



2023

Directors' report

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

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Letter from the President of the Management Board

[2-22]

Dear Shareholders,

It is my pleasure to present to you the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2023.

2023 was a successful year, marking KRUK's 25th anniversary. For me, these past 25 years have been a period of intense work, consistent organic growth, continuous improvement and – in recent years – strides in Lean and digital transformation. We continued to advance our integrated business and ESG strategies as well as executing numerous corporate social responsibility initiatives. These encompassed empowering our employees, enhancing our governance measures, and reducing our environmental footprint.

I'm delighted to say that as a result of our efforts, we have achieved a net profit exceeding PLN 980m for the first time in our history. Strong recoveries surpassing PLN 3bn resulted in a cash EBITDA of PLN 2.1bn.

These record results highlight KRUK's solid business foundations and strong market position. We capitalised on a favourable economic environment in the debt market, investing nearly PLN 3bn last year. The majority of our investments and recoveries, i.e. as much as 74% and 56%, respectively, originated from foreign markets, highlighting the international reach of our operations. We saw particularly strong growth in KRUK's activities in the Italian and Spanish markets throughout the year. In 2023, KRUK's international potential was duly recognised, as evidenced by successful issues of EUR-denominated bonds under Swedish law, KRUK's expanding presence in the unsecured retail debt market beyond Poland, as well as the highest market capitalisation among all listed industry peers globally at the close of 2023.

Over the past three years, we have acquired portfolios totalling PLN 7bn, essentially doubling KRUK's investments from the initial purchase in 2003 to 2020, reaching a total of PLN 14.7bn invested in portfolios with a nominal value of PLN 118bn by the close of 2023. At the same time, total recoveries over the last two decades have amounted to close PLN 19bn. The cash we generate, along with access to bank loans and bond issues both in Poland and abroad, have enabled us to execute our ambitious growth plans in recent years. This also led to our net debt to cash EBITDA ratio rising to 2.4 at the end of 2023. While this ratio could increase with further investments, we aim to keep it significantly below our covenants.

Such remarkable results would not have been possible without our exceptional team of 3,400 dedicated KRUK employees. Our committed and supportive organisation encourages us to focus on continuous improvement and the enhancement of our operations in the core business line of unsecured retail debt, drawing valuable insights from our past experiences. In line with this approach, we signed our first debt portfolio purchase agreement in France towards the end of 2023. As an initial step, we are keen on observing and learning, reserving further expansion decisions until we ascertain the market's potential.

Like me, KRUK is committed to long-term objectives. We invest and refine our operations for the years and decades ahead, recognising that our assets yield results over the long term. The investments made at KRUK's inception, still generating cash after 20 years, stand as a testament to our strategic foresight. The substantial purchases we have made in recent years are also set to be reflected in our performance going forward.

Our mission to safeguard compliance with social and legal norms requiring that everyone fulfil their obligations, while always being respectful to people, is the essence of our client-focused approach. We prioritise reliable and consistent communication with our clients, developing tools to facilitate debt management and repayment, and spearheading various initiatives aimed at improving financial literacy within society. These efforts contribute to fostering trust among our clients and business partners, enhancing recognition of the KRUK brand.

For investors, since our stock exchange debut, the rate of return on KRUK S.A. shares has exceeded 1,100%. KRUK has also regularly distributed dividends, which have already totalled PLN 1.1bn. We are in it for the long haul, both reflecting on the past 25 years, including our 12 years on the Warsaw Stock Exchange, and looking ahead to the next quarter of a century.









I encourage you to read our Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2023.

Respectfully yours,

Piotr Krupa



KEY ACHIEVEMENTS IN 2023

 <p>New portfolio purchases PLN 2,972m +29%</p>	 <p>Recoveries PLN 3,062m +17%</p>	 <p>Cash EBITDA PLN 2,104m +16%</p>	 <p>Net profit PLN 984m +22%</p>
 <p>ROE 26% (25%)</p>	 <p>Net profit margin 38% (38%)</p>	 <p>Net debt/ Cash EBITDA 2.4 (2.1)</p>	 <p>Net debt/ equity 1.4 (1.2)</p>

	31 Dec 2023 (PLNm)	31 Dec 2022 (PLNm)	change	31 Dec 2023 (EURm)	31 Dec 2022 (EURm)
Expenditure on debt portfolios	2,972	2,311	29%	656	493
Gross recoveries	3,062	2,627	17%	676	560
Carrying amount of purchased portfolios	8,674	6,768	28%	1995	1443
Estimated remaining collections (ERC)	18,397	13,765	34%	4,231	2,935
Total revenue ¹	2,593	2,146	21%	573	458
Revenue from purchased portfolios	2,344	1,913	23%	518	408
EBIT	1,327	1,043	27%	293	222
EBITDA ²	1,385	1,094	27%	306	233
Cash EBITDA ³	2,104	1,809	16%	465	386
Net profit	984	805	22%	217	172
Basic EPS (PLN EUR)	50.93	42.07	21%	11.25	8.97
Diluted EPS (PLN EUR)	48.37	40.71	19%	10.68	8.68
ROE ⁴	26%	25%	-	-	-
Net profit margin ⁵	38%	38%			
Interest-bearing net debt to equity ratio	1.4	1.2	-	-	-
Interest-bearing net debt to cash EBITDA ratio	2.4	2.1	-	-	-
Cash EBITDA to interest on debt	7.0	9.8	-	-	-

Source: Company

¹ Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios including other income.

² EBITDA = EBIT + depreciation and amortisation.

³ Cash EBITDA = EBITDA - revenue from purchased portfolios + purchased portfolio collections.

⁴ ROE = (net profit)/(equity) for the last twelve months.

⁵ Net profit margin = (net profit)/(total revenue). Source: Company



PLN 9.2bn

KRUK ranks as the world's largest debt collection company in terms of market capitalisation⁶



International expansion

74% of investments and 56% of recoveries in markets outside Poland



Technology development

digital transformation at KRUK Group including through Discovery



Record high cash EBITDA

PLN 2.1bn in 2023



Credit rating

Ba1 from Moody's from S&P BB- – one of the best credit ratings among listed debt collection companies worldwide



26%

highest ROE among the world's largest listed debt collection companies



KRUK S.A.

celebrated its 25th anniversary in 2023



Employee turnover at 11.1%

in 2023 – one of the lowest turnover rates in the financial sector



Women hold 58%

of senior managerial positions at KRUK Group

⁶* Source: stooq.pl as at 31 December 2023

1 | Chapter

1 KRUK GROUP

The KRUK Group is one of Europe's largest debt management companies. The founder and CEO of KRUK established it more than 25 years ago in Wrocław, Poland. Currently, the Group comprises 23 equity-related companies and two entities related through personal links, offering a comprehensive range of modern, integrated services. Today KRUK has operations in Poland, Romania, Italy, Spain, the Czech Republic and Slovakia, while holding assets in Germany and – since January 2024 – also in France. KRUK manages total assets of nearly PLN 9.9bn and has netted PLN 984m in profit for 2023. KRUK has maintained profitability in each of its 25 years of operation.

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

KRUK's business focus is on the market of unsecured retail debt, predominantly sourced from banks, as well as the market of secured retail and corporate/SME debt. The Group actively offers its credit management services to third parties in Poland, Spain and Italy. KRUK's geographical segments, identified based on revenue, are Poland, Romania, Italy, Spain, and other markets (Czech Republic, Slovakia, Germany).

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

Since 2011, KRUK S.A. shares have been listed on the Warsaw Stock Exchange, while bonds issued by the Company are traded on the Catalyst bond market in Poland and (since 2023) on Nasdaq in Sweden. In November 2022, KRUK shares were included in the WIG20 index. Between the IPO and the end of 2022, the KRUK share price rose by 1,102%.

For the past nine years, KRUK has made regular profits distributions to shareholders, having paid out a total of over PLN 1,120m as dividends. In 2021, the Dividend Policy was adopted providing for payment of at least 30% of profits to shareholders.

The KRUK Group employs more than 3.4 thousand staff and collaborates with some of Europe's largest financial institutions.

KRUK Group at a glance

25 years – from a start-up to one of the largest industry player in the World



Data for FY2023 or as at December 31st 2023.
 * Servicing of German assets is outsourced.
 ** As of 24 January 2023, the KRUK Group no longer includes any credit reference agencies. Other revenue was PLN 22bn.

KRUK's milestones

1998	KRUK is established
2000	Debt collection business is launched
2003	KRUK emerges as a leader of the debt collection market KRUK purchases its first debt portfolio in Poland
2007	KRUK purchases its first debt portfolio in Romania
2011	KRUK shares are floated on the Warsaw Stock Exchange KRUK purchases its first debt portfolios in the Czech Republic and Slovakia
2015	KRUK purchases its first debt portfolio in Italy
2016	KRUK purchases its first debt portfolio in Spain
2019	Wonga, an online consumer loan market operator, is acquired.
2020	Online tools are developed, process efficiency of remote work during the pandemic is maintained
2021	Cash recoveries from purchased portfolios exceed PLN 2bn Dividend policy is implemented
2022	ESG strategy is implemented
2023	portfolio investments reach PLN 3bn and recoveries come in at PLN 3bn

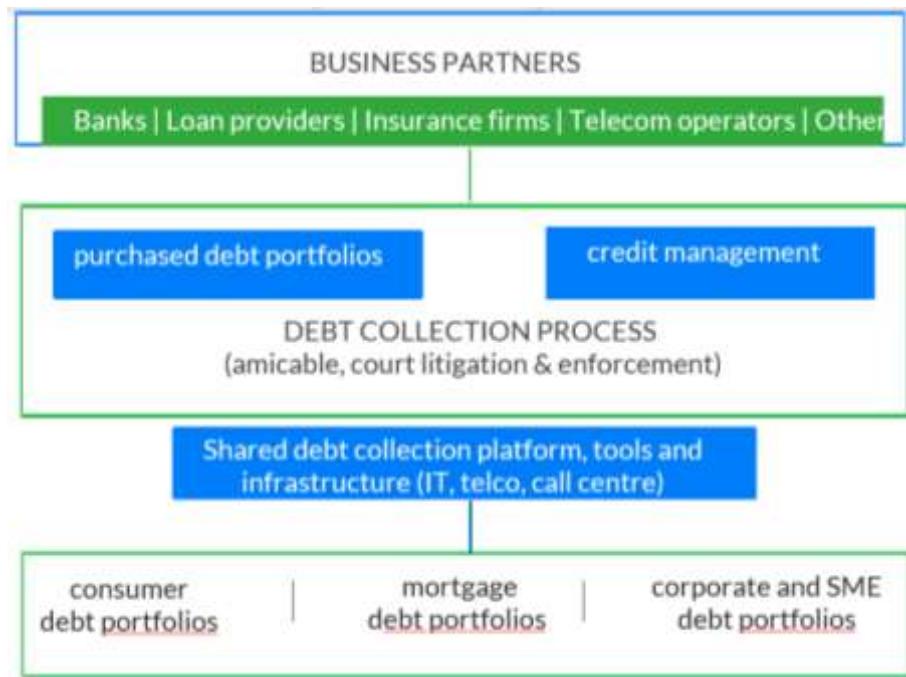
1.1 The Group's core business model

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

- Consumer debts (retail, unsecured),
- Mortgage debts (retail, secured),
- Corporate debts (mortgage-backed and non-mortgage-backed).

The KRUK Group manages receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunications operators, cable TV operators, digital TV operators, and companies from the FMCG sector. KRUK's business focus is on the bank market and unsecured retail debt, based on long-term relationships with key partners.

KRUK business model



The KRUK Group includes Wonga, a company operating on the open consumer loan market in Poland. The Group also offers loan products under the NOVUM brand, primarily targeting clients who make regular repayments or have paid off their debts to the Group in Poland and Romania.

1.2 KRUK's relations with indebted persons

Respect for the client

Indebted individuals, who are our clients, are treated with dignity at every stage of the debt collection process, aligning with KRUK's mission "We safeguard compliance with social and legal norms requiring that everyone must fulfil their obligations, always being respectful to people." KRUK facilitates debt repayment for clients by presenting viable solutions, while also emphasising that they remain responsible for meeting their liabilities. In communications to clients, KRUK advises them of possible measures it may take in case they fail to pay off debt and, where necessary, implements those measures.

Client communication

The Group employs a range of communication channels to reach clients, including phone, written correspondence (including email), online or personal contract (field advisers). Clients may sign a settlement agreement or make repayments via the e-kruk platform or by making electronic payments. KRUK's interactions with clients are

compliant with all applicable ethical and legal standards and principles. The Group monitors the quality of its services and client service standards. The process is refined on the basis of client satisfaction surveys, social research and market needs.

Process efficiency

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

Education

The KRUK Group engages in a number of educational initiatives promoting financial literacy among clients. KRUK initiated the 'Day Without Debt' educational campaign, which aims to encourage indebted persons in Poland, Romania, the Czech Republic and Slovakia to repay their debts and uses various communication channels, both traditional, such as radio and press, and online. In each country where KRUK is present, it regularly publishes advice and information on a corporate blog. For instance, in Poland, on kapitalni.org it discusses the causes and consequences of failure to repay debts.

1.3 We are the most recognisable company in our industry in Poland.

KRUK's distinctive approach lies in its client focus when engaging with indebted persons. Leveraging modern marketing tools and practices, KRUK strives to reach and educate its clients while offering tailored solutions that align with their needs and capabilities. Effective communication efforts influence how KRUK is perceived, particularly among individuals facing challenges with debt repayment. KRUK is strongly associated with attributes such as facilitating debt resolution, highlighting the consequences of default, and demonstrating empathy towards indebted persons and their circumstances. Among debt collection companies operating in Poland and Romania, KRUK is the undisputed leader in terms of brand recognition according to tracking studies carried out by Ariadna Nationwide Research Panel and the research consultancy Maison&Partners*. In the fourth quarter of 2023, knowledge of the KRUK brand, measured by brand awareness, was 82%.

KRUK aided brand awareness vs peers

POLAND	
Company	
KRUK	82%
Competitor 1	43%
Competitor 2	32%
Competitor 3	21%
Competitor 4	21%
Competitor 5	20%

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

KRUK's logo awareness vs debt management sector competitors

POLAND	
Company	
KRUK	77%
Competitor 1	37%
Competitor 2	30%
Competitor 3	18%

Competitor 4	16%
Competitor 5	15%

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

1.4 KRUK on the debt market

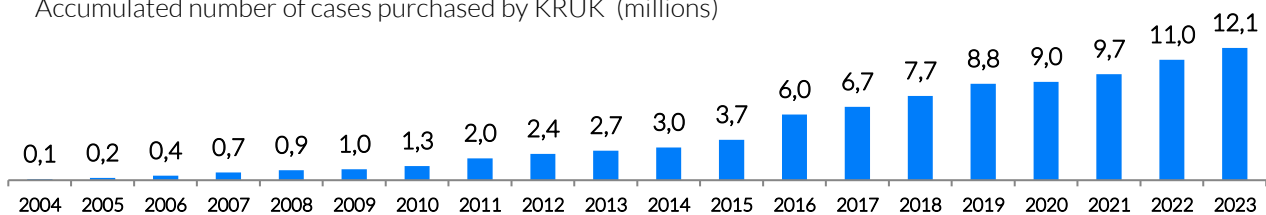
1.4.1 Purchased debt portfolios

Between 2002 and the end of 2023, the KRUK Group purchased 1,834 debt portfolios with an aggregate nominal value of approximately PLN 118bn in seven countries: Poland, Romania, the Czech Republic, Slovakia, Germany, Italy, and Spain. As a result of these purchases, KRUK became the owner of more than 12m debt cases.

Debt portfolio purchase and management

1. Debt sale auction	Banks regularly sell debt portfolios to improve their liquidity or to ensure compliance with regulatory requirements and the tax law.
2. Debt portfolio valuation by KRUK	Valuation based on 20 years of debt purchase experience – more than 1,834 portfolios purchased since the start of the business and an average of 400 valuations performed each year
3. Auction winning and portfolio purchase	Debt is purchased at a high discount, typically for 5% -25% of its nominal value.
4. 4.a. Commencement of amicable settlement process 4.b. Court and enforcement proceedings/hybrid process	Increased debtor reach and average recovery at above 2x the purchase price.

Accumulated number of cases purchased by KRUK (millions)



Unsecured retail debt portfolios are valued by KRUK based on information on indebted persons, information on products involved, and data on indebted persons' behaviour. The process relies on the use of advanced statistical tools and behaviour statistics collected since 2003.

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

1.4.2 Credit management services

As part of its credit management services, in 2023 KRUK accepted over 1.3m cases outsourced for collection. Many of the portfolios we manage are then sold. Debt management companies that are strong in this segment have the advantage of greater expertise in portfolio purchases. KRUK manages all types of debt (consumer, mortgage and corporate) at any stage of the debt collection process (amicable settlement, court proceedings). Participation in the credit management market helps us to better price and manage portfolios purchased for our own account. In 2023, we offered credit management services in Poland, Spain and Italy.

Credit management (outsourced debt collection)

- Non-performing debt portfolio
- Tender for credit management services – selection of debt collection company
- Referral and submission of cases for collection using KRUK tools
- Debt collection by KRUK
- Transfer of outstanding cases back to the business partner
- Business partner's decision whether to hold a new tender for credit management services or a sales auction with respect to remaining outstanding debt

1.4.3 Operating tools

Our know-how combined with understanding of the industry, advanced analytics and collection activities and tools selected on a case-by-case basis facilitate effective portfolio management and accurate planning of the collection process by KRUK. Below are described the main tools used to support the debt recovery process.

Amicable (out-of-court) collection process

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

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

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

Court and enforcement proceedings

The KRUK Group handles all aspects of litigation and debt enforcement procedures, from claim filing to enforcement by a competent debt enforcement officer. It also takes active part in bankruptcy proceedings. Worth noting is that the initiation of court proceedings does not exclude the possibility of amicable repayment (hybrid process). The Kruk Group's activities as part of court and enforcement proceedings include, but are not limited to:

- handling of court proceedings aimed at obtaining an enforcement order, including, in Poland, ordinary, warrant-of-execution and separate proceedings, such as payment order, writ of payment, electronic proceedings by writ of payment, and simplified procedures;
- enforcement of debt claims in the course of insolvency and arrangement proceedings;

- handling the probate process, including in particular identification of the indebted person's heirs and initiating proceedings to secure enforcement order against an heir;
- enforcement of secured debt and debt in the SME sector;
- active monitoring of court proceedings;
- active cooperation with authorities conducting enforcement proceedings – conducting enforcement monitoring.

Hybrid process

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

Specialised services

KRUK carries out advanced and non-standard processes for various types of cases.

In our credit management services, we also use monitoring of amounts due, which involves debt collection at very early stages, with a strong focus on client's rehabilitation. Monitoring of amounts due from indebted persons is a prompt, early and effective response to payment irregularities and payment delays (even by a couple of days). At this stage, the probability of reaching the client and talking to them is very high.

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

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

1.4.4 Consumer lending

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

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

As at 31 December 2023, the KRUK Group managed a total of 9.1m debt cases (in purchased portfolios and as part of credit management services), compared with 8.5m as at 31 December 2022, with the increase attributable to higher debt purchases. As at the end of 2023, the nominal value of managed debt was PLN 122bn, having increased from PLN 118.4bn a year earlier in both the purchased debt and credit management portfolios.

Table 1. Number and value of managed cases as at the end of 2023 and 2022

	31 Dec 2023	31 Dec 2022
Number of managed cases (millions)	9.1	8.5
of which purchased debt cases	8.6	8.0
of which credit management cases	0.5	0.5

Nominal value of managed cases (PLNbn)	122.0	118.4
of which purchased debt cases	103.6	96.9
of which credit management cases	18.4	21.4

Source: Company

2 | Chapter

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

[2-9][2-10][2-11]

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

2.1 General information on the Parent

Form of incorporation

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

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

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

Parent contact details

Name: **KRUK SPÓŁKA AKCYJNA**

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

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

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

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

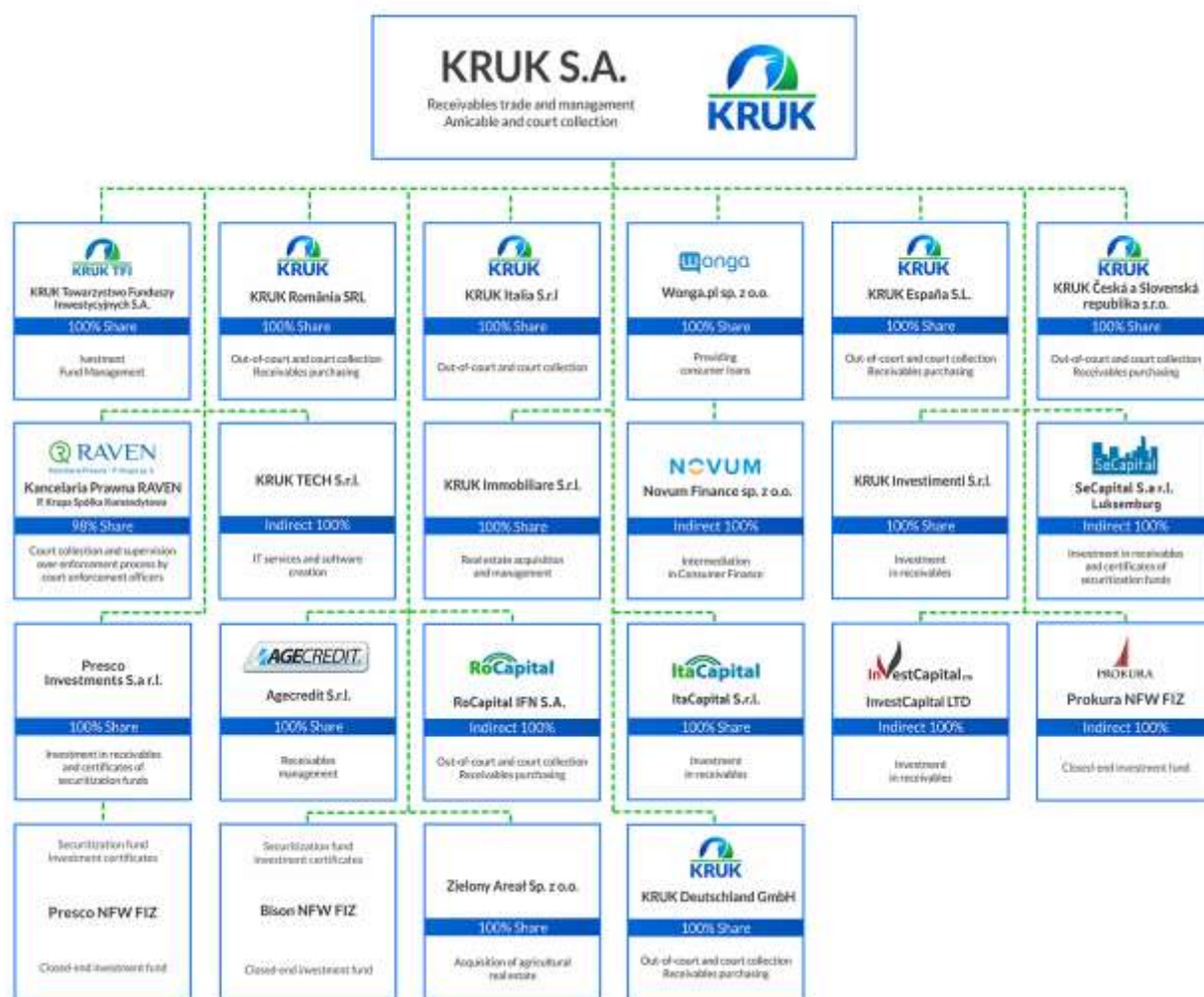
For the organisational chart of the KRUK Group, see Section 2.2.1. *Description of the Group’s structure.*

2.2 Structure

2.2.1 Description of the Group’s structure

The structure of the KRUK Group as at 31 December 2023 and KRUK S.A.’s ownership interests in the subsidiaries are presented below.

Figure 1. Structure of the KRUK Group as at 31 December 2023



Source: Company

As at 31 December 2023, the Group comprised KRUK S.A. (the Parent), 22 subsidiaries, and two entities controlled through personal links. The subsidiaries are presented in the table below.

Table 2. KRUK S.A. subsidiaries as at 31 December 2023 and the issue date of this Report

SUBSIDIARY	REGISTERED OFFICE	PRINCIPAL BUSINESS ACTIVITY
DEBT MANAGEMENT		
AgeCredit S.r.l.	Cesena	Credit management services
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Court and out-of-court collection; purchases of debt portfolios
KRUK Deutschland GmbH	Berlin	Court and out-of-court collection; purchases of debt portfolios
KRUK Espana S.L.U.	Madrid	Court and out-of-court collection; purchases of debt portfolios

KRUK Italia S.r.l.	Milan	Credit management services and collection of debt purchased by the KRUK Group
KRUK Romania S.r.l.	Bucharest	Court and out-of-court collection; purchases of debt portfolios
RoCapital IFN S.A.	Bucharest	Court and out-of-court collection; purchases of debt portfolios

INVESTMENT IN DEBT PORTFOLIOS

ItaCapital S.r.l.	Milan	Investment in debt portfolios
KRUK INVESTIMENTI S.R.L.	Milan	Investment in debt portfolios
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of investment funds
Bison NFW FIZ (closed-end investment fund)	Wrocław	Non-Standardised Debt Closed-End Investment Fund
Presco NFW FIZ (closed-end investment fund)	Wrocław	Non-Standardised Debt Closed-End Investment Fund
Prokura NFW FIZ	Wrocław	Non-Standardised Debt Closed-End Investment Fund
InvestCapital Ltd.	Malta	Investment in debt portfolios
Secapital S.a.r.l.	Luxembourg	Investment in debt portfolios and non-standardised fund certificates
Presco Investments S.a.r.l.	Luxembourg	Investment in debt portfolios and non-standardised fund certificates

CONSUMER LENDING

NOVUM FINANCE sp. z o.o.	Wrocław	Intermediation in consumer lending
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans

DEBT MANAGEMENT SUPPORT ACTIVITIES

Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Debt recovery litigation, overseeing court-enforced collection corporate debt collection
KRUK TECH S.R.L.	Bucharest	IT services and software development
Zielony Areal sp. z o.o.	Wrocław	Purchase of farmland
Kruk Immobiliare S.r.l.	Milan	Acquisition and management of real property

ENTITY CONTROLLED THROUGH PERSONAL LINKS	REGISTERED OFFICE	PRINCIPAL BUSINESS ACTIVITY
Corbul S.r.l	Bucharest	Detective activities
Gantoi, Furculita Si Asociatii S.p.a.r.l.	Bucharest	Law firm

Source: KRUK Group

2.2.2 Changes in the Group's structure in 2023

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

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

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

On 20 September 2023, KRUK Italia S.r.l., a wholly-owned subsidiary of KRUK S.A., sold all shares in Elleffe Capital S.r.l.

Following the passage into law of the Act to Amend Certain Acts to Ensure Development of the Financial Market and Protection of Investors on That Market, dated 16 August 2023, on 29 September 2023 the names of the KRUK Group investment funds were changed to:

- Prokura Niestandaryzowany Fundusz Wierzytelności Fundusz Inwestycyjny Zamknięty (non-standardised debt closed-end investment fund). The fund may use the following abbreviated names: Prokura Niestandaryzowany Fundusz Wierzytelności FIZ or Prokura NFW FIZ.
- Bison Niestandaryzowany Fundusz Wierzytelności Fundusz Inwestycyjny Zamknięty (non-standardised debt closed-end investment fund). The fund may use the abbreviated name of Bison NFW FIZ.
- Presco Niestandaryzowany Fundusz Wierzytelności Fundusz Inwestycyjny Zamknięty (non-standardised debt closed-end investment fund). The fund may use the following abbreviated names: Presco Niestandaryzowany Fundusz Wierzytelności FIZ or Presco NFW FIZ.

2.2.3 Changes in the Group's significant management policies

In 2023, there were no changes to any significant management policies of the Parent and its subsidiaries.

2.2.4 Consolidated entities

All Group entities are fully consolidated, except for ProsperoCapital S.à.r.l. (whose voluntary liquidation was completed on 31 March 2023), which is consolidated using the proportional method.

2.2.5 Company branches

The Company has no branches.

2.3 Share capital

2.3.1 Share capital structure

As at 31 December 2023 and as at the issue date of this Report, the Company's share capital totalled PLN 19,318,790 and was divided into 19,318,790 shares with a par value of PLN 1 per share.

Table 3. The Company's share capital as at 31 December 2023

SERIES	NUMBER OF BEARER SHARES
Series A	2,421,220
Series AA	11,366,600
Series B	1,250,000
Series C	491,520
Series D	1,100,000
Series E	843,876
Series F	845,574
Series G	1,000,000
TOTAL	19,318,790

Source: Company

2.3.2 Changes in the share capital and conditional share capital

There were no changes in the Company's share capital during the reporting period.

Following the end of the effective term of the 2015–2019 Incentive Scheme, adopted by Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of 28 May 2014, as amended by Resolution No. 23/2020 of the Annual General Meeting of KRUK S.A. of 31 August 2020, the Company filed a request to register a change in the par value of its conditional share capital increase to the relevant court. The amount entered in the register, i.e. PLN 1,531,671.00, represented the sum of the par value of the conditional share capital increase introduced by Resolution No. 22/2021 of the Annual General Meeting of KRUK S.A. of 16 June 2021, i.e. PLN 950,550.00, and the conditional share capital increase introduced by Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of 28 May 2014, in the amount not yet converted to shares as at 7 October 2021, i.e. PLN 581,121.00. By 31 December 2022, 845,574 subscription warrants issued under the 2015–2019 Incentive Scheme had been converted to Series F shares in the Company. Given that the rights attached to 2,376 subscription warrants had not been exercised, pursuant to Section 6 of the 2015-2019 Incentive Scheme and in conjunction with Art. 4c of the Company's Articles of Association, the unexercised warrants under the Incentive Scheme expired on 31 December 2022. Accordingly, on 7 November 2023, the District Court for Wrocław Fabryczna of Wrocław, 6th Commercial Division of the National Court Register, issued a decision to register the change in the par value of the conditional share capital increase from PLN 1,531,671.00 to PLN 950,550.00.

2.4 Dividend policy and income distributions to shareholders in other forms

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

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

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

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

The Dividend Policy is available on the Company's website at: https://go.kruk.eu/div_eng.

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

Over the past nine years, we distributed to our shareholders a total of PLN 1.1bn in dividends or through share buybacks. The dividends paid out by KRUK over the nine-year period totalled PLN 54.50 per share. The table below presents information about the value of dividends and income distributions to shareholders through share buybacks for the last nine financial years.

Table 4. Historical information about dividend/income distribution through buyback of shares by KRUK S.A.

	IN 2014*	IN 2015	IN 2016	IN 2017	IN 2018	IN 2019**	IN 2020	IN 2021	IN 2022
Value of dividend paid/share	PLN 25.9m	PLN 35.5m	PLN 37.5m	PLN 94.0m	PLN 94.7m	PLN 95.0m	PLN 206.1m	PLN 248.7m	PLN 289.8m
buyback									

	IN 2014*	IN 2015	IN 2016	IN 2017	IN 2018	IN 2019**	IN 2020	IN 2021	IN 2022
Buyback price per share	N/A	N/A	N/A	N/A	N/A	350zł	N/A	N/A	N/A
Value of dividend paid per share	PLN 1.5	PLN 2.0	PLN 2.0	PLN 5.0	PLN 5.0	N/A	PLN 11.0	PLN 13.00	PLN 15.00
Dividend record day	1 Jul 2015	8 Jul 2016	29 Jun 2017	25 Apr 2018	2 Jul 2019	N/A	24 Jun 2021	21 Apr 2022	7 Sep 2023
Dividend payment day	24 Jul 2015	29 Jul 2016	5 Jul 2017	27 Apr 2018	10 Jul 2019	18 Nov 2020	2 Jul 2021	28 Apr 2022	28 Sep 2023

* Before 2014, the Company had not distributed dividends** KRUK S.A. share buyback as a form of income distribution to shareholders in respect of 2019 Source: Company

On 17 May 2023, the Company's Management Board passed a resolution on its proposal for the Supervisory Board regarding allocation of the Company's net profit for 2022 and recommendation for the General Meeting to allocate the Company's net profit earned in 2022 of PLN 805m as follows:

1. to distribute PLN 290m as a dividend of PLN 15.00 per share to the Company's shareholders;
2. to transfer the remaining PLN 515m to statutory reserve funds.

The dividend recommendation is consistent with the Dividend Policy adopted by the Management Board on 2 December 2021.

On 22 May 2023, the Supervisory Board passed a resolution to issue a favourable opinion on the Management Board's proposal regarding allocation of the Company's net profit for 2022 and recommendation that the Annual General Meeting allocate the Company's net profit for 2022 as described above.

On 20 June 2023, by Resolution No. 6/2023, the General Meeting resolved to allocate the Company's net profit as recommended by the Supervisory Board. In addition, it was decided that the dividend record date for determining the list of shareholders entitled to receive dividend for the financial year ended 31 December 2022 would be 7 September 2023.

The dividend was paid on 28 September 2023 on 19,318,790 KRUK S.A. shares.

2.5 Performance of Company shares on the Warsaw Stock Exchange

2.5.1 Share price

In 2023, the KRUK share price on the stock exchange rose by 59.8%, to PLN 477 per share. Our stock outperformed the WIG and WIG20 indices, which reached rates of return of 36.5% and 30.8%, respectively.

On the last trading day in 2023, the Company's market capitalisation was PLN 9.2bn (compared with PLN 6bn at the end of 2022). On 31 December 2023, KRUK ranked 19th in terms of market capitalisation on the WSE.

Rates of return on KRUK S.A. stock vs WIG and WIG20 for 2023 – at close

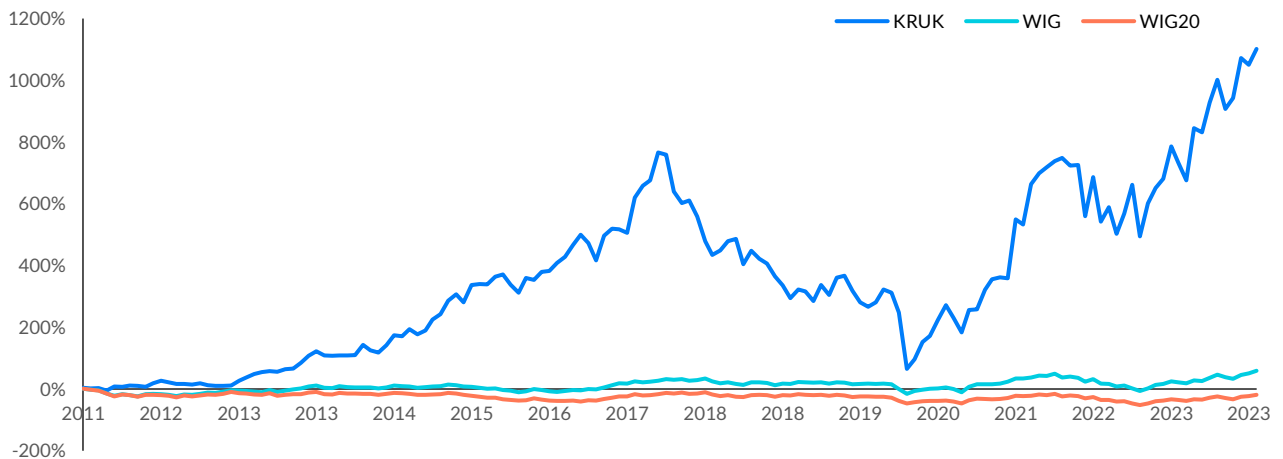
DATE	KRUK	WIG	WIG20
Rate of return	59.8	36.5	30.8

Source: GPW.pl

From the IPO on the Warsaw Stock Exchange in May 2011 to the end of 2023, the rate of return on KRUK shares was 1,102%. Over the same period, the all-cap WIG index rose by 59%, while the blue-chip WIG20 index dropped by 18%.

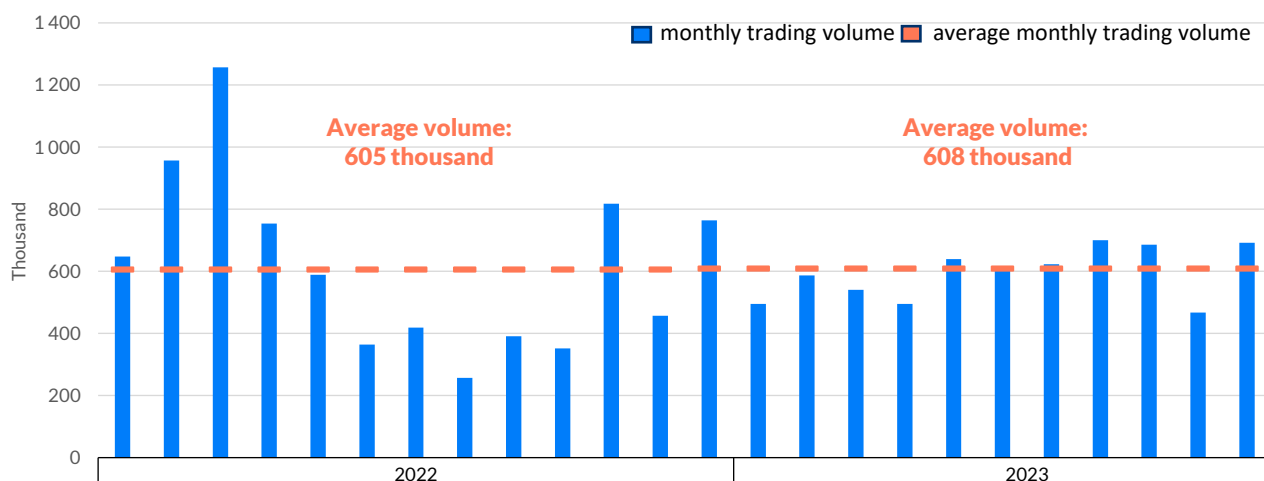
Performance of KRUK stock against WIG and WIG20 from the Company's IPO on the WSE in May 2011 to the end of 2023

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

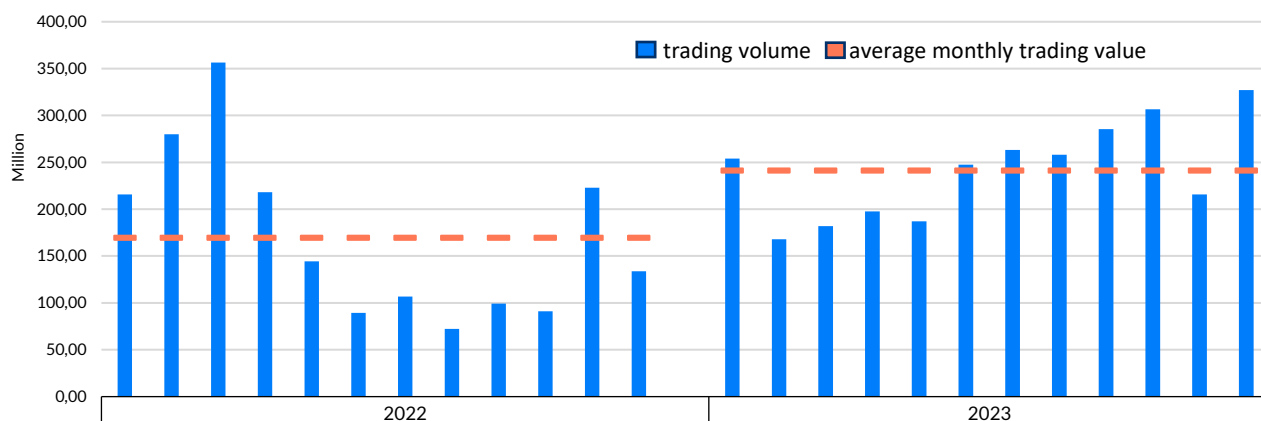


2.5.2 Stock liquidity

The total volume of KRUK S.A. shares traded in 2023 was 7.3m, and the total value of trading reached PLN 2.9bn. In the corresponding period of 2022, the total volume of KRUK S.A. shares traded was comparable, and the total value of trading was PLN 2.0bn. The average daily trading volume of KRUK shares in 2023 was 29 thousand shares, and the average daily trading value stood at PLN 11.6m. KRUK was the 19th most liquid stock on the WSE (in terms of the total annual trading value of trades).



AVERAGE DAILY TRADING VALUE IN 2023: PLN 11.6M



Source: in-house analysis based on www.gpw.pl

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

OFE's aggregate ownership interests in KRUK S.A. remain high, at 49.83% as at the end of 2023.

Ownership interests of individual OFE in the Company:

SHAREHOLDER	OWNERSHIP INTEREST (%)	NUMBER OF VOTING RIGHTS
OFE NN	12.79%	2,470,391
OFE Allianz Polska	10.69%	2,064,767
OFE Generali	8.41%	1,624,510
OFE PZU Złota Jesień	6.03%	1,164,260
OFE Vienna	5.70%	1,101,001
OFE UNIQA	3.57%	689,864

OFE PKO BP Bankowy	1.61%	310,254
OFE Pocztylion Arka	1.03%	198,139

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

2.6 Human capital

The KRUK Group's greatest strength and key driver of business development lie in its human capital. The organisation is built upon the values, dedication, and expertise of its qualified workforce. KRUK's strategy for 2019–2024 prioritises the development of competencies, leadership, and organisational culture.

Based on a survey of its organisational culture carried out in 2022 in line with the Human Synergistics method, KRUK established a development direction focused on fostering a constructive culture of achievement and satisfaction, with reduced emphasis on perfectionism, dependence on others or conventional approaches. Instead, KRUK emphasises greater commitment and efficiency derived from empowerment, focus on ambitious goals and awareness of individual potential and talents.

It has also developed a competency model encompassing a set of competencies that all employees are encouraged to develop, regardless of their business area or position (goal orientation, curiosity, courage, problem solving, openness to change, and resilience), and additional managerial competencies (goal management, engagement building, and team development). The competencies are designed to be universal and enhance an individual's potential for success and fulfilment both professionally and personally. The competency model is closely aligned with our core values, and KRUK offers flexible career development opportunities to its staff. KRUK has a conscious policy of investing in the development of all its employees, focusing on both hard and soft skills.

We implement modern, carefully considered solutions to foster a work environment that not only promotes professional growth, but also actively supports the health and well-being of our team:

Hybrid work – Offering flexibility in managing work schedules, but also representing a key arrangement that supports staff well-being. With the possibility of flexibly adapting workplaces to individual needs, KRUK supports a healthy work-life balance.

Health promotion initiatives – Recognising the impact of employee health on productivity and satisfaction, KRUK has introduced health promotion programmes aimed at encouraging physical activity, preventive screenings, and knowledge of healthy lifestyles.

Comprehensive benefits package – The KRUK Group provides a wide range of benefits flexibly managed through a cafeteria system to make sure they can be tailored to diverse employee needs and preferences, making us an attractive employer in the markets where we operate.

Adopting a holistic approach to employee well-being, KRUK cultivates a work environment where professional pursuits are intertwined with health promotion and satisfaction of the team. This is an investment in human capital, which also enhances organisational performance fostering a culture where employee well-being is as essential as professional development.

2.6.1 Qualified personnel

The KRUK Group boasts a team of highly qualified and experienced management personnel and specialists across diverse fields, including analysts, IT professionals, statisticians, and legal experts. While the scale of our business grew significantly in 2023, our workforce expansion remained moderate, reflecting KRUK's commitment to enhancing operational efficiency and effectively managing human resources.

Table 5. KRUK Group's workforce (FTEs*) in 2023-2022

	2023	2022
FTE employment*	3,414	3,267

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

In 2023, the KRUK Group hired 400 new staff at different organisational levels, with an employee turnover at 11.1%.

Women constitute a significant strength within the KRUK Group, representing 64% of total workforce and holding 58% of senior managerial jobs, as well as 42% of positions on the Company's governing bodies (the Management Board and Supervisory Board).

As at the end of 2023, the KRUK Group employed 3,426 employees of 22 nationalities across its seven European markets.

The Management Board of KRUK S.A. consists of Piotr Krupa (President of the Management Board, Chief Executive Officer (CEO)), Piotr Kowalewski (Member of the Management Board, Chief Operational Officer (COO)), Adam Łodygowski (Member of the Management Board, Chief Data & Technology Officer (CDTO)), Urszula Okarma (Member of the Management Board, Chief Investment Officer (CIO)) and Michał Zasępa (Member of the Management Board, Chief Financial Officer (CFO)). For more information on the experience and remits of Management Board Members, see Section 8.3.1 Members, changes in composition, rules of appointment and responsibilities of Management Board Members. Members of the Company's Management Board and other key personnel of the Group are a strong team experts in such areas as credit management, finance, high-volume process management, debt portfolio valuation, legal support, business partner relations, sales, HR management, IT, and analytics. The stability of the Group's management team, manifest in low staff turnover, combined with extensive expertise developed over the years, are a source of major competitive advantage for the Group. More than 10% of the Company shares are held by Management Board Members.

The Company has not issued any employee shares.

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

2.6.2 Incentive Scheme

Incentive scheme for 2021–2024

On 16 June 2021, the Annual General Meeting of KRUK S.A. passed Resolution No. 22/2021 on setting the rules of an incentive scheme for 2021–2024, conditional increase in the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights disapplied in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association (2021–2024 Incentive Scheme).

Eligible persons are the President and other Members of the Company's Management Board and Company employees as well as members of the management boards and employees of other KRUK Group companies.

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

The warrants will be issued in two pools: the basic pool (760,440 subscription warrants) and additional pool (190,110 subscription warrants). Subscription warrants of the basic pool will be issued in four tranches, one for each year of the reference period, i.e. for the financial years 2021–2024. Subscription warrants of the additional pool will be issued as a single tranche – Tranche 5, and will be offered in 2025 for 2021–2024.

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

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

Holders of subscription warrants will be entitled to exercise their rights to subscribe for Series H shares at the issue price equal to the turnover-weighted average closing price of Company shares on the Warsaw Stock Exchange from 15 May 2021 to 15 June 2021. Holders of subscription warrants will be entitled to exercise their rights to subscribe for Series H shares attached to the subscription warrants not earlier than 24 months after the date on which they acquired the subscription warrants (lock-up for subscription of Series H shares by holders of subscription warrants) and not later than on 31 December 2028.

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

In accordance with the terms of the 2021–2024 Incentive Scheme, the number of warrants to be allotted and offered to Members of the Management Board throughout the term of the Stock Option Plan is 40% of all warrants.

For details of the 2021–2024 Incentive Scheme, see the Directors' Reports on the operations of the KRUK Group in 2022.

In 2022, 172,138 subscription warrants were awarded to eligible persons under Tranche 1, including 76,044 subscription warrants awarded to Members of the Management Board and 96,094 subscription warrants awarded to other eligible persons.

In 2022, EPS grew by 42.27%, and on 17 July 2023, the Supervisory Board of KRUK S.A. passed a resolution to acknowledge that the condition set out in the 2021–2024 Incentive Scheme had been met for the purpose of issuing and offering Tranche 2 subscription warrants in view of fulfilment in 2022 of the conditions of the 2021–2024 Incentive Scheme.

Accordingly, on 22 August 2023 the Management Board of the Company resolved to determine the list of persons other than Management Board Members, who were eligible to subscribe for Tranche 2 subscription warrants for the fulfilment in 2022 of the conditions of the 2021–2024 Incentive Scheme, whereby a total of 109,292 subscription warrants were awarded to the eligible persons.

On 14 September 2023, the Supervisory Board resolved to determine the list of Management Board Members eligible to subscribe for Tranche 2 subscription warrants for the fulfilment in 2022 of the conditions of the 2021–2024 Incentive Scheme, whereby a total of 76,044 Tranche 2 subscription warrants were awarded to the eligible Management Board Members for 2022. The warrants were subscribed for by the Management Board Members on 20 September 2023. The table below shows the number of Tranche 1 and 2 warrants awarded to and acquired by each Management Board Member.

In 2023, a total of 185,336 Tranche 2 subscription warrants were awarded to the eligible persons.

Table 6. Number of warrants held by Management Board Members under the 2021–2024 Incentive Scheme as at the issue date of this Report, by Tranche I and II

NAME AND SURNAME	NUMBER OF TRANCHE 1 WARRANTS AWARDED AND SUBSCRIBED FOR	NUMBER OF TRANCHE 2 WARRANTS AWARDED AND SUBSCRIBED FOR
Piotr Krupa	22,812	22,812
Piotr Kowalewski	13,308	13,308
Adam Łodygowski	13,308	13,308
Urszula Okarma	13,308	13,308
Michał Zasepa	13,308	13,308

In the reporting period and as at the issue date of this Report, Members of the Management Board of the Company held no rights to KRUK S.A. shares other than the rights under the subscription warrants issued under the 2021-2024 Incentive Scheme, as shown in Table 6.

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

3 | Chapter

3 OVERVIEW OF THE KRUK GROUP'S AND KRUK S.A.'S BUSINESS IN 2023

In line with the equity method applied, the Company's profit or loss and equity are identical to those of the KRUK Group.

3.1 Consolidated financial highlights of the KRUK Group

Table 7. Consolidated financial results for 2023–2022

	YEAR ENDED 31 DEC		
	2023	2022	Change
Total revenue	2,592,580	2,145,790	21%
EBITDA	1,385,455	1,094,029	27%
Operating profit (EBIT)	1,327,158	1,042,841	27%
Net profit for period (attributable to owners of the Parent)	983,934	804,982	22%
Cash flows from operating activities, including	-785,251	-567,772	38%
Debt purchases	-2,972,231	-2,311,072	29%
Cash recoveries	3,062,473	2,627,343	17%
Cash flows from investing activities	-23,328	-32,271	-28%
Cash flows from financing activities	994,880	603,039	65%
Total net cash flows	186,301	2,996	6118%
Total assets	9,928,505	7,681,082	29%
Equity	3,791,393	3,253,297	17%
Return on equity (ROE)	26%	25%	-
Earnings per share (PLN)			
Basic	50.93	42.07	21%
Diluted	48.37	40.71	19%

Source: Consolidated financial statements

Net profit and return on equity (ROE)

In 2023, the KRUK Group's net profit came in at PLN 984m, a PLN 179m increase on net profit earned in 2022, which amounted to PLN 805m (up by 22% year on year). It was the Group's highest ever net profit. This increase was largely driven by a PLN 447m rise in revenue (up by 21% year on year).

Cash EBITDA in 2023 came in at PLN 2,104m, having improved by 16% on the year before, primarily on higher recoveries (up by PLN 435m, or 17%, year on year).

As at 31 December 2023, return on equity for the twelve months ended on that date was 26%, compared with 25% the year before.

In connection with the ongoing inspection of corporate income tax settlements for 2018–2020 conducted by the Customs and Tax Office in Kraków, the Company has recognised a provision totalling PLN 28.5m to settle a potential tax underpayment for the years under review and subsequent years, together with interest, in its profit or loss for 2023. As at the date of issue of these financial statements, the Company did not yet receive the inspection report and the provision recognised reflected the Management Board's best estimate.

Revenue and revaluation of projected recoveries

In 2023, the KRUK Group generated PLN 2,593m in revenue, up by 21% (PLN 447m) compared with the year before. Revenue from purchased debt portfolios amounted to PLN 2,344m, up by 23% (PLN +431m) year on year. The largest year-on-year increase by far was recorded in revenue from purchased debt portfolios on the Polish market (PLN +172m, or +20%), with significant increases achieved also in Spain (PLN +170m, or +142%), Italy (PLN +49m, or +14%) and Romania (PLN +47m, or +9%).

For the full year 2023, revaluation of projected recoveries booked by the Group totalled PLN 439m, compared with PLN 384m in the previous year. The deviation between the Group's actual and projected recoveries, including revenue decreases on early collections in collateralised cases and payments from the original creditor, was positive and amounted to PLN 427m, compared with PLN 353m a year earlier (up by 21%).

In the three months ended 31 December 2023, the Group booked a PLN 120m revaluation of projected recoveries, up by PLN 41m on the same period the year before. 70% of the total revaluation of projected recoveries in the three months to 31 December 2023 from unsecured retail portfolios purchased until June 2023 was attributable to a revision of projected recoveries for the next 40 months. The deviation between the Group's actual and projected recoveries, including revenue decreases on early collections in collateralised cases and payments from the original creditor, was positive and amounted to PLN 83m, compared with PLN 84m a year earlier (down by 1%).

In addition, the increase in the Group's revenue for 2023 reflected an increase in Wonga's revenue (PLN +11m, or +8%, year on year). PLN 15m represented proceeds from the disposal on 24 January 2023 of two Group companies: ERIF BIG S.A. and EBS Sp. z o.o.

Costs of operations

In 2023, costs of operations excluding depreciation and amortisation (direct and indirect costs, administrative expenses and other expenses) amounted to PLN 1,207m, having increased by PLN 155m (15%) on the previous year. The increase was driven mainly by a rise in employee costs and salaries (up by PLN 54m, or 11%, year on year), as well as court and debt enforcement fees (up by PLN 64m, or 22%, year on year).

Finance costs

In 2023, net finance costs were PLN 290m, having grown by PLN 111m relative to 2022, driven by higher debt (up by PLN 1,589m), as well as elevated 1M/3M WIBOR rates (the average of quotations for the last day of each month in the period January–December 2022 was 5.79%/6.21%, compared with 6.52%/6.50% in the same period of 2023) and 1M/3M EURIBOR rates (up from 0.24%/0.47% to 3.32%/3.49%, respectively). The effect of interest rate increases on the Group's finance costs was partly offset by the effect of interest rate hedges, which amounted to PLN +75m in 2023. IRS and CIRS contracts used for hedging purposes and fixed-rate bonds (a total of PLN 3,896m) represented 71% of the Group's total debt as at 31 December 2023. WIBOR-sensitive debt accounted for 9% (PLN 508m) and EURIBOR-sensitive debt – for 20% (PLN 1,068m) of the Group's total debt as at 31 December 2023.

Purchased debt portfolios

Recoveries from purchased portfolios

Amounts recovered in 2023 from portfolios purchased by the KRUK Group came to PLN 3,062m, up by 17% year on year. These were the Group's highest ever recoveries for a full year. 56% of that amount was collected in foreign markets. The year-on-year increase of PLN 435m achieved in 2023 was mainly attributable to PLN 144m growth in recoveries on the Spanish market (+58% year on year), PLN 119m growth in recoveries on the Polish market (+10% year on year), PLN 112m growth in recoveries on the Italian market (+24% year on year), and PLN 42m growth in recoveries on the Romanian market (+7% year on year). The vast majority of recoveries, accounting for as much as 89% of the total figure (2022: 87%), came from unsecured portfolios.

Table 8. Recoveries from purchased portfolios in 2023, by market

	2023 RECOVERIES (PLNM)	SHARE OF TOTAL RECOVERIES	2022 recoveries (PLNM)	SHARE OF TOTAL RECOVERIES	CHANGE Y/Y
Poland	1,351	44%	1,232	47%	10%
Romania	635	21%	593	23%	7%
Italy	569	19%	457	17%	24%
Spain	390	13%	246	9%	58%
Other markets	117	4%	99	4%	19%
KRUK Group	3,062	100%	2,627	100%	17%

The actual recoveries exceeded the budgeted figures both cumulatively for the full year and in each quarter (the positive deviation⁷ in the three months to 31 December 2023 was PLN 83m, or 12%).

Table 9. Actual vs projected recoveries from purchased debt portfolios

(PLNm)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Actual recoveries	623	657	648	700	724	776	785	777
B. Deviation between actual and projected recoveries and related items ²	79	109	82	84	111	143	91	83
C. Percentage deviation (B/(A-B)) ²	15%	20%	14%	14%	18%	23%	13%	12%

The tables below present, respectively, the amounts of 2022 and 2023 recoveries from purchased debt portfolios and shares of purchased debt portfolios in the 2022 and 2023 total recoveries broken down by the portfolio acquisition period.

⁷ The item 'deviation between actual and projected recoveries' includes the deviation of actual recoveries from budgeted figures, decreases on early collections in collateralised cases, and payments from the original creditor. The percentage deviation is determined as the ratio of 'deviation between actual and projected recoveries' to the difference between 'actual recoveries' and 'deviation between actual and projected recoveries'.

Table 10. Amounts of 2022 and 2023 recoveries from purchased debt portfolios

(PLNm)	ACQUISITION PERIOD										
	2004–2010	2011–2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
2022 recoveries	128	485	350	219	318	227	173	499	227	n/a	2,627
2023 recoveries	125	448	300	217	285	202	137	449	536	363	3,062

Table 11. Shares of purchased debt portfolios in the 2022 and 2023 total recoveries by portfolio acquisition period

(PLNm)	ACQUISITION PERIOD										
	2004–2010	2011–2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
2022 recoveries	5%	18%	13%	8%	12%	9%	7%	19%	9%	n/a	5%
2023 recoveries	4%	15%	10%	7%	9%	7%	4%	15%	17%	12%	4%

The portfolios purchased over the last six years accounted for the largest (more than 60%) share in the KRUK Group's total recoveries in 2023 and in 2022, with the portfolios purchased in 2011–2015 accounting for 15% of total recoveries in 2023. At the same time, the Group continued to recover debts from portfolios that had already been under its management for more than 10 years (portfolios purchased by 2010). At PLN 125m, recoveries from those portfolios in 2023 were down by PLN 3m year on year. The contribution of the portfolios purchased in 2023 to total recoveries was 12%, in keeping with the figures recorded in prior years. The share of debt portfolios purchased in a financial year in total recoveries posted for that year is largely determined by the purchase date (the earlier in a year an asset is purchased, the longer it will contribute to recoveries in that year).

