



# **FINANCIAL HIGHLIGHTS**

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

for the period  
from January 1st to March 31st 2021

## Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
<b>For the period</b>				
Revenue	382,257	199,286	83,606	45,331
Operating profit	181,193	(7,036)	39,630	(1,600)
Profit before tax	151,316	(53,840)	33,095	(12,247)
Net profit attributable to owners of the Parent	127,355	(62,156)	27,855	(14,138)
Net cash from operating activities	196,676	213,230	43,017	48,502
Purchase of debt portfolios at prices as per agreement	(159,342)	(57,008)	(34,851)	(12,967)
Cash recoveries	511,728	477,200	111,924	108,547
Net cash from investing activities	(3,000)	(2,464)	(656)	(560)
Net cash from financing activities	(169,289)	(124,967)	(37,026)	(28,426)
Net change in cash	24,387	85,799	5,334	19,516
Diluted earnings per share (PLN/EUR)	6.54	(3.22)	1.43	(0.73)
Average number of shares ('000)	19,011	18,972	19,011	18,972
Earnings per share (PLN/EUR)	6.70	(3.27)	1.47	(0.74)
	<b>Mar 31 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Mar 31 2021 unaudited</b>	<b>Dec 31 2020</b>
<b>As at</b>				
Total assets	4,729,141	4,643,031	1,014,772	1,006,118
Non-current liabilities	1,666,627	1,763,322	357,622	382,102
Current liabilities	875,755	836,249	187,918	181,210
Equity	2,186,758	2,043,460	469,231	442,806
Share capital	19,011	19,011	4,079	4,120
Book value per ordinary share	115.03	107.49	24.68	23.29

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

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

**for the reporting period**                      **4.5721**  
**for the comparative period**                **4.3963**

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

**at the end of the reporting period**      **4.6603**  
**at end of the comparative period**        **4.6148**



# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period January 1st–  
March 31st 2021

## Table of contents

I.	CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	5
II.	CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....	6
III.	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	7
IV.	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	8
V.	CONSOLIDATED STATEMENT OF CASH FLOWS.....	11
VI.	NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	13
1.	Organisation of the KRUK Group.....	13
2.	Reporting period.....	17
3.	Statement of compliance .....	18
4.	Significant accounting policies .....	18
5.	Accounting estimates and judgements .....	26
6.	Financial risk management .....	30
7.	Reporting and geographical segments .....	31
8.	Seasonality or cyclicity of business.....	35
9.	Type and amounts of changes in estimates adopted in previous financial years with a material effect on the reporting period .....	35
10.	Type and amounts of items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows, which are material due to their type, size or effect.....	42
11.	Related-party transactions.....	64
12.	Management of risk arising from financial instruments.....	64
13.	Factors and events with a material bearing on the Group's financial results .....	78
14.	Issue, redemption and repayment of non-equity and equity securities .....	79
15.	Dividends paid (or declared) .....	79
16.	Information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year .....	80
17.	Events subsequent to the reporting date not disclosed in these financial statements but potentially having a material bearing on the Group's future performance .....	82

## I. Consolidated statement of financial position

As at Mar 31 2021

PLN '000

	Note	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 restated
<b>Assets</b>				
Cash and cash equivalents	10.18	169,940	145,552	236,073
Trade receivables	10.17	14,541	16,804	19,330
Other receivables	10.17	24,942	28,357	38,613
Inventories	10.16	27,578	32,069	37,438
Investments	9	4,234,284	4,208,724	4,307,459
Deferred tax asset	10.8	83,228	31,180	66,649
Property, plant and equipment	10.14	85,159	91,864	90,666
Goodwill	10.15	24,141	23,916	50,393
Other intangible assets		49,903	50,729	49,615
Other assets		15,425	13,836	6,493
<b>Total assets</b>		<b>4,729,141</b>	<b>4,643,031</b>	<b>4,902,728</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Trade and other payables	10.20	135,137	112,227	133,011
Derivatives	10.10	12,784	11,236	9,786
Hedging instruments	10.11	12,178	18,386	15,309
Employee benefit obligations	10.19	45,082	42,860	42,903
Income tax payable		256	5,223	9,245
Borrowings, debt securities and leases	10.9	2,077,311	2,222,176	2,634,535
Provisions	10.21	52,882	53,124	29,853
Deferred tax liability	10.8	206,753	134,339	74,682
<b>Total liabilities</b>		<b>2,542,383</b>	<b>2,599,571</b>	<b>2,949,323</b>
<b>Equity</b>				
Share capital		19,011	19,011	18,972
Share premium		310,430	310,430	307,192
Cash flow hedging reserve		(8,575)	(14,783)	(11,706)
Translation reserve		91,208	81,360	43,227
Other capital reserves		103,626	103,626	100,015
Retained earnings		1,671,482	1,544,127	1,495,665
<b>Equity attributable to owners of the Parent</b>		<b>2,187,182</b>	<b>2,043,771</b>	<b>1,953,365</b>
<b>Non-controlling interests</b>		<b>(424)</b>	<b>(311)</b>	<b>41</b>
<b>Total equity</b>		<b>2,186,758</b>	<b>2,043,460</b>	<b>1,953,406</b>
<b>Total equity and liabilities</b>		<b>4,729,141</b>	<b>4,643,031</b>	<b>4,902,728</b>

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



## II. Consolidated statement of profit or loss

For the reporting period from January 1st to March 31st 2021

PLN '000

	Note	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 restated
<b>Continuing operations</b>			
	10.1		
Interest income on debt portfolios and loans measured at amortised cost		256,339	292,336
	10.1		
Interest income on loans measured at fair value		10,700	-
Revenue from sale of debts and loans		2,052	863
Other income/expenses from purchased debt portfolios	10.1	(9,443)	(6,289)
Revenue from the provision of other services		17,085	16,610
Other income	10.1	813	1,020
		1,194	-
Change in investments measured at fair value			
Gain/(loss) on expected credit losses	10.1	104,330	(104,233)
<b>Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios</b>		<b>383,070</b>	<b>200,306</b>
	10.3		
Employee benefits expense		(90,246)	(84,941)
Depreciation and amortisation		(11,330)	(11,652)
Services	10.2	(33,315)	(34,976)
Other expenses	10.4	(66,985)	(75,773)
		(201,876)	(207,343)
<b>Operating profit/(loss)</b>		<b>181,193</b>	<b>(7,036)</b>
	10.5		
Finance income		13	29
	10.6		
Finance costs		(29,891)	(46,833)
<i>including interest expense relating to lease liabilities</i>		(550)	(649)
<b>Net finance costs</b>		<b>(29,878)</b>	<b>(46,804)</b>
<b>Profit/(loss) before tax</b>		<b>151,316</b>	<b>(53,840)</b>
	10.8		
Income tax		(24,072)	(8,276)
<b>Net profit/(loss) for period</b>		<b>127,244</b>	<b>(62,116)</b>
<b>Net profit/(loss) attributable to:</b>			
Owners of the Parent	10.12	127,355	(62,156)
Non-controlling interests		(111)	40
<b>Net profit/(loss) for period</b>		<b>127,244</b>	<b>(62,116)</b>

**Earnings/(loss) per share**

Basic (PLN)	6.70	(3.27)
Diluted (PLN)	6.54	(3.22)

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

**III. Consolidated statement of comprehensive income****For the reporting period from January 1st to March 31st 2021**

PLN '000

	<i>Note</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 restated</b>
<b>Net profit/(loss) for period</b>		127,244	(62,116)
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		9,846	73,446
Cash flow hedges		6,208	(11,784)
<b>Items that will not be reclassified subsequently to profit or loss</b>		-	-
Income tax on other comprehensive income		-	-
<b>Other comprehensive income for the period, net</b>		16,054	61,662
<b>Total comprehensive income for period</b>		143,298	(455)
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		143,411	(495)
Non-controlling interests		(113)	40
<b>Total comprehensive income for period</b>		143,298	(455)

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

## IV. Consolidated statement of changes in equity

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

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

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



For the reporting period ended December 31st 2020 [PLN '000]

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

For the reporting period ended March 31st 2020 (PLN '000)

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Equity as at Jan 1 2020</b>	<b>18,972</b>	<b>307,192</b>	<b>78</b>	<b>(30,219)</b>	<b>104,582</b>	<b>1,557,821</b>	<b>1,958,426</b>	<b>667</b>	<b>1,959,093</b>
<b>Comprehensive income for the period</b>									
Net profit for period	-	-	-	-	-	(62,156)	(62,156)	40	(62,116)
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	73,446	-	-	73,446	-	73,446
- Measurement of hedging instruments	-	-	(11,784)	-	-	-	(11,784)	-	(11,784)
Total other comprehensive income	-	-	(11,784)	73,446	-	-	61,662	-	61,662
<b>Total comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>(11,784)</b>	<b>73,446</b>	<b>-</b>	<b>(62,156)</b>	<b>(495)</b>	<b>40</b>	<b>(454)</b>
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	-	-	(667)	(667)
- Share-based payments	-	-	-	-	-	-	-	-	-
- Issue of shares	-	-	-	-	(4,567)	-	(4,567)	-	(4,567)
<b>Total contributions from and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,567)</b>	<b>-</b>	<b>(4,567)</b>	<b>(667)</b>	<b>(5,234)</b>
<b>Total equity as at Mar 31 2020</b>	<b>18,972</b>	<b>307,192</b>	<b>(11,706)</b>	<b>43,227</b>	<b>100,015</b>	<b>1,495,665</b>	<b>1,953,365</b>	<b>41</b>	<b>1,953,406</b>

## V. Consolidated statement of cash flows

For the reporting period from January 1st to March 31st 2021

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
<b>Cash flows from operating activities</b>		
<b>Net profit for period</b>	127,244	(62,116)
<i>Adjustments</i>		
Depreciation of property, plant and equipment	9,611	8,680
Amortisation of intangible assets	1,719	2,972
Net finance costs	27,629	50,320
(Gain)/loss on sale of property, plant and equipment	(253)	(383)
Equity-settled share-based payments	-	(4,567)
Income tax	24,072	8,276
Change in loans	(12,366)	(17,983)
Change in investments in debt portfolios and property	(5,887)	190,032
Change in inventories	4,491	18
Change in trade and other receivables	5,678	(1,147)
Change in other assets	(1,589)	(3,473)
Change in trade and other payables	22,910	40,629
Change in employee benefit obligations	2,222	4,463
Change in provisions	(242)	4,896
Share of minority profits	111	(40)
Income tax paid	(8,673)	(7,345)
<b>Net cash from operating activities</b>	196,676	213,230
<b>Cash flows from investing activities</b>		
Interest received	13	29
Sale of intangible assets and property, plant and equipment	336	923
Purchase of intangible assets and property, plant and equipment	(3,349)	(3,416)
<b>Net cash from investing activities</b>	(3,000)	(2,464)
<b>Cash flows from financing activities</b>		
Proceeds from issue of debt securities	20,000	-
Increase in borrowings	272,807	185,135
Repayment of borrowings	(371,892)	(276,053)
Payments under lease contracts	(6,535)	(7,116)
Dividends paid	-	(667)
Redemption of debt securities	(65,000)	-
Interest paid	(18,668)	(26,266)
<b>Net cash from financing activities</b>	(169,289)	(124,967)
Total net cash flows	24,387	85,799
Cash and cash equivalents at beginning of period	145,552	150,274
Cash and cash equivalents at end of period	169,940	236,073

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



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

### 1. Organisation of the KRUK Group

#### Parent

Name:

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

Registered office:

ul. Wołowska 8

51-116 Wrocław, Poland

Poland

Registration in the National Court Register:

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

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

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

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

These interim condensed consolidated financial statements for the reporting period January 1st – March 31st 2021 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

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

As at March 31st 2021, the Parent’s Management Board was composed of the following persons:

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

On March 25th 2021, the Parent’s Management Board was appointed for a new joint three-year term of office. In the three months ended March 31st 2021 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at March 31st 2021, the composition of the Parent's Supervisory Board was as follows:

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

In the three months ended March 31st 2021 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

### KRUK Group

As at the issue date of this report, the Group comprised KRUK S.A. of Wrocław, 23 subsidiaries, and 2 entities controlled through personal links:

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



Subsidiary	Registered office	Principal business activity
		in Spain and other European countries, as well as debt trading
ProsperoCapital S.à r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies
Presco Investments S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Elleffe Capital S.r.l.	La Spezia	Investing in debt or debt-backed assets
AgeCredit S.r.l.	Cesena	Credit management company operating in Italy
Bison NS FIZ (closed-end investment fund)	Wrocław	Fund based on professional risk assessment and credit management methodologies
Wonga.pl sp. z o.o.	Warsaw	Company operating in the consumer lending market
KRUK INVESTIMENTI S. R. L.	Milan	Investment in debt portfolios

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

All the subsidiaries listed above are included in these condensed consolidated financial statements as at March 31st 2021 and for the period January 1st – March 31st 2021, save for KRUK INVESTIMENTI S.R.L. of Milan, whose articles of association were executed on April 29th 2021.

