



FINANCIAL HIGHLIGHTS OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited	Jan 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited
For the period				
Revenue	1,339,208	791,602	293,783	178,207
Operating profit	707,345	207,224	155,171	46,651
Profit before tax	650,491	109,023	142,699	24,543
Net profit attributable to owners of the Parent	565,475	34,551	124,049	7,778
Net cash from operating activities	114,083	795,687	25,027	179,126
Purchase of debt portfolios at prices as per agreement	(932,576)	(112,601)	(204,580)	(25,349)
Cash recoveries	1,614,855	1,346,246	354,252	303,069
Net cash from investing activities	(6,366)	(8,954)	(1,397)	(2,016)
Net cash from financing activities	(76,157)	(671,283)	(16,707)	(151,120)
Net change in cash	31,560	115,451	6,923	25,990
Diluted earnings per share (PLN/EUR)	29.33	1.79	6.43	0.40
Average number of shares ('000)	19,011	18,972	19,011	18,972
Earnings per share (PLN/EUR)	29.74	1.82	6.52	0.41
	Sep 30 2021 Unaudited	Dec 31 2020 Unaudited	Sep 30 2021 Unaudited	Dec 31 2020 Unaudited
As at				
Total assets	5,283,100	4,643,031	1,140,344	1,006,118
Non-current liabilities	2,229,617	1,763,322	481,257	382,102
Current liabilities	627,772	836,249	135,503	181,210
Equity	2,425,710	2,043,460	523,584	442,806
Share capital	19,011	19,011	4,103	4,120
Book value per ordinary share	127.60	107.49	27.54	23.29

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:

for the reporting period **4.5585**
for the comparative period **4.4420**

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:

at the end of the reporting period **4.6329**
at end of the comparative period **4.6148**



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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I. Consolidated statement of financial position

As at Sep 30 2021

PLN '000

	Note	Sep 30 2021 Unaudited	Jun 30 2021 Unaudited	Dec 31 2020	Sep 30 2020 Unaudited restated
Assets					
Cash and cash equivalents	11.15	177,113	528,196	145,552	265,725
Trade receivables	11.14	16,868	11,569	16,804	27,745
Other receivables	11.14	24,804	17,533	28,357	39,779
Inventories	10	29,013	24,975	32,069	34,491
Investments	10	4,835,846	4,600,943	4,208,724	3,983,956
Deferred tax asset	5; 11.8	34,944	31,500	31,180	28,816
Property, plant and equipment		80,813	79,160	91,864	85,434
Goodwill		24,006	23,451	23,916	22,631
Other intangible assets		43,526	44,269	50,729	48,216
Other assets		16,168	11,724	13,836	3,409
Total assets		5,283,100	5,373,320	4,643,031	4,540,202
Equity and liabilities					
Liabilities					
Trade and other payables	5; 11.17	116,121	164,303	112,227	117,694
Liabilities under dividend	16	-	206,140	-	-
Derivatives	11.10	5,374	3,176	11,236	6,932
Hedging instruments	11.11	5,006	8,403	18,386	21,044
Employee benefit obligations	5; 11.16	45,936	47,565	42,860	39,365
Income tax payable		20,897	27,804	5,223	7,828
Borrowings, debt securities and leases	11.9	2,427,034	2,496,975	2,222,176	2,148,188
Provisions	5; 11.18	58,580	55,988	53,124	47,121
Deferred tax liability	5; 11.8	178,442	156,822	134,339	88,160
Total liabilities		2,857,389	3,167,176	2,599,571	2,476,331
Equity					
Share capital		19,011	19,011	19,011	18,972
Share premium		310,430	310,430	310,430	307,192
Cash flow hedging reserve		(2,269)	(4,800)	(14,783)	(17,441)
Translation reserve		77,891	37,431	81,360	60,333
Other capital reserves		117,613	110,790	103,626	197,210
Retained earnings		1,903,462	1,733,770	1,544,127	1,497,322
Equity attributable to owners of the Parent		2,426,138	2,206,632	2,043,771	2,063,587
Non-controlling interests		(427)	(488)	(311)	284
Total equity		2,425,710	2,206,144	2,043,460	2,063,871
Total equity and liabilities		5,283,100	5,373,320	4,643,031	4,540,202

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

For the reporting period January 1st–September 30th 2021

PLN '000

	Note	Jan 1–Sep 30 2021 Unaudited	Jul 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Restated	Jul 1–Sep 30 2020 Restated
Continuing operations					
Interest income on debt portfolios and loans measured at amortised cost	5; 11.1	786,398	277,487	830,528	261,846
Interest income on loans measured at fair value	5; 11.1	31,303	8,358	546	546
Revenue from sale of debts and loans	5; 11.1	5,077	1,303	(254)	1,996
Other income/expenses from purchased debt portfolios	5; 11.1	(22,003)	(4,666)	(24,399)	(5,279)
Revenue from other services		52,324	17,969	51,877	16,347
Other income	11.1	2,030	600	17,875	3,284
Change in investments measured at fair value	11.1	830	(1,227)	-	-
Gain/(loss) on expected credit losses	5; 11.1	485,280	145,556	(66,696)	59,719
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios		1,341,238	445,380	809,477	338,460
Employee benefits expense	11.3	(284,551)	(96,382)	(250,430)	(80,983)
Depreciation and amortisation		(37,025)	(11,485)	(34,669)	(11,487)
Services	11.2	(104,766)	(38,479)	(99,978)	(31,789)
Other expenses	11.4	(207,552)	(75,688)	(217,176)	(59,411)
		(633,894)	(222,034)	(602,253)	(183,670)
Operating profit		707,345	223,347	207,224	154,790
Finance income	11.5	222	196	101	36
Finance costs	11.6	(57,076)	(30,552)	(98,302)	(28,272)
<i>including interest expense relating to lease liabilities</i>		(1,580)	(500)	(1,941)	(629)
Net finance costs		(56,854)	(30,356)	(98,201)	(28,236)
Profit/(loss) before tax		650,491	192,991	109,023	126,553
Income tax	11.8	(85,132)	(23,236)	(74,576)	(72,791)
Net profit/(loss) for period		565,359	169,755	34,447	53,762
Net profit/(loss) attributable to:					
Owners of the Parent	11.12	565,475	169,692	34,551	53,844
Non-controlling interests		(116)	63	(104)	(82)

Net profit/(loss) for period	565,359	169,755	34,447	53,762
Earnings/(loss) per share				
Basic (PLN)	29.74	8.92	1.82	2.83
Diluted (PLN)	29.33	9.06	1.79	2.80

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

For the reporting period January 1st–September 30th 2021

PLN '000

	Note	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
		Unaudited	Unaudited	Unaudited	Unaudited
Net profit/(loss) for period		565,359	169,755	34,447	53,762
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Translation reserve		(3,469)	40,460	90,552	17,579
Cash flow hedges		12,513	2,531	(17,519)	1,630
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Other comprehensive income for the period, net		9,044	42,991	73,033	19,210
Total comprehensive income for period		574,403	212,746	107,479	72,971
Total comprehensive income attributable to:					
Owners of the Parent		574,519	212,683	107,583	73,053
Non-controlling interests		(116)	63	(104)	(82)
Total comprehensive income for period		574,403	212,746	107,479	72,971
Comprehensive income/ (loss) per share					
Basic (PLN)		30.21	11.21	5.67	3.85
Diluted (PLN)		29.80	11.05	5.58	3.79

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 nine months ended September 30th 2021

(PLN '000)

<i>Note</i>	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
Equity as at Jan 1 2021	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771	(311)	2,043,460
Comprehensive income for the period									
Net profit for period	-	-	-	-	-	565,475	565,475	(116)	565,359
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	(3,469)	-	-	(3,469)	-	(3,469)
- Measurement of hedging instruments	-	-	12,513	-	-	-	12,513	-	12,513
Total other comprehensive income	-	-	12,513	(3,469)	-	-	9,044	-	9,044
Total comprehensive income for period	-	-	12,513	(3,469)	-	565,475	574,519	(116)	574,403
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	(206,140)	(206,140)	-	(206,140)
- Issue of shares	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	13,987	-	13,987	-	13,987
Total contributions from and distributions to owners	-	-	-	-	13,987	(206,140)	(192,153)	-	(192,153)
Total equity as at Sep 30 2021	19,011	310,430	(2,269)	77,891	117,613	1,903,462	2,426,138	(427)	2,425,710

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 2020
(PLN '000)

<i>Note</i>	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
Equity as at Jan 1 2020	18,972	307,192	78	(30,219)	104,582	1,557,821	1,958,426	667	1,959,093
Comprehensive income for the period									
Net profit for period	-	-	-	-	-	81,356	81,356	(358)	80,998
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	111,579	-	-	111,579	-	111,579
- Measurement of hedging instruments	-	-	(14,861)	-	-	-	(14,861)	-	(14,861)
Total other comprehensive income	-	-	(14,861)	111,579	-	-	96,718	-	96,718
Total comprehensive income for period	-	-	(14,861)	111,579	-	81,356	178,074	(358)	177,716
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	-	-	(667)	(667)
- Issue of shares	39	3,238	-	-	-	-	3,277	-	3,277
- Share-based payments	-	-	-	-	(1,156)	-	(1,156)	-	(1,156)
- Allocation of profit to capital reserve for buyback of shares	-	-	-	-	95,050	(95,050)	-	-	-
- Share buyback	-	-	-	-	(94,850)	-	(94,850)	-	(94,850)
- Changes in equity attributable to non-controlling interests upon acquisition of control/(loss of control) of subsidiaries	-	-	-	-	-	-	-	47	47
Total contributions from and distributions to owners	39	3,238	-	-	(956)	(95,050)	(92,729)	(620)	(93,349)
Total equity as at Dec 31 2020	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771	(311)	2,043,460

For the nine months ended September 30th 2020
(PLN '000)

<i>Note</i>	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
Equity as at Jan 1 2020	18,972	307,192	78	(30,219)	104,582	1,557,821	1,958,426	667	1,959,093
Comprehensive income for the period									
Net profit for period	-	-	-	-	-	34,551	34,551	(104)	34,447
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	90,552	-	-	90,552	-	90,552
- Measurement of hedging instruments	-	-	(17,519)	-	-	-	(17,519)	-	(17,519)
Total other comprehensive income	-	-	(17,519)	90,552	-	-	73,033	-	73,033
Total comprehensive income for period	-	-	(17,519)	90,552	-	34,551	107,583	(104)	107,479
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	-	-	(280)	(280)
- Issue of shares	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	(2,422)	-	(2,422)	-	(2,422)
- Allocation of profit to capital reserve for buyback of shares	-	-	-	-	95,050	(95,050)	-	-	-
Total contributions from and distributions to owners	-	-	-	-	92,628	(95,050)	(2,422)	(280)	(2,702)
Total equity as at Sep 30 2020	18,972	307,192	(17,441)	60,333	197,210	1,497,322	2,063,587	284	2,063,871

V. Consolidated statement of cash flows

For the reporting period January 1st–September 30th 2021

PLN '000

	Jan 1–Sep 30 2021 Unaudited	Jul 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited	Jul 1–Sep 30 2020 Unaudited
Cash flows from operating activities				
Net profit for period	565,359	169,755	34,447	53,762
<i>Adjustments</i>				
Depreciation of property, plant and equipment	26,770	8,182	24,143	3,643
Amortisation of intangible assets	10,255	3,303	10,526	7,844
Net finance costs	56,854	30,356	100,450	28,950
(Gain)/loss on sale of property, plant and equipment	(163)	80	(525)	43
Equity-settled share-based payments	13,987	6,823	(2,422)	1,238
Income tax	85,132	23,236	74,576	72,791
Change in loans	(75,817)	(44,848)	7,739	(4,457)
Change in debt portfolios purchased	(555,931)	(152,282)	532,916	113,136
Change in inventories	3,056	(4,038)	201	3,527
Change in trade and other receivables	3,489	(12,570)	(17,573)	(11,644)
Change in other assets	(2,332)	(4,443)	(389)	(2,447)
Change in trade and other payables	3,894	(48,182)	26,983	18,496
Change in employee benefit obligations	3,076	(1,629)	2,035	801
Change in provisions	5,456	2,592	17,163	4,820
Share of minority profits	116	(63)	104	82
Income tax paid	(29,118)	(11,967)	(14,687)	(6,860)
Net cash from operating activities	114,083	(35,695)	795,687	283,724
Cash flows from investing activities				
Interest received	222	196	101	36
Sale of intangible assets and property, plant and equipment	5,084	282	1,952	203
Purchase of intangible assets and property, plant and equipment	(11,673)	(7,725)	(11,007)	(1,458)
Net cash from investing activities	(6,366)	(7,247)	(8,954)	(1,219)
Cash flows from financing activities				
Proceeds from issue of debt securities	485,000	65,000	24,562	24,562
Increase in borrowings	1,547,000	237,020	272,151	(46,257)
Repayment of borrowings	(1,414,055)	(338,128)	(857,227)	(217,656)
Payments under lease contracts	(18,032)	(6,557)	(17,752)	(6,410)
Dividends paid	(206,140)	(206,140)	(280)	(64)
Redemption of debt securities	(400,000)	(35,000)	(13,360)	-
Interest paid	(69,931)	(24,336)	(79,377)	(21,620)
Net cash from financing activities	(76,157)	(308,141)	(671,283)	(267,445)
Total net cash flows	31,560	(351,083)	115,451	15,061
Cash and cash equivalents at beginning of period	145,552	528,196	150,274	250,664

