



# 2022

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## **Directors' report**

on the operations of the KRUK Group  
and KRUK S.A.

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## Letter from the President of the Management Board

Dear Shareholders,

It is my pleasure to present to you the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2022. I am proud to say that 2022 was a very successful, and in many respects a record breaking, year for KRUK.

We pressed on with our long-term strategy, improving our competitiveness in debt portfolio purchases and investing a record amount of PLN 2.3bn. Because of attractive rates of return, we purchased debt mainly on markets other than Poland.

Thanks to operational efficiency improvements, we achieved highest ever recoveries of PLN 2.6bn, and the continuing technological transformation spurred the development of our online processes and the commencement of work on cloud-based solutions.

After reaching a breakthrough in our organic work on improving efficiency in Italy and Spain in 2021, in 2022 we were able to make significant investments in these markets, representing 60% of our last year's total expenditure on debt portfolios. The importance of foreign markets for the KRUK Group will be growing also in the coming years.

In addition Poland and Romania, also the Italian market made a substantial contribution to the Group's EBITDA. Our cash EBITDA landed at PLN 1.8bn, marking another record high.

With our persistent efforts, coherent strategy and commitment, we earned PLN 805m in net profit, turning in another record result.

In 2022, KRUK maintained good access to finance, both in the form of revolving loans and debt securities. Despite the challenging macroeconomic environment and high inflation, especially in Poland, we issued PLN 545m worth of bonds. The investors' interest was so high that subscriptions in one of the issues had to be reduced by more than 79%. We maintained low debt levels, with the ratios of net debt to cash EBITDA and net debt to equity at 2.1x and 1.1x, respectively, at the end of 2022. We also aim to expand the range of our funding sources, considering raising funds in the European market.

After several years of work to develop online tools, automation and robotisation, we achieved high scalability of our operational processes. Our decision-making processes, supported by in-depth analytics, enable optimum management of mass processes while maintaining a personalised approach to clients. Combined with online solutions, this results in a growing share of self-payers (clients paying without any contact from the adviser) in total recoveries. The self-payer channel will continue to grow.

At the end of 2022, we also implemented an ESG strategy to streamline KRUK's numerous social, governance and environmental initiatives. In accordance with the strategy, we want to empower our staff to build a good life with the KRUK Group. The ESG strategy is part of KRUK's business strategy and I believe that the pursuit of financial goals can go hand in hand with non-financial aspirations.

We are not indifferent to the developments that have affected the Ukrainian people. Our social engagement also manifests itself in financial and in-kind support to refugees from Ukraine. I am proud of KRUK employees, who joined numerous social initiatives, including those related to the refugee crisis.

I am proud to say that 25 years since its inception KRUK has become a modern international organisation with advanced technological solutions and potential for further growth. With presence in various European markets, we are able to successfully diversify investment and business risks. Our growth projects are focused on purchases of unsecured retail debt.

I encourage you to read our Directors' Report on the operations of the KRUK Group and KRUK S.A. for 2022.







Respectfully yours,

Piotr Krupa





## KEY ACHIEVEMENTS IN 2022

					
New portfolio purchases	Recoveries	Cash EBITDA	Net profit	ROE	Net debt to equity
<b>PLN 2,311m</b>	<b>PLN 2,627m</b>	<b>PLN 1,809m</b>	<b>PLN 805m</b>	<b>25%</b>	<b>1.2</b>
+33%	+19%	+17%	+16%	-	-
		PLN			EUR

PLNm	2022	2021	Change	2022	2021
Expenditure on debt portfolios	2,311	1,738	33%	493	380
Gross recoveries	2,627	2,216	19%	560	484
Carrying amount of purchased portfolios	6,768	5,100	33%	1,444	1,114
Estimated remaining collections	13,765	9,989	38%	2,936	2,182
Total revenue	2,146	1,743	23%	458	381
Revenue from purchased portfolios	1,913	1,576	21%	408	344
EBIT	1,043	860	21%	222	188
EBITDA*	1,094	908	20%	233	198
Cash EBITDA**	1,809	1,548	17%	386	338
Net profit	805	695	16%	172	152
Basic EPS (PLN)	42.07	36.63	15%	8.97	8.00
Diluted EPS (PLN)	40.71	35.80	14%	8.68	7.82
ROE***	25%	27%	-	-	-
Net debt to equity	1.2	1.0	-	-	-
Net debt to cash EBITDA	2.1	1.7			
Cash EBITDA to interest on debt	9.8	16.6			

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

Source: Company



### KRUK S.A. in WIG20

since November 2022



Presence in  
**seven European  
markets**



### mWIG40 Company of the Year

for KRUK S.A. in the Bulls  
and Bears awards of the  
*Parkiet* daily



**25% ROE**



**PLN 247m or  
PLN 13 per share**  
dividend paid in 2022



**Listed Company  
of the Year  
7th position**  
in the *Puls Biznesu* Survey



### 2nd main prize

in the 'Banks and Financial  
Institutions' category for the  
2021 annual report in the Best  
Annual Report 2021  
competition



Development of **e-kruk.pl**  
(37% increase in the number  
of users since December  
2021)



Around **90% of  
settlement  
agreements**  
signed in 2022 were  
paperless



The KRUK Group has

**3,375  
employees**



Implementation  
**of ESG strategy**  
in 2022



**Women** hold **62%**  
of top management positions  
at the KRUK Group

# 1 | Chapter

## 1 KRUK GROUP

The KRUK Group is one of Europe's largest debt management companies. The founder and CEO of KRUK established it more than 24 years ago in Wrocław, Poland. Currently, the Group comprises 24 equity-related companies offering a comprehensive range of modern, integrated services. Today, we have operations in Poland, Romania, Italy, Spain, the Czech Republic and Slovakia, as well as holding assets in Germany. We manage close to PLN 7.7bn in total assets and delivered a net profit of PLN 805m for 2022. For all the past 24 years, we have maintained a consistent track record of profit generation.

The Group's principal business is the management of debt portfolios purchased for the Group's own account as well as providing credit management services to banks, telecommunication operators, insurers, and other third parties.

Our primary markets are the markets of unsecured and secured debt to banks in Poland and Romania, as well as unsecured debt to banks in the Czech Republic, Slovakia, Germany, Italy, and Spain. We also purchase corporate debt. The Group actively offers its credit management services to third parties in Poland, Romania, Spain and Italy. KRUK's geographical segments, identified based on revenue, are Poland, Romania, Italy, Spain, and other markets (Czech Republic, Slovakia, Germany).

The Group's business in Poland and Romania includes consumer lending.

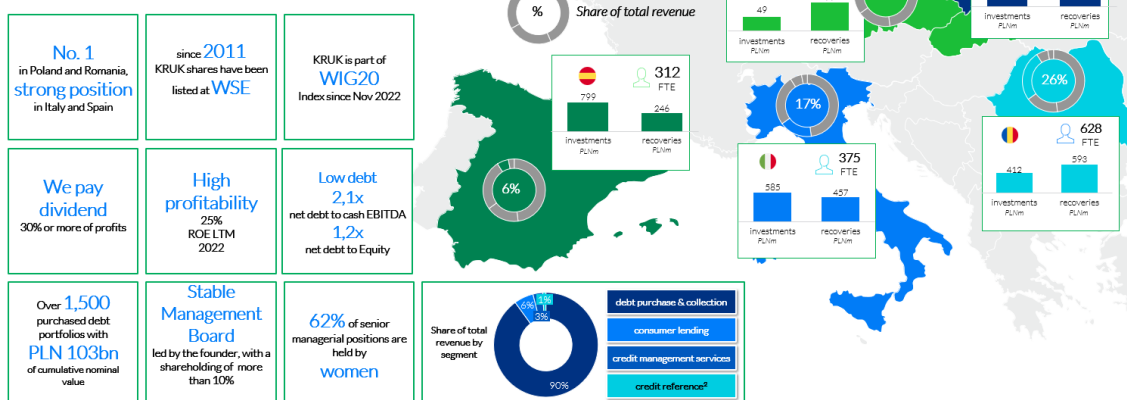
Since 2011, KRUK S.A. shares have been listed on the Warsaw Stock Exchange, and notes issued by the Company are traded on the Catalyst bond market in Poland. In November 2022, KRUK shares were included in the WIG20 index. Between the IPO and the end of 2022, our stock price rose 656%.

For the past eight years, we have made regular profits distributions to our shareholders, having paid out a total of over PLN 830m as dividends. In 2021, we implemented the Dividend Policy, which provides for payment of at least 30% of profits to shareholders.

The KRUK Group employs more than 3,000 staff and collaborates with some of Europe's largest financial institutions.

## KRUK Group at a glance

25 years – from a start-up to the fourth largest player in Europe<sup>1</sup>



1) Credit Management Services Report by JP Morgan (February 2023); Data for 2022 or as at the end of 2022 ; 2) Since 24th of January 2023 credit reference is no longer part of KRUK Group

3

## 1.1 KRUK's milestones

<b>1998</b>	KRUK is established
<b>2000</b>	Debt collection business is launched
<b>2003</b>	KRUK emerges as a leader of the debt collection market KRUK purchases its first debt portfolio in Poland
<b>2007</b>	KRUK purchases its first debt portfolio in Romania
<b>2011</b>	KRUK shares are floated on the Warsaw Stock Exchange KRUK purchases its first debt portfolios in the Czech Republic and Slovakia
<b>2015</b>	KRUK purchases its first debt portfolio in Italy
<b>2016</b>	KRUK purchases its first debt portfolio in Spain
<b>2019</b>	Wonga, an online consumer loan market operator, is acquired.
<b>2020</b>	Online tools are developed, process efficiency of remote work during the pandemic is maintained
<b>2021</b>	KRUK's business and profits rise sharply Dividend policy is implemented
<b>2022</b>	KRUK delivers record results ESG strategy is implemented

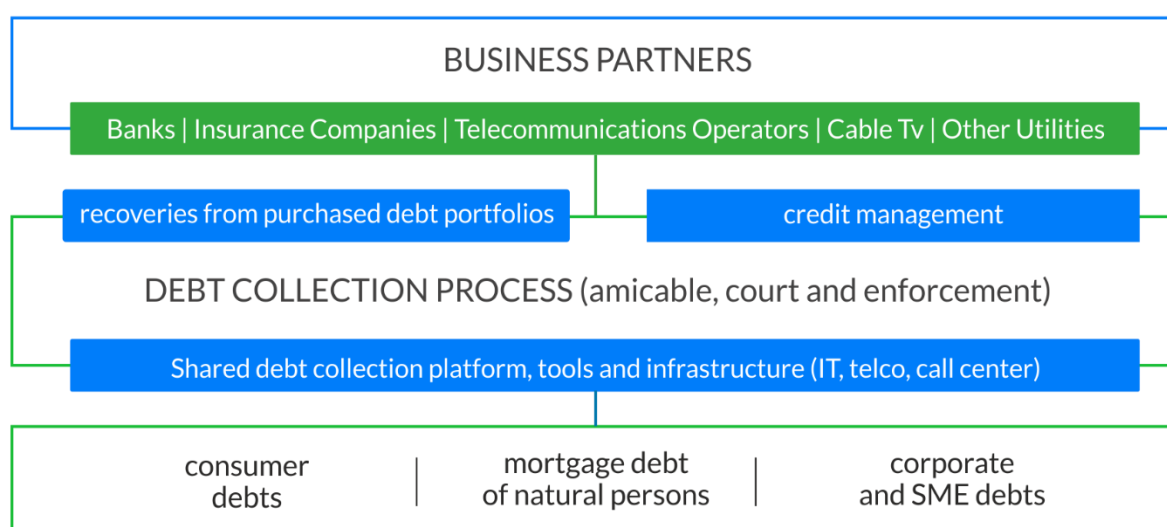
## 1.2 The Group's core business model

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

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

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

KRUK business model



The KRUK Group includes Wonga, a company operating on the open consumer loan market in Poland. The Group also offers loan products under the NOVUM brand, primarily targeting clients who make regular repayments or have paid off their debts to the Group in Poland and Romania. Until January 24th 2023, KRUK owned ERIF BIG, a company that collects and provides credit information in Poland.

## 1.3 KRUK's relations with indebted persons

**We treat clients with respect**

We treat our indebted persons who are our clients with due respect at all stages of the collection process. We facilitate debt repayment and present indebted persons with all available options, while reminding them of their responsibility to pay off their debts. In our communications to clients, we warn them about the possible measures we may take in case they fail to pay off debt and, where necessary, we implement those measures.

### **Client communication**

We employ a range of communication channels to reach clients, including phone, written correspondence (including email), online or personal contact (field advisers). Clients may sign a

settlement agreement or make repayments via the e-Kruk platform or by making electronic payments. Our interactions with clients are compliant with all applicable ethical and legal standards and principles. We constantly improve our client service, also by conducting service quality surveys.

**Process efficiency**

The collection process is assessed for efficacy at every stage, with the optimum model selected. If amicable collection attempts prove ineffective, court and enforcement proceedings are initiated. After the court proceedings are launched, a settlement agreement may still be reached through what we call a ‘hybrid process’.

**Education**

We engage in a number of initiatives promoting financial literacy among clients. We started the ‘Day without Debt’ educational campaign, which aims to encourage indebted persons in Poland, Romania, the Czech Republic and Slovakia to repay their debts and uses various communication channels, both traditional, such as radio and press, and online. In each country where we are present, we regularly publish advice and information on a corporate blog. For instance, in Poland, on kapitalni.org we talk about the causes and consequences of failure to pay one’s dues.

**1.4 We are the most recognisable company in our industry in Poland.**

We bolster our strategy through advertising campaigns run in the media. In the past, the theme of indebtedness and solution to debt problems was featured through placement of the KRUK Group’s idea in the most popular TV series shown on Polish TV. We are also active online. Over the years, the growing popularity of our strategy has enhanced the KRUK brand awareness in Central Europe.

Among debt collection companies operating in Poland and Romania, KRUK is the undisputed leader in terms of brand recognition according to tracking studies carried out by Ariadna Nationwide Research Panel and the research consultancy Maison&Partners\*. In the fourth quarter of 2022, knowledge of the KRUK brand, measured by brand awareness, was 82%.

**KRUK aided brand awareness vs peers**

Poland	
Company	
KRUK	82%
Competitor 1	42%
Competitor 2	30%
Competitor 3	39%
Competitor 4	28%
Competitor 5	20%

*Source: CAWI brand survey by Ariadna Nationwide Research Panel in Poland*

## KRUK's logo awareness vs debt management sector competitors

Poland	
Company	
KRUK	78%
Competitor 1	34%
Competitor 2	27%
Competitor 3	23%
Competitor 4	17%
Competitor 5	15%

Source: CAWI brand survey by Ariadna Nationwide Research Panel in Poland

## 1.5 KRUK on the debt market

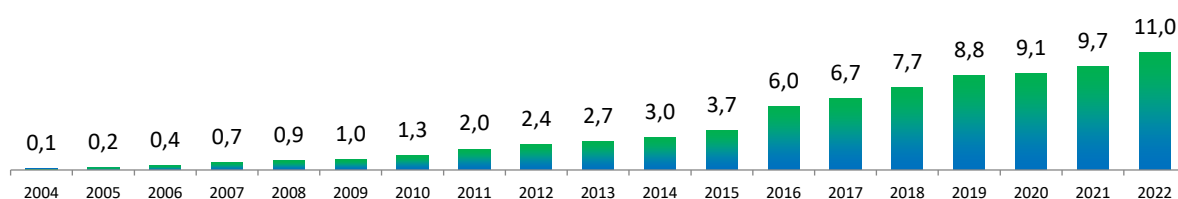
### 1.5.1 Purchased debt portfolios

From 2002 to the end of 2022, the KRUK Group purchased 1,536 debt portfolios with a total nominal value of approximately PLN 103bn. We purchased debt portfolios in seven countries: Poland, Romania, the Czech Republic, Slovakia, Germany, Italy, and Spain. From 2002 to 2022, we acquired more than 11 million cases.

### Debt portfolio purchase and management

1. Debt sale auction	Banks regularly sell debt portfolios to improve their liquidity or to ensure compliance with regulatory requirements and the tax law.
2. Debt portfolio valuation by KRUK	Valuation based on 20 years of debt purchase experience – more than 1,500 portfolios purchased since the start of the business and an average of 400 valuations performed each year
3. Auction winning and portfolio purchase	Debt is purchased at a high discount, typically for 5% -25% of its nominal value.
4. 4.a. Commencement of amicable settlement process 4.b. Court and enforcement proceedings/hybrid process	Increased debtor reach and average recovery at above 2x the purchase price.

Number of cases purchased by KRUK (cumulative, million)



Unsecured retail debt portfolios are valued based on information on indebted persons, information on products involved, and data on indebted persons' behaviour. The valuation process employs advanced statistical tools and behaviour data accumulated since 2003.

In principle, with respect to collecting unsecured retail debt, our preferred approach is to reach with the indebted person an out-of-court amicable settlement based on mutually agreed optimum repayment terms. The debt collection process may, however, involve taking a case to court and enforcement or be conducted in the form of a hybrid process. For more information on the array of debt collection tools applied, see Section 1.5.3 *Operating tools*.

### 1.5.2 Credit management services

The average annual number of cases outsourced to the Group for credit management purposes is over 2.4 million. Many of the portfolios we manage are then sold. Debt management companies that are strong in this segment have the advantage of greater expertise in portfolio purchases. KRUK manages all types of debt (consumer, mortgage and corporate) at any stage of the debt collection process (amicable settlement, court proceedings). Participation in the credit management market helps us to better price and manage portfolios purchased for our own account. In 2022, we offered credit management services in Poland, Romania, Spain and Italy. In 2023, we discontinued our credit management services for business partners in Romania.

Credit management (outsourced debt collection)

- Non-performing debt portfolio

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- Tender for credit management services – selection of debt collection company

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- Referral and submission of cases for collection using KRUK tools

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- Debt collection by KRUK

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- Transfer of outstanding cases back to the business partner

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- Business partner's decision whether to hold a new tender for credit management services or a sales auction with respect to remaining outstanding debt

### 1.5.3 Operating tools

Our know-how of more than 20 years, combined with an understanding of the industry, advanced analytics and collection activities and tools selected on a case-by-case basis, facilitate



effective portfolio management and accurate planning of the collection process. Below are described the main tools used to support the debt recovery process.

### **Amicable (out-of-court) collection process**

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

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

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

### **Court and enforcement proceedings**

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

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

### **Hybrid process**

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

### **Specialised services**

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

In our credit management services, we also use monitoring of amounts due, which involves debt collection at very early stages, with a strong focus on client's rehabilitation. Monitoring of

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

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

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

#### 1.5.4 Consumer lending

The KRUK Group provides cash loans in Poland (under the Wonga and Novum brands) and Romania (under the Novum brand). NOVUM products are offered primarily to our most reliable clients who have a history of regular repayments or have repaid their debts to the Group, while Wonga products are offered on the open market, mainly through the online channel.

#### 1.5.5 Credit reference agency

As part of its loss prevention services and to support debt management, in 2022 in Poland the KRUK Group operated ERIF Biuro Informacji Gospodarczej (ERIF BIG), a credit reference agency collecting both negative and positive consumer and corporate credit histories. Following the sale of 100% of shares in ERIF BIG and 100% of shares in ERIF EBS, which took place after the reporting date, as of January 24th 2023 the KRUK Group ceased to operate any credit reference agency.

### 1.6 Number and value of cases under the KRUK Group's management

As at December 31st 2022, the KRUK Group managed a total of 8.5m debt cases (in purchased portfolios and as part of credit management services), compared with 7.7m as at December 31st 2021, with the increase attributable mainly to higher debt purchases. As at the end of 2022, the nominal value of managed debt was PLN 118.4bn, having increased from PLN 104.5bn a year earlier in both the purchased debt and credit management portfolios. The key data on debt cases managed by the Group is presented below.

**Table 1. Number and value of managed cases as at the end of 2022 and 2021**

	Dec 31 2022	Dec 31 2021
Number of managed cases (millions)	8.5	7.7
of which purchased debt cases	8.0	7.0
of which credit management cases	0.5	0.7
Nominal value of managed cases (PLNbn)	118.4	104.5
of which purchased debt cases	96.9	84.5
of which credit management cases	21.4	20.1

Source: Company

# 2 | Chapter

## 2 GENERAL INFORMATION ON KRUK S.A. AND THE KRUK GROUP

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

### 2.1 General information on the Parent

#### Form of incorporation

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

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

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

#### Parent contact details

Name: **KRUK SPÓŁKA AKCYJNA**

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

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

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

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

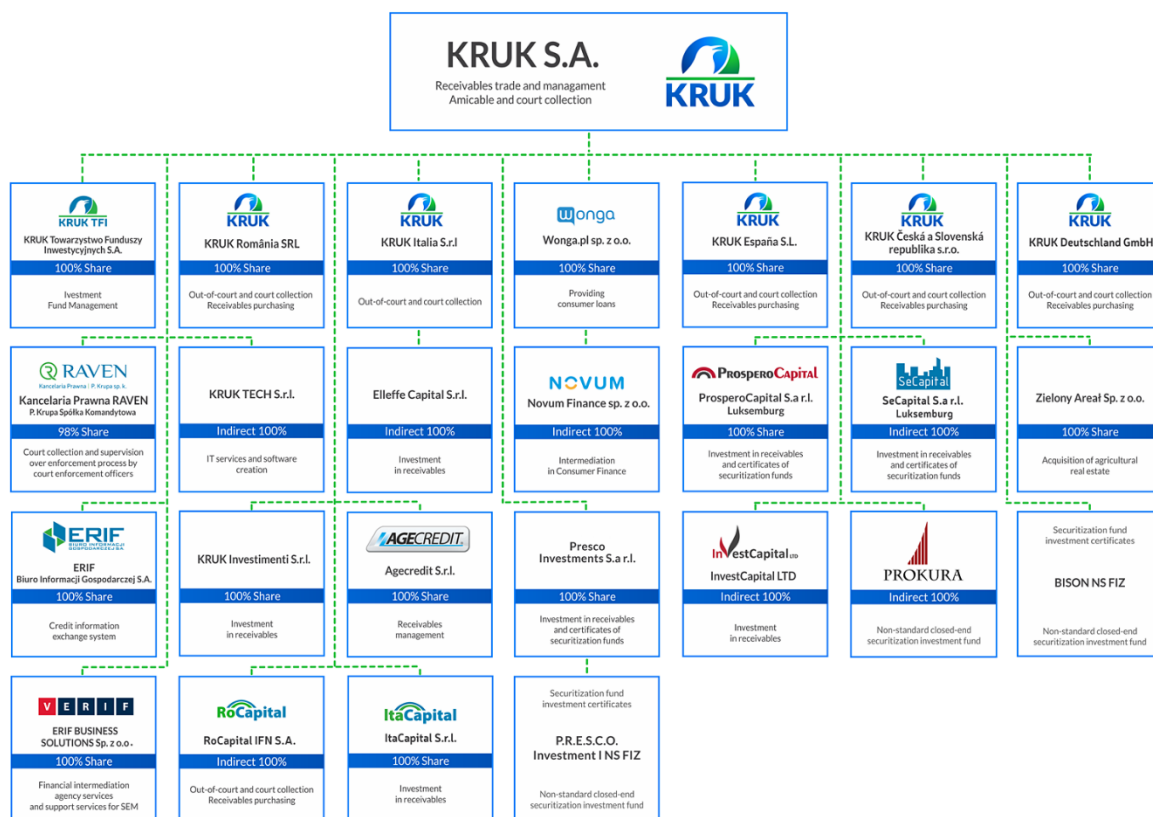
For the organisational chart of the KRUK Group, see Section 2.2.1. *Description of the Group’s structure.*

### 2.2 Structure

#### 2.2.1 Description of the Group’s structure

The structure of the KRUK Group as at December 31st 2022 and KRUK S.A.’s ownership interests in the subsidiaries are presented below.

Figure 1. Structure of the KRUK Group as at December 31st 2022



Source: Company

As at December 31st 2022, the Group comprised KRUK S.A. (the Parent), 25 subsidiaries, and two entities controlled through personal links. The subsidiaries are presented below.

Table 2. KRUK S.A. subsidiaries

Subsidiary	Registered office	Principal business activity
<b>DEBT MANAGEMENT</b>		
AgeCredit S.r.l.	Cesena	Credit management services
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Court and out-of-court collection; purchases of debt portfolios
KRUK Deutschland GmbH	Berlin	Court and out-of-court collection; purchases of debt portfolios
KRUK Espana S.L.U.	Madrid	Court and out-of-court collection; purchases of debt portfolios
KRUK Italia S.r.l.	Milan	Credit management services and collection of debt purchased by the KRUK Group
KRUK Romania S.r.l.	Bucharest	Court and out-of-court collection; purchases of debt portfolios
RoCapital IFN S.A.	Bucharest	Court and out-of-court collection; purchases of debt portfolios
<b>INVESTMENT IN DEBT PORTFOLIOS</b>		
Elleffe Capital S.r.l.	La Spezia	Investment in debt portfolios

ItaCapital S.r.l.	Milan	Investment in debt portfolios
KRUK INVESTIMENTI S.R.L.	Milan	Investing in debt portfolios
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of investment funds
Bison NS FIZ (closed-end investment fund)	Wrocław	Non-Standard Securitisation Closed-End Investment Fund
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Non-Standard Securitisation Closed-End Investment Fund
Prokura NS FIZ securitisation fund	Wrocław	Non-Standard Securitisation Closed-End Investment Fund
InvestCapital Ltd.	Malta	Investment in debt portfolios
Secapital S.a r.l.	Luxembourg	Investment in debt portfolios and securitisation fund certificates
Presco Investments S.a r.l.	Luxembourg	Investment in debt portfolios and securitisation fund certificates
ProsperoCapital S.a r.l. in voluntary liquidation	Luxembourg	Investment in debt portfolios and securitisation fund certificates
<b>CONSUMER LENDING</b>		
NOVUM FINANCE sp. z o.o.	Wrocław	Intermediation in consumer lending
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans
<b>DEBT MANAGEMENT SUPPORT ACTIVITIES</b>		
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Credit information exchange system
ERIF Business Solutions Sp. z o.o.	Wrocław	Financial intermediation, agency and support services for the SME sector
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Court collection, overseeing of debt enforcement by bailiffs, corporate debt collection
KRUK TECH S.R.L.	Bucharest	IT services and software development
Zielony Areal sp. z o.o.	Wrocław	Purchase of farmland
<b>Entity controlled through personal links</b>	<b>Registered office</b>	<b>Principal business activity</b>
Corbul S.r.l	Bucharest	Detective activities
Gantoi, Furculita Si Asociatii S.p.a.r.l.	Bucharest	Law firm

Source: The KRUK Group

After the reporting date, on January 3rd 2023, negotiations were concluded and an agreement was signed for the sale by KRUK S.A. of all shares in ERIF Biuro Informacji Gospodarczej S.A. and ERIF Business Solutions sp. z o.o. The ownership title to the shares was transferred on the date on which the Company's bank account was credited with the selling price, i.e., on January 24th 2023.

Accordingly, as at the issue date of this Report, the KRUK Group comprised the parent KRUK S.A., 23 subsidiaries, and two entities controlled through personal links. The subsidiaries are presented below.

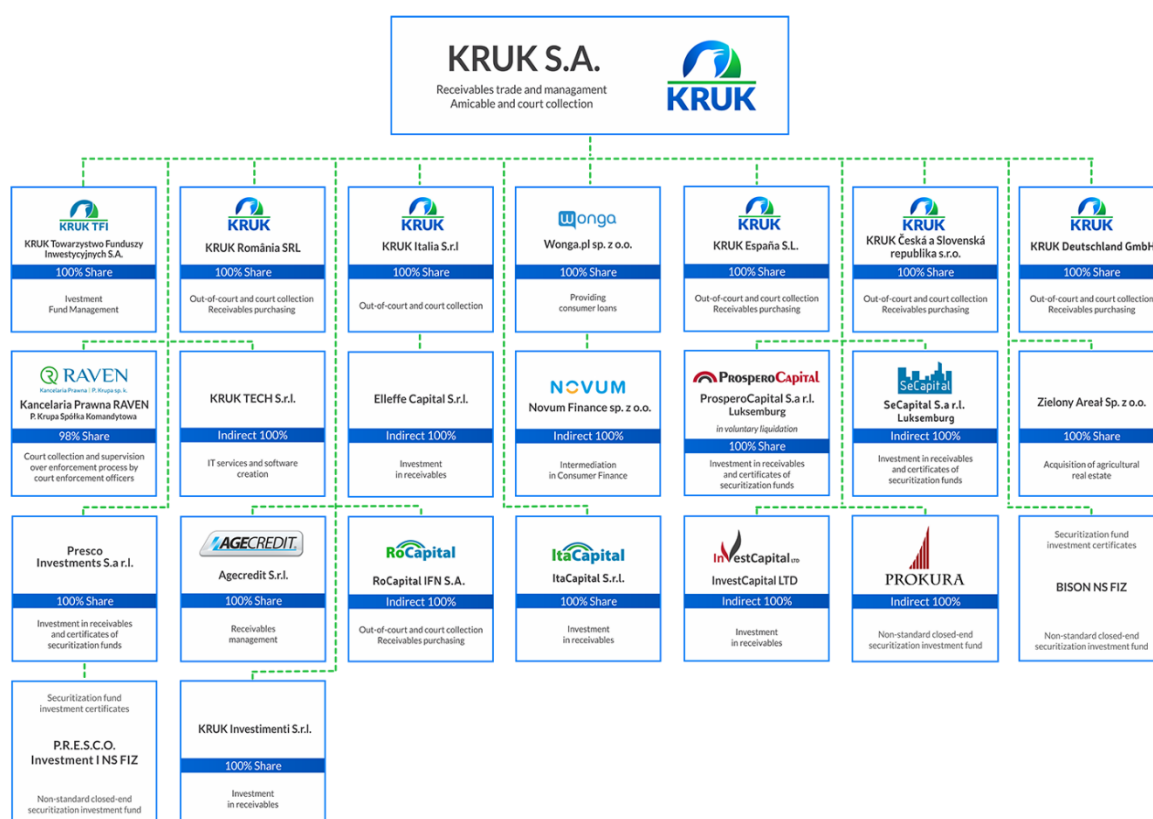
**Table 3. KRUK S.A. subsidiaries as at the issue date of this Report**

Subsidiary	Registered office	Principal business activity
<b>DEBT MANAGEMENT</b>		
AgeCredit S.r.l.	Cesena	Credit management services
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Court and out-of-court collection; purchases of debt portfolios
KRUK Deutschland GmbH	Berlin	Court and out-of-court collection; purchases of debt portfolios
KRUK Espana S.L.U.	Madrid	Court and out-of-court collection; purchases of debt portfolios
KRUK Italia S.r.l.	Milan	Credit management services and collection of debt purchased by the KRUK Group
KRUK Romania S.r.l.	Bucharest	Court and out-of-court collection; purchases of debt portfolios
RoCapital IFN S.A.	Bucharest	Court and out-of-court collection; purchases of debt portfolios
<b>INVESTMENT IN DEBT PORTFOLIOS</b>		
Elleffe Capital S.r.l.	La Spezia	Investment in debt portfolios
ItaCapital S.r.l.	Milan	Investment in debt portfolios
KRUK INVESTIMENTI S.R.L.	Milan	Investing in debt portfolios
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of investment funds
Bison NS FIZ (closed-end investment fund)	Wrocław	Non-Standard Securitisation Closed-End Investment Fund
P.R.E.S.C.O. Investment I NS FIZ	Wrocław	Non-Standard Securitisation Closed-End Investment Fund
Prokura NS FIZ	Wrocław	Non-Standard Securitisation Closed-End Investment Fund
InvestCapital Ltd.	Malta	Investment in debt portfolios
Secapital S.a r.l.	Luxembourg	Investment in debt portfolios and securitisation fund certificates
Presco Investments S.a r.l.	Luxembourg	Investment in debt portfolios and securitisation fund certificates
ProsperoCapital S.a r.l. in voluntary liquidation	Luxembourg	Investment in debt portfolios and securitisation fund certificates
<b>CONSUMER LENDING</b>		
NOVUM FINANCE sp. z o.o.	Wrocław	Intermediation in consumer lending
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans
<b>DEBT MANAGEMENT SUPPORT ACTIVITIES</b>		
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Court collection, overseeing of debt enforcement by bailiffs, corporate debt collection

KRUK TECH S.R.L.	Bucharest	IT services and software development
Zielony Areał sp. z o.o.	Wrocław	Purchase of farmland
<b>Entity controlled through personal links</b>	<b>Registered office</b>	<b>Principal business activity</b>
Corbul S.r.l	Bucharest	Detective activities
Gantoi, Furculita Si Asociatii S.p.a.r.l.	Bucharest	Law firm

Source: The KRUK Group

Figure 2. Structure of the KRUK Group as at the date of this Report



## 2.2.2 Changes in the Group's structure in 2022

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

On November 17th 2022, ERIF Business Solution Sp. z o.o. of Wrocław, wholly-owned by KRUK S.A., sold one share in InvestCapital LTD of San Gwan, Malta, to Zielony Areał Sp. z o.o. of Wrocław. KRUK S.A. is directly the sole shareholder in Zielony Areał Sp. z o.o. and, indirectly, in InvestCapital LTD.

On December 30th 2022, the sole shareholder of ProsperoCapital S.a r.l. of Luxembourg passed a resolution to start voluntary liquidation of the company.



After the reporting date, on January 3rd 2023, negotiations were concluded and an agreement was signed for the sale by the Company of all shares in ERIF Biuro Informacji Gospodarczej S.A. and ERIF Business Solutions sp. z o.o. The ownership title to the shares was transferred on the date on which the Company's bank account was credited with the selling price, i.e., on January 24th 2023.

### 2.2.3 Changes in the Group's significant management policies

In 2022, there were no changes to any significant management policies of the Parent and its subsidiaries.

### 2.2.4 Consolidated entities

All Group entities are fully consolidated, except for ProsperoCapital S.a.r.l. (in voluntary liquidation since December 30th 2022), which is consolidated using the proportional method.

### 2.2.5 Company branches

The Company has no branches.

## 2.3 Share capital

### 2.3.1 Share capital structure

As at December 31st 2022 and as at the issue date of this Report, the Company's share capital totalled PLN 19,318,790 and was divided into 19,318,790 shares with a par value of PLN 1 per share.

**Table 4. The Company's share capital as at December 31st 2022**

Series	Number of bearer shares
Series A	2,421,220
Series AA	11,366,600
Series B	1,250,000
Series C	491,520
Series D	1,100,000
Series E	843,876
Series F	845,574
Series G	1,000,000
<b>TOTAL</b>	<b>19,318,790</b>

*Source: Company*

### 2.3.2 Changes in the share capital and conditional share capital

In the reporting period, the following changes were made in the share capital:

- On April 5th 2022, the share capital was increased by PLN 114,832 (registration of shares in the securities accounts of eligible persons in accordance with the procedure provided for in Art. 452.1 of the Commercial Companies Code) in connection with the issue of 114,832 series F shares as part of a conditional share capital increase. The series F shares were introduced to trading on April 22nd 2022.

- On October 5th 2022, the share capital was increased by PLN 191,060 (the shares were recorded in the securities accounts of eligible persons in accordance with the procedure provided for in Art. 452.1 of the Commercial Companies Code) in connection with the issue of 191,060 series F shares as part of a conditional share capital increase. The series F shares were introduced to trading on October 25th 2022.

Details of the changes in KRUK S.A.'s share capital are presented in the table below.

**Table 5. Changes in the Company's share capital as at December 31st 2022**

Date of share capital increase (Art. 452.1 of the Commercial Companies Code)	Date of introduction of the shares to exchange trading or their deregistration from the CSDP, as appropriate	Number of new/cancelled shares	Series	Basis for the increase	Share capital after the change (PLN)	Details
April 5th 2022	April 22nd 2022	114,832	Series F	Resolution No. 26/2014 of the Annual General Meeting of May 28th 2014	19,127,730	Issue as part of a conditional share capital increase
October 5th 2022	October 25th 2022	191,060	Series F	Resolution No. 26/2014 of the Annual General Meeting of May 28th 2014	19,318,790	Issue as part of a conditional share capital increase

## 2.4 Dividend policy and income distributions to shareholders in other forms

On December 2nd 2021, the Management Board of KRUK S.A. passed a resolution to adopt the KRUK S.A.'s Dividend Policy.

According to the Policy, the overriding objective of KRUK S.A. is to ensure sustainable growth of the Company and increase its value through profit growth and dividend payment while maintaining appropriate liquidity and observing the principles of sustainable development (ESG).

The Management Board's intention is for KRUK to concurrently drive its value growth and make regular profit distributions to shareholders. The objective behind adopting the Dividend Policy is to carry into effect the Management Board's intention and take account of KRUK's status as a growth company paying out dividend based on clear and constant criteria for distribution of generated profits.

The Company's Management Board expects that it will submit to the Annual General Meeting a recommendation to pay out dividend amounting to 30% or more of the KRUK Group's consolidated net profit for a previous financial year, attributable to shareholders of the parent.

The Dividend Policy is available on the Company's website at: [https://go.kruk.eu/div\\_eng](https://go.kruk.eu/div_eng).

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

Over the past eight years, we distributed to our shareholders a total of PLN 837m in dividends or through share buybacks. The table below presents information about the value of dividends and income distributions to shareholders through share buybacks for the last eight financial years.

**Table 6. Historical information about dividend/income distribution through buyback of shares by KRUK S.A.**

	in 2014*	in 2015	in 2016	in 2017	in 2018	in 2019**	in 2020	In 2021
Value of dividend paid/share buyback	PLN 25.9m	PLN 35.5m	PLN 37.5m	PLN 94.0m	PLN 94.7m	PLN 95.0m	PLN 206.1m	PLN 248.7m
Buyback price per share	N/A	N/A	N/A	N/A	N/A	350zł	N/A	N/A
Value of dividend paid per share	PLN 1.5	PLN 2.0	PLN 2.0	PLN 5.0	PLN 5.0	N/A	PLN 11.0	PLN 13.00
Dividend record day	Jul 1 2015	Jul 8 2016	Jun 29 2017	Apr 25 2018	Jul 2 2019	N/A	Jun 24 2021	Apr 21 2022
Dividend payment day	Jul 24 2015	Jul 29 2016	Jul 5 2017	Apr 27 2018	Jul 10 2019	Nov 18 2020	Jul 2 2021	Apr 28 2022

\* No dividends were paid by the Company prior to 2014. \*\* KRUK S.A. share buyback as a form of income distribution to shareholders in respect of 2019 Source: Company

On March 4th 2022, the Management Board of the Company passed a resolution recommending that the Annual General Meeting approves dividend of PLN 13 per share. The dividend recommendation is consistent with the Dividend Policy. The recommendation was endorsed by the Company's Supervisory Board on March 15th 2022 (Current Report No. 17/2022).

On April 14th 2022, the General Meeting of KRUK S.A. passed a resolution to distribute the Company's net profit for 2021 of PLN 694,757,626.06, allocating:

1. PLN 248,660,490.00 to pay a dividend of PLN 13.00 per share; the profit distribution would cover 19,127,730 shares;
2. PLN 446,097,136.06 to be transferred to statutory reserve funds.

The dividend record date with respect to dividend for the year ended December 31st 2021 was set for April 21st 2022. The dividend was paid on April 28th 2022 on 19,127,730 KRUK S.A. shares.

## 2.5 Performance of Company shares on the Warsaw Stock Exchange

### 2.5.1 KRUK S.A. shares in WIG20

KRUK S.A. shares have been listed on the Warsaw Stock Exchange since May 2011. Following the November 4th 2022 session, KRUK shares were included in the WIG20 index of the 20 largest companies on the Warsaw Stock Exchange.

The WIG20 and WIG20TR index portfolio (adjusted quarterly on December 16th 2022, as at November 18th 2022) was as follows:

No.	ISIN code	Company name	Price (PLN)		Number of shares
	Share (%)		Price (PLN)	Number of shares	
	ISIN code	Company name	Price (PLN)	Number of shares	Share No (%)
1	PLPKN0000018	PKNORLEN	62.7600	474,010,000	15.0000
2	PLPKO0000016	PKOBP	28.0600	857,593,000	12.1336
3	PLDINPL00011	DINOPL	357.0000	47,880,000	8.6187
4	PLPZU0000011	PZU	29.5900	568,305,000	8.4790
5	PLKGHM000017	KGHM	113.9500	136,410,000	7.8376
6	PLPEKAO00016	PEKAO	83.8000	176,379,000	7.4527
7	LU2237380790	ALLEGRO	24.4050	419,619,000	5.1636
8	PLOPTTC00011	CDPROJEKT	145.0000	69,694,000	5.0955
9	PLLPP0000011	LPP	9,250.0000	1,047,000	4.8832
10	PLBZ00000044	SANPL	272.0000	33,308,000	4.5681
11	PLPGER000010	PGE	6.5580	859,413,000	2.8418
12	PLKETY000011	KETY	540.0000	9,650,000	2.6275
13	PLKRK0000010	KRUK	283.6000	17,509,000	2.5037
14	NL0015000AU7	PEPCO	39.5600	121,427,000	2.4221
15	PLCFRPT00013	CYFRPLSAT	17.8200	242,743,000	2.1811
16	PLTLKPL00017	ORANGEPL	6.5760	647,357,000	2.1465
17	PLBRE0000012	MBANK	320.2000	13,069,000	2.1100
18	PLSOFTB00016	ASSECOPOL	70.4500	55,869,000	1.9846
19	PLJSW0000015	JSW	46.3700	52,636,000	1.2307
20	PLCCC0000016	CCC	37.7900	37,790,000	0.7201

Source: GPW.pl

## 2.5.2 Share price

In 2022, the stock market price of KRUK shares fell by 1.04%, compared with a 139.6% increase in the previous year. Our stock outperformed the WIG and mWIG40 indices, which reached rates of return of -17.08% and -21.49%, respectively. The WIG20 index, including KRUK S.A., had a rate of return of -20.95%.

On the last trading day in 2022, the Company's market capitalisation was PLN 6.0bn (compared with PLN 6.2bn at the end of 2021). On December 31st 2022, KRUK ranked 21st in terms of market capitalisation on the WSE.

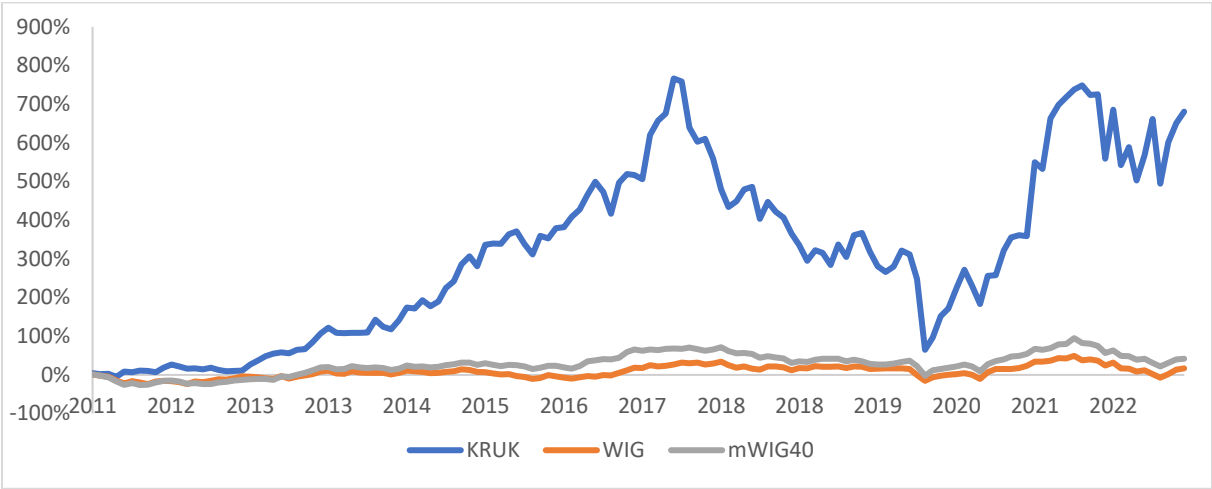
### Rates of return on KRUK S.A. stock, WIG, WIG20 and mWIG40 in 2022 – at close

Date	KRUK	WIG	WIG20	mWIG40
Rate of return	-1.04%	-17.08%	-20.95%	-21.49%

Source: GPW.pl

From the IPO on the Warsaw Stock Exchange in May 2011 to the end of 2022, the rate of return on KRUK shares was 655.9%. Over the same period, the all-cap WIG index rose by 16.48%, while the mid-cap mWIG40 index gained 42.02%.

**Performance of KRUK stock against WIG and mWIG40 from the Company’s IPO on the WSE in May 2011 to the end of 2022.**

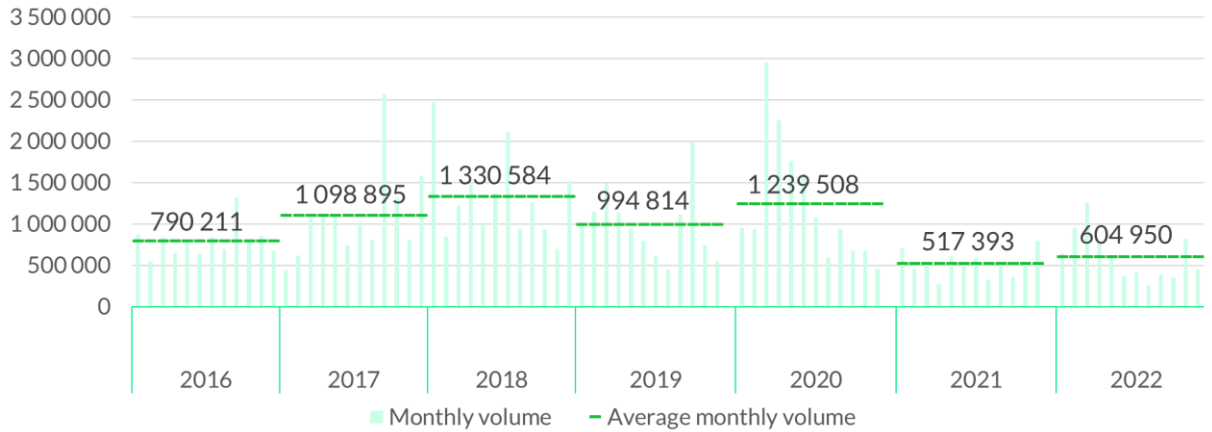


Source: in-house analysis, based on [stooq.pl](http://stooq.pl)

**2.5.3 Stock liquidity**

The total volume of KRUK S.A. shares traded in 2022 was 7.3m, and the total value of trading reached PLN 2bn. To compare, the total volume of KRUK S.A. shares traded in 2021 was 6.2 million, with the total value of trading at PLN 1.6bn. The average daily trading volume of KRUK shares in 2022 was 29 thousand shares, and the average daily trading value stood at PLN 8.1m. In 2022, KRUK was the 24th most liquid stock on the WSE (in terms of the total annual trading volume).

**Monthly volume in individual months and the year’s average monthly volume of trade in KRUK shares in 2016–2022**



Source: in-house analysis based on [www.gpw.pl](http://www.gpw.pl)

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

KRUK S.A. is one of seven WSE-listed companies in which OFE’s ownership interest exceeds 50%. As at the end of 2022, OFE’s aggregate ownership interest in KRUK S.A. was 55%.

### Ownership interests of individual OFEs in the Company:

Shareholder	Ownership interest	Number of votes	Updated on
OFE Nationale-Nederlanden	14.30%	2,763,105	Dec 30 2022
OFE PZU Złota Jesień	7.80%	1,507,308	Dec 30 2022
OFE Drugi Allianz	7.34%	1,418,034	Jan 5 2023
OFE Aegon	6.03%	1,165,500	Dec 30 2022
OFE Allianz Polska	4.86%	939,056	Jan 5 2023
OFE Generali	4.43%	854,941	Dec 30 2022
OFE NNLife	4.28%	827,375	Dec 30 2022
OFE UNIQA	3.57%	689,865	Dec 30 2022
OFE PKO BP Bankowy	1.61%	310,145	Dec 30 2022
OFE Pocztylion Arka	1.03%	198,139	Dec 30 2022

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

## 2.6 Human capital

### 2.6.1 Qualified personnel

One of the key success factors of the KRUK Group is its highly qualified and experienced management and specialist staff. The Group employs both debt management specialists with extensive experience and staff in a number of non-operational functions (e.g. analysts, IT engineers, statisticians, lawyers, etc.). The 2022 increase in the Group's workforce (FTEs) was not significant, considering the strong year-on-year growth in its business and net profit.

**Table 7. KRUK Group's workforce (FTEs\*) in 2022-2021**

	2022	2021
FTE employment*	3,267	3,062

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

Below are presented short professional profiles of the current members of the KRUK S.A. Management Board.



**Piotr Krupa**, [President of the Management Board and Chief Executive Officer](#)

Co-founder and, since 2003, President of the Management Board of KRUK S.A., a company listed on the Warsaw Stock Exchange since 2011 and currently ranking among Europe's top three debt management companies. Legal counsel.

As KRUK S.A.'s CEO and shareholder, Piotr Krupa manages the KRUK Group's business across seven European markets: Poland, Romania, the Czech Republic, Slovakia, Germany, Italy and Spain. He is in charge of the Group's long-term strategy, geographical expansion and digital growth, while paying close attention to building the Group's organisational culture in a way conducive to sustainable business and social growth. He was the winner of the EY Entrepreneur of the Year 2017 competition.

Piotr Krupa has served on the management and supervisory boards of many companies, including the KRUK Group companies such as ERIF Business Solutions Sp. z o.o., Novum Finance Sp. z o.o., and ERIF Biuro Informacji Gospodarczej S.A. Currently, he sits on the supervisory bodies of KRUK TFI S.A., Wonga.pl Sp. z o.o., KRUK Česká a Slovenská Republic, and other companies. Since 2006, he has been general partner at the law firm Kancelaria Prawna RAVEN P. Krupa sp.k.

