



Consolidated financial statements

for the year ended

31 December 2024

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

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Consolidated statement of profit or loss

PLN '000	Note	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Interest income on debt portfolios and loans measured at amortised cost	5	2,127,739	1,723,731
Interest income on loans measured at fair value	5	2,000	4,529
Revenue from sale of debts and loans	5	15,209	7,305
Other income/(expenses) from purchased debt portfolios	5	(2,373)	(19,666)
Revenue from rendering of services	5	58,633	59,221
Other operating income	5	9,953	21,614
Change in investments measured at fair value	5	(461)	1
Gain/(loss) on expected credit losses	5	696,853	795,845
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios		2,907,553	2,592,580
Employee benefits expense	9	(580,709)	(529,291)
Depreciation and amortisation	14.15	(62,479)	(58,297)
Court fees	7	(450,946)	(353,253)
Services expense	6	(320,215)	(245,290)
Other expenses	8	(80,770)	(79,291)
		(1,495,119)	(1,265,422)
Operating profit		1,412,434	1,327,158
Finance income	10	6,212	10,231
Finance costs	10	(408,241)	(299,915)
<i>including interest expense on lease liabilities</i>		(3,436)	(3,293)
Net finance costs		(402,029)	(289,684)
Profit before tax		1,010,405	1,037,474
Income tax	12	63,873	(53,273)
Net profit for period		1,074,278	984,201
Net profit attributable to:			
Owners of the Parent		1,073,954	983,934
Non-controlling interests		324	267
Net profit for period		1,074,278	984,201
Earnings per share			
Basic (PLN)	24	55.54	50.93
Diluted (PLN)	24	52.43	48.37

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

Consolidated statement of comprehensive income

PLN '000

	Note	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Net profit for period		1,074,278	984,201
Other comprehensive income, gross			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	11	(34,827)	(196,297)
Instruments hedging cash flows and net investment in a foreign subsidiary	26	17,817	28,889
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans		43	(824)
Other comprehensive income for period, gross		(16,967)	(168,232)
Income tax on instruments hedging cash flows and net investment in a foreign subsidiary	26	(4,081)	(10,473)
Other comprehensive income for period, net		(21,048)	(178,705)
Total comprehensive income for period		1,053,230	805,496
Total comprehensive income attributable to:			
Owners of the Parent		1,052,870	805,207
Non-controlling interests		360	289
Total comprehensive income for period		1,053,230	805,496

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

Consolidated statement of financial position

PLN '000

	Note	31 Dec 2024	31 Dec 2023
Assets			
Cash and cash equivalents	21	214,790	388,461
Hedging instruments	26	114,326	98,428
Trade receivables	20	19,619	24,440
Other receivables	20	52,496	58,970
Income tax receivables		3,684	22,398
Inventories	18	12,556	15,038
Investments	17	11,003,183	9,091,893
Deferred tax assets	19	44,429	45,958
Property, plant and equipment	14	89,572	91,777
Goodwill	16	7,928	8,084
Other intangible assets	15	69,341	67,206
Other assets	22	16,955	15,852
Total assets		11,648,879	9,928,505
Equity and liabilities			
Liabilities			
Trade and other payables	28	231,823	220,448
Derivatives		105	-
Hedging instruments	26	36,742	32,614
Employee benefit liabilities	27	85,775	76,469
Income tax payable		5,493	11,785
Borrowings, debt securities and leases	25	6,626,551	5,531,167
Provisions	29	19,896	62,905
Deferred tax liabilities	19	113,837	202,307
Total liabilities		7,120,222	6,137,695
Equity			
Share capital	23	19,382	19,319
Share premium		374,097	358,506
Hedge reserve	26	64,779	51,043
Measurement reserve (defined benefit plans)		3,374	3,331
Reserve of exchange differences on translation		(130,734)	(95,871)
Other reserves		188,654	171,847
Retained earnings		4,009,434	3,283,218
Equity attributable to owners of the Parent		4,528,986	3,791,393
Non-controlling interests		(329)	(583)
Total equity		4,528,657	3,790,810
Total equity and liabilities		11,648,879	9,928,505

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

Consolidated statement of changes in equity

PLN '000

	Share capital	Share premium	Hedge reserve	Measurement reserve (defined benefit plans)	Reserve of exchange differences on translation	Other reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Equity as at 1 Jan 2023	19,319	358,506	32,627	4,155	100,448	149,896	2,589,066	3,254,017	(720)	3,253,297
Comprehensive income for period										
Net profit for period	-	-	-	-	-	-	983,934	983,934	267	984,201
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	(196,319)	-	-	(196,319)	22	(196,297)
- Measurement of hedging instruments	26	-	18,416	-	-	-	-	18,416	-	18,416
- Measurement of defined benefit plans	-	-	-	(824)	-	-	-	(824)	-	(824)
Total other comprehensive income	-	-	18,416	(824)	(196,319)	-	-	(178,727)	22	(178,705)
Total comprehensive income for period	-	-	18,416	(824)	(196,319)	-	983,934	805,207	289	805,496
Contributions from and distributions to owners										
- Payment of dividends	24	-	-	-	-	-	(289,782)	(289,782)	(152)	(289,934)
- Share-based payments	33	-	-	-	-	21,951	-	21,951	-	21,951
Total contributions from and distributions to owners	-	-	-	-	-	21,951	(289,782)	(267,831)	(152)	(267,983)
Total equity as at 31 Dec 2023	19,319	358,506	51,043	3,331	(95,871)	171,847	3,283,218	3,791,393	(583)	3,790,810
Equity as at 1 Jan 2024	19,319	358,506	51,043	3,331	(95,871)	171,847	3,283,218	3,791,393	(583)	3,790,810
Comprehensive income for period										
Net profit for period	-	-	-	-	-	-	1,073,954	1,073,954	324	1,074,278
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	(34,863)	-	-	(34,863)	36	(34,827)
- Measurement of hedging instruments	26	-	13,736	-	-	-	-	13,736	-	13,736
- Measurement of defined benefit plans	-	-	-	43	-	-	-	43	-	43
Total other comprehensive income	-	-	13,736	43	(34,863)	-	-	(21,084)	36	(21,048)
Total comprehensive income for period	-	-	13,736	43	(34,863)	-	1,073,954	1,052,870	360	1,053,230
Contributions from and distributions to owners										
- Payment of dividends	24	-	-	-	-	-	(347,738)	(347,738)	(106)	(347,844)
- Issue of shares	23	63	15,591	-	-	-	-	15,654	-	15,654
- Share-based payments	33	-	-	-	-	16,807	-	16,807	-	16,807
Total contributions from and distributions to owners	63	15,591	-	-	-	16,807	(347,738)	(315,277)	(106)	(315,383)
Total equity as at 31 Dec 2024	19,382	374,097	64,779	3,374	(130,734)	188,654	4,009,434	4,528,986	(329)	4,528,657

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

Consolidated statement of cash flows

PLN '000	Note	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Cash flows from operating activities			
Net profit for period		1,074,278	984,201
<i>Adjustments</i>			
Depreciation of property, plant and equipment	14	36,834	35,698
Amortisation of intangible assets	15	25,645	22,599
Impairment losses on goodwill	16	-	8,003
Net finance costs		402,029	289,684
Write-off of development work		1,055	-
(Gain)/loss on sale of property, plant and equipment		199	(1,184)
(Gain)/loss on sale of subsidiaries	5	-	(15,103)
Equity-settled share-based payments	33	16,807	21,951
Interest income	5	(2,129,739)	(1,728,260)
Income tax	12	(63,873)	53,273
Change in loans	17	(84,777)	(48,685)
Change in debt portfolios purchased	17	(1,882,627)	(2,126,786)
Change in inventories	18	2,482	1,331
Change in trade and other receivables	20	11,295	(29,221)
Change in other assets	22	(1,103)	4,689
Change in trade and other payables	28	4,183	62,177
Change in employee benefit liabilities	27	9,306	16,830
Change in provisions	29	(16,062)	(2,080)
Minority interest share of profit		(324)	(267)
Interest received		2,129,739	1,728,260
Income tax paid		(34,482)	(62,361)
Net cash from (used in) operating activities		(499,135)	(785,251)
Cash flows from investing activities			
Interest received	10	6,212	1,489
Proceeds from disposal of intangible assets and property, plant and equipment		559	1,029
Proceeds from sale of subsidiaries	16	-	16,777
Purchase of intangible assets and property, plant and equipment	14.15	(43,180)	(42,623)
Net cash from (used in) investing activities		(36,409)	(23,328)
Cash flows from financing activities			
Proceeds from issue of shares	23	15,654	-
Proceeds from issue of debt securities	25	373,724	1,560,639
Increase in borrowings	25	2,929,362	2,578,622
Repayment of borrowings	25	(2,073,886)	(2,455,207)
Payments under finance lease contracts	25	(34,556)	(37,729)
Payment of dividends	24	(347,844)	(289,934)
Redemption of debt securities	25	(102,500)	(65,000)
Interest received and paid on hedging instruments		94,609	74,564
Interest paid		(492,690)	(371,075)
Net cash from (used in) financing activities		361,873	994,880
Total net cash flows		(173,671)	186,301
Cash and cash equivalents at beginning of period		388,461	202,160
Cash and cash equivalents at end of period	21	214,790	388,461
<i>of which:</i>			
- effect of exchange rate fluctuations on cash held		3 299	(4,532)

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

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1. Parent

Name:

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

Registered office:

ul. Wołowska 8
 51-116 Wrocław
 Poland

Registration in the National Court Register:

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

Date of registration: 7 September 2005

Registration number: KRS No. 0000240829

Principal business activities of the Parent and its subsidiaries

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

Information on subsidiaries

These consolidated financial statements for the reporting period ended 31 December 2024 include the financial statements of the Parent, its subsidiaries, and entities controlled through personal links (jointly the “Group” or the “KRUK Group”).

As at 31 December 2024, the Group comprised KRUK S.A. of Wrocław, 21 subsidiaries, and 2 entities controlled through personal links:

Subsidiary	Registered office	Principal business activity
DEBT MANAGEMENT		
AgeCredit S.r.l.	Cesena	Credit management in Italy
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Credit management services and collection of debt purchased by the KRUK Group, investing in debt portfolios
KRUK Deutschland GmbH	Berlin	Collection of debt purchased by the KRUK Group, investing in debt portfolios
KRUK España S.L.U.	Madrid	Credit management services and collection of debt purchased by the KRUK Group in Spain and other European countries, investing in debt portfolios
KRUK Italia S.r.l.	Milan	Credit management services and collection of debt purchased by the KRUK Group in Italy and other European countries
KRUK Romania S.r.l.	Bucharest	Credit management services and collection of debt purchased by the KRUK Group, investing in debt portfolios

Subsidiary	Registered office	Principal business activity
INVESTMENTS IN DEBT PORTFOLIOS		
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NFW FIZ, Presco NFW FIZ and Bison NFW FIZ funds
Presco NFW FIZ (formerly P.R.E.S.C.O. Investment I NS FIZ)	Wrocław	Non-standardised Debt Closed-End Investment Fund
Prokura NFW FIZ (formerly Prokura NS FIZ)	Wrocław	Non-standardised Debt Closed-End Investment Fund
InvestCapital Ltd.	Malta	Investing in debt or debt-backed assets
ItaCapital S.r.l.	Milan	Investing in debt portfolios
KRUK INVESTIMENTI S.R.L.	Milan	Investing in debt portfolios
Secapital S.a r.l.	Luxembourg	Investing in debt or debt-backed assets
Presco Investments S.a r.l.	Luxembourg	Investing in debt or debt-backed assets
CONSUMER LENDING		
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans
RoCapital IFN S.A.	Bucharest	Granting consumer loans
DEBT MANAGEMENT SUPPORT ACTIVITIES		
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for legal action and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
Zielony Areal sp. z o.o.	Wrocław	Buying and selling own real estate; services supporting crop production
KRUK TECH s.r.l.	Bucharest	Software development and provision of IT services
KRUK Immobiliare S.a r.l.	Milan	Buying and selling own real estate

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

* *Corbul S.r.l. and Gantoi, Furculita Si Asociatii S.p.a.r.l. are entities controlled through key personnel of KRUK S.A.'s subsidiaries and through the subsidiaries' ability to use their power to affect financial results allocated thereto due to their involvement with these entities (IFRS 10, paragraph 17).*

During the reporting period, the funds Prokura NFW FIZ and Bison NFW FIZ were merged. As of 3 July 2024, Bison was removed from the Register of Investment Funds.

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

KRUK S.A. is the Parent of the Group. 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. The subsidiaries are listed below.

	Country	Ownership interest and share in total voting rights	
		31 Dec 2024	31 Dec 2023
SeCapital S.a.r.l. ¹	Luxembourg	100%	100%
Novum Finance Sp. z o.o. ¹	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna Raven P. Krupa Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NFW FIZ (formerly Prokura NS FIZ) ¹	Poland	100%	100%
InvestCapital Ltd ¹	Malta	100%	100%
RoCapital IFN S.A. ¹	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK España S.r.l.	Spain	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
Presco NFW FIZ (formerly P.R.E.S.C.O. Investment I NS FIZ) ¹	Poland	100%	100%
Bison NFW FIZ (formerly Bison NS FIZ) ³	Poland	-	100%
Corbul S.r.l. ²	Romania	n/a	n/a
Gantoi, Furculita Si Asociatii S.p.a.r.l. ²	Romania	n/a	n/a
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
KRUK Investimenti S.r.l.	Italy	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%
Kruk Tech S.r.l. ¹	Romania	100%	100%
Kruk Immobiliare S.r.l.	Italy	100%	100%

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

² The Parent controls the company through a personal link.

³ In the third quarter of 2024, the funds Prokura NFW FIZ and Bison NFW FIZ were merged. As of 30 July 2024, Bison was removed from the Register of Investment Funds.

2. Basis of preparation

2.1. Statement of compliance

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

These consolidated financial statements were authorised for issue by the Management Board of the Parent (the “Management Board”) on 26 March 2025.

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future, meaning that it will continue to operate largely in its present form for at least 12 months from the date of these financial statements. As at the date of authorisation of these financial statements, no circumstances were identified which would indicate any threat to the Group companies continuing as going concerns. The going concern assumption was reviewed in light of the current economic and political climate.

2.2. Basis of accounting

These consolidated financial statements have been prepared for the reporting period 1 January 2024 – 31 December 2024. The comparative data is presented as at 31 December 2023 and for the period 1 January 2023 – 31 December 2023.

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

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

2.3. Functional currency and presentation currency

The data contained in these consolidated financial statements is 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 Parent.

2.4. Accounting estimates and judgements

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

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

Item	Amount estimated		Note	Assumptions and estimate calculation
	31 Dec 2024 (PLN '000)	31 Dec 2023 (PLN '000)		
Investments in debt portfolios	10,500,278	8,673,765	3.4 17 30.1 30.3	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows.</p> <p>The expected cash flows were estimated with the use of analytical methods (portfolio analysis) or based on a legal and economic analysis of individual claims or indebted persons/entities (case-by-case analysis). The method of estimating cash flows from a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio.</p> <p>The Kruk Group prepares projections for recoveries from debt portfolios separately for each market. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors.</p> <p>Initial projections of expected cash flows that take into account the initial value 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 remains unchanged throughout the life of a portfolio.</p>

Goodwill	7,928	8,084	3.7.1 3.10.2 16	Goodwill impairment is estimated based on the expected discounted cash flows to be derived from a cash-generating unit. The discount rate used to discount expected cash flows reflects the current market assessment of the asset risk for the debt collection industry.
Loans measured at amortised cost	499,604	412,510	3.4 17 30.1 30.3	<p>Gross loans are calculated based on expected cash flows discounted with the effective interest rate. The expected cash flows are determined for homogeneous groups of loans, based on historical prepayment data. The probability of prepayment varies, among other things, depending on the time elapsed since the grant of loan. The amount of gross loans is reduced by the amount of expected credit losses. It is determined based on, among other things, probability of default (PD), loss given default (LGD), and exposure at default (EAD).</p> <p>As at 31 December 2024, for loans advanced by Wonga.pl measured at amortised cost:</p> <ul style="list-style-type: none"> – A 10% increase in the expected life of the loans would result in a PLN 673 thousand increase in the gross carrying amount of the loans (31 December 2023: PLN 647 thousand). – A 10% decrease in the expected life of the loans would result in a PLN 1,094 thousand decrease in the gross carrying amount of the loans (31 December 2023: PLN 1,248 thousand). – A parallel shift of the PF curve by 10% would result in a PLN 3,372 thousand increase/decrease in the expected cash flows (31 December 2023: PLN 3,454 thousand). – A 10pp increase/decrease in LGD at the time of transfer to Basket 3 would result in a PLN 3,200 thousand decrease/increase in expected cash flows from loans classified into Basket 1 and Basket 2 (31 December 2023: PLN 3,282 thousand). – A 10pp change in LGD at the time of transfer to Basket 3 would result in a corresponding shift of the entire LGD curve for Basket 3 by 10pp across all conditions. The effect of such change for 2024 would equal: PLN 20.4 million (2023: PLN 13.8 million)

Loans at fair value through profit or loss	3,301	5,618	3.4 17 30.1 30.3	Loans that do not meet the SPPI test are measured at fair value. The fair value of loans was determined based on Level 3, that is based on the projection of expected cash flows.
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The main parameter that affects the fair value of loans is the interest rate used to discount expected cash flows to the present value and the amount of expected credit losses on the portfolio.

If these parameters changed as at 31 December 2024:

- interest rates by +/- 1pp
- expected credit losses by +/- 10%

the fair value would change by +/- 0.02 million and PLN 0.46 million, respectively (PLN 0.04 million and PLN 0.54 million as at 31 December 2023).

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	31 Dec 2024 (PLN '000)	31 Dec 2023 (PLN '000)		
Deferred tax assets and liabilities	44,429 (assets)	45,958 (assets)	3.22 19	The Group 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.
	113,837 (liabilities)	202,307 (liabilities)		

The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast 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.

Functional currency at InvestCapital	-117,957	-67,772	3.3.1 23
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InvestCapital carries out material transactions in three different currencies: EUR, PLN and RON. Under IAS 21, the Kruk Group assesses the correctness of applying the functional currency for executed transactions on a quarterly basis, taking into account both historical and planned transactions. Given the volume of planned and held investments in debt portfolios, InvestCapital's functional currency is the euro.

3. Material accounting policies

3.1. Changes in accounting policies

The accounting policies presented below have been applied with respect to all the reporting periods presented in these consolidated financial statements.

There were no significant changes in accounting policies in 2024.

The Group applied the following amendments to standards and interpretations approved for use in the European Union as of 1 January 2024:

- The amendments to IAS 1 *Presentation of Financial Statements* concern the presentation of liabilities in the statement of financial position.
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments – Disclosures: Supplier Finance Arrangements*
- The amendments to IFRS 16 *Leases* concern the measurement of lease liabilities in sale and leaseback transactions.

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

3.2. Basis of consolidation

The Group consolidates the entities over which it exercises control, i.e. subsidiaries, starting from the date when the Group obtains control.

The Parent exercises control when it:

- exercises power over the investee,
- is exposed or has rights to variable returns from its involvement with the investee,
- has the ability to use its power over the investee to affect the amount of its returns.

All KRUK Group entities are fully consolidated, have consistent reporting periods and apply the same accounting policies.

3.2.1. Business acquisitions

Business acquisitions, including acquisitions of closed-end investment funds, are accounted for with the acquisition method as at the acquisition date, which is the date on which the Group assumes control of the acquiree.

The Group recognises goodwill calculated as the excess of the consideration transferred over the fair value of the acquired net identifiable assets. If the fair value of purchased net assets exceeds the consideration transferred, the Group recognises the gain on bargain purchase.

The Group measures all non-controlling interests in proportion to the interests in identifiable net assets of the acquiree.

3.2.2. Subsidiaries

Subsidiaries are entities controlled by the Parent, including investment funds. Financial statements of subsidiaries are consolidated from the date of assuming control over subsidiaries to the date on which such control ceases to exist. The accounting policies applied by the subsidiaries are uniform with the policies applied by the Group.

3.3. Foreign currencies

3.3.1. Foreign currency transactions

Transactions denominated in foreign currencies as at the transaction date are recognised in the functional currencies of the Group's entities, at buy or sell rates quoted as at the transaction date by the bank whose services a given entity 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 central bank of the respective country 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 in the foreign currency, translated at the relevant mid exchange rate quoted by the central bank 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 central bank for the transaction date.