On July 1st 2020, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. of Wrocław decided to dissolve the company through liquidation. Piotr Krupa, an existing member of the company's Management Board, was appointed its liquidator. On February 25th 2021, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. in liquidation passed resolutions on approval of the liquidation report and on completion of the liquidation. On March 9th 2021, the registry court issued a decision to delete Secapital Polska Sp. z o.o. in liquidation from the business register.

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



The Company has seven field offices located in Warsaw, Gdańsk, Łódź, Poznań, Szczecin, Szczawno-Zdrój and Piła.

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

	Country	Share in capital and votes (%)	
		Mar 31 2021	Dec 31 2020
SeCapital S.à r.l. <sup>1</sup>	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
Secapital Polska Sp. z o.o. (in liquidation) <sup>4</sup>	Poland	-	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna Raven P. Krupa Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ <sup>1</sup>	Poland	100%	100%
InvestCapital Ltd <sup>1</sup>	Malta	100%	100%
RoCapital IFN S.A.	Romania	100%	100%
Kruk Deutschland Gmbh	Germany	100%	100%
KRUK Italia S.r.l	Italy	100%	100%
ItaCapital S.r.l	Italy	100%	100%
KRUK España S.r.l	Spain	100%	100%
ProsperoCapital S.à r.l. <sup>2</sup>	Luxembourg	100%	100%
Presco Investments S.a.r.l. <sup>1</sup>	Luxembourg	100%	100%
Presco Investments I NS FIZ <sup>1</sup>	Poland	100%	100%
BISON NS FIZ <sup>1</sup>	Poland	100%	100%
Elleffe Capital S.r.l. <sup>1</sup>	Italy	100%	100%
Corbul S.r.l. <sup>3</sup>	Romania	-	-
Gantoi, Furculita Si Asociatii S.p.a.r.l. <sup>3</sup>	Romania	-	-
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%

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

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

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

<sup>4</sup> Entity dissolved through liquidation in the three months ended March 31st 2021.

## 2. Reporting period

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

The presented data has not been audited.

These financial statements do not contain all the information required to prepare full-year financial statements and should therefore be read in conjunction with the Group's consolidated financial statements prepared as at and for the year ended December 31st 2020.

### 3. Statement of compliance

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

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

In the opinion of the Management Board, there are no circumstances which could pose a significant threat to the Group companies continuing as going concerns. Therefore, these interim condensed consolidated financial statements have been prepared under the assumption that the companies will continue as going concerns for the foreseeable future, that is for 12 months from the reporting date. The going concern assumption was reviewed in the light of Covid-19.

These interim condensed financial statements were authorised for issue by the Parent's Management Board (the "Management Board") on May 21st 2021.

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

The Polish złoty is the functional currency of the Parent.

### 4. Significant accounting policies

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

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

The accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to prepare the most recent full-year consolidated financial statements as at and for the year ended December 31st 2020.

These financial statements comply with the requirements of all International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after January 1st 2021.

### Amendments to current standards and interpretations

New standards, interpretations and amendments to published standards which were endorsed and published by the European Union and took effect as of/after January 1st 2021:

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



## Standards and interpretations that have been published but have not yet been adopted

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

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for the periods beginning on or after
<p><i>Provisions, Contingent Liabilities and Contingent Assets</i>, as well as Annual Improvements to IFRSs 2018-2020 Cycle.</p>	<ul style="list-style-type: none"> <li>• Amendments to IFRS 3 <i>Business Combinations</i>, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;</li> <li>• Amendments to IAS 16 <i>Property, Plant and Equipment</i>, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use; Instead, the company will recognise such sale proceeds and related cost in profit or loss for the period,</li> <li>• Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, which specify which costs a company should include when assessing whether a contract will be loss-making.</li> </ul> <p>The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which explain the terminology used and correct minor inconsistencies, omissions or contradictions between the requirements of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>, IFRS 9 <i>Financial Instruments</i>, IAS 41 <i>Agriculture</i>, and Illustrative Examples in IFRS 16 <i>Leases</i>.</p>	<p>consolidated financial statements.</p>	

### Enhancing comparability

- In 2020, the Group broke down revenue items in the consolidated statement of profit or loss. The data presented in the interim condensed consolidated financial statements for the period January 1st – March 31st 2020 was restated to ensure comparability. The effect of the change on the statement of profit or loss is presented below.

PLN '000	Jan 1–Mar 31 2020 Originally reported	Change of revenue presentation	Jan 1–Mar 31 2020 Data restated to ensure comparability
Revenue	199,286	(199,286)	-
Interest income on debt portfolios and loans measured at amortised cost		292,336	292,336
Interest income on loans measured at fair value		-	-
Revenue from sale of debts and loans		863	863
Other income/expenses from purchased debt portfolios		(6,289)	(6,289)
Revenue from the provision of other services		16,610	16,610
Other income	1,020		1,020
Change in investments measured at fair value		-	-
Gain/(loss) on expected credit losses		(104,233)	(104,233)
<b>Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios</b>	<b>200,306</b>	<b>-</b>	<b>200,306</b>

Revenue from the provision of services was presented as a separate item of revenue, including revenue from fee-based credit management services as well as revenue from collection, processing and provision of credit information on natural persons and business entities, financial intermediation and agency services, and auxiliary services provided to small and medium-sized enterprises.

For better understanding of the effects of the restatement, the table below presents the restated data disclosed as *Revenue from purchased debt portfolios* in Note 10.1:

**Revenue from purchased debt portfolios**

PLN '000

	Jan 1–Mar 31 2020										
	Originally reported	Change of presentation	Interest income*	Other income/expenses from purchased debt portfolios*	costs of loyalty scheme valuation	costs of provision for overpayments	Foreign currency gains/(losses)	Gain/(loss) on expected credit losses from debt portfolios*	Revaluation of recovery projections	Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	Gain/(loss) on sale of debts*
Interest income	257,843	(257,843)	257,843								
Other income from purchased debt	18,038	(18,038)									
of which:											
<i>Deviations of actual recoveries, decreases on early collections in collateralised cases</i>	19,910	(19,910)						19,910		19,910	
<i>costs of loyalty scheme valuation</i>	(1,631)	1,631		(1,631)	(1,631)						
<i>costs of provision for overpayments</i>	(241)	241		(241)		(241)					
Revaluation of debt portfolios	(125,473)	125,473									
of which:											
<i>Revaluation of recovery projections</i>	(121,056)	121,056						(121,056)	(121,056)		
<i>Foreign currency gains/(losses)</i>	(4,417)	4,417		(4,417)			(4,417)				
Gain/(loss) on sale of debts	863	(863)									863
Foreclosure of property	4,814	(4,814)						4,814		4,814	
Gain/(loss) on sale of property	(147)	147						(147)		(147)	
	155,938	(155,938)	257,843	(6,289)	(1,631)	(241)	(4,417)	(96,479)	(121,056)	24,577	863

\*Data presented in the new format in note 10.1.

- As part of its operating activities, the Group forecloses property securing acquired debt. To better reflect the relevant economic substance, as at December 31st 2020 the Group reclassified such property, previously recognised as *Investment property*, to *Inventories*.

The data presented in the interim condensed consolidated financial statements for the period January 1st – March 31st 2020 was restated to ensure comparability. The effect of the change on the consolidated statement of financial position is presented below.

PLN '000	Mar 31 2020 Originally reported	Reclassification of property	Mar 31 2020 Data restated to ensure comparability
<b>Assets</b>			
Investment property	37,419	(37,419)	-
Inventories	19	37,419	37,438

- To better reflect the relevant economic substance, as at December 31st 2020 the Group changed the presentation of liabilities in the consolidated statement of financial position by taking hedging instruments from the *Derivatives* item and disclosing them as a separate item.

The data presented in the interim condensed consolidated financial statements for the period January 1st – March 31st 2020 was restated to ensure comparability. The effect of the change on the consolidated statement of financial position is presented below.

PLN '000	Jan 1 2020	Change of presentation	Jan 1 2020 Data restated to ensure comparability
<b>Assets</b>			
Derivatives	4,219	-	4,219
Hedging instruments	-	-	-
<b>Liabilities</b>			
Derivatives	3,924	(3,924)	-
Hedging instruments	-	-	-

PLN '000	Mar 31 2020 Originally reported	Change of presentation	Mar 31 2020 Data restated to ensure comparability
<b>Liabilities</b>			
Derivatives	25,095	(15,309)	9,786
Hedging instruments	-	15,309	15,309

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

The data presented in the interim condensed consolidated financial statements for the period January 1st – March 31st 2020 was restated to ensure comparability. The effect of the change on the consolidated statement of financial position is presented below.

PLN '000

	Jan 1 2020 Originally reported	Change of presentation	Jan 1 2020 Data restated to ensure comparability
<b>Liabilities</b>			
Trade and other payables	101,303	(6,825)	94,478
Employee benefit obligations	49,539	(10,196)	39,343
Provisions	7,156	17,021	24,178

PLN '000

	Mar 31 2020 Originally reported	Change of presentation	Mar 31 2020 Data restated to ensure comparability
<b>Liabilities</b>			
Trade and other payables	139,712	(6,701)	133,011
Employee benefit obligations	54,002	(11,099)	42,903
Provisions	12,052	17,800	29,853

## 5. Accounting estimates and judgements

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

The estimates and assumptions are reviewed by the Group on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised. In particular, the Group's estimates as at March 31st 2021 reflected the impact of Covid-19 on the Group's assets and liabilities. However, given a considerable degree of uncertainty regarding further economic developments, these estimates may be subject to change in the future.



