



25 years

OF EUROPEAN
KNOWLEDGE
& EXPERIENCE

FINANCIAL HIGHLIGHTS

**OF THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
OF KRUK S.A.**

for the period 1 January –
31 December 2023



25 years

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INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF KRUUK S.A.

for the period 1 January –
31 December 2023

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I. Separate statement of financial position

PLN '000	Note	31 Dec 2023 unaudited	30 Sep 2023 unaudited	31 Dec 2022
Assets				
Cash and cash equivalents	8.12.	227,643	8,857	22,008
Hedging instruments	8.9.	98,428	47,705	30,335
Trade receivables from related entities	8.11.	33,932	27,478	27,523
Trade receivables from other entities	8.11.	2,582	3,255	3,339
Other receivables	8.11.	11,664	21,437	15,715
Income tax receivable		16,232	6,738	9,292
Inventories	7.	14,562	16,508	15,174
Investments	7.	1,432,518	1,231,095	464,743
Equity-accounted investments in subsidiaries	8.10.	5,483,390	5,394,869	4,735,762
Property, plant and equipment		35,348	34,749	39,774
Intangible assets		29,427	29,088	30,791
Other assets		8,787	7,775	8,962
Total assets		7,394,513	6,829,554	5,403,418
Equity and liabilities				
Liabilities				
Trade and other payables	8.13.	35,452	40,036	30,645
Hedging instruments	8.9.	20,883	7,694	9,824
Employee benefit obligations	8.14.	38,196	27,809	28,974
Borrowings, other debt securities and leases	8.8.	3,265,472	2,770,930	1,865,886
Provisions	8.15.	12,256	12,348	12,653
Deferred tax liability	8.7.	202,307	245,145	201,419
Total liabilities		3,574,566	3,103,962	2,149,401
Equity				
Share capital		19,319	19,319	19,319
Share premium		358,506	358,506	358,506
Hedge reserve	8.9.	62,774	31,940	16,871
Translation reserve		(95,871)	67,368	100,448
Share of other comprehensive income of equity-accounted investees		(8,400)	24,257	19,911
Other capital reserves		171,847	168,085	149,896
Retained earnings		3,311,772	3,056,117	2,589,066
Total equity		3,819,947	3,725,592	3,254,017
Equity and liabilities		7,394,513	6,829,554	5,403,418

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

II. Separate 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
Revenue from rendering of services	8.1.	226,461	59,954	164,102	45,332
Gain/(loss) on expected credit losses	8.1.	17,699	4,542	18,700	3,685
Interest income on debt portfolios measured at amortised cost	8.1.	16,620	4,241	17,502	4,282
Other income	8.1.	1,130	392	2,561	1,513
Other income/(expenses) from purchased debt portfolios	8.1.	(1,921)	(1,629)	566	(867)
Income including gain/(loss) on expected credit losses and other income/(expenses) from purchased debt portfolios		259,989	67,500	203,431	53,945
Share of profit/(loss) of equity-accounted investees	8.10.	1,192,612	269,668	1,002,707	192,855
Employee benefits expense	8.2.	(222,350)	(63,628)	(200,625)	(55,142)
Depreciation and amortisation		(25,965)	(6,712)	(21,250)	(6,516)
Services	8.3.	(74,596)	(22,099)	(51,065)	(13,934)
Other expenses	8.4.	(32,728)	(15,599)	(32,293)	(9,751)
		(355,639)	(108,038)	(305,233)	(85,343)
Finance income	8.5.	101,195	31,379	46,476	13,709
Finance costs	8.6.	(172,146)	(56,710)	(105,971)	(24,216)
<i>including interest expense relating to lease liabilities</i>		(1,996)	(397)	(1,645)	(579)
Net finance costs		(70,951)	(25,331)	(59,495)	(10,507)
Profit/(loss) before tax		1,026,011	203,799	841,410	150,950
Income tax	8.7.	(13,523)	51,856	(36,428)	(22,826)
Net profit/(loss) for period		1,012,488	255,655	804,982	128,124
Earnings/(loss) per share					
Basic (PLN)	8.16.	52.41	13.23	42.07	6.59
Diluted (PLN)	8.16.	49.77	12.47	40.71	6.35

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

III. Separate statement of comprehensive income

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
Net profit/(loss) for period		1,012,488	255,655	804,982	128,124
Other comprehensive income, gross					
Items that may be reclassified subsequently to profit or loss					
Instruments hedging cash flows and net investment in a foreign operation	8.9.	56,376	38,067	2,280	25,597
Exchange differences on translating foreign operations	8.10.	(196,319)	(163,239)	24,740	(68,849)
Share of other comprehensive income of equity-accounted investees	8.10.	(27,487)	(31,833)	15,756	15,756
		<u>(167,430)</u>	<u>(157,005)</u>	<u>42,776</u>	<u>(27,496)</u>
Items that will not be reclassified to profit or loss					
Share of other comprehensive income of equity-accounted investees	8.10.	(824)	(824)	4,155	4,155
		<u>(824)</u>	<u>(824)</u>	<u>4,155</u>	<u>4,155</u>
Other comprehensive income for period, gross		<u>(168,254)</u>	<u>(157,829)</u>	<u>46,931</u>	<u>(23,341)</u>
Income tax on instruments hedging cash flows and net investment in a foreign operation	8.7.	(10,473)	(7,233)	(3,294)	(3,294)
Other comprehensive income for period, net		<u>(178,727)</u>	<u>(165,062)</u>	<u>43,637</u>	<u>(26,635)</u>
Total comprehensive income for period		<u>833,761</u>	<u>90,593</u>	<u>848,619</u>	<u>101,489</u>

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

IV. Separate statement of changes in equity

PLN '000	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Share of other comprehensive income of equity-accounted investees	Other capital reserves	Retained earnings	Total equity
Equity as at 1 Jan 2022		19,013	333,264	17,885	75,708	-	122,202	2,032,745	2,600,817
Comprehensive income for period									
Net profit/(loss) for period		-	-	-	-	-	-	804,982	804,982
Other comprehensive income									
- Exchange differences on translating foreign operations	8.10.	-	-	-	24,740	-	-	-	24,740
- Share of other comprehensive income of equity-accounted investees	8.10.	-	-	-	-	19,911	-	-	19,911
- Measurement of hedging instruments	8.9.	-	-	(1,014)	-	-	-	-	(1,014)
Total other comprehensive income		-	-	(1,014)	24,740	19,911	-	-	43,637
Total comprehensive income for period		-	-	(1,014)	24,740	19,911	-	804,982	848,619
Contributions from and distributions to owners									
- Payment of dividends	8.16.	-	-	-	-	-	-	(248,661)	(248,661)
- Share-based payments		-	-	-	-	-	27,694	-	27,694
- Issue of shares		306	25,242	-	-	-	-	-	25,548
Total contributions from and distributions to owners		306	25,242	-	-	-	27,694	(248,661)	(195,419)
Total equity as at 31 Dec 2022		19,319	358,506	16,871	100,448	19,911	149,896	2,589,066	3,254,017

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

PLN '000	Note	Share capital	Share premium	Hedge reserve	Translation reserve	Share of other comprehensive income of equity-accounted investees	Other capital reserves	Retained earnings	Total equity
Equity as at 1 Jan 2023		19,319	358,506	16,871	100,448	19,911	149,896	2,589,066	3,254,017
Comprehensive income for period									
Net profit/(loss) for period		-	-	-	-	-	-	1,012,488	1,012,488
Other comprehensive income									
- Exchange differences on translating foreign operations	8.10.	-	-	-	(196,319)	-	-	-	(196,319)
- Share of other comprehensive income of equity-accounted investees	8.10.	-	-	-	-	(28,311)	-	-	(28,311)
- Measurement of hedging instruments	8.9.	-	-	45,903	-	-	-	-	45,903
Total other comprehensive income		-	-	45,903	(196,319)	(28,311)	-	-	(178,727)
Total comprehensive income for period		-	-	45,903	(196,319)	(28,311)	-	1,012,488	833,761
Contributions from and distributions to owners									
- Payment of dividends	8.16.	-	-	-	-	-	-	(289,782)	(289,782)
- Share-based payments		-	-	-	-	-	21,951	-	21,951
Total contributions from and distributions to owners		-	-	-	-	-	21,951	(289,782)	(267,831)
Total equity as at 31 Dec 2023, unaudited		19,319	358,506	62,774	(95,871)	(8,400)	171,847	3,311,772	3,819,947

