEMENT OF CASH FLOWS .....</b>	<b>11</b>
<b>VI. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>12</b>
1. Organisation of the KRUK Group .....	12
2. Reporting period .....	16
3. Statement of compliance.....	17
4. Significant accounting policies.....	17
5. Accounting estimates and judgements .....	22
6. Financial risk management .....	23
7. Reporting and geographical segments.....	24
8. Seasonality or cyclicity of business .....	27
9. Type and amounts of changes in estimates adopted in previous financial years with a material effect on the reporting period .....	27
10. Type and amounts of items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows, which are material due to their type, size or effect .....	35
11. Related-party transactions .....	56
12. Management of risk arising from financial instruments .....	56
13. Factors and events with a material bearing on the Group's financial results .....	67
14. Issue, redemption and repayment of non-equity and equity securities .....	69
15. Dividends paid (or declared).....	70
16. Information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year .....	70
17. Events subsequent to the reporting date not disclosed in these financial statements but potentially having a material bearing on the Group's future performance .....	73

## I. Consolidated statement of financial position

PLN '000

	Note	Mar 31 2022 unaudited	Dec 31 2021	Mar 31 2021 unaudited
<b>Assets</b>				
Cash and cash equivalents	10.16	320,837	199,164	169,940
Hedging instruments		21,819	13,803	-
Trade receivables	10.15	25,922	22,873	14,541
Other receivables	10.15	51,019	35,079	24,942
Inventories	10.14	21,055	20,295	27,578
Investments	9	5,592,807	5,416,512	4,234,284
Deferred tax asset	10.8	38,851	37,560	25,619
Property, plant and equipment		76,578	80,249	85,159
Goodwill	10.13	24,103	23,840	24,141
Other intangible assets		42,751	43,474	49,903
Other assets		16,653	16,551	15,425
<b>Total assets</b>		<b>6,232,395</b>	<b>5,909,400</b>	<b>4,671,532</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Trade and other payables	10.18	138,617	162,986	135,137
Derivatives		-	-	12,784
Hedging instruments	10.10	-	-	12,178
Employee benefit obligations	10.17	50,987	48,661	45,082
Income tax payable		13,903	18,369	256
Borrowings, debt securities and leases	10.9	2,920,773	2,869,020	2,077,311
Provisions	10.19	44,248	43,060	52,882
Deferred tax liability	10.8	182,924	167,077	149,144
<b>Total liabilities</b>		<b>3,351,452</b>	<b>3,309,173</b>	<b>2,484,774</b>
<b>Equity</b>				
Share capital		19,013	19,013	19,011
Share premium		333,264	333,264	310,430
Cash flow hedging reserve		25,901	17,885	(8,575)
Translation reserve		96,841	75,708	91,208
Other capital reserves		129,821	122,202	103,626
Retained earnings		2,276,678	2,032,745	1,671,482
<b>Equity attributable to owners of the Parent</b>		<b>2,881,518</b>	<b>2,600,817</b>	<b>2,187,182</b>
<b>Non-controlling interests</b>		<b>(575)</b>	<b>(590)</b>	<b>(424)</b>
<b>Total equity</b>		<b>2,880,943</b>	<b>2,600,227</b>	<b>2,186,758</b>
<b>Total equity and liabilities</b>		<b>6,232,395</b>	<b>5,909,400</b>	<b>4,671,532</b>

The consolidated statement of financial position should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

## II. Consolidated statement of profit or loss

PLN '000

	Note	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
<b>Continuing operations</b>			
Interest income on debt portfolios and loans measured at amortised cost	10.1	311,890	256,339
Interest income on loans measured at fair value	10.1	4,413	10,700
Revenue from sale of debts and loans		7,415	2,052
Other income/expenses from purchased debt portfolios	10.1	(4,918)	(9,443)
Revenue from other services		18,489	17,085
Other income	10.1	937	813
Change in investments measured at fair value		(449)	1,194
Gain/(loss) on expected credit losses	10.1	207,074	104,330
<b>Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios</b>		544,851	383,070
Employee benefits expense	10.3	(107,284)	(90,246)
Depreciation		(11,574)	(11,330)
Services	10.2	(43,514)	(33,315)
Other expenses	10.4	(76,773)	(66,985)
		(239,145)	(201,876)
<b>Operating profit/(loss)</b>		305,706	181,193
Finance income	10.5	200	13
Finance costs	10.6	(40,528)	(29,891)
<i>including interest expense relating to lease liabilities</i>		(598)	(550)
<b>Net finance costs</b>		(40,328)	(29,878)
<b>Profit/(loss) before tax</b>		265,378	151,316
Income tax	10.8	(21,430)	(24,072)
<b>Net profit/(loss) for period</b>		243,948	127,244
<b>Net profit/(loss) attributable to:</b>			
Owners of the Parent	10.11	243,933	127,355
Non-controlling interests		15	(111)
<b>Net profit/(loss) for period</b>		243,948	127,244
<b>Earnings/(loss) per share</b>			
Basic (PLN)		12.83	6.70
Diluted (PLN)		12.40	6.54

The consolidated statement of profit or loss should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

### III. Consolidated statement of comprehensive income

PLN '000

	<b>Note</b>	<b>Jan 1–Mar 31 2022 unaudited</b>	<b>Jan 1–Mar 31 2021 unaudited</b>
<b>Net profit/(loss) for period</b>		243,948	127,244
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Translation reserve		21,133	9,846
Cash flow hedges		8,016	6,208
<b>Other comprehensive income for the period, net</b>		29,149	16,054
<b>Total comprehensive income for period</b>		273,097	143,298
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		273,082	143,411
Non-controlling interests		15	(113)
<b>Total comprehensive income for period</b>		273,097	143,298

The consolidated statement of comprehensive income should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

## IV. Consolidated statement of changes in equity

For the reporting period ended March 31st 2022 [PLN '000]

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Note</b>									
<b>Equity as at Jan 1 2022</b>	<b>19,013</b>	<b>333,264</b>	<b>17,885</b>	<b>75,708</b>	<b>122,202</b>	<b>2,032,745</b>	<b>2,600,817</b>	<b>(590)</b>	<b>2,600,227</b>
<b>Comprehensive income for the period</b>									
Net profit for period	-	-	-	-	-	243,933	243,933	15	243,948
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	21,133	-	-	21,133	-	21,133
- Measurement of hedging instruments	-	-	8,016	-	-	-	8,016	-	8,016
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>8,016</b>	<b>21,133</b>	<b>-</b>	<b>-</b>	<b>29,149</b>	<b>-</b>	<b>29,149</b>
<b>Total comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>8,016</b>	<b>21,133</b>	<b>-</b>	<b>243,933</b>	<b>273,082</b>	<b>15</b>	<b>273,097</b>
<b>Contributions from and distributions to owners</b>									
- Share-based payments	-	-	-	-	7,619	-	7,619	-	7,619
<b>Total contributions from and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,619</b>	<b>-</b>	<b>7,619</b>	<b>-</b>	<b>7,619</b>
<b>Total equity as at Mar 31 2022</b>	<b>19,013</b>	<b>333,264</b>	<b>25,901</b>	<b>96,841</b>	<b>129,821</b>	<b>2,276,678</b>	<b>2,881,518</b>	<b>(575)</b>	<b>2,880,943</b>

The consolidated statement of changes in equity should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

For the reporting period ended December 31st 2021 [PLN '000]

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Note</b>									
<b>Equity as at Jan 1 2021</b>	<b>19,011</b>	<b>310,430</b>	<b>(14,783)</b>	<b>81,360</b>	<b>103,626</b>	<b>1,544,127</b>	<b>2,043,771</b>	<b>(311)</b>	<b>2,043,460</b>
<b>Comprehensive income for the period</b>									
Net profit for period	-	-	-	-	-	694,758	694,758	145	694,903
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	(5,652)	-	-	(5,652)	19	(5,633)
- Measurement of hedging instruments	-	-	32,668	-	-	-	32,668	-	32,668
<b>Total other comprehensive income</b>	-	-	32,668	(5,652)	-	-	27,016	19	27,035
<b>Total comprehensive income for period</b>	-	-	32,668	(5,652)	-	694,758	721,774	164	721,938
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	(206,140)	(206,140)	(443)	(206,583)
- Issue of shares	273	22,834	-	-	-	-	23,107	-	23,107
- Cancellation of treasury shares	(271)	-	-	-	-	-	(271)	-	(271)
- Share-based payments	-	-	-	-	18,576	-	18,576	-	18,576
<b>Total contributions from and distributions to owners</b>	2	22,834	-	-	18,576	(206,140)	(164,728)	(443)	(165,171)
<b>Total equity as at Dec 31 2021</b>	<b>19,013</b>	<b>333,264</b>	<b>17,885</b>	<b>75,708</b>	<b>122,202</b>	<b>2,032,745</b>	<b>2,600,817</b>	<b>(590)</b>	<b>2,600,227</b>

For the reporting period ended March 31st 2021 [PLN '000]

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non- controlling interests	Total equity
<b>Note</b>									
<b>Equity as at Jan 1 2021</b>	<b>19,011</b>	<b>310,430</b>	<b>(14,783)</b>	<b>81,360</b>	<b>103,626</b>	<b>1,544,127</b>	<b>2,043,771</b>	<b>(311)</b>	<b>2,043,460</b>
<b>Comprehensive income for the period</b>									
Net profit for period	-	-	-	-	-	127,355	127,355	(111)	127,244
Other comprehensive income							-		-
- Exchange differences on translating foreign operations	-	-	-	9,848	-	-	9,848	(2)	9,846
- Measurement of hedging instruments	-	-	6,208	-	-	-	6,208	-	6,208
Total other comprehensive income	-	-	6,208	9,848	-	-	16,056	(2)	16,054
<b>Total comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>6,208</b>	<b>9,848</b>	<b>-</b>	<b>127,355</b>	<b>143,411</b>	<b>(113)</b>	<b>143,298</b>
<b>Contributions from and distributions to owners</b>									
- Share-based payments	-	-	-	-	-	-	-	-	-
<b>Total contributions from and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity as at Mar 31 2021</b>	<b>19,011</b>	<b>310,430</b>	<b>(8,575)</b>	<b>91,208</b>	<b>103,626</b>	<b>1,671,482</b>	<b>2,187,182</b>	<b>(424)</b>	<b>2,186,758</b>

## V. Consolidated statement of cash flows

PLN '000

	Jan 1- Mar 31 2022 unaudited	Jan 1- Mar 31 2021 unaudited
<b>Cash flows from operating activities</b>		
<b>Net profit for period</b>	243,948	127,244
<i>Adjustments</i>		
Depreciation of property, plant and equipment	8,173	9,611
Amortisation of intangible assets	3,401	1,719
Net finance costs	40,328	27,629
(Gain)/loss on sale of property, plant and equipment	(186)	(253)
Equity-settled share-based payments	7,619	-
Income tax	21,430	24,072
Change in loans	(11,912)	(12,366)
Change in investments in debt portfolios and property	(143,635)	(5,887)
Change in inventories	(760)	4,491
Change in trade and other receivables	(18,989)	5,678
Change in other assets	(102)	(1,589)
Change in trade and other payables	(24,369)	22,910
Change in employee benefit obligations	2,326	2,222
Change in provisions	1,188	(242)
Share of minority profits	(15)	111
Income tax paid	(11,340)	(8,673)
<b>Net cash from operating activities</b>	117,105	196,676
<b>Cash flows from investing activities</b>		
Interest received	200	13
Sale of intangible assets and property, plant and equipment	221	336
Purchase of intangible assets and property, plant and equipment	(6,635)	(3,349)
<b>Net cash from investing activities</b>	(6,214)	(3,000)
<b>Cash flows from financing activities</b>		
Proceeds from issue of debt securities	400,000	20,000
Increase in borrowings	350,081	272,807
Repayment of borrowings	(547,809)	(371,892)
Payments under lease contracts	(6,330)	(6,535)
Redemption of debt securities	(150,000)	(65,000)
Interest paid	(35,161)	(18,668)
<b>Net cash from financing activities</b>	10,781	(169,289)
<b>Total net cash flows</b>	121,672	24,387
Cash and cash equivalents at beginning of period	199,164	145,552
Cash and cash equivalents at end of period	320,837	169,940

The consolidated statement of cash flows should be read in conjunction with the notes to the interim condensed consolidated financial statements, which form their integral part.

## VI. Notes to the interim condensed consolidated financial statements

### 1. Organisation of the KRUK Group

#### Parent

Name:

KRUK Spółka Akcyjna (“KRUK S.A.” or “Parent”)

Registered office:

ul. Wołowska 8

51-116 Wrocław, Poland

Poland

Registration in the National Court Register:

District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Poznańska 16-17, 53-230 Wrocław, Poland

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

#### *Principal business activities of the Parent and its subsidiaries*

The principal business activities of the Parent and most of its subsidiaries consist primarily in the restructuring and recovery of debts purchased by the Group companies and the provision of credit management services to financial institutions and other clients. Some subsidiaries also operate in the consumer lending market.

These interim condensed consolidated financial statements for the reporting period January 1st – March 31st 2022 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

KRUK S.A. is the Parent of the Group.

As at March 31st 2022, the Parent’s Management Board was composed of the following persons:

<b>Piotr Krupa</b>	President of the Management Board
<b>Piotr Kowalewski</b>	Member of the Management Board
<b>Adam Łodygowski</b>	Member of the Management Board
<b>Urszula Okarma</b>	Member of the Management Board
<b>Michał Zasępa</b>	Member of the Management Board

In the three months ended March 31st 2022 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at March 31st 2022, the composition of the Parent's Supervisory Board was as follows:

<b>Piotr Stępiak</b>	Chairman of the Supervisory Board
<b>Katarzyna Beuch</b>	Member of the Supervisory Board
<b>Tomasz Bieske</b>	Member of the Supervisory Board
<b>Krzysztof Kawalec</b>	Member of the Supervisory Board
<b>Mateusz Melich</b>	Member of the Supervisory Board
<b>Ewa Radkowska-Świętoń</b>	Member of the Supervisory Board
<b>Piotr Szczepiórkowski</b>	Member of the Supervisory Board

The composition of the Supervisory Board of KRUUK S.A. did not change in the three months ended March 31st 2022.