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

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2020 (PLN '000)	Mar 31 2021 (PLN '000)		
Investments in debt portfolios	3,984,080	3,997,274	9	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods or based on a legal and economic analysis of individual claims or indebted persons (case-by-case analysis). The method of estimating cash flows under a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio. The KRUK Group prepares projections for recoveries from debt portfolios separately for each market. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors.</p> <p>The effective interest rate, equal to the internal rate of return including an element that reflects credit risk, used for discounting estimated cash flows is calculated based on initial projections of expected cash receipts that take into account the initial value (purchase price plus directly allocated transaction costs), and remains unchanged throughout the life of a portfolio.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2020 (PLN '000)	Mar 31 2021 (PLN '000)		
Goodwill	23,916	24,141	10.15	Goodwill impairment is estimated based on the expected discounted cash flows to be derived from a cash-generating unit. The discount rate used to discount expected cash flows reflects the current market assessment of the asset risk for the debt collection industry.
Loans measured at amortised cost	152,666	128,690	9	Loans advanced by the KRUK Group are measured at amortised cost, using the effective interest rate method, and recognised net of expected credit losses. Expected credit losses are part of the estimate. They are estimated on the basis of expected cash flows. Changes in credit losses are recognised as income.
Loans measured at fair value through profit or loss	71,978	108,320	9	Loans that do not meet the SPPI test are measured at fair value. The fair value of loans was determined based on Level 3, that is based on the forecast of expected cash flows. The present value of discounted future cash flows equals the expected cash flow for the loan portfolio concerned. The expected cash flows for a loan portfolio are determined based on the so-called 'repayment curves' for homogeneous loan groups for each month as of the grant of a given loan group. 'Repayment curves' are determined on the basis of historical repayments of loans advanced in the past, at monthly intervals.
Lease liabilities	78,592	72,588	10.9	The application of IFRS 16 requires making estimates and calculations that affect the measurement of lease liabilities and right-of-use assets. These include:
Right-of-use assets	61,211	53,687	10.14	<ul style="list-style-type: none"> <li>• reviewing long-term lease contracts and identifying contracts covered by IFRS 16,</li> <li>• determining the lease term,</li> <li>• determining the marginal interest rates to be used to discount future cash flows, identifying useful lives and determining depreciation rates for the right-of-use assets.</li> </ul>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2020 (PLN '000)	Mar 31 2021 (PLN '000)		
Other provisions	29,008	28,852	10.21	As at March 31st 2021, the Group assessed the legal risk arising from the CJUE ruling on consumer loans and estimated the possible amount of cash outflow for the reimbursement of early repayment fees to clients. The estimates required the Group to make expert assumptions, primarily concerning the scale of complaints and the amounts refunded prior to the CJEU judgment as well as the effect and the expected scale of prepayments and future refunds on on-balance sheet exposures. The estimates involve a certain amount of uncertainty.
Derivatives	11,236 (liabilities)	12,784 (liabilities)	10.10	The Group estimates the fair value of derivative instruments as at each reporting date. Difference in discounted interest cash inflows and outflows in two different currencies, expressed in the valuation currency. The inputs include interest rate curves, basis spreads and the National Bank of Poland's fixing for the respective currencies, as provided by the Bank.
Hedging instruments	18,386 (liabilities)	12,178 (liabilities)	10.11	The Group estimates the fair value of its hedging instruments as at each reporting date. Difference in discounted interest cash flows based on floating and fixed interest rates. The inputs include the interest rate curve provided by the bank.

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Dec 31 2020 (PLN '000)	Mar 31 2021 (PLN '000)		
Deferred tax asset and liabilities	31,180 (Asset)	83,228 (Asset)	10.8	As the KRUK Group is able to control the timing of temporary differences with respect to subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years).  The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast for the following years.
	134,339 (Liabilities)	206,753 (Liabilities)		
Investments in debt portfolios	81,953	77,337	9	The KRUK Group determined that the agreement executed with the co-investor in 2016 for the purchase of debt portfolios at ProsperoCapital S.à r.l on the Romanian market was a transaction meeting the definition of a joint operation rather than a joint venture, and therefore disclosed the transaction in the consolidated financial statements as a proportional share in the company's assets and liabilities rather than an equity-accounted transaction.
Functional currency at InvestCapital	86,460	103,457		InvestCapital carries out material transactions in three different currencies: EUR, PLN, and RON. Under IAS 21, the KRUK Group assesses the correctness of applying the functional currency for executed transactions on a quarterly basis, taking into account both historical and planned transactions. The functional currency of InvestCapital is EUR.

## 6. Financial risk management

The principles of financial risk management are presented in the most recent consolidated full-year financial statements prepared as at and for the financial year ended December 31st 2020. In the period from January 1st to March 31st 2021, there were no significant changes in the approach to financial risk management.

## 7. Reporting and geographical segments

### Reportable segments

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

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

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

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

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

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

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

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

## Reportable segments

For the reporting period ended March 31st 2021

	Poland		Romania	Italy	Other foreign markets	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl					
<b>Revenue</b>	<b>178,809</b>	<b>19,774</b>	<b>90,383</b>	<b>54,247</b>	<b>39,043</b>	-	<b>382,256</b>
Purchased debt portfolios	166,412	-	86,375	51,837	35,931	-	<b>340,556</b>
<i>including revaluation of recovery projections</i>	<i>5,380</i>	-	<i>11,284</i>	<i>115</i>	<i>1,620</i>	-	<b>18,399</b>
Credit management services	6,131	-	3,141	2,410	3,112	-	<b>14,794</b>
Other products	6,266	19,774	867	-	-	-	<b>26,907</b>
<b>Direct and indirect costs</b>							<b>(145,400)</b>
Purchased debt portfolios	-	-	-	-	-	-	<b>(122,768)</b>
Credit management services	-	-	-	-	-	-	<b>(10,985)</b>
Other products	-	-	-	-	-	-	<b>(11,648)</b>
<b>Gross profit<sup>1</sup></b>							<b>236,856</b>
Purchased debt portfolios	-	-	-	-	-	-	<b>217,788</b>
Credit management services	-	-	-	-	-	-	<b>3,810</b>
Other products	-	-	-	-	-	-	<b>15,258</b>
							-
Administrative expenses	-	-	-	-	-	-	<b>(42,244)</b>
							-
Other income	-	-	-	-	-	-	<b>813</b>
Other expenses (unallocated)	-	-	-	-	-	-	<b>(2,901)</b>
<b>EBITDA<sup>2</sup></b>	<b>112,564</b>	<b>9,378</b>	<b>62,682</b>	<b>12,423</b>	<b>10,460</b>	<b>(14,984)</b>	<b>192,524</b>
Depreciation and amortisation	-	-	-	-	-	-	<b>(11,330)</b>
Finance income/(costs)	-	-	-	-	-	-	<b>(29,878)</b>



## Quarterly report – Interim condensed consolidated financial statements

Profit before tax	-	-	-	-	-	-	151,317
Income tax	-	-	-	-	-	-	(24,072)
<b>Net profit</b>	-	-	-	-	-	-	127,244
<b>Carrying amount of debt portfolios</b>	1,929,060	-	861,197	727,496	479,522	-	3,997,274
<b>Carrying amount of loans</b>	33,499	196,750	6,762	-	-	-	237,010
<b>Cash recoveries</b>	249,874	-	139,955	65,813	56,086	-	511,728

## For the reporting period ended March 31st 2020

	Poland		Romania	Italy	Other foreign markets	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl					
<b>Revenue</b>	104,573	22,956	46,988	15,690	9,080	-	199,286
Purchased debt portfolios	93,039	-	43,438	13,034	6,427	-	155,938
<i>including revaluation of recovery projections</i>	(30,666)	-	(27,611)	(33,857)	(28,922)	-	(121,056)
Credit management services	5,937	-	3,026	2,656	2,652	-	14,271
Other products	5,597	22,956	524	-	-	-	29,077
<b>Direct and indirect costs</b>							(155,713)
Purchased debt portfolios	-	-	-	-	-	-	(122,948)
Credit management services	-	-	-	-	-	-	(11,801)
Other products	-	-	-	-	-	-	(20,963)
<b>Gross profit<sup>1</sup></b>							43,574
Purchased debt portfolios	-	-	-	-	-	-	32,990
Credit management services	-	-	-	-	-	-	2,470
Other products	-	-	-	-	-	-	8,114
Administrative expenses	-	-	-	-	-	-	(37,358)
Other income	-	-	-	-	-	-	1,020
Other expenses (unallocated)	-	-	-	-	-	-	(2,621)

## Quarterly report – Interim condensed consolidated financial statements

<b>EBITDA<sup>2</sup></b>	<b>36,484</b>	<b>4,355</b>	<b>22,762</b>	<b>(30,759)</b>	<b>(16,324)</b>	<b>(11,903)</b>	<b>4,615</b>
Depreciation and amortisation	-	-	-	-	-	-	(11,652)
Finance income/(costs)	-	-	-	-	-	-	(46,804)
Profit before tax	-	-	-	-	-	-	(53,840)
Income tax	-	-	-	-	-	-	(8,276)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(62,116)</b>
<b>Carrying amount of debt portfolios</b>	<b>1,851,820</b>	<b>-</b>	<b>973,317</b>	<b>811,507</b>	<b>438,215</b>	<b>-</b>	<b>4,074,859</b>
<b>Carrying amount of loans</b>	<b>39,093</b>	<b>187,816</b>	<b>5,691</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,600</b>
<b>Cash recoveries</b>	<b>219,337</b>	<b>-</b>	<b>137,249</b>	<b>68,007</b>	<b>52,608</b>	<b>-</b>	<b>477,200</b>

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

<sup>2</sup> EBITDA = operating profit – depreciation and amortisation

## 8. Seasonality or cyclicity of business

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

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

### Investments

<i>PLN '000</i>	<b>Mar 31 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Mar 31 2020 unaudited</b>
Investments in debt portfolios	3,997,274	3,984,080	4,074,859
Loans measured at amortised cost	128,690	152,666	232,600
Loans measured at fair value	108,320	71,978	-
	<u>4,234,284</u>	<u>4,208,724</u>	<u>4,307,459</u>

### Investments measured at amortised cost

<i>PLN '000</i>	<b>Mar 31 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Mar 31 2020 unaudited</b>
Investments in debt portfolios	3,997,274	3,984,080	4,074,859
Loans measured at amortised cost	128,690	152,666	232,600
	<u>4,125,964</u>	<u>4,136,746</u>	<u>4,307,459</u>

### Debt portfolios

In the reporting period, the Group invested PLN 159,342 thousand in debt portfolios (three months ended March 31st 2020: PLN 57,008 thousand), while the amount of collections was PLN 511,728 thousand (three months ended March 31st 2020: PLN 477,200 thousand). Changes in the estimated value of debt portfolios are presented below.

### Purchased debt portfolios

<i>PLN '000</i>	<b>Mar 31 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Mar 31 2020 unaudited</b>
<b>Carrying amount of purchased debt portfolios</b>			
Unsecured portfolios	3,252,258	3,285,231	3,272,309
Secured portfolios	745,016	698,849	802,550
	<u>3,997,274</u>	<u>3,984,080</u>	<u>4,074,859</u>

Unsecured portfolios are retail unsecured portfolios. Secured portfolios include mortgages as well as corporate secured and unsecured portfolios.

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

- a. risk premium,
- b. period for which cash flows are estimated,
- c. the value of expected future cash flows estimated using the current data and debt collection tools.

*Assumptions adopted in the valuation of debt portfolios*

	<b>Mar 31 2021</b> <b>unaudited</b>	<b>Dec 31 2020</b>
Discount rate		
- risk premium <sup>1</sup>	8.10% - 170.19%	8.10% - 170.19%
Period for which collections have been estimated	Apr 2021–Jan 2041	Jan 2021–Jan 2041
Nominal value of expected future collections	7,911,019	7,942,787

<sup>1</sup> Applicable to 99% of debt portfolios.