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

V. Separate statement of cash flows

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
Cash flows from operating activities					
Net profit/(loss) for period		1,012,488	255,655	804,982	128,124
<i>Adjustments</i>					
Depreciation of property, plant and equipment		15,191	3,988	14,297	3,782
Amortisation of intangible assets		10,774	2,724	6,953	2,734
Net finance costs		68,690	23,715	59,464	9,987
Share of (profit)/loss of equity-accounted investees	8.10.	(1,192,612)	(269,668)	(1,002,707)	(192,855)
Gain/(loss) on retirement/sale of property, plant and equipment	8.1.	(805)	285	(1,550)	(1,245)
Equity-settled share-based payments		21,951	3,762	27,694	4,584
Interest income	8.1.	(16,620)	(4,241)	(17,502)	(4,282)
Income tax	8.7.	13,523	(51,856)	36,428	22,826
Change in debt portfolios purchased	7.	(556)	732	596	1,425
Change in inventories	7.	612	1,946	3,796	338
Change in trade and other receivables	8.11.	5,585	(86)	48,215	42,866
Change in other assets		175	(1,012)	(2,595)	(2,693)
Change in trade and other payables, excluding financial liabilities	8.13.	9,232	(159)	21,188	9,636
Change in employee benefit obligations	8.14.	9,222	10,387	4,821	4,384
Change in provisions	8.15.	(397)	(92)	(4)	(600)
Interest received	8.1.	16,620	4,241	17,502	4,282
Income tax paid		(30,049)	(7,710)	(29,667)	(3,856)
Net cash from operating activities		(56,976)	(27,389)	(8,089)	29,437
Cash flows from investing activities					
Interest received		46,658	20,600	13,699	5,434
Loans	7.	(1,034,534)	(270,114)	(71,755)	(31,748)
Sale of intangible assets and property, plant and equipment		743	(181)	503	154
Dividends received	8.10.	29,695	10,681	19,487	4,534
Proceeds from investments in subsidiaries	8.10.	364,612	10,927	119,875	690
Purchase of intangible assets and property, plant and equipment		(18,444)	(5,897)	(15,897)	(7,898)
Acquisition of shares in subsidiaries	8.10.	(236,358)	(60,070)	(108,115)	(83,449)
Proceeds from repayment of loans*	7.	108,483	32,645	70,822	21,387
Net cash from investing activities		(739,145)	(261,409)	28,619	(90,896)
Cash flows from financing activities					
Proceeds from issue of debt securities	8.8.	1,560,639	583,319	545,000	35,000
Proceeds from issue of shares		-	-	25,548	15,957
Increase in borrowings	8.8.	1,422,851	511,512	1,072,148	363,601
Repayment of borrowings	8.8.	(1,439,452)	(466,055)	(851,384)	(236,341)
Payments under finance lease contracts (principal)	8.8.	(18,931)	(4,995)	(12,666)	(3,921)
Dividends paid	8.16.	(289,782)	-	(248,661)	-
Redemption of debt securities	8.8.	(65,000)	(65,000)	(467,926)	(75,000)
Interest paid		(168,569)	(51,197)	(114,279)	(28,068)
Net cash from financing activities		1,001,756	507,584	(52,220)	71,228
Total net cash flows		205,635	218,786	(31,690)	9,769
Cash and cash equivalents at beginning of period		22,008	8,857	53,698	12,239
Cash and cash equivalents at end of period		227,643	227,643	22,008	22,008
- including restricted cash**		-	-	5,691	5,691
- effect of exchange rate fluctuations on cash held		(2,261)	(265)	(527)	1,387

* Interest paid on loans, which in the previous reporting periods was recorded under Proceeds from repayment of loans, has been separated and presented under Interest received.

** Proceeds from the issue of Series AN2 bonds, of PLN 5,691 thousand, deposited in a technical account held with the broker, credited in the Group's bank account after the reporting date, on 10 January 2023.

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

VI. Notes to the interim condensed separate financial statements

1. Company details

Name

KRUK Spółka Akcyjna (“KRUK S.A.” or “the Company”)

Registered office

ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:

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

Date of registration: 7 September 2005

Registration number: KRS NO. 0000240829

Principal business activity

The Company's principal business consists in debt collection, including collection of receivables from purchased debt portfolios, fee-based credit management services, and investing in subsidiaries.

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

As at 31 December 2023, the composition of KRUK S.A.’s Management Board was as follows:

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

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 Supervisory Board was as follows:

Piotr Stępnia	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.

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 separate 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 separate statement of changes in equity has been 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 under audit performed by an audit company.

The separate financial statements of KRUK S.A. for the year ended December 31st 2023, together with the audit report, will be published on 27th March 2024.

3. Statement of compliance

These interim condensed separate financial statements of the Company have been prepared in a condensed form in accordance with IAS 34 applicable to interim financial statements, as endorsed by the European Union, and should be read in conjunction with the consolidated financial statements of the Group as at 31 December 2023 and for the period from 1 January to 31 December 2023.

These financial statements do not contain all the information required to be included when preparing full-year financial statements and should therefore be read in conjunction with the separate financial statements of KRUK S.A. and consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards as at and for the year ended 31 December 2022. The separate and consolidated financial statements are available at:

<https://pl.kruk.eu/relacje-inwestorskie/raporty/raporty-okresowe> .

In the opinion of the Management Board, there are no facts or circumstances which could pose a significant threat to the Company continuing as a going concern. Therefore, these interim condensed

financial statements have been prepared under the assumption that the Company will continue as a going concern in the foreseeable future.

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

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

The Polish zloty is the functional currency of the Company.

4. Significant accounting policies

These interim condensed separate financial statements have been prepared based on the following valuation concepts:

- measurement with the equity method – for investments in subsidiaries;
- measurement at amortised cost calculated using the effective interest rate method:
 - including allowance for expected credit losses – for credit-impaired assets (investments in debt portfolios);
 - for financial assets held as part of the business model whose objective is to hold financial assets in order to collect contractual cash flows (loans advanced); and
 - for other financial liabilities;
- measurement at fair value – for derivatives;
- measurement at historical cost for other non-financial assets and liabilities.

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

The Company also 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 separate financial statements.

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 Company

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
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 Company does not expect the amendments to have any significant effect on its separate 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 Company does not expect the amendments to have any significant effect on its separate 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 or 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 Company is assessing the potential impact of the amendments on its separate 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 Company is assessing the potential impact of the amendments on its separate financial statements.	1 January 2025

Ensuring data comparability

To better reflect the relevant economic substance, the Company changed the presentation of share of profit/(loss) of equity-accounted investees in the separate statement of profit or loss.

In the Management Board's opinion, the transfer of this line item will enhance the quality of data presented and its usefulness to readers.

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

PLN '000	1 Jan–30 Sep 2023 Data restated to ensure comparability	Presentation change	1 Jan–30 Sep 2023 Originally reported	1 Jan–31 Dec 2022 Data restated to ensure comparability	Presentation change	1 Jan–31 Dec 2022 Originally reported
Revenue from rendering of services	166,507	-	166,507	164,102	-	164,102
Gain/(loss) on expected credit losses	13,157	-	13,157	18,700	-	18,700
Interest income on debt portfolios measured at amortised cost	12,379	-	12,379	17,502	-	17,502
Other income	738	-	738	2,561	-	2,561
Other income/(expenses) from purchased debt portfolios	(292)	-	(292)	566	-	566
Income including gain/(loss) on expected credit losses and other income/(expenses) from purchased debt portfolios	192,489	-	192,489	203,431	-	203,431
Share of profit/(loss) of equity-accounted investees	922,944	922,944	-	1,002,707	1,002,707	-
Employee benefits expense	(158,722)	-	(158,722)	(200,625)	-	(200,625)
Depreciation and amortisation	(19,253)	-	(19,253)	(21,250)	-	(21,250)
Services	(52,497)	-	(52,497)	(51,065)	-	(51,065)
Other expenses	(17,129)	-	(17,129)	(32,293)	-	(32,293)
	(247,601)	-	(247,601)	(305,233)	-	(305,233)
Finance income	69,816	-	69,816	46,476	-	46,476
Finance costs including interest expense relating to lease liabilities	(115,436)	-	(115,436)	(105,971)	-	(105,971)
	(1,599)	-	(1,599)	(1,645)	-	(1,645)
Net finance costs	(45,620)	-	(45,620)	(59,495)	-	(59,495)
Share of profit/(loss) of equity-accounted investees	-	(922,944)	922,944	-	(1,002,707)	1,002,707
Profit/(loss) before tax	822,212	-	822,212	841,410	-	841,410
Income tax	(65,379)	-	(65,379)	(36,428)	-	(36,428)
Net profit/(loss) for period	756,833	-	756,833	804,982	-	804,982
Earnings/(loss) per share						
Basic (PLN)	39.18		39.18	42.07		42.07
Diluted (PLN)	37.30		37.30	40.71		40.71

5. Accounting estimates and judgements

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

The estimates and assumptions are reviewed by the Company on an ongoing basis, based on past experience and other factors, including expectations as to future events, which seem justified in given circumstances. 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)		
Equity-accounted investments in subsidiaries	5,483,390	4,735,762	8.10.	Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified are tested for impairment at least annually. As part of the tests, the Company estimates the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method. The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries investing in debt portfolios or debt-related assets depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future. The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.