On April 14th 2022, appointments were made to the Parent's Supervisory Board for a new term of office. As at the issue date of this interim report, the composition of the Supervisory Board of KRUUK S.A. was as follows:

<b>Piotr Stępiak</b>	Chairman of the Supervisory Board
<b>Krzysztof Kawalec</b>	Deputy Chairman of the Supervisory Board
<b>Katarzyna Beuch</b>	Member of the Supervisory Board
<b>Izabela Felczak-Poturnicka</b>	Member of the Supervisory Board
<b>Ewa Radkowska-Świętoń</b>	Member of the Supervisory Board
<b>Beata Stelmach</b>	Member of the Supervisory Board
<b>Piotr Szczepiórkowski</b>	Member of the Supervisory Board

### KRUUK Group

As at the issue date of this report, the Group comprised KRUUK S.A. of Wrocław, 25 subsidiaries, and 2 entities controlled through personal links:

Subsidiary	Registered office	Principal business activity
<b>DEBT MANAGEMENT</b>		
AgeCredit S.r.l.	Cesena	Credit management company operating in Italy
KRUUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Management of debt portfolios purchased by the KRUUK Group, credit management services
KRUUK Deutschland GmbH	Berlin	Management of debt portfolios purchased by the KRUUK Group and investing in debt assets
KRUUK Espana S.L.U.	Madrid	Credit management services, collection of debt portfolios purchased by the KRUUK Group companies in Spain and other European countries, as well as debt trading
KRUUK Italia S.r.l.	Milan	Credit management services, collection of debt portfolios purchased by the KRUUK Group companies in Italy and other European countries
KRUUK Romania S.r.l.	Bucharest	Management of debt portfolios purchased by the KRUUK Group, credit management services

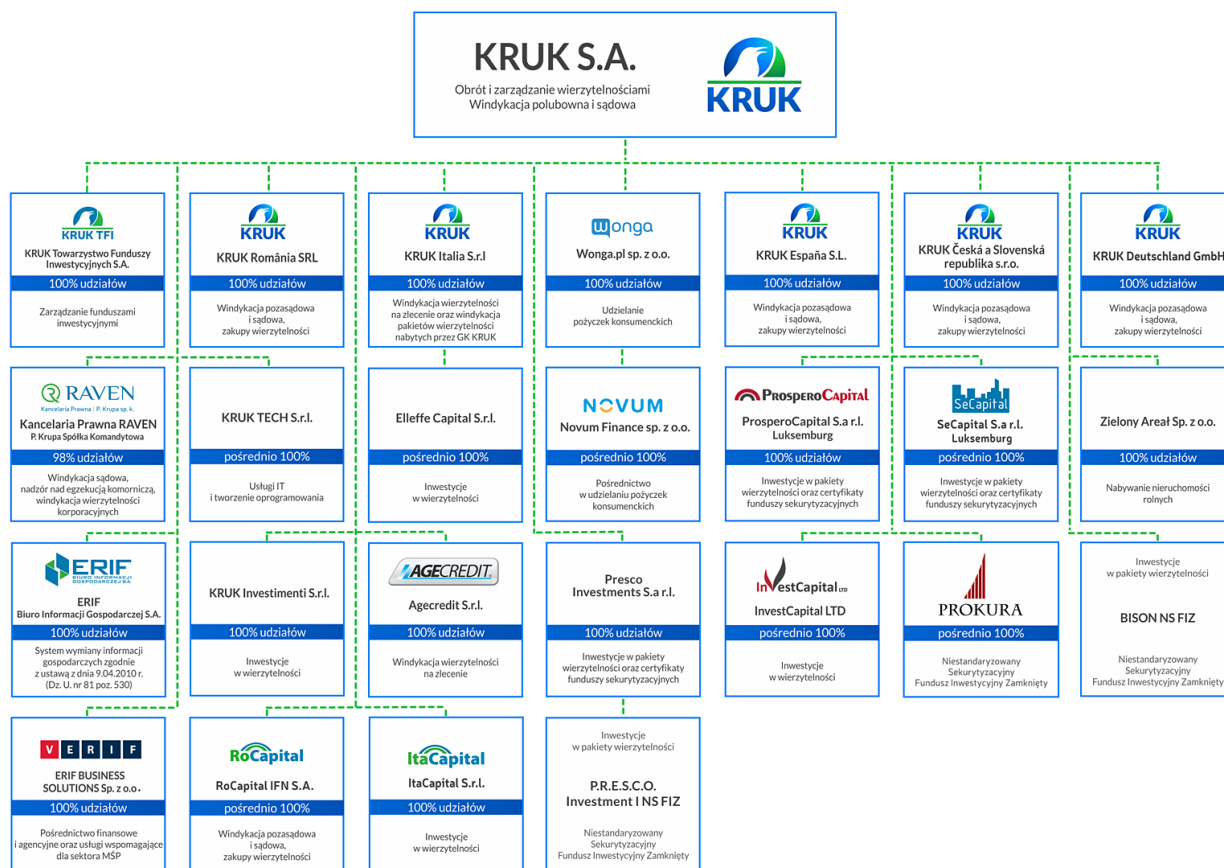
<b>INVESTMENTS IN DEBT PORTFOLIOS</b>		
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, and Bison NS FIZ funds
Bison NS FIZ (closed-end investment fund)	Wrocław	Non-Standard Securitisation Closed-End Investment Fund All certificates issued by the fund are held by KRUK S.A.
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Non-Standard Securitisation Closed-End Investment Fund All certificates issued by the fund are held by Presco Investments S.a r.l.
Prokura NS FIZ securitisation fund	Wrocław	Non-Standard Securitisation Closed-End Investment Fund All certificates issued by the fund are indirectly held by KRUK S.A.
InvestCapital Ltd.	Malta	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
ItaCapital S.r.l.	Milan	Investing in debt assets
KRUK INVESTIMENTI S.R.L.	Milan	Investing in debt or debt-backed assets
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Presco Investments S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
ProsperoCapital S.à r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
<b>CONSUMER LENDING</b>		
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans
RoCapital IFN S.A.	Bucharest	Granting consumer loans
<b>DEBT MANAGEMENT SUPPORT ACTIVITIES</b>		
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses
ERIF Business Solutions Sp. z o.o.	Wrocław	Financial and agency services and support for small and medium-sized enterprises
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
Zielony Areal sp. z o.o.	Wrocław	Buying and selling own real estate; services supporting crop production.
KRUK TECH s.r.l.	Bucharest	Software development and provision of IT services

<b>Entity controlled through personal links</b>	<b>Registered office</b>	<b>Principal business activity</b>
Corbul S.r.l	Bucharest	Detective activities
Gantoi, Furculita Si Asociatii S.p.a.r.l.	Bucharest	Law firm established on October 1st 2020

All the subsidiaries listed above are included in these condensed consolidated financial statements as at March 31st 2022 and for the period January 1st – March 31st 2022.

On January 31st 2022, KRUK TECH s.r.l. of Bucharest was registered. The company's shareholders are: KRUK S.A., holding 99% of shares and KRUK Romania s.r.l., holding 1% of shares. The principal business activity of the company is the provision of IT services and software development.

As at the issue date of this report, the KRUK Group structure was as follows:



The Parent operates three local offices in Warsaw, Szczawno-Zdrój and Piła.

The ownership interests held by the Parent in the subsidiaries as at the date of this report were as follows:

	Country	Ownership interest and share in total voting rights	
		Mar 31 2022	Dec 31 2021
SeCapital S.a.r.l. <sup>1</sup>	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o. <sup>1</sup>	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna Raven P. Krupa Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ <sup>1</sup>	Poland	100%	100%
InvestCapital Ltd <sup>1</sup>	Malta	100%	100%
RoCapital IFN S.A.	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK España S.r.l.	Spain	100%	100%
ProsperoCapital S.a.r.l. <sup>2</sup>	Luxembourg	100%	100%
Presco Investments S.a.r.l. <sup>1</sup>	Luxembourg	100%	100%
Presco Investments I NS FIZ <sup>1</sup>	Poland	100%	100%
BISON NS FIZ <sup>1</sup>	Poland	100%	100%
Elleffe Capital S.r.l. <sup>1</sup>	Italy	100%	100%
Corbul S.r.l. <sup>3</sup>	Romania	n/a	n/a
Gantoi, Furculita Si Asociatii S.p.a.r.l. <sup>3</sup>	Romania	n/a	n/a
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
KRUK Investimenti S.r.l.	Italy	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%
KRUK TECH S.r.l. <sup>14</sup>	Romania	100%	-

<sup>1</sup> Subsidiaries in which the Company indirectly holds 100% of the share capital.

<sup>2</sup> ProsperoCapital S.a.r.l. is a party to a joint arrangement.

<sup>3</sup> The Parent controls the company through a personal link.

<sup>4</sup> Entity established in the three months ended March 31st 2022.

## 2. Reporting period

The reporting period is the period from January 1st 2022 to March 31st 2022 and the comparative period is the period from January 1st 2021 to March 31st 2021. The consolidated statement of financial position was prepared as at March 31st 2022 and the comparative data was presented as at March 31st 2021 and December 31st 2021. The consolidated statement of changes in equity was prepared for the period from January 1st 2022 to March 31st 2022 and the comparative periods are from January 1st 2021 to March 31st 2021 and from January 1st 2021 to December 31st 2021.

The presented data has not been audited.

These financial statements do not contain all the information required to prepare full-year financial statements and should therefore be read in conjunction with the Group's consolidated financial statements prepared as at and for the year ended December 31st 2021.

### 3. Statement of compliance

The KRUK Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union (the "EU-IFRS").

These interim condensed consolidated financial statements of the Group have been prepared in the condensed form in accordance with IAS 34 and the accounting standards applicable to interim financial statements, as endorsed by the European Union, published and effective at the time of preparation of these financial statements.

In the opinion of the Management Board, there are no circumstances which could pose a significant threat to the Group companies continuing as going concerns. Therefore, these interim condensed consolidated financial statements have been prepared under the assumption that the companies will continue as going concerns for the foreseeable future, that is for 12 months from the reporting date.

These interim condensed financial statements were authorised for issue by the Parent's Management Board (the "Management Board") on April 27th 2022.

All amounts in these interim condensed consolidated financial statements are presented in the Polish złoty, rounded to the nearest thousand. Therefore, mathematical inconsistencies may occur in summations or between notes.

The Polish złoty is the functional currency of the Parent.

### 4. Significant accounting policies

The interim condensed consolidated financial statements have been prepared based on the following accounting concepts:

- at amortised cost calculated using the effective interest rate method
  - including impairment losses – for credit-impaired assets,
  - financial assets held as part of the business model whose objective is to hold financial assets in order to collect contractual cash flowsand
  - for other financial liabilities,
- at fair value – for derivatives and loans for which the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding,
- at historical cost – for non-financial assets and liabilities.

The accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2021.

The accounting policies applied to prepare the interim condensed financial statements as at March 31st 2021 and for the period January 1st–March 31st 2021 are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2021.

These financial statements comply with the requirements of all International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after January 1st 2022.

## Amendments to existing standards and interpretations approved by the European Union but not yet effective and not yet applied by the Group

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
IFRS 17 <i>Insurance Contracts</i> , amendments to IFRS 17	<p>IFRS 17 <i>Insurance Contracts</i> will replace IFRS 4 <i>Insurance Contracts</i>, which currently allows continued recognition of insurance contracts in accordance with the accounting policies applicable in national standards and which, as a result, implies a number of different solutions. IFRS 17 requires consistent accounting for all insurance contracts. Contractual obligations will be recognised at present value rather than historical cost. The standard is to be applied on a full retrospective basis (if that is not practicable, the entity should use either the modified retrospective approach or the fair value approach).</p> <p>The purpose of the amendments is to:</p> <ul style="list-style-type: none"> <li>– reduce costs by simplifying some of the standard requirements;</li> <li>– facilitate clarification of financial results; – facilitate transition to the new standard by deferring the effective date of the standard until 2023 and introducing additional expedients to facilitate the first implementation of IFRS 17.</li> </ul>	The amendments have no significant effect on the consolidated financial statements.	January 1st 2023
Amendments to IAS 1 and IFRS Practice statement 2 <i>Disclosure of Accounting Policies</i>	The amendments to IAS 1 and IFRS Practice statement 2 are intended to help preparers decide which accounting policies to disclose in their financial statements. The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies. Guidance was provided on how an entity can identify material accounting policy information. The amendments clarify that accounting policy information may be material by its nature even if the amounts are immaterial and if users of financial statements would need it to understand other relevant information in the financial statements.	The amendments have no significant effect on the consolidated financial statements.	January 1st 2023
Amendment to IAS 8, <i>Definition of Accounting Estimates</i>	In the amendment to IAS 8 <i>Definition of Accounting Estimates</i> , the definition of change in accounting estimates was replaced by the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.	The amendments have no significant effect on the	January 1st 2023

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
	The Board also clarified the new definition through additional guidance and examples of how accounting principles and accounting estimates are related and how a change in valuation technique constitutes a change in accounting estimate. The introduction of the definition of accounting estimates and other amendments to IAS 8 were intended to help entities distinguish changes in accounting policies from changes in accounting estimates.	consolidated financial statements.	