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

<i>PLN '000</i>	<b>Mar 31 2021</b> <b>unaudited</b>	<b>Dec 31 2020</b>
<b>Period</b>		
Up to 12 months	1,561,191	1,568,291
From 1 to 2 years	1,360,908	1,405,952
From 2 to 3 years	1,189,727	1,177,335
From 3 to 4 years	889,904	864,985
From 4 to 5 years	644,425	635,514
From 5 to 10 years	1,622,548	1,631,733
Over 10 years	642,316	658,977
	<u>7,911,019</u>	<u>7,942,787</u>

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

<i>PLN '000</i>	
<b>Carrying amount of investments in debt portfolios as at Jan 1 2020</b>	<b>4,196,821</b>
Purchase of debt portfolios	57,008
Purchase price adjustment for discount	(100)
Cash recoveries	(477,200)
Increase/(decrease) in liabilities to indebted persons due to overpayments	241
Valuation of loyalty scheme*	1,631
Revenue from purchased debt portfolios	155,938
Translation differences on debt portfolios	140,520
<b>Carrying amount of investments in debt portfolios as at Mar 31 2020</b>	<b>4,074,859</b>

<i>PLN '000</i>	
<b>Carrying amount of investments in debt portfolios as at Jan 1 2020</b>	<b>4,196,821</b>
Purchase of debt portfolios	456,224
Purchase price adjustment for discount	(100)

Cash recoveries	(1,833,874)
Increase/(decrease) in liabilities to indebted persons due to overpayments	6,620
Valuation of loyalty scheme*	9,513
Payments from original creditor	(2,844)
Revenue from purchased debt portfolios	976,341
Carrying amount of foreclosed property	(15,864)
Carrying amount of property sold	18,914
Translation differences on debt portfolios	172,329
<b>Carrying amount of investments in debt portfolios as at Dec 31 2020</b>	<b>3,984,080</b>

<b>Carrying amount of investments in debt portfolios as at Jan 1 2021</b>	<b>3,984,080</b>
Purchase of debt portfolios	159,342
Cash recoveries	(511,728)
Increase/(decrease) in liabilities to indebted persons due to overpayments	778
Valuation of loyalty scheme*	1,172
Revenue from purchased debt portfolios	340,556
Carrying amount of foreclosed property	(1,414)
Carrying amount of property sold	6,443
Translation differences on debt portfolios	18,045
<b>Carrying amount of investments in debt portfolios as at Mar 31 2021</b>	<b>3,997,274</b>

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

ProsperoCapital is a party to a joint arrangement. As at March 31st 2021, the value of the KRUK Group's investment in the joint operation disclosed in the consolidated statement of financial position was PLN 77,337 thousand, while revenue shown in the consolidated statement of profit or loss was PLN 10,514 thousand.

### Sensitivity analysis – revaluation of projections

PLN '000

	Profit or loss for the current period		Equity excluding profit or loss for current period	
	increase in collections by 100 bps	decrease in collections by 100 bps	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Mar 31 2021</b>				
Investments in debt portfolios	33,963	(33,963)	-	-
<b>Dec 31 2020</b>				
Investments in debt portfolios	34,136	(34,136)	-	-

*Sensitivity analysis – time horizon*

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	extension by one year	reduction by one year	extension by one year	reduction by one year
<b>Mar 31 2021</b>				
Investments in debt portfolios	39	(62)	-	-
<b>Dec 31 2020</b>				
Investments in debt portfolios	56	(74)	-	-

**Loans**

PLN '000	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Loans measured at amortised cost	128,690	152,666	232,600
Loans measured at fair value	108,320	71,978	-
	<u>237,010</u>	<u>224,644</u>	<u>232,600</u>

**Loans measured at amortised cost**

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

IFRS 9 classification	Carrying amount as at Mar 31 2021	Carrying amount as at Dec 31 2020
<b>Investments (loans)</b>		
Basket 1	80,342	100,561
Basket 2	22,181	23,596
Basket 3	25,168	27,418
POCI loans	999	1,092
	<u>128,690</u>	<u>152,666</u>

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

PLN '000	
<b>Value of loans measured at amortised cost as at Jan 1 2020</b>	<b>214,617</b>
New disbursements	109,773
Repayments	(116,161)
Revenue from loans	34,493
Allowance for expected credit losses	(8,080)
Sale of loans	(2,473)
Currency translation differences	325

Other differences	106
<b>Value of loans measured at amortised cost as at Mar 31 2020</b>	<b><u>232,600</u></b>
<b>Value of loans measured at amortised cost as at Jan 1 2020</b>	<b><u>214,617</u></b>
New disbursements	207,009
Repayments	(355,941)
Revenue from loans	113,336
Allowance for expected credit losses	(23,106)
Sale of loans	(3,606)
Currency translation differences	357
<b>Value of loans measured at amortised cost as at Dec 31 2020</b>	<b><u>152,666</u></b>
<b>Value of loans measured at amortised cost as at Jan 1 2021</b>	<b><u>152,666</u></b>
New disbursements	9,393
Repayments	(45,217)
Revenue from loans	16,053
Allowance for expected credit losses	(3,325)
Sale of loans	(875)
Currency translation differences	(6)
<b>Value of loans measured at amortised cost as at Mar 31 2021</b>	<b><u>128,690</u></b>

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

PLN '000	Jan 1–Mar 31 2021		
	Basket 1	Basket 2	Basket 3
Loss allowance as at Jan 1	11,330	4,082	56,681
Loss allowance recognised in the reporting period	-	-	-
Transfer from basket 1 to basket 2	(690)	690	-
Transfer from basket 1 to basket 3	(523)	-	523
Transfer from basket 2 to basket 1	186	(186)	-
Transfer from basket 2 to basket 3	-	(323)	323
Transfer from basket 3 to basket 1	17	-	(17)
Transfer from basket 3 to basket 2	-	70	(70)
Reversal of allowance for expected credit losses	(316)	(777)	(2,400)
Loss allowance as at Mar 31	<b><u>10,004</u></b>	<b><u>3,554</u></b>	<b><u>55,042</u></b>

The amount of the impairment loss is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of loss allowance as at the end of the reporting period covers 34.8% of gross loans.

*Sensitivity analysis – revaluation of projections*

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	increase in collections by 100 bps	decrease in collections by 100 bps	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Mar 31 2021</b>				
Loans measured at amortised cost	1,309	(1,301)	-	-
<b>Dec 31 2020</b>				
Loans measured at amortised cost	1,656	(1,652)	-	-

*Sensitivity analysis – time horizon*

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	extension by one month	reduction by one month	extension by one month	reduction by one month
<b>Mar 31 2021</b>				
Loans measured at amortised cost	(3,265)	3,701	-	-
<b>Dec 31 2020</b>				
Loans measured at amortised cost	(3,886)	4,179	-	-

*Loans measured at fair value*

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

PLN '000	
<b>Value of loans measured at fair value as at Jan 1 2020</b>	-
New disbursements	132,068
Repayments	(65,118)
Revenue from loans	6,831
Remeasurement	(1,803)
Sale of loans	-
Currency translation differences	-
<b>Value of loans measured at fair value as at Dec 31 2020</b>	<b>71,978</b>
<b>Value of loans measured at fair value as at Jan 1 2021</b>	<b>71,978</b>
New disbursements	124,804
Repayments	(100,356)
Revenue from loans	10,700



Remeasurement	1,194
Sale of loans	-
Currency translation differences	-
<b>Value of loans measured at fair value as at Mar 31 2021</b>	<b>108,320</b>

### Sensitivity analysis – revaluation of projections

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	increase in collections by 100 bps	decrease in collections by 100 bps	increase in collections by 100 bps	decrease in collections by 100 bps
<b>Mar 31 2021</b>				
Loans measured at fair value	1,083	(1,083)	-	-
<b>Dec 31 2020</b>				
Loans measured at fair value	718	(718)	-	-

### Sensitivity analysis – time horizon

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for current period	
	extension by one month	reduction by one month	extension by one month	reduction by one month
<b>Mar 31 2021</b>				
Loans measured at fair value	(2,063)	2,020	-	-
<b>Dec 31 2020</b>				
Loans measured at fair value	(1,936)	640	-	-

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

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

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

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Interest income on debt portfolios	240,286	257,843
Interest income on loans	16,053	34,493
	<u>256,339</u>	<u>292,336</u>

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

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Gain/(loss) on expected credit losses from debt portfolios	107,661	(96,479)
Gain/(loss) on expected credit losses from loans	(3,331)	(7,755)
	<u>104,330</u>	<u>(104,233)</u>

#### By reportable segments

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Revenue from purchased debt portfolios	340,556	155,938
Revenue from credit management services	14,794	14,271
Revenue from other services	26,907	29,077
	<u>382,257</u>	<u>199,286</u>

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

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Revenue from purchased debt portfolios	340,556	155,938
Revenue from loans	12,722	26,738
	<u>353,278</u>	<u>182,676</u>

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

## Revenue from purchased debt portfolios

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Interest income	240,286	257,843
Other income/expenses from purchased debt portfolios*	(9,443)	(6,289)
Gain/(loss) on expected credit losses from purchased debt portfolios	107,661	(96,479)
Gain/(loss) on sale of debts	2,052	863
	<u>340,556</u>	<u>155,938</u>

\* Other income/expenses from purchased debt portfolios include the cost of the loyalty scheme, cost of overpayments, and foreign exchange gains/losses

## Other income/expenses from purchased debt portfolios

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Foreign currency gains/(losses)	(7,493)	(4,417)
Costs of loyalty scheme valuation	(1,172)	(1,631)
Costs of provision for overpayments	(778)	(241)
	<u>(9,443)</u>	<u>(6,289)</u>

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

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Revaluation of recovery projections	18,399	(121,056)
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	89,262	24,577
	<u>107,661</u>	<u>(96,479)</u>

For further information on the remeasurement as at March 31st 2021, see section 1.2 in part III of this report (*Further information on the operations of the KRUK Group*).

## Revenue from loans

Revenue from loans measured at amortised cost

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Interest income	16,053	34,493
Allowance for expected credit losses	(3,325)	(8,080)
Foreign currency gains/(losses)	(6)	325
	<u>12,722</u>	<u>26,738</u>

*Revenue from loans measured at fair value*

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Interest income	10,700	-
Remeasurement	1,194	-
	<u>11,894</u>	<u>-</u>

**Other income**

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Gain on sale of property, plant and equipment	253	383
Other markets	168	334
Recovery of written-off receivables and expenses	165	80
Compensation for motor damage	116	122
Reversal of impairment losses on receivables	53	-
Re-billed costs of services and court fees	48	30
Other cooperation	10	71
	<u>813</u>	<u>1,020</u>

**10.2. Services**

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Credit management services <sup>1</sup>	(7,726)	(9,383)
Legal assistance services <sup>2</sup>	(4,927)	(4,618)
IT services	(4,696)	(4,089)
Postal and courier services	(3,029)	(2,711)
Administrative and accounting support services	(2,955)	(3,713)
Space rental and service charges	(2,379)	(2,188)
Banking services	(2,314)	(2,167)
Marketing and management services	(1,932)	(2,413)
Communications services	(1,683)	(1,607)
Printing services	(405)	(630)
Security	(360)	(440)
Other auxiliary services	(323)	(464)
Repair of vehicles	(285)	(372)
Recruitment services	(125)	(5)
Repair and maintenance services	(74)	(110)
Packing services	(58)	(58)
Other rental	(42)	-
Transport services	(2)	(8)
	<u>(33,315)</u>	<u>(34,976)</u>

<sup>1</sup> Costs of debt management services provided by external service providers.<sup>2</sup> Legal assistance mainly relates to debt portfolio management

**10.3. Employee benefits expense**

PLN '000

	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Salaries and wages	(72,564)	(70,913)
Old-age and disability pension contributions	(5,207)	(5,371)
Other social security contributions	(12,073)	(12,803)
Contribution to the State Fund for the Disabled	(402)	(421)
Equity-settled cost of stock option plan	-	4,567
	<u>(90,246)</u>	<u>(84,941)</u>

**10.4. Other expenses**

PLN '000

	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Court fees	(52,565)	(50,674)
Taxes and charges	(8,607)	(9,659)
Raw materials and consumables used	(2,170)	(2,517)
Advertising	(467)	(3,576)
Business trips	(252)	(938)
Motor insurance	(229)	(339)
Property insurance	(229)	(179)
Membership fees	(157)	(183)
Non-deductible VAT	(145)	(65)
Losses caused by motor damage	(136)	(152)
Staff training	(77)	(713)
Non-compete agreements	(67)	(412)
Entertainment expenses	(45)	(82)
Impairment losses on receivables	(16)	(1)
Provision for possible differences relative to straight-line basis settlement	156	(4,896)
Other markets	(1,979)	(1,387)
	<u>(66,985)</u>	<u>(75,773)</u>

**10.5. Finance income**

PLN '000

	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Interest income on bank deposits	13	29
	<u>13</u>	<u>29</u>

