



**Financial highlights of KRUK S.A.
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 Restated	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
For the period				
Sales revenue	43,790	38,441	9,578	8,744
Operating profit/(loss)	(9,836)	(11,496)	(2,151)	(2,615)
Profit/(loss) before tax	146,885	(68,273)	32,126	(15,530)
Net profit/(loss) for owners of the Parent	127,355	(62,156)	27,855	(14,138)
Net cash from operating activities	(2,706)	(9,003)	(592)	(2,048)
Cash recoveries	9,057	9,634	1,981	2,191
Net cash from investing activities	(8,706)	27,303	(1,904)	6,210
Net cash from financing activities	14,402	8,549	3,150	1,945
Net change in cash	2,990	26,849	654	6,107
Diluted earnings per share	6.54	(3.22)	1.43	(0.73)
Average number of shares ('000)	19,011	18,972	19,011	18,972
Earnings per share	6.70	(3.28)	1.47	(0.75)
	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2021 unaudited	Dec 31 2020
As at				
Total assets	3,946,690	3,758,750	846,875	814,499
Non-current liabilities	1,023,599	1,059,173	219,642	229,517
Current liabilities	735,910	655,806	157,910	142,109
Equity	2,187,182	2,043,771	469,322	442,873
Share capital	19,011	19,011	4,079	4,120
Book value per ordinary share	115.05	107.70	24.69	23.34

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 financial statements of
KRUK S.A.
for the period
from January 1st to March 31st 2021**

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I. Statement of financial position

As at Mar 31 2021

PLN '000	Note	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Assets				
Cash and cash equivalents	8.13.	9,585	6,595	40,661
Trade receivables from related entities	8.12.	18,510	20,594	17,755
Trade receivables from other entities	8.12.	1,809	2,640	2,984
Other receivables	8.12.	11,470	7,869	234,024
Inventories	7.	24,523	28,755	31,093
Investments	7.	311,743	320,520	375,615
Equity-accounted investments in subsidiaries	8.10.	3,516,117	3,315,459	3,155,929
Property, plant and equipment		35,331	37,521	43,162
Intangible assets		12,553	12,841	14,950
Other assets		5,049	5,956	4,292
Total assets		3,946,690	3,758,750	3,920,466
Equity and liabilities				
Liabilities				
Trade and other payables	8.14.	53,624	51,863	52,631
Derivatives	8.9.	12,784	11,236	8,885
Hedging instruments	8.8.	12,178	18,386	15,309
Employee benefit obligations	8.15.	22,085	21,464	21,525
Income tax payable		318	4,358	397
Borrowings, other debt securities and leases	8.7.	1,494,144	1,462,143	1,839,957
Provisions		10,599	11,280	7,329
Deferred tax liability	8.6.	153,777	134,249	21,066
Total liabilities		1,759,509	1,714,979	1,967,101
Equity				
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
Total equity		2,187,182	2,043,771	1,953,365
Equity and liabilities		3,946,690	3,758,750	3,920,466

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

II. Statement of profit or loss

<i>PLN '000</i>	Note	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Interest income on debt portfolios measured at amortised cost	8.1.	4,387	5,110
Other income/expenses from purchased debt portfolios	8.1.	(66)	1,473
Revenue from the provision of other services	8.1.	34,294	32,629
Other income	8.1.	281	6,107
Gain/(loss) on expected credit losses	8.1.	5,175	(771)
Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios		44,071	44,548
Employee benefits expense	8.2.	(35,442)	(36,527)
Depreciation and amortisation		(4,160)	(4,646)
Services		(7,758)	(8,434)
Other expenses	8.3.	(6,547)	(6,438)
		(53,907)	(56,045)
Operating loss		(9,836)	(11,496)
Finance income	8.4.	4,410	6,005
Finance costs	8.5.	(19,837)	(43,417)
<i>including interest expense relating to lease liabilities</i>		(204)	(187)
Net finance costs		(15,427)	(37,413)
Share of profit/(loss) of equity-accounted investees		172,148	(19,364)
Profit/(loss) before tax		146,885	(68,273)
Income tax	8.6.	(19,529)	6,117
Net profit/(loss) for period		127,355	(62,156)
Earnings/(loss) per share			
Basic (PLN)	8.16.	6.70	(3.28)
Diluted (PLN)	8.16.	6.54	(3.22)

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

III. Statement of comprehensive income

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 Restated
Net profit/(loss) for period	127,355	(62,156)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	9,848	73,446
Cash flow hedges	8.8. 6,208	(11,784)
Other comprehensive income for the period, net	16,056	61,662
Total comprehensive income for period	143,411	(494)

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

IV. 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	Total equity
Equity as at Jan 1 2021	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	127,355	127,355
Exchange differences on translating foreign operations	-	-	-	9,848	-	-	9,848
Measurement of hedging instruments	-	-	6,208	-	-	-	6,208
Total comprehensive income for period	-	-	6,208	9,848	-	127,355	143,411
Total contributions from and distributions to owners	-	-	-	-	-	-	-
Total equity as at Mar 31 2021	19,011	310,430	(8,575)	91,208	103,626	1,671,482	2,187,182

The separate statement of changes in equity should be read in conjunction with the notes to these separate 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	Total equity
Equity as at Jan 1 2020 (restated)	18,972	307,192	78	(30,219)	104,582	1,557,821	1,958,426
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	81,356	81,356
Exchange differences on translating foreign operations	-	-	-	111,579	-	-	111,579
Measurement of hedging instruments	-	-	(14,861)	-	-	-	(14,861)
Total comprehensive income for period	-	-	(14,861)	111,579	-	81,356	178,074
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	(1,156)	-	(1,156)
- Issue of shares	39	3,238	-	-	-	-	3,277
- Allocation of profit to capital reserve for buyback of shares	-	-	-	-	95,050	(95,050)	-
- Share buyback	-	-	-	-	(94,850)	-	(94,850)
Total contributions from and distributions to owners	39	3,238	-	-	(956)	(95,050)	(92,729)
Total equity as at Dec 31 2020	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771

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

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	Total equity
Equity as at Jan 1 2020 (restated)	18,972	307,192	78	(30,219)	104,582	1,557,821	1,958,426
Comprehensive income for the period							
Net profit/(loss) for period	-	-	-	-	-	(62,156)	(62,156)
Exchange differences on translating foreign operations	-	-	-	73,446	-	-	73,446
Measurement of hedging instruments	-	-	(11,784)	-	-	-	(11,784)
Total comprehensive income for period	-	-	(11,784)	73,446	-	(62,156)	(494)
Contributions from and distributions to owners							
- Share-based payments	-	-	-	-	(4,567)	-	(4,567)
Total contributions from and distributions to owners	-	-	-	-	(4,567)	-	(4,567)
Total equity as at Mar 31 2020 (restated)	18,972	307,192	(11,706)	43,227	100,015	1,495,665	1,953,365

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

V. 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 Restated
Cash flows from operating activities		
Net profit/(loss) for period	127,355	(62,156)
<i>Adjustments</i>		
Depreciation of property, plant and equipment	2,980	3,280
Amortisation of intangible assets	1,181	1,365
Net finance income/costs	15,144	36,987
Share of profit/(loss) of equity-accounted investees	(172,148)	19,364
(Gain)/loss on sale of property, plant and equipment	(250)	-
Equity-settled share-based payments	-	(4,567)
Income tax	19,529	(6,116)
Change in debt portfolios purchased	1,390	2,709
Change in inventories	4,232	(782)
Change in trade and other receivables	(686)	17,923
Change in other assets	907	390
Change in trade and other payables, excluding financial liabilities	1,761	(14,425)
Change in employee benefit obligations	621	831
Change in provisions	(681)	(125)
Income tax paid	(4,041)	(3,683)
Net cash from operating activities	(2,706)	(9,003)
Cash flows from investing activities		
Interest received	5	15
Loans granted	(23,793)	(23,000)
Sale of intangible assets and property, plant and equipment	172	540
Dividends received	-	10,711
Disposal of financial assets	-	50,000
Purchase of intangible assets and property, plant and equipment	(1,767)	(1,787)
Acquisition of shares in subsidiaries	(12,725)	(12,620)
Repayments of loans granted	29,401	3,445
Net cash from investing activities	(8,706)	27,303
Cash flows from financing activities		
Proceeds from issue of debt securities	20,000	-
Increase in borrowings	174,278	136,466
Repayment of borrowings	(100,098)	(107,990)
Payments under finance lease contracts (principal)	(1,872)	(1,931)
Redemption of debt securities	(65,000)	-
Interest paid	(12,906)	(17,995)
Net cash from financing activities	14,402	8,549
Total net cash flows	2,990	26,849
Cash and cash equivalents at beginning of period	6,595	13,812
Cash and cash equivalents at end of period	9,585	40,661

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

VI. Notes to the interim condensed financial statements

1. Company details

Name

KRUK Spółka Akcyjna ("KRUK S.A." or "the Company")

Registered office

ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Grabiszyńska 269, 53-235 Wrocław, Poland

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

Principal business activity

The Company is primarily engaged in the restructuring and recovery of debts purchased by the companies of the KRUK Group (the "Group") and the provision of credit management services to financial institutions and other clients.

The Company is the parent of the KRUK Group ("the Group") and in addition to these separate financial statements it prepares consolidated financial statements containing the data of the Company and its subsidiaries, approved on the same day as these separate financial statements.

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 and was as follows:

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

As at March 31st 2021 and as at the date of authorisation of these financial statements for issue, the composition of the Company's Supervisory Board was as follows:

Piotr Stępiak	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board

Mateusz Melich	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

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

As at March 31st 2020 the composition of the Company's Management Board was as follows:

Piotr Krupa	President of the Management Board
Agnieszka Kulon	Member of the Management Board
Urszula Okarma	Member of the Management Board
Iwona Słomska	Member of the Management Board
Michał Zasepa	Member of the Management Board

As at March 31st 2020 the composition of the Company's Supervisory Board was as follows:

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

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 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 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.

3. Statement of compliance

These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the European Union.

These financial statements do not contain all the information required to prepare full-year financial statements and therefore they should be read in conjunction with the interim condensed consolidated financial statements of the Group for the period from 1 January to March 31st 2021, the separate financial statements of KRUK S.A. and the consolidated financial statements of the Group prepared as at and for the financial year ended December 31st 2020.