Investments in new portfolios

The KRUK Group invested PLN 2,972m in debt purchases in 2023, 29% (or PLN 661m) more than a year earlier and more than ever before in absolute terms. In 2023, the KRUK Group acquired debt portfolios with a total nominal value of PLN 14.5bn (up by 6% year on year), the highest amount in the 25 years of its operating history. In 2023, the Group invested primarily in unsecured retail debt, which represented as much as 90% of new debt purchases. KRUK purchased debts over the entire reporting period, and the Group's investments in each quarter of 2023 were higher than in the corresponding quarters of 2022. The fourth quarter of 2023 saw the bulk of the Group's investments (33% of annual expenditure) and at the same time a 2% improvement on the fourth quarter of 2022.

In 2023, the Group invested primarily in unsecured retail debt, which represented as much as 91% of new debt purchases (2022: 92%).

In addition to the debt purchases made by the KRUK Group in 2023, the Group also signed long-term forward flow contracts, under which it may continue to purchase debt portfolios from original creditors in 2024 and 2025.

Markets accounting for the largest shares of total purchases in 2023 were Italy (33%), Spain (27%) and Poland (26%). The Group purchased debt portfolios in each of its operating markets, with 74% of these investments made outside Poland.

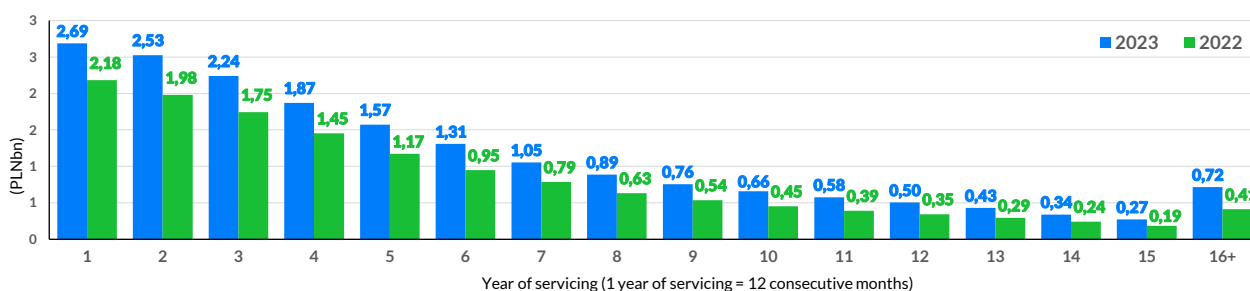
Gross return rates on investments made in 2023 were estimated as at the time of the investments at 21%, compared with 20% in 2022 (gross IRR is calculated as internal rate of return on expected collections from the

following year and the carrying amount of portfolios as at the end of a given year). As at 31 December 2023, the recovery amount for portfolios acquired in the full year 2023 relative to expenditure incurred to acquire the portfolios was 2.3x, compared with 2.2x as at 31 December 2022, calculated for portfolios acquired in the full year 2022 (the recovery amount represents the sum of historical recoveries and projected future recoveries). Estimated remaining collections from all portfolios purchased by 31 December 2023 assumed in the accounting estimate are PLN 18,397m. Depending on the market and type of the portfolio, estimated remaining collections may be spread over a period of 15 years or more.

Estimated remaining collections

Estimated remaining collections (ERC) as at 31 December 2023 were PLN 18.4bn, up by PLN 4.6bn, or +34%, on 31 December 2022. The increase was driven primarily by investments of PLN 2,972m made in 2023 (including PLN 983m in the three months to 31 December 2023) in debt portfolios with a nominal value of PLN 14,523m (including PLN 4,431m in the three months to 31 December 2023), and a revaluation of projected recoveries as at 31 December 2023, with a discounted value of PLN 120m. 70% of the total revaluation of projected recoveries from unsecured retail portfolios as at 31 December 2023 was attributable to the revaluation of projected recoveries until April 2028 (over the next 40 months). The breakdown of ERC according to the collection period is presented in the charts below.

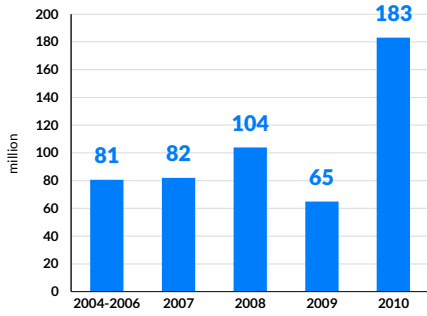
ESTIMATED REMAINING COLLECTIONS BY YEARS OF SERVICING AS AT THE END OF PERIOD



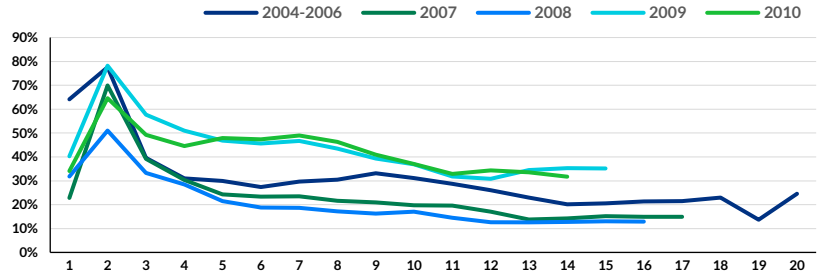
Below is an overview of portfolios in four time perspectives as at 31 December 2023: portfolios purchased in 2004–2010, portfolios purchased in 2011–2015, portfolios purchased in 2016–2019 and the newest portfolios purchased in 2020–2023. The servicing period in the first year from the purchase may be shorter than twelve months.

* For 2004–2006 – data is the average weighted by expenditure incurred in the years which contributed to recoveries in the given period.

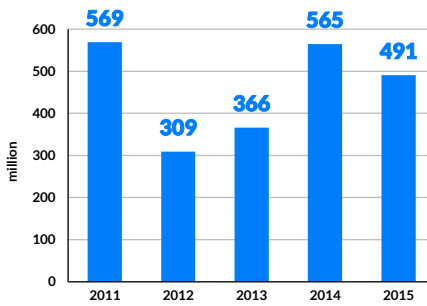
EXPENDITURE IN 2004–2010



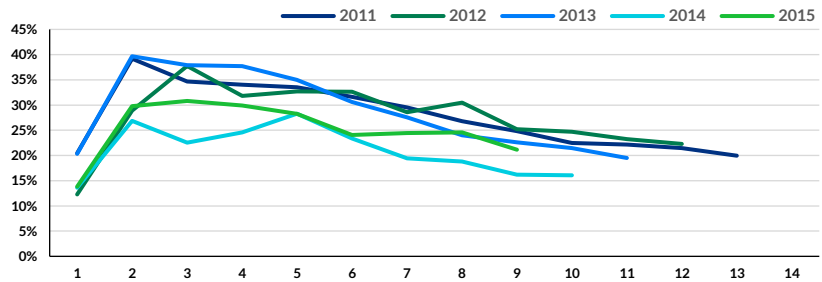
RECOVERIES IN THE SUCCESSIVE YEARS OF SERVICING TO EXPENDITURE IN 2004–2010



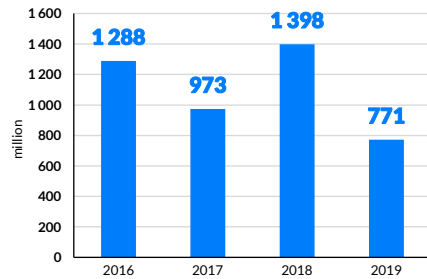
EXPENDITURE IN 2011–2015



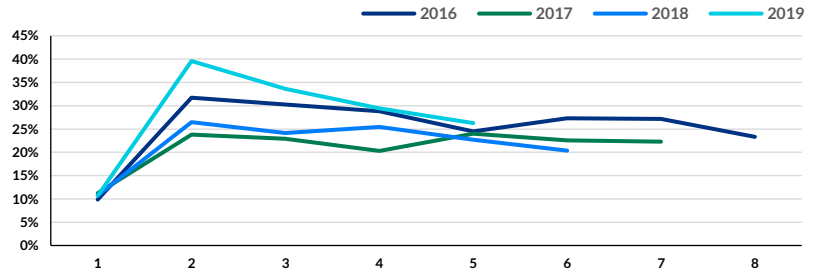
RECOVERIES IN THE SUCCESSIVE YEARS OF SERVICING TO EXPENDITURE IN 2011–2015



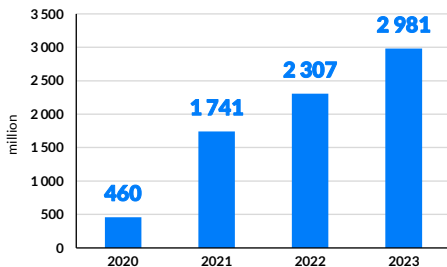
EXPENDITURE IN 2016–2019



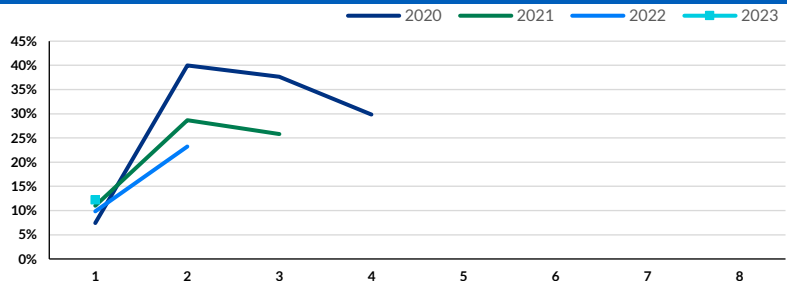
RECOVERIES IN THE SUCCESSIVE YEARS OF SERVICING TO EXPENDITURE IN 2016–2019



EXPENDITURE IN 2020–2023



RECOVERIES IN THE SUCCESSIVE YEARS OF SERVICING TO EXPENDITURE IN 2016–2019



The table below presents recoveries in successive calendar years in relation to expenditure on portfolios purchased in 2004–2023, with the proviso that the first period from the acquisition date may be less than twelve months (portfolios are purchased from 1 January to 31 December).

PORTFOLIO ACQUISITION DATE	PERIOD																				TOTAL
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
2004–2006*	68%	78%	40%	31%	30%	27%	30%	31%	33%	31%	29%	26%	23%	20%	20%	21%	22%	23%	14%	25%	620%
2007	23%	70%	39%	30%	24%	23%	24%	22%	21%	20%	20%	17%	14%	14%	15%	15%	15%	406%			
2008	32%	51%	33%	28%	21%	19%	19%	17%	16%	17%	15%	13%	13%	13%	13%	332%					
2009	40%	78%	58%	51%	47%	46%	47%	43%	39%	37%	32%	31%	34%	35%	35%	653%					
2010	34%	65%	49%	45%	48%	47%	49%	46%	41%	37%	33%	34%	34%	32%	594%						
2011	20%	39%	35%	34%	34%	32%	30%	27%	25%	22%	22%	21%	20%	361%							
2012	12%	29%	38%	32%	33%	33%	29%	30%	25%	25%	23%	22%	331%								
2013	20%	40%	38%	38%	35%	31%	28%	24%	23%	21%	20%	316%									
2014	14%	27%	23%	25%	28%	23%	19%	19%	16%	16%	210%										
2015	14%	30%	31%	30%	28%	24%	24%	25%	21%	227%											
2016	10%	32%	30%	29%	24%	27%	27%	23%	203%												
2017	11%	24%	23%	20%	24%	23%	22%	147%													
2018	11%	26%	24%	25%	23%	20%	130%														
2019	11%	40%	34%	29%	26%	140%															
2020	7%	40%	38%	30%	115%																
2021	11%	29%	26%	65%																	
2022	10%	23%	33%																		
2023	12%	12%																			

* The servicing period in the first year from the purchase may be shorter than twelve months. As at 31 December 2023.

The relation of historical recoveries in successive calendar years to expenditure on portfolios purchased in 2004–2023 may differ from year to year depending on a range of factors, including:

- Debt management process carried out by the KRUK Group
- Type and nature of debt portfolios purchased in a given year
- Shares of various geographies in total debt portfolio acquisitions in a given year
- External environment, including legal and business environments.

Credit management services

In 2023, the nominal value of debts outsourced to the Group for collection was PLN 40.1bn (relative to PLN 45.9bn in 2022). In 2023, banks remained the Group's main business partners in the credit management segment. Credit management revenue in 2022 was PLN 65m, an increase of 5% year on year, driven by the larger scale of outsourced cases, successful process optimisation, and new projects. Revenue rose by 7% and 6% on the Polish and Spanish markets, respectively, with decreases of 7% in Italy. The Group's presence in both market segments, i.e., purchased debt portfolios and credit management, is an important competitive advantage as it offers operational synergies and helps mitigate the risk related to debt portfolio purchases thanks to additional statistical information obtained from the credit management business. The Group currently offers its credit management services in Poland, Spain and Italy.

Consumer loans (Novum and Wonga)

In 2023, the KRUK Group companies advanced 221 thousand cash loans, compared with 213 thousand the year before. In 2023, the value of loans advanced was PLN 559m, compared with PLN 594m in 2022.

In 2023, Wonga disbursed 202 thousand cash loans in Poland, amounting to a total of PLN 460m. As part of the Wonga business line, consumer loans of up to PLN 20,000 per loan are granted, with repayment periods of up to 48 months.

In 2023, the Group advanced a total of 19 thousand NOVUM cash loans in Poland and Romania (of which 16 thousand in Poland), with a total principal amount of PLN 99m (PLN 79m in Poland). As part of the NOVUM business line in Poland, consumer loans of up to PLN 14,000 per loan were granted for periods from 3 to 30 months. In Romania, NOVUM granted consumer loans of up to RON 60,000 per loan, with repayment periods of up to 60 months.

Novum's total revenue was PLN 29m, up 21% year on year, whereas Wonga's revenue came in at PLN 139m, up 8% year on year.

Novum's revenue in Poland reached PLN 23m, up 14%.

Novum's EBITDA totalled PLN 10.4m, up 19% year on year, of which Poland accounted for PLN 9.6m, representing an increase of 5% year on year. Wonga's EBITDA as at 31 December 2023 was PLN 76m, up 6% year on year.

Credit reference (ERIF BIG)

KRUK decided to sell the companies from this business line, and as of 24 January 2023 ERIF BIG and ERIF EBS are no longer part of the KRUK Group. In the period from 1 January to 24 January 2023, they generated revenue of PLN 0.5m.

3.2 KRUK Group's performance by business segment

The performance of each reportable segment is discussed below.

Table 12. KRUK Group's performance highlights by reportable segment

(PLN '000)	TOTAL 2023	TOTAL 2022
Total revenue*	2,592,580	2,145,790
Purchased debt portfolios	2,343,758	1,912,676
including revaluation of projected recoveries	438,985	383,860
Credit management services	57,836	64,945
Other products	169,372	161,613
Other income	21,614	6,556
Direct and indirect costs	-880,118	-782,707
Purchased debt portfolios	-749,289	-653,025
Credit management services	-53,456	-57,950
Other products	-67,253	-63,332
Unallocated expenses	-10,120	-8,400
Gross profit	1,712,462	1,363,083
Purchased debt portfolios	1,594,469	1,259,651

Credit management services	4,380	6,995
Other products	102,119	98,281
Unallocated income / expenses	11,494	-1,844
Administrative expenses	-327,007	-269,054
EBITDA ²	1,385,455	1,094,029

*Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios including other income

¹ Gross profit = operating income - operating expenses.

² EBITDA = operating profit - depreciation and amortisation.

In 2023, the Group's gross profit was PLN 1,712m, having increased by PLN 349m (26%) on the previous year. The increase was mainly attributable to a PLN 447m (21%) year-on-year growth in revenue. Direct and indirect costs rose by PLN 97m (12%).

The purchased debt segment's gross profit was PLN 1,594m, up PLN 335m (27%) year on year. The increase in the segment's gross profit was largely attributable to a PLN 431m (23%) growth in revenue, driven by higher interest income on purchased debt portfolios (up PLN 321m, or 27%), upward revaluation of projected recoveries totalling PLN 439m (up PLN 55m, or 14%) and actual recoveries from debt portfolios coming in above the target. Differences between actual and planned recoveries, disclosed jointly with a decrease in revenue on early collections in collateralised cases and payments from the original creditor, totalled PLN 427m in 2023, that is PLN 74m (21%) more than the year before. The purchased debt segment's direct and indirect costs increased by PLN 96m (15%) year on year, primarily as a result of higher costs of court and enforcement proceedings (up PLN 61m, or 21%), mainly in Spain, Romania, and Poland.

The credit management segment's gross profit was PLN 4m, down PLN 3m (37%) year on year. The decline was mainly due to exiting the Romanian market in 2023, which translated into a PLN 7m (11%) decrease in revenue and a PLN 4m (8%) decrease in direct and indirect costs.

The other activities segment's gross profit came in at PLN 102m, having increased by PLN 4m (4%) on 2022, chiefly thanks to a PLN 8m (5%) increase in revenue (including a PLN 11m (8%) increase in Wonga's revenue). The other activities segment's direct and indirect costs were PLN 67m, having increased by PLN 4m (6%) year on year.

The portion of gross profit representing the difference between other income and unallocated expenses increased by PLN 13m, mainly as a result of the disposal on 24 January 2023 of two Group companies: ERIF BIG S.A. and EBS Sp. z o.o. (total transaction proceeds of PLN 15m).

3.3 KRUK Group's performance by geographical segment

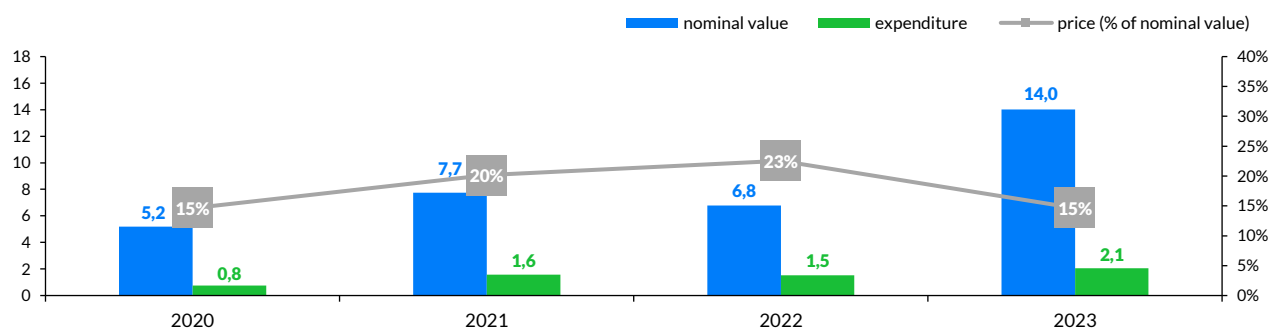
Discussed below are the Group's results by geographical segment (presentation).

(PLNm)	Poland		Romania		Italy		Spain		Other markets		Unallocated		Head Office		KRUK Group	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Expenditure on debt portfolios	776	465	336	412	977	585	812	799	70	49	N/A	N/A			2,972	2,311
Recoveries	1351	1232	635	593	569	457	390	246	117	99	N/A	N/A			3,062	2,627
Carrying amount of purchased debt portfolios (PLNbn)	3,2	2,8	1,4	1,3	2,1	1,5	1,7	1,1	0,2	0,2	N/A	N/A			8,674	6,768
Percentage of total portfolio carrying amount	37%	41%	17%	19%	25%	22%	20%	16%	2%	2%	N/A	N/A			100%	100%
Revenue	1215	1035	587	549	413	361	306	136	51	59	22	7	N/A		2,593	2,146
Purchased debt portfolios	1021	849	581	533	401	352	290	120	51	59	N/A	N/A			2,344	1,913
Credit management services	30	28	0	12	11	9	16	16			N/A	N/A			58	65
Wonga	139	129									N/A	N/A			139	129
Other activities	24	29	6	4							N/A	N/A			30	33
Gross profit	868	698	462	437	215	181	132	13	24	36	11	-2	N/A		1,713	1,363
EBITDA	778	625	430	407	179	150	106	-6	10	26	11	-2	-129	-106	1,385	1,094
Cash EBITDA	1108	1009	484	467	346	255	207	121	76	66	11	-2	-129	-106	2,104	1,809

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

In 2023, debt sale auctions held by debt originators (mainly banks and financial institutions) covered all types of debt (unsecured retail, mortgage and corporate portfolios).

SUPPLY OF UNSECURED RETAIL PORTFOLIOS (PLNbn)



Unsecured retail debt accounted for 75% of the total expenditure on debt purchases in the Polish market. As in the year before, KRUK's main competitors in Poland were foreign entities. The estimated nominal value of the total debt supply was PLN 18.9bn, compared with PLN 10.1bn in 2022. According to KRUK's estimates, the average price of unsecured retail debt was 15% (calculated as expenditure incurred to the nominal value of the debt purchased), down by 8pp year on year, due mainly to large volumes and investments made on the secondary market (PLN 459m vs PLN 16m in 2022); whereas the average price of such assets on the primary market was 22% of the nominal value, a level largely unchanged from the previous year. Investors spent a total of PLN of 2.5bn on all types of debt, of which 30% was attributable to KRUK. KRUK's market share in expenditure on unsecured retail debt is estimated at 29%, compared with 25% in 2022.

In 2023, KRUK's investments in Poland amounted to PLN 776m, representing 26% of the Group's total expenditure in the period. The nominal value of the purchased portfolios was PLN 4,461m. In Poland, KRUK invested primarily in unsecured retail debt.

Amounts collected in Poland represented 44% of the Group's total recoveries in 2023, amounting to PLN 1,351m, up by 10% year on year.

Compared with 2022, the Group's revenue on the Polish market in 2023 went up by nearly PLN 180m, to PLN 1,215m. Revaluation of projected recoveries amounted to PLN 212m, relative to PLN 157m in 2022. The year-on-year increase in the revaluation coupled with higher interest income drove the Group's revenue from purchased debt portfolios up by 20% year on year. In Poland KRUK also recorded an excess of actual cash recovered over projected recoveries.

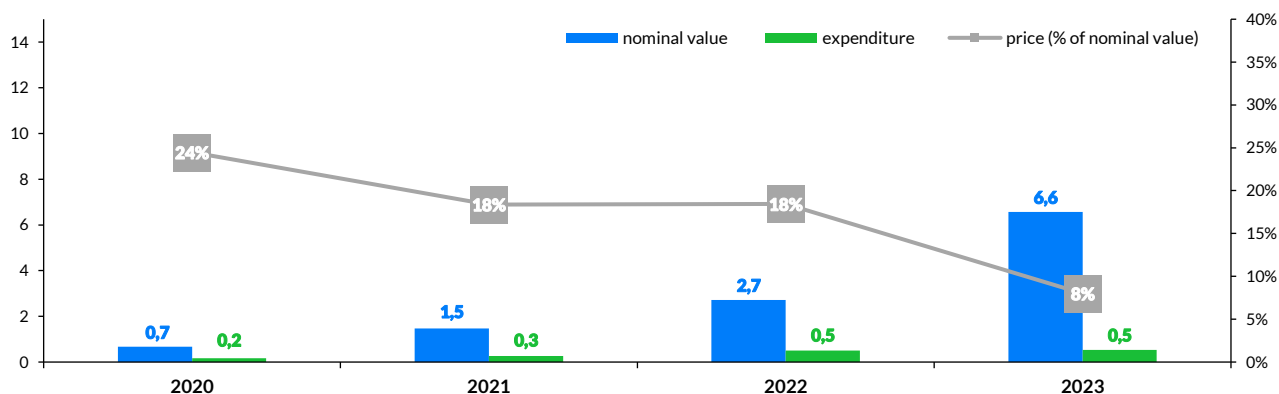
Thanks primarily to the higher recoveries, gross profit on the Polish market for 2023 came in at PLN 868m, relative to PLN 698m in the comparative period, up by 24% year on year.

EBITDA on the Polish market for 2023 was booked at PLN 778m, up by 24% year on year. Cash EBITDA stood at PLN 1,108m, up by 10% compared with 2022, mainly on the higher year-on-year recoveries.

The carrying amount of purchased debt portfolios as at 31 December 2023 was PLN 3.2bn, up by 17% year on year. Polish portfolios accounted in total for 37% of the carrying amount of all debt portfolios held by the KRUK Group.

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

In 2023, debt portfolios sold on the Romanian market had a nominal value of over PLN 7bn, with unsecured retail and corporate debt portfolios worth nominally more than PLN 6.9bn, including secondary market transactions with a nominal value in excess of PLN 5.1bn.



According to KRUK's estimates, total expenditure on the market in 2023 was PLN 619m, with KRUK's share at 54%. KRUK's market share in expenditure on unsecured retail debt in Romania is estimated at 63%, relative to 75% in 2022. In recent years, the size of Romania's corporate debt market was immaterial relative to the whole market. The average prices in Romania were around 9% (taking into account large transactions on the secondary market).

Purchases made in Romania accounted for 11% of the Group's total investments, as it spent PLN 336m in debt with a nominal value of PLN 1,109m. KRUK invested primarily in unsecured retail debt portfolios.

For the full year 2023, recoveries in Romania amounted to PLN 635m, up by 7% year on year, representing 21% of total recoveries in the period.

Total revenue from the Romanian market generated in 2023 amounted to PLN 587m, up by 7% on the year before. The increase reflects a lower upward revaluation of projected recoveries in 2023 than in the corresponding period of the previous year (PLN 197m vs PLN 206m), as well as higher interest income. In Romania KRUK also recorded an excess of actual recoveries over estimated amounts.

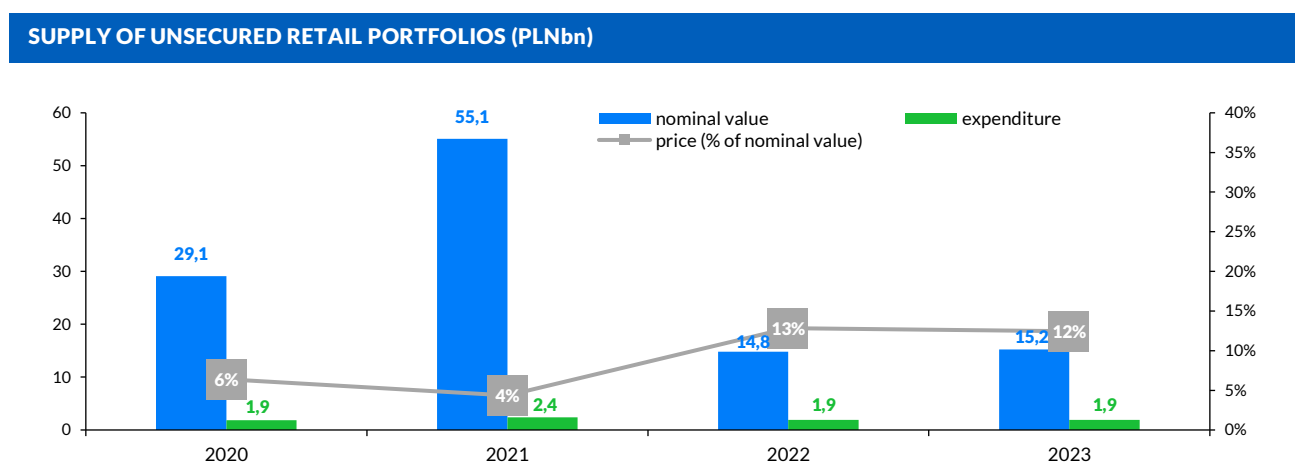
Gross profit came in at PLN 462m, having increased from PLN 437m a year earlier.

EBITDA in Romania totalled PLN 430m, up by 5% on 2022, with cash EBITDA at PLN 484m, up by 4% year on year.

As at 31 December 2023, the carrying amount of purchased debt portfolios was PLN 1.4bn, up by 15% on the end of 2022. The Romanian portfolios accounted in total for 17% of the carrying amount of all debt portfolios held by the KRUK Group.

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

According to the KRUK Group's estimates, the supply of unsecured retail, SME and corporate debt in 2023 was PLN 43bn (nominal amount).



Most of the portfolios were sold by the banking sector and the main buyers in the Italian market besides KRUK were local players. The average price paid for unsecured retail debt portfolios, calculated as expenditure incurred to the nominal value of the debt, was around 12% and reflected both the asset quality and competitiveness in the market. The amount invested by creditors was PLN 4.6bn, with KRUK's market share estimated at 21%. As for KRUK's market share in expenditure on unsecured retail debt, it is estimated at 47%, compared with 25% in 2022.

On the Italian market, KRUK invested the largest amount in 2023, i.e. PLN 977m, accounting for 33% of the Group's total investments, primarily in unsecured retail debt. The nominal value of the portfolios purchased was PLN 3,536m.

Amounts collected in Italy represented 19% of the Group's total recoveries in 2023, amounting to PLN 569m, up by 24% year on year.

Revenue generated in Italy between 1 January and 31 December 2023 was PLN 413m, compared with PLN 361m in the same period of 2022 (a 14% increase). Revenue from the purchased debt portfolio business accounted for 97% of total revenue, having increased to PLN 401m from PLN 352m the year before.

In the full year 2023, the Group recognised a PLN 25m revaluation of projected recoveries from the Italian portfolios, compared with a PLN 49m revaluation booked a year earlier. Revenue from purchased portfolios rose in the period mainly as a result of higher interest income relative to the comparative period. In Italy KRUK also recorded an excess of actual recoveries over estimates.

Revenue from the credit management business in 2023 was PLN 11m, relative to PLN 9m in 2022.

Thanks to the year-on-year revenue increase, gross profit amounted to PLN 215m, relative to PLN 181m a year earlier.

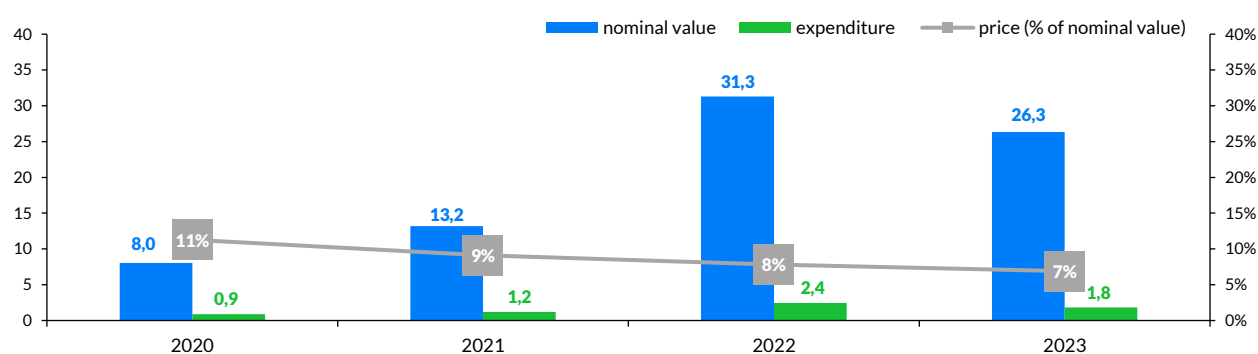
On the Italian market EBITDA for 2023 came in at PLN 179m, up from PLN 150m the year before, which represents a 19% increase. On account of the higher recoveries, cash EBITDA amounted to PLN 346m, up by 36% year on year.

As at 31 December 2023, the carrying amount of purchased debt portfolios was PLN 2.1bn, up by 46% on the end of 2022. The Italian portfolios accounted for 25% of the total carrying amount of all debt portfolios held by the KRUK Group.

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

Based on KRUK's estimates, bank and non-bank debt portfolios sold in Spain in 2023 had an aggregate value of PLN 83bn (nominal amount, mortgage debt excluded), of which PLN 59bn was attributable to secondary market transactions.

SUPPLY OF UNSECURED RETAIL PORTFOLIOS (PLNbn)



Most of the portfolios were sold by the banking sector and other financial institutions. The average price paid for debt portfolios, calculated as expenditure incurred to the nominal value of the debt, was close to 9% on the primary market, and 7% for unsecured retail debt. The total amount invested in the Spanish market was PLN 2.3bn, with KRUK's share at 36%. KRUK's market share in expenditure on unsecured retail debt is estimated at 44%, relative to 33% in 2022.

2023 saw the KRUK Group invest PLN 812m in Spain, primarily in unsecured retail debt, which represented 27% of the Group's total expenditure on portfolio purchases in the period. The nominal value of the purchased portfolios was PLN 5,098m, the largest investment amount for the Group.

In the full year 2023, recoveries in Spain amounted to PLN 390m, up by 58% year on year, representing 13% of total recoveries in the period.

Revenue generated on the Spanish market in 2023 came to PLN 306m, more than double the 2022 result. 95% of the revenue on the Spanish market was derived from purchased portfolios: PLN 290m, compared with PLN 120m a year earlier. The KRUK Group recognised PLN 37m in a positive revaluation of projected recoveries on the Spanish market, compared with a PLN 3m negative revaluation recorded a year earlier. The year-on-year revenue growth was also driven by higher interest income. In Spain KRUK also recorded an excess of actual cash recovered over projected recoveries.

Revenue from the credit management business in Spain came to PLN 16m, down by 2% year on year.

Gross profit on the Spanish market was PLN 132m, compared with PLN 13m in 2022, which represented a nine-fold increase.

As a result of the higher recoveries and revenue, EBITDA on the Spanish market for 2023 reached PLN 106m, compared with a negative EBITDA of PLN -6m for 2022. Cash EBITDA stood at PLN 207m, up by 71% on the year before, mainly on the higher year-on-year recoveries.

As at 31 December 2023, the carrying amount of debt portfolios held in Spain was PLN 1.7bn (up by 55%), representing 20% of the total carrying amount of the Group's debt portfolios.

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

According to our in-house estimates, the nominal value of consumer debt portfolios sold in the Czech Republic and Slovakia in 2023 was almost PLN 1.5bn, up on the PLN 1.3bn recorded in 2022. Expenditure on portfolio purchases in both markets is estimated at PLN 0.3bn. The average price, calculated as expenditure incurred to the nominal value of the debt, was 20%. KRUK's share of the unsecured debt purchase market in the Czech Republic and Slovakia was approximately 21% and 31%, respectively. In Germany, KRUK did not invest in new portfolios.

In the reporting period, the KRUK Group's investments in the Czech Republic and Slovakia amounted to PLN 70m, representing 2% of the Group's total expenditure of portfolio purchases. The nominal value of the purchased portfolios was PLN 319m. The investment was made in unsecured retail portfolios.

In the full year 2023, recoveries from the other markets totalled PLN 117m, up by 19% year on year, representing 4% of total recoveries in the period.

In 2023, the segment's revenue, comprising solely revenue from purchased portfolios, was PLN 51m, down by 13% on 2022. In the other markets segment, KRUK also recorded an excess of actual recoveries over estimates both in the full year 2023 and in the three months to 31 December 2023.

In 2023, the KRUK Group recognised a PLN 2m positive revaluation of projected recoveries in the other markets segment, compared with PLN 8m in the previous year.

Gross profit was close to PLN 24m, down by 33% year on year.

EBITDA for 2023 came in at PLN 10m, down by 60% year on year, chiefly on account of a lower positive revaluation of projected recoveries (down by PLN 5m, or 75%, year on year) and an increase in direct, indirect and administrative expenses (up by PLN 4m, or 18%, year on year), due mainly to additional VAT charges in the six months ended 30 June 2023. At the same time, cash EBITDA grew by 16% year on year, driven primarily by a 19% increase in recoveries.

As at 31 December 2023, the carrying amount of debt portfolios in the other markets segment was close to PLN 0.2bn, representing 2% of the total carrying amount of the Group's debt portfolios.

Although the KRUK Group's operations in the Czech Republic and Slovakia are well-organised and profitable, their scale differs significantly from the scale of its operations in Poland, Romania, Italy or Spain. The Group's key objective is to focus its efforts on the larger markets, where it can effectively scale up its business. We estimate that the debt trade markets in the Czech Republic and Slovakia have limited potential for long-term growth. For this reason, KRUK has commenced a review of its strategic options in those two jurisdictions.

In December 2023, KRUK signed a forward-flow portfolio purchase agreement in France. With a population of 66 million, France presents significant potential, offered by over EUR 12bn of non-performing unsecured retail debt carried on banks' balance sheets. Historically, the debt sale market in France has seen less bank activity compared to other European markets. KRUK will assess, among other things, the potential and size of the French market.

3.4 Carrying amount of purchased debt portfolios

As at the end of 2023, the carrying amount of purchased debt portfolios was PLN 8.7bn, up 28% year on year. The increase was mainly driven by a high level of investments and recoveries.

Table 13. Movements in purchased debt portfolios in 2023

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

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

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

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

Source: Consolidated financial statements

3.5 Investments

3.5.1 Investments in debt portfolios

In 2022, the KRUK Group purchased 297 debt portfolios with a total nominal value of PLN 14.5bn. KRUK invested in bank and non-bank portfolios including mainly unsecured retail debt, as well as secured and corporate debt. To compare, in 2022 KRUK purchased 241 debt portfolios with a total nominal value of PLN 13.7bn for PLN 2.3bn.

Table 14. Summary of debt portfolios purchased in 2023 and 2022

	2023	2022
Number of purchased debt portfolios	297	241
Nominal value of purchased debt portfolios (PLNm)	14,523	13,692
Expenditure on debt portfolios (PLNm)	2,972	2,311

Source: Company

KRUK made the largest investments in Italy (33% of total expenditure), with Spain, Poland, Romania, the Czech Republic, and Slovakia accounting for the remainder of KRUK's total expenditure on debt portfolios. In 2023, 74% of KRUK's total investments were made outside Poland. In absolute terms, the amount was PLN 2,196m, compared with PLN 1,846m a year earlier, which represented 80% of the Group's total expenditure in 2022.

Expenditure in 2023 and 2022, by country (PLNm)

COUNTRY	2023	2022
Italy	977	585
Spain	812	799
Poland	776	465
Romania	336	412
Czech Republic and Slovakia	70	49
Total	2,972	2,311

Source: Company

3.5.2 Loans

In 2023, the KRUK Group companies advanced 221 thousand cash loans, compared with 213 thousand the year before. In 2022, the value of loans advanced was PLN 559m, compared with PLN 594m in 2022.

3.5.3 Other capital expenditure

In 2023, the main items of the Group's other capital expenditure were PLN 9.8m spent on new vehicles (including under lease contracts) and PLN 15.5m spent on plant and equipment. The Company also made material investments of PLN 23.9m in licences and software, including PLN 7.5m invested in proprietary software.

3.5.4 Equity investments within the Group

In 2023, KRUK increased or reduced the capital of its subsidiaries:

Table 15. Movements in share capital at the Group companies

COMPANY	ACTION	AMOUNT
InvestCapital Ltd.	Share capital increase	PLN 220.0m
InvestCapital Ltd.	Share capital reduction	PLN 240.0m
AgeCredit S.r.l.	Capital injection	PLN 1.2m*
Wonga.pl Sp. z o.o.	Share capital increase	PLN 15.2m

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

Source: Company

3.5.5 Sources of investment financing

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

3.5.6 Assessment of the feasibility of investment plans

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

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

In 2023, KRUK S.A. generated revenue of PLN 260m, that is 28% more than in 2022. In 2023, the Company's operating and administrative expenses amounted to PLN 330m, up 16% year on year. Net finance costs grew by PLN 11m (19%) year on year.

Income tax was PLN 14m, 63% less than in the previous year.

The 2023 net profit was PLN 984m, having risen by PLN 179m (26%) year on year. The increase in the Company's net profit was mainly attributable to the share in profit/(loss) of equity-accounted entities (an increase of PLN 190m, or 19%, on 2022).

The table below presents selected data and financial highlights of the Company for 2023, with comparative data for 2022.

Table 16. Financial highlights of KRUK S.A.

	YEAR ENDED 31 DEC		
	2023	2022	CHANGE
	<i>(PLN '000, unless stated otherwise)</i>		
Revenue	259,989	203,431	28%
Profit/(loss) before tax	1,026,011	841,410	22%
Net profit/(loss)	983,934	804,982	22%
Net cash from operating activities	-56,976	-8,089	604%
Cash recoveries	32,988	36,336	-9%
Net cash from investing activities	-739,145	28,619	-2683%
Net cash from financing activities	1,001,756	-52,220	-2018%
Net change in cash	205,635	-31,690	-749%
Diluted earnings per share (PLN/EUR)	48.37	40.71	19%

Average number of shares ('000)	19,319	19,136	1%
Earnings per share (PLN/EUR)	50.93	42.07	21%

YEAR ENDED 31 DEC			
	2023	2022	CHANGE
	<i>(PLN '000, unless stated otherwise)</i>		
Total assets	7,394,513	5,403,418	37%
Non-current liabilities	3,188,557	1,788,174	78%
Current liabilities	414,563	361,227	15%
Equity	3,791,393	3,254,017	17%
Share capital	19,319	19,319	0%
Book value per ordinary share	196.25	168.44	17%

4 | Chapter

4 FINANCIAL OVERVIEW

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

Both the consolidated and the separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (the “EU-IFRS”).

For information on the policies applied to prepare the consolidated and separate financial statements, refer to their relevant sections. In 2023, there were no significant changes in the accounting policies other than those resulting from amendments to IAS 1 and IFRS Practice Statements 2.

The amendments to IAS 1 and IFRS Practice statement 2 are designed to assist preparers decide which accounting policies to disclose in their financial statements. They require companies to disclose their material accounting policy information rather than their significant accounting policies.

Upon reviewing its prior accounting policy disclosures, the Company has narrowed their scope to include only material policies.

In line with the equity method applied, the Company’s profit or loss and equity are identical to those of the KRUK Group.

4.2 Analysis of the consolidated financial data

4.2.1 Revenue by product

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

4.2.2 Revenue by geographical markets

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

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

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

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

The Group's total assets were PLN 9,929m, having grown 29% year on year.

Table 17. Structure of the Group's assets

PLN '000	31 Dec 2023	31 Dec 2022	CHANGE
Assets			
Cash and cash equivalents	388,461	202,160	92%
Trade receivables	24,440	13,033	88%
Investments	9,091,893	7,137,530	27%
Other markets	423,711	328,359	29%
Total assets	9,928,505	7,681,082	29%

Source: Company

The largest increase was posted under investments and was attributable to new debt portfolio purchases, upward revaluation, and amortisation of debt portfolios. Large investments made in 2023 contributed to a PLN 1,585m year-on-year increase in bank borrowings and other debt instruments.

Table 18. Structure of the Group's equity and liabilities

PLN '000	NOTE	31 Dec 2023	31 Dec 2022	CHANGE
Liabilities				
Trade and other payables	28	220,448	158,271	39%
Hedging instruments	26	32,614	9,824	232%
Employee benefit obligations	27	76,469	59,639	28%
Income tax payable		11,785	16,406	-28%
Borrowings, debt securities and leases	25	5,531,167	3,945,794	40%
Provisions	29	62,905	36,431	73%
Deferred tax liability	19	202,307	201,420	0%
Total liabilities		6,137,695	4,427,785	39%
Equity				
Share capital	23	19,319	19,319	0%
Share premium		358,506	358,506	0%
Hedge reserve	26	51,043	32,627	56%
Measurement reserve (defined benefit plans)		3,331	4,155	-20%
Translation reserve		(95,871)	100,448	-195%
Other capital reserves		171,847	149,896	15%
retained earnings		3,283,218	2,589,066	27%
Equity attributable to owners of the Parent		3,791,393	3,254,017	17%
Non-controlling interests		(583)	(720)	-19%

Total equity	3,790,810	3,253,297	17%
Total equity and liabilities	9,928,505	7,681,082	29%

Source: Company

4.2.4 Current and future financial position

There are no material risks to the KRUK Group's current or future financial position. For detailed information on financial performance, see Section 3. OVERVIEW OF THE KRUK GROUP'S AND KRUK S.A.'S BUSINESS IN 2023

4.2.5 Cash flows

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

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

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

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

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

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

The KRUK Group did not have any material off-balance sheet items in 2023.

4.2.7 Key financial ratios

4.2.7.1 Profitability ratios

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

Table 19. Profitability ratios

PROFITABILITY RATIOS	YEAR ENDED 31 DEC	
	2023	2022
EBITDA margin	53%	51%
EBIT margin	51%	49%
Pre-tax margin	40%	40%
Net margin	38%	38%
Return on assets (ROA)	10%	10%
Return on equity (ROE)	26%	25%

Source: Company

Formulas used to calculate the ratios:

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

The year-on-year increase in profitability ratios in 2023 was an effect of the following, partly mutually offsetting, factors:

- an increase of PLN 447m (21%) in revenue relative to 2022;
- an increase of PLN 162m (15%) in direct, indirect and administrative expenses as well as depreciation and amortisation expense;
- negative effect of net finance costs (up by PLN 111m, or 62%). The negative change in finance income/costs was mainly attributable to an increase in interest expense due to higher WIBOR/EURIBOR rates and higher debt;
- a decrease of PLN 5m (9%) in tax expense.

EBITDA was PLN 1,385m in 2023 (up by 27% year on year), operating profit (EBIT) reached PLN 1,327m (up by 27% year on year), pre-tax profit stood at PLN 1,037m (up by 20% year on year), and net profit amounted to PLN 984m (up by 22% year on year).

As the end of 2023, equity was 17% higher year on year.

The Group's assets rose 29% relative to the end of 2022. The largest increase in assets was seen in Investments (up by PLN 1,954m, or 27%), an effect of new portfolio purchases.

4.2.7.2 Debt ratios

The table below presents the key debt ratios of the KRUK Group. The level of debt remains significantly below the applicable covenant limits.

Table 20. Debt ratios

	YEAR ENDED 31 DEC		COVENANT LIMIT
	2023	2022	
Total debt ratio	62%	58%	
Debt to equity ratio	162%	136%	
Net debt to equity ratio	1.4	1.2x	3.0
Net debt to cash EBITDA ratio	2.4	2.1x	4.0
Current ratio	13.2	11.0x	
Quick ratio	13.2	11.0x	

Source: Company

Formulas used to calculate the ratios:

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

The Group is committed to sustaining a robust capital foundation to support business growth and to maintain the confidence of investors, creditors, bondholders, and other stakeholders. To effectively manage the exposure to financial debt, the Management Board of KRUK S.A routinely monitors the Group's debt ratios. Following the Group's financial liquidity management strategy, KRUK aims to repay any new debt incurred with its own assets rather than seeking refinancing options.

The liquidity ratios are determined by the nature of assets related to purchased debt portfolios, which are presented under current assets but are operationally intended for use over periods exceeding 12 months.

4.3 Financial instruments

4.3.1 Use of financial instruments

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

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

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

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

4.3.2 Derivatives

In 2023, the Group could enter into derivative transactions under master agreements.

Table 21. Derivative transactions entered into by the Group as at 31 December 2023

AGREEMENT	BANK	GROUP COMPANY	AGREEMENT DATE	TRANSACTION LIMIT	COLLATERAL AND OTHER SECURITY
Master agreement governing transaction execution and settlement	Santander Bank Polska S.A.	KRUK S.A. and InvestCapital Ltd.	13 Jun 2013	PLN 28,100,000	- power of attorney to debit KRUK S.A.'s accounts with the Bank - blank promissory note with promissory note declaration

ISDA 2002 Master Agreement	DNB Bank ASA	KRUK S.A.	25 Nov 2022	not disclosed by the Bank	- none
Master agreement governing execution of forward currency transactions	ING Bank Śląski S.A.	KRUK S.A.	9 Aug 2018	EUR 72,000,000	- none
Master Agreement for the Execution of Financial Forward Transactions	ING Bank Śląski S.A.	KRUK S.A.	10 Dec 2021		
Master Agreement for the Execution of Financial Forward Transactions	ING Bank Śląski S.A.	InvestCapital Ltd.	20 Aug 2021	EUR 30,000,000	- none
Master agreement governing execution of financial market transactions	mBank S.A.	KRUK S.A.	7 Feb 2019	PLN 3,500,000	- power of attorney to debit KRUK S.A.'s accounts with the Bank - blank promissory note with promissory note declaration

In 2023, the Group entered into a total of EUR 198.5m interest rate swaps (IRS), under which it pays coupons based on a fixed interest rate and receives coupons based on a variable EURIBOR interest rate. The contracts provide a hedge against interest rate risk.

Open interest rate swaps of the KRUK Group companies as at 31 December 2023 are presented below.

Table 22. Open interest rate swaps as at 31 December 2023

BANK	GROUP COMPANY	TRANSACTION TYPE	NOTIONAL AMOUNT	SIDE OF TRANSACTION – BUY / SALE OF FIXED RATE	FIXED RATE	VARIABLE RATE	TERM
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 250,000,00.00	buy	1.65%	3M WIBOR	5 Sep 2019 to 6 Feb 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	4 Sep 2019 to 27 Sep 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	4 Sep 2019 to 28 Sep 2024
ING Bank Śląski S.A.	InvestCapital Ltd.	IRS	EUR 210,000,000.00	buy	2.65%	1M EURIBOR	29 Nov 2022 to 30 Jun 2027
DNB Bank ASA	KRUK S.A.	IRS	EUR 150,000,000.00	buy	2.964%	3M EURIBOR	10 May 2023 to 10 May 2028

DNB Bank ASA	KRUK S.A.	IRS	EUR 10,000,000.00	buy	2.255%	3M EURIBOR	21 Dec 2023 to 11 Dec 2028
ING Bank Śląski S.A.	InvestCapital Ltd.	IRS	EUR 38,500,000.00	buy	2.32%	1M EURIBOR	27 Dec 2023 to 30 Jun 2028
TOTAL as at 31 Dec 2023		IRS	PLN 190,000,000.00 and EUR 408,500,000.00	buy			

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

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

In 2023, the Group also entered into currency interest rate swaps (CIRS) with a total notional amount of PLN 810m, under which the Group pays a coupon based on a fixed interest rate on debt determined in EUR under the transaction terms and receives a coupon based on a variable interest rate on PLN-denominated debt covered by the transaction.

Currency interest rate swaps of the KRUK Group companies as at 31 December 2023 are presented below.

Table 23. Open currency interest rate swaps as at 31 December 2023

BANK	GROUP COMPANY	TRANSACTION TYPE	NOTIONAL AMOUNT	SIDE OF TRANSACTION – BUY / SALE OF FIXED RATE	FIXED RATE [EUR]	VARIABLE RATE [PLN]	TRANSACTION DATE	TRANSACTION MATURITY DATE
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 330,000,000	buy	2.13%	3M WIBOR	14 Jun 2022	24 May 2027
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 140,000,000	buy	1.90%	3M WIBOR	23 Jun 2022	24 Mar 2027
Santander Bank Polska S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 50,000,000	buy	1.72%	3M WIBOR	20 Jun 2022	16 Mar 2026
Santander Bank Polska S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 50,000,000	buy	1.56%	3M WIBOR	21 Jun 2022	16 Mar 2026

ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 105,000,000	buy	1.21%	3M WIBOR	15 Jul 2022	23 Jan 2026
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 52,500,000	buy	0.96%	3M WIBOR	15 Jul 2022	22 Jan 2025
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 52,500,000	buy	0.955%	3M WIBOR	18 Jul 2022	23 Jan 2024
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 50,000,000	buy	1.40%	3M WIBOR	20 Jul 2022	2 Mar 2026
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 25,000,000	buy	0.90%	3M WIBOR	20 Jul 2022	2 Mar 2024
DNB Bank ASA	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 60,000,000	buy	1.96%	3M WIBOR	12 Dec 2022	27 Jul 2027
DNB Bank ASA	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 25,000,000	buy	2.05%	3M WIBOR	21 Dec 2022	27 Nov 2026
DNB Bank ASA	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 75,000,000	buy	2.49%	3M WIBOR	10 Jan 2023	26 Mar 2025
DNB Bank ASA	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 120,000,000	buy	2.02%	3M WIBOR	27 Jan 2023	26 Jan 2028
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 50,000,000	buy	2.475%	3M WIBOR	25 Jul 2023	26 Jan 2028
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 50,000,000	buy	2.435%	3M WIBOR	25 Jul 2023	7 Jun 2028
DNB Bank ASA	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 75,000,000	buy	2.61%	3M WIBOR	22 Sep 2023	29 Mar 2028
ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 85,000,000	buy	2.48%	3M WIBOR	31 Oct 2023	10 Dec 2026

ING Bank Śląski S.A.	KRUK S.A.	Cross Currency Interest Rate Swap (CCIRS)	PLN 355,000,000	buy	2.34%	3M WIBOR	31 Oct 2023	11 Oct 2029
TOTAL as at 31 Dec 2023		Cross Currency Interest Rate Swap (CCIRS)	PLN 1,750,000,0 00					

The purpose of CCIRSs was 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.

The transactions were designated for hedge accounting.

Events subsequent to the reporting date

Subsequent to the reporting date, none of the Group companies entered into any new interest rate or currency risk hedges.

4.3.3 Risks associated with the use of financial instruments

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

Below are presented assets with exposure to credit risk.

Table 24. Assets with credit risk exposure

PLN '000	NOTE	31 Dec 2023	31 Dec 2022
Investments in debt portfolios	15	8,673,765	6,768,087
Loans	15	418,128	369,443
Hedging instruments	25	98,428	46,091
Trade and other receivables, excluding tax receivables	18	45,145	29,583
Cash and cash equivalents	19	388,461	202,160
		9,623,927	7,415,364

Source: Company

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

4.4.1 Significant events during the financial year

Events and circumstances which had a significant effect on the operations of the Parent and its subsidiaries in the financial year 2023 are discussed in detail in other sections of this Report. Such events include mainly the execution of material agreements in the course of business, as described in detail in Agreements concluded by the KRUK Group.

4.4.2 Non-recurring factors and events (war in Ukraine)

War in Ukraine

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

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

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

4.5 Securities in issue

4.5.1 Company shares

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

4.5.2 Company bonds

In 2023, the Company issued four series of five-year bonds with a total nominal value of PLN 265m, i.e. Series AN3 and AN4 bonds under the prospectus-based Ninth Bond Issue Programme, and Series AO1 and AO2 bonds under the prospectus-based Tenth Bond Issue Programme. The issue price of each bond was equal to its nominal value of PLN 100. The bonds were offered to retail investors.

In addition, under the prospectus-based Tenth Bond Issue Programme, the Company issued two series of five-year bonds with a total nominal value of EUR 10m, i.e. the Series AO3EUR and AO4EUR bonds. The issue price of each bond was equal to its nominal value of EUR 100. The bonds were offered to retail investors.

Moreover, under the First Prospectus-Exempt Bond Issue Programme, in the period from January to December 2023 the Company issued AL³ and AL⁴ six-year bonds with a total nominal value of PLN 570m. The bonds were offered to qualified institutional investors and the issue price of each bond was equal to its nominal value of PLN 1,000.

In May 2023, the Company issued five-year bonds under Swedish law with a total nominal value of EUR 150m and the issue price per bond equal to its nominal value of EUR 100,000. The issue was carried out under the Swedish law bond framework with a total nominal value of up to EUR 350m. Since June 2023, the bonds have been listed on the Nasdaq Stockholm regulated market.

Table 25. Bond issues in 2023

SERIES	NOMINAL VALUE	ISSUED IN	MATURING IN	INTEREST RATE	INTEREST PAYMENT
AL3	PLN 120m	January 2023	January 2029	variable – 3M WIBOR + 4.50pp	every 3 months
AN3	PLN 50m	February 2023	February 2028	variable – 3M WIBOR + 4.00pp	every 3 months
NO0012903444	EUR 150m	May 2023	May 2028	variable – 3M EURIBOR + 6.50pp	every 3 months
AN4	PLN 50m	June 2023	June 2028	variable – 3M WIBOR + 4.00pp	every 3 months
AO1	PLN 75m	August 2023	August 2028	variable – 3M WIBOR + 4.00pp	every 3 months

AO2	PLN 90m	October 2023	October 2028	variable – 3M WIBOR + 4.00pp	every 3 months
AL4	PLN 450m	October 2023	October 2029	variable – 3M WIBOR + 4.65pp	every 3 months
AO3EUR	EUR 5m	December 2023	December 2028	variable – 3M EURIBOR + 4.00pp	every 3 months
AO4EUR	EUR 5m	December 2023	December 2028	variable – 3M EURIBOR + 4.00pp	every 3 months

Source: Company

Subsequent to the reporting date, in February 2024, under the prospectus-based Tenth Bond Issue Programme, the Company issued Series AO5EUR bonds with a total nominal value of EUR 10m and Series AO6EUR bonds with a total nominal value of EUR 14m, with a price per bond equal to its nominal value of EUR 100, as well as Series AO7 bonds with a total nominal value of PLN 70m and a price per bond equal to its nominal value of PLN 100. The bonds were offered to retail investors.

Table 26. Bond issues after 31 December 2023 until the issue date of this Report

SERIES	NOMINAL VALUE	ISSUED IN	MATURING IN	INTEREST RATE	INTEREST PAYMENT
AO5EUR	EUR 10m	February 2024	February 2029	variable – 3M EURIBOR + 4.00pp	every 3 months
AO6EUR	EUR 14m	February 2024	February 2029	variable – 3M EURIBOR + 4.00pp	every 3 months
AO7	PLN 70m	February 2024	February 2029	variable – 3M WIBOR + 4.00pp	every 3 months

Source: Company

4.5.3 Redemption of bonds

In accordance with the relevant terms and conditions of KRUK S.A.'s bonds, in 2023 the Company redeemed two series of bonds with a total nominal value of PLN 65m.

Subsequent to the reporting date, in February 2024, the Company redeemed, in accordance with the relevant terms and conditions, a part of Series AL² bonds through amortisation of their nominal value, which was PLN 150 per bond. In February 2024, the Company redeemed at maturity Series AG2 bonds with a total nominal value of PLN 25m.

