25 years
OF EUROPEAN
KNOWLEDGE
& EXPERIENCE

Separate financial statements

for the year ended 31 December 2023

Prepared in accordance with International Financial Reporting Standards as endorsed by the EU

KRUK S.A., 31 December 2023

Separate financial statements

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Separate statement of profit or loss

PLN '000	***Note***	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Revenue from services	*4.*	226,461	164,102
Gain/(loss) on expected credit losses	*4.*	17,699	18,700
Interest income on debt portfolios measured at amortised cost	*4.*	16,620	17,502
Other income	*4.*	1,130	2,561
Other income/(expenses) from purchased debt portfolios	*4.*	(1,921)	566
Income including gain/(loss) on expected credit losses and other income/(expenses) from purchased debt portfolios		259,989	203,431
Share of profit/(loss) of equity-accounted investees	*13.*	1,192,612	1,002,707
Employee benefits expense	*7.*	(222,350)	(200,625)
Depreciation and amortisation	*11.,12.*	(25,965)	(21,250)
Services	*5.*	(74,596)	(51,065)
Other expenses	*6.*	(32,728)	(32,293)
		(355,639)	(305,233)
Finance income	*8.*	101,195	46,476
including interest income on loans measured at amortised cost	*8.*	*100,913*	*46,059*
Finance costs	*8.*	(172,146)	(105,971)
including interest expense relating to lease liabilities		*(1,996)*	*(1,645)*
Net finance costs		(70,951)	(59,495)
Profit/(loss) before tax		1,026,011	841,410
Income tax	*9.*	(42,077)	(36,428)
Net profit/(loss) for period		983,934	804,982
Earnings/(loss) per share			
Basic (PLN)	*20.*	50.93	42.07
Diluted (PLN)	*20*	48.37	40.71

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

Separate statement of comprehensive income

PLN '000	***Note***	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Net profit/(loss) for period		983,934	804,982
Other comprehensive income, gross			
Items that may be reclassified subsequently to profit or loss			
Instruments hedging cash flows and net investment in a foreign operation	*22.*	56,376	2,280
Exchange differences on translating foreign operations	*13.*	(196,319)	24,740
Share of other comprehensive income of equity-accounted investees	*13.*	(27,487)	15,756
		(167,430)	42,776
Items that will not be reclassified to profit or loss			
Share of other comprehensive income of equity-accounted investees	*13.*	(824)	4,155
		(824)	4,155
Other comprehensive income for period, gross		(168,254)	46,931
Income tax on instruments hedging cash flows and net investment in a foreign operation	*15.*	(10,473)	(3,294)
Other comprehensive income for period, net		(178,727)	43,637
Total comprehensive income for period		805,207	848,619

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

Separate statement of financial position

PLN '000	***Note***	**31 Dec 2023**	**31 Dec 2022**
Assets			
Cash and cash equivalents	*18.*	227,643	22,008
Hedging instruments	*22.*	98,428	30,335
Trade receivables from related entities	*17.*	33,932	27,523
Trade receivables from other entities	*17.*	2,582	3,339
Other receivables	*17.*	11,664	15,715
Income tax receivable		16,232	9,292
Inventories	*16.*	14,562	15,174
Investments	*14.*	1,432,518	464,743
Equity-accounted investments in subsidiaries	*13.*	5,483,390	4,735,762
Property, plant and equipment	*11.*	35,348	39,774
Intangible assets	*12.*	29,427	30,791
Other assets		8,787	8,962
Total assets		7,394,513	5,403,418
Equity and liabilities			
Liabilities			
Trade and other payables	*25.*	35,452	30,645
Hedging instruments	*22.*	20,883	9,824
Employee benefit obligations	*23.*	38,196	28,974
Borrowings, other debt securities and leases	*21.*	3,265,472	1,865,886
Provisions	*24.*	40,810	12,653
Deferred tax liability	*15.*	202,307	201,419
Total liabilities		3,603,120	2,149,401
Equity			
Share capital	*19.*	19,319	19,319
Share premium		358,506	358,506
Hedge reserve	*22.*	62,774	16,871
Translation reserve		(95,871)	100,448
Share of other comprehensive income of equity-accounted investees		(8,400)	19,911
Other capital reserves		171,847	149,896
retained earnings		3,283,218	2,589,066
Total equity		3,791,393	3,254,017
Equity and liabilities		7,394,513	5,403,418

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

Separate statement of changes in equity

PLN '000	*Note*	Share capital	Share premium	Hedge reserve	Translation reserve	Share of other comprehensive income of equity-accounted investees	Other capital reserves	Retained earnings	**Total equity**
Equity as at 1 Jan 2022		19,013	333,264	17,885	75,708	-	122,202	2,032,745	2,600,817
Comprehensive income for period									
Net profit/(loss) for period		-	-	-	-	-	-	804,982	804,982
Other comprehensive income									
- Exchange differences on translating foreign operations	*13.*	-	-	-	24,740	-	-	-	24,740
- Share of other comprehensive income of equity-accounted investees	*13.*	-	-	-	-	19,911	-	-	19,911
- Measurement of hedging instruments	*22.*	-	-	(1,014)	-	-	-	-	(1,014)
Total other comprehensive income		-	-	(1,014)	24,740	19,911	-	-	43,637
Total comprehensive income for period		-	-	(1,014)	24,740	19,911	-	804,982	848,619
Contributions from and distributions to owners									
- Payment of dividends	*20.*	-	-	-	-	-	-	(248,661)	(248,661)
- Share-based payments	*29.*	-	-	-	-	-	27,694	-	27,694
- Issue of shares	*19.*	306	25,242	-	-	-	-	-	25,548
Total contributions from and distributions to owners		306	25,242	-	-	-	27,694	(248,661)	(195,419)
Total equity as at 31 Dec 2022		19,319	358,506	16,871	100,448	19,911	149,896	2,589,066	3,254,017

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

PLN '000	*Note*	Share capital	Share premium	Hedge reserve	Translation reserve	Share of other comprehensive income of equity-accounted investees	Other capital reserves	Retained earnings	**Total equity**
Equity as at 1 Jan 2023		19,319	358,506	16,871	100,448	19,911	149,896	2,589,066	3,254,017
Comprehensive income for period									
Net profit/(loss) for period		-	-	-	-	-	-	983,934	983,934
Other comprehensive income									
- Exchange differences on translating foreign operations	*13.*	-	-	-	(196,319)	-	-	-	(196,319)
- Share of other comprehensive income of equity-accounted investees	*13.*	-	-	-	-	(28,311)	-	-	(28,311)
- Measurement of hedging instruments	*22.*	-	-	45,903	-	-	-	-	45,903
Total other comprehensive income		-	-	45,903	(196,319)	(28,311)	-	-	(178,727)
Total comprehensive income for period		-	-	45,903	(196,319)	(28,311)	-	983,934	805,207
Contributions from and distributions to owners									
- Payment of dividends	*20.*	-	-	-	-	-	-	(289,782)	(289,782)
- Share-based payments	*29.*	-	-	-	-	-	21,951	-	21,951
Total contributions from and distributions to owners		-	-	-	-	-	21,951	(289,782)	(267,831)
Total equity as at 31 Dec 2023		19,319	358,506	62,774	(95,871)	(8,400)	171,847	3,283,218	3,791,393

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

Separate statement of cash flows

PLN '000	*Note*	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Cash flows from operating activities			
Net profit/(loss) for period		983,934	804,982
Adjustments			
Depreciation of property, plant and equipment	*11.*	15,191	14,297
Amortisation of intangible assets	*12.*	10,774	6,953
Net finance costs		68,690	59,464
Share of (profit)/loss of equity-accounted investees	*13.*	(1,192,612)	(1,002,707)
(Gain)/loss on retirement/sale of property, plant and equipment	*4.*	(805)	(1,550)
Equity-settled share-based payments	*29.*	21,951	27,694
Interest income	*4.*	(16,620)	(17,502)
Income tax	*9.*	42,077	36,428
Change in debt portfolios purchased	*14.*	(556)	596
Change in inventories	*16.*	612	3,796
Change in trade and other receivables	*17.*	5,585	48,215
Change in other assets		175	(2,595)
Change in trade and other payables, excluding financial liabilities	*25.*	9,232	21,188
Change in employee benefit obligations	*23.*	9,222	4,821
Change in provisions	*24.*	(397)	(4)
Interest received	*4.*	16,620	17,502
Income tax paid		(30,049)	(29,667)
Net cash from operating activities		(56,976)	(8,089)
Cash flows from investing activities			
Interest received		46,658	13,699
Loans	*14.*	(1,034,534)	(71,755)
Sale of intangible assets and property, plant and equipment		743	503
Dividends received	*13.*	29,695	19,487
Proceeds from investments in subsidiaries	*13.*	364,612	119,875
Purchase of intangible assets and property, plant and equipment	*11.,12.*	(18,444)	(15,897)
Acquisition of shares in subsidiaries	*13.*	(236,358)	(108,115)
Proceeds from repayment of loans	*14.*	108,483	70,822
Net cash from investing activities		(739,145)	28,619
Cash flows from financing activities			
Proceeds from issue of debt securities	*21.*	1,560,639	545,000
Proceeds from issue of shares	*19.*	-	25,548
Increase in borrowings	*21.*	1,422,851	1,072,148
Repayment of borrowings	*21.*	(1,439,452)	(851,384)
Payments under finance lease contracts (principal)	*21.*	(18,931)	(12,666)
Dividends paid	*20.*	(289,782)	(248,661)
Redemption of debt securities	*21.*	(65,000)	(467,926)
Interest paid and received on hedging instruments		69,801	25,334
Interest paid		(238,370)	(139,613)
Net cash from financing activities		1,001,756	(52,220)
Total net cash flows		205,635	(31,690)
Cash and cash equivalents at beginning of period		22,008	53,698
Cash and cash equivalents at end of period		227,643	22,008
- including restricted cash*		-	5,691
- effect of exchange rate fluctuations on cash held		(2,261)	(527)

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

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

Accounting policies and other notes

Separate financial statements for the year ended 31 December 2023 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)

1. Company details

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

Registered office
ul. Wołowska 8
51-116 Wrocław, Poland

Registration in the National Court Register:
District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Poznańska 16-17, 53-230 Wrocław, Poland
Date of registration: 7 September 2005
Registration number: KRS NO. 0000240829

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

The Company is the parent of the KRUK Group (the "Group") and in addition to these separate financial statements it prepares consolidated financial statements containing the data of the Company and its subsidiaries. The consolidated financial statements were approved on the same day as these separate financial statements. KRUK S.A. has no parent or shareholder that has the ability to influence the Group's financial and operating policies through control, joint control, or the exercise of significant influence.

As at 31 December 2023 and as at the date of authorisation of these financial statements for issue, the composition of the Company's Management Board was as follows:

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

As at 31 December 2023 and as at the date of authorisation of these financial statements for issue, the composition of the Company's Supervisory Board was as follows:

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

Separate financial statements for the year ended 31 December 2023 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)

As at 31 December 2022, the composition of the Company's Management Board was as follows:

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

As at 31 December 2022, the composition of the Supervisory Board was as follows:

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

2. Basis of preparation

2.1. Statement of compliance

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as endorsed by the European Union ("EU").

These separate financial statements were authorised for issue by the Company's Management Board (the "Management Board") on 26 March 2024.

These separate financial statements have been prepared on the assumption that the Company will continue as a going concern for the foreseeable future. As at the date of authorisation of these financial statements, no circumstances were identified which would indicate any threat to the Company continuing as a going concern. The going concern assumption was reviewed in light of the current economic and political climate.

These financial statements should be read in conjunction with the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards as at and for the year ended 31 December 2023. The separate and consolidated financial statements are available at: https://pl.kruk.eu/relacje-inwestorskie/raporty/raporty-okresowe .

2.2. Basis of accounting

These financial statements have been prepared as at 31 December 2023 and for the reporting period from 1 January 2023 to 31 December 2023. The comparative data is presented as at 31 December 2022 and for the period 1 January 2022 – 31 December 2022.

The separate financial statements have been prepared based on the following valuation and accounting concepts:

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

2.3. Functional currency and presentation currency

In these separate financial statements all amounts are presented in the Polish złoty (PLN), rounded to the nearest thousand. Therefore, mathematical inconsistencies may occur in summations or between notes.

The Polish złoty is the functional currency of the Company.

2.4. Accounting estimates and judgements

In order to prepare separate financial statements in accordance with the EU-IFRS, the Management Board is required to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income and costs, whose actual values may differ from those estimates.

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

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

Item	Amount estimated		Note	Assumptions and estimate calculation
	31 Dec 2023 *(PLN '000)*	31 Dec 2022 *(PLN '000)*		
Equity-accounted investments in subsidiaries	5,483,390	4,735,762	3.9. 13.	Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified are tested for impairment at least annually. As part of the tests, the Company estimates the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method. The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries investing in debt portfolios or debt-related assets depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future. The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.
Investments in debt portfolios	31,747	31,191	3.4.1. 14. 26.1. 26.2. 26.3.	The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods (portfolio analysis) or based on a legal and economic analysis of individual claims or indebted persons (case-by-case analysis). The method of estimating cash flows from a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio. KRUK S.A. prepares projections of recoveries from debt portfolios separately for individual markets. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors. Initial projections of expected cash flows that take into account the initial value (purchase price) are the basis for calculating the effective interest rate, equal to the internal rate of return including an element that reflects credit risk, which is used for discounting estimated cash flows, and which, as a rule, remains unchanged throughout the life of a portfolio.

Item	Amount subject to judgement		Note	Assumptions and estimate calculation
	31 Dec 2023 (PLN '000)	31 Dec 2022 (PLN '000)		
Deferred tax liability	202,307	201,419	3.22. 15.	The Company exercises control over the timing of temporary differences regarding subsidiaries, and thus recognises deferred tax liabilities. These liabilities are based on estimates of future income tax payments, which are derived from three-year plans. The Company assesses the recoverability of the deferred tax asset based on its approved projection of profits for the following years. The amount of deferred tax liabilities is affected by changes in expected future cash flows from investment companies to KRUK S.A. in the foreseeable future. The level of the cash flows depends on such factors as: • KRUK S.A.'s liquidity needs and the amount of raised and projected new debt financing available to KRUK S.A., • raised and projected new debt financing available to the investment companies, • the planned expenditure on debt portfolios – its amount determines the projected liquidity position of the investment companies, • planned recoveries from purchased debt portfolios at the investment companies. Therefore, the amount of deferred tax liability for expected future cash flows from subsidiaries may be subject to material changes in individual reporting periods.

3. Material accounting policies

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

3.1. Changes in accounting policies

The accounting policies presented below have been applied with respect to all the reporting periods presented in the separate financial statements, save for the presentation change in the separate statement of profit or loss and separate statement of cash flows discussed in Note 3.2.

There were no significant changes in accounting policies in 2023.

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

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

Save for the amendments to IAS 1 and IFRS Practice statement 2, these amendments had no significant effect on the separate financial statements of the Company.
The amendments to IAS 1 and IFRS Practice statement 2 are intended to help preparers decide which accounting policies to disclose in their financial statements. The amendments 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.

3.2. Enhancing comparability

To better reflect the relevant economic substance, the Company changed the presentation of 'Share of profit/(loss) of equity-accounted investees' in the separate statement of profit or loss, and added a new line item 'Interest income on loans measured at amortised cost'.

In the separate statement of cash flows the Company changed the presentation of paid interests on loans to related parties previously presented as 'Proceeds from repayment of loans' showing them in the separate position 'Interest received'.

Additionally, cash flows from interests on hedging instruments previously presented as 'Interests paid' have been separated and presented as 'Interest paid and received on hedging instruments'

In the Management Board's opinion, these changes will enhance the quality of data presented and its usefulness to readers.

The data reported in the separate financial statements issued for the period 1 January – 31 December 2022 was restated to ensure comparability.

The effect of the change on the statement of cash flows

PLN '000	**1 Jan–31 Dec 2022 Data restated to ensure comparability**	**Presentation change**	**1 Jan–31 Dec 2022 Originally reported**
Cash flows from investing activities			
Interest received	13,699	13,282	417
Loans	(71,755)	-	(71,755)
Sale of intangible assets and property, plant and equipment	503	-	503
Dividends received	19,487	-	19,487
Proceeds from investments in subsidiaries	119,875	-	119,875
Purchase of intangible assets and property, plant and equipment	(15,897)	-	(15,897)
Acquisition of shares in subsidiaries	(108,115)	-	(108,115)
Proceeds from repayment of loans	70,822	(13,282)	84,104
Net cash from investing activities	28,619	-	28,619
Cash flows from financing activities			
Proceeds from issue of debt securities	545,000	-	545,000
Proceeds from issue of shares	25,548	-	25,548
Increase in borrowings	1,072,148	-	1,072,148
Repayment of borrowings	(851,384)	-	(851,384)
Payments under finance lease contracts (principal)	(12,666)	-	(12,666)
Dividends paid	(248,661)	-	(248,661)
Redemption of debt securities	(467,926)	-	(467,926)
Interest paid and received on hedging instruments	25,334	25,334	-
Interest paid	(139,613)	(25,334)	(114,279)
Net cash from financing activities	(52,220)	-	(52,220)

The effect of the change on the statement of profit or loss is presented below.