Exchange differences on translation into the functional currency are recognised in profit or loss for the given period.

3.3.2. Translation of foreign operations

Assets and liabilities of foreign entities, including goodwill and consolidation adjustments to the fair value as at the acquisition date, 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 30.3.

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

Financial assets are classified by the Group into one of the following categories:

- measured at amortised cost,
- at fair value through profit or loss.

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

The Group 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). If the contractual terms are modified, the estimated credit risks are revised accordingly. Indications of a significant risk increase include feedback from clients reporting possible problems with timely loan repayments and requests for credit holidays.

On initial recognition, the Group 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.

Subsequently, financial assets are measured according to the following categories:

1. The following assets are measured at amortised cost:
 - a. Investments in debt portfolios
 - b. Trade and other receivables
 - c. Loans

Investments in debt portfolios, trade and other receivables, and loans 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.
2. Consumer loans in the case of which failure to pass the SPPI test is related to the floating loan interest rate that contains a multiplier (leverage) are measured at fair value through profit or loss.

Financial assets measured at amortised cost

Investments in debt portfolios

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

The Kruk Group'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 Group 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 which can be directly allocated.

The effective interest rate, equal to the internal rate of return including an element that reflects credit risk, used for discounting estimated cash flows is calculated based on initial projections of expected cash receipts that take into account the initial value (purchase price plus directly allocated transaction costs), 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 and loans 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 revaluations 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 Group 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 Kruk Group.

The debt portfolio purchase date helps to determine the recovery phase of a given debt portfolio at the Group. Portfolio groups are made of portfolios that are at similar recovery phases. The Group 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 at amortised cost

Loans measured at amortised cost are based on the effective interest rate and include allowances for expected credit losses. The effective interest rate is determined on the basis of the originally expected flow resulting directly from the original payment schedule and is recalculated in the event of a change in market rates. Interest income is calculated at the effective interest rate and recognised in the statement of profit or loss under 'Interest income on debt portfolios and loans measured at amortised cost'. Impairment losses on loans include changes related to expected credit losses.

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

Expected credit losses for a loan are determined based on the following parameters: PD (probability of default understood as a state of being in default), PPS (probability of prepayment), LGD parameter (loss given default) and EAD parameter (exposure at default). The Group analyses the impact of macroeconomic factors on projected recoveries; historically, no material correlation between recoveries from loans and the macroeconomic situation has been found.

The PD (probability of default) parameter is determined based on a lifetime PD model that returns the probability of default in a given month. The parameter is set at the level of defined rating grades based on behavioural scoring. The PPS (probability of prepayment) parameter is determined based on a prepayment model that returns the probability of repayment in a given month. The Markov model of the flow of balances was used to determine the LGD (loss given default), taking into account, among other things, the following information:

- indicator of default (determined at default),
- months After Default (MAD),
- payments made by the client,
- sale of debt,
- debt sale price,
- accrued fees and interest.

Based on the indicator of default and MAD, the state of each loan account is determined, while the matrix of balances transition between states, including ending (absorbing) states, determines the present value of expected cash flows and the required level of provisioning. The EAD (exposure at default) parameter is determined based on repayment schedules. The gross carrying amount of the loan portfolio as at the reporting date includes, among other things, the loan principal amount and other contractual charges (interest, commissions, etc.) accrued as at the reporting date, less payments made by the client as at the reporting date.

How expected credit losses are recognised by the KRUK Group depends on a change of the risk level from the date of the loan origination. To assess whether the credit risk increase is significant, the Group compares the risk of default on a given financial asset as at the reporting date with the risk of default on that financial asset as at the date of its initial recognition, taking into consideration rational information that can be documented (Note 30.1).

Objective evidence that a financial asset is credit-impaired includes observable data about the following events: a breach of contract, such as an event of default or past-due event. If the contractual terms are modified, the estimated credit risks are revised accordingly. Indications of a significant risk increase include, among other things, feedback from clients reporting possible problems with timely repayments and requests for credit holidays, as well as a significant deterioration of the client's rating, understood as a deterioration by at least two rating grades, since initial recognition.

With reference to the requirements of IFRS 9, the KRUK Group classifies loans into three baskets for which expected losses and interest income are recognised as follows:

- Basket 1 (stage 1) – includes loans for which no significant increase in credit risk (past-due events) and no impairment have been identified between the date of recognition and the reporting date, days past due are fewer than 30 and no impairment has been identified. The expected losses on such loans are recognised for a time horizon of the next 12 months or earlier if their maturity date is closer. In Basket 1, interest income is recognised on the gross carrying amount.
- Basket 2 (stage 2) – includes loans for which there has been a significant increase in credit risk between the date of recognition and the reporting date (i.e. the loan is past due or the credit agreement has been terminated by the lender). Loans are classified into Basket 2 if their repayment is past due by at least 30 days. In addition, Basket 2 may include loans for which a significant increase in risk has been identified based on feedback from clients reporting possible problems with timely loan repayments and requests for credit holidays, as well as a significant deterioration of the client's rating, understood as a deterioration by at least two rating grades, since initial recognition.

For such loans, lifetime expected credit losses are recognised. In Basket 2, interest income is recognised on the gross carrying amount.

- Basket 3 (*stage 3*) – includes loans in the case of which impairment has been identified, including where the loan is past due by over 90 days. This basket also includes loans in restructuring, fraud loans, bankruptcies and loans where the borrower has died. For loans classified into Basket 3, lifetime expected credit losses are recognised. In Basket 1, interest income is recognised on the net carrying amount.
- POCI – purchased or originated credit-impaired financial assets. Interest income on loans classified as POCI are recognised on a net basis. The credit risk-adjusted effective interest rate is determined based on future cash flows adjusted for the effect of credit risk recognised over the entire forecast horizon.

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- a) it is classified as held for trading,
- b) it is designated as such upon initial recognition (fair value through profit or loss option),
- c) it does not meet the SPPI test as the loan contractual flows include elements other than payment of principal, interest, and time value of money. In the case of consumer loans, the element resulting in failure to pass the SPPI test is related to the floating loan interest rate that contains a multiplier (leverage).

In the case of Wonga loans, their fair value was determined on the Level 3 basis, i.e. based on a forecast of expected cash flows. Loans measured at fair value are loans advanced by the Company from September 2020 to May 2021, whose interest rate includes a multiplier (leverage).

The interest rate used to discount expected future cash flows for loans measured at fair value is based on the following elements: the risk-free rate, the market interest rate (margin) under Group financing, and the premium for non-performing loans (the last two elements being estimated based on the observed prices for terminated loans), as well as an additional margin for a variable prepayment profile (for instance, early repayment vs the agreed schedule or as well as rescheduled repayments for loans advanced).

A gain/(loss) on assets measured at fair value through profit or loss is recognised in profit or loss under 'Change in investments measured at fair value'. Interest income from assets measured at fair value is presented in a separate line in the statement of profit or loss.

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

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.

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 and other liabilities

Financial liabilities other than derivative instruments

The Group classifies financial liabilities as measured at amortised cost.

Financial liabilities are recognised as at the date of transaction under which the Group becomes a party to an agreement obliging it to the delivery of a financial instrument.

Non-derivative financial liabilities are initially recognised at fair value plus directly attributable transaction costs. Following initial recognition, such liabilities are measured at amortised cost with the use of the effective interest rate.

The Group has the following liabilities: bank borrowings, debt securities, and lease liabilities (Note 3.5.4).

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

Trade and other payables

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

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

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

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. Liabilities 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

Under IFRS 9, to apply hedge accounting, the Group 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 Group 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 Group 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 Group 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 subsidiary

Hedge accounting for a net investment in a foreign subsidiary consists in hedging the currency exposure of the interest in net assets of a foreign operation included in these consolidated financial statements.

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 Parent 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 Group 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 Group 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 Group 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 Group 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 Group expects this condition to be met in each case.

The Group recognises hedges of a net investment in a foreign subsidiary, 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 Group 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 Group 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 current period's profit or loss under other operating income or other expenses.

3.5.2. Subsequent expenditure

The Group companies capitalise future expenditure on an item of property, plant and equipment if such expenditure may be reliably estimated and if the Group is likely to derive economic benefits from such item of property, plant and equipment.

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.

Assets are depreciated beginning in the month after they are placed in service. 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. Land is not depreciated.

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

Buildings (investments in third-party facilities)	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 Group 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 Group 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 consolidated statement of profit or loss.

The Group 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 lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liabilities;
 - reducing the carrying amount to reflect the lease payments made;
- and
- 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 depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term, unless the Group is certain that it obtains ownership before the end of the lease.

The Group has lease contracts for vehicles, space and software rental.

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

Property foreclosed through debt recovery is now recognised by the Group under 'Inventories'.

The Group 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 Group 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 projected 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 in the statement of profit or loss for the period under income.

3.7. Intangible assets

3.7.1. Goodwill

Goodwill arises on acquisition of subsidiaries. Goodwill measurement methods at the time of its initial recognition are described in Note 3.2.1.

Measurement after initial recognition

Following initial recognition, goodwill is measured at cost less cumulative impairment loss. Goodwill is tested for impairment at least once a year. For estimates and judgements used to determine impairment losses, see Note 3.10.2.

3.7.2. Intangible assets

Other acquired or internally produced intangible assets with finite useful economic lives are initially recognised at cost. Following initial recognition, intangible assets are reduced by amortisation charges and impairment losses.

3.7.3. Amortisation

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 Group has adopted the following length of useful lives for particular categories of intangible assets:

Software	3-5 years
Development expense	1-5 years

3.7.4. Assets amortised over time and intangible assets under development

The Group 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:

- Debt portfolios measured at amortised cost (for policies applied in the valuation of such portfolios, see Note 3.4.1);
- Loans (for policies followed in accounting for loans, see Note 3.4.1).

3.9. 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 end of the reporting period also includes accrued interest.

3.10. Impairment losses on assets

3.10.1. Financial assets

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

3.10.2. Non-financial 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. Due to the changing market environment, the Group decided that the discount rate for the purposes of the DCF model used in tests for impairment of goodwill and assets should reflect the current market assessment of the credit risk for the debt collection industry. Therefore, to calculate the discount rate, the Group used the weighted average cost of capital for the debt collection industry, broken down into individual countries where the tested asset exists. To calculate cost of equity, the Group 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 flows largely independently from other assets or units of assets.

The Group tests the recognised goodwill for impairment by grouping cash-generating units so that the organisational level, being no higher than the isolated segment of operations, at which the impairment testing is made reflects the lowest organisational level at which the Group monitors goodwill for its own purposes.

For impairment testing, goodwill recognised on a business combination is allocated to the cash-generating units for which synergies are expected as a result of the business combination. The current assumptions are described in Note 16.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit is higher than its recoverable amount. Impairment losses are recognised in profit or loss for the period.

Goodwill impairment losses are irreversible. For other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that impairment loss has decreased or no longer exists. An impairment loss is reversible only up to the initial value of an asset, less depreciation/amortisation charges that would have been made if the impairment loss had not been recognised.

3.11. Equity

Ordinary shares are disclosed in equity, in the amount specified in the Parent'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 nominal 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 translation of foreign operations are disclosed in accordance with the policy described in Note 3.3.2.

3.12. Trade payables and liabilities under borrowings

For the policy applied to measure trade payables, liabilities under borrowings and other financial liabilities, see Note 3.4.3.

3.13. Employee benefits

3.13.1. 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.

3.13.2. Employee benefit liabilities

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the service is provided.

The Group recognises liability under employee benefit liabilities for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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 KRUK Group include salaries, bonuses, paid holidays and social security contributions, and are recognised as expenses when incurred.

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

Value of rights granted to Group employees to acquire the Parent shares at a specific price (options) is recognised as an expense with a corresponding increase in equity. The value of the plan is initially measured as at the grant date. Value of the options is recognised in the Group'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 Group to vest unconditionally. 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 key factors affecting the cost recognised by the Group, 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 23.

3.14. Provisions

A provision is recognised if the KRUK Group 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.

The KRUK Group recognises provisions for the risk of partial refund of the commissions in the event of early loan repayment (see Note 29).

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

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

3.15.1. 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 and loans 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'.

3.15.2. 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. Such revenue is presented in the statement of profit or loss under 'Revenue from rendering of services'.

3.15.3. Revenue from rendering of services

Revenue from loans

Revenue from loans includes mainly interest income on investments in loans and is presented in the statement of profit or loss under 'Interest income on debt portfolios and loans measured at amortised cost' and 'Interest income on loans measured at fair value', depending on the adopted measurement method.

Revenue from loans is calculated at the effective interest rate based on expected cash flows. Expected cash flows are determined on the basis of life tables prepared based on historical data on loan prepayments. The life of a loan changes with the time from loan origination; life tables are also periodically backtested and changed if testing reveals a need for change. For Basket 1 and Basket 2, interest income accrues on the gross carrying amount of the loans, and for Basket 3 – on the net carrying amount. If there is a change in the NBP reference rates, resulting in a change in interest rates on loans to clients, it is recognised in accordance with IFRS 9.B5.4.5, i.e. a new effective interest rate is determined. If the expectations of future cash flows change, the provisions of IFRS 9.B5.4.6 are applied, i.e. a new gross carrying amount is determined using the existing effective interest rate. Any difference between the gross carrying amount and the new carrying amount is charged to revenue from loans.

Revenue from collection, processing and provision of credit information on natural persons and business entities, financial intermediation and agency services, and auxiliary services provided to small and medium-sized enterprises

Revenue from rendering of services includes, in addition to revenue from credit management services (described in Note 3.15.2), revenue from collection, processing and provision of credit information on natural persons and business entities, financial intermediation and agency services, and auxiliary services provided to small and medium-sized enterprises. Revenue from the provision of other services is recognised on a continuous basis in monthly and quarterly accounts, depending on the structure of the contract. Revenue from rendering of services is disclosed in the amount equal to the fair value of the payment received, net of refunds, discounts and rebates.

3.15.4. Other operating income

Other operating income comprises operating income not directly related to the KRUK Group's main business objects. It includes in particular income from sale and retirement of property, plant and equipment, income/expenses from recharged services, damages received, penalties and fines, and grants received.

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

3.16. 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.

3.17. Services expense

Services expense include costs of services provided by third parties, such as debt collection, IT, legal and administrative support, 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.

3.18. Lease payments

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

3.19. Court fees

‘Court fees’ include costs incurred on court fees in connection with the in-court debt collection process.

The costs of court fees are charged to current period expenses.

3.20. Other expenses

Other expenses include:

- promotion, advertising and entertainment costs,
- fees payable to the Polish Financial Supervision Authority and the Central Securities Depository of Poland,
- taxes and charges (including property tax, VAT, municipal and administrative charges),
- insurance costs,
- goodwill impairment losses,
- infrastructure maintenance costs,
- provisions for straight-line fee refunds.

3.21. Finance income and costs

Finance income includes interest income on cash invested by the Group (net of income on purchased debt and revenue from loans advanced as part of operating activities, as described in section 3.4), dividends receivable and 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. Dividend is accounted for in profit or loss of the period as at the date when the Group becomes entitled to receive the dividend.

Finance costs include interest expense related to 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 a business combination or items recognised directly in equity or in other comprehensive income.

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

The Group has chosen to present the provision for inspection outcome together with interest under 'Current income tax' in the statement of profit or loss and under 'Provisions' in the statement of financial position. Such presentation will better reflect the impact of this item on the Group's financial situation.

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 for the parent and group companies, 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 Group 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 Group 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 each reporting date, the Group reviews the expected realisations from retained earnings in subsidiaries. Any adjustments to the amount of deferred tax liabilities are made based on results of the review. Deferred tax liabilities are affected by the methodology used to determine the value of shares.

As a rule, shares or certificates are sold/redeemed by KRUK Group companies at fair value determined on the date of their sale/redemption, except for companies for which commercial law defines a specific method for determining the value of shares. The Group applies the LIFO approach to determine the order of redemption of shares in subsidiaries (taking into account the restrictions of securitisation law in IC, which stipulates that funds raised from specific shares must be used for investments before they can be redeemed). However, for the redemption of fund certificates, the Group applies the FIFO approach.

3.23. Earnings per share

The Group 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 Parent. 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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses relating to transactions with other components of the Group. Operating results of each segment are reviewed regularly by the Group's chief operating decision maker that makes decisions about resources to be allocated to the segment and assess its performance. Furthermore, discrete financial information is available for each segment.

Operating results of each segment which are reported to the Parent's operating decision maker include items which may be assigned directly to the segment and items which may be assigned indirectly, based on reasonable grounds. Unassigned items relate mainly to common (corporate) assets (assets relating primarily to the management board of the entity), costs of the entity's head office and corporate income tax assets and liabilities.

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

A number of new standards, amendments to standards and interpretations which were not yet effective for the annual periods ended 31 December 2024 have not been applied in preparing these consolidated 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 Group 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 Group

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 2025:

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 21 <i>The Effects of Changes in Foreign Exchange Rate</i> – Lack of Exchangeability	The amendments clarify how an entity should assess whether a currency is exchangeable and determine the exchange rate when it is not as well as require certain additional disclosures in such cases.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	1 January 2025

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 and after
IFRS 19 <i>Subsidiaries without Public Accountability</i> : Disclosures	The new standard specifies reduced disclosure requirements that an eligible entity may apply instead of the disclosure requirements in other IFRSs.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	1 January 2027
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	The standard is to replace IAS 1 <i>Presentation of Financial Statements</i> .	The Group is analysing the impact of the standard on the presentation of its consolidated financial statements.	1 January 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	These annual improvements introduce minor amendments to IFRS 1 <i>First-time Adoption of IFRSs</i> , IFRS 7 <i>Financial Instruments – Disclosures</i> , IFRS 9 <i>Financial Instruments</i> , IFRS 10 <i>Consolidated Financial Statements</i> , IAS 41 <i>Agriculture</i> , and IAS 7 <i>Statement of Cash Flows</i> .	The Group is assessing the potential impact of the amendments on its consolidated financial statements.	1 January 2026
Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)	The amendments will address diversity in accounting practice by making the requirements more understandable and consistent.	The Group is assessing the potential impact of the amendments on its consolidated financial statements.	1 January 2026
Contracts Referencing Nature-dependent Electricity—Amendments to IFRS 9 and IFRS 7	The objective of the Amendments is to better reflect the effects of physical and virtual nature-dependent electricity contracts in financial statements.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	1 January 2026

4. Reportable and geographical segments

Reportable segments

Based on the criterion of materiality of revenue in the consolidated statement of profit or loss, the Group has identified the principal reportable segments presented below. The Management Board of the Parent reviews internal management reports relating to each business segment at least quarterly. The Group's reportable segments conduct the following activities:

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

In 2023–2024, the Group did not aggregate its reportable segments.

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

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

The Group's operations are divided into the following geographical segments:

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

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

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

The Group did no record any revenue from inter-segment transactions.

