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# Independent Auditor's Report

## To the General Shareholders' Meeting and Supervisory Board of KRUK Spółka Akcyjna

### Report on the Audit of the Annual Consolidated Financial Statements

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#### Opinion

We have audited the accompanying annual consolidated financial statements of KRUK Spółka Akcyjna Group (the "Group"), whose parent entity is KRUK Spółka Akcyjna (the "Parent Entity"), which comprise:

- the consolidated statement of financial position as at 31 December 2021;

and, for the period from 1 January to 31 December 2021:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- notes, including a description of the adopted accounting principles and other explanatory information

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

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Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee dated 15 March 2021.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

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Company registered at the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Business Register.

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## Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors as National Standards on Auditing (the “NSA”); and
- the act on statutory auditors, audit firms and public oversight dated 11 May 2017 (the “Act on statutory auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest

entities and repealing Commission Decision 2005/909/EC (the “EU Regulation”); and

- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence and Ethics

We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) as adopted by the resolution of the National Council of Statutory Auditors („NCSA”), together with the ethical requirements that are relevant to our audit of

the consolidated financial statements in Poland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During our audit the key statutory auditor and the audit firm remained independent of the Group in accordance with requirements of the Act on statutory auditors and the EU Regulation.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud. Key audit matters were addressed in the

context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

### Allowance for expected credit losses on investments carried at amortised cost

Investments valued at amortised cost include investments in purchased debt portfolios, whose carrying amount at 31 December 2021 was PLN 5,100,176 thousand, and accounted for 86% of the Group’s total assets (PLN 3,984,080 thousand and 85% at 31 December 2020, respectively), and loans granted, whose carrying amount at 31 December 2021 was PLN 279,213 thousand (PLN 152,666 thousand at 31 December 2020). These are reported within the balance of investments, which amounted to PLN 5,416,512 thousand as at 31 December 2021 (PLN 4,208,724 thousand as at 31 December 2020).

The result on expected credit losses from acquired debt portfolios was positive and it amounted to PLN 597,274 thousand in 2021 (plus PLN 29,249 thousand in 2020). The allowance for expected credit losses on loans granted amounted to PLN 23,910 thousand in 2021 (PLN 23 106 thousand in 2020 r.).

Reference to the consolidated financial statements: note 2.4. “Judgements and estimates”, note 3.8. “Investments” in conjunction with note 3.4.1. “Financial assets” and note 3.10. “Income from operations including result on expected credit losses, changes in value of investments and Other income/expenses from acquired debt portfolios”, note 15 “Investments” and note 29.1 “Credit risk”.

### *Key audit matter*

Investments in debt portfolios are purchased financial assets impaired due to credit risk, which are measured at amortised cost using the effective interest rate adjusted for credit risk. Loans are financing provided to individuals, measured at amortised cost using the effective interest rate based on expected cash flows.

Estimation of expected credit losses for investments in debt portfolios is based primarily on assumptions regarding the scale of application and effectiveness of various collection methods, the distribution of payments from debtors over time, the value of collateral held and the period over which proceeds from the portfolios will be generated, as well as forecasts of future economic conditions and the legal environment. The estimation of expected credit losses for loans granted, on the other hand, is based on determination of the probability of impairment (PD), the expected loss (LGD) and the value of the loan at the time of impairment (EAD).

Due to the nature and specificity of the debt portfolios acquired, which contain past due receivables and are often subject to prior recovery processes, the forecasts of the related cash flows contain a significant element of judgement and significant estimation and are subject to a significant degree of uncertainty. For loans granted, the evolution of PD, LGD, and EAD is a significant estimate.

A relatively small change in significant assumptions or model parameters such as data and methods can have a significant impact on the Group's estimate of expected credit losses.

We considered this area to be a key audit matter because the estimation of the allowance for expected credit losses on investments measured at amortised cost involves significant inherent risks of error and fraud as well as uncertainty and requires the Parent Company's management to exercise significant judgement and, given the share of these investments in total assets, has a material impact on the consolidated financial statements.