PLN '000	**1 Jan–31 Dec 2022 Data restated to ensure comparability**	**Presentation change**	**1 Jan–31 Dec 2022 Originally reported**
Revenue from services	164,102	-	164,102
Gain/(loss) on expected credit losses	18,700	-	18,700
Interest income on debt portfolios measured at amortised cost	17,502	-	17,502
Other income	2,561	-	2,561
Other income/(expenses) from purchased debt portfolios	566	-	566
Income including gain/(loss) on expected credit losses and other income/(expenses) from purchased debt portfolios	203,431	-	203,431
Share of profit/(loss) of equity-accounted investees	1,002,707	1,002,707	-
Employee benefits expense	(200,625)	-	(200,625)
Depreciation and amortisation	(21,250)	-	(21,250)
Services	(51,065)	-	(51,065)
Other expenses	(32,293)	-	(32,293)
	(305,233)	-	(305,233)
Finance income	46,476	-	46,476
including interest income on loans measured at amortised cost	*46,059*	*46,059*	-
Finance costs	(105,971)	-	(105,971)
including interest expense relating to lease liabilities	*(1,645)*	-	*(1,645)*
Net finance costs	(59,495)	-	(59,495)
Share of profit/(loss) of equity-accounted investees	-	(1,002,707)	1,002,707
Profit/(loss) before tax	841,410	-	841,410
Income tax	(36,428)	-	(36,428)
Net profit/(loss) for period	804,982	-	804,982
Earnings/(loss) per share			
Basic (PLN)	42.07		42.07
Diluted (PLN)	40.71		40.71

3.3. Foreign currencies

3.3.1. Foreign currency transactions

Transactions denominated in foreign currencies are recognised as at the transaction date in the functional currency, at buy or sell rates quoted as at the transaction date by the bank whose services the Company uses.

Cash items of assets and liabilities denominated in a foreign currency are translated as at the end of the reporting period at the relevant mid exchange rate quoted by the National Bank of Poland for that date. Exchange differences on measurement of financial assets and liabilities as at the end of the reporting period are the differences between the value at amortised cost (or at fair value) in the functional currency as at the beginning of the reporting period, adjusted for the interest accrued and payments made during the reporting period, and the value at amortised cost (or fair value) in the foreign currency, translated at the relevant mid exchange rate quoted by the National Bank of Poland for the end of the reporting period.

Non-monetary items of foreign currency assets and liabilities valued at historical cost are translated at the relevant mid exchange rate quoted by the National Bank of Poland for the transaction date.

Currency-translation differences are recognised in profit or loss for the given period.

3.3.2. Translation of foreign operations

Assets and liabilities of foreign entities are translated at the mid exchange rate quoted by the National Bank of Poland at the end of the reporting period.
Retained earnings from foreign operations are translated at the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of each month in the year in which the profit/(loss) was generated. For information on the rates of exchange applied, see Note 26.3.
Any currency-translation differences (translation reserve) are recognised as other comprehensive income. Where a foreign operation is sold, in whole or in part, relevant amounts recognised in equity are charged to profit or loss for the period.

3.4. Financial instruments

3.4.1. Financial assets

The Company measures financial assets at amortised cost.

The classification of financial assets as at the acquisition or origination date depends on the business model adopted by the Company to manage a given group of assets and the characteristics of contractual cash flows arising from a single asset or group of assets.

The Company identifies the following business models:

- ‘Hold to collect’ model – a model in which financial assets originated or acquired are held to derive benefits from contractual cash flows,
- ‘Hold to collect and sell’ model – a model where financial assets are held after the origination or acquisition in order to derive benefits from contractual cash flows, but can also be sold – often and in high volume transactions,
- ‘Other’ model - a model other than the ‘hold to collect' model and ‘hold to collect and sell’ model.

Contractual cash flow characteristics are assessed based a qualitative test carried out to determine if the cash flows generated from the assets are solely payments of principal and interest (SPPI).

The SPPI test is performed for each financial asset or group of financial assets held in the ‘hold to collect’ (business model whose objective is to hold financial assets to collect contractual cash flows) and ‘hold to collect and sell’ (business model whose objective is achieved by both collecting contractual cash flows and selling financial assets) business model as at initial recognition of the asset (including for a substantial modification after restatement of the financial asset).

On initial recognition, the Company measures financial assets at fair value, net of trade and other receivables.

Trade and other receivables and employee loans without a significant financing component are initially measured at the transaction price.

Following initial recognition, the following financial assets are measured at amortised cost:

a) investments in debt portfolios,
b) trade and other receivables,
c) loans to related parties.

Investments in debt portfolios, trade and other receivables, and loans to related parties are measured at amortised cost in accordance with IFRS 9 if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI test passed).

Financial assets were not reclassified in 2023 or in 2022.

<u>Investments in debt portfolios</u>

Investments in debt portfolios comprise high-volume portfolios of overdue debt (such as debt under consumer loans, unpaid utility bills, etc.) purchased by the Company under debt assignment agreements. Prices paid by the Company for such debt portfolios are significantly lower than their nominal value (financial assets impaired due to credit risk).

The Company's business model for investments in debt portfolios consists in holding and managing the portfolios on a long-term basis in order to generate expected cash flows from the portfolios.

All purchased debt portfolios are classified by the Company as measured at amortised cost to better reflect the portfolio management strategy focused on holding an asset with a view to maximising contractual recoveries.

Investments in debt portfolios are classified as purchased or originated credit-impaired financial assets (POCI). Investments in debt portfolios are measured at amortised cost, using the credit risk-adjusted effective interest rate method. Debt portfolios are initially recognised on their purchase date at cost, i.e. the fair value of the consideration transferred.

The effective interest rate, equal to the internal rate of return, used for discounting estimated cash recoveries is calculated based on initial projections of expected cash recoveries that take into account the initial value (acquisition price plus significant transaction costs which can be directly allocated), and remains unchanged throughout the life of a portfolio. An adjustment of the effective discount rate is possible if the purchase price is reduced as a result of returning part of receivables held in a given debt portfolio to the seller due to legal defects.

Interest income is calculated based on the portfolio value measured at amortised cost applicable to the purchased financial assets impaired due to credit risk, using an effective interest rate including an element that reflects that credit risk, and is recognised in profit or loss for the current period under 'Interest income on debt portfolios measured at amortised cost'. All interest income is recognised as an increase in the carrying amount of the portfolio. All actual recoveries collected during the period are recognised as a decrease in the carrying amount of the portfolio.

The estimated cash flows are primarily based on:

- expected recovery rates from the collection tools used,
- the extent to which the collection tools are used with respect to individual portfolios (existing and planned),
- repayment history,
- macroeconomic conditions.

The value of an asset at a reporting date is its initial value increased by interest income and decreased by actual recoveries, and adjusted to reflect any revaluation of estimates concerning future cash flows. Consequently, the value of an asset at the reporting date is equal to the discounted value of expected cash recoveries.

Net changes in allowances for expected credit losses are recognised as 'Gain/(loss) on expected credit losses' in the statement of profit or loss.

When assessing the impairment of debt portfolios, the Company uses historical trends in the payments made and transactions in portfolios, taking into account the anticipated future performance.

For the purpose of analyses and recovery projections, retail debt portfolios are grouped. Recovery projections are prepared for separate projection groups rather than for individual portfolios. There are two levels of grouping, based on the following criteria:

1st level of grouping – the country where a debt portfolio was purchased

2nd level of grouping – the date of debt portfolio purchase for the Company.

The debt portfolio purchase date helps to determine the recovery phase of a given debt portfolio at the Company. Portfolio groups are made of portfolios that are at similar recovery phases. The Company has introduced the following breakdown mechanism for this level of grouping:

- the projection prepared for each projection group is ultimately broken down within the groups into individual debt portfolios using keys based on historical data,
- neither mortgage-backed nor secured corporate debt portfolios are grouped. Recovery projections are prepared for each portfolio separately.

Loans to related parties

Loans are granted at arm's length.

With reference to the requirements of IFRS 9, the Company has introduced three main buckets for the recognition of expected credit losses:

- Bucket 1 – includes loans with respect to which there was no significant increase in credit risk and no impairment was identified in the period from their recognition to the reporting date (no past-due events). The expected credit losses on such loans are recognised for a time horizon of the next 12 months.

- Bucket 2 – includes loans with respect to which there was a significant increase in credit risk (receivables past due by 30 days) between the date of recognition and the reporting date, but no impairment was identified. Expected lifetime credit losses are recognised for such loans.
- Bucket 3 – includes loans for which impairment was identified (receivables past due by over 90 days). Expected lifetime credit losses are recognised for such loans.

Recognition and reversal of impairment losses on loans are presented on a net basis in the statement of profit or loss in the line item 'Share of profit/(loss) of equity-accounted investees'.

3.4.2. Trade and other receivables

Trade and other receivables maturing in less than 12 months from the origination date are initially recognised at nominal value as the discount effect is immaterial. Trade and other receivables maturing in up to 12 consecutive months are recognised as at the reporting date at the amount of payment due, net of allowances for expected credit losses.
When measuring trade receivables, the Company applies the simplified approach permitted under IFRS 9, using the provisions matrix to calculate expected credit losses for receivables.

Impairment of trade and other receivables

The Company recognises an allowance for expected credit losses on trade and other receivables that do not contain a significant financing component at an amount equal to lifetime expected credit losses.

Objective evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the client,
- a breach of contract, such as default or past due event,
- probability that the borrower will enter bankruptcy or other financial reorganisation.

To estimate expected credit losses on trade receivables, the Company uses a provision matrix estimated based on historical data on payments of amounts due from clients, which is regularly updated.

A default is a failure by a debtor to make certain payments due to a creditor. A debt is incurred as a result of delay in the performance of an obligation and may have the cash or in-kind form.

3.4.3. Financial liabilities other than derivative instruments, trade and other payables

Financial liabilities other than derivative instruments

The Company measures financial liabilities at amortised cost.

Financial liabilities are recognised as at the date of the transaction in which the Company becomes a party to an agreement obliging it deliver a financial instrument.

Non-derivative financial liabilities are initially recognised at fair value plus directly attributable transaction costs (bank credit origination and extension fees, bond issue costs). Following initial recognition, such liabilities are measured at amortised cost with the use of the effective interest rate.

Financial liabilities are not reclassified.

The Company has the following liabilities: bank borrowings, borrowings from related parties, debt securities, and lease liabilities (Note 3.5.4).

The Company derecognises a financial liability when the liability has been repaid, written off or is time barred.

Trade and other payables

Trade payables are recognised as at the date of the transaction under which the Company becomes a party to a contract for a specific performance, and measured as at the reporting date the amount of payment due.

The Company presents liabilities related to purchased debt portfolios under trade payables.

The Company derecognises a liability when the liability has been paid, written off or is time barred.

Fair value for the purpose of disclosure in the financial statements

Fair value estimated for the purpose of disclosure is calculated based on the present value of future cash flows from repayment of principal and payment of interest, discounted using the market interest rate effective as at the end of the reporting period. Trade and other payables with short maturities and liabilities for which interest rates are adjusted for changes in base rates on an on-going basis are not discounted because their carrying amount is approximately equal to their fair value.

3.4.4. Derivative instruments and hedge accounting

Hedge accounting

To apply hedge accounting, in accordance with IFRS 9, the Company is required to meet all the requirements specified below:

a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items;

b) at the inception of the hedging relationship, the entity has formally designated and documented the hedging relationship and the entity’s risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio, where the hedge ratio for the established hedging relationship is set at a level that ensures effectiveness of the relationship and is consistent with the actual quantity of the hedged item and the quantity of the hedging instrument).

c) the hedging relationship meets all of the following hedge effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation may not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognised or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

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

Discontinuation of hedge accounting

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is part of, and consistent with, the entity's documented risk management objective.

A hedging relationship is terminated in its entirety when, as a whole, it no longer meets the qualifying criteria, in particular:

a) where the hedging relationship no longer meets the risk management objective based on which it was qualified for hedge accounting (i.e. the entity no longer pursues that risk management objective);
b) where the hedging instrument or instruments have been sold or terminated (with respect to the entire volume that was part of the hedging relationship);
c) where an economic relationship between the hedged item and the hedging instrument no longer exists, or the credit risk starts to dominate the value changes that result from that economic relationship.
Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

Cash flow hedges

A cash flow hedge is a hedge of the exposure to the variability of cash flows that is attributable to a particular risk associated with a recognised asset or liability or with a highly probable future transaction, and could affect profit or loss.

As long as a cash flow hedge meets the qualifying criteria in the paragraphs above, the hedging relationship is accounted for as follows:

a) the separate component of equity with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge;
- the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge;

b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (i.e. the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with a) is recognised in other comprehensive income;

c) any remaining gain or loss on the hedging instrument (or any gain or loss required to balance the change in the cash flow hedge reserve calculated in accordance with a)) is hedge ineffectiveness that is recognised in profit or loss;

d) the amount that has been accumulated in the cash flow hedge reserve in accordance with a) is accounted for as follows:

- if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becoming a firm commitment for which fair value hedge accounting is applied, the entity removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability,
- for cash flow hedges other than those covered by the subparagraph above, that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss,
- however, if that amount is a loss and the Company expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

The effectiveness of the hedge is assessed by means of prospective and retrospective effectiveness tests, performed on a quarterly basis.

Hedging of a net investment in a foreign operation

Hedge accounting for a net investment in a foreign operation consists in hedging the currency exposure of the interest in net assets of a consolidated foreign operation.

The hedged item is a specified portion of interests in net assets of foreign operations, understood as the difference between the carrying amount of the assets and the carrying amount of liabilities and provisions of the foreign subsidiary (expressed in EUR).

Calculation of the permitted hedged item does not include those monetary items (intra-group receivables and/or liabilities between the Company and the foreign subsidiary) that have a specified maturity date (i.e. they will be converted into receivables/payables at a specified future date (including trade receivables/payables, receivables/payables under collected debts, resale of shares etc.).
In order to increase the economic effectiveness of the hedge, the Company designated hedging relationships with a monthly frequency, i.e. each FX Forward/FX Swap transaction with a one-month maturity was linked to a designated hedged item for one month, assuming that the nominal portion of the net investment designated as the hedged item is fixed during the month.

The Company measures the ex-ante effectiveness as at the date of establishing the hedging relationship and as at each subsequent effectiveness measurement date (the end date of the reporting period).

As part of a prospective assessment of hedge effectiveness, the Company checks whether the following three conditions for establishing and maintaining a hedging relationship are met:

- Condition 1 – an economic relationship exists,
- Condition 2 – credit risk does not dominate the hedged risk,
- Condition 3 – designated hedge ratio is consistent.

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

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

Given its characteristics, the hedging relationship meets, by definition, the requirement that an economic relationship exists between the hedging instrument and the hedged item (EUR sale contract vs EUR-denominated net assets).

The effect of credit risk must not dominate changes in the fair values of the hedging instrument and the hedged item.

As at each effectiveness measurement date, the Company performs an expert assessment of whether this condition is met based on the following three qualitative criteria:

- absence of the counterparties' defaults under hedging transactions,
- application of credit risk management policies to counterparties under hedging transactions (monitoring, limits),
- absence of credit risk on the hedged item.

If all the above criteria are met at the measurement date, the condition that the effect of credit risk must not dominate value changes of the hedging instrument and the hedged item is deemed to be met.

The Company expects this condition to be met in each case.

The Company recognises hedges of a net investment in a foreign operation, including the hedge of a monetary item forming part of the net investment, similarly to cash flow hedges:

a) the portion of the gain/(loss) on the hedging instrument that has been designated as effective hedge is recognised in other comprehensive income; and
b) the portion that is not an effective hedge is recognised in profit or loss of the current financial year.

The Company discontinues hedge accounting in one of the following cases:

- the hedging instrument expires, is sold or settled early,
- the value of net assets in a foreign operation falls below the nominal value of the hedging instrument (in this case there is only partial discontinuation of hedge accounting for the excess portion of the hedging instrument),
- the criteria for applying hedge accounting are not met, in particular the criteria for assessing hedge effectiveness,
- The Company changes its risk management strategy to one with which the existing hedging relationship is not consistent.

After discontinuing hedge accounting for a given hedging relationship, cumulative gains or losses on the hedging instrument, related to an effective portion of the hedge, which have been accumulated in the foreign currency translation reserve are reclassified from equity to profit or loss as a reclassification adjustment in accordance with IAS 21 on disposal or partial disposal of a foreign operation at the time of such event.

3.5. Property, plant and equipment

3.5.1. Recognition and measurement

Items of property, plant and equipment are recognised at cost, less depreciation charges and impairment losses.

Gain or loss on disposal of an item of property, plant and equipment is estimated as the difference between the disposal proceeds and the carrying amount of the disposed item, and is recognised in the period’s profit or loss under other income or other expenses.

3.5.2. Subsequent expenditure

Subsequent expenditure on items of property, plant and equipment is capitalised if such expenditure may be reliably estimated and the Company is likely to derive economic benefits from such assets.

3.5.3. Depreciation

The level of depreciation charges is determined based on acquisition or production cost of a certain asset less its residual value.