Table 27. Bond amortisations after 31 December 2023 until the issue date of this Report

SERIES	REDEMPTION DATE	AMORTISATION VALUE
AL2	February 2024	PLN 52.5m

Table 28. Bond redemptions after 31 December 2023 until the issue date of this Report

SERIES	REDEMPTION DATE	NUMBER OF BONDS	NOMINAL VALUE
AG2	February 2024	250,000	PLN 25m

Source: Company

4.5.4 Liabilities under bonds

As at 31 December 2023, the nominal value of outstanding bonds issued by the Company was PLN 2,851m (amounts in EUR translated into PLN at the mid exchange rate quoted by the NBP for 29 December 2023).

Table 29. Bonds to be redeemed by the end of 2024

SERIES	REDEMPTION DATE	NUMBER OF BONDS	NOMINAL VALUE
AJ1	September 2024	250,000	PLN 25m

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

As at 31 December 2023:

- Debt Ratio stood at 1.4x
- Net Debt to Cash EBITDA ratio was 2.4x

where:

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

4.6 Information provided to fulfil the bond issuer's obligations under Art. 35.1a, 35.1b and 35.1c of the Bonds Act

Pursuant to Art. 35.1a and 35.1b of the Bonds Act, in the invitation to purchase Series AL⁴ bonds KRUK provided a projection of the financial liabilities and financing structure of KRUK S.A. and the KRUK Group as at 31 December 2023 ("Bonds Act Projection").

The financial liabilities of KRUK S.A. and the KRUK Group as at 31 December 2023 were as follows:

- financial liabilities of KRUK S.A.: PLN 3,265m (2% below the Bonds Act Projection),
- financial liabilities of the KRUK Group: PLN 5,531m (8% below the Bonds Act Projection),
- financing structure of KRUK S.A. (percentage share of liabilities under borrowings, issue of debt securities and leases in total equity and liabilities of KRUK S.A.): 44% (0.1pp below the Bonds Act Projection),
- financing structure of the KRUK Group (percentage share of liabilities under borrowings, issue of debt securities and leases in total equity and liabilities of the KRUK Group): 56% (3pp below the Bonds Act Projection).

In the Company's opinion, differences between the actual values of these items (taken from the accounting records) and projections are not material.

4.7 Credit rating

4.7.1 Corporate rating

On 13 March 2023, the KRUK Group was assigned a corporate rating of Ba1, outlook stable, by Moody's Investors (Moody's). Standard & Poor's (S&P) assigned it a rating of BB-, outlook stable.

AGENCY	CORPORATE RATING	OUTLOOK	LINK TO INFORMATION
Moody's	Ba1	Stable	Moody's rating
S&P	BB-	stable	S&P rating

4.7.2 Bond rating

On 17 April 2023, the planned issue of the Company's bonds in EUR was assigned ratings of Ba2 and BB-, respectively, by Moody's and S&P.

AGENCY	BOND RATING	LINK TO INFORMATION
Moody's	Ba2	Moody's rating
S&P	BB-	S&P rating

4.8 Assessment of financial resources management

4.8.1 Financial forecasts

KRUK does not issue any performance forecasts.

4.8.2 Assessment of future financial condition

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

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

4.9 Agreements executed by companies of the KRUK Group

Material agreements

Below is presented an overview of agreements, amendments to agreements, and transactions executed by the KRUK Group in 2023, which may be considered material to the Group's operations.

4.9.1 Agreements executed with non-Group companies

Execution of debt assignment agreements on Italian market

On 23 March 2023, agreements were signed between the Company's subsidiary KRUK Investimenti s.r.l. of Milan (the Purchaser) and entities of one of Italy's leading financial groups for the purchase of unsecured retail debt portfolios with a total value of approximately EUR 196m (PLN 918m, as translated at the mid rate quoted by the NBP for 23 March 2023), comprising:

- portfolio with a total nominal value of up to EUR 124m (PLN 581m, as translated at the mid rate quoted by the NBP for 23 March 2023), and;
- forward flow portfolio with a total nominal value of up to EUR 72m (PLN 337m, as translated at the mid rate quoted by the NBP for 23 March 2023);

On 15 December 2023, the Company's subsidiary KRUK Investimenti s.r.l. of Milan (as the Buyer) and an entity of the BNP Paribas Group (as the Seller) entered into an agreement to purchase an unsecured retail debt portfolio with a total nominal value of approximately EUR 73m (PLN 314.7m as translated at the mid exchange rate quoted by the NBP for 15 December 2023).

On 19 December 2023, the Company's subsidiary KRUK Investimenti s.r.l. of Milan (as the Buyer) and Deutsche Bank Spa of Milan (as the Seller) entered into a forward-flow agreement to purchase an unsecured retail debt

portfolio with a total nominal value of up to EUR 280m (PLN 1,213m as translated at the mid exchange rate quoted by the NBP for 19 December 2023).

On 1 February 2024, subsequent to the reporting date, a forward-flow agreement (the Agreement) was signed between the Company's subsidiary KRUK Investimenti s.r.l. of Milan (as the Buyer) and one of Italy's leading financial groups (as the Seller). The Agreement provides for the acquisition of a portfolio of unsecured retail debt with a nominal value of up to EUR 212m (PLN 916.8m as translated at the mid exchange rate quoted by the NBP for 1 February 2024). The purchase of this is scheduled in four quarterly tranches, starting from March 2024.

Execution of debt assignment agreements on Spanish market

On 13 July 2023, an agreement was concluded between the Company's subsidiary InvestCapital Ltd. of Malta (the Purchaser) and Banco Bilbao Vizcaya Argentaria S.A. of Spain for the purchase of an unsecured retail debt portfolio with a total nominal value of EUR 427m (PLN 1,898.91m, as translated at the mid rate quoted by the NBP for 12 July 2023).

On 21 July 2023, agreements were concluded between the Company's subsidiary InvestCapital Ltd. of Malta (the Purchaser) and entities of the CaixaBank Group of Spain (the Agreements, the Sellers) for the purchase of unsecured retail debt portfolios with a total nominal value of approximately EUR 315m (PLN 1.4bn, as translated at the mid rate quoted by the NBP for 21 July 2023).

Execution of debt assignment agreements on French market

On 20 December 2023, the Company's subsidiary InvestCapital Ltd. of Malta (as the Buyer) and BNP Paribas Personal Finance of Paris (the Agreement, the Bank) entered into an agreement to purchase a portfolio of freshly overdue unsecured retail debt with a total nominal value of up to approximately EUR 120m (PLN 520m as translated at the mid exchange rate quoted by the NBP for 20 December 2023).

4.9.2 Intra-group agreements

In 2023, KRUK S.A. did not execute any agreements with Group companies that could be considered material to the business of the KRUK Group.

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

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

4.9.4 Borrowing agreements

The table below presents all of the KRUK Group's credit facilities and security interests established in respect thereof as at 31 December 2023 (PLNm).

Table 30. Credit facility agreements as at 31 December 2023 (PLN m)

BANK	BORROWER	AGREEMENT DATE	FINAL REPAYMENT DATE	FACILITY	LIMIT AS AT THE AGREEMENT DATE, AS AMENDED	LIMIT AS AT 31 DEC 2023
Santander Bank Polska S.A.	KRUK S.A.	April 2011	credit facility (120): October 2028 additional credit facility (105): October 2026	revolving credit facility	225	225
Getin Noble Bank S.A.*	KRUK S.A.	March 2014	May 2024	revolving credit facility	260	65

mBank S.A.	PROKURA NFW FIZ	July 2015	December 2028	revolving credit facility	140	140
DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S.A.	Invest Capital LTD, KRUK Romania S.R.L., Prokura NFW FIZ, KRUK Espana S.L.U.	July 2017	July 2028	revolving credit facility, syndicated credit facility	2,500**	2,500**
PKO BP S.A.	PROKURA NFW FIZ	September 2021	September 2026	non-revolving credit facility	30	16
PKO BP S.A.	PROKURA NFW FIZ	December 2021	December 2026	non-revolving credit facility	57	34
Getin Noble Bank S.A.*	KRUK S.A.	December 2021	December 2027	non-revolving credit facility	100	100
Pekao S.A.	PROKURA NFW FIZ	February 2022	January 2028	revolving credit facility	80	80
Pekao S.A.	KRUK S.A.	February 2022	January 2028	revolving credit facility	40	40
PKO BP S.A.	PROKURA NFW FIZ	August 2022	August 2027	non-revolving credit facility	53	40
Alior Bank S.A.	KRUK S.A.	June 2023	June 2025	revolving credit facility	50	50
Alior Bank S.A.	KRUK S.A.	December 2023	December 2028	revolving credit facility	100	100
Total:					3,635	3,390

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

**A credit facility of up to EUR 575m, translated into PLN at the mid exchange rate quoted by the NBP for 29 December 2023

Table 31. Security interests established for credit facilities contracted by Group companies as at 31 December 2023 (PLNm)

BANK	BORROWER	COLLATERAL AND OTHER SECURITY	VALUE OF COLLATERAL PROVIDED BY THE BORROWER AS AT 31 DECEMBER 2023 (PLNm)
Santander Bank Polska S.A.	KRUK S.A.	- registered pledge over PROKURA NFW FIZ investment certificates held by KRUK S.A. - power of attorney to control accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement	372
Getin Noble Bank S.A.*	KRUK S.A.	- pledge over KRUK S.A.'s ownership interest in a specified compartment of SeCapital Sarl - power of attorney to control accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement	222
mBank S.A.	PROKURA NFW FIZ	- registered pledge over specified portfolios held by PROKURA NFW FIZ - surety under civil law provided by KRUK S.A. - financial pledge over specified account of PROKURA NFW FIZ - power of attorney to control a specific account of PROKURA NFW FIZ - power of attorney to control specific accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NFW FIZ on voluntary submission to enforcement	174
DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S.A.	Invest Capital LTD, KRUK Romania S.R.L., PROKURA NFW FIZ, KRUK Espana S.L.U.	- pledge over specified debt portfolios held by Borrowers - pledge over specified bonds issued by ItaCapital S.r.l. and KRUK Investimenti S.r.l. - pledge over specified bank accounts of Borrowers - surety under civil law provided by KRUK S.A. - surety under civil law provided by KRUK Romania S.R.L. - surety under civil law provided by KRUK Espana S.L.U. - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NFW FIZ on voluntary submission to enforcement	5,253
PKO BP S.A.	PROKURA NFW FIZ	- registered pledge over specified portfolios held by PROKURA NFW FIZ - surety under civil law provided by KRUK S.A. - financial pledge over specified account of PROKURA NFW FIZ - financial pledge over specified account of KRUK S.A. - power of attorney to control specific accounts of PROKURA NFW FIZ - power of attorney to control specific accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NFW FIZ on voluntary submission to enforcement	31
PKO BP S.A.	PROKURA NFW FIZ	- registered pledge over specified portfolios held by PROKURA NFW FIZ - surety under civil law provided by KRUK S.A. - financial pledge over specified account of PROKURA NFW FIZ - financial pledge over specified account of KRUK S.A. - power of attorney to control specific accounts of PROKURA NFW FIZ - power of attorney to control specific accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NFW FIZ on voluntary submission to enforcement	49
Getin Noble Bank S.A.*	KRUK S.A.	- registered pledge over PROKURA NFW FIZ investment certificates held by KRUK S.A. - power of attorney to control accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement	206

Pekao S.A.	PROKURA NFW FIZ	<ul style="list-style-type: none"> - registered pledge over specified portfolios held by PROKURA NFW FIZ - surety under civil law provided by KRUK S.A. - financial pledge over specified account of PROKURA NFW FIZ - power of attorney to control specific accounts of PROKURA NFW FIZ - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NFW FIZ on voluntary submission to enforcement 	148
Pekao S.A.	KRUK S.A.	<ul style="list-style-type: none"> - registered pledge over PROKURA NFW FIZ investment certificates held by KRUK S.A. - power of attorney to control specific accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement 	61
PKO BP S.A.	PROKURA NFW FIZ	<ul style="list-style-type: none"> - registered pledge over specified portfolios held by PROKURA NFW FIZ - surety under civil law provided by KRUK S.A. - financial pledge over specified account of PROKURA NFW FIZ - financial pledge over specified account of KRUK S.A. - power of attorney to control specific accounts of PROKURA NFW FIZ - power of attorney to control specific accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement - notarised statement by PROKURA NFW FIZ on voluntary submission to enforcement 	54
Alior Bank S.A.	KRUK S.A.	<ul style="list-style-type: none"> - registered pledge over PROKURA NFW FIZ investment certificates held by KRUK S.A. - power of attorney to control specific accounts of KRUK S.A. - notarised statement by KRUK S.A. on voluntary submission to enforcement 	82
Alior Bank S.A.	KRUK S.A.	<ul style="list-style-type: none"> - power of attorney to control specific accounts of KRUK S.A. 	0
Total:			6,652

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

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

- on 16 January 2024, InvestCapital LTD and the Lenders signed an agreement under Spanish law creating a pledge over debt portfolios purchased by InvestCapital LTD in Spain;
- on 19 January 2024, InvestCapital Ltd and DNB Bank ASA, acting as the security agent, signed an agreement to amend the agreement creating a pledge under Italian law over bonds issued by Kruk Investimenti S.r.l. The amendment agreement confirms extension of the pledge to apply to the increased nominal amount of the bonds;

- on 2 February 2024, InvestCapital LTD and DNB Bank ASA, acting as the security agent, signed an agreement under Romanian law to create a pledge over debt portfolios purchased by InvestCapital LTD on the Romanian market.

As at 31 December 2023, the value of assets pledged to these Lenders after the reporting date was PLN 317m.

In order to secure the payment of liabilities under the revolving credit facility agreement of 2 July 2015, as amended, between PROKURA NFW FIZ, KRUK S.A. and mBank S.A. of Warsaw, and in connection with the agreement of 19 December 2023 amending the revolving credit facility agreement, subsequent to 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 11 January 2024, PROKURA NFW FIZ entered into an agreement with mBank S.A. to create a registered pledge over a pool of rights (debt portfolios held by PROKURA NFW FIZ) for the security amount of up to PLN 210m;
- on 12 January 2024, PROKURA NFW FIZ made a notarised statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210m, which expires on or before 19 December 2031;
- on 12 January 2024, an agreement amending the agreement to create a registered pledge over a pool of rights of 20 March 2023 was executed between PROKURA NFW FIZ and mBank S.A., under which the security amount was increased to up to PLN 210m.

In order to secure the payment by KRUK S.A. of its liabilities under the revolving credit facility agreement of 28 December 2023 between KRUK S.A. and Alior Bank S.A., subsequent to the reporting date:

- on 11 January 2024, KRUK S.A. made a notarised statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150m, which expires on or before 31 December 2028;
- on 14 February 2024, an agreement was executed between KRUK S.A. and Alior Bank S.A. to create a financial and registered pledge over investment certificates. The registered pledge will be created for the security amount of up to PLN 150m.

After the reporting date, on 8 February 2024, a non-revolving working capital facility agreement was executed between Prokura NFW FIZ, KRUK S.A. and PKO BP S.A. of Warsaw. The facility of up to PLN 39.3m was granted until 7 February 2029. In order to secure the payment by Prokura NFW FIZ of its liabilities under the agreement, subsequent to the reporting date:

- on 8 February 2024, an agreement amending the agreement creating a financial pledge over a bank account of 5 October 2021 was executed between Prokura NFW FIZ and PKO BP S.A.;
- on 8 February 2024, an agreement amending the agreement creating a financial pledge over a bank account of 5 October 2021 was executed between KRUK S.A. and PKO BP S.A.;
- on 14 February 2024, Prokura NFW FIZ made a notarised statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 59m, which expires on or before 7 February 2032.

After the reporting date, on 28 February 2024, a revolving working capital facility agreement was executed between KRUK S.A. and VeloBank S.A. of Warsaw. The facility of up to PLN 118m was granted until 28 February 2029. In order to secure the payment by KRUK S.A. of its liabilities under the agreement, subsequent to the reporting date:

- on 7 March 2024, KRUK S.A. made a notarised statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 177m, which expires on or before 1 March 2031;
- on 7 March 2024, an agreement was executed between KRUK S.A. and VeloBank S.A. creating a financial and registered pledge over investment certificates. The registered pledge will be created for the security amount of up to PLN 177m.

After the reporting date, on 28 February 2024, an agreement amending the non-revolving working capital facility agreement of 22 December 2021 was executed between KRUK S.A. and VeloBank S.A. of Warsaw, extending the availability period of the facility until 31 December 2028. In order to secure the payment of liabilities under the agreement, on 7 March 2024, KRUK S.A. made a notarised statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150m, which expires on or before 31 December 2030.

4.9.5 Termination of credit facility and loan agreements

In 2023, the KRUK Group companies did not terminate any loan agreements with entities outside the Group. Novum Finance Sp. z o.o., RoCapital I.F.N and Wonga.pl Sp. z o.o. terminated consumer loan agreements in the ordinary course of their business.

4.9.6 Loans, sureties and guarantees granted and received

Loans advanced by KRUK S.A. to its subsidiaries

In 2023, KRUK S.A. granted its subsidiaries loans whose total amount translated into the Polish złoty is PLN 1,155.40m.

Table 32. Loans advanced by KRUK S.A. to subsidiaries as at 31 December 2023 (PLNm)

BORROWER	PURPOSE	CURRENCY	AMOUNT OF LOANS GRANTED IN 2023	TOTAL AMOUNT OF ALL LIABILITIES UNDER LOANS GRANTED BY KRUK S.A. AS AT 31 DECEMBER 2023
Wonga.pl Sp. z o.o.	financing of day-to-day operations	PLN	77.3	339.9
Novum Finance Sp. z o.o.	financing of day-to-day operations	PLN	21.4	65.7
Zielony Areal sp. z o.o.	financing of day-to-day operations	PLN	1.3	1.7
Raven	financing of day-to-day operations	PLN	1.1	0.00
InvestCapital Ltd.	financing of investing activities	EUR	917.3	891.3
KRUK Romania S.r.l.	financing of investing activities	RON	17.7	30.5
		EUR	4.5	
KRUK Česká a Slovenská Republika s.r.o	financing of investing activities	CZK	79.5	66.5
		EUR	35.3	
			Total: 1,155.40	

The amounts of loans denominated in foreign currencies were translated into PLN at the mid-rates quoted by the NBP for the loan dates. As at 31 December 2023, liabilities under loans denominated in foreign currencies were translated into PLN at the mid-rates quoted by the NBP for 29 December 2023. Source: Company

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

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

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

4.9.7 Loans received by the Company from subsidiaries

Loans received from KRUK Espana S.L.U. of Madrid

In 2023, a EUR 1.5m loan was received from KRUK Espana S.L.U. In addition, a master agreement was executed under which KRUK Espana S.L.U. advanced loans totalling EUR 2.5m, of which EUR 0.5m was repaid. As at 31 December 2023, the Company's outstanding liabilities towards KRUK Espana S.L.U. under borrowings amounted to PLN 15.2m (as translated at the mid-rate quoted by the NBP for 29 December 2023).

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

Borrowings from KRUK Italia S.r.l. were intended to finance day-to-day operations of the Company. In 2023, a master loan agreement was signed for a total of PLN 55.8m, of which PLN 52.6m was disbursed and PLN 29.1m was repaid. The remainder of the loan was set off against KRUK Italia's statutory reserve funds in December 2023. As at 31 December 2023, the Company had no outstanding liabilities under any borrowings towards KRUK Italia S.r.l.

Loan from Agecredit s.r.l. of Cesena

Borrowings from Agecredit S.r.l. were intended to finance day-to-day operations of the Company. In 2023, a master loan agreement was signed for a total of PLN 4.6m, of which PLN 0.9m was disbursed and PLN 0.5m was repaid. As at 31 December 2023, the Company's liabilities towards Agecredit S.r.l. under borrowings amounted to PLN 0.4m.

4.9.8 Intra-company loans between subsidiaries

Loans advanced by KRUK Towarzystwo Funduszy Inwestycyjnych S.A. to PROKURA NFW FIZ

In 2023, KRUK Towarzystwo Funduszy Inwestycyjnych S.A. advanced a PLN 3.3m loan to PROKURA NFW FIZ. As at December 31st 2023, the company's outstanding loan liabilities towards PROKURA NS FIZ were PLN 34.3m.

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

In 2023, KRUK Romania S.R.L. advanced a loan of RON 4.5m to RoCapital I.F.N. As at 31 December 2023, the outstanding loan liabilities of RoCapital I.F.N. towards KRUK Romania S.R.L. stood at PLN 8.7m (following translation at the mid exchange rate quoted by the NBP for 29 December 2023).

4.9.9 Consumer loans offered by the KRUK Group through Novum and Wonga

In 2023, the KRUK Group companies advanced 221 thousand cash loans, compared with 213 thousand the year before. In 2023, the value of loans advanced was PLN 559m, compared with PLN 594m in 2022.

In 2023, Wonga disbursed 202 thousand cash loans in Poland, amounting to a total of PLN 460m. As part of the Wonga business line, consumer loans of up to PLN 20,000 per loan are granted, with repayment periods of up to 48 months.

In 2023, the Group advanced a total of 19 thousand NOVUM cash loans in Poland and Romania (of which 16 thousand were granted by Novum PL), with a total principal amount of PLN 99m (of which PLN 79m was attributable to Novum PL). As part of the NOVUM business line in Poland, consumer loans of up to PLN 14,000 per loan were granted for periods from 3 to 30 months. In Romania, NOVUM granted consumer loans of up to RON 60,000 per loan, with repayment periods of up to 60 months.

4.10 Guarantees

4.10.1 Guarantees obtained

On 21 December 2023, Santander Bank Polska S.A. executed Amendment Agreement 9 to the bank guarantee of 17 December 2014 provided to secure the payment of all liabilities towards DEVCO Sp. z o.o. under a contract for lease of a part of an office building signed by the Company and DEVCO Sp. z o.o. Under the Amendment Agreement, the guarantee was extended until 30 December 2024. The guarantee amount is EUR 324,709.25 and PLN 245,392.75. The guarantee is secured with a power of attorney to control the Company's bank accounts held with Santander Bank Polska S.A.

As required under the Amendment Agreement, on 11 January 2024, subsequent to the reporting date, the Company made a notarised statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to the PLN equivalent of EUR 0.5m and up to PLN 0.4m.

4.10.2 Guarantees provided

Following the cancellation of shares in InvestCapital Ltd effected on 14 September 2023, on the same date KRUK S.A. provided InvestCapital Ltd. with a corporate guarantee of up to PLN 60m. The guarantee expired on 9 January 2024, subsequent to the reporting date. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, which held the right to challenge the share cancellation until 9 January 2024.

Following the cancellation of shares in InvestCapital Ltd effected on 22 September 2023, on the same date KRUK S.A. provided InvestCapital Ltd. with a corporate guarantee of up to PLN 180m. The guarantee expired on 9 January 2024, subsequent to the reporting date. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, which held the right to challenge the share cancellation until 9 January 2024.

4.11 Sureties

In 2023, KRUK Group companies provided the following sureties:

- Following the execution on 2 March 2023 of an agreement amending the multi-currency revolving credit facility agreement of 3 July 2017, as amended, between KRUK S.A., its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NFW FIZ and KRUK Espana S.L.U. (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A. and Bank Handlowy w Warszawie S.A., KRUK S.A., KRUK Romania S.R.L. and KRUK Espana S.L.U. provided sureties for the Borrowers' liabilities under the revolving multi-currency credit facility agreement.
In addition, on 6 March 2023 KRUK S.A. and Prokura NS FIZ made notarised statements on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 669m, which expires on or before 31 December 2031.
- Following the execution on 22 August 2023 of an agreement amending the multi-currency revolving credit facility agreement of 3 July 2017, as amended, between KRUK S.A., its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NFW FIZ and KRUK Espana S.L.U. (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A. and Bank Handlowy w Warszawie S.A., KRUK S.A., KRUK Romania S.R.L. and KRUK Espana S.L.U. provided sureties for the Borrowers' liabilities under the revolving multi-currency credit facility agreement.
In addition, on 23 August 2023 KRUK S.A. and Prokura NFW FIZ made notarised statements on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 862.5m, which expires on or before 31 December 2032.
- On 23 November 2023, an agreement was signed to amend the multi-currency revolving credit facility agreement of 3 July 2017, as amended, between KRUK S.A., its subsidiaries: InvestCapital Ltd., KRUK

Romania S.R.L., PROKURA NFW FIZ and KRUK Espana S.L.U. (the Borrowers) and a syndicate of banks (as listed above), for which DNB Bank ASA of Oslo acted as the agent. The amendment agreement provided for an increase in the facility limit up to EUR 575m and accession of Bank Polska Kasa Opieki S.A. to the syndicate. Under the amendment agreement, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for the Borrowers' liabilities under the revolving multi-currency credit facility agreement. The notarised statements on voluntary submission to enforcement made by KRUK S.A. and PROKURA NFW FIZ on 23 August 2023 remained unchanged.

- Following the execution on 19 September 2023 of an agreement amending the revolving credit facility agreement of 2 July 2015, as amended, between PROKURA NFW FIZ, KRUK S.A. and mBank S.A., whereby the facility limit was increased to PLN 140m and the availability period of the facility was extended until 18 December 2028, on 11 January 2024, subsequent to the reporting date, KRUK S.A. provided a surety for the borrower PROKURA NFW FIZ's liabilities under the facility. The surety has been provided for up to PLN 210m and expires on or before 18 December 2031.
 - In connection with the surety, KRUK S.A. made a notarised statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210m, which expires on or before 19 December 2031.
- Upon execution on 8 February 2024, subsequent to the reporting date, of a non-revolving working capital facility agreement between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A., on the same date KRUK S.A. provided a surety for the borrower PROKURA NFW FIZ' liabilities under the facility. The surety was provided for up to PLN 59m and expires on or before 7 February 2032.
 - In connection with the surety, KRUK S.A. made a notarised statement on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 59m, which expires on or before 7 February 2032.

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

4.12 Significant events after 31 December 2023

On 1 February 2024, a forward-flow agreement (the Agreement) was signed between the Company's subsidiary KRUK Investimenti s.r.l. of Milan (as the Buyer) and one of Italy's leading financial groups (as the Seller).

The Agreement provides for the acquisition of a portfolio of unsecured retail debt with a nominal value of up to EUR 212m (PLN 920.8m as translated at the mid exchange rate quoted by the NBP for 31 January 2024).

4.13 Analysis of separate financial data

4.13.1 Revenue by product

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

In 2023, KRUK S.A. generated revenue of PLN 260m, that is 28% more than in 2022. Revenue from purchased debt portfolios decreased by 12%, while revenue from credit management services and from other services increased by 31% and 53%, respectively.

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

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

Table 33. Structure of assets and liabilities in the statement of financial position

PLN '000	NOTE	31 Dec 2023	31 Dec 2022	CHANGE
Assets				
Cash and cash equivalents	18	227,643	22,008	934%
Hedging instruments	22	98,428	30,335	224%
Trade receivables from related entities	17	33,932	27,523	23%
Trade receivables from other entities	17	2,582	3,339	-23%
Other receivables	17	11,664	15,715	-26%
Income tax receivable		16,232	9,292	75%
Inventories	16	14,562	15,174	-4%
Investments	14	1,432,518	464,743	208%
Equity-accounted investments in subsidiaries	13	5,483,390	4,735,762	16%
Property, plant and equipment	11	35,348	39,774	-11%
Intangible assets	12	29,427	30,791	-4%
Other assets		8,787	8,962	-2%
Total assets		7,394,513	5,403,418	37%
Equity and liabilities				
Liabilities				
Trade and other payables	25	35,452	30,645	16%
Hedging instruments	22	20,883	9,824	113%
Employee benefit obligations	23	38,196	28,974	32%
Borrowings, other debt securities and leases	21	3,265,472	1,865,886	75%
Provisions	24	40,810	12,653	223%
Deferred tax liability	15	202,307	201,419	0%
Total liabilities		3,603,120	2,149,401	68%
Equity				
Share capital	19	19,319	19,319	0%
Share premium		358,506	358,506	0%
Hedge reserve	22	62,774	16,871	272%
Translation reserve		(95,871)	100,448	-195%
Share of other comprehensive income of equity-accounted investees		(8,400)	19,911	-142%
Other capital reserves		171,847	149,896	15%

retained earnings	3,283,218	2,589,066	27%
Total equity	3,791,393	3,254,017	17%
Equity and liabilities	7,394,513	5,403,418	37%

Source: Separate financial statements

5 | Chapter

5 BUSINESS ENVIRONMENT

5.1 Debt management market

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

- **Management of purchased debt portfolios**

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

- **Credit management services**

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

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

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

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

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

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

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

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

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

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

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

Competition in the debt purchase segment is typically less intense than in the credit management segment due to higher entry barriers to the market. These include: access to capital, expertise and experience in the valuation of debt portfolios, as well as the size of the operations enabling large-scale management of significant debt portfolios. The majority of debt portfolios are purchased in auctions, where the primary award criterion is the price. The Group's key competitors in the debt purchase segment include trade investors (credit management companies), and financial investors (investment and hedge funds).

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

5.2 Legal and regulatory environment

KRUK S.A. is incorporated and exists under the laws of Poland. In addition, the KRUK Group operates internationally. A cornerstone of continental legal frameworks, including that of Poland, is statutory law. The vast array of laws and regulations affecting the operations of KRUK Group companies, coupled with the rapid pace of legislative changes, necessitates vigilant oversight and continuous monitoring of the legal and regulatory landscape. Furthermore, as statutory provisions are open to a range of interpretations, the legal and regulatory environment inherently includes the risk of their inconsistent application by the judiciary and public administrative bodies. Typically, administrative decisions and court rulings do not carry the force of universally applicable law and are not binding beyond the specific cases for which they are issued. However, they do influence the development of statutory construction and application practices. Therefore, the Company can give no assurance that its interpretations of Polish laws, as well as the laws of the other countries where the Group operates, will not be subject to dispute.

These considerations may adversely affect the KRUK Group's operating performance, financial position, and/or reputation. Moreover, legislative changes have the potential to substantially impact margins and may event constrain the ability of Group companies to offer specific services. Notably, modifications in legal and regulatory

frameworks regarding securities issuance and trading, taxation, the conditions for opening and operating a business, the recovery of claims in litigation and enforcement proceedings, restructuring, insolvency and bankruptcy, debt funds, and the rules and conditions for consumer lending could profoundly influence the KRUK Group's activities. In view of the Group's business model, whose pillars are debt portfolio acquisition and credit management services, regulatory shifts pertaining to outsourcing of debt collection by banks, debt transferability restrictions, and/or the conditions for legally effective debt assignment hold particular importance.

In analysing the legal environment, it is crucial to take into account EU legislation that spans various aspects of economic life, especially in competition, financial services market, consumer rights, fair trading practices, consumer contract terms and conditions, tax regulations in individual member states, personal data protection, etc. The EU's legislative initiatives toward sustainable development, including through climate change mitigation, human rights enforcement, and promoting diversity, underscore the growing importance of legislation designed to foster responsible, sustainable, and ethical business practices. These include efforts to lessen the adverse impacts of commercial operations on the natural environment and climate, reduce carbon footprints, cultivate a positive workplace, enhance financial and digital inclusion, and uphold market and ethical standards. The proper gathering, reporting, and publishing of information, along with its audit, are becoming indispensable components of environmental, social, and corporate governance risk management.

KRUK Group companies operate in strict compliance with the applicable legal and regulatory standards, including the guidelines and recommendations of competition and consumer protection authorities that oversee their activities. The specific nature of their business raises the possibility that the President of the Office of Competition and Consumer Protection (UOKiK) in Poland, or equivalent consumer protection bodies in other countries where the Group is active, might find that some of their business practices infringe on collective consumer interests, qualify as unfair market practices, or involve the use of unlawful contractual provisions (unconscionable or abusive provisions). Furthermore, the President of UOKiK in Poland or similar authorities in other jurisdictions where the Group operates may charge companies holding a dominant market position with its abuse. Such findings by the competition and consumer protection authorities may lead to penalties, including fines, orders to offer customer compensation, cease any consumer interest-infringing activities, or end the abuse of a dominant market position.

The nature of the KRUK Group's operations involves extensive personal data processing as part of its routine business activities. This data processing is conducted in compliance with the personal data protection legislation in force in the countries where it operates, including in particular Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 96/46/EC (General Data Protection Regulation) (GDPR). However, despite its diligent implementation of adequate technical and organisational measures to protect any personal data processed and safeguard the rights of data subjects, KRUK can give no assurance that its legal obligations in this area will never be breached, in particular by unauthorised disclosure of personal data.

Certain activities within the KRUK Group, such as those of investment funds, notably debt funds, and detective services, are regulated and as such require ensuring specific regulatory compliance. This entails securing licences, clearance, permits, or approvals from public administration bodies, e.g. the Polish Financial Supervision Authority (PFSA), and/or mandatory registration with relevant registries as well as subjecting regulated entities to the oversight of said authorities. Following the recent entry into force of legislative amendments passed in earlier years, as of 1 January 2024, the PFSA has become competent to oversee the consumer lending activities of lending institutions. These organisations, in addition to satisfying the applicable capital and governance requirements, must now secure their entry in the register of lending institutions.

The tax regimes in the countries where the KRUK Group operates are marked by their fluctuating nature. Ambiguities in some tax laws and regulations, coupled with a lack of consistent interpretation and application by tax authorities, add layers of complexity. This variability in the construction of tax legislation heightens the risk associated with tax matters in these jurisdictions, more so than in developed markets with more stable legal systems. No assurance can be given by the Company that tax authorities will not interpret tax regulations in a manner adverse to KRUK, nor can it rule out future changes to these regulations, each of which could have a

substantial negative impact on the Group's operating performance, financial position, or profitability. Additionally, the Group's international presence necessitates considering the effects of double taxation treaties on its business activities.

The debt management sector plays a crucial role in fostering sustainable economic growth and enhancing the stability of the financial sector. Engaging in economic and business relationships responsibly requires compliance with laws designed to prevent money laundering and the financing of terrorism, alongside adherence to international sanction regimes. KRUK Group companies have put in place anti-money laundering (AML) and counter-terrorism financing (CTF) policies and procedures. Furthermore, they train employees to identify suspected money laundering or terrorism financing transactions. These initiatives are aligned with the respective local legal frameworks.

In addition, KRUK Group companies have implemented controls to mitigate customer and transaction risks. They apply diligent efforts to screen entities which they wish to avoid engaging with, such as those from countries with opaque legal and political environments, entities that could pose a risk to their reputation, or those operating in violation of generally applicable laws or regulations or placed under international sanctions. Internal guidelines for managing sanction risk have been put in place, and as a result, KRUK Group companies are prohibited from establishing or maintaining business relationships with any parties that are subject to international sanction regimes or are connected to such parties.

Below is an overview of the legal and regulatory environment across the KRUK Group's geographies.

Romania

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

Czech Republic and Slovakia

In Slovakia, any entity wishing to transact business consisting in purchasing consumer debt portfolios or in granting consumer loans must be licensed by the National Bank of Slovakia. By contrast, in the Czech Republic, no legal or regulatory requirements are in fore that would apply specifically to KRUK's business.

Germany

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

Italy

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

Spain

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

Other authorities materially involved in oversight of KRUK Group companies' activities

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

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

Activities of investment funds

In Poland, the activities of the KRUK Group's non-standardised debt closed-end investment funds (Prokura NFW FIZ, P.R.E.S.C.O. NFW FIZ, and Bison NFW FIZ) are regulated. Operating as closed-end investment funds, these debt funds are overseen by the Polish Financial Supervision Authority (PFSA), which holds the legal authority and is equipped with the tools required for their supervision.

In addition, entities that are not themselves investment fund management companies are required to obtain a relevant licence from the PFSA in order to be able to engage in management of debts held by debt funds. These entities fall under the PFSA's supervision to ensure that their debt management activities are compliant with the applicable laws and regulations, the managed funds' by-laws, the provisions of the agreement with the investment fund management company, and the conditions of the PSFA-granted licence.

KRUK Towarzystwo Funduszy Inwestycyjnych S.A. is licensed by the PSFA to conduct activities consisting exclusively in establishment and management of investment funds. KRUK S.A. holds a PFSA-granted licence to manage debt funds' debt holdings under debt management agreements and is, in this respect, overseen by the PFSA.

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

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

Personal data protection

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

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

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

The KRUK Group aims to respond promptly to any irregularities by changing our internal procedures governing personal data processing.

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

The KRUK Group has in place tools to monitor requests and grievances concerning personal data processing and has established procedures that allow data subjects to exercise their rights under the GDPR. Additionally, the Group has formalised protocols for (i) handling information security incidents and (ii) the identification and response to personal data breaches.

In 2022, the Management Board adopted the Group's GDPR strategy, a testament to KRUK's commitment to personal data protection.

In managing personal data, privileged information, and other sensitive materials, Group companies uphold the highest standards of information security, including banking secrecy for bank-originated debts, professional confidentiality with respect to debt management services, and the attorney-client privilege in provision of legal services.

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

Below are described some of the changes in the laws and regulations applicable to the Group companies which took effect in 2023:

Poland

Act amending the Code of Civil Procedure and certain other acts

- Service of process shall be deemed duly effected where the court, despite two failed service attempts, finds no reason to doubt the validity or accuracy of the service address indicated in the lawsuit.
- Neither the court when deciding a petition to grant a writ of execution to a creditor's legal successor nor a debt enforcement officer requested to enforce debt shall any longer be required to examine whether the statute of limitations has expired on default interest upon creation of an enforcement title.
- The validity periods of property valuation reports and quantity and value estimation reports have been extended.
- A new procedure dedicated to consumer affairs has been introduced, aimed at strengthening consumer positions against businesses.

- Enforcement proceedings may no longer be commenced on submission of a writ of execution granted to the creditor's legal predecessor, and assignees may no longer join ongoing enforcement proceedings if the debt was assigned on certain conditions precedent or the assignee is a foreign entity.
- The amount-in-controversy threshold for establishing a circuit court's jurisdiction to hear a case has been raised to PLN 100,000.
- In summary proceedings, where the amount in controversy is PLN 4,000 or lower, the court may, but is not required to, limit its opinion to explaining relevant points of law and citing applicable statutes.
- The provisions on service of process by debt enforcement officers have been clarified.

The Act largely came into force on 1 July 2023, with certain provisions becoming effective later as specified in the Act.

Act amending certain acts to ensure development of the financial market and protection of financial market investors:

- The Act on Investment Funds and Management of Alternative Investment Funds has been amended, notably by replacing the term "securitisation fund" with "debt fund".
- The amendments also include introducing the option to merge closed-end investment funds and significantly increasing the cap on administrative fines that may be imposed by the Polish Financial Supervision Authority for violations of the Act. Moreover, these fines may now be levied not only on investment fund management companies but also on debt managers and fund liquidators.

These amendments came into force on 29 September 2023, with certain other provisions of the Amendment Act becoming effective later as specified therein.

Act amending the Labour Code, the Act on Vocational and Social Rehabilitation and Employment of Disabled Persons, and the Act on Promotion of Employment and Labour Market Institutions:

- Remote work arrangements have been formalised, including by requiring employers to adopt remote work rules and establishing a flat rate compensation for employees to cover electricity and telecommunication expenses.
- A legal framework has been established for employers to initiate and carry out preventive screenings of employees for the presence of alcohol or other intoxicants in their systems if and as required for the protection of certain assets.

The Act came into force on 21 February 2023, with the exception of provisions on remote work arrangements and repeal of the previous telework arrangements, which did not become effective until 7 April 2023.

Romania:

Act amending Government Emergency Ordinance No. 52/2016 on consumer loan agreements relating to real property and Government Emergency Ordinance No. 50/2010 on consumer loan agreements

- Debt collectors shall report all debts in excess of RON 20,000 to the National Bank of Romania's Central Credit Risk Register.

The Act came into force on 23 May 2023.

Act on credit servicers and credit purchasers (aimed at implementing Directive 2021/2167 (NPL Directive)):

- The government adopted an emergency ordinance to implement the Directive.
- A credit servicer wishing to service credits purchased after 29 June 2024 will be required to secure a relevant licence.
- The specific licensing criteria for credit servicers have as yet remained undefined.

The Act came into force on 17 March 2024.

EU legislation

The following EU legislation affects the Group companies' activities across all the jurisdictions where they are present:

- Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC (CCD II). By 20 November 2025, Member States are required to enact and promulgate all the primary and secondary legislation necessary to implement this Directive.

Its objectives are to bolster consumer protection and enhance harmonisation of the legal framework for the consumer credit market across the European Union. It also aims to alleviate consumer information overload for credit agreements involving a total amount of credit of less than EUR 200, assist consumers facing financial hardships and difficulties in repaying their debts, and encourage informed consumer choices. Under CCD II, businesses are required to operate ethically, putting consumer needs first, while ensuring their staff are well-informed.

The Directive's goals are part of the broader initiative to enhance consumer protection within the EU market. The new legislation underscores the obligation for ethical and transparent conduct as well as highlighting the consideration of consumer needs as an integral aspect of sound decision-making. This approach is designed to mitigate future credit repayment difficulties. The Directive places specific duties on creditors, including the provision of flexible repayment options, offering counsel on responsible debt management, and the exercise of reasonable forbearance measures prior to initiating any enforcement proceedings. Moreover, the Directive's recitals suggest that apart from educational measures, Member States should ensure that psychological and social assistance provided by independent professional operators is available to consumers, who should bear only limited charges.

The implementation of CCD II, with its new rules on assessing creditworthiness, granting credits, provision of pre-contractual information and documents to consumers, and mandatory adoption of procedures for spotting consumers facing repayment challenges and offering them assistance, will also impact debt management companies. These firms will be required to adapt by developing skills to identify, analyse, and evaluate these factors upon purchasing debt portfolios.

- Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, and (EU) No 909/2014 (the DORA Regulation – Digital Operational Resilience Act): The aim of the proposed Regulation is to strengthen and enhance the stability and resilience of the EU financial system by establishing harmonised regulatory and supervisory standards. The aim of DORA is to establish detailed and comprehensive regulations governing digital operational resilience to coordinate national initiatives that have already been undertaken in the Member States. The Regulation will lay down common requirements applicable to financial entities with regard to risk management. In addition, the draft Regulation defines certain requirements concerning contracts between third-party ICT providers and financial institutions, a framework of oversight over key third-party ICT providers providing services to financial institutions, as well as rules of cooperation between competent authorities and rules of supervision and law enforcement by competent authorities. Financial institutions will be obliged to apply the Regulation from 17 January 2025.
- Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (CSRD): entails a significant change in corporate reporting. Companies will be required to disclose more information on the way they conduct their business, their impact on the environment and climate, including information on their business models, strategies and supply chains. They will also need to consider how they identify and collect sustainability information, manage ESG risks, develop policies and set targets and key performance indicators. In order to fulfil the obligations arising from the new sustainability reporting standards, companies will have to put in place effective procedures, adapt internal controls and ensure their monitoring. In addition, they should review their findings regarding external provision of sustainability information. The Directive (to the extent applicable to the KRUK Group) has become effective as of 1 January 2024 but no reporting is required thereunder until 2025. No legislation implementing the Directive has been proposed.
- Directive (EU) 2020/1828 of the European Parliament and of the Council of 25 November 2020 on representative actions for the protection of the collective interests of consumers and repealing Directive 2009/22/EC: The Directive introduces uniform regulations enabling consumers to seek collective

redress. Consumers, through class action, will be able to demand from undertakings that infringe their rights remedies in the form of compensation, repair, replacement, price reduction, contract termination or reimbursement of the price paid. The Directive will allow qualified entities representing the collective interest of consumers to enforce claims by means of a representative action. Member States are required to implement the Directive by 25 June 2023. Laws implementing the Directive have already become effective in Italy, Romania, and Slovakia, while bills aimed its implementation have been published for public consultation purposes in Poland, Spain, and the Czech Republic.

- Directive of the European Parliament and of the Council (UE) 2021/2167 of 24 November 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU. The Directive has already entered into force and should enable credit institutions to better deal with non-performing loans by improving the conditions for their sale to third parties on efficient, competitive and transparent secondary markets, while protecting the rights of borrowers; the purpose of the Directive is to address the position of credit purchasers and credit servicers in relation to non-performing credit and to harmonise the authorisation requirements for credit servicers. The Directive is yet to be implemented, with bills proposed to implement it being consulted on or going through the legislative process in Poland, Romania, the Czech Republic, Slovakia and Italy.
- Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law. Its purpose is to lay down minimum standards of protection for persons reporting breaches of EU laws and of ethical conduct standards in a work-related context, including the requirements to establish internal reporting channels, appropriate internal procedures for receiving and following up on reports, and certain whistle-blower protection rules, including a prohibition on retaliation. The Directive provided for a 2-year transposition period, which elapsed on 17 December 2021. Poland remains the only EU Member State where the Directive has not been implemented yet. A new version of the bill on the protection of persons reporting EU law breaches has recently been published.
- Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132. The purpose of the directive is to create effective early warning tools and preventive restructuring frameworks available to debtors in financial difficulties where insolvency is likely to occur, as well as to provide for a full discharge of debt. The measures, solutions and tools provided for in the Directive are intended to enable viable entrepreneurs to continue operating while meeting their creditors' claims; allow honest insolvent or over-indebted entrepreneurs a second chance; and enable non-viable businesses to liquidate effectively. The Directive is yet to be implemented in Poland, the Czech Republic, and Slovakia, where implementation bills have been published.
- Directive (EU) 2019/2161 of the European Parliament and of the Council of 27 November 2019 amending Council Directive 93/13/EEC and Directives 98/6/EC, 2005/29/EC and 2011/83/EU of the European Parliament and of the Council as regards the better enforcement and modernisation of Union consumer protection rules. The purpose of the Directive is to afford consumers a greater measure of protection against unfair contractual terms and market practices as well to ensure protection of consumer rights in distance contracts. All of the amended Directives provide for imposition on infringing undertakings by competent judicial or administrative bodies of fines, whose maximum amount must be equal to at least 4% of the undertaking's annual turnover in the Member State, where the infringement is committed. Other amendments concern the scope of information required to be provided to a consumer prior to the conclusion of a distance contract. Member States should transpose the Directive by 28 May 2022. The Directive has not been implemented in Slovakia.

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

Below is an overview of proposed legislative changes that may potentially impact the operations of the KRUK Group, including essential details on each bill.

Poland:

Bill on credit servicers and credit purchasers (aimed at implementing Directive 2021/2167 (NPL Directive)):

- The bill proposes to establish a legal framework governing the activities of credit servicers and purchasers, defining their status, rights, and obligations and introducing regulatory oversight of these entities.
- Specifically, it stipulates that in order to be able to perform credit servicing activities in respect of non-performing credit agreements and to exercise creditor rights under such agreements, a prospective credit servicer must obtain a licence from the PFSA and fulfil certain other conditions as specified in the bill. These include:
 - satisfying the legal form and capital requirements;
 - ensuring that the entity's management meet the good repute and adequate knowledge and experience standards as per the applicable EBA guidelines;
 - implementation of risk management and internal control systems;
 - ensuring that the entity's operations are conducted with respect for borrower rights, including by putting in place adequate borrower policies.
- The bill further mandates the PFSA to maintain a register of licensed credit servicers.
- Credit servicers will be required to meet extensive disclosure obligations, including reporting to the PFSA.
- They will also be subject to comprehensive oversight by the PFSA as well as pay fees to cover its costs.
- Entities that have already been licensed by the PFSA to manage debt portfolios held by debt funds under the existing regulations will be exempt from the above requirements.

The bill is expected to come into force 14 days after its passage into law and promulgation, although entities currently engaged in credit servicing will be allowed to continue such activities under the existing regulations until 29 June 2024.

The bill's passage is anticipated in the second quarter of 2024.

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

- Establishment of a legal framework for debt collection activities and introduction of regulations on the status and rights and obligations of persons engaged in debt collection, referred to as debt collectors (the performance of debt collection activities understood as actual steps directly aimed at causing voluntary payment of debt being enforced has been reserved for debt collectors employed at debt collection companies);
- Regulating the status of the debt collector, including in particular acquisition of professional qualifications (licence) and the rights and obligations of debt collectors – a debt collector must hold a licence and be entered in the register of debt collectors);
- The bill envisages that business activity consisting in debt collection is a regulated activity within the meaning of the Business Activity Law of 6 March 2018 and requires authorisation (given by the minister competent for economy) and entry in the Central Register of Debt Collection Companies and Debt Collectors;
- Prohibition to undertake any debt collection activities against certain categories of persons and in cases past a statutory limitation period (out-of-court stage);
- Possibility for persons in debt to lodge an objection at any stage, resulting in an obligation to discontinue debt collection from such person.

While the bill remains registered in the government's legislative centre, there are currently no ongoing efforts to advance it.

Bill to amend the Act on the Liability of Collective Entities for Acts Prohibited under Penalty:

- A revision of the "collective entity" definition has been proposed to introduce a specific category of "large entities" (i.e. ones that employ more than 500 employees or have an annual turnover of PLN 100m or more).

- For these large entities, the liability of a collective entity will no longer be contingent on the prior conviction of an individual for a prohibited act.
- Such liability will now be based on the entity's fault, including faulty selection or supervision of a director, officer, employee, contractor, or representative or other qualifying agent or what is referred to as faulty organisation.
- A collective entity will not be held liable if it can prove, despite any irregularities, that all the governing bodies and individuals authorised to act on its behalf or in its interest exercised due care in their actions and oversight of the actions of others.
- The cap on penalties will be increased to PLN 30m or 3% of revenue for the fiscal year in which the prohibited act that triggers the collective entity' liability is committed.

Romania:

Bill to amend the Civil Code and the Code of Civil Procedure:

- The assignee will be required to notify the debtor of the debt assignment if the original creditor fails to do so.
- Debtors must be given a 15-day extension to settle debts before a debt enforcement officer can freeze their bank accounts.
- No real property can be foreclosed on for debts of less than RON 300,000.

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

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

Bill on the protection of consumer rights:

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

Bill to amend Law No. 188/2000 on debt enforcement officers:

- Amendments to the regulations governing appointment of debt enforcement officers, changes in the organisation and functioning of debt enforcement officers' representative bodies, changes concerning the duties and powers of debt enforcement officers and their disciplinary liability;
- Changes in fees:
 - fees for debt enforcement in civil law cases may not be less than 10% of the gross minimum wage
 - the minimum amount to be charged as an advance on the enforcement fee may not be less than 10% of the gross minimum wage
 - fees are revised at least once every five years.

Following its passage, the bill was referred by President of Romania to the country's Constitutional Court for judicial review.

Spain:

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

- The bill introduces measures to enhance the efficiency of the Spanish justice system, including by imposing a requirement to attempt mediation before a dedicated body (MASC) prior to commencing litigation. In the absence of a response to a preliminary proposal to conclude an agreement or if the mediation ends without the parties reaching agreement, a case must be brought to court within three months. Claims not covered by an agreement (partial agreement) may be brought by court. In addition, the bill proposes to allow judges to deliver oral verdicts in cases where the disputed amount does not exceed EUR 15,000 (EUR 2,000 currently) and admit electronic powers of attorney.

No bill on credit servicers and credit purchasers has been proposed (i.e. to implement Directive 2021/2167 (NPL Directive)):

Italy:

Bill to amend the Banking Act (aimed at implementing Directive 2021/2167 (NPL Directive)):

- The bill introduces a requirement to obtain a licence to service non-performing loans from the Bank of Italy (this is not applicable to KRUK Italia as it manages debt purchased from SPVs created under the Italian Securitisation Act (Act 130/99).
- Applicants will have to satisfy specific organisational and procedural criteria.
- Oversight by the Bank of Italy over credit servicers will be established, which will include mandatory reporting.

Bill on facilitating the renegotiation of non-performing or unconscionable loans:

- The bill is intended to help families and small businesses that have been affected by the economic consequences of the COVID-19 pandemic to solve their debt problems;
- In situation where a creditor (defined as a bank, financial intermediary, SPV or debt collection company) intends to assign debt, for such assignment to be effective the creditor would be required to first notify each debtor, by registered mail, of the carrying amount of its debt as disclosed in the creditor's most recent authorised financial statements.
- The debtor would then be entitled to propose in writing, within a prescribed time limit, an individual settlement agreement, including the amount the debtor would pay (equal to the assignment price plus 20%) in consideration for discharging the outstanding debt.
- If the debtor failed to make such proposal or comply with the terms of the settlement agreement, the creditor would be allowed to assign the entire amount of the outstanding debt.

Slovakia

Bill on the protection of consumer rights:

- The bill prohibits entrepreneurs from acting in breach of the principles of good will, integrity, good morals and market practices, from using fraud or threat, taking advantage of an error or mistake or significant disparity between counterparties, from violating the principle of freedom of contract, and from gross violation of law.
- It also imposes a ban on visiting consumers (and their close associates) at home and at work and on contacting consumers (and their close associates) between 6:00 pm and 8:00 am on the following day without the consumer's explicit consent.

- According to the bill, it would be the consumer who would carry the burden of proof regarding the exercise of the right to withdraw from a contract that was executed using means of remote communication or off the business's premises.
- Fines are provided for that are tied to the supervised entity's turnover and in principle range from EUR 100 to 4% of turnover for the prior fiscal period (up to EUR 2m) depending on the nature of the violation (e.g. repeated violations over 12 months, etc.).

Bill to amend the Act on Court Costs and Fees:

- An increase is proposed in all fees included in the court fees schedule.
- For all legal proceedings initiated up to 31 March 2024 and not yet conclusively decided by this date, the courts will charge a fee equal to the difference between the effective rate under the existing regulations and the new rate, i.e. EUR 8.5.
- The minimum fee rate will be raised from EUR 16.50 to EUR 25.
- No change is provided for in the 3% or 6% court fee rates applicable in the judicial dunning procedure and standard procedure, respectively.

Czech Republic

Bill on credit servicers and credit purchasers (aimed at implementing Directive 2021/2167 (NPL Directive)):

- The project introduces a requirement to secure a licence to service non-performing loans from the Czech National Bank.
- To be granted a licence, an applicant will have to satisfy a range of organisational and procedural criteria.

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

6 | Chapter

6 DEVELOPMENT DIRECTIONS OF THE KRUK GROUP

6.1 Development directions and prospects of the KRUK Group

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

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

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

MISSION

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

VISION: VALUES-PEOPLE-LEAN

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

VALUES

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

Strategic plan 2019–2024

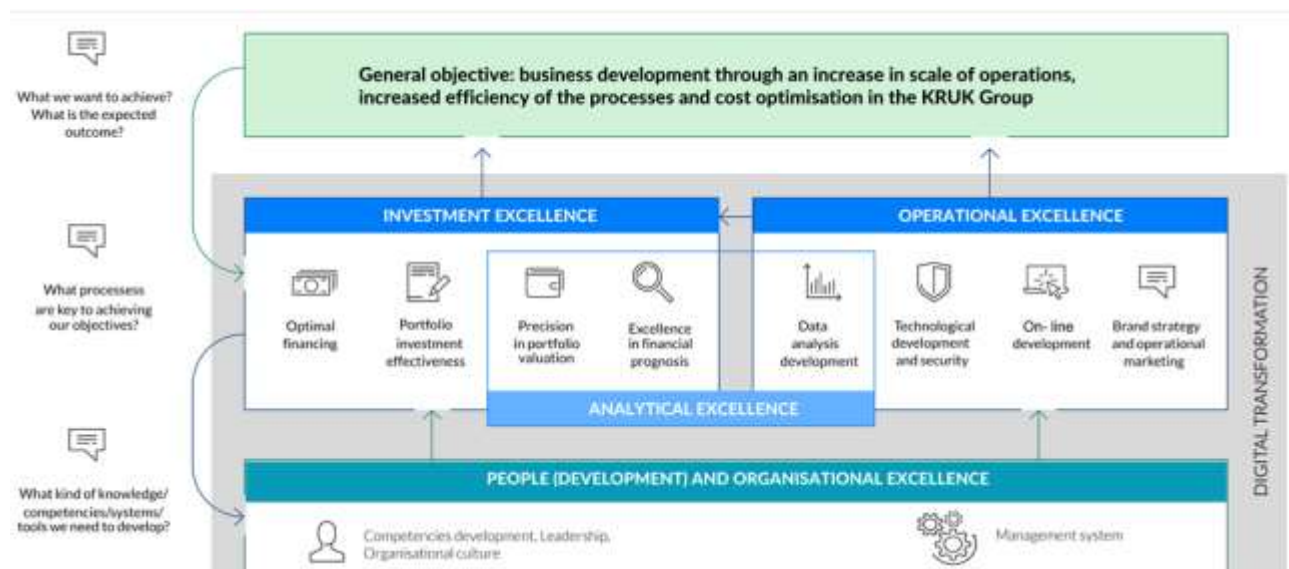
In 2023, the KRUK Group continued to pursue its strategy for 2019–2024, seeking mainly to increase investments, enhance process efficiency and optimise costs.

In line with the Strategic Plan, the KRUK Group:

- is focused on the development of the existing business lines across its existing markets. At the same time, it is exploring the European market for additional growth potential, taking a selective approach and long-term perspective,
- prioritising the business of purchased debt collection, with a focus on unsecured retail debt,

- following the Group’s financial liquidity management strategy, KRUK aims to repay any new debt incurred with its own assets rather than seeking refinancing options.

The visualisation of the Strategic Plan for 2019–2024 is presented below:



2023 was the year when KRUK celebrated not only its 25th anniversary, but also record-breaking investments and recovery streams. These results were achieved mainly on the back of consistent execution of the strategy based on Lean and Digital transformation.

Having set out on the LEAN TRANSFORMATION journey, KRUK is committed to employee upskilling, reviewing its processes and deploying further improvements to increase recoveries, cut costs and shorten lead times.

DIGITAL TRANSFORMATION raises the organisation’s ability to deliver added value by harnessing technology. The objective is to increase process efficiency (to handle a much larger volume of cases and thus increase recoveries without a significant headcount addition), improve client experience by providing user-friendly solutions (such as e-kruk), and build a modern and growth-inspiring organisation for employees.