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

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

In the opinion of the Management Board, there are no facts or circumstances which could pose a significant threat to the Company continuing as a going concern. Therefore, these interim condensed financial statements have been prepared under the assumption that the Company will continue as a going concern in the foreseeable future.

The Company reviewed the going concern assumption in the face of the Covid-19 outbreak.

4. Significant accounting policies

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

- equity accounting method – for investments in subsidiaries,
- at amortised cost calculated using the effective interest rate method,
 - including impairment losses – for credit-impaired assets (investments in debt portfolios),
 - financial assets held as part of the business model whose objective is to hold financial assets in order to collect contractual cash flows (loans advanced), and
- at amortised cost – for other financial liabilities,
- at fair value – for derivatives.
- at historical cost – for other 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 financial statements as at and for the year ended December 31st 2020, except for the change discussed below.

Changes in accounting policies

Enhancing comparability

The Company has broken down revenue items in the separate statement of profit or loss. The data presented in the separate financial statements for the period January 1st – March 31st 2020 was restated to ensure comparability. 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 8.1:

<i>Originally reported</i>		<i>Restated</i>				
Mar 31 2020	change of presentation	Interest income on debt portfolios and loans measured at amortised cost*	Other income/expenses from purchased debt portfolios*	Gain/(loss) on expected credit losses*	<i>including deviation from actual recoveries, reductions due to early repayment of targets*</i>	<i>including deviation from actual recoveries, reductions due to early repayment of targets*</i>
Revenue from purchased debt portfolios						
Interest income	5,110	(5,110)	5,110			
Other income from purchased debt	1,265	(1,265)		1,265		1,265
<i>Revaluation of debt portfolios</i>						
Revaluation of repayment projections	(925)	925		(925)	(925)	
Foreign exchange gains/(losses)	1,473	(1,473)		1,473		
Gain/(loss) on sale/revaluation of property	(1,112)	1,112		(1,112)		(1,112)
	5,812	(5,812)	5,110	1,473	(771)	(925) 153

*Data in the new format were presented in Note 8.1.

Revenue from the provision of other services was presented as a separate item of revenue, including revenue from fee-based credit management services as well as revenue from other services and revenue from sale of merchandise and materials. The effect of the change on the statement of profit or loss is presented below.

	Mar 31 2020		Mar 31 2020
	Originally reported	Change of presentation	Data restated to ensure comparability
Revenue	38,442	(38,442)	-
Interest income on debt portfolios measured at amortised cost	-	-	5,110
Gain/(loss) on expected credit losses from purchased debt portfolios	-	-	(771)
Other income/expenses from purchased debt portfolios	-	-	1,473
Revenue from the provision of other services	-	-	32,629
			38,442

In order to better reflect the relevant economic substance, the Company changed the presentation of assets and liabilities in the separate statement of financial position by taking the provision for retirement gratuities from employee benefit obligations and provisions and disclosing it as a separate item, and by taking the loyalty scheme provision from trade and other payables and disclosing it as a separate item. In the Management Board's opinion, the separate presentation of these line items will enhance the quality of data presented and its usefulness to readers.

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

PLN '000	Mar 31 2020		Mar 31 2020
	Originally reported	Change of presentation	Data restated to ensure comparability
Liabilities			
Employee benefit obligations and provisions	22,154	(628)	21,526
Provision for retirement gratuities	-	628	628
Trade and other payables	59,332	(6,701)	52,631
Provision for the loyalty scheme	-	6,701	6,701
Provisions			7,329

5. Accounting estimates and judgements

In order to prepare interim 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 material assumptions adopted by the Company when making the estimates and the accounting policies are presented in the most recent full-year financial statements prepared as at and for the year ended December 31st 2020. The estimates and the underlying assumptions are reviewed on an ongoing basis. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised. The effect of changes in estimates of forecast repayments recoveries is presented below.

The estimates and assumptions are reviewed by the Company on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. In particular, the Company's estimates as at March 31st 2021 reflected the impact of Covid-19 on the Company'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. The uncertainty of the Company's estimates as at March 31st 2021 relates mainly to:

	Amount estimated		Note	Assumptions and estimate calculation
	Mar 31 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Equity-accounted investments in subsidiaries	3,516,177	3,315,459	8.10.	Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified were tested for impairment. As part of the tests, the Company estimated the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method. The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries investing in debt portfolios or debt-related assets depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant

Item	Amount estimated		Note	Assumptions and estimate calculation
	Mar 31 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Investments in debt portfolios	31,939	33,329	7	<p>uncertainty as to the effectiveness of debt collection activities in the future. The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.</p> <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. KRUK S.A. prepares projections of collections from debt portfolios separately for individual markets. 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. 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 projections of expected cash receipts that take into account the initial value (purchase price plus directly allocated transaction costs), and as a rule remains unchanged throughout the life of a portfolio.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Mar 31 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Deferred tax liability	(153,777)	(134,249)	8.6.	As the Company is able to control the timing of temporary differences with respect to investments in subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years). The Company assesses the recoverability of deferred tax asset based on its approved financial forecast for the following years.
Right-of-use assets	25,766	27,693	8.11.	The application of IFRS 16 requires certain estimates and calculations to be made that affect the measurement of lease liabilities and right-of-use assets. These include: <ul style="list-style-type: none"> • reviewing the lease contracts, • determining the lease term, • determining the marginal interest rates to be used to discount future cash flows,
Lease liabilities	(28,490)	(30,444)	8.7.	<ul style="list-style-type: none"> • identifying useful lives and determining depreciation rates for the right-of-use assets.
Derivatives	(12,784)	(11,236)	8.9.	The Company 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	(12,178)	(18,386)	8.8.	The Company 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 and estimate calculation
	Mar 31 2021 (PLN '000)	Dec 31 2020 (PLN '000)		
Investments in debt portfolios	77,337	81,953	7.	The Company 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.

6. Other information

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 the period beginning on January 1st 2021.

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

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

Standards and Interpretations that have been published, but have not yet been endorsed by the European Union

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
<p>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>	<p>The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognised depends on whether the assets sold or contributed to an associate or joint venture constituted a business:</p> <ul style="list-style-type: none"> the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not), the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary. 	<p>The Company does not expect the amendments to have any significant effect on its separate financial statements.</p>	<p><i>The European Commission has decided to indefinitely postpone endorsement of these amendments</i></p>
<p>IFRS 17 <i>Insurance Contracts</i></p>	<p>IFRS 17 replaces the transitional IFRS 4 Insurance Contracts 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>	<p>The Company does not expect the amendments to have any significant effect on its separate financial statements.</p>	<p>January 1st 2023r.</p>

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
<p>Amendments to IFRS 3 <i>Business Combinations</i>, IAS 16 <i>Property, Plant and Equipment</i>, and IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, as well as Annual Improvements to IFRSs 2018-2020 Cycle.</p>	<p>The package of amendments includes narrow-scope amendments to three standards:</p> <ul style="list-style-type: none"> • Amendments to IFRS 3 <i>Business Combinations</i>, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; • Amendments to IAS 16 <i>Property, Plant and Equipment</i>, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use; Instead, the company will recognise such sale proceeds and related cost in profit or loss for the period, • Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, which specify which costs a company should include when assessing whether a contract will be loss-making. <p>The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which explain the terminology used and correct minor inconsistencies, omissions or contradictions between the requirements of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>, IFRS 9 <i>Financial Instruments</i>, IAS 41 <i>Agriculture</i>, and Illustrative Examples in IFRS 16 <i>Leases</i>.</p>	<p>The Company does not expect the amendments to have any significant effect on its separate financial statements.</p>	<p>January 1st 2022</p>

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

Investments measured at amortised cost

PLN '000	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Investments measured at amortised cost			
Investments in debt portfolios	31,939	33,329	34,224
Loans to related parties	279,804	287,191	341,391
	<u>311,743</u>	<u>320,520</u>	<u>375,615</u>

Investments in debt portfolios

Purchased debt portfolios are divided into the following main categories:

PLN '000	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Investments in debt portfolios			
Unsecured portfolios	31,597	32,956	33,730
Secured portfolios	341	373	493
	<u>31,939</u>	<u>33,329</u>	<u>34,224</u>

Unsecured portfolios are retail portfolios. Secured portfolios include mortgages as well as corporate portfolios. A portion of debt portfolios is secured with mortgages (mortgage loan portfolios) or registered pledges (car loan portfolios). For information on the assumptions made in the valuation of debt portfolios and the adopted schedule of cash receipts (undiscounted value), see Note 8.1.

Sensitivity analysis – revaluation of projections

The 1% increase in all projected collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 239 thousand, while the 1% decrease in all projected collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 239 thousand for the data as at March 31st 2021 (a PLN 243 thousand increase/decrease, respectively, for the data as at December 31st 2020).

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
Mar 31 2021				
Investments in debt portfolios	239	(239)	-	-
Dec 31 2020				
Investments in debt portfolios	243	(243)	-	-

Sensitivity analysis – time horizon

The sensitivity analysis below assumes extension or shortening of the projection period and a simultaneous increase or decrease in collection projections (for one-year extension projected collections increased by PLN 0.03 thousand, while for one-year shortening projected collections decreased by PLN 0.01 thousand; December 31st 2020: PLN 0.1 thousand, both for extension and shortening of the projection period).

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
Mar 31 2021				
Investments in debt portfolios	0.03	(0.01)	-	-
Dec 31 2020				
Investments in debt portfolios	0.01	(0.01)	-	-

In the reporting period, the Company did not invest any amounts in debt portfolios, while the amount of collections from indebted persons was PLN 9,057 thousand (same period of the year before: PLN 9,643 thousand). Changes in the estimated value of debt portfolios are presented below.

PLN '000

Value of purchased debt portfolios as at Jan 1 2020	36,949
Purchase of debt portfolios	(16)
Cash recoveries	(9,634)
Gain/(loss) on sale/revaluation of property	1,112
Revenue from purchased debt portfolios	5,812
Value of purchased debt portfolios as at Mar 31 2020	34,224
Value of purchased debt portfolios as at Jan 1 2020	36,949
Purchase price adjustment for discount	(16)
Cash recoveries	(35,904)
Carrying amount of property sold	210
Revenue from purchased debt portfolios	32,090
Value of purchased debt portfolios as at Dec 31 2020	33,329
Carrying amount of purchased debt portfolios as at Jan 1 2021	33,329
Cash recoveries	(9,057)
Gain/(loss) on sale/revaluation of property	(1,829)
Revenue from purchased debt portfolios	9,496
Carrying amount of purchased debt portfolios as at Mar 31 2021	31,939

For a description of revenue from purchased debt portfolios, see Note 8.1.

Loans to related parties

As at March 31st 2021, the gross carrying amount of loans advanced to related parties was PLN 309,437 thousand, and the loss allowance was PLN 29,633 thousand (December 31st 2020: PLN 310,886 thousand and PLN 23,695 thousand, respectively – restated data). For information on the Company's exposure to credit, currency and interest rate risks associated with its investments, and on impairment losses on loans, see note 10.

Joint arrangements

On July 29th 2016, the Company, acting through its related entities ProsperoCapital S.à.r.l of Luxembourg ("ProsperoCapital") and Invest Capital Ltd. of Malta ("ICM"), entered into an agreement with International Finance Corporation ("IFC") (an entity related to the World Bank) concerning joint purchase of debt portfolios in the Romanian market and outsourcing of their management to a jointly selected entity in accordance with a debt portfolio management strategy approved by both parties. The agreement is effective until August 3rd 2022, but may be extended by another four years. It is a significant agreement for the Company as it has enabled a considerable increase in market share in Romania. The agreement meets the criteria to be classified as a joint arrangement and is performed in the form of a joint operation; as such it is subject to disclosure in the consolidated financial statements based on a proportional share in assets and liabilities. In making an assessment whether the agreement meets the criteria of joint control, the Company did not rely on subjective judgement. The rules governing joint control of ProsperoCapital were provided for in the agreements signed between the jointly-controlling parties:

- the Company and IFC hold respectively 67% and 33% of the rights to the assets and liabilities of ProsperoCapital;
- The debt portfolio purchase was financed through an issue of bonds by ProsperoCapital, 67% of which were acquired by ICM and 33% – by IFC; all the risks and benefits are allocated to the entity acquiring the bonds;
- a unanimous consent of both parties is required to make any material decision:
 - both parties must approve the debt management strategy (updated on a semi-annual basis) and the business plan,
 - neither of the parties may unilaterally make any material changes in the company's structure or its managing bodies.
- Any recoveries from the debt portfolio, which are used to finance redemption of the bonds, are distributed pro-rata to the parties' rights to assets;
- After expiry of the contractual term, the parties share the purchased debt (measured as at the agreement termination date) in accordance with the strategy.

In making an assessment that the agreement meets the criteria to be classified as a joint operation rather than a joint venture, the Company took into consideration:

- The economic substance of the transaction, according to which the Company invested in the purchase of debt portfolios and not in bonds of ProsperoCapital;
- The nature of payments under the bonds, which indicates that this is a 'pass through' transaction, as the redemption of the bonds is closely related to cash flows from the purchased debt portfolios;
- Under the executed agreement, the parties to the joint operation do not have the right to net assets but to assignment of the claims incorporated in the purchased debt portfolio for the purpose of satisfaction of any amounts that remain unpaid under the bonds after expiry of the agreement term.

As at March 31st 2021, the value of the Company's investment in the joint operation discussed above, disclosed in the statement of financial position, was PLN 77,337 thousand (PLN 81,953 thousand as at December 31st 2020), while profit shown in the statement of profit or loss was PLN 10,514 thousand (2020: PLN 33,425 thousand).

Inventories (including property)

The Company reclassified property previously recognised as Investment property measured at fair value, to Inventories measured at cost in accordance with the accounting policies.

<i>PLN '000</i>	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Real property	24,523	28,755	31,086
Other inventories	-	-	7
	<u>24,523</u>	<u>28,755</u>	<u>31,093</u>

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

As at March 31st 2021, no inventory write-down was recognised (December 31st 2020: PLN 148 thousand).

PLN '000

Carrying amount of property held as at Jan 1 2020	30,279
Carrying amount of foreclosed property	3,076
Proceeds from sale of property	(2,122)
Income from sale of property	(146)
Carrying amount of property held as at Mar 31 2020, restated	<u>31,086</u>
Carrying amount of property held as at Jan 1 2020	30,279
Carrying amount of foreclosed property	11,162
Proceeds from sale of property	(14,924)
Income from sale of property	2,237
Carrying amount of property held as at Dec 31 2020	<u>28,755</u>
Carrying amount of property held as at Jan 1 2021	28,755
Carrying amount of foreclosed property	877
Proceeds from sale of property	(6,938)
Income from sale of property	1,829
Carrying amount of property held as at Mar 31 2021	<u>24,523</u>

8. 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

8.1. Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios

By reportable segments

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Revenue from credit management services	26,391	26,637
Revenue from purchased debt portfolios	9,496	5,812
Revenue from other services	7,818	5,900
Revenue from sale of merchandise and materials	85	92
	<u>43,790</u>	<u>38,442</u>

Revenue from purchased debt portfolios

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

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Interest income on debt portfolios measured at amortised cost	4,387	5,110
Other income/expenses from purchased debt portfolios	(66)	1,473
Gain/(loss) on expected credit losses	<u>5,175</u>	<u>(771)</u>
	<u>9,496</u>	<u>5,812</u>

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

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Deviations from actual recoveries, decreases on early collections in collateralised cases	3,672	153
Revaluation of recovery projections	1,504	(925)
	<u>5,175</u>	<u>(771)</u>

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

- risk premium,
- period for which cash flows have been estimated,
- the value of expected future cash flows estimated based on current data and currently used debt collection tools.

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

Assumptions adopted in the valuation of debt portfolios

	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Discount rate			
- risk premium	28.11% - 170.19%	28.11% - 170.19%	23.65% - 170.19%
Period for which collections have been estimated	Apr 2021–Dec 2035	Jan 2021–Dec 2035	Apr 2020–Dec 2029
Undiscounted value of future recoveries	80,629	87,508	74,543

The forecast period was extended based on historical analyses of realised and expected recoveries from the oldest debt portfolios purchased by the Company.

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

<i>PLN '000</i>	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Period			
Up to 12 months	24,724	25,554	27,734
From 1 to 2 years	17,261	17,715	18,780
From 2 to 3 years	11,948	12,592	11,764
From 3 to 4 years	8,287	8,936	6,977
From 4 to 5 years	5,778	6,372	4,117
From 5 to 10 years	11,016	13,016	5,171
Over 10 years	1,615	3,325	-
	80,629	87,508	74,543

Other income/expenses from purchased debt portfolios

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Foreign exchange gains/(losses)	(66)	1,473
	(66)	1,473

Revenue from the provision of other services

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Revenue from credit management services	26,391	26,637
Revenue from other services	7,818	5,900
Revenue from sale of merchandise and materials	85	92
	34,294	32,629

Revenue from credit management services

Revenue from fee-based credit management comprises commission fees ranging from 2% to 49% of the collected debts. Fee rates depend on delinquency periods, amounts outstanding, and on whether there have been any prior collection attempts. The Company's main client in the group of non-related entities accounts for 1.25% of revenue from credit management services, and in the group of related entities – for 86.2% (2020: 2% and 92.8% respectively).

Revenue from other services

Revenue from other services comprises marketing support, human resources and IT support services. The performance obligation arises when a contract is executed and the data necessary to launch the debt recovery process is made available. Payment for services is made within 14-30 days of the respective invoice date.

Other income

PLN '000	Note	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Adjustment to the management stock option valuation model ¹		-	5,538
Gain/(loss) on sale of property, plant and equipment		89	410
Compensation for motor damage		108	122
Other markets		13	36
Reversal of impairment losses on receivables	10.1.	53	-
Receivables written off		18	-
		281	6,107

¹ Other income reflects an adjustment of PLN 5,538 thousand for inclusion of dividends paid in the management stock option valuation model. The adjustment amount, considered immaterial, affected profit for the current period.

8.2. Employee benefits expense

<i>PLN '000</i>	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
	unaudited	unaudited
		Restated
Salaries and wages	(28,893)	(28,686)
Old-age and disability pension contributions (defined contribution plans)	(4,428)	(4,461)
Other social security contributions	(1,954)	(2,128)
Equity-settled cost of stock option plan	-	(971)
Contribution to the State Fund for the Disabled	(168)	(281)
	<u>(35,442)</u>	<u>(36,527)</u>

8.3. Other expenses

<i>PLN '000</i>	<i>Note</i>	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
		unaudited	unaudited
Taxes and charges		(2,701)	(2,908)
Re-billed costs of services		(1,533)	(221)
Raw materials and consumables used		(924)	(1,026)
Advertising		(278)	(186)
Motor insurance		(188)	(297)
Other markets		(175)	(467)
Refund of litigation costs		(162)	(73)
Losses caused by motor damage		(133)	(152)
Property insurance		(113)	(57)
Entertainment expenses		(74)	(33)
Court fees		(61)	(140)
VAT on rental payments (leases and rents)		(41)	(63)
Non-competition		(41)	(181)
Impairment losses on receivables	10.1.	(37)	(21)
Staff training		(35)	(351)
Membership fees		(28)	(38)
Business trips		(23)	(213)
Donations		-	(12)
		<u>(6,547)</u>	<u>(6,438)</u>

8.4. Finance income

<i>PLN '000</i>	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Interest income on loans advanced and receivables	4,405	5,968
Gain/(loss) on settlement of discount	-	21
Interest income on bank deposits	5	15
	<u>4,410</u>	<u>6,005</u>

8.5. Finance costs

<i>PLN '000</i>	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Interest and commission expense on financial liabilities measured at amortised cost	(13,492)	(20,486)
<i>including interest</i>	(12,168)	(19,515)
Net foreign exchange losses	(2,593)	(10,774)
Interest income/expense on hedging instruments – IRS	(2,240)	482
Interest income/expense on derivative instruments – CIRS	(1,512)	(12,639)
	<u>(19,837)</u>	<u>(43,417)</u>

Effect of exchange rate movements on statement of profit or loss

<i>PLN '000</i>	<i>Note</i>	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Realised exchange gains/(losses)	8.5.	495	(619)
Revaluation of debt portfolios due to exchange rate movements	8.1.	(66)	1,473
Unrealised exchange gains/(losses)	8.5.	(3,088)	(10,155)
		<u>(2,659)</u>	<u>(9,301)</u>

8.6. Income tax

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Income tax (current portion recognised in profit or loss)		
Income tax	(2)	(3,397)
Income tax (deferred portion recognised in profit or loss)		
Temporary differences/reversal of temporary differences	(19,528)	9,514
Income tax recognised in profit or loss	(19,529)	6,117

Reconciliation of effective tax rate

PLN '000

	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited
Profit/(loss) before tax	146,885	(68,273)
Income tax recognised in profit or loss	(19,529)	6,117
Profit/(loss) before tax for the period (at 19% tax rate)	146,885	(68,273)
Tax calculated at the tax rate applicable in Poland (19%)	(27,908)	12,972
Effect of non-deductible expenses and deferred tax changes	8,379	(6,855)
	(19,529)	6,117
Effective tax rate	13.30%	8.96%

Tax risk

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes and amendments, 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, and any additional tax liabilities arising from such inspections must be paid with high interest. Consequently, tax risk in Poland 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.

In Poland, tax settlements are subject to tax inspection for a period of five years.

Deferred tax assets and liabilities

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

PLN '000	Assets		Provisions		Net carrying amount	
	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2021 unaudited	Dec 31 2020
Property, plant and equipment	5,214	5,581	(5,240)	(5,659)	(26)	(78)
Intangible assets	-	-	(1,341)	(1,540)	(1,341)	(1,540)
Trade and other receivables	-	-	(276)	(268)	(276)	(268)
Borrowings and other debt instruments, leases	21,955	21,112	-	-	21,955	21,112
Employee benefit obligations	2,432	2,309	-	-	2,432	2,309
Provisions and liabilities	4	56	-	-	4	56
Investments in debt portfolios	-	-	(6,763)	(6,984)	(6,763)	(6,984)
Equity-accounted investments in subsidiaries	23,259	23,259	(193,021)	(172,116)	(169,762)	(148,857)
Deferred tax assets/liabilities	52,865	52,317	(206,642)	(186,567)	(153,777)	(134,249)
Deferred tax assets offset against liabilities	(52,865)	(52,317)	52,865	52,317	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	-	-	(153,777)	(134,249)

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 Restated	As at Dec 31 2020
Property, plant and equipment	(78)	51	(26)	(263)	185	(78)
Intangible assets	(1,540)	200	(1,341)	(2,263)	723	(1,540)
Trade and other receivables	(268)	(8)	(276)	(243)	(25)	(268)
Borrowings and other debt instruments, leases	21,112	843	21,955	18,496	2,616	21,112
Employee benefit obligations	2,309	123	2,432	2,342	(33)	2,309
Provisions and liabilities	56	(51)	4	112	(56)	56
Investments in debt portfolios	(6,984)	221	(6,763)	(7,108)	124	(6,984)
Equity-accounted investments in subsidiaries	(148,857)	(20,905)	(169,762)	(51,327)	(97,530)	(148,857)
	(134,249)	(19,528)	(153,777)	(40,254)	(93,996)	(134,249)

The Company 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 in the foreseeable future and it is probable that the temporary differences will not reverse in the next 36 months. 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).

8.7. Borrowings, other debt securities and leases

PLN '000	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Non-current liabilities			
Secured borrowings	168,145	94,300	304,562
Liabilities under debt securities (unsecured)	641,958	769,933	1,215,526
Lease liabilities	24,281	19,913	24,240
	<u>834,385</u>	<u>884,146</u>	<u>1,544,329</u>
Current liabilities			
Secured borrowings	24,130	23,152	125,509
Liabilities under debt securities (unsecured)	631,420	544,314	160,084
Lease liabilities	4,209	10,531	10,037
	<u>659,759</u>	<u>577,997</u>	<u>295,629</u>
	<u>1,494,144</u>	<u>1,462,143</u>	<u>1,839,957</u>

Liabilities repayment schedule

PLN '000	Currency	Nominal interest rate	Maturity	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Borrowings secured with the Company's assets	EUR/PLN	1M WIBOR + margin of 1.0-2pp 1M EURIBOR + margin of 2.2-2.4pp	2021-2025	192,275	117,452	430,071
Liabilities under debt securities, (unsecured)	PLN EUR	3M WIBOR + margin of 3.0-4.0pp 4.80% ¹ 3.59%	2021-2025	1,273,379	1,314,247	1,375,610
Lease liabilities	PLN	3M WIBOR or 1M EURIBOR + margin of 1.5-9.7pp	2021-2023	28,490	30,444	34,277
				<u>1,494,144</u>	<u>1,462,143</u>	<u>1,839,957</u>

¹ fixed interest rate

8.8. Hedging instruments

Derivatives designated for hedge accounting

Interest rate risk hedges

The Company's exposure to interest rate risk arises mainly from borrowings and debt securities issued (Note 10.5).

It has been concluded that effective implementation of the Company's growth strategy requires, among other elements, a proper policy for managing interest rate risk and currency risk.

The interest rate risk management policy covers:

- the Company's objectives in terms of interest rate risk,
- methods of interest rate risk monitoring;
- the Company's permissible exposure to the interest rate risk,
- procedures in case of exceeding the Company's permissible exposure to the interest rate risk,
- interest rate risk management rules of the Company,

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

In 2017, the Company entered into two interest rate swaps (IRS) to pay a coupon based on a fixed PLN interest rate and to receive a coupon based on a variable PLN interest rate. The contracts provide a hedge against interest rate risk.

Contract 1: The Company pays at a fixed rate of 2.5%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: March 2nd 2022

Contract 2: The Company pays at a fixed rate of 2.5%, while the counterparty pays at a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: May 4th 2022

The contracts provide hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in the 3M WIBOR interest rate (hedging the coupon on PLN 150m worth of Series AA2 bonds and on PLN 50m worth of Series AC1 bonds). The Company issues bonds whose interest rate is based on 3M WIBOR plus margin. The designated risk component covers on average 33% of the total position. Only one risk component of the interest rate, i.e. 3M WIBOR, is hedged.

The Company expects cash flows to be generated and to have an effect on its results until 2022.

The Company determines the economic relationship based on the matching of the key terms of the hedging instrument and the hedged item, i.e. the base rate, the frequency of revaluation of the base rate, the duration and end dates of the interest periods, the maturity date, and the notional amount.

The hedge ratio for the established hedging relationship is set at a level that ensures effectiveness of the relationship and is consistent with the actual quantity of the hedged item and the quantity of the hedging instrument.

The hedge ratio for a given relationship is set at 1.0 (i.e. each unit of the notional amount of the hedging instrument hedges a unit of the designated notional amount of the hedged item).

In 2019, the Company entered into two interest rate swaps (IRS) to pay a coupon based on a fixed PLN interest rate and to receive a coupon based on a variable PLN interest rate. The contracts provide a hedge against interest rate risk.

Contract 1: The Company pays a fixed rate of 1.58%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: September 28th 2024

Contract 2: The Company pays a fixed rate of 1.58%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: September 27th 2024

Contract 3: The Company pays a fixed rate of 1.61%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: October 12th 2024

Contract 4: The Company pays a fixed rate of 1.65%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: February 6th 2024

Contract 5: The Company pays a fixed rate of 1.65%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: November 27th 2024

Contract 6: The Company pays a fixed rate of 1.67%, while the counterparty pays a variable rate equal to 3M WIBOR. Interest payments are made every three months (interest period). Maturity date: October 18th 2022

The contracts provide hedging against variability of cash flows generated by liabilities denominated in PLN due to changes in the 3M WIBOR interest rate (hedging the coupon on PLN 50m worth of Series AH1 bonds; PLN 115m of Series AE4 bonds; PLN 35m of Series AE3 bonds; PLN 75m of Series AA4 bonds; PLN 25m of Series AG2 bonds; PLN 30m of Series AG1 bonds). The Company issues bonds whose interest rate is based on 3M WIBOR plus margin. The designated risk component covers on average 33% of the total position. Only one risk component of the interest rate, i.e. 3M WIBOR, is hedged.

The Company expects cash flows to be generated and to have an effect on its results until 2024.

The Company determines the economic relationship based on the matching of the key terms of the hedging instrument and the hedged item, i.e. the base rate, the frequency of revaluation of the base rate, the duration and end dates of the interest periods, the maturity date, and the notional amount.

The hedge ratio for the established hedging relationship is set at a level that ensures effectiveness of the relationship and is consistent with the actual quantity of the hedged item and the quantity of the hedging instrument.

The hedge ratio for a given relationship is set at 1.0 (i.e. each unit of the notional amount of the hedging instrument hedges a unit of the designated notional amount of the hedged item).

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

Open outstanding IRS contracts held by the Company as at March 31st 2021 and March 31st 2020, with a total volume of PLN 530,000 thousand:

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

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

Currency risk hedges

The Company's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies (note 10.5).

The currency risk management policy outlines:

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

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

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

As at March 31st 2021, the Group companies did not carry any unsettled forward contracts.

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

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

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

Amounts related to items designated as hedging instruments

PLN '000

	Mar 31 2021 unaudited				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		
Instrument type:										
IRS	-	12,178	530,000 (PLN)	(6,208)	18,386	530,000 (PLN)	14,861	Hedging instruments	Cash flow hedges	
	-	12,178		(6,208)	-	18,386	14,861			

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
Instrument type:					
IRS					
fixed payment PLN sale	-	-	(275,000)	(255,000)	-
floating payment PLN	-	-	275,000	255,000	-

PLN '000

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

PLN '000

Disclosure of the hedged item as at 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

Jan 1–Mar 31 2021

PLN '000

Cash flow hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
Hedge reserve as at Jan 1 2021	(18,386)	3,603	(14,783)
Measurement of instruments charged to capital reserves	3,968	-	3,968
Amount reclassified to profit or loss during the period	2,240	-	2,240
- Interest income	2,240	-	2,240
- Reclassification of exchange differences	-	-	-
Hedge reserve as at Mar 31 2021	(12,178)	3,603	(8,575)

PLN '000	Jan 1-Dec 31 2020		
	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Total hedge reserve
Cash flow hedge reserve			
Hedge reserve as at January 1st 2020	(3,525)	3,603	78
Measurement of instruments charged to capital reserves	(10,439)	-	(10,439)
Amount reclassified to profit or loss during the period	(4,422)	-	(4,422)
- Interest expense	(4,422)	-	(4,422)
- Reclassification of exchange differences	-	-	-
Hedge reserve as at Mar 31 2020	(18,386)	3,603	(14,783)

8.9. Derivatives

In 2017, the Company executed the derivative transactions described below.

In 2017, the Company entered into two foreign currency interest rate swaps (CIRS) to pay a coupon based on a fixed EUR interest rate and to receive a coupon based on a variable PLN interest rate. The contracts hedge both currency risk and interest rate risk as they effectively change the debt contracted in the zloty with euro-denominated liabilities:

Contract 1: The Company 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 Company 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 the Company as at March 31st 2021 and March 31st 2020:

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

Interest is paid on a three-monthly basis.

The Company expects cash flows to be generated and to have an effect on its results until 2021.

8.10. Investments in subsidiaries

	Country	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
<i>PLN '000</i>				
InvestCapital Ltd ¹	Malta	1,879,947	1,780,511	1,561,506
Prokura NS FIZ ¹	Poland	995,930	936,579	1,027,144
SeCapital S.à r.l. ¹	Luxembourg	261,759	241,417	167,276
Presco Investments S.a.r.l. ³	Luxembourg	83,359	79,384	106,672
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	63,051	59,707	53,031
KRUK Italia S.r.l. ⁴	Italy	41,560	36,339	30,657
KRUK Espana S.L.	Spain	38,640	39,772	68,148
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	31,814	31,713	31,438
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	25,311	22,838	19,323
KRUK Romania S.r.l.	Romania	26,103	20,186	10,429
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	17,159	18,077	21,355
Novum Finance Sp. z o.o.	Poland	12,901	12,095	10,899
ERIF Biuro Informacji Gospodarczej S.A.	Poland	10,276	9,904	10,814
Kruk Deutschland GmbH	Germany	10,707	9,772	20,805
AgeCredit S.r.l.	Italy	9,636	9,303	9,616
RoCapital IFN S.A. ¹	Romania	7,582	7,456	6,493
ProsperoCapital S.à r.l. ²	Luxembourg	627	655	627
ERIF Business Solutions Sp. z o.o.	Poland	(245)	(252)	(303)
		3,516,117	3,315,459	3,155,929

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

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

³ The equity of P.R.E.S.C.O INVESTMENT I NS FIZ is consolidated within Presco Investments S.a.r.l.

⁴ The equity of Elleffe Capital S.r.l. is consolidated within Kruk Italia S.r.l.

	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Value of investments in subsidiaries at beginning of the period	3,315,459	3,352,745	3,352,745
Increase/(decrease) (dividends, in-kind contributions, cancellations)	12,724	(478,995)	(250,897)
Share of profit/(loss) of equity-accounted investees	178,086	330,130	(19,364)
Exchange differences on translating foreign operations	9,848	111,579	73,446
Value of investments in subsidiaries at end of the period	3,516,117	3,315,459	3,155,929

PLN '000	Ownership interest and voting rights (%)		
	Country	Mar 31 2021 unaudited	Mar 31 2020 unaudited
SeCapital S.à r.l. ¹	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
Secapital Polska Sp. z o.o. (in liquidation) ⁵	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 Sp. k.	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ ¹	Poland	100%	100%
InvestCapital Ltd ¹	Malta	100%	100%
RoCapital IFN S.A. ¹	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 Espana S.L.	Spain	100%	100%
ProsperoCapital S.à r.l. ²	Luxembourg	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
P.R.E.S.C.O INVESTMENT I NS FIZ ¹	Poland	100%	100%
Elleffe Capital S.r.l. ¹	Italy	100%	100%
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	Poland	100%	100%
Corbul S.r.l. ³	Romania	-	-
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
Gantoi, Furculita Si Asociatii S.p.a.r.l. ^{3,4}	Romania	-	n/a

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

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

³ The Parent controls the company through a personal link.

⁴ A law firm established on October 1st 2020, with its registered office in Bucharest.

⁵ On July 1st 2020, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. of Wrocław decided to dissolve the company through liquidation. On February 25th 2021, the Extraordinary General Meeting of Secapital Polska Sp. z o.o. in liquidation passed a resolution 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.

8.11. Right of use

PLN '000	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Carrying amount of right-of-use assets, by class of underlying asset at beginning of period			
Buildings and structures	22,945	15,768	15,768
Plant and equipment	83	251	251
Vehicles	4,665	5,975	9,553
	<u>27,693</u>	<u>21,994</u>	<u>25,571</u>
Cost of depreciation of right-of-use assets, by class of underlying asset			
Buildings and structures	(1,337)	(5,682)	(1,373)
Plant and equipment	(42)	(167)	(42)
Vehicles	(548)	(2,192)	(715)
	<u>(1,927)</u>	<u>(8,041)</u>	<u>(2,129)</u>
Increase in right-of-use assets	-	13,685	11,393
Decrease in right-of-use assets due to liquidation/termination of contract	(155)	300	(428)
Carrying amount of right-of-use assets, by class of underlying asset at the end of the reporting period			
Buildings and structures	21,608	22,945	25,466
Plant and equipment	41	83	209
Vehicles	4,117	4,665	8,731
	<u>25,766</u>	<u>27,693</u>	<u>34,406</u>
Interest expense relating to lease liabilities	204	865	187
Cost relating to variable lease payments not included in the measurement of lease liabilities	5	11	-
Total cash outflow in connection with leases	1,929	8,054	2,113

8.12. Trade and other receivables

<i>PLN '000</i>	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Trade receivables from related entities	18,510	20,594	17,755
Trade receivables from other entities	1,809	2,640	2,984
	<u>20,318</u>	<u>23,234</u>	<u>20,739</u>

<i>PLN '000</i>	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Other receivables from related entities	7,625	4,308	228,839
Other receivables from other entities	3,845	3,561	5,185
	<u>11,470</u>	<u>7,869</u>	<u>234,024</u>

8.13. Cash and cash equivalents

<i>PLN '000</i>	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited
Cash in hand	11	8	67
Cash in current accounts	9,574	6,588	40,595
	<u>9,585</u>	<u>6,595</u>	<u>40,661</u>

8.14. Trade and other payables

<i>PLN '000</i>	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Trade and other payables to related entities	38,526	32,231	33,806
Trade payables to other entities	5,929	9,994	9,292
Deferred income	5,712	5,296	5,766
Other liabilities	2,183	2,832	2,847
Taxes, customs duties, insurance and other benefits payable	719	760	554
Accrued expenses	555	750	366
	<u>53,624</u>	<u>51,863</u>	<u>52,631</u>

8.15. Employee benefit obligations and provisions

<i>PLN '000</i>	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Salaries and wages payable	6,759	6,855	6,715
Social benefit obligations	6,360	6,395	6,588
Personal income tax	1,463	1,953	1,477
Liabilities under employee savings plans	252	255	250
Accrued holiday entitlements	7,201	5,909	6,491
Special accounts	51	97	4
	<u>22,085</u>	<u>21,464</u>	<u>21,525</u>

8.16. Earnings per share

Basic earnings per share

As at March 31st 2021, basic earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 127,355 thousand (March 31st 2020: PLN -62,156) and the weighted average number of shares in the period covered by the financial statements of 19,011 thousand (March 31st 2020: 18,972 thousand). The amounts were determined as follows:

Separate net profit attributable to owners of the Company

<i>PLN '000</i>	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Net profit for period	127,355	(62,156)
Net profit attributable to owners of the Company	<u>127,355</u>	<u>(62,156)</u>

Weighted average number of ordinary shares

<i>'000</i>	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Number of ordinary shares as at Jan 1	19,011	18,972
Effect of cancellation and issue	-	-
Number of ordinary shares as at Jan 1	<u>19,011</u>	<u>18,972</u>
<i>PLN</i>		
Earnings per share	<u>6.70</u>	<u>(3.28)</u>

Consolidated net profit attributable to owners of the Parent

As at March 31st 2021, basic consolidated earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 127,355 thousand (March 31st 2020: PLN -62,156) and the weighted average number of shares in the period covered by the financial statements of 19,011 thousand (March 31st 2020: 18,972 thousand).

Consolidated net profit attributable to owners of the Parent

<i>PLN '000</i>	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Separate net profit attributable to owners of the Parent (basic)	127,355	(62,156)
Separate net profit attributable to owners of the Parent (diluted)	127,355	(62,156)

Weighted average number of ordinary shares

<i>'000</i>	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Number of ordinary shares as at Jan 1	19,011	18,972
Effect of cancellation and issue of shares	-	-
Weighted average number of ordinary shares in the period ended Dec 31	19,011	18,972
<i>PLN</i>		
Earnings per share	6.70	(3.28)

Dividend per share paid**Dividend per share paid**

<i>PLN '000</i>	Jan 1–Mar 31 2021 unaudited	Jan 1–Mar 31 2020 unaudited Restated
Dividend paid from profit and retained earnings	-	94,653
<i>PLN</i>		
Dividend per share	-	4.99

Diluted separate earnings per share

As at March 31st 2021, diluted earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 127,355 thousand (March 31st 2020: PLN -62,156) and the diluted weighted average number of shares in the period covered by the financial statements of 19,474 thousand (March 31st 2020: 19,308 thousand). The amounts were determined as follows:

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

Diluted consolidated earnings per share

As at March 31st 2021, diluted consolidated earnings per share were calculated based on net profit/loss attributable to owners of the Company (holding ordinary shares) of PLN 127,355 thousand (March 31st 2020: PLN -62,156) and the diluted weighted average number of shares in the period covered by the financial statements of 19,474 thousand (March 31st 2020: 19,308 thousand). The amounts were determined as follows:

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<i>PLN</i>		
Earnings per share (diluted)	6.54	(3.22)

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

As at Mar 31 2021

PLN '000

	Note	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Assets				
Non-current assets				
Property, plant and equipment		35,331	37,521	43,162
Intangible assets		12,553	12,841	14,950
Equity-accounted investments in subsidiaries	8.11.	3,516,117	3,315,459	3,155,929
Investments in debt portfolios and loans	7.	270,540	283,957	344,589
Total non-current assets		3,834,542	3,649,778	3,558,630
Current assets				
Inventories	7.	24,523	28,755	31,093
Investments in debt portfolios and loans	8.11.	41,203	36,563	31,026
Trade receivables from related entities	8.13.	18,510	20,594	17,755
Trade receivables from other entities	8.13.	1,809	2,640	2,984
Other receivables	8.13.	11,470	7,869	234,024
Cash and cash equivalents	8.14.	9,585	6,595	40,661
Other assets		5,049	5,956	4,292
Total current assets		112,148	108,972	361,835
Total assets		3,946,690	3,758,750	3,920,466
Equity and liabilities				
Equity				
Share capital		19,011	19,011	18,972
Share premium		310,430	310,430	307,192
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
Total equity		2,187,182	2,043,771	1,953,365
Non-current liabilities				
Deferred tax liability	8.7.	153,777	134,249	21,066
Provisions		10,475	11,156	7,205
Borrowings, other debt securities and leases	8.8.	834,385	884,146	1,544,329
Derivatives	8.10.	12,784	11,236	8,885
Hedging instruments	8.9.	12,178	18,386	15,309
Total non-current liabilities		1,023,599	1,059,173	1,596,794
Current liabilities				
Provisions		124	124	124
Borrowings, other debt securities and leases	8.8.	659,759	577,997	295,629
Trade and other payables	8.15.	53,624	51,863	52,631
Income tax payable		318	4,358	397
Employee benefit obligations	8.16.	22,085	21,464	21,525
Total current liabilities		735,910	655,806	370,306
Total liabilities		1,759,509	1,714,979	1,967,100
Total equity and liabilities		3,946,690	3,758,750	3,920,466

10. Management of risk arising from financial instruments

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

- credit risk
- liquidity risk
- market risk.

This note presents information on the Company's exposure to each type of the above risks, the Company's objectives, policies and procedures for measuring and managing the risks, and the Company's management of capital.

Key policies of risk management

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 the Company's activities. Using such tools as training, management standards and procedures, the Company seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

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10.1. Credit risk

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

The risk of credit concentration is defined by the Company as the risk of significant exposure to individual entities or indebted persons whose ability to repay debt depends on a common risk factor. The Company analyses the concentration risk with respect to:

- indebted persons as part of its investments in debt portfolios;
- borrowers under loans advanced;
- business partners;
- geographical regions.

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 is required.

The Company regularly monitors whether payments are made when due, and if any delays are identified, 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 80% of the business partners have done business with the Company for three years or more. Only in few cases losses were incurred by the Company as a result of non-payment. Trade and other receivables mainly comprise of fees receivable in respect of debt collected for business partners.

The Company's exposure to credit risk results mainly from individual characteristics of each business partner. The Management Board believes that the Company's credit risk is low as its counterparties are mainly reputable financial institutions and companies. The Company's exposure to credit risk results mainly from individual characteristics of each client. The Company's largest business partner (excluding the subsidiaries) accounts for 1.25% of the Company's revenue (2020: 2%), and the respective percentages for the Company's related entities are 86.2% and 92.8%. Receivables from the Company's largest third-party business partner accounted for 4.3% of total gross trade receivables as at March 31st 2021 (December 31st 2020: 1.2%); among the related entities the figures were 77% and 43%, respectively. Therefore, there is no significant concentration of credit risk.

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

Investments in debt portfolios

Investments in debt portfolios include overdue debts which prior to the purchase by the Company were often subject to collection by the seller of the portfolio or by a third party acting on the seller's behalf. Therefore, credit risk related to investments in debt portfolios is relatively high, although the Company has the experience and advanced analytical tools necessary to estimate such risk.

A change in credit risk during the lifetime of an instrument is presented as an allowance for expected credit losses.

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

As at each valuation date, KRUK S.A. estimates the credit risk based on past data concerning a group of portfolios as well as other portfolios with similar characteristics.

As at each valuation date, the Company estimates the credit risk based on past inflows from a given portfolio as well as other portfolios with similar characteristics. The following parameters are taken into account in the credit risk assessment:

- Debt:
 - outstanding amount
 - principal
 - principal to debt ratio
 - amount of credit granted / total amount of invoices
 - type of product
 - debt past due (DPD)
 - contract's term
 - time elapsed from contract execution
 - collateral (existence, type, amount)

- Indebted person:
 - credit amount repaid so far / amount of invoices repaid so far
 - time elapsed from the last payment made by the indebted person
 - region
 - indebted person's form of incorporation
 - indebted person's death or bankruptcy
 - indebted person's employment

- Debt processing by the previous creditor:
 - availability of the indebted person's correct contact data
 - in-house collection – by the previous creditor's own resources
 - outsourced collection – debt management by third parties

- court collection
- bailiff collection

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

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

The Company 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. Debt portfolios are purchased at official auctions and prices offered by the Company in most of such auctions do not differ significantly from prices offered by the Company's competitors. A similar valuation of a debt portfolio by several specialist companies at the same time reduces the risk of an incorrect valuation.

The market value of a portfolio and its maximum purchase price are determined based on a statistical and economic analysis. Initially, portfolios are divided into sub-portfolios based on debt amount and type of security. This is done to select debts which can be valued using statistical methods. Other sub-portfolios are valued on a case-by-case basis in a due diligence process as at the time of their purchase.

Recoveries are estimated based on a statistical model developed on the basis of available selected reference data matching the valuation data. The reference data are derived from a database containing information on portfolios previously purchased and collected by the Company.

Once the evaluation of effectiveness and debt collection tools is completed, all parameters and comparative data for the reference portfolio, collection process, efficiency curve and risk are gathered. Also at this stage additional parameter reviews are considered, based on expert opinions. A single document (business plan) is then drafted, containing a summary of adopted assumptions and the resultant projection of expected cash flows from a portfolio, and a financial model is structured. The business plan serves to define the maximum purchase price that can be offered.

The maximum price is set based on the expected investment yield (mainly the internal rate of return, payback period, and nominal return). The expected return on investment largely depends on the risk inherent in a given project, which in turn depends, inter alia, on the quality of data provided by the business partner for valuation, reference data matching, and the number and quality of both macro- and microeconomic expert indicators used to prepare the cash flow projection.

Moreover, the Company diversifies the risk by purchasing various types of debt, with varying degrees of collection difficulty and delinquency periods.

The key tool used by the Company in order to mitigate credit risk is pursuing an appropriate credit policy vis à vis its business partners and indebted persons, which includes, among other things:

- assessment of a business partner's and indebted person's creditworthiness prior to proposing payment dates and other terms of cooperation;

- regular monitoring of timely payment of debt;
- maintaining a diversified client base.

The Company analyses the risk attached to the debt portfolios it purchases using economic and statistical tools and relying on its long-standing experience in this respect. It purchases debts of various types, with different degrees of difficulty and delinquency statuses. Debt portfolio valuations are revised on a quarterly basis.

As at the date of this report, the Company holds no single debt whose non-payment could have a material adverse effect on the Company's liquidity, but no assurance can be given that such a situation will not occur in the future.

Debt collection tools used include:

- letters
- telephone calls
- text messages
- partial debt cancellation
- intermediation in securing an alternative source of financing
- doorstep collection (at home or workplace)
- detective activities
- amicable settlements
- court collection
- enforcement against collateral
- loyalty scheme

Loans to related parties

Loans advanced to related parties are not secured, but because they are granted to entities over which the Company has control their repayment does not involve a material credit risk. The Company recognises impairment losses which represent its estimates of incurred expected credit losses on loans. Impairment losses comprise specific losses related to individually significant exposures.

Guarantees

As a rule, the Company issues financial guarantees only to its wholly-owned subsidiaries. During the reporting period, the Company did not issue any guarantees to third parties.

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

PLN '000	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Investments in debt portfolios	31,939	33,329	34,224
Loans to related parties	279,804	287,191	341,391
Trade and other receivables	31,789	31,103	254,763
	<u>343,532</u>	<u>351,623</u>	<u>630,378</u>

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

PLN '000	Mar 31 2021 unaudited	Dec 31 2020	Mar 31 2020 unaudited Restated
Poland	263,772	260,099	519,246
Romania	65,824	82,724	89,562
Czech Republic and Slovakia	13,936	8,800	21,570
	<u>343,532</u>	<u>351,623</u>	<u>630,378</u>

Quality of trade and other receivables

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 (IFRS 9)	Carrying amount as at Dec 31 2020 (IFRS 9)
Trade and other receivables	Basket 1	31,789	31,103
	Basket 2	366	436
	Basket 3	-	-
		<u>32,155</u>	<u>31,539</u>
Impairment losses	Basket 1	-	-
	Basket 2	366	436
	Basket 3	-	-
		<u>366</u>	<u>436</u>
Net carrying amount	Basket 1	31,789	31,103
	Basket 2	-	-
	Basket 3	-	-
		<u>31,789</u>	<u>31,103</u>

Changes of impairment losses on receivables are presented below:

<i>PLN '000</i>	Mar 31 2021 unaudited	Dec 31 2020 unaudited
Loss allowance as at Jan 1	436	80
Loss allowance recognised in the period	37	373
Reversal of loss allowance	(53)	(17)
Use of loss allowance	(54)	-
Loss allowance as at Mar/Dec 31	<u>366</u>	<u>436</u>

Based on historical payment data, the Company recognises impairment losses which represent its estimates of expected losses on trade and other receivables. Impairment losses comprise specific losses related to individually significant exposures.

In 2021–2020, the Company did not recognise any general impairment losses on receivables.

Below are presented changes in impairment losses on loans advanced to related parties:

IFRS 9 classification		Carrying amount as at Mar 31 2021 (IFRS 9)	Carrying amount as at Dec 31 2020 (IFRS 9)
Loans to related parties	Basket 1	86,738	96,080
	Basket 2	221,195	213,151
	Basket 3	1,505	1,655
		<u>309,437</u>	<u>310,886</u>
Impairment losses	Basket 1	-	-
	Basket 2	(28,300)	(22,362)
	Basket 3	(1,333)	(1,333)
		<u>(29,633)</u>	<u>(23,695)</u>
Net carrying amount	Basket 1	86,738	96,080
	Basket 2	192,895	190,790
	Basket 3	172	322
		<u>279,804</u>	<u>287,191</u>

10.2. Liquidity risk

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

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

The main objective of liquidity management is to protect the Company against the loss of ability to pay its liabilities.

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

The Company's liquidity position is monitored on a regular basis by analysing sensitivity to changes in the projected level of recoveries from debt portfolios.

In accordance with the liquidity management policy effective as at the date of issue of these financial statements, the following conditions must be met by the Company before new debt can be incurred:

- the debt can be repaid from the Company's own assets,
- incurring the debt will not result in exceeding the financial covenants stipulated in facility agreements and terms and conditions of bonds.

Below are presented the contractual terms of financial liabilities:

As at Mar 31 2021

PLN '000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	31,939	80,629	13,302	11,422	17,261	26,013	12,630
Secured borrowings	(192,275)	(197,343)	(1,037)	(1,031)	(47,082)	(148,193)	-
Liabilities under debt securities (unsecured)	(1,273,379)	(1,351,431)	(358,602)	(302,651)	(341,692)	(348,486)	-
Lease liabilities	(28,490)	(34,139)	(5,003)	(5,067)	(12,811)	(10,733)	(525)
Trade and other payables	(53,624)	(53,624)	(53,624)	-	-	-	-
	<u>(1,515,829)</u>	<u>(1,555,908)</u>	<u>(404,964)</u>	<u>(297,326)</u>	<u>(384,324)</u>	<u>(481,399)</u>	<u>12,106</u>

As at Dec 31 2020

PLN '000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	33,329	87,508	13,833	11,721	17,715	27,899	16,341
Secured borrowings	(117,452)	(99,196)	(573)	(582)	(1,155)	(96,886)	-
Liabilities under debt securities (unsecured)	(1,314,247)	(1,400,573)	(391,113)	(188,776)	(491,441)	(329,243)	-
Lease liabilities	(30,444)	(30,597)	(4,182)	(4,775)	(9,174)	(11,710)	(756)
Trade and other payables	(51,863)	(51,863)	(51,863)	-	-	-	-
	<u>(1,480,677)</u>	<u>(1,494,720)</u>	<u>(433,897)</u>	<u>(182,412)</u>	<u>(484,056)</u>	<u>(409,940)</u>	<u>15,585</u>

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

For risks specific to hedging instruments, see Note 8.8.

The liquidity concentration risk is defined by the Company as the risk arising from cash flows under individual financial instruments.

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

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

As at March 31st 2021, the undrawn revolving credit facility limit available to the Company was PLN 281,571 thousand (December 31st 2020: PLN 354,291 thousand). The limit is available until October 31st 2024.

10.3. Market risk

Market risk is related to changes in such market factors as exchange rates, interest rates or stock prices, which affect the Company's performance or the value of financial instruments it holds. The objective of the market risk management policy implemented at the Company is to control and maintain the Company's exposure to market risk within the assumed values of parameters, while simultaneously optimising the rate of return.

It has been concluded that effective implementation of the Company'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 Company's objectives in terms of interest rate risk,
- methods of interest rate risk monitoring;
- the Company's permissible exposure to the interest rate risk,
- procedures in case of exceeding the Company's permissible exposure to the interest rate risk,
- interest rate risk management rules of the Company,

The currency risk management policy outlines:

- the Company's currency risk management objectives,
- the key rules of currency risk management at the Company;
- acceptable impact of currency risk on the Company'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, assets denominated in foreign currencies accounted for 0.3% of total assets, while liabilities denominated in foreign currencies represented 5.1% of total equity and liabilities (December 31st 2019: 0.8% and 5.4%, respectively).

Cash recoveries in foreign currencies are reinvested to purchase debt portfolios in the same currency.

10.4. Currency risk

Exposure to currency risk

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

Exposure to currency risk

'000	Mar 31 2021 unaudited			Dec 31 2020		
	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	-	-	-	2	-	-
Cash	-	1,496	159	150	642	407
Investments in debt portfolios	227	23,947	1,590	224	27,078	1,557
Borrowings, other debt securities and leases	(219,544)	-	-	(202,480)	-	-
Trade payables	(9)	(13)	-	-	(13)	(0)
Exposure to currency risk	<u>(219,325)</u>	<u>25,430</u>	<u>1,749</u>	<u>(202,104)</u>	<u>27,707</u>	<u>1,964</u>

As at March 31st 2021, an appreciation of the Polish złoty against EUR, RON and CZK would have resulted in an increase (decrease) of profit for the current period by the amounts shown below. The analysis is based on the assumption that other variables, in particular interest rates, remain unchanged.

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

'000	Mar 31 2021 unaudited			Mar 31 2020		
	EUR	RON	CZK	EUR	RON	CZK
Trade receivables	-	-	-	0	-	-
Cash	-	150	16	15	64	41
Investments in debt portfolios	23	2,395	159	22	2,708	156
Borrowings, other debt securities and leases	(21,954)	-	-	(20,248)	-	-
Trade payables	(1)	(1)	-	-	(1)	(0)
Exposure to currency risk	<u>(21,932)</u>	<u>2,543</u>	<u>175</u>	<u>(20,210)</u>	<u>2,771</u>	<u>196</u>

The exposure is designated as the net carrying amount of financial instruments.

Currency concentration risk is defined by the Company as the risk arising from significant exposure to individual financial instruments denominated in RON, CZK, EUR.

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

	Average exchange rates*		End of period (spot rates)	
	Jan 1–Mar 31 2021 unaudited	Jan 1–March 31 2020 unaudited	Mar 31 2021 unaudited	Dec 31 2020
<i>PLN</i>				
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

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

10.5. Interest rate risk

The structure of interest-bearing financial instruments as at the reporting date is presented below:

	Carrying amount	
	Mar 31 2021 unaudited	Dec 31 2020
<i>PLN '000</i>		
Fixed-rate financial instruments¹		
Financial assets	63,728	64,432
Financial liabilities	(289,482)	(264,148)
	(225,754)	(199,716)
Hedge effect (nominal amount)	(530,000)	(530,000)
	(755,754)	(729,716)
Variable-rate financial instruments²		
Financial assets	279,804	287,191
Financial liabilities	(1,258,286)	(1,249,858)
	(978,482)	(962,666)
Hedge effect (nominal amount)	530,000	530,000
	(448,482)	(432,666)

¹ Fixed-rate financial assets comprise investments in debt portfolios and trade and other receivables. Fixed-rate financial liabilities comprise trade and other payables, as well as liabilities under fixed-rate debt securities.

² Variable-rate financial assets comprise loans advanced to related parties. Variable-rate financial liabilities comprise secured borrowings, liabilities under variable-rate debt securities and lease liabilities.

Sensitivity analysis of fair value of fixed-rate financial instruments

The Company does not hold any fixed-interest financial assets or liabilities measured at fair value through profit or loss, nor does it use derivative transactions as fair value hedges. Therefore, a change of an interest rate would have no material effect on current period's profit or loss.

Sensitivity analysis of cash flows from variable-rate financial instruments

The Company purchases derivative instruments in order to hedge interest rate risk.

A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit 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
Mar 31 2021				
Variable rate financial assets	2,798	(2,798)	-	-
Variable rate financial liabilities	(12,583)	12,583	-	-
Dec 31 2020				
Variable rate financial assets	2,872	(2,872)	-	-
Variable rate financial liabilities	(12,499)	12,499	-	-

Fair values

Comparison of fair values and carrying amounts

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

PLN '000	Mar 31 2021 unaudited		Dec 31 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Derivatives	(12,784)	(12,784)	(11,236)	(11,236)
Hedging instruments	(12,178)	(12,178)	(18,386)	(18,386)
	(24,962)	(24,962)	(29,622)	(29,622)
Financial assets and liabilities not measured at fair value				
Investments in debt portfolios	31,939	30,498	33,329	32,112
Loans to related parties	279,804	281,472	287,191	283,360
Secured borrowings	(192,275)	(192,275)	(117,452)	(117,452)
Liabilities under debt securities (unsecured)	(1,273,379)	(1,278,017)	(1,314,247)	(1,319,748)
	(1,153,911)	(1,158,322)	(1,111,179)	(1,121,728)

Interest rates used for fair value estimation

	Mar 31 2021	Dec 31 2020
Investments in debt portfolios	5.77% - 273.80%	5.77% - 273.80%
Secured borrowings	1.19% - 2.19%	1.19% - 2.19%
Liabilities under debt securities (unsecured)	3.21% - 4.80%	3.21% - 4.80%
Loans to related parties	1.51% - 6.81%	1.51% - 6.81%

Hierarchy of financial instruments at fair value

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

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

In 2020–2021, no transfers were made between the levels.

PLN '000	Level 3	
	Carrying amount	Fair value
As at Mar 31 2021		
Investments in debt portfolios	31,939	30,498
Loans to related parties	279,804	281,472
As at Dec 31 2020		
Investments in debt portfolios	33,329	32,112
Loans to related parties	287,191	283,360

The fair value of derivative and hedging instruments 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 Company 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 Company takes margins under the most recent credit facility agreement or debt securities issue.

PLN '000	Level 2	
	Carrying amount	Fair value
As at Mar 31 2021		
Derivatives	(12,784)	(12,784)
Hedging instruments	(12,178)	(12,178)
Secured borrowings	(192,275)	(192,275)
Liabilities under debt securities (unsecured)	(1,273,379)	(1,278,017)
As at Dec 31 2020		
Derivatives	(11,236)	(11,236)
Hedging instruments	(18,386)	(18,386)
Secured borrowings	(117,452)	(117,452)
Liabilities under debt securities (unsecured)	(1,314,247)	(1,319,748)

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.

For bank borrowings, notes in issue, lease liabilities and trade payables, the Company determines fair value using Level 2 inputs.

The Company does not identify Level 1 assets.

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.

11. Related-party transactions

Remuneration of the Company's directors – Management Board

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

PLN '000

	<u>Jan 1–Mar 31 2021</u>	<u>Jan 1–Mar 31 2020</u>
Base pay/ managerial contract (gross)	1,449	1,377
Additional benefits	19	27
Share based payments	-	971
	<u>1,468</u>	<u>2,375</u>

Remuneration of the Company's directors – Supervisory Board

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

PLN '000

	<u>Jan 1–Mar 31 2021</u>	<u>Jan 1–Mar 31 2020</u>
Base pay/ managerial contract (gross)	233	233
Additional benefits	1	10
	<u>234</u>	<u>243</u>

Other transactions with the Company's directors

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 Company's General Meeting (December 31st 2020: 10.32%).

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

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

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

Other related-party transactions

Transactions with subsidiaries as at and for the period ended March 31st 2021

Balance of liabilities, receivables and loans as at the reporting date

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans
SeCapital S.à. r.l	8,312	2,085	-	-
ERIF Business Solutions Sp. z o.o.	-	60	172	-
Novum Finance Sp. z o.o.	2	353	32,742	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	6,362	865	-	-
KRUK Romania S.r.l.	3,033	3,786	36,735	364
ERIF BIG S.A.	-	178	-	-
NSFIZ PROKURA	2,972	6,644	-	-
KRUK Česká a Slovenská republika s.r.o.	136	99	12,117	2
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	8,560	-	-
InvestCapital Ltd.	-	-	-	-
KRUK Deutschland GmbH	-	17	-	-
Rocapital IFN S.A.	-	-	4,731	47
KRUK Italia S.r.l	-	464	-	-
ItaCapital S.r.l	-	-	-	-
KRUK Espana S.L.	-	819	-	-
Presco Investments S.a.r.l.	17,698	1,402	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	10	148	-	-
ProsperoCapital S.à r.l.	-	16	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	630	-	-
NSFIZ BISON	-	6	-	-
AgeCredit S.r.l.	-	-	-	-
Wonga.pl Sp. z o.o.	-	2	191,852	1,043
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-	-
	38,526	26,135	278,348	1,456

Revenue from mutual transactions

<i>PLN '000</i>	Revenue from other services	Revenue from credit management services	Interest
SeCapital S.à. r.l	-	17	-
ERIF Business Solutions Sp. z o.o.	8	-	8
Novum Finance Sp. z o.o.	166	274	409
Kancelaria Prawna RAVEN P.Krupa Sp. k.	590	-	-
KRUK Romania S.r.l.	715	204	364
ERIF BIG S.A.	194	-	-
NSFIZ PROKURA	874	-	-
KRUK Česká a Slovenská republika s.r.o.	206	54	32
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	79	22,655	-
InvestCapital Ltd.	2,540	286	-
KRUK Deutschland GmbH	1	-	-
Rocapital IFN S.A.	-	-	47
KRUK Italia S.r.l	413	-	-
ItaCapital S.r.l	-	-	-
KRUK Espana S.L.	585	-	-
Presco Investments S.a.r.l.	-	404	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	-	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	0
Wonga.pl Sp. z o.o.	-	3	3,544
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-
	<u>6,370</u>	<u>23,898</u>	<u>4,405</u>

Costs of mutual transactions

<i>PLN '000</i>	Purchase of services
Kancelaria Prawna RAVEN P.Krupa Sp. k.	319
ERIF BIG S.A.	25
ERIF Business Solutions Sp. z o.o.	2
KRUK Romania S.r.l.	1,395
KRUK Česká a Slovenská republika s.r.o.	143
	<u>1,884</u>

Transactions with subsidiaries as at and for the period ended December 31st 2020

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans
SeCapital S.à. r.l	7,838	2,080	-	-
ERIF Business Solutions Sp. z o.o.	-	59	172	-
Novum Finance Sp. z o.o.	-	239	31,242	-
SeCapital Polska Sp. z o.o.	-	-	150	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	2,976	1,560	-	-
KRUK Romania S.r.l.	520	751	52,494	535
ERIF BIG S.A.	24	230	-	-
NSFIZ PROKURA	5,552	7,511	-	-
KRUK Česká a Slovenská republika s.r.o.	65	240	7,020	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	9,980	-	-
InvestCapital Ltd.	531	245	-	-
KRUK Deutschland GmbH	-	21	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	-	4,740	49
KRUK Italia S.r.l	-	152	-	-
ItaCapital S.r.l	-	5	-	-
KRUK Espana S.L.	-	102	-	-
Presco Investments S.a.r.l.	14,714	1,408	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	10	256	-	-
ProsperoCapital S.à r.l.	-	13	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	5	-	-
Zielona Perła Sp. z o.o.	-	-	-	-
NSFIZ BISON	-	18	-	-
AgeCredit S.r.l.	-	20	-	-
Wonga.pl Sp. z o.o.	-	7	190,790	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-	-
	32,231	24,902	286,608	584

PLN '000	Revenue from other services	Revenue from credit management services	Interest
SeCapital S.à. r.l.	14	72	-
ERIF Business Solutions Sp. z o.o.	116	-	43
Novum Finance Sp. z o.o.	1,182	1,094	2,080
SeCapital Polska Sp. z o.o.	11	-	4
Kancelaria Prawna RAVEN P.Krupa Sp. k.	6,127	-	-
KRUK Romania S.r.l.	1,681	-	2,529
ERIF BIG S.A.	737	-	-
NSFIZ PROKURA	3,634	-	-
KRUK Česká a Slovenská republika s.r.o.	889	-	332
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	150	82,788	-
InvestCapital Ltd.	5,961	-	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	-	-	-
Rocapital IFN S.A.	-	-	211
KRUK Italia S.r.l.	949	-	-
ItaCapital S.r.l.	-	-	-
KRUK Espana S.L.	1,275	-	-
Presco Investments S.a.r.l.	12	1,702	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	12	-	-
Corbul Capital S.r.l.	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	-	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	-
Wonga.pl Sp. z o.o.	6	68	15,299
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-
	22,756	85,725	20,497

PLN '000

Purchase of services

KRUK Romania S.r.l.	4,839
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,477
KRUK Česká a Slovenská republika s.r.o.	376
ERIF BIG S.A.	238
ERIF Business Solutions Sp. z o.o.	1
	6,931

Transactions with subsidiaries as at and for the period ended March 31st 2020

Balance of liabilities, receivables and loans as at the reporting date

	Liabilities	Receivables Restated	Loans Restated	Interest accrued on loans
PLN '000				
SeCapital S.à. r.l	8,602	1,420	-	-
ERIF Business Solutions Sp. z o.o.	-	171	170	14
Novum Finance Sp. z o.o.	-	281	38,242	0
Secapital Polska Sp. z o.o.	-	1	130	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	368	574	-	-
KRUK Romania S.r.l.	421	11,585	62,228	731
ERIF BIG S.A.	49	240	-	-
NSFIZ PROKURA	3,417	1,221	-	-
KRUK Česká a Slovenská republika s.r.o.	100	194	20,576	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	14,528	-	-
InvestCapital Ltd.	-	200,394	-	-
KRUK Deutschland GmbH	-	367	-	-
KRUK Deutschland (Branch)	-	-	-	-
Rocapital IFN S.A.	-	-	4,715	61
KRUK Italia S.r.l	-	637	-	-
ItaCapital S.r.l	-	-	-	-
KRUK Espana S.L.	-	148	-	-
Presco Investments S.a.r.l.	20,849	14,557	-	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	215	-	-
ProsperoCapital S.à r.l.	-	6	-	-
Corbul Capital S.r.l	-	-	-	-
Elleffe Capital S.r.l.	-	-	-	-
Zielona Perła Sp. z o.o.	-	0	-	-
NSFIZ BISON	-	16	-	-
AgeCredit S.r.l.	-	-	-	-
Wonga.pl Sp. z o.o.	-	39	214,525	-
	33,806	246,594	340,585	806

Revenue from mutual transactions

<i>PLN '000</i>	Revenue from sale of materials and services	Revenue from credit management services	Interest
SeCapital S.à. r.l	5	19	-
ERIF Business Solutions Sp. z o.o.	49	-	14
Novum Finance Sp. z o.o.	348	342	649
Secapital Polska Sp. z o.o.	3	-	1
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,206	14	-
KRUK Romania S.r.l.	760	4	731
ERIF BIG S.A.	164	16	-
NSFIZ PROKURA	1	896	-
KRUK Česká a Slovenská republika s.r.o.	320	-	127
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	266	23,408	-
InvestCapital Ltd.	647	4	-
KRUK Deutschland GmbH	-	-	-
KRUK Deutschland (Branch)	-	-	-
Rocapital IFN S.A.	-	-	61
KRUK Italia S.r.l	480	-	-
ItaCapital S.r.l	-	-	-
KRUK Espana S.L.	547	4	-
Presco Investments S.a.r.l.	3	503	-
P.R.E.S.C.O INVESTMENT I NS FIZ	-	-	-
ProsperoCapital S.à r.l.	3	-	-
Corbul Capital S.r.l	-	-	-
Elleffe Capital S.r.l.	-	-	-
Zielona Perła Sp. z o.o.	-	-	-
NSFIZ BISON	-	-	-
AgeCredit S.r.l.	-	-	-
Wonga.pl Sp. z o.o.	6	10	4,384
	<u>4,805</u>	<u>25,221</u>	<u>5,968</u>

Costs of mutual transactions

<i>PLN '000</i>	Purchase of services
Kancelaria Prawna RAVEN P.Krupa Sp. k.	339
KRUK Romania S.r.l.	1,299
ERIF BIG S.A.	59
KRUK Česká a Slovenská republika s.r.o.	119
	<u>1,816</u>

12. Seasonality or cyclicity of business

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

13. Factors and events, in particular of non-recurring nature, with a material bearing on the Company's financial performance

In the three months ended March 31st 2021, KRUK S.A. generated PLN 172,148 thousand of income through investment in subsidiaries (in the three months ended March 31st 2020: PLN -19 364 thousand). The description of factors which had impact on the results of the KRUK Group is presented in the 3rd part of quarterly report.

In the three months ended March 31st 2021, collections from portfolios purchased by KRUK S.A. were PLN 9,057 thousand, having decreased by 6% year on year and increased by 1% on the previous quarter.

As at March 31st 2021, the Company's investments in debt portfolios accounted for 0.8% of its assets. Equity accounted for 55.8% of the Company's financing sources. As at December 31st 2020, the respective percentages were 0.89% and 54.4%.

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 Company 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 Company 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 Annual General Meeting approves dividend of PLN 8 per share. By a resolution of March 24th 2021, the Company's Management Board recommended that the General Meeting allocate the Company'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 Company's Supervisory Board on March 24th 2021.

On May 5th 2021, the Company's Management Board passed a resolution to amend the recommendation to the Company'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 Company 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 Company's net profit earned in 2020, increased by amounts transferred from statutory reserve funds created from retained earnings. The amendment was endorsed by the Company's Supervisory Board on May 6th 2021.

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

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

Security created over KRUK S.A.'s assets as at March 31st 2021 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for Prokura NS FIZ's liabilities towards mBank under the credit facility granted to Prokura NS FIZ	mBank S.A.	PLN 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
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.

Until the date of issue of this report, there were no movements in contingent liabilities or contingent assets.

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

On April 29th 2021, the articles of association of KRUK INVESTIMENTI S.R.L. of Milan were executed. On May 6th 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 company.

Piotr Krupa

President of the Management Board

Urszula Okarma

Member of the Management Board

Piotr Kowalewski

Member of the Management Board

Adam Łodygowski

Member of the Management Board

Michał Zasepa

Member of the Management Board

Monika Grudzień-Wiśniewska

Person keeping the accounting records

Hanna Stempień

Prepared by

Wrocław, May 21st 2021