For the year ended 31 December 2024

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
Revenue	1,239,933	168,635	627,871	562,351	239,989	58,821	9,953	-	2,907,553
Purchased debt portfolios	1,188,672	-	619,851	548,947	221,531	58,597	-	-	2,637,598
<i>including revaluation of projected recoveries</i>	<i>301,551</i>	-	<i>201,761</i>	<i>59,591</i>	<i>(173,295)</i>	<i>495</i>	-	-	390,102
Credit management services	25,390	-	531	13,404	18,458	224	-	-	58,007
Other products	25,871	168,635	7,489	-	-	-	-	-	201,995
Other operating income	-	-	-	-	-	-	9,953	-	9,953
Direct and indirect costs	(334,983)	(63,065)	(123,421)	(253,650)	(244,595)	(23,765)	(7,603)	-	(1,051,082)
Purchased debt portfolios	(303,954)	-	(119,345)	(244,076)	(230,893)	(23,765)	-	-	(922,033)
Credit management services	(19,889)	-	(29)	(9,574)	(13,702)	-	-	-	(43,194)
Other products	(11,140)	(63,065)	(4,047)	-	-	-	-	-	(78,252)
Unallocated expenses	-	-	-	-	-	-	(7,603)	-	(7,603)
Gross profit¹	904,950	105,570	504,450	308,701	(4,606)	35,056	2,350	-	1,856,471
Purchased debt portfolios	884,718	-	500,506	304,871	(9,362)	34,832	-	-	1,715,565
Credit management services	5,501	-	502	3,830	4,756	224	-	-	14,813
Other products	14,731	105,570	3,442	-	-	-	-	-	123,743
Unallocated income / expenses	-	-	-	-	-	-	2,350	-	2,350
Administrative expenses	(93,409)	(12,709)	(34,212)	(47,119)	(28,089)	(14,686)	-	(151,334)	(381,558)
EBITDA²	811,541	92,861	470,238	261,582	(32,695)	20,370	2,350	(151,334)	1,474,913
Depreciation and amortisation									(62,479)
Finance income/costs									(402,029)
Profit before tax									1,010,405
Income tax									63,873
Net profit									1,074,278
Carrying amount of debt portfolios	4,059,078	-	1,620,206	2,729,077	1,897,857	194,060	-	-	10,500,278
Carrying amount of loans	90,304	360,605	51,996	-	-	-	-	-	502,905
Cash recoveries	1,443,502	-	684,389	769,039	537,783	101,598	-	-	3,536,311

¹ Gross profit = revenue – direct and indirect costs ² EBITDA = gross profit – administrative expenses

For the year ended 31 December 2023

Consolidated financial statements for the year ended 31 December 2024 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)
The published XHTML report is the binding version of financial statements

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
Revenue	1,075,422	139,300	586,949	412,572	305,514	51,209	21,614	-	2,592,580
Purchased debt portfolios	1,020,899	-	580,684	401,354	289,612	51,209	-	-	2,343,758
<i>including revaluation of projected recoveries</i>	<i>212,045</i>	-	<i>197,064</i>	<i>24,978</i>	<i>3,186</i>	<i>1,712</i>	-	-	438,985
Credit management services	30,337	-	379	11,218	15,902	-	-	-	57,836
Other products	24,186	139,300	5,886	-	-	-	-	-	169,372
Other operating income	-	-	-	-	-	-	21,614	-	21,614
Direct and indirect costs	(295,977)	(50,500)	(125,380)	(197,377)	(173,880)	(26,884)	(10,120)	-	(880,118)
Purchased debt portfolios	(260,735)	-	(121,334)	(188,914)	(151,422)	(26,884)	-	-	(749,289)
Credit management services	(22,485)	-	(50)	(8,463)	(22,458)	-	-	-	(53,456)
Other products	(12,757)	(50,500)	(3,996)	-	-	-	-	-	(67,253)
Unallocated expenses	-	-	-	-	-	-	(10,120)	-	(10,120)
Gross profit¹	779,445	88,800	461,569	215,195	131,634	24,325	11,494	-	1,712,462
Purchased debt portfolios	760,164	-	459,350	212,440	138,190	24,325	-	-	1,594,469
Credit management services	7,852	-	329	2,755	(6,556)	-	-	-	4,380
Other products	11,429	88,800	1,890	-	-	-	-	-	102,119
Unallocated income / expenses	-	-	-	-	-	-	11,494	-	11,494
Administrative expenses	(77,233)	(12,764)	(31,682)	(36,430)	(25,275)	(14,155)	-	(129,468)	(327,007)
EBITDA²	702,212	76,036	429,887	178,765	106,359	10,170	11,494	(129,468)	1,385,455
Depreciation and amortisation									(58,297)
Finance income/costs									(289,684)
Profit before tax									1,037,474
Income tax									(53,273)
Net profit									984,201
Carrying amount of debt portfolios	3,227,738	-	1,443,091	2,143,988	1,704,661	154,287	-	-	8,673,765
Carrying amount of loans	73,102	325,836	19,190	-	-	-	-	-	418,128
Cash recoveries	1,351,141	-	634,852	568,609	390,416	117,455	-	-	3,062,473

¹ Gross profit = revenue – direct and indirect costs ² EBITDA = gross profit – administrative expenses

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

PLN '000	1 Jan–31 Dec 2024					1 Jan–31 Dec 2023				
	Purchased debt portfolios	Revenue from credit management services	Revenue from other services	Other operating income	Total	Purchased debt portfolios	Revenue from credit management services	Revenue from other services	Other operating income	Total
Interest income on debt portfolios and loans measured at amortised cost	1,883,640	-	244,099	-	2,127,739	1,490,006	-	233,725	-	1,723,731
Interest income on loans measured at fair value	-	-	2,000	-	2,000	-	-	4,529	-	4,529
Revenue from sale of debts and loans*	15,209	-	-	-	15,209	7,305	-	-	-	7,305
Other income/expenses from purchased debt portfolios	(2,373)	-	-	-	(2,373)	(19,666)	-	-	-	(19,666)
Revenue from rendering of services	-	58,007	626	-	58,633	-	57,836	1,385	-	59,221
Other operating income	-	-	-	9,953	9,953	-	-	-	21,614	21,614
Change in investments measured at fair value	-	-	(461)	-	(461)	-	-	1	-	1
Gain/(loss) on expected credit losses	741,122	-	(44,269)	-	696,853	866,113	-	(70,268)	-	795,845
	2,637,598	58,007	201,995	9,953	2,907,553	2,343,758	57,836	169,372	21,614	2,592,580

*As part of its debt recovery processes, the Group occasionally sells cases from debt portfolios. At the time of sale, they are derecognised by the Group.

Other income/expenses from purchased debt portfolios

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Foreign currency gains/(losses)	541	(7,596)
Costs of loyalty scheme valuation	1,380	(6,153)
Costs of provision for overpayments	(4,294)	(5,917)
	<u>(2,373)</u>	<u>(19,666)</u>

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

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Revaluation of projected recoveries	390,102	438,985
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	351,020	427,128
	<u>741,122</u>	<u>866,113</u>

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

- 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 tools.

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

Assumptions adopted in the valuation of debt portfolios

	31 Dec 2024	31 Dec 2023
Discount rate *	8.00% - 147.10%	8.00% - 147.10%
Cash flows estimation period	Jan 2025–Jun 2045	Jan 2024–Dec 2043
Undiscounted value of expected future recoveries	23,147,233	18,397,175

* Applicable to 99% of debt portfolios.

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

PLN '000

	31 Dec 2024	31 Dec 2023
Period		
Up to 12 months	3,304,652	2,687,036
From 1 to 2 years	3,091,801	2,526,899
From 2 to 3 years	2,656,653	2,239,826
From 3 to 4 years	2,219,286	1,869,962
From 4 to 5 years	1,922,602	1,573,277
From 5 to 6 years	1,578,099	1,307,232
From 6 to 7 years	1,334,620	1,054,058
From 7 to 8 years	1,125,478	886,242
From 8 to 9 years	986,737	756,219
From 9 to 10 years	868,682	657,862
From 10 to 11 years	770,451	576,293
From 11 to 12 years	677,458	504,106
From 12 to 13 years	585,348	430,353
From 13 to 14 years	500,717	340,383
From 14 to 15 years	432,864	272,407
Over 15 years	1,091,785	715,020
	<u>23,147,233</u>	<u>18,397,175</u>

PLN '000

	31 Dec 2024	31 Dec 2023
discount rate:		
< 25%	15,685,322	12,779,718
25% - 50%	6,075,201	4,837,595
> 50%	1,386,710	779,862
	<u>23,147,233</u>	<u>18,397,175</u>

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

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

Revenue from loans

Revenue from loans measured at amortised cost

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Interest income	244,099	233,725
Allowance for expected credit losses	(44,269)	(70,268)
	199,830	163,457

Revenue from loans measured at fair value

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Interest income	2,000	4,529
Remeasurement	(461)	1
	1,539	4,530

Revenue from rendering of services

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Revenue from credit management services	58,007	57,836
Revenue from collection, processing and sharing of information about individuals and business entities, financial and agency intermediation and support services for small and medium-sized enterprises	626	1,385
	58,633	59,221

The performance obligation arises upon execution of the contract and provision of the data necessary to initiate the debt recovery process (Note 3.15.2). Payment for services is made within 14-30 days of the respective invoice date.

Revenue from fee-based credit management comprises commission fees ranging from 2% to 49% of the collected debts. Commission fee rates depend on delinquency periods and on whether there have been any prior collection attempts. The Group's largest business partner accounted for 17% of total revenue from fee-based credit management (2023: 14%).

Other operating income

PLN '000	Note	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Sale of shares in subsidiaries*		-	15,103
Gain (loss) on sale of property**		6,156	-
Recharged costs of services and court fees		2,528	2,374
Other cooperation		496	587
Rental		77	911
Compensation for motor damage		68	-
Gain on sale of property, plant and equipment		-	1,184
Recovery of written-off receivables and expenses		-	21
Other		628	1,434
		<u>9,953</u>	<u>21,614</u>

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

** as of 1 January 2024, income from the sale of properties and the carrying amount of property sold, previously presented under revenue from purchased debt portfolios, are disclosed as a separate line item

6. Services

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Credit management services ¹	(75,813)	(52,800)
IT services	(67,550)	(52,758)
Legal assistance services ²	(32,919)	(30,199)
Administrative and accounting support services	(39,636)	(25,706)
Postal and courier services	(24,630)	(24,320)
Banking services ³	(29,505)	(13,069)
Communications services	(14,036)	(11,807)
Marketing and management services	(11,299)	(11,167)
Space rental and service charges	(9,666)	(9,665)
Printing services	(3,899)	(3,453)
Security	(2,536)	(2,413)
Other auxiliary services	(2,289)	(2,372)
Recruitment services	(1,537)	(1,992)
Repair and maintenance services	(1,654)	(1,491)
Repair of vehicles	(1,432)	(1,312)
Other rental	(1,532)	(460)
Transport services	(164)	(196)
Packing services	(118)	(110)
	<u>(320,215)</u>	<u>(245,290)</u>

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

² Legal assistance mainly relates to debt portfolio management.

³ Costs of operating bank accounts, transcollect and direct debit services.

The increase in the cost of IT, administrative and accounting support services in 2024 was mainly driven by the procurement of services related to the development of the Group's digital transformation strategy.

The year-on-year rise in the cost of collection and banking services is attributable to the overall increase in investments in debt portfolios.

7. Court fees

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Legal expenses	(315,205)	(228,342)
Bailiff fees	(132,786)	(123,551)
Stamp duties	(2,955)	(1,360)
	<u>(450,946)</u>	<u>(353,253)</u>

8. Other expenses

PLN '000	Note	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Taxes and charges		(35,957)	(22,586)
Raw materials and consumables used		(13,546)	(12,354)
Staff training		(10,662)	(6,836)
Advertising		(7,374)	(6,163)
Entertainment expenses		(6,194)	(10,108)
Business travel		(5,279)	(4,424)
Non-deductible VAT		(1,914)	(2,318)
Write-off of development work		(1,055)	-
Property insurance		(1,053)	(1,001)
Motor insurance		(915)	(970)
Refund of litigation costs		(894)	(1,388)
Losses caused by motor damage		(667)	(96)
Membership fees		(374)	(238)
Non-compete agreements		(321)	(363)
Loss on sale of property, plant and equipment		(199)	-
Goodwill impairment losses	16	-	(8,003)
Provision for potential differences due to linear settlement*	29	7,535	3,026
Other		(1,901)	(5,469)
		<u>(80,770)</u>	<u>(79,291)</u>

*In 2024, the provision for potential differences due to linear settlement of loans was reversed due to the marginal level of complaints. The Group believes there is a low risk of increase in the level of complaints in the future.

9. Employee benefits expense

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Salaries and wages	(445,786)	(402,314)
Pension and disability insurance contributions	(32,456)	(28,426)
Other social security contributions	(83,444)	(74,534)
Contribution to the State Fund for the Disabled	(2,216)	(2,066)
Equity-settled cost of stock option plan ¹	(16,807)	(21,951)
	<u>(580,709)</u>	<u>(529,291)</u>

¹ The management stock option plans are described in Note 23.

10. Finance income and costs

Finance cost/income presented in the statement of cash flows does not include exchange differences on intragroup transactions.

Finance income

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Interest income on bank deposits	6,212	1,489
Net exchange rate differences	-	8,742
	6,212	10,231

Finance costs

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Interest and commission expense on financial liabilities measured at amortised cost	(494,194)	(374,947)
<i>including interest</i>	<i>(471,121)</i>	<i>(356,680)</i>
Net exchange rate differences	(2,503)	-
Interest income/expense on hedging instruments – IRS	22,737	19,758
Hedging costs	64,278	54,279
Interest income/expense on hedging instruments – CIRS	1,546	995
Expense/income from measurement of derivatives – FORWARD	(105)	-
	(408,241)	(299,915)

Effect of exchange rate movements on statement of profit or loss

PLN '000	Note	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Realised exchange gains/(losses)	10	(7,781)	(170)
Unrealised exchange gains/(losses)	10	5,278	8,912
Remeasurement of debt portfolios due to exchange rate movements	5	541	(7,596)
Measurement of forward contracts	10	(105)	-
		(2,067)	1,146

11. Exchange differences on translation of foreign operations

<i>PLN '000</i>	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Exchange differences on translation of foreign operations	(34,827)	(196,297)
Attributable to:		
Owners of the Parent	(34,863)	(196,319)
Non-controlling interests	36	22
Finance income/(cost) recognised directly in other comprehensive income	(34,827)	(196,297)

The decrease in exchange differences on translation of foreign operations in 2024 compared to 2023 was attributable to the appreciation of the Polish currency against foreign currencies.

12. Income tax

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

PLN '000	Note	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Current income tax			
Current income tax payable*		(27,149)	(63,896)
Deferred income tax			
Related to temporary differences and their reversal**	19	91,022	10,623
Income tax recognised in profit or loss		63,873	(53,273)
Deferred income tax			
Related to temporary differences and their reversal		(4,081)	(10,473)
Income tax recognised in other comprehensive income		(4,081)	(10,473)
Income tax recognised in comprehensive income		59,792	(63,746)

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

**The decrease in deferred tax liabilities in the reporting period was attributable to a drop in expected cash inflows from subsidiaries and higher cost of revenue related to forecast proceeds from investments in subsidiaries.

Reconciliation of effective tax rate

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

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Profit before tax	1,010,405	1,037,474
Tax calculated at the Parent's rate (19%)	(191,977)	(197,120)
Effect of application of other income tax rates abroad and effect of deferred tax	3,652	1,817
Differences resulting from ability to control the timing of reversal of temporary differences in the valuation of net assets of subsidiaries and the probability of their realization in the foreseeable future, and other non-deductible expenses/non-taxable income	252,198	170,584
Provision for tax audit result	-	(28,554)
Income tax recognised in profit or loss	63,873	(53,273)
Effective tax rate (%)	-6.32%	5.13%

The negative effective tax rate in 2024 was attributable to a decrease in deferred tax liabilities on expected future cash flows from investment companies to KRUK S.A. The Group is able to control the timing of the reversal of temporary differences, and it is probable that these differences will not reverse in the foreseeable future.

Tax risk

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent amendments, both in Poland and in other EU countries where the Group operates, 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 plus relatively high interest, and any additional tax liabilities arising from such inspections must be paid with high interest. Consequently, the tax risk in Poland and selected other countries where the Group operates 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.

The Group believes that it has paid all due taxes, fines and default interest in a timely manner.

The Parent was subject to an audit of corporate income tax settlements for 2018–2023, conducted by the Customs and Revenue Office of Kraków at KRUK S.A. As at the date of issue of this Report, the Group received the audit results for 2018–2023, matching its calculations of the provision recognised for the resulting tax liability as at the end of 2023 (Note 29).

In respect of all uncertain tax items, where the current legislation and communication with tax authorities do not provide sufficient guidance, the Group analysed the existing tax laws and regulations and their interpretations, and – in the opinion of the Group – applied them correctly.

The period for which tax settlements may be subject to tax audit is four years in Spain, five years in Poland, the Czech Republic and Germany, six years in Italy, and seven years in Romania and Slovakia. As a result, the amounts disclosed in the financial statements may be changed at a later date after they are finally determined by tax authorities.

The Group is subject to OECD's Pillar Two Model Rules. The Pillar Two regulations have been enacted in Poland, the jurisdiction in which Kruk S.A. is registered, and took effect on 1 January 2025 by virtue of the Act on Top-up Tax Levied on Constituent Entities of Multinational and Domestic Groups of 6 November 2024. Since the Pillar Two regulations were not in effect as at the reporting date, the Group has no current tax expense. The Group takes advantage of the IAS 12 exception regarding the recognition and disclosure of information about deferred tax assets and liabilities related to the Pillar Two income taxes.

In accordance with the regulations, the Group will be required to pay a top-up tax representing the difference between the effective tax rate calculated for a given jurisdiction and the minimum rate of 15% after meeting the revenue condition set out therein, i.e., after its consolidated revenue in any two of the four consecutive fiscal years immediately preceding the tested fiscal year reaches EUR 750 million or more. The Group estimates that the KRUK Group's consolidated revenue may reach the EUR 750 million threshold in 2025 and 2026 at the earliest. In this case, the KRUK Group may be required to pay the top-up tax for the first time for 2027.

If other statutory conditions are met, the KRUK Group may benefit from the 'safe harbour' rules provided for in the Act, which would mean exemption from the obligation to compute and pay top-up tax in the Polish jurisdiction for up to five years (starting from the first year for which the revenue condition was met, i.e., not earlier than from 2027).

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates that the KRUK Group has subsidiaries that operate in jurisdictions (Poland, Malta and Luxembourg) for which the estimated weighted average effective tax rate based on accounting profit for the reporting period ended 31 December 2024 is less than 15%. However, although the average effective tax rate is below 15%, the Group's exposure to paying Pillar Two income taxes may not take into account the full difference in tax rates for the aforementioned jurisdictions. This is due to the ability to apply the safe harbours provided for by the law, as well as the impact of the specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with IAS 12.

Based on the current assessment, the application of Pillar Two regulations is not expected to increase the Group's effective annual tax rate before 2027, and their financial impact remains difficult to estimate as at the issue date of these financial statements. The Group is working with tax specialists to ensure the correct application of the Pillar Two regulations and to assess their impact on the Group's financial data.

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

PLN '000	Note	31 Dec 2024	31 Dec 2023
Assets			
Non-current assets			
Property, plant and equipment	14	89,572	91,777
Other intangible assets	15	69,341	67,206
Goodwill	16	7,928	8,084
Investments	17	7,738,124	6,416,303
Hedging instruments	26	101,285	82,848
Deferred tax assets	19	44,429	45,958
Total non-current assets		8,050,679	6,712,176
Current assets			
Inventories	18	12,556	15,038
Investments	17	3,265,059	2,675,590
Trade receivables	20	19,619	24,440
Other receivables	20	52,496	58,970
Income tax receivables		3,684	22,398
Hedging instruments	26	13,041	15,580
Other assets	22	16,955	15,852
Cash and cash equivalents	21	214,790	388,461
Total current assets		3,598,200	3,216,329
Total assets		11,648,879	9,928,505
Equity and liabilities			
Equity			
Share capital	23	19,382	19,319
Share premium		374,097	358,506
Hedge reserve	26	64,779	51,043
Measurement reserve (defined benefit plans)		3,374	3,331
Reserve of exchange differences on translation		(130,734)	(95,871)
Other reserves		188,654	171,847
Retained earnings		4,009,434	3,283,218
Equity attributable to owners of the Parent		4,528,986	3,791,393
Non-controlling interests		(329)	(583)
Total equity		4,528,657	3,790,810
Non-current liabilities			
Borrowings, debt securities and leases	25	6,352,006	5,138,084
Deferred tax liabilities	19	113,837	202,307
Provisions	29	1,897	12,211
Hedging instruments	26	36,742	32,614
Total non-current liabilities		6,504,482	5,385,216
Current liabilities			
Borrowings, debt securities and leases	25	274,545	393,083
Derivatives		105	-
Trade and other payables	28	231,823	220,448
Income tax payable		5,493	11,785
Employee benefit liabilities	27	85,775	76,469
Provisions	29	17,999	50,694
Total current liabilities		615,740	752,479
Total liabilities		7,120,222	6,137,695
Total equity and liabilities		11,648,879	9,928,505

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

14. Property, plant and equipment

Gross carrying amount of 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 as at 1 Jan 2023	95,805	51,935	37,928	10,129	5,199	200,996
Purchase	32,219	15,536	9,820	47	3,757	61,379
Sale/ retirement	(19,703)	(2,419)	(4,419)	(415)	-	(26,956)
Accounting for assets under construction	3,896	2,192	-	2,220	(8,308)	-
Effect of exchange rate changes*	(4,545)	(1,681)	(1,257)	(392)	(222)	(8,097)
Gross carrying amount as at 31 Dec 2023	107,672	65,563	42,072	11,589	426	227,322

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 2024	107,672	65,563	42,072	11,589	426	227,322
Purchase	19,206	15,076	3,512	165	446	38,405
Sale/ retirement	(6,251)	(4,120)	(3,506)	(61)	-	(13,938)
Accounting for assets under construction	-	334	92	-	(426)	-
Effect of exchange rate changes*	(1,259)	(482)	(419)	(117)	-	(2,277)
Gross carrying amount as at 31 Dec 2024	119,368	76,371	41,751	11,576	446	249,512

Accumulated depreciation

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	(64,339)	(36,579)	(19,950)	(8,706)	-	(129,574)
Depreciation	(16,455)	(8,120)	(10,357)	(766)	-	(35,698)
Decrease resulting from sale / retirement	15,481	2,326	4,828	415	-	23,050
Effect of exchange rate changes*	3,678	1,392	1,250	357	-	6,677
Accumulated depreciation as at 31 Dec 2023	(61,635)	(40,981)	(24,229)	(8,700)	-	(135,545)

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 2024	(61,635)	(40,981)	(24,229)	(8,700)	-	(135,545)
Depreciation	(15,120)	(10,913)	(10,155)	(646)	-	(36,834)
Decrease resulting from sale / retirement	3,755	3,894	3,233	61	-	10,943
Effect of exchange rate changes*	719	362	335	80	-	1,496
Accumulated depreciation as at 31 Dec 2024	(72,281)	(47,638)	(30,816)	(9,205)	-	(159,940)

Net carrying amount

PLN '000	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
As at 1 Jan 2023	31,466	15,356	17,978	1,423	5,199	71,422
As at 31 Dec 2023	46,037	24,582	17,843	2,889	426	91,777
As at 1 Jan 2024	46,037	24,582	17,843	2,889	426	91,777
As at 31 Dec 2024	47,087	28,733	10,935	2,371	446	89,572

* Exchange differences on translating financial statements in currencies other than PLN.