He also engages in the promotion of sustainable business environment, climate protection, and civil society. Between 2006 and 2012, he served on the supervisory board of the Association of Financial Companies in Poland (ZPF), and since 2019 he has chaired the Board of the Wrocław University of Economics and Business. He is also a member of the Programme Board of UN Global Compact Network Poland.

Piotr Krupa, a graduate of the Faculty of Law and Administration of the University of Wrocław, has completed training for judges and is a qualified legal counsel.

In his private time, Piotr is an avid runner who took part in multiple marathons and seven IRONMAN Triathlons. He is the founder of the Krupa Gallery and patron of young artists. He is engaged in various charitable and philanthropic initiatives, including as the originator of the 'Zobacz Mnie' ('See Me') Foundation, as well as various aid measures for Ukrainian citizens, for which he was recognised with the 'Wektory Serca' ('Vectors of the Heart') 2022 award by Employers of Poland.



**Michał Zasepa**, [Member of the Management Board and Chief Financial Officer](#)

KRUK S.A.'s Management Board Member in charge of finance, risk, investor relations, financing, and M&A transactions.

Michał Zasepa began his professional career in 2000 at A.T. Kearney Sp. z o.o., a global strategy and operations consultancy, where he was in charge of the projects involving strategy development, market assessment, and deployment of operational improvements in Polish and US companies. He honed his private equity funds management skills in 2003-2004 at Dresdner Kleinwort Wasserstein sp. z o.o., where he was responsible for the acquisition, corporate oversight, and disposal of portfolio companies. From 2004 to 2010, at Enterprise Investors sp. z

o.o. he held the position of Investment Director in charge of M&As, disposal transactions, and corporate oversight of portfolio companies. He joined KRUK S.A. in 2010, serving for the first three years as member of the Management Board for Investments and Development responsible for raising capital, including through the issue of shares and bonds, international expansion, and M&As. Since 2013, he has served as the Company's Management Board Member in charge of finance, including financial strategy, liquidity, financial risk management policy, financial reporting, investor relations, financing, mergers and acquisitions, and supervision over the Group's companies not engaged in debt collection.

Michał Zasepa has served on the management and supervisory bodies of many companies, including KRUK Group members (the management board of KRUK TFI S.A., the supervisory board of ERIF BIG S.A., among others). He currently chairs the supervisory boards of Wonga.pl Sp. z o.o. and KRUK TFI S.A.

Michał graduated from the Warsaw School of Economics and completed scholarship programmes at the University of Wisconsin and the Stockholm School of Economics.



**Piotr Kowalewski, Member of the Management Board and Chief Operating Officer**

Member of KRUK S.A. Management Board responsible for areas related to purchased debt portfolios.

Piotr Kowalewski began his professional career at KRUK S.A. in 2004 as an analyst. In 2006, he was promoted to become head of the Company's first operational Analysis Department, which he managed until 2008. After that, he was responsible for the Department of Purchased Debt Portfolios, where he co-created and implemented the amicable debt collection strategy. From 2015, as Debt Management Director, he was responsible for the development of the KRUK Group's retail debt portfolio strategy and for the oversight of its implementation, including the management of both amicable and court settlement processes, as well as for coordinating cooperation with COOs in each of the countries where the Group is present. He also served on the management board of Novum Finance Sp. z o.o. Since May 2020, he has been Member of KRUK S.A. Management Board, responsible, among other things, for the strategy of retail debt recovery and online business development, analysis of operational processes, and measurement of operational excellence.

Piotr Kowalewski graduated from the Wrocław University of Economics (currently Wrocław University of Economics and Business), majoring in econometrics for managers, as well as the Wrocław University of Science and Technology, with a major in computer science and management. He also completed a post-graduate programme in Business Psychology at the WSB University.





**Urszula Okarma, Member of the Management Board and Chief Investment Officer (CIO)**

Member of the Management Board in charge of the KRUK Group's product strategy and investment policy.

Urszula Okarma's career in the financial industry dates back to 1999. Until 2001, she headed the prevention department at SKK Kredyt S.A. She joined KRUK S.A. in 2002 as Head of the Telephone Debt Collection Department and Head of the Financial Institutions Division. She was responsible for debt collection activities dedicated to financial institutions, and for designing debt collection processes for institutions and companies providing services to mass-market clients. Since 2006, she has served as KRUK's Management Board Member in charge of, among other things, business relations with the Group's current and prospective partners and transactions executed with them. She actively participates in the KRUK Group's expansion across foreign markets.

Urszula Okarma has served on the management and supervisory bodies of the KRUK Group and other companies, including Rejestr Dłużników ERIF BIG S.A. and KRUK TFI S.A. She currently serves on the supervisory body of KRUK Česká a Slovenská Republika.

She is a graduate of the Wrocław University of Economics (currently Wrocław University of Economics and Business), Faculty of National Economy, majoring in finance and banking.

Urszula successfully promotes and supports the development of female employees at KRUK, where the proportion of women in managerial positions is currently at over 60%. She participates in conferences, events and initiatives devoted to diversity and equality of women in business.



**Adam Łodygowski, Member of the Management Board and Chief Data & Technology Officer**

Management Board Member in charge of IT data processing and modelling.

Adam Łodygowski began his professional career in finance in 2011 at UniCredit in London, where he was responsible for the development of stochastic analytics and tools for valuation of derivative products and assessment of counterparty risk (XVA), and over time for the management of groups of external contractors and for the valuation of bankruptcy risk. In 2016–2020, he worked for Credit Suisse in Wrocław, where he was in charge of a team of quantitative analysts, statisticians and developers providing analytical, tool and technological solutions for the bank's key areas. In 2018, he was appointed to lead the analytical and technological group in Poland, supporting key business lines and technological solutions in the area of quantitative analysis, risk management and derivatives valuation.

Adam Łodygowski joined KRUK S.A. in 2020, first as Managing Director of the risk assessment area at the KRUK Group, to be appointed Member of the Company's Management Board after several months. He is responsible, among other things, for the valuation of debt portfolios across all geographies, development and delivery of the Group's digital

transition strategy, ensuring effective IT support for the Group companies, as well as data processing and modelling.

Adam graduated from the Poznań University of Technology and the University of Hanover (Germany), as well as from the Louisiana State University (USA). He holds a Doctor of Science degree in computational and numerical methods in civil engineering.

Source: Company

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

For more information on human capital, see Section 10 *Non-financial statement*.

## 2.6.2 Incentive Scheme

### Incentive Scheme for 2015–2019

The 2015–2019 incentive scheme was adopted by Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of May 28th 2014 (the 2015–2019 Incentive Scheme), as amended by Resolution No. 23/2020 of the Annual General Meeting of KRUK S.A. of August 31st 2020.

It was the second incentive scheme operated by the KRUK Group as a public company. For details of the 2015–2019 Incentive Scheme, see the Directors' Reports on the operations of the KRUK Group for 2020 and prior years.

A total of 847,950 subscription warrants were offered and issued to eligible persons throughout the entire duration of the 2015–2019 Scheme, i.e., in 2016–2021.

**Table 8. Tranches under the Incentive Scheme**

Tranche	Number of subscription warrants acquired by members of KRUK's Management Board	Number of subscription warrants acquired by other eligible persons
Tranche 1 for 2015	20,000	86,435
Tranche 2 for 2016	50,480	91,467
Tranche 3 for 2017	54,344	85,853
Tranche 4 for 2018	89,768	115,528
Tranche 5 for 2019	124,588	129,487
<b>TOTAL</b>	<b>339,180</b>	<b>508,770</b>

As at December 31st 2022, 845,574 subscription warrants were converted into Series F shares in the Company. The rights attached to 2,376 warrants conferring the right to subscribe for Series F shares were not exercised and expired after December 31st 2022.

**Table 9. Number of warrants granted and exercised by current and former Management Board members under the 2015–2019 Incentive Scheme**

Name	Number of Tranches 1–5 warrants granted and exercised
Piotr Krupa	83,942
Piotr Kowalewski*	22,138
Adam Łodygowski**	-
Urszula Okarma	63,893
Michał Zasępa	63,893
Agnieszka Kułton***	56,663
Iwona Słomska****	56,663

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

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

\*\*\* Agnieszka Kułton, listed among the Incentive Scheme participants who are members of the Management Board, had served as a member of the KRUK S.A. Management Board until May 28th 2020. \*\*\*\* Iwona Słomska, listed among the Incentive Scheme participants who are members of the Management Board, had served as a member of the KRUK S.A. Management Board until July 31st 2020.

## Incentive scheme for 2021–2024

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

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

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

Holders of subscription warrants will be entitled to exercise their rights to subscribe for Series H shares at the issue price equal to the turnover-weighted average closing price of Company

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

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

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

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

Subscription warrants of the basic pool for a given financial year will be granted to eligible persons on condition that EPS (calculated on the basis of the Group's consolidated financial statements) increases by no less than 15.00%. For details on EPS calculations for the purposes of the 2021–2024 Incentive Scheme, see the resolution of the KRUK S.A. General Meeting of June 16th 2021.

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

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

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

By way of a resolution of July 5th 2021, the Supervisory Board determined the list of persons eligible to participate in the Scheme, being members of the Company's Management Board.

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

In 2021, EPS grew by 58.34%, and on May 13th 2022, the Supervisory Board of KRUK S.A. passed a resolution to acknowledge that the condition set out in the 2021–2024 Incentive Scheme had been met for the purpose of issuing and offering Tranche 1 subscription warrants in view of fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme.

Therefore, on July 5th 2022, the Supervisory Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 1 subscription warrants for the fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme. In line with that resolution, a total of 76,044 subscription warrants were awarded to eligible Management Board members for 2021 in Tranche 1. The warrants were subscribed for by Management Board members on July 29th 2022. The table below shows the number of warrants awarded to and subscribed for by each Management Board member.

**Table 10. Number of Tranche 1 warrants awarded to and subscribed for by Management Board members under the 2021–2024 Incentive Scheme as at the date of issue of this periodic report**

<b>Name</b>	<b>Number of Tranche 1 warrants awarded and subscribed for</b>
<b>Piotr Krupa</b>	22,812
<b>Piotr Kowalewski</b>	13,308
<b>Adam Łodygowski</b>	13,308
<b>Urszula Okarma</b>	13,308
<b>Michał Zasepa</b>	13,308

By way of a resolution of July 5th 2022 determining the list of persons other than Management Board members, who were eligible to subscribe for Tranche 1 subscription warrants for the fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme, the Company's Management Board granted a total of 96,094 subscription warrants to the eligible persons.

As at December 31st 2022, Members of the Company's Management Board held no rights to KRUK S.A. shares other than the rights conferred by the subscription warrants issued under the 2021–2024 Incentive Scheme, as shown in Table 10.

Members of the Supervisory Board do not hold any subscription warrants issued under the 2021–2024 Incentive Scheme.

# 3 | Chapter

## 3 OVERVIEW OF THE KRUK GROUP'S AND KRUK S.A.'S BUSINESS IN 2022

Under the applied equity method, the Company's profit/loss and equity are the same as the KRUK Group's profit/loss and equity.

### 3.1 Consolidated financial highlights of the KRUK Group

Table 11. Consolidated financial results in 2022–2021

	Year ended Dec 31		
	2022	2021	Change
	(PLN thousand, unless stated otherwise)		
Total revenue	2,145,790	1,742,683	23%
EBITDA	1,094,029	907,971	20%
Operating profit (EBIT)	1,042,841	859,616	21%
Net profit for period	805,018	694,903	16%
Net profit for period (attributable to owners of the Parent)	804,982	694,758	16%
Cash flows from operating activities, including	-567,772	-288,797	97%
Debt purchases	-2,311,072	-1,738,002	33%
Cash recoveries	2,627,343	2,215,806	19%
Cash flows from investing activities	-32,271	-13,612	137%
Cash flows from financing activities	603,039	356,021	69%
Total net cash flows	2,996	53,612	-94%
Total assets	7,681,082	5,909,400	30%
Equity	3,253,297	2,600,227	25%
Return on equity (ROE)	25%	27%	-8%
Earnings per share (PLN)			
Basic	42.07	36.63	15%
Diluted	40.71	35.80	14%

Source: Consolidated financial statements

#### Net profit and return on equity (ROE)

In 2022, the KRUK Group delivered a record net profit of PLN 805m, up PLN 110m, or 16%, year on year. The key driver of the net profit growth was an increase in revenue, mainly in the purchased debt portfolios segment (up PLN 337m, or +21%, year on year) and in other activities (up PLN 61m, or 61%, year on year). In total, the 2022 revenue rose by PLN 403m, or 23%, on

2021. Costs of operations (direct, indirect and administrative expenses) grew by PLN 217m, or 26%, while net finance costs increased by PLN 93m, or 109%, year on year.

EBITDA for 2022 came in at PLN 1,094m, up by PLN 186m, or 20%, year on year. At the same time, cash EBITDA for 2022 reached PLN 1,809m, up by 17% on 2021. The improvement in cash EBITDA was mainly attributable to higher recoveries from purchased debt portfolios (up PLN 412m, or 19%, year on year).

As at December 31st 2022, total equity stood at PLN 3,253m, having increased by 25% year on year.

Return on equity (ROE) was 25% at year end, down 2pp on 2021.

### **Revenue and revaluation of projected recoveries**

In 2022, the KRUK Group generated PLN 2,146m in revenue, up by 23% (PLN 403m) compared with the year before. The 2022 revenue from purchased debt portfolios amounted to PLN 1,913m, having increased by 21% (PLN 337m) on 2021. The year-on-year revenue growth in the segment was driven by higher interest income from purchased debt portfolios (up PLN 177m year on year), upward revaluation of projected recoveries (up PLN 114m year on year) and higher-than-planned recoveries from debt portfolios (actual recoveries exceeded projections<sup>1</sup>) (up PLN 26m year on year).

In the case of unsecured portfolios, in 2022 the deviation of actual payments from the planned ones was positive and amounted to PLN 295 million (PLN +3 million y/y), which was one of the grounds for updating revaluation of projected recoveries in the amount of PLN 441 million (PLN +129 million y/y). /y), For secured portfolios the deviation of actual payments from the planned ones was also positive and amounted to PLN 49 million (+PLN 23 million y/y), while the update of the revaluation of projected recoveries was negative PLN 57 million (-PLN 15 million y/y), mainly due to the negative revaluation of secured portfolios in Spain.

In the other activities segment, the KRUK Group reported revenue of PLN 162m in 2022, up by PLN 61m (61%) year on year, driven mainly by higher revenue generated by Wonga (up by PLN 57m, or 78%, year on year).

### **Costs of operations**

In 2022, costs of operations (direct, indirect and administrative expenses without amortisation) amounted to PLN 1,052m, having increased by PLN 217m (26%) relative to 2021. The year-on-year increase was driven mainly by a rise in employee costs and salaries (up by PLN 79m, or 20%), mainly due to pay rises and a 7% increase in FTEs, as well as court and bailiff fees (up by PLN 57m, or 25%), costs of operating processes (up by PLN 28m, or 46%).

### **Finance costs**

Net finance costs amounted to PLN 179m, having increased by PLN 93m year on year as a result of higher debt (the carrying amount of bank borrowings and bonds rose by PLN 1,081m) as well as significantly higher 1M/3M WIBOR rates in 2022 (up from 2.23%/2.54% in December 2021 to 6.93%/7.02% in December 2022) and 1M/3M EURIBOR rates (up from -0.58%/-0.57% in December 2021 to 1.88%/2.13% in December 2022, respectively). To hedge WIBOR interest

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<sup>1</sup> Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor

rate and currency risks resulting from the effect of EUR/PLN rate movements on EUR-denominated net assets, in 2022 the Group entered into currency interest rate swaps (CIRS) with a total notional amount of PLN 940m. In order to hedge EURIBOR interest rate risk, the Group entered in 2022 into an interest rate swap (IRS) with a notional amount of EUR 210m. IRS and CIRS contracts used for hedging purposes and fixed-rate bonds (a total of PLN 2,360m<sup>1</sup>) represent 61% of the Group's total debt as at December 31st 2022. WIBOR-sensitive debt accounted for 17% (PLN 676m<sup>2</sup>) of the Group's total debt as at December 31st 2022. EURIBOR-sensitive debt accounted for 22% (PLN 842m) of the Group's total debt as at December 31st 2022.

## Purchased debt portfolios

### Recoveries from purchased portfolios

The annual value of recoveries from purchased debt portfolios was the highest in the Group's history and amounted to PLN 2,627m, up by 19% (PLN 412m) year on year. Foreign markets accounted for more than a half of the KRUK Group's total recoveries in 2022, including 23% from the Romanian market (down 3pp year on year), 17% from the Italian market (up 3pp year on year), 9% from the Spanish market (up 2pp year on year), and 4% from other foreign markets. Repayments on the Polish market accounted for 47% of the Group's total recoveries, showing a slight decline relative to 2021 (down 2 pp). 87% of all repayments (PLN 2.3 billion) were repayments from unsecured portfolios, compared to 88%, i.e. PLN 1.9 billion, a year earlier.

In each of the Group's operating markets, recoveries in 2022 were higher than in 2021. 2022 was another consecutive year when the Group recorded a significant year-on-year increase in recoveries on the Spanish and Italian markets – of 42% and 46% respectively.

In the three months to December 31st 2022 alone, recoveries came in at PLN 700m, the strongest quarterly result recorded by the KRUK Group to date.

**Table 12. Recoveries from purchased portfolios, by market**

	2022 recoveries PLNm	Share of total recoveries	2021 recoveries PLNm	Share of total recoveries	Change y/y
Poland	1,232	47%	1,074	48%	15%
Romania	593	23%	565	26%	5%
Italy	457	17%	313	14%	46%
Spain	246	9%	173	8%	42%
Other markets	99	4%	91	4%	9%
KRUK Group	2,627	100%	2,216	100%	19%

The tables below present, respectively, the amounts of 2021 and 2022 recoveries from purchased debt portfolios and shares of purchased debt portfolios in the 2021 and 2022 total recoveries broken down by the portfolio acquisition period.

<sup>2</sup> Debt (PLN 2,360m, PLN 676m, and PLN 842m) in nominal amounts.



**Table 13. Amounts of 2021 and 2022 recoveries from purchased portfolios by portfolio acquisition period**

Data in PLNm	Acquisition period									
	2004-2010	2011-2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
2021 recoveries	129	511	351	234	355	259	184	192	n/a	2,216
Recoveries in 2022	128	485	350	219	318	227	173	499	227	2,627

**Table 14. Shares of purchased debt portfolios in the 2021 and 2022 total recoveries by portfolio acquisition period**

	Acquisition period									
	2004-2010	2011-2015	2016	2017	2018	2019	2020	2021	2022	
2021 recoveries	6%	23%	16%	11%	16%	12%	8%	9%	n/a	
Recoveries in 2022	5%	18%	13%	8%	12%	9%	7%	19%	9%	

The portfolios purchased over the last six years accounted for the largest (more than 60%) share in the KRUK Group's total recoveries in 2022 and in 2021, with the portfolios purchased in 2011–2015 accounting for 18% of total recoveries in 2022. At the same time, the Group continued to recover debts from portfolios that had already been under its management for more than 10 years (portfolios purchased no later than in 2010). At PLN 128m, recoveries from those portfolios in 2022 were down PLN 1m year on year.

The contribution of the portfolios purchased in 2022 to total recoveries was 9%, in keeping with the figures recorded in prior years. The share of debt portfolios purchased in a financial year in total recoveries posted for that year is largely determined by the purchase date (the earlier in a year an asset is purchased, the longer it will contribute to recoveries in that year). The monthly break-down of investments is similar to that of 2021, when the share of recoveries on portfolios purchased in the same year was also 9%.

### **New portfolio purchases**

The KRUK Group invested PLN 2,311m in debt purchases in 2022, 33% (or PLN 573m) more than a year earlier and more than ever before in absolute terms. In 2022, the KRUK Group acquired debt portfolios with a total nominal value of close to PLN 13.7bn (up by 42% year on year), the highest amount in nearly 25 years of its operating history. KRUK purchased debts over the entire reporting period, and the Group's investments in each quarter of 2022 were higher than in the corresponding quarters of 2021. The fourth quarter of 2022 saw the bulk of the Group's investments (42% of annual expenditure), which exceeded by 19% the previous record high from the fourth quarter of 2021.

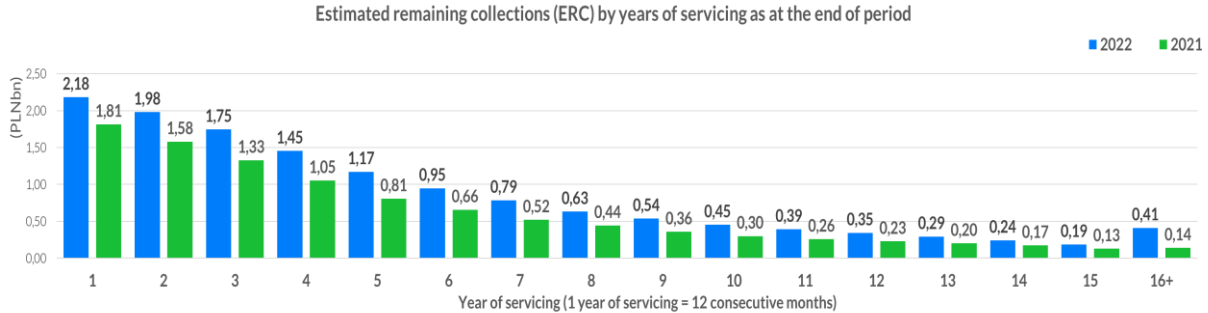
In addition to the debt purchases made by the KRUK Group in 2022, the Group also signed long-term forward flow contracts, under which it may continue to purchase debt portfolios from the original creditors also in subsequent quarters, including, in some cases, in 2023 and 2024.

The largest investments were made by the KRUK Group in Spain (PLN 799m) and in Italy (PLN 585m).

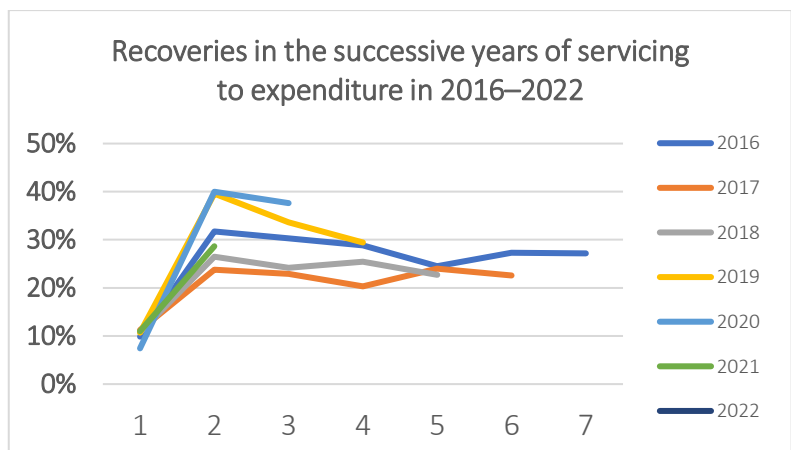
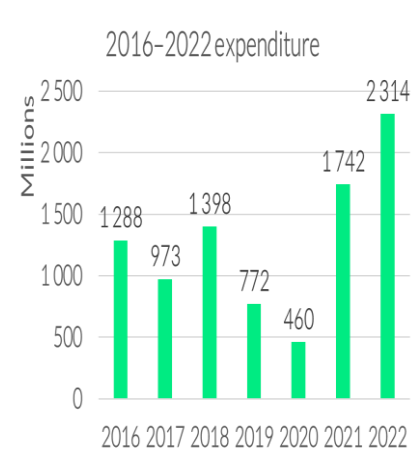
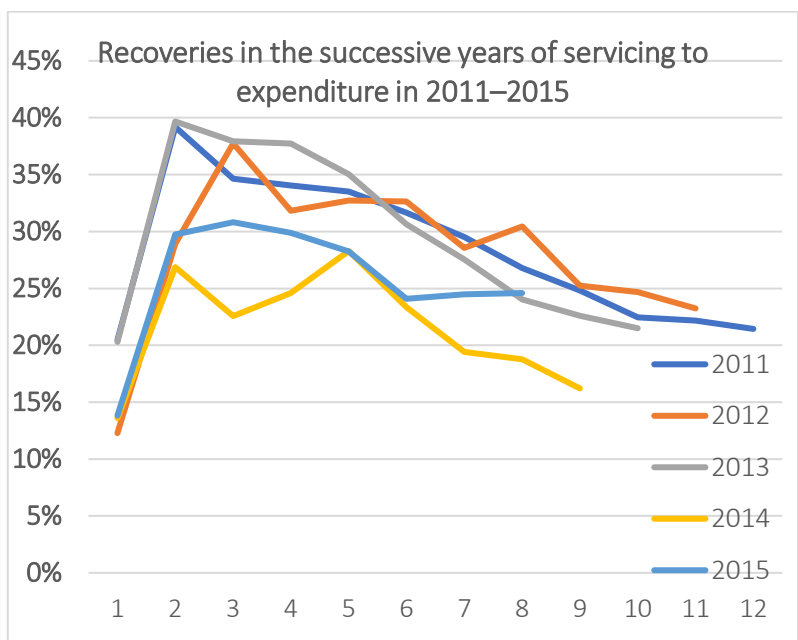
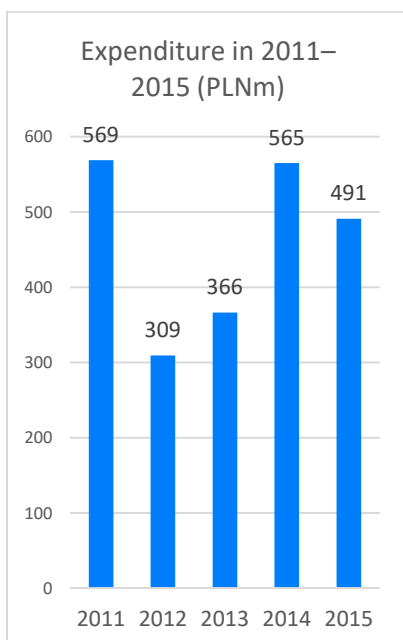
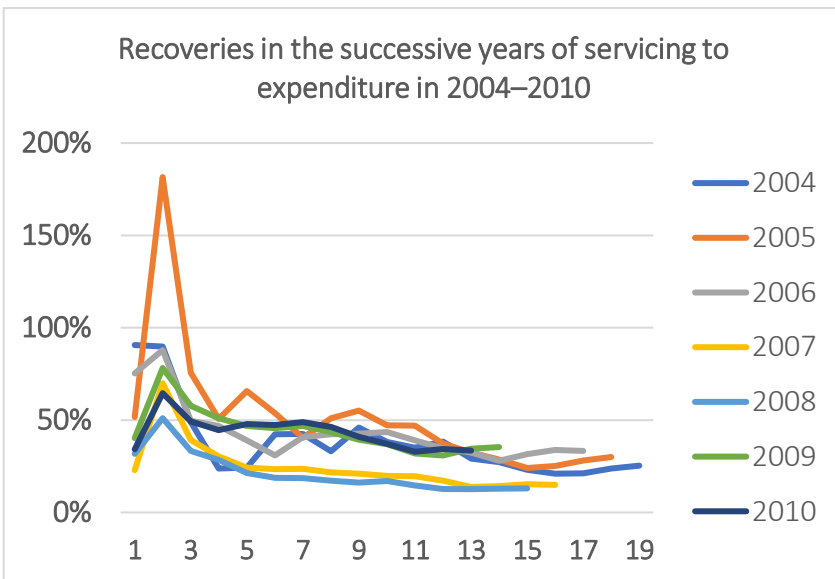
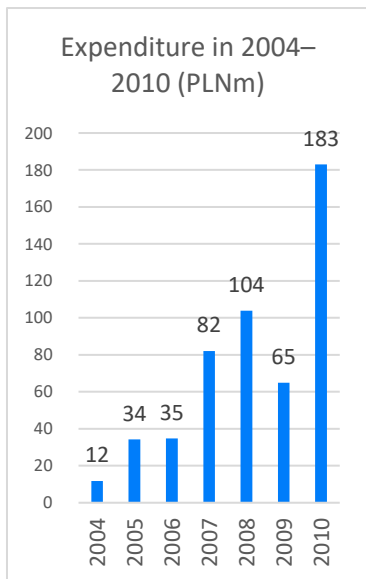
In 2022, the Group invested primarily in unsecured debt, which represented as much as 92% of new debt purchases (PLN 2.1 billion), compared to 89% in 2021 (PLN 1.5 billion). Foreign markets, Spain and Italy in particular, accounting for 80% of total new investment in debt.

**Estimated remaining collections**

Estimated remaining collections from debt portfolios as at December 31st 2022 were PLN 13.8bn, up by PLN 3.8bn, or 38%, on December 31st 2021, and up by PLN 1.6bn on September 30th 2022. The increase was driven by investments of as much as PLN 2.3m in debt portfolios with a nominal value of PLN 13.7bn and an upward revaluation of projected recoveries, with a discounted value of PLN 384m in 2022. A detailed ERC timing for debt portfolios is presented in the chart below.



As at the end of 2020, the KRUK Group extended the expected recovery period in the accounting estimate from 10 to 15 years, in line with the trend towards longer recovery periods. Most recoveries are still expected to be made within the first five years from the purchase (69%), but recoveries made after the first ten years are material enough to be included in future recovery projections. The expected recovery period was extended following an analysis of historical recoveries from portfolios purchased by the KRUK Group over the last 20 years – KRUK’s first investments date back to 2002. To illustrate this, taking into account the expenditure and its weight on the existing portfolio, below is an overview of portfolios in three time perspectives: portfolios purchased in 2004–2010 (longer history of recoveries, also after 10 years of servicing), portfolios purchased in 2011–2015 (shorter history of recoveries, within the first 10 years of servicing), and the newest portfolios, purchased in 2016–2022. The servicing period in the first year from the purchase may be shorter than 12 months.



The table below presents recoveries in successive calendar years in relation to expenditure on portfolios purchased in 2004-2022, with the proviso that the first period from the acquisition date may be less than 12 months (portfolios are purchased from January 1st to December 31st).

**Table 15. Recoveries in successive calendar years in relation to expenditure on portfolios purchased in 2004–2022**

Portfolio acquisition date	Period																			TOTAL
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
2004	91%	90%	49%	24%	24%	42%	42%	33%	46%	38%	35%	38%	29%	27%	23%	21%	21%	24%	25%	<b>723%</b>
2005	52%	63%	26%	17%	23%	19%	14%	18%	19%	16%	16%	13%	11%	10%	8%	9%	10%	10%		<b>354%</b>
2006	75%	88%	50%	47%	39%	31%	41%	42%	43%	43%	39%	35%	32%	28%	32%	34%	33%			<b>731%</b>
2007	23%	70%	39%	30%	24%	23%	24%	22%	21%	20%	20%	17%	14%	14%	15%	15%				<b>391%</b>
2008	32%	51%	33%	28%	21%	19%	19%	17%	16%	17%	15%	13%	13%	13%	13%					<b>319%</b>
2009	40%	78%	58%	51%	47%	46%	47%	43%	39%	37%	32%	31%	34%	35%						<b>618%</b>
2010	34%	65%	49%	45%	48%	47%	49%	46%	41%	37%	33%	34%	34%							<b>562%</b>
2011	20%	39%	35%	34%	34%	32%	30%	27%	25%	22%	22%	21%								<b>341%</b>
2012	12%	29%	38%	32%	33%	33%	29%	30%	25%	25%	23%									<b>308%</b>
2013	20%	40%	38%	38%	35%	31%	28%	24%	23%	21%										<b>297%</b>
2014	14%	27%	23%	25%	28%	23%	19%	19%	16%											<b>194%</b>
2015	14%	30%	31%	30%	28%	24%	24%	25%												<b>206%</b>
2016	10%	32%	30%	29%	24%	27%	27%													<b>180%</b>
2017	11%	24%	23%	20%	24%	23%														<b>125%</b>
2018	11%	26%	24%	25%	23%															<b>110%</b>
2019	11%	40%	34%	29%																<b>113%</b>
2020	7%	40%	38%																	<b>85%</b>
2021	11%	29%																		<b>40%</b>
2022	10%																			<b>10%</b>

\* The servicing period in the first year from the purchase may be shorter than 12 months. As at Dec 31 2022

The relation of recoveries in successive calendar years to expenditure on portfolios purchased in 2004–2022 may differ from year to year depending on a range of factors, including:

- the KRUK Group’s debt management process,
- the type and nature of debt portfolios purchased in a given year,
- shares of various geographies in total debt portfolio acquisitions in a given year,
- external environment, including legal and business environments.

### Credit management services

In 2022, the nominal value of debts outsourced to the Group for collection was PLN 45.9bn (relative to PLN 29.4bn in 2021). In 2022, banks remained the Group’s main business partners in the credit management segment. Credit management revenue in 2022 was PLN 65m, an increase of 5% year on year, driven by the larger scale of outsourced cases, successful process optimisation, and new projects. Revenue rose by 19% and 6% on the Polish and Spanish markets, respectively, with decreases of 7% in Italy and 11% in Romania. The Group’s presence in both market segments, i.e., purchased debt portfolios and credit management, is an important competitive advantage as it offers operational synergies and helps mitigate the risk related to debt portfolio purchases thanks to additional statistical information obtained from the credit management business. The Group intends to continue credit management services in Poland, Spain and Italy, and to discontinue the provision of such services in Romania as of 2023.

### Consumer loans (Novum and Wonga)

In 2022, Wonga disbursed 199 thousand cash loans in Poland, amounting to a total of PLN 524m. As part of the Wonga business line, consumer loans of up to PLN 20,000 per loan are granted, with repayment periods of up to 48 months.

In 2022, the Group advanced 14 thousand NOVUM cash loans (11.6 thousand in Poland and 2.4 thousand in Romania), with a total principal amount of PLN 70m. As part of the NOVUM business line in Poland, consumer loans of up to PLN 12,000 per loan were granted for periods from 3 to 30 months. In Romania, NOVUM granted consumer loans of up to RON 60,000 per loan, with repayment periods of up to 60 months.

In Poland, pursuant to the Act amending certain laws to counter usury practices of October 6th 2022, the regulations on a reduced cap on non-interest costs entered into force on December 18th 2022. The other regulations governing the operations of loan companies will enter into force at a later date, including with regard to the credit ratings of potential borrowers (effective as of May 18th 2023) and the PFSA's supervision over loan institutions (effective as of January 1st 2024).

In comparison with earlier regulations, the reduced cap on non-interest costs has an adverse effect on the profitability of loan products offered by loan companies. The impact of those changes on the performance reported by Wonga and Novum in 2022 may be considered immaterial. Wonga is working on new products to offer its clients, but there is a risk that its performance may be adversely affected in subsequent periods.

Novum's total revenue was PLN 24m, up 22% year on year, whereas Wonga's revenue came in at PLN 129m, up 78% year on year.

### Credit reference (ERIF BIG)

As at January 4th 2023, the ERIF BIG database contained 162m cases (including 159m positive credit information reports), with a total nominal debt amount of more than PLN 67bn. To compare, as at December 31st 2021 the database contained 133m records (including 130m positive credit information reports), with a total nominal debt amount of PLN 58bn. In 2022, close to 13 million credit information reports were downloaded from the ERIF BIG database. Revenue derived by ERIF BIG in 2022 from the provision of credit reference services was PLN 8.9m, up 1% year on year. KRUK decided to sell the companies from this business line, and as of January 24th 2023 ERIF BIG and ERIF EBS are no longer part of the KRUK Group.

## 3.2 KRUK Group's performance by business segment

The performance of each reportable segment is discussed below.

Table 16. KRUK Group's performance highlights by reportable segment

(PLN thousand)	TOTAL	TOTAL
	2022	2021
Total revenue	2,145,790	1,742,683

Purchased debt portfolios	1,912,676	1,575,627
including revaluation of projected recoveries	383,860	270,032
Credit management services	64,945	61,614
Other products	161,613	100,676
Other income	6,556	4,766
Direct and indirect costs	-782,707	-630,525
Purchased debt portfolios	-653,025	-533,682
Credit management services	-57,950	-46,677
Other products	-63,332	-41,667
Unallocated expenses	-8,400	-8,499
Gross profit <sup>1</sup>	1,363,083	1,112,158
Purchased debt portfolios	1,259,651	1,041,945
Credit management services	6,995	14,937
Other products	98,281	59,009
Unallocated income / expenses	-1,844	-3,733
Administrative expenses	-269,054	-204,187
EBITDA	1,094,029	907,971

<sup>1</sup> Gross profit = operating income - operating expenses.

In 2022, the Group's gross profit was PLN 1,363m, having increased by PLN 251m (23%) on the previous year. The increase was mainly attributable to a PLN 403m (23%) year-on-year growth in revenue. Operating expenses rose by PLN 152m (24%) across the Group.

The purchased debt segment's gross profit was PLN 1,260m, up PLN 218m (21%) year on year. The increase in the segment's gross profit was largely attributable to a PLN 337m (21%) growth in revenue, driven by higher interest income on purchased debt portfolios (up PLN 177m, or 18%), upward revaluation of projected recoveries totalling PLN 384m (up PLN 114m, or 42%) and actual recoveries from debt portfolios coming in above the target. Deviation between actual and planned recoveries, disclosed jointly with a decrease in revenue on early collections in collateralised cases and payments from the original creditor, totalled PLN 353m in 2022, that is PLN 26m (8%) more than the year before. The purchased debt segment's operating expenses rose by PLN 119m (22%) year on year, primarily as a result of higher costs of the court and enforcement process (up PLN 56m, or 25%) mainly in Spain, Poland and Italy, as well as higher salaries and wages and employee expenses (up PLN 38m, or 21%).

The credit management segment's gross profit was PLN 7m, down PLN 8m (53%) year on year, mainly on the back of the partial impairment loss of PLN 7m recognised on the acquired Spanish company (KRUUK España, formerly Espand) (non-cash component).

The other activities segment's gross profit came in at PLN 98m, having increased by PLN 39m (67%) on 2021, chiefly due to a PLN 61m (61%) increase in revenue (including a PLN 57m (78%) increase in Wonga's revenue). The other activities segment's direct and indirect costs were PLN 63m, having increased by PLN 22m (52%) year on year.

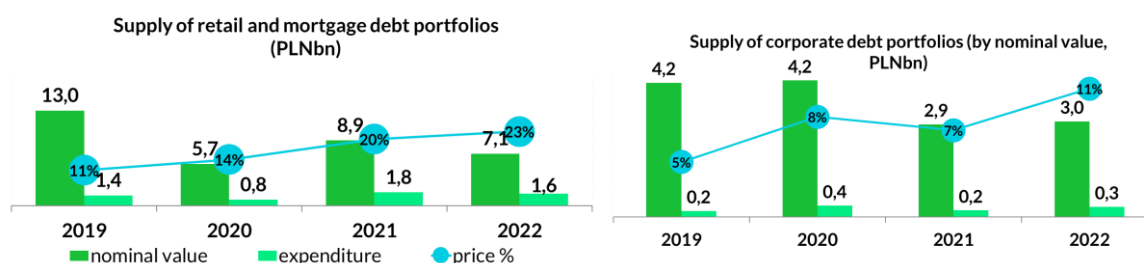
### 3.3 KRUK Group's performance by geographical segment

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

(PLNm)	Poland		Romania		Italy		Spain		Other markets		Head Office		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Expenditure on debt portfolios	465	1100	412	167	585	282	799	130	49	59	N/A	N/A	2,311	1,738
Recoveries	1232	1074	593	565	457	313	246	173	99	91	N/A	N/A	2,627	2,216
Carrying amount of purchased debt portfolios (PLNbn)	2,8	2,7	1,3	0,9	1,5	1,0	1,1	0,4	0,2	0,2	N/A	N/A	6,8	5,1
Revenue	1035	872	549	412	361	279	136	113	59	61	N/A	N/A	2,146	1,743
Purchased debt portfolios	849	751	533	396	352	270	120	97	59	61	N/A	N/A	1,913	1,576
Credit management services	28	24	12	13	9	9	16	15			N/A	N/A	65	62
Wonga	129	72									N/A	N/A	129	72
Other activities	29	25	4	3							N/A	N/A	33	29
Indirect margin	698	596	437	317	181	128	13	35	36	39	N/A	N/A	1,363	1,112
EBITDA	625	543	407	295	150	105		18	26	30	-106	79	1,094	908
Cash EBITDA	1009	866	467	464	255	148		94	66	59	-106	79	1,809	1,548

#### 3.3.1 Poland – overview of the market and the KRUK Group's business

In 2022, debt sale auctions held by debt originators (mainly banks and financial institutions) went through without any disruptions related to the war in Ukraine. In Poland, sale transactions included all types of debt (unsecured retail, mortgage and corporate debt).



Unsecured retail debt accounted for 77% of the total expenditure on debt purchases in the Polish market. As in prior years, KRUK's main competitors in Poland were foreign entities. The estimated nominal value of the total debt supply in Poland was close to PLN 10.1bn compared with PLN 13.1bn in 2021, when sellers resumed auctions disrupted by the pandemic outbreak the year before. According to KRUK's estimates, the average price paid for unsecured retail debt was 23% of the nominal value, having increased by 3pp year on year, largely as a result of improved quality of assets offered for sale and strong competition in the market. Investors spent a total of PLN of 2.0bn on all types of debt, of which 24% was attributable to KRUK. We estimate KRUK's market share in expenditure on unsecured retail debt at 25%, compared to 49% in 2021.

The KRUK Group's expenditure on portfolio purchases in Poland reached PLN 465m, representing 20% of all funds invested by the Group in 2022. The nominal value of purchased portfolios was over PLN 2.3bn.

Recoveries in Poland amounted to PLN 1,232m, up by PLN 158m (15%) year on year, continuing on an upward trend and accounting for 47% of the Group’s total recoveries. Revaluation of projected recoveries amounted to PLN 157m, relative to PLN 110m in 2021.

Given the factors discussed above, the carrying amount of purchased debt portfolios as at December 31st 2022 was PLN 2,770m, relative to PLN 2,668m the year before. Polish portfolios accounted in total for 41% of the carrying amount of all debt portfolios held by the KRUK Group, having declined in 2022 due to investments in Spain and Italy.

Revenue in Poland grew 19%, to PLN 1,035m, driven by higher revenue from purchased debt portfolios (up 13%) and credit management services (up 19%). Wonga generated revenue of PLN 129m, up 78% year on year. Most of the Group’s revenue in Poland (82%) was attributable to the purchased debt segment, which recorded a PLN 157m upward revaluation of projected recoveries, compared with a revaluation of PLN 110m in 2021.

The margin generated on the Polish market rose 17% year on year, to PLN 698m, on higher revenue (excluding Wonga – PLN 615m, up 12% year on year).

EBITDA in Poland (excluding Wonga) came in at PLN 554m and grew 9% year on year, driven by stronger-than-projected recoveries, especially from unsecured retail debt portfolios, and an upward revaluation of projected recoveries. At the same time, cash EBITDA stood at PLN 937m, up 13% on 2021, mainly on higher year-on-year recoveries.

For changes in the legislative framework, including those being drafted, see Section 5.2 *Legal and regulatory environment*. The Group’s strategy, pursued by the KRUK Management Board and focused primarily on purchased debt portfolios, led to the decision to sell ERIF BIG and ERIF EBS, which ceased to be part of the KRUK Group on January 24th 2023.

**Tomasz Ignaczak – CEO Poland**

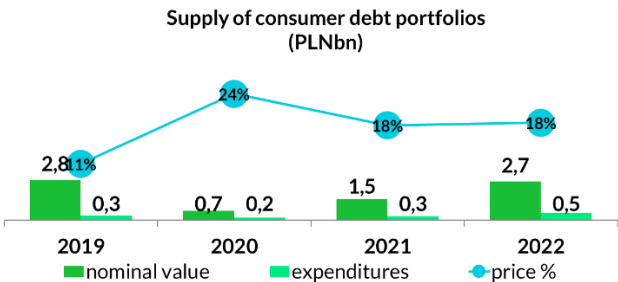
*2022 was a year of hard work in many areas. The fast pace of digital transformation on the Polish market allows us to improve the efficiency of our operations. Despite strong competitive pressures, we remain the leader of the debt purchase market.*

*The improvements we have implemented allowed us to achieve business scalability and automate numerous processes, facilitating efficient handling of cases both at the amicable and court stages. We are focusing on delivering our strategy, with a strong emphasis on unsecured retail debt.*

*It was also a year marked by improvement in our employees’ skills because it is people that are the cornerstone of KRUK’s business. Their commitment and all the efforts mentioned above once again helped deliver record financial performance.*

**3.3.2 Romania – overview of the market and the KRUK Group’s business**

Unsecured retail and corporate debt portfolios with a nominal value of close to PLN 3bn were sold on the Romanian market in 2022.





According to KRUK's estimates, total expenditure on retail, SME and mortgage debt in 2022 was PLN 538m, with KRUK's market share at 77%. We estimate KRUK's market share in expenditure on unsecured retail debt in Romania at 75%, compared to 66% in 2021. In recent years, the size of Romania's corporate debt market was immaterial relative to the whole market. Average prices on the market were around 18%, reflecting asset quality and market's competitiveness. KRUK invested PLN 412m in debt with a nominal value of PLN 2.4bn. Some of that debt was purchased under forward flow contracts signed in 2021.

Recoveries from portfolios in Romania amounted to PLN 593m, up 5% year on year, continuing on an upward trend and accounting for 23% of the Group's total recoveries. The Group posted PLN 206m on account of an upward revaluation of projected recoveries, compared with PLN 118m in 2021.

Total revenue in the Romanian market amounted to PLN 549m, up 33% on 2021. Revenue in Romania is mostly derived from purchased debt portfolios. In 2022, this revenue stream accounted for 97% of total revenue.

Given the factors discussed above, the carrying amount of purchased debt portfolios as at December 31st 2022 was PLN 1,256m, up 42% year on year. The Romanian portfolios accounted in total for 19% of the carrying amount of all debt portfolios held by the KRUK Group. The Group's revenue from credit management services was close to PLN 12m, down 11% year on year. Since January 2023, the KRUK Group has been focusing on purchased debt portfolios, having discontinued further credit management services in Romania.

The margin came in at PLN 437m, up 38% year on year, mainly on the back of higher recoveries from purchased debt portfolios.

EBITDA in the Romanian market came in at PLN 407m, up 38% year on year, driven by an excess of actual recoveries over the target amount and an upward revaluation of projected recoveries. Cash EBITDA stood at PLN 467m, up 1% year on year.

For changes in the legislative framework, including those being drafted, see Section 5.2 *Legal and regulatory environment*.

### **Cosmina Marinescu, CEO Romania**

*For KRUK Romania, 2022 was a year of fast-paced growth in digital solutions and operational ratios, combined with a sustainable approach to development.*

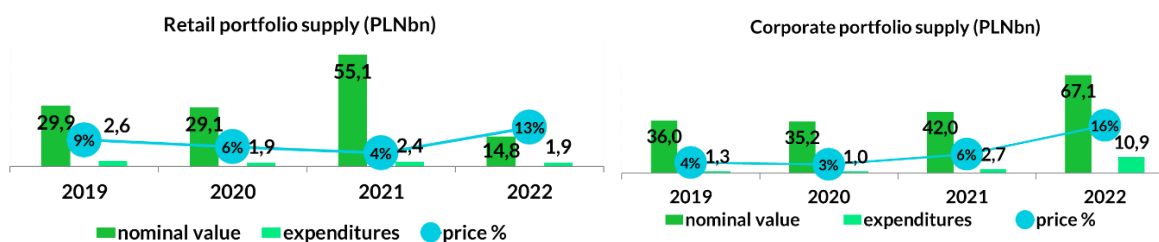
*The absolute focus on efficiency and consolidation of strong and talented staff helped achieve a market share of almost 80% and maintain leadership among companies investing in debt.*

*Digital transformation has made it possible to make 90% of our work paperless. We also recognised our clients' autonomy by offering them eKRUK, a new debt management platform through which they can easily manage their debt online.*

*The key success drivers in 2022 included an unprecedented demand for digital solutions, exponential growth achieved through debt portfolio diversification, and analytical approach to operations.*

### **3.3.3 Italy – overview of the market and the KRUK Group's business**

According to the KRUK Group's estimates, the supply of unsecured retail debt, SME and corporate debt in 2022 was close to PLN 82bn (nominal amount).



Most of the portfolios were sold by the banking sector and the main buyers in the Italian market were local players. The average price paid for unsecured retail debt portfolios, calculated as expenditure incurred to the nominal value of debt, was around 19% and reflected both asset quality and competitiveness in the market. KRUK's expenditure in Italy totalled PLN 585m, with the market share estimated at 5%. We estimate KRUK's market share in expenditure on unsecured retail debt at 25%, compared to 12% in 2021.

PLN 585m was spent to buy debt portfolios with a nominal value of PLN 3,219m. More than 80% of all investments were purchases of unsecured retail debt.

Recoveries from portfolios in Italy amounted to PLN 457m, up 46% year on year, and continued on an upward trend. They accounted for 17% of the Group's total recoveries. Revaluations of projected recoveries in 2022 amounted to PLN 49m, relative to PLN 36m in 2021.

Revenue in Italy amounted to PLN 361m, of which 98% was revenue from purchased portfolios. In 2022, the Group recognised an upward revaluation of projected recoveries from Italian portfolios in an aggregate amount of PLN 49m, compared with PLN 36m the year before.

Given the factors discussed above, the carrying amount of purchased debt portfolios as at the end of 2022 was PLN 1,472m, up 51% year on year. The Italian portfolios accounted for a total of 22% of the carrying amount of all debt portfolios owned by the KRUK Group.

Credit management services delivered revenue of close to PLN 9m, down 7% year on year.

Thanks to higher recoveries and revenue, the margin came in at PLN 181m, having risen 41% year on year.

In 2022, EBITDA stood at PLN 150m, up 43% year on year. With a year-on-year growth in recoveries, cash EBITDA came in at PLN 255m, compared with PLN 148m the year before.