## Standards and interpretations issued but not yet adopted by the European Union

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective date for periods beginning on or after the date
IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	The amendments provide a transition option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities, thereby improving the usefulness of comparative information for users of financial statements.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities	The amendments concern the presentation of liabilities in the statement of financial position. In particular, they clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period. The amendments will apply prospectively.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IAS 12 <i>Deferred tax on assets and liabilities arising from a single transaction</i>	The amendments are intended to clarify how companies should account for deferred taxes on leases and extinguished liabilities.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023

## 5. Accounting estimates and judgements

In order to prepare interim consolidated financial statements, the Management Board is required to make judgements, estimates and assumptions which affect the application of adopted accounting policies and the reported amounts of assets, liabilities, revenue and expenses, whose actual values may differ from estimates.

The estimates and assumptions are reviewed by the Group on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised.

Information on estimates and judgements concerning the application of accounting policies which most significantly affect the amounts presented in the financial statements:

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2021 (PLN '000)	Mar 31 2022 (PLN '000)		
Investments in debt portfolios	5,100,176	5,264,559	9	No material changes to previous assumptions and estimates were made during the three months to March 31st 2022.
Goodwill	23,840	24,103	10.13	No material changes to previous assumptions and estimates were made during the three months to March 31st 2022.
Loans measured at amortised cost,	279,213	301,828	9	No material changes to previous assumptions and estimates were made during the three months to March 31st 2022.
Loans at fair value through profit or loss	37,123	26,420	9	No material changes to previous assumptions and estimates were made during the three months to March 31st 2022.

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Dec 31 2021 (PLN '000)	Mar 31 2022 (PLN '000)		
Deferred tax assets and liabilities	37,560 (assets)	38,851 (assets)	10.8	No material changes to previous assumptions and judgements were made during the three months to March 31st 2022.
	167 077 (liabilities)	182,924 (liabilities)		
Investments in debt portfolios	61,474	65,753	9	No material changes to previous assumptions and judgements were made during the three months to March 31st 2022.
Functional currency at InvestCapital	75,732	94,776		No material changes to previous assumptions and judgements were made during the three months to March 31st 2022.

## 6. Financial risk management

The principles of financial risk management are presented in the most recent consolidated full-year financial statements prepared as at and for the financial year ended December 31st 2021. In the period from January 1st to March 31st 2022, there were no significant changes in the approach to financial risk management.

## 7. Reporting and geographical segments

### Reportable segments

Below, the Group presents its principal reportable segments. The division into segments presented below is based on the criterion of materiality of revenue in the consolidated statement of profit or loss. The President of the Management Board of the Parent reviews internal management reports relating to each business segment at least quarterly. The Group's reportable segments conduct the following activities:

- debt purchase: collection of purchased debt,
- credit management: fee-based collection of debt on client's behalf;
- other: financial intermediation, lending, provision of business information.

The performance of each reportable segment is discussed below. The key performance metrics for each reportable segment are gross profit and EBITDA, which are disclosed in the management's internal reports reviewed by the President of the Management Board of the Parent. A segment's gross profit and EBITDA are used to measure the segment's performance since the management believes them to be the most appropriate metrics for the assessment of the segment's results against other entities operating in the industry.

The Group's operating activities concentrate in a few geographical areas: Poland, Romania, the Czech Republic, Slovakia, Germany, Spain and Italy.

The Group's operations are divided into four main geographical segments:

- Poland,
- Romania,
- Italy,
- Spain,
- other foreign markets.

In the presentation of data by geographical segments, segments' revenue is recognised based on the location of debt collection offices.

Revenue from credit management services and revenue from other products represent revenue from business partners.

## Reportable segments

For the reporting period ended March 31st 2022

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
<b>Revenue</b>	<b>231,580</b>	<b>26,521</b>	<b>166,082</b>	<b>82,065</b>	<b>24,139</b>	<b>13,527</b>	<b>937</b>	-	<b>544,851</b>
Purchased debt portfolios	217,435	-	161,840	80,315	20,156	13,527	-	-	493,273
<i>including revaluation of recovery projections</i>	<i>36,603</i>	-	<i>88,246</i>	<i>12,397</i>	<i>(3,641)</i>	<i>1,463</i>	-	-	<i>135,067</i>
Credit management services	6,811	-	3,445	1,750	3,984	-	-	-	15,989
Other products	7,334	26,521	798	-	-	-	-	-	34,652
Other income	-	-	-	-	-	-	937	-	937
<b>Direct and indirect costs</b>									<b>(169,708)</b>
Purchased debt portfolios	-	-	-	-	-	-	-	-	(139,113)
Credit management services	-	-	-	-	-	-	-	-	(11,911)
Other products	-	-	-	-	-	-	-	-	(16,897)
Unallocated expenses	-	-	-	-	-	-	-	-	(1,787)
<b>Gross profit<sup>1</sup></b>									<b>375,143</b>
Purchased debt portfolios	-	-	-	-	-	-	-	-	354,160
Credit management services	-	-	-	-	-	-	-	-	4,078
Other products	-	-	-	-	-	-	-	-	17,755
Unallocated income / expenses	-	-	-	-	-	-	-	-	(850)
									-
Administrative expenses	-	-	-	-	-	-	-	-	(57,865)
<b>EBITDA<sup>2</sup></b>	<b>152,809</b>	<b>10,709</b>	<b>135,595</b>	<b>37,250</b>	<b>(932)</b>	<b>5,701</b>	<b>(850)</b>	<b>(23,002)</b>	<b>317,280</b>
Depreciation	-	-	-	-	-	-	-	-	(11,574)
Finance income/(costs)	-	-	-	-	-	-	-	-	(40,328)
Profit before tax	-	-	-	-	-	-	-	-	265,378
Income tax	-	-	-	-	-	-	-	-	(21,430)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>243,948</b>
<b>Carrying amount of debt portfolios</b>	<b>2,584,136</b>	<b>-</b>	<b>1,016,422</b>	<b>1,116,990</b>	<b>400,024</b>	<b>146,987</b>	<b>-</b>	<b>-</b>	<b>5,264,559</b>
<b>Carrying amount of loans</b>	<b>40,659</b>	<b>275,946</b>	<b>11,644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>328,248</b>
<b>Cash recoveries</b>	<b>311,898</b>	<b>-</b>	<b>144,648</b>	<b>95,897</b>	<b>44,981</b>	<b>25,083</b>	<b>-</b>	<b>-</b>	<b>622,507</b>

For the reporting period ended March 31st 2021

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
<b>Revenue</b>	<b>178,809</b>	<b>19,774</b>	<b>90,383</b>	<b>54,247</b>	<b>26,749</b>	<b>12,294</b>	<b>813</b>	-	<b>383,070</b>
Purchased debt portfolios	166,412	-	86,375	51,837	23,637	12,294	-	-	340,556
<i>including revaluation of recovery projections</i>	<i>5,380</i>	-	<i>11,284</i>	<i>115</i>	<i>1,121</i>	<i>499</i>	-	-	<i>18,399</i>
Credit management services	6,131	-	3,141	2,410	3,112	-	-	-	14,794
Other products	6,266	19,774	867	-	-	-	-	-	26,907
Other income	-	-	-	-	-	-	813	-	813
<b>Direct and indirect costs</b>									<b>(148,301)</b>
Purchased debt portfolios	-	-	-	-	-	-	-	-	(122,768)
Credit management services	-	-	-	-	-	-	-	-	(10,985)
Other products	-	-	-	-	-	-	-	-	(11,648)
Unallocated expenses	-	-	-	-	-	-	-	-	(2,901)
<b>Gross profit<sup>1</sup></b>									<b>234,769</b>
Purchased debt portfolios	-	-	-	-	-	-	-	-	217,788
Credit management services	-	-	-	-	-	-	-	-	3,810
Other products	-	-	-	-	-	-	-	-	15,258
Unallocated income / expenses	-	-	-	-	-	-	-	-	(2,088)
Administrative expenses	-	-	-	-	-	-	-	-	(42,244)
<b>EBITDA<sup>2</sup></b>	<b>112,564</b>	<b>9,378</b>	<b>62,682</b>	<b>12,423</b>	<b>5,644</b>	<b>4,816</b>	<b>(2,088)</b>	<b>(12,896)</b>	<b>192,524</b>
Depreciation	-	-	-	-	-	-	-	-	(11,330)
Finance income/(costs)	-	-	-	-	-	-	-	-	(29,878)
Profit before tax	-	-	-	-	-	-	-	-	151,316
Income tax	-	-	-	-	-	-	-	-	(24,072)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127,244</b>
<b>Carrying amount of debt portfolios</b>	<b>1,929,060</b>	<b>-</b>	<b>861,197</b>	<b>727,496</b>	<b>357,671</b>	<b>121,851</b>	<b>-</b>	<b>-</b>	<b>3,997,274</b>
<b>Carrying amount of loans</b>	<b>33,499</b>	<b>196,750</b>	<b>6,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>237,010</b>
<b>Cash recoveries</b>	<b>249,874</b>	<b>-</b>	<b>139,955</b>	<b>65,813</b>	<b>35,641</b>	<b>20,445</b>	<b>-</b>	<b>-</b>	<b>511,728</b>

<sup>1</sup> Gross profit = operating income - operating expenses.<sup>2</sup> EBITDA = operating profit – depreciation and amortisation

## 8. Seasonality or cyclical of business

The Group's operations are not subject to seasonal or cyclical fluctuations.

## 9. Type and amounts of changes in estimates adopted in previous financial years with a material effect on the reporting period

### Investments

PLN '000

	Mar 31 2022 unaudited	Dec 31 2021	Mar 31 2021 unaudited
Investments in debt portfolios	5,264,559	5,100,176	3,997,274
Loans measured at amortised cost	301,828	279,213	128,690
Loans measured at fair value	26,420	37,123	108,320
	5,592,807	5,416,512	4,234,284

#### Investments measured at amortised cost

PLN '000

	Mar 31 2022 unaudited	Dec 31 2021	Mar 31 2021 unaudited
Investments in debt portfolios	5,264,559	5,100,176	3,997,274
Loans measured at amortised cost	301,828	279,213	128,690
	5,566,387	5,379,389	4,125,964

### Debt portfolios

#### Purchased debt portfolios

PLN '000

	Mar 31 2022 unaudited	Dec 31 2021	Mar 31 2021 unaudited
<b>Carrying amount of purchased debt portfolios</b>			
Unsecured portfolios	4,450,575	4,344,965	3,252,258
Secured portfolios	813,984	755,211	745,016
	5,264,559	5,100,176	3,997,274

Unsecured portfolios are retail portfolios. Secured portfolios include mortgages as well as corporate portfolios.

If necessary, as at the end of each quarter the Group updates the following parameters which are used to estimate future cash flows from debt portfolios measured at amortised cost:

- discount rate in case of change in the amount of the purchased debt portfolio,
- cash flows estimation period,
- expected future cash flows estimated using the current data and debt collection processes.

- d. The Group analyses the impact of macroeconomic factors on projected recoveries; historically, no correlation between recoveries from purchased debt portfolios and the macroeconomic situation has been found.

*Assumptions adopted in the valuation of debt portfolios*

	Mar 31 2022 unaudited	Dec 31 2021
Discount rate *	8.00% - 147.10%	8.00% - 147.10%
Period for which collections have been estimated	Apr 2022–Jan 2042	Jan 2022–Jan 2042
Undiscounted value of expected future recoveries	10,317,668	9,989,010

\* Applicable to 99% of debt portfolios.

*Projected estimated schedule of recoveries from debt portfolios (undiscounted value)*

PLN '000	Mar 31 2022 unaudited	Dec 31 2021
<b>Period</b>		
Up to 12 months	1,872,292	1,813,880
From 1 to 2 years	1,574,744	1,579,581
From 2 to 3 years	1,386,743	1,327,217
From 3 to 4 years	1,137,225	1,052,803
From 4 to 5 years	869,663	806,576
From 5 to 6 years	682,045	657,405
From 6 to 7 years	537,247	520,119
From 7 to 8 years	455,298	443,389
From 8 to 9 years	366,466	357,607
From 9 to 10 years	316,438	300,189
From 10 to 11 years	266,352	258,917
From 11 to 12 years	233,460	228,227
From 12 to 13 years	204,674	201,246
From 13 to 14 years	174,901	173,649
From 14 to 15 years	105,958	128,663
Over 15 years	134,162	139,542
	10,317,668	9,989,010

Below are presented changes of the net carrying amount of purchased debt portfolios:

PLN '000

	Jan 1– Mar 31 2022 unaudited	Jan 1–Dec 31 2021	Jan 1– Mar 31 2021 unaudited
<b>Carrying amount of investments in debt portfolios as at beginning of period</b>	<b>5,100,176</b>	<b>3,984,080</b>	<b>3,984,080</b>
Purchase of debt portfolios	262,014	1,738,002	159,342
Cash recoveries	(622,507)	(2,215,806)	(511,728)
Receivables from debt sold	(4,000)	(3,200)	-
Increase/(decrease) in liabilities to indebted persons due to overpayments	2,537	5,705	778
Valuation of loyalty scheme*	2,417	7,174	1,172
Revenue from purchased debt portfolios	493,273	1,575,627	340,556
Carrying amount of foreclosed property	(2,509)	(7,156)	(1,414)
Carrying amount of property sold	2,199	18,374	6,443
Translation differences on debt portfolios**	30,959	(2,624)	18,045
<b>Carrying amount of investments in debt portfolios as at end of period</b>	<b>5,264,559</b>	<b>5,100,176</b>	<b>3,997,274</b>

\* The value of investments in debt portfolios is adjusted to account for the measurement of the loyalty scheme in connection with the recognition of costs related to the bonus plan under 'Other income/expenses from purchased debt portfolios'.