Cash and cash equivalents at end of period	<u>177,113</u>	<u>177,113</u>	<u>265,725</u>	<u>265,725</u>
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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–September 30th 2021 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

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

As at September 30th 2021, the Parent’s Management Board was composed of the following persons:

Piotr Krupa	President of the Management Board
Piotr Kowalewski	Member of the Management Board
Adam Łodygowski	Member of the Management Board
Urszula Okarma	Member of the Management Board
Michał Zasepa	Member of the Management Board

On March 25th 2021, the Parent’s Management Board was appointed for a new joint three-year term of office. In the three months ended September 30th 2021 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at September 30th 2021, the composition of the Parent's Supervisory Board was as follows:

Piotr Stępnia	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Mateusz Melich	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

In the three months to September 30th 2021 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

KRUK Group

As at the issue date of this report, the Group comprised KRUK S.A. of Wrocław, 24 subsidiaries, and 2 entities controlled through personal links:

Subsidiary	Registered office	Principal business activity
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for litigation and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses
KRUK Romania S.r.l.	Bucharest	Management of debt portfolios purchased by the KRUK Group, credit management services
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Prokura NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies
ERIF Business Solutions Sp. z o.o.	Wrocław	Financial and agency services and support for small and medium-sized enterprises
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, and Bison NS FIZ funds
InvestCapital Ltd.	Malta	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
RoCapital IFN S.A.	Bucharest	Purchase and management of mortgage-backed portfolios and lending activities
KRUK Deutschland GmbH	Berlin	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Italia S.r.l.	Milan	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Italy and other European countries
ItaCapital S.r.l.	Milan	Investing in debt or debt-backed assets

Subsidiary	Registered office	Principal business activity
KRUK Espana S.L.	Madrid	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Spain and other European countries, as well as debt trading
ProsperoCapital S.à r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies
Presco Investments S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Elleffe Capital S.r.l.	La Spezia	Investing in debt or debt-backed assets
AgeCredit S.r.l.	Cesena	Credit management company operating in Italy
Bison NS FIZ (closed-end investment fund)	Wrocław	Fund based on professional risk assessment and credit management methodologies
Wonga.pl sp. z o.o.	Warsaw	Company operating in the consumer lending market
KRUK Investimenti S.r.l.	Milan	The principal business activity of the company involves investment in debt portfolios.
Zielony Areal sp. z o.o.	Wrocław	Buying and selling of own real estate, including farmland

Entity controlled through personal links	Registered office	Principal business activity
Corbul S.r.l	Bucharest	Detective activities
Gantoi, Furculita Si Asociatii S.p.a.r.l.	Bucharest	Law firm

All the subsidiaries listed above are included in these condensed consolidated financial statements as at September 30th 2021 and for the period January 1st–September 30th 2021, save for Zielony Areal Sp. z o.o. of Wrocław, a subsidiary established pursuant to a deed of incorporation dated September 9th 2021 and entered in the Business Register on October 4th 2021.

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



The Company operates three local offices, which are located 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	
		Sep 30 2021	Dec 31 2020
SeCapital S.à r.l. ¹	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
Secapital Polska Sp. z o.o. (in liquidation) ⁴	Poland	-	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	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 ¹	Poland	100%	100%
InvestCapital Ltd ¹	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.à r.l. ²	Luxembourg	100%	100%
Presco Investments S.a.r.l. ¹	Luxembourg	100%	100%
Presco Investments I NS FIZ ¹	Poland	100%	100%
BISON NS FIZ ¹	Poland	100%	100%
Elleffe Capital S.r.l. ¹	Italy	100%	100%
Corbul S.r.l. ³	Romania	-	-
Gantoi, Furculita Si Asociatii S.p.a.r.l. ³	Romania	-	-
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
KRUK Investimenti S.r.l. ⁵	Italy	100%	-

¹ Subsidiaries in which the Company indirectly holds 100% of the share capital.

² ProsperoCapital S.a.r.l is a party to a joint arrangement.

³ The Parent controls the company through a personal link.

⁴ Entity dissolved through liquidation in the three months ended March 31st 2021.

⁵ Entity established in the second quarter of 2021.

2. Reporting period

The reporting period is the period from January 1st 2021 to September 30th 2021 and the comparative period is the period from January 1st 2020 to September 30th 2020. The consolidated statement of financial position was prepared as at September 30th 2021 and the comparative data was presented as at September 30th 2020, June 30th 2021 and December 31st 2020. The consolidated statement of changes in equity was prepared for the period from January 1st 2021 to September 30th 2021 and the comparative periods are from January 1st 2020 to September 30th 2020 and from January 1st 2020 to December 31st 2020. The quarterly financial data is presented for the periods from July 1st 2021 to September 30th 2021 and from July 1st 2020 to September 30th 2020.

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 2020.

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. The going concern assumption was reviewed in the light of COVID-19.

These interim condensed financial statements were authorised for issue by the Parent's Management Board (the "Management Board") on November 2nd 2021.

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 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 2020.

The accounting policies applied to prepare the interim condensed financial statements as at September 30th 2020 and for the period January 1st–September 30th 2020 are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2020.

These financial statements comply with the requirements of 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 2021.

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

New standards, interpretations and amendments to published standards which were endorsed and published by the European Union and took effect as of/after January 1st 2021, applied by the Group in accordance with their effective periods:

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
Amendments to IFRS 4 <i>Insurance Contracts</i>	The amendments extend the temporary exemption from IFRS 9 <i>Financial Instruments</i> by two years to annual periods beginning on January 1st 2023, for alignment with the effective date of IFRS 17 <i>Insurance Contracts</i> (replacing IFRS 4 <i>Insurance Contracts</i>).	The amendments have no significant effect on the consolidated financial statements.	January 1st 2021
Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases: Interest Benchmark Reform – Phase 2</i>	The purpose of the amendments is to facilitate the provision of financial statements to users and to assist entities preparing IFRS-compliant financial statements to provide useful information in a case where a change in the benchmark rate results in a change in contractual cash flows or hedging relationships. The amendments provide for a practical expedient for certain changes in contractual cash flows and exemption from certain hedge accounting requirements.	The amendments have no significant effect on the consolidated financial statements.	January 1st 2021

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 for the periods beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates</i>)	<p>The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognised depends on whether the assets sold or contributed to an associate or joint venture constituted a business:</p> <ul style="list-style-type: none"> the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not), the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary. 	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	<p>January 1st 2016</p> <p><i>(The European Commission has decided to indefinitely postpone endorsement of these amendments)</i></p>
IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 replaces the transitional IFRS 4 <i>Insurance Contracts</i> introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national standards, which resulted in the application of many different solutions.</p> <p>IFRS 17 solves the comparability problem created by IFRS 4 by requiring consistent recognition of all insurance contracts, to the benefit of both investors and insurers. Contractual obligations will be recognised at present value rather than historical cost.</p>	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IFRS 3 <i>Business Combinations</i> , IAS 16 <i>Property, Plant and Equipment</i> , and IAS 37	The package of amendments includes narrow-scope amendments to three standards:	The Group does not expect the amendments to have a significant impact on its	January 1st 2022

Standards and interpretations not yet 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
<p><i>Provisions, Contingent Liabilities and Contingent Assets</i>, as well as Annual Improvements to IFRSs 2018-2020 Cycle.</p>	<ul style="list-style-type: none"> • Amendments to IFRS 3 <i>Business Combinations</i>, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; • Amendments to IAS 16 <i>Property, Plant and Equipment</i>, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use; Instead, the company will recognise such sale proceeds and related cost in profit or loss for the period, • Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, which specify which costs a company should include when assessing whether a contract will be loss-making. <p>The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which explain the terminology used and correct minor inconsistencies, omissions or contradictions between the requirements of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>, IFRS 9 <i>Financial Instruments</i>, IAS 41 <i>Agriculture</i>, and Illustrative Examples in IFRS 16 <i>Leases</i>.</p>	<p>consolidated financial statements.</p>	
<p>Amendments to IAS 1 <i>Presentation of Financial Statements</i></p>	<p>The amendments affect the requirements of IAS 1 concerning the presentation of liabilities. In particular, they explain one of the criteria for classifying a liability as non-current.</p>	<p>The Group does not expect the amendments to have a significant impact on its consolidated financial statements.</p>	<p>January 1st 2023</p>
<p>Amendments to IAS 1 <i>Presentation of Financial Statements</i> and the IASB Practice</p>	<p>The amendment to IAS 1 requires entities to disclose their material accounting policy information, which is defined in the Standard. It clarifies that accounting policy information is material if users of an entity's financial statements would</p>	<p>The Group does not expect the amendments to have a significant impact on its</p>	<p>January 1st 2023</p>

Standards and interpretations not yet 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
Statement on Disclosure of Accounting Policies	need it to understand other material information in the financial statements. In addition, the IASB's guidance was amended with respect to the application of the materiality concept in practice, to provide guidance on the application of the materiality concept to accounting policy disclosures.	consolidated financial statements.	
Amendment to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IFRS 16 <i>Leases – extension</i>	The amendments provide for the possibility of exempting lessees from having to account for rent concessions as modifications in accordance with IFRS 16 if they meet certain conditions and are a direct consequence of the COVID-19 pandemic. Extension of the exemption by one year from June 30th 2021 (amendment of May 2020)	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	April 1st 2021
Amendments to IAS 12 <i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>	Changes in deferred tax on transactions such as leases and decommissioning obligations.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023

5. Restatement of previously reported financial data

The following restatements were made in the full-year consolidated financial statements for 2020. Accordingly, in these interim condensed consolidated financial statements data as at September 30th 2020 and for the three and nine months ended September 30th 2020 were restated to ensure their comparability.

The originally reported amounts, their restatement, and restated figures are presented as appropriate in relevant sections below.

Adjustment to the set-off of deferred tax assets against deferred tax liabilities

In the interim condensed consolidated financial statements issued for the period January 1st–September 30th 2020, the set-off of deferred tax assets as at September 30th 2020 against deferred tax liabilities as at that date was made for the entire KRUK Group, rather than for individual taxpayers within a single tax jurisdiction, holding a legally enforceable right to set off the amounts.

The data presented in the consolidated statement of financial position for the period January 1st 2020–September 30th 2020 was adjusted as follows:

<i>PLN '000</i>	Sep 30 2020 Originally reported	Change	Sep 30 2020 Restated
Assets			
Deferred tax asset	-	28,816	28,816
Liabilities			
Deferred tax liability	59,344	28,816	88,160

Enhancing comparability

- In 2020, the Group broke down revenue items in the consolidated statement of profit or loss. The data presented in the interim condensed consolidated financial statements for the period January 1st – September 30th 2020 was restated to ensure comparability. The effect of the change on the statement of profit or loss is presented below.

PLN '000	Jan 1–Sep 30 2020 Originally reported	Change	Jan 1–Sep 30 2020 Restated	Jul 1–Sep 30 2020 Originally reported	Change	Jul 1–Sep 30 2020 Restated
Revenue	791,602	(791,602)	-	335,176	(335,176)	-
Interest income on debt portfolios and loans measured at amortised cost		830,528	830,528		261,846	261,846
Interest income on loans measured at fair value		546	546		546	546
Revenue from sale of debts and loans		(254)	(254)		1,996	1,996
Other income/expenses from purchased debt portfolios		(24,399)	(24,399)		(5,279)	(5,279)
Revenue from other services*		51,877	51,877		16,347	16,347
Other income	17,875		17,875	3,284		3,284
Change in investments measured at fair value		-	-		-	-
Gain/(loss) on expected credit losses		(66,696)	(66,696)		59,719	59,719
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios	809,477	-	809,477	338,460	-	338,460

*Revenue from the provision of services includes revenue from fee-based credit management services as well as 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.

For better understanding of the effects of the restatement, the table below presents the restated data that was previously disclosed under *Revenue* as *Revenue from purchased debt portfolios* in Note 11.1:

Revenue from purchased debt portfolios

PLN '000

	Jan 1–Sep 30 2020		Interest income*	Other income/expenses from purchased debt portfolios*	costs of loyalty scheme valuation	costs of provision for overpayments	Foreign currency gains/(losses)	Gain/(loss) on expected credit losses from debt portfolios*	Revaluation of recovery projections	Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	Gain/(loss) on sale of debts*
	Originally reported	Change									
Interest income from debt portfolios	737,562	(737,562)	737,562								
Other income from purchased debt portfolios	133,330	(133,330)									
of which:											
<i>Deviations of actual recoveries, decreases on early collections in collateralised cases</i>	146,547	(146,547)						146,547		146,547	
<i>costs of loyalty scheme valuation</i>	(8,083)	8,083		(8,083)	(8,083)						
<i>costs of provision for overpayments</i>	(5,134)	5,134		(5,134)		(5,134)					
Revaluation of debt portfolios	(214,074)	214,074									
of which:											
<i>Revaluation of recovery projections</i>	(202,892)	202,892						(202,892)	(202,892)		
<i>Foreign currency gains/(losses)</i>	(11,182)	11,182		(11,182)			(11,182)				
Gain/(loss) on sale of debts	3,352	(3,352)									3,352
Foreclosure of property	13,166	(13,166)						13,166		13,166	
Gain/(loss) on sale of property	182	(182)						182		182	
	673,518	(673,518)	737,562	(24,399)	(8,083)	(5,134)	(11,182)	(42,997)	(202,892)	159,895	3,352

*Data presented in the new format in Note 11.1.