For changes in the legislative framework, including those being drafted, see Section 5.2 *Legal and regulatory environment*.

### **Tomasz Kurr, CEO Italy**

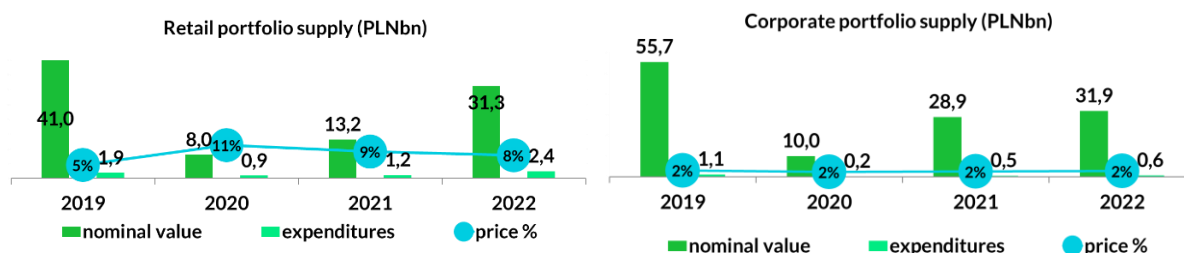
*This was a highly successful year for KRUK in Italy! The market was very stable and the number of transactions was on a par with previous years.*

*We managed to improve our operational capacity in both retail and corporate debt business lines. This helped us increase our activity on the debt purchase market where we invested, considering the expected returns, 25% of the Group's total investment – the highest figure on record. In 2022, we consolidated our position in the retail debt area, significantly expanding the scale of our operations, and started the year with a strategically important investment in a corporate debt portfolio.*

*In hindsight, I can safely say that we accomplished our goals and, together with our team, we are ready to reach for more on this highly promising market.*

### 3.3.4 Spain - overview of the market and the KRUK Group's business

Based on KRUK's estimates, bank and non-bank debt portfolios sold in Spain in 2022 were valued at around PLN 63bn (nominal amount, mortgage debt excluded).



Most of the portfolios were sold by the banking sector and other financial institutions. The average price paid for retail debt, calculated as expenditure incurred to the nominal value of debt portfolios, was close to 12% on the primary market. The total amount invested in the Spanish market was almost PLN 3bn, with KRUK's share at 26%. We estimate KRUK's market share in expenditure on unsecured retail debt at 33%, compared to 11% in 2021.

In 2022, KRUK invested PLN 799m in Spain, purchasing (unsecured retail) debt portfolios with a nominal value of PLN 5,543m. In 2021, the respective amounts were PLN 130m and PLN 626m.

Recoveries in Spain totalled PLN 243m in 2022, up 41% on 2021, and continued on an upward trend. Recoveries in Spain accounted for 9% of the Group's total recoveries.

Revenue was PLN 136m, up 21% on 2021. As in other markets, revenue in Spain was generated mainly from purchased debt portfolios (88%), contributing PLN 120m, up 23% year on year. Revaluations of projected recoveries were negative at PLN 37m, comprising both upward revaluations on unsecured retail debt portfolios and downward revaluations on corporate SME portfolios. Revenue from the credit management business came to PLN 16m, up 6% year on year.

The margin fell 63% year on year, to PLN 13m, mainly on the back of the partial impairment loss recognised on the acquired Spanish company (KRUK España, formerly Espand) of PLN 7m, as well as higher employee expenses, salaries and court expenses.

These factors had an impact on EBITDA, which was negative at PLN 6m in Spain, compared with a positive EBITDA of PLN 18m in 2021.

Driven by a year-on-year growth in recoveries, cash EBITDA was PLN 121m, up PLN 27m year on year.

As at the end of December 2022, the carrying amount of debt portfolios was PLN 1,101m, accounting for 16% of the Group's total debt portfolios.

For changes in the legislative framework, including those being drafted, see Section 5.2 *Legal and regulatory environment*.

#### Alina Giurgea, CEO Spain

*In 2022, the primary market in Spain was very active in the supply of unsecured retail debt and continued to be highly competitive. Both international players and investment funds showed considerable activity. We became the leader on the primary unsecured retail debt market, having made the largest investments since entering the market in 2015.*

*The current global and macroeconomic conditions present a challenge for the entire sector. However, pursuing the direction we chose in recent years, we keep strengthening our operational process, focusing both on actively enhancing our operational processes and investing in technological innovation and online tools.*

### 3.3.5 Other markets – overview of the markets and the KRUK Group’s business

According to our in-house estimates, the nominal value of consumer debt portfolios sold in the Czech Republic and Slovakia in 2022 was almost PLN 1.3bn, down on the PLN 1.5bn recorded in 2021. We estimate the expenditure made in that market at almost PLN 0.4bn. The average price, calculated as expenditure incurred to the nominal value of debt, was 24%. In the Czech Republic and Slovakia, KRUK purchased unsecured retail debt with a nominal value of PLN 177m, investing PLN 49m, PLN 10m less than in 2021. KRUK’s share of the unsecured debt purchase market in the Czech Republic and Slovakia was approximately 22% and 4%, respectively. In Germany, KRUK did not invest in new portfolios.

Recoveries in other markets amounted to PLN 99m, compared with PLN 91m in 2021, representing 4% of the Group’s total recoveries. The segment’s revenue was PLN 59m, down 4% year on year. All of the revenue was derived from purchased portfolios.

The KRUK Group recognised PLN 8m on account of an upward revaluation of projected recoveries, compared with a revaluation of almost PLN 11m recognised in 2021.

Due to lower year-on-year revaluations and higher costs, including operating expenses, the other markets segment’s gross profit was PLN 36m (down 8% year on year).

The segment’s EBITDA was close to PLN 26m, down 13% year on year. Cash EBITDA posted by the segment was PLN 66m, up 12% year on year.

As at the end of 2022, the carrying amount of debt portfolios in other markets was PLN 168m, representing 2% of the Group’s total debt portfolios.

For changes in the legislative framework, including those being drafted, see Section 5.2 *Legal and regulatory environment*.

#### **Jaroslava Palendalová, CEO Czech Republic and Slovakia**

*Despite the market turbulence caused by the macroeconomic environment, 2022 was a successful year in the Czech Republic and Slovakia, both in terms of recoveries and financial performance. We were active on all existing market segments and purchased several retail banking debt portfolios in the Czech Republic. We expect the NPLs from the bankrupt Sberbank to increase debt supply on the market in 2023. In 2022, we continued improvements through digital technologies and implemented new payment options for our clients. Client focus and process efficiency remain our key objective for the coming years.*

### 3.4 Carrying amount of purchased debt portfolios

As at the end of 2022, the carrying amount of purchased debt portfolios was PLN 6.8bn, up 33% year on year. The increase was mainly driven by a high level of investments and recoveries.

**Table 17. Movements in purchased debt portfolios in 2022***PLN thousand*

	Unsecured portfolios	Secured portfolios	TOTAL
<b>Carrying amount of investments in debt portfolios at January 1st 2021</b>	<b>3,285,231</b>	<b>698,849</b>	<b>3,984,080</b>
Purchase of debt portfolios	1,551,679	186,323	1,738,002
Cash recoveries	(1,943,756)	(272,050)	(2,215,806)
Receivables from debt sold	-	(3,200)	(3,200)
Increase/(decrease) in liabilities to indebted persons due to overpayments	5,705	-	5,705
Valuation of loyalty scheme*	7,174	-	7,174
Revenue from purchased debt portfolios	1,439,360	136,267	1,575,627
Carrying amount of property foreclosed	-	(7,156)	(7,156)
Carrying amount of property sold	-	18,374	18,374
Translation differences on debt portfolios**	(428)	(2,196)	(2,624)
<b>Carrying amount of investments in debt portfolios at December 31st 2021</b>	<b>4,344,965</b>	<b>755,211</b>	<b>5,100,176</b>

*PLN thousand*

	Unsecured portfolios	Secured portfolios	TOTAL
<b>Carrying amount of investments in debt portfolios at January 1st 2022</b>	<b>4,344,965</b>	<b>755,211</b>	<b>5,100,176</b>
Purchase of debt portfolios	2,130,808	180,264	2,311,072
Cash recoveries	(2,293,628)	(333,715)	(2,627,343)
Receivables from debt sold	-	-	-
Increase/(decrease) in liabilities to indebted persons due to overpayments	7,998	-	7,998
Valuation of loyalty scheme*	6,624	-	6,624
Revenue from purchased debt portfolios	1,758,830	153,846	1,912,676
Carrying amount of property foreclosed	-	(4,866)	(4,866)
Carrying amount of property sold	-	9,166	9,166
Translation differences on debt portfolios**	52,633	(49)	52,584
<b>Carrying amount of investments in debt portfolios at December 31st 2022</b>	<b>6,008,230</b>	<b>759,857</b>	<b>6,768,087</b>

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

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

Source: Consolidated financial statements

## 3.5 Investments

### 3.5.1 Investments in debt portfolios

In 2022, the KRUK Group purchased 241 debt portfolios with a total nominal value of PLN 13.7bn. KRUK invested in bank and non-bank portfolios including mainly unsecured retail debt, as well as secured and corporate debt. To compare, in 2021 KRUK purchased 164 debt portfolios with a total nominal value of PLN 9.7bn for PLN 1.7bn.

**Table 18. Summary of debt portfolios purchased in 2022 and 2021**

	2022	2021
Number of purchased debt portfolios	241	164
Nominal value of purchased debt portfolios (PLNm)	13,692	9,651
Expenditure on debt portfolios (PLNm)	2,311	1,738

Source: Company

KRUK made the largest investments in Spain (35% of total expenditure), with Italy, Poland, Romania, the Czech Republic, and Slovakia accounting for the remainder of KRUK's total expenditure on debt portfolios. In 2022, 80% of KRUK's total investments were made outside Poland. The amount spent was PLN 1,846m, compared with PLN 638m invested in 2021, representing 37% of the Group's total expenditure in the period.

**Table 19. Expenditure in 2022 and 2021, by country (PLNm)**

Country	2022	2021
Poland	465	1,100
Romania	412	167
Czech Republic and Slovakia	49	59
Italy	585	282
Germany	0	0
Spain	799	130
<b>Total</b>	<b>2,311</b>	<b>1,738</b>

Source: Company

### 3.5.2 Loans

In 2022, the KRUK Group companies advanced 213 thousand cash loans, compared with 246 thousand the year before. In 2022, the value of loans advanced was PLN 594m, compared with PLN 696m in 2021.

### 3.5.3 Other capital expenditure

In 2022, the main items of the Group's other capital expenditure were PLN 16.1m spent on new vehicles (including under finance lease contracts) and PLN 5.9m spent on plant and equipment. The Company also made material investments of PLN 11.5m in licences and software, including PLN 0.6m invested in proprietary software.

### 3.5.4 Equity investments within the Group

In 2022, KRUK increased or reduced the capital of its subsidiaries:

**Table 20. Movements in share capital at the Group companies**

Company	Action	Amount
InvestCapital Ltd.	Share capital increase	PLN 80.0m
InvestCapital Ltd.	Share capital reduction	PLN 110.0m
KRUK Deutschland GmbH	Return of contributions to equity	PLN 2.8m*
KRUK Espana S.L.U.	Capital injection	PLN 12.6m*
KRUK Italia S.r.l.	Capital injection	PLN 11.4m*
AgeCredit S.r.l.	Capital injection	PLN 4.0m*

\* Translated at the mid-exchange rate quoted by the NBP as at the date of share capital increase/reduction, contributions/return of contributions to equity

Source: Company

### 3.5.5 Sources of investment financing

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

### 3.5.6 Assessment of the feasibility of investment plans

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

## 3.6 Financial performance and financial highlights of KRUK S.A.

In 2022, KRUK S.A. generated revenue of PLN 203m, that is 11% more than in 2021. The largest year-on-year increase in revenue was posted by the other products segment (up PLN 13m, or 36%). Revenue from purchased debt portfolios rose by PLN 3m (10%). Revenue from credit management services amounted to PLN 113m, having increased 3% year on year. Direct and indirect costs were PLN 124m, having increased 5% year on year. Relative to 2021, gross profit increased by PLN 15m (22%), with the largest increase seen in other products (up PLN 13m, or 39%). Gross profit in the purchased debt portfolios segment rose by PLN 4m (19%) year on year. In the credit management services segment, gross profit was PLN 10m, compared with PLN 13m the year before.

In 2022, the Company's administrative expenses amounted to PLN 160m, up 37% year on year.

Net finance costs grew by PLN 22m (57%) year on year.

Income tax was PLN 36m, 42% less than in the previous year.

The 2022 net profit was PLN 805m, having risen by PLN 110m (16%) year on year. The increase in the Company's net profit was mainly attributable to the share of profit/(loss) of equity-accounted entities (an increase of PLN 138m, or 16%, on 2021).

The table below presents selected data and financial highlights of the Company for 2022, with comparative data for 2021.

	Year ended Dec 31		
	2022	2021	Change
	(PLN thousand, unless stated otherwise)		
Revenue	203,431	182,621	11%
Operating profit/(loss)	(101,802)	(68,856)	48%
Profit/(loss) before tax	841,410	757,564	11%
Net profit/(loss)	804,982	694,758	16%
Net cash from operating activities	(8,089)	(22,158)	-65%
Cash recoveries	36,336	38,239	-5%
Net cash from investing activities	28,619	209,395	-86%
Net cash from financing activities	(52,220)	(140,134)	-63%
Net change in cash	(31,690)	47,103	-167%

Diluted earnings per share (PLN/EUR)	40.71	35.80	14%
Average number of shares (thousand)	19,136	18,966	1%
Earnings per share (PLN/EUR)	42.07	36.63	15%

	Year ended Dec 31		
	2022	2021	Change
	(PLN thousand, unless stated otherwise)		
Total assets	5,403,418	4,414,079	22%
Non-current liabilities	1,788,174	1,231,645	45%
Current liabilities	361,227	581,617	-38%
Equity	3,254,017	2,600,817	25%
Share capital	19,319	19,013	2%
Book value per ordinary share	168.44	137.13	23%



# 4 | Chapter

## 4 FINANCIAL OVERVIEW

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

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

The policies applied to prepare the consolidated financial statements are described in the consolidated financial statements. There were no significant changes in the accounting policies in 2022.

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

The policies applied to prepare the separate financial statements are described in the separate financial statements. There were no significant changes in the accounting policies in 2022.

Under the applied equity method, the Company's profit/loss and equity are the same as the KRUK Group's profit/loss and equity.

### 4.2 Analysis of the consolidated financial data

#### 4.2.1 Revenue by product

The main sources of revenue for the KRUK Group are debt purchase activities, credit management services, and consumer lending. Revenue from purchased debt portfolios includes mainly interest income, effects of debt portfolio revaluations, resulting primarily from a change in estimates of expected cash inflows from a given portfolio, and deviations between actual and projected recoveries disclosed jointly with revenue decreases on early collections in collateralised cases and payments from original creditor. Revenue from credit management services includes primarily commissions for collection of debt managed by the Group. The Group also generates revenue on consumer loans, which it grants to persons indebted to the KRUK Group who have repaid or regularly repay their debts, as well as to persons who have not yet been clients of the KRUK Group.

Gross return rates on investments made in 2022 were estimated as at the time of the investments at 20%, compared with 22% (gross IRR calculated as internal rate of return on collections and expenditure). As at December 31st 2022, the rate of recoveries from portfolios purchased in 2022 in relation to their purchase prices was estimated at 2.2x, compared with a 2.0x recovery rate estimated as at December 31st 2021 for portfolios purchased in 2021 (the

recovery rate is calculated based on the sum of actual historical recoveries and estimated remaining collections).

Estimated remaining collections from all portfolios purchased by December 31st 2022 assumed in the accounting estimate are PLN 13,765m. Depending on the market and type of the portfolio, estimated remaining collections may be spread over a period of 15 years or more.

#### 4.2.2 Revenue by geographical markets

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

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

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

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

The Group's total assets were PLN 7,681m, having grown 30% year on year.

**Table 21. Structure of the Group's assets**

PLN thousand	Dec 31 2022	Dec 31 2021	Change
<b>Assets</b>			
Cash and cash equivalents	202,160	199,164	2%
Trade receivables	13,033	22,873	-43%
Investments	7,137,530	5,416,512	32%
Other markets	328,359	270,851	21%
<b>Total assets</b>	<b>7,681,082</b>	<b>5,909,040</b>	<b>30%</b>

Source: Company

The largest increase was posted under investments and was attributable to new debt portfolio purchases, upward revaluation, and amortisation of debt portfolios. Large investments made in 2022 contributed to a PLN 1,077m year-on-year increase in bank borrowings and other debt instruments.

**Table 22. Structure of the Group's equity and liabilities**

PLN thousand

	Note	Dec 31 2022	Dec 31 2021	Change
<b>Liabilities</b>				
Trade and other payables	26	158,271	162,986	-3%
Hedging instruments	24	9,824	-	
Employee benefit obligations	25	59,639	48,661	23%
Income tax payable		16,406	18,369	-11%
Borrowings, debt securities and leases	23	3,945,794	2,869,020	38%
Provisions	27	36,431	43,060	-15%
Deferred tax liability	17	201,420	167,077	21%
<b>Total liabilities</b>		<b>4,427,785</b>	<b>3,309,173</b>	<b>34%</b>
<b>Equity</b>				
Share capital	21	19,319	19,013	2%
Share premium		358,506	333,264	8%
Hedge reserve		32,627	17,885	82%
Measurement reserve (defined benefit plans)		4,155	-	100%
Translation reserve		100,448	75,708	33%
Other capital reserves		149,896	122,202	23%
Retained earnings		2,589,066	2,032,745	27%
<b>Equity attributable to owners of the Parent</b>		<b>3,254,017</b>	<b>2,600,817</b>	<b>25%</b>
<b>Non-controlling interests</b>		<b>(720)</b>	<b>(590)</b>	<b>18%</b>
<b>Total equity</b>		<b>3,253,297</b>	<b>2,600,227</b>	<b>25%</b>
<b>Total equity and liabilities</b>		<b>7,681,082</b>	<b>5,909,400</b>	<b>30%</b>

Source: Company

#### 4.2.4 Current and future financial position

There are no material risks to the KRUK Group's current or future financial position. For detailed information on financial performance, see Section 3. *Overview of the KRUK Group's and Kruk S.A.'s business in 2022.*

#### 4.2.5 Cash flows

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

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

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

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

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

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

The KRUK Group did not have any material off-balance sheet items in 2022.

#### 4.2.7 Key financial ratios

##### 4.2.7.1 Profitability ratios

For the ratio analysis of KRUK S.A. to yield meaningful conclusions, a comprehensive analysis of the KRUK Group's ratios is necessary. The table below presents the key profitability ratios of the KRUK Group.

**Table 23. Profitability ratios**

Profitability ratios	Year ended Dec 31	
	2022	2021
EBITDA margin	51%	52%
EBIT margin	49%	49%
Pre-tax margin	40%	44%
Net margin	38%	40%
Return on assets (ROA)	10%	12%
Return on equity (ROE)	25%	27%

Source: Company

Formulas used to calculate the ratios:

- EBITDA margin = operating profit for the period + depreciation and amortisation / total revenue
- EBIT margin = operating profit for the period / total revenue
- Pre-tax margin = profit before tax for the period / total revenue
- Net margin = net profit for the period / total revenue
- ROA = net profit for the period / total assets
- ROE = net profit for the period / equity

The year-on-year decrease in profitability ratios in 2022 was an effect of the following, partly mutually offsetting, factors:

- an increase of PLN 403m (23%) in revenue relative to 2021;
- an increase of PLN 220m (25%) in direct, indirect and administrative expenses as well as depreciation and amortisation expense
- negative effect of net finance costs (up by PLN 93m, or 109%). The negative change in finance income/costs was mainly attributable to an increase in interest expense due to higher WIBOR/EURIBOR rates and higher debt.
- a decrease of PLN 20m (26%) in tax expense.

EBITDA was PLN 1,094m in 2022 (up by 20% year on year), operating profit (EBIT) reached PLN 1,043m (up by 21% year on year), pre-tax profit stood at PLN 864m (up by 12% year on year), and net profit amounted to PLN 805m (up by 16% year on year).

As the end of 2022, equity was 25% higher year on year.

The Group's assets rose 30% relative to the end of 2021. The largest increase in assets was seen in Investments (up by PLN 1,721m, or 32%), an effect of investments in new portfolios.

#### 4.2.7.2 Debt ratios

For the ratio analysis of KRUK S.A. to yield meaningful conclusions, a comprehensive analysis of the KRUK Group's ratios is necessary.

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

**Table 24. Debt ratios**

	Year ended Dec 31	
	2022	2021
Total debt ratio	58%	56%
Debt to equity ratio	136%	126%
Net debt to equity ratio	1.2x	1.0x
Net debt to cash EBITDA ratio	2.1x	1.7x
Current ratio	11.0x	7.0x
Quick ratio	11.0x	7.0x

Source: Company

Formulas used to calculate the ratios:

- Total debt ratio – total liabilities / total equity and liabilities

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

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

In 2022, the ratios changed only slightly and, in the Management Board's opinion, remained at safe levels. For instance, the debt ratios measured for the entire Group, specified in the terms and conditions of bonds, were as follows: the net debt to equity ratio stood at 1.2x (the maximum level being 3.0x in the case of issues for which financial debt limits have been defined), and the net debt to cash EBITDA ratio was 2.1x (the maximum level being 4.0x).

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

## 4.3 Financial instruments

### 4.3.1 Use of financial instruments

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

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

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

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

### 4.3.2 Derivatives

In 2021, the Group could enter into derivative transactions under master agreements.

**Table 25. Derivative transactions entered into by the Group as at December 31st 2022**

Agreement	Bank	Group company	Agreement date	Transaction limit	Collateral and other security
Master agreement governing transaction execution and settlement	Santander Bank Polska S.A.	KRUK S.A. and InvestCapital Ltd.	Jun 13 2013	PLN 35,000,000	- power of attorney to debit KRUK S.A.'s accounts with the Bank - blank promissory note with promissory note declaration
ISDA 2002 Master Agreement	DNB Bank ASA	KRUK S.A.	Nov 25 2022	not disclosed by the Bank	- none
Master agreement governing execution of financial market transactions	DNB Bank Polska S.A.	KRUK S.A.	Mar 8 2019	EUR 2,224,000	- notarised statement by KRUK S.A. on voluntary submission to enforcement
Master agreement governing execution of forward currency transactions	ING Bank Śląski S.A.	KRUK S.A.	Aug 9 2018	EUR 50,000,000	- none
Master Agreement for the Execution of Financial Forward Transactions	ING Bank Śląski S.A.	KRUK S.A.	Dec 10 2021		
Master Agreement for the Execution of Financial Forward Transactions	ING Bank Śląski S.A.	InvestCapital Ltd.	Aug 20 2021	EUR 15,000,000	- none
Master agreement governing execution of financial market transactions	mBank S.A.	KRUK S.A.	Feb 7 2019	PLN 5,000,000	- power of attorney to debit KRUK S.A.'s accounts with the Bank - blank promissory note with promissory note declaration

In 2022, the Group entered into a EUR 210m interest rate swap (IRS), paying a coupon based on a fixed interest rate and receiving a coupon based on a variable EURIBOR interest rate. The IRS provides a hedge against interest rate risk.

Open interest rate swaps of the KRUK Group companies as at December 31st 2022 are presented below.

**Table 26. Open interest rate swaps as at December 31st 2022**

Bank	Group company	Transaction type	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 30,000,000.00	buy	1.65%	3M WIBOR	Sep 5 2019 to Nov 27 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	buy	1.65%	3M WIBOR	Sep 5 2019 to Feb 6 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 35,000,000.00	buy	1.6050%	3M WIBOR	Sep 4 2019 to Oct 12 2023
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	Sep 4 2019 to Sep 27 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	Sep 4 2019 to Sep 28 2024
ING Bank Śląski S.A.	InvestCapital Ltd.	IRS	EUR 210,000,000.00	buy	2.65%	1M EURIBOR	Nov 29 2022 to Jun 30 2027
TOTAL as at Dec 31 2022		IRS	PLN 255,000,000.00 and EUR 210,000,000.00	buy			

\* In the second quarter of 2022, the contracts were transferred from DNB Polska S.A. to ING Bank Śląski S.A. without changing their terms.

The purpose of the PLN contracts was to provide a hedge against volatility of cash flows generated by liabilities denominated in PLN due to changes in the 3M WIBOR rate and to hedge coupons paid on issued bonds. The purpose of the EUR contract was to provide a hedge against volatility of cash flows generated by liabilities in EUR due to changes in the 1M EURIBOR rate and to hedge interest payments under a credit facility.

In 2022, the Group also entered into currency interest rate swaps (CIRS) with a total notional amount of PLN 940m, under which the Group pays a coupon based on a fixed interest rate on debt determined in EUR under the transaction terms and receives a coupon based on a variable interest rate on PLN-denominated debt covered by the transaction.

Currency interest rate swaps of the KRUK Group companies as at December 31st 2022 are presented below.

**Table 27. Open currency interest rate swaps as at December 31st 2022**

Bank	Group company	Transaction type	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 330,000,000	buy	2.13%	3M WIBOR	Jun 14 2022	May 24 2027



ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 140,000,000	buy	1.90%	3M WIBOR	Jun 23 2022	Mar 24 2027
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.72%	3M WIBOR	Jun 20 2022	Mar 16 2026
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.56%	3M WIBOR	Jun 21 2022	Mar 16 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 105,000,000	buy	1.21%	3M WIBOR	Jul 15 2022	Jan 23 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	buy	0.96%	3M WIBOR	Jul 15 2022	Jan 22 2025
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	buy	0.955%	3M WIBOR	Jul 18 2022	Jan 23 2024
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.40%	3M WIBOR	Jul 20 2022	Mar 2 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 25,000,000	buy	0.90%	3M WIBOR	Jul 20 2022	Mar 2 2024
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 60,000,000	buy	1.96%	3M WIBOR	Dec 12 2022	Jul 27 2027
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 25,000,000	buy	2.05%	3M WIBOR	Dec 21 2022	Nov 27 2026
<b>TOTAL as at Dec 31 2022</b>		<b>CCIRS</b>	<b>PLN 940,000,000</b>					

The purpose of CIRSs is to:

- provide a hedge against interest rate risk understood as volatility of interest expense due to changes in the 3M WIBOR rate – swap of a floating interest rate for a fixed rate;
- provide a hedge against currency risk understood as volatility of the net value of EUR-denominated assets due to EUR/PLN exchange rate movements – offsetting exchange differences.

The transactions were designated for hedge accounting.

### Events subsequent to the reporting date

After the reporting date, the Group entered into currency interest rate swaps (CIRS) with a total notional amount of PLN 195m, under which the Group pays a coupon based on a fixed interest rate on debt determined in EUR under the transaction terms and receives a coupon based on a variable interest rate on debt in PLN under the transaction. The purpose of CIRSs is to:

- provide a hedge against interest rate risk understood as volatility of interest expense due to changes in the 3M WIBOR rate – swap of a floating interest rate for a fixed rate;
- provide a hedge against currency risk understood as volatility of the net value of EUR-denominated assets due to EUR/PLN exchange rate movements – offsetting exchange differences.

As at the issue date of this Report, the Group was party to the following CIRSs executed after the reporting date:

Bank	Group company	Transaction type	Volume in PLN	Side of transaction - Buy/Sale of fixed rate	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction start	Transaction maturity
DNB Bank ASA	KRUK S.A.	CCIRS	75,000,000	buy	2.49%	3M WIBOR	Jan 10 2023	Jan 1 2023	Mar 26 2025
DNB Bank ASA	KRUK S.A.	CCIRS	120,000,000	buy	2.02%	3M WIBOR	Jan 27 2023	Apr 4 2023	Jan 26 2028

The transactions were designated for hedge accounting.

### 4.3.3 Risks associated with the use of financial instruments

When using financial instruments, the Company is exposed to credit risk, liquidity risk (debts) and market risk (currency, interest rates). For further information on the methods of managing the risks, see Section 7 *Material risk factors and their management*.

Below are presented assets with exposure to credit risk.

**Table 28. Assets with credit risk exposure**

PLN thousand	Note	Dec 31 2022	Dec 31 2021
Investments in debt portfolios	15	6,768,087	5,100,176
Loans	15	369,443	316,336
Hedging instruments	25	36,267	13,803
Trade and other receivables, excluding tax receivables	18	29,583	42,019
Cash and cash equivalents	19	202,160	199,164
		<b>7,405,540</b>	<b>5,671,498</b>

Source: Company

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

### 4.4.1 Significant events during the financial year

Events and circumstances which had a significant effect on the operations of the Parent and its subsidiaries in the financial year 2022 are discussed in detail in other sections of this Report. Such events include mainly the execution of material agreements in the course of business, as described in detail in Agreements concluded by the KRUK Group.

### 4.4.2 Non-recurring factors and events (COVID-19 pandemic, war in Ukraine)

#### COVID-19

Despite the COVID-19 pandemic, the KRUK Group operates efficiently and without disruption. Remote or hybrid working has now become a basic form of work on all markets. We continue to develop online tools that have become so important in recent years. The measures we took to support the operating process during the pandemic, the cost-cutting measures we took in previous years, and our long-standing policy of keeping the Group's debt at a relatively low level allowed us not only to maintain a stable financial and liquidity position, but also to achieve record-high levels of investment in new portfolios and of recoveries from existing assets. At present, the KRUK Group does not see any impact of the pandemic on its business.

#### War in Ukraine

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

With no operations conducted in Ukraine or Russia, the Company expects the implications of the conflict for the Group's operations to be indirect and limited.

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

## 4.5 Securities in issue

### 4.5.1 Company shares

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

### 4.5.2 Company bonds

In 2022, the Company issued five series of bonds with a total nominal value of PLN 195m under prospectus-based bond issue programmes (three series under the Eighth Bond Issue Programme and two series under the Ninth Bond Issue Programme). The bond offerings were addressed to

retail investors, and the issue price of each bond was equal to its nominal value of PLN 100. The greatest interest in the prospectus-based bond series issued in 2022 was seen for the AM2 series issued in February – it had the highest subscription reduction rate, of 79.93%.

The Company also issued the second series of bonds, with a total nominal value of PLN 350m, under the First Prospectus-exempt Bond Issue Programme. The offering was addressed to qualified institutional investors, and the issue price of each bond was equal to its nominal value of PLN 1,000.

**Table 29. Bond issues in 2022**

Series	Nominal value	Issued in	Maturing in	Interest rate	Interest payment
AL2	PLN 350m	February 2022	February 2028	variable – 3M WIBOR + 3.20pp	every 3 months
AM2	PLN 50m	February 2022	February 2027	variable – 3M WIBOR + 3.30pp	every 3 months
AM3	PLN 50m	June 2022	June 2027	variable – 3M WIBOR + 3.30pp	every 3 months
AM4	PLN 60m	August 2022	August 2027	variable – 3M WIBOR + 3.30pp	every 3 months
AN1	PLN 25m	November 2022	November 2027	variable – 3M WIBOR + 4.00pp	every 3 months
AN2	PLN 10m	December 2022	November 2027	variable – 3M WIBOR + 4.00pp	every 3 months*

\* The first interest period for the AN2 series is incomplete three months.

Source: Company

Subsequent to the reporting date, the Company issued the following series of bonds:

**Table 30. Bond issues subsequent to the reporting date**

Series	Nominal value	Issued in	Maturing in	Interest rate	Interest payment
AL3	PLN 120m	January 2023	January 2029	variable – 3M WIBOR + 4.50pp	every 3 months
AN3	PLN 50m	February 2023	February 2028	variable – 3M WIBOR + 4.00pp	every 3 months

Source: Company

Series AL3 bonds, maturing six years after the issue date, were issued under the First Prospectus-exempt Bond Issue Programme, and the issue price of each bond was equal to its nominal value of PLN 1,000.

Series AN3 bonds were issued under the prospectus-based Ninth Bond Issue Programme. The issue price of each bond was equal to its nominal value of PLN 100.

The Prospectus for the Ninth Bond Issue Programme, whereby the Company may issue subsequent series of bonds for up to PLN 615m, expires in August 2023.

### 4.5.3 Redemption of bonds

In 2022, in accordance with the terms and conditions of the respective bond series, the Company redeemed three series of bonds issued in PLN, totalling PLN 282.9m, and two series of bonds issued in EUR, totalling EUR 40m.

Table 31. Bonds redeemed in 2022

Series	Maturing in	Number of bonds redeemed	Nominal value
AA2	March 2022	150,000	PLN 150m
AC1	May 2022	57,900	PLN 57.9m
AE1	May 2022	20,000	EUR 20m
AE2	June 2022	20,000	EUR 20m
AA4	October 2022	75,000	PLN 75m

Source: Company

### 4.5.4 Liabilities under bonds

As at December 31st 2022, the nominal value of outstanding bonds issued by the Company was PLN 1,385m.

Table 32. Bonds to be redeemed in 2023

Series	Due date	Number of bonds redeemed	Nominal value
AE3	October 2023	35,000	PLN 35m
AG1	November 2023	300,000	PLN 30m

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

As at December 31st 2022:

- **Debt Ratio** stood at 1.2x
- **Net Debt to Cash EBITDA ratio** was 2.1x

where:

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

## 4.6 Assessment of financial resources management

### 4.6.1 Financial forecasts

KRUK does not issue any performance forecasts.

#### 4.6.2 Assessment of future financial condition

The Group and the Company mitigate risks associated with management of financial resources through a continuous debt management process, which ensures an uninterrupted inflow of cash. The Group and the Company partly rely on external financing, but they monitor and ensure proper performance under their credit facility agreements and fulfilment of their other financial liabilities.

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

### 4.7 Agreements executed by companies of the KRUK Group

#### Material agreements

Below is presented an overview of agreements, annexes and transactions executed by the KRUK Group in 2022 which may be considered material to the Group's operations.

#### 4.7.1 Agreements executed with non-Group companies

##### Execution of debt assignment agreements on Italian market

On January 17th 2022, an agreement was concluded between the Company's subsidiary Kruk Investimenti s.r.l. of Milan, Italy (the Buyer) and Unicredit SpA of Milan. The agreement provided for the purchase of a portfolio of secured and unsecured corporate debt with a total nominal value of approximately EUR 222m (PLN 1bn as translated at the mid-exchange rate quoted by the National Bank of Poland for January 17th 2022).

On April 15th 2022, an agreement was concluded between the Company's subsidiary Kruk Investimenti s.r.l. of Milan, Italy (the Buyer) and Unicredit SpA of Milan. The agreement provided for the purchase of a portfolio of unsecured consumer loans with a nominal value of up to EUR 350m (PLN 1.62bn as translated at the mid exchange rate quoted by the National Bank of Poland for April 15th 2022) originated in the period from the first quarter of 2022 to the end of 2022. The receivables will be acquired in four tranches.

On September 27th 2022, agreements were signed between the Company's subsidiary Kruk Investimenti s.r.l. of Milan (the Buyer) and Findomestic Banca S.P.A., Autoflorence 1 S.R.L. and Florence SPV S.R.L., companies of the BNP Paribas Group. The agreements provided for the acquisition of three unsecured retail debt portfolios with a total nominal value of approximately EUR 85.2m (PLN 405.7m as translated at the mid exchange rate quoted by the National Bank of Poland for September 27th 2022).

On December 12th 2022, agreements were concluded between the Company's subsidiary Kruk Investimenti s.r.l. of Milan (the Buyer), and entities of the UniCredit S.p.A. Group of Milan. The agreements provided for the purchase of debt portfolios comprising receivables under unsecured loans with a nominal value of approximately EUR 75m (PLN 351.84m as translated at the mid exchange rate quoted by the National Bank of Poland for December 12th 2022) and unsecured consumer loans with a total nominal value of up to EUR 460m (PLN 2.16bn as translated at the mid exchange rate quoted by the National Bank of Poland for December 12th 2022), qualified in 2023 and 2024. The receivables comprised in these portfolios will be purchased in quarterly tranches starting from May 2023.

## Execution of debt assignment agreements on Spanish market

On May 4th 2022, a binding agreement was signed between the Company's subsidiary InvestCapital Ltd. of Malta (the Buyer) and a financial entity operating on the Spanish market. The agreement provided for the purchase of a portfolio of unsecured retail debt with a total nominal amount of approximately EUR 132m (PLN 618m as translated at the mid-exchange rate quoted by the NBP for May 4th 2022).

On December 21st 2022, an agreement was concluded between the Company's subsidiary InvestCapital Ltd. of Malta (the Buyer) and Banco Bilbao Vizcaya Argentaria S.A. of Spain. The agreement provided for the purchase by InvestCapital Ltd. from the bank of a portfolio of unsecured retail debt with a total nominal value of approximately EUR 653m (PLN 3.06bn as translated at the mid exchange rate quoted by the National Bank of Poland for December 20th 2022).

### 4.7.2 Intra-group agreements

In 2022, KRUK S.A. did not execute any agreements with Group companies that could be considered material to the business of the KRUK Group.

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

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

### 4.7.4 Borrowing agreements

The table below presents all of the KRUK Group's credit facilities and security interests established in respect thereof as at December 31st 2022 (PLNm).

**Table 33. Credit facility agreements as at December 31st 2022 (PLN m)**

Bank	Borrower	Agreement date	Final repayment date	Facility	Limit as at the agreement date, as amended	Limit as at Dec 31 2022
Santander Bank Polska S.A.	KRUK S.A.	April 2011	credit facility (120): October 2027 Additional credit facility (105): October 2025	Revolving credit facility	225	225
Getin Noble Bank S.A.*	KRUK S.A.	March 2014	May 2024	Revolving credit facility	260	130
mBank S.A.	PROKURA NSFIZ	July 2015	September 2027	Revolving credit facility	140	80
DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A.	Invest Capital LTD, KRUK Romania S.R.L., Prokura NS FIZ, KRUK Espana S.L.U.	July 2017	July 2027	revolving credit facility, syndicated credit facility	1 843*	1 843*

Bank Pocztowy S.A.	KRUK S.A.	December 2018	December 2023	Revolving credit facility	50	15
ING Bank Śląski S.A.	PROKURA NS FIZ	December 2018	credit facility (225): May 2027 long-term credit facility (25): May 2028	Revolving credit facility	250	250
PKO BP S.A.	PROKURA NS FIZ	September 2021	September 2026	Non-revolving credit facility	30	22
PKO BP S.A.	PROKURA NS FIZ	December 2021	December 2026	Non-revolving credit facility	57	46
Getin Noble Bank S.A.**	KRUK S.A.	December 2021	December 2027	Non-revolving credit facility	100	100
Pekao S.A.	PROKURA NS FIZ	February 2022	January 2028	Revolving credit facility	80	80
Pekao S.A.	KRUK S.A.	February 2022	January 2028	Revolving credit facility	40	40
PKO BP S.A.	PROKURA NS FIZ	August 2022	August 2027	Non-revolving credit facility	53	50
<b>Total:</b>					3,128	2,881

\*A credit facility of up to EUR 393m, translated into PLN at the mid exchange rate quoted by the National Bank of Poland for December 30th 2022

\*\* Getin Noble Bank S.A. is currently VELOBANK SPÓŁKA AKCYJNA, a bridge institution to which Getin Noble Bank S.A.'s business and liabilities were transferred pursuant to Art. 188 et seq. of the Act on the Bank Guarantee Fund.

**Table 34. Security interests established for credit facilities contracted by Group companies as at December 31st 2022 (PLNm)**

Bank	Borrower	Collateral and other security	Value of collateral provided by the borrower as at December 31st 2022 (PLNm)
Santander Bank Polska S.A.	KRUK S.A.	- registered pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - power of attorney over accounts of KRUK S.A. - statement by KRUK S.A. on voluntary submission to enforcement	348
Getin Noble Bank S.A.*	KRUK S.A.	- pledge over KRUK S.A.'s ownership interest in a specified compartment of SeCapital Sarl - power of attorney over KRUK S.A.'s accounts - notarised statement by KRUK S.A. on voluntary submission to enforcement	160



mBank S.A.	PROKURA NSFIZ	<ul style="list-style-type: none"> <li>- registered pledge over specified portfolios held by PROKURA NS FIZ - surety under civil law provided by KRUK S.A. - financial pledge over specified account of PROKURA NS FIZ - power of attorney granting authority to exercise control over specified account of PROKURA NS FIZ - power of attorney granting authority to exercise control over specified accounts of KRUK S.A.</li> <li>- notarised statement by KRUK S.A. on voluntary submission to enforcement</li> <li>- notarised statement by PROKURA NS FIZ on voluntary submission to enforcement</li> </ul>	119
DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A.	Invest Capital LTD, KRUK Romania S.R.L., PROKURA NS FIZ, KRUK Espana S.L.U.	<ul style="list-style-type: none"> <li>- pledge over specified debt portfolios held by Borrowers - pledge over specified bonds issued by ItaCapital S.r.l. and Kruk Investimenti S.r.l. - pledge over specified bank accounts of Borrowers - surety under civil law provided by KRUK S.A.</li> <li>- surety under civil law provided by KRUK Romania S.R.L.</li> <li>- surety under civil law provided by KRUK Espana S.L.U. - notarised statement by KRUK S.A. on voluntary submission to enforcement</li> <li>- notarised statement by PROKURA NS FIZ on voluntary submission to enforcement</li> </ul>	3,329
Bank Pocztowy S.A.	KRUK S.A.	<ul style="list-style-type: none"> <li>- financial pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - financial pledge over specified account of PROKURA NS FIZ - power of attorney granting authority to exercise control over specified account of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement</li> </ul>	46
ING Bank Śląski S.A.	PROKURA NS FIZ	<ul style="list-style-type: none"> <li>- registered pledge over specified debt portfolios held by PROKURA NS FIZ - surety under civil law issued by KRUK S.A. - financial and registered pledge over a specified account of PROKURA NS FIZ - financial pledge over a specified account of KRUK S.A. - power of attorney granting authority to exercise control over a specified account of KRUK S.A.</li> <li>- power of attorney granting authority to exercise control over a specified account of PROKURA NSFIZ held with PeKaO S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NS FIZ on voluntary submission to enforcement</li> </ul>	373
PKO BP S.A.	PROKURA NS FIZ	<ul style="list-style-type: none"> <li>- surety under civil law provided by KRUK S.A.</li> <li>- financial pledge over specified account of PROKURA NS FIZ</li> <li>- financial pledge over specified account of KRUK S.A.</li> <li>- power of attorney over specified account of PROKURA NS FIZ</li> <li>- power of attorney over specified accounts of KRUK S.A.</li> <li>- notarised statement by KRUK S.A. on voluntary submission to enforcement</li> <li>- notarised statement by PROKURA NS FIZ on voluntary submission to enforcement</li> </ul>	30
PKO BP S.A.	PROKURA NS FIZ	<ul style="list-style-type: none"> <li>- surety under civil law provided by KRUK S.A.</li> <li>- financial pledge over specified account of PROKURA NS FIZ</li> <li>- financial pledge over specified account of KRUK S.A.</li> <li>- power of attorney over specified account of PROKURA NS FIZ</li> <li>- power of attorney over specified accounts of KRUK S.A.</li> </ul>	60

		- notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NS FIZ on voluntary submission to enforcement	
Getin Noble Bank S.A.*	KRUK S.A.	- registered pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - power of attorney over accounts of KRUK S.A. - statement by KRUK S.A. on voluntary submission to enforcement	148
Pekao S.A.	PROKURA NS FIZ	- registered pledge over specified portfolios held by PROKURA NS FIZ - surety under civil law provided by KRUK S.A. - financial pledge over specified account of PROKURA NS FIZ - power of attorney over specified accounts of PROKURA NS FIZ - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NS FIZ on voluntary submission to enforcement	157
Pekao S.A.	KRUK S.A.	- registered pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - power of attorney over specified accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement	68
PKO BP S.A.	PROKURA NS FIZ	- surety under civil law provided by KRUK S.A. - financial pledge over specified account of PROKURA NS FIZ - financial pledge over specified account of KRUK S.A. - power of attorney over specified account of PROKURA NS FIZ - power of attorney over specified accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NS FIZ on voluntary submission to enforcement	59
<b>Total:</b>			<b>4,897</b>

\* Getin Noble Bank S.A. is currently VELOBANK SPÓŁKA AKCYJNA, a bridge institution to which Getin Noble Bank S.A.'s business and liabilities were transferred pursuant to Art. 188 et seq. of the Act on the Bank Guarantee Fund.

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

- subsequent to the reporting date, on January 10th 2023, InvestCapital LTD and the Lenders signed an agreement under Spanish law creating a pledge over a portfolio purchased by InvestCapital LTD in Spain;
- subsequent to the reporting date, on January 18th 2023, additional bonds issued by KRUK Investimenti S.r.l were pledged under the pledge agreement of January 24th 2022;

- subsequent to the reporting date, on February 1st 2023, InvestCapital LTD and DNB Bank ASA, acting as security agent, signed an agreement under Romanian law establishing pledges over debt portfolios purchased by InvestCapital LTD on the Romanian market;
- subsequent to the reporting date, on February 2nd 2023, InvestCapital LTD, Kruk Romania S.R.L. and DNB Bank ASA, acting as security agent, signed an annex under Romanian law to the agreement establishing pledges over bank accounts held by Kruk Romania S.R.L.
- subsequent to the reporting date, on February 20, 2023, pursuant to the bond pledge agreement of July 3, 2017, additional bonds issued by ItaCapital S.r.l. were pledged.

As at December 31st 2022, the value of assets pledged to these lenders after the reporting date was PLN 732m.

Subsequent to the reporting date, on March 2nd 2023, KRUK S.A. and subsidiaries, i.e. InvestCapital LTD, KRUK Romania S.R.L., Prokura NS FIZ, KRUK Espana S.L.U. signed with the lenders an annex to the revolving multi-currency credit facility agreement described above, the subject of which was to increase the loan amount to the maximum amount of EUR 446 million.

In connection with the credit facility agreement entered into on August 22nd 2022 between PROKURA NS FIZ (the Borrower), KRUK S.A. (the Surety Provider) and PKO BP S.A. (the Bank), on January 10th 2023, i.e., subsequent to the reporting date, PROKURA NS FIZ and PKO BP signed an agreement under Polish law establishing a registered pledge over a debt portfolio purchased by PROKURA NS FIZ on the Polish market. As at December 31st 2022, the total value of the portfolio pledged as security under the agreement was PLN 7m.

Subsequent to the reporting date, on February 27th 2023, the above-described credit facility agreement concluded on December 20th 2018 by KRUK S.A. was terminated by mutual consent of the parties. and its subsidiary, PROKURA NS FIZ, with ING Bank Śląski S.A..

#### 4.7.5 Termination of credit facility and loan agreements

In 2022, the KRUK Group companies did not terminate any loan agreements with entities outside the Group. Novum Finance Sp. z o.o., RoCapital I.F.N and Wonga.pl Sp. z o.o. terminated consumer loan agreements in the ordinary course of their business.

#### 4.7.6 Loans, sureties and guarantees granted and received

Loans advanced by KRUK S.A. to its subsidiaries

In 2022, KRUK S.A. granted its subsidiaries loans whose total amount translated into the Polish złoty is PLN 100.6m.

**Table 35. Loans advanced by KRUK S.A. to subsidiaries as at December 31st 2022 (PLNm)**

Borrower	Purpose	Currency	Amount of loans granted in 2022	Total amount of all liabilities under loans granted by KRUK S.A. as at December 31st 2022
Wonga.pl Sp. z o.o.	financing of day-to-day operations	PLN	62.2	320.6
Novum Finance Sp. z o.o.	financing of day-to-day operations	PLN	11.6	45.3

Zielony Areal sp. z o.o.	financing of day-to-day operations	PLN	0.6	0.9
KRUK Česká a Slovenská Republika s.r.o	financing of investing activities	CZK	22.9	52.2
		EUR	3.3	
Total: 100.6				

*The amounts of loans denominated in foreign currencies were translated into PLN at the mid-rates quoted by the National Bank of Poland for the loan dates. As at December 31st 2022, liabilities under loans denominated in foreign currencies were translated into PLN at the mid-rates quoted by the National Bank of Poland for December 31st 2022. Source: Company*

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

The agreed maturities of the loans provided to finance day-to-day operations ranged from 350 days to one year, except the loans granted to Wonga.pl Sp. z o.o., which mature in up to seven years.

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

#### 4.7.7 Loans received by the Company from subsidiaries

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

As at December 31st 2022, the Company's outstanding liabilities (principal and interest) towards ERIF BIG S.A. under the borrowings were PLN 6.6m.

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

Borrowings from Kruk Italia S.r.l. were intended to finance day-to-day operations of the Company. The loan received in 2022 amounted to PLN 9.5m. The loan was fully offset with Kruk Italia's statutory reserve funds in December 2022. As at December 31st 2021, the Company had no outstanding liabilities under any borrowings towards Kruk Italia S.r.l.

#### 4.7.8 Intra-company loans between subsidiaries

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

In 2022, KRUK Towarzystwo Funduszy Inwestycyjnych S.A. did not grant any new loans to PROKURA NS FIZ. As at December 31st 2022, the company's outstanding loan liabilities towards PROKURA NS FIZ were PLN 31m.

##### **Loans advanced by InvestCapital Ltd. to KRUK Investimenti S.r.l.**

In 2022, InvestCapital Ltd. advanced to KRUK Investimenti S.r.l. a loan of PLN 116.3m (translated at the mid exchange rate quoted by the NBP for the loan grant date) to finance the latter's investing activities. As at December 31st 2022, KRUK Investimenti S.r.l. had no outstanding loan liabilities towards InvestCapital Ltd.

## Loans advanced by RoCapital I.F.N. to KRUK Romania S.R.L.

In 2022, RoCapital I.F.N. advanced a loan of RON 6.5m to KRUK Romania S.R.L. of Bucharest. As at December 31st 2022, the outstanding loan liabilities of KRUK Romania S.R.L. towards RoCapital I.F.N. stood at PLN 5.2m (translated into PLN at the mid exchange rate quoted by the NBP for December 31st 2022).