In 2024 and 2023, there were no impairment losses.

For more information on security interests in property, plant and equipment, see Note 25.

As at 31 December 2024 and 31 December 2023, the value of contractual commitments to purchase property, plant and equipment was PLN 0.

The data relating to property, plant and equipment presented in the 'Right-of-use' section is disclosed in the table above.

Right of use

PLN '000

	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Carrying amount of right-of-use assets, by class of underlying asset at beginning of period		
Buildings and structures	42,431	29,685
Plant and equipment	187	218
Vehicles	17,186	17,096
Intangible assets – software	12,119	19,034
	<u>71,923</u>	<u>66,033</u>
Cost of depreciation of right-of-use assets in the reporting period, by class of underlying asset		
Buildings and structures	(14,289)	(15,682)
Plant and equipment	(144)	(125)
Vehicles	(10,042)	(10,212)
Intangible assets – software	(8,419)	(7,692)
	<u>(32,894)</u>	<u>(33,711)</u>
Increase in right-of-use assets	24,089	42,685
Decrease in right-of-use assets due to liquidation/termination of contract	(2,254)	(4,605)
Translation differences	(499)	1,521
Carrying amount of right-of-use assets, by class of underlying asset at end of period		
Buildings and structures	44,441	42,431
Plant and equipment	195	187
Vehicles	10,507	17,186
Intangible assets – software	5,222	12,119
	<u>60,365</u>	<u>71,923</u>
Interest expense relating to lease liabilities	3,436	3,293
Cost relating to variable lease payments not included in the measurement of lease liabilities	-	-
Total cash outflow in connection with leases	37,992	41,022

In 2024, costs under short-term and low-value contracts were PLN 1,532 thousand (2023: PLN 460 thousand).

15. Other intangible assets

Gross carrying amount of intangible assets

PLN '000	Software, licences, permits	Other	Intangible assets under development	Total
Gross carrying amount as at 1 Jan 2023	138,473	369	9,147	147,989
Produced internally	317	-	7,165	7,482
Purchase	15,364	-	1,067	16,431
Retirement	(9,538)	-	-	(9,538)
Accounting for assets under development/ amortised over time	7,576	-	(7,576)	-
Effect of exchange rate changes*	(1,693)	-	-	(1,693)
Gross carrying amount as at 31 Dec 2023	150,499	369	9,803	160,671
Gross carrying amount as at 1 Jan 2024	150,499	369	9,803	160,671
Produced internally	-	-	3,244	3,244
Purchase	14,482	-	11,332	25,814
Retirement	(2,593)	-	(1,068)	(3,661)
Accounting for assets under development/ amortised over time	6,756	-	(6,756)	-
Effect of exchange rate changes*	(429)	-	-	(429)
Gross carrying amount as at 31 Dec 2024	168,715	369	16,555	185,639

Accumulated amortisation

PLN '000	Software, licences, permits	Other	Intangible assets under development	Total
Accumulated amortisation as at 1 Jan 2023	(76,786)	(369)	-	(77,155)
Amortisation	(22,599)	-	-	(22,599)
Decrease resulting from sale / retirement	5,033	-	-	5,033
Effect of exchange rate changes*	1,256	-	-	1,256
Accumulated amortisation as at 31 Dec 2023	(93,096)	(369)	-	(93,465)
Accumulated amortisation as at 1 Jan 2024	(93,096)	(369)	-	(93,465)
Amortisation	(25,645)	-	-	(25,645)
Decrease resulting from sale / retirement	2,476	-	-	2,476
Effect of exchange rate changes*	336	-	-	336
Accumulated amortisation as at 31 Dec 2024	(115,929)	(369)	-	(116,298)

Net carrying amount

PLN '000	Software, licences, permits	Other	Intangible assets under development	Total
As at 1 Jan 2023	61,686	-	9,147	70,833
As at 31 Dec 2023	57,403	-	9,803	67,206
As at 1 Jan 2024	57,403	-	9,803	67,206
As at 31 Dec 2024	52,786	-	16,555	69,341

* Exchange differences on translating financial statements in currencies other than PLN.

In 2024 and 2023, there were no impairment losses.

As at 31 December 2024 and 31 December 2023, the Group had no contractual obligations to purchase intangible assets.

The data relating to intangible assets presented in Note 14 under 'Right of use' is disclosed in the table above.

16. Goodwill

PLN '000

	Kancelaria Prawna RAVEN	KRUK España S.L.U.	ERIF BIG S.A.	Total
Gross carrying amount as at 1 Jan 2023	299	48,315	725	49,339
Increase	-	-	-	-
Decrease	-	-	(725)	(725)
Translation differences	-	(214)	-	(214)
Gross carrying amount as at 31 Dec 2023	299	48,101	-	48,400
Gross carrying amount as at 1 Jan 2024	299	48,101	-	48,400
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	(156)	-	(156)
Gross carrying amount as at 31 Dec 2024	299	47,945	-	48,244
Impairment losses				
Impairment losses as at 1 Jan 2023	-	(32,313)	-	(32,313)
Increase	-	(8,003)	-	(8,003)
Decrease	-	-	-	-
Impairment losses as at 31 Dec 2023	-	(40,316)	-	(40,316)
Impairment losses as at 1 Jan 2024	-	(40,316)	-	(40,316)
Increase	-	-	-	-
Decrease	-	-	-	-
Impairment losses as at 31 Dec 2024	-	(40,316)	-	(40,316)
Net carrying amount				
As at 1 Jan 2023	299	16,002	725	17,026
As at 31 Dec 2023	299	7,785	-	8,084
As at 1 Jan 2024	299	7,785	-	8,084
As at 31 Dec 2024	299	7,629	-	7,928

Impairment testing of cash-generating units which include goodwill

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.

For impairment testing purposes, goodwill was allocated to the Group's operating units, being the smallest cash-generating units (not larger than the Group's operating segments described in Note 4) for which goodwill is monitored for internal management purposes.

Recoverable amount of goodwill associated with the cash-generating units specified above is assessed based on their value in use. Value in use is an estimated present value of future cash flows generated by such units.

In order to perform goodwill tests, cash-generating units associated with given goodwill were defined first. In the case of Espand Soluciones de Gestion S.L., which was acquired in 2016 and subsequently merged with KRUK España S.L., the cash-generating unit in 2017 was the credit management business (debt collection services for unrelated undertakings), as such was the company's business profile prior to the acquisition and these activities were continued. The key assumption underlying the calculation of recoverable amount is the level of margin earned on the credit management services provided to clients. The assumptions adopted are based on historical performance, current knowledge of the credit management market and the potential of operating structures.

Next, a four-year forecast of cash flows related to this activity was made. To calculate the discount rate, the Group uses the weighted average cost of capital for the debt collection industry, broken down into individual countries where the tested asset exists. To calculate cost of equity, the Group applied the Capital Asset Pricing Model (CAPM) based on financial data of debt collection companies operating on global markets (as at 31 December 2024, weighted average cost of capital for the debt collection industry in Spain was at 6.87%; as at 31 December 2023: 6.90%). The residual value was calculated using a growth rate equal to the average of projected inflation rates during the forecast period, of 1.98% for Spain (as at 31 December 2023: 2.36%).

The estimated amount of the gross profit affects the present value of future cash flows of cash-generating units. In 2024, no indications were identified for an additional impairment loss on Espand goodwill, as a result of which the total impairment loss as at 31 December 2024 remained unchanged at PLN 40,316 thousand (31 December 2023: PLN 40,316 thousand).

Sensitivity analysis for Espand goodwill

The Group conducted a sensitivity analysis of the Espand goodwill impairment test to changes in the weighted average cost of capital based on the Kruk Espana Inkaso results scenario (+/- 0.5pp).

The results are shown in the table below:

PLN '000	weighted average cost of capital		
	6.4%	6.9%	7.4%
Value in use of the assets	45,160	40,553	36,800

With the currently assumed weighted average cost of capital at 6.87%, the value in use of assets is PLN 40,553 thousand, significantly higher than the carrying amount (PLN 10,019 thousand), resulting in no impairment loss being recognised.

The analysis showed that a change in the weighted average cost of capital by $\pm 0.5pp$ would also result in nil impairment loss. The discount rate at which the value in use equals the carrying amount is 22.03%.

17. Investments

PLN '000	31 Dec 2024	31 Dec 2023
Investments in debt portfolios	10,500,278	8,673,765
Loans measured at amortised cost	499,604	412,510
Loans measured at fair value	3,301	5,618
	11,003,183	9,091,893

Investments measured at amortised cost

PLN '000	31 Dec 2024	31 Dec 2023
Investments in debt portfolios	10,500,278	8,673,765
Loans measured at amortised cost	499,604	412,510
	10,999,882	9,086,275

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 2024	31 Dec 2023
Unsecured portfolios	9,674,563	7,822,296
Secured portfolios	825,715	851,469
	10,500,278	8,673,765

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 5. Revenue

A portion of debt portfolios is secured with mortgages (mortgage loan portfolios) or registered pledges (car loan portfolios). Mortgages include primarily residential units and houses of natural persons and a variety of commercial properties in the case of the corporate secured portfolios. The properties are located in various locations (both large cities and small towns). Prior to the purchase a due diligence process is carried out for a selected sample from the collateral portfolio, and based on results of the process assumptions are made for the valuation of the remaining properties.

There was no significant change in the quality of the assets pledged as security. Each acquired secured portfolio is slightly different, with due diligence performed for the portfolios on a case-by-case basis.

The change in expected credit losses on remeasurement of forecast inflows from secured portfolios was PLN -7,393 thousand in 2024 (2023: PLN -16,785 thousand).

Sensitivity analysis – revaluation of projected recoveries

The 1% increase in all projected recoveries would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 94,860 thousand, while the 1% decrease in all projected recoveries would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 94,860 thousand for the data as at 31 December 2024 (a PLN 77,888 thousand increase/decrease, respectively, for the data as at 31 December 2023).

PLN '000

	Profit or loss for the current period	
	100 bps increase in recoveries	100 bps decrease in recoveries
31 Dec 2024		
Investments in debt portfolios	94,860	(94,860)
31 Dec 2023		
Investments in debt portfolios	77,888	(77,888)

Sensitivity analysis – time horizon

The sensitivity analysis 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 34,763 thousand, in the case of shortening by one year, projected recoveries decreased by PLN 78,162 thousand; for 2023, the amounts were PLN 28,445 thousand and PLN 57,887 thousand, respectively).

PLN '000

	Profit or loss for the current period	
	extension by one year	shortening by one year
31 Dec 2024		
Investments in debt portfolios	507	(1,393)
31 Dec 2023		
Investments in debt portfolios	427	(1,062)

For information on the Group's exposure to credit, currency and interest rate risks associated with its investments, and on allowances for expected credit losses on loans, see Note 30.

Changes in net carrying amount

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

PLN '000

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

PLN '000

	Unsecured portfolios	Secured portfolios	Total
Carrying amount of investments in debt portfolios at 1 January 2024	7,822,296	851,469	8,673,765
Purchase of debt portfolios	2,718,827	109,069	2,827,896
Cash recoveries***	(3,221,036)	(315,275)	(3,536,311)
Increase/(decrease) in liabilities to indebted persons due to overpayments*	4,294	-	4,294
Valuation of loyalty scheme*	(1,380)	-	(1,380)
Payments from original creditor	(1,949)	-	(1,949)
Revenue from purchased debt portfolios***	2,449,656	187,942	2,637,598
Carrying amount of property foreclosed	-	(3,606)	(3,606)
Translation differences on debt portfolios**	(96,145)	(3,884)	(100,029)
Carrying amount of investments in debt portfolios at 31 December 2024	9,674,563	825,715	10,500,278

* The amount of investments in debt portfolios is adjusted to account for the measurement of the loyalty scheme and the increase/(decrease) in liabilities to indebted persons due to overpayments in connection with the recognition of costs related to the bonus plan and a provision for overpayments under 'Other income/expenses from purchased debt portfolios'. As at the end of August 2024, the KRUK Group concluded its Dreams Come True (Marzenia do spełnienia) loyalty scheme, resulting in the reversal of a PLN 8,952 thousand provision for points.

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

*** Since 1 January 2024, the presentation of income from the sale of properties and the carrying amount of property sold has changed. The change has no effect on the carrying amount of investments in debt portfolios.

Investments to purchase debt portfolios are the principal business activity of the Parent and most of its subsidiaries. In light of IAS 7.15, the Company regards investments in debt portfolios as its principal revenue-producing activity and presents expenditure on their acquisition under operating activities as 'Change in debt portfolios purchased' in the statement of cash flows.

As part of its debt recovery processes with respect to purchased portfolios, the Company occasionally sells cases from debt portfolios seeking to increase revenue from principal activities. In view of the above, and the provision of IAS 7.14, the Company presents proceeds from the sale of debt cases under operating activities as 'Change in debt portfolios purchased' in the statement of cash flows.

Changes in expected credit losses

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

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Cumulative expected credit losses on purchased debt portfolios at beginning of period	3,189,274	2,328,752
Revaluation of projected recoveries, including:		
<i>unsecured portfolios</i>	390,102	438,985
<i>secured portfolios</i>	397,495	455,770
	(7,393)	(16,785)
Deviations from actual recoveries, decreases on early collections in collateralised cases, including:		
<i>unsecured portfolios</i>	345,465	421,537
<i>secured portfolios</i>	296,263	369,171
	49,202	52,366
Cumulative expected credit losses on purchased debt portfolios at end of period	3,924,841	3,189,274

Amount of undiscounted cash flows expected to be generated as at the date of portfolio purchase

<i>in thousands of PLN (converted at the average NBP rate on the reporting date)</i>	Debt portfolios purchased in 2024	Debt portfolios purchased in 2023
Unsecured portfolios	6,715,675	6,252,916
Secured portfolios	213,503	468,896
	6,929,178	6,721,812

Loans

In 2024, the Group continued to offer consumer loans. Loans are granted for up to PLN 20 thousand and their maturities range from 3 to 60 months. The loans bear interest at fixed or floating rates. Additional revenue comprises commission fees and arrangement fees.

PLN '000	31 Dec 2024	31 Dec 2023
Loans measured at amortised cost	499,604	412,510
Loans measured at fair value	3,301	5,618
	502,905	418,128

Loans measured at amortised cost

As per the basket methodology described in Note 3.4.1, the structure of loans measured at amortised cost at the end of the reporting periods was as follows:

IFRS 9 classification	31 Dec 2024	31 Dec 2023
Gross carrying amount of loans measured at amortised cost		
Basket 1	336,826	263,129
Basket 2	114,868	111,884
Basket 3	393,345	302,324
POCI loans	1,499	1,323
	846,538	678,660
Allowances for expected credit losses		
Basket 1	26,869	17,202
Basket 2	25,459	24,182
Basket 3	294,606	224,766
POCI loans	-	-
	346,934	266,150
Net carrying amount		
Basket 1	309,957	245,927
Basket 2	89,409	87,702
Basket 3	98,739	77,558
POCI loans	1,499	1,323
	499,604	412,510

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

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Carrying amount of loans measured at amortised cost at beginning of period	412,510	357,003
Acquisition of loans as part of portfolio purchase	52,820	-
New disbursements	680,851	559,747
Repayments	(845,841)	(666,112)
Interest income	244,099	233,725
Allowance for expected credit losses	(44,269)	(70,268)
Gain/(loss) on sale of loans	-	-
Translation differences on loans	(566)	(1,585)
Carrying amount of loans measured at amortised cost at end of period	499,604	412,510

Changes in the gross carrying amount and allowances for expected credit losses are presented in Note 30.1.

Sensitivity analysis – revaluation of projected recoveries

The note presents the effect of a change in projected recoveries on the net carrying amount of loans measured at amortised cost as the effect of the change on net profit/(loss).

PLN '000	Profit or loss for the current period	
	100 bps increase in recoveries	100 bps decrease in recoveries
31 Dec 2024		
Loans measured at amortised cost	4,918	(4,917)
31 Dec 2023		
Loans measured at amortised cost	4,120	(4,120)

Sensitivity analysis – time horizon

The note presents the effect of extending or reducing the repayment projection period by one month on the net carrying amount of loans measured at amortised cost as the effect of the change on net profit or loss.

PLN '000	Profit or loss for the current period	
	extension by one month	shortening by one month
31 Dec 2024		
Loans measured at amortised cost	(11,161)	10,449
31 Dec 2023		
Loans measured at amortised cost	(9,005)	8,417

For information on the Group's exposure to credit, currency and interest rate risks associated with its investments, and on allowances for expected credit losses on loans, see Note 30.

Loans measured at fair value

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

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Carrying amount of loans measured at fair value at beginning of period	5,618	12,440
New disbursements	-	-
Repayments	(3,856)	(11,352)
Interest income	2,000	4,529
Remeasurement	(461)	1
Carrying amount of loans measured at fair value at end of period	3,301	5,618

Sensitivity analysis – revaluation of projected recoveries

The note presents the effect of a change in projected recoveries on the carrying amount of loans measured at fair value as the effect of the change on net profit or loss.

PLN '000	Profit or loss for the current period	
	100 bps increase in recoveries	100 bps decrease in recoveries
31 Dec 2024		
Loans measured at fair value	33	(33)
31 Dec 2023		
Loans measured at fair value	56	(56)

Sensitivity analysis – time horizon

The note presents the effect of extending or shortening the recovery projection period by one month on the carrying amount of loans measured at fair value as the effect of the change on net profit or loss.

PLN '000	Profit or loss for the current period	
	extension by one month	shortening by one month
31 Dec 2024		
Loans measured at fair value	(94)	92
31 Dec 2023		
Loans measured at fair value	(150)	145

Sensitivity analysis – interest rate

The interest rate on loans measured at fair value is 31% (31 December 2023: 31%). Presented below is a sensitivity analysis for the discount rate applied to the fair-value measurement of loans:

PLN '000

	Profit or loss for the current period	
	1pp increase in discount rate	1pp decrease in discount rate
31 Dec 2024		
Loans measured at fair value	27	(27)
31 Dec 2023		
Loans measured at fair value	45	(44)

Amount of undiscounted cash flows expected to be generated as at the date of loan acquisition

in thousands of PLN (converted at the average NBP rate on the reporting date)

	Acquisition of loans as part of portfolio purchase in 2024	Acquisition of loans as part of portfolio purchase in 2023
Loans measured at amortised cost	54,630	-
Loans measured at fair value	-	-
	54,630	-

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

PLN '000	31 Dec 2024	31 Dec 2023
Property	12,356	14,893
Other inventories	200	145
	<u>12,556</u>	<u>15,038</u>

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

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Carrying amount of property held at beginning of period	14,893	16,243
Carrying amount of property foreclosed	7,665	3,321
Carrying amount of property sold	(6,110)	(13)
Impairment losses	(4,059)	(4,610)
Currency translation differences on property valuation*	(33)	(48)
Carrying amount of property held at end of period	12,356	14,893

* Exchange differences on translating financial statements in currencies other than PLN.