Revenue from purchased debt portfolios

PLN '000

	Jul 1–Sep 30 2020 Originally reported	Change	Interest income*	Other income/expenses from purchased debt portfolios*	costs of loyalty scheme valuation	costs of provision for overpayments	Foreign currency gains/(losses)	Gain/(loss) on expected credit losses from debt portfolios*	Revaluation of recovery projections	Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	Gain/(loss) on sale of debts*
Interest income from debt portfolios	234,596	(234,596)	234,596								
Other income from purchased debt portfolios	70,425	(70,425)									
of which:	-										
Deviations of actual recoveries, decreases on early collections in collateralised cases	71,657	(71,657)						71,657		71,657	
costs of loyalty scheme valuation	(964)	964		(964)	(964)						
costs of provision for overpayments	(268)	268		(268)		(268)					
Revaluation of debt portfolios	(14,187)	14,187									
of which:	-										
Revaluation of recovery projections	(10,140)	10,140						(10,140)	(10,140)		
Foreign currency gains/(losses)	(4,047)	4,047		(4,047)			(4,047)				
Gain/(loss) on sale of debts	1,996	(1,996)									1,996
Foreclosure of property	1,520	(1,520)						1,520		1,520	
Gain/(loss) on sale of property	205	(205)						205		205	
	294,555	(294,555)	234,596	(5,279)	(964)	(268)	(4,047)	63,242	(10,140)	73,382	1,996

*Data presented in the new format in Note 11.1.

- To better reflect the relevant economic substance, as at December 31st 2020 The Group changed the presentation of its loyalty scheme provision (previously disclosed under *Trade and other payables*) and provision for retirement gratuities (previously disclosed under *Employee benefit obligations*) by moving them to *Provisions*.

The data presented in the interim condensed consolidated financial statements for the period January 1st – September 30th 2020 was restated to ensure comparability. The effect of the change on the consolidated statement of financial position is presented below.

<i>PLN '000</i>	Sep 30 2020 Originally reported	Change	Sep 30 2020 Restated
Liabilities			
Trade and other payables	128,286	(10,592)	117,694
Employee benefit obligations	51,574	(12,209)	39,365
Provisions	24,319	22,801	47,121

6. 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. In particular, the Group's estimates as at September 30th 2021 reflected the impact of COVID-19 on the Group's assets and liabilities. However, given a considerable degree of uncertainty regarding further economic developments, these estimates may be subject to change in the future.

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 2020 (PLN '000)	Sep 30 2021 (PLN '000)		
Investments in debt portfolios	3 984,080	4,535,385	10	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods or based on a legal and economic analysis of individual claims or indebted persons (case-by-case analysis). The method of estimating cash flows under a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio.</p> <p>The KRUK Group prepares projections for recoveries from debt portfolios separately for each market. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors.</p> <p>The original forecast of estimated cash receipts, taking into account the initial value (purchase price plus directly allocated transaction costs), is the basis for calculating the effective interest rate, equal to the internal rate of return including an element that reflects credit risk, used for discounting estimated cash receipts, which remains unchanged throughout the life of a portfolio.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2020 (PLN '000)	Sep 30 2021 (PLN '000)		
Goodwill	23,916	24,006		Goodwill impairment is estimated based on the expected discounted cash flows to be derived from a cash-generating unit. The discount rate used to discount expected cash flows reflects the current market assessment of the asset risk for the debt collection industry.
Loans measured at amortised cost	152,666	237,227	10	Loans advanced by the KRUK Group are measured at amortised cost, using the effective interest rate method, and recognised net of expected credit losses. Expected credit losses are part of the estimate. They are estimated on the basis of expected cash flows.
Loans measured at fair value through profit or loss	71,978	63,234	10	Loans that do not meet the SPPI test are measured at fair value. The fair value of loans was determined based on Level 3, that is based on the forecast of expected cash flows. The present value of discounted future cash flows equals the expected cash flow for the loan portfolio concerned. The expected cash flows for a loan portfolio are determined based on the so-called 'repayment curves' for homogeneous loan groups for each month as of the grant of a given loan group. 'Repayment curves' are determined on the basis of historical repayments of loans advanced in the past, at monthly intervals.
Lease liabilities	78,592	70,211	11.9	The application of IFRS 16 requires making estimates and calculations that affect the measurement of lease liabilities and right-of-use assets. These include: <ul style="list-style-type: none"> • reviewing long-term lease contracts and identifying contracts covered by IFRS 16, • determining the lease term, • determining the marginal interest rates to be used to discount future cash flows, • identifying useful lives and determining depreciation rates for the right-of-use assets.
Right-of-use assets	61,211	50,608		

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2020 (PLN '000)	Sep 30 2021 (PLN '000)		
Other provisions	29,008	32,331	11.18	As at September 30th 2021, the Group assessed the legal risk arising from the CJUE ruling on consumer loans and estimated the possible amount of cash outflow for the reimbursement of early repayment fees to clients. The estimates required the Group to make expert assumptions, primarily concerning the scale of complaints and the amounts refunded prior to the CJEU judgment as well as the effect and the expected scale of prepayments and future refunds on on-balance sheet exposures. The estimates involve a certain amount of uncertainty.
Derivatives	11,236 (liabilities)	5,374 (liabilities)	11.10	The Group estimates the fair value of derivative instruments as at each reporting date. Difference in discounted interest cash inflows and outflows in two different currencies, expressed in the valuation currency. The inputs include interest rate curves, basis spreads and the National Bank of Poland's fixing for the respective currencies, as provided by the Bank.
Hedging instruments	18,386 (liabilities)	5,006 (liabilities)	11.11	The Group estimates the fair value of its hedging instruments as at each reporting date. Difference in discounted interest cash flows based on floating and fixed interest rates. The inputs include the interest rate curve provided by the bank.

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Dec 31 2020 (PLN '000)	Sep 30 2021 (PLN '000)		
Deferred tax asset and liabilities	31,180 (Asset)	34,944 (Asset)	11.8	As the KRUK Group is able to control the timing of temporary differences with respect to subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast for the following years.
	134,339 (Liabilities)	178,442 (Liabilities)		
Investments in debt portfolios	81,953	67,109	10	The KRUK Group determined that the agreement executed with the co-investor in 2016 for the purchase of debt portfolios at ProsperoCapital S.à r.l on the Romanian market was a transaction meeting the definition of a joint operation rather than a joint venture, and therefore disclosed the transaction in the consolidated financial statements as a proportional share in the company's assets and liabilities rather than an equity-accounted transaction.
Functional currency at InvestCapital	86,460	79,764		InvestCapital carries out material transactions in three different currencies: EUR, PLN, and RON. Under IAS 21, the KRUK Group assesses the correctness of applying the functional currency for executed transactions on a quarterly basis, taking into account both historical and planned transactions. The functional currency of InvestCapital is EUR.

7. 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 2020. In the period from January 1st 2021 to September 30th 2020, there were no significant changes in the approach to financial risk management.

8. 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 September 30th 2021

	Poland		Romania	Italy	Spain	Other foreign markets	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl						
Revenue	619,155	62,588	328,649	203,204	80,781	44,831	-	1,339,208
Purchased debt portfolios	581,249	-	316,400	196,224	69,602	44,831	-	1,208,306
<i>including revaluation of recovery projections</i>	<i>95,845</i>	-	<i>103,181</i>	<i>24,797</i>	<i>(7,392)</i>	<i>7,500</i>	-	223,930
Credit management services	17,650	-	9,549	6,980	11,179	-	-	45,358
Other products	20,256	62,588	2,700	-	-	-	-	85,544
Direct and indirect costs								(447,883)
Purchased debt portfolios	-	-	-	-	-	-	-	(372,613)
Credit management services	-	-	-	-	-	-	-	(33,980)
Other products	-	-	-	-	-	-	-	(41,289)
Gross profit¹								891,326
Purchased debt portfolios	-	-	-	-	-	-	-	835,693
Credit management services	-	-	-	-	-	-	-	11,378
Other products	-	-	-	-	-	-	-	44,254
								-
Administrative expenses	-	-	-	-	-	-	-	(144,030)
								-
Other income	-	-	-	-	-	-	-	2,030
Other expenses (unallocated)	-	-	-	-	-	-	-	(4,957)
EBITDA²	416,617	24,943	244,239	77,477	17,360	21,774	(58,040)	744,369
Depreciation and amortisation	-	-	-	-	-	-	-	(37,025)
Finance income/(costs)	-	-	-	-	-	-	-	(56,854)
Profit before tax	-	-	-	-	-	-	-	650,491

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Income tax	-	-	-	-	-	-	-	(85,132)
Net profit	-	-	-	-	-	-	-	565,359
Carrying amount of debt portfolios	2,143,410	-	907,015	914,834	450,482	119,645	-	4,535,385
Carrying amount of loans	37,560	253,353	9,548	-	-	-	-	300,461
Cash recoveries	783,193	-	422,094	226,028	117,974	65,566	-	1,614,855

For the reporting period ended September 30th 2020

	Poland		Romania	Italy	Spain	Other foreign markets	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl						
Revenue	392,280	57,808	196,275	77,465	35,147	32,627	-	791,602
Purchased debt portfolios	358,543	-	185,015	69,787	27,546	32,627	-	673,518
<i>including revaluation of recovery projections</i>	<i>(43,681)</i>	-	<i>(41,141)</i>	<i>(74,263)</i>	<i>(41,127)</i>	<i>(2,681)</i>	-	<i>(202,892)</i>
Credit management services	16,543	-	9,456	7,678	7,601	-	-	41,278
Other products	17,194	57,808	1,804	-	-	-	-	76,806
Direct and indirect costs								(440,574)
Purchased debt portfolios	-	-	-	-	-	-	-	(331,824)
Credit management services	-	-	-	-	-	-	-	(56,194)
Other products	-	-	-	-	-	-	-	(52,556)
Gross profit¹								351,028
Purchased debt portfolios	-	-	-	-	-	-	-	341,694
Credit management services	-	-	-	-	-	-	-	(14,916)
Other products	-	-	-	-	-	-	-	24,250
Administrative expenses	-	-	-	-	-	-	-	(115,245)
Other income	-	-	-	-	-	-	-	17,875
Other expenses (unallocated)	-	-	-	-	-	-	-	(11,767)
EBITDA²	198,618	10,826	127,805	(31,678)	(43,390)	11,002	(31,291)	241,892
Depreciation and amortisation	-	-	-	-	-	-	-	(34,669)
Finance income/(costs)	-	-	-	-	-	-	-	(98,201)
Profit before tax	-	-	-	-	-	-	-	109,022

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Income tax	-	-	-	-	-	-	-	(74,575)
Net profit	-	-	-	-	-	-	-	34,447
Carrying amount of debt portfolios	1,687,936	-	884,323	748,785	335,848	120,187	-	3,777,079
Carrying amount of loans	31,968	169,697	5,213	-	-	-	-	206,878
Cash recoveries	637,633	-	382,116	182,166	79,475	64,855	-	1,346,246

¹ Gross profit = operating income - operating expenses.

² EBITDA = operating profit – depreciation and amortisation

9. Seasonality or cyclicity of business

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

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

Investments

<i>PLN '000</i>	Sep 30 2021 Unaudited	Dec 31 2020	Jun 30 2020 Unaudited
Investments in debt portfolios measured at amortised cost	4,535,385	3,984,080	3,777,079
Loans measured at amortised cost	237,227	152,666	188,176
Loans measured at fair value	63,234	71,978	18,702
	<u>4,835,846</u>	<u>4,208,724</u>	<u>3,983,956</u>

Investments measured at amortised cost

<i>PLN '000</i>	Sep 30 2021 Unaudited	Dec 31 2020	Jun 30 2020 Unaudited
Investments in debt portfolios	4,535,385	3,984,080	3,777,079
Loans measured at amortised cost	237,227	152,666	188,176
	<u>4,772,612</u>	<u>4,136,746</u>	<u>3,965,254</u>

Debt portfolios

Investments in debt portfolios

<i>PLN '000</i>	Sep 30 2021 Unaudited	Dec 31 2020	Jun 30 2020 Unaudited
Unsecured portfolios	3,836,457	3,285,231	3,049,112
Secured portfolios	698,929	698,849	727,967
	<u>4,535,385</u>	<u>3,984,080</u>	<u>3,777,079</u>

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 a change in the outlay of the purchased debt portfolio,
- period for which cash flows are estimated,
- the value of expected future cash flows estimated using the current data and debt collection tools.

Assumptions adopted in the valuation of debt portfolios

	Sep 30 2021 Unaudited	Dec 31 2020	Jun 30 2020 Unaudited
Discount rate ¹	8.00% - 147.10%	8.10% - 170.19%	8.10% - 170.19%
Period for which collections have been estimated	Oct 2021–Jul 2041	Jan 2021–Jan 2041	Oct 2020–Dec 2036
Nominal value of expected future collections	8,945,813	7,942,787	6,800,596

¹ Applicable to 99% of debt portfolios.