\*\* Including purchased debt portfolios in currencies other than PLN.

In the reporting period, the Group incurred expenditure to purchase debt portfolios of PLN 262,014 thousand (three months to March 31st 2021: PLN 159,342 thousand; 2021: PLN 1,738,002 thousand), while the amount of recoveries from indebted persons was PLN 622,507 thousand (three months to March 31st 2021: PLN 511,728 thousand; 2021: PLN 2,215,806 thousand).

Below are presented changes of expected credit losses on purchased debt portfolios:

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Mar 31 2021 unaudited
<b>Cumulative expected credit losses on purchased debt portfolios as at beginning of period</b>	<b>1,600,562</b>	<b>1,012,210</b>	<b>1,012,210</b>
Revaluation of recovery projections	135,067	270,032	18,399
Deviations from actual recoveries, decreases on early collections in collateralised cases	75,885	318,320	86,194
<b>Cumulative expected credit losses on purchased debt portfolios as at end of period</b>	<b>1,811,514</b>	<b>1,600,562</b>	<b>1,116,803</b>

ProsperoCapital is a party to a joint arrangement. As at March 31st 2022, the value of the KRUK Group's investment in the joint operation disclosed in the consolidated statement of financial position was PLN 65,753 thousand (December 31st 2021: PLN 61,474 thousand), while revenue shown in the consolidated statement of profit or loss was PLN 16,908 thousand (1q2021: PLN 10,514 thousand).

*Sensitivity analysis – revaluation of recovery projections*

The 1% increase in all projected collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 46,784 thousand, while the 1% decrease in all projected collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 46,784 thousand for the data as at March 31st 2022 (a PLN 44,624 thousand increase/decrease, respectively, for the data as at December 31st 2021).

PLN '000

	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Mar 31 2022</b>		
Investments in debt portfolios	46,784	(46,784)
<b>Dec 31 2021</b>		
Investments in debt portfolios	44,624	(44,624)

*Sensitivity analysis – time horizon*

The sensitivity analysis assumes extension or shortening of the projection period with a simultaneous increase or decrease in the recovery projections (in the case of extension by one year, projected recoveries increased by PLN 5,531 thousand, in the case of shortening by one year, projected recoveries decreased by PLN 12,113 thousand; for 2020 PLN 9,462 thousand and PLN 16,141 thousand, respectively).

PLN '000

	Profit or loss for the current period	
	extension by one year	reduction by one year
<b>Mar 31 2022</b>		
Investments in debt portfolios	69	(187)
<b>Dec 31 2021</b>		
Investments in debt portfolios	107	(226)

**Loans**

PLN '000

	Mar 31 2022 unaudited	Dec 31 2021	Mar 31 2021 unaudited
Loans measured at amortised cost	301,828	279,213	128,690
Loans measured at fair value	26,420	37,123	108,320
	328,248	316,336	237,010

## Loans measured at amortised cost

The structure of loans measured at amortised cost at the end of the reporting periods was as follows:

IFRS 9 classification	Carrying amount as at Mar 31 2022	Carrying amount as at Dec 31 2021	Carrying amount as at Mar 31 2021
<b>Loans measured at amortised cost</b>			
Basket 1	191,221	195,406	80,342
Basket 2	82,795	57,685	22,181
Basket 3	26,320	24,257	25,168
POCI loans	1,493	1,866	999
<b>Net carrying amount</b>	<b>301,828</b>	<b>279,213</b>	<b>128,690</b>

Changes in the net carrying amount of loans measured at amortised cost are presented below.

PLN '000	Jan 1–Mar 31 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Mar 31 2021 unaudited
<b>Value of loans measured at amortised cost as at beginning of period</b>	<b>279,213</b>	<b>152,666</b>	<b>152,666</b>
New disbursements	154,841	483,783	9,393
Repayments	(160,414)	(420,211)	(45,217)
Interest income	41,984	89,690	16,053
Allowance for expected credit losses	(7,156)	(23,910)	(3,325)
Profit/(loss) on sale of loans	(6,446)	(2,947)	(875)
Currency translation differences	(194)	142	(6)
<b>Value of loans measured at amortised cost as at end of period</b>	<b>301,828</b>	<b>279,213</b>	<b>128,690</b>

Changes in impairment losses on loans measured at amortised cost are presented below:

PLN '000	Jan 1–Mar 31 2022				Jan 1–Dec 31 2021			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance at beginning of the period	9,657	7,538	71,977	89,172	11,330	4,082	56,681	72,093
Allowance for expected credit losses recognised in the reporting period	8,040	3,637	-	11,677	13,952	10,975	-	24,927
Transfer from basket 1 to basket 2	(6,791)	6,791	-	-	(5,855)	5,855	-	-
Transfer from basket 1 to basket 3	(1,125)	-	1,125	-	(10,212)	-	10,212	-
Transfer from basket 2 to basket 1	139	(139)	-	-	442	(442)	-	-
Transfer from basket 2 to basket 3	-	(6,176)	6,176	-	-	(12,932)	12,932	-
Transfer from basket 3 to basket 1	0	-	(0)	-	-	-	-	-
Transfer from basket 3 to basket 2	-	3	(3)	-	-	-	-	-
Reversal of allowance for expected credit losses	-	-	(2,009)	(2,009)	-	-	(7,848)	(7,848)
Loss allowance at end of the period	<b>9,919</b>	<b>11,654</b>	<b>77,266</b>	<b>98,840</b>	<b>9,657</b>	<b>7,538</b>	<b>71,977</b>	<b>89,172</b>

The amount of the impairment loss is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of loss allowance as at the end of the reporting period covers 24.7% of gross loans.

### *Sensitivity analysis – revaluation of recovery projections*

The note presents the effect of a change in projected collections on the net carrying amount of loans measured at amortised cost as the effect of the change on net profit/(loss).

PLN '000

	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Mar 31 2022</b>		
Loans measured at amortised cost	2,983	(2,983)
<b>Dec 31 2021</b>		
Loans measured at amortised cost	2,790	(2,790)

### *Sensitivity analysis – time horizon*

The note presents the effect of extending or reducing the repayment projection period by one month on the net carrying amount of loans measured at amortised cost as the effect of the change on net profit or loss.

PLN '000

	Profit or loss for the current period	
	extension by one month	reduction by one month
<b>Mar 31 2022</b>		
Loans measured at amortised cost	(9,250)	8,238
<b>Dec 31 2021</b>		
Loans measured at amortised cost	(6,011)	5,472

## Loans measured at fair value

Changes in the carrying amount of loans measured at fair value are presented below.

PLN '000	Jan 1–Mar 31 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Mar 31 2021 unaudited
<b>Value of loans measured at fair value as at beginning of period</b>	<b>37,123</b>	<b>71,978</b>	<b>71,978</b>
New disbursements	-	211,890	124,804
Repayments	(14,666)	(275,419)	(100,356)
Interest income	4,413	40,243	10,700
Remeasurement	(449)	(11,569)	1,194
<b>Value of loans measured at fair value as at end of period</b>	<b>26,420</b>	<b>37,123</b>	<b>108,320</b>

## Sensitivity analysis – revaluation of recovery projections

The note presents the effect of a change in projected collections on the carrying amount of loans measured at fair value as the effect of the change on net profit or loss.

PLN '000	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Mar 31 2022</b>		
Loans measured at fair value	264	(264)
<b>Dec 31 2021</b>		
Loans measured at fair value	366	(377)

## Sensitivity analysis – time horizon

The note presents the effect of extending or reducing the repayment projection period by one month on the carrying amount of loans measured at fair value as the effect of the change on net profit or loss.

PLN '000	Profit or loss for the current period	
	extension by one month	reduction by one month
<b>Mar 31 2022</b>		
Loans measured at fair value	(577)	554
<b>Dec 31 2021</b>		
Loans measured at fair value	(811)	767

*Sensitivity analysis – interest rate*

The interest rate on loans measured at fair value is 45%. Presented below is a sensitivity analysis for the discount rate applied to the fair-value measurement of loans:

PLN '000

	Profit or loss for the current period	
	1 pp increase in interest rate	1 pp decrease in interest rate
<b>Mar 31 2022</b>		
Loans measured at fair value	(187)	191
<b>Dec 31 2021</b>		
Loans measured at fair value	(267)	272

## 10. Type and amounts of items affecting the assets, liabilities, equity, net profit/loss or cash flows, which are material due to their type, size or effect

### 10.1. Operating income including gain/(loss) on expected credit losses, change in investments, and other income/expenses from purchased debt portfolios

#### By type of activity

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Revenue from purchased debt portfolios	493,273	340,556
Revenue from credit management services	15,989	14,794
Revenue from other services	34,652	26,907
Other income	937	813
	544,851	383,070

#### Interest income on debt portfolios and loans measured at amortised cost

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Interest income on debt portfolios	269,906	240,286
Interest income on loans	41,984	16,053
	311,890	256,339

#### Gain/(loss) on expected credit losses

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Gain/(loss) on expected credit losses from debt portfolios	214,424	107,661
Gain/(loss) on expected credit losses from loans	(7,350)	(3,331)
	207,074	104,330

#### Income from financial assets measured at amortised cost

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Revenue from purchased debt portfolios	493,273	340,556
Revenue from loans	28,188	12,722
	521,461	353,278

Revenue from purchased debt portfolios and from loans are calculated on financial assets measured at amortised cost using the effective interest rate method.

**Revenue from purchased debt portfolios**

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Interest income	269,906	240,286
Other income/expenses from purchased debt portfolios	(4,918)	(9,443)
Gain/(loss) on expected credit losses from purchased debt portfolios	214,424	107,661
Gain/(loss) on sale of debts	13,861	2,052
	<u>493,273</u>	<u>340,556</u>

**Other income/expenses from purchased debt portfolios**

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Foreign currency gains/(losses)	36	(7,493)
Costs of loyalty scheme valuation	(2,417)	(1,172)
Costs of provision for overpayments	(2,537)	(778)
	<u>(4,918)</u>	<u>(9,443)</u>

**Gain/(loss) on expected credit losses from purchased debt portfolios**

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Revaluation of recovery projections	135,067	18,399
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor.	79,357	89,262
	<u>214,424</u>	<u>107,661</u>

**Revenue from loans***Revenue from loans measured at amortised cost*

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Interest income	41,984	16,053
Allowance for expected credit losses	(7,156)	(3,325)
Profit/(loss) on sale of loans	(6,446)	-
Foreign currency gains/(losses)	(194)	(6)
	<u>28,188</u>	<u>12,722</u>

*Revenue from loans measured at fair value*

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Interest income	4,413	10,700
Remeasurement	(449)	1,194
	3,964	11,894

**Revenue from other services**

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Revenue from credit management services	15,989	14,794
Revenue from collection, processing and provision of credit information on natural persons and business entities, financial intermediation and agency services, and auxiliary services provided to small and medium-sized enterprises.	2,500	2,291
	18,489	17,085

**Other income**

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Gain on sale of property, plant and equipment	186	253
Compensation for motor damage	157	116
Recovery of written-off receivables and expenses	155	165
Rental	120	-
Re-billed costs of services and court fees	8	48
Other cooperation	3	10
Reversal of impairment losses on receivables	-	53
Other	308	168
	937	813

## 10.2. Services

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Credit management services <sup>1</sup>	(11,728)	(7,726)
IT services	(7,469)	(4,696)
Legal assistance services <sup>2</sup>	(6,643)	(4,927)
Postal and courier services	(3,316)	(3,029)
Administrative and accounting support services	(2,870)	(2,955)
Banking services	(2,486)	(2,314)
Marketing and management services	(2,380)	(1,932)
Space rental and service charges	(1,957)	(2,379)
Communications services	(1,832)	(1,683)
Printing services	(517)	(405)
Other auxiliary services	(506)	(323)
Recruitment services	(468)	(125)
Security	(436)	(360)
Repair of vehicles	(382)	(285)
Repair and maintenance services	(357)	(74)
Other rental	(103)	(42)
Packing services	(34)	(58)
Transport services	(30)	(2)
	<b>(43,514)</b>	<b>(33,315)</b>

<sup>1</sup> Costs of debt management services provided by external service providers.

<sup>2</sup> Legal assistance mainly relates to debt portfolio management.

## 10.3. Employee benefits expense

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Salaries and wages	(80,483)	(72,564)
Old-age and disability pension contributions	(5,917)	(5,207)
Other social security contributions	(12,824)	(12,073)
Contribution to the State Fund for the Disabled	(441)	(402)
Equity-settled cost of stock option plan	(7,619)	-
	<b>(107,284)</b>	<b>(90,246)</b>

## 10.4. Other expenses

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Court fees	(60,463)	(52,565)
Taxes and charges	(7,864)	(8,607)
Raw materials and consumables used	(2,536)	(2,170)
Advertising	(3,333)	(467)
Non-deductible VAT	(593)	(145)
Staff training	(469)	(77)
Motor insurance	(313)	(229)
Refund of litigation costs	(265)	-
Business trips	(236)	(252)
Property insurance	(219)	(229)
Entertainment expenses	(169)	(45)
Non-compete agreements	(144)	(67)
Losses caused by motor damage	(54)	(136)
Membership fees	(10)	(157)
Impairment losses on receivables	-	(16)
Provision for possible differences relative to straight-line basis settlement	454	156
Other markets	(559)	(1,979)
	<u>(76,773)</u>	<u>(66,985)</u>

## 10.5. Finance income

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Interest income on bank deposits	200	13
	<u>200</u>	<u>13</u>

## 10.6. Finance costs

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(38,404)	(21,447)
<i>including interest</i>	(34,821)	(17,327)
Net foreign exchange losses	(1,833)	(4,691)
Interest income/expense on hedging instruments – IRS	(291)	(2,240)
Interest income/expense on derivative instruments – CIRS	-	(1,512)
	<u>(40,528)</u>	<u>(29,891)</u>

**10.7. Effect of exchange rate movements on consolidated statement of profit or loss**

PLN '000

Note

Jan 1–Mar 31

Jan 1–Mar 31  
2022 unaudited2021  
unaudited

Realised exchange gains/(losses)	10.6	(32)	393
Unrealised exchange gains/(losses)	10.6	(1,801)	(5,084)
Revaluation of debt portfolios due to exchange rate movements	10.1	36	(7,493)
Remeasurement of loans due to exchange rate movements	10.1	(194)	(6)
		<u>(1,991)</u>	<u>(12,190)</u>

## 10.8. Income tax

### Income tax recognised in profit or loss and total comprehensive income for period

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
<b>Current income tax</b>		
Current income tax payable	(6,874)	(3,706)
<b>Deferred income tax</b>		
Related to temporary differences and their reversal	(14,556)	(20,366)
<b>Income tax recognised in profit or loss</b>	<b>(21,430)</b>	<b>(24,072)</b>
<b>Income tax recognised in other comprehensive income</b>	<b>-</b>	<b>-</b>
	<b>(21,430)</b>	<b>(24,072)</b>

### Reconciliation of effective tax rate

The effective tax rate differs from the applicable tax rates as the consolidated data includes primarily data of entities whose operations are subject to deferred income tax upon realisation of income or payment of dividend.