### *Our response*

Our audit procedures included, performed with the support of our own information systems specialists, inter alia:

- understanding and assessing the process of estimating expected credit losses, identifying material increases in credit risk (for loans granted) and the accounting policies adopted by the Group in this respect,
- understanding and evaluating the controls in the estimation of expected credit losses occurring during the reporting period,
- assessment of significant assumptions used in the estimation of expected credit losses models, including effectiveness of various collection methods (amount of estimated cash flows), distribution of payments from debtors over time (forecast horizon), period over which proceeds from portfolios will be generated based on our knowledge of the Group's operations - for purchased debt portfolios, and probability of impairment, occurrence of significant increase in credit risk and amount of expected credit losses - for loans granted,
- evaluation of a new model for estimating expected credit starts for loans granted, together with an analysis of the predictive power of the model
- comparison of cash flows from recoveries for retail debt portfolios estimated at previous balance sheet dates to actually realised cash flows in subsequent periods,
- assessing technical and mathematical correctness of the debt portfolios valuation models used,
- assessing the consistency of the application of the assumptions used to estimate expected credit losses on investments in debt portfolios with similar characteristics,
- independent recalculation of allowances for expected credit losses on investments in debt portfolios on a selected sample,
- independent recalculation of credit risk parameters (PD, LGD, EAD) and allowance for expected credit losses for loans granted based on a selected sample,

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- assessment of the correctness and completeness of the disclosures in the consolidated financial statements regarding significant judgements and estimates of expected credit losses of investments carried at amortised cost.
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### **Responsibility of the Management Board and Supervisory Board of the Parent Entity for the Consolidated Financial Statements**

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Parent Entity's articles of association and for such internal control as the Management Board of the Parent Entity determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Entity is responsible for assessing the

Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Parent Entity either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the accounting act dated 29 September 1994 (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent Entity has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;
- conclude on the appropriateness of the Management Board of the Parent Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the consolidated financial statements to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the

entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board of the Parent Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board of the Parent Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Information

The other information comprise:

- the Report of the Management Board of the Parent Entity on the operations of the Group and the Parent Entity for the financial year ended 31 December 2021 (the "MD&A") together with the corporate governance statement and the statement on non-financial information referred to in Article 55.2b, which are separate parts of this MD&A
- the statement of the Parent Entity's Management Board on the reliability of the preparation of the Group's annual

consolidated financial statements for the financial year 2021;

- Information from the Management Board of the Parent Entity;
- the statement of the Management Board of the Parent Entity on the entity authorised to audit financial statements;
- the statement by the Supervisory Board on the audit committee and on the appointment of the auditing firm.

(together the "Other information").





### *Responsibility of the Management Board and Supervisory Board*

The Management Board of the Parent Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Parent Entity are

required to ensure that the Report on activities, including separate parts of the Report on activities, is in compliance with the requirements set forth in the Accounting Act.

### *Auditor's Responsibility*

Our opinion on the consolidated financial statements does not cover the Other information.

In connection with our audit of the consolidated financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on statutory auditors our responsibility was to report if the Report on activities was prepared in

accordance with applicable laws and the information given in the Report on activities is consistent with the consolidated financial statements.

Moreover, in accordance with the requirements of the Act on statutory auditors our responsibility was to report whether the Group included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the consolidated financial statements and to inform whether the Group prepared a statement on non-financial information.

### *Opinion on the Report on Activities*

Based on the work undertaken in the course of our audit of the consolidated financial statements, in our opinion, the accompanying Report of the Management Board of the Company on the operations of the Group and the Parent Company for the financial year

ended 31 December 2021, in all material respects:

- has been prepared in accordance with applicable laws, and
- is consistent with the consolidated financial statements.

### *Opinion on the Statement on Corporate Governance*

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the "decree").

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the consolidated financial statements.

### *Information about the Statement on Non-financial Information*

In accordance with the requirements of the Act on statutory auditors, we report that the Group has prepared a statement on non-financial information referred to in art. 55 paragraph 2b of the Accounting Act as a separate part of the Report on activities.

We have not performed any assurance procedures in relation to the statement on non-financial information and, accordingly, we do not express any assurance conclusion thereon.



### *Statement on Other Information*

Furthermore, based on our knowledge about the Group and its environment obtained in the audit of the consolidated financial statements,

we have not identified material misstatements in the Report on activities and the Other information.

## **Report on Other Legal and Regulatory Requirements**

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### **Statement on Services Other than Audit of the Financial Statements**

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in Art. 5 paragraph 1 second subparagraph of the EU Regulation and Art. 136 of the act on statutory auditors.

Services other than audit of the financial statements, which were provided to the Group and entities under the control of the Parent Entity in the audited period are listed in point 8.3.9 of the Report on activities.

### **Appointment of the Audit Firm**

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 3 February 2020 to audit the annual consolidated financial

statements for the year ended 31 December 2021. Our period of total uninterrupted engagement is 5 years, covering the periods ended 31 December 2017 to 31 December 2021.