As at 31 December 2024, the inventory write-down was PLN 4,059 thousand (31 December 2023: PLN 4,610 thousand).

19. 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:

PLN '000

	Assets		Liabilities		Net carrying amount	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Property, plant and equipment	2,403	5,222	(2,961)	(4,234)	(558)	988
Intangible assets	-	-	(3,470)	(5,000)	(3,470)	(5,000)
Tax losses deductible in future periods	15,357	13,260	-	-	15,357	13,260
Trade and other receivables	-	-	(180)	(241)	(180)	(241)
Borrowings and other debt instruments	21,413	21,776	-	-	21,413	21,776
Employee benefit liabilities	3,443	5,230	-	-	3,443	5,230
Provisions and liabilities	224	186	-	-	224	186
Investments in debt portfolios	-	-	(7,682)	(7,411)	(7,682)	(7,411)
Investments in loans	28,343	32,050	-	-	28,343	32,050
Derivative hedging instruments	-	-	(17,848)	(13,767)	(17,848)	(13,767)
Expected future outflows of income from investments in subsidiaries	-	-	(108,450)	(203,420)	(108,450)	(203,420)
Deferred tax assets/liabilities	71,183	77,724	(140,591)	(234,073)	(69,408)	(156,349)
Deferred tax assets offset against liabilities	(26,754)	(31,766)	26,754	31,766		
Deferred tax assets/liabilities in the statement of financial position	44,429	45,958	(113,837)	(202,307)	(69,408)	(156,349)

Change in temporary differences in the period

PLN '000

	Net amount of income tax as at 1 Jan 2024	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at 31 Dec 2024	Net amount of income tax as at 1 Jan 2023	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at 31 Dec 2023
Property, plant and equipment	988	(1,546)	(558)	3,742	(2,754)	988
Intangible assets	(5,000)	1,530	(3,470)	(5,148)	148	(5,000)
Tax losses deductible in future periods	13,260	2,097	15,357	11,920	1,340	13,260
Trade and other receivables	(241)	61	(180)	(413)	172	(241)
Borrowings and other debt instruments	21,776	(363)	21,413	16,633	5,143	21,776
Employee benefit liabilities	5,230	(1,787)	3,443	2,590	2,640	5,230
Provisions and liabilities	186	38	224	(109)	295	186
Investments in debt portfolios	(7,411)	(271)	(7,682)	(7,058)	(353)	(7,411)
Investments in loans	32,050	(3,707)	28,343	32,923	(873)	32,050
Expected future outflows of income from investments in subsidiaries	(203,420)	94,970	(108,450)	(208,285)	4,865	(203,420)
	(142,582)	91,022	(51,560)	(153,205)	10,623	(142,582)

PLN '000

	Net amount of income tax as at 1 Jan 2024	Change in temporary differences recognised in other comprehensive income	Net amount of income tax as at 31 Dec 2024	Net amount of income tax as at 1 Jan 2023	Change in temporary differences recognised in other comprehensive income	Net amount of income tax as at 31 Dec 2023
Derivative hedging instruments	(13,767)	(4,081)	(17,848)	(3,294)	(10,473)	(13,767)
	(13,767)	(4,081)	(17,848)	(3,294)	(10,473)	(13,767)

The Group 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 (three years).

The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast 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 2025–2027 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 2025-2027 higher by PLN 300 million	debt financing at KRUK S.A. in 2025-2027 lower by PLN 300 million	expenditure on debt portfolios at the Kruk Group in 2025-2027 higher by PLN 300 million*	expenditure on debt portfolios at the Kruk Group in 2025-2027 lower by PLN 300 million*
31 Dec 2024				
Deferred tax liability	(24,826)	27,945	(21,928)	22,983

* Assuming KRUK S.A. needs to raise more/less debt financing.

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 Group takes advantage of the exemption under IAS 12 and does not recognise a deferred tax liability in respect of retained earnings in its related entities where it is able to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at 31 December 2024 was PLN 5,081,798 thousand (as at 31 December 2023: PLN 3,727,864 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 (KRUK S.A. and Zielony Areał Sp. z o.o.) and periods over which they can be utilised:

PLN '000	Tax loss expiry date	31 Dec 2024	31 Dec 2023
Tax loss for 2019	31 Dec 2024	-	542
Tax loss for 2022	31 Dec 2027	83	3,697
Tax loss for 2023	31 Dec 2028	166	-
		<u>249</u>	<u>4,239</u>
Applicable tax rate		19%	19%
Potential benefit of tax losses		<u>47</u>	<u>805</u>

Deferred tax assets of PLN 47 thousand (2023: PLN 805 thousand) were not included in the calculation of deferred tax as the probability of their use by the date determined in accordance with the applicable tax laws was uncertain.

20. Trade and other receivables

Trade receivables

PLN '000	31 Dec 2024	31 Dec 2023
Short-term trade receivables	19,619	24,440
	<u>19,619</u>	<u>24,440</u>

Other receivables

PLN '000	31 Dec 2024	31 Dec 2023
Receivable from taxes other than income tax	18,723	38,265
Receivables under security deposits and bid bonds	6,922	7,502
Receivables under collected debts	26,583	12,809
Other receivables	181	115
Employee loans	87	163
Receivables for court fees and stamp duties	-	116
	<u>52,496</u>	<u>58,970</u>

Taxes receivable (other than income tax) comprise mainly VAT receivable.

For information on the Group's exposure to credit risk and currency risk as well as allowances for expected credit losses on receivables, see Note 30.

21. Cash and cash equivalents

PLN '000	31 Dec 2024	31 Dec 2023
Cash in hand	115	118
Cash in current accounts	214,675	168,343
Term deposits	-	220,000
	<u>214,790</u>	<u>388,461</u>

For information on the Group's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities, see Note 30.

22. Other assets

PLN '000	31 Dec 2024	31 Dec 2023
Expenses relating to future reporting periods	7,058	5,356
IT costs amortised over time	8,103	8,404
Insurance	1,793	2,092
	<u>16,955</u>	<u>15,852</u>

23. Equity

Share capital

	Ordinary shares	
	2024	2023
<i>thousands of shares</i>		
Number of shares as at 1 Jan	19,319	19,319
Issue of shares	63	-
Cancellation of shares	-	-
Number of fully-paid shares at end of period	19,382	19,319
<i>PLN</i>		
Par value per share	1.00	1.00
<i>PLN '000</i>		
Par value of share capital as at 1 Jan	19,319	19,319
Par value as at 31 Dec	19,382	19,319

The Parent shares are not preferred and do not confer any special rights.

Parent's shareholding structure

As at 31 December 2024, the share capital comprised 19,382 thousand registered shares with voting and dividend rights (31 December 2023: 19,319 thousand registered shares with voting and dividend rights).

As at 31 Dec 2024	Number of shares	Par value (PLN thousand)		Ownership interest (%)
Shareholder				
Piotr Krupa ¹	1,716,965	1,717		8.86%
NN OFE	2,470,391	2,470		12.75%
Allianz OFE and Allianz DFE ³	1,931,790	1,932		9.97%
Generali OFE	1,624,510	1,625		8.38%
PZU OFE	1,154,000	1,154		5.95%
Vienna OFE	1,044,523	1,045		5.39%
Other members of the Management Board	184,981	185		0.95%
Other shareholders	9,254,508	9,255		47.75%
	19,381,668	19,382		100%

As at 31 Dec 2023	Number of shares	Par value (PLN thousand)		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	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%

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.

Other reserves

Other reserves are created by virtue of relevant resolutions of the Parent'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 Parent's share capital and issue of subscription warrants with the Parent existing shareholders' pre-emptive rights disappplied 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 Parent's Articles of Association.

For the purposes of the 2021-2024 Incentive Scheme, the General Meeting approved a conditional increase of the Parent'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.

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 acquired 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 acquire Tranche 1 subscription warrants in view of fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme, the Parent'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 Parent'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 were awarded 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 acquired by the Management Board members on 20 September 2023.

In 2023, EPS grew by 36.64%, and on 10 June 2024, 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 3 subscription warrants in view of fulfilment in 2023 of the conditions of the 2021–2024 Incentive Scheme.

Accordingly, by way of a resolution of 1 July 2024 determining the list of persons other than Management Board members who were eligible to acquire Tranche 3 subscription warrants in view of fulfilment in 2023 of the conditions of the 2021–2024 Incentive Scheme, the Parent's Management Board granted a total of 113,765 subscription warrants to the eligible persons.

On 1 July 2024, the Supervisory Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 3 subscription warrants in view of fulfilment in 2023 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 2023 as part of Tranche 3. The warrants were acquired by Management Board members on 22 July 2024.

Following expiry of the lock-up period applicable to the subscription of Series H shares in exchange for subscription warrants granted to eligible persons as part of Tranche 1, as at the date of issue of this Report 77,428 subscription warrants were converted into Series H shares of the Parent. The eligible persons continue to hold 469,855 subscription warrants.

The table below shows the number of Tranche 1, 2 and 3 warrants awarded to and acquired by each Management Board member.

Number of Tranche 1 warrants awarded to and acquired 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	Number of Tranche 3 warrants awarded and acquired
Piotr Krupa	22,812	22,812	22,812
Piotr Kowalewski	13,308	13,308	13,308
Adam Łodygowski	13,308	13,308	13,308
Urszula Okarma	13,308	13,308	13,308
Michał Zasępa	13,308	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 Parent 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.

Number of options	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Number of options priced under the 2021–2024 Incentive Scheme at the beginning of the reporting period*:	949,965	884,326
Number of options priced under the 2021–2024 Incentive Scheme during the reporting period*:	16,263	65,639
Number of options priced under the 2021–2024 Incentive Scheme at the end of the reporting period*:	966,228	949,965
Number of options forfeited under the 2021–2024 Incentive Scheme during the reporting period**:	5,831	17,559
Number of options exercised under the 2021–2024 Incentive Scheme during the reporting period:	62,878	-
Number of options exercisable under the 2021–2024 Incentive Scheme at the end of the reporting period:	109,260	-
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 Scheme, 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. Upon completion of the scheme, the cost was adjusted downwards to reflect the amount of the initial valuations.

In 2024, the average share price was PLN 441.39 (2023: PLN 394.32).

As at 31 December 2023 and 31 December 2022, the amount of liabilities under share-based payment transactions was PLN 0.

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 Parent 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.

Incentive scheme for 2025–2028

On 30 June 2025, 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 Parent’s share capital and issue of subscription warrants with the Parent existing shareholders’ pre-emptive rights disappplied 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 Parent’s Articles of Association.

For the purposes of the 2025–2028 Incentive Scheme, the General Meeting approved a conditional increase of the Company’s share capital by up to PLN 775,264, through an issue of up to 775,264 Series I ordinary bearer shares.

The subscription warrants are issued free of charge, may be inherited, but may not be encumbered and are not transferable, except where a donation agreement for the subscription warrants is executed with the prior consent of the Company, granted through a resolution of the Management Board. No further donation of the subscription warrants is permitted. In accordance with the terms of the Incentive Scheme, the number

of warrants to be allotted and offered to members of the Management Board throughout the term of the Scheme is 40% of all warrants.

As at the date of issue of this Report, no subscription warrants were awarded under the 2025–2028 Incentive Scheme.

Measurement reserve (defined benefit plans)

Under Italian law, the Group is required to recognise, in accordance with IAS 19, provisions for termination compensation (Trattamento di Fine Rapporto, TFR) which are recognised as a defined benefit plan.

Exchange differences on translation of subsidiaries

Exchange differences on translation of subsidiaries include exchange differences arising from the translation of financial statements of foreign operations in accordance with the policy described in Note 3.3.2.

<i>PLN '000</i>	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
InvestCapital Ltd.	(50,184)	(170,343)
Kruk Investimenti Srl	5,128	4,778
Kruk Italia	(2,069)	(2,670)
Kruk Deutschland GmbH	(1,226)	(401)
KRUK España S.L.U.	(590)	(2,175)
KRUK Romania S.r.l.	(806)	(3,554)
ItaCapital S.r.l.	(9,536)	(7,801)
KRUK Česká a Slovenská republika s.r.o.	8,362	(13,002)
ProsperoCapital S.à r.l.	-	125
Other	16,094	(1,254)
	<u>(34,827)</u>	<u>(196,297)</u>

The change relative to the comparative period is attributable to a change in currency exchange rates and an increase in assets.

24. Earnings per share

Basic earnings per share

As at 31 December 2024, basic earnings per share were calculated based on net profit attributable to owners of the Parent (holding ordinary shares) of PLN 1,073,954 thousand (2023: PLN 983,934 thousand) and the weighted average number of shares in the reporting period of 19,338 thousand (2023: 19,319 thousand). The amounts were determined as follows:

Net profit attributable to owners of the Parent

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Net profit for period	1,074,278	984,201
Non-controlling interests	(324)	(267)
Net profit attributable to ordinary shareholders of the Parent	1,073,954	983,934

Weighted average number of ordinary shares

thousands of shares	Note	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Number of ordinary shares as at 1 Jan	21	19,319	19,319
Effect of cancellation and issue		19	-
Weighted average number of ordinary shares at end of reporting period		19,338	19,319
PLN			
Earnings per share		55.54	50.93

Dividend per share paid

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Dividend paid from profit and retained earnings	347,738	289,782
PLN		
Dividend per share	18.00	15.00

Diluted earnings per share

As at 31 December 2024, diluted earnings per share were calculated based on net profit attributable to owners of the Parent (holding ordinary shares) of PLN 1,073,954 thousand (2023: PLN 983,934 thousand) and the weighted average number of shares in the reporting period of 20,484 thousand (2023: 20,343 thousand). The amounts were determined as follows:

Weighted average number of ordinary shares (diluted)

thousands of shares

	31 Dec 2024	31 Dec 2023
Weighted average number of ordinary shares at end of reporting period	19,338	19,319
Effect of issue of unregistered shares not subscribed for	1,146	1,024
Weighted average number of ordinary shares at end of reporting period (diluted)	20,484	20,343
<i>PLN</i>		
Earnings per share (diluted)	52.43	48.37

25. Borrowings, debt securities and leases

This note contains information on the Group's liabilities under borrowings, debt securities and leases, measured at amortised cost. For information on the Group's exposure to currency, liquidity and interest rate risks, see Note 30.

<i>PLN '000</i>	31 Dec 2024	31 Dec 2023
Non-current liabilities		
Secured borrowings	3,423,881	2,324,607
Liabilities under debt securities (unsecured)	2,892,970	2,773,264
Lease liabilities	35,155	40,213
	6,352,006	5,138,084
Current liabilities		
Secured borrowings	34,729	285,551
Liabilities under debt securities (unsecured)	216,732	77,938
Lease liabilities	23,084	29,594
	274,545	393,083

As at 31 December 2024, transaction costs reflected in the carrying amount were PLN 50,938 thousand (31 December 2023: PLN 45,631 thousand).

Realised and unrealised exchange rate differences affecting the financial liabilities were PLN 19,028 thousand in 2024 and PLN 32,328 thousand in 2023).

The most important long-term credit agreement in the KRUK Capital Group is the revolving multi-currency credit facility agreement of 3 July 2017, as amended, between InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NFW FIZ and KRUK Espana S.L.U. (the borrowers) and KRUK S.A. (guarantor) with the bank syndicate comprising DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A. and Bank Polska Kasa Opieki S.A. (the Lenders).

As at 31 December 2024 the total credit limit amounted to PLN 2,777 million, and the debt status amounted to PLN 2,656 million (credit granted up to EUR 650 million, the limit and debt were converted into PLN at the average NBP exchange rate as at 31.12.2024).

As at 31 December 2024 all financial indicators required in accordance with the content of the above-mentioned agreement were met. The levels of the most important indicators are:

	Period ended December 31		Required indicator level
	2024	2023	
Net Financial Debt to Cash EBITDA Ratio *	2.71	2.46	<4
Interest Coverage Ratio*	6.20	7.32	>3
Net Financial Debt to Equity Ratio*	1.45	1.38	<3

* The methodology for calculating the above-mentioned indicators resulting from the contractual provisions differs slightly from the indicators calculated for bonds, but these differences are at an insignificant level.

The financial ratios required for liabilities under the bonds are presented in the Directors' report on the operations of the KRUK Group.

The KRUK Group reviews covenants quarterly. As at 31 December 2024 and 31 December 2023, all covenants that could result in the financial liability becoming due were met. As at the date of this report, the KRUK Group does not identify any risks of exceeding the above ratios in the next 12 months.

Changes in borrowings, debt securities and leases

PLN '000

	Changes in borrowings, debt securities and leases							As at 31 Dec 2023
	As at 31 Dec 2024	Disbursements	Repayments	Finance costs	Interest paid	Early termination/ currency translation of agreements	Translation differences	
Secured borrowings	3,458,610	2,929,362	(2,073,886)	194,293	(201,317)			2,610,158
Liabilities under debt securities (unsecured)	3,109,702	373,724	(102,500)	275,213	(287,937)			2,851,202
Lease liabilities	58,239	24,089	(34,556)	3,550	(3,436)	(2 173)	958	69,807
	<u>6,626,551</u>	<u>3,327,175</u>	<u>(2,210,942)</u>	<u>473,056</u>	<u>(492,690)</u>	<u>(2 173)</u>	<u>958</u>	<u>5,531,167</u>

PLN '000

	Changes in borrowings, debt securities and leases							As at 31 Dec 2022
	As at 31 Dec 2023	Disbursements	Repayments	Finance costs	Interest paid	Early termination/ currency translation of agreements	Translation differences	
Secured borrowings	2,610,158	2,578,622	(2,455,207)	146,957	(155,070)			2,494,856
Liabilities under debt securities (unsecured)	2,851,202	1,560,639	(65,000)	186,260	(212,712)			1,382,015
Lease liabilities	69,807	42,685	(37,729)	3,262	(3,293)	(3,985)	(56)	68,923
	<u>5,531,167</u>	<u>4,181,946</u>	<u>(2,557,936)</u>	<u>336,479</u>	<u>(371,075)</u>	<u>(3,985)</u>	<u>(56)</u>	<u>3,945,794</u>

Terms and repayment schedule of borrowings, debt securities and leases

PLN '000	Currency	Nominal interest rate	Maturity periods ¹	31 Dec 2024	31 Dec 2023
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 2.4–2.95pp; 3M WIBOR + margin of 2.0–2.7pp; 1M EURIBOR + margin of 2.2–2.85pp.	2025-2029	3,458,610	2,610,158
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 3.0–4.65pp; 4.00%-4.80% ² 3M EURIBOR + margin of 4.0–6.5pp	2025-2030	3,109,702	2,851,202
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 3.65–4.29pp 3.00 - 9.64%	2025-2030	58,239	69,807
				6,626,551	5,531,167

¹ Maturity of the last liability.

² Fixed interest rate.

Schedule of lease payments

PLN '000	Future minimum lease payments	Interest	Present value of future minimum lease payments
As at 31 Dec 2024			
up to 1 year	25,783	2,699	23,084
from 1 to 5 years	44,516	9,361	35,155
	70,299	12,060	58,239
As at 31 Dec 2023			
up to 1 year	32,406	2,812	29,594
from 1 to 5 years	42,202	1,989	40,213
	74,608	4,801	69,807

Security over assets

PLN '000	31 Dec 2024	31 Dec 2023
Registered pledge over purchased debt portfolios, with assignment of claims, financed with a credit facility, registered pledge over shares in Secapital S.r.l., registered pledge over investment certificates of Prokura NS FIZ, registered pledge over bonds of Itacapital S.rl	7,835,107	6,652,127
Property, plant and equipment used under lease contracts	10,507	17,186
	7,845,614	6,669,313

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.

For a description of the security created, see Note 36.

Published forecasts

Pursuant to Art. 35.1a and 35.1b of the Bonds Act, in December 2023 the Group published on the Parent's [website](#) a projection of the financial liabilities and financing structure of KRUK S.A. and the KRUK Group as at 31 December 2024 (the "Bonds Act Projection"). The financial liabilities of KRUK S.A. and the KRUK Group as at 31 December 2024 were as follows:

- a. financial liabilities of KRUK S.A.: PLN 3,706 million (17% above the Bonds Act Projection),
- b. financial liabilities of the KRUK Group: PLN 6,627 million (11% above the Bonds Act Projection),
- c. financing structure of KRUK S.A. (percentage share of liabilities under borrowings, issue of debt securities and leases in total equity and liabilities of KRUK S.A.): 44% (1pp above the Bonds Act Projection),
- d. financing structure of the KRUK Group (percentage share of liabilities under borrowings, issue of debt securities and leases in total equity and liabilities of the KRUK Group): 57% (1pp below the Bonds Act Projection).