## Loans advanced by KRUK Romania S.R.L. to Gantoi Furclita Si Asociatii

In 2021, KRUK Romania S.R.L. advanced a loan of RON 0.2m to Gantoi Furclita Si Asociatii of Bucharest. As at December 31st 2022, Gantoi Furclita Si Asociatii had no outstanding liabilities under any borrowings towards KRUK Romania S.R.L.

### 4.7.9 Consumer loans offered by the KRUK Group through Novum and Wonga

In 2022, the KRUK Group companies advanced 213 thousand cash loans, compared with 246 thousand the year before. In 2022, the value of loans advanced was PLN 594m, compared with PLN 696m in 2021.

In 2022, Wonga disbursed 199 thousand cash loans in Poland, amounting to a total of PLN 524m. As part of the Wonga business line, consumer loans of up to PLN 20,000 per loan are granted, with repayment periods of up to 48 months.

In 2022, the Group advanced 14 thousand NOVUM cash loans in Poland and Romania, with a total principal amount of PLN 70m. As part of the NOVUM business line in Poland, consumer loans of up to PLN 12,000 per loan were granted for periods from 3 to 30 months. In Romania, NOVUM granted consumer loans of up to RON 60,000 per loan, with repayment periods of up to 60 months.

## 4.8 Guarantees

### 4.8.1 Guarantees obtained

On December 9th 2022, Santander Bank Polska S.A. executed Annex 8 to the bank guarantee of December 17th 2014 provided to secure the payment of all liabilities towards DEVCO Sp. z o.o. under a contract for lease of a part of an office building signed by the Company and DEVCO Sp. z o.o. Under the annex, the guarantee was extended until December 30th 2023. The guarantee amount is EUR 299,549.72 and PLN 214,518.24. The guarantee is secured by a power of attorney over the Company's bank accounts held with Santander Bank Polska S.A.

### Guarantees provided

Following the cancellation of shares in InvestCapital Ltd effected on May 25th 2022, on the same date KRUK S.A. provided InvestCapital Ltd. with a corporate guarantee of up to PLN 110m. The guarantee expired on September 6th 2022. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who could challenge the share cancellation by September 6th 2022.

## 4.9 Sureties

In 2022, KRUK Group companies provided the following sureties:

- On February 8th 2022, KRUK S.A. provided a surety for PROKURA NS FIZ's liabilities under the credit facility agreement of February 1st 2022 between PROKURA NS FIZ and Polska Kasa Opieki S.A. The surety has been provided for up to PLN 120m and will expire on or before January 31st 2031. In connection with the surety, KRUK S.A. provided a

statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 120m, which will expire on or before January 31st 2031.

- In connection with the execution on May 23rd 2022 of a supplementary agreement to the credit facility agreement of December 20th 2018, as amended, executed between PROKURANS FIZ, KRUK S.A. and ING Bank Śląski S.A., under which new final dates were set (for the credit facility of up to PLN 225m – May 20th 2027, and for the credit facility of up to PLN 25m – May 20th 2028), on May 23rd 2022 KRUK S.A. provided a surety for PROKURANS FIZ's liabilities under the credit facility agreement. The surety was provided for up to PLN 300m and will expire on May 20th 2031.

In connection with the surety, KRUK S.A. provided a statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 300m, which will expire on or before May 20th 2032.

In connection with the termination by mutual consent, after the balance sheet date on February 27, 2023, of the loan agreement concluded on December 20, 2018, as amended, as amended, by KRUK S.A. and its subsidiary, PROKURANS FIZ, with ING Bank Śląski S.A., the surety granted by KRUK SA for the borrower's liabilities, Prokura NS FIZ, expired on February 27th 2023.

- In connection with the execution on June 14th 2022 of an annex to the multi-currency revolving credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURANS FIZ and KRUK Espana S.L.U. (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A. and Bank Handlowy w Warszawie S.A., KRUK S.A., KRUK Romania S.R.L. and KRUK Espana S.L.U. provided sureties for the Borrowers' liabilities under the revolving multi-currency credit facility agreement.

In addition, on June 14th 2022 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 537m, which will expire on or before December 31st 2030.

- In connection with the agreement on debt collection management through direct debit, dated July 7th 2022, concluded between InvestCapital Ltd. and BANKINTER S.A. of Madrid, Spain, KRUK S.A. provided a surety for InvestCapital Ltd.'s liabilities of up to EUR 1.6m.
- On August 22nd 2022, KRUK S.A. provided a surety for PROKURANS FIZ's liabilities under the non-revolving working capital facility agreement of August 22nd 2022 between PROKURANS FIZ, KRUK S.A. and PKO S.A. The surety was provided for up to PLN 79.2m and will expire on or before August 21st 2030. In connection with the surety, KRUK S.A. provided a statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 79.2m, which will expire on or before August 21st 2029.
- In connection with the signing on September 15th 2022 of an annex to the revolving credit facility agreement of July 2nd 2015, as amended, between Prokura NS FIZ, KRUK S.A. and mBank S.A., under which the facility limit was increased to PLN 120m and the availability period of the facility was extended until September 15th 2027, on September 15th 2022 KRUK S.A. provided a surety for Prokura NS FIZ's liabilities under the facility. The surety was provided for up to PLN 180m and will expire on or before July 3rd 2030. In connection with the surety, KRUK S.A. provided a statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 180m, which will expire on or before December 31st 2030.
- In connection with the execution on September 26th 2022 of an annex to the multi-currency revolving credit facility agreement of July 3rd 2017, as amended, between

KRUK S.A., its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NS FIZ and KRUK Espana S.L.U. (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A. and Bank Handlowy w Warszawie S.A., KRUK S.A., KRUK Romania S.R.L. and KRUK Espana S.L.U. provided sureties for the Borrowers' liabilities for the term of the revolving multi-currency credit facility agreement.

In addition, on September 27th 2022 KRUK S.A. and Prokura NS FIZ made declarations on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 589.5m, which will expire on or before December 31st 2031.

- In connection with the conclusion, after the balance sheet date, on March 2, 2023 of an annex to the multi-currency revolving credit facility agreement of July 3, 2017, as amended. between KRUK S.A., its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NS FIZ and KRUK Espana S.L.U. (Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A. and Bank Handlowy w Warszawie S.A., KRUK S.A., KRUK Romania S.R.L. and KRUK Espana S.L.U. provided a surety for the Borrowers' obligations under the multi-currency revolving loan agreement.

Moreover, on March 6th 2023, KRUK S.A. and Prokura NS FIZ submitted statements on submission to enforcement pursuant to Art. 777 § 1 point 5 of the Code of Civil Procedure up to the amount of EUR 669 million, which expire no later than December 31, 2031.

For information on the other existing sureties under credit facility agreements and master agreements enabling the Group to enter into transactions in derivative instruments, see Section 4.7.4 *Borrowing agreements* and Section 4.3.2 *Derivatives*.

## 4.10 Significant events after December 31st 2022

On January 3rd 2023, KRUK S.A., CRIF A.G. of Zurich, Switzerland and CRIF sp. z o.o. of Kraków executed an agreement to sell all shares in ERIF Biuro Informacji Gospodarczej S.A. and ERIF Business Solutions spółka z o.o..

On January 4th 2023, as part of the First Prospectus-Exempt Bond Issue Programme, Series AL3 unsecured bonds with a total nominal value of PLN 120,000 thousand were issued. 120,000 bonds were allocated to investors, each with a nominal value equal to the issue price of PLN 1,000.

On February 20th 2023, as part of the Ninth Bond Issue Programme, Series AN3 series unsecured bonds were issued with a total nominal value of PLN 50,000 thousand. 500 thousand were allocated to investors, each with a nominal value equal to the issue price of PLN 100.

## 4.11 Analysis of separate financial data

### 4.11.1 Revenue by product

The main sources of revenue for the Company are debt purchase activities and credit management services.

In 2022, KRUK S.A. generated revenue of PLN 203m, that is 11% more than in 2021. Revenue from purchased debt portfolios and from credit management services increased by 10% and 3%, respectively, and revenue from other services increased by 36%.

KRUK S.A. is the parent of the KRUK Group. Given the intra-Group organisational and business links, stand-alone (separate) financial and operational results of KRUK S.A. should be assessed in the context of the Group's overall performance.

The performance of each reportable segment is discussed below. Gross profit is the key performance metric for each reportable segment.

Table 36. Company revenue by product and market for the reporting period January 1st 2022 – December 31st 2022

	Poland	Romania	Italy	Spain	Other foreign markets	Head Office	Unallocated income / expenses	TOTAL
<b>Revenue</b>	<b>159,426</b>	<b>31,893</b>	<b>3,222</b>	<b>3,573</b>	<b>2,756</b>	-	<b>2,561</b>	<b>203,431</b>
Purchased debt portfolios	7,862	27,969	-	-	937	-	-	<b>36,768</b>
Credit management services	113,061	-	-	-	-	-	-	<b>113,061</b>
Other products	38,503	3,924	3,222	3,573	1,819	-	-	<b>51,041</b>
Other income	-	-	-	-	-	-	2,561	2,561
<b>Direct and indirect costs</b>	<b>(111,170)</b>	<b>(7,855)</b>	-	-	<b>(513)</b>	-	<b>(4,678)</b>	<b>(124,216)</b>
Purchased debt portfolios	(5,460)	(6,611)	-	-	(414)	-	-	<b>(12,485)</b>
Credit management services	(102,750)	-	-	-	-	-	-	<b>(102,750)</b>
Other products	(2,960)	(1,244)	-	-	(99)	-	-	<b>(4,303)</b>
Unallocated expenses	-	-	-	-	-	-	(4,678)	<b>(4,678)</b>
<b>Gross profit<sup>1</sup></b>	<b>48,256</b>	<b>24,038</b>	<b>3,222</b>	<b>3,573</b>	<b>2,243</b>	-	<b>(2,117)</b>	<b>79,215</b>
Purchased debt portfolios	2,402	21,358	-	-	523	-	-	<b>24,283</b>
Credit management services	10,311	-	-	-	-	-	-	<b>10,311</b>
Other products	35,543	2,680	3,222	3,573	1,720	-	-	<b>46,738</b>
Unallocated expenses	-	-	-	-	-	-	(2,117)	<b>(2,117)</b>



Administrative expenses	(52,115)	(3,822)	(3,735)	(3,808)	(2,100)	(94,187)	-	(159,767)
<b>EBITDA<sup>2</sup></b>	<b>(3,859)</b>	<b>20,216</b>	<b>(513)</b>	<b>(235)</b>	<b>143</b>	<b>(94,187)</b>	<b>(2,117)</b>	<b>(80,552)</b>
Depreciation and amortisation	-	-	-	-	-	-	-	(21,250)
Finance income/(costs)	-	-	-	-	-	-	-	(59,495)
Share of profit/(loss) of equity-accounted investees								1,002,707
Profit before tax	-	-	-	-	-	-	-	841,410
Income tax	-	-	-	-	-	-	-	(36,428)
								804,982
Net profit	-	-	-	-	-	-	-	
<b>Carrying amount of debt portfolios</b>	<b>5,988</b>	<b>24,012</b>	-	-	<b>1,191</b>	-	-	<b>31,191</b>
<b>Cash recoveries</b>	<b>7,332</b>	<b>27,339</b>	-	-	<b>1,665</b>	-	-	<b>36,336</b>

Source: Separate financial statements

Table 37. Company revenue by product and market for the reporting period from January 1st 2021

	Poland	Romania	Italy	Spain	Other foreign markets	Head Office	Unallocated income / expenses	TOTAL
<b>Revenue</b>	<b>143,892</b>	<b>30,725</b>	<b>1,104</b>	<b>1,997</b>	<b>2,776</b>	-	<b>2,127</b>	<b>182,621</b>
Purchased debt portfolios	3,755	27,637	-	-	2,044	-	-	33,436
Credit management services	109,456	-	-	-	-	-	-	109,456
Other products	30,681	3,088	1,104	1,997	732	-	-	37,603
Other income		-	-	-	-	-	-	2,127
<b>Direct and indirect costs</b>	<b>(103,977)</b>	<b>(9,193)</b>	-	-	<b>(543)</b>	-	<b>(4,202)</b>	<b>(117,915)</b>

Purchased debt portfolios	(4,669)	(7,917)	-	-	(468)	-	-	(13,054)
Credit management services	(96,739)	-	-	-	-	-	-	(96,739)
Other products	(2,569)	(1,276)	-	-	(75)	-	-	(3,920)
Unallocated expenses	-	-	-	-	-	-	(4,202)	(4,202)
<b>Gross profit<sup>1</sup></b>	<b>39,915</b>	<b>21,532</b>	<b>1,104</b>	<b>1,997</b>	<b>2,233</b>	<b>-</b>	<b>(2,075)</b>	<b>64,706</b>
Purchased debt portfolios	(914)	19,720	-	-	1,576	-	-	20,382
Credit management services	12,717	-	-	-	-	-	-	12,717
Other products	28,112	1,812	1,104	1,997	657	-	-	33,682
Unallocated expenses	-	-	-	-	-	-	(2,075)	(2,075)
Administrative expenses	(36,939)	(2,783)	(2,421)	(2,862)	(1,258)	(70,392)	-	(116,655)
<b>EBITDA<sup>2</sup></b>	<b>2,976</b>	<b>18,749</b>	<b>(1,317)</b>	<b>(865)</b>	<b>975</b>	<b>(70,392)</b>	<b>(2,075)</b>	<b>(51,949)</b>
Depreciation and amortisation								(16,907)
Finance income/(costs)	-	-	-	-	-	-	-	(37,992)
Share of profit/(loss) of equity-accounted investees								864,412
Profit before tax	-	-	-	-	-	-	-	757,564
Income tax	-	-	-	-	-	-	-	(62,806)
Net profit	-	-	-	-	-	-	-	694,758
<b>Carrying amount of debt portfolios</b>	<b>6,452</b>	<b>23,417</b>	<b>-</b>	<b>-</b>	<b>1,918</b>	<b>-</b>	<b>-</b>	<b>757,564</b>
<b>Cash recoveries</b>	<b>7,207</b>	<b>29,125</b>	<b>-</b>	<b>-</b>	<b>1,906</b>	<b>-</b>	<b>-</b>	<b>(62,806)</b>

Source: Separate financial statements

## 4.11.2 Structure of assets and liabilities in the Company's statement of financial position

Table 38. Structure of assets and liabilities in the statement of financial position

PLN thousand	Note	Dec 31 2022	Dec 31 2021	Change
<b>Assets</b>				
Cash and cash equivalents	19	22,008	53,698	-59%
Hedging instruments	23	30,335	13,803	120%
Trade receivables from related entities	18	27,523	27,331	1%
Trade receivables from other entities	18	3,339	2,870	16%
Other receivables	18	15,715	7,255	117%
Income tax receivable		9,292	-	
Inventories	17	15,174	18,970	-20%
Investments	15	464,743	419,983	11%
Equity-accounted investments in subsidiaries	14	4,735,762	3,814,418	24%
Property, plant and equipment	12	39,774	39,882	0%
Intangible assets	13	30,791	9,502	224%
Other assets		8,962	6,367	41%
<b>Total assets</b>		<b>5,403,418</b>	<b>4,414,079</b>	<b>22%</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Trade and other payables	26	30,645	29,170	5%
Hedging instruments		9,824	-	
Employee benefit obligations	24	28,974	24,153	20%
Income tax payable		-	14,995	
Borrowings, other debt securities and leases	22	1,865,886	1,565,210	19%
Provisions	25	12,653	12,657	0%
Deferred tax liability	16	201,419	167,077	21%
<b>Total liabilities</b>		<b>2,149,401</b>	<b>1,813,262</b>	<b>19%</b>

<b>Equity</b>				
Share capital	20	19,319	19,013	2%
Share premium		358,506	333,264	8%
Hedge reserve	23	16,871	17,885	-6%
Translation reserve		100,448	75,708	33%
Share of other comprehensive income of equity-accounted investees	14	19,911	-	
Other capital reserves		149,896	122,202	23%
Retained earnings		2,589,066	2,032,745	27%
<b>Total equity</b>		<u>3,254,017</u>	<u>2,600,817</u>	25%
<b>Equity and liabilities</b>		<u>5,403,418</u>	<u>4,414,079</u>	22%

Source: Separate financial statements

# 5 | Chapter

## 5 BUSINESS ENVIRONMENT

### 5.1 Debt management market

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

- **Management of purchased debt portfolios**

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

- **Credit management services**

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

The Group actively offers its credit management services in Poland, Spain and Italy.

According to the type of managed debt, three market segments can be distinguished:

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

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

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

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

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

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

For information on the absence of any impact of the COVID-19 pandemic or the war in Ukraine on the Group's position, see Section 4.4.2 *Non-recurring factors and events* (COVID-19 pandemic; war in Ukraine).

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

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

Competition in the debt purchase segment is typically less intense than in the credit management segment due to higher entry barriers to the market. These include: access to

capital, expertise and experience in the valuation of debt portfolios, as well as the size of the operations enabling large-scale management of significant debt portfolios. The majority of debt portfolios are purchased in auctions, where the primary award criterion is the price. The Group's key competitors in the debt purchase segment include trade investors (credit management companies), and financial investors (investment and hedge funds).

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

## 5.2 Legal and regulatory environment

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

In view of the European Union's efforts to combat climate change, also legal acts aimed at imposing a sustainability commitment on businesses, minimising the negative environmental and climate impacts of economic activities, and managing ESG risks, are becoming increasingly important.

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

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

conditions of granting consumer loans, and terms and conditions of entering indebted persons in registers maintained by credit reference agencies.

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

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

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

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

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

### **Romania**

In Romania, debt companies are required to register with the National Consumer Protection Authority (NAPC), which is the Romanian supervision authority responsible for protection of consumer rights and for maintaining the register in which any entity looking to launch debt collection operations must be entered. In addition, the entity that acquires mortgage secured receivables (RoCapital IFN S.A.) is regulated by the National Bank of Romania.

### **Czech Republic and Slovakia**

In Slovakia, any entity wishing to transact business consisting in purchasing portfolios of debts arising under consumer loans agreements or granting consumer loans has to be licensed by the



National Bank of Slovakia. In the Czech Republic, there are no specific requirements to be satisfied by KRUK to conduct its business in the country.

### **Germany**

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

### **Italy**

In Italy, debt collection activities are subject to licensing by Questura. The institution directly supervising debt collection and purchase activities is the Bank of Italy, while Autorita' Garante della Concorrenza e del Mercato (AGCM) is the authority charged with imposing sanctions in the event of a breach of the Codice di Condotta law, laying down best practices to be followed in debt collection.

### **Spain**

The Spanish legislation does not provide for the obligation to obtain a permit or licence to conduct debt management activities. No entity operating in Spain is obliged to meet any special requirements with respect to its assets, investments, accounting or regulatory reporting. Consumer protection regulations apply. Competence for consumer protection is not centralised in a single authority at national level, but is distributed among supervision authorities with varying degree of responsibilities. Certain types of activities, such as those of a field consultant, are subject to strict regulation and require a special permit from the Ministry of Internal Affairs.

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

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

- In Poland: The President of UOKiK – with respect to competition law and protection of collective consumer interests, The President of the Personal Data Protection Office – with respect to processing and protection of personal data, and the Financial Ombudsman – with respect to protection of clients of financial market entities;
- In the Czech Republic: the Czech Commercial Inspection Authority, which is competent for protection of consumers, including supervision of the debt recovery business, and the 'financial arbitrator' responsible for settling disputes between consumers and financial institutions on an out-of-court basis. Other relevant authorities include the body responsible for supervising compliance with personal data protection regulations;
- In Slovakia: the Slovak Commercial Inspection Authority, which is responsible for protection of consumers, including in the area of debt collection activities, and the body charged with supervising compliance with personal data protection regulations;
- In Romania: the National Bank of Romania (NBR), which is responsible for supervising non-banking financial institutions (IFNs); The NSC, which is the capital market regulator; National Supervisory Authority for the Processing of Personal Data;
- In Germany: Kammergericht Berlin, which is the authority overseeing the credit management sector and activities of credit management companies.

- In Italy: Garante della Privacy, which is authorised to impose sanctions in the event of a breach of personal data protection rules, and Guardia di Finanza, which is authorised to impose sanctions in the event of a breach of tax obligations.
- In Spain: the Spanish Personal Data Protection Agency.

### **Securitisation funds and securitisation companies**

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

A license from the PFSA is also required for entities other than investment fund management companies in order to engage in management of securitised debt held by securitisation funds. The PFSA supervises licensed entities with regard to compliance of their securitised debt management activities with applicable law and regulations, the managed funds' articles of association, the agreement concluded with the investment fund management company, and the terms of the licence.

KRUK Towarzystwo Funduszy Inwestycyjnych S.A. is licensed to conduct activities consisting in establishment and management of investment funds. KRUK S.A. holds a licence to manage securitised debts and, in this respect, is subject to supervision by the PFSA.

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

The activities of securitisation entities in Malta are regulated and supervised under the Debt Securitisation Act. by the Malta Financial Services Authority (MSFA). InvestCapital Ltd. of Malta has been licensed by the MSFA to conduct securitisation activities.

### **Outsourcing of debt collection by banks**

In Poland, pursuant to the provisions of the Banking Law (consolidated text: Dz.U. of 2021, item 2439, 2447), banks are not required to request the PFSA's approval in order to transfer debt for collection by the Group. The terms and conditions on which debt collection may be outsourced by banks are defined in the Banking Law. In addition, the performance of debt collection outsourcing agreements by the Group companies is subject to supervision by the PFSA.

In the Czech Republic and Slovakia, banking outsourcing and outsourcing agreements between a bank and a third party or between banks are regulated by decrees and guidelines of the Czech National Bank and the National Bank of Slovakia, respectively. There are no specific regulations which would govern the outsourcing of debt collection/credit management services, so they are subject to general civil law in both the Czech Republic and Slovakia. However, debt collection entities in the Czech Republic and Slovakia, which are members of the Association of Debt Collection Agencies "ACA" (KRUK is a member of both), should operate in accordance with the ACA Code of Ethics, which is not a regulation in the legal sense of the word, but rather a recommendation.

Bank outsourcing in Romania is regulated by Regulation No. 5/2013 on prudential requirements for credit institutions. An outsourcing contract must be made in writing, and the Regulation specifies detailed requirements as to the elements such contracts must contain. The National

Bank of Romania has control and supervisory functions. A service provider must seek a prior consent of the credit institution if it intends to use subcontractors.

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

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

### **Personal data protection**

As part of their day-to-day operations the Group companies process large amounts of natural persons' data, therefore personal data protection laws and management of personal data processing risk, including the risk of data breach, are particularly important in the Group's operations.

At the KRUK Group, personal data may only be processed in accordance with applicable legislation, including in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27th 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 96/46/EC ("GDPR"), and the sectoral legislation governing this area, with a concurrent application of technical and organisational measures ensuring the security of data processing, in particular from disclosure to any unauthorised individuals.

With respect to personal data protection, in addition to the existing laws and regulations the Group also monitors, analyses and, in needed, implements: (i) interpretations, (ii) guidelines, (iii) decisions issued by competent EU and national data protection authorities in each of the countries where the KRUK Group operates, and (iv) the industry's best practice in personal data protection.

We aim to respond promptly to any irregularities by changing our internal procedures governing personal data processing.

The Group has implemented and constantly improves a personal data breach risk management system to identify, analyse, review and monitor the risk. Risk mitigation controls (technical and organisational measures) are also reviewed and monitored.

The KRUK Group has in place tools to monitor personal data breach complaints as well as procedures to enable data subjects to exercise their rights under the GDPR. There are also formal procedures in the event of: (i) information security incidents, and (ii) identification of procedures to be followed in the event of a personal data breach.

At the end of 2022, the Management Board also adopted a GDPR strategy, taking the utmost care to protect the personal data held by the KRUK Group.

As part of its debt management activities, the Group is also required to ensure security of any privileged information it obtains in accordance with applicable rules and standards, including those arising under the bank-client confidentiality provisions of the Banking Law (for bank debt cases) or the confidentiality provisions of the Investment Funds Act (for securitised debt cases).

Those operations which involve making available credit information are also governed by the Act on Disclosure of Business Information.

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

Below are described some of the changes in the laws and regulations applicable to the Group companies which took effect in 2022:

### Poland

#### Act of October 6th 2022 to amend certain laws to counter usury practices:

- The granting of a loan is conditional on the loan applicant being awarded a positive credit score;
- Making available a list of data sources in Art. 9a.2 based on which the income and expenses of the loan applicant are to be verified, the obligation to obtain from clients a representation on their income and expenses, and verification of the representation;
- If the lender fails to comply with these obligations or if the consumer's representation or information obtained by the lender indicated that as at the date of the consumer loan agreement the consumer had been in default on other payment liabilities for more than six months and the consumer loan granted by the lender was not used to repay such liabilities, then:
  - the disposal of any debt claims under the loan agreement by way of assignment or otherwise is invalid and ineffective;
  - no debt claims arising under the loan agreement are enforceable until full repayment or expiry of the earlier liabilities or until such liabilities were found not to have ever existed by way of a final and unappealable court judgment; (this provision will enter into force on May 18th 2023);
- Requirement to promptly notify credit reference agencies of any loans granted and any defaults by borrowers;
- A new cap on non-interest borrowing costs – 5% for loans maturing within 30 days and 10% (both on a one-off and per annum basis) for loans maturing in more than 30 days. In either case, maximum non-interest borrowing costs over the entire loan period may not exceed 45% of the total amount of the loan;
- Change of the permitted form of operating a consumer lending business: either as a joint-stock company or as a limited liability company (in which the supervisory board has been established);
- Consumer lending activities are regulated and supervised by the Polish Financial Supervision Authority; (this provision will enter into force on January 1st 2024)

The other provisions of the Act entered into force on December 18th 2022.

### EU legislation

EU legislation that will affect all of the Group companies' business across the EU jurisdictions where they operate includes:

- Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, and (EU) No 909/2014 (the DORA Regulation – Digital Operational Resilience Act): The aim of the proposed Regulation is to strengthen and enhance the stability and resilience of the EU financial system by establishing harmonised regulatory and supervisory standards. The aim of DORA is to establish detailed and comprehensive regulations governing digital operational resilience to coordinate national initiatives that have already been undertaken in the Member

States. The Regulation will lay down common requirements applicable to financial entities with regard to risk management. In addition, the draft Regulation defines certain requirements concerning contracts between third-party ICT providers and financial institutions, a framework of oversight over key third-party ICT providers providing services to financial institutions, as well as rules of cooperation between competent authorities and rules of supervision and law enforcement by competent authorities. Financial institutions will be obliged to apply the Regulation from January 17th 2025.

- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD): entails a significant change in corporate reporting. Companies will be required to disclose more information on the way they conduct their business, their impact on the environment and climate, including information on their business models, strategies and supply chains. They will also need to consider how they identify and collect sustainability information, manage ESG risks, develop policies and set targets and key performance indicators. In order to fulfil the obligations arising from the new sustainability reporting standards, companies will have to put in place effective procedures, adapt internal controls and ensure their monitoring. In addition, they should review their findings regarding external provision of sustainability information. The Directive (to the extent applicable to the KRUK Group) applies from January 1st 2024;
- Directive (EU) 2020/1828 of the European Parliament and of the Council of 25 November 2020 on representative actions for the protection of the collective interests of consumers and repealing Directive 2009/22/EC: The Directive introduces uniform regulations enabling consumers to seek collective redress. Consumers, through class action, will be able to demand from undertakings that infringe their rights remedies in the form of compensation, repair, replacement, price reduction, contract termination or reimbursement of the price paid. The Directive will allow qualified entities representing the collective interest of consumers to enforce claims by means of a representative action. Member States are required to implement the Directive by June 25th 2023. A draft law implementing the Directive has been published for public consultation purposes in Poland, Spain, Romania and Italy.
- Directive of the European Parliament and of the Council of November 24th 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU. The Directive has already entered into force and should enable credit institutions to better deal with non-performing loans by improving the conditions for their sale to third parties on efficient, competitive and transparent secondary markets, while protecting the rights of borrowers; the purpose of the Directive is to address the position of credit purchasers and credit servicers in relation to non-performing credit and to harmonise the authorisation requirements for credit servicers. No official draft law implementing the Directive has been released in the Member States.
- Directive (EU) 2019/1937 of the European Parliament and of the Council of October 23rd 2019 on the protection of persons who report breaches of Union law. Its purpose is to lay down minimum standards of protection for persons reporting breaches of EU laws and of ethical conduct standards in a work-related context, including the requirements to establish internal reporting channels, appropriate internal procedures for receiving and following up on reports, and certain whistle-blower protection rules, including a prohibition on retaliation. The Directive provided for a 2-year transposition period, which elapsed on December 17th 2021. Many states are in the process of transposing

the Directive into national law. Solutions resulting from the Directive have already been implemented by Romania.

- Directive (EU) 2019/1023 of the European Parliament and of the Council of June 20th 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132. The purpose of the directive is to create effective early warning tools and preventive restructuring frameworks available to debtors in financial difficulties where insolvency is likely to occur, as well as to provide for a full discharge of debt. The measures, solutions and tools provided for in the Directive are intended to enable viable entrepreneurs to continue operating while meeting their creditors' claims; allow honest insolvent or over-indebted entrepreneurs a second chance; and enable non-viable businesses to liquidate effectively. Many states have already transposed the provisions of the Directive; a draft law has been published in Slovakia and Poland.
- Directive (EU) 2019/2161 of the European Parliament and of the Council of November 27th 2019 amending Council Directive 93/13/EEC and Directives 98/6/EC, 2005/29/EC and 2011/83/EU of the European Parliament and of the Council as regards the better enforcement and modernisation of Union consumer protection rules. The purpose of the Directive is to afford consumers a greater measure of protection against unfair contractual terms and market practices as well to ensure protection of consumer rights in distance contracts. All of the amended Directives provide for imposition on infringing undertakings by competent judicial or administrative bodies of fines, whose maximum amount must be equal to at least 4% of the undertaking's annual turnover in the Member State, where the infringement is committed. Other amendments concern the scope of information required to be provided to a consumer prior to the conclusion of a distance contract. Member States should transpose the Directive by May 28th 2022. The Directive has been implemented in Poland, Romania and Spain, and in the other countries draft laws have been submitted for consultation.

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

## **Proposed amendments to laws with a possible impact on the Group's business**

### **Poland**

#### **Bill on debt collection activities and the profession of a debt collector and on amendment of certain other acts:**

- Establishment of a legal framework for debt collection activities and introduction of regulations on the status and rights and obligations of persons engaged in debt collection, referred to as debt collectors (the performance of debt collection activities understood as actual steps directly aimed at causing voluntary payment of debt being enforced has been reserved for debt collectors employed at debt collection companies);
- Regulating the status of the debt collector, including in particular acquisition of professional qualifications (licence) and the rights and obligations of debt collectors – a debt collector must hold a licence and be entered in the register of debt collectors);
- The bill envisages that business activity consisting in debt collection is a regulated activity within the meaning of the Business Activity Law of March 6th 2018 and requires

authorisation (given by the minister competent for economy) and entry in the Central Register of Debt Collection Companies and Debt Collectors;

- Obligation to keep debt collection files, including the obligation to draw up debt collection notes and keep a record of collection activities in the form of a debt collection list updated on an ongoing basis;
- Obligation to maintain and update the debt collection list, containing, in particular, details of obligors, details of the collection file, specification of collection activities undertaken, including time and place information, as well as any objections, notifications and complaints made during the debt collection process;
- Prohibition to undertake any debt collection activities against certain categories of persons and in cases past a statutory limitation period (out-of-court stage);
- Possibility for persons in debt to lodge an objection at any stage, resulting in an obligation to discontinue debt collection from such person.

#### **Bill to amend the Code of Civil Procedure and certain other acts:**

- The main purpose of the amendments is to remove the inaccuracies of the previous amendment, modify the earlier solutions, facilitate contact with the court for the parties and their attorneys, and fill gaps in the existing legislation, which will ultimately speed up the proceedings. The aim of the proposed amendments is also to expand consumer protection by making it easier for consumers to exercise their right to a court;
- Moreover, the proposed amendments seek to remove a number of doubts concerning determination of interest charged on litigation costs, the handling of remedies wrongly identified by professional attorneys, organisation of the proceedings and the legal nature of the trial plan, the request for a statement of reasons justifying a ruling, the manner of examining complaints provided for in detailed provisions;
- In order to formally allow best practice such as the use by the court of information and communication technologies to contact parties and attorneys and admission of evidence from an expert's opinion without disclosing the expert's name, a legal basis for the practices has been proposed. The promoters of the amendments also considered improper practices and regulations that slow down the proceedings, such as requests to exclude all judges of a given department or even of the entire court, wordy and vague pleadings, or an absolute obligation to use service of process by bailiffs in non-litigious proceedings. The bill also provides for solutions designed to remove some unnecessary duties resting on judges and courts.

#### **Bill to amend the act on court costs in civil cases and certain other acts:**

- Introduction of a cap on the fee payable in connection with cases brought by consumers (including cases concerning consumer loans);
- Reduction of fees for issuing a statement of reasons for rulings other than those relating to the merits of the case; removal of the obligation to pay back the advance for bailiff's expenses if it less than PLN 60;
- Further reduction of the cap on the number of cases taken outside the area in which a bailiff has been registered by the district court (a bailiff's district) for new bailiffs; determination of the procedure for storing and digitising bailiff's documentation;
- The rules of bailiffs' liability and the rules for their appointment and replacement have also been clarified.

#### **Bill to amend certain acts to ensure development of the financial market and protection of investors on that market:**

- Removal of the obligation to hold a licence to manage securitised debt, i.e., amendment of the Act on Investment Funds. The planned amendment provides for abolishing the

regulations which allow the fund management company to outsource the management of securitised debt of investment funds;

- change concerning outsourcing by banks – amendments to the Banking Law;
- amendment of supervisory regulations for all payment service providers – amendment of the Act on Payment Services.

## **Romania:**

### **Bill on consumer protection with respect to the total cost of credit and assignment of debt claims:**

- Setting a cap on the total cost of credit at the amount of the principal where the principal is lower than RON 15,000. The cap would apply to existing contracts, including those that have already been assigned;
- Allowing debtors to request that the amount of their outstanding liabilities be adjusted (decreased). If the creditor refused such adjustment, the debtor would be entitled to challenge such refusal in court, with any enforcement of the debt automatically stayed for the duration of the court proceedings;
- If the court rejected the request for adjustment, the creditor would lose the right to demand payment of commission, interest or penalties unless the debtor filed the request in bad faith.

### **Bill on the protection of consumer rights – the bill provides for:**

- Shortening of the time limit for responding to consumer complaints from 30 to 15 days;
- Obligation to act properly in relations with consumers, refrain from applying any unfair commercial practices or abusive clauses;
- Tighter sanctions for infringements of the Act – fixed (not percentage) amounts of fines of up to RON 400,000, depending on the company's turnover;
- Possibility of granting consumers injunctive relief for damage suffered;
- Obligation to appoint a person to handle consumer complaints, who must complete a course organised by the National Consumer Protection Authority (ANPC);
- Challenging of sanctions imposed by ANPC does not stop their implementation.

### **Bill to amend Law No. 188/2000 on bailiffs:**

- Amendments to the regulations governing appointment of bailiffs, changes in the organisation and functioning of bailiffs' representative bodies, changes concerning the duties and powers of bailiffs and their disciplinary liability;
- Changes in fees:
  - fees for debt enforcement in civil law cases may not be less than 20% of the gross minimum wage
  - the minimum amount to be charged as an advance on the enforcement fee may not be less than 20% of the gross minimum wage
  - fees are revised at least once every five years.

## **Spain:**

### **Bill on measures to improve the efficiency of the public justice system:**

- The bill introduces measures to enhance the efficiency of the Spanish justice system, including by imposing a requirement to attempt mediation before a dedicated body (MASC) prior to commencing litigation. In the absence of a response to a preliminary proposal to conclude an agreement or if the mediation ends without the parties reaching agreement, a case must be brought to court within three months. Claims not covered by an agreement (partial agreement) may be brought by court. In addition, the bill proposes



to allow judges to deliver oral verdicts in cases where the disputed amount does not exceed EUR 15,000 (EUR 2,000 currently) and admit electronic powers of attorney.

## **Italy:**

### **Bill on facilitating the renegotiation of non-performing or unfair loans:**

- The bill is intended to help families and small businesses that have been affected by the economic consequences of the COVID-19 pandemic to solve their debt problems;
- In situation where a creditor (defined as a bank, financial intermediary, SPV or debt collection business) intends to assign debt, for such assignment to be effective the creditor would be required to first notify each debtor, by registered mail, of the carrying amount of its debt as disclosed in the creditor's most recent authorised financial statements;
- The debtor would then be entitled to propose in writing, within a prescribed time limit, an individual settlement agreement, including the amount the debtor would be willing to pay in consideration for discharging the outstanding debt;
- If the debtor failed to make such proposal or comply with the terms of the settlement agreement, the creditor would be allowed to assign the entire amount of outstanding debt.

## **Slovakia**

### **Consumer Protection Bill:**

- The bill prohibits entrepreneurs from acting in breach of the principles of good will, integrity, good morals and market practices, from using fraud or threat, taking advantage of an error or mistake or significant inequalities between counterparties, violating the principle of freedom of contract, and from gross violation of the law;
- The bill imposes a ban on visiting consumers (and their close ones) at home and at work and on contacting consumers (and their close ones) between 6:00 pm and 8:00 am on the following day without the consumer's explicit consent;
- The bill imposes on the consumer the burden of proof regarding the exercise of the right of withdrawal from a distance and off-premises contract;
- The bill introduces sanctions based on the company's turnover. In principle, it provides for fines from EUR 100 to 4% of the supervised entity's turnover for the previous accounting period (EUR 2m) depending on the reason for the imposition of the fine (e.g., repeated infringement within 12 months, etc.).

The Group monitors on an ongoing basis changes in legislation that may affect its business. However, as at the date of this Report, neither the final wording nor the effective dates of the bills listed above were known, nor was it possible to reliably determine whether they would or would not be passed into law or assess their overall impact on the Group's business.

# 6 | Chapter

## 6 DEVELOPMENT DIRECTIONS OF THE KRUK GROUP

### 6.1 Development directions and prospects of the Group

#### Strategic Triad – mission, vision and values of the KRUK Group

KRUK's mission, vision and values underpin our Strategy, setting up a framework of action to address the key questions:

- MISSION – why we exist as an organisation, what our role in the broader environment is
- VISION – what kind of organisation we want to be, what is important to us
- VALUES – what drives our actions, what is our business DNA

#### MISSION

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

#### VISION: VALUES-PEOPLE-LEAN

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

#### VALUES

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

### Strategic plan 2019–2024

KRUK’s strategic plan defines our targets and how we want to achieve them within a set timeframe. Delivery of the plan and its underlying assumptions are verified during regular reviews and whenever there is a change in factors that may affect its successful delivery or the adopted directions.

The KRUK Group continues to implement its Strategy for 2019–2024.

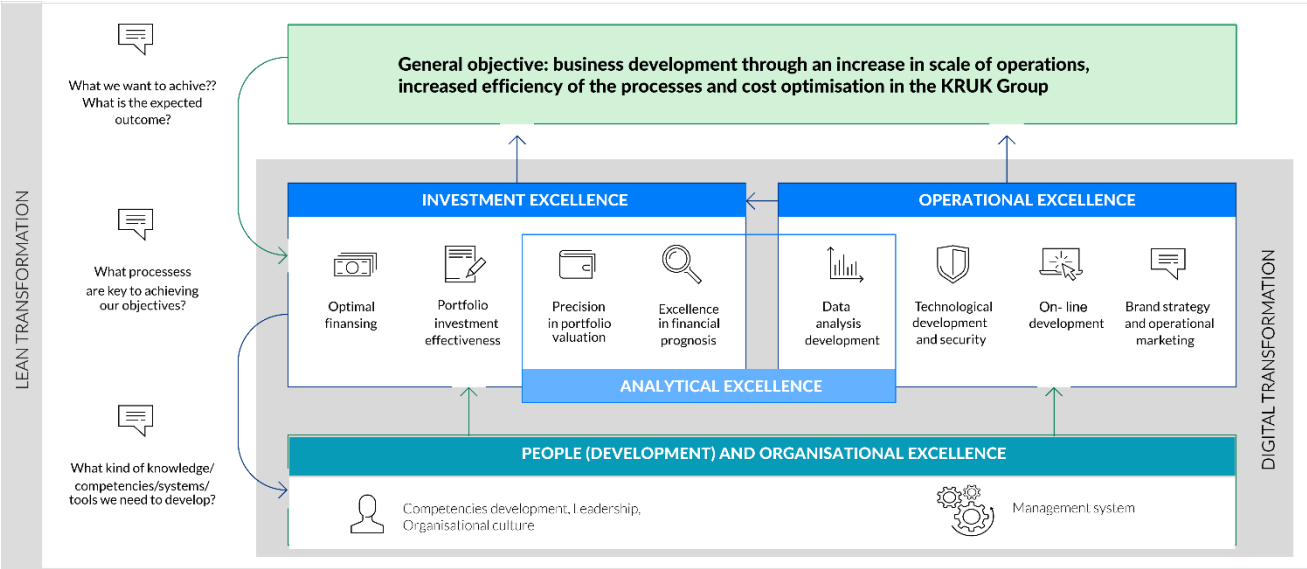
Following a review of our Strategy, all previously adopted strategic directions were maintained and defined in more detail. Our 2022 performance clearly shows that by pursuing the plan we are able to consolidate our position and build a lasting competitive advantage.

As in previous years, specific targets for individual Group companies were also defined for the next year based on the overall Strategy.

As part of our Strategy:

- We develop KRUK by upscaling the Group’s operations, improving efficiency and optimizing costs.
- We prefer organic growth of the KRUK Group and focus on the development of current business lines on existing markets.
- We are improving operationally, focusing primarily on the business line of retail unsecured purchased receivables.
- We estimate that more than 90% of the company's result will come from debt collection business on purchased portfolios, mainly from unsecured retail portfolios. We assume that other than retail unsecured receivables will account for up to 25% of the Group's assets.
- We want to develop in Europe, and we treat the launch of new business lines and entry into new geographical markets as an additional growth potential. We are selective in this aspect and we think long term.
- We follow a conservative leverage and liquidity management of the KRUK Group.

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



2022 saw a number of macroeconomic challenges due to, among other things, the lingering pandemic and the outbreak of war in Ukraine. At the same time, it showed that our Strategy not only enables us to face such difficulties, but also to continue fast growth. We consistently pursued a conservative debt policy, which allowed us to make record-high investments in debt portfolios without going beyond the adopted safety framework. Having set out on our LEAN TRANSFORMATION journey, we are keeping a close eye on our processes and deploying further improvements to increase recoveries, cut costs and shorten processes. As regards the DIGITAL TRANSFORMATION, which we consider key to building a sustainable competitive advantage, 2022 saw the launch of the Discovery Programme designed to ensure that the transformation is well structured and consistently rolled out across the Group. This will allow us to tap even more effectively into Group synergies (through best practice sharing, standardisation, etc.), optimise costs, and upscale and accelerate our projects. The Programme covers, among other things, our key business processes (valuations of debt portfolios and recovery of debt through amicable or court and enforcement proceedings) as well as data management. These processes will be developed through IT, analytical, and no-code solutions and applications. We are also stepping up our innovation efforts by searching for and testing state-of-the-art technologies and collaborating with start-ups. Our approach to digital transformation is people-centred. Therefore, as part of the Programme, we plan to enhance digital competencies of our staff and clients, improve client experience by providing user-friendly solutions (such as the e-Kruk application), and build a modern and growth-inspiring organisation for our employees.

Below is presented a description of selected activities undertaken in 2022 as part of the implementation of each strategic direction:

### **Investment excellence**

- Expanding funding sources that meet the adopted security, cost and availability criteria; Increasing the amount of available credit financing by increasing the limits under existing contracts and signing new contracts; Adding further banks to the bank syndicate; launching preparations for a potential bond issue in the Nordics; Issue of bonds with a nominal value of PLN 535m, sparking a strong interest among investors leading to reductions in allocations by as much as 79% in the case of one heavily oversubscribed series of bonds.
- Investments in new portfolios in 2022 amounted to PLN 2,311m (up PLN 573m, or +33%, year on year), which is an all-time high reported by the Group for a full year. The largest investments were made in Spain and Italy, with investments outside Poland accounting for 80% of the Group's total investment spending. This trend indicates both the ever-growing potential of the operational maturity of Western European markets, as well as their solid contribution to the Group's performance. In order to ensure a steady increase in the efficiency of our investment processes, our focus is on good understanding of market conditions, our business partners' needs, and prevailing trends. Our corporate functions responsible for investments, valuations and debt management cooperate closely and continue to build their competencies.
- The valuation process is optimised through such means as a periodic review of the assumptions concerning the nature of recoveries based on the most recent operational knowledge and reported results, and further development of our valuation methods (e.g., by taking into account a broader range of data in our models, building tools for more in-depth monitoring of the quality of our valuation models).
- To improve our financial projections, we support the business in determining the 'leads' to the achievement of operational targets, increasing the level of projection detail,

analysing the long-term portfolio potential, and using external data that may impact the projections.

## Operational excellence

Knowledge and best practice sharing are one of the ways in which we enhance the efficiency of our operational processes. We regularly review the common KPIs for key processes, which enables us to transfer local solutions through synergies while taking into account the specific environment in which the individual Group companies operate. In 2022, we focused on the development of analytics, increasing the number of self-payers (clients paying without any contact from the adviser), building the desired brand image, and automation of processes in the court and enforcement stage. We also launched our hyperpersonalisation project aimed at devising a personalised and effective process for each client by selecting appropriate tools and form and content of communication. Detailed information is presented below:

- Our work in the area of business analytics in 2022 focused on the development of a decision engine in terms of the number of analytically supported decisions and the advancement of analytical techniques (including the development of decision-making models fuelled by machine learning). As a result, we take optimum business decisions at every stage and level of our processes.
- Our technological development consisted in the continuing rollout of cloud solutions, deployment of robotisation solutions to facilitate and accelerate our processes, further digitalisation of paper-based processes, numerous process automations, especially in the area of legal (court and enforcement stage) and related processes (such as correspondence), as well as efforts made to enhance our digital security. In addition, we continued the project to introduce structural IT changes so as to address business needs even better and deliver solutions faster. The IT area was divided into the part dedicated to the management of Group-wide tools and projects, and the parts dedicated specifically to local businesses. The IT area brings together seasoned professionals and managers, and the Head of IT position has been entrusted to a manager experienced in the financial sector and Agile transformations. For more information, see Section 6.2 *Major research and development achievements*.
- Rollout of online solutions: across all our markets, we worked to provide clients with new tools to support them in handling their cases on their own. We also continued to improve the previously deployed tools to make them even easier to use, thus ensuring high conversions. For instance:
  - In Poland, we made available new payment methods as well as expanded and optimised client communication at different stages of a case;
  - In Romania, we launched a new version of the e-kruk system, began to refer clients to use the self-service process at the first stage of a case, and we acquired many new users of the e-kruk system (over the year, their number in Romania rose by 84%);
  - In Italy, we made available new payment methods and implemented a new electronic client service process at an early stage of a case;
  - In Spain, we implemented a self-service system that allows clients to easily pay their debt in instalments;
  - In the Czech Republic, we made available new payment methods.

The proportion of paperless settlement agreements remains high – each month in 2022, approximately 90% of all agreements involving instalment products at the KRUK Group

were signed in paperless form. In Poland, Romania and Italy, more and more clients are using the e-kruk system to handle cases on their own. The total number of e-kruk.pl users rose by 37% relative to December 2021.

### **Analytical excellence**

Data-driven decision making is one of the key elements behind our efforts to build competitive advantage. To that end, we have established the Analytical Consortium to leverage synergies across all analytical areas. We are developing our analytics based on a holistic outlook on the KRUK Group. We identify analytical solutions offering the highest added value for the organisation as a whole, not only for individual business areas.

### **People (development) and organisational excellence**

- In 2022, we developed a strategic HR action plan to support our business development more effectively and address the changes in our business environment (e.g., in the labour market). It is based on three pillars, taking account of global digital transformation:
  - Excellence of HR processes and data,
  - Strengthening of our corporate culture (including our values),
  - Development of Leaders.

As part of the HR action plan, we defined our desired Group-wide organisational culture and the actual culture currently existing at all our local companies. Following an analysis of differences between the current and target culture, we developed a plan of necessary local-level and Group-wide actions. Our focus is on supporting specific behaviours to achieve our business goals, while ensuring that our employees are satisfied and proud of being part of our Group. We worked out, among other things, a consistent approach to diversity, employee assessment, employee and manager competence model and the related communication and development efforts. We also placed a lot of emphasis on the remuneration policy and employee benefits, as well as on quality improvement of HR analytics. All these efforts are meant to strengthen the KRUK Group's image as an employer of choice attracting talent and offering an employee-friendly work environment and continuous development opportunities.

- We continue to work in the hybrid model (where work may be performed both at the office and from home) in all our markets, recognising it is no longer a temporary solution but a new work standard which we want to develop by providing new tools to our managers and employees.