Both transformations are being coordinated at the Group level under the Discovery programme, designed to ensure a comprehensive and consistent transition encompassing processes, tools and people (staff competencies and organisational culture). As a result, KRUK is seeing additional benefits from synergies (including best practice sharing and standardisation), cost optimisation, upscaling and acceleration of projects.

In 2023, a number of initiatives were under way as part of the Discovery programme, both Group-wide and focused on individual markets. Selected initiatives are described below (under the respective strategic directions).

The three months to 31 December 2023 were an important period marked by particularly intensive work. In-depth analysis was carried out to assess the organisation’s digital and lean maturity against current technology development trends and best lean practices. The analysis covered key processes spanning business operations, IT, no/low code technologies, analytics and human resources (HR processes, competencies). Its findings informed the formulation of roadmaps for the following years, setting development directions and concrete initiatives for the entire Group, while taking into consideration the specific needs and challenges of each local market. The roadmaps will also serve as the basis for defining the Group’s strategic vision for further years.

To ensure smooth execution of these initiatives, an analysis was performed to assess current working methods pertaining to the delivery of technology solutions and management of projects. On this basis, an action plan was defined to improve efficiency through wider adoption of the Agile approach.

Another vital element of the Discovery programme consisted in fostering the organisation's ability to create and deploy innovations. To this end, appropriate structures and cooperative links with third parties were built on each market.

Below is presented a description of selected initiatives undertaken in 2023 in the pursuit of each strategic direction:

Investment excellence

- Expanding funding sources that meet the adopted security, cost and availability criteria; Increasing the amount of available credit financing by increasing the limits under existing contracts and signing new contracts; Adding further banks to the lending syndicate; Issuing EUR-denominated bonds: under a foreign framework governed by Swedish law with a total nominal value of EUR 150m, and two series governed by Polish law with a total nominal value of EUR 10m; Issuing PLN-denominated bonds with a total nominal value of PLN 835m in four prospectus-based issues for retail investors (PLN 265m) and two prospectus-exempt issues for qualified institutional investors (PLN 570m).
- Investments in new portfolios in 2023 amounted to PLN 2,972m (up by 29% year on year), the highest level reported by the Group for a full year. The largest investments were made in Italy, with purchases outside Poland accounting for 74% of the Group's total investment spending. This trend indicates both the ever-growing potential of the operational maturity of foreign markets, as well as their solid contribution to the Group's performance. In order to ensure a steady increase of investment efficiency, the KRUK Group's focus is on good understanding of market conditions, prevailing trends and needs of our business partners. Our corporate functions responsible for investments, valuations and debt management cooperate closely and continue to build their competencies.
- The valuation process is optimised through such means as a periodic review of the assumptions concerning the nature of recoveries based on the most recent operational knowledge and reported results, and further development of our valuation methods (e.g. by taking into account a broader range of data in our models, building tools for more in-depth monitoring of the quality of our valuation models).
- To improve financial projections, we support the business in determining the 'leads' to the achievement of operational targets, increasing the level of projection detail, analysing the long-term portfolio potential, and using external data that may impact the projections.

Operational excellence

In 2023, efforts were continued aimed at:

- increasing the number of self-payers (clients paying without any interaction with an adviser), optimising processes and tools for client advisers, and
- automating processes at the legal enforcement stage.

Operational processes were improved through a number of measures, including the use of analytics, technologies and marketing support. Details are provided below:

- As regards business analytics, efforts were continued in 2023 to enhance the decision-making engine by increasing the number of analytically supported decisions and advancing analytical techniques (e.g. through improved quality and increased quantity of data feeds). As a result, optimum business decisions are made at every stage and level of our processes. In addition, Group-wide projects were carried out to improve the quality and availability of client data.
- As regards information technologies, business objectives were supported by extensive process automation, facilitating and speeding up process activities, robotisation and digitalisation of processes that require paper handling. The implementation of cloud-based solutions was continued, expected to drive the Group's fast-paced technological development, while further enhancing security. More than ten Enterprise class services and tools were implemented, designed to bolster defence against attacks, ensure data security and facilitate the management of employee equipment and applications, a crucial requirement at the time of widespread remote work. Several dozen other services and tools for business as well as End point User and Security tools

are under implementation. KRUK's commitment to security prompted it to establish the Head of Cybersecurity position within the area overseen by the Chief Data & Technology Officer. In addition, with respect to no/low code technologies, working principles were developed for such tools, appropriate governance structures were set up across the Group and citizen development activities were initiated.

- As regards online solutions, clients on all markets are encouraged to take up self-service and KRUK keeps working to deliver new tools to facilitate the process. We also continue to improve the previously deployed tools to make them easier to use, thus ensuring high conversion rates. In Poland, Italy and Romania, clients can access information about their debts and self-manage their liabilities via the e-kruk system. In 2023, the number of the system's users went up by 23%.

The available tools, supported by a range of marketing and communication activities, have translated into an increasingly higher percentage of settlements entered into by clients using self-service tools. Key implementations in 2023:

- in Poland, an online service process was launched to support another type of cases,
- in Romania, work was begun to provide further online payment solutions,
- a refreshed version of the e-kruk system was deployed in Italy. The new system has gained a more transparent client interface, translating into improved conversion rates within the tool,
- work was under way to launch the e-kruk system in Spain (due for implementation in January 2024),
- in Slovakia, we made available new payment methods.
- As regards operational marketing, KRUK was engaged in efforts to build recognition and foster a desired brand image (especially on the Italian and Spanish markets); new product rollouts were supported by brand image campaigns run in the media and educational campaigns.

The efficiency of our operational processes is consistently enhanced also through knowledge and best practice sharing. KRUK regularly reviews the common KPIs, which allows it to achieve efficiency gains across the Group, with due account taken of specific local conditions.

Analytical excellence

Data-driven decision making is one of the key elements behind KRUK's efforts to build competitive advantage. Therefore, cooperation between all analytical areas was continued, including via the Analytical Consortium. This enabled the Group to identify analytical solutions offering the highest added value for the organisation as a whole, not only for individual business areas.

KRUK prioritises work with data, which gave rise to the need for a more comprehensive approach to data governance (including data availability, quality and security). The activities will be continued in 2024 and will be reflected in the strategy for the following years. KRUK's intention is to maximise benefits from the scale of its data (e.g. by preparing personalised client offerings).

People (development) and organisational excellence

In 2023, KRUK continued to implement its strategic plan for human resources management to further support its business growth strategy and respond effectively to changes taking place in its business environment, including the labour market. The plan is based around three pillars:

- Strengthening the organisational culture – focus on building a strong organisational culture, geared towards embracing challenges in digital transformation.
- Leaders development – a series of inspirational meetings, webinars and training sessions with experts from all over the world to support KRUK's leaders in developing skills essential for a fast-changing business landscape.
- Excellence in HR processes and data – focus on process improvement and data governance in the HR area, including remuneration and employee benefit policies, and on improving HR analytics.

These efforts are aimed at promoting the KRUK Group as an employer providing attractive workplace standards and development opportunities, which help attract top talent.

KRUK is strongly committed to creating a work environment aligned with Diversity, Equity, and Inclusion principles. For more information, see the non-financial statement.

ESG

The KRUK Group's ESG strategy, forming an integral part of its business strategy, was prepared based on the results of a survey carried out among our stakeholders in 2021, which allowed us to develop a stakeholder power/interest grid, helping us identify the areas with material bearing on the Group's sustainable development. The survey was updated in 2023, indicating that the materiality of topics addressed by the ESG strategy in terms of their potential impact on the KRUK Group's operational planning remained unchanged or increased. Topics whose materiality increased over the past two years include cybersecurity and innovation. Initiatives taken within these areas are discussed above in the sections on Digital and LEAN transformation, and on operational excellence.

The ESG strategy for the KRUK Group is described in more detail in the non-financial statement, presenting objectives and long-term goals for the three key pillars of the environment, social impact and corporate governance.

The environmental aspect is focused on climate change adaptation by measuring the Group's carbon footprint and managing carbon reduction processes for Scope 1 and 2 emissions under the GHG Protocol and by developing a transition plan to adapt the Group's business to climate change. In 2023, the Group's Scope 1 and 2 emissions were reduced by 23% year on year and by 35% relative to the base year. In 2023, the Group continued its decarbonisation efforts by partially replacing the vehicle fleet and securing guarantees of origin for electricity consumed at its offices in Poland, Romania, Spain and Italy. Another element of the strategic approach was the identification of climate-related risks, to be covered by the risk management framework in 2024.

As regards the social aspect, the KRUK Group integrated objectives to ensure gender equality, decent working conditions, respect for employee rights, dialogue with local communities and client relations, including promotion of financial and digital literacy among indebted individuals.

As part of the Diversity, Equity, Inclusion programme, in 2023 an updated diversity policy was implemented across the Group. An improvement was recorded in the following indicators:

- employee turnover at 11.1% (down by 2.3pp on 2022),
- proportion of employees with disabilities at 2.2% (up by 0.15pp on 2022).

The governance area involves fostering compliance and the highest ethical standards by building a Compliance and GDPR culture. The KRUK Group has implemented a Privacy Protection Programme, which includes policies, instructions, contract templates and other internal regulations, primarily a Personal Data Management Policy designed to ensure effective protection of the rights or freedoms of individuals through formalised personal data processing policies and procedures which provide assurance that appropriate technical and organisational measures are put in place. In 2023, a Code of Ethics was also implemented at all companies of the KRUK Group, and mandatory training was launched to promote the knowledge of and compliance with the Code.

6.2 Major research and development achievements

In 2023, the KRUK Group embarked on numerous development projects, with a keen focus on its continuing digital transformation journey. These efforts included the improvement of the existing suite of online tools, the automation of processes – especially those associated with litigation and enforcement activities – and the advancement of business analytics. Concurrently, the organization's expansion was matched with a strengthening of its cybersecurity measures. For details, please refer to Section 6.1 Development directions and prospects of the KRUK Group.

7 | Chapter

7 RISK FACTORS AND THEIR MANAGEMENT

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

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

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

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

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

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

RISK	DESCRIPTION OF RISK AND ITS EFFECTS IF MATERIALISED	HANDLING METHOD (MANAGEMENT STRATEGY)
Risk of failure to meet the strategic objectives	<p>There is a risk that the Group will fail to achieve its objectives, which may be caused by various factors, including:</p> <ul style="list-style-type: none"> • market situation, business environment and competitors’ activities; • lower availability of external financing; • incorrect valuation of investments, including debt portfolios purchased; • changes to legal regulations and their interpretation and actions of regulatory authorities; • unfavourable decisions of Company shareholders; • errors of persons responsible for the development and execution of the strategy; • events of force majeure. <p>The development of the business involves the need, in some cases, to incur significant financial expenditure. Where the measures taken are less profitable than expected or their objectives are achieved later than originally assumed, the expenditure may not be fully covered by the resulting revenue.</p> <p>Delays in achieving the Group’s strategic objectives within the assumed time frame or the occurrence of any of the above-described circumstances may have a material adverse</p>	<p>The risk of failure to deliver the strategic objectives is managed primarily through:</p> <ul style="list-style-type: none"> • Operationalisation of the long-term strategy into the annual plans of individual Group companies, specifying the objectives, methods of achieving them and necessary resources; • Regular monitoring of both results (the extent to which the objectives have been achieved) and progress in the implementation of the planned activities at the level of the Group companies and the Management Board. <p>The Group also takes steps to prevent the risk of incorrectly defining its strategic objectives. In annual cycles, as the Business Plan for the following years is prepared, the Group carries out a strategic analysis, which involves a review of opportunities and threats in the macroeconomic environment (e.g., political, legal, and economic factors) and the market environment as well as analysis of the organization’s strengths and weaknesses. Results of the analysis are then used to either confirm or update the strategy.</p>

effect on the Group's operations, financial condition or results. There can be no assurance that the Group will maintain or improve its historical results and therefore the Group's historical results should not be treated as indicative of its future performance.

Risk of error in estimating the value of acquired debt portfolios

In the course of its operating activity, the KRUK Group purchases debt portfolios for its own account. If purchased debt portfolios do not generate expected cash flows over specified time horizons it may be necessary to make a downward revaluation of the portfolios. The risk is relatively higher on new markets, where the Group is yet to gain experience. An additional driver of the risk is potential fluctuations of foreign exchange rates, which may increase or decrease PLN income from foreign-currency portfolios (currency risk).

Based on its many years' experience, the Group has developed a system for analysing and assessing that risk. The key tools making up the system are as follows:

- Detailed analysis and estimation of the risk as at the date of purchasing a given debt portfolio, based on advanced economic and statistical tools (the results of the analysis and estimation are reflected in the price offered in the auction);
- Quarterly revaluation of the debt portfolios held;
- Purchasing various types of debt, with various degrees of difficulty and delinquency statuses.

Having acquired by the end of 2023 more than 1,800 debt portfolios and having carried out on average 400 debt portfolio valuations annually, the KRUK Group has gained extensive experience in estimating the values of such portfolios. The information base it has compiled helps mitigate the risk of incorrect estimate of the value of purchased debt portfolios.

Risk of material decline in recoveries from purchased debt portfolios

Purchase of debt for the Group's own account means that the Group assumes the risk of non-payment by indebted persons. This risk is particularly material if the amounts of individual debts in a purchased portfolio are high relative to the Group's equity or profit levels. Additional risk may be generated by the growing number of consumer bankruptcies. As at the date of this Report, the KRUK Group holds no single debt whose non-payment could have a material adverse effect on its liquidity, but no assurance can be given that such a situation will not occur in the future.

There are no individual cases managed by the Group repayments under which would represent a significant portion of total recoveries. Repayments in mass collection processes relate to a number of clients and are made independently. However, by monitoring the day-to-day repayment records, the Company is able to control the risk related to a material decline in recoveries from debt portfolios.

Risk of increased costs of the Group's business

Financial results of the KRUK Group are affected by a number of cost factors over which the Group has no control or only limited control, including in particular cost of salaries, court costs, tax costs and prices of purchased debt. In the event that any increase in costs is not accompanied by a growth of the Group's revenue, there is a risk that the Group's financial condition might deteriorate.

The Group's costs are capped in the budget approved by the Supervisory Board on an annual basis. Every manager is assigned a precisely defined share of total budgeted expenditure, corresponding to their remit. Significant costs in excess of the budget cap that will affect future economic benefits in each case require approval by the Management Board (if the budget is exceeded only within a specific remit) or by the Supervisory Board (if such additional costs result in exceeding the budget assumed for the entire KRUK Group).

Additionally, both costs and the ratios of costs to recoveries are monitored by the KRUK Group's Management Board on an ongoing basis. Thus, it is possible to early identify factors that could lower efficiency and to take appropriate corrective actions.

Operational risk

The KRUK Group is exposed to the risk of incurring losses due to faults in internal processes, personnel misconduct, internal system malfunctions, and external incidents.

To monitor and mitigate operational risks, the KRUK Group has implemented various measures, such as procedures for ensuring alignment, proper recording, and oversight of business operations, contingency planning, mandatory training programmes, and

Major sources of operational risk include employee turnover, employee mistreatment, inadequate operational efficiency affecting the continuity, availability, integrity, or quality of the Company's operations, assets, or human resources, supplier misconduct affecting service delivery, operational constraints due to supply chain disruptions, and harmful actions, whether wilful or negligent, by employees, customers, trading partners, or third parties, including instances of fraud and embezzlement.

systemic controls to enforce or restrict specific actions.

Risk associated with ICT system data processing reliability

The KRUK Group is susceptible to business continuity disruptions due to potential disturbances in its IT infrastructure, which might be targeted by cyber-attacks or experience internal dysfunctions. Such incidents could adversely affect the confidentiality, integrity, or availability of information processed by these systems.

To address this risk, the KRUK Group implements several strategies:

1. A dedicated Cybersecurity Team has been established, which is instrumental in developing the Group's cybersecurity strategy. The Team works closely with Group companies across its geographies, providing guidance, coordination, and uniformity in response efforts. Utilising state-of-the-art tools and technologies to monitor, detect, and swiftly react to any threats, the Team promptly identifies potential risks.
2. Routine audits and penetration testing ensure the security measures in place are continuously assessed for their effectiveness. This includes both internal audits and leveraging external experts for comprehensive penetration tests.
3. Ongoing employee training programmes aim to heighten awareness of potential cyber threats and enhance preventative skills.
4. Rigorous management of supplier-related risks through effective outsourcing procedures, ensuring that all essential services meet the KRUK Group's high quality standards.
5. The Group leverages cutting-edge cybersecurity technologies, including advanced data encryption and other safeguards against unauthorised data access.

Legal risk

For the KRUK Group, legal risk encompasses the risk of an unfavourable outcome of a dispute with a third party as a result of legal defects or errors in the relationship therewith, risk of adverse decisions by courts or other authorities, including imposition of fines for violation of debt management laws or regulations, evidentiary risks, and the risk of exposing critical information related to contracting or granting POAs or other authorisations.

Legal risk is vigilantly monitored through regular reporting and review of court cases or other legal actions intended to bring amicable settlement of disputes with third parties. The KRUK Group employs a range of controls to mitigate this risk, including specific procedures, guidelines, and an IT system dedicated to contract and POA management. This system incorporates features that either compel or prevent certain actions by employees who initiate the execution of a contract or grant of a POA or other authorisation.

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

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

Legislation and regulatory requirements applicable to the KRUK Group's business, in particular laws and regulations governing issuance of and trade in securities, shareholders' rights, foreign investments, company activities and corporate governance, business activities, including consumer bankruptcy, as well as tax reliefs and benefits available to investment

The Group has developed and implemented a procedure for monitoring changes in legislation and regulatory requirements. The Group prepares for any expected changes in advance by conducting a thorough analysis of any draft laws or regulations proposed and assessing their economic impact on the Group, as well as by developing, if required, a plan to implement relevant changes to the business to ensure compliance. The KRUK Group also monitors court judgments and administrative decisions issued by authorised entities. Typically, administrative decisions and court rulings do not carry the force of universally applicable law and are not binding beyond the specific cases for which they are issued. However, they do

funds, have been and may be amended. No assurance can be given that legislative amendments directly affecting, or having an impact on, debt collection will not be introduced in the markets where the Group operates. In addition, as these regulations are open to a range of interpretations, there exists a risk of their inconsistent application by the judiciary and public administrative bodies. Therefore, the KRUK Group can give no assurance that its interpretations of Polish laws, as well as the laws of the other countries where the Group operates, will not be subject to dispute. These considerations may adversely affect the KRUK Group's operating performance, financial position, and/or reputation. In analysing the legal environment, it is crucial to take into account EU legislation that spans various aspects of economic life, especially in competition, financial services market, consumer rights, fair trading practices, consumer contract terms and conditions, tax regulations in individual member states, personal data protection, etc.

The low level of legal and financial literacy among the public may lead to misinterpretation of the law and widespread belief that debts do not need to be repaid. This may have a negative impact on the perception of activities conducted by professional debt management companies, which operate in accordance with the applicable laws, ethical standards and social norms, ultimately affecting debt recovery rates.

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

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

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

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

influence the development of statutory construction and application practices.

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

In order to reduce the risk of low financial literacy, the KRUK Group engages in initiatives aimed at raising financial literacy among the general public. These initiatives include publication of advice articles, running public awareness campaigns in the press and on the Internet, providing various social groups with educational materials on home budget planning and ways of getting out of debt, and collaboration with various independent experts, social welfare institutions and centres and non-profit organisations. The KRUK Group analyses macroeconomic conditions and changes in the banking and financial sectors on an ongoing basis. Having no direct control of the changing environment, the Group aligns its business model with the changing conditions. Thanks to debt portfolio acquisitions, the KRUK Group has constant access to funding (recoveries from debt portfolios) and may purchase larger amounts of debt on more favourable terms when the macroeconomic landscape deteriorates. An improvement in macroeconomic conditions, on the other hand, drives up recoveries, as do various governmental welfare measures, allowances and family support schemes.

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

Credit risk

Credit risk is the risk of financial loss if a client or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is chiefly associated with purchased debts,

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

receivables for the services provided by the Group and loans it advances. Factors with the strongest effect on the scale of the Group's credit exposure include in particular:

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

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

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

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

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

Market risk (currency risk and interest rate risk)

Market risk is the risk of impact of changes in market prices, such as foreign exchange rates and interest rates on the Group's results or on the value of financial instruments held and investments made by the Group. The Group's exposure to currency risk results from foreign investments (both past and current) in portfolios denominated in foreign currencies. If there is no access to financing denominated in a given currency, such investment may partly be financed with debt contracted in a different currency, resulting in a mismatch between the currency of the proceeds from such investment and the currency of recoveries. This gives rise to a risk that the Group may incur additional costs related to currency conversion or the Group's liquidity may deteriorate due to adverse changes in foreign exchange rates. The Group is also exposed to the risk of deterioration in its financial results due to unhedged currency exposures (the risk of incurring foreign exchange losses).

The Group's debt is denominated in the złoty and euro (credit facilities and bonds), based on floating interest rates, and therefore the Group is exposed to interest rate risk. The Group has identified exposure to the risk of an increase in the WIBOR and EURIBOR interest rates. There is a risk that the Group may incur additional finance costs (higher debt service costs) as a result of an increase in interest rates, which in turn are driven by changing conditions on the financial markets.

The objective behind market risk management is to maintain and control the Group's exposure to currency and interest rate risks within assumed limits so as to:

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

To this end, the Group follows and periodically reviews its foreign exchange risk and interest rate risk management policies. The Group uses financial instruments to hedge its interest rate risk and currency risk.

In the process of market risk management, the Group selects optimum financing sources for its planned investment projects, analyses macroeconomic trends and monitors changes in its key currency exchange and interest rates. The Group periodically identifies and monitors the value of unhedged positions exposed to changes in foreign exchange rates and interest rates, monitors the impact of these changes on the Group's profit or loss, and measures currency risk and interest rate risk. Under master agreements with banks, the Group may also enter into derivative contracts to hedge the currency and interest rate risk. The market risk management objectives are achieved through efforts implemented at the individual Group entities in Poland and abroad, with the efforts coordinated by the Company as the entity responsible for market risk identification and the methodology of its management.

Liquidity risk

Debt portfolio purchases involve making large one-off payments. To secure the necessary funding for its debt portfolio purchases, the Group relies on external financing in the form of bank borrowings or bonds. The KRUK Group uses and intends to use in the future bank loans, bonds and other debt instruments to finance purchases of debt portfolios. The Group also enters into lease arrangements to finance

The Group's liquidity risk management policy is designed to ensure that the Group's liquidity is sufficient to meet liabilities in a timely manner, without exposing the Group to a risk of loss or damage to its reputation.

Liquidity risk management tools used at the Group include:

investments in property, plant and equipment. Any material deterioration in the Group's liquidity may result in the Group being unable to repay principal and interest or fulfil other obligations under the credit facility agreements it has concluded or under debt instruments in issue. If the Group fails to meet the terms of the loan agreements it has signed, the Group companies' debt under bank loans may be accelerated, in whole or in part, and in the event of failure to repay the debt financial institutions will be entitled to enforce their claims against the collateral created over the Group's assets. If the Group defaults under the terms and conditions of bonds it has issued, it may be obliged to redeem such bonds early.

- Regular monitoring of cash needs and expenses;
- Flexible management of cash flows between the Group entities;
- Conducting collection activities on an ongoing basis, ensuring continuous cash inflow;
- Ensuring the Group's compliance with financial covenants under credit facility agreements and debt instrument issues;
- Use of external sources of funding, in the form of bank borrowings or bonds.

Risk relating to large-scale personal data processing by the Group

The Group's business involves processing of personal data transferred to the Group by creditors who outsource credit management services or sell their debts to the Group. This means that in accordance with applicable regulations and agreements in force, the Group receives client data from third parties, and no assurance can be given that the data is accurate. If incorrect data is transferred to the Company, there is a risk that it may relate to a person other than the actual indebted person, which may potentially lead to an increase in the number of complaints or grievances registered with the authority which supervises personal data processing. As the processing of personal data takes place in many processes and on a large scale, there is a risk of human error or system failure that may lead to personal data breaches, including data leakage, alteration or loss.

The KRUK Group has developed procedures and implemented in its IT systems mechanisms designed to reduce the risk of unlawful processing of personal data, as well as the risk for the rights and freedoms of data subjects, including the risk of violations. In each country where it operates, the Group has appointed Personal Data Protection Officers, who are also supported by GDPR specialists. The Group has in place a number of processes and procedures for handling data protection incidents and breaches, evaluating suppliers who are concurrently entrusted by the Group with the data processing, and for responding to GDPR requests, conducting and planning GDPR audits, etc. The Group organises employee training and awareness-raising activities. In addition, the KRUK Group cooperates with local industry organisations to develop the best standards for managing the risk related to personal data processing.

Risk related to related-party transactions

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

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

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

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

Relations with clients (indebted persons) are at the core of the KRUK Group companies' business, from the debt collection process to marketing activities intended to promote KRUK products and services or further improve the Group's image. The specific nature of the Group's business raises the possibility that a competent local consumer protection authority might find that some of KRUK's business practices infringe on collective consumer

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

- monitors proposed draft legislation and interpretations of existing laws and regulations by public administration bodies and courts;
- monitors regulatory bodies' positions and recommendations;
- has implemented a process to evaluate client communications and marketing materials prior to publication;
- monitors KRUK Group companies' activities to identify any activity which could be considered an unfair market practice or as infringing collective consumer interests;
- has introduced standardised procedures to handle particular situations and cases,

interests, qualify as unfair market practices, or involve the use of unlawful contractual provisions (unconscionable or abusive provisions).

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

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

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

Engaging in economic and business relationships responsibly requires compliance with laws designed to prevent money laundering and the financing of terrorism, alongside adherence to international sanction regimes. All compliance initiatives are aligned with the respective local legal frameworks. In addition, KRUK Group companies have implemented controls to mitigate customer and transaction risks. They apply diligent efforts to screen entities which they wish to avoid engaging with, such as those from countries with opaque legal and political environments, entities that could pose a risk to their reputation, or those operating in violation of generally applicable laws or regulations or placed under international sanctions.

The KRUK Group is exposed to risks related to non-compliance with the relevant legal requirements under the Market Abuse Regulation (MAR) or misapplication of corporate governance laws, regulations, or by-laws, particularly regarding the responsibilities of governing bodies, establishing and shaping

whose observance by employees is monitored for any departure or error;

manages potential conflicts of interest and corruption-related issues, and has implemented a Conflicts of Interest Management Policy, a Gift Policy and an Anti-Corruption Policy which, in combination with compliance risk management regulations, make up a system for analysing, monitoring, and reporting any irregularities or misconduct. KRUK Group companies have put in place anti-money laundering (AML) and counter-terrorism financing (CTF) policies and procedures. Furthermore, they train employees to identify suspected money laundering or terrorism financing transactions. Internal guidelines for managing sanction risk have been put in place, and as a result, KRUK Group companies are prohibited from establishing or maintaining business relationships with any parties that are subject to international sanction regimes or are connected to such parties.

- To address governance risk, internal policies and procedures have been introduced, which define the rules of procedure and operation and decision-making processes of Group companies' governing bodies. This includes the creation of standard management service contracts, resolution templates, procedures for corporate consents, and guidelines for drafting by-laws and other internal legal documents.

legal relationships with their members, and conducting a timely and thorough process of notifying governing body appointments to competent regulatory authorities.

Reputational risk

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

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

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

The Group makes every effort to build a positive image of the entire debt management industry and all of the KRUK Group companies. Therefore, the Group undertakes initiatives aimed at enhancing the positive image of its brand, including:

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

- instruction for dealing with clients experiencing a mental health crisis, and cooperation with the Psychological Support Centre;
- training, instructions, manuals, scripts for field advisers and CC specialists concerning contact with clients, including legislative changes, company strategies, etc.;
- managing information security incidents;
- regular participation in the ethics audit conducted by the Association of Financial Companies in Poland to check compliance with the Code of Best Practice for Debt Collection Companies, adopted by the KRUK Group;
- regular surveys to gauge the perception of the KRUK brand as well as the satisfaction of clients and business partners with cooperation with the KRUK Group.

8 | Chapter

8 CORPORATE GOVERNANCE

8.1 Statement of compliance with corporate governance standards

Since 26 July 2021, the Company and its governing bodies have complied with the corporate governance principles as set out in Best Practice for GPW (WSE) Listed Companies 2021 adopted by the WSE Supervisory Board under Resolution No. 13/1834/2021 of 29 March 2021 (Best Practice 2021). The commitment to adhere to Best Practice 2021 has been declared by all governing bodies of the Company.

On 26 July 2021, the Management Board of the Company passed Resolution No. 142/2021 to adopt a statement of compliance with Best Practice 2021. The statement was subsequently updated by Management Board Resolution No. 54/2023 of 17 April 2023. The Supervisory Board of the Company also declared its commitment to the corporate governance principles as set out in Best Practice 2021, via Resolution No. 41/2021 of 29 July 2021. As regards the principles applicable to General Meetings, Company shareholders made a corresponding declaration in Resolution No. 7/2022 of the Extraordinary General Meeting of KRUK S.A. held on 16 November 2022.

The scope of compliance by the Company with the corporate governance principles under Best Practice 2021 was also specified in EBI Report No. 1/2021 and EBI Report No. 2/2023, dated 29 July 2021 and 17 April 2023, respectively.

For details on the Company's compliance with the Best Practice 2021, including the text of the compliance declaration specifying the scope of the Company's adherence to these principles, as well as all EBI reports, please visit the Company's corporate website at https://en.kruk.eu/media/file/file/gpw_bestpractices_kruk2021.pdf

The Company also complies with corporate governance requirements arising under:

- Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "MAR");
- Regulation the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated 29 March 2018 ("Regulation on Current and Periodic Information");
- The Warsaw Stock Exchange Rules;
- Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting ('comply or explain') (2014/208/EU).

Applied Set of Corporate Governance Principles

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

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

In 2023, the Company declared its commitment to adhering to Best Practice 2021, except for specific principles detailed below, from which it has opted out. Moreover, the Company provides insight into its application of the corporate governance principles under Best Practice 2021 it has chosen to follow, particularly in areas of paramount importance to shareholders, investors, and other stakeholders.

In fulfilling principles 1.1 and 1.6, KRUK operates a corporate website that serves as a hub for essential information about the Company. This includes details on its governing bodies, significant events, financial performance, strategic direction, key corporate governance and ESG issues, and both past and future corporate events. The Company is committed to maintaining open communication with the market, hosting at least quarterly earnings calls to discuss its performance, strategy implementation, key events, and future outlook. Recordings of these earnings calls are additionally made available on the corporate website. KRUK actively engages in investor conferences and roadshows, creating opportunities for direct interactions between Company representatives and professional investors. The conference and roadshow calendar is accessible on the corporate website for easy reference. In addition, aiming to cater to individual investors, the Company holds interactive web chats with its Management Board Members.

In line with principle 1.2, the Company strives to prepare and release a full periodic report as soon as practicable after the conclusion of each reporting period. Moreover, by the 10th day of the calendar month following the reporting period, the Company issues management discussion and analysis of the Group's performance, featuring operating highlights. The Company, under certain circumstances, may also release preliminary financial estimates ahead of the publication of a final periodic report. The periodic reporting schedule is communicated by the end of January each year.

On 17 April 2023, the Company released a statement of compliance with principle 1.3 and principles 1.3.1–1.3.2. The KRUK Group's ESG strategy, integrated into its broader business strategy, was formally adopted by the Management Board in December 2022. This strategy identifies in particular environmental issues, employee and social concerns, and corporate governance as key areas of impact. In relation to employee and social issues, its main objectives include enhancing gender equality with respect to access to promotions and equal remuneration and fostering financial and digital inclusion. The KRUK Group strives to ensure appropriate working conditions and uphold employee rights, notably through the development and implementation of the long-term Diversity, Equality, Inclusion programme, continuation of community dialogue, and promoting financial and digital literacy among clients and those in financial distress. The environmental matters dealt with in the Company's ESG Strategy include management objectives and methods, a plan to develop appropriate processes to cut down Scope 1, Scope 2 and Scope 2 CO₂ emissions in accordance with the GHG Protocol, as well as a plan for climate change adaptation. As of 2022, the KRUK Group undergoes CDP audits to check the organisation's maturity in environmental management. The Group's strategic objectives also include identification of climate risks, which is scheduled for incorporation into the risk management model in 2024.

In compliance with principle 2.3, the Company ensures that candidates to the Supervisory Board, upon applying for appointment, and its existing Members, at least once a year, submit to the other Members of the Supervisory Board and to the Management Board representations on meeting the independence criteria as defined in the Act on Statutory Auditors, Audit Firms, and Public Oversight of 11 May 2017 (Dz.U. of 2017, item 1089, as amended; the "Statutory Auditors Act"), and on the absence of any actual and material links between them and any shareholders holding 5% or more of total voting rights in the Company.

In committing to principles 2.4 and 2.5, the Company confirms that it has included specific provisions on the Supervisory Board and Management Board voting processes in the Company's Articles of Association and the rules of procedure for each of these governing bodies.

As per principle 2.11, the Company guarantees that its Supervisory Board's annual reports to the General Meeting comprehensively address all matters specified in principles 2.11.1–2.11.6.

In line with the principles detailed in Part 4 of Best Practice 2021, the Company enables shareholders and their proxies to attend General Meetings via electronic means so as to ensure the widest possible shareholder engagement in General Meeting deliberations. The Company's governing bodies, including the Supervisory Board and the General Meeting, have committed to following the Best Practice 2021 principles applicable to them.

Following principles 6.4 and 6.5, the Supervisory Board operates on an ongoing basis, and the remuneration of its Members does not depend on the number of meetings attended or the short-term financial performance of the Company.

Corporate governance standards which the Company elected not to comply with

In accordance with its statement of 26 July 2021, prior to 17 April 2023, the Company did not comply with principle 1.3, whereby companies are required to integrate ESG factors in their business strategy, including in particular: 1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development; 1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, client relations. In the explanation provided with regard to its statement of compliance, the Management Board said that the Company has long been running projects and initiatives related to environmental, social, and employee issues. It is also a signatory to the Diversity Charter and a member of the United Nations Global Compact, and the measures it has been undertaking support the delivery of Sustainable Development Goals. However, the Company noted that, as at the date the statement, ESG themes were not reflected in its business strategy, but it was the Management Board's intention to incorporate them in 2022. Following up on this declaration, in December 2022 the Company adopted an ESG strategy as an integral part of its business approach. As such, according to the statement released on 17 April 2023, the Company has now also committed to applying principle 1.3, including principles 1.3.1–1.3.2.

In its statement of 29 July 2021, the Company, while declaring compliance with principle 1.4, specified that it elected not to adhere to principles 1.4.1 and 1.4.2, whereby information provided on the Company's ESG strategy should: 1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks; 1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target. The Company published a clarification saying that "KRUK S.A.'s business strategy, including quantifiable targets, actions planned and progress against the strategy, is available on its corporate website. Moreover, progress in implementing the strategy is discussed in Directors' Reports, which are also available online. On 17 April 2023, the Company released an updated statement explaining that, despite continued non-compliance with principles 1.4.1 and 1.4.2, details about KRUK S.A.'s business strategy, its measurable goals, planned implementation actions, and status of its delivery remain publicly available on the KRUK corporate website, and discussion on any progress in implementing the strategy is included in Directors' Reports, which are posted on the same website. In 2022, the Company rolled out an ESG Strategy for the KRUK Group, setting forth climate change adaptation goals for the years 2023–2040. The KRUK Group has been measuring its carbon footprint according to the GHG Protocol methodology for Scope 1 and 2 emissions since 2021. In 2023, the measurement methodology was upgraded to cover Scope 3 emissions. Carbon emissions monitoring and decarbonisation efforts are conducted on a regular basis. 2023 saw the identification of climate risks, with their integration into the risk management framework for the Company and Group slated for 2024. As per the ESG Strategy, the Group has also committed to achieving full pay equality for women and men at its companies by 2025. As disclosed by the Company in the Directors' Report, the Equal Pay Gap (EPG) for the entire Group was as low as 1.2% already by the close of 2022.

The Company elected not to comply principle 2.1, whereby companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%. In its non-compliance explanation, the Company pointed out that, despite lacking a formal Management and Supervisory Board diversity policy, it still satisfies women's representation criteria, with women holding 58% of all managerial positions at the Company and accounting for 41% of the membership of its Management and Supervisory Boards. For the same reasons, the Company elected not to comply with principle 2.2, whereby decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1. However, despite formal non-

compliance with principle 2.1., the Company explained that it satisfies the criteria for women’s representation as women hold 58% of all managerial positions at the Company and account for 41% of the membership of its Management and Supervisory Boards. Thus, the Company has achieved the minimum minority participation rate in its governing bodies in compliance with Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving gender balance among directors of listed companies and related measures, which will take effect in 2026. The Company is also a signatory to the Diversity Charter and a member of the United Nations Global Compact. Efforts are currently underway to develop a formal diversity policy for the Company’s Management and Supervisory boards.

According to the Company’s statement of compliance, in 2023 the Company elected to not comply with principle 6.3, whereby if companies’ incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries’ achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved. In the explanation on non-compliance with the principle, the Company explains that the management option scheme does not include non-financial or sustainable development objectives.

8.2 Shareholding structure

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

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. as at 1 January 2023, based on shareholder notifications received by the Company.

Table 34. Major holdings of KRUK S.A. shares as at 1 January 2023

SHAREHOLDER	NUMBER OF SHARES/VOTING RIGHTS	PERCENTAGE OF SHARE CAPITAL/TOTAL VOTING RIGHTS AT GM
NN PTE*	2,763,000	14.30
PZU OFE*	1,507,000	7.80
Piotr Krupa	1,808,267	9.36
Aegon OFE*	1,140,500	5.90
Allianz OFE**	2,359,217	12.21

(*) Data based on the list of shareholders holding 5% or more of total voting rights at the Extraordinary General Meeting of KRUK S.A. held on 16 November 2022. (**) Data based on the Shareholder’s Notification of 5 January 2023 (see Current Report No. 5/2023) Source: Company

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at 31 December 2023

Table 35. Major holdings in KRUK S.A as at 31 December 2023

SHAREHOLDER	NUMBER OF SHARES/VOTING RIGHTS	PERCENTAGE OF SHARE CAPITAL/TOTAL VOTING RIGHTS AT GM
NN OFE*	2,763,000	14.30
Allianz OFE and Allianz DFE*/****	2,359,127	12.21

Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna**	1,750,373	9.06
Generali OFE***	1,624,510	8.41
PZU OFE*	1,400,000	7.25
VIENNA OFE*/*****	1,130,788	5.85

(*) Data based on the list of shareholders eligible to attend the Annual General Meeting on 20 June 2023.

(**) Including shares held by Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna; data based on the Shareholder's Notification of 13 September 2023 (see Current Report No. 71/2023).

(***) Data based on the Shareholder's Notification of 25 July 2023 (see Current Report No. 60/2023).

(****) Allianz OFE and Allianz DFE are managed by Allianz PTE.

(***** Renamed from Aegon OFE.

Source: Company

Events subsequent to the reporting date

On 29 January 2024, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, on 25 January 2024 Mr. Krupa sold, in ordinary session trades on the Warsaw Stock Exchange, 11,000 shares in KRUK S.A. at the average price of PLN 451.48 per share (see Current Report No. 7/2024).

On 23 February 2024, the Company received a notification from Powszechne Towarzystwo Emerytalne Allianz Polska S.A. (see Current Report No. 19/2024), reading as follows:

"In accordance with Art. 69.2.1a) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (consolidated text: Dz. U. of 2022, item 2554), Powszechne Towarzystwo Emerytalne Allianz Polska S.A., managing the open-end pension fund Allianz Polska Otwarty Fundusz Emerytalny ("Allianz OFE"), would like to inform you that following the sale of Company shares on 19 February 2024, there has been a change in the share of total voting rights in KRUK S.A. (LEI: 259400T1FZYBIW8XUJ78) registered in Allianz OFE's account. The previously held share of over 10% has changed by at least 2% of the total voting rights.

Before the sale transaction, Allianz OFE held 2,357,090 Company shares, representing 12.20 % of the Company's share capital and conferring 2,357,090 voting rights, or 12.20 % of total voting rights, at KRUK S.A.'s General Meeting.

After the sale transaction, Allianz OFE holds 1,966,762 Company shares, representing 10.18% of the Company's share capital and conferring 1,966,762 voting rights, or 10.18% of total voting rights, at the Company's General Meeting.

Powszechne Towarzystwo Emerytalne Allianz Polska S.A. would also like to clarify that:

- it does not have any subsidiaries holding KRUK shares,*
- no situation referred to in Art. 69.4.6 of the Act has arisen, and*
- Allianz OFE does not hold any financial instruments referred to in Art. 69b.1.1 and 69b.1.2 of the Act."*

On 28 February 2024, the Company received a notification from Powszechne Towarzystwo Emerytalne Allianz Polska S.A. (see Current Report No. 21/2024), reading as follows:

"Pursuant to Art. 69.1.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (consolidated text: Dz.U. of 2022, item 2554, as amended; (the "Act"), Powszechne Towarzystwo Emerytalne Allianz Polska S.A., managing the open-end pension fund Allianz Polska Otwarty Fundusz Emerytalny ("Allianz OFE), would like to inform you that following the sale of Company shares on 21 February 2024, the share of total voting rights in KRUK S.A. (LEI: 259400T1FZYBIW8XUJ78) registered in Allianz OFE's account is below 10%.

Before the sale transaction, Allianz OFE held 1,941,707 Company shares, representing 10.05 % of the Company's share capital and conferring 1,941,707 voting rights, or 10.05 % of total voting rights, at KRUK S.A.'s General Meeting.

After the sale transaction, Allianz OFE holds 1,931,790 Company shares, representing 9.99% of the Company's share capital and conferring 1,931,790 voting rights, or 9.99% of total voting rights, at the Company's General Meeting.

Furthermore, pursuant to Art. 69.1.1 in conjunction with Art. 87.1.2b of the Act, Powszechne Towarzystwo Emerytalne Allianz Polska S.A., managing Allianz OFE and Allianz Dobrowolny Fundusz Emerytalny ("Allianz DFE"), would like to inform you that the share of Allianz OFE and Allianz DFE in total voting rights in KRUK S.A. exceeds 10%.

Allianz DFE holds 1,877 shares, representing 0.01% of the Company's share capital and conferring 1,877 voting rights, or 0.01% of total voting rights at the Company's General Meeting. Together with Allianz OFE, the funds hold a total of 1,933,667 shares, representing 10.01% of the Company's share capital and conferring 1,933,667 voting rights, or 10.01% of total voting rights at the Company's General Meeting.

Powszechne Towarzystwo Emerytalne Allianz Polska S.A. would also like to clarify that:

- Allianz OFE and Allianz DFE do not have any subsidiaries holding Company shares,
- no situation referred to in Art. 69.4.6 of the Act has arisen, and
- Allianz OFE and Allianz DFE do not hold any financial instruments referred to in Art. 69b.1.1 and 69b.1.2 of the Act."

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at 27 March 2024

Table 36. Major holdings of KRUK S.A shares as at the report issue date

SHAREHOLDER	NUMBER OF SHARES/VOTING RIGHTS	PERCENTAGE OF SHARE CAPITAL/TOTAL VOTING RIGHTS AT GM
NN OFE*	2,763,000	14.30
Allianz OFE and Allianz DFE are managed by PTE Allianz Polska S.A.**	1,933,667	10.01
Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna***	1,739,373	9.00
Generali OFE ****	1,624,510	8.41
PZU OFE*	1,400,000	7.25
VIENNA OFE*/*****	1,130,788	5.85

(*) Data based on the list of shareholders eligible to attend the Annual General Meeting on 20 June 2023.

(**) Data based on the Shareholder's Notification of 28 February 2024 (see Current Report No. 19/2024).

(***) Data based on the Shareholder's Notification of 29 January 2024 (see Current Report No. 7/2024).

(****) Data based on the Shareholder's Notification of 25 July 2023 (see Current Report No. 60/2023).

(***** Renamed from Aegon OFE.

Source: Company

8.2.2 Changes in major holdings of shares in the reporting period

The following changes in major holdings of KRUK S.A. shares took place in 2023:

- On 5 January 2023, the Company received a notification from Powszechne Towarzystwo Emerytalne Allianz Polska S.A., to the effect that the total number of Company shares held by the Funds had risen above 10% of total voting rights at the General Meeting of the Company, which read as follows:

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

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

Prior to the merger:

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

The number of KRUK shares registered in Drugi Allianz OFE's account was 1,418,034, representing 7.34% of KRUK S.A.'s share capital and conferring 1,418,034 voting rights, which represented 7.34% of total voting rights in KRUK S.A.

Following the merger:

The number of KRUK shares registered jointly in Allianz OFE's, Allianz DFE's and Drugi Allianz OFE's accounts has increased to 2,359,217, representing 12.21% of KRUK S.A.'s share capital and conferring 2,359,217 voting rights, which represent 12.21% of total voting rights in KRUK S.A.

Powszechne Towarzystwo Emerytalne Allianz Polska S.A., which manages jointly Allianz OFE, Allianz DFE and Drugi Allianz OFE, further notifies you that:

- it does not have any subsidiaries holding KRUK shares,
- no situation referred to in Art. 69.4.6 of the Act arises, and

it does not hold any financial instruments referred to in Art. 69b.1.1 and 69b.1.2 of the Act.

- On 26 January 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr. Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 3,180 shares in KRUK S.A. for the average price of PLN 336.16 per share on 24 January 2023 and 4,000 shares in KRUK S.A. for the average price of PLN 335.41 per share on 25 January 2023.
- On 27 January 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, Mr. Krupa had sold, in ordinary session trades on the Warsaw Stock Exchange, 3,557 shares in KRUK S.A. for the average price of PLN 336.18 per share on 24 January 2023 and 15,500 shares in KRUK S.A. for the average price of PLN 338.43 per share on 26 January 2023.
- On 3 February 2023, the Company was notified by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., which manages pension funds Generali Otwarty Fundusz Emerytalny (Generali OFE) and Generali Dobrowolny Fundusz Emerytalny (Generali DFE), that the funds had increased their total holdings of shares in the Company above 5% of total voting rights at the Company's General Meeting, with the notice reading as follows:

"Acting in accordance with Art. 69 in conjunction with Art. 87.1.2b of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Dz.U. of 2022, item 2554) (the "Act"), Generali Powszechne Towarzystwo Emerytalne S.A. (the "Management Company"), which manages pension funds Generali Otwarty Fundusz Emerytalny ("Generali OFE") and Generali Dobrowolny Fundusz Emerytalny ("Generali DFE"), with its registered office at ul. Senatorska 18, Warsaw, Poland, notifies you that after the Management Company took over the management of pension funds NNLife Otwarty Fundusz Emerytalny ("NNLife OFE") and NNLife Dobrowolny Fundusz Emerytalny ("NNLife DFE") on 1 February 2023, pursuant to Art. 66.1 and 66.6 and Art. 68 of the Act on the Organisation and Operation of Pension Funds of 28 August 1997 (Dz.U. of 2022, item 2342, as amended), its percentage of the share capital and total voting rights held in KRUK S.A., as registered in the accounts of: Generali OFE, Generali DFE, NNLife OFE and NNLife DFE (referred to jointly as the "Funds") exceeded the 5% threshold.

Before taking over the management of the funds

Generali OFE and Generali DFE held a total of 768,575 (seven hundred and sixty-eight thousand, five hundred and seventy-five) shares, or 3.98% of the Company's share capital, and 768,575 (seven hundred and sixty-eight thousand, five hundred and seventy-five) voting rights, or 3.98% of total voting rights in the Company. NNLife OFE and NNLife DFE held a total of 827,375 (eight hundred and twenty-seven thousand, three hundred and seventy-five) shares, or 4.28% of the Company's share capital, and 827,375 (eight hundred and twenty-seven thousand, three hundred and seventy-five) voting rights, or 4.28% of total voting rights in the Company;

After taking over the management of the funds

Generali OFE, Generali DFE, NNLife OFE and NNLife DFE held a total of 1,595,950 (one million five hundred and ninety-five thousand, nine hundred and fifty) shares, or 8.26% of the Company's share capital, and 1,595,950 (one million five hundred and ninety-five thousand, nine hundred and fifty) voting rights, or 8.26% of total voting rights in the Company;

There are no Funds' subsidiaries holding any shares in the Company and no persons referred to in Art. 87.1.3.c. of the Act. As calculated in accordance with Art. 69b.2. of the Act, there are no voting rights attached to shares which the Funds would be entitled or obliged to purchase as holders of financial instruments referred to in Art. 69b.1.1. and Art. 69b.1.2. of the Act, which are not exercised exclusively through cash settlement. As calculated in accordance with Art. 69b.3. of the Act, there are no voting rights attached to shares which are directly or indirectly related to financial instruments referred to in Art. 69b.1.2. of the Act. As calculated in accordance with Art. 69.4.9., the total number of voting rights held by the Funds is 1,595,950 (one million, five hundred and ninety-five thousand, nine hundred and fifty), representing 8.26% of total voting rights”.

- On 7 February 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR, to the effect that he had sold 2,000 Company shares in ordinary session trades executed on the Warsaw Stock Exchange on 6 February 2023, for the average price of PLN 347.40 per share.
- On 24 March 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, on 21 March and on 22 March 2023 Mr. Krupa sold, respectively, 4,000 shares in KRUK S.A. at the average price of PLN 304.91 per share and 2,000 shares in KRUK S.A. at the average price of PLN 303.12 per share, in ordinary session trades on the Warsaw Stock Exchange (see Current Report No. 28/2023).
- On 10 May 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, on 8 May and 9 May 2023 Mr. Krupa sold, respectively, 6,140 shares in KRUK S.A. at the average price of PLN 373.06 per share and 2,000 shares in KRUK S.A. at the average price of PLN 374.51 per share, and on 8 May 2023 he purchased 483 shares in KRUK S.A. at the average price of PLN 378.00 per share, in ordinary session trades on the Warsaw Stock Exchange (see Current Report No. 35/2023).
- On 16 May 2023, the Company received a notification from Powszechne Towarzystwo Emerytalne Allianz Polska S.A. to the effect that Drugi Allianz Polska OFE had been dissolved and its assets had been transferred to Allianz OFE, reading as follows:

“Pursuant to Art. 69.1.1 in conjunction with Art. 87.1.2b) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (consolidated text: Dz. U. of 2022, item 2554, as amended; the “Act”), Powszechne Towarzystwo Emerytalne Allianz Polska S.A., as the management company which manages open-end pension fund Allianz Polska Otwarty Fundusz Emerytalny (“Allianz OFE”), notifies you that – pursuant to Art. 69.1 of the Act on the Organisation and Operation of Pension Funds of 28 August 1997 (consolidated text: Dz. U. of 2022, item 2342, as amended) – as at 12 May 2023, following dissolution of open-end pension fund Drugi Allianz Polska Otwarty Fundusz Emerytalny (“Drugi Allianz OFE”) by way of transfer of its assets to Allianz OFE, the share of total voting rights in KRUK S.A. registered in Allianz OFE's account was in excess of 10%.

Prior to the dissolution of Drugi Allianz OFE, the aggregate number of KRUK shares registered in Allianz OFE's and Drugi Allianz OFE's accounts was 2,357,090, representing jointly 12.20% of the Company's share capital and conferring 2,357,090 voting rights, which represented 12.20% of total voting rights in the Company.

After the dissolution of Drugi Allianz OFE, the number of KRUK shares registered in Allianz OFE's account was 2,357,090, representing 12.20% of KRUK S.A.'s share capital and conferring 2,357,090 voting rights, which represented 12.20% of total voting rights in KRUK S.A. Powszechne Towarzystwo Emerytalne Allianz Polska S.A., which manages Allianz OFE, further notifies you that:

- it does not have any subsidiaries holding KRUK shares,
- no situation referred to in Art. 69.4.6 of the Act has arisen, and
- Allianz OFE does not hold any financial instruments referred to in Art. 69b.1.1 and 69b.1.2 of the Act.”

On 16 June 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, on 14 June 2023 Mr. Krupa sold 12,000 shares in KRUK S.A. at the average price of PLN 381.67 per share in ordinary session trades on the Warsaw Stock Exchange. He also corrected the notification given on 16 November 2022 regarding the sale of Company shares in a transaction executed on 10

November 2022: the correct number of shares sold in that transaction was 5,783 at the average price of PLN 278.93 (see Current Report No. 45/2023).

On 25 July 2023, the Company received a notification from Generali Powszechnie Towarzystwo Emerytalne S.A. to the effect that NNLife Otwarty Fundusz Emerytalny had been dissolved and its assets had been transferred to Generali Otwarty Fundusz Emerytalny, reading as follows:

Acting in accordance with Art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Dz.U. of 2022, item 2554) (the "Act"), Generali Powszechnie Towarzystwo Emerytalne S.A. (the "Management Company"), with its registered office at ul. Senatorska 18, Warsaw, Poland, would like to inform you that the liquidation of the open-end pension fund NNLife Otwarty Fundusz Emerytalny ("NNLife OFE") was completed on 21 July 2023. On the date when the dissolution of NNLife OFE was completed, its assets were transferred to Generali Otwarty Fundusz Emerytalny ("Generali OFE"), leading to Generali OFE's share in the share capital and total voting rights in KRUK S.A. (the "Company") exceeding the 5% threshold.

Prior to the dissolution of NNLife OFE, Generali OFE and NNLife OFE held a total of 1,624,510 (one million six hundred and twenty-four thousand five hundred and ten) shares, or 8.41% of the Company's share capital, and 1,624,510 (one million six hundred and twenty-four thousand five hundred and ten) voting rights, or 8.41% of total voting rights, in the Company; Of which Generali OFE held 797,135 (seven hundred and ninety-seven thousand one hundred and thirty-five) shares, or 4.13% of the Company's share capital, and 797,135 (seven hundred and ninety-seven thousand one hundred and thirty-five) voting rights, or 4.13% of total voting rights in the Company;

Following the dissolution of NNLife OFE, Generali OFE holds a total of 1,624,510 (one million six hundred and twenty-four thousand five hundred and ten) shares, or 8.41% of the Company's share capital, and 1,624,510 (one million six hundred and twenty-four thousand five hundred and ten) voting rights, or 8.41% of total voting rights, in the Company;

There are no subsidiaries of Generali OFE holding any shares in the Company, and no individuals mentioned in Art. 87.1.3.c. of the Act.

As calculated in accordance with Art. 69b.2. of the Act, there are no voting rights attached to shares that Generali OFE would have the entitlement or obligation to acquire as a holder of financial instruments mentioned in Art. 69b.1.1 of the Act or financial instruments mentioned in Art. 69b.1.2 of the Act which are not exercised solely through cash settlement.

As calculated in accordance with Art. 69b.3. of the Act, there are no voting rights attached to shares which are directly or indirectly related to financial instruments referred to in Art. 69b.1.2. of the Act.

As calculated in accordance with Art. 69.4.9., the total number of voting rights held by Generali OFE is 1,624,510 (one million six hundred and twenty-four thousand five hundred and ten), representing 8.41% of total voting rights."

- On September 7th 2023, the Company received from Piotr Krupa the following notification of the transfer by the latter of 1,100,000 KRUK shares, conferring 1,100,000 voting rights at the Company's General Meeting to the family trust KRUPA Fundacja Rodzinna w organizacji (in formation):

"Acting on my own behalf (as the "Donor") and as a representative authorised to act for and on behalf of the family trust KRUPA Fundacja Rodzinna (the "Trust"), pursuant to

- Art. 69.1.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Dz.U. of 2022, item 2554) (the "Act"),
- Art. 69.1.2 of the Act, and
- Art. 69a.1.3 of the Act,

in conjunction with Art. 87.1.3 (c), Art. 87.1.4-6 and Art. 87.3 of the Act, I hereby notify you that following:

- the execution on 6 September 2023 of a share donation agreement involving shares in KRUK S.A. (the "Company") between the Donor and the Trust as the donee (the "Donation Agreement");
- the transfer (re-registering) on 7 September 2023 of the shares from the Donor's brokerage accounts to the Trust's brokerage accounts

(jointly the "Transaction"),

on 7 September 2023, 1,100,000 shares in the Company conferring 1,100,000 voting rights at its General Meeting were transferred by the Donor to the Trust, as a result of which:

- the Trust's direct share of total voting rights in the Company has exceeded the 5% threshold,
- the Donor's direct share of total voting rights in the Company has fallen below the 5% threshold,
- the Donor's indirect share of total voting rights in the Company exceeds the 5% threshold,
- the Donor's aggregate share (both direct and indirect) of total voting rights in the Company exceeds the 5% threshold.

As a result of the Transaction:

- (1) the Trust holds 1,100,000 shares in the Company, conferring 1,100,000 voting rights at its General Meeting, representing a 5.69% ownership interest in the Company and a 5.69% share in total voting rights at its General Meeting;
- (2) the Donor, as the settlor and beneficiary of the Trust, is the indirect holder of the Company shares referred to in item (i).