Investments in debt portfolios	31,747	31,191	7.	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 (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. KRUK S.A. prepares projections of recoveries from debt portfolios separately for individual markets. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors. Initial projections of expected cash flows that take into account the initial value (purchase price) are the basis for calculating the effective interest rate, equal to the internal rate of return including an element that reflects credit risk, which is used for discounting estimated cash flows, and which, as a rule, remains unchanged throughout the life of a portfolio.
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Item	Amount subject to judgement		Note	Assumptions and estimate calculation
	31 Dec 2023 (PLN '000)	31 Dec 2022 (PLN '000)		
Deferred tax liability	202,307	201,419	8.7.	<p>The Company exercises control over the timing of temporary differences regarding subsidiaries, and thus recognises deferred tax liabilities. These liabilities are based on estimates of future income tax payments, which are derived from three-year plans. The Company assesses the recoverability of the deferred tax asset based on its approved projection of profits 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.

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

6. Financial risk management

The principles of financial risk management are presented in the most recent separate 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. Type and amounts of changes in estimates adopted in previous financial years with a material effect on the reporting period

Investments measured at amortised cost

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Investments measured at amortised cost		
Investments in debt portfolios	31,747	31,191
Loans to related parties	1,400,771	433,552
	<u>1,432,518</u>	<u>464,743</u>

In 2023, the Company advanced loans of EUR 205,000 thousand to its related company InvestCapital Ltd, which significantly increased the amount of loans to related parties.

Investments in debt portfolios

Investments in debt portfolios are divided into the following main categories:

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Investments in debt portfolios		
Unsecured portfolios	31,747	31,172
Secured portfolios	-	19
	<u>31,747</u>	<u>31,191</u>

For information on the assumptions made in the valuation of debt portfolios and the adopted schedule of cash receipts (undiscounted value), see Note 8.1.

Changes in carrying amounts of investments in debt portfolios

In the reporting period, the Company did not invest any amounts in debt portfolios, while the amount of recoveries from indebted persons was PLN 32,988 thousand (same period of the year before: PLN 36,336 thousand). Below are presented changes in the net carrying amount of investments in debt portfolios:

<i>PLN '000</i>	Dec 31 2023 unaudited	Dec 31 2022
Carrying amount of investments in debt portfolios at beginning of period	31,191	31,787
Cash recoveries	(32,988)	(36,336)
Gain/(loss) on sale/revaluation of property	1,146	(1,028)
Revenue from purchased debt portfolios	32,398	36,768
Carrying amount of investments in debt portfolios at end of period	<u>31,747</u>	<u>31,191</u>

For a description of revenue from purchased debt portfolios, including interest income and allowance for expected credit losses, see Note 8.1.

Changes in expected credit losses

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

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Cumulative expected credit losses on purchased debt portfolios at beginning of period	270,745	253,075
Revaluation of projected recoveries	11,359	11,712
Deviations from actual recoveries, decreases on early collections in collateralised cases	7,493	5,958
Cumulative expected credit losses on purchased debt portfolios at end of period	289,597	270,745

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

Loans to related parties

As at 31 December 2023, the gross carrying amount of loans advanced to related parties was PLN 1,404,666 thousand, and the loss allowance was PLN 3,895 thousand (31 December 2022: PLN 462,003 thousand and PLN 28,451 thousand, respectively).

Loans to related parties are provided on the following terms:

- 3M WIBOR + margin of 2-6.4pp;
- 1M EURIBOR + margin of 2.6pp;
- 3M EURIBOR + margin of 2-4.3pp;
- 3M PRIBOR + margin of 2-2.09pp;
- 3M ROBOR+ margin of 2.09-3pp;
- fixed interest rate – 9.76pp.

For information on the balance of loans to related parties, see Note 12.

For information on the Company's exposure to credit, currency and interest rate risks associated with its investments, see Note 10.

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

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Real property	14,418	15,049
Other inventories	144	125
	<u>14,562</u>	<u>15,174</u>

The Company forecloses real 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>	31 Dec 2023 unaudited	31 Dec 2022
Carrying amount of property held at beginning of period	15,049	18,970
Carrying amount of property foreclosed	6,438	4,880
Carrying amount of property sold	(3,630)	(5,562)
Impairment loss on property	(3,439)	(3,239)
Carrying amount of property held at end of period	<u>14,418</u>	<u>15,049</u>

As at 31 December 2023, the inventory write-down was PLN 3,439 thousand (31 December 2022: PLN 3,239 thousand).

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

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

Revenue from rendering of 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	148,168	35,589	113,061	25,738
Revenue from other services	78,225	24,332	51,015	19,580
Revenue from sale of merchandise and materials	68	33	26	14
	<u>226,461</u>	<u>59,954</u>	<u>164,102</u>	<u>45,332</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
Gain/(loss) on expected credit losses	17,699	4,542	18,700	3,685
Interest income on debt portfolios measured at amortised cost	16,620	4,241	17,502	4,282
Other income/(expenses) from purchased debt portfolios	(1,921)	(1,629)	566	(867)
	<u>32,398</u>	<u>7,154</u>	<u>36,768</u>	<u>7,100</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	11,359	2,696	11,712	2,805
Deviations from actual recoveries, decreases on early collections in collateralised cases	6,340	1,846	6,988	880
	<u>17,699</u>	<u>4,542</u>	<u>18,700</u>	<u>3,685</u>

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

- discount rate in case of change in the amount of the purchased debt portfolio;
- cash flows estimation period;
- expected future cash flows estimated using the current data and debt collection processes.

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

Assumptions adopted in the valuation of debt portfolios

	31 Dec 2023 unaudited	31 Dec 2022
Discount rate*	28.11% - 170.19%	28.11% - 170.19%
Cash flows estimation period	Jan 2024–Dec 2038	Jan 2023–Dec 2037
Undiscounted value of future recoveries PLN '000	112,069	90,800

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

Estimated remaining collections by collection period (undiscounted amounts)

PLN '000	31 Dec 2023 unaudited	31 Dec 2022
Period		
Up to 12 months	22,523	23,721
From 1 to 2 years	17,342	16,546
From 2 to 3 years	14,184	12,396
From 3 to 4 years	11,696	9,405
From 4 to 5 years	9,655	7,158
From 5 to 6 years	7,819	5,458
From 6 to 7 years	6,197	4,144
From 7 to 8 years	5,009	3,183
From 8 to 9 years	4,193	2,428
From 9 to 10 years	3,519	1,868
From 10 to 11 years	2,970	1,442
From 11 to 12 years	2,518	1,106
From 12 to 13 years	2,125	829
From 13 to 14 years	1,558	632
From 14 to 15 years	761	484
Over 15 years	-	-
	112,069	90,800

PLN '000	31 Dec 2023 unaudited	31 Dec 2022
discount rate:		
< 25%	33	17
25% - 50%	13,489	12,950
> 50%	98,547	77,833
	112,069	90,800

The amounts of estimated remaining collections 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 collections on existing debt portfolios,
- revaluation of estimated remaining collections.

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 exchange gains/(losses)	(1,921)	(1,629)	566	(867)
	(1,921)	(1,629)	566	(867)

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
Gain/(loss) on retirement/sale of property, plant and equipment	805	(285)	1,550	1,245
Re-billing income/(expense)	260	645	696	221
Other	65	32	71	45
Compensation for motor damage	-	-	244	2
	1,130	392	2,561	1,513

8.2. 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	(161,836)	(49,129)	(140,160)	(41,440)
Old-age and disability pension contributions (defined contribution plans)	(23,245)	(5,670)	(20,980)	(5,764)
Equity-settled cost of stock option plan	(21,951)	(3,762)	(27,694)	(4,584)
Other employee expenses	(8,592)	(3,120)	(6,068)	(1,624)
Other social security contributions*	(5,404)	(1,628)	(4,565)	(1,418)
Contribution to the State Fund for the Disabled	(1,322)	(319)	(1,158)	(312)
	(222,350)	(63,628)	(200,625)	(55,142)

* Other social security contributions exclude the item presented separately as Other employee expenses.

8.3. 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
IT services*	(33,221)	(10,095)	(21,718)	(5,938)
Credit management services	(12,693)	(3,247)	(9,875)	(2,486)
Postal and courier services	(6,198)	(1,241)	(4,491)	(1,390)
Administrative and accounting support services*	(7,669)	(3,100)	(2,387)	(586)
Space rental and service charges	(3,685)	(951)	(3,051)	(1,023)
Communications services	(3,120)	(827)	(2,868)	(786)
Legal assistance services*	(2,081)	(420)	(1,584)	(380)
Other auxiliary services	(1,196)	(708)	(567)	(129)
Banking services	(942)	(150)	(845)	(37)
Recruitment services	(920)	(336)	(883)	(95)
Security	(895)	(230)	(683)	(215)
Repair of vehicles	(543)	(200)	(546)	(152)
Other rental	(436)	(229)	(115)	(73)
Printing services	(341)	(115)	(304)	(68)
Repair and maintenance services	(289)	(140)	(417)	(72)
Transport services	(187)	(65)	(142)	(56)
Packing services	(110)	(27)	(90)	(23)
Marketing and management services	(70)	(18)	(499)	(425)
	<u>(74,596)</u>	<u>(22,099)</u>	<u>(51,065)</u>	<u>(13,934)</u>

*Advisory services presented in the previous reporting period have been divided into Administrative and accounting support services, Legal assistance services and IT services.