### **ESG**

- In December 2022, we defined our long-term objectives under the ESG strategy as part of the Group's overall business strategy, which were subsequently adopted in the form of a resolution. The KRUK Group's ESG strategy was prepared based on the results of a survey carried out among our stakeholders in 2021, which allowed us to develop a stakeholder power/interest grid, helping us identify the areas that have a material bearing on the Group's sustainable development. The KRUK Group's ESG strategy is described in more detail in the non-financial section, where assumptions are presented for areas such as compliance, GDPR, as well as HR and environmental strategic objectives. The ESG matters covered in the Strategy include:

- **The scope of corporate governance**, including operationalisation, refinement and definition of our strategic ESG objectives so as to manage and monitor their delivery more effectively. In 2023/2024, work will continue on ESG risk identification and management in the Company's and the Group's operations, as per the TCFD guidelines. External reviews of the Company's sustainability management maturity will also be continued (CDP reporting and a selected ESG rating);
- **Social and employee matters** including, among others, actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employee rights, dialogue with local communities, and client relations. Objectives have been set to ensure gender equality both in terms of promotion and equal pay. Maintaining decent working conditions and ensuring respect for employee rights through such initiatives as development of a long-term Group-wide DEI (Diversity, Equality, Inclusion) programme, continued dialogue with local communities, and offering our clients financial and digital education. In the ESG Strategy adopted for the KRUK Group, we declared that full pay equality between women and men at the Group companies will be reached by 2025. As at the end of 2022, the Equal Pay Gap (EPG) for the entire Group was 1.2%.
- **Environmental issues**, including the metrics and risks related to climate change and sustainable development. For 2023–2030, climate change adaptation objectives have been set, climate change risk management methods have been defined, and a plan has been outlined to develop appropriate processes to cut down Scope 1 and Scope 2 CO<sub>2</sub> emissions in accordance with the GHG Protocol. The Company undergoes CDP audits to check the organisation's maturity in environmental management. The objectives to identify climate risks, to be defined in more detail in 2023/2024, form part of the strategic approach.

## 6.2 Major research and development achievements

Research and development work in 2022 was carried out in many areas and included the following:

ISO 27001:2013 certification for KRUK Romania

In 2022, the company was awarded the ISO 27001:2013 security standard certificate, which sets out the requirements for information security management systems. It establishes a systematic approach to managing company and client information based on regular risk assessments and is a security standard for banks and financial institutions. It relies on the confidentiality, integrity and availability of information defining its security.

As regards infrastructure,

- the KRUK Group has implemented enterprise-class solutions for balancing load between servers to ensure the reliability and efficiency of production systems and applications. Following the deployment of high-efficiency load balancing (a solution for distributing load between servers), users can now enjoy faster access to the application and improved quality of the services, with their high availability maintained.
- A highly efficient system for collecting and storing log data (information about activities and events) has also been implemented. The system enables centralised log management and helps to diagnose problems, detect patterns and prepare reports and analyses. The

aim is to make the monitoring and management of IT infrastructure and applications easier.

- We have also implemented a scalable and highly efficient solution to manage and protect data in order to minimise potential system downtime and prevent financial losses.

#### eCommunication and Cloud

- To address the KRUK Group's needs and development directions, the IT area has implemented a number of organisational changes to improve the delivery of digital solutions. The aim of the KRUK Tech – Closer To Business project is to give IT a deeper insight into the needs of the organisation's operating units, which will ultimately improve the alignment between technology and particular objectives or challenges.
- A separate IT central area has been established to provide technological products to local companies in a unified manner in accordance with the 'do it once, implement many times' principle. This change allows local IT units to concentrate on challenges specific to the business environment in a given market.
- In 2022, KRUK S.A. implemented a subscription-based repayment functionality. The solution was entirely designed by an in-house interdisciplinary team. Developing the product required new dedicated technological solutions. The use of modern service-based architecture reduced the implementation time to a minimum. Another advantage of that solution is its scalability and lower impact of a potential failure of one service on the rest.
- The Group has stepped up cooperation with Microsoft to obtain best-in-class office applications with advanced security, compatibility, voice communication and analysis functionalities.
- In 2022, KRUK set up an area dedicated to building a strategy for the development of cloud-based solutions at the Group. After a series of workshops with cloud service providers and selected technological partners, a Landing Zone (organisational configuration of cloud environment to facilitate future migrations and standardise subscription management, monitoring and protection) was designed, with a particular focus on security. Efforts were also made to understand the technological area defined by regulatory guidelines affecting the Group companies.

#### Online products

- Across all markets, we worked to provide clients with new tools to support them in handling their cases on their own. We also continued to improve the previously deployed tools to make them even easier to use and ensure a high rate of conversion into payments. In Poland, we made available new payment methods as well as expanded and optimised client communication at different stages of a case. In Romania, we launched a new version of the e-kruk system, began to refer clients to use the self-service process at the first stage of a case, and we acquired many new users of the e-kruk system (over the year, their number in Romania rose by 84%). In Italy, we made available new payment methods and implemented a new electronic client service process at an early stage of a case. In Spain, we implemented a self-service system that allows clients to easily pay their debt in instalments, while in the Czech Republic we made available new payment methods.
- The proportion of paperless settlement agreements remains high – each month in 2022, approximately 90% of all settlement agreements at the KRUK Group were signed in paperless form.



- In Poland, Romania and Italy, more and more clients are using the e-kruk system to handle cases on their own. At the end of December 2022, the number of e-kruk.pl users increased by 37% year on year.

#### Digital security

- The significant technology advancements at the KRUK Group go hand in hand with digital security, which has become particularly important in the context of the conflict in Ukraine. The KRUK Group invests in state-of-the-art solutions to ensure digital security, and its systems are monitored on a continuous basis. The Group is also engaged in extensive collaboration with third parties in the area of cybersecurity. Furthermore, cybersecurity education has been provided within the Group for several years.

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

# 7 | Chapter

## 7 RISK FACTORS AND THEIR MANAGEMENT

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

- identify and analyse the Group's risk exposures;
- identify appropriate controls, including limits and procedures; enable control and monitoring of risk levels and the progress on implementing the risk management strategy.

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

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

The Group's internal control, risk management, compliance and internal audit system is effective and fits the profile and scale of its companies' operations.

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

Risk	Description of risk and its effects if materialised	Handling method (management strategy)
Risk of failure to meet the strategic objectives	<p>There is a risk that the Group will fail to achieve its objectives, which may be caused by various factors, including:</p> <ul style="list-style-type: none"> <li>• market situation, business environment and competitors' activities;</li> <li>• lower availability of external financing;</li> <li>• incorrect valuation of investments, including debt portfolios purchased;</li> <li>• changes to legal regulations and their interpretation and actions of regulatory authorities;</li> <li>• unfavourable decisions of Company shareholders;</li> <li>• errors of persons responsible for the development and execution of the strategy;</li> </ul>	<p>The risk of failure to deliver the strategic objectives is managed primarily through:</p> <ul style="list-style-type: none"> <li>• Operationalisation of the long-term strategy into the annual plans of individual Group companies, specifying the objectives, methods of achieving them and necessary resources;</li> <li>• Regular monitoring of both results (the extent to which the objectives have been achieved) and progress in the implementation of the planned activities at the level of the Group companies and the Management Board.</li> </ul> <p>The Group also takes steps to prevent the risk of incorrectly defining its strategic objectives. In annual cycles, as the Business Plan for the following years is prepared, the</p>

	<ul style="list-style-type: none"> <li>• events of force majeure.</li> </ul> <p>The development of the business involves the need, in some cases, to incur significant financial expenditure. Where the measures taken are less profitable than expected or their objectives are achieved later than originally assumed, the expenditure may not be fully covered by the resulting revenue.</p> <p>Delays in achieving the Group's strategic objectives within the assumed time frame or the occurrence of any of the above-described circumstances may have a material adverse effect on the Group's operations, financial condition or results. There can be no assurance that the Group will maintain or improve its historical results and therefore the Group's historical results should not be treated as indicative of its future performance.</p>	<p>Group carries out a strategic analysis, which involves a review of opportunities and threats in the macroeconomic environment (e.g., political, legal, and economic factors) and the market environment as well as analysis of the organization's strengths and weaknesses. Results of the analysis are then used to either confirm or update the strategy.</p>
<p>Risk of error in estimating the value of acquired debt portfolios</p>	<p>In the course of its operating activity, the KRUK Group purchases debt portfolios for its own account. If purchased debt portfolios do not generate expected cash flows over specified time horizons it may be necessary to make a downward revaluation of the portfolios. The risk is relatively higher on new markets, where the Group is yet to gain experience. An additional driver of the risk is potential fluctuations of foreign exchange rates, which may increase or decrease PLN income from foreign-currency portfolios (currency risk).</p>	<p>Based on its many years' experience, the Group has developed a system for analysing and assessing that risk. The key tools making up the system are as follows:</p> <ul style="list-style-type: none"> <li>• Detailed analysis and estimation of the risk as at the date of purchasing a given debt portfolio, based on advanced economic and statistical tools (the results of the analysis and estimation are reflected in the price offered in the auction);</li> <li>• Quarterly revaluation of each debt portfolio held;</li> <li>• Purchasing various types of debt, with various degrees of difficulty and delinquency statuses.</li> </ul> <p>Having acquired by the end of 2022 more than 1,500 debt portfolios and having carried out on average 400 debt portfolio valuations annually, the KRUK Group has gained extensive experience in estimating the values of such portfolios. The information base it has compiled helps mitigate the risk of incorrect estimate of the value of purchased debt portfolios.</p>
<p>Risk of material decline in recoveries from purchased debt portfolios</p>	<p>Purchase of debt for the Group's own account means that the Group assumes the risk of non-payment by indebted persons. This risk is particularly material if the amounts of individual debts in a purchased portfolio are high relative to the Group's equity or profit levels. Additional risk may be generated by the</p>	<p>There are no individual cases managed by the Group repayments under which would represent a significant portion of total recoveries. Repayments in mass collection processes relate to a number of clients and are made independently. However, by monitoring the day-to-day repayment records, the Company is able to control the</p>

	growing number of consumer bankruptcies. As at the date of this Report, the KRUK Group holds no single debt whose non-payment could have a material adverse effect on its liquidity, but no assurance can be given that such a situation will not occur in the future.	risk related to a material decline in recoveries from debt portfolios.
Risk of increased costs of the Group's business	Financial results of the KRUK Group are affected by a number of cost factors over which the Group has no control or only limited control, including in particular cost of salaries, court costs, tax costs and prices of purchased debt. In the event that any increase in costs is not accompanied by a growth of the Group's revenue, there is a risk that the Group's financial condition might deteriorate.	<p>The Group's costs are capped in the budget approved by the Supervisory Board on an annual basis. Every manager is assigned a precisely defined share of total budgeted expenditure, corresponding to their remit. Significant costs in excess of the budget cap that will affect future economic benefits in each case require approval by the Management Board (if the budget is exceeded only within a specific remit) or by the Supervisory Board (if such additional costs result in exceeding the budget assumed for the entire KRUK Group).</p> <p>Additionally, both costs and the ratios of costs to recoveries are monitored by the KRUK Group's Management Board on an ongoing basis. Thus, it is possible to early identify factors that could lower efficiency and to take appropriate corrective actions.</p>
Operational risks related to the Group's business	The KRUK Group is exposed to the risk of damage or loss for reasons attributable to its personnel, ICT systems, vendors or external circumstances. Key operational risks include: employee turnover and mistreatment of or misconduct towards employees; breach of the continuity, integrity or quality of a Group entity's performance, assets or human resources in connection with a service provided or with the activities of a vendor which the entity signed an outsourcing agreement with; disruptions in the performance of ICT systems; defects in agreement or other arrangements governing legal relationships with third parties; unfavourable rulings by courts or other tribunals or authorities; unavailability or scarcity of resources or services required to carry on regular business activities; wilful or negligent misconduct by employees, clients, business partners or third parties causing harm to the Company; fraud, extortion and hacking attempts. The key systems used by the Group include the Delfin debt collection platform, the billing system, management	The Group operates specific procedures designed to manage and minimise its operating risk (e.g. procedures for reconciliation, documentation and monitoring of transactions, procedures for periodic assessment of operating risks, procedures for handling incidents and reporting on operating losses and proposing remedies, development and constant oversight of the applied IT technologies in line with the latest new technology trends).

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information system, contact centre, and the e-kruk on-line service.

No assurance can be given that all or part of the IT system or IT equipment will not be affected by a failure making it difficult for the Group to conduct operations or achieve its strategic objectives. Security of the operational systems is also important to the KRUK Group in view of the need to ensure personal data protection.

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Risk of changes in the external environment, particularly in the legal and macroeconomic environment

The risk of changes in the external environment mainly includes changes in the legal and regulatory environment as well as changes in the macroeconomic and social environment, changes in the banking and financial sectors, and the activities of competitors.

Legislation and regulatory requirements applicable to the KRUK Group's business, in particular laws and regulation governing issuance of and trade in securities, shareholders' rights, foreign investments, corporate activities and governance, trade and business activities, including consumer bankruptcy, as well as tax reliefs and benefits available to investment funds, have been and may be amended. No assurance can be given by the Company that legislative amendments directly affecting, or having an impact on, debt collection will not be introduced in the markets where the Group operates. In addition, these regulations are subject to differing interpretations, which poses the risk that they may be applied in an inconsistent manner by court and public administration bodies. Therefore, no assurance can be given by the KRUK Group that its interpretation of Polish law or laws of other countries applicable to the KRUK Group's business will not be challenged, which may in turn result in financial penalties being imposed on any of the KRUK Group entities, or such entity being required to change its policies and to compensate the affected clients for their losses. This may have an adverse effect on the KRUK Group's operations, financial condition and image.

The low level of legal and financial literacy among the public may lead to misinterpretation of the law and widespread belief that debts do not

The Group has developed and implemented a procedure for monitoring changes in legislation and regulatory requirements. The Group prepares for any expected changes in advance by conducting a thorough analysis of any draft laws or regulations proposed and assessing their economic impact on the Group, as well as by developing, if required, a plan to implement relevant changes to the business to ensure compliance. The KRUK Group also monitors court judgments and administrative decisions issued by authorised entities. In principle, administrative decisions and court judgments, not regarded as an official source of law, are not binding in other cases, but they do have certain influence on the practice of interpretation and application of the law.

The Group companies are members of various organisations and associations, which gives them the opportunity to express their opinion and comment on proposed legislative or regulatory changes through forums provided by such bodies and also to exchange knowledge with other industry players.

In order to reduce the risk of low financial literacy, the KRUK Group engages in initiatives aimed at raising financial literacy among the general public. These initiatives include publication of advice articles, running public awareness campaigns in the press and on the Internet, providing various social groups with educational materials on home budget planning and ways of getting out of debt, and collaboration with various independent experts, social welfare institutions and centres and non-profit organisations. The KRUK Group analyses macroeconomic conditions and changes in the banking and financial sectors on an ongoing basis. Having no direct control of the changing environment, the Group aligns its business model with the changing conditions. Thanks to debt portfolio acquisitions, the KRUK Group has constant access to funding

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need to be repaid. This may have a negative impact on the perception of activities conducted by professional debt management companies, which operate in accordance with the applicable laws and social norms, ultimately affecting debt recovery rates.

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

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

Entities such as the KRUK Group, active in international markets, face the risk of political changes affecting the law-making and law enforcement processes. Such changes may have a negative impact on the economic conditions prevailing in a given market and, consequently, the profitability of investments.

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

(recoveries from debt portfolios) and may purchase larger amounts of debt on more favourable terms when the macroeconomic landscape deteriorates. An improvement in macroeconomic conditions, on the other hand, drives up recoveries, as do various governmental welfare measures, allowances and family support schemes.

The KRUK Group monitors its own market position and that of its competitors on an ongoing basis, including reviewing information on any business practices applied by others that have been challenged by competition and consumer protection regulators or personal data protection authorities.

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#### Credit risk

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

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

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

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

- Assessment of a client's creditworthiness prior to proposing payment dates and other terms of cooperation;
- Regular monitoring of timely payment of debt;
- Maintaining a diversified client base.

The KRUK Group analyses the risk attached to the debt portfolios it purchases using advanced tools of economic and statistical analysis and its long-standing experience in this respect. It purchases debts of various types, with different degrees of difficulty and

		<p>delinquency statuses. Debt portfolio valuations are revised on a quarterly basis.</p> <p>As at the date of this Report, the KRUK Group holds no single debt whose non-payment could have a material adverse effect on its liquidity, but no assurance can be given that such a situation will not occur in the future.</p>
<p>Market risk (currency risk and interest rate risk)</p>	<p>Market risk is the risk of impact of changes in market prices, such as foreign exchange rates and interest rates on the Group's results or on the value of financial instruments held and investments made by the Group. The Group's exposure to currency risk results from foreign investments (both past and current) in portfolios denominated in foreign currencies. If there is no access to financing denominated in a given currency, such investment may partly be financed with debt contracted in a different currency, resulting in a mismatch between the currency of the proceeds from such investment and the currency of recoveries. This gives rise to a risk that the Group may incur additional costs related to currency conversion or the Group's liquidity may deteriorate due to adverse changes in foreign exchange rates. The Group is also exposed to the risk of deterioration in its financial results due to unhedged currency exposures (the risk of incurring foreign exchange losses).</p> <p>The Group's debt is denominated in the zloty and euro (credit facilities and bonds), based on floating interest rates, and therefore the Group is exposed to interest rate risk. The Group has identified exposure to the risk of an increase in the WIBOR and EURIBOR interest rates. There is a risk that the Group may incur additional finance costs (higher debt service costs) as a result of an increase in interest rates, which in turn are driven by changing conditions on the financial markets.</p>	<p>The objective behind market risk management is to maintain and control the Group's exposure to currency and interest rate risks within assumed limits so as to:</p> <ul style="list-style-type: none"> <li>• maintain a stable financial position in the long-term;</li> <li>• mitigate the liquidity risk;</li> <li>• reduce the impacts of market risk on profit or loss;</li> <li>• mitigate the risk of non-compliance with financial covenants under credit agreements and bond issue prospectuses.</li> </ul> <p>To this end, the Group follows and periodically reviews its foreign exchange risk and interest rate risk management policies. The Group uses financial instruments to hedge its interest rate risk and currency risk.</p> <p>In the process of market risk management, the Group selects optimum financing sources for its planned investment projects, analyses macroeconomic trends and monitors changes in its key currency exchange and interest rates. The Group periodically identifies and monitors the value of unhedged positions exposed to changes in foreign exchange rates and interest rates, monitors the impact of these changes on the Group's profit or loss, and measures currency risk and interest rate risk. Under master agreements with banks, the Group may also enter into derivative contracts to hedge the currency and interest rate risk. The market risk management objectives are achieved through efforts implemented at the individual Group entities in Poland and abroad, with the efforts coordinated by the Company as the entity responsible for market risk identification and the methodology of its management.</p>
<p>Liquidity risk</p>	<p>Debt portfolio purchases involve making large one-off payments. To secure the necessary funding for its debt portfolio purchases, the Group relies on external financing in the form of bank borrowings or bonds. The KRUK Group uses and intends to use in the</p>	<p>The Group's liquidity risk management policy is designed to ensure that the Group's liquidity is sufficient to meet liabilities in a timely manner, without exposing the Group to a risk of loss or damage to its reputation.</p>

	<p>future bank loans, bonds and other debt instruments to finance purchases of debt portfolios. The Group also enters into lease arrangements to finance investments in property, plant and equipment. Any material deterioration in the Group's liquidity may result in the Group being unable to repay principal and interest or fulfil other obligations under the credit facility agreements it has concluded or under debt instruments in issue. If the Group fails to meet the terms of the loan agreements it has signed, the Group companies' debt under bank loans may be accelerated, in whole or in part, and in the event of failure to repay the debt financial institutions will be entitled to enforce their claims against the collateral created over the Group's assets. If the Group defaults under the terms and conditions of bonds it has issued, it may be obliged to redeem such bonds early.</p>	<p>Liquidity risk management tools used at the Group include:</p> <ul style="list-style-type: none"> <li>• Regular monitoring of cash needs and expenses;</li> <li>• Flexible management of cash flows between the Group entities;</li> <li>• Conducting collection activities on an ongoing basis, ensuring continuous cash inflow;</li> <li>• Ensuring the Group's compliance with financial covenants under credit facility agreements and debt instrument issues;</li> <li>• Use of external sources of funding, in the form of bank borrowings or bonds.</li> </ul>
<p>Risk relating to large-scale personal data processing by the Group</p>	<p>The Group's business involves processing of personal data transferred to the Group by creditors who outsource credit management services or sell their debts to the Group. This means that in accordance with applicable regulations and agreements in force, the Group receives client data from third parties, and no assurance can be given that the data is accurate. If incorrect data is transferred to the Company, there is a risk that it may relate to a person other than the actual indebted person, which may potentially lead to an increase in the number of complaints or grievances registered with the authority which supervises personal data processing. As the processing of personal data takes place in many processes and on a large scale, there is a risk of human error or system failure that may lead to personal data breaches, including data leakage, alteration or loss.</p>	<p>The KRUK Group has developed procedures and implemented in its IT systems mechanisms designed to reduce the risk of unlawful processing of personal data, as well as the risk for the rights and freedoms of data subjects, including the risk of violations. In each country where it operates, the Group has appointed Personal Data Protection Officers, who are also supported by GDPR specialists. The Group has in place a number of processes and procedures for handling data protection incidents and breaches, evaluating suppliers who are concurrently entrusted by the Group with the data processing, and for responding to GDPR requests, conducting and planning GDPR audits, etc. The Group organises employee training and awareness-raising activities. In addition, the KRUK Group cooperates with local industry organisations to develop the best standards for managing the risk related to personal data processing.</p>
<p>Risk of losing key personnel</p>	<p>People are one of the fundamental components of the Group's business. The loss of key employees may generate the risk of temporary disruption of the Group's operations, deterioration of the quality of its management, and adversely affect the pace of implementation of its strategic plans.</p>	<p>In order to mitigate the risk of losing key employees, the group of people and positions considered to be key to the continuity of the Group's business is regularly reviewed.</p> <p>The KRUK Group continuously engages in initiatives to advance professional development of its management staff and specialists in various areas of the business. The Group also strives to provide optimal</p>



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working conditions and tools for all employees.

In addition to the remuneration policy, the KRUK Group offers its employees a diversified system of non-financial benefits which include:

- internal and external training for employees at all companies,
- programmes designed to develop employees' skills in human resources management (succession program in Romania),
- funding for post-graduate studies and professional qualification courses at all companies,
- specialist English courses,
- regularly reviewed and expanded offer of medical care services,
- sports cards for employees,
- lunch vouchers in the Czech Republic, Italy and Spain,
- a wide range of cafeteria services offered in the individual countries,

The offer of non-financial benefits available to Group employees is verified both internally (employee survey) and externally (market benchmark).

Moreover, an incentive scheme for key management staff has been put in place to ensure employee retention.

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Risk related to related-party transactions

The Company and the Subsidiaries have entered and will continue to enter into transactions as related parties. In the Company's opinion, all such transactions have been executed at arms' length. However, there can be no assurance that the transactions will not be challenged by tax authorities, which could result in higher tax liabilities of the Company and the Group.

Any significant transaction to be concluded with a related party within the Group is preceded by detailed analyses of its legal and tax aspects in order to minimise the risk involved.

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Compliance risk (risk of failure to comply with laws or regulations, internal policies, or market standards in performance of operational or business processes)

The nature of the KRUK Group's business requires that we monitoring changes in the legal and regulatory environment on an ongoing basis. Legislative and regulatory activity in the markets where the KRUK Group operates may give rise to both opportunities for and threats to individual Group companies, and failure to ensure compliance with new or amended laws or regulations, or to do so in a timely manner, may result in a violation of legal or regulatory requirements.

The KRUK Group has developed and implemented policies, procedures and mechanisms to manage and mitigate compliance risk. To this end, the Group:

- Monitors proposed draft legislation and interpretations of existing laws and regulations by public administration bodies and courts;
- Monitors regulatory bodies' positions and recommendations;
- Has implemented a process to evaluate client communications and marketing materials prior to publication;

Relations with clients (indebted persons) are at the core of the KRUK Group companies' business, from the debt collection process to marketing activities intended to promote KRUK products and services or further improve the Group's image. Given the nature of the Group's business, there exists a risk that a competent local consumer protection authority finds KRUK practices to infringe on collective consumer interests or be otherwise unfair.

In view of the number of our clients and the load of both purchased and outsourced debt cases that we handle, it is necessary to ensure that processes run by Group companies are standardised and to mitigate the risk of arbitrariness in the treatment of clients or the risk of their unequal treatment. Any biased treatment of a client or unwarranted deviation from a standard process may give rise to complaints or client dissatisfaction and adversely affect the Group's ability to achieve its strategic and business objectives.

Conflict of interest may arise on a number of levels, including between the Company and its clients, between clients and employees, and between the Company and its Business Partners. KRUK Group companies have in place rules for managing conflicts of interest. Failure to identify, or take action to manage, potential conflicts of interest may have negative consequences if such conflict actually arises or continues.

KRUK Group companies have adopted a policy of zero-tolerance for any incidents of corruption. All employees, associates and members of the governing bodies of each Group company are required to refrain from any activity that could violate this policy. Proper identification and management of corruption incidents forms part of the KRUK Group's organisational culture and is designed to ensure that KRUK Group companies comply with anti-corruption laws and ethical standards as well as with the highest standards of transparency in business.

- Monitors KRUK Group companies' activities to identify any activity which could be considered an unfair market practice or as infringing collective consumer interests;
- Has introduced standardised procedures to handle particular situations and cases, whose observance by employees is monitored for any departure or error;
- Manages potential conflicts of interest and corruption-related issues;
- Has implemented a Conflicts of Interest Management Policy, a Gift Policy and an Anti-Corruption Policy which, in combination with compliance risk management regulations, make up a system for analysing, monitoring and reporting any irregularities or misconduct.

Reputational risk

The KRUK Group's business involves a risk of damage to or loss of reputation among clients, trading partners,

The Group makes every effort to build a positive image of the entire debt management industry and all of the KRUK

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shareholders, and investors, which may affect the organization's current or future revenue and result in negative publicity. Negative publicity may undermine the Group's credibility in the eyes of its current or potential trading partners and, consequently, may have a negative effect on its financial performance and ability to pursue strategic objectives.

As the leader of the debt management market, the KRUK Group is also exposed to the consequences of unethical conduct of other debt management companies, which tend to be attributed to the entire industry, in particular the most recognisable operators on the market.

The Group's business involves managing debt owed by natural persons. It should therefore be borne in mind that some of those persons are in difficult financial and personal circumstances, suffer from ill health or experience problems in their families or work. Among indebted persons that the KRUK Group deals with are people going through a mental health crisis, including some who may indicate that they are contemplating suicide. All this gives rise to the risk of bad publicity around debt collection activities carried out by the KRUK Group.

Group companies. Therefore, the Group undertakes initiatives aimed at enhancing the positive image of its brand, including:

- information and media campaigns targeted mainly at indebted individuals,
- educational campaigns in Poland and abroad, including publication of various educational materials in the Internet, press, radio and television,
- educational materials about debt collection activities and their role in business transactions, published in consumer and regional and nationwide magazines and newspapers in Poland, Romania, the Czech Republic, Slovakia, Italy, and Spain;
- press releases, consumer advice articles, podcasts and individual statements and comments from experts;
- participation of the KRUK Group's experts in industry conferences as speakers;
- participation in important, prestigious economic events as well as events dedicated to the industry and the financial sector;
- cooperation with associations and membership of various industry organisations;
- cooperation with independent organisations that support and represent the interests of consumers and businesses, including the debt collection business;
- cooperation with the media, responding to media inquiries;
- participation in charity projects and involvement in social outreach initiatives aimed at supporting local communities, especially people in need, e.g., helping Ukrainian refugees;
- training courses, educational materials for indebted persons, press articles, video materials, collaboration with influencers on financial education, including on how to get out of debt and manage the personal budget;
- cooperation with non-profit organisations promoting financial education among the public, including with the Association of Financial Companies in Poland

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(Związek Przedsiębiorstw Finansowych w Polsce);

- putting in place procedures and implementing in IT systems mechanisms for risk management and prevention and for mitigating the effects of any materialised risks, including mechanisms minimising the risk of illegal processing of personal data;
  - monitoring the media for information on the industry and the KRUK Group and responding appropriately when needed;
  - instruction for dealing with clients experiencing a mental health crisis, and cooperation with the Psychological Support Centre;
  - training, instructions, manuals, scripts for field advisors and CC specialists concerning contact with clients, including legislative changes, company strategies, etc.;
  - managing information security incidents;
  - regular participation in the ethics audit conducted by the Association of Financial Companies in Poland to check compliance with the Code of Best Practice for Debt Collection Companies, adopted by the KRUK Group;
  - regular surveys to gauge the perception of the KRUK brand as well as the satisfaction of clients and business partners with cooperation with the KRUK Group.
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# 8 | Chapter

## 8 CORPORATE GOVERNANCE

### 8.1 Statement of compliance with corporate governance standards

Since July 26th 2021, the Company and its governing bodies have complied with the corporate governance principles set out in Best Practice for GPW (WSE) Listed Companies 2021 adopted by the WSE Supervisory Board by way of Resolution No. 13/1834/2021 of March 29th 2021.

Best Practice for GPW (WSE) Listed Companies 2021 has been adopted by all governing bodies of the Company. By Resolution No. 142/2021, the Company's Management Board adopted a statement of compliance with Best Practice for GPW (WSE) Listed Companies 2021 at KRUK S.A. By Resolution No. 41/2021 of July 29th 2021, also the Company's Supervisory Board adopted Best Practice for GPW (WSE) Listed Companies 2021. On November 16th 2022, the Extraordinary General Meeting of the Company passed Resolution No. 7/2022 to adopt Best Practice for GPW (WSE) Listed Companies 2021 addressed to the General Meeting and Shareholders of the Company.

The scope of application by the Company of the corporate governance standards set forth in Best Practice for GPW (WSE) Listed Companies 2021 was also specified in EBI Report No. 1/2021, dated July 29th 2021.

The text of the statement, specifying the extent to which the Company intends to comply with the standards, is available on KRUK S.A.'s website, at: [https://en.kruk.eu/media/file/file/gpw\\_bestpractices\\_kruk2021.pdf](https://en.kruk.eu/media/file/file/gpw_bestpractices_kruk2021.pdf).

#### **Adopted code of corporate governance**

As of July 26th 2021, the Company complies with the corporate governance rules for companies listed on the WSE Main Market – Best Practice for GPW (WSE) Listed Companies 2021 ("Best Practice 2021"), as attached to WSE Supervisory Board Resolution No. 13/1834/2021 of March 29th 2021.

The document is available for download on the WSE corporate governance website (<http://www.corp-gov.gpw.pl>).

#### **Corporate governance standards which the Company elected not to comply with**

In 2022, the Company declared compliance with the corporate governance standards set forth in Best Practice for WSE Listed Companies 2021, save for the exceptions described below.

In accordance with a declaration of July 26th 2021, the Company does not comply with principle 1.3, whereby companies are required to integrate ESG factors in their business strategy, including in particular: 1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development; 1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, client relations. In the clarification provided with regard to its statement of compliance, the

Management Board said that the Company has long been running projects and initiatives related to environmental, social, and employee issues. It is also a signatory to the Diversity Charter and a member of the United Nations Global Compact, and the measures it has been undertaking support the delivery of Sustainable Development Goals. The Company also noted that as at the date of the statement it did not include ESG topics in its business strategy, but it is the Management Board's intention to comply with that principle in 2022. In line with the declaration, in December 2022 the Company adopted an ESG strategy as part of its business strategy. In the strategy the Company considers environmental matters, sets management objectives and methods and outlines a plan to develop appropriate processes to cut down Scope 1 and Scope 2 CO<sub>2</sub> emissions in accordance with the GHG Protocol, as well as a plan for adapting to climate change. In addition, the Company undergoes CDP audits to check the organisation's maturity in environmental management. The objectives to identify climate risks, to be defined in more detail in 2023/2024, form part of the strategic approach. The Group's strategic objectives with regard to employee and social matters include maintaining gender equality in terms of both promotion and equal pay, maintaining decent working conditions and ensuring respect for employee rights through such initiatives as development of a long-term Group-wide DEI (Diversity, Equality, Inclusion) programme, continued dialogue with local communities, and offering clients financial and digital education.

With respect to compliance with principle 1.4., the Company elected not to apply in 2021 Sections 1.4.1 and 1.4.2, whereby information provided on the Company's ESG strategy should: 1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks; 1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target. The Company published a clarification saying that "KRUK S.A.'s business strategy, including quantifiable targets, actions planned and progress against the strategy, is available on its corporate website. Also, information on the progress in implementing the strategy is discussed in the Directors' Reports and posted on the website. At the same time, the Company intends to incorporate ESG aspects into its business strategy in 2022". In accordance with the declaration, in 2022 the Company implemented the KRUK Group ESG Strategy, in which it stated that it aims to achieve full pay equality for women and men at KRUK Group companies by 2025. As at the end of 2022, the Equal Pay Gap (EPG) for the entire Group was 1.2%. In its ESG Strategy, the Company also defined its 2023–2030 objectives as regards climate change adaptation. In 2023, work will continue on ESG risk identification and management in the Company's and the Group's operations.

The Company elected not to comply principle 2.1, whereby companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%. In the clarification on non-compliance with principle 2.1, the Company explains that in 2010–2020, women held 60% of the Management Board seats. The Company is a signatory to the Diversity Charter and a member of the United Nations Global Compact. In 2022, women represented 57% of all Supervisory Board members and 20% of all Management Board members.

For the same reasons, the Company elected not to comply with principle 2.2, whereby decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

According to the Company's statement of compliance, in 2022 the Company elected to not comply with principle 6.3, whereby if companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved. In the clarification on non-compliance with the principle, the Company explains that the management option scheme does not include non-financial or sustainable development objectives.

## 8.2 Shareholding structure

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

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. as at January 1st 2022, based on shareholder notifications received by the Company.

**Table 39. Major holdings of KRUK S.A. shares as at January 1st 2022**

Shareholder	Number of shares/voting rights	Percentage of share capital/total voting rights at GM
NN PTE	2,802,261	14.74
PZU OFE*	1,650,000	8.68
Piotr Krupa	1,771,463	9.32
Aviva OFE*	1,726,000	9.08
Aegon OFE	959,254	5.05
Allianz OFE*	1,007,672	5.30

(\*) Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on June 16th 2021.

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at December 31st 2022

**Table 40. Major holdings in KRUK S.A as at December 31st 2022**

Shareholder	Number of shares/voting rights	Percentage of share capital/total voting rights at GM
NN PTE*	2,763,000	14.30
PZU OFE*	1,507,000	7.80

Piotr Krupa	1,809,050	9.36
Aegon OFE*	1,140,500	5.90
Allianz OFE**	2,359,217	12.21

(\*) Data based on the list of shareholders holding 5% or more of total voting rights at the Extraordinary General Meeting of KRUK S.A. held on November 16th 2022.

(\*\*) Data based on the Shareholder's Notification of January 5th 2023 (Current Report No. 5/2023)

Source: Company

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at March 9th 2023

**Table 41. Major holdings of KRUK S.A shares as at the report issue date**

Shareholder	Number of shares/voting rights	Percentage of share capital/total voting rights at GM
NN PTE*	2,763,000	14.30
PZU OFE*	1,507,000	7.80
Piotr Krupa***	1,780,813	9.22
Aegon OFE*	1,140,500	5.90
Allianz OFE**	2,359,217	12.21
Generali OFE****	1,595,950	8.26

(\*) Data based on the list of shareholders holding 5% or more of total voting rights at the Extraordinary General Meeting of KRUK S.A. held on November 16th 2022.

(\*\*) Data based on the Shareholder's Notification of January 5th 2023 (Current Report No. 5/2023)

(\*\*\*) Data based on the Shareholder's Notification of January 26th and January 27th 2023 (Current Reports No. 10/2023 and 11/2023) and February 7th 2023 (Current Report No. 14/2023)

(\*\*\*\*) Data based on the Shareholder's Notification of February 3rd 2023 (Current Report No. 13/2023)

Source: Company

## 8.2.2 Changes in major holdings of shares in the reporting period

The following changes in major holdings of KRUK S.A. shares took place in 2022:

- On February 11th 2022, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 1,000 shares in KRUK S.A. for the average price of PLN 311.00 per share on February 9th 2022 and 4,000 shares in KRUK S.A. for the average price of PLN 304.77 per share on February 10th 2022.
- On March 29th 2022, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR, to the effect that he had sold 3,000 Company shares in ordinary session trades executed on the Warsaw Stock Exchange on March 28th 2022, for the average price of PLN 315.67 per share.
- On June 17th 2022, the Company received a notification from Powszechnie Towarzystwo Emerytalne Allianz Polska S.A., to the effect that the total number of



Company shares held by the Funds had fallen below 5% of total voting rights at the General Meeting of the Company, which read as follows:

*“Pursuant to Art. 69.1.2 and Art. 69.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, Powszechne Towarzystwo Emerytalne Allianz Polska S.A., the management company which manages open-end pension fund Allianz Polska Otwarty Fundusz Emerytalny (“OFE”) and voluntary pension fund Allianz Polska Dobrowolny Fundusz Emerytalny (“DFE”), would like to notify you that following a transaction in KRUK S.A. shares executed on June 8th 2022 the percentage of the share capital and total voting rights held in KRUK S.A., registered in OFE’s account and jointly in OFE’s and DFE’s accounts, decreased below 5%.*

*Prior to the transaction, 959,056 shares, representing 5.01 % of KRUK S.A.’s share capital and conferring the right to 959,056 voting rights representing 5.01 % of total voting rights at KRUK S.A.’s General Meeting, were registered in OFE’s account.*

*Also, prior to the transaction, 961,183 shares, representing 5.03 % of KRUK S.A.’s share capital and conferring the right to 961,183 voting rights representing 5.03 % of total voting rights at KRUK S.A.’s General Meeting, were registered jointly in OFE’s and DFE’s accounts.*

*Following the transaction, the number of KRUK S.A. shares registered in OFE’s account decreased to 939,056 shares, representing 4.91% of KRUK S.A.’s share capital and conferring the right to 939,056 voting rights, representing 4.91% of total voting rights at KRUK S.A.’s General Meeting.*

*Also, the number of KRUK S.A. shares registered jointly in OFE’s and DFE’s accounts decreased to 941,183 shares, representing 4.92% of KRUK S.A.’s share capital and conferring the right to 941,183 voting rights, representing 4.92% of total voting rights at KRUK S.A.’s General Meeting.”*

- On September 29th 2022, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR, to the effect that on September 29th 2022 Piotr Krupa had purchased, outside a trading venue, 83,942 KRUK S.A. shares for the average price of PLN 83.52 per share (placement of an order to convert subscription warrants into shares under the 2015–2019 Incentive Scheme).
- On October 3rd 2022, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 261 shares in KRUK S.A. for the average price of PLN 239.87 per share on September 27th 2022, 14,000 shares in KRUK S.A. for the average price of PLN 228.89 per share on September 28th 2022, and 1,094 shares in KRUK S.A. for the average price of PLN 230.66 per share on September 29th 2022.
- On November 16th 2022, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 5,000 shares in KRUK S.A. for the average price of PLN 278.92 per share on November 10th 2022, 11,000 shares in KRUK S.A. for the average price of PLN 282.61 per share on November 14th 2022, and 7,000 shares in KRUK S.A. for the average price of PLN 285.18 per share on November 15th 2022.
- On January 5th 2023, the Company received a notification from Powszechne Towarzystwo Emerytalne Allianz Polska S.A., to the effect that the total number of Company shares held by the Funds had risen above 10% of total voting rights at the General Meeting of the Company, which read as follows:

*“Pursuant to Art. 69 in conjunction with Art. 87.1.2b of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, Powszechne Towarzystwo Emerytalne Allianz Polska S.A., the management company which manages open-end pension fund Allianz Polska Otwarty Fundusz Emerytalny (“Allianz OFE”) and voluntary pension fund Allianz Polska Dobrowolny Fundusz Emerytalny*

("Allianz DFE"), would like to notify you that following its merger effected on December 30th 2022, pursuant to Art. 67 of the Act on the Organisation and Operation of Pension Funds of August 28th 1997 (consolidated text: Dz.U. of 2020, item 105, as amended; the "Pension Funds Act") and Art. 492.1.1 of the Commercial Companies Code, with Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna, the management company which manages open-end pension fund Drugi Allianz Polska Otwarty Fundusz Emerytalny ("Drugi Allianz OFE"), its percentage of the share capital and total voting rights held in KRUK S.A., as registered in Allianz OFE's, Allianz DFE's and Drugi Allianz OFE's accounts, increased above 10%.

**Prior to the merger:**

The number of KRUK shares registered jointly in Allianz OFE's and Allianz DFE's accounts was 941,183, representing 4.87% of KRUK S.A.'s share capital and conferring 941,183 voting rights, which represented 4.87% of total voting rights in KRUK S.A.

The number of KRUK shares registered in Drugi Allianz OFE's account was 1,418,034, representing 7.34% of KRUK S.A.'s share capital and conferring 1,418,034 voting rights, which represented 7.34% of total voting rights in KRUK S.A.

**Following the merger:**

The number of KRUK shares registered jointly in Allianz OFE's, Allianz DFE's and Drugi Allianz OFE's accounts has increased to 2,359,217, representing 12.21% of KRUK S.A.'s share capital and conferring 2,359,217 voting rights, which represent 12.21% of total voting rights in KRUK S.A.

Powszechne Towarzystwo Emerytalne Allianz Polska S.A., which manages jointly Allianz OFE, Allianz DFE and Drugi Allianz OFE, further notifies you that:

- it does not have any subsidiaries holding KRUK shares,
- no situation referred to in Art. 69.4.6 of the Act arises, and
- it does not hold any financial instruments referred to in Art. 69b.1.1 and 69b.1.2 of the Act."

In addition, subsequent to the reporting date:

- On January 26th 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 3,180 shares in KRUK S.A. for the average price of PLN 336.16 per share on January 24th 2023 and 4,000 shares in KRUK S.A. for the average price of PLN 335.41 per share on January 25th 2023.
- On January 27th 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 3,557 shares in KRUK S.A. for the average price of PLN 336.18 per share on January 24th 2023 and 15,500 shares in KRUK S.A. for the average price of PLN 338.43 per share on January 26th 2023.
- On February 3rd 2023, the Company was notified by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., which manages pension funds Generali Otwarty Fundusz Emerytalny (Generali OFE) and Generali Dobrowolny Fundusz Emerytalny (Generali DFE), that the funds had increased their total holdings of shares in the Company above 5% of total voting rights at the Company's General Meeting, with the notice reading as follows:  
"Pursuant to Art. 69 in conjunction with Art. 87.1.2b of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. of 2022, item 2554) - (the "Act"), Generali Powszechne Towarzystwo Emerytalne S.A. (the "Management Company"), which manages pension funds Generali Otwarty Fundusz Emerytalny ("Generali OFE") and Generali Dobrowolny Fundusz Emerytalny ("Generali DFE"), with its registered office at ul. Senatorska 18, Warsaw, Poland, would like to notify you that

after the Management Company took over the management of pension funds NNLife Otworthy Fundusz Emerytalny ("NNLife OFE") and NNLife Dobrowolny Fundusz Emerytalny ("NNLife DFE"), on February 1st 2023, pursuant to Art. 66.1, Art. 66.6 and Art. 68 of the Act on the Organisation and Operation of Pension Funds of August 28th 1997 (Dz.U. of 2022, item 2342, as amended), its percentage of the share capital and total voting rights held in Kruk S.A., as registered in the accounts of Generali OFE, Generali DFE, NNLife OFE and NNLife DFE (the "Funds"), exceeded the 5% threshold. Before taking over the management of the funds Generali OFE and Generali DFE held a total of 768,575 (seven hundred and sixty-eight thousand, five hundred and seventy-five) shares, or 3.98% of the Company's share capital, and 768,575 (seven hundred and sixty-eight thousand, five hundred and seventy-five) voting rights, or 3.98% of total voting rights in the Company; NNLife OFE and NNLife DFE held a total of 827,375 (eight hundred and twenty-seven thousand, three hundred and seventy-five) shares, or 4.28% of the Company's share capital, and 827,375 (eight hundred and twenty-seven thousand, three hundred and seventy-five) voting rights, or 4.28% of total voting rights in the Company;

After taking over the management of the funds

Generali OFE, Generali DFE, NNLife OFE and NNLife DFE held a total of 1,595,950 (one million five hundred and ninety-five thousand, nine hundred and fifty) shares, or 8.26% of the Company's share capital, and 1,595,950 (one million five hundred and ninety-five thousand, nine hundred and fifty) voting rights, or 8.26% of total voting rights in the Company; There are no Funds' subsidiaries holding any shares in the Company and no persons referred to in Art. 87.1.3.c. of the Act. As calculated in accordance with Art. 69b.2. of the Act, there are no voting rights attached to shares which the Funds would be entitled or obliged to purchase as holders of financial instruments referred to in Art. 69b.1.1. and Art. 69b.1.2. of the Act, which are not exercised exclusively through cash settlement. As calculated in accordance with Art. 69b.3. of the Act, there are no voting rights attached to shares which are directly or indirectly related to financial instruments referred to in Art. 69b.1.2. of the Act. As calculated in accordance with Art. 69.4.9., the total number of voting rights held by the Funds is 1,595,950 (one million, five hundred and ninety-five thousand, nine hundred and fifty), representing 8.26% of total voting rights".

- On February 7th 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR, to the effect that he had sold 2,000 Company shares in ordinary session trades executed on the Warsaw Stock Exchange on February 6th 2023, for the average price of PLN 347.40 per share.

### 8.2.3 Treasury shares

#### Treasury shares in the period November 17th 2022 – December 31st 2026

The Extraordinary General Meeting of KRUK S.A. of November 16th 2022 passed Resolution No. 8/2022 authorising the Management Board to purchase the Company shares listed on the main market of the WSE, in the period from November 17th 2022 to December 31st 2026, with the proviso that the total par value of the shares so purchased may not exceed PLN 3,863,758, and the maximum amount to be spent by the Company on the buy-back may not exceed PLN 1bn, including the share price and transaction costs. The price at which the Company may buy back its own shares may not be higher than PLN 400 or lower than PLN 1. Shares acquired by the Company as part of the buy-back programme may be used to cancel the Company's own shares and reduce its share capital.

Company shares may be purchased in the manner and in periods selected by the Management Board and approved by the Supervisory Board, in a way that ensures equal access of the shareholders to the buy-back programme and their equal treatment.

The Management Board's authorisation covers the period from November 17th 2022 to the earlier of December 31st 2026 or the date when all funds allocated for the buy-back are used up.

As at the issue date of this Report, the Management Board had not purchased any Company shares under the authorisation.

### Holders of securities conferring special control powers

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

### Limitations on the exercise of voting rights

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

### Limitations on transfer of ownership of securities

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

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

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

After the reporting date and as at the issue date of this Report, neither the Company nor the KRUK Group companies held any treasury shares.

## 8.3 Governing bodies

### Management Board

#### 8.3.1 Members, changes in composition, rules of appointment and responsibilities of Management Board members

In the period January 1st–December 31st 2022, the composition of the Company's Management Board was as follows:

**Table 42. Members of KRUK S.A. Management Board and their responsibilities**

Name	Position	Areas supervised by Management Board member
Piotr Krupa	President of the Management Board	Chief Executive Officer (CEO) – supervises Strategy Management Area (HR, ESG), Security and Operational Risk Management Area, Internal Audit Area, Compliance Area, Corporate Governance Area and Director General Area.
Piotr Kowalewski	Member of the Management Board	Chief Operating Officer (COO) – supervises Analysis Development Area, Client Service Processes Area, E-COMMERCE Area, Operational Strategy and Brand Development Area, Digital Transformation Area.
Adam Łodygowski	Member of the Management Board	Chief Data & Technology Officer (CDTO) – supervises IT Area, IT Infrastructure Area, Cloud and Delivery International Area, Debt Portfolio Valuation Area, Statistical Methods Development Area.

Urszula Okarma	Member of the Management Board	Chief Investment Officer (CIO) – supervises Legal and Data Protection Area and NPL Investment Strategy Area.
Michał Zasępa	Member of the Management Board	Chief Financial Officer (CFO) – supervises Controlling and Liquidity Management Area, Investor Relations and Development Area, The KRUK Group Accounting and Taxation Area.

There were no changes in the composition of the Management Board in the reporting period and as at the issue date of this Report.

**Table 43. Gender diversity on KRUK S.A. Management Board in 2022**

<b>Women</b>	20%	1
<b>Men</b>	80%	4

Source: Company

Rules governing appointment and removal of members of the Management Board and their powers are set forth in the Company's Articles of Association. Pursuant to Art. 8.1 and 8.2, the Management Board is composed of three to eight members, and the number of members is defined each time by the Supervisory Board upon request by the President of the Management Board.

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

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

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

For more information on members of the Company's Management Board, including their expertise, functions and responsibilities, see Section 2.6.1. *Qualified Personnel*.

### 8.3.2 Powers of the Management Board

The Management Board manages the Company's business and assets and represents the Company before courts, government authorities, and third parties. Pursuant to Article 9.1 of the Articles of Association, the Management Board makes decisions on any matters not reserved for the exclusive competence of the Supervisory Board or the General Meeting under the Articles of Association or applicable laws.