Depreciation expense is recognised in the current period's profit or loss, using the straight-line method with respect of the useful economic life of a given item of property, plant and equipment. This method reflects the manner of achieving future economic benefits related to the use of a certain asset in the best possible way. Assets are depreciated in the month following their acceptance for use. Land is not depreciated.

The Company has adopted the following useful lives for particular categories of property, plant and equipment:

Buildings and structures	10–40	years
Plant and equipment	3–10	years
Vehicles	4–5	years
Other property, plant and equipment	3–8	years

3.5.4. Right of use and lease liabilities

The Company classifies long-term lease contracts as leases, disclosing in its financial statements the right-of-use assets (under property, plant and equipment in the statement of financial position) and lease liabilities (under borrowings and other financial liabilities in the statement of financial position) measured at the present value of the lease payments that remain to be paid.

The amount of future lease payments is discounted using the lessee's weighted average incremental borrowing rate. The right-of-use assets are recognised at the same amounts as the lease liabilities, unless contractual clauses exist that could result in creating provisions for additional charges or provisions related to the disassembly of leased facilities or items. The Company applies the practical expedient permitted by the standard for short-term leases (up to 12 months) and low-value leases (up to PLN 20 thousand), for which it does not recognise financial liabilities and related right-of-use assets, and lease payments are recognised as costs using the straight-line method during the lease term under 'Services' in the separate statement of profit or loss.

The Company recognises a lease contract as a right-of-use asset and a corresponding lease liability as of the date when the leased asset is available for use. The lease term was determined taking into account the extension and shortening options available under executed contracts if the option is likely to be exercised.

The lease liability includes the present value of the following lease payments:

- fixed lease payments (including in principle fixed lease payments) less any lease incentives due,
- variable lease payments that depend on the index or rate,
- amounts expected to be paid by a lessee under a residual value guarantee,
- the exercise price of the call option if it is reasonably certain that the lessee will exercise that option,

and

- cash penalties for terminating the lease if the lease provides that the lessee may exercise the option to terminate the lease.

After the commencement date, the lessee measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liabilities,
- reducing the carrying amount to reflect the lease payments made,
- remeasuring the carrying amount to reflect any lease reassessment or modification, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Right-of-use assets are amortised on a straight-line basis over the shorter of the useful life of the asset or the lease term, unless the Company is certain that it obtains ownership before the end of the lease.

The Company has lease contracts for vehicles and space rental.

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

Property foreclosed through debt recovery is now recognised by the Company under 'Inventories'. The Company forecloses certain properties in the process of purchased debt collection. Foreclosed properties are held to generate income (proceeds) from sale. The value of the property is recognised in the statement of financial position after the Company has obtained the rights to dispose of the property, i.e. once a final court decision has been issued, and the amount is deducted from the amount of the indebted person's debt. Foreclosed property is initially measured at the value of recoveries projected as at the acquisition date. Subsequent to initial recognition, it is measured at the lower of the value of the planned recoveries and net realisable value.

Property is derecognised from the statement of financial position the moment it ceases to bring economic benefits or is sold. The difference between the carrying amount and the sale proceeds is recognised under income in the statement of profit or loss for the period.

3.7. Intangible assets

3.7.1. Intangible assets

Other acquired or internally produced intangible assets with finite useful economic lives are recognised at cost. Following initial recognition, intangible assets are reduced by the amount of impairment losses.

The Company recognises development expenses as intangible assets.

3.7.2. Amortisation

The amount of amortisation charges is determined based on acquisition or production cost of an asset, less its residual value.

Amortisation expense is recognised in the current period's profit or loss on the straight-line basis with respect of the estimated useful life of an intangible asset, other than goodwill, from the moment it is placed in service. This method reflects the manner of achieving future economic benefits related to the use of a certain asset in the best possible way.

The Company has adopted the following useful lives for particular categories of intangible assets:

Software	5 years
Development expense	1–5 years

3.7.3. Assets amortised over time and intangible assets under development

The Company recognises expenditure related to the long-term process of generating intangible assets (especially expenditure on development of computer systems) as intangible assets under development. Capitalised expenditure is expenditure that meets the definition of intangible assets. Expenditure incurred on configuration and modification of computer systems on manufacturer's servers (in the cloud) is also recognised as assets amortised over time until the system is placed in service. Once placed in service, those assets and subscription fees paid in advance are accounted for in proportion to the duration of the contract with the supplier.

3.8. Investments

Investments include:

- loans advanced to related parties described in Notes 3.4.1 and 3.11.1.
- debt portfolios measured at amortised cost for policies applied in the valuation of such portfolios, see Sections 3.4.1 and 3.11.1.

3.9. Equity-accounted investments in subsidiaries

All investments in subsidiaries are considered equity instruments and therefore, unless they are classified as held for sale, are measured using the equity method.

The acquisition cost of shares or certificates is their fair value as at the acquisition date. At the end of each accounting period, but not less frequently than at the end of every quarter, the carrying amount of an investment is remeasured by the share of the subsidiary's profits/(losses) attributable to the shareholder's (Company's) interest, resulting from the number of shares entitling it to share in such profits/losses.

The carrying amount of the investment is increased by the value of cash or non-cash contributions made, and reduced by the amount of dividends paid or the value of redeemed shares/certificates.

A gain/(loss) on disposal transactions (sale price less the value recognised through the equity method) is recorded in the statement of profit or loss as a gain or loss on disposal of shares in subsidiaries.

3.10. Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at banks, as well as short-term deposits with original maturities of up to three months. Cash is disclosed in nominal amounts. In the case of cash in bank accounts, its nominal amount as at the reporting date also includes accrued interest.

3.11. Impairment losses on assets

3.11.1. Financial assets

For information on the recognition of impairment losses, see Notes 3.4.1 and 3.4.2.

3.11.2. Non-financial assets

The carrying amount of non-financial assets is tested for impairment as at the end of each reporting period. If any criteria of impairment are met, the Company estimates the recoverable amount of particular assets or cash-generating units.

With regard to investments in subsidiaries, objective impairment indications include losses incurred by a given subsidiary or significant impairment of assets.

The recoverable amount of assets or cash-generating units is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, projected cash flows are discounted at a rate which reflects current market assessments of the time value of money and the risks specific to the asset.

To calculate the discount rate, the Company uses the weighted average cost of capital for the debt collection industry. To calculate cost of equity, the Company applied the Capital Asset Pricing Model (CAPM) based on financial data of debt collection companies operating on global markets.

For impairment testing, assets are grouped up to the smallest distinguishable units which generate cash largely independently from other assets or units of assets.

The Company tests shares in subsidiaries for impairment with respect to cash flows generated by each subsidiary.

Recognition and reversal of impairment losses on investments in subsidiaries are recognised in the statement of profit or loss as 'Share of profit/(loss) of equity-accounted investees'.

3.12. Equity

Ordinary shares are disclosed in equity, in the amount specified in the Company's Articles of Association and registered with the National Court Register.

Costs directly attributable to the issue of ordinary shares and stock options (legal and notarial expenses, IPO costs) adjusted by the effect of taxes, reduce equity.

Share premium account is created in the amount of the difference between the issue price and the par value of issued shares.

Capital reserve is created from retained earnings in accordance with the objective set out in a relevant resolution, and from the effective portion of hedging instruments.

Exchange differences on translating foreign operations are disclosed in accordance with the policy described in Note 3.3.2.

3.13. Trade and other payables, borrowings and other debt securities and leases

For the rules followed in the measurement of trade payables, liabilities under borrowings and other financial liabilities, see Section 3.4.3.

3.14. Employee benefits

3.14.1. Defined contribution plan

Pension contributions paid to the Social Insurance Institution are classified as defined contribution plans. Contributions payable to a defined contribution plan are recognised as cost of employee benefits and charged to profit or loss in the period when the employee rendered the related service. A prepayment is recognised as an item under other receivables to the extent that the prepayment will lead to a reduction in future payments or a cash refund. Contributions to a defined contribution plan that fall due within more than twelve months after the period in which the employee rendered the related service are discounted to their present value.

3.14.2. Employee benefit obligations

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the service is provided.
The Company recognises liability under employee benefit obligations for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefits at the Company include salaries, bonuses, paid holidays and social security contributions, and are recognised as expenses when incurred.

3.14.3. Share-based payments (management stock option plan)

The value of rights granted to employees to acquire Company shares at a specific price (options) is recognised as an expense with a corresponding increase in other capital reserves. The value of the plan is initially measured as at the grant date. The value of the options is recognised in the Company's profit or loss over the period during which employees become unconditionally entitled to acquire the shares. The value of the plan is reviewed as at the end of each reporting period and as at the option vesting date, by changing the number of options that are expected by the Company to be unconditionally vested. Any changes in the value of the plan are disclosed as an adjustment to values previously posted in the period under employee benefits expense. The value of individual rights remains unchanged, unless material modifications are made to the terms and conditions of the share-based payments plan, for instance, with respect to the exercise price, the number of rights granted and the vesting conditions. In such a case, the value of an individual right may only increase.

Valuation of the plan has been performed using the Black-Scholes model. The selected model takes into account all the main factors affecting the cost recognised by the Company, including:

- the expected exchange rate applicable on exercise of an option (based on historical exchange rates and their changes),
- the option vesting period,
- the time and conditions of exercise of an option,
- the risk-free rate.

For the purpose of the valuation, it has been assumed that all the conditions for granting options will be met and that all the eligible persons will accept the options they have been granted and then will exercise them, that is will purchase the shares corresponding to such options between the option vesting date and the plan closing date. The management stock option plan is described in Note 19.

3.15. Provisions

A provision is recognised if the Company has a present (legal or constructive) obligation arising from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where this amount is material, the provision is estimated by discounting expected future cash flows based on a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks related to the specific liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions for retirement gratuities are estimated using the actuarial method. These provisions are remeasured no more frequently than every three years.

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

3.16.1. Revenue from purchased debt portfolios

Revenue from purchased debt portfolios includes mainly interest income on investments in debt portfolios and is presented in the statement of profit or loss under ‘Interest income on debt portfolios measured at amortised cost’.

The credit risk-adjusted effective interest rate used for discounting estimated cash flows is calculated based on the initial cash recovery projections that take into account the initial value of the investment in debt portfolios, and remains unchanged throughout the life of a portfolio.

Interest income is calculated based on the net carrying amount of the investment in debt portfolios measured at amortised cost in accordance with the regulations applicable to purchased credit-impaired financial assets, using an effective interest rate including an element that reflects that credit risk, and is recognised in profit or loss for the current period. All interest income is recognised as an increase in the carrying amount of the portfolio. All actual recoveries collected during the period are recognised as a decrease in the carrying amount of the portfolio.

Moreover, any changes in the portfolio's value resulting from changes in the estimated timing and amounts of expected future cash recoveries for the portfolio are disclosed as 'Gain/(loss) on expected credit losses from purchased debt portfolios'.

Foreign exchange gains/(losses) are recognised under 'Other income/(expenses) from purchased debt portfolios'.

3.16.2. Revenue from services

Revenue from credit management services

Revenue from credit management services comprises commission fees due for the collection of debts. Such revenue is recognised on an accrual basis, in the period in which the service was provided, based on a defined percentage of collected amounts, as provided for in the relevant contract with a business partner.

Revenue from other services

Revenue from other services includes revenue from support services rendered in the following areas: operational analyses, cybersecurity, risk management, human resources, IT services, as well as consideration for the provision of guarantees.

Revenue from credit management services and other services is recorded in the statement of profit or loss under 'Revenue from services'.

Revenue from services is disclosed in the amount equal to the fair value of the payment received, net of refunds, discounts and rebates. It is recognised on a continuous basis in monthly and quarterly accounts, depending on the structure of the contract.

3.16.3. Other income

Other income comprises operating income not directly related to the Company's main business objects. It includes in particular income from retirement/sale of property, plant and equipment, income/(expenses) from recharged services, as well as damages and penalties received.

Other income is recognised in the amount equal to transaction value.

3.17. Employee benefits expense

Employee benefits expense includes:

- salaries and social security contributions (including old-age and disability pension contributions),
- provisions for accrued holiday entitlements,
- old-age and disability pension provisions,

- bonus provisions,
- management stock option plan recognised in accordance with IFRS 2 Share-based Payment, and
- costs of other pay and non-pay employee benefits.

Employee benefits expense is recognised as an expense for the period to which it relates.

3.18. Services

Services include costs of services provided by third parties, such as debt collection, IT, advisory services, short-term rental, property security, service charges, as well as management, packaging, postal and courier services.
The costs of services are charged to current period expenses.

3.19. Lease payments

Lease payments are accounted for in accordance with IFRS 16; see Note 3.5.4.

3.20. Other expenses

Other expenses include:

- court fees incurred as part of the in-court debt recovery process,
- promotion and advertising costs,
- entertainment costs,
- fees payable to the Polish Financial Supervision Authority and the Central Securities Depository of Poland,
- taxes and charges (property tax, VAT, municipal and administrative charges),
- insurance costs,
- infrastructure maintenance costs.

3.21. Finance income and costs

Finance income includes interest income on cash invested by the Company, interest income on loans to related parties (net of income on purchased debt (Note 3.16)), as well as foreign exchange gains on translation of monetary items.
Interest income is presented in profit or loss of the period using the effective interest rate method.
Finance costs include interest expense on external financing, derivatives, hedging instruments, and foreign exchange losses on translation of monetary items. Borrowing costs that are not directly attributable to acquisition, construction or production of particular assets are recognised in profit or loss of the period using the effective interest rate method.

Foreign exchange gains and losses are posted in net amounts.

3.22. Income tax

Income tax comprises current and deferred tax. Current and deferred tax is charged to profit or loss of the period except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

When determining amounts of current and deferred tax, the Company takes into account the impact of uncertainty concerning potential additional tax liabilities. However, facts and circumstances which may materialize in the future, may have an effect on an assessment of correctness of the existing and past tax liabilities.

The Company has chosen the presentation of Provision for tax inspection outcome together with interests under ‘Income tax’ in the statement of profit or loss and under ‘Provision” in the statement of financial position.

The above presentation will better reflect the impact on the financial situation of the Company.

Current tax is the expected income tax payable or receivable in respect of taxable income for the year, determined using tax rates enacted or substantially enacted at the reporting date, and any adjustment to income tax payable in respect of previous years’ income.

Deferred tax is measured using tax rates that are expected to apply when temporary differences reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets are recognised in respect of tax loss carryforwards, tax credits and deductible temporary differences only to the extent that it is expected that taxable income will be generated against which such assets can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the foreseeable future (three years). For the reporting date, the Company reviews the expected realizations from retained earnings in subsidiaries. Any adjustments to the amount of deferred tax liabilities are made based on results of the review.

3.23. Earnings per share

The Company presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period, adjusted for the number of treasury shares held by the Company. Diluted earnings per share are calculated by dividing the adjusted profit or loss (adjusted by the share issue proceeds under the management stock option plan)

attributable to holders of ordinary shares by the weighted average number of ordinary shares adjusted for the number of treasury shares and the dilutive effect of any potential shares.
Dilution is a reduction in earnings per share or an increase in loss per share, assuming that the convertible instruments are converted, options or warrants are exercised, or ordinary shares are issued on satisfaction of certain conditions.

3.24. Segment reporting

The reportable segments are presented in the consolidated financial statements of the Kruk Group.

3.25. New standards and interpretations not applied in these financial statements

A number of new standards, amendments to standards and interpretations were not yet effective for the annual periods ended 31 December 2023 and have not been applied in preparing these separate financial statements. From among the new standards, amendments to standards and interpretations, the ones discussed below may have an effect on the Company's financial statements. The Company intends to apply them to the periods for which they are effective for the first time.

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

The following amendments to International Financial Reporting Standards and their interpretations, endorsed by the European Union (the "EU IFRS") apply to reporting periods beginning on or after 1 January 2024:

Standards and interpretations endorsed by the EU	**Type of expected change in accounting policies**	**Possible effect on the financial statements**	**Effective for periods beginning on or after**
Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities	The amendments concern the presentation of liabilities in the statement of financial position. In particular, they clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period. The amendments will apply prospectively.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	1 January 2024
Amendments to IFRS 16 *Leases*: Lease Liability in a Sale and Leaseback	The amendments concern the measurement of lease liabilities in sale and leaseback transactions.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	1 January 2024

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

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

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

Revenue from services

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Revenue from credit management services	148,168	113,061
Revenue from other services	78,225	51,015
Revenue from sale of merchandise and materials	68	26
	226,461	164,102

Revenue from credit management services

Revenue from fee-based credit management comprises commission fees ranging from 2% to 49% of the collected debts. Fee rates depend on delinquency periods, amounts outstanding, and on whether there have been any prior collection attempts. The Company's main client in the group of non-related entities accounts for 4.8% of revenue from credit management services, and in the group of related entities – for 88.6% (2022: 4.7% and 86.1%, respectively).

The performance obligation arises upon execution of the contract and provision of the data necessary to initiate the debt recovery process (Note 3.16.2). Payment for services is made within 14-30 days of the respective invoice date.

Revenue from other services

Revenue from other services includes income earned from the provision of support services and IT services as well as income from guarantee fees. Payment for services is made within 14-30 days of the respective invoice date.