## 10.6. Finance costs

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Interest and commission expense on financial liabilities measured at amortised cost	(21,447)	(29,076)
<i>including interest</i>	(17,327)	(26,262)
Net foreign exchange losses	(4,691)	(4,683)
Interest income/expense on hedging instruments – IRS	(2,240)	482
Interest income/expense on derivative instruments – FORWARD	-	(916)
Interest income/expense on derivative instruments – CIRS	(1,512)	(12,639)
	<u>(29,891)</u>	<u>(46,833)</u>

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

<i>PLN '000</i>	<i>Note</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Realised exchange gains/(losses)	10.6	393	6,886
Unrealised exchange gains/(losses)	10.6	(5,084)	(11,569)
Settlement of forward contracts	10.6	-	(916)
Revaluation of debt portfolios due to exchange rate movements	10.1	(7,493)	(4,417)
Remeasurement of loans due to exchange rate movements	10.1	(6)	106
		<u>(12,190)</u>	<u>(9,910)</u>

## 10.8. Income tax

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

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
<b>Current income tax</b>		
Current income tax payable	(3,706)	(7,013)
Adjustment to income tax for 2014	-	-
<b>Deferred income tax</b>		
Related to temporary differences and their reversal	(20,366)	(1,263)
<b>Income tax recognised in profit or loss</b>	<u>(24,072)</u>	<u>(8,276)</u>
<b>Income tax recognised in other comprehensive income</b>	-	-
	<u>(24,072)</u>	<u>(8,276)</u>

## Reconciliation of effective tax rate

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

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021 unaudited</b>	<b>Jan 1–Mar 31 2020 unaudited</b>
Profit before tax	151,316	(53,840)
Tax calculated at the Parent's rate (19%)	(28,750)	10,230
Effect of application of other tax rates abroad and effect of deferred tax	269	(23,252)
Effect of non-deductible expenses/non-taxable income	4,409	4,747
Income tax recognised in profit or loss	<u>(24,072)</u>	<u>(8,276)</u>
Effective tax rate (%)	15.91%	-15.37%

## Tax risk

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent amendments, both in Poland and in other EU countries where the Group operates, with a resulting lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents to follow. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretation of tax regulations, both between individual public authorities and between public authorities and enterprises.

Tax settlements and other areas of activity (e.g. customs or foreign exchange control) may be subject to inspection by administrative bodies authorised to impose high penalties and fines plus relatively high interest, and any additional tax liabilities arising from such inspections must be paid with high interest. Consequently, the tax risk in Poland and selected other countries where the Group operates is higher than in countries with more mature tax systems.

The amounts presented and disclosed in the financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

The Group believes that it has paid all due taxes, fines and default interest in a timely manner.

In respect of all uncertain tax items, where the current legislation and communication with tax authorities do not provide sufficient guidance, the Group analysed the existing tax laws and regulations and their interpretations, and applied them correctly.

The period for which tax settlements may be subject to tax audit is four years in Spain, five years in Poland, the Czech Republic and Germany, six years in Italy, and seven years in Romania and Slovakia. As a result, the amounts disclosed in the financial statements may be changed at a later date after they are finally determined by tax authorities

**Deferred tax assets and liabilities**

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

PLN '000	Assets		Provisions		Net value	
	Mar 31 2021	Dec 31 2020	Mar 31 2021	Dec 31 2020	Mar 31 2021	Dec 31 2020
Property, plant and equipment	5,214	5,581	(5,240)	(5,659)	(26)	(78)
Intangible assets	-	-	(1,451)	(1,630)	(1,451)	(1,630)
Tax losses deductible in future periods	6,191	7,967	-	-	6,191	7,967
Trade and other receivables	-	-	(276)	(268)	(276)	(268)
Borrowings and other debt instruments	21,955	21,112	-	-	21,955	21,112
Employee benefit obligations	2,612	2,488	-	-	2,612	2,488
Provisions and liabilities	4	56	-	-	4	56
Investments	47,252	46,294	(199,784)	(179,100)	(152,533)	(132,806)
Hedge derivatives	-	-	-	-	-	-
<b>Deferred tax assets/liabilities</b>	<b>83,228</b>	<b>83,498</b>	<b>(206,753)</b>	<b>(186,657)</b>	<b>(123,525)</b>	<b>(103,159)</b>
Deferred tax assets offset against liabilities	-	(52,317)	-	52,317	-	-
<b>Deferred tax assets/liabilities in the statement of financial position</b>	<b>83,228</b>	<b>31,180</b>	<b>(206,753)</b>	<b>(134,339)</b>	<b>(123,525)</b>	<b>(103,159)</b>



**Change in temporary differences in the period**

PLN '000

	As at Jan 1 2021	Change in temporary differences recognised in profit or loss for current period	As at Mar 31 2021	As at Jan 1 2020	Change in temporary differences recognised in profit or loss for current period	As at Dec 31 2020
Property, plant and equipment	(78)	51	(26)	(396)	319	(78)
Intangible assets	(1,630)	179	(1,451)	(4,841)	3,211	(1,630)
Tax losses deductible in future periods	7,967	(1,776)	6,191	11,323	(3,357)	7,967
Trade and other receivables	(268)	(8)	(276)	(122)	(147)	(268)
Borrowings and other debt instruments	21,112	843	21,955	18,496	2,617	21,112
Employee benefit obligations	2,488	124	2,612	2,391	96	2,488
Provisions and liabilities	56	(51)	4	3,656	(3,601)	56
Investments	(132,806)	(19,727)	(152,533)	(37,006)	(95,799)	(132,806)
	(103,159)	(20,366)	(123,525)	(6,498)	(96,661)	(103,159)

The change due to temporary differences recognised in profit or loss for the period was PLN 20,366 thousand.

The Group benefits from the regulation provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at March 31st 2021 was PLN 1,233,132 thousand (as at December 31st 2020: PLN 1,205,363 thousand).

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

<i>PLN '000</i>	<b>Mar 31 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Mar 31 2020 unaudited</b>
<b>Non-current liabilities</b>			
Secured borrowings	713,654	752,587	1,039,544
Liabilities under debt securities (unsecured)	641,958	769,933	1,215,247
Lease liabilities	66,697	63,379	57,838
	<b>1,422,309</b>	<b>1,585,898</b>	<b>2,312,629</b>
<b>Current liabilities</b>			
Current portion of secured borrowings	17,681	76,751	145,707
Liabilities under debt securities (unsecured)	631,430	544,314	160,363
Current portion of lease liabilities	5,891	15,213	15,836
	<b>655,002</b>	<b>636,278</b>	<b>321,906</b>

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

<i>PLN '000</i>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Maturity</b>	<b>Mar 31 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Mar 31 2020 unaudited</b>
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0-2.75pp; 1M EURIBOR + margin of 2.2-2.75pp;	2025	731,335	829,338	1,185,251
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 3.0-4.0pp	2026	1,273,388	1,314,247	1,375,610
	EUR	4.20% - 4.80% 3.59%				
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 1.5-9.7pp 3.00 - 4.03%	2030	72,588	78,592	73,674
				<b>2,077,311</b>	<b>2,222,176</b>	<b>2,634,535</b>

## 10.10. Derivatives

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

Contract 1: The Group pays at a fixed rate of 3.06%, while the counterparty pays at a variable rate equal to 3M WIBOR plus a margin of 3.10%. Interest payments are made every three months (interest period).

Contract 2: The Group pays at a fixed rate of 2.97%, while the counterparty pays at a variable rate equal to 3M WIBOR plus a margin of 3.00%. Interest payments are made every three months (interest period).

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

Open outstanding CIRS contracts held by KRUK Group companies as at March 31st 2021:

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

Interest is paid on a three-monthly basis.

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

## 10.11. Hedging instruments

The interest rate risk management policy covers:

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

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

Open outstanding IRS contracts held by KRUK Group companies as at March 31st 2021, with a total volume of PLN 530,000 thousand:

Bank	Company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 150,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to March 2nd 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 50,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to May 4th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 75,000,000.00	buy	1.67%	3M WIBOR	September 5th 2019 to October 18th 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 30,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to November 27th 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to February 6th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 35,000,000.00	buy	1.6050%	3M WIBOR	September 4th 2019 to October 12th 2023
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 27th 2024
DNB Bank Polska S.A.	KRUK S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 28th 2024

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

### Amounts related to items designated as hedging instruments

PLN '000

Instrument type:	Mar 31 2021				Dec 31 2020				Item in the statement of financial position	Type of security
	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness		
IRS	-	12,178	530,000 (PLN)	(6,208)	-	18,386	530,000 (PLN)	14,861	Hedging instruments	Cash flow hedges
	-	<b>12,178</b>		<b>(6,208)</b>	-	<b>18,386</b>		<b>14,861</b>		

PLN '000

	Notional amount as at Mar 31 2021				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Instrument type:</b>					
<b>IRS</b>					
fixed payment PLN sale	-	-	(275,000)	(255,000)	-
floating payment PLN	-	-	275,000	255,000	-

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

PLN '000

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

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Cash flow hedges (interest rate risk)	530,000	12,178	(12,178)	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	3,603

PLN '000

## Disclosure of the hedged item as at Dec 31 2020

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Cash flow hedges (interest rate risk)	530,000	18,386	(18,386)	-
Hedging of a net investment in a foreign operation (currency risk)	-	-	-	3,603

PLN '000

Jan 1–Mar 31 2021

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
<b>Hedge reserve at beginning of the period</b>	(18,386)	3,603	(14,783)
<b>Measurement of instruments charged to capital reserves</b>	3,968	-	3,968
<b>Amount reclassified to profit or loss during the period</b>	2,240	-	2,240
- Interest income (cost)	2,240	-	2,240
- Reclassification of exchange differences	-	-	-
<b>Hedge reserve at end of the period</b>	(12,178)	3,603	(8,575)

PLN '000

Jan 1-Dec 31 2020

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

## 10.12. Earnings per share

### Basic earnings per share

'000	Jan 1–Mar 31 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Mar 31 2020 unaudited
Number of ordinary shares as at Jan 1	19,011	18,972	18,972
Effect of cancellation and issue	-	5	-
Weighted average number of ordinary shares at end of reporting period	19,011	18,977	18,972
<i>PLN</i>			
Earnings per share	6.70	4.29	(3.27)

### Diluted earnings per share

'000	Jan 1–Mar 31 2021 unaudited	Jan 1–Dec 31 2020	Jan 1–Mar 31 2020 unaudited
Weighted average number of ordinary shares at end of reporting period	19,011	18,977	18,972
Effect of issue of unregistered shares not subscribed for	463	283	336
Weighted average number of ordinary shares at end of reporting period (diluted)	19,474	19,259	19,308
<i>PLN</i>			
Earnings per share (diluted)	6.54	4.22	(3.22)



**10.13. Current and non-current items of the statement of financial position****As at Mar 31 2021**

PLN '000

	<b>Mar 31 2021 unaudited</b>	<b>Dec 31 2020</b>	<b>Mar 31 2020 restated</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	85,159	91,864	90,666
Other intangible assets	49,903	50,729	49,615
Goodwill	24,141	23,916	50,393
Investments	2,690,704	2,691,651	2,726,827
Deferred tax asset	83,228	31,180	66,649
<b>Total non-current assets</b>	<b>2,933,134</b>	<b>2,889,340</b>	<b>2,984,150</b>
<b>Current assets</b>			
Inventories	27,578	32,069	37,438
Investments	1,543,580	1,517,073	1,580,632
Trade receivables	14,541	16,804	19,330
Other receivables	24,942	28,357	38,613
Other assets	15,425	13,836	6,493
Cash and cash equivalents	169,940	145,552	236,073
<b>Total current assets</b>	<b>1,796,007</b>	<b>1,753,691</b>	<b>1,918,579</b>
<b>Total assets</b>	<b>4,729,141</b>	<b>4,643,031</b>	<b>4,902,728</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	19,011	19,011	18,972
Share premium	310,430	310,430	307,192
Cash flow hedging reserve	(8,575)	(14,783)	(11,706)
Translation reserve	91,208	81,360	43,227
Other capital reserves	103,626	103,626	100,015
Retained earnings	1,671,482	1,544,127	1,495,665
<b>Equity attributable to owners of the Parent</b>	<b>2,187,182</b>	<b>2,043,771</b>	<b>1,953,365</b>
<b>Non-controlling interests</b>	<b>(424)</b>	<b>(311)</b>	<b>41</b>
<b>Total equity</b>	<b>2,186,758</b>	<b>2,043,460</b>	<b>1,953,406</b>
<b>Non-current liabilities</b>			
Borrowings, debt securities and leases	1,422,309	1,585,898	2,312,629
Deferred tax liability	206,753	134,339	74,682
Provisions	12,604	13,463	10,274
Derivatives	12,784	11,236	9,786
Hedging instruments	12,178	18,386	15,309
<b>Total non-current liabilities</b>	<b>1,666,627</b>	<b>1,763,322</b>	<b>2,422,680</b>
<b>Current liabilities</b>			
Borrowings, debt securities and leases	655,002	636,278	321,906