The responsibilities of the Management Board include:

- 1) amending the Company's Organisational Rules, with the proviso that the power to decide on the establishment and closing of any organisational units of the Company lies solely with the President of the Management Board;
- 2) adopting the Company's annual financial plans (budgets) and strategic economic plans and submitting them to the Supervisory Board for approval;

- 3) adopting the Directors' Reports on the operations of the Company and the KRUK Group, separate financial statements of the Company, and consolidated financial statements of the KRUK Group;
- 4) making decisions for the Company to borrow funds from other companies of the KRUK Group;
- 5) making decisions for the Company to borrow funds and issue bonds, including borrowings and bonds not provided for in the budget, in a cumulative annual amount not exceeding 10% of the Company's equity;
- 6) making decisions to provide security and surety over or encumber the Company's assets when parties to the transaction are only companies of the KRUK Group;
- 7) making decisions to provide security and surety over or encumber the Company's assets, including security, surety or encumbrance not provided for in the budget, in a cumulative annual amount not exceeding 10% of the Company's equity;
- 8) making decisions for the Company to incur liabilities in a single transaction or a series of related transactions up to a total amount equal to 5% of the Company's equity, including transactions not provided for in the budget, but arising in the ordinary course of the Company's business;
- 9) the Company acquiring or subscribing for shares in the KRUK Group companies;
- 10) deciding on the acquisition or disposal of the Company's assets forming part of the KRUK Group;
- 11) deciding on the acquisition and disposal of the Company's assets provided for in the budget, including an acquisition or disposal not provided for in the budget, with a value of up to 15% (fifteen percent) of the Company's net book value as determined on the basis of the last audited financial statements;
- 12) deciding on the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks, when only members of the KRUK Group are parties to the transaction;
- 13) the Company or its subsidiaries engaging advisers and other third-party individuals as consultants, lawyers or agents as part of or beyond the adopted budget provided that the resulting total annual cost to the Company does not exceed PLN 1,000,000.00 (one million zloty);
- 14) drafting objectives for management stock option plans with a view to submitting them to the Supervisory Board for opinion and presenting to the General Meeting for adoption;
- 15) defining the list of persons other than Management Board members, who are eligible to participate in the management stock option plans adopted by the Company;
- 16) deciding on making any gratuitous disposals or commitments by the Company within the scope of the Company's business when only members of the KRUK Group are parties to the transaction;
- 17) deciding on making any gratuitous disposals or commitments by the Company within the scope of the Company's business for an amount of up to PLN 1,000,000.00 (one million zloty) in one financial year when entities other than members of the KRUK Group are parties to the transaction;
- 18) making decisions concerning the purchase or disposal by the Company of property, perpetual usufruct right or an interest in property if the VAT-exclusive purchase price or the VAT-exclusive selling price is no more than PLN 5,000,000 (five million zloty);
- 19) adopting policies, procedures, rules and other internal regulations at the Company;
- 20) establishing and closing the Company's committees reporting to the Management Board;
- 21) appointing commercial proxies.

Resolutions of the Management Board are passed with a simple majority of votes. In the event of a tied vote, the President of the Management Board has the casting vote.

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

By Resolution No. 8/2022 of the Extraordinary General Meeting of KRUK S.A. held on November 16th 2022, the General Meeting authorised the Management Board to purchase the Company shares listed on the main market of the WSE (the official stock exchange market) in accordance with the procedure and on the terms provided for in the resolution. The authorisation is valid to the earlier of December 31st 2026 or the date when all funds allocated for the buy-back are used up.

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

The table below presents Company shares or rights to Company shares held by Management and Supervisory Board members as at January 1st 2022.

**Table 44. KRUK S.A. shares held by management and supervisory personnel as at January 1st 2022**

Name	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,771,463	1,771,463
Piotr Kowalewski	Member of the Management Board	12,875	12,875
Adam Łodygowski	Member of the Management Board	-	-
Urszula Okarma	Member of the Management Board	105,325	105,325
Michał Zasępa	Member of the Management Board	19,687	19,687
Tomasz Bieske	Member of the Supervisory Board	1,133	1,133

*Source: Company*

Apart from the changes in the number of shares held by Piotr Krupa, President of the Management Board, described in the Shareholding structure section, in the period from January 1st 2022 to the issue date of this Report there were also changes in the number of Company shares held by Urszula Okarma, Piotr Kowalewski, Tomasz Bieske and Michał Zasępa, as described below.

- On February 3rd 2022, the Company received a notification from Michał Zasępa, given under Article 19 of the MAR. According to the notification, Mr Zasępa had sold, in ordinary session trades on the Warsaw Stock Exchange, 1,759 shares in KRUK S.A. for

the average price of PLN 327.53 per share on January 31st 2022, 4,322 shares in KRUK S.A. for the average price of PLN 324.10 per share on February 1st 2022, and 6,737 shares in KRUK S.A. for the average price of PLN 321.48 per share on February 3rd 2022.

- On February 14th 2022, the Company received a notification from Tomasz Bieske, given under Article 19 of the MAR. According to the notification, on February 14th 2022 Mr Bieske had bought, in ordinary session trades on the Warsaw Stock Exchange, 250 shares in KRUK S.A. for the average price of PLN 302.00 per share.
- On March 17th 2022, the Company received a notification from Tomasz Bieske, given under Article 19 of the MAR. According to the notification, on March 17th 2022 Mr Bieske had bought, in ordinary session trades on the Warsaw Stock Exchange, 285 shares in KRUK S.A. for the average price of PLN 282.01 per share.
- On March 23rd 2022, the Company received a notification from Piotr Kowalewski, given under Article 19 of the MAR. According to the notification, on March 21st 2022 Mr Kowalewski sold, in ordinary session trades on the Warsaw Stock Exchange, 2,000 shares in KRUK S.A. for the average price of PLN 301.00 per share.
- On March 28th 2022, the Company received a notification from Piotr Kowalewski, given under Article 19 of the MAR, to the effect that on March 28th 2022 Piotr Kowalewski had purchased, outside a trading venue, 6,596 KRUK S.A. shares for the average price of PLN 83.52 per share (placement of an order to convert subscription warrants into shares under the 2015–2019 Incentive Scheme).
- On March 28th 2022, the Company received a notification from Michał Zasępa, given under Article 19 of the MAR, to the effect that on March 28th 2022 Michał Zasępa had purchased, outside a trading venue, 43,498 KRUK S.A. shares for the average price of PLN 83.52 per share (placement of an order to convert subscription warrants into shares under the 2015–2019 Incentive Scheme).
- On September 15th 2022, the Company received a notification from Urszula Okarma, given under Article 19 of the MAR. According to the notification, Ms Okarma had sold, in ordinary session trades on the Warsaw Stock Exchange, 5,641 shares in KRUK S.A. for the average price of PLN 269.01 per share on September 12th 2022, 479 shares in KRUK S.A. for the average price of PLN 269.00 per share on September 13th 2022, and 687 shares in KRUK S.A. for the average price of PLN 255.26 per share on September 14th 2022.
- On September 19th 2022, the Company received a notification from Urszula Okarma, given under Article 19 of the MAR. According to the notification, Ms Okarma had sold, in ordinary session trades on the Warsaw Stock Exchange, 2,700 shares in KRUK S.A. for the average price of PLN 255.00 per share on September 15th 2022, 3,913 shares in KRUK S.A. for the average price of PLN 246.33 per share on September 16th 2022, and 5,157 shares in KRUK S.A. for the average price of PLN 245.03 per share on September 19th 2022.
- On September 21st 2022, the Company received a notification from Piotr Kowalewski, given under Article 19 of the MAR. According to the notification, Mr Kowalewski had sold, in ordinary session trades on the Warsaw Stock Exchange, 2,000 shares in KRUK S.A. for the average price of PLN 242.42 per share on September 16th 2022 and 1,000 shares in KRUK S.A. for the average price of PLN 237.90 per share on September 20th 2022.
- On September 22nd 2022, the Company received a notification from Urszula Okarma, given under Article 19 of the MAR. According to the notification, Ms Okarma had sold, in ordinary session trades on the Warsaw Stock Exchange, 94 shares in KRUK S.A. for the average price of PLN 244.00 per share on September 20th 2022, 2,829 shares in KRUK S.A. for the average price of PLN 236.01 per share on September 21st 2022, and 2,000 shares in KRUK S.A. for the average price of PLN 241.82 per share on September 22nd 2022.



- On September 29th 2022, the Company received a notification from Michał Zasepa, given under Article 19 of the MAR, to the effect that on September 29th 2022 Michał Zasepa had purchased, outside a trading venue, 7,230 KRUK S.A. shares for the average price of PLN 83.52 per share (placement of an order to convert subscription warrants into shares under the 2015–2019 Incentive Scheme).
- On September 29th 2022, the Company received a notification from Piotr Kowalewski, given under Article 19 of the MAR, to the effect that on September 29th 2022 Piotr Kowalewski had purchased, outside a trading venue, 10,542 KRUK S.A. shares for the average price of PLN 83.52 per share (placement of an order to convert subscription warrants into shares under the 2015–2019 Incentive Scheme).
- On September 29th 2022, the Company received a notification from Urszula Okarma, given under Article 19 of the MAR, to the effect that on September 29th 2022 Urszula Okarma had purchased, outside a trading venue, 63,893 KRUK S.A. shares for the average price of PLN 83.52 per share (placement of an order to convert subscription warrants into shares under the 2015–2019 Incentive Scheme).

**Table 45. KRUK S.A. shares held by management and supervisory personnel as at December 31st 2022**

Name	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,809,050	1,809,050
Piotr Kowalewski	Member of the Management Board	25,013	25,013
Urszula Okarma	Member of the Management Board	145,718	145,718
Adam Łodygowski	Member of the Management Board	-	-
Michał Zasepa	Member of the Management Board	57,597	57,597

Source: Company

List of notifications received from the management and supervisory personnel in 2022.

#### Piotr Krupa – summary of notifications in 2022

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
February 11th 2022	February 9th 2022	1,000	Sale	PLN 311.00	WSE
	February 10th 2022	4,000	Sale	PLN 304.77	WSE
March 29th 2022	March 28th 2022	3,000	Sale	PLN 315.67	WSE
September 29th 2022	September 29th 2022	83,942	Purchase	PLN 83.52	Outside a trading venue
October 3rd 2022	September 27th 2022	261	Sale	PLN 239.87	WSE

	September 28th 2022	14,000	Sale	PLN 228.89	WSE
	September 29th 2022	1,094	Sale	PLN 230.66	WSE
November 16th 2022	November 10th 2022	5,000	Sale	PLN 278.92	WSE
	November 14th 2022	11,000	Sale	PLN 281.61	WSE
	November 15th 2022	7,000	Sale	PLN 285.18	WSE

#### Piotr Kowalewski – summary of notifications in 2022

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
March 23rd 2022	March 21st 2022	2,000	Sale	PLN 301.00	WSE
March 28th 2022	March 28th 2022	6,596	Purchase	PLN 83.52	Outside a trading venue
September 21st 2022	September 16th 2022	2,000	Sale	PLN 242.42	WSE
	September 20th 2022	1,000	Sale	PLN 237.90	WSE
September 29th 2022	September 29th 2022	10,542	Purchase	PLN 83.52	Outside a trading venue

#### Tomasz Bieske – summary of notifications in 2022

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
February 14th 2022	February 14th 2022	250	Purchase	PLN 302.00	WSE
March 17th 2022	March 17th 2022	285	Purchase	PLN 282.01	WSE

#### Urszula Okarma – summary of notifications in 2022

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
September 15th 2022	September 12th 2022	5,641	Sale	PLN 269.01	WSE
	September 13th 2022	479	Sale	PLN 269.00	WSE
	September 14th 2022	687	Sale	PLN 255.26	WSE

September 19th 2022	September 15th 2022	2,700	Sale	PLN 255.00	WSE
	September 16th 2022	3,913	Sale	PLN 246.33	WSE
	September 19th 2022	5,157	Sale	PLN 245.03	WSE
September 22nd 2022	September 20th 2022	94	Sale	PLN 244.00	WSE
	September 21st 2022	2,829	Sale	PLN 236.01	WSE
	September 22nd 2022	2,000	Sale	PLN 241.82	WSE
September 29th 2022	September 29th 2022	63,893	Purchase	PLN 83.52	Outside a trading venue

#### Michał Zasepa – summary of notifications in 2022

Date of notification	Date of transaction	Volume	Transaction type	Average price	Place of transaction
February 3rd 2022	January 31st 2022	1,759	Sale	PLN 327.53	WSE
	February 1st 2022	4,322	Sale	PLN 324.10	WSE
	February 3rd 2022	6,737	Sale	PLN 321.48	WSE
March 28th 2022	March 28th 2022	43,498	Purchase	PLN 83.52	Outside a trading venue
September 29th 2022	September 29th 2022	7,230	Purchase	PLN 83.52	Outside a trading venue

Subsequent to the reporting date, apart from the notifications received from the aforementioned Management and Supervisory Board members and Piotr Krupa, President of the Management Board, on change in their holdings of Company shares (see the Shareholding structure section), the Company received the following notifications from Management and Supervisory Board members:

**Table 46. KRUK S.A. shares held by management and supervisory personnel as at the report issue date**

Name	Position	Number of shares held	Total par value (PLN)
Piotr Krupa	President of the Management Board	1,780,813	1,780,813
Piotr Kowalewski	Member of the Management Board	25,013	25,013
Urszula Okarma	Member of the Management Board	145,718	145,718

Adam Łodygowski	Member of the Management Board	-	-
Michał Zasepa	Member of the Management Board	57,597	57,597

Source: Company

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

On August 31st 2020, acting pursuant to Article 90d.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, the Annual General Meeting of KRUK S.A. adopted the Remuneration Policy for Management Board and Supervisory Board Members of KRUK S.A. of Wrocław (the “Remuneration Policy”). Subsequently, the General Meeting passed Resolutions No. 28/2021 and No. 29/2021 of June 16th 2021 and Resolution No. 6/2022 of November 16th 2022 approving the amended Remuneration Policy. The Remuneration Policy sets out the rules of remuneration for Management and Supervisory Board Members. Any amendment to the rules of remuneration for Management Board or Supervisory Board Members requires the Policy to be amended and must be approved by the General Meeting prior to taking effect.

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

With respect to remuneration of Management Board members, Section 5 of the Remuneration Policy differentiates between fixed and variable components of remuneration. In accordance with Section 7 of the Remuneration Policy, the fixed components of remuneration include both monetary and non-monetary benefits, such as accident insurance, directors and officers liability insurance, participation in employee benefit schemes, private use of company cars, reimbursement of apartment rental costs for Management Board Members residing outside the Company’s home municipality, and participation in Employee Capital Plans (“PPK”).

In accordance with the provisions of the Remuneration Policy and Article 8.8 of the Company’s Articles of Association, the remuneration principles applying to Management Board Members and the salary of the President of the Management Board are decided by the Supervisory Board. The amounts of remuneration of the individual Management Board members other than the President are determined by the Supervisory Board, based on proposals submitted by the President of the Management Board and in line with the remuneration rules defined by the Supervisory Board.

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

The terms of the management service contracts correspond to the terms of mandates of the Management Board members: they expire with the expiry of a given mandate, including as a

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

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

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

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

The table below presents the amounts of remuneration and additional benefits received by the Management Board members (who were in office in 2021) from the Company and its subsidiaries for 2022 and 2021.

Table 47. Remuneration and additional benefits for Management Board members in 2021 and 2022

Piotr Krupa	2022	2021
	(gross, PLN)	
Fixed remuneration components, including:	3,059,884.84	2,743,092.27
- Contract remuneration	3,033,600.00	2,720,000.00
- Company car*	4,920.00	4,800.00
- Medical package	355.96	339.04
- Medical package for close persons	1,281.30	1,220.24
- NNW (automobile accident insurance) premium	15,733.41	15,733.41
- D&O liability insurance premium	3,994.17	999.58
Variable remuneration components, including bonuses	-	-

<b>Piotr Kowalewski</b>	<b>2022</b>	<b>2021</b>
	(gross, PLN)	
Fixed remuneration components, including:	910,918.75	737,406.20
- Contract remuneration	880,640.00	716,800.00
- Company car*	8,880.00	4,800.00
- Medical package	355.96	339.04
- Medical package for close persons	1,281.30	1,220.24
- Participation in an employee capital plan (PPK)	13,367.32	10,847.34
- NNW (automobile accident insurance) premium	2,400.00	2,400.00
- D&O liability insurance premium	3,994.17	999.58
Variable remuneration components, including bonuses	-	-

<b>Adam Łodygowski</b>	<b>2022</b>	<b>2021</b>
	(gross, PLN)	
Fixed remuneration components, including:	921,664.25	788,135.74
- Contract remuneration	896,000.00	768,000.00
- Company car*	5,388.00	4,800.00
- Medical package	355.96	339.04
- participation in an employee capital plan (PPK)	13,526.12	11,597.12
- NNW (automobile accident insurance) premium	2,400.00	2,400.00
- D&O liability insurance premium	3,994.17	999.58
Variable remuneration components, including bonuses	-	-

<b>Urszula Okarma</b>	<b>2022</b>	<b>2021</b>
	(gross, PLN)	
Fixed remuneration components, including:	982,302.13	878,938.62
- Contract remuneration	970,752.00	870,400.00
- Company car*	4,800.00	4,800.00
- Medical package	355.96	339.04
- NNW (automobile accident insurance) premium	2,400.00	2,400.00

- D&O liability insurance premium	3,994.17	999.58
Variable remuneration components, including bonuses	-	-

Michał Zasepa	2022	2021
	(gross, PLN)	
Fixed remuneration components, including:	1,007,757.09	896,437.58
- Contract remuneration	970,752.00	870,400.00
- Company car*	11,172.00	4,800.00
- Medical package	4,640.40	4,640.40
- Participation in an employee capital plan (PPK)	14,798.52	13,197.60
- NNW (automobile accident insurance) premium	2,400.00	2,400.00
- D&O liability insurance premium	3,994.17	999.58
Variable remuneration components, including bonuses	-	-

\*The monetary value of the allowance for the use of a company car for private purposes is set as income within the meaning of Article 12.2a of the PIT Act of July 26th 1991.

Moreover, in 2022, as part of the 2021–2024 Incentive Scheme, members of the Management Board were allotted Subscription Warrants for 2021 in the number specified in the Supervisory Board's Resolution of July 5th 2022, subject to fulfilment of the conditions specified in the General Meeting Resolution No. 22/2021 of June 16th 2021.

In line with the 2021–2024 Scheme, the number of Subscription Warrants to be allotted to the Management Board members in each year of the Scheme may not exceed 40% of the total number of Subscription Warrants offered for subscription by Eligible Persons as part of a given Tranche.

For detailed information on the incentive scheme operated by the Company and the number of warrants allotted to the Management Board Members thereunder, see the *Incentive Scheme* section.

## Supervisory Board

### 8.3.5 Composition of the Supervisory Board, its changes and rules of appointment

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

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

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

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

Until April 14th 2022, the KRUK Supervisory Board was composed of the following seven members:

**Table 48. Composition of the KRUK Supervisory Board until April 14th 2022**

Name	Position
Piotr Stępniaak	Chair 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

Following expiry of the term of office of the Company's Supervisory Board, on April 11th 2022 Piotr Krupa submitted a statement on the exercise of the rights conferred by Art. 11.5 and Art. 11.8 of the Company's Articles of Association and appointed Piotr Stępniaak and Krzysztof Kawalec to the Supervisory Board of the new term, with effect from April 14th 2022, with Krzysztof Kawalec to serve as Deputy Chair. On April 14th 2022, the Annual General Meeting of KRUK S.A. appointed the following persons to the Company's Supervisory Board, with effect from the same date: Katarzyna Beuch, Ewa Radkowska-Świętoń, Izabela Felczak-Poturnicka, Piotr Szczepiórkowski and Beata Stelmach.

**Table 49. Composition of the KRUK Supervisory Board in the period April 14th 2022 - December 31st 2022**

Name	Position
Piotr Stępniaak	Chair of the Supervisory Board
Krzysztof Kawalec	Deputy Chair of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Izabela Felczak-Poturnicka	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Beata Stelmach	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board



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

**Table 50. Proportion of men and women on the KRUK Supervisory Board until April 14th 2022**

<b>Women</b>	29%	2
<b>Men</b>	71%	5

Source: Company

Following the appointment of the Supervisory Board of the new term, the proportion of men and women on the Company's Supervisory Board changed and was as follows:

**Table 51. Proportion of men and women on the KRUK Supervisory Board in the period April 14th 2022 – December 31st 2022 and as at the issue date of this Report**

<b>Women</b>	57%	4
<b>Men</b>	43%	3

Source: Company

### **Expertise, experience and employment history of members of the Company's Supervisory Board**

**Piotr Stępnia**k graduated from Guelph University, Canada as BA (majoring in Economics and in Management); ESC Rouen, France; Purdue University, U.S., as EMBA and Purdue University, U.S., as MSM. Mr Stępnia k has extensive professional experience. In 2001–2004, he was Vice President of LUKAS Bank, where he was responsible for retail banking. In 2005–2008, he was President of the Management Board of Getin Holding S.A. Currently, he serves on the Board of Directors of BFF Banking Group and as Chair of the Supervisory Board of BFF Polska S.A. Mr Stępnia k also chairs the Supervisory Board of Grupa Kęty S.A. and is a member of the Supervisory Board of VRG S.A. and its subsidiary W. Kruk S.A. He is a former member of the Supervisory Board of Deni Cler S.A. Since 2008, he has been member of the Supervisory Board of KRUK S.A., and since 2013 he has served as Chair of the Company's Supervisory Board. Piotr Stępnia k is also a member of the Company's Audit Committee.

**Krzysztof Kawalec** graduated from the Faculty of Organisation and Management at the Łódź University of Technology (having earned a Master of Science/Engineer degree in Business Administration); he completed a post-graduate Enterprise Value Management programme at the Warsaw School of Economics, and a post-graduate course in Management Accounting and Controlling at the same school; he also completed an MBA programme at PAM Center of the University of Łódź, University of Maryland. In 1998–2001 he was employed as Manager at IFFP Sp. z o.o. (International Fast Food Polska Sp. z o.o.) of Warsaw. In 2001–2002, he headed the Contracts Department at Magellan S.A. In 2002–2003, he was a member of the Company's Management Board and the CFO. In 2003, he was appointed Vice President of the Company's Management Board and Chief Operating Officer, and he served as President of the Management Board of Magellan S.A. from July 1st 2008. Since 2018, he has been President of the Management Board of BFF Polska S.A., member of the BFF Banking Group listed on Borsa Italiana. Currently, he also serves as Head of the BFF Bank SpA Branch in Poland. He is a member of the Supervisory Boards of BFF Slovakia s.r.o. and BFF MedFinance s.r.o. operating in Slovakia and the Czech Republic. Since 2009, he has been involved in KRUK S.A. and the KRUK Group as a member of the Supervisory Board of KRUK S.A. and a member of the Supervisory Board of

KRUK TFI S.A. Since 2022, Krzysztof Kawalec has also served as Deputy Chair of the Supervisory Board of KRUK S.A.

**Katarzyna Beuch** graduated from the Management and Computer Science Faculty of the Wrocław University of Economics and Business, and completed a post-graduate programme in financial risk, assets and liabilities management organised by USAID and the University of South Carolina at the Warsaw Institute of Banking. She has held ACCA qualifications since 2000 (FCCA since 2005). She began her professional career at Bank Zachodni at the Assets and Liabilities Management Department. Ms Beuch has ten years of experience in auditing financial statements of public companies, including banks and insurance companies (Ernst & Young Audit; 1996–2006). In 2006–2012, she worked at Getin Holding S.A., including as CFO, where she gained extensive experience in integration and transformation processes as well as acquisitions, mergers and demergers in the period of the Group's intensive growth. In 2014–2016, she was Head of the Accounting Department of Santander Consumer Bank S.A., and in 2016–2018 she served as Head of Corporate Control and Economic Analyses at KGHM S.A. Since 2020, she has been the CFO at Benefit Systems S.A. Ms Beuch has authored publications on the application of International Financial Reporting Standards. She is an independent member of supervisory boards. Since 2013, Ms Beuch has served as Chair of the Audit Committee at Kruk S.A., since 2020 – as Chair of the Audit Committee at ATM Grupa S.A., and since 2021 – as member of the Audit Committee of WP Holding S.A.

**Izabela Felczak-Poturnicka** – a graduate of the Faculty of Economics of the Lazarski University of Commerce and Law in Warsaw. She also completed doctoral studies in Management and Finance and a postgraduate programme in company valuation methods at the Warsaw School of Economics. Since 2005 she has been a member of the Information and Research Centre of the Public Finance and Tax Law of Central and Eastern European Countries at the Faculty of Law of the University of Białystok. Ms Felczak-Poturnicka has authored and co-authored academic papers in economics.

She has more than 17 years' experience in corporate supervision over companies, capital market transactions and other fields. Currently she is Managing Director of Corporate Affairs at the PZU Group. Prior to that, she served as Head of the Ownership Supervision Department of the Ministry of State Assets. From January 2017 she served as counsel to the minister responsible for coordinating the work of the Ownership Policy Team at the Ministry of Energy. In 2018–2019, Ms Felczak-Poturnicka was Deputy Director at the Prime Minister Chancellery. From 2005 to 2016 she worked at the Ministry of State Treasury. She has 15 years' experience working on corporate supervisory boards. She is Chair of the Supervisory Board of Polski Holding Nieruchomości S.A. and a member of the Supervisory Board of PZU Zdrowie S.A. She has served on the supervisory boards of PKN ORLEN S.A., Enea S.A. (as Chair of the Supervisory Board), Jastrzębska Spółka Węglowa S.A., ZEW Niedzica S.A., MERAZET S.A., Z.Ch. ZACHEM S.A. and MERITUM BANK ICB S.A. Since 2022, Ms Felczak-Poturnicka has served as Member of the Supervisory Board of KRUK S.A.

**Ewa Radkowska-Świętoń** holds a degree in Finance and Banking from the Warsaw School of Economics. She is certified as CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager). In the past, she was President of the Management Board of Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. and Vice President and then President of the Management Board of Skarbiec Holding S.A. (a company listed on the WSE). In 2008–2017, she served as Member of the Management Board and then Vice President of Nationale Nederlanden Powszechnie Towarzystwo Emerytalne S.A., where she was responsible for investments and corporate

governance of the largest Polish open-ended pension fund. She also worked as fund manager at Aviva Investors Polska S.A. and ING TFI S.A. (currently NN Investment Partners), and as equity research analyst at Bank Handlowy S.A.'s Equity Transactions Centre. She is an independent member of the Supervisory Board and the Audit Committee at Ipopema Securities S.A., member of the Capital Market Benchmarks Supervisory Committee at GPW Benchmark S.A. and member of the Risk Committee at KDPW\_CCP S.A. Ms Radkowska-Świętoń also serves as President of the Association of Independent Supervisory Board Members and an expert at the Institute for Sustainable Development and Environment at Lazarski University. Since 2019, she has been an independent member of the Supervisory Board and the Audit Committee, and has chaired the Remuneration and Appointments Committee at KRUK S.A.

**Beata Stelmach** holds a degree from the Faculty of Finance and Statistics of the Higher School of Planning and Statistics in Warsaw (now the Warsaw School of Economics). She has also completed MBA programmes at Calgary University and INSEAD. She has been a capital and financial markets professional for many years, having worked for the Polish Securities and Exchange Commission from the beginning of the economic transformation; as a consultant to the World Bank, she has advised on the establishment of capital markets in other countries. Ms Stelmach has served on the management boards of capital market entities, including Intrum Justitia TFI S.A. and MCI Capital TFI S.A.. She was President of the Polish Association of Listed Companies. She has sat on the supervisory boards of Bank BPH S.A., HSBC Bank Polska S.A., Bank Millennium S.A. and others. Beata Stelmach also has managerial experience in other sectors: in 2001–2005 she was a member of the governing bodies of Prokom Software S.A.; from 2013 to 2018, she was CEO and General Director for Poland and the Baltic States at General Electric. In 2018–2020, she worked as an SVP at Leonardo Helicopters and President of the Management Board of PZL Świdnik S.A. From 2011 to 2013, she was Undersecretary of State at the Ministry of Foreign Affairs, responsible for global economic policy and public and cultural diplomacy. Ms Stelmach has completed a range of specialist training courses, including in financial instruments at New York Institute of Finance, as well as in artificial intelligence at Oxford University. Awarded with the Knight's Cross of the Order of Polonia Restituta in recognition of her outstanding diplomatic service and achievements in professional work and diplomatic activities for Poland. She is involved in various social outreach initiatives, including economic education of children. She has supported efforts to increase the activity and role of women in economic and social life for many years. Since 2022, Ms Stelmach has served as Member of the Supervisory Board of KRUK S.A.

**Piotr Szczepiórkowski** is a graduate of the Faculty of Chemical and Process Engineering at the Warsaw University of Technology. Expert in pension systems, asset management and capital markets. During his professional career he completed a training programme and successfully passed all the 14 exams to obtain the ACCA qualification and the Executive Management Development courses organised by CEDEP (Fontainebleau), Columbia University and Wharton School of Business. He holds an investment adviser licence (No. 136) and is a member of the Polish Association of Actuaries and CFA Society Poland (CFA Charterholder). Mr Szczepiórkowski has worked at the Ministry of Finance (Department of Financial Institutions) and Bank Gospodarstwa Krajowego (Treasury Department). For many years, he worked for the Commercial Union Polska Group (now Aviva Polska), first in the Finance Department of Towarzystwo Ubezpieczeń na Życie as an accountant, Deputy Finance Director, Deputy Investment Director, and then at Commercial Union PTE as Chief Investment Officer and Vice President of the Management Board. Since 2001, he has been President of the Management Board of PTE. In 2008–2015, he was Vice President of the Management Board of Aviva Towarzystwo Ubezpieczeń na Życie. At present, Mr Szczepiórkowski sits on the supervisory

boards of the following WSE-listed companies: FM Forte S.A., Decora S.A., ZEW Kogeneracja S.A., Octava S.A., and is a Member of the Supervisory Board and Chair of the Audit Committee at Ipopema TFI S.A. and Deputy Chair of the Supervisory Board at Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie. Since 2019, Mr Szczepiórkowski has sat on the Supervisory Board of KRUK S.A., where he now serves as an independent member of the Audit Committee and a member of the Remuneration and Appointments Committee.

### 8.3.6 Operation of the Supervisory Board

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

- Assessing the Directors' Report on the Company's operations and the financial statements for the previous financial year in terms of their completeness, accuracy and consistency with the underlying accounting records and supporting documents, and assessing the Management Board's proposals on distribution of profit or coverage of loss;
- Preparing and submitting to the General Meeting an annual written report for the previous financial year (Report of Supervisory Board);
- Appointing and removing the President of the Management Board;
- Appointing and removing members of the Management Board (including Vice-Presidents);
- Suspending members of the Management Board and delegating members of the Supervisory Board to temporarily carry out the duties of Management Board members unable to perform their duties;
- Defining, at the request of the President of the Management Board, the rules and amount of remuneration for the Management Board members;
- Defining the amount of remuneration for the President of the Management Board;
- Approving the Company's annual financial plans (budgets) and strategic economic plans; a budget should include at least a forecast statement of profit or loss and a forecast statement of cash flows for a given financial year and a forecast statement of financial position as at the end of that financial year;
- Granting consent for the Company to contract loans or issue bonds, other than loans or bonds provided for in the budget, in excess of a cumulative annual amount equal to 10% of the Company's equity, with the exception of loans received from the other companies of the KRUK Group;
- Granting consent to provide security and surety over or encumber the Company's assets otherwise than as provided for in the budget, in excess of a cumulative amount equal to 10% of the Company's equity annually, unless parties to the transaction are only companies of the KRUK Group. Creating security or surety for loans and bonds provided for in the budget or for which the Supervisory Board has already given its consent does not require the Supervisory Board's consent;
- Granting consent for the Company to assume liabilities in a single transaction or a series of related transactions with a total value exceeding 5% of the Company's equity in a given financial year, not provided for in the budget and not arising in the ordinary course of the Company's business;
- Granting consent for the Company to acquire or subscribe for shares in other commercial companies and to join other businesses that are not members of the KRUK Group;

- Granting consent for the acquisition or disposal of the Company's assets with a value exceeding 15% of the Company's net book value as determined on the basis of the last audited financial statements, other than an acquisition or disposal provided for in the budget, except for any acquisition or disposal of assets from or to members of the KRUK Group;
- granting consent to the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks, unless only members of the KRUK Group are parties to the transaction;
- granting consent to the Company or any of its subsidiaries to engage advisers and other third-party individuals as consultants, lawyers or agents if the resulting total annual cost to the Company, not provided for in the budget, would exceed PLN 1,000,000.00 (one million złoty);
- approving the rules of management stock option plans;
- selecting an auditor to audit the Company's full-year financial statements, as referred to in Art. 395 of the Commercial Companies Code, in accordance with the Polish and international accounting standards;
- granting consent to the execution of or amendment to agreements concluded between the Company or any its subsidiaries with the Management or Supervisory Board members;
- granting consent to making any gratuitous disposals or commitments by the Company or a subsidiary of the Company within the scope of the Company's business for an amount exceeding PLN 1,000,000.00 (one million złoty) in one financial year unless only members of the KRUK Group are parties to the transaction;
- granting consent to making any gratuitous disposals or gratuitous commitments by the Company or a subsidiary of the Company outside the scope of the Company's business for a total amount exceeding in a given financial year 0.6% of the Company's net profit as disclosed in the Company's authorised financial statements for the prior year unless only members of the KRUK Group are parties to the transaction. If the Company fails to earn a profit in a given financial year, the Supervisory Board's consent is required for making any gratuitous disposals or commitments by the Company or a subsidiary of the Company outside the scope of the Company's business for a total amount exceeding in a given financial year PLN 400,000.00 (four hundred thousand złoty) unless only members of the KRUK Group are parties to the transaction;
- Granting consent to the purchase or disposal of property, perpetual usufruct rights or interests in property (excluding property purchased or sold as part of debt management processes) by the Company if the VAT-exclusive purchase price or the VAT-exclusive sale price is PLN 5,000,000.00 (five million złoty) or more;
- other matters as provided for in the Company's Articles of Association and the Polish Commercial Companies Code.

Moreover, the Supervisory Board is authorised to enter into contracts with advisers to the Supervisory Board as defined in Art. 382<sup>1</sup> of the Polish Commercial Companies Code, with the proviso that the aggregate consideration payable to such advisers in a financial year must not exceed PLN 1,000,000.00 (one million złoty).

Supervisory Board meetings are convened by the Chair or, if absent, by the Deputy Chair of the Supervisory Board. In exceptional circumstances, in the absence of both the Chair and the Deputy Chair of the Supervisory Board, a meeting of the Supervisory Board may be convened by other member thereof, designated by either the Chair or the Deputy Chair. Detailed rules for holding meetings are defined in the Rules of Procedure for the Supervisory Board.

Supervisory Board resolutions are passed with an absolute majority of votes of the Supervisory Board members present at the meeting. In the event of a tied vote, the Chair has the casting vote. For a resolution of the Supervisory Board to be valid, all members of the Supervisory Board must be invited to the meeting and at least half of them must be present at the meeting, with the proviso that Supervisory Board resolutions may be passed as provided for in the Company's Articles of Association. At its meeting, the Supervisory Board may also resolve on matters not included in the proposed agenda for the meeting if none of the Supervisory Board members in attendance objects to voting on such resolution, save for resolutions on personal matters, which should be put on the meeting's proposed agenda set out in the notice of the meeting.

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

In 2022, the Supervisory Board acted in accordance with the remit and procedures provided for the Commercial Companies Code, the Company's Articles of Association, and the Rules of Procedure for the Supervisory Board. In 2022, the Supervisory Board met six times – in March, April (twice), September, November and December. All the meetings were held at the Company's registered office using means of remote communication. In addition, the Supervisory Board met on an as-needed basis via conference calls to discuss both ad-hoc and planned matters.

In the financial year 2022, all Supervisory Board members were engaged in the work of the Supervisory Board, attending all the six meetings and additional conference calls. The Supervisory Board maintained regular contact with the Company's Management Board and the auditor.

In 2022, the Supervisory Board passed 43 resolutions, of which:

- 32 were adopted at meetings of the Supervisory Board,
- 11 were adopted by written ballot.

At least once a year, members of the Supervisory Board submit to the other members of the Supervisory Board and to the Management Board representations on meeting the independence criteria defined in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089, as amended; the "Statutory Auditors Act"), and on the absence of any actual and material links between them and any shareholders holding 5% or more of total voting rights in the Company.

According to the representations completed and submitted by the members of the Supervisory Board, the following members meet the independence criteria:

- Katarzyna Beuch,
- Izabela Felczak-Poturnicka,
- Ewa Radkowska-Świętoń,
- Beata Stelmach,
- Piotr Szczepiórkowski,
- Tomasz Bieske (Member of the Supervisory Board until April 14th 2022),

- Mateusz Melich (Member of the Supervisory Board until April 14th 2022).

According to representations submitted by Piotr Stępnik and Krzysztof Kawalec, they do not meet the independence criteria specified in the Statutory Auditors Act.

All of the Supervisory Board Members represented that they do not have any actual or material links with a shareholder holding 5% or more of total voting rights in the Company. Representations submitted by members of the Supervisory Board are reviewed annually.

Table 52. Supervisory Board and its powers and responsibilities as at December 31st 2022

Name	position on the Supervisory Board	independence criteria in accordance with the Statutory Auditors Act	experience in finance and accounting of listed companies	knowledge and skills in accounting or financial auditing	knowledge and skills specific to the industry
Piotr Stępnik	Chair	does not meet	meets	meets	meets
Krzysztof Kawalec	Deputy Chair	does not meet	meets	meets	meets
Katarzyna Beuch	Member	meets	meets	meets	meets
Izabela Felczak-Poturnicka	Member	meets	meets	meets	meets
Ewa Radkowska-Świętoń	Member	meets	meets	meets	meets
Beata Stelmach	Member	meets	meets	meets	meets
Piotr Szczepiórkowski	Member	meets	meets	meets	meets

Source: Company

Table 53. Supervisory Board and its committees as at December 31st 2022

Name	Audit Committee	Remuneration and Appointments Committee	Finance and Budget Committee
Piotr Stępnik	Member	x	x
Krzysztof Kawalec	x	Member	Member
Katarzyna Beuch	Chair	x	x
Izabela Felczak-Poturnicka	x	x	x
Ewa Radkowska-Świętoń	Member	Chair	Member
Beata Stelmach	x	x	Chair

<b>Piotr Szczepiórkowski</b>	Member	Member	x
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Source: Company

### 8.3.7 Shares in the Company and in its related entities held by members of the Supervisory Board

For information on shares in the Company and in its related entities held by members of the Supervisory Board, see Section 8.3 *Shares in the Company and in its related entities held by members of the Management Board or Supervisory Board*.

### 8.3.8 Remuneration, bonuses and employment contract terms of the Supervisory Board members

The remuneration principles applying to Supervisory Board Members are set out in the Remuneration Policy for Management Board and Supervisory Board Members of KRUK S.A. of Wrocław (the "Remuneration Policy"), adopted by the Annual General Meeting of KRUK S.A. on August 31st 2020, in accordance with Article 90d.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, and subsequently amended by General Meeting Resolutions Nos. 28/2021 and 29/2021 on June 16th 2021 and Resolution No. 6/2022 of the Extraordinary General Meeting on November 16th 2022.

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

Pursuant to Art. 12.3 of the Company's Articles of Association, the Supervisory Board members receive remuneration for their services, unless the body or entities entitled to appoint them resolve otherwise.

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

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

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

The table below presents the amounts of remuneration received by the Supervisory Board members from the Company for 2022 and 2021.

Table 54. Remuneration of Supervisory Board Members in 2021 and 2022

Piotr Stępnik	in 2022	in 2021
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	273,346.43	234,865.10
- Base pay	269,110.26	232,909.92



- Reimbursement of costs related to participation in the work of the Supervisory Board	242.00	955.60
- D&O liability insurance premium	3,994.17	999.58
	<b>in 2022</b>	<b>in 2021</b>
<b>Katarzyna Beuch</b>	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	190,100.87	117,454.54
- Base pay	185,011.43	116,454.96
- Reimbursement of costs related to participation in the work of the Supervisory Board	1.095,27	-
- D&O liability insurance premium	3,994.17	999.58
	<b>in 2022</b>	<b>in 2021</b>
<b>Tomasz Bieske</b>	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	34,797.61	119,203.55
- Base pay	33,642.54	116,454.96
- Reimbursement of costs related to participation in the work of the Supervisory Board	-	1,749.01
- D&O liability insurance premium	1,155.07	999.58
	<b>in 2022</b>	<b>in 2021</b>
<b>Krzysztof Kawalec</b>	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	162,549.3	141,454.54
- Base pay	134,555.13	116,454.96
- Reimbursement of costs related to participation in the work of the Supervisory Board	-	-
- Remuneration from KRUK TFI	24,000.00	24,000
- D&O liability insurance premium	3,994.17	999.58
	<b>in 2021</b>	<b>in 2020</b>
<b>Mateusz Melich</b>	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	35,302.25	120,349.96
- Base pay	33,642.54	116,454.96
- Reimbursement of costs related to participation in the work of the Supervisory Board	-	1,131.61
- Participation in an employee capital plan (PPK)	504.64	1,763.81
- D&O liability insurance premium	1,155.07	999.58
	<b>in 2022</b>	<b>in 2021</b>
<b>Ewa Radkowska-Świętoń</b>	(gross, PLN)	(gross, PLN)

Fixed remuneration components, including:	143,736.31	119,206.15
- Base pay	134,555.13	116,454.96
- Reimbursement of costs related to participation in the work of the Supervisory Board	5,187.01	1,751.61
- D&O liability insurance premium	3,994.17	999.58
	<b>in 2022</b>	<b>in 2021</b>
<b>Piotr Szczepiórkowski</b>	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	144,689.41	120,979.26
- Base pay	134,555.13	116,454.96
- Reimbursement of costs related to participation in the work of the Supervisory Board	4,060.84	1,751.61
- Participation in an employee capital plan (PPK)	2,079.27	1,773.11
- D&O liability insurance premium	3,994.17	999.58
	<b>in 2022</b>	
<b>Izabela Felczak-Poturnicka</b>	(gross, PLN)	
Fixed remuneration components, including:	105,779.66	
- Base pay	100,912.59	
- Reimbursement of costs related to participation in the work of the Supervisory Board	1,683.68	
- Participation in an employee capital plan (PPK)	-	
- D&O liability insurance premium	3,183.39	
	<b>in 2022</b>	
<b>Beata Stelmach</b>	(gross, PLN)	
Fixed remuneration components, including:	110,794.25	
- Base pay	100,912.59	
- Reimbursement of costs related to participation in the work of the Supervisory Board	6,698.27	
- Participation in an employee capital plan (PPK)	-	
- D&O liability insurance premium	3,183.39	

Source: Company

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

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

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

### 8.3.9 Supervisory Board Committees

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

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

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

#### **Audit Committee**

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

In the period January 1st–December 31st 2022, the Audit Committee was composed of:

- Katarzyna Beuch – Chair of the Committee,
- Ewa Radkowska-Świętoń – Member of the Committee,
- Piotr Stępnik – Member of the Committee,
- Piotr Szczepiórkowski – Member of the Committee.

Following the expiry of the Supervisory Board's term of office, on April 14th 2022 the Supervisory Board of a new term of office was appointed. At the same time, the composition of the Audit Committee did not change.

Pursuant to the Rules of Procedure for the Supervisory Board, the Audit Committee consists of at least three members. The majority of the Audit Committee members, including its chair, should be independent members of the Supervisory Board. The Audit Committee should include at least one member with knowledge and skills in accounting or auditing. Members of the Audit Committee should have the knowledge of and skills relevant for the industry in which the Company operates.

Three of the four members of the Audit Committee, i.e., Ms Katarzyna Beuch, who chairs the Audit Committee, and members of the Committee, Ms Ewa Radkowska-Świętoń and Mr Piotr Szczepiórkowski, fully meet the independence criteria under the Act of Statutory Auditors, Audit Firms, and Public Oversight. All members of the Audit Committee have knowledge and skills in accounting or auditing as well as the knowledge of and skills relevant for the industry in which the Company operates, which they gathered in the course of education and professional career.

The Audit Committee's responsibilities include in particular:

1. monitoring of:
  - the financial reporting process;
  - the effectiveness of internal control and risk management systems as well as internal audit systems in place at the Company, including effectiveness of the financial reporting process,
  - performance of financial audit tasks, including the audit of financial statements performed by an audit firm, with account taken of all conclusions and findings from an inspection of the audit firm by the Polish Audit Oversight Commission;

2. controlling and monitoring of the independence of the statutory auditor and the audit firm, in particular when the audit firm provides non-audit services;
3. informing the Supervisory Board about the results of the audit and explaining how the audit has contributed to the integrity of financial reporting in a public-interest entity and what the role of the Audit Committee in the audit process was;
4. assessing the independence of the qualified auditor and giving consent to the auditor's provision of permitted non-audit services to a public-interest entity;
5. developing a policy for selecting an audit firm to conduct the audit;
6. developing a policy for providing permitted non-audit services by the audit firm carrying out the audit, entities related to the audit firm or a member of the audit firm's network;
7. defining the procedure for selecting an audit firm by a public-interest entity;
8. presenting to the Supervisory Board the recommendation referred to in Article 16(2) of Regulation No. 537/2014, in accordance with the policies referred to in items 5 and 6 above;
9. submitting recommendations aimed at ensuring the integrity of the financial reporting process in a public-interest entity.

Apart from statutory duties, in 2022 the Audit Committee dealt in particular with:

- Analysis of the results of the audit of the 2021 full-year report;
- Discussion of a supplementary report for the Audit Committee for 2021;
- Analysis of the results of review of the interim financial statements;
- Analysis and evaluation of the Company's internal control and internal audit system, including a summary of internal audit findings from 2021;
- Discussion of the extent to which internal audit recommendations had been implemented and setting an audit plan for 2022;
- Analysis of the Company's Assessment Report, including an assessment of its risk management, compliance, information security and internal audit systems in 2021;
- Discussion of the KRUK Group's compliance function, its effectiveness and efficiency, and a remodelling of the function in the Group;
- Information security, system of misconduct detection and prevention, protection of whistle-blowers;
- Risk management at the Company and the Group, analysis of risk maps;
- Discussion of portfolio revaluation and the valuation methodology;
- analysis of provisions at Wonga.pl;
- Pre-authorisation of non-audit services for 2022 and approval of the non-audit service report for 2021;
- Discussion of regulatory and tax inspections at the Group and material court proceedings;
- Incident management;
- Analysis of estimated deferred tax liability;
- Analysis and discussion of various tax-related matters and reviewing amendments to laws and regulations;
- Periodic assessment of related-party transactions.

In accordance with KRUK S.A.'s policy and procedure for the acquisition of non-audit services, the independence of the services permitted by the auditor, performed for the benefit of all KRUK Group members, is monitored and evaluated. In 2022, the value of the services was PLN 331 thousand. The services were approved by the Audit Committee.

Members of the Audit Committee performed their duties during the Committee's meetings and the Supervisory Board's meetings. In 2022, the Committee held four meetings. Each meeting was attended by all Committee members. In addition, the Audit Committee members met via conference calls at additional meetings held to discuss an issue in detail.

### **Remuneration and Appointments Committee**

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

In the period January 1st-April 14th 2022, the Remuneration and Appointments Committee was composed of:

- Tomasz Bieske – Chair of the Committee
- Mateusz Melich – Member of the Committee
- Piotr Szczepiórkowski – Member of the Committee.

Following the expiry of the term of office of the Company's Supervisory Board and the appointment, on April 14th 2022, of the Supervisory Board of a new term of office, from April 14th 2022 to December 31st 2022 the composition of the Committee was as follows:

- Ewa Radkowska-Świętoń – Chair of the Committee
- Krzysztof Kawalec – Member of the Committee
- Piotr Szczepiórkowski – Member of the Committee.

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

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

Two of the three members of the Remuneration and Appointments Committee, i.e., Ms Ewa Radkowska-Świętoń, who chairs the Committee, and member of the Committee Mr Piotr Szczepiórkowski, meet the independence criteria under the Act of Statutory Auditors, Audit Firms, and Public Oversight.

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

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

In 2022, members of the Committee worked on the Report on Remuneration of KRUK S.A. Management Board and Supervisory Board for 2021. Members of the Audit Committee also participated directly in the work. To this end, members of the Committee held meetings with a legal advisor and with the auditor assessing the Report. Afterwards, they presented their

position to all members of the Supervisory Board. The Remuneration and Appointments Committee also delivered an opinion on the draft amendments to the Remuneration Policy submitted by the Management Board, which were subsequently presented to the General Meeting. Outside a meeting, the Committee also delivered opinions on draft resolutions of the Supervisory Board concerning fulfilment of the conditions for allotment of subscription warrants and allotment of warrants to Management Board members under Tranche 1 of the Management Stock Option Plan 2021-2024.

The Remuneration and Appointments Committee also discussed the HR strategy for the Group, its key priorities and stages of implementation. The division of HR duties and powers and differences in the approach to remuneration and benefits in different countries were also discussed.

Matters within the remit of the Committee were discussed during meetings and conference calls and during Supervisory Board meetings, held also through means of remote communication. All members of the Committee were involved in the Committee's work, attending meetings and conference calls.

### **Finance and Budget Committee**

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

In the period January 1st–April 14th 2022, the Finance and Budget Committee was composed of:

- Mateusz Melich – Chair of the Committee,
- Katarzyna Beuch – Member of the Committee,
- Tomasz Bieske – Member of the Committee,
- Krzysztof Kawalec – Member of the Committee,
- Ewa Radkowska-Świętoń – Member of the Committee.

Following the expiry of the term of office of the Company's Supervisory Board and the appointment, on April 14th 2022, of the Supervisory Board of a new term of office, from April 14th 2022 to December 31st 2022 the composition of the Committee was as follows:

- Beata Stelmach – Chair of the Committee,
- Krzysztof Kawalec – Member of the Committee,
- Ewa Radkowska-Świętoń – Member of the Committee.

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

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

- Drafting budget resolutions, issuing opinions and assessing draft resolutions of the Supervisory Board on matters related to the Company's finances;
- Supporting the oversight of the Company's budget implementation;
- ongoing analysis of the Company's financial performance and condition;
- matters related to the operation of the Company's cash, credit and tax systems, as well as its financial plans, budgets and property insurance contracts.

In 2022, the Finance and Budget Committee focused primarily on matters related to the Company's and the Group's budgets, as well as financial matters related to the Company's

operations. The Members of the Finance and Budget Committee, acting within their remit, monitored and reviewed the Company's and the Group's financial performance on an ongoing basis. In addition, they delivered opinions on the Company's and the Group's draft budget for 2023. The Finance and Budget Committee held meetings using means of remote communication as well as holding consultations in the form of conference calls. All members of the Committee were involved in the Committee's work, attending meetings and conference calls.