8.4. 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
Raw materials and consumables used	(6,287)	(1,795)	(6,221)	(1,404)
Entertainment expenses	(6,260)	(5,276)	(729)	(215)
Advertising	(5,405)	(2,553)	(3,136)	(1,457)
Staff training	(3,726)	(1,735)	(2,359)	(887)
VAT on rental payments (leases and rents)	(2,484)	(667)	(2,559)	(739)
Business trips	(1,916)	(719)	(899)	(426)
Taxes and charges*	(1,873)	(1,355)	(11,787)	(3,535)
Court fees	(974)	(323)	(909)	(286)
Motor insurance	(850)	(298)	(1,263)	(390)
Other	(653)	(354)	(91)	81
Donations	(636)	(27)	(506)	(70)
Refund of litigation costs	(631)	(118)	(784)	(159)
Property insurance	(405)	(106)	(312)	(82)
Non-competition	(362)	(91)	(365)	(90)
Membership fees	(170)	(155)	(179)	(42)
Losses caused by motor damage	(96)	(27)	(194)	(50)
	<u>(32,728)</u>	<u>(15,599)</u>	<u>(32,293)</u>	<u>(9,751)</u>

*Since 1 January 2023, the Company has presented non-deducted VAT on a gross basis with the relevant service.

8.5. Finance income

<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 loans advanced and receivables	100,913	31,342	46,059	13,684
Interest income on bank deposits	282	37	417	25
	<u>101,195</u>	<u>31,379</u>	<u>46,476</u>	<u>13,709</u>

8.6. Finance costs

<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 and commission expense on financial liabilities measured at amortised cost <i>including interest</i>	(241,525)	(73,835)	(138,002)	(42,786)
Net foreign exchange losses	(1,080)	(826)	2,268	3,266
Interest income/expense on hedging instruments – CIRS	995	(1,349)	99	276
Interest income/expense on hedging instruments – IRS	15,185	4,270	9,894	4,531
Hedging income/expense	54,279	15,030	19,770	10,497
	<u>(172,146)</u>	<u>(56,710)</u>	<u>(105,971)</u>	<u>(24,216)</u>

In 2023, there was a significant increase in interest expense compared with 2022, primarily due to higher debt (bonds), as well as elevated 1M/3M WIBOR rates during the year.

Effect of exchange rate movements on statement of profit or loss

<i>PLN '000</i>	<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
Realised exchange gains/(losses)		3,452	8,012	1,741	825
Remeasurement of debt portfolios due to exchange rate movements	8.1.	(1,921)	(1,629)	566	(867)
Unrealised exchange gains/(losses)		(4,532)	(8,838)	527	2,441
		<u>(3,001)</u>	<u>(2,455)</u>	<u>2,834</u>	<u>2,399</u>

8.7. Income tax

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
Current income tax recognised in profit or loss				
Current income tax payable*	(23,109)	1,784	(5,380)	(3,382)
Deferred income tax recognised in profit or loss				
Temporary differences/reversal of temporary differences	9,586	50,072	(31,048)	(19,444)
Income tax recognised in profit or loss	<u>(13,523)</u>	<u>51,856</u>	<u>(36,428)</u>	<u>(22,826)</u>
Deferred income tax recognised in other comprehensive income				
Temporary differences/reversal of temporary differences	(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>(23,996)</u>	<u>44,623</u>	<u>(39,722)</u>	<u>(26,120)</u>

*The amount of tax disclosed in these financial statements includes income tax and CFC tax.

Reconciliation of effective income tax rate

PLN '000	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Profit/(loss) before tax	1,026,011	841,410
Income tax recognised in profit or loss	(13,523)	(36,428)
Tax calculated at the tax rate applicable in Poland (19%)	<u>(194,942)</u>	<u>(159,868)</u>
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	181,419	123,440
	<u>(13,523)</u>	<u>(36,428)</u>
Effective tax rate	1.32%	4.33%

KRUK S.A. advises that an inspection of corporate income tax settlements for 2018–2020 is ongoing at the Company. The inspecting authority is the Customs and Tax Office in Kraków. In the 2023 profit or loss, the Company 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	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)	(5,051)	(5,000)	(5,051)
Trade and other receivables	-	-	(241)	(413)	(241)	(413)
Borrowings and other debt instruments, leases	21,776	16,633	-	-	21,776	16,633
Employee benefit obligations	4,582	2,416	-	-	4,582	2,416
Provisions and liabilities	186	-	-	(109)	186	(109)
Investments in debt portfolios	-	-	(7,411)	(7,058)	(7,411)	(7,058)
Equity-accounted investments in subsidiaries	-	-	(203,420)	(208,285)	(203,420)	(208,285)
Derivative hedging instruments	-	-	(13,767)	(3,294)	(13,767)	(3,294)
Deferred tax assets/liability	31,766	27,774	(234,073)	(229,193)	(202,307)	(201,419)
Deferred tax assets offset against liabilities	(31,766)	(27,774)	31,766	27,774	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	(202,307)	(201,419)	(202,307)	(201,419)

Change in temporary differences in the period

PLN '000

	Net amount of deferred tax at 1 Jan 2023	Change in temporary differences recognised in profit or loss for the period	Net amount of deferred tax at 31 Dec 2023 unaudited	Net amount of deferred tax at 1 Jan 2022	Change in temporary differences recognised in profit or loss for the period	Net amount of deferred tax at 31 Dec 2022
Property, plant and equipment	3,742	(2,754)	988	81	3,661	3,742
Intangible assets	(5,051)	51	(5,000)	(1,712)	(3,339)	(5,051)
Trade and other receivables	(413)	172	(241)	(245)	(168)	(413)
Borrowings and other debt instruments, leases	16,633	5,143	21,776	7,775	8,858	16,633
Employee benefit obligations	2,416	2,166	4,582	2,282	134	2,416
Provisions and liabilities	(109)	295	186	40	(149)	(109)
Investments in debt portfolios	(7,058)	(353)	(7,411)	(6,974)	(84)	(7,058)
Equity-accounted investments in subsidiaries	(208,285)	4,866	(203,420)	(168,325)	(39,960)	(208,285)
	(198,125)	9,586	(188,540)	(167,077)	(31,048)	(198,125)

PLN '000

	Net amount of deferred tax at 1 Jan 2023	Change in temporary differences recognised in other comprehensive income	Net amount of deferred tax at 31 Dec 2023 unaudited	Net amount of deferred tax at 1 Jan 2022	Change in temporary differences recognised in other comprehensive income	Net amount of deferred tax 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 Company assesses the recoverability of the deferred tax asset based on its approved projection of profits for the following years.

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 Company benefits from the exemption provided in 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 in the foreseeable future and it is probable that the temporary differences will not reverse in the next 36 months. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at 31 December 2023 was PLN 3,727,864 thousand (as at 31 December 2022: PLN 3,676,475 thousand).

8.8. Borrowings, other debt securities and leases

PLN '000	31 Dec 2023 unaudited	31 Dec 2022
Non-current liabilities		
Secured borrowings	170,239	229,516
Liabilities under debt securities (unsecured)	2,773,264	1,308,234
Lease liabilities	9,759	26,579
	<u>2,953,262</u>	<u>1,564,329</u>
Current liabilities		
Secured borrowings	216,548	208,432
Liabilities under debt securities (unsecured)	77,938	73,781
Lease liabilities	17,724	19,344
	<u>312,210</u>	<u>301,557</u>
	<u>3,265,472</u>	<u>1,865,886</u>

Liabilities repayment schedule

PLN '000	Currency	Nominal interest rate	Maturity periods*	31 Dec 2023 unaudited	31 Dec 2022
Borrowings secured over the Company's assets	PLN/EUR	3M WIBOR + margin of 1.8-2.7pp 1M WIBOR + margin of 1.0-2.5pp 1M EURIBOR + margin of 2.2-2.4pp 3M EURIBOR + margin of 0.5-2pp	2024-2028	386,787	437,948
Liabilities under debt securities (unsecured)	PLN/EUR	3M WIBOR + margin of 3.2-4.65pp; 4.00%-4.80%** 3M EURIBOR + margin of 4.0-6.5pp	2024-2029	2,851,202	1,382,015
Lease liabilities	PLN/EUR	3M WIBOR or 1M EURIBOR + margin of 2.7-4.6.pp 3.3%-11,3%	2024-2028	27,483	45,923
				<u>3,265,472</u>	<u>1,865,886</u>

* Maturity of the last liability.

** Fixed interest rate.

Impact of IBOR reform

The Company 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 Company takes measures to prepare for a change in the benchmarks underlying concluded financial instruments in the event WIBOR ceases to be published. The Company 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 Company's assets	179,048	291,220
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

8.9. Hedging instruments

Interest rate risk hedges

In the three months ended 31 December 2023, the Company entered into currency interest rate swaps (CIRS) with a total nominal amount of PLN 440,000 thousand, under which the Company pays a coupon based on a fixed interest rate on debt determined in EUR under the transaction terms and receives a coupon based on a variable interest rate on PLN-denominated debt covered by the transaction.