PLN '000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited
Profit before tax	265,378	151,316
Tax calculated at the Parent's rate (19%)	(50,422)	(28,750)
Effect of application of other tax rates abroad and effect of deferred tax	(290)	269
Differences resulting from control of the timing of reversal of temporary differences relating to the measurement of net assets of subsidiaries and the probability of their reversal in the foreseeable future, and other non-deductible expenses/non-taxable income	29,282	4,409
<b>Income tax recognised in profit or loss</b>	<b>(21,430)</b>	<b>(24,072)</b>
<b>Effective tax rate (%)</b>	<b>8.08%</b>	<b>15.91%</b>

**Deferred tax assets and liabilities**

Deferred tax assets and liabilities have been recognised in respect of the following items of assets and liabilities:

PLN '000

	Assets		Provisions		Net carrying amount	
	Mar 31 2022	Dec 31 2021	Mar 31 2022	Dec 31 2021	Mar 31 2022	Dec 31 2021
Property, plant and equipment	5,786	6,279	(6,303)	(6,198)	(517)	81
Intangible assets	-	-	(1,458)	(1,745)	(1,458)	(1,745)
Tax losses deductible in future periods	8,423	8,155	-	-	8,423	8,155
Trade and other receivables	-	-	(326)	(245)	(326)	(245)
Borrowings and other debt instruments	9,207	7,775	-	-	9,207	7,775
Employee benefit obligations	2,436	2,392	-	-	2,436	2,392
Provisions and liabilities	-	40	(66)	-	(66)	40
Investments in debt portfolios	-	-	(7,161)	(6,974)	(7,161)	(6,974)
Investments in loans	30,309	29,328	-	-	30,309	29,328
Expected future outflows of income from investments in subsidiaries	-	-	(184,920)	(168,325)	(184,920)	(168,325)
<b>Deferred tax assets/liabilities</b>	56,161	53,969	(200,234)	(183,486)	(144,073)	(129,517)
Deferred tax assets offset against liabilities	(17,309)	(16,409)	17,309	16,409		
<b>Deferred tax assets/liabilities in the statement of financial position</b>	38,851	37,560	(182,924)	(167,077)	(144,073)	(129,517)

**Change in temporary differences in the period**

PLN '000

	As at Jan 1 2022	Change in temporary differences recognised in profit or loss for the period	As at Mar 31 2022	Net amount of income tax at Jan 1 2021	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax at Dec 31 2021
Property, plant and equipment	81	(598)	(517)	(78)	159	81
Intangible assets	(1,745)	287	(1,458)	(1,630)	(115)	(1,745)
Tax losses deductible in future periods	8,155	268	8,423	7,967	189	8,155
Trade and other receivables	(245)	(81)	(326)	(268)	24	(245)
Borrowings and other debt instruments	7,775	1,432	9,207	21,112	(13,337)	7,775
Employee benefit obligations	2,392	44	2,436	2,488	(96)	2,392
Provisions and liabilities	40	(106)	(66)	56	(16)	40
Investments in debt portfolios	(6,974)	(188)	(7,161)	(6,984)	10	(6,974)
Investments in loans	29,328	981	30,309	23,035	6,293	29,328
Expected future outflows of income from investments in subsidiaries	(168,325)	(16,595)	(184,920)	(148,857)	(19,468)	(168,325)
	(129,517)	(14,556)	(144,073)	(103,159)	(26,358)	(129,517)

The Group benefits from the regulation provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at March 31st 2022 was PLN 2,424,978 thousand (as at December 31st 2021: PLN 2,332,410 thousand).

**10.9. Borrowings, finance lease liabilities and other financial liabilities**

PLN '000

	Mar 31 2022 unaudited	Dec 31 2021	Mar 31 2021 unaudited
<b>Non-current liabilities</b>			
Secured borrowings	1,196,680	1,409,351	713,654
Liabilities under debt securities (unsecured)	1,230,791	833,032	641,958
Lease liabilities	22,823	41,247	66,697
	<u>2,450,294</u>	<u>2,283,629</u>	<u>1,422,309</u>
<b>Current liabilities</b>			
Secured borrowings	101,441	86,551	17,681
Liabilities under debt securities (unsecured)	329,348	471,727	631,430
Lease liabilities	39,690	27,113	5,891
	<u>470,479</u>	<u>585,391</u>	<u>655,002</u>

**Terms and repayment schedule of borrowings, debt securities and leases**

PLN '000	Currency	Nominal interest rate	Maturity periods <sup>1</sup>	Mar 31 2022 unaudited	Dec 31 2021	Mar 31 2021 unaudited
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 2.15–2.95pp; 3M WIBOR + margin of 2.7pp; 1M EURIBOR + 2.2–2.95pp;	2022–2028	1,298,121	1,495,902	731,335
Liabilities under debt securities (unsecured)	PLN EUR	3M WIBOR + margin of 3.2–4.0pp 4.00% - 4.80% <sup>2</sup> 3.59%	2022–2028	1,560,139	1,304,759	1,273,388
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 0.8–9.7pp; 3.00–4.40%	2022–2030	62,513	68,360	72,588
				<u>2,920,773</u>	<u>2,869,020</u>	<u>2,077,311</u>

<sup>1</sup> maturity of the last liability<sup>2</sup> fixed interest rate

## 10.10. Hedging instruments

### Interest rate risk hedges

The interest rate risk management policy covers:

- a) the Group's objectives in terms of interest rate risk;
- b) principles of interest rate risk management at the KRUK Group.
- c) acceptable impact of interest rate risk on the Group's results (interest rate risk appetite)
- d) methods of measuring and monitoring interest rate risk and interest rate risk exposure;
- e) procedures in case of exceeding the Group's interest rate risk appetite;
- f) interest rate risk hedging policies.

To manage interest rate risk, the Company enters into IRS contracts.

Open outstanding IRS contracts held by KRUK Group companies as at March 31st 2022, with a total volume of PLN 380,000 thousand:

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.	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

The purpose of the contracts was to hedge volatility of cash flows generated by liabilities denominated in PLN due to changes in the reference interest rates and to hedge coupons paid on issued bonds.

### Currency risk hedges

The Group's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies (Note 12).

The currency risk management policy outlines:

- a) the Group's currency risk management objectives;
- b) the key rules of currency risk management at the Group;
- c) acceptable impact of currency risk on the Group's profit or loss and equity (currency risk appetite);

- d) methods of measuring and monitoring currency risk and currency risk exposure;
- e) procedures to be followed in the case of exceeding permitted currency risk appetite and specified currency risk limits;
- f) currency risk hedging policies;
- g) roles and responsibilities in the currency risk management process.

In 2019 and 2021, the Group took steps to hedge currency risk arising from the translation of net assets in a foreign entity; the hedging transactions were executed by subsidiaries. It is the Group's objective to mitigate the effect of exchange differences arising on consolidation of foreign subsidiaries on the consolidated financial statements. Transactions entered into by KRUK S.A. and settled on a net basis, with no physical delivery. Details of the concluded and completed transactions were presented in the last annual consolidated financial statements prepared as at December 31, 2021 and for the financial year ended on that date.

As at March 31st 2022 and December 31st 2021, the Group companies had no unsettled forward contracts.

The impact of counterparty credit risk on the fair value of the currency forward contracts may be the source of hedge ineffectiveness, as the credit risk is not reflected in the fair value of the hedged item.

In order to increase the economic effectiveness of the hedge, the Group designated hedging relationships with a monthly frequency, i.e. each FX Forward transaction (EUR sale contract) with a one-month maturity was linked to a designated hedged item for one month (net assets of the investment in a subsidiary expressed in EUR).

The Group does not expect the IBOR reform to have a material impact on hedging relationships in hedge accounting.

### Amounts related to items designated as hedging instruments

PLN '000

	Mar 31 2022				Dec 31 2021				Item in the statement of financial position	Type of security
	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness		
Instrument type:										
IRS	21,819	-	380,000 (PLN)	8,016	13,803	-	530,000 (PLN)	32,189	Hedging instruments	Cash flow hedges
	<b>21,819</b>	<b>-</b>		<b>8,016</b>	<b>13,803</b>	<b>-</b>		<b>32,189</b>		

PLN '000

## Disclosure of the hedged item as at Mar 31 2022

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	380,000	8,016	21,819	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	4,082

PLN '000

## Disclosure of the hedged item as at Dec 31 2021

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	530,000	32,189	13,803	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	4,082

PLN '000

Jan 1–Mar 31 2022

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
<b>Hedge reserve at beginning of the period</b>	13,803	4,082	17,885
<b>Measurement of instruments charged to capital reserves</b>	8,307	-	8,307
<b>Amount reclassified to profit or loss during the period</b>	(291)	-	(291)
- Interest income / (expense)	(291)	-	(291)
- Reclassification of exchange differences	-	-	-
<b>Hedge reserve at end of the period</b>	21,819	4,082	25,901

PLN '000

Jan 1–Dec 31 2021

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of investments in net assets (currency risk)	Total hedge reserve
<b>Hedge reserve at beginning of the period</b>	(18,386)	3,603	(14,783)
<b>Measurement of instruments charged to capital reserves</b>	41,368	479	41,846
<b>Amount reclassified to profit or loss during the period</b>	(9,179)	-	(9,179)
- Interest income / (expense)	(9,179)	-	(9,179)
- Reclassification of exchange differences	-	-	-
<b>Hedge reserve at end of the period</b>	13,803	4,082	17,885

## 10.11. Earnings per share

### Basic earnings per share

'000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Mar 31 2021 unaudited
Number of ordinary shares as at Jan 1	19,013	19,011	19,011
Effect of cancellation and issue	-	(45)	-
Weighted average number of ordinary shares at end of reporting period	19,013	18,966	19,011
<i>PLN</i>			
Earnings per share	12.83	36.63	6.70

### Diluted earnings per share

'000

	Jan 1–Mar 31 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Mar 31 2021 unaudited
Weighted average number of ordinary shares at end of reporting period	19,013	18,966	19,011
Effect of issue of unregistered shares not subscribed for	654	441	463
Weighted average number of ordinary shares at end of reporting period (diluted)	19,667	19,407	19,474
<i>PLN</i>			
Earnings per share (diluted)	12.40	35.80	6.54

## 10.12. Current and non-current items of the statement of financial position

As at Mar 31 2021

PLN '000

	Mar 31 2022 unaudited	Dec 31 2021	Mar 31 2021 unaudited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	76,578	80,249	85,159
Other intangible assets	42,751	43,474	49,903
Goodwill	24,103	23,840	24,141
Investments	3,699,511	3,592,179	2,690,704
Hedging instruments	20,365	12,804	-
Deferred tax asset	38,851	37,560	25,619
<b>Total non-current assets</b>	<b>3,902,159</b>	<b>3,790,106</b>	<b>2,875,526</b>
<b>Current assets</b>			
Inventories	21,055	20,295	27,578
Investments	1,893,296	1,824,333	1,543,580
Trade receivables	25,922	22,873	14,541
Other receivables	51,019	35,079	24,942
Hedging instruments	1,454	999	-
Other assets	16,653	16,551	15,425
Cash and cash equivalents	320,837	199,164	169,940
<b>Total current assets</b>	<b>2,330,236</b>	<b>2,119,294</b>	<b>1,796,007</b>
<b>Total assets</b>	<b>6,232,395</b>	<b>5,909,400</b>	<b>4,671,532</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	19,013	19,013	19,011
Share premium	333,264	333,264	310,430
Cash flow hedging reserve	25,901	17,885	(8,575)
Translation reserve	96,841	75,708	91,208
Other capital reserves	129,821	122,202	103,626
Retained earnings	2,276,678	2,032,745	1,671,482
<b>Equity attributable to owners of the Parent</b>	<b>2,881,518</b>	<b>2,600,817</b>	<b>2,187,182</b>
<b>Non-controlling interests</b>	<b>(575)</b>	<b>(590)</b>	<b>(424)</b>
<b>Total equity</b>	<b>2,880,943</b>	<b>2,600,227</b>	<b>2,186,758</b>
<b>Non-current liabilities</b>			
Borrowings, debt securities and leases	2,450,294	2,283,629	1,422,309
Deferred tax liability	182,924	167,077	149,144
Provisions	936	16,433	12,604
Hedging instruments	-	-	12,178
<b>Total non-current liabilities</b>	<b>2,634,154</b>	<b>2,467,139</b>	<b>1,596,235</b>
<b>Current liabilities</b>			
Borrowings, debt securities and leases	470,479	585,391	655,002
Derivatives	-	-	12,784
Trade and other payables	138,617	162,986	135,137