The fact that the Parent's and the Group's financial liabilities as at the end of 2024 were above the projections was attributable to significant expenditure on debt portfolios incurred by the Group in 2024 (PLN 2.8 billion). The percentage share of the Company's and the Group's financial liabilities in total equity and liabilities as at the end of 2024 was close to the projected level (with deviations of +1pp and -1pp, respectively).

Impact of IBOR reform

In June 2024, the National Working Group initiated a public consultation regarding the review and evaluation of alternative interest rate benchmarks. The purpose of the consultation was to reassess the National Working Group's September 2022 decision to select WIRON as the optimal replacement for the WIBOR reference rate. The consultation covered the benchmark WIRON, WIRON+, WIRF, WIRF+, and WRR, which participants were invited to evaluate based on criteria such as benchmark quality, characteristics, and their potential for the development of the financial and banking products markets. Participants also had the opportunity to comment on current market and regulatory environment and related initiatives that could help strengthen the new benchmark, the market it represents, and the instruments based on it. On 9 July 2024, the National Working Group announced that it had concluded the public consultation process as of 1 July 2024. At its meetings on 21 November 2024 and 6 December 2024, the Steering Committee of the NWG held discussions and decided to adopt the proposed index technically named WIRF- as the ultimate interest rate benchmark to replace the WIBOR benchmark. On 24 January 2025, the Steering Committee of the NWG decided to adopt the target name POLSTR (Polish Short Term Rate) for the proposed index technically named WIRF-.

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

loans used by the Group companies, to ensure optimal transition to an alternative benchmark when the WIBOR is replaced.

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

PLN '000

	31 Dec 2024	31 Dec 2023
Carrying amount of financial liabilities for which WIBOR is used as the benchmark		
Borrowings secured over the Group's assets	807,016	454,154
Liabilities under debt securities (unsecured)	2,326,523	2,159,898
Lease liabilities	2,958	7,922
Notional amount of hedging instruments for which WIBOR is used as the benchmark		
CIRS	1,957,500	1,750,000
IRS	-	190,000

26. Hedging instruments

Interest rate risk hedges

The Group's exposure to interest rate risk arises mainly from borrowings and debt securities issued (Notes 25 and 30.3).

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

The interest rate risk management policy covers:

- the Group's objectives in terms of interest rate risk;
- methods of interest rate risk monitoring;
- the Group's permitted exposure to interest rate risk;
- procedures in case of exceeding the Group's permitted exposure to interest rate risk;
- principles of interest rate risk management at the Group;

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

In 2022, the Group entered into a EUR 210,000 thousand interest rate swap (IRS), paying a coupon based on a fixed EUR interest rate and receiving a coupon based on a variable EUR interest rate. The IRS provides a hedge against interest rate risk.

In 2023, the Group also entered into interest rate swaps (IRS) with a notional value of EUR 198,500 thousand, under which the Group 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.

In 2024, the Group also entered into interest rate swaps (IRS) with a notional value of EUR 24,000 thousand, under which the Group 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 purpose of the EUR contract was to provide a hedge against volatility of cash flows generated by liabilities in EUR due to changes in the 3M EURIBOR rate and to hedge interest payments under EUR-denominated bonds.

The Group expects cash flows to be generated and to have an effect on its results in the period until 2029.

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

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

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

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

Open outstanding IRS contracts held by the KRUK Group companies as at 31 December 2024, with a total volume of EUR 432,500 thousand:

Bank	Group company	Type of transaction	Notional amount	Fixed rate	Variable rate	Term
ING Bank Śląski S.A.	InvestCapital Ltd.	IRS	EUR 210,000,000	2.6535%	1M EURIBOR	29 Nov 2022 to 30 Jun 2027
DNB Bank ASA	KRUK S.A.	IRS	EUR 150,000,000	2.9640%	3M EURIBOR	10 May 2023 to 10 May 2028
DNB Bank ASA	KRUK S.A.	IRS	EUR 10,000,000	2.2550%	3M EURIBOR	21 Dec 2023 to 11 Dec 2028
ING Bank Śląski S.A.	InvestCapital Ltd.	IRS	EUR 38,500,000	2.3200%	1M EURIBOR	27 Dec 2023 to 30 Jun 2028
ING Bank Śląski S.A.	KRUK S.A.	IRS	EUR 24,000,000	2.4050%	3M EURIBOR	21 Aug 2024 to 1 Feb 2029

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

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

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

In 2024, the Group entered into currency interest rate swaps (CIRS) with a total notional amount of PLN 285,000 thousand, under which the Group pays a coupon based on a fixed EUR interest rate and receives a coupon based on a variable PLN interest rate. 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).

Open outstanding CIRS contracts held by Kruk Group companies as at 31 December 2024, with a total volume of PLN 1,957,500 thousand:

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

DNB Bank ASA	KRUK S.A.	CCIRS	PLN 120,000,000	2.02%	3M WIBOR	27 Jan 2023	26 Jan 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	2.475%	3M WIBOR	25 Jul 2023	26 Jan 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	2.435%	3M WIBOR	25 Jul 2023	7 Jun 2028
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 75,000,000	2.61%	3M WIBOR	22 Sep 2023	29 Mar 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 85,000,000	2.48%	3M WIBOR	31 Oct 2023	10 Dec 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 355,000,000	2.34%	3M WIBOR	31 Oct 2023	11 Oct 2029
DNB Bank ASA.	KRUK S.A.	CCIRS	PLN 70,000,000	6.046%	3M WIBOR + 4%	21 Mar 2024	16 Feb 2029
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 90,000,000	6.19%	3M WIBOR + 4%	21 Mar 2024	26 Sep 2028
Alior Bank S.A.	KRUK S.A.	CCIRS	PLN 125,000,000	4.40%	3M WIBOR + 3%	11 Dec 2024	13 Nov 2030

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

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

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

The transactions were designated for hedge accounting.

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.

Currency risk hedges

The Group's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies (Note 30.3).

The currency risk management policy outlines:

- the Group's currency risk management objectives;
- the key principles of currency risk management at the Group;
- acceptable impact of currency risk on the Group'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 Group does not expect the IBOR reform to have a material impact on hedging relationships in hedge accounting. The Group 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 25.

The Group takes measures to ensure that it is prepared for a possible change in the benchmarks underlying the concluded hedging instruments in the event the WIBOR 3M rate ceases to be published. In particular, the Group 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 Group there is uncertainty related to potential further changes to the method of determining the WIBOR benchmark. Therefore, the Group 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 Group 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).

In 2024, the Group entered into currency interest rate swaps (CIRS) with a total notional amount of PLN 285,000 thousand, under which the Group pays a coupon based on a fixed EUR interest rate and receives a coupon based on a variable PLN interest rate. The purpose of the CIRS contracts is to:

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

As at 31 December 2024, Kruk Group companies held open outstanding CIRS contracts with a total notional amount of PLN 1,957,500 thousand (the contracts are listed in the *'Interest rate risk hedges'* section).

On 2 August 2024, KRUK S.A. and mBank S.A. signed an amendment to the Hedging Agreement which governs the establishment of hedges under the master agreement of 7 February 2019 for financial market transactions. The amendment provided for the termination of the Hedging Agreement by mutual agreement as of 22 August 2024.

As at 31 December 2024, the Group had no open positions under the master agreement.

Amounts related to open position designated as hedging instruments

PLN '000

	Carrying amount/fair value of hedging instruments								Item in the statement of financial position	Hedge type
	31 Dec 2024				31 Dec 2023					
Instrument type:	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Notional amount	Change in fair value used to determine ineffectiveness		
IRS	-	-	- PLN	(4,954)	4,954	-	190,000 (PLN)	(13,852)	Hedging instruments	Hedge of future cash flows
IRS	-	34,497	432,500 (EUR)	(6,101)	29	28,425	408,500 (EUR)	(44,152)	Hedging instruments	Hedge of future cash flows
CIRS	114,326	2,245	1,957,500 (PLN)	22,825	93,445	4,189	1,750,000 (PLN)	87,551	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign subsidiary
	114,326	36,742		11,770	98,428	32,614		29,547		

PLN '000

Change in hedging instruments

	As at 31 Dec 2024	Finance costs	Interest paid/received	Measurement of instruments charged to capital reserves	As at 31 Dec 2023
IRS	(34,497)	-	(22,737)	11,681	(23,442)
CIRS	112,081	(1,546)	(71,872)	96,243	89,256
	77,584	(1,546)	(94,609)	107,924	65,814

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	(23,442)	-	(19,948)	(38,056)	34,562
CIRS	89,256	(995)	(54,616)	143,162	1,705
	65,814	(995)	(74,564)	105,106	36,267

PLN '000

Instrument type:	Amount of future cash flows as at 31 Dec 2024				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
IRS					
fixed payment EUR sale	(25,072)	(17,674)	(34,877)	(1,894,266)	-
variable payment EUR	25,072	17,674	34,877	1,894,266	-
CIRS					
fixed payment	(69,810)	(91,420)	(295,906)	(1,539,570)	-
variable payment	69,810	91,420	295,906	1,539,570	-

PLN '000

Instrument type:	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
IRS					
fixed payment PLN sale	(26,312)	(165,656)	-	-	-
variable payment PLN	26,312	165,656	-	-	-
IRS					
fixed payment EUR sale	(39,325)	(26,169)	(35,886)	(1,843,653)	-
variable payment EUR	39,325	26,169	35,886	1,843,653	-
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

Disclosure of the hedged item as at 31 Dec 2024

	Notional amount of the hedged item	Change in fair value of hedged item used to determine ineffectiveness	Reserve on measurement of continuing hedges	Reserve (unsettled) on measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	-	(4,954)	-	-
Hedge of future cash flows (interest rate risk)	432,500 (EUR)	(6,101)	(30,867)	-
Hedge of net investment in a foreign subsidiary (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	1,957,500 (PLN)	22,825	91,564	-

PLN '000

Disclosure of the hedged item as at 31 Dec 2023

	Notional amount of the hedged item	Change in fair value of hedged item used to determine ineffectiveness	Reserve on measurement of continuing hedges	Reserve (unsettled) 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)	408,500 (EUR)	(44,152)	(28,396)	-
Hedge of net investment in a foreign subsidiary (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

1 Jan–31 Dec 2024

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of net investment (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	Total hedge reserve
Hedge reserve at beginning of period	(21,216)	4,082	68,177	51,043
Measurement of instruments charged to capital reserves	11,681	-	81,895	93,576
Cost of hedging*	-	-	12,802	12,802
Temporary differences/reversal of temporary differences	1,405	-	(5,486)	(4,081)
Amount reclassified to profit or loss during the period	(22,737)	-	(65,824)	(88,561)
- Interest income / (expense)	(22,737)	-	(1,546)	(24,283)
- Cost of hedging	-	-	(64,278)	(64,278)
Hedge reserve at end of period	(30,867)	4,082	91,564	64,779

PLN '000

1 Jan–31 Dec 2023

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

* 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.

The cost of hedging in the statement of profit or loss is recognised under finance costs.

27. Employee benefit liabilities and provisions

PLN '000	31 Dec 2024	31 Dec 2023
Salaries and wages payable	40,045	36,777
Social benefit obligations	23,913	19,879
Provisions for accrued holiday entitlements	14,993	14,136
Personal income tax	5,733	4,778
Special accounts	1,091	899
	<u>85,775</u>	<u>76,469</u>

Changes in accrued employee benefits

Changes in provisions for accrued holiday entitlements

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Amount at beginning of period	14,136	8,017
Increase	14,993	14,136
Use	(14,136)	(8,017)
Amount at end of period	<u>14,993</u>	<u>14,136</u>

28. Trade and other payables

PLN '000	31 Dec 2024	31 Dec 2023
Trade payables	167,396	163,254
Other liabilities	49,537	41,488
Deferred income	5,296	6,690
Accrued expenses	5,050	6,193
Tax and duties payable	4,544	2,823
	<u>231,823</u>	<u>220,448</u>

Revenue recognised in the reporting period and included in the balance of contract liabilities at the beginning of the period was PLN 1,394 thousand.

For information on the exposure to currency risk and liquidity risk associated with liabilities, see Note 30.

29. Provisions

PLN '000	31 Dec 2024	31 Dec 2023
Provisions for retirement gratuities	18,289	15,945
Provision for the loyalty scheme	-	10,871
Provision for tax inspection outcome	1,607	28,554
Other provisions	-	7,535
	19,896	62,905

Changes in provisions

	Provisions for retirement gratuities	Provision for the loyalty scheme	Provision for tax inspection outcome	Other provisions
Carrying amount as at 1 Jan 2023	14,124	11,746	-	10,561
Increase / accrual	2,202	402	28,554	
Provision for possible differences relative to straight-line basis settlement				-
Utilisation	(381)	(1,277)	-	
Release of provision for potential differences due to linear settlement				(3,026)
Carrying amount as at 31 Dec 2023	15,945	10,871	28,554	7,535
Carrying amount as at 1 Jan 2024	15,945	10,871	28,554	7,535
Increase / accrual	2,434	329	-	
Utilisation	(90)	(2,248)	(26,947)	
Release of provision related to conclusion of loyalty scheme		(8,952)		
Release of provision for potential differences due to linear settlement				(7,535)
Carrying amount as at 31 Dec 2024	18,289	-	1,607	-

The Customs and Revenue Office of Kraków conducted an audit of Kruk S.A.'s corporate income tax settlements for 2018–2023. As at the issue date of these financial statements, the audits for 2018-2023 had been completed. The Group established a provision in 2023 totalling PLN 28,554 thousand, covering the tax arrears along with interest for the audited years. The proceedings resulted in a change in the methodology for determining transfer pricing between related parties for management and debt collection services provided by the Parent to its related parties. The change was implemented in 2024. For years, the Parent consistently applied the comparable uncontrolled price (CUP) method to determine the consideration due for its management and collection services. The Customs and Revenue Office indicated the need to switch to the cost-plus method, which seeks to cover the service cost and add an appropriate mark-up. The audit results remain consistent with the calculation of the provision created by the Group at the end of 2023.

In the reporting period, the provision for potential differences due to the linear settlement was reversed due to the marginal level of complaints. The Group believes there is a low risk of increase in the level of complaints in the future.

As at the end of August 2024, the KRUK Group concluded its Dreams Come True (*Marzenia do spełnienia*) loyalty scheme, resulting in the reversal of a PLN 8,952 thousand provision for points.

30. Management of risk arising from financial instruments

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

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

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

Key policies of risk management

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

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

30.1. Credit risk

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

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

Loans

The Kruk Group grants consumer loans as part of the activities of the following companies: Wonga.pl sp. z o.o., Novum Finance sp. z o.o., RoCapital IFN S.A.. The products offered by Wonga.pl on the open market are dedicated to individuals of good credit standing, with access to online banking. The products offered by Novum Finance sp. z o.o. and RoCapital IFN S.A. (NOVUM product) are primarily addressed to clients who have repaid or are regularly repaying their liabilities to the Group resulting from the purchased retail debt portfolios. The Group has the experience and analytical tools necessary to estimate credit risk for loans offered both to new clients and to clients previously involved with the Kruk Group. Loans to borrowers who were not previously clients of the Kruk Group currently represents a significant majority of the Kruk Group's consumer loan portfolio.

For each loan, the Group assesses the client's creditworthiness, which is then reflected in the offer addressed to the client.

For loans measured at amortised cost and at fair value, the loan-related credit risk is reflected in their measurement at the end of each reporting period, in accordance with section 3.4.1. As at each valuation date, the Group estimates credit risk based on past inflows from loans. The credit risk assessment also takes into account the period of delinquency of the loans being valued.

The Group mitigates the risk by performing a meticulous verification of clients before a loan is advanced, taking into account the likelihood of recovery of invested capital from the amounts disbursed to clients and the estimated costs of the sale and service process. The key tool used by the Group in order to mitigate credit risk is pursuing an appropriate credit policy vis à vis its clients, which includes, among other things:

- Assessment of a client's creditworthiness prior to advancing a loan and other terms of cooperation;
- Regular monitoring of timely payment of debt;
- Monitoring of risk indicators;
- Maintaining a diversified client base.

Assessment of a client's creditworthiness includes:

- Verification of the client with a credit reference agency;
- Verification of loan documents;
- Verification of the employment status;
- Verification of the client's contact phone (for sales over the phone).

As part of the risk management policy, risk identification, measurement and management methods have been implemented to optimise the level of risk and ultimately to verify profitability. These methods are designed to assist in making rational business decisions based on the principle of balancing risk and profitability by limiting losses resulting from the materialisation of an unplanned adverse scenario or situation and maximising income earned in the case of materialisation of an unplanned favourable scenario or situation.

The Group carries out a thorough analysis and estimate of the risk attached to the loans it grants using advanced economic and statistical tools and relying on its long-standing experience in this respect.

As at the date of these financial statements, the KRUK Group holds no single loan to third parties where default on the loan could have a material adverse effect on its liquidity.

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 of individual companies is required.

The Group regularly monitors whether payments are made when due, and if any delays are found, 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 60% of business partners have conducted business with the Group for at least three years. In only few cases losses were incurred by the Group as a result of non-payment. Trade and other receivables mainly comprise of fees receivable in respect of debt collected for external business partners.

The Group's exposure to credit risk mainly results from individual characteristics of each business partner. The Group's largest business partner generates 17% (2023: 14%) of the Group's revenue from credit management services. Receivables from the Group's largest business partner represented 5.8% of total trade receivables as at 31 December 2024 (31 December 2023: 2.3%). Therefore, there is no significant concentration of credit risk at the Group.

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

Purchased debt portfolios

Purchased debt portfolios comprise of overdue debts which prior to the purchase by the Group were often subject to collection by the seller of the portfolio or by a third party acting on the seller's behalf. Credit risk related to purchased debt portfolios is relatively high, but the Group has the experience and analytical tools necessary to estimate such risk.

As at the date of purchase of a debt portfolio, the Group evaluates the portfolio's credit risk which is subsequently reflected in the price offered for the portfolio.

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

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

- Debt:
 - outstanding amount
 - principal
 - principal to debt ratio
 - amount of credit granted / total amount of invoices
 - type of product
 - debt past due (DPD)
 - contract's term
 - time elapsed from contract execution
 - collateral (existence, type, amount).
- Indebted person:
 - credit amount repaid so far / amount of invoices repaid so far
 - time elapsed from the last payment made by the indebted person
 - region
 - indebted person's form of incorporation
 - indebted person's death or bankruptcy
 - indebted person's employment.
- Debt processing by the previous creditor:
 - availability of the indebted person's correct contact data

- in-house collection – by the previous creditor’s own resources
- outsourced collection – debt management by third parties
- court collection
- bailiff collection.

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

The Group 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 Group in most of such auctions do not differ significantly from prices offered by the Group’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 is derived from a database containing information on portfolios previously purchased and collected by the Group.

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

The key tool used by the Group 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 Group 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 KRUK Group holds no single debt whose non-payment could have a material adverse effect on its liquidity, but no assurance can be given that such a situation will not occur in the future.

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.