The purpose of the CIRS contracts is to:

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

As at 31 December 2023, the Company held the following open outstanding CIRS contracts with a total nominal amount of PLN 1,750,000 thousand:

Bank	Type of transaction	Notional amount	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	CCIRS	PLN 330,000,000	2.13%	3M WIBOR	14 Jun 2022	24 May 2027
ING Bank Śląski S.A.	CCIRS	PLN 140,000,000	1.90%	3M WIBOR	23 Jun 2022	24 Mar 2027
Santander Bank Polska S.A.	CCIRS	PLN 50,000,000	1.72%	3M WIBOR	20 Jun 2022	16 Mar 2026
Santander Bank Polska S.A.	CCIRS	PLN 50,000,000	1.56%	3M WIBOR	21 Jun 2022	16 Mar 2026
ING Bank Śląski S.A.	CCIRS	PLN 105,000,000	1.21%	3M WIBOR	15 Jul 2022	23 Jan 2026
ING Bank Śląski S.A.	CCIRS	PLN 52,500,000	0.96%	3M WIBOR	15 Jul 2022	22 Jan 2025
ING Bank Śląski S.A.	CCIRS	PLN 52,500,000	0.955%	3M WIBOR	18 Jul 2022	23 Jan 2024
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	1.40%	3M WIBOR	20 Jul 2022	2 Mar 2026
ING Bank Śląski S.A.	CCIRS	PLN 25,000,000	0.90%	3M WIBOR	20 Jul 2022	2 Mar 2024
DNB Bank ASA	CCIRS	PLN 60,000,000	1.96%	3M WIBOR	12 Dec 2022	27 Jul 2027
DNB Bank ASA	CCIRS	PLN 25,000,000	2.05%	3M WIBOR	21 Dec 2022	27 Nov 2026
DNB Bank ASA	CCIRS	PLN 75,000,000	2.49%	3M WIBOR	10 Jan 2023	26 Mar 2025
DNB Bank ASA	CCIRS	PLN 120,000,000	2.02%	3M WIBOR	27 Jan 2023	26 Jan 2028
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	2.475%	3M WIBOR	25 Jul 2023	26 Jan 2028
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	2.435%	3M WIBOR	25 Jul 2023	7 Jun 2028

DNB Bank ASA	CCIRS	PLN 75,000,000	2.61%	3M WIBOR	22 Sep 2023	29 Mar 2028
ING Bank Śląski S.A.	CCIRS	PLN 85,000,000	2.48%	3M WIBOR	31 Oct 2023	10 Dec 2026
ING Bank Śląski S.A.	CCIRS	PLN 355,000,000	2.34%	3M WIBOR	31 Oct 2023	11 Oct 2029

The transactions were designated for hedge accounting.

To manage interest rate risk in the three months ended 31 December 2023, the Company also entered into interest rate swaps (IRS) with a notional value of EUR 10,000 thousand, under which the Company pays a coupon based on a fixed interest rate and receives a coupon based on a variable interest rate on EUR-denominated debt covered by the transaction.

As at 31 December 2023, the Company held open outstanding IRS contracts with a total notional amount of PLN 190,000 thousand and EUR 160,000 thousand:

Bank	Type of transaction	Notional amount	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	IRS	PLN 25,000,000	1.65%	3M WIBOR	5 Sep 2019 to 6 Feb 2024
ING Bank Śląski S.A.*	IRS	PLN 115,000,000	1.5775%	3M WIBOR	4 Sep 2019 to 27 Sep 2024
ING Bank Śląski S.A.*	IRS	PLN 50,000,000	1.5775%	3M WIBOR	4 Sep 2019 to 28 Sep 2024
DNB Bank ASA	IRS	EUR 150,000,000	2.9640%	3M EURIBOR	10 May 2023 to 10 May 2028
DNB Bank ASA	IRS	EUR 10,000,000	2.255%	3M EURIBOR	21 Dec 2023 to 11 Dec 2028

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

The purpose of the PLN contracts was to provide a hedge against volatility of cash flows generated by liabilities denominated in PLN due to changes in the 3M WIBOR rate and to hedge coupons paid on issued 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 Company took steps to hedge currency risk arising from cash flows from foreign subsidiaries by entering into hedging transactions. The Company's objective is to mitigate the effect of exchange differences on cash flows from subsidiaries. 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 separate 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	16,694	160,000 (EUR)	(16,665)	-	-	-	-	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
	98,428	20,883		57,034	30,335	9,824		6,708		

PLN '000

Disclosure of the hedged item as at 31 Dec 2023
unaudited

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve on measurement of continuing hedges	Reserve (unreleased) on 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)	160,000 (EUR)	(16,665)	(16,665)	-
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	-

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 on measurement of continuing hedges	Reserve (unreleased) on measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	255,000 (PLN)	5,003	18,806	-
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			Total hedge reserve
	unaudited			
Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	
Hedge reserve as at 1 Jan 2023	18,806	4,082	(6,017)	16,871
Measurement of instruments charged to capital reserves	(15,331)	-	59,126	43,795
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	(15,185)	-	(55,274)	(70,459)
- Interest expense/income	(15,185)	-	(995)	(16,180)
- Cost of hedging	-	-	(54,279)	(54,279)
Hedge reserve as at 31 Dec 2023	(9,485)	4,082	68,177	62,774

PLN '000	1 Jan–31 Dec 2022			Total hedge reserve
	unaudited			
Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of future cash flows (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	
Hedge reserve as at 1 Jan 2022	13,803	4,082	-	17,885
Measurement of instruments charged to capital reserves	14,897	-	(19,995)	(5,098)
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	(9,894)	-	(19,837)	(29,731)
- Interest expense/income	(9,894)	-	(67)	(9,961)
- Cost of hedging	-	-	(19,770)	(19,770)
Hedge reserve as at 31 Dec 2022	18,806	4,082	(6,017)	16,871

8.10. Equity-accounted investments in subsidiaries

PLN '000	Country	Carrying amount	
		31 Dec 2023 unaudited	31 Dec 2022
InvestCapital Ltd ¹	Malta	3,119,750	2,717,866
Prokura NFW FIZ (formerly Prokura NS FIZ) ^{1,6}	Poland	1,494,600	1,212,018
SeCapital S.à r.l. ¹	Luxembourg	574,722	449,912
Presco Investments S.a.r.l. ³	Luxembourg	69,062	66,441
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	57,517	85,543
KRUK Romania S.r.l.	Romania	48,405	38,751
KRUK Espana S.L.	Spain	44,020	51,256
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	37,109	34,432
KRUK Italia S.r.l.	Italy	12,389	35,513
RoCapital IFN S.A. ¹	Romania	6,677	7,013
Bison NFW FIZ (formerly Bison NS FIZ) ⁶	Poland	6,362	8,529
AgeCredit S.r.l.	Italy	4,863	5,552
Kruk Deutschland GmbH	Germany	3,740	6,520
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	3,671	7,557
KRUK TECH s.r.l. ¹	Romania	503	(86)
Kruk Immobiliare S.r.l. ⁵	Italy	-	-
ERIF Biuro Informacji Gospodarczej S.A. ⁴	Poland	-	8,313
ProsperoCapital S.a.r.l. (in liquidation) ²	Luxembourg	-	632
ItaCapital S.r.l.	Italy	-	-
ERIF Business Solutions Sp. z o.o. ⁴	Poland	-	-
Novum Finance Sp. z o.o. ¹	Poland	-	-
Wonga.pl Sp. z o.o.	Poland	-	-
Kruk Investimenti s.r.l.	Italy	-	-
Zielony Areal Sp. z o.o.	Poland	-	-
		5,483,390	4,735,762

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

² Company dissolved through liquidation on 31 March 2023.

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

⁴ On 24 January 2023, the subsidiary was sold.

⁵ Company established in the six months ended 30 June 2023.

⁶ The fund's name was changed as of 29 September 2023.

PLN '000	31 Dec 2023 unaudited	31 Dec 2022
Carrying amount of investments in subsidiaries at beginning of period	4,735,762	3,814,418
Share of profit/(loss) of equity-accounted investees	1,192,612	1,002,707
Exchange differences on translating foreign operations	(196,319)	24,740
Share of other comprehensive income of equity-accounted investees	(28,311)	19,911
Increase/(decrease) (dividends, in-kind contributions, redemptions, impairment losses, sale)	(220,354)	(126,014)
Carrying amount of investments in subsidiaries at end of period	5,483,390	4,735,762

The share of profit/(loss) of equity-accounted investees for the period from 1 January to 31 December 2023 was PLN 1,192,612 thousand, reflecting mainly revenue from recoveries and revaluation of recovery projections for debt portfolios owned by the investees, net of costs (from 1 January to 31 December 2022: PLN 1,002,707 thousand).

PLN '000	Country	Ownership interest and share in total voting rights (%)	
		31 Dec 2023 unaudited	31 Dec 2022
SeCapital S.à 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 Sp. k.	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NFW FIZ (formerly Prokura NS FIZ) ^{1,6}	Poland	100%	100%
InvestCapital Ltd ¹	Malta	100%	100%
RoCapital IFN S.A. ¹	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK Espana S.L.	Spain	100%	100%
ProsperoCapital S.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) ^{1,6}	Poland	100%	100%
Elleffe Capital S.r.l. ⁷	Italy	-	100%
Bison NFW FIZ (formerly Bison NS FIZ) ⁶	Poland	100%	100%
Corbul S.r.l. ³	Romania	n/a	n/a
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
Gantoi, Furculita Si Asociatii S.p.a.r.l. ³	Romania	n/a	n/a
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 Company indirectly holds 100% of the share capital.