	Trade and other payables	135,137	112,227	133,011
	Income tax payable	256	5,223	9,245
	Employee benefit obligations	45,082	42,860	42,903
	Provisions	40,278	39,661	19,579
<b>Total current liabilities</b>		<b>875,755</b>	<b>836,249</b>	<b>526,644</b>
<b>Total liabilities</b>		<b>2,542,383</b>	<b>2,599,571</b>	<b>2,949,323</b>
<b>Total equity and liabilities</b>		<b>4,729,141</b>	<b>4,643,031</b>	<b>4,902,728</b>

**10.14. Right of use**

PLN '000

	<b>Mar 31</b>	<b>Dec 31</b>
	<b>2021</b>	<b>2020</b>
<b>Carrying amount of right-of-use assets, by class of underlying asset at beginning of period</b>		
Buildings and structures	51,491	48,598
Plant and equipment	130	308
Vehicles	9,589	16,423
	<u>61,211</u>	<u>65,329</u>
<b>Cost of depreciation of right-of-use assets, by class of underlying asset</b>		
Buildings and structures	(3,577)	(16,243)
Plant and equipment	(46)	(183)
Vehicles	(1,599)	(6,637)
	<u>(5,221)</u>	<u>(23,063)</u>
Increase in right-of-use assets	251	17,649
Decrease in right-of-use assets due to liquidation/termination of contract	(155)	(1,085)
Translation differences	2,400	(2,380)
<b>Carrying amount of right-of-use assets, by class of underlying asset at end of period</b>		
Buildings and structures	48,007	51,491
Plant and equipment	83	130
Vehicles	5,597	9,589
	<u>53,687</u>	<u>61,211</u>
Interest expense relating to lease liabilities	550	2,546
Cost relating to variable lease payments not included in the measurement of lease liabilities	5	11
Total cash outflow in connection with leases	6,330	26,552

**10.15. Goodwill**

PLN '000	Kancelaria Prawna RAVEN	KRUK Italia S.r.l	KRUK Espana S.L.	ERIF BIG S.A.	AgeCredit S.r.l	Total
<b>Gross carrying amount as at Jan 1 2020</b>	299	4,921	46,182	725	8,191	60,318
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Translation differences	-	-	1,761	-	-	1,761
<b>Gross carrying amount as at Dec 31 2020</b>	299	4,921	47,943	725	8,191	62,079
<b>Gross carrying amount as at Jan 1 2021</b>	299	4,921	47,943	725	8,191	62,079
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
Translation differences	-	-	225	-	-	225
<b>Gross carrying amount as at Mar 31 2021</b>	299	4,921	48,168	725	8,191	62,304
<b>Impairment losses</b>						
<b>Impairment loss as at Jan 1 2020</b>	-	(4,921)	-	-	(8,191)	(13,112)
Increase	-	-	(25,051)	-	-	(25,051)
Decrease	-	-	-	-	-	-
<b>Impairment loss as at Dec 31 2020</b>	-	(4,921)	(25,051)	-	(8,191)	(38,163)
<b>Impairment loss as at Jan 1 2021</b>	-	(4,921)	(25,051)	-	(8,191)	(38,163)
Increase	-	-	-	-	-	-
Decrease	-	-	-	-	-	-
<b>Impairment loss as at Mar 31 2021</b>	-	(4,921)	(25,051)	-	(8,191)	(38,163)
<b>Net carrying amount</b>						
As at Jan 1 2020	299	-	46,182	725	-	47,206
As at Dec 31 2020	299	-	22,892	725	-	23,916
As at Jan 1 2021	299	-	22,892	725	-	23,916
As at Mar 31 2021	299	-	23,117	725	-	24,141

**10.16. Inventories (including property)**

PLN '000	Mar 31 2021	Dec 31 2020
Real property	27,557	32,056
Other inventories	21	13
	27,578	32,069

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

<b>Carrying amount of property held as at Jan 1 2020</b>	<b>34,655</b>
Carrying amount of foreclosed property	4,814
Carrying amount of property sold	(2,122)
Income from sale of property	(147)
Currency translation differences on property valuation	219
<b>Carrying amount of property held as at Mar 31 2020</b>	<b>37,419</b>
<b>Carrying amount of property held as at Jan 1 2020</b>	<b>34,655</b>
Carrying amount of foreclosed property	15,864
Carrying amount of property sold	(19,000)
Income from sale of property	86
Translation differences on property valuation	451
<b>Carrying amount of property held as at Dec 31 2020</b>	<b>32,056</b>
<b>Carrying amount of property held as at Jan 1 2021</b>	<b>32,056</b>
Carrying amount of foreclosed property	1,414
Carrying amount of property sold	(8,097)
Income from sale of property	1,654
Translation differences on property valuation	530
<b>Carrying amount of property held as at Mar 31 2021</b>	<b>27,557</b>

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

### 10.17. Trade and other receivables

#### Trade receivables

<i>PLN '000</i>	<b>Mar 31 2021</b>	<b>Dec 31 2020</b>
Trade receivables	14,541	16,804
	14,541	16,804
Long-term	-	-
Short-term	14,541	16,804
	14,541	16,804

#### Other receivables

<i>PLN '000</i>	<b>Mar 31 2021</b>	<b>Dec 31 2020</b>
Taxes receivable (other than income tax)	12,993	10,803
Receivables under security deposits and bid bonds	8,339	9,396
Receivables under collected debts	3,538	7,380
Other receivables	-	647
Receivables for court fees and stamp duty	73	131
	24,942	28,357

**10.18. Cash and cash equivalents**

<i>PLN '000</i>	<b>Mar 31 2021</b>	<b>Dec 31 2020</b>
Cash in hand	203	190
Cash in current accounts	169,737	145,362
	<u>169,940</u>	<u>145,552</u>

**10.19. Employee benefit obligations and provisions**

<i>PLN '000</i>	<b>Mar 31 2021</b>	<b>Dec 31 2020</b>
Salaries and wages payable	20,359	18,314
Social benefit obligations	12,841	13,771
Accrued holiday entitlements	8,871	7,271
Personal income tax	2,842	3,307
Special accounts	169	197
	<u>45,082</u>	<u>42,860</u>

**10.20. Trade and other payables**

<i>PLN '000</i>	<b>Mar 31 2021</b>	<b>Dec 31 2020</b>
Trade payables	62,757	72,620
Other liabilities	37,784	18,558
Accrued expenses	22,090	9,760
Deferred income	5,712	5,336
Tax and duties payable	6,793	5,953
	<u>135,137</u>	<u>112,227</u>

**10.21. Provisions**

<i>PLN '000</i>	<b>Mar 31 2021</b>	<b>Dec 31 2020</b>
Provisions for retirement gratuity payments	14,058	13,463
Provision for the loyalty scheme	9,971	10,652
Other provisions	28,852	29,008
	<u>52,882</u>	<u>53,124</u>

**Changes in provisions for retirement gratuities**

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

Increase	595
Carrying amount as at Mar 31 2021	<u>14,058</u>

**Changes in provision for the loyalty scheme**

PLN '000

Carrying amount as at Jan 1 2020	6,825
Increase	4,720
Use	<u>(894)</u>
Carrying amount as at Dec 31 2020	<u>10,652</u>
Carrying amount as at Jan 1 2021	10,652
Increase	-
Use	<u>(681)</u>
Carrying amount as at Mar 31 2021	<u>9,971</u>

**Change in other provisions**

PLN '000

**Other provisions**

Carrying amount as at Jan 1 2020	7,156
Provision for possible differences relative to straight-line basis settlement	<u>21,852</u>
Carrying amount as at Dec 31 2020	<u>29,008</u>
Carrying amount as at Jan 1 2021	29,008
Provision for possible differences relative to straight-line basis settlement	1,103
Reversal of provision for possible differences relative to straight-line basis settlement	<u>(1,259)</u>
Carrying amount as at Mar 31 2021	<u>28,852</u>

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

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

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

## 11. Related-party transactions

### Remuneration of the management personnel - Management Board

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

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021</b>	<b>Jan 1–Mar 31 2020</b>
Base pay/ managerial contract (gross)	1,527	1,451
Additional benefits	21	30
Share based payments	-	971
	<u>1,549</u>	<u>2,453</u>

### Remuneration of the Supervisory Board members

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

<i>PLN '000</i>	<b>Jan 1–Mar 31 2021</b>	<b>Jan 1–Mar 31 2020</b>
Base pay (gross)	239	239
Additional benefits	21	1
	<u>260</u>	<u>240</u>

### Other transactions with management personnel

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

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

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

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

## 12. Management of risk arising from financial instruments

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

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

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



### *Key policies of risk management*

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed on a regular basis to reflect changes in market conditions and in the Group's activities. The Group, through appropriate training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### **Credit risk**

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

### **Loans**

Following the acquisition of Wonga.pl Sp. z o.o., most of the borrowers are now Wonga's clients. Wonga products are offered to individuals of good credit standing, with access to online banking. The KRUK Group continues to offer loans to persons who have repaid or are regularly repaying their liabilities under a settlement agreement or a loan taken out at Novum Finance Sp. z o.o. The Novum offering is primarily addressed to clients who have already used an instalment product at the KRUK Group. The Group has the experience and analytical tools necessary to estimate credit risk for loans offered both to new clients and to clients previously involved with the KRUK Group. Loans to borrowers who were not previously clients of the KRUK Group currently represents a significant majority of the KRUK Group's consumer loan portfolio.

For each loan, the Group assesses the client's creditworthiness, which is then reflected in the offer addressed to the client.

For loans measured at amortised cost and at fair value, the loan-related credit risk is reflected in their measurement at the end of each reporting period. As at each valuation date, the Group estimates credit risk based on past inflows from loans. The credit risk assessment also takes into account the period of delinquency of the loans being valued.

The Group mitigates the risk by performing a meticulous verification of clients before a loan is advanced, taking into account the likelihood of recovery of invested capital from the amounts disbursed to clients and the estimated costs of the sale and service process. 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 advancing a loan and other terms of cooperation;
- Regular monitoring of timely payment of debt;
- Monitoring of risk indicators;
- Maintaining a diversified client base.

Assessment of a client's creditworthiness includes:

- Verification of the client with a credit reference agency;
- Verification of loan documents;

- Verification of the employment status;
- Verification of the client's contact phone (for sales over the phone).

As part of the risk management policy, risk identification, measurement and management methods have been implemented to optimise the level of risk and ultimately to verify profitability. These methods are designed to assist in making rational business decisions based on the principle of balancing risk and profitability by limiting losses resulting from the materialisation of an unplanned adverse scenario or situation and maximising income earned in the case of materialisation of an unplanned favourable scenario or situation.

The Group carries out a thorough analysis and estimate of the risk attached to the loans it grants using advanced economic and statistical tools and relying on its long-standing experience in this respect.

As at the date of these financial statements, the KRUK Group holds no single loan to third parties where default on the loan could have a material adverse effect on its liquidity.