Revenue from purchased debt portfolios

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Gain/(loss) on expected credit losses	17,699	18,700
Interest income on debt portfolios measured at amortised cost	16,620	17,502
Other income/(expenses) from purchased debt portfolios	(1,921)	566
	32,398	36,768

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

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Revaluation of projected recoveries	11,359	11,712
Deviations from actual recoveries, decreases on early collections in collateralised cases	6,340	6,988
	17,699	18,700

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

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

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

Assumptions adopted in the valuation of debt portfolios

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

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

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

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

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

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

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

Other income/(expenses) from purchased debt portfolios

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Foreign exchange gains/(losses)	(1,921)	566
	(1,921)	566

Other income

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Gain/(loss) on retirement/sale of property, plant and equipment	805	1,550
Re-billing income/(expense)	260	696
Other	65	71
Compensation for motor damage	-	244
	1,130	2,561

5. Services

PLN '000	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
IT services*	(33,221)	(21,718)
Credit management services	(12,693)	(9,875)
Postal and courier services	(6,198)	(4,491)
Administrative and accounting support services*	(7,669)	(2,387)
Space rental and service charges	(3,685)	(3,051)
Communications services	(3,120)	(2,868)
Legal assistance services*	(2,081)	(1,584)
Other auxiliary services	(1,196)	(567)
Banking services	(942)	(845)
Recruitment services	(920)	(883)
Security	(895)	(683)
Repair of vehicles	(543)	(546)
Other rental	(436)	(115)
Printing services	(341)	(304)
Repair and maintenance services	(289)	(417)
Transport services	(187)	(142)
Packing services	(110)	(90)
Marketing and management services	(70)	(499)
	(74,596)	(51,065)

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

6. Other expenses

PLN '000	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Raw materials and consumables used	(6,287)	(6,221)
Entertainment expenses	(6,260)	(729)
Advertising	(5,405)	(3,136)
Staff training	(3,726)	(2,359)
VAT on rental payments (leases and rents)	(2,484)	(2,559)
Business trips	(1,916)	(899)
Taxes and charges*	(1,873)	(11,787)
Court fees	(974)	(909)
Motor insurance	(850)	(1,263)
Other	(653)	(91)
Donations	(636)	(506)
Refund of litigation costs	(631)	(784)
Property insurance	(405)	(312)
Non-competition	(362)	(365)
Membership fees	(170)	(179)
Losses caused by motor damage	(96)	(194)
	(32,728)	(32,293)

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

7. Employee benefits expense

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Salaries and wages	(161,836)	(140,160)
Old-age and disability pension contributions (defined contribution plans)	(23,245)	(20,980)
Equity-settled cost of stock option plan**	(21,951)	(27,694)
Other employee expenses	(8,592)	(6,068)
Other social security contributions*	(5,404)	(4,565)
Contribution to the State Fund for the Disabled	(1,322)	(1,158)
	(222,350)	(200,625)

** Other social security contributions exclude the item presented separately as Other employee expenses.*
*** The management stock option plan is described in Note 19.*

8. Finance income and costs

Recognised as profit or loss for the period

Finance income

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Interest income on loans advanced and receivables	100,913	46,059
Interest income on bank deposits	282	417
	101,195	46,476

Finance costs

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Interest and commission expense on financial liabilities measured at amortised cost	(241,525)	(138,002)
including interest	*(232,966)*	*(135,042)*
Net foreign exchange losses	(1,080)	2,268
Interest income/expense on hedging instruments – CIRS	995	99
Interest income/expense on hedging instruments – IRS	15,185	9,894
Hedging income/expense	54,279	19,770
	(172,146)	(105,971)

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

Effect of exchange rate movements on separate statement of profit or loss

PLN '000	*Note*	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Realised exchange gains/(losses)		3,452	1,741
Remeasurement of debt portfolios due to exchange rate movements	*4.*	(1,921)	566
Unrealised exchange gains/(losses)		(4,532)	527
		(3,001)	2,834

9. Income tax

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

PLN '000	*Note*	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Current income tax recognised in profit or loss			
Current income tax payable*		(51,663)	(5,380)
Deferred income tax recognised in profit or loss			
Temporary differences/reversal of temporary differences	*15.*	9,586	(31,048)
Income tax recognised in profit or loss		(42,077)	(36,428)
Deferred income tax recognised in other comprehensive income			
Temporary differences/reversal of temporary differences	*15.*	(10,473)	(3,294)
Income tax recognised in other comprehensive income		(10,473)	(3,294)
Income tax recognised in comprehensive income		(52,550)	(39,722)

** The amount of tax disclosed in these financial statements includes income tax, CFC tax and provision for tax inspection outcome*

Reconciliation of effective tax rate

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Profit/(loss) before tax	1,026,011	841,410
Income tax recognised in profit or loss	(42,077)	(36,428)
Tax calculated at the tax rate applicable in Poland (19%)	(194,942)	(159,868)
Differences resulting from ability to control the timing of reversal of temporary differences relating to the measurement of net assets of subsidiaries and the probability of their reversal in the foreseeable future, and other non-deductible expenses/non-taxable income	181,419	123,440
Provision for tax inspection outcome	(28,554)	-
	(42,077)	(36,428)
Effective tax rate	4.10%	4.33%

The lower effective tax rate in 2023 compared to 2022 is primarily due to the significant share of the financial results of subsidiaries, the tax value of which will be realised more than three years after the reporting date. The Company does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the next 36 months.

Tax risk

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

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

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

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

The Company is subjected to an inspection of corporate income tax settlements for 2018–2020. The inspecting authority is the Customs and Tax Office in Kraków. The estimated provision for potential tax debt has been recognised by the Company in profit or loss for 2023 (see Note 24).

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

PLN '000

	Note	31 Dec 2023	31 Dec 2022
Assets			
Non-current assets			
Property, plant and equipment	*11.*	35,348	39,774
Intangible assets	*12.*	29,427	30,791
Hedging instruments	*22.*	82,848	27,006
Equity-accounted investments in subsidiaries	*13.*	5,483,390	4,735,762
Investments	*14.*	1,157,433	418,008
Total non-current assets		6,788,446	5,251,341
Current assets			
Inventories	*16.*	14,562	15,174
Investments	*14.*	275,085	46,735
Trade receivables from related entities	*17.*	33,932	27,523
Trade receivables from other entities	*17.*	2,582	3,339
Other receivables	*17.*	11,664	15,715
Income tax receivable		16,232	9,292
Hedging instruments	*22.*	15,580	3,329
Cash and cash equivalents	*18.*	227,643	22,008
Other assets		8,787	8,962
Total current assets		606,067	152,077
Total assets		7,394,513	5,403,418
Equity and liabilities			
Equity			
Share capital	*19.*	19,319	19,319
Share premium		358,506	358,506
Hedge reserve	*22.*	62,774	16,871
Translation reserve		(95,871)	100,448
Share of other comprehensive income of equity-accounted investees		(8,400)	19,911
Other capital reserves		171,847	149,896
Retained earnings		3,283,218	2,589,066
Total equity		3,791,393	3,254,017
Non-current liabilities			
Deferred tax liability	*15.*	202,307	201,419
Provisions	*24.*	12,105	12,602
Borrowings, other debt securities and leases	*21.*	2,953,262	1,564,329
Hedging instruments	*22.*	20,883	9,824
Total non-current liabilities		3,188,557	1,788,174
Current liabilities			
Provisions	*24.*	28,705	51
Borrowings, other debt securities and leases	*21.*	312,210	301,557
Trade and other payables	*25.*	35,452	30,645
Employee benefit obligations	*23.*	38,196	28,974
Total current liabilities		414,563	361,227
Total liabilities		3,603,120	2,149,401
Total equity and liabilities		7,394,513	5,403,418

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

11. Property, plant and equipment

PLN '000	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Gross carrying amount of property, plant and equipment						
Gross carrying amount as at 1 Jan 2022	32,492	31,119	21,147	832	825	86,415
Purchase	885	6,475	6,012	308	1,502	15,182
Sale/retirement	(2)	(3,380)	(4,748)	(99)	-	(8,229)
Gross carrying amount as at 31 Dec 2022	33,375	34,214	22,411	1,041	2,327	93,368

PLN '000	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Gross carrying amount as at 1 Jan 2023	33,375	34,214	22,411	1,041	2,327	93,368
Purchase	1,231	9,389	1,202	47	291	12,160
Sale/retirement	(1,788)	(516)	(2,780)	-	-	(5,084)
Accounting for assets under construction	-	2,192	-	-	(2,192)	-
Gross carrying amount as at 31 Dec 2023	32,818	45,279	20,833	1,088	426	100,444

PLN '000	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Accumulated depreciation and impairment losses						
Accumulated depreciation as at 1 Jan 2022	(15,397)	(24,456)	(6,221)	(460)	-	(46,534)
Depreciation	(5,365)	(3,847)	(4,979)	(106)	-	(14,297)
Decrease resulting from sale / retirement	2	3,379	3,763	93	-	7,237
Accumulated depreciation as at Dec 31 2022	(20,760)	(24,924)	(7,437)	(473)	-	(53,594)

PLN '000	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Accumulated depreciation as at 1 Jan 2023	(20,760)	(24,924)	(7,437)	(473)	-	(53,594)
Depreciation	(5,178)	(4,726)	(5,171)	(116)	-	(15,191)
Decrease resulting from sale / retirement	970	507	2,212	-	-	3,689
Accumulated depreciation as at 31 Dec 2023	(24,968)	(29,143)	(10,396)	(589)	-	(65,096)

PLN '000	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Net carrying amount						
As at 1 Jan 2022	17,094	6,663	14,926	373	825	39,882
As at 31 Dec 2022	12,615	9,290	14,974	568	2,327	39,774
As at 1 Jan 2023	12,615	9,290	14,974	568	2,327	39,774
As at 31 Dec 2023	7,850	16,136	10,437	499	426	35,348

As of 31 December 2023 and 31 December 2022 the Company did not recognise any impairment losses on property, plant and equipment.
As at 31 December 2023 and 31 December 2022, the Company had no contractual obligations to purchase of property, plant and equipment.
For more information on security interests in property, plant and equipment, see Note 21.
The data presented in the Right-of-use section is disclosed in the table above.

Right of use and lease liabilities

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Carrying amount of right-of-use assets, by class of underlying asset at beginning of period		
Buildings and structures	11,459	16,629
Plant and equipment	204	321
Vehicles	14,019	13,753
Intangible assets – software	19,034	-
	44,716	30,703
Cost of depreciation of right-of-use assets in the reporting period, by class of underlying asset		
Buildings and structures	(4,856)	(5,170)
Plant and equipment	(107)	(117)
Vehicles	(5,026)	(4,979)
Intangible assets – software	(7,692)	(3,027)
	(17,681)	(13,293)
Increase in right-of-use assets	3,126	28,073
Decrease in right-of-use assets due to liquidation/termination of contract	(1,128)	(767)
Carrying amount of right-of-use assets, by class of underlying asset at end of reporting period		
Buildings and structures	6,973	11,459
Plant and equipment	97	204
Vehicles	9,844	14,019
Intangible assets – software	12,119	19,034
	29,033	44,716
Interest expense relating to lease liabilities	1,996	1,645
Cost relating to variable lease payments not included in the measurement of lease liabilities	-	-
Total cash outflow in connection with leases	23,447	19,102

In 2023, costs under short-term and low-value contracts were PLN 436 thousand (2022: PLN 115 thousand).

12. Intangible assets

PLN '000	Software, licences, permits	Other	Intangible assets under development	Assets amortised over time	Total
Gross carrying amount of intangible assets					
Gross carrying amount as at 1 Jan 2022	31,414	369	-	238	32,021
Produced internally	397	-	3,142	-	3,539
Purchase	24,092	-	815	-	24,907
Decreases as a result of retirement	(350)	-	-	-	(350)
Accounting for deferred assets	238	-	-	(238)	-
Gross carrying amount as at 31 Dec 2022	55,791	369	3,957	-	60,117

PLN '000	Software, licences, permits	Other	Intangible assets under development	Assets amortised over time	Total
Gross carrying amount as at 1 Jan 2023	55,791	369	3,957	-	60,117
Produced internally	317	-	7,165	-	7,482
Purchase	1,172	-	756	-	1,928
Decreases as a result of retirement	-	-	-	-	-
Accounting for assets under development	2,310	-	(2,310)	-	-
Gross carrying amount as at 31 Dec 2023	59,590	369	9,568	-	69,527

PLN '000	Software, licences, permits	Other	Intangible assets under development	Assets amortised over time	Total
Accumulated amortisation and impairment losses					
Accumulated amortisation as at 1 Jan 2022	(22,150)	(369)	-	-	(22,519)
Amortisation	(6,953)	-	-	-	(6,953)
Decreases as a result of retirement	146	-	-	-	146
Accumulated amortisation as at 31 Dec 2022	(28,957)	(369)	-	-	(29,326)

PLN '000	**Software, licences, permits**	**Other**	**Intangible assets under development**	**Assets amortised over time**	**Total**
Accumulated amortisation as at 1 Jan 2023	(28,957)	(369)	-	-	(29,326)
Amortisation	(10,774)	-	-	-	(10,774)
Decreases as a result of retirement	-	-	-	-	-
Accumulated amortisation as at 31 Dec 2023	(39,731)	(369)	-	-	(40,100)

PLN '000	**Software, licences, permits**	**Other**	**Intangible assets under development**	**Assets amortised over time**	**Total**
Net carrying amount					
As at 1 Jan 2022	9,265	-	-	238	9,502
As at 31 Dec 2022	26,834	-	3,957	-	30,791
As at 1 Jan 2023	26,834	-	3,957	-	30,791
As at 31 Dec 2023	19,859	-	9,568	-	29,427

As at 31 December 2023 and 31 December 2022, the Company did not recognise any impairment losses on intangible assets.
As at 31 December 2023 and 31 December 2022, the Company did not have any intangible assets with restricted legal title, and none of the intangible assets were pledged as security for liabilities.
As at 31 December 2023 and 31 December 2022, the Company had no contractual obligations to purchase intangible assets. The data presented in Note 11 under Right of use is disclosed in the table above.

13. Equity-accounted investments in subsidiaries

PLN '000	Country	Carrying amount 31 Dec 2023	31 Dec 2022
InvestCapital Ltd[1]	Malta	3,109,906	2,717,866
Prokura NFW FIZ (formerly Prokura NS FIZ)[1, 6]	Poland	1,494,600	1,212,018
SeCapital S.à r.l.[1]	Luxembourg	574,722	449,912
Presco Investments S.a.r.l.[3]	Luxembourg	69,062	66,441
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	57,517	85,543
KRUK Romania S.r.l.	Romania	48,405	38,751
KRUK Espana S.L.	Spain	44,020	51,256
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	37,109	34,432
KRUK Italia S.r.l.	Italy	12,389	35,513
Wonga.pl Sp. z o.o.	Poland	9,844	-
RoCapital IFN S.A.[1]	Romania	6,677	7,013
Bison NFW FIZ (formerly Bison NS FIZ)[6]	Poland	6,362	8,529
AgeCredit S.r.l.	Italy	4,863	5,552
Kruk Deutschland GmbH	Germany	3,740	6,520
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	3,671	7,557
KRUK TECH s.r.l.[1]	Romania	503	(86)
ERIF Biuro Informacji Gospodarczej S.A.[4]	Poland	-	8,313
ProsperoCapital S.a.r.l. (in liquidation)[2]	Luxembourg	-	632
Kruk Immobiliare S.r.l.[5]	Italy	-	-
ItaCapital S.r.l.	Italy	-	-
ERIF Business Solutions Sp. z o.o.[4]	Poland	-	-
Novum Finance Sp. z o.o.[1]	Poland	-	-
Kruk Investimenti s.r.l.	Italy	-	-
Zielony Areał Sp. z o.o.	Poland	-	-
		5,483,390	4,735,762

[1] Subsidiaries in which the Company indirectly holds 100% of the share capital.
[2] Company dissolved through liquidation on 31 March 2023.
[3] The equity of Presco NFW FIZ (formerly P.R.E.S.C.O INVESTMENT I NS FIZ) is consolidated within Presco Investments S.a.r.l.
[4] On 24 January 2023, the subsidiary was sold.
[5] Company established in the six months ended 30 June 2023.
[6] The fund's name was changed as of 29 September 2023.

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

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

In 2023, the following related parties resolved to pay dividend:

- Presco Investments S.a.r.l. – PLN 28,627 thousand,
- Kancelaria Prawna Raven P. Krupa sp.k. – PLN 6,327 thousand,
- KRUK Deutschland Gmbh – PLN 4,495 thousand,
- Secapital S.a.r.l. – PLN 1,097 thousand.

The dividends were paid partly by offsetting them against liabilities under collected amounts of PLN 10,851 thousand.

In 2022, the following related parties resolved to pay dividend:

- Presco Investments S.a.r.l. – PLN 30,814 thousand,
- Kancelaria Prawna Raven P. Krupa sp.k. – PLN 8,284 thousand,
- KRUK Deutschland Gmbh – PLN 2,417 thousand,
- Secapital S.a.r.l. – PLN 1,334 thousand,
- ERIF Biuro Informacji Gospodarczej S.A. – PLN 1,214 thousand.