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

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

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

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

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

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

- the Auditor's fulfilment of the independence criteria with respect to all Group members whose financial statements are to be audited and reviewed
- the ability to provide a full range of services (statutory audit, review of the consolidation package and review of the financial statements of Group companies in Poland and abroad)
- the ability to perform the audit on the dates specified by the Parent
- experience in the auditing of international groups (experience in partnering with foreign auditors)
- experience in the auditing of securitisation funds
- experience in the auditing of public-interest entities
- experience in the auditing of companies operating in the same industry as the KRUK Group

- professional qualifications and experience of the auditor and other persons directly involved in the audit
- the price proposed for the audit
- reputation of the entity qualified to perform the audit

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

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

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

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

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



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

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

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

In connection with non-audit services provided by the auditor, the Audit Committee assessed the independence of the audit firm and approved the provision of those services. In line with the above Policy, in 2022 non-audit services provided by the auditor and approved by the Audit Committee related to:

- verification of consolidation packages;
- confirmation of the correctness of calculated ratios and the valuation of Maltese assets for the purposes of a syndicated credit facility agreement,
- an assurance service to confirm the possibility of interim dividend payment by a subsidiary.

For information on the auditor's fees, see Note 32 to the consolidated financial statements.

### **Appointment of the auditor**

On November 18th 2021, by Resolution No. 47/2021, the Company's Supervisory Board, acting upon the Audit Committee's recommendation, appointed PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. of Warsaw, entered in the list of qualified auditors of financial statements under Reg. No. 144, as the auditor to audit the financial statements of KRUK S.A. and the consolidated financial statements of the KRUK Group for the financial years 2022–2024.

In the process of selecting the auditor to audit the financial statements for the financial years 2022–2024, the Audit Committee and the Company complied with the regulations, and the Audit Committee's recommendation concerning the appointment of an audit firm was prepared based on the Company's selection procedure consistent with the applicable criteria.

### **General Meeting**

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

The Company's Articles of Association are available under 'Corporate documents' in the 'About Company' section of KRUK S.A.'s website at <https://en.kruk.eu/investor-relations/kruk-group#corporate-documents>.

No Rules of Procedure for the General Meeting are in place at the Company.

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

- consideration and approval of the Directors' Report on the Company's operations and the financial statements for the previous financial year;
- Adopting a resolution on the distribution of profit or coverage of loss;
- Granting discharge to the members of the Company's governing bodies in respect of performance of their duties.

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

The Company makes it possible for shareholders to participate in the General Meeting using means of electronic communication.

The right to attend the General Meeting is vested in persons who are the Company's shareholders sixteen days before the date of the General Meeting, as announced by the Company in each Notice of the General Meeting.

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

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

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

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

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

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

The powers and responsibilities of the General Meeting include:

- consideration and approval of the Directors' Report on the Company's operations and the financial statements for the previous financial year;
- distribution of profit or coverage of loss;
- granting discharge to members of the Management and Supervisory Boards in respect of their duties;
- decisions concerning claims for redress of damage caused upon formation of the Company or when managing or supervising the Company;
- sale or lease of, or creation of limited property rights in, the Company's business or of its organised part;
- amending the Company's Articles of Association;
- increasing or reducing the share capital;
- merger, transformation, or demerger of the Company,
- dissolving the Company and opening liquidation proceedings with respect to the Company;
- adopting the Rules of Procedure for the General Meeting and for the Supervisory Board;
- consideration and resolution of proposals put forward by the Supervisory Board;
- other matters reserved for the General Meeting under the Articles of Association or applicable laws.

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

### **General Meetings in 2022**

The agenda for the Annual General Meeting held on April 14<sup>th</sup> 2022, apart from the matters provided for in Art. 395 of the Commercial Companies Code, included resolutions to appoint members of the Supervisory Board of a new term of office, to amend Art. 11, Art. 12 and Art. 14 of the Company's Articles of Association, and to amend the Rules of Procedure for the Supervisory Board of the Company.

The 154 resolutions passed by the Annual General Meeting were published in Current Reports No. 34/2022 and No. 41/2022.

By way of a decision of April 29<sup>th</sup> 2022, the registry court registered amendments to the Company's Articles of Association and changes in the composition of the Supervisory Board as approved by the General Meeting of April 14<sup>th</sup> 2022.

On November 16<sup>th</sup> 2022, an Extraordinary General Meeting of KRUK S.A. was held at the Company's registered office. The agenda of the meeting included:

- 1) Voting on a resolution to amend the Company's Articles of Association and adopt the consolidated text thereof;
- 2) Amendment of the Rules of Procedure of the Supervisory Board of KRUK S.A. and drawing up the consolidated text of the Rules of Procedure;
- 3) Adoption of amendments to the Remuneration Policy for Members of the Management Board and Supervisory Board of KRUK S.A.;
- 4) Voting on a resolution to adopt Best Practice for GPW Listed Companies 2021;

- 5) Voting on a resolution to authorise the Management Board to acquire Company shares (for details, see sections *Treasury shares* and *Changes in the share capital and conditional share capital*).

The resolutions passed by the Extraordinary General Meeting were published in Current Reports No. 79/2022 and No. 83/2022.

By way of a decision of December 6<sup>th</sup> 2022, the registry court registered the amendments to the Company's Articles of Association adopted by the Extraordinary General Meeting on November 16<sup>th</sup> 2022.

All the documents are available in the Investor Relations/Current Reports section of the Company's website at <https://pl.kruk.eu/relacje-inwestorskie/raporty/raporty-biezace>.

In both cases, the Company offered the option to attend the General Meeting using electronic means of communication, enabling the shareholders to participate in real-time two-way communication and real-time transmission of the General Meeting.

#### 8.4 Rules governing amendments to the Company's Articles of Association

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

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

In 2022, the Company's Articles of Association were amended as follows:

- April 7<sup>th</sup> 2022 – Art. 4.1 of the Articles of Association was amended and the consolidated text was adopted;
- April 14<sup>th</sup> 2022 – Art. 11.12 was amended, new Art. 11.13 was added; the existing Art. 11.13, 11.14 and 11.15 were renumbered as Art. 11.14, 11.15 and 11.16; Art. 12.2, Art. 14.2.15) and Art. 14.2.20) were amended;
- October 11<sup>th</sup> 2022 – Art. 4.1 of the Articles of Association was amended and the consolidated text was adopted;
- November 16<sup>th</sup> 2022 – the existing Art. 10 was renumbered as Art. 6 and the existing Art. 6, 7, 8 and 9 were renumbered as Art. 7, 8, 9 and 10; in the new Art. 9, Art. 9.5, 9.7, 9.8, 9.10 were amended and Art. 9.11 and 9.12 were added; in Art. 11, Art. 11.13 was amended; in Art. 12, the existing Art. 12.3 and 12.4 were deleted, and the existing Art. 12.5 and Art. 12.6 were renumbered as Art. 12.3 and 12.4; the existing Art. 13 was renumbered as Art. 14 and new Art. 13 was added; the existing Art. 13-23 were renumbered as Art. 14-24; in the new Art. 14, Art. 14.2 and 14.4 were amended and Art. 14.5 was added; in the new Art. 15, Art. 15.2.1), 15.2.2), 15.2.4) and 15.2.17) were amended and Art. 15.3 was added, the heading of the new Art. 18 was changed; in the new Art. 24, Art. 24.2 was amended; consolidated text of the Articles of Association was adopted.

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

The Company has put in place an adequate and effective internal control and risk management system, which is designed to ensure the fulfilment of adopted objectives regarding operational efficiency and effectiveness, reliability of financial reporting, and compliance with applicable laws, regulations and internal policies. In particular, the Company takes the following steps to ensure effective internal control in financial reporting:

- ensuring that uniform accounting policies are applied by the KRUK Group to consolidated data companies as regards recognition, measurement and disclosures in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union,
- keeping of current records of economic events in the integrated financial and accounting system by competent staff and data verification through regular comparison with budgets and previous years' data,
- an automated system for data consolidation, based on separate data recorded by local teams or/or data reported in consolidation packages,
- monthly comparison of consolidated financial data with management data,
- providing the KRUK Group companies with uniform templates of consolidation packages ensuring consistent data presentation,
- procedures for authorisation of and issue of opinions on financial statements before they are issued,
- independent and objective evaluation of the risk management and internal control systems.

The records of economic events at the key companies of the KRUK Group subject to consolidation are kept in an integrated financial and accounting system ensuring the security of data and information contained in it. The Company conducts regular reviews of the risks associated with the processing of information in the system as well as reviews of its business continuity plans. The Company regularly aligns the IT system of the consolidated companies to the changing tax and accounting regulations in the countries of their operation.

The Management Board of Kruk S.A. regularly approves accounting policy updates resulting from changes in accounting regulations. The accounting policy provides the basis for reporting data for consolidation purposes by KRUK Group companies, ensuring the application of uniform and appropriate accounting policies.

In addition, the risk management system in place ensures identification, analysis, assessment and monitoring of non-financial risks, supports decision-making processes and increases operational security. Responsibility for defining risk management procedures, ensuring their implementation and overseeing their application lies with the Management Board. For the risk management system and the internal control system to function effectively, responsibilities and tasks have been identified and assigned to three independent lines of defence within these systems:

1. 1<sup>st</sup> line of defence – All Operational Units as Risk Owner

2. 2<sup>nd</sup> line of defence: Compliance Area, Security and Operational Risk Management Area, Legal Area (including GDPR and Legal), Corporate Governance Area;
3. 3<sup>rd</sup> line of defence – Internal Audit Area.

The Company monitors the emerging risks with a view to eliminating threats to the Company's operations and financial position or mitigating their impact and preventing materialisation of the risk in the future. The current concept of the risk management system is adequate to the Company's needs in this area.

## 8.6 Diversity policy

The Company and the Group have in place a Diversity Policy document, adopted by a resolution of the Company's Management Board on December 8<sup>th</sup> 2015. The aim of the adopted diversity Policy is to support a diverse, multi-cultural workplace by ensuring equal access to the organisation, guaranteeing equal opportunities for promotion and professional development for each employee regardless of their gender, age, disability, health condition, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle or any other criterion that could cause an individual to be treated less favourably than others.

The KRUK Group is a signatory of the European Diversity Charter and implements its principles regarding diversity management and equal treatment within the organisation. Under the Policy, each employee is obliged to respect other employees' right to privacy, must not interfere with their personal affairs, and must accept any existing differences.

As at the date of this Report, the Company did not have in place a diversity policy that would be directly applicable to members of its Management or Supervisory Board. Since April 14<sup>th</sup> 2022, five out of the 12 positions on the Management Board and the Supervisory Board were filled by women. This represents an increase to almost 42%, from 25% in 2021.

It is also worth noting that, in line with the principles of gender equality and equal employment opportunity, in 2022 women were at the helm of the Company's subsidiaries in five out of its seven European geographies (except Poland), representing in aggregate 60% of the management staff. At the five Poland-based subsidiaries, three were led exclusively by women and two had a woman on their management board (45% of the management staff). At the head office level, out of 21 Heads of Department 12 are women (57% of the total).

In 2022, the Company commenced work on drawing up a DEI (Diversity, Equity and Inclusion) strategy, which is the basis for overhauling the Diversity Policy, for all employees, and for drafting a Diversity Policy for Management Board and Supervisory Board members. Work on the DEI strategy and the Diversity Policy is planned to be completed in the first quarter of 2023.

## 8.7 Material litigation, arbitration or administrative proceedings

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

# 9 | Chapter

## 9 ADDITIONAL INFORMATION

### 9.1 Investor Relations

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

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

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

**The key themes of the 2022 market communication included:**

- The KRUK Group's financial results for 2021, Q1 2022, H1 2022 and Q1-Q3 2022;
- Quarterly information on the KRUK Group's investments and recoveries;
- Estimated remaining collections (ERC) and extension of recovery curves to 15 years;
- Sharing the 2021 profit with shareholders through payment of dividend;
- International aspect of the KRUK Group;
- KRUK's technology development;
- Impact of the COVID-19 pandemic on the Group's business and performance;
- Impact of Russia's attack on Ukraine on the Group's business and performance;
- Impact of proposed amendments to legislation on the Group's business and performance;
- Impact of inflation on the Group's business and performance;
- Eighth and ninth public bond issue programme.

**KRUK communicated with the market on an ongoing basis, including through:**

- Conferences held following release of earnings reports for 2021, Q1 2022, H1 2022 and Q1-Q3 2022;
- Emailing and distributing a newsletter addressing key developments and events at the Group;
- Chats with retail investors;
- Interviews and comments by Company representatives in financial media (such as Parkiet, Puls Biznesu, Forbes, Stockwatch or Biznes24 tv);
- Running an investor relations subpage at <https://en.kruk.eu/investor-relations>;
- All press releases were published at <https://en.kruk.eu/investor-relations/news>, while periodic reports, including the Directors' Report on the operations of KRUK S.A. and the KRUK Group for 2022, were published at <https://en.kruk.eu/investor-relations/reports/interim-reports>;

- Telephone numbers, email address and the Investor Relations Area contact form are available to market participants at <https://en.kruk.eu/investor-relations/contact> ;
- Continuous dialogue with investors, analysts, and finance journalists.

In 2022, the majority of meetings and conferences were held online and remotely. For safety reasons, as in 2020 and 2021, KRUK decided against organising the Investor Day and held all the earnings conferences remotely. After a two-year break, we resumed the traditional roadshow and in October 2022 KRUK met with US and UK investors.

#### **KRUK met with investors, analysts and journalists during a number of events, including:**

- Conferences held following release of earnings reports for 2021, Q1 2022, H1 2022 and Q1–Q3 2022;
- Arctic's Debt Collection Seminar 2022, January 2022;
- Top Picks by Trigon, January 2022;
- BM PKO BP CEE Capital Markets Conference, March 2022;
- BM PEKAO, April 2022;
- Ipopema CEE Days, June 2022;
- Wood's Spring EME Conference in Prague, June 2022;
- mBank/Commerzbank European Financials Conference, September 2022;
- WOOD in New York, October 2022;
- Roadshow in New York and Boston, October 2022;
- ERSTE The finest CEElection Investors Conference ONLINE DAYS, October 2022;
- PKO BP by the Sea in Sopot, October 2022;
- TRIGON Investor Week, October 2022;
- ARCTIC, November 2022;
- Santander 2022 Annual Financial Sector Conference, November 2022;
- WOOD's Winter Wonderland EME Conference in Prague 2022, December 2022.

Recommendations on KRUK shares issued by brokerage houses are published by the Company at <https://pl.KRUK.eu/relacje-inwestorskie/raporty/raporty-analityczne>.

**Table 55. Most recent recommendations on KRUK shares issued by brokerage houses**

Issue date	Brokerage house	recommendation	Price target (PLN)
January 2023	DM PKO BP	hold	371.00
December 2022	DM Trigon	buy	380.00
December 2022	DM mBank	buy	337.58
July 2022	DM PKO BP	hold	274.00
January 2022	DM mBank	buy	435.55

**Table 56. Research coverage**

Company	Analyst	Contact details
BDM	-	-
Citi	Andrzej Powierża	andrzej.powierza@citi.com
DM Erste Group	Łukasz Jańczak	lukasz.janczak@erstegroup.com



DM mBank	Michał Konarski	<a href="mailto:michal.konarski@mdm.pl">michal.konarski@mdm.pl</a>
DM PKO BP	Jaromir Szortyka	<a href="mailto:jaromir.szortyka@pkobp.pl">jaromir.szortyka@pkobp.pl</a>
DM Pekao	Jerzy Kosiński	<a href="mailto:jerzy.kosinski2@pekao.com.pl">jerzy.kosinski2@pekao.com.pl</a>
Santander BM	Kamil Stolarski	<a href="mailto:kamil.stolarski@santander.pl">kamil.stolarski@santander.pl</a>
DM Trigon	Grzegorz Kujawski	<a href="mailto:grzegorz.kujawski@trigon.pl">grzegorz.kujawski@trigon.pl</a>
Wood & Co.	Marta Jeżewska-Wasilewska	<a href="mailto:marta.jezewska-wasilewska@wood.com">marta.jezewska-wasilewska@wood.com</a>

Source: in-house analysis.

## 9.2 Auditors

On November 18th 2021, by Resolution No. 47/2021, the Company's Supervisory Board, acting upon the Audit Committee's recommendation, appointed PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. of Warsaw, entered in the list of qualified auditors of financial statements under Reg. No. 144, as the auditor to audit the financial statements of KRUK S.A. and the consolidated financial statements of the KRUK Group for the financial years 2022–2024. The remuneration of the current audit firm for the audit of financial statements was set at PLN 2,226 thousand PLN (in 2021 it amounted to PLN 1,867 thousand); for other attestation services (including reviews of financial statements and verification procedures of consolidation packages) in the amount of PLN 504 thousand PLN (in 2021 it was PLN 270 thousand). The audit of the separate and consolidated financial statements for 2022 was conducted by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp. k.

# 10 | Chapter

## 10 NON-FINANCIAL STATEMENT

### 10.1 Business model and key non-financial indicators

[UoR-B1][2-1][2-2][2-6]

The KRUK Group comprises KRUK S.A. as the parent and 23 subsidiaries with cross-equity links. The Group's principal business is the management of debt purchased for the Group's own account and management of debt for institutional clients in three segments:

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

The KRUK Group manages receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunications operators, cable TV operators, digital TV operators, and companies from the FMCG sector. Our retail and corporate debt segment also manages SME debt. We focus our activities on the banking market, where our business is based on long-term relations with the key partners.

The KRUK Group includes Wonga.pl, a company operating on the open consumer loan market in Poland. The Group also offers loan products under the NOVUM brand, primarily targeting clients who make regular repayments or have paid off their debts to the Group in Poland and Romania. Until January 24th 2023, the Company also owned ERIF BIG, a company that collects and provides credit information in Poland<sup>3</sup>.

Since 2011, KRUK S.A. shares have been traded on the Warsaw Stock Exchange, and since November 2022 the Company has been part of the WIG20 blue chip index. Bonds issued by the Company are traded on the Catalyst bond market in Poland.

The KRUK Group is one of Europe's largest debt management companies. It operates in Poland, Romania, the Czech Republic, Slovakia, Italy and Spain, and has assets in Germany. In 2022, the Group managed total assets of PLN 7,681m and earned a profit of PLN 805m.

The KRUK Group's full structure is available on our website <https://en.kruk.eu/investor-relations/kruk-group> and is presented in Section 2.2.1 *Description of the Group's structure*.

Overview of the KRUK Group's business in 2022:

- PLN 2.6bn – recoveries from debt portfolios purchased by the KRUK Group
- PLN 2.3bn – investments in debt portfolios with a nominal value of almost PLN 13.7bn
- 89% of all investments involved unsecured retail debt
- 80% of investments were made outside Poland

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<sup>3</sup> In January 2023, an agreement was concluded with the CRIF Group companies to sell 100% of ERIF BIG shares and 100% of EBS shares.

- 3,227 – the size of the KRUK Group workforce.

### 10.1.1 Ethics at the KRUK Group

[2-15] [2-23] [2-26]

The code of ethics in place at the KRUK Group is based on social norms as well as internal regulations, instructions and procedures, which are derived, inter alia, from the Universal Declaration of Human Rights, meant to protect human dignity and ensure fair treatment of every person regardless of their gender, language, race, religion, political views or nationality. Ethical principles underlie both interactions between the KRUK Group employees and their relationships with clients, business partners, suppliers, shareholders and other stakeholders. For a description of the KRUK Group's values, mission and vision, see Section 6.1 *Development directions and prospects of the KRUK Group* of the Directors' Report on the operations of the KRUK Group and KRUK S.A.

In 2022, the KRUK Group approved a Code of Ethics, which was adopted by resolution of the Management Board and came into force in January 2023. The Code sets out the principles and standards of responsible action, conduct and decision-making applicable at all Group companies. The document also provides clarification and guidance on issues that may give rise to ethical dilemmas.

All employees, associates and members of the governing bodies are required to read and comply with the Code, and to cooperate in order to facilitate its implementation across the KRUK Group. This includes reporting any breaches of the Code they become aware of, through a whistleblowing channel. The Code forms an integral part of all other regulations governing the KRUK Group's business activities. Training in the Code of Ethics is one of the strategic metrics of Compliance and will commence in 2023.

The Code of Ethics governs such matters as:

- responsibility for personal data and confidential information;
- competitive activity;
- conflicts of interest;
- accepting and presenting gifts;
- prohibition of any form of corruption;
- relations with clients and business partners;
- responsible debt collection standards;
- responsibility towards clients and business partners;
- responsible communication;
- environmental responsibility.

A part of the Code deals with employee matters. The Code provides for, among other things, equal opportunities and career development, work and life balance, and zero tolerance for workplace bullying and discrimination.

Ethics training is conducted on a regular basis across the organisation and is also part of the induction process for new hires. The application of ethical standards in practice is also verified by independent experts. The KRUK Group companies also operate in accordance with the Code of Best Practice for members of the Association of Financial Companies in Poland (ZPF). Every

year KRUK S.A. undergoes an ethics audit carried out by the Association. Certificates confirming successful completion of the audit are issued by ZPF for the previous calendar year at the end of the first quarter of the current year. In 2022, KRUK S.A.'s adherence to ethical standards and principles in 2021 was confirmed in the course of yet another successfully completed audit. The Group has also adopted the Canon of Financial Market Best Practice, which is a set of 16 general and universal principles based on fundamental ethical values and ideals guiding financial companies. The Canon was defined as a result of collaboration between 30 associations of financial companies, organisations and institutions representing consumer interests, and other market participants, as well as academics. Compliance with the Canon is recommended, among others, by the Polish Financial Supervision Authority, the main financial market regulator in Poland. The consolidated text of the Canon of Financial Market Best Practice is published, inter alia, on KRUK S.A.'s website at

[https://en.kruk.eu/media/file/file/gpw\\_bestpractices\\_kruk2021.pdf](https://en.kruk.eu/media/file/file/gpw_bestpractices_kruk2021.pdf)

The Group's values, including any related policies, codes and procedures, are available to all employees in our internal IT systems. The Group makes every effort to promote an organisational culture which enables its employees to identify with the organisation and is practised across all geographies and all levels of organisational hierarchy. According to the corporate culture survey carried out at the KRUK Group in 2022, the Group has a highly constructive corporate culture, both task- and relationship-oriented. KRUK employees indicated that they worked at KRUK because they liked their job and that their work met their higher needs, such as a sense of satisfaction, belonging and fulfilment at work. At the same time, they need a sense of security which is offered, among others, by work standards, well-functioning processes, acceptance by others, support from superiors and taking reasonable risk. The results of the survey show that the organisational culture enables quick learning and is adaptive and open to change, innovation and critical thinking.

The following internal documents in place at the Group companies govern adherence to core values and principles of ethics and ensure compliance:

- Code of Ethics;
- Compliance Risk Management Policy – the policy defines the mission, objectives, responsibilities and powers of the Compliance Area and its employees, as well as compliance-related rules and responsibilities, including in relation to ensuring compliance and managing compliance risk across various processes. Instructions issued under the Compliance Risk Management Policy are its implementing regulations. Compliance is also part of the ESG Strategy for 2023–2027;
- Risk Management System Policy – this policy sets out the rules and scope of responsibilities for non-financial risks management;
- Internal Mediation Policy – this policy fosters positive relations between employees, prevents conflicts, workplace bullying and discrimination;
- Rules of Procedure for the Risk Monitoring Committee – the Risk Monitoring Committee is a collective body whose primary role is to provide opinions in order to monitor the level of financial and non-financial risks;
- Code of Practice for Issuing and Monitoring Compliance Recommendations – this document governs the manner in which compliance recommendations are issued and monitored to ensure that any required changes in processes and products are implemented within the prescribed time limits;
- Regulatory Inspections and Criminal Proceedings Manual – this document governs the conduct of KRUK S.A.'s employees in case of inspections by regulatory bodies (Office of

Competition and Consumer Protection, Polish Financial Supervision Authority, Personal Data Protection Office), assigning specific powers to the company's authorised representatives and defining tasks for individual employees to ensure that inspections are carried out in compliance with law;

- Management of Changes in Law and Regulatory Guidelines Manual – this document describes the process of monitoring and announcing any relevant changes in laws, regulations and regulatory guidelines and of their implementation in KRUK S.A.'s internal policies and practices;
- Compliance Monitoring Manual – this document governs the monitoring and testing of compliance of KRUK S.A.'s processes with law, regulatory guidelines and official interpretative rulings;
- Conflicts of Interest Management Policy – this document defines the rules of disclosure of conflicts of interest identified at the Company, as well as appropriate measures to protect the Company against their potential consequences.
- The Gift Policy governs the acceptance and reporting of gifts by the Company employees and members of its statutory bodies.
- Compliance Risk Maps Manual – this document helps Company employees understand compliance risk mapping and the risk controls embedded in the processes they own or are involved in;
- Compas Compliance Management Policy at Wonga.pl sp. z o.o. – Wonga has in place mechanisms designed to address the risk of non-compliance with the rules of ethical business conduct. The underlying principle of Wonga's compliance culture is that every employee should be guided by the highest ethical standards in performing their duties. The Compas Policy is primarily focused on preventing, detecting and responding adequately to any non-compliance with laws, internal regulations or generally accepted ethical standards;
- Human Rights Policy;
- Environmental Policy;
- As a company listed on the Warsaw Stock Exchange, KRUK S.A. also complies with the Code of Best Practice for WSE Listed Companies.

Employees of the KRUK Group may report any instances of workplace discrimination or bullying. Each such report triggers an inquiry, which must commence within a maximum period of five business days. The Internal Mediation Policy describes in detail the procedures for dealing with any reported incidents. All employees are required to complete anti-mobbing training. In 2022, we did not record any cases of workplace bullying.

KRUK S.A. also has in place a Whistleblowing and Whistleblower Protection Policy. The document governs reporting of any irregularities and managing such reports. The policy ensures anonymous submission of irregularity reports and confidentiality of information contained therein. The dedicated Report Misconduct form is available at [www.kruksa.pl](http://www.kruksa.pl) for all stakeholders.

Employees reporting misconduct or other irregularities in good faith are assigned the status of a Corporate Whistleblower and as such are afforded an adequate level of protection against retaliation, discrimination, violation of their equal treatment rights or any other types of mistreatment. The protection also extends to indirect reprisals, such as blocking promotion opportunities, changing the scope of responsibilities, refusing requests for participation in training, or exclusion from or refusing admission to the team.

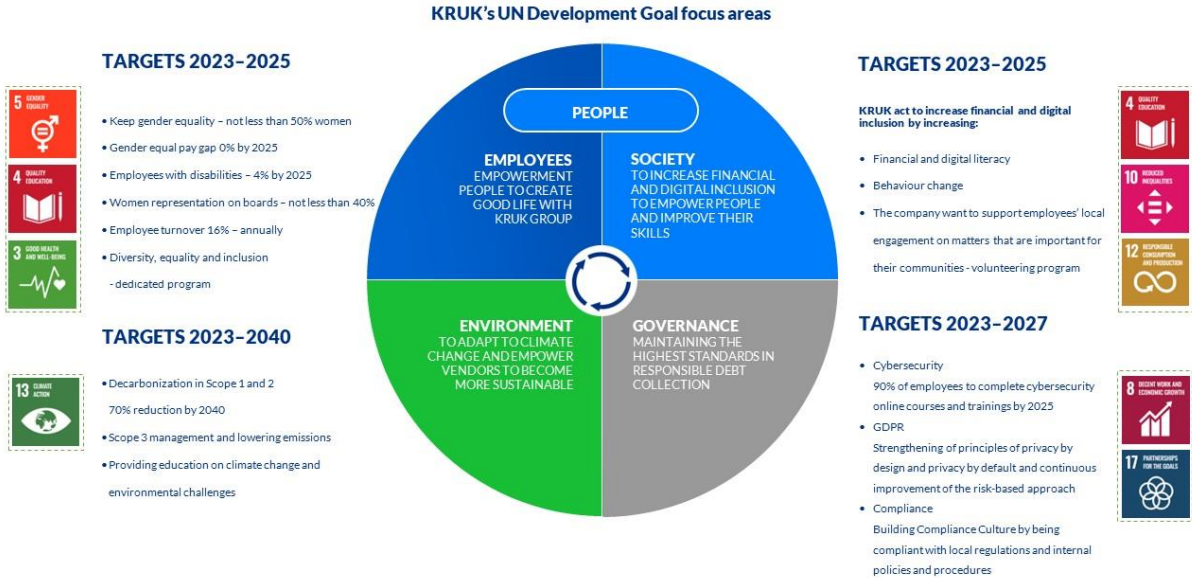
With regard to protecting the rights of clients, most of whom are indebted persons, a complaints and requests handling process has been implemented, which is compliant with standards arising under any applicable laws or regulations. Complaints of a complex nature involving important legal or regulatory issues, as well as grievances submitted via the Polish Financial Ombudsman or any of the Consumer Ombudsmen, are examined with the participation of the Compliance Department.

**10.1.2 ESG management**  
[2-12] [2-13] [2-22]

At the KRUK Group, responsibility for developing, approving and updating sustainable development objectives, strategies and policies rests with the Management Board of KRUK S.A. The responsibility of the President of the KRUK S.A. Management Board for ESG and impact management at the head-office level is defined in internal regulations, such as the Environmental Policy, the Human Rights Policy, the Code of Ethics and the organisational rules. In addition, an ESG strategy manager, an environmental specialist and a junior ESG reporting and communication specialist have been appointed at KRUK S.A. to serve the entire Group. Outside of Poland, in other countries where KRUK Group companies operate, there are designated persons responsible for the ESG area(s) and decisions on their scope of responsibility were made by directors general. In 2022, the KRUK Group focused on developing an ESG Strategy, being part of its business strategy, and an Impact Management Policy.

In December 2022, the KRUK Group adopted the ESG Strategy for 2023–2027, being part of its business strategy. Among the identified areas of impact there were environmental, employee, social and governance matters.

**ESG targets to be achieved in the coming years**  
*Maintaining a high ESG standard is at the top of KRUK’s agenda*



The strategic objectives for employee and social matters defined in the ESG strategy include gender equality in access to promotion and equal remuneration, and work on advancing financial and digital integration. The Group seeks to maintain decent working conditions and ensure respect for employee rights through such initiatives as development of a long-term Group-wide

DEI (Diversity, Equality, Inclusion) programme, continued dialogue with local communities, and offering financial and digital education to the Group's clients and people in financial distress.

As regards corporate governance, the ESG Strategy aims to ensure that the highest standards of responsible debt collection are maintained. The main areas will include:

- Cybersecurity – the Group intends to ensure that 90% of its staff undergo cybersecurity training by 2025 and that engagement in the existing training programme is maintained at 80%;
- Compliance – the Group aims to continually build the compliance culture through such measures as fostering compliance with laws applicable in each of the countries in which the KRUK Group operates and with the KRUK Group's internal rules and procedures, adhering to the principles of ethics and integrity, preventing unethical practices, compliance training of 90% of its staff by 2026, and maintaining engagement in the existing training programme at 70%;
- GDPR – the Group intends to support the organisation's sustainable development in data protection through such measures as strengthening of the principles of privacy by design and privacy by default, particularly in projects related to new technologies and digitalisation;
- ESG risks and opportunities – the Group intends to implement the TCFD recommendations.

The environmental matters dealt with in the Company's ESG Strategy include management objectives and methods, a plan to develop appropriate processes to cut down Scope 1 and Scope 2 CO<sub>2</sub> emissions in accordance with the GHG Protocol, as well as a plan for adapting to climate change.

As of 2022, the KRUK Group undergoes CDP audits to check the organisation's maturity in environmental management. The objectives to identify climate risks, to be defined in more detail in 2023 and 2024, form part of the strategic approach.

[2-17][2-24]

The ESG Strategy was adopted at the head-office level. Its implementation at the Group companies in the individual markets is adapted to local conditions and complies with the guidelines adopted at the head-office level. The activities are coordinated by the ESG Strategy Department.

KRUK S.A. Management Board's understanding of sustainable development matters is broadened thanks to, among others, the CEO's participation in the United Nations Global Compact (UNGC) and active involvement of the CFO in environmental responsibility management events, such as the 11th World Urban Forum and its Business Council. KRUK S.A. participates in UNGC's Business and Human Rights and Climate Positive programmes. In 2022, KRUK S.A. joined the Target Gender Equality programme. TGE focuses on the implementation of the UN Sustainable Development Goal 5 Gender equality and Goal 8 Decent work and economic growth. It mainly sought to support UN Global Compact member companies in their work towards the Goals by strengthening the representation, participation and leadership of women in business. The Company also organises regular ESG training for individual departments at the head office and locally for General Directors and managers. In 2022, the KRUK Group was also invited to the UNGCNP Business Council, which issued recommendations during the World Urban Forum (WUF11) regarding the management of the future of cities in the context of the climate crisis.

### 10.1.3 Relations with external stakeholders

The KRUK Group provides its stakeholders with accurate and reliable information about its organisation – both the measures taken and changes planned. The Group gives priority to dialogue as the basis for mutual understanding in a changing environment. The form and frequency of the dialogue with stakeholders are adapted to the characteristics of a given stakeholder group as well as to the expectations of and problems pertaining to both parties.

The Group reviewed the most important stakeholder groups based, among other things, on an internal analysis of groups that the individual departments of the KRUK Group work with, as well as social research and retail client satisfaction surveys.

Stakeholders of the KRUK Group:

- employees,
- clients (indebted persons and persons using services offered by KRUK Group companies),
- SMEs (indebted companies),
- business partners (large corporations and institutions providing services to mass-market clients, such as banks, loan providers, insurance companies, leasing and factoring companies, telecoms),
- supervision authorities,
- industry associations
- shareholders, investors, stock analysts
- suppliers,
- competitors,
- financial institutions,
- social organisations,
- market regulators,
- the media.

[2-29] Forms and frequency of dialogue with KRUK Group stakeholders

Stakeholder	Form of dialogue	Frequency
Employees	Ensuring the best possible working conditions suitable for specific employee groups. Creating a safe and inclusive working environment. As a result, wellbeing and health promotion programmes are developed to meet the needs identified among the KRUK Group's employees.	<ul style="list-style-type: none"> <li>• employee forum</li> <li>• employee surveys, meetings, events, whistleblowing channels</li> </ul>
Shareholders, investors, stock analysts	Ensuring quality, transparent and reliable information that supports decision-making processes.	<ul style="list-style-type: none"> <li>• current, quarterly, interim, annual and sustainability reports,</li> <li>• periodic earnings conferences,</li> <li>• face-to-face and online meetings, phone calls,</li> <li>• website dedicated to investors <a href="https://pl.kruk.eu/relacje-inwestorskie">https://pl.kruk.eu/relacje-inwestorskie</a>,</li> <li>• General Meeting</li> <li>• mailing, press releases</li> <li>• participation in industry conferences.</li> </ul>



Clients/consumers, including indebted persons, borrowers and SMEs with debts	With a better understanding of client needs, we can consistently improve our solutions to meet client expectations. For this reason, we simplify the language we use in our client-oriented communications and make our services more accessible, for instance through the launch of the e-KRUK platform.	<ul style="list-style-type: none"> <li>• the e-KRUK.pl platform and other websites operated by different KRUK Group companies</li> <li>• face-to-face and telephone conversations with KRUK advisers, and consultations through chat bots.</li> </ul>
Business partners (large corporations and institutions providing services to mass-market clients, such as banks, loan providers, insurance companies, leasing and factoring companies, telecoms)	Business partners are an important part of KRUK's business model. By engaging its Partners, the KRUK Group is able to better deliver its own business strategy. At the macroeconomic level, the collaboration helps drive economic growth in the markets where the strategy is pursued.	<ul style="list-style-type: none"> <li>• satisfaction surveys among business partners,</li> <li>• face-to-face meetings, phone calls, e-mails</li> </ul>
Suppliers	Building lasting and quality relations with suppliers. Transparency in defining the rules applicable to the procurement process and in incurring obligations for and on behalf of the KRUK Group companies – all in keeping with the KRUK Group's values, mission, vision and strategic objectives – is described in the Procurement Policy.	<ul style="list-style-type: none"> <li>• face-to-face meetings, phone calls, e-mails</li> </ul>
Competitors	Supporting the development of the entire industry and educating the society together with competitors on how debt collection fosters sustainable economic growth and liquidity of the entire economy. Developing uniform standards of handling particular cases, common for all industry players.	<ul style="list-style-type: none"> <li>• participation in discussions on how to improve the image of the entire debt management industry in Poland (in a working group set up by the Association of Financial Companies in Poland); Cooperation between credit reference agencies and non-banking consumer lending companies. Participation in industry conferences in the countries where the KRUK Group operates</li> <li>• Collaboration as part of various working groups to work out standards of conduct or consistent interpretations of existing regulations.</li> </ul>
Non-profit organisations	Supporting social initiatives consistent with the identified impacts of the KRUK Group.	<ul style="list-style-type: none"> <li>• participation in financial education events and various charitable and philanthropic initiatives</li> <li>• participation in surveys and reports at the invitation of non-profit organisations</li> </ul>
General public	Improving the quality of and access to sound financial education for the general public. The kapitalni.org website and educational campaigns	<ul style="list-style-type: none"> <li>• social surveys on matters related to finance and debt</li> <li>• financial education workshops and training</li> </ul>

Regulators and industry associations	such as the 'Day Without Debt' event are among the measures that the KRUK Group uses to prevent financial education exclusion. Developing and promoting high standards in Compliance, GDPR and rights and freedoms of data subjects.	press materials, information campaigns in the press, internet, radio and television • participation in issuing opinions on new regulations and acts of law (as part of working groups appointed as needed) and developing best practices and standards of conduct.
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[2-28]

The KRUK Group is a member of a range of industry organisations and associations, treating work on them as an opportunity to share experience and promote best practice in the debt collection market. KRUK S.A. is a member of such organisations as the Association of Financial Companies in Poland and the *Lewiatan* Polish Confederation of Private Employers. Through these entities KRUK S.A. presents its opinion on draft laws applicable to the industry.

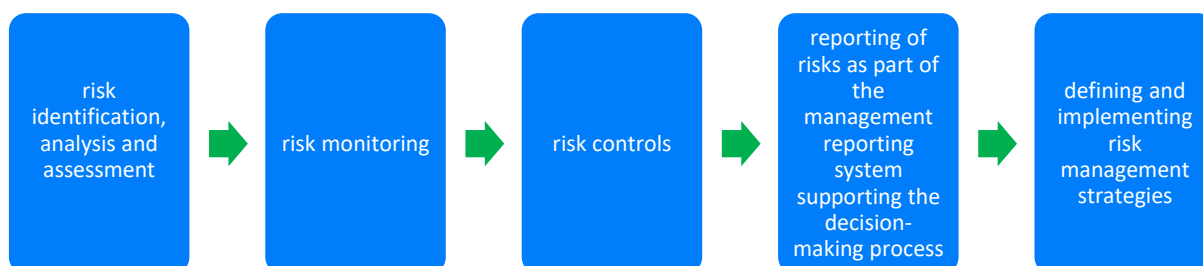
Furthermore, the KRUK Group companies are members of:

- ACA International (KRUK Ceska a Slovenska Republika S.R.O.),
- Asociácia Slovenských Inkasných Spoločností (KRUK Ceska a Slovenska Republika S.R.O.),
- Asociace Inkasních Agentur (KRUK Ceska a Slovenska Republika S.R.O.),
- Asociatia De Management Al Creantelor Comerciale (KRUK Romania S.R.L.),
- Angeco (KRUK Espana),
- Unione Nazionale Imprese A Tutela Del Credito (KRUK Italia),
- Confindustria – La Spezia (KRUK Italia).

## 10.2 Risk management

The KRUK Group manages non-financial risk in its business based on the standards described in the Risk Management System Policy. The Policy is a set of rules and mechanisms related to decision-making processes and assessment of the Group's operations in terms of the risks involved. The system operates on the basis of the risk management strategy, policies and instructions, and its effectiveness is monitored and assessed by the Supervisory Board, in accordance with Best Practice for WSE Listed Companies.

Risk management at the KRUK Group:



The KRUK Group manages non-financial risk in its business based on the standards described in the Risk Management System Policy. The Policy is a set of rules and mechanisms related to

decision-making processes and assessment of the Group's operations in terms of the risks involved. The system operates on the basis of the risk management strategy, policies and instructions, and its effectiveness is monitored and assessed by the Supervisory Board, in accordance with Best Practice for WSE Listed Companies.

The following non-financial risks have been identified in the KRUK Group's business:

- HR risk;
- outsourcing risk;
- risk related to the processing of data in a cloud computing environment;
- physical security risk;
- IT risk;
- risk related to deliberate and unintentional human actions;
- business continuity risk;
- legal risk;
- compliance risk;
- personal data protection risk;
- governance risk.

### 10.2.1 Personal data protection

The KRUK Group is aware that in the financial sector the protection of personal data is one of the key elements necessary for a sustainable and responsible business. Through the activities it undertakes in the area of personal data protection the Group ensures that its client relations are based on respect for privacy, thereby building trust in the debt market and fostering greater public awareness of this issue.

In pursuing its personal data protection strategy and applying the risk management system, the Group is guided by legal requirements, regulatory guidelines and the principles of ethics, taking into account the scale and complexity of its operations. The Group seeks to protect clients and other persons whose data is processed against adverse consequences of data security breaches. At the same time, those efforts protect the KRUK Group against losses and operational disruptions, mitigating reputational risk and the risk of financial penalties.

Personal data protection is also part of the ESG Strategy for 2023–2027 and is viewed by the Group as an element supporting the organisation's sustainable development. The strategy defines five GDPR goals for 2023–2027:

- Strengthening the principles of privacy by design and privacy by default, in particular for projects related to new technologies and digitalisation;
- Engaging in dialogue with industry organisations and authorities in order to develop and promote high standards in the field of GDPR compliance and rights and freedoms of data subjects;
- Fostering a culture of data privacy and data protection;
- Effective execution of the data privacy programme;
- Ongoing improvement of the risk-based approach, in particular as regards:
  - Management of the risk of non-compliance with the GDPR;
  - Management of the risk of violating the rights and freedoms of data subjects.

Revision rates will be developed as part of the five points of the GDPR strategy for 2023–2027 to measure the progress of its implementation.

[418-1] Total number of substantiated complaints concerning breaches of client privacy and losses of client data

MARKET	Number of complaints filed in a given year by data subjects with local regulators in relation to a potential breach of personal data protection laws by a KRUK Group company (418-1, letter a)(ii))	Number of complaints filed in a given year by data subjects with local regulators in relation to a potential breach of personal data protection laws by a KRUK Group company, which have been found valid by the Group, regulator or court (418-1, letter a)(ii))	Total number of personal data breaches consisting in data leaks, reported to the Data Protection Authority (418-1, letter b))
Poland	15	0	4
Wonga	3	1	0
Romania	1	0	1
Italy	3	0	1
Spain	6	1	0
Czech Republic and Slovakia	0	0	0
TOTAL	28	2	6

The Group has put in place tools that enable taking swift and effective action in the event of a personal data incident, including data breach, and monitoring the number of complaints concerning personal data processing as well as procedures that allow data subjects to exercise their rights under the GDPR. All personal data requests and complaints are thoroughly analysed to determine whether they are valid and can be satisfied.

### 10.2.2 Cybersecurity

The KRUK Group's ESG strategy assumes continued development of a multi-layer cybersecurity defence model in the context of global and local solutions. The Group prioritises IT security as an area of fundamental importance to clients, employees and business partners.

The information security management model, including cybersecurity management, is addressed in the Information Security Policy, which aims to ensure information confidentiality, integrity and availability. The primary objective of the Policy is to establish a formal basis for taking all steps designed to provide a high level of information security, thus ensuring an appropriate priority and effectiveness of such steps.

The key cybersecurity activities in 2022 included:

- Automation of the vulnerability identification process;
- Introduction of regulations governing the process and performance of penetration tests;
- Implementation of new systems improving security of the organisation;
- Development of new training materials for employees;
- Testing of new solutions.

The KRUK Group continually takes steps to raise the employees' awareness of cybersecurity issues. New hires are required to complete mandatory training courses on information security, including cybersecurity. Controlled phishing attacks were carried out regularly during the year to test in practice whether the employees use the knowledge they acquired through training.

In line with the strategic assumptions, by 2026 90% of employees will undergo additional training and online courses on cybersecurity, and an 80% engagement in the existing awareness programme will be maintained.

### 10.3 Responsible debt management

[417-1]

The KRUG Group understands its role in the financial system and economies of democratic countries. Its intention is to counter financial exclusion and offer indebted persons an opportunity to become debt-free. The Group's activities rely on, among other things, the Code of Ethics and best practices developed by national industry associations, which set out the principles of responsible debt collection in a precise and specific way, with due respect for human rights. At the same time, the Group creates standards of conduct and processes that support the development of responsible debt collection, taking care to comply with applicable laws and regulations, both external and internal. Conduct based on the principles of integrity, impartiality and professionalism guarantees that any decisions made are ethical and respectful of the Group's internal and external stakeholders.

As a market player that has been operating in the debt management sector for more than 20 years and a leader in certain markets, the Group understands that its attitude and decisions have an impact on the individual situation of many people. In accordance with the Code of Ethics, the Group's clients may rely on the Group to:

- Strive for mutually beneficial cooperation;
- Value client loyalty;
- Listen to clients in order to improve service quality;
- Provide personalised service;
- Advise clients about solutions that will enable them to get out of debt responsibly;
- Ensure confidentiality and security;
- Provide user-friendly products and services;
- Comply with promises it makes.

Top standards of conduct followed at the Group are designed to build a sense of stability and safety in the entities using its services.

The KRUK Group's mission, values and standards require employees to apply an individual approach to each client and show respect and understanding of their situation. Operating in the debt management market, the Group safeguards compliance with social and legal norms dictating that debt incurred must be repaid. Clients are informed of their liabilities and the consequences of non-payment in accordance with the rules of ethics and applicable regulations, and in a clear and comprehensible manner. When contacting the client by telephone, in writing, online or at direct meetings, the Group's employees always present the possible debt repayment options. The Group monitors the quality of its services and client service standards. The process is refined on the basis of client satisfaction surveys, social research and market needs.

The practice of responsible debt management followed by the Group for years has been reflected in the Code of Ethics approved in 2022. In accordance with its provisions, in their interactions with clients the Group employees encourage them to:

- Comply with social norms and take responsibility for their decisions, including for their debts;
- Make a decision concerning their existing debt with the KRUK Group that would be favourable for the client and would not expose them to consequences they would face when avoiding contact with us;
- Opt for amicable settlement and repay their debt in instalments.

In 2022, the Group conducted an international survey to gauge perception of the KRUK brand in the countries where it operates. Its purpose was to understand how the brand is perceived not only by existing clients but also by indebted persons who may decide to use the Group’s services in the future. The Group is aware that perception of the debt collection industry and knowledge of the available options is extremely important in the process of convincing clients to make the right choices on the path to becoming debt-free. This includes knowledge of the consequences of failure to pay one’s debts.

Based on the survey, the Group will be able to implement effective educational, marketing and image-building initiatives in 2023, which will further improve cooperation with clients. The survey results will also be used to refine operational processes and develop a product offering addressed to indebted persons.

The part of the survey relating to the KRUK brand perception by clients showed a high consensus rate. The data below presents the percentage of the KRUK Group’s clients who agree that the organisation is described by its attributes – the characteristics it considers strategic and of key importance to building client relations and increasing the level and durability of agreements. KRUK’s objective for the coming years is a continued focus on creating a strong brand image among indebted persons and the Group’s clients. The KRUK Group makes regular assessments and analyses of its brand perception in the areas where it operates and constantly works to further improve the results.

Percentage of clients recognising KRUK’s strategic brand attributes:

KRUK	Attribute 1	Attribute 2	Attribute 3
Poland	69%	52%	63%
Romania	72%	59%	50%
Italy	52%	46%	61%
Spain	62%	42%	39%
Czech Republic	62%	66%	38%
Slovakia	67%	52%	30%

In its efforts towards responsible debt management, the KRUK Group is supported by its compliance strategy and the compliance culture that is being built on its basis. It encompasses the following principles:

- Compliance with local regulations in each country where the KRUK Group operates and with internal policies and procedures in place at the Group;
- Adherence to standards of ethics and integrity and prevention of unethical practices as the basic principles guiding the KRUK Group;
- Adherence to the principles of professional conduct, transparency and responsibility towards clients, institutions and other stakeholders;
- Compliance and ethical conduct training for executive management and other employees;
- Development and improvement of communication on compliance matters with the goal of integrating the compliance culture into day-to-day activities across the organisation.

Implementation of the compliance strategy is measured based on predefined performance indicators which address the individual elements of compliance culture, including the number of complaints concerning a breach of the KRUK Group's Code of Ethics, conflicts of interest, corruption, and compliance training.

The KRUK Group is aware of the challenges faced by persons in financial distress because of their debt. When working on a daily basis with individual clients (indebted persons), the Group perceives their mental well-being as a crucial factor. Since 2014, KRUK S.A. has worked with the Psychological Assistance Centre, whose qualified personnel provide assistance to persons experiencing a mental health crisis. Initiatives designed to support people in distress are also run in the Czech Republic and Italy. A special support protocol for people experiencing a mental health crisis has been launched in Italy. In the Czech Republic, a free hotline is available to people in need of psychological assistance.

The Group's representatives take part in the activities of domestic and foreign industry organisations, sharing with the market their best practices regarding business ethics in the operations of a debt collection company. For example, the Group's experts co-authored an amendment to the Code of Ethics of the Association of Financial Companies in Poland (ZPF) that has helped raise consumer protection standards. The collaboration with ZPF resulted in a joint campaign 'Debt Collection? Everything Clear!' run in 2022. Its purpose was to make consumers aware that professional debt collection companies operate in accordance with the principles of ethics and Best Practices, which are reviewed by ZPF. In 2022, the campaign's message reached more than 25.5m people.

## 10.4 Anticorruption

[UoR-C1, UoR-C2, UoR-C3, 205-1, 205-3]

The cornerstone of responsible debt management and foundation of reliability and trust in the KRUK Group employees' relations with clients and business partners is zero tolerance for any form of misconduct, including corruption. The Group has put in place mechanisms to prevent the abuse of power associated with one's position for private gain. In 2022, no incidents of corruption were reported at the KRUK Group.