Notification details (Art. 69.4 of the Act):

- 1) date and type of event causing the shareholding change to which the notification pertains: under the Donation Agreement of 6 September 2023, on 7 September 2023 1,100,000 Company shares were registered in the Trust's investment accounts.
- 2) the number of shares held before the change in the shareholding and their percentage share in the company's share capital, and the number of voting rights attached to those shares and their percentage share in total voting rights:

Prior to the Transaction:

- a) The Donor held directly 1,754,373 shares, representing:
 - 9.08% ownership interest,
 - 1,754,373 voting rights,
 - 9.08% share of total voting rights.
- b) The Trust did not hold any Company shares, whether directly or indirectly.
- 3) the number of shares currently held and their percentage share in the company's share capital, and the number of voting right attached to those shares and their percentage share in total voting rights;

Following the Transaction:

- a) The Donor holds directly 654,373 shares, representing:
 - 3.39% ownership interest,
 - 654,373 voting rights,
 - 3.39% share of total voting rights.
- b) The Trust currently holds directly 1,100,000 shares, representing:
 - 5.69% ownership interest,
 - 1,100,000 voting rights,
 - 5.69% share of total voting rights.
- c) The Donor holds indirectly 1,100,000 shares, representing:
 - 5.69% ownership interest,
 - 1,100,000 voting rights,
 - 5.69% share of total voting rights.
- d) The Donor holds jointly: both directly and indirectly [(a) + c)] 1,754,373 shares, representing:
 - 9.08% ownership interest,
 - 1,754,373 voting rights,
 - 9.08% share of total voting rights.
- 4) the notifying shareholder's subsidiaries holding shares in the company;

Krupa Fundacja Rodzinna w organizacji (in formation)

- 5) persons referred to in Art. 87.1.3(c) of the Act;

Krupa Fundacja Rodzinna w organizacji (in formation) (person controlled by Piotr Krupa)

- 6) number of voting rights attached to the shares, calculated in accordance with Art. 69b.2, which the shareholder is entitled or obliged to acquire as a holder of the financial instruments referred to in Art. 69b.1.1 and the financial instruments referred to in Art. 69b.1.2 which are not subject to cash settlement only; type or name of those financial instruments, their expiry date and the date on which (or the time limit by which) the shares will or may be acquired;

not applicable

- 7) number of voting rights attached to the shares, calculated in accordance with Art. 69b.3, to which the financial instruments referred to in Art. 69b.1.2 relate directly or indirectly; type or name of those financial instruments and their expiry date;

not applicable

- 8) total number of voting rights specified on the basis of items 3, 6 and 7 and its percentage share of total voting rights.

- 1,754,373 shares representing:
- 9.08% ownership interest,
- 1,754,373 voting rights,
- 9.08% share of total voting rights.

I further notify you that on September 7th 2023 the Donor and the Trust executed an agreement under Art. 87.1.5 and 87.1.6 of the Act (the "Agreement") whereby the Parties have agreed that:

- The Foundation will grant to the Donor a power of proxy to participate on the Foundation's behalf in every annual and extraordinary General Meeting of the Company (the "GM"), as well as to exercise voting rights conferred by all shares in the Company held by the Foundation (the "Foundation's Shares") and to exercise other rights attached to the Foundation's Shares, including: (i) seek information from the brokerage house maintaining the securities account in which the Foundation's Shares are registered on the number of Company shares held by the Foundation and carry out all instructions concerning the Foundation's Shares, (ii) request the issuance of a certificate confirming the holder's right to participate in the GM and request the issuance of a certificate of share ownership, (iii) receive certificates confirming the right to participate in the GM or certificates of share ownership for the Foundation's Shares, and (iv) take other factual and legal actions that may be necessary for the Parties to achieve the Purpose of the Agreement (the "Power of Proxy").
- Under the Power of Proxy, the Donor will be entitled to vote on the Trust's Shares at he sees fit and so the Trust has agreed not to instruct the Donor on how to exercise voting rights conferred by the Trust's Shares at the GM.
- The Donor has agreed, acting with due care, to exercise the powers granted to him under the Power of Proxy only to the extent required to achieve the Purpose of the Agreement, notifying the Trust of all actions taken.
- In order to safeguard the interests of all the Parties to the Agreement, the Power of Proxy will be irrevocable during the term of the Agreement, which has been concluded for a period of five years.

Prior to the execution of the Agreement, the respective shareholdings and ownership interests held by the Donor and the Trust were as specified in item 3) above. Following the execution of the Agreement, the shareholdings and ownership interests held by each Party in the Company have not changed.

The joint shareholdings and ownership interests held by Parties to the Agreement are as specified in item 8) above.

Pursuant to Art. 87.3 of the Act, the obligations arising under Section 4 of the Act (Major holdings of shares in public companies) will be performed by the Donor" (see Current Reports Nos. 68/2023 and 69/2023).

- On 13 September 2023, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, on 12 September 2023 Mr. Krupa sold, in ordinary session trades on the Warsaw Stock Exchange, 4,000 shares in KRUK S.A. at the average price of PLN 415.36 per share (see Current Report No. 71/2023).

In addition, subsequent to the reporting date:

- On 29 January 2024, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, on 25 January 2024 Mr. Krupa sold, in ordinary session trades on the Warsaw Stock Exchange, 11,000 shares in KRUK S.A. at the average price of PLN 451.48 per share (see Current Report No. 7/2024).

8.2.3 Treasury shares

Treasury shares in the period 17 November 2022 – 31 December 2026

The Extraordinary General Meeting of KRUK S.A. of 16 November 2022 passed Resolution No. 8/2022 authorising the Management Board to purchase the Company shares listed on the main market of the WSE, in the period from 17 November 2022 to 31 December 2026, with the proviso that the total par value of the shares so purchased may not exceed PLN 3,863,758, and the maximum amount to be spent by the Company on the buy-back may not exceed PLN 1bn, including the share price and transaction costs. The price at which the Company may buy back its own shares may not be higher than PLN 400 or lower than PLN 1. Shares acquired by the Company as part of the buy-back programme may be used to cancel the Company's own shares and reduce its share capital.

Company shares may be purchased in the manner and in periods selected by the Management Board and approved by the Supervisory Board, in a way that ensures equal access of the shareholders to the buy-back programme and their equal treatment.

The Management Board's authorisation covers the period from 17 November 2022 to the earlier of 31 December 2026 or the date when all funds allocated for the buy-back are used up.

As at the issue date of this Report, the Management Board had not purchased any Company shares under the authorisation.

Holders of securities conferring special control powers

KRUK S.A. did not issue any securities conferring special control powers on its shareholders.

Limitations on the exercise of voting rights

KRUK S.A.'s Articles of Association do not provide for any limitations concerning the exercise of voting rights at the General Meeting.

Limitations on transfer of ownership of securities

The Company's Articles of Association do not provide for any limitations on transfer of ownership of KRUK securities.

Agreements which may give rise to changes in ownership interests held by the existing shareholders or bondholders

The Company is not aware of any agreements which, in the future, could give rise to changes in ownership interests held by existing shareholders and bondholders.

After the reporting date and as at the issue date of this Report, neither the Company nor the KRUK Group companies held any treasury shares.

8.3 Governing bodies

Management Board

8.3.1 Membership, changes in membership, appointment criteria, and members' responsibilities

The Management Board of KRUK S.A. exclusively comprises individuals selected for their appropriate qualifications, abilities, and experience. Members of the Company's Management Board are a cadre of seasoned experts in such areas as credit management, finance, high-volume process management, debt portfolio valuation, legal support, business partner relations, sales, HR management, IT, and analytics.

In the period 1 January–31 December 2023, the composition of the Company's Management Board was as follows:



Piotr Krupa As the President of the Management Board and Chief Executive Officer (CEO) of KRUK S.A., he is chiefly responsible for supervising the Strategy Management Area (HR, ESG), Internal Audit Area, Compliance Area, Corporate Governance Area, and Director General Area.

Mr. Krupa co-founded and since 2003 has been at the helm of KRUK S.A., a company listed on the Warsaw Stock Exchange since 2011 and currently ranking among Europe's top three debt management companies. A graduate of the Faculty of Law and Administration of the University of Wrocław, he has completed training for judges and is a qualified legal counsel.

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

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

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

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



Michał Zasepa As Member of the Management Board and Chief Financial Officer (CFO) of KRUK S.A., he is primarily responsible for supervising the Controlling and Liquidity Management Area, Investor Relations and Development Area, and Accounting and Taxation Area.

Mr. Zasepa's remit encompasses finance, risk management, investor relations, financing, and M&A transactions.

He graduated from the Warsaw School of Economics with a major in Management and Marketing and completed scholarship programmes at the University of Wisconsin (Stefan Batory Foundation scholarship) and the Stockholm School of Economics.

Michał Zasepa began his professional career in 2000 at A.T. Kearney Sp. z o.o., a global strategy and operations consultancy, where he was in charge of the projects involving strategy development, market assessment, and deployment of operational improvements in Polish and US companies. He honed his private equity funds management skills in 2003–2004 at Dresdner Kleinwort Wasserstein sp. z o.o., where he was responsible for the acquisition, corporate oversight, and disposal of portfolio companies. From 2004 to 2010, at Enterprise Investors sp. z o.o. he held the position of Investment Director in charge of M&As, disposal transactions, and corporate oversight of portfolio companies. He joined KRUK S.A. in 2010, serving for the first three years as Member of the Management Board for Investments and Development responsible for raising capital, including through the issue of shares and bonds, international expansion, and M&As. Since 2013, Mr. Zasepa has served as Member of the KRUK Management Board in charge of finance, including financial strategy, liquidity, financial risk management policy, financial reporting, investor relations, financing, mergers and acquisitions, and supervision over the Group's companies not engaged in debt collection.

He has sat on the management and supervisory bodies of many companies, including on the management board of KRUK TFI S.A. and the supervisory board of ERIF BIG S.A. He currently chairs the supervisory boards of the Group's Wonga.pl Sp. z o.o. and KRUK TFI S.A.



Piotr Kowalewski As Member of the Management Board and Chief Operating Officer (COO) of KRUK S.A., he is mainly responsible for supervising the Analytical Strategy Area, Customer Service Processes Area, E-COMMERCE Area, Operational Strategy and Brand Development Area, Digital Transformation Area, Lean Transformation Area, and Brand Marketing & Communications Area..

Mr. Kowalewski's remit encompasses areas related to servicing purchased debt portfolios.

He graduated from the Wrocław University of Economics, majoring in Econometrics for Managers, as well as from the Wrocław University of Science and Technology, with a major in Computer Science and Management. He also completed a post-graduate programme in Business Psychology at the WSB University.

Mr. Kowalewski joined KRUK S.A. in 2004 as an analyst. In 2006–2008, he headed the Company's first operational Analysis Department. Subsequently, he managed the Department of Purchased Debt Portfolios, where he co-created and implemented the amicable debt collection strategy. From 2015, as Debt Management Director, he was responsible for the development of the KRUK Group's retail debt portfolio strategy and for the oversight of its implementation, including the management of both amicable and court collection processes, as well

as for coordinating cooperation with COOs in each of the Group's geographies. Mr. Kowalewski has also served on the management board of Novum Finance Sp. z o.o. Since May 2020, he has been Member of KRUK S.A. Management Board, responsible, among other things, for the retail debt recovery strategy and online business development, analysis of operational processes, and measurement of operational excellence.



Urszula Okarma As Member of the Management Board and Chief Investment Officer (CIO), she is primarily responsible for supervising the Legal and Data Protection Area, NPL Investment Strategy Area and Compliance Area.

Ms. Okarma's remit encompasses product strategy, investment policy, legal support, compliance, GDPR, and operational risk management at the KRUK Group.

She graduated from the Wrocław University of Economics, Faculty of National Economy, majoring in Finance and Banking.

Ms. Okarma's career in the financial industry dates back to 1999. Until 2001, she headed the prevention department at SKK Kredyt S.A. She joined KRUK S.A. in 2002 as Head of the Telephone Debt Collection Department and Head of the Financial Institutions Division. She was responsible for debt collection activities dedicated to financial institutions, and for designing debt collection processes for institutions and companies providing services to mass-market clients. Since 2006, she has served as KRUK's Management Board Member. She is actively engaged in the KRUK Group's expansion projects across foreign markets.

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

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



Adam Łodygowski

As Member of the Management Board and Chief Data & Technology Officer (CDTO) of KRUK S.A., he is chiefly responsible for supervising the IT Area, IT Infrastructure Area, Cloud and Delivery International Area, Debt Portfolio Valuation Area, Statistical Methods Development Area, Cybersecurity Area and IT International Procurement Department.

Mr. Łodygowski graduated from the Poznań University of Technology and University of Hanover with a Master's degree in Engineering, specialising in numerical methods in civil engineering. Moreover, he holds a Master's degree in financial mathematics from Louisiana State University, which also awarded him a doctoral degree in engineering for

his work on the application of computational and numerical methods in civil engineering.

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

Mr. Łodygowski joined KRUK S.A. in 2020 as Managing Director of the KRUK Group's risk assessment area. He currently serves as KRUK's Management Board Member. He is responsible, among other things, for the valuation of debt portfolios across all geographies, development and delivery of the Group's digital transition strategy, ensuring effective IT support for the Group companies, as well as data processing and modelling.

The division of powers and responsibilities among individual Management Board Members is set forth in detail in the organisational rules of KRUK S.A.

There were no changes in the composition of the Management Board in the reporting period and as at the issue date of this Report.

Table 37. Gender diversity on KRUK S.A. Management Board in 2023

Women	20%	1
Men	80%	4

Source: Company

Rules governing appointment and removal of Members of the Management Board and their powers are set forth in the Company's Articles of Association. Pursuant to Art. 8.1 and 8.2, the Management Board is composed of three to eight Members, and the number of Members is defined each time by the Supervisory Board upon request by the President of the Management Board.

The President of the Management Board is appointed and removed by the Supervisory Board. The other members of the Management Board are also appointed and removed by the Supervisory Board, following a request by the President of the Management Board.

Members of the Management Board are appointed for a joint three-year term of office.

The mandate of a Management Board Member expires on the date of the General Meeting receiving the financial statements for the last full financial year in which the Member holds the office.

8.3.2 Powers of the Management Board

The Management Board manages the Company's business and assets and represents the Company before courts, government authorities, and third parties. Pursuant to Article 9.1 of the Articles of Association, the Management

Board makes decisions on any matters not reserved for the exclusive competence of the Supervisory Board or the General Meeting under the Articles of Association or applicable laws.

The responsibilities of the Management Board include:

- 1) amending the Company's Organisational Rules, with the proviso that the power to decide on the establishment and closing of any organisational units of the Company lies solely with the President of the Management Board;
- 2) adopting the Company's annual financial plans (budgets) and strategic economic plans and submitting them to the Supervisory Board for approval;
- 3) adopting the Directors' Reports on the operations of the Company and the KRUK Group, separate financial statements of the Company, and consolidated financial statements of the KRUK Group;
- 4) making decisions for the Company to borrow funds from other companies of the KRUK Group;
- 5) making decisions for the Company to borrow funds and issue bonds, including borrowings and bonds not provided for in the budget, in a cumulative annual amount not exceeding 10% of the Company's equity;
- 6) making decisions to provide security and surety over or encumber the Company's assets when parties to the transaction are only companies of the KRUK Group;
- 7) making decisions to provide security and surety over or encumber the Company's assets, including security, surety or encumbrance not provided for in the budget, in a cumulative annual amount not exceeding 10% of the Company's equity;
- 8) making decisions for the Company to incur liabilities in a single transaction or a series of related transactions up to a total amount equal to 5% of the Company's equity, including transactions not provided for in the budget, but arising in the ordinary course of the Company's business;
- 9) the Company acquiring or subscribing for shares in the KRUK Group companies;
- 10) deciding on the acquisition or disposal of the Company's assets forming part of the KRUK Group;
- 11) deciding on the acquisition and disposal of the Company's assets provided for in the budget, including an acquisition or disposal not provided for in the budget, with a value of up to 15% (fifteen percent) of the Company's net book value as determined on the basis of the last audited financial statements;
- 12) deciding on the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks, when only members of the KRUK Group are parties to the transaction;
- 13) the Company or its subsidiaries engaging advisers and other third-party individuals as consultants, lawyers or agents as part of or beyond the adopted budget provided that the resulting total annual cost to the Company does not exceed PLN 1,000,000.00 (one million zloty);
- 14) drafting objectives for management stock option plans with a view to submitting them to the Supervisory Board for opinion and presenting to the General Meeting for adoption;
- 15) defining the list of persons other than Management Board Members, who are eligible to participate in the management stock option plans adopted by the Company;
- 16) deciding on making any gratuitous disposals or commitments by the Company within the scope of the Company's business when only members of the KRUK Group are parties to the transaction;
- 17) deciding on making any gratuitous disposals or commitments by the Company within the scope of the Company's business for an amount of up to PLN 1,000,000.00 (one million zloty) in one financial year when entities other than members of the KRUK Group are parties to the transaction;
- 18) making decisions concerning the purchase or disposal by the Company of property, perpetual usufruct right or an interest in property if the VAT-exclusive purchase price or the VAT-exclusive selling price is no more than PLN 5,000,000 (five million zloty);
- 19) adopting policies, procedures, rules and other internal regulations at the Company;
- 20) establishing and closing the Company's committees reporting to the Management Board;
- 21) appointing commercial proxies.

Resolutions of the Management Board are passed with a simple majority of votes. In the event of a tied vote, the President of the Management Board has the casting vote.

Declarations of will on behalf of the Company may be made by: (i) two Members of the Management Board acting jointly; (ii) a Management Board Member acting jointly with a commercial proxy; or (iii) an attorney authorised to

perform certain types of activities, acting on their own under a written power of attorney granted by the Company. Apart from those mentioned above, the Company's Articles of Association do not provide for any additional powers for the management personnel, such as the power to decide on issue or repurchase of shares.

By Resolution No. 8/2022 of the Extraordinary General Meeting of KRUK S.A. held on 16 November 2022, the General Meeting authorised the Management Board to purchase the Company shares listed on the main market of the WSE (the official stock exchange market) in accordance with the procedure and on the terms provided for in the resolution. The authorisation is valid to the earlier of 31 December 2026 or the date when all funds allocated for the buy-back are used up.

8.3.3 Shares in the Company and in its related entities held by Members of the Management Board or Supervisory Board

The table below presents Company shares or rights to Company shares held by Management and Supervisory Board Members as at 1 January 2023.

Table 38. KRUK S.A. shares held by management and supervisory personnel as at 1 January 2023

NAME AND SURNAME	POSITION	NUMBER OF SHARES HELD	TOTAL PAR VALUE (PLN)
Piotr Krupa	President of the Management Board	1,808,267*	1,808,267
Piotr Kowalewski	Member of the Management Board	25,013	25,013
Urszula Okarma	Member of the Management Board	145,718	145,718
Adam Łodygowski	Member of the Management Board	-	-
Michał Zasępa	Member of the Management Board	57,597	57,597

* The amendment to the transaction notification, dated 10 November 2022, is accounted for in the figure (see Current Report No. 45/2023) Source: Company

Apart from the changes in the number of shares held by Piotr Krupa, President of the Management Board, described in the Shareholding structure section, in the period from 1 January 2023 to the issue date of this Report there were also changes in the number of Company shares held by Urszula Okarma, Piotr Kowalewski, and Michał Zasępa, as described below.

Table 39. KRUK S.A. shares held by management and supervisory personnel as at 31 December 2023

NAME AND SURNAME	POSITION	NUMBER OF SHARES HELD	TOTAL PAR VALUE (PLN)
Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna*	President of the Management Board	1,750,373	1,750,373
Piotr Kowalewski	Member of the Management Board	23,013	23,013
Adam Łodygowski	Member of the Management Board	-	-
Urszula Okarma	Member of the Management Board	138,718	138,718
Michał Zasępa	Member of the Management Board	56,000	56,000

(* Including shares held by Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna Source: Company

List of notifications received from the management and supervisory personnel in 2023.

Piotr Krupa – summary of notifications in 2023

DATE OF NOTIFICATION	DATE OF TRANSACTION	VOLUME	TRANSACTION TYPE	AVERAGE PRICE	PLACE OF TRANSACTION
26 January 2023	24 January 2023	3,180	Sale	PLN 336.16	WSE
	25 January 2023	4,000	Sale	PLN 335.41	WSE
27 January 2023	24 January 2023	3,557	Sale	PLN 336.18	WSE
	26 January 2023	15,500	Sale	PLN 338.43	WSE
7 February 2023	6 February 2023	2,000	Sale	PLN 347.40	WSE
24 March 2023	21 March 2023	4,000	Sale	PLN 304.91	WSE
	22 March 2023	2,000	Sale	PLN 303.12	WSE
10 May 2023	8 May 2023	6,140	Sale	PLN 373.06	WSE
	8 May 2023	483	Buy	PLN 378.00	WSE
	9 May 2023	2,000	Sale	PLN 374.51	WSE
16 June 2023	10 November 2022 (amendment)	5,783	Sale	PLN 278.93	WSE
	14 June 2023	12,000	Sale	PLN 381.67	WSE
7 September 2023	7 September 2023	1,100,000	Disposal (donation)	PLN 0.00	Outside a trading venue
13 September 2023	12 September 2023	4,000	Sale	PLN 415.36	WSE

Piotr Kowalewski – summary of notifications in 2023

DATE OF NOTIFICATION	DATE OF TRANSACTION	VOLUME	TRANSACTION TYPE	AVERAGE PRICE	PLACE OF TRANSACTION
27 March 2023	24 March 2023	1,000	Sale	PLN 292.03	WSE
7 June 2023	6 June 2023	1,000	Sale	PLN 400.00	WSE

Urszula Okarma – summary of notifications in 2023

DATE OF NOTIFICATION	DATE OF TRANSACTION	VOLUME	TRANSACTION TYPE	AVERAGE PRICE	PLACE OF TRANSACTION
2 May 2023	27 April 2023	4,000	Sale	PLN 380.00	WSE

4 Dec 2023	1 Dec 2023	3,000	Sale	PLN 459.77	WSE
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Michał Zasępa – summary of notifications in 2023

DATE OF NOTIFICATION	DATE OF TRANSACTION	VOLUME	TRANSACTION TYPE	AVERAGE PRICE	PLACE OF TRANSACTION
2 May 2023	28 April 2023	1,430	Sale	PLN 383.82	WSE
	2 May 2023	167	Sale	PLN 387.00	WSE

Subsequent to the reporting date, the Company received a notification of a transaction executed by Piotr Krupa, President of the Management Board:

DATE OF NOTIFICATION	DATE OF TRANSACTION	VOLUME	TRANSACTION TYPE	AVERAGE PRICE	PLACE OF TRANSACTION
29 January 2024	25 January 2024	11,000	Sale	PLN 451.48	WSE

Table 40. KRUK S.A. shares held by management and supervisory personnel as at the report issue date

NAME AND SURNAME	POSITION	NUMBER OF SHARES HELD	TOTAL PAR VALUE (PLN)
Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna*	President of the Management Board	1,739,373	1,739,373
Piotr Kowalewski	Member of the Management Board	23,013	23,013
Urszula Okarma	Member of the Management Board	138,718	138,718
Adam Łodygowski	Member of the Management Board	-	-
Michał Zasępa	Member of the Management Board	56,000	56,000

(*) Including shares held by Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna
Source: Company

8.3.4 Remuneration, bonuses and employment contract terms of the Management Board Members

On 31 August 2020, acting pursuant to Article 90d.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, the Annual General Meeting of KRUK S.A. adopted the Remuneration Policy for Management Board and Supervisory Board Members of KRUK S.A. of Wrocław (the “Remuneration Policy”). Subsequently, the General Meeting passed Resolutions No. 28/2021 and No. 29/2021 of 16 June 2021 and Resolution No. 6/2022 of 16 November 2022 approving the amended Remuneration Policy. The Remuneration Policy sets out the rules of remuneration for Management and Supervisory Board Members. Any amendment to the rules of remuneration for Management Board or Supervisory Board Members requires the Policy to be amended and must be approved by the General Meeting prior to taking effect.

The Remuneration Policy is the principal document governing the remuneration rules applying to KRUK S.A. Management Board and Supervisory Board Members, and it applies to them regardless of their form of employment. In accordance with the Remuneration Policy, remuneration is determined on the basis of the

function performed as well as the business scale, complexity of corporate design and operational complexity of the Company.

With respect to remuneration of Management Board Members, Section 5 of the Remuneration Policy differentiates between fixed and variable components of remuneration. In accordance with Section 7 of the Remuneration Policy, the fixed components of remuneration include both monetary and non-monetary benefits, such as accident insurance, directors and officers liability insurance, participation in employee benefit schemes, use of company cars for private purposes, reimbursement of apartment rental costs for Management Board Members residing outside the Company's home municipality, and participation in Employee Capital Plans ("PPK").

In accordance with the provisions of the Remuneration Policy and Article 8.8 of the Company's Articles of Association, the remuneration principles applying to Management Board Members and the salary of the President of the Management Board are decided by the Supervisory Board. The amounts of remuneration of individual Management Board Members other than that of the President are determined by the Supervisory Board, based on proposals submitted by the President of the Management Board and in line with the remuneration rules defined by the Supervisory Board.

In accordance with the Remuneration Policy and the management service contracts in force, Management Board Members are guaranteed a fixed monthly base pay as specified in their contracts. Beyond this fixed compensation, Management Board Members may also be eligible for a discretionary bonus, the award and amount of which are at the sole discretion of the Supervisory Board and are not tied to the achievement of any specific individual objectives by Management Board Members. Furthermore, the Supervisory Board does not anticipate awarding any additional discretionary bonuses to Management Board Members for any fiscal year during which they participate in the Incentive Scheme for 2021–2024 (2021–2024 Incentive Scheme).

Pursuant to Section 9 of the Remuneration Policy, Management Board Members' variable compensation may include allotment of subscription warrants under an incentive scheme in place at the Company. In line with the 2021–2024 Incentive Scheme, the number of Subscription Warrants to be allotted to the Management Board Members may not exceed 40% of the total number of Subscription Warrants offered for subscription by Eligible Persons. The award of Subscription Warrants from the Basic Pool is conditional upon achieving a target increase of 15% or higher in the Company's earnings per share (EPS) for the fiscal year immediately preceding the year in which the Subscription Warrants of a given Tranche are offered. EPS are calculated as the Group's consolidated net profit for the financial years 2021, 2022, 2023, and 2024 per Company share, as reported in the General Meeting-approved consolidated financial statements of the Group for the financial years 2021, 2022, 2023, and 2024, respectively. The EPS increase referred to above is determined as a geometric mean relative to the Group's consolidated net profit for the financial year 2019 per Company share. For detailed information on the incentive scheme operated by the Company, see the "Incentive Scheme" Section.

The terms of the management service contracts correspond to the terms of mandates of the Management Board Members: they expire with the expiry of a given mandate, including as a result of removal or resignation from office of the Management Board Member. Furthermore, a management service contract may be terminated by its parties on six months' notice, or on three months' notice by the Company, without compensation, in the event of liquidation or dissolution of the Company, long sick absence of the Manager, or other kind of inability to perform his or her duties in the period covered by the contract. Management contracts may also be terminated by its parties without notice and compensation, with immediate effect, in circumstances indicated in the contracts.

In accordance with the executed contracts, in the event of termination or rescission of a contract by the Company, unless termination takes place in circumstances where the contract may be terminated with immediate effect, without notice or compensation and except where a Management Board Member is removed for reasons attributable to that Member, the Management Board Member is entitled to additional remuneration.

The contracts executed with the Management Board Members contain provisions prohibiting the Members from engaging in, participating or taking an interest in any commercial or business activities without notifying the Supervisory Board (in the case of the President of the Management Board) or without the President of the Management Board's written consent (in the case of other Management Board Members), as well as non-compete clauses effective during the contract term and for 2 (two) years from the day on which a given person ceases to be

a Member of the Management Board of KRUK S.A. The contracts with the Management Board Members provided for relevant compensation in respect of the prohibitions. The compensation is payable in monthly instalments for 24 months from the contract termination date, and will amount to 80% of the person's remuneration over the first 12 months, and 60% over the next 12 months.

Furthermore, the contracts concluded with the Management Board Members impose contractual penalties in the amounts specified therein for violation of the non-compete provisions.

The table below presents the amounts of remuneration and additional benefits received by the Management Board Members (who were in office in 2023) from the Company and its subsidiaries for 2023 and 2022.

Table 41. Remuneration and additional benefits for Management Board Members in 2022 and 2023

PIOTR KRUPA	2023	2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	3,150,539.26	3,059,884.84
- Contract remuneration	3,110,400.00	3,033,600.00
- Company car*	4,980.00	4,920.00
- Medical package	430.86	355.96
- Medical package for close persons	215.26	1,281.30
- NNW (automobile accident insurance) premium	30,760.82	15,733.41
- D&O liability insurance premium	3,752.32	3,994.17
Variable remuneration components – bonuses	-	-
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PIOTR KOWALEWSKI	2023	2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	970,527.75	910,918.75
- Contract remuneration	936,960.00	880,640.00
- Company car*	12,280.00	8,880.00
- Medical package	430.86	355.96
- Medical package for close persons	215.26	1,281.30
- Participation in an employee capital plan (PPK)	14,249.31	13,367.32
- NNW (automobile accident insurance) premium	2,640.00	2,400.00
- D&O liability insurance premium	3,752.32	3,994.17
Variable remuneration components – bonuses	-	-

Adam Łodygowski	2023	2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	988,742.71	921,664.25
- Contract remuneration	960,000.00	896,000.00
- Company car*	7,401.00	5,388.00
- Medical package	430.86	355.96
- participation in an employee capital plan (PPK)	14,518.53	13,526.12
- NNW (automobile accident insurance) premium	2,640.00	2,400.00
- D&O liability insurance premium	3,752.32	3,994.17
Variable remuneration components – bonuses	-	-

URSZULA OKARMA	2023	2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	1,015,165.18	982,302.13
- Contract remuneration	995,328.00	970,752.00
- Company car*	12,984.00	4,800.00
- Medical package	430.86	355.96
- NNW (automobile accident insurance) premium	2,670.00	2,400.00
- D&O liability insurance premium	3,752.32	3,994.17
Variable remuneration components – bonuses	-	-

MICHAŁ ZASĘPA	2023	2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	1,033,037.85	1,007,757.09
- Contract remuneration	995,328.00	970,752.00
- Company car*	11,424.00	11,172.00
- Medical package	4,640.40	4,640.40
- Participation in an employee capital plan (PPK)	15,173.13	14,798.52
- NNW (automobile accident insurance) premium	2,720.00	2,400.00
- D&O liability insurance premium	3,752.32	3,994.17
Variable remuneration components – bonuses	-	-

*The monetary value of the allowance for the use of a company car for private purposes is set as income within the meaning of Article 12.2a of the PIT Act of 26 July 1991.

As Members of the Management Board participated in the 2021–2024 Incentive Scheme, no discretionary bonus was awarded thereto by the Supervisory Board in 2023.

At the same time, following the achievement in 2022 of the objectives defined in the 2021–2024 Incentive Scheme, in 2023 the Supervisory Board resolved to grant Tranche II subscription warrants to the Management Board Members. The table below shows the number of Tranche 1 and 2 subscription warrants awarded to and subscribed for by each Management Board Member.

Table 42. Number of Tranche 1 and 2 subscription warrants awarded to and subscribed for by Management Board Members under the 2021-2024 Incentive Scheme, held as at 31 December 2023 and as at the issue date of this Report

NAME AND SURNAME	NUMBER OF TRANCHE 1 WARRANTS AWARDED AND SUBSCRIBED FOR	NUMBER OF TRANCHE 2 WARRANTS AWARDED AND SUBSCRIBED FOR
Piotr Krupa	22,812	22,812
Piotr Kowalewski	13,308	13,308
Adam Łodygowski	13,308	13,308
Urszula Okarma	13,308	13,308
Michał Zasępa	13,308	13,308

Source: Company

For detailed information on equity instruments held by Members of the Management Board, see Section 8.3.3 Shares in the Company and in its related entities held by Members of the Management Board or Supervisory Board

Supervisory Board

8.3.5 Composition of the Supervisory Board, its changes and rules of appointment

The Supervisory Board consists of five or seven Members. The number of Supervisory Board Members is each time determined by the General Meeting. Members of the Supervisory Board are appointed for a joint term of office of three years. As at the date of authorisation of this Report, the Company's Supervisory Board is composed of seven Members.

The Supervisory Board is appointed and removed by the General Meeting, with the proviso that if Mr. Piotr Krupa holds shares in the Company representing 8% or more of the total vote at its General Meeting, he has the right to appoint and remove:

- one Member of a five-Member Supervisory Board, including the Deputy Chair of the Supervisory Board;
- two Members of a seven-Member Supervisory Board, including the Deputy Chair of the Supervisory Board.

Piotr Krupa's rights to appoint and remove Members of the Supervisory Board are exercised by delivery to the Company of a written statement on the appointment or removal of a Supervisory Board Member.

Throughout 2023, the KRUK Supervisory Board was composed of the following seven Members:

Table 43. Composition of the KRUK Supervisory Board in the period 1 January–31 December 2023 and as at the issue date of this Report

NAME AND SURNAME	POSITION
Piotr Stępnik	Chair of the Supervisory Board
Krzysztof Kawalec	Deputy Chair of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Izabela Felczak-Poturnicka	Member of the Supervisory Board
Ewa Radkowska-Świętoń	Member of the Supervisory Board
Beata Stelmach	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

By the date of this Report, there had been no changes in the composition of the Supervisory Board.

Table 44. Proportion of men and women on the KRUK Supervisory Board in the period 1 January–31 December 2023 and as at the issue date of this Report

Women	57%	4
Men	43%	3

Source: Company

Expertise, experience and employment history of Members of the Company's Supervisory Board



Piotr Stępnik graduated from Guelph University, Canada as BA (majoring in Economics and in Management); ESC Rouen, France; Purdue University, U.S., as EMBA, and Purdue University, U.S., as MSM. Mr. Stępnik has extensive professional experience. In 2001–2004, he was Vice President of the Management Board, Retail Banking, at LUKAS Bank. In 2005–2008, he was President of the Management Board of Getin Holding S.A. Currently, he serves on the Board of Directors of BFF Banking Group and as Chair of the Supervisory Board of BFF Polska S.A. In addition, he chairs the Supervisory Board and is a member of the Audit Committee of VRG S.A. as well as sitting on the Supervisory Board and Audit Committee of Grupa Kęty S.A. Since 2008, he has been Member of the Supervisory Board of KRUK S.A., and since 2013 he has served as Chair of the Company's Supervisory Board. Mr. Stępnik is also a member of the Company's Audit Committee.



Krzysztof Kawalec graduated from the Faculty of Organisation and Management at the Łódź University of Technology (having earned a Master of Science/Engineer degree in Business Administration); he completed a post-graduate Enterprise Value Management programme at the Warsaw School of Economics, and a post-graduate course in Management Accounting and Controlling at the same school; he also completed an MBA programme at PAM Center of the University of Łódź, University of Maryland. In 1998–2001, he worked as Manager at (International Fast Food Polska Sp. z o.o.) of Warsaw. In 2001–2002, he headed the Contracts Department at Magellan S.A. In 2002–2003, he was a Member of the Company's Management Board and the CFO. In 2003, he was appointed Vice President of the Company's Management Board and Chief Operating Officer, and he served as President of the Management Board of Magellan S.A. from 1 July 2008. Since 2018, he has been President of the Management Board of BFF Polska S.A., member of the BFF Banking Group listed on Borsa Italiana. Currently, he also serves as Head of the BFF Bank SpA Branch in Poland. He is a member of the Supervisory Boards of BFF Slovakia s.r.o. and BFF MedFinance s.r.o. operating in Slovakia and the Czech

Republic. Since 2009, he has been involved in KRUK S.A. and the KRUK Group as a member of the Supervisory Board of KRUK S.A. and a member of the Supervisory Board of KRUK TFI S.A. Since 2022, Krzysztof Kawalec has also served as Deputy Chair of the Supervisory Board of KRUK S.A.



Katarzyna Beuch graduated from the Wrocław University of Economics and Business with a degree in Management and Computer Science and completed a post-graduate programme in financial risk, assets, equity, and liabilities management. She has held ACCA qualifications since 2000 (FCCA since 2005). She began her professional career at Bank Zachodni at the Assets, Equity, and Liabilities Management Department. Ms. Beuch has ten years' experience in auditing financial statements of public companies, including banks and insurance companies (Ernst & Young Audyt; 1996–2006). In 2006–2012, she led the consolidated reporting and finance functions, including as CFO, at Getin Holding S.A., where she gained extensive experience in integration and transformation processes as well as acquisitions, mergers, and demergers in the period of the company's intensive growth. In 2014–2016, she headed the Accounting and Tax Department of Santander Consumer Bank S.A., and in 2016–2018 she served as Head of Corporate Control and Economic Analyses at KGHM S.A. Since 2020, she has been the CFO at Benefit Systems S.A. Ms. Beuch has authored publications on the application of International Financial Reporting Standards. She has served as independent supervisory board member at a range of companies, including as Chair of the Audit Committee at KRUK S.A. (since 2013), as Chair of the Audit Committee at ATM Grupa S.A. (since 2020), and as member of the Audit Committee of WP Holding S.A. (since 2021).



Izabela Felczak-Poturnicka is a graduate of the Faculty of Economics of the Lazarski University of Commerce and Law in Warsaw. She also completed doctoral studies in Management and Finance and a postgraduate programme in company valuation methods at the Warsaw School of Economics. Since 2005 she has been a member of the Information and Research Centre of the Public Finance and Tax Law of Central and Eastern European Countries at the Faculty of Law of the University of Białystok. Ms. Felczak-Poturnicka has authored and co-authored academic papers in economics.

She has more than 17 years' experience in corporate supervision over companies, capital market transactions, and other fields. Currently, she is Managing Director of Corporate Affairs at the PZU Group. Prior to that, she served as Head of the Ownership Supervision Department of the Ministry of State Assets. From January 2017, she served as counsel to the minister responsible for coordinating the work of the Ownership Policy Team at the Ministry of Energy. In 2018–2019, Ms. Felczak-Poturnicka was Deputy Director at the Prime Minister Chancellery. From 2005 to 2016, she worked at the Ministry of State Treasury. She has 15 years' experience working on corporate supervisory boards. She chairs the Supervisory Board of Polski Holding Nieruchomości S.A. and sits on the Supervisory Board of PZU Zdrowie S.A. She has served on the supervisory boards of PKN ORLEN S.A., Enea S.A. (as Chair of the Supervisory Board), Jastrzębska Spółka Węglowa S.A., ZEW Niedzica S.A., MERAZET S.A., Z.Ch. ZACHEM S.A., and MERITUM BANK ICB S.A. Ms. Felczak-Poturnicka was appointed to the Supervisory Board of KRUK S.A. in 2022.



Ewa Radkowska-Świętoń holds a degree in Finance and Banking from the Warsaw School of Economics. She is certified as CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager). In the past, she was President of the Management Board of Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. and Vice President and then President of the Management Board of Skarbiec Holding S.A. (a company listed on the WSE). In 2008–2017, she served as Member of the Management Board and then Vice President of Nationale Nederlanden Powszechnie Towarzystwo Emerytalne S.A., where she was responsible for investments and corporate governance of the largest Polish open-ended pension fund. She also worked as fund manager at Aviva Investors Polska S.A. and ING TFI S.A. (currently NN Investment Partners), and as equity research analyst

at Bank Handlowy S.A.'s Equity Transactions Centre. She is an independent member of the Supervisory Board and the Audit Committee at Ipopema Securities S.A., member of the Capital Market Benchmarks Supervisory Committee at GPW Benchmark S.A. and member of the Risk Committee at KDPW_CCP S.A. Ms. Radkowska-Świętoń also serves as President of the Association of Independent Supervisory Board Members and an expert at the Institute for Sustainable Development and Environment at Lazarski University. Since 2019, she has been an independent Member of the Supervisory Board and the Audit Committee, and has chaired the Remuneration and Appointments Committee at KRUK S.A.



Beata Stelmach holds a degree from the Faculty of Finance and Statistics of the Higher School of Planning and Statistics in Warsaw (now the Warsaw School of Economics). She has also completed MBA programmes at Calgary University and INSEAD. She has been a capital and financial markets professional for many years, having worked for the Polish Securities and Exchange Commission from the very beginning of Poland's transition to free-market economy; as a consultant to the World Bank, she has advised on the establishment of capital markets in other countries. Ms. Stelmach has served on the management boards of capital market entities, including Intrum Justitia TFI S.A. and MCI Capital TFI S.A. She was President of the Polish

Association of Listed Companies, where she currently chairs the Supervisory Board. She has sat on the supervisory boards of Bank BPH S.A., HSBC Bank Polska S.A., Bank Millennium S.A., Stalexport Autostrada S.A., and others. Beata Stelmach also has managerial experience in other sectors: in 2001–2005 she was a member of the governing bodies of Prokom Software S.A.; from 2013 to 2018, she was CEO and General Director for Poland and the Baltic States at General Electric. In 2018–2020, she worked as an SVP at Leonardo Helicopters and President of the Management Board of PZL Świdnik S.A. From 2011 to 2013, she was Undersecretary of State at the Ministry of Foreign Affairs, responsible for global economic policy and public and cultural diplomacy. Ms. Stelmach has completed a range of specialist training courses, including in financial instruments at New York Institute of Finance, as well as in artificial intelligence at Oxford University. She was awarded with the Knight's Cross of the Order of Polonia Restituta in recognition of her outstanding diplomatic service and achievements in professional work and diplomatic activities for Poland. She is involved in various social outreach initiatives, including economic education of children. She has supported efforts to increase the activity and role of women in economic and social life for many years. Ms. Stelmach was appointed as Member of the Supervisory Board of KRUK S.A. in 2022.



Piotr Szczepiórkowski is a graduate of the Faculty of Chemical and Process Engineering at the Warsaw University of Technology. He is an expert in pension systems, asset management, and capital markets. During his professional career, he completed a training programme and successfully passed all the 14 exams to obtain the ACCA qualification and the Executive Management Development courses organised by CEDEP (Fontainebleau), Columbia University, and Wharton School of Business. He holds an investment adviser licence (No. 136) and is a member of the Polish Association of Actuaries and CFA Society Poland (CFA Charterholder). Mr. Szczepiórkowski has worked at the Ministry of Finance (Department of Financial Institutions) and Bank Gospodarstwa Krajowego (Treasury Department). For many

years, he worked for the Commercial Union Polska Group (now Aviva Polska), first in the Finance Department of Towarzystwo Ubezpieczeń na Życie as an accountant, Deputy Finance Director, Deputy Investment Director, and then at Commercial Union PTE as Chief Investment Officer and Vice President of the Management Board. Since 2001, he has been President of the Management Board of PTE. In 2008–2015, he was Vice President of the Management Board of Aviva Towarzystwo Ubezpieczeń na Życie. At present, Mr. Szczepiórkowski sits on the supervisory boards of the following WSE-listed companies: FM Forte S.A., Decora S.A., ZEW Kogeneracja S.A., Octava S.A., and Ipopema TFI S.A. (where he also chairs the Audit Committee). Mr. Szczepiórkowski was appointed to the Supervisory Board of KRUK S.A. in 2019 and now serves as an independent member of its Audit Committee and a member of its Remuneration and Appointments Committee.

8.3.6 Activities of the Supervisory Board

The Supervisory Board exercises supervision over each area of the Company's operations. Powers and responsibilities of the Supervisory Board, in addition to those defined in the Polish Commercial Companies Code, include:

- assessing the Directors' Report on the Company's operations and the financial statements for the previous financial year in terms of their completeness, accuracy and consistency with the underlying accounting records and supporting documents, and assessing the Management Board's proposals on distribution of profit or coverage of loss;
- preparing and submitting to the General Meeting an annual written report for the previous financial year (Report of Supervisory Board);
- appointing and removing the President of the Management Board;
- appointing and removing Members of the Management Board (including Vice-Presidents);
- suspending Members of the Management Board and delegating Members of the Supervisory Board to temporarily carry out the duties of Management Board Members unable to perform their duties;
- defining, at the request of the President of the Management Board, the rules and amount of remuneration for the Management Board Members;
- defining the amount of remuneration for the President of the Management Board;
- approving the Company's annual financial plans (budgets) and strategic economic plans; a budget should include at least a forecast statement of profit or loss and a forecast statement of cash flows for a given financial year and a forecast statement of financial position as at the end of that financial year;
- granting consent for the Company to contract loans or issue bonds, other than loans or bonds provided for in the budget, in excess of a cumulative annual amount equal to 10% of the Company's equity, with the exception of loans received from the other companies of the KRUK Group;
- granting consent to provide security and surety over or encumber the Company's assets otherwise than as provided for in the budget, in excess of a cumulative amount equal to 10% of the Company's equity annually, unless parties to the transaction are only companies of the KRUK Group. Creating security or surety for loans and bonds provided for in the budget or for which the Supervisory Board has already given its consent does not require the Supervisory Board's consent;
- granting consent for the Company to assume liabilities in a single transaction or a series of related transactions with a total value exceeding 5% of the Company's equity in a given financial year, not provided for in the budget and not arising in the ordinary course of the Company's business;
- granting consent for the Company to acquire or subscribe for shares in other commercial companies and to join other businesses that are not members of the KRUK Group;
- granting consent for the acquisition or disposal of the Company's assets with a value exceeding 15% of the Company's net book value as determined on the basis of the last audited financial statements, other than an acquisition or disposal provided for in the budget, except for any acquisition or disposal of assets from or to members of the KRUK Group;
- granting consent to the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks, unless only members of the KRUK Group are parties to the transaction;
- granting consent to the Company or any of its subsidiaries to engage advisers and other third-party individuals as consultants, lawyers or agents if the resulting total annual cost to the Company, not provided for in the budget, would exceed PLN 1,000,000.00 (one million złoty);
- approving the rules of management stock option plans;
- selecting an auditor to audit the Company's full-year financial statements, as referred to in Art. 395 of the Commercial Companies Code, in accordance with the Polish and international accounting standards;
- granting consent to the execution of or amendment to agreements concluded between the Company or any its subsidiaries with the Management or Supervisory Board Members;
- granting consent to making any gratuitous disposals or commitments by the Company or a subsidiary of the Company within the scope of the Company's business for an amount exceeding PLN 1,000,000.00 (one million złoty) in one financial year unless only members of the KRUK Group are parties to the transaction;

- granting consent to making any gratuitous disposals or gratuitous commitments by the Company or a subsidiary of the Company outside the scope of the Company's business for a total amount exceeding in a given financial year 0.6% of the Company's net profit as disclosed in the Company's authorised financial statements for the prior year unless only members of the KRUK Group are parties to the transaction. If the Company fails to earn a profit in a given financial year, the Supervisory Board's consent is required for making any gratuitous disposals or commitments by the Company or a subsidiary of the Company outside the scope of the Company's business for a total amount exceeding in a given financial year PLN 400,000.00 (four hundred thousand złoty) unless only members of the KRUK Group are parties to the transaction;
- granting consent to the purchase or disposal of property, perpetual usufruct rights or interests in property (excluding property purchased or sold as part of debt management processes) by the Company if the VAT-exclusive purchase price or the VAT-exclusive sale price is PLN 5,000,000.00 (five million złoty) or more;
- other matters as provided for in the Company's Articles of Association and the Polish Commercial Companies Code.

Moreover, the Supervisory Board is authorised to enter into contracts with advisers to the Supervisory Board as defined in Art. 382¹ of the Polish Commercial Companies Code, with the proviso that the aggregate consideration payable to such advisers in a financial year must not exceed PLN 1,000,000.00 (one million złoty).

Supervisory Board meetings are convened by the Chair or, if absent, by the Deputy Chair of the Supervisory Board. In exceptional circumstances, in the absence of both the Chair and the Deputy Chair of the Supervisory Board, a meeting of the Supervisory Board may be convened by other Member thereof, designated by either the Chair or the Deputy Chair. Detailed rules for holding meetings are defined in the Rules of Procedure for the Supervisory Board.

Supervisory Board resolutions are passed with an absolute majority of votes of the Supervisory Board Members present at the meeting. In the event of a tied vote, the Chair has the casting vote. For a resolution of the Supervisory Board to be valid, all Members of the Supervisory Board must be invited to the meeting and at least half of them must be present at the meeting, with the proviso that Supervisory Board resolutions may be passed as provided for in the Company's Articles of Association. At its meeting, the Supervisory Board may also resolve on matters not included in the proposed agenda for the meeting if none of the Supervisory Board Members in attendance objects to voting on such resolution, save for resolutions on personal matters, which should be put on the meeting's proposed agenda set out in the notice of the meeting.

Supervisory Board Members may vote on a resolution of the Supervisory Board in writing through another Member of the Supervisory Board. Matters placed on the agenda during the meeting of the Supervisory Board may not be so voted on in writing. Subject to the provisions of the Commercial Companies Code, the Supervisory Board may vote on resolutions by way of any of the following procedures: (a) written ballot, (b) using means of distance communication only, or (c) the mixed procedure, i.e. when some Members of the Supervisory Board attend a Supervisory Board meeting in person and at least one Member of the Supervisory Board participates in the meeting using means of distance communication, provided that all Supervisory Board Members have been notified of the contents of the draft resolution.

In 2023, the Supervisory Board acted in accordance with the remit and procedures provided for the Commercial Companies Code, the Company's Articles of Association, and the Rules of Procedure for the Supervisory Board. In 2023, the Supervisory Board convened for a total of five meetings in the months of March, April, September, November, and December. All the meetings were held at the Company's registered office, with provisions for attendance using means of remote communication. In addition, the Supervisory Board met on an as-needed basis via conference calls to both discuss regular agenda and address matters falling outside it.

Throughout the financial year 2023, all Members of the Supervisory Board were actively engaged in its proceedings, devoting the necessary time to discharge their responsibilities and participating in both the scheduled meetings and extra conference calls. The Supervisory Board kept in regular communication with the Company's Management Board and its auditor

A breakdown of each Supervisory Board Member’s attendance at the 2023 meetings is detailed in the table below.

Table 45. Attendance at Supervisory Board meetings in 2023

PIOTR STĘPNIAK	KRZYSZTOF KAWALEC	KATARZYNA BEUCH	IZABELA FELCZAK-POTURNICKA	EWA RADKOWSKA-ŚWIĘTOŃ	BEATA STELMACH	PIOTR SZCZEPIÓRKOWSKI
5/5	5/5	5/5	5/5	5/5	4/5	4/5

Source: Company

In 2023, the Supervisory Board passed 27 resolutions, of which:

- 15 were adopted at meetings of the Supervisory Board,
- 12 were adopted by written ballot.

At least once a year, Members of the Supervisory Board submit to the other Members thereof and to the Management Board representations on meeting the independence criteria as defined in the Act on Statutory Auditors, Audit Firms, and Public Oversight of 11 May 2017 (Dz.U. of 2017, item 1089, as amended; the “Statutory Auditors Act”), and on the absence of any actual and material links between them and any shareholders holding 5% or more of total voting rights in the Company.

According to representations submitted by Piotr Stępnia and Krzysztof Kawalec, they do not meet the independence criteria specified in the Statutory Auditors Act, having served on the KRUK SA. Supervisory Board for more than 12 years.

All of the Supervisory Board Members represented that they do not have any actual or material links with a shareholder holding 5% or more of total voting rights in the Company. Representations submitted by Members of the Supervisory Board are reviewed annually.

Table 46. Supervisory Board and its powers and responsibilities as at 31 December 2023

NAME AND SURNAME	POSITION ON THE SUPERVISORY BOARD	INDEPENDENCE CRITERIA UNDER THE STATUTORY AUDITORS ACT	EXPERIENCE IN FINANCE AND ACCOUNTING OF LISTED COMPANIES	KNOWLEDGE AND SKILLS IN ACCOUNTING OR FINANCIAL AUDITING	KNOWLEDGE AND SKILLS SPECIFIC TO THE INDUSTRY
Piotr Stępnia	Chair	does not meet	meets	meets	meets
Krzysztof Kawalec	Deputy Chair	does not meet	meets	meets	meets
Katarzyna Beuch	Member	meets	meets	meets	meets
Izabela Felczak-Poturnicka	Member	meets	meets	meets	meets
Ewa Radkowska-Świętoń	Member	meets	meets	meets	meets
Beata Stelmach	Member	meets	meets	meets	meets
Piotr Szczepiórkowski	Member	meets	meets	meets	meets

Source: Company

Table 47. Supervisory Board and its committees as at 31 December 2023

NAME AND SURNAME	AUDIT COMMITTEE	REMUNERATION AND APPOINTMENTS COMMITTEE	FINANCE AND BUDGET COMMITTEE
Piotr Stępnia	Member	x	X
Krzysztof Kawalec	x	Member	Member
Katarzyna Beuch	Chair	x	X
Izabela Felczak-Poturnicka	x	x	X
Ewa Radkowska-Świętoń	Member	Chair	Member
Beata Stelmach	x	x	Chair
Piotr Szczepiórkowski	Member	Member	X

Source: Company

There were no changes in the composition of the Supervisory Board or its committees after the reporting date.

8.3.7 Shares in the Company and in its related entities held by Members of the Supervisory Board

For information on shares in the Company and in its related entities held by Members of the Supervisory Board, see Section 8.3 *Shares in the Company and in its related entities held by Members of the Management Board or Supervisory Board*.

8.3.8 Remuneration, bonuses and employment contract terms of the Supervisory Board Members

The remuneration principles applying to Supervisory Board Members are set out in the Remuneration Policy for Management Board and Supervisory Board Members of KRUK S.A. of Wrocław (the "Remuneration Policy"), adopted by the Annual General Meeting of KRUK S.A. on 31 August 2020, in accordance with Article 90d.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, and subsequently amended by General Meeting Resolutions Nos. 28/2021 and 29/2021 on 16 June 2021 and Resolution No. 6/2022 of the Extraordinary General Meeting on 16 November 2022.

The Remuneration Policy is the principal document governing the remuneration rules applying to KRUK S.A. Management Board and Supervisory Board Members, and it applies to them regardless of their form of employment.

Pursuant to Art. 12.3 of the Company's Articles of Association, the Supervisory Board Members receive remuneration for their services, unless the body or entities entitled to appoint them resolve otherwise.

The amount of remuneration payable to the Members of the Supervisory Board is determined by virtue of a resolution of the General Meeting. In accordance with the Remuneration Policy, the remuneration for Supervisory Board Members is not split into variable and fixed components. Furthermore, the remuneration for Supervisory Board Members is not determined in the form of options or other derivatives or any other variable components, and it is not linked to KRUK S.A.'s performance.

In accordance with the Remuneration Policy, the remuneration of Supervisory Board Members covers their service on the Supervisory Boards of the KRUK Group companies.

Members of the Supervisory Board, in accordance with Section 12 of the Remuneration Policy, are eligible for participation in the PPK.

The table below presents the amounts of remuneration received by the Supervisory Board Members from the Company for 2023 and 2022.

Table 48. Remuneration of Supervisory Board Members in 2022 and 2023

PIOTR STĘPNIAK	IN 2023	IN 2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	289,070.81	273,346.43
- Base pay	282,712.32	269,110.26
- Reimbursement of costs related to participation in the work of the Supervisory Board	2,606.17	242.00
- D&O liability insurance premium	3,752.32	3,994.17
KATARZYNA BEUCH	IN 2023	IN 2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	216,811.22	190,100.87
- Base pay	212,034.24	185,011.43
- Reimbursement of costs related to participation in the work of the Supervisory Board	1,024.66	1,095.27
- D&O liability insurance premium	3,752.32	3,994.17
IZABELA FELCZAK-POTURNICKA	IN 2023	IN 2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	146,039.83	105,779.66
- Base pay	141,356.16	100,912.59
- Reimbursement of costs related to participation in the work of the Supervisory Board	931.35	1,683.68
- D&O liability insurance premium	3,752.32	3,183.39
KRZYSZTOF KAWALEC	IN 2023	IN 2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	169,108.48	162,549.3
- Base pay	141,356.16	134,555.13
- Reimbursement of costs related to participation in the work of the Supervisory Board	-	-
- Remuneration from KRUK TFI	24,000.00	24,000.00
- D&O liability insurance premium	3,752.32	3,994.17
BEATA STELMACH	IN 2023	IN 2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	146,576.12	110,794.25
- Base pay	141,356.16	100,912.59
- Reimbursement of costs related to participation in the work of the Supervisory Board	1,467.64	6,698.27

- D&O liability insurance premium	3,752.32	3,183.39
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EWA RADKOWSKA-ŚWIĘTOŃ	IN 2023	IN 2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	150,763.65	143,736.31
- Base pay	141,356.16	134,555.13
- Reimbursement of costs related to participation in the work of the Supervisory Board	5,655.17	5,187.01
- D&O liability insurance premium	3,752.32	3,994.17

Piotr Szczepiórkowski	In 2023	in 2022
	(gross, PLN)	(gross, PLN)
Fixed remuneration components, including:	151,582.22	144,689.41
- Base pay	141,356.16	134,555.13
- Reimbursement of costs related to participation in the work of the Supervisory Board	4,289.03	4,060.84
- Participation in an employee capital plan (PPK)	2,184.71	2,079.27
- D&O liability insurance premium	3,752.32	3,994.17

Source: Company

As at the date of this Report, there were no contingent or deferred benefits payable to Members of the Supervisory Board by the Company or the subsidiaries.

As at the date of this Report, there were no contracts executed by the Supervisory Board Members with the Company or its subsidiaries that would provide for post-termination benefits.

As at the date of this Report, the Company does not have any liabilities arising from pensions or similar benefits to former members of management or supervisory bodies or former members of administrative bodies, or any liabilities incurred in connection with such pensions.

8.3.9 Supervisory Board Committees

Pursuant to the Rules of Procedure for the Supervisory Board, the following committees operate within the KRUK S.A. Supervisory Board:

- Audit Committee,
- Remuneration and Appointments Committee,
- Finance and Budget Committee.

Members of the committees are appointed by the Supervisory Board from among its Members.

Audit Committee

The Supervisory Board appoints the Audit Committee from among its Members.

In the period 1 January–31 December 2023, the Audit Committee was composed of:

- Katarzyna Beuch – Chair of the Committee, independent Member of the Supervisory Board;
- Ewa Radkowska-Świętoń – Member of the Committee, independent Member of the Supervisory Board;
- Piotr Stępiak – Member of the Committee, non-independent Member of the Supervisory Board;
- Piotr Szczepiórkowski – Member of the Committee, non-independent Member of the Supervisory Board.