PLN '000	Country	Ownership interest and share in total voting rights (%) 31 Dec 2023	31 Dec 2022
SeCapital S.à r.l.[1]	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.[4]	Poland	-	100%
ERIF Biuro Informacji Gospodarczej S.A.[4]	Poland	-	100%
Novum Finance Sp. z o.o.[1]	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NFW FIZ (formerly Prokura NS FIZ)[1, 6]	Poland	100%	100%
InvestCapital Ltd[1]	Malta	100%	100%
RoCapital IFN S.A.[1]	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK Espana S.L.	Spain	100%	100%
ProsperoCapital S.a.r.l. (in liquidation)[2]	Luxembourg	-	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
Presco NFW FIZ (formerly P.R.E.S.C.O INVESTMENT I NS FIZ) [1, 6]	Poland	100%	100%
Elleffe Capital S.r.l.[7]	Italy	-	100%
Bison NFW FIZ (formerly Bison NS FIZ)[6]	Poland	100%	100%
Corbul S.r.l[3]	Romania	n/a	n/a
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
Gantoi, Furculita Si Asociatii S.p.a.r.l.[3]	Romania	n/a	n/a
Kruk Investimenti s.r.l.	Italy	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%
KRUK TECH s.r.l.[1]	Romania	100%	100%
Kruk Immobiliare S.r.l.[5]	Italy	100%	-

[1] Subsidiaries in which the Company indirectly holds 100% of the share capital.
[2] Company dissolved through liquidation on 31 March 2023.
[3] KRUK S.A. controls the company through a personal link.
[4] On 24 January 2023, the subsidiary was sold.
[5] Company established in the six months ended 30 June 2023.
[6] The fund's name was changed as of 29 September 2023.
[7] On 20 September 2023, the subsidiary was sold.

All the subsidiaries listed above were consolidated in the consolidated financial statements of the KRUK Group as at 31 December 2023 and for the period from 1 January 2023 to 31 December 2023.

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

KRUK S.A. sold the companies for the price of PLN 23,416 thousand. The amount of PLN 16,776 thousand was paid in cash, while the balance of PLN 6,639 thousand was offset against the outstanding liability under a loan from ERIF Biuro Informacji Gospodarczej S.A.

Gain on the sale was recorded under 'Share of profit/(loss) of equity-accounted investees'.

Below are presented the amounts of assets and liabilities over which control was lost:

PLN '000	**ERIF Biuro Informacji Gospodarczej S.A.**	**ERIF Business Solutions Sp. z o.o.**
ASSETS	**Final data at the loss of control date 24 January 2023**	**Final data at the loss of control date 24 January 2023**
Cash and cash equivalents	7,430	62
Trade receivables	937	21
Deferred tax asset	26	-
Investments	201	-
Property, plant and equipment	82	-
Goodwill	725	-
Other intangible assets	143	55
Other assets	20	9
TOTAL ASSETS	9,564	147
LIABILITIES	**Final data at the loss of control date 24 January 2023**	**Final data at the loss of control date 24 January 2023**
Trade and other payables		280
Employee benefit obligations	825	63
TOTAL LIABILITIES	1,105	294

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

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

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

Changes in investments in subsidiaries as at 31 Dec 2023

PLN '000	Share capital increase	Share capital reduction	Capital injection	Return of contributions to equity	Redemption of certificates
InvestCapital Ltd.	220,000	240,000	-	-	-
AgeCredit S.r.l.	-	-	1,242	-	-
Prokura NS FIZ	-	-	-	-	90,630
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	-	-	-	-	16,430
KRUK Italia S.r.l.	-	-	-	21,541	-
Kruk Investimenti s.r.l.	-	-	47	-	-
Wonga.pl Sp. z o.o.	-	-	15,198	-	-

Changes in investments in subsidiaries as at 31 Dec 2022

PLN '000	Share capital increase	Share capital reduction	Capital injection	Return of contributions to equity	Redemption of certificates
InvestCapital Ltd.	80,000	110,000	-	-	-
KRUK Espana S.L.	-	-	12,611	-	-
AgeCredit S.r.l.	-	-	4,024	-	-
KRUK TECH s.r.l.	-	-	91	-	-
Prokura NS FIZ	-	-	-	-	52,110
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	-	-	-	-	7,442
KRUK Italia S.r.l.	-	-	11,435	-	-
Kruk Deutschland GmbH	-	-	-	2,826	-

Impairment testing of investments in subsidiaries

Impairment tests are performed by comparing the carrying amount of cash-generating units (CGUs) with their recoverable amount. The recoverable amount is calculated based on value in use.

The value in use is calculated based on the present value of expected future cash flows generated by the unit (CGU), estimated based on a financial forecast prepared by the company for a period of four years, and in the case of funds the value in use is calculated based on net asset value as at the reporting date.

The cash flows were discounted with the weighted average cost of capital for the debt collection industry, which varies depending on the country where the tested asset is present (see the table below).

Country where the tested asset is present	Spain	Italy	Poland	Romania	Germany	Czech Republic	France
Weighted average cost of capital for the debt collection industry in 2023	6.90%	6.98 %	7.63%	8.48%	5.87%	7.23%	6.43%
Weighted average cost of capital for the debt collection industry in 2022	8.00%	8.67 %	8.76%	10.65%	5.91%	7.94%	-

In 2023, the residual value was calculated using a growth rate calculated as the average of projected inflation rates in the forecast period of 2.19%-4.37%, depending on the country (2.78%-6.09% in 2022).

The discount rate applied in the DCF model used in tests for impairment of investments in subsidiaries and of assets reflects the current market assessment of the credit risk for the debt collection industry in the country where the tested asset is present. The Company applied the weighted average cost of capital for the debt collection industry. To calculate cost of equity, the Company applied the Capital Asset Pricing Model (CAPM) based on financial data of debt collection companies operating on global markets.

Based on the tests performed, no impairment loss was recognised in 2023 for investments in subsidiaries.

14. Investments measured at amortised cost

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

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

Investments in debt portfolios

For the rules followed in the valuation of investments in debt portfolios, see Note 3.4.1. Investments in debt portfolios are divided into the following main categories:

PLN '000	31 Dec 2023	31 Dec 2022
Investments in debt portfolios		
Unsecured portfolios	31,747	31,172
Secured portfolios	-	19
	31,747	31,191

For information on the assumptions made in the valuation and revaluation of debt portfolios and the adopted schedule of cash receipts (undiscounted value), see Note 4.

Sensitivity analysis – revaluation of projections

The 1% increase in all projected collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 242 thousand, while the 1% decrease in all projected collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 242 thousand for the data as at 31 December 2023 (a PLN 236 thousand increase/decrease, respectively, for the data as at 31 December 2022).

PLN '000	**Profit or loss for the current period**	
	100 bps increase in recoveries	**100 bps decrease in recoveries**
31 Dec 2023	242	(242)
Investments in debt portfolios		
31 Dec 2022		
Investments in debt portfolios	236	(236)

Sensitivity analysis – time horizon

The sensitivity analysis presented below assumes extension or shortening of the projection period with a simultaneous increase or decrease in the recovery projections (in the case of extension by one year, projected recoveries increased by PLN 372 thousand, in the case of shortening by one year, projected recoveries decreased by PLN 761 thousand; for 2022, the respective amounts were PLN 370,4 thousand and PLN 483,8 thousand).

PLN '000	**Profit or loss for the current period**	
	extension by one year	**shortening by one year**
31 Dec 2023		
Investments in debt portfolios	0.06	(0.22)
31 Dec 2022		
Investments in debt portfolios	0.06	(0.13)

Changes in carrying amount of investments in debt portfolios

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

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

For a description of revenue from purchased debt portfolios, including interest income and allowance for expected credit losses, see Note 4.

Changes in expected credit losses

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

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

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

Loans to related parties

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

Loans to related parties are provided on the following terms:

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

Interest on some of the loans is paid by offsetting it against a new loan (PLN 41,770 thousand) or through a cash payment.

For information on the balance of loans to related parties, see Note 28.

For information on the Company's exposure to credit, currency and interest rate risks associated with its investments, see Note 26.

15. Deferred tax

Deferred tax assets and liabilities

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

	Assets		Provisions		Net carrying amount	
PLN '000	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Property, plant and equipment	5,222	8,725	(4,234)	(4,983)	988	3,742
Intangible assets	-	-	(5,000)	(5,051)	(5,000)	(5,051)
Trade and other receivables	-	-	(241)	(413)	(241)	(413)
Borrowings and other debt instruments, leases	21,776	16,633	-	-	21,776	16,633
Employee benefit obligations	4,582	2,416	-	-	4,582	2,416
Provisions and liabilities	186	-	-	(109)	186	(109)
Investments in debt portfolios	-	-	(7,411)	(7,058)	(7,411)	(7,058)
Equity-accounted investments in subsidiaries	-	-	(203,420)	(208,285)	(203,420)	(208,285)
Derivative hedging instruments	-	-	(13,767)	(3,294)	(13,767)	(3,294)
Deferred tax assets/liability	31,766	27,774	(234,073)	(229,193)	(202,307)	(201,419)
Deferred tax assets offset against liabilities	(31,766)	(27,774)	31,766	27,774	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	(202,307)	(201,419)	(202,307)	(201,419)

Change in temporary differences in the period

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

PLN '000	Net amount of deferred tax at 1 Jan 2023	Change in temporary differences recognised in other comprehensive income	Net amount of deferred tax at 31 Dec 2023	Net amount of deferred tax at 1 Jan 2022	Change in temporary differences recognised in other comprehensive income	Net amount of deferred tax at 31 Dec 2022
Derivative hedging instruments	(3,294)	(10,473)	(13,767)	-	(3,294)	(3,294)
	(3,294)	(10,473)	(13,767)	-	(3,294)	(3,294)

As the Company is able to control the timing of temporary differences with respect to subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years).

The Company assesses the recoverability of the deferred tax asset based on its approved projection of profits for the following years.
The amount of deferred tax liabilities is affected by changes in expected future cash flows from investment companies to KRUK S.A. in the foreseeable future. The level of the cash flows depends on such factors as:

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

Therefore, the amount of deferred tax liability for expected future cash flows from subsidiaries may be subject to material changes in individual reporting periods.
The sensitivity analysis of deferred tax shows the impact of changes in the assumptions for 2023–2025 on:

- projected new debt financing at KRUK S.A.,
- planned investments in debt portfolios at the KRUK Group, taking into account the associated change in the level of necessary debt financing by KRUK S.A.,

deferred tax liabilities (due to changes in expected future cash flows to KRUK S.A.).

PLN '000	**debt financing at KRUK S.A. in 2024-2026 higher by PLN 300,000 thousand**	**debt financing at KRUK S.A. in 2024-2026 lower by PLN 300,000 thousand**	**expenditure on debt portfolios at the KRUK Group in 2024-2026 higher by PLN 300,000 thousand**	**expenditure on debt portfolios at the KRUK Group in 2024-2026 lower by PLN 300,000 thousand**
31 Dec 2023				
Deferred tax liability	(31,088)	28,739	(21,035)	19,950

The level of the deferred tax liability could also change due to such factors as different structures of financing the planned investments in debt portfolios, and a different distribution of investments among the investing companies.

The Company benefits from the exemption provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings in its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the next 36 months. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at 31 December 2023 was PLN 3,727,864 thousand (as at 31 December 2022: PLN 3,676,475 thousand).

Unrecognised deferred tax asset due to tax loss

Tax loss for a given financial year may be utilised over a period of five years, beginning in the year immediately following the year when the loss was incurred. Under Polish tax laws, up to 50% of a loss may be utilised in each of the years of the five-year period.

Tax losses and periods over which they can be utilised:

PLN '000	**Tax loss expiry**	**31 Dec 2023**	**31 Dec 2022**
Tax loss for 2018	31 Dec 2023	-	10,791
Tax loss for 2019	31 Dec 2024	542	1,084
Tax loss for 2022	31 Dec 2027	3,614	-
		4,156	11,875
Applicable tax rate		19%	19%
Potential benefit of tax losses		790	2,256

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

PLN '000	**31 Dec 2023**	**31 Dec 2022**
Real property	14,418	15,049
Other inventories	144	125
	14,562	15,174

The Company forecloses real property securing acquired debt. A portion of the recoveries is derived from the sale of such property on the open market.

PLN '000	**31 Dec 2023**	**31 Dec 2022**
Carrying amount of property held at beginning of period	15,049	18,970
Carrying amount of property foreclosed	6,438	4,880
Carrying amount of property sold	(3,630)	(5,562)
Impairment loss on property	(3,439)	(3,239)
Carrying amount of property held at end of period	14,418	15,049

As at 31 December 2023, impairment losses on property were PLN 3,439 thousand (31 December 2022: PLN 3,239 thousand).

17. Trade and other receivables

PLN '000	**31 Dec 2023**	**31 Dec 2022**
Trade receivables from related entities	33,932	27,523
Trade receivables from other entities	2,582	3,339
	36,514	30,862

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

For information on the Company's exposure to credit risk and currency risk related to receivables and on losses on expected credit losses, see Note 26.

18. Cash and cash equivalents

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

** Proceeds from the issue of Series AN2 bonds, of PLN 5,691 thousand, credited in the Company's bank account after the reporting date, on 10 January 2023.*

For information on the Company's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities, see Note 26.

19. Equity

Share capital

thousands of shares	Ordinary shares 31 Dec 2023	 31 Dec 2022
Number of shares as at 1 Jan	19,319	19,013
Issue of shares		306
Cancellation of treasury shares	-	-
Number of fully-paid shares at end of period	19,319	19,319
PLN		
Par value per share	1.00	1.00
PLN '000		
Par value of share capital as at 1 Jan	19,319	19,013
Par value as at 31 Dec	19,319	19,319

Company's shareholding structure

As at 31 December 2023 and 31 December 2022, the share capital comprised 19,319 thousand registered shares with voting and dividend rights.

As at 31 Dec 2023	**Number of shares**	**Total par value (PLN '000)**	**Ownership interest (%)**
Shareholder			
Piotr Krupa[1]	1,750,373	1,750	9.06%
NN PTE[2]	2,763,000	2,763	14.30%
Allianz OFE and Allianz DFE[3]	2,359,127	2,359	12.21%
Generali OFE	1,624,510	1,625	8.41%
PZU OFE	1,400,000	1,400	7.25%
Vienna OFE[4]	1,130,788	1,131	5.85%
Other members of the Management Board	217,731	218	1.13%
Other shareholders	8,073,261	8,073	41.79%
	19,318,790	19,319	100%

As at 31 Dec 2022	**Number of shares**	**Total par value (PLN '000)**	**Ownership interest (%)**
Shareholder			
Piotr Krupa	1,809,050	1,809	9.36%
NN PTE[2]	2,763,000	2,763	14.30%
Allianz OFE	2,359,217	2,359	12.21%
PZU OFE	1,507,000	1,507	7.80%
Aegon OFE	1,140,500	1,141	5.90%
Other members of the Management Board	228,328	228	1.18%
Other shareholders	9,511,695	9,512	49.24%
	19,318,790	19,319	100.00%

[1] *Including shares held by Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna.*

[2] *Joint shareholding of NN OFE and NN DFE, managed by NN PTE S.A.*

[3] *Joint shareholding by Allianz OFE and Allianz DFE, managed by Allianz PTE.*

[4] *Renamed from Aegon OFE.*

Other capital reserves

Other capital reserves are created by virtue of relevant resolutions of KRUK S.A.'s General Meeting, which has the power to decide on allocation of such reserves. In addition, capital reserves are also created when benefits are granted to employees under share-based payments.

Share-based payments

Incentive scheme for 2021–2024

On 16 June 2021, the Annual General Meeting of KRUK S.A. passed a resolution 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 waived 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.

For the purposes of the 2021–2024 Incentive Scheme, the General Meeting approved a conditional increase of 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 subscription warrants are issued free of charge, may be inherited, but may not be encumbered and are not transferable.

For details of the 2021−2024 Incentive Scheme, see the Directors' Reports on the operations of the KRUK Group for 2021 and 2022.

In accordance with the terms of the 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.

On 5 July 2022, the Supervisory Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 1 subscription warrants for the fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme. In line with that resolution, a total of 76,044 subscription warrants were awarded to eligible Management Board members in Tranche 1. The warrants were subscribed for by Management Board members on 29 July 2022.

By way of a resolution of 5 July 2022 determining the list of persons other than Management Board members, who were eligible to subscribe for Tranche 1 subscription warrants for the fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme, the Company's Management Board granted a total of 96,094 subscription warrants to the 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.

Therefore, on 22 August 2023 the Company's Management Board passed a resolution determining 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 to the eligible persons.

On 14 September 2023, the Supervisory Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 2 subscription warrants for the fulfilment in 2022 of the conditions of the 2021–2024 Incentive Scheme. In line with that resolution, a total of 76,044 subscription warrants were awarded to eligible Management Board members for 2022 in Tranche 2. The warrants were subscribed for by Management Board members on 20 September 2023. The table below shows the number of Tranche 1 and 2 warrants awarded to and subscribed for by each Management Board member.