Estimated schedule of future expected cashflows from debt portfolios

<i>PLN '000</i>	Sep 30 2021 Unaudited	Dec 31 2020	Jun 30 2020 Unaudited
Period			
Up to 12 months	1,740,198	1,568,291	1,487,598
From 1 to 2 years	1,476,285	1,405,952	1,447,641
From 2 to 3 years	1,227,928	1,177,335	1,190,599
From 3 to 4 years	981,203	864,985	836,848
From 4 to 5 years	720,506	635,514	596,172
From 5 to 6 years	559,088	493,861	443,040
From 6 to 7 years	454,448	384,010	325,346
From 7 to 8 years	377,316	303,437	242,857
From 8 to 9 years	301,019	253,703	165,151
From 9 to 10 years	245,646	196,721	54,216
From 10 to 11 years	210,012	154,925	6,693
From 11 to 12 years	182,899	132,913	1,108
From 12 to 13 years	159,905	115,737	740
From 13 to 14 years	136,562	101,225	978
From 14 to 15 years	104,309	84,153	926
Over 15 years	68,488	70,025	684
	8,945,813	7,942,787	6,800,596

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

PLN '000

Carrying amount of investments in debt portfolios as at Jan 1 2020	4,196,821
Purchase of debt portfolios	112,601
Purchase price adjustment for discount	(100)
Cash recoveries	(1,346,246)
Increase/(decrease) in liabilities to indebted persons due to overpayments	4,385
Valuation of loyalty scheme*	8,083
Revenue from purchased debt portfolios	673,518
Translation differences on debt portfolios	128,016
Carrying amount of investments in debt portfolios as at Sep 30 2020	3,777,079
Carrying amount of investments in debt portfolios as at Jan 1 2020	4,196,821
Purchase of debt portfolios	456,224
Purchase price adjustment for discount	(100)
Cash recoveries	(1,833,874)
Increase/(decrease) in liabilities to indebted persons due to overpayments	6,620
Valuation of loyalty scheme*	9,513
Payments from original creditor	(2,844)
Revenue from purchased debt portfolios	976,341
Carrying amount of foreclosed property **	(15,864)
Carrying amount of property sold **	18,914
Translation differences on debt portfolios	172,329
Carrying amount of investments in debt portfolios as at Dec 31 2020	3,984,080
Carrying amount of investments in debt portfolios as at Jan 1 2021	3,984,080
Purchase of debt portfolios	932,576
Purchase price adjustment for discount	-
Cash recoveries	(1,614,855)
Increase/(decrease) in liabilities to indebted persons due to overpayments	4,915
Valuation of loyalty scheme*	5,188
Revenue from purchased debt portfolios	1,208,306
Carrying amount of foreclosed property **	(10,057)
Carrying amount of property sold **	12,851
Translation differences on debt portfolios	12,381
Carrying amount of investments in debt portfolios as at Sep 30 2021	4,535,385

* 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 loyalty plan under 'Other income/expenses from purchased debt portfolios'.

** The value of investments in debt portfolios is adjusted for the value of properties foreclosed and sold due to the recognition of their effect under 'Gain/(loss) on expected credit losses from purchased debt portfolios'.

In the reporting period, the Group invested PLN 932,576 thousand in debt portfolios (nine months to September 30th 2020: PLN 112,601 thousand; 2020: PLN 456,224 thousand), while the amount of collections was PLN 1,614,855 thousand (nine months to September 30th 2020: PLN 1,346,246 thousand; 2020: 1,833,874 thousand).

ProsperoCapital is a party to a joint arrangement. As at September 30th 2021, the value of the KRUK Group's investment in the joint operation referred to above, disclosed in the consolidated statement of financial position, was PLN 67,109 thousand (December 31st 2020: PLN 81,953 thousand), while revenue shown in the consolidated statement of profit or loss was PLN 28,923 thousand (nine months to September 30th 2020: PLN 24,254 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 39,765 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 39,765 thousand for the data as at September 30th 2021 (a PLN 34,136 thousand increase/decrease, respectively, for the data as at December 31st 2020).

PLN '000

	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
September 30th 2021		
Investments in debt portfolios	39,765	(39,765)
Dec 31 2020		
Investments in debt portfolios	34,136	(34,136)

Sensitivity analysis – time horizon

The sensitivity analysis assumes extension or reduction of the projection period and a simultaneous increase or decrease in projected collections (for one-year extension projected collections increased by PLN 1,942 thousand, while for one-year reduction projected collections decreased by PLN 4,713 thousand; 2020: PLN 10,706 thousand and PLN 11,163 thousand, respectively).

PLN '000

	Profit or loss for the current period	
	extension by one year	reduction by one year
September 30th 2021		
Investments in debt portfolios	16	(50)
Dec 31 2020		
Investments in debt portfolios	56	(74)

Loans

PLN '000	Sep 30 2021 Unaudited	Dec 31 2020	Jun 30 2020 Unaudited
Loans measured at amortised cost	237,227	152,666	188,176
Loans measured at fair value	63,234	71,978	18,702
	<u>300,461</u>	<u>224,644</u>	<u>206,878</u>

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 Sep 30 2021	Carrying amount as at Dec 31 2020	Carrying amount as at Sep 30 2020
Loans measured at amortised cost			
Basket 1	194,198	100,561	129,401
Basket 2	18,418	23,596	31,221
Basket 3	23,526	27,418	24,017
POCI loans	1,084	1,092	3,537
Net carrying amount	<u>237,227</u>	<u>152,666</u>	<u>188,176</u>

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

PLN '000

Value of loans measured at amortised cost as at Jan 1 2020	<u>214,617</u>
New disbursements	197,039
Repayments	(289,140)
Revenue from loans	92,966
Allowance for expected credit losses	(23,947)
Sale of loans	(3,606)
Currency translation differences	247
Value of loans measured at amortised cost as at Sep 30 2020	<u>188,176</u>
Value of loans measured at amortised cost as at Jan 1 2020	<u>214,617</u>
New disbursements	207,009
Repayments	(355,941)
Revenue from loans	113,336
Allowance for expected credit losses	(23,106)
Sale of loans	(3,606)
Currency translation differences	357
Value of loans measured at amortised cost as at Dec 31 2020	<u>152,666</u>
Value of loans measured at amortised cost as at Jan 1 2021	<u>152,666</u>
New disbursements	274,366
Repayments	(236,250)
Revenue from loans	56,547
Allowance for expected credit losses	(10,064)
Sale of loans	-
Currency translation differences	(37)
Value of loans measured at amortised cost as at Sep 30 2021	<u>237,227</u>

*Sale involving solely non-performing loans (NPL), without affecting the adopted business model or recognition of loans advanced as measured at amortised cost.

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

PLN '000	Jan 1–Sep 30 2021				Jan 1–Dec 31 2020			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance as at Jan 1	11,330	4,082	56,681	72,093	21,298	6,730	33,293	61,320
Loss allowance recognised in the reporting period	1,879	2,661	3,872	8,412	12,205	5,226	-	17,431
Transfer from basket 1 to basket 2	(2,178)	2,178	-	-	(3,118)	3,118	-	-
Transfer from basket 1 to basket 3	(5,140)	-	5,140	-	(18,829)	-	18,829	-
Transfer from basket 2 to basket 1	153	(153)	-	-	(256)	256	-	-
Transfer from basket 2 to basket 3	-	(4,460)	4,460	-	-	(11,258)	11,258	-
Transfer from basket 3 to basket 1	19	-	(19)	-	31	-	(31)	-
Transfer from basket 3 to basket 2	-	7	(7)	-	-	10	(10)	-
Reversal of allowance for expected credit losses	-	-	-	-	-	-	(6,658)	(6,658)
Loss allowance at end of the period	6,063	4,315	70,127	80,505	11,330	4,082	56,681	72,093

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 25.3% 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
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September 30th 2021

Loans measured at amortised cost	2,541	(2,535)
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Dec 31 2020

Loans measured at amortised cost	1,656	(1,652)
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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

	<u>extension by one month</u>	<u>reduction by one month</u>
September 30th 2021		
Loans measured at amortised cost	(5,460)	6,195
Dec 31 2020		
Loans measured at amortised cost	(3,886)	4,179

Loans measured at fair value

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

PLN '000

Value of loans measured at fair value as at Jan 1 2020	-
New disbursements	19,864
Repayments	(1,709)
Revenue from loans	546
Remeasurement	-
Value of loans measured at fair value as at Sep 30 2020	18,702
Value of loans measured at fair value as at Jan 1 2020	-
New disbursements	132,068
Repayments	(65,118)
Revenue from loans	6,831
Remeasurement	(1,803)
Value of loans measured at fair value as at Dec 31 2020	71,978
Value of loans measured at fair value as at Jan 1 2021	71,978
New disbursements	211,873
Repayments	(252,750)
Revenue from loans	31,303
Remeasurement	830
Value of loans measured at fair value as at Sep 30 2021	63,234

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
September 30th 2021		
Loans measured at fair value	632	(632)
Dec 31 2020		
Loans measured at fair value	718	(718)

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
September 30th 2021		
Loans measured at fair value	(1,289)	1,263
Dec 31 2020		
Loans measured at fair value	(1,936)	640

Inventories (including property)

PLN '000

	Sep 30 2021	Dec 31 2020	Sep 30 2020
Real property	29,013	32,056	34,470
Other inventories	-	13	21
	<u>29,013</u>	<u>32,069</u>	<u>34,491</u>

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.

PLN '000

Carrying amount of property held as at Jan 1 2020	34,655
Carrying amount of foreclosed property	12,239
Carrying amount of property sold	(12,606)
Income from sale of property	182
Carrying amount of property held as at Sep 30 2020	<u>34,470</u>

Carrying amount of property held as at Jan 1 2020	34,655
Carrying amount of foreclosed property	15,864
Carrying amount of property sold	(19,000)
Income from sale of property	86
Translation differences on property valuation	451
Carrying amount of property held as at Dec 31 2020	32,056
Carrying amount of property held as at Jan 1 2021	32,056
Carrying amount of foreclosed property	10,057
Carrying amount of property sold	(14,815)
Income from sale of property	1,964
Translation differences on property valuation	(249)
Carrying amount of property held as at Sep 30 2021	29,013

Property is measured at the lower of cost and net realisable value.

11. 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

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

Interest income on debt portfolios and loans measured at amortised cost

Interest income on debt portfolios and loans measured at amortised cost

PLN '000	Jan 1–Sep	Jul 1–Sep	Jan 1–Sep	Jul 1–Sep
	30 2021	30 2021	30 2020	30 2020
	Unaudited	Unaudited	Restated	Restated
Interest income on debt portfolios	729,851	252,195	737,562	234,596
Interest income on loans	56,547	25,292	92,966	27,250
	786,398	277,487	830,528	261,846

Gain/(loss) on expected credit losses

PLN '000	Jan 1–Sep	Jul 1–Sep	Jan 1–Sep	Jul 1–Sep
	30 2021	30 2021	30 2020	30 2020
	Unaudited	Unaudited	Restated	Restated
Gain/(loss) on expected credit losses from debt portfolios	495,381	147,156	(42,997)	63,242
Gain/(loss) on expected credit losses from loans	(10,101)	(1,600)	(23,699)	(3,523)
	485,280	145,556	(66,696)	59,719

By reportable segments

PLN '000	Jan 1–Sep	Jul 1–Sep	Jan 1–Sep	Jul 1–Sep
	30 2021	30 2021	30 2020	30 2020
	Unaudited	Unaudited	Restated	Restated
Revenue from purchased debt portfolios	1,208,306	395,988	673,518	294,555
Revenue from credit management services	45,358	15,287	41,278	14,197
Revenue from other services	85,544	33,505	76,806	26,424
	1,339,208	444,780	791,602	335,176

Income from financial assets measured at amortised cost

PLN '000

	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
	Unaudited	Unaudited	Restated	Restated
Revenue from purchased debt portfolios	1,208,306	395,988	673,518	294,555
Revenue from loans	46,445	23,692	65,660	23,727
	1,254,751	419,680	739,178	318,282

Revenue from purchased debt portfolios

PLN '000

	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
	Unaudited	Unaudited	Restated	Restated
Interest income	729,851	252,195	737,562	234,596
Other income/expenses from purchased debt portfolios	(22,003)	(4,666)	(24,399)	(5,279)
Gain/(loss) on expected credit losses from purchased debt portfolios	495,381	147,156	(42,997)	63,242
Gain/(loss) on sale of debts	5,077	1,303	3,352	1,996
	1,208,306	395,988	673,518	294,555

Other income/expenses from purchased debt portfolios

PLN '000

	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
	Unaudited	Unaudited	Restated	Restated
Foreign currency gains/(losses)	(11,900)	(2,428)	(11,182)	(4,047)
Costs of loyalty scheme valuation	(5,188)	(1,743)	(8,083)	(964)
Costs of provision for overpayments	(4,915)	(495)	(5,134)	(268)
	(22,003)	(4,666)	(24,399)	(5,279)

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

PLN '000

	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
	Unaudited	Unaudited	Restated	Restated
Revaluation of recovery projections	223,930	88,805	(202,892)	(10,140)
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	271,451	58,351	159,895	73,382
	495,381	147,156	(42,997)	63,242

In the previous reporting year, the result on the expected financial losses was significantly influenced by the risks related to the onset and rapid development of the Covid-19 pandemic, which resulted in lower payments and negative revaluation. This year, due to significant deviations in payments, we see the potential to verify the positive forecasts.