The KRUK Group has adopted a policy of zero-tolerance for corruption. All employees, associates and members of the governing bodies of the respective Group Companies must avoid any action that could violate this policy. The anti-corruption policy is a material component of the Company's compliance management policy. To prevent corruption, an anti-corruption policy has been developed, which stipulates that all employees and associates must report any actual

and potential incidents of corruption, both when involved in and upon becoming aware of any such incident.

The Company also actively builds awareness of ethical attitudes and corruption risks among its employees and associates by providing employees with appropriate guidance and training to identify and prevent the risk of corruption in relations with business partners.

The KRUK Group expects anticorruption measures from its business partners. Each entity providing services to the company is required to sign the 'Supplier's agreement to comply with the principles of ethics and counter corruption'.

## 10.5 Corporate social responsibility

### 10.5.2 Social engagement

[UoR-S1, UoR-S2, 203-1, 415-1

The Group engages in charitable and sponsorship activities involving help to the needy and promotion of healthy financial and environmental attitudes in the context of excessive consumerism. Social engagement activities carried out in all countries where the KRUK Group is present are governed by the Charitable Sponsorship Policy. The Policy is managed by the President of the KRUK S.A. Management Board and KRUK S.A. Director General, assisted by persons they have designated.

The KRUK Group supports:

- Events involving amateur physical activity which aim to provide financial or in-kind assistance for the most needy;
- Projects implemented by public benefit institutions or associations aimed at supporting those most in need;
- Organisations that support financial education and psychological or legal assistance to people struggling with financial or personal difficulties;
- CSR initiatives that seek to strengthen the processes of civic development, equality and tolerance.

In addition to a number of initiatives for Ukraine, described below, since 2021 KRUK S.A. has supported the construction of a child care centre. In 2022, the Company donated PLN 100 thousand for that purpose. It was partly due to this assistance that the facility opened in June 2022 and the funds helped create the first rural hospice centre in Poland. KRUK also focused on financial education projects such as 'Day Without Debt' and 'Debt Collection? Everything Clear!' as well as a strategic partnership for the development of the Kapitalni.org platform. Another area of activity was pro-environmental initiatives, including the 'Earth Overshoot Day'.

The amount donated by KRUK S.A. in 2022 to support financial education was PLN 497 thousand, while funding offered for environmental education projects was PLN 15 thousand.

Support provided by KRUK S.A. in 2022 in line with its charitable sponsorship policy:

	2022	2021
Charitable activities (including aid for Ukraine)	PLN 555 thousand	PLN 165 thousand
Financial education	PLN 497 thousand	PLN 99 thousand
Environmental protection	PLN 15 thousand	PLN 10 thousand
<b>Total</b>	<b>PLN 1,067 thousand</b>	<b>PLN 274 thousand</b>



The KRUK Group did not provide any financial or in-kind support to political causes or organisations in 2022.

### 10.5.3 Financial education

[UoR-S3]

Given its business profile, the KRUK Group is particularly committed to raising public awareness of various financial matters. This strategic approach to financial education is reflected in the 'Day Without Debt' project launched by KRUK S.A. The initiative is carried out not only in Poland, but also in Romania, the Czech Republic and Slovakia. Initiated over a decade ago, it is traditionally held on November 17th each year with a view to drawing public attention to the problem of indebtedness, raising awareness of the benefits of voluntary repayment of debt liabilities, and promoting general household budget management skills. In 2022, information on the 'Day Without Debt' reached approximately 11 million people.

As part of its educational activities conducted in Poland, KRUK S.A. became a strategic partner of the Kapitalni website (<https://kapitalni.org>), which is operated by Wonga. It was created in response to the low level of financial knowledge among Poles. Its purpose is to provide, on a continuous basis, financial education that can genuinely affect consumer behaviours and attitudes. The content of the platform, which includes more than 650 specialist articles, has been prepared by various respectable experts, journalists and bloggers. In 2022, the Kapitalni.org website was accessed by over 800 thousand unique users seeking to expand their financial literacy. 91% of them were people aged 18-64.

In Romania, the Group implemented the 'Credite Inteligente' (Smart Loans) educational project dedicated to schools. Forming a part of the Romanian National Education Programme, it teaches young people and school staff how to manage their budgets responsibly. Apart from workshops delivered by the Group's employees on a volunteer basis, it also involves distribution of video content, articles and workbooks. In 2022, 60 schools from across Romania participated in the project, and more than 2,200 pupils and teachers expanded their knowledge of finance. In addition, KRUK Romania carried out a number of other initiatives promoting financial education in 2022, including workshops on the International Financial Literacy Day.

In the Czech Republic and Slovakia, in 2022 the KRUK Group cooperated with local non-governmental organisations in creating a website and a free application for junior high school and secondary school students, containing user-friendly materials on money management.

In 2022, KRUK Italia published a series of articles in the largest Italian magazines, including on financially responsible management of household budgets. In view of the growing inflation, the Italian subsidiary also launched an online educational campaign to educate people about money management. The focus was in particular on the financial education of young generations, i.e., persons under 30 years of age. The online campaign reached 3,000 unique users.

### 10.5.4 Aid for Ukraine

[UoR-S3]

Following Russia's aggression against Ukraine, the KRUK Group launched the 'KRUK for Ukraine' project. Throughout 2022, the Group donated nearly PLN 878 thousand in assistance to Ukrainians. Aid activities were carried out on each of the markets where the Group companies operate.

Selected Kruk Group's projects supporting Ukraine:

- PLN 80 thousand grant to the 'Zobacz mnie' Foundation of Wrocław, which is responsible for the construction of the Ukrainian House, offering shelter for people afflicted by the war. KRUK S.A. also provided the Foundation with telephones, laptop computers and tablets with Ukrainian-language software.
- Instead of the Company Run, in 2022 KRUK S.A. employees took part in the Run for Ukraine organised by the 'SiePomaga' Foundation. PLN 10,000 was raised and donated to Polish Humanitarian Action's programme for Ukrainian refugees.
- Donation of PLN 455.5 thousand to organisations engaging in aid for Ukraine, including:
- Employers of Poland;
  - BloomPro Foundation;
  - Nienieodpowiedzialni Foundation;
  - Czerwona Linia Foundation;
  - Pocięcha Foundation;
  - UNGCNP (under the United Business for Ukraine programme);
  - Club of Catholic Intelligentsia;
  - Towarzystwo Poligrodzianie society.
- KRUK Česká a Slovenská Republika collaborated with Catholic Charity CARITAS Czech Republic of Hradec Kralove and Catholic Charity CARITAS Slovakia of Vyšné Nemecké. In the previous year, the company transferred EUR 30 thousand (approximately PLN 140 thousand) to finance purchases of essential goods and household items for refugees.
- In 2022, KRUK Romania signed an agreement to support three projects: Viata Continua in Romania (Life Continues in Romania) in partnership with the Social Incubator Association, Alice Island in partnership with Zi de bine (Melania Medeleanu) and Inspectoratul General pentru Situatii de Urgenta (General Inspectorate for Emergency Situations). The total cost of the aid was EUR 60 thousand. The projects, to be implemented in 2023, will focus on increasing employment rates among Ukrainian people in Romania, ensuring better education, and providing therapeutic and psychological support.

The employees of KRUK S.A. were encouraged to engage, during their working hours, in volunteer work for people affected by the war. In addition, an internal communication channel dedicated to aid to Ukraine was launched, which was used by the employees to organise donation drives and disseminate information about local initiatives.

KRUK S.A. did not spend the entire budget planned for activities related to the war in Ukraine in 2022 because of the timing of the assistance efforts, which reflected the rapidly changing geopolitical situation in the region and the continuing conflict. The activities will continue in 2023.

## 10.5.5 Cooperation with suppliers

In 2022, the KRUK Group worked with nearly 3.5 thousand suppliers on its markets. 92% of them were local companies based in the countries where the Group operates.

[204-1] Proportion of purchases from local suppliers:

	Poland	Romania	Spain	Italy	Czech Republic and Slovakia
Number of suppliers	1,156	821	205	845	429
Percentage of local suppliers	94.6	95	83.4	95	92.8

In 2022, the Group companies operating in Poland collaborated with 1,156 entities, 5.4% of whom were foreign suppliers. In 84 procurement procedures, the KRUK Group required suppliers in Poland to complete a CSR questionnaire. It was filled by 137 suppliers.

Additional information on the supply chain in Poland:

	non-related domestic suppliers	non-related foreign suppliers	total
KRUK S.A.	788	61	849
Other companies in Poland <sup>4</sup>	305	2	307
	1,093	63	1,156

## 10.5.6 Employee matters

[UoR-L1, UoR-L2, UoR-L3]

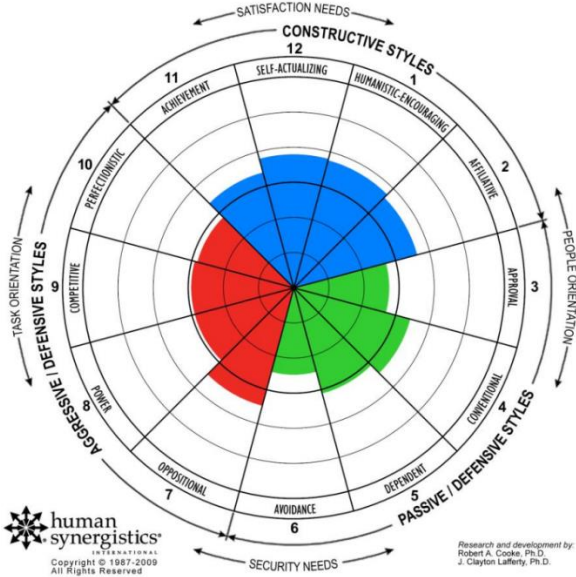
In 2022, the KRUK Group employed over 3.3 thousand people. Their expertise, experience and skills, attitudes and motivation at all levels of the organisation build the Group's competitive advantage and enterprise value. The Group's ambition is to provide employees with a stable and friendly working environment which values competence and commitment and supports professional development ambitions. Each KRUK Group company respects diversity and acts in accordance with the Universal Declaration of Human Rights, and the organisational culture is based on partnership, collaboration and freedom of expression.

The results of organisational culture surveys carried out in 2022 indicate that currently the KRUK Group's organisational culture is predominantly constructive, although defensive cultural styles were identified as well. The two prevailing styles are self-actualising and humanistic-encouraging. The survey has shown that what the Group's employees mainly expect from one another is communicating ideas, high standard of work, even in simple tasks, openness,

<sup>4</sup> Raven, Novum, KRUK TFI, ERIF BIG and EBS.

constructive conflict resolution, offering support to others and being a good listener. They keep balance between their responsibilities and good relations. The largest gaps in relation to the ideal culture have been identified in the conventional and dependent styles. The Group intends to minimise their impact by giving employees more room for responsibility taking and decision making, as well as for independent, creative and critical thinking.

Results of the culture survey in the group of companies' representatives. The survey covered 81% of the KRUK Group's employees.



[2-7] KRUK Group workforce

	Gender	KRUK Group	Poland	WONGA	Romania	Italy	Spain	other countries
Number of persons employed <sup>5</sup>	Women	2,142	1,092	73	477	236	183	81
	Men	1,233	626	75	210	144	130	48
<b>TOTAL:</b>		<b>3,375</b>	<b>1,718</b>	<b>148</b>	<b>687</b>	<b>380</b>	<b>313</b>	<b>129</b>

	Gender	KRUK Group	Poland	WONGA	Romania	Italy	Spain	other countries
Number of permanent staff	Women	1,912	963	63	433	201	182	70
	Men	1,094	542	59	195	125	127	46
Number of temporary staff	Women	230	129	10	44	35	1	11
	Men	139	84	16	15	19	3	2
<b>TOTAL:</b>		<b>3,375</b>	<b>1,718</b>	<b>148</b>	<b>687</b>	<b>380</b>	<b>313</b>	<b>129</b>

<sup>5</sup> Number of persons employed on a full time basis under employment contracts as at December 31st 2022

	Gender	KRUK Group	Poland	WONGA	Romania	Italy	Spain	other countries
Number of full-time employees	Women	1,770	777	70	476	202	169	76
	Men	1,168	566	72	209	144	129	48
Number of part-time employees <sup>6</sup>	Women	378	315	3	7	34	14	5
	Men	69	60	3	3	0	1	2
<b>TOTAL</b>		<b>3,385</b>	<b>1,718</b>	<b>148</b>	<b>695</b>	<b>380</b>	<b>313</b>	<b>131</b>

In 2022, the KRUK Group's employee turnover ratio was 13.4%. In 2021, it was 15%.

[2-19] [2-20]

Remuneration at the KRUK Group is determined based on internal policies and regulations and in accordance with applicable laws. The Group regularly gathers market information on salaries and wages and reviews salaries and wages twice a year. Defining the remuneration amounts is the responsibility of the Central and Local Human Resources Management Teams. The ultimate decision-making body is the Company's Management Board.

[401-2] In addition to base pay, the KRUK Group offers a wide range of non-financial employee benefits, including:

#### KRUK S.A.:

- Private medical care;
- Cafeteria benefits, additional Christmas bonuses;
- Co-financing of MultiSport cards;
- Preferential terms of group life insurance;
- Incentive scheme (KRUK S.A. shares) for the KRUK Group's key managers;
- Business car/car allowance for senior management;
- Company Social Benefits Fund (holiday allowance, Children's Day allowance for parents and other financial support);
- Development programme in the form of Inspirational Meetings;
- Health promotion programmes: Health at Work (*Zdrowie na etacie*), Health Academy (*Akademia Zdrowia*).

#### WONGA:

- Private medical care;
- Retirement severance payments;
- Upskilling;
- Reimbursement of public transport costs;

<sup>6</sup> Eight employees (six men and two women) of KRUK Romania additionally have contracts for a specific task (*umowa o dzieło*) at other Group companies; Two employees in the Czech Republic also have part-time employment contracts with KRUK in Slovakia.

- Multisport cards.

#### **KRUK Romania:**

- Employees in Romania have a discretion to decide on how they use their monthly non-financial benefit budgets. They can choose from a range of benefits, including medical insurance, holiday vouchers, gift cards and vouchers for cultural events.

#### **KRUK Italia:**

- An additional amount for benefits for an employee;
- Vouchers redeemable at restaurants, cafés or supermarkets for the purchase of food and drink;
- 100% paid maternity leaves (instead of 80% required by law).

#### **KRUK España:**

- Private medical care for employees and their families;
- Gift card scheme;
- Staff training;
- Co-financing of costs of remote work;
- Co-financing of transport costs.

#### **KRUK Česká a Slovenská Republika:**

- Cafeteria benefits;
- Old-age pension insurance;
- Language courses.

The Group companies also organise regular employee integration meetings, cultural events and team-building events. The Group supports its employees' sports passions and voluntary blood donation drives, and organises meetings with inspiring individuals.

The Remuneration Policy for Members of the Management Board and Supervisory Board of KRUK S.A. regulates matters related to determining the remuneration of the Group's top management. In accordance with the Policy, remuneration is determined on the basis of the function performed as well as the business scale, complexity of corporate design and operational complexity of the Company. Remuneration of Management Board Members consists of fixed and variable components. The remuneration policy for Management Board members and the amount of remuneration paid to the President of the Management Board are determined by the Supervisory Board. The amounts of remuneration for the individual Management Board members other than the President are determined by the Supervisory Board based on proposals submitted by the President of the Management Board. For more details, see Section 8.3.4 *Remuneration, bonuses and employment contract terms of the Management Board members*.

#### **10.5.7 Safety at work**

[403-1, 403-2, 403-3, 403-5, 403-6, 403-7, 403-10]

KRUK Group continuously monitors OHS issues. OHS policies and regulations in place at the Group are based on the ISO 45001 guidelines. Each new employee receives mandatory general OHS instruction and undergoes more detailed training relating to their position. In Poland, the OHS Team operates an online OHS News channel for employees, providing current information on safety at work and guidance on health prevention.

OHS codes, policies and procedures are reviewed and updated on a regular basis in line with the organisation’s profile. Dedicated OHS units conduct proper inquiries into any work-related accidents, handle any reports of suspected occupational, and carry out occupational risk assessments in accordance with applicable regulations on an ongoing basis. In 2022, no occupational diseases were identified among employees.

In May 2022, in cooperation with its business partner Benefit Systems S.A., KRUK S.A. organised the Health at Work (Zdrowie na etacie) programme. Its objective was to raise awareness and inspire employees to choose a more active and healthy lifestyle. On average, nearly 400 people participated in each webinar. Wonga with its 140 employees engaged in a similar programme.

**Accident rate at the KRUK Group in 2022**

Slip, trip, fall on a flat surface	8
Impact against a stationary object	2
Road accident (in transport)	19
Dog bite	1
Other	2
<b>Total number of accidents</b>	<b>32</b>

Employee safety at the KRUK Group is defined more broadly than physical security. In 2022, the Group continued its cooperation with the Psychological Assistance Centre, which operates the ‘Together, Side by Side’ Employee Support Programme. The initiative is designed to support employees experiencing difficult personal circumstances, also those resulting from involvement in individual talks about financial problems of the Company’s clients. The Psychological Assistance Centre draws on the know-how and experience of the Indebted Persons Support Programme Association. In 2022, the Centre’s specialists spent a total of 11 hours talking to the KRUK Group employees.

The KRUK Group was also engaged in the Humanites Institute’s ‘Two Hours for the Family’ initiative on the occasion of the International Day of Families. The initiative aims in particular to address the family bond crisis, and includes preventive measures designed to support the employees’ mental and emotional health. As part of the campaign, the employees were allowed to end their work day two hours earlier and use this time with their families.

**10.5.8 Diversity management**

[D1][D2][D3][406-1]

The KRUK Group has implemented a Diversity Policy aimed at creating a diversified and multicultural workplace. In accordance with the Policy, employees are required to respect other

employees' right to privacy, must not interfere with their personal affairs, and must accept any existing differences. The Group provides each employee with equal opportunities for promotion and professional advancement. In 2022, we did not record any instances of discrimination.

Since 2013, KRUK S.A. has been a signatory of the Diversity Charter, an international initiative of the European Commission intended to promote social cohesion and equality. The fundamental principle of the Charter is non-discrimination in the workplace and recognising and promoting diversity in all areas of activity. The provisions of the Charter apply across the KRUK Group and are taken into account in various processes, including recruitment. Equal opportunities at the KRUK Group begin with the recruitment process and continue throughout the time of service at the Group companies.

In 2022, the KRUK Group carried out surveys on the level of diversity and inclusivity at its organisation, which helped to better appreciate the risk of exclusion of certain employee groups and triggered the implementation of programmes dedicated to supporting them in line with the Group's diversity strategy. Specific solutions were put in place to support parents and people with disabilities, and efforts were continued to build a level playing field for women and men. The purpose of the programmes is not only to build a culture of inclusivity through education, but first and foremost to provide concrete assistance to underrepresented groups to help them reach a balance between their professional responsibilities and challenges resulting from their life situation.

KRUK S.A. joined Forbes Women's campaign 'Equal Opportunities Company', and the magazine published a feature on the Company's best practices in the area of equal opportunity programmes and activities. Forbes Women awarded KRUK S.A. with a certificate for joining the campaign. To help promote the role of women in business, the KRUK Group participated in the 'Modern Woman: Leader, Partner, Mother' conference, where it shared its experience in building an organisation committed to empowering women. More than 2,500 attendees watched a live broadcast of the conference. Efforts to increase the visibility of women in the financial sector were also made in 2022 by the Group's Romanian and Italian companies.

As part of a campaign celebrating the Women's Day, KRUK España promoted women in science and its four-year strategic plan for equal pay and career opportunities. The Spanish company also carried out an awareness campaign focusing on respecting LGBTQ+ rights. The social media campaign reached more than 1,300 people outside the company. To celebrate the World Day for Cultural Diversity for Dialogue and Development, KRUK España ran a communication campaign among its employees to promote and highlight diversity in the organisation.

[405-2]

The KRUK Group aims to achieve full pay equality for men and women performing comparable work by 2025. In 2022, the equal pay gap (EPG) was 1.2% for the <sup>7</sup> Group as a whole.

- Women in executive positions at the KRUK Group (Management Board and Supervisory Board) – 41%

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<sup>7</sup> EPG calculation methodology: comparison of the median pay of women and men working at the same level, in the same job family and in the same position. EPG was calculated as the median of the results obtained for all positions meeting the comparability criterion.



- Women in managerial positions (General Directors and Heads of Departments at the head office level) – 62%

[405-1]<sup>8</sup> Employment of persons with disabilities at the KRUK Group:

	KRUK Group	Poland	Romania	Italy	Spain	Czech Republic and Slovakia
All employees	3,216	1,718	687	380	313	118
Employees with disabilities	66	37	2	18	8	1
Percentage	2.05%	2.15%	0.29%	4.74%	2.56%	0.85%

### 10.5.9 Employee development

[404-2]

At the KRUK Group, development of employees' skills is perceived as driving growth of the entire company. Therefore, persons employed at the Group companies are offered a broad range of training options for all types of positions. Employees participate in specialist training, and each newly recruited person completes a full cycle of induction training. All Group companies have in place professional development schemes to enhance the skills and expertise of their employees. The range of available training is wide – from psychology and healthy lifestyle courses to foreign language classes to leadership training, such as inclusive communication or teamwork workshops.

Selected employee training programmes:

#### Poland:

- Managerial Debuts – programme for persons starting their managerial careers
- Trainers Academy – programme where employees share their knowledge with their colleagues
- Advisor Academy (since 2022) – series of training sessions for the best field advisers
- IT skills training platform

#### Wonga.pl:

- Wonga Academy – platform for internal knowledge sharing
- Training: Coaching leadership style, situational leadership, inclusive leadership

#### Romania:

- Back to School 2 – programme designed to improve technical skills of the participants

<sup>8</sup> The data does not include WONGA and InvestCapital Ltd.

- KRUK Legal Academy
- Management Skills Workshop – successor programme

#### **Spain:**

- Development of communication skills – speaking in public, leadership and change management
- Development of time management and prioritisation skills
- BRIDGE talent development programme to identify talent in the organisation by creating space for creativity and proposing ideas for improvement

#### **Italy:**

- Individual Training Plans defined at the end of each year, agreed with managers

#### **Czech Republic and Slovakia:**

- Language courses
- IT skills courses

Since 2016, the KRUK Group has been developing a range of training options available on the e-learning platform, which allows employees to quickly improve their competencies. The platform hosts mainly courses in the field of law, data security and protection, ethical principles and good practices in the industry, as well as product training, and courses related to projects implemented in the organisation. The e-learning offering also includes courses for management staff, combined with traditional training.

## **10.6 Natural environment**

[UoR-E1, UoR-E2, UoR-E3, 2-24]

Understanding its environmental impact and stakeholders' expectations, the KRUK Group has decided to define its environmental objectives and incorporate them into its ESG strategy, forming part of its business strategy. The objectives are based on the UN Sustainable Development Goals and on the European Green Deal.

In line with the Scope 1 and Scope 2 guidance of GHG Protocol, an action plan has been implemented in each country where the KRUK Group is present to achieve a 70% reduction in carbon emissions by 2040 through such means as improving the efficiency of the car fleet, using renewable energy sources, and cutting energy consumption in office buildings. Given the new obligations imposed by the Corporate Sustainable Reporting Directive, the KRUK Group intends to meet the Scope 3 objectives of GHG Protocol with respect to its business model and include its value chain in the calculations.

As part of its ESG strategy, by 2026 the Group plans to report emissions for each of its main business processes. In order to achieve all of its strategic environmental objectives, the KRUK Group has committed to continuously expand the knowledge of its employees, suppliers and the general public required to protect and improve the condition of the natural environment.

Drawing on the Company’s know-how and expertise in debt, since 2019 the KRUK Group has been taking consistent measures to draw public attention to the problem of ecological debt and excessive consumption, highlighting the analogy between financial and ecological debts. A good occasion to raise this problem is the Earth Overshoot Day, on which the Group issues various press releases concerning the consequences of Poles’ excessive consumerism, based on public surveys conducted at the Company’s request. In the run-up to the event, KRUK S.A. commissioned an online survey – ‘Economic and Environmental Attitudes among Poles 2022’. Its environmental message reached over 31,000 unique respondents.

In 2022, KRUK S.A. joined the UNGC’s Climate Positive initiative designed to support businesses with expert knowledge on how to counter climate change, reduce carbon footprint and raise environmental awareness. In connection with its participation in the initiative, the KRUK Group has been invited to join the UNGCNP Business Council.

**Selected environmental projects in 2022:**

- Streamlining and optimising workflows to reduce paper waste generation. In Spain, Poland and Italy, 86% of the settlement agreements were signed in paperless form in 2022. In Poland, Romania and Italy, more and more clients are using the e-KRUK system to handle cases on their own. The total number of e-KRUK.pl users grew by 37% relative to December 2021;
- KRUK S.A. launched an initiative for employees using company cars to help them learn and apply best eco-driving practices;
- As part of the Green Wonga programme, Wonga engaged its employees and their families in a clean-up of a local nature reserve;
- At KRUK Romania, a decision was made to switch to lower rolling resistance tires in company cars, which improves energy efficiency and reduces fuel demand;
- In September 2022, KRUK Romania implemented a carbon offset plan for its vehicle fleet;
- KRUK Italia continues to work with ZeroCO2, an NGO fighting against deforestation. 40 trees were planted in the centre of Milan in 2022;
- KRUK Italia has created an online platform for investors and creditors operating on the real estate market, which is dedicated to facilitating reusing vacant properties. The website lists buildings whose condition has not deteriorated over their vacancy period and which therefore can be adaptively reused or converted relatively fast without any complex refurbishment or repair work, which helps reduce waste generation, air pollution, and energy consumption usually related to construction projects.

**[302-1] Energy consumption within the organisation**

Total non-renewable energy consumption in 2022 by source (in joules or multiples thereof)

**KRUK GROUP**

<b>Gasoline</b>	18,984	GJ
<b>Diesel oil</b>	5,669	GJ

Natural gas	1,320 <sup>9</sup>	GJ
Total renewable energy consumption by source (in joules or multiples thereof)		
Electricity	1,368	GJ
Total energy consumption within the organisation (in joules or KWh)		
Electricity	1,672,412	KWh
Heat	5,398	GJ
Cooling	3,485	GJ
<b>Total</b>	<b>40,877</b>	<b>GJ</b>

[305-1] [2-4] **Direct (Scope 1) GHG emissions**<sup>10,11</sup>

Gross greenhouse gas emissions in tonnes (t) of CO<sub>2</sub> equivalent or an equivalent unit of measure

**KRUK GROUP**

Gross greenhouse gas emissions in tonnes (t) of CO <sub>2</sub> equivalent or an equivalent unit of measure	2,241	tCO <sub>2</sub>
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**Country**

Poland	1,116	tCO <sub>2</sub>
Czech Republic	111	tCO <sub>2</sub>
Italy	415	tCO <sub>2</sub>
Romania	450	tCO <sub>2</sub>
Spain	148	tCO <sub>2</sub>

**Type of emission source**

Combustion in stationary sources	75	tCO <sub>2</sub>
Combustion in mobile sources	2,053	tCO <sub>2</sub>

<sup>9</sup> Natural gas consumption by the companies in Italy is not included because the relevant data was not available.

<sup>10</sup> Data on energy consumption within the organisation will change in the sustainability report because the processing of accounting documents from December 2022 is still continuing at the Italian-based companies at the time of this statement.

<sup>11</sup> In the 2021 report, heat consumption was erroneously classified as Scope 1, and the same value in GJ was classified as heat consumption under Scope 2 emissions, resulting in double counting of the emissions. Scope 1 emissions in 2021 should have been 2,126 tCO<sub>2</sub>e, instead of the reported 2,686 tCO<sub>2</sub>e.

## Type of operations

HFC – emissions from refrigeration systems	108	tCO <sub>2</sub>
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## [305-2] Energy indirect (Scope 2) GHG emissions

Gross location-based energy indirect (Scope 2) GHG emissions in 2022 in tonnes (t) of CO<sub>2</sub> equivalent or an equivalent unit of measure

### KRUK Group

Gross location-based energy indirect (Scope 2) GHG emissions in tonnes (t) of CO <sub>2</sub> equivalent or an equivalent unit of measure	1,249	tCO <sub>2</sub>
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### Country

Poland	1,112	tCO <sub>2</sub>
Italy	28	tCO <sub>2</sub>
Romania	100	tCO <sub>2</sub>
Czech Republic	9	tCO <sub>2</sub>
Spain	0 <sup>12</sup>	tCO <sub>2</sub>

### Type of energy

Electricity	690	tCO <sub>2</sub>
Heat	559	tCO <sub>2</sub>

## [305-4] GHG emissions intensity

### GHG emissions intensity ratio for KRUK S.A.

GHG emissions intensity ratio for the organisation	4.297	gCO <sub>2</sub> e/PLN Net income
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## 10.7 Risk of negative impacts on the natural environment

Environmental impact risks primarily relate to the Group's potential negative effects on the environment and climate through its own operations, the products and services it provides, including project financing and management of climate risks, which could be transformational for the Group. Understanding its environmental impact and stakeholders' expectations, the KRUK Group has decided to define its environmental objectives and incorporate them into its Environmental, Social, and Governance (ESG) strategy, which is part of its business strategy. The

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<sup>12</sup> The company in Spain uses only renewable energy sources.

objectives are based on the UN Sustainable Development Goals and on the European Green Deal.

In line with the Scope 1 and Scope 2 guidance of GHG Protocol, an action plan has been implemented in each country where the KRUK Group is present to achieve 70% reduction in carbon emissions by 2040, including by improving the efficiency of the car fleet, using renewable energy sources, and cutting energy consumption in office buildings. Given the new obligations imposed by the Corporate Sustainable Reporting Directive, the KRUK Group intends to meet the Scope 3 objectives of GHG Protocol with respect to its business model and include its value chain in the calculations.

As part of its ESG strategy, by 2026 the Group plans to begin reporting emissions for each of its main business processes. In order to achieve all of its strategic environmental objectives, the KRUK Group has committed to continuously raising the awareness of its employees, suppliers and the public in the area of environmental protection and protecting and improving the condition of the natural environment.

Drawing on the Company's know-how and expertise in debt, since 2019 the KRUK Group has been taking consistent measures to draw public attention to the problem of ecological debt and excessive consumerism, highlighting the analogy between financial and ecological debts. A good occasion to raise this problem is the Earth Overshoot Day, on which the Group issues various press releases concerning the consequences of Poles' excessive consumerism, based on public surveys commissioned by the Group. In the run-up to the event, KRUK S.A. commissioned an online survey – 'Economic and Environmental Attitudes among Poles 2022' Its environmental message reached over 31 thousand unique respondents.

In 2022, KRUK S.A. became a member of the United Nations Global Compact's (UNGC) Climate Positive initiative, which aims to equip businesses with expert knowledge on combating climate change, lowering their carbon footprint, and enhancing environmental awareness. As a member of the initiative, the Group has received an invitation to join the UNGCNP Business Council. For further details on how the Group manages its environmental and climate impacts, please refer to the Directors' Report on the operations of the KRUK Group and KRUK S.A.

At this time, no balance sheet items have been identified whose valuation would be significantly affected by the analysed climate risks. Climate risks and opportunities will be defined in 2023 in accordance with the TCFD standard. Cooperation with an external advisor has been established for this purpose.

## 10.8 Taxonomy

In accordance with Article 8 of EU Regulation 2020/852 (Taxonomy), information is presented below on how and to what extent the KRUK Group's activities are associated with economic activities that qualify as environmentally sustainable (Taxonomy-aligned activities). Key performance indicators were prepared in accordance with the requirements outlined in Commission Delegated Regulation (EU) 2021/2178. Pursuant to Article 10 thereof, the KRUK Group, whose principal business activities are classified as activities of a non-financial undertaking, discloses key performance indicators in accordance with the scheme and scope of disclosures for non-financial undertakings as set out in Annex I and Annex II of Regulation (EU) 2021/2178.

10.8.1 Turnover KPI

Economic activity	total revenue	Proportion within revenue	Substantial contribution criteria							Do no significant harm criteria					2022	proportion of Taxonomy-aligned activities within revenue	proportion of Taxonomy-aligned activities within revenue	category (enabling activities)	category (transitional activities)
			Climate change mitigation	Climate change adaptation	sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems					
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																			
A.1. Environmentally sustainability (Taxonomy-aligned) activities																			
Revenue from environmentally sustainable (Taxonomy-aligned) activities (A.1)	0	0	0	0	0	0	0	0	0						0				
A.2. Taxonomy-eligible economic activities, but not environmentally sustainable economic activities (not Taxonomy-aligned)																			
A.2. Revenue from Taxonomy-eligible economic activities, but not from environmentally sustainable economic activities (not Taxonomy-aligned)																			
TOTAL (A.1 + A.2)	0																		

Revenue from Taxonomy non-eligible economic activities	2,145,790,400	100	
TOTAL (A + B)	2,145,790,400	100	

## Nuclear and gas activities

Row	Nuclear activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	YES/ <u>NO</u>
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES/ <u>NO</u>
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES/ <u>NO</u>
	<b>Fossil gas related activities</b>	
1	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES/ <u>NO</u>
2	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES/ <u>NO</u>
3	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES/ <u>NO</u>

## Taxonomy-aligned economic activities (denominator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0



3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	0	0	0	0	0	0
8	<b>Total applicable KPI</b>	0	0	0	0	0	0

#### Taxonomy-aligned economic activities (numerator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0

4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI</b>	0	0	0	0	0	0
8	<b>Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	0	0	0	0	0	0

#### Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0

4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activity not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	0	0	0	0	0	0
8	<b>Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	0	0	0	0	0	0

#### Taxonomy non-eligible economic activities

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0

5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
7	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	812,280,000	100%
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	812,280,000	100%

### Accounting policies

The key performance indicator for turnover (Turnover KPI) was calculated based on the consolidated financial statements of the KRUK Group for 2022 prepared in accordance with International Reporting Standards (IFRS). Net revenue disclosed in those financial statements was used as the denominator of the KPI.

### Assessment of compliance with Regulation (EU) 2020/852

The individual categories of the KRUK Group's revenue were analysed in terms of their eligibility for the Taxonomy. The process included an analysis of taxonomy-eligible economic activities as defined in Regulation (EU) 2021/2139 and Regulation (EU) 2022/1214. Based on the analysis, no revenue from taxonomy-eligible economic activities was identified.

### Contribution to multiple objectives, disaggregation of KPIs and contextual information

Not applicable No part of the KRUK Group's revenue for 2022 was identified as associated with environmentally sustainable economic activities (Taxonomy-aligned).

10.8.2 CapEx KPI

	Code	Total CapEx (PLN)	Proportion within revenue (%)	Substantial contribution criteria						Do no significant harm criteria						2022	Proportion of Taxonomy-aligned activities within revenue (%)	Category (enabling activities)	Category (transitional activities)
				Climate change mitigation	Climate change adaptation	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and water and marine	Sustainable use and protection	Climate change mitigation	Climate change adaptation	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and water and marine	Sustainable use and protection				
A. Taxonomy-eligible economic activities																			
A.1. Environmentally sustainability (Taxonomy-aligned) activities																			
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	90,272.00	0.13	100.00	0	0	0	0	0	T	T	T	T	T	T	T	0.13	T	
CapEx associated with environmentally sustainable (Taxonomy-aligned) economic activities (A.1)		90,272.00	0.13	0.13	0	0	0	0	0								0.13		
A.2. Taxonomy-eligible economic activities, but not environmentally sustainable economic activities																			



1	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES/ <u>NO</u>
2	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES/ <u>NO</u>
3	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES/ <u>NO</u>

#### Taxonomy-aligned economic activities (denominator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	90,272.00	0.13	90,272.00	0.13	0	0
8	<b>Total applicable KPI</b>	90,272.00	0.13	90,272.00	0.13	0	0

#### Taxonomy-aligned economic activities (numerator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI</b>	90,272.00	0.13	90,272.00	0.13	0	0
8	<b>Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	90,272.00	0.13	90,272.00	0.13	0	0

#### Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0



2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activity not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	697,427.00	0.99	0	0	0	0
8	<b>Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	697,427.00	0.99	0	0	0	0

#### Taxonomy non-eligible economic activities

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to	0	0

	Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
7	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	69 937 378.00	98.89
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	69 937 378.00	98.89

## Accounting policies

The CapEx KPI was calculated on the basis of capital expenditure recognised in the financial statements in accordance with the applicable International Financial Reporting Standards (IFRS). Costs accounted based on the following regulations were allocated to the CapEx KPI denominator:

- IAS 16 Property, Plant and Equipment, paragraph 73, (e), point (i) and point (iii);
- IAS 38 Intangible Assets, paragraph 118, (e), point (i);
- IAS 40 Investment Property, paragraph 76, points (a) and (b) (for the fair value model);
- IAS 40 Investment Property, paragraph 79(d), points (i) and (ii) (for the cost model);
- IAS 41 Agriculture, paragraph 50, points (b) and (e);
- IFRS 16 Leases, paragraph 53, point (h).

The KRUK Group did not earn any revenue from Taxonomy-aligned economic activities, therefore none of the costs included in the denominator were included in the numerator on account of association with Taxonomy-aligned economic activities. The KRUK Group does not have in place any CapEx plan referred to in Section 1.1.2.2. of Annex I to Regulation (EU) 2021/2178. Following analyses, costs related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions were identified. The activities from which the output was purchased were assessed based on the technical screening criteria set out in Regulation (EU) No 2021/2139. The results of the assessment were the basis for allocating certain costs to the numerator of the CapEx KPI.

## Assessment of compliance with Regulation (EU) 2020/852

Following assessment of eligibility and then assessment of alignment of the activities from which the output was purchased, one activity was identified from which output was purchased that enabled the target activity to reduce greenhouse gas emissions.

Activity no.	Activity name	Activity description
6.5.	Transport by motorbikes, passenger cars and light commercial vehicles	Lease of hybrid passenger cars with a maximum mass not exceeding 3.5 tonnes

Compliance with the criteria was assessed based on materials provided by the car manufacturer, including declarations of average CO<sub>2</sub> emissions of 30 g/km in the combined cycle, climate risk assessments and climate change adaptation plan (risks related to climate change and exposure to these risks for the activities carried out were assessed; the results of the assessment and the

analyses performed were published in the car manufacturer's report), a circular economy declaration (manufacturer's information on compliance with DNSH (do no significant harm) criteria relating to the car mass suitable for reuse and recycling), materials confirming compliance with the Euro 6 emission standard and the car having Class B tyres with regard to generated noise and Class B tyres with regard to rolling resistance according to the EPREL classification, and compliance with noise standards set out in Regulation No 540/2014 of the European Parliament and of the Council.

According to the car manufacturer's publications, the activities comply with minimum safeguards and procedures that ensure, inter alia, compliance with the OECD and UN Guiding Principles on Business and Human Rights are applied.

#### **Contribution to multiple objectives**

The activities do not contribute to multiple objectives.

#### **Disaggregation of KPIs and contextual information**

KPIs were not disaggregated. Capital expenditure within a single economic activity was included in the KPI's numerator.

The KRUK Group does not have in place any CapEx plan referred to in Section 1.1.2.2. of Annex I to Regulation (EU) 2021/2178.

10.8.3 OpEx KPI

	Code	Total CapEx (PLN)	Proportion within revenue (%)	Substantial contribution criteria						Do no significant harm criteria					2022	
				Climate change mitigation	Climate change adaptation	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and water and marine	Sustainable use and	Climate change mitigation	Climate change adaptation	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and water and marine	Sustainable use and	Minimum safeguards
A. Taxonomy-eligible economic activities																
A.1. Environmentally sustainability (Taxonomy-aligned) activities																
OpEx associated with environmentally sustainable (Taxonomy-aligned) economic activities (A.1)		0.00	0.00	0	0	0	0	0	0						0.00	
A.2. Taxonomy-eligible economic activities, but not environmentally sustainable economic activities																
Installation, maintenance and repair of energy efficiency equipment	7.3	61,517.00	0.48	100.00	0	0	0	0	0	T	N	N	T	T	T	



Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	0	0	0	0	0	0
8	<b>Total applicable KPI</b>	0	0	0	0	0	0

#### Taxonomy-aligned economic activities (numerator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0

3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI</b>	0	0	0	0	0	0
8	<b>Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	0	0	0	0	0	0

#### Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0

6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activity not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	61,517.00	0.48	61,517.00	0.48	0	0
8	<b>Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	61,517.00	0.48	61,517.00	0.48	0	0

#### Taxonomy non-eligible economic activities

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0



7	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	12,882,780.00	99.52
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	12,882,780.00	99.52

#### Nuclear and gas activities

Row	Nuclear activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	YES/ <u>NO</u>
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES/ <u>NO</u>
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES/ <u>NO</u>
	<b>Fossil gas related activities</b>	
1	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES/ <u>NO</u>
2	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES/ <u>NO</u>
3	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES/ <u>NO</u>

#### Taxonomy-aligned economic activities (denominator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0

2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	0	0	0	0	0	0
8	<b>Total applicable KPI</b>	0	0	0	0	0	0

#### Taxonomy-aligned economic activities (numerator)

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0	0	0	0	0

7	<b>Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI</b>	0	0	0	0	0	0
8	<b>Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	0	0	0	0	0	0

#### Taxonomy-eligible but not taxonomy-aligned economic activities

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0	0	0	0	0
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activity not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	61,517.00	0.48	61,517.00	0.48	0	0
8	<b>Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	61,517.00	0.48	61,517.00	0.48	0	0

## Taxonomy non-eligible economic activities

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
4	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
5	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
6	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
7	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI</b>	12,882,780.00	99.52
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	12,882,780.00	99.52

## Accounting policies

The OpEx KPI was calculated on the basis of operating expenditure recognised in the financial statements in accordance with the applicable International Financial Reporting Standards (IFRS). The following direct, non-capitalised expenditure was allocated to the denominator of OpEx KPI:

- building renovation measures,
- maintenance and repair, and
- any other direct expenditure relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

No research and development costs or short-term rental expenses were identified within the KRUK Group's expenditure.

The KRUK Group did not earn any revenue from Taxonomy-aligned economic activities, therefore none of the costs included in the denominator were included in the numerator on account of association with Taxonomy-aligned economic activities. The KRUK Group does not have in place any CapEx plan referred to in Section 1.1.2.2. of Annex I to Regulation (EU) 2021/2178. Following analyses, costs related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions were identified. The activities from which the output was purchased were assessed based on the technical screening criteria set out in Regulation (EU) No 2021/2139. The results of the assessment were the basis for determining that operating expenses were not associated with environmentally sustainable (Taxonomy-aligned) economic activities.

#### **Assessment of compliance with Regulation (EU) 2020/852**

Following assessment of eligibility and then assessment of alignment of the activities from which the output was purchased, no Taxonomy-aligned activity was identified from which output was purchased that enabled the target activity to reduce greenhouse gas emissions. One Taxonomy-eligible activity was identified:

<b>Activity no.</b>	<b>Activity name</b>	<b>Activity description</b>
7.3.	Installation, maintenance and repair of energy efficiency equipment	Purchase and installation of LED 40W panels ensuring energy savings of up to 58% relative to classic T8 fluorescent lamps with similar lighting parameters.

A compliance assessment performed on the basis of the technical screening criteria for activity 7.3, set out in Regulation (EU) No 2021/2139, confirmed that expenditure associated with this activity cannot be included in the KPI numerator.

#### **Contribution to multiple objectives**

Not applicable No expenditure associated with environmentally sustainable (Taxonomy-aligned) economic activities was identified within OpEx KPI.

#### **Disaggregation of KPIs and contextual information**

KPIs were not disaggregated. No operating expenditure associated with Taxonomy-aligned economic activities was included in the KPI numerator.

The KRUK Group does not have in place any CapEx plan referred to in Section 1.1.2.2. of Annex I to Regulation (EU) 2021/2178.

## 10.9 Respect for human rights

[UoR-H1, UoR-H2, UoR-H3, 2-26]

Respect for human rights is the respect for rights and freedoms inherent to all human beings, regardless of sex, age, disability, health condition, race, nationality, ethnicity, religion or lack thereof, political beliefs, union membership, psychosexual orientation, gender identity, family status, lifestyle and other grounds affecting discriminatory behaviour. The KRUK Group, committed to respecting human rights, decided to adopt and implement a Human Rights Policy. The Policy was drawn up following a human rights due diligence review concerning the policies and procedures in place at the KRUK Group.

In accordance with the Policy, the Group identifies with the following international standards of human rights:

- The International Charter of Human Rights (including the Universal Declaration of Human Rights),
- The International Covenant on Economic, Social and Cultural Rights,
- The International Covenant on Civil and Political Rights,
- The UN Guiding Principles on Business and Human Rights,
- The UN Global Compact Principles.

The KRUK Group also endorses and complies with the provisions laid down in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and international and local legislation in force in the countries where it operates.

Each employee may lodge a complaint in a secure and anonymous manner, concerning a human rights violation by means of the measures set out in the Whistleblowing and Whistleblower Protection Policy and the Mediation Policy. KRUK S.A. has also set up a Mediation and Consultation Team to handle complaints concerning conflict situations or unequal treatment. A complaint may be lodged by an employee who has been involved in a conflict situation or has been affected by inappropriate behaviour, as well as by a witness to and anyone who becomes aware of such situations. The communication channel enabling employees, associates, business partners, suppliers, clients and other stakeholders to provide whistleblowing information in a confidential and anonymous manner is the Misconduct Reporting Form.

## 10.10 Sustainability Report

In 2022, the KRUK Group published its first [Sustainability Report](#). The Report elaborates on the matters published in the Non-Financial Statement. The 2022 Sustainability Report is scheduled for publication in the first half of 2023.

The Non-Financial Statement was prepared on the basis of the GRI standards.

## 11 GLOSSARY OF TERMS

Auditor	PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. of Warsaw
CAGR	Compound Annual Growth Rate
Catalyst	Bond market operated by the Warsaw Stock Exchange
CZK	Czech koruna
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation
Cash EBITDA	Profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt portfolios, less revenue from purchased debt portfolios and revaluation gains on assets other than purchased debt and consumer loans advanced, if their total amount in the last 12 months exceeds PLN 5m; cash EBITDA is computed for the KRUK Group for the last 12 months
EPS	Earnings per share
ERIF BIG, ERIF	ERIF Biuro Informacji Gospodarczej S.A.
EUR	Euro
FMCG	Fast Moving Consumer Goods
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
The Group, the KRUK Group	The Company as the Parent along with its subsidiaries and Non-Standard Securitisation Closed-End Investment Funds
ItaCapital	ItaCapital S.r.l of Milan, Italy
CSDP	Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)
PFSa	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KRS	Polish National Court Register (Krajowy Rejestr Sądowy)
KRUK; Issuer; Company	KRUK S.A. of Wrocław
KRUK Česká a Slovenská Republika	KRUK Česká a Slovenská Republika s.r.o. of Hradec Kralove
KRUK España	KRUK España S.L. of Madrid, Spain
KRUK Italia	KRUK Italia S.r.l of Milan, Italy
KRUK ROMANIA	KRUK Romania s.r.l of Bucharest, Romania
KRUK TFI	KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław
IAS	International Accounting Standards as endorsed by the European Union
IFRS	International Financial Reporting Standards as endorsed by the European Union, including International Accounting Standards, International Financial Reporting Standards and related Interpretations endorsed by the European Union
NBP	National Bank of Poland
Non-Standard Securitisation Closed-End Investment Funds	Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, BISON NS FIZ

GDP	Gross Domestic Product
PLN	Polish złoty
UOKiK President	President of the Office of Competition and Consumer Protection
2015-2019 Scheme	An incentive scheme for 2015–2019 implemented by the Company for the Management Board members, selected employees of the Company and selected members of the management boards and employees of the subsidiaries, under which up to 847,950 registered subscription warrants will be issued, conferring the right to subscribe for a total of 847,950 ordinary bearer shares issued as part of a conditional share capital increase.
2021-2024 Scheme	An incentive scheme for 2021–2024 implemented by the Company for the Management Board members, selected employees of the Company and selected members of the management boards and employees of the subsidiaries, under which up to 950,550 registered subscription warrants will be issued, conferring the right to subscribe for a total of 950,550 ordinary bearer shares issued as part of a conditional share capital increase.
Prokura NS FIZ	Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Prokura Non-standard securitisation closed-end investment fund)
Total revenue	Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios including other income
Supervisory Board	The Company's Supervisory Board
ROE	Return on equity, computed as the ratio of consolidated net profit to equity as at the end of period
RON	Romanian leu
Regulation on current and periodic information	Polish Minister of Finance's Regulation of March 29th 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Dz.U. of 2018, item 757, as amended)
SeCapital Luksemburg	SeCapital S.à.r.l. (Luxembourg)
Consolidated financial statements	The Group's consolidated financial statements for the reporting period ended December 31st 2022, prepared in accordance with the IFRS
Company KRUK; Issuer	KRUK S.A. of Wrocław
Subsidiaries	The Company's subsidiaries, as defined in the Polish Accounting Act, and Kancelaria Prawna RAVEN P. Krupa Spółka komandytowa
Articles of Association	The Company's Articles of Association
UOKiK	The Polish Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
USD	US dollar
General Meeting	General Meeting
Wonga	Wonga.pl Sp. z o.o. of Warsaw
Management Board	The Management Board of KRUK S.A.



## Financial Liabilities

### Total financial liabilities under:

- bonds or other similar debt securities; or
- non-bank borrowings; or
- bank borrowings; or
- finance leases; or
- promissory notes issued by way of security for liabilities of non-KRUK Group entities; or
- guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- accession to debt owed by non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
- liabilities arising under derivatives contracts;

The Directors' Report on the operations of the KRUK Group in 2022 is presented by the Company's Management Board, consisting of the following members:

Piotr Krupa  
President of the Management Board .....

Urszula Okarma  
Member of the Management Board .....

Piotr Kowalewski  
Member of the Management Board .....

Adam Łodygowski  
Member of the Management Board .....

Michał Zasepa  
Member of the Management Board .....

Wrocław, March 9th 2023