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Number of Tranche I warrants awarded to and subscribed for by Management Board members under the 2021–2024 Incentive Scheme

Full name	Number of Tranche 1 warrants awarded and acquired	Number of Tranche 2 warrants awarded and acquired
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

In the reporting period and as at the date of issue 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 above.
Members of the Supervisory Board do not hold any subscription warrants issued under the 2021–2024 Incentive Scheme.

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Number of options		
Number of options priced under the 2021−2024 Incentive Scheme at the beginning of the reporting period*:	884,326	884,326
Number of options priced under the 2021−2024 Incentive Scheme during the reporting period*:	65,639	-
Number of options priced under the 2021−2024 Incentive Scheme at the end of the reporting period*:	949,965	884,326
Number of options forfeited under the 2021−2024 Incentive Scheme during the reporting period**:	12,150	18,804
Number of options exercised under the 2021−2024 Incentive Scheme during the reporting period:	-	-
Number of options exercisable under the 2021−2024 Incentive Scheme at the end of the reporting period:	-	-
Issue price of options in the 2021−2024 Incentive Scheme	**248.96**	**248.96**

** The number of options priced includes all options priced under the Plan, including forfeited options; Priced options mean options granted.*

*** Forfeited options are priced options that have not been delivered for reasons provided for in the Rules of the Incentive Scheme.*

The table includes options that were "reverted to the pool" (the options had been valued, but employees did not acquire the rights and the warrants were not offered to them), after which the warrants were granted to other individuals and valued again.

In 2023, the average share price was PLN 394.32 (2022: PLN 282.29).

As at 31 December 2023 and 31 December 2022, the amount of liabilities under share-based payment transactions was PLN 0. For information on costs of the Incentive Scheme, see Note 29.

PLN	**2021–2024 Incentive Scheme**
Weighted average fair value of options	248.96
Method of measuring the fair value of the options	The weighted average fair value of the options was determined based on the weighted average closing price of Company shares in the period 15 May – 15 June 2021.
Weighted average share price	305.40
Exercise price	248.96
Expected volatility	43%
Term	4 years
Expected volatility of dividend	4.38%
Risk-free rate, determined based on IRS interbank rates quoted by banks on the valuation date	1.70%

The Company uses historical volatility of its share prices to estimate the expected volatility of its shares, for each tranche taking into account the period between the offer date of the option (the valuation date) and the expected exercise date (rounded to full years). The volatilities thus determined for each tranche are used to calculate a weighted average, with the weights being the number of options priced in each tranche.

The valuation took into account the vesting conditions of the scheme, including the time of vesting, a 24-month lockup period from the start of the scheme, the expected time of exercise falling between the start and end of the scheme, and the time of closing the scheme.

20. Earnings per share

Basic earnings per share

As at 31 December 2023, basic earnings per share were calculated based on net profit attributable to owners of the Company of PLN 983,934 thousand (2022: PLN 804,982 thousand) and the weighted average number of shares in the period covered by the financial statements of 19,319 thousand (2022: 19,136 thousand). The amounts were determined as follows:

Separate net profit attributable to owners of the Company

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Net profit for period	983,934	804,982
Net profit attributable to owners of the Company	983,934	804,982

Weighted average number of ordinary shares

thousands of shares	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Number of ordinary shares as at 1 Jan	19,319	19,013
Effect of cancellation and issue	-	123
Weighted average number of ordinary shares at end of reporting period	19,319	19,136
PLN		
Earnings per share	50.93	42.07

Diluted separate earnings per share

As at 31 December 2023, diluted earnings per share were calculated based on net profit attributable to owners of the Company of PLN 983,934 thousand (2022: PLN 804,982 thousand) and diluted weighted average number of shares in the period covered by the financial statements of 20,343 thousand (2022: 19,772 thousand). The amounts were determined as follows:

thousands of shares	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Weighted average number of ordinary shares at end of reporting period	19,319	19,136
Effect of issue of unregistered shares not subscribed for	1,024	636
Weighted average number of ordinary shares at end of reporting period (diluted)	20,343	19,772
PLN		
Earnings per share (diluted)	48.37	40.71

Dividend per share paid

PLN ‘000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Dividend paid from profit and retained earnings	289,782	248,661
PLN		
Dividend per share	15.00	13.00

21. Borrowings, other debt securities and leases

The note contains information on the Company's borrowings, other debt securities and leases. Information on the Company's exposure to currency, liquidity and interest rate risks is presented in Note 26.

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

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

Realised and unrealised exchange differences affecting changes in financial liabilities were PLN 37,036 thousand in 2023 and PLN -971 thousand in 2022.

As at 31 December 2023, transaction costs reflected in the carrying amount were PLN 34,354 thousand (31 December 2022: PLN 13,244 thousand).

Liabilities repayment schedule

PLN '000	**Currency**	**Nominal interest rate**	**Maturity periods***	**31 Dec 2023**	**31 Dec 2022**
Borrowings secured over the Company's assets	PLN/EUR	3M WIBOR + margin of 1.8-2.7pp 1M WIBOR + margin of 1.0-2.5pp 1M EURIBOR + margin of 2.2-2.4pp 3M EURIBOR + margin of 0.5-2pp	2024-2028	386,787	437,948
Liabilities under debt securities (unsecured)	PLN/EUR	3M WIBOR + margin of 3.2–4.65pp; 4.00%-4.80%** 3M EURIBOR + margin of 4.0–6.5pp	2024-2029	2,851,202	1,382,015
Lease liabilities	PLN/EUR	3M WIBOR or 1M EURIBOR + margin of 2.7–4.6pp	2024-2028	27,483	45,923
		3.3%-11.3%		3,265,472	1,865,886

** Maturity of the last liability.*
*** Fixed interest rate.*

Changes in borrowings, debt securities and leases

PLN '000	**As at 31 Dec 2023**	Disbursements	Repayments	Finance costs	Interest paid	Settlement of lease payments under terminated contracts	Offset against returns of contributions to subsidiary's equity	**As at Dec 31 2022**
Secured borrowings	**386,787**	1,422,851	(1,439,452)	17,064	(23,316)	-	(28,308)	**437,948**
Liabilities under debt securities (unsecured)	**2,851,202**	1,560,639	(65,000)	186,260	(212,712)	-	-	**1,382,015**
Lease liabilities	**27,483**	3,126	(18,931)	818	(1,996)	(1,457)	-	**45,923**
	3,265,472	2,986,616	(1,523,383)	204,142	(238,024)	(1,457)	(28,308)	**1,865,886**

PLN '000	**As at Dec 31 2022**	Disbursements	Repayments	Finance costs	Interest paid	Settlement of lease payments under terminated contracts	Offset against returns of contributions to subsidiary's equity	**As at Dec 31 2021**
Secured borrowings	**437,948**	1,072,148	(851,384)	18,498	(19,438)	-	(9,341)	**227,465**
Liabilities under debt securities (unsecured)	**1,382,015**	545,000	(467,926)	118,712	(118,530)	-	-	**1,304,759**
Lease liabilities	**45,923**	27,731	(12,666)	1,760	(1,644)	(2,244)	-	**32,986**
	1,865,886	1,644,879	(1,331,976)	138,970	(139,612)	(2,244)	(9,341)	**1,565,210**

Impact of IBOR reform

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

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

PLN '000	31 Dec 2023	31 Dec 2022
Carrying amount of financial liabilities for which WIBOR is used as the benchmark		
Borrowings secured over the Company's assets	179,048	291,220
Liabilities under debt securities (unsecured)	2,159,898	1,382,015
Lease liabilities	7,922	13,771
Notional amount of hedging instruments for which WIBOR is used as the benchmark		
CIRS	1,750,000	940,000
IRS	190,000	255,000

Security over assets

PLN '000	31 Dec 2023	31 Dec 2022
Registered pledge over portfolios and assignment of claims financed with the facility, registered pledge over shares in Secapital S.a.r.l.	750,850	639,806
Property, plant and equipment used under lease contracts	10,437	14,974
	761,287	654,780

For a description of the security created, see Note 32.

A claim secured by a registered pledge and not repaid shall be satisfied from the pledged assets in priority to other claims, unless such other claims have priority under special regulations. Satisfaction of the pledgee from the registered pledge takes place on the basis of the enforcement procedure provided for in the Code of Civil Procedure.

22. Hedging instruments

Interest rate risk hedges

The Company's exposure to interest rate risk arises mainly from borrowings and debt securities issued (Notes 21 and 26.3).

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

The interest rate risk management policy covers:

- the Company's objectives in terms of interest rate risk;
- principles of interest rate risk management at the Company;
- acceptable impact of interest rate risk on the Company's results (interest rate risk appetite);
- methods of measuring and monitoring interest rate risk and interest rate risk exposure;
- procedures in case of exceeding the Company's interest rate risk appetite;

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- interest rate risk hedging policies.

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

In 2019–2022, KRUK S.A. entered into interest rate swaps (IRS) to pay a coupon based on a fixed PLN interest rate and to receive a coupon based on a variable PLN interest rate. The contracts provide a hedge against interest rate risk. Interest payments are made every three months (interest period).

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

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

In 2023, the Company also entered into interest rate swaps (IRS) with a notional value of EUR 160,000 thousand, under which the Company pays a coupon based on a fixed interest rate and receives a coupon based on a variable interest rate on EUR-denominated debt covered by the transaction.

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

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

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

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

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

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

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Open outstanding IRS contracts held by the Company as at 31 December 2022, with a total notional amount of PLN 255,000 thousand:

Bank	Type of transaction	Notional amount	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	IRS	PLN 30,000,000	1.65%	3M WIBOR	5 Sep 2019 to 27 Nov 2023
Santander Bank Polska S.A.	IRS	PLN 25,000,000	1.65%	3M WIBOR	5 Sep 2019 to 6 Feb 2024
ING Bank Śląski S.A.*	IRS	PLN 35,000,000	1.6050%	3M WIBOR	4 Sep 2019 to 12 Oct 2023
ING Bank Śląski S.A.*	IRS	PLN 115,000,000	1.5775%	3M WIBOR	4 Sep 2019 to 27 Sep 2024
ING Bank Śląski S.A.*	IRS	PLN 50,000,000	1.5775%	3M WIBOR	4 Sep 2019 to 28 Sep 2024

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

In 2023, The Company entered into currency interest rate swaps (CIRS) with a total nominal amount of PLN 810,000 thousand, under which the Company pays a coupon based on a fixed interest rate on debt determined in EUR under the transaction terms and receives a coupon based on a variable interest rate on PLN-denominated debt covered by the transaction.

The purpose of the CIRS contracts is to:

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

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

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

Hedge ineffectiveness occurs when the sum of the notional amount of the hedging instrument is greater than the carrying amount of the net assets at the reporting date (after taking into account other relationships hedging the net asset). The ineffective portion is the proportion of profit or loss on the hedging instrument allocated to the excess of the notional amount of the hedging instrument over the nominal value of the hedged item. As a result, the amount relating to the effective portion and the amount relating to the cost of the hedge are both reduced in the same proportion the change in fair value from the date of the hedging instrument and the establishment of the hedging relationship to the measurement date representing the ineffective portion is recognised in profit or loss on an ongoing basis.

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

Bank	Type of transaction	Notional amount	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	CCIRS	PLN 330,000,000	2.13%	3M WIBOR	14 Jun 2022	24 May 2027
ING Bank Śląski S.A.	CCIRS	PLN 140,000,000	1.90%	3M WIBOR	23 Jun 2022	24 Mar 2027
Santander Bank Polska S.A.	CCIRS	PLN 50,000,000	1.72%	3M WIBOR	20 Jun 2022	16 Mar 2026
Santander Bank Polska S.A.	CCIRS	PLN 50,000,000	1.56%	3M WIBOR	21 Jun 2022	16 Mar 2026
ING Bank Śląski S.A.	CCIRS	PLN 105,000,000	1.21%	3M WIBOR	15 Jul 2022	23 Jan 2026
ING Bank Śląski S.A.	CCIRS	PLN 52,500,000	0.96%	3M WIBOR	15 Jul 2022	22 Jan 2025
ING Bank Śląski S.A.	CCIRS	PLN 52,500,000	0.955%	3M WIBOR	18 Jul 2022	23 Jan 2024
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	1.40%	3M WIBOR	20 Jul 2022	2 Mar 2026
ING Bank Śląski S.A.	CCIRS	PLN 25,000,000	0.90%	3M WIBOR	20 Jul 2022	2 Mar 2024
DNB Bank ASA	CCIRS	PLN 60,000,000	1.96%	3M WIBOR	12 Dec 2022	27 Jul 2027
DNB Bank ASA	CCIRS	PLN 25,000,000	2.05%	3M WIBOR	21 Dec 2022	27 Nov 2026
DNB Bank ASA	CCIRS	PLN 75,000,000	2.49%	3M WIBOR	10 Jan 2023	26 Mar 2025
DNB Bank ASA	CCIRS	PLN 120,000,000	2.02%	3M WIBOR	27 Jan 2023	26 Jan 2028
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	2.475%	3M WIBOR	25 Jul 2023	26 Jan 2028
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	2.435%	3M WIBOR	25 Jul 2023	7 Jun 2028
DNB Bank ASA	CCIRS	PLN 75,000,000	2.61%	3M WIBOR	22 Sep 2023	29 Mar 2028
ING Bank Śląski S.A.	CCIRS	PLN 85,000,000	2.48%	3M WIBOR	31 Oct 2023	10 Dec 2026
ING Bank Śląski S.A.	CCIRS	PLN 355,000,000	2.34%	3M WIBOR	31 Oct 2023	11 Oct 2029

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As at 31 December 2022, KRUK S.A. held the following open outstanding CIRS contracts with a total nominal amount of PLN 940,000 thousand:

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

The transactions were designated for hedge accounting.

Currency risk hedges

The Company's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies (Note 26.3).

The currency risk management policy outlines:

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

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

The Company does not expect the IBOR reform to have a material impact on hedging relationships in hedge accounting. The Company applied temporary specific exceptions to hedge accounting requirements in IFRS 9 in connection with the IBOR reform and assumed that it could continue hedging relationships. The notional amounts of the hedging instruments to which these exceptions apply are disclosed in Note 21.

The Company takes measures to ensure that it is prepared for a possible change in the benchmarks underlying the concluded hedging instruments in the event the 3M WIBOR rate ceases to be provided. In particular, the Company continuously monitors regulatory changes in benchmarks and negotiates amendments to the Master Agreements governing the hedging instruments, in order to prepare optimal procedures for transition to an alternative benchmark if necessary.

Although the Polish Financial Supervision Authority has deemed the process of compiling the WIBOR benchmark to be in compliance with the requirements imposed under European Union law and issued a permit authorising WSE Benchmark SA to operate as an administrator of interest rate benchmarks, in the opinion of the Company there is uncertainty related to potential further changes to the method of determining the WIBOR benchmark. Therefore, the Company does not exclude the possibility that the hedging instruments entered into may need to be appropriately adjusted, in particular if the 3M WIBOR rate is permanently discontinued.