For detailed information on the remit, experience and satisfaction of independence criteria by members of the Audit Committee, see Section 8.3.5 *Composition of the Supervisory Board, its changes and rules of appointment*.

As at the issue date of this Report, there were no changes to the composition of the Audit Committee.

Pursuant to the Rules of Procedure for the Supervisory Board, the Audit Committee consists of at least three members. The majority of the Audit Committee members, including its chair, should be independent Members of the Supervisory Board. Three of the four members of the Audit Committee, i.e. Katarzyna Beuch, who chairs the Audit Committee, and members of the Committee, Ewa Radkowska-Świętoń, and Piotr Szczepiórkowski, fully meet the independence criteria under the Act of Statutory Auditors, Audit Firms, and Public Oversight.

The Audit Committee should include at least one member with knowledge and skills in accounting or auditing. Members of the Audit Committee should have the knowledge of and skills relevant for the industry in which the Company operates. All members of the Audit Committee have knowledge and skills in accounting or auditing as well as the knowledge of and skills relevant for the industry in which the Company operates, which they have gathered in the course of education and professional career.

Katarzyna Beuch holds a degree in economics as well as having extensive expertise in accounting, financial auditing, and internal audit, as certified by her ACCA qualification since 2000 (FCCA since 2005). She has gained substantial experience in banking and finance, working in the banking sector, including as CFO at Getin Holding S.A. and Head of the Accounting and Tax Department at Santander Consumer Bank S.A., and in the corporate sector, including as Head of Corporate Control and Economic Analyses at KGHM S.A. and (currently) as CFO at Benefit Systems S.A. Ms. Beuch has authored publications on the application of International Financial Reporting Standards. She has ten years' experience in auditing financial statements of public companies, including banks and insurance companies (Ernst & Young Audyt). She serves as an independent supervisory board member, chairing the Audit Committee at ATM Grupa S.A. and sitting on the Audit Committee at WP Holding S.A.

Ewa Radkowska-Świętoń has a background in economics as well as being certified as CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager). Her extensive experience in banking and finance includes roles such as President of the Management Board of Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. and both Vice President and President of the Management Board of WSE-listed Skarbiec Holding S.A. As Vice President of the Management Board of Nationale Nederlanden Powszechnie Towarzystwo Emerytalne S.A., she oversaw investment and corporate governance at Poland's largest open-end pension fund. Her career also spans fund management positions at Aviva Investors Polska S.A. and ING TFI S.A. (now NN Investment Partners), and equity analysis at the Capital Transactions Centre of Bank Handlowy S.A. She is an independent member of the Supervisory Board and Chair of the Audit Committee at Ipopema Securities S.A., member of the Capital Market Benchmarks Supervisory Committee at GPW Benchmark S.A. and member of the Risk Committee at KDPW_CCP S.A.

Piotr Stępniak has a university degree. Over his career, he has gained a wealth of experience in finance and accounting from his tenure in executive and supervisory positions within various companies. Notably, he served as Vice President of the Management Board at LUKAS Bank S.A., overseeing retail banking operations, and as President of the Management Board of Getin Holding S.A. He has also sat on the Board of Directors of BFF Banking Group and chaired the Supervisory Board of BFF Polska S.A. Currently, Mr. Stępnia is Chair of the Supervisory Board of Grupa Kęty S.A. and member of the Supervisory Board of VRG S.A. and its subsidiary W.KRUK S.A.

Piotr Szczepiórkowski has extensive expertise in accounting, financial auditing, and internal auditing, as confirmed by an ACCA qualification. He holds an investment adviser licence (No. 136) and is a member of the Polish Association of Actuaries and CFA Society Poland (CFA Charterholder). He is an expert in pension systems, asset management, and capital markets. His career spans various roles, including at the Ministry of Finance (Department of Financial Institutions), Bank Gospodarstwa Krajowego (Treasury Department), and Commercial Union Polska (currently Aviva Polska), where he also served as the Vice President of the Management Board and Chief Investment Officer. He sits on the Supervisory Boards of FM Forte S.A., Decora S.A., ZEW Kogeneracja S.A., Octava S.A., and Ipopema TFI S.A., where he also chairs the Audit Committee.

The Audit Committee's responsibilities include in particular:

1. monitoring of:
 - the financial reporting process;
 - the effectiveness of internal control and risk management systems as well as internal audit systems in place at the Company, including effectiveness of the financial reporting process,
 - performance of financial audit tasks, including the audit of financial statements performed by an audit firm, with account taken of all conclusions and findings from an inspection of the audit firm by the Polish Audit Oversight Commission;
2. controlling and monitoring of the independence of the statutory auditor and the audit firm, in particular when the audit firm provides non-audit services;
3. informing the Supervisory Board about the results of the audit and explaining how the audit has contributed to the integrity of financial reporting in a public-interest entity and what the role of the Audit Committee in the audit process was;
4. assessing the independence of the qualified auditor and giving consent to the auditor's provision of permitted non-audit services to a public-interest entity;
5. developing a policy for selecting an audit firm to conduct the audit;
6. developing a policy for providing permitted non-audit services by the audit firm carrying out the audit, entities related to the audit firm or a member of the audit firm's network;
7. defining the procedure for selecting an audit firm by a public-interest entity;
8. presenting to the Supervisory Board the recommendation referred to in Article 16(2) of Regulation No. 537/2014, in accordance with the policies referred to in items 5 and 6 above;
9. submitting recommendations aimed at ensuring the integrity of the financial reporting process in a public-interest entity.

Beyond executing its statutory duties, in 2023 the Audit Committee specifically focused on:

- analysis of the results of the audit of the 2022 full-year report;
- discussion of a supplementary report for the Audit Committee for 2022;
- analysis of the results of review of the interim financial statements;
- analysis and evaluation of the Company's internal control and internal audit system, including a summary of internal audit findings from 2022;
- reviewing the implementation of internal audit recommendations and setting the 2023 audit plan and evaluating its execution, including the results of individual audit;
- the internal audit plan for 2024;
- planning for and initiating a tender process for an independent assessment of the internal audit function;
- reviewing the Report on the annual assessment of the performance of the risk management, compliance, and internal control systems and of the internal audit function in 2022;
- discussion of the KRUK Group's compliance function, its effectiveness and efficiency;
- managing incidents and whistleblower protection;
- risk management within the Company and the Group;
- discussion of portfolio revaluation and the valuation methodology;
- evaluating the results of the cloud computing audit and cybersecurity measures;
- pre-authorisation of non-audit services for 2023 and approval of the non-audit service report for 2022;
- discussion of regulatory and tax audits at the Group and significant litigation;
- analysis and discussion of tax issues, including changes in tax legislation;
- analysis of estimated deferred tax liability;
- EU sustainable activities taxonomy reporting;
- reviewing legislative amendments;
- routine assessment of related-party transactions.

For detailed information on the supervision by the Audit Committee of the process to select an audit firm for the Group, see Section 8.3.10 Policy and procedure for appointment of the auditor of financial statements of the KRUK Group, and Policy for the provision of non-audit services by an audit firm

In accordance with KRUK S.A.'s policy and procedure for the acquisition of non-audit services, the independence of the services permitted by the auditor, performed for the benefit of all KRUK Group members, is monitored and evaluated. In 2023, the value of the services was PLN 406 thousand. The services were approved by the Audit Committee.

Members of the Audit Committee performed their duties during the Committee's meetings and the Supervisory Board's meetings. In 2023, the Audit Committee convened four times. Each meeting was attended by all Committee members. The attendance was 100%. In addition, the Audit Committee members met via conference calls at additional meetings held to discuss an issue in detail.

Remuneration and Appointments Committee

The Supervisory Board appoints the Remuneration and Appointments Committee from among its Members.

In the period 1 January–31 December 2023, the Remuneration and Appointments Committee was composed of:

- Ewa Radkowska-Świętoń – Chair of the Committee, independent Member of the Supervisory Board;
- Krzysztof Kawalec – Member of the Committee, non-independent Member of the Supervisory Board;
- Piotr Szczepiórkowski – Member of the Committee, non-independent Member of the Supervisory Board.

For detailed information on the remit, experience and satisfaction of independence criteria by members of the Remuneration and Appointments Committee, see Section 8.3.5 Composition of the Supervisory Board, its changes and rules of appointment.

As at the issue date of this Report, the composition of the Remuneration and Appointments Committee did not change.

The Remuneration and Appointments Committee is composed of at least three members, including at least one member with knowledge and experience in the area of remuneration policy. The majority of the Remuneration and Appointments Committee members should be independent Members of the Supervisory Board.

Two of the three members of the Remuneration and Appointments Committee, i.e., Ms. Ewa Radkowska-Świętoń, who chairs the Committee, and member of the Committee Mr. Piotr Szczepiórkowski, meet the independence criteria under the Act of Statutory Auditors, Audit Firms, and Public Oversight.

The Remuneration and Appointments Committee's responsibilities include in particular:

- Planning of the remuneration policy for the Management Board Members;
- Alignment of the Management Board Members' remuneration with the Company's long-term interests and its financial performance;
- Recommendation of candidates to the Management Board to the Supervisory Board;
- Periodic assessment of the structure, number of Members, composition and performance of the Management Board, and, where needed, recommendation of changes in this respect to the Supervisory Board, and submission of a periodic assessment of the skills, knowledge and experience of the individual Management Board Members to the Supervisory Board.

In 2023, the Remuneration and Appointments Committee was primarily engaged in:

- preparing a Report on Remuneration of Members of the Management Board and Supervisory Board of KRUK S.A. for 2022, which involved collaborating with the Company, the Audit Committee, a legal adviser, the auditor evaluating the Report.
- The conclusions of the Report were subsequently presented to the entire Supervisory Board;

- reviewing the remuneration of Management Board Members;
- evaluating amendments to the “Monetary and Non-monetary Components of KRUK S.A. Management Board Members’ Compensation and the Policy for Granting Company Cars to KRUK S.A. Management Board Members”, as well as considering the conditions for acquiring new company cars for the Management Board Members and reviewing the Management Board’s request on this matter;
- advising on the draft resolution of the Supervisory Board concerning the fulfilment of the conditions for allotment of subscription warrants and the allotment of Tranche 2 subscription warrants to Management Board under the Management Stock Option Plan 2021–2024;
- appointment of an auditor to assess the Report on Remuneration of Members of the Management Board and Supervisory Board of KRUK S.A. for 2023;
- discussing the HR strategy for the KRUK Group, especially focusing on the remuneration of the Management Board and employees. As part of their work, the Committee developed a plan to issue recommendations for reviewing the remuneration of Management Board Members.
- planning for succession at the Company, with particular focus on succession plans for Management Board Members.

Matters within the remit of the Committee were discussed during meetings and conference calls and during Supervisory Board meetings. Committee meetings were also held using means of remote communication. All members of the Committee were involved in the Committee’s work, attending meetings and conference calls.

Finance and Budget Committee

The Supervisory Board appoints the Finance and Budget Committee from among its Members.

In the period 1 January–31 December 2023, the Finance and Budget Committee was composed of:

- Beata Stelmach – Chair of the Committee, independent Member of the Supervisory Board;
- Krzysztof Kawalec – Member of the Committee, non-independent Member of the Supervisory Board;
- Ewa Radkowska-Świętoń – Member of the Committee, independent Member of the Supervisory Board.

For detailed information on the remit, experience and satisfaction of independence criteria by members of the Finance and Budget Committee, see Section 8.3.5 *Composition of the Supervisory Board, its changes and rules of appointment*.

By the issue date of this Report, the above composition of the Finance and Budget Committee did not change.

The Finance and Budget Committee’s responsibilities include in particular:

- Drafting budget resolutions, issuing opinions and assessing draft resolutions of the Supervisory Board on matters related to the Company’s finances;
- Supporting the oversight of the Company’s budget implementation;
- ongoing analysis of the Company’s financial performance and condition;
- matters related to the operation of the Company’s cash, credit and tax systems, as well as its financial plans, budgets and property insurance contracts.

In 2023, the Finance and Budget Committee focused primarily on matters related to the Company’s and the Group’s budgets, as well as financial matters related to the Company’s operations. Members of the Finance and Budget Committee, acting within their remit, met with the Management Board on a monthly basis to review and monitor the Company’s and the Group’s current achievements and financial performance. In addition, they reviewed the business plan and were consulted to provide opinions on proposed changes to the KRUK Group’s financial plan for 2023 and draft budget for 2024. The Finance and Budget Committee held meetings using means of remote communication as well as holding consultations in the form of conference calls. All members of the Committee were involved in the Committee’s work, attending meetings and conference calls.

8.3.10 Policy and procedure for appointment of the auditor of financial statements of the KRUK Group, and Policy for the provision of non-audit services by an audit firm

The Company operates policies and procedures outlined in the following documents: Policy for appointment of the auditor of financial statements of the KRUK Group, Procedure for appointment of the auditor of financial statements of the KRUK Group, and Policy and procedure for procurement of non-audit services, governing the provision of permitted non-audit services by an audit firm carrying out the audit, entities related to the audit firm and a member of the audit firm's network.

All these documents were drafted with the support of Audit Committee members and adopted by way of Management Board resolutions, following their approval by the Supervisory Board.

Key points of the Policy for appointment of the auditor of financial statements of the KRUK Group:

- The auditor of the financial statements is selected by the Supervisory Board acting upon recommendations from the Audit Committee. Appointment of an auditor by the Group companies also requires approval from the Audit Committee.
- The selection process is independent and does not exclude any qualified auditors and audit firms qualified to audit financial statements from participating in the tender procedure.
- Evaluation criteria for audit proposals are to be transparent, and the scope of information about each company covered by a request for proposals must be sufficient to reliably assess the amount of work required to be performed by the firm of auditors.

The following must be taken into account by the Audit Committee and the Supervisory Board when, respectively, preparing recommendations for the Supervisory Board and selecting an auditor:

- the Auditor's fulfilment of the independence criteria with respect to all Group members whose financial statements are to be audited and reviewed
- the ability to provide a full range of services (statutory audit, review of the consolidation package and review of the financial statements of Group companies in Poland and abroad)
- the ability to perform the audit on the dates specified by the Parent
- experience in the auditing of international groups (experience in partnering with foreign auditors)
- experience in the auditing of securitisation funds
- experience in the auditing of public-interest entities
- experience in the auditing of companies operating in the same industry as the KRUK Group
- professional qualifications and experience of the auditor and other persons directly involved in the audit
- the price proposed for the audit
- reputation of the entity qualified to perform the audit

The auditor is selected for a period not shorter than two years and not longer than ten years, provided that the uninterrupted audit engagement may not be longer than five years. The term of the first agreement with the auditor is no less than two years, with an option to extend it for another period of at least two years. Upon expiry of the maximum period of cooperation, neither the auditor nor any member of its network may engage in the auditing of the financial statements for another four years. In special circumstances, if a KRUK Group company is unable to change its auditor, the Audit Committee may, despite the expiry of the maximum period of cooperation, give its consent to extending the period of cooperation with the existing auditor. Cooperation with the newly appointed audit firm begins with a review of the interim financial statements and ends with the issuance of an audit opinion on the full-year financial statements.

The key assumption underlying the Policy for procurement of non-audit services from the auditor is to ensure that the independence of the Group's auditor is not affected by any actual or potential conflict of interest, business relationship or any other direct or indirect relationship between the Group companies and the audit firm, audit team members and members of the audit firm's network. The KRUK Group does not engage the Group's auditor in the procurement of non-audit services if there is a risk of self-control, self-interest, promotion of a Group company's interests, familiarity or intimidation caused by a financial, personal, business, employment or other

relationship between a Group member and the auditor, the audit firm or a member of the audit firm's network, as a result of which an objective, reasonable and informed third party would conclude that the auditor's or audit firm's independence is compromised.

The Policy contains a list of permitted non-audit services that may be performed by the existing auditor, as well as a list of prohibited services.

Once the Audit Committee's approval has been received, the KRUK Group may cooperate with the auditor in the provision of other services, listed below, to the extent not related to the Company's tax policy:

- services performed in connection with the prospectus of an audited entity, carried out in accordance with the national standard for related services and consisting in carrying out agreed procedures:
 - a) conducting due diligence procedures with respect to the entity's economic and financial standing;
 - b) issuing comfort letters;
- assurance services with regard to pro forma financial information, profit forecasts or estimates, included in the prospectus of the audited entity;
- audit of historical financial information to be included in the prospectus, as referred to in Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
- verification of consolidation packages;
- confirmation of compliance with covenants under credit facility agreements based on the analysis of financial information sourced from the financial statements audited by the audit firm;
- assurance services with regard to reporting on corporate governance, risk management and corporate social responsibility;
- services consisting in the assessment of compliance of information disclosed by financial institutions and investment firms with the disclosure requirements concerning capital adequacy and variable remuneration components;
- assurance concerning financial statements or other financial information for regulatory authorities, the supervisory board or other supervisory body of the company or its owners, going beyond the scope of a statutory audit and designed to assist those authorities and bodies in fulfilling their statutory duties.

The following circumstances are taken by the Audit Committee into account when approving non-audit services:

- the Committee considers whether these services have a material effect on the audited financial statements;
- it ensures that the estimation of the effect on the audited financial statements is documented; and
- it considers whether the services do not affect the auditor's independence.

In connection with non-audit services provided by the auditor, the Audit Committee assessed the independence of the audit firm and approved the provision of those services. In line with the above Policy, in 2023 non-audit services provided by the auditor and approved by the Audit Committee related to:

- verification of consolidation packages;
- confirmation of the correctness of calculated ratios and the valuation of Maltese assets for the purposes of a syndicated credit facility agreement,
- an assurance service to confirm the possibility of interim dividend payment by a subsidiary.

For information on the auditor's fees, see Note 32 to the consolidated financial statements.

8.3.11 Appointment of the auditor

On November 18th 2021, by Resolution No. 47/2021, the Company's Supervisory Board, acting upon the Audit Committee's recommendation, appointed PricewaterhouseCoopers Polska sp. z o.o. Audyty sp.k. of Warsaw, entered in the list of qualified auditors of financial statements under Reg. No. 144, as the auditor to audit the

financial statements of KRUK S.A. and the consolidated financial statements of the KRUK Group for the financial years 2022–2024.

In the process of selecting the auditor to audit the financial statements for the financial years 2022–2024, the Audit Committee and the Company complied with the regulations, and the Audit Committee's recommendation concerning the appointment of an audit firm was prepared based on the Company's selection procedure consistent with the applicable criteria.

8.4 General Meeting

The General Meeting is the highest governing body of the Company. Rules governing the convening and operation of the General Meeting as well as its powers are set out in the Commercial Companies Code and in the Company's Articles of Association.

The Company's Articles of Association are available under 'Corporate documents' in the 'About Company' section of KRUK S.A.'s website at <https://en.kruk.eu/investor-relations/kruk-group#corporate-documents>

No Rules of Procedure for the General Meeting are in place at the Company.

The General Meeting may be held as an annual or extraordinary meeting. The Annual General Meeting is each time convened by the Company's Management Board within six months after the end of each financial year, and its agenda includes:

- consideration and approval of the Directors' Report on the Company's operations and the financial statements for the previous financial year;
- Adopting a resolution on the distribution of profit or coverage of loss;
- Granting discharge to the members of the Company's governing bodies in respect of performance of their duties.

An Extraordinary General Meeting is convened by the Management Board on its own initiative or at the request of shareholders representing at least a half of the share capital or a half of total voting rights in the Company, by the Supervisory Board if it considers it appropriate, or by shareholders authorised by the registry court pursuant to Art. 400.3 of the Commercial Companies Code.

The Company makes it possible for shareholders to participate in the General Meeting using means of electronic communication. The rules and conditions for participation in the General Meeting using such means of communication are set out in the 'Rules of remote participation in the General Meeting of KRUK S.A. by electronic means of communication' available on the Company's corporate website.

The right to attend the General Meeting is vested in persons who are the Company's shareholders sixteen days before the date of the General Meeting, as announced by the Company in each Notice of the General Meeting.

Shareholders representing at least one-twentieth of the share capital may request that an Extraordinary General Meeting be convened and that certain matters be placed on its agenda. The request should be submitted to the Management Board in writing or in electronic form. The Extraordinary General Meeting should be convened within two weeks of the Management Board's receipt of the request.

A shareholder or shareholders representing at least one-twentieth of the share capital may request that certain matters be placed on the agenda of the next General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the meeting.

A shareholder or shareholders representing at least one-twentieth of the share capital may, before the date of the General Meeting, submit to the Company draft resolutions regarding matters included or intended to be included on the agenda of the General Meeting. During the General Meeting each shareholder may submit draft resolutions regarding matters placed on the agenda.

The General Meeting is convened by posting the GM notice on the Company's website and in the manner specified for publishing current information in accordance with the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. The notice should be published at least 26 days before the date of the General Meeting.

Each share confers the right to one vote at the General Meeting. The General Meeting is valid regardless of the number of shares represented at the Meeting, unless the provisions of the Commercial Companies Code provide otherwise.

Resolutions of the General Meeting are adopted by an absolute majority of votes unless applicable laws or the Articles of Association provide otherwise.

The powers and responsibilities of the General Meeting include:

- consideration and approval of the Directors' Report on the Company's operations and the financial statements for the previous financial year;
- distribution of profit or coverage of loss;
- granting discharge to Members of the Management and Supervisory Boards in respect of their duties;
- decisions concerning claims for redress of damage caused upon formation of the Company or when managing or supervising the Company;
- sale or lease of, or creation of limited property rights in, the Company's business or of its organised part;
- amending the Company's Articles of Association;
- increasing or reducing the share capital;
- merger, transformation, or demerger of the Company,
- dissolving the Company and opening liquidation proceedings with respect to the Company;
- adopting the Rules of Procedure for the General Meeting and for the Supervisory Board;
- consideration and resolution of proposals put forward by the Supervisory Board;
- other matters reserved for the General Meeting under the Articles of Association or applicable laws.

The validity of resolutions of the General Meeting regarding a significant change in the Company's business profile does not require that the shares held by shareholders who oppose such change be bought back if such resolutions are adopted by the majority of two thirds of votes in the presence of persons representing at least a half of the share capital.

8.4.1 General Meetings in 2023

20 June 2023 was the date of the Company's Annual General Meeting, with the agenda including matters provided for in Art. 395 of the Commercial Companies Code. In addition to matters provided for in Art. 395 of the Commercial Companies Code, the agenda of the Annual General Meeting included voting on a resolution to give an opinion on the Report on Remuneration of Members of the Management Board and Supervisory Board of KRUK S.A. of Wrocław for 2022, in accordance with Art. 90g.6 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Dz.U. of 2022, item 2554, as amended).

The resolutions passed by the Annual General Meeting were published in Current Report No. 46/2023.

All the documents are available in the Investor Relations/Current Reports section of the Company's website at <https://pl.KRUK.eu/relacje-inwestorskie/raporty/raporty-biezace>.

The Company offered its shareholders the option to attend the General Meeting using electronic means of communication, enabling real-time two-way communication, exercise of voting rights at the General Meeting by a Shareholder or the Shareholder's Proxy, and real-time transmission of the General Meeting.

8.4.2 Rules governing amendments to the Company's Articles of Association

The rules governing amendment of the Company's Articles of Association are set out in the Commercial Companies Code. Pursuant to Art. 430 of the Code, any amendment to the Company's Articles of Association requires a relevant resolution by the General Meeting and must be entered in the relevant court register. In accordance with Art. 415 of the Commercial Companies Code, a General Meeting resolution concerning amendments to the Company's Articles of Association requires a majority of three quarters of votes.

The Company's Articles of Association do not include any provisions relating to their amendment which would stipulate in this respect any other rules than those defined in the Commercial Companies Code.

In 2023, no amendments were made to the Company's Articles of Association.

8.5 Key features of internal control and risk management systems used in the process of preparation of financial statements and consolidated financial statements

The Company has put in place an adequate and effective internal control and risk management system, which is designed to ensure the fulfilment of adopted objectives regarding operational efficiency and effectiveness, reliability of financial reporting, and compliance with applicable laws, regulations and internal policies. In particular, the Company takes the following steps to ensure effective internal control in financial reporting:

- ensuring that uniform accounting policies are applied by the KRUK Group to consolidated data companies as regards recognition, measurement and disclosures in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union,
- keeping current records of economic events in the integrated financial and accounting system by competent staff,
- applying the four-eyes principle to accept accounting records above the stated materiality thresholds,
- verifying accounting data through its regular comparison against budgets and previous years' data,
- an automated system for data consolidation, based on separate data recorded by local teams or/or data reported in consolidation packages,
- monthly comparison of consolidated financial data with management data,
- providing the KRUK Group companies with uniform templates of consolidation packages ensuring consistent data presentation,
- procedures for authorisation of and issue of opinions on financial statements before they are issued,
- independent and objective evaluation of the risk management and internal control systems.

The records of economic events at the key companies of the KRUK Group subject to consolidation are kept in an integrated financial and accounting system ensuring the security of data and information contained in it. The Company conducts regular reviews of the risks associated with the processing of information in the system as well as reviews of its business continuity plans. The Company regularly aligns the IT system of the consolidated companies to the changing tax and accounting regulations in the countries of their operation.

The Management Board of Kruk S.A. regularly approves accounting policy updates resulting from changes in accounting regulations. The accounting policy provides the basis for reporting data for consolidation purposes by KRUK Group companies, ensuring the application of uniform and appropriate accounting policies.

In addition, the risk management system in place ensures identification, analysis, assessment and monitoring of non-financial risks, supports decision-making processes and increases operational security. Responsibility for defining risk management procedures, ensuring their implementation, and overseeing their application lies with the Management Board.

For the risk management system and the internal control system to function effectively, responsibilities and tasks have been identified and assigned to three independent lines of defence within these systems:

1. 1st line of defence – All Operational Units as Risk Owner;
2. 2nd line of defence: Compliance Area, Legal and Data Protection Area, Cybersecurity Area;
3. 3rd line of defence – Internal Audit Area.

The Company monitors the emerging risks with a view to eliminating threats to the Company's operations and financial position or mitigating their impact and preventing materialisation of the risk in the future. The current concept of the risk management system is adequate to the Company's needs in this area.

8.6 Diversity policy

Since 2015, the Company and the Group have had in place a Diversity Policy document, updated on 25 August 2023. The Diversity Policy applies to all employees and associates of the KRUK Group, regardless of the basis of their employment or cooperation, obliging them to comply with its principles and values.

The adopted Diversity Policy aims to foster the creation and operation of a diverse, multicultural workplace by ensuring equal access to employment opportunities and equal prospects for promotion and professional growth for every employee, irrespective of gender, age, disability, health, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle, or any other criterion that could cause an individual to be treated less favourably than others. To effectively manage the Group's Diversity Policy, the following principles have been established, which the Kruk Group companies have committed to observe:

1. Diversity and inclusivity analysis: The Group monitors various diversity indicators, including:

- gender balance within the organisation;
- gender representation in promotion opportunities;
- gender pay parity;
- utilisation of parental leave (maternity, paternity, parenting, childcare) by gender;
- return rates after maternity, parental, and childcare leave;
- percentage of employees with disabilities;
- age diversity.

2. Integration of diversity: Employees are afforded the opportunity to develop and pursue long-term career paths within an inclusive work environment if they

- attain defined objectives;
- demonstrate an appropriate level of competence;
- embody an attitude aligned with the KRUK Group's values and consistent with its mission and vision, contributing to a safe, non-violent and discrimination-free workplace.

3. Internal and external impacts: The KRUK Group shares its vision to influence society and, in line with international benchmarks and market trends, contribute to creating an inclusive business environment. To achieve this, the Group undertakes the following initiatives:

- we educate the public to enhance financial literacy;
- we provide education at all levels of our own organisation through webinars, workshops, and articles disseminated through the corporate channel, taking into account the needs of managers and specialists, thus systematically enhancing knowledge and monitoring the indicators outlined in our ESG and diversity strategy.

The KRUK Group is a signatory of the European Diversity Charter and implements its principles regarding diversity management and equal treatment within the organisation. Under the Policy, each employee is obliged to respect other employees' right to privacy, must not interfere with their personal affairs, and must accept any existing differences.

The Responsible Business Forum, which coordinates the Diversity Charter in Poland, has affirmed through relevant certification KRUK S.A.'s position among the leading Polish employers in terms of diversity and inclusion management practices.

It is also worth noting that, in line with the principles of gender equality and equal employment opportunities, in 2023 women were at the helm of the Company's subsidiaries in five out of its seven European geographies, representing in aggregate 57% of the management staff. At the head office level, out of 23 Heads of Department 12 are women (52% of the total).

As at the date of this Report, the Company did not have in place a diversity policy that would be directly applicable to Members of its Management or Supervisory Board. However, work to establish such policy is under way. A

noteworthy fact is that five out of the 12 positions on the KRUK Management Board and Supervisory Board are filled by women, which represents an increase to almost 42%, from 25% in 2021.

8.7 [Material litigation, arbitration or administrative proceedings](#)

No material court, arbitration or administrative proceedings are pending against KRUK S.A or its subsidiaries in relation to their liabilities or claims.

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9 ADDITIONAL INFORMATION

9.1 Investor Relations

The Company's activities and initiatives in the Investor Relations area are targeted at:

- Polish institutional and retail equity and bond investors,
- foreign institutional equity and bond investors,
- brokerage house and investment bank analysts, and
- financial journalists.

What matters most for KRUK in its communication with the market is to provide it with fair, consistent and timely information on all material aspects of the KRUK Group's business, including the impact of external factors on its operations.

The key themes of the 2023 market communication included:

- The KRUK Group's financial results for 2022, Q1 2023, Q2 2023, H1 2023 and Q1-Q3 2023;
- Quarterly information on the KRUK Group's investments and recoveries;
- Estimated remaining collections (ERC);
- KRUK's 25th anniversary;
- Sharing the 2022 profit with shareholders through payment of dividend;
- International expansion of the KRUK Group;
- KRUK's technology development;
- Impact of proposed amendments to legislation on the Group's business and performance;
- Impact of inflation on the Group's business and performance;
- Ninth and tenth public bond issue programme in PLN and EUR;
- Swedish law bond issue framework in EUR.

KRUK communicated with the market on an ongoing basis, including through:

- Conferences held following release of earnings reports for 2022, Q1 2023, Q2 2023, H1 2023 and Q1-Q3 2023;
- Emailing and distributing a newsletter addressing key developments and events at the Group;
- Chats with retail investors;
- Interviews and comments by Company representatives in financial media (such as Parkiet, Puls Biznesu, Forbes, Stockwatch or Biznes24 tv);
- Running an investor relations subpage at <https://en.kruk.eu/investor-relations>;
- All press releases were published at <https://en.kruk.eu/investor-relations/news>, while periodic reports, including the Directors' Report on the operations of KRUK S.A. and the KRUK Group for 2023, were published at <https://en.kruk.eu/investor-relations/reports/interim-reports>;
- Telephone numbers, email address and the Investor Relations Area contact form are available to market participants at <https://en.kruk.eu/investor-relations/contact>;
- Continuous dialogue with investors, analysts, and finance journalists.

In 2023, both remote and in-person meetings were held. One earnings conference was held as a face-to-face event, while the other had the earnings call format. Additionally, the KRUK Management Board conducted a roadshow with investors from the UK, Scandinavia, and DACH region.

KRUK met with investors, analysts and journalists during a number of events, including:

- Conferences held following release of earnings reports for 2022, Q1 2023, Q2 2023, H1 2023 and Q1–Q3 2023;
- Arctic’s Debt Collection Seminar 2023 held online, January 2023;
- BM PKO BP CEE Capital Markets Conference, March 2023;
- BM Pekao 2nd Financials Conference in Warsaw, April 2023;
- SII Wall Street in Karpacz, May 2023;
- mBank+WSE Polish Capital Market in Warsaw, May 2023;
- Ipopema CEE Conference in Warsaw, June 2023;
- BM Pekao EEI Conference in Warsaw, September 2023;
- mBank/Commerzbank European Financials Conference, September 2023;
- Roadshow DACH held online, September 2023;
- PKO BP by the Sea in Sopot, September 2023;
- ERSTE The Finest CEElection Investors Conference in Vienna, October 2023;
- DNB Nordic Credit Conference in Stockholm, November 2023;
- WOOD’s Winter Wonderland EME Conference in Prague, December 2023.

Recommendations on KRUK shares issued by brokerage houses are published by the Company at <https://en.kruk.eu/investor-relations/reports/analytical-reports>.

Table 49. Most recent recommendations on KRUK shares issued by brokerage houses

ISSUE DATE	BROKERAGE HOUSE	RECOMMENDATION	PRICE TARGET (PLN)
February 2024	DM Trigon	buy	570.00
January 2024	DM mBanku	buy	532.36
October 2023	Bank Pekao BM	buy	524.00
October 2023	DM Trigon	buy	525.00
October 2023	DM mBanku	buy	493.25
July 2023	DM Trigon	buy	500.00
July 2023	DM PKO BP	hold	474.00
June 2023	Bank Pekao BM	buy	440.00
April 2023	DM PKO BP	buy	385.00
March 2023	DM mBanku	buy	388.66
January 2023	DM PKO BP	hold	371.00

Table 50. Research coverage

COMPANY	ANALYST	CONTACT DETAILS
Citi	Andrzej Powierża	andrzej.powierza@citi.com
DM mBank	Michał Konarski	michal.konarski@mdm.pl
DM PKO BP	Jaromir Szortyka	jaromir.szortyka@pkobp.pl
DM Pekao	Michał Fidelus	michal.fidelus@pekao.com.pl
DM Trigon	Grzegorz Kujawski	grzegorz.kujawski@trigon.pl

Source: in-house analysis.

9.2 Auditors

On November 18th 2021, by Resolution No. 47/2021, the Company's Supervisory Board, acting upon the Audit Committee's recommendation, appointed PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. of Warsaw, entered in the list of qualified auditors of financial statements under Reg. No. 144, as the auditor to audit the financial statements of KRUK S.A. and the consolidated financial statements of the KRUK Group for the financial years 2022–2024. The current auditor's fees for the audit of the financial statements have been agreed at PLN 2,518 thousand (2022: PLN 2,226 thousand); for other assurance services (including review of financial statements and verification of consolidation packages) – at PLN 700 thousand (2022: PLN 504 thousand). The separate and consolidated financial statements for 2023 were audited by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt Sp. k.

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10 NON-FINANCIAL STATEMENT

10.1 Business model and key non-financial indicators

[2-1] [2-2] [2-6]

The KRUK Group comprises KRUK S.A. as the parent, 22 subsidiaries with cross-equity links and two entities controlled through personal links. The Group's principal business is the management of debt purchased for the Group's own account and management of debt for institutional clients in three segments:

- Consumer debts (retail, unsecured),
- Mortgage debts (retail, secured),
- Corporate debts (mortgage-backed and non-mortgage-backed).

The KRUK Group manages receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunications operators, cable TV operators, digital TV operators, and companies from the FMCG sector. KRUK's business focus is on the bank market and unsecured retail debt, based on long-term relationships with key partners.

The KRUK Group includes Wonga.pl, a company operating on the open consumer loan market in Poland. The Group also offers loan products under the NOVUM brand, primarily targeting clients who make regular repayments or have paid off their debts to the Group in Poland and Romania. Until 24 January 2023, the Company also owned ERIF BIG, a company that collects and provides credit information in Poland⁸.

Since 2011, KRUK S.A. shares have been traded on the Warsaw Stock Exchange, and since November 2022 the Company has been part of the WIG20 blue chip index. Bonds issued by the Company are traded on the Catalyst bond market in Poland and (since 2023) on Nasdaq in Sweden.

The KRUK Group is one of Europe's largest debt management companies. It operates in Poland, Romania, the Czech Republic, Slovakia, Italy and Spain, and has assets in Germany and (since January 2024) also in France. In 2023, the Group managed total assets of PLN 8.7bn and earned a profit of PLN 984m.

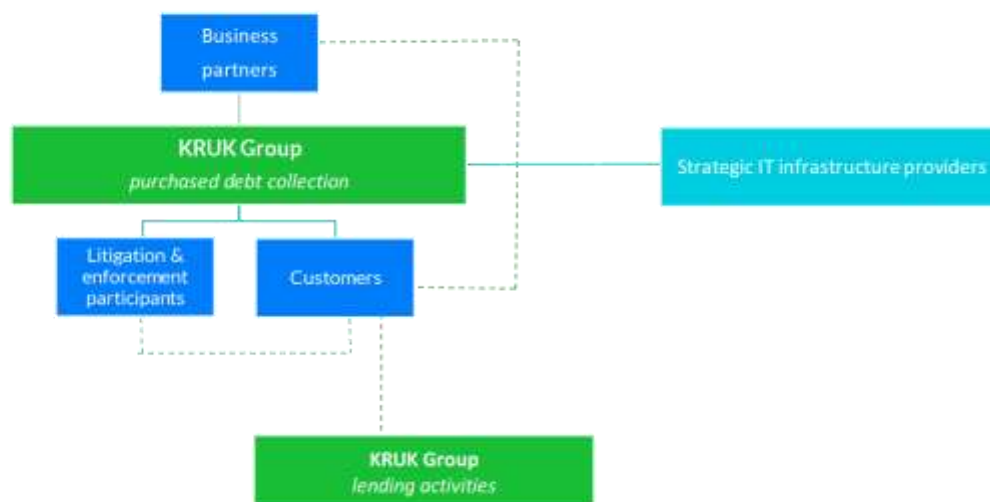
The KRUK Group's full structure is available on the website at: <https://pl.KRUK.eu/relacje-inwestorskie/o-spolce> and is presented in Section 2.2.1 Description of the Group's structure.

The KRUK Group's upstream value chain encompasses a network of business partners such as banks, loan originators, insurers, leasing companies, telecoms and other utility providers. The Group's business is based on long-term relationships with key partners, With a primary focus on the bank market.

On the downstream side of the value chain, there are individual and corporate clients, particularly small and medium-sized enterprises (SMEs). Debts owed by clients are recovered directly through an amicable process or indirectly via litigation and court-enforced collection, in cooperation with competent debt enforcement officers. Worth noting is that the initiation of court proceedings does not exclude the possibility of amicable repayment

⁸ In January 2023, an agreement was concluded with the CRIF Group companies to sell 100% of ERIF BIG shares and 100% of EBS shares.

(hybrid process). In addition to the purchase and recovery of debts for its own account, the KRUK Group provides credit management services, collecting debts for other entities. Clients who have paid off their liabilities towards KRUK have access to consumer loans, which can aid in rebuilding their credit history. The KRUK Group's operations rely on key ICT infrastructure, ensuring the continuity of operational processes and security of data storage for other entities within the Group's value chain.



Overview of the KRUK Group's business in 2023:

- PLN 3.0bn – recoveries from debt portfolios purchased by the KRUK Group
- PLN 3.0bn – investments in debt portfolios with a nominal value of almost PLN 14.5bn
- 90% of all purchases involved unsecured retail debt
- 74% of investments were made outside Poland
- PLN 984m – KRUK Group's net profit
- PLN 2.1bn – KRUK Group's cash EBITDA
- 3,426 – the size of the KRUK Group workforce.

[2-28]

We share our experience and best practice with other market participants working with us in industry organisations and associations. For example, KRUK S.A. is a member of the Association of Financial Companies in Poland and the *Lewiatan* Polish Confederation of Private Employers, with the memberships allowing us to provide feedback on draft legislation pertaining to our industry.

Furthermore, the KRUK Group companies are members of:

- ACA International (KRUK Ceska a Slovenska Republika S.R.O.),
- Asociácia Slovenských Inkasných Spoločností (KRUK Ceska a Slovenska Republika S.R.O.),
- Asociace Inkasních Agentur (KRUK Ceska a Slovenska Republika S.R.O.),
- Asociația De Management Al Creantelor Comerciale (KRUK România S.R.L.),
- Angeco (KRUK Espana),
- Unione Nazionale Imprese A Tutela Del Credito (KRUK Italia),
- Confindustria – La Spezia (KRUK Italia).

10.2 Responsible governance

10.2.1 Sustainability priorities and contribution to achieving Sustainable Development Goals

[3-3]

In line with its corporate governance principles, the KRUK Group is committed to growing sustainably. Its activities are grounded in the three fundamental pillars of responsible governance and social and environmental responsibility. Oversight of environmental, social, and governance (ESG) matters is entrusted to the ESG Strategy Manager, reporting directly to the President of the Management Board.

Responsible governance

It is about supporting the economy by helping to restore liquidity in the market. Acting fairly and openly, the Group provides consumers with knowledge related to debt, which is recovered in compliance with the law and the Group's best practice, with due respect for clients. The KRUK Group operates transparently and in compliance with law. The KRUK Group companies also collaborate with organisations and associations that are committed to sustainable and ethical economic growth.

The Sustainable Development Goals we support:



Social responsibility

It focuses on:

- Fostering partner relations with employees, promoting workplace diversity and providing opportunities for professional development. The KRUK Group fully respects the rights of its employees and abides by the provisions of the Declaration of Human Rights. It supports the integration of people processes, strengthens its organisational culture and develops leadership to be an employer of choice.
- Running awareness-raising campaigns that highlight the social norm of debt repayment. The KRUK Group strengthens the public awareness of being responsible for one's debt and of the consequences of non-payment, and clearly explains the debt collection process.

The Sustainable Development Goals we support:



Environmental responsibility

Our environmental responsibility consists in taking pro-environmental measures geared towards climate change adaptation. Through financial education activities, the KRUK Group seeks to raise public awareness of excessive consumption, pointing out that by curbing consumerism we help the natural environment.

The Sustainable Development Goals we support:



"In line with previous years, the daily endeavours of KRUK Italia over the past year were dedicated to supporting ecosystems, biodiversity, and local communities. Notably, we expanded the ZeroCo2 project to include an initiative of planting one tree per employee. Through this initiative, KRUK planted 400 trees across 7,900 square metres of forest land in Liguria, Lombardy, Emilia-Romagna, and Sicily. Additionally, the Mobility Programme was launched to encourage environmentally conscious behaviour among employees. In 2023, we also engaged in the 9th Run for Children charity

event, with nearly 100 participants from KRUK running or walking in support of the La Spezia hospital on a beautiful sunny day. Finally, we place significant emphasis on diversity and inclusion. At KRUK Italia, we continuously strive to cultivate an inclusive work environment where all individuals feel empowered to participate and voice their opinions. This integrative environment is also reflected in gender diversity, with KRUK Italia standing out for having 60% of management positions held by women, despite the male-dominated financial sector in Italy, particularly evident in our industry.”

– Tomasz Kurr, General Director KRUK Italia

As a member of the United Nations Global Compact (UNGC) since 2019, KRUK S.A. consistently reports on the progress made in implementing the 10 Global Compact principles. The Communication on Progress (CoP) report details the measures taken and results achieved, drawing from information provided in the Directors' Report on the operations of the KRUK Group and KRUK S.A., the KRUK Group's Sustainability Report, and internal documentation. KRUK S.A.'s status is publicly accessible [on the UNGC website](#).

10.2.2 Governance

[2-9] [2-10] [2-11] For information on the Company's governance structure and composition, nomination and selection of the highest governance body, as well as the chair of the highest governance body, see Section 8.3 *Governing bodies*.

10.2.3 ESG management

[2-12] [2-13]

Responsibility for developing, approving and updating the Group's sustainable development objectives, strategies and policies rests with the Management Board of KRUK S.A. The responsibility of the President of the KRUK S.A. Management Board for ESG and impact management at the head-office level is defined in internal regulations, such as the Environmental Policy, the Human Rights Policy, the Code of Ethics and the organisational rules of KRUK S.A.

ESG management at the Group is supported by KRUK S.A.'s dedicated employees: the ESG Strategy Manager, the Environmental Specialist and the ESG Reporting and Communication Specialist. Outside of Poland, in other countries where KRUK operates, there are designated persons responsible for the ESG area(s) and decisions on their scopes of responsibility are made by General Directors.

[2-16] The designated Member of the KRUK S.A. Management Board is updated on the ESG performance during meetings held every two weeks. Issues related to environmental, human and economic impacts are discussed as needed when planning strategic goals and at the start of new projects. Every quarter, formal meetings are also held with the Management Board. In 2023, they covered the four critical areas of the Group's ESG Strategy (governance, people, society and the environment), along with indicators reflecting progress towards the strategic goals.

[2-22] [2-23] We adopted the ESG Strategy for 2023–2040 in December 2022, as a vital and integral part of KRUK's business strategy for 2019–2024. Among the identified areas of impact are those pertaining to governance, employees, society and the environment. The strategic objectives for employee and social matters defined in the ESG Strategy include gender equality in access to promotion and equal remuneration, as well as work on advancing financial and digital integration. The KRUK Group seeks to maintain decent working conditions and ensure respect for employee rights through such initiatives as development of a long-term Group-wide DEI (Diversity, Equality, Inclusion) programme, continued dialogue with local communities, and offering financial and digital education to the Group's clients and people in financial distress.

[2-24] As regards corporate governance, the ESG Strategy aims to ensure that the highest standards of responsible debt collection are maintained. Areas of focus include:

- Compliance – we aim to continually build the compliance culture underpinned by shared values, beliefs, attitudes and expectations, through measures such as fostering compliance with laws applicable in each of the countries where the KRUK Group operates and with the Group’s internal rules and procedures, adhering to the principles of ethics and integrity, and preventing unethical practices.
- GDPR – we intend to support the organisation’s sustainable development in data protection through such measures as strengthening privacy by design and privacy by default, particularly for projects related to new technologies and digitalisation.
- Cybersecurity – we intend to ensure that 90% of our staff undergo cybersecurity training by 2025 and that engagement in the existing training programme is maintained at 80%.
- ESG risks and opportunities

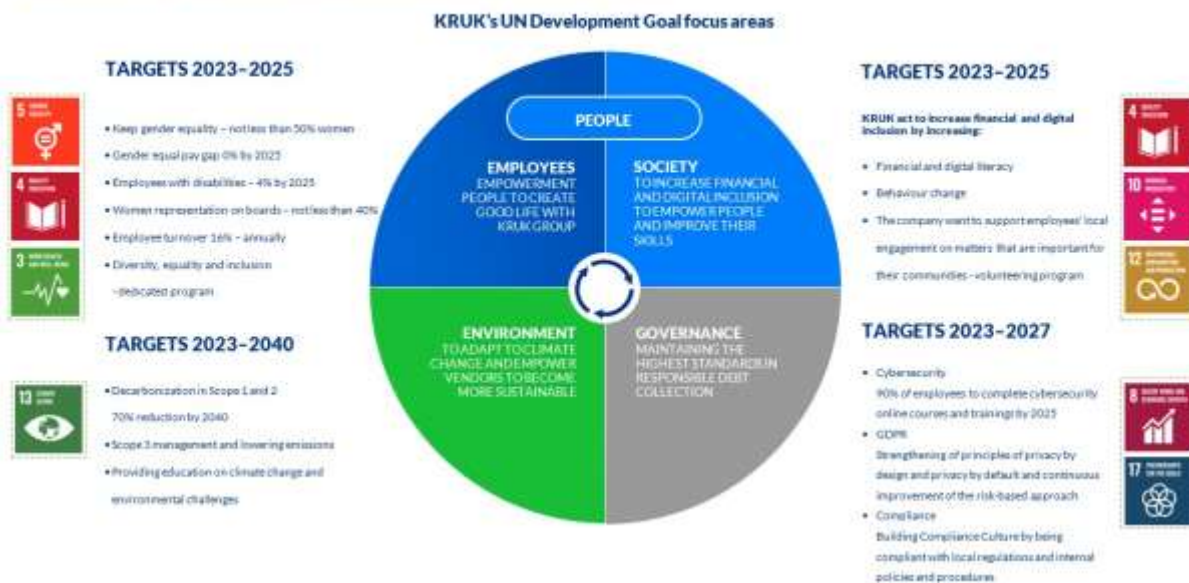
The environmental matters dealt with in the Company’s ESG Strategy include management objectives and methods, a plan to develop appropriate processes to cut down Scope 1, Scope 2 and Scope 2 CO2 emissions in accordance with the GHG Protocol, as well as a plan for climate change adaptation. As of 2022, we undergo CDP audits to check the organisation’s maturity in environmental management.

In 2023, a study was carried out to examine selected potential climate and environmental risks associated directly with KRUK’s operations or operating regions. It was carried out jointly with local experts, based on maps predicting climate change and its effects. Climate risks that could result in business disruption or lack of access to the organisation’s resources will be added to the already defined operational risks, slightly affecting their previous assessment. However, climate risks not previously identified within the non-financial risk management system have been defined and will be covered by the system as new risks starting from 2024.

At this stage, no items of the statement of financial position have been identified that could be significantly affected by the examined climate risks. However, in the context of a review of the secured portfolios, given the short property management period (usually not exceeding 18 months for each real property), relevant controls will be put in place, allowing the Company to determine whether a discount would be required affecting total assets if any unpredictable phenomena were to occur in the future.

[3-3]

ESG targets to be achieved in the coming years
Maintaining a high ESG standard is at the top of KRUK’s agenda



[2-24] The ESG Strategy was adopted at the head-office level. Its implementation at the Group companies in individual markets is adapted to local business plans and complies with the guidelines adopted at the head-office level. Strategy execution lies within the remit of strategic area owners at the central and local levels.

[2-17] KRUK S.A. Management Board's understanding of sustainable development matters is broadened thanks to, among other things, the CEO's participation in the United Nations Global Compact Network Poland and active involvement of the CFO in environmental responsibility management events, such as the 11th World Urban Forum and its Business Council. KRUK S.A. participates in UNGC's Business and Human Rights and Climate Positive programmes. In addition, KRUK S.A. has completed the Target Gender Equality programme. TGE focuses on the implementation of UN Sustainable Development Goal 5 Gender equality and Goal 8 Decent work and economic growth. The programme aims primarily to strengthen the participation and leadership of women in business. In preparing to implement human rights due diligence processes in 2023, the KRUK Group also took part in the International Human Rights Accelerator initiative of the United Nations Global Compact.

[2-24] Regular ESG training is organised at KRUK S.A. locally for General Directors and managers. In 2023, KRUK S.A. organised a series of 'ESG Academy' training sessions, providing each employee with the opportunity to participate in webinars led by internal and external experts on sustainability topics relevant to the KRUK Group's ESG Strategy.

10.2.4 Process for defining materiality

[2-29] The KRUK Group provides its stakeholders with accurate and reliable information about its organisation – both the measures taken and changes planned. The Group gives priority to dialogue as the basis for mutual understanding in a changing environment. The form and frequency of the stakeholder dialogue are adapted to the characteristics of a given stakeholder group as well as to the expectations of and problems pertaining to both parties.

KRUK also reviewed the key stakeholder groups based, among other things, on an internal analysis of entities interacting with KRUK's individual departments, as well as social research and client satisfaction surveys.

Stakeholders of the KRUK Group:

- employees,
- clients (indebted persons and persons using services offered by KRUK Group companies),
- SMEs (indebted companies),
- business partners (large corporations and institutions providing services to mass-market clients, such as banks, loan providers, insurance companies, leasing and factoring companies, telecoms),
- regulators and supervisory authorities,
- industry associations,
- shareholders, investors, stock analysts
- suppliers,
- competitors,
- financial institutions,
- social organisations,
- market regulators,
- the media.

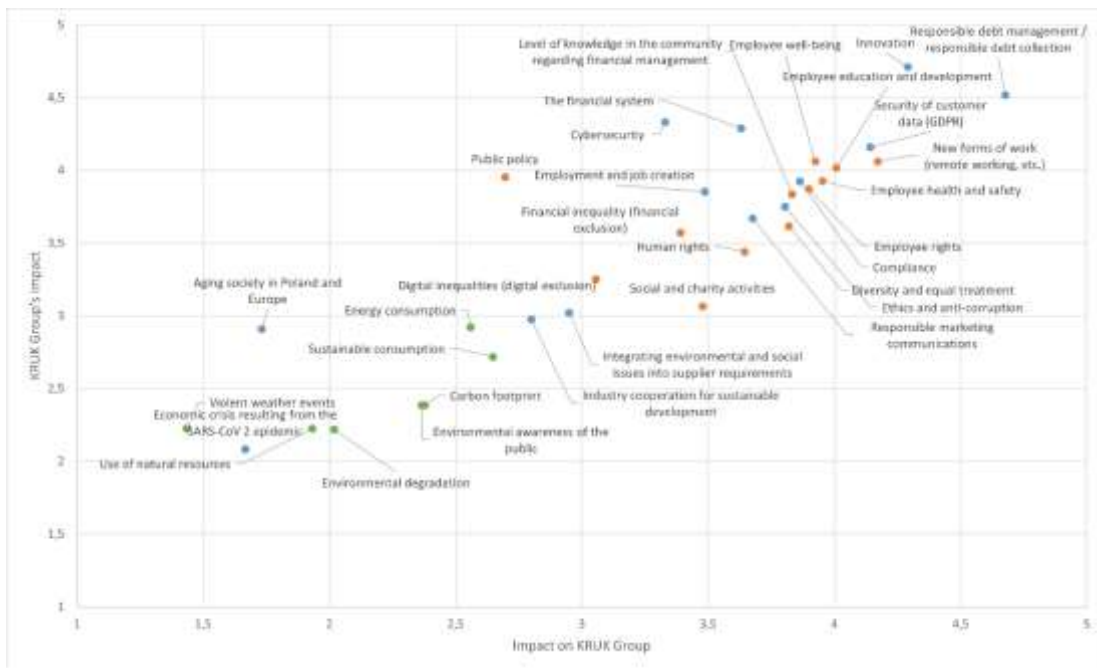
Table 51. Forms and frequency of dialogue with KRUK Group stakeholders

STAKEHOLDER GROUPS ENGAGED	PURPOSE OF STAKEHOLDER ENGAGEMENT	DESCRIPTION OF STAKEHOLDER ENGAGEMENT
Employees	Ensuring the best possible working conditions, tailored to specific employee groups. Creating a safe and inclusive working environment. As a result, wellbeing and health promotion programmes are developed to meet the needs identified among the KRUK Group's employees.	<ul style="list-style-type: none"> • employee forum • employee surveys, meetings, events, whistleblowing channels
Shareholders	Ensuring quality, transparent and reliable information that supports decision-making processes.	<ul style="list-style-type: none"> • current, quarterly, interim, annual and sustainability reports • periodic earnings conferences • face-to-face and online meetings, phone calls • website dedicated to investors https://en.kruk.eu/investor-relations • General Meeting • mailing, press releases • participation in industry conferences
Clients/consumers, including indebted persons, borrowers and SMEs with debts	With a better understanding of client needs, we can consistently improve our solutions to meet client expectations. For this reason, we simplify the language we use in our client-oriented communications and make our services more accessible, for instance through the launch of the e-KRUK platform.	<ul style="list-style-type: none"> • the e-KRUK.pl platform and other websites operated by different KRUK Group companies • face-to-face and telephone conversations with KRUK advisers, and consultations through chat bots • client feedback surveys
Business partners (large corporations and institutions providing services to mass-market clients, such as banks, loan providers, insurance companies, leasing and factoring companies, telecoms)	Business partners represent an important part of KRUK's business model. By engaging its Partners, the KRUK Group is able to better deliver its own business strategy. At the macroeconomic level, the collaboration helps drive economic growth in the markets where the strategy is pursued.	<ul style="list-style-type: none"> • trading partner satisfaction survey • face-to-face meetings, phone calls, e-mails
Suppliers	Building lasting and quality relations with suppliers. Transparency in defining the rules applicable to the procurement process and in incurring obligations for and on behalf of the KRUK Group companies – all in keeping with the KRUK Group's values, mission, vision and strategic objectives – is described in the Procurement Policy.	<ul style="list-style-type: none"> • face-to-face meetings, phone calls, e-mails
Competitors	Supporting the development of the entire industry and educating the society together with competitors on how debt collection fosters sustainable economic growth and liquidity of the entire economy.	<ul style="list-style-type: none"> • participation in discussions on how to improve the image of the entire debt management industry in Poland (in a working group set up by the Association of Financial Companies in Poland) • cooperation between credit reference agencies and non-banking consumer lending companies • participation in industry conferences in the countries where the KRUK Group operates

Non-profit organisations	Supporting social initiatives consistent with the identified impacts of the KRUK Group.	<ul style="list-style-type: none"> • participation in financial education events and various charitable and philanthropic initiatives • participation in surveys and reports at the invitation of non-profit organisations
General public	Improving the quality of and access to sound financial education for the general public. The kapitalni.org website and educational campaigns such as the 'Day Without Debt' event are among initiatives that the KRUK Group uses to prevent educational exclusion in the field of money management.	<ul style="list-style-type: none"> • social surveys on matters related to finance and debt • financial education workshops and training • press materials, awareness campaigns run through the press, internet, radio and TV channels
Regulators and industry associations	Developing and promoting high standards in Compliance, GDPR and rights and freedoms of data subjects.	<ul style="list-style-type: none"> • participation in issuing opinions on new regulations, draft laws and standards (in working groups appointed when and as needed)

[3-1] The KRUK Group has adopted the ESG Strategy, being an integral part of its business strategy. Among the identified areas of impact are environmental, employee, social and governance matters.

The Group has also drawn up a list of 32 impacts, comprising its actual and potential, both negative and positive impacts on the economy, environment and people, including human rights, across the whole range of the organisation's activities and business relationships. It was determined on the basis of stakeholder expectations, legal regulations, international standards, industry guidelines, as well as the mission, vision and values guiding the KRUK Group's activities. In 2023, the survey was updated by probing a selected group of internal stakeholders, yielding results consistent with those obtained in 2022. While the list of potential and actual material topics remained unchanged, the importance of innovation and cybersecurity increased. Conversely, the impact of the COVID-19 pandemic decreased.



Both these processes, namely the assessment of the materiality of sustainability topics and the development of the ESG Strategy, were used to identify material topics.