## Quarterly report – Interim condensed consolidated financial statements

Income tax payable	13,903	18,369	256
Employee benefit obligations	50,987	48,661	45,082
Provisions	43,312	26,627	40,278
<b>Total current liabilities</b>	<b>717,298</b>	<b>842,034</b>	<b>888,539</b>
<b>Total liabilities</b>	<b>3,351,452</b>	<b>3,309,173</b>	<b>2,484,774</b>
<b>Total equity and liabilities</b>	<b>6,232,395</b>	<b>5,909,400</b>	<b>4,671,532</b>

**10.13. Goodwill**

PLN '000

	Kancelaria Prawna RAVEN	KRUK Espana S.L.	ERIF BIG S.A.	Total
<b>Gross carrying amount as at Jan 1 2021</b>	299	47,943	725	48,967
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	(76)	-	(76)
<b>Gross carrying amount as at Dec 31 2021</b>	299	47,867	725	48,891
<b>Gross carrying amount as at Jan 1 2022</b>	299	47,867	725	48,891
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	263	-	263
<b>Gross carrying amount as at Mar 31 2022</b>	299	48,130	725	49,154
<b>Impairment losses</b>				
<b>Impairment loss as at Jan 1 2021</b>	-	(25,051)	-	(25,051)
Increase	-	-	-	-
Decrease	-	-	-	-
<b>Impairment loss as at Dec 31 2021</b>	-	(25,051)	-	(25,051)
<b>Impairment loss as at Jan 1 2022</b>	-	(25,051)	-	(25,051)
Increase	-	-	-	-
Decrease	-	-	-	-
<b>Impairment loss as at Mar 31 2022</b>	-	(25,051)	-	(25,051)
<b>Net carrying amount</b>				
As at Jan 1 2021	299	22,892	725	23,916
As at Dec 31 2021	299	22,816	725	23,840
As at Jan 1 2022	299	22,816	725	23,840
As at Mar 31 2022	299	23,079	725	24,103

**10.14. Inventories (including property foreclosed as part of investments in debt portfolios)**

PLN '000

	Mar 31 2022	Dec 31 2021	Mar 31 2021
Real property	20,972	20,295	27,557
Other inventories	83	-	21
	21,055	20,295	27,578

As part of its operating activities, the Group forecloses property securing acquired debt. A portion of the collections is derived from the sale of such property on the open market.

	Jan 1–Mar 31 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Mar 31 2021 unaudited
<i>PLN '000</i>			
<b>Carrying amount of property held as at beginning of period</b>	<b>20,295</b>	<b>32,056</b>	<b>32,056</b>
Carrying amount of foreclosed property	3,021	7,156	1,414
Carrying amount of property sold	(963)	(13,131)	(6,443)
Impairment losses	(1,418)	(5,628)	-
Currency translation differences on property valuation*	37	(158)	530
<b>Carrying amount of property held as at end of period</b>	<b>20,972</b>	<b>20,295</b>	<b>27,557</b>

\* Exchange differences on translating financial statements in currencies other than PLN.

## 10.15. Trade and other receivables

### Trade receivables

	Mar 31 2022	Dec 31 2021
<i>PLN '000</i>		
Short-term trade receivables	25,922	22,873
	25,922	22,873

### Other receivables

	Mar 31 2022	Dec 31 2021
<i>PLN '000</i>		
Taxes receivable (other than income tax)	18,005	15,933
Receivables under security deposits and bid bonds	12,693	9,111
Other receivables	11,202	684
Receivables under collected debts	8,893	9,047
Employee loans	226	272
Receivables for court fees and stamp duty	-	32
	51,019	35,079

## 10.16. Cash and cash equivalents

	Mar 31 2022	Dec 31 2021
<i>PLN '000</i>		
Cash in hand	182	145
Cash in current accounts	220,655	160,088
Term deposits	100,000	-
Cash proceeds from bond issues deposited in brokerage account	-	38,931
	320,837	199,164

**10.17. Employee benefit obligations and provisions**

PLN '000

	Mar 31 2022	Dec 31 2021
Salaries and wages payable	20,936	19,653
Social benefit obligations	18,272	17,007
Accrued holiday entitlements	8,665	7,127
Personal income tax	2,668	4,239
Special accounts	447	635
	<u>50,987</u>	<u>48,661</u>

**10.18. Trade and other payables**

PLN '000

	Mar 31 2022	Dec 31 2021
Trade payables	89,633	122,587
Other liabilities	19,867	15,617
Tax and duties payable	11,320	7,962
Accrued expenses	10,202	9,695
Deferred income	7,594	7,125
	<u>138,617</u>	<u>162,986</u>

**10.19. Provisions**

PLN '000

	Mar 31 2022	Dec 31 2021
Provision for retirement gratuities	17,267	16,433
Provision for the loyalty scheme	12,558	11,750
Other provisions	14,422	14,876
	44,248	43,060

	Provision for retirement gratuities	Provision for the loyalty scheme	Other provisions
Carrying amount as at Jan 1 2021	13,463	10,652	29,008
Increase / accrued	2,970	1,779	
Provision for possible differences relative to straight-line basis settlement			5,517
Use	-	(681)	
Reversal of provision for possible differences relative to straight-line basis settlement			(19,649)
Carrying amount as at Dec 31 2021	16,433	11,750	14,876
Carrying amount as at Jan 1 2022	16,433	11,750	14,876
Increase / accrued	834	816	
Provision for possible differences relative to straight-line basis settlement			-
Use	-	(8)	
Reversal of provision for possible differences relative to straight-line basis settlement			(454)
Carrying amount as at Mar 31 2022	17,267	12,558	14,422

On September 11th 2019, after hearing the request of the District Court of Lublin for a preliminary ruling on the interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council on credit agreements for consumers, the Court of Justice of the European Union rules that the article should be interpreted in such a way that the consumer's right to reduce the total cost of credit in the event of early repayment covers all the costs imposed on the consumer.

In connection with the decisions of the Office of Competition and Consumer Protection and its position on the straight-line method of fee refunds, the Group reassessed the level of provisions for the difference between the applied refund method and the straight-line method. The provision reflects the Group's estimate of the probability of an outflow of funds. Since September 18th 2020, the Group has applied the straight-line method to account for fee refunds on early loan repayment.

## 11. Related-party transactions

### *Remuneration of the management personnel - Management Board*

Below is presented information on the remuneration payable to the members of the Parent's key management personnel:

<i>PLN '000</i>	<b>Jan 1–Mar 31 2022</b>	<b>Jan 1–Mar 31 2021</b>
Base pay/ managerial contract (gross)	1,701	1,527
Additional benefits	23	21
Share based payments	7,619	-
	<b>9,343</b>	<b>1,549</b>

### *Remuneration of members of the Supervisory Board*

Remuneration of members of the Parent's Supervisory Board was as follows:

<i>PLN '000</i>	<b>Jan 1–Mar 31 2022</b>	<b>Jan 1–Mar 31 2021</b>
Base pay (gross)	239	239
Additional benefits	1	21
	<b>240</b>	<b>260</b>

### *Other transactions with management personnel*

As at March 31st 2022, members of the Management Board and persons closely related to them jointly held 10.0% of the total voting rights at the Parent's General Meeting (December 31st 2021: 10.0%).

## 12. Management of risk arising from financial instruments

The Group is exposed to the following risks related to the use of financial instruments:

- credit risk,
- liquidity risk,
- market risk.

This note presents condensed information on the Group's exposure to each type of the above risks, the Group's objectives, policies and procedures for measuring and managing the risks, and the Group's management of capital. For a full description of the risk management, see the Group's most recent full-year consolidated financial statements.

### *Key policies of risk management*

The Management Board of the Parent is responsible for establishing risk management procedures and for overseeing their application.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. The risk

management policies and systems are reviewed on a regular basis to reflect changes in market conditions and in the Group's activities. The Group, through appropriate training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### Credit risk

Credit risk is the risk of financial loss to the Group if a business partner, indebted person or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is chiefly associated with loans advanced by the Group, receivables for the services provided by the Group and purchased debt portfolios.

### Exposure to credit risk

Carrying amounts of financial assets reflect the maximum exposure to credit risk. The maximum exposure to credit risk as at the end of the reporting periods is presented below.

PLN '000

	Mar 31 2022	Dec 31 2021
Investments in debt portfolios	5,264,559	5,100,176
Loans	328,248	316,336
Hedging instruments	21,819	13,803
Trade and other receivables, excluding tax receivable	58,936	42,019
Cash and cash equivalents	320,837	199,164
	5,994,399	5,671,498

The maximum exposure to credit risk by geographical segment as at the end of the reporting periods is presented below.

PLN '000

	Mar 31 2022	Dec 31 2021
Poland	3,109,426	3,090,465
Romania	1,060,518	914,952
Italy	1,204,318	1,037,858
Spain	407,493	427,422
Other foreign markets	212,644	200,801
	5,994,399	5,671,498

**Credit risk exposure – Investments in debt portfolios**

PLN '000

	Carrying amount as at Mar 31 2022	Carrying amount as at Dec 31 2021
Unsecured retail portfolios	4,261,921	4,159,327
Secured retail portfolios.	296,117	308,875
Unsecured corporate portfolios	188,654	185,638
Secured corporate portfolios.	517,867	446,336
	<b>5,264,559</b>	<b>5,100,176</b>

**Allowance for expected credit losses**

The table below presents breakdown of trade and other receivables other than tax receivables into baskets as at the end of the reporting periods.

**IFRS 9 classification**

	Days past due Basket 1: <1 days Basket 2: 1-90 days Basket 3: >90 days	Carrying amount as at Mar 31 2022	Carrying amount as at Dec 31 2021
<b>Gross carrying amount of trade and other receivables other than tax receivables</b>			
Basket 1		58,936	42,019
Basket 2		149	169
Basket 3		1,613	1,613
		<b>60,698</b>	<b>43,801</b>
<b>Allowance for expected credit losses</b>			
Basket 1		-	-
Basket 2		149	169
Basket 3		1,613	1,613
		<b>1,762</b>	<b>1,782</b>
<b>Net carrying amount</b>			
Basket 1		58,936	42,019
Basket 2		-	-
Basket 3		-	-
		<b>58,936</b>	<b>42,019</b>

Changes in allowances for expected credit losses on receivables are presented below.

PLN '000

	Jan 1–Mar 31 2022				Jan 1–Dec 31 2021			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance at beginning of the period	-	169	1,613	1,782	-	446	1,366	1,812
Loss allowance recognised in the period	-	-	-	-	-	82	247	329
Reversal of loss allowance	-	-	-	-	-	(359)	-	(359)
Use of loss allowance	-	(20)	-	(20)	-	-	-	-
Loss allowance at end of the period	-	<b>149</b>	<b>1,613</b>	<b>1,762</b>	-	<b>169</b>	<b>1,613</b>	<b>1,782</b>

The structure of loans measured at amortised cost at the end of the reporting periods was as follows:

IFRS 9 classification	Carrying amount as at Mar 31 2022	Carrying amount as at Dec 31 2021
<b>Gross carrying amount of loans measured at amortised cost</b>		
Basket 1	201,141	205,064
Basket 2	94,449	65,222
Basket 3	103,586	96,234
POCI loans	1,493	1,866
	<b>400,668</b>	<b>368,386</b>
<b>Allowance for expected credit losses</b>		
Basket 1	9,919	9,657
Basket 2	11,654	7,538
Basket 3	77,267	71,977
	<b>98,840</b>	<b>89,172</b>
<b>Net carrying amount</b>		
Basket 1	191,221	195,406
Basket 2	82,795	57,684
Basket 3	26,320	24,257
POCI loans	1,493	1,866
	<b>301,828</b>	<b>279,213</b>

Changes in the gross amount of loans measured at amortised cost are presented below:

PLN '000	Jan 1–Mar 31 2022					Jan 1–Dec 31 2021				
	Basket 1	Basket 2	Basket 3	POCI loans	TOTAL	Basket 1	Basket 2	Basket 3	POCI loans	TOTAL
Gross carrying amount at beginning of period	205,064	65,222	96,234	1,866	368,386	111,891	27,677	84,098	1,092	224,758
Disbursements/repayments	47,959	(10,355)	(4,949)	(373)	32,282	146,449	17,502	(21,097)	774	143,628
Transfer from basket 1 to basket 2	(53,666)	53,666	-	-	-	(51,590)	51,590	-	-	-
Transfer from basket 1 to basket 3	(1,870)	-	1,870	-	-	(15,094)	-	15,094	-	-
Transfer from basket 2 to basket 1	3,653	(3,653)	-	-	-	13,408	(13,408)	-	-	-
Transfer from basket 2 to basket 3	-	(10,437)	10,437	-	-	-	(18,139)	18,139	-	-
Transfer from basket 3 to basket 1	0	-	(0)	-	-	-	-	-	-	-
Transfer from basket 3 to basket 2	-	6	(6)	-	-	-	-	-	-	-
Gross carrying amount at end of the period	<b>201,141</b>	<b>94,449</b>	<b>103,586</b>	<b>1,493</b>	<b>400,668</b>	<b>205,064</b>	<b>65,222</b>	<b>96,234</b>	<b>1,866</b>	<b>368,386</b>

Changes in the allowances for expected credit losses on loans measured at amortised cost are presented below.