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

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

Amounts related to open position designated as hedging instruments

PLN '000	**Carrying amount/fair value of hedging instruments**											
	31 Dec 2023					**31 Dec 2022**						
	Assets	**Liabilities**	**Nominal amount**		**Change in fair value used to determine ineffectiveness**	**Assets**	**Liabilities**	**Nominal amount**		**Change in fair value used to determine ineffectiveness**	**Item in the statement of financial position**	**Hedge type**
Instrument type:												
IRS	4,954	-	190,000	(PLN)	(13,852)	18,806	-	255,000	(PLN)	5,003	Hedging instruments	Hedge of future cash flows
IRS	29	16,694	160,000	(EUR)	(16,665)	-	-	-		-	Hedging instruments	Hedge of future cash flows
CIRS	93,445	4,189	1,750,000	(PLN)	87,551	11,529	9,824	940,000	(PLN)	1,705	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	98,428	**20,883**			**57,034**	**30,335**	**9,824**			**6,708**		

PLN '000

	Amount of future cash flows as at 31 Dec 2023				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	(26,312)	(165,656)	-	-	-
variable payment PLN	26,312	165,656	-	-	-
IRS					
fixed payment EUR sale	(19,294)	(11,023)	(14,746)	(728,648)	-
variable payment EUR	19,294	11,023	14,746	728,648	-
CIRS					
fixed payment	(125,963)	(43,342)	(192,769)	(1,286,932)	(369,021)
variable payment	125,963	43,342	192,769	1,286,932	369,021

PLN '000

	Amount of future cash flows as at 31 Dec 2022				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	(7,663)	(73,879)	(198,211)	-	-
variable payment PLN	7,663	73,879	198,211	-	-
CIRS					
fixed payment	(33,706)	(32,546)	(136,073)	(966,860)	-
variable payment	8,125	7,790	91,652	998,585	-

Change in hedging instruments

PLN '000	Change in hedging instruments				
	As at 31 Dec 2023	Finance costs	Interest paid/received	Measurement of instruments charged to capital reserves	As at 31 Dec 2022
IRS	**(11,711)**	-	(15,185)	(15,332)	**18,806**
CIRS	**89,256**	(995)	(54,616)	143,162	**1,705**
	77,545	(995)	(69,801)	127,830	**20,511**

PLN '000	As at 31 Dec 2022	Finance costs	Interest paid/received	Measurement of instruments charged to capital reserves	As at 31 Dec 2021
IRS	**18,806**	-	(9,894)	14,897	**13,803**
CIRS	**1,705**	(67)	(15,440)	17,212	**-**
	20,511	(67)	(25,334)	32,109	**13,803**

PLN '000

Disclosure of the hedged item as at 31 Dec 2023

	Nominal amount of the hedged item	Change in the fair value of the hedged item used to determine ineffectiveness	Reserve on measurement of continuing hedges	Reserve (unreleased) on measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	190,000 (PLN)	(13,852)	7,180	-
Hedge of future cash flows (interest rate risk)	160,000 (EUR)	(16,665)	(16,665)	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	1,750,000 (PLN)	87,551	68,177	-

PLN '000

Disclosure of the hedged item as at 31 Dec 2022

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

PLN '000 **Hedge reserve**	**1 Jan–31 Dec 2023** **Hedge of future cash flows (interest rate risk)**	**Hedge of future cash flows (currency risk)**	**Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)**	**Total hedge reserve**
Hedge reserve as at 1 Jan 2023	18,806	4,082	(6,017)	16,871
Measurement of instruments charged to capital reserves	(15,331)	-	59,126	43,795
Cost of hedging	-	-	83,040	83,040
Temporary differences/reversal of temporary differences	2,225	-	(12,698)	(10,473)
Amount reclassified to profit or loss during the period	(15,185)	-	(55,274)	(70,459)
- Interest expense/income	(15,185)	-	(995)	(16,180)
- Cost of hedging	-	-	(54,279)	(54,279)
Hedge reserve as at 31 Dec 2023	(9,485)	4,082	68,177	62,774

PLN '000 **Hedge reserve**	**1 Jan–31 Dec 2022** **Hedge of future cash flows (interest rate risk)**	**Hedge of future cash flows (currency risk)**	**Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)**	**Total hedge reserve**
Hedge reserve as at 1 Jan 2022	13,803	4,082	-	17,885
Measurement of instruments charged to capital reserves	14,897	-	(19,995)	(5,098)
Cost of hedging	-	-	37,109	37,109
Temporary differences/reversal of temporary differences	-	-	(3,294)	(3,294)
Amount reclassified to profit or loss during the period	(9,894)	-	(19,837)	(29,731)
- Interest expense/income	(9,894)	-	(67)	(9,961)
- Cost of hedging	-	-	(19,770)	(19,770)
Hedge reserve as at 31 Dec 2022	18,806	4,082	(6,017)	16,871

Cost of hedging:

- the long leg (spread between the interest rates of PLN and EUR) in the measurement of the hedging instrument,
- the EUR/PLN cross-currency basis in the measurement of the hedging instrument.

The cost of hedging is determined as at the date of executing the hedging instrument and establishing the hedging relationship as the sum of net cash flows from interest on the hedging instrument, with cash flows in EUR being translated into PLN at the rate implied by the exchange of the CIRS notional principals at the transaction maturity date. The cost of hedging so determined is amortised until the hedging relationship expires.

23. Employee benefit obligations

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

Change in provision for accrued holiday entitlements

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

24. Provisions

PLN '000	31 Dec 2023	31 Dec 2022
Provision for tax inspection outcome	28,554	-
Provision for the loyalty scheme	10,871	11,746
Provision for retirement gratuities	1,385	907
	40,810	12,653

Changes in provisions for retirement gratuities and the loyalty scheme

PLN '000	Provision for retirement gratuities	Provision for the loyalty scheme	Provision for tax inspection outcome
Carrying amount as at 1 Jan 2022	907	11,750	-
Increase	-	1,865	-
Use	-	(1,869)	-
Carrying amount as at 31 Dec 2022	907	11,746	-
Carrying amount as at 1 Jan 2023	907	11,746	-
Increase	478	402	28,554
Use	-	(1,277)	-
Carrying amount as at 31 Dec 2023	1,385	10,871	28,554

In connection with the ongoing inspection of corporate income tax settlements for 2018–2020 conducted by the Customs and Tax Office in Kraków, Kruk S.A. has recognised a provision totalling PLN 28,554 thousand to settle a potential tax underpayment for the years under review and subsequent years, together with interest, in its profit or loss for 2023. The provision is disclosed under 'Income tax' in the statement of profit or loss. The procedure may result in a change of the methodology for determining transfer prices between related parties with respect to the management and collection services performed by the Company for its related parties. For many years, the Company has consistently applied the comparable uncontrolled price (CUP) method to determine the consideration due for its management and collection services. The Customs and Tax Office has pointed to the need to change this approach to the cost-plus method, which seeks to cover the service cost and add an appropriate mark-up.

As at the date of issue of these financial statements, the Company did not yet receive the inspection report and the provision was created as an estimate by the Management Board based on the scenario method.

25. Trade and other payables

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

For information on the exposure to currency risk and liquidity risk associated with liabilities, see Note 26.

26. Management of risk arising from financial instruments

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

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

This note presents information on the Company's exposure to each type of the above risks, the Company's objectives, policies and procedures for measuring and managing the risks. The Company has not disclosed any information regarding capital management as required by IAS 1. This is because capital is managed on a consolidated basis and the Company is not subject to any regulatory capital requirements.

Key risk management policies

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

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

26.1. Credit risk

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

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

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

Trade and other receivables

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

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

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

Over 80% of the business partners have done business with the Company for three years or more. Only in few cases losses were incurred by the Company as a result of non-payment. Trade and other receivables mainly comprise of fees receivable in respect of debt collected for business partners.

The Company's exposure to credit risk results mainly from individual characteristics of each business partner. The Management Board believes that the Company's credit risk is low as its counterparties are mainly reputable financial institutions and companies. The Company's exposure to credit risk results mainly from individual characteristics of each client. The Company's largest business partner (excluding the subsidiaries) accounts for 3.2% of the Company's revenue from credit management and other services (2022: 3.2%), and the respective percentages for the Company's related entities are 58.1% and 59.1%. Receivables from the Company's largest external business partner accounted for 2.3% of total gross trade receivables as at 31 December 2023 (31 December 2022: 2.9%), and the respective percentages for the Company's related entities were: 33% and 36%. Therefore, there is no significant concentration of credit risk.

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

Investments in debt portfolios

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

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

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

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

The following parameters are taken into account in the credit risk assessment:

• Debt:

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

• Indebted person:

- credit amount repaid so far / amount of invoices repaid so far
- time elapsed from the last payment made by the indebted person
- region

- indebted person's form of incorporation
- indebted person's death or bankruptcy
- indebted person's employment

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

Changes in credit risk assessment affect expected amounts of future cash flows which are used as a basis of valuation of investments in debt portfolios.
The Company minimises the risk by performing a valuation of each portfolio before and after it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process. Debt portfolios are purchased at official auctions and prices offered by the Company in most of such auctions do not differ significantly from prices offered by the Company's competitors. A similar valuation of a debt portfolio by several specialist companies at the same time reduces the risk of an incorrect valuation.

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

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

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

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

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

- assessment of a business partner's and indebted person's creditworthiness prior to proposing
- payment dates and other terms of cooperation;
- regular monitoring of timely payment of debt;
- maintaining a diversified client base.

The Company analyses the risk attached to the debt portfolios it purchases using economic and statistical tools and relying on its long-standing experience in this respect. It purchases debts of various types, with different degrees of difficulty and delinquency statuses. Debt portfolio valuations are revised on a quarterly basis.
As at the date of this report, the Company holds no single debt whose non-payment could have a material adverse effect on the Company's liquidity, but no assurance can be given that such a situation will not occur in the future.

Debt collection tools used include:

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

Loans to related parties

Loans advanced to related parties are not secured, but because they are granted to entities over which the Company has control their repayment does not involve a material credit risk.

For loans to related parties, measured at amortized cost, the Company estimates the risk of borrowers' default based on the performance of the subsidiaries, appropriately converted to probability of default. Expected credit losses are calculated taking into account the time value of money. To determine the appropriate time horizon for calculating expected credit losses, it is necessary to verify whether there has been a significant increase in credit risk associated with a financial asset since its initial recognition, as this is the foundation for measuring the subsidiary's net assets.
In analysing a significant increase in credit risk of loans, the Company considers whether:
• the financial condition of the subsidiary deteriorated relative to the date of initial recognition of the loan;
• time past due for receivables from the asset exceeds 90 days.

As at 31 December 2023 and 31 December 2022 loans to related parties were not past due. As at 31 December 2023, due to deterioration in the financial condition of related party borrowers, the Company recognised a PLN 3,895 allowance for expected credit losses.

Guarantees

As a rule, the Company issues financial guarantees only to its wholly-owned subsidiaries. During the reporting period, the Company did not issue any guarantees to third parties.
KRUK S.A. provides sureties/guarantees for liabilities under credit facility agreements, derivative contracts, as well as capital cancellation transactions at subsidiaries. Guarantees/sureties are disclosed as off-balance-sheet liabilities (Note 32).

Credit risk exposure

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

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

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

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

Credit risk exposure – Investments in debt portfolios

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

Credit risk exposure – Cash

The Company defines the cash concentration risk as the risk of material exposure to banks with ratings below and above BBB-.

PLN '000	**31 Dec 2023**	**31 Dec 2022**
Cash in accounts with banks rated below BBB – by Standard & Poor's*	415	425
Cash in accounts with banks rated BBB or higher – by Standard & Poor's*	227,225	21,580
Cash in hand	3	3
	227,643	22,008

** Alternatively BBB- by Fitch Ratings Ltd or Baa3 by Moody's Investors Service Limited*

As of December 31, 2023, the Company has 96.64% of cash deposited in a bank with an AA- rating (according to S&P).

Allowance for expected credit losses

Breakdown of trade and other receivables into quality buckets as at the end of the reporting periods is presented below.

IFRS 9 classification *PLN '000*	**Days past due**	**Expected credit losses as % of gross carrying amount**	**Carrying amount as at 31 Dec 2023 (IFRS 9)**	**Carrying amount as at 31 Dec 2022 (IFRS 9)**
Trade and other receivables, net of tax receivable	<1 days		44,975	45,996
	1-90 days		168	156
	>90 days			-
			45,143	46,152
Allowance for expected credit losses	<1 days	0.0%	-	-
	1-90 days	0.7%	168	156
	>90 days	100.0%	-	-
			168	156
Net carrying amount	<1 days		44,975	45,996
	1-90 days		-	-
	>90 days		-	-
			44,975	45,996

Changes in allowances for expected credit losses on receivables:

PLN '000	31 Dec 2023	31 Dec 2022
Loss allowance at beginning of period	156	216
Allowance for expected credit losses recognised in the reporting period	30	64
Reversal of allowance for expected credit losses	(18)	(104)
Use of allowance for expected credit losses	-	(20)
Loss allowance at end of period	168	156

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

In 2023−2022, the Company did not recognise any general impairment losses on receivables.

Breakdown of loans to related parties into quality buckets as at the end of the reporting periods:

PLN '000	Bucket 1	Bucket 2	Bucket 3	Total
Gross carrying amount of loans to related parties as at 1 Jan 2022	**87,773**	**338,057**	**-**	**425,829**
Disbursements	33,379	84,435	-	117,814
Repayments	(26,031)	(55,610)	-	(81,641)
Gross carrying amount of loans to related parties as at 31 Dec 2022	**95,121**	**366,882**	**-**	**462,003**
Disbursements	991,144	106,217	-	1,097,361
Repayments	(88,997)	(65,701)	-	(154,698)
Gross carrying amount of loans to related parties as at 31 Dec 2023	**997,268**	**407,398**	**-**	**1,404,666**

	Bucket 1	Bucket 2	Bucket 3	Total
Allowance for expected credit losses as at 1 Jan 2022	**-**	**37,635**	**-**	**37,635**
Recognised	-	52,225	-	52,225
Reversed	-	(61,409)	-	(61,409)
Allowance for expected credit losses as at 31 Dec 2022	**-**	**28,451**	**-**	**28,451**
Recognised	-	7,856	-	7,856
Reversed	-	(32,412)	-	(32,412)
Allowance for expected credit losses as at 31 Dec 2023	**-**	**3,895**	**-**	**3,895**

	Bucket 1	Bucket 2	Bucket 3	Total
Net carrying amount of loans to related parties as at 31 Dec 2022	95,121	338,431	-	433,552
Net carrying amount of loans to related parties as at 31 Dec 2023	997,268	403,503	-	1,400,771

For information on changes in impairment losses on purchased debt portfolios measured at amortised cost, see Note 14.

26.2. Liquidity risk

Liquidity risk is the risk of the Company's failure to pay its liabilities when due.
Liquidity risk management aims to ensure that the Company has sufficient liquidity to pay its liabilities as they fall due, without exposing the Company to a risk of loss or impairment of its reputation.
The main objective of liquidity management is to protect the Company against the loss of ability to pay its liabilities.
The Company has a liquidity management policy in place, which includes rules for contracting debt finance, preparing analyses and projections of the Company's liquidity, and monitoring the performance of obligations under credit facility agreements.
The Company's liquidity position is monitored on a regular basis by analysing sensitivity to changes in the projected level of recoveries from debt portfolios.
In accordance with the liquidity management policy effective as at the date of issue of these financial statements, the following conditions must be met by the Company before new debt can be incurred:

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

Exposure to liquidity risk

As at 31 Dec 2023

PLN '000

	Present value	Undiscounted contractual/estimated cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Cash and cash equivalents	227,643	227,643	227,643	-	-	-	-
Trade and other receivables, net of tax receivable	44,975	44,975	44,975	-	-	-	-
Investments in debt portfolios*	31,747	112,069	12,281	10,242	17,342	35,535	36,669
Loans to related parties	1,400,771	1,727,662	43,639	286,143	121,914	1,275,966	-
Secured borrowings	(386,787)	(462,789)	(40,668)	(33,737)	(101,856)	(286,528)	-
Liabilities under debt securities (unsecured)	(2,851,202)	(4,012,618)	(159,822)	(160,134)	(445,792)	(2,626,389)	(620,481)
Lease liabilities	(27,483)	(29,180)	(10,056)	(8,870)	(8,233)	(2,021)	-
Trade and other payables	(28,651)	(28,651)	(28,651)	-	-	-	-
	(1,588,987)	(2,420,889)	89,341	93,644	(416,625)	(1,603,437)	(583,812)
Off-balance-sheet contingent liabilities							
Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries**	(4,658,995)	(4,658,995)	(4,604,095)	-	-	(54,900)	-
	(6,247,982)	(7,079,884)	(4,514,754)	93,644	(416,625)	(1,658,337)	(583,812)

As at 31 Dec 2022 *(PLN '000)*	**Present value**	**Undiscounted contractual/estimated cash flows**	**Less than 6 months**	**6–12 months**	**1–2 years**	**2–5 years**	**Over 5 years**
Non-derivative financial assets and liabilities							
Cash and cash equivalents	22,008	22,008	22,008	-	-	-	-
Trade and other receivables, net of tax receivable	45,996	45,996	45,996	-	-	-	-
Investments in debt portfolios*	31,191	90,800	12,879	10,844	16,546	28,958	21,573
Loans to related parties	433,552	462,002	10,793	18,040	54,094	379,075	-
Secured borrowings	(437,948)	(519,134)	(86,249)	(13,155)	(111,797)	(303,786)	(4,147)
Liabilities under debt securities (unsecured)	(1,382,015)	(1,928,811)	(67,451)	(132,349)	(175,021)	(1,195,002)	(358,988)
Lease liabilities	(45,923)	(44,348)	(10,298)	(10,006)	(16,280)	(7,764)	-
Trade and other payables	(24,374)	(24,374)	(24,374)	-	-	-	-
	(1,357,513)	(1,895,861)	(96,696)	(126,626)	(232,458)	(1,098,519)	(341,562)
Off-balance-sheet contingent liabilities							
Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries**	(3,714,058)	(3,714,058)	(459,758)	-	(2,764,696)	(62,400)	(427,204)
	(5,071,571)	(5,609,919)	(556,454)	(126,626)	(2,997,154)	(1,160,919)	(768,766)

** Estimated cash flows.*

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

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

For information on liquidity risk of hedging instruments, see Note 22.

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

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

The Company does not expect the projected cash flows discussed in the maturity analysis to occur significantly earlier than assumed or in amounts materially different from those presented.
As at 31 December 2023, the undrawn revolving credit facility limit available to the Company was PLN 207,855 thousand (31 December 2022: PLN 78,588 thousand). The limit is available until 31 December 2028.

26.3. Market risk

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

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

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

The currency risk management policy outlines:

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

The Company uses financial instruments to hedge its interest rate risk and currency risk (Notes 3.4.4 and 22).

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

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

Exposure to currency risk

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

Exposure to currency risk

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

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

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

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

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

As at December 31st 2023 and December 31st 2022, the appreciation/depreciation of the Polish złoty against EUR, RON and CZK would have resulted in an increase/decrease of profit for the current period by the amounts shown above. The analysis is based on the assumption that other variables, in particular interest rates, remain unchanged.

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

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

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

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

Exposure to interest rate risk

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

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

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

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

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

Interest rate concentration risk is defined by the Company as the risk arising from significant exposure to individual financial instruments.

The Company minimizes the impact of interests rate risk by entering into IRS and CIRS contracts (note 22).