### *Trade and other receivables*

The Management Board has established a credit policy whereby each creditworthiness of each business partner is evaluated before any payment and other contract terms are offered. The evaluation includes external ratings of the business partner, when available, and in some cases bank references. Each business partner is assigned a transaction limit which represents the maximum transaction amount for which no approval from the management board of individual companies is required.

The Group regularly monitors whether payments are made when due, and if any delays are found, the following actions are taken:

- - notices are sent to business partners
- - email messages are sent to business partners
- - telephone calls are made to business partners.

Over 60% of business partners have conducted business with the Group for at least three years. In only few cases losses were incurred by the Group as a result of non-payment. Trade and other receivables mainly comprise of fees receivable in respect of debt collected for external business partners.

The Group's exposure to credit risk mainly results from individual characteristics of each business partner. The Group's largest business partner generates 6% (2020: 6%) of the Group's revenue. Receivables from the Group's largest business partner represented 2.2% of total gross trade receivables as at March 31st 2021 (December 31st 2020: 7.7%). Therefore, there is no significant concentration of credit risk at the Group.

The Group recognises impairment losses which represent its estimates of expected credit losses on trade and other receivables. Impairment losses comprise specific losses related to individually significant exposures.

### *Purchased debt portfolios*

Purchased debt portfolios comprise of overdue debts which prior to the purchase by the Group were often subject to collection by the seller of the portfolio or by a third party acting on the seller's behalf. Credit risk related to purchased debt portfolios is relatively high, but the Group has the experience and analytical tools necessary to estimate such risk.

The credit risk is reflected in the portfolios' valuations as at the end of each reporting period.

As at each valuation date, the Group estimates credit risk based on collections from a given portfolio as well as other portfolios with similar characteristics. The risk assessment also includes factors related to the Covid-19 pandemic, which have an impact on future cash inflows.

Changes in credit risk assessment affect expected amounts of future cash flows which are used as a basis of valuation of the purchased debt portfolios.

The Group minimises the risk by performing a valuation of each portfolio before and after it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process.

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.

### Exposure to credit risk

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

<i>PLN '000</i>	<b>Mar 31 2021</b>	<b>Mar 31 2020</b>
Investments in debt portfolios	3,997,274	3,984,080
Loans	237,010	224,644
Trade and other receivables	39,483	45,161
	<u>4,273,767</u>	<u>4,253,885</u>

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

<i>PLN '000</i>	<b>Mar 31 2021</b>	<b>Dec 31 2020</b>
Poland	2,175,519	2,109,437
Romania	883,790	912,242
Italy	740,971	742,972
Other foreign markets	473,488	489,234
	<u>4,273,767</u>	<u>4,253,885</u>

**Impairment losses**

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

	IFRS 9 classification	Carrying amount as at Mar 31 2021	Carrying amount as at Dec 31 2020
<b>Trade and other receivables</b>			
	Basket 1	57,593	45,360
	Basket 2	-	-
	Basket 3	1,613	1,613
		<b>59,206</b>	<b>46,973</b>
<b>Impairment losses</b>			
	Basket 1	377	446
	Basket 2	-	-
	Basket 3	1,366	1,366
		<b>1,743</b>	<b>1,812</b>
<b>Net carrying amount</b>			
	Basket 1	57,216	44,914
	Basket 2	-	-
	Basket 3	247	247
		<b>57,463</b>	<b>45,161</b>

Changes of impairment losses on receivables are presented below:

PLN '000	Jan 1–Mar 31 2021			Jan 1–Dec 31 2020		
	Basket 1	Basket 2	Basket 3	Basket 1	Basket 2	Basket 3
Loss allowance at beginning of the period	446	-	1,366	1,643	32	-
Loss allowance recognised in the period	(16)	-	-	51	-	364
Reversal of loss allowance	(53)	-	-	(278)	-	-
Use of loss allowance	-	-	-	-	-	-
Transfer between baskets	-	-	-	(970)	(32)	1,002
Loss allowance at end of the period	<b>377</b>	-	<b>1,366</b>	<b>446</b>	-	<b>1,366</b>

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

IFRS 9 classification	Carrying amount as at Mar 31 2021	Carrying amount as at Dec 31 2020
<b>Loans measured at amortised cost</b>		
Basket 1	90,346	111,891
Basket 2	25,736	27,677
Basket 3	80,210	84,099
POCI loans	999	1,092
	<b>197,291</b>	<b>224,759</b>
<b>Impairment losses</b>		
Basket 1	10,005	11,330
Basket 2	3,555	4,081
Basket 3	55,042	56,681
POCI loans	-	-
	<b>68,601</b>	<b>72,093</b>
<b>Net carrying amount</b>		
Basket 1	80,342	100,561
Basket 2	22,181	23,596
Basket 3	25,168	27,418
POCI loans	999	1,092
	<b>128,690</b>	<b>152,666</b>

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

PLN '000	Jan 1–Mar 31 2021				Jan 1–Dec 31 2020			
	Basket 1	Basket 2	Basket 3	POCI loans	Basket 1	Basket 2	Basket 3	POCI loans
Gross carrying amount as at Jan 1	111,891	27,677	84,098	1,092	186,183	34,789	52,556	2,408
Purchase	-	-	-	-	-	-	-	-
Disbursements/repayments	(14,173)	(5,758)	(7,444)	(93)	(25,135)	(9,936)	(14,791)	(1,316)
Transfer from basket 1 to basket 2	(4,688)	4,688	-	-	(21,673)	21,673	-	-
Transfer from basket 1 to basket 3	(3,788)	-	3,788	-	(30,478)	-	30,478	-
Transfer from basket 2 to basket 1	954	(954)	-	-	2,824	(2,824)	-	-
Transfer from basket 2 to basket 3	-	(437)	437	-	-	(16,039)	16,039	-
Transfer from basket 3 to basket 1	150	-	(150)	-	170	-	(170)	-
Transfer from basket 3 to basket 2	-	520	(520)	-	-	14	(14)	-
Gross carrying amount at end of the period	<b>90,346</b>	<b>25,735</b>	<b>80,210</b>	<b>999</b>	<b>111,891</b>	<b>27,677</b>	<b>84,098</b>	<b>1,092</b>

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

PLN '000	Jan 1–Mar 31 2021			Jan 1–Dec 31 2020		
	Basket 1	Basket 2	Basket 3	Basket 1	Basket 2	Basket 3
Loss allowance as at Jan 1	11,330	4,082	56,681	21,298	6,730	33,293
Loss allowance recognised in the reporting period	-	-	-	12,205	5,226	-
Transfer from basket 1 to basket 2	(690)	690	-	(3,118)	3,118	-
Transfer from basket 1 to basket 3	(523)	-	523	(18,829)	-	18,829
Transfer from basket 2 to basket 1	186	(186)	-	(256)	256	-
Transfer from basket 2 to basket 3	-	(323)	323	-	(11,258)	11,258
Transfer from basket 3 to basket 1	17	-	(17)	31	-	(31)
Transfer from basket 3 to basket 2	-	70	(70)	-	10	(10)
Reversal of allowance for expected credit losses	(316)	(777)	(2,400)	-	-	(6,658)
Loss allowance at end of the period	<b>10,004</b>	<b>3,554</b>	<b>55,042</b>	<b>11,330</b>	<b>4,082</b>	<b>56,681</b>

As at March 31st 2021, the gross carrying amount of loans measured at amortised cost was PLN 197,291 thousand (December 31st 2020: PLN 224,759 thousand). The Group recognised an impairment allowance for expected credit losses on loans of PLN 68,601 thousand as at March 31st 2021 (December 31st 2020: PLN 72,093 thousand). The amount of the impairment loss is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of the impairment loss covers 34.8% of the gross carrying amount of loans measured at amortised cost (at the end of 2020: 32.1%). The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk as at March 31st 2021 was PLN 13,758 thousand.

### Liquidity risk

Liquidity risk is the risk of the Group's failure to pay its liabilities when due.

Liquidity risk management aims to ensure that the Group has sufficient liquidity to pay its liabilities as they fall due, without exposing the Group to a risk of loss or impairment of its reputation.

The key objectives of liquidity management include:

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

The Group has a liquidity management policy in place, which includes, among other things, rules for contracting debt finance, preparing analyses and projections of the Group's liquidity, and monitoring the performance of obligations under credit facility agreements.

The Group's liquidity position is monitored on a regular basis by analysing sensitivity to changes in the projected collections from debt portfolios.

In accordance with the liquidity management policy adopted by the Group, the following conditions must be met by a Group entity before new debt can be incurred:

- the debt can be repaid from the Group's own assets,
- the debt is incurred taking into account the possibility of transferring the funds between companies, and the time and cost of such transfer,

- incurring the debt will not result in exceeding the financial covenants stipulated in facility agreements and terms and conditions of bonds.

### Exposure to liquidity risk

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

#### As at Mar 31 2021

PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	3,997,274	7,911,019	771,411	789,779	1,360,908	2,724,056	2,264,864
Loans	237,010	434,085	178,768	108,803	111,341	35,172	-
Secured borrowings	(731,335)	(795,892)	(21,986)	(8,388)	(77,292)	(688,226)	-
Unsecured bonds in issue	(1,273,388)	(1,351,431)	(358,602)	(302,651)	(341,692)	(348,486)	-
Lease liabilities	(72,588)	(58,775)	(10,102)	(9,428)	(18,768)	(18,429)	(2,047)
Trade and other payables	(135,137)	(135,137)	(135,137)	-	-	-	-
	2,021,836	6,003,869	424,352	578,115	1,034,497	1,704,087	2,262,817

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

#### As at Dec 31 2020

PLN '000

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

Contractual cash flows were determined based on interest rates effective as at March 31st 2021 and December 31st 2020, respectively.

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

As at March 31st 2021, the undrawn revolving credit facility limit available to the Group was PLN 1,139,611 thousand (December 31st 2020: PLN 1,045,684 thousand). The limit is available until July 3rd 2025.

### Market risk

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

It has been concluded that effective implementation of the KRUK Group's growth strategy requires, among other elements, a proper interest rate risk and currency risk management policy. The interest rate risk management policy covers:

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

The currency risk management policy outlines:

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

As at March 31st 2021, financial assets denominated in foreign currencies accounted for 47% of total assets, while liabilities denominated in foreign currencies represented 17% of total equity and liabilities (December 31st 2020: 49% and 19%, respectively).