² Company dissolved through liquidation on 31 March 2023.

³ KRUK S.A. controls the company through a personal link.

⁴ On 24 January 2023, the subsidiary was sold.

⁵ Company established in the six months ended 30 June 2023.

⁶ The fund's name was changed as of 29 September 2023.

⁷ On 20 September 2023, the subsidiary was sold.

On 3 January 2023, an agreement was signed for sale by the Company of all shares in ERIF Biuro Informacji Gospodarczej S.A. and ERIF Business Solutions Sp. z o.o. The ownership title to the shares was

transferred, and control was lost, on the date on which the Company'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 S.A. 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 subsidiary of KRUK S.A.

8.11. Trade and other receivables

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Trade receivables from related entities	33,932	27,523
Trade receivables from other entities	2,582	3,339
	<u>36,514</u>	<u>30,862</u>

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Other receivables from related entities	4,656	11,510
Other receivables from other entities	6,954	4,139
Employee loans	54	66
	<u>11,664</u>	<u>15,715</u>

8.12. Cash and cash equivalents

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Cash in hand	3	3
Cash in current accounts	7,640	16,314
Term deposits	220,000	-
Cash proceeds from bond issues deposited in brokerage account	-	5,691
	<u>227,643</u>	<u>22,008</u>

8.13. Trade and other payables

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Trade payables to other entities	15,830	8,584
Trade and other payables to related entities	10,606	9,446
Deferred income	5,296	5,296
Other liabilities	2,215	6,344
Accrued expenses	1,394	864
Taxes, customs duties, insurance and other benefits payable	111	111
	35,452	30,645

8.14. Employee benefit obligations

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Salaries and wages payable	16,833	8,596
Social benefit obligations	9,189	10,027
Provision for accrued holiday entitlements	7,982	6,213
Personal income tax	3,101	3,209
Liabilities under employee savings plans	553	414
Special accounts	538	515
	38,196	28,974

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
At beginning of period	6,213	5,569
Increase	8,347	6,922
Use	(6,578)	(6,278)
At end of period	7,982	6,213

8.15. Provisions

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Provision for the loyalty scheme	10,871	11,746
Provision for retirement gratuities	1,385	907
	12,256	12,653

<i>PLN '000</i>	Provision for retirement gratuities	Provision for the loyalty scheme
Carrying amount as at 1 Jan 2022	907	11,750
Increase	-	1,865
Use	-	(1,869)
Carrying amount as at 31 Dec 2022	907	11,746
Carrying amount as at 1 Jan 2023	907	11,746
Increase	478	402
Use	-	(1,277)
Carrying amount as at 31 Dec 2023, unaudited	1,385	10,871

8.16. Earnings per share

Separate net profit attributable to owners of the Company

<i>PLN '000</i>	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Net profit for period	1,012,488	804,982
Net profit attributable to owners of the Company	1,012,488	804,982

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 separate earnings per share*thousands of shares*

	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

Dividend per share paid*PLN '000*

	1 Jan–31 Dec 2023 unaudited	1 Jan–31 Dec 2022
Dividend paid from profit and retained earnings	289,782	248,661
<i>PLN</i>		
Dividend per share	15.00	13.00

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

PLN '000

	Note	31 Dec 2023 unaudited	30 Sep 2023 unaudited	31 Dec 2022
Assets				
Non-current assets				
Property, plant and equipment		35,348	34,749	39,774
Intangible assets		29,427	29,088	30,791
Hedging instruments	8.9.	82,848	36,774	27,006
Equity-accounted investments in subsidiaries	8.10.	5,483,390	5,394,869	4,735,762
Investments	7.	1,157,433	1,198,597	418,008
Total non-current assets		6,788,446	6,694,077	5,251,341
Current assets				
Inventories	7.	14,562	16,508	15,174
Investments	7.	275,085	32,498	46,735
Trade receivables from related entities	8.11.	33,932	27,478	27,523
Trade receivables from other entities	8.11.	2,582	3,255	3,339
Other receivables	8.11.	11,664	21,437	15,715
Income tax receivable		16,232	6,738	9,292
Hedging instruments	8.9.	15,580	10,931	3,329
Cash and cash equivalents	8.12.	227,643	8,857	22,008
Other assets		8,787	7,775	8,962
Total current assets		606,067	135,477	152,077
Total assets		7,394,513	6,829,554	5,403,418
Equity and liabilities				
Equity				
Share capital		19,319	19,319	19,319
Share premium		358,506	358,506	358,506
Hedge reserve	8.9.	62,774	31,940	16,871
Translation reserve		(95,871)	67,368	100,448
Share of other comprehensive income of equity-accounted investees		(8,400)	24,257	19,911
Other capital reserves		171,847	168,085	149,896
Retained earnings		3,311,772	3,056,117	2,589,066
Total equity		3,819,947	3,725,592	3,254,017
Non-current liabilities				
Deferred tax liability	8.7.	202,307	245,145	201,419
Provisions	8.15.	12,105	12,297	12,602
Borrowings, other debt securities and leases	8.8.	2,953,262	2,413,637	1,564,329
Hedging instruments	8.9.	20,883	7,694	9,824
Total non-current liabilities		3,188,557	2,678,773	1,788,174
Current liabilities				
Provisions	8.15.	151	51	51
Borrowings, other debt securities and leases	8.8.	312,210	357,293	301,557
Trade and other payables	8.13.	35,452	40,036	30,645
Employee benefit obligations	8.14.	38,196	27,809	28,974
Total current liabilities		386,009	425,189	361,227
Total liabilities		3,574,566	3,103,962	2,149,401
Total equity and liabilities		7,394,513	6,829,554	5,403,418

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

10. Management of risk arising from financial instruments

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

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

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

Key risk management policies

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed on a regular basis, to reflect changes in market conditions and the Company's activities. Using such tools as training, management standards and procedures, the Company seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

10.1. Credit risk

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

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:

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Investments in debt portfolios	31,747	31,191
Loans to related parties	1,400,771	433,552
Trade and other receivables, net of tax receivable	44,975	45,996
Cash and cash equivalents	227,643	22,008
Hedging instruments	98,428	30,335
	1,803,564	563,082

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

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Poland	780,168	442,758
Romania	67,249	66,145
Czech Republic and Slovakia	69,021	54,179
Malta	887,126	-
	1,803,564	563,082

Credit risk exposure – Investments in debt portfolios

<i>PLN '000</i>	31 Dec 2023 unaudited	31 Dec 2022
Portfolio type		
Unsecured retail portfolios	31,370	30,748
Secured retail portfolios	-	-
Unsecured corporate portfolios	377	424
Secured corporate portfolios	-	19
	31,747	31,191

10.2. Liquidity risk

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

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

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

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

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

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

Exposure to liquidity risk

As at 31 Dec 2023, unaudited

PLN '000

	Present value	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							
Cash and cash equivalents	227,643	227,643	227,643	-	-	-	-
Trade and other receivables, net of tax receivable	44,975	44,975	44,975	-	-	-	-
Investments in debt portfolios*	31,747	112,069	12,281	10,242	17,342	35,535	36,669
Loans to related parties	1,400,771	1,727,662	43,639	286,143	121,914	1,275,966	-
Secured borrowings	(386,787)	(462,789)	(40,668)	(33,737)	(101,856)	(286,528)	-
Liabilities under debt securities (unsecured)	(2,851,202)	(4,012,618)	(159,822)	(160,134)	(445,792)	(2,626,389)	(620,481)
Lease liabilities	(27,483)	(29,180)	(10,056)	(8,870)	(8,233)	(2,021)	-
Trade and other payables	(28,651)	(28,651)	(28,651)	-	-	-	-
	(1,588,987)	(2,420,889)	89,341	93,644	(416,625)	(1,603,437)	(583,812)
Off-balance-sheet contingent liabilities							
Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries**	(4,658,995)	(4,658,995)	(4,604,095)	-	-	(54,900)	-
	(6,247,982)	(7,079,884)	(4,514,754)	93,644	(416,625)	(1,658,337)	(583,812)

As at 31 Dec 2022, PLN thousand

	Present value	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							
Cash and cash equivalents	22,008	22,008	22,008	-	-	-	-
Trade and other receivables, net of tax receivable	45,996	45,996	45,996	-	-	-	-
Investments in debt portfolios*	31,191	90,800	12,879	10,844	16,546	28,958	21,573
Loans to related parties	433,552	462,002	10,793	18,040	54,094	379,075	-
Secured borrowings	(437,948)	(519,134)	(86,249)	(13,155)	(111,797)	(303,786)	(4,147)
Liabilities under debt securities (unsecured)	(1,382,015)	(1,928,811)	(67,451)	(132,349)	(175,021)	(1,195,002)	(358,988)
Lease liabilities	(45,923)	(44,348)	(10,298)	(10,006)	(16,280)	(7,764)	-
Trade and other payables	(24,374)	(24,374)	(24,374)	-	-	-	-
	(1,357,513)	(1,895,861)	(96,696)	(126,626)	(232,458)	(1,098,519)	(341,562)
Off-balance-sheet contingent liabilities							
Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries**	(3,714,058)	(3,714,058)	(459,758)	-	(2,764,696)	(62,400)	(427,204)
	(5,071,571)	(5,609,919)	(556,454)	(126,626)	(2,997,154)	(1,160,919)	(768,766)

* Estimated cash flows.

** Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries have been disclosed in nominal amounts. The surety amounts are equal to 150% of the respective debt amounts. The contingent liabilities will become actual liabilities at the time of failure to meet the respective covenants, default in payment of the debt. As at 31 December 2023 and 31 December 2022, KRUK S.A. saw nothing to indicate that its contingent liabilities under guarantees/sureties could become actual liabilities.

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.

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

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

The Company 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 Company was PLN 207,855 thousand (31 December 2022: PLN 78,588 thousand). The limit is available until 31 December 2028.

10.3. Market risk

Market risk is the risk of impact of changes in market prices, such as foreign exchange rates and interest rates on the Company's results or on the value of financial instruments held and investments made by the Company. The objective behind market risk management is to maintain and control the Company'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 bond issue prospectuses.

Exposure to currency risk

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

PLN '000	Exposure to currency risk					
	31 Dec 2023 unaudited			31 Dec 2022		
	EUR	RON	CZK	EUR	RON	CZK
Cash	497	1,124	897	221	407	2,018
Investments in debt portfolios	158	25,223	787	131	24,046	1,060
Loans to related parties	945,986	26,515	24,766	37,067	18,495	39,559
Borrowings, other debt securities and leases	(912,096)	-	-	(166,979)	-	-
Exposure to currency risk	34,545	52,862	26,450	(129,560)	42,948	42,637

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

PLN '000	Analysis of sensitivity of currency risk exposure to +10% increase in exchange rates					
	31 Dec 2023 unaudited			31 Dec 2022		
	EUR	RON	CZK	EUR	RON	CZK
Cash	50	112	90	22	41	202
Investments in debt portfolios	16	2,522	79	13	2,405	106
Loans to related parties	94,599	2,652	2,477	3,707	1,850	3,956
Borrowings, other debt securities and leases	(91,210)	-	-	(16,698)	-	-
Exposure to currency risk	3,455	5,286	2,646	(12,956)	4,296	4,264

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

PLN '000	31 Dec 2023 unaudited			31 Dec 2022		
	EUR	RON	CZK	EUR	RON	CZK
Cash	(50)	(112)	(90)	(22)	(41)	(202)
Investments in debt portfolios	(16)	(2,522)	(79)	(13)	(2,405)	(106)
Loans to related parties	(94,599)	(2,652)	(2,477)	(3,707)	(1,850)	(3,956)
Borrowings, other debt securities and leases	91,210	-	-	16,698	-	-
Exposure to currency risk	(3,455)	(5,286)	(2,646)	12,956	(4,296)	(4,264)

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

As at 31 December 2023, financial assets denominated in foreign currencies accounted for 13.9% of total assets, while liabilities denominated in foreign currencies represented 12.3% of total equity and liabilities (31 December 2022: 2.3% and 3.1%, respectively).

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 reporting date:

PLN '000	Carrying amount	
	31 Dec 2023 unaudited	31 Dec 2022
Fixed-rate financial instruments*		
Financial assets	953,462	99,195
Financial liabilities	(207,904)	(202,487)
Fixed-rate financial instruments before hedging	745,558	(103,292)
Hedge effect (nominal amount)	(2,635,680)	(1,195,000)
Fixed-rate financial instruments after hedging	(1,890,122)	(1,298,292)
Variable-rate financial instruments**		
Financial assets	850,102	463,887
Financial liabilities	(3,107,102)	(1,697,597)
Variable-rate financial instruments before hedging	(2,257,000)	(1,233,710)
Hedge effect (nominal amount)	2,635,680	1,195,000
Variable-rate financial instruments after hedging	378,680	(38,710)

* Fixed-rate financial assets comprise investments in debt portfolios, trade and other receivables less tax receivables, cash and cash equivalents as well as a fixed-rate loan advanced to a related entity. Fixed-rate financial liabilities comprise trade and other payables, as well as liabilities under fixed-rate debt securities.

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

Derivatives and hedging instruments are presented as variable interest rate financial instruments.

11. Fair values

Comparison of fair values and carrying amounts

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

PLN '000	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)	4,983	4,983	18,806	18,806
Hedging instruments (IRS)	(16,694)	(16,694)	-	-
Hedging instruments (CIRS)	93,445	93,445	11,529	11,529
Hedging instruments (CIRS)	(4,189)	(4,189)	(9,824)	(9,824)
	<u>77,545</u>	<u>77,545</u>	<u>20,511</u>	<u>20,511</u>
Financial assets and liabilities not measured at fair value				
Investments in debt portfolios	31,747	33,021	31,191	29,008
Loans to related parties	1,400,771	1,400,771	433,552	433,552
Trade and other receivables, net of tax receivable	44,975	44,975	45,996	45,996
Trade and other payables	(28,651)	(28,651)	(24,374)	(24,374)
Secured borrowings	(386,787)	(386,787)	(437,948)	(437,948)
Liabilities under debt securities (unsecured)	(2,851,202)	(2,869,113)	(1,382,015)	(1,366,416)
	<u>(1,789,147)</u>	<u>(1,805,784)</u>	<u>(1,333,598)</u>	<u>(1,320,182)</u>

Interest rates used for fair value estimation

	31 Dec 2023 unaudited	31 Dec 2022
Investments in debt portfolios	0.67%-55,14%	0.81%-55,14%
Secured borrowings	4.41%-8,58%	4.08%-9,72%
Loans to related parties	5.95%-12,28%	3.19%-13,71%

Hierarchy of financial instruments at fair value

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

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

In 2023–2022, no transfers were made between the levels.

PLN '000	Level 1	
	Carrying amount	Fair value
As at 31 Dec 2023, unaudited		
Liabilities under debt securities (unsecured)	(2,851,202)	(2,869,113)
As at 31 Dec 2022		
Liabilities under debt securities (unsecured)	(1,382,015)	(1,366,416)

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.

PLN '000	Level 2	
	Carrying amount	Fair value
As at 31 Dec 2023, unaudited		
Hedging instruments (IRS)	4,983	4,983
Hedging instruments (IRS)	(16,694)	(16,694)
Hedging instruments (CIRS)	93,445	93,445
Hedging instruments (CIRS)	(4,189)	(4,189)
Secured borrowings	(386,787)	(386,787)
As at 31 Dec 2022		
Hedging instruments (IRS)	18,806	18,806
Hedging instruments (CIRS)	11,529	11,529
Hedging instruments (CIRS)	(9,824)	(9,824)
Secured borrowings	(437,948)	(437,948)

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 Company 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 Company uses margin rates from the most recent credit facility agreement.

PLN '000

		<u>Level 3</u>
	Carrying amount	Fair value
As at 31 Dec 2023, unaudited		
Investments in debt portfolios	31,747	33,021
Loans to related parties	1,400,771	1,400,771
Trade and other receivables, net of tax receivable	44,975	44,975
Trade and other payables	(28,651)	(28,651)
As at 31 Dec 2022		
Investments in debt portfolios	31,191	29,008
Loans to related parties	433,552	433,552
Trade and other receivables, net of tax receivable	45,996	45,996
Trade and other payables	(24,374)	(24,374)

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 Company 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.

12. Related-party transactions

Remuneration of the Company's directors – Management Board

Remuneration of members of the Company's key management personnel:

<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
Base pay/ managerial contract (gross)	6,998	1,749	6,752	1,750
Additional benefits	115	30	85	21
Share-based payments	21,951	3,762	27,694	4,584
	<u>29,064</u>	<u>5,541</u>	<u>34,531</u>	<u>6,355</u>

Remuneration of the Company's directors – Supervisory Board

Remuneration of members of the Supervisory Board was as follows:

<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
Base pay/ managerial contract (gross)	1,202	301	1,127	300
Additional benefits	18	5	22	8
	<u>1,220</u>	<u>306</u>	<u>1,149</u>	<u>308</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 Company's General Meeting (31 December 2022:10.55%).