Revenue from loans

Revenue from loans measured at amortised cost

PLN '000

	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
	Unaudited	Unaudited	Restated	Restated
Interest income	56,547	25,292	92,966	27,250
Allowance for expected credit losses	(10,064)	(1,776)	(23,947)	(3,567)
Profit/(loss) on loans	-	-	(3,606)	-
Foreign currency gains/(losses)	(37)	177	247	44
	46,445	23,692	65,660	23,727

Revenue from loans measured at fair value

PLN '000

	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
	Unaudited	Unaudited	Restated	Restated
Interest income	31,303	8,358	546	546
Remeasurement	830	(1,227)	-	-
	32,133	7,131	546	546

Other income

PLN '000

	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020
	Unaudited	Unaudited	Unaudited	Unaudited
Other markets		630	270	1,106
Recovery of written-off receivables and expenses		582	214	320
Compensation for motor damage		244	76	290
Other cooperation		187	10	108
Re-billed costs of services and court fees		165	104	(8)
Gain on sale of property, plant and equipment		163	(80)	525
Reversal of impairment losses on receivables		59	6	-
Grants		-	-	8,946
Adjustment to valuation of stock option plan		-	-	5,538
Settlement of lease payments under terminated contracts		-	-	1,050
		2,030	600	17,875
				3,284

11.2 Services

PLN '000	Jan 1–Sep 30	Jul 1–Sep 30	Jan 1–Sep 30	Jul 1–Sep 30
	2021	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited
Credit management services ¹	(24,344)	(8,224)	(27,634)	(8,029)
IT services	(15,761)	(6,104)	(13,404)	(4,684)
Legal assistance services ²	(15,061)	(5,409)	(12,805)	(4,342)
Postal and courier services	(9,821)	(4,435)	(6,786)	(2,142)
Administrative and accounting support services	(9,157)	(3,303)	(11,526)	(3,710)
Banking services	(6,817)	(2,314)	(7,721)	(2,655)
Marketing and management services	(6,246)	(2,517)	(3,643)	(901)
Space rental and service charges	(5,956)	(1,961)	(5,680)	(1,891)
Communications services	(5,422)	(1,948)	(5,067)	(1,649)
Printing services	(1,317)	(466)	(1,525)	(452)
Other auxiliary services	(1,275)	(519)	(1,152)	(278)
Security	(1,219)	(466)	(1,210)	(437)
Repair of vehicles	(786)	(232)	(887)	(268)
Repair and maintenance services	(514)	(228)	(413)	(196)
Other rental	(466)	(243)	(59)	108
Recruitment services	(367)	(45)	(307)	(193)
Packing services	(199)	(37)	(145)	(65)
Transport services	(38)	(28)	(14)	(5)
	<u>(104,766)</u>	<u>(38,479)</u>	<u>(99,978)</u>	<u>(31,789)</u>

¹ Costs of debt management services provided by external service providers.

² Legal assistance mainly relates to debt portfolio management

11.3 Employee benefits expense

PLN '000	Jan 1–Sep 30	Jul 1–Sep 30	Jan 1–Sep 30	Jul 1–Sep 30
	2021	2021	2020	2020
	Unaudited	Unaudited	Unaudited	Unaudited
Salaries and wages	(215,226)	(71,436)	(197,728)	(64,133)
Old-age and disability pension contributions	(16,049)	(5,382)	(14,993)	(4,808)
Other social security contributions	(38,039)	(12,314)	(33,320)	(10,374)
Contribution to the State Fund for the Disabled	(1,250)	(427)	(1,273)	(430)
Equity-settled cost of stock option plan	(13,987)	(6,823)	(3,116)	(1,238)
	<u>(284,551)</u>	<u>(96,382)</u>	<u>(250,430)</u>	<u>(80,983)</u>

11.4 Other expenses

PLN '000

	Jan 1–Sep 30 2021 Unaudited	Jul 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited	Jul 1–Sep 30 2020 Unaudited
Court fees	(160,186)	(55,973)	(128,255)	(40,899)
Taxes and charges	(25,411)	(9,427)	(27,556)	(9,141)
Raw materials and consumables used	(6,716)	(2,498)	(6,198)	(2,274)
Advertising	(4,635)	(3,093)	(3,968)	(243)
Provision for possible differences relative to straight-line basis settlement	(3,323)	(1,553)	(17,163)	(4,820)
Business trips	(994)	(415)	(1,385)	(272)
Non-deductible VAT	(960)	(567)	(145)	(31)
Motor insurance	(891)	(544)	(942)	(259)
Staff training	(611)	(286)	(1,050)	(167)
Property insurance	(558)	2	(501)	(157)
Entertainment expenses	(522)	(418)	(149)	(38)
Non-compete agreements	(521)	(303)	(564)	(19)
Refund of litigation costs	(433)	(318)	(148)	-
Losses caused by motor damage	(305)	(91)	(311)	(102)
Membership fees	(276)	(45)	(343)	(70)
Impairment losses on receivables	(39)	(38)	(28)	-
Goodwill impairment	-	-	(25,051)	-
Costs of services and fees to be re-billed	-	-	(607)	(144)
Other markets	(1,171)	(121)	(2,812)	(775)
	(207,552)	(75,688)	(217,176)	(59,411)

11.5 Finance income

PLN '000

	Jan 1–Sep 30 2021 Unaudited	Jul 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited	Jul 1–Sep 30 2020 Unaudited
Interest income on bank deposits	222	196	101	36
	222	196	101	36

11.6 Finance costs

PLN '000

	Jan 1–Sep 30 2021 Unaudited	Jul 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited	Jul 1–Sep 30 2020 Unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(65,044)	(23,945)	(78,511)	(21,345)
<i>including interest</i>	(54,056)	(21,230)	(68,310)	(18,835)
Net foreign exchange losses	7,361	(2,107)	(7,191)	(3,368)
Interest income/expense on hedging instruments – IRS	(6,855)	(2,327)	(2,144)	(1,384)
Interest income/expense on derivative instruments – FORWARD	3,611	-	(916)	-
Interest income/expense on derivative instruments – CIRS	3,851	(2,173)	(9,541)	(2,175)
	(57,076)	(30,552)	(98,302)	(28,272)

11.7 Effect of exchange rate movements on consolidated statement of profit or loss

PLN '000	Note	Jan 1–Sep 30	Jul 1–Sep 30	Jan 1–Sep 30	Jul 1–Sep 30
		2021 unaudited	2021 unaudited	2020 unaudited	2020 unaudited
Realised exchange gains/(losses)	11.6	745	1,798	(2,489)	(6,839)
Unrealised exchange gains/(losses)	11.6	6,616	(3,905)	(4,702)	3,471
Settlement of forward contracts	11.6	3,611	-	(916)	(916)
Revaluation of debt portfolios due to exchange rate movements	11.1	(11,900)	(2,428)	(11,182)	(4,047)
Remeasurement of loans due to exchange rate movements	11.1	(37)	177	247	44
		(965)	(4,359)	(19,041)	(8,286)

11.8 Income tax

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

PLN '000	Jan 1–Sep 30 2021 Unaudited	Jul 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited	Jul 1–Sep 30 2020 Unaudited
Current income tax				
Current income tax payable	(44,793)	(5,061)	(21,729)	(13,143)
Adjustment to income tax for 2014	-	-	-	-
Deferred income tax				
Related to temporary differences and their reversal	(40,339)	(18,175)	(52,846)	(59,647)
Income tax recognised in profit or loss	(85,132)	(23,236)	(74,576)	(72,791)
Income tax recognised in other comprehensive income	-	-	-	-
	(85,132)	(23,236)	(74,576)	(72,791)

The increase in income tax for the period January 1st–September 30th 2021 is attributable to the distribution of income from subsidiaries to KRUK S.A.

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.

<i>PLN '000</i>	Jan 1–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited
Profit before tax	650,491	109,023
Tax calculated at the Parent's rate (19%)	(123,593)	(20,714)
Effect of application of other tax rates abroad and effect of deferred tax	(1,959)	7,692
Effect of non-deductible expenses/non-taxable income	40,420	(61,553)
Income tax recognised in profit or loss	<u>(85,132)</u>	<u>(74,575)</u>
Effective tax rate (%)	13.09%	68.40%

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	
	Sep 30 2021	Dec 31 2020	Sep 30 2021	Dec 31 2020	Sep 30 2021	Dec 31 2020
Property, plant and equipment	6,025	5,581	(6,178)	(5,659)	(153)	(78)
Intangible assets	-	-	(1,834)	(1,630)	(1,834)	(1,630)
Tax losses deductible in future periods	6,178	7,967	-	-	6,178	7,967
Trade and other receivables	-	-	(175)	(268)	(175)	(268)
Borrowings and other debt instruments	6,457	21,112	-	-	6,457	21,112
Employee benefit obligations	2,165	2,488	-	-	2,165	2,488
Provisions and liabilities	(91)	56	-	-	(91)	56
Investments	28,690	46,294	(184,736)	(179,100)	(156,046)	(132,806)
Deferred tax assets/liabilities	49,425	83,498	(192,923)	(186,657)	(143,498)	(103,159)
Deferred tax assets offset against liabilities	(14,480)	(52,317)	14,480	52,317	-	-
Deferred tax assets/liabilities in the statement of financial position	34,944	31,180	(178,442)	(134,339)	(143,498)	(103,159)

Change in temporary differences in the period

PLN '000

	As at Jan 1 2021	Change in temporary differences recognised in profit or loss for current period	As at Sep 30 2021	As at Jan 1 2020	Change in temporary differences recognised in profit or loss for current period	As at Dec 31 2020
Property, plant and equipment	(78)	(75)	(153)	(396)	319	(78)
Intangible assets	(1,630)	(204)	(1,834)	(4,841)	3,211	(1,630)
Tax losses deductible in future periods	7,967	(1,789)	6,178	11,323	(3,357)	7,967
Trade and other receivables	(268)	94	(175)	(122)	(147)	(268)
Borrowings and other debt instruments	21,112	(14,655)*	6,457	18,496	2,617	21,112
Employee benefit obligations	2,488	(323)	2,165	2,391	96	2,488
Provisions and liabilities	56	(147)	(91)	3,656	(3,601)	56
Investments	(132,806)	(23,241)	(156,046)	(37,006)	(95,799)	(132,806)
	(103,159)	(40,339)	(143,498)	(6,498)	(96,661)	(103,159)

*The decrease in deferred tax asset related to borrowings and other debt instruments results from the inclusion of previously incurred costs of debt financing in the tax base.

The change due to temporary differences recognised in profit or loss for the period was PLN 40,339 thousand.

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 September 30th 2021 was PLN 1,298,111 thousand (as at December 31st 2020: PLN 1,205,363 thousand).

11.9 Borrowings, debt securities and leases

<i>PLN '000</i>	Sep 30 2021	Dec 31 2020	Sep 30 2020
Non-current liabilities			
Secured borrowings	943,892	752,587	648,013
Liabilities under debt securities (unsecured)	1,043,771	769,933	905,459
Lease liabilities	46,380	63,379	57,915
	<u>2,034,043</u>	<u>1,585,898</u>	<u>1,611,387</u>
Current liabilities			
Secured borrowings	18,389	76,751	45,857
Liabilities under debt securities (unsecured)	350,771	544,314	477,520
Lease liabilities	23,831	15,213	13,424
	<u>392,991</u>	<u>636,278</u>	<u>536,801</u>

Terms and repayment schedule of borrowings, debt securities and leases

<i>PLN '000</i>	Currency	Nominal interest rate	Maturity periods	Sep 30 2021	Dec 31 2020	Sep 30 2020
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0-3.0pp; 1M EURIBOR + margin of 2.2-3.0pp	2021-2026	962,281	829,338	693,870
Liabilities under debt securities (unsecured)	PLN EUR	3M WIBOR + margin of 3.0-4.0pp 4.00% - 4.80% 3.59%	2021-2027	1,394,542	1,314,247	1,382,979
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 1.2-9.7pp 3.00 - 4.03%	2021-2030	70,211	78,592	71,339
				<u>2,427,034</u>	<u>2,222,176</u>	<u>2,148,188</u>

11.10 Derivatives

In 2017, the Group concluded foreign currency interest rate swaps (CIRS), under which the Group pays a coupon based on a fixed EUR interest rate and receives a coupon based on a variable PLN interest rate. The contracts hedge the interest rate risk and the currency risk by effectively changing the debt contracted in PLN into liabilities denominated in EUR.

The contracts provided hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in reference interest rates (hedging a part of the coupon on PLN 90m worth of Series AA1 bonds and on PLN 100m worth of Series Z1 bonds) and by assets denominated in a convertible currency due to interest rate fluctuations (hedging of EUR-denominated cash flows from investments in subsidiaries).

Open outstanding CIRS contracts held by KRUK Group companies as at September 30th 2021:

Bank	Company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 90,000,000.00	buy	2.97%	3.0% + 3M WIBOR	January 13th 2017 to November 10th 2021

Open outstanding CIRS contracts held by KRUK Group companies as at December 31st 2020:

Bank	Company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 100,000,000.00	buy	3.06%	3.1% + 3M WIBOR	January 9th 2017 to June 4th 2021
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 90,000,000.00	buy	2.97%	3.0% + 3M WIBOR	January 13th 2017 to November 10th 2021

Interest is paid on a three-monthly basis.

The Group expects the contracts to generate cash flows and to affect its results until 2021.

11.11 Hedging instruments

Interest rate risk hedges

The interest rate risk management policy covers:

- the Group's objectives in terms of interest rate risk;
- methods of interest rate risk monitoring;
- the Group's permitted exposure to interest rate risk;
- procedures in case of exceeding the Group's permitted exposure to interest rate risk;
- principles of interest rate risk management at the KRUK Group.

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

Open outstanding IRS contracts held by KRUK Group companies as at September 30th 2021 and December 31st 2020, with a total volume of PLN 530,000 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 150,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to March 2nd 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 50,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to May 4th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 75,000,000.00	buy	1.67%	3M WIBOR	September 5th 2019 to October 18th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 30,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to November 27th 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to February 6th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 35,000,000.00	buy	1.6050%	3M WIBOR	September 4th 2019 to October 12th 2023
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 27th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 28th 2024

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 currency risk management policy outlines:

- the Group's currency risk management objectives,
- the key rules of currency risk management at the Group;
- acceptable impact of currency risk on the Group's profit or loss and equity (currency risk appetite);
- methods of measuring and monitoring currency risk and currency risk exposure;
- procedures to be followed in the case of exceeding permitted currency risk appetite and specified currency risk limits;
- currency risk hedging policies;
- roles and responsibilities in the currency risk management process.