[3-2] Table 52. List of material topics

ENVIRONMENTAL ASPECTS	SOCIAL ASPECTS	GOVERNANCE ASPECTS
<ul style="list-style-type: none"> • Carbon footprint, including energy consumption • Building the awareness of environmental issues among employees, suppliers, and clients 	<ul style="list-style-type: none"> • Employee matters • Social responsibility towards clients and the broader community 	<ul style="list-style-type: none"> • Compliance • Cybersecurity and GDPR

10.2.5 Risk management system

At the KRUK Group, non-financial risks are managed in accordance with the standards laid down in the Risk Management System Policy. This Policy is a set of rules and mechanisms related to decision-making processes and assessment of the Group’s operations in terms of the risks involved. The system operates on the basis of the risk management strategy, policies and instructions, its effectiveness being monitored and assessed by the Supervisory Board, in accordance with ‘Best Practice for GPW Listed Companies’.

The non-financial risk management system in place ensures identification, analysis, assessment and monitoring of non-financial risks, supports decision-making processes, and increases safety of operations. Responsibility for defining risk management procedures, ensuring their implementation, and overseeing their application lies with the Management Board. For the risk management system and the internal control system to function effectively, responsibilities and tasks have been identified and assigned to three independent lines of defence within these systems:

1. 1st line of defence – All Operational Units as Risk Owner
2. 2nd line of defence – Compliance Area, Legal and Data Protection Area, Cybersecurity Area
3. 3rd line of defence – Internal Audit Area

The Company monitors the emerging risks to enhance its operational security, ensure the reliability of its processes, and achieve specific business objectives.

In 2023, the existing non-financial risk management system was reviewed. As at the date of this Report, the following risks were identified:

- operational risk
- ICT risk,
- legal risk
- compliance risk,
- personal data protection risk.

Non-financial risk management framework at the KRUK Group



In 2023, efforts were initiated to incorporate ESG risks (including social, management, and environmental risks) into the non-financial risk management system. These initiatives are set to continue through 2024.

[2-25] Across all its geographies, the KRUK Group has established processes to manage and address client complaints, inquiries, and requests for all its debt management business lines. Complaints are processed according to the regulatory requirements specific to each market, ensuring timeliness and respect for the rights of the complainant. The review process of a complaint involves subject matter experts from the relevant business line or product area, with the Compliance function and relevant legal services unit contributing as necessary. The procedures for receiving and addressing complaints are detailed in internal policies, and employees processing them are regularly trained. Furthermore, in 2023 a system was introduced for reporting justified complaints, i.e. where the underlying issue was caused by a deficiency in the methods or practices of a KRUK Group company, to a dedicated incident reporting channel. This approach allows for an in-depth analysis of complaint causes and associated risks and for the development of mitigation and prevention strategies. The complaint management process undergoes regular internal audits and may also be reviewed by duly authorised third parties, which ensures continuous enhancement of its efficiency and overall quality.

10.3 Our role in the financial system

10.3.1 Restoring financial liquidity in the market

The debt management market contributes significantly to the proper flow of money and thus to fostering economic prosperity. According to the Association of Financial Companies in Poland, of which KRUK S.A. is a member, key impacts of debt management companies include⁹:

- clearing payment bottlenecks between businesses, enhancing financial liquidity, and reducing the level of bad debt provisions. Thanks to organisations like the KRUK Group, other businesses can often proceed with their investments and face a reduced risk of bankruptcy;
- raising payment morality and stabilisation of the market where other enterprises operate alongside debt management companies;
- increasing confidence in business transactions;
- increasing productivity in the economy and allowing companies to focus on expansion and revenue growth rather than dealing with the consequences of a growing volume of overdue receivables;
- supporting price stability by ensuring proper financial flows;
- unlocking resources for companies, which then can be applied to create new jobs, etc.

⁹ https://zpf.pl/pliki/stanowiska/stanowisko-zpf-w-sprawie-projektu-ustawy-o-dzialalnosci-windykacyjnej-i-zawodzie-windykatora_241022.pdf

KRUK has been present on the Polish market for nearly a quarter of a century, witnessing and participating in the transformation of the financial industry in Poland. Today, KRUK is one of the most experienced players in Europe in terms of debt purchase and collection. KRUK has helped millions free themselves of debt, while simultaneously aiding numerous businesses in bolstering their financial liquidity.

“For more than 25 years, KRUK S.A. has been in dialogue with indebted persons about their options to become debt free and has also been running various educational activities. They are intended to raise financial awareness among the general public and to promote secure use of digital tools that can facilitate debt repayment. In our awareness-raising campaigns, we explain how important professional debt management companies are to business transactions. As the leader of Poland’s debt management market, we are committed to upholding the highest standards and service quality for both our business partners and our clients, who are indebted persons. Furthermore, we continually strive to set industry trends in keeping with current social norms, ethical standards, legal and regulatory requirements, and our core values. Importantly, many of our efforts in Poland support the sustainability goals and the KRUK Group’s ESG projects.”

– Tomasz Ignaczak, General Director KRUK S.A.

The KRUK Group supports the development of the entire industry and the collective effort to educate the society on how debt collection fosters sustainable economic growth and enhances liquidity throughout the economy. Collaborating with other industry players, KRUK strives to establish consistent operational standards for all debt management companies and harmonise the interpretation of the applicable laws and regulations. KRUK is part of a working group set up by the Association of Financial Companies in Poland, participating in discussions on how to improve the perception of the industry in our country.

For years, KRUK S.A. has been actively engaged in the ‘Debt Collection? Everything Clear!’ campaign run by the Association of Financial Companies in Poland. The initiative is dedicated to raising consumer awareness that professional debt collection companies operate in accordance with the principles of ethics and the Code of Best Practice, which are reviewed by the Association. In 2023, 523 publications were issued as part of the campaign, reaching over 5.2 million people.

The organisation’s technological advancement has allowed us to robotise amicable and enforced collection processes and interactions with business partners. Digital transformation is crucial to building KRUK’s sustainable competitive advantage. For a comprehensive overview of digital solution implementations, including the ‘Discovery’ programme, see Section 6.1 ‘Development directions and prospects of the KRUK Group’.

[207-1] [207-2] The KRUK Group operates across European Union member states in compliance with all applicable local tax laws and regulations. Exercising due care in its tax filings and seeking to mitigate tax risks, KRUK S.A. monitors tax authorities’ approach to issues of importance to the Company and analyses the potential tax consequences of any legislative changes. The Company employs qualified personnel, including a tax adviser responsible for monitoring changes in the law and analysing the Ministry of Finance’s clarifications and tax rulings. The impact of new regulations on current business transactions is monitored by dedicated teams. Where necessary, KRUK implements appropriate procedures to harmonise internal processes and ensure proper fulfilment of our tax obligations. KRUK S.A. has a Tax Committee in place, who meet as needed to make decisions on tax issues that require consultation or adjustment in accordance with the process described in the Tax Policy.

Our tax strategy was adopted by a resolution of the KRUK S.A. Management Board, with annual updates on its implementation published on the Company’s website.

The tax function control procedures adopted by KRUK S.A. comprise internal procedures and controls as well as internal and external audits. The results of external audits are implemented to improve the effectiveness of internal controls.

10.3.2 Responsible debt management

[3-3 Social Responsibility] Responsible debt management involves recognising the ramifications of debt and taking steps to either prevent or mitigate its adverse effects. It addresses the implications of debt for economic transactions as well as its impact on individuals. Additionally, it entails an understanding of the current state of societies, the level of global polarisation, and the dynamics of trends swiftly turning future prospects into present realities. Ultimately, responsible debt management incorporates this understanding into the company's actions, aiming to benefit and provide comfort to all involved in the debt collection process.

The KRUK Group understands its role in the financial system and economies of democratic countries. Its intention is to counter financial exclusion and offer indebted persons an opportunity to become debt free. The Group's activities are guided by, among other things, the Code of Ethics and best practices developed by national industry associations, which set out the principles of responsible debt collection in a precise and specific way, with due respect for human rights.

At the same time, the Group creates standards of conduct and processes that support the development of responsible debt collection, taking care to comply with applicable laws and regulations, both external and internal. Conduct based on the principles of integrity, impartiality and professionalism guarantees that any decisions made are ethical and that our employees remain respectful of the Group's internal and external stakeholders.

As a debt management organisation with more than 25 years of operating history and the market leader in Poland and Romania with a strong presence in Spain and Italy, we recognise that our attitudes and decisions influence the situation of many people. Top standards of conduct followed at the Group are meant to build a sense of stability and safety among the recipients of its services.

The KRUK Group's mission, values and standards require employees to apply an individual approach to each client and show respect and understanding of their situation. Operating in the debt management market, the Group safeguards compliance with social and legal norms dictating that debt incurred must be repaid. Clients are informed of their liabilities and the consequences of non-payment in an ethical, clear, lawful, and transparent manner. When contacting a client by telephone, in writing, online or at direct meetings, the Group's employees always present the possible debt repayment options. The Group monitors the quality of its services and client service standards. The process is refined on the basis of client satisfaction surveys, social research and market needs. At a broader level, this translates into increased public confidence in business at large, raising expectations for companies to engage more actively in enhancing existing systems and assuming greater social responsibilities. Helping individuals navigate through debt crises and advocating for the fulfilment of financial obligations in keeping with the fundamental social norms are the cornerstones to the KRUK Group's mission.

In 2023, the daily reality of the Group's clients was largely dominated by the mounting economic crisis due to high inflation, persistent digital inequalities both in terms of access to technology and the ability to use it in practice, as well as various mental health problems, especially among indebted persons.

In 2023, the KRUK Group helped more than 250,000 individuals across Europe to free themselves of debt, providing assistance to its clients by developing online debt management tools, offering financial education, and consistently examining their problems, needs, and motivations to better tailor the Group's product offering.

The e-KRUK online platform allows clients to manage their debts easily and comfortably. As debt can lead to feelings of shame or embarrassment, the platform is continuously improved to meet the needs of clients seeking to manage their liabilities with minimal interaction with the debt collection company.

In one of the KRUK Group's geographies operates, more than 50% of clients in 2023 entered into repayment agreements through the e-KRUK online platform. The Customer Effort Score (CES) for self-managed agreements was 4.8/5, and 4.7/5 for those facilitated by a KRUK adviser. Furthermore, a vast majority of clients reported that reaching an agreement with an adviser's assistance did not demand any extra effort on their part. Eight out of ten surveyed clients had initially expected that arranging payment terms with KRUK would be more challenging.

Managing personal finances can be quite challenging, particularly in today's fast-paced world that demands swift and consequential decisions. Recognising this challenge, the KRUK Group facilitates the decision-making process of its clients by integrating the principles of plain language into all communications. In 2023, this approach was extended to educational campaigns and partnerships with financial experts and influencers, who provided our clients with actionable insights for better financial management in their everyday lives.

The KRUK Group is committed to building its brand and managing risks in a conscious manner as well as ensuring that all our advertising messages comply with the applicable legal and regulatory requirements and the highest ethical standards. The Group aims to inform its clients about available services lawfully and with maximum clarity and transparency, avoiding any misleading information. Both prior to and after its release, any communication intended for clients is carefully reviewed and monitored for compliance risks, with established processes in place to swiftly address and remedy any issues that may arise.

Paying off debt is the first step to regaining control of one's finances and building financial stability, which manifests itself also in regaining access to financial services available on the market. KRUK S.A. confirms each timely repayment in the Credit Reference Agency.

To help clients build creditworthiness after debt repayment, Novum offers up to PLN 10,000 loans, tailored to individual needs and debt servicing capacity of the borrower. A key feature of this solution is the availability of only one active loan per client. This protects clients from having to service multiple debts that are ill-adjusted to their household budgets.

In 2023, KRUK S.A. was awarded yet another Service Quality Star, a title also voted on by clients, who rate over 40 thousand companies in more than 200 industries every year online, recognising their reliability, service quality, etc. Central to the survey is the service quality index, which gauges the overall degree of client satisfaction with the service quality offered by a company on a scale from 0% (completely dissatisfied) to 100% (fully satisfied). KRUK S.A. achieved a score of 64.7% in 2023, outperforming the industry average by 0.6 percentage point. The Service Quality Stars survey is run by the Polish Quality Service Programme in collaboration with SecretClients.

10.3.3 Psychological assistance for clients – indebted persons

[2-25] Some of the KRUK Group's clients face financial hardships and life difficulties, health conditions, family issues, or problems at work. People going through a mental health crisis are also among the KRUK Group's clients. According to studies, people struggling to pay off their debts are more likely to suffer from mental health problems such as depression and anxiety. Researchers also cite feelings of extreme helplessness and severe anxiety caused by debt.

Acknowledging these challenges, since 2014 KRUK S.A. has worked with the Psychological Assistance Centre, whose experts provide assistance to persons experiencing a mental health crisis. It is an independent unit staffed by qualified psychologists experienced in supporting a diverse range of individuals in need. The psychologists working with indebted persons have received regular induction training that covers relevant legal knowledge, enforcement rules, and procedures for collaboration with KRUK S.A. They have also participated in the general training course 'Working with an indebted person – Indebted Person Support in Practice Programme'.

Initiatives designed to support people in distress are also run in the Czech Republic and Italy. A special support protocol for people experiencing a mental health crisis has been launched in Italy. In the Czech Republic, a free hotline is available to people in need of psychological assistance.

10.3.4 Ethics at the KRUK Group

[2-23][2-27] The KRUK Group's values, combined with our dedication to upholding market and ethical standards, guide our everyday decisions vis-à-vis clients, business partners, and employees. The Group places significant emphasis on fostering an ethical and stable environment for all stakeholders, ensuring that responsible actions, adherence to social norms, and compliance with legal requirements and the highest standards of business conduct are practiced daily. These efforts position us as a trustworthy and reliable partner.

The KRUK Group has committed to adhering to the International Bill of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights, the UN Guiding Principles on Business and Human Rights, and the Ten Principles of the UN Global Compact. The Group also endorses and complies with the provisions laid down in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and local legislation in force in the countries where it operates.

Selected initiatives taken in the reporting period to enhance the KRUK Group's ethical approach:

- In an effort to strengthen the Group's Compliance culture, a set of training materials was developed for the implementation of the Compliance Training Programme. Currently, work is underway in Poland to introduce mandatory staff training, covering in particular conflicts of interest, anti-corruption measures, and gift policy. 2023 saw the launch of Compliance training across Group companies in Romania, Spain, and Italy.
- On the International Anti-Corruption Day celebrated on 9 December, a Compliance message was published across the Group to draw attention to our anti-corruption efforts, highlight the implications of corruption for the financial system at large, and to remind of the KRUK Group's principles.
- Employees also received regular communications on Compliance topics such as incident management, gift acceptance rules, and international measures targeting 'dark patterns'.

Awareness of Compliance principles and the role of the Compliance function was continuously built through workshops attended by members of operational units under dedicated projects, as well as in meetings devoted to discussing our Compliance culture.

Selected documents forming part of the KRUK Group's ethical conduct system:

- **Code of Ethics**

[3-3 Compliance]

The [Code of Ethics](#) was approved by the Management Board of KRUK S.A. in 2022 and took effect across from 1 January 2023. The Code sets out the principles and standards of responsible action, conduct and decision-making applicable at all Group companies. The document also provides clarification and guidance on issues that may give rise to ethical dilemmas. The Code has been adopted across all of the KRUK Group's markets, incorporating specific local legal and regulatory requirements.

All employees, associates and members of the governing bodies are required to read and comply with the Code, and to cooperate in order to facilitate its implementation across the KRUK Group. This includes reporting any breaches of the Code they become aware of through a dedicated whistleblowing channel. The Code forms an integral part of the KRUK Group's internal regulatory framework governing or informing its business operations. Training on the Code of Ethics principles is a strategic performance indicator of the Compliance function and plays

a crucial role in fostering a sound organisational culture, including a culture of Compliance, across Group companies. The Code of Ethics training was initiated within the KRUK Group's Polish companies in January 2024, with plans to extend it to other markets.

The Code of Ethics governs such matters as:

- responsibility for personal data and confidential information,
- competitive activity,
- conflicts of interest,
- accepting and presenting gifts,
- prohibition of any form of corruption,
- relations with clients and business partners,
- responsible debt collection standards,
- responsibility towards clients and business partners,
- responsible communication,
- environmental responsibility.

A part of the Code deals with employee matters. The Code provides for, among other things, equal opportunity and career development options, work and life balance, and zero tolerance for workplace bullying or discrimination. The practice of responsible debt management followed by the Group for years has been reflected also in the Code of Ethics. In accordance with its provisions, in their interactions with clients the Group employees encourage them to: comply with social norms and take responsibility for their decisions, including their debts; make a decision concerning their existing debt with the KRUK Group that would be favourable for the client and would not expose them to consequences they would face when avoiding contact with us; and opt for amicable settlement and repay their debt in instalments.

- The KRUK Group's **Mediation Policy** – this policy fosters positive relations between employees and prevents conflicts and workplace bullying and discrimination. It sets out principles and rules intended to shield employees from conflicts, discrimination, mistreatment, bullying, or harassment, whether in the workplace or in relation to their work. Should such issues occur, the Policy outlines a review process and the formulation of corrective measures. Employees have the option to report concerns via email to a specific address. An established Consultation and Mediation Team is responsible for examining these reports.
- [2-15] The KRUK Group's **Conflict of Interest Policy** – this policy defines the rules for disclosing and resolving potential and actual conflicts of interest, including managing related risks. All employees are required to report any conflicts of interest. The Compliance function within each Group company fulfils both an administrative role, by keeping records of conflicts of interest, and an advisory role, by offering recommendations on how to address each disclosed conflict.
- The KRUK Group's **Compliance Risk Management Policy** – this policy defines Compliance-related rules and responsibilities, including in relation to ensuring Compliance and managing Compliance risk, as well as the mission, objectives, responsibilities, and powers of the Compliance Area and its employees. The Compliance Risk Management Policy is implemented through specific procedures issued thereunder. Compliance is also part of the ESG Strategy for 2023–2027.
- The KRUK Group's **Risk Management System Policy** – this policy sets out the rules and scope of responsibilities for non-financial risk management and the rules of procedure for the Risk Monitoring Committee, which is a collective body whose primary role is to formulate and issue opinions in order to monitor the level of financial and non-financial risks.
- The KRUK Group's **Gift Policy** – this policy regulates how employees and members of the Company's governing bodies may give and receive gifts. This policy provides clear guidelines and procedures for decision-making on accepting gifts, in particular in unclear cases. KRUK S.A.'s Compliance Department

fulfils both an administrative role, by keeping gift records, and an advisory role, by offering recommendations on the appropriate course of action.

- The KRUK Group's **Anti-Corruption Policy** – this policy sets forth principles that all employees, associates, and members of governing bodies of all Group companies are obliged to follow, emphasising a strict no-tolerance stance towards any corrupt activities. KRUK S.A.'s Compliance Department fulfils both an administrative role, by keeping records of any corruption incidents, and an advisory role, by reviewing reported incidents of corruption and offering recommendations on the appropriate course of action.
- The KRUK Group's **Whistleblowing Policy** – this policy details the whistleblowing process, including defining the rules for managing reported irregularities or misconduct and protecting whistleblowers. The Compliance Department coordinates investigations into any reported irregularities or misconduct, while such reports are inquired into by locally formed Irregularity and Misconduct Investigation Teams.
- **Compas Compliance Management Policy at Wonga.pl sp. z o.o.** – Wonga has in place mechanisms designed to address the risk of non-compliance with the rules of ethical business conduct. The underlying principle of Wonga's compliance culture is that every employee should be guided by the highest ethical standards in performing their duties. The Compas Policy is primarily focused on preventing, detecting and responding adequately to any non-compliance with laws, internal regulations or generally accepted ethical standards;
- **Procedure for Issuing and Monitoring Compliance Recommendations** – this document outlines the specific issues and areas in which Compliance recommendations are issued and monitored. This is intended to address, mitigate, or minimise the impact of any Compliance risks that may materialise. Furthermore, it ensures that modifications to processes and products are implemented on schedule.
- **Procedure for Managing Regulatory Audits and Criminal Proceedings** – this document governs the conduct of KRUK S.A.'s employees in case of audits by regulatory bodies (Office of Competition and Consumer Protection, Polish Financial Supervision Authority, Personal Data Protection Office), assigning specific powers to the company's authorised representatives and defining tasks for individual employees to ensure that inspections are carried out in compliance with law.
- **Procedure for Managing Legislative Changes** – this document outlines the process of monitoring and communicating any relevant changes in applicable laws or regulations and of their implementation in KRUK S.A.'s internal policies and practices.
- **Compliance Monitoring Procedure** – this document establishes the methodology for assessing the compliance of KRUK S.A.'s processes and practices with the applicable legal requirements, regulatory guidelines, and authoritative interpretations of laws and regulations, as well as market and ethical standards, including the adherence to the adopted best debt collection practices.
- As a company listed on the Warsaw Stock Exchange, KRUK S.A. also complies with the **Best Practice for GPW Listed Companies**.
- **Human Rights Policy**.

[2-23] The KRUK Group, committed to respecting human rights, decided to adopt and implement a Human Rights Policy. The Policy was drawn up following a human rights due diligence review concerning the policies and procedures in place at the KRUK Group.

The KRUK Group also endorses and complies with the provisions laid down in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and international and local legislation in force in the countries where it operates.

[2-26] Each employee may securely and anonymously report instances of human rights violations through the channels specified in the KRUK Group's Whistleblowing Policy and Mediation Policy. KRUK S.A. has also appointed a Mediation and Consultation Team to handle complaints concerning conflict situations, discrimination, or unequal treatment. A complaint may be lodged by an employee who has been involved in a conflict situation or

has been affected by inappropriate behaviour, as well as by a witness to and anyone who becomes aware of such situations. To facilitate confidential and anonymous reporting of irregularities/misconduct (whistleblowing) by employees, associates, business partners, suppliers, and other stakeholders, a “Report Misconduct” form has been made available on KRUK Group companies’ websites at the following addresses:

- in Poland – <https://pl.KRUK.eu/zglos-naduzycie>; wpm@KRUKsa.pl;
- in Romania – <https://pl.KRUK.eu/zglos-naduzycie>, link <https://ro.KRUK.eu/raportarea-abuzurilor>;
- in Italy – <https://it.KRUK.eu/whistleblowing>;
- in Spain – <https://canaletico.es/es/KRUK>;
- in the Czech Republic and Slovakia – <https://cz.KRUK.eu/> (tab: ‘Nahlášení zneužití’), <https://sk.KRUK.eu/>.

All whistleblowers are protected against retaliation, discrimination, violation of the equal treatment principle, or other types of mistreatment. No form of discrimination, mistreatment, or workplace bullying is accepted at the Group. The Mediation Policy details the procedures for dealing with any reported incidents, and every KRUK Group employee is required to undergo workplace bullying prevention training. In 2023, no instances of discrimination, mistreatment, or workplace bullying were recorded.

KRUK S.A. has also established a Mediation and Consultation Team to handle complaints concerning workplace conflicts and instances of mistreatment. A complaint can be filed by any person who has witnessed, has been affected by, or knows about inappropriate behaviour. In 2023, one complaint related to harassment and workplace bullying was filed with the Mediation and Consultation Team. The case was investigated, but the allegations were not confirmed.

The Polish language versions of the KRUK Group’s Anti-Corruption Policy, Conflict of Interest Management Policy, and Gifts Policy are available at <https://pl.KRUK.eu/esg/polityki>.

In its efforts towards responsible debt management, the KRUK Group is supported by its compliance strategy and the compliance culture that is being built on its basis. It encompasses the following principles:

- compliance with local regulations in each country where the KRUK Group operates and with internal policies and procedures in place at the Group;
- adherence to standards of ethics and integrity and prevention of unethical practices as the basic principles guiding the KRUK Group
- adherence to the principles of professional conduct, transparency, and responsibility towards clients, institutions, and other stakeholders;
- compliance training for executives, managers, and other employees;
- development and improvement of communication on compliance matters with the goal of integrating the compliance culture into day-to-day activities across the organisation.

[417-2] [417-3] No incidents of non-compliance concerning product or service information and labelling were recorded in 2023. However, three customer-service incidents were reported, none with any impact on the operations of KRUK Group companies.

KRUK S.A., as a member of the Association of Financial Companies in Poland (ZPF), undergoes a yearly ethical audit to verify compliance with [the Code of Best Practice](#). On positive verification, a certificate of compliance is issued for the preceding year at the end of the first quarter of the year in which the audit is conducted. In 2022, we received a certificate of compliance with the standards and principles of ethics for 2021, and in 2023 we received a certificate for 2022.

In 2023, a single complaint against KRUK was brought before the ZPF Ethics Commission by a client. The investigation into the complaint identified that the underlying issue had not been resolved in a timely manner due

to a mistake by an individual employee. In response, KRUK has introduced additional measures to prevent similar occurrences in the future.

The ZPF Ethics Commission concluded that there was no violation of the Code of Best Practice in KRUK's relations with the complainant. The decision's rationale highlighted the nature of the responses provided to the client, underscoring the Company's commitment to the highest standards of care for the rights of indebted persons and issued corresponding recommendations.

[2-25] [205-1] [205-3]

The cornerstone of responsible debt management and foundation of reliability and trust in the KRUK Group employees' relations with clients and business partners is zero tolerance for any form of misconduct, including corruption. The Group has put in place mechanisms to prevent the abuse of power associated with one's position for private gain. No corruption incidents or cases of non-compliance punishable by pecuniary or other sanctions were recorded at the KRUK Group in 2023. The Anti-Corruption Policy is fundamental to fostering the Company's Compliance culture. To prevent corrupt activities, this policy requires every employee and associate to report any actual or suspected corruption, whether they are directly involved in or have become aware of such incidents.

The Company also actively builds awareness of ethical attitudes and corruption risks among its employees and associates by providing employees with appropriate guidance and training to identify and prevent the risk of corruption in relations with business partners.

The risk of corruption is chiefly identified in processes where, due to their nature, there exists an inherent possibility for promising, offering, or giving any financial benefit or personal advantage in return for: selecting a bid in an pending procurement process; offering employment acting against the law or the Company's policy, or failing to pursue a debt or unjustifiably retiring part of a liability. The KRUK Group also holds its business partners to the same standards of corruption prevention. Each of the Company's service providers is required to sign an 'anti-corruption clause'.

In 2023, a total of 15 potential and actual conflicts of interest were identified. These cases were thoroughly analysed and found to have no impact on the operational activities of the KRUK Group companies.

10.3.5 Client personal data security

[3-3 Cybersecurity and GDPR] Client personal data is essential to debt management and lending processes. Being a large organisation, the KRUK Group processes substantial volumes of personal data on a daily basis. We consider data protection as a cornerstone of responsible and secure business conduct. Upholding privacy standards is essential for cultivating clients' and business partners' confidence not only in our organisation but in the debt management industry at large. Accordingly, KRUK places a high emphasis on adherence to all the applicable legal and regulatory requirements.

The KRUK Group's personal data protection efforts are driven by a risk-based approach, are fully compliant with the relevant laws, regulatory guidelines, and principles of ethical conduct, and are tailored to match the scale and complexity of its operations. The Group identifies, analyses, evaluates, and monitors risks associated with personal data protection to protect data subjects against any adverse impacts of data breaches and the organisation against any related losses or business continuity disruptions. This approach also minimises reputational risks and the risk of financial penalties.

Tools are also applied to enable quick and effective response to data breach events or other incidents. The KRUK Group keeps track of the number of personal data processing complaints and procedures enabling data subjects

to exercise their rights under the GDPR. All personal data requests and complaints are thoroughly analysed to determine whether they are valid and can be satisfied.

The KRUK Group has implemented a Personal Data Management Policy to ensure effective protection of the rights and freedoms of individuals through formalised personal data processing procedures. This guarantees implementation of appropriate technical and organisational measures.

In response to the challenges of conducting business responsibly in the digital era, in 2023 the KRUK Group initiated the development of a framework to identify and manage risks associated with the potential use of artificial intelligence. This includes risks like discrimination or lack of transparency. Also in this case, ensuring privacy and safeguarding the rights of data subjects remains a top priority.

Personal data protection is embedded in the KRUK Group's ESG Strategy for 2023–2027, and we consider it a key element supporting our organisation's sustainable growth. The strategy defines five GDPR goals for 2023–2027:



Within the GDPR strategy for 2023–2027, specific indicators have been established to track progress on the achievement of the five GDPR goals.

A fundamental element of the strategy is enhancing the principle of data protection by design. 2023 saw a range of efforts to heighten the organisation's awareness of the significance of the privacy-by-design approach and of engineering systemic solutions incorporating it to the widest extent possible.

In addition, throughout the year the KRUK Group was an active member of a number of local debt collection industry associations. Data Protection Officers from across the Group companies engaged in various projects concerning personal data protection in the debt collection sector. These initiatives were primarily conducted within dedicated working groups and spanned the entire year. The collaborative efforts resulted in the formulation of industry standards and guidelines, including protocols for cloud computing within the debt collection industry.

[418-1] Justified complaints concerning client privacy breaches and data loss

In 2023, a total of 31 complaints alleging violations of personal data protection laws or regulations by KRUK Group companies were filed with local regulators. A further 16 data breaches were recorded that were reportable to data protection authorities, of which 15 classified as data leaks. None resulted in the data protection authorities fining any of the KRUK Groups companies.

The KRUK Group plans to continue building a multi-layered cybersecurity defence model that incorporates both global and local solutions. IT security is treated as a priority area due to its critical importance to clients, employees, and business partners.

The Group's management model for information security, including cybersecurity, is outlined in its Information Security Policy, which aims to ensure the confidentiality, integrity, and availability of information. Its primary goal is to establish a formal framework for taking all necessary actions to maintain the highest degree of information security possible.

The key cybersecurity activities in 2023 included:

- development of the PAM system,
- penetration testing,
- development of the EDR system,
- development of the SIEM system,
- creation of new training materials for employees.

[2-24] The KRUK Group trains employees on cybersecurity. The KRUK Group's new hires are required to complete mandatory training courses on information security, including cybersecurity. In 2023, we carried out regular controlled phishing attacks to test whether employees applied in practice the knowledge they had gained through training. In keeping with our strategic objectives, by 2026 90% of employees will undergo additional training and online courses on cybersecurity, and an 80% engagement in the existing awareness programme will be maintained. At KRUK S.A., 97% of the participants successfully completed their training.

10.4 Responsibility for employees

10.4.1 Good workplace

[3-3 Employee matters] In 2023, the KRUK Group's total headcount of employees was over 3.4 thousand. Employees are the Group's most precious resource, their everyday work, commitment and skills building the organisation's competitive advantage on many European markets. Seeking to attract and retain top talent, the Group offers a stable and supportive work environment, in which competence is essential. Appreciating the commitment and ambitions of its employees, the Group provides them with professional growth opportunities.

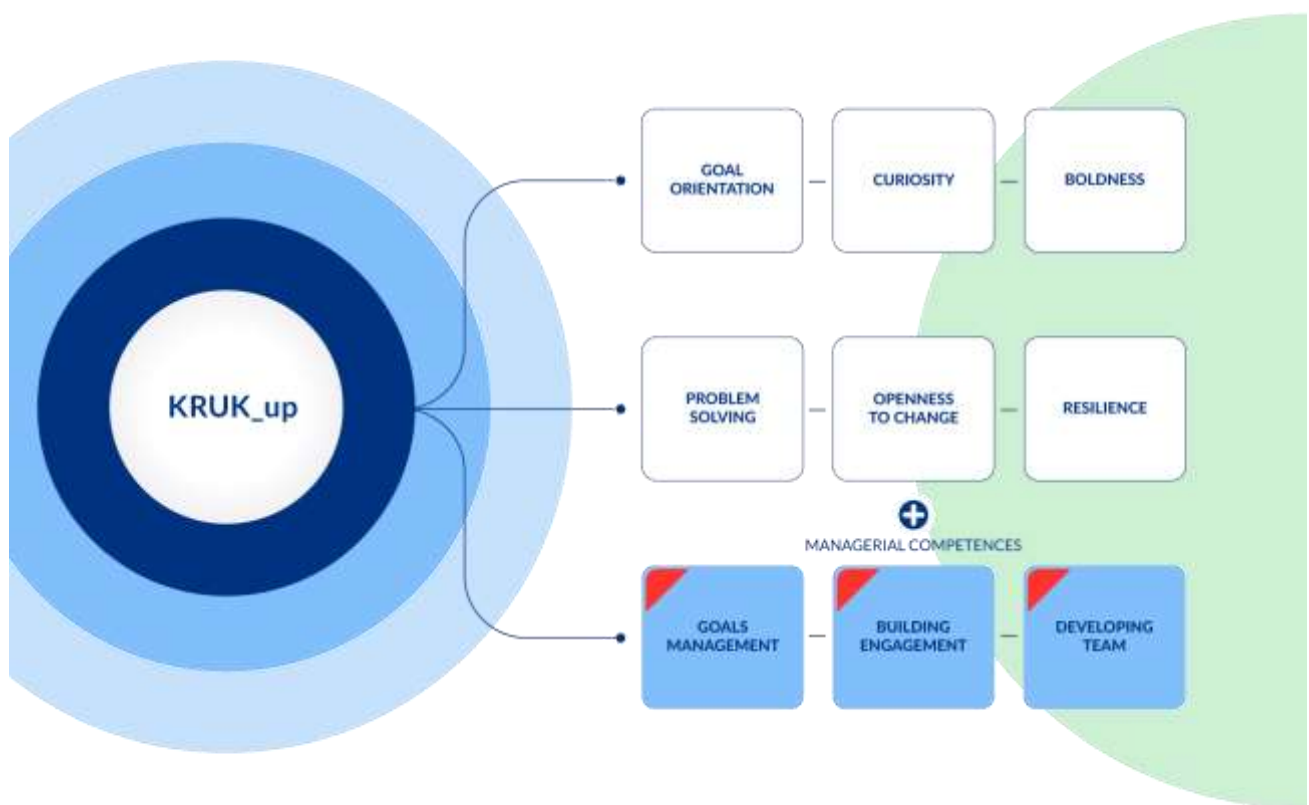
In 2023, it launched the KRUK_up competency model, encompassing a set of six competencies that all employees are encouraged to develop, regardless of their business area or position: goal orientation, curiosity, courage, problem solving, openness to change, and resilience. These are complemented by three managerial competencies: goal management, engagement building, and team development. The competencies are designed to be universal and enhance the organisation's potential for success and fulfilment, both professional and personal.

The educational process is focused primarily on aspects of diversity and inclusion, featuring live webinars and providing unlimited access to materials in various formats such as recordings, soundtracks, and presentations. Completion of these educational activities is scheduled for the second quarter of 2024. The degree to which employees have internalised this culture of achievement and satisfaction, as guided by the competency model, will

be assessed by the KRUK Group through an annual engagement survey. Moreover, the competency model will be integrated into other HR processes along the employee experience journey.

Pivotal in shaping this model were findings of the Organisational Culture Inventory carried out in 2022 based on the Human Synergetics methodology. They helped define the desired Group-wide organisational culture and the actual cultures currently existing at all its local companies. An analysis of the gap between the current and ideal culture profiles allowed the Group to pinpoint the necessary levers for change focused on supporting specific behaviours to achieve its business goals, while ensuring that employees are satisfied and proud of being part of the Group. We worked out, among other things, a consistent approach to diversity, employee assessment, employee and manager competence model and the related communication and development efforts. Significant emphasis was also placed on the remuneration policy and employee benefits, as well as on improving the quality of HR analytics. These measures underpin the KRUK Group’s position as an attractive employer fostering a constructive culture of achievement and satisfaction, with less emphasis on striving for perfectionism and dependence on others, and more on commitment and efficiency derived from empowerment, focus on ambitious goals, and awareness of individual potential and aptitude.

In 2024, our efforts will continue with a focus on effective team meetings, the feedback culture, and acknowledging employee contributions.



In response to the rapidly changing market environment and to better support strategic business development directions, in 2023 the KRUK Group commenced work on an advanced strategic action plan for human resources. This ambitious plan has been built around three key pillars addressing global trends in digital transformation and our own organisational needs:

- Improvement of HR processes and data using LEAN methodology and digitisation tools: the aim is to maximise operational efficiency and optimise HR data management, contributing to better decision-making and faster response to change.
- Reinforcement of the organisational culture, e.g. by promoting and entrenching the Group's values: we are focused on building a robust and coherent organisational culture that supports employee engagement and development while fostering a diverse and inclusive work environment conducive to innovation and collaboration.
- Leadership development: our priority is to create development and training programmes for leaders across all management levels to equip them with the necessary skills to effectively manage teams, steering them through digital transformation and continuous change.

This strategy underscores the KRUK Group's commitment to ongoing improvement and adaptation to confront new challenges, both in the labour market and within our organisation. By consistently taking action based around these pillars, the Group strengthens its position as a market leader, fully prepared for the future, while retaining a focus on the development and well-being of its employees.

[2-19] [2-20] Remuneration at the KRUK Group is determined based on internal policies and regulations, in accordance with the applicable laws. The Group regularly gathers information on market pay levels, reviewing it twice a year. Responsibility for determining remuneration amounts lies with the Central Human Resources Management Team and similar teams established locally. The ultimate decision-making body is the Management Board of KRUK S.A.

Matters related to determining the remuneration of the Group's directors are governed by the Remuneration Policy for Members of the Management Board and Supervisory Board of KRUK S.A. Under the Policy, remuneration is determined on the basis of the function performed, business scale, complexity of corporate design, and operational complexity of the company, comprising both fixed and variable components. The Policy provides that non-cash benefits may be granted to Management Board Members. The remuneration policy for Management Board Members and the amount of remuneration paid to the President of the Management Board are determined by the Supervisory Board. The amounts of remuneration for individual Management Board Members other than the President are determined by the Supervisory Board based on proposals submitted by the President of the Management Board. Notably, the Remuneration Policy for Members of the Management Board does not provide for any links between pay and achievement of the ESG Strategy objectives.

[2-18] The Supervisory Board exercises supervision over each area of the Company's operations, which includes independent evaluation of how the organisation's impacts are managed.

[2-21] Table 53. Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)

KRUK GROUP ¹	POLAND ²	ROMUNIA ³	SPAIN ³	ITALY ³	CZECH REPUBLIC AND SLOVAKIA ³
37.3	34.6	8.5	11.8	9.6	4.9

The annual total remuneration comprises base salary, bonuses and a range of other variable components, such as overtime payments, expert allowances, transport allowances, nutrition allowances, sickness allowances, and maternity allowances. The specific types of variable components included in the annual total remuneration may vary depending on the market.

1 Highest-paid individual – President of the KRUK S.A. Management Board. Remuneration of employees based in countries other than the Company's head office was calculated taking into account the purchasing power parity of the respective local currencies in relation to the złoty.

2 Highest-paid individual – President of the KRUK S.A. Management Board.

3 Highest-paid individual – General Director.

The ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual to the percentage increase in median annual total compensation for all employees (excluding the highest-paid individual) at ¹⁰the KRUK Group is 0.38.

[401-2] In addition to the base pay, we offer a broad package of non-financial benefits to our Group employees, including:

KRUK Polska:

- Private medical care;
- Upskilling;
- Cafeteria benefits with additional Christmas/Easter bonuses;
- Co-financing of MultiSport cards;
- Preferential terms of group life insurance;
- Incentive scheme (KRUK S.A. shares) for the KRUK Group's key managers;
- Business car/car allowance for senior management;
- Company Social Benefits Fund (holiday allowance, Children's Day allowance for parents and other financial support);
- Development programme in the form of Inspirational Meetings;
- Health promotion programmes: Health at Work (Zdrowie na etacie), Health Academy (Akademia Zdrowia).

KRUK România:

- employees in Romania have discretion in deciding on how to use their monthly non-financial benefit budgets. They can choose from a range of benefits, including medical insurance, holiday vouchers, gift cards and vouchers for cultural events.

KRUK Italia:

- additional amount for employee benefits;
- Co-financing of employee lunches;
- 100% paid maternity leave (instead of 80% required by law).

KRUK España:

- Private medical care for employees and their families;
- Gift card scheme;
- Staff training;
- Co-financing of costs of remote work;
- Co-financing of transport costs.

KRUK Česká a Slovenská Republika:

- Cafeteria benefits;
- Old-age pension insurance.

Employees in all our markets can work both at the office and from home. The hybrid work model is a standard at the KRUK Group, refined by providing relevant tools to our managers and employees.

In 2023, KRUK S.A. completed work to align its internal regulations with the national legislation concerning remote work. The remote work agreement concluded with the trade union organisation was extended to cover employees whose place of residence is at least 100 km away from the Company's office and disabled employees.

Table 54. Percentage of employees¹ working on fully remote basis [%]

¹⁰ Remuneration of employees based in countries other than the Company's head office in both years of comparison was translated into the zloty at the weighted average annual exchange rates quoted by the NBP in 2022 and 2023, and then converted taking into account the purchasing power parity of the respective local currencies in relation to the zloty.

	KRUK GROUP	POLAND ²	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
Percentage of employees working on fully remote basis ⁴	15%	23%	14%	1%	0%	0%

1 Including both active and inactive employees under employment contracts.

2 Data for the Polish market includes InvestCapital Ltd. and Wonga.pl.

4 Data as at 31 December 2023.

[2-7] KRUK Group employees

Table 55. Total number of employees, and breakdown by gender and region¹

	GENDER	NUMBER OF EMPLOYEES	POLAND ^{2,4}		ROMANIA		SPAIN		ITALY		CZECH REPUBLIC AND SLOVAKIA	
Number of all employees	Women	2,206	1,186	64%	453	70%	220	59%	277	63%	70	62%
	Men	1,220	661	36%	197	30%	155	41%	164	37%	43	38%
Number of permanent employees	Women	2,012	1,073	65%	418	69%	219	59%	241	63%	61	60%
	Men	1,109	586	35%	185	31%	155	41%	143	37%	40	40%
Number of temporary employees	Women	194	113	60%	35	74%	1	100%	36	63%	9	75%
	Men	111	75	40%	12	26%	0	0%	21	37%	3	25%
Number of full-time employees ³	Women	2,131	1,163	64%	452	70%	211	58%	241	60%	64	60%
	Men	1,208	652	36%	197	30%	153	42%	163	40%	43	40%
Number of part-time employees	Women	75	23	72%	1	100%	9	82%	36	97%	6	100%
	Men	12	9	28%	0	0%	2	18%	1	3%	0	0%
KRUK Group		3,426	1,847	54%	650	19%	375	11%	441	13%	113	3%

1 Headcount of employees (active and inactive) under employment contracts as at 31 December 2023.

2 Data for the Polish market includes InvestCapital Ltd. and Wonga.pl.

3 Employees under multiple contracts are considered full-time employees by combining their FTEs across different units at a single operating location.

[2-30] 12% of all KRUK Group employees are covered by collective bargaining agreements, including trade unions.

[2-8] KRUK Group's workers who are not employees

Table 56. Information on employees and other workers under contracts that are not employment contracts

CONTRACT TYPE	GENDER	NUMBER OF PERSONS	POLAND ¹	ROMANIA ²	ITALY ³	SPAIN	CZECH REPUBLIC AND SLOVAKIA ⁴
Managerial contract	Women	9	5	2	1	0	1
	Men	23	17	4	2	0	0
B2B cooperation	Women	67	43	14	0	0	10

(self-employment)	Men	146	134	10	0	0	2
	Women	13	0	0	7	6	0
Internship	Men	9	1	0	2	6	0
KRUK Group		267	200	30	12	12	13

1 Data for the Polish market includes InvestCapital Ltd. and Wonga.pl. Members of the KRUK S.A. Management Board (one woman and four men) have been included under 'Managerial contracts'. One employee based in Poland has two contracts: a management services contract and a services contract – counted as a single person in the summation. Two divided managerial contracts relate to a single woman employed at NOVUM and Wonga.pl, reported as one employee in Poland in total. Two women and two men working under management services contracts have additional employment contracts with another entity on the Polish market. Two women and one man working under B2B contracts have additional employment contracts with another entity on the Polish market. One woman working under a civil-law contract has an additional employment contract with another entity on the Polish market. One woman under a managerial contract has an additional employment contract with another entity on the Polish market.

2 In Romania, two men employed under management services contracts have additional employment contracts with another Group entity on the Romanian market.

3 In Italy, one woman under a managerial contract has an additional employment contract with another Group entity in the same location.

4 In the Czech Republic, currently eight women employed under temporary contracts also have employment contracts. This arrangement is compliant with local regulations permitting conclusion of short-term contracts for the duration of parental leave.

[401-1] New employee hires and employee turnover

Employee satisfaction is one of the KRUK Group's key growth drivers. KRUK values the experience of its employees and provides them with opportunities for further career development. This is why it is important to reduce employee turnover so that the knowledge and know-how are retained within the organisation to fuel its continued growth.

In 2023, the KRUK Group's employee turnover ratio was 11.1%, down 2.3pp year on year.

Table 57. Total number and rate of new employee hires by age group, gender and region

BREAKDOWN	EMPLOYEES	POLAND ¹	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
Women	245 11%	99 8%	16 3%	61 29%	60 23%	9 14%
Men	155 13%	57 9%	17 8%	46 31%	33 22%	2 5%
Under 30 years old	136 25%	61 23%	18 11%	28 65%	27 46%	2 15%
30–50 years old	236 9%	91 6%	14 3%	63 26%	60 20%	8 10%
Over 50 years old	28 8%	4 3%	1 3%	16 21%	6 10%	1 6%
KRUK Group	400 12%	156 8%	33 5%	107 30%	93 23%	11 10%

1 Data for the Polish market includes InvestCapital Ltd. and Wonga.pl.

2 Rate of new employee hires = total number of new employees hired under contracts of employment in 2023 for [age group or gender] / average number of employees employed under contracts of employment for [age group or gender], where the average number of employees employed under contracts of employment is equal to the total number of employees at the end of each month divided by 12.

Table 58. Total number and rate of employee turnover by age group, gender and region

BREAKDOWN	EMPLOYEES	POLAND ¹	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
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Women	217	10.0%	93	8%	41	9%	34	16%	31	12%	18	27%
Men	157	13.0%	69	10%	29	14%	34	23%	20	13%	5	12%
Under 30 years old	86	15.6%	41	15%	24	14%	7	16%	9	15%	5	37%
30–50 years old	243	9.8%	103	7%	45	10%	43	18%	37	13%	15	20%
Over 50 years old	45	13.2%	18	12%	1	3%	18	23%	5	9%	3	18%
KRUK Group	374	11.1%	162	9%	70	11%	68	19%	51	12%	23	22%

1 Data for the Polish market includes InvestCapital Ltd. and Wonga.pl.

2 Employee turnover rate = total number of employees hired under contracts of employment in 2023 for [age group or gender] who left the organisation / average number of employees employed under contracts of employment for [age group or gender], where the average number of employees employed under contracts of employment is equal to the total number of employees at the end of each month divided by 12.

The KRUK Group adheres to the principle that parenthood does not exclude and maternity leave does not deprive employees of chances to get a pay rise. For this reason, employees who return to work after parental leave are assigned the tasks they had performed before or fill equivalent positions suited to their new circumstances. They can also work flexible hours or part time to achieve an even better work-life balance.

[401-3] Table 59. Parental leave at the KRUK Group in 2023 (total maternity and parental leave)

BREAKDOWN	GENDER	KRUK GROUP	POLAND	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
1. Employees entitled to parental leave ²	Men	100%	100%	100%	100%	100%	100%
	Women	100%	100%	100%	100%	100%	100%
2. Employees who took parental leave	Men	33	14	11	5	3	0
	Women	243	84	97	10	23	29
3. Employees who returned to work after parental leave	Men	27	11	10	4	2	0
	Women	93	34	33	3	14	9
4. Employees who returned to work after parental leave that were still employed 12 months after their return ³	Men	57	40	4	4	0	9
	Women	109	74	19	2	8	6
5. Return to work rate of employees who took parental leave	Men	82%	79%	91%	80%	67%	0%

	Women	38%	40%	34%	30%	61%	31%
	Men	98%	100%	80%	100%	0%	100%
6. Retention rate of employees that took parental leave							
	Women	87%	95%	70%	100%	100%	55%

1 Number of persons employed under employment contracts.

2 Because of GDPR restrictions, employees are not required to provide data of newborn babies, unless the labour law mandates provision of such data to obtain additional benefits. As at the issue date of this Report, 100% of employees were statutorily entitled to parental leave.

3. Data including persons on parental leave.

10.4.2 Diversity

[405-1] [406-1]

The diversity of employees within the KRUK Group is a significant asset. It is a source of our international success, which helps us to better understand and respond to client needs. Competence remains the key criterion for the Group. Other important considerations include engagement and a commitment to personal development. Gender, nationality or other extraneous factors do not limit opportunities for advancement, as evidenced by the fact that women represent 64% of the KRUK Group's total workforce. Notably, 58% of women hold senior managerial positions, representing 42% of all Company directors (Members of the Management and Supervisory Boards).

[405-1] Total number of employees (active and inactive) by gender and age group

Table 60. Percentage of individuals within the KRUK S.A. Management Board and Supervisory Board by gender

Women	42%
Men	58%

Table 61. Percentage of individuals within the KRUK S.A. Management Board and Supervisory Board by age group

Under 30 years old	0%
30-50 years old	50%
Over 50 years old	50%

Table 62. Percentage of employees holding managerial and non-managerial positions by gender and age group

EMPLOYEE CATEGORY	MARKET	TOTAL	WOMEN	MEN	Under 30 years old	30-50 years old	Over 50 years old
Non-managerial positions	KRUK Group	84%	65%	35%	17%	72%	11%
Managerial positions		16%	58%	42%	4.5%	89%	6.5%
Non-managerial positions	Poland	87%	65%	35%	16%	75%	9%

Managerial positions		13%	60%	40%	4%	90%	6%
Non-managerial positions	Romania	87%	71%	29%	25%	69%	6%
Managerial positions		13%	60%	40%	6%	91%	3%
Non-managerial positions	Italy	87%	64%	36%	14%	71%	15%
Managerial positions		13%	52%	48%	10%	85%	5%
Non-managerial positions	Spain	87%	59%	41%	15%	64%	21%
Managerial positions		13%	53%	47%	0%	81%	19%
Non-managerial positions	Czech Republic and Slovakia	84%	64%	36%	12%	69%	19%
Managerial positions		16%	50%	50%	0%	100%	0%

1 In 2023, the workforce structure was divided into two categories: managerial and non-managerial positions. In 2022, the division into other employees, specialists, experts and middle management and senior management did not reflect the actual structure of positions within the KRUK Group. Work is under way to map the structure of positions.

2 The 'Managerial positions' category includes managers, directors and heads of organisational units under employment contracts. The data was derived from the organisation's own local HR and payroll systems - 'managerial position' 'yes'/'no'.

As at the end of 2023, the KRUK Group's team comprised employees of 22 different nationalities.

[406-1] The KRUK Group supports diverse teams through its Diversity Policy updated in 2023, aimed at creating a diversified, multicultural workplace. In accordance with the Policy, all employees are required to respect their colleagues' right to privacy, must not interfere with their personal affairs, and must accept any existing differences. The Group ensures equal opportunity for promotion and professional development regardless of gender, age, disability, health, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle or any other criterion that could cause an individual to be treated less favourably than others. In 2023, not a single instance of discrimination was recorded.

In 2023, mandatory diversity and inclusion training was implemented across all markets of the KRUK Group, and the completion rate reached 77% of the Group's employees.

"Supporting the KRUK Group's ESG strategy extends beyond sustainable development – it also embodies a commitment to creating a world where everyone has equal opportunity, irrespective of gender, disability, or origin. This commitment entails eliminating the pay gap between women and men, bolstering the position of disabled workers, fostering diversity, and enhancing financial and technological skills for all. KRUK España takes pride in being part of the leading ecosystem of companies and professionals in Spain dedicated to fostering a safe and respectful environment for the LGBT+ community. We further demonstrated our commitment to diversity by a 20% expansion of our #TeamWithPassion in 2023, as part of which we welcomed onboard individuals of different nationalities. This ensures the infusion of varied perspectives and experiences, fostering a more inclusive and dynamic workplace environment. As a debt collection company, we recognise the profound impact we have on people's lives. Our responsibility transcends financial matters, as we are dedicated to supporting individuals through challenging times and guiding them toward financial stability."

– Alina Giurgea, General Director KRUK España

For the KRUK Group, non-discrimination also means equal pay. The ESG Strategy includes a commitment to ensuring full pay equality between women and men in similar job positions at the Group companies by 2025. To this end, the Group regularly assesses both the Gender Pay Gap and the Gender Equal Pay Gap, actively striving to reduce and ultimately eliminate these disparities.

Although the Gender Pay Gap (calculated for the average total pay) at the KRUK Group stands at 21.6% on account of the employment structure, the pay gap measured for identical job positions, both at the base salary level and for the total pay median, is only 1.2%¹¹. This ratio remained unchanged relative to 2022. To achieve our objective of full pay equality between men and women performing similar work by 2025, the KRUK Group has outlined specific measures to be implemented in 2024:

- developing a comprehensive Comp&Ben strategy with a specific focus on ensuring equal pay;
- conducting communication and awareness raising initiatives targeted at managers;

incorporating pay gap information into various HR processes, such as pay rise, promotion and recruitment practices, to ensure equitable remuneration decisions for all employees, including new hires.

[405-2] Ratio of remuneration of women to men by employee category

Table 63. Ratio of base remuneration of women to men by employee category

CATEGORY	POLAND ³	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
Senior management staff ²	9.7%	21.8%	-23.5%	-1.7%	34.9%
Other managerial positions	18.0%	27.0%	9.4%	7.3%	17.6%
Non-managerial positions	25.0%	21.0%	9.8%	9.0%	31.2%
All employees	23.8%	27.5%	9.7%	10.7%	33.2%

Table 64. Ratio of total remuneration of women to men by employee category

CATEGORY	POLAND ²	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
Senior management staff ¹	9.3%	21.8%	-21.8%	-3.0%	34.9%
Other managerial positions	18.4%	27.0%	9.1%	8.2%	17.6%
Non-managerial positions	25.0%	21.0%	9.3%	12.3%	31.2%
All employees	23.9%	27.9%	9.4%	13.2%	33.2%

Base pay as at 31 December 2023. Total remuneration includes base pay as at 31 December 2023 and bonuses paid in 2023. The remuneration of part-time employees was calculated on an FTE basis. The remuneration of employees hired in 2023 was calculated on a full-year basis.

1 Excluding Members of the KRUK Management Board, employed under managerial contracts, whose data is published in Section 8.3.4 and General Directors, unless they are employees as defined by local laws.

2 Includes data of all KRUK Group companies in Poland.

¹¹ Gender Equal Pay Gap (GEPG) calculation methodology: pay disparity between women and men expressed as a ratio of the pay received by men working at the same level, in the same job family and in the same position. It is calculated as the weighted average of the pay gap in individual positions relative to the employment level in those positions. The calculation methodology for 2023 changed from that applied for 2022, when GEPG was calculated as the median of the results (pay gap size) for the analysed positions.

Creating a diverse, equitable and inclusive workplace is an important goal for the KRUK Group, as we recognise that diversity is a source of strength that fosters innovation and creativity. We are dedicated to cultivating an organisational culture where all employees are respected and provided with equal opportunities for development.

The Group carried out surveys to assess the level of diversity and inclusivity within the organisation, which helped us better appreciate the risk of exclusion of certain employee groups and triggered the implementation of programmes dedicated to supporting them in line with the Group's diversity strategy.

Elements of the DEI strategy for 2023–2025 integrated into the KRUK Group's ESG Strategy include:

- maintaining gender equality,
- eliminating the pay gap,
- increasing the percentage of employees with disabilities.

Since 2013, KRUK S.A. has been a signatory of the Diversity Charter, an international initiative of the European Commission intended to promote social cohesion and equality. The fundamental principle of the Charter is non-discrimination in the workplace and recognising and promoting diversity in all areas of activity. The provisions of the Charter apply across the KRUK Group and are taken into account in various processes, including recruitment. Equal opportunities at the KRUK Group begin with the recruitment process and continue throughout the time of service at the Group companies.

To advance the representation of women in business, particularly within the financial sector, Urszula Okarma, Member of the KRUK S.A. Management Board, has taken on the role of a sponsor for DEI initiatives. In addition to supporting internal initiatives, she actively promotes a culture of inclusion by participating in various external events and conferences. As a panellist, she has contributed to discussions at forums such as the European Forum of New Ideas (EFNI), the UNGC Ring the Bell for Gender Equality, and the 'Contemporary Woman – Leader, Partner, Mother' conference. Similar efforts to promote DEI were undertaken in 2023 by women leaders in the Romanian and Italian markets.

Having been covered by a Diversity IN Check survey, in 2023 KRUK S.A. was included on the list of top-ranking Polish employers in terms of diversity and inclusion management. Diversity IN Check is a research tool used to assess the maturity of employers in managing diversity and building inclusive organisations.

Additionally, KRUK S.A. was recognised by the DEI 30% Club Poland for its commitment to fostering an inclusive organisational culture. The competition was aimed at gathering and highlighting exemplary initiatives in Diversity, Equality, and Inclusion (DEI) implemented at various organisations to serve as a source of inspiration for others in creating more open and equitable workplaces. KRUK was recognised mainly for ensuring equal employment opportunities, high proportion of women in managerial positions across all hierarchy levels (including Executives and Top Management), fostering an inclusive work culture, and a low gender pay gap.

As part of a campaign celebrating the Women's Day, KRUK España promoted women in science and its four-year strategic plan for equal pay and career opportunities. The company also ran an educational campaign focused on promoting the rights of the LGBT+ community and formally joined REDI (Business Network for LGBT+ Diversity and Inclusion) in 2023, thereby affirming its commitment to advancing that community's rights within KRUK.