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	Note	31 Dec 2024	31 Dec 2023
Investments in debt portfolios	17	10,500,278	8,673,765
Loans	17	502,905	418,128
Hedging instruments	26	114,326	98,428
Trade and other receivables, excluding tax receivables	20	53,392	45,145
Cash and cash equivalents	21	214,790	388,461
		11,385,691	9,623,927

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

PLN '000	31 Dec 2024	31 Dec 2023
Poland	4,669,869	3,987,968
Romania	1,697,570	1,484,091
Italy	2,849,132	2,227,282
Spain	1,909,174	1,711,748
Other foreign markets	259,946	212,838
	11,385,691	9,623,927

Credit risk exposure – Investments in debt portfolios

PLN '000	Carrying amount as at 31 Dec 2024	Carrying amount as at 31 Dec 2023
Unsecured retail portfolios	9,375,242	7,601,776
Secured retail portfolios	255,418	281,025
Unsecured corporate portfolios	299,321	220,520
Secured corporate portfolios	570,297	570,444
	10,500,278	8,673,765

Credit risk exposure – Loans

PLN '000	Risk classification	Carrying amount as at 31 Dec 2024				
		Basket 1	Basket 2	Basket 3	POCI loans	Total
Gross carrying amount of loans measured at amortised cost						
	low	290,615	88,190	254,622	-	633,427
	medium	44,535	25,826	75,491	387	146,239
	high	1,410	683	18,907	508	21,508
	not classified	266	169	44,325	604	45,364
		336,826	114,868	393,345	1,499	846,538
Allowances for expected credit losses						
	low	22,069	17,627	185,224	-	224,920
	medium	4,550	7,605	55,137	-	67,292
	high	220	206	14,896	-	15,322
	not classified	30	21	39,349	-	39,400
		26,869	25,459	294,606	-	346,934
Net carrying amount						
	low	268,546	70,563	69,398	-	408,507
	medium	39,985	18,221	20,354	387	78,947
	high	1,190	477	4,011	508	6,186
	not classified	236	148	4,976	604	5,964
		309,957	89,409	98,739	1,499	499,604

PLN '000	Risk classification	Carrying amount as at 31 Dec 2023				
		Basket 1	Basket 2	Basket 3	POCI loans	Total
Gross carrying amount of loans measured at amortised cost						
	low	225,196	98,247	182,793	-	506,236
	medium	35,429	12,583	59,089	507	107,608
	high	2,214	908	15,693	-	18,815
	not classified	290	146	44,749	816	46,001
		263,129	111,884	302,324	1,323	678,660
Allowance for expected credit losses						
	low	13,683	19,788	130,355	-	163,826
	medium	3,027	3,964	43,125	-	50,116
	high	455	412	12,443	-	13,310
	not classified	37	18	38,843	-	38,898
		17,202	24,182	224,766	-	266,150
Net carrying amount						
	low	211,513	78,459	52,438	-	342,410
	medium	32,402	8,619	15,964	507	57,492
	high	1,759	496	3,250	-	5,505
	not classified	253	128	5,906	816	7,103
		245,927	87,702	77,558	1,323	412,510

Loans are classified into different risk segments upon being granted.

The classification criterion for individual risk groups is the delay in payment of principal instalments:

- low-risk loans – the share of loans with delayed principal payments is 5%,
- medium-risk loans – the share of loans with delayed principal payments is 10%,
- high-risk loans - the share of loans with delayed principal payments is around 20%.

During their lifespan, risks are classified into baskets.

Credit risk exposure – Cash

PLN '000	31 Dec 2024	31 Dec 2023
Cash in accounts with banks rated below BBB – by Standard & Poor's*	51,852	16,613
Cash in accounts with banks rated BBB or higher – by Standard & Poor's*	162,823	371,730
Cash in hand	115	118
	<u>214,790</u>	<u>388,461</u>

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

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

As at 31 December 2024, 36% of the Group's cash was deposited with a bank rated A- (according to S&P).

Allowance for expected credit losses

For information on changes in allowances for expected credit losses on purchased debt portfolios measured at amortised cost, see Notes 5 and 17.

The table below presents breakdown of trade and other receivables other than tax receivables into baskets as at the end of the reporting periods.

IFRS 9 classification	Days past due	Expected credit losses as % of gross carrying amount	Carrying amount	Carrying amount
			as at 31 Dec 2024	as at 31 Dec 2023
Gross carrying amount of trade and other receivables, excluding tax receivables				
	<1 day		53,392	45,145
	1-90 days		182	177
	>90 days		1,613	1,613
			<u>55,187</u>	<u>46,935</u>
Allowances for expected credit losses				
	<1 day	0%	-	-
	1-90 days	0.70%	182	177
	>90 days	100%	1,613	1,613
			<u>1,795</u>	<u>1,790</u>
Net carrying amount				
	<1 day		53,392	45,145
	1-90 days		-	-
	>90 days		-	-
			<u>53,392</u>	<u>45,145</u>

Changes in allowances for expected credit losses on receivables:

PLN '000	1 Jan–31 Dec 2024				1 Jan–31 Dec 2023			
	Basket 1	Basket 2	Basket 3	Total	Basket 1	Basket 2	Basket 3	Total
Loss allowance as at 1 Jan	-	177	1,613	1,790	-	169	1,613	1,782
Loss allowance recognised in the period	-	38	-	38	-	38	-	38
Reversal of loss allowance	-	(33)	-	(33)	-	(30)	-	(30)
Use of loss allowance	-	-	-	-	-	-	-	-
Transfer between baskets	-	-	-	-	-	-	-	-
Loss allowance at end of period	-	182	1,613	1,795	-	177	1,613	1,790

The analysis of loans as at the end of the reporting periods is presented in Note 17. Investments under *Loans*.

Changes in the gross amount of loans measured at amortised cost:

PLN '000	1 Jan–31 Dec 2024					1 Jan–31 Dec 2023				
	Basket 1	Basket 2	Basket 3	POCI loans	Total	Basket 1	Basket 2	Basket 3	POCI loans	Total
Gross carrying amount as at 1 Jan	263,129	111,884	302,324	1,323	678,660	216,799	117,473	182,377	1,478	518,127
Purchase	43,275	6,525	-	2,868	52,668	-	-	-	-	-
Change due to disbursement	238,064	71,558	28,901	-	338,523	207,860	62,555	26,914	-	297,329
Change due to repayment	(218,243)	(90,703)	(28,902)	(2,692)	(340,540)	(150,533)	(51,780)	(29,037)	(155)	(231,505)
Transfer from basket 1 to basket 2	(16,764)	16,764	-	-	-	(24,727)	24,727	-	-	-
Transfer from basket 1 to basket 3	(28,122)	-	28,122	-	-	(41,539)	-	41,539	-	-
Transfer from basket 2 to basket 1	11,353	(11,353)	-	-	-	12,057	(12,057)	-	-	-
Transfer from basket 2 to basket 3	-	(9,828)	9,828	-	-	-	(53,635)	53,635	-	-
Transfer from basket 3 to basket 1	-	-	-	-	-	16	-	(16)	-	-
Transfer from basket 3 to basket 2	-	-	-	-	-	-	2	(2)	-	-
Change in gross carrying amount in the reporting period	44,134	20,021	53,072	-	117,227	43,196	24,599	26,914	-	94,709
Gross carrying amount at end of period	336,826	114,868	393,345	1,499	846,538	263,129	111,884	302,324	1,323	678,660

Changes in the allowances for expected credit losses on loans measured at amortised cost are presented below.

PLN '000	1 Jan–31 Dec 2024				1 Jan–31 Dec 2023			
	Basket 1	Basket 2	Basket 3	Total	Basket 1	Basket 2	Basket 3	Total
Loss allowance as at 1 Jan	17,202	24,182	224,766	266,150	9,769	17,316	134,039	161,124
Loss allowance as at acquisition date	-	-	-	-	-	-	-	-
Change due to disbursement	18,176	16,876	18,052	53,104	13,981	14,523	18,061	46,565
Change due to repayment	(17,409)	(20,103)	(21,647)	(59,159)	(9,841)	(11,192)	(21,588)	(42,621)
Transfer from basket 1 to basket 2	(4,093)	4,093	-	-	(5,478)	5,478	-	-
Transfer from basket 1 to basket 3	(18,635)	-	18,635	-	(7,394)	-	7,394	-
Transfer from basket 2 to basket 1	552	(552)	-	-	694	(694)	-	-
Transfer from basket 2 to basket 3	-	(25,717)	25,717	-	-	(36,100)	36,100	-
Transfer from basket 3 to basket 1	-	-	-	-	-	-	-	-
Transfer from basket 3 to basket 2	-	-	-	-	-	-	-	-
Allowance for expected credit losses recognised in the reporting period	31,076	26,680	29,083	86,839	15,471	34,851	50,760	101,082
Loss allowance at end of period	26,869	25,459	294,606	346,934	17,202	24,182	224,766	266,150

As at 31 December 2024, the gross carrying amount of loans measured at amortised cost was PLN 846,538 thousand (PLN 678,660 thousand as at 31 December 2023). The Group recognised an allowance for expected credit losses on loans of PLN 346,934 thousand as at 31 December 2024 (PLN 266,150 thousand as at 31 December 2023). The amount of the impairment loss is determined for individual expected loss recognition baskets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency (Note 3.4.1). The amount of the impairment loss covers 41.0% of the gross carrying amount of loans measured at amortised cost (at the end of 2023: 39.2%). The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk was PLN 27,591 thousand in 2024 (2023: PLN 22,124 thousand).

Impact of macroeconomic factors on the estimation of expected credit losses for the Wonqa loan portfolio

Expected credit losses for loans measured at amortised cost are determined based on the following parameters: PD (probability of default understood as a state of being in default), PPS (probability of prepayment), LGD (loss given default) and EAD (exposure at default).

The Group analyses the impact of macroeconomic factors on projected recoveries and expected credit losses for loans measured at amortised cost. Macroeconomic variables analysed by the Group:

- consumer bankruptcies,
- unemployment levels (total registered, newly registered, and re-registered unemployed individuals),
- registered unemployment rate,
- number of new job offers in the period.

If incorporating these macroeconomic variables (in addition to the applied behavioural scoring model) improves the projection accuracy, they are included in the expected credit loss estimation model. As at 31 December 2024 and 31 December 2023, macroeconomic variables were not factored into the expected credit loss estimates due to their insignificant impact on the model.

Impact of macroeconomic factors on the estimation of expected credit losses for the Novum loan portfolio

Calculations of expected credit losses incorporate estimates relating to the anticipated macroeconomic environment. The impact of macroeconomic factors is considered through the effect of forecast macroeconomic variables on the individual risk parameters (PD, LGD). Historical data is used to verify the correlation between changes in these parameters (or their components) and changes in macroeconomic variables.

Macroeconomic variables analysed by the Group include changes in:

- GDP growth rate,
- consumer price index (CPI),
- retail sales index,
- average wages in the national economy,
- unemployment rate.

As at the end of 2024, the statistically significant macroeconomic variables were changes in the CPI and unemployment rate, which were correlated with historical repayments, a key component in LGD estimates. The baseline macroeconomic scenario used for the LGD estimation is based on available macroeconomic forecasts, particularly those published by the National Bank of Poland (NBP) regarding inflation and GDP projections.

The estimated impact of incorporated macroeconomic forecasts over a 12-month time horizon translates into a decrease in expected credit losses by approximately PLN 233 thousand for the Novum loan portfolio on a consolidated basis as at the end of 2024. The corresponding impact as at 31 December 2023 was PLN 204 thousand (a decrease in expected credit losses).

Over a three-year time horizon, the impact of incorporated macroeconomic forecasts on expected credit losses is approximately PLN 81 thousand (a decrease in expected credit losses) for the Novum loan portfolio on a consolidated basis at the end of 2024. The corresponding impact as at 31 December 2023 was PLN 244 thousand (a decrease in expected credit losses).

Modifications

Loan agreement terms may be modified during the financing period to reflect:

- changes in the repayment schedule for all or a part of a loan,
- adjustment of instalment amounts,
- changes in the interest rate basis or discontinuation of interest accrual,
- capitalisation of overdue or current interest payments.

When modifications to contract terms are identified, the Group performs a qualitative and quantitative test to determine whether the modification is substantial. If the modification is considered substantial, the original financial asset is derecognised, and a new (modified) financial asset is recognised at fair value.

A substantial modification occurs if the following criteria are met:

- quantitative criterion: the quantitative test involves analysing the exposure amount prior to and after the modification. A modification is considered substantial if the change in exposure within a given group of financial assets exceeds 10% of the expected discounted cash flows for the homogeneous product groups. If the change is 10% or less, the modification is deemed non-substantial;
- qualitative criterion: a change in debtor is considered a qualitative criterion, the occurrence of which would cause the modification to be considered substantial.

During the reporting period, no quantitative or qualitative criteria for the recognition of modifications were met, meaning there was no need to derecognise any original financial assets.

30.2. Liquidity risk

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

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

The key objectives of liquidity management include:

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

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

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

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

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

Exposure to liquidity risk

As at 31 Dec 2024

PLN '000

	Carrying amount	Undiscounted contractual/estimated cash flows*	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	10,500,278	23,147,233	1,692,715	1,611,937	3,091,801	6,798,541	9,952,238
Loans	502,905	691,074	206,554	154,075	173,654	82,780	74,011
Trade and other receivables, excluding tax receivables	53,392	53,392	53,392	-	-	-	-
Cash and cash equivalents	214,790	214,790	214,790	-	-	-	-
Secured borrowings	(3,458,610)	(4,509,115)	(151,206)	(153,456)	(362,199)	(3,842,254)	-
Unsecured bonds in issue	(3,109,702)	(4,079,737)	(355,339)	(156,497)	(513,148)	(2,918,690)	(136,063)
Lease liabilities	(58,239)	(70,299)	(13,073)	(12,710)	(13,025)	(28,174)	(3,317)
Trade and other payables	(216,933)	(216,933)	(216,933)	-	-	-	-
	<u>4,427,881</u>	<u>15,230,405</u>	<u>1,430,900</u>	<u>1,443,349</u>	<u>2,377,083</u>	<u>92,203</u>	<u>9,886,869</u>

*Cash flows based on estimates.

As at 31 Dec 2023

PLN '000

	Carrying amount	Undiscounted contractual/estimated cash flows*	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	8,673,765	18,397,175	1,380,421	1,306,615	2,526,899	5,683,065	7,500,175
Loans	418,128	665,411	221,218	161,854	167,354	64,425	50,560
Trade and other receivables, excluding tax receivables	45,145	45,145	45,145	-	-	-	-
Cash and cash equivalents	388,461	388,461	388,461	-	-	-	-
Secured borrowings	(2,610,158)	(3,424,429)	(137,898)	(122,501)	(290,459)	(2,873,571)	-
Unsecured bonds in issue	(2,851,202)	(4,012,618)	(159,822)	(160,134)	(445,792)	(2,626,389)	(620,481)
Lease liabilities	(69,807)	(74,608)	(16,857)	(15,549)	(20,107)	(19,309)	(2,786)
Trade and other payables	(204,742)	(204,742)	(204,742)	-	-	-	-
	3,789,590	11,779,795	1,515,926	1,170,285	1,937,895	228,221	6,927,468

Contractual cash flows were determined based on interest rates effective as at 31 December 2024 and 31 December 2023, respectively.

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

As at 31 December 2024, the undrawn revolving credit facility limit available to the Group was PLN 475,189 thousand (31 December 2023: PLN 768,121 thousand). The limit is available until 31 December 2029.

The Group companies did not provide any guarantees to third parties.

For information on liquidity risk of hedging instruments, see Note 26.

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

30.3. Market risk

Market risk is related to changes in such market factors as foreign exchange rates, interest rates or stock prices, which affect the Group's performance or the value of financial instruments it holds. The objective behind market risk management is to maintain and control the Group's exposure to market risk within assumed limits, while seeking to optimise the rate of return.

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

- the Group's objectives in terms of interest rate risk;
- methods of interest rate risk monitoring;
- the Group's permitted exposure to interest rate risk;
- procedures in case of exceeding the Group's permitted exposure to interest rate risk;
- principles of interest rate risk management at the KRUK Group.

The currency risk management policy outlines:

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

As at 31 December 2024, financial assets denominated in foreign currencies accounted for 58% of total assets, while liabilities denominated in foreign currencies represented 31% of total equity and liabilities (31 December 2023: 57% and 31%, respectively).

The Group uses financial instruments to hedge its interest rate risk and currency risk (see Notes 3.4.4 and 26).

Exposure to currency risk and sensitivity analysis

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

PLN '000	31 Dec 2024					31 Dec 2023				
	Exposure to currency risk									
	PLN	EUR	RON	CZK	Total	PLN	EUR	RON	CZK	Total
Trade and other receivables	-	3,752	12,319	-	16,071	-	3,961	12,320	-	16,281
Investments	-	163	1,606,714	9,487	1,616,364	-	245	1,410,385	11,783	1,422,414
Cash	785	8,589	30,204	138	39,717	127	3,845	19,348	909	24,228
Borrowings, debt securities and leases	-	(1,116,612)	-	-	(1,116,612)	-	(910,455)	-	-	(910,455)
Trade and other payables	(1,181)	(9,719)	(20,314)	-	(31,214)	(941)	(7,120)	(44,870)	-	(52,932)
Currency risk exposure – items affecting profit or loss	(395)	(1,113,827)	1,628,924	9,625	524,326	(814)	(909,523)	1,397,182	12,693	499,537
Trade and other receivables	-	21,210	16,493	470	38,174	-	19,650	29,819	(5,607)	43,862
Investments	-	4,723,312	66,946	92,888	4,883,146	-	3,856,629	53,682	134,059	4,044,369
Cash	-	118,792	17,542	7,118	143,451	-	87,611	18,781	5,931	112,323
Borrowings, debt securities and leases	-	(2,376,032)	(10,172)	(930)	(2,387,134)	-	(1,968,835)	(15,582)	(846)	(1,985,263)
Trade and other payables	-	(97,888)	(11,828)	(1,368)	(111,083)	-	(71,984)	(12,508)	(604)	(85,096)
Currency risk exposure – items affecting other comprehensive income	-	2,389,394	78,981	98,179	2,566,554	-	1,923,071	74,192	132,932	2,130,195
Exposure to currency risk	(395)	1,275,567	1,707,905	107,803	3,090,880	(814)	1,013,547	1,471,374	145,625	2,629,732
Hedge effect		(1,957,500)			(1,957,500)		(1,750,000)			(1,750,000)
Currency risk exposure after hedging	(395)	(681,933)	1,707,905	107,803	1,133,380	(814)	(736,453)	1,471,374	145,625	879,732

Consolidated financial statements for the year ended 31 December 2024 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)
The published XHTML report is the binding version of financial statements

PLN '000

31 Dec 2024

31 Dec 2023

	31 Dec 2024					31 Dec 2023				
	PLN	EUR	RON	CZK	Total	PLN	EUR	RON	CZK	Total
	Analysis of sensitivity of currency risk exposure to +10% increase in exchange rates									
Trade and other receivables	-	375	1,232	-	1,607	-	396	1,232	-	1,628
Investments	-	16	160,671	949	161,636	-	25	141,038	1,178	142,241
Cash	79	859	3,020	14	3,972	13	384	1,935	91	2,423
Borrowings, debt securities and leases	-	(111,661)	-	-	(111,661)	-	(91,045)	-	-	(91,045)
Trade and other payables	(118)	(972)	(2,031)	-	(3,121)	(94)	(712)	(4,487)	-	(5,293)
Effect on statement of profit or loss	(40)	(111,383)	162,892	963	52,433	(81)	(90,952)	139,718	1,269	49,954
Trade and other receivables	-	2,121	1,649	47	3,817	-	1,965	2,982	(561)	4,386
Investments	-	472,331	6,695	9,289	488,315	-	385,663	5,368	13,406	404,437
Cash	-	11,879	1,754	712	14,345	-	8,761	1,878	593	11,232
Borrowings, debt securities and leases	-	(237,603)	(1,017)	(93)	(238,713)	-	(196,883)	(1,558)	(85)	(198,526)
Trade and other payables	-	(9,789)	(1,183)	(137)	(11,109)	-	(7,198)	(1,251)	(60)	(8,509)
Effect on other comprehensive income	-	238,939	7,898	9,818	256,655	-	192,308	7,419	13,293	213,020
Exposure to currency risk	(40)	127,557	170,790	10,780	309,087	(81)	101,356	147,137	14,562	262,974
Hedge effect	-	(195,750)	-	-	(195,750)	-	(175,000)	-	-	(175,000)
Currency risk exposure after hedging	(40)	(68,193)	170,790	10,780	113,337	(81)	(73,644)	147,137	14,562	87,974

As at 31 December 2024, a 10% depreciation of PLN against EUR would result in a PLN 111,383 thousand decrease in profit and PLN 127,556 thousand increase in equity, while a 10% appreciation of PLN against EUR would result in a PLN 111,383 thousand increase in profit and PLN 127,556 thousand decrease in equity. As at 31 December 2024, a 10% depreciation of PLN against RON would result in a PLN 162,892 thousand increase in profit and PLN 170,790 thousand increase in equity, while a 10% appreciation of PLN against RON would result in a PLN 162,892 thousand decrease in profit and PLN 170,790 thousand decrease in equity. The analysis assumes that other variables, especially interest rates, remain equal.

Currency concentration risk is defined by the Group as the risk arising from significant exposure to individual financial instruments denominated in RON, CZK, and 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 2024	1 Jan–31 Dec 2023	31 Dec 2024	31 Dec 2023
EUR 1	4.3075	4.5284	4.2730	4.3480
USD 1	3.9815	4.1823	4.1012	3.9350
RON 1	0.8658	0.9145	0.8589	0.8742
CZK 1	0.1715	0.1889	0.1699	0.1759

* 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. As of 1 January 2024, the calculation also includes the mid rate quoted for the last day of the previous financial year.