Sensitivity analysis of fair value of fixed-rate financial instruments

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

Sensitivity analysis of cash flows from variable-rate financial instruments

The Company purchases derivative instruments in order to hedge interest rate risk.
A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit by the amounts shown below. The following analysis is based on the assumption that other variables, in particular exchange rates, remain unchanged.

	Profit or loss for the current period		**Equity excluding profit or loss for the current period**	
PLN '000	**increase by 100 bps**	**decrease by 100 bps**	**increase by 100 bps**	**decrease by 100 bps**
31 Dec 2023				
Variable-rate financial assets	7,517	(7,517)	984	(984)
Variable-rate financial liabilities	(30,862)	30,862	(209)	209
31 Dec 2022				
Variable-rate financial assets	4,336	(4,639)	303	(303)
Variable-rate financial liabilities	(16,878)	16,976	(98)	98

27. Fair values

Comparison of fair values and carrying amounts

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

PLN '000	31 Dec 2023		31 Dec 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Hedging instruments (IRS)	4,983	4,983	18,806	18,806
Hedging instruments (IRS)	(16,694)	(16,694)	-	-
Hedging instruments (CIRS)	93,445	93,445	11,529	11,529
Hedging instruments (CIRS)	(4,189)	(4,189)	(9,824)	(9,824)
	77,545	77,545	20,511	20,511
Financial assets and liabilities not measured at fair value				
Investments in debt portfolios	31,747	33,021	31,191	29,008
Loans to related parties	1,400,771	1,400,771	433,552	433,552
Trade and other receivables, net of tax receivable	44,975	44,975	45,996	45,996
Trade and other payables	(28,651)	(28,651)	(24,374)	(24,374)
Secured borrowings	(386,787)	(386,787)	(437,948)	(437,948)
Liabilities under debt securities (unsecured)	(2,851,202)	(2,869,113)	(1,382,015)	(1,366,416)
	(1,789,147)	(1,805,784)	(1,333,598)	(1,320,182)

Interest rates used for fair value estimation

	31 Dec 2023	31 Dec 2022
Investments in debt portfolios*	0.67%-55.14%	0.81%-55.14%
Secured borrowings	4.41%-8.58%	4.08%-9.72%
Loans to related parties	5.95%-12.28%	3.19%-13.71%

** Applicable to 99% of debt portfolios.*

Hierarchy of financial instruments

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

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

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

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

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

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

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

PLN '000	**Level 3**	
	Carrying amount	**Fair value**
As at 31 Dec 2023		
Investments in debt portfolios	31,747	33,021
Loans to related parties	1,400,771	1,400,771
Trade and other receivables, net of tax receivable	44,975	44,975
Trade and other payables	(28,651)	(28,651)
Secured borrowings	(386,787)	(386,787)
As at 31 Dec 2022		
Investments in debt portfolios	31,191	29,008
Loans to related parties	433,552	433,552
Trade and other receivables, net of tax receivable	45,996	45,996
Trade and other payables	(24,374)	(24,374)
Secured borrowings	(437,948)	(437,948)

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

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

The fair value of loans is determined as the present value of future cash flows, with account taken of changes in market and credit risk factors throughout the life of a loan.
The Company uses Level 3 inputs to determine the fair value of trade and other receivables, excluding receivables on account of taxes as well as trade and other payables. Due to their short-term nature, the carrying amount was assumed to be equal to the fair value.

The fair value of financial liabilities under borrowings is determined on the basis of future cash flows from the executed transactions.

28. Related-party transactions

Remuneration of the Company's directors – Management Board

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

PLN '000	**1 Jan–31 Dec 2023**	**1 Jan–31 Dec 2022**
Base pay/ managerial contract (gross)	6,998	6,752
Additional benefits (incl. social security contributions)	115	85
Share-based payments*	21,951	27,694
	29,064	34,531

** The management stock option plans are described in Note 19.*

Remuneration of the Company's directors – Supervisory Board

Remuneration of members of the Supervisory Board was as follows:

PLN '000

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Base pay/ managerial contract (gross)	1,202	1,127
Additional benefits	18	22
	1,220	1,149

Other transactions with the Company's directors

As at 31 December 2023, members of the Management Board and persons closely related to them jointly held 10.2% of the total voting rights at the Company's General Meeting (31 December 2022: 10.55%)

In 2023 and 2022, there were no material transactions with close family members of the Company's key management personnel that are not disclosed in these financial statements.

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

Other related-party transactions

The Company has receivables from related entities for the provision of debt collection services and support services.
The Company has liabilities towards related entities under: non-transferred recoveries collected as part of debt collection services provided by the Company and liabilities under debt collection services provided to the Company by related entities.
Receivables, liabilities, loans advanced and received are unsecured and will be settled by offsetting mutual claims. In the financial year under analysis, the Company recognised an allowance for expected credit losses on loans advanced of PLN 3,895 thousand (2022: PLN 28,451 thousand). For information on expected credit losses on loans advanced, see Note 26.1.
Transactions with related parties were made on an arm 's-length basis and are presented below.

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

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

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

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

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

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

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

* *Subsidiary sold in the first quarter of 2023.*

** *Subsidiary liquidated in the first quarter of 2023.*

*** *Subsidiary sold in the third quarter 2023.*

29. Share-based payments

PLN '000	Value of benefits granted
Period ending	
31 Dec 2003	226
31 Dec 2004	789
31 Dec 2005	354
31 Dec 2006	172
31 Dec 2007	587
31 Dec 2008	91
31 Dec 2010	257
31 Dec 2011	889
31 Dec 2012	2,346
31 Dec 2013	2,578
31 Dec 2014	7,335
31 Dec 2015	13,332
31 Dec 2016	7,702
31 Dec 2017	10,147
31 Dec 2018	8,118
31 Dec 2019	9,658
31 Dec 2020	(1,156)
31 Dec 2021	18,576
31 Dec 2022	27,694
31 Dec 2023	21,951
Total	131,646

The management stock option plan is described in Note 19.

30. Other notes

30.1. Notes to the separate statement of cash flows

The table below presents the reasons for differences between changes in certain items of the separate statement of financial position and the statement of profit or loss and changes resulting from the separate statement of cash flows:

PLN '000	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Change in trade and other receivables presented in the separate statement of financial position	**(1,601)**	**(9,121)**
Receivables under redeemed investment certificates and dividends not paid	7,260	53,919
Offset against accounts receivable and dividends declared but not paid	-	3,417
Foreign exchange differences	(74)	-
Change in trade and other receivables presented in the separate statement of cash flows	**5,585**	**48,215**

PLN '000	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Net finance costs presented in the separate statement of profit or loss	**70,951**	**59,495**
Other exchange differences	(2,261)	(31)
Net finance costs presented in the separate statement of cash flows	**68,690**	**59,464**

PLN '000	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Change in provisions presented in the separate statement of financial position	**28,157**	**(4)**
Provision for tax inspection outcome	(28,554)	-
Change in provisions presented in the separate statement of cash flows	**(397)**	**(4)**

PLN '000	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Change in trade and other payables presented in the separate statement of financial position	**4,807**	**1,475**
Offset against accounts receivable and dividends declared but not paid	3,243	19,713
Foreign exchange differences	1,182	-
Change in trade and other payables presented in the separate statement of cash flows	**9,232**	**21,188**

The Company offsets its dividends receivable from subsidiaries against amounts owed to those companies for amounts collected.

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

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

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

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

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

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

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

30.3. Risk of negative impacts on the natural environment

As part of the ESG strategy integral to its business strategy, KRUK S.A. has set a general course of action and, wherever possible, specific objectives pertaining to its environmental impact. These objectives are based on the UN Sustainable Development Goals and on the European Green Deal.
Under the environmental policy implemented in 2021 and reviewed annually, the Company has committed to adopt a conscious approach to managing the organisation's environmental and climate impact area. Despite limited adverse impacts of its operations, the Company is able to control its own emissions and emissions generated along its value chain, actively contribute to raising awareness of the need to protect the environment among its various stakeholder groups, and examine the impact of potential climate risks on its operations and assets.
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 70% reduction in carbon emissions by 2040, including by improving the efficiency of the car fleet, using renewable energy sources, and cutting energy consumption in office buildings. Given the new obligations imposed by the Corporate Sustainable Reporting Directive, the Kruk Group intends to meet the Scope 3 objectives of GHG Protocol with respect to its business model and include its value chain in the calculations. In 2023, the Group developed a model to measure the organisation's Scope 3 emissions, aligned with its business model.

In 2023, a study was carried out to examine selected potential climate and environmental risks associated directly with the KRUK Group's operations or operating regions. It was carried out jointly with local experts, based on maps predicting climate change and its effects. In 2024, the identified risks will be covered by the Group's existing non-financial risk management system. Climate risks that could result in business disruption or lack of access to the organisation's resources will be added to 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 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.

31. Auditor's fees

PLN '000	**31 Dec 2023**	**31 Dec 2022**
Audit of financial statements	2,518	2,226
Other assurance services, including review of financial statements	700	504
	3,218	2,730

32. Contingent liabilities and security created over the Company's assets

Security created over KRUK S.A.'s assets as at 31 December 2023 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Guarantees provided/promissory notes issued				
Surety for PROKURA NFW FIZ's liabilities under the revolving credit facility of 2 July 2015, as amended, between PROKURA NFW FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 180,000 thousand	No later than 3 July 2030	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of 13 June 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 54,900 thousand*	No later than 31 July 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of 21 June 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Surety for liabilities of InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NFW FIZ under the revolving multi-currency credit facility agreement of 3 July 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S.R.L., Kruk Espana S.L.U. and PROKURA NFW FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A., and PEKAO S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A. PEKAO S.A.	EUR 862,500 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of 7 February 2019

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			thereunder are satisfied	
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 21 September 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 24,552 thousand	No later than 20 September 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ’s liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 14 December 2021 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 51,480 thousand	No later than 13 December 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NFW FIZ’s liabilities towards Pekao S.A. under the overdraft facility agreement of 1 February 2022 between PROKURA NFW FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 120,000 thousand	No later than 31 January 2031	Prokura NFW FIZ’s failure to pay amounts owed to the bank under the overdraft facility agreement
Surety for PROKURA NFW FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 22 August 2022 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 59,400 thousand	No later than 21 August 2030	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for InvestCapital Ltd's obligations to BANKINTER S.A. of Madrid, under the direct debit collection management contract between BANKINTER S.A. and InvestCapital Ltd. dated 7 July 2022.	BANKINTER S.A.	EUR 1,600 thousand	Until all obligations under the direct debit collection management contract of 7 July 2022 are satisfied.	InvestCapital Ltd's failure to pay amounts due to the Bank under the direct debit collection management contract of 7 July 2022.
Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 180,000 thousand	No later than 15 January 2024	The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the cancellation of shares which took place on 22 September 2023
Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 60,000 thousand	No later than 10 January 2024	The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who have the right to challenge the cancellation of shares which took place on 14 September 2023
Guarantees obtained				
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.’s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 325 thousand and PLN 245 thousand	No later than 30 December 2024	KRUK S.A.’s failure to repay its liabilities under the rental agreement secured with the guarantee

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

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Security created over KRUK S.A.'s assets as at 31 December 2022 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Guarantees provided/promissory notes issued				
Surety for PROKURA NS FIZ's liabilities under the revolving credit facility of 2 July 2015, as amended, between PROKURA NS FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 119,700 thousand	No later than 3 July 2030	Prokura NS FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of 13 June 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 54,900 thousand	No later than 31 July 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of 21 June 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Surety for PROKURA NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility agreement of 20 December 2018, as amended, between PROKURA NS FIZ, KRUK S.A. and ING Bank Śląski S.A.	ING Bank Śląski S.A.	PLN 300,000 thousand	No later than 20 May 2031	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement
Surety for InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ's liabilities under the revolving multi-currency credit facility agreement of 3 July 2017, as amended, between Kruk S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A. and Bank Handlowy w Warszawie S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A.	EUR 589,500 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of 7 February 2019

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Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 21 September 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 33,480 thousand	No later than 20 September 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 14 December 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 68,640 thousand	No later than 13 December 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of 1 February 2022 between PROKURA NS FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 120,000 thousand	No later than 31 January 2031	Prokura NS FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 22 August 2022 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 75,240 thousand	No later than 21 August 2030	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for InvestCapital Ltd's obligations to BANKINTER S.A. of Madrid, under the direct debit collection management contract between BANKINTER S.A. and InvestCapital Ltd. dated 7 July 2022.	BANKINTER S.A.	EUR 1,600 thousand	Until all obligations under the direct debit collection management contract of 7 July 2022 are satisfied.	InvestCapital Ltd's failure to pay amounts due to the Bank under the direct debit collection management contract of 7 July 2022.
Guarantees obtained				
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 300 thousand and PLN 215 thousand	No later than 30 December 2023	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

Credit sureties or guarantees, security pledges

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

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

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

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

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

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

Accordingly, after the reporting date:

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

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

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

- on 27 February 2023, the surety for up to PLN 300,000 thousand provided by KRUK S.A. to secure repayment of the borrower's (Prokura NFW FIZ's) liabilities expired;
- on 27 February 2023, the following pledge agreements were terminated by mutual agreement between the parties:
  - the agreement of 4 January 2019 between Prokura NFW FIZ and ING Bank Śląski S.A. creating a registered and financial pledge over receivables under a bank account agreement;

  - the agreement of 20 December 2018 between KRUK S.A. and ING Bank Śląski S.A. creating a financial pledge over receivables under a bank account agreement;
- on 2 June and 6 June 2023, based on decisions issued by the District Court for Wrocław–Fabryczna in Wrocław, 7th Commercial Division, the registered pledges created over debt portfolios held by Prokura NFW FIZ and over Prokura NFW FIZ's bank account were deleted from the pledge register.

On 2 June 2023, a revolving credit facility agreement was executed between KRUK S.A. and Alior Bank S.A. The facility of up to PLN 50,000 thousand was granted until 1 June 2025. In order to secure the repayment of KRUK S.A.'s liabilities under the agreement:

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

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

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

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

On 28 December 2023, a revolving credit facility agreement was executed between KRUK S.A. and Alior Bank S.A. The facility of up to PLN 100,000 thousand was granted until 31 December 2028. In order to secure the repayment of KRUK S.A.'s liabilities under the agreement:

- after the reporting date, on 11 January 2024, KRUK S.A. provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150,000 thousand, which will expire on or before 31 December 2028;
- after the reporting date, on 14 February 2024, an agreement was executed between KRUK S.A. and Alior Bank S.A. creating a financial and registered pledge over investment certificates.
  The pledge was created up to the maximum amount of PLN 150,000 thousand.

After the reporting date, on 8 February 2024, 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

39,300 thousand was granted until 7 February 2029. In order to secure the repayment of Prokura NFW FIZ's liabilities under the agreement:

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

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 118,000 thousand was granted until 28 February 2029. In order to secure the repayment of KRUK S.A.'s liabilities under the agreement, after the reporting date:

- on 7 March 2024, KRUK S.A. provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 177,000 thousand, which will expire 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 pledge was created up to the maximum amount of PLN 177,000 thousand.

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 repayment of liabilities arising under the agreement, after the reporting date, on 7 March 2024, KRUK S.A. provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150,000 thousand, which will expire on or before 31 December 2030.

In connection with a PLN 60,000 thousand share capital cancellation at InvestCapital Ltd., carried out on 14 September 2023 and due to become final by 10 January 2024, on 14 September 2023 KRUK S.A. issued a corporate guarantee of up to PLN 60,000 thousand for the benefit of InvestCapital Ltd. The guarantee 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.

In connection with a PLN 180,000 thousand share capital cancellation at InvestCapital Ltd, carried out on 22 September 2023 and due to become final by 15 January 2024, on 22 September 2023 KRUK S.A. issued a corporate guarantee of up to PLN 180,000 thousand for the benefit of InvestCapital Ltd. The guarantee 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, who could challenge the share cancellation by 9 January 2024.

Until the date of issue of this report, there were no changes in other contingent liabilities or contingent assets.
Events subsequent to the reporting date had no impact on the financial data as at 31 December 2023 presented in these separate financial statements.

33. Events subsequent to the reporting date

- On 1 February 2024, unsecured AO5EUR bonds with a nominal value of EUR 10,000 thousand were issued. The bonds bear interest at a floating rate based on 3M EURIBOR plus a margin of 4.00pp and mature on 1 February 2029.
- On 12 February 2024, unsecured AO6EUR bonds with a nominal value of EUR 14,000 thousand were issued. The bonds bear interest at a floating rate based on 3M EURIBOR plus a margin of 4.00pp and mature on 1 February 2029.
- On 23 February 2024, unsecured Series AO7 bonds with a nominal value of PLN 70,000 thousand were issued. The bonds bear interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp and mature on 23 February 2029.

Subsequent to the end of the reporting period, there were no other reportable material events whose disclosure in these separate financial statements would be required.

Piotr Krupa
CEO and President of the Management Board

Piotr Kowalewski
Member of the Management Board

Urszula Okarma
Member of the Management Board

Michał Zasępa
Member of the Management Board

Adam Łodygowski
Member of the Management Board

Sylwia Bomba
Person keeping the accounting records

Hanna Stempień
Prepared by

Wrocław, 26 March 2024