Equal opportunities to access various career paths are also created for people with disabilities. In 2023, an Ambassador for Disabilities was appointed at the central level alongside a network of local Ambassadors to coordinate and support the development of inclusive and accessible processes for employees with disabilities and those on the neurodiverse spectrum. This initiative was preceded by comprehensive educational activities, including training sessions for all employees, recruiters, and managers at KRUK S.A. In addition, surveys were conducted to assess sentiment towards disabilities in Poland and then in Romania. These insights were

instrumental in shaping an action framework aimed at addressing the most pressing needs of employees with disabilities in the years to come. The framework for inclusion of people with disabilities and on the neurodiverse spectrum is centred around two core pillars: talent attraction and retention.

Key achievements in 2023:

- Development of a workplace accessibility audit manual for office jobs – regular audits of work conditions for individuals with disabilities to ensure accessibility, carried out by KRUK S.A.'s Occupational Health and Safety (OHS) team;
- Integration of considerations for individuals with disabilities into the guidelines for remote work;
- Revision of the training policy to better address the diverse needs of employees during training design;
- Establishment of dedicated communication channels in Poland, Italy and Spain, aimed at facilitating the exchange of information and providing support to employees interested in disability and accessibility issues.

Table 65. Employment of individuals with disabilities at the KRUK Group

		KRUK GROUP	POLAND ¹	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
Employees with disabilities	Headcount	3,426	1,847	650	375	441	113
	Individuals with disabilities	75	44	2	9	18	2
	Percentage	2.2%	2.4%	0.3%	2.4%	4.1%	1.8%

In 2023, the headcount of employees with disabilities increased by 0.2pp year on year. In line with the KRUK Group's ESG Strategy, individuals with disabilities will represent 4% of the Group's workforce by 2025.

10.4.3 Employee education and development

We view employee development as an essential driver of the organisation's growth. We support professional ambitions of our employees and offer them a wide-ranging training programme for different job categories at all companies of the Group. Each newly recruited person completes a full cycle of induction training, while the Group's employees participate in specialist training.

[404-1] **Table 66. Average hours of training per year per employee**

	POLAND	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
	10.14	22.73	25.48	40.5	28.9

The KRUK Group prioritises a feedback culture designed to develop and empower its employees. Feedback serves as an internal mechanism to consolidate progress, guide action, and acknowledge dedication. Insights regarding an employee's work provided by their colleagues and managers are invaluable as personal development drivers.

[404-3] **Table 67. Percentage of employees receiving regular performance reviews**

	KRUK GROUP	POLAND ¹	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
Headcount	3,426	1,847	650	375	441	113
Percentage of employees receiving reviews	51%	8%	100%	100%	100%	100%

¹ Data for the Polish market includes InvestCapital Ltd. and Wonga.pl.

Since 2016, the KRUK Group has been developing a range of training options available on the e-learning platform, which allows employees to quickly improve their competencies. The platform hosts mainly courses in the field of law, data security and protection, ethical principles and good practices in the industry, as well as product training, and courses related to projects implemented in the organisation. The e-learning offering also includes courses for management staff, combined with traditional training.

[404-2] Selected employee training programmes:

Poland:

- Managerial Debuts – programme for persons starting their managerial careers
- Trainers Academy and Wonga Academy – programme where employees share their knowledge with colleagues
- Adviser Academy (since 2022) – series of training sessions for the best field advisers
- IT skills training platform – Enterprise Skills Initiative
- ESG Academy
- Leadership training
- IT skills courses

Romania:

- From Legal Adviser to Court Adviser – online training programme designed to support legal advisers from the monitoring section in enhancing their skills related to the activities of court collection teams. It also assists individuals in transitioning to such positions in the future
- KRUK Legal Academy – specialised programme tailored for Contact Centre employees who aspire to begin their careers in the legal sector
- Courser Training – individual learning platform offering access to a range of technical and soft skills courses
- Management Skills Workshop – successor programme

Italy:

- Individual Training Plans defined at the end of each year, agreed with managers based on their HR needs and productivity assessments
- Courses in personal and teamwork efficiency through Insights Discovery, leadership skills and public speeches
- IT skills courses

Spain:

- Development of communication skills – speaking in public, leadership and change management
- Development of time management and prioritisation skills
- Training on strategic thinking
- BRIDGE talent development programme to identify talent in the organisation by creating space for creativity and proposing ideas for improvement

Czech Republic and Slovakia:

- Language courses
- Leadership Academy for Managers
- IT skills courses

10.4.4 Employee safety

[403-1] [403-3] [403-5] [403-6] [403-7] [403-8] [403-10] The KRUK Group creates a safe working environment. It observes all the occupational health and safety regulations, and OHS matters are regulated based on the ISO 45001 guidelines. Every new employee receives mandatory general OHS instruction, followed by more detailed training related to their job position.

KRUK S.A. has set up an Occupational Health and Safety Team that runs an online OHS News channel for employees, delivering information on safety at work and guidance on disease prevention. Group companies have dedicated teams in place to ensure compliance with OHS regulations and conduct proper inquiries into any work-related accidents, handle any reports of suspected occupational disease, and carry out occupational risk assessments. In 2023, no occupational diseases were identified among employees.

KRUK S.A. has established a Health and Safety Committee, which comprises employees, employer representatives and an occupational physician. The Committee meets once a quarter to discuss measures that can improve occupational safety, etc.

In 2023, the KRUK Group implemented various initiatives to promote the mental and physical well-being of its staff. The key ones included:

- KRUK S.A. Health Academy: regular sessions featuring external experts to educate employees on various health-related topics;
- Pink Boxes Initiative: implemented to address the issue of ‘pink tax’ and combat menstrual poverty;
- Centralised Cancer Prevention Campaign: each employee could allocate two hours of working time to preventive health screenings;
- Health Week at KRUK Česká a Slovenská republika: offering opportunities for preventive health screenings to be conducted conveniently at the office.

Table 68. Accidents at the KRUK Group in 2023

KRUK Group	28
Accidents related to performance of daily responsibilities	7
Road traffic accidents	8
Commuting accidents	2
Attack by customer or animal	3
Slip, trip, fall on a flat surface	6
Other	2

The KRUK Group’s total accident rate was 0.76%.

The KRUK Group combines care for physical safety with care for mental well-being of our employees. Given the nature of the debt collection industry, our employees frequently come into contact with people in difficult personal circumstances. The Group is well aware that everyday interaction with such people and exposure to their financial problems can affect the well-being of our employees. For this reason, every employee of KRUK S.A. can receive professional psychological assistance as part of the ‘Together, Side by Side’ Employee Support Programme. Run by the Psychological Assistance Centre, the programme draws on the experience and knowledge of the Indebted Persons Support Programme Association. KRUK România also offers free counselling sessions to employees.

10.5 Social responsibility

10.5.1 Financial education of the general public

[3-3 Social responsibility] Every day, we at the KRUK Group can see how important financial education is. We talk daily to indebted individuals whose financial difficulties have not been brought about by external circumstances, but simply by a lack of adequate knowledge about responsible management of personal finances. Raising financial awareness among the general public is one of the KRUK Group's key social commitments. To meet this commitment, we harness our expertise, know-how, resources and scale of impact.

The KRUK Group's flagship programme addressing this issue is the 'Day Without Debt' campaign, run by KRUK S.A. since 2009 in Poland, but also in Romania, the Czech Republic and Slovakia. In Poland, on each 17 November, KRUK draws the public's attention to the problem of indebtedness, raising awareness of voluntary debt repayment benefits, and conducting extensive education on finance management via our own channels and in partnership with the media. In our materials, we explain how to responsibly control income and expenses, and how to reasonably assess one's financial capabilities. KRUK also focuses on buying habits and show how to safeguard against losing the source of income.

"Working with indebted persons on a daily basis, we see what mistakes they make in their financial decisions and how ignorant they are of potential risks and consequences of imprudent debt management. We realise this problem affects not only the individuals concerned, but also the public at large. The Day Without Debt, an international educational project, was celebrated in the Czech Republic for the 13th time. Under this initiative, we partner with the Labour Office and a variety of non-profit organisations to offer free debt counselling focused on prevention and financial education, aiding people in navigating financial challenges."

– Jaroslava Palendalová, General Director KRUK Česká a Slovenská republika

In 2023 in Poland, the 'Day Without Debt' campaign was present in the main media with the largest coverage, including on the airwaves of RMF FM, TOK FM, Radio Złote Przeboje, Radio Zet, and Radio Pogoda, as well as in print and online media. The message is estimated to have reached as many as 5 million people.

The KRUK Group conducts regular surveys to find out how indebted persons handle their finances, what their financial condition is, whether they think their economic knowledge is sufficient, what attitude they have to debt and debt repayment, etc. The surveys help us point to various financial matters and offer support in education and raising financial awareness.

As part of its educational activities in Poland, KRUK S.A. became a strategic partner of the [Kapitalni.org](https://www.kapitalni.org) website, operated by Wonga.pl. It was created in response to the low level of financial knowledge among Poles. Its purpose is to provide, on a continuous basis, financial education that can genuinely affect consumer behaviours and attitudes. Throughout 2023, the portal saw the publication of 121 new articles by renowned experts, journalists, and bloggers, covering essential topics like household budget management and the principles of responsible borrowing. Additionally, the launch of the mobile game PreKapitalni offers an engaging way for users to familiarise themselves with financial management concepts. Over the year, the Kapitalni.org website was accessed by over 524 thousand unique users seeking to expand their financial literacy.

Beyond Poland, in 2023, the KRUK Group participated in local financial education initiatives across the Czech Republic, Slovakia, Spain, and Italy, releasing educational content through both traditional and online media. The geography where the Group's engagement in such projects was the most extensive was Romania:

The promotion of financial education by KRUK România's has included the implementation of Credite inteligente™ (Smart Loans) programme in public schools. This initiative aims at teaching responsible use of financial services and is delivered through an e-learning platform targeting high school students. Its main purpose is to clarify the essentials of credit access and management with practical examples and exercises, helping

students develop the ability to assess financial options and understand associated risks and thus fostering informed decision-making. Through engaging video materials, articles, and workbooks, as well as workshops led by volunteer KRUK Mentors, young people and their educators learn about prudent financial management and a secure pathway to obtaining financial loans. In 2023, the programme was adopted by 53 schools throughout Romania, enhancing the financial literacy of over 1,200 participants.

In partnership with the Social Incubator, KRUK România lends its support to the R€sponsABIL financial education programme, now in its fifth edition. This initiative aims to empower young people aged 16–24 from disadvantaged backgrounds, fostering their financial independence and responsibility while enhancing their employment opportunities.

Since 2021, KRUK România has been a proud supporter of another essential aspect of financial education: teachers. This is achieved through the MERITO community, established by the Romanian Business Leaders (RBL). MERITO assembles esteemed Romanian teachers to promote excellence through change, innovation, and the transformation of the educational landscape. The MERITO project acknowledges the achievements of outstanding educators, including through financial support, while also helping disseminate their exemplary practices throughout the education system. Over 10,000 teachers in Romania have adopted the best practices from the MERITO community. In 2023, at the annual MERITO Gala, Cosmina Marinescu, General Director of KRUK România, awarded a prize for excellence and innovation in education.

For us, committing to sustainable development within our industry goes beyond making responsible choices; it represents a strategic imperative for innovation. Incorporating environmental, social, and governance criteria into our decision-making process fosters long-term value for our partners, clients, and the broader community. We are dedicated to building economic resilience and embracing transformative opportunities, such as advancing financial education in Romania. Our goal to increase Romania's financial literacy rate from 8% to over 20% by 2030 also propels our efforts in financial mentoring and sustainable growth.

– Cosmina Marinescu, General Director KRUK România

10.5.2 Environmental education

[3-3 Building the awareness of environmental issues among employees, suppliers, and clients]

At the KRUK Group, we are well aware that both financial debt and environmental debt have one thing in common: excessive consumerism. Buying unnecessary things can get many people in dire straits, and it certainly does lead to environmental debt. The KRUK Group believes that it takes responsibility to successfully tackle both economic and environmental debt. To that end, since 2019 we have worked to raise awareness of environmental debt and put the spotlight on curbing overconsumption as a key countermeasure.

Earth Overshoot Day serves as a critical reminder of this issue, marking the date each year when humanity's resource consumption surpasses the Earth's ability to regenerate those resources within the same year. In addition to implementing decarbonisation measures within its operations, the KRUK Group places a strong focus on environmental education. The Company seeks to engage both media outlets and its employees in discussions surrounding the climate crisis, environmental protection, and the impacts of overconsumption.

[Company indicator: surveying of environmental awareness]

In 2023, KRUK S.A., in collaboration with the Ariadna Nationwide Research Panel, conducted a survey to inform its media communication efforts aimed at increasing public awareness of the importance of environmental conservation. The survey revealed that, although 3% of Poles do not engage in any environmental conservation efforts, the overwhelming majority are committed to activities that protect the environment.

In Italy and the Czech Republic, KRUK Group companies are involved in environmental projects focused on tree planting and rebuilding damaged ecosystems. These initiatives are not only educational but also aim to increase employee engagement.

10.5.3 Sponsorship and other CSR activities

The KRUK Group is committed to thoughtful charity, providing immediate assistance where necessary and implementing systemic support where possible. Our charitable giving and sponsorship projects are targeted at those in need and the general public, including through financial and environmental education initiatives addressing excessive consumption.

Social engagement activities carried out across the KRUK Group’s geographies are governed by the Charitable Sponsorship Policy. The Policy is managed by the President of the KRUK S.A. Management Board and KRUK S.A. General Director, assisted by persons they have designated.

It outlines the following types of support:

- events involving amateur physical activity which aim to provide financial or in-kind assistance for the most needy;
- projects implemented by public benefit institutions or associations aimed at supporting those most in need;
- organisations that support financial education and psychological or legal assistance to people struggling with financial or personal difficulties;
- CSR initiatives that seek to strengthen the processes of civic development, equality and tolerance;
- community and educational projects aimed at protecting the common good, such as the natural environment, with a particular focus on addressing the issue of overconsumption and its relation to excessive spending.
- In May 2023, the Cesena community in Italy, home to one of KRUK Italy’s offices, was severely affected by a flood, causing considerable damage throughout the region. The KRUK Group responded to this disaster by donating EUR 30,000 to the Cesena municipality for the restoration of two culturally and socially significant locations: the San Carlo School and the Ex Pescheria Art Gallery.

In 2023, as part of its arts and culture support efforts, KRUK S.A. became a strategic partner in the Krupa Gallery Foundation’s Art Partner project. This visual arts-oriented initiative engages the business community in promoting art and supporting young artists. To date, Art Partner has gathered over 500 artworks and provided support to 80 talented individuals. The collection rented from the Krupa Gallery Foundation by KRUK is showcased within its Wrocław headquarters, which offers a unique opportunity to immerse in art daily through the permanent exhibition as well as host art viewings in the office.

Furthermore, KRUK S.A. is actively involved in establishing the Prophet Elijah Hospice in Poland’s depopulating area of Podlasie. The hospice is dedicated to providing home palliative care to ailing individuals and support for their families. For the past decade, Michał Zasepa, Member of the KRUK S.A. Management Board, has served pro bono on the Hospice Foundation Board.

[415-1] The KRUK Group did not provide any financial or in-kind support to political causes or organisations in 2023.

At the same time, the KRUK Group increased its charitable and sponsorship spending by 29% relative to 2022.

Table 69. Support provided in 2023 (figures in PLN):

CATEGORY	POLAND ²	ROMANIA	SPAIN	ITALY	CZECH REPUBLIC AND SLOVAKIA
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Charitable and sponsorship support (including aid for Ukraine)	1,117,210	568,355	4,348	91,308	2,427
Financial education	656,300	10,874	-	-	-
Environmental education initiatives	-	5,403	-	43,480	11,258
Total	1,773,510	584,632	4,348	134,788	13,685
Total for KRUK Group			2,510,963		

1 translated into PLN at the mid exchange rate quoted by the NBP for 29 December 2023

2 Sponsorship expenses include sponsorship aimed at enhancing brand image and awareness, including of Wonga.pl.

Aid for Ukraine

Russia's invasion of Ukraine starkly conflicts with KRUK's core values. Since the outbreak of the war, the Group has made considerable aid efforts under the umbrella 'KRUK for Ukraine' initiative. To date, nearly PLN 986,000 has been donated to support Ukrainian citizens. Relief has been provided across all of the Group's geographies neighbouring Ukraine.

In 2023, KRUK S.A. supported Ukraine through selected projects and by donating PLN 108,000 to Poland-based aid organisations, including:

- the Loris Malaguzzi Villages Foundation, aimed at funding Polish language lessons to facilitate the integration of Ukrainians settling in Poland;
- the Pociecha Foundation, engaged in organising summer camps for refugee children from Ukraine;
- the Towarzystwo Poligrodzianie society, focused on preserving Ukrainian art and culture.

In 2023, a project was executed in partnership with the Zi de Bine Association, which KRUK România had signed an agreement with in the previous year. The initiative aimed to support a multimedia platform for the Ukrainian community in Romania: www.warstreetjournal.eu.

The remaining budget allocated for relief projects for Ukraine will be spent throughout 2024, as the geopolitical tensions and the armed conflict in the region continue.

The employees of KRUK S.A. were encouraged to engage, during their working hours, in volunteer work for people affected by the war. In addition, an internal communication channel dedicated to aid to Ukraine was launched, which was used by the employees to organise donation drives and disseminate information about local initiatives.

10.5.4 Cooperation with suppliers

[2-6] The KRUK Group is committed to building its supply chain in a responsible manner. In 2023, its supplier base comprised close to 3.4 thousand businesses across its markets. Wherever possible, the Group seeks to ensure that partnering with it supports the local labour market as well as local producers and service providers. More than 87% of the KRUK Group's suppliers come from the countries where the Group operates, i.e. from local markets.

[204-1] Table 70. Percentage share of local suppliers

	POLAND	ROMANIA	ITALY	SPAIN	CZECH REPUBLIC AND SLOVAKIA
Number of suppliers	914	812	989	233	211

Percentage share of local suppliers	91%	94%	94%	79%	79%
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[2-24] The KRUK Group is a large organisation, perceived as an attractive business partner by a great number of potential contractors. As such, it seeks to leverage that influence to promote its corporate standards and values. When selecting a business partner – especially for large contracts – KRUK evaluates the submitted bids, taking into account how each of the potential contractors manages its environmental, social, and economic impacts.

As part of our procurement activities in Poland, every company seeking the award of a contract worth more than PLN 100 thousand is required to complete a CSR questionnaire. The survey asks about solutions implemented by each bidder to benefit the local community, its employees and workplace, the market, customers, and the environment. Based on the survey, suppliers are evaluated in terms of their environmental, social and economic ethics. The survey probes the transparency and legal compliance of a supplier’s employment practices and respect for human rights, including its attitude to forced labour and child labour. It also allows the assessment of whether a potential business partner engages in dialogue with its employees, provides them with relevant OHS training, and runs initiatives to raise their health and safety awareness. In addition, respondents are asked about measures designed to reduce their consumption of raw materials, improve waste management and engage with the local communities. In 2023, completing the CSR survey was obligatory in the case of 81 contract award procedures and the survey was completed by 152 suppliers.

10.6 Environmental responsibility

10.6.1 Environmental objectives

[2-24] [3-3 Carbon footprint, including energy consumption]

The KRUK Group is committed to minimising its environmental footprint, seeing this not just as a moral duty towards future generations but also as a key component of its credibility and a response to the expectations of its stakeholders. The importance we attach to environmental issues is evidenced by the ambitious environmental objectives we have embraced and incorporated into our ESG Strategy, which is an integral part of our business strategy. These objectives are based on the UN Sustainable Development Goals and on the European Green Deal.

[2-24] In line with the Scope 1 and Scope 2 guidance of GHG Protocol, an action plan has been implemented in each country where the KRUK Group is present to achieve a 70% reduction in carbon emissions by 2040 relative to the baseline year of 2021. This target is to be met through a range of measures, e.g. by improving the efficiency of the car fleet, using renewable energy sources, and cutting energy consumption in office buildings. Furthermore, to satisfy the requirements of the Corporate Sustainability Reporting Directive (CSRD), the KRUK Group has extended its emission calculations to include its value chain, assessing its Scope 3 carbon footprint as specified in the GHG Protocol.

The Group is on track with its decarbonisation efforts, achieving a consistent reduction in its carbon footprint for Scopes 1 and 2 emissions according to the GHG Protocol. In 2023, the KRUK Group saw a 23% decrease in GHG emissions compared to 2022 and a 35% reduction from the baseline year. This reduction rate has surpassed the initial targets set in the Group’s ESG Strategy.

In 2022, the KRUK Group signed in for the first time to complete the questionnaire offered by CDP (formerly the ‘Carbon Disclosure Project’), which evaluates organisations on their climate action. CDP is a long-standing international standard surveying the level of corporate climate awareness. It provides an insight into the environmental impact of the surveyed entities, aiming to encourage a transition and fuel global progress towards building a truly sustainable economy that would have a positive long-term impact on the future of our planet.

In 2023, the KRUK Group once again submitted itself to the CDP's scrutiny, this time improving its rating to a "C". This grade reflects our organisation's consciousness of how climate change impacts its operations and the influence its activities have on the climate.

The KRUK Group aims to consistently enhance its CDP score in the years to come. Our ESG strategy provides for appraising the emissions of the Group's key business processes by 2026. Efforts to understand our supply chain support this goal. In order to achieve all of the strategic environmental objectives, we have committed to continuously raising the awareness of our employees, suppliers, and the public in the area of environmental protection and restoration.



Selected environmental projects in 2023:

- Working with an external partner, the KRUK Group developed a methodology to measure its Scope 3 carbon footprint in accordance with the GHG Protocol. This involved analysing the value chains of Group companies to identify the most relevant areas. Through organisation-wide collaboration, a dedicated tool was created, tailored to the Group's business, for the calculation of emissions across the value chain based on quantitative and financial data. For the first time, employees' commute to work was reviewed, which will facilitate carbon footprint measurement and decarbonisation planning.
- In 2023, the KRUK Group made its first substantial purchase of Guarantees of Origin for electricity on the Polish Power Exchange. This ensured that an equivalent amount of electricity generated from renewable sources was supplied to the Polish national grid. The Group also explored other renewable energy solutions to meet its electricity needs but found Guarantees of Origin to be the most fitting, given the electricity demand and the number of offices and energy suppliers of KRUK S.A.
- In Italy, the local Group companies' entire demand for electricity was met by signing renewable power purchase agreements. This translated into the decarbonisation of electricity consumption in KRUK's Milan and La Spezia offices.
- A majority of the KRUK offices in Poland, Spain, Italy, and Romania are now powered by renewable energy, a trend that will continue in the years ahead.
- In 2023, the Group signed its first-ever contract for the operational lease of 15 battery electric vehicles (BEVs). The lease will not only contribute to the decarbonisation of the Group's fleet but also provide invaluable insights into the operational use of electric vehicles. The vehicle procurement process also entailed signing an agreement with a nationwide charging infrastructure operator. The vehicles are primarily used in larger cities and urban areas where client visits do not require extensive travel. Early feedback indicates that such vehicles seamlessly integrate into the field advisers' daily routine. The transition of the KRUK Group's vehicle fleet is progressing, though limitations due to factors such as infrastructure inadequacies and the need for behavioural changes among drivers persist.
- In Italy, the Group added low-emission plug-in hybrid vehicles and a BEV to its fleet, as well as deploying a fast-charging station on the premises of its La Spezia office.

[302-1] Energy consumption within the organisation

2023 saw a uptick in the KRUK Group's energy usage compared to previous years. This increase in fuel consumption is attributable to the rising number of managed cases, a reflection of the organisation's rapid growth. The growing caseload necessitates more extensive travel by field advisers, who rely on company vehicles to visit clients.

Table 71. Total non-renewable energy consumption in 2022 by source (in joules or multiples thereof)

KRUK GROUP

	2023	2022	UOM	CHANGE
Gasoline	23,932	18,984	GJ	26%
Diesel oil	6,253	5,669	GJ	10%

Natural gas	1,800 ¹²	1,698	GJ	6%
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Table 72. The share of renewable sources in total electricity consumption increased in connection with purchase by the Group companies of Guarantees of Origin for electricity consumed and conclusion of power purchase agreements directly with renewable energy producers and distributors.

	2023	2022	UoM	Change
Electricity	5,509	1,368	GJ	303%

The increase in electricity consumption at the Group was largely attributable to employees transitioning back to office work. Remote work on the Polish market was downscaled with employees spending more time in the office, which resulted in higher usage of electricity and heating.

Table 73. Total energy consumption within the organisation (in joules or KWh)¹³

	2023	2022	UOM	CHANGE
Electricity	7,008	6,021	GJ	16%
Heat	3,343	4,740 ¹⁴	GJ	-29%
Total	42,337	37,112	GJ	14%

[302-3] In 2023, the organisation's energy intensity ratio, measured in joules of energy consumed per PLN of net revenue, was 37.8 kJ/PLN. Compared with 2022, the ratio decreased by 23%.

The energy intensity ratio was computed taking into account energy from fossil fuels, heat and electricity.

[305-1] [2-4] Direct (Scope 1) GHG emissions¹⁵

Table 74. Gross greenhouse gas emissions in tonnes (t) of CO₂ equivalent or an equivalent unit of measure
KRUK GROUP

	2023	2022	UOM	CHANGE
Gross greenhouse gas emissions in tonnes (t) of CO ₂ equivalent or an equivalent unit of measure	2,110	2,262	tCO ₂	-7%

Country

	2023	2022	UOM
Poland	1,006	1,116	tCO ₂
Romania	470	450	tCO ₂
Italy	358	437	tCO ₂
Spain	135	148	tCO ₂
Czech Republic and Slovakia	141	111	tCO ₂

Type of emission source

	2023	2022	UOM
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¹²Gas consumption data for the Italian market is an estimate based on volumes consumed in previous years.

¹³ In this Report, the total energy consumption table omits the cooling included in the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2022 – the item has been included in the consumption of electricity required to generate the cooling.

¹⁴The amount has been corrected relative to the KRUK Group's Sustainability Report for 2022. Previously, heat consumption data for one of the offices in Poland was overstated.

¹⁵ Standards, methodologies and emission factors used for the calculations included GHG Protocol and DEFRA 2023. Data on energy consumption within the organisation will change because the processing of accounting documents from December 2023 was still continuing at the Italian-based companies at the time of this statement. In their case, projected data was used.

Combustion in stationary sources	101	96	tCO ₂
Combustion in mobile sources	2,008	2,053	tCO ₂

Type of activities

	2023	2022	UOM
HFC - emissions from refrigeration systems	0 ¹⁶	108	tCO ₂

Base year

2021 ¹⁷	2126	tCO ₂
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[305-2] Energy indirect (Scope 2) GHG emissions¹⁸

Table 75. Gross market-based energy indirect (Scope 2) GHG emissions in tonnes (t) of CO₂ equivalent or an equivalent unit of measure

KRUK Group

	2023	2022	UOM	CHANGE
Gross market-based energy indirect (Scope 2) GHG emissions in tonnes (t) of CO ₂ equivalent or an equivalent unit of measure	531	1,158	tCO ₂ e	-54%

Table 76. Market-based emissions in each country where the KRUK Group operates

	2023	2022	UOM
Poland	448	1,021	tCO ₂ e
Romania	75	100	tCO ₂ e
Italy	0 ¹⁹	28	tCO ₂ e
Spain	0	0	tCO ₂ e
Czech Republic and Slovakia	8	9	tCO ₂ e

Table 77. Energy type

	2023	2022	UOM
Electricity	200	690	tCO ₂ e
Heat	331	468 ²⁰	tCO ₂ e

Base year

2021	1,914.8	tCO ₂ e
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Table 78. Gross location-based energy indirect (Scope 2) GHG emissions in tonnes (t) of CO₂ equivalent or an equivalent unit of measure

KRUK Group

¹⁶ During maintenance work on the air-conditioning systems managed by the organisation in 2023, there was no need to replenish refrigerant levels.

¹⁷ In 2021, Group-wide emissions started to be measured according to uniform standards, consistent with GHG Protocol.

¹⁸ Standards, methodologies and emission factors used for the calculations included GHG Protocol and DEFRA 2023. The emission factors for electricity were sourced from the European Environment Agency (EEA), the National Centre for Emissions Balancing and Management, Tauron, ENEA and Veolia, while the emission factors for heat were sourced from the Energy Regulatory Office's report for 2022.

¹⁹ The companies based in Spain and Italy, excluding AgeCredit, rely solely on renewable energy sources.

²⁰ The change in emissions from heat consumption relative to data disclosed in the KRUK Group's Sustainability Report for 2022 is due to incorrect reading of the heat volume consumed by one of the offices in Poland.

	2023	2022	UOM	CHANGE
Gross location-based energy indirect (Scope 2) GHG emissions in tonnes (t) of CO ₂ equivalent or an equivalent unit of measure	1,349	1,326	tCO ₂ e	2%

[305-3] Other indirect GHG emissions (Scope 3)

Table 79. Other gross location-based energy indirect (Scope 3) GHG emissions in tonnes (t) of CO₂ equivalent or an equivalent unit of measure

KRUK Group

	2023	UOM
Other gross location-based energy indirect (Scope 3) GHG emissions in tonnes (t) of CO ₂ equivalent or an equivalent unit of measure	27,876	tCO ₂

Having reviewed its value chain, in 2023 the KRUK Group extended the measurement of its Scope 3 carbon footprint to cover more categories based on *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard Revised Edition* and *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*. In determining the sources of greenhouse gas emissions from individual operations, quantitative approaches were favoured. Where possible, the inventory approach was used to calculate KRUK S.A.'s carbon footprint. In the absence of data enabling the inventory process, the spend-based screening method was adopted.

Currently, Scope 3 carbon emissions comprise the following categories under the GHG Protocol:

- Category 1. Purchased goods and services, including office supplies, utilities, cloud-based services and professional services;
- Category 2. Capital goods, including electronic equipment purchased during the accounting year;
- Category 3. Fuel- and energy-related activities (Well to Tank) (not included in Scopes 1 or 2), including business travel, employee commuting, fuel consumption and energy listed in Scopes 1 and 2;
- Category 4. Transport, including transport services performed by business partners;
- Category 5. Waste generated in operations, including recyclable paper, municipal waste and sewage from offices;
- Category 6. Business travel, based on aggregated distances travelled by various modes of transport;
- Category 7. Employee commuting, determined based on the frequency and modes of transport chosen by employees, as well as hybrid and remote work arrangements;
- Category 11. End-of-life emissions from real property sold during the reporting period. The KRUK Group manages debt portfolios secured by real property, which is foreclosed on and becomes the property of Group companies through successful litigation. Subsequently, such real property – which includes mainly residential dwellings (detached houses and apartments) and commercial property – is sold. Given its varying ages, standards of construction and heating systems, appropriate energy demand factors were used in the calculation. Based on information on the year of construction, heating system and floor area, emissions were calculated for a period of five years for the oldest buildings and 40 years for the youngest ones. Being unable to control emissions from such activities, the Group will disregard them in setting Scope 3 emission reduction targets.

Country²¹

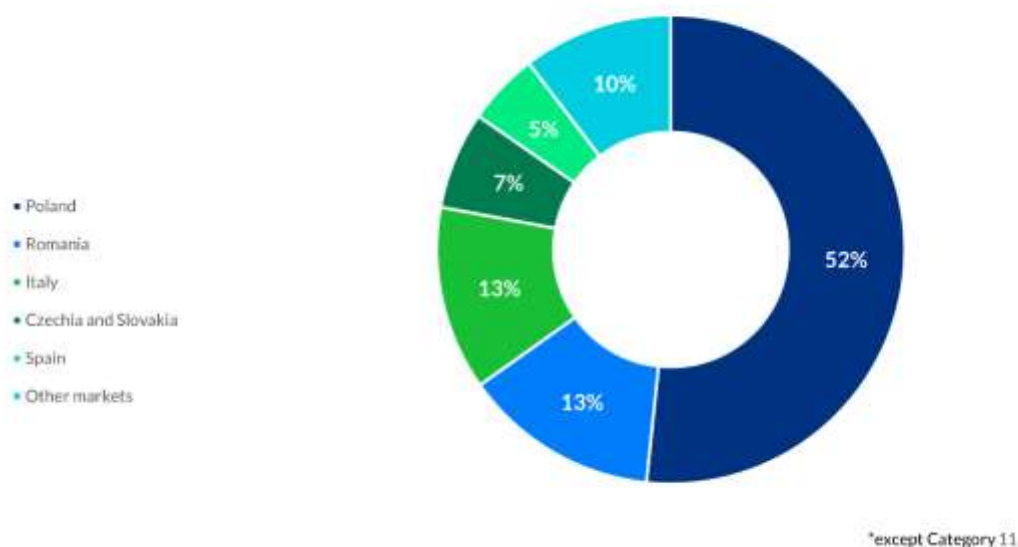
	2023 ²²	UOM
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²¹ The following companies were covered by the calculation of the Group's Scope 3 carbon footprint: KRUK S.A., Wonga.pl sp. z o.o., KRUK Espana S.L., KRUK Italia S.r.l., KRUK Romania SRL, KRUK Ceska a Slovenska republika S.r.o., Kancelaria Prawna RAVEN P. Krupa Spółka Komandytowa, Novum Finance sp. z o.o., Agecredit S.r.l., InvestCapital LTD, ItaCapital S.r.l., KRUK Deutschland GmbH, KRUK Investimenti S.r.l.

²² Due to the change of methodology used for calculating Scope 3 emissions, data for 2023 and 2022 are not comparable.

Poland	20,277	tCO ₂ e
Romania	2,125	tCO ₂ e
Italy	2,000	tCO ₂ e
Spain	1,059	tCO ₂ e
Czech Republic and Slovakia	785	tCO ₂ e
Other markets ²³	1,632	tCO ₂ e

Percentage share of the KRUK Group's individual markets in Scope 3 emissions*



Type of activities

	2023	UOM
Category 1	13,591	tCO ₂ e
Category 2	119	tCO ₂ e
Category 3	702	tCO ₂ e
Category 4	71	tCO ₂ e
Category 5	23	tCO ₂ e
Category 6	292	tCO ₂ e
Category 7	923	tCO ₂ e
Category 11	12,153	tCO ₂ e

Base year

2022	3,374	tCO ₂ e
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2022 is also the base year for Scope 3 emissions as the year when emissions falling under Scope 3 started to be measured.

[305-4] GHG emissions intensity

Table 80. GHG emissions intensity ratio for the organisation includes Scope 1 and 2 emissions under GHG Protocol

KRUK S.A.

	2023	2022	UOM
GHG emissions intensity ratio for the organisation	2.6	4.3	gCO ₂ e/PLN net profit

²³ Combined data for InvestCapital LTD and KRUK Deutschland GmbH.

10.6.2 Taxonomy

In accordance with Article 8 of EU Regulation 2020/852 (Taxonomy), information is presented below on how and to what extent the KRUK Group's activities are associated with economic activities that qualify as environmentally sustainable (Taxonomy-aligned activities). Key performance indicators were prepared in accordance with the requirements outlined in Commission Delegated Regulation (EU) 2021/2178. Pursuant to Article 10 thereof, the KRUK Group, whose principal business activities are classified as activities of a non-financial undertaking, discloses key performance indicators in accordance with the scheme and scope of disclosures for non-financial undertakings as set out in Annex I and Annex II of Regulation (EU) 2021/2178.

In 2023, the Group analysed its procurement process and developed procedures to ensure high quality of data reporting with respect to capital and operating expenditures (CapEX and OpEX) on Taxonomy-eligible and aligned products and services, in accordance with EU Regulation 2020/852 and EU Delegated Regulations 2021/2178 and 2023/2486.

Procurement areas corresponding to the categories listed in the Delegated Regulations were identified, based on which four categories with Taxonomy-eligible expenditures were pinpointed. The categories are listed below:

- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- 7.3 Installation, maintenance and repair of energy efficiency equipment
- 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and parking spaces attached to buildings)
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings.

Only within these categories, purchases contributing to one of the environmental objectives were identified. The alignment assessment consisted in asking suppliers whether their product or service was aligned with the Taxonomy, i.e. whether it contributed to one of the environmental objectives listed in the Regulation, while causing no significant harm to any of the other environmental objectives and complying with the minimum safeguards. Based on the responses received from suppliers, expenditure data was collected and used to calculate CapEX and OpEX KPIs.

10.6.2.1 Turnover KPI

Table 81. Percentage of turnover from products or services associated with Taxonomy-aligned activities – disclosure does not account for 2023

FINANCIAL YEAR 2023	YEAR			SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA						Share of Taxonomy-aligned activities (A.1) or Taxonomy-eligible activities (A.2) Turnover, year 2022	Category Enabling activities	Category Transitional activities	
	Code or codes	Turnover	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Pollution prevention and control	Transition to a circular economy	Protection and restoration of biodiversity	Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Pollution prevention and control	Transition to a circular economy	Protection and restoration of biodiversity				Minimum safeguards
Text		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y

A TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy-aligned)

Turnover from environmentally sustainable activities (Taxonomy-aligned) (A.1)	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0		
Of which enabling activities	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	
Of which transitional activities	0	0	0							N/A	N/A	N/A	N/A	N/A	N/A	N/A	0		N/A

A.2 Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned)

Turnover from Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned) (A.2)	0	0	0	0	0	0	0	0	0								0		
A. Turnover from Taxonomy-eligible activities (A.1+A.2)	0	0	0	0	0	0	0	0	0								0		

B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES

Turnover from Taxonomy-non-eligible activities	PLN 2,592,582,146	100%
TOTAL	PLN 2,592,582,146	100%

Accounting policies

The key performance indicator for turnover (Turnover KPI) was calculated based on the consolidated financial statements of the KRUK Group for 2023 prepared in accordance with International Reporting Standards (IFRS). Net revenue disclosed in those financial statements was used as the denominator of the KPI.

Assessment of compliance with Regulation (EU) 2020/852

The individual categories of the KRUK Group's revenue were analysed in terms of their eligibility for the Taxonomy. The process included an analysis of taxonomy-eligible economic activities as defined in Regulation (EU) 2021/2139 and Regulation (EU) 2022/1214. Based on the analysis, no revenue from taxonomy-eligible economic activities was identified.

Contribution to multiple objectives, disaggregation of KPIs and contextual information

Not applicable No part of the KRUK Group's revenue for 2022 was identified as associated with environmentally sustainable economic activities (Taxonomy-aligned).

10.6.2.2 CapEx KPI

Table 82. Percentage of capital expenditure on products or services associated with Taxonomy-aligned activities – disclosure for 2023

Financial year 2023	YEAR			SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA						SHARE OF TAXONOMY-ALIGNED ACTIVITIES (A.1) OR TAXONOMY-ELIGIBLE ACTIVITIES (A.2) CAPITAL EXPENDITURE, 2022	CATEGORY ENABLING ACTIVITIES	CATEGORY TRANSITIONAL ACTIVITIES	
	CODE OR CODES	CAPITAL EXPENDITURE	PERCENT AGE OF CAPITAL EXPENDITURE, YEAR 2023	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES	POLLUTION PREVENTION AND CONTROL	TRANSITION TO A CIRCULAR ECONOMY	PROTECTION AND RESTORATION OF BIODIVERSITY	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES	POLLUTION PREVENTION AND CONTROL	TRANSITION TO A CIRCULAR ECONOMY	PROTECTION AND RESTORATION OF BIODIVERSITY				MINIMUM SAFEGUARDS
TEXT	CURRENCY	%	Y; N; N/E L	Y; N; N/E L	Y; N; N/E L	Y; N; N/E L	Y; N; N/E L	Y; N; N; EL	Y; N; N; EL	Y/ N	Y/ N	Y/ N	Y/ N	Y/ N	Y / N	Y/ N	%	E	Y
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Capital expenditure on environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.13		
Of which enabling activities		0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	
Of which transitional activities		0	0	0						N/A	N/A	N/A	N/A	N/A	N/A	N/A	0		N/A
A.2. Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned)																			
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	PLN 1,625,248	2.43%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.99		

Capital expenditure on Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)	PLN 1,625,248	2.43%	2.43%	0	0	0	0	0		0.99	
A. Capital expenditure on Taxonomy-eligible activities (A.1+A.2)	PLN 1,625,248	2.43%	2.43%	0	0	0	0	0		1.12	

B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES		
Capital expenditure on Taxonomy-non-eligible activities	PLN 65,326,208.17	97.57%
TOTAL	PLN 66,951,456.00	100%

Accounting policies

The CapEx KPI was calculated on the basis of capital expenditure recognised in the consolidated financial statements in accordance with the applicable International Financial Reporting Standards (IFRS). Costs accounted based on the following regulations were allocated to the CapEx KPI denominator:

- IAS 16 Property, Plant and Equipment, paragraph 73, (e), point (i) and point (iii);
- IAS 38 Intangible Assets, paragraph 118, (e), point (i);
- IAS 40 Investment Property, paragraph 76, points (a) and (b) (for the fair value model);
- IAS 40 Investment Property, paragraph 79(d), points (i) and (ii) (for the cost model);
- IAS 41 Agriculture, paragraph 50, points (b) and (e);
- IFRS 16 Leases, paragraph 53, point (h).

The KRUK Group did not earn any revenue from Taxonomy-aligned economic activities, therefore none of the costs included in the denominator were included in the numerator on account of association with Taxonomy-aligned economic activities. The KRUK Group does not have in place any CapEx plan²⁴ referred to in Section 1.1.2.2. of Annex I to Regulation (EU) 2021/2178. Following analyses, costs related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions were identified. The activities from which the output was purchased were assessed based on the technical screening criteria set out in Regulations (EU) No 2021/2139 and 2023/2486. The results of the assessment were the basis for allocating certain costs to the numerator of the CapEx KPI.

Assessment of compliance with Regulation (EU) 2020/852

The purchased output was analysed based on the assessment of eligibility followed by assessment of alignment of the respective activities. None was classified as aligned.

The basis for the assessment was a survey of the suppliers of products and services, who were requested to answer the following question:

²⁴ The CapEx plan referred to in the first paragraph of this point 1.1.2.2 must meet the following conditions:

- the plan aims either to expand the undertaking's Taxonomy-aligned economic activities or to upgrade Taxonomy-eligible economic activities to render them Taxonomy-aligned within a period of five years;
- (b) the plan must be disclosed at economic activity aggregated level and be approved by the management body of non-financial undertakings either directly or by delegation.

- Is your economic activity to which this question refers aligned with the Taxonomy? (YES/NO/I DON'T KNOW). The 'I DON'T KNOW' response was regarded as non-alignment.

As no affirmative responses were received, none of the eligible capital expenditure was assessed as Taxonomy-aligned.

Contribution to multiple objectives

The activities do not contribute to multiple objectives.

Disaggregation of KPIs and contextual information

KPIs were not disaggregated. Capital expenditure within a single economic activity was included in the KPI's numerator. The KRUK Group does not have in place any CapEx plan referred to in Section 1.1.2.2. of Annex I to Regulation (EU) 2021/2178.

10.6.2.3 OpEx KPI

Table 83. Percentage of operating expenditure on products or services associated with Taxonomy-aligned activities – disclosure for 2023

Financial year 2023	YEAR			SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA						SHARE OF TAXONOMY-ALIGNED ACTIVITIES (A.1) OR TAXONOMY-ELIGIBLE ACTIVITIES (A.2) OPERATING EXPENDITURE, 2022	CATEGORY ENABLING ACTIVITIES	CATEGORY TRANSITIONAL ACTIVITIES	
ECONOMIC ACTIVITY	CODE OR CODES	OPERATING EXPENDITURE	PERCENTAGE OF OPERATING EXPENDITURE YEAR 2023	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES	POLLUTION PREVENTION AND CONTROL	TRANSITION TO A CIRCULAR ECONOMY	PROTECTION AND RESTORATION OF BIODIVERSITY	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES	POLLUTION PREVENTION AND CONTROL	TRANSITION TO A CIRCULAR ECONOMY	PROTECTION AND RESTORATION OF BIODIVERSITY				MINIMUM SAFEGUARDS
TEXT	CURRENCY	%	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
B. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Operating expenditure on environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0		
Of which enabling activities		0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	
Of which transitional activities		0	0	0						N/A	N/A	N/A	N/A	N/A	N/A	N/A	0		N/A
A.2. Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned)																			
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	PLN 1,093,007.26	2.45%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	PLN 6,172.88	0.01%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.56		

Operating expenditure on Taxonomy-eligible activities that are not environmentally sustainable (not Taxonomy-aligned) (A.2)	PLN 1,099,180.14	2.46%	2.46%	0	0	0	0	0		0.56
A. Operating expenditure on Taxonomy-eligible activities (A.1+A.2)	PLN 1,099,180.14	2.46%	2.46%	0	0	0	0	0		0.56
B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES										
Operating expenditure on Taxonomy-non-eligible activities		PLN 43,548,039		97.54%						

Accounting policies

The OpEx KPI was calculated on the basis of operating expenditure recognised in the financial statements in accordance with the applicable International Financial Reporting Standards (IFRS). The following direct, non-capitalised expenditure was allocated to the denominator of OpEx KPI:

- building renovation measures,
- maintenance and repair,
- any other direct expenditure relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

No research and development costs or short-term rental expenses were identified within the KRUK Group's expenditure.

The KRUK Group did not earn any revenue from Taxonomy-aligned economic activities, therefore none of the costs included in the denominator were included in the numerator on account of association with Taxonomy-aligned economic activities. The KRUK Group does not have in place any CapEx plan referred to in Section 1.1.2.2. of Annex I to Regulation (EU) 2021/2178. Following analyses, costs related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions were identified. The activities from which the output was purchased were assessed based on the technical screening criteria set out in Regulations (EU) No 2021/2139 and 2023/2486.

Assessment of compliance with Regulation (EU) 2020/852

Following assessment of eligibility and then assessment of alignment of the activities from which the output was purchased, none was classified as aligned.

The basis for the assessment was a survey of the suppliers of products and services, who were requested to answer the following question:

- Is your economic activity to which this question refers aligned with the Taxonomy? (YES/NO/I DON'T KNOW). The 'I DON'T KNOW' response was regarded as non-alignment.

As no affirmative responses were received, none of the eligible operating expenditure was assessed as Taxonomy-aligned.

Contribution to multiple objectives

Not applicable No expenditure associated with environmentally sustainable (Taxonomy-aligned) economic activities was identified within OpEx KPI.

Disaggregation of KPIs and contextual information

KPIs were not disaggregated. No operating expenditure associated with Taxonomy-aligned economic activities was included in the KPI numerator. The KRUK Group does not have in place any CapEx plan referred to in Section 1.1.2.2. of Annex I to Regulation (EU) 2021/2178.

10.6.2.4 Nuclear and gas activities

ROW	NUCLEAR ACTIVITIES	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

In 2023, the KRUK Group did not carry out any nuclear or fossil gas related activities, nor did it invest in such assets or incur any associated operating expenditure.

10.7 Alignment with GRI Standards 2021

[2-1] [2-2] [2-3] [2-4] This non-financial statement of the KRUK Group covers the period from 1 January 2023 to 31 December 2023 (unless stated otherwise). This statement was prepared in accordance with the GRI Standards 2021.

Non-financial statements and Sustainability Reports are prepared by the KRUK Group on an annual basis and relate to the parent KRUK S.A., of Wrocław, Wonga.pl Sp. z o.o. of Warsaw, KRUK România s.r.l of Bucharest, KRUK Italia S.r.l of Milan, KRUK Espana S.L. of Madrid, and KRUK Česká a Slovenská Republika s.r.o. of Hradec Králové as well as other entities of the Group, if specified therein.

The non-financial statement, which forms part of the Directors' Report on the operations of the KRUK Group and KRUK S.A., is prepared in accordance with the Polish Accounting Act. It is issued by 31 March. As for the KRUK Group's Sustainability Report, it is released within six months of the closing of a financial year. Sustainability-related information is also published in quarterly and half-year reports.

For a list of material reporting topics identified based on the GRI Standards guidance and information on the reporting process, see Section 10.2.4 *Process for defining materiality*.

In the reporting period, there were no significant changes to the organisation's structure, ownership or value chain. The statement includes corrected data on heat consumption and greenhouse gas emissions, as described in the '*Environmental responsibility*' section, as well as changes to the GRI 405-1 disclosure in the '*Responsibility for employees*' section related to the division of employees into different categories compared with 2022.

In the event of any queries, doubts or suggestions related to our Sustainability Report, as well as any kind of ESG information, please contact:

ESG Strategy Area KRUK S.A. ul. Wołowska 8 51-116 Wrocław, Poland

email: esg@KRUKsa.pl

Unless otherwise stated, the contact person is competent for all ESG matters.

[2-5] [2-14]

The person responsible for reviewing and approving the data is Michał Zasepa, Member of the Management Board and Chief Financial Officer. Our Sustainability Report is not independently assured. However, the Directors' Report on the operations of the KRUK Group and KRUK S.A. containing the non-financial statement is assured by an independent auditor.

10.7.1 GRI content index

Statement of use	The KRUK Group has reported in accordance with the GRI Standards for the period 1 January–31 December 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	Not applicable

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION and page no.	REQUIREMENT S (OMITTED)	OMISSIONS		GRI SECTOR STANDARD REF. NO.
				REASONS	EXPLANATION	
General Disclosures						
GRI 2: General Disclosures 2021	2-1 Organisational details	139, 189				
	2-2 Entities included in the organisation's sustainability reporting	139, 189				
	2-3 Reporting period, frequency and contact point	189				
	2-4 Restatements of information	189				
	2-5 External assurance	189				
	2-6 Activities, value chain and other business relationships	139				
	2-7 Employees	162				
	2-8 Workers who are not employees	162				
	2-9 Governance structure and composition	142				
	2-10 Nomination and selection of the highest governance body	142				
	2-11 Chair of the highest governance body	142				
	2-12 Role of the highest governance body in overseeing the management of impacts	142				
	2-13 Delegation of responsibility for managing impacts	142				
	2-14 Role of the highest	189				

	governance body in sustainability reporting					
	2-15 Conflicts of interest	153				
	2-16 Communication of critical concerns	142				
	2-17 Collective knowledge of the highest governance body	144				
	2-18 Evaluation of the performance of the highest governance body	160				
	2-19 Remuneration policies	160				
	2-20 Process to determine remuneration	160				
	2-21 Annual total compensation ratio	160				
	2-22 Statement on sustainable development strategy	142				
	2-23 Policy commitments	142				
	2-24 Embedding policy commitments	143, 144, 158, 176				
	2-25 Processes to remediate negative impacts	148, 151, 156				
	2-26 Mechanisms for seeking advice and raising concerns	154				
	2-27 Compliance with laws and regulations	152				
	2-28 Membership of associations	140				

	2-29 Approach to stakeholder engagement	144				
	2-30 Collective bargaining agreements	162				

MATERIAL TOPICS		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	146
	3-2 List of material topics	150

SUSTAINABLE CONSUMPTION AND PUBLIC AWARENESS OF ENVIRONMENTAL ISSUES		
GRI 3: Material Topics 2021	3-3 Management of material topics	141, 143, 150, 152, 156, 158, 172, 173, 174
	Company indicator: surveying of environmental awareness	173

CARBON FOOTPRINT, INCLUDING ENERGY CONSUMPTION		
GRI 3: Material Topics 2021	3-3 Management of material topics	176
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	177
	302-3 Energy intensity	178
GRI 305: Emissions 2016	305-1 Energy direct (Scope 1) GHG emissions	178
	[305-2 Energy indirect (Scope 2) GHG emissions	179
	305-3 Other indirect GHG emissions (Scope 3)	180
	305-4 GHG emissions intensity	181

EMPLOYEE MATTERS		
GRI 3: Material Topics 2021	3-3 Management of material topics	158
GRI 401: Employment 2016	401-1 Total number and rate of new employee hires and employee turnover during the reporting period	163
	401-2 Benefits provided to full-time employees	161
	401-3 Parental leave	164
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	170
	403-3 Entity responsible for the management of occupational health and safety	170
	403-5 Worker training on occupational health and safety	170
	403-6 Promotion of worker health	170
	403-7 Prevention and mitigation of occupational health and safety impacts	170
	403-8 Workers covered by an occupational health and safety management system	170
GRI 404: Training and education 2016	403-10 Work-related ill health	170
	404-1 Average hours of training per year per employee	169

	404-2 Programs for upgrading employee skills	170
	404-3 Percentage of employees receiving regular performance reviews	169
GRI 405: Diversity and equal opportunity 2016	405-1 Composition of governance bodies and breakdown of employees by employee category according to gender, age group, minority group membership, and other indicators of diversity	165
	405-2 Ratio of basic salary and remuneration of women to men by employee category	167
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	165
SOCIAL RESPONSIBILITIES		
GRI 3: Material Topics 2021	3-3 Management of material topics	150, 172
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	175
G3-3RI 417: Marketing and labelling 2016	417-2 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	155
	417-3 Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	155
GRI 415: Public policy 2016	415-1 Total monetary value of financial and in-kind political contributions	174
COMPLIANCE		
GRI 3: Material Topics 2021	3-3 Management of material topics	152
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	156
	205-3 Confirmed incidents of corruption and actions taken	156
GRI 207: Tax 2016	207-1 Approach to tax	149
	207-2 Tax governance, control and risk management	149
CYBERSECURITY AND GDPR		
GRI 3: Material Topics 2021	3-3 Management of material topics	156
GRI 418: Customer privacy	418-1 Total number of substantiated complaints concerning breaches of client privacy and losses of client data	158

11 GLOSSARY OF TERMS

Auditor	PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. of Warsaw
CAGR	Compound Annual Growth Rate
Catalyst	Bond market operated by the Warsaw Stock Exchange
CZK	Czech koruna
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation
Cash EBITDA	Profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt portfolios, less revenue from purchased debt portfolios and revaluation gains on assets other than purchased debt and consumer loans advanced, if their total amount in the last 12 months exceeds PLN 5m; cash EBITDA is computed for the KRUK Group for the last 12 months
EPS	Earnings per share
ERIF BIG, ERIF	ERIF Biuro Informacji Gospodarczej S.A.
EUR	Euro
FMCG	Fast Moving Consumer Goods
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
The Group, the KRUK Group	The Company as the Parent along with its subsidiaries and Non-Standardised Securitisation Closed-End Investment Funds
ItaCapital	ItaCapital S.r.l of Milan, Italy
CSDP	Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)
PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KRS	Polish National Court Register (Krajowy Rejestr Sądowy)
KRUK; Issuer; Company	KRUK S.A. of Wrocław
KRUK Česká a Slovenská Republika	KRUK Česká a Slovenská Republika s.r.o. of Hradec Kralove
KRUK España	KRUK España S.L. of Madrid, Spain
KRUK Italia	KRUK Italia S.r.l of Milan, Italy
KRUK ROMANIA	KRUK Romania s.r.l of Bucharest, Romania
KRUK TFI	KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław
IAS	International Accounting Standards as endorsed by the European Union

IFRS	International Financial Reporting Standards as endorsed by the European Union, including International Accounting Standards, International Financial Reporting Standards and related Interpretations endorsed by the European Union
Nasdaq Stockholm	Stockholmsbörsen; Securities trading market in Stockholm, Sweden
NBP	National Bank of Poland
Non-Standardised Debt Closed-End Investment Funds	Prokura NFW FIZ, Presco NFW FIZ and Bison NFW FIZ
Deviation between actual and projected recoveries	The figure includes the deviation between actual and projected recoveries, decreases on early collections in collateralised cases, and payments from the original creditor. The percentage deviation is determined as the ratio of 'deviation between actual and projected recoveries' to the difference between 'actual recoveries' and 'deviation between actual and projected recoveries'.
GDP	Gross Domestic Product
PLN	Polish złoty
UOKiK President	President of the Office of Competition and Consumer Protection
2021-2024 Incentive Scheme	An incentive scheme for 2021–2024 implemented by the Company for the Management Board Members, selected employees of the Company and selected members of the management boards and employees of the subsidiaries, under which up to 950,550 registered subscription warrants will be issued, conferring the right to subscribe for a total of 950,550 ordinary bearer shares issued as part of a conditional share capital increase.
Prokura NFW FIZ	Non-Standardised Debt Closed-End Investment Fund
Total revenue	Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios including other income
Supervisory Board	The Company's Supervisory Board
ROE	Return on equity, computed as the ratio of consolidated net profit to equity as at the end of period
RON	Romanian leu
Regulation on current and periodic information	Polish Minister of Finance's Regulation of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Dz.U.2018.757 of 2018, item 757, as amended)
SeCapital Luksemburg	SeCapital S.à.r.l. (Luxembourg)
Consolidated financial statements	Consolidated financial statements of the Group for the reporting period ended 31 December 2023, prepared in accordance with the IFRS

Company; KRUK; Issuer	KRUK S.A. of Wrocław
Subsidiaries	The Company's subsidiaries, as defined in the Polish Accounting Act, and Kancelaria Prawna RAVEN P. Krupa Spółka komandytowa
Articles of Association	The Company's Articles of Association
UOKiK	The Polish Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
USD	US dollar
Bonds Act	Polish Act on Bonds of 15 January 2015 (Dz.U. of 2022, item 2244)
General Meeting	General Meeting
Wonga	Wonga.pl Sp. z o.o. of Warsaw
Management Board	The Management Board of KRUK S.A.
Financial Liabilities	Total financial liabilities under: <ul style="list-style-type: none"> • bonds or other similar debt securities; or • non-bank borrowings; or • bank borrowings; or • finance leases; or • promissory notes issued by way of security for liabilities of non-KRUK Group entities; or • guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or • accession to debt owed by non-KRUK Group entities under bank non-bank borrowings, finance leases, bonds or other similar debt securities; or • assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or • liabilities arising under derivatives contracts;

The Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2023 is presented by the Company's Management Board, consisting of the following members:

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