PLN '000	Jan 1–Mar 31 2022				Jan 1–Dec 31 2021			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance at beginning of the period	9,657	7,538	71,977	89,172	11,330	4,082	56,681	72,093
Allowance for expected credit losses recognised in the reporting period	8,040	3,637	-	11,677	13,952	10,975	-	24,927
Transfer from basket 1 to basket 2	(6,791)	6,791	-	-	(5,855)	5,855	-	-
Transfer from basket 1 to basket 3	(1,125)	-	1,125	-	(10,212)	-	10,212	-
Transfer from basket 2 to basket 1	139	(139)	-	-	442	(442)	-	-
Transfer from basket 2 to basket 3	-	(6,176)	6,176	-	-	(12,932)	12,932	-
Transfer from basket 3 to basket 1	0	-	(0)	-	-	-	-	-
Transfer from basket 3 to basket 2	-	3	(3)	-	-	-	-	-
Reversal of allowance for expected credit losses	-	-	(2,009)	(2,009)	-	-	(7,848)	(7,848)
Loss allowance at end of the period	<b>9,919</b>	<b>11,654</b>	<b>77,266</b>	<b>98,840</b>	<b>9,657</b>	<b>7,538</b>	<b>71,977</b>	<b>89,172</b>

As at March 31st 2022, the gross carrying amount of loans measured at amortised cost was PLN 400,668 thousand (December 31st 2021: PLN 368,386 thousand). The Group recognised an impairment allowance for expected credit losses on loans of PLN 98,840 thousand as at March 31st 2022 (December 31st 2021: PLN 89,172 thousand). The amount of the impairment loss is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of the impairment loss covers 24.7% of the gross carrying amount of loans measured at amortised cost (at the end of 2021: 24.2%). The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk as at March 31st 2022 was PLN 20,374 thousand (December 31st 2021: PLN 20,452 thousand).

## Liquidity risk

## Exposure to liquidity risk

As at Mar 31 2022

PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	5,264,559	10,317,668	957,595	914,697	1,574,744	3,393,632	3,477,001
Loans	328,248	437,456	183,281	101,103	108,117	44,955	-
Trade and other receivables, excluding tax receivable	58,936	58,936	58,936	-	-	-	-
Cash and cash equivalents	320,837	320,837	320,837	-	-	-	-
Secured borrowings	(1,298,121)	(1,554,635)	(61,223)	(60,079)	(90,681)	(1,302,378)	(40,274)
Unsecured bonds in issue	(1,560,139)	(2,015,928)	(299,450)	(124,565)	(184,917)	(691,748)	(715,248)
Lease liabilities	(62,513)	(55,797)	(12,874)	(14,038)	(17,504)	(10,233)	(1,148)
Trade and other payables	(109,500)	(109,500)	(109,500)	-	-	-	-
	<u>2,942,307</u>	<u>7,399,037</u>	<u>1,037,601</u>	<u>817,117</u>	<u>1,389,759</u>	<u>1,434,228</u>	<u>2,720,332</u>

As at Dec 31 2021

PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	5,100,176	9,989,010	948,765	865,115	1,579,581	3,186,596	3,408,953
Loans	316,336	402,742	164,602	93,627	105,605	38,908	-
Trade and other receivables, excluding tax receivable	42,019	42,019	42,019	-	-	-	-
Cash and cash equivalents	199,164	199,164	199,164	-	-	-	-
Secured borrowings	(1,495,902)	(1,715,760)	(127,423)	(47,461)	(167,312)	(1,373,564)	-
Unsecured bonds in issue	(1,304,759)	(1,528,742)	(427,331)	(101,969)	(114,327)	(527,527)	(357,588)
Lease liabilities	(68,360)	(63,037)	(12,886)	(13,501)	(21,814)	(13,609)	(1,227)
Trade and other payables	(138,204)	(138,204)	(138,204)	-	-	-	-
	<u>2,650,470</u>	<u>7,187,193</u>	<u>648,706</u>	<u>795,812</u>	<u>1,381,732</u>	<u>1,310,804</u>	<u>3,050,139</u>

Contractual cash flows were determined based on interest rates effective as at March 31st 2022 and December 31st 2021, respectively.

The Group does not expect the projected cash flows discussed in the maturity analysis to occur significantly earlier than assumed or in amounts materially different from those presented.

As at March 31st 2022, the undrawn revolving credit facility limit available to the Group was PLN 1,105,878 thousand (December 31st 2021: PLN 794,887 thousand). The limit is available until January 31st 2028.

### Market risk

Market risk is the risk 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 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;
- mitigate the risk of non-compliance with financial covenants under credit agreements and bond issue terms.

As at March 31st 2022, financial assets denominated in foreign currencies accounted for 47% of total assets, while liabilities denominated in foreign currencies represented 16% of total equity and liabilities (December 31st 2020: 44% and 15%, respectively).

**Exposure to currency risk and sensitivity analysis**

The Group's exposure to currency risk attributable to financial instruments denominated in foreign currencies, calculated based on the exchange rates effective at the end of the reporting period, is presented below.

PLN '000

Mar 31 2022

Mar 31 2022

## Exposure to currency risk

## Analysis of sensitivity of currency risk exposure to +10% increase in exchange rates

	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	Total
Trade and other receivables	-	1,427	-	-	1,427	-	143	-	-	143
Investments	-	364	913,060	20,801	934,226	-	36	91,306	2,080	93,422
Cash	551	10,272	16,817	96	27,736	55	1,027	1,682	10	2,774
Borrowings, debt securities and leases	-	(194,355)	-	-	(194,355)	-	(19,435)	-	-	(19,435)
Trade and other payables	(708)	(12,092)	(14,563)	-	(27,362)	(71)	(1,209)	(1,456)	-	(2,736)
<b>Currency risk exposure – effect on profit or loss</b>	<b>(157)</b>	<b>(194,384)</b>	<b>915,315</b>	<b>20,898</b>	<b>741,672</b>	<b>(16)</b>	<b>(19,438)</b>	<b>91,532</b>	<b>2,090</b>	<b>74,168</b>
Trade and other receivables	-	40,309	23,261	(88)	63,482	-	4,031	2,326	(9)	6,348
Investments	-	1,536,544	110,861	112,033	1,759,439	-	153,654	11,086	11,203	175,943
Cash	-	81,934	27,073	13,446	122,454	-	8,193	2,707	1,345	12,245
Borrowings, debt securities and leases	-	(696,765)	(2,564)	(1,222)	(700,551)	-	(69,676)	(256)	(122)	(70,054)
Trade and other payables	-	(56,481)	(16,362)	(836)	(73,678)	-	(5,648)	(1,636)	(84)	(7,368)
<b>Currency risk exposure – effect on other comprehensive income</b>	<b>-</b>	<b>905,542</b>	<b>142,270</b>	<b>123,334</b>	<b>1,171,146</b>	<b>-</b>	<b>90,554</b>	<b>14,227</b>	<b>12,333</b>	<b>117,114</b>
<b>Exposure to currency risk</b>	<b>(157)</b>	<b>711,158</b>	<b>1,057,585</b>	<b>144,231</b>	<b>1,912,818</b>	<b>(16)</b>	<b>71,116</b>	<b>105,759</b>	<b>14,423</b>	<b>191,282</b>
Risk mitigation effect					-	-	-	-	-	-
<b>Currency risk exposure after hedging</b>	<b>(157)</b>	<b>711,158</b>	<b>1,057,585</b>	<b>144,231</b>	<b>1,912,818</b>	<b>(16)</b>	<b>71,116</b>	<b>105,759</b>	<b>14,423</b>	<b>191,282</b>

The following exchange rates of the key foreign currencies were adopted during the preparation of these financial statements:

PLN	Average exchange rates		End of period (spot rates)	
	Jan 1–Mar 31 2022 unaudited	Jan 1–Mar 31 2021 unaudited	Mar 31 2022 unaudited	Dec 31 2021
EUR 1	4.6472	4.5721	4.6525	4.5994
USD 1	4.1638	3.8128	4.1801	4.0600
RON 1	0.9393	0.9346	0.9404	0.9293
CZK 1	0.1888	0.1751	0.1903	0.1850

### Interest rate risk exposure

The structure of interest-bearing financial instruments at the end of the reporting period is presented below.

PLN '000	Carrying amount	
	Mar 31 2022 unaudited	Dec 31 2021
<b>Fixed-rate financial instruments</b>		
Financial assets	5,673,562	5,671,498
Financial liabilities	(478,842)	(503,476)
	<u>5,194,719</u>	<u>5,168,022</u>
Hedge effect (nominal amount)	(380,000)	(530,000)
	<u>4,814,719</u>	<u>4,638,022</u>
<b>Variable-rate financial instruments</b>		
Financial assets	-	-
Financial liabilities	(2,551,431)	(2,503,748)
	<u>(2,551,431)</u>	<u>(2,503,748)</u>
Hedge effect (nominal amount)	380,000	530,000
	<u>(2,171,431)</u>	<u>(1,973,748)</u>

### Sensitivity analysis of fair value of fixed-rate financial instruments

The Group does not hold any fixed rate financial instruments measured at fair value through profit or loss, nor does it execute transactions with derivatives (IRSs) serving as security for fair value. Therefore, a change of an interest rate would have no material effect on current period's profit or loss.

### Sensitivity analysis of cash flows from variable-rate financial instruments

A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit over the loan term by the amounts shown below. The following analysis is based on the assumption that other variables, in particular exchange rates, remain unchanged.

PLN '000

	Profit or loss for the current period	
	increase by 100 bps	decrease by 100 bps
<b>Mar 31 2022</b>		
Variable rate financial assets	-	-
Variable rate financial liabilities	(25,514)	25,514
<b>Dec 31 2021</b>		
Variable rate financial assets	-	-
Variable rate financial liabilities	(25,037)	25,037

### Fair value

#### Comparison of fair values and carrying amounts

The table below presents a comparison between fair values of financial assets and liabilities and values presented in the statement of financial position:

PLN '000

	Mar 31 2022 unaudited		Dec 31 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets and liabilities measured at fair value</b>				
Hedging instruments	21,819	21,819	13,803	13,803
Loans	26,420	26,420	37,123	37,123
	48,239	48,239	50,926	50,926
<b>Financial assets and liabilities not measured at fair value</b>				
Investments in debt portfolios	5,264,559	4,826,505	5,100,176	4,835,016
Loans	301,828	309,304	279,213	270,034
Secured borrowings	(1,298,121)	(1,303,585)	(1,495,902)	(1,502,198)
Liabilities under debt securities (unsecured)	(1,560,139)	(1,582,070)	(1,304,759)	(1,318,243)
	2,708,127	2,250,154	2,578,728	2,284,609

**Interest rates used for fair value estimation**

	Mar 31 2022	Dec 31 2021
Investments in debt portfolios	0.07% - 216.23%	-0.01% - 216.23%
Loans	16.24% - 55.62%	14.64% - 88.69%
Secured borrowings	4.65% - 5.04%	4.65% - 5.04%
Liabilities under debt securities (unsecured)	3.21% - 7.97%	3.59% - 5.94%

**Hierarchy of financial instruments****Hierarchy of financial instruments measured at fair value**

The table below presents the fair value of financial instruments recognised in the statement of financial position at fair value and at amortised cost. Depending on the level of valuation, the following inputs were used in the valuation models.

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities,
- Level 2: inputs for given assets and liabilities, other than quoted prices from Level 1, observable directly or indirectly,
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

In 2022, no transfers were made between the fair value hierarchy levels.

The Group does not identify Level 1 assets.

**Hierarchy of financial instruments – Level 2**

PLN '000

	Level 2	
	Carrying amount	Fair value
<b>As at Dec 31 2021</b>		
Hedging instruments	13,803	13,803
Secured borrowings	(1,495,902)	(1,502,198)
Liabilities under debt securities (unsecured)	(1,304,759)	(1,318,243)
<b>As at Mar 31 2022</b>		
Hedging instruments	21,819	21,819
Secured borrowings	(1,298,121)	(1,303,585)
Liabilities under debt securities (unsecured)	(1,560,139)	(1,582,070)

The fair value of CIRS and IRS transactions is determined on the basis of future cash flows related to executed transactions, calculated on the basis of the difference between the forecast 3M WIBOR and 3M WIBOR as at the transaction date. To determine the fair value, the Group uses a 3M WIBOR forecast provided by an external company.

The fair value of financial liabilities is determined on the basis of future cash flows related to executed transactions, calculated based on the difference between the margin applicable to the financial liabilities as

at the reporting date and the margin as at the transaction date. To determine the fair value, the Group takes margins under the most recent credit facility agreement or debt securities issue.

### *Hierarchy of financial instruments – Level 3*

PLN '000

	Level 3	
	Carrying amount	Fair value
<b>As at Dec 31 2021</b>		
Investments in debt portfolios	5,100,176	4,835,016
Loans	316,336	307,157
<b>As at Mar 31 2022</b>		
Investments in debt portfolios	5,264,559	4,826,505
Loans	328,248	335,724

The fair value of investments in debt portfolios is calculated based on the expected future cash flows related to the debt portfolios, discounted with a rate reflecting the credit risk associated with each portfolio. The rate used for discounting is calculated as an internal rate of return on an investment as at the date of acquisition of a portfolio and is verified so that it includes the present risk free rate and the present risk premium associated with the credit risk for each portfolio.

The difference between the fair value and the carrying amount calculated using the amortised cost method results from a different methodology for calculating both these amounts. The carrying amount is affected by a projection of ERC from debt portfolios and the exchange rate as at the reporting date, while the fair value is additionally affected by projected costs of debt collection and the risk-free rate.

### **13. Factors and events with a material bearing on the Group's financial results**

#### **Investment in new debt portfolios**

In the three months to March 31st 2022, expenditure on debt portfolios totalled PLN 262,014 thousand. During the period, KRUK invested PLN 159,342 thousand in debt portfolios with a nominal value of PLN 877,525 thousand, mainly bank portfolios, phone debt portfolios and portfolios from non-bank financial institutions. The largest investments were made on the Italian and Romanian markets. The aggregate nominal value of purchased debt portfolios was PLN 2,201,039 thousand, 151% more than in the same period of 2021.