In 2019 and 2021, the Group took steps to hedge currency risk arising from cash flows from foreign subsidiaries by entering into hedging transactions. The Group's objective is to reduce the effect of exchange differences on cash flows from subsidiaries. Transactions entered into by KRUK S.A. and settled on a net basis, with no physical delivery.

Transaction date	Settlement date	Amount in EUR	Value in PLN:
Feb 28 2019	Mar 29 2019	- 65,000,000	280,325,500
Mar 29 2019	Apr 30 2019	- 60,000,000	258,462,000
Apr 30 2019	May 31 2019	- 82,000,000	351,853,800
May 31 2019	Jun 28 2019	- 60,000,000	257,496,000
May 31 2019	Jun 28 2019	- 23,000,000	98,573,400
Jun 28 2019	Jul 31 2019	- 21,000,000	89,434,800
Jun 28 2019	Jul 31 2019	- 60,000,000	255,372,000
Jul 31 2019	Aug 30 2019	- 55,000,000	236,434,000
Jul 31 2019	Aug 30 2019	- 21,000,000	90,241,200
Aug 30 2019	Sep 30 2019	- 32,000,000	140,409,600
Aug 30 2019	Sep 30 2019	- 31,000,000	135,987,700
Sep 30 2019	Oct 31 2019	- 29,000,000	127,104,100
Sep 30 2019	Oct 31 2019	- 30,000,000	131,383,500
Oct 31 2019	Nov 29 2019	- 30,000,000	128,083,500
Oct 31 2019	Nov 29 2019	- 29,000,000	123,757,500
Nov 29 2019	Dec 31 2019	- 30,000,000	129,937,500
Nov 29 2019	Dec 31 2019	- 25,000,000	108,310,000
Aug 31 2021	Sep 30 2021	- 8,000,000	36,180,800
Aug 31 2021	Sep 30 2021	- 14,000,000	63,316,400
Sep 30 2021	Oct 31 2021	- 8,000,000	37,062,000
Sep 30 2021	Oct 31 2021	- 14,000,000	64,858,500

As at September 30th 2021, the Group had two outstanding transactions maturing on October 29th 2021.

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.

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

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).

Amounts related to items designated as hedging instruments

PLN '000

Instrument type:	Sep 30 2021			Change in fair value used to determine ineffectiveness	Dec 31 2020			Change in fair value used to determine ineffectiveness	Item in the statement of financial position	Type of security
	Assets	Liabilities	Notional amount		Assets	Liabilities	Notional amount			
IRS	-	5,006	530,000 (PLN)	(13,380)	-	18,386	530,000 (PLN)	14,861	Hedging instruments	Cash flow hedges
	-	5,006		(13,380)	-	18,386		14,861		

PLN '000

Instrument type:	Notional amount as at Sep 30 2021				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
IRS					
fixed payment PLN sale	-	(200,000)	(75,000)	(255,000)	-
floating payment PLN	-	200,000	75,000	255,000	-

Instrument type:	Notional amount as at Dec 31 2020				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
IRS					
fixed payment PLN sale	-	-	(275,000)	(255,000)	-
floating payment PLN	-	-	275,000	255,000	-

PLN '000

Disclosure of the hedged item as at Sep 30 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	(13,380)	13,380	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	2,736

PLN '000

Disclosure of the hedged item as at Dec 31 2020

	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	18,386	(18,386)	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	3,603

PLN '000

Jan 1–Sep 30 2021

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of investments in net assets (currency risk)	Total hedge reserve
Hedge reserve at beginning of the period	(18,386)	3,603	(14,783)
Measurement of instruments charged to capital reserves	20,235	(867)	19,368
Amount reclassified to profit or loss during the period	(6,855)	-	(6,855)
- Interest income / (expense)	(6,855)	-	(6,855)
Hedge reserve at end of the period	(5,006)	2,736	(2,269)

PLN '000

Jan 1-Dec 31 2020

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of investments in net assets (currency risk)	Total hedge reserve
Hedge reserve at beginning of the period	(3,525)	3,603	78
Measurement of instruments charged to capital reserves	(10,439)	-	(10,439)
Amount reclassified to profit or loss during the period	(4,422)	-	(4,422)
- Interest income / (expense)	(4,422)	-	(4,422)
Hedge reserve at end of the period	(18,386)	3,603	(14,783)

PLN '000

Jan 1-Sep 30 2020

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of investments in net assets (currency risk)	Total hedge reserve
Hedge reserve at beginning of the period	(3,525)	3,603	78
Measurement of instruments charged to capital reserves	(16,123)	-	(16,123)
Amount reclassified to profit or loss during the period	(1,397)	-	(1,397)
- Interest income / (expense)	(1,397)	-	(1,397)
Hedge reserve at end of the period	(21,045)	3,603	(17,442)

11.12 Earnings per share

Basic earnings per share

'000	Jan 1–Dec 31		
	Jan 1–Sep 30 2021	2020	Jan 1–Sep 30 2020
Number of ordinary shares as at Jan 1	19,011	18,972	18,972
Effect of cancellation and issue	-	5	-
Weighted average number of ordinary shares at end of reporting period	19,011	18,977	18,972
<i>PLN</i>			
Earnings per share	29.74	4.29	1.82

Diluted earnings per share

'000	Jan 1–Dec 31		
	Jan 1–Sep 30 2021	2020	Jan 1–Sep 30 2020
Weighted average number of ordinary shares at end of reporting period	19,011	18,977	18,972
Effect of issue of unregistered shares not subscribed for	267	283	291
Weighted average number of ordinary shares at end of reporting period (diluted)	19,278	19,259	19,263
<i>PLN</i>			
Earnings per share (diluted)	29.33	4.22	1.79

11.13 Current and non-current items of the statement of financial position

As at Sep 30 2021
PLN '000

	Sep 30 2021 Unaudited	Jun 30 2021 Unaudited	Dec 31 2020	Sep 30 2020 Unaudited restated
Assets				
Non-current assets				
Property, plant and equipment	80,813	79,160	91,864	85,434
Other intangible assets	43,526	44,269	50,729	48,216
Goodwill	24,006	23,451	23,916	22,631
Investments	3,077,444	2,940,388	2,691,651	2,545,409
Deferred tax asset	34,944	31,500	31,180	28,816
Total non-current assets	3,260,733	3,118,768	2,889,340	2,730,506
Current assets				
Inventories	29,013	24,975	32,069	34,491
Investments	1,758,402	1,660,555	1,517,073	1,438,547
Trade receivables	16,868	11,569	16,804	27,745
Other receivables	24,804	17,533	28,357	39,779
Other assets	16,168	11,724	13,836	3,409
Cash and cash equivalents	177,113	528,196	145,552	265,725
Total current assets	2,022,367	2,254,552	1,753,691	1,809,696
Total assets	5,283,100	5,373,320	4,643,031	4,540,202
Equity and liabilities				
Equity				
Share capital	19,011	19,011	19,011	18,972
Share premium	310,430	310,430	310,430	307,192
Cash flow hedging reserve	(2,269)	(4,800)	(14,783)	(17,441)
Translation reserve	77,891	37,431	81,360	60,333
Other capital reserves	117,613	110,790	103,626	197,210
Retained earnings	1,903,462	1,733,770	1,544,127	1,497,322
Equity attributable to owners of the Parent	2,426,138	2,206,632	2,043,771	2,063,587
Non-controlling interests	(427)	(488)	(311)	284
Total equity	2,425,710	2,206,144	2,043,460	2,063,871
Non-current liabilities				
Borrowings, debt securities and leases	2,034,043	2,076,217	1,585,898	1,611,387
Deferred tax liability	178,442	156,822	134,339	88,160
Provisions	14,051	13,412	13,463	11,167
Derivatives	-	-	11,236	3,067
Hedging instruments	3,081	5,304	18,386	21,044
Total non-current liabilities	2,229,617	2,251,755	1,763,322	1,734,825
Current liabilities				
Borrowings, debt securities and leases	392,991	420,758	636,278	536,801
Trade and other payables	116,121	164,303	112,227	117,694
Liabilities under dividend	-	206,140	-	-
Income tax payable	20,897	27,804	5,223	7,828
Employee benefit obligations	45,936	47,565	42,860	39,365
Provisions	44,528	42,576	39,661	35,954
Derivatives	5,374	3,176	-	3,865
Hedging instruments	1,925	3,099	-	-

Total current liabilities	627,772	915,421	836,249	741,507
Total liabilities	2,857,389	3,167,176	2,599,571	2,476,331
Total equity and liabilities	5,283,100	5,373,320	4,643,031	4,540,202

11.14 Trade and other receivables

Trade receivables

PLN '000	Sep 30 2021	Dec 31 2020
Trade receivables	16,868	16,804
	16,868	16,804
Long-term	-	-
Short-term	16,868	16,804
	16,868	16,804

Other receivables

PLN '000	Sep 30 2021	Dec 31 2020
Taxes receivable (other than income tax)	14,091	10,803
Receivables under security deposits and bid bonds	7,794	9,396
Receivables under collected debts	2,228	7,380
Other receivables	661	647
Receivables for court fees and stamp duty	30	131
	24,804	28,357

11.15 Cash and cash equivalents

PLN '000	Sep 30 2021	Dec 31 2020
Cash in hand	537	190
Cash in current accounts	176,576	145,362
	177,113	145,552

11.16 Employee benefit obligations and provisions

PLN '000	Sep 30 2021	Dec 31 2020
Salaries and wages payable	20,972	18,314
Social benefit obligations	13,482	13,771
Accrued holiday entitlements	6,868	7,271
Personal income tax	4,061	3,307
Special accounts	553	197
	45,936	42,860

11.17 Trade and other payables

<i>PLN '000</i>	Sep 30 2021	Dec 31 2020
Trade payables	85,479	72,620
Other liabilities	6,607	18,558
Accrued expenses	12,732	9,760
Deferred income	6,028	5,336
Tax and duties payable	5,274	5,953
	<u>116,121</u>	<u>112,227</u>

11.18 Provisions

<i>PLN '000</i>	Sep 30 2021	Dec 31 2020
Provisions for retirement gratuity payments	14,877	13,463
Provision for the loyalty scheme	11,371	10,652
Other provisions	32,331	29,008
	<u>58,580</u>	<u>53,124</u>

Changes in provisions for retirement gratuities

<i>PLN '000</i>		
Carrying amount as at Jan 1 2020		10,196
Increase		<u>3,267</u>
Carrying amount as at Dec 31 2020		<u>13,463</u>
Carrying amount as at Jan 1 2021		13,463
Increase		<u>1,414</u>
Carrying amount as at Sep 30 2021		<u>14,877</u>

Changes in provision for the loyalty scheme

<i>PLN '000</i>		
Carrying amount as at Jan 1 2020		6,825
Increase		4,720
Use		<u>(894)</u>
Carrying amount as at Dec 31 2020		<u>10,652</u>
Carrying amount as at Jan 1 2021		10,652
Increase		1,400
Use		<u>(681)</u>
Carrying amount as at Sep 30 2021		<u>11,371</u>

Change in other provisions

<i>PLN '000</i>		
Carrying amount as at Jan 1 2020		7,156
Provision for possible differences relative to straight-line basis settlement		21,852
Carrying amount as at Dec 31 2020		<u>29,008</u>
Carrying amount as at Jan 1 2021		29,008
Provision for possible differences relative to straight-line basis settlement		4,582
Reversal of provision for possible differences relative to straight-line basis settlement		<u>(1,259)</u>
Carrying amount as at Sep 30 2021		<u>32,331</u>

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.

Wonga has automatically reduced all early repayment costs since 2012, i.e. since its inception.

In connection with the decisions of the Office of Competition and Consumer Protection (UOKiK) published in January and February 2020 and the UOKiK's position on the straight-line method of fee refunds, the Group recognised a provision for the difference between the applied refund method and the straight-line method. The provision reflects the probability of an outflow of resources from the entity, as estimated by the Group for loans repaid after September 11th 2019. The Group prudently recognised a provision for the entire difference between the applied refund method and the straight-line method. Since September 18th 2020, the Group has applied a straight-line method to account for fee refunds on early loan repayment.

12. 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>	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2021
Base pay/ managerial contract (gross)	4,625	1,652	4,559	1,548
Additional benefits	58	20	88	30
Share based payments*	13,987	6,823	3,116	1,238
	18,670	8,495	7,763	2,816

* Information on the incentive scheme is described in point 4.4 of the Additional Information of the Management Board of KRUK S.A. on the operations of the KRUK Group

Remuneration of the Supervisory Board members

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

<i>PLN '000</i>	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021	Jan 1–Sep 30 2020	Jul 1–Sep 30 2021
Base pay (gross)	717	239	659	232
Additional benefits	10	8	14	5
	727	247	673	237

Other transactions with management personnel

As at September 30th 2021, members of the Management Board and persons closely related to them jointly held 10.32% of the total voting rights at the Parent's General Meeting (December 31st 2020: 10.32%).

In 2021 and 2020, there were no transactions with close family members of the Group's key management personnel.

Members of the Management Board and Supervisory Board and close family members of the Group's key management personnel did not provide any guarantees or sureties to the Group companies.

Members of the Management Board and Supervisory Board and close family members of the Group's key management personnel did not receive any guarantees or sureties from the Group companies.