Exposure to interest rate risk

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

PLN '000	Carrying amount	
	31 Dec 2024	31 Dec 2023
Fixed-rate financial instruments		
Financial assets	10,910,759	9,199,664
Financial liabilities	(396,964)	(383,995)
	10,513,795	8,815,669
Hedge effect (notional amount)	(3,805,573)	(3,716,158)
Fixed-rate financial instruments after hedging	6,708,223	5,099,511
Variable-rate financial instruments		
Financial assets	474,932	424,263
Financial liabilities	(6,483,367)	(5,384,528)
	(6,008,435)	(4,960,265)
Hedge effect (notional amount)	3,805,573	3,716,158
Variable-rate financial instruments after hedging	(2,202,863)	(1,244,107)

Interest rate concentration risk is defined by the Group as the risk arising from significant exposure to individual financial instruments. The Group mitigates the impact of interest rate risk by entering into IRS and CIRS hedging transactions (see Note 26).

Sensitivity analysis of fair value of fixed-rate financial instruments

The Group does not hold any fixed rate financial instruments measured at fair value through profit or loss, nor does it execute transactions with derivatives (IRSs) serving as security for fair value. 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

A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit over the loan term by the amounts shown below. The following analysis is based on the assumption that other variables, in particular exchange rates, remain unchanged.

PLN '000

	Profit or loss for the current period		Equity excluding profit or loss for the current period	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
31 Dec 2024				
Variable-rate financial assets	3,606	(3,606)	1,143	(1,143)
Variable-rate financial liabilities	(64,466)	64,466	(367)	367
31 Dec 2023				
Variable-rate financial assets	3,258	(3,258)	984	(984)
Variable-rate financial liabilities	(53,519)	53,519	(326)	326

30.4. Capital management

The Parent's Management Board seeks to strike a balance between the rate of return achievable with higher debt levels and the risk exposure. In the reporting period from 1 January to 31 December 2024, return on equity, computed as the ratio of net profit for the reporting period to equity less net profit, was 31.08% (2023: 35.05%).

The Group's debt ratio, i.e. the ratio of total liabilities under borrowings, bonds in issue and leases to total equity, was 1.46 as at 31 December 2024 (31 December 2023: 1.46).

As required under the Anti-Usury Act of 18 December 2020, the Management Board of the Parent aims to maintain the share capital of lending institutions in the KRUK Group at the minimum level of PLN 1,000 thousand. As required under Art. 49-51 of the Act on Investment Funds and Management of Alternative Investment Funds of 27 May 2004, the investment fund management company KRUK TFI is required to maintain its equity at a level not lower than 25% of total costs incurred, received in the previous financial year.

All these requirements were met in 2024 and 2023.

In the reporting period from 1 January to 31 December 2024, there were no changes in the Group's capital management policy.

31. Fair values

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 2024		31 Dec 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Hedging instruments (IRS)	(34,497)	(34,497)	(23,442)	(23,442)
Hedging instruments (CIRS)	112,081	112,081	89,256	89,256
Derivatives (FORWARD)	(105)	(105)	-	-
Loans	3,301	3,301	5,618	5,618
	<u>80,780</u>	<u>80,780</u>	<u>71,432</u>	<u>71,432</u>
Financial assets and liabilities other than measured at fair value				
Investments in debt portfolios	10,500,278	10,162,194	8,673,765	8,827,759
Loans	499,604	506,532	412,510	418,318
Trade and other receivables, excluding tax receivables	53,392	53,392	45,145	45,145
Trade and other payables	(216,933)	(216,933)	(204,742)	(204,742)
Secured borrowings	(3,458,610)	(3,477,433)	(2,610,158)	(2,622,718)
Liabilities under debt securities (unsecured)	<u>(3,109,702)</u>	<u>(3,289,856)</u>	<u>(2,851,202)</u>	<u>(2,869,113)</u>
	<u>4,268,029</u>	<u>3,737,896</u>	<u>3,465,318</u>	<u>3,594,649</u>

Interest rates used for fair value estimation

	31 Dec 2024	31 Dec 2023
Investments in debt portfolios*	2.19% - 87.14%	2.55% - 65.08%
Loans	18.38% - 47.54%	17.67% - 45.83%
Secured borrowings	5.15% - 8.77%	6.05% - 8.75%

* Applicable to 99% of debt portfolios.

Hierarchy of financial instruments

Hierarchy of financial instruments measured at fair value

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

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

In 2023–2024, no transfers were made between the levels.

Hierarchy of financial instruments – Level 1

PLN '000	Level 1	
	Carrying amount	Fair value
As at 31 December 2023		
Liabilities under debt securities (unsecured)	(2,851,202)	(2,869,113)
As at 31 December 2024		
Liabilities under debt securities (unsecured)	(3,109,702)	(3,289,856)

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

Hierarchy of financial instruments – Level 2

PLN '000	Level 2	
	Carrying amount	Fair value
As at 31 December 2023		
Hedging instruments (IRS)	(23,442)	(23,442)
Hedging instruments (CIRS)	89,256	89,256
As at 31 December 2024		
Hedging instruments (IRS)	(34,497)	(34,497)
Hedging instruments (CIRS)	112,081	112,081
Derivatives (FORWARD)	(105)	(105)

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

Hierarchy of financial instruments – Level 3

PLN '000	Level 3	
	Carrying amount	Fair value
As at 31 December 2023		
Investments in debt portfolios	8,673,765	8,827,759
Loans	418,128	423,936
Trade and other receivables, excluding tax receivables	45,145	45,145
Secured borrowings	(2,610,158)	(2,622,718)
Trade and other payables	(204,742)	(204,742)
As at 31 December 2024		
Investments in debt portfolios	10,500,278	10,162,194
Loans	502,905	509,833
Trade and other receivables, excluding tax receivables	53,392	53,392
Secured borrowings	(3,458,610)	(3,477,433)
Trade and other payables	(216,933)	(216,933)

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 recoveries 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 advanced was determined based on the projection of expected cash flows, taking into account the risk-free discount rate, the premium for non-performing loans, the margin related to financing of the particular business, and – if any prepayments are identified (i.e. early repayments vs the agreed schedule) – an additional margin related to the loan prepayments (see Note 3.4.1).

The fair value of financial liabilities under borrowings is determined on the basis of future cash flows from the executed transactions, taking into account the current interest rate.

The Group uses Level 3 inputs to determine the fair value of trade and other receivables, excluding receivables on account of taxes as well as trade and other payables. Due to their short-term nature, their carrying amount is deemed to be equal to their fair value.

32. Related-party transactions

Related-party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Remuneration of the management personnel - Management Board

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

<i>PLN '000</i>	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Base pay/managerial contract (gross)	8,965	7,670
Additional benefits	182	206
Share-based payments	16,807	21,951
	<u>25,954</u>	<u>29,827</u>

Remuneration of members of the Supervisory Board

Remuneration of members of the Parent's Supervisory Board:

<i>PLN '000</i>	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Base pay (gross)	1,553	1,226
Additional benefits	37	18
	<u>1,590</u>	<u>1,244</u>

Other transactions with the management

As at 31 December 2024, members of the Management Board and persons closely related to them jointly held 9.8% of the total voting rights at the Parent's General Meeting (31 December 2023: 10.2%).

In 2024 and 2023, there were no material transactions with close family members of the Group's key management personnel.

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

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

33. Share-based payments

Equity-settled cost of stock option plan for the Management Board of the Parent and employees.

PLN '000

Period ending	Value of benefits granted
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
31 Dec 2024	16,807
Total	148,453

The management stock option plan is described in Note 23.

34. Auditor's fees

Auditor's fees are presented below:

PLN '000, net

	31 Dec 2024	31 Dec 2023
Audit of financial statements	2,154	2,518
Other assurance services, including review of financial statements	795	700
	2,949	3,218

35. Other notes

35.1. Notes to the consolidated statement of cash flows

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

<i>PLN '000</i>	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Change in investments in debt portfolios in the statement of financial position	(1,826,513)	(1,905,678)
Effect of exchange differences on translation of foreign operations	(56,114)	(221,108)
Change in investments in debt portfolios in the statement of cash flows	(1,882,627)	(2,126,786)
<i>PLN '000</i>	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Change in provisions in the statement of financial position	(43,009)	26,474
Provision for inspection outcome	26,947	(28,554)
Change in provisions in the statement of cash flows	(16,062)	(2,080)
<i>PLN '000</i>	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Change in trade and other payables in the statement of financial position	11,375	62,177
Deferred tax assets offset against liabilities	(7,192)	-
Change in trade and other payables in the statement of cash flows	4,183	62,177

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

Russia's invasion of Ukraine

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

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

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

35.3. Management of climate and environmental risks

As part of the ESG strategy integral to its business strategy, the KRUK Group 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, the Group 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 KRUK Group is able to control its own emissions and emissions generated along its value chain, and actively contribute to raising awareness of the need to protect the environment among its various stakeholder groups. The Group also examines 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. The plan will be revised based on the results of the double materiality assessment conducted in 2024 under the Corporate Sustainability Reporting Directive, which has been implemented into Polish law by the Act Amending the Accounting Act, the Act on Statutory Auditors, Audit Firms and Public Oversight, and Certain Other Acts of 6 December 2024, for instance by improving the efficiency of the car fleet, using renewable energy sources, and cutting energy consumption in office buildings. For the first time, the Group implemented the Scope 3 guidance of GHG Protocol and included Scope 3 emissions (emissions from activities in the value chain) in its carbon footprint measurement list.

In 2024, the KRUK Group conducted a detailed study of potential climate and environmental risks that could directly impact its operations covering the regions where it operates. The analysis identified and assessed risks associated with extreme weather events, temperature changes, water resource availability and other environmental factors that could potentially affect operational continuity. As a result, the operational risk maps were expanded to include new climate risk categories, integrating them into KRUK's broader operational risk framework.

As at the date of issue of this Report no balance sheet items have been identified that would be materially affected by the analysed climate risk.

36. Contingent liabilities and security created over the Group's assets

KRUK Group's assets pledged as security

Security created over the Group's assets as at 31 December 2024 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 210,000 thousand	No later than 18 December 2032	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 195,000 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.	up to PLN 195,000 thousand*	No later than 31 July 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Amendment 3 of 21 June 2018 to the master agreement on the procedure for execution and settlement of treasury transactions

<p>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., PEKAO S.A.,</p>	<p>DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., PEKAO S.A.</p>	<p>EUR 975,000 thousand</p>	<p>Until all obligations under the multi-currency revolving credit facility agreement are satisfied No later than 31 December 2032</p>	<p>Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement</p>
<p>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.</p>	<p>PKO BP S.A.</p>	<p>PLN 15,624 thousand</p>	<p>No later than 20 September 2029</p>	<p>PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement</p>
<p>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.</p>	<p>PKO BP S.A.</p>	<p>PLN 34,320 thousand</p>	<p>No later than 13 December 2029</p>	<p>PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement</p>
<p>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.</p>	<p>Pekao S.A.</p>	<p>PLN 105,000 thousand</p>	<p>No later than 31 January 2031</p>	<p>Prokura NFW FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement</p>
<p>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.</p>	<p>PKO BP S.A.</p>	<p>PLN 43,560 thousand</p>	<p>No later than 21 August 2030</p>	<p>PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement</p>

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.
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 8 February 2024 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 52,745 thousand	No later than 7 February 2032	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
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 341 thousand and PLN 271 thousand	No later than 31 May 2025	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	Vastint Poland Sp. z o.o.	EUR 471 thousand	No later than 6 November 2025	KRUK S.A.'s failure to repay its liabilities and properly perform its obligations under the rental agreement secured with the Guarantee

* As at 31 December 2024, InvestCapital had no obligations that would be covered by the surety.

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

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

Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of 7 February 2019
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 21 September 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 24,552 thousand	No later than 20 September 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 14 December 2021 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 51,480 thousand	No later than 13 December 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NFW FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of 1 February 2022 between 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.
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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
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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
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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
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Credit sureties or guarantees, security pledges

On 20 September 2024, Kruk S.A. and its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NFW FIZ and KRUK Espana S.L.U. (the borrowers) executed an agreement amending the revolving multi-currency credit facility agreement of 3 July 2017, as amended, with the bank syndicate comprising DNB Bank ASA of Oslo, ING Bank Śląski S.A. of Katowice, Santander Bank Polska S.A. of Warsaw, PKO BP S.A. of Warsaw, Bank Handlowy w Warszawie S.A. of Warsaw, and Bank Polska Kasa Opieki S.A. (the Lenders) (the Amendment Agreement). The Amendment Agreement provided for an increase in the facility limit up to EUR 650,000 thousand. In accordance with the Amendment Agreement, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for all liabilities of the borrowers under the revolving multi-currency credit facility agreement, and the borrowers signed relevant amendments to the pledge agreements reflecting the Amendment Agreement. On 24 September 2024, Prokura NFW FIZ and KRUK S.A. made declarations on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 975,000 thousand, which will expire on or before 31 December 2032.

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

- On 16 January, 26 April, 23 July, 18 September, 10 December 2024, and, subsequent to the reporting date, on 22 January 2025 InvestCapital LTD and the Lenders signed agreements under Spanish law creating pledges over debt portfolios purchased by InvestCapital LTD on the Spanish market;
- On 19 January and 18 December 2024, InvestCapital Ltd and DNB Bank ASA, acting as the security agent, signed amendments to the agreement creating a pledge under Italian law over bonds issued by Kruk Investimenti S.r.l. The amendments confirmed extension of the pledge to apply to the increased nominal amount of the bonds;
- On 2 February 2024, InvestCapital LTD and DNB Bank ASA, acting as the security agent, signed an agreement under Romanian to create a pledge over debt portfolios purchased by InvestCapital LTD on the Romanian market;
- On 16 February 2024, InvestCapital LTD and DNB Bank ASA, acting as the security agent, signed an amendment under Romanian law to the agreement creating pledges over bank accounts held by InvestCapital LTD;
- After the reporting date, on 31 January 2025, Prokura NFW FIZ and DNB Bank ASA, acting as the security agent, signed an agreement under Polish law creating a registered pledge over debt portfolios purchased by Prokura NFW FIZ on the Polish market.

As at 31 December 2024, the value of security created in favour of the Lenders was PLN 6,185,958 thousand.

On 19 December 2023, an amendment to 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:

- On 10 January 2024, an amendment to 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 amendment to 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. submitted a notarised consent 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 submitted a notarised consent 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 amendment to 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;
- Additionally, on 11 January 2024, Prokura NFW FIZ entered into an agreement with mBank S.A. to create a registered pledge over a pool of rights (debt portfolios held by Prokura NFW FIZ) in order to secure the payment of liabilities under the agreement. The registered pledge was created up to the maximum amount of PLN 210,000 thousand.

On 12 November 2024, an amendment to 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 under which the availability period of the facility was extended until 18 December 2029.

Accordingly:

- On 19 November 2024, an amendment to 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 2032;
- On 19 January 2024, an amendment to the surety agreement of 2 July 2015 was executed between mBank S.A. and KRUK S.A. under which the surety expiry date was extended until 18 December 2032;
- On 20 November 2024, KRUK S.A. and Prokura NFW FIZ submitted notarised consents 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 31 December 2032.

As at 31 December 2024, the value of all portfolios pledged in favour of mBank S.A. was PLN 245,687 thousand.

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 has a maximum amount of PLN 39,300 thousand and matures on 7 February 2029. In order to secure the repayment of Prokura NFW FIZ's liabilities under the agreement:

- On 8 February 2024, an amendment to 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 amendment to 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. submitted notarised consents 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;
- On 10 July 2024, Prokura NFW FIZ entered into an agreement with PKO BP S.A. 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 58,950 thousand.

On 20 December 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 has a maximum amount of PLN 40,000 thousand and matures on 19 December 2029. In order to secure the payment by Prokura NFW FIZ of its liabilities under the agreement, subsequent to the reporting date:

- On 8 January 2025, 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 60,000 thousand;
- On 9 January 2025, an amendment to 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 9 January 2025, an amendment to 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 9 January 2025, Prokura NFW FIZ and KRUK S.A. submitted notarised consents to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 60,000 thousand, which will expire on or before 31 December 2032;

- On 31 January 2025, Prokura NFW FIZ entered into an agreement with PKO BP S.A. 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 60,000 thousand.

As at 31 December 2024, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 170,910 thousand.

In connection with the revolving credit agreement dated 8 April 2011, as amended, between KRUK S.A. and Santander Bank Polska S.A., an amendment was signed on 2 September 2024, increasing the credit limit by PLN 150,000 thousand. The updated credit limits are as follows:

- Credit Facility – up to PLN 270,000 thousand or its equivalent in EUR, with the availability period and final repayment date set for 31 October 2029,
- Additional Credit Facility – up to PLN 105,000 thousand or its equivalent in EUR, with the availability period and final repayment date set for 29 October 2027.

As a result, on 4 September 2024:

- An amendment to the agreement on a registered pledge over certificates, dated 20 November 2017, between KRUK S.A. and Santander Bank Polska S.A. was signed, increasing the maximum secured amount to PLN 562,500 thousand;
- KRUK S.A. issued a notarised consent to enforcement under Art. 777.1.5 of the Code of Civil Procedure, for up to PLN 405,000 thousand in respect of the Credit Facility, valid until 31 October 2029, and for up to PLN 157,500 thousand in respect of the Additional Credit Facility, expiring on or before 29 October 2027.

On 28 February 2024, a revolving working capital facility agreement was executed between KRUK S.A. and VeloBank S.A. of Warsaw. The facility has a maximum amount of PLN 118,000 thousand and matures on 28 February 2029. In order to secure the repayment of KRUK S.A.'s liabilities under the agreement, on 7 March 2024:

- KRUK S.A. submitted a notarised consent 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;
- An agreement was executed between KRUK S.A. and VeloBank S.A. creating a financial and registered pledge over investment certificates. The registered pledge was created up to the maximum amount of PLN 177,000 thousand.

On 28 February 2024, an amendment to 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, on 7 March 2024, KRUK S.A. submitted a notarised consent 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.

On 26 April 2024, all amounts due under the credit facility agreement executed between KRUK S.A. and VeloBank S.A. (formerly Getin Noble Bank S.A.) on 31 March 2014 were fully prepaid. The facility had a maturity date of 1 May 2024.

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

- On 11 January 2024, KRUK S.A. submitted a notarised consent 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 2031;
- On 14 February 2024, an agreement was executed between KRUK S.A. and Alior Bank S.A. to create a financial and registered pledge over investment certificates. The registered pledge was created up to the maximum amount of PLN 150,000 thousand.

On 20 December 2024, a revolving credit facility agreement was executed between KRUK S.A. and Alior Bank S.A. The facility has a maximum amount of PLN 200,000 thousand and matures on 31 December 2029. In order to secure the repayment of KRUK S.A.'s liabilities under the agreement:

- On 20 December 2024, KRUK S.A. submitted a notarised consent to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 300,000 thousand, which will expire on or before 31 December 2032;
- After the reporting date, on 15 January 2025, an agreement was executed between KRUK S.A. and Alior Bank S.A. creating a financial and registered pledge over investment certificates. The registered pledge was created up to the maximum amount of PLN 300,000 thousand.

On 30 December 2024, all amounts due under the credit facility agreement executed between KRUK S.A. and Alior Bank S.A. on 2 June 2023 were fully prepaid. The facility had a maximum amount of PLN 50,000 thousand and an original maturity date of 1 June 2025.

On 30 December 2024, all amounts due under the credit facility agreement executed between KRUK S.A. and Alior Bank S.A. on 28 December 2023 were fully prepaid. The facility had a maximum amount of PLN 100,000 thousand and an original maturity date of 31 December 2028.

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 2024 presented in these consolidated financial statements.

37. Events subsequent to the reporting date

- On 5 February 2025, unsecured Series AP3 bonds with a nominal value of PLN 100,000 thousand were issued. The bonds bear interest at a floating rate based on 3M WIBOR plus a margin of 2.80pp and mature on 5 February 2031.
- On 5 March 2025 the Company's share capital was increased from PLN 19,381,668.00 to PLN 19,396,218.00, i.e. by PLN 14,550.00 due to execution of incentive program.

Subsequent to the end of the reporting period, there were no other reportable material events whose disclosure in these consolidated 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 Zasepa

Member of the Management Board

Adam Łodygowski

Member of the Management Board

Monika Grudzień -Wiśniewska

Person responsible for keeping the accounting records

Hanna Stempień

Person responsible for preparing the financial statements

Wrocław, March 26th 2025