#### **Recoveries and revaluation of portfolios**

In the three months ended March 31st 2022, recoveries from portfolios purchased by the KRUK Group totalled PLN 622,507 thousand, up 22% year on year. Marking the best quarter in terms of recoveries in the Group's operating history. Recoveries have been in a strong uptrend since the first quarter of 2021 when they exceeded the PLN 500m mark for the first time in the Group's history. In the three months to March 31st 2022, recoveries increased PLN 110,778 thousand year on year, mainly due to a PLN 62,023 thousand increase in recoveries in Poland and a PLN 30,084 thousand increase in recoveries in Italy.

In the three months to March 31st 2022, the Group recorded a gain on portfolio revaluation of PLN 135,067 thousand, compared with PLN 18,399 thousand in the same period the year before. The PLN 116,668 thousand year-on-year increase was mainly attributable to a PLN 76,961 thousand rise in the revaluation gain on Romanian portfolios. Higher revaluation gains were also recognised for portfolios in Poland (by PLN 31,223 thousand) and in Italy (by PLN 12,282 thousand).

### **First-quarter 2022 results**

Net profit for the three months to March 31st 2022 was PLN 243,949 thousand, almost double the figure posted for the same period last year (PLN 127,244 thousand). Cash EBITDA for the three months to March 31st 2022 came in at PLN 446,513 thousand, having improved 23% year on year.

### **Russia's invasion of Ukraine**

Russia's aggression against Ukraine started on February 24th 2022. The KRUK Group does not hold any assets in Ukraine or Russia, nor does it carry out any business activity in those countries. A Ukrainian company is one of the suppliers of IT development services to Wonga, a subsidiary. Given the circumstances, the cooperation with the Ukrainian supplier is continued to a limited extent. This does not affect Wonga's ongoing operations, and it is possible to source the services in Poland.

With no operations conducted in Ukraine or Russia, the Group expects the implications of the conflict for its operations will be indirect and limited. Provided below is an assessment of the possible impact of the conflict in Ukraine on selected areas of operations.

#### *Recoveries from purchased debt portfolios*

The Group has not seen any changes in customers' repayment behaviour after the conflict started. Although prices in Poland and Romania are rising, there has been a strong increase in wages and salaries and the unemployment rate is stable, therefore the Group does not expect the trend in recoveries to deteriorate.

#### *Investments in debt portfolios*

So far, the Group has not seen any impact of the conflict on either portfolio supply or portfolio prices.

#### *Access to debt financing*

The Group The Group does not identify the impact of the conflict on the availability of financing.

#### *Liquidity management*

The Group believes the current situation in Ukraine does not and should not have a material adverse effect on the following areas of the Group's operations:

- 1) meeting the required financial covenants – currently the covenants are at safe levels, far lower than the thresholds set in relevant credit agreements and bond terms.  
Furthermore, when calculating most of the financial ratios the effect of exchange differences is neutralised.

The Group anticipates potential minor short-term fluctuations in the net debt/cash EBITDA ratio as different EUR/PLN exchange rates are used to calculate the numerator (net debt in PLN is calculated using the mid exchange rate for a given day) and the denominator (EBITDA in PLN is calculated using the average exchange rate for the last 12 months), but the impact of the fluctuations should not be significant.

- 2) Liquidity position – the Group maintains its liquidity ratios at safe levels and considers the safety of its liquidity position to be high, therefore an increase in financing costs or EUR/PLN exchange rates has no material impact on the Group's liquidity. Another factor reducing the Group's exposure to fluctuations in foreign exchange rates and the WIBOR rate is the fact that the Group funds investments in EUR-denominated assets from bank loans in EUR and own funds in EUR. Also, the Group's WIBOR-sensitive debt represents only 52% of total debt (as at December 31st 2021), as part of the debt bears interest at fixed or EURIBOR rates or is hedged under IRS.

#### *Loans advanced*

As the war in Ukraine is pushing up prices of energy carriers and causing a strong depreciation of the złoty, further interest rate hikes are expected. The consequences for households would be rising costs of living including the cost of servicing existing loans.

We have identified the risk that the quality of Wonga's loan portfolio may deteriorate due to borrowers' lack of liquidity. Wonga has carried out creditworthiness assessments as part of its lending process since 2019. Approximately 90% of loans are made to customers with the highest credit score, therefore the aforementioned risk is marginal. The recorded delays in payments have been stable, also in the months following the implemented interest rate hikes.

#### *Digital security*

All systems are running smoothly and are subject to routine and, given the current situation, enhanced testing and safeguards. The Group has undertaken a number of digital security measures:

1. Business relationship has been established with CERT.PL, which specialises in computer security, and CERT recommendations issued in connection with the conflict have been implemented
2. Special level of protection has been provided for backup copies of our critical systems
3. Steps have been taken to establish a permanent relationship with an external Security Operations Centre.

The situation in Ukraine does not affect these financial statements as at the reporting date or the recognition and measurement of individual items of the statements after the reporting date.

### **14. Issue, redemption and repayment of non-equity and equity securities**

In the period from January 1st to March 31st 2022, Series AA2 bonds were redeemed on March 7th 2022 in accordance with their terms and conditions, at the nominal value of PLN 150,000 thousand.

In the reporting period, the Group issued new bonds:

- on February 2nd 2021 unsecured Series AL1 bonds with a nominal value of PLN 350,000 thousand were issued, bearing interest at a floating rate based on 3M WIBOR plus a margin of 3.20pp, maturing on February 2nd 2028,
- on February 8th 2021 unsecured Series AM2 bonds with a nominal value of PLN 50,000 thousand were issued in a public offering, bearing interest at a floating rate based on 3M WIBOR plus a margin of 3.30pp, maturing on February 8th 2027.

## 15. Dividends paid (or declared)

On March 4th 2022, the Management Board of KRUK S.A. passed a resolution recommending that the Parent's Annual General Meeting approve dividend payment to the Parent's shareholders of PLN 13.00 per share. The dividend would be distributed from the Parent's net profit earned in 2021. The dividend recommendation is consistent with the dividend policy adopted by the Management Board on December 2nd 2021. The recommendation was endorsed by the Parent's Supervisory Board on March 15th 2022.

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.

On April 14th 2022, the General Meeting of KRUK S.A. passed a resolution to distribute a dividend of PLN 13.00 per share to the Parent's shareholders. The dividend of PLN 248,660,490.00 will be distributed from the Parent's net profit earned in 2021. The dividend payment date is April 28th 2022. The dividend will be paid on 19,127,730 KRUK S.A. shares.

## 16. Information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year

### KRUK Group's assets pledged as security

Until the date of issue of this report, there were no movements in contingent liabilities or contingent assets, except for the expiry of guarantees on the stated dates.

Security created over the Group's assets as at March 31st 2022 is presented below.

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for PROKURA NS FIZ's liabilities under the revolving credit facility of July 2nd 2015, as amended, between PROKURA NS FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 105,000 thousand	No later than July 1st 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of June 13th 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 54,900 thousand	No later than July 31st 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of June 21st 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 292 thousand and PLN 204 thousand	No later than December 30th 2022	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for PROKURA NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility agreement of December 20th 2018, as amended, between PROKURA NS FIZ, KRUK S.A. and ING Bank Śląski S.A.	ING Bank Śląski S.A.	PLN 300,000 thousand	No later than December 20th 2029	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A. and Bank Handlowy w Warszawie S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A.	EUR 447,000 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of February 7th 2019
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of September 21st 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 40,176 thousand	No later than September 20th 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of December 14th 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 81,510 thousand	No later than December 13th 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of February 1st 2022 between PROKURA NS FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 120,000 thousand	No later than January 31st 2031	Prokura NS FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement

### Credit sureties or guarantees, security pledges

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 Espana S.L.U. (the Borrowers) and KRUK S.A. (the Surety Provider), and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A. and Bank Handlowy w Warszawie S.A. (the Lenders), in order to secure liabilities under the agreement:

- on January 5th 2022, InvestCapital Ltd and DNB Bank ASA, acting as the security agent, signed an agreement under Romanian law establishing pledges over debt portfolios purchased by InvestCapital Ltd on the Romanian market;

- on January 24th 2022, InvestCapital Ltd and DNB Bank ASA, acting as the security agent, signed an agreement under Italian law establishing pledges over bonds issued by Kruk Investimenti and the bank account of InvestCapital LTD to which proceeds from the bonds are paid.
- on April 25th 2022 (subsequent to the reporting date), additional bonds issued by ItaCapital S.r.l. were pledged pursuant to an agreement of July 3rd 2017 made between InvestCapital LTD and DNB Bank ASA, as the security agent, under Italian law, creating pledges over bonds and the bank account of InvestCapital LTD to which proceeds from the bonds are paid. As at March 31st 2022, the value of the additional pledge created under the agreement was PLN 79,241 thousand.

As at March 31st 2022, the value of the security created in favour of the Lenders was PLN 2,440,385 thousand.

On September 14th and December 21st 2021, PROKURA NS FIZ (the Borrower) and KRUK S.A. (the Surety Provider) entered into credit facility agreements with PKO BP S.A. In order to secure liabilities arising under the agreements:

- on January 10th 2022 PROKURA NS FIZ and PKO BP S.A. signed two agreements to create registered pledges over a set of rights (debt portfolios owned by PROKURA NS FIZ). On January 12th 2022, applications were filed with the court to enter the pledges in the pledge register. According to relevant notifications, the pledge pertaining to the credit facility agreement of September 14th 2021 was created up to the maximum amount of PLN 44,640 thousand, whereas the pledge pertaining to the credit facility agreement of December 21st 2021 was created up to the maximum amount of PLN 85,800 thousand.

As at March 31st 2022, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 111,285 thousand.

On February 1st 2022, an overdraft facility agreement was concluded between PROKURA NS FIZ as the borrower, KRUK S.A. as the surety provider, and Bank Polska Kasa Opieki S.A. as the lender. The maximum facility amount is PLN 80,000 thousand. In order to secure liabilities arising under the agreement:

- on February 8th 2022, PROKURA NS FIZ and the Lender executed an agreement establishing a financial pledge over the former's bank account held with Polska Kasa Opieki Spółka Akcyjna and authorising the Lender to exercise control over that account;
- on February 8th 2022, KRUK S.A. issued a surety for liabilities of the borrower Prokura NS FIZ arising under the credit facility agreement. The surety has been provided for up to PLN 120,000 thousand and will expire on or before January 31st 2031. In connection with the surety, KRUK S.A. provided a statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 120m, which will expire on or before January 31st 2031.
- on February 21st 2022, PROKURA NS FIZ provided a statement of submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 120,000 thousand, which will expire on or before January 31st 2030.

On February 1st 2022, an overdraft facility agreement was concluded between KRUK S.A. as the borrower and Bank Polska Kasa Opieki S.A. as the lender. The maximum facility amount is PLN 40m. In order to secure liabilities arising under the agreement:

- on February 4th 2022, KRUK S.A. granted a power of attorney to the Lender authorising the latter to exercise control over the former's bank account held with Polska Kasa Opieki S.A.;
- on February 21st 2022, KRUK S.A. provided a statement of submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 60,000 thousand, which will expire on or before December 31st 2030.

In connection with the credit facility agreement of December 22nd 2021 between Getin Noble Bank S.A. and KRUK S.A., in order to secure liabilities arising under the agreement:

- on February 15th 2022, KRUK S.A. provided a statement of submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150,000 thousand, which will expire on or before December 31st 2029.
- on April 21st 2022 (subsequent to the reporting date), KRUK S.A. entered into an agreement with Getin Noble Bank S.A. to create a financial and registered pledge over investment certificates issued by PROKURA NS FIZ and acquired by KRUK S.A. On April 26th, an application was filed with the court to enter the pledge in the pledge register. The registered pledge will be created for the maximum secured amount of PLN 150,000 thousand. As at March 31st 2022, the value of the certificates pledged under the agreement was PLN 127,627 thousand.

In connection with the credit facility agreement of December 20th 2018, as amended, between Prokura NS FIZ (the Borrower), Kruk S.A. (the Surety Provider) and ING Bank Śląski S.A. (the Lender), in order to secure liabilities arising under the agreement:

- on March 28th 2022, PROKURA NS FIZ entered into an agreement with ING Bank Śląski S.A. to create a registered pledge over a set of rights (debt portfolios owned by PROKURA NS FIZ). On April 5th 2022, an application was filed with the court to enter the pledge in the pledge register.
- on March 29th 2022, PROKURA NS FIZ entered into an agreement with ING Bank Śląski S.A. to create a registered pledge over a set of rights (debt portfolios owned by PROKURA NS FIZ). On April 5th 2022, an application was filed with the court to enter the pledge in the pledge register.

As at March 31st 2022, the value of all debt portfolios pledged in favour of ING Bank Śląski S.A. totalled PLN 418,855 thousand.

#### **17. Events subsequent to the reporting date not disclosed in these financial statements but potentially having a material bearing on the Group's future performance**

With the share capital increase registered on April 19th 2022 and on April 22nd 2022, the share capital of the Parent was increased by PLN 387,685 (respectively PLN 272,853 and PLN 114,832) through the issue of Series F shares, to PLN 19,127,730 comprising 19,127,730 shares with a par value of PLN 1 per share.

After the end of the first quarter of 2022, there were no other events with a potential material bearing on the Group's future performance.

**Piotr Krupa**

*CEO and 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*

**Monika Grudzień-Wiśniewska**

*Person keeping the  
accounting records*

**Hanna Stempień**

*Prepared by*

*Wrocław, April 27th 2022*