13. 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

	Sep 30 2021	Dec 31 2020
Investments in debt portfolios	4,535,385	3,984,080
Loans	300,461	224,644
Trade and other receivables	41,672	45,161
	4,877,517	4,253,885

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

PLN '000

	Sep 30 2021	Dec 31 2020
Poland	2,455,550	2,109,437
Romania	933,640	912,242
Italy	925,055	742,972
Spain	452,927	368,372
Other foreign markets	110,345	120,862
	<u>4,877,517</u>	<u>4,253,885</u>

Quality of trade and other receivables, and of loans advanced

The quality of trade and other receivables as at the end of the reporting periods is presented below.

	IFRS 9 classification	Carrying amount as at Sep 30 2021	Carrying amount as at Dec 31 2020
Trade and other receivables			
	Basket 1	41,851	45,360
	Basket 2	-	-
	Basket 3	1,613	1,613
		<u>43,464</u>	<u>46,973</u>
Impairment losses			
	Basket 1	426	446
	Basket 2	-	-
	Basket 3	1,366	1,366
		<u>1,792</u>	<u>1,812</u>
Net carrying amount			
	Basket 1	41,425	44,914
	Basket 2	-	-
	Basket 3	247	247
		<u>41,672</u>	<u>45,161</u>

Changes of impairment losses on receivables are presented below:

PLN '000

	Jan 1–Sep 30 2021				Jan 1–Dec 31 2020			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance at beginning of the period	446	-	1,366	1,812	1,643	32	-	1,675
Loss allowance recognised in the period	39	-	-	39	51	-	364	415
Reversal of loss allowance	(59)	-	-	(59)	(278)	-	-	(278)
Use of loss allowance	-	-	-	-	-	-	-	-
Transfer between baskets	-	-	-	-	(970)	(32)	1,002	-
Loss allowance at end of the period	426	-	1,366	1,792	446	-	1,366	1,812

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 Sep 30 2021	Carrying amount as at Dec 31 2020
Loans measured at amortised cost		
Basket 1	200,261	111,891
Basket 2	22,733	27,677
Basket 3	93,654	84,099
POCI loans	1,084	1,092
	317,732	224,759
Allowance for expected credit losses		
Basket 1	6,063	11,330
Basket 2	4,315	4,081
Basket 3	70,127	56,681
	80,505	72,093
Net carrying amount		
Basket 1	194,198	100,561
Basket 2	18,418	23,596
Basket 3	23,526	27,418
POCI loans	1,084	1,092
	237,227	152,666

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

PLN '000	Jan 1–Sep 30 2021					Jan 1–Dec 31 2020				
	Basket 1	Basket 2	Basket 3	POCI loans	TOTAL	Basket 1	Basket 2	Basket 3	POCI loans	TOTAL
Gross carrying amount as at Jan 1	111,891	27,677	84,098	1,092	224,759	186,183	34,789	52,556	2,408	275,937
Purchase	-	-	-	-	-	-	-	-	-	-
Disbursements/repayments	105,066	(8,833)	(3,252)	(8)	92,973	(25,135)	(9,936)	(14,791)	(1,316)	(51,178)
Transfer from basket 1 to basket 2	(11,608)	11,608	-	-	-	(21,673)	21,673	-	-	-
Transfer from basket 1 to basket 3	(6,989)	-	6,989	-	-	(30,478)	-	30,478	-	-
Transfer from basket 2 to basket 1	1,868	(1,868)	-	-	-	2,824	(2,824)	-	-	-
Transfer from basket 2 to basket 3	-	(5,866)	5,866	-	-	-	(16,039)	16,039	-	-
Transfer from basket 3 to basket 1	33	-	(33)	-	-	170	-	(170)	-	-
Transfer from basket 3 to basket 2	-	15	(15)	-	-	-	14	(14)	-	-
Gross carrying amount at end of the period	200,261	22,733	93,654	1,084	317,732	111,891	27,677	84,098	1,092	224,759

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

PLN '000	Jan 1–Sep 30 2021				Jan 1–Dec 31 2020			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance as at Jan 1	11,330	4,082	56,681	72,093	21,298	6,730	33,293	61,320
Loss allowance recognised in the reporting period	1,879	2,661	3,872	8,412	12,205	5,226	-	17,431
Transfer from basket 1 to basket 2	(2,178)	2,178	-	-	(3,118)	3,118	-	-
Transfer from basket 1 to basket 3	(5,140)	-	5,140	-	(18,829)	-	18,829	-
Transfer from basket 2 to basket 1	153	(153)	-	-	(256)	256	-	-
Transfer from basket 2 to basket 3	-	(4,460)	4,460	-	-	(11,258)	11,258	-
Transfer from basket 3 to basket 1	19	-	(19)	-	31	-	(31)	-
Transfer from basket 3 to basket 2	-	7	(7)	-	-	10	(10)	-
Reversal of allowance for expected credit losses	-	-	-	-	-	-	(6,658)	(6,658)
Loss allowance at end of the period	6,063	4,315	70,127	80,505	11,330	4,082	56,681	72,093

The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk as at September 30th 2021 was PLN 13,377 thousand (December 31st 2020: PLN 13,677 thousand).

Liquidity risk

Exposure to liquidity risk

The following are the contractual terms and conditions of outflows related to financial liabilities and planned inflows from financial assets:

As at Sep 30 2021
PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	4,535,385	8,945,813	916,377	823,821	1,476,285	2,929,637	2,799,692
Loans	300,461	466,995	210,864	101,432	106,408	48,292	-
Secured borrowings	(962,281)	(1,073,438)	(39,222)	(33,179)	(44,745)	(235,571)	(720,721)
Unsecured bonds in issue	(1,394,542)	(1,563,170)	(312,791)	(268,998)	(109,872)	(360,346)	(511,163)
Lease liabilities	(70,211)	(56,270)	(10,721)	(9,941)	(20,083)	(14,162)	(1,363)
Trade and other payables*	(116,121)	(116,121)	(116,121)	-	-	-	-
	2,292,691	6,603,809	648,385	613,135	1,407,992	2,367,851	1,566,445

* the item additionally includes specified liabilities under dividend.

The above amounts do not include expenditure on and collections from future purchased debt portfolios and future operating expenses, which will be necessary to obtain proceeds from financial assets.

As at Dec 31 2020
PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	3,984,080	7,942,787	777,405	790,886	1,405,952	2,677,834	2,290,710
Loans	224,644	451,729	148,553	107,525	136,514	59,137	-
Secured borrowings	(829,338)	(896,403)	(10,272)	(33,560)	(69,792)	(782,780)	-
Unsecured bonds in issue	(1,314,247)	(1,400,573)	(391,113)	(188,776)	(491,441)	(329,243)	-
Lease liabilities	(78,592)	(64,220)	(10,712)	(10,441)	(18,867)	(21,844)	(2,356)
Trade and other payables	(112,227)	(112,227)	(112,227)	-	-	-	-
	<u>1,874,320</u>	<u>5,921,092</u>	<u>401,633</u>	<u>665,634</u>	<u>962,366</u>	<u>1,603,104</u>	<u>2,288,355</u>

Contractual cash flows were determined based on interest rates effective as at September 30th 2021 and December 31st 2020.

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 September 30th 2021, the undrawn revolving credit facility limit available to the Group was PLN 1,089,260 thousand (December 31st 2020: PLN 1,045,684 thousand). The limit is available until July 3rd 2026.

Market risk

Market risk is related to changes in such market factors as foreign exchange rates, interest rates or stock prices, which affect the Group's performance or the value of financial instruments it holds. The objective behind market risk management is to maintain and control the Group's exposure to market risk within assumed limits, while seeking to optimise the rate of return.

As at September 30th 2021, financial assets denominated in foreign currencies accounted for 48% of total assets, while liabilities denominated in foreign currencies represented 18% of total equity and liabilities (December 31st 2020: 49% and 19%, respectively).

Exposure to currency risk and sensitivity analysis

The Group's currency risk exposure, determined as the net carrying amount of the financial instruments denominated in foreign currencies based on the exchange rates effective at the end of the reporting period, is presented below:

PLN '000	Sep 30 2021					Sep 30 2021				
	Exposure to currency risk					Analysis of sensitivity of exposure to currency risk to +10% increase in exchange rates				
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	Total
Trade and other receivables	-	1,395	1,285	-	2,680	-	139	128	-	267
Investments	-	172	994,857	22,329	1,017,358	-	17	99,486	2,233	101,736
Cash	440	8,181	16,745	976	26,342	44	818	1,674	98	2,634
Borrowings, debt securities and leases	-	(209,327)	-	-	(209,327)	-	(20,933)	-	-	(20,933)
Trade and other payables	(177)	(6,974)	(12,339)	-	(19,490)	(18)	(697)	(1,234)	-	(1,949)
Exposure to currency risk	263	(206,553)	1,000,547	23,306	817,563					
Effect on statement of profit or loss						26	(20,656)	100,054	2,331	81,755
Trade and other receivables	-	15,748	12,904	(26,676)	1,976	-	1,575	1,290	(2,668)	197
Investments	-	1,179,970	125,244	80,545	1,385,758	-	117,997	12,524	8,054	138,575
Cash	-	68,051	25,878	12,153	106,081	-	6,805	2,588	1,215	10,608
Borrowings, debt securities and leases	-	(658,374)	(5,729)	(936)	(665,040)	-	(65,837)	(573)	(94)	(66,504)
Trade and other payables	-	(39,369)	(17,667)	(1,816)	(58,852)	-	(3,937)	(1,767)	(182)	(5,886)
Exposure to currency risk	-	566,025	140,629	63,270	769,925					

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Effect on other comprehensive income						-	56,603	14,062	6,325	76,990
Exposure to currency risk	263	359,472	1,141,176	86,576	1,587,487	26	35,947	114,118	8,658	158,749
Risk mitigation effect	-	(101,921)	-	-	(101,921)	-	(10,192)	-	-	(10,192)
Exposure to currency risk after hedging	263	257,551	1,141,176	86,576	1,485,566	26	25,755	114,118	8,658	148,557

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–Sep 30 2021 Unaudited	Jan 1–Sep 30 2020 Unaudited	Sep 30 2021 Unaudited	Dec 31 2020
EUR 1	4.5585	4.4420	4.6329	4.6148
USD 1	3.8179	3.9337	3.9925	3.7584
RON 1	0.9270	0.9191	0.9365	0.9479
CZK 1	0.1771	0.1677	0.1816	0.1753

*Average exchange rates were calculated as the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period.

Exposure to interest rate risk

The structure of interest-bearing financial instruments at the end of the reporting period was as follows:

PLN '000	Carrying amount	
	Sep 30 2021	Dec 31 2020
Fixed-rate financial instruments		
Financial assets	4,877,517	4,253,885
Financial liabilities	(480,867)	(324,512)
	<u>4,396,650</u>	<u>3,929,373</u>
Hedge effect (nominal amount)	(330,000)	(530,000)
	<u>4,066,650</u>	<u>3,399,373</u>
Variable-rate financial instruments		
Financial assets	-	-
Financial liabilities	(2,062,288)	(2,009,891)
	<u>(2,062,288)</u>	<u>(2,009,891)</u>
Hedge effect (nominal amount)	330,000	530,000
	<u>(1,732,288)</u>	<u>(1,479,891)</u>

Sensitivity analysis of fair value of fixed-rate financial instruments

The Group does not hold any fixed-interest financial assets or liabilities measured at fair value through profit or loss, nor does it use derivative transactions as fair value hedges. 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
September 30th 2021		
Variable rate financial assets	-	-
Variable rate financial liabilities	(20,623)	20,623
Dec 31 2020		
Variable rate financial assets	-	-
Variable rate financial liabilities	(20,099)	20,099

Fair value

The fair value and book value of financial assets and financial liabilities are presented below.

PLN '000

	Sep 30 2021		Dec 31 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Derivatives	(5,374)	(5,374)	(11,236)	(11,236)
Hedging instruments	(5,006)	(5,006)	(18,386)	(18,386)
Loans	63,234	63,234	71,978	71,978
	52,855	52,855	42,356	42,356
Financial assets and liabilities not measured at fair value				
Investments in debt portfolios	4,535,385	4,383,765	3,984,080	3,962,354
Loans	237,227	252,906	152,666	140,755
Secured borrowings	(962,281)	(963,818)	(829,338)	(830,663)
Liabilities under debt securities (unsecured)	(1,394,542)	(1,403,743)	(1,314,247)	(1,319,748)
	2,415,789	2,269,109	1,993,161	1,952,698

Interest rates used for fair value estimation:

	Sep 30 2021	Dec 31 2020
Investments in debt portfolios	-0.03% - 216.23%	0.00% - 113.64%
Loans	12.22% - 60.54%	9.13% - 86.22%
Secured borrowings	1.18% - 3.04%	0.20% - 4.16%
Liabilities under debt securities (unsecured)	3.23% - 4.80%	3.21% - 4.80%

Hierarchy of financial instruments

Hierarchy of financial instruments measured at fair value

The table below presents financial instruments recognised in the statement of financial position at fair value according to the valuation method applied. 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 2021, 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
As at Dec 31 2020		
Derivatives	(11,236)	(11,236)
Hedging instruments	(18,386)	(18,386)
Secured borrowings	(829,338)	(830,663)
Liabilities under debt securities (unsecured)	(1,314,247)	(1,319,748)
As at Sep 30 2021		
Derivatives	(5,374)	(5,374)
Hedging instruments	(5,006)	(5,006)
Secured borrowings	(962,281)	(963,818)
Liabilities under debt securities (unsecured)	(1,394,542)	(1,403,743)

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
As at Dec 31 2020		
Investments in debt portfolios	3,984,080	3,962,354
Loans	224,644	212,733
As at Sep 30 2021		
Investments in debt portfolios	4,535,385	4,383,765
Loans	300,461	316,140

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.