**Exposure to currency risk and sensitivity analysis**

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

PLN '000

	Mar 31 2021					Mar 31 2021				
	Exposure to currency risk					Analysis of sensitivity of exposure to currency risk to +10% increase in exchange rates				
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	Total
Trade and other receivables	-	1,473	8,777	-	<b>10,251</b>	-	147	878	-	<b>1,025</b>
Investments	-	227	695,745	24,106	<b>720,078</b>	-	23	69,574	2,411	<b>72,008</b>
Cash	467	2,313	7,710	1,011	<b>11,501</b>	47	231	771	101	<b>1,150</b>
Borrowings, debt securities and leases	-	(262,883)	-	-	<b>(262,883)</b>	-	(26,288)	-	-	<b>(26,288)</b>
Trade and other payables	(91)	(4,944)	(1,610)	(4,219)	<b>(10,864)</b>	(9)	(494)	(161)	(422)	<b>(1,086)</b>
<b>Exposure to currency risk - Effect on statement of profit or loss</b>	<b>375</b>	<b>(263,813)</b>	<b>710,623</b>	<b>20,897</b>	<b>468,082</b>	<b>38</b>	<b>(26,381)</b>	<b>71,062</b>	<b>2,090</b>	<b>46,809</b>
Trade and other receivables	-	16,758	15,076	6	<b>31,840</b>	-	1,676	1,508	1	<b>3,185</b>
Investments	-	1,109,809	166,276	80,331	<b>1,356,416</b>	-	110,981	16,628	8,033	<b>135,642</b>
Cash	-	76,637	19,697	86,716	<b>183,049</b>	-	7,664	1,970	8,672	<b>18,306</b>
Borrowings, debt securities and leases	-	(435,235)	(15,166)	(1,317)	<b>(451,718)</b>	-	(43,524)	(1,517)	(132)	<b>(45,173)</b>
Trade and other payables	-	(36,939)	(12,832)	(2,896)	<b>(52,667)</b>	-	(3,694)	(1,283)	(290)	<b>(5,267)</b>
<b>Exposure to currency risk - Effect on other comprehensive income</b>	<b>-</b>	<b>731,029</b>	<b>173,051</b>	<b>162,840</b>	<b>1,066,921</b>	<b>-</b>	<b>73,103</b>	<b>17,306</b>	<b>16,284</b>	<b>106,693</b>
<b>Exposure to currency risk</b>	<b>375</b>	<b>467,217</b>	<b>883,674</b>	<b>183,737</b>	<b>1,535,003</b>	<b>38</b>	<b>46,722</b>	<b>88,367</b>	<b>18,374</b>	<b>153,501</b>

## Quarterly report – Interim condensed consolidated financial statements

Risk mitigation effect					-	-	-	-	-	-
Exposure to currency risk after hedging	375	467,217	883,674	183,737	<b>1,535,003</b>	38	46,722	88,367	18,374	<b>153,501</b>

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

PLN	Average exchange rates		End of period (spot rates)	
	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited	Mar 31 2021 unaudited	Dec 31 2020
EUR 1	4.5721	4.3963	4.6603	4.6148
USD 1	3.8128	3.9907	3.9676	3.7584
RON 1	0.9346	0.9147	0.9462	0.9479
CZK 1	0.1751	0.1691	0.1783	0.1753

### Exposure to interest rate risk

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

PLN '000	Carrying amount	
	Mar 31 2021 unaudited	Dec 31 2020
<b>Fixed-rate financial instruments</b>		
Financial assets	4,273,767	4,253,885
Financial liabilities	(370,995)	(324,512)
	<u>3,902,772</u>	<u>3,929,373</u>
Hedge effect (nominal amount)	<u>(530,000)</u>	<u>(530,000)</u>
	<u>3,372,772</u>	<u>3,399,373</u>
<b>Variable-rate financial instruments</b>		
Financial assets	-	-
Financial liabilities	(1,841,453)	(2,009,891)
	<u>(1,841,453)</u>	<u>(2,009,891)</u>
Hedge effect (nominal amount)	<u>530,000</u>	<u>530,000</u>
	<u>(1,311,453)</u>	<u>(1,479,891)</u>

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

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

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

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

PLN '000

	Profit or loss for the current period		Equity excluding profit or loss for current period	
	up by 100 bps	down by 100 bps	up by 100 bps	down by 100 bps
<b>Mar 31 2021</b>				
Variable rate financial assets	-	-	-	-
Variable rate financial liabilities	(18,415)	18,415	-	-
<b>Dec 31 2020</b>				
Variable rate financial assets	-	-	-	-
Variable rate financial liabilities	(20,099)	20,099	-	-

### Fair value

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

PLN '000	Mar 31 2021 unaudited		Dec 31 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets and liabilities measured at fair value</b>				
Derivatives	(12,784)	(12,784)	(11,236)	(11,236)
Hedging instruments	(12,178)	(12,178)	(18,386)	(18,386)
Loans	108,320	108,320	71,978	71,978
	83,358	83,358	42,356	42,356
<b>Financial assets and liabilities not measured at fair value</b>				
Investments in debt portfolios	3,997,274	3,948,222	3,984,080	3,962,354
Loans	128,690	118,048	152,666	140,755
Secured borrowings	(731,335)	(732,503)	(829,338)	(830,663)
Liabilities under debt securities (unsecured)	(1,273,388)	(1,278,017)	(1,314,247)	(1,319,748)
	2,121,241	2,055,750	1,993,161	1,952,698

### Interest rates used for fair value estimation

	Mar 31 2021	Dec 31 2020
Investments in debt portfolios	0.00% - 170.19%	0.00% - 113.64%
Loans	13.58% - 86.53%	9.13% - 86.22%
Secured borrowings	0.18% - 4.16%	0.20% - 4.16%
Liabilities under debt securities (unsecured)	3.21% - 4.80%	3.21% - 4.80%

## Hierarchy of financial instruments

### Hierarchy of financial instruments measured at fair value

The table below presents financial instruments recognised in the statement of financial position at fair value according to the valuation method applied. Depending on the level of valuation, the following inputs were used in the valuation models.

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

In 2021, no transfers were made between the fair value hierarchy levels.

The Group does not identify Level 1 assets.

### Hierarchy of financial instruments – Level 2

PLN '000

	Level 2	
	Carrying amount	Fair value
<b>As at Dec 31 2020</b>		
Derivatives	(11,236)	(11,236)
Hedging instruments	(18,386)	(18,386)
Secured borrowings	(829,338)	(830,663)
Liabilities under debt securities (unsecured)	(1,314,247)	(1,319,748)
<b>As at Mar 31 2021</b>		
Derivatives	(12,784)	(12,784)
Hedging instruments	(12,178)	(12,178)
Secured borrowings	(731,335)	(732,503)
Liabilities under debt securities (unsecured)	(1,273,388)	(1,278,017)

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

The fair value of financial liabilities is determined on the basis of future cash flows related to executed transactions, calculated based on the difference between the margin applicable to the financial liabilities as at the reporting date and the margin as at the transaction date. To determine the fair value, the Group takes margins under the most recent credit facility agreement or debt securities issue.

*Hierarchy of financial instruments – Level 3*

PLN '000

	Level 3	
	Carrying amount	Fair value
<b>As at Dec 31 2020</b>		
Investments in debt portfolios	3,984,080	3,962,354
Loans	224,644	212,733
<b>As at Mar 31 2021</b>		
Investments in debt portfolios	3,997,274	3,948,222
Loans	237,010	226,368

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

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

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

In the three months ended March 31st 2021, the total expenditure on debt portfolios was PLN 159,342 thousand. Compared with the three months ended March 31st 2020, when investments amounted to PLN 57,008 thousand, this year's expenditure was almost three times higher. The investments also exceeded the budget assumptions for Q1 2021. The total nominal value of the purchased portfolios was PLN 878m, which represented a year-on-year increase of 74%.

**Recoveries and revaluation of portfolios**

In the three months ended March 31st 2021, recoveries from portfolios purchased by the KRUK Group totalled PLN 511,728 thousand, up 7% year on year. Marking the best quarter in terms of recoveries in the Group's operating history. This was an effect of the recoveries coming in above operational targets, particularly in Poland, Romania and Italy. In the three months ended March 31st 2021, the Group recorded an upward revaluation of recovery projection of PLN 10,906 thousand.

**Performance in Q1 2021**

The KRUK Group's performance figures for the three months ended March 31st 2021 reflect its best knowledge at the time of their preparation. For the time being, the KRUK Group has seen no significant adverse impacts of the third wave of the pandemic on the achieved recoveries. Recoveries remain on a solid trend, especially in the case of unsecured retail portfolios.

In the three months ended March 31st 2021, the Group posted a net profit of PLN 127,244 thousand, up by PLN 189,360 thousand on the three months ended March 31st 2020, when the Group first reported a net loss. At the same time, cash EBITDA for the three months ended March 31st 2021 was PLN 364m, up 12% year on year.

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

In the period from January 1st to March 31st 2021, Series AB1 bonds were redeemed on March 24th 2021 in accordance with their terms and conditions, at the nominal value of PLN 65,000 thousand.

In the reporting period, the Group issued new bonds. On February 18th 2021 unsecured Series AK2 bonds were issued with a nominal value of PLN 20,000 thousand, bearing interest at a fixed rate of 4.20%, maturing on February 18th 2026.

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

#### **15. Dividends paid (or declared)**

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

On May 5th 2021, the Parent's Management Board passed a resolution to amend the recommendation to the Parent's Annual General Meeting raising the dividend amount from PLN 8.00 to PLN 11.00 per share. The profit distribution would cover 18,740,045 shares. Excluded from the dividend payment would be 271,000 treasury shares bought back by the Parent pursuant to Resolution No. 7/2020 of the Annual General Meeting of Kruk S.A. of August 31st 2020. The dividend would be distributed from the Parent's net profit earned in 2020, increased by amounts transferred from statutory reserve funds created from retained earnings. The amendment was endorsed by the Parent's Supervisory Board on May 6th 2021.

The recommendation took into account the current financial condition of the KRUK Group, future implementation of the strategy, as well as the Group's plans and growth prospects.

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

### KRUK Group's assets pledged as security

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for Prokura NS FIZ's liabilities towards mBank under the credit facility granted to Prokura NS FIZ	mBank S.A.	PLN 210m	By July 1st 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162.40m	Until the derivative transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of June 13th 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 162.40m	By October 31st 2021	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of June 21st 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Guarantee issued by KRUK S.A. for KRUK România s.r.l.'s liabilities under lease contracts	Piraeus Leasing Romania IFN S.A.	EUR 0.5m	Until all obligations under the lease contracts executed by KRUK România s.r.l. with Piraeus Leasing Romania IFN S.A. are fulfilled	KRUK România s.r.l.'s failure to repay its liabilities under the lease contracts secured with the Guarantee
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 291,076.65 and PLN 197,482.17	By December 30th 2021	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee
Surety for Prokura NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility granted to Prokura NS FIZ	ING Bank Śląski S.A.	PLN 240m	By December 20th 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement



Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A.,	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	EUR 390m	Until all obligations under the credit facility agreement are satisfied.	The Borrower's failure to pay amounts owed under the credit facility agreement
Blank promissory note	mBank S.A.	PLN 7.5m	Until the transactions are settled and the bank's claims thereunder are satisfied.	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of February 7th 2019
Surety for InvestCapital LTD's liabilities under financial market transactions in pursuant to the master agreement between InvestCapital LTD and DNB Bank Polska S.A.	DNB Bank Polska S.A.	EUR 15.3m	Until the transactions are settled and the bank's claims thereunder are satisfied.	InvestCapital LTD's failure to satisfy its obligations under financial market transactions executed pursuant to the master agreement of February 28th 2019.

### Credit sureties or guarantees, security pledges

In connection with a revolving multi-currency credit facility agreement between InvestCapital LTD, Kruk Romania S.R.L., PROKURA NS FIZ and Kruk España S.L.U (the Borrowers) and KRUK S.A., and DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A., dated July 3rd 2017, to secure liabilities under the agreement:

- On January 7th 2021 InvestCapital LTD, DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A. signed an agreement under Spanish law establishing a pledge over a debt portfolio purchased by InvestCapital LTD on the Spanish market.

As at March 31st 2021, the value of all portfolios pledged in favour of DNB Bank ASA, ING Bank Śląski S.A. and Santander Bank Polska S.A. was PLN 1,385.6m.

In connection with the Loan Agreement concluded on December 20, 2018, as amended d., between Prokura NS FIZ, Kruk S.A. and ING Bank Śląski S.A., after the balance sheet date, on May 20, 2021, a supplementary agreement was concluded, based on which:

- new end dates have been set for:
  - a loan granted up to PLN 175 million as at December 20, 2025,
  - a loan granted up to PLN 25 million as at December 20, 2026.

- KRUK S.A. granted a surety for the obligations of the borrower Prokura NS FIZ resulting from the agreement up to the amount of PLN 240 million and until December 20, 2029.

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

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

**Piotr Krupa**

*CEO and President of the Management Board*

**Piotr Kowalewski**

*Member of the Management Board*

**Adam Łodygowski**

*Member of the Management Board*

**Urszula Okarma**

*Member of the Management Board*

**Michał Zasępa**

*Member of the Management Board*

**Monika Grudzień-Wiśniewska**

*Person keeping  
the accounting records*

**Hanna Stempień**

Prepared by

*Wrocław, May 21st 2021*