Other related-party transactions

Transactions with subsidiaries as at 31 December 2023 and 31 December 2022, and for the periods ended 31 December 2023 and 31 December 2022

Balance of receivables, liabilities and loans from and to subsidiaries as at 31 December 2023 and 31 December 2022

PLN '000	31 Dec 2023 unaudited							31 Dec 2022						
	Liabilities	Receivables	Loans	Interest accrued on loans advanced	Allowance for expected credit losses	Loans received	Interest accrued on loans received	Liabilities	Receivables	Loans	Interest accrued on loans advanced	Allowance for expected credit losses	Loans received	Interest accrued on loans received
SeCapital S.à. r.l	4,389	56	-	-	-	-	-	3,759	66	-	-	-	-	-
ERIF Business Solutions Sp. z o.o.*	-	-	-	-	-	-	-	-	20	-	-	-	-	-
Novum Finance Sp. z o.o.	542	-	65,742	-	(2,463)	-	-	228	442	45,342	-	(3,160)	-	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	652	5,147	-	-	-	-	-	272	2,965	-	-	-	-	-
KRUK Romania S.r.l.	19	1,722	37,073	518	-	-	-	402	3,309	36,753	524	-	-	-
ERIF BIG S.A.*	-	-	-	-	-	-	-	-	140	-	-	-	6,600	-
Prokura NFW FIZ (formerly Prokura NS FIZ)	3,922	12,230	-	-	-	-	-	1,848	11,221	-	-	-	-	-
KRUK Česká a Slovenská republika s.r.o.	20	684	66,875	1,201	-	-	-	20	1,847	52,237	751	-	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	9,997	-	-	-	-	-	-	7,721	-	-	-	-	-
InvestCapital Ltd.	-	1,044	877,887	9,239	-	-	-	726	-	-	-	-	-	-
KRUK Deutschland GmbH	-	2	-	-	-	-	-	-	19	-	-	-	-	-
Rocapital IFN S.A.	-	-	4,371	104	-	-	-	-	6	4,738	118	-	-	-
KRUK Italia S.r.l.	94	1,184	-	-	-	-	-	-	770	-	-	-	-	-
ItaCapital S.r.l.	-	-	-	-	-	-	-	-	8	-	-	-	-	-
KRUK Espana S.L.	-	2,712	-	-	-	15,218	230	-	1,255	-	-	-	-	-
Presco Investments S.a.r.l.	888	1,934	-	-	-	-	-	2,146	6,934	-	-	-	-	-
Presco NFW FIZ (formerly P.R.E.S.C.O. INVESTMENT I NS FIZ)	34	331	-	-	-	-	-	43	326	-	-	-	-	-
ProsperoCapital S.a.r.l. (in liquidation)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corbul Capital S.r.l	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elleffe Capital S.r.l. ***	-	-	-	-	-	-	-	-	7	-	-	-	-	-
Bison NFW FIZ (formerly BISON NS FIZ)	-	1,488	-	-	-	-	-	-	1,809	-	-	-	-	-
AgeCredit S.r.l.	-	42	-	-	-	348	7	-	45	-	-	-	-	-
Wonga.pl Sp. z o.o.	44	12	339,910	6	-	-	-	-	92	320,640	-	(24,903)	-	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	2	-	-	-	-	-	-	2	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	-	-	-	-	-	-	-	8	-	-	-	-	-
Zielony Areał Sp. z o.o.	-	3	1,740	-	(1,432)	-	-	-	8	900	-	(388)	-	-
KRUK TECH s.r.l.	-	-	-	-	-	-	-	-	15	-	-	-	-	-
Kruk Immobiliare S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	10,606	38,588	1,393,598	11,068	(3,895)	15,566	237	9,446	39,033	460,610	1,393	(28,451)	6,600	-

Income from intra-group transactions in the periods ended 31 December 2023 and 31 December 2022

PLN '000	1 Jan–31 Dec 2023 unaudited			1 Jan–31 Dec 2022		
	Revenue from sale of materials and services	Revenue from credit management services	Interest	Revenue from sale of materials and services	Revenue from credit management services	Interest
SeCapital S.à. r.l	9	46	-	4	51	-
ERIF Business Solutions Sp. z o.o.*	9	-	-	179	-	-
Novum Finance Sp. z o.o.	1,725	1,698	6,093	1,761	1,707	4,131
Kancelaria Prawna RAVEN P.Krupa Sp. k.	19,016	-	16	10,590	-	-
KRUK Romania S.r.l.	6,369	-	2,175	3,924	-	1,674
ERIF BIG S.A.*	67	-	-	910	-	-
Prokura NFW FIZ (formerly Prokura NS FIZ)	5,028	-	-	7,961	-	-
KRUK Česká a Slovenská republika s.r.o.	3,123	-	4,989	1,812	-	2,245
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	306	131,302	-	234	96,801	-
InvestCapital Ltd.	30,926	-	45,326	16,745	-	-
KRUK Deutschland GmbH	2	-	-	7	-	-
Rocapital IFN S.A.	-	-	430	-	-	404
KRUK Italia S.r.l.	4,897	-	-	3,193	-	-
ItaCapital S.r.l.	2	-	-	-	-	-
KRUK Espana S.L.	5,895	-	-	3,573	-	-
Presco Investments S.a.r.l.	9	851	-	4	1,217	-
Presco NFW FIZ (formerly P.R.E.S.C.O. INVESTMENT I NS FIZ)	-	-	-	-	-	-
ProsperoCapital S.a.r.l. (in liquidation)**	-	-	-	4	-	-
Corbul Capital S.r.l	-	-	-	-	-	-
Elleffe Capital S.r.l. ***	-	-	-	-	-	-
Bison NFW FIZ (formerly BISON NS FIZ)	-	-	-	-	-	-
AgeCredit S.r.l.	80	-	-	29	-	-
Wonga.pl Sp. z o.o.	156	67	41,776	-	3	37,549
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	-	-	-	-	-
Zielony Areał Sp. z o.o.	31	-	108	15	-	56
KRUK TECH s.r.l.	-	-	-	-	-	-
Kruk Immobiliare S.r.l.	-	-	-	-	-	-
	77,650	133,964	100,913	50,945	99,779	46,059

Expenses on intra-group transactions in the periods ended 31 December 2023 and 31 December 2022

PLN '000	1 Jan–31 Dec 2023 unaudited		1 Jan–31 Dec 2022	
	Purchase of services	Interest	Purchase of services	Interest
Kancelaria Prawna RAVEN P.Krupa Sp. k.	3,669	-	1,655	-
KRUK Romania S.r.l.	5,088	-	5,352	-
ERIF BIG S.A.*	20	39	238	526
SeCapital S.à. r.l	-	-	-	4
KRUK Česká a Slovenská republika s.r.o.	276	-	336	-
ERIF Business Solutions Sp. z o.o.*	1	-	1	-
GANTOI, FURCULITA SI ASOCIATII- S.P.A.R.L.	22	-	23	-
KRUK Italia S.r.l.	338	594	-	31
KRUK Espana S.L.	-	613	24	-
Wonga.pl Sp. z o.o.	434	-	323	-
AgeCredit S.r.l.	-	7	-	-
	<u>9,848</u>	<u>1,253</u>	<u>7,952</u>	<u>561</u>

* Subsidiary sold in the first quarter of 2023.

** Subsidiary dissolved through liquidation in the first quarter of 2023.

*** Subsidiary sold in the third quarter 2023.

13. Seasonality or cyclicity of business

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

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

In the twelve months ended 31 December 2023, the Company's interest in subsidiaries generated a profit of PLN 1,192,612 thousand (in the same period of 2022: PLN 1,002,707 thousand).

As at 31 December 2023, recoveries from portfolios purchased by KRUK S.A. were PLN 32,988 thousand, having decreased by 9% year on year and by 4% on the three months ended 30 September 2023.

As at 31 December 2023, the Company's investments in debt portfolios accounted for 0.4% of its assets. Equity accounted for 51.7% of the Company's financing sources. As at 31 December 2022, the respective percentages were 0.6% and 60.2%.

Impact of inflation on KRUK S.A.'s business

Inflation has an effect on the Company's costs, in particular on labour costs and indirectly, through higher interest rates, on debt service costs. The impact of inflation on the Company's income 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 Company,
- negative, if inflation leads to an economic downturn, lower incomes, higher unemployment, and debtors ceasing to repay their debt.

Impact of Russia's aggression against Ukraine on KRUK S.A.'s business

Russia's aggression against Ukraine started on 24 February 2022. KRUK S.A. does not possess any assets in Ukraine or Russia, nor does it engage in any business activities in these countries. Therefore, the Company anticipates that any impact of the conflict on its operations will be indirect and minimal.

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

15. 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 Company 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 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 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 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 Company 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.

16. Dividends paid (or declared)

On 17 May 2023, the Management Board of KRUK S.A. passed a resolution recommending that the Annual General Meeting approve dividend payments of PLN 15.00 per share. The dividend would be distributed from the Company'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 Company'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 Company's shareholders. The dividend of PLN 289,782 will be distributed from the Company's net profit earned in 2022. The dividend record date was 7 September 2023, while the dividend payment date was 28 September 2023.

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

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 KRUK S.A.'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
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	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

PROKURA NFW FIZ, KRUK S.A. and Pekao S.A.				
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

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

Credit sureties or guarantees, security pledges

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 registered 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.

The Company announces that, 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 75,000 thousand, 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 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 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.

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

After the end of the fourth quarter of 2023, there were no events with a potentially material bearing on the Company'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

Sylwia Bomba

*Person keeping
the accounting records*

Hanna Stempień

Prepared by

Wrocław, 27 February 2024