### **Opinion on compliance of the consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulatory technical standards on the specification of a single electronic reporting format**

As part of our audit of the consolidated financial statements we were engaged to perform a reasonable assurance engagement in order to express an opinion on whether the consolidated financial statements of the Group as at 31 December 2021 and for the year then ended prepared in the single electronic reporting format included in the reporting package named.zip (the “consolidated financial

statements in the ESEF format”) were tagged in accordance with the requirements specified in the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”).

### *Defining the Criteria and Description of the Subject Matter of the Service*

The consolidated financial statements in the ESEF format have been prepared by the Management Board of the Parent Entity to meet the tagging requirements and technical requirements for the specification of a single electronic reporting format, which are defined in the ESEF Regulation. The subject of our

assurance service is the compliance of the tagging of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and the requirements set out in these regulations are, in our opinion, appropriate criteria for our opinion.

### *Responsibility of the Management Board and Supervisory Board of the Parent Entity*

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements in the ESEF format in accordance with the tagging requirements and technical conditions of a single electronic reporting format, which are specified in the ESEF Regulation. Such responsibility includes

the selection and application of appropriate XBRL tags using the taxonomy specified in the this regulation.

This responsibility of the Management Board of the Parent Entity includes designing, implementing and maintaining internal control



relevant to the preparation of the consolidated financial statements in the ESEF format that is free from material non-compliance with requirements specified in the ESEF Regulation, whether due to fraud or error.

#### *Auditor's Responsibility*

Our objective is to issue an opinion about whether the consolidated financial statements in the ESEF format were tagged in accordance with the requirements specified in the ESEF Regulation.

We conducted our engagement in accordance with the National Standard on Assurance Services Other than Audit or Review 3001PL "Audit of financial statements prepared in a single electronic reporting format" as adopted by the NCSA ("NSAE 3001PL") and where applicable, in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" as adopted by the NCSA as the National Standard on Assurance Engagement 3000 (Revised) ("NSAE 3000 (R)"). These standards requires that the auditor plans and performs procedures to obtain reasonable assurance about whether the consolidated

#### *Summary of the Work Performed*

Our procedures planned and performed included, among others:

- obtaining an understanding of the process of preparing the consolidated financial statements in the ESEF format, including selection and application of XBRL tags by the Parent Entity and ensuring compliance with the ESEF Regulation, including an understanding of the mechanisms of internal control relevant to this process,
- reconciling the tagged information included in the consolidated financial statements in the ESEF format to the audited consolidated financial statements,
- assessing compliance with the regulatory technical standards regarding the

The members of the Parent Entity's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in the format required by applicable law.

financial statements in the ESEF format were prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with NSAE 3001PL and where applicable, in accordance with NSAE 3000 (R) will always detect material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements, whether due to fraud or error. In making those risk assessments, the auditor has considered internal controls relevant to the preparation of the consolidated financial statements in the ESEF format in accordance with the specified criteria in order to design procedures that are appropriate, which provide the auditor with sufficient and appropriate evidence under the circumstances. The assessment of internal controls was not performed for the purpose of expressing an opinion thereon.

specification of a single electronic reporting format,

- assessing the completeness of tagging of information in the consolidated financial statements in the ESEF format with XBRL tags,
- assessing whether the XBRL tags from the taxonomy specified in the ESEF Regulation were properly applied and whether the taxonomy extensions were used where the relevant elements were not identified in the core taxonomy specified in the ESEF Regulation,
- assessing the correctness of anchoring of the applied taxonomy extensions in the core taxonomy specified in the ESEF Regulation.

#### *Requirements of the Quality Control and Ethical Requirements, including Independence*

The firm applies International Standard on Quality Control 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" as adopted by

the NCSA as national standard on quality control, which requires us to implement and maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical





requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the IESBA Code as adopted by the resolution of the NCSA,

which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior as well as other independence and ethical requirements, applicable to this assurance engagement in Poland.

*Opinion on Compliance with the Requirements of ESEF Regulation*

Our opinion has been formed on the basis of, and is subject to, the matters outlined above.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the requirements of the ESEF Regulation.

In our opinion, the consolidated financial statements in the ESEF format as at 31 December 2021 and for the year then ended was tagged, in all material respects, in accordance with the requirements of the ESEF Regulation.

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On behalf of audit firm

**KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.**

Registration No. 3546

*Signed on the Polish original*

Magdalena Grzesik  
Key Statutory Auditor  
Registration No. 12032

*Signed on the Polish original*

Tadeusz de Ville  
Limited Partner, Proxy

Warsaw, 15 march 2022