14. Factors and events with a material bearing on the Group's financial results**Investment in new debt portfolios**

In the nine months ended September 30th 2021, the total expenditure on debt portfolios was PLN 932,576 thousand. Compared with the three months ended September 30th 2020, when investments amounted to PLN 112,601 thousand, this year's expenditure was more than eight times higher. In the nine months ended September 30th 2021, the Kruk Group invested primarily in portfolios put out for sale by banks and non-bank financial institutions. The aggregate nominal value of purchased debt portfolios was PLN 5,145,907 thousand, i.e. 523% more than in the same period of 2020.

Recoveries and revaluation of portfolios

In the nine months ended September 30th 2021, recoveries from portfolios purchased by the KRUK Group totalled PLN 1,614,855 thousand, up 20% year on year, marking the best nine months in terms of recoveries in the Group's operating history. This was an effect of recoveries coming in above the projected ERC, particularly in Poland, Romania and Italy. In the nine months ended September 30th 2021, they exceeded the ERC forecast by a total of PLN 223,930 thousand.

Net result for the nine months ended September 30th 2021

Net profit for the first nine months of 2021 was PLN 565,359 thousand, up by more than 16 times on the corresponding period of 2020, when the Group posted a net profit of PLN 34,551 thousand. At the same

time, cash EBITDA for the nine months ended September 30th 2021 came in at PLN 1,150,919 thousand, having improved 26% year on year.

15. Issue, redemption and repayment of non-equity and equity securities

In the period from January 1st to September 30th 2021, the following series of bonds were redeemed in accordance with their respective terms and conditions:

- Series AB1 bonds, with a nominal value of PLN 65,000 thousand, on March 24th 2021,
- Series AB2 bonds, with a nominal value of PLN 135,000 thousand, on May 19th 2021,
- Series Z1 bonds, with a nominal value of PLN 100,000 thousand, on June 8th 2021,
- Series AB3 bonds, with a nominal value of PLN 65,000 thousand, on June 29th 2021,
- Series AB4 bonds, with a nominal value of PLN 35,000 thousand, on September 30th 2021.

In the reporting period, the Group issued new bonds:

- on February 18th 2021 unsecured Series AK2 bonds were issued with a nominal value of PLN 20,000 thousand, bearing interest at a fixed rate of 4.20%, maturing on February 18th 2026,
- on June 10th 2021 unsecured Series AK3 bonds were issued with a nominal value of PLN 70,000 thousand, bearing interest at a fixed rate of 4.00%, maturing on June 10th 2026,
- on June 28th 2021 unsecured Series AL1 bonds were issued with a nominal value of PLN 330,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 3.70pp, maturing on June 28th 2027,
- on June 10th 2021 unsecured Series AK3 bonds were issued with a nominal value of PLN 70,000 thousand, bearing interest at a fixed rate of 4.00%, maturing on June 10th 2026,
- on July 9th 2021 unsecured Series AK4 bonds were issued with a nominal value of PLN 65,000 thousand, bearing interest at a fixed rate of 4.00%, maturing on July 9th 2026.

On April 27th 2021, the Management Board of KRUK S.A. passed a resolution to establish the 8th Bond Issue Programme with a total nominal value of up to PLN 700,000 thousand, under which the Parent may issue public bonds. The Programme prospectus along with an application for its approval will be filed with the Polish Financial Supervision Authority. Individual series of Bonds under the Programme will be issued during the 12 months from the prospectus approval by the Polish Financial Supervision Authority. The final terms of each Bond issue, particularly the rules for determining the interest rate and interest amount, may vary. The key terms of each Bond series will be provided in the prospectus and in the final terms of the relevant series.

On September 6th 2021, the Management Board of KRUK S.A. was notified of the approval on September 3rd 2021 by the Polish Financial Supervision Authority of the prospectus prepared in connection with the 8th Bond Issue Programme.

16. Dividends paid (or declared)

On March 17th 2021, the KRUK S.A. Management Board passed a resolution recommending that the Parent's Annual General Meeting approve dividend payment to the Parent's shareholders of PLN 8 per share. By a resolution of March 24th 2021, the Parent's Management Board recommended that the General Meeting allocate the Parent's net profit for 2020 of PLN 81,355,730.59 in full to dividend payment of PLN 8.00 per share. The recommendation was endorsed by the Parent's Supervisory Board on March 25th 2021.

On May 5th 2021, the Parent's Management Board passed a resolution to amend the recommendation to the Parent's Annual General Meeting raising the dividend amount from PLN 8.00 to PLN 11.00 per share. The profit distribution would cover 18,740,045 shares. Excluded from the dividend payment would be 271,000 treasury shares bought back by the Parent pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. On June 16th 2021, the Annual General Meeting of Kruk S.A. passed Resolution 7/2021 to approve the dividend payment as recommended by the Management Board.

The dividend of PLN 206,140,495.00 was distributed from the Parent's net profit earned in 2020, increased by amounts transferred from statutory reserve funds created from retained earnings. In accordance with the resolution, the dividend record date with respect to dividend for the year ended December 31st 2020 was set for June 24th 2021, and the dividend payment date – for July 2nd 2021. The dividend was paid on that date on 18,740,045 shares in KRUK S.A.

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

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 September 30th 2021 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for Prokura NS FIZ's liabilities towards mBank under the credit facility granted to Prokura NS FIZ	mBank S.A.	PLN 210,000 thousand	By July 1st 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,397 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 162,397 thousand	By October 31st 2021	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 291 thousand and PLN 197 thousand	By December 30th 2021	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee
Surety for Prokura NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility granted to Prokura NS FIZ	ING Bank Śląski S.A.	PLN 300,000 thousand	By December 20th 2029	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement

Type	Beneficiary	Amount	Expiry date	Terms and conditions
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.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A.	EUR 447,000 thousand	Until all obligations under the credit facility agreement are satisfied.	The Borrower's failure to pay amounts owed under the 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 InvestCapital LTD's liabilities under financial market transactions in pursuant to the master agreement between InvestCapital LTD and DNB Bank Polska S.A.	DNB Bank Polska S.A.	EUR 15,300 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied.	InvestCapital LTD's failure to satisfy its obligations under financial market transactions executed pursuant to the master agreement of February 28th 2019.

Credit sureties or guarantees, security pledges

On March 29th 2021, Kruk S.A. and its subsidiaries InvestCapital LTD, Kruk Romania S.R.L., Prokura NS FIZ and Kruk España S.L.U. executed an amendment to the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, with the bank syndicate comprising DNB Bank ASA of Oslo, ING Bank Śląski S.A. of Katowice and Santander Bank Polska S.A. of Warsaw (the "Amendment"). The Amendment primarily extended the availability period of the facility by another 12 months.

In accordance with the amended agreement, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for all liabilities of the borrowers, valid for the term of the revolving multi-currency credit facility agreement. In addition, on March 30th 2021 KRUK S.A. and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 352.5m, which will expire on or before December 31st 2028.

On September 24th 2021, KRUK S.A. and the borrowers executed another amendment to the revolving multi-currency credit facility agreement entered into with a syndicate of banks, currently comprising DNB Bank ASA of Oslo, Norway, ING Bank Śląski S.A. of Katowice, Santander Bank Polska S.A. of Warsaw, and PKO BP S.A. of Warsaw. Under the Amendment, the facility limit was increased to EUR 273m and the availability period of the facility was extended by another 12 months, i.e. until July 2026.

In accordance with the amended agreement, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for all liabilities of the borrowers, valid for the term of the revolving multi-currency credit facility agreement. In addition, on September 24th 2021 KRUK S.A. and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 447m, which will expire on or before December 31st 2030.

To secure liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended:

- on January 7th and May 10th 2021, InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A. signed agreements under Spanish law establishing pledges over debt portfolios purchased by InvestCapital LTD on the Spanish market.
- on June 22nd 2021, Prokura NS FIZ and DNB Bank ASA signed an agreement under Polish law establishing a pledge over debt portfolios purchased by Prokura on the Polish market.

As at September 30th 2021, the value of all portfolios pledged in favour of DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A. totalled PLN 1,698,510 thousand.

In connection with the credit facility agreement of December 20th 2018, as amended, between Prokura NS FIZ, Kruk S.A. and ING Bank Śląski S.A.:

- on May 20th 2021, Supplementary Agreement No. 3 was executed whereby:
 - new availability end dates were set for:
 - the credit facility of up to PLN 175m – at December 20th 2025, and
 - the credit facility of up to PLN 25m – at December 20th 2026.
 - KRUK S.A. issued a surety for liabilities of the borrower Prokura NS FIZ under the agreement for up to PLN 240m and until December 20th 2029. In accordance with the agreement, Kruk S.A. (in connection with the surety provided) and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 240m, which will expire on or before December 20th 2030.
- on May 26th 2021, in order to secure Prokura NS FIZ's liabilities under the agreement, PROKURA NS FIZ and ING Bank Śląski S.A. executed agreements establishing registered pledges over a set of rights (debt portfolios held by PROKURA NS FIZ). On June 1st 2021, applications were filed with the court to enter the pledges in the pledge register. According to notifications received by the Company, the pledges were created for the maximum secured amount of PLN 240m.
- on July 22nd 2021, Supplementary Agreement No. 4 was executed whereby:
 - the amount of the credit limit granted was increased by PLN 50m, and the individual sub-limits are as follows:
 - a credit facility of up to PLN 225m, repayable on December 20th 2025, and
 - a credit facility of up to PLN 25m, repayable on December 20th 2026.
 - KRUK S.A. issued a surety for liabilities of the borrower Prokura NS FIZ under the agreement for up to PLN 300m and until December 20th 2029. In accordance with the agreement, Kruk S.A. (in connection with the surety provided) and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 300m, which will expire on or before December 20th 2030.

As at September 30th 2021, the value of all debt portfolios pledged in favour of ING Bank Śląski S.A. totalled PLN 370,741 thousand.

On July 23rd 2021, in connection with the revolving credit facility agreement between KRUK S.A. and Santander Bank Polska S.A. dated April 8th 2011, Amendment 21 was executed, under which the amount of the credit limit granted was increased by PLN 35m. The existing credit limits are as follows:

- Credit facility – up to PLN 120m or its EUR equivalent, with the availability end date and final repayment date set for October 31st 2025,
- Additional credit facility – up to PLN 55m or its EUR equivalent, with the availability end date and final repayment date set for October 31st 2023.

Accordingly:

- on August 11th 2021, an amendment was executed to the agreement on registered pledge over investment certificates of November 20th 2017 between KRUK S.A. and Santander Bank Polska S.A. under which the maximum secured amount was increased to PLN 262.5m.
- on August 18th 2021, KRUK S.A. submitted a declaration of submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure, up to PLN 180m under the credit facility, until October 31st 2028, and up to PLN 82.5m under the additional credit facility, until October 31st 2016.

Following entry by Prokura NS FIZ and KRUK S.A. on September 21st 2021 into a non-revolving working capital facility agreement with Powszechna Kasa Oszczędności Bank Polski S.A., in order to secure the repayment of Prokura NS FIZ's liabilities under the agreement:

- On October 5th 2021, i.e. subsequent to the reporting date, Kruk S.A.:
 - entered into a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw. Under the Surety Agreement, KRUK S.A. has provided a surety for any liabilities under the Facility Agreement towards the Bank existing at the time of providing the surety and such liabilities as may arise in the future, including, without limitation, any interest and such litigation and enforcement costs and expenses as the Bank may incur in connection with the facility, thus becoming a joint and several debtor with respect to such liabilities. The surety has been issued for up to PLN 44.64, which is 150% of the amount of the outstanding debt under the credit facility, with the proviso that on each facility repayment date the amount of the surety shall be reduced by the amount of the actual repayment made. The surety will expire not later than on September 20th 2029;
 - concluded with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw an agreement for a financial pledge over a bank account held by KRUK S.A. with the Bank;
 - granted the Bank a power of attorney to exercise control over certain bank accounts held with the Bank.
- On October 5th 2021, i.e. subsequent to the reporting date, Prokura NS FIZ concluded with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw an agreement for a financial pledge over a bank account held by Prokura NS FIZ with Polska Kasa Opieki Spółka Akcyjna and granted the Bank a power of attorney to exercise control over that account.
- On October 8th 2021, i.e. subsequent to the reporting date, KRUK S.A. and Prokura NS FIZ made declarations on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 44.64m, which will expire on or before September 20th 2028.

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

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

On October 27th 2021 it was notified of a positive decision by the Management Board of one of Poland's largest banks (the "Bank") concerning conclusion of a debt assignment agreement between the subsidiary PROKURA NS FIZ and the Bank whereby the former will purchase a portfolio of unsecured retail debt with a nominal value of approximately PLN 543m and a portfolio of unsecured SME debt with a value of approximately PLN 730m.

After the end of the third quarter of 2021, there were no other events with a potentially material bearing on the Group's future performance.

Piotr Krupa
*President of the
Management Board*

Piotr Kowalewski
*Member of the
Management Board*

Adam Łodygowski
*Member of the
Management Board*

Urszula Okarma
*Member of the
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Michał Zasępa
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Monika Grudzień-Wiśniewska
Person keeping the accounting records

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Wrocław, November 2nd 2021