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FINANCIAL HIGHLIGHTS OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period 1 January –
31 December 2023

Financial highlights

Financial highlights	PLN '000		EUR '000	
	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
For the period				
Revenue	2,592,580	2,145,790	572,516	457,690
Operating profit	1,327,158	1,042,841	293,074	222,435
Profit before tax	1,037,474	863,710	229,104	184,227
Net profit attributable to owners of the Parent	1,012,488	804,982	223,586	171,700
Net cash from operating activities	(785,251)	(567,772)	(173,406)	(121,104)
Purchase of debt portfolios at prices as per agreement	2,972,231	2,311,072	656,353	492,945
Cash recoveries	3,062,473	2,627,343	676,281	560,404
Net cash from investing activities	(23,328)	(32,271)	(5,151)	(6,883)
Net cash from financing activities	994,880	603,039	219,698	128,626
Net change in cash	186,301	2,996	41,141	639
Diluted earnings per share (PLN/EUR)	49.77	40.71	10.99	8.68
Average number of shares ('000)	19,319	19,136	19,319	19,136
Earnings per share (PLN/EUR)	52.41	42.07	11.57	8.97
As at	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	unaudited		unaudited	
Total assets	9,928,505	7,681,082	2,283,465	1,637,792
Non-current liabilities	5,385,216	3,729,520	1,238,550	795,224
Current liabilities	723,925	698,265	166,496	148,887
Equity	3,819,364	3,253,297	878,419	693,682
Share capital	19,319	19,319	4,443	4,119
Book value per ordinary share	197.70	168.40	45.47	35.91

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 **4.5284**

for the comparative period **4.6883**

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 **4.3480**

at the end of the comparative period **4.6899**



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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period 1 January –
31 December 2023

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I. Consolidated statement of financial position

PLN '000	Note	31 Dec 2023 unaudited	30 Sep 2023 unaudited	31 Dec 2022
Assets				
Cash and cash equivalents	10.17	388,461	193,522	202,160
Hedging instruments	10.11	98,428	68,558	46,091
Trade receivables	10.16	24,440	22,852	13,033
Other receivables	10.16	58,970	47,110	41,156
Income tax receivable		22,398	11,659	-
Inventories	10.15	15,038	16,864	16,369
Investments	9	9,091,893	8,594,360	7,137,530
Deferred tax asset	10.9	45,958	46,291	44,921
Property, plant and equipment		91,777	94,183	71,422
Goodwill	10.14	8,084	17,151	17,026
Other intangible assets		67,206	66,010	70,833
Other assets		15,852	17,740	20,541
Total assets		9,928,505	9,196,300	7,681,082
Equity and liabilities				
Liabilities				
Trade and other payables	10.19	220,448	148,288	158,271
Hedging instruments	10.11	32,614	7,694	9,824
Employee benefit obligations	10.18	76,469	57,496	59,639
Income tax payable		11,785	7,126	16,406
Borrowings, debt securities and leases	10.10	5,531,167	4,971,240	3,945,794
Provisions	10.20	34,351	34,097	36,431
Deferred tax liability	10.9	202,307	245,145	201,420
Total liabilities		6,109,141	5,471,086	4,427,785
Equity				
Share capital		19,319	19,319	19,319
Share premium		358,506	358,506	358,506
Hedge reserve		51,043	52,042	32,627
Measurement reserve (defined benefit plans)		3,331	4,155	4,155
Translation reserve		(95,871)	67,368	100,448
Other capital reserves		171,847	168,085	149,896
Retained earnings		3,311,772	3,056,117	2,589,066
Equity attributable to owners of the Parent		3,819,947	3,725,592	3,254,017
Non-controlling interests		(583)	(378)	(720)
Total equity		3,819,364	3,725,214	3,253,297
Total equity and liabilities		9,928,505	9,196,300	7,681,082

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

II. Consolidated statement of profit or loss

PLN '000

	Note	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022 unaudited	1 Oct–31 Dec 2022 unaudited
Interest income on debt portfolios and loans measured at amortised cost	10.1	1,723,731	462,430	1,390,066	384,803
Interest income on loans measured at fair value	10.1	4,529	838	10,129	(293)
Revenue from sale of debts and loans	10.1	7,305	1,215	13,662	759
Other income/expenses from purchased debt portfolios	10.1	(19,666)	(3,890)	(16,530)	(5,356)
Revenue from other services	10.1	59,221	13,773	74,372	19,294
Other income	10.1	21,614	2,565	6,556	2,809
Change in investments measured at fair value	10.1	1	320	3,400	2,978
Gain/(loss) on expected credit losses	10.1	795,845	192,575	664,135	129,978
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios		2,592,580	669,826	2,145,790	534,972
Employee benefits expense	10.3	(529,291)	(150,270)	(475,486)	(135,419)
Depreciation and amortisation		(58,297)	(15,358)	(51,188)	(14,390)
Court fees	10.4	(353,253)	(96,015)	(289,716)	(91,675)
Services	10.2	(245,290)	(73,539)	(205,059)	(61,540)
Other expenses	10.5	(79,291)	(35,911)	(81,500)	(27,120)
		(1,265,422)	(371,093)	(1,102,949)	(330,144)
Operating profit		1,327,158	298,733	1,042,841	204,828
Finance income	10.6	10,231	(505)	7,319	1,700
Finance costs	10.7	(299,915)	(93,524)	(186,450)	(53,480)
<i>including interest expense relating to lease liabilities</i>		(3,293)	(729)	(2,878)	(855)
Net finance costs		(289,684)	(94,029)	(179,131)	(51,779)
Profit before tax		1,037,474	204,704	863,710	153,049
Income tax	10.9	(24,719)	50,736	(58,692)	(25,110)
Net profit for period		1,012,755	255,440	805,018	127,938
Net profit attributable to:					
Owners of the Parent		1,012,488	255,655	804,982	128,124
Non-controlling interests		267	(215)	36	(186)
Net profit for period		1,012,755	255,440	805,018	127,938
Earnings per share					
Basic (PLN)	10.12	52.41	13.23	42.07	6.59
Diluted (PLN)	10.12	49.77	12.47	40.71	6.35

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

III. Consolidated statement of comprehensive income

PLN '000

	<i>Note</i>	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Net profit for period		1,012,755	255,440	805,018	127,938
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(196,297)	(163,229)	24,741	(68,852)
Instruments hedging cash flows and net investment in a foreign operation		28,889	6,234	18,036	41,353
Items that will not be reclassified to profit or loss					
Defined benefit plans		(824)	(824)	4,155	4,155
Other comprehensive income for period, gross		<u>(168,232)</u>	<u>(157,819)</u>	<u>46,932</u>	<u>(23,344)</u>
Income tax on instruments hedging cash flows and net investment in a foreign operation		(10,473)	(7,233)	(3,294)	(3,294)
Other comprehensive income for period, net		<u>(178,705)</u>	<u>(165,052)</u>	<u>43,638</u>	<u>(26,638)</u>
Total comprehensive income for period		<u>834,050</u>	<u>90,388</u>	<u>848,656</u>	<u>101,300</u>
Total comprehensive income attributable to:					
Owners of the Parent		833,761	90,593	848,619	101,489
Non-controlling interests		289	(205)	37	(189)
Total comprehensive income for period		<u>834,050</u>	<u>90,388</u>	<u>848,656</u>	<u>101,300</u>

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

IV. Consolidated statement of changes in equity

For the reporting period ended 31 December 2023 (PLN '000)

Note	Share capital	Share premium	Hedge reserve	Measurement reserve (defined benefit plans)	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Equity as at 1 Jan 2023	19,319	358,506	32,627	4,155	100,448	149,896	2,589,066	3,254,017	(720)	3,253,297
Comprehensive income for period										
Net profit for period	-	-	-	-	-	-	1,012,488	1,012,488	267	1,012,755
Other comprehensive income										
- Exchange differences on translating foreign operations	-	-	-	-	(196,319)	-	-	(196,319)	22	(196,297)
- Measurement of hedging instruments	-	-	18,416	-	-	-	-	18,416	-	18,416
- Measurement of defined benefit plans	-	-	-	(824)	-	-	-	(824)	-	(824)
Total other comprehensive income	-	-	18,416	(824)	(196,319)	-	-	(178,727)	22	(178,705)
Total comprehensive income for period	-	-	18,416	(824)	(196,319)	-	1,012,488	833,761	289	834,050
Contributions from and distributions to owners										
- Payment of dividends	-	-	-	-	-	-	(289,782)	(289,782)	(152)	(289,934)
- Issue of shares	-	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	-	21,951	-	21,951	-	21,951
Total contributions from and distributions to owners	-	-	-	-	-	21,951	(289,782)	(267,831)	(152)	(267,983)
Total equity as at 31 Dec 2023	19,319	358,506	51,043	3,331	(95,871)	171,847	3,311,772	3,819,947	(583)	3,819,364

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

For the reporting period ended 31 December 2022 (PLN '000)

<i>Note</i>	Share capital	Share premium	Hedge reserve	Measurement reserve (defined benefit plans)	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Equity as at 1 Jan 2022	19,013	333,264	17,885	-	75,708	122,202	2,032,745	2,600,817	(590)	2,600,227
Comprehensive income for period										
Net profit for period	-	-	-	-	-	-	804,982	804,982	36	805,018
Other comprehensive income										
- Exchange differences on translating foreign operations	-	-	-	-	24,740	-	-	24,740	1	24,741
- Measurement of hedging instruments	-	-	14,742	-	-	-	-	14,742	-	14,742
- Measurement of defined benefit plans	-	-	-	4,155	-	-	-	4,155	-	4,155
Total other comprehensive income	-	-	14,742	4,155	24,740	-	-	43,637	1	43,638
Total comprehensive income for period	-	-	14,742	4,155	24,740	-	804,982	848,619	37	848,656
Contributions from and distributions to owners										
- Payment of dividends	-	-	-	-	-	-	(248,661)	(248,661)	(167)	(248,828)
- Issue of shares	306	25,242	-	-	-	-	-	25,548	-	25,548
- Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	-	27,694	-	27,694	-	27,694
Total contributions from and distributions to owners	306	25,242	-	-	-	27,694	(248,661)	(195,419)	(167)	(195,586)
Total equity as at 31 Dec 2022	19,319	358,506	32,627	4,155	100,448	149,896	2,589,066	3,254,017	(720)	3,253,297

V. Consolidated statement of cash flows

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Cash flows from operating activities				
Net profit for period	1,012,755	255,440	805,018	127,939
<i>Adjustments</i>				
Depreciation of property, plant and equipment	35,698	9,194	33,978	7,686
Amortisation of intangible assets	22,599	6,164	17,210	6,704
Impairment losses on goodwill	8,003	8,003	7,262	7,262
Net finance costs	289,684	94,029	179,131	51,779
(Gain)/loss on sale of property, plant and equipment	(1,184)	120	(1,617)	(1,264)
(Gain)/loss on sale of subsidiaries	(15,103)	-	-	-
Equity-settled share-based payments	21,951	3,762	27,694	4,584
Interest income	(1,728,260)	(463,268)	(1,400,195)	(384,510)
Income tax	24,719	(50,736)	58,692	25,110
Change in loans	(48,685)	(13,996)	(53,107)	(9,219)
Change in debt portfolios purchased	(2,126,786)	(682,340)	(1,608,363)	(655,885)
Change in inventories	1,331	1,826	3,926	544
Change in trade and other receivables	(29,221)	(13,448)	3,763	8,935
Change in other assets	4,689	1,888	(3,990)	(1,510)
Change in trade and other payables	62,177	72,160	(4,715)	3,533
Change in employee benefit obligations	16,830	18,973	10,978	5,989
Change in provisions	(2,080)	254	(6,629)	(7,682)
Minority interest share of profit	(267)	215	(36)	186
Interest received	1,728,260	463,268	1,400,195	384,510
Income tax paid	(62,361)	(8,322)	(36,967)	(485)
Net cash from operating activities	(785,251)	(296,814)	(567,772)	(425,795)
Cash flows from investing activities				
Interest received	1,489	589	711	223
Sale of intangible assets and property, plant and equipment	1,029	99	1,274	840
Proceeds from sale of subsidiaries	16,777	-	-	-
Purchase of intangible assets and property, plant and equipment	(42,623)	(8,530)	(34,256)	(20,113)
Net cash from investing activities	(23,328)	(7,842)	(32,271)	(19,050)
Cash flows from financing activities				
Proceeds from issue of shares	-	-	25,548	15,957
Proceeds from issue of debt securities	1,560,639	583,319	545,000	35,000
Increase in borrowings	2,578,622	698,747	2,381,102	823,563
Repayment of borrowings	(2,455,207)	(607,568)	(1,378,216)	(265,729)
Payments under lease contracts	(37,729)	(10,260)	(33,795)	(15,376)
Payment of dividends	(289,934)	-	(248,828)	-
Redemption of debt securities	(65,000)	(65,000)	(467,926)	(75,000)
Interest paid	(296,511)	(99,643)	(219,846)	(68,440)
Net cash from financing activities	994,880	499,595	603,039	449,975
Total net cash flows	186,301	194,939	2,996	5,130
Cash and cash equivalents at beginning of period	202,160	193,522	199,164	197,030
Cash and cash equivalents at end of period	388,461	388,461	202,160	202,160
<i>of which:</i>				
- effect of exchange rate fluctuations on cash held	(4,532)	28	130	(2,442)
- restricted cash	-	-	5,691	-

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

VI. Notes to the interim condensed consolidated financial statements

1. Organisation of the KRUK Group

Parent

Name:

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

Registered office:

ul. Wołowska 8

51-116 Wrocław, Poland

Poland

Registration in the National Court Register:

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

Date of registration: 7 September 2005

Registration number: KRS NO. 0000240829

Principal business activities of the Parent and its subsidiaries

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

These interim condensed consolidated financial statements for the reporting period 1 January – 31 December 2023 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

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

As at 31 December 2023, the Parent’s Management Board was composed of the following persons:

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

In the three months ended 31 December 2023 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at 31 December 2023, the composition of the Parent's Supervisory Board was as follows:

Piotr Stępiak	Chairman of the Supervisory Board
Krzysztof Kawalec	Deputy Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Izabela Felczak-Poturnicka	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Beata Stelmach	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

In the three months to 31 December 2023 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

KRUK Group

As at the issue date of this report, the Group comprised KRUK S.A. of Wrocław, 22 subsidiaries, and 2 entities controlled through personal links:

Subsidiary	Registered office	Principal business activity
DEBT MANAGEMENT		
AgeCredit S.r.l.	Cesena	Credit management in Italy
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Credit management services and collection of debt purchased by the KRUK Group, investing in debt portfolios
KRUK Deutschland GmbH	Berlin	Collection of debt purchased by the KRUK Group, investing in debt portfolios
KRUK Espana S.L.U.	Madrid	Credit management services and collection of debt purchased by the KRUK Group in Spain and other European countries, investing in debt portfolios
KRUK Italia S.r.l.	Milan	Credit management services and collection of debt purchased by the KRUK Group in Italy and other European countries
KRUK Romania S.r.l.	Bucharest	Credit management services and collection of debt purchased by the KRUK Group, investing in debt portfolios
INVESTMENTS IN DEBT PORTFOLIOS		
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NFW FIZ, Presco NFW FIZ and Bison NFW FIZ funds
Bison NFW FIZ (formerly Bison NS FIZ)	Wrocław	Non-standardised Debt Closed-End Investment Fund
Presco NFW FIZ (formerly P.R.E.S.C.O. Investment I NS FIZ)	Wrocław	Non-standardised Debt Closed-End Investment Fund
Prokura NFW FIZ (formerly Prokura NS FIZ)	Wrocław	Non-standardised Debt Closed-End Investment Fund
InvestCapital Ltd.	Malta	Investing in debt or debt-backed assets
ItaCapital S.r.l.	Milan	Investing in debt portfolios
KRUK INVESTIMENTI S.R.L.	Milan	Investing in debt portfolios
Secapital S.a r.l.	Luxembourg	Investing in debt or debt-backed assets
Presco Investments S.a r.l.	Luxembourg	Investing in debt or debt-backed assets

Subsidiary	Registered office	Principal business activity
CONSUMER LENDING		
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans
RoCapital IFN S.A.	Bucharest	Granting consumer loans
DEBT MANAGEMENT SUPPORT ACTIVITIES		
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for legal action and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
Zielony Areal sp. z o.o.	Wrocław	Buying and selling own real estate; services supporting crop production
KRUK TECH s.r.l.	Bucharest	Software development and provision of IT services
KRUK Immobiliare S.a r.l.s	Milan	Buying and selling own real estate

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

All the subsidiaries listed above are included in these condensed consolidated financial statements as at 31 December 2023 and for the period 1 January – 31 December 2023.

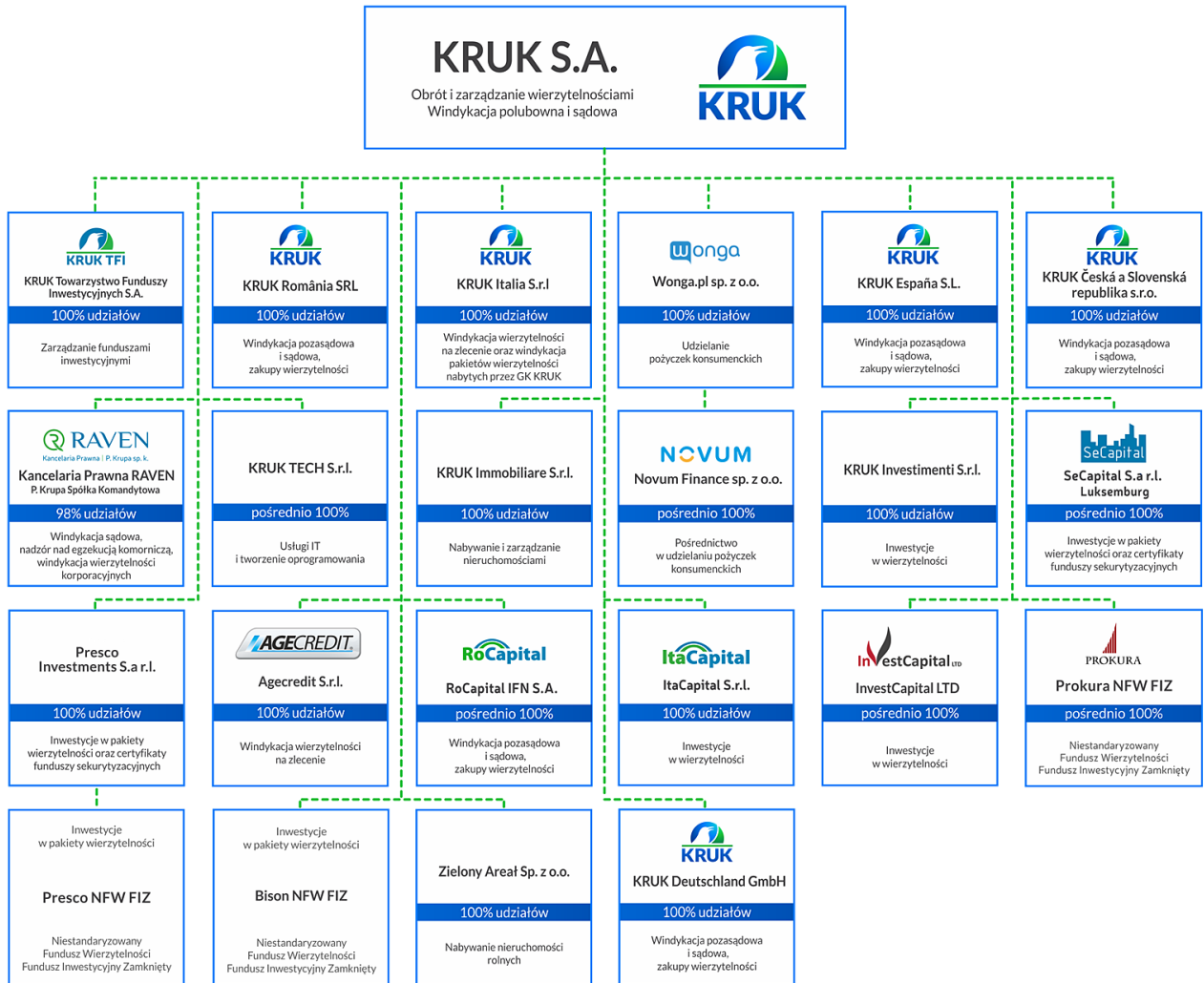
On 3 January 2023, an agreement was signed for sale by the Parent of all shares in ERIF Biuro Informacji Gospodarczej S.A. and ERIF Business Solutions sp. z o.o. The ownership title to the shares was transferred on the date on which the Parent's bank account was credited with the sale price, i.e. on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

Following the liquidation process launched on 30 December 2022, ProsperoCapital S.à.r.l. of Luxembourg was effectively liquidated on 31 March 2023.

On 17 May 2023, the articles of association of KRUK Immobiliare S.r.l. of Milan were executed, and on 19 May 2023 the company was entered in the commercial register. The principal business activities of KRUK Immobiliare S.r.l. consist in buying and managing of real estate. KRUK holds 100% of shares in the newly incorporated company.

On 20 September 2023, Kruk Italia, a wholly-owned subsidiary of KRUK S.A., sold all shares in Elleffe Capital s.r.l. Following the transaction, Elleffe ceased to be a member of the KRUK Group.

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



The Parent operates three local offices in Warsaw, Szczawno-Zdrój and Piła.

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

	Ownership interest and share in total voting rights		
	Country	31 Dec 2023	31 Dec 2022
SeCapital S.a.r.l. ¹	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o. ⁴	Poland	-	100%
ERIF Biuro Informacji Gospodarczej S.A. ⁴	Poland	-	100%
Novum Finance Sp. z o.o. ¹	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna Raven P. Krupa Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NFW FIZ (formerly Prokura NS FIZ) ^{1;7}	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 España S.r.l.	Spain	100%	100%
ProsperoCapital S.a.r.l. (in liquidation) ²	Luxembourg	-	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
Presco NFW FIZ (formerly P.R.E.S.C.O. Investment I NS FIZ) ^{1;7}	Poland	100%	100%
Bison NFW FIZ (formerly Bison NS FIZ) ^{1;7}	Poland	100%	100%
Elleffe Capital S.r.l. ⁶	Italy	-	100%
Corbul S.r.l. ³	Romania	n/a	n/a
Gantoi, Furculita Si Asociatii S.p.a.r.l. ³	Romania	n/a	n/a
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
KRUK Investimenti S.r.l.	Italy	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%
Kruk TECH S.r.l. ¹	Romania	100%	100%
Kruk Immobiliare S.r.l. ⁵	Italy	100%	-

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

² Entity dissolved through liquidation in the three months ended 31 March 2023.

³ The Parent controls the company through a personal link.

⁴ Entity sold outside the Group in the three months ended 31 March 2023.

⁵ Entity established in the three months ended 30 June 2023.

⁶ Entity sold outside the Group in the three months ended 30 September 2023.

⁷ The fund's name was changed as of 29 September 2023.

2. Reporting period

The reporting period is the period from 1 January to 31 December 2023 and the comparative period is the period from 1 January to 31 December 2022. The consolidated statement of financial position has been prepared as at 31 December 2023 and the comparative data is presented as at 30 September 2023 and 31 December 2022. The consolidated statement of changes in equity was prepared for the period from 1 January 2023 to 31 December 2023 and the comparative period is from 1 January to 31 December 2022.

The quarterly financial data is presented for the periods from 1 October to 31 December 2023 and from 1 October to 31 December 2022.

The presented data are currently being audited. The consolidated financial statements of the KRUK Group for 2023, together with the audit report, will be published on 27 March 2024.

These financial statements do not contain all the information required to prepare full-year financial statements and should therefore be read in conjunction with the Group's consolidated financial statements prepared as at and for the year ended 31 December 2022 (available on the web page: [Interim reports / KRUK S.A.](#)).

3. Statement of compliance

These interim condensed consolidated financial statements of the Group have been prepared in the condensed form in accordance with IAS 34 applicable to interim financial statements.

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

These interim condensed financial statements were authorised for issue by the Parent's Management Board (the "Management Board") on 27 February 2024.

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

The Polish złoty is the functional currency of the Parent.

4. Significant accounting policies

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

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

The accounting policies applied to prepare these interim condensed financial statements are consistent with those applied in the most recent full-year consolidated financial statements as at and for the year ended 31 December 2022.

The Group applied the following amendments to standards and interpretations approved for use in the European Union as of 1 January 2023:

- IFRS 17 *Insurance Contracts*, including amendments to IFRS 17 issued in 2020 (Amendments to IFRS 17) and in 2021 (Amendments to IFRS 17 *Insurance Contracts*: Initial Application of IFRS 17 and IFRS 9 – Comparative Information);
- Amendments to IAS 12 introducing the definition of estimates and relating to the International Tax Reform: Pillar Two;
- Amendments to IAS 1 and IFRS Practice statement 2 concerning disclosure of accounting policies;
- Amendments to IAS 8 introducing the definition of accounting estimates.

The amendments had no significant effect on the interim condensed consolidated financial statements of the Group.

These financial statements comply with the requirements of International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after 1 January 2023.

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

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
Amendments to IAS 1 <i>Presentation of Financial Statements</i> – Classification of Liabilities	The amendments concern the presentation of liabilities in the statement of financial position. In particular, they clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period. The amendments will apply prospectively.	The amendments have no significant effect on the consolidated financial statements.	1 January 2024
Amendments to IFRS 16 <i>Leases</i> : Lease Liability in a Sale and Leaseback	The amendments concern the measurement of lease liabilities in sale and leaseback transactions.	The amendments have no significant effect on the consolidated financial statements.	1 January 2024

Standards and interpretations issued but not yet adopted by the European Union

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on and after
Amendments to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments</i> – Disclosures: Supplier Finance Arrangements	The amendments mandate the disclosure of information about how supply chain finance arrangements affect an entity's liabilities and cash flows and what is their effect on the entity's exposure to liquidity risk.	The Group is assessing the potential impact of the amendments on its consolidated financial statements.	1 January 2024
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rate</i> – Lack of Exchangeability	The amendments clarify how an entity should assess whether a currency is exchangeable and determine the exchange rate when it is not as well as require certain additional disclosures in such cases.	The Group is assessing the potential impact of the amendments on its consolidated financial statements.	1 January 2025

Enhancing comparability

To better reflect the relevant economic substance and increase the usefulness of the presented data, the Group has changed the presentation of the costs of court fees previously presented in the item *Other expenses*, specifying them in a separate item *Court fees*.

The data presented in the published interim condensed consolidated financial statements for the period from 1 January to 30 September 2023 and the published consolidated financial statements for the period from 1 January to 31 December 2022 was restated to ensure comparability. The effect of the change on the consolidated statement of profit or loss is presented below:

<i>w tysiącach złotych</i>	1 Jan–30 Sep 2023		1 Jan–30 Sep 2023		1 Jan–31 Dec 2022		1 Jan–31 Dec 2022	
	Dane opublikowane	Zmiana	Dane przekształcone	Dane opublikowane	Zmiana	Dane przekształcone	Dane opublikowane	Dane przekształcone
Employee benefits expense	(379,021)		(379,021)	(475,486)		(475,486)		(475,486)
Depreciation and amortisation	(42,939)		(42,939)	(51,188)		(51,188)		(51,188)
Court fees		(257,238)	(257,238)		(289,716)	(289,716)		(289,716)
Services	(171,751)		(171,751)	(205,059)		(205,059)		(205,059)
Other expenses	(300,618)	257,238	(43,380)	(371,216)	289,716	(81,500)		(81,500)
	(894,329)	-	(894,329)	(1,102,949)	-	(1,102,949)		

5. Accounting estimates and judgements

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

The estimates and assumptions are reviewed by the Group on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which the estimate is revised.

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

Item	Amount estimated		Note	Assumptions and estimate calculation
	31 Dec 2023 (PLN '000)	31 Dec 2022 (PLN '000)		
Investments in debt portfolios	8,673,765	6,768,087	9	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods (portfolio analysis) or based on a legal and economic analysis of individual claims or indebted persons/entities (case-by-case analysis). The method of estimating cash flows from a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio.</p> <p>The Kruk Group prepares projections for recoveries from debt portfolios separately for each market. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors.</p> <p>The original forecast of estimated cash receipts, taking into account the initial value, is used to determine an effective interest rate equal to the internal rate of return including a credit risk component. which is used for discounting estimated cash flows, and which remains unchanged throughout the life of a portfolio.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	31 Dec 2023 (PLN '000)	31 Dec 2022 (PLN '000)		
Goodwill	8,084	17,026	10.14	Goodwill impairment is estimated based on the expected discounted cash flows to be derived from a cash-generating unit. The discount rate used to discount expected cash flows reflects the current market assessment of the asset risk for the debt collection industry.
Loans measured at amortised cost	412,510	357,003	9	Gross loans are calculated based on expected cash flows discounted with the effective interest rate. The expected cash flows are determined for homogeneous groups of loans, based on historical prepayment data. The probability of prepayment varies, among other things, depending on the time elapsed since the grant of loan. The amount of gross loans is reduced by the amount of expected credit losses. It is determined based on, among other things, probability of default (PD), loss given default (LGD), and exposure at default (EAD).
Loans at fair value through profit or loss	5,618	12,440	9	Loans that do not meet the SPPI test are measured at fair value. The fair value of loans was determined based on Level 3, that is based on the projection of expected cash flows. The main parameter that affects the fair value of loans is the interest rate used to discount expected cash flows to the present value and the amount of expected credit losses on the portfolio.

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	31 Dec 2023 (PLN '000)	31 Dec 2022 (PLN '000)		
Deferred tax assets and liabilities	45,958 (assets)	44,921 (assets)	10.9	<p>The Group exercises control over the timing of temporary differences regarding subsidiaries, and thus recognizes deferred tax liabilities. These liabilities are based on estimates of future income tax payments, which are derived from three-year plans.</p> <p>The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast for the following years.</p> <p>The amount of deferred tax liabilities is affected by changes in expected future cash flows from investment companies to KRUK S.A. in the foreseeable future. The level of the cash flows depends on such factors as:</p> <ul style="list-style-type: none"> • KRUK S.A.'s liquidity needs and the amount of raised and projected new debt financing available to KRUK S.A., • raised and projected new debt financing available to the investment companies, • the planned expenditure on debt portfolios – its amount determines the projected liquidity position of the investment companies, • planned recoveries from purchased debt portfolios at the investment companies. <p>Therefore, the amount of deferred tax liability for <i>expected future cash flows from subsidiaries</i> may be subject to material changes in individual reporting periods.</p>
	202,307 (liabilities)	201,420 (liabilities)		
Functional currency at InvestCapital	-67,772	102,571		<p>InvestCapital carries out material transactions in three different currencies: EUR, PLN and RON. Under IAS 21, the Kruk Group assesses the correctness of applying the functional currency for executed transactions on a quarterly basis, taking into account both historical and planned transactions. Given the volume of planned and held investments in debt portfolios, InvestCapital's functional currency is the euro.</p>

6. Financial risk management

The principles of financial risk management are presented in the most recent consolidated full-year financial statements prepared as at and for the financial year ended 31 December 2022. In the period from 1 January to 31 December 2023, there were no significant changes in the approach to financial risk management.

7. Reporting and geographical segments

Reportable segments

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

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

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

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

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

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

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

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

There was no revenue from inter-segment transactions.

Reportable segments

For the reporting period ended 31 December 2023

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
Revenue	1,075,422	139,300	586,949	412,572	305,514	51,209	21,614	-	2,592,580
Purchased debt portfolios	1,020,899	-	580,684	401,354	289,612	51,209	-	-	2,343,758
<i>including revaluation of projected recoveries</i>	<i>212,045</i>	-	<i>197,064</i>	<i>24,978</i>	<i>3,186</i>	<i>1,712</i>	-	-	438,985
Credit management services	30,337	-	379	11,218	15,902	-	-	-	57,836
Other products	24,186	139,300	5,886	-	-	-	-	-	169,372
Other income	-	-	-	-	-	-	21,614	-	21,614
Direct and indirect costs	(295,977)	(50,500)	(125,380)	(197,377)	(173,880)	(26,884)	(10,120)	-	(880,118)
Purchased debt portfolios	(260,735)	-	(121,334)	(188,914)	(151,422)	(26,884)	-	-	(749,289)
Credit management services	(22,485)	-	(50)	(8,463)	(22,458)	-	-	-	(53,456)
Other products	(12,757)	(50,500)	(3,996)	-	-	-	-	-	(67,253)
Unallocated expenses	-	-	-	-	-	-	(10,120)	-	(10,120)
Gross profit¹	779,445	88,800	461,569	215,195	131,634	24,325	11,494	-	1,712,462
Purchased debt portfolios	760,164	-	459,350	212,440	138,190	24,325	-	-	1,594,469
Credit management services	7,852	-	329	2,755	(6,556)	-	-	-	4,380
Other products	11,429	88,800	1,890	-	-	-	-	-	102,119
Unallocated income / expenses	-	-	-	-	-	-	11,494	-	11,494
Administrative expenses	(77,233)	(12,764)	(31,682)	(36,430)	(25,275)	(14,155)	-	(129,468)	(327,007)
EBITDA²	702,212	76,036	429,887	178,765	106,359	10,170	11,494	(129,468)	1,385,455
Depreciation and amortisation									(58,297)
Finance income/(costs)									(289,684)
Profit before tax									1,037,474
Income tax									(24,719)
Net profit									1,012,755
Carrying amount of debt portfolios	3,227,738	-	1,443,091	2,143,988	1,704,661	154,287	-	-	8,673,765
Carrying amount of loans	87,614	311,324	19,190	-	-	-	-	-	418,128
Cash recoveries	1,351,141	-	634,852	568,609	390,416	117,455	-	-	3,062,473

For the year ended 31 December 2022

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
Revenue	906,496	128,658	548,608	360,874	135,714	58,884	6,556	-	2,145,790
Purchased debt portfolios	848,774	-	533,204	352,252	119,562	58,884	-	-	1,912,676
<i>including revaluation of projected recoveries</i>	<i>156,884</i>	-	<i>206,443</i>	<i>49,261</i>	<i>(36,897)</i>	<i>8,169</i>	-	-	<i>383,860</i>
Credit management services	28,480	-	11,691	8,622	16,152	-	-	-	64,945
Other products	29,242	128,658	3,713	-	-	-	-	-	161,613
Other income	-	-	-	-	-	-	6,556	-	6,556
Direct and indirect costs	(291,722)	(45,362)	(111,840)	(180,056)	(122,523)	(22,804)	(8,400)	-	(782,707)
Purchased debt portfolios	(255,801)	-	(101,815)	(172,425)	(100,180)	(22,804)	-	-	(653,025)
Credit management services	(21,280)	-	(6,696)	(7,631)	(22,343)	-	-	-	(57,950)
Other products	(14,641)	(45,362)	(3,329)	-	-	-	-	-	(63,332)
Unallocated expenses	-	-	-	-	-	-	(8,400)	-	(8,400)
Gross profit¹	614,774	83,296	436,768	180,818	13,191	36,080	(1,844)	-	1,363,083
Purchased debt portfolios	592,973	-	431,389	179,827	19,382	36,080	-	-	1,259,651
Credit management services	7,200	-	4,995	991	(6,191)	-	-	-	6,995
Other products	14,601	83,296	384	-	-	-	-	-	98,281
Unallocated income / expenses	-	-	-	-	-	-	(1,844)	-	(1,844)
Administrative expenses	(61,196)	(11,666)	(29,296)	(30,807)	(19,212)	(10,382)	-	(106,495)	(269,054)
EBITDA²	553,578	71,630	407,472	150,011	(6,021)	25,698	(1,844)	(106,495)	1,094,029
Depreciation and amortisation									(51,188)
Finance income/(costs)									(179,131)
Profit before tax									863,710
Income tax									(58,692)
Net profit									805,018
Carrying amount of debt portfolios	2,770,375	-	1,256,223	1,472,130	1,101,433	167,926	-	-	6,768,087
Carrying amount of loans	64,721	288,354	16,368	-	-	-	-	-	369,443
Cash recoveries	1,232,077	-	593,139	456,745	246,439	98,942	-	-	2,627,343

¹ Gross profit = operating income - operating expenses.

² EBITDA = operating profit - depreciation and amortisation.

8. Seasonality or cyclicity of business

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

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

Investments

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Investments in debt portfolios	8,673,765	6,768,087
Loans measured at amortised cost	412,510	357,003
Loans measured at fair value	5,618	12,440
	<u>9,091,893</u>	<u>7,137,530</u>

Investments measured at amortised cost

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Investments in debt portfolios	8,673,765	6,768,087
Loans measured at amortised cost	412,510	357,003
	<u>9,086,275</u>	<u>7,125,090</u>

Debt portfolios

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Carrying amount of purchased debt portfolios		
Unsecured portfolios	7,822,296	6,008,230
Secured portfolios	851,469	759,857
	<u>8,673,765</u>	<u>6,768,087</u>

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

- a. discount rate in case of change in the amount of the purchased debt portfolio;
- b. cash flows estimation period;
- c. expected future cash flows estimated using the current data and debt collection processes.
- d. The Group analyses the impact of macroeconomic factors on projected recoveries; historically, no correlation between recoveries from purchased debt portfolios and the macroeconomic situation has been found.

Assumptions adopted in the valuation of debt portfolios

	31 Dec 2023 unaudited	31 Dec 2022
Discount rate ¹	8.00% - 147.10%	8.00% - 147.10%
Cash flows estimation period	Jan 2024–Dec 2043	Jan 2023–Jun 2043
Undiscounted value of future recoveries	18,397,175	13,764,663

¹ Interest rate range applicable to 99% of debt portfolios.

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

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Period		
Up to 12 months	2,687,036	2,181,714
From 1 to 2 years	2,526,899	1,979,975
From 2 to 3 years	2,239,826	1,745,420
From 3 to 4 years	1,869,962	1,453,870
From 4 to 5 years	1,573,277	1,172,660
From 5 to 6 years	1,307,232	948,012
From 6 to 7 years	1,054,058	785,290
From 7 to 8 years	886,242	632,161
From 8 to 9 years	756,219	538,006
From 9 to 10 years	657,862	453,222
From 10 to 11 years	576,293	392,846
From 11 to 12 years	504,106	345,127
From 12 to 13 years	430,353	294,225
From 13 to 14 years	340,383	243,635
From 14 to 15 years	272,407	186,276
Over 15 years	715,020	412,224
	18,397,175	13,764,663

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
discount rate:		
< 25%	12,779,718	9,392,269
25% - 50%	4,837,595	3,753,717
> 50%	779,862	618,677
	18,397,175	13,764,663

The amounts of estimated remaining recoveries on debt portfolios as presented above for different discount rate ranges is subject to change for the comparative periods as a result of:

- acquisition of new debt portfolios,
- actual recoveries on existing debt portfolios,
- revaluation of estimated remaining recoveries.

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

PLN '000	Unsecured portfolios	Secured portfolios	Total
Carrying amount of investments in debt portfolios at 1 January 2023	6,008,230	759,857	6,768,087
Purchase of debt portfolios	2,717,933	254,298	2,972,231
Cash recoveries	(2,730,606)	(331,867)	(3,062,473)
Increase/(decrease) in liabilities to indebted persons due to overpayments	5,917	-	5,917
Valuation of loyalty scheme*	6,153	-	6,153
Revenue from purchased debt portfolios	2,167,039	176,719	2,343,758
Carrying amount of property foreclosed	-	(3,321)	(3,321)
Carrying amount of property sold	-	4,623	4,623
Translation differences on debt portfolios**	(352,370)	(8,840)	(361,210)
Carrying amount of investments in debt portfolios at 31 December 2023	7,822,296	851,469	8,673,765

PLN '000	Unsecured portfolios	Secured portfolios	Total
Carrying amount of investments in debt portfolios at 1 January 2022	4,344,965	755,211	5,100,176
Purchase of debt portfolios	2,130,808	180,264	2,311,072
Cash recoveries	(2,293,628)	(333,715)	(2,627,343)
Increase/(decrease) in liabilities to indebted persons due to overpayments	7,998	-	7,998
Valuation of loyalty scheme*	6,624	-	6,624
Revenue from purchased debt portfolios	1,758,830	153,846	1,912,676
Carrying amount of property foreclosed	-	(4,866)	(4,866)
Carrying amount of property sold	-	9,166	9,166
Translation differences on debt portfolios**	52,633	(49)	52,584
Carrying amount of investments in debt portfolios at 31 December 2022	6,008,230	759,857	6,768,087

* The amount of investments in debt portfolios is adjusted to account for the measurement of the loyalty scheme and the increase/(decrease) in liabilities to indebted persons due to overpayments in connection with the recognition of costs related to the bonus plan and a provision for overpayments under 'Other income/expenses from purchased debt portfolios'.

** Including purchased debt portfolios in currencies other than PLN. The item results from exchange rate movements in the respective periods, mainly EUR/PLN fluctuations.

In the reporting period, the Group incurred expenditure on the purchase of debt portfolios of PLN 2,972,231 thousand (2022: PLN 2,311,072 thousand), while recoveries from debt portfolios amounted to PLN 3,062,473 thousand (2022: PLN 2,627,343 thousand).

Below are presented changes in expected credit losses on purchased debt portfolios:

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Cumulative expected credit losses on purchased debt portfolios at beginning of period	2,328,752	1,600,562
Revaluation of projected recoveries, including:		
<i>unsecured portfolios</i>	438,985	383,860
<i>secured portfolios</i>	455,770	441,314
Deviations from actual recoveries, decreases on early collections in collateralised cases, including:		
<i>unsecured portfolios</i>	(16,785)	(57,454)
<i>secured portfolios</i>	421,537	344,330
<i>unsecured portfolios</i>	369,171	295,489
<i>secured portfolios</i>	52,366	48,841
Cumulative expected credit losses on purchased debt portfolios at end of period	3,189,274	2,328,752

Changes in expected credit losses are reflected in the value of the debt portfolio.

Loans

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Loans measured at amortised cost	412,510	357,003
Loans measured at fair value	5,618	12,440
	418,128	369,443

Loans measured at amortised cost

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

IFRS 9 classification	Carrying amount as at 31 Dec 2023 unaudited	Carrying amount as at 31 Dec 2022
Gross carrying amount of loans measured at amortised cost		
Basket 1	263,129	216,799
Basket 2	111,884	117,473
Basket 3	302,324	182,377
POCI loans	1,323	1,478
	678,660	518,127
Allowance for expected credit losses		
Basket 1	17,202	9,769
Basket 2	24,182	17,316
Basket 3	224,766	134,039
	266,150	161,124
Net carrying amount		
Basket 1	245,927	207,030
Basket 2	87,702	100,157
Basket 3	77,558	48,338
POCI loans	1,323	1,478
	412,510	357,003

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

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Carrying amount of loans measured at amortised cost at beginning of period	357,003	279,213
Acquisition of loans as part of portfolio purchase	-	8,530
New disbursements	559,747	593,852
Repayments	(666,112)	(663,700)
Interest income	233,725	220,864
Allowance for expected credit losses	(70,268)	(72,944)
Gain/(loss) on sale of loans	-	(9,263)
Translation differences on loans	(1,585)	451
Carrying amount of loans measured at amortised cost at end of period	412,510	357,003

Changes in allowance for expected credit losses on loans measured at amortised cost:

PLN '000	1 Jan–31 Dec 2023 unaudited				1 Jan–31 Dec 2022			
	Basket 1	Basket 2	Basket 3	Total	Basket 1	Basket 2	Basket 3	Total
Loss allowance as at 1 Jan	9,769	17,316	134,039	161,124	9,657	7,538	71,977	89,172
Loss allowance as at acquisition date	-	-	-	-	1,272	338	129	1,739
Transfer from basket 1 to basket 2	(20,001)	20,001	-	-	(3,489)	3,489	-	-
Transfer from basket 1 to basket 3	(25,455)	-	25,455	-	(3,707)	-	3,707	-
Transfer from basket 2 to basket 1	694	(694)	-	-	89	(89)	-	-
Transfer from basket 2 to basket 3	-	(36,100)	36,100	-	-	(4,959)	4,959	-
Transfer from basket 3 to basket 1	-	-	-	-	1	-	(1)	-
Transfer from basket 3 to basket 2	-	-	-	-	-	4	(4)	-
Allowance for expected credit losses recognised in the reporting period and changes reflecting loans advanced and repaid	52,195	23,659	29,172	105,026	5,946	10,996	53,271	70,213
Loss allowance at end of period	17,202	24,182	224,766	266,150	9,769	17,316	134,039	161,124

The amount of the allowance is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of the impairment loss at the end of the reporting period covers 39.2% of the gross carrying amount of loans measured at amortised cost (at the end of 2022: 31.1%). The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk as at 31 December 2023 was PLN 22,124 thousand (31 December 2022: PLN 21,525 thousand).

Loans measured at fair value

Changes in the carrying amount of loans measured at fair value:

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Carrying amount of loans measured at fair value at beginning of period	12,440	37,123
New disbursements	-	-
Repayments	(11,352)	(38,212)
Interest income	4,529	10,129
Remeasurement	1	3,400
Other remeasurement differences	-	-
Carrying amount of loans measured at fair value at end of period	5,618	12,440

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

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

Breakdown by type of activity

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Revenue from purchased debt portfolios	2,343,758	606,608	1,912,676	473,193
Revenue from credit management services	57,836	13,773	64,945	15,915
Revenue from other services	169,372	46,880	161,613	43,055
Other income	21,614	2,565	6,556	2,809
	2,592,580	669,826	2,145,790	534,972

Income from financial assets measured at amortised cost

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Revenue from purchased debt portfolios	2,343,758	606,608	1,912,676	473,193
Revenue from loans	163,457	45,722	138,657	36,991
	2,507,215	652,330	2,051,333	510,184

Interest income on debt portfolios and loans measured at amortised cost

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Interest income on debt portfolios	1,490,006	406,790	1,169,202	319,582
Interest income on loans	233,725	55,640	220,864	65,221
	1,723,731	462,430	1,390,066	384,803

Revenue from sale of debts and loans

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Gain/(loss) on sale of debts	7,305	1,215	22,925	(3,688)
Profit/(loss) on loans	-	-	(9,263)	4,447
	7,305	1,215	13,662	759

Gain/(loss) on expected credit losses

PLN '000

	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Gain/(loss) on expected credit losses from debt portfolios	866,113	202,493	737,079	162,655
Gain/(loss) on expected credit losses from loans	(70,268)	(9,918)	(72,944)	(32,677)
	<u>795,845</u>	<u>192,575</u>	<u>664,135</u>	<u>129,978</u>

Revenue from purchased debt portfolios

PLN '000

	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Interest income	1,490,006	406,790	1,169,202	319,582
Other income/expenses from purchased debt portfolios	(19,666)	(3,890)	(16,530)	(5,356)
Gain/(loss) on expected credit losses from purchased debt portfolios	866,113	202,493	737,079	162,655
Gain/(loss) on sale of debts	7,305	1,215	22,925	(3,688)
	<u>2,343,758</u>	<u>606,608</u>	<u>1,912,676</u>	<u>473,193</u>

Other income/expenses from purchased debt portfolios

PLN '000

	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Foreign currency gains/(losses)	(7,596)	(1,518)	(1,908)	(2,940)
Costs of loyalty scheme valuation	(6,153)	(1,265)	(6,624)	(1,439)
Costs of provision for overpayments	(5,917)	(1,107)	(7,998)	(977)
	<u>(19,666)</u>	<u>(3,890)</u>	<u>(16,530)</u>	<u>(5,356)</u>

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

PLN '000

	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Revaluation of projected recoveries	438,985	119,536	383,860	78,880
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	427,128	82,957	353,219	83,775
	<u>866,113</u>	<u>202,493</u>	<u>737,079</u>	<u>162,655</u>

Revenue from loans

Revenue from loans measured at amortised cost

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Interest income	233,725	55,640	220,864	65,221
Allowance for expected credit losses	(70,268)	(9,918)	(72,944)	(32,677)
Gain/(loss) on sale of loans	-	-	(9,263)	4,447
	163,457	45,722	138,657	36,991

Revenue from loans measured at fair value

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Interest income	4,529	838	10,129	(293)
Remeasurement	1	320	3,400	2,978
	4,530	1,158	13,529	2,685

Revenue from other services

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Revenue from credit management services	57,836	13,773	64,945	15,915
Revenue from collection, processing and provision of credit information on natural persons and business entities, financial intermediation and agency services, and auxiliary services provided to small and medium-sized enterprises	1,385	-	9,427	3,379
	59,221	13,773	74,372	19,294

Other income

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Sale of shares in subsidiaries*	15,103	-	-	-
Gain on liquidation/sale of property, plant and equipment	1,184	(120)	1,617	1,264
Rental	911	6	1,546	518
Recharged costs of services and court fees	2,374	1,935	1,905	596
Other cooperation	587	165	64	53
Recovery of written-off receivables and expenses	21	6	278	6
Compensation for motor damage	-	-	244	2
Grants	-	-	9	9
Other	1,434	573	893	361
	21,614	2,565	6,556	2,809

*gain on sale of shares in ERIF Biuro Informacji Gospodarczej S.A. and shares in ERIF Business Solutions sp. z o.o.

10.2. Services

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Credit management services ¹	(52,800)	(15,578)	(46,514)	(14,125)
IT services	(52,758)	(15,524)	(27,429)	(6,394)
Legal assistance services ²	(30,199)	(7,739)	(38,868)	(11,917)
Administrative and accounting support services	(25,706)	(9,076)	(19,243)	(7,306)
Postal and courier services	(24,320)	(7,945)	(18,686)	(4,963)
Banking services	(13,069)	(3,115)	(12,381)	(3,699)
Communications services	(11,807)	(3,605)	(9,572)	(2,993)
Marketing and management services	(11,167)	(4,033)	(9,304)	(2,890)
Space rental and service charges	(9,665)	(2,400)	(9,204)	(2,669)
Printing services	(3,453)	(997)	(3,661)	(1,155)
Security	(2,413)	(584)	(2,313)	(589)
Other auxiliary services	(2,372)	(991)	(1,605)	(569)
Recruitment services	(1,992)	(679)	(3,109)	(1,690)
Repair and maintenance services	(1,491)	(556)	(816)	(144)
Repair of vehicles	(1,312)	(486)	(1,353)	(348)
Other rental	(460)	(133)	(702)	11
Transport services	(196)	(71)	(177)	(75)
Packing services	(110)	(27)	(122)	(25)
	(245,290)	(73,539)	(205,059)	(61,540)

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

² Legal assistance mainly relates to debt portfolio management.

10.3. Employee benefits expense

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Salaries and wages	(402,314)	(117,103)	(359,381)	(105,355)
Old-age and disability pension contributions	(28,426)	(6,996)	(28,798)	(9,887)
Other social security contributions	(74,534)	(21,906)	(57,722)	(15,086)
Contribution to the State Fund for the Disabled	(2,066)	(503)	(1,891)	(507)
Equity-settled cost of stock option plan	(21,951)	(3,762)	(27,694)	(4,584)
	(529,291)	(150,270)	(475,486)	(135,419)

10.4. Court fees

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Legal costs	(228,342)	(57,069)	(179,419)	(60,304)
Bailiff fees	(123,551)	(38,405)	(108,722)	(30,846)
Stamp duties	(1,360)	(541)	(1,575)	(525)
	(353,253)	(96,015)	(289,716)	(91,675)

10.5. Other expenses

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Taxes and charges	(22,586)	(5,653)	(36,219)	(9,492)
Raw materials and consumables used	(12,354)	(3,482)	(14,741)	(4,078)
Entertainment expenses	(10,108)	(7,021)	(2,964)	(1,637)
Goodwill impairment	(8,003)	(8,003)	(7,262)	(7,262)
Staff training	(6,836)	(3,184)	(4,457)	(1,820)
Advertising	(6,163)	(3,105)	(7,923)	(2,185)
Business trips	(4,424)	(1,404)	(2,262)	(889)
Non-deductible VAT	(2,318)	(501)	(2,921)	(1,101)
Refund of litigation costs	(1,388)	(1,285)	(1,944)	(933)
Property insurance	(1,001)	(313)	(916)	(244)
Motor insurance	(970)	(317)	(1,375)	(419)
Non-compete agreements	(363)	(92)	(425)	(90)
Membership fees	(238)	(89)	(293)	34
Losses caused by motor damage	(96)	(27)	(194)	(50)
Costs of services and fees to be re invoiced	(53)	357	-	-
Provision for possible differences related to straight-line basis settlement	3,026	26	4,315	2,537
Other	(5,416)	(1,818)	(1,919)	509
	(79,291)	(35,911)	(81,500)	(27,120)

10.6. Finance income

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Interest income on bank deposits	1,489	589	711	223
Net foreign exchange gains	8,742	(1,094)	6,608	1,477
	10,231	(505)	7,319	1,700

10.7. Finance costs

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Interest and commission expense on financial liabilities measured at amortised cost including interest	(374,947)	(114,136)	(215,221)	(67,791)
Net foreign exchange losses	-	-	-	-
Interest income/expense on hedging instruments – IRS	19,758	4,345	8,901	3,538
Hedging income/expense	54,279	15,030	19,770	10,497
Interest income/expense on hedging instruments – CIRS	995	1,237	99	276
	(299,915)	(93,524)	(186,450)	(53,480)

The increase in interest in the twelve months ended 31 December 2023 relative to the twelve months ended 31 December 2022 was attributable to a higher debt amount (borrowings and bonds) and significantly higher 1M/3M WIBOR rates in 2023.

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

PLN '000	Note	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Realised exchange gains/(losses)	10.7	(170)	(467)	524	(430)
Unrealised exchange gains/(losses)	10.7	8,912	(627)	6,084	1,907
Remeasurement of debt portfolios due to exchange rate movements	10.1	(7,596)	(1,518)	(1,908)	(2,940)
		1,146	(2,612)	4,700	(1,463)

10.9. Income tax

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

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Oct–31 Dec 2023 unaudited	1 Jan–31 Dec 2022	1 Oct–31 Dec 2022 unaudited
Current income tax recognised in profit or loss				
Current income tax payable	(35,342)	999	(35,005)	(4,234)
Deferred income tax recognised in profit or loss				
Related to temporary differences and their reversal	10,623	49,737	(23,687)	(20,876)
Income tax recognised in profit or loss	<u>(24,719)</u>	<u>50,736</u>	<u>(58,692)</u>	<u>(25,110)</u>
Deferred income tax recognised in other comprehensive income				
Related to temporary differences and their reversal	(10,473)	(7,233)	(3,294)	(3,294)
Income tax recognised in other comprehensive income	<u>(10,473)</u>	<u>(7,233)</u>	<u>(3,294)</u>	<u>(3,294)</u>
Income tax recognised in comprehensive income	<u>(35,192)</u>	<u>43,503</u>	<u>(61,986)</u>	<u>(28,404)</u>

Reconciliation of effective income tax rate

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

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Profit before tax	1,037,474	863,710
Tax calculated at the Parent's enacted income tax rate (19%)	(197,120)	(164,105)
Effect of application of other income tax rates abroad and effect of deferred tax	1,817	7,499
Differences resulting from ability to control the timing of reversal of temporary differences relating to the measurement of net assets of subsidiaries and the probability of their reversal in the foreseeable future, and other non-deductible expenses/non-taxable income	170,584	97,914
Income tax recognised in profit or loss	<u>(24,719)</u>	<u>(58,692)</u>
Effective income tax rate (%)	2.38%	6.80%

The KRUK Group advises that an inspection of corporate income tax settlements for 2018–2020 is ongoing at KRUK S.A. The inspecting authority is the Customs and Tax Office in Kraków. In the 2023 profit or loss, the Group has not recognised any provision for tax surcharge, as it is impossible to estimate the probable amount of tax surcharge, if any, at the current stage of the inspection.

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	
	31 Dec 2023 unaudited	31 Dec 2022	31 Dec 2023 unaudited	31 Dec 2022	31 Dec 2023 unaudited	31 Dec 2022
Property, plant and equipment	5,222	8,725	(4,234)	(4,983)	988	3,742
Intangible assets	-	-	(5,000)	(5,148)	(5,000)	(5,148)
Tax losses deductible in future periods	13,260	11,920	-	-	13,260	11,920
Trade and other receivables	-	-	(241)	(413)	(241)	(413)
Borrowings and other debt instruments	21,776	16,633	-	-	21,776	16,633
Employee benefit obligations	5,230	2,590	-	-	5,230	2,590
Provisions and liabilities	186	-	-	(109)	186	(109)
Investments in debt portfolios	-	-	(7,411)	(7,058)	(7,411)	(7,058)
Investments in loans	32,050	32,923	-	-	32,050	32,923
Derivative hedging instruments	-	-	(13,767)	(3,294)	(13,767)	(3,294)
Expected future outflows of income from investments in subsidiaries	-	-	(203,420)	(208,285)	(203,420)	(208,285)
Deferred tax assets/liabilities	77,724	72,791	(234,073)	(229,290)	(156,349)	(156,499)
Deferred tax assets offset against liabilities	(31,766)	(27,870)	31,766	27,870	-	-
Deferred tax assets/liabilities in the statement of financial position	45,958	44,921	(202,307)	(201,420)	(156,349)	(156,499)

Change in temporary differences in the period

PLN '000

	Net amount of income tax as at 1 Jan 2023	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at 31 Dec 2023	Net amount of income tax as at 1 Jan 2022	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at 31 Dec 2022
Property, plant and equipment	3,742	(2,754)	988	81	3,661	3,742
Intangible assets	(5,148)	148	(5,000)	(1,745)	(3,403)	(5,148)
Tax losses deductible in future periods	11,920	1,340	13,260	8,155	3,765	11,920
Trade and other receivables	(413)	172	(241)	(245)	(168)	(413)
Borrowings and other debt instruments	16,633	5,143	21,776	7,775	8,858	16,633
Employee benefit obligations	2,590	2,640	5,230	2,392	198	2,590
Provisions and liabilities	(109)	295	186	40	(149)	(109)
Investments in debt portfolios	(7,058)	(353)	(7,411)	(6,974)	(84)	(7,058)
Investments in loans	32,923	(873)	32,050	29,328	3,595	32,923
Expected future outflows of income from investments in subsidiaries	(208,285)	4,865	(203,420)	(168,325)	(39,960)	(208,285)
	(153,205)	10,623	(142,582)	(129,518)	(23,687)	(153,205)

PLN '000

	Net amount of income tax as at 1 Jan 2023	Change in temporary differences recognised in other comprehensive income	Net amount of income tax as at 31 Dec 2023	Net amount of income tax as at 1 Jan 2022	Change in temporary differences recognised in other comprehensive income	Net amount of income tax as at 31 Dec 2022
Derivative hedging instruments	(3,294)	(10,473)	(13,767)	-	(3,294)	(3,294)
	(3,294)	(10,473)	(13,767)	-	(3,294)	(3,294)

The amount of deferred tax liabilities is affected by changes in expected future cash flows from investment companies to KRUK S.A. in the foreseeable future. The level of the cash flows depends on such factors as:

- KRUK S.A.'s liquidity needs and the amount of raised and projected new debt financing available to KRUK S.A.,
- raised and projected new debt financing available to the investment companies,
- the planned expenditure on debt portfolios – its amount determines the projected liquidity position of the investment companies,
- planned recoveries from purchased debt portfolios at the investment companies.

Therefore, the amount of deferred tax liability for *expected future cash flows from subsidiaries* may be subject to material changes in individual reporting periods.

The Group takes advantage of the exemption under IAS 12 and does not recognise a deferred tax liability in respect of retained earnings in its related entities where it is able to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at 31 December 2023 was PLN 3,727,864 thousand (as at 31 December 2022: PLN 3,676,475 thousand).

10.10. Borrowings, finance lease liabilities and other financial liabilities

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Non-current liabilities		
Secured borrowings	2,324,607	2,155,455
Liabilities under debt securities (unsecured)	2,773,264	1,308,234
Lease liabilities	40,213	40,463
	<u>5,138,084</u>	<u>3,504,152</u>
Current liabilities		
Secured borrowings	285,551	339,401
Liabilities under debt securities (unsecured)	77,938	73,781
Lease liabilities	29,594	28,460
	<u>393,083</u>	<u>441,642</u>

Terms and repayment schedule of borrowings, debt securities and leases

<i>PLN '000</i>	Currency	Nominal interest rate	Maturity periods ¹	31 Dec 2023 unaudited	31 Dec 2022
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0–2.95pp; 3M WIBOR + margin of 1.8–2.7pp; 1M EURIBOR + margin of 2.2–2.95pp	2024-2028	2,610,158	2,494,856
Liabilities under debt securities (unsecured)	PLN EUR	3M WIBOR + margin of 3.2–4.65pp; 4.00% - 4.80% ² 3M EURIBOR + margin of 4.0–6.5pp	2024-2029	2,851,202	1,382,015
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 2.73–4.58pp; 3.00 - 11.26%	2024-2030	69,807	68,923
				5,531,167	3,945,794

¹ Maturity of the last liability.

² Fixed interest rate.

Impact of IBOR reform

The Group does not anticipate a material impact from IBOR reform on its financial obligations, but cannot conclusively determine its effect as not all systemic and regulatory solutions have been finalised. The Group takes measures to prepare for a change in the benchmarks underlying its financial instruments in the event WIBOR ceases to be published. The Group continuously monitors regulatory changes in benchmarks, and negotiates amendments to the Master and Credit Agreements governing the hedging instruments and bank loans used by the Group companies, to ensure optimal transition to an alternative benchmark when the WIBOR is replaced.

The individual items for which WIBOR is used as the benchmark are presented below:

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Carrying amount of financial liabilities for which WIBOR is used as the benchmark		
Borrowings secured over the Group's assets	454,154	814,934
Liabilities under debt securities (unsecured)	2,159,898	1,382,015
Lease liabilities	7,922	13,771
Notional amount of hedging instruments for which WIBOR is used as the benchmark		
CIRS	1,750,000	940,000
IRS	190,000	255,000

10.11. Hedging instruments

Interest rate risk hedges

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

Open outstanding IRS contracts held by the KRUK Group companies as at 31 December 2023, with a total notional amount of PLN 190,000 thousand and EUR 408,500 thousand:

Bank	Group company	Type of transaction	Notional amount	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	1.6500%	3M WIBOR	5 Sep 2019 to 6 Feb 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 115,000,000.00	1.5775%	3M WIBOR	4 Sep 2019 to 27 Sep 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 50,000,000.00	1.5775%	3M WIBOR	4 Sep 2019 to 28 Sep 2024
ING Bank Śląski S.A.	InvestCapital Ltd.	IRS	EUR 210,000,000.00	2.6535%	1M EURIBOR	29 Nov 2022 to 30 Jun 2027
DNB Bank ASA	KRUK S.A.	IRS	EUR 150,000,000.00	2.9640%	3M EURIBOR	10 May 2023 to 10 May 2028
DNB Bank ASA	KRUK S.A.	IRS	EUR 10,000,000.00	2.2550%	3M EURIBOR	21 Dec 2023 to 11 Dec 2028
ING Bank Śląski S.A.	InvestCapital Ltd.	IRS	EUR 38,500,000.00	2.3200%	1M EURIBOR	27 Dec 2023 to 30 Jun 2028

* The contracts were transferred from DNB Polska S.A. to ING Bank Śląski S.A. without changing their terms.

Open outstanding CIRS contracts held by Kruk Group companies as at 31 December 2023, with a total notional amount of PLN 1,750,000 thousand:

Bank	Group company	Type of transaction	Notional amount	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 330,000,000	2.13%	3M WIBOR	14 Jun 2022	24 May 2027
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 140,000,000	1.90%	3M WIBOR	23 Jun 2022	24 Mar 2027
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	1.72%	3M WIBOR	20 Jun 2022	16 Mar 2026
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	1.56%	3M WIBOR	21 Jun 2022	16 Mar 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 105,000,000	1.21%	3M WIBOR	15 Jul 2022	23 Jan 2026

Bank	Group company	Type of transaction	Notional amount	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	0.96%	3M WIBOR	15 Jul 2022	22 Jan 2025
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	0.955%	3M WIBOR	18 Jul 2022	23 Jan 2024
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	1.40%	3M WIBOR	20 Jul 2022	2 Mar 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 25,000,000	0.90%	3M WIBOR	20 Jul 2022	2 Mar 2024
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 60,000,000	1.96%	3M WIBOR	12 Dec 2022	27 Jul 2027
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 25,000,000	2.05%	3M WIBOR	21 Dec 2022	27 Nov 2026
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 75,000,000	2.49%	3M WIBOR	10 Jan 2023	26 Mar 2025
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 120,000,000	2.02%	3M WIBOR	27 Jan 2023	26 Jan 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	2.475%	3M WIBOR	25 Jul 2023	26 Jan 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	2.435%	3M WIBOR	25 Jul 2023	7 Jun 2028
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 75,000,000	2.61%	3M WIBOR	22 Sep 2023	29 Mar 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 85,000,000	2.48%	3M WIBOR	31 Oct 2023	10 Dec 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 355,000,000	2.34%	3M WIBOR	31 Oct 2023	11 Oct 2029

The transactions were designated for hedge accounting.

The purpose of the PLN contracts was to provide a hedge against volatility of cash flows generated by liabilities denominated in PLN due to changes in the 3M WIBOR rate and to hedge coupons paid on issued

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

Currency risk hedges

In 2019–2022, the Group took steps to hedge against currency risk arising from the translation of net assets in a foreign entity, which involved execution of hedging transactions by Group companies. The Group's objective is to mitigate the effect of exchange differences arising on consolidation of foreign subsidiaries on the consolidated financial statements. The transactions were entered into by KRUK S.A. and settled on a net basis, with no physical delivery. For details of the executed and settled transactions, see the most recent consolidated full-year financial statements as at and for the financial year ended 31 December 2022.

Currency risk is also hedged with the use of currency interest rate swaps (CIRS), described in the section above: *Interest rate risk hedges*.

Amounts related to items designated as hedging instruments

PLN '000

	31 Dec 2023 unaudited				31 Dec 2022				Item in the statement of financial position	Hedge type
	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness		
Instrument type:										
IRS	4,954	-	190,000 (PLN)	(13,852)	18,806	-	255,000 (PLN)	5,003	Hedging instruments	Hedge of future cash flows
IRS	(29)	28,425	408,500 (EUR)	(44,152)	15,756	-	210,000 (EUR)	15,756	Hedging instruments	Hedge of future cash flows
CIRS	93,445	4,189	1,750,000 (PLN)	87,551	11,529	9,824	940,000 (PLN)	1,705	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	98,370	32,614		29,547	46,091	9,824		22,464		

PLN '000

Disclosure of the hedged item as at 31 Dec 2023

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	190,000 (PLN)	(13,852)	7,180	-
Hedge of future cash flows (interest rate risk)	408,500 (EUR)	(44,152)	(28,396)	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	1,750,000 (PLN)	87,551	68,177	-

PLN '000

Disclosure of the hedged item as at 31 Dec 2022

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	255,000 (PLN)	5,003	18,806	-
Hedge of future cash flows (interest rate risk)	210,000 (EUR)	15,756	15,756	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	940,000 (PLN)	1,705	(6,017)	-

PLN '000

1 Jan–31 Dec 2023 unaudited

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of net investment (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	Total hedge reserve
Hedge reserve at beginning of period	34,562	4,082	(6,017)	32,627
Measurement of instruments charged to capital reserves	(38,245)	-	59,126	20,881
Cost of hedging	-	-	83,040	83,040
Temporary differences/reversal of temporary differences	2,225	-	(12,698)	(10,473)
Amount reclassified to profit or loss during the period	(19,758)	-	(55,274)	(75,032)
- Interest income / expense	(19,758)	-	(995)	(20,753)
- Cost of hedging	-	-	(54,279)	(54,279)
Hedge reserve at end of period	(21,216)	4,082	68,177	51,043

PLN '000

1 Jan–31 Dec 2022

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of net investment (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	Total hedge reserve
Hedge reserve at beginning of period	13,803	4,082	-	17,885
Measurement of instruments charged to capital reserves	29,660	-	(19,995)	9,665
Cost of hedging			37,109	37,109
Temporary differences/reversal of temporary differences			(3,294)	(3,294)
Amount reclassified to profit or loss during the period	(8,901)	-	(19,837)	(28,738)
- Interest income / expense	(8,901)	-	(67)	(8,968)
- Cost of hedging	-	-	(19,770)	(19,770)
Hedge reserve at end of period	34,562	4,082	(6,017)	32,627

10.12. Earnings per share

Basic earnings per share

<i>thousands of shares</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Number of ordinary shares as at 1 Jan	19,319	19,013
Effect of cancellation and issue	-	123
Weighted average number of ordinary shares at end of reporting period	19,319	19,136
<i>PLN</i>		
Earnings per share	52.41	42.07

Diluted earnings per share

<i>thousands of shares</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Weighted average number of ordinary shares at end of reporting period	19,319	19,136
Effect of issue of unregistered shares not subscribed for	1,024	636
Weighted average number of ordinary shares at end of reporting period (diluted)	20,343	19,772
<i>PLN</i>		
Earnings per share (diluted)	49.77	40.71

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

PLN '000	31 Dec 2023 unaudited	30 Sep 2023 unaudited	31 Dec 2022
Assets			
Non-current assets			
Property, plant and equipment	91,777	94,183	71,422
Other intangible assets	67,206	66,010	70,833
Goodwill	8,084	17,151	17,026
Investments	6,416,303	6,049,901	4,951,442
Hedging instruments	82,848	57,627	42,762
Deferred tax asset	45,958	46,291	44,921
Total non-current assets	6,712,176	6,331,163	5,198,406
Current assets			
Inventories	15,038	16,864	16,369
Investments	2,675,590	2,544,459	2,186,088
Trade receivables	24,440	22,852	13,033
Other receivables	58,970	47,110	41,156
Income tax receivable	22,398	11,659	-
Hedging instruments	15,580	10,931	3,329
Other assets	15,852	17,740	20,541
Cash and cash equivalents	388,461	193,522	202,160
Total current assets	3,216,329	2,865,137	2,482,676
Total assets	9,928,505	9,196,300	7,681,082
Equity and liabilities			
Equity			
Share capital	19,319	19,319	19,319
Share premium	358,506	358,506	358,506
Hedge reserve	51,043	52,042	32,627
Measurement reserve (defined benefit plans)	3,331	4,155	4,155
Translation reserve	(95,871)	67,368	100,448
Other capital reserves	171,847	168,085	149,896
Retained earnings	3,311,772	3,056,117	2,589,066
Equity attributable to owners of the Parent	3,819,947	3,725,592	3,254,017
Non-controlling interests	(583)	(378)	(720)
Total equity	3,819,364	3,725,214	3,253,297
Non-current liabilities			
Borrowings, debt securities and leases	5,138,084	4,586,556	3,504,152
Deferred tax liability	202,307	245,145	201,420
Provisions	12,211	909	14,124
Hedging instruments	32,614	7,694	9,824
Total non-current liabilities	5,385,216	4,840,304	3,729,520
Current liabilities			
Borrowings, debt securities and leases	393,083	384,684	441,642
Trade and other payables	220,448	148,288	158,271
Liabilities under dividends	-	-	-
Income tax payable	11,785	7,126	16,406
Employee benefit obligations	76,469	57,496	59,639
Provisions	22,140	33,188	22,307
Total current liabilities	723,925	630,782	698,265
Total liabilities	6,109,141	5,471,086	4,427,785
Total equity and liabilities	9,928,505	9,196,300	7,681,082

Current and non-current items of the statement of financial position are presented based on cash flows expected as at the reporting date.

10.14. Goodwill

PLN '000

	Kancelaria Prawna RAVEN	Kruk Espana S.L.	ERIF BIG S.A.	Total
Gross carrying amount as at 1 Jan 2022	299	47,867	725	48,891
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	448	-	448
Gross carrying amount as at 31 Dec 2022	299	48,315	725	49,339
Gross carrying amount as at 1 Jan 2023	299	48,315	725	49,339
Increase	-	-	-	-
Decrease	-	-	(725)	(725)
Translation differences	-	(214)	-	(214)
Gross carrying amount as at 31 Dec 2023	299	48,101	-	48,400
Impairment losses				
Impairment losses as at 1 Jan 2022	-	(25,051)	-	(25,051)
Increase	-	(7,262)	-	(7,262)
Decrease	-	-	-	-
Impairment losses as at 31 Dec 2022	-	(32,313)	-	(32,313)
Impairment losses as at 1 Jan 2023	-	(32,313)	-	(32,313)
Increase	-	(8,003)	-	(8,003)
Decrease	-	-	-	-
Impairment losses as at 31 Dec 2023	-	(40,316)	-	(40,316)
Net carrying amount				
As at 1 Jan 2022	299	22,816	725	23,840
As at 31 Dec 2022	299	16,002	725	17,026
As at 1 Jan 2023	299	16,002	725	17,026
As at 31 Dec 2023	299	7,785	-	8,084

As at 31 December 2023, after indications of impairment were identified, an impairment loss of PLN 8,003 thousand was recognised on goodwill.

10.15. Inventories (including property foreclosed as part of investments in debt portfolios)

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Real property	14,893	16,243
Other inventories	145	126
	15,038	16,369

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

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Carrying amount of property held at beginning of period	16,243	20,295
Carrying amount of property foreclosed	7,931	5,378
Carrying amount of property sold	(4,623)	(5,716)
Impairment losses	(4,610)	(3,689)
Translation differences on property	(48)	(25)
Carrying amount of property held at end of period	14,893	16,243

10.16. Trade and other receivables**Trade receivables**

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Short-term trade receivables	24,440	13,033
	24,440	13,033

Other receivables

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Taxes receivable (other than income tax)	38,265	24,606
Receivables under collected debts	12,809	7,666
Receivables under security deposits and bid bonds	7,502	8,405
Employee loans	163	248
Other receivables	115	115
Receivables for court fees and stamp duty	116	116
	58,970	41,156

10.17. Cash and cash equivalents

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Cash in hand	118	128
Cash in current accounts	168,343	196,341
Term deposits	220,000	-
Cash proceeds from bond issues deposited in brokerage account	-	5,691
	<u>388,461</u>	<u>202,160</u>

10.18. Employee benefit obligations

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Salaries and wages payable	36,777	24,753
Social benefit obligations	19,879	20,983
Accrued holiday entitlements	14,136	8,017
Personal income tax	4,778	5,156
Special accounts	899	730
	<u>76,469</u>	<u>59,639</u>

10.19. Trade and other payables

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Trade payables	163,254	109,702
Other liabilities	41,488	29,231
Tax and duties payable	2,823	7,113
Accrued expenses	6,193	5,932
Deferred income	6,690	6,293
	<u>220,448</u>	<u>158,271</u>

10.20. Provisions

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Provisions for retirement gratuity payments	15,945	14,124
Provision for the loyalty scheme	10,871	11,746
Other provisions	7,535	10,561
	<u>34,351</u>	<u>36,431</u>

	Provision for retirement gratuities	Provision for the loyalty scheme	Other provisions
Carrying amount as at 1 Jan 2022	16,433	11,750	14,876
Increase / accrual	-	1,865	
Use / reversal	(2,309)	(1,869)	
Reversal of provision for possible differences relative to straight-line basis settlement			(4,315)
Carrying amount as at 31 Dec 2022	<u>14,124</u>	<u>11,746</u>	<u>10,561</u>
Carrying amount as at 1 Jan 2023	14,124	11,746	10,561
Increase / accrual	2,202	402	
Use / reversal	(381)	(1,277)	
Reversal of provision for possible differences relative to straight-line basis settlement			(3,026)
Carrying amount as at 31 Dec 2023	<u>15,945</u>	<u>10,871</u>	<u>7,535</u>

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

In connection with the decisions of the Office of Competition and Consumer Protection and its position on the straight-line method of fee refunds, the Group reassessed the level of provisions for the difference between the applied refund method and the straight-line method. The provision reflects the Group's estimate of the probability of an outflow of funds. Since 18 September 2020, the Group has applied the straight-line method to account for fee refunds on early loan repayment.

11. Related-party transactions

Remuneration of the management personnel - Management Board

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

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Base pay/ managerial contract (gross)	7,670	7,388
Additional benefits	206	99
Share-based payments	<u>21,951</u>	<u>27,694</u>
	<u>29,827</u>	<u>35,181</u>

Remuneration of members of the Supervisory Board

Remuneration of members of the Parent's Supervisory Board:

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Base pay (gross)	1,226	1,151
Additional benefits	18	22
	<u>1,244</u>	<u>1,173</u>

Other transactions with the Company's directors

As at 31 December 2023, members of the Management Board and persons closely related to them jointly held 10.2% of the total voting rights at the Parent's General Meeting (31 December 2022:10.5%).

12. Management of risk arising from financial instruments

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

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

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

Key risk management policies

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

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

Credit risk

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

Credit risk exposure

Carrying amounts of financial assets reflect the maximum exposure to credit risk. Maximum exposure to credit risk as at the end of the reporting periods:

	31 Dec 2023 unaudited	31 Dec 2022
Investments in debt portfolios	8,673,765	6,768,087
Loans	418,128	369,443
Hedging instruments	98,428	46,091
Trade and other receivables, excluding tax receivables	45,145	29,583
Cash and cash equivalents	388,461	202,160
	<u>9,623,927</u>	<u>7,415,364</u>

Maximum exposure to credit risk by geographical segment as at the end of the reporting periods:

PLN '000

	31 Dec 2023 unaudited	31 Dec 2022
Poland	3,987,968	3,229,373
Romania	1,484,091	1,290,022
Italy	2,227,282	1,566,139
Spain	1,711,748	1,113,564
Other foreign markets	212,838	216,266
	<u>9,623,927</u>	<u>7,415,364</u>

Credit risk exposure – Investments in debt portfolios

PLN '000

	Carrying amount as at 31 Dec 2023	Carrying amount as at 31 Dec 2022
Unsecured retail portfolios	7,601,776	5,798,186
Secured retail portfolios	281,025	281,444
Unsecured corporate portfolios	220,520	210,044
Secured corporate portfolios	570,444	478,413
	<u>8,673,765</u>	<u>6,768,087</u>

Liquidity risk

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

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

The key objectives of liquidity management include:

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

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

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

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

- the debt can be repaid from the Group's own assets;
- the debt is incurred taking into account the possibility of transferring the funds between companies, and the time and cost of such transfer;
- incurring the debt will not result in exceeding the financial covenants stipulated in facility agreements and terms and conditions of bonds.

Exposure to liquidity risk

As at 31 Dec 2023

PLN '000

	Carrying amount	Undiscounted contractual/estimated 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	8,673,765	18,397,175	1,380,421	1,306,615	2,526,899	5,683,065	7,500,175
Loans	418,128	665,411	221,218	161,854	167,354	64,425	50,560
Trade and other receivables, excluding tax receivables	45,145	45,145	45,145	-	-	-	-
Cash and cash equivalents	388,461	388,461	388,461	-	-	-	-
Secured borrowings	(2,610,158)	(3,058,255)	(2,052,098)	(121,700)	(218,025)	(666,432)	-
Unsecured bonds in issue	(2,851,202)	(4,012,618)	(159,822)	(160,134)	(445,792)	(2,626,389)	(620,481)
Lease liabilities	(69,807)	(74,608)	(16,857)	(15,549)	(20,107)	(19,309)	(2,786)
Trade and other payables	(204,742)	(204,742)	(204,742)	-	-	-	-
	<u>3,789,590</u>	<u>12,145,969</u>	<u>(398,274)</u>	<u>1,171,086</u>	<u>2,010,329</u>	<u>2,435,360</u>	<u>6,927,468</u>

*Cash flows based on estimates.

As at 31 Dec 2022
PLN '000

	Carrying amount	Undiscounted contractual/estimated 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	6,768,087	13,764,663	1,109,132	1,072,582	1,979,975	4,371,950	5,231,024
Loans	369,443	490,554	188,793	107,084	113,785	52,962	27,930
Trade and other receivables, excluding tax receivables	29,583	29,583	29,583	-	-	-	-
Cash and cash equivalents	202,160	202,160	202,160	-	-	-	-
Secured borrowings	(2,494,856)	(3,095,404)	(152,934)	(86,748)	(256,371)	(2,549,374)	(49,977)
Unsecured bonds in issue	(1,382,015)	(1,928,811)	(67,451)	(132,349)	(175,021)	(1,195,002)	(358,988)
Lease liabilities	(68,923)	(70,960)	(17,216)	(14,568)	(24,141)	(12,321)	(2,714)
Trade and other payables	(138,933)	(138,933)	(138,933)	-	-	-	-
	<u>3,284,546</u>	<u>9,252,852</u>	<u>1,153,134</u>	<u>946,001</u>	<u>1,638,227</u>	<u>668,215</u>	<u>4,847,275</u>

*Cash flows based on estimates.

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

Contractual cash flows were determined based on interest rates effective as at 31 December 2023 and 31 December 2022, as appropriate.

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

As at 31 December 2023, the undrawn revolving credit facility limit available to the Group was PLN 768,121 thousand (31 December 2022: PLN 382,997 thousand). The limit is available until 31 December 2028.

Market risk

Market risk is the risk of impact of changes in market prices, such as foreign exchange rates and interest rates on the Group's results or on the value of financial instruments held and investments made by the Group. The objective behind market risk management is to maintain and control the Group's exposure to currency and interest rate risks within assumed limits so as to:

- maintain a stable financial position in the long-term;
- mitigate the liquidity risk;
- reduce the impacts of market risk on profit or loss;
- mitigate the risk of non-compliance with financial covenants under credit agreements and terms and conditions of bonds.

As at 31 December 2023, financial assets denominated in foreign currencies accounted for 57% of total assets, while liabilities denominated in foreign currencies represented 31% of total equity and liabilities (31 December 2022: 55% and 25%, respectively).

Exposure to currency risk and sensitivity analysis

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

PLN '000	31 Dec 2023					31 Dec 2023				
	Exposure to currency risk					Analysis of sensitivity of currency risk exposure to +10% increase in exchange rates				
	PLN	EUR	RON	CZK	Total	PLN	EUR	RON	CZK	Total
Trade and other receivables	-	3,961	12,320	-	16,281	-	396	1,232	-	1,628
Investments	-	245	1,410,385	11,783	1,422,414	-	25	141,038	1,178	142,241
Cash	127	3,845	19,348	909	24,228	13	384	1,935	91	2,423
Borrowings, debt securities and leases	-	(910,455)	-	-	(910,455)	-	(91,045)	-	-	(91,045)
Trade and other payables	(941)	(7,120)	(44,870)	-	(52,932)	(94)	(712)	(4,487)	-	(5,293)
Currency risk exposure – effect on profit or loss	(814)	(909,523)	1,397,182	12,693	499,537	(81)	(90,952)	139,718	1,269	49,954
Trade and other receivables	-	19,650	29,819	(5 607)	43,862	-	1,965	2,982	(561)	4,386
Investments	-	3,856,629	53,682	134,059	4,044,369	-	385,663	5,368	13,406	404,437
Cash	-	87,611	18,781	5,931	112,323	-	8,761	1,878	593	11,232
Borrowings, debt securities and leases	-	(1,968,835)	(15,582)	(846)	(1,985,263)	-	(196,883)	(1,558)	(85)	(198,526)
Trade and other payables	-	(71,984)	(12,508)	(604)	(85,096)	-	(7,198)	(1,251)	(60)	(8,509)
Currency risk exposure – effect on other comprehensive income	-	1,923,071	74,192	132,932	2,130,195	-	192,308	7,419	13,293	213,020
Exposure to currency risk	(814)	1,013,547	1,471,374	145,625	2,629,732	(81)	101,355	147,137	14,563	262,974
Hedge effect		(1,750,000)			(1,750,000)	-	(175,000)	-	-	(175,000)
Currency risk exposure after hedging	(814)	(736,453)	1,471,374	145,625	879,732	(81)	(73,645)	147,137	14,563	87,974

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

PLN	Average exchange rates*		End of period (spot rates)	
	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022	31 Dec 2023	31 Dec 2022
1 EUR	4.5284	4.6883	4.3480	4.6899
1 USD	4.1823	4.4679	3.9350	4.4018
1 RON	0.9145	0.9501	0.8742	0.9475
1 CZK	0.1889	0.1910	0.1759	0.1942

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

Exposure to interest rate risk

Structure of interest-bearing financial instruments as at the end of the reporting period:

PLN '000	Carrying amount	
	31 Dec 2023 unaudited	31 Dec 2022
Fixed-rate financial instruments		
Financial assets	9,199,664	7,067,305
Financial liabilities	(383,995)	(317,046)
Fixed-rate financial instruments before hedging	8,815,669	6,750,259
Hedge effect (nominal amount)	(3,716,158)	(2,179,879)
Fixed-rate financial instruments after hedging	5,099,511	4,570,380
Variable-rate financial instruments		
Financial assets	424,263	348,059
Financial liabilities	(5,384,528)	(3,777,505)
Variable-rate financial instruments before hedging	(4,960,265)	(3,429,446)
Hedge effect (nominal amount)	3,716,158	2,179,879
Variable-rate financial instruments after hedging	(1,244,107)	(1,249,567)

Fair value

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	31 Dec 2023 unaudited		31 Dec 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Hedging instruments (IRS)	(23,442)	(23,442)	34,562	34,562
Hedging instruments (CIRS)	89,256	89,256	1,705	1,705
Loans	5,618	5,618	12,440	12,440
	<u>71,432</u>	<u>71,432</u>	<u>48,707</u>	<u>48,707</u>
Financial assets and liabilities other than measured at fair value				
Investments in debt portfolios	8,673,765	8,827,759	6,768,087	6,358,969
Loans	412,510	418,318	357,003	346,876
Trade and other receivables, excluding tax receivables	45,145	45,145	29,583	29,583
Trade and other payables	(204,742)	(204,742)	(138,933)	(138,933)
Secured borrowings	(2,610,158)	(2,622,718)	(2,494,856)	(2,498,822)
Liabilities under debt securities (unsecured)	(2,851,202)	(2,869,113)	(1,382,015)	(1,366,416)
	<u>3,465,318</u>	<u>3,594,649</u>	<u>3,138,869</u>	<u>2,731,257</u>

Interest rates used for fair value estimation

	31 Dec 2023 unaudited	31 Dec 2022
Investments in debt portfolios	0.00% - 216.23%	0.00% - 216.23%
Loans	17.67% - 45.83%	10.20% - 57.02%
Secured borrowings	6.05% - 8.75%	4.08% - 9.78%

Hierarchy of financial instruments

Hierarchy of financial instruments measured at fair value

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

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

Hierarchy of financial instruments – Level 1

PLN '000

	Level 1	
	Carrying amount	Fair value
As at 31 Dec 2022		
Liabilities under debt securities (unsecured)	(1,382,015)	(1,366,416)
As at 31 Dec 2023		
Liabilities under debt securities (unsecured)	(2,851,202)	(2,869,113)

The fair value of financial liabilities under debt securities is determined based on their prices on the Catalyst market as at the last day of the reporting period.

Hierarchy of financial instruments – Level 2

PLN '000

	Level 2	
	Carrying amount	Fair value
As at 31 Dec 2022		
Hedging instruments (IRS)	34,562	34,562
Hedging instruments (CIRS)	1,705	1,705
Secured borrowings	(2,494,856)	(2,498,822)
As at 31 Dec 2023		
Hedging instruments (IRS)	(23,442)	(23,442)
Hedging instruments (CIRS)	89,256	89,256
Secured borrowings	(2,610,158)	(2,622,718)

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

The fair value of financial liabilities under borrowings is determined on the basis of future cash flows from the 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. For the purpose of fair value calculation the Group uses margin rates from the most recent credit facility agreement.

Hierarchy of financial instruments – Level 3

PLN '000

Level 3

	<u>Carrying amount</u>	<u>Fair value</u>
As at 31 Dec 2022		
Investments in debt portfolios	6,768,087	6,358,969
Loans	369,443	359,316
Trade and other receivables, excluding tax receivables	29,583	29,583
Trade and other payables	(138,933)	(138,933)
As at 31 Dec 2023		
Investments in debt portfolios	8,673,765	8,827,759
Loans	418,128	423,936
Trade and other receivables, excluding tax receivables	45,145	45,145
Trade and other payables	(204,742)	(204,742)

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 current risk free rate and the current risk premium associated with the credit risk for each portfolio.

The difference between the fair value and the carrying amount calculated using the amortised cost method results from a different methodology for calculating both these amounts. The carrying amount is affected by estimated remaining collections on 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.

The Group uses Level 3 inputs to determine the fair value of trade and other receivables, excluding receivables on account of taxes as well as trade and other payables.

13. Factors and events with material bearing on the Group's financial results

Results in the twelve months ended 31 December 2023

The Group's net profit as at 31 December 2023 came in at PLN 1,012,755 thousand, representing an increase from net profit earned in the corresponding period of 2022, which amounted to PLN 805,018 thousand (PLN +207,737 thousand, or +26% year on year). Cash EBITDA for the twelve months ended 31 December 2023 was PLN 2,104,170 thousand, having improved 16% year on year.

Revenue

In the twelve months ended 31 December 2023, the KRUK Group generated PLN 2,592,580 thousand in revenue, up by 21% (PLN +446,790 thousand) year on year. Revenue from purchased debt portfolios amounted to PLN 2,343,758 thousand, up by 23% (PLN +431,082 thousand) year on year. The largest increase was recorded in (PLN +172,125 thousand, or +20%) and the Spanish market (PLN +170,050 thousand, or +142%), with significant increases achieved also in Italy (PLN +49,102 thousand, or +14%) and Romania (PLN +47,480 thousand, or +9%).

In 2023, the Group booked PLN 438,985 thousand in total revaluation of projected recoveries, compared with PLN 383,860 thousand a year earlier.

Costs of operations

In 2023, costs of operations excluding depreciation and amortisation (direct and indirect costs, administrative expenses and other expenses) amounted to PLN 1,207,125 thousand, having increased by PLN 155,364 thousand (15%) on the corresponding period of the previous year. The increase was driven mainly by a rise in employee costs and salaries, as well as court and bailiff fees.

Finance costs

In 2023, net finance costs amounted to PLN 289,684 thousand, having gone up by PLN 110,553 thousand year on year on account of higher debt and increases in the 1M/3M WIBOR and 1M/3M EURIBOR rates.

Investment in new debt portfolios

Total expenditure on debt portfolios in 2023 was PLN 2,972,231 thousand, up by 29% from PLN 2,311,072 thousand in the corresponding period of the previous year.

Recoveries and revaluation of portfolios

Amounts recovered in 2023 from portfolios purchased by the KRUK Group reached PLN 3,062,473 thousand, up by 17% year on year. The year-on-year increase of PLN 435,130 thousand in 2023 was attributable mainly to PLN 143,977 thousand growth in recoveries on the Spanish market (up by 58% year on year), PLN 119,064 thousand growth in recoveries on the Polish market (up by 10% year on year), and PLN 111,864 thousand growth in recoveries on the Italian market (up by 24% year on year).

Impact of inflation on the business of the Group

Inflation has an effect on the KRUK Group's costs, in particular on labour costs and indirectly, through higher interest rates, on finance costs. The impact of inflation on revenues is difficult to assess and can be:

- positive, if indebted persons earn regular income its nominal amount increases, enabling them to repay a larger portion of their debt to the KRUK Group,
- negative, if inflation leads to an economic downturn, lower incomes, higher unemployment, and debtors ceasing to repay their debt.

Russia's invasion of Ukraine

Russia's aggression against Ukraine started on 24 February 2022. The KRUK Group does not hold any assets in Ukraine or Russia, nor does it carry out any business activity in those countries.

With no operations conducted in Ukraine or Russia, the Group expects the implications of the conflict for its operations will be indirect and limited.

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

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

In the period from 1 January to 31 December 2023, the following series of bonds were redeemed in accordance with their respective terms and conditions:

- Series AE3 bonds, with a nominal value of PLN 35,000 thousand, on 12 October 2023,
- Series AG1 bonds, with a nominal value of PLN 30,000 thousand, on 27 November 2023.

In the period from 1 January to 31 December 2023, the Group issued new bonds:

- on 4 January 2023 – unsecured Series AL3 bonds with a nominal value of PLN 120,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.50pp, maturing on 4 January 2029;
- on 20 February 2023 – unsecured Series AN3 bonds with a nominal value of PLN 50,000 thousand issued in a public offering, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp, maturing on 20 February 2028;
- on 12 June 2023 – unsecured Series AN4 bonds with a nominal value of PLN 50,000 thousand issued in a public offering, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp, maturing on 13 June 2028;
- on 10 May 2023 – unsecured Series NO0012903444 bonds with a nominal value of EUR 150,000 thousand issued in a public offering, bearing interest at a floating rate based on 3M EURIBOR plus a margin of 6.50pp, maturing on 10 May 2028;
- on 8 August 2023 – unsecured AO1 bonds with a nominal value of PLN 75,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp, maturing on 8 August 2028;
- on 3 October 2023 – unsecured AO2 bonds with a nominal value of PLN 90,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp, maturing on 3 October 2028;

- on 17 October 2023 – unsecured Series AL4 bonds with a nominal value of PLN 450,000 thousand issued in a public offering, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.65pp, maturing on 17 October 2029;
- on 11 December 2023 – unsecured Series AO3EUR bonds with a nominal value of EUR 5,000 thousand, bearing interest at a floating rate based on 3M EURIBOR plus a margin of 4.00pp, maturing on 11 December 2028;
- on 18 December 2023 – unsecured AO4EUR bonds with a nominal value of EUR 5,000 thousand, bearing interest at a floating rate based on 3M EURIBOR plus a margin of 4.00pp, maturing on 11 December 2028.

Subsequent to the reporting date, the Group also issued:

- on 1 February 2024 – unsecured AO5EUR bonds with a nominal value of EUR 10,000 thousand, bearing interest at a floating rate based on 3M EURIBOR plus a margin of 4.00pp, maturing on 1 February 2029;
- on 12 February 2024 – unsecured Series AO6EUR bonds with a nominal value of EUR 14,000 thousand, bearing interest at a floating rate based on 3M EURIBOR plus a margin of 4.00pp, maturing on 1 February 2029;
- on 23 February 2024 – unsecured Series AO7 bonds with a nominal value of PLN 70,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp, maturing on 23 February 2029.

15. Dividends paid (or declared)

On 17 May 2023, the Management Board of KRUK S.A. passed a resolution recommending that the Parent's Annual General Meeting approve dividend payment to the Parent's shareholders of PLN 15.00 per share. The dividend would be distributed from the Parent's net profit earned in 2022. The dividend recommendation is consistent with the Dividend Policy adopted by the Management Board on 2 December 2021. The recommendation was endorsed by the Parent's Supervisory Board on 22 May 2023.

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

On 20 June 2023, the General Meeting of KRUK S.A. passed a resolution to distribute a dividend of PLN 15.00 per share to the Parent's shareholders. The dividend of PLN 289,781,850.00 was distributed from the Parent's net profit earned in 2022. The dividend record date was 7 September 2023, while the dividend payment date was 28 September 2023.

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

KRUK Group's assets pledged as security

Until the date of issue of this report, there were no movements in contingent liabilities or contingent assets, except for the expiry of guarantees on the stated dates.

Security created over the Group's assets as at 31 December 2023 is presented below.

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Guarantees provided/promissory notes issued				
Surety for PROKURA NFW FIZ's liabilities under the revolving credit facility of 2 July 2015, as amended, between PROKURA NFW FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 180,000 thousand	No later than 3 July 2030	Prokura NFW FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of 13 June 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 54,900 thousand	No later than 31 July 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of 21 June 2018 to the master agreement on the procedure for execution and settlement of treasury transactions

* The surety amount depends on the limit available to InvestCapital Ltd; as at 31 December 2023, the limit was 0.

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for liabilities of InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NFW FIZ under the revolving multi-currency credit facility agreement of 3 July 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S.R.L., Kruk Espana S.L.U. and PROKURA NFW FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A., and PEKAO S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A. PEKAO S.A.	EUR 862,500 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of 7 February 2019
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 21 September 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 24,552 thousand	No later than 20 September 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 14 December 2021 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 51,480 thousand	No later than 13 December 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NFW FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of 1 February 2022 between PROKURA NFW FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 120,000 thousand	No later than 31 January 2031	Prokura NFW FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for PROKURA NFW FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 22 August 2022 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 59,400 thousand	No later than 21 August 2030	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for InvestCapital Ltd's obligations to BANKINTER S.A. of Madrid, under the direct debit collection management contract between BANKINTER S.A. and InvestCapital Ltd. dated 7 July 2022.	BANKINTER S.A.	EUR 1,600 thousand	Until all obligations under the direct debit collection management contract of 7 July 2022 are satisfied.	InvestCapital Ltd's failure to pay amounts due to the Bank under the direct debit collection management contract of 7 July 2022.
Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 180,000 thousand	No later than 15 January 2024	The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the cancellation of shares which took place on 22 September 2023
Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 60,000 thousand	No later than 10 January 2024	The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the cancellation of shares which took place on 14 September 2023
Guarantees obtained				
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 325 thousand and PLN 245 thousand	No later than 30 December 2024	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

Credit sureties or guarantees, security pledges

On 23 November 2023, Kruk S.A. and its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NFW FIZ and KRUK Espana S.L.U. (the borrowers) executed an agreement amending the revolving multi-currency credit facility agreement of 3 July 2017, as amended, with the bank syndicate comprising DNB Bank ASA of Oslo, ING Bank Śląski S.A. of Katowice, Santander Bank Polska S.A. of Warsaw, PKO BP S.A. of Warsaw and Bank Handlowy w Warszawie S.A. of Warsaw (the Lenders) (the Amendment Agreement). The Amendment Agreement provided for an increase in the facility limit up to EUR 575,000 thousand and accession of another bank – Bank Polska Kasa Opieki S.A. – to the syndicate of Lenders. In accordance with the Amendment Agreement, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for all liabilities of the Borrowers under the revolving multi-currency credit facility agreement, and the Borrowers signed relevant amendments to the pledge agreements reflecting the Amendment Agreement. The contents of the declarations on submission to enforcement made by KRUK S.A. and Prokura NFW FIZ on 23 August 2023 remained unchanged.

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

- on 10 January, 22 March, 15 June 2023 and, after the reporting date, on 12 July 2023 InvestCapital LTD and the Lenders signed agreements under Spanish law creating pledges over debt portfolios purchased by InvestCapital LTD on the Spanish market;
- on 18 January 2023, additional bonds issued by KRUK Investimenti S.R.L. were pledged pursuant to the agreement of 24 January 2022 made between InvestCapital LTD and DNB Bank ASA, as the security agent, under Italian law, creating pledges over bonds issued by KRUK Investimenti S.R.L. and the bank account of InvestCapital LTD to which proceeds from the bonds are paid;
- on 1 February 2023 and, after the reporting date, on 2 February 2024, InvestCapital LTD and DNB Bank ASA, acting as the security agent, signed agreements under Romanian law creating pledges over debt portfolios purchased by InvestCapital LTD on the Romanian market;
- on 2 February 2023, InvestCapital LTD, Kruk Romania S.R.L. and DNB Bank ASA, acting as the security agent, signed an annex under Romanian law to the agreement creating pledges over bank accounts held by Kruk Romania S.R.L.;
- on 20 February 2023, additional bonds issued by ItaCapital S.r.l. were pledged pursuant to an agreement of 3 July 2017 made between InvestCapital LTD and DNB Bank ASA, as the security agent, under Italian law, creating pledges over bonds and the bank account of InvestCapital LTD to which proceeds from the bonds are paid;
- on 22 May 2023, Prokura NFW FIZ and DNB Bank ASA, acting as the security agent, signed an agreement under Polish law creating a registered pledge over debt portfolios purchased by Prokura NS FIZ on the Polish market;
- on 25 October 2023, Kruk Romania S.R.L. and DNB Bank ASA, acting as the security agent, signed an agreement under Romanian law establishing pledges over debt portfolios purchased by Kruk Romania S.R.L. on the Romanian market.

As at 31 December 2023, the value of the security created in favour of the Lenders was PLN 5,252,665 thousand.

In order to secure the repayment of Prokura NFW FIZ's liabilities under the up to PLN 52,800 thousand non-revolving working capital facility agreement of 22 August 2022 between Prokura NFW FIZ, KRUK S.A. and PKO BP S.A.:

- On 10 February 2023, Prokura NFW FIZ and PKO BP S.A. signed an agreement to create a registered pledge over a set of rights (debt portfolios owned by Prokura NFW FIZ). The pledge was created up to the maximum amount of PLN 79,200 thousand.

As at 31 December 2023, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 135,036 thousand.

In order to secure the repayment of Prokura NFW FIZ's liabilities under the PLN 120,000 thousand revolving credit facility agreement of 2 July 2015, as amended, between Prokura NFW FIZ, KRUK S.A. and mBank S.A. of Warsaw:

- on 20 March 2023, Prokura NFW FIZ entered into an agreement with mBank S.A. to create a registered pledge over a set of rights (debt portfolios owned by Prokura NFW FIZ). The pledge was created up to the maximum amount of PLN 180,000 thousand;
- after the reporting date, on 11 January 2024, Prokura NFW FIZ entered into an agreement with mBank S.A. to create a registered pledge over a set of rights (debt portfolios owned by Prokura NFW FIZ). The pledge was created up to the maximum amount of PLN 210,000 thousand.

On 19 December 2023, an agreement amending the revolving credit facility agreement of 2 July 2015, as amended, was executed between Prokura NFW FIZ, KRUK S.A. and mBank S.A. of Warsaw. The facility limit was increased up to PLN 140,000 thousand and the availability period of the facility was extended until 18 December 2028.

Accordingly, after the reporting date:

- on 10 January 2024, an agreement amending the financial pledge agreement of 2 July 2015 was executed between Prokura NFW FIZ and mBank S.A. under which the security period was extended until 18 December 2031;
- on 10 January 2024, an agreement amending the surety agreement of 2 July 2015 was executed between mBank S.A. and KRUK S.A. under which the surety amount was increased to PLN 210,000 thousand and the surety expiry date was extended until 18 December 2031;
- on 11 January 2024, KRUK S.A. provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210,000 thousand, which will expire on or before 19 December 2031;
- on 12 January 2024, Prokura NFW FIZ provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210,000 thousand, which will expire on or before 19 December 2031;
- on 12 January 2024, an agreement amending the agreement on registered pledge over a set of rights of 20 March 2023 was executed between Prokura NFW FIZ and mBank S.A. under which the maximum secured amount was increased to PLN 210,000 thousand.

As at 31 December 2023, the value of all portfolios pledged in favour of mBank S.A. was PLN 173,604 thousand.

On 27 February 2023, the credit facility agreement between KRUK S.A., its subsidiary Prokura NFW FIZ and ING Bank Śląski S.A. of 20 December 2018, as amended, was terminated by mutual agreement between the parties. Following the termination of the credit facility agreement:

- on 27 February 2023, the surety for up to PLN 300,000 thousand provided by KRUK S.A. to secure repayment of the borrower's (Prokura NFW FIZ's) liabilities expired;
- on 27 February 2023, the following pledge agreements were terminated by mutual agreement between the parties:
 - the agreement of 4 January 2019 between Prokura NFW FIZ and ING Bank Śląski S.A. creating a registered and financial pledge over receivables under a bank account agreement;
 - the agreement of 20 December 2018 between KRUK S.A. and ING Bank Śląski S.A. creating a financial pledge over receivables under a bank account agreement;
- on 2 June and 6 June 2023, based on decisions issued by the District Court for Wrocław–Fabryczna in Wrocław, 7th Commercial Division, the registered pledges created over debt portfolios held by Prokura NFW FIZ and over Prokura NFW FIZ's bank account were deleted from the pledge register.

In order to secure the repayment of KRUK S.A.'s liabilities under the revolving credit facility agreement of 2 June 2023 between KRUK S.A. and Alior Bank S.A.:

- on 21 June 2023, KRUK S.A. provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 75m, which will expire on or before 1 June 2028;
- on 21 July 2023, an agreement was executed between KRUK S.A. and Alior Bank S.A. creating a financial and registered pledge over investment certificates. The registered pledge was created up to the maximum amount of PLN 75,000 thousand.

On 31 October 2023, all amounts due under the credit facility agreement executed between KRUK S.A. and Bank Pocztowy S.A. on 19 December 2018 were fully prepaid. Under the agreement, the final repayment date was 18 December 2023. Following full repayment of the credit facility, the security interests, i.e. the agreement creating a financial pledge over investment certificates and the agreement creating a financial pledge over receivables under a bank account agreement, were released.

On 27 November 2023, an agreement amending the revolving credit facility agreement of 8 April 2011, as amended, was executed between KRUK S.A. and Santander Bank Polska S.A. of Warsaw under which the loan facility repayment dates were extended. Current repayment dates:

- the facility of PLN 120,000 thousand or its EUR equivalent – the availability end date and final repayment date set for 31 October 2028,
- the additional facility of PLN 105,000 thousand or its EUR equivalent – the availability end date and final repayment date set for 30 October 2026.

In order to secure the repayment of KRUK S.A.'s liabilities under the revolving credit facility agreement of 28 December 2023 between KRUK S.A. and Alior Bank S.A.:

- After the reporting date, on 11 January 2024, KRUK S.A. provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150,000 thousand, which will expire on or before 31 December 2028.

- After the reporting date, on 14 February 2024, an agreement was executed between KRUK S.A. and Alior Bank S.A. creating a financial and registered pledge over investment certificates. The registered pledge was created up to the maximum amount of PLN 150,000 thousand.

After the reporting date, on 8 February 2024 non-revolving working capital facility agreement was executed between Prokura NFW FIZ, KRUK S.A. and PKO BP S.A. of Warsaw in order to secure the repayment of Prokura NFW FIZ's liabilities:

- on 8 February 2024, an agreement amending the financial pledge agreement of 5 October 2021 was executed between Prokura NFW FIZ and PKO BP S.A.,
- on 8 February 2024, an agreement amending the financial pledge agreement of 5 October 2021 was executed between KRUK S.A. and PKO BP S.A.,
- on 8 February 2024, the surety agreement was executed between KRUK S.A. and PKO BP S.A. under which KRUK S.A. provided the surety for up to PLN 58,950 thousand to secure repayment of the borrower's liabilities;
- on 14 February 2024, Prokura NFW FIZ and KRUK S.A. provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 58,950 thousand, which will expire on or before 7 February 2032.

In connection with a PLN 60,000 thousand share capital cancellation at InvestCapital Ltd., carried out on 14 September 2023 and due to become final by 10 January 2024, on 14 September 2023 KRUK S.A. issued a corporate guarantee of up to PLN 60,000 thousand for the benefit of InvestCapital Ltd. The guarantee expires on 10 January 2024. The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who can challenge the share capital cancellation by 10 January 2024.

In connection with a PLN 180,000 thousand share capital cancellation at InvestCapital Ltd., carried out on 22 September 2023 and due to become final by 15 January 2024, on 22 September 2023 KRUK S.A. issued a corporate guarantee of up to PLN 180,000 thousand for the benefit of InvestCapital Ltd. The guarantee expires on 15 January 2024. The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the share cancellation by 15 January 2024.

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

After the end of the fourth quarter of 2023, there were no events with a potentially material bearing on the Group's future performance.

Piotr Krupa*President of the Management Board***Piotr Kowalewski***Member of the Management Board***Adam Łodygowski***Member of the Management Board***Urszula Okarma***Member of the Management Board***Michał Zasepa***Member of the Management Board***Monika Grudzień-Wiśniewska***Person keeping
the accounting records***Hanna Stempień***Prepared by**Wrocław